

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-009

DATE: January 30, 2023

SUBJECT: Alberta Risk Sharing Pools – December 2022 Operational Report

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

Please be advised that the December 2022 Alberta Risk Sharing Pools Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

This month, we have included financial results on both IFRS 4 and IFRS 17 basis to assist members with the transition to IFRS 17. Operational reports are available on both accounting bases on the FA Portal. Commentary below are on the IFRS 4 basis unless otherwise stated; in January 2023, the commentary will be presented on the IFRS 17 basis.

Highlights (IFRS 4)

Alberta Grid

- (a) The **Alberta Grid December 2022 premium written for the month** was \$22.6 million, higher than prior year by \$8.2 million. The **2022 year-end premium written** was \$335.6 million, higher than prior year by \$115.0 million;
- (b) The **Alberta Grid 2022 December 2022 net operating deficit** was \$1.8 million, and the **2022 year-end operating results surplus** was \$29.4 million;
- (c) The **Alberta Grid December 2022 combined operating ratio** was 106.3%, lower than prior year by 1.8 percentage points. The **2022 year-end combined operation ratio** was 89.6%, higher than prior year by 6.7 percentage points; and

Alberta Non-Grid

- (a) The **Alberta Non-Grid December 2022 premium written for the month** was \$13.3 million, higher than prior year by \$2.1 million. The **2022 year-end premium written** was \$166.7 million, higher than prior year by \$22.4 million;
- (b) The **Alberta Non-Grid December 2022 net operating deficit** was \$4.1 million, and the **2022 year-end operating deficit** was \$27.8 million; and
- (c) The **Alberta Non-Grid December 2022 combined operating ratio** was 128.1%, higher than prior year by 1.9 percentage points. The **2022 year-end combined operation ratio** was 117.2%, higher than prior year by 10.2 percentage points.

Highlights (IFRS 17)**Alberta Grid**

- (a) The **December 2022 received premium** was \$27.8 million, higher than prior year by \$9.9 million. The **2022 year-end received premium** was \$326.3 million;
- (b) The **December 2022 insurance revenue** was \$19.8 million, higher than prior year by \$6.7 million. The **2022 year-end insurance revenue** was \$197.2 million;
- (c) The **December 2022 operating result** was a deficit \$1.1 million, lower than prior year by \$2.6 million. The **2022 year-end operating result** was a surplus \$41.1 million;
- (d) The **December 2022 Combined Operating Ratio** was 103.7%, higher than prior year by 11.7 percentage points. The **year-end Combined Operating Ratio** was 85.4%.

Alberta Non-Grid

- (a) The **December 2022 received premium** was \$15.1 million, higher than prior year by \$1.7 million. The **2022 year-end received premium** was \$163.6 million;
- (b) The **December 2022 insurance revenue** was \$10.2 million, higher than prior year by \$0.8 million. The **2022 year-end insurance revenue** was \$113.2 million;
- (c) The **December 2022 operating result** was a deficit \$0.9 million, lower than prior year by \$2.1 million. The **2022 year-end operating result** was a deficit \$16.8 million;
- (d) The **December 2022 Combined Operating Ratio** was 105.9%, higher than prior year by 14.8 percentage points. The **year-end Combined Operating Ratio** was 110.4%.
- (e) Please note that there is a significant movement this month between the **projected** Calendar Year to Date **incurred claims** (current accident year incurred) and **adjustments to liabilities for incurred claims** (prior accident years incurred). This is caused by a change to the projections page. Previously, the “current accident year” on the projections page was defined as the year of the accounting month. Now, it is defined as the year of the +2 month projected month. This will be a one-time adjustment.

Alberta Grid RSP - Summary of Financial Results
AB-G RSP Summary of IFRS4 Financial Results

AB Grid RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-end	Outlook*	2021 year-end
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	Actual	Full year 2022	Actual
Premium Written	22,623	24,201	14,386	335,579	296,273	220,613
Premium Earned	28,343	27,904	18,867	281,792	262,801	200,881
Incurred Losses	20,989	21,363	12,531	168,642	211,834	101,044
<i>Prior Accident Years</i>	<i>(619)</i>	<i>98</i>	<i>(628)</i>	<i>(47,567)</i>	<i>(7,621)</i>	<i>(41,476)</i>
<i>Current Accident Year</i>	<i>21,608</i>	<i>21,265</i>	<i>13,160</i>	<i>216,209</i>	<i>219,439</i>	<i>142,520</i>
Underwriting & Admin Expense	9,146	9,170	7,877	83,758	94,465	65,468
Expense allowance	6,742	7,212	4,359	99,991	88,293	66,842
Premium Deficiency / (DPAC)	2,196	1,804	3,330	<i>(17,608)</i>	4,278	<i>(2,679)</i>
Administrative Expenses	209	154	188	1,375	1,894	1,304
Net Result from Operations	<i>(1,793)</i>	<i>(2,629)</i>	<i>(1,542)</i>	29,393	<i>(43,498)</i>	34,370
Ratios:						
Loss ratio - Prior Accident Years	<i>(2.2%)</i>	0.4%	<i>(3.3%)</i>	<i>(16.9%)</i>	<i>(2.9%)</i>	<i>(20.6%)</i>
<i>- Current Accident Year</i>	<i>76.2%</i>	<i>76.2%</i>	<i>69.8%</i>	<i>76.7%</i>	<i>83.5%</i>	<i>70.9%</i>
<i>Total</i>	74.1%	76.6%	66.4%	59.8%	80.6%	50.3%
Underwriting & Admin Expense	32.3%	32.9%	41.8%	29.7%	35.9%	32.6%
<i>Expense allowance</i>	<i>23.8%</i>	<i>25.8%</i>	<i>23.1%</i>	<i>35.5%</i>	<i>33.6%</i>	<i>33.3%</i>
<i>Premium Deficiency / (DPAC)</i>	<i>7.7%</i>	<i>6.5%</i>	<i>17.7%</i>	<i>(6.2%)</i>	<i>1.6%</i>	<i>(1.3%)</i>
<i>Administrative Expenses</i>	<i>0.7%</i>	<i>0.6%</i>	<i>1.0%</i>	<i>0.5%</i>	<i>0.7%</i>	<i>0.6%</i>
Combined Operating Ratio	106.3%	109.4%	108.2%	89.6%	116.5%	82.9%

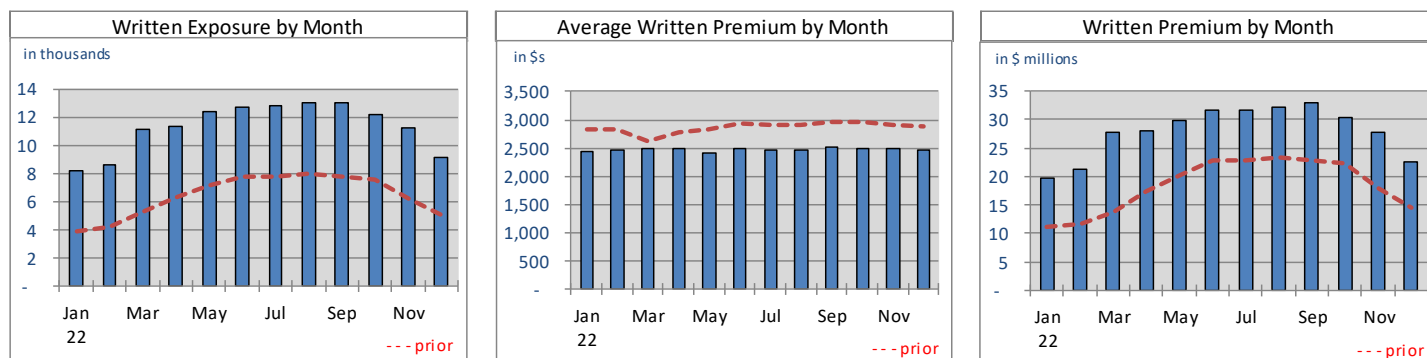
rounding differences may occur
**as posted to FA's website Dec. 24, 2021*
AB-G RSP Summary of IFRS17 Financial Results

AB Grid RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-to-date	Outlook*
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	as at 12 months	Full year 2022
Written Premium	22,623	24,201	14,386	335,579	
Received Premium	27,849	27,879	17,970	326,270	
Earned Premium	28,343	27,904	18,867	281,792	
Earned Expense Allowance	<i>(8,504)</i>	<i>(8,374)</i>	<i>(5,726)</i>	<i>(84,570)</i>	
Insurance Revenue	19,838	19,530	13,141	197,222	
Total Claims Incurred	20,987	21,406	12,174	190,121	
<i>Claims incurred (CAY)</i>	<i>20,789</i>	<i>20,447</i>	<i>12,639</i>	<i>213,028</i>	
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	<i>199</i>	<i>959</i>	<i>(465)</i>	<i>(22,907)</i>	
Administrative Expense	209	154	188	1,375	
Losses on Onerous Contracts	0	0	0	46,142	
Reversal of Losses on Onerous Contracts	<i>(301)</i>	<i>(342)</i>	<i>(719)</i>	<i>(18,987)</i>	
Insurance Service Expenses	20,895	21,218	11,643	218,650	
Insurance Service Result	<i>(1,057)</i>	<i>(1,688)</i>	1,498	<i>(21,428)</i>	
Insurance Finance Expense from PV FCF	0	0	0	22,689	
Insurance Finance Expense from Risk Adjustment	0	0	0	2,190	
Insurance Finance Expense from Loss Component	0	0	0	37,624	
Insurance Finance Income (Expense)	0	0	0	62,503	
Operating Result	<i>(1,057)</i>	<i>(1,688)</i>	1,498	41,074	
Ratios:					
Loss ratio - Claims Incurred (CAY)	73.3%	73.3%	67.0%	75.6%	
<i>- Adjustments to Liabilities for Incurred Claims (PAYs)</i>	<i>0.7%</i>	<i>3.4%</i>	<i>(2.5%)</i>	<i>(8.1%)</i>	
<i>Total</i>	74.0%	76.7%	64.5%	67.5%	
<i>Earned Expense allowance</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.3%</i>	<i>30.0%</i>	
<i>Change in Loss Component (excluding IFE)</i>	<i>(1.1%)</i>	<i>(1.2%)</i>	<i>(3.8%)</i>	<i>9.6%</i>	
<i>Administrative Expenses</i>	<i>0.7%</i>	<i>0.6%</i>	<i>1.0%</i>	<i>0.5%</i>	
Insurance Service Ratio	103.7%	106.0%	92.1%	107.6%	
Combined Operating Ratio	103.7%	106.0%	92.1%	85.4%	

rounding differences may occur
**2022 Outlook was not created on IFRS 17 basis*

Premium (Alberta Grid RSP)

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



The vehicle count transfer December 2022 was 9,152 vehicles, which was higher than prior year as expected, due primarily to grid rates decreases and the introduction of the DCPD, both implemented in January 2022. The transfer was higher than the Outlook as members review their ceding strategies and the number of Grid-eligible risks has increased in 2022.

Average premium in December 2022 showed a decrease compared to prior year (driven by grid rate changes and change in the mix of risks ceded into the pool). Premium written was above prior year driven by the increase in vehicle counts transferred to the pool.

Incurred Losses (Alberta Grid RSP)

Incurred losses in December 2022 were \$21.0 million, \$0.4 million lower than our projection and \$8.5 million higher compared with the same month from last year. Loss ratio was at 74.1%, 2.5 percentage points lower than our projection, and 9.5 percentage points above prior year. Loss ratios are expected to increase compared to prior year as effects of pandemic fade.

Underwriting and Admin Expenses (Alberta Grid RSP)

Expenses for December 2022 include,

- Expense Allowance – this is based on written premium. The allowance ratio is approximately 30% of written premium and consistent across actual, prior year and outlook for both current month and year-end;
- Change in Premium deficiency / (DPAC): Increase to premium deficiency of \$2.2 million for December 2022 compared to projected increase of \$1.8 million and prior year increase in premium deficiency of \$3.3 million.
- Administrative Expense: \$0.2 million for December 2022, consistent with projection and prior year.

Year-End 2022 (Alberta Grid RSP)

The 2022 year-end written premium is above The Outlook by \$39.3 million while above prior year by \$115.0 million. Earned premium is above The Outlook by \$19.0 million and above prior year by \$80.9 million. The relatively large increase compared to prior year is primarily due to grid rates changes and the introduction of the DCPD, both implemented in January 2022

The year-end loss ratio of 59.8% is above prior year as the impact of the pandemic decreases. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher (80.6%)

compared to the year-end. The actual year-end loss ratio includes the favourable impact of rising yields on discounting during the past year, which offset the increased nominal loss experience.

The year-end expense ratio has decreased from The Outlook mainly due to a decrease in Premium Deficiency reserve. Expense allowance remain consistent as a percentage of premium written across prior year and The Outlook.

The year-end operating surplus was \$29.4 million compared with prior year surplus of \$34.4 million. The Outlook expected a deficit of \$43.5 million.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of IFRS4 Financial Results

AB Non-Grid RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-end	Outlook*	2021 year-end
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	Actual	Full year 2022	Actual
Premium Written	13,307	12,637	11,161	166,686	223,687	164,174
Premium Earned	14,645	14,230	13,604	161,915	198,176	139,519
Incurred Losses	14,002	13,971	11,254	143,547	200,502	95,850
<i>Prior Accident Years</i>	75	485	(211)	(11,862)	(5,153)	(25,028)
<i>Current Accident Year</i>	13,928	13,486	11,465	155,410	205,707	120,878
Underwriting & Admin Expense	4,753	4,458	5,903	46,176	76,102	53,461
Expense allowance	3,965	3,766	3,382	49,666	66,658	49,742
Premium Deficiency / (DPAC)	571	568	2,333	(4,908)	7,251	2,408
Administrative Expenses	217	124	189	1,418	2,193	1,311
Net Result from Operations	(4,111)	(4,199)	(3,554)	(27,808)	(78,428)	(9,792)
Ratios:						
Loss ratio						
- <i>Prior Accident Years</i>	0.5%	3.4%	(1.6%)	(7.3%)	(2.6%)	(17.9%)
- <i>Current Accident Year</i>	95.1%	94.8%	84.3%	96.0%	103.8%	86.6%
<i>Total</i>	95.6%	98.2%	82.7%	88.7%	101.2%	68.7%
Underwriting & Admin Expense	32.5%	31.3%	43.4%	28.5%	38.4%	38.3%
<i>Expense allowance</i>	27.1%	26.5%	24.9%	30.7%	33.6%	35.7%
<i>Premium Deficiency / (DPAC)</i>	3.9%	4.0%	17.1%	(3.0%)	3.7%	1.7%
<i>Administrative Expenses</i>	1.5%	0.9%	1.4%	0.9%	1.1%	0.9%
Combined Operating Ratio	128.1%	129.5%	126.1%	117.2%	139.6%	107.0%

rounding differences may occur

**as posted to FA's website Dec. 24, 2021*

AB-N RSP Summary of IFRS17 Financial Results

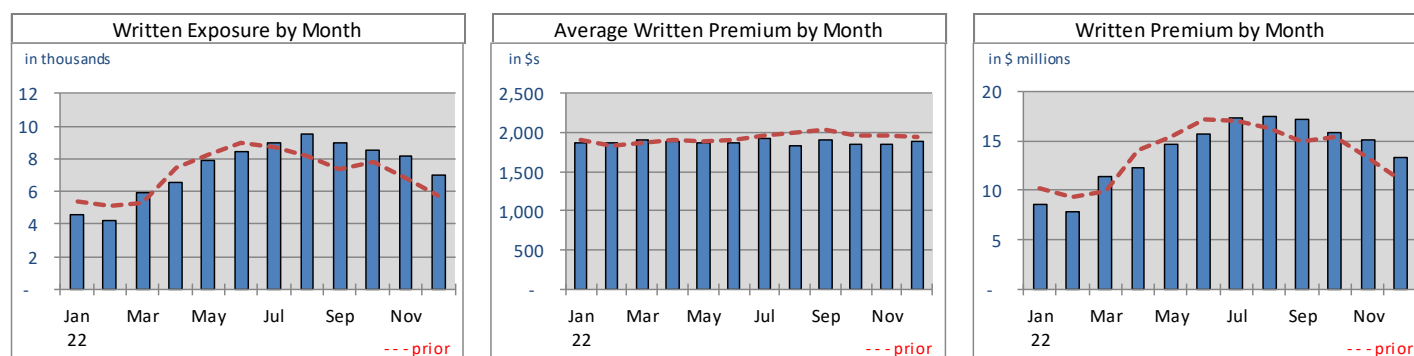
AB Non-Grid RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-to-date	Outlook*
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	as at 12 months	Full year 2022
Written Premium	13,307	12,637	11,161	166,686	
Received Premium	15,082	15,102	13,355	163,578	
Earned Premium	14,645	14,230	13,604	161,915	
Earned Expense Allowance	(4,401)	(4,277)	(4,128)	(48,676)	
Insurance Revenue	10,244	9,953	9,476	113,239	
Total Claims Incurred	13,680	13,902	11,088	157,400	
Claims incurred (CAY)	13,548	13,216	11,223	153,831	
Adjustments to Liabilities for Incurred Claims (PAYs)	133	686	(134)	3,569	
Administrative Expense	217	124	189	1,418	
Losses on Onerous Contracts	0	0	0	68,834	
Reversal of Losses on Onerous Contracts	(2,793)	(2,929)	(3,011)	(58,300)	
Insurance Service Expenses	11,104	11,097	8,266	169,353	
Insurance Service Result	(860)	(1,144)	1,210	(56,113)	
Insurance Finance Expense from PV FCF	0	0	0	14,561	
Insurance Finance Expense from Risk Adjustment	0	0	0	1,364	
Insurance Finance Expense from Loss Component	0	0	0	23,371	
Insurance Finance Income (Expense)	0	0	0	39,295	
Operating Result	(860)	(1,144)	1,210	(16,818)	
Ratios:					
Loss ratio - Claims Incurred (CAY)	92.5%	92.9%	82.5%	95.0%	
- Adjustments to Liabilities for Incurred Claims (PAYs)	0.9%	4.8%	(1.0%)	2.2%	
Total	93.4%	97.7%	81.5%	97.2%	
Earned Expense allowance	30.1%	30.1%	30.3%	30.1%	
Change in Loss Component (excluding IFE)	(19.1%)	(20.6%)	(22.1%)	6.5%	
Administrative Expenses	1.5%	0.9%	1.4%	0.9%	
Insurance Service Ratio	105.9%	108.0%	91.1%	134.7%	
Combined Operating Ratio	105.9%	108.0%	91.1%	110.4%	

rounding differences may occur

*2022 Outlook was not created on IFRS 17 basis

Premium (Alberta Non-Grid RSP)

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



The vehicle count transfer for December 2022 was 7,033 vehicles, which was higher than prior year but lower than projected. Transfer was lower than The Outlook for the month by 944.

Average premium in December 2022 showed a decrease compared with prior year. Premium written was above prior year but below our projection.

Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in December 2022 were \$14.0 million, in line with projection from last month, while \$2.8 million

higher compared with the same month from last year. Loss ratio was at 95.6% which was 2.6 percentage points below projected, and 12.9 percentage points above prior year.

Underwriting and Admin Expenses (Alberta Non-Grid RSP)

Expenses for December 2022 include:

- Expense Allowance – this is based on written premium. The allowance ratio is approximately 30% of written premium and consistent across actual, prior year and outlook for both current month and year-end;
- Change in Premium Deficiency / (DPAC): Increase to premium deficiency of \$0.6 million in line with projection from last month and lower than prior year increase in premium deficiency of \$2.3 million.
- Administrative Expense: \$0.2 million for December 2022, fairly consistent with projection and prior year.

Projection to year-end 2022 (Alberta Non-Grid RSP)

The 2022 year-end written premium is below The Outlook by \$57.0 million while above prior year by \$2.5 million. Earned premium is below The Outlook by \$36.3 million and above prior year by \$22.4 million. The decrease compared to The Outlook is due to grid rates changes and the introduction of the DCPD, both implemented in January 2022, which seem to have resulted in a shift of RSP exposure from the Non-Grid to the Grid pool.

The year-end loss ratio of 88.7% is above prior year as the impact of the pandemic decreases. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher (101.2%) compared to the year-end. The actual year-end loss ratio includes the favourable impact of rising yields on discounting during the past year, which offset the increased nominal loss experience.

The year-end expense ratio has decreased from The Outlook mainly due to a decrease in Premium Deficiency reserve as well as lower than expected Expense allowance. Expense allowance remain consistent as a percentage of premium written across prior year and The Outlook.

The year-end operating deficit was \$27.8 million compared with prior year deficit of \$9.8 million. The Outlook expected a deficit of \$78.4 million.

The Grid RSP volume and market share continues to grow, and the total RSP market share has reached an all-time high of 7.83% as of December 2022. The very high growth rate continues to be concentrated in the Grid RSP rather than the non-Grid RSP.

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	2,786,011	197,423	7.09%	66,575	2.39%	69,345	2.49%	135,920	4.88%
2021-01	2,784,589	197,360	7.09%	66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-02	2,785,136	197,459	7.09%	66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-03	2,798,825	198,526	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-04	2,816,241	201,032	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-05	2,814,428	200,454	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-06	2,814,392	200,044	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-07	2,860,362	199,709	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-08	2,864,224	198,637	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-09	2,814,418	195,384	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.51%
2021-10	2,816,381	193,121	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-11	2,819,878	193,576	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2021-12	2,821,955	194,430	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-01	2,821,252	202,659	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-02	2,823,468	211,691	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-03	2,823,347	223,461	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-04	2,823,586	235,940	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-05	2,830,306	249,664	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-06	2,830,963	262,892	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-07	2,832,075	275,644	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-08	2,840,466	289,754	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-09	2,848,837	303,435	10.65%	121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-10	2,854,447	316,538	11.09%	126,429	4.43%	86,095	3.02%	212,524	7.45%
2022-11	2,862,069	326,840	11.42%	131,484	4.59%	87,475	3.06%	218,959	7.65%
2022-12	2,865,641	333,802	11.65%	135,624	4.73%	88,776	3.10%	224,400	7.83%
Min 2018-2022			5.65%		2.27%		2.38%		4.77%
Max 2018-2022			11.65%		4.73%		3.10%		7.83%

AIRB has recently announced a 10% increase to Grid rates, effective January 1, 2023. It is expected that this Grid rate increase will slow down or reverse this trend in the growth of Grid-rated risks. We will continue to monitor this metric.

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 2022](#)

*12 month ended December 2022 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP Summary of Operations - Calendar Year 2022](#)

*12 month ended December 2022 (discounted basis)