

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 028

DATE: June 28, 2024

SUBJECT: Risk Sharing Pool – May 2024 Operational Report

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

Please be advised that the May 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 **May 2024 received premium** was \$109.6 million, higher than prior year by \$22.8 million. The **projected 2024 year-end received premium** is \$1,287.6 million;
- (b) The **May 2024 insurance revenue** was \$69.4 million, higher than prior year by \$8.6 million. The **projected 2024 year-end insurance revenue** is \$821.1 million;
- (c) The **May 2024 operating result** was a surplus of \$17.3 million, higher than prior year by \$50.0 million. The **projected 2024 year-end operating result** is a deficit of \$856.5 million;
- (d) The **May 2024 combined operating ratio** was 75.1%, lower than prior year by 78.7 percentage points. The **projected year-end combined operating ratio** is 204.3%.
- (e) The impact of **Updated Member Premium Projections** and the implementation of the **2024 Q1 Valuation** generated **\$19.7 million favourable impact** for the month, decreasing the **year-to-date combined ratio by 6.0%**.

RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (May 2024)	Projection (May 2024)	Prior Year (May 2023)	2024 year-to-date as at 5 months	2023 year-to-date as at 5 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	101,547	114,344	85,700	495,911	398,114	1,270,280	1,144,373	1,155,412
Received Premium	109,553	110,069	86,705	499,921	384,890	1,287,643	1,142,793	1,122,400
Earned Premium	105,054	106,749	88,864	496,447	429,741	1,237,962	1,099,356	1,060,392
Earned Expense Allowance	(35,612)	(35,968)	(27,998)	(167,299)	(132,228)	(416,906)	(371,330)	(332,276)
Insurance Revenue	69,442	70,781	60,866	329,149	297,513	821,056	728,026	728,116
Total Claims Incurred	125,020	117,353	94,084	562,549	469,373	1,367,768	1,164,826	1,159,445
Claims incurred (CAY)	116,649	120,765	90,976	564,925	444,831	1,392,424	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	8,371	(3,412)	3,108	(2,376)	24,542	(24,656)	(41,433)	21,550
Administrative Expense	620	846	584	3,750	3,298	9,694	10,015	8,240
Losses on Onerous Contracts	(19,843)	0	43	657,933	402,846	657,933	535,063	544,155
Reversal of Losses on Onerous Contracts	(51,569)	(51,569)	(27,172)	(232,156)	(125,504)	(598,081)	(487,491)	(366,883)
Insurance Service Expenses	54,229	66,630	67,539	992,076	750,013	1,437,313	1,222,414	1,344,957
Insurance Service Result	15,213	4,150	(6,673)	(662,927)	(452,501)	(616,258)	(494,388)	(616,840)
Insurance Finance Expense from PV FCF	(1,276)	(6,140)	(11,046)	(75,653)	(13,820)	(127,965)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	20	(493)	(789)	(5,911)	(1,017)	(9,876)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	3,339	(4,586)	(14,206)	(80,172)	(7,759)	(102,400)	(42,102)	2,108
Insurance Finance Income (Expense)	2,083	(11,219)	(26,041)	(161,736)	(22,596)	(240,241)	(143,350)	(69,270)
Operating Result	17,297	(7,069)	(32,714)	(824,663)	(475,097)	(856,499)	(637,737)	(686,110)
Ratios:								
Loss ratio - Claims Incurred (CAY)	168.0%	170.6%	149.5%	171.6%	149.5%	169.6%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	12.1%	(4.8%)	5.1%	(0.7%)	8.2%	(3.0%)	(5.7%)	3.0%
Total	180.0%	165.8%	154.6%	170.9%	157.8%	166.6%	160.0%	159.2%
Earned Expense allowance	33.9%	33.7%	31.5%	33.7%	30.8%	33.7%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(102.8%)	(72.9%)	(44.6%)	129.4%	93.2%	7.3%	6.5%	24.3%
Administrative Expenses	0.9%	1.2%	1.0%	1.1%	1.1%	1.2%	1.4%	1.1%
Insurance Service Ratio	78.1%	94.1%	111.0%	301.4%	252.1%	175.1%	167.9%	184.7%
Combined Operating Ratio	75.1%	110.0%	153.7%	350.5%	259.7%	204.3%	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 (May 2024)	Projection (May 2024)	Prior Year (May 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	1,844,564	1,846,639	1,600,772	1,958,479	1,955,063	1,691,580
Undiscounted Case Reserves	1,106,744	1,118,628	1,047,428	1,212,982	1,341,347	1,072,734
Undiscounted IBNR	826,199	809,966	633,849	856,543	744,488	736,542
Discount	(223,075)	(216,618)	(196,599)	(245,644)	(264,170)	(242,287)
PV FCF	1,709,868	1,711,976	1,484,677	1,823,880	1,821,666	1,566,989
Risk Adjustment	134,696	134,663	116,095	134,598	133,398	124,591
Risk Adjustment %	7.88%	7.87%	7.82%	7.38%	7.32%	7.95%
LRC	1,344,122	1,371,231	888,187	1,032,134	905,887	837,723
LRC excl. Loss Component	347,622	346,962	287,697	379,331	352,397	347,171
Loss Component	996,500	1,024,268	600,490	652,803	553,490	490,552

Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$125.0 million, higher than projection by \$7.7 million and \$30.9 million higher compared with the same month from last year. Loss ratio was at 168.0%, 2.6 percentage points lower than projected, and 18.5 percentage points higher compared with prior year. There is an unfavorable change on the “adjustment to liabilities for incurred claims (PAYs)” primarily driven by adverse development of Ontario and Alberta Bodily Injury Claims.
- **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 release of the loss component. The total change in “losses on onerous contracts” is \$19.8 million favourable change, of which the premium update contributed approximately **\$21.8 million favourable change** to the loss component this month, partially offset by **\$2.0 million unfavourable change** due to valuation implementation. We will continue to monitor the actual versus projected premium in the coming months.
- **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.

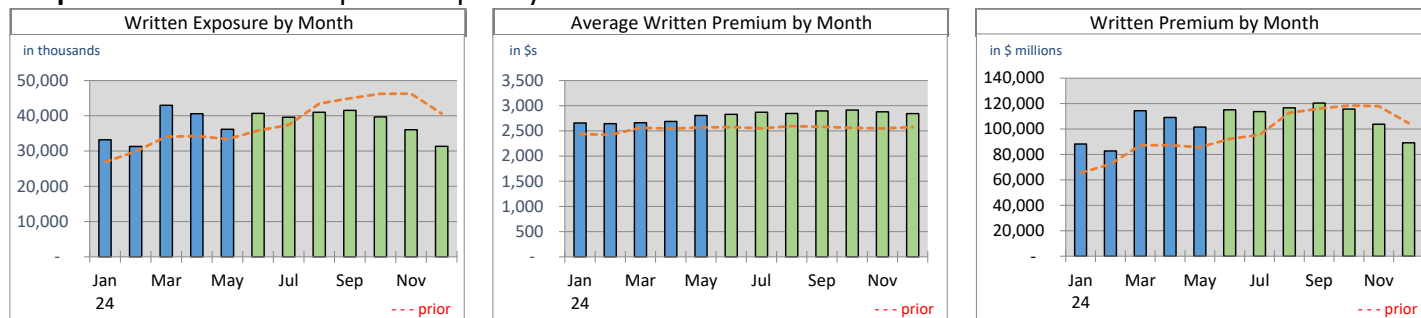
Insurance Finance Income

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. Insurance Finance Income for the implementation month of May was \$2.1 million, \$13.3 million higher than projected; driven by more discounting due to approximately 17 basis points increase in the yield curve.

Premium

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



The vehicle count transfer for the month was 36,180 vehicles, which was higher than prior year by 2,806 vehicles primarily driven by growth in Ontario RSP, and 7,894 vehicles lower than The Outlook for the month driven by updated projection for the Alberta Pools.

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 adjusted our projections for 2024 to estimate the impact of the changes.

The average premium for the month was higher than The Outlook by 14.0%, and higher compared with prior year. 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	19,793	20,962	22,253	20,582	20,464	21,996	21,478	19,964	17,112	236,746
Alberta Grid	8,181	7,782	10,325	9,886	5,306	7,131	7,431	7,944	7,664	7,348	6,127	5,324	90,449
Alberta Non-Grid	6,644	6,651	9,566	8,502	7,428	9,164	9,368	9,513	9,069	8,138	7,326	6,589	97,958
New Brunswick	764	933	1,086	974	1,056	846	915	1,453	1,332	1,330	1,250	1,127	13,066
Nova Scotia	920	921	1,031	1,175	1,151	1,072	1,067	1,413	1,289	1,224	1,166	1,023	13,452
Newfoundland & Labrador	145	158	211	250	277	228	222	208	200	169	199	177	2,444
Total	33,184	31,302	42,973	40,579	36,180	40,694	39,586	40,994	41,549	39,688	36,032	31,353	454,115

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	58,575	62,498	64,089	60,805	60,164	66,151	65,574	60,379	51,859	703,832
Alberta Grid	22,636	20,781	28,112	27,713	17,529	26,974	28,368	29,402	28,465	27,175	22,758	19,598	299,510
Alberta Non-Grid	14,128	14,354	20,855	18,646	16,971	20,589	20,895	21,438	20,592	18,057	15,953	13,592	216,071
New Brunswick	1,276	1,576	1,770	1,621	1,790	1,341	1,465	2,633	2,453	2,360	2,168	1,994	22,447
Nova Scotia	1,641	1,696	1,887	2,154	2,274	1,699	1,734	2,624	2,362	2,197	2,104	1,810	24,182
Newfoundland & Labrador	257	244	322	383	485	385	388	389	361	326	368	328	4,238
Total	88,181	82,747	114,345	109,092	101,547	115,078	113,655	116,650	120,383	115,690	103,731	89,183	1,270,280

RSP Summary of full year Average Written Premiums

Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Proj.	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	2,880	2,954	2,940	3,007	3,053	3,024	3,031	2,973
Alberta Grid	2,767	2,670	2,723	2,803	3,304	3,783	3,817	3,701	3,714	3,698	3,715	3,681	3,311
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,285	2,247	2,230	2,254	2,271	2,219	2,178	2,063	2,206
New Brunswick	1,671	1,688	1,630	1,664	1,696	1,584	1,601	1,812	1,842	1,774	1,734	1,769	1,718
Nova Scotia	1,784	1,842	1,830	1,834	1,976	1,585	1,625	1,857	1,833	1,795	1,805	1,769	1,798
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,753	1,689	1,747	1,874	1,805	1,927	1,851	1,858	1,734
Total	2,657	2,644	2,661	2,688	2,807	2,828	2,871	2,846	2,897	2,915	2,879	2,844	2,797

Impact of Quarterly Valuation & Member Premium Projection Update

- A valuation of the RSP as at March 31, 2024 has been completed since last month's Operational report and the results of that valuation has been incorporated into this month's Operational Report.
- The implementation of the new valuation and updated member projections together resulted in an estimated overall **\$19.7 million favorable** impact on the month's net results from operations. The favorable impact is primarily coming from the LRC where members adjusted their premium projections downwards in the Ontario pool for the current and future year.
- Both of these impacts above **decreased** the year-to-date Combined Operation Ratio by an estimated **6.0%**. The impact this month is summarized in the following tables below.

RSP	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
Ontario	(8,527)	(25,345)	(33,872)	(18.9%)
PAY	(7,745)	-	(7,745)	(4.3%)
CAY	(782)	(8,078)	(8,860)	(4.9%)
FtAY	-	(17,267)	(17,267)	(9.6%)
Alberta Grid	3,602	(82)	3,520	4.2%
PAY	1,073	-	1,073	1.3%
CAY	2,529	1,314	3,843	4.6%
FtAY	-	(1,396)	(1,396)	(1.7%)
Alberta Non-Grid	6,833	2,062	8,895	16.3%
PAY	3,374	-	3,374	6.2%
CAY	3,459	3,216	6,675	12.2%
FtAY	-	(1,155)	(1,155)	(2.1%)
New Brunswick	1,302	(135)	1,167	24.7%
PAY	1,370	-	1,370	29.0%
CAY	(68)	(142)	(211)	(4.5%)
FtAY	-	8	8	0.2%
Nova Scotia	221	248	469	8.3%
PAY	(104)	-	(104)	(1.8%)
CAY	325	513	838	14.9%
FtAY	-	(265)	(265)	(4.7%)
Newfoundland & Labrador	34	71	105	9.7%
PAY	28	-	28	2.6%
CAY	6	27	33	3.0%
FtAY	-	44	44	4.0%
TOTAL	3,465	(23,182)	(19,717)	(6.0%)
PAY	(2,004)	-	(2,004)	(0.6%)
CAY	5,469	(3,151)	2,318	0.7%
FtAY	-	(20,031)	(20,031)	(6.1%)

unfav/ (fav)

*RSP Summary of **Change in Loss Component during the Month***

Change in Loss Component	2024 (CAY)	2025 (FtAY)	TOTAL
Opening Loss Component	410,089	661,162	1,071,251
[1] Losses on onerous contracts	(3,191)	(16,652)	(19,843)
[2] Insurance finance expense/(income)	40	(3,379)	(3,339)
[a] Discount unwinding	2,757	1,830	4,586
[b] Yield impact	(2,716)	(5,209)	(7,925)
[3] Reversal of losses on onerous contracts	(51,569)	-	(51,569)
TOTAL [1]+[2]+[3]	(54,719)	(20,031)	(74,750)
Ending Loss Component	355,370	641,131	996,500

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For more information on these impacts, please refer to the [Quarterly Financial Insights](#)

Projected Year-End 2024

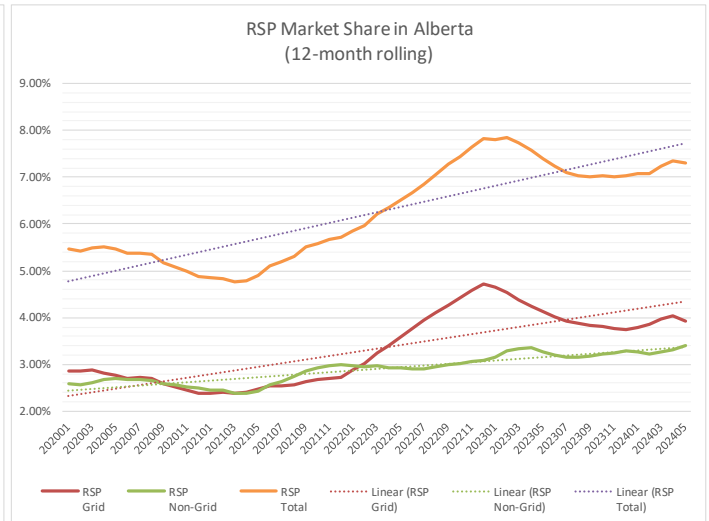
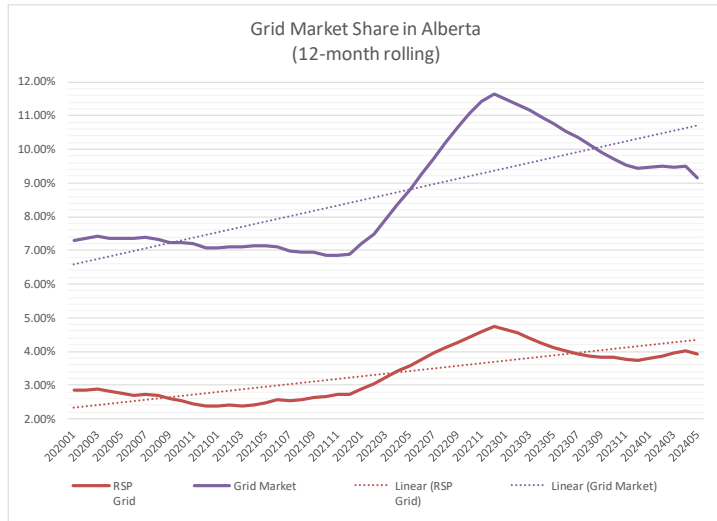
Compared with The Outlook released in December 2023, written premiums has increased by \$125.9 million driven by higher vehicle count in Ontario compared to projections. Calendar year earned premium is up by \$138.6 million. The year-end 2024 operating deficit is \$856.5 million, \$218.8 million deterioration 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 2023 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 7.31% in May 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.40% in May. Compared with prior month, the Grid market share has **decreased** to 3.91% from 4.03%. 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 May 2024, we observed a significant drop in the actual vehicle counts versus projected (5,306 versus 7,118) 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](#)

*05 month ended May 2024 (discounted basis)