

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 053

DATE: July 28, 2023

SUBJECT: Risk Sharing Pool – June 2023 Operational Report

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

SPECIAL NOTE: Discount Unwinding Year to Date Adjustment

Please note that there is a special one-time adjustment to the year to date income classification between Insurance Service Expenses and Insurance Finance Income (Expense). Previously, FA has been reporting the unwinding of discount on our liabilities within the Insurance Service Expenses. In the June calendar month results, we have re-classified the 2023 year-to-date discount unwinding as Insurance Finance Income (Expense). This results in a total \$71.4 million decrease in the Insurance Finance Income and a corresponding \$71.4 million increase in the Insurance Service Result.

The total year to date operating income is unaffected.

Going forward, each month's insurance finance income (expense) will include the amount of discount unwinding for that month only.

For members who wish to adjust the bookings either for the current year or for prior years, a link is provided at the bottom of this document to the estimated amounts of discount unwinding for each RSP, for each Accident Year, for all past Accounting Month from November 2021 to May 2023.

Please be advised that the June 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 **June 2023 received premium** was \$85.5 million, lower than prior year by \$8.5 million. The **projected 2023 year-end received premium** is \$1.1 billion;
- (b) The **June 2023 insurance revenue** was \$58.4 million, higher than prior year by \$0.6 million. The **projected 2023 year-end insurance revenue** is \$713.3 million;
- (c) The **June 2023 operating result** was a deficit \$3.8 million, lower than prior year by \$6.9 million. The **projected 2023 year-end operating result** is a deficit \$504.7 million;
- (d) The **June 2023 combined operating ratio** was 106.5%, higher than prior year by 11.9 percentage points. The **projected year-end combined operating ratio** is 170.8%.

Summary of Financial Results

RSP Summary of IFRS17 Financial Results

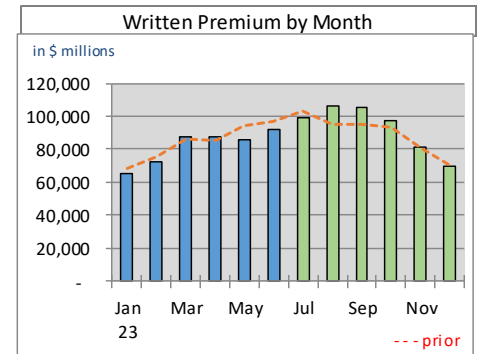
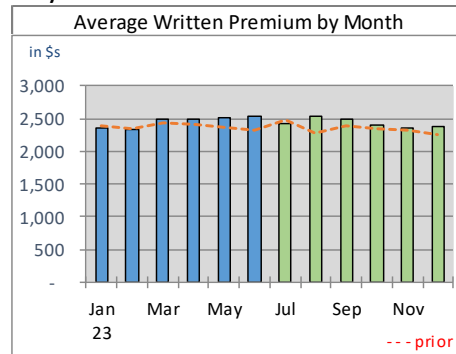
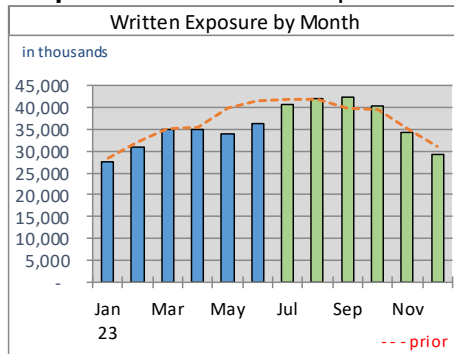
RSP 2023 Summary Amounts in \$000s	Actual (June 2023)	Projection (June 2023)	Prior Year (June 2022)	2023 year-to-date as at 6 months	2022 year-to-date as at 6 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	92,175	97,169	96,833	490,289	505,646	1,049,615	1,135,886	1,044,968
Received Premium	85,521	85,789	93,989	470,410	471,459	1,052,262	1,133,465	1,026,378
Earned Premium	85,382	85,757	81,222	515,123	458,509	1,038,233	1,096,519	976,005
Earned Expense Allowance	(27,011)	(27,228)	(23,473)	(159,239)	(133,498)	(324,972)	(342,844)	(284,104)
Insurance Revenue	58,371	58,528	57,749	355,884	325,011	713,260	753,675	691,901
Total Claims Incurred	37,396	90,758	84,214	506,769	451,169	1,017,668	1,166,434	896,379
Claims incurred (CAY)	87,266	88,474	84,039	532,097	486,999	1,072,136	1,105,370	971,638
Adjustments to Liabilities for Incurred Claims (PAYs)	(49,870)	2,284	175	(25,328)	(35,830)	(54,468)	61,064	(75,259)
Administrative Expense	727	752	790	4,025	3,658	8,360	8,764	7,878
Losses on Onerous Contracts	(5,040)	0	0	397,806	512,982	397,806	406,897	446,923
Reversal of Losses on Onerous Contracts	(42,337)	(27,530)	(30,348)	(167,841)	(166,219)	(352,432)	(310,756)	(296,346)
Insurance Service Expenses	(9,254)	63,980	54,656	740,759	801,590	1,071,402	1,271,338	1,054,834
Insurance Service Result	67,625	(5,452)	3,093	(384,875)	(476,578)	(358,141)	(517,664)	(362,933)
Insurance Finance Expense from PV FCF	(49,950)	0	0	(63,770)	59,842	(103,259)	0	110,665
Insurance Finance Expense from Risk Adjustment	(4,178)	0	0	(5,194)	4,860	(8,152)	0	9,070
Insurance Finance Expense from Loss Component	(17,302)	0	0	(25,061)	89,986	(35,150)	0	146,268
Insurance Finance Income (Expense)	(71,430)	0	0	(94,026)	154,687	(146,560)	0	266,003
Operating Result	(3,805)	(5,452)	3,093	(478,902)	(321,891)	(504,702)	(517,664)	(96,929)
Ratios:								
Loss ratio - Claims Incurred (CAY)	149.5%	151.2%	145.5%	149.5%	149.8%	150.3%	146.7%	140.4%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(85.4%)	3.9%	0.3%	(7.1%)	(11.0%)	(7.6%)	8.1%	(10.9%)
Total	64.1%	155.1%	145.8%	142.4%	138.8%	142.7%	154.8%	129.6%
Earned Expense allowance	31.6%	31.8%	28.9%	30.9%	29.1%	31.3%	31.3%	29.1%
Change in Loss Component (excluding IFE)	(81.2%)	(47.0%)	(52.6%)	64.6%	106.7%	6.4%	12.8%	21.8%
Administrative Expenses	1.2%	1.3%	1.4%	1.1%	1.1%	1.2%	1.2%	1.1%
Insurance Service Ratio	-15.9%	109.3%	94.6%	208.1%	246.6%	150.2%	168.7%	152.5%
Combined Operating Ratio	106.5%	109.3%	94.6%	234.6%	199.0%	170.8%	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 June 2023 was 36,457 vehicles, which was lower than prior year by 5,175 vehicles, and 5,935 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 June 2023 average premium was higher than The Outlook by 4.0%, and also 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	12,275	14,257	18,474	17,680	16,610	17,461	19,303	19,918	19,945	18,857	16,714	14,463	205,957
Alberta Grid	6,390	6,291	7,099	7,536	9,432	10,235	9,532	10,015	10,000	10,057	8,170	6,739	101,496
Alberta Non-Grid	6,973	8,466	7,897	6,990	5,786	7,129	8,977	9,301	9,625	8,831	7,137	6,040	93,152
New Brunswick	896	1,334	647	1,649	1,105	162	1,308	1,295	1,207	1,216	1,004	905	12,728
Nova Scotia	1,061	536	652	924	910	1,172	1,317	1,386	1,301	1,225	1,094	964	12,541
Newfoundland & Labrador	121	161	196	247	264	298	234	227	334	321	304	248	2,955
Total	27,716	31,045	34,966	35,025	34,107	36,457	40,671	42,142	42,411	40,506	34,423	29,360	428,828

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,631	2,646	2,727	2,678	2,703	2,719	2,454	2,560	2,496	2,457	2,387	2,450	2,573
Alberta Grid	2,642	2,690	2,720	2,776	2,661	2,666	2,891	2,999	3,067	3,028	3,035	2,975	2,857
Alberta Non-Grid	1,944	1,919	1,971	2,081	2,116	2,084	2,113	2,167	2,042	1,770	1,731	1,763	1,980
New Brunswick	1,360	943	1,440	1,518	1,490	2,902	1,678	1,750	1,797	1,766	1,725	1,729	1,579
Nova Scotia	1,370	71	1,317	1,733	1,627	1,460	1,884	1,966	1,973	2,006	2,003	1,925	1,708
Newfoundland & Labrador	1,211	1,275	1,124	1,243	1,270	1,292	1,712	1,780	1,122	1,172	1,140	1,151	1,281
Total	2,365	2,332	2,496	2,490	2,513	2,528	2,434	2,529	2,481	2,405	2,362	2,379	2,448

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	32,293	37,722	50,377	47,338	44,897	47,468	47,377	50,987	49,780	46,338	39,900	35,435	529,913
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,284	27,561	30,037	30,669	30,454	24,791	20,052	289,979
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	14,857	18,967	20,160	19,651	15,627	12,353	10,650	184,418
New Brunswick	1,218	1,257	932	2,503	1,646	471	2,194	2,265	2,169	2,146	1,733	1,565	20,100
Nova Scotia	1,453	38	859	1,600	1,480	1,710	2,482	2,725	2,566	2,457	2,192	1,856	21,418
Newfoundland & Labrador	147	205	220	307	335	385	400	404	375	376	347	286	3,786
Total	65,549	72,397	87,258	87,210	85,700	92,175	98,982	106,578	105,209	97,400	81,315	69,843	1,049,615

Insurance Service Expenses

Insurance expenses for June 2023 include:

- Claims Incurred - Incurred losses in June 2023 were \$37.4 million, lower than projection by \$53.4 million and \$46.8 million lower compared with the same month from last year. Loss ratio was at 149.5%, 1.7 percentage points below projected, and up 4.0 percentage points compared with prior year. ***This favourable difference is due to the year to date discount unwinding adjustment.***
- 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 June 2023 is \$5.0 million unfavorable change.
- 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. ***This figure is favourable this month compared to projection due to the year to date discount unwinding adjustment.***
- Administrative Expense: \$0.7 million for June 2023, slightly below projection and in line with prior year.

Insurance Finance Income

Insurance Finance income/ (expense) for June 2023 of \$71.4 million unfavorable change due to ***the year to date discount unwinding adjustment.*** A breakdown as follows:

- \$50.0 million from PV FCF, the amount of discount unwinding for calendar months January to June.
- \$4.2 million from risk adjustment, the discount unwinding for calendar months January to June.
- \$17.3 million from loss component, the discount unwinding for calendar months January to June.

Projection to year-end 2023

Compared with The Outlook released in January 2023, written premiums has reduced by \$86.3 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 \$58.3 million.

The year-end 2023 operating deficit is expected to be \$504.7 million, \$13.0 million improvement vs 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 June 2023 in the Grid pool following the January 2023 Grid rate increase. However, we are beginning to see growth pick up in the non-Grid pool, 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 June 2023, to 7.34% 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	2,819,919	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	2,821,296	202,662	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,518	211,695	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,410	223,466	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,661	235,947	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,406	249,672	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,831,093	262,905	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,214	275,656	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,625	289,767	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,849,021	303,450	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,676	316,562	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.44%
2022-11	2,862,350	326,869	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,424	334,131	11.65%	135,624	4.73%	88,776	3.09%	224,400	7.82%
2023-01	2,876,489	330,544	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
2023-02	2,885,314	327,155	11.34%	131,566	4.56%	95,407	3.31%	226,973	7.87%
2023-03	2,894,234	322,978	11.16%	127,528	4.41%	97,374	3.36%	224,902	7.77%
2023-04	2,902,211	317,983	10.96%	123,753	4.26%	97,854	3.37%	221,608	7.64%
2023-05	2,908,382	312,754	10.75%	120,856	4.16%	95,790	3.29%	216,646	7.45%
2023-06	2,901,396	304,671	10.50%	118,428	4.08%	94,500	3.26%	212,928	7.34%
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](#)

*06 month ended June 2023 (discounted basis)

[RSP Unwinding Summary](#)

*November 2021 – May 2023 Report