

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2023 – 055**

**DATE: August 30, 2023**

**SUBJECT: Risk Sharing Pool – July 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 July 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 **July 2023 received premium** was \$92.2 million, lower than prior year by \$5.0 million. The **projected 2023 year-end received premium** is \$1.1 billion;
- (b) The **July 2023 insurance revenue** was \$60.3 million, lower than prior year by \$4.2 million. The **projected 2023 year-end insurance revenue** is \$714.9 million;
- (c) The **July 2023 operating result** was a deficit \$4.0 million, higher than prior year by \$2.8 million. The **projected 2023 year-end operating result** is a deficit \$495.4 million;
- (d) The **July 2023 combined operating ratio** was 93.4%, lower than prior year by 4.8 percentage points. The **projected year-end combined operating ratio** is 169.3%.

## Summary of Financial Results

### RSP Summary of IFRS17 Financial Results

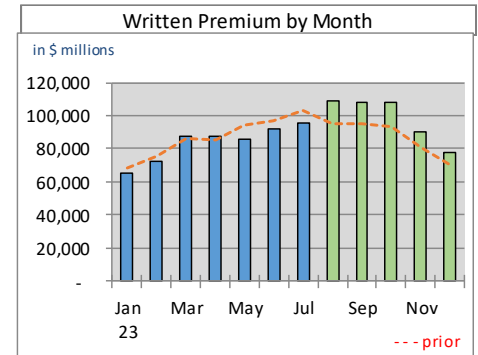
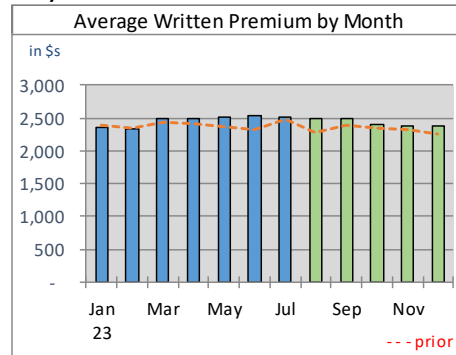
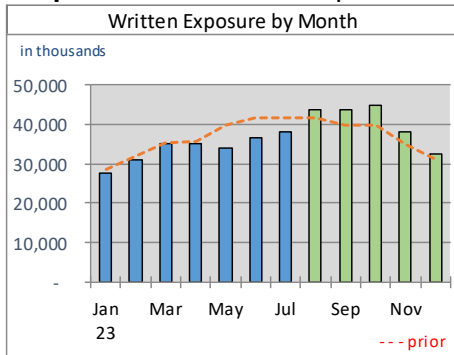
RSP 2023 Summary Amounts in \$000s	Actual (July 2023)	Projection (July 2023)	Prior Year (July 2022)	2023 year-to-date as at 7 months	2022 year-to-date as at 7 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	95,381	98,982	103,384	585,670	609,030	1,066,671	1,135,886	1,044,968
Received Premium	92,169	92,368	97,198	562,580	568,657	1,064,463	1,133,465	1,026,378
Earned Premium	88,427	88,759	90,774	603,550	549,283	1,041,058	1,096,519	976,005
Earned Expense Allowance	(28,136)	(28,231)	(26,329)	(187,375)	(159,827)	(326,187)	(342,844)	(284,104)
<b>Insurance Revenue</b>	<b>60,292</b>	<b>60,528</b>	<b>64,445</b>	<b>416,175</b>	<b>389,456</b>	<b>714,871</b>	<b>753,675</b>	<b>691,901</b>
Total Claims Incurred	87,230	87,278	92,400	593,999	543,569	1,018,228	1,166,434	896,379
Claims incurred (CAY)	90,414	90,181	88,078	622,512	575,077	1,060,449	1,105,370	971,638
Adjustments to Liabilities for Incurred Claims (PAYs)	(3,185)	(2,903)	4,322	(28,513)	(31,508)	(42,222)	61,064	(75,259)
Administrative Expense	537	776	511	4,562	4,169	8,563	8,764	7,878
Losses on Onerous Contracts	(9,202)	0	0	388,604	512,982	388,604	406,897	446,923
Reversal of Losses on Onerous Contracts	(31,240)	(31,240)	(29,635)	(199,081)	(195,854)	(351,211)	(310,756)	(296,346)
<b>Insurance Service Expenses</b>	<b>47,324</b>	<b>56,814</b>	<b>63,276</b>	<b>788,083</b>	<b>864,865</b>	<b>1,064,183</b>	<b>1,271,338</b>	<b>1,054,834</b>
<b>Insurance Service Result</b>	<b>12,967</b>	<b>3,714</b>	<b>1,169</b>	<b>(371,908)</b>	<b>(475,409)</b>	<b>(349,312)</b>	<b>(517,664)</b>	<b>(362,933)</b>
Insurance Finance Expense from PV FCF	(6,332)	(6,332)	0	(70,102)	59,842	(103,138)	0	110,665
Insurance Finance Expense from Risk Adjustment	(484)	(484)	0	(5,679)	4,860	(8,137)	0	9,070
Insurance Finance Expense from Loss Component	(2,191)	(2,191)	0	(27,253)	89,986	(34,829)	0	146,268
<b>Insurance Finance Income (Expense)</b>	<b>(9,007)</b>	<b>(9,007)</b>	<b>0</b>	<b>(103,033)</b>	<b>154,687</b>	<b>(146,103)</b>	<b>0</b>	<b>266,003</b>
<b>Operating Result</b>	<b>3,960</b>	<b>(5,293)</b>	<b>1,169</b>	<b>(474,942)</b>	<b>(320,722)</b>	<b>(495,415)</b>	<b>(517,664)</b>	<b>(96,929)</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	150.0%	149.0%	136.7%	149.6%	147.7%	148.3%	146.7%	140.4%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(5.3%)	(4.8%)	6.7%	(6.9%)	(8.1%)	(5.9%)	8.1%	(10.9%)
Total	144.7%	144.2%	143.4%	142.7%	139.6%	142.4%	154.8%	129.6%
Earned Expense allowance	31.8%	31.8%	29.0%	31.0%	29.1%	31.3%	31.3%	29.1%
Change in Loss Component (excluding IFE)	(67.1%)	(51.6%)	(46.0%)	45.5%	81.4%	5.2%	12.8%	21.8%
Administrative Expenses	0.9%	1.3%	0.8%	1.1%	1.1%	1.2%	1.2%	1.1%
<b>Insurance Service Ratio</b>	<b>78.5%</b>	<b>93.9%</b>	<b>98.2%</b>	<b>189.4%</b>	<b>222.1%</b>	<b>148.9%</b>	<b>168.7%</b>	<b>152.5%</b>
<b>Combined Operating Ratio</b>	<b>93.4%</b>	<b>108.7%</b>	<b>98.2%</b>	<b>214.1%</b>	<b>182.4%</b>	<b>169.3%</b>	<b>168.7%</b>	<b>114.0%</b>

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 July 2023 was 38,056 vehicles, which was lower than prior year by 3,768 vehicles, and 5,230 vehicles lower 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.

The July 2023 average premium was lower than The Outlook by 1.0%, 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	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	12,275	14,257	18,474	17,680	16,610	17,461	17,175	19,072	18,828	17,801	15,589	13,575	198,798
Alberta Grid	6,390	6,291	7,099	7,536	9,432	10,235	10,509	12,027	11,818	12,673	10,694	8,647	113,352
Alberta Non-Grid	6,973	8,466	7,897	6,990	5,786	7,129	8,034	9,733	10,013	11,475	9,263	8,140	99,901
New Brunswick	896	1,334	647	1,649	1,105	162	1,237	1,231	1,174	1,188	1,014	945	12,582
Nova Scotia	1,061	536	652	924	910	1,172	856	1,478	1,429	1,343	1,208	1,073	12,641
Newfoundland & Labrador	121	161	196	247	264	298	246	353	334	321	304	248	3,093
<b>Total</b>	<b>27,716</b>	<b>31,045</b>	<b>34,966</b>	<b>35,025</b>	<b>34,107</b>	<b>36,457</b>	<b>38,056</b>	<b>43,894</b>	<b>43,597</b>	<b>44,802</b>	<b>38,072</b>	<b>32,629</b>	<b>440,368</b>

### 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	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,631	2,646	2,727	2,678	2,703	2,719	2,682	2,524	2,495	2,490	2,425	2,486	2,601
Alberta Grid	2,642	2,690	2,720	2,776	2,661	2,666	2,730	2,912	2,912	2,797	2,816	2,770	2,771
Alberta Non-Grid	1,944	1,919	1,971	2,081	2,116	2,084	2,098	2,093	2,059	1,901	1,873	1,861	1,994
New Brunswick	1,360	943	1,440	1,518	1,490	2,902	1,550	2,094	2,368	2,328	2,322	2,264	1,793
Nova Scotia	1,370	71	1,317	1,733	1,627	1,460	1,795	1,873	2,070	2,167	2,153	2,032	1,748
Newfoundland & Labrador	1,211	1,275	1,124	1,243	1,270	1,292	1,273	1,143	1,122	1,172	1,140	1,151	1,196
<b>Total</b>	<b>2,365</b>	<b>2,332</b>	<b>2,496</b>	<b>2,490</b>	<b>2,513</b>	<b>2,528</b>	<b>2,506</b>	<b>2,490</b>	<b>2,480</b>	<b>2,403</b>	<b>2,379</b>	<b>2,374</b>	<b>2,450</b>

### 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	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	32,293	37,722	50,377	47,338	44,897	47,468	46,069	48,143	46,972	44,330	37,810	33,747	517,167
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,284	28,689	35,027	34,417	35,452	30,118	23,951	314,069
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	14,857	16,857	20,376	20,616	21,817	17,354	15,151	199,181
New Brunswick	1,218	1,257	932	2,503	1,646	471	1,917	2,577	2,780	2,767	2,355	2,140	22,565
Nova Scotia	1,453	38	859	1,600	1,480	1,710	1,537	2,769	2,958	2,910	2,600	2,181	22,096
Newfoundland & Labrador	147	205	220	307	335	385	312	404	375	376	347	286	3,699
<b>Total</b>	<b>65,549</b>	<b>72,397</b>	<b>87,258</b>	<b>87,210</b>	<b>85,700</b>	<b>92,175</b>	<b>95,381</b>	<b>109,295</b>	<b>108,119</b>	<b>107,652</b>	<b>90,584</b>	<b>77,456</b>	<b>1,078,777</b>

### Insurance Service Expenses

Insurance expenses for July 2023 include:

- **Claims Incurred** - Incurred losses in July 2023 were \$87.2 million, lower than projection by \$0.1 million and \$5.2 million lower compared with the same month from last year. Loss ratio was at 150.0%, 1.0 percentage points above projected, and up 13.3 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 of July 2023 is \$9.2 million favorable change. The reason for this is a change in the member premium projection for the remainder of 2023 and 2024. Members are now projecting to less premium to the risk sharing pools. This leads to a reduction in portion of the loss component associated with future written business.

There are some offsetting impacts from different pools, for example members are projecting to cede fewer vehicles to the Ontario pool and more vehicles to the Alberta pools. 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 for July 2023:

	Ontario	Alberta Grid	Alberta Non-Grid	New Brunswick	Nova Scotia	Newfoundland & Labrador	Total
CAY	(2,350)	428	407	127	(55)	234	(1,208)
FtAY	(16,031)	3,255	2,971	619	(107)	1,300	(7,993)
<b>Total</b>	<b>(18,381)</b>	<b>3,683</b>	<b>3,378</b>	<b>746</b>	<b>(162)</b>	<b>1,534</b>	<b>(9,202)</b>

- **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 July 2023, slightly 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 \$69.2 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. Earned premium full year projection is down by \$55.5 million.

The year-end 2023 operating deficit is expected to be \$495.4 million, \$22.2 million improvement 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 July 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 July 2023, to 7.21% 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	2,864,253	198,639	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-09	2,814,451	195,386	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.50%
2021-10	2,816,423	193,123	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,918	193,578	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,821,999	194,432	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-01	2,821,298	202,662	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,519	211,695	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,412	223,466	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,663	235,947	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,408	249,672	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,831,098	262,906	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,223	275,659	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,637	289,771	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,849,041	303,456	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,699	316,568	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.44%
2022-11	2,862,373	326,877	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,446	334,139	11.65%	135,624	4.73%	88,776	3.09%	224,400	7.82%
2023-01	2,876,513	330,552	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
2023-02	2,885,343	327,163	11.34%	131,566	4.56%	95,407	3.31%	226,973	7.87%
2023-03	2,894,270	322,988	11.16%	127,528	4.41%	97,374	3.36%	224,902	7.77%
2023-04	2,902,269	317,996	10.96%	123,753	4.26%	97,854	3.37%	221,608	7.64%
2023-05	2,908,481	312,771	10.75%	120,856	4.16%	95,790	3.29%	216,646	7.45%
2023-06	2,915,885	307,452	10.54%	118,428	4.06%	94,500	3.24%	212,928	7.30%
2023-07	2,908,278	299,811	10.31%	116,096	3.99%	93,548	3.22%	209,645	7.21%
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](#)

\*07 month ended July 2023 (discounted basis)