

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 036 (Revised effective July 4, 2017, see footnote 1, page 3)

DATE: MAY 30, 2017

**SUBJECT: ALBERTA RISK SHARING POOLS
– APRIL 2017 OPERATIONAL REPORT**

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

Please be advised that the April 2017 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 Operating Result is -\$19.5 million and the incurred loss ratio to the end of 4 months is 105.3%, as summarized in the table below.

Amounts in \$000s	April 2017	April 2016	Year to date Apr 2017	Year to Date Apr 2016
Premiums Written	12,325	12,762	38,704	34,862
Premiums Earned	12,027	9,819	47,636	41,450
Claims Incurred	10,301	7,030	50,169	50,894
General Expenses	3,689	3,343	17,010	13,952
Operating Result	(1,963)	(554)	(19,543)	(23,396)
Ratios:				
Loss ratio % - Prior Accident Years	(4.2%)	(6.9%)	13.6%	42.9%
- Current Accident Year	89.9%	78.5%	91.7%	79.9%
<i>Total</i>	85.7%	71.6%	105.3%	122.8%
General Expenses %	30.7%	34.0%	35.7%	33.7%
Combined Operating Ratio	116.4%	105.6%	141.0%	156.5%

Rounding differences may apply.

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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 2017 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$40.5 million and the estimated combined operating ratio to December 2017 is 125.1%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$40.2 million and 124.7%).

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$2.0 million Operating Result in the month of April 2017, a deterioration of \$1.4 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 105.6% to 116.4% applied to \$12.0 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 149.4% at the end of 3 months to 141.0% at the end of 4 months. The 8.4 percentage point decrease is composed of a 6.0 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.7 percentage point decrease in the Current Accident Year loss ratio, and a 1.7 percentage point decrease 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 2017	Actual	Projection	Difference	Difference %
Premiums Written	12,325	13,971	(1,646)	(11.8%)
Premiums Earned	12,027	12,312	(285)	(2.3%)
Reported Losses				
Paid Losses	7,620	10,726	(3,106)	(29.0%)
Paid Expenses	360	582	(222)	(38.1%)
Change in Outstanding Losses	(1,899)	(348)	(1,551)	(445.7%)
Total Reported Losses	6,081	10,960	(4,879)	(44.5%)
Change in IBNR Provision*	4,220	(684)	4,904	
Change in Premium Deficiency (DPAC) *	49	(74)	123	

(Amounts in \$000's)

Rounding differences may apply.

* Detailed information is included in [Alberta Grid RSP April 2017 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 beyond set thresholds and responds as appropriate.

For the month of April 2017, reported losses were \$4.9 million lower than projected. The Current Accident Year reported an unfavourable variance of \$13 thousand, while the Prior Accident Years reported a favourable variance of \$4.9 million. Of the Prior Accident Years, 2015 had the largest variance in reported losses at \$2.6 million favourable. No other single Prior Accident Year had a variance in excess of \$1.0 million.

The variances for reported claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and determined that a member company had closed out certain case reserves as part of a claims system migration, but was unable to send “re-open” transactions to the RSPs in time for the month close. This issue accounts for the majority of the Prior Accident Years’ variance noted above. With the FA loss ratio-matching approach to determining current provisions, the case reductions have been automatically offset with increased IBNR. As usual, FA’s valuation team has been made aware of this reporting issue¹. All other variances were within the set thresholds for the month.

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 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The April 2017 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, 2016). The actuarial valuation will be updated next as at March 31, 2017 and we anticipate that the results will be reflected in the May 2017 Operational Report.

¹As this recorded activity occurred in the month of April, it had no impact on the quarter-end valuation data. Because of that, the comment: “Unfortunately, this occurred during a quarter-end month, and so directly impacts the valuation data, creating additional issues to be considered as the valuation is conducted.” included in the initial version of this bulletin issued to members does not apply and has therefore been deleted.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$10.1 million and the incurred loss ratio to the end of 4 months is 94.3%, as summarized in the table immediately below.

Amounts in \$000s	April 2017	April 2016	Year to date Apr 2017	Year to Date Apr 2016
Premiums Written	9,262	10,023	32,609	33,530
Premiums Earned	8,071	7,146	32,085	28,438
Claims Incurred	8,351	6,824	30,253	26,299
General Expenses	2,961	3,226	11,889	10,796
Operating Results	(3,241)	(2,904)	(10,057)	(8,657)
Ratios:				
Loss ratio % - Prior Accident Years	(5.5%)	(5.6%)	(16.3%)	(9.7%)
- Current Accident Year	108.9%	101.1%	110.6%	102.2%
<i>Total</i>	103.4%	95.5%	94.3%	92.5%
General Expenses %	36.7%	45.1%	37.1%	38.0%
Combined Operating Ratio	140.1%	140.6%	131.4%	130.5%

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 2017 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$36.8 million and the estimated combined operating ratio to December 2017 is 136.3%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$36.7 million and 136.1%).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$3.2 million Operating Result in the month of April 2017, a deterioration of \$0.3 million from the same month last year. This deterioration is composed of an estimated \$0.4 million unfavourable impact associated with the \$0.9 million increase in earned premium (at a combined ratio of 140.6%), offset by a \$40 thousand improvement stemming from the overall decrease in the combined ratio (from 140.6% to 140.1% applied to \$8.1 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 128.4% at the end of 3 months to 131.4% at the end of 4 months. The 3.0 percentage point increase is composed of a 3.6 percentage point increase in the Prior Accident Years loss ratio, offset by a 0.5 percentage

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point decrease in the Current Accident Year loss ratio, and further offset by a 0.1 percentage point decrease in the expense 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.

April 2017	Actual	Projection	Difference	Difference %
Premiums Written	9,262	9,996	(734)	(7.3%)
Premiums Earned	8,071	8,188	(117)	(1.4%)
Reported Losses				
Paid Losses	7,958	7,034	924	13.1%
Paid Expenses	204	224	(20)	(8.9%)
Change in Outstanding Losses	(2,812)	(512)	(2,300)	(449.2%)
Total Reported Losses	5,350	6,746	(1,396)	(20.7%)
Change in IBNR Provision *	3,001	1,814	1,187	
Change in Premium Deficiency (DPAC) *	203	271	(68)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Alberta Non-Grid RSP April 2017 Operational Report - Actuarial Highlights](#).

As discussed in relation to the Alberta Grid RSP, 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 beyond set thresholds and responds as appropriate.

For the month of April 2017, reported losses were \$1.4 million lower than projected. The Current Accident Year had a \$1.2 million favourable variance in reported losses, and the Prior Accident Years had a \$0.2 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for reported claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

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

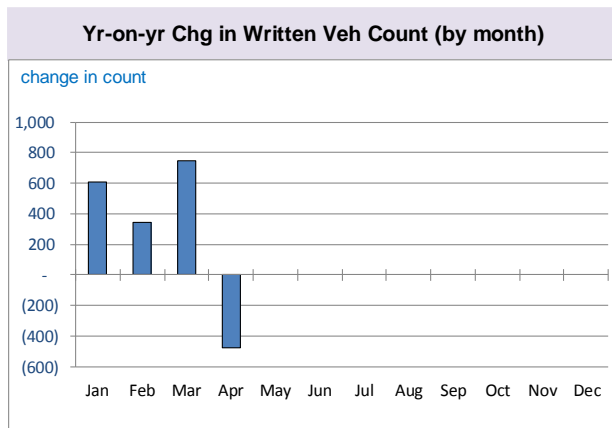
the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management’s investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [Alberta Non-Grid RSP April 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

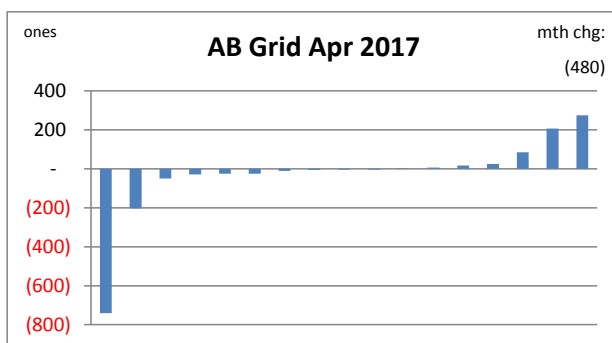
The April 2017 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2016). The actuarial valuation will be updated next as at March 31, 2017 and we anticipate that the results will be reflected in the May 2017 Operational Report.

Management Comments

Alberta Grid

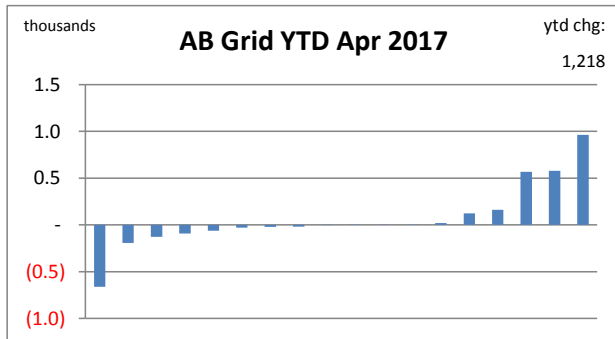


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with April showing a decrease of 480 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 378 vehicles, indicating a variance of 858 vehicles from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in April than projected.



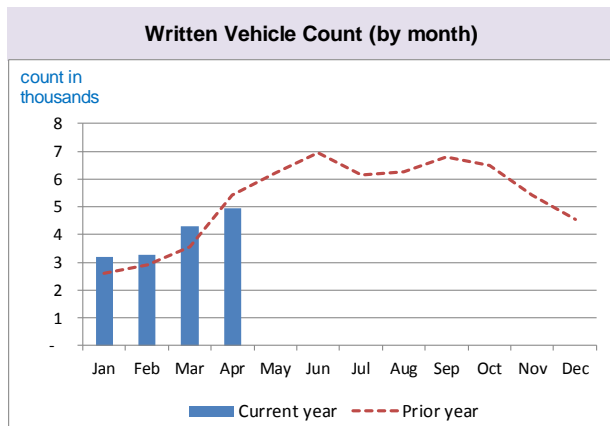
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with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

transferring fewer vehicles, 1 member company group accounted for 68% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 2 member company groups accounted for 78% of the total transfer increases for these “grower” members.

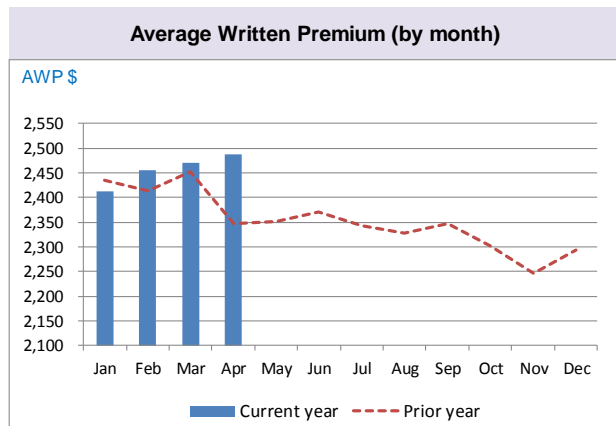


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

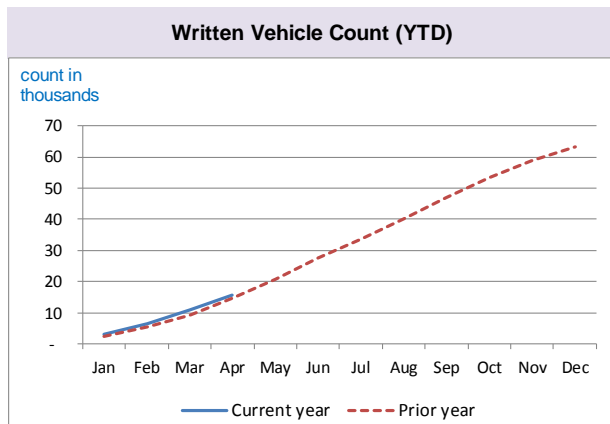
April's vehicle count transfers to the pool represent an 8.8% decrease from April 2016, but counts were up 8.4% year-to-date. Average written premium was up 5.9% in April 2017 compared with the same month in 2016, and up 2.5% year-to-date (see charts immediately below).



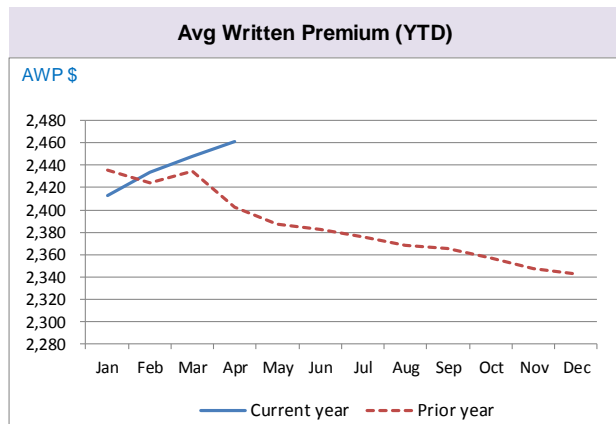
	Apr-17	Apr-16	Amt Chg	% Chg
W. Veh curr mth	4,956	5,435	(480)	-8.8%



	Apr-17	Apr-16	Amt Chg	% Chg
AWP curr mth	2,487	2,348	139	5.9%

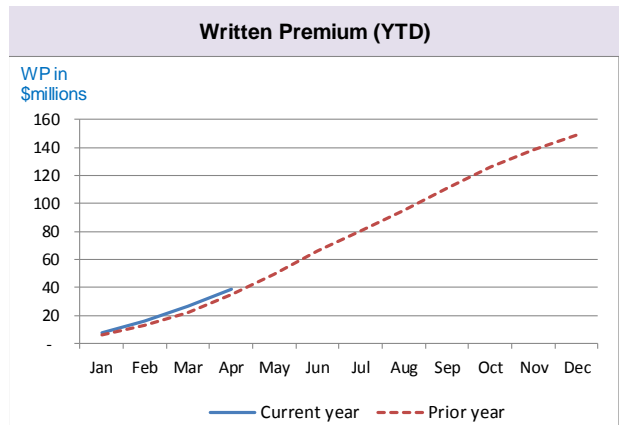
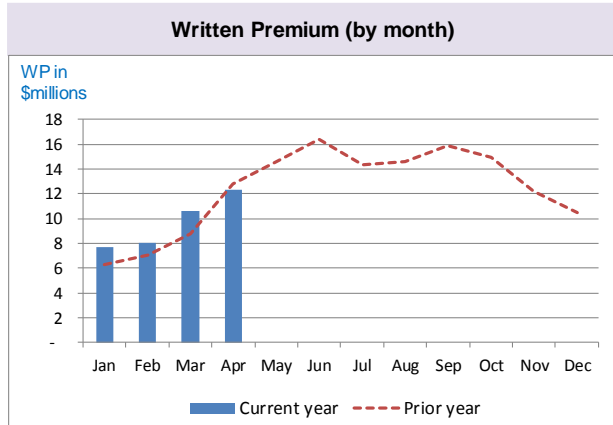


	Apr-17	Apr-16	Amt Chg	% Chg
W. Vehicles YTD	15,729	14,511	1,218	8.4%



	Apr-17	Apr-16	Amt Chg	% Chg
Avg W. Prem YTD	2,461	2,402	59	2.5%

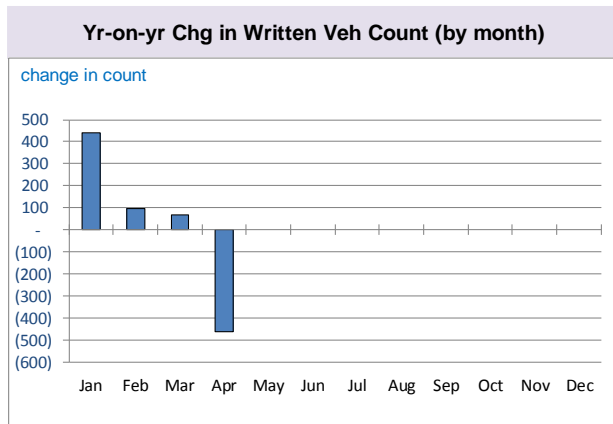
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 3.4% for the month compared with the 9.5% increase we projected last month, but was up 11.0% year-to-date (see charts immediately below).



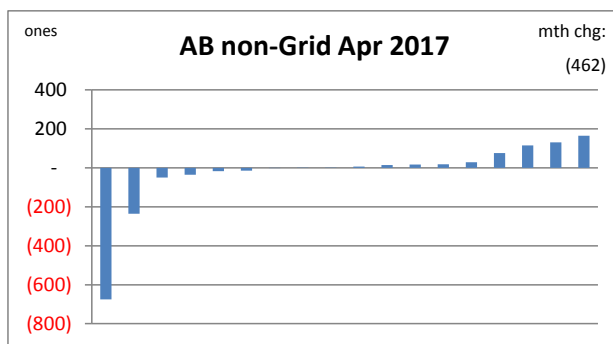
	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) curr mth	12,325	12,762	(437)	-3.4%

	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) YTD	38,704	34,863	3,841	11.0%

Alberta Non-Grid

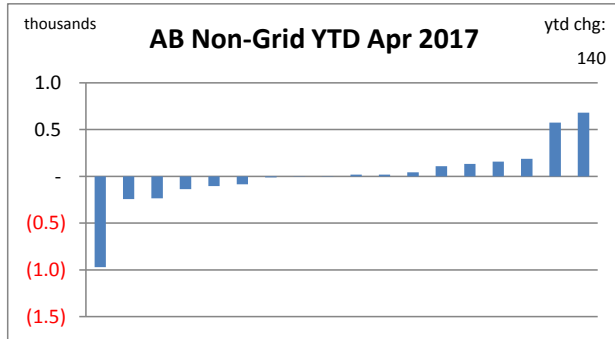


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with April showing a decrease of 462 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 19 vehicles, indicating a variance of 481 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 April than projected.



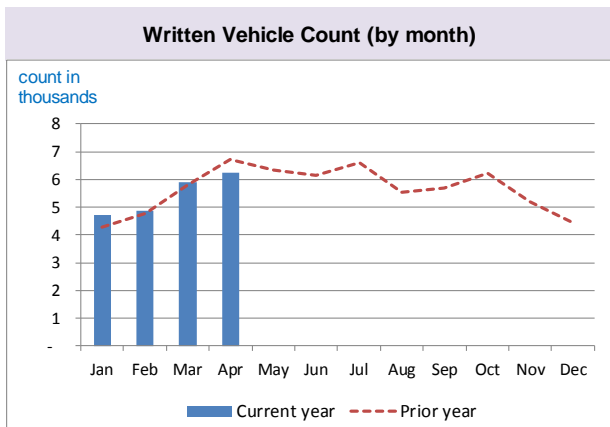
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared to a year ago, while eleven transferred more. Of the 7 member company groups transferring fewer vehicles, 1 member

company group accounted for 66% of the total transfer decrease for these “decliner” members. Of the 11 member company groups transferring more vehicles, 3 member company groups accounted for 72% of the total transfers increase for these “grower” members.

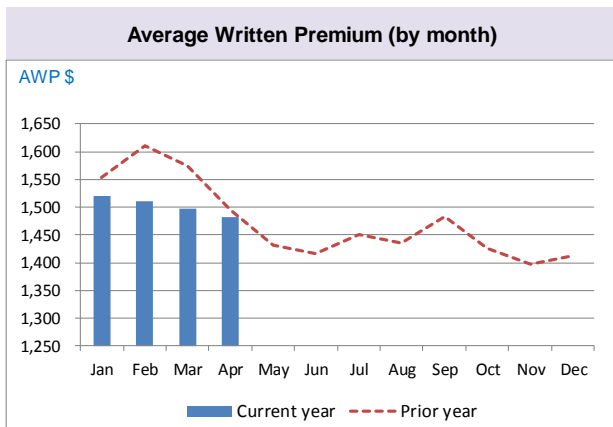


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

April’s vehicle count transfers to the pool represent a 6.9% decrease from April 2016, but counts were up 0.6% year-to-date. Average written premium was down 0.8% in April 2017 compared with the same month in 2016, and down 3.3% year-to-date (see charts immediately below and at the top of the next page).

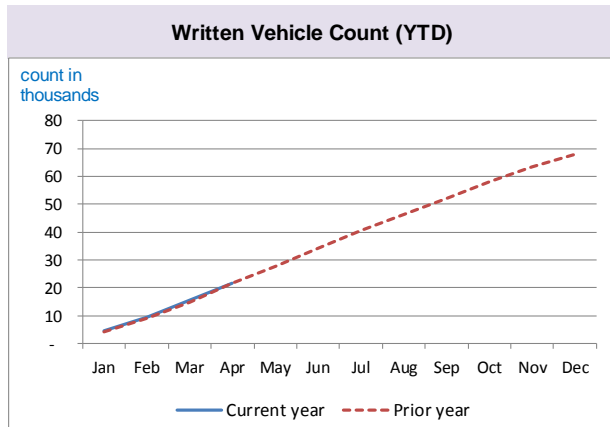


	Apr-17	Apr-16	Amt Chg	% Chg
W. Veh curr mth	6,248	6,710	(462)	-6.9%

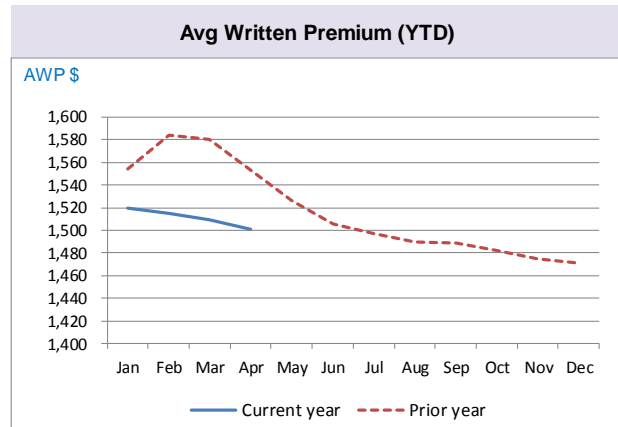


	Apr-17	Apr-16	Amt Chg	% Chg
AWP curr mth	1,482	1,494	(12)	-0.8%

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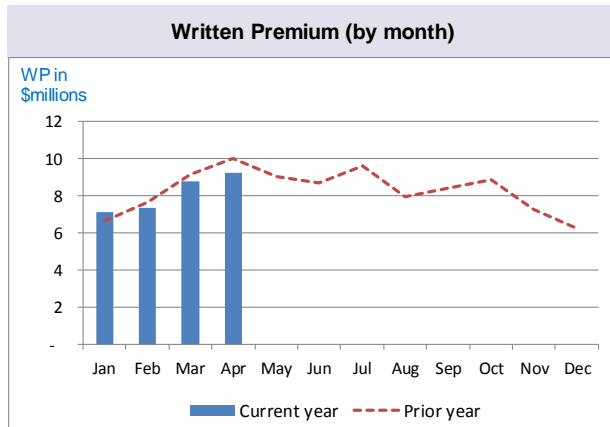


	Apr-17	Apr-16	Amt Chg	% Chg
W. Vehicles YTD	21,725	21,585	140	0.6%

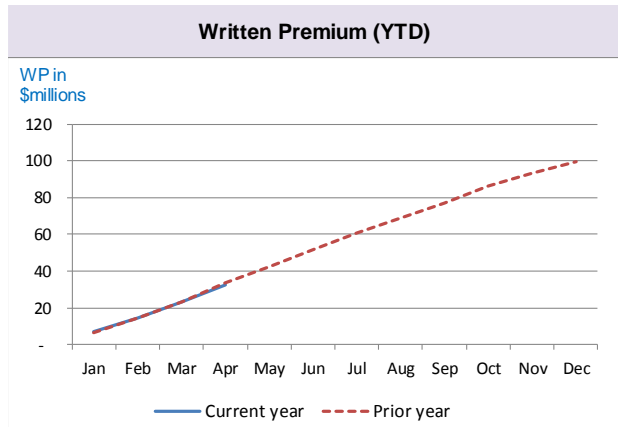


	Apr-17	Apr-16	Amt Chg	% Chg
Avg W. Prem YTD	1,501	1,553	(52)	-3.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 7.6% for the month compared with the 0.3% decrease we projected last month, and was down 2.7% year-to-date (see charts immediately below).



	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) curr mth	9,262	10,022	(761)	-7.6%



	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) YTD	32,609	33,530	(921)	-2.7%

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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Related Links:

Alberta Grid RSP:

[Alberta Grid RSP April 2017 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP April 2017 Operational Report - Actuarial Highlights](#)