

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER  
ALBERTA RISK SHARING POOL PROJECT MANAGER**

**BULLETIN NO.: F16 – 012**

**DATE: FEBRUARY 26, 2016**

**SUBJECT: ALBERTA RISK SHARING POOLS  
– JANUARY 2016 OPERATIONAL REPORT**

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

Please be advised that the January 2016 Alberta Risk Sharing Pools Operational Reports are now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

**Alberta Grid RSP - Summary of Financial Results**

The calendar year-to-date Net Result from Operations is \$29 thousand and the incurred loss ratio to the end of 1 month is 72.6%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>January 2016</b>	January 2015	<b>Year to date Jan 2016</b>	Year to Date Jan 2015
Written Premiums	6,311	8,887	6,311	8,887
Earned Premiums	11,313	13,235	11,313	13,235
Incurred Losses	8,207	9,677	8,207	9,677
Underwriting Expenses and Others	3,077	3,621	3,077	3,621
<b>Net Result from Operations</b>	<b>29</b>	<b>(63)</b>	<b>29</b>	<b>(63)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Year</b>	<b>(6.0%)</b>	<b>(5.0%)</b>	<b>(6.0%)</b>	<b>(5.0%)</b>
- Current Accident Years	78.6%	78.1%	78.6%	78.1%
<i>Total</i>	<b>72.6%</b>	<b>73.1%</b>	<b>72.6%</b>	<b>73.1%</b>
<b>Underwriting &amp; Admin Exp. %</b>	<b>27.2%</b>	<b>27.4%</b>	<b>27.2%</b>	<b>27.4%</b>
<b>Combined Operating Ratio</b>	<b>99.8%</b>	<b>100.5%</b>	<b>99.8%</b>	<b>100.5%</b>

*Rounding differences may apply.*

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**Alberta Risk Sharing Pools – January 2016 Operational Reports**

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These results are discussed in some detail in the “Current Month Results” section below. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2015 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2016

This month, the updated calendar year Net Result from Operations to December 2016 is now -\$0.8 million and the estimated combined operating ratio to December 2016 is 100.6%. The updated projection to the end of the year has improved by \$0.5 million from the projection provided last month (-\$1.3 million and 100.8%). This improvement is composed of a \$0.1 million favourable impact associated with the \$14.5 million decrease in projected earned premium (at a combined ratio of 100.8%), with \$0.3 million improvement stemming from the overall decrease in the combined ratio (from 100.8% to 100.6% applied to \$129.3 million in projected earned premium). The remaining \$0.1 million difference is due to other assumption updates.

Current Month Results

The Alberta Grid Risk Sharing Pool produced a \$29 thousand Net Result from Operations in the month of January 2016, an improvement of \$92 thousand compared with the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 100.5% to 99.8% applied to \$11.3 million in earned premium).

Variances from Projections

The table below provides a summary of key components of the operating results compared to the estimates projected last month.

<b>January 2016</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premiums	6,311	10,387	(4,076)	(39.2%)
Earned Premiums	11,313	11,723	(410)	(3.5%)
Reported Losses				
Paid Losses	7,573	8,859	(1,286)	(14.5%)
Loss Expenses Paid	480	559	(79)	(14.1%)
Change in Outstanding Losses	2,862	110	2,752	>999.9%
<b>Total Reported Losses</b>	<b>10,915</b>	<b>9,528</b>	<b>1,387</b>	<b>14.6%</b>
Change in IBNR *	(2,708)	(1,131)	(1,577)	
Change in Premium Deficiency (DPAC) *	1,109	299	810	

(Amounts in \$000's)

Rounding differences may apply.

\* Detailed information is included in [Alberta Grid RSP January 2016 Operational Report - Actuarial Highlights](#).

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims

reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances above set thresholds and responds as appropriate. For this month, all variances were within threshold levels associated with normal monthly reporting volatility.

For the month of January 2016, reported losses were \$1.4 million higher than projected. The Current Accident Year reported a favourable variance of \$1.3 million, while the Prior Accident Years reported an unfavourable variance of \$2.7 million. Of the Prior Accident Years, 2015 had the largest variance in reported losses at \$1.5 million unfavourable. No other single Prior Accident Year had a variance in excess of \$1.0 million.

#### Booking IBNR

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [Alberta Grid RSP January 2016 Operational Report – Actuarial Highlights](#).

#### **Effect of Quarterly Valuation**

The January 2016 Alberta Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected in the March 2016 Operational Report.

#### **Alberta Non-Grid RSP - Summary of Financial Results**

The calendar year-to-date Net Result from Operations is -\$1.8 million and the incurred loss ratio to the end of 1 month is 96.8%, as summarized in the table at the top of the next page.

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**Alberta Risk Sharing Pools – January 2016 Operational Reports**

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<b>Amounts in \$000s</b>	<b>January 2016</b>	January 2015	<b>Year to date Jan 2016</b>	Year to Date Jan 2015
Written Premiums	6,638	6,615	6,638	6,615
Earned Premiums	7,216	7,432	7,216	7,432
Incurred Losses	6,983	7,621	6,983	7,621
Underwriting Expenses and Others	2,057	1,876	2,057	1,876
<b>Net Result from Operations</b>	<b>(1,824)</b>	<b>(2,065)</b>	<b>(1,824)</b>	<b>(2,065)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Year</b>	<b>(7.5%)</b>	<b>(4.8%)</b>	<b>(7.5%)</b>	<b>(4.8%)</b>
- Current Accident Years	104.3%	107.4%	104.3%	107.4%
<i>Total</i>	<b>96.8%</b>	<b>102.6%</b>	<b>96.8%</b>	<b>102.6%</b>
<b>Underwriting &amp; Admin Exp. %</b>	<b>28.5%</b>	<b>25.2%</b>	<b>28.5%</b>	<b>25.2%</b>
<b>Combined Operating Ratio</b>	<b>125.3%</b>	<b>127.8%</b>	<b>125.3%</b>	<b>127.8%</b>

*Rounding differences may apply.*

These results are discussed in some detail in the “Current Month Results” section below. For additional numeric details, please refer to Exhibit 2 “Summary of Operations for Calendar Year 2016 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

Updated Projection to Year-end 2016

This month, the projected calendar year Net Result from Operations to December 2016 is -\$28.4 million and the estimated combined operating ratio to December 2016 is 131.8%. The updated projection to the end of the year has deteriorated by \$0.8 million from the projection provided last month (-\$27.6 million and 130.8%). This deterioration is composed of a \$0.1 million favourable impact associated with the \$0.3 million decrease in projected earned premium (at a combined ratio of 130.8%), offset by \$0.9 million deterioration stemming from the overall increase in the combined ratio (from 130.8% to 131.8% applied to \$89.2 million in projected earned premium).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$1.8 million Net Result from Operations in the month of January 2016, an improvement of \$0.2 million from the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 127.8% to 125.3% applied to \$7.2 million in earned premium).

Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

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<b>January 2016</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premiums	6,638	6,803	(165)	(2.4%)
Earned Premiums	7,216	7,334	(118)	(1.6%)
<b>Reported Losses</b>				
Paid Losses	6,749	5,256	1,493	28.4%
Loss Expenses Paid	152	217	(65)	(30.0%)
Change in Outstanding Losses	(277)	1,584	(1,861)	(117.5%)
<b>Total Reported Losses</b>	<b>6,624</b>	<b>7,057</b>	<b>(433)</b>	<b>(6.1%)</b>
Change in IBNR *	359	181	178	
Change in Premium Deficiency (DPAC) *	(2)	(19)	17	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [Alberta Non-Grid RSP January 2016 Operational Report - Actuarial Highlights](#).

As discussed in relation to the Alberta Grid pool, each month management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances above set thresholds and responds as appropriate. For this month, all variances were within the threshold levels associated with monthly reporting volatility.

For the month of January 2016, reported losses were \$0.4 million lower than projected. The Current Accident Year had a \$1.5 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$1.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

### Booking IBNR

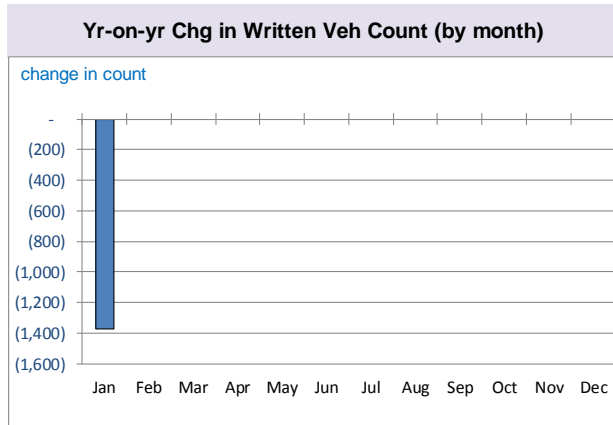
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [Alberta Non-Grid RSP January 2016 Operational Report – Actuarial Highlights](#).

### **Effect of Quarterly Valuation**

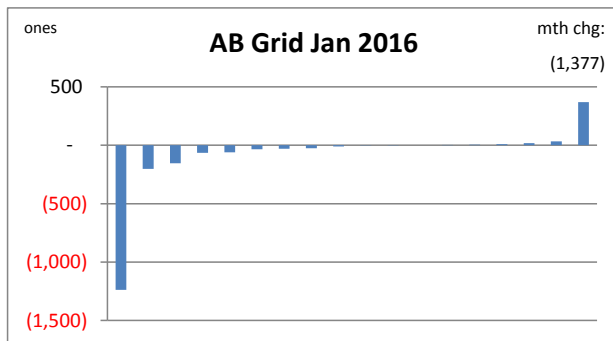
The January 2016 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected in the March 2016 Operational Report.

**Management Comments**

*Alberta Grid*



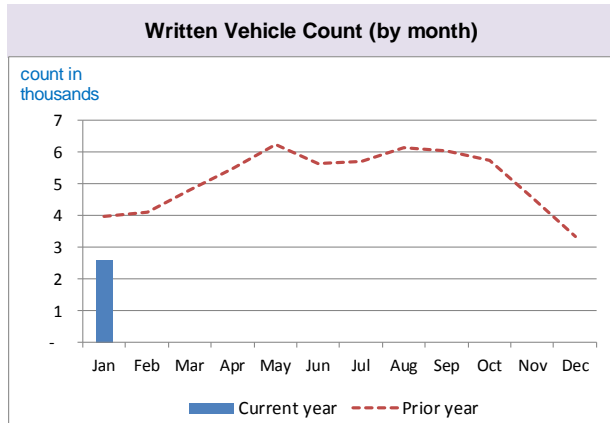
The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with January showing a decrease of 1,377 written vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 117 vehicles, indicating a variance of 1,260 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in January than projected.



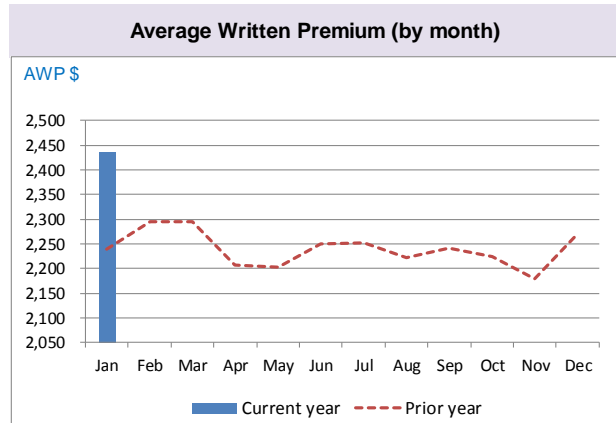
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eleven member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 6 transferred more and 1 remained the same. Of the 11 member company groups transferring

fewer vehicles, 1 member company group accounted for 68% of the total transfer decrease for these “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 84% of the total transfer increases for these “grower” members.

January’s vehicle count transfers to the pool represent a 34.7% decrease from January 2015. Average written premium was up 8.8% in January compared with the same month in 2015 (see charts at the top of the next page).

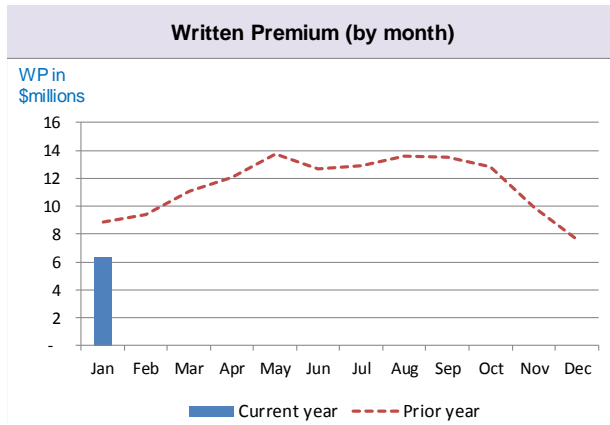


	Jan-16	Jan-15	Amt Chg	% Chg
W. Veh curr mth	2,591	3,968	(1,377)	-34.7%

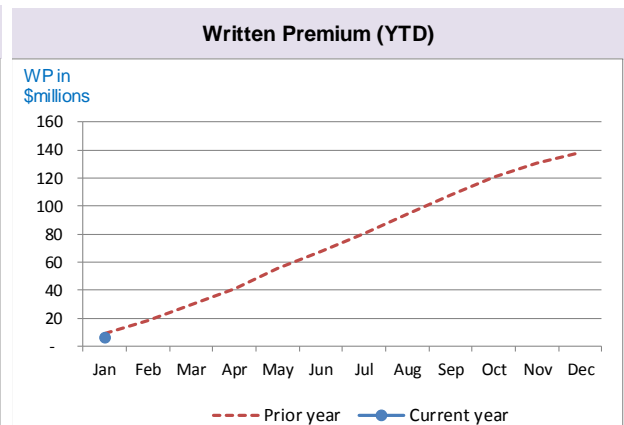


	Jan-16	Jan-15	Amt Chg	% Chg
AWP curr mth	2,436	2,240	196	8.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 29.0% for the month compared with the 16.9% increase we projected last month (see charts immediately below).

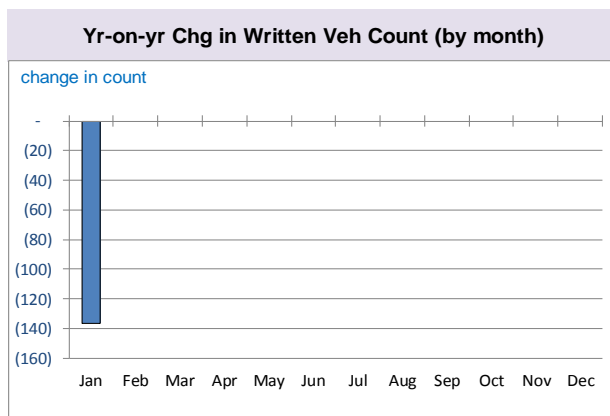


	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) curr mth	6,312	8,887	(2,575)	-29.0%



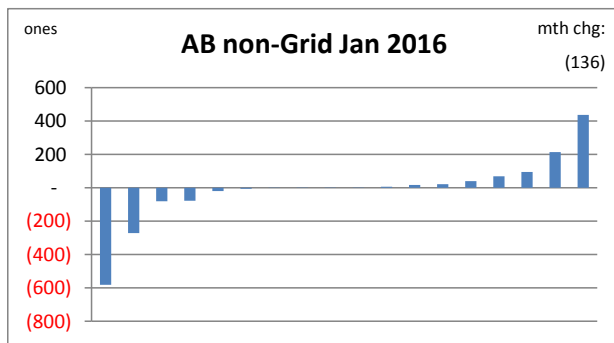
	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) YTD	6,312	8,887	(2,575)	-29.0%

**Alberta Non-Grid**



The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with January showing a decrease of 136 written vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 70 written vehicles, indicating a variance of 66 written vehicles from the actual transfers. This variance was mainly due to one member

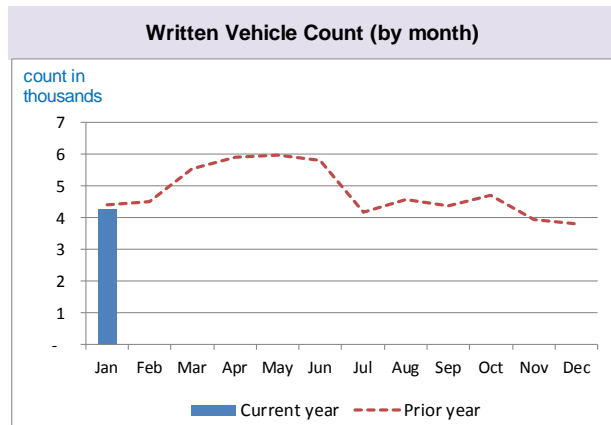
company group transferring a lower number of vehicles to the pool in January than projected.



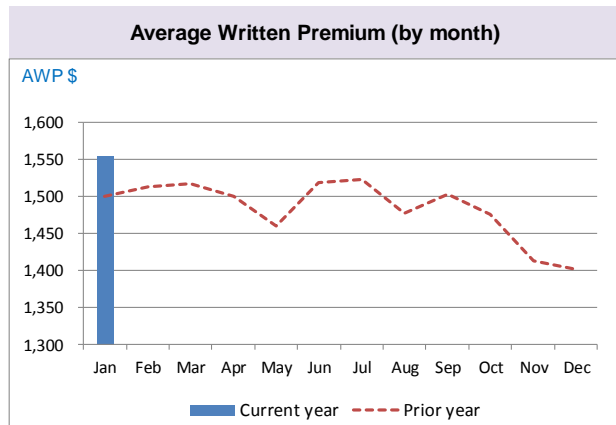
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared to a year ago, while 11 transferred more. Of the 7 member company groups transferring fewer vehicles, 1 member company group accounted for 56% of the total transfer decrease for these “decliner” members.

Of the 11 member company groups transferring more vehicles, 1 member company group accounted for 48% of the total transfers increase for these “grower” members.

January’s vehicle count transfers to the pool represent a 3.1% decrease from January 2015. Average written premium was up 3.5% in January compared with the same month in 2015 (see charts immediately below).



	Jan-16	Jan-15	Amt Chg	% Chg
W. Veh curr mth	4,272	4,408	(136)	-3.1%



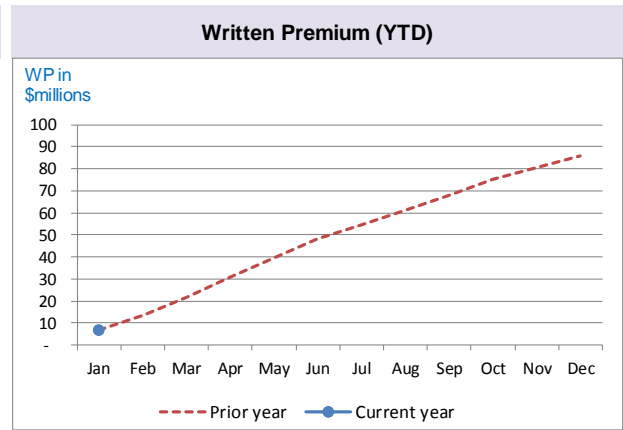
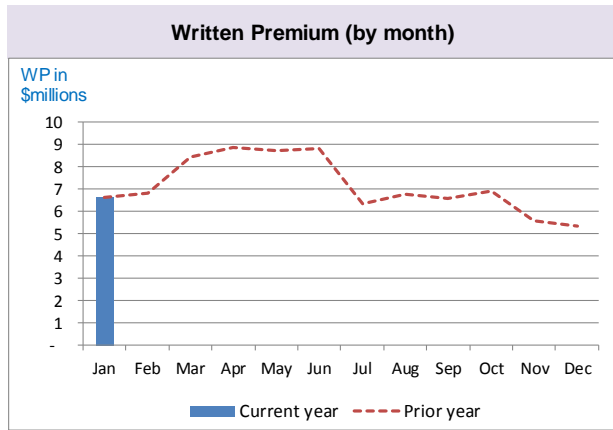
	Jan-16	Jan-15	Amt Chg	% Chg
AWP curr mth	1,554	1,501	53	3.5%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 0.3% for the month compared with the 2.8% increase we projected last month (see charts at the top of the next page).



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**Alberta Risk Sharing Pools – January 2016 Operational Reports**



	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) curr mth	6,638	6,615	23	0.3%

	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) YTD	6,638	6,615	23	0.3%

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Related Links:**

Alberta Grid RSP:

[Alberta Grid RSP January 2016 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP January 2016 Operational Report - Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2016**

Risk Sharing Pool - Alberta (Grid)

EXHIBIT 1

Operating Results for 1 Month ended January 31, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
<b>Underwriting Revenue:</b>				
Net Premiums Written	\$6,311	\$6,311	\$126,921	\$138,309
Decrease (Increase) in Unearned Premiums	5,002	5,002	2,422	7,899
<b>Net Premiums Earned</b>	<b>\$11,313</b>	<b>\$11,313</b>	<b>\$129,343</b>	<b>\$146,208</b>
<b>Claims Incurred:</b>				
Prior Accident Years:				
Undiscounted	(\$83)	(\$83)	(\$83)	(\$4,050)
Effect of Discounting	(598)	(\$598)	(7,170)	(5,152)
Discounted	(\$681)	(\$681)	(\$7,253)	(\$9,202)
Current Accident Year:				
Undiscounted	\$8,133	\$8,133	\$92,172	\$111,518
Effect of Discounting	755	\$755	5,483	6,303
Discounted	\$8,888	\$8,888	\$97,655	\$117,821
<b>Claims Incurred</b>	<b>\$8,207</b>	<b>\$8,207</b>	<b>\$90,402</b>	<b>\$108,619</b>
<b>Underwriting Expenses:</b>				
Expense Allowance	\$1,911	\$1,911	\$38,216	\$39,133
Change in UPDR/DPAC:				
Undiscounted	1,558	1,558	938	2,087
Effect of Discounting	(449)	(449)	(125)	884
Discounted	1,109	\$1,109	813	\$2,971
<b>Underwriting Expenses</b>	<b>\$3,020</b>	<b>\$3,020</b>	<b>39,029</b>	<b>\$42,104</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$86</b>	<b>\$86</b>	<b>(\$88)</b>	<b>(\$4,515)</b>
<b>Administrative Expenses</b>	<b>\$57</b>	<b>\$57</b>	<b>\$707</b>	<b>\$848</b>
<b>Net Result from Operations</b>	<b>\$29</b>	<b>\$29</b>	<b>(\$795)</b>	<b>(\$5,363)</b>
<b>Ratios:</b>				
<b>Claims &amp; Expenses Incurred (Earned)</b>				
Prior Accident Years	-6.0%	-6.0%	-5.6%	-6.3%
Current Accident Year	78.6%	78.6%	75.5%	80.6%
All Accident Years Combined (Earned)	72.6%	72.6%	69.9%	74.3%
Underwriting & Administrative Expenses (Earned)	27.2%	27.2%	30.7%	29.4%
<b>Combined Operating Ratio</b>	<b>99.8%</b>	<b>99.8%</b>	<b>100.6%</b>	<b>103.7%</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 2016**

**Risk Sharing Pool - Alberta (Non-Grid)**

**Operating Results for 1 Month ended January 31, 2016 (Discounted basis)**

EXHIBIT 1

*Source: Monthly Operational Report*

(thousands of dollars)

	January	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
<b>Underwriting Revenue:</b>				
Net Premiums Written	\$6,638	\$6,638	\$97,787	\$85,987
Decrease (Increase) in Unearned Premiums	578	578	(8,574)	3,856
<b>Net Premiums Earned</b>	<b>\$7,216</b>	<b>\$7,216</b>	<b>\$89,213</b>	<b>\$89,843</b>
<b>Claims Incurred:</b>				
Prior Accident Years:				
Undiscounted	(\$38)	(\$38)	(\$38)	(\$6,955)
Effect of Discounting	(502)	(502)	(3,741)	(2,327)
Discounted	(\$540)	(\$540)	(\$3,779)	(\$9,282)
Current Accident Year:				
Undiscounted	\$6,919	\$6,919	\$85,143	\$91,354
Effect of Discounting	604	604	4,622	4,879
Discounted	\$7,523	\$7,523	\$89,765	\$96,233
<b>Claims Incurred</b>	<b>\$6,983</b>	<b>\$6,983</b>	<b>\$85,986</b>	<b>\$86,951</b>
<b>Underwriting Expenses:</b>				
Expense Allowance	\$2,001	\$2,001	\$29,439	\$24,332
Change in UPDR/DPAC:				
Undiscounted	42	42	455	(1,441)
Effect of Discounting	(44)	(44)	721	231
Discounted	(2)	(2)	1,176	(\$1,210)
<b>Underwriting Expenses</b>	<b>\$1,999</b>	<b>\$1,999</b>	<b>\$30,615</b>	<b>\$23,122</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$1,766)</b>	<b>(\$1,766)</b>	<b>(\$27,388)</b>	<b>(\$20,230)</b>
<b>Administrative Expenses</b>	<b>\$58</b>	<b>\$58</b>	<b>\$992</b>	<b>\$791</b>
<b>Net Result from Operations</b>	<b>(\$1,824)</b>	<b>(\$1,824)</b>	<b>(\$28,380)</b>	<b>(\$21,021)</b>
<b>Ratios:</b>				
<b>Claims &amp; Expenses Incurred (Earned)</b>				
Prior Accident Years	-7.5%	-7.5%	-4.2%	-10.3%
Current Accident Year	104.3%	104.3%	100.6%	107.1%
All Accident Years Combined	96.8%	96.8%	96.4%	96.8%
Underwriting & Administrative Expenses (Earned)	28.5%	28.5%	35.4%	26.6%
<b>Combined Operating Ratio</b>	<b>125.3%</b>	<b>125.3%</b>	<b>131.8%</b>	<b>123.4%</b>

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

Rounding difference may apply