

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 057

DATE: JULY 28, 2017

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

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

Please be advised that the June 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 -\$32.6 million and the incurred loss ratio to the end of 6 months is 108.3%, as summarized in the table below.

Amounts in \$000s	June 2017	June 2016	Year to date Jun 2017	Year to Date Jun 2016
Premiums Written	14,275	16,446	67,201	65,915
Premiums Earned	11,810	10,179	71,701	61,826
Claims Incurred	10,226	7,830	77,644	82,803
General Expenses	4,004	4,097	26,677	24,971
Operating Result	(2,420)	(1,748)	(32,620)	(45,948)
Ratios:				
Loss ratio % - Prior Accident Years	(6.1%)	(6.8%)	14.3%	49.0%
- Current Accident Year	92.7%	83.8%	94.0%	85.0%
<i>Total</i>	86.6%	77.0%	108.3%	134.0%
General Expenses %	33.9%	40.2%	37.2%	40.4%
Combined Operating Ratio	120.5%	117.2%	145.5%	174.4%

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 -\$45.6 million and the estimated combined operating ratio to December 2017 is 130.4%. This updated projection to the end of the year has improved by \$0.5 million from the projection provided last month (-\$46.1 million and 130.2%). This improvement is driven by a \$2.1 million decrease in the projected written premium for the year.

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$2.4 million Operating Result in the month of June 2017, a deterioration of \$0.7 million compared with the same month last year. This deterioration is composed of an estimated \$0.3 million unfavourable impact associated with the \$1.6 million increase in earned premium (at a combined ratio of 117.2%), with the remaining \$0.4 million deterioration stemming from the overall increase in the combined ratio (from 117.2% to 120.5% applied to \$11.8 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 150.4% at the end of 5 months to 145.5% at the end of 6 months. The 4.9 percentage point decrease is composed of a 4.0 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.2 percentage point decrease in the Current Accident Year loss ratio, and a 0.7 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.

June 2017	Actual	Projection	Difference	Difference %
Premiums Written	14,275	15,945	(1,670)	(10.5%)
Premiums Earned	11,810	12,398	(588)	(4.7%)
Reported Losses				
Paid Losses	9,768	11,613	(1,845)	(15.9%)
Paid Expenses	449	589	(140)	(23.8%)
Change in Outstanding Losses	(1,521)	(879)	(642)	(73.0%)
Total Reported Losses	8,696	11,323	(2,627)	(23.2%)
Change in IBNR Provision*	1,530	(747)	2,277	
Change in Premium Deficiency (DPAC) *	(192)	(261)	69	

(Amounts in \$000's)

Rounding differences may apply.

* Detailed information is included in [Alberta Grid RSP June 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 June 2017, reported losses were \$2.6 million lower than projected. The Current Accident Year reported a favourable variance of \$1.6 million, and the Prior Accident Years reported a favourable variance of \$1.0 million. No single Prior Accident Year had a variance in excess of \$1.0 million.

The variances for earned premiums activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated earned premiums 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.

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 June 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The June 2017 Alberta Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is 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 -\$22.6 million and the incurred loss ratio to the end of 6 months is 108.3%, as summarized in the table at the top of the next page.

Bulletin F17-057**Alberta Risk Sharing Pools – June 2017 Operational Reports**

Amounts in \$000s	June 2017	June 2016	Year to date Jun 2017	Year to Date Jun 2016
Premiums Written	8,190	8,700	49,847	51,301
Premiums Earned	7,895	7,252	48,307	43,127
Claims Incurred	8,496	6,925	52,318	41,586
General Expenses	2,453	2,745	18,571	16,285
Operating Results	(3,054)	(2,418)	(22,582)	(14,744)
Ratios:				
Loss ratio % - Prior Accident Years	(5.2%)	(3.8%)	(5.3%)	(5.2%)
- Current Accident Year	112.8%	99.2%	113.6%	101.6%
<i>Total</i>	107.6%	95.4%	108.3%	96.4%
General Expenses %	31.1%	37.9%	38.4%	37.8%
Combined Operating Ratio	138.7%	133.3%	146.7%	134.2%

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 -\$41.6 million and the estimated combined operating ratio to December 2017 is 141.9%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$41.9 million and 142.0%).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$3.1 million Operating Result in the month of June 2017, a deterioration of \$0.6 million from the same month last year. This deterioration is composed of an estimated \$0.2 million unfavourable impact associated with the \$0.6 million increase in earned premium (at a combined ratio of 133.3%), with the remaining \$0.4 million deterioration stemming from the overall increase in the combined ratio (from 133.3% to 138.7% applied to \$7.9 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 148.3% at the end of 5 months to 146.7% at the end of 6 months. The 1.6 percentage point decrease is composed of a 0.2 percentage point decrease in the Current Accident Year loss ratio, and a 1.5 percentage point decrease in the expense ratio, offset by a 0.1 percentage point increase in the Prior Accident Years loss ratio.

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Alberta Risk Sharing Pools – June 2017 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.

June 2017	Actual	Projection	Difference	Difference %
Premiums Written	8,190	9,282	(1,092)	(11.8%)
Premiums Earned	7,895	8,151	(256)	(3.1%)
Reported Losses				
Paid Losses	6,988	8,677	(1,689)	(19.5%)
Paid Expenses	234	281	(47)	(16.7%)
Change in Outstanding Losses	1,573	(1,698)	3,271	192.6%
Total Reported Losses	8,795	7,260	1,535	21.1%
Change in IBNR Provision *	(299)	1,372	(1,671)	
Change in Premium Deficiency (DPAC) *	13	133	(120)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Alberta Non-Grid RSP June 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 June 2017, reported losses were \$1.5 million higher than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$1.6 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Booking IBNR

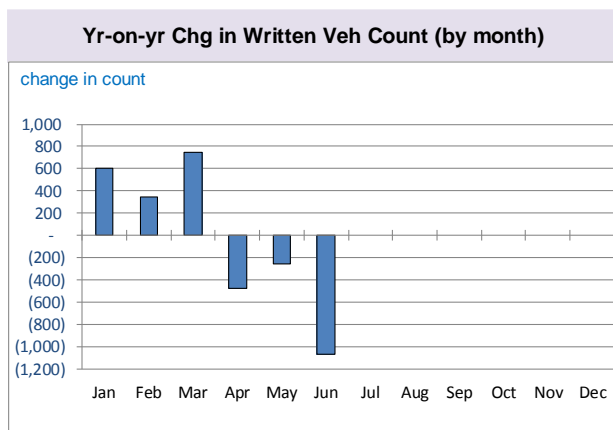
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [Alberta Non-Grid RSP June 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

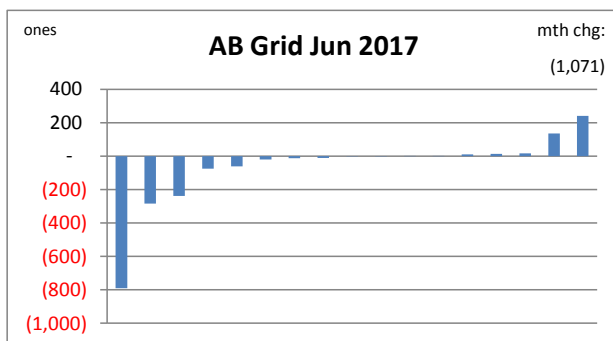
The June 2017 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2017). The actuarial valuation will be updated next as at June 30, 2017 and we anticipate that the results will be reflected in the August 2017 Operational Report.

Management Comments

Alberta Grid

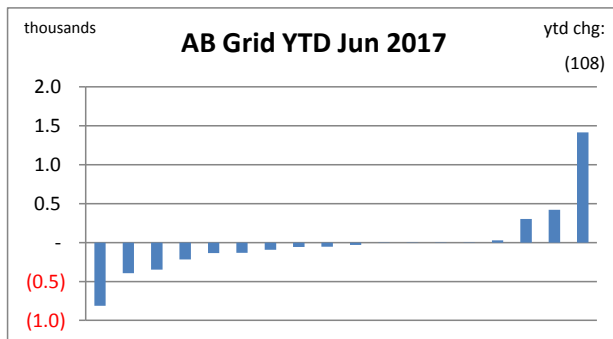


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with June showing a decrease of 1,071 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 213 vehicles, indicating a variance of 1,284 vehicles from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in June than projected.



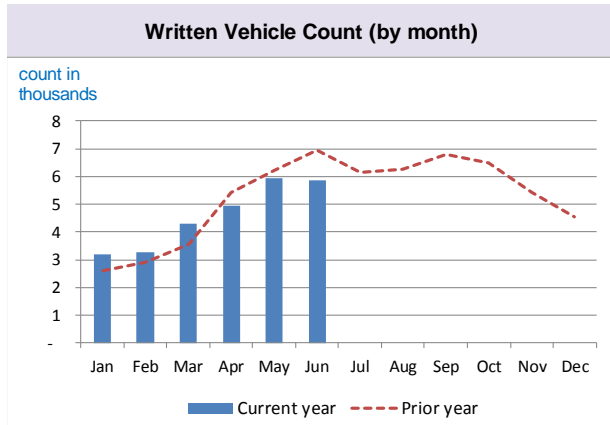
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with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

company group accounted for 53% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 2 member company groups accounted for 90% of the total transfer increases for these “grower” members.

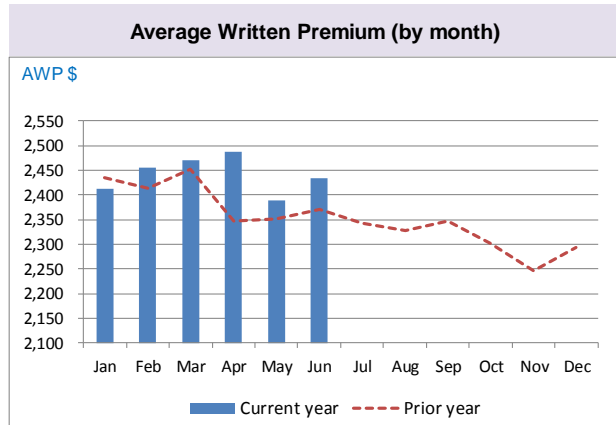


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

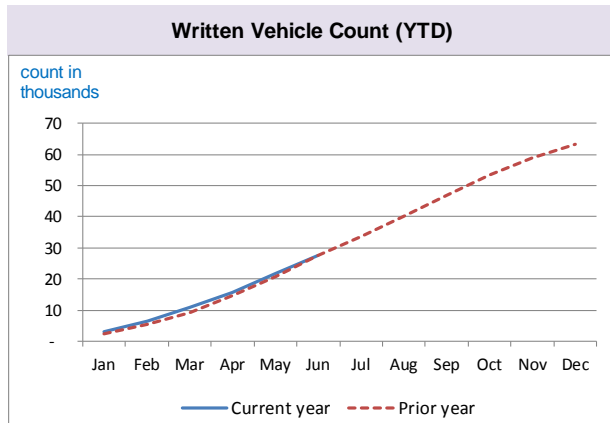
June’s vehicle count transfers to the pool represent a 15.4% decrease from June 2016, and counts were down 0.4% year-to-date. Average written premium was up 2.6% in June 2017 compared with the same month in 2016, and up 2.3% year-to-date (see charts immediately below).



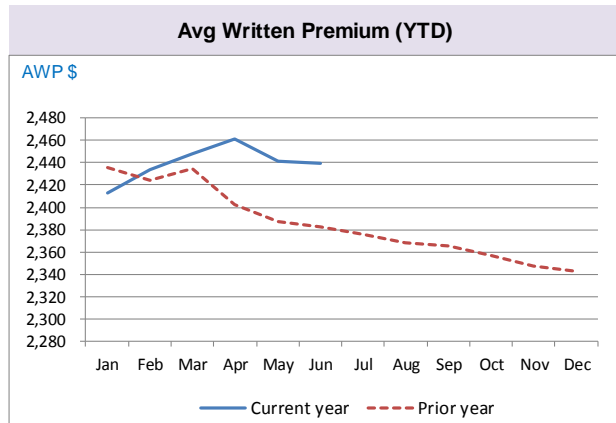
	Jun-17	Jun-16	Amt Chg	% Chg
W. Veh curr mth	5,866	6,937	(1,071)	-15.4%



	Jun-17	Jun-16	Amt Chg	% Chg
AWP curr mth	2,433	2,371	62	2.6%

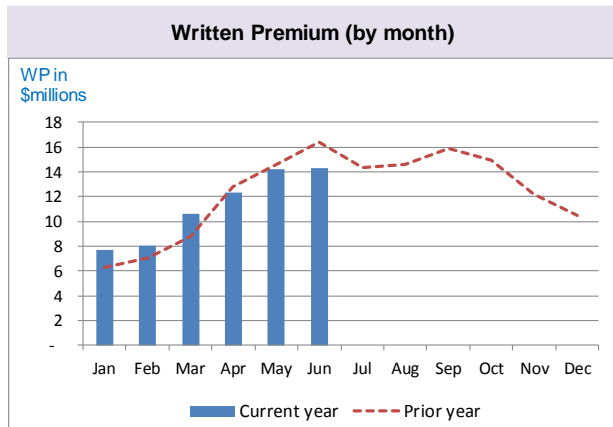


	Jun-17	Jun-16	Amt Chg	% Chg
W. Vehicles YTD	27,551	27,660	(108)	-0.4%

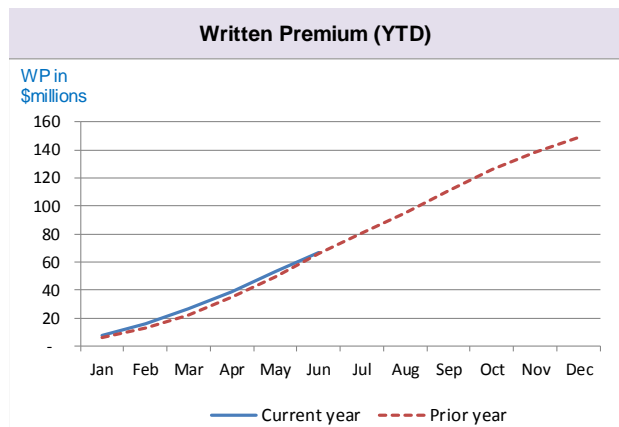


	Jun-17	Jun-16	Amt Chg	% Chg
Avg W. Prem YTD	2,439	2,383	56	2.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 13.2% for the month compared with the 8.1% increase we projected last month, but was up 2.0% year-to-date (see charts at the top of the next page).

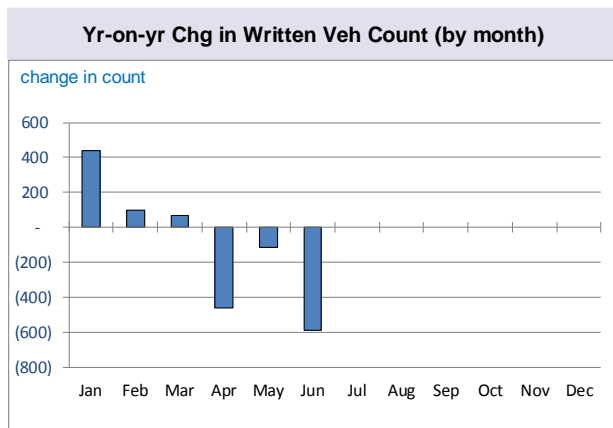


	Jun-17	Jun-16	Amt Chg	% Chg
WP (\$000s) curr mth	14,275	16,446	(2,171)	-13.2%

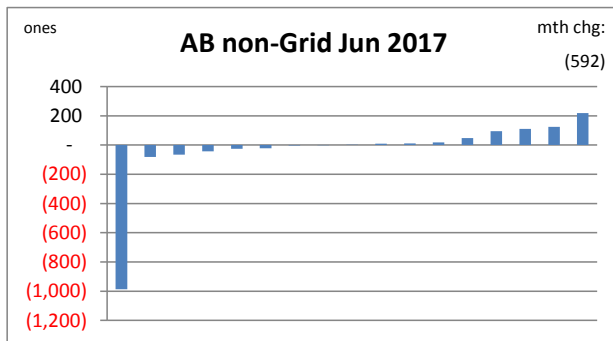


	Jun-17	Jun-16	Amt Chg	% Chg
WP (\$000s) YTD	67,201	65,915	1,286	2.0%

Alberta Non-Grid

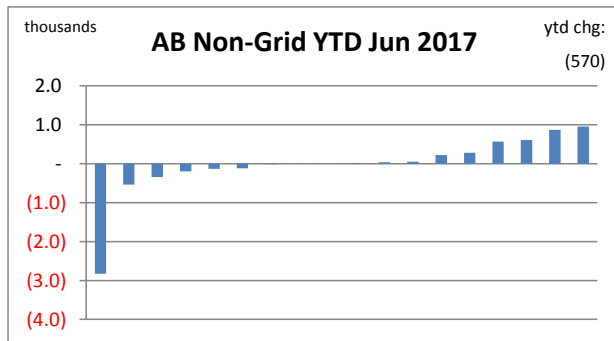


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with June showing a decrease of 592 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 309 vehicles, indicating a variance of 283 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 June than projected.



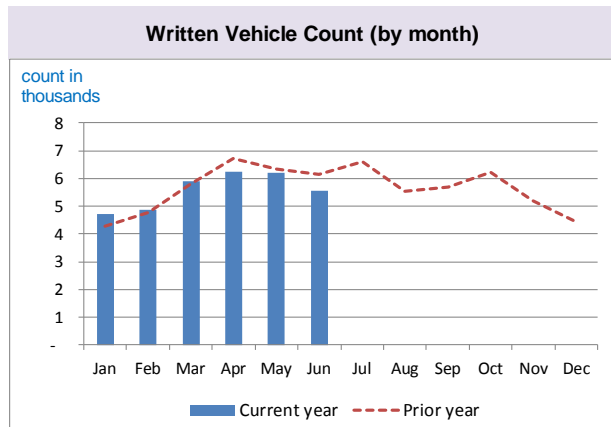
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared to a year ago, while nine transferred more. Of the 8 member company groups transferring fewer vehicles, 1 member company group accounted for 80% of the total transfer decrease for these “decliner” members.

Of the 9 member company groups transferring more vehicles, 4 member company groups accounted for 86% of the total transfers increase for these “grower” members.

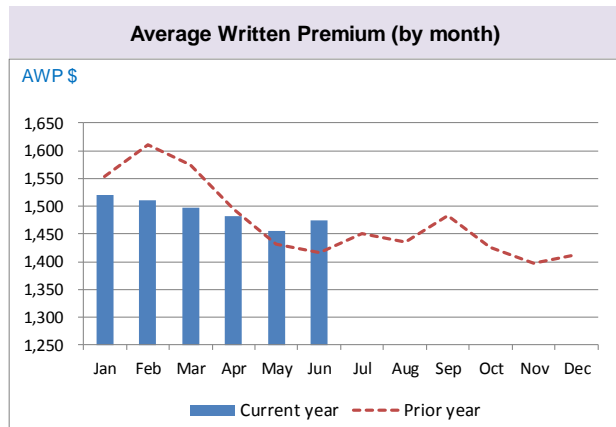


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

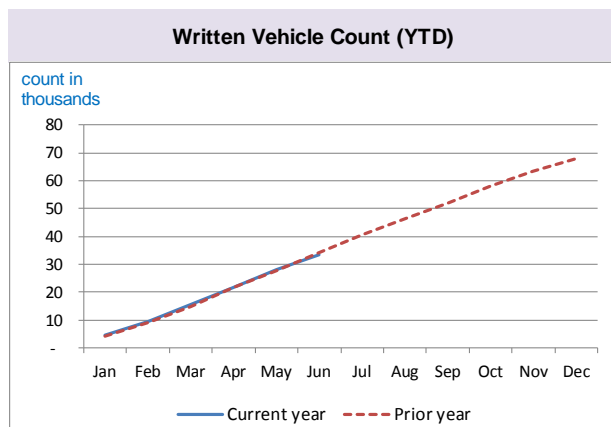
June's vehicle count transfers to the pool represent a 9.6% decrease from June 2016, and counts were down 1.7% year-to-date. Average written premium was up 4.2% in June 2017 compared with the same month in 2016, but down 1.2% year-to-date (see charts immediately below).



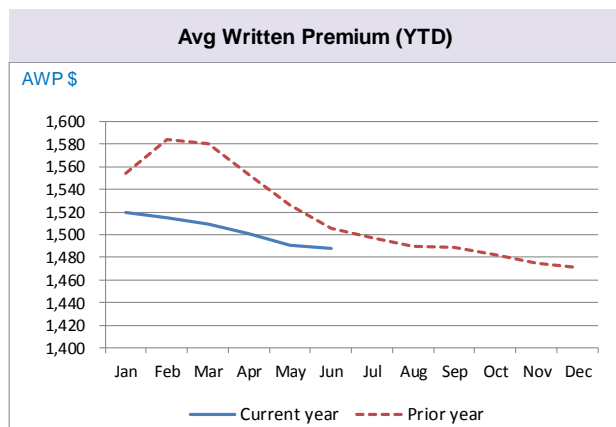
	Jun-17	Jun-16	Amt Chg	% Chg
W. Veh curr mth	5,552	6,144	(592)	-9.6%



	Jun-17	Jun-16	Amt Chg	% Chg
AWP curr mth	1,475	1,416	59	4.2%

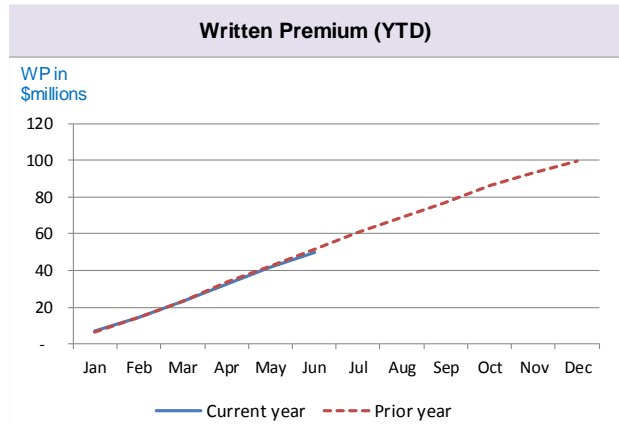
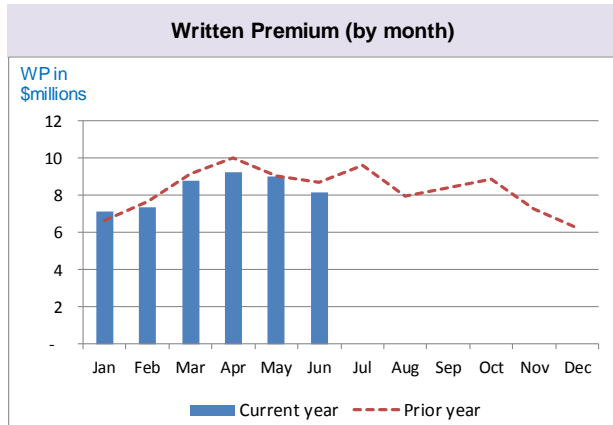


	Jun-17	Jun-16	Amt Chg	% Chg
W. Vehicles YTD	33,497	34,067	(570)	-1.7%



	Jun-17	Jun-16	Amt Chg	% Chg
Avg W. Prem YTD	1,488	1,506	(18)	-1.2%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 5.9% for the month compared with the 2.6% decrease we projected last month, and was down 2.8% year-to-date (see charts at the top of the next page).



	Jun-17	Jun-16	Amt Chg	% Chg
WP (\$000s) curr mth	8,190	8,700	(511)	-5.9%

	Jun-17	Jun-16	Amt Chg	% Chg
WP (\$000s) YTD	49,847	51,301	(1,455)	-2.8%

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

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

Related Links:

Alberta Grid RSP:

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

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017
Risk Sharing Pool - Alberta (Grid)
Operating Results for the 6 Months Ended June 30, 2017 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:									
Net Premiums Written	\$7,717	\$8,020	\$10,642	\$12,325	\$14,222	\$14,275	\$67,201	\$148,306	\$148,473
Decrease (Increase) in Unearned Premiums	4,472	3,146	1,612	(298)	(1,967)	(2,465)	4,500	1,888	(16,653)
Net Premiums Earned	\$12,189	\$11,166	\$12,254	\$12,027	\$12,255	\$11,810	\$71,701	\$150,194	\$131,820
Claims Incurred:									
Prior Accident Years:									
Undiscounted	(\$396)	(\$174)	\$12,337	(\$124)	\$4,260	(\$98)	\$15,805	\$15,806	\$41,142
Effect of Discounting	(744)	(926)	(3,120)	(384)	251	(623)	(\$5,546)	(8,645)	(1,682)
Discounted	(\$1,140)	(\$1,100)	\$9,217	(\$508)	\$4,511	(\$721)	\$10,259	\$7,161	\$39,460
Current Accident Year:									
Undiscounted	\$9,865	\$8,860	\$12,016	\$10,242	\$11,874	\$10,309	\$63,166	\$131,061	\$110,558
Effect of Discounting	992	713	445	567	864	638	\$4,219	7,453	7,515
Discounted	\$10,857	\$9,573	\$12,461	\$10,809	\$12,738	\$10,947	\$67,385	\$138,514	\$118,073
Claims Incurred	\$9,717	\$8,473	\$21,678	\$10,301	\$17,249	\$10,226	\$77,644	\$145,675	\$157,533
Underwriting Expenses:									
Expense Allowance	\$2,215	\$2,312	\$3,069	\$3,557	\$4,103	\$4,121	\$19,377	\$42,816	\$44,732
Change in UPDR/DPAC:									
Undiscounted	979	697	4,930	25	1,197	(353)	7,475	6,896	689
Effect of Discounting	(318)	(224)	(561)	24	269	161	(649)	(490)	1,915
Discounted	661	473	4,369	49	1,466	(192)	\$6,826	6,406	\$2,604
Underwriting Expenses	\$2,876	\$2,785	\$7,438	\$3,606	\$5,569	\$3,929	\$26,203	49,222	\$47,336
Net Underwriting Gain (Loss)	(\$404)	(\$92)	(\$16,862)	(\$1,880)	(\$10,563)	(\$2,345)	(\$32,146)	(\$44,703)	(\$73,049)
Administrative Expenses	\$73	\$79	\$70	\$83	\$94	\$75	\$474	\$924	\$894
Operating Result	(\$477)	(\$171)	(\$16,932)	(\$1,963)	(\$10,657)	(\$2,420)	(\$32,620)	(\$45,627)	(\$73,943)
Ratios:									
Claims & Expenses Incurred (Earned)									
Prior Accident Years	-9.4%	-9.9%	75.2%	-4.2%	36.8%	-6.1%	14.3%	4.8%	29.9%
Current Accident Year	89.1%	85.7%	101.7%	89.9%	103.9%	92.7%	94.0%	92.2%	89.6%
All Accident Years Combined (Earned)	79.7%	75.8%	176.9%	85.7%	140.7%	86.6%	108.3%	97.0%	119.5%
Underwriting & Administrative Expenses (Earned)	24.2%	25.6%	61.3%	30.7%	46.2%	33.9%	37.2%	33.4%	36.6%
Combined Operating Ratio	103.9%	101.4%	238.2%	116.4%	186.9%	120.5%	145.5%	130.4%	156.1%

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 6 Months Ended June 30, 2017 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	June	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:									
Net Premiums Written	\$7,162	\$7,368	\$8,817	\$9,262	\$9,048	\$8,190	\$49,847	\$101,689	\$99,667
Decrease (Increase) in Unearned Premiums	1,014	152	(499)	(1,191)	(721)	(295)	(1,540)	(2,486)	(9,196)
Net Premiums Earned	\$8,176	\$7,520	\$8,318	\$8,071	\$8,327	\$7,895	\$48,307	\$99,203	\$90,471
Claims Incurred:									
Prior Accident Years:									
Undiscounted	(\$209)	(\$89)	(\$538)	(\$42)	\$2,928	(\$72)	\$1,978	\$1,977	\$2,286
Effect of Discounting	(826)	(520)	(2,601)	(400)	126	(336)	(4,557)	(6,300)	(3,163)
Discounted	(\$1,035)	(\$609)	(\$3,139)	(\$442)	\$3,054	(\$408)	(\$2,579)	(\$4,323)	(\$877)
Current Accident Year:									
Undiscounted	\$8,220	\$7,472	\$9,476	\$8,375	\$9,927	\$8,466	\$51,936	\$106,085	\$102,363
Effect of Discounting	764	521	232	418	588	438	2,961	5,150	5,476
Discounted	\$8,984	\$7,993	\$9,708	\$8,793	\$10,515	\$8,904	\$54,897	\$111,235	\$107,839
Claims Incurred	\$7,949	\$7,384	\$6,569	\$8,351	\$13,569	\$8,496	\$52,318	\$106,912	\$106,962
Underwriting Expenses:									
Expense Allowance	\$2,066	\$2,129	\$2,546	\$2,675	\$2,613	\$2,365	\$14,394	\$29,376	\$30,016
Change in UPDR/DPAC:									
Undiscounted	15	10	2,424	109	1,363	(6)	3,915	3,714	1,003
Effect of Discounting	(83)	(11)	(390)	94	159	19	(212)	(158)	987
Discounted	(68)	(1)	2,034	203	1,522	13	3,703	3,556	\$1,990
Underwriting Expenses	\$1,998	\$2,128	\$4,580	\$2,878	\$4,135	\$2,378	\$18,097	\$32,932	\$32,006
Net Underwriting Gain (Loss)	(\$1,771)	(\$1,992)	(\$2,831)	(\$3,158)	(\$9,377)	(\$2,979)	(\$22,108)	(\$40,641)	(\$48,497)
Administrative Expenses	\$73	\$79	\$70	\$83	\$94	\$75	\$474	\$977	\$898
Operating Result	(\$1,844)	(\$2,071)	(\$2,901)	(\$3,241)	(\$9,471)	(\$3,054)	(\$22,582)	(\$41,618)	(\$49,395)
Ratios:									
Claims & Expenses Incurred (Earned)									
Prior Accident Years	-12.7%	-8.1%	-37.7%	-5.5%	36.7%	-5.2%	-5.3%	-4.4%	-1.0%
Current Accident Year	109.9%	106.3%	116.7%	108.9%	126.3%	112.8%	113.6%	112.1%	119.2%
All Accident Years Combined	97.2%	98.2%	79.0%	103.4%	163.0%	107.6%	108.3%	107.7%	118.2%
(Earned)	25.3%	29.3%	55.9%	36.7%	50.8%	31.1%	38.4%	34.2%	36.4%
Combined Operating Ratio	122.5%	127.5%	134.9%	140.1%	213.8%	138.7%	146.7%	141.9%	154.6%

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