

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 006

**DATE:** February 28, 2024

**SUBJECT:** Risk Sharing Pool – January 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 January 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.

**SPECIAL NOTE: Initial Recognition**

Please note that there is a substantially large operating deficit for the RSPs this month driven by the **initial recognition of the 2025 loss component**. As per FA's accounting policy, January of each year will "trigger" the future accident year loss component and all future losses associated with accident year 2025 are recognized this month. Detailed commentary found on page 2 and 3 below.

**Highlights (IFRS 17)**

- (a) The **January 2024 received premium** was \$103.5 million, higher than prior year by \$32.2 million. The **2024 year-end received premium** is projected at \$1,403.7 million;
- (b) The **January 2024 insurance revenue** was \$65.8 million, higher than prior year by \$4.2 million. The **2024 year-end insurance revenue** is projected at \$857.1 million;
- (c) The **January 2024 operating result** was a deficit of \$748.6 million, lower than prior year by \$387.2 million. The **2023 year-end operating result** is projected at a deficit of \$860.6 million;
- (d) The **January 2024 combined operating ratio** was 1,237.3%, higher than prior year by 551.2 percentage points. The **year-end combined operating ratio** is projected at 200.4%.

## RSP Summary of IFRS17 Financial Results

<b>RSP 2024 Summary</b>	<b>Actual</b>	<b>Projection</b>	<b>Prior Year</b>	<b>2024 year-end</b>	<b>Outlook*</b>	<b>2023 year-end</b>
<b>Amounts in \$000s</b>	<b>(January 2024)</b>	<b>(January 2024)</b>	<b>(January 2023)</b>	<b>Projection</b>	<b>Full year 2024</b>	<b>Actual</b>
Written Premium	88,181	73,523	65,549	1,394,824	1,144,373	1,155,412
Received Premium	103,514	104,624	71,296	1,403,662	1,142,793	1,122,400
Earned Premium	98,449	97,504	87,338	1,288,742	1,099,356	1,060,392
Earned Expense Allowance	(32,627)	(32,818)	(25,680)	(431,664)	(371,330)	(332,276)
<b>Insurance Revenue</b>	<b>65,822</b>	<b>64,686</b>	<b>61,658</b>	<b>857,078</b>	<b>728,026</b>	<b>728,116</b>
Total Claims Incurred	104,309	104,859	97,409	1,401,817	1,164,826	1,159,445
Claims incurred (CAY)	112,141	109,793	86,850	1,446,386	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(7,832)	(4,934)	10,559	(44,569)	(41,433)	21,550
Administrative Expense	1,207	600	662	11,065	10,015	8,240
Losses on Onerous Contracts	735,921	519,545	361,750	735,921	535,063	544,155
Reversal of Losses on Onerous Contracts	(43,369)	(43,369)	(36,755)	(595,183)	(487,491)	(366,883)
<b>Insurance Service Expenses</b>	<b>798,068</b>	<b>581,635</b>	<b>423,067</b>	<b>1,553,620</b>	<b>1,222,414</b>	<b>1,344,957</b>
<b>Insurance Service Result</b>	<b>(732,246)</b>	<b>(516,948)</b>	<b>(361,409)</b>	<b>(696,542)</b>	<b>(494,388)</b>	<b>(616,840)</b>
Insurance Finance Expense from PV FCF	(12,217)	(8,516)	0	(103,991)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(923)	(667)	0	(8,035)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(3,233)	(3,233)	0	(51,992)	(42,102)	2,108
<b>Insurance Finance Income (Expense)</b>	<b>(16,373)</b>	<b>(12,416)</b>	<b>0</b>	<b>(164,018)</b>	<b>(143,350)</b>	<b>(69,270)</b>
<b>Operating Result</b>	<b>(748,619)</b>	<b>(529,364)</b>	<b>(361,409)</b>	<b>(860,561)</b>	<b>(637,737)</b>	<b>(686,110)</b>
<b>Ratios:</b>						
Loss ratio - Claims Incurred (CAY)	170.4%	169.7%	140.9%	168.8%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(11.9%)	(7.6%)	17.1%	(5.2%)	(5.7%)	3.0%
Total	158.5%	162.1%	158.0%	163.6%	160.0%	159.2%
Earned Expense allowance	33.1%	33.7%	29.4%	33.5%	33.8%	31.3%
Change in Loss Component (excluding IFE)	1,052.2%	736.1%	527.1%	16.4%	6.5%	24.3%
Administrative Expenses	1.8%	0.9%	1.1%	1.3%	1.4%	1.1%
<b>Insurance Service Ratio</b>	<b>1212.5%</b>	<b>899.2%</b>	<b>686.2%</b>	<b>181.3%</b>	<b>167.9%</b>	<b>184.7%</b>
<b>Combined Operating Ratio</b>	<b>1,237.3%</b>	<b>918.4%</b>	<b>686.2%</b>	<b>200.4%</b>	<b>187.6%</b>	<b>194.2%</b>

rounding differences may occur

\*as posted to FA's website Dec 22, 2023

## Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$104.3 million, lower than projection by \$0.5 million and \$6.9 million higher compared with the same month from last year. Loss ratio was at 170.4%, 0.6 percentage points higher than projected, and 29.5 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 \$735.9 million unfavorable change primarily driven by **initial recognition of the Accident Year 2025 Loss Component**, as well as updated member projections of the 2024 written premium.

Initial recognition of the loss component for the future year occurs annually in January as the sharing mechanism of the future year is triggered based on our plan of operations. The loss component accounts for the entire fulfillment cash flows of accident year 2025 including those of future risks projected to be written and transferred to the RSP.

Please see the table below for a further breakdown of the losses on Onerous Contracts by pool and accident year. CAY denotes the current accident year (2024) and FtAY denotes to the future accident year (2025). More information on the initial recognition and projected LRC unwinding is shown below.

## Losses and Reversals of Losses on Onerous Contracts for January 2024

	Ontario	Alberta Grid	Alberta Non-Grid	New Brunswick	Nova Scotia	Newfoundland & Labrador	Total
CAY	68,161	3,571	6,156	154	(887)	(455)	76,698
FtAY	505,254	58,003	78,939	7,478	7,820	1,730	659,222
<b>Total</b>	<b>573,414</b>	<b>61,574</b>	<b>85,094</b>	<b>7,631</b>	<b>6,933</b>	<b>1,274</b>	<b>735,921</b>

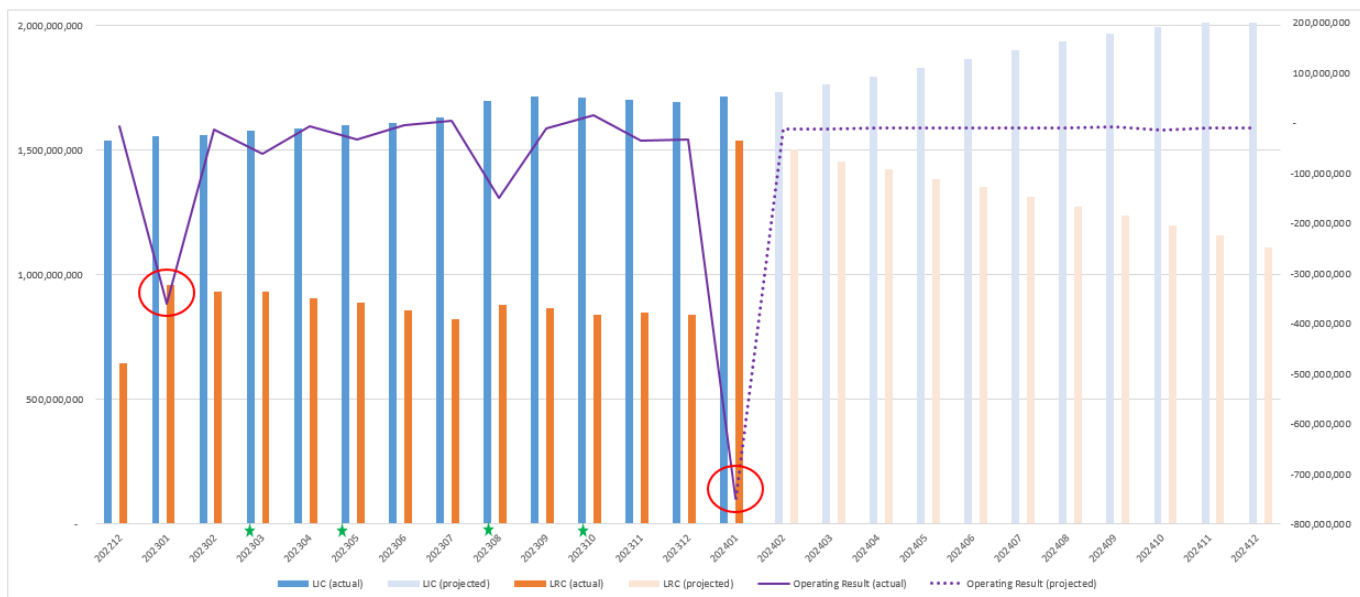
- **Reversal of Losses on Onerous Contracts** – This represents changes in the loss component during the reporting period arising from the portion of the opening LRC earned during the period. Excludes the impact of change in discount rates, and completely aligns with projection.

## 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.

## Actual & Projection of IFRS 17 Results for the Total RSPs (by calendar month)



The above graph presents the actual liabilities and operating result reported beginning Dec. 31, 2022 up to Dec. 31, 2023. This graph also includes the projection for the full Calendar Year 2024. The liability for incurred claims is projected to steadily grow due to loss ratio trend and premium growth projected for the combined RSPs. The liability for remaining coverage demonstrates a sharp jump in January of each calendar year due to the initial recognition of the future accident year loss component, then gradually decreases for the remainder of the year as losses move into the liability for incurred claims.

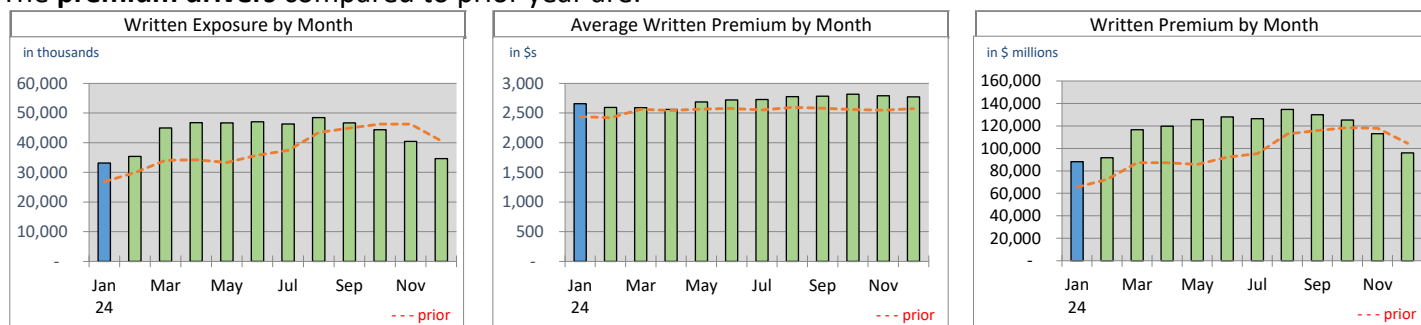
Initial recognition in January generates a large operating loss in the January result (denoted by the red circle), as we are essentially taking the entire loss on the future year upfront. Following initial recognition of the loss component, the projection of monthly operating result is a stable deficit – representing the unwinding of discounting.

The operating deficit is significantly larger in January 2024 compared to January 2023 primarily driven by higher premiums expected in 2025 compared to 2024 compounded with higher projected loss ratios.

The actual operating result presented in the graph reflects the implementation of valuation results and updates to the discount rates throughout the year. These valuation impacts typically generate income or losses due to reserve increases/releases and changes in present value adjustments (implementation months are denoted with a green star).

## Premium

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



The vehicle count transfer for the month was 33,184 vehicles, which was higher than prior year by 6,318 vehicles, and 1,311 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	17,624	22,257	23,023	23,950	24,496	23,473	24,065	23,958	23,153	21,652	18,270	262,451
Alberta Grid	8,181	8,298	10,970	11,242	10,036	10,244	10,701	11,373	10,515	10,225	8,731	7,424	117,941
Alberta Non-Grid	6,644	7,080	9,039	9,677	10,016	9,776	9,594	9,771	9,201	8,159	7,381	6,514	102,854
New Brunswick	764	1,064	1,235	1,229	1,192	1,068	1,136	1,474	1,352	1,350	1,270	1,147	14,281
Nova Scotia	920	1,070	1,230	1,289	1,213	1,166	1,146	1,501	1,371	1,291	1,166	1,024	14,386
Newfoundland & Labrador	145	238	275	315	304	301	289	271	260	235	263	240	3,137
<b>Total</b>	<b>33,184</b>	<b>35,374</b>	<b>45,007</b>	<b>46,775</b>	<b>46,711</b>	<b>47,052</b>	<b>46,339</b>	<b>48,454</b>	<b>46,658</b>	<b>44,414</b>	<b>40,464</b>	<b>34,618</b>	<b>515,049</b>

### RSP Summary of full year **Written Premium**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	51,035	64,281	65,252	68,644	70,201	67,331	70,783	70,527	69,277	64,081	54,491	764,145
Alberta Grid	22,636	22,088	28,981	29,524	31,629	33,189	34,668	37,198	34,600	33,647	28,645	23,562	360,367
Alberta Non-Grid	14,128	14,764	18,957	20,457	21,004	20,540	20,232	20,727	19,468	17,224	15,578	13,732	216,812
New Brunswick	1,276	1,633	1,940	1,905	1,855	1,672	1,786	2,661	2,481	2,387	2,193	2,019	23,808
Nova Scotia	1,641	1,827	2,032	2,138	2,007	1,916	1,901	2,806	2,519	2,316	2,103	1,810	25,016
Newfoundland & Labrador	257	393	352	433	451	449	433	435	376	360	394	343	4,677
<b>Total</b>	<b>88,181</b>	<b>91,740</b>	<b>116,542</b>	<b>119,710</b>	<b>125,590</b>	<b>127,968</b>	<b>126,350</b>	<b>134,610</b>	<b>129,972</b>	<b>125,209</b>	<b>112,995</b>	<b>95,957</b>	<b>1,394,824</b>

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

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,919	2,896	2,888	2,834	2,866	2,866	2,868	2,941	2,944	2,992	2,960	2,983	2,912
Alberta Grid	2,767	2,662	2,642	2,626	3,151	3,240	3,240	3,271	3,290	3,291	3,281	3,174	3,055
Alberta Non-Grid	2,126	2,085	2,097	2,114	2,097	2,101	2,109	2,121	2,116	2,111	2,110	2,108	2,108
New Brunswick	1,671	1,535	1,570	1,550	1,557	1,566	1,572	1,805	1,835	1,767	1,727	1,761	1,667
Nova Scotia	1,784	1,708	1,651	1,659	1,655	1,644	1,659	1,870	1,838	1,793	1,803	1,767	1,739
Newfoundland & Labrador	1,769	1,651	1,280	1,375	1,484	1,493	1,497	1,603	1,445	1,530	1,499	1,429	1,491
<b>Total</b>	<b>2,657</b>	<b>2,593</b>	<b>2,589</b>	<b>2,559</b>	<b>2,689</b>	<b>2,720</b>	<b>2,727</b>	<b>2,778</b>	<b>2,786</b>	<b>2,819</b>	<b>2,793</b>	<b>2,772</b>	<b>2,708</b>

## Year-end 2024

Compared with The Outlook released in December 2023, written premiums has increased by \$250.5 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 down by \$189.4 million. The year-end 2024 operating deficit is \$860.6 million, \$222.8 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 February 2023 back down to 7.07% in January 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.28% in January. For the first time in twelve months, the Grid market share has **increased** to 3.80% from 3.74%. 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 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	2,929,596	296,707	10.13%	113,339	3.87%	92,336	3.15%	205,674	7.41%	7.02%
2023-09	2,933,691	290,482	9.90%	112,589	3.84%	93,084	3.17%	205,673	8.24%	7.01%
2023-10	2,942,906	285,627	9.71%	112,238	3.81%	94,739	3.22%	206,977	8.53%	7.03%
2023-11	2,949,326	281,473	9.54%	111,127	3.77%	95,745	3.25%	206,871	8.68%	7.01%
2023-12	2,955,852	278,754	9.43%	110,517	3.74%	97,253	3.29%	207,770	9.03%	7.03%
2024-01	2,962,280	280,842	9.48%	112,476	3.80%	97,040	3.28%	209,515	7.35%	7.07%
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](#)

\*01 month ended January 2024 (discounted basis)