

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-101

DATE: December 24, 2021

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 November 2021 Alberta Risk Sharing Pools Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **Alberta Grid November 2021 premium written for the month was \$17.9 million**, higher than prior year by \$4.5 million;
- (b) The **Alberta Non-Grid November 2021 premium written for the month was \$13 million**, higher than prior year by \$2 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$36 million**, with the \$1.8 million in deficit generated in November, resulting in a COR of 80.3% on earned premium of \$182 million;
- (d) The **Alberta Non-Grid 2021 year-to-date net operating deficit was \$6.1 million**, with \$4.1 million of the deficit generated in November, resulting in a COR of 104.9% on earned premium of \$126 million.

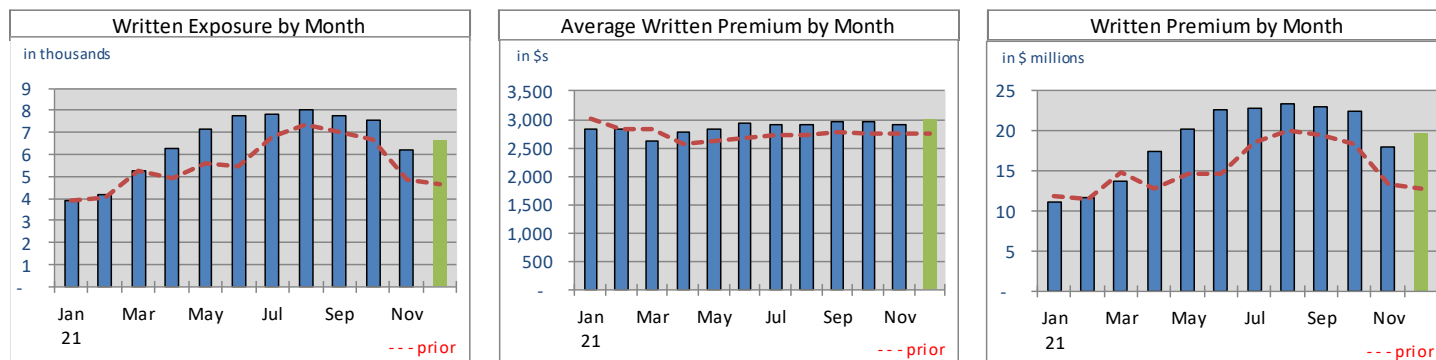
Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

AB Grid RSP 2021 Summary Amounts in \$000s	Actual (November 2021)	Projection (November 2021)	Prior Year (November 2020)	2021 year-to-date as at 11 months	2020 year-to-date as at 11 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	17,990	21,951	13,393	206,227	169,731	226,019	226,211
Premium Earned	18,109	19,217	15,613	182,015	179,827	200,916	215,472
Incurred Losses	11,951	12,979	11,083	88,511	124,213	101,350	175,122
Underwriting & Admin Expense	7,994	8,895	5,691	57,504	41,544	66,359	72,927
Expense allowance	5,451	6,651	4,077	62,485	51,605	68,482	68,768
Premium Deficiency / (DPAC)	2,405	2,182	1,553	(6,009)	(11,193)	(3,393)	2,667
Administrative Expenses	138	62	62	1,028	1,133	1,270	1,492
Net Result from Operations	(1,836)	(2,740)	(1,161)	36,000	14,070	33,207	(32,577)
Ratios:							
Loss ratio - Prior Accident Years	(3.9%)	(2.7%)	(7.2%)	(22.4%)	(8.2%)	(20.6%)	(4.6%)
- Current Accident Year	69.9%	70.3%	78.2%	71.1%	77.3%	71.0%	85.9%
Total	66.0%	67.6%	71.0%	48.7%	69.1%	50.4%	81.3%
Underwriting & Admin Expense	44.1%	46.7%	36.4%	31.6%	23.1%	33.0%	33.8%
Combined Operating Ratio	110.1%	114.3%	107.4%	80.3%	92.2%	83.4%	115.1%

Premium (Alberta Grid RSP)

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



November's vehicle count transfer was 6,176 vehicles, representing a 26.9% increase compared with prior year, and counts were up 15.9% year-to-date. The projection anticipated an increase of 1,624 vehicles, however actual came in 328 lower than projected, driven primarily by two member company group transferring lower than their projection.

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 November 2021 were \$10.6 million, \$0.4 million lower than our projection from last month, and \$0.3 million higher compared with the same month from last year.

Reported losses in November 2021 were \$0.2 million lower than projected. The Current Accident Year had a \$0.8 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.5 million favourable variance. 2019 had a \$1.8 million unfavourable variance to projected losses. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

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 Grid RSP)

Expenses for November 2021 include,

- Expense Allowance: \$5.5 million for November 2021 compared to projection at \$6.5 million and prior year at \$4 million. The allowance is approximately 30% of written premium. Decrease from projection are consistent with decrease in written premium.
- Premium deficiency / (DPAC): Premium Deficiency of \$2.4 million for November 2021 compared to projection with \$2.1 million and prior year DPAC at \$1.5 million.
- Administrative Expense: \$0.1 million for November 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.

Projection to year-end 2021 (Alberta Grid RSP)

Compared with the Outlook released in November 2020, written premium has decreased by \$0.2 million to \$226.0 million primarily driven by the updated premium projections received from the main users of the Alberta Grid Risk Sharing Pool. Projected earned premium is reduced by \$14.5 million to \$201.0 million due to the decrease in prior year written premium.

The updated year-end 2021 operating surplus is now \$36 million and the combined operating ratio is 80.3%. The improvement of \$65.8 million in operating result and 31.7 percentage points in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption with reduced loss ratios.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of Financial Results

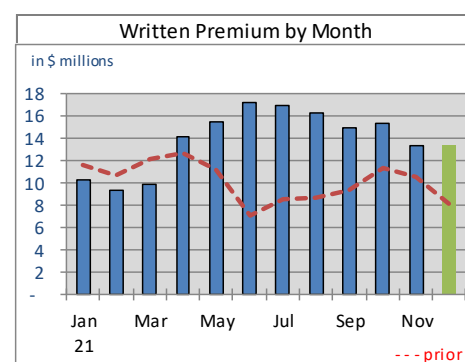
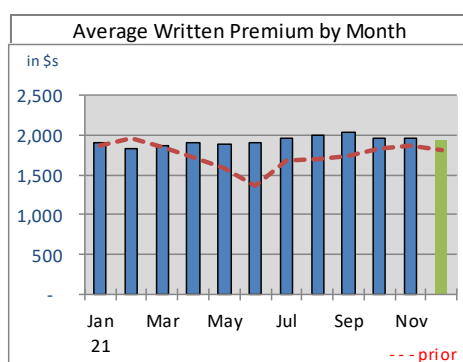
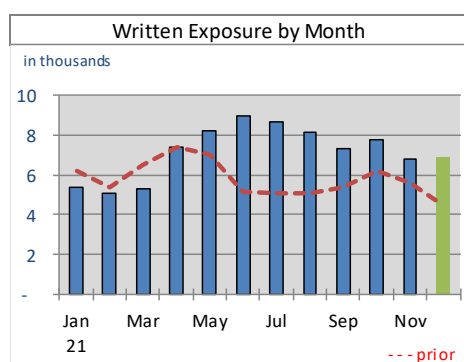
AB Non-Grid RSP 2021 Summary	Actual	Projection	Prior Year	2021 year-to-date	2020 year-to-date	2021 year-end	Outlook*
Amounts in \$000s	(November 2021)	(November 2021)	(November 2020)	as at 11 months	as at 11 months	Projection	Full year 2021
Premium Written	13,359	15,758	10,504	153,014	113,304	166,345	158,767
Premium Earned	12,854	13,036	10,225	125,915	113,726	139,415	161,091
Incurred Losses	10,589	11,042	10,248	84,596	114,788	95,825	164,159
Underwriting & Admin Expense	6,403	7,271	3,204	47,469	30,148	54,276	52,728
Expense allowance	4,049	4,775	3,193	46,361	34,441	50,401	48,265
Premium Deficiency / (DPAC)	2,216	2,335	(52)	76	(5,436)	2,583	2,842
Administrative Expenses	138	161	63	1,032	1,143	1,292	1,621
Net Result from Operations	(4,138)	(5,277)	(3,227)	(6,150)	(31,210)	(10,686)	(55,796)
Ratios:							
Loss ratio - Prior Accident Years	(2.5%)	(2.2%)	(5.0%)	(19.7%)	(4.5%)	(18.1%)	(3.6%)
- Current Accident Year	84.9%	86.9%	105.2%	86.9%	105.5%	86.8%	105.5%
Total	82.4%	84.7%	100.2%	67.2%	101.0%	68.7%	101.9%
Underwriting & Admin Expense	49.8%	55.8%	31.3%	37.7%	26.5%	38.9%	32.7%
Combined Operating Ratio	132.2%	140.5%	131.5%	104.9%	127.5%	107.6%	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:



November's vehicle count transfer was 6,804 vehicles, representing a 21.5% increase compared with prior year, and year-to-date counts were up 21.9%. The projection for November from prior month anticipated an increase of 2,485 vehicles, however actual came in 1,281 lower than projected, driven primarily by three member

company groups transferring lower than their projections.

Average premium in November 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 November 2021 were \$10.6 million, \$0.5 million lower than our projection from last month, and \$0.3 million higher compared with the same month from last year.

Reported losses in November 2021 were \$2.5 million higher than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$2.5 million unfavourable variance. 2020 had a \$1.1 million unfavourable variance to projected loss. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

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 November 2021 include,

- Expense Allowances: \$4.0 million for November 2021 compared to projection at \$4.7 million and prior year at \$3.2 million. The allowance is approximately 30% of written premium. Increases from projection and prior year are consistent with increases in written premium.
- Premium Deficiency / (DPAC): Premium Deficiency of \$2.2 million compared to projected \$2.3 million and prior year DPAC of \$0.5 million.
- Administrative Expense: \$0.1 million for November 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.

Projection to year-end 2021 (Alberta Non-Grid RSP)

Compared with the Outlook released in November 2020, written premium has increased by \$7.5 million to \$166.4 million primarily driven by the increase in premium year to date as well as the updated premium projections received from the main users of the Alberta Non-Grid Risk Sharing Pool. However, projected earned premium is reduced by \$21.7 million to \$139.4 million due to the decrease in prior year written premium.

The updated year-end 2021 operating deficit is now \$10.7 million and the combined operating ratio is 107.6%. The improvement of \$45.1 million in operating result and 27 percentage points in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption with reduced loss ratios.

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](#)

* 11 months ended November 2021 (discounted basis)

Alberta Non-Grid RSP:

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

*11 months ended November 2021 (discounted basis)