

Alberta Automobile Insurance Rate Board
2020 Annual Open Meeting
August 20 2020

Representing Facility Association

- ❖ **Saskia Matheson**
President & CEO
- ❖ **Aidan Chen,**
AVP, Data & Analytics
- ❖ **Derek Tupling,**
VP, GR & Communications

Agenda

- ❖ **Introduction**
- ❖ **Facility Association In Alberta**
- ❖ **Risk Sharing Pools – Size and Market Availability**
- ❖ **The Impact of the Pandemic**
- ❖ **The need for a range of reasonability**
- ❖ **Conclusion**

Mission & Vision

Mission

Facility Association's mission is to administer automobile insurance residual market mechanisms, enhance market stability, and guarantee the availability of automobile insurance to those eligible to obtain it. We strive to keep the market share of the residual markets as small as possible, so consumers may benefit from the competitive marketplace to the greatest extent possible.

Vision

Facility Association's vision is to be recognized and relied upon as a highly efficient and effective administrator of automobile insurance residual markets, whose objective opinion on residual markets and related issues is respected and sought by stakeholders.

Residual Market (FARM)

- Non-Private Passenger vehicles
- Private Passenger vehicles subject to stringent eligibility criteria
- Written at rates approved for FARM

Risk Sharing Pools (RSP)

- Private Passenger only
- Grid and Non-Grid
- Written at individual company rates

Residual Market Segment and Risk Sharing Pool obligations and operating results are shared among all licensed automobile insurers in Alberta by:

- **Business Segment (PPV or Non-PPV)**
- **Accident Year**

Residual Market Segment and Risk Sharing Pool are governed by the Plan of Operation as authorized by the Superintendent

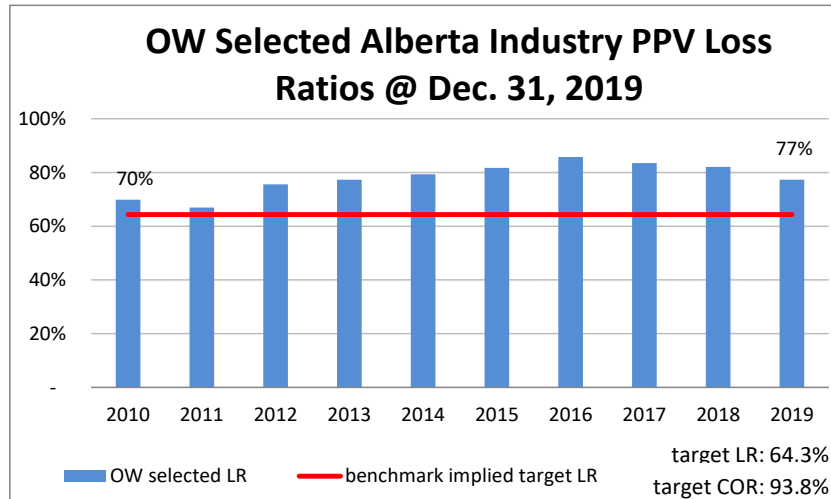
More at www.facilityassociation.com

**FA
Beyond
FARM
and RSP**

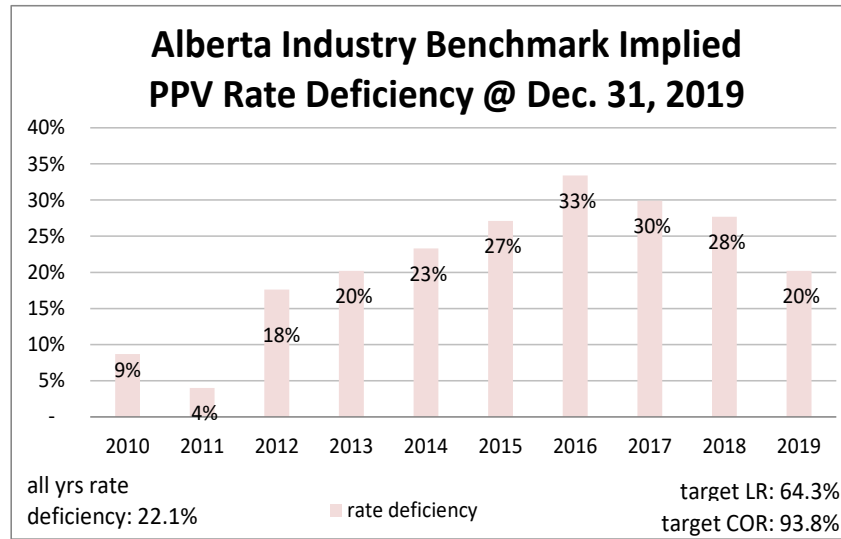
Other responsibilities:

- **The Underwriting Information Plan (UIP)**
- **Market Availability Plan (Alberta)**
- **Uninsured Automobile Funds & Judgement Recovery (Atlantic)**

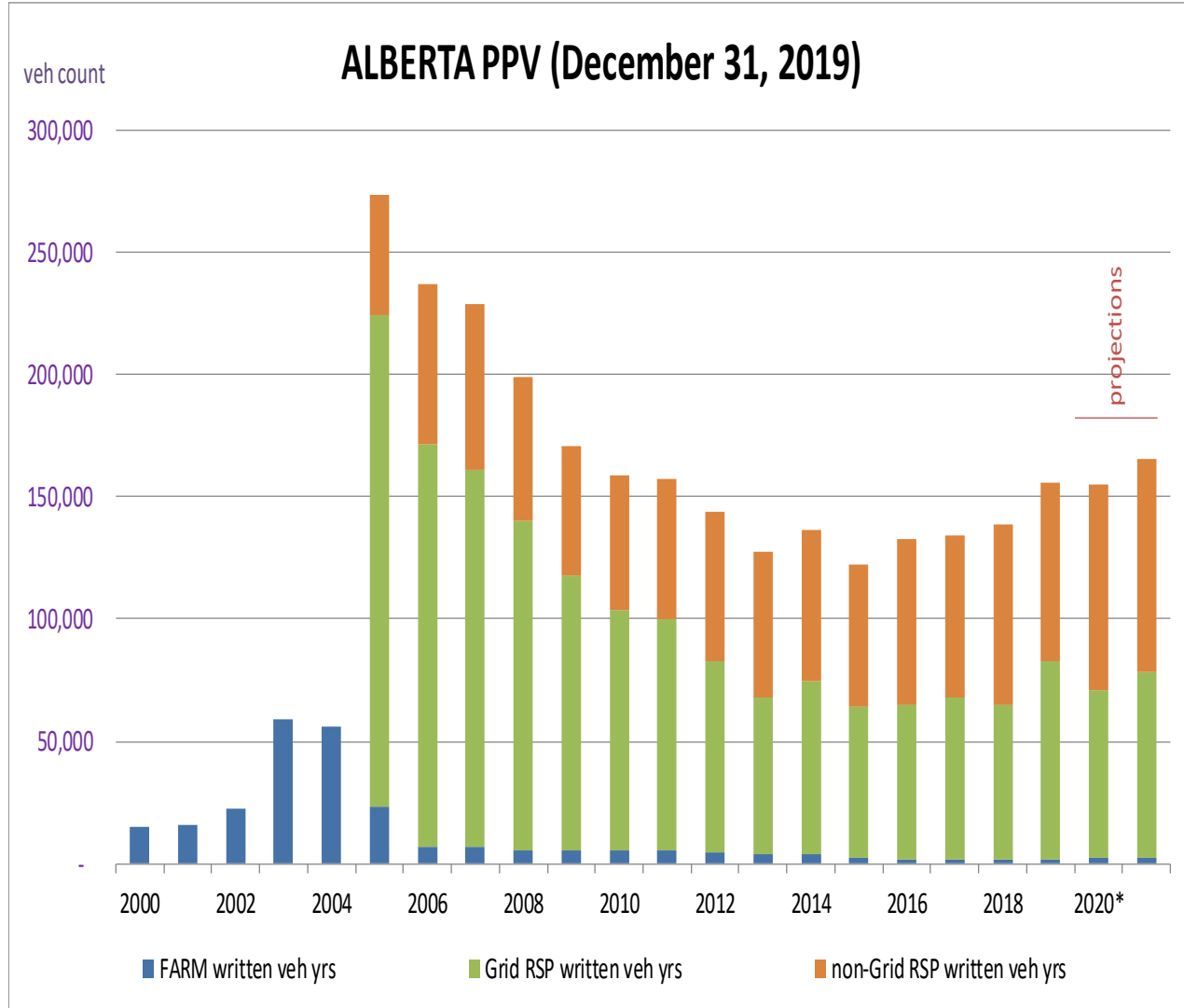
Profitability Concerns Alberta PPV



based on
assumptions
consistent
with the OW
Preliminary
PPV Report



FA Alberta Market Share



Slide 9

MS1

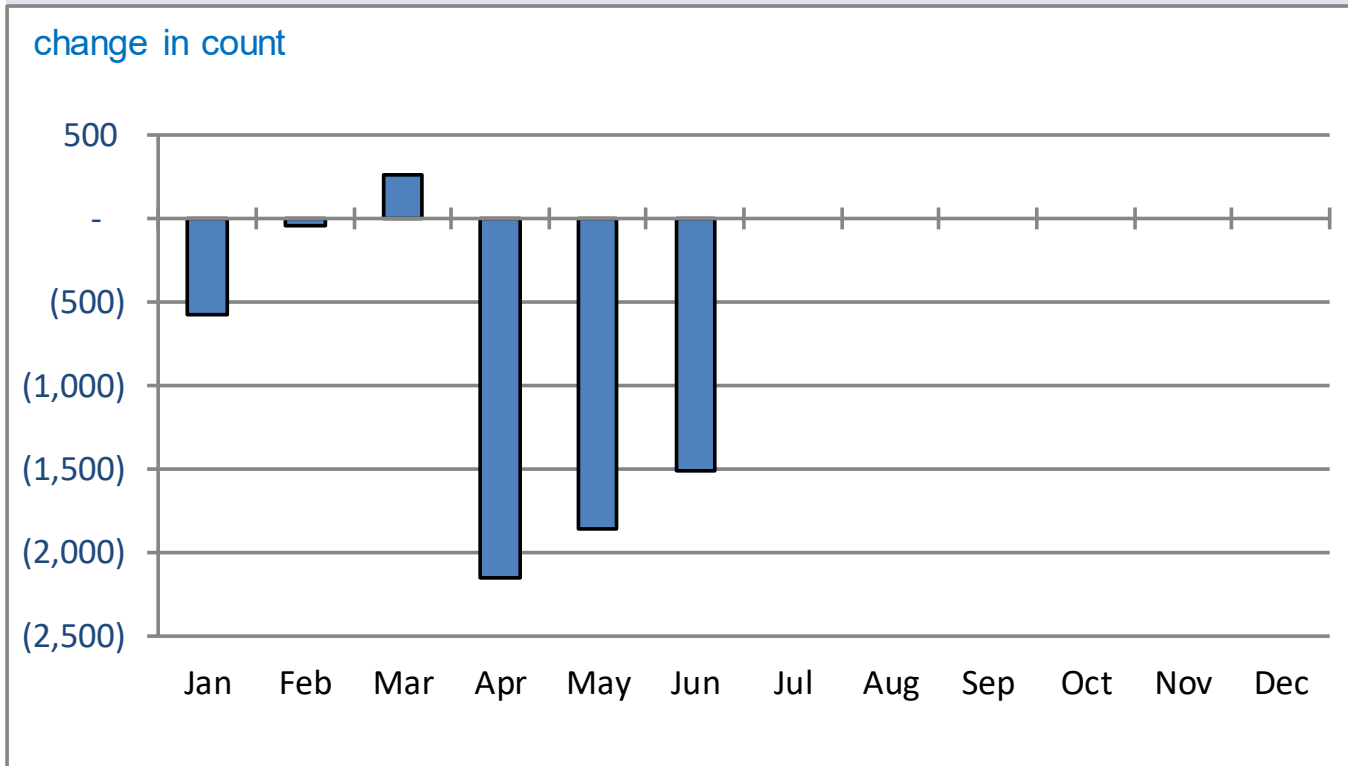
Can this be updated to current?

Matheson, Saskia, 7/28/2020

Risk Sharing Pools – Size and Market Availability

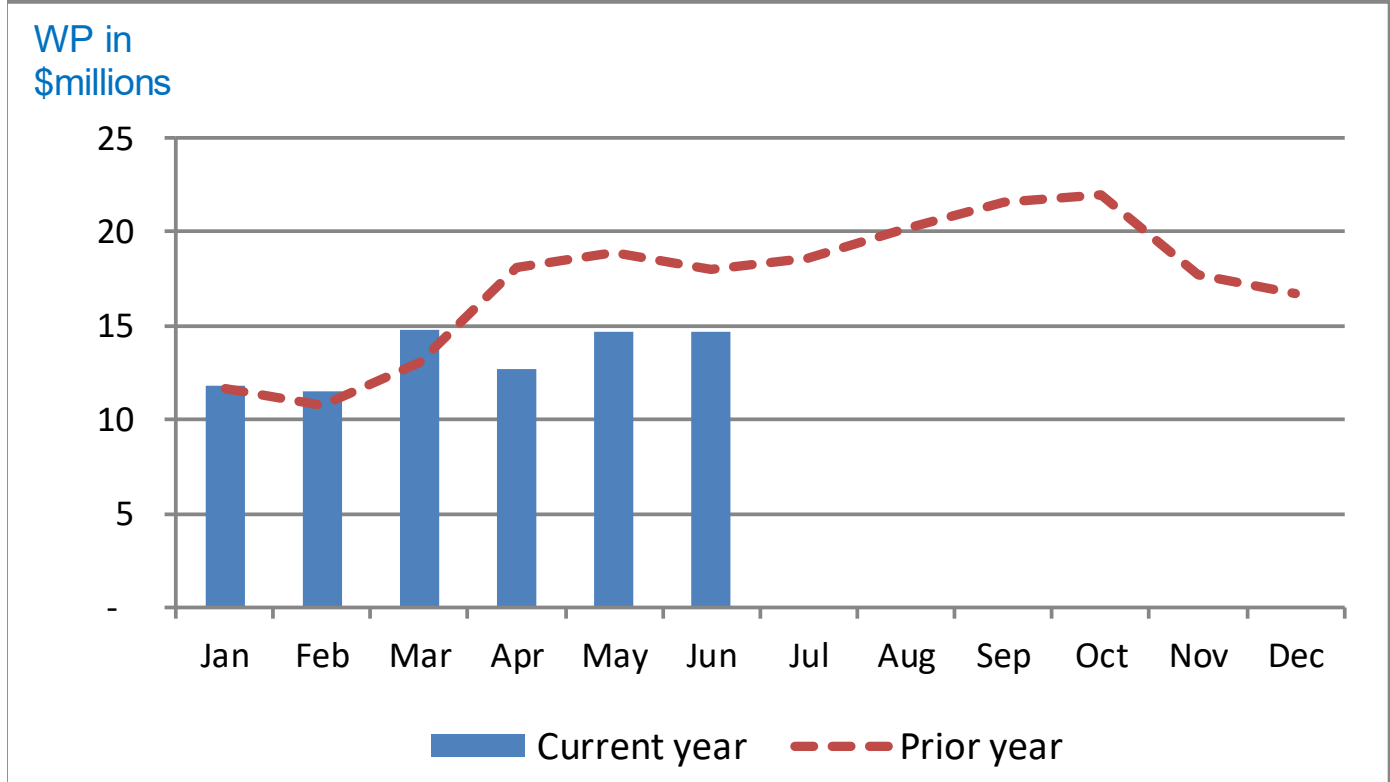
Grid Pool - Vehicle Counts

Yr-on-yr Chg in Written Veh Count (by month)



Grid Pool Written Premium

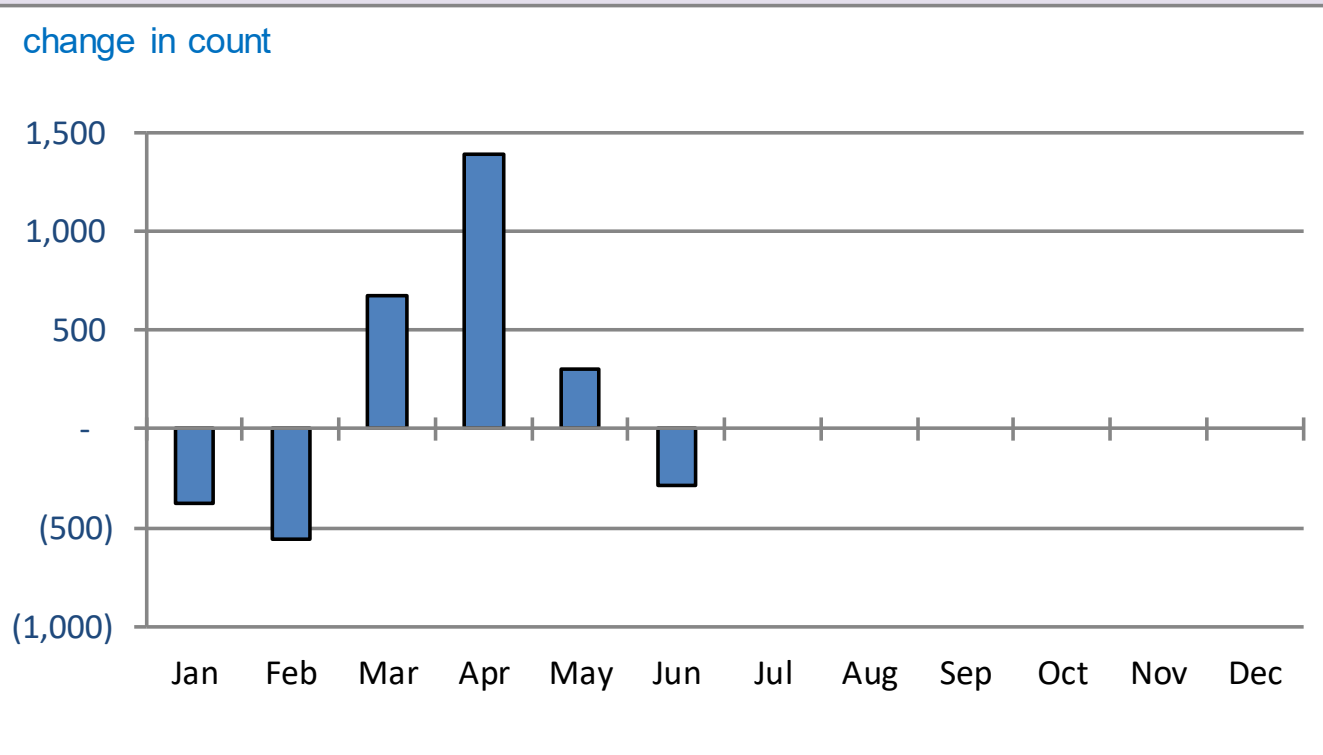
Written Premium (by month)



	Jun-20	Jun-19	Amt Chg	% Chg
WP (\$000s) curr mth	14,647	17,983	(3,336)	-18.6%

Non-Grid Pool Vehicle Counts

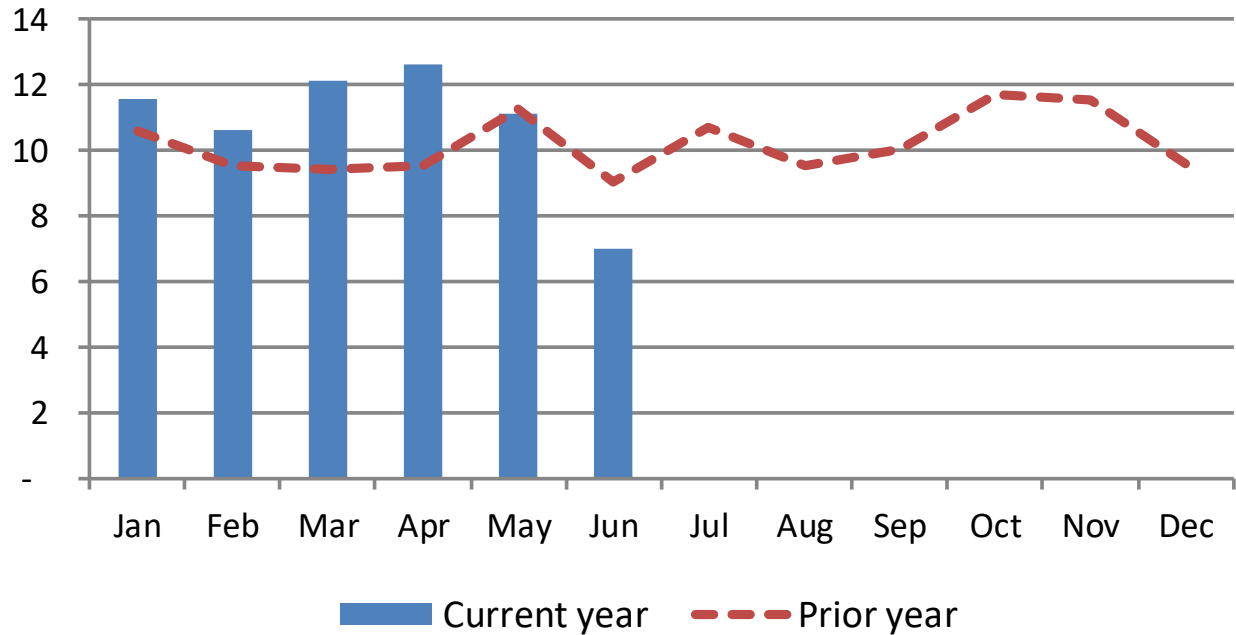
Yr-on-yr Chg in Written Veh Count (by month)



Non-Grid Pool Written Premium

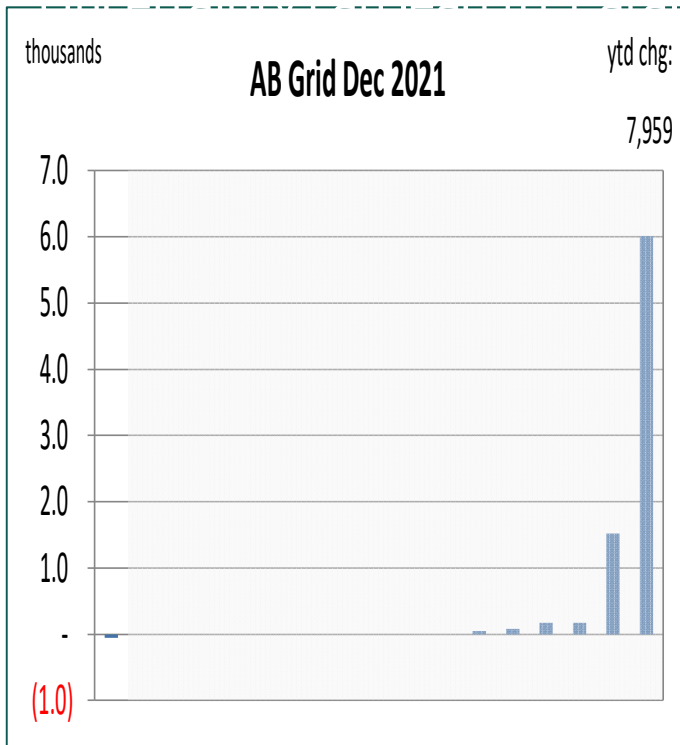
Written Premium (by month)

WP in \$millions

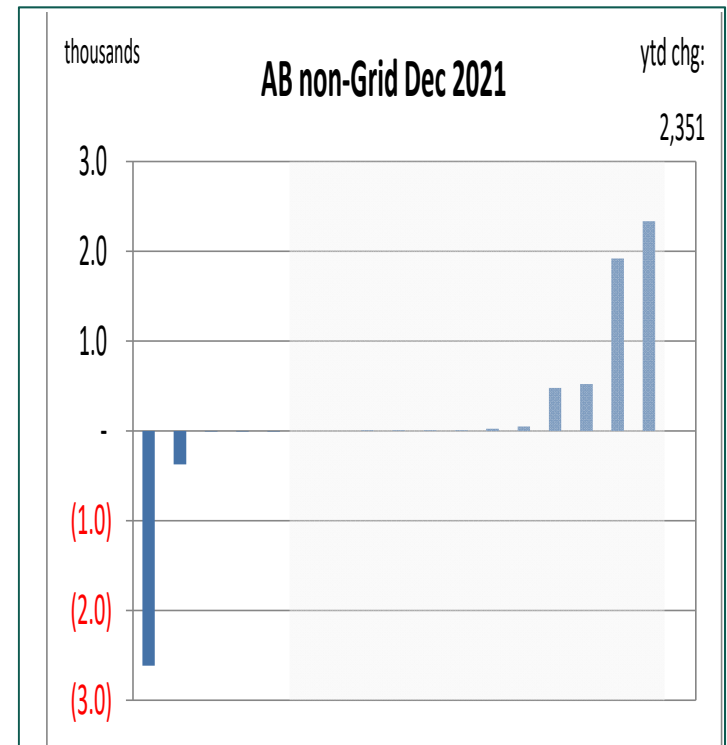


	Jun-20	Jun-19	Amt Chg	% Chg
WP (\$000s) curr mth	7,011	9,022	(2,011)	-22.3%

Uncertainty can lead to Paralysis or Divergence



	# grps	chg
decliners:	1	(52)
no changers:	10	-
growers:	6	8,011

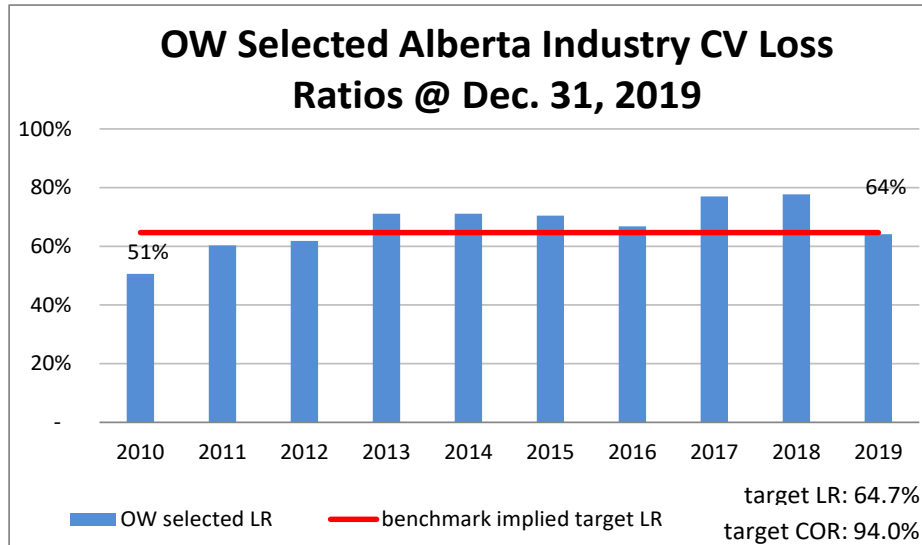


	# grps	chg
decliners:	5	(2,991)
no changers:	2	-
growers:	10	5,342

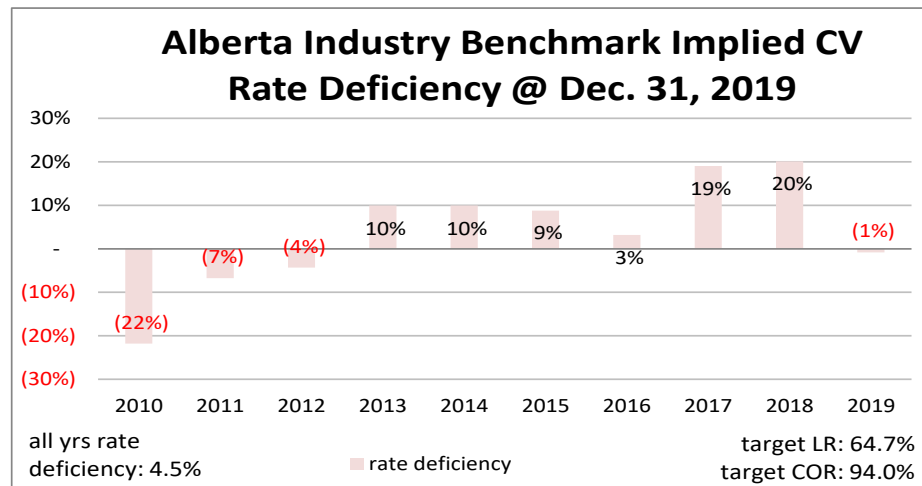
Commercial and Interurban Fleets

An Update

Profitability Concerns Alberta CV

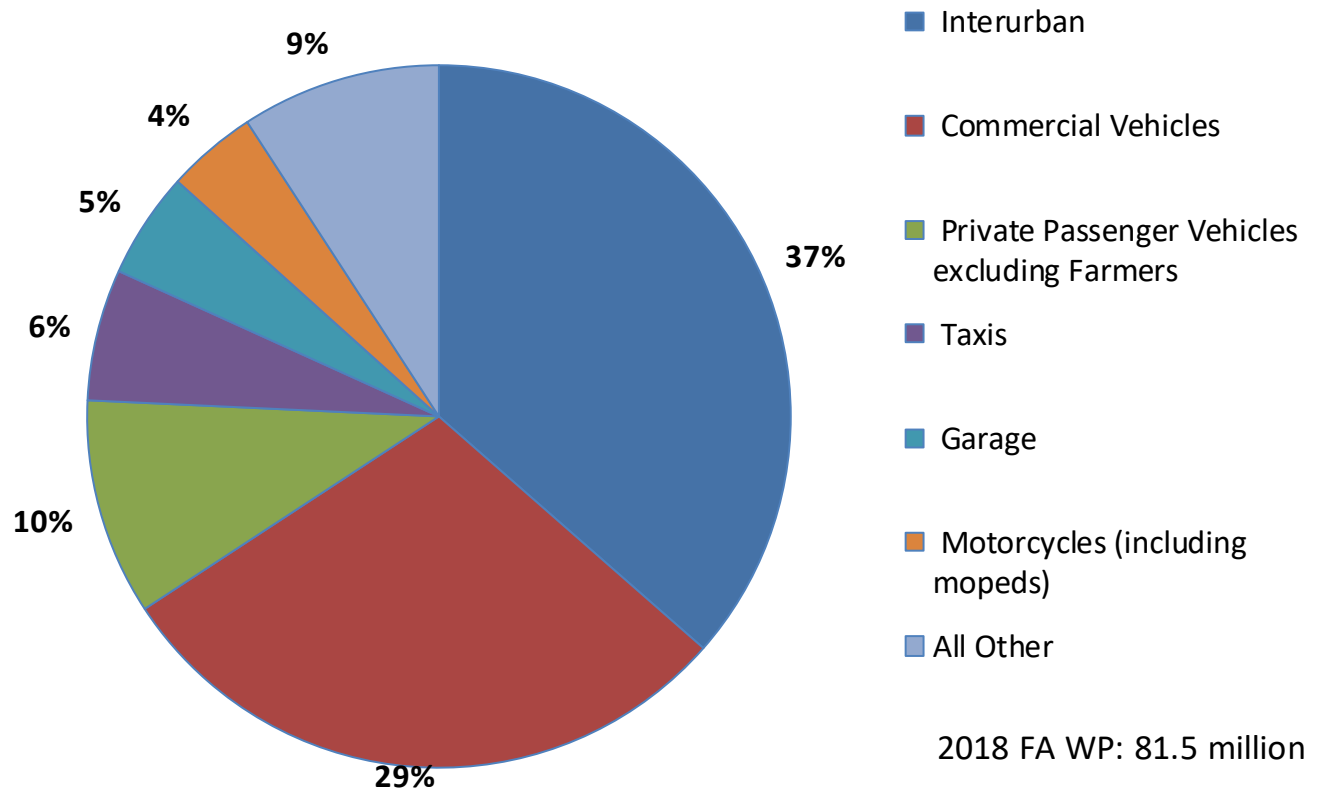


based on assumptions consistent with the OW Preliminary PPV Report



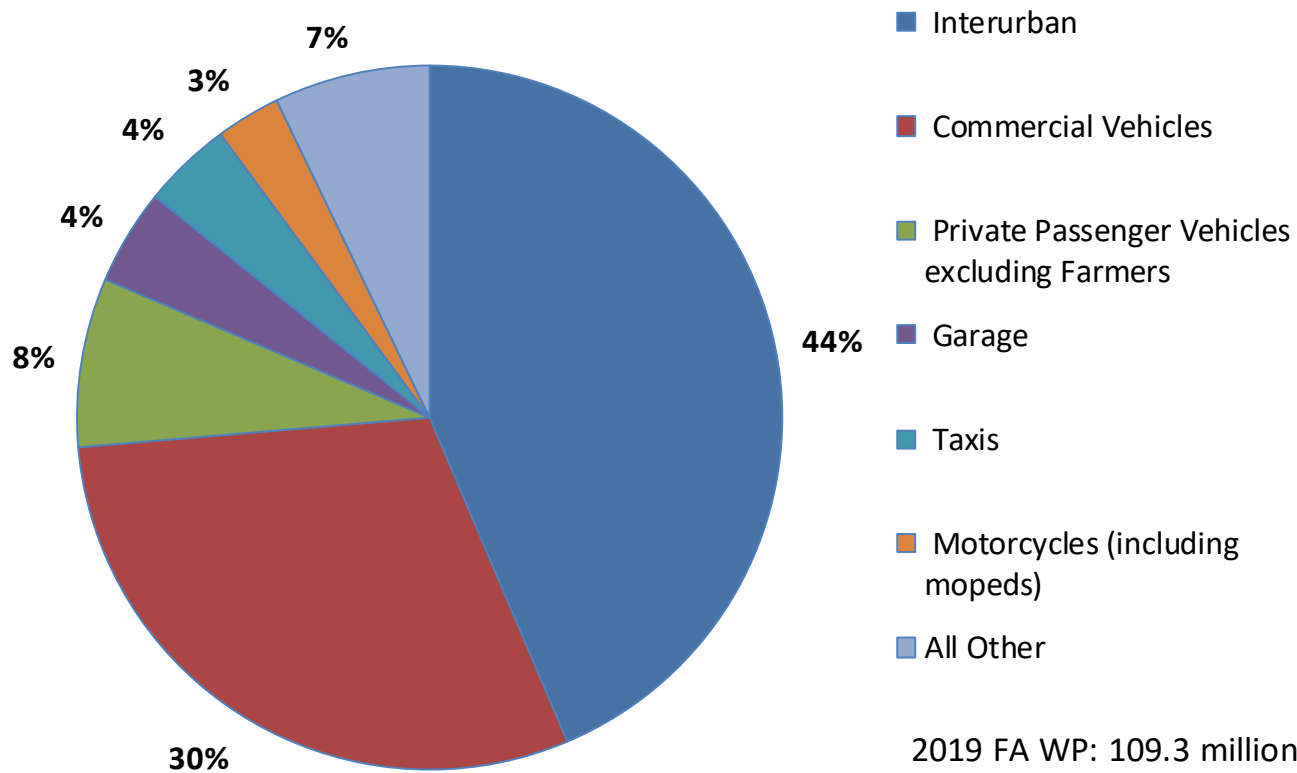
In 2018
Commercial,
IU and Fleet
grew to 66%
of FARM...

Facility Association - 2018 Alberta WP Split by Major Class

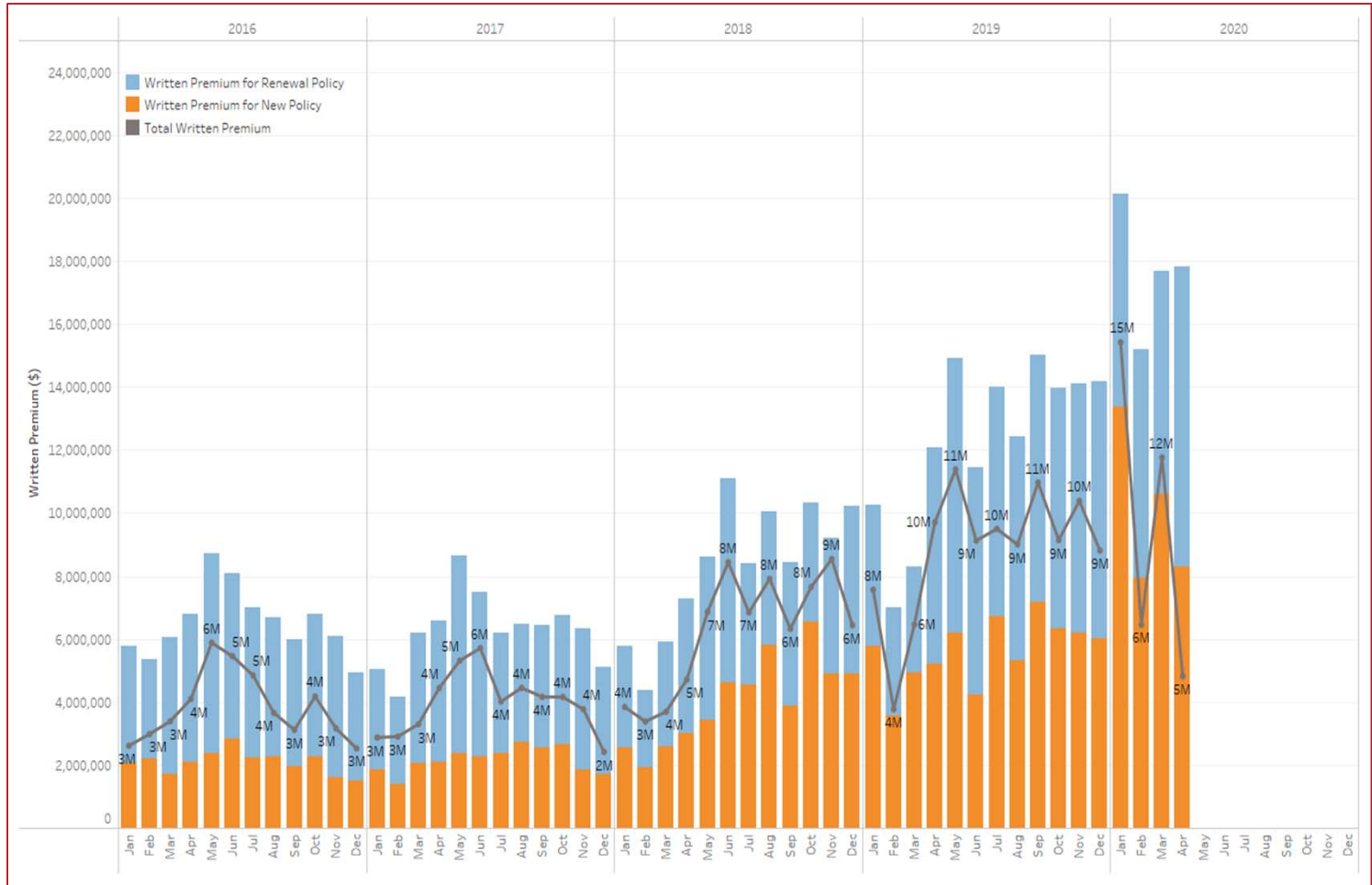


...and in
2019, 74%

Facility Association - 2019 Alberta WP Split by Major Class



FARM Alberta Non-PPV Written Premium by New and Renewal Business



Data: As at share date April 2020

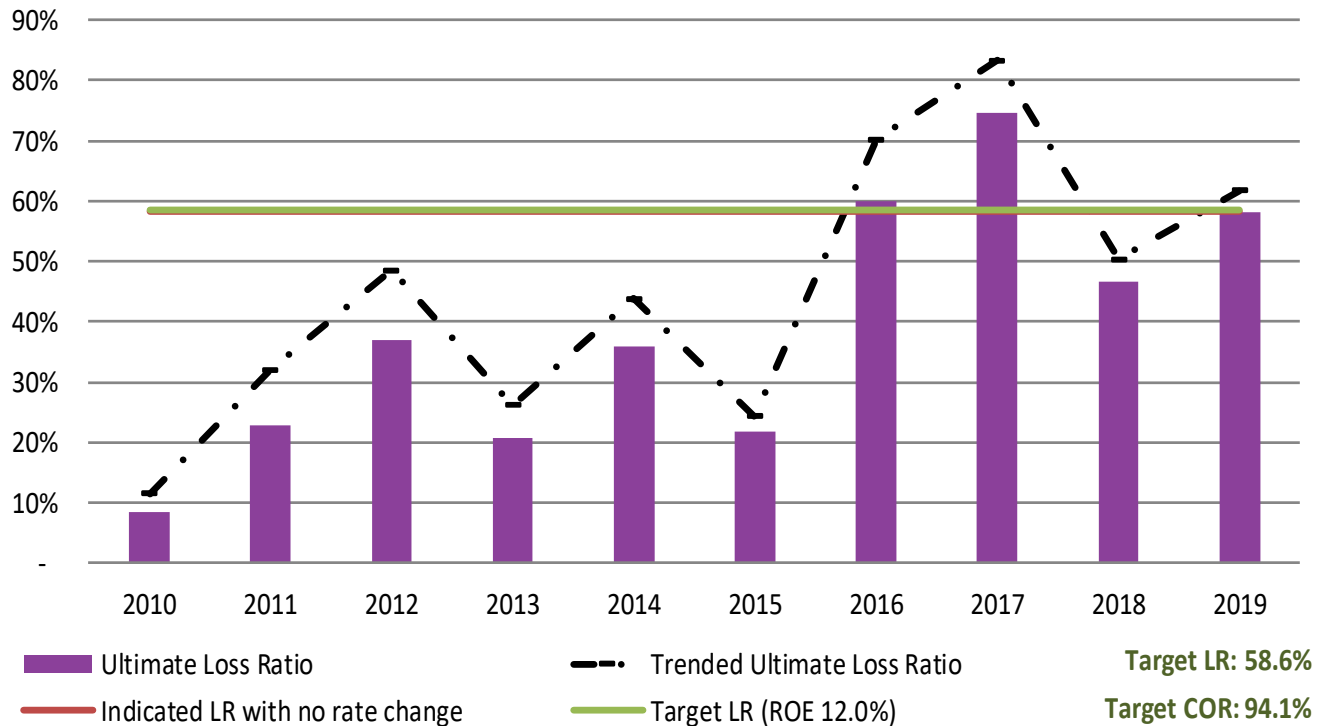
FARM transaction data reconciled with Monthly FARM operational reporting.

Note: Total Premium includes new, renewal, adjustment and endorsement transactions.

Interurban
Vehicles
Alberta
(Individually
Rated)

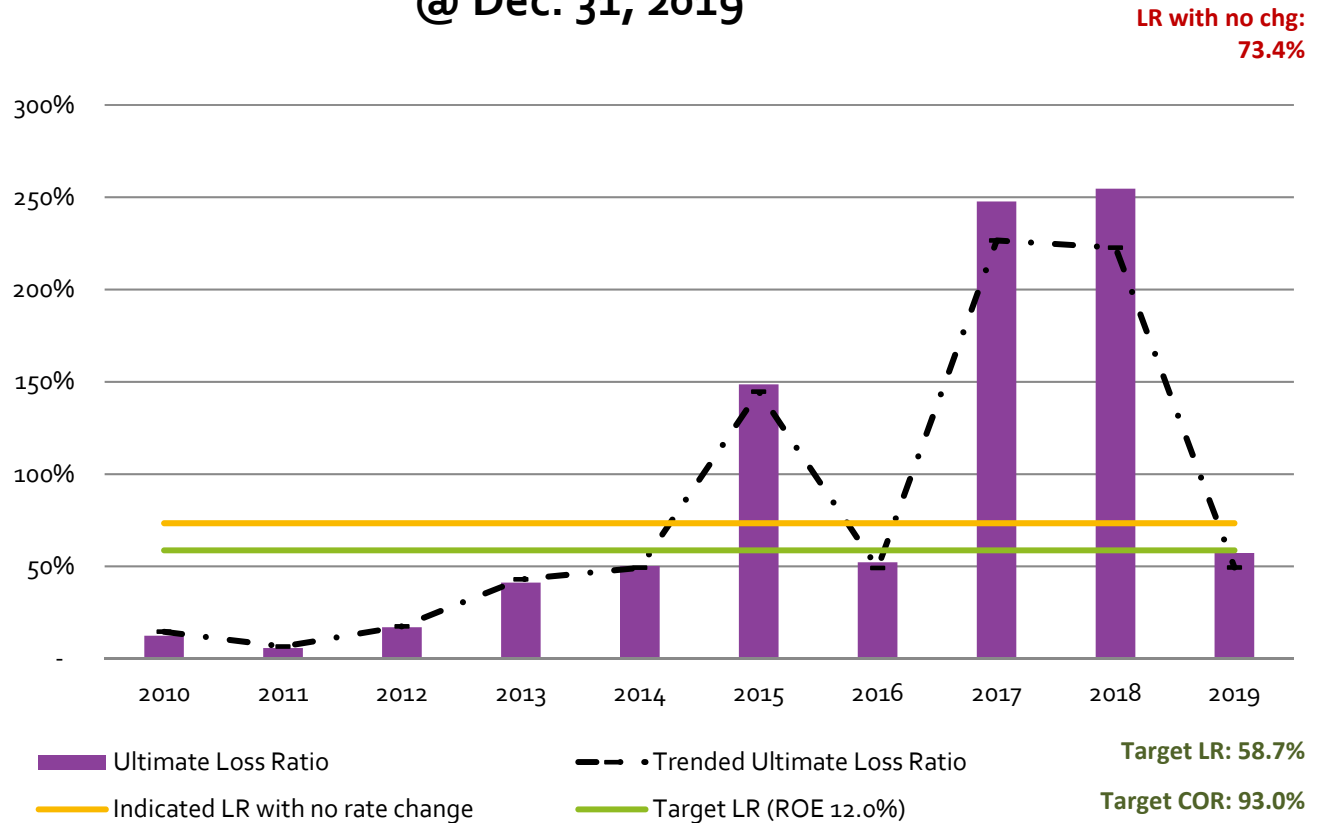
Alberta Interurban (individual) Accident Year Loss Ratios @ Dec. 31, 2019

LR with no chg:
58.4%



Interurban
Vehicles
Alberta
(Fleet
Rated)

Alberta Interurban (fleet) Accident Year Loss Ratios @ Dec. 31, 2019



The Impact of the Pandemic and Economic Re-Opening

Another Case for a Range of Reasonability

FA's Role in Pandemic Consumer Relief

FARM:

- Working with Brokers and consumers to address payment issues, including spreading missed payment;
- Allowing reduction in coverage and vehicles in storage for all policies, including fleets;
- Allowing changes in use mid-term to reduce premium;
- Allowing tangential use of PPV vehicles for food delivery

RSP:

- Allow transfer of PPV vehicles to RSP where rebates, premium reduction and suspended coverage would normally prohibit
- Allow transfer of vehicles with tangential use for food delivery where permitted
- Continued monitoring of Pool Use by members to ensure market availability

FARM Pandemic Consumer Relief

- For individually PPV and CV business, Alberta FARM has processed endorsement transactions across 2,524 policies with \$4.64M of net premium returned over the March-May 2020 period
- In Alberta PPV and CV, we've additionally processed 162 fleet policies with endorsement net premium returned of \$1.87M.

Share Year	Month	Individually Rated		Fleet Rated	
		Distinct Policy ID Count	Sum of Trans Amts	Distinct Policy ID Count	Sum of Trans Amts
2020	March	851	-958,402	63	2,127
	April	1325	-3,077,958	87	-1,568,947
	May	845	-606,374	95	-303,993
2020 Total		2524	-4,642,734	162	-1,870,813

Range of reasonability

- Rate making is an exercise in predicting the future
- All predictions are, by definition, estimates, and estimates can be incorrect
- Annual review sets factors which operate to construct a cap on rate level
- Companies are always permitted to charge less than the filed rate
- The annual review should allow companies a range of reasonable factors

Review of OW Trend Analysis

- Selection of ultimates and valuation methodologies
 - Use of GISA published development factors and apparent use of a single valuation methodology;
- Use of indemnity + ALAE + ULAE vs use of indemnity alone
 - ALAE develops differently than indemnity; ULAE is applied as a calendar year factor applied to accident year half data;
- Selection of loss trend rates consideration of coverage correlations
 - Single-period vs. multi-period approaches; moving future trend breakpoints.

Conclusions

- The residual market mechanisms have operated successfully to stabilize the market and help ensure availability during various market adjustments
- There is significant market uncertainty around the impact of pandemic and economic reopening
- Allowing a wide range of reasonability around predictive factors is important in ensuring market appetite and availability