

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2022-090**

**DATE: November 29, 2022**

**SUBJECT: Alberta Risk Sharing Pools – October 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 October 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 October 2022 premium written for the month*** was \$30.3 million, higher than prior year by \$8.0 million. The ***2022 year-to-date premium written*** was \$285.1 million, higher than prior year by \$96.9 million;
- (b) The ***Alberta Grid 2022 October 2022 net operating surplus*** was \$9.5 million, and the ***2022 year-to-date operating results surplus*** was \$33.6 million;
- (c) The ***Alberta Grid October 2022 combined operating ratio*** was 64.6%, lower than prior year by 38.0 percentage points. The ***2022 year-to-date combined operation ratio*** was 85.1%, higher than prior year by 8.2 percentage points; and
- (d) The implementation of the ***2022 Q3 Valuation***, generated ***\$13.4 million favourable impact*** for the month, decreasing the COR by 49.5 percentage points.

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

- (a) The ***Alberta Non-Grid October 2022 premium written for the month*** was \$15.8 million, higher than prior year by \$0.5 million. The ***2022 year-to-date premium written*** was \$138.3 million, lower than prior year by \$1.4 million;
- (b) The ***Alberta Non-Grid October 2022 net operating surplus*** was \$1.5 million, and the ***2022 year-to-date operating deficit*** was \$19.5 million; and
- (c) The ***Alberta Non-Grid October 2022 combined operating ratio*** was 89.0%, lower than prior year by 38.0 percentage points. The ***2022 year-to-date combined operation ratio*** was 114.7%, higher than prior year by 12.8 percentage points.
- (d) The implementation of the ***2022 Q3 Valuation***, generated ***\$6.6 million favourable impact*** for the month, decreasing the COR by 47.0 percentage points.

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of Financial Results

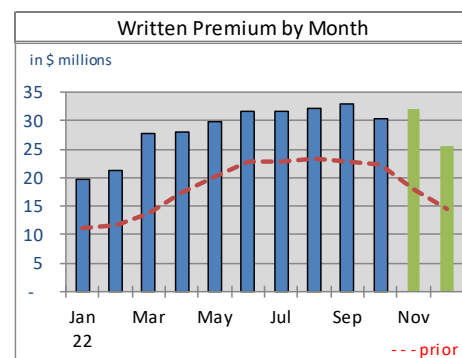
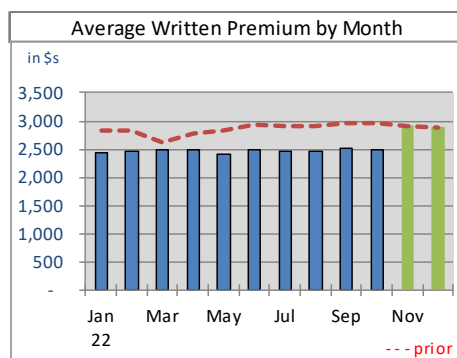
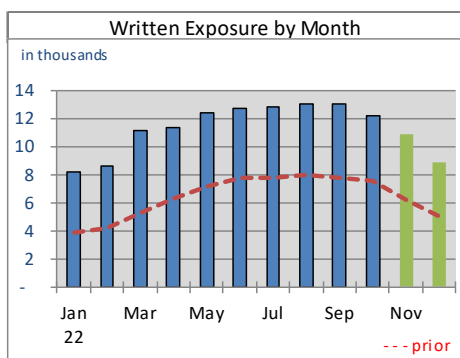
AB Grid RSP 2022 Summary Amounts in \$000s	Actual (October 2022)	Projection (October 2022)	Prior Year (October 2021)	2022 year-to-date as at 10 months	2021 year-to-date as at 10 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	30,348	39,634	22,343	285,099	188,236	342,526	296,273	220,613
Premium Earned	27,015	27,291	18,501	226,538	163,905	280,682	262,801	200,881
Incurred Losses	14,284	21,018	11,074	127,390	76,559	168,355	211,834	101,044
Underwriting & Admin Expense	3,186	11,435	7,902	65,566	49,648	84,411	94,465	65,469
Expense allowance	9,044	11,811	6,770	84,948	57,034	102,062	88,293	66,844
Premium Deficiency / (DPAC)	(5,982)	(514)	994	(20,551)	(8,414)	(19,178)	4,278	(2,679)
Administrative Expenses	124	138	138	1,169	1,028	1,527	1,894	1,304
<b>Net Result from Operations</b>	<b>9,545</b>	<b>(5,277)</b>	<b>(475)</b>	<b>33,582</b>	<b>37,698</b>	<b>27,916</b>	<b>(43,498)</b>	<b>34,368</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(12.9%)	(0.8%)	(1.9%)	(20.6%)	(24.5%)	(16.8%)	(2.9%)	(20.6%)
- Current Accident Year	65.7%	77.8%	61.7%	76.8%	71.2%	76.7%	83.5%	70.9%
<b>Total</b>	<b>52.8%</b>	<b>77.0%</b>	<b>59.8%</b>	<b>56.2%</b>	<b>46.7%</b>	<b>59.9%</b>	<b>80.6%</b>	<b>50.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>11.8%</b>	<b>41.9%</b>	<b>42.7%</b>	<b>28.9%</b>	<b>30.3%</b>	<b>30.1%</b>	<b>35.9%</b>	<b>32.6%</b>
Expense allowance	33.5%	43.3%	36.6%	37.5%	34.8%	36.4%	33.6%	33.3%
Premium Deficiency / (DPAC)	(22.1%)	(1.9%)	5.4%	(9.1%)	(5.1%)	(6.8%)	1.6%	(1.3%)
Administrative Expenses	0.5%	0.5%	0.7%	0.5%	0.6%	0.5%	0.7%	0.6%
<b>Combined Operating Ratio</b>	<b>64.6%</b>	<b>118.9%</b>	<b>102.6%</b>	<b>85.1%</b>	<b>77.0%</b>	<b>90.0%</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 October 2022 was 12,198 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 October 2022 showed a decrease compared to prior year (in line with grid rates changes). 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 October 2022 were \$14.3 million, \$6.7 million lower than our projection and \$3.2 million higher compared with the same month from last year. Loss ratio was at 52.8%, 24.2 percentage points lower than our projection, and 7.0 percentage points below prior year. Loss ratios are expected to increase compared to prior year as effects of pandemic fade.

This variance from projection was largely driven by the 2022 Q3 valuation being implemented in the month, generating a favourable impact of \$6.5 million on the year-to-date losses. This impact is mainly driven by the

decreased loss ratios, particularly for the recent quarter for Prior Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

### AG RSP Summary of 2022 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
<b>Alberta Grid</b>					
PAYs (2021 & prior)	(3,289)	(12.2%)	(1.4%)	(3,186)	(1.1%)
CAY (2022)	(3,204)	(11.9%)	(1.4%)	(4,042)	(1.4%)
<b>PAYs &amp; CAY</b>	<b>(6,493)</b>	<b>(24.1%)</b>	<b>(2.8%)</b>	<b>(7,228)</b>	<b>(2.5%)</b>
Premium Deficiency / (DPAC)	(6,884)	(25.5%)	(3.0%)	(8,423)	(3.0%)
<b>Total</b>	<b>(13,377)</b>	<b>(49.5%)</b>	<b>(5.8%)</b>	<b>(15,651)</b>	<b>(5.6%)</b>

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

Expenses for October 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): DPAC at \$6.0 million for October 2022 compared to projected DPAC at \$0.5 million and prior year premium deficiency of \$1.0 million.
- Administrative Expense: \$0.1 million for October 2022, consistent with projection and prior year.

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

Projections to year-end 2022 have been updated using the 2022 Q3 valuation assumptions which generated an estimated favourable impact of \$15.7 million on the full year results.

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 \$27.9 million with loss ratios 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

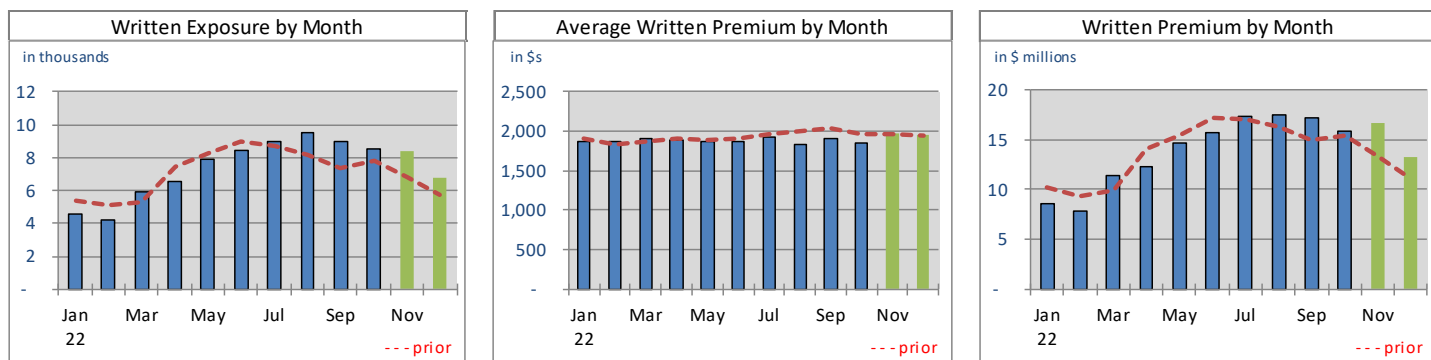
AB Non-Grid RSP 2022 Summary Amounts in \$000s	Actual (October 2022)	Projection (October 2022)	Prior Year (October 2021)	2022 year-to-date as at 10 months	2021 year-to-date as at 10 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	15,838	19,069	15,388	138,288	139,656	168,105	223,687	164,175
Premium Earned	14,037	14,369	13,174	133,406	113,063	161,517	198,176	139,520
Incurred Losses	9,819	13,664	10,204	116,478	74,008	143,037	200,502	95,850
Underwriting & Admin Expense	2,675	6,974	6,533	36,403	41,205	46,641	76,102	53,463
Expense allowance	4,720	5,682	4,662	41,205	42,312	50,093	66,658	49,743
Premium Deficiency / (DPAC)	(2,175)	1,105	1,733	(5,999)	(2,140)	(4,889)	7,251	2,409
Administrative Expenses	130	187	138	1,197	1,033	1,437	2,193	1,311
<b>Net Result from Operations</b>	<b>1,543</b>	<b>(6,269)</b>	<b>(3,563)</b>	<b>(19,475)</b>	<b>(2,150)</b>	<b>(28,161)</b>	<b>(78,428)</b>	<b>(9,793)</b>
<b>Ratios:</b>								
Loss ratio - Prior Accident Years	(20.2%)	(1.0%)	(1.6%)	(8.8%)	(21.7%)	(7.4%)	(2.6%)	(17.9%)
- Current Accident Year	90.1%	96.1%	79.0%	96.2%	87.1%	96.0%	103.8%	86.6%
Total	69.9%	95.1%	77.4%	87.4%	65.4%	88.6%	101.2%	68.7%
Underwriting & Admin Expense	19.1%	48.5%	49.6%	27.3%	36.4%	28.9%	38.4%	38.3%
Expense allowance	33.6%	39.5%	35.4%	30.9%	37.4%	31.0%	33.6%	35.7%
Premium Deficiency / (DPAC)	(15.5%)	7.7%	13.2%	(4.5%)	(1.9%)	(3.0%)	3.7%	1.7%
Administrative Expenses	0.9%	1.3%	1.1%	0.9%	0.9%	0.9%	1.1%	0.9%
<b>Combined Operating Ratio</b>	<b>89.0%</b>	<b>143.6%</b>	<b>127.0%</b>	<b>114.7%</b>	<b>101.8%</b>	<b>117.5%</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 October 2022 was 8,515 vehicles, which was higher than prior year but lower than projected. Transfer was lower than The Outlook for the month by 94.

Average premium in October 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 October 2022 were \$9.8 million, \$3.8 million lower than projection from last month, while \$0.4 million lower compared with the same month from last year. Loss ratio was at 69.9% which was 25.2 percentage points below projected, and 7.5 percentage points below prior year.

This variance from projection was largely driven by the 2022 Q3 valuation being implemented in the month, generating a favourable impact of \$3.4 million on the year-to-date losses. This impact is mainly driven by the decreased loss ratios, particularly for the recent quarter for Prior Accident Year. For more information on the

valuation impact please refer to the Actuarial Highlights.

### **ANG RSP Summary of 2022 Q3 Valuation Implementation Impact**

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
<b>Alberta non-Grid</b>					
PAYs (2021 & prior)	(2,668)	(19.0%)	(2.0%)	(2,598)	(1.6%)
CAY (2022)	(775)	(5.5%)	(0.6%)	(1,091)	(0.7%)
<b>PAYs &amp; CAY</b>	<b>(3,443)</b>	<b>(24.5%)</b>	<b>(2.6%)</b>	<b>(3,689)</b>	<b>(2.3%)</b>
Premium Deficiency / (DPAC)	(3,151)	(22.4%)	(2.3%)	(4,205)	(2.6%)
<b>Total</b>	<b>(6,594)</b>	<b>(47.0%)</b>	<b>(4.9%)</b>	<b>(7,894)</b>	<b>(4.9%)</b>

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

Expenses for October 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): DPAC of \$2.2 million compared to projected premium deficiency of \$1.1 million and prior year premium deficiency of \$1.7 million.
- Administrative Expense: \$0.1 million for October 2022, fairly consistent with projection and prior year.

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

Projections to year-end 2022 have been updated using the 2022 Q3 valuation assumptions which generated an estimated favourable impact of \$7.9 million on the full year results.

Compared with The Outlook released in December 2021, written premium has reduced by \$55.6 million to \$168.1 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 \$28.2 million, \$50.3 million below The Outlook, and the combined operating ratio is 117.5%, 22.1 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 July 2022 highlights.

The Grid RSP volume and market share continues to grow, and has reached an all-time high of 7.28% as of October 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	2,803,003	7.01%	79,436	2.83%	72,420	2.58%	151,857	5.42%
2020-01	201,502	2,803,201	7.19%	80,752	2.88%	73,119	2.61%	153,870	5.49%
2020-02	204,537	2,801,895	7.30%	80,169	2.86%	72,744	2.60%	152,913	5.46%
2020-03	206,674	2,803,902	7.37%	80,120	2.86%	72,187	2.57%	152,307	5.43%
2020-04	207,188	2,794,956	7.41%	80,379	2.88%	72,864	2.61%	153,243	5.48%
2020-05	204,090	2,770,136	7.37%	78,220	2.82%	74,259	2.68%	152,479	5.50%
2020-06	203,634	2,765,710	7.36%	76,357	2.76%	74,561	2.70%	150,918	5.46%
2020-07	204,726	2,778,691	7.37%	74,849	2.69%	74,275	2.67%	149,124	5.37%
2020-08	202,188	2,737,618	7.39%	74,340	2.72%	73,054	2.67%	147,395	5.38%
2020-09	200,853	2,739,135	7.33%	73,872	2.70%	72,574	2.65%	146,446	5.35%
2020-10	201,813	2,792,459	7.23%	72,397	2.59%	72,114	2.58%	144,511	5.18%
2020-11	201,685	2,788,325	7.23%	70,463	2.53%	71,506	2.56%	141,970	5.09%
2020-12	200,684	2,785,427	7.20%	68,432	2.46%	70,419	2.53%	138,851	4.98%
2021-01	197,423	2,786,009	7.09%	66,575	2.39%	69,345	2.49%	135,920	4.88%
2021-02	197,360	2,784,585	7.09%	66,605	2.39%	68,499	2.46%	135,104	4.85%
2021-03	197,459	2,785,131	7.09%	66,694	2.39%	68,188	2.45%	134,882	4.84%
2021-04	198,526	2,798,820	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-05	201,032	2,816,235	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-06	200,454	2,814,421	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-07	200,044	2,814,384	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-08	199,710	2,860,353	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-09	198,637	2,864,217	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-10	195,384	2,814,412	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.51%
2021-11	193,121	2,816,371	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-12	193,576	2,819,866	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2022-01	194,428	2,821,934	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-02	202,658	2,821,226	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-03	211,690	2,823,442	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-04	223,459	2,823,314	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-05	235,938	2,823,542	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-06	249,660	2,830,248	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-07	262,884	2,830,884	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-08	275,607	2,831,914	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-09	289,679	2,840,191	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
2022-10	302,764	2,845,239	10.64%	121,777	4.28%	85,396	3.00%	207,173	7.28%
Min 2018-2022			5.65%		2.27%		2.38%		4.77%
Max 2018-2022			10.64%		4.28%		3.01%		7.28%

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](#)

\*10 month ended October 2022 (discounted basis)

Alberta Non-Grid RSP:

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

\*10 month ended October 2022 (discounted basis)