

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2022-081

**DATE:** October 28, 2022

**SUBJECT:** Alberta Risk Sharing Pools – September 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 September 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 September 2022 premium written for the month*** was \$32.8 million, higher than prior year by \$9.9 million. The ***2022 year-to-date premium written*** was \$254.8 million, higher than prior year by \$88.9 million;
- (b) The ***Alberta Grid 2022 September 2022 net operating deficit*** was \$3.9 million, and the ***2022 year-to-date operating results surplus*** was \$24.1 million;
- (c) The ***Alberta Grid September 2022 combined operating ratio*** was 115.5%, higher than prior year by 2.2 percentage points. The ***2022 year-to-date combined operation ratio*** was 87.8%, higher than prior year by 14.1 percentage points; and

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

- (a) The ***Alberta Non-Grid September 2022 premium written for the month*** was \$17.1 million, higher than prior year by \$2.2 million. The ***2022 year-to-date premium written*** was \$122.5 million, lower than prior year by \$1.8 million;
- (b) The ***Alberta Non-Grid 2022 September 2022 net operating deficit*** was \$5.3 million, and the ***2022 year-to-date operating results deficit*** was \$20.9 million; and
- (d) The ***Alberta Non-Grid September 2022 combined operating ratio*** was 138.7%, higher than prior year by 5.7 percentage points. The ***2022 year-to-date combined operation ratio*** was 117.6%, higher than prior year by 19.0 percentage points.

## Alberta Grid RSP - Summary of Financial Results

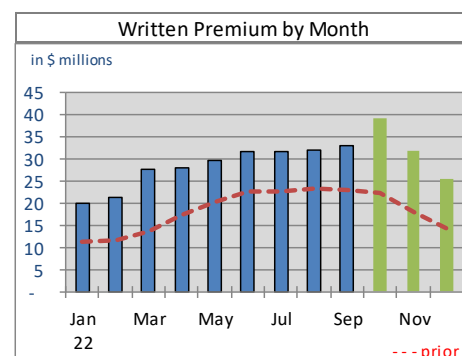
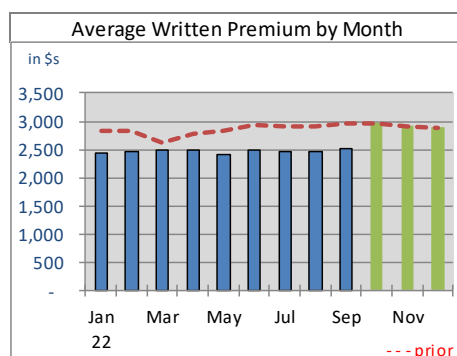
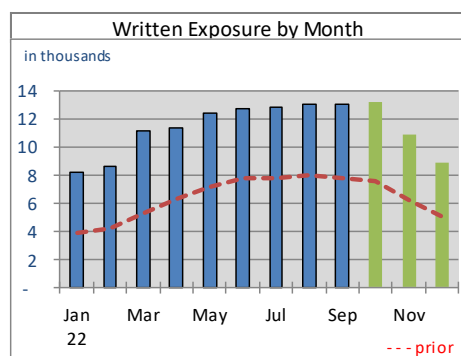
### AB-G RSP Summary of Financial Results

AB Grid RSP 2022 Summary Amounts in \$000s	Actual (September 2022)	Projection (September 2022)	Prior Year (September 2021)	2022 year-to-date as at 9 months	2021 year-to-date as at 9 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	32,831	38,454	22,922	254,751	165,893	352,376	296,273	220,613
Premium Earned	25,420	27,406	17,610	199,523	145,404	282,174	262,801	200,881
Incurred Losses	19,447	21,149	12,058	113,106	65,484	176,709	211,834	101,044
Underwriting & Admin Expense	9,925	11,062	7,902	62,327	41,746	94,598	94,465	65,469
Expense allowance	9,783	11,459	6,945	75,904	50,264	104,997	88,293	66,844
Premium Deficiency / (DPAC)	(35)	(522)	832	(14,569)	(9,408)	(11,995)	4,278	(2,679)
Administrative Expenses	177	125	125	992	890	1,596	1,894	1,304
<b>Net Result from Operations</b>	<b>(3,952)</b>	<b>(4,926)</b>	<b>(2,350)</b>	<b>24,090</b>	<b>38,174</b>	<b>10,867</b>	<b>(43,498)</b>	<b>34,368</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(1.3%)	(0.8%)	(2.6%)	(21.7%)	(27.4%)	(15.6%)	(2.9%)	(20.6%)
- Current Accident Year	77.8%	77.9%	71.0%	78.3%	72.4%	78.2%	83.5%	70.9%
<b>Total</b>	<b>76.5%</b>	<b>77.1%</b>	<b>68.4%</b>	<b>56.6%</b>	<b>45.0%</b>	<b>62.6%</b>	<b>80.6%</b>	<b>50.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>39.0%</b>	<b>40.4%</b>	<b>44.9%</b>	<b>31.2%</b>	<b>28.7%</b>	<b>33.5%</b>	<b>35.9%</b>	<b>32.6%</b>
Expense allowance	38.5%	41.8%	39.4%	38.0%	34.6%	37.2%	33.6%	33.3%
Premium Deficiency / (DPAC)	(0.1%)	(1.9%)	4.7%	(7.3%)	(6.5%)	(4.3%)	1.6%	(1.3%)
Administrative Expenses	0.7%	0.5%	0.7%	0.5%	0.6%	0.6%	0.7%	0.6%
<b>Combined Operating Ratio</b>	<b>115.5%</b>	<b>117.5%</b>	<b>113.4%</b>	<b>87.8%</b>	<b>73.7%</b>	<b>96.1%</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 September 2022 was 13,037 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 September 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 September 2022 were \$19.4 million, \$1.7 million lower than our projection and \$7.4 million higher compared with the same month from last year.

Loss ratio was at 76.5%, 0.6 percentage points lower than our projection, and 8.1 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 September 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 \$35 thousand for September 2022 compared to projected DPAC at \$0.5 million and prior year premium deficiency of \$0.8 million.
- Administrative Expense: \$0.1 million for September 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 \$10.9 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

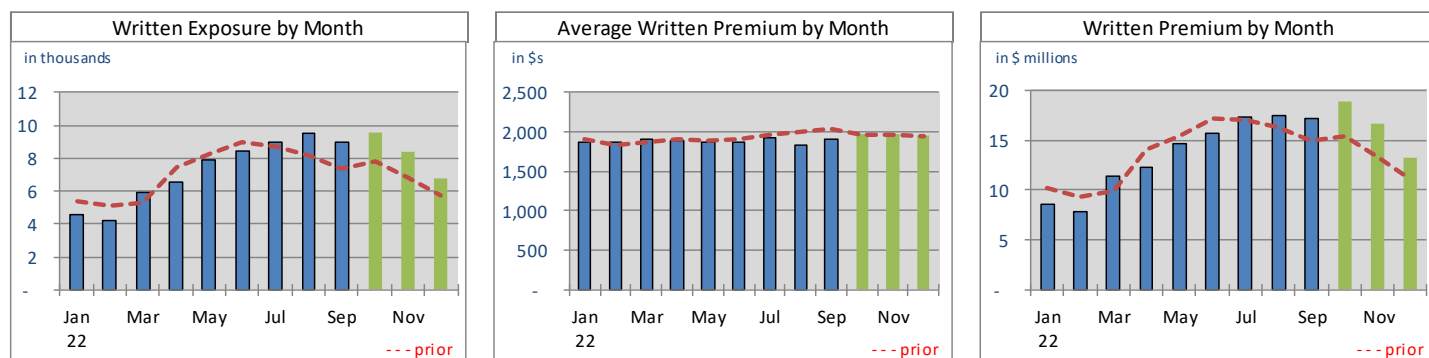
<b>AB Non-Grid RSP 2022 Summary</b> Amounts in \$000s	<b>Actual</b> (September 2022)	<b>Projection</b> (September 2022)	<b>Prior Year</b> (September 2021)	<b>2022 year-to-date</b> as at 9 months	<b>2021 year-to-date</b> as at 9 months	<b>2022 year-end</b> Projection	<b>Outlook*</b> Full year 2022	<b>2021 year-end</b> Actual
Premium Written	17,114	21,800	14,957	122,450	124,268	171,561	223,687	164,175
Premium Earned	13,641	14,838	12,601	119,369	99,889	162,331	198,176	139,520
Incurred Losses	12,757	14,136	10,443	106,659	63,804	147,520	200,502	95,850
Underwriting & Admin Expense	6,163	7,809	6,325	33,673	34,671	52,025	76,102	53,463
Expense allowance	5,100	6,496	4,532	36,485	37,650	51,122	66,658	49,743
Premium Deficiency / (DPAC)	878	1,100	1,668	(3,824)	(3,873)	(535)	7,251	2,409
Administrative Expenses	185	213	125	1,012	894	1,438	2,193	1,311
<b>Net Result from Operations</b>	<b>(5,279)</b>	<b>(7,107)</b>	<b>(4,167)</b>	<b>(20,963)</b>	<b>1,414</b>	<b>(37,214)</b>	<b>(78,428)</b>	<b>(9,793)</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(2.6%)	(1.0%)	(3.0%)	(7.5%)	(24.3%)	(5.8%)	(2.6%)	(17.9%)
- Current Accident Year	96.1%	96.3%	85.8%	96.9%	88.2%	96.6%	103.8%	86.6%
<b>Total</b>	<b>93.5%</b>	<b>95.3%</b>	<b>82.8%</b>	<b>89.4%</b>	<b>63.9%</b>	<b>90.8%</b>	<b>101.2%</b>	<b>68.7%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>45.2%</b>	<b>52.6%</b>	<b>50.2%</b>	<b>28.2%</b>	<b>34.7%</b>	<b>32.0%</b>	<b>38.4%</b>	<b>38.3%</b>
Expense allowance	37.4%	43.8%	36.0%	30.6%	37.7%	31.5%	33.6%	35.7%
Premium Deficiency / (DPAC)	6.4%	7.4%	13.2%	(3.2%)	(3.9%)	(0.3%)	3.7%	1.7%
Administrative Expenses	1.4%	1.4%	1.0%	0.8%	0.9%	0.9%	1.1%	0.9%
<b>Combined Operating Ratio</b>	<b>138.7%</b>	<b>147.9%</b>	<b>133.0%</b>	<b>117.6%</b>	<b>98.6%</b>	<b>122.8%</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 September 2022 was 9,008 vehicles, which was higher than prior year but lower than projected. Transfer was higher than The Outlook for the month by 238.

Average premium in September 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 September 2022 were \$12.8 million, \$1.4 million lower than projection from last month, while \$2.3 million higher compared with the same month from last year.

Loss ratio was at 93.5% which was 1.8 percentage points below projected, and 10.7 percentage points above prior year.

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

Expenses for September 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 \$0.9 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 September 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 have reduced by \$52.1 million to \$171.6 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 \$37.2 million, \$41.2 million below The Outlook, and the combined operating ratio is 122.8%, 16.8 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

September 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](#)

\* 09 month ended September 2022 (discounted basis)

Alberta Non-Grid RSP:

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

\*09 month ended September 2022 (discounted basis)