

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022-004

DATE: January 28, 2022

SUBJECT: Alberta Risk Sharing Pools – December 2021 Operational Report

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

Please be advised that the December 2021 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 December 2021 premium written for the month was \$14.4 million***, higher than prior year by \$1.7 million. The ***2021 year-to-date premium written*** was \$38.2 million higher than prior year;
- (b) The ***Alberta Grid 2021 December 2021 net operating deficit was \$1.5 million***, and the ***2021 year-to-date operating results surplus was \$34.3 million***; and
- (c) The ***Alberta Grid December 2021 combined operating ratio*** was 108.2%, in line with prior year. The ***2021 year-to-date combined operation ratio*** was 82.9%, lower than prior year by 10.6 percentage points.

Alberta Non-Grid

- (a) The ***Alberta Non-Grid December 2021 premium written for the month was \$11.1 million***, higher than prior year by \$3.1 million. The ***2021 year-to-date premium written*** was \$42.8 million higher than prior year;
- (b) The ***Alberta Non-Grid 2021 December 2021 net operating deficit was \$3.6 million***, and the ***2021 year-to-date operating results surplus was \$35.4 million***; and
- (c) The ***Alberta Non-Grid December 2021 combined operating ratio*** was 126.1%, higher than prior year by 3.8 percentage points. The ***2021 year-to-date combined operation ratio*** was 107.0%, lower than prior year by 20.0 percentage points.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

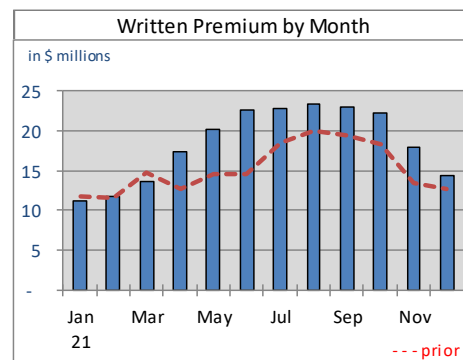
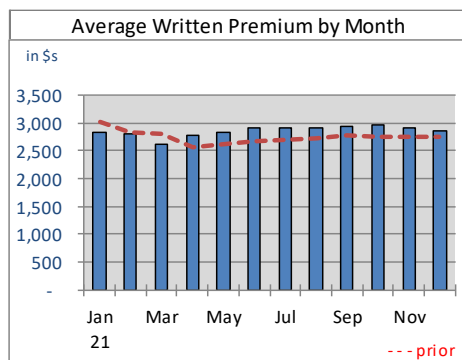
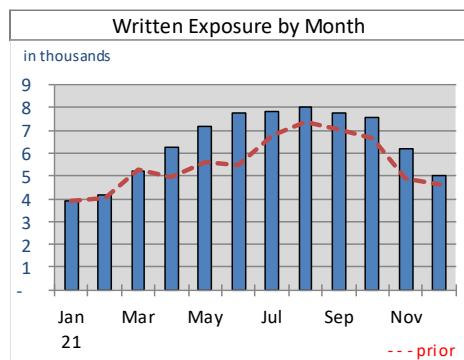
AB Grid RSP 2022 Summary Amounts in \$000s	Actual (December 2021)	Projection (December 2021)	Prior Year (December 2020)	2021 year-to-date as at 12 months	2020 year-to-date as at 12 months	Outlook* Full year 2021
Premium Written	14,386	19,792	12,711	220,612	182,442	226,211
Premium Earned	18,866	18,901	16,046	200,881	195,873	215,472
Incurred Losses	12,531	12,838	11,553	101,042	135,766	175,122
Underwriting & Admin Expense	7,877	8,730	5,793	65,470	47,337	72,927
Expense allowance	4,359	5,997	3,864	66,844	55,469	68,768
Premium Deficiency / (DPAC)	3,330	2,616	1,796	(2,679)	(9,398)	2,667
Administrative Expenses	188	117	134	1,305	1,267	1,492
Net Result from Operations	(1,542)	(2,681)	(1,300)	34,369	12,770	(32,577)
Ratios:						
Loss ratio - Prior Accident Years	(3.3%)	(2.8%)	(3.9%)	(20.6%)	(7.9%)	(4.6%)
- Current Accident Year	69.7%	70.7%	75.9%	70.9%	77.2%	85.9%
Total	66.4%	67.9%	72.0%	50.3%	69.3%	81.3%
Underwriting & Admin Expense	41.8%	46.3%	36.1%	32.6%	24.2%	33.8%
Combined Operating Ratio	108.2%	114.2%	108.1%	82.9%	93.5%	115.1%

rounding differences may occur

*as posted to FA's website Nov. 18, 2020

Premium (Alberta Grid RSP)

The premium drivers compared to prior year and outlook to year end are:



The vehicle count transfer December 2021 was 5,011 vehicles, which was higher than prior year, while actuals came in lower than projected. The year end was still higher than prior year due to the increase in vehicle transfers seen in the earlier part of the year.

The December average premium was slightly above prior year. Premium written was also above prior year while below projection primarily driven by the change in vehicle counts transferred to the pool.

Incurred Losses (Alberta Grid RSP)

Incurred losses in December 2021 were \$12.5 million, \$0.3 million lower than our projection from last month, and \$1.0 million higher compared with the same month from last year.

Year to date loss ratio 50.3 percentage points which was below prior year by 19.0 percentage points and below the outlook by 31.0 percentage points. Current accident year loss ratios was below prior year by 6.3 percentage

points, while compared to outlook is down 15.0 percentage points. Prior accident year's loss ratio was below prior years by 16.0 percentage points, while compared with outlook in down 15.0 percentage points. This favorable development in both current year and prior year as the impact of the pandemic and frequencies continues.

Underwriting and Admin Expenses (Alberta Grid RSP)

Expenses for December 2021 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 \$3.3 million for December 2021 compared to projection with \$2.6 million and prior year DPAC at \$1.8 million.
- Administrative Expense: \$0.2 million for December 2021, consistent with projection and prior year.

Expense ratios for the month and year-to-date were higher than prior year primarily due to the increase in expense allowance driven by written premium increase.

Year-End 2021 (Alberta Grid RSP)

The 2021 year-to-date written premium is below the Outlook by \$5.6 million and above prior year by \$38.2 million. Earned premium is below Outlook by \$14.6 million and above prior year by \$5.0 million.

The year-to-date loss ratio of 50.3% is below prior year. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher compared to the year-to-date.

The year-to-date expense ratio is in line with the Outlook. Expense allowance and DPAC are slightly lower compared to outlook.

The year-to-date operating surplus was \$34.4 million compared to a surplus of \$12.8 million in prior year. The Outlook had expected a deficit of \$32.6 million.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of Financial Results

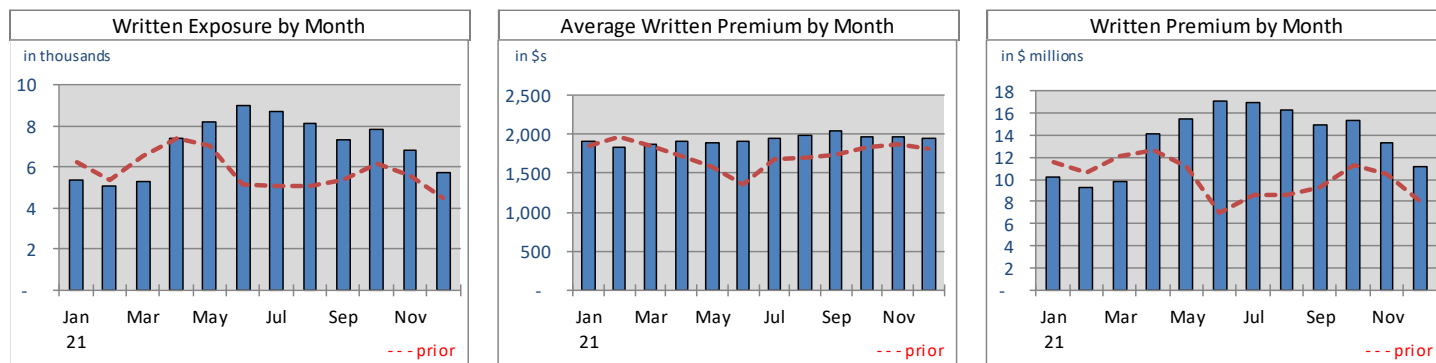
AB Non-Grid RSP 2022 Summary Amounts in \$000s	Actual (December 2021)	Projection (December 2021)	Prior Year (December 2020)	2021 year-to-date as at 12 months	2020 year-to-date as at 12 months	Outlook* Full year 2021
Premium Written	11,161	13,331	8,099	164,175	121,403	158,767
Premium Earned	13,604	13,499	10,164	139,519	123,890	161,091
Incurred Losses	11,254	11,229	10,033	95,850	124,821	164,159
Underwriting & Admin Expense	5,904	6,683	2,403	53,462	32,551	52,728
Expense allowance	3,382	4,040	2,462	49,743	36,903	48,265
Premium Deficiency / (DPAC)	2,333	2,507	(193)	2,409	(5,629)	2,842
Administrative Expenses	189	136	134	1,310	1,277	1,621
Net Result from Operations	(3,554)	(4,413)	(2,272)	(9,793)	(33,482)	(55,796)
Ratios:						
Loss ratio - Prior Accident Years	(1.6%)	(2.6%)	(5.9%)	(17.9%)	(4.7%)	(3.6%)
- Current Accident Year	84.3%	85.8%	104.6%	86.6%	105.4%	105.5%
Total	82.7%	83.2%	98.7%	68.7%	100.7%	101.9%
Underwriting & Admin Expense	43.4%	49.5%	23.6%	38.3%	26.3%	32.7%
Combined Operating Ratio	126.1%	132.7%	122.3%	107.0%	127.0%	134.6%

rounding differences may occur

*as posted to FA's website Nov. 18, 2020

Premium (Alberta Non-Grid RSP)

The premium drivers compared to prior year and outlook to year end are:



The vehicle count transfer for December 2021 was 5,732 vehicles, which was higher than prior year while actuals came in lower than projected. The year end was still higher than prior year due to the increase in vehicle transfers seen in the earlier part of the year.

Average premium in December showed an increase compared with prior year. Premium written was also above prior year and projection, primarily driven by the increase in vehicles transferred to the pool.

Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in December 2021 were \$11.3 million, in line with our projection from last month, and \$1.2 million higher compared with the same month from last year.

Year to date loss ratio 68.7% which was above prior year by 32.0 percentage points but below the outlook by 33.2 percentage points. Current accident year loss ratios was below prior year by 18.8 percentage points, while

compared to outlook is down 18.9 percentage points. Prior accident year's loss ratio was below prior years by 13.2 percentage points, while compared with outlook in down 14.3 percentage points. This favorable development in both current year and prior year as the impact of the pandemic and frequencies continues.

Losses year to date continue to be below prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses (Alberta Non-Grid RSP)

Expenses for December 2021 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 \$2.3 million compared to projected \$2.5 million and prior year DPAC of \$0.2 million.
- Administrative Expense: \$0.1 million for December 2021, fairly consistent with projection and prior year.

Expense ratio for the month and year-to-date were higher than prior year primarily due to the increase in expense allowance driven by written premium increase.

Year-End 2021 (Alberta Non-Grid RSP)

The 2021 year-to-date written premium is higher than the Outlook by \$5.4 million and above prior year by \$42.8 million. Earned premium is below Outlook by \$21.6 million and above prior year by \$15.6 million. This is due to the increase in premium written.

The year-to-date loss ratio of 68.7% is below prior year. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher compared to the year-to-date.

The year-to-date expense ratio has increased from the Outlook mainly due to impact of an increase in Expense allowance.

The year-to-date operating deficit was \$9.8 million compared to a deficit of \$33.5 million in prior year. The Outlook had expected a deficit of \$55.8 million.

Should you require any further information, please call Sheetal Savani, VP Finance, Compliance and CFO at (416) 863-1750 x5626.

Saskia Matheson
President & CEO

Related Links:

Alberta Grid RSP:

[Alberta Grid RSP Summary of Operations - Calendar Year 2021](#)

* 12 months ended December 2021 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP Summary of Operations - Calendar Year 2021](#)

*12 months ended December 2021 (discounted basis)