

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 002

**DATE:** January 30, 2024

**SUBJECT:** Risk Sharing Pool – December 2023 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 December 2023 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 ***December 2023 received premium*** was \$118.0 million, higher than prior year by \$37.8 million. The ***2023 year-end received premium*** is \$1,122.4 million;
- (b) The ***December 2023 insurance revenue*** was \$66.4 million, higher than prior year by \$4.4 million. The ***2023 year-end insurance revenue*** is \$728.1 million;
- (c) The ***December 2023 operating result*** was a deficit of \$32.5 million, lower than prior year by \$26.4 million. The ***2023 year-end operating result*** is a deficit of \$686.1 million;
- (d) The ***December 2023 combined operating ratio*** was 148.9%, higher than prior year by 39.1 percentage points. The ***year-end combined operating ratio*** is 194.2%.

## RSP Summary of IFRS17 Financial Results

<b>RSP 2023 Summary</b>	<b>Actual</b>	<b>Projection</b>	<b>Prior Year</b>	<b>2023 year-to-date</b>	<b>2022 year-to-date</b>	<b>Outlook*</b>
<b>Amounts in \$000s</b>	<b>(December 2023)</b>	<b>(December 2023)</b>	<b>(December 2022)</b>	<b>as at 12 months</b>	<b>as at 12 months</b>	<b>Full year 2023</b>
Written Premium	104,636	87,338	70,579	1,155,412	1,044,968	1,135,886
Received Premium	118,000	117,979	80,236	1,122,400	1,026,378	1,133,465
Earned Premium	96,731	93,822	87,360	1,060,392	976,005	1,096,519
Earned Expense Allowance	(30,360)	(29,412)	(25,415)	(332,276)	(284,104)	(342,844)
<b>Insurance Revenue</b>	<b>66,371</b>	<b>64,409</b>	<b>61,945</b>	<b>728,116</b>	<b>691,901</b>	<b>753,675</b>
Total Claims Incurred	112,047	94,947	86,013	1,159,445	896,379	1,166,434
<i>Claims incurred (CAY)</i>	102,270	98,058	85,948	1,137,895	971,638	1,105,370
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	9,777	(3,110)	65	21,550	(75,259)	61,064
Administrative Expense	1,147	654	1,109	8,240	7,878	8,764
Losses on Onerous Contracts	9,554	0	0	544,155	446,923	406,897
Reversal of Losses on Onerous Contracts	(34,466)	(34,466)	(19,124)	(366,883)	(296,346)	(310,756)
<b>Insurance Service Expenses</b>	<b>88,281</b>	<b>61,135</b>	<b>67,999</b>	<b>1,344,957</b>	<b>1,054,834</b>	<b>1,271,338</b>
<b>Insurance Service Result</b>	<b>(21,911)</b>	<b>3,275</b>	<b>(6,053)</b>	<b>(616,840)</b>	<b>(362,933)</b>	<b>(517,664)</b>
Insurance Finance Expense from PV FCF	(7,913)	(7,899)	0	(65,922)	110,665	0
Insurance Finance Expense from Risk Adjustment	(632)	(630)	0	(5,456)	9,070	0
Insurance Finance Expense from Loss Component	(2,013)	(2,013)	0	2,108	146,268	0
<b>Insurance Finance Income (Expense)</b>	<b>(10,558)</b>	<b>(10,542)</b>	<b>0</b>	<b>(69,270)</b>	<b>266,003</b>	<b>0</b>
<b>Operating Result</b>	<b>(32,468)</b>	<b>(7,267)</b>	<b>(6,053)</b>	<b>(686,110)</b>	<b>(96,929)</b>	<b>(517,664)</b>
<b>Ratios:</b>						
<b>Loss ratio - Claims Incurred (CAY)</b>	154.1%	152.2%	138.7%	156.3%	140.4%	146.7%
<b>- Adjustments to Liabilities for Incurred Claims (PAYs)</b>	14.7%	(4.8%)	0.1%	3.0%	(10.9%)	8.1%
<b>Total</b>	168.8%	147.4%	138.9%	159.2%	129.6%	154.8%
<b>Earned Expense allowance</b>	31.4%	31.3%	29.1%	31.3%	29.1%	31.3%
<b>Change in Loss Component (excluding IFE)</b>	(37.5%)	(53.5%)	(30.9%)	24.3%	21.8%	12.8%
<b>Administrative Expenses</b>	1.7%	1.0%	1.8%	1.1%	1.1%	1.2%
<b>Insurance Service Ratio</b>	<b>133.0%</b>	<b>94.9%</b>	<b>109.8%</b>	<b>184.7%</b>	<b>152.5%</b>	<b>168.7%</b>
<b>Combined Operating Ratio</b>	<b>148.9%</b>	<b>111.3%</b>	<b>109.8%</b>	<b>194.2%</b>	<b>114.0%</b>	<b>168.7%</b>

rounding differences may occur

\*as posted to FA's website Jan 17, 2023

## Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$112.0 million, higher than projection by \$17.1 million and \$26.0 million higher compared with the same month from last year. Loss ratio was at 154.1%, 1.8 percentage points higher than projected, and 15.3 percentage points higher compared with prior year. PAY loss ratio of 14.7% compared to -4.8% projected is driven by claims activity on latent accident benefits claims (Ontario Bill 164).
- **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 \$9.5 million unfavorable change primarily driven by an increase in unearned 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.

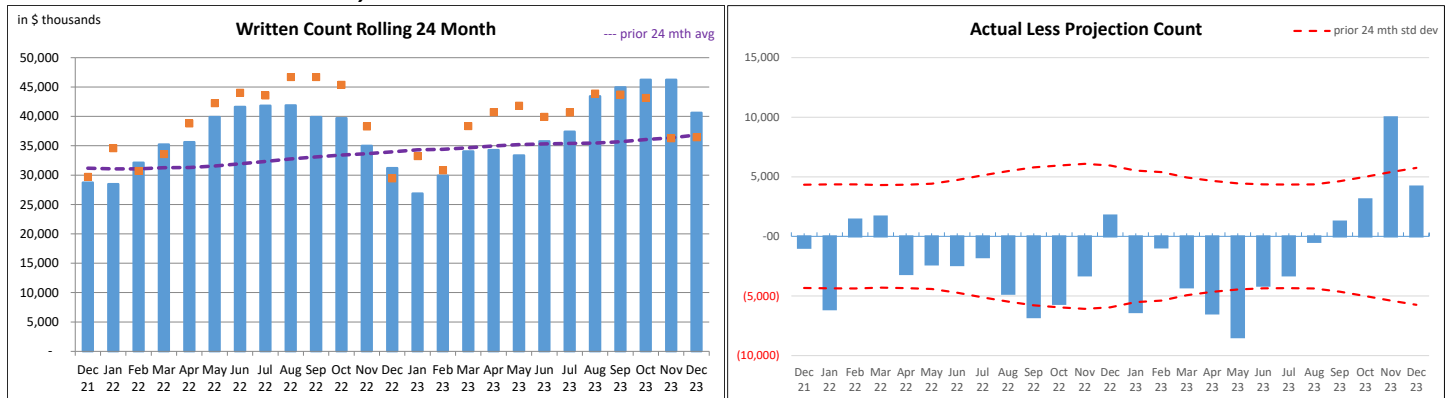
## Premium

Premium and count projection are based on the data provided periodically by members, based on their best estimate of pool usage. We have added the diagnostic below to help the users understand the volatility and trends in the usage of this pool.

The right charts below show actual activity in the most recent 25 month calendar months, along with the a “prior 24-month average” to show how each month’s actual compares with the average amount of the preceding 24 calendar month. The left chart below shows the variance from projection compared with the “prior 24 month standard deviation”.

Compared with the RSP projection found in the Risk Sharing Pools’ Final Outlook for 2023 ([Final Outlook for Calendar Year 2023](#) posted January 17, 2023), 2023 ended with counts 10,726 vehicles (2.3%) lower than expected, and premiums \$19.5 million (1.7%) higher than the Outlook. The lower counts and increased premiums are due primarily to grid rates increases in Alberta effective January 01, 2023 resulting in lower transfer counts for the Alberta pools and increased average written premiums, this however was offset by the increases seen in the Ontario pool.

### RSP Actual Vehicle Count by Calendar Month

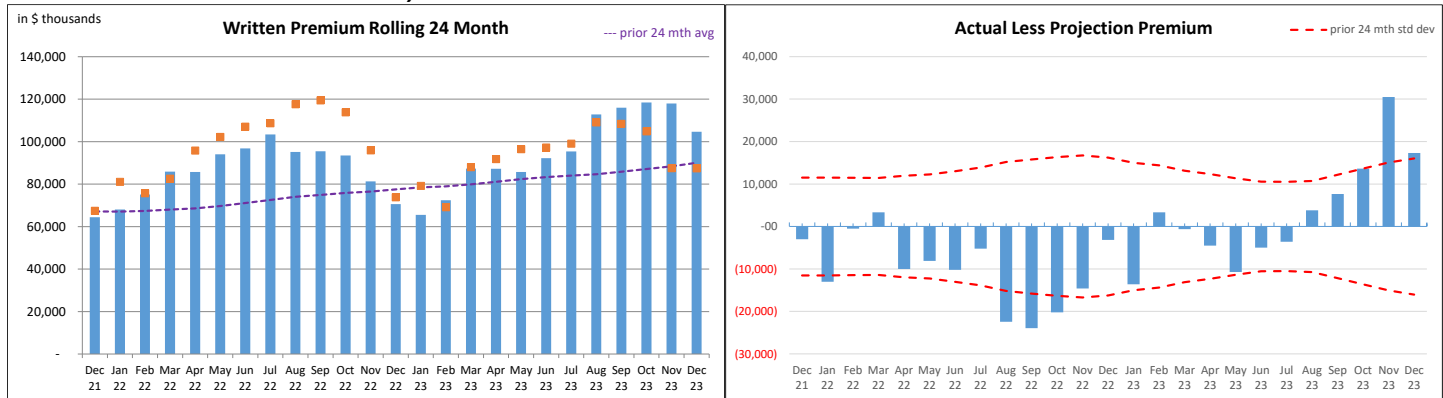


The vehicle counts transfer for the month was 40,630 vehicles, which was higher than prior by 9,435 vehicles, and 4,178 vehicles higher than the Outlook for the month. Alberta Grid shows significant decrease compared to prior year, primarily due to the grid rate increase effective January 01, 2023. Members have been reviewing their ceding strategies following the grid rate changes. While Ontario is showing increase counts for the current month compared to prior year.

Written Count	
Mthly Avg Chg (prior 24 mths)	36,978
std dev	5,677
A-P <> std dev	6
% <> std dev	24.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	better

The **written count** variance (preceding table on the left) fell outside the standard deviation 24% of the time over the last 25 months suggesting that the projection process has performed **better** than simply projecting the prior 24-month average amount.

2023 Vehicle Count	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Year-End
Ontario	11,863	13,697	17,957	17,272	16,257	17,127	16,818	20,262	20,440	21,770	24,145	21,419	219,027
Alberta Grid	6,222	6,068	6,940	7,372	9,235	10,073	10,353	11,458	12,287	11,848	10,118	8,542	110,517
Alberta Non-Grid	6,858	8,185	7,742	6,847	5,620	6,985	7,909	9,451	9,756	10,170	9,189	8,542	97,253
New Brunswick	862	1,305	620	1,636	1,097	130	1,229	990	918	1,050	1,301	778	11,918
Nova Scotia	941	490	606	897	903	1,168	851	1,048	1,330	1,186	1,230	1,124	11,774
Newfoundland & Labrador	120	158	195	245	262	297	244	226	226	231	276	226	2,706
<b>Total</b>	<b>26,866</b>	<b>29,903</b>	<b>34,060</b>	<b>34,269</b>	<b>33,374</b>	<b>35,780</b>	<b>37,404</b>	<b>43,435</b>	<b>44,958</b>	<b>46,255</b>	<b>46,260</b>	<b>40,630</b>	<b>453,195</b>

**RSP Actual Written Premium by Calendar Month**


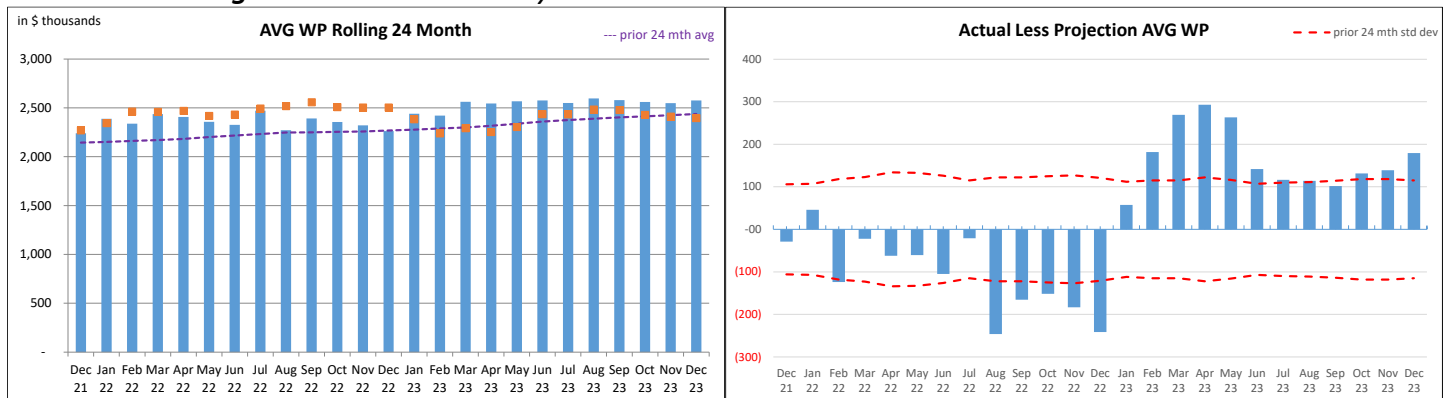
The written premium for the month was \$104.6 million, which was higher than prior by \$34.1 million, and \$22.6 million higher than the Outlook for the month.

Written Premium	
Mthly Avg Chg (prior 24 mths)	90,590,857
std dev	15,970,539
A-P <> std dev	7
% <> std dev	28.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	no better

The **written premium** variance (preceding table on the left) fell outside the standard deviation 28% of the time over the last 25 months suggesting that the projection process has performed **no better** than simply projecting the prior 24-month average amount. As seen in the 'Written Premium Rolling 24 Month' graph, the year 2022 shows higher projected premiums than actual, in large part due to

members taking time to adjust their RSP operations following the 2022 RSP Harmonization (please refer to bulletin [F2020-050](#)).

2023 Premiums (in 0000's)	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023 Year-End
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
Ontario	32,293	37,722	50,377	47,338	44,897	47,468	46,069	56,530	56,970	61,013	66,834	60,430	607,942
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,284	28,689	31,839	34,031	32,548	27,793	23,609	304,924
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	14,857	16,857	20,533	21,018	20,699	18,569	16,885	201,572
New Brunswick	1,218	1,257	932	2,503	1,646	471	1,917	1,640	1,488	1,838	2,198	1,403	18,513
Nova Scotia	1,453	38	859	1,600	1,480	1,710	1,537	1,926	2,139	1,980	2,076	1,919	18,718
Newfoundland & Labrador	147	205	220	307	335	385	312	307	333	351	451	390	3,743
<b>Total</b>	<b>65,549</b>	<b>72,397</b>	<b>87,258</b>	<b>87,210</b>	<b>85,700</b>	<b>92,175</b>	<b>95,381</b>	<b>112,775</b>	<b>115,980</b>	<b>118,429</b>	<b>117,922</b>	<b>104,636</b>	<b>1,155,412</b>

**RSP Actual Average Written Premiums by Calendar Month**


Average Written Premiums	
Mthly Avg Chg (prior 24 mths)	2,444
std dev	115
A-P <> std dev	16
% <> std dev	64.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	worse

The **average written premium** variance (preceding table on the left) fell outside the standard deviation 64% of the time over the last 25 months suggesting that the projection process has performed **worse** than simply projecting the prior 24-month average amount. The average written premium projection is derived from the separate exposure and premium projections provided by members.

2023 Average Premiums	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Year-End
Ontario	2,722	2,754	2,805	2,741	2,762	2,772	2,739	2,790	2,787	2,803	2,768	2,821	2,776
Alberta Grid	2,713	2,789	2,782	2,837	2,718	2,709	2,771	2,779	2,770	2,747	2,747	2,764	2,759
Alberta Non-Grid	1,977	1,985	2,010	2,124	2,178	2,127	2,131	2,173	2,154	2,035	2,021	1,977	2,073
New Brunswick	1,412	963	1,503	1,530	1,500	3,618	1,559	1,657	1,621	1,751	1,689	1,803	1,553
Nova Scotia	1,544	78	1,417	1,784	1,640	1,465	1,806	1,837	1,609	1,669	1,688	1,707	1,590
Newfoundland & Labrador	1,228	1,295	1,130	1,253	1,281	1,294	1,279	1,359	1,474	1,514	1,635	1,728	1,383
<b>Total</b>	<b>2,440</b>	<b>2,421</b>	<b>2,562</b>	<b>2,545</b>	<b>2,568</b>	<b>2,576</b>	<b>2,550</b>	<b>2,596</b>	<b>2,580</b>	<b>2,560</b>	<b>2,549</b>	<b>2,575</b>	<b>2,549</b>

## Year-end 2023

Compared with The Outlook released in January 2023, written premiums has increased by \$19.5 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 \$36.1 million. The year-end 2023 operating deficit is \$686.1 million, \$168.4 million deterioration compared with The Outlook.

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 this year, 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 7.03% in December 2023. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.29% in December. 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.

**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	Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share
2020-12	2,785,997	197,423	7.09%	66,575	2.39%	69,346	2.49%	135,921	4.88%
2021-01	2,784,584	197,360	7.09%	66,606	2.39%	68,500	2.46%	135,106	4.85%
2021-02	2,785,136	197,459	7.09%	66,695	2.39%	68,189	2.45%	134,884	4.84%
2021-03	2,798,828	198,527	7.09%	66,680	2.38%	66,929	2.39%	133,609	4.77%
2021-04	2,816,246	201,034	7.14%	68,004	2.41%	66,969	2.38%	134,973	4.79%
2021-05	2,814,441	200,456	7.12%	69,542	2.47%	68,192	2.42%	137,734	4.89%
2021-06	2,814,412	200,047	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-07	2,860,386	199,712	6.98%	72,845	2.55%	75,608	2.64%	148,453	5.19%
2021-08	2,864,257	198,640	6.94%	73,501	2.57%	78,707	2.75%	152,208	5.31%
2021-09	2,814,455	195,387	6.94%	74,244	2.64%	80,690	2.87%	154,934	5.50%
2021-10	2,816,427	193,124	6.86%	75,127	2.67%	82,335	2.92%	157,462	5.59%
2021-11	2,819,922	193,579	6.86%	76,423	2.71%	83,539	2.96%	159,962	5.67%
2021-12	2,822,004	194,433	6.89%	76,802	2.72%	84,816	3.01%	161,618	5.73%
2022-01	2,821,301	202,663	7.18%	81,012	2.87%	84,045	2.98%	165,057	5.85%
2022-02	2,823,522	211,696	7.50%	85,462	3.03%	83,192	2.95%	168,654	5.97%
2022-03	2,823,416	223,467	7.91%	91,361	3.24%	83,855	2.97%	175,216	6.21%
2022-04	2,823,666	235,948	8.36%	96,412	3.41%	82,957	2.94%	179,369	6.35%
2022-05	2,830,412	249,673	8.82%	101,590	3.59%	82,586	2.92%	184,176	6.51%
2022-06	2,831,101	262,907	9.29%	106,496	3.76%	82,038	2.90%	188,534	6.66%
2022-07	2,832,227	275,660	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,645	289,772	10.20%	116,512	4.10%	83,714	2.95%	200,226	7.05%
2022-09	2,849,049	303,457	10.65%	121,778	4.27%	85,396	3.00%	207,174	7.27%
2022-10	2,854,706	316,570	11.09%	126,430	4.43%	86,095	3.02%	212,525	7.44%
2022-11	2,862,379	326,878	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,453	334,140	11.65%	135,625	4.73%	88,776	3.09%	224,401	7.82%
2023-01	2,876,588	330,564	11.49%	133,710	4.65%	91,052	3.17%	224,762	7.81%
2023-02	2,885,418	327,175	11.34%	131,175	4.55%	95,011	3.29%	226,186	7.84%
2023-03	2,894,495	323,016	11.16%	126,978	4.39%	96,822	3.35%	223,800	7.73%
2023-04	2,902,498	318,025	10.96%	123,039	4.24%	97,160	3.35%	220,199	7.59%
2023-05	2,908,746	312,806	10.75%	119,945	4.12%	94,930	3.26%	214,875	7.39%
2023-06	2,916,292	307,501	10.54%	117,355	4.02%	93,496	3.21%	210,851	7.23%
2023-07	2,920,627	302,319	10.35%	114,867	3.93%	92,419	3.16%	207,286	7.10%
2023-08	2,929,319	296,673	10.13%	113,339	3.87%	92,336	3.15%	205,675	7.02%
2023-09	2,933,404	290,448	9.90%	112,589	3.84%	93,084	3.17%	205,673	7.01%
2023-10	2,942,602	285,593	9.71%	112,238	3.81%	94,740	3.22%	206,978	7.03%
2023-11	2,948,995	281,436	9.54%	111,126	3.77%	95,745	3.25%	206,871	7.01%
2023-12	2,955,457	278,710	9.43%	110,516	3.74%	97,254	3.29%	207,770	7.03%
Min 2018-2023			5.65%		2.27%		2.38%		4.77%
Max 2018-2023			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 2023](#)

\*12 month ended December 2023 (discounted basis)