

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2021-035**

**DATE: May 28, 2021**

**SUBJECT: Alberta Risk Sharing Pools – April 2021 Operational Report**

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

Please be advised that the April 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 April 2021 premium written for the month was \$17 million**, higher than prior year by \$5 million;
- (b) The **Alberta Non-Grid April 2021 premium written for the month was \$14 million**, higher than prior year by \$1 million;
- (c) The **Alberta Grid 2021 year-to-date net operating surplus was \$19 million**, with a COR of 68.4% on earned premium of \$60 million; and
- (d) The **Alberta Non-Grid 2021 year-to-date net operating surplus was \$1 million**, with a COR of 96.4% on earned premium of \$40 million.

## Alberta Grid RSP - Summary of Financial Results

### AB-G RSP Summary of Financial Results

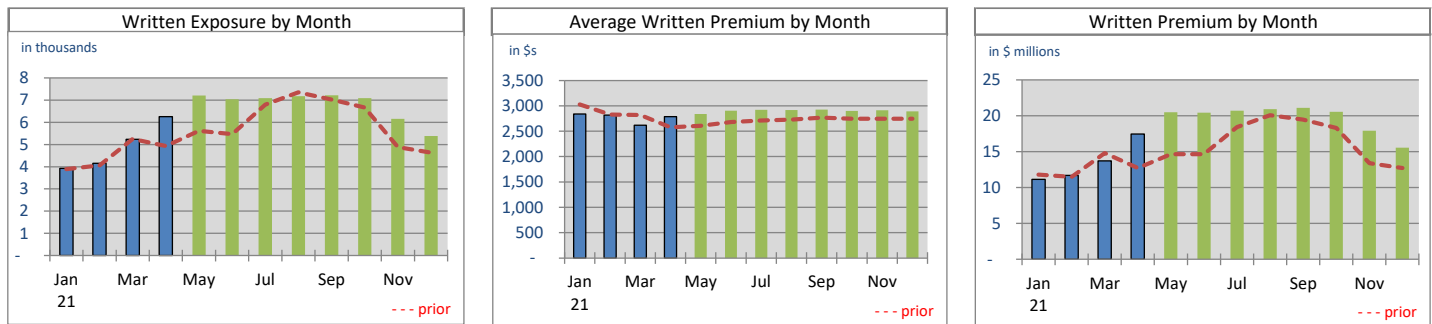
<b>AB Grid RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> (April 2021)	<b>Projection</b> (April 2021)	<b>Prior Year</b> (April 2020)	<b>2021 year-to-date</b> as at 4 months	<b>2020 year-to-date</b> as at 4 months	<b>2021 year-end</b> Projection	<b>Outlook*</b> Full year 2021
Premium Written	17,448	16,703	12,717	54,009	50,819	211,701	226,211
Premium Earned	15,481	18,373	16,547	60,308	67,963	195,665	215,472
Incurred Losses	11,388	13,284	13,321	30,465	46,229	129,089	175,122
Underwriting & Admin Expense	5,309	5,836	4,500	10,771	7,572	61,399	72,927
Expense allowance	5,287	5,061	3,863	16,364	15,453	64,142	68,768
Premium Deficiency / (DPAC)	(83)	673	535	(5,944)	(8,287)	(4,131)	2,667
Administrative Expenses	105	102	102	351	405	1,388	1,492
<b>Net Result from Operations</b>	<b>(1,216)</b>	<b>(755)</b>	<b>(1,274)</b>	<b>19,072</b>	<b>14,162</b>	<b>5,177</b>	<b>(32,577)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(4.9%)	(4.5%)	(7.2%)	(29.6%)	(19.4%)	(12.0%)	(4.6%)
- Current Accident Year	78.4%	76.8%	87.7%	80.1%	87.4%	77.9%	85.9%
<b>Total</b>	<b>73.5%</b>	<b>72.3%</b>	<b>80.5%</b>	<b>50.5%</b>	<b>68.0%</b>	<b>65.9%</b>	<b>81.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>34.3%</b>	<b>31.8%</b>	<b>27.2%</b>	<b>17.9%</b>	<b>11.1%</b>	<b>31.4%</b>	<b>33.8%</b>
<b>Combined Operating Ratio</b>	<b>107.8%</b>	<b>104.1%</b>	<b>107.7%</b>	<b>68.4%</b>	<b>79.1%</b>	<b>97.3%</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:



April's vehicle count transfer was 6,260 vehicles, representing a 26.8% increase compared with prior year, and counts were up 7.9% year-to-date. The projection anticipated an increase of 896 vehicles, however actual came in 428 higher than projected, driven primarily by one member company transferring more than their projection, partially offset by another member company transferring less.

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 April 2021 were \$11.4 million, \$1.9 million lower than prior year and our projection from last month.

Reported losses in April 2021 were \$3.8 million lower than projected. The Current Accident Year had a \$2.3 million favourable variance in reported losses, and the Prior Accident Years had a \$1.5 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 April 2021 include,

- Expense Allowances: \$5.3 million for April 2021 compared to projection at \$5.1 million and prior year at \$3.9 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 \$0.1 million for April 2021 compared to projected premium deficiency of \$0.7 million and prior year at \$0.5 million.
- Administrative Expense: \$0.1 million for April 2021, consistent with projection and prior year.

Expense ratios for the month and year-to-date were higher than both projection and 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 reduced by \$14.5 million to \$211.7 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 \$19.8 million to \$195.7 million.

The updated year-end 2021 operating result is now \$5.2 million and the combined operating ratio is 97.3%. The improvement of \$37.8 million in operating result and 17.8 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*

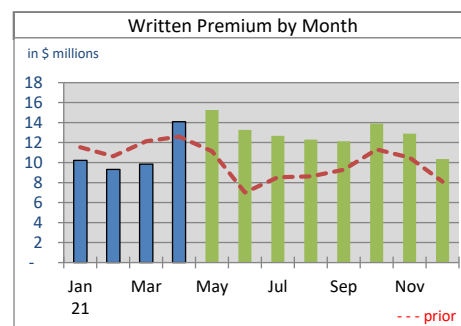
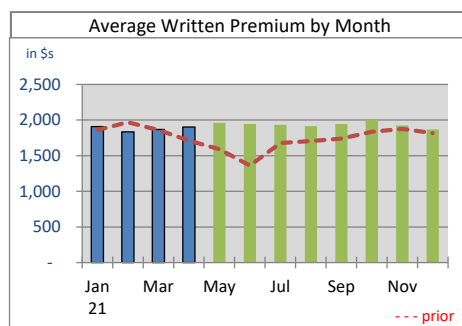
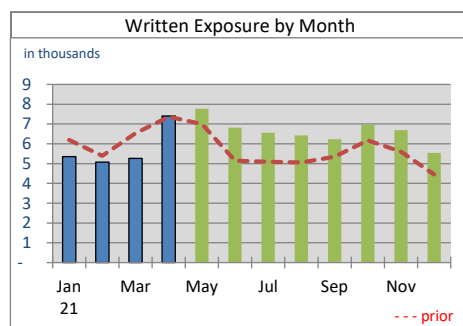
<b>AB Non-Grid RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> <b>(April 2021)</b>	<b>Projection</b> <b>(April 2021)</b>	<b>Prior Year</b> <b>(April 2020)</b>	<b>2021 year-to-date</b> <b>as at 4 months</b>	<b>2020 year-to-date</b> <b>as at 4 months</b>	<b>2021 year-end</b> <b>Projection</b>	<b>Outlook*</b> <b>Full year 2021</b>
Premium Written	14,087	13,020	12,601	43,443	46,892	146,187	158,767
Premium Earned	10,265	10,786	10,558	40,031	41,947	131,067	161,091
Incurred Losses	9,503	9,819	10,758	30,021	44,803	114,915	164,159
Underwriting & Admin Expense	4,555	4,279	4,060	8,575	9,936	45,323	52,728
Expense allowance	4,268	3,945	3,830	13,161	14,255	44,291	48,265
Premium Deficiency / (DPAC)	182	201	128	(4,938)	(4,747)	(372)	2,842
Administrative Expenses	105	133	102	352	411	1,404	1,621
<b>Net Result from Operations</b>	<b>(3,793)</b>	<b>(3,312)</b>	<b>(4,260)</b>	<b>1,435</b>	<b>(12,792)</b>	<b>(29,171)</b>	<b>(55,796)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(5.5%)	(4.1%)	(6.2%)	(24.8%)	(0.2%)	(9.9%)	(3.6%)
- Current Accident Year	98.1%	95.1%	108.1%	99.8%	107.0%	97.6%	105.5%
<b>Total</b>	<b>92.6%</b>	<b>91.0%</b>	<b>101.9%</b>	<b>75.0%</b>	<b>106.8%</b>	<b>87.7%</b>	<b>101.9%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>44.4%</b>	<b>39.7%</b>	<b>38.5%</b>	<b>21.4%</b>	<b>23.6%</b>	<b>34.6%</b>	<b>32.7%</b>
<b>Combined Operating Ratio</b>	<b>137.0%</b>	<b>130.7%</b>	<b>140.4%</b>	<b>96.4%</b>	<b>130.5%</b>	<b>122.3%</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:



April's vehicle count transfer was 7,407 vehicles, fairly consistent compared with prior year, and year-to-date counts were down 9.3%. The projection anticipated a decrease of 499 vehicles, however actual came in 541 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 April 2021 were \$9.5 million, \$0.3 million lower than our projection from last month, and \$1.3 million lower compared with the same month from last year.

Reported losses in April 2021 were \$1.6 million lower than projected. The Current Accident Year had a \$1.9 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$0.3 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 April 2021 include,

- Expense Allowances: \$4.3 million for April 2021 compared to projection at \$3.9 million and prior year at \$3.8 million. The allowance is approximately 30% of written premium. Increase from projection and prior year are consistent with increase in written premium.
- Premium Deficiency / (DPAC): premium deficiency of \$0.2 million was consistent with projection and compared to prior year at \$0.1 million.
- Administrative Expense: \$0.1 million for April 2021, consistent with projection and prior year.

Expense ratios for the month and year-to-date were higher than projection and prior year primarily due to the increase in expense allowance driven by premium written increase.

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

Compared with the Outlook released in November 2020, written premium has reduced by \$12.6 million to \$146.2 million driven by the updated premium projections received from the main users of the Alberta Non-Grid Risk Sharing Pool. As a result of the change in projected written premium, earned premium is also reduced by \$30.0 million to \$131.1 million.

The updated year-end 2021 operating deficit is now \$29.2 million and the combined operating ratio is 122.3%. The improvement of \$26.6 million in operating result and 12.3 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 as well as the premium reduction for the calendar year.

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 April 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](#)

\* 4 months ended April 2021 (discounted basis)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP April 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](#)

\*4 months ended April 2021 (discounted basis)