

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 044

DATE: June 29, 2023

SUBJECT: Risk Sharing Pool – May 2023 Operational Report

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

Please be advised that the May 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 **May 2023 received premium** was \$86.7 million, higher than prior year by \$1.1 million. The **projected 2023 year-end received premium** is \$1.1 billion;
- (b) The **May 2023 insurance revenue** was \$60.9 million, higher than prior year by \$2.7 million. The **projected 2023 year-end insurance revenue** is \$712.6 million;
- (c) The **May 2023 operating result** was a deficit \$32.7 million, lower than prior year by \$158.0 million. The **projected 2023 year-end operating result** is a deficit \$506.3 million;
- (d) The **May 2023 combined operating ratio** was 153.7%, higher than prior year by 269.1 percentage points. The **projected year-end combined operating ratio** is 171.0%.
- (e) The implementation of the **2023 Q1 Valuation**, generated **\$35.0 million unfavourable impact** for the month, increasing the **year-to-date combined operating ratio by 11.8 percentage points**.

Summary of Financial Results

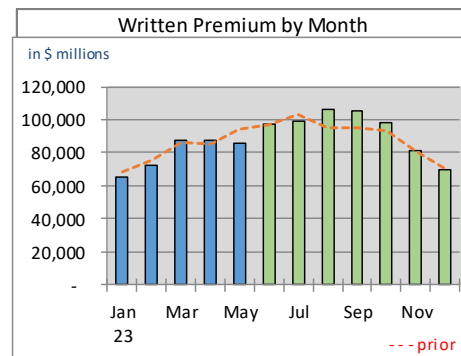
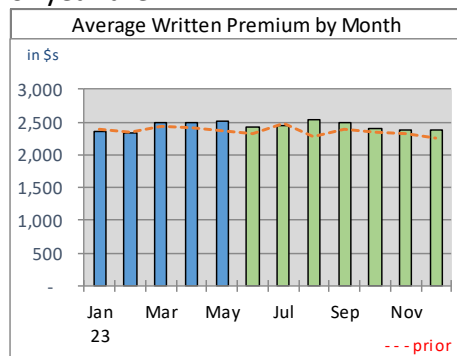
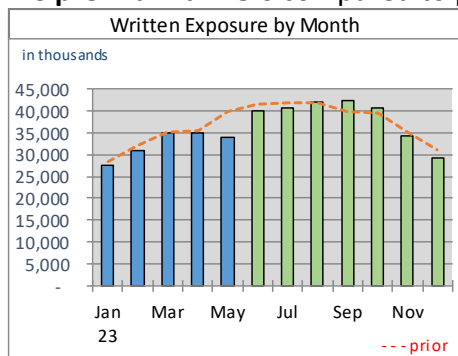
RSP Summary of IFRS17 Financial Results

RSP 2023 Summary Amounts in \$000s	Actual (May 2023)	Projection (May 2023)	Prior Year (May 2022)	2023 year-to-date as at 5 months	2022 year-to-date as at 5 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	85,700	96,400	94,063	398,114	408,813	1,056,062	1,135,886	1,044,968
Received Premium	86,705	86,991	85,593	384,890	377,469	1,059,089	1,133,465	1,026,378
Earned Premium	88,864	89,874	81,957	429,741	377,287	1,037,581	1,096,519	976,005
Earned Expense Allowance	(27,998)	(28,410)	(23,786)	(132,228)	(110,024)	(324,997)	(342,844)	(284,104)
Insurance Revenue	60,866	61,464	58,170	297,513	267,262	712,583	753,675	691,901
Total Claims Incurred	94,084	98,001	99,092	469,373	366,955	1,112,536	1,166,434	896,379
<i>Claims incurred (CAY)</i>	90,976	92,922	86,513	444,831	402,960	1,072,426	1,105,370	971,638
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	3,108	5,078	12,579	24,542	(36,006)	40,110	61,064	(75,259)
Administrative Expense	584	741	564	3,298	2,868	8,391	8,764	7,878
Losses on Onerous Contracts	43	0	443	402,846	512,982	402,846	406,897	446,923
Reversal of Losses on Onerous Contracts	(27,172)	(27,172)	(38,725)	(125,504)	(135,871)	(327,506)	(310,756)	(296,346)
Insurance Service Expenses	67,539	71,569	61,374	750,013	746,934	1,196,267	1,271,338	1,054,834
Insurance Service Result	(6,673)	(10,105)	(3,204)	(452,501)	(479,671)	(483,684)	(517,664)	(362,933)
Insurance Finance Expense from PV FCF	(11,046)	0	51,704	(13,820)	59,842	(13,820)	0	110,665
Insurance Finance Expense from Risk Adjustment	(789)	0	4,198	(1,017)	4,860	(1,017)	0	9,070
Insurance Finance Expense from Loss Component	(14,206)	0	72,587	(7,759)	89,986	(7,759)	0	146,268
Insurance Finance Income (Expense)	(26,041)	0	128,489	(22,596)	154,687	(22,596)	0	266,003
Operating Result	(32,714)	(10,105)	125,285	(475,097)	(324,984)	(506,280)	(517,664)	(96,929)
Ratios:								
Loss ratio - Claims Incurred (CAY)	149.5%	151.2%	148.7%	149.5%	150.8%	150.5%	146.7%	140.4%
- Adjustments to Liabilities for Incurred Claims (PAYs)	5.1%	8.3%	21.6%	8.2%	(13.5%)	5.6%	8.1%	(10.9%)
Total	154.6%	159.4%	170.3%	157.8%	137.3%	156.1%	154.8%	129.6%
Earned Expense allowance	31.5%	31.6%	29.0%	30.8%	29.2%	31.3%	31.3%	29.1%
Change in Loss Component (excluding IFE)	(44.6%)	(44.2%)	(65.8%)	93.2%	141.1%	10.6%	12.8%	21.8%
Administrative Expenses	1.0%	1.2%	1.0%	1.1%	1.1%	1.2%	1.2%	1.1%
Insurance Service Ratio	111.0%	116.4%	105.5%	252.1%	279.5%	167.9%	168.7%	152.5%
Combined Operating Ratio	153.7%	116.4%	(115.4%)	259.7%	221.6%	171.0%	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 May 2023 was 34,107 vehicles, which was lower than prior year by 5,799 vehicles, and 8,003 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 May 2023 average premium was higher than The Outlook by 4.5%, and also slightly 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	12,275	14,257	18,474	17,680	16,610	19,038	19,278	19,932	19,912	19,226	16,736	14,294	207,713
Alberta Grid	6,390	6,291	7,099	7,536	9,432	9,569	9,532	10,015	10,000	10,057	8,170	6,739	100,829
Alberta Non-Grid	6,973	8,466	7,897	6,990	5,786	8,579	8,977	9,301	9,625	8,831	7,137	6,040	94,603
New Brunswick	896	1,334	647	1,649	1,105	1,247	1,308	1,295	1,207	1,216	1,004	905	13,812
Nova Scotia	1,061	536	652	924	910	1,250	1,317	1,386	1,301	1,225	1,094	964	12,619
Newfoundland & Labrador	121	161	196	247	264	233	229	222	334	321	304	248	2,880
Total	27,716	31,045	34,966	35,025	34,107	39,916	40,640	42,151	42,379	40,876	34,444	29,191	432,456

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,631	2,646	2,727	2,678	2,703	2,495	2,470	2,563	2,497	2,471	2,402	2,458	2,558
Alberta Grid	2,642	2,690	2,720	2,776	2,661	2,879	2,891	2,999	3,067	3,028	3,035	2,975	2,879
Alberta Non-Grid	1,944	1,919	1,971	2,081	2,116	2,018	2,113	2,167	2,042	1,770	1,731	1,763	1,975
New Brunswick	1,360	943	1,440	1,518	1,490	1,677	1,678	1,750	1,797	1,766	1,725	1,729	1,572
Nova Scotia	1,370	71	1,317	1,733	1,627	1,818	1,884	1,966	1,973	2,006	2,003	1,925	1,742
Newfoundland & Labrador	1,211	1,275	1,124	1,243	1,270	1,872	1,749	1,823	1,122	1,172	1,140	1,151	1,333
Total	2,365	2,332	2,496	2,490	2,513	2,434	2,441	2,531	2,481	2,412	2,370	2,382	2,442

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	32,293	37,722	50,377	47,338	44,897	47,506	47,615	51,084	49,722	47,513	40,207	35,129	531,404
Alberta Grid	16,882	16,924	19,308	20,915	25,101	27,552	27,561	30,037	30,669	30,454	24,791	20,052	290,248
Alberta Non-Grid	13,555	16,250	15,561	14,546	12,241	17,310	18,967	20,160	19,651	15,627	12,353	10,650	186,872
New Brunswick	1,218	1,257	932	2,503	1,646	2,090	2,194	2,265	2,169	2,146	1,733	1,565	21,719
Nova Scotia	1,453	38	859	1,600	1,480	2,273	2,482	2,725	2,566	2,457	2,192	1,856	21,981
Newfoundland & Labrador	147	205	220	307	335	437	400	404	375	376	347	286	3,838
Total	65,549	72,397	87,258	87,210	85,700	97,169	99,219	106,675	105,152	98,574	81,621	69,538	1,056,062

Insurance Service Expenses

Insurance expenses for May 2023 include:

- Claims Incurred - Incurred losses in May 2023 were \$94.1 million, lower than projection by \$3.9 million and \$5.0 million lower compared with the same month from last year. Loss ratio was at 149.5%, 1.7 percentage points below projected, and up 0.7 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 May 2023 is \$0.04 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.
- Administrative Expense: \$0.6 million for May 2023, slightly below projection and in line with prior year.

Insurance Finance Income

Insurance Finance income/ (expense) for May 2023 of \$26.0 million unfavorable change due to **decrease in yields** from current valuation compare to prior valuation with a breakdown as follows:

- \$11.04 million from PV FCF
- \$0.8 million from risk adjustment

- \$14.2 million from loss component

For more information on the valuation impact please refer to the [Actuarial Highlights](#).

RSP Summary of 2023 Q1 Valuation Implementation Impact

RSP	LIC Impact	LRC Impact	Total Impact	Impact on YTD
Ontario	12,211	8,181	20,391	13.8%
PAY	4,854	-	4,854	3.3%
CAY	7,356	4,022	11,379	7.7%
FtAY	-	4,158	4,158	2.8%
Alberta Grid	2,552	3,729	6,280	7.1%
PAY	1,063	-	1,063	1.2%
CAY	1,488	1,683	3,171	3.6%
FtAY	-	2,046	2,046	2.3%
Alberta Non-Grid	6,906	1,798	8,704	17.1%
PAY	4,645	-	4,645	9.1%
CAY	2,261	973	3,235	6.4%
FtAY	-	824	824	1.6%
New Brunswick	615	187	802	19.3%
PAY	427	-	427	10.3%
CAY	188	109	297	7.1%
FtAY	-	78	78	1.9%
Nova Scotia	(1,211)	428	(783)	(17.5%)
PAY	(1,409)	-	(1,409)	(31.6%)
CAY	199	428	626	14.0%
FtAY	-	0	0	0.0%
Newfoundland & Labrador	(306)	(73)	(379)	(32.6%)
PAY	(251)	-	(251)	(21.6%)
CAY	(55)	(68)	(123)	(10.6%)
FtAY	-	(5)	(5)	(0.4%)
TOTAL	20,766	14,250	35,016	11.8%
PAY	9,329	-	9,329	3.1%
CAY	11,437	7,147	18,585	6.2%
FtAY	-	7,102	7,102	2.4%

unfav/(fav)

RSP Summary of 2023 Q1 Change in Loss Component During the Month

Change in Loss Component			
	2023 (CAY)	2024 (FtAY)	TOTAL
Opening Loss Component	228,235	385,178	613,413
[1] Losses on onerous contracts	2,110	(2,067)	43
[2] Discount rate	5,038	9,169	14,206
[3] Reversal of losses on onerous contracts	(28,060)	887	(27,172)
TOTAL [1]+[2]+[3]	(20,912)	7,990	(12,923)
Ending Loss Component	207,322	393,168	600,490

unfav/(fav) for the month and ytd

Projection to year-end 2023

Projections to year-end 2023 have been updated using the 2023 Q1 valuation assumptions which generated an estimated unfavorable impact of \$35.0 million on the year to date results.

Compared with The Outlook released in January 2023, written premiums has reduced by \$79.8 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. Earned premium was decreased by \$58.9 million.

The year-end 2023 operating deficit is expected to be \$506.3 million, \$11.4m higher than The Outlook. Expense ratios, driven mainly by Insurance Revenue, 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 May 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 May 2023, to 7.48% 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	2,816,422	193,123	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,920	193,578	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,822,002	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	2,823,521	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	2,823,660	235,946	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,405	249,671	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,831,091	262,903	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,214	275,654	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,624	289,766	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,849,029	303,453	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,691	316,568	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.44%
2022-11	2,862,364	326,885	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,454	334,154	11.65%	135,624	4.73%	88,776	3.09%	224,400	7.82%
2023-01	2,876,532	330,570	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
2023-02	2,885,364	327,185	11.34%	131,566	4.56%	95,407	3.31%	226,973	7.87%
2023-03	2,894,294	323,013	11.16%	127,528	4.41%	97,374	3.36%	224,902	7.77%
2023-04	2,902,202	318,002	10.96%	123,753	4.26%	97,854	3.37%	221,608	7.64%
2023-05	2,896,190	310,288	10.71%	120,856	4.17%	95,790	3.31%	216,646	7.48%
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](#)

*05 month ended May 2023 (discounted basis)