

TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
 ALBERTA RISK SHARING POOL PROJECT MANAGER
BULLETIN NO.: F19 – 014
DATE: FEBRUARY 27, 2019
SUBJECT: ALBERTA RISK SHARING POOLS
 – JANUARY 2019 OPERATIONAL REPORT

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

Please be advised that the January 2019 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 -\$3.7 million and the incurred loss ratio to the end of 1 month is 99.1%, as summarized below.

Amounts in \$000s	January 2019	January 2018	Year to date Jan 2019	Year to Date Jan 2018
Premium Written	11,700	8,379	11,700	8,379
Premium Earned	13,635	13,590	13,635	13,590
Incurred Losses	13,518	12,324	13,518	12,324
Underwriting & Admin Expense	3,850	3,034	3,850	3,034
Operating Result	(3,733)	(1,768)	(3,733)	(1,768)
Ratios:				
Loss ratio - Prior Accident Years	3.2%	(2.8%)	3.2%	(2.8%)
- Current Accident Year	95.9%	93.5%	95.9%	93.5%
<i>Total</i>	99.1%	90.7%	99.1%	90.7%
Underwriting & Admin Expense	28.2%	22.3%	28.2%	22.3%
Combined Operating Ratio	127.3%	113.0%	127.3%	113.0%

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 2019 for Risk

Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is now -\$41.2 million and the estimated combined operating ratio to December 2019 is 123.7%, as summarized in the table below. This updated projection to the end of the year has deteriorated by \$2.9 million from the projection provided last month (-\$38.3 million and 122.2%). This deterioration is driven by a \$1.1 million increase in the projected written premium for the year and a correction to the calendar year 2019 RSP expense factors (see below).

The change in underwriting & admin expense in the table below is impacted by the correction to the calendar year 2019 RSP expense factors used in the projection model which resulted in an overall \$2.4 million unfavourable impact in projected year-end results. The updated calendar year 2019 RSP expense factors did not affect the current and prior month's (December 2018) actual results.

AB Grid RSP 2019 Yr-end Projection	Current	Prior Mth		Final 2019
Amounts in \$000s	(Jan 2019)	(Dec 2018)	Change	Outlook*
Premium Written	180,880	179,744	1,136	158,031
Premium Earned	173,543	172,707	836	158,085
Incurred Losses	156,138	155,306	832	144,374
Underwriting & Admin Expense	58,556	55,660	2,896	51,933
Net Result from Operations	(41,151)	(38,259)	(2,892)	(38,222)
Ratios:				
Loss ratio - Prior Accident Years	(2.3%)	(2.1%)	(0.2%)	(3.1%)
- Current Accident Year	92.3%	92.1%	0.2%	94.4%
<i>Total</i>	90.0%	90.0%	0.0%	91.3%
Underwriting & Admin Expense	33.7%	32.2%	1.5%	32.9%
Combined Operating Ratio	123.7%	122.2%	1.5%	124.2%

rounding differences may occur

*as posted to FA's website Oct. 18, 2018

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$3.7 million Operating Result in the month of January 2019, a deterioration of \$2.0 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 113.0% to 127.3% applied to \$13.6 million in earned premium).

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.

January 2019	Actual	Projection	Difference	Difference %
Written Premium	11,700	10,572	1,128	10.7%
Earned Premium	13,635	13,888	(253)	(1.8%)
Reported Losses				
Paid Losses	9,114	9,642	(528)	(5.5%)
Paid Expenses	319	744	(425)	(57.1%)
Change in Outstanding Losses	2,903	2,956	(53)	(1.8%)
Total Reported Losses	12,336	13,342	(1,006)	(7.5%)
Change in IBNR Provision*	1,182	370	812	
Change in Premium Deficiency (DPAC)*	137	213	(76)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP January 2019 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 January 2019, reported losses were \$1.0 million lower than projected. The Current Accident Year reported a favourable variance of \$1.5 million, while the Prior Accident Years reported an unfavourable variance of \$0.5 million. No 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.

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 January 2019 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The January 2019 Alberta Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 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 -\$4.4 million and the incurred loss ratio to the end of 1 month is 109.6%, as summarized in the table below.

Amounts in \$000s	January 2019	January 2018	Year to date Jan 2019	Year to Date Jan 2018
Premium Written	10,569	6,627	10,569	6,627
Premium Earned	9,840	8,291	9,840	8,291
Incurred Losses	10,786	9,165	10,786	9,165
Underwriting & Admin Expense	3,458	1,844	3,458	1,844
Operating Result	(4,404)	(2,718)	(4,404)	(2,718)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(4.0%)	(3.1%)	(4.0%)	(3.1%)
- Current Accident Year	113.6%	113.7%	113.6%	113.7%
<i>Total</i>	109.6%	110.6%	109.6%	110.6%
<i>Underwriting & Admin Expense</i>	35.1%	22.2%	35.1%	22.2%
<i>Combined Operating Ratio</i>	144.7%	132.8%	144.7%	132.8%

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 2019 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is now -\$64.8 million and the estimated combined operating ratio to December 2019 is 148.7%, as summarized in the table at the top of the next page. This updated projection to the end of the year has deteriorated by \$2.7 million from the projection provided last month (-\$62.1 million and 146.8%). This deterioration is driven by a \$1.1 million increase in the projected written premium for the year and a correction to the calendar year 2019 RSP expense factors (see below).

The change in underwriting & admin expense in the table at the top of the next page is impacted by the correction to the calendar year 2019 RSP expense factors used in the projection model which resulted in an overall \$2.1 million unfavourable impact in projected year-end results. The updated calendar year 2019 RSP expense factors did not affect the current and prior month’s (December 2018) actual results.

AB Non-Grid RSP 2019 Yr-end Proj. Amounts in \$000s	Current (Jan 2019)	Prior Mth (Dec 2018)	Change	Final 2019 Outlook*
Premium Written	152,556	151,497	1,059	141,592
Premium Earned	133,229	132,339	890	124,625
Incurred Losses	144,515	143,551	964	137,538
Underwriting & Admin Expense	53,521	50,883	2,638	50,104
Net Result from Operations	(64,807)	(62,095)	(2,712)	(63,017)
Ratios:				
Loss ratio - Prior Accident Years	(2.0%)	(2.0%)	0.0%	(2.6%)
- Current Accident Year	110.5%	110.4%	0.1%	113.0%
<i>Total</i>	108.5%	108.4%	0.1%	110.4%
<i>Underwriting & Admin Expense</i>	40.2%	38.4%	1.8%	40.2%
<i>Combined Operating Ratio</i>	148.7%	146.8%	1.9%	150.6%

rounding differences may occur

*as posted to FA's website Oct. 18, 2018

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$4.4 million Operating Result in the month of January 2019, a deterioration of \$1.7 million from the same month last year. This deterioration is composed of a \$0.5 million unfavourable impact associated with the \$1.5 million increase in earned premium (at a combined ratio of 132.8%), with the remaining \$1.2 million deterioration stemming from the overall increase in the combined ratio (from 132.8% to 144.7% applied to \$9.8 million in earned premium).

Variances from Projections

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

January 2019	Actual	Projection	Difference	Difference %
Written Premium	10,569	9,501	1,068	11.2%
Earned Premium	9,840	9,906	(66)	(0.7%)
Reported Losses				
Paid Losses	8,427	8,155	272	3.3%
Paid Expenses	203	318	(115)	(36.2%)
Change in Outstanding Losses	1,838	1,132	706	62.4%
Total Reported Losses	10,468	9,605	863	9.0%
Change in IBNR Provision*	318	1,258	(940)	
Change in Premium Deficiency (DPAC)*	103	(65)	168	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP January 2019 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 January 2019, reported losses were \$0.9 million higher than projected. The Current Accident Year had an approximately \$1.4 million favourable variance in reported losses, while the Prior Accident Years had a \$2.3 million unfavourable variance. Of the Prior Accident Years, 2017 had the largest variance in reported losses at \$1.1 million unfavourable. No other 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.

Booking IBNR

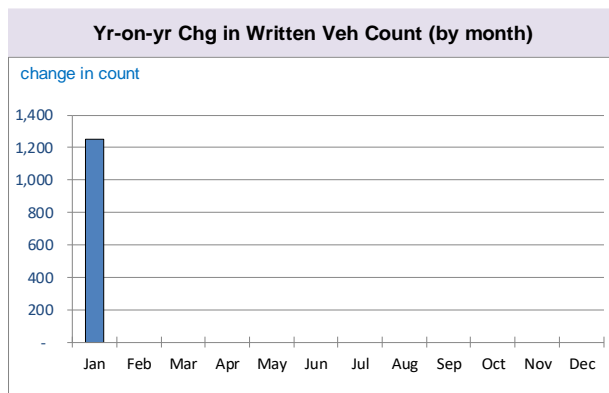
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 January 2019 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

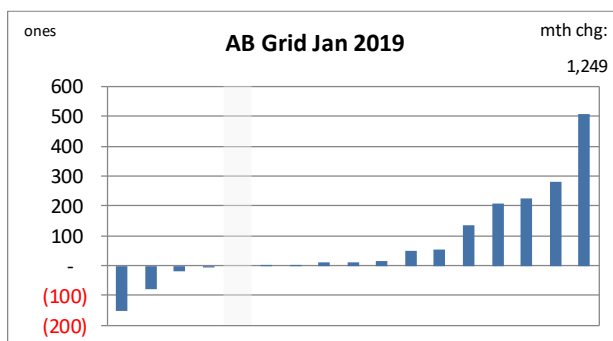
The January 2019 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2018). The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

Management Comments

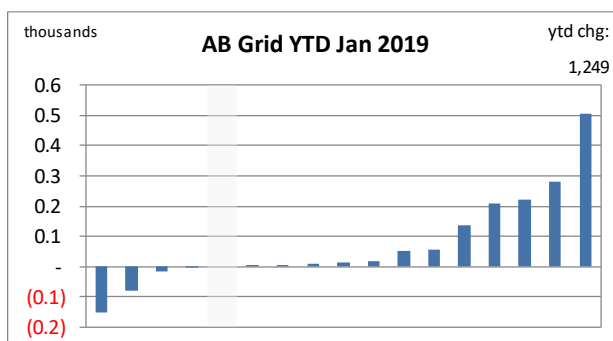
Alberta Grid



projected.



fewer vehicles, 2 member company groups accounted for 92% of the total transfer decrease for these “decliner” members. Of the 12 member company groups transferring more vehicles, 2 member company groups accounted for 52% of the total transfer increases for these “grower” members.



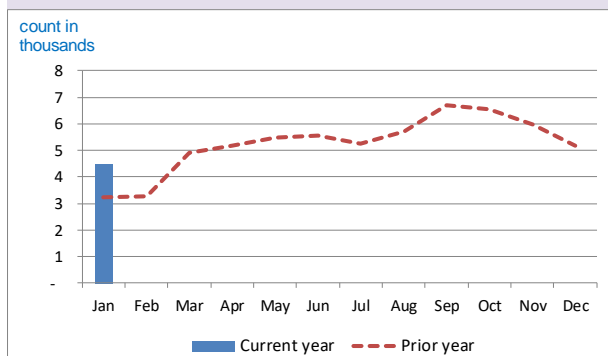
The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with January showing an increase of 1,249 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 706 vehicles, indicating a variance of 543 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a greater number of vehicles to the pool in January than

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. Four member company groups transferred fewer vehicles to the pool this month compared with a year ago, while twelve transferred more, and one remained the same. Of the 4 member company groups transferring

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.

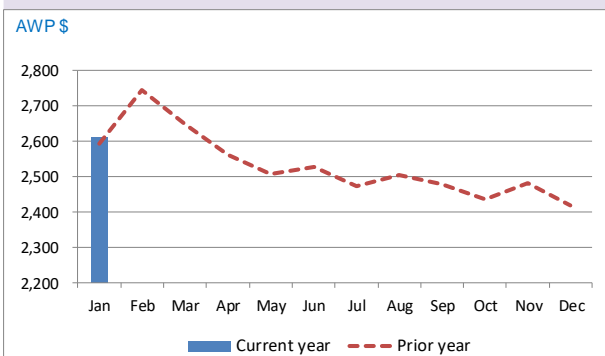
January’s vehicle count transfers to the pool represent a 38.7% increase from January 2018. Average written premium was up 0.7% in January 2019 compared with the same month in 2018 (see at the top of the next page).

Written Vehicle Count (by month)



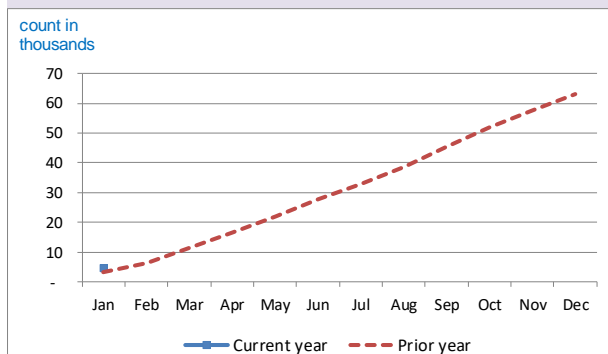
	Jan-19	Jan-18	Amt Chg	% Chg
W. Veh curr mth	4,479	3,230	1,249	38.7%

Average Written Premium (by month)



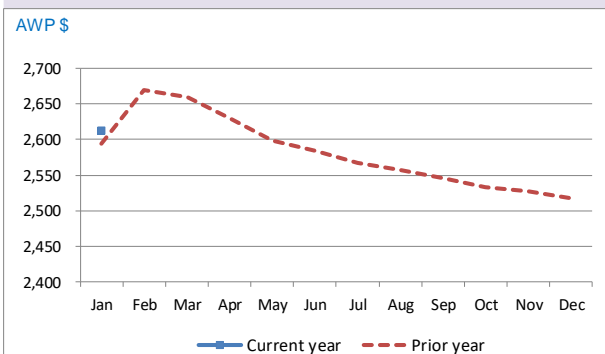
	Jan-19	Jan-18	Amt Chg	% Chg
AWP curr mth	2,612	2,594	18	0.7%

Written Vehicle Count (YTD)



	Jan-19	Jan-18	Amt Chg	% Chg
W. Vehicles YTD	4,479	3,230	1,249	38.7%

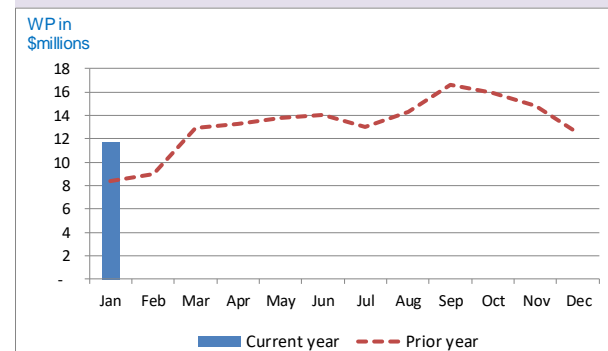
Avg Written Premium (YTD)



	Jan-19	Jan-18	Amt Chg	% Chg
Avg W. Prem YTD	2,612	2,594	18	0.7%

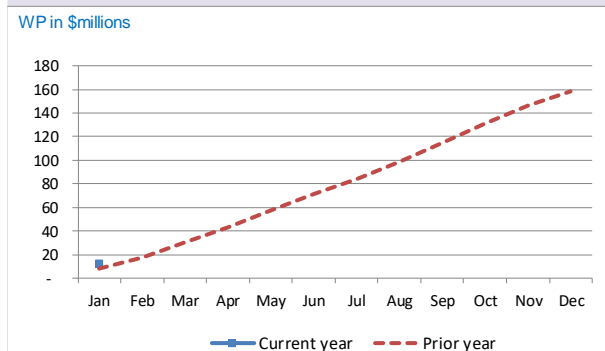
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 39.6% for the month compared with the 26.2% increase we projected last month (see charts immediately below).

Written Premium (by month)



	Jan-19	Jan-18	Amt Chg	% Chg
WP (\$000s) curr mth	11,700	8,379	3,321	39.6%

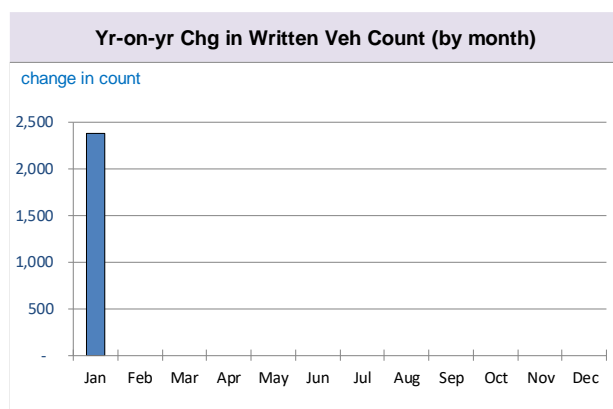
Written Premium (YTD)



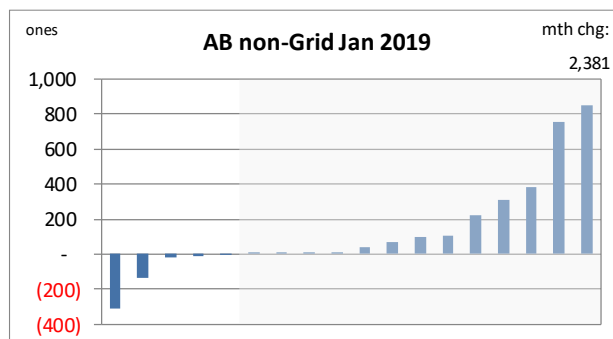
	Jan-19	Jan-18	Amt Chg	% Chg
WP (\$000s) YTD	11,700	8,379	3,321	39.6%

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 2019 vehicle count up 30.0% from 2018**, being 3.5% of the 2017 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count (as we don't have an industry count yet for 2018, we continue to use the 2017 count as a proxy). 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.

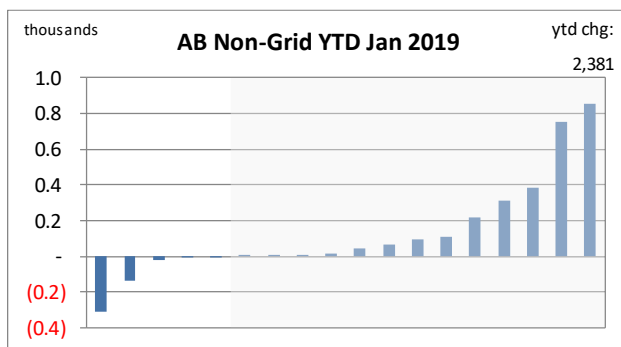


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with January showing an increase of 2,381 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 1,913 vehicles, indicating a variance of 468 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 January than projected.



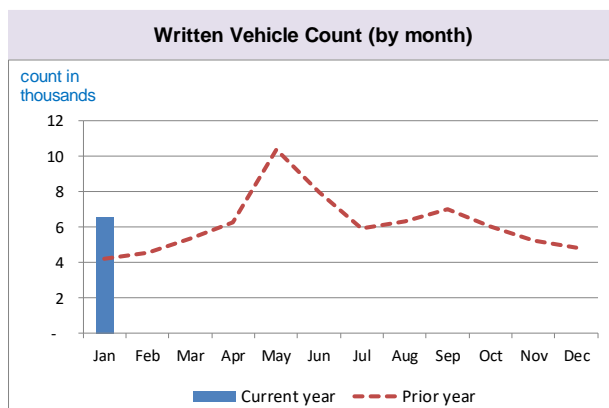
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared to a year ago, while thirteen transferred more. Of the 5 member company groups transferring fewer vehicles, 1 member

company group accounted for 66% of the total transfer decrease for these “decliner” members. Of the 13 member company groups transferring more vehicles, 2 member company groups accounted for 56% of the total transfers increase for these “grower” members.

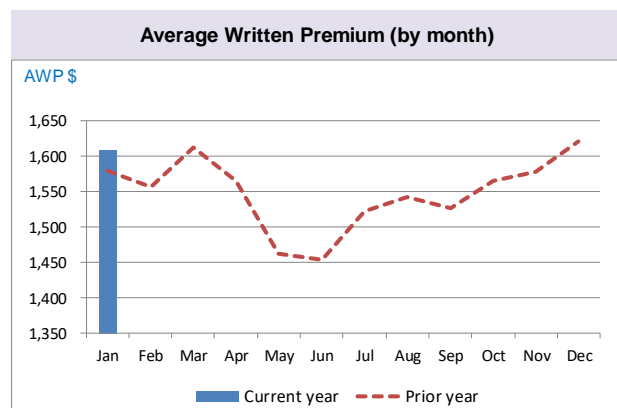


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

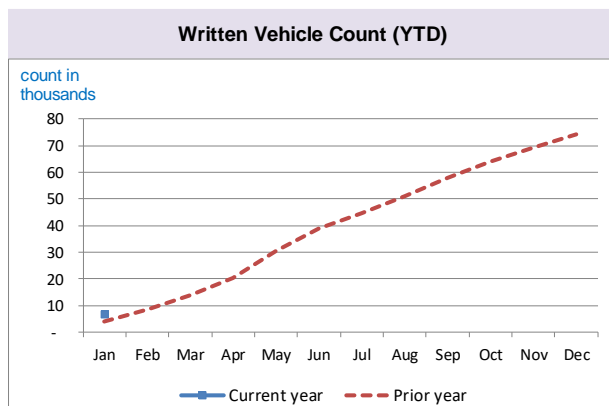
January's vehicle count transfers to the pool represent a 56.8% increase from January 2018. Average written premium was up 1.8% in January 2019 compared with the same month in 2018 (see charts immediately below).



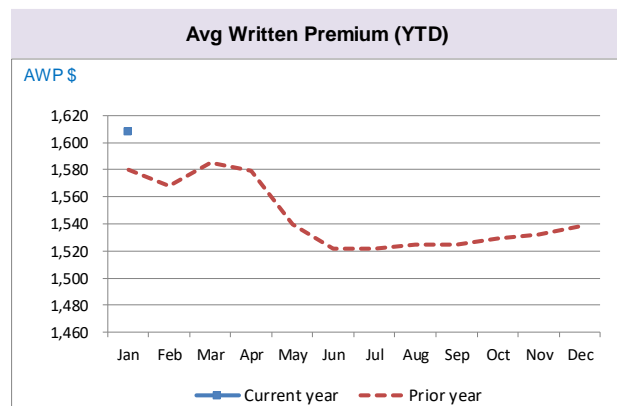
	Jan-19	Jan-18	Amt Chg	% Chg
W. Veh curr mth	6,574	4,193	2,381	56.8%



	Jan-19	Jan-18	Amt Chg	% Chg
AWP curr mth	1,608	1,580	28	1.8%

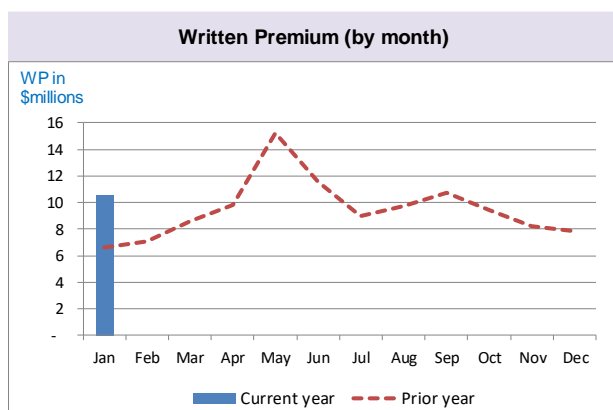


	Jan-19	Jan-18	Amt Chg	% Chg
W. Vehicles YTD	6,574	4,193	2,381	56.8%

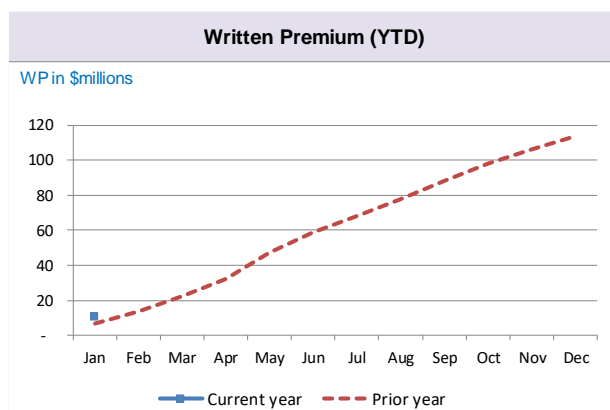


	Jan-19	Jan-18	Amt Chg	% Chg
Avg W. Prem YTD	1,608	1,580	28	1.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 59.5% for the month compared with the 43.4% increase we projected last month (see charts at the top of the next page).



	Jan-19	Jan-18	Amt Chg	% Chg
WP (\$000s) curr mth	10,569	6,627	3,943	59.5%



	Jan-19	Jan-18	Amt Chg	% Chg
WP (\$000s) YTD	10,569	6,627	3,943	59.5%

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

Saskia Matheson
President & CEO

Related Links:

Alberta Grid RSP:

[Alberta Grid RSP January 2019 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP January 2019 Operational Report - Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Alberta Grid

EXHIBIT 1

Operating Results for the 1 Month Ended January 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$11,700	\$11,700	\$180,880	\$158,547
Decrease (Increase) in Unearned Premiums	1,935	1,935	(7,337)	3,021
Net Premiums Earned	\$13,635	\$13,635	\$173,543	\$161,568
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$336)	(\$336)	(\$336)	\$555
Effect of Discounting	779	\$779	(3,624)	(8,142)
Discounted	\$443	\$443	(\$3,960)	(\$7,587)
Current Accident Year:				
Undiscounted	\$12,482	\$12,482	\$154,956	\$146,295
Effect of Discounting	593	\$593	5,142	4,993
Discounted	\$13,075	\$13,075	\$160,098	\$151,288
Claims Incurred	\$13,518	\$13,518	\$156,138	\$143,701
Underwriting Expenses:				
Expense Allowance	\$3,644	\$3,644	\$56,258	\$47,116
Change in UPDR/DPAC:				
Undiscounted	213	213	756	3,348
Effect of Discounting	(76)	(76)	362	(1,135)
Discounted	137	137	1,118	2,213
Underwriting Expenses	\$3,781	\$3,781	57,376	\$49,329
Net Underwriting Gain (Loss)	(\$3,664)	(\$3,664)	(\$39,971)	(\$31,462)
Administrative Expenses	\$69	\$69	\$1,180	\$1,039
Operating Result	(\$3,733)	(\$3,733)	(\$41,151)	(\$32,501)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	3.2%	3.2%	-2.3%	-4.7%
Current Accident Year	95.9%	95.9%	92.3%	93.6%
All Accident Years Combined (Earned)	99.1%	99.1%	90.0%	88.9%
Underwriting & Administrative Expenses (Earned)	28.2%	28.2%	33.7%	31.2%
Combined Operating Ratio	127.3%	127.3%	123.7%	120.1%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium tax health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association ; investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Alberta Non-Grid

Operating Results for the 1 Month Ended January 31, 2019 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$10,569	\$10,569	\$152,556	\$113,977
Decrease (Increase) in Unearned Premiums	(729)	(729)	(19,327)	(7,273)
Net Premiums Earned	\$9,840	\$9,840	\$133,229	\$106,704
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$92)	(\$92)	(\$92)	(\$14,506)
Effect of Discounting	(301)	(301)	(2,633)	(5,786)
Discounted	(\$393)	(\$393)	(\$2,725)	(\$20,292)
Current Accident Year:				
Undiscounted	\$10,631	\$10,631	\$142,784	\$117,039
Effect of Discounting	548	548	4,456	3,698
Discounted	\$11,179	\$11,179	\$147,240	120,737
Claims Incurred	\$10,786	\$10,786	\$144,515	\$100,445
Underwriting Expenses:				
Expense Allowance	\$3,286	\$3,286	\$47,445	\$33,858
Change in UPDR/DPAC:				
Undiscounted	65	65	3,392	1,227
Effect of Discounting	38	38	1,097	(63)
Discounted	103	103	4,489	1,164
Underwriting Expenses	\$3,389	\$3,389	\$51,934	\$35,022
Net Underwriting Gain (Loss)	(\$4,335)	(\$4,335)	(\$63,220)	(\$28,763)
Administrative Expenses	\$69	\$69	\$1,587	\$1,054
Operating Result	(\$4,404)	(\$4,404)	(\$64,807)	(\$29,817)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-4.0%	-4.0%	-2.0%	-19.0%
Current Accident Year	113.6%	113.6%	110.5%	113.2%
All Accident Years Combined	109.6%	109.6%	108.5%	94.2%
Underwriting & Administrative Expenses (Earned)	35.1%	35.1%	40.2%	33.8%
Combined Operating Ratio	144.7%	144.7%	148.7%	128.0%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium tax health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply