

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F17 – 044**

**DATE: JUNE 29, 2017**

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

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

Please be advised that the May 2017 Alberta Risk Sharing Pools Operational Reports are now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

## **New This Month**

### *Annual Update of Member Sharing Ratios*

The May 2017 Operational Reports reflect the annual update of member sharing ratios for Accident Years 2015, 2016, 2017 and 2018. Please refer to Bulletin [F17-050](#) for additional information.

### *Valuation*

Valuations of the Alberta Grid Risk Sharing Pool (“RSP”) and Non-Grid RSP as at March 31, 2017 have been completed since last month’s Operational Reports and the results of these valuations have been incorporated into this month’s Operational Reports. The valuations were completed by the Facility Association’s internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

For the **Alberta Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$8.6 million unfavourable** impact on the month’s net result from operations, adding an estimated 14.4 points to the year-to-date Combined Operating Ratio (ending at 150.4%). The impact is summarized in the tables at the top of the next page<sup>1</sup>.

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<sup>1</sup>In the tables, “ults & payout patterns” refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; “dsct rate” refers to the impact of changes in the selected discount rate applied to projected cashflows; and “apv adj.” refers to “actuarial present value adjustments”.

**Bulletin F17-044**
**Alberta Risk Sharing Pools – May 2017 Operational Reports**

AB Grid	unfav / (fav) for the month and ytd					ytd EP 59,891 (actual)						
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	4,416	337	4,753	668	-	5,421	7.4%	0.6%	7.9%	1.1%	-	9.1%
CAY	1,406	126	1,532	125	-	1,657	2.3%	0.2%	2.6%	0.2%	-	2.8%
Prem Def	1,395	(8)	1,387	141	-	1,528	2.3%	-	2.3%	0.2%	-	2.6%
<b>TOTAL</b>	<b>7,217</b>	<b>455</b>	<b>7,672</b>	<b>934</b>	<b>-</b>	<b>8,606</b>	<b>12.1%</b>	<b>0.8%</b>	<b>12.8%</b>	<b>1.6%</b>	<b>-</b>	<b>14.4%</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating an unfavourable impact of \$7.7 million – see column [3] in the left table above), and due to an 8 basis point decrease in the selected discount rate (from 1.06% to 0.98%, generating a \$0.9 million unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no changes to the margins for adverse deviation for claims development as selected at the coverage / accident year level with this valuation (therefore generating no impact – see column [5] in the left table above).

Management has observed unfavourable *total* valuation impacts over the last 8 valuation implementations for the Alberta Grid RSP, with only a single valuation implementation being favourable over that period, as shown in the table below (summarizing the same information as provided in the left table above as relates to the most recent 8 valuation implementations).

RSP: Alberta Grid, as at: 2017 Q1		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s	
Valuation	updated LRs & exp	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						=sum([1] to [6])		= [6] / [7]
2015 Q2	Aug	(2,405)	1,964	(2,317)	(1,433)	(4,191)	329,238	(1.3%)
2015 Q3	Oct	3,402	315	1,683	-	5,400	333,060	1.6%
2015 Q4	Mar	20,151	2,474	524	-	23,149	328,237	7.1%
2016 Q1	May	17,793	1,778	509	-	20,080	349,340	5.7%
2016 Q2	Aug	11,942	1,410	556	(820)	13,088	372,965	3.5%
2016 Q3	Oct	4,867	406	603	-	5,876	384,652	1.5%
2016 Q4	Mar	19,370	2,700	(5,507)	-	16,563	383,713	4.3%
2017 Q1	May	7,217	455	934	-	8,606	395,177	2.2%
8-qtrs		82,337	11,502	(3,015)	(2,253)	88,571		
% of total		93.0%	13.0%	(3.4%)	(2.5%)	100.0%		
Averages								
8-qtrs		10,292	1,438	(377)	(282)	11,071	359,548	3.1%
2015 Q2 to 2016 Q1		9,735	1,633	100	(358)	11,110	334,969	3.3%
2016 Q2 to 2017 Q1		10,849	1,243	(854)	(205)	11,033	384,127	2.9%

The FA valuation approach is focused on providing best estimates on a nominal basis, and we expect this to manifest itself as a close-to-zero 8-quarter impact for column [2] in the table above. This objective has not been met, and we are somewhat discouraged that the average impact over the most recent 4 valuations has been little different from the earlier 4 valuations shown. It is also important to bear in mind that the impacts in column [4] are largely outside of the control of FA (as being related to macroeconomic factors).

**Bulletin F17-044**
**Alberta Risk Sharing Pools – May 2017 Operational Reports**

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$6.4 million unfavourable** impact on the month's net result from operations, adding an estimated 15.9 points to the year-to-date Combined Operating Ratio (ending at 148.3%). The impact is summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 40,412 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	2,993	181	3,174	439	-	3,613	7.4%	0.4%	7.9%	1.1%	-	8.9%
CAY	1,267	112	1,379	92	-	1,471	3.1%	0.3%	3.4%	0.2%	-	3.6%
Prem Def	1,256	(13)	1,243	114	-	1,357	3.1%	-	3.1%	0.3%	-	3.4%
<b>TOTAL</b>	<b>5,516</b>	<b>280</b>	<b>5,796</b>	<b>645</b>	<b>-</b>	<b>6,441</b>	<b>13.6%</b>	<b>0.7%</b>	<b>14.3%</b>	<b>1.6%</b>	<b>-</b>	<b>15.9%</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating an unfavourable impact of \$5.8 million – see column [3] in the left table above), and due to a 9 basis point decrease in the selected discount rate (from 1.08% to 0.99%, generating a \$0.6 million unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no changes to the margins for adverse deviation for claims development as selected at the coverage / accident year level with this valuation (therefore generating no impact – see column [5] in the left table above).

The valuation implementations related to the last 8 quarterly valuations are summarized in the table below. While there have been both favourable and unfavourable implementations, the overall impact has been unfavourable, with each of the last 5 valuations being unfavourable. Nominal estimate updates (column [2]) drive the overall impacts.

RSP: Alberta Non-Grid, as at: 2017 Q1		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s	
Valuation	updated LRs & exp	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						=sum([1] to [6])		=([6] / [7])
2015 Q2	Aug	(4,412)	(455)	(1,631)	(597)	(7,095)	226,467	(3.1%)
2015 Q3	Oct	(2,686)	(124)	1,175	-	(1,635)	222,481	(0.7%)
2015 Q4	Mar	(980)	248	306	-	(426)	212,621	(0.2%)
2016 Q1	May	800	(49)	304	-	1,055	218,423	0.5%
2016 Q2	Aug	10,902	1,022	395	(493)	11,826	235,294	5.0%
2016 Q3	Oct	7,041	888	452	-	8,381	245,539	3.4%
2016 Q4	Mar	3,188	682	(3,361)	-	509	234,950	0.2%
2017 Q1	May	5,516	280	645	-	6,441	242,689	2.7%
8-qtrs	-	19,369	2,492	(1,715)	(1,090)	19,056		
% of total		101.6%	13.1%	(9.0%)	(5.7%)	100.0%		
Averages								
8-qtrs		2,421	312	(214)	(136)	2,382	229,808	1.0%
2015 Q2 to 2016 Q1		(1,820)	(95)	39	(149)	(2,025)	219,998	(0.9%)
2016 Q2 to 2017 Q1		6,662	718	(467)	(123)	6,789	239,618	2.8%

Please see “Effect of Quarterly Valuation” sections for additional detail (page 6 for Grid and page 9 for Non-Grid)

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

The calendar year-to-date Operating Result is -\$30.2 million and the incurred loss ratio to the end of 5 months is 112.5%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>May 2017</b>	May 2016	<b>Year to date May 2017</b>	Year to Date May 2016
Premiums Written	14,222	14,607	52,926	49,469
Premiums Earned	12,255	10,197	59,891	51,647
Claims Incurred	17,249	24,079	67,418	74,973
General Expenses	5,663	6,922	22,673	20,874
<b>Operating Result</b>	<b>(10,657)</b>	<b>(20,804)</b>	<b>(30,200)</b>	<b>(44,200)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	36.8%	129.4%	18.3%	60.0%
- Current Accident Year	103.9%	106.7%	94.2%	85.2%
<i>Total</i>	<b>140.7%</b>	<b>236.1%</b>	<b>112.5%</b>	<b>145.2%</b>
<b>General Expenses %</b>	<b>46.2%</b>	<b>67.9%</b>	<b>37.9%</b>	<b>40.4%</b>
<b>Combined Operating Ratio</b>	<b>186.9%</b>	<b>304.0%</b>	<b>150.4%</b>	<b>185.6%</b>

*Rounding differences may apply.*

These results are discussed in some detail in the “Current Month Results” section on the next page. 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 -\$46.1 million and the estimated combined operating ratio to December 2017 is 130.2%. This updated projection to the end of the year has deteriorated by \$5.6 million from the projection provided last month (-\$40.5 million and 125.1%), mainly due to the overall unfavourable impact of the valuation as at March 31, 2017, as summarized in the table at the top of the next page (see more information under “Effect of Quarterly Valuation” on page 6). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections. In particular, the written premium projection has been reduced by \$17.0 million (10.1%) to \$150.4 million, due to updated projections from various member company groups. As this RSP operates at a loss, reductions in premium written reduces the projected operating loss, resulting in a favourable outcome, which, in this case, partially offsets the unfavourable valuation implementation impact.

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### Alberta Risk Sharing Pools – May 2017 Operational Reports

AB Grid	unfav / (fav) projected for full year						year EP 152,567 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	4,416	312	4,728	568	-	5,296	2.9%	0.2%	3.1%	0.4%	-	3.5%
CAY	3,537	313	3,850	269	-	4,119	2.3%	0.2%	2.5%	0.2%	-	2.7%
Prem Def	11	(124)	(113)	148	-	35	-	(0.1%)	(0.1%)	0.1%	-	-
<b>TOTAL</b>	<b>7,964</b>	<b>501</b>	<b>8,465</b>	<b>985</b>	<b>-</b>	<b>9,450</b>	<b>5.2%</b>	<b>0.3%</b>	<b>5.5%</b>	<b>0.6%</b>	<b>-</b>	<b>6.2%</b>

### Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$10.7 million Operating Result in the month of May 2017, an improvement of \$10.1 million compared with the same month last year. This improvement is composed of an estimated \$4.2 million unfavourable impact associated with the \$2.1 million increase in earned premium (at a combined ratio of 304.0%), offset by an approximately \$14.3 million improvement stemming from the overall decrease in the combined ratio (from 304.0% to 186.9% applied to \$12.3 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month's results moved the year-to-date combined operating ratio from 141.0% at the end of 4 months to 150.4% at the end of 5 months. The 9.4 percentage point increase is composed of a 4.7 percentage point increase in the Prior Accident Years loss ratio, coupled with a 2.5 percentage point increase in the Current Accident Year loss ratio, and a 2.2 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.

May 2017	Actual	Projection	Difference	Difference %
Premiums Written	14,222	17,418	(3,196)	(18.3%)
Premiums Earned	12,255	12,874	(619)	(4.8%)
Reported Losses				
Paid Losses	11,502	10,206	1,296	12.7%
Paid Expenses	384	561	(177)	(31.6%)
Change in Outstanding Losses	1,090	97	993	>999.9%
<b>Total Reported Losses</b>	<b>12,976</b>	<b>10,864</b>	<b>2,112</b>	<b>19.4%</b>
Change in IBNR Provision*	4,273	(42)	4,315	
Change in Premium Deficiency (DPAC) *	1,466	(284)	1,750	

(Amounts in \$000's)

Rounding differences may apply.

\* Detailed information is included in [Alberta Grid RSP May 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 May 2017, reported losses were \$2.1 million higher than projected. The Current Accident Year reported a favourable variance of \$1.2 million, while the Prior Accident Years reported an unfavourable variance of \$3.3 million. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$1.8 million favourable, followed by Accident Year 2010 at \$1.7 million unfavourable and Accident Year 2015 at \$1.3 million unfavourable. No other single Prior Accident Year had a variance in excess of \$1.0 million.

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

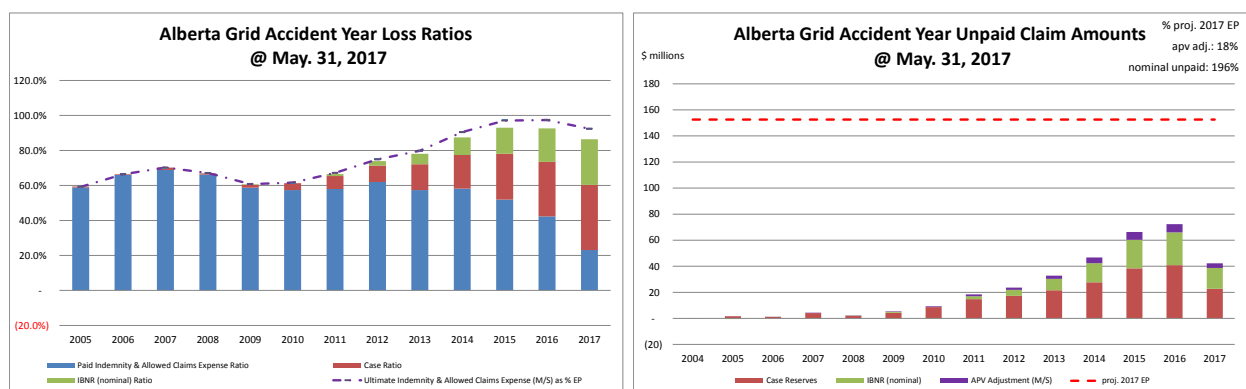
As previously discussed in the prior April 2017 bulletin, the Alberta Grid RSP variances for reported claims activity for the Prior Accident Years (the issue of a member company unable to send “re-open” transactions to the RSPs in time for the April month-end close after closing out certain case reserves as part of a claims system migration) in April were reversed out in the current month of May.

**Effect of Quarterly Valuation**

The May 2017 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at March 31, 2017, with the associated impacts in relation to the results for May 2017 summarized in the table immediately below.

AB Grid	unfav / (fav) for the month and ytd						mth EP 12,255 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	4,416	337	4,753	668	-	5,421	36.0%	2.7%	38.8%	5.5%	-	44.2%
CAY	1,406	126	1,532	125	-	1,657	11.5%	1.0%	12.5%	1.0%	-	13.5%
Prem Def	1,395	(8)	1,387	141	-	1,528	11.4%	(0.1%)	11.3%	1.2%	-	12.5%
<b>TOTAL</b>	<b>7,217</b>	<b>455</b>	<b>7,672</b>	<b>934</b>	<b>-</b>	<b>8,606</b>	<b>58.9%</b>	<b>3.7%</b>	<b>62.6%</b>	<b>7.6%</b>	<b>-</b>	<b>70.2%</b>

The charts at the top of the next page summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities. We have included the associated claims liabilities in the chart on the right.



The preceding charts, latest valuation results, and related actuarial present value assumptions are discussed in more detail in the [Alberta Grid RSP May 2017 Operational Report - Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at March 31, 2017](#). The actuarial valuation will be updated next as at June 30, 2017 and we anticipate that the results will be reflected in the August 2017 Operational Report.

### Alberta Non-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 5 months is 108.4%, as summarized in the table immediately below.

Amounts in \$000s	May 2017	May 2016	Year to date May 2017	Year to Date May 2016
Premiums Written	9,048	9,071	41,657	42,601
Premiums Earned	8,327	7,437	40,412	35,875
Claims Incurred	13,569	8,362	43,822	34,661
General Expenses	4,229	2,744	16,118	13,540
<b>Operating Results</b>	<b>(9,471)</b>	<b>(3,669)</b>	<b>(19,528)</b>	<b>(12,326)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	36.7%	10.7%	(5.4%)	(5.5%)
- Current Accident Year	126.3%	101.7%	113.8%	102.1%
<i>Total</i>	<b>163.0%</b>	<b>112.4%</b>	<b>108.4%</b>	<b>96.6%</b>
<b>General Expenses %</b>	<b>50.8%</b>	<b>36.9%</b>	<b>39.9%</b>	<b>37.7%</b>
<b>Combined Operating Ratio</b>	<b>213.8%</b>	<b>149.3%</b>	<b>148.3%</b>	<b>134.3%</b>

Rounding differences may apply.

These results are discussed in some detail in the “Current Month Results” section on the next page. 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 -\$41.9 million and the estimated combined operating ratio to December 2017 is 142.0%. This updated projection to the end of the year has deteriorated by \$5.1 million from the projection provided last month (-\$36.8 million and 136.3%), mainly due to the overall unfavourable impact of the valuation as at March 31, 2017, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 9). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections. In particular, projected written premium has decreased by \$3.7 million, and, as this RSP operates at a loss, the reduced premium projection has a favourable impact on the projected operating result, partially offsetting the unfavourable valuation implementation impact.

AB Non-Grid	unfav / (fav) projected for full year						year EP 100,003 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	2,993	158	3,151	375	-	3,526	3.0%	0.2%	3.2%	0.4%	-	3.5%
CAY	3,114	(38)	3,076	190	-	3,266	3.1%	-	3.1%	0.2%	-	3.3%
Prem Def	6	(104)	(98)	116	-	18	-	(0.1%)	(0.1%)	0.1%	-	-
TOTAL	6,113	16	6,129	681	-	6,810	6.1%	-	6.1%	0.7%	-	6.8%

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$9.5 million Operating Result in the month of May 2017, a deterioration of \$5.8 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 149.3%), with the remaining \$5.4 million deterioration stemming from the overall increase in the combined ratio (from 149.3% to 213.8% applied to \$8.3 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month's results moved the year-to-date combined operating ratio from 131.4% at the end of 4 months to 148.3% at the end of 5 months. The 16.9 percentage point increase is composed of a 10.9 percentage point increase in the Prior Accident Years loss ratio, coupled with a 3.2 percentage point increase in the Current Accident Year loss ratio, and a 2.8 percentage point increase in the expense ratio.

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.



May 2017	Actual	Projection	Difference	Difference %
Premiums Written	9,048	10,070	(1,022)	(10.1%)
Premiums Earned	8,327	8,455	(128)	(1.5%)
Reported Losses				
Paid Losses	9,369	7,013	2,356	33.6%
Paid Expenses	287	254	33	13.0%
Change in Outstanding Losses	(1,068)	2,406	(3,474)	(144.4%)
<b>Total Reported Losses</b>	<b>8,588</b>	<b>9,673</b>	<b>(1,085)</b>	<b>(11.2%)</b>
Change in IBNR Provision *	4,981	(821)	5,802	
Change in Premium Deficiency (DPAC) *	1,522	270	1,252	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [Alberta Non-Grid RSP May 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 May 2017, reported losses were \$1.1 million lower than projected. The Current Accident Year had a \$2.3 million favourable variance in reported losses, while the Prior Accident Years had a \$1.2 million unfavourable variance. Of the Prior Accident Years, 2014 had the largest variance in reported losses at \$1.4 million unfavourable. No other 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.

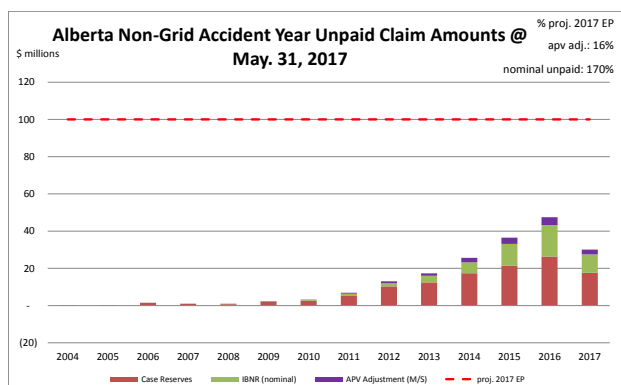
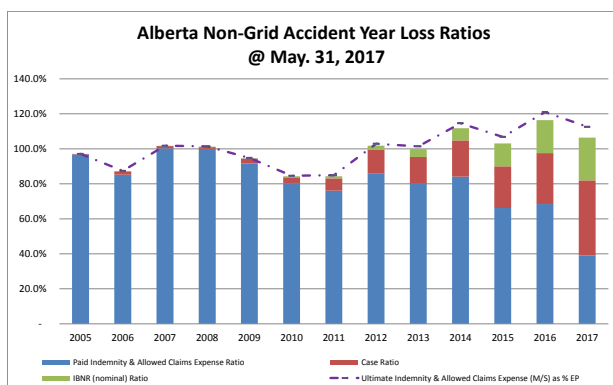
### Effect of Quarterly Valuation

The May 2017 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at March 31, 2017, with the associated impacts in relation to the results for May 2017 summarized in the tables at the top of the next page.

AB Non-Grid

	unfav / (fav) for the month and ytd						mth EP 8,327 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	2,993	181	3,174	439	-	3,613	35.9%	2.2%	38.1%	5.3%	-	43.4%
CAY	1,267	112	1,379	92	-	1,471	15.2%	1.3%	16.6%	1.1%	-	17.7%
Prem Def	1,256	(13)	1,243	114	-	1,357	15.1%	(0.2%)	14.9%	1.4%	-	16.3%
TOTAL	5,516	280	5,796	645	-	6,441	66.2%	3.4%	69.6%	7.7%	-	77.4%

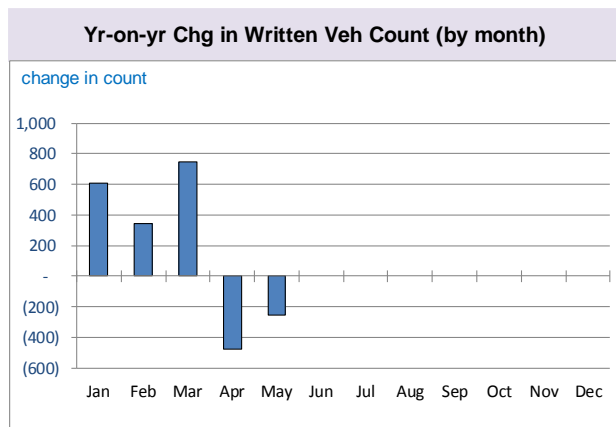
The charts below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities. We have included the associated claims liabilities in the chart on the right.



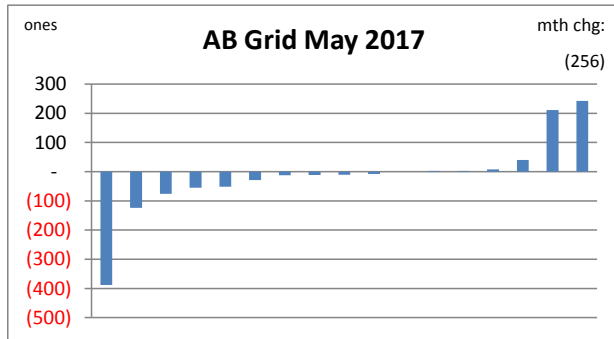
The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP May 2017 Operational Report - Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at March 31, 2017](#). The actuarial valuation will be updated next as at June 30, 2017 and we anticipate that the results will be reflected in the August 2017 Operational Report.

Management Comments

Alberta Grid

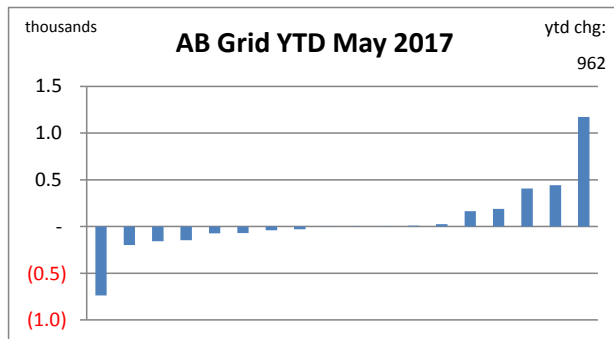


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with May showing a decrease of 256 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 985 vehicles, indicating a variance of 1,241 vehicles from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in May than projected.



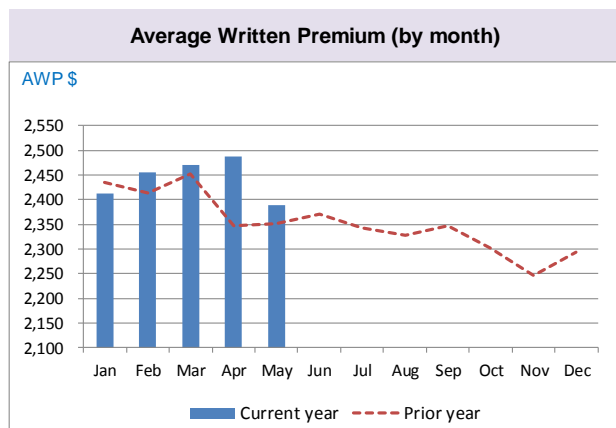
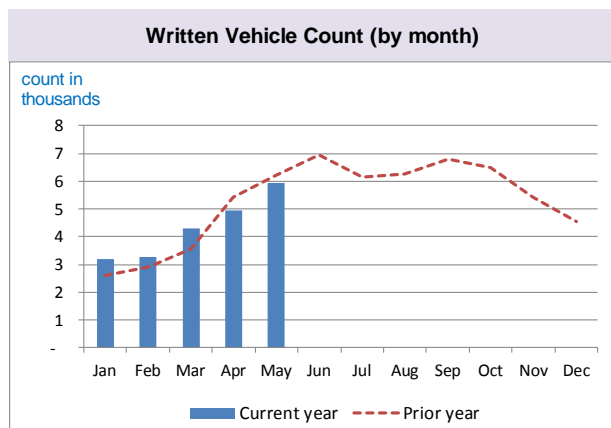
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with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

transferring fewer vehicles, 1 member company group accounted for 51% of the total transfer decrease for these “decliner” members. Of the 6 member company groups transferring more vehicles, 2 member company groups accounted for 89% 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.

May’s vehicle count transfers to the pool represent a 4.1% decrease from May 2016, but counts were up 4.6% year-to-date. Average written premium was up 1.6% in May 2017 compared with the same month in 2016, and up 2.3% year-to-date (see charts immediately below and at the top of the next page).

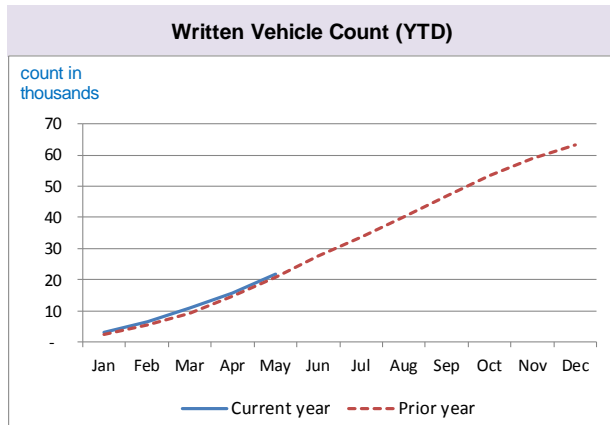


	May-17	May-16	Amt Chg	% Chg
W. Veh curr mth	5,956	6,212	(256)	-4.1%

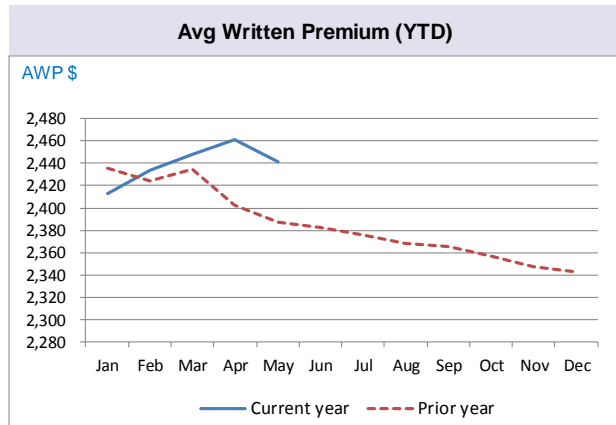
	May-17	May-16	Amt Chg	% Chg
AWP curr mth	2,388	2,351	37	1.6%

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**Alberta Risk Sharing Pools – May 2017 Operational Reports**

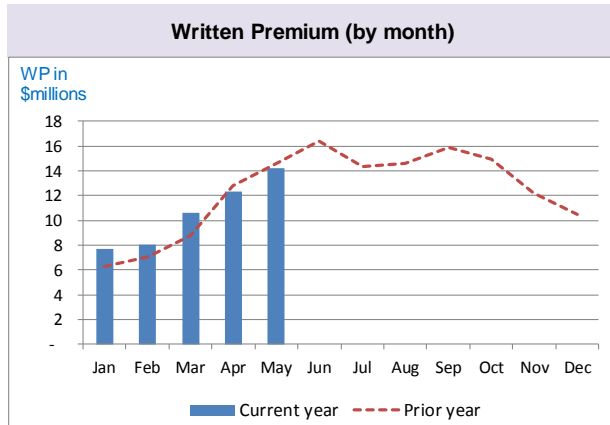


	May-17	May-16	Amt Chg	% Chg
W. Vehicles YTD	21,685	20,723	962	4.6%

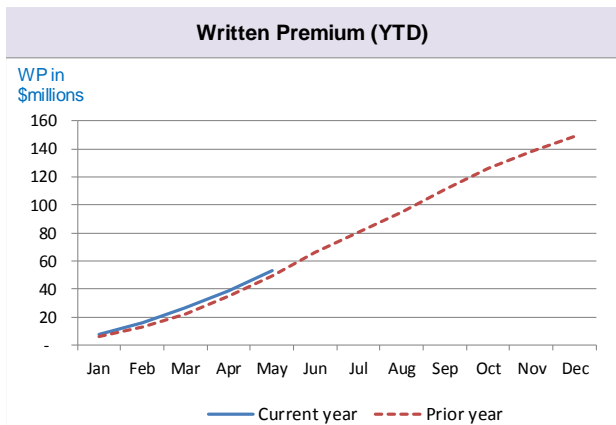


	May-17	May-16	Amt Chg	% Chg
Avg W. Prem YTD	2,441	2,387	54	2.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 2.6% for the month compared with the 19.2% increase we projected last month, but was up 7.0% year-to-date (see charts immediately below).

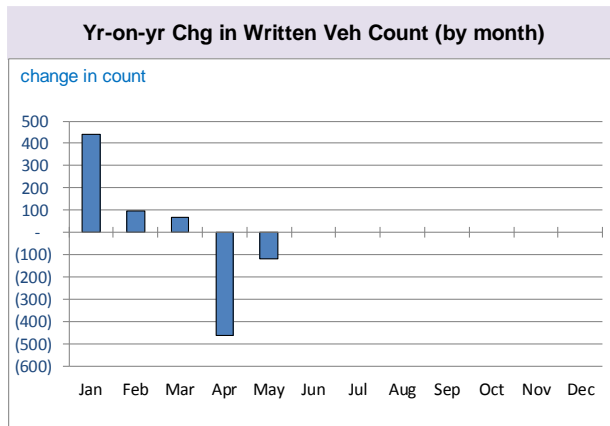


	May-17	May-16	Amt Chg	% Chg
WP (\$000s) curr mth	14,222	14,607	(384)	-2.6%



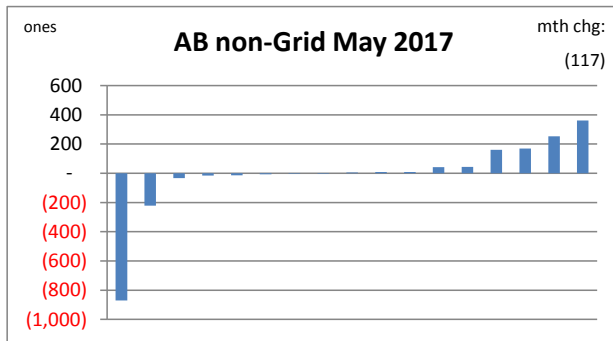
	May-17	May-16	Amt Chg	% Chg
WP (\$000s) YTD	52,926	49,469	3,457	7.0%

**Alberta Non-Grid**



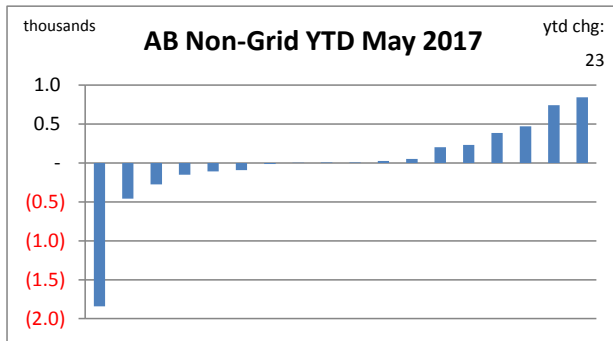
The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with May showing a decrease of 117 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 659 vehicles, indicating a variance of 776 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 May than projected.



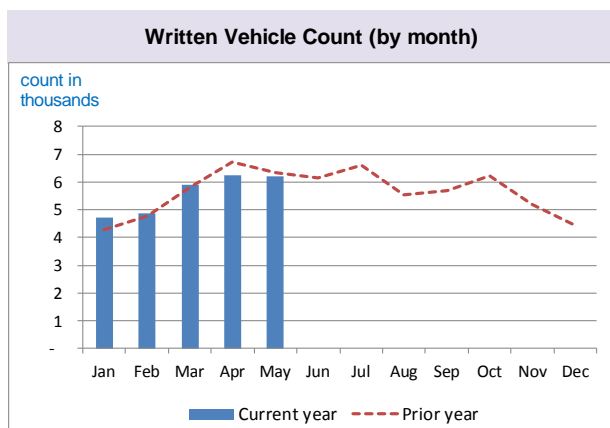
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared to a year ago, while nine transferred more. Of the 8 member company groups transferring fewer vehicles, 1 member company group accounted for 75% of the total transfer decrease for these “decliner” members.

Of the 9 member company groups transferring more vehicles, 2 member company groups accounted for 58% of the total transfers increase for these “grower” members.

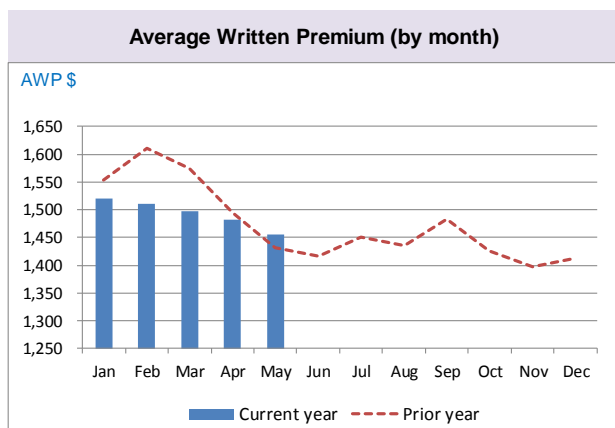


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

May’s vehicle count transfers to the pool represent a 1.9% decrease from May 2016, but counts were up 0.1% year-to-date. Average written premium was up 1.7% in May 2017 compared with the same month in 2016, and down 2.3% year-to-date (see charts immediately below and at the top of the next page).

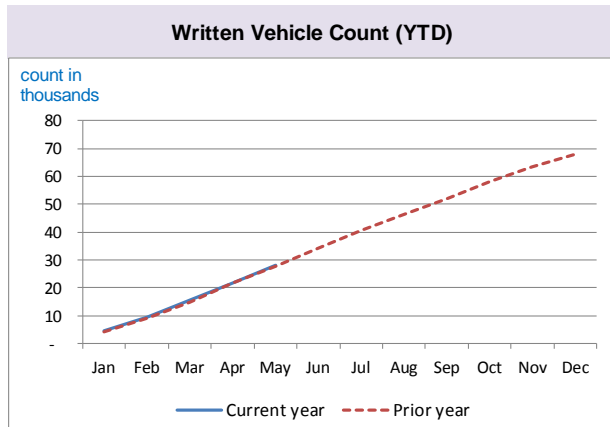


	May-17	May-16	Amt Chg	% Chg
W. Veh curr mth	6,220	6,338	(117)	-1.9%

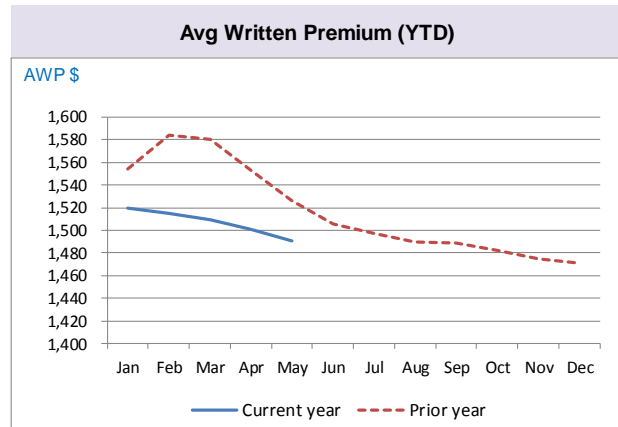


	May-17	May-16	Amt Chg	% Chg
AWP curr mth	1,455	1,431	24	1.7%

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**Alberta Risk Sharing Pools – May 2017 Operational Reports**

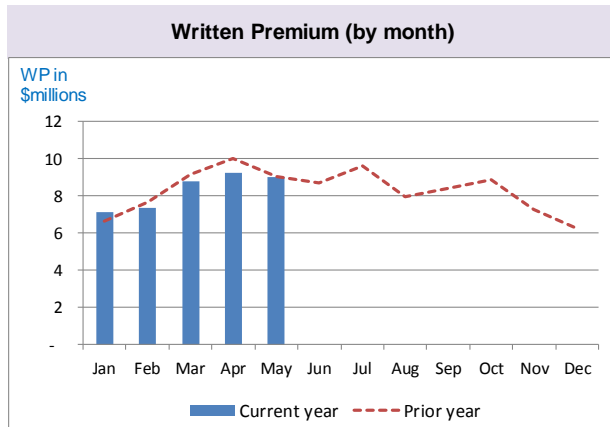


	May-17	May-16	Amt Chg	% Chg
W. Vehicles YTD	27,945	27,923	23	0.1%

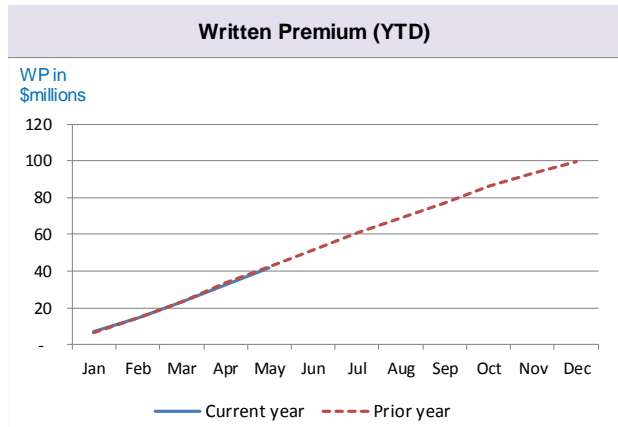


	May-17	May-16	Amt Chg	% Chg
Avg W. Prem YTD	1,491	1,526	(35)	-2.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 0.3% for the month compared with the 11.0% increase we projected last month, and was down 2.2% year-to-date (see charts immediately below).



	May-17	May-16	Amt Chg	% Chg
WP (\$000s) curr mth	9,048	9,071	(23)	-0.3%



	May-17	May-16	Amt Chg	% Chg
WP (\$000s) YTD	41,657	42,601	(944)	-2.2%

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

**Bulletin F17-044**  
**Alberta Risk Sharing Pools – May 2017 Operational Reports**

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**Related Links:**

Alberta Grid RSP:

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

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at March 31, 2017](#)

[Actuarial Quarterly Valuation Highlights Exhibits - Alberta Grid RSP](#)

Alberta Non-Grid RSP:

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

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at March 31, 2017](#)

[Actuarial Quarterly Valuation Highlights Exhibits - Alberta Non-Grid RSP](#)



**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**  
**Risk Sharing Pool - Alberta (Grid)**  
**Operating Results for the 5 Months Ended May 31, 2017 (Discounted basis)**  
*Source: Monthly Operational Report*  
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>								
Net Premiums Written	\$7,717	\$8,020	\$10,642	\$12,325	\$14,222	\$52,926	\$150,391	\$148,473
Decrease (Increase) in Unearned Premiums	4,472	3,146	1,612	(298)	(1,967)	6,965	2,176	(16,653)
<b>Net Premiums Earned</b>	<b>\$12,189</b>	<b>\$11,166</b>	<b>\$12,254</b>	<b>\$12,027</b>	<b>\$12,255</b>	<b>\$59,891</b>	<b>\$152,567</b>	<b>\$131,820</b>
<b>Claims Incurred:</b>								
Prior Accident Years:								
Undiscounted	(\$396)	(\$174)	\$12,337	(\$124)	\$4,260	\$15,903	\$15,904	\$41,142
Effect of Discounting	(744)	(926)	(3,120)	(384)	251	(\$4,923)	(8,726)	(1,682)
Discounted	(\$1,140)	(\$1,100)	\$9,217	(\$508)	\$4,511	\$10,980	\$7,178	\$39,460
Current Accident Year:								
Undiscounted	\$9,865	\$8,860	\$12,016	\$10,242	\$11,874	\$52,857	\$133,023	\$110,558
Effect of Discounting	992	713	445	567	864	\$3,581	7,687	7,515
Discounted	\$10,857	\$9,573	\$12,461	\$10,809	\$12,738	\$56,438	\$140,710	\$118,073
<b>Claims Incurred</b>	<b>\$9,717</b>	<b>\$8,473</b>	<b>\$21,678</b>	<b>\$10,301</b>	<b>\$17,249</b>	<b>\$67,418</b>	<b>\$147,888</b>	<b>\$157,533</b>
<b>Underwriting Expenses:</b>								
Expense Allowance	\$2,215	\$2,312	\$3,069	\$3,557	\$4,103	\$15,256	\$43,423	\$44,732
Change in UPDR/DPAC:								
Undiscounted	979	697	4,930	25	1,197	7,828	6,935	689
Effect of Discounting	(318)	(224)	(561)	24	269	(810)	(511)	1,915
Discounted	661	473	4,369	49	1,466	\$7,018	6,424	\$2,604
<b>Underwriting Expenses</b>	<b>\$2,876</b>	<b>\$2,785</b>	<b>\$7,438</b>	<b>\$3,606</b>	<b>\$5,569</b>	<b>\$22,274</b>	<b>49,847</b>	<b>\$47,336</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$404)</b>	<b>(\$92)</b>	<b>(\$16,862)</b>	<b>(\$1,880)</b>	<b>(\$10,563)</b>	<b>(\$29,801)</b>	<b>(\$45,168)</b>	<b>(\$73,049)</b>
<b>Administrative Expenses</b>	<b>\$73</b>	<b>\$79</b>	<b>\$70</b>	<b>\$83</b>	<b>\$94</b>	<b>\$399</b>	<b>\$927</b>	<b>\$894</b>
<b>Operating Result</b>	<b>(\$477)</b>	<b>(\$171)</b>	<b>(\$16,932)</b>	<b>(\$1,963)</b>	<b>(\$10,657)</b>	<b>(\$30,200)</b>	<b>(\$46,095)</b>	<b>(\$73,943)</b>
<b>Ratios:</b>								
<b>Claims &amp; Expenses Incurred (Earned)</b>								
Prior Accident Years	-9.4%	-9.9%	75.2%	-4.2%	36.8%	18.3%	4.7%	29.9%
Current Accident Year	89.1%	85.7%	101.7%	89.9%	103.9%	94.2%	92.2%	89.6%
All Accident Years Combined (Earned)	79.7%	75.8%	176.9%	85.7%	140.7%	112.5%	96.9%	119.5%
Underwriting & Administrative Expenses (Earned)	24.2%	25.6%	61.3%	30.7%	46.2%	37.9%	33.3%	36.6%
<b>Combined Operating Ratio</b>	<b>103.9%</b>	<b>101.4%</b>	<b>238.2%</b>	<b>116.4%</b>	<b>186.9%</b>	<b>150.4%</b>	<b>130.2%</b>	<b>156.1%</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 2017**
**Risk Sharing Pool - Alberta (Non-Grid)**
**Operating Results for the 5 Months Ended May 31, 2017 (Discounted basis)**
**Source: Monthly Operational Report**
**(thousands of dollars)**

EXHIBIT 2

	January	February	March	April	May	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>								
Net Premiums Written	\$7,162	\$7,368	\$8,817	\$9,262	\$9,048	\$41,657	\$102,174	\$99,667
Decrease (Increase) in Unearned Premiums	1,014	152	(499)	(1,191)	(721)	(1,245)	(2,171)	(9,196)
<b>Net Premiums Earned</b>	<b>\$8,176</b>	<b>\$7,520</b>	<b>\$8,318</b>	<b>\$8,071</b>	<b>\$8,327</b>	<b>\$40,412</b>	<b>\$100,003</b>	<b>\$90,471</b>
<b>Claims Incurred:</b>								
Prior Accident Years:								
Undiscounted	(\$209)	(\$89)	(\$538)	(\$42)	\$2,928	\$2,050	\$2,049	\$2,286
Effect of Discounting	(826)	(520)	(2,601)	(400)	126	(4,221)	(6,195)	(3,163)
Discounted	(\$1,035)	(\$609)	(\$3,139)	(\$442)	\$3,054	(\$2,171)	(\$4,146)	(\$877)
Current Accident Year:								
Undiscounted	\$8,220	\$7,472	\$9,476	\$8,375	\$9,927	\$43,470	\$106,871	\$102,363
Effect of Discounting	764	521	232	418	588	2,523	5,188	5,476
Discounted	\$8,984	\$7,993	\$9,708	\$8,793	\$10,515	\$45,993	\$112,059	\$107,839
<b>Claims Incurred</b>	<b>\$7,949</b>	<b>\$7,384</b>	<b>\$6,569</b>	<b>\$8,351</b>	<b>\$13,569</b>	<b>\$43,822</b>	<b>\$107,913</b>	<b>\$106,962</b>
<b>Underwriting Expenses:</b>								
Expense Allowance	\$2,066	\$2,129	\$2,546	\$2,675	\$2,613	\$12,029	\$29,519	\$30,016
Change in UPDR/DPAC:								
Undiscounted	15	10	2,424	109	1,363	3,921	3,697	1,003
Effect of Discounting	(83)	(11)	(390)	94	159	(231)	(181)	987
Discounted	(68)	(1)	2,034	203	1,522	3,690	3,516	\$1,990
<b>Underwriting Expenses</b>	<b>\$1,998</b>	<b>\$2,128</b>	<b>\$4,580</b>	<b>\$2,878</b>	<b>\$4,135</b>	<b>\$15,719</b>	<b>\$33,035</b>	<b>\$32,006</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$1,771)</b>	<b>(\$1,992)</b>	<b>(\$2,831)</b>	<b>(\$3,158)</b>	<b>(\$9,377)</b>	<b>(\$19,129)</b>	<b>(\$40,945)</b>	<b>(\$48,497)</b>
<b>Administrative Expenses</b>	<b>\$73</b>	<b>\$79</b>	<b>\$70</b>	<b>\$83</b>	<b>\$94</b>	<b>\$399</b>	<b>\$967</b>	<b>\$898</b>
<b>Operating Result</b>	<b>(\$1,844)</b>	<b>(\$2,071)</b>	<b>(\$2,901)</b>	<b>(\$3,241)</b>	<b>(\$9,471)</b>	<b>(\$19,528)</b>	<b>(\$41,912)</b>	<b>(\$49,395)</b>
<b>Ratios:</b>								
<b>Claims &amp; Expenses Incurred (Earned)</b>								
Prior Accident Years	-12.7%	-8.1%	-37.7%	-5.5%	36.7%	-5.4%	-4.1%	-1.0%
Current Accident Year	109.9%	106.3%	116.7%	108.9%	126.3%	113.8%	112.1%	119.2%
All Accident Years Combined	97.2%	98.2%	79.0%	103.4%	163.0%	108.4%	108.0%	118.2%
(Earned)	25.3%	29.3%	55.9%	36.7%	50.8%	39.9%	34.0%	36.4%
<b>Combined Operating Ratio</b>	<b>122.5%</b>	<b>127.5%</b>	<b>134.9%</b>	<b>140.1%</b>	<b>213.8%</b>	<b>148.3%</b>	<b>142.0%</b>	<b>154.6%</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