

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-056

DATE: July 29, 2021

SUBJECT: Alberta Risk Sharing Pools – June 2021 Operational Report

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

Please be advised that the June 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 June 2021 premium written for the month was \$23 million**, higher than prior year by \$8 million;
- (b) The **Alberta Non-Grid June 2021 premium written for the month was \$17 million**, higher than prior year by \$10 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$20 million**, with a COR of 78.7% on earned premium of \$93 million; and
- (d) The **Alberta Non-Grid 2021 year-to-date net operating deficit was \$3 million**, with a COR of 104.9% on earned premium of \$62 million.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

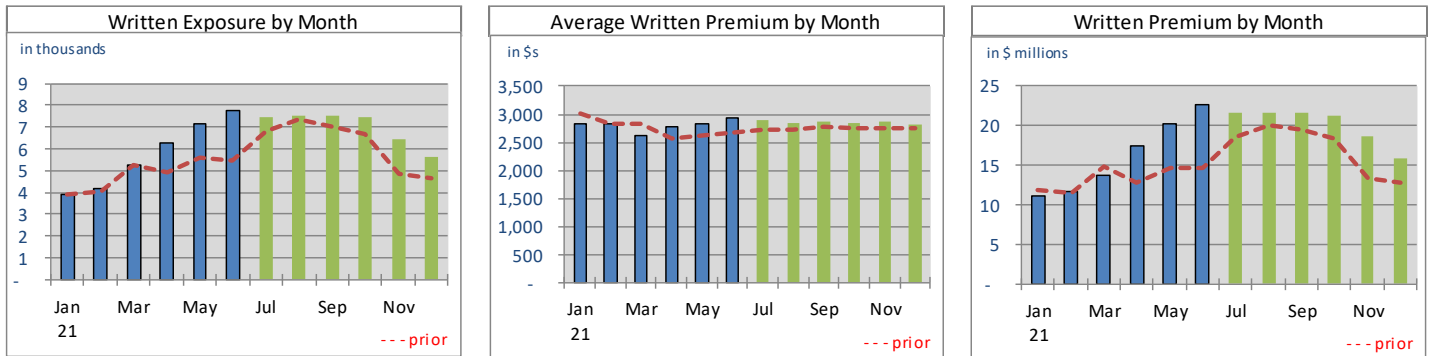
AB Grid RSP 2021 Summary Amounts in \$000s	Actual (June 2021)	Projection (June 2021)	Prior Year (June 2020)	2021 year-to-date as at 6 months	2020 year-to-date as at 6 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	22,677	17,535	14,647	96,868	80,102	217,066	226,211
Premium Earned	16,181	19,538	14,759	92,685	99,284	198,146	215,472
Incurred Losses	11,651	14,312	11,722	50,969	77,967	127,059	175,122
Underwriting & Admin Expense	6,214	6,441	4,767	21,947	16,667	61,839	72,927
Expense allowance	6,871	5,314	4,453	29,350	24,355	65,770	68,768
Premium Deficiency / (DPAC)	(756)	1,028	215	(7,945)	(8,286)	(5,269)	2,667
Administrative Expenses	99	99	99	542	598	1,338	1,492
Net Result from Operations	(1,684)	(1,232)	(1,730)	19,769	4,650	9,248	(32,577)
Ratios:							
Loss ratio - Prior Accident Years	(4.7%)	(3.1%)	(5.6%)	(23.1%)	(7.5%)	(12.6%)	(4.6%)
- Current Accident Year	76.7%	76.4%	85.0%	78.1%	86.1%	76.7%	85.9%
Total	72.0%	73.3%	79.4%	55.0%	78.6%	64.1%	81.3%
Underwriting & Admin Expense	38.4%	33.1%	32.3%	23.7%	16.8%	31.2%	33.8%
Combined Operating Ratio	110.4%	106.4%	111.7%	78.7%	95.4%	95.3%	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:



June's vehicle count transfer was 7,759 vehicles, representing a 41.9% increase compared with prior year, and counts were up 18.0% year-to-date. The projection anticipated an increase of 628 vehicles, however actual came in 1,666 higher than projected, driven primarily by two member companies 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 June 2021 were \$11.7 million, \$2.7 million lower than our projection from last month, and \$0.1 million lower compared with the same month from last year.

Reported losses in June 2021 were \$2.2 million higher than projected. The Current Accident Year had a \$1.2 million favourable variance in reported losses while the Prior Accident Years had a \$3.4 million unfavourable variance. Of all the Prior Accident Years, 2017 had the largest variance in reported losses at \$2.2 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 June 2021 include,

- Expense Allowance: \$6.9 million for June 2021 compared to projection at \$5.3 million and prior year at \$4.5 million. The allowance is approximately 30% of written premium. Increase from prior year is consistent with increase in written premium.
- Premium deficiency / (DPAC): DPAC of \$0.8 million for June 2021 compared to projected premium deficiency of \$1.0 million and prior year premium deficiency of \$0.2 million.
- Administrative Expense: \$0.1 million for June 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 and lower premium earned.

Projection to year-end 2021 (Alberta Grid RSP)

Compared with the Outlook released in November 2020, written premium has reduced by \$9.2 million to \$217.1 million primarily driven by the reduction in premium year to date as well as the updated premium projections received from the main users of the Alberta Grid Risk Sharing Pool. As a result of the change in projected written premium, earned premium is also reduced by \$17.3 million to \$198.2 million.

The updated year-end 2021 operating result is now \$9.2 million and the combined operating ratio is \$95.3%. The improvement of \$41.8 million in operating result and 19.8 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 as well as the premium reduction for the calendar year.

Alberta Non-Grid RSP - Summary of Financial Results

AB-N RSP Summary of Financial Results

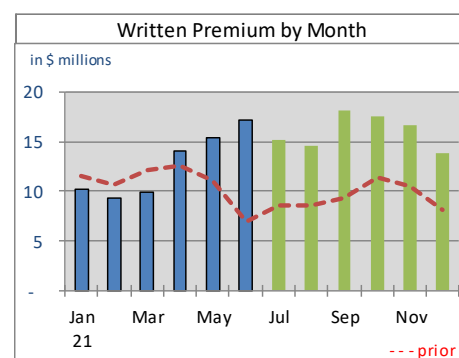
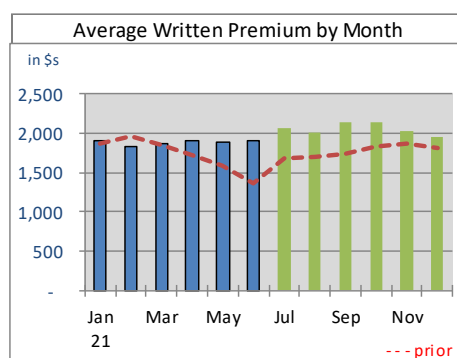
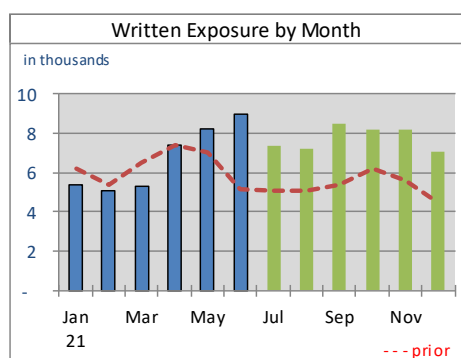
AB Non-Grid RSP 2021 Summary Amounts in \$000s	Actual (June 2021)	Projection (June 2021)	Prior Year (June 2020)	2021 year-to-date as at 6 months	2020 year-to-date as at 6 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	17,140	15,457	7,011	76,053	65,030	171,996	158,767
Premium Earned	11,219	10,984	9,696	62,246	62,471	139,108	161,091
Incurred Losses	10,105	10,002	9,556	46,495	64,078	117,118	164,159
Underwriting & Admin Expense	5,703	5,333	2,308	18,783	15,000	54,260	52,728
Expense allowance	5,194	4,684	2,130	23,042	19,766	52,113	48,265
Premium Deficiency / (DPAC)	410	491	68	(4,803)	(5,381)	617	2,842
Administrative Expenses	99	158	110	544	615	1,530	1,621
Net Result from Operations	(4,589)	(4,351)	(2,168)	(3,032)	(16,607)	(32,270)	(55,796)
Ratios:							
Loss ratio - Prior Accident Years	(5.0%)	(3.0%)	(5.8%)	(21.9%)	(2.7%)	(11.2%)	(3.6%)
- Current Accident Year	95.1%	94.1%	104.4%	96.6%	105.3%	95.4%	105.5%
Total	90.1%	91.1%	98.6%	74.7%	102.6%	84.2%	101.9%
Underwriting & Admin Expense	50.8%	48.6%	23.8%	30.2%	24.0%	39.0%	32.7%
Combined Operating Ratio	140.9%	139.7%	122.4%	104.9%	126.6%	123.2%	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:



June's vehicle count transfer was 8,967 vehicles, representing a 74.2% increase compared with prior year, while year-to-date counts were up 7.1% year-to-date. The projection anticipated an increase of 2,344 vehicles, however actual came in 1,475 higher than projected, driven primarily by four member companies 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 driven by the increase in vehicles transferred to the pool.

Incurred Losses (Alberta Non-Grid RSP)

Incurred losses in June 2021 were \$10.1 million, in line with our projection from last month and the same month from last year.

Reported losses in June 2021 were \$0.4 million lower than projected. The Current Accident Year had a \$1.1 million favourable variance in reported losses, and the Prior Accident Years had a \$0.7 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 June 2021 include,

- Expense Allowances: \$5.2 million for June 2021 compared to projection at \$4.7 million and prior year at \$2.1 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 \$0.4 million compared to projection at \$0.5 million and prior year \$0.1 million.
- Administrative Expense: \$0.1 million for June 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 updated premium projections received from the main users of the Alberta Non-Grid Risk Sharing Pool. However, projected earned premium is reduced by \$22.0 million to \$139.1 million due to the lower written premium level over the past 12 months.

The updated year-end 2021 operating deficit is now \$32.3 million and the combined operating ratio is 123.2%. The improvement of \$23.5 million in operating result and 11.4 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](#)

* 6 months ended June 2021 (discounted basis)

Alberta Non-Grid RSP:

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

*6 months ended June 2021 (discounted basis)