

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-063

DATE: August 30, 2021

SUBJECT: Alberta Risk Sharing Pools – July 2021 Operational Report

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

Please be advised that the July 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 July 2021 premium written for the month was \$23 million**, higher than prior year by \$4 million;
- (b) The **Alberta Non-Grid July 2021 premium written for the month was \$17 million**, higher than prior year by \$8 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$18 million**, with the \$2 million in deficit generated in July, resulting in a COR of 83.5% on earned premium of \$110 million; and
- (d) The **Alberta Non-Grid 2021 year-to-date net operating deficit was \$8 million**, with \$5 million of the deficit generated in July, resulting in a COR of 110.2% on earned premium of \$75 million.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

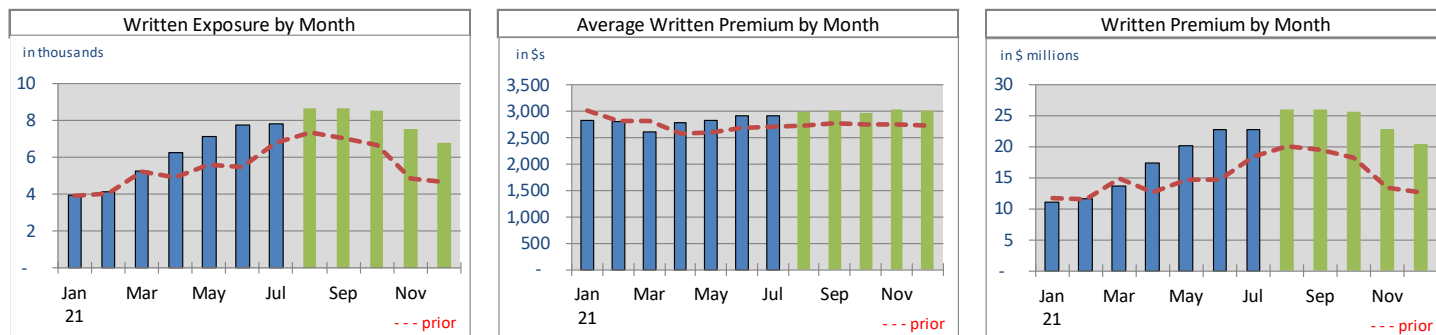
AB Grid RSP 2021 Summary Amounts in \$000s	Actual (July 2021)	Projection (July 2021)	Prior Year (July 2020)	2021 year-to-date as at 7 months	2020 year-to-date as at 7 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	22,734	21,508	18,425	119,602	98,527	240,512	226,211
Premium Earned	17,304	20,821	15,919	109,989	115,203	203,101	215,472
Incurred Losses	12,317	15,322	12,565	63,286	90,532	130,458	175,122
Underwriting & Admin Expense	6,612	7,264	5,592	28,559	22,259	66,126	72,927
Expense allowance	6,888	6,517	5,601	36,238	29,956	72,874	68,768
Premium Deficiency / (DPAC)	(395)	639	(116)	(8,340)	(8,402)	(8,194)	2,667
Administrative Expenses	119	108	108	661	706	1,446	1,492
Net Result from Operations	(1,625)	(1,799)	(2,238)	18,144	2,412	6,517	(32,577)
Ratios:							
Loss ratio - Prior Accident Years	(5.1%)	(2.8%)	(4.5%)	(20.3%)	(7.1%)	(12.5%)	(4.6%)
- Current Accident Year	76.3%	76.4%	83.4%	77.8%	85.7%	76.7%	85.9%
Total	71.2%	73.6%	78.9%	57.5%	78.6%	64.2%	81.3%
Underwriting & Admin Expense	38.2%	35.1%	35.1%	26.0%	19.3%	32.6%	33.8%
Combined Operating Ratio	109.4%	108.7%	114.0%	83.5%	97.9%	96.8%	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:



July's vehicle count transfer was 7,803 vehicles, representing a 14.9% increase compared with prior year, and counts were up 17.4% year-to-date. The projection anticipated an increase of 652 vehicles, however actual came in 359 higher than projected, driven primarily by one member company group transferring higher than their projection.

Average premium was slightly above 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 Grid RSP)

Incurred losses in July 2021 were \$12.3 million, \$3.0 million lower than our projection from last month, and \$0.2 million lower compared with the same month from last year.

Reported losses in July 2021 were \$2.8 million lower than projected. The Current Accident Year had a \$2.0 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.8 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 July 2021 include,

- Expense Allowance: \$6.9 million for July 2021 compared to projection at \$6.5 million and prior year at \$5.6 million. The allowance is approximately 30% of written premium. Increases from projection and prior year is consistent with increase in written premium.
- Premium deficiency / (DPAC): DPAC of \$0.4 million for July 2021 compared to projected premium deficiency of \$0.6 million and prior year premium deficiency of \$0.1 million.
- Administrative Expense: \$0.1 million for July 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 \$14.3 million to \$240.51 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 \$12.3 million to \$203.1 million due to the decrease in prior year written premium.

The updated year-end 2021 operating surplus is now \$6.5 million and the combined operating ratio is \$96.8%. The improvement of \$39.1 million in operating result and 18.3 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

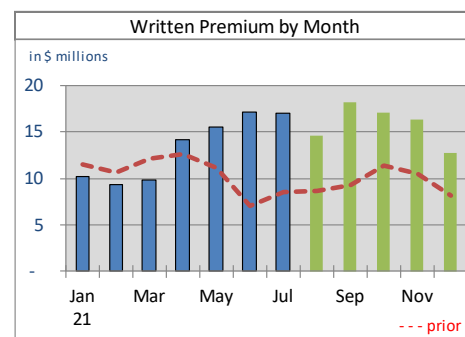
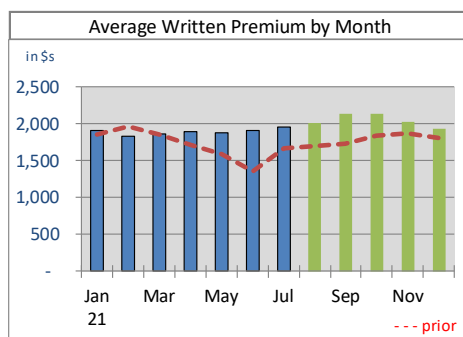
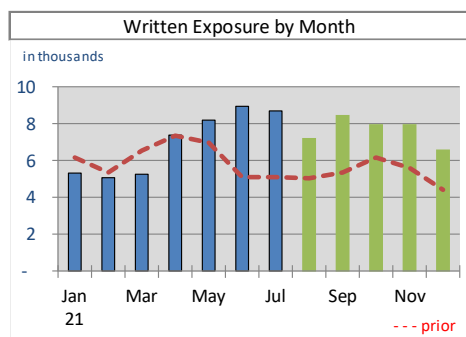
AB Non-Grid RSP 2021 Summary	Actual	Projection	Prior Year	2021 year-to-date	2020 year-to-date	2021 year-end	Outlook*
Amounts in \$000s	(July 2021)	(July 2021)	(July 2020)	as at 7 months	as at 7 months	Projection	Full year 2021
Premium Written	16,981	15,224	8,536	93,034	73,566	171,957	158,767
Premium Earned	12,254	11,860	10,403	74,500	72,874	140,094	161,091
Incurred Losses	11,047	10,851	9,369	57,542	73,447	117,828	164,159
Underwriting & Admin Expense	5,834	5,340	2,818	24,617	17,818	54,141	52,728
Expense allowance	5,145	4,612	2,595	28,186	22,361	52,101	48,265
Premium Deficiency / (DPAC)	569	572	124	(4,234)	(5,257)	572	2,842
Administrative Expenses	120	156	99	664	715	1,468	1,621
Net Result from Operations	(4,627)	(4,331)	(1,784)	(7,659)	(18,391)	(31,875)	(55,796)
Ratios:							
Loss ratio - Prior Accident Years	(3.6%)	(3.1%)	(4.4%)	(18.9%)	(3.0%)	(11.4%)	(3.6%)
- Current Accident Year	93.7%	94.6%	94.5%	96.1%	103.7%	95.5%	105.5%
Total	90.1%	91.5%	90.1%	77.2%	100.7%	84.1%	101.9%
Underwriting & Admin Expense	47.6%	45.0%	27.1%	33.0%	24.5%	38.6%	32.7%
Combined Operating Ratio	137.7%	136.5%	117.2%	110.2%	125.2%	122.7%	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:



July's vehicle count transfer was 8,687 vehicles, representing a 70.7% increase compared with prior year, and year-to-date counts were up 14.7%. The projection for July from prior month anticipated an increase of 2,278 vehicles, however actual came in 1,319 higher than projected, driven primarily by four member company groups transferring higher than their projections.

Average premium in June showed an increase compared with prior year, while remained consistent with previous months in the 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 July 2021 were \$11.0 million, \$0.2 million higher than our projection from last month, and \$1.7 million higher compared with the same month from last year.

Reported losses in July 2021 were \$3.6 million higher than projected. The Current Accident Year had a \$3.4 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.2 million unfavourable 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 Non-Grid RSP)

Expenses for July 2021 include,

- Expense Allowances: \$5.1 million for July 2021 compared to projection at \$4.6 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): Premium deficiency of \$0.6 million compared prior year \$0.1 million while in line with projection from last month.
- Administrative Expense: \$0.1 million for July 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 \$13.2 million to \$172.0 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 \$21.0 million to \$140.1 million due to the decrease in prior year written premium.

The updated year-end 2021 operating deficit is now \$31.9 million and the combined operating ratio is 122.7%. The improvement of \$23.9 million in operating result and 11.9 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.

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](#)

* 7 months ended July 2021 (discounted basis)

Alberta Non-Grid RSP:

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

*7 months ended July 2021 (discounted basis)