

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022-026

DATE: April 28, 2022

SUBJECT: Alberta Risk Sharing Pools – March 2022 Operational Report

A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.

Please be advised that the March 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 March 2022 premium written for the month*** was \$27.7 million, higher than prior year by \$13.9 million. The ***2022 year-to-date premium written*** was \$32.1 million higher than prior year;
- (b) The ***Alberta Grid 2022 March 2022 net operating deficit*** was \$0.4 million, and the ***2022 year-to-date operating results deficit*** was \$5.9 million; and
- (c) The ***Alberta Grid March 2022 combined operating ratio*** was 101.7%, higher than prior year by 154.5 percentage points. The ***2022 year-to-date combined operation ratio*** was 110.2%, higher than prior year by 55.4 percentage points.
- (d) The implementation of the ***2021 Q4 valuation***, generated ***\$3.5 million favourable impact*** for the month, decreasing the COR by 16.6 percentage points.

Alberta Non-Grid

- (a) The ***Alberta Non-Grid March 2022 premium written for the month*** was \$11.4 million, higher than prior year by \$1.5 million. The ***2022 year-to-date premium written*** was \$1.5 million lower than prior year;
- (b) The ***Alberta Non-Grid 2022 March 2022 net operating deficit*** was \$1.1 million, and the ***2022 year-to-date operating results deficit*** was \$5.9 million; and
- (c) The ***Alberta Non-Grid March 2022 combined operating ratio*** was 108.1%, higher than prior year by 119.5 percentage points. The ***2022 year-to-date combined operation ratio*** was 115.2%, higher than prior year by 32.8 percentage points.
- (d) The implementation of the ***2021 Q4 valuation***, generated ***\$2.3 million favourable impact*** for the month, decreasing the COR by 17.5 percentage points.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

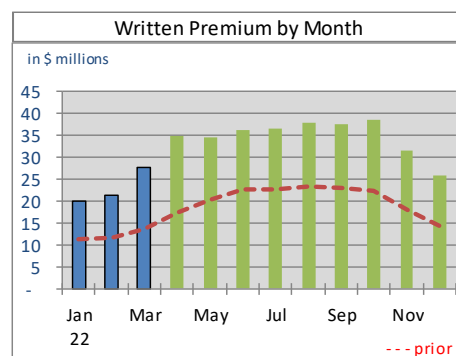
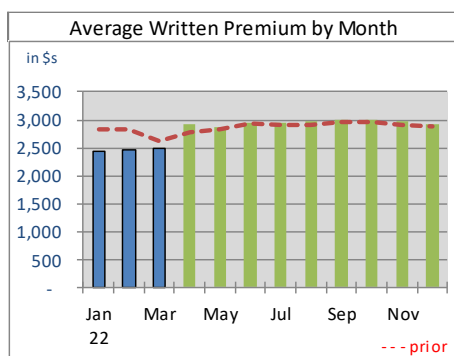
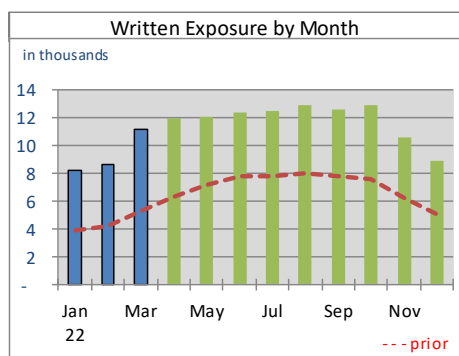
AB Grid RSP 2022 Summary Amounts in \$000s	Actual (March 2022)	Projection (March 2022)	Prior Year (March 2021)	2022 year-to-date as at 3 months	2021 year-to-date as at 3 months	2022 year-end Projection	Outlook* Full year 2022
Premium Written	27,662	27,985	13,718	68,634	36,561	381,877	296,273
Premium Earned	20,871	22,808	14,873	57,839	44,827	293,295	262,801
Incurred Losses	9,524	19,034	(5,233)	40,003	19,077	243,875	211,834
Underwriting & Admin Expense	11,711	8,085	(2,617)	23,742	5,462	119,658	94,465
Expense allowance	8,241	8,339	4,155	20,447	11,077	113,792	88,293
Premium Deficiency / (DPAC)	3,371	(354)	(6,872)	3,026	(5,861)	3,561	4,278
Administrative Expenses	99	100	100	269	247	2,305	1,894
Net Result from Operations	(364)	(4,390)	22,723	(5,906)	20,288	(70,238)	(43,498)
Ratios:							
Loss ratio - Prior Accident Years	(48.9%)	(2.7%)	(101.3%)	(20.8%)	(38.1%)	(5.8%)	(2.9%)
- Current Accident Year	94.5%	86.1%	66.0%	90.0%	80.7%	89.0%	83.5%
Total	45.6%	83.4%	(35.3%)	69.2%	42.6%	83.2%	80.6%
Underwriting & Admin Expense	56.1%	35.7%	(17.6%)	41.0%	12.2%	40.8%	35.9%
Expense allowance	39.5%	36.6%	27.9%	35.4%	24.7%	38.8%	33.6%
Premium Deficiency / (DPAC)	16.2%	(1.6%)	(46.2%)	5.2%	(13.1%)	1.2%	1.6%
Administrative Expenses	0.5%	0.4%	0.7%	0.5%	0.6%	0.8%	0.7%
Combined Operating Ratio	101.7%	119.1%	(52.8%)	110.2%	54.8%	124.0%	116.5%

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 March 2022 was 11,137 vehicles, which was higher than prior year as expected, due to introduction of the DCPD but also grid rates changes implemented in January 2022. The transfer was higher than the Outlook as members review their ceding strategies.

The March average premium was slightly below prior year. Premium written was above prior year and projection primarily driven by the increase in vehicle counts transferred to the pool.

Incurred Losses (Alberta Grid RSP)

Incurred losses in March 2022 were \$9.5 million, \$9.5 million lower than our projection and \$14.8 million higher compared with the same month from last year. This variance from projection was largely driven by the 2021 Q4 valuation being implemented in the month, generating a favourable impact of \$7.4 million on the year-to-date losses. This impact is mainly driven by lower than expected claims cost 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 2021 Q4 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
Alberta Grid					
PAYs (2021 & prior)	(9,300)	(44.5%)	(15.7%)	(8,954)	(3.1%)
CAY (2022)	1,861	8.9%	3.1%	9,263	3.2%
PAYs & CAY	(7,439)	(35.6%)	(12.6%)	309	0.1%
Premium Deficiency / (DPAC)	3,977	19.0%	6.7%	4,132	1.4%
Total	(3,462)	(16.6%)	(5.8%)	4,441	1.5%

Loss ratio was at 45.6% which was 37.8 percentage points below projection, and 80.9 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 March 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 \$3.4 million for March 2022 compared to projected DPAC at \$0.4 million and prior year DPAC at \$6.9 million.
- Administrative Expense: \$0.1 million for March 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 2021 Q4 valuation assumptions; the impact generated an estimated unfavourable impact of \$4.4 million on the full year results.

Compared with The Outlook released in December 2022, written premium is expected to increase as the economy is opening up and loss ratios return to pre-pandemic levels.

The year-end 2022 operating deficit is expected to be \$70.2 million with loss ratios slightly above The Outlook. Expense ratios, driven mainly from written premium, are expected to be above The Outlook as well as higher Premium Deficiency which is driving the increase in combined ratios due to 2021 Q4 valuation impact.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of Financial Results

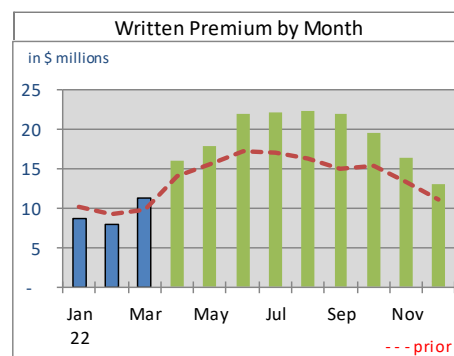
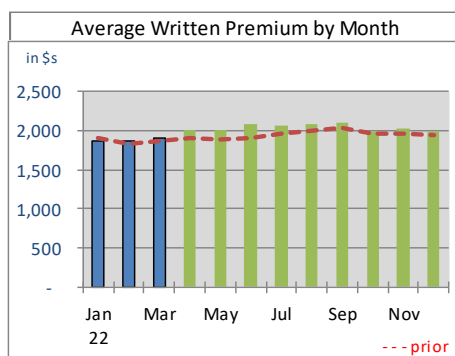
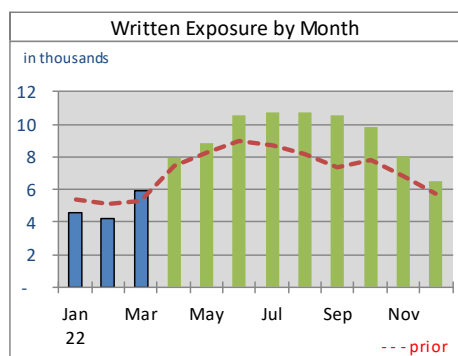
AB Non-Grid RSP 2022 Summary Amounts in \$000s	Actual (March 2022)	Projection (March 2022)	Prior Year (March 2021)	2022 year-to-date as at 3 months	2021 year-to-date as at 3 months	2022 year-end Projection	Outlook* Full year 2022
Premium Written	11,350	15,158	9,834	27,833	29,356	198,914	223,687
Premium Earned	13,408	14,514	10,159	39,081	29,766	172,958	198,176
Incurred Losses	9,998	14,910	928	36,016	20,518	176,936	200,502
Underwriting & Admin Expense	4,491	4,863	(2,078)	9,003	4,020	69,681	76,102
Expense allowance	3,382	4,517	2,979	8,292	8,893	59,275	66,658
Premium Deficiency / (DPAC)	1,010	197	(5,157)	442	(5,120)	8,429	7,251
Administrative Expenses	99	149	100	269	247	1,977	2,193
Net Result from Operations	(1,081)	(5,259)	11,309	(5,938)	5,228	(73,659)	(78,428)
Ratios:							
Loss ratio - Prior Accident Years	(35.0%)	(3.6%)	(72.4%)	(16.4%)	(31.5%)	(5.4%)	(2.6%)
- Current Accident Year	109.6%	106.4%	81.5%	108.6%	100.4%	107.7%	103.8%
Total	74.6%	102.8%	9.1%	92.2%	68.9%	102.3%	101.2%
Underwriting & Admin Expense	33.5%	33.5%	(20.5%)	23.0%	13.5%	40.3%	38.4%
Expense allowance	25.2%	31.1%	29.3%	21.2%	29.9%	34.3%	33.6%
Premium Deficiency / (DPAC)	7.5%	1.4%	(50.8%)	1.1%	(17.2%)	4.9%	3.7%
Administrative Expenses	0.7%	1.0%	1.0%	0.7%	0.8%	1.1%	1.1%
Combined Operating Ratio	108.1%	136.3%	(11.4%)	115.2%	82.4%	142.6%	139.6%

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 Outlook to year end are:



The vehicle count transfer for March 2022 was 5,931 vehicles, which was higher than prior year, however lower than projected. The Outlook assumed with the amendment of the member transfer limit from 4% to 5%, the vehicles transferred would increase, however this has not been reflected in the vehicles transferred into the pool yet. The increase in the use of the Grid pool could (partially) explain these results. Indeed, it is our understanding that more risks are being grid rated.

Average premium in March showed a slight increase compared with prior year. Premium written was also above prior year and lower than projection.

Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in March 2022 were \$10.0 million, \$4.9 million lower than projection from last month, while \$9.1 million higher compared with the same month from last year. This variance from projection was largely

driven by the 2021 Q4 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 lower than expected claims cost 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.

ABNG RSP Summary of 2021 Q4 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
Alberta non-Grid					
PAYs (2021 & prior)	(3,996)	(29.8%)	(10.0%)	(3,833)	(2.2%)
CAY (2022)	614	4.6%	1.5%	2,661	1.5%
PAYs & CAY	(3,382)	(25.2%)	(8.5%)	(1,172)	(0.7%)
Premium Deficiency / (DPAC)	1,034	7.7%	2.6%	1,295	0.7%
Total	(2,348)	(17.5%)	(5.9%)	123	0.1%

Loss ratio was at 74.6% which was 28.2 percentage points below projection, and 65.5 percentage points above prior year.

Underwriting and Admin Expenses (Alberta Non-Grid RSP)

Expenses for March 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 \$1.0 million compared to projected premium deficiency of \$0.2 million and prior year DPAC of \$5.2 million.
- Administrative Expense: \$0.1 million for March 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 2021 Q4 valuation assumptions; marginal impact generated on the full year results.

Compared with The Outlook released in December 2021, written premium had reduced by \$24.8 million to \$198.9 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 \$73.7 million, \$4.8 million above The Outlook, and the combined operating ratio is 142.6%, 3.0 percentage points above 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](#)

* 03 month ended March 2022 (discounted basis)

[Alberta Grid RSP March 2022 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](#)

*03 month ended March 2022 (discounted basis)

[Alberta Non-Grid RSP March 2022 Operational Report – Actuarial Highlights](#)

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