

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 065

DATE: September 29, 2023

SUBJECT: Risk Sharing Pool – August 2023 Operational Report

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

SPECIAL REMINDER: [MEMBER'S CALL OCTOBER 17, 2023, 11:00 am – 12:00 pm \(EDT\) FA IFRS 17 FINANCIAL REPORTING UPDATE](#)

The purpose of this communication is to invite your company's CFO and Appointed Actuary to a scheduled teleconference during which Facility Association's management will provide an update on the IFRS 17 financial results of the Risk Sharing Pool (RSP) and residual market (FARM) mechanisms.

Please be advised that the August 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 **August 2023 received premium** was \$96.1 million, higher than prior year by \$2.6 million. The **projected 2023 year-end received premium** is \$1.1 billion;
- (b) The **August 2023 insurance revenue** was \$61.7 million, higher than prior year by \$4.1 million. The **projected 2023 year-end insurance revenue** is \$719.9 million;
- (c) The **August 2023 operating result** was a deficit \$149.1 million, lower than prior year by \$352.3 million. The **projected 2023 year-end operating result** is a deficit \$648.7 million;
- (d) The **August 2023 combined operating ratio** was 341.7%, higher than prior year by 594.4 percentage points. The **projected year-end combined operating ratio** is 190.1%.
- (e) The implementation of the **2023 Q2 Valuation**, generated **\$144.8 million unfavourable impact** for the month, increasing the **year-to-date combined operating ratio by 30.3 percentage points**.

Summary of Financial Results

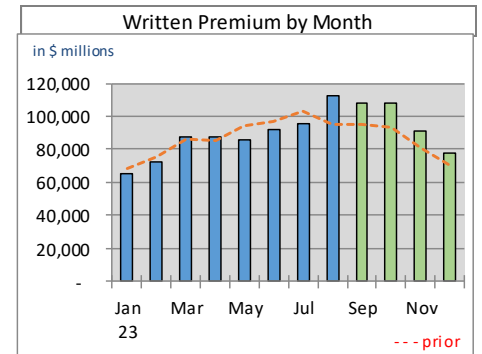
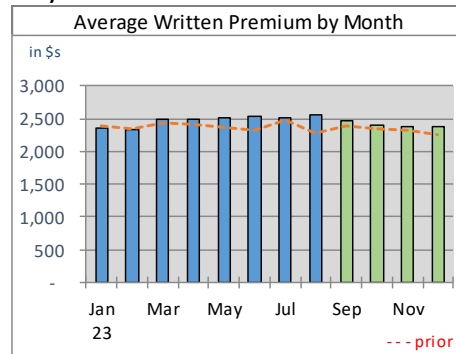
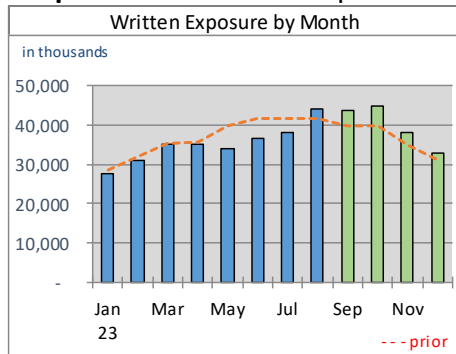
RSP Summary of IFRS17 Financial Results

RSP 2023 Summary Amounts in \$000s	Actual (August 2023)	Projection (August 2023)	Prior Year (August 2022)	2023 year-to-date as at 8 months	2022 year-to-date as at 8 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	112,775	106,923	95,142	698,445	704,172	1,083,246	1,135,886	1,044,968
Received Premium	96,113	95,599	93,533	658,693	662,190	1,077,112	1,133,465	1,026,378
Earned Premium	90,564	88,180	81,487	694,114	630,769	1,048,291	1,096,519	976,005
Earned Expense Allowance	(28,876)	(28,125)	(23,868)	(216,251)	(183,695)	(328,438)	(342,844)	(284,104)
Insurance Revenue	61,688	60,055	57,619	477,863	447,075	719,852	753,675	691,901
Total Claims Incurred	168,559	86,188	13,315	762,558	556,883	1,123,569	1,166,434	896,379
<i>Claims incurred (CAY)</i>	134,552	89,023	53,128	757,064	628,205	1,129,706	1,105,370	971,638
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	34,007	(2,835)	(39,813)	5,494	(71,321)	(6,136)	61,064	(75,259)
Administrative Expense	599	864	518	5,161	4,687	8,270	8,764	7,878
Losses on Onerous Contracts	109,737	0	(52,695)	498,341	460,287	498,341	406,897	446,923
Reversal of Losses on Onerous Contracts	(31,089)	(31,089)	(23,566)	(230,170)	(219,420)	(367,723)	(310,756)	(296,346)
Insurance Service Expenses	247,807	55,963	(62,428)	1,035,890	802,437	1,262,457	1,271,338	1,054,834
Insurance Service Result	(186,118)	4,092	120,047	(558,027)	(355,362)	(542,605)	(517,664)	(362,933)
Insurance Finance Expense from PV FCF	15,899	(6,435)	37,424	(54,202)	97,266	(83,496)	0	110,665
Insurance Finance Expense from Risk Adjustment	1,208	(486)	3,080	(4,471)	7,939	(6,773)	0	9,070
Insurance Finance Expense from Loss Component	19,891	(1,899)	42,660	(7,362)	132,646	(15,835)	0	146,268
Insurance Finance Income (Expense)	36,998	(8,819)	83,163	(66,035)	237,851	(106,104)	0	266,003
Operating Result	(149,120)	(4,727)	203,210	(624,061)	(117,512)	(648,709)	(517,664)	(96,929)
Ratios:								
Loss ratio - Claims Incurred (CAY)	218.1%	148.2%	92.2%	158.4%	140.5%	156.9%	146.7%	140.4%
- Adjustments to Liabilities for Incurred Claims (PAYs)	55.1%	(4.7%)	(69.1%)	1.1%	(16.0%)	(0.9%)	8.1%	(10.9%)
Total	273.2%	143.5%	23.1%	159.6%	124.6%	156.1%	154.8%	129.6%
Earned Expense allowance	31.9%	31.9%	29.3%	31.2%	29.1%	31.3%	31.3%	29.1%
Change in Loss Component (excluding IFE)	127.5%	(51.8%)	(132.4%)	56.1%	53.9%	18.1%	12.8%	21.8%
Administrative Expenses	1.0%	1.4%	0.9%	1.1%	1.0%	1.1%	1.2%	1.1%
Insurance Service Ratio	401.7%	93.2%	-108.3%	216.8%	179.5%	175.4%	168.7%	152.5%
Combined Operating Ratio	341.7%	107.9%	(252.7%)	230.6%	126.3%	190.1%	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 August 2023 was 44,024 vehicles, which was higher than prior year by 2,135 vehicles, and 1,882 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 August 2023 average premium was higher than The Outlook by 7.0%, 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	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	12,275	14,257	18,474	17,680	16,610	17,461	17,175	20,576	18,922	17,901	15,696	13,690	200,717
Alberta Grid	6,390	6,291	7,099	7,536	9,432	10,235	10,509	11,594	11,823	12,678	10,699	8,653	112,940
Alberta Non-Grid	6,973	8,466	7,897	6,990	5,786	7,129	8,034	9,576	9,971	11,386	9,172	8,091	99,472
New Brunswick	896	1,334	647	1,649	1,105	162	1,237	996	1,174	1,189	1,014	946	12,349
Nova Scotia	1,061	536	652	924	910	1,172	856	1,055	1,430	1,344	1,209	1,074	12,222
Newfoundland & Labrador	121	161	196	247	264	298	246	227	401	452	420	295	3,326
Total	27,716	31,045	34,966	35,025	34,107	36,457	38,056	44,024	43,721	44,950	38,210	32,748	441,026

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	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,631	2,646	2,727	2,678	2,703	2,719	2,682	2,747	2,491	2,486	2,421	2,480	2,622
Alberta Grid	2,642	2,690	2,720	2,776	2,661	2,666	2,730	2,746	2,913	2,798	2,817	2,771	2,753
Alberta Non-Grid	1,944	1,919	1,971	2,081	2,116	2,084	2,098	2,144	2,071	1,919	1,897	1,878	2,006
New Brunswick	1,360	943	1,440	1,518	1,490	2,902	1,550	1,647	1,890	1,788	1,760	1,806	1,573
Nova Scotia	1,370	71	1,317	1,733	1,627	1,460	1,795	1,826	2,070	2,166	2,152	2,032	1,739
Newfoundland & Labrador	1,211	1,275	1,124	1,243	1,270	1,292	1,273	1,354	2,333	2,257	2,186	2,438	1,747
Total	2,365	2,332	2,496	2,490	2,513	2,528	2,506	2,562	2,478	2,400	2,377	2,374	2,456

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	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	32,293	37,722	50,377	47,338	44,897	47,468	46,069	56,530	47,138	44,508	38,001	33,951	526,293
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,284	28,689	31,839	34,435	35,472	30,139	23,974	310,962
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	14,857	16,857	20,533	20,652	21,855	17,395	15,195	199,496
New Brunswick	1,218	1,257	932	2,503	1,646	471	1,917	1,640	2,220	2,125	1,785	1,708	19,424
Nova Scotia	1,453	38	859	1,600	1,480	1,710	1,537	1,926	2,959	2,912	2,602	2,183	21,260
Newfoundland & Labrador	147	205	220	307	335	385	312	307	936	1,019	918	719	5,810
Total	65,549	72,397	87,258	87,210	85,700	92,175	95,381	112,775	108,341	107,891	90,840	77,729	1,083,246

Insurance Service Expenses

Insurance expenses for August 2023 include:

- **Claims Incurred** - Incurred losses in August 2023 were \$168.6 million, higher than projection by \$82.4 million and \$155.2 million higher compared with the same month from last year. Loss ratio was at 218.1%, 69.9 percentage points above projected, and up 125.9 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 August 2023 is \$109.7 million unfavorable 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 and Reversals of Losses on Onerous Contracts for August 2023:

	Ontario	Alberta Grid	Alberta Non-Grid	New Brunswick	Nova Scotia	Newfoundland & Labrador	Total
CAY	14,414	3,524	3,254	(416)	(76)	224	20,925
FtAY	62,047	16,470	11,385	(1,756)	8	659	88,812
Total	76,461	19,995	14,639	(2,172)	(68)	883	109,737

- **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**: \$0.6 million for August 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. The impact due to changes in discounting assumption from valuation implementation this month is \$45.8 million income (driven by an increase in interest rates).

Impact of Quarterly Valuation

A valuation of the RSP as at June 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 **\$144.8 million unfavorable** impact on the month's net result from operations, adding an estimated **30.3 points** to the year-to-date Combined Operating Ratio. The impact this month is summarized in the following tables below.

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

RSP Summary of 2023 Q2 Valuation Implementation Impact

RSP	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
Ontario	27,836	65,632	93,468	38.7%
PAY	7,508	-	7,508	3.1%
CAY	20,328	12,513	32,841	13.6%
FtAY	-	53,119	53,119	22.0%
Alberta Grid	15,390	14,986	30,375	21.8%
PAY	9,048	-	9,048	6.5%
CAY	6,341	2,630	8,971	6.4%
FtAY	-	12,356	12,356	8.9%
Alberta Non-Grid	15,990	11,433	27,423	33.6%
PAY	10,390	-	10,390	12.7%
CAY	5,600	2,683	8,283	10.2%
FtAY	-	8,750	8,750	10.7%
New Brunswick	(694)	(2,448)	(3,142)	(46.9%)
PAY	(206)	-	(206)	(3.1%)
CAY	(487)	(456)	(944)	(14.1%)
FtAY	-	(1,992)	(1,992)	(29.7%)
Nova Scotia	(3,078)	(504)	(3,581)	(52.7%)
PAY	(2,961)	-	(2,961)	(43.6%)
CAY	(117)	(167)	(284)	(4.2%)
FtAY	-	(336)	(336)	(4.9%)
Newfoundland & Labrador	(444)	747	303	17.5%
PAY	(687)	-	(687)	(39.6%)
CAY	243	200	443	25.5%
FtAY	-	547	547	31.6%
TOTAL	55,000	89,846	144,846	30.3%
PAY	23,092	-	23,092	4.8%
CAY	31,907	17,403	49,310	10.3%
FtAY	-	72,443	72,443	15.2%

unfav/ (fav)

RSP Summary of 2023 Q2 Change in Loss Component During the Month

Change in Loss Component			
	2023 (CAY)	2024 (FtAY)	TOTAL
Opening Loss Component	148,213	383,951	532,164
[1] Losses on onerous contracts	20,925	88,812	109,737
[2] Insurance Finance Expense from Loss Component	(3,522)	(16,369)	(19,891)
[3] Reversal of losses on onerous contracts	(31,089)	-	(31,089)
TOTAL [1]+[2]+[3]	(13,686)	72,443	58,758
Ending Loss Component	134,527	456,394	590,921
<i>unfav/ (fav)</i>			

Projection to year-end 2023

Projections to year-end 2023 have been updated using the 2023 Q2 valuation assumptions which generated an estimated unfavorable impact of \$144.8 million on the year to date results.

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 \$648.7 million, \$131.0 million deterioration compared with The Outlook. Expense ratios are expected to be in line 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 August 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 February to August 2023, to 7.11% market share. Non-Grid continues to see growth, but this is being outpaced by the decrease in the Grid pool. 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%	69,345	2.49%	135,920	4.88%
2021-01	2,784,582	197,360	7.09%	66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-02	2,785,134	197,459	7.09%	66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-03	2,798,826	198,527	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-04	2,816,244	201,034	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-05	2,814,439	200,456	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-06	2,814,409	200,046	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-07	2,860,383	199,711	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-08	2,864,254	198,639	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-09	2,814,452	195,386	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.50%
2021-10	2,816,424	193,123	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,919	193,578	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,822,001	194,432	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-01	2,821,299	202,662	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,520	211,695	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,413	223,466	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,664	235,947	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,410	249,672	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,831,099	262,906	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,225	275,659	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,641	289,771	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,849,044	303,456	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,703	316,569	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.44%
2022-11	2,862,378	326,878	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,450	334,140	11.65%	135,624	4.73%	88,776	3.09%	224,400	7.82%
2023-01	2,876,518	330,553	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
2023-02	2,885,347	327,164	11.34%	131,566	4.56%	95,407	3.31%	226,973	7.87%
2023-03	2,894,275	322,989	11.16%	127,528	4.41%	97,374	3.36%	224,902	7.77%
2023-04	2,902,276	317,998	10.96%	123,753	4.26%	97,854	3.37%	221,608	7.64%
2023-05	2,908,508	312,778	10.75%	120,856	4.16%	95,790	3.29%	216,646	7.45%
2023-06	2,916,001	307,469	10.54%	118,428	4.06%	94,500	3.24%	212,928	7.30%
2023-07	2,920,309	302,290	10.35%	116,096	3.98%	93,548	3.20%	209,645	7.18%
2023-08	2,928,912	296,633	10.13%	114,705	3.92%	93,590	3.20%	208,295	7.11%
Min 2018-2023			5.65%		2.27%		2.38%		4.77%
Max 2018-2023			11.65%		4.73%		3.37%		7.87%

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 August 2023 (discounted basis)