

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 071

DATE: November 29, 2023

SUBJECT: Risk Sharing Pool – October 2023 Operational Report

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

SPECIAL NOTE: Insurance Finance Expense Supplementary File

Please note that there is a supplementary file linked at the bottom of this bulletin that provides a breakdown of the components that comprise insurance finance expense. The breakdown includes the following items by accident year, risk sharing pool, and accounting month for the entire fiscal year 2023 (*namely Nov 2022 to Oct 2023*) and includes projected months for the remainder of 2023 (*namely Nov 2023 and Dec 2023*):

- discount unwinding
- the effect due to changes in discounting assumptions (yield impact)

Please be advised that the October 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 **October 2023 received premium** was \$116.0 million, higher than prior year by \$20.4 million. The **projected 2023 year-end received premium** is \$1.1 billion;
- (b) The **October 2023 insurance revenue** was \$62.4 million, in line with prior year. The **projected 2023 year-end insurance revenue** is \$722.7 million;
- (c) The **October 2023 operating result** was a surplus of \$16.0 million, lower than prior year by \$0.9 million. The **projected 2023 year-end operating result** is a deficit of \$633.3 million;
- (d) The **October 2023 combined operating ratio** was 74.3%, higher than prior year by 1.4 percentage points. The **projected year-end combined operating ratio** is 187.6%.

RSP Summary of IFRS17 Financial Results

| RSP 2023 Summary | Actual | Projection | Prior Year | 2023 year-to-date | 2022 year-to-date | 2023 year-end | Outlook* | 2022 year-end |
|---|-----------------|----------------|-----------------|-------------------|-------------------|------------------|------------------|------------------|
| Amounts in \$000s | (October 2023) | (October 2023) | (October 2022) | as at 10 months | as at 10 months | Projection | Full year 2023 | Actual |
| Written Premium | 118,429 | 104,789 | 93,509 | 932,854 | 893,144 | 1,096,677 | 1,135,886 | 1,044,968 |
| Received Premium | 115,970 | 116,081 | 95,605 | 885,904 | 852,683 | 1,091,874 | 1,133,465 | 1,026,378 |
| Earned Premium | 91,497 | 91,070 | 88,081 | 872,756 | 803,191 | 1,052,317 | 1,096,519 | 976,005 |
| Earned Expense Allowance | (29,084) | (28,940) | (25,635) | (273,153) | (233,825) | (329,650) | (342,844) | (284,104) |
| Insurance Revenue | 62,413 | 62,130 | 62,445 | 599,604 | 569,366 | 722,668 | 753,675 | 691,901 |
| Total Claims Incurred | 101,704 | 93,770 | 87,227 | 953,751 | 726,382 | 1,134,756 | 1,166,434 | 896,379 |
| Claims Incurred (CAY) | 89,413 | 96,577 | 93,066 | 939,398 | 802,964 | 1,126,484 | 1,105,370 | 971,638 |
| Adjustments to Liabilities for Incurred Claims (PAYs) | 12,291 | (2,807) | (5,839) | 14,353 | (76,582) | 8,272 | 61,064 | (75,259) |
| Administrative Expense | 773 | 840 | 730 | 6,479 | 6,478 | 7,769 | 8,764 | 7,878 |
| Losses on Onerous Contracts | 7,359 | 0 | (13,364) | 508,911 | 446,923 | 508,911 | 406,897 | 446,923 |
| Reversal of Losses on Onerous Contracts | (35,830) | (35,830) | (881) | (299,900) | (251,847) | (365,140) | (310,756) | (296,346) |
| Insurance Service Expenses | 74,005 | 58,780 | 73,713 | 1,169,241 | 927,936 | 1,286,295 | 1,271,338 | 1,054,834 |
| Insurance Service Result | (11,592) | 3,350 | (11,267) | (569,638) | (358,570) | (563,628) | (517,664) | (362,933) |
| Insurance Finance Expense from PV FCF | 11,362 | (7,146) | 13,399 | (50,227) | 110,665 | (65,938) | 0 | 110,665 |
| Insurance Finance Expense from Risk Adjustment | 856 | (563) | 1,131 | (4,201) | 9,070 | (5,457) | 0 | 9,070 |
| Insurance Finance Expense from Loss Component | 15,401 | (1,949) | 13,622 | 5,956 | 146,268 | 1,719 | 0 | 146,268 |
| Insurance Finance Income (Expense) | 27,619 | (9,658) | 28,153 | (48,472) | 266,003 | (69,675) | 0 | 266,003 |
| Operating Result | 16,027 | (6,308) | 16,885 | (618,110) | (92,566) | (633,303) | (517,664) | (96,929) |
| Ratios: | | | | | | | | |
| Loss ratio - Claims Incurred (CAY) | 143.3% | 155.4% | 149.0% | 156.7% | 141.0% | 155.9% | 146.7% | 140.4% |
| - Adjustments to Liabilities for Incurred Claims (PAYs) | 19.7% | (4.5%) | (9.4%) | 2.4% | (13.5%) | 1.1% | 8.1% | (10.9%) |
| Total | 163.0% | 150.9% | 139.7% | 159.1% | 127.6% | 157.0% | 154.8% | 129.6% |
| Earned Expense allowance | 31.8% | 31.8% | 29.1% | 31.3% | 29.1% | 31.3% | 31.3% | 29.1% |
| Change in Loss Component (excluding IFE) | (45.6%) | (57.7%) | (22.8%) | 34.9% | 34.3% | 19.9% | 12.8% | 21.8% |
| Administrative Expenses | 1.2% | 1.4% | 1.2% | 1.1% | 1.1% | 1.1% | 1.2% | 1.1% |
| Insurance Service Ratio | 118.6% | 94.6% | 118.0% | 195.0% | 163.0% | 178.0% | 168.7% | 152.5% |
| Combined Operating Ratio | 74.3% | 110.2% | 73.0% | 203.1% | 116.3% | 187.6% | 168.7% | 114.0% |

rounding differences may occur

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

Insurance Service Expenses Key Drivers

- Claims Incurred** - Incurred losses were \$101.7 million, higher than projection by \$7.9 million and \$14.5 million higher compared with the same month from last year. Loss ratio was at 143.3%, 12.2 percentage points below projected, and down 5.8 percentage points compared with prior year. There is a favorable change on “claims incurred (CAY)” primarily driven by better than expected experience for Ontario and Alberta Third Party Liability claims. There is an unfavorable change on “adjustments to liabilities for incurred claims (PAYs)” primarily driven by unfavorable development of Ontario and Alberta Bodily Injury 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 \$7.4 million unfavorable change primarily driven by an increase in unearned premium.
- 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.

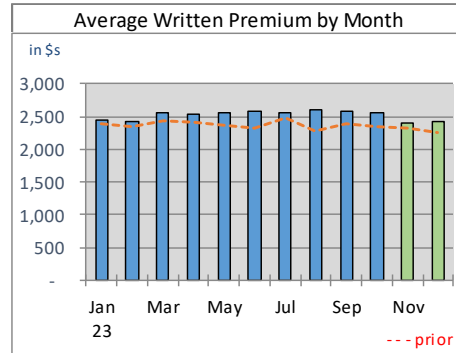
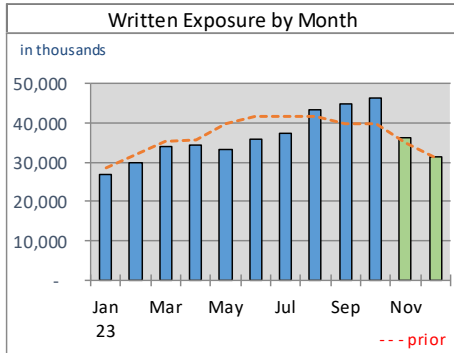
Insurance Finance Income

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 October was 27.6 million, 37.3 million higher than projected; driven by more discounting due to approximately 50 basis points increase in the yield curve.

Premium

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



impact on the month's net result from operations, reducing an estimated **3.5 points** to the year-to-date Combined Operating Ratio. The impact this month is summarized in the following tables below.

RSP Summary of 2023 Q3 Valuation Implementation Impact

| RSP | LIC Impact | LRC Impact | Total Impact | Impact on YTD COR |
|------------------------------------|-----------------|----------------|-----------------|-------------------|
| Ontario | (5,721) | 2,543 | (3,178) | (1.0%) |
| PAY | (2,093) | - | (2,093) | (0.7%) |
| CAY | (3,628) | 560 | (3,069) | (1.0%) |
| FtAY | - | 1,983 | 1,983 | 0.7% |
| Alberta Grid | (341) | (5,372) | (5,714) | (3.3%) |
| PAY | 8,021 | - | 8,021 | 4.6% |
| CAY | (8,363) | (1,641) | (10,003) | (5.8%) |
| FtAY | - | (3,732) | (3,732) | (2.2%) |
| Alberta Non-Grid | (2,505) | (3,623) | (6,128) | (6.0%) |
| PAY | 3,523 | - | 3,523 | 3.4% |
| CAY | (6,028) | (1,250) | (7,278) | (7.1%) |
| FtAY | - | (2,373) | (2,373) | (2.3%) |
| New Brunswick | (1,497) | (342) | (1,839) | (21.9%) |
| PAY | (1,115) | - | (1,115) | (13.3%) |
| CAY | (382) | (58) | (440) | (5.2%) |
| FtAY | - | (284) | (284) | (3.4%) |
| Nova Scotia | (2,569) | (266) | (2,834) | (32.8%) |
| PAY | (2,648) | - | (2,648) | (30.7%) |
| CAY | 79 | (278) | (198) | (2.3%) |
| FtAY | - | 12 | 12 | 0.1% |
| Newfoundland & Labrador | (603) | (983) | (1,586) | (75.1%) |
| PAY | (536) | - | (536) | (25.4%) |
| CAY | (68) | (222) | (290) | (13.7%) |
| FtAY | - | (760) | (760) | (36.0%) |
| TOTAL | (13,236) | (8,042) | (21,279) | (3.5%) |
| PAY | 5,153 | - | 5,153 | 0.9% |
| CAY | (18,389) | (2,889) | (21,278) | (3.5%) |
| FtAY | - | (5,153) | (5,153) | (0.9%) |

RSP Summary of 2023 Q3 Change in Loss Component During the Month

| Change in Loss Component | | | |
|---|-----------------|----------------|-----------------|
| | 2023 (CAY) | 2024 (FtAY) | TOTAL |
| Opening Loss Component | 103,137 | 459,180 | 562,317 |
| [1] Losses on onerous contracts | (1,517) | 8,876 | 7,359 |
| [2] Insurance finance expense/(income) | (1,372) | (14,029) | (15,401) |
| [a] Discount unwinding | 970 | 979 | 1,949 |
| [b] Yield impact | (2,342) | (15,008) | (17,350) |
| [3] Reversal of losses on onerous contracts | (35,830) | - | (35,830) |
| TOTAL [1]+[2]+[3] | (38,719) | (5,153) | (43,873) |
| Ending Loss Component | 64,418 | 454,026 | 518,444 |

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For more information on the valuation impact please refer to the [Quarterly Financial Insights](#).

Projection to year-end 2023

Compared with The Outlook released in January 2023, written premiums has reduced by \$39.2 million driven by a reduction in premium year to date due to lower vehicle count in Ontario compared to projections and impacts from Alberta Grid Rate change leading to lower counts in Alberta Grid pool. Earned premium full year projection is down by \$44.2 million. The year-end 2023 operating deficit is projected to be a deficit of \$633.3 million, \$115.6 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 are seeing continued decline in October 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 October 2023, to 9.71% market share. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.22% in October. Overall market share increased slightly from 7.01% to 7.05%. We will continue to monitor the market share of these pools closely.

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 | 2,785,995 | 197,423 | 7.09% | 66,575 | 2.39% | 69,346 | 2.49% | 135,921 | 4.88% |
| 2021-01 | 2,784,582 | 197,360 | 7.09% | 66,606 | 2.39% | 68,500 | 2.46% | 135,106 | 4.85% |
| 2021-02 | 2,785,134 | 197,459 | 7.09% | 66,695 | 2.39% | 68,189 | 2.45% | 134,884 | 4.84% |
| 2021-03 | 2,798,826 | 198,527 | 7.09% | 66,680 | 2.38% | 66,929 | 2.39% | 133,609 | 4.77% |
| 2021-04 | 2,816,244 | 201,034 | 7.14% | 68,004 | 2.41% | 66,969 | 2.38% | 134,973 | 4.79% |
| 2021-05 | 2,814,439 | 200,456 | 7.12% | 69,542 | 2.47% | 68,192 | 2.42% | 137,734 | 4.89% |
| 2021-06 | 2,814,410 | 200,047 | 7.11% | 71,834 | 2.55% | 72,011 | 2.56% | 143,845 | 5.11% |
| 2021-07 | 2,860,384 | 199,712 | 6.98% | 72,845 | 2.55% | 75,608 | 2.64% | 148,453 | 5.19% |
| 2021-08 | 2,864,255 | 198,640 | 6.94% | 73,501 | 2.57% | 78,707 | 2.75% | 152,208 | 5.31% |
| 2021-09 | 2,814,453 | 195,387 | 6.94% | 74,244 | 2.64% | 80,690 | 2.87% | 154,934 | 5.50% |
| 2021-10 | 2,816,425 | 193,124 | 6.86% | 75,127 | 2.67% | 82,335 | 2.92% | 157,462 | 5.59% |
| 2021-11 | 2,819,920 | 193,579 | 6.86% | 76,423 | 2.71% | 83,539 | 2.96% | 159,962 | 5.67% |
| 2021-12 | 2,822,002 | 194,433 | 6.89% | 76,802 | 2.72% | 84,816 | 3.01% | 161,618 | 5.73% |
| 2022-01 | 2,821,300 | 202,663 | 7.18% | 81,012 | 2.87% | 84,045 | 2.98% | 165,057 | 5.85% |
| 2022-02 | 2,823,521 | 211,696 | 7.50% | 85,462 | 3.03% | 83,192 | 2.95% | 168,654 | 5.97% |
| 2022-03 | 2,823,414 | 223,467 | 7.91% | 91,361 | 3.24% | 83,855 | 2.97% | 175,216 | 6.21% |
| 2022-04 | 2,823,665 | 235,948 | 8.36% | 96,412 | 3.41% | 82,957 | 2.94% | 179,369 | 6.35% |
| 2022-05 | 2,830,411 | 249,673 | 8.82% | 101,590 | 3.59% | 82,586 | 2.92% | 184,176 | 6.51% |
| 2022-06 | 2,831,100 | 262,907 | 9.29% | 106,496 | 3.76% | 82,038 | 2.90% | 188,534 | 6.66% |
| 2022-07 | 2,832,226 | 275,660 | 9.73% | 111,534 | 3.94% | 82,337 | 2.91% | 193,871 | 6.85% |
| 2022-08 | 2,840,644 | 289,772 | 10.20% | 116,512 | 4.10% | 83,714 | 2.95% | 200,226 | 7.05% |
| 2022-09 | 2,849,047 | 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 | 326,879 | 11.42% | 131,484 | 4.59% | 87,475 | 3.06% | 218,959 | 7.65% |
| 2022-12 | 2,868,452 | 334,141 | 11.65% | 135,625 | 4.73% | 88,776 | 3.09% | 224,401 | 7.82% |
| 2023-01 | 2,876,585 | 330,565 | 11.49% | 133,710 | 4.65% | 91,052 | 3.17% | 224,762 | 7.81% |
| 2023-02 | 2,885,415 | 327,176 | 11.34% | 131,175 | 4.55% | 95,011 | 3.29% | 226,186 | 7.84% |
| 2023-03 | 2,894,490 | 323,017 | 11.16% | 126,978 | 4.39% | 96,822 | 3.35% | 223,800 | 7.73% |
| 2023-04 | 2,902,494 | 318,026 | 10.96% | 123,039 | 4.24% | 97,160 | 3.35% | 220,199 | 7.59% |
| 2023-05 | 2,908,734 | 312,806 | 10.75% | 119,945 | 4.12% | 94,930 | 3.26% | 214,875 | 7.39% |
| 2023-06 | 2,916,266 | 307,501 | 10.54% | 117,355 | 4.02% | 93,496 | 3.21% | 210,851 | 7.23% |
| 2023-07 | 2,920,584 | 302,320 | 10.35% | 114,867 | 3.93% | 92,419 | 3.16% | 207,286 | 7.10% |
| 2023-08 | 2,929,245 | 296,673 | 10.13% | 113,339 | 3.87% | 92,336 | 3.15% | 205,675 | 7.02% |
| 2023-09 | 2,933,295 | 290,442 | 9.90% | 112,589 | 3.84% | 93,084 | 3.17% | 205,673 | 7.01% |
| 2023-10 | 2,937,941 | 285,302 | 9.71% | 112,238 | 3.82% | 94,740 | 3.22% | 206,978 | 7.05% |
| 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](#)

*10 month ended October 2023 (discounted basis)

[RSP Supplementary File – Insurance Finance Expense Breakdown](#)