

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 011

DATE: March 28, 2024

SUBJECT: Risk Sharing Pool – February 2024 Operational Report

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

Please be advised that the February 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 ***February 2024 received premium*** was \$87.9 million, higher than prior year by \$22.1 million. The ***projected 2024 year-end received premium*** is \$1,355.4 million;
- (b) The ***February 2024 insurance revenue*** was \$60.7 million, higher than prior year by \$6.1 million. The ***projected 2024 year-end insurance revenue*** is \$843.7 million;
- (c) The ***February 2024 operating result*** was a deficit of \$816 thousand, higher than prior year by \$12.1 million. The ***projected 2024 year-end operating result*** is a deficit of \$848.3 million;
- (d) The ***February 2024 combined operating ratio*** was 101.3%, lower than prior year by 22.3 percentage points. The ***projected year-end combined operating ratio*** is 200.5%.

RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (February 2024)	Projection (February 2024)	Prior Year (February 2023)	2024 year-to-date as at 2 months	2023 year-to-date as at 2 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	82,747	91,740	72,397	170,928	137,945	1,340,655	1,144,373	1,155,412
Received Premium	87,874	89,463	65,790	191,388	137,087	1,355,387	1,142,793	1,122,400
Earned Premium	91,547	90,926	78,376	189,996	165,715	1,269,181	1,099,356	1,060,392
Earned Expense Allowance	(30,876)	(30,550)	(23,826)	(63,503)	(49,506)	(425,463)	(371,330)	(332,276)
Insurance Revenue	60,671	60,376	54,550	126,493	116,208	843,718	728,026	728,116
Total Claims Incurred	100,187	97,270	80,209	204,496	177,618	1,385,747	1,164,826	1,159,445
Claims incurred (CAY)	106,614	102,127	79,447	218,755	166,297	1,431,925	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(6,427)	(4,858)	762	(14,259)	11,321	(46,178)	(41,433)	21,550
Administrative Expense	620	710	597	1,828	1,259	10,761	10,015	8,240
Losses on Onerous Contracts	(13,984)	0	0	721,936	361,750	721,936	535,063	544,155
Reversal of Losses on Onerous Contracts	(41,386)	(41,386)	(13,373)	(84,755)	(50,128)	(589,852)	(487,491)	(366,883)
Insurance Service Expenses	45,437	56,594	67,432	843,505	490,499	1,528,592	1,222,414	1,344,957
Insurance Service Result	15,234	3,782	(12,882)	(717,012)	(374,291)	(684,874)	(494,388)	(616,840)
Insurance Finance Expense from PV FCF	(8,924)	(8,924)	0	(21,141)	0	(103,485)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(693)	(693)	0	(1,616)	0	(7,999)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(6,432)	(6,432)	0	(9,665)	0	(51,941)	(42,102)	2,108
Insurance Finance Income (Expense)	(16,050)	(16,050)	0	(32,423)	0	(163,424)	(143,350)	(69,270)
Operating Result	(816)	(12,268)	(12,882)	(749,435)	(374,291)	(848,298)	(637,737)	(686,110)
Ratios:								
Loss ratio - Claims Incurred (CAY)	175.7%	169.2%	145.6%	172.9%	143.1%	169.7%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(10.6%)	(8.0%)	1.4%	(11.3%)	9.7%	(5.5%)	(5.7%)	3.0%
Total	165.1%	161.1%	147.0%	161.7%	152.8%	164.2%	160.0%	159.2%
Earned Expense allowance	33.7%	33.6%	30.4%	33.4%	29.9%	33.5%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(91.3%)	(68.5%)	(24.5%)	503.7%	268.2%	15.7%	6.5%	24.3%
Administrative Expenses	1.0%	1.2%	1.1%	1.4%	1.1%	1.3%	1.4%	1.1%
Insurance Service Ratio	74.9%	93.7%	123.6%	666.8%	422.1%	181.2%	167.9%	184.7%
Combined Operating Ratio	101.3%	120.3%	123.6%	692.5%	422.1%	200.5%	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 (February 2024)	Projection (February 2024)	Prior Year (February 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	1,721,490	1,731,861	1,559,624	2,011,625	1,955,063	1,691,580
Undiscounted Case Reserves	1,100,345	1,102,898	1,032,711	1,312,944	1,341,347	1,072,734
Undiscounted IBNR	739,316	748,058	613,100	844,515	744,488	736,542
Discount	(243,756)	(245,285)	(207,591)	(284,938)	(264,170)	(242,287)
PV FCF	1,595,905	1,605,670	1,438,220	1,872,520	1,821,666	1,566,989
Risk Adjustment	125,585	126,191	121,404	139,104	133,398	124,591
Risk Adjustment %	7.87%	7.86%	8.44%	7.43%	7.32%	7.95%
LRC	1,485,416	1,501,230	931,816	1,079,841	905,887	837,723
LRC excl. Loss Component	348,018	349,847	304,806	405,264	352,397	347,171
Loss Component	1,137,399	1,151,383	627,011	674,577	553,490	490,552

Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$100.2 million, higher than projection by \$2.9 million and \$20.0 million higher compared with the same month from last year. Loss ratio was at 175.7%, 6.6 percentage points higher than projected, and 30.1 percentage points higher compared with prior year. Loss ratio exceeded projection this month due to different mix of actual earned premium than projected; we earned more premium in Ontario (highest loss ratio) and less in other provinces (lower loss ratio) compared to projection.
- **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 \$14.0 million favorable change primarily driven by a decrease in projected 2024 and 2025 premium compared to what was projected.
- **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

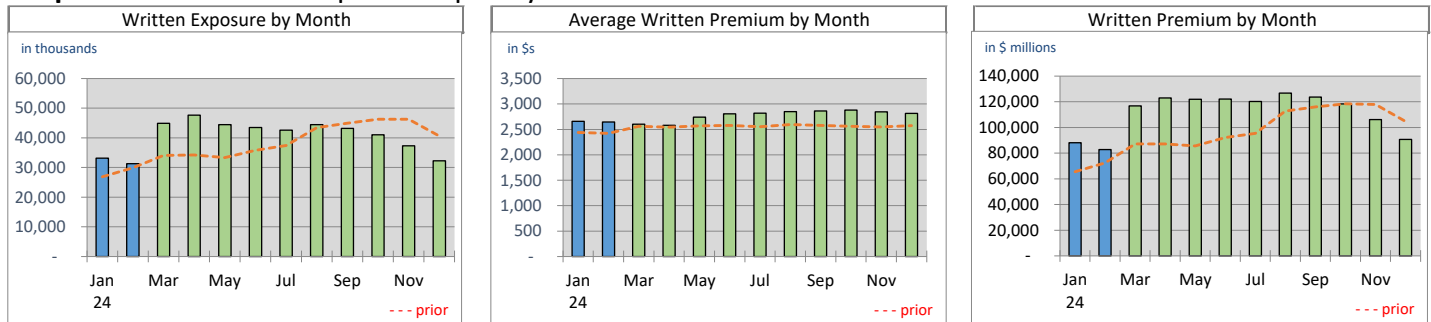
Insurance Finance income/ (expense) is comprised of:

- 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 31,302 vehicles, which was higher than prior year by 1,399 vehicles, and 649 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 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	22,801	23,927	24,325	24,469	23,216	23,762	23,467	22,679	21,159	17,921	259,114
Alberta Grid	8,181	7,782	10,323	11,256	7,155	7,172	7,472	7,984	7,704	7,389	6,168	5,365	93,951
Alberta Non-Grid	6,644	6,651	8,983	9,578	10,243	9,333	9,358	9,496	9,044	8,108	7,288	6,541	101,267
New Brunswick	764	933	1,235	1,228	1,191	1,067	1,136	1,473	1,352	1,350	1,269	1,146	14,144
Nova Scotia	920	921	1,230	1,288	1,212	1,165	1,145	1,500	1,370	1,290	1,165	1,023	14,228
Newfoundland & Labrador	145	158	325	365	354	301	289	271	260	235	263	240	3,207
Total	33,184	31,302	44,897	47,642	44,480	43,508	42,615	44,487	43,197	41,051	37,313	32,236	485,910

RSP Summary of full year **Written Premium**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	65,817	67,651	69,783	70,258	66,823	70,079	69,329	68,116	62,904	53,507	756,607
Alberta Grid	22,636	20,781	27,519	30,323	26,028	27,059	28,456	29,488	28,548	27,258	22,841	19,683	310,620
Alberta Non-Grid	14,128	14,354	19,063	20,402	21,758	20,784	20,778	21,283	20,405	17,844	15,725	13,391	219,916
New Brunswick	1,276	1,576	1,939	1,904	1,854	1,670	1,784	2,659	2,478	2,385	2,192	2,017	23,735
Nova Scotia	1,641	1,696	2,032	2,139	2,008	1,917	1,902	2,807	2,519	2,316	2,103	1,808	24,887
Newfoundland & Labrador	257	244	473	554	572	449	433	435	376	360	394	343	4,890
Total	88,181	82,747	116,843	122,973	122,003	122,138	120,176	126,751	123,656	118,278	106,160	90,750	1,340,655

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,919	2,968	2,887	2,827	2,869	2,871	2,878	2,949	2,954	3,003	2,973	2,986	2,920
Alberta Grid	2,767	2,670	2,666	2,694	3,638	3,773	3,808	3,693	3,706	3,689	3,703	3,669	3,306
Alberta Non-Grid	2,126	2,158	2,122	2,130	2,124	2,227	2,220	2,241	2,256	2,201	2,158	2,047	2,172
New Brunswick	1,671	1,688	1,570	1,550	1,556	1,565	1,571	1,805	1,833	1,767	1,727	1,760	1,678
Nova Scotia	1,784	1,842	1,652	1,661	1,657	1,646	1,661	1,871	1,839	1,795	1,805	1,768	1,749
Newfoundland & Labrador	1,769	1,547	1,456	1,518	1,615	1,493	1,497	1,603	1,445	1,530	1,499	1,429	1,525
Total	2,657	2,644	2,602	2,581	2,743	2,807	2,820	2,849	2,863	2,881	2,845	2,815	2,759

Projected Year-end 2024

Compared with The Outlook released in December 2023, written premiums has increased by \$196.3 million driven by higher vehicle count in Ontario compared to projections offset by the impacts from Alberta Grid rate change leading to lower counts in Alberta Grid pool. Calendar year earned premium is up by \$169.8 million. The year-end 2024 operating deficit is \$848.3 million, \$210.6 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 February 2023 back down to 7.10% in February 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.23% in February. Since the beginning of 2024, the Grid market share has **increased** to 3.74% from 3.86%. 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.

Rolling 12 month BI/TPL Written Vehicles
(simulating an annual vehicle count up to the displayed entry month)

	AB			RSP Grid		RSP Non-Grid		RSP Total		
	Total PPxF	Grid Capped	% of Grid	Rolling 12 MTH	Market Share 12 MTH	Rolling 12 MTH	Market Share 12 MTH	Rolling 12 MTH	Market Share MTH	Market Share 12 MTH
2021-12	2,822,004	194,433	6.89%	76,802	2.72%	84,816	3.01%	161,618	6.08%	5.73%
2022-01	2,821,302	202,663	7.18%	81,012	2.87%	84,045	2.98%	165,057	6.79%	5.85%
2022-02	2,823,523	211,696	7.50%	85,462	3.03%	83,192	2.95%	168,654	6.83%	5.97%
2022-03	2,823,416	223,467	7.91%	91,361	3.24%	83,855	2.97%	175,216	7.15%	6.21%
2022-04	2,823,667	235,948	8.36%	96,412	3.41%	82,957	2.94%	179,369	6.75%	6.35%
2022-05	2,830,413	249,673	8.82%	101,590	3.59%	82,586	2.92%	184,176	7.38%	6.51%
2022-06	2,831,101	262,907	9.29%	106,496	3.76%	82,038	2.90%	188,534	7.78%	6.66%
2022-07	2,832,227	275,660	9.73%	111,534	3.94%	82,337	2.91%	193,871	8.33%	6.85%
2022-08	2,840,645	289,772	10.20%	116,512	4.10%	83,714	2.95%	200,226	8.24%	7.05%
2022-09	2,849,049	303,457	10.65%	121,778	4.27%	85,396	3.00%	207,174	8.37%	7.27%
2022-10	2,854,706	316,570	11.09%	126,430	4.43%	86,095	3.02%	212,525	8.32%	7.44%
2022-11	2,862,379	326,878	11.42%	131,484	4.59%	87,475	3.06%	218,959	8.99%	7.65%
2022-12	2,868,454	334,140	11.65%	135,625	4.73%	88,776	3.09%	224,401	8.86%	7.82%
2023-01	2,876,589	330,564	11.49%	133,710	4.65%	91,052	3.17%	224,762	6.70%	7.81%
2023-02	2,885,419	327,175	11.34%	131,174	4.55%	95,011	3.29%	226,185	7.25%	7.84%
2023-03	2,894,496	323,016	11.16%	126,978	4.39%	96,822	3.35%	223,800	5.92%	7.73%
2023-04	2,902,501	318,024	10.96%	123,039	4.24%	97,159	3.35%	220,198	5.23%	7.59%
2023-05	2,908,752	312,806	10.75%	119,945	4.12%	94,930	3.26%	214,875	5.31%	7.39%
2023-06	2,916,409	307,510	10.54%	117,355	4.02%	93,496	3.21%	210,851	6.12%	7.23%
2023-07	2,920,749	302,328	10.35%	114,866	3.93%	92,419	3.16%	207,285	6.86%	7.10%
2023-08	2,929,597	296,708	10.13%	113,339	3.87%	92,336	3.15%	205,674	7.41%	7.02%
2023-09	2,933,693	290,483	9.90%	112,589	3.84%	93,084	3.17%	205,673	8.24%	7.01%
2023-10	2,942,910	285,629	9.71%	112,238	3.81%	94,739	3.22%	206,977	8.53%	7.03%
2023-11	2,949,331	281,474	9.54%	111,127	3.77%	95,745	3.25%	206,871	8.68%	7.01%
2023-12	2,955,860	278,757	9.43%	110,517	3.74%	97,253	3.29%	207,770	9.03%	7.03%
2024-01	2,962,293	280,843	9.48%	112,477	3.80%	97,040	3.28%	209,516	7.35%	7.07%
2024-02	2,955,489	279,975	9.47%	114,197	3.86%	95,513	3.23%	209,710	7.61%	7.10%
Min 2018-2024			5.65%		2.27%		2.38%			4.77%
Max 2018-2024			11.65%		4.73%		3.35%			7.84%

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](#)

*02 month ended February 2024 (discounted basis)