

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 004

DATE: January 18, 2023

SUBJECT: Risk Sharing Pool Outlook for Calendar Year 2023

This Outlook was prepared for the Member companies of Facility Association to assist Member companies in estimating their share of RSP results for planning purposes. It is not intended, nor is it necessarily suitable, for any other purpose.

Key Takeaways

- **The combined 6 RSPs** are projected to have **continued growth in written premium** (6% overall for 2023). This is partially offset by lower premium volume in Alberta Grid due to the expected impact of the 2023 Alberta Grid rate change (10% rate increase effective Jan. 1, 2023).
- Across **all 6 RSPs**, we are projecting **written premium** of \$1,069 million for 2022, increasing to **\$1,136 million for 2023**, with a **COR** of 111.3% for 2022, increasing to **147.2% for 2023** – please note, the members' assumed COR for the pool may not align with these figures due to differences such as investment income on assets held by the members;
- We are projecting the **6 RSPs** to generate an **operating cash outflow¹ of \$225 million in 2023**, down from a projected inflow of \$14 million for 2022 (compared with cash inflow of \$20 million in calendar year 2021 and a cash outflow of \$78 million in 2020, due to the projected written premium growth of the RSPs and the higher expected loss ratios for the current and future accident years;
- FA has adopted the IFRS 17 accounting standards effective Nov. 1, 2022, and the 2022-2023 financial projections in this paper have been prepared on the IFRS 17 basis. IFRS 17 has significant impact on the liabilities and operating statements of the RSPs;
- Higher expense allowance in Calendar Year 2023 following the adoption of IFRS 17 as the use of RSPs will no longer be classified as negative direct written premium for insurance carriers, but instead will be classified as reinsurance ceded. This results in higher expense allowance as FA must reimburse Members Companies for premium tax and health levies that were previously not incurred on business ceded to the RSPs;
- The improvement in 2023 loss ratios in Alberta Grid pool is due to the Alberta Insurance Rate Board's announcement of a 10% rate increase to Grid rates effective Jan. 1, 2023.

¹An operating cash outflow is generated when premium submitted to / collected for an RSP is less than the RSP's disbursements for claims and all expenses. Operating cash outflows are funded by the FA membership via monthly cash settlements with members.



The calendar year 2023 RSP Outlook based on actual results as found in the October 2022 Operational Reports can be found on our website: [RSP Outlook CY 2023](#)

Questions regarding the Outlook should be directed to Philippe Gosselin, VP Actuarial and CRO at Facility Association, 416-863-1750 x 4968, PGosselin@facilityassociation.com

Saskia Matheson,
President & CEO

Attach.

Please forward a copy of this bulletin to your Chief Financial Officer.