



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 019

DATE: MARCH 29, 2016

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

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

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

New This Month

Government Line Allocation Ratio Process

FA has implemented an updated process for determining allocation ratios used to allocate certain values among government lines. The new process uses ratios reviewed and approved by the Appointed Actuary that are applied to current and projection months' IBNR and actuarial present value adjustments, and to projection months' claims payments and case reserves. The new process was introduced in part to deal with the issue discussed in the Ontario RSP April 2015 Bulletin [F15-033](#), but also in an effort to reduce volatility in the government line amounts from month-to-month.

Alberta Grid RSP - Summary of Financial Results

The calendar year-to-date Net Result from Operations is \$0.2 million and the incurred loss ratio to the end of 2 months is 71.1%, as summarized in the table at the top of the next page.

Bulletin F16-019**Alberta Risk Sharing Pools – February 2016 Operational Reports**

Amounts in \$000s	February 2016	February 2015	Year to date Feb 2016	Year to Date Feb 2015
Written Premiums	7,054	9,433	13,365	18,320
Earned Premiums	10,048	11,862	21,361	25,097
Incurring Losses	6,978	8,079	15,185	17,756
Underwriting Expenses and Others	2,908	3,305	5,985	6,926
Net Result from Operations	162	478	191	415
Ratios:				
Loss ratio % - Prior Accident Year	(7.8%)	(7.6%)	(6.8%)	(6.2%)
- Current Accident Years	77.2%	75.7%	77.9%	77.0%
<i>Total</i>	69.4%	68.1%	71.1%	70.8%
Underwriting & Admin Exp.%	28.9%	27.9%	28.0%	27.6%
Combined Operating Ratio	98.3%	96.0%	99.1%	98.4%

Rounding differences may apply.

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

The updated calendar year Net Result from Operations to December 2016 is -\$0.3 million and the estimated combined operating ratio to December 2016 is 100.3%. The updated projection to the end of the year has improved by \$0.5 million from the projection provided last month (-\$0.8 million and 100.6%).

Current Month Results

The Alberta Grid Risk Sharing Pool produced a \$0.2 million Net Result from Operations in the month of February 2016, a deterioration of \$0.3 million compared with the same month last year. This deterioration is composed of a \$0.1 million unfavourable impact associated with the \$1.8 million decrease in earned premium (at a combined ratio of 96.0%), with the remaining \$0.2 million deterioration stemming from the overall increase in the combined ratio (from 96.0% to 98.3% applied to \$10.0 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 99.8% at the end of 1 month to 99.1% at the end of 2 months. The 0.7 percentage point decrease is composed of a 0.8 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 0.7 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.8 percentage point increase in the expense ratio.

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Alberta Risk Sharing Pools – February 2016 Operational Reports

Variations from Projections

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

February 2016	Actual	Projection	Difference	Difference %
Written Premiums	7,054	7,287	(233)	(3.2%)
Earned Premiums	10,048	10,258	(210)	(2.0%)
Reported Losses				
Paid Losses	8,533	9,493	(960)	(10.1%)
Loss Expenses Paid	451	678	(227)	(33.5%)
Change in Outstanding Losses	121	48	73	152.1%
Total Reported Losses	9,105	10,219	(1,114)	(10.9%)
Change in IBNR *	(2,127)	(3,178)	1,051	
Change in Premium Deficiency (DPAC) *	697	691	6	

(Amounts in \$000's)

Rounding differences may apply.

* Detailed information is included in [Alberta Grid RSP February 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 February 2016, reported losses were \$1.1 million lower than projected. The Current Accident Year reported a favourable variance of \$0.1 million, and the Prior Accident Years reported a favourable variance of \$1.0 million. Of the Prior Accident Years, 2015 had the largest variance in reported losses at \$2.0 million favourable. 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 February 2016 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The February 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 -\$3.7 million and the incurred loss ratio to the end of 2 months is 94.5%, as summarized in the table below.

Amounts in \$000s	February 2016	February 2015	Year to date Feb 2016	Year to Date Feb 2015
Written Premiums	7,698	6,835	14,336	13,450
Earned Premiums	6,774	6,806	13,990	14,238
Incurred Losses	6,239	6,705	13,222	14,326
Underwriting Expenses and Others	2,432	1,978	4,489	3,854
Net Result from Operations	(1,897)	(1,877)	(3,721)	(3,942)
Ratios:				
Loss ratio % - Prior Accident Year	(9.4%)	(6.4%)	(8.4%)	(5.6%)
- Current Accident Years	101.5%	104.9%	102.9%	106.2%
<i>Total</i>	92.1%	98.5%	94.5%	100.6%
Underwriting & Admin Exp.%	35.9%	29.1%	32.1%	27.1%
Combined Operating Ratio	128.0%	127.6%	126.6%	127.7%

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

The updated calendar year Net Result from Operations to December 2016 is -\$29.9 million and the estimated combined operating ratio to December 2016 is 132.6%. The updated projection to the end of the year has deteriorated by \$1.5 million from the projection provided last month (-\$28.4 million and 131.8%). This deterioration is composed of an approximately \$0.8 million unfavourable impact associated with the \$2.3 million increase in projected earned premium (at a combined ratio of 131.8%), with the remaining \$0.7 million deterioration stemming from the overall increase in the combined ratio (from 131.8% to 132.6% applied to \$91.5 million in projected earned premium).

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Alberta Risk Sharing Pools – February 2016 Operational Reports

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$1.9 million Net Result from Operations in the month of February 2016, little changed from the same month last year.

This month's results moved the year-to-date combined operating ratio from 125.3% at the end of 1 month to 126.6% at the end of 2 months. The 1.3 percentage point increase is composed of a 3.6 percentage point increase in the expense ratio, offset by a 0.9 percentage point decrease in the Prior Accident Year loss ratio and a 1.4 percentage point decrease in the Current Accident Year loss ratio.

Variances from Projections

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

February 2016	Actual	Projection	Difference	Difference %
Written Premiums	7,698	6,569	1,129	17.2%
Earned Premiums	6,774	6,819	(45)	(0.7%)
Reported Losses				
Paid Losses	8,746	7,116	1,630	22.9%
Loss Expenses Paid	240	284	(44)	(15.5%)
Change in Outstanding Losses	1,221	(1,282)	2,503	195.2%
Total Reported Losses	10,207	6,118	4,089	66.8%
Change in IBNR *	(3,968)	301	(4,269)	
Change in Premium Deficiency (DPAC) *	33	(12)	45	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Alberta Non-Grid RSP February 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 February 2016, reported losses were \$4.1 million higher than projected. The Current Accident Year had a \$0.9 million unfavourable variance in reported losses, and the Prior Accident Years had a \$3.2 million unfavourable variance. Of the Prior Accident Years, 2014 had the largest variance in reported losses at \$2.1 million unfavourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Booking IBNR

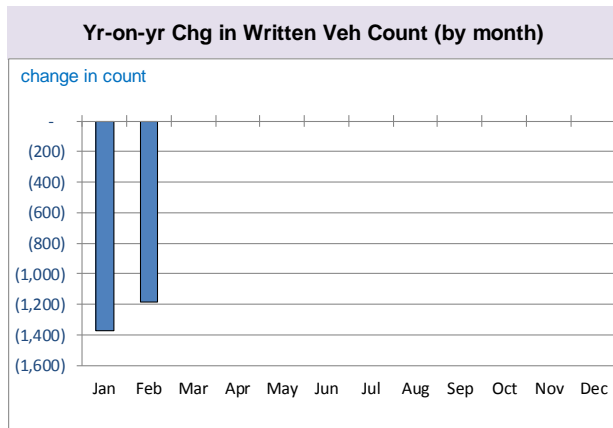
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 February 2016 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

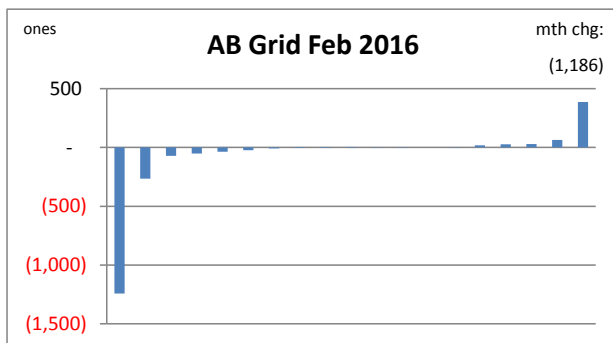
The February 2016 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected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

Management Comments

Alberta Grid

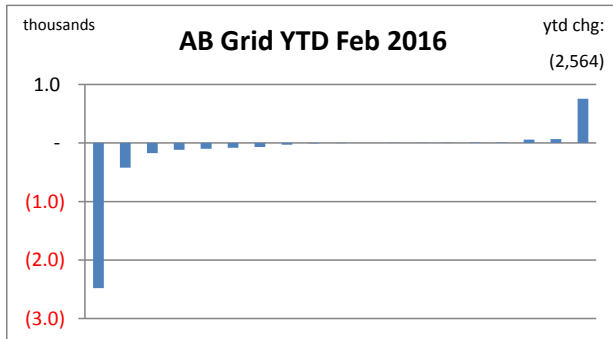


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with February showing a decrease of 1,186 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 1,121 vehicles, indicating a variance of 65 vehicles from the actual transfers.



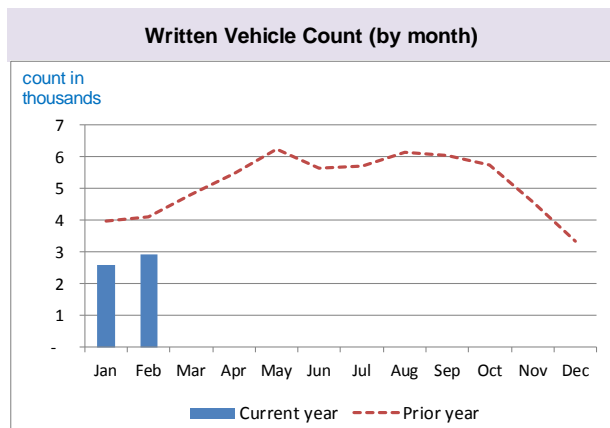
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Twelve member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 6 transferred more and 1 remained the same. Of the 12 member company groups transferring fewer vehicles, 1 member company group accounted for 73% of the total transfer decrease for these “decliner” members. Of the 6 member company groups transferring more vehicles, 1

member company group accounted for 74% of the total transfer increases for these “grower” members.

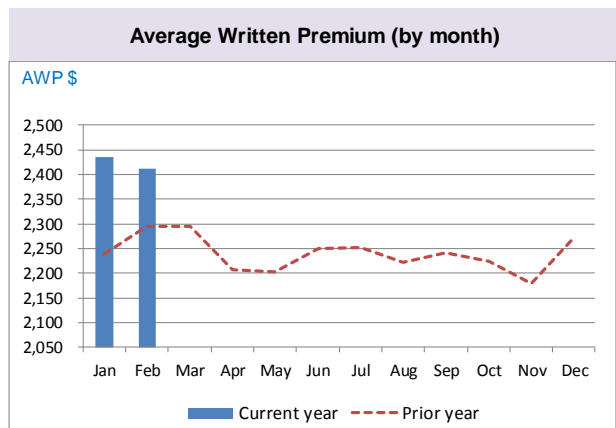


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change.

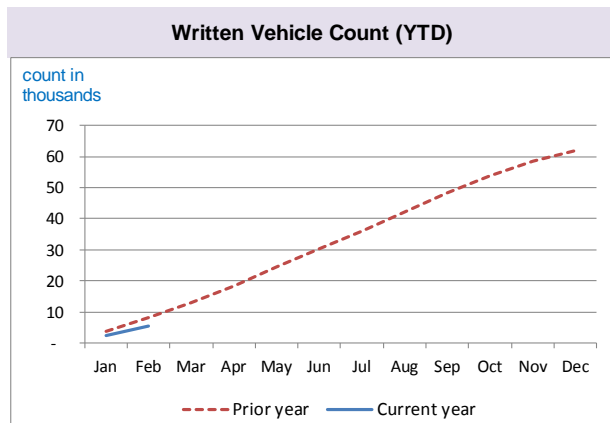
February’s vehicle count transfers to the pool represent a 28.9% decrease from February 2015, and vehicle counts were down 31.7% year-to-date. Average written premium was up 5.1% in February 2016 compared with the same month in 2015, and up 6.9% year-to-date (see charts immediately below).



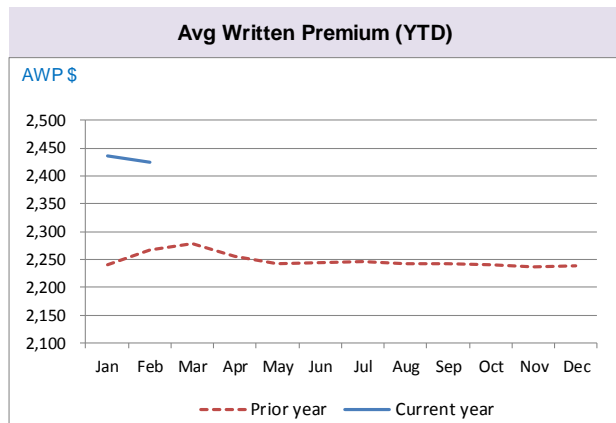
	Feb-16	Feb-15	Amt Chg	% Chg
W. Veh curr mth	2,923	4,110	(1,186)	-28.9%



	Feb-16	Feb-15	Amt Chg	% Chg
AWP curr mth	2,413	2,295	118	5.1%

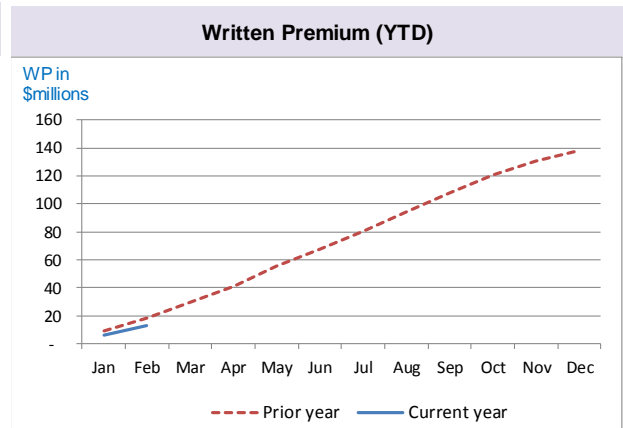
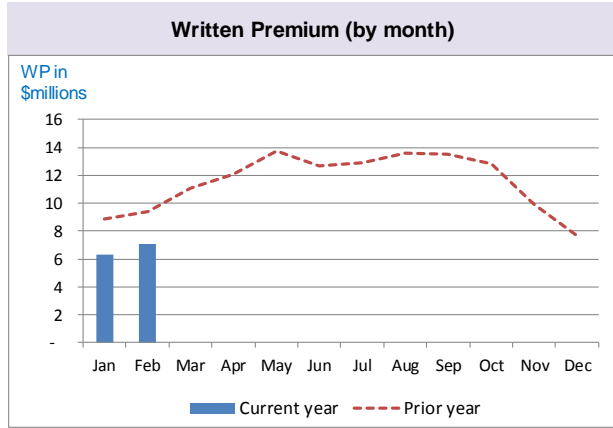


	Feb-16	Feb-15	Amt Chg	% Chg
W. Vehicles YTD	5,514	8,078	(2,564)	-31.7%



	Feb-16	Feb-15	Amt Chg	% Chg
Avg W. Prem YTD	2,424	2,268	156	6.9%

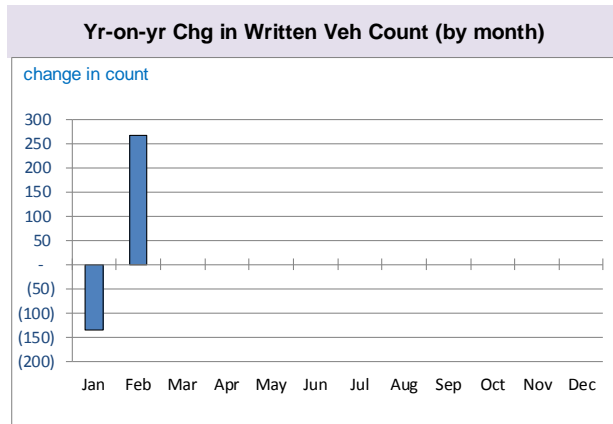
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 25.2% for the month compared with the 22.7% decrease we projected last month, and was down 27.0% year-to-date (see charts immediately below).



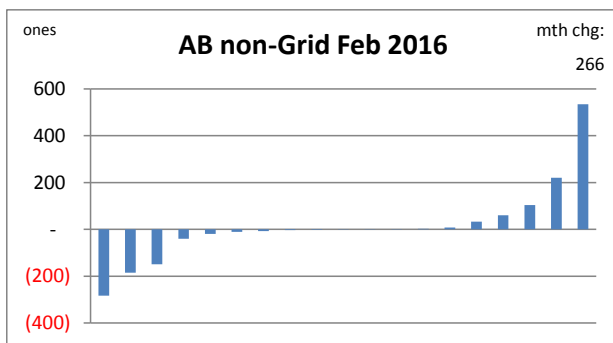
	Feb-16	Feb-15	Amt Chg	% Chg
WP (\$000s) curr mth	7,054	9,433	(2,378)	-25.2%

	Feb-16	Feb-15	Amt Chg	% Chg
WP (\$000s) YTD	13,366	18,320	(4,954)	-27.0%

Alberta Non-Grid

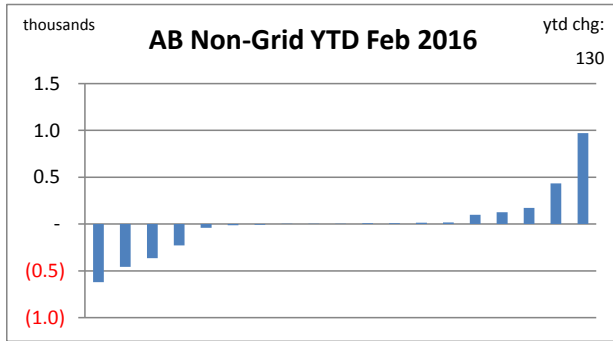


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with February showing an increase of 266 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 308 vehicles, indicating a variance of 574 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a higher number of vehicles to the pool in February than projected.



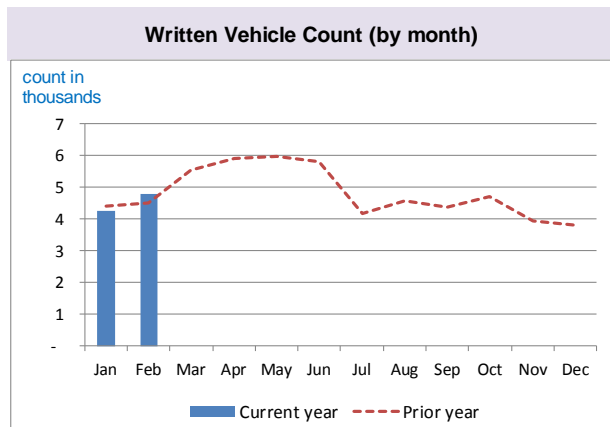
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared to a year ago, while 9 transferred more. Of the 10 member company groups transferring fewer vehicles, 1 member

company group accounted for 41% of the total transfer decrease for these “decliner” members. Of the 9 member company groups transferring more vehicles, 1 member company group accounted for 55% of the total transfers increase for these “grower” members.

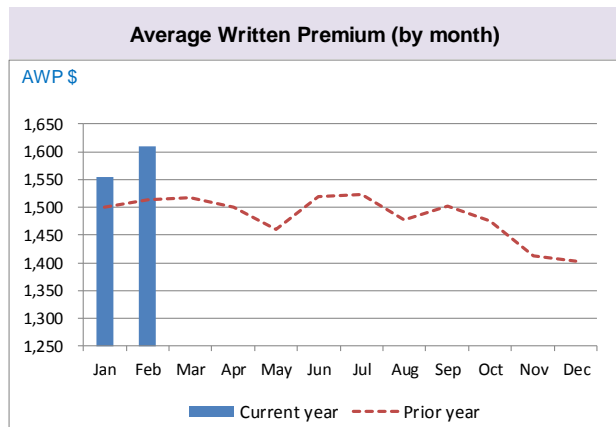


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change.

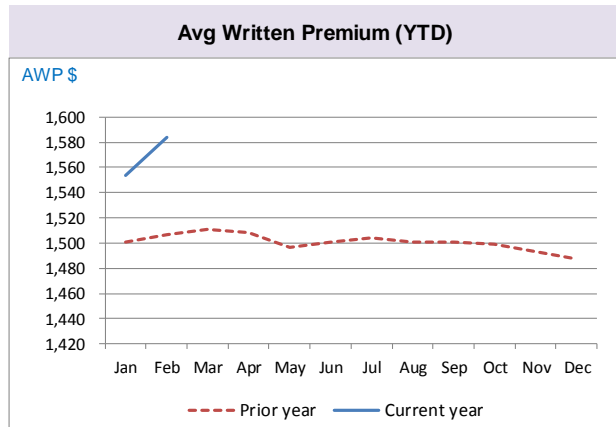
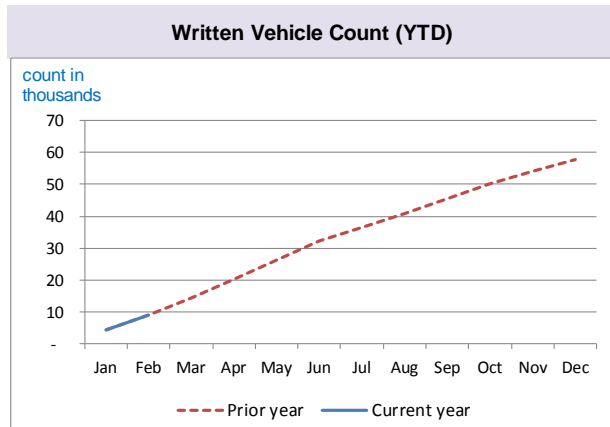
February’s vehicle count transfers to the pool represent a 5.9% increase from February 2015, and vehicle counts were up 1.5% year-to-date. Average written premium was up 6.3% in February 2016 compared with the same month in 2015, and up 5.1% year-to-date (see charts immediately below and at the top of the next page).



	Feb-16	Feb-15	Amt Chg	% Chg
W. Veh curr mth	4,781	4,514	266	5.9%



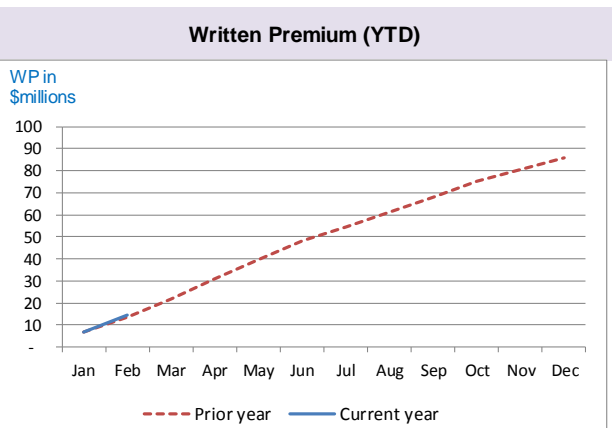
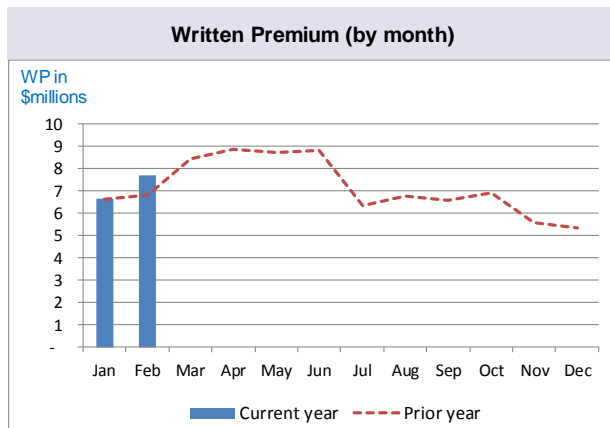
	Feb-16	Feb-15	Amt Chg	% Chg
AWP curr mth	1,610	1,514	96	6.3%



	Feb-16	Feb-15	Amt Chg	% Chg
W. Vehicles YTD	9,053	8,923	130	1.5%

	Feb-16	Feb-15	Amt Chg	% Chg
Avg W. Prem YTD	1,584	1,507	77	5.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 12.6% for the month compared with the 3.9% decrease we projected last month, and was up 6.6% year-to-date (see charts immediately below).



	Feb-16	Feb-15	Amt Chg	% Chg
WP (\$000s) curr mth	7,698	6,835	863	12.6%

	Feb-16	Feb-15	Amt Chg	% Chg
WP (\$000s) YTD	14,336	13,450	886	6.6%

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

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Alberta Risk Sharing Pools – February 2016 Operational Reports

Related Links:

Alberta Grid RSP:

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

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Alberta (Grid)

Operating Results for 2 Months ended February 29, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$6,311	\$7,054	\$13,365	\$119,946	\$138,309
Decrease (Increase) in Unearned Premiums	5,002	2,994	7,996	6,630	7,899
Net Premiums Earned	\$11,313	\$10,048	\$21,361	\$126,576	\$146,208
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$83)	(\$80)	(\$163)	(\$163)	(\$4,050)
Effect of Discounting	(598)	(700)	(\$1,298)	(7,192)	(5,152)
Discounted	(\$681)	(\$780)	(\$1,461)	(\$7,355)	(\$9,202)
Current Accident Year:					
Undiscounted	\$8,133	\$7,229	\$15,362	\$90,276	\$111,518
Effect of Discounting	755	529	\$1,284	5,371	6,303
Discounted	\$8,888	\$7,758	\$16,646	\$95,647	\$117,821
Claims Incurred	\$8,207	\$6,978	\$15,185	\$88,292	\$108,619
Underwriting Expenses:					
Expense Allowance	\$1,911	\$2,131	\$4,042	\$36,122	\$39,133
Change in UPDR/DPAC:					
Undiscounted	1,558	728	2,286	2,123	2,087
Effect of Discounting	(449)	(31)	(480)	(380)	884
Discounted	1,109	697	\$1,806	1,743	\$2,971
Underwriting Expenses	\$3,020	\$2,828	\$5,848	37,865	\$42,104
Net Underwriting Gain (Loss)	\$86	\$242	\$328	\$419	(\$4,515)
Administrative Expenses	\$57	\$80	\$137	\$681	\$848
Net Result from Operations	\$29	\$162	\$191	(\$262)	(\$5,363)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-6.0%	-7.8%	-6.8%	-5.8%	-6.3%
Current Accident Year	78.6%	77.2%	77.9%	75.6%	80.6%
All Accident Years Combined (Earned)	72.6%	69.4%	71.1%	69.8%	74.3%
Underwriting & Administrative Expenses (Earned)	27.2%	28.9%	28.0%	30.5%	29.4%
Combined Operating Ratio	99.8%	98.3%	99.1%	100.3%	103.7%

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 2 Months ended February 29, 2016 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$6,638	\$7,698	\$14,336	\$102,534	\$85,987
Decrease (Increase) in Unearned Premiums	578	(924)	(346)	(11,010)	3,856
Net Premiums Earned	\$7,216	\$6,774	\$13,990	\$91,524	\$89,843
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$38)	(\$25)	(\$63)	(\$63)	(\$6,955)
Effect of Discounting	(502)	(609)	(1,111)	(3,829)	(2,327)
Discounted	(\$540)	(\$634)	(\$1,174)	(\$3,892)	(\$9,282)
Current Accident Year:					
Undiscounted	\$6,919	\$6,487	\$13,406	\$87,372	\$91,354
Effect of Discounting	604	386	990	4,744	4,879
Discounted	\$7,523	\$6,873	\$14,396	\$92,116	\$96,233
Claims Incurred	\$6,983	\$6,239	\$13,222	\$88,224	\$86,951
Underwriting Expenses:					
Expense Allowance	\$2,001	\$2,319	\$4,320	\$30,868	\$24,332
Change in UPDR/DPAC:					
Undiscounted	42	(38)	4	398	(1,441)
Effect of Discounting	(44)	71	27	911	231
Discounted	(2)	33	31	1,309	(\$1,210)
Underwriting Expenses	\$1,999	\$2,352	\$4,351	\$32,177	\$23,122
Net Underwriting Gain (Loss)	(\$1,766)	(\$1,817)	(\$3,583)	(\$28,877)	(\$20,230)
Administrative Expenses	\$58	\$80	\$138	\$1,016	\$791
Net Result from Operations	(\$1,824)	(\$1,897)	(\$3,721)	(\$29,893)	(\$21,021)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-7.5%	-9.4%	-8.4%	-4.3%	-10.3%
Current Accident Year	104.3%	101.5%	102.9%	100.6%	107.1%
All Accident Years Combined	96.8%	92.1%	94.5%	96.3%	96.8%
(Earned)	28.5%	35.9%	32.1%	36.3%	26.6%
Combined Operating Ratio	125.3%	128.0%	126.6%	132.6%	123.4%

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