

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-038

DATE: May 30, 2023

SUBJECT: Alberta Risk Sharing Pools – April 2023 Operational Report

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

Please be advised that the April 2023 Alberta Risk Sharing Pools IFRS 17 Operational Reports are 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 reports on the IFRS 4 basis are available on the FA Portal.

Alberta Grid

- (a) The ***April 2023 received premium*** was \$19.6 million, lower than prior year by \$8.0 million. The ***projected 2023 year-end received premium*** is \$294.9 million;
- (b) The ***April 2023 insurance revenue*** was \$17.2 million, higher than prior year by \$2.4 million. The ***projected 2023 year-end insurance revenue*** is \$206.5 million;
- (c) The ***April 2023 operating result*** was a deficit \$0.9 million, lower than prior year by \$3.2 million. The ***projected 2023 year-end operating result*** is a deficit \$41.9 million;
- (d) The ***April 2023 combined operating ratio*** was 105.5%, higher than prior year by 20.4 percentage points. The ***projected year-end combined operating ratio*** is 120.3%.

Alberta Non-Grid

- (a) The ***April 2023 received premium*** was \$15.6 million, higher than prior year by \$4.3 million. The ***projected 2023 year-end received premium*** was \$195.0 million;
- (b) The ***April 2023 insurance revenue*** was \$10.2 million, higher than prior year by \$1.1 million. The ***projected 2023 year-end insurance revenue*** was \$125.4 million;
- (c) The ***April 2023 operating result*** was a deficit \$0.2 million, lower than prior year by \$2.9 million. The ***projected 2023 year-end operating result*** was a deficit \$71.8 million;
- (d) The ***April 2023 combined operating ratio*** was 102.0%, higher than prior year by 31.5 percentage points. The ***projected year-end combined operating ratio*** was 157.3%.

IMPORTANT NOTICE: The monthly bulletins and quarterly actuarial highlights are prepared for each pool of the RSP (for example there are six reports published each month for monthly bulletins and six reports published each quarter for actuarial highlights). Beginning with May operational reports, **a single report will be published for both the monthly bulletins and the actuarial highlights to reflect RSP on a combined basis.** This supports member's requests for a view of RSP on a combined basis. This change will also be consistent with our financial statements which are also reported on a combined basis. Detailed appendices with financial results by jurisdiction will still be available in the combined RSP bulletins and actuarial highlights.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of IFRS17 Financial Results

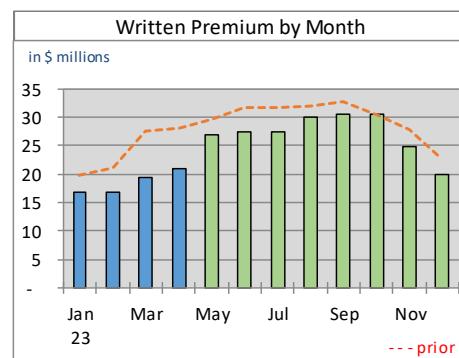
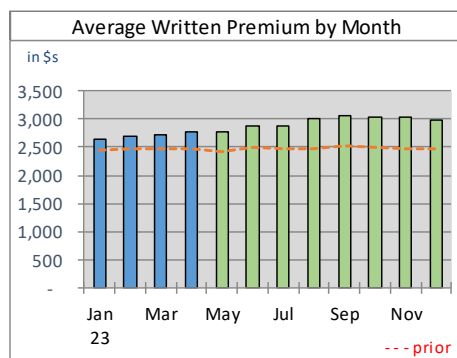
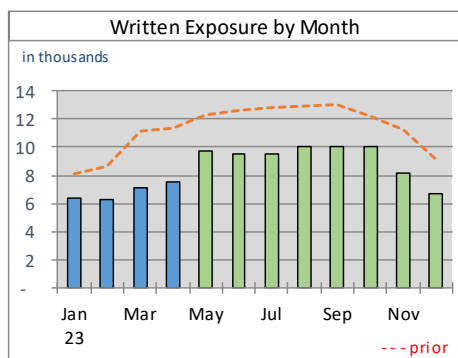
AB Grid RSP 2023 Summary Amounts in \$000s	Actual (April 2023)	Projection (April 2023)	Prior Year (April 2022)	2023 year-to-date as at 4 months	2022 year-to-date as at 4 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	20,915	24,819	28,085	74,030	96,719	292,115	311,241	335,579
Received Premium	19,585	19,758	27,629	75,667	82,531	294,892	314,752	326,270
Earned Premium	25,415	26,640	21,155	103,924	78,995	304,994	325,030	281,792
Earned Expense Allowance	(8,195)	(8,612)	(6,348)	(32,600)	(23,776)	(98,532)	(104,928)	(84,570)
Insurance Revenue	17,219	18,028	14,807	71,324	55,218	206,461	220,101	197,222
Total Claims Incurred	19,227	20,923	17,523	81,710	57,579	239,071	260,891	190,121
Claims incurred (CAY)	19,281	19,952	17,769	79,347	66,997	230,581	249,691	213,028
Adjustments to Liabilities for Incurred Claims (PAYs)	(54)	971	(246)	2,362	(9,418)	8,491	11,201	(22,907)
Administrative Expense	164	159	135	519	404	1,915	1,990	1,374
Losses on Onerous Contracts	0	0	0	24,200	76,464	24,200	39,867	46,142
Reversal of Losses on Onerous Contracts	(1,229)	(1,008)	(5,065)	(5,701)	(6,387)	(16,377)	(21,431)	(18,987)
Insurance Service Expenses	18,162	20,074	12,592	100,727	128,060	248,809	281,317	218,650
Insurance Service Result	(942)	(2,046)	2,214	(29,403)	(72,842)	(42,348)	(61,216)	(21,428)
Insurance Finance Expense from PV FCF	0	0	0	(597)	1,890	(597)	0	22,689
Insurance Finance Expense from Risk Adjustment	0	0	0	(58)	178	(58)	0	2,190
Insurance Finance Expense from Loss Component	0	0	0	1,124	4,253	1,124	0	37,624
Insurance Finance Income (Expense)	0	0	0	468	6,321	468	0	62,503
Operating Result	(942)	(2,046)	2,214	(28,935)	(66,521)	(41,879)	(61,216)	41,075
Ratios:								
Loss ratio - Claims Incurred (CAY)	112.0%	110.7%	120.0%	111.2%	121.3%	111.7%	113.4%	108.0%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(0.3%)	5.4%	(1.7%)	3.3%	(17.1%)	4.1%	5.1%	(11.6%)
Total	111.7%	116.1%	118.3%	114.6%	104.3%	115.8%	118.5%	96.4%
Earned Expense allowance	32.2%	32.3%	30.0%	31.4%	30.1%	32.3%	32.3%	30.0%
Change in Loss Component (excluding IFE)	(7.1%)	(5.6%)	(34.2%)	25.9%	126.9%	3.8%	8.4%	13.8%
Administrative Expenses	1.0%	0.9%	0.9%	0.7%	0.7%	0.9%	0.9%	0.7%
Insurance Service Ratio	105.5%	111.3%	85.0%	141.2%	231.9%	120.5%	127.8%	110.9%
Combined Operating Ratio	105.5%	111.3%	85.0%	140.6%	220.5%	120.3%	127.8%	79.2%

rounding differences may occur

*as posted to FA's website Jan 17, 2023

Premium (Alberta Grid RSP)

The premium drivers compared to prior year and The Outlook to year-end are:



The vehicle count transfer April 2023 was 7,536 vehicles, which was lower than prior year by 3,755, due primarily to grid rates increase effective January 1, 2023. The transfer was lower than the Outlook by 2,915 vehicles as members review their ceding strategies following the grid rate change.

Average premium in April 2023 showed an increase compared to prior year (driven by grid rate changes and change in the mix of risks ceded into the pool). Premium written was below prior year driven by the decrease in vehicle counts transferred to the pool.

The green bars represent our current projection for the remainder of the year.

Insurance Service Expenses (Alberta Grid RSP)

Insurance expenses for April 2023 include,

- Claims Incurred - Incurred losses in April 2023 were \$19.2 million, lower than projection by \$1.7 million and \$1.7 million higher compared with the same month from last year. Loss ratio was at 112.0%, 1.3

percentage points above projected, and down 8.0 percentage points compared with prior year.

- 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: \$0.1 million for April 2023, in line with projection.

Projection to year-end 2023 (Alberta Grid RSP)

Compared with The Outlook, written premiums has decreased by \$19.1 million to \$292.1 million. Written Premium showed a decrease compared to prior year driven by grid rate changes and change in the mix of risks ceded into the pool, as well as decreases in vehicle counts transferred to the pool. Earned premium was also decreased by \$20.0 million to \$305.0 million.

The year-end 2023 operating deficit is expected to be \$41.9 million, an increase from The Outlook. The combined operating ratio is 120.3%, 7.5 percentage points below The Outlook. Expense ratios, driven mainly by Insurance Revenue, are expected to be in line with The Outlook.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of IFRS17 Financial Results

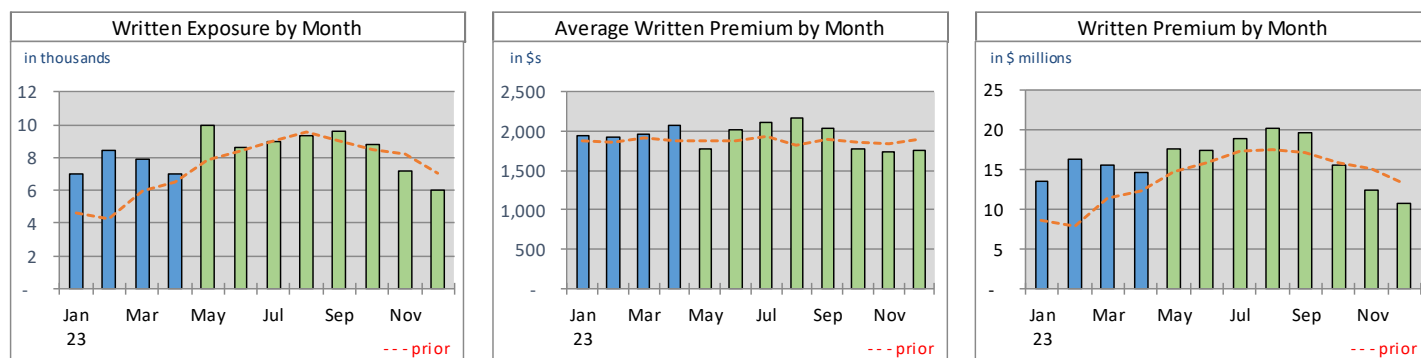
AB Non-Grid RSP 2023 Summary Amounts in \$000s	Actual (April 2023)	Projection (April 2023)	Prior Year (April 2022)	2023 year-to-date as at 4 months	2022 year-to-date as at 4 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	14,546	16,529	12,239	59,912	40,073	192,200	191,006	166,686
Received Premium	15,591	15,657	11,317	58,731	38,749	194,986	192,218	163,578
Earned Premium	15,185	15,321	13,021	59,384	52,103	186,316	184,239	161,915
Earned Expense Allowance	(4,965)	(5,025)	(3,916)	(18,903)	(15,714)	(60,960)	(60,115)	(48,676)
Insurance Revenue	10,220	10,297	9,106	40,480	36,389	125,356	124,124	113,239
Total Claims Incurred	14,560	15,335	13,120	60,444	48,453	186,704	184,580	157,400
Claims incurred (CAY)	14,561	14,647	13,293	56,895	53,608	178,759	177,350	153,831
Adjustments to Liabilities for Incurred Claims (PAYs)	(1)	688	(173)	3,549	(5,154)	7,945	7,230	3,569
Administrative Expense	164	162	135	538	405	1,833	1,874	1,418
Losses on Onerous Contracts	0	0	0	55,294	83,832	55,294	64,839	68,834
Reversal of Losses on Onerous Contracts	(4,295)	(3,772)	(6,832)	(12,816)	(24,319)	(45,947)	(48,135)	(58,300)
Insurance Service Expenses	10,429	11,725	6,422	103,460	108,371	197,884	203,159	169,353
Insurance Service Result	(209)	(1,428)	2,683	(62,980)	(71,982)	(72,528)	(79,035)	(56,113)
Insurance Finance Expense from PV FCF	0	0	0	(307)	1,097	(307)	0	14,561
Insurance Finance Expense from Risk Adjustment	0	0	0	(28)	100	(28)	0	1,364
Insurance Finance Expense from Loss Component	0	0	0	1,079	2,898	1,079	0	23,371
Insurance Finance Income (Expense)	0	0	0	744	4,095	744	0	39,295
Operating Result	(209)	(1,428)	2,683	(62,236)	(67,887)	(71,784)	(79,035)	(16,818)
Ratios:								
Loss ratio - Claims Incurred (CAY)	142.5%	142.2%	146.0%	140.5%	147.3%	142.6%	142.9%	135.8%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(0.0%)	6.7%	(1.9%)	8.8%	(14.2%)	6.3%	5.8%	3.2%
Total	142.5%	148.9%	144.1%	149.3%	133.2%	148.9%	148.7%	139.0%
Earned Expense allowance	32.7%	32.8%	30.1%	31.8%	30.2%	32.7%	32.6%	30.1%
Change in Loss Component (excluding IFE)	(42.0%)	(36.6%)	(75.0%)	104.9%	163.5%	7.5%	13.5%	9.3%
Administrative Expenses	1.6%	1.6%	1.5%	1.3%	1.1%	1.5%	1.5%	1.3%
Insurance Service Ratio	102.0%	113.9%	70.5%	255.6%	297.8%	157.9%	163.7%	149.6%
Combined Operating Ratio	102.0%	113.9%	70.5%	253.7%	286.6%	157.3%	163.7%	114.9%

rounding differences may occur

*as posted to FA's website Jan 17, 2023

Premium (Alberta Non-Grid RSP)

The premium drivers compared to prior year and The Outlook to year-end are:



The vehicle count transfer for April 2023 was 6,990 vehicles, which was higher than prior year but lower than projected.

Average premium in April 2023 showed a slight increase compared with prior year. Premium written was above prior year but below our projection.

The green bars represent our current projection for the remainder of the year.

Insurance Service Expenses (Alberta Non-Grid RSP)

Insurance expenses for April 2023 include,

- **Claims Incurred** - Incurred losses in April 2023 were \$14.6 million, lower than projection by \$0.8 million and \$1.4 million higher compared with the same month from last year. Loss ratio was at 142.5%, 0.2 percentage points above projected, and down 3.5 percentage points compared with prior year.
- **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:** \$0.2 million for April 2023, in line with projection.

Projection to year-end 2023 (Alberta Non-Grid RSP)

Compared with The Outlook, written premiums is in line with year-end projection at \$192.2 million. While earned premium also increased by \$2.1 million to \$186.3 million.

The year-end 2023 operating deficit is expected to be \$71.8 million, a reduction in the deficit from The Outlook. The combined operating ratio is 157.3%, 6.4 percentage points below 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 April 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 April 2023, to 7.64% 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	2,814,438	200,456	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-06	2,814,407	200,046	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-07	2,860,381	199,711	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-08	2,864,249	198,639	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-09	2,814,445	195,386	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.50%
2021-10	2,816,415	193,123	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,914	193,578	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,821,995	194,432	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-01	2,821,295	202,662	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,516	211,695	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,408	223,466	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,656	235,946	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,392	249,671	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,831,074	262,902	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,196	275,653	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,608	289,765	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,849,011	303,452	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,673	316,568	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.44%
2022-11	2,862,348	326,883	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,438	334,154	11.65%	135,624	4.73%	88,776	3.09%	224,400	7.82%
2023-01	2,876,515	330,569	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
2023-02	2,885,347	327,186	11.34%	131,566	4.56%	95,407	3.31%	226,973	7.87%
2023-03	2,894,261	323,011	11.16%	127,528	4.41%	97,374	3.36%	224,902	7.77%
2023-04	2,902,009	317,985	10.96%	123,753	4.26%	97,854	3.37%	221,608	7.64%
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:

Alberta Grid RSP:

[Alberta Grid RSP Summary of Operations - Calendar Year 2023](#)

*04 month ended April 2023 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP Summary of Operations - Calendar Year 2023](#)

*04 month ended April 2023 (discounted basis)