

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 067

DATE: October 30, 2023

SUBJECT: Risk Sharing Pool – September 2023 Operational Report

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

Please be advised that the September 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 **September 2023 received premium** was \$111.2 million, higher than prior year by \$16.4 million. The **projected 2023 year-end received premium** is \$1.1 billion;
- (b) The **September 2023 insurance revenue** was \$59.3 million, lower than prior year by \$0.5 million. The **projected 2023 year-end insurance revenue** is \$721.5 million;
- (c) The **September 2023 operating result** was a deficit \$10.1 million, lower than prior year by \$18.1 million. The **projected 2023 year-end operating result** is a deficit \$652.8 million;
- (d) The **September 2023 combined operating ratio** was 117.0%, higher than prior year by 30.5 percentage points. The **projected year-end combined operating ratio** is 190.5%.

Summary of Financial Results

RSP Summary of IFRS17 Financial Results

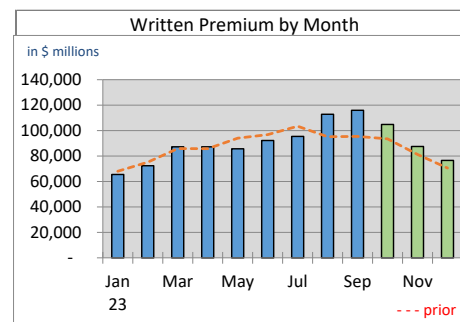
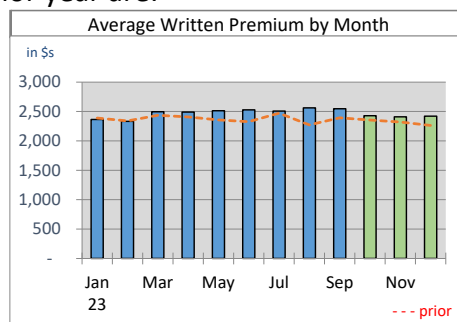
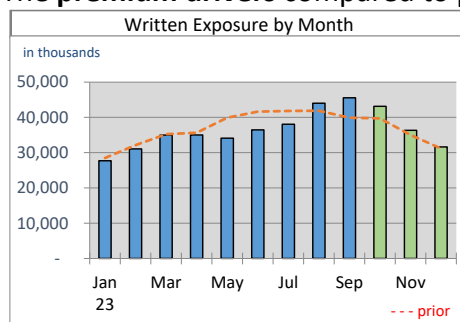
RSP 2023 Summary	Actual	Projection	Prior Year	2023 year-to-date	2022 year-to-date	2023 year-end	Outlook*	2022 year-end
Amounts in \$000s	(September 2023)	(September 2023)	(September 2022)	as at 9 months	as at 9 months	Projection	Full year 2023	Actual
Written Premium	115,980	108,341	95,463	814,425	799,635	1,083,261	1,135,886	1,044,968
Received Premium	111,242	111,348	94,888	769,935	757,078	1,078,323	1,133,465	1,026,378
Earned Premium	87,145	86,130	84,342	781,259	715,111	1,050,644	1,096,519	976,005
Earned Expense Allowance	(27,818)	(27,438)	(24,495)	(244,068)	(208,190)	(329,161)	(342,844)	(284,104)
Insurance Revenue	59,327	58,692	59,846	537,191	506,921	721,483	753,675	691,901
Total Claims Incurred	89,490	87,489	82,272	852,047	639,155	1,127,732	1,166,434	896,379
Claims incurred (CAY)	92,922	90,885	81,694	849,985	709,898	1,134,013	1,105,370	971,638
Adjustments to Liabilities for Incurred Claims (PAYs)	(3,432)	(3,397)	578	2,062	(70,743)	(6,280)	61,064	(75,259)
Administrative Expense	545	869	1,061	5,705	5,748	7,862	8,764	7,878
Losses on Onerous Contracts	3,211	0	0	501,552	460,287	501,552	406,897	446,923
Reversal of Losses on Onerous Contracts	(33,900)	(33,900)	(31,546)	(264,069)	(250,966)	(369,007)	(310,756)	(296,346)
Insurance Service Expenses	59,346	54,458	51,786	1,095,236	854,223	1,268,140	1,271,338	1,054,834
Insurance Service Result	(19)	4,234	8,060	(558,045)	(347,302)	(546,658)	(517,664)	(362,933)
Insurance Finance Expense from PV FCF	(7,386)	(7,386)	0	(61,589)	97,266	(83,484)	0	110,665
Insurance Finance Expense from Risk Adjustment	(587)	(587)	0	(5,058)	7,939	(6,774)	0	9,070
Insurance Finance Expense from Loss Component	(2,083)	(2,083)	0	(9,445)	132,646	(15,882)	0	146,268
Insurance Finance Income (Expense)	(10,057)	(10,057)	0	(76,091)	237,851	(106,140)	0	266,003
Operating Result	(10,075)	(5,823)	8,060	(634,137)	(109,452)	(652,798)	(517,664)	(96,929)
Ratios:								
Loss ratio - Claims Incurred (CAY)	156.6%	154.9%	136.5%	158.2%	140.0%	157.2%	146.7%	140.4%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(5.8%)	(5.8%)	1.0%	0.4%	(14.0%)	(0.9%)	8.1%	(10.9%)
Total	150.8%	149.1%	137.5%	158.6%	126.1%	156.3%	154.8%	129.6%
Earned Expense allowance	31.9%	31.9%	29.0%	31.2%	29.1%	31.3%	31.3%	29.1%
Change in Loss Component (excluding IFE)	(51.7%)	(57.8%)	(52.7%)	44.2%	41.3%	18.4%	12.8%	21.8%
Administrative Expenses	0.9%	1.5%	1.8%	1.1%	1.1%	1.1%	1.2%	1.1%
Insurance Service Ratio	100.0%	92.8%	86.5%	203.9%	168.5%	175.8%	168.7%	152.5%
Combined Operating Ratio	117.0%	109.9%	86.5%	218.0%	121.6%	190.5%	168.7%	114.0%

rounding differences may occur

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

Premium

The premium drivers compared to prior year are:



The vehicle count transfer for September 2023 was 45,547 vehicles, which was higher than prior year by 5,644 vehicles, and 3,135 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.

The September 2023 average premium was higher than The Outlook by 3.0%, 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	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-End
Ontario	12,275	14,257	18,474	17,680	16,610	17,461	17,175	20,576	20,764	16,658	14,357	12,668	198,956
Alberta Grid	6,390	6,291	7,099	7,536	9,432	10,235	10,509	11,594	12,412	12,173	10,193	8,647	112,511
Alberta Non-Grid	6,973	8,466	7,897	6,990	5,786	7,129	8,034	9,576	9,883	11,328	9,144	7,990	99,197
New Brunswick	896	1,334	647	1,649	1,105	162	1,237	996	924	1,190	1,015	947	12,101
Nova Scotia	1,061	536	652	924	910	1,172	856	1,055	1,336	1,344	1,209	1,074	12,127
Newfoundland & Labrador	121	161	196	247	264	298	246	227	228	452	420	295	3,152
Total	27,716	31,045	34,966	35,025	34,107	36,457	38,056	44,024	45,547	43,144	36,337	31,621	438,045

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	Proj.	Proj.	Proj.	Year-End
Ontario	2,631	2,646	2,727	2,678	2,703	2,719	2,682	2,747	2,744	2,688	2,646	2,708	2,698
Alberta Grid	2,642	2,690	2,720	2,776	2,661	2,666	2,730	2,746	2,742	2,716	2,720	2,678	2,710
Alberta Non-Grid	1,944	1,919	1,971	2,081	2,116	2,084	2,098	2,144	2,127	1,901	1,867	1,864	2,005
New Brunswick	1,360	943	1,440	1,518	1,490	2,902	1,550	1,647	1,611	1,787	1,759	1,805	1,545
Nova Scotia	1,370	71	1,317	1,733	1,627	1,460	1,795	1,826	1,602	1,688	1,680	1,629	1,550
Newfoundland & Labrador	1,211	1,275	1,124	1,243	1,270	1,292	1,273	1,354	1,462	2,257	2,186	2,438	1,652
Total	2,365	2,332	2,496	2,490	2,513	2,528	2,506	2,562	2,546	2,429	2,408	2,420	2,473

RSP Summary of full year *Written Premium*

2023 Premiums (in thousand:)	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-End
Ontario	32,293	37,722	50,377	47,338	44,897	47,468	46,069	56,530	56,970	44,773	37,993	34,301	536,732
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,284	28,689	31,839	34,031	33,062	27,720	23,154	304,909
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	14,857	16,857	20,533	21,018	21,541	17,072	14,897	198,928
New Brunswick	1,218	1,257	932	2,503	1,646	471	1,917	1,640	1,488	2,126	1,786	1,709	18,695
Nova Scotia	1,453	38	859	1,600	1,480	1,710	1,537	1,926	2,139	2,269	2,030	1,749	18,791
Newfoundland & Labrador	147	205	220	307	335	385	312	307	333	1,019	918	719	5,207
Total	65,549	72,397	87,258	87,210	85,700	92,175	95,381	112,775	115,980	104,789	87,518	76,529	1,083,261

Insurance Service Expenses

Insurance expenses for September 2023 include:

- **Claims Incurred** - Incurred losses in September 2023 were \$89.5 million, higher than projection by \$2.0 million and \$7.2 million higher compared with the same month from last year. Loss ratio was at 156.6%, 1.8 percentage points above projected, and up 20.1 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 of September 2023 is \$33.9 million favorable change.

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 (2023) and FtAY denotes the future accident year (2024).

Losses on Onerous Contracts

	Ontario	Alberta Grid	Alberta Non-Grid	New Brunswick	Nova Scotia	Newfoundland & Labrador	Total
CAY	1,605	(82)	44	16	(263)	(39)	1,280
FtAY	4,009	(760)	(318)	(283)	(562)	(154)	1,932
Total	5,614	(842)	(275)	(268)	(825)	(193)	3,211

- **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.
- **Administrative Expense:** \$0.5 million for September 2023, below projection and in line with prior year.

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.

Projection to year-end 2023

Compared with The Outlook released in January 2023, written premiums has reduced by \$52.6 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 \$48.2 million.

The year-end 2023 operating deficit is expected to be \$652.8 million, \$135.1 million deterioration compared with The Outlook. Expense ratios are expected to be in line with The Outlook.

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](#)

*08 month ended September 2023 (discounted basis)