

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 033

**DATE:** August 30, 2024

**SUBJECT:** Risk Sharing Pool – July 2024 Operational Report

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***A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.***

Please be advised that the July 2024 Risk Sharing Pool IFRS 17 Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

The results in this report are shown on the IFRS 17 accounting basis. However, please note that for interested members, the RSP operational report on the IFRS 4 basis are available on the FA Portal. The results presented in this bulletin reflect the combined results of the six pools for RSPs unless otherwise specified.

#### **Highlights (IFRS 17)**

- (a) The ***July 2024 received premium*** was \$92.3 million, lower than prior year by \$0.2 million. The ***projected 2024 year-end received premium*** is \$1,220.2 million;
- (b) The ***July 2024 insurance revenue*** was \$68.9 million, higher than prior year by \$8.6 million. The ***projected 2024 year-end insurance revenue*** is \$802.9 million;
- (c) The ***July 2024 operating result*** was a deficit of \$2.2 million, lower than prior year by \$6.1 million. The ***projected 2024 year-end operating result*** is a deficit of \$796.1 million;
- (d) The ***July 2024 combined operating ratio*** was 103.1%, higher than prior year by 9.7 percentage points. The ***projected year-end combined operating ratio*** is 199.2%.

## RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (July 2024)	Projection (July 2024)	Prior Year (July 2023)	2024 year-to-date as at 7 months	2023 year-to-date as at 7 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	96,641	106,541	95,381	684,772	585,670	1,197,755	1,144,373	1,155,412
Received Premium	92,276	92,478	92,169	694,497	562,580	1,220,153	1,142,793	1,122,400
Earned Premium	104,143	106,731	88,427	702,922	603,550	1,211,560	1,099,356	1,060,392
Earned Expense Allowance	(35,278)	(35,971)	(28,136)	(237,191)	(187,375)	(408,682)	(371,330)	(332,276)
<b>Insurance Revenue</b>	<b>68,865</b>	<b>70,761</b>	<b>60,292</b>	<b>465,730</b>	<b>416,175</b>	<b>802,878</b>	<b>728,026</b>	<b>728,116</b>
Total Claims Incurred	113,131	116,351	87,230	786,640	593,999	1,337,163	1,164,826	1,159,445
Claims incurred (CAY)	116,463	119,531	90,414	796,421	622,512	1,362,220	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(3,331)	(3,180)	(3,185)	(9,781)	(28,513)	(25,057)	(41,433)	21,550
Administrative Expense	620	802	537	4,605	4,562	8,702	10,015	8,240
Losses on Onerous Contracts	(2,069)	0	(9,202)	600,388	388,604	600,388	535,063	544,155
Reversal of Losses on Onerous Contracts	(52,239)	(52,239)	(31,240)	(335,042)	(199,081)	(587,048)	(487,491)	(366,883)
<b>Insurance Service Expenses</b>	<b>59,443</b>	<b>64,914</b>	<b>47,324</b>	<b>1,056,592</b>	<b>788,083</b>	<b>1,359,205</b>	<b>1,222,414</b>	<b>1,344,957</b>
<b>Insurance Service Result</b>	<b>9,421</b>	<b>5,847</b>	<b>12,967</b>	<b>(590,861)</b>	<b>(371,908)</b>	<b>(556,327)</b>	<b>(494,388)</b>	<b>(616,840)</b>
Insurance Finance Expense from PV FCF	(7,120)	(7,120)	(6,332)	(90,412)	(70,102)	(128,047)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(546)	(546)	(484)	(7,055)	(5,679)	(9,872)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(3,908)	(3,908)	(2,191)	(87,758)	(27,253)	(101,819)	(42,102)	2,108
<b>Insurance Finance Income (Expense)</b>	<b>(11,574)</b>	<b>(11,574)</b>	<b>(9,007)</b>	<b>(185,225)</b>	<b>(103,033)</b>	<b>(239,738)</b>	<b>(143,350)</b>	<b>(69,270)</b>
<b>Operating Result</b>	<b>(2,153)</b>	<b>(5,727)</b>	<b>3,960</b>	<b>(776,086)</b>	<b>(474,941)</b>	<b>(796,065)</b>	<b>(637,737)</b>	<b>(686,110)</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	169.1%	168.9%	150.0%	171.0%	149.6%	169.7%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(4.8%)	(4.5%)	(5.3%)	(2.1%)	(6.9%)	(3.1%)	(5.7%)	3.0%
Total	164.3%	164.4%	144.7%	168.9%	142.7%	166.5%	160.0%	159.2%
Earned Expense allowance	33.9%	33.7%	31.8%	33.7%	31.0%	33.7%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(78.9%)	(73.8%)	(67.1%)	57.0%	45.5%	1.7%	6.5%	24.3%
Administrative Expenses	0.9%	1.1%	0.9%	1.0%	1.1%	1.1%	1.4%	1.1%
<b>Insurance Service Ratio</b>	<b>86.3%</b>	<b>91.7%</b>	<b>78.5%</b>	<b>226.9%</b>	<b>189.4%</b>	<b>169.3%</b>	<b>167.9%</b>	<b>184.7%</b>
<b>Combined Operating Ratio</b>	<b>103.1%</b>	<b>108.1%</b>	<b>93.4%</b>	<b>266.6%</b>	<b>214.1%</b>	<b>199.2%</b>	<b>187.6%</b>	<b>194.2%</b>

rounding differences may occur  
\*as posted to FA's website Dec 22, 2023

RSP 2024 Summary of Liabilities Amounts in \$000s	Actual (July 2024)	Projection (July 2024)	Prior Year (July 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
<b>LIC</b>	<b>1,902,523</b>	<b>1,895,512</b>	<b>1,631,055</b>	<b>1,951,291</b>	<b>1,955,063</b>	<b>1,691,580</b>
Undiscounted Case Reserves	1,127,445	1,131,092	1,072,218	1,215,782	1,341,347	1,072,734
Undiscounted IBNR	869,510	858,311	642,291	846,125	744,488	736,542
Discount	(229,991)	(229,217)	(199,624)	(244,658)	(264,170)	(242,287)
PV FCF	1,766,964	1,760,186	1,514,885	1,817,249	1,821,666	1,566,989
Risk Adjustment	135,559	135,326	116,171	134,042	133,398	124,591
Risk Adjustment %	7.67%	7.69%	7.67%	7.38%	7.32%	7.95%
<b>LRC</b>	<b>1,183,163</b>	<b>1,183,498</b>	<b>819,413</b>	<b>956,962</b>	<b>905,887</b>	<b>837,723</b>
LRC excl. Loss Component	339,508	337,773	287,249	351,252	352,397	347,171
Loss Component	843,656	845,725	532,164	605,710	553,490	490,552

## Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$113.1 million, lower than projection by \$3.2 million and \$25.9 million higher compared with the same month from last year. Loss ratio was at 169.1%, 0.2 percentage points higher than projected, and 19.2 percentage points higher compared with prior year.
- **Losses on Onerous Contracts** – This represents change in the loss component during the reporting period arising from initial recognition and subsequent re-estimation of the loss component (due to changes in premium or loss ratio projections, for example). We intend to reach out to the FA membership in the coming months for a full refresh of the premium projections.
- **Reversal of Losses on Onerous Contracts** – This represents changes in the loss component during the reporting period arising from the portion of the opening LRC earned during the period. Excludes the impact of change in discount rates, and completely aligns with projection.

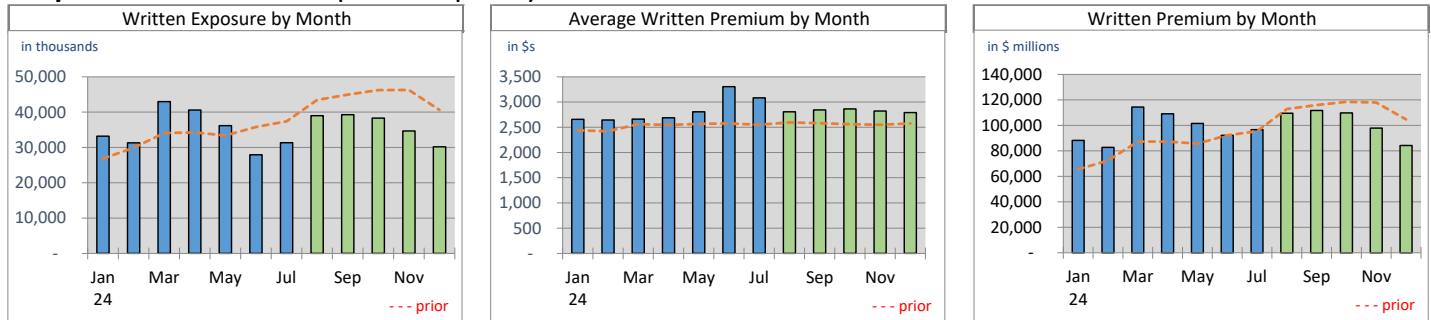
## Insurance Finance Income

Insurance Finance income/ (expense) is comprised of:

- The release of the effect of discounting due to the passage of time (also known as discount unwinding)  
The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated.

## Premium

The **premium drivers** compared to prior year are:



The vehicle count transfer for the month was 31,339 vehicles, which was lower than prior year by 6,066 vehicles and 13,138 vehicles lower than The Outlook for the month. This is primarily driven by a removal of vehicle counts in the Ontario pool and lower cessions to the Alberta Grid pool.

Alberta has announced adjustments to the Grid premiums effective May 1, 2024, including a 12% base rate increase and increases to the Grid Step 14 and 15 differentials. Please see the AIRB [2024 Annual Grid Review](#). Members have been reviewing their ceding strategies following the grid rate change announcement, and we have attempted to adjust our projections to estimate the impact of the changes but plan to reach out to members in the coming months for a full refresh of projections.

The average premium for the month was higher than The Outlook by 23.0%, and higher compared with prior year. This is primarily driven by a large removal of risks from Ontario RSP. The average premium of the risks removed were significantly lower than the average premium of the pool, which drove up the average premium this month. The green bars represent our current projection for the remainder of the year.

### RSP Summary of full year **Vehicle Count**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	19,793	20,962	13,259	15,726	19,471	20,725	20,135	18,619	15,981	216,813
Alberta Grid	8,181	7,782	10,325	9,886	5,306	5,872	5,706	7,092	6,811	7,346	6,124	5,322	85,753
Alberta Non-Grid	6,644	6,651	9,566	8,502	7,428	6,951	7,511	9,470	9,026	8,096	7,283	6,547	93,677
New Brunswick	764	933	1,086	974	1,056	818	1,277	1,329	1,208	1,306	1,227	1,093	13,071
Nova Scotia	920	921	1,031	1,175	1,151	735	740	1,419	1,295	1,231	1,173	1,031	12,820
Newfoundland & Labrador	145	158	211	250	277	276	378	228	225	201	230	203	2,781
<b>Total</b>	<b>33,184</b>	<b>31,302</b>	<b>42,973</b>	<b>40,579</b>	<b>36,180</b>	<b>27,912</b>	<b>31,339</b>	<b>39,008</b>	<b>39,290</b>	<b>38,314</b>	<b>34,655</b>	<b>30,177</b>	<b>424,915</b>

### RSP Summary of full year **Written Premium**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	58,575	62,498	52,575	54,837	56,125	60,661	59,663	54,516	46,956	660,143
Alberta Grid	22,636	20,781	28,112	27,713	17,529	20,608	19,971	26,653	25,660	27,178	22,761	19,602	279,204
Alberta Non-Grid	14,128	14,354	20,855	18,646	16,971	15,665	17,421	21,339	20,490	17,956	15,849	13,495	207,169
New Brunswick	1,276	1,576	1,770	1,621	1,790	1,435	2,045	2,323	2,117	2,329	2,138	1,950	22,369
Nova Scotia	1,641	1,696	1,887	2,154	2,274	1,491	1,602	2,639	2,378	2,214	2,123	1,830	23,929
Newfoundland & Labrador	257	244	322	383	485	445	765	430	412	391	429	377	4,940
<b>Total</b>	<b>88,181</b>	<b>82,747</b>	<b>114,345</b>	<b>109,092</b>	<b>101,547</b>	<b>92,220</b>	<b>96,641</b>	<b>109,509</b>	<b>111,718</b>	<b>109,731</b>	<b>97,816</b>	<b>84,209</b>	<b>1,197,755</b>

### RSP Summary of full year **Average Written Premiums**

Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Proj.	September Proj.	October Proj.	November Proj.	December Proj.	CY 2024 Year-End
Ontario	2,919	2,968	2,958	2,959	2,981	3,965	3,487	2,882	2,927	2,963	2,928	2,938	3,045
Alberta Grid	2,767	2,670	2,723	2,803	3,304	3,509	3,500	3,758	3,767	3,700	3,717	3,683	3,256
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,285	2,253	2,319	2,253	2,270	2,218	2,176	2,061	2,212
New Brunswick	1,671	1,688	1,630	1,664	1,696	1,754	1,602	1,748	1,752	1,783	1,743	1,783	1,711
Nova Scotia	1,784	1,842	1,830	1,834	1,976	2,029	2,165	1,860	1,837	1,799	1,810	1,775	1,866
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,753	1,613	2,023	1,887	1,829	1,949	1,869	1,855	1,776
<b>Total</b>	<b>2,657</b>	<b>2,644</b>	<b>2,661</b>	<b>2,688</b>	<b>2,807</b>	<b>3,304</b>	<b>3,084</b>	<b>2,807</b>	<b>2,843</b>	<b>2,864</b>	<b>2,823</b>	<b>2,790</b>	<b>2,819</b>

### Projected Year-End 2024

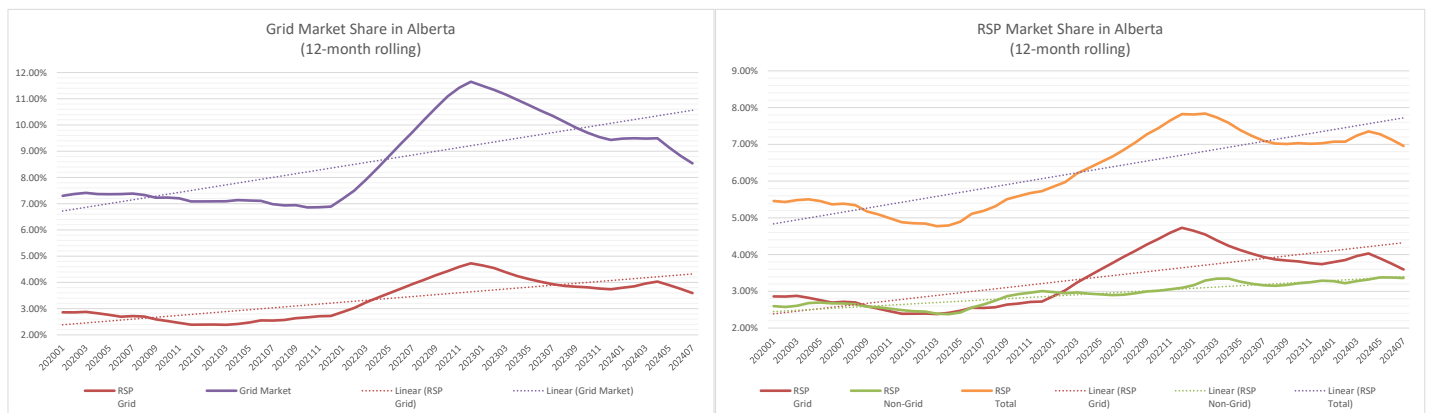
Compared with The Outlook released in December 2023, written premium has increased by \$53.4 million driven by higher vehicle count in Ontario compared to Outlook. Calendar year earned premium is up by \$112.2 million. The year-end 2024 operating deficit is \$796.1 million, \$158.3 million deterioration compared with The Outlook.

### Alberta Update

We continue to monitor the business volume of the Alberta RSPs following the significant growth seen in the Grid Pool during 2022. We saw decline in 2023 in the Grid pool following the January 2023 Grid rate increase. However, we are beginning to see elevated volume in the non-Grid pool in late 2023, as members adjusted their ceding strategies for the latest market conditions including the rate pause in Alberta.

Following more than 2 years of consistent growth in the rolling 12 month market share of the combined Alberta RSPs, RSP volume and market share declined from a high of 7.84% in February 2023 back down to 6.96% in July 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.36% in July. The Grid market share has been decreasing in recent months and is sitting at 8.54%. We will continue to monitor the market share of these pools closely in response to further “Good Driver Protection” regulations introduced by Alberta for 2024. We expect the May 2024 Grid rate increase, combined with Good Driver Protection, to result in a large decrease in the Grid RSP vehicle counts and potentially an increase in the Non-Grid RSP vehicle counts as we typically see in times of greater pricing restrictions.

In July 2024, we observed a significant drop in the actual vehicle counts versus projected (5,706 versus 6,580) in the Alberta Grid pool. We will reach out to members in the coming months for an updated view of projections to the pools.



Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson  
President & CEO

**Related links:**

[RSP Summary of Operations - Calendar Year 2024](#)

\*07 month ended July 2024 (discounted basis)