

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2022-073**

**DATE: September 29, 2022**

**SUBJECT: Alberta Risk Sharing Pools – August 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 August 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 August 2022 premium written for the month*** was \$32.1 million, higher than prior year by \$8.7 million. The ***2022 year-to-date premium written*** was \$221.9 million higher than prior year by \$78.9 million;
- (b) The ***Alberta Grid 2022 August 2022 net operating surplus*** was \$39.7 million, and the ***2022 year-to-date operating results surplus*** was \$28.0 million;
- (c) The ***Alberta Grid August 2022 combined operating ratio*** was -59.3%, lower than prior year by 33.6 percentage points. The ***2022 year-to-date combined operation ratio*** was 83.9%, higher than prior year by 15.6 percentage points; and
- (d) The implementation of the ***2022 Q2 Valuation***, generated ***\$45.4 million favourable impact*** for the month, decreasing the COR by 182.1 percentage points

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

- (a) The ***Alberta Non-Grid August 2022 premium written for the month*** was \$17.5 million, higher than prior year by \$1.2 million. The ***2022 year-to-date premium written*** was \$105.3 million lower than prior year by \$4.0 million;
- (b) The ***Alberta Non-Grid 2022 August 2022 net operating surplus*** was \$9.0 million, and the ***2022 year-to-date operating results deficit*** was \$15.7 million; and
- (e) The ***Alberta Non-Grid August 2022 combined operating ratio*** was 32.2%, higher than prior year by 35.7 percentage points. The ***2022 year-to-date combined operation ratio*** was 114.9%, higher than prior year by 21.3 percentage points; and
- (c) The implementation of the ***2022 Q2 Valuation***, generated ***\$15.3 million favourable impact*** for the month, decreasing the COR by 114.7 percentage points

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of Financial Results

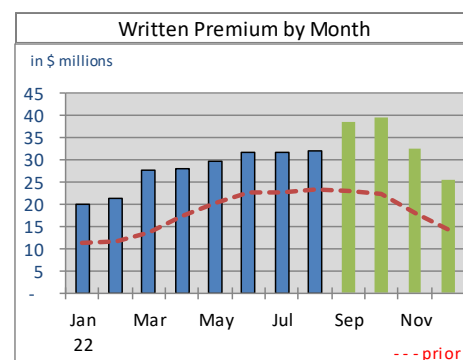
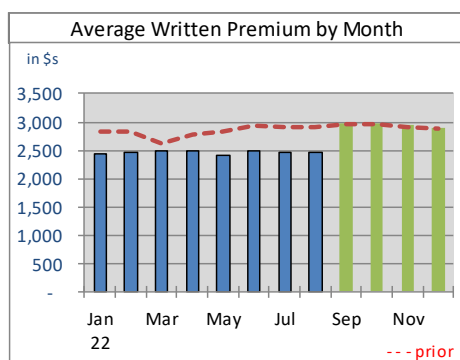
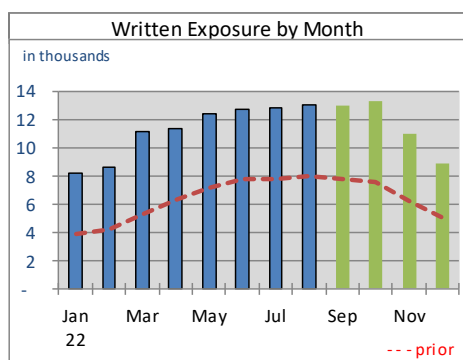
AB Grid RSP 2022 Summary Amounts in \$000s	Actual (August 2022)	Projection (August 2022)	Prior Year (August 2021)	2022 year-to-date as at 8 months	2021 year-to-date as at 8 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	32,063	38,131	23,369	221,920	142,971	357,997	296,273	220,613
Premium Earned	24,911	27,869	17,806	174,103	127,794	283,379	262,801	200,881
Incurred Losses	(12,846)	23,457	(9,860)	93,659	53,425	177,936	211,834	101,044
Underwriting & Admin Expense	(1,939)	11,234	5,285	52,402	33,845	95,773	94,465	65,469
Expense allowance	9,552	11,363	7,081	66,121	43,319	106,672	88,293	66,844
Premium Deficiency / (DPAC)	(11,576)	(233)	(1,900)	(14,534)	(10,240)	(12,653)	4,278	(2,679)
Administrative Expenses	85	104	104	815	766	1,754	1,894	1,304
<b>Net Result from Operations</b>	<b>39,696</b>	<b>(6,962)</b>	<b>22,381</b>	<b>28,042</b>	<b>40,524</b>	<b>9,670</b>	<b>(43,498)</b>	<b>34,368</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(84.0%)	(1.4%)	(95.6%)	(24.6%)	(30.8%)	(15.4%)	(2.9%)	(20.6%)
- Current Accident Year	32.5%	85.6%	40.1%	78.4%	72.6%	78.2%	83.5%	70.9%
<b>Total</b>	<b>(51.5%)</b>	<b>84.2%</b>	<b>(55.5%)</b>	<b>53.8%</b>	<b>41.8%</b>	<b>62.8%</b>	<b>80.6%</b>	<b>50.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>(7.8%)</b>	<b>40.3%</b>	<b>29.7%</b>	<b>30.1%</b>	<b>26.5%</b>	<b>33.8%</b>	<b>35.9%</b>	<b>32.6%</b>
Expense allowance	38.3%	40.8%	39.8%	38.0%	33.9%	37.6%	33.6%	33.3%
Premium Deficiency / (DPAC)	(46.5%)	(0.8%)	(10.7%)	(8.3%)	(8.0%)	(4.5%)	1.6%	(1.3%)
Administrative Expenses	0.3%	0.4%	0.6%	0.5%	0.6%	0.6%	0.7%	0.6%
<b>Combined Operating Ratio</b>	<b>(59.3%)</b>	<b>124.5%</b>	<b>(25.7%)</b>	<b>83.9%</b>	<b>68.3%</b>	<b>96.6%</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 August 2022 was 12,984 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 August 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 August 2022 were \$12.8 million, \$36.3 million lower than our projection and \$3.0 million lower compared with the same month from last year. This variance from projection was largely driven by the 2022 Q2 valuation being implemented in the month, generating a favourable impact of \$45.4 million on the year-to-date losses. This impact is mainly driven by the reduced loss ratios for Prior Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

**AB-G RSP Summary of 2022 Q2 Valuation Implementation Impact**

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
Alberta Grid	month/ytd	as month EP	as ytd EP	full year	as full year EP
PAYs (2021 & prior)	(20,274)	(81.4%)	(8.8%)	(19,565)	(6.9%)
CAY (2022)	(13,512)	(54.2%)	(5.9%)	(21,853)	(7.7%)
<b>PAYs &amp; CAY</b>	<b>(33,786)</b>	<b>(135.6%)</b>	<b>(14.7%)</b>	<b>(41,418)</b>	<b>(14.6%)</b>
Premium Deficiency / (DPAC)	(11,581)	(46.5%)	(5.0%)	(11,531)	(4.1%)
<b>Total</b>	<b>(45,367)</b>	<b>(182.1%)</b>	<b>(19.7%)</b>	<b>(52,949)</b>	<b>(18.7%)</b>

Loss ratio was at -51.5%, 135.7 percentage points lower than our projection, and 4.0 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 August 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 \$11.6 million for August 2022 compared to projected DPAC at \$0.2 million and prior year DPAC at \$1.9 million.
- Administrative Expense: \$0.1 million for August 2022, consistent with projection and prior year.

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

Projections to year-end 2022 has been updated using the 2022 Q2 valuation assumption which generated an estimated favourable impact of \$52.9 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 \$9.7 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 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

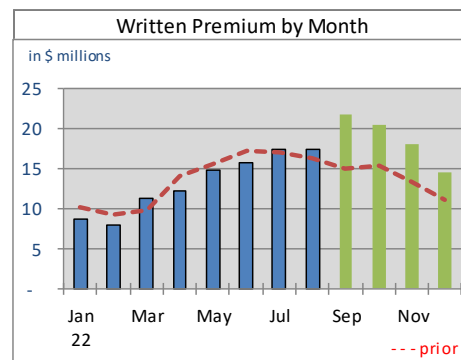
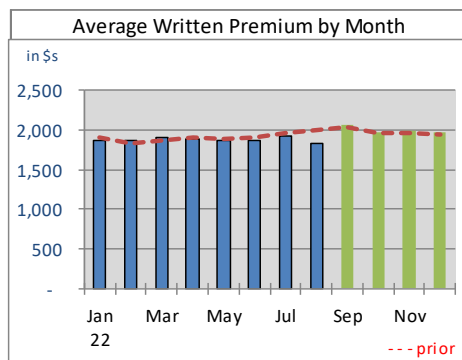
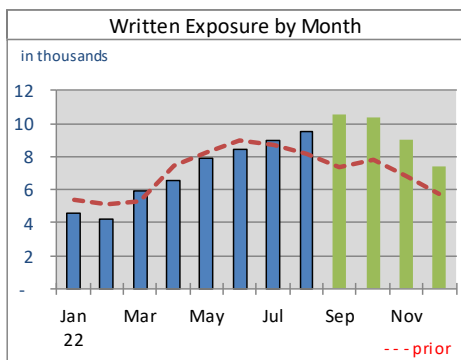
AB Non-Grid RSP 2022 Summary Amounts in \$000s	Actual (August 2022)	Projection (August 2022)	Prior Year (August 2021)	2022 year-to-date as at 8 months	2021 year-to-date as at 8 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	17,460	21,825	16,276	105,336	109,311	180,216	223,687	164,175
Premium Earned	13,346	15,171	12,787	105,728	87,288	163,672	198,176	139,520
Incurred Losses	3,168	15,420	(4,182)	93,902	53,361	149,112	200,502	95,850
Underwriting & Admin Expense	1,136	7,811	3,730	27,509	28,346	55,177	76,102	53,463
Expense allowance	5,201	6,504	4,932	31,387	33,118	53,702	66,658	49,743
Premium Deficiency / (DPAC)	(4,158)	1,093	(1,307)	(4,702)	(5,541)	(119)	7,251	2,409
Administrative Expenses	93	214	105	824	769	1,594	2,193	1,311
<b>Net Result from Operations</b>	<b>9,042</b>	<b>(8,060)</b>	<b>13,239</b>	<b>(15,683)</b>	<b>5,581</b>	<b>(40,617)</b>	<b>(78,428)</b>	<b>(9,793)</b>
<b>Ratios:</b>								
Loss ratio - Prior Accident Years	(27.2%)	(1.7%)	(76.9%)	(8.1%)	(27.4%)	(5.6%)	(2.6%)	(17.9%)
- Current Accident Year	50.9%	103.3%	44.2%	97.0%	88.5%	96.7%	103.8%	86.6%
Total	23.7%	101.6%	(32.7%)	88.9%	61.1%	91.1%	101.2%	68.7%
Underwriting & Admin Expense	8.5%	51.5%	29.2%	26.0%	32.5%	33.7%	38.4%	38.3%
Expense allowance	39.0%	42.9%	38.6%	29.7%	37.9%	32.8%	33.6%	35.7%
Premium Deficiency / (DPAC)	(31.2%)	7.2%	(10.2%)	(4.4%)	(6.3%)	(0.1%)	3.7%	1.7%
Administrative Expenses	0.7%	1.4%	0.8%	0.8%	0.9%	1.0%	1.1%	0.9%
<b>Combined Operating Ratio</b>	<b>32.2%</b>	<b>153.1%</b>	<b>(3.5%)</b>	<b>114.9%</b>	<b>93.6%</b>	<b>124.8%</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 August 2022 was 9,534 vehicles, which was higher than prior year but lower than projected. Transfer was lower than The Outlook for the month by 25.

Average premium in August 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 August 2022 were \$3.2 million, \$12.3 million lower than projection from last month, while \$7.4 million higher compared with the same month from last year. This variance from projection was largely driven by the 2022 Q2 valuation being implemented in the month, generating a favourable impact of \$10.3 million on the year-to-date losses. This impact is mainly driven by increased discount rate on year-to-date, particularly for the recent quarter for Current Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

**AB-NG RSP Summary of 2022 Q2 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)	(3,017)	(22.6%)	(2.2%)	(2,563)	(1.6%)
CAY (2022)	(7,325)	(54.9%)	(5.4%)	(11,101)	(6.8%)
<b>PAYs &amp; CAY</b>	<b>(10,342)</b>	<b>(77.5%)</b>	<b>(7.6%)</b>	<b>(13,664)</b>	<b>(8.4%)</b>
Premium Deficiency / (DPAC)	(4,960)	(37.2%)	(3.7%)	(4,638)	(2.8%)
<b>Total</b>	<b>(15,302)</b>	<b>(114.7%)</b>	<b>(11.3%)</b>	<b>(18,302)</b>	<b>(11.2%)</b>

Loss ratio was at 23.7% which was 77.9 percentage points below projected, and 56.4 percentage points above prior year.

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

Expenses for August 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 \$4.2 million compared to projected premium deficiency of \$1.1 million and prior year DPAC of \$1.3 million.
- Administrative Expense: \$0.1 million for August 2022, fairly consistent with projection and prior year.

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

Projections to year-end 2022 has been updated using the 2022 Q2 valuation assumption which generated an estimated favourable impact of \$18.3 million on the full year results.

Compared with The Outlook released in December 2021, written premium had reduced by \$43.5 million to \$180.2 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 \$40.6 million, \$37.8 million below The Outlook, and the combined operating ratio is 124.8%, 14.8 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 7.05% 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	2,798,819	7.09%	66,679	2.38%	66,927	2.39%	133,606	4.77%
2021-05	201,032	2,816,234	7.14%	68,003	2.41%	66,968	2.38%	134,971	4.79%
2021-06	200,454	2,814,420	7.12%	69,542	2.47%	68,192	2.42%	137,733	4.89%
2021-07	200,044	2,814,383	7.11%	71,834	2.55%	72,011	2.56%	143,845	5.11%
2021-08	199,710	2,860,352	6.98%	72,845	2.55%	75,608	2.64%	148,454	5.19%
2021-09	198,637	2,864,215	6.94%	73,501	2.57%	78,708	2.75%	152,210	5.31%
2021-10	195,384	2,814,403	6.94%	74,244	2.64%	80,691	2.87%	154,935	5.51%
2021-11	193,121	2,816,360	6.86%	75,127	2.67%	82,336	2.92%	157,463	5.59%
2021-12	193,576	2,819,852	6.86%	76,424	2.71%	83,540	2.96%	159,963	5.67%
2022-01	194,428	2,821,920	6.89%	76,803	2.72%	84,817	3.01%	161,620	5.73%
2022-02	202,658	2,821,194	7.18%	81,013	2.87%	84,046	2.98%	165,059	5.85%
2022-03	211,690	2,823,391	7.50%	85,463	3.03%	83,193	2.95%	168,656	5.97%
2022-04	223,459	2,823,241	7.91%	91,362	3.24%	83,856	2.97%	175,218	6.21%
2022-05	235,936	2,823,436	8.36%	96,413	3.41%	82,958	2.94%	179,370	6.35%
2022-06	249,657	2,830,063	8.82%	101,590	3.59%	82,587	2.92%	184,177	6.51%
2022-07	262,881	2,830,636	9.29%	106,497	3.76%	82,038	2.90%	188,535	6.66%
2022-08	275,588	2,831,607	9.73%	111,534	3.94%	82,337	2.91%	193,871	6.85%
2022-09	289,650	2,839,801	10.20%	116,511	4.10%	83,714	2.95%	200,225	7.05%
Min 2018-2022			5.65%		2.27%		2.38%		4.77%
Max 2018-2022			10.20%		4.10%		3.01%		7.05%

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](#)

\* 08 month ended August 2022 (discounted basis)

[Alberta Grid RSP Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variance, IBRN, and valuation

Alberta Non-Grid RSP:

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

\*08 month ended August 2022 (discounted basis)

[Alberta Non-Grid RSP Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variance, IBRN, and valuation