

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 019

DATE: May 30, 2024

SUBJECT: Risk Sharing Pool – April 2024 Operational Report

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

Please be advised that the April 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 **April 2024 received premium** was \$114.8 million, higher than prior year by \$27.4 million. The **projected 2024 year-end received premium** is \$1,320.6 million;
- (b) The **April 2024 insurance revenue** was \$66.3 million, higher than prior year by \$6.9 million. The **projected 2024 year-end insurance revenue** is \$830.5 million;
- (c) The **April 2024 operating result** was a surplus of \$10.4 million, higher than prior year by \$17.4 million. The **projected 2024 year-end operating result** is a deficit of \$888.9 million;
- (d) The **April 2024 combined operating ratio** was 84.4%, lower than prior year by 27.5 percentage points. The **projected year-end combined operating ratio** is 207.7%.

RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (April 2024)	Projection (April 2024)	Prior Year (April 2023)	2024 year-to-date as at 4 months	2023 year-to-date as at 4 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	109,092	122,762	87,210	394,364	312,413	1,305,530	1,144,373	1,155,412
Received Premium	114,771	115,325	87,393	390,368	298,184	1,320,604	1,142,793	1,122,400
Earned Premium	100,255	101,597	86,690	391,393	340,876	1,251,436	1,099,356	1,060,392
Earned Expense Allowance	(33,977)	(34,201)	(27,284)	(131,687)	(104,230)	(420,972)	(371,330)	(332,276)
Insurance Revenue	66,278	67,396	59,405	259,707	236,646	830,464	728,026	728,116
Total Claims Incurred	111,171	111,907	91,532	437,529	375,289	1,389,308	1,164,826	1,159,445
Claims incurred (CAY)	115,230	115,327	89,794	448,276	353,854	1,424,444	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(4,060)	(3,420)	1,738	(10,747)	21,434	(35,137)	(41,433)	21,550
Administrative Expense	620	918	829	3,048	2,714	9,971	10,015	8,240
Losses on Onerous Contracts	(18,075)	0	0	677,776	402,802	677,776	535,063	544,155
Reversal of Losses on Onerous Contracts	(48,994)	(48,994)	(25,905)	(180,588)	(98,331)	(603,982)	(487,491)	(366,883)
Insurance Service Expenses	44,722	63,831	66,456	937,766	682,474	1,473,072	1,222,414	1,344,957
Insurance Service Result	21,556	3,565	(7,051)	(678,059)	(445,828)	(642,608)	(494,388)	(616,840)
Insurance Finance Expense from PV FCF	(5,899)	(5,899)	0	(74,377)	(2,774)	(126,142)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(477)	(477)	0	(5,932)	(228)	(10,035)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(4,824)	(4,824)	0	(83,511)	6,447	(110,150)	(42,102)	2,108
Insurance Finance Income (Expense)	(11,200)	(11,200)	0	(163,819)	3,445	(246,327)	(143,350)	(69,270)
Operating Result	10,356	(7,635)	(7,051)	(841,878)	(442,383)	(888,935)	(637,737)	(686,110)
Ratios:								
Loss ratio - Claims Incurred (CAY)	173.9%	171.1%	151.2%	172.6%	149.5%	171.5%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(6.1%)	(5.1%)	2.9%	(4.1%)	9.1%	(4.2%)	(5.7%)	3.0%
Total	167.7%	166.0%	154.1%	168.5%	158.6%	167.3%	160.0%	159.2%
Earned Expense allowance	33.9%	33.7%	31.5%	33.6%	30.6%	33.6%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(101.2%)	(72.7%)	(43.6%)	191.4%	128.7%	8.9%	6.5%	24.3%
Administrative Expenses	0.9%	1.4%	1.4%	1.2%	1.1%	1.2%	1.4%	1.1%
Insurance Service Ratio	67.5%	94.7%	111.9%	361.1%	288.4%	177.4%	167.9%	184.7%
Combined Operating Ratio	84.4%	111.3%	111.9%	424.2%	286.9%	207.0%	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 (April 2024)	Projection (April 2024)	Prior Year (April 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	1,820,650	1,822,328	1,584,666	1,984,985	1,955,063	1,691,580
Undiscounted Case Reserves	1,108,918	1,120,188	1,040,697	1,227,183	1,341,347	1,072,734
Undiscounted IBNR	791,935	782,384	626,955	851,851	744,488	736,542
Discount	(213,584)	(213,822)	(206,901)	(235,155)	(264,170)	(242,287)
PV FCF	1,687,268	1,688,749	1,460,750	1,843,879	1,821,666	1,566,989
Risk Adjustment	133,381	133,578	123,916	141,107	133,398	124,591
Risk Adjustment %	7.91%	7.91%	8.48%	7.65%	7.32%	7.95%
LRC	1,416,553	1,434,176	904,633	1,067,523	905,887	837,723
LRC excl. Loss Component	345,302	344,851	291,220	393,029	352,397	347,171
Loss Component	1,071,251	1,089,325	613,413	674,495	553,490	490,552

Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$111.2 million, lower than projection by \$0.7 million and \$19.6 million higher compared with the same month from last year. Loss ratio was at 173.9%, 2.7 percentage points higher than projected, and 22.7 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). The change for the month is \$18.1 million favorable change primarily driven by updated premium projection in Ontario RSP to better reflect year to date growth in the pool. The projected premium for 2024 was adjusted downwards for the next three months to better align with the growth observed year to date. We have reached out to specific members and will 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.

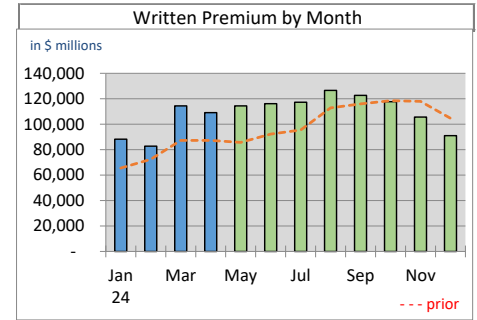
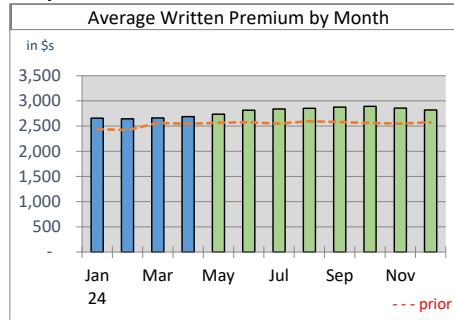
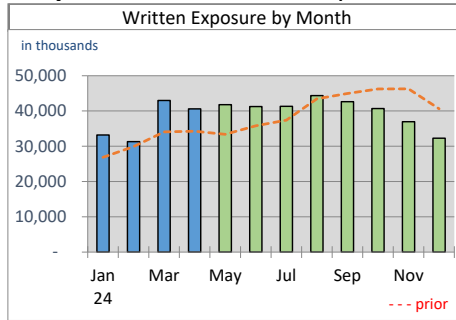
Insurance Finance Income

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.

Premium

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



The vehicle count transfer for the month was 40,579 vehicles, which was higher than prior year by 6,310 vehicles, and 472 vehicles higher than The Outlook for the month, primarily driven by growth in Ontario RSP.

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 16.0%, 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	19,793	22,093	22,627	22,312	23,672	22,924	22,355	20,841	17,987	246,747
Alberta Grid	8,181	7,782	10,325	9,886	7,118	7,134	7,435	7,987	7,707	7,392	6,171	5,369	92,488
Alberta Non-Grid	6,644	6,651	9,566	8,502	10,260	9,352	9,378	9,517	9,067	8,133	7,314	6,569	100,954
New Brunswick	764	933	1,086	974	968	844	913	1,451	1,329	1,328	1,248	1,124	12,962
Nova Scotia	920	921	1,031	1,175	1,126	1,073	1,068	1,501	1,371	1,291	1,166	1,024	13,667
Newfoundland & Labrador	145	158	211	250	219	216	208	235	223	198	227	203	2,493
Total	33,184	31,302	42,973	40,579	41,785	41,248	41,313	44,364	42,621	40,697	36,967	32,277	469,311

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	58,575	62,812	64,880	64,441	69,739	68,087	67,316	62,117	53,594	725,296
Alberta Grid	22,636	20,781	28,112	27,713	25,948	26,978	28,371	29,518	28,581	27,291	22,875	19,716	308,520
Alberta Non-Grid	14,128	14,354	20,855	18,646	21,875	20,900	20,905	21,432	20,569	18,023	15,908	13,529	221,124
New Brunswick	1,276	1,576	1,770	1,621	1,534	1,337	1,462	2,629	2,449	2,356	2,164	1,989	22,162
Nova Scotia	1,641	1,696	1,887	2,154	1,815	1,702	1,736	2,809	2,521	2,318	2,105	1,811	24,196
Newfoundland & Labrador	257	244	322	383	360	355	351	439	392	365	403	360	4,231
Total	88,181	82,747	114,345	109,092	114,344	116,152	117,265	126,566	122,599	117,669	105,572	90,998	1,305,530

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

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,919	2,968	2,958	2,959	2,843	2,867	2,888	2,946	2,970	3,011	2,981	2,980	2,939
Alberta Grid	2,767	2,670	2,723	2,803	3,646	3,781	3,816	3,696	3,708	3,692	3,707	3,672	3,336
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,132	2,235	2,229	2,252	2,269	2,216	2,175	2,059	2,190
New Brunswick	1,671	1,688	1,630	1,664	1,585	1,584	1,601	1,812	1,842	1,774	1,734	1,769	1,710
Nova Scotia	1,784	1,842	1,830	1,834	1,612	1,586	1,625	1,871	1,839	1,796	1,805	1,769	1,770
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,640	1,643	1,690	1,866	1,759	1,842	1,780	1,770	1,697
Total	2,657	2,644	2,661	2,688	2,736	2,816	2,838	2,853	2,876	2,891	2,856	2,819	2,782

Projected Year-end 2024

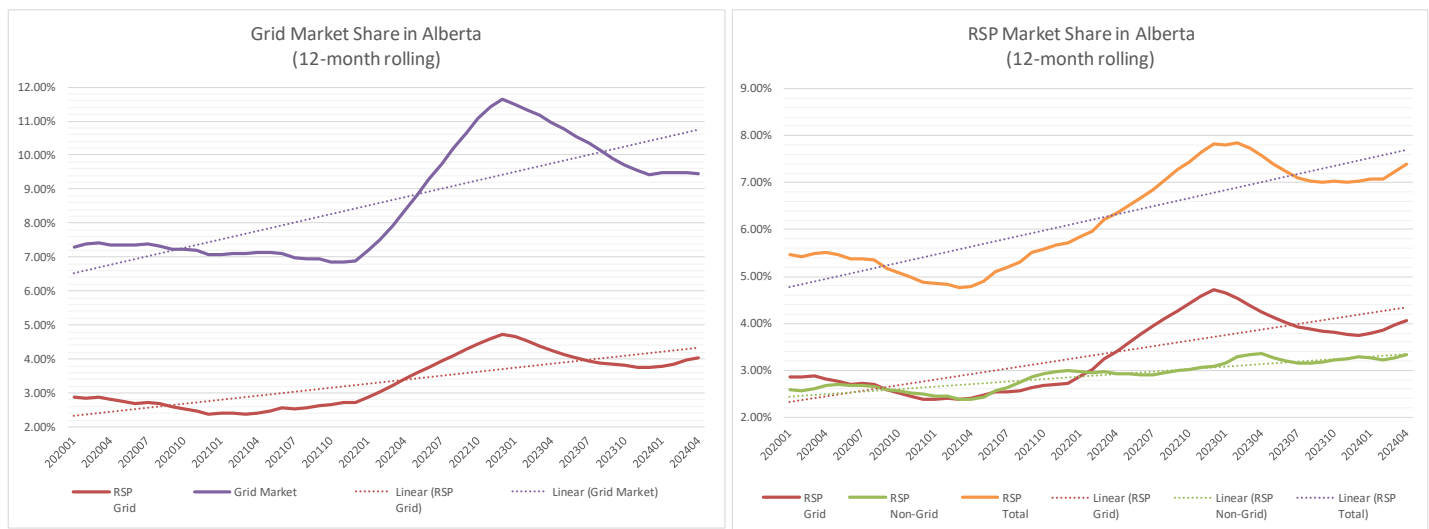
Compared with The Outlook released in December 2023, written premiums has increased by \$161.2 million driven by higher vehicle count in Ontario compared to projections. Calendar year Earned Premium is up by

\$152.1 million. The year-end 2024 operating deficit is \$888.9 million, \$251.2 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 7.39% in April 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.34% in March. Compared with prior month, the Grid market share has **increased** to 4.05% from 3.96%. 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.



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](#)

*04 month ended April 2024 (discounted basis)