

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2023 – 075

**DATE:** December 22, 2023

**SUBJECT:** Risk Sharing Pool – November 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 November 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 ***November 2023 received premium*** was \$118.5 million, higher than prior year by \$25.0 million. The ***projected 2023 year-end received premium*** is \$1,122.4 million;
- (b) The ***November 2023 insurance revenue*** was \$62.1 million, higher than prior year by \$1.6 million. The ***projected 2023 year-end insurance revenue*** is \$726.2 million;
- (c) The ***November 2023 operating result*** was a deficit of \$35.5 million, lower than prior year by \$37.2 million. The ***projected 2023 year-end operating result*** is a deficit of \$660.9 million;
- (d) The ***November 2023 combined operating ratio*** was 157.2%, higher than prior year by 60.0 percentage points. The ***projected year-end combined operating ratio*** is 191.0%.

## RSP Summary of IFRS17 Financial Results

RSP 2023 Summary Amounts in \$000s	Actual (November 2023)	Projection (November 2023)	Prior Year (November 2022)	2023 year-to-date as at 11 months	2022 year-to-date as at 11 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	117,922	87,422	81,245	1,050,776	974,389	1,138,114	1,135,886	1,044,968
Received Premium	118,496	118,548	93,459	1,004,400	946,142	1,122,379	1,133,465	1,026,378
Earned Premium	90,906	88,963	85,453	963,662	888,645	1,057,483	1,096,519	976,005
Earned Expense Allowance	(28,764)	(28,070)	(24,864)	(301,916)	(258,689)	(331,328)	(342,844)	(284,104)
<b>Insurance Revenue</b>	<b>62,142</b>	<b>60,893</b>	<b>60,589</b>	<b>661,746</b>	<b>629,955</b>	<b>726,155</b>	<b>753,675</b>	<b>691,901</b>
Total Claims Incurred	93,646	89,905	83,984	1,047,398	810,366	1,142,345	1,166,434	896,379
Claims incurred (CAY)	96,227	92,966	82,725	1,035,625	885,690	1,133,683	1,105,370	971,638
Adjustments to Liabilities for Incurred Claims (PAYs)	(2,580)	(3,062)	1,258	11,773	(75,324)	8,662	61,064	(75,259)
Administrative Expense	615	690	290	7,093	6,768	7,747	8,764	7,878
Losses on Onerous Contracts	25,690	0	0	534,601	446,923	534,601	406,897	446,923
Reversal of Losses on Onerous Contracts	(32,517)	(32,517)	(25,375)	(332,417)	(277,222)	(366,883)	(310,756)	(296,346)
<b>Insurance Service Expenses</b>	<b>87,434</b>	<b>58,077</b>	<b>58,899</b>	<b>1,256,675</b>	<b>986,835</b>	<b>1,317,810</b>	<b>1,271,338</b>	<b>1,054,834</b>
<b>Insurance Service Result</b>	<b>(25,292)</b>	<b>2,816</b>	<b>1,690</b>	<b>(594,930)</b>	<b>(356,880)</b>	<b>(591,655)</b>	<b>(517,664)</b>	<b>(362,933)</b>
Insurance Finance Expense from PV FCF	(7,782)	(7,782)	0	(58,009)	110,665	(65,908)	0	110,665
Insurance Finance Expense from Risk Adjustment	(623)	(623)	0	(4,824)	9,070	(5,454)	0	9,070
Insurance Finance Expense from Loss Component	(1,835)	(1,835)	0	4,121	146,268	2,108	0	146,268
<b>Insurance Finance Income (Expense)</b>	<b>(10,240)</b>	<b>(10,240)</b>	<b>0</b>	<b>(58,712)</b>	<b>266,003</b>	<b>(69,254)</b>	<b>0</b>	<b>266,003</b>
<b>Operating Result</b>	<b>(35,532)</b>	<b>(7,424)</b>	<b>1,690</b>	<b>(653,642)</b>	<b>(90,876)</b>	<b>(660,909)</b>	<b>(517,664)</b>	<b>(96,929)</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	154.8%	152.7%	136.5%	156.5%	140.6%	156.1%	146.7%	140.4%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(4.2%)	(5.0%)	2.1%	1.8%	(12.0%)	1.2%	8.1%	(10.9%)
Total	150.7%	147.6%	138.6%	158.3%	128.6%	157.3%	154.8%	129.6%
Earned Expense allowance	31.6%	31.6%	29.1%	31.3%	29.1%	31.3%	31.3%	29.1%
Change in Loss Component (excluding IFE)	(11.0%)	(53.4%)	(41.9%)	30.6%	26.9%	23.1%	12.8%	21.8%
Administrative Expenses	1.0%	1.1%	0.5%	1.1%	1.1%	1.1%	1.2%	1.1%
<b>Insurance Service Ratio</b>	<b>140.7%</b>	<b>95.4%</b>	<b>97.2%</b>	<b>189.9%</b>	<b>156.7%</b>	<b>181.5%</b>	<b>168.7%</b>	<b>152.5%</b>
<b>Combined Operating Ratio</b>	<b>157.2%</b>	<b>112.2%</b>	<b>97.2%</b>	<b>198.8%</b>	<b>114.4%</b>	<b>191.0%</b>	<b>168.7%</b>	<b>114.0%</b>

rounding differences may occur

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

## Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$93.6 million, higher than projection by \$3.7 million and \$9.7 million higher compared with the same month from last year. Loss ratio was at 154.8%, 2.2 percentage points higher than projected, and 18.3 percentage points 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 \$25.7 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.

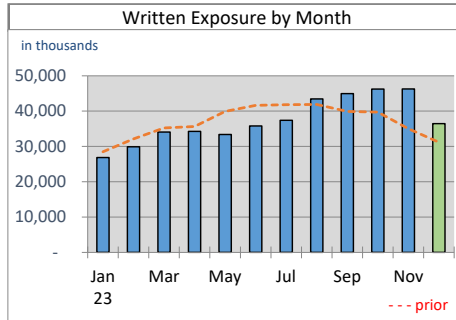
## Insurance Finance Income

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

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



We continue to monitor the business volume of the Alberta RSPs following the significant growth seen in the Grid Pool during 2022. We are seeing continued decline in November 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 adjust their ceding strategy 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 January to November 2023, to 9.52% market share. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.26% in October. Overall market share increased slightly from 7.03% to 7.04%. We will continue to monitor the market share of these pools closely.

Rolling 12 month BI/TP/L 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 12MTH	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	2,821,302	202,663	7.18%	81,012	2.87%	84,045	2.98%	165,057	5.85%
2022-02	2,823,523	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	2,823,667	235,948	8.36%	96,412	3.41%	82,957	2.94%	179,369	6.35%
2022-05	2,830,413	249,673	8.82%	101,590	3.59%	82,586	2.92%	184,176	6.51%
2022-06	2,831,102	262,907	9.29%	106,496	3.76%	82,038	2.90%	188,534	6.66%
2022-07	2,832,228	275,660	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,646	289,772	10.20%	116,512	4.10%	83,714	2.95%	200,226	7.05%
2022-09	2,849,050	303,457	10.65%	121,778	4.27%	85,396	3.00%	207,174	7.27%
2022-10	2,854,708	316,570	11.09%	126,430	4.43%	86,095	3.02%	212,525	7.44%
2022-11	2,862,381	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	2,876,587	330,564	11.49%	133,710	4.65%	91,052	3.17%	224,762	7.81%
2023-02	2,885,417	327,175	11.34%	131,175	4.55%	95,011	3.29%	226,186	7.84%
2023-03	2,894,494	323,016	11.16%	126,978	4.39%	96,822	3.35%	223,800	7.73%
2023-04	2,902,497	318,025	10.96%	123,039	4.24%	97,160	3.35%	220,199	7.59%
2023-05	2,908,740	312,806	10.75%	119,945	4.12%	94,930	3.26%	214,875	7.39%
2023-06	2,916,279	307,501	10.54%	117,355	4.02%	93,496	3.21%	210,851	7.23%
2023-07	2,920,606	302,319	10.35%	114,867	3.93%	92,419	3.16%	207,286	7.10%
2023-08	2,929,291	296,673	10.13%	113,339	3.87%	92,336	3.15%	205,675	7.02%
2023-09	2,933,355	290,444	9.90%	112,589	3.84%	93,084	3.17%	205,673	7.01%
2023-10	2,942,540	285,588	9.71%	112,238	3.81%	94,740	3.22%	206,978	7.03%
2023-11	2,939,860	279,919	9.52%	111,126	3.78%	95,745	3.26%	206,871	7.04%
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](#)

\*11 month ended November 2023 (discounted basis)