

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2023-032

**DATE:** April 28, 2023

**SUBJECT:** Alberta Risk Sharing Pools – March 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 March 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.

## **Highlights (IFRS 17)**

### ***Alberta Grid***

- (a) The **March 2023 received premium** was \$17.1 million, lower than prior year by \$4.0 million. The **projected 2023 year-end received premium** is \$298.7 million;
- (b) The **March 2023 insurance revenue** was \$17.9 million, higher than prior year by \$3.3 million. The **projected 2023 year-end insurance revenue** is \$208.3 million;
- (c) The **March 2023 operating result** was a surplus \$10.5 million, higher than prior year by \$18.7 million. The **projected 2023 year-end operating result** is a deficit \$42.8 million;
- (d) The **March 2023 combined operating ratio** was 41.7%, lower than prior year by 114.8 percentage points. The **projected year-end combined operating ratio** is 120.5%.
- (e) The implementation of the **2022 Q4 Valuation**, generated **\$14.9 million favourable impact** for the month, decreasing the **year-end combined operating Ratio** by 27.6 percentage points.

### ***Alberta Non-Grid***

- (a) The **March 2023 received premium** was \$16.3 million, higher than prior year by \$8.4 million. The **projected 2023 year-end received premium** was \$196.9 million;
- (b) The **March 2023 insurance revenue** was \$10.5 million, higher than prior year by \$1.2 million. The **projected 2023 year-end insurance revenue** was \$126.3 million;
- (c) The **March 2023 operating result** was a deficit \$1.8 million, lower than prior year by \$0.6 million. The **projected 2023 year-end operating result** was a deficit \$72.9 million;
- (d) The **March 2023 combined operating ratio** was 83.0%, higher than prior year by 8.9 percentage points. The **projected year-end combined operating ratio** was 157.7%.
- (e) The implementation of the **2022 Q4 Valuation**, generated **\$3.9 million favourable impact** for the month, decreasing the **year-end combined operating Ratio** by 12.7 percentage points.

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of IFRS17 Financial Results

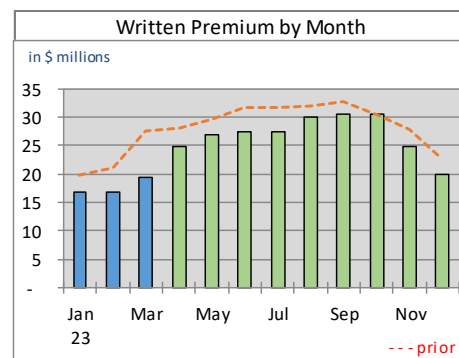
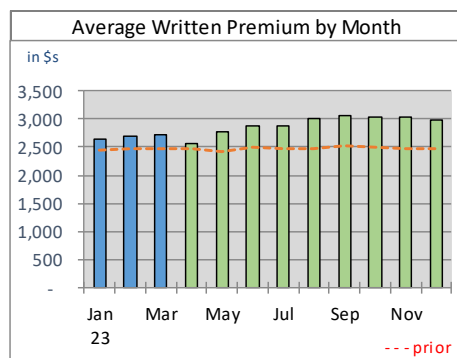
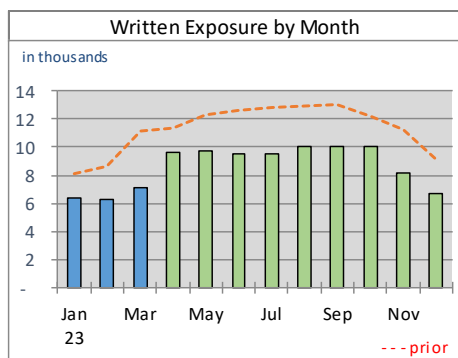
AB Grid RSP 2023 Summary Amounts in \$000s	Actual (March 2023)	Projection (March 2023)	Prior Year (March 2022)	2023 year-to-date as at 3 months	2022 year-to-date as at 3 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	19,308	22,722	27,662	53,115	68,634	296,019	311,241	335,579
Received Premium	17,056	17,514	21,088	56,082	54,902	298,692	314,752	326,270
Earned Premium	26,319	28,278	20,871	78,509	57,840	307,824	325,030	281,792
Earned Expense Allowance	(8,388)	(8,981)	(6,272)	(24,405)	(17,428)	(99,496)	(104,928)	(84,570)
<b>Insurance Revenue</b>	<b>17,931</b>	<b>19,297</b>	<b>14,600</b>	<b>54,105</b>	<b>40,412</b>	<b>208,328</b>	<b>220,101</b>	<b>197,222</b>
Total Claims Incurred	20,305	22,447	12,045	62,483	40,057	241,784	260,891	190,121
Claims Incurred (CAY)	19,383	21,442	19,079	60,067	49,228	232,469	249,691	213,028
Adjustments to Liabilities for Incurred Claims (PAYs)	923	1,005	(7,034)	2,416	(9,172)	9,314	11,201	(22,907)
Administrative Expense	116	146	99	355	269	1,910	1,990	1,374
Losses on Onerous Contracts	(10,848)	0	21,517	24,200	76,464	24,200	39,867	46,142
Reversal of Losses on Onerous Contracts	(1,627)	(1,454)	(4,487)	(4,472)	(1,322)	(16,291)	(21,431)	(18,987)
<b>Insurance Service Expenses</b>	<b>7,947</b>	<b>21,139</b>	<b>29,174</b>	<b>82,565</b>	<b>115,468</b>	<b>251,603</b>	<b>281,317</b>	<b>218,650</b>
<b>Insurance Service Result</b>	<b>9,984</b>	<b>(1,842)</b>	<b>(14,574)</b>	<b>(28,461)</b>	<b>(75,056)</b>	<b>(43,275)</b>	<b>(61,216)</b>	<b>(21,428)</b>
Insurance Finance Expense from PV FCF	(597)	0	1,890	(597)	1,890	(597)	0	22,689
Insurance Finance Expense from Risk Adjustment	(58)	0	178	(58)	178	(58)	0	2,190
Insurance Finance Expense from Loss Component	1,124	0	4,253	1,124	4,253	1,124	0	37,624
<b>Insurance Finance Income (Expense)</b>	<b>468</b>	<b>0</b>	<b>6,321</b>	<b>468</b>	<b>6,321</b>	<b>468</b>	<b>0</b>	<b>62,503</b>
<b>Operating Result</b>	<b>10,452</b>	<b>(1,842)</b>	<b>(8,253)</b>	<b>(27,993)</b>	<b>(68,735)</b>	<b>(42,807)</b>	<b>(61,216)</b>	<b>41,075</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	108.1%	111.1%	130.7%	111.0%	121.8%	111.6%	113.4%	108.0%
- Adjustments to Liabilities for Incurred Claims (PAYs)	5.1%	5.2%	(48.2%)	4.5%	(22.7%)	4.5%	5.1%	(11.6%)
Total	113.2%	116.3%	82.5%	115.5%	99.1%	116.1%	118.5%	96.4%
Earned Expense allowance	31.9%	31.8%	30.0%	31.1%	30.1%	32.3%	32.3%	30.0%
Change in Loss Component (excluding IFE)	(69.6%)	(7.5%)	116.6%	36.5%	185.9%	3.8%	8.4%	13.8%
Administrative Expenses	0.6%	0.8%	0.7%	0.7%	0.7%	0.9%	0.9%	0.7%
<b>Insurance Service Ratio</b>	<b>44.3%</b>	<b>109.5%</b>	<b>199.8%</b>	<b>152.6%</b>	<b>285.7%</b>	<b>120.8%</b>	<b>127.8%</b>	<b>110.9%</b>
<b>Combined Operating Ratio</b>	<b>41.7%</b>	<b>109.5%</b>	<b>156.5%</b>	<b>151.7%</b>	<b>270.1%</b>	<b>120.5%</b>	<b>127.8%</b>	<b>79.2%</b>

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 March 2023 was 7,099 vehicles, which was lower than prior year by 4,037, due primarily to grid rates increase effective January 1, 2023. The transfer was lower than the Outlook by 3,057 vehicles as members review their ceding strategies following the grid rate change.

Average premium in March 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 March 2023 include,

- Claims Incurred - Incurred losses in March 2023 were \$20.3 million, lower than projection by \$2.1 million and \$8.3 million higher compared with the same month from last year. Loss ratio was at

108.1%, 3.0 percentage points below projected, and down 22.6 percentage points compared with prior year. The lower claims incurred was driven by the valuation implementation.

- 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 March 2023 is \$10.8 million favorable 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: \$0.1 million for March 2023, slightly above projection and in line with prior year.

*For more information on the valuation impact please refer to the Actuarial Highlights.*

#### **AB-Grid RSP Summary of 2022 Q4 Valuation Implementation Impact**

<b>RSP: Alberta Grid</b>	<b>LIC Impact</b>	<b>LRC Impact</b>	<b>Total Impact</b>	<b>Impact on YTD COR</b>
PAY	(1,229)	0	(1,229)	(2.3%)
CAY	(1,711)	(5,560)	(7,271)	(13.4%)
FtAY	0	(6,411)	(6,411)	(11.8%)
<b>Total</b>	<b>(2,939)</b>	<b>(11,971)</b>	<b>(14,910)</b>	<b>(27.6%)</b>

*unfav/(fav)*

#### **AB-Grid RSP Summary of 2022 Q4 Change in loss Component**

	<b>2023 (CAY)</b>	<b>2024 (FtAY)</b>	<b>TOTAL</b>
<b>Opening Loss Component</b>	<b>17,788</b>	<b>35,161</b>	<b>52,948</b>
[1] Losses on onerous contracts	(5,043)	(5,805)	(10,848)
[2] Discount rate	(517)	(607)	(1,124)
[3] Reversal of losses on onerous contracts	(1,617)	(10)	(1,627)
<b>TOTAL [1]+[2]+[3]</b>	<b>(7,177)</b>	<b>(6,421)</b>	<b>(13,598)</b>
<b>Ending Loss Component</b>	<b>10,611</b>	<b>28,740</b>	<b>39,351</b>

*unfav/(fav) for the month and ytd*

#### **Projection to year-end 2023 (Alberta Grid RSP)**

Projections to year-end 2023 have been updated using the 2022 Q4 valuation assumptions which generated an estimated favourable impact of \$14.9 million on the full year results.

Compared with The Outlook released in March 2023, written premiums has decreased by \$15.2 million to \$296.0 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 \$17.2 million to \$307.8 million.

The year-end 2023 operating deficit is expected to be \$42.8 million, an increase from The Outlook. The combined operating ratio is 120.5%, 7.3 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

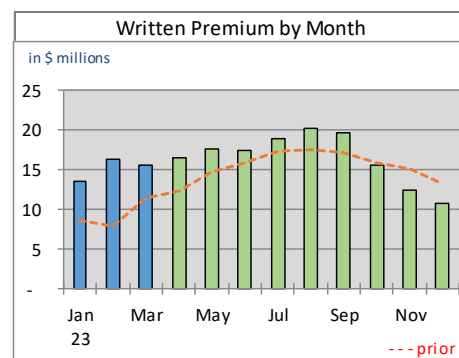
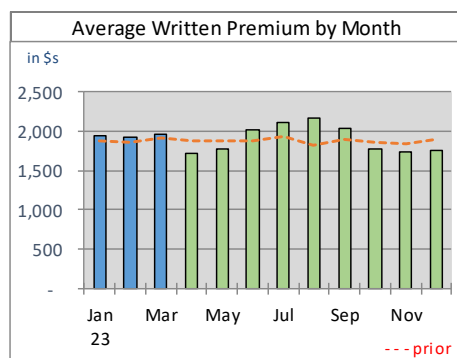
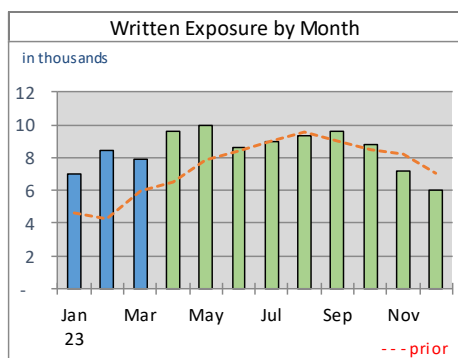
AB Non-Grid RSP 2023 Summary Amounts in \$'000s	Actual (March 2023)	Projection (March 2023)	Prior Year (March 2022)	2023 year-to-date as at 3 months	2022 year-to-date as at 3 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	15,561	17,813	11,350	45,367	27,833	194,184	191,006	166,686
Received Premium	16,260	16,353	7,861	43,140	27,431	196,962	192,218	163,578
Earned Premium	15,549	15,675	13,408	44,198	39,081	187,750	184,239	161,915
Earned Expense Allowance	(5,026)	(5,082)	(4,039)	(13,938)	(11,798)	(61,457)	(60,115)	(48,676)
<b>Insurance Revenue</b>	<b>10,523</b>	<b>10,593</b>	<b>9,369</b>	<b>30,260</b>	<b>27,283</b>	<b>126,293</b>	<b>124,124</b>	<b>113,239</b>
Total Claims Incurred	17,378	15,561	11,043	45,884	35,334	188,567	184,580	157,400
<i>Claims incurred (CAY)</i>	14,913	14,834	14,274	42,334	40,314	180,077	177,350	153,831
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	2,465	727	(3,231)	3,550	(4,981)	8,491	7,230	3,569
Administrative Expense	121	175	99	374	270	1,831	1,874	1,418
Losses on Onerous Contracts	(3,435)	0	8,148	55,294	83,832	55,294	64,839	68,834
Reversal of Losses on Onerous Contracts	(4,581)	(3,950)	(8,250)	(8,520)	(17,486)	(45,791)	(48,135)	(58,300)
<b>Insurance Service Expenses</b>	<b>9,483</b>	<b>11,786</b>	<b>11,040</b>	<b>93,031</b>	<b>101,949</b>	<b>199,901</b>	<b>203,159</b>	<b>169,353</b>
<b>Insurance Service Result</b>	<b>1,040</b>	<b>(1,194)</b>	<b>(1,671)</b>	<b>(62,771)</b>	<b>(74,666)</b>	<b>(73,608)</b>	<b>(79,035)</b>	<b>(56,113)</b>
Insurance Finance Expense from PV FCF	(307)	0	1,097	(307)	1,097	(307)	0	14,561
Insurance Finance Expense from Risk Adjustment	(28)	0	100	(28)	100	(28)	0	1,364
Insurance Finance Expense from Loss Component	1,079	0	2,898	1,079	2,898	1,079	0	23,371
<b>Insurance Finance Income (Expense)</b>	<b>744</b>	<b>0</b>	<b>4,095</b>	<b>744</b>	<b>4,095</b>	<b>744</b>	<b>0</b>	<b>39,295</b>
<b>Operating Result</b>	<b>1,784</b>	<b>(1,194)</b>	<b>2,424</b>	<b>(62,027)</b>	<b>(70,570)</b>	<b>(72,864)</b>	<b>(79,035)</b>	<b>(16,818)</b>
<b>Ratios:</b>								
<b>Loss ratio - Claims Incurred (CAY)</b>	141.7%	140.0%	152.4%	139.9%	147.8%	142.6%	142.9%	135.8%
<b>- Adjustments to Liabilities for Incurred Claims (PAYs)</b>	23.4%	6.9%	(34.5%)	11.7%	(18.3%)	6.7%	5.8%	3.2%
<b>Total</b>	165.1%	146.9%	117.9%	151.6%	129.5%	149.3%	148.7%	139.0%
<b>Earned Expense allowance</b>	32.3%	32.4%	30.1%	31.5%	30.2%	32.7%	32.6%	30.1%
<b>Change in Loss Component (excluding IFE)</b>	(76.2%)	(37.3%)	(1.1%)	154.6%	243.2%	7.5%	13.5%	9.3%
<b>Administrative Expenses</b>	1.1%	1.7%	1.1%	1.2%	1.0%	1.4%	1.5%	1.3%
<b>Insurance Service Ratio</b>	<b>90.1%</b>	<b>111.3%</b>	<b>117.8%</b>	<b>307.4%</b>	<b>373.7%</b>	<b>158.3%</b>	<b>163.7%</b>	<b>149.6%</b>
<b>Combined Operating Ratio</b>	<b>83.0%</b>	<b>111.3%</b>	<b>74.1%</b>	<b>305.0%</b>	<b>358.7%</b>	<b>157.7%</b>	<b>163.7%</b>	<b>114.9%</b>

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 March 2023 was 7,897 vehicles, which was higher than prior year but lower than projected. Transfer was inline with The Outlook for the month.

Average premium in March 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 March 2023 include,

- Claims Incurred - Incurred losses in March 2023 were \$17.4 million, higher than projection by \$1.8 million and \$6.3 million higher compared with the same month from last year. Loss ratio was at 141.7%, 1.7 percentage points above projected, and down 10.6 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 March 2023 is \$3.4 million favorable 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: \$0.1 million for March 2023, slightly above projection and in line with prior year.

*For more information on the valuation impact please refer to the Actuarial Highlights.*

#### **AB-Non Grid RSP Summary of 2022 Q4 Valuation Implementation Impact**

RSP: Alberta Non-Grid	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY	876	0	876	2.9%
CAY	(214)	(1,664)	(1,878)	(6.2%)
FtAY	0	(2,850)	(2,850)	(9.4%)
Total	662	(4,514)	(3,852)	(12.7%)

*unfav/(fav)*

#### **AB-Non Grid RSP Summary of 2022 Q4 Change in loss Component**

	2023 (CAY)	2024 (FtAY)	TOTAL
<b>Opening Loss Component</b>	<b>44,474</b>	<b>59,760</b>	<b>104,235</b>
[1] Losses on onerous contracts	(1,212)	(2,223)	(3,435)
[2] Discount rate	(452)	(627)	(1,079)
[3] Reversal of losses on onerous contracts	(4,647)	66	(4,581)
TOTAL [1]+[2]+[3]	(6,311)	(2,784)	(9,095)
<b>Ending Loss Component</b>	<b>38,164</b>	<b>56,976</b>	<b>95,140</b>

*unfav/(fav) for the month and ytd*

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

Projections to year-end 2023 have been updated using the 2022 Q4 valuation assumptions which generated an estimated unfavourable impact of \$3.9 million on the full year results.

Compared with The Outlook released in March 2023, written premiums is in line with year-end projection at \$194.2 million. While earned premium also increased by \$3.5 million to \$187.7 million.

The year-end 2023 operating deficit is expected to be \$72.7 million, a reduction in the deficit from The Outlook. The combined operating ratio is 157.7%, 6.0 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 March 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 March 2023, to 7.77% 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	2,785,994	197,423	7.09%	66,575	2.39%	69,345	2.49%	135,920	4.88%
2021-01	2,784,580	197,360	7.09%	66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-02	2,785,133	197,459	7.09%	66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-03	2,798,825	198,527	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-04	2,816,243	201,034	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-05	2,814,435	200,456	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-06	2,814,404	200,046	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-07	2,860,378	199,711	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-08	2,864,246	198,639	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-09	2,814,441	195,386	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.50%
2021-10	2,816,409	193,123	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,907	193,578	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,821,989	194,432	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-01	2,821,289	202,662	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,509	211,695	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,399	223,466	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,643	235,946	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,377	249,670	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,831,048	262,899	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,172	275,651	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,568	289,761	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,848,967	303,449	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,625	316,564	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.44%
2022-11	2,862,295	326,879	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,868,384	334,150	11.65%	135,624	4.73%	88,776	3.09%	224,400	7.82%
2023-01	2,876,460	330,565	11.49%	133,878	4.65%	91,167	3.17%	225,045	7.82%
2023-02	2,885,288	327,180	11.34%	131,566	4.56%	95,407	3.31%	226,973	7.87%
2023-03	2,894,005	322,923	11.16%	127,528	4.41%	97,374	3.36%	224,902	7.77%
Min 2018-2023			5.65%		2.27%		2.38%		4.77%
Max 2018-2023			11.65%		4.73%		3.36%		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](#)

\*03 month ended March 2023 (discounted basis)

Alberta Non-Grid RSP:

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

\*03 month ended March 2023 (discounted basis)