

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 030

DATE: July 30, 2024

SUBJECT: Risk Sharing Pool – June 2024 Operational Report

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

Please be advised that the June 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 **June 2024 received premium** was \$102.3 million, higher than prior year by \$16.8 million. The **projected 2024 year-end received premium** is \$1,231.2 million;
- (b) The **June 2024 insurance revenue** was \$67.7 million, higher than prior year by \$9.3 million. The **projected 2024 year-end insurance revenue** is \$806.6 million;
- (c) The **June 2024 operating result** was a surplus of \$50.3 million, higher than prior year by \$54.1 million. This is primarily driven by incorporating the latest premium forecast from a few member companies. The latest forecast is projecting lower premium for the remainder of 2024 and full year 2025 in Ontario RSP, which results in a decrease in the loss component generating an additional \$54.1 million income this month. The **projected 2024 year-end operating result** is a deficit of \$799.6 million;
- (d) The **June 2024 combined operating ratio** was 25.7%, lower than prior year by 80.9 percentage points. The **projected year-end combined operating ratio** is 199.1%.

RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (June 2024)	Projection (June 2024)	Prior Year (June 2023)	2024 year-to-date as at 6 months	2023 year-to-date as at 6 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	92,220	115,078	92,175	588,131	490,289	1,208,965	1,144,373	1,155,412
Received Premium	102,301	102,536	85,521	602,222	470,410	1,231,235	1,142,793	1,122,400
Earned Premium	102,331	103,826	85,382	598,779	515,123	1,216,790	1,099,356	1,060,392
Earned Expense Allowance	(34,614)	(34,974)	(27,011)	(201,913)	(159,239)	(410,190)	(371,330)	(332,276)
Insurance Revenue	67,717	68,853	58,371	396,866	355,884	806,600	728,026	728,116
Total Claims Incurred	110,960	112,521	37,396	673,509	506,769	1,342,830	1,164,826	1,159,445
Claims incurred (CAY)	115,033	116,459	87,266	679,959	532,097	1,367,696	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(4,074)	(3,938)	(49,870)	(6,450)	(25,328)	(24,866)	(41,433)	21,550
Administrative Expense	620	835	727	3,997	4,025	8,930	10,015	8,240
Losses on Onerous Contracts	(55,476)	0	(5,040)	602,457	397,806	602,457	535,063	544,155
Reversal of Losses on Onerous Contracts	(50,647)	(50,647)	(42,337)	(282,803)	(167,841)	(587,584)	(487,491)	(366,883)
Insurance Service Expenses	5,458	62,709	(9,254)	997,160	740,759	1,366,633	1,222,414	1,344,957
Insurance Service Result	62,260	6,144	67,625	(600,294)	(384,875)	(560,033)	(494,388)	(616,840)
Insurance Finance Expense from PV FCF	(7,640)	(7,640)	(49,950)	(83,292)	(63,770)	(127,936)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(597)	(597)	(4,178)	(6,509)	(5,194)	(9,870)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(3,678)	(3,678)	(17,302)	(83,850)	(25,061)	(101,726)	(42,102)	2,108
Insurance Finance Income (Expense)	(11,915)	(11,915)	(71,430)	(173,651)	(94,026)	(239,532)	(143,350)	(69,270)
Operating Result	50,345	(5,771)	(3,805)	(773,945)	(478,902)	(799,565)	(637,737)	(686,110)
Ratios:								
Loss ratio - Claims Incurred (CAY)	169.9%	169.1%	149.5%	171.3%	149.5%	169.6%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(6.0%)	(5.7%)	(85.4%)	(1.6%)	(7.1%)	(3.1%)	(5.7%)	3.0%
Total	163.9%	163.4%	64.1%	169.7%	142.4%	166.5%	160.0%	159.2%
Earned Expense allowance	33.8%	33.7%	31.6%	33.7%	30.9%	33.7%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(156.7%)	(73.6%)	(81.2%)	80.5%	64.6%	1.8%	6.5%	24.3%
Administrative Expenses	0.9%	1.2%	1.2%	1.0%	1.1%	1.1%	1.4%	1.1%
Insurance Service Ratio	8.1%	91.1%	-15.9%	251.3%	208.1%	169.4%	167.9%	184.7%
Combined Operating Ratio	25.7%	108.4%	106.5%	295.0%	234.6%	199.1%	187.6%	194.2%

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

RSP 2024 Summary of Liabilities Amounts in \$000s	Actual (June 2024)	Projection (June 2024)	Prior Year (June 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	1,872,986	1,863,479	1,609,840	1,949,935	1,955,063	1,691,580
Undiscounted Case Reserves	1,117,514	1,110,894	1,053,264	1,215,895	1,341,347	1,072,734
Undiscounted IBNR	846,594	843,391	638,157	844,244	744,488	736,542
Discount	(226,137)	(225,378)	(197,323)	(244,332)	(264,170)	(242,287)
PV FCF	1,737,971	1,728,908	1,494,098	1,815,807	1,821,666	1,566,989
Risk Adjustment	135,015	134,571	115,742	134,127	133,398	124,591
Risk Adjustment %	7.77%	7.78%	7.75%	7.39%	7.32%	7.95%
LRC	1,241,512	1,296,024	856,564	962,579	905,887	837,723
LRC excl. Loss Component	347,457	346,493	286,150	355,428	352,397	347,171
Loss Component	894,056	949,531	570,415	607,151	553,490	490,552

Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$111.0 million, lower than projection by \$1.6 million and \$73.6 million higher compared with the same month from last year. Note that there was a special one-time adjustment to the year to date income classification between Insurance Service Expenses and Insurance Finance Income (Expense) in June 2023. For this reason, the prior year is not a parallel comparison and becomes less meaningful due to this one-time adjustment. Loss ratio was at 169.9%, 0.7 percentage points higher than projected, and 20.4 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). This month we received an updated view of the premium forecast for Ontario RSP from a few of our members. The latest premium forecast is projecting lower premium for 2024 and 2025 which results in lower expected future losses, and thus a larger than expected release of the loss component. The total change in “losses on onerous contracts” is **\$55.5 million favourable change**. 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.

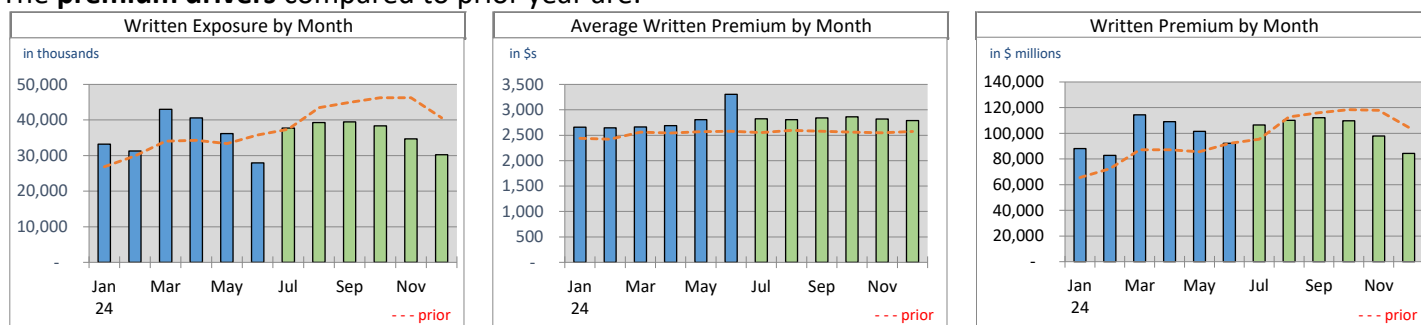
Insurance Finance Income

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 27,912 vehicles, which was lower than prior year by 7,868 vehicles primarily driven by removal of vehicle counts in Ontario RSP, and 16,100 vehicles lower than The Outlook for the month.

Alberta has announced adjustments to the Grid Base Premiums by 12% effective May 01, 2024. 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 28.0%, 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	19,793	20,962	13,259	19,581	19,594	20,741	20,142	18,627	15,990	220,831
Alberta Grid	8,181	7,782	10,325	9,886	5,306	5,872	6,580	7,092	6,812	7,347	6,125	5,322	86,630
Alberta Non-Grid	6,644	6,651	9,566	8,502	7,428	6,951	9,369	9,514	9,070	8,140	7,328	6,592	95,757
New Brunswick	764	933	1,086	974	1,056	818	916	1,454	1,333	1,332	1,252	1,129	13,046
Nova Scotia	920	921	1,031	1,175	1,151	735	1,071	1,417	1,293	1,229	1,171	1,028	13,140
Newfoundland & Labrador	145	158	211	250	277	276	231	219	213	186	211	190	2,566
Total	33,184	31,302	42,973	40,579	36,180	27,912	37,748	39,290	39,463	38,375	34,714	30,251	431,971

RSP Summary of full year **Written Premium**

2024 Premiums (in 0000's)													
	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	58,575	62,498	52,575	56,466	56,419	60,689	59,656	54,508	46,946	662,069
Alberta Grid	22,636	20,781	28,112	27,713	17,529	20,608	25,569	26,650	25,658	27,175	22,759	19,599	284,789
Alberta Non-Grid	14,128	14,354	20,855	18,646	16,971	15,665	20,889	21,424	20,574	18,039	15,935	13,581	211,061
New Brunswick	1,276	1,576	1,770	1,621	1,790	1,435	1,468	2,636	2,456	2,364	2,172	1,998	22,562
Nova Scotia	1,641	1,696	1,887	2,154	2,274	1,491	1,743	2,633	2,372	2,207	2,116	1,822	24,036
Newfoundland & Labrador	257	244	322	383	485	445	406	411	389	361	392	353	4,448
Total	88,181	82,747	114,345	109,092	101,547	92,220	106,541	110,174	112,137	109,802	97,881	84,299	1,208,965

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

Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Proj.	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	2,884	2,879	2,926	2,962	2,926	2,936	2,998
Alberta Grid	2,767	2,670	2,723	2,803	3,304	3,509	3,886	3,758	3,767	3,699	3,716	3,682	3,287
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,285	2,253	2,230	2,252	2,268	2,216	2,174	2,060	2,204
New Brunswick	1,671	1,688	1,630	1,664	1,696	1,754	1,602	1,813	1,842	1,775	1,735	1,770	1,729
Nova Scotia	1,784	1,842	1,830	1,834	1,976	2,029	1,628	1,858	1,834	1,797	1,807	1,772	1,829
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,753	1,613	1,758	1,883	1,821	1,944	1,856	1,858	1,734
Total	2,657	2,644	2,661	2,688	2,807	3,304	2,822	2,804	2,842	2,861	2,820	2,787	2,799

Projected Year-End 2024

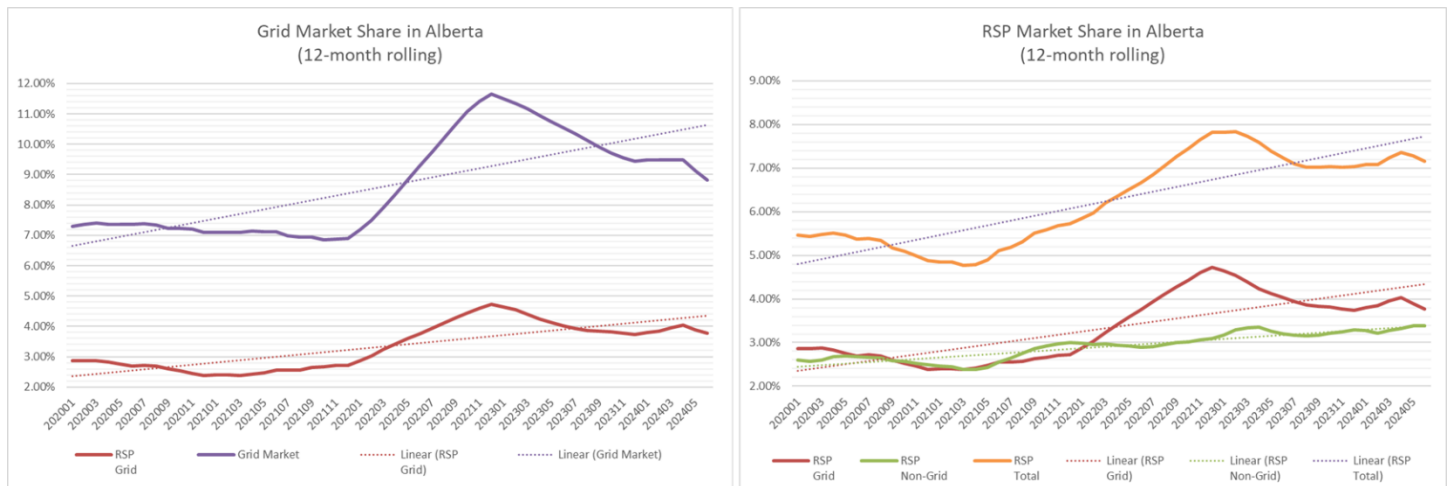
Compared with The Outlook released in December 2023, written premium has increased by \$64.6 million driven by higher vehicle count in Ontario compared to Outlook. Calendar year earned premium is up by \$117.4 million. The year-end 2024 operating deficit is \$799.6 million, \$161.8 million deterioration 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 March 2023 back down to 7.16% in June 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.39% in June. The Grid market share has been decreasing in recent months and is sitting at 3.77%. 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 June 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 June 2024, we observed a significant drop in the actual vehicle counts versus projected (5,872 versus 7,131) 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](#)

*06 month ended June 2024 (discounted basis)