

**TO:** MEMBERS OF THE FACILITY ASSOCIATION  
**ATTENTION:** CHIEF EXECUTIVE OFFICER  
**BULLETIN NO:** F2021-027  
**DATE:** April 29, 2021  
**SUBJECT:** Alberta Risk Sharing Pools – March 2021 Operational Report

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

Please be advised that the March 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 March 2021 premium written for the month was \$14 million**, lower than prior year by \$1 million;
- (b) The **Alberta Non-Grid March 2021 premium written for the month was \$10 million**, lower than prior year by \$2 million; and
- (c) For **Alberta Grid**, the implementation of the **2020 Q4 valuation** generated a **\$24 million favourable impact**, reducing the COR by 163.6 percentage points; and for **Alberta Non-Grid**, the implementation generated a **\$14 million favourable impact**, reducing the COR by 141.7 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> (March 2021)	<b>Projection</b> (March 2021)	<b>Prior Year</b> (March 2020)	<b>2021 year-to-date</b> as at 3 months	<b>2020 year-to-date</b> as at 3 months	<b>2021 year-end</b> Projection	<b>Outlook*</b> Full year 2021
Premium Written	13,718	14,853	14,810	36,561	38,102	210,956	226,211
Premium Earned	14,873	18,120	17,663	44,827	51,416	195,299	215,472
Incurred Losses	(5,232)	14,394	1,284	19,077	32,908	128,641	175,122
Underwriting & Admin Expense	(2,617)	5,109	(4,664)	5,462	3,072	61,236	72,927
<b>Net Result from Operations</b>	<b>22,722</b>	<b>(1,388)</b>	<b>21,043</b>	<b>20,288</b>	<b>15,436</b>	<b>5,422</b>	<b>(32,577)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(101.3%)	(5.5%)	(61.4%)	(38.1%)	(23.3%)	(12.0%)	(4.6%)
- Current Accident Year	66.1%	84.9%	68.7%	80.7%	87.3%	77.9%	85.9%
<b>Total</b>	<b>(35.2%)</b>	<b>79.4%</b>	<b>7.3%</b>	<b>42.6%</b>	<b>64.0%</b>	<b>65.9%</b>	<b>81.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>(17.6%)</b>	<b>28.2%</b>	<b>(26.4%)</b>	<b>12.2%</b>	<b>6.0%</b>	<b>31.4%</b>	<b>33.8%</b>
<b>Combined Operating Ratio</b>	<b>(52.8%)</b>	<b>107.6%</b>	<b>(19.1%)</b>	<b>54.8%</b>	<b>70.0%</b>	<b>97.3%</b>	<b>115.1%</b>

*rounding differences may occur*

*\*as posted to FA's website Nov. 18, 2020*

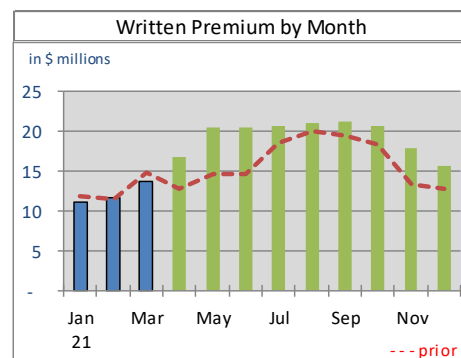
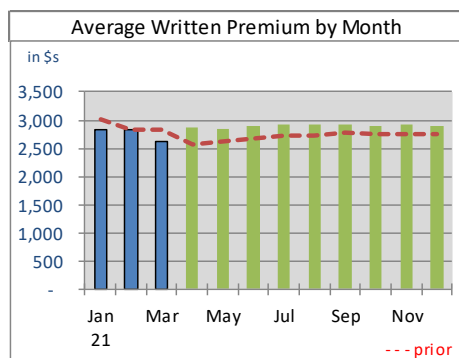
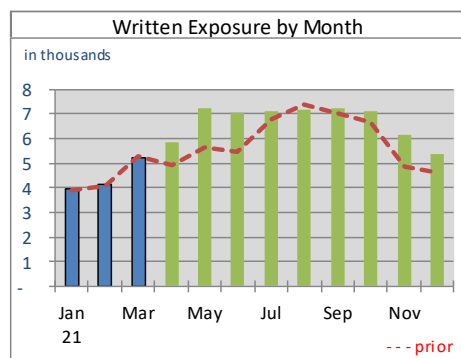
**AB-G RSP Summary of 2020 Q4 Valuation Implementation Impact**

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)	(13,540)	(91.0%)	(30.2%)	(13,389)	(6.9%)
CAY (2021)	(3,701)	(24.9%)	(8.3%)	(15,292)	(7.8%)
<b>PAYs &amp; CAY</b>	<b>(17,241)</b>	<b>(115.9%)</b>	<b>(38.5%)</b>	<b>(28,681)</b>	<b>(14.7%)</b>
Premium Deficiency / (DPAC)	(7,103)	(47.7%)	(15.8%)	(4,534)	(2.3%)
<b>Total</b>	<b>(24,344)</b>	<b>(163.6%)</b>	<b>(54.3%)</b>	<b>(33,215)</b>	<b>(17.0%)</b>

**Premium (Alberta Grid RSP)**

The premium drivers compared to prior year and outlook to year end are:



March's vehicle count transfer was 5,238 vehicles, both month and year-to-date counts were consistent with prior year. The projection anticipated a decrease of 286 vehicles, however actual came in 272 higher than projected, driven primarily by two member companies transferring more than their projections, offset by another two member companies transferring less.

Average premium and written premium were also fairly consistent with prior year.

**Incurred Losses (Alberta Grid RSP)**

Incurred losses in March 2021 was -\$5.2 million, \$19.6 million lower than our projection from last month, and \$6.5 million lower compared with the same month from last year. The significant variance from projection was largely driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$17.2 million on the month and year-to-date losses. The favourable impact is due to updated COVID-19 assumptions and the increase in discount rate (from 0.20% to 0.24%).

For the month of March 2021, the reported losses were \$2.9 million lower than projected. The Current Accident Year had an approximately \$2.6 million favourable variance in reported losses, and the Prior Accident Years had a \$0.3 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses 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 March 2021 include,

- Expense Allowances: \$4.2 million for March 2021 compared to projection and prior year at \$4.5 million. The allowance is approximately 30% of written premium. Decrease from projection and prior year is consistent with decreases in written premium.

- Premium deficiency reserve changes: decrease in reserve of \$6.9 million for March 2021 compared to projected increase of \$0.5 million and prior year decrease of \$9.3 million. The variance from projection was primarily driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$7.1 million.

The large decrease in expense ratios for the month compared with projection was due to a combined effect of premium deficiency reserve decrease and lower premium earned.

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

Projections to year-end 2021 has been updated using the 2020 Q4 valuation assumptions; the implementation generated an estimated favourable impact of \$33.2 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced by \$15.3 million to \$211.0 million driven by the reduction in premium year to date and 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 \$20.2 million to \$195.3 million.

The updated year-end 2021 operating result is now \$5.4 million and the combined operating ratio is 97.3%. The improvement of \$38.0 million in operating result and 17.8% 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> <b>Amounts in \$000s</b>	<b>Actual</b> <b>(March 2021)</b>	<b>Projection</b> <b>(March 2021)</b>	<b>Prior Year</b> <b>(March 2020)</b>	<b>2021 year-to-date</b> <b>as at 3 months</b>	<b>2020 year-to-date</b> <b>as at 3 months</b>	<b>2021 year-end</b> <b>Projection</b>	<b>Outlook*</b> <b>Full year 2021</b>
Premium Written	9,834	12,287	12,139	29,356	34,291	137,800	158,767
Premium Earned	10,159	11,184	10,823	29,766	31,389	127,873	161,091
Incurred Losses	928	10,954	11,635	20,518	34,045	111,800	164,159
Underwriting & Admin Expense	(2,078)	3,980	(1,356)	4,020	5,859	42,525	52,728
<b>Net Result from Operations</b>	<b>11,309</b>	<b>(3,750)</b>	<b>544</b>	<b>5,228</b>	<b>(8,515)</b>	<b>(26,452)</b>	<b>(55,796)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(72.4%)	(5.8%)	17.2%	(31.5%)	1.8%	(10.1%)	(3.6%)
- Current Accident Year	81.5%	103.8%	90.3%	100.4%	106.7%	97.5%	105.5%
<i>Total</i>	<b>9.1%</b>	<b>98.0%</b>	<b>107.5%</b>	<b>68.9%</b>	<b>108.5%</b>	<b>87.4%</b>	<b>101.9%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>(20.5%)</b>	<b>35.6%</b>	<b>(12.5%)</b>	<b>13.5%</b>	<b>18.7%</b>	<b>33.3%</b>	<b>32.7%</b>
<b>Combined Operating Ratio</b>	<b>(11.4%)</b>	<b>133.6%</b>	<b>95.0%</b>	<b>82.4%</b>	<b>127.2%</b>	<b>120.7%</b>	<b>134.6%</b>

*rounding differences may occur*

\*as posted to FA's website Nov. 18, 2020

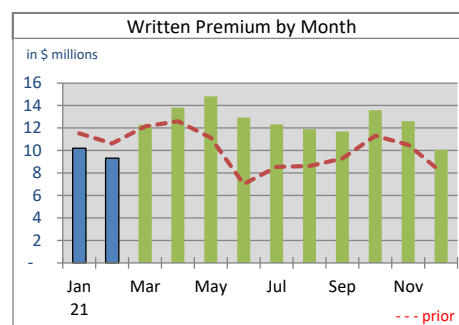
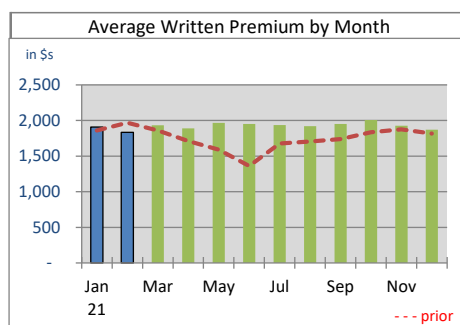
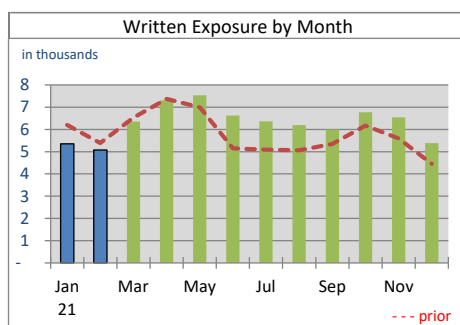
**AB-N RSP Summary of 2020 Q4 Valuation Implementation Impact**

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)	(6,405)	(63.0%)	(21.5%)	(6,373)	(5.0%)
CAY (2021)	(2,800)	(27.6%)	(9.4%)	(11,413)	(8.9%)
<b>PAYs &amp; CAY</b>	<b>(9,205)</b>	<b>(90.6%)</b>	<b>(30.9%)</b>	<b>(17,786)</b>	<b>(13.9%)</b>
Premium Deficiency / (DPAC)	(5,194)	(51.1%)	(17.5%)	(3,091)	(2.4%)
<b>Total</b>	<b>(14,399)</b>	<b>(141.7%)</b>	<b>(48.4%)</b>	<b>(20,877)</b>	<b>(16.3%)</b>

**Premium (Alberta Non-Grid RSP)**

The premium drivers compared to prior year and outlook to year end are:



March's vehicle count transfer was 5,268 vehicles, representing a 19.3% decrease compared with prior year, and year-to-date counts were down 13.3%. The projection anticipated a decrease of 176 vehicles, however actual came in 1,084 lower than projected, driven primarily by three member companies transferring lower than their projections.

Average premium remained fairly in line with projection and prior year. Premium written was below prior year and projection driven by the reduction in vehicles transferred to the pool.

**Incurred Losses (Alberta Non-Grid RSP)**

Incurred losses in March 2021 was \$0.9 million, \$10.0 million lower than our projection from last month, and \$10.7 million lower compared with the same month from last year. The significant variance from projection was largely driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$9.2 million on the month and year-to-date losses. The favourable impact is due to updated COVID-19 assumptions and the increase in discount rate (from 0.22% to 0.25 %).

Reported losses for March 2021 were \$1.9 million lower than projected. The Current Accident Year had a \$3.4 million favourable variance in the reported losses, while the Prior Accident Year had a \$1.5 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses 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 March 2021 include,

- Expense Allowances: \$3.0 million for March 2021 compared to projection and prior year at \$3.7 million. The allowance is approximately 30% of written premium. Decreases from projection and prior year are consistent with decreases in written premium.
- Premium deficiency reserve changes: decrease in reserve of approximately \$5.2 million for March 2021

compared to projected increase of \$0.1 million, while consistent with prior year. The variance from projection was primarily driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$5.2 million.

Expense ratios for the month and year-to-date were lower than projection and prior year due to a combined effect of premium deficiency reserve decrease as well as the reduction in expense allowance driven by premium written on lower premium earned.

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

Projections to year-end 2021 has been updated using the 2020 Q4 valuation assumptions; the implementation generated an estimated favourable impact of \$20.9 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced by \$21.0 million to \$137.8 million driven by the reduction in premium year to date and as well as 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 \$33.2 million to \$127.9 million.

The updated year-end 2021 operating deficit is now \$26.5 million and the combined operating ratio is 120.7%. The improvement of \$29.3 million in operating result and 13.9% 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 March 2021 Operational Report - Actuarial Highlights](#)

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

Alberta Non-Grid RSP:

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

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

# SUMMARY OF OPERATIONS - CALENDAR YEAR 2021

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 3 Months Ended March 31, 2021 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	CY2021 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
<b>Underwriting Revenue:</b>						
Net Premiums Written	\$11,143	\$11,700	\$13,718	\$36,561	\$210,956	\$182,442
Decrease (Increase) in Unearned Premiums	4,643	2,468	1,155	8,266	(15,657)	13,431
<b>Net Premiums Earned</b>	<b>\$15,786</b>	<b>\$14,168</b>	<b>\$14,873</b>	<b>\$44,827</b>	<b>\$195,299</b>	<b>\$195,873</b>
<b>Claims Incurred:</b>						
Prior Accident Years:						
Undiscounted	(\$165)	(\$155)	(\$13,121)	(\$13,441)	(\$13,441)	(\$14,877)
Effect of Discounting	(901)	(810)	(1,942)	(\$3,653)	(10,023)	(527)
Discounted	(\$1,066)	(\$965)	(\$15,063)	(\$17,094)	(\$23,464)	(\$15,404)
Current Accident Year:						
Undiscounted	\$12,536	\$11,260	\$9,091	\$32,887	\$140,026	\$139,709
Effect of Discounting	1,429	1,115	740	\$3,284	12,079	11,461
Discounted	\$13,965	\$12,375	\$9,831	\$36,171	\$152,105	\$151,170
<b>Claims Incurred</b>	<b>\$12,899</b>	<b>\$11,410</b>	<b>(\$5,232)</b>	<b>\$19,077</b>	<b>\$128,641</b>	<b>\$135,766</b>
<b>Underwriting Expenses:</b>						
Expense Allowance	\$3,377	\$3,545	\$4,155	\$11,077	\$63,916	\$55,468
Change in UPDR/DPAC:						
Undiscounted	1,003	558	(6,140)	(4,579)	(5,109)	(10,025)
Effect of Discounting	(361)	(189)	(732)	(1,282)	1,035	628
Discounted	642	369	(6,872)	(5,861)	(4,074)	(9,397)
<b>Underwriting Expenses</b>	<b>\$4,019</b>	<b>\$3,914</b>	<b>(\$2,717)</b>	<b>\$5,216</b>	<b>59,842</b>	<b>46,071</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$1,132)</b>	<b>(\$1,156)</b>	<b>\$22,822</b>	<b>\$20,534</b>	<b>\$6,816</b>	<b>\$14,036</b>
<b>Administrative Expenses</b>	<b>\$52</b>	<b>\$94</b>	<b>\$100</b>	<b>\$246</b>	<b>\$1,394</b>	<b>\$1,266</b>
<b>Operating Result</b>	<b>(\$1,184)</b>	<b>(\$1,250)</b>	<b>\$22,722</b>	<b>\$20,288</b>	<b>\$5,422</b>	<b>\$12,770</b>
<b>Ratios:</b>						
<b>Claims &amp; Expenses Incurred (Earned)</b>						
Prior Accident Years	-6.8%	-6.8%	-101.3%	-38.1%	-12.0%	-7.9%
Current Accident Year	88.5%	87.3%	66.1%	80.7%	77.9%	77.2%
All Accident Years Combined (Earned)	81.7%	80.5%	-35.2%	42.6%	65.9%	69.3%
Underwriting & Administrative Expenses (Earned)	25.8%	28.3%	-17.6%	12.2%	31.4%	24.2%
<b>Combined Operating Ratio</b>	<b>107.5%</b>	<b>108.8%</b>	<b>-52.8%</b>	<b>54.8%</b>	<b>97.3%</b>	<b>93.5%</b>

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium taxes, health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association and investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply

# SUMMARY OF OPERATIONS - CALENDAR YEAR 2021

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 3 Months Ended March 31, 2021 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	CY2021 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
<b>Underwriting Revenue:</b>						
Net Premiums Written	\$10,209	\$9,313	\$9,834	\$29,356	\$137,800	\$121,403
Decrease (Increase) in Unearned Premiums	286	(201)	325	410	(9,927)	2,487
<b>Net Premiums Earned</b>	<b>\$10,495</b>	<b>\$9,112</b>	<b>\$10,159</b>	<b>\$29,766</b>	<b>\$127,873</b>	<b>\$123,890</b>
<b>Claims Incurred:</b>						
Prior Accident Years:						
Undiscounted	(\$102)	(\$430)	(\$6,577)	(\$7,109)	(\$7,109)	(\$5,253)
Effect of Discounting	(833)	(656)	(775)	(2,264)	(5,801)	(512)
Discounted	(\$935)	(\$1,086)	(\$7,352)	(\$9,373)	(\$12,910)	(\$5,765)
Current Accident Year:						
Undiscounted	\$10,326	\$9,303	\$7,815	\$27,444	\$115,053	\$123,329
Effect of Discounting	1,139	843	465	2,447	9,657	7,257
Discounted	\$11,465	\$10,146	\$8,280	\$29,891	\$124,710	\$130,586
<b>Claims Incurred</b>	<b>\$10,530</b>	<b>\$9,060</b>	<b>\$928</b>	<b>\$20,518</b>	<b>\$111,800</b>	<b>\$124,821</b>
<b>Underwriting Expenses:</b>						
Expense Allowance	\$3,093	\$2,821	\$2,979	\$8,893	\$41,753	\$36,904
Change in UPDR/DPAC:						
Undiscounted	15	26	(4,747)	(4,706)	(1,281)	(5,886)
Effect of Discounting	(22)	18	(410)	(414)	693	257
Discounted	(7)	44	(5,157)	(5,120)	(588)	(5,629)
<b>Underwriting Expenses</b>	<b>\$3,086</b>	<b>\$2,865</b>	<b>(\$2,178)</b>	<b>\$3,773</b>	<b>\$41,165</b>	<b>\$31,275</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$3,121)</b>	<b>(\$2,813)</b>	<b>\$11,409</b>	<b>\$5,475</b>	<b>(\$25,092)</b>	<b>(\$32,206)</b>
<b>Administrative Expenses</b>	<b>\$53</b>	<b>\$94</b>	<b>\$100</b>	<b>247</b>	<b>\$1,360</b>	<b>\$1,276</b>
<b>Operating Result</b>	<b>(\$3,174)</b>	<b>(\$2,907)</b>	<b>\$11,309</b>	<b>\$5,228</b>	<b>(\$26,452)</b>	<b>(\$33,482)</b>
<b>Ratios:</b>						
<b>Claims &amp; Expenses Incurred (Earned)</b>						
Prior Accident Years	-8.9%	-11.9%	-72.4%	-31.5%	-10.1%	-4.7%
Current Accident Year	109.2%	111.3%	81.5%	100.4%	97.5%	105.4%
All Accident Years Combined	100.3%	99.4%	9.1%	68.9%	87.4%	100.7%
Underwriting & Administrative Expenses (Earned)	29.9%	32.5%	-20.5%	13.5%	33.3%	26.3%
<b>Combined Operating Ratio</b>	<b>130.2%</b>	<b>131.9%</b>	<b>-11.4%</b>	<b>82.4%</b>	<b>120.7%</b>	<b>127.0%</b>

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium taxes, health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association and investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply