

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2022-099**

**DATE: December 23, 2022**

**SUBJECT: Alberta Risk Sharing Pools – November 2022 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 November 2022 Alberta Risk Sharing Pools Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

### **Highlights**

#### ***Alberta Grid***

- (a) The ***Alberta Grid November 2022 premium written for the month*** was \$27.9 million, higher than prior year by \$9.9 million. The ***2022 year-to-date premium written*** was \$313.0 million, higher than prior year by \$106.7 million;
- (b) The ***Alberta Grid 2022 November 2022 net operating deficit*** was \$2.5 million, and the ***2022 year-to-date operating results surplus*** was \$31.2 million;
- (c) The ***Alberta Grid November 2022 combined operating ratio*** was 109.1%, lower than prior year by 0.8 percentage points. The ***2022 year-to-date combined operation ratio*** was 87.7%, higher than prior year by 7.4 percentage points; and

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

- (a) The ***Alberta Non-Grid November 2022 premium written for the month*** was \$15.1 million, higher than prior year by \$1.7 million. The ***2022 year-to-date premium written*** was \$153.4 million, higher than prior year by \$0.4 million;
- (b) The ***Alberta Non-Grid November 2022 net operating deficit*** was \$4.3 million, and the ***2022 year-to-date operating deficit*** was \$23.7 million; and
- (c) The ***Alberta Non-Grid November 2022 combined operating ratio*** was 130.9%, lower than prior year by 0.9 percentage points. The ***2022 year-to-date combined operation ratio*** was 116.1%, higher than prior year by 11.1 percentage points.

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of Financial Results

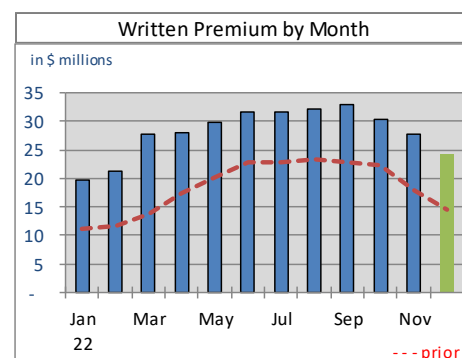
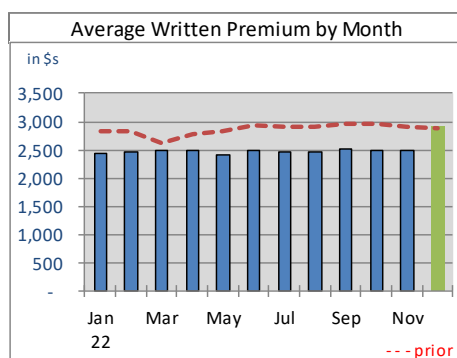
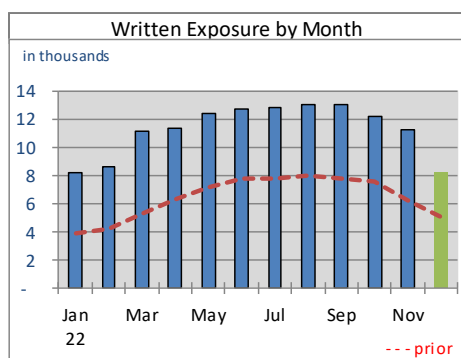
AB Grid RSP 2022 Summary Amounts in \$000s	Actual (November 2022)	Projection (November 2022)	Prior Year (November 2021)	2022 year-to-date as at 11 months	2021 year-to-date as at 11 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	27,856	31,986	17,991	312,955	206,227	337,156	296,273	220,613
Premium Earned	26,908	26,536	18,110	253,446	182,015	281,350	262,801	200,881
Incurred Losses	20,263	20,078	11,950	147,653	88,510	168,749	211,834	101,044
Underwriting & Admin Expense	9,096	9,503	7,945	74,609	57,593	83,896	94,465	65,469
Expense allowance	8,301	9,532	5,451	93,249	62,485	100,461	88,293	66,844
Premium Deficiency / (DPAC)	745	(118)	2,405	(19,806)	(6,009)	(18,002)	4,278	(2,679)
Administrative Expenses	50	89	89	1,166	1,117	1,437	1,894	1,304
<b>Net Result from Operations</b>	<b>(2,451)</b>	<b>(3,161)</b>	<b>(1,785)</b>	<b>31,184</b>	<b>35,912</b>	<b>28,705</b>	<b>(43,498)</b>	<b>34,368</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(1.0%)	(0.7%)	(3.9%)	(18.5%)	(22.4%)	(16.8%)	(2.9%)	(20.6%)
- Current Accident Year	76.3%	76.3%	69.8%	76.8%	71.1%	76.7%	83.5%	70.9%
<b>Total</b>	<b>75.3%</b>	<b>75.6%</b>	<b>65.9%</b>	<b>58.3%</b>	<b>48.7%</b>	<b>59.9%</b>	<b>80.6%</b>	<b>50.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>33.8%</b>	<b>35.8%</b>	<b>43.9%</b>	<b>29.4%</b>	<b>31.6%</b>	<b>29.8%</b>	<b>35.9%</b>	<b>32.6%</b>
Expense allowance	30.8%	35.9%	30.1%	36.8%	34.3%	35.7%	33.6%	33.3%
Premium Deficiency / (DPAC)	2.8%	(0.4%)	13.3%	(7.8%)	(3.3%)	(6.4%)	1.6%	(1.3%)
Administrative Expenses	0.2%	0.3%	0.5%	0.5%	0.6%	0.5%	0.7%	0.6%
<b>Combined Operating Ratio</b>	<b>109.1%</b>	<b>111.4%</b>	<b>109.9%</b>	<b>87.7%</b>	<b>80.3%</b>	<b>89.7%</b>	<b>116.5%</b>	<b>82.9%</b>

rounding differences may occur

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

### Premium (Alberta Grid RSP)

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



The vehicle count transfer November 2022 was 11,232 vehicles, which was higher than prior year as expected, due to grid rates changes but also the introduction of the DCPD, both implemented in January 2022. The transfer was higher than the Outlook as members review their ceding strategies.

Average premium in November 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 November 2022 were \$20.3 million, \$0.2 million higher than our projection and \$8.3 million higher compared with the same month from last year. Loss ratio was at 75.3%, 0.3 percentage points lower than our projection, and 9.4 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 November 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-to-date;
- Premium deficiency / (DPAC): Premium deficiency of \$0.7 million for November 2022 compared to projected DPAC at \$0.1 million and prior year premium deficiency of \$2.4 million.
- Administrative Expense: \$0.1 million for November 2022, consistent with projection and prior year.

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

Compared with The Outlook released in December 2021, written premium is expected to increase as the economy is opening up and grid rate changes continue to make their way in the system and loss ratios return to pre-pandemic levels.

The year-end 2022 operating surplus is expected to be \$28.7 million with loss ratios well below The Outlook. Expense allowance, driven mainly from written premium, is expected to be above The Outlook, but a high DPAC combined with lower incurred losses is still resulting in combined ratios which are below The Outlook.

## Alberta Non-Grid RSP - Summary of Financial Results

### AB-N RSP Summary of Financial Results

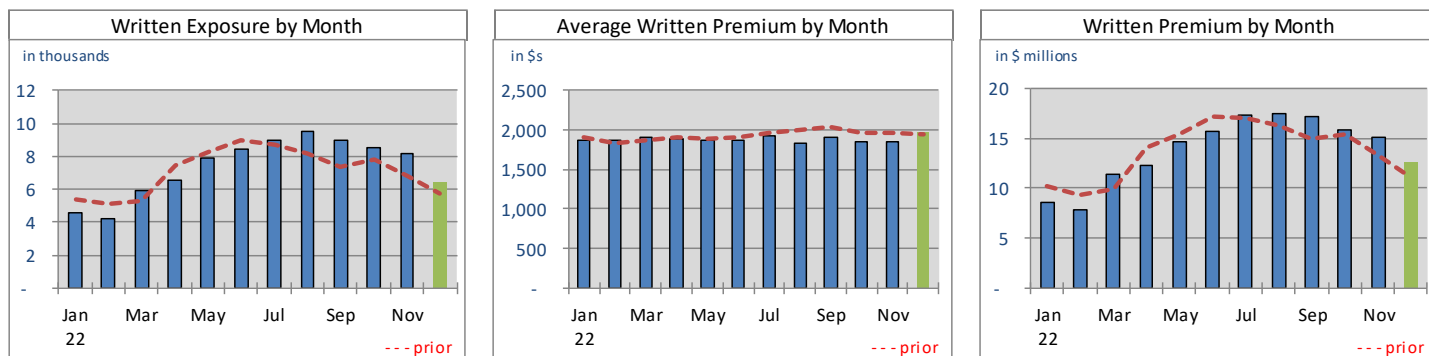
<b>AB Non-Grid RSP 2022 Summary</b> Amounts in \$000s	<b>Actual</b> (November 2022)	<b>Projection</b> (November 2022)	<b>Prior Year</b> (November 2021)	<b>2022 year-to-date</b> as at 11 months	<b>2021 year-to-date</b> as at 11 months	<b>2022 year-end</b> Projection	<b>Outlook*</b> Full year 2022	<b>2021 year-end</b> Actual
Premium Written	15,089	16,584	13,359	153,378	153,015	166,015	223,687	164,175
Premium Earned	13,862	13,837	12,854	147,269	125,917	161,499	198,176	139,520
Incurred Losses	13,069	13,089	10,589	129,547	84,597	142,968	200,502	95,850
Underwriting & Admin Expense	5,073	5,639	6,353	41,419	47,558	45,955	76,102	53,463
Expense allowance	4,496	4,942	4,048	45,699	46,360	49,470	66,658	49,743
Premium Deficiency / (DPAC)	519	535	2,216	(5,480)	76	(4,912)	7,251	2,409
Administrative Expenses	58	162	89	1,200	1,122	1,397	2,193	1,311
<b>Net Result from Operations</b>	<b>(4,280)</b>	<b>(4,891)</b>	<b>(4,088)</b>	<b>(23,697)</b>	<b>(6,238)</b>	<b>(27,424)</b>	<b>(78,428)</b>	<b>(9,793)</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	<b>(1.0%)</b>	<b>(0.5%)</b>	<b>(2.5%)</b>	<b>(8.1%)</b>	<b>(19.7%)</b>	<b>(7.4%)</b>	<b>(2.6%)</b>	<b>(17.9%)</b>
- Current Accident Year	95.3%	95.1%	84.9%	96.1%	86.9%	96.0%	103.8%	86.6%
<b>Total</b>	<b>94.3%</b>	<b>94.6%</b>	<b>82.4%</b>	<b>88.0%</b>	<b>67.2%</b>	<b>88.6%</b>	<b>101.2%</b>	<b>68.7%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.6%</b>	<b>40.8%</b>	<b>49.4%</b>	<b>28.1%</b>	<b>37.8%</b>	<b>28.5%</b>	<b>38.4%</b>	<b>38.3%</b>
Expense allowance	32.4%	35.7%	31.5%	31.0%	36.8%	30.6%	33.6%	35.7%
Premium Deficiency / (DPAC)	3.7%	3.9%	17.2%	(3.7%)	0.1%	(3.0%)	3.7%	1.7%
Administrative Expenses	0.4%	1.2%	0.7%	0.8%	0.9%	0.9%	1.1%	0.9%
<b>Combined Operating Ratio</b>	<b>130.9%</b>	<b>135.4%</b>	<b>131.8%</b>	<b>116.1%</b>	<b>105.0%</b>	<b>117.1%</b>	<b>139.6%</b>	<b>107.0%</b>

rounding differences may occur

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

## Premium (Alberta Non-Grid RSP)

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



The vehicle count transfer for November 2022 was 8,185 vehicles, which was higher than prior year but lower than projected. Transfer was lower than The Outlook for the month by 336.

Average premium in November 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 November 2022 were \$13.1 million, in line with projection from last month, while \$2.5 million higher compared with the same month from last year. Loss ratio was at 94.3% which was 0.3 percentage points below projected, and 11.9 percentage points above prior year.

## Underwriting and Admin Expenses (Alberta Non-Grid RSP)

Expenses for November 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-to-date;
- Premium Deficiency / (DPAC): Premium deficiency of \$0.5 million in line with projection from last month and lower than prior year premium deficiency of \$2.2 million.
- Administrative Expense: \$0.1 million for November 2022, fairly consistent with projection and prior year.

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

Compared with The Outlook released in December 2021, written premium has reduced by \$57.7 million to \$166.0 million driven by updated premium projections received from members of the Alberta Non-Grid Risk Sharing Pool.

The year-end 2022 operating deficit is expected to be \$27.4 million, \$51.0 million below The Outlook, and the combined operating ratio is 117.1%, 22.5 percentage points below The Outlook.

We continue to have concerns with the significant growth seen in the Grid Pool since January 2022 as well as the dynamics between the two pools as discussed in some detail in the August 2022 highlights.

The Grid RSP volume and market share continues to grow, and has reached an all-time high of 7.66% as of November 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)

Entry Date	AB				RSP Grid		RSP Non-Grid		RSP Total	
	Grid Capped	Total PPxF	% of Grid		Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share	Rolling 12 MTH	Market Share
2019-12	196,436	2,803,004	7.01%		79,436	2.83%	72,420	2.58%	151,857	5.42%
2020-01	201,502	2,803,202	7.19%		80,752	2.88%	73,119	2.61%	153,870	5.49%
2020-02	204,537	2,801,896	7.30%		80,169	2.86%	72,744	2.60%	152,913	5.46%
2020-03	206,674	2,803,903	7.37%		80,120	2.86%	72,187	2.57%	152,307	5.43%
2020-04	207,188	2,794,957	7.41%		80,379	2.88%	72,864	2.61%	153,243	5.48%
2020-05	204,090	2,770,137	7.37%		78,220	2.82%	74,259	2.68%	152,479	5.50%
2020-06	203,634	2,765,712	7.36%		76,357	2.76%	74,561	2.70%	150,918	5.46%
2020-07	204,726	2,778,692	7.37%		74,849	2.69%	74,275	2.67%	149,124	5.37%
2020-08	202,188	2,737,620	7.39%		74,340	2.72%	73,054	2.67%	147,395	5.38%
2020-09	200,853	2,739,137	7.33%		73,872	2.70%	72,574	2.65%	146,446	5.35%
2020-10	201,813	2,792,460	7.23%		72,397	2.59%	72,114	2.58%	144,511	5.18%
2020-11	201,685	2,788,326	7.23%		70,463	2.53%	71,506	2.56%	141,970	5.09%
2020-12	200,684	2,785,428	7.20%		68,432	2.46%	70,419	2.53%	138,851	4.98%
2021-01	197,423	2,786,011	7.09%		66,575	2.39%	69,345	2.49%	135,920	4.88%
2021-02	197,360	2,784,588	7.09%		66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-03	197,459	2,785,134	7.09%		66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-04	198,526	2,798,823	7.09%		66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-05	201,032	2,816,239	7.14%		68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-06	200,454	2,814,426	7.12%		69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-07	200,044	2,814,390	7.11%		71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-08	199,709	2,860,360	6.98%		72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-09	198,637	2,864,222	6.94%		73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-10	195,384	2,814,416	6.94%		74,244	2.64%	80,691	2.87%	154,935	5.51%
2021-11	193,121	2,816,379	6.86%		75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-12	193,576	2,819,875	6.86%		76,424	2.71%	83,540	2.96%	159,963	5.67%
2022-01	194,430	2,821,951	6.89%		76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-02	202,659	2,821,243	7.18%		81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-03	211,691	2,823,460	7.50%		85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-04	223,461	2,823,332	7.91%		91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-05	235,940	2,823,565	8.36%		96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-06	249,664	2,830,277	8.82%		101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-07	262,891	2,830,926	9.29%		106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-08	275,640	2,832,030	9.73%		111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-09	289,746	2,840,397	10.20%		116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-10	303,422	2,848,731	10.65%		121,777	4.27%	85,396	3.00%	207,173	7.27%
2022-11	316,472	2,854,235	11.09%		126,429	4.43%	86,095	3.02%	212,524	7.45%
2022-12	326,159	2,858,576	11.41%		131,484	4.60%	87,475	3.06%	218,959	7.66%
Min 2018-2022			5.65%			2.27%		2.38%		4.77%
Max 2018-2022			11.41%			4.60%		3.06%		7.66%

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](#)

\*11 month ended November 2022 (discounted basis)

Alberta Non-Grid RSP:

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

\*11 month ended November 2022 (discounted basis)