

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 <a href="https://portal.facilityassociation.com">https://portal.facilityassociation.com</a>.

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%
<ul> <li>Adjustments to Liabilities for Incurred Claims (PAYs)</li> </ul>	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**

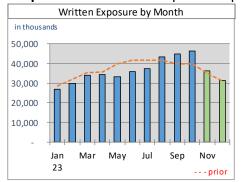
Insurance Finance income/ (expense) is comprised of:

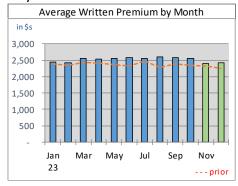
- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated. Insurance Finance 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.

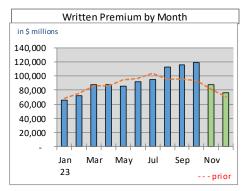


#### **Premium**

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







The vehicle count transfer for the month was 46,255 vehicles, which was higher than prior year by 6,550 vehicles, and 4,799 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 1, 2023. Members have been reviewing their ceding strategies following the grid rate change. While Ontario is showing increase counts for the current month compared to prior year.

The average premium for the month was higher than The Outlook by 4.0%, 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

2023 Vehicle Count Jurisdiction	Actual	Proj.	Proj.	CY 2023 Year-End									
Ontario	11,863	13,697	17,957	17,272	16,257	17,127	16,818	20,262	20,440	21,770	14,393	12,707	200,564
Alberta Grid	6,222	6,068	6,940	7,372	9,235	10,073	10,353	11,458	12,287	11,848	10,188	8,641	110,685
Alberta Non-Grid	6,858	8,185	7,742	6,847	5,620	6,985	7,909	9,451	9,756	10,170	9,046	7,890	96,457
New Brunswick	862	1,305	620	1,636	1,097	130	1,229	990	918	1,050	1,017	948	11,803
Nova Scotia	941	490	606	897	903	1,168	851	1,048	1,330	1,186	1,207	1,072	11,700
Newfoundland & Labrador	120	158	195	245	262	297	244	226	226	231	420	295	2,919
Total	26.866	29 903	34.060	34 269	33 374	35 780	37 404	43 435	44 958	46 255	36 270	31 553	434 129

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

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	Proj.	Proj.	Year-End
Ontario	2,722	2,754	2,805	2,741	2,762	2,772	2,739	2,790	2,787	2,803	2,672	2,734	2,762
Alberta Grid	2,713	2,789	2,782	2,837	2,718	2,709	2,771	2,779	2,770	2,747	2,721	2,679	2,750
Alberta Non-Grid	1,977	1,985	2,010	2,124	2,178	2,127	2,131	2,173	2,154	2,035	1,865	1,861	2,049
New Brunswick	1,412	963	1,503	1,530	1,500	3,618	1,559	1,657	1,621	1,751	1,759	1,805	1,560
Nova Scotia	1,544	78	1,417	1,784	1,640	1,465	1,806	1,837	1,609	1,669	1,680	1,630	1,581
Newfoundland & Labrador	1,228	1,295	1,130	1,253	1,281	1,294	1,279	1,359	1,474	1,514	1,325	1,247	1,311
Total	2,440	0 2,42	1 2,562	2 2,545	5 2,568	3 2,57	6 2,55	0 2,59	6 2,58	0 2,560	2,410	2,421	2,526

## RSP Summary of full year Written Premium

2023 Premiums (in thousands)	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	Proj.	Proj.	Year-End
Ontario	32,293	37,722	50,377	47,338	44,897	47,468	46,069	56,530	56,970	61,013	38,457	34,739	553,874
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,284	28,689	31,839	34,031	32,548	27,723	23,152	304,398
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	14,857	16,857	20,533	21,018	20,699	16,868	14,684	197,670
New Brunswick	1,218	1,257	932	2,503	1,646	471	1,917	1,640	1,488	1,838	1,788	1,711	18,411
Nova Scotia	1,453	38	859	1,600	1,480	1,710	1,537	1,926	2,139	1,980	2,029	1,748	18,499
Newfoundland & Labrador	147	205	220	307	335	385	312	2 307	333	351	556	368	3,825
Total	65,549	72,397	87,258	87,210	85,700	92,175	95,381	112,775	115,980	118,429	87,422	76,401	1,096,677

## **Impact of Quarterly Valuation**

- A valuation of the RSP as at Sep 30, 2023 has been completed since last month's Operational report and the results of that valuation have been incorporated into this month's Operational Report.
- The implementation of the new valuation resulted in an estimated overall \$21.3 million favorable



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)
<b>Ending Loss Component</b>	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 G	rid	RSP Non-	-Grid	RSP Total		
				Rolling	Market	Rolling	Market	Rolling	Market	
	Total PPxF	<b>Grid Capped</b>	% of Grid	12 MTH	Share	12 MTH	Share	12 MTH	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 2018-20	23	7	5.65%	•	2.27%	-	2.38%	•	4.77%	
Max 2018-20	023	•	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