

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2022-040**

**DATE: June 29, 2022**

**SUBJECT: Alberta Risk Sharing Pools – May 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 May 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 May 2022 premium written for the month*** was \$29.8 million, higher than prior year by \$9.6 million. The ***2022 year-to-date premium written*** was \$126.5 million higher than prior year by \$52.3 million;
- (b) The ***Alberta Grid 2022 May 2022 net operating surplus*** was \$10.1 million, and the ***2022 year-to-date operating results deficit*** was \$1.0 million; and
- (c) The ***Alberta Grid May 2022 combined operating ratio*** was 55.6%, lower than prior year by 29.7 percentage points. The ***2022 year-to-date combined operation ratio*** was 101.1%, higher than prior year by 29.1 percentage points.
- (d) The implementation of the ***2022 Q1 Valuation***, generated ***\$15.6 million favourable impact*** for the month, decreasing the COR by 68.6 percentage points; and

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

- (a) The ***Alberta Non-Grid May 2022 premium written for the month*** was \$14.7 million, lower than prior year by \$0.8 million. The ***2022 year-to-date premium written*** was \$54.8 million lower than prior year by \$4.1 million;
- (b) The ***Alberta Non-Grid 2022 May 2022 net operating deficit*** was \$2.9 million, and the ***2022 year-to-date operating results deficit*** was \$13.2 million; and
- (c) The ***Alberta Non-Grid May 2022 combined operating ratio*** was 121.5%, higher than prior year by 22.7 percentage points. The ***2022 year-to-date combined operation ratio*** was 120.2%, higher than prior year by 23.3 percentage points.
- (d) The implementation of the ***2022 Q1 Valuation***, generated ***\$2.4 million favourable impact*** for the month, decreasing the COR by 18.0 percentage points; and
- (e) As per the annual process for the RSPs, both Alberta Grid and Non-Grid, member share ratios have been updated to reflect recent market share information.

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of Financial Results

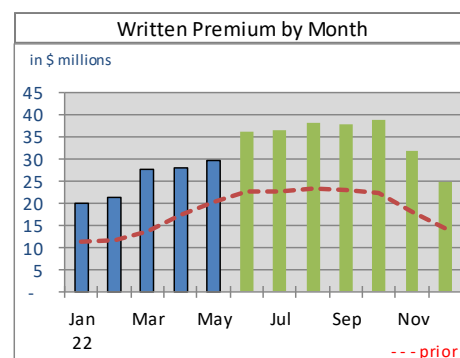
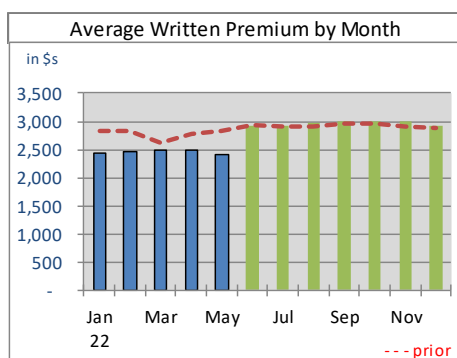
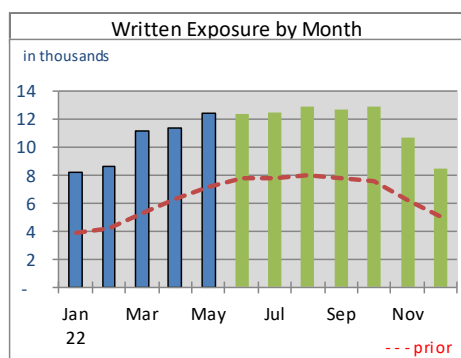
| AB Grid RSP 2022 Summary<br>Amounts in \$000s | Actual<br>(May 2022) | Projection<br>(May 2022) | Prior Year<br>(May 2021) | 2022 year-to-date<br>as at 5 months | 2021 year-to-date<br>as at 5 months | 2022 year-end<br>Projection | Outlook*<br>Full year 2022 | 2021 year-end<br>Actual |
|---|----------------------|--------------------------|--------------------------|-------------------------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Premium Written                               | 29,760               | 34,549                   | 20,182                   | 126,479                             | 74,191                              | 370,008                     | 296,273                    | 220,613                 |
| Premium Earned                                | 22,758               | 25,528                   | 16,196                   | 101,752                             | 76,504                              | 286,985                     | 262,801                    | 200,881                 |
| Incurred Losses                               | 8,640                | 22,081                   | 8,851                    | 66,866                              | 39,317                              | 223,021                     | 211,834                    | 101,044                 |
| Underwriting & Admin Expense                  | 4,008                | 10,046                   | 4,962                    | 35,886                              | 15,733                              | 110,480                     | 94,465                     | 65,469                  |
| Expense allowance                             | 8,868                | 10,296                   | 6,115                    | 37,683                              | 22,479                              | 110,254                     | 88,293                     | 66,844                  |
| Premium Deficiency / (DPAC)                   | (4,959)              | (342)                    | (1,245)                  | (2,300)                             | (7,189)                             | (1,877)                     | 4,278                      | (2,679)                 |
| Administrative Expenses                       | 99                   | 92                       | 92                       | 503                                 | 444                                 | 2,103                       | 1,894                      | 1,304                   |
| <b>Net Result from Operations</b>             | <b>10,110</b>        | <b>(6,728)</b>           | <b>2,383</b>             | <b>(1,000)</b>                      | <b>21,454</b>                       | <b>(46,516)</b>             | <b>(43,498)</b>            | <b>34,368</b>           |
| <b>Ratios:</b>                                |                      |                          |                          |                                     |                                     |                             |                            |                         |
| <b>Loss ratio</b> - Prior Accident Years      | (36.8%)              | (2.4%)                   | (17.4%)                  | (20.6%)                             | (27.0%)                             | (8.2%)                      | (2.9%)                     | (20.6%)                 |
| - Current Accident Year                       | 74.8%                | 88.9%                    | 72.0%                    | 86.4%                               | 78.4%                               | 85.9%                       | 83.5%                      | 70.9%                   |
| <b>Total</b>                                  | <b>38.0%</b>         | <b>86.5%</b>             | <b>54.6%</b>             | <b>65.8%</b>                        | <b>51.4%</b>                        | <b>77.7%</b>                | <b>80.6%</b>               | <b>50.3%</b>            |
| <b>Underwriting &amp; Admin Expense</b>       | <b>17.6%</b>         | <b>39.7%</b>             | <b>30.6%</b>             | <b>35.3%</b>                        | <b>20.6%</b>                        | <b>38.5%</b>                | <b>35.9%</b>               | <b>32.6%</b>            |
| Expense allowance                             | 39.0%                | 40.3%                    | 37.8%                    | 37.0%                               | 29.4%                               | 38.4%                       | 33.6%                      | 33.3%                   |
| Premium Deficiency / (DPAC)                   | (21.8%)              | (1.3%)                   | (7.7%)                   | (2.3%)                              | (9.4%)                              | (0.7%)                      | 1.6%                       | (1.3%)                  |
| Administrative Expenses                       | 0.4%                 | 0.4%                     | 0.6%                     | 0.5%                                | 0.6%                                | 0.7%                        | 0.7%                       | 0.6%                    |
| <b>Combined Operating Ratio</b>               | <b>55.6%</b>         | <b>126.2%</b>            | <b>85.3%</b>             | <b>101.1%</b>                       | <b>72.0%</b>                        | <b>116.2%</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 May 2022 was 12,330 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 May 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 May 2022 were \$8.6 million, \$13.4 million lower than our projection and \$0.2 million lower compared with the same month from last year. This variance from projection was largely driven by the 2022 Q1 valuation being implemented in the month, generating a favourable impact of \$10.9 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 Prior Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

**ABG RSP Summary of 2022 Q1 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)         | (7,691)                              | (33.8%)           | (3.3%)            | (6,433)                              | (2.2%)            |
| CAY (2022)                  | (3,197)                              | (14.0%)           | (1.4%)            | (8,937)                              | (3.1%)            |
| <b>PAYs &amp; CAY</b>       | <b>(10,888)</b>                      | <b>(47.8%)</b>    | <b>(4.7%)</b>     | <b>(15,370)</b>                      | <b>(5.3%)</b>     |
| Premium Deficiency / (DPAC) | (4,720)                              | (20.7%)           | (2.0%)            | (5,780)                              | (2.0%)            |
| <b>Total</b>                | <b>(15,608)</b>                      | <b>(68.6%)</b>    | <b>(6.6%)</b>     | <b>(21,150)</b>                      | <b>(7.4%)</b>     |

Loss ratio was at 38.0%, 48.5 percentage points lower than our projection, and 16.6 percentage points below 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 May 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 \$5.0 million for May 2022 compared to projected DPAC at \$0.3 million and prior year DPAC at \$1.2 million.
- Administrative Expense: \$0.1 million for May 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 Q1 valuation assumption which generated an estimated favourable impact of \$21.5 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 as loss ratios return to pre-pandemic levels.

The year-end 2022 operating deficit is expected to be \$46.5 million with loss ratios slightly below The Outlook. Expense allowance, driven mainly from written premium, is expected to be above The Outlook, resulting in combined ratios which are in line with The Outlook.

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

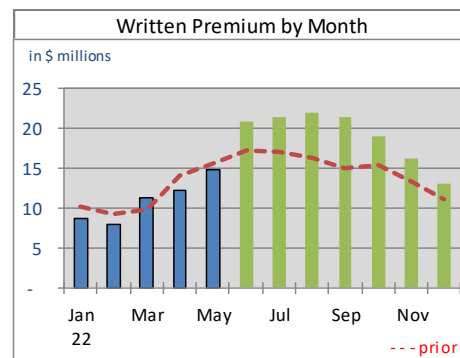
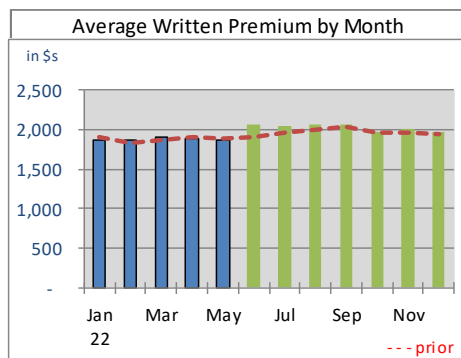
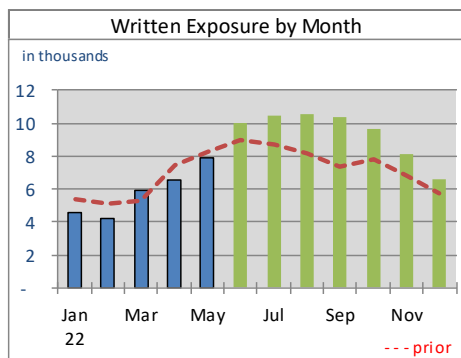
### AB-N RSP Summary of Financial Results

| AB Non-Grid RSP 2022 Summary<br>Amounts in \$000s | Actual<br>(May 2022) | Projection<br>(May 2022) | Prior Year<br>(May 2021) | 2022 year-to-date<br>as at 5 months | 2021 year-to-date<br>as at 5 months | 2022 year-end<br>Projection | Outlook*<br>Full year 2022 | 2021 year-end<br>Actual |
|---|----------------------|--------------------------|--------------------------|-------------------------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Premium Written                                   | 14,704               | 17,778                   | 15,470                   | 54,776                              | 58,913                              | 188,475                     | 223,687                    | 164,175                 |
| Premium Earned                                    | 13,453               | 14,923                   | 10,996                   | 65,555                              | 51,027                              | 167,086                     | 198,176                    | 139,520                 |
| Incurred Losses                                   | 14,144               | 15,699                   | 6,370                    | 63,699                              | 36,391                              | 167,529                     | 200,502                    | 95,850                  |
| Underwriting & Admin Expense                      | 2,198                | 6,013                    | 4,505                    | 15,082                              | 13,080                              | 63,020                      | 76,102                     | 53,463                  |
| Expense allowance                                 | 4,382                | 5,298                    | 4,687                    | 16,321                              | 17,848                              | 56,164                      | 66,658                     | 49,743                  |
| Premium Deficiency / (DPAC)                       | (2,284)              | 541                      | (275)                    | (1,743)                             | (5,213)                             | 5,012                       | 7,251                      | 2,409                   |
| Administrative Expenses                           | 100                  | 174                      | 93                       | 504                                 | 445                                 | 1,844                       | 2,193                      | 1,311                   |
| <b>Net Result from Operations</b>                 | <b>(2,889)</b>       | <b>(6,789)</b>           | <b>121</b>               | <b>(13,226)</b>                     | <b>1,556</b>                        | <b>(63,463)</b>             | <b>(78,428)</b>            | <b>(9,793)</b>          |
| <b>Ratios:</b>                                    |                      |                          |                          |                                     |                                     |                             |                            |                         |
| Loss ratio - Prior Accident Years                 | 16.6%                | (2.3%)                   | (28.5%)                  | (7.0%)                              | (25.6%)                             | (3.8%)                      | (2.6%)                     | (17.9%)                 |
| - Current Accident Year                           | 88.6%                | 107.5%                   | 86.4%                    | 104.2%                              | 96.9%                               | 104.0%                      | 103.8%                     | 86.6%                   |
| Total   | <b>105.2%</b>        | <b>105.2%</b>            | <b>57.9%</b>             | <b>97.2%</b>                        | <b>71.3%</b>                        | <b>100.2%</b>               | <b>101.2%</b>              | <b>68.7%</b>            |
| Underwriting & Admin Expense                      | <b>16.3%</b>         | <b>40.3%</b>             | <b>41.0%</b>             | <b>23.0%</b>                        | <b>25.6%</b>                        | <b>37.7%</b>                | <b>38.4%</b>               | <b>38.3%</b>            |
| Expense allowance                                 | 32.6%                | 35.5%                    | 42.6%                    | 24.9%                               | 35.0%                               | 33.6%                       | 33.6%                      | 35.7%                   |
| Premium Deficiency / (DPAC)                       | (17.0%)              | 3.6%                     | (2.5%)                   | (2.7%)                              | (10.2%)                             | 3.0%                        | 3.7%                       | 1.7%                    |
| Administrative Expenses                           | 0.7%                 | 1.2%                     | 0.8%                     | 0.8%                                | 0.9%                                | 1.1%                        | 1.1%                       | 0.9%                    |
| <b>Combined Operating Ratio</b>                   | <b>121.5%</b>        | <b>145.5%</b>            | <b>98.9%</b>             | <b>120.2%</b>                       | <b>96.9%</b>                        | <b>137.9%</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 May 2022 was 7,849 vehicles, which was lower than prior year and projected. Transfer was significantly lower than The Outlook for the month by 2,143.

Average premium in May showed a slight decrease compared with prior year. Premium written was also below prior year and projection.

### Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in May 2022 were \$14.1 million, \$1.6 million lower than projection from last month, while \$7.8 million higher compared with the same month from last year. This variance from projection was partly driven by the 2022 Q1 valuation being implemented in the month, generating an unfavourable impact of \$0.2 million on the year-to-date losses. For more information on the valuation impact please refer to the Actuarial Highlights.

**ABNG RSP Summary of 2022 Q1 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)         | 2,652  | 19.7%                         | 1.9%                        | 3,230  | 1.9%                              |
| CAY (2022)                  | (2,430)  | (18.1%)                       | (1.7%)                      | (6,329)  | (3.8%)                            |
| <b>PAYs &amp; CAY</b>       | <b>222</b>                                     | <b>1.6%</b>                   | <b>0.2%</b>                 | <b>(3,099)</b>                                 | <b>(1.9%)</b>                     |
| Premium Deficiency / (DPAC) | (2,637)  | (19.6%)                       | (1.9%)                      | (2,829)  | (1.7%)                            |
| <b>Total</b>                | <b>(2,415)</b>                                 | <b>(18.0%)</b>                | <b>(1.7%)</b>               | <b>(5,928)</b>                                 | <b>(3.5%)</b>                     |

Loss ratio was at 105.2% which was in line with projected, and 47.3 percentage points above prior year.

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

Expenses for May 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 \$2.3 million compared to projected premium deficiency of \$0.5 million and prior year DPAC of \$0.3 million.
- Administrative Expense: \$0.1 million for May 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 Q1 valuation assumption which generated an estimated favourable impact of \$5.9 million on the full year results.

Compared with The Outlook released in December 2021, written premium had reduced by \$35.2 million to \$188.5 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 \$63.5 million, \$15.0 million below The Outlook, and the combined operating ratio is 137.9%, 1.7 percentage points below The Outlook.

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](#)

\* 05 month ended May 2022 (discounted basis)

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

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

Alberta Non-Grid RSP:

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

\*05 month ended May 2022 (discounted basis)

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

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