

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-082

DATE: October 28, 2021

SUBJECT: Alberta Risk Sharing Pools – September 2021 Operational Report

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

Please be advised that the September 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 September 2021 premium written for the month was \$23 million**, higher than prior year by \$3 million;
- (b) The **Alberta Non-Grid September 2021 premium written for the month was \$15 million**, higher than prior year by \$6 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$38.2 million**, with the \$2.4 million in deficit generated in September, resulting in a COR of 73.7% on earned premium of \$145 million; and
- (d) The **Alberta Non-Grid 2021 year-to-date net operating surplus was \$1.4 million**, with \$4.2 million in deficit generated in September, resulting in a COR of 98.6% on earned premium of \$100 million.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

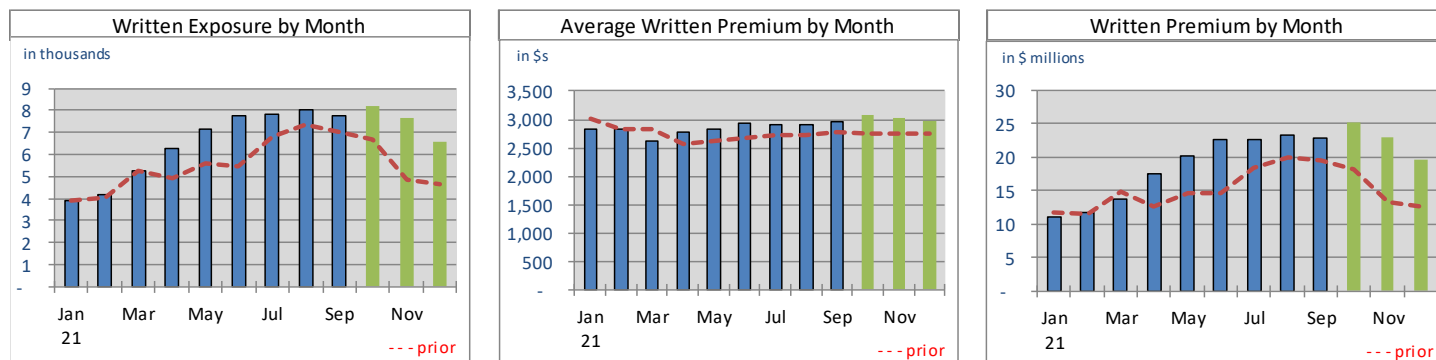
AB Grid RSP 2021 Summary Amounts in \$000s	Actual (September 2021)	Projection (September 2021)	Prior Year (September 2020)	2021 year-to-date as at 9 months	2020 year-to-date as at 9 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	22,922	25,717	19,453	165,893	138,042	233,755	226,211
Premium Earned	17,610	20,325	15,964	145,405	147,640	201,596	215,472
Incurred Losses	12,058	14,069	12,670	65,485	109,155	103,527	175,122
Underwriting & Admin Expense	7,902	8,998	5,881	41,746	33,516	67,964	72,927
Expense allowance	6,945	7,792	5,913	50,264	41,967	70,827	68,768
Premium Deficiency / (DPAC)	832	1,105	(133)	(9,408)	(9,348)	(4,186)	2,667
Administrative Expenses	125	101	101	890	898	1,323	1,492
Net Result from Operations	(2,350)	(2,810)	(2,587)	38,174	4,969	30,105	(32,577)
Ratios:							
Loss ratio - Prior Accident Years	(2.6%)	(2.3%)	(3.6%)	(27.4%)	(10.3%)	(20.6%)	(4.6%)
- Current Accident Year	71.1%	71.5%	83.0%	72.4%	84.2%	71.9%	85.9%
Total	68.5%	69.2%	79.4%	45.0%	73.9%	51.3%	81.3%
Underwriting & Admin Expense	44.9%	44.6%	36.8%	28.7%	22.7%	33.7%	33.8%
Combined Operating Ratio	113.4%	113.8%	116.2%	73.7%	96.6%	85.0%	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:



September's vehicle count transfer was 7,771 vehicles, representing a 10.6% increase compared with prior year, and counts were up 15.2% year-to-date. The projection anticipated an increase of 1,530 vehicles, however actual came in 786 lower than projected, driven primarily by three member company groups transferring less than their projections.

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 September 2021 were \$12.1 million, \$2.0 million lower than our projection from last month, and \$0.6 million lower compared with the same month from last year.

Reported losses in September 2021 were \$3.7 million higher than projected. The Current Accident Year had a \$1.2 million unfavourable variance in reported losses, and the Prior Accident Years had a \$2.5 million unfavourable variance. Of all the prior Accident Years, 2018 had the largest variance in reported losses \$1.1 million unfavourable. 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 September 2021 include,

- Expense Allowance: \$6.9 million for September 2021 compared to projection at \$7.8 million and prior year at \$5.9 million. The allowance is approximately 30% of written premium. Changes from projection and prior year were consistent with changes in written premium.
- Premium deficiency / (DPAC): Premium Deficiency of \$0.8 million for September 2021 compared to projection at \$1.1 million and prior year DPAC at \$0.1 million.
- Administrative Expense: \$0.1 million for September 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 increased by \$7.5 million to

\$233.8 million primarily driven by the increase in transferred premium year to date as well as the updated premium projections received from the main users of the Alberta Grid Risk Sharing Pool. However, projected earned premium is reduced by \$13.9 million to \$201.6 million due to the decrease in rolling 12-months transferred premium.

The updated year-end 2021 operating surplus is now \$30.1 million and the combined operating ratio is 85.0%. The improvement of \$62.7 million in operating result and 30.1 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

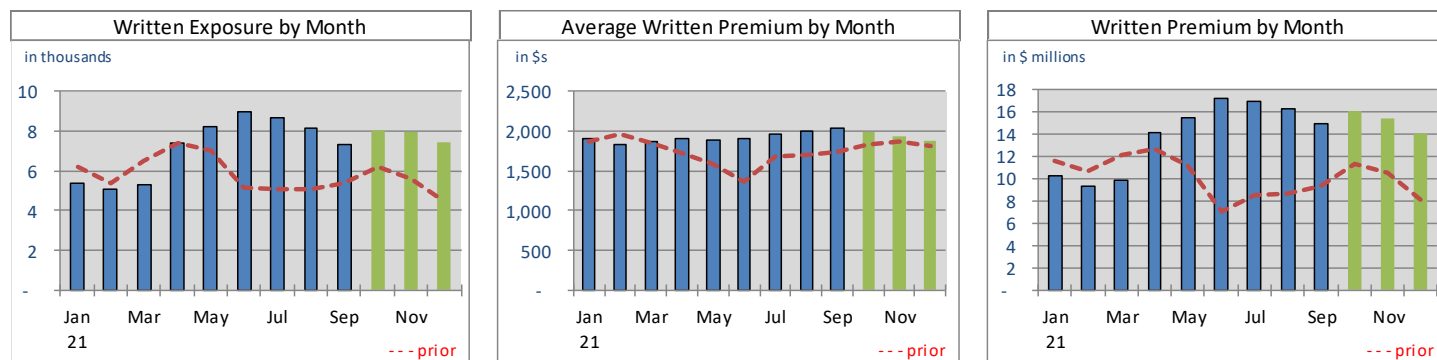
AB Non-Grid RSP 2021 Summary Amounts in \$000s	Actual (September 2021)	Projection (September 2021)	Prior Year (September 2020)	2021 year-to-date as at 9 months	2020 year-to-date as at 9 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	14,957	16,156	9,286	124,267	91,480	169,802	158,767
Premium Earned	12,600	12,187	9,862	99,887	93,157	140,126	161,091
Incurred Losses	10,443	10,350	9,546	63,803	95,730	98,657	164,159
Underwriting & Admin Expense	6,325	6,756	2,800	34,671	25,199	55,670	52,728
Expense allowance	4,532	4,895	2,824	37,650	27,807	51,448	48,265
Premium Deficiency / (DPAC)	1,668	1,697	(125)	(3,873)	(3,516)	2,867	2,842
Administrative Expenses	125	164	101	894	908	1,355	1,621
Net Result from Operations	(4,168)	(4,919)	(2,484)	1,413	(27,772)	(14,201)	(55,796)
Ratios:							
Loss ratio - Prior Accident Years	(3.0%)	(2.4%)	(8.1%)	(24.3%)	(4.7%)	(18.0%)	(3.6%)
- Current Accident Year	85.8%	87.3%	104.9%	88.2%	107.5%	88.4%	105.5%
Total	82.8%	84.9%	96.8%	63.9%	102.8%	70.4%	101.9%
Underwriting & Admin Expense	50.2%	55.4%	28.4%	34.7%	27.1%	39.7%	32.7%
Combined Operating Ratio	133.0%	140.3%	125.2%	98.6%	129.9%	110.1%	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:



September's vehicle count transfer was 7,326 vehicles, representing a 37.1% increase compared with prior year, and year-to-date counts were up 21.4%. The projection for September from prior month anticipated an increase of 2,754 vehicles, however actual came in 773 lower than projected, driven primarily by one member company group transferring higher than their projection.

Average premium in September showed an increase compared with prior year. Premium written was also above

prior year, primarily driven by the increase in vehicles transferred to the pool.

Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in September 2021 were \$10.4 million, in line with our projection from last month, and \$0.9 million higher compared with the same month from last year.

Reported losses in September 2021 were \$2.3 million higher than projected. The Current Accident Year had a \$1.8 million unfavourable variance, and Prior Accident Year had a \$0.5 million unfavourable variance overall. No 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 September 2021 include,

- Expense Allowances: \$4.5 million for September 2021 compared to projection at \$4.9 million and prior year at \$2.8 million. The allowance is approximately 30% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Premium Deficiency / (DPAC): Premium Deficiency of \$1.7 million for September, in line with projection from last month and compared to prior year DPAC of \$0.1 million.
- Administrative Expense: \$0.1 million for September 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 \$11.0 million to \$169.8 million primarily driven by the increase in transferred 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 \$21.0 million to \$140.1 million due to the decrease in rolling 12-months transferred premium.

The updated year-end 2021 operating deficit is now \$14.2 million and the combined operating ratio is 110.1%. The improvement of \$41.6 million in operating result and 24.5 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](#)

*9 months ended September 2021 (discounted basis)

Add highlights

Alberta Non-Grid RSP:

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

*9 months ended September 2021 (discounted basis)