

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2021-076**

**DATE: September 29, 2021**

**SUBJECT: Alberta Risk Sharing Pools – August 2021 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 August 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 August 2021 premium written for the month was \$23 million**, higher than prior year by \$3 million;
- (b) The **Alberta Non-Grid August 2021 premium written for the month was \$16 million**, higher than prior year by \$8 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$41 million**, with the \$22 million in surplus generated in August, resulting in a COR of 68.3% on earned premium of \$128 million;
- (d) The **Alberta Non-Grid 2021 year-to-date net operating surplus was \$6 million**, with \$13 million of the surplus generated in August, resulting in a COR of 93.6% on earned premium of \$87 million; and
- (e) For **Alberta Grid**, the implementation of the **2021 Q2 valuation** generated a **\$25 million favourable impact**, reducing the month COR by 138.7 percentage points; and for **Alberta Non-Grid**, the implementation generated an **\$18 million favourable impact**, reducing the month COR by 140.1 percentage points.

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of Financial Results

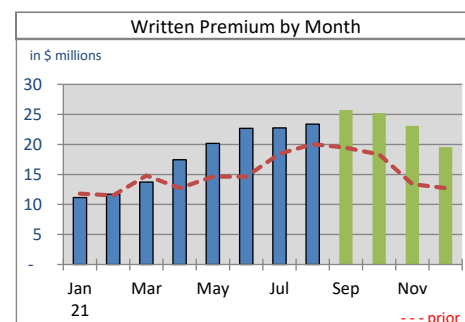
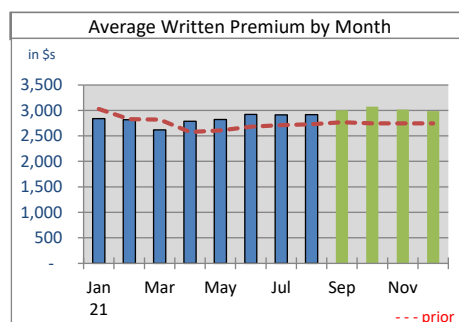
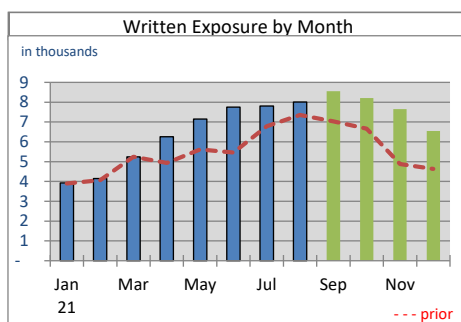
<b>AB Grid RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> (August 2021)	<b>Projection</b> (August 2021)	<b>Prior Year</b> (August 2020)	<b>2021 year-to-date</b> as at 8 months	<b>2020 year-to-date</b> as at 8 months	<b>2021 year-end</b> Projection	<b>Outlook*</b> Full year 2021
Premium Written	23,369	25,917	20,061	142,971	118,589	236,550	226,211
Premium Earned	17,806	21,047	16,473	127,795	131,676	202,324	215,472
Incurred Losses	(9,859)	15,444	5,953	53,427	96,485	103,840	175,122
Underwriting & Admin Expense	5,285	7,950	5,376	33,844	27,635	68,600	72,927
Expense allowance	7,081	7,853	6,098	43,319	36,054	71,674	68,768
Premium Deficiency / (DPAC)	(1,900)	6	(813)	(10,240)	(9,215)	(4,463)	2,667
Administrative Expenses	104	91	91	765	797	1,389	1,492
<b>Net Result from Operations</b>	<b>22,380</b>	<b>(2,427)</b>	<b>5,144</b>	<b>40,524</b>	<b>7,556</b>	<b>29,884</b>	<b>(32,577)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(95.6%)	(2.9%)	(39.1%)	(30.8%)	(11.1%)	(20.6%)	(4.6%)
- Current Accident Year	40.2%	76.3%	75.3%	72.6%	84.4%	71.9%	85.9%
<b>Total</b>	<b>(55.4%)</b>	<b>73.4%</b>	<b>36.2%</b>	<b>41.8%</b>	<b>73.3%</b>	<b>51.3%</b>	<b>81.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>29.7%</b>	<b>38.2%</b>	<b>32.6%</b>	<b>26.5%</b>	<b>21.0%</b>	<b>33.9%</b>	<b>33.8%</b>
<b>Combined Operating Ratio</b>	<b>(25.7%)</b>	<b>111.6%</b>	<b>68.8%</b>	<b>68.3%</b>	<b>94.3%</b>	<b>85.2%</b>	<b>115.1%</b>

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:



August's vehicle count transfer was 8,008 vehicles, representing an 8.9% increase compared with prior year, and counts were up 16.0% year-to-date. The projection anticipated an increase of 1,284 vehicles, however actual came in 628 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 August 2021 were -\$9.9 million, \$25.3 million lower than our projection from last month, and \$15.8 million lower compared with the same month from last year. The variance from projection was largely driven by the 2021 Q2 valuation being implemented in the month, generating a favourable impact of \$23.1 million on the month and year-to-date losses. This impact is mainly from the Prior Accident Year favourable claims development driven by member's case reserve change as well as updated COVID-19 assumptions.

**AB-G RSP Summary of 2021 Q2 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 Grid</b>					
PAYs (2020 & prior)	(16,678)	(93.6%)	(16.5%)	(16,455)	(8.1%)
CAY (2021)	(6,411)	(36.0%)	(6.3%)	(9,848)	(4.9%)
<b>PAYs &amp; CAY</b>	<b>(23,089)</b>	<b>(129.6%)</b>	<b>(22.8%)</b>	<b>(26,303)</b>	<b>(13.0%)</b>
Premium Deficiency / (DPAC)	(1,623)	(9.1%)	(1.6%)	3,229	1.6%
<b>Total</b>	<b>(24,712)</b>	<b>(138.7%)</b>	<b>(24.4%)</b>	<b>(23,074)</b>	<b>(11.4%)</b>

Reported losses in August 2021 were \$1.5 million lower than projected. The Current Accident Year had a \$0.3 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$1.2 million favourable variance. 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 Grid RSP)**

Expenses for August 2021 include,

- Expense Allowance: \$7.1 million for August 2021 compared to projection at \$7.9 million and prior year at \$6.1 million. The allowance is approximately 30% of written premium. Decrease from projection and consistent with decrease in written premium.
- Premium deficiency / (DPAC): DPAC of \$1.9 million for August 2021 compared to projection with minimal Premium Deficiency and prior year DPAC at \$0.8 million.
- Administrative Expense: \$0.1 million for August 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 \$10.3 million to \$236.6 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 Grid Risk Sharing Pool. However, projected earned premium is reduced by \$13.1 million to \$202.3 million due to the decrease in prior year written premium.

The updated year-end 2021 operating surplus is now \$29.9 million and the combined operating ratio is 85.2%. The improvement of \$62.5 million in operating result and 29.9 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

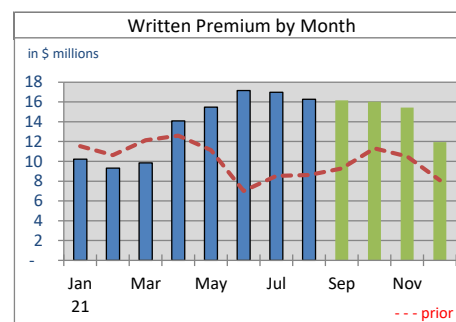
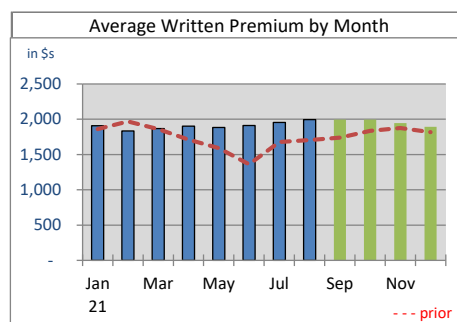
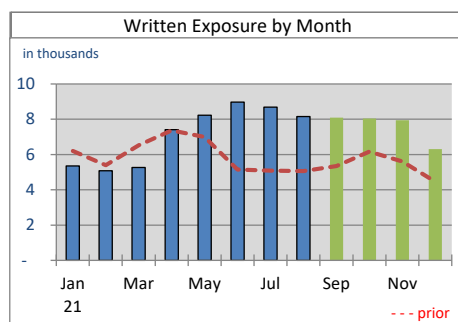
<b>AB Non-Grid RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> (August 2021)	<b>Projection</b> (August 2021)	<b>Prior Year</b> (August 2020)	<b>2021 year-to-date</b> as at 8 months	<b>2020 year-to-date</b> as at 8 months	<b>2021 year-end</b> Projection	<b>Outlook*</b> Full year 2021
Premium Written	16,276	14,556	8,628	109,310	82,194	168,879	158,767
Premium Earned	12,787	12,155	10,421	87,287	83,295	140,209	161,091
Incurred Losses	(4,182)	11,069	12,737	53,360	86,184	98,766	164,159
Underwriting & Admin Expense	3,730	5,261	4,581	28,346	22,399	55,357	52,728
Expense allowance	4,932	4,411	2,623	33,118	24,984	51,168	48,265
Premium Deficiency / (DPAC)	(1,307)	702	1,866	(5,541)	(3,391)	2,796	2,842
Administrative Expenses	105	148	92	769	806	1,393	1,621
<b>Net Result from Operations</b>	<b>13,239</b>	<b>(4,175)</b>	<b>(6,897)</b>	<b>5,581</b>	<b>(25,288)</b>	<b>(13,914)</b>	<b>(55,796)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(76.9%)	(3.6%)	(13.8%)	(27.4%)	(4.3%)	(18.0%)	(3.6%)
- Current Accident Year	44.2%	94.6%	136.1%	88.5%	107.8%	88.4%	105.5%
<b>Total</b>	<b>(32.7%)</b>	<b>91.0%</b>	<b>122.3%</b>	<b>61.1%</b>	<b>103.5%</b>	<b>70.4%</b>	<b>101.9%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>29.2%</b>	<b>43.3%</b>	<b>44.0%</b>	<b>32.5%</b>	<b>26.9%</b>	<b>39.5%</b>	<b>32.7%</b>
<b>Combined Operating Ratio</b>	<b>(3.5%)</b>	<b>134.3%</b>	<b>166.3%</b>	<b>93.6%</b>	<b>130.4%</b>	<b>109.9%</b>	<b>134.6%</b>

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:



August's vehicle count transfer was 8,157 vehicles, representing a 61.3% increase compared with prior year, and year-to-date counts were up 19.6%. The projection for August from prior month anticipated an increase of 2,174 vehicles, however actual came in 926 higher than projected, driven primarily by two member company groups transferring higher than their projections.

Average premium in June 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 August 2021 were \$4.2 million, \$15.3 million lower than our projection from last month, and \$16.9 million lower compared with the same month from last year. The variance from projection was largely driven by the 2021 Q2 valuation being implemented in the month, generating a favourable impact of \$15.9 million on the month and year-to-date losses. This impact is mainly driven by the Prior Accident Year favourable claims development driven by member's case reserve change as well as updated COVID-19 assumptions.

**AB-G RSP Summary of 2021 Q2 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 (2020 & prior)	(9,538)	(74.6%)	(14.2%)	(9,400)	(6.7%)
CAY (2021)	(6,347)	(49.6%)	(9.4%)	(9,898)	(7.1%)
<b>PAYs &amp; CAY</b>	<b>(15,885)</b>	<b>(124.2%)</b>	<b>(23.6%)</b>	<b>(19,298)</b>	<b>(13.8%)</b>
Premium Deficiency / (DPAC)	(2,028)	(15.9%)	(3.0%)	2,365	1.7%
<b>Total</b>	<b>(17,913)</b>	<b>(140.1%)</b>	<b>(26.6%)</b>	<b>(16,933)</b>	<b>(12.1%)</b>

Reported losses in August 2021 were \$0.3 million higher than projected mainly from the Prior Accident Years. 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 August 2021 include,

- Expense Allowances: \$4.9 million for August 2021 compared to projection at \$4.4 million and prior year at \$2.6 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): DPAC of \$1.3 million compared to projected premium deficiency of \$0.7 million and prior year premium deficiency of \$1.9 million.
- Administrative Expense: \$0.1 million for August 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 \$10.1 million to \$168.9 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 \$20.9 million to \$140.2 million due to the decrease in prior year written premium.

The updated year-end 2021 operating deficit is now \$13.9 million and the combined operating ratio is 109.9%. The improvement of \$41.9 million in operating result and 24.7 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.

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 August 2021 Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)

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

\* 8 months ended August 2021 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP August 2021 Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)

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

\*8 months ended August 2021 (discounted basis)