

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-025

DATE: March 30, 2023

SUBJECT: Alberta Risk Sharing Pools – February 2023 Operational Report

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

Please be advised that the February 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 ***February 2023 received premium*** was \$16.9 million, lower than prior year by \$2.8 million. The ***projected 2023 year-end received premium*** is \$302.1 million;
- (b) The ***February 2023 insurance revenue*** was \$16.9 million, higher than prior year by \$4.3 million. The ***projected 2023 year-end insurance revenue*** is \$210.6 million;
- (c) The ***February 2023 operating result*** was a deficit \$1.2 million, higher than prior year by \$6.0 million. The ***projected 2023 year-end operating result*** is a deficit \$51.3 million;
- (d) The ***February 2023 combined operating ratio*** was 107.3%, lower than prior year by 50.0 percentage points. The ***projected year-end combined operating ratio*** is 124.4%.

Alberta Non-Grid

- (a) The ***February 2023 received premium*** was \$13.6 million, higher than prior year by \$5.0 million. The ***projected 2023 year-end received premium*** was \$199.2 million;
- (b) The ***February 2023 insurance revenue*** was \$9.5 million, higher than prior year by \$1.0 million. The ***projected 2023 year-end insurance revenue*** was \$127.6 million;
- (c) The ***February 2023 operating result*** was a deficit \$2.5 million, higher than prior year by \$1.5 million. The ***projected 2023 year-end operating result*** was a deficit \$72.3 million;
- (d) The ***February 2023 combined operating ratio*** was 126.8%, higher than prior year by 14.4 percentage points. The ***projected year-end combined operating ratio*** was 156.7%.

Alberta Grid RSP - Summary of Financial Results

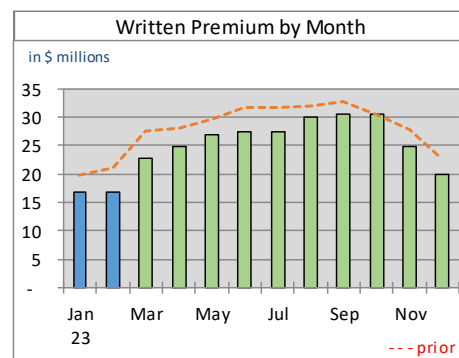
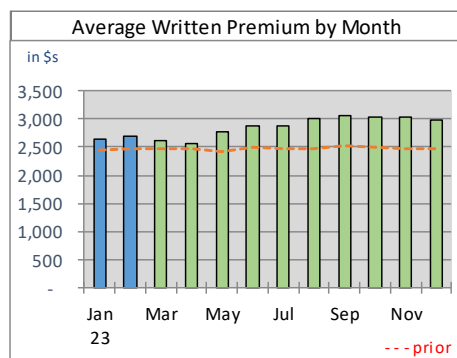
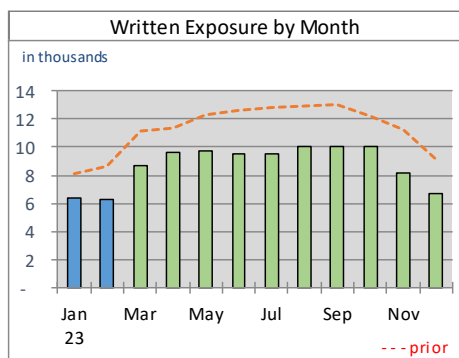
AB-G RSP Summary of IFRS17 Financial Results

| AB Grid RSP 2023 Summary | Actual (February 2023) | Projection (February 2023) | Prior Year (February 2022) | 2023 year-to-date as at 2 months | 2022 year-to-date as at 2 months | 2023 year-end Projection | Outlook* Full year 2023 | 2022 year-end Actual |
|---|---------------------------|-------------------------------|-------------------------------|-------------------------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Amounts in \$000s | | | | | | | | |
| Written Premium | 16,924 | 16,953 | 21,168 | 33,806 | 40,972 | 299,432 | 311,241 | 335,579 |
| Received Premium | 16,949 | 17,596 | 19,746 | 39,026 | 33,814 | 302,113 | 314,752 | 326,270 |
| Earned Premium | 24,526 | 26,434 | 17,990 | 52,190 | 36,968 | 311,031 | 325,030 | 281,792 |
| Earned Expense Allowance | (7,639) | (8,207) | (5,419) | (16,017) | (11,156) | (100,460) | (104,928) | (84,570) |
| Insurance Revenue | 16,887 | 18,228 | 12,570 | 36,174 | 25,812 | 210,571 | 220,101 | 197,222 |
| Total Claims Incurred | 18,981 | 21,063 | 14,306 | 42,177 | 28,012 | 246,367 | 260,891 | 190,121 |
| Claims incurred (CAY) | 19,145 | 20,044 | 14,550 | 40,684 | 30,149 | 236,953 | 249,691 | 213,028 |
| Adjustments to Liabilities for Incurred Claims (PAYs) | (164) | 1,019 | (244) | 1,493 | (2,137) | 9,414 | 11,201 | (22,907) |
| Administrative Expense | 115 | 108 | 83 | 239 | 171 | 1,940 | 1,990 | 1,374 |
| Losses on Onerous Contracts | 0 | 0 | 0 | 35,048 | 54,946 | 35,048 | 39,867 | 46,142 |
| Reversal of Losses on Onerous Contracts | (970) | (1,085) | 5,388 | (2,845) | 3,165 | (21,442) | (21,431) | (18,987) |
| Insurance Service Expenses | 18,126 | 20,086 | 19,777 | 74,619 | 86,294 | 261,914 | 281,317 | 218,650 |
| Insurance Service Result | (1,239) | (1,858) | (7,206) | (38,445) | (60,482) | (51,342) | (61,216) | (21,428) |
| Insurance Finance Expense from PV FCF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22,689 |
| Insurance Finance Expense from Risk Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,190 |
| Insurance Finance Expense from Loss Component | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,624 |
| Insurance Finance Income (Expense) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 62,503 |
| Operating Result | (1,239) | (1,858) | (7,206) | (38,445) | (60,482) | (51,342) | (61,216) | 41,075 |
| Ratios: | | | | | | | | |
| Loss ratio - Claims Incurred (CAY) | 113.4% | 110.0% | 115.7% | 112.5% | 116.8% | 112.5% | 113.4% | 108.0% |
| - Adjustments to Liabilities for Incurred Claims (PAYs) | (1.0%) | 5.6% | (1.9%) | 4.1% | (8.3%) | 4.5% | 5.1% | (11.6%) |
| Total | 112.4% | 115.6% | 113.8% | 116.6% | 108.5% | 117.0% | 118.5% | 96.4% |
| Earned Expense allowance | 31.1% | 31.0% | 30.1% | 30.7% | 30.2% | 32.3% | 32.3% | 30.0% |
| Change in Loss Component (excluding IFE) | (5.7%) | (6.0%) | 42.9% | 89.0% | 225.1% | 6.5% | 8.4% | 13.8% |
| Administrative Expenses | 0.7% | 0.6% | 0.7% | 0.7% | 0.7% | 0.9% | 0.9% | 0.7% |
| Insurance Service Ratio | 107.3% | 110.2% | 157.3% | 206.3% | 334.3% | 124.4% | 127.8% | 110.9% |
| Combined Operating Ratio | 107.3% | 110.2% | 157.3% | 206.3% | 334.3% | 124.4% | 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 February 2023 was 6,291 vehicles, which was lower than prior year by 2,312, due primarily to grid rates increase effective January 1, 2023. The transfer was lower than the Outlook by 1,334 vehicles as members review their ceding strategies following the grid rate change.

Average premium in February 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.

Insurance Service Expenses (Alberta Grid RSP)

Insurance expenses for February 2023 include,

- Claims Incurred - Incurred losses in February 2023 were \$19.0 million, lower than projection by \$2.1 million and \$4.7 million higher compared with the same month from last year. Loss ratio was at 113.4%, 3.4 percentage points above projected, and down 2.4 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 February 2023, slightly above projection and in line with prior year.

Projection to year-end 2023 (Alberta Grid RSP)

Compared with The Outlook released in February 2023, written premiums has decreased by \$11.8 million to \$299.4 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 \$14.0 million to \$311.0 million.

The year-end 2023 operating deficit is expected to be \$51.3 million, an increase from The Outlook. The combined operating ratio is 124.4%, 3.4 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

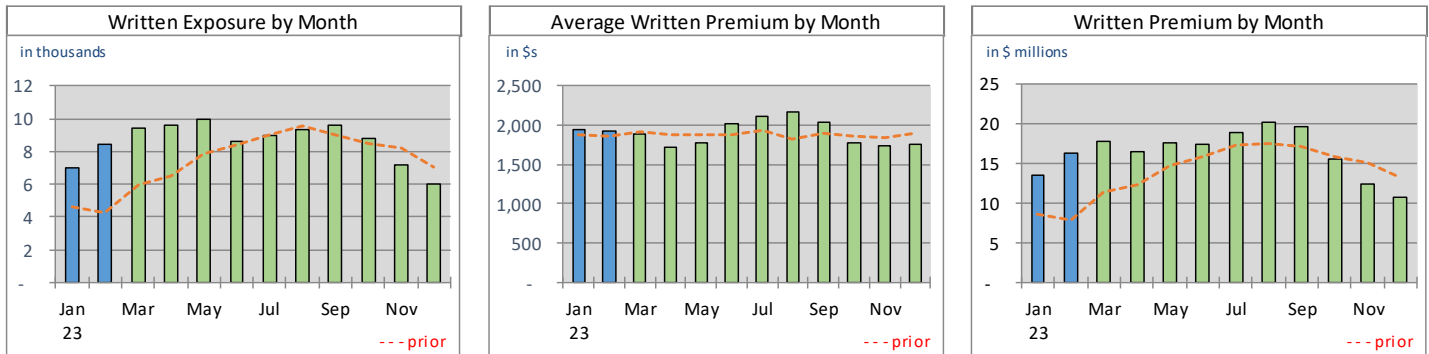
| AB Non-Grid RSP 2023 Summary | Actual | Projection | Prior Year | 2023 year-to-date | 2022 year-to-date | 2023 year-end | Outlook* | 2022 year-end |
|---|------------------------|------------------------|------------------------|--------------------------|--------------------------|----------------------|-----------------------|----------------------|
| Amounts in \$000s | (February 2023) | (February 2023) | (February 2022) | as at 2 months | as at 2 months | Projection | Full year 2023 | Actual |
| Written Premium | 16,250 | 14,014 | 7,888 | 29,805 | 16,484 | 196,436 | 191,006 | 166,686 |
| Received Premium | 13,585 | 13,670 | 8,539 | 26,880 | 19,570 | 199,213 | 192,218 | 163,578 |
| Earned Premium | 13,874 | 13,187 | 12,128 | 28,650 | 25,674 | 189,663 | 184,239 | 161,915 |
| Earned Expense Allowance | (4,409) | (4,168) | (3,661) | (8,912) | (7,759) | (62,112) | (60,115) | (48,676) |
| Insurance Revenue | 9,466 | 9,019 | 8,467 | 19,738 | 17,914 | 127,551 | 124,124 | 113,239 |
| Total Claims Incurred | 13,465 | 13,223 | 11,922 | 28,506 | 24,291 | 186,464 | 184,580 | 157,400 |
| Claims incurred (CAY) | 13,314 | 12,480 | 12,258 | 27,421 | 26,040 | 179,794 | 177,350 | 153,831 |
| Adjustments to Liabilities for Incurred Claims (PAYs) | 151 | 744 | (336) | 1,085 | (1,750) | 6,670 | 7,230 | 3,569 |
| Administrative Expense | 119 | 138 | 83 | 253 | 171 | 1,885 | 1,874 | 1,418 |
| Losses on Onerous Contracts | 0 | 0 | 0 | 58,729 | 75,684 | 58,729 | 64,839 | 68,834 |
| Reversal of Losses on Onerous Contracts | (1,582) | (3,096) | (2,486) | (3,940) | (9,236) | (47,246) | (48,135) | (58,300) |
| Insurance Service Expenses | 12,003 | 10,265 | 9,519 | 83,549 | 90,909 | 199,832 | 203,159 | 169,353 |
| Insurance Service Result | (2,537) | (1,246) | (1,052) | (63,811) | (72,994) | (72,282) | (79,035) | (56,113) |
| Insurance Finance Expense from PV FCF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,561 |
| Insurance Finance Expense from Risk Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,364 |
| Insurance Finance Expense from Loss Component | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,371 |
| Insurance Finance Income (Expense) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 39,295 |
| Operating Result | (2,537) | (1,246) | (1,052) | (63,811) | (72,994) | (72,282) | (79,035) | (16,818) |
| Ratios: | | | | | | | | |
| Loss ratio - Claims Incurred (CAY) | 140.7% | 138.4% | 144.8% | 138.9% | 145.4% | 141.0% | 142.9% | 135.8% |
| - Adjustments to Liabilities for Incurred Claims (PAYs) | 1.6% | 8.2% | (4.0%) | 5.5% | (9.8%) | 5.2% | 5.8% | 3.2% |
| Total | 142.3% | 146.6% | 140.8% | 144.4% | 135.6% | 146.2% | 148.7% | 139.0% |
| Earned Expense allowance | 31.8% | 31.6% | 30.2% | 31.1% | 30.2% | 32.7% | 32.6% | 30.1% |
| Change in Loss Component (excluding IFE) | (16.7%) | (34.3%) | (29.4%) | 277.6% | 370.9% | 9.0% | 13.5% | 9.3% |
| Administrative Expenses | 1.3% | 1.5% | 1.0% | 1.3% | 1.0% | 1.5% | 1.5% | 1.3% |
| Insurance Service Ratio | 126.8% | 113.8% | 112.4% | 423.3% | 507.5% | 156.7% | 163.7% | 149.6% |
| Combined Operating Ratio | 126.8% | 113.8% | 112.4% | 423.3% | 507.5% | 156.7% | 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 February 2023 was 8,466 vehicles, which was higher than prior year but lower than projected. Transfer was higher than The Outlook for the month by 2,002.

Average premium in February 2023 showed an increase compared with prior year. Premium written was above prior year but below our projection.

Insurance Service Expenses (Alberta Non-Grid RSP)

Insurance expenses for February 2023 include,

- **Claims Incurred** - Incurred losses in February 2023 were \$13.5 million, higher than projection by \$0.4 million and \$1.5 million higher compared with the same month from last year. Loss ratio was at 140.7%, 2.3 percentage points above projected, and down 4.1 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 February 2023, slightly above projection and in line with prior year.

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

Compared with The Outlook released in February 2023, written premiums is in line with year-end projection at \$196.4 million. While earned premium was also increased by \$5.4 million to \$189.7 million.

The year-end 2023 operating deficit is expected to be \$72.3 million, a reduction in the deficit from The Outlook. The combined operating ratio is 156.7%, 7.0 percentage points below The Outlook. Expense ratios, driven mainly by Insurance Revenue, are expected to be in line with The Outlook

We continue to have concerns with the significant growth seen in the Grid Pool during 2022 as well as the dynamics between the two pools as discussed in some detail in the August 2022 highlights. We are seeing continued decline in February 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.

The RSP volume and market share is up slightly from January 2023 to February 2023 at an all-time high of 7.89%. January saw a reversal in the market share growth of RSP Grid, but an increase in Non-Grid. We will continue to monitor the market share of these pools closely in light of the recently announced rate pause in Alberta, which may lead to changes in member ceding strategy.

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 | 2,785,992 | 197,423 | 7.09% | 66,575 | 2.39% | 69,345 | 2.49% | 135,920 | 4.88% |
| 2021-01 | 2,784,578 | 197,360 | 7.09% | 66,605 | 2.39% | 68,499 | 2.46% | 135,104 | 4.85% |
| 2021-02 | 2,785,131 | 197,459 | 7.09% | 66,694 | 2.39% | 68,188 | 2.45% | 134,882 | 4.84% |
| 2021-03 | 2,798,823 | 198,527 | 7.09% | 66,679 | 2.38% | 66,927 | 2.39% | 133,606 | 4.77% |
| 2021-04 | 2,816,241 | 201,034 | 7.14% | 68,003 | 2.41% | 66,968 | 2.38% | 134,971 | 4.79% |
| 2021-05 | 2,814,432 | 200,456 | 7.12% | 69,542 | 2.47% | 68,192 | 2.42% | 137,733 | 4.89% |
| 2021-06 | 2,814,398 | 200,046 | 7.11% | 71,834 | 2.55% | 72,011 | 2.56% | 143,845 | 5.11% |
| 2021-07 | 2,860,369 | 199,711 | 6.98% | 72,845 | 2.55% | 75,608 | 2.64% | 148,454 | 5.19% |
| 2021-08 | 2,864,235 | 198,639 | 6.94% | 73,501 | 2.57% | 78,708 | 2.75% | 152,210 | 5.31% |
| 2021-09 | 2,814,430 | 195,386 | 6.94% | 74,244 | 2.64% | 80,691 | 2.87% | 154,935 | 5.51% |
| 2021-10 | 2,816,397 | 193,123 | 6.86% | 75,127 | 2.67% | 82,336 | 2.92% | 157,463 | 5.59% |
| 2021-11 | 2,819,895 | 193,578 | 6.86% | 76,424 | 2.71% | 83,540 | 2.96% | 159,963 | 5.67% |
| 2021-12 | 2,821,977 | 194,432 | 6.89% | 76,803 | 2.72% | 84,817 | 3.01% | 161,620 | 5.73% |
| 2022-01 | 2,821,276 | 202,662 | 7.18% | 81,013 | 2.87% | 84,046 | 2.98% | 165,059 | 5.85% |
| 2022-02 | 2,823,496 | 211,695 | 7.50% | 85,463 | 3.03% | 83,193 | 2.95% | 168,656 | 5.97% |
| 2022-03 | 2,823,383 | 223,466 | 7.91% | 91,362 | 3.24% | 83,856 | 2.97% | 175,218 | 6.21% |
| 2022-04 | 2,823,625 | 235,946 | 8.36% | 96,413 | 3.41% | 82,958 | 2.94% | 179,370 | 6.35% |
| 2022-05 | 2,830,351 | 249,670 | 8.82% | 101,590 | 3.59% | 82,587 | 2.92% | 184,177 | 6.51% |
| 2022-06 | 2,831,020 | 262,898 | 9.29% | 106,497 | 3.76% | 82,038 | 2.90% | 188,535 | 6.66% |
| 2022-07 | 2,832,140 | 275,650 | 9.73% | 111,534 | 3.94% | 82,337 | 2.91% | 193,871 | 6.85% |
| 2022-08 | 2,840,535 | 289,761 | 10.20% | 116,511 | 4.10% | 83,714 | 2.95% | 200,225 | 7.05% |
| 2022-09 | 2,848,916 | 303,445 | 10.65% | 121,777 | 4.27% | 85,396 | 3.00% | 207,173 | 7.27% |
| 2022-10 | 2,854,544 | 316,554 | 11.09% | 126,429 | 4.43% | 86,095 | 3.02% | 212,524 | 7.45% |
| 2022-11 | 2,862,165 | 326,860 | 11.42% | 131,484 | 4.59% | 87,475 | 3.06% | 218,959 | 7.65% |
| 2022-12 | 2,868,210 | 334,115 | 11.65% | 135,624 | 4.73% | 88,776 | 3.10% | 224,400 | 7.82% |
| 2023-01 | 2,876,219 | 330,510 | 11.49% | 133,878 | 4.65% | 91,167 | 3.17% | 225,045 | 7.82% |
| 2023-02 | 2,878,146 | 325,613 | 11.31% | 131,566 | 4.57% | 95,407 | 3.31% | 226,973 | 7.89% |
| Min 2018-2023 | | | 5.65% | | 2.27% | | 2.38% | | 4.77% |
| Max 2018-2023 | | | 11.65% | | 4.73% | | 3.31% | | 7.89% |

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](#)

*02 month ended February 2023 (discounted basis)

Alberta Non-Grid RSP:

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

*02 month ended February 2023 (discounted basis)