

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2024 – 015**

**DATE: April 29, 2024**

**SUBJECT: Risk Sharing Pool – March 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 March 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 **March 2024 received premium** was \$84.2 million, higher than prior year by \$10.5 million. The **projected 2024 year-end received premium** is \$1,351.7 million;
- (b) The **March 2024 insurance revenue** was \$66.9 million, higher than prior year by \$5.9 million. The **projected 2024 year-end insurance revenue** is \$842.0 million;
- (c) The **March 2024 operating result** was a deficit of \$102.8 million, lower than prior year by \$41.8 million. The **projected 2024 year-end operating result** is a deficit of \$907.1 million;
- (d) The **March 2024 combined operating ratio** was 253.6%, higher than prior year by 53.6 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 (March 2024)	Projection (March 2024)	Prior Year (March 2023)	2024 year-to-date as at 3 months	2023 year-to-date as at 3 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	114,345	116,843	87,258	285,273	225,203	1,337,047	1,144,373	1,155,412
Received Premium	84,209	85,022	73,705	275,597	210,791	1,351,657	1,142,793	1,122,400
Earned Premium	101,142	102,550	88,472	291,138	254,187	1,267,781	1,099,356	1,060,392
Earned Expense Allowance	(34,207)	(34,489)	(27,439)	(97,710)	(76,946)	(425,754)	(371,330)	(332,276)
<b>Insurance Revenue</b>	<b>66,935</b>	<b>68,061</b>	<b>61,033</b>	<b>193,428</b>	<b>177,241</b>	<b>842,027</b>	<b>728,026</b>	<b>728,116</b>
Total Claims Incurred	121,862	109,679	106,139	326,358	283,757	1,409,661	1,164,826	1,159,445
Claims incurred (CAY)	114,291	114,550	97,763	333,046	264,061	1,444,175	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	7,571	(4,871)	8,375	(6,687)	19,696	(34,513)	(41,433)	21,550
Administrative Expense	600	885	626	2,428	1,885	10,428	10,015	8,240
Losses on Onerous Contracts	(26,086)	0	41,052	695,851	402,802	695,851	535,063	544,155
Reversal of Losses on Onerous Contracts	(46,839)	(46,839)	(22,298)	(131,593)	(72,426)	(613,477)	(487,491)	(366,883)
<b>Insurance Service Expenses</b>	<b>49,538</b>	<b>63,726</b>	<b>125,519</b>	<b>893,043</b>	<b>616,018</b>	<b>1,502,463</b>	<b>1,222,414</b>	<b>1,344,957</b>
<b>Insurance Service Result</b>	<b>17,397</b>	<b>4,335</b>	<b>(64,486)</b>	<b>(699,615)</b>	<b>(438,777)</b>	<b>(660,435)</b>	<b>(494,388)</b>	<b>(616,840)</b>
Insurance Finance Expense from PV FCF	(47,337)	(9,338)	(2,774)	(68,478)	(2,774)	(126,304)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(3,838)	(720)	(228)	(5,455)	(228)	(10,049)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(69,021)	(6,166)	6,447	(78,686)	6,447	(110,329)	(42,102)	2,108
<b>Insurance Finance Income (Expense)</b>	<b>(120,196)</b>	<b>(16,223)</b>	<b>3,445</b>	<b>(152,619)</b>	<b>3,445</b>	<b>(246,683)</b>	<b>(143,350)</b>	<b>(69,270)</b>
<b>Operating Result</b>	<b>(102,799)</b>	<b>(11,888)</b>	<b>(61,041)</b>	<b>(852,234)</b>	<b>(435,332)</b>	<b>(907,118)</b>	<b>(637,737)</b>	<b>(686,110)</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	170.7%	168.3%	160.2%	172.2%	149.0%	171.5%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	11.3%	(7.2%)	13.7%	(3.5%)	11.1%	(4.1%)	(5.7%)	3.0%
Total	182.1%	161.1%	173.9%	168.7%	160.1%	167.4%	160.0%	159.2%
Earned Expense allowance	33.8%	33.6%	31.0%	33.6%	30.3%	33.6%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(108.9%)	(68.8%)	30.7%	291.7%	186.4%	9.8%	6.5%	24.3%
Administrative Expenses	0.9%	1.3%	1.0%	1.3%	1.1%	1.2%	1.4%	1.1%
<b>Insurance Service Ratio</b>	<b>74.0%</b>	<b>93.6%</b>	<b>205.7%</b>	<b>461.7%</b>	<b>347.6%</b>	<b>178.4%</b>	<b>167.9%</b>	<b>184.7%</b>
<b>Combined Operating Ratio</b>	<b>253.6%</b>	<b>117.5%</b>	<b>200.0%</b>	<b>540.6%</b>	<b>345.6%</b>	<b>207.7%</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 (March 2024)	Projection (March 2024)	Prior Year (March 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
<b>LIC</b>	<b>1,802,908</b>	<b>1,752,547</b>	<b>1,577,372</b>	<b>1,998,376</b>	<b>1,955,063</b>	<b>1,691,580</b>
Undiscounted Case Reserves	1,110,267	1,113,613	1,043,940	1,239,406	1,341,347	1,072,734
Undiscounted IBNR	771,553	759,352	614,972	853,702	744,488	736,542
Discount	(211,626)	(247,377)	(204,844)	(236,725)	(264,170)	(242,287)
PV FCF	1,670,194	1,625,587	1,454,067	1,856,383	1,821,666	1,566,989
Risk Adjustment	132,714	126,960	123,305	141,993	133,398	124,591
Risk Adjustment %	7.95%	7.81%	8.48%	7.65%	7.32%	7.95%
<b>LRC</b>	<b>1,469,837</b>	<b>1,432,597</b>	<b>931,776</b>	<b>1,086,687</b>	<b>905,887</b>	<b>837,723</b>
LRC excl. Loss Component	336,342	335,871	292,458	403,432	352,397	347,171
Loss Component	1,133,495	1,096,726	639,318	683,255	553,490	490,552

## Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$121.9 million, higher than projection by \$12.2 million and \$15.7 million higher compared with the same month from last year. Loss ratio was at 170.7%, 2.4 percentage points higher than projected, and 10.6 percentage points higher compared with prior year. There is a favorable change on 'claims incurred (CAY)' primarily driven by better than expected experience for Ontario and Alberta Grid Third Party Liability Claims and Accident Benefit. There is an unfavorable change on the "adjustment to liabilities for incurred claims (PAYs)" primarily driven by unfavorable development of latent Ontario Accident Benefit 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). The change for the month is \$26.1 million favorable change primarily driven by lower loss ratios for the Current Accident year.
- **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

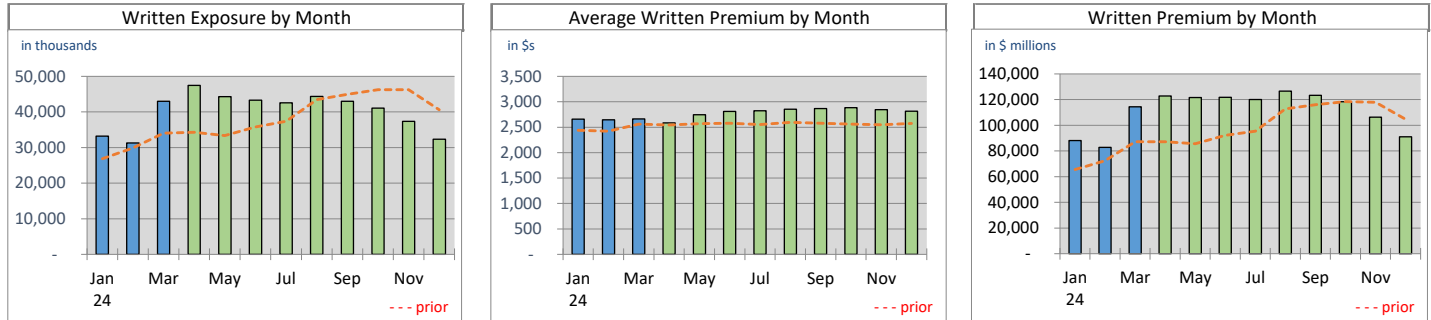
Insurance Finance income/ (expense) is comprised of:

- 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 implementation month of March was \$120.2 million, \$104.0 million lower than projected; driven by more discounting due to approximately 109 basis points increase in the yield curve.

## Premium

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



The vehicle count transfer for the month was 42,973 vehicles, which was higher than prior year by 8,913 vehicles, and 1,924 vehicles higher than The Outlook for the month, primarily driven by growth in Ontario and Alberta Grid 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 13.0%, 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	23,875	24,268	24,293	23,203	23,676	23,328	22,760	21,245	18,036	256,825
Alberta Grid	8,181	7,782	10,325	11,257	7,156	7,173	7,473	7,985	7,705	7,390	6,169	5,367	93,963
Alberta Non-Grid	6,644	6,651	9,566	9,589	10,255	9,347	9,372	9,511	9,060	8,126	7,307	6,561	101,990
New Brunswick	764	933	1,086	1,210	1,173	1,049	1,117	1,455	1,334	1,332	1,252	1,148	13,851
Nova Scotia	920	921	1,031	1,288	1,212	1,165	1,145	1,500	1,370	1,290	1,166	1,023	14,033
Newfoundland & Labrador	145	158	211	265	254	251	239	221	210	185	213	190	2,542
<b>Total</b>	<b>33,184</b>	<b>31,302</b>	<b>42,973</b>	<b>47,483</b>	<b>44,318</b>	<b>43,277</b>	<b>42,549</b>	<b>44,349</b>	<b>43,008</b>	<b>41,083</b>	<b>37,352</b>	<b>32,326</b>	<b>483,204</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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	67,467	69,494	69,733	66,628	69,739	68,886	68,115	62,916	53,681	750,395
Alberta Grid	22,636	20,781	28,112	30,348	26,053	27,082	28,475	29,509	28,572	27,281	22,864	19,704	311,417
Alberta Non-Grid	14,128	14,354	20,855	20,505	21,859	20,886	20,889	21,406	20,538	17,988	15,872	13,494	222,775
New Brunswick	1,276	1,576	1,770	1,879	1,829	1,645	1,760	2,635	2,454	2,361	2,169	2,022	23,378
Nova Scotia	1,641	1,696	1,887	2,140	2,009	1,918	1,903	2,807	2,520	2,317	2,104	1,809	24,751
Newfoundland & Labrador	257	244	322	424	436	435	416	405	362	333	371	328	4,331
<b>Total</b>	<b>88,181</b>	<b>82,747</b>	<b>114,345</b>	<b>122,762</b>	<b>121,679</b>	<b>121,700</b>	<b>120,070</b>	<b>126,501</b>	<b>123,332</b>	<b>118,395</b>	<b>106,296</b>	<b>91,039</b>	<b>1,337,047</b>

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

Jurisdiction	January Actual	February Actual	March Actual	April Proj.	May Proj.	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	2,826	2,864	2,871	2,872	2,946	2,953	2,993	2,961	2,976	2,922
Alberta Grid	2,767	2,670	2,723	2,696	3,641	3,776	3,810	3,695	3,708	3,692	3,706	3,672	3,314
Alberta Non-Grid	2,126	2,158	2,180	2,138	2,131	2,235	2,229	2,251	2,267	2,214	2,172	2,057	2,184
New Brunswick	1,671	1,688	1,630	1,554	1,560	1,569	1,575	1,811	1,840	1,773	1,733	1,762	1,688
Nova Scotia	1,784	1,842	1,830	1,661	1,657	1,646	1,662	1,871	1,839	1,795	1,805	1,768	1,764
Newfoundland & Labrador	1,769	1,547	1,527	1,598	1,716	1,735	1,738	1,830	1,720	1,801	1,740	1,724	1,703
<b>Total</b>	<b>2,657</b>	<b>2,644</b>	<b>2,661</b>	<b>2,585</b>	<b>2,746</b>	<b>2,812</b>	<b>2,822</b>	<b>2,852</b>	<b>2,868</b>	<b>2,882</b>	<b>2,846</b>	<b>2,816</b>	<b>2,767</b>

### Impact of Quarterly Valuation

- A valuation of the RSP as at December 31, 2023 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 resulted in an estimated overall **\$94.8 million unfavorable** impact on the month's net results from operations, increasing an estimated **49.0 points** to the year-to-date Combined Operating Ratio. The impact this month is summarized in the following tables below.

### RSP Summary of **2023 Q4 Valuation Implementation Impact**

RSP	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
<b>Ontario</b>	<b>29,196</b>	<b>48,272</b>	<b>77,468</b>	<b>73.3%</b>
PAY	28,372	-	28,372	26.9%
CAY	824	24,510	25,334	24.0%
FtAY	-	23,762	23,762	22.5%
<b>Alberta Grid</b>	<b>10,960</b>	<b>(18,265)</b>	<b>(7,305)</b>	<b>(14.9%)</b>
PAY	12,525	-	12,525	25.5%
CAY	(1,565)	(1,035)	(2,600)	(5.3%)
FtAY	-	(17,230)	(17,230)	(35.1%)
<b>Alberta Non-Grid</b>	<b>12,312</b>	<b>9,762</b>	<b>22,074</b>	<b>68.8%</b>
PAY	11,965	-	11,965	37.3%
CAY	347	3,851	4,198	13.1%
FtAY	-	5,911	5,911	18.4%
<b>New Brunswick</b>	<b>(570)</b>	<b>1,824</b>	<b>1,254</b>	<b>45.5%</b>
PAY	(734)	-	(734)	(26.6%)
CAY	164	627	791	28.7%
FtAY	-	1,197	1,197	43.4%
<b>Nova Scotia</b>	<b>644</b>	<b>1,889</b>	<b>2,533</b>	<b>78.0%</b>
PAY	531	-	531	16.3%
CAY	113	889	1,002	30.9%
FtAY	-	1,000	1,000	30.8%
<b>Newfoundland &amp; Labrador</b>	<b>(647)</b>	<b>(547)</b>	<b>(1,194)</b>	<b>(189.1%)</b>
PAY	(579)	-	(579)	(91.7%)
CAY	(68)	(269)	(337)	(53.4%)
FtAY	-	(278)	(278)	(44.0%)
<b>TOTAL</b>	<b>51,895</b>	<b>42,935</b>	<b>94,830</b>	<b>49.0%</b>
PAY	52,080	-	52,080	26.9%
CAY	(185)	28,573	28,388	14.7%
FtAY	-	14,363	14,363	7.4%

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**RSP Summary of 2023 Q4 Change in Loss Component during the Month**

Change in Loss Component			
	2024 (CAY)	2025 (FtAY)	TOTAL
<b>Opening Loss Component</b>	<b>483,899</b>	<b>653,499</b>	<b>1,137,399</b>
[1] Losses on onerous contracts	37	(26,123)	(26,086)
[2] Insurance finance expense/(income)	28,536	40,485	69,021
[a] Discount unwinding	3,574	2,592	6,166
[b] Yield impact	24,962	37,893	62,855
[3] Reversal of losses on onerous contracts	(46,839)	-	(46,839)
<b>TOTAL [1]+[2]+[3]</b>	<b>(18,266)</b>	<b>14,363</b>	<b>(3,903)</b>
<b>Ending Loss Component</b>	<b>465,633</b>	<b>667,862</b>	<b>1,133,495</b>

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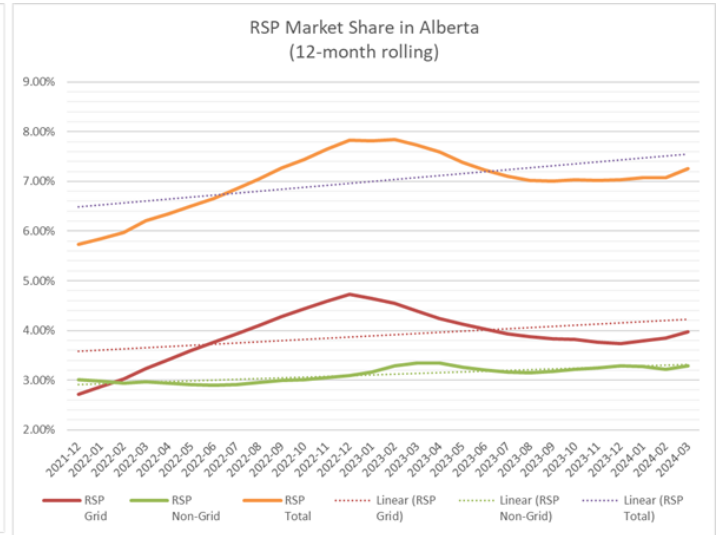
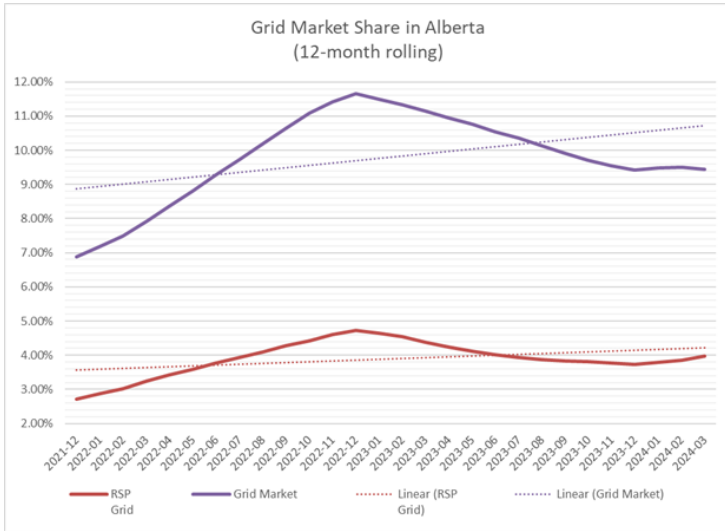
For more information on the valuation impact please refer to the [Quarterly Financial Insights](#)
**Projected Year-end 2024**

Compared with The Outlook released in December 2023, written premiums has increased by \$192.7 million driven by higher vehicle count in Ontario and Alberta Grid Pool compared to projections. Calendar year Earned Premium is up by \$168.4 million. The year-end 2024 operating deficit is \$907.1 million, \$269.4 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 7.26% in March 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.29% in March. Since the beginning of 2024, the Grid market share has **increased** to 3.85% from 3.97%. 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](#)

\*03 month ended March 2024 (discounted basis)