



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 089

DATE: NOVEMBER 29, 2017

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

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

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

New This Month

Valuation

Valuations of the Alberta Grid Risk Sharing Pool (“RSP”) and Non-Grid RSP as at September 30, 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 **\$8.0 million favourable** impact on the month’s net result from operations, subtracting an estimated 6.5 points from the year-to-date Combined Operating Ratio (ending at 137.2%). The impact is summarized in the tables at the top of the next page¹.

¹In 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”.

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Alberta Risk Sharing Pools – October 2017 Operational Reports

AB Grid	unfav / (fav) for the month and ytd						ytd EP 123,100 (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	1,493	192	1,685	(3,790)	-	(2,105)	1.2%	0.2%	1.4%	(3.1%)	-	(1.7%)
CAY	(374)	(31)	(405)	(1,446)	-	(1,851)	(0.3%)	-	(0.3%)	(1.2%)	-	(1.5%)
Prem Def	(2,804)	(42)	(2,846)	(1,230)	-	(4,076)	(2.3%)	-	(2.3%)	(1.0%)	-	(3.3%)
TOTAL	(1,685)	119	(1,566)	(6,466)	-	(8,032)	(1.4%)	0.1%	(1.3%)	(5.3%)	-	(6.5%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a favourable impact of \$1.6 million – see column [3] in the left table above), augmented by the impact due to a 57 basis point increase in the selected discount rate (from 1.19% to 1.76%, generating a \$6.5 million favourable 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 change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

Management has observed unfavourable total valuation impacts over the last 12 valuation implementations for the Alberta Grid RSP, with only 2 of 12 valuation implementations 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). It should be noted that the impacts in column [4] are largely outside of the control of FA (as being related to macroeconomic factors).

RSP: Alberta Grid, as at: 2017 Q3		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	updated LRs & exp [1]	updated LRs & exp [2]	APVs @ prior assumptions [3]	updated dsct rate [4]	updated margins [5]	Total Impact [6] = sum([1] to [6])	Booked Policy Liabilities [7]	Total Impact as % Book Liabs [8] = [6] / [7]	Nominal Impact as % Book Liabs [9] = [2] / [7]
2014 Q4	Mar	4,867	406	603	-	5,876	327,713	1.8%	1.5%
2015 Q1	May	10,011	1,317	5,068	(2,034)	14,362	336,655	4.3%	3.0%
2015 Q2	Aug	(2,405)	1,964	(2,317)	(1,433)	(4,191)	329,238	(1.3%)	(0.7%)
2015 Q3	Oct	3,402	315	1,683	-	5,400	333,060	1.6%	1.0%
2015 Q4	Mar	20,151	2,474	524	-	23,149	328,237	7.1%	6.1%
2016 Q1	May	17,793	1,778	509	-	20,080	349,340	5.7%	5.1%
2016 Q2	Aug	11,942	1,410	556	(820)	13,088	372,965	3.5%	3.2%
2016 Q3	Oct	4,867	406	603	-	5,876	384,652	1.5%	1.3%
2016 Q4	Mar	19,370	2,700	(5,507)	-	16,563	383,713	4.3%	5.0%
2017 Q1	May	7,217	455	934	-	8,606	395,177	2.2%	1.8%
2017 Q2	Aug	10,704	914	(2,369)	(941)	8,308	410,268	2.0%	2.6%
2017 Q3	Oct	(1,685)	119	(6,466)	-	(8,032)	412,971	(1.9%)	(0.4%)
12-qtrs		106,234	14,258	(6,179)	(5,228)	109,085			
% of total		97.4%	13.1%	(5.7%)	(4.8%)	100.0%			
Averages									
12-qtrs		8,853	1,188	(515)	(436)	9,090	363,666	2.5%	2.4%
2014 Q4 to 2016 Q3		8,829	1,259	904	(536)	10,455	345,233	3.0%	2.6%
2016 Q4 to 2017 Q3		8,902	1,047	(3,352)	(235)	6,361	400,532	1.6%	2.2%

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 12-quarter impact for column [2] in the table above. This objective has not been met, and the average impact over the most recent 4 valuations has been little different from the earlier 8 valuations shown.

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$0.1 million unfavourable** impact on the month’s net result from operations, adding an estimated 0.1 points to the year-to-date Combined Operating Ratio (ending at 151.1%). The impact is summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 80,722 (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	2,182	135	2,317	(2,080)	-	237	2.7%	0.2%	2.9%	(2.6%)	-	0.3%
CAY	2,356	298	2,654	(946)	-	1,708	2.9%	0.4%	3.3%	(1.2%)	-	2.1%
Prem Def	(1,180)	64	(1,116)	(711)	-	(1,827)	(1.5%)	0.1%	(1.4%)	(0.9%)	-	(2.3%)
TOTAL	3,358	497	3,855	(3,737)	-	118	4.2%	0.6%	4.8%	(4.6%)	-	0.1%

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating an unfavourable impact of \$3.9 million – see column [3] in the left table above), partially offset by the impact due to a 56 basis point increase in the selected discount rate (from 1.20% to 1.76%, generating a \$3.7 million favourable 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 change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

The valuation implementations related to the last 12 quarterly valuations are summarized in the table at the top of the next page, indicating an overall unfavourable result over those implementations. Only 3 of the 12 implementations over the period have been favourable. Nominal estimate updates (column [2]) drive the overall impacts. As previously noted, the impacts in column [4] are largely outside of the control of FA (as being related to macroeconomic factors).

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RSP: Alberta Non-Grid, as at: 2017 Q3							\$000s			
Valuation	updated LR & exp [1]	unfavourable / (favourable) Valuation Implementation Impact (\$000s)					Total Impact [6] = sum([1] to [6])	Booked Policy Liabilities [7]	Total Impact as % Book Liabs [8] = [6] / [7]	Nominal Impact as % Book Liabs [9] = [2] / [7]
		updated LR & exp [2]	APVs @ prior assumptions [3]	updated dsct rate [4]	updated margins [5]					
2014 Q4	Mar	7,041	888	452	-	8,381	222,660	3.8%	3.2%	
2015 Q1	May	156	(176)	3,545	(1,507)	2,018	231,014	0.9%	0.1%	
2015 Q2	Aug	(4,412)	(455)	(1,631)	(597)	(7,095)	226,467	(3.1%)	(1.9%)	
2015 Q3	Oct	(2,686)	(124)	1,175	-	(1,635)	222,481	(0.7%)	(1.2%)	
2015 Q4	Mar	(980)	248	306	-	(426)	212,621	(0.2%)	(0.5%)	
2016 Q1	May	800	(49)	304	-	1,055	218,423	0.5%	0.4%	
2016 Q2	Aug	10,902	1,022	395	(493)	11,826	235,294	5.0%	4.6%	
2016 Q3	Oct	7,041	888	452	-	8,381	245,539	3.4%	2.9%	
2016 Q4	Mar	3,188	682	(3,361)	-	509	234,950	0.2%	1.4%	
2017 Q1	May	5,516	280	645	-	6,441	242,689	2.7%	2.3%	
2017 Q2	Aug	7,100	687	(1,376)	(550)	5,861	251,367	2.3%	2.8%	
2017 Q3	Oct	3,358	497	(3,737)	-	118	251,978	-	1.3%	
12-qtrs	-	37,024	4,388	(2,831)	(3,147)	35,434				
% of total		104.5%	12.4%	(8.0%)	(8.9%)	100.0%				
Averages										
12-qtrs		3,085	366	(236)	(262)	2,953	232,957	1.3%	1.3%	
2014 Q4 to 2016 Q3		2,233	280	625	(325)	2,813	226,812	1.2%	1.0%	
2016 Q4 to 2017 Q3		4,791	537	(1,957)	(138)	3,232	245,246	1.3%	2.0%	

As previously noted, 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 12-quarter impact for column [2] in the table above. This objective has not been met, and the average impact over the most recent 4 valuations has been higher than the earlier 8 valuations shown, and that all of the most recent 7 valuations have shown unfavourable impacts in column [2].

Please see “Effect of Quarterly Valuation” sections for additional detail (page 7 for Grid and page 11 for Non-Grid)

Alberta Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$45.8 million and the incurred loss ratio to the end of 10 months is 101.2%, as summarized in the table at the top of the next page.

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Alberta Risk Sharing Pools – October 2017 Operational Reports

Amounts in \$000s	October 2017	October 2016	Year to date Oct 2017	Year to Date Oct 2016
Premium Written	16,428	14,979	133,881	125,796
Premium Earned	13,181	12,127	123,100	107,847
Incurred Losses	8,058	17,299	124,609	137,698
Underwriting & Admin Expense	621	2,716	44,340	42,447
Operating Result	4,502	(7,888)	(45,849)	(72,298)
Ratios:				
Loss ratio - Prior Accident Years	(19.9%)	35.9%	6.1%	37.8%
- Current Accident Year	81.0%	106.8%	95.1%	89.9%
<i>Total</i>	61.1%	142.7%	101.2%	127.7%
<i>Underwriting & Admin Expense</i>	4.7%	22.4%	36.0%	39.4%
<i>Combined Operating Ratio</i>	65.8%	165.1%	137.2%	167.1%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. 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 -\$49.9 million and the estimated combined operating ratio to December 2017 is 133.2%, as summarized in the table below.

AB Grid RSP Yr-end Projection	Current (Oct 2017)	Prior Mth (Sep 2017)	Change	Final 2017 Outlook*
Amounts in \$000s				
Premium Written	160,824	162,390	(1,566)	178,561
Premium Earned	150,316	151,134	(818)	179,590
Incurred Losses	149,011	153,796	(4,785)	149,213
Underwriting & Admin Expense	51,190	56,710	(5,520)	54,575
Net Result from Operations	(49,885)	(59,372)	9,487	(24,198)
Ratios:				
Loss ratio - Prior Accident Years	4.4%	5.6%	(1.2%)	(3.9%)
- Current Accident Year	94.7%	96.2%	(1.5%)	87.0%
<i>Total</i>	99.1%	101.8%	(2.7%)	83.1%
<i>Underwriting & Admin Expense</i>	34.1%	37.5%	(3.4%)	30.4%
<i>Combined Operating Ratio</i>	133.2%	139.3%	(6.1%)	113.5%

rounding differences may occur

*as posted to FA's website Sep. 28, 2016

This updated projection to the end of the year has improved by \$9.5 million from the projection provided last month (see table at the bottom of the previous page), mainly due to the overall favourable impact of the valuation as at September 30, 2017, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 7). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections. Variances in written/earned premium and prior accident year and current & future accident year loss ratio change impacts (driven by valuation results) are the main drivers of variances from the Final 2017 Outlook (which was based on actuals up to the August 2016 Operational Report).

AB Grid	unfav / (fav) projected for full year						year EP 150,316 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate		argins	ults & payout patterns			dsct rate		argins
	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	1,493	194	1,687	(3,571)	-	(1,884)	1.0%	0.1%	1.1%	(2.4%)	-	(1.3%)
CAY	(456)	(24)	(480)	(1,701)	-	(2,181)	(0.3%)	-	(0.3%)	(1.1%)	-	(1.5%)
Prem Def	(3,734)	(111)	(3,845)	(1,213)	-	(5,058)	(2.5%)	(0.1%)	(2.6%)	(0.8%)	-	(3.4%)
TOTAL	(2,697)	59	(2,638)	(6,485)	-	(9,123)	(1.8%)	-	(1.8%)	(4.3%)	-	(6.1%)

Current Month Results

The Alberta Grid Risk Sharing Pool produced a \$4.5 million Operating Result in the month of October 2017, an improvement of \$12.4 million compared with the same month last year. This improvement is composed of \$13.1 million improvement stemming from the overall decrease in the combined ratio (from 165.1% to 65.8% applied to \$13.2 million in earned premium), offset by an estimated \$0.7 million unfavourable impact associated with the \$1.1 million increase in earned premium (at a combined ratio of 165.1%). 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 145.8% at the end of 9 months to 137.2% at the end of 10 months. The 8.6 percentage point decrease is composed of a 3.1 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 1.7 percentage point decrease in the Current Accident Year loss ratio, and a 3.8 percentage point decrease 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 compared to the estimates projected last month.

October 2017	Actual	Projection	Difference	Difference %
Written Premium	16,428	18,004	(1,576)	(8.8%)
Earned Premium	13,181	13,719	(538)	(3.9%)
Reported Losses				
Paid Losses	10,281	10,319	(38)	(0.4%)
Paid Expenses	359	451	(92)	(20.4%)
Change in Outstanding Losses	(1,104)	3,821	(4,925)	(128.9%)
Total Reported Losses	9,536	14,591	(5,055)	(34.6%)
Change in IBNR Provision*	(1,478)	(2,079)	601	
Change in Premium Deficiency (DPAC)*	(4,208)	(187)	(4,021)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP October 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.

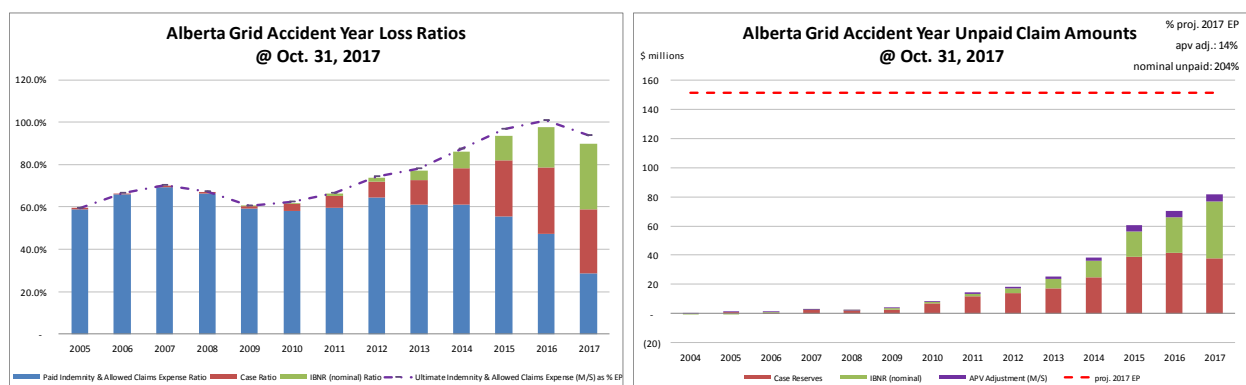
For the month of October 2017, reported losses were \$5.1 million lower than projected. The Current Accident Year reported a favourable variance of \$4.2 million, and the Prior Accident Years reported a favourable variance of \$0.9 million. No single Prior Accident Year had a variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The October 2017 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2017, with the associated impacts in relation to the results for October 2017 summarized in the table immediately below.

AB Grid	unfav / (fav) for the month and ytd						mth EP 13,181 (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	1,493	192	1,685	(3,790)	-	(2,105)	11.3%	1.5%	12.8%	(28.8%)	-	(16.0%)
CAY	(374)	(31)	(405)	(1,446)	-	(1,851)	(2.8%)	(0.2%)	(3.1%)	(11.0%)	-	(14.0%)
Prem Def	(2,804)	(42)	(2,846)	(1,230)	-	(4,076)	(21.3%)	(0.3%)	(21.6%)	(9.3%)	-	(30.9%)
TOTAL	(1,685)	119	(1,566)	(6,466)	-	(8,032)	(12.8%)	0.9%	(11.9%)	(49.1%)	-	(60.9%)

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 October 2017 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at September 30, 2017 are expected to be posted on or before December 15, 2017. The actuarial valuation will be updated next as at December 31, 2017 and we anticipate that the results will be reflected in the March 2018 Operational Report.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$41.3 million and the incurred loss ratio to the end of 10 months is 115.6%, as summarized in the table immediately below.

Amounts in \$000s	October 2017	October 2016	Year to date Oct 2017	Year to Date Oct 2016
Premium Written	9,790	8,871	82,890	86,157
Premium Earned	8,141	8,152	80,722	74,443
Incurred Losses	10,811	17,071	93,315	89,062
Underwriting & Admin Expense	1,422	2,561	28,674	31,246
Operating Result	(4,092)	(11,480)	(41,267)	(45,865)
Ratios:				
Loss ratio				
- Prior Accident Years	(2.4%)	25.2%	(2.4%)	(0.1%)
- Current Accident Year	135.2%	184.2%	118.0%	119.7%
<i>Total</i>	132.8%	209.4%	115.6%	119.6%
Underwriting & Admin Expense	17.5%	31.4%	35.5%	42.0%
Combined Operating Ratio	150.3%	240.8%	151.1%	161.6%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. 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 -\$47.1 million and the estimated combined operating ratio to December 2017 is 148.4%, as summarized in the table below.

AB Non-Grid RSP Yr-end Projection Amounts in \$000s	Current (Oct 2017)	Prior Mth (Sep 2017)	Change	Final 2017 Outlook*
Premium Written	99,591	99,374	217	96,290
Premium Earned	97,183	97,213	(30)	97,853
Incurred Losses	111,680	109,325	2,355	100,943
Underwriting & Admin Expense	32,589	35,528	(2,939)	29,058
Net Result from Operations	(47,086)	(47,640)	554	(32,148)
Ratios:				
Loss ratio - Prior Accident Years	(2.6%)	(2.9%)	0.3%	(4.5%)
- Current Accident Year	117.5%	115.3%	2.2%	107.7%
<i>Total</i>	114.9%	112.4%	2.5%	103.2%
Underwriting & Admin Expense	33.5%	36.5%	(3.0%)	29.7%
Combined Operating Ratio	148.4%	148.9%	(0.5%)	132.9%

rounding differences may occur

*as posted to FA's website Sep. 28, 2016

This updated projection to the end of the year has improved by \$0.6 million from the projection provided last month (see table above), mainly due to the overall favourable impact of the valuation as at September 30, 2017, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 11). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections. Variances in prior accident year and current & future accident year loss ratio change impacts (driven by valuation results) are the main drivers of variances from the Final 2017 Outlook (which was based on actuals up to the August 2016 Operational Report).

AB Non-Grid	unfav / (fav) projected for full year						year EP 97,183 (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	2,182	126	2,308	(1,931)	-	377	2.2%	0.1%	2.4%	(2.0%)	-	0.4%
CAY	2,834	242	3,076	(1,064)	-	2,012	2.9%	0.2%	3.2%	(1.1%)	-	2.1%
Prem Def	(2,312)	(14)	(2,326)	(703)	-	(3,029)	(2.4%)	-	(2.4%)	(0.7%)	-	(3.1%)
TOTAL	2,704	354	3,058	(3,698)	-	(640)	2.8%	0.4%	3.1%	(3.8%)	-	(0.7%)

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$4.1 million Operating Result in the month of October 2017, an improvement of \$7.4 million from the same month last year. This

improvement mainly stems from the overall decrease in the combined ratio (from 240.8% to 150.3% applied to \$8.1 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

With this month's results, the year-to-date combined operating ratio remained unchanged from last month, at 151.1% at the end of 10 months. The 0 percentage point change is composed of a 2.0 percentage point increase in the Current Accident Year loss ratio offset by a 2.0 percentage point decrease in the expense ratio.

Variances from Projections

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

October 2017	Actual	Projection	Difference	Difference %
Written Premium	9,790	9,574	216	2.3%
Earned Premium	8,141	8,238	(97)	(1.2%)
Reported Losses				
Paid Losses	9,729	8,971	758	8.4%
Paid Expenses	261	278	(17)	(6.1%)
Change in Outstanding Losses	(3,012)	(1,391)	(1,621)	116.5%
Total Reported Losses	6,978	7,858	(880)	(11.2%)
Change in IBNR Provision*	3,833	1,169	2,664	
Change in Premium Deficiency (DPAC)*	(1,489)	277	(1,766)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP October 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.

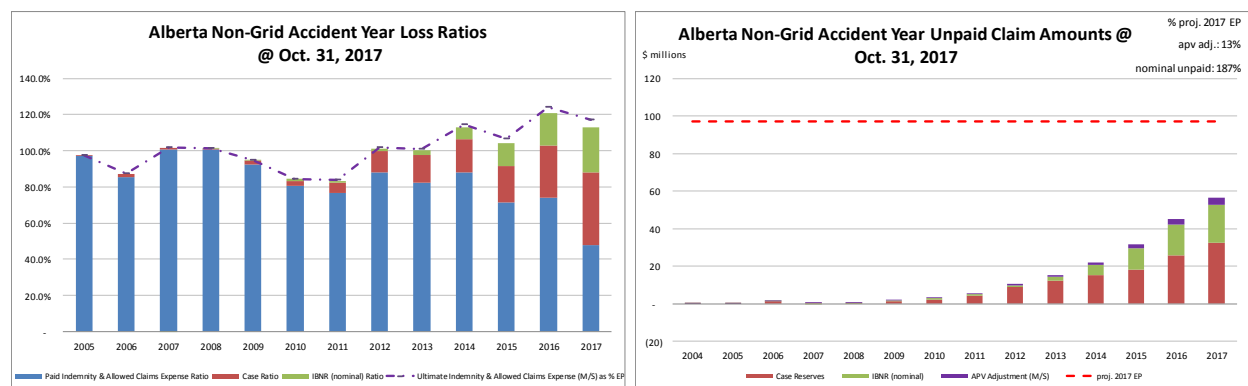
For the month of October 2017, reported losses were \$0.9 million lower than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, and the Prior Accident Years had a \$0.8 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The October 2017 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2017, with the associated impacts in relation to the results for October 2017 summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 8,141 (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	2,182	135	2,317	(2,080)	-	237	26.8%	1.7%	28.5%	(25.5%)	-	2.9%
CAY	2,356	298	2,654	(946)	-	1,708	28.9%	3.7%	32.6%	(11.6%)	-	21.0%
Prem Def	(1,180)	64	(1,116)	(711)	-	(1,827)	(14.5%)	0.8%	(13.7%)	(8.7%)	-	(22.4%)
TOTAL	3,358	497	3,855	(3,737)	-	118	41.2%	6.1%	47.4%	(45.9%)	-	1.4%

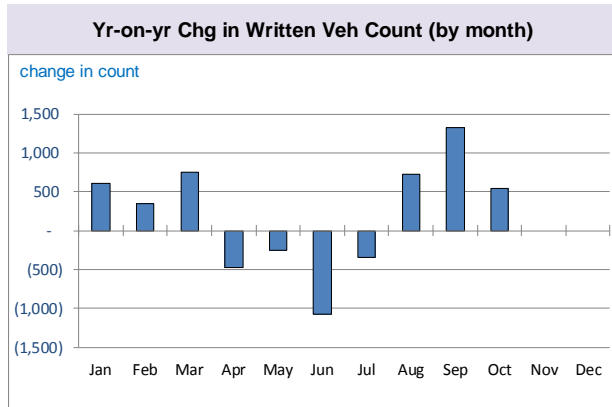
The charts below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities. We have included the associated claims liabilities in the chart on the right.



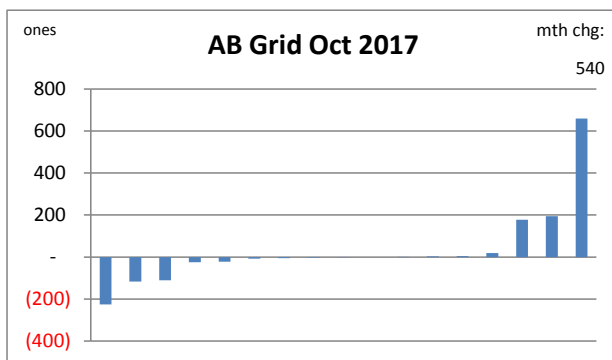
The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP October 2017 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at September 30, 2017 are expected to be posted on or before December 15, 2017. The actuarial valuation will be updated next as at December 31, 2017 and we anticipate that the results will be reflected in the March 2018 Operational Report.

Management Comments

Alberta Grid

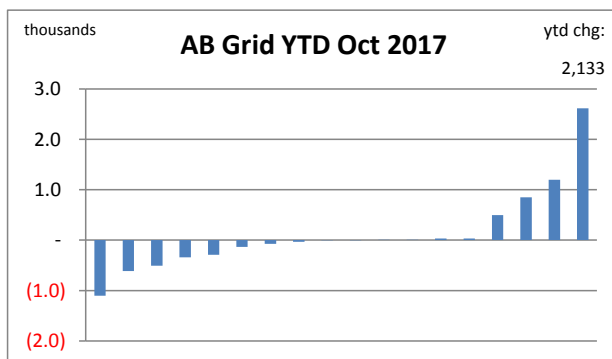


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with October showing an increase of 540 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,059 vehicles, indicating a variance of 519 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 October than projected.



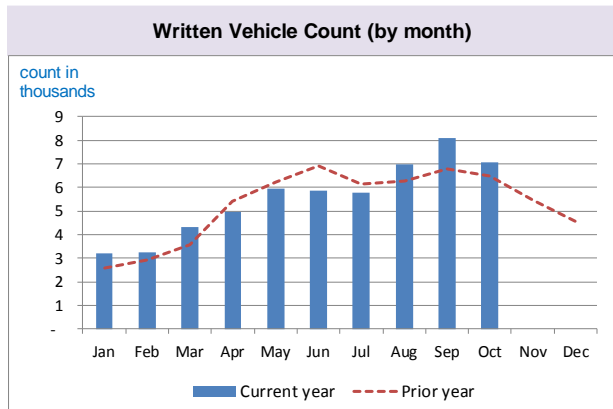
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more, and one remained the same. Of the 9 member company groups transferring fewer vehicles, 1 member company group accounted for 44% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 62% of the total transfer increases for these “grower” members.

Of the 9 member company groups transferring fewer vehicles, 1 member company group accounted for 44% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 62% of the total transfer increases for these “grower” members.

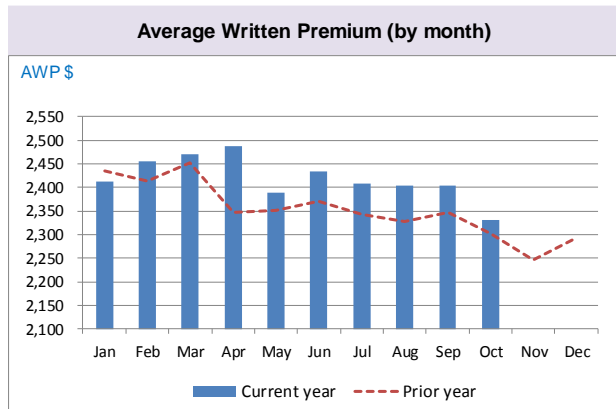


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

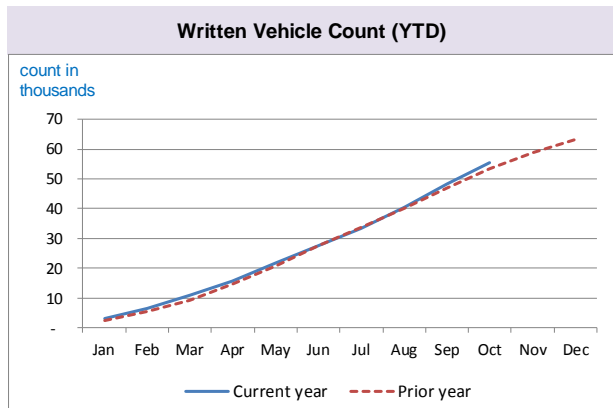
October’s vehicle count transfers to the pool represent an 8.3% increase from October 2016, and counts were up 4.0% year-to-date. Average written premium was up 1.3% in October 2017 compared with the same month in 2016, and up 2.4% year-to-date (see charts at the top of the next page).



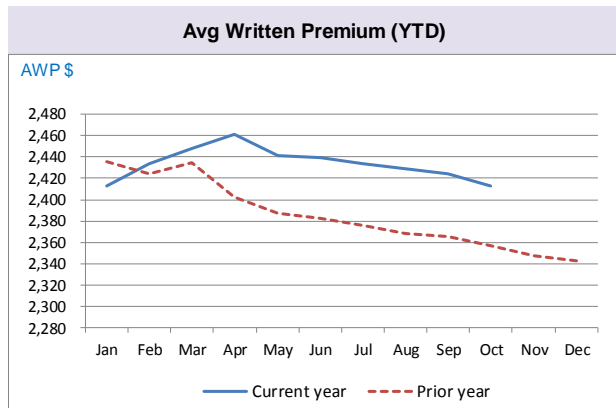
	Oct-17	Oct-16	Amt Chg	% Chg
W. Veh curr mth	7,046	6,506	540	8.3%



	Oct-17	Oct-16	Amt Chg	% Chg
AWP curr mth	2,331	2,302	29	1.3%

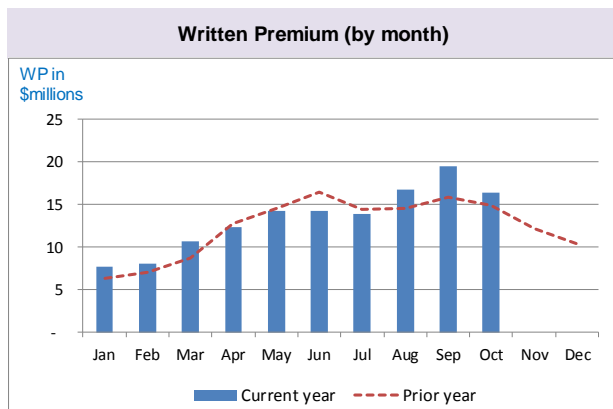


	Oct-17	Oct-16	Amt Chg	% Chg
W. Vehicles YTD	55,493	53,360	2,133	4.0%

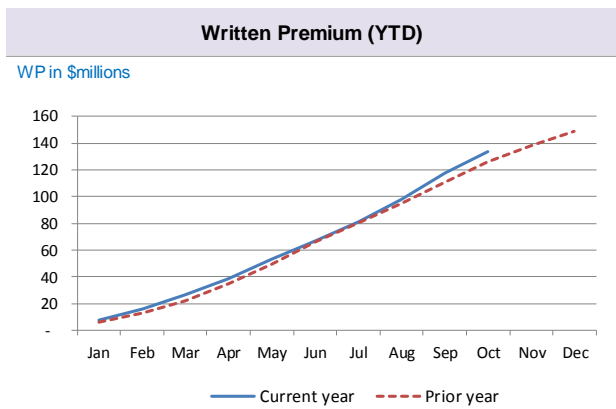


	Oct-17	Oct-16	Amt Chg	% Chg
Avg W. Prem YTD	2,413	2,357	56	2.4%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 9.7% for the month compared with the 20.2% increase we projected last month, and was up 6.4% year-to-date (see charts immediately below).

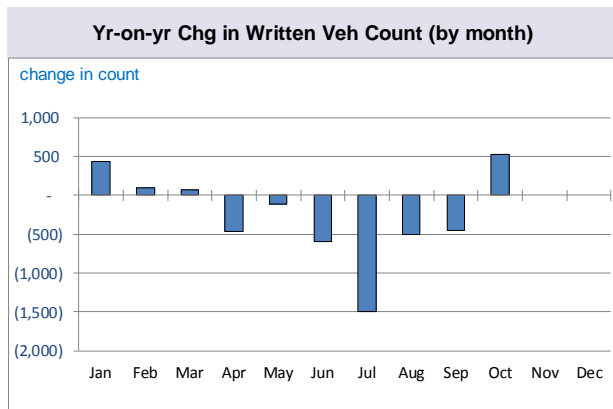


	Oct-17	Oct-16	Amt Chg	% Chg
WP (\$000s) curr mth	16,428	14,979	1,449	9.7%

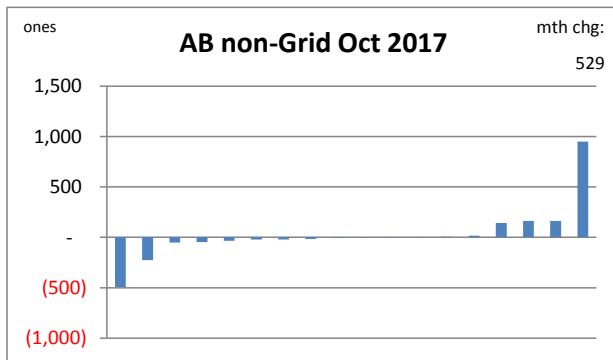


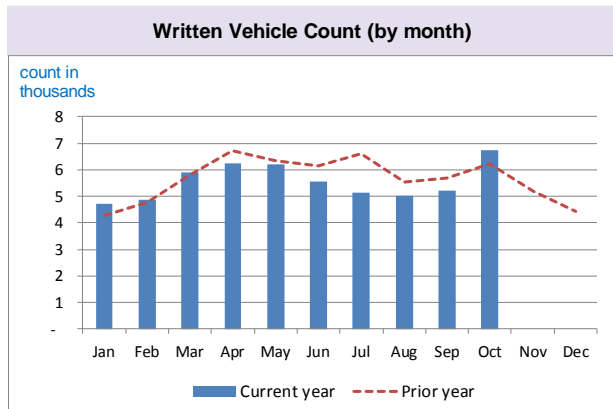
	Oct-17	Oct-16	Amt Chg	% Chg
WP (\$000s) YTD	133,881	125,795	8,085	6.4%

Alberta Non-Grid

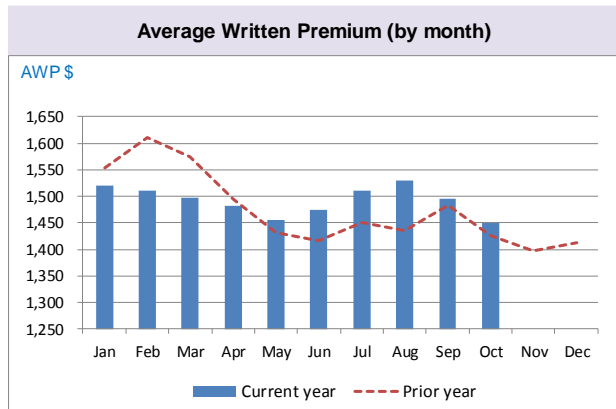


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with October showing an increase of 529 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 258 vehicles, indicating a variance of 271 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in October than projected.

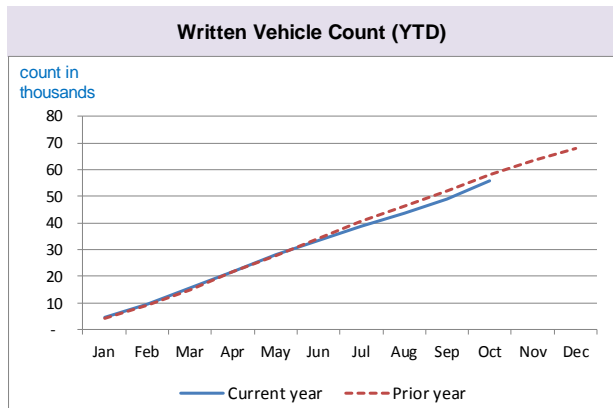




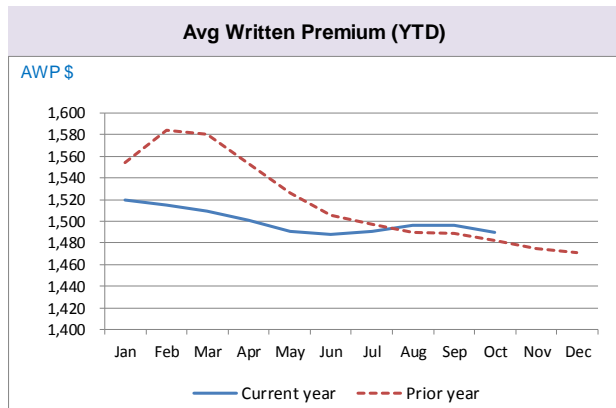
	Oct-17	Oct-16	Amt Chg	% Chg
W. Veh curr mth	6,756	6,226	529	8.5%



	Oct-17	Oct-16	Amt Chg	% Chg
AWP curr mth	1,449	1,425	24	1.7%

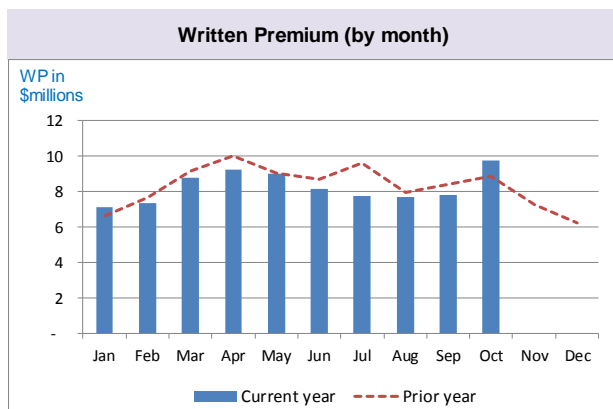


	Oct-17	Oct-16	Amt Chg	% Chg
W. Vehicles YTD	55,631	58,135	(2,503)	-4.3%

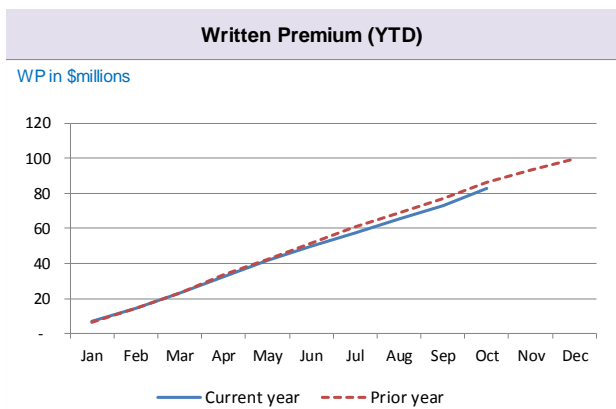


	Oct-17	Oct-16	Amt Chg	% Chg
Avg W. Prem YTD	1,490	1,482	8	0.5%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 10.4% for the month compared with the 7.9% increase we projected last month, but was down 3.8% year-to-date (see charts immediately below).



	Oct-17	Oct-16	Amt Chg	% Chg
WP (\$000s) curr mth	9,790	8,871	919	10.4%



	Oct-17	Oct-16	Amt Chg	% Chg
WP (\$000s) YTD	82,890	86,157	(3,268)	-3.8%

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 October 2017 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 10 Months Ended October 31, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	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	\$13,957	\$16,796	\$19,499	\$16,428	\$133,881	\$160,824	\$148,473
Decrease (Increase) in Unearned Premiums	4,472	3,146	1,612	(298)	(1,967)	(2,465)	(1,363)	(3,970)	(6,701)	(3,247)	(10,781)	(10,508)	(16,653)
Net Premiums Earned	\$12,189	\$11,166	\$12,254	\$12,027	\$12,255	\$11,810	\$12,594	\$12,826	\$12,798	\$13,181	\$123,100	\$150,316	\$131,820
Claims Incurred:													
Prior Accident Years:													
Undiscounted	(\$396)	(\$174)	\$12,337	(\$124)	\$4,260	(\$98)	(\$40)	\$3,919	(\$31)	\$1,433	\$21,086	\$21,087	\$41,142
Effect of Discounting	(744)	(926)	(3,120)	(384)	251	(623)	(639)	(2,719)	(612)	(4,051)	(\$13,567)	(14,492)	(1,682)
Discounted	(\$1,140)	(\$1,100)	\$9,217	(\$508)	\$4,511	(\$721)	(\$679)	\$1,200	(\$643)	(\$2,618)	\$7,519	\$6,595	\$39,460
Current Accident Year:													
Undiscounted	\$9,865	\$8,860	\$12,016	\$10,242	\$11,874	\$10,309	\$10,931	\$14,800	\$11,582	\$11,578	\$112,057	\$136,492	\$110,558
Effect of Discounting	992	713	445	567	864	638	658	429	629	(902)	\$5,033	5,924	7,515
Discounted	\$10,857	\$9,573	\$12,461	\$10,809	\$12,738	\$10,947	\$11,589	\$15,229	\$12,211	\$10,676	\$117,090	\$142,416	\$118,073
Claims Incurred	\$9,717	\$8,473	\$21,678	\$10,301	\$17,249	\$10,226	\$10,910	\$16,429	\$11,568	\$8,058	\$124,609	\$149,011	\$157,533
Underwriting Expenses:													
Expense Allowance	\$2,215	\$2,312	\$3,069	\$3,557	\$4,103	\$4,121	\$4,031	\$4,852	\$5,635	\$4,747	\$38,642	\$46,429	\$44,732
Change in UPDR/DPAC:													
Undiscounted	979	697	4,930	25	1,197	(353)	(212)	2,510	(676)	(3,149)	5,948	4,950	689
Effect of Discounting	(318)	(224)	(561)	24	269	161	90	151	437	(1,059)	(1,030)	(1,106)	1,915
Discounted	661	473	4,369	49	1,466	(192)	(122)	2,661	(239)	(4,208)	\$4,918	3,844	\$2,604
Underwriting Expenses	\$2,876	\$2,785	\$7,438	\$3,606	\$5,569	\$3,929	\$3,909	\$7,513	\$5,396	\$539	\$43,560	50,273	\$47,336
Net Underwriting Gain (Loss)	(\$404)	(\$92)	(\$16,862)	(\$1,880)	(\$10,563)	(\$2,345)	(\$2,225)	(\$11,116)	(\$4,166)	\$4,584	(\$45,069)	(\$48,968)	(\$73,049)
Administrative Expenses	\$73	\$79	\$70	\$83	\$94	\$75	\$74	\$81	\$69	\$82	\$780	\$917	\$894
Operating Result	(\$477)	(\$171)	(\$16,932)	(\$1,963)	(\$10,657)	(\$2,420)	(\$2,299)	(\$11,197)	(\$4,235)	\$4,502	(\$45,849)	(\$49,885)	(\$73,943)
Ratios:													
Claims & Expenses Incurred (Earned)													
Prior Accident Years	-9.4%	-9.9%	75.2%	-4.2%	36.8%	-6.1%	-5.4%	9.4%	-5.0%	-19.9%	6.1%	4.4%	29.9%
Current Accident Year	89.1%	85.7%	101.7%	89.9%	103.9%	92.7%	92.0%	118.7%	95.4%	81.0%	95.1%	94.7%	89.6%
All Accident Years Combined (Earned)	79.7%	75.8%	176.9%	85.7%	140.7%	86.6%	86.6%	128.1%	90.4%	61.1%	101.2%	99.1%	119.5%
Underwriting & Administrative Expenses (Earned)	24.2%	25.6%	61.3%	30.7%	46.2%	33.9%	31.6%	59.2%	42.7%	4.7%	36.0%	34.1%	36.6%
Combined Operating Ratio	103.9%	101.4%	238.2%	116.4%	186.9%	120.5%	118.2%	187.3%	133.1%	65.8%	137.2%	133.2%	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 10 Months Ended October 31, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	June	July	August	September	October	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	\$7,738	\$7,704	\$7,811	\$9,790	\$82,890	\$99,591	\$99,667
Decrease (Increase) in Unearned Premiums	1,014	152	(499)	(1,191)	(721)	(295)	508	482	31	(1,649)	(2,168)	(2,408)	(9,196)
Net Premiums Earned	\$8,176	\$7,520	\$8,318	\$8,071	\$8,327	\$7,895	\$8,246	\$8,186	\$7,842	\$8,141	\$80,722	\$97,183	\$90,471
Claims Incurred:													
Prior Accident Years:													
Undiscounted	(\$209)	(\$89)	(\$538)	(\$42)	\$2,928	(\$72)	(\$30)	\$2,843	(\$19)	\$2,183	\$6,955	\$6,954	\$2,286
Effect of Discounting	(826)	(520)	(2,601)	(400)	126	(336)	(293)	(1,299)	(333)	(2,381)	(8,863)	(9,498)	(3,163)
Discounted	(\$1,035)	(\$609)	(\$3,139)	(\$442)	\$3,054	(\$408)	(\$323)	\$1,544	(\$352)	(\$198)	(\$1,908)	(\$2,544)	(\$877)
Current Accident Year:													
Undiscounted	\$8,220	\$7,472	\$9,476	\$8,375	\$9,927	\$8,466	\$8,799	\$11,000	\$8,639	\$11,299	\$91,673	\$110,233	\$102,363
Effect of Discounting	764	521	232	418	588	438	399	188	292	(290)	3,550	3,991	5,476
Discounted	\$8,984	\$7,993	\$9,708	\$8,793	\$10,515	\$8,904	\$9,198	\$11,188	\$8,931	\$11,009	\$95,223	\$114,224	\$107,839
Claims Incurred	\$7,949	\$7,384	\$6,569	\$8,351	\$13,569	\$8,496	\$8,875	\$12,732	\$8,579	\$10,811	\$93,315	\$111,680	\$106,962
Underwriting Expenses:													
Expense Allowance	\$2,066	\$2,129	\$2,546	\$2,675	\$2,613	\$2,365	\$2,235	\$2,226	\$2,257	\$2,829	\$23,941	\$28,769	\$30,016
Change in UPDR/DPAC:													
Undiscounted	15	10	2,424	109	1,363	(6)	(65)	1,900	26	(970)	4,806	3,772	1,003
Effect of Discounting	(83)	(11)	(390)	94	159	19	(40)	(80)	(2)	(519)	(853)	(900)	987
Discounted	(68)	(1)	2,034	203	1,522	13	(105)	1,820	24	(1,489)	3,953	2,872	\$1,990
Underwriting Expenses	\$1,998	\$2,128	\$4,580	\$2,878	\$4,135	\$2,378	\$2,130	\$4,046	\$2,281	\$1,340	\$27,894	\$31,641	\$32,006
Net Underwriting Gain (Loss)	(\$1,771)	(\$1,992)	(\$2,831)	(\$3,158)	(\$9,377)	(\$2,979)	(\$2,759)	(\$8,592)	(\$3,018)	(\$4,010)	(\$40,487)	(\$46,138)	(\$48,497)
Administrative Expenses	\$73	\$79	\$70	\$83	\$94	\$75	\$76	\$79	\$69	\$82	\$780	\$948	\$898
Operating Result	(\$1,844)	(\$2,071)	(\$2,901)	(\$3,241)	(\$9,471)	(\$3,054)	(\$2,835)	(\$8,671)	(\$3,087)	(\$4,092)	(\$41,267)	(\$47,086)	(\$49,395)
Ratios:													
Claims & Expenses Incurred (Earned)													
Prior Accident Years	-12.7%	-8.1%	-37.7%	-5.5%	36.7%	-5.2%	-3.9%	18.9%	-4.5%	-2.4%	-2.4%	-2.6%	-1.0%
Current Accident Year	109.9%	106.3%	116.7%	108.9%	126.3%	112.8%	111.5%	136.7%	113.9%	135.2%	118.0%	117.5%	119.2%
All Accident Years Combined	97.2%	98.2%	79.0%	103.4%	163.0%	107.6%	107.6%	155.6%	109.4%	132.8%	115.6%	114.9%	118.2%
Underwriting & Administrative Expenses (Earned)	25.3%	29.3%	55.9%	36.7%	50.8%	31.1%	26.8%	50.4%	30.0%	17.5%	35.5%	33.5%	36.4%
Combined Operating Ratio	122.5%	127.5%	134.9%	140.1%	213.8%	138.7%	134.4%	206.0%	139.4%	150.3%	151.1%	148.4%	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