

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-044

DATE: June 29, 2021

SUBJECT: Alberta Risk Sharing Pools – May 2021 Operational Report

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

Please be advised that the May 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 May 2021 premium written for the month was \$20 million**, higher than prior year by \$6 million;
- (b) The **Alberta Non-Grid May 2021 premium written for the month was \$15 million**, higher than prior year by \$4 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$21 million**, with a COR of 72.0% on earned premium of \$77 million;
- (d) The **Alberta Non-Grid 2021 year-to-date net operating surplus was \$2 million**, with a COR of 96.9% on earned premium of \$51 million;
- (e) For **Alberta Grid**, the implementation of the **2021 Q1 valuation** generated a **\$4 million favourable impact**, reducing the month COR by 25.1 percentage points; and for **Alberta Non-Grid**, the implementation generated a **\$4 million favourable impact**, reducing the month COR by 39.9 percentage points; and
- (f) As per the annual process for the RSPs, member share ratios have been updated to reflect recent market share information.

Alberta Grid RSP - Summary of Financial Results

AB-G RSP Summary of Financial Results

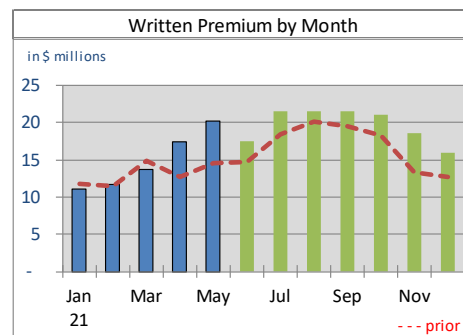
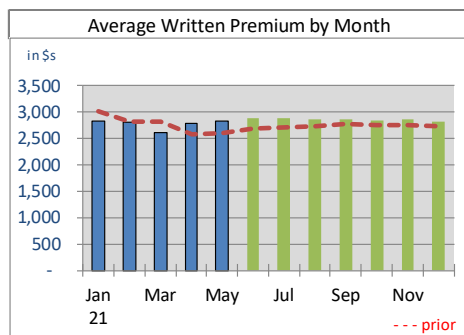
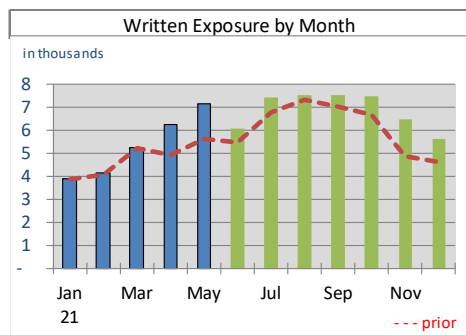
AB Grid RSP 2021 Summary Amounts in \$000s	Actual (May 2021)	Projection (May 2021)	Prior Year (May 2020)	2021 year-to-date as at 5 months	2020 year-to-date as at 5 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	20,182	20,478	14,636	74,191	65,455	211,924	226,211
Premium Earned	16,196	19,640	16,562	76,504	84,525	194,817	215,472
Incurred Losses	8,853	14,264	20,017	39,318	66,245	124,599	175,122
Underwriting & Admin Expense	4,962	6,619	4,328	15,733	11,900	60,592	72,927
Expense allowance	6,115	6,205	4,449	22,479	19,902	64,213	68,768
Premium Deficiency / (DPAC)	(1,245)	321	(214)	(7,189)	(8,501)	(4,983)	2,667
Administrative Expenses	92	93	93	443	498	1,362	1,492
Net Result from Operations	2,381	(1,286)	(7,783)	21,453	6,380	9,626	(32,577)
Ratios:							
Loss ratio - Prior Accident Years	(17.4%)	(4.3%)	39.3%	(27.0%)	(7.9%)	(12.8%)	(4.6%)
- Current Accident Year	72.1%	77.0%	81.6%	78.4%	86.3%	76.7%	85.9%
Total	54.7%	72.7%	120.9%	51.4%	78.4%	63.9%	81.3%
Underwriting & Admin Expense	30.6%	33.9%	26.1%	20.6%	14.1%	31.1%	33.8%
Combined Operating Ratio	85.3%	106.6%	147.0%	72.0%	92.5%	95.0%	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:



May's vehicle count transfer was 7,153 vehicles, representing a 27.4% increase compared with prior year, and counts were up 12.5% year-to-date. The projection anticipated an increase of 1,598 vehicles, however actual came in 58 lower than projected, fairly consistent compared with 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 May 2021 were \$8.9 million, \$5.4 million lower than our projection from last month, and \$11.2 million lower compared with the same month from last year. The variance from projection was largely driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$3.2 million on the month and year-to-date losses, primarily driven by the increase in discount rate (from 0.24% to

0.71%).

AB-G RSP Summary of 2021 Q1 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
Alberta Grid					
PAYs (2020 & prior)	(2,107)	(13.0%)	(2.8%)	(1,597)	(0.8%)
CAY (2021)	(1,064)	(6.6%)	(1.4%)	(2,443)	(1.3%)
PAYs & CAY	(3,171)	(19.6%)	(4.2%)	(4,040)	(2.1%)
Premium Deficiency / (DPAC)	(894)	(5.5%)	(1.2%)	(689)	(0.4%)
Total	(4,065)	(25.1%)	(5.3%)	(4,729)	(2.4%)

Reported losses in May 2021 were \$5.2 million lower than projected. The Current Accident Year had a \$0.7 million favourable variance in reported losses, and the Prior Accident Years had a \$4.5 million favourable variance. This significant lower than projected activity was reviewed and attributed to the reserving methodology change of one member company group.

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 May 2021 include,

- Expense Allowances: \$6.1 million for May 2021 compared to projection at \$6.2 million and prior year at \$4.4 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 \$1.2 million for May 2021 compared to projected premium deficiency of \$0.3 million and prior year DPAC of \$0.2 million. The variance from projection was primarily driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$0.9 million.
- Administrative Expense: \$0.1 million for May 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)

Projections to year-end 2021 has been updated using the 2021 Q1 valuation assumptions; the implementation generated an estimated favourable impact of \$4.7 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced by \$14.3 million to \$211.9 million primarily driven by 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 \$20.7 million to \$194.8 million.

The updated year-end 2021 operating result is now \$9.6 million and the combined operating ratio is \$95.0%. The improvement of \$42.2 million in operating result and 20.1 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 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

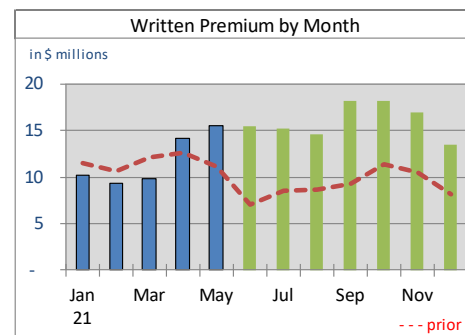
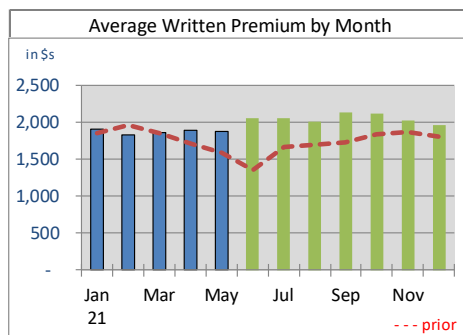
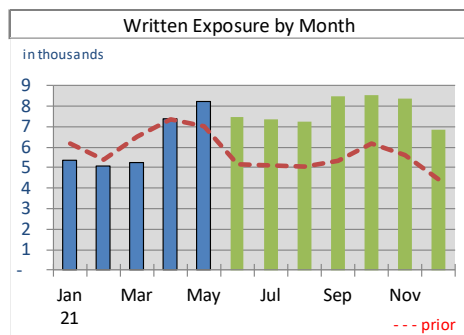
AB Non-Grid RSP 2021 Summary Amounts in \$000s	Actual (May 2021)	Projection (May 2021)	Prior Year (May 2020)	2021 year-to-date as at 5 months	2020 year-to-date as at 5 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	15,470	15,253	11,127	58,913	58,019	170,954	158,767
Premium Earned	10,996	11,255	10,829	51,027	52,776	137,285	161,091
Incurred Losses	6,369	10,321	9,719	36,390	54,522	115,546	164,159
Underwriting & Admin Expense	4,505	5,062	2,774	13,080	12,693	54,050	52,728
Expense allowance	4,687	4,621	3,382	17,848	17,637	51,798	48,265
Premium Deficiency / (DPAC)	(275)	286	(702)	(5,213)	(5,449)	652	2,842
Administrative Expenses	93	155	94	445	505	1,600	1,621
Net Result from Operations	122	(4,128)	(1,664)	1,557	(14,439)	(32,311)	(55,796)
Ratios:							
Loss ratio - Prior Accident Years	(28.5%)	(3.6%)	(9.5%)	(25.6%)	(2.1%)	(11.3%)	(3.6%)
- Current Accident Year	86.4%	95.3%	99.2%	96.9%	105.4%	95.4%	105.5%
Total	57.9%	91.7%	89.7%	71.3%	103.3%	84.1%	101.9%
Underwriting & Admin Expense	41.0%	45.0%	25.6%	25.6%	24.1%	39.4%	32.7%
Combined Operating Ratio	98.9%	136.7%	115.3%	96.9%	127.4%	123.5%	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:



May's vehicle count transfer was 8,221 vehicles, representing a 17.5% increase compared with prior year, while year-to-date counts were still down 3.6%. The projection anticipated an increase of 777 vehicles, however actual came in 446 higher than projected, driven primarily by one member company transferring higher than their projections.

Average premium in April showed a moderate increase compared with prior 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 May 2021 were \$6.4 million, \$4.0 million lower than our projection from last month, and \$3.3 million lower compared with the same month from last year. The variance from projection was largely driven by the 2021 Q1 valuation being implemented in the month, generating an unfavourable impact of \$3.8 million on the month and year-to-date losses. The favourable impact is primarily driven by the increase in discount rate (from 0.25% to 0.73 %).

AB-N RSP Summary of 2021 Q1 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
	month/ytd	as month EP	as ytd EP	full year	as full year EP
Alberta non-Grid					
PAYs (2020 & prior)	(2,647)	(24.1%)	(3.3%)	(2,323)	(1.7%)
CAY (2021)	(1,191)	(10.8%)	(1.5%)	(3,091)	(2.3%)
PAYs & CAY	(3,838)	(34.9%)	(4.8%)	(5,414)	(4.0%)
Premium Deficiency / (DPAC)	(553)	(5.0%)	(0.7%)	256	0.2%
Total	(4,391)	(39.9%)	(5.5%)	(5,158)	(3.8%)

Reported losses in May 2021 were \$7.5 million lower than projected. The Current Accident Year had a \$3.2 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$4.3 million favourable variance. This significant lower than projected activity was reviewed and attributed to the reserving methodology change of one member company group.

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 May 2021 include,

- Expense Allowances: \$4.7 million for May 2021 compared to projection at \$4.6 million and prior year at \$3.4 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 \$0.3 million compared to projected premium deficiency at 0.3 million and prior year DPAC of \$0.7 million. The variance from projection was primarily driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$0.6 million.
- Administrative Expense: \$0.1 million for May 2021, fairly 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 premium written increase and lower premium earned.

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

Projections to year-end 2021 has been updated using the 2021 Q1 valuation assumptions; the implementation generated an estimated favourable impact of \$5.2 million on the full year result.

Compared with the Outlook released in November 2020, written premium has increased by \$12.2 million to \$171.0 million 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 \$23.8 million to \$137.3 million.

The updated year-end 2021 operating deficit is now \$32.3 million and the combined operating ratio is 123.5%. The improvement of \$23.5 million in operating result and 11.1 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.

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 May 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](#)

* 5 months ended May 2021 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP May 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](#)

*5 months ended May 2021 (discounted basis)