

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F18 – 087**

**DATE: NOVEMBER 29, 2018**

**SUBJECT: ALBERTA RISK SHARING POOLS  
– OCTOBER 2018 OPERATIONAL REPORT**

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

Please be advised that the October 2018 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, 2018 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 **\$13.6 million favourable** impact on the month’s net result from operations, subtracting an estimated 10.1 points from the year-to-date Combined Operating Ratio (ending at 120.1%). The impact is summarized in the tables immediately below <sup>1</sup>.

AB Grid	unfav / (fav) for the month and ytd						ytd EP 134,622 (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	(4,394)	(227)	(4,621)	(2,590)	-	(7,211)	(3.3%)	(0.2%)	(3.4%)	(1.9%)	-	(5.4%)
CAY	(2,720)	(89)	(2,809)	(1,137)	-	(3,946)	(2.0%)	(0.1%)	(2.1%)	(0.8%)	-	(2.9%)
Prem Def	(1,509)	(96)	(1,605)	(869)	-	(2,474)	(1.1%)	(0.1%)	(1.2%)	(0.6%)	-	(1.8%)
<b>TOTAL</b>	<b>(8,623)</b>	<b>(412)</b>	<b>(9,035)</b>	<b>(4,596)</b>	<b>-</b>	<b>(13,631)</b>	<b>(6.4%)</b>	<b>(0.3%)</b>	<b>(6.7%)</b>	<b>(3.4%)</b>	<b>-</b>	<b>(10.1%)</b>

<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”.

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$10.9 million favourable** impact on the month's net result from operations, subtracting an estimated 12.4 points from the year-to-date Combined Operating Ratio (ending at 127.3%). The impact is summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 87,538 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd 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	(4,284)	(127)	(4,411)	(1,480)	-	(5,891)	(4.9%)	(0.1%)	(5.0%)	(1.7%)	-	(6.7%)
CAY	(2,461)	(59)	(2,520)	(652)	-	(3,172)	(2.8%)	(0.1%)	(2.9%)	(0.7%)	-	(3.6%)
Prem Def	(1,354)	111	(1,243)	(572)	-	(1,815)	(1.5%)	0.1%	(1.4%)	(0.7%)	-	(2.1%)
<b>TOTAL</b>	<b>(8,099)</b>	<b>(75)</b>	<b>(8,174)</b>	<b>(2,704)</b>	<b>-</b>	<b>(10,878)</b>	<b>(9.3%)</b>	<b>(0.1%)</b>	<b>(9.3%)</b>	<b>(3.1%)</b>	<b>-</b>	<b>(12.4%)</b>

Please see “Effect of Quarterly Valuation” sections for additional valuation result detail (page 4 for Grid and page 9 for Non-Grid).

### Alberta Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$27.1 million and the incurred loss ratio to the end of 10 months is 88.7%, as summarized below.

Amounts in \$000s	October 2018	October 2017	Year to date Oct 2018	Year to Date Oct 2017
Premium Written	15,975	16,428	131,236	133,881
Premium Earned	13,553	13,181	134,622	123,100
Incurred Losses	1,223	8,058	119,395	124,609
Underwriting & Admin Expense	2,156	621	42,298	44,340
<b>Operating Result</b>	<b>10,174</b>	<b>4,502</b>	<b>(27,071)</b>	<b>(45,849)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(57.2%)	(19.9%)	(5.1%)	6.1%
- Current Accident Year	66.2%	81.0%	93.8%	95.1%
Total	<b>9.0%</b>	<b>61.1%</b>	<b>88.7%</b>	<b>101.2%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>15.9%</b>	<b>4.7%</b>	<b>31.4%</b>	<b>36.0%</b>
<b>Combined Operating Ratio</b>	<b>24.9%</b>	<b>65.8%</b>	<b>120.1%</b>	<b>137.2%</b>

*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 2018 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

### Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$31.0 million and the estimated combined operating ratio to December 2018 is 119.1%, as summarized in the table at the top of the next page.

<b>AB Grid RSP 2018 Yr-end Projection</b>	<b>Current</b>	Prior Mth	<b>Change</b>	Final 2018
<b>Amounts in \$000s</b>	<b>(Oct 2018)</b>	<b>(Sep 2018)</b>		<b>Outlook*</b>
Premium Written	153,737	152,420	1,317	189,665
Premium Earned	161,733	161,497	236	184,393
Incurred Losses	143,569	155,368	(11,799)	167,321
Underwriting & Admin Expense	49,203	51,105	(1,902)	59,423
<b>Net Result from Operations</b>	<b>(31,039)</b>	<b>(44,976)</b>	<b>13,937</b>	<b>(42,351)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(4.8%)	(0.3%)	(4.5%)	(3.9%)
- Current Accident Year	93.5%	96.5%	(3.0%)	94.6%
<i>Total</i>	<b>88.7%</b>	<b>96.2%</b>	<b>(7.5%)</b>	<b>90.7%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>30.4%</b>	<b>31.6%</b>	<b>(1.2%)</b>	<b>32.2%</b>
<b>Combined Operating Ratio</b>	<b>119.1%</b>	<b>127.8%</b>	<b>(8.7%)</b>	<b>122.9%</b>

rounding differences may occur

\*as posted to FA's website Oct. 3, 2017

This updated projection to the end of the year has improved by \$13.9 million from the projection provided last month (-\$45.0 million and 127.8%), due to the overall \$13.9 million favourable impact of the valuation as at September 30, 2018, as summarized in the tables immediately below (see more information under “Effect of Quarterly Valuation” on page 4). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

AB Grid	unfav / (fav) projected for full year						year EP 161,733 (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		TOTAL	ults & payout patterns		dsct rate	margins		TOTAL
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	(4,394)	(210)	(4,604)	(2,444)	-	(7,048)	(2.7%)	(0.1%)	(2.8%)	(1.5%)	-	(4.4%)
CAY	(3,261)	(89)	(3,350)	(1,308)	-	(4,658)	(2.0%)	(0.1%)	(2.1%)	(0.8%)	-	(2.9%)
Prem Def	(1,335)	(87)	(1,422)	(820)	-	(2,242)	(0.8%)	(0.1%)	(0.9%)	(0.5%)	-	(1.4%)
<b>TOTAL</b>	<b>(8,990)</b>	<b>(386)</b>	<b>(9,376)</b>	<b>(4,572)</b>	<b>-</b>	<b>(13,948)</b>	<b>(5.6%)</b>	<b>(0.2%)</b>	<b>(5.8%)</b>	<b>(2.8%)</b>	<b>-</b>	<b>(8.6%)</b>

### Current Month Results

The Alberta Grid Risk Sharing Pool produced a \$10.2 million Operating Result in the month of October 2018, an improvement of \$5.7 million compared with the same month last year. This improvement is composed of an estimated \$0.1 million favourable impact associated with the \$0.4 million increase in earned premium (at a combined ratio of 65.8%), with the remaining \$5.6 million favourable impact stemming from the overall decrease in the combined ratio (from 65.8% to 24.9% applied to \$13.6 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 130.8% at the end of 9 months to 120.1% at the end of 10 months. The 10.7 percentage point decrease is composed of a 5.8 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 3.1 percentage point decrease in the Current Accident Year loss ratio, and a 1.8 percentage point

**Bulletin F18-087**  
**Alberta Risk Sharing Pools – October 2018 Operational Reports**

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decrease in the expense ratio.

*Variances from Projections*

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

<b>October 2018</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	15,975	14,658	1,317	9.0%
Earned Premium	13,553	13,649	(96)	(0.7%)
Reported Losses				
Paid Losses	12,629	9,329	3,300	35.4%
Paid Expenses	462	746	(284)	(38.1%)
Change in Outstanding Losses	(580)	(244)	(336)	137.7%
<b>Total Reported Losses</b>	<b>12,511</b>	<b>9,831</b>	<b>2,680</b>	<b>27.3%</b>
Change in IBNR Provision*	(11,288)	2,826	(14,114)	
Change in Premium Deficiency (DPAC)*	(2,688)	(165)	(2,523)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [Alberta Grid RSP October 2018 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 2018, reported losses were \$2.7 million higher than projected. The Current Accident Year reported an unfavourable variance of \$0.5 million, and the Prior Accident Years reported an unfavourable variance of \$2.2 million. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$1.2 million unfavourable. No other single Prior Accident Year had a variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for some specific individual Prior Accident Years for the month. Management investigated 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.

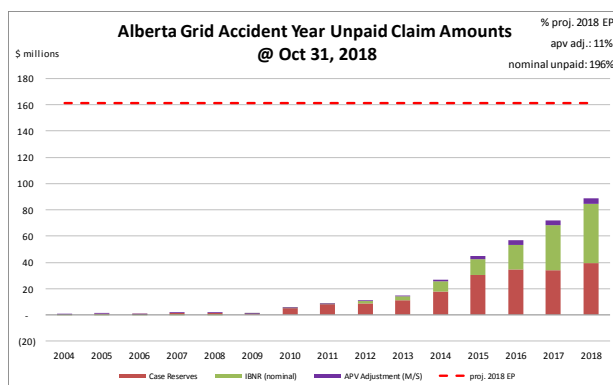
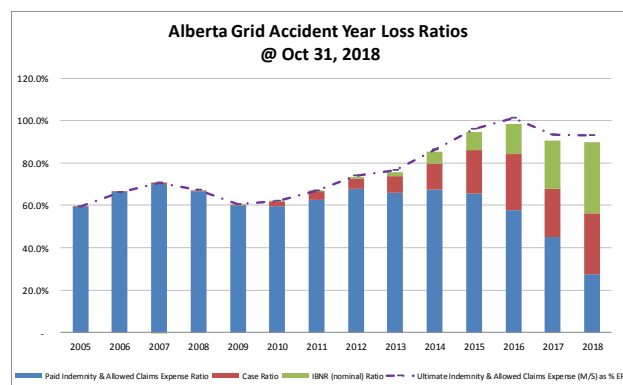
**Effect of Quarterly Valuation**

The October 2018 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2018, with the associated impacts in relation to the results for October 2018 summarized in the tables at the top of the next page.

AB Grid

	unfav / (fav) for the month and ytd						mth EP 13,553 (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	(4,394)	(227)	(4,621)	(2,590)	-	(7,211)	(32.4%)	(1.7%)	(34.1%)	(19.1%)	-	(53.2%)
CAY	(2,720)	(89)	(2,809)	(1,137)	-	(3,946)	(20.1%)	(0.7%)	(20.7%)	(8.4%)	-	(29.1%)
Prem Def	(1,509)	(96)	(1,605)	(869)	-	(2,474)	(11.1%)	(0.7%)	(11.8%)	(6.4%)	-	(18.3%)
TOTAL	(8,623)	(412)	(9,035)	(4,596)	-	(13,631)	(63.6%)	(3.0%)	(66.7%)	(33.9%)	-	(100.6%)

The charts immediately 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.



The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$9.0 million favourable impact – see column [3] in the left table above), augmented by the impact due to a 41 basis point increase in the selected discount rate (from 1.87% to 2.28% generating a \$4.6 million favourable impact – see column [4] in the left table above). While there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and our usual practice is to only update margins for adverse deviation for claims development (selected at the coverage / accident year level) at the June 30 valuation, the selections from the 2018 Q2 valuation were re-visited based on feedback from Facility Association’s Actuarial Committee but were left unchanged with this valuation (generating no impact – see column [5] in the left table above).

Management has observed unfavourable total valuation impacts over the last 12 valuation implementations, with only 4 valuation implementations being favourable over that 12-quarter period, as shown in column [5] of the table at the top of the next page (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). It should be noted that the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

RSP: Alberta Grid, as at: 2018 Q3		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5] = sum([1] to [5])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
2015 Q4	Mar 2016	20,151	2,474	524	-	23,149	328,237	7.1%	6.1%
2016 Q1	May 2016	17,793	1,778	509	-	20,080	349,340	5.7%	5.1%
2016 Q2	Aug 2016	11,942	1,410	556	(820)	13,088	372,965	3.5%	3.2%
2016 Q3	Oct 2016	4,867	406	603	-	5,876	384,652	1.5%	1.3%
2016 Q4	Mar 2017	19,370	2,700	(5,507)	-	16,563	383,713	4.3%	5.0%
2017 Q1	May 2017	7,217	455	934	-	8,606	395,177	2.2%	1.8%
2017 Q2	Aug 2017	10,704	914	(2,369)	(941)	8,308	410,268	2.0%	2.6%
2017 Q3	Oct 2017	(1,685)	119	(6,466)	-	(8,032)	412,971	(1.9%)	(0.4%)
2017 Q4	Mar 2018	14,787	2,697	26	-	17,510	419,351	4.2%	3.5%
2018 Q1	May 2018	(157)	(184)	(1,804)	-	(2,145)	419,196	(0.5%)	-
2018 Q2	Aug 2018	(1,555)	(151)	514	(1,093)	(2,285)	421,922	(0.5%)	(0.4%)
2018 Q3	Oct 2018	(8,623)	(412)	(4,596)	-	(13,631)	416,479	(3.3%)	(2.1%)
12-qtrs		94,811	12,206	(17,076)	(2,854)	87,087			
% of total		108.9%	14.0%	(19.6%)	(3.3%)	100.0%			
Averages									
12-qtrs		7,901	1,017	(1,423)	(238)	7,257	392,856	1.8%	2.0%
2015 Q4 to 2017 Q3		11,295	1,282	(1,402)	(220)	10,955	379,665	2.9%	3.0%
2017 Q4 to 2018 Q3		1,113	488	(1,465)	(273)	(138)	419,237	-	0.3%

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities<sup>2</sup>, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3<sup>rd</sup> of nominal valuation impacts will be unfavourable, and 2/3<sup>rd</sup>s will be favourable (due to the skewness of the development). On these 3 measures:

- (i) **Best estimate measurement:** This objective has not been met, as the 12-quarter nominal change in column [1] is \$94.8 million unfavourable. That said, the average unfavourable impact over the 12 quarters at \$7.9 million (nominal only) represents 2.0% of ending policy liabilities, which we would view as only somewhat significant. We do note that the latest 6 valuations have been on average less unfavourable than the earlier 6 valuations.
- (ii) **Nominal size measurement:** This objective has not been met, as there were 6 individual valuations showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above.
- (iii) **Bias evidence measurement:** This objective has not been met, as 8 of 12 valuations show unfavourable changes (column [1] of the table above), higher than our expectation (4 of 12).

In summary, we believe the nominal valuation impacts are moving toward our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no

<sup>2</sup>We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.

bias evident).

The preceding charts, latest valuation results, and related actuarial present value assumptions are discussed in more detail in the [Alberta Grid RSP October 2018 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at September 30, 2018 is expected to be posted during December 2018. The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

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

The calendar year-to-date Operating Result is -\$23.8 million and the incurred loss ratio to the end of 10 months is 90.8%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>October 2018</b>	October 2017	<b>Year to date Oct 2018</b>	Year to Date Oct 2017
Premium Written	9,471	9,790	97,892	82,890
Premium Earned	9,664	8,141	87,538	80,722
Incurred Losses	1,848	10,811	79,435	93,315
Underwriting & Admin Expense	828	1,422	31,939	28,674
<b>Operating Result</b>	<b>6,988</b>	<b>(4,092)</b>	<b>(23,836)</b>	<b>(41,267)</b>
<b>Ratios:</b>				
<b>Loss ratio</b>				
- Prior Accident Years	(63.6%)	(2.4%)	(22.6%)	(2.4%)
- Current Accident Year	82.8%	135.2%	113.4%	118.0%
<i>Total</i>	<b>19.2%</b>	<b>132.8%</b>	<b>90.8%</b>	<b>115.6%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>8.6%</b>	<b>17.5%</b>	<b>36.5%</b>	<b>35.5%</b>
<i>Combined Operating Ratio</i>	<b>27.8%</b>	<b>150.3%</b>	<b>127.3%</b>	<b>151.1%</b>

*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 2018 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

### **Updated Projection to Year-end 2018**

The projected calendar year Operating Result to December 2018 is -\$28.7 million and the estimated combined operating ratio to December 2018 is 94.2%, as summarized in the table at the top of the next page.

<b>AB Non-Grid RSP 2018 Yr-end Proj.</b> Amounts in \$000s	<b>Current</b> <b>(Oct 2018)</b>	Prior Mth (Sep 2018)	<b>Change</b>	Final 2018 Outlook*
Premium Written	111,386	110,505	881	101,307
Premium Earned	106,726	106,580	146	97,354
Incurred Losses	100,454	110,091	(9,637)	107,678
Underwriting & Admin Expense	34,924	36,050	(1,126)	33,362
<b>Net Result from Operations</b>	<b>(28,652)</b>	<b>(39,561)</b>	<b>10,909</b>	<b>(43,686)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(18.9%)	(13.4%)	(5.5%)	(4.5%)
- Current Accident Year	113.1%	116.7%	(3.6%)	115.1%
<i>Total</i>	<b>94.2%</b>	<b>103.3%</b>	<b>(9.1%)</b>	<b>110.6%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>32.7%</b>	<b>33.8%</b>	<b>(1.1%)</b>	<b>34.3%</b>
<i>Combined Operating Ratio</i>	<b>126.9%</b>	<b>137.1%</b>	<b>(10.2%)</b>	<b>144.9%</b>

rounding differences may occur

\*as posted to FA's website Oct. 3, 2017

This updated projection to the end of the year has improved by \$10.9 million from the projection provided last month (-\$39.6 million and 137.1%), mainly due to the overall \$11.1 million favourable impact of the valuation as at September 30, 2018, as summarized in the tables immediately 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.

AB Non-Grid	unfav / (fav) projected for full year						year EP 106,726 (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	(4,284)	(124)	(4,408)	(1,384)	-	(5,792)	(4.0%)	(0.1%)	(4.1%)	(1.3%)	-	(5.4%)
CAY	(2,998)	(73)	(3,071)	(746)	-	(3,817)	(2.8%)	(0.1%)	(2.9%)	(0.7%)	-	(3.6%)
Prem Def	(1,097)	104	(993)	(514)	-	(1,507)	(1.0%)	0.1%	(0.9%)	(0.5%)	-	(1.4%)
<b>TOTAL</b>	<b>(8,379)</b>	<b>(93)</b>	<b>(8,472)</b>	<b>(2,644)</b>	<b>-</b>	<b>(11,116)</b>	<b>(7.9%)</b>	<b>(0.1%)</b>	<b>(7.9%)</b>	<b>(2.5%)</b>	<b>-</b>	<b>(10.4%)</b>

### Current month results

The Alberta Non-Grid Risk Sharing Pool produced a \$7.0 million Operating Result in the month of October 2018, an improvement of \$11.1 million from the same month last year. This improvement is composed of an approximately \$11.9 million improvement stemming from the overall decrease in the combined ratio (from 150.3% to 27.8% applied to \$9.7 million in earned premium), offset by a \$0.8 million unfavourable impact associated with the \$1.5 million increase in earned premium (at a combined ratio of 150.3%). 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 139.7% at the end of 9 months to 127.3% at the end of 10 months. The 12.4 percentage point decrease is composed of a 5.1 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 3.8 percentage point decrease in the Current Accident Year loss ratio, and a 3.5 percentage point decrease in the expense ratio.



**Bulletin F18–087**  
**Alberta Risk Sharing Pools – October 2018 Operational Reports**

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*Variances from Projections*

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

<b>October 2018</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	9,471	8,575	896	10.4%
Earned Premium	9,664	9,701	(37)	(0.4%)
Reported Losses				
Paid Losses	9,370	8,180	1,190	14.5%
Paid Expenses	244	456	(212)	(46.5%)
Change in Outstanding Losses	416	(881)	1,297	(147.2%)
<b>Total Reported Losses</b>	<b>10,030</b>	<b>7,755</b>	<b>2,275</b>	<b>29.3%</b>
Change in IBNR Provision*	(8,182)	3,270	(11,452)	
Change in Premium Deficiency (DPAC)*	(2,086)	(436)	(1,650)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [Alberta Non-Grid RSP October 2018 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 2018, reported losses were \$2.3 million higher than projected. The Current Accident Year had a \$2.9 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.6 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

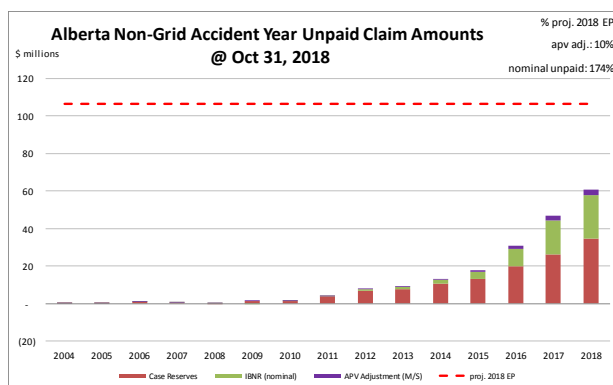
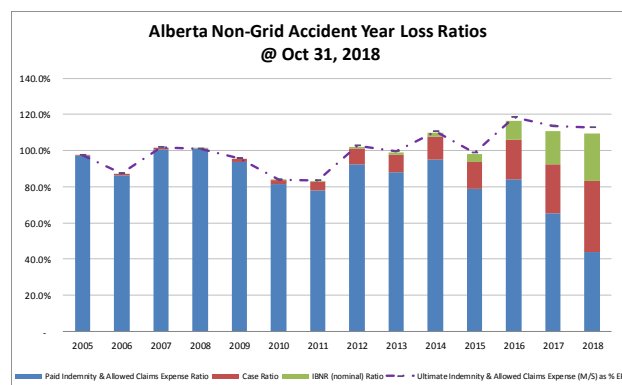
The variances for claims activity were beyond the set thresholds for some specific individual Accident Years for the month. Management investigated claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set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

**Effect of Quarterly Valuation**

The October 2018 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2018, with the associated impacts in relation to the results for October 2018 summarized in the tables immediately at the top of the next page.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 9,664 (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	(4,284)	(127)	(4,411)	(1,480)	-	(5,891)	(44.3%)	(1.3%)	(45.6%)	(15.3%)	-	(61.0%)
CAY	(2,461)	(59)	(2,520)	(652)	-	(3,172)	(25.5%)	(0.6%)	(26.1%)	(6.7%)	-	(32.8%)
Prem Def	(1,354)	111	(1,243)	(572)	-	(1,815)	(14.0%)	1.1%	(12.9%)	(5.9%)	-	(18.8%)
TOTAL	(8,099)	(75)	(8,174)	(2,704)	-	(10,878)	(83.8%)	(0.8%)	(84.6%)	(28.0%)	-	(112.6%)

The charts immediately 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.



The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating an \$8.2 million favourable impact – see column [3] in the left table above), augmented by the impact due to a 42 basis point increase in the selected discount rate (from 1.87% to 2.29% generating a \$2.7 million favourable impact – see column [4] in the left table above). While there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and our usual practice is to only update margins for adverse deviation for claims development (selected at the coverage / accident year level) at the June 30 valuation, the selections from the 2018 Q2 valuation were re-visited based on feedback from the FA’s Actuarial Committee but were left unchanged with this valuation (generating no impact – see column [5] in the left table above).

Management has observed unfavourable total valuation impacts over the last 12 valuation implementations, with only 4 valuation implementations being favourable over that 12-quarter period, as shown in column [5] of the table at the top of the next page (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). It should be noted that the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

**Bulletin F18–087**  
**Alberta Risk Sharing Pools – October 2018 Operational Reports**

RSP: Alberta Non-Grid, as at: 2018 Q3		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LR & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5] = sum([1] to [5])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
2015 Q4	Mar 2016	(980)	248	306	-	(426)	212,621	(0.2%)	(0.5%)
2016 Q1	May 2016	800	(49)	304	-	1,055	218,423	0.5%	0.4%
2016 Q2	Aug 2016	10,902	1,022	395	(493)	11,826	235,294	5.0%	4.6%
2016 Q3	Oct 2016	7,041	888	452	-	8,381	245,539	3.4%	2.9%
2016 Q4	Mar 2017	3,188	682	(3,361)	-	509	234,950	0.2%	1.4%
2017 Q1	May 2017	5,516	280	645	-	6,441	242,689	2.7%	2.3%
2017 Q2	Aug 2017	7,100	687	(1,376)	(550)	5,861	251,367	2.3%	2.8%
2017 Q3	Oct 2017	3,358	497	(3,737)	-	118	251,978	-	1.3%
2017 Q4	Mar 2018	(4,409)	69	-	-	(4,340)	247,518	(1.8%)	(1.8%)
2018 Q1	May 2018	4,158	66	(1,063)	-	3,161	263,797	1.2%	1.6%
2018 Q2	Aug 2018	(4,771)	(248)	325	(495)	(5,189)	270,140	(1.9%)	(1.8%)
2018 Q3	Oct 2018	(8,099)	(75)	(2,704)	-	(10,878)	264,348	(4.1%)	(3.1%)
12-qtrs	-	23,804	4,067	(9,814)	(1,538)	16,519			
% of total		144.1%	24.6%	(59.4%)	(9.3%)	100.0%			
Averages									
12-qtrs		1,984	339	(818)	(128)	1,377	244,889	0.6%	0.8%
2015 Q4 to 2017 Q3		4,616	532	(797)	(130)	4,221	236,608	1.8%	2.0%
2017 Q4 to 2018 Q3		(3,280)	(47)	(861)	(124)	(4,312)	261,451	(1.6%)	(1.3%)

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities<sup>3</sup>, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3<sup>rd</sup> of nominal valuation impacts will be unfavourable, and 2/3<sup>rd</sup>s will be favourable (due to the skewness of the development). On these 3 measures:

- (i) **Best estimate measurement:** This objective has not been met, as the 12-quarter nominal change in column [1] is \$23.8 million unfavourable. That said, the average unfavourable impact over the 12 quarters at \$2.0 million (nominal only) represents 0.8% of ending policy liabilities, which we would view as not significant. We do note that the latest 6 valuations have been on average less variant in magnitude than the earlier 6 valuations.
- (ii) **Nominal size measurement:** This objective has not been met, as there were 4 individual valuations showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above.
- (iii) **Bias evidence measurement:** This objective not has been met, as 8 of 12 valuations show unfavourable changes (column [1] of the table above), higher than our expectation (4 of 12).

In summary, we believe the nominal valuation impacts are moving toward our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no

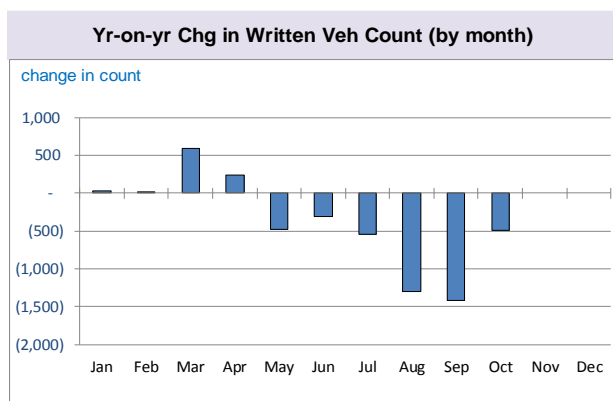
<sup>3</sup>We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.

bias evident).

The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP October 2018 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at September 30, 2018 is expected to be posted during December 2018. The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

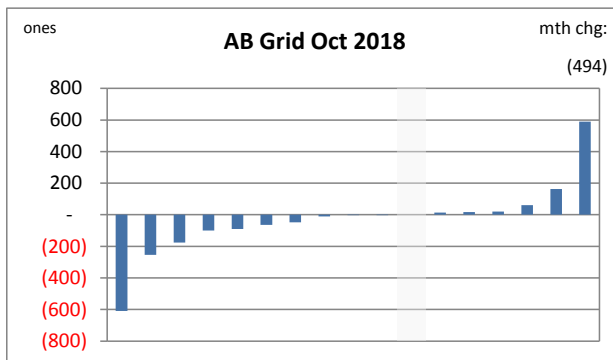
**Management Comments**

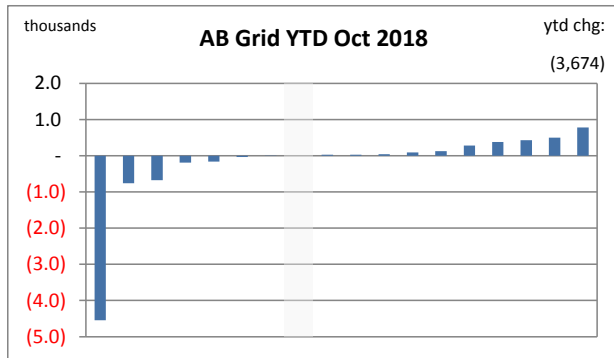
*Alberta Grid*



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 a decrease of 494 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 1,130 vehicles, indicating a variance of 636 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a greater number

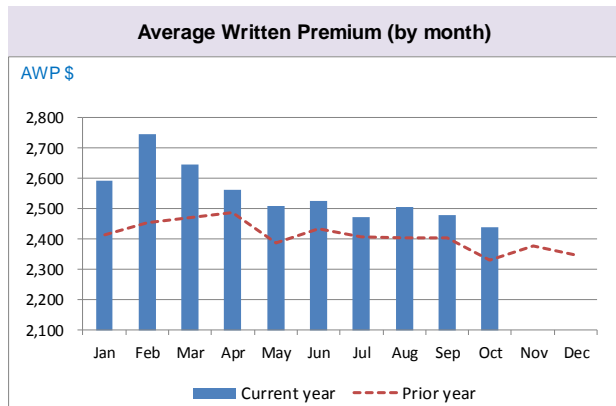
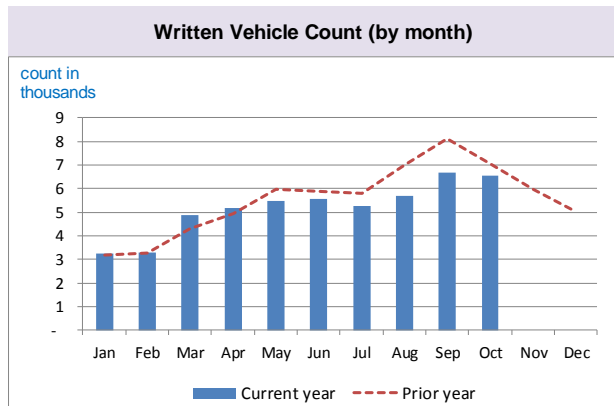
of vehicles to the pool in October than projected.





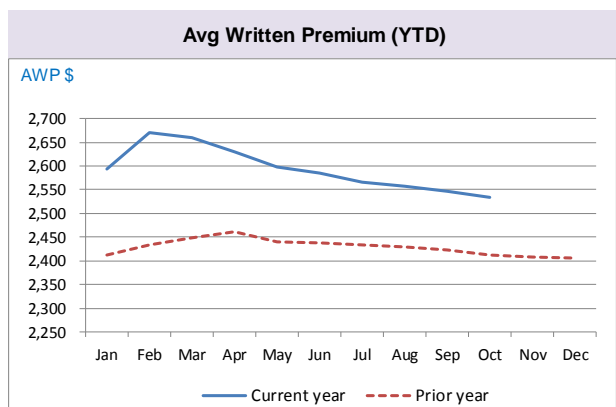
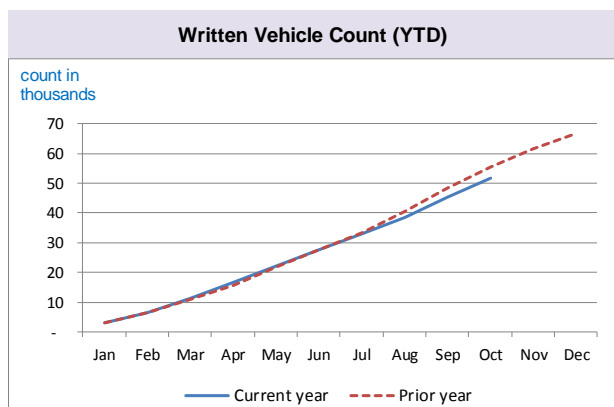
The chart on the left presents the same information as the previous chart, but on a year-to-date basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by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

October's vehicle count transfers to the pool represent a 7.0% decrease from October 2017, and counts were down 6.6% year-to-date. Average written premium was up 4.6% in October 2018 compared with the same month in 2017, and up 5.0% year-to-date (see charts immediately below).



	Oct-18	Oct-17	Amt Chg	% Chg
W. Veh curr mth	6,553	7,046	(494)	-7.0%

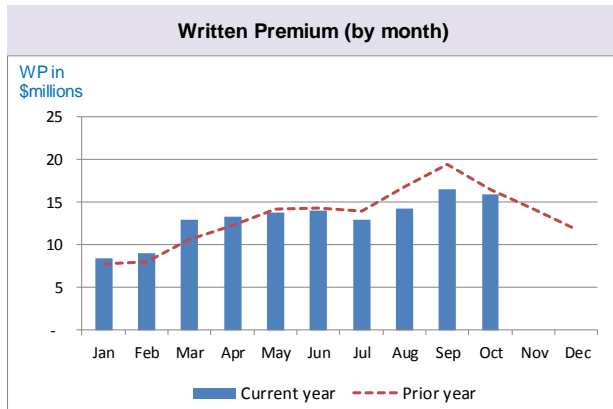
	Oct-18	Oct-17	Amt Chg	% Chg
AWP curr mth	2,438	2,331	107	4.6%



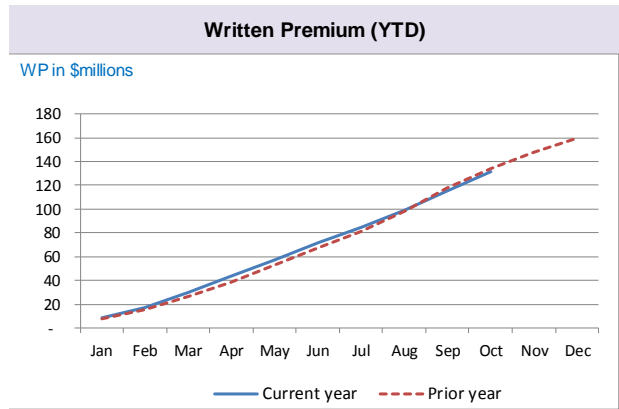
	Oct-18	Oct-17	Amt Chg	% Chg
W. Vehicles YTD	51,819	55,493	(3,674)	-6.6%

	Oct-18	Oct-17	Amt Chg	% Chg
Avg W. Prem YTD	2,533	2,413	120	5.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 2.8% for the month compared with the 10.8% decrease we projected last month, and was down 2.0% year-to-date (see charts at the top of the next page).



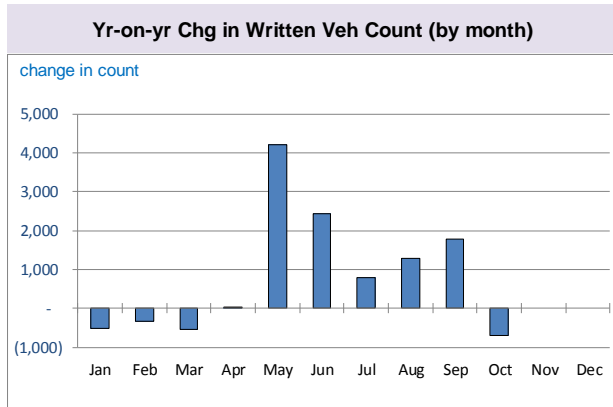
	Oct-18	Oct-17	Amt Chg	% Chg
WP (\$000s) curr mth	15,975	16,428	(453)	-2.8%



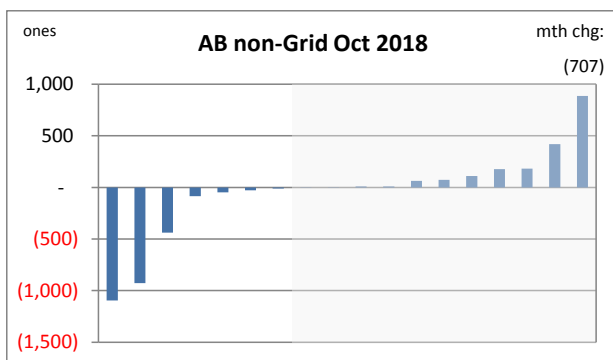
	Oct-18	Oct-17	Amt Chg	% Chg
WP (\$000s) YTD	131,236	133,881	(2,645)	-2.0%

**Alberta Non-Grid**

For the Alberta Non-Grid RSP, the transfer limit is 4.0% of Non-Grid exposures written in the prior year at the member company group level (that is, within a group under common management or ownership, a single member can transfer the entire transfer limit for the group). System programming prevents member groups from exceeding their transfer limits during a calendar year. However, member groups can transfer their entire limit for a given year at any time throughout the year including, for example, the last day of that year. **Our current projection has the 2018 vehicle count up 9.1% from 2017**, being 2.6% of the 2017 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count. There is the potential for the transferred vehicle count to change dramatically and quickly if member companies choose to take full advantage of their transfer limits.

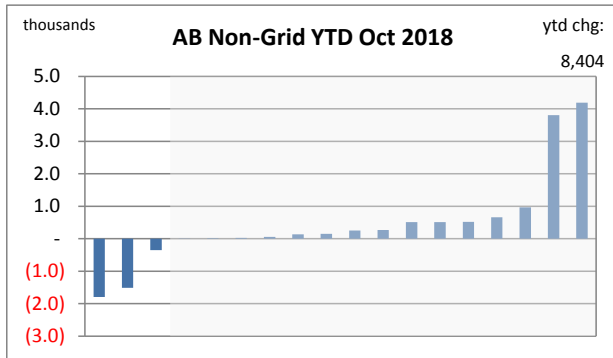


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with October showing a decrease of 707 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 1,382 vehicles, indicating a variance of 675 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.



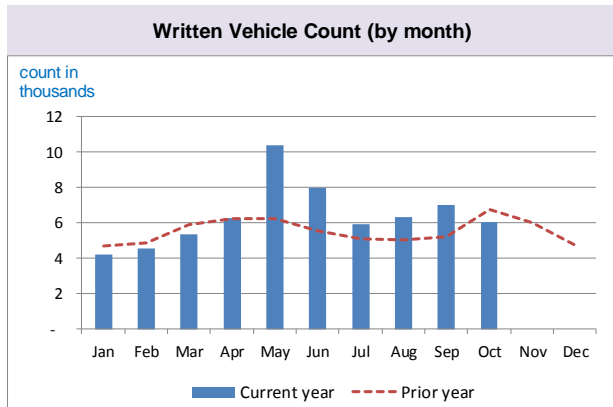
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this

month compared to a year ago, while eleven transferred more. Of the 7 member company groups transferring fewer vehicles, 2 member company groups accounted for 77% of the total transfer decrease for these “decliner” members. Of the 11 member company groups transferring more vehicles, 1 member company group accounted for 46% of the total transfers increase for these “grower” members.

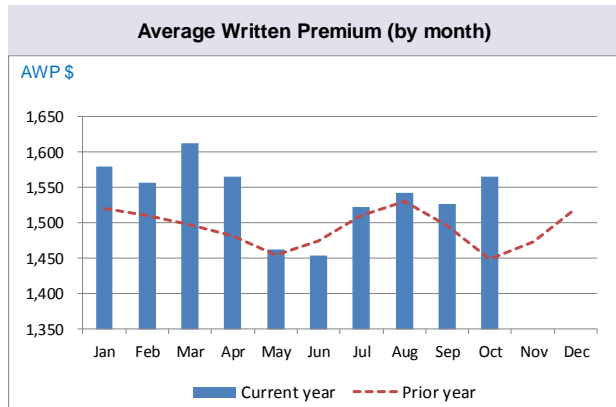


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

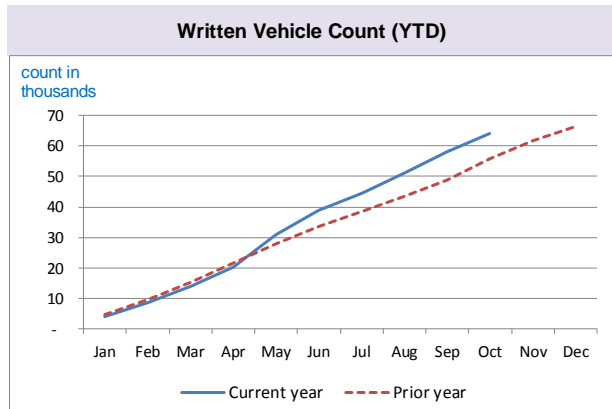
October’s vehicle count transfers to the pool represent a 10.5% decrease from October 2017, but counts were up 15.1% year-to-date. Average written premium was up 8.1% in October 2018 compared with the same month in 2017, and up 2.6% year-to-date (see charts immediately below and at the top of the next page).



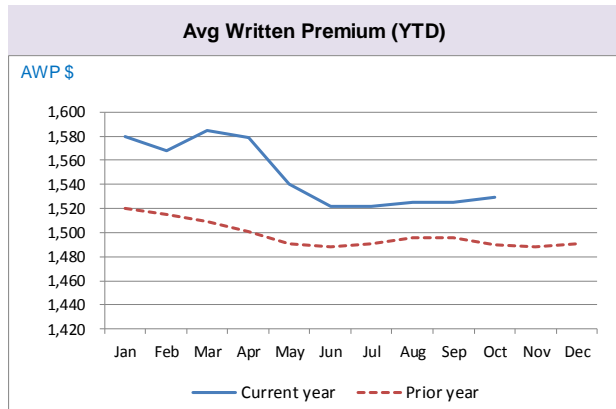
	Oct-18	Oct-17	Amt Chg	% Chg
W. Veh curr mth	6,049	6,756	(707)	-10.5%



	Oct-18	Oct-17	Amt Chg	% Chg
AWP curr mth	1,566	1,449	117	8.1%

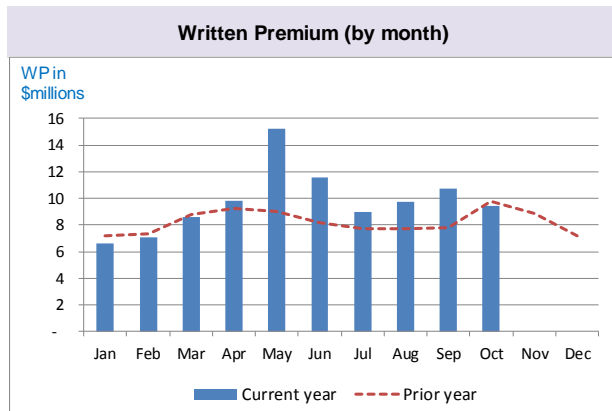


	Oct-18	Oct-17	Amt Chg	% Chg
W. Vehicles YTD	64,035	55,631	8,404	15.1%

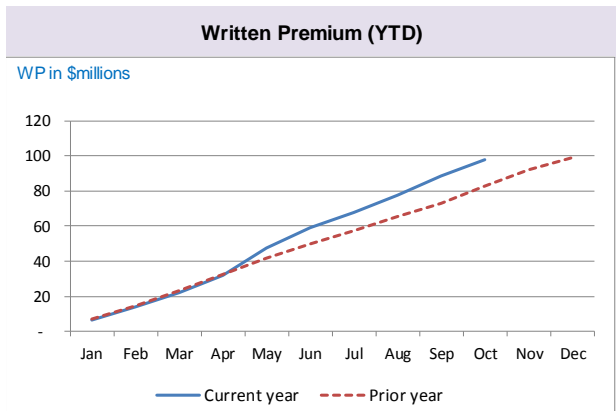


	Oct-18	Oct-17	Amt Chg	% Chg
Avg W. Prem YTD	1,529	1,490	39	2.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 3.3% for the month compared with the 12.4% decrease we projected last month, but was up 18.1% year-to-date (see charts immediately below).



	Oct-18	Oct-17	Amt Chg	% Chg
WP (\$000s) curr mth	9,471	9,790	(320)	-3.3%



	Oct-18	Oct-17	Amt Chg	% Chg
WP (\$000s) YTD	97,892	82,890	15,002	18.1%

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 2018 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP October 2018 Operational Report - Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2018**

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 10 Months Ended October 31, 2018 (Discounted basis)

 Source: Monthly Operational Report  
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
<b>Underwriting Revenue:</b>													
Net Premiums Written	\$8,379	\$8,986	\$12,966	\$13,305	\$13,749	\$14,047	\$12,978	\$14,265	\$16,586	\$15,975	\$131,236	\$153,737	\$159,965
Decrease (Increase) in Unearned Premiums	5,211	3,213	772	(23)	579	(703)	903	(630)	(3,514)	(2,422)	3,386	7,996	(10,517)
<b>Net Premiums Earned</b>	<b>\$13,590</b>	<b>\$12,199</b>	<b>\$13,738</b>	<b>\$13,282</b>	<b>\$14,328</b>	<b>\$13,344</b>	<b>\$13,881</b>	<b>\$13,635</b>	<b>\$13,072</b>	<b>\$13,553</b>	<b>\$134,622</b>	<b>\$161,733</b>	<b>\$149,448</b>
<b>Claims Incurred:</b>													
Prior Accident Years:													
Undiscounted	(\$318)	(\$292)	\$8,574	(\$276)	(\$1,565)	(\$211)	(\$8)	(\$923)	(\$14)	(\$4,415)	\$552	\$552	\$21,037
Effect of Discounting	(68)	(629)	1,625	(502)	(1,963)	(706)	(456)	(1,118)	(327)	(3,335)	(\$7,479)	(8,279)	(14,503)
Discounted	(\$386)	(\$921)	\$10,199	(\$778)	(\$3,528)	(\$917)	(\$464)	(\$2,041)	(\$341)	(\$7,750)	(\$6,927)	(\$7,727)	\$6,534
Current Accident Year:													
Undiscounted	\$11,970	\$10,743	\$13,963	\$12,317	\$13,615	\$12,468	\$12,769	\$12,503	\$12,011	\$9,742	\$122,101	\$146,436	\$135,791
Effect of Discounting	740	544	713	551	337	487	548	572	498	(769)	\$4,221	4,860	5,930
Discounted	\$12,710	\$11,287	\$14,676	\$12,868	\$13,952	\$12,955	\$13,317	\$13,075	\$12,509	\$8,973	\$126,322	\$151,296	\$141,721
<b>Claims Incurred</b>	<b>\$12,324</b>	<b>\$10,366</b>	<b>\$24,875</b>	<b>\$12,090</b>	<b>\$10,424</b>	<b>\$12,038</b>	<b>\$12,853</b>	<b>\$11,034</b>	<b>\$12,168</b>	<b>\$1,223</b>	<b>\$119,395</b>	<b>\$143,569</b>	<b>\$148,255</b>
<b>Underwriting Expenses:</b>													
Expense Allowance	\$2,499	\$2,670	\$3,853	\$3,956	\$4,085	\$4,174	\$3,855	\$4,240	\$4,927	\$4,745	\$39,004	\$45,687	\$46,180
Change in UPDR/DPAC:													
Undiscounted	731	463	4,181	61	945	(35)	93	(628)	(411)	(1,841)	3,559	3,865	4,959
Effect of Discounting	(266)	(163)	286	5	(381)	37	(44)	59	172	(847)	(1,142)	(1,333)	(1,106)
Discounted	465	300	4,467	66	564	2	49	(569)	(239)	(2,688)	\$2,417	2,532	\$3,853
<b>Underwriting Expenses</b>	<b>\$2,964</b>	<b>\$2,970</b>	<b>\$8,320</b>	<b>\$4,022</b>	<b>\$4,649</b>	<b>\$4,176</b>	<b>\$3,904</b>	<b>\$3,671</b>	<b>\$4,688</b>	<b>\$2,057</b>	<b>\$41,421</b>	<b>48,219</b>	<b>\$50,033</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$1,698)</b>	<b>(\$1,137)</b>	<b>(\$19,457)</b>	<b>(\$2,830)</b>	<b>(\$745)</b>	<b>(\$2,870)</b>	<b>(\$2,876)</b>	<b>(\$1,070)</b>	<b>(\$3,784)</b>	<b>\$10,273</b>	<b>(\$26,194)</b>	<b>(\$30,055)</b>	<b>(\$48,840)</b>
<b>Administrative Expenses</b>	<b>\$70</b>	<b>\$97</b>	<b>\$101</b>	<b>\$82</b>	<b>\$96</b>	<b>\$75</b>	<b>\$80</b>	<b>\$96</b>	<b>\$81</b>	<b>\$99</b>	<b>\$877</b>	<b>\$984</b>	<b>\$979</b>
<b>Operating Result</b>	<b>(\$1,768)</b>	<b>(\$1,234)</b>	<b>(\$19,558)</b>	<b>(\$2,912)</b>	<b>(\$841)</b>	<b>(\$2,945)</b>	<b>(\$2,956)</b>	<b>(\$1,166)</b>	<b>(\$3,865)</b>	<b>\$10,174</b>	<b>(\$27,071)</b>	<b>(\$31,039)</b>	<b>(\$49,819)</b>
<b>Ratios:</b>													
<b>Claims &amp; Expenses Incurred (Earned)</b>													
Prior Accident Years	-2.8%	-7.5%	74.2%	-5.9%	-24.6%	-6.9%	-3.3%	-15.0%	-2.6%	-57.2%	-5.1%	-4.8%	4.4%
Current Accident Year	93.5%	92.5%	106.8%	96.9%	97.4%	97.1%	95.9%	95.9%	95.7%	66.2%	93.8%	93.5%	94.8%
All Accident Years Combined (Earned)	90.7%	85.0%	181.0%	91.0%	72.8%	90.2%	92.6%	80.9%	93.1%	9.0%	88.7%	88.7%	99.2%
Underwriting & Administrative Expenses (Earned)	22.3%	25.1%	61.3%	30.9%	33.1%	31.9%	28.7%	27.6%	36.5%	15.9%	31.4%	30.4%	34.1%
<b>Combined Operating Ratio</b>	<b>113.0%</b>	<b>110.1%</b>	<b>242.3%</b>	<b>121.9%</b>	<b>105.9%</b>	<b>122.1%</b>	<b>121.3%</b>	<b>108.5%</b>	<b>129.6%</b>	<b>24.9%</b>	<b>120.1%</b>	<b>119.1%</b>	<b>133.3%</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 2018**

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 10 Months Ended October 31, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	June	July	August	September	October	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
<b>Underwriting Revenue:</b>													
Net Premiums Written	\$6,627	\$7,087	\$8,608	\$9,819	\$15,231	\$11,594	\$9,008	\$9,741	\$10,706	\$9,471	\$97,892	\$111,386	\$99,007
Decrease (Increase) in Unearned Premiums	1,664	389	(270)	(1,671)	(6,421)	(2,661)	279	(429)	(1,427)	193	(10,354)	(4,660)	(2,088)
<b>Net Premiums Earned</b>	<b>\$8,291</b>	<b>\$7,476</b>	<b>\$8,338</b>	<b>\$8,148</b>	<b>\$8,810</b>	<b>\$8,933</b>	<b>\$9,287</b>	<b>\$9,312</b>	<b>\$9,279</b>	<b>\$9,664</b>	<b>\$87,538</b>	<b>\$106,726</b>	<b>\$96,919</b>
<b>Claims Incurred:</b>													
Prior Accident Years:													
Undiscounted	(\$129)	(\$107)	(\$6,428)	(\$45)	\$1,812	(\$20)	\$26	(\$5,295)	(\$7)	(\$4,296)	(\$14,489)	(\$14,488)	\$6,938
Effect of Discounting	(129)	(301)	(452)	(245)	(926)	(282)	(231)	(736)	(154)	(1,853)	(5,309)	(5,723)	(9,421)
Discounted	(\$258)	(\$408)	(\$6,880)	(\$290)	\$886	(\$302)	(\$205)	(\$6,031)	(\$161)	(\$6,149)	(\$19,798)	(\$20,211)	(\$2,483)
Current Accident Year:													
Undiscounted	\$8,890	\$8,011	\$9,540	\$8,884	\$10,684	\$9,954	\$10,299	\$11,020	\$10,410	\$8,383	\$96,075	\$117,045	\$109,961
Effect of Discounting	533	363	400	367	283	366	409	486	337	(386)	3,158	3,620	4,086
Discounted	\$9,423	\$8,374	\$9,940	\$9,251	\$10,967	\$10,320	\$10,708	\$11,506	\$10,747	\$7,997	\$99,233	\$120,665	\$114,047
<b>Claims Incurred</b>	<b>\$9,165</b>	<b>\$7,966</b>	<b>\$3,060</b>	<b>\$8,961</b>	<b>\$11,853</b>	<b>\$10,018</b>	<b>\$10,503</b>	<b>\$5,475</b>	<b>\$10,586</b>	<b>\$1,848</b>	<b>\$79,435</b>	<b>\$100,454</b>	<b>\$111,564</b>
<b>Underwriting Expenses:</b>													
Expense Allowance	\$1,971	\$2,105	\$2,557	\$2,917	\$4,524	\$3,444	\$2,676	\$2,894	\$3,180	\$2,813	\$29,081	\$33,088	\$28,599
Change in UPDR/DPAC:													
Undiscounted	(97)	(3)	1,358	210	1,923	285	(57)	(126)	(44)	(1,602)	1,847	1,005	3,745
Effect of Discounting	(101)	(22)	157	110	161	158	(20)	86	73	(484)	118	(198)	(918)
Discounted	(198)	(25)	1,515	320	2,084	443	(77)	(40)	29	(2,086)	1,965	807	\$2,827
<b>Underwriting Expenses</b>	<b>\$1,773</b>	<b>\$2,080</b>	<b>\$4,072</b>	<b>\$3,237</b>	<b>\$6,608</b>	<b>\$3,887</b>	<b>\$2,599</b>	<b>\$2,854</b>	<b>\$3,209</b>	<b>\$727</b>	<b>\$31,046</b>	<b>\$33,895</b>	<b>\$31,426</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$2,647)</b>	<b>(\$2,570)</b>	<b>\$1,206</b>	<b>(\$4,050)</b>	<b>(\$9,651)</b>	<b>(\$4,972)</b>	<b>(\$3,815)</b>	<b>\$983</b>	<b>(\$4,516)</b>	<b>\$7,089</b>	<b>(\$22,943)</b>	<b>(\$27,623)</b>	<b>(\$46,071)</b>
<b>Administrative Expenses</b>	<b>\$71</b>	<b>\$98</b>	<b>\$106</b>	<b>\$83</b>	<b>\$97</b>	<b>\$72</b>	<b>\$83</b>	<b>\$99</b>	<b>\$83</b>	<b>\$101</b>	<b>\$893</b>	<b>\$1,029</b>	<b>\$981</b>
<b>Operating Result</b>	<b>(\$2,718)</b>	<b>(\$2,668)</b>	<b>\$1,100</b>	<b>(\$4,133)</b>	<b>(\$9,748)</b>	<b>(\$5,044)</b>	<b>(\$3,898)</b>	<b>\$884</b>	<b>(\$4,599)</b>	<b>\$6,988</b>	<b>(\$23,836)</b>	<b>(\$28,652)</b>	<b>(\$47,052)</b>
<b>Ratios:</b>													
<b>Claims &amp; Expenses Incurred (Earned)</b>													
Prior Accident Years	-3.1%	-5.5%	-82.5%	-3.6%	10.1%	-3.4%	-2.2%	-64.8%	-1.7%	-63.6%	-22.6%	-18.9%	-2.6%
Current Accident Year	113.7%	112.0%	119.2%	113.5%	124.5%	115.5%	115.3%	123.6%	115.8%	82.8%	113.4%	113.1%	117.7%
All Accident Years Combined	110.6%	106.5%	36.7%	109.9%	134.6%	112.1%	113.1%	58.8%	114.1%	19.2%	90.8%	94.2%	115.1%
Underwriting & Administrative Expenses (Earned)	22.2%	29.1%	50.1%	40.7%	76.1%	44.3%	28.9%	31.7%	35.5%	8.6%	36.5%	32.7%	33.4%
<b>Combined Operating Ratio</b>	<b>132.8%</b>	<b>135.6%</b>	<b>86.8%</b>	<b>150.6%</b>	<b>210.7%</b>	<b>156.4%</b>	<b>142.0%</b>	<b>90.5%</b>	<b>149.6%</b>	<b>27.8%</b>	<b>127.3%</b>	<b>126.9%</b>	<b>148.5%</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