

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 033

DATE: MAY 27, 2016

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

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

Please be advised that the April 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 -\$23.4 million and the incurred loss ratio to the end of 4 months is 122.8%, as summarized in the table below.

Amounts in \$000s	April 2016	April 2015	Year to date Apr 2016	Year to Date Apr 2015
Written Premiums	12,762	12,067	34,862	41,437
Earned Premiums	9,819	12,318	41,450	50,284
Incurred Losses	7,030	8,099	50,894	29,902
Underwriting Expenses and Others	3,343	3,535	13,952	12,849
Net Result from Operations	(554)	684	(23,396)	7,533
Ratios:				
Loss ratio % - Prior Accident Year	(6.9%)	(5.7%)	42.9%	(14.2%)
- Current Accident Years	78.5%	71.5%	79.9%	73.7%
Total	71.6%	65.8%	122.8%	59.5%
Underwriting & Admin Exp.%	34.0%	28.7%	33.7%	25.6%
Combined Operating Ratio	105.6%	94.5%	156.5%	85.1%

Rounding differences may apply.

Bulletin F16-033**Alberta Risk Sharing Pools – April 2016 Operational Reports**

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 2016 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2016

The projected calendar year Net Result from Operations to December 2016 is -\$26.4 million and the estimated combined operating ratio to December 2016 is 120.8%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$26.1 million and 120.8%).

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$0.6 million Net Result from Operations in the month of April 2016, a deterioration of \$1.2 million compared with the same month last year. This deterioration is composed of a \$0.1 million unfavourable impact associated with the \$2.5 million decrease in earned premium (at a combined ratio of 94.5%), with the remaining \$1.1 million deterioration stemming from the overall increase in the combined ratio (from 94.5% to 105.6% applied to \$9.8 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 172.2% at the end of 3 months to 156.5% at the end of 4 months. The 15.7 percentage point decrease is composed of a 15.4 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 0.5 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.2 percentage point increase in the expense ratio.

Variances from Projections

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

April 2016	Actual	Projection	Difference	Difference %
Written Premiums	12,762	9,369	3,393	36.2%
Earned Premiums	9,819	9,855	(36)	(0.4%)
Reported Losses				
Paid Losses	8,851	9,925	(1,074)	(10.8%)
Loss Expenses Paid	500	693	(193)	(27.8%)
Change in Outstanding Losses	2,700	(1,598)	4,298	269.0%
Total Reported Losses	12,051	9,020	3,031	33.6%
Change in IBNR *	(5,021)	(2,089)	(2,932)	
Change in Premium Deficiency (DPAC) *	(570)	101	(671)	

(Amounts in \$000's)

Rounding differences may apply.

* Detailed information is included in [Alberta Grid RSP April 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 April 2016, reported losses were \$3.0 million higher than projected. The Current Accident Year reported a favourable variance of \$1.1 million, while the Prior Accident Years reported an unfavourable variance of \$4.1 million. Of the Prior Accident Years, 2012 had the largest variance in reported losses at \$1.1 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 April 2016 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

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

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Net Result from Operations is -\$8.7 million and the incurred loss ratio to the end of 4 months is 92.5%, as summarized in the table at the top of the next page.

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Amounts in \$000s	April 2016	April 2015	Year to date Apr 2016	Year to Date Apr 2015
Written Premiums	10,023	8,900	33,530	30,776
Earned Premiums	7,146	7,523	28,438	29,358
Incurred Losses	6,824	7,467	26,299	33,464
Underwriting Expenses and Others	3,226	2,649	10,796	8,809
Net Result from Operations	(2,904)	(2,593)	(8,657)	(12,915)
Ratios:				
Loss ratio % - Prior Accident Year	(5.6%)	(3.4%)	(9.7%)	9.4%
- Current Accident Years	101.1%	102.7%	102.2%	104.6%
<i>Total</i>	95.5%	99.3%	92.5%	114.0%
Underwriting & Admin Exp.%	45.1%	35.2%	38.0%	30.0%
Combined Operating Ratio	140.6%	134.5%	130.5%	144.0%

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 projected calendar year Net Result from Operations to December 2016 is -\$27.1 million and the estimated combined operating ratio to December 2016 is 130.0%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$27.0 million and 130.0%).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$2.9 million Net Result from Operations in the month of April 2016, a deterioration of \$0.3 million compared with the same month last year. This deterioration is composed of a \$0.1 million favourable impact associated with the \$0.4 million decrease in earned premium (at a combined ratio of 134.5%), offset by a \$0.4 million deterioration stemming from the overall increase in the combined ratio (from 134.5% to 140.6% applied to \$7.1 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 127.1% at the end of 3 months to 130.5% at the end of 4 months. The 3.4 percentage point increase is composed of a 1.4 percentage point increase in the Prior Accident Year loss ratio, and a 2.4 percentage point increase in the expense ratio, offset by a 0.4 percentage point decrease in the Current Accident Year loss ratio.

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Alberta Risk Sharing Pools – April 2016 Operational Reports

Variances from Projections

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

April 2016	Actual	Projection	Difference	Difference %
Written Premiums	10,023	8,960	1,063	11.9%
Earned Premiums	7,146	7,274	(128)	(1.8%)
Reported Losses				
Paid Losses	6,744	6,621	123	1.9%
Loss Expenses Paid	213	232	(19)	(8.2%)
Change in Outstanding Losses	(3,212)	(821)	(2,391)	(291.2%)
Total Reported Losses	3,745	6,032	(2,287)	(37.9%)
Change in IBNR *	3,080	921	2,159	
Change in Premium Deficiency (DPAC) *	139	90	49	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Alberta Non-Grid RSP April 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 April 2016, reported losses were \$2.3 million lower than projected. The Current Accident Year had a \$0.5 million unfavourable variance in reported losses, while the Prior Accident Years had a \$2.8 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Booking IBNR

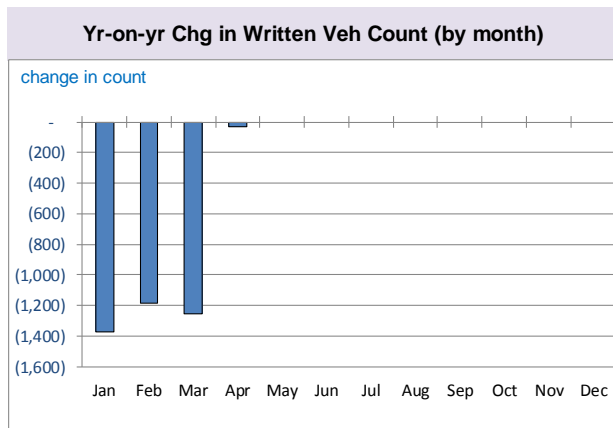
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium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

Effect of Quarterly Valuation

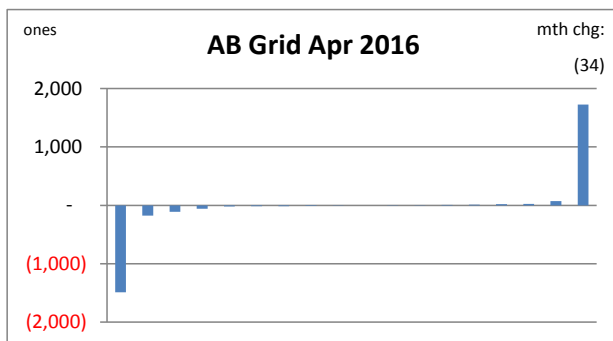
The April 2016 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2015). The actuarial valuation will be updated next as at March 31, 2016 and we anticipate that the results will be reflected in the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

Management Comments

Alberta Grid

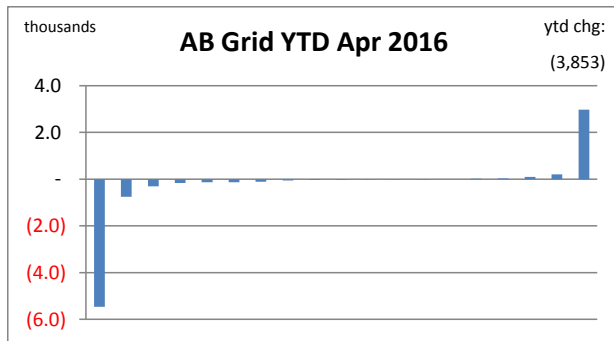


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with April showing a decrease of 34 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 1,509 vehicles, indicating a variance of 1,475 vehicles from the actual transfers. This variance was mainly due to one member company transferring a higher number of vehicles to the pool in April than projected.



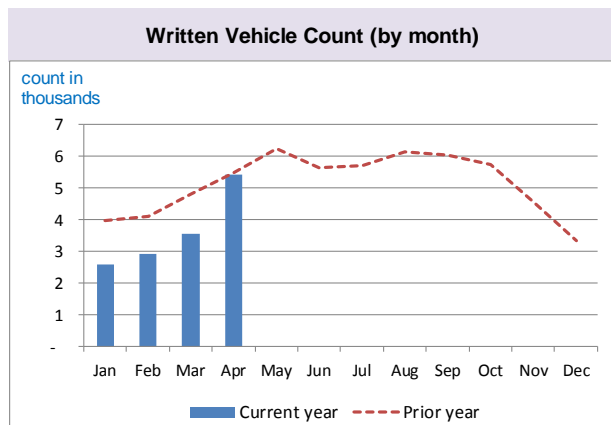
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 8 transferred more and 1 remained the same. Of the 9 member company groups transferring

fewer vehicles, 1 member company group accounted for 79% of the total transfer decrease for these “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 93% of the total transfer increases for these “grower” members.

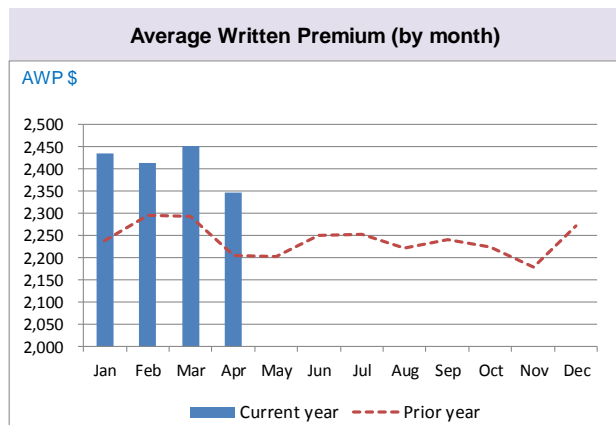


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

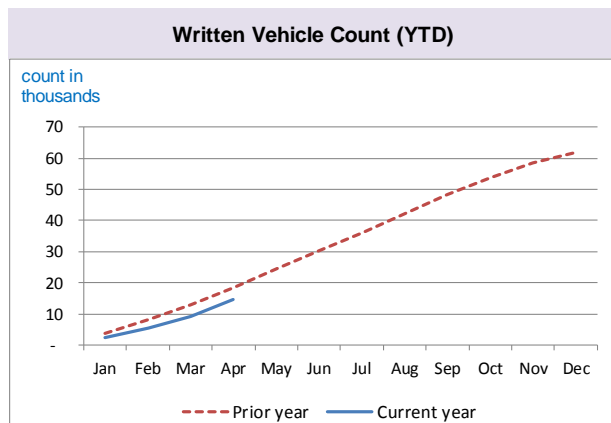
April's vehicle count transfers to the pool represent a 0.6% decrease from April 2015, and vehicle counts were down 21.0% year-to-date. Average written premium was up 6.4% in April 2016 compared with the same month in 2015, and up 6.5% year-to-date (see charts immediately below).



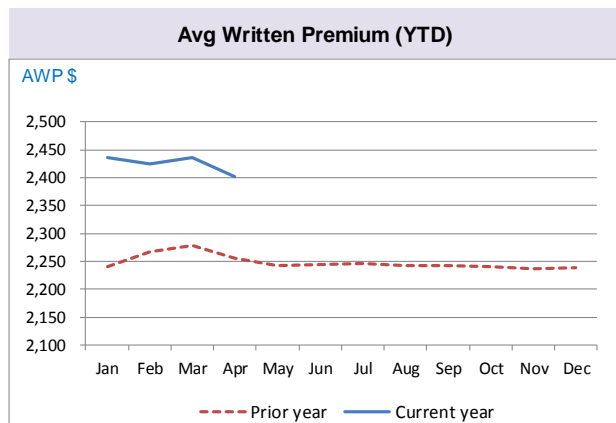
	Apr-16	Apr-15	Amt Chg	% Chg
W. Veh curr mth	5,435	5,469	(34)	-0.6%



	Apr-16	Apr-15	Amt Chg	% Chg
AWP curr mth	2,348	2,206	142	6.4%

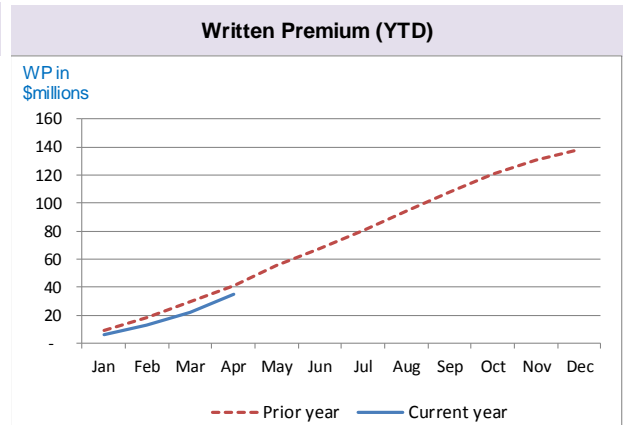
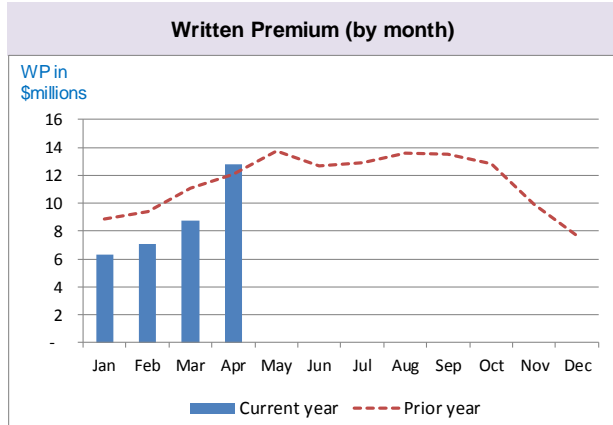


	Apr-16	Apr-15	Amt Chg	% Chg
W. Vehicles YTD	14,511	18,364	(3,853)	-21.0%



	Apr-16	Apr-15	Amt Chg	% Chg
Avg W. Prem YTD	2,402	2,256	146	6.5%

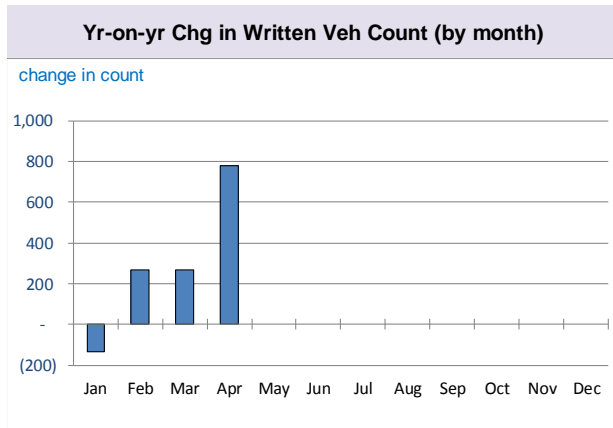
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 5.8% for the month compared with the 22.4% decrease we projected last month, but was down 15.9% year-to-date (see charts immediately below).



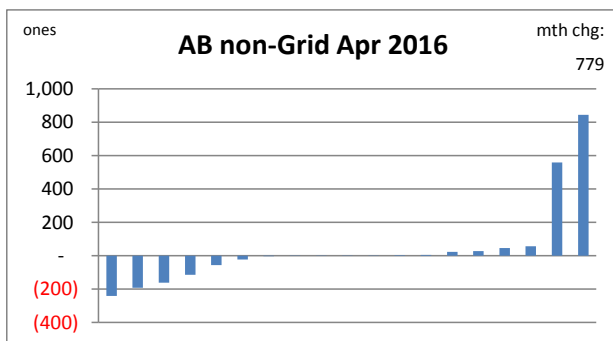
	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) curr mth	12,762	12,067	695	5.8%

	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) YTD	34,863	41,437	(6,574)	-15.9%

Alberta Non-Grid

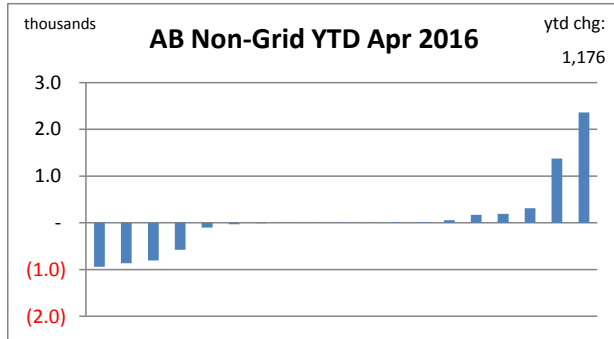


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with April showing an increase of 779 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 262 vehicles, indicating a variance of 1,041 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 April than projected.



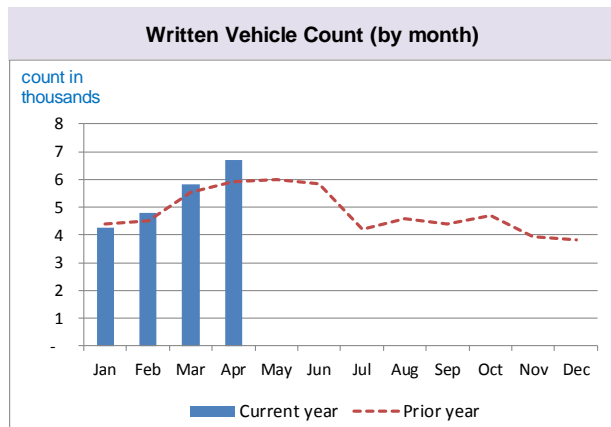
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared to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

company group accounted for 30% of the total transfer decrease for these “decliner” members. Of the 10 member company groups transferring more vehicles, 2 member company groups accounted for 90% of the total transfers increase for these “grower” members.

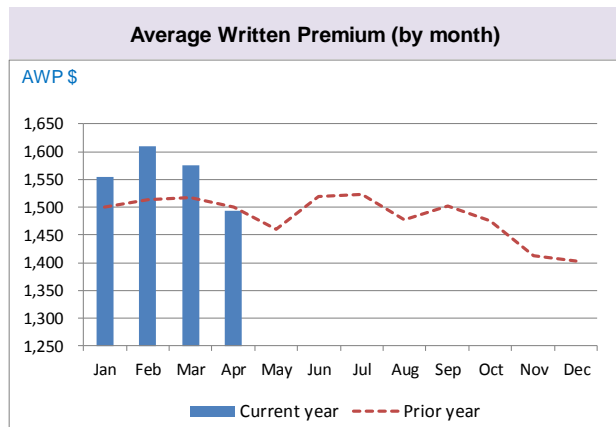


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

April’s vehicle count transfers to the pool represent a 13.1% increase from April 2015, and vehicle counts were up 5.8% year-to-date. Average written premium was down 0.5% in April 2016 compared with the same month in 2015, but up 3.0% year-to-date (see charts immediately below and at the top of the next page).

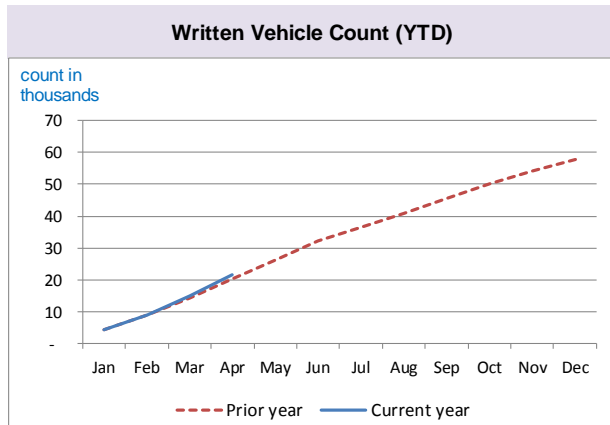


	Apr-16	Apr-15	Amt Chg	% Chg
W. Veh curr mth	6,710	5,931	779	13.1%

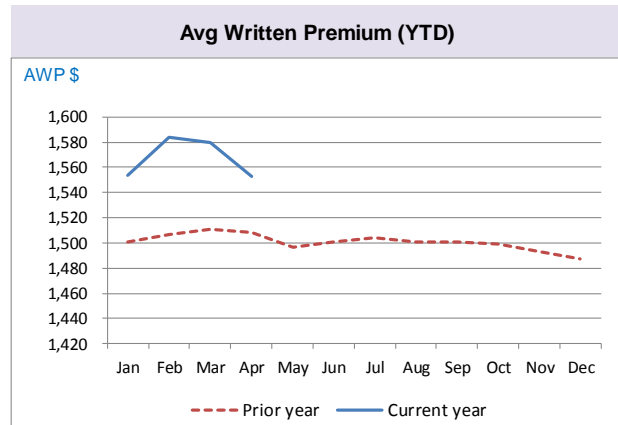


	Apr-16	Apr-15	Amt Chg	% Chg
AWP curr mth	1,494	1,501	(7)	-0.5%

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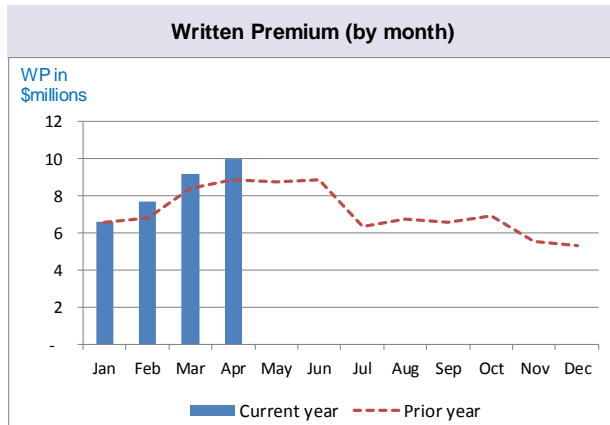


	Apr-16	Apr-15	Amt Chg	% Chg
W. Vehicles YTD	21,585	20,409	1,176	5.8%

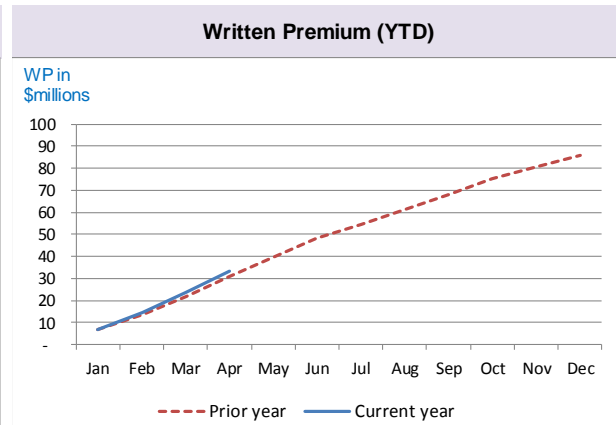


	Apr-16	Apr-15	Amt Chg	% Chg
Avg W. Prem YTD	1,553	1,508	45	3.0%

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 0.7% increase we projected last month, and was up 8.9% year-to-date (see charts immediately below).



	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) curr mth	10,022	8,900	1,123	12.6%



	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) YTD	33,530	30,776	2,754	8.9%

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 – April 2016 Operational Reports

Related Links:

Alberta Grid RSP:

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

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 4 Months Ended April 30, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$6,311	\$7,054	\$8,735	\$12,762	\$34,862	\$125,705	\$138,309
Decrease (Increase) in Unearned Premiums	5,002	2,994	1,535	(2,943)	6,588	857	7,899
Net Premiums Earned	\$11,313	\$10,048	\$10,270	\$9,819	\$41,450	\$126,562	\$146,208
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$83)	(\$80)	\$17,887	(\$62)	\$17,662	\$17,662	(\$4,050)
Effect of Discounting	(598)	(700)	2,020	(612)	\$110	(4,979)	(5,152)
Discounted	(\$681)	(\$780)	\$19,907	(\$674)	\$17,772	\$12,683	(\$9,202)
Current Accident Year:							
Undiscounted	\$8,133	\$7,229	\$8,191	\$7,292	\$30,845	\$93,573	\$111,518
Effect of Discounting	755	529	581	412	\$2,277	5,928	6,303
Discounted	\$8,888	\$7,758	\$8,772	\$7,704	\$33,122	\$99,501	\$117,821
Claims Incurred	\$8,207	\$6,978	\$28,679	\$7,030	\$50,894	\$112,184	\$108,619
Underwriting Expenses:							
Expense Allowance	\$1,911	\$2,131	\$2,636	\$3,845	\$10,523	\$37,866	\$39,133
Change in UPDR/DPAC:							
Undiscounted	1,558	728	1,808	(759)	3,335	1,957	2,087
Effect of Discounting	(449)	(31)	107	189	(184)	190	884
Discounted	1,109	697	1,915	(570)	\$3,151	2,147	\$2,971
Underwriting Expenses	\$3,020	\$2,828	\$4,551	\$3,275	\$13,674	40,013	\$42,104
Net Underwriting Gain (Loss)	\$86	\$242	(\$22,960)	(\$486)	(\$23,118)	(\$25,635)	(\$4,515)
Administrative Expenses	\$57	\$80	\$73	\$68	\$278	\$748	\$848
Net Result from Operations	\$29	\$162	(\$23,033)	(\$554)	(\$23,396)	(\$26,383)	(\$5,363)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-6.0%	-7.8%	193.8%	-6.9%	42.9%	10.0%	-6.3%
Current Accident Year	78.6%	77.2%	85.4%	78.5%	79.9%	78.6%	80.6%
All Accident Years Combined (Earned)	72.6%	69.4%	279.2%	71.6%	122.8%	88.6%	74.3%
Underwriting & Administrative Expenses (Earned)	27.2%	28.9%	45.0%	34.0%	33.7%	32.2%	29.4%
Combined Operating Ratio	99.8%	98.3%	324.2%	105.6%	156.5%	120.8%	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 the 4 Months Ended April 30, 2016 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$6,638	\$7,698	\$9,171	\$10,023	\$33,530	\$97,180	\$85,987
Decrease (Increase) in Unearned Premiums	578	(924)	(1,869)	(2,877)	(5,092)	(6,859)	3,856
Net Premiums Earned	\$7,216	\$6,774	\$7,302	\$7,146	\$28,438	\$90,321	\$89,843
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$38)	(\$25)	(\$1,121)	(\$52)	(\$1,236)	(\$1,236)	(\$6,955)
Effect of Discounting	(502)	(609)	(72)	(348)	(1,531)	(3,770)	(2,327)
Discounted	(\$540)	(\$634)	(\$1,193)	(\$400)	(\$2,767)	(\$5,006)	(\$9,282)
Current Accident Year:							
Undiscounted	\$6,919	\$6,487	\$7,046	\$6,878	\$27,330	\$86,488	\$91,354
Effect of Discounting	604	386	400	346	1,736	4,847	4,879
Discounted	\$7,523	\$6,873	\$7,446	\$7,224	\$29,066	\$91,335	\$96,233
Claims Incurred	\$6,983	\$6,239	\$6,253	\$6,824	\$26,299	\$86,329	\$86,951
Underwriting Expenses:							
Expense Allowance	\$2,001	\$2,319	\$2,763	\$3,019	\$10,102	\$29,260	\$24,332
Change in UPDR/DPAC:							
Undiscounted	42	(38)	13	(88)	(71)	222	(1,441)
Effect of Discounting	(44)	71	232	227	486	657	231
Discounted	(2)	33	245	139	415	879	(\$1,210)
Underwriting Expenses	\$1,999	\$2,352	\$3,008	\$3,158	\$10,517	\$30,139	\$23,122
Net Underwriting Gain (Loss)	(\$1,766)	(\$1,817)	(\$1,959)	(\$2,836)	(\$8,378)	(\$26,147)	(\$20,230)
Administrative Expenses	\$58	\$80	\$73	\$68	\$279	\$927	\$791
Net Result from Operations	(\$1,824)	(\$1,897)	(\$2,032)	(\$2,904)	(\$8,657)	(\$27,074)	(\$21,021)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-7.5%	-9.4%	-16.3%	-5.6%	-9.7%	-5.5%	-10.3%
Current Accident Year	104.3%	101.5%	102.0%	101.1%	102.2%	101.1%	107.1%
All Accident Years Combined	96.8%	92.1%	85.7%	95.5%	92.5%	95.6%	96.8%
Underwriting & Administrative Expenses (Earned)	28.5%	35.9%	42.2%	45.1%	38.0%	34.4%	26.6%
Combined Operating Ratio	125.3%	128.0%	127.9%	140.6%	130.5%	130.0%	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