

TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
 ALBERTA RISK SHARING POOL PROJECT MANAGER
BULLETIN NO.: F19 – 030
DATE: APRIL 29, 2019
SUBJECT: ALBERTA RISK SHARING POOLS
 – MARCH 2019 OPERATIONAL REPORT

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

Please be advised that the March 2019 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 December 31, 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 **\$12.4 million favourable** impact on the month’s net result from operations, subtracting an estimated 31.1 points from the year-to-date Combined Operating Ratio (ending at 91.3%). The impact is summarized in the tables immediately below ¹.

AB Grid	unfav / (fav) for the month and ytd						ytd EP 39,790 (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	(15,443)	(334)	(15,777)	2,626	-	(13,151)	(38.8%)	(0.8%)	(39.7%)	6.6%	-	(33.1%)
CAY	(122)	28	(94)	344	-	250	(0.3%)	0.1%	(0.2%)	0.9%	-	0.6%
Prem Def	(208)	73	(135)	661	-	526	(0.5%)	0.2%	(0.3%)	1.7%	-	1.3%
TOTAL	(15,773)	(233)	(16,006)	3,631	-	(12,375)	(39.6%)	(0.6%)	(40.2%)	9.1%	-	(31.1%)

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”.

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$6.9 million favourable** impact on the month's net result from operations, subtracting an estimated 23.8 points from the year-to-date Combined Operating Ratio (ending at 117.5%). The impact is summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 29,004 (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	(10,347)	(53)	(10,400)	1,492	-	(8,908)	(35.7%)	(0.2%)	(35.9%)	5.1%	-	(30.7%)
CAY	409	53	462	236	-	698	1.4%	0.2%	1.6%	0.8%	-	2.4%
Prem Def	790	39	829	483	-	1,312	2.7%	0.1%	2.9%	1.7%	-	4.5%
TOTAL	(9,148)	39	(9,109)	2,211	-	(6,898)	(31.5%)	0.1%	(31.4%)	7.6%	-	(23.8%)

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 \$3.5 million and the incurred loss ratio to the end of 3 months is 60.7%, as summarized in the table below.

Amounts in \$000s	March 2019	March 2018	Year to date Mar 2019	Year to Date Mar 2018
Premium Written	13,009	12,966	35,480	30,331
Premium Earned	13,902	13,738	39,790	39,527
Incurred Losses	(469)	24,875	24,131	47,565
Underwriting & Admin Expense	4,747	8,421	12,166	14,522
Operating Result	9,624	(19,558)	3,493	(22,560)
Ratios:				
Loss ratio - Prior Accident Years	(97.9%)	74.2%	(35.0%)	22.5%
- Current Accident Year	94.5%	106.8%	95.7%	97.8%
<i>Total</i>	(3.4%)	181.0%	60.7%	120.3%
Underwriting & Admin Expense	34.1%	61.3%	30.6%	36.7%
Combined Operating Ratio	30.7%	242.3%	91.3%	157.0%

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 -\$35.5 million and the estimated combined operating ratio to December 2019 is 119.6%, as summarized in the table at the top of the next page.

AB Grid RSP 2019 Yr-end Projection Amounts in \$000s	Current (Mar 2019)	Prior Mth (Feb 2019)	Change	Final 2019 Outlook*
Premium Written	199,428	203,273	(3,845)	158,031
Premium Earned	180,980	183,747	(2,767)	158,085
Incurred Losses	150,913	165,737	(14,824)	144,374
Underwriting & Admin Expense	65,565	65,074	491	51,933
Net Result from Operations	(35,498)	(47,064)	11,566	(38,222)
Ratios:				
Loss ratio - Prior Accident Years	(9.7%)	(2.3%)	(7.4%)	(3.1%)
- Current Accident Year	93.1%	92.5%	0.6%	94.4%
<i>Total</i>	83.4%	90.2%	(6.8%)	91.3%
<i>Underwriting & Admin Expense</i>	36.2%	35.4%	0.8%	32.9%
<i>Combined Operating Ratio</i>	119.6%	125.6%	(6.0%)	124.2%

rounding differences may occur

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

This updated projection to the end of the year has improved by \$11.6 million from the projection provided last month (-\$47.1 million and 125.6%), and included the overall \$10.8 million favourable impact of the valuation as at December 31, 2018, as summarized in the table 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 180,980 (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	(15,443)	(224)	(15,667)	2,132	-	(13,535)	(8.5%)	(0.1%)	(8.7%)	1.2%	-	(7.5%)
CAY	(546)	392	(154)	1,264	-	1,110	(0.3%)	0.2%	(0.1%)	0.7%	-	0.6%
Prem Def	642	137	779	862	-	1,641	0.4%	0.1%	0.4%	0.5%	-	0.9%
TOTAL	(15,347)	305	(15,042)	4,258	-	(10,784)	(8.5%)	0.2%	(8.3%)	2.4%	-	(6.0%)

Current Month Results

The Alberta Grid Risk Sharing Pool produced a \$9.6 million Operating Result in the month of March 2019, an improvement of \$29.2 million compared with the same month last year. This improvement is composed of a \$0.2 million deterioration associated with the \$0.2 million increase in earned premium (at a combined ratio of 242.3%), more than offset by a \$29.4 million improvement stemming from the overall decrease in the combined ratio (from 242.3% to 30.7% applied to \$13.9 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 123.7% at the end of 2 months to 91.3% at the end of 3 months. The 32.4 percentage point decrease is composed of a 33.7 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.6 percentage point decrease in the Current Accident Year loss ratio, offset by a 1.9 percentage point increase 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.

March 2019	Actual	Projection	Difference	Difference %
Written Premium	13,009	16,944	(3,935)	(23.2%)
Earned Premium	13,902	14,352	(450)	(3.1%)
Reported Losses				
Paid Losses	10,074	12,012	(1,938)	(16.1%)
Paid Expenses	346	978	(632)	(64.6%)
Change in Outstanding Losses	(71)	(784)	713	(90.9%)
Total Reported Losses	10,349	12,206	(1,857)	(15.2%)
Change in IBNR Provision*	(10,818)	514	(11,332)	
Change in Premium Deficiency (DPAC)*	637	(107)	744	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP March 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 March 2019, reported losses were \$1.9 million lower than projected. The Current Accident Year reported a favourable variance of \$1.8 million, and the Prior Accident Years reported a favourable variance of \$0.1 million. Of the Prior Accident Years, 2017 had the largest variance in reported losses at \$2.1 million unfavourable, followed by Accident Year 2014 at \$1.4 million favourable. 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 March 2019 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2018, with the associated impacts in relation to the results for March 2019 summarized in the table at the top of the next page.

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Alberta Risk Sharing Pools – March 2019 Operational Reports

AB Grid	unfav / (fav) for the month and ytd						mth EP 13,902 (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	(15,443)	(334)	(15,777)	2,626	-	(13,151)	(111.1%)	(2.4%)	(113.5%)	18.9%	-	(94.6%)
CAY	(122)	28	(94)	344	-	250	(0.9%)	0.2%	(0.7%)	2.5%	-	1.8%
Prem Def	(208)	73	(135)	661	-	526	(1.5%)	0.5%	(1.0%)	4.8%	-	3.8%
TOTAL	(15,773)	(233)	(16,006)	3,631	-	(12,375)	(113.5%)	(1.7%)	(115.1%)	26.1%	-	(89.0%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$16.0 million favourable impact – see column [3] in the left table above), partially offset by the impact due to a 35 basis point decrease in the selected discount rate (from 2.28% to 1.93% generating a \$3.6 million unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and 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, these were also left unchanged (hence \$0 in column [5] in the left above).

Management has observed unfavourable *total* valuation impacts over the last 12 valuation implementations, with 5 valuation implementations being favourable over that 12-quarter period, as shown in column [5] of the table immediately below (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 Q4		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]
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%)
2018 Q4	Mar 2019	(15,773)	(233)	3,631	-	(12,375)	414,703	(3.0%)	(3.8%)
12-qtrs		58,887	9,499	(13,969)	(2,854)	51,563			
% of total		114.2%	18.4%	(27.1%)	(5.5%)	100.0%			
Averages									
12-qtrs		4,907	792	(1,164)	(238)	4,297	400,061	1.1%	1.2%
2016 Q1 to 2017 Q4		10,624	1,310	(1,464)	(220)	10,250	391,055	2.6%	2.7%
2018 Q1 to 2018 Q4		(6,527)	(245)	(564)	(273)	(7,609)	418,075	(1.8%)	(1.6%)

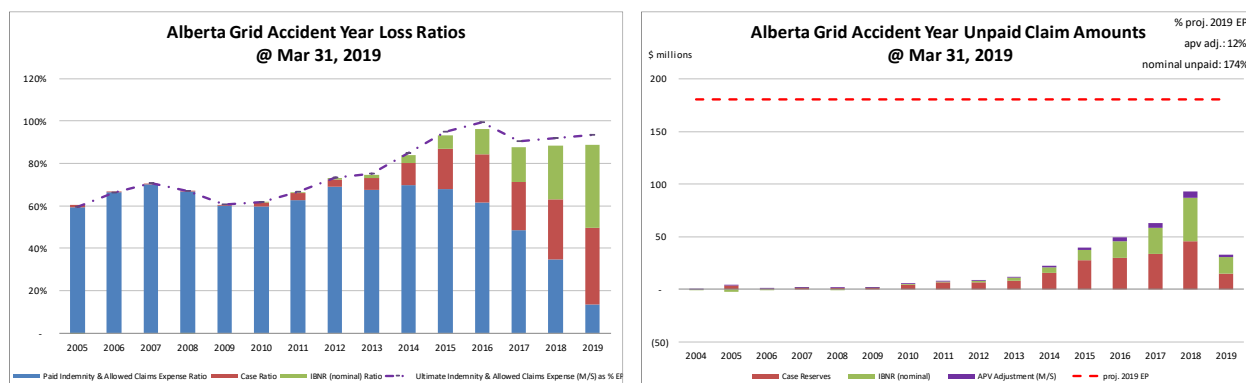
The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal

changes of any one valuation in relation to policy liabilities², should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3rds 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 \$58.9 million unfavourable. That said, the average unfavourable impact over the 12 quarters at \$4.9 million (nominal only) represents 1.2% of ending policy liabilities per column [8], which we would view as not significant. We do note that the latest 4 valuations have been on average less favourable than the earlier 8 valuations were unfavourable.
- (ii) **Nominal size measurement:** This objective has not been met, as there were 6 individual valuations (including the most recent) 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 7 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 bias evident), but all objectives indicate improvement needed.

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

²We 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.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$5.1 million and the incurred loss ratio to the end of 3 months is 80.0%, as summarized in the table below.

Amounts in \$000s	March 2019	March 2018	Year to date Mar 2019	Year to Date Mar 2018
Premium Written	9,397	8,608	29,515	22,322
Premium Earned	10,092	8,338	29,004	24,105
Incurred Losses	2,660	3,060	23,199	20,191
Underwriting & Admin Expense	4,261	4,178	10,874	8,200
Operating Result	3,171	1,100	(5,069)	(4,286)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(91.3%)	(82.5%)	(34.7%)	(31.3%)
- Current Accident Year	117.7%	119.2%	114.7%	115.1%
<i>Total</i>	26.4%	36.7%	80.0%	83.8%
<i>Underwriting & Admin Expense</i>	42.2%	50.1%	37.5%	34.0%
<i>Combined Operating Ratio</i>	68.6%	86.8%	117.5%	117.8%

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 -\$54.7 million and the estimated combined operating ratio to December 2019 is 143.2%, as summarized in the table at the top of the next page.

AB Non-Grid RSP 2019 Yr-end Proj. Amounts in \$000s	Current (Mar 2019)	Prior Mth (Feb 2019)	Change	Final 2019 Outlook*
Premium Written	141,244	144,757	(3,513)	141,592
Premium Earned	126,856	129,247	(2,391)	124,625
Incurred Losses	131,236	139,884	(8,648)	137,538
Underwriting & Admin Expense	50,301	50,387	(85)	50,104
Net Result from Operations	(54,681)	(61,024)	6,342	(63,017)
Ratios:				
Loss ratio - Prior Accident Years	(9.5%)	(2.3%)	(7.2%)	(2.6%)
- Current Accident Year	113.0%	110.6%	2.4%	113.0%
<i>Total</i>	103.5%	108.3%	(4.8%)	110.4%
<i>Underwriting & Admin Expense</i>	39.7%	39.0%	0.7%	40.2%
<i>Combined Operating Ratio</i>	143.2%	147.3%	(4.1%)	150.6%

rounding differences may occur

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

This updated projection to the end of the year has improved by \$6.3 million from the projection provided last month (-\$61.0 million and 147.3%), and included the overall \$5.0 million favourable impact of the valuation as at December 31, 2018, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 9). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

AB Non-Grid	unfav / (fav) projected for full year						year EP 126,856 (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	(10,347)	(34)	(10,381)	1,206	-	(9,175)	(8.2%)	-	(8.2%)	1.0%	-	(7.2%)
CAY	1,779	384	2,163	823	-	2,986	1.4%	0.3%	1.7%	0.6%	-	2.4%
Prem Def	574	29	603	608	-	1,211	0.5%	-	0.5%	0.5%	-	1.0%
TOTAL	(7,994)	379	(7,615)	2,637	-	(4,978)	(6.3%)	0.3%	(6.0%)	2.1%	-	(3.9%)

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a \$3.2 million Operating Result in the month of March 2019, an improvement of \$2.1 million from the same month last year. This improvement is composed of a \$0.2 million favourable impact associated with the \$1.8 million increase in earned premium (at a combined ratio of 86.8%), combined with a \$1.9 million improvement stemming from the overall decrease in the combined ratio (from 86.8% to 68.6% applied to \$10.1 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 143.6% at the end of 2 months to 117.5% at the end of 3 months. The 26.1 percentage point decrease is composed of a 30.2 percentage point decrease in the Prior Accident Years loss ratio, offset by a 1.6 percentage point increase in the Current Accident Year loss ratio, further offset by a 2.5 percentage point increase in the expense ratio.

Variances from Projections

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

March 2019	Actual	Projection	Difference	Difference %
Written Premium	9,397	12,059	(2,662)	(22.1%)
Earned Premium	10,092	10,387	(295)	(2.8%)
Reported Losses				
Paid Losses	9,304	10,301	(997)	(9.7%)
Paid Expenses	215	570	(355)	(62.3%)
Change in Outstanding Losses	(1,705)	298	(2,003)	(672.1%)
Total Reported Losses	7,814	11,169	(3,355)	(30.0%)
Change in IBNR Provision*	(5,154)	(39)	(5,115)	
Change in Premium Deficiency (DPAC)*	1,275	278	997	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP March 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 March 2019, reported losses were \$3.4 million lower than projected. The Current Accident Year had a \$1.7 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$1.7 million favourable variance. Of the Prior Accident Years, 2018 had the largest variance in reported losses at \$1.0 million favourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The March 2019 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2018, with the associated impacts in relation to the results for March 2019 summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 10,092 (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	(10,347)	(53)	(10,400)	1,492	-	(8,908)	(102.5%)	(0.5%)	(103.1%)	14.8%	-	(88.3%)
CAY	409	53	462	236	-	698	4.1%	0.5%	4.6%	2.3%	-	6.9%
Prem Def	790	39	829	483	-	1,312	7.8%	0.4%	8.2%	4.8%	-	13.0%
TOTAL	(9,148)	39	(9,109)	2,211	-	(6,898)	(90.6%)	0.4%	(90.3%)	21.9%	-	(68.4%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$9.1 million favourable impact – see column [3] in the left table

at the bottom of the previous page), partially offset by the impact due to a 36 basis point decrease in the selected discount rate (from 2.29% to 1.93% generating a \$2.2 million unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and 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, these were also left unchanged (hence \$0 in column [5] in the left table at the bottom of the previous page).

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 immediately below (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 Non-Grid, as at: 2018 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsc't 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]
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%)
2018 Q4	Mar 2019	(9,148)	39	2,211	-	(6,898)	258,566	(2.7%)	(3.5%)
12-qtrs	-	15,636	3,858	(7,909)	(1,538)	10,047			
% of total		155.6%	38.4%	(78.7%)	(15.3%)	100.0%			
Averages									
12-qtrs		1,303	322	(659)	(128)	837	248,717	0.3%	0.5%
2016 Q1 to 2017 Q4		4,187	510	(835)	(130)	3,731	240,970	1.5%	1.7%
2018 Q1 to 2018 Q4		(4,465)	(55)	(308)	(124)	(4,951)	264,213	(1.9%)	(1.7%)

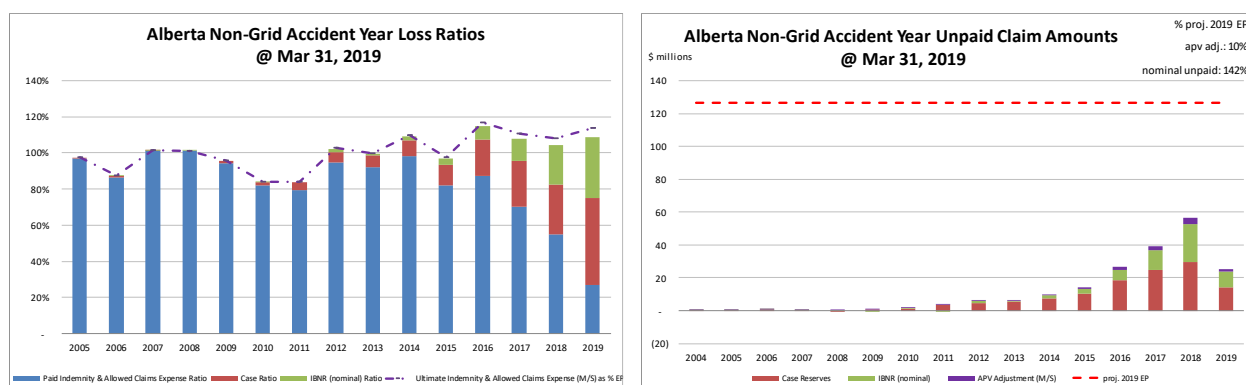
The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities³, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3rds will be favourable (due to the skewness of the development). On these 3 measures:

³We 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.

- (i) **Best estimate measurement:** This objective has not been met, as the 12-quarter nominal change in column [1] is \$15.6 million unfavourable. That said, the average unfavourable impact over the 12 quarters at \$1.3 million (nominal only) represents 0.5% of ending policy liabilities, which we would view as not significant. We do note that the latest 4 valuations have been on average more favourable than the earlier 8 valuations were unfavourable.
- (ii) **Nominal size measurement:** This objective has not been met, as there were 5 individual valuations (including the current valuation) 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 bias evident), but all objectives indicate improvement needed.

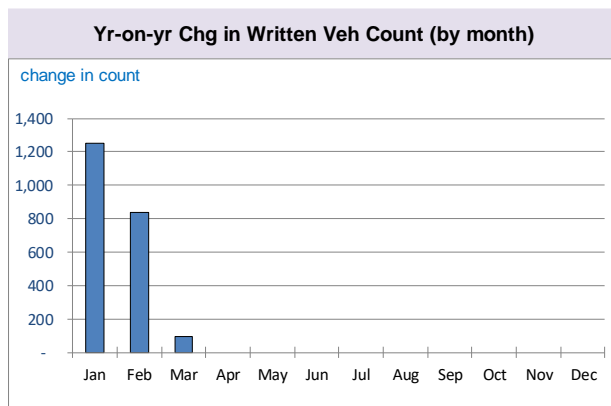
The charts immediately below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.



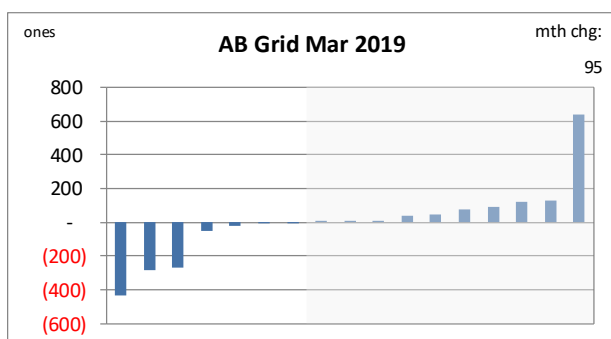
The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP March 2019 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2018 is expected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

Management Comments

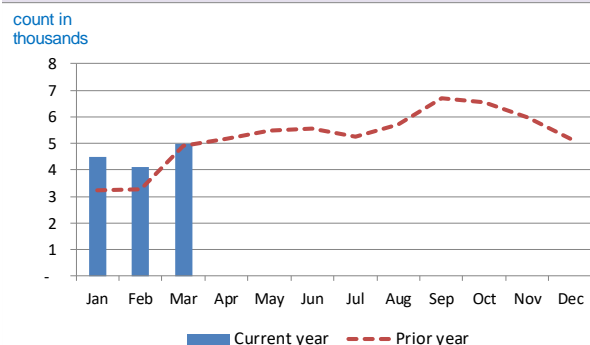
Alberta Grid



The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with March showing an increase of 95 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,493 vehicles, indicating a variance of 1,398 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in March than projected.

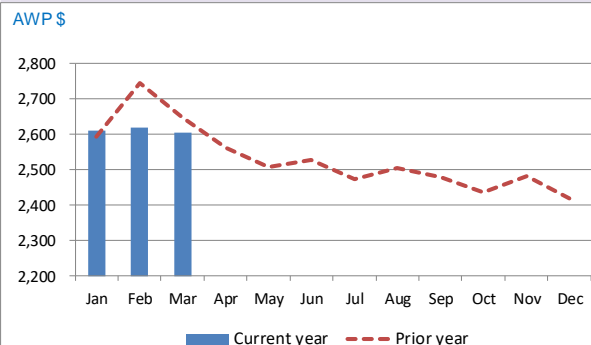


Written Vehicle Count (by month)



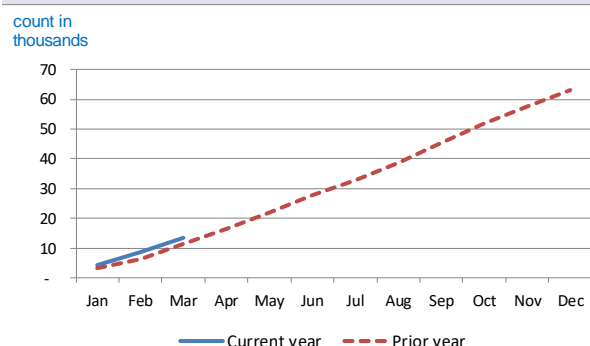
	Mar-19	Mar-18	Amt Chg	% Chg
W. Veh curr mth	4,995	4,899	95	1.9%

Average Written Premium (by month)



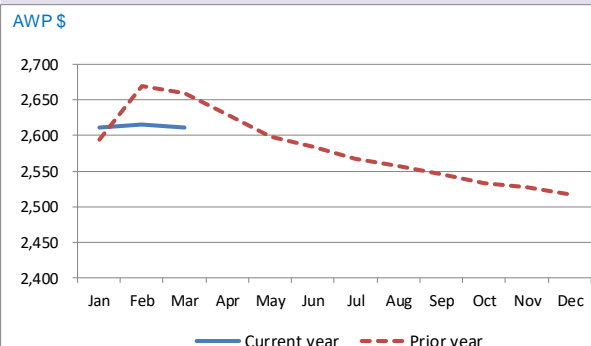
	Mar-19	Mar-18	Amt Chg	% Chg
AWP curr mth	2,605	2,647	(42)	-1.6%

Written Vehicle Count (YTD)



	Mar-19	Mar-18	Amt Chg	% Chg
W. Vehicles YTD	13,586	11,403	2,183	19.1%

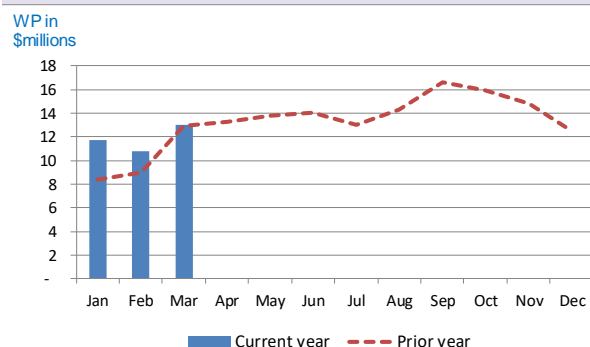
Avg Written Premium (YTD)



	Mar-19	Mar-18	Amt Chg	% Chg
Avg W. Prem YTD	2,611	2,660	(49)	-1.8%

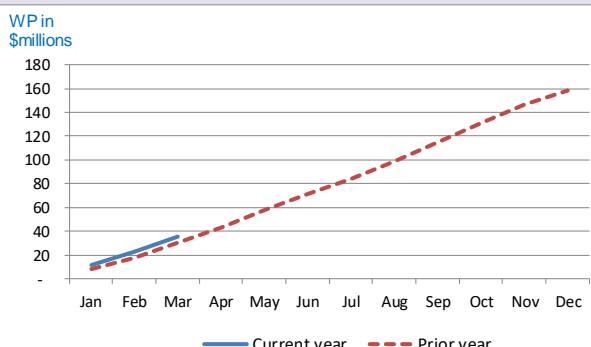
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 0.3% for the month compared with the 30.7% increase we projected last month, and was up 17.0% year-to-date (see charts immediately below).

Written Premium (by month)



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) curr mth	13,009	12,966	43	0.3%

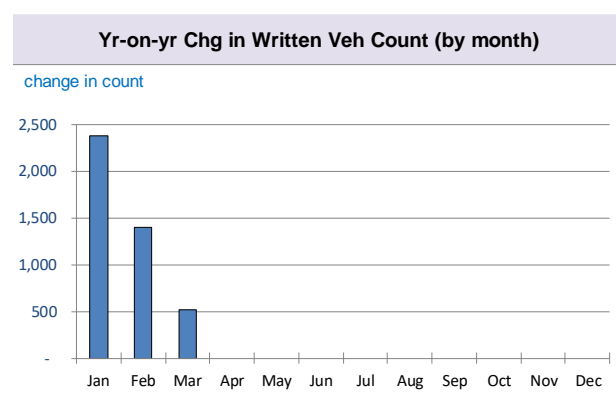
Written Premium (YTD)



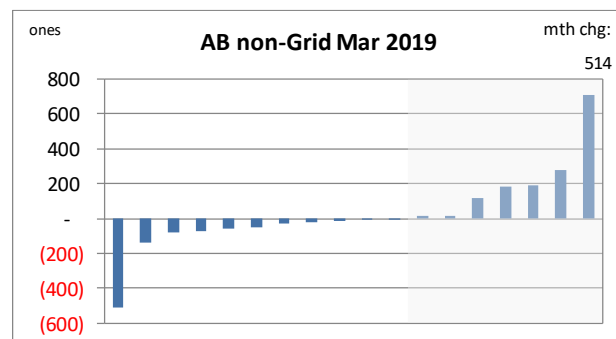
	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) YTD	35,479	30,331	5,148	17.0%

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 2019 vehicle count up 19.9% from 2018**, being 3.2% 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.

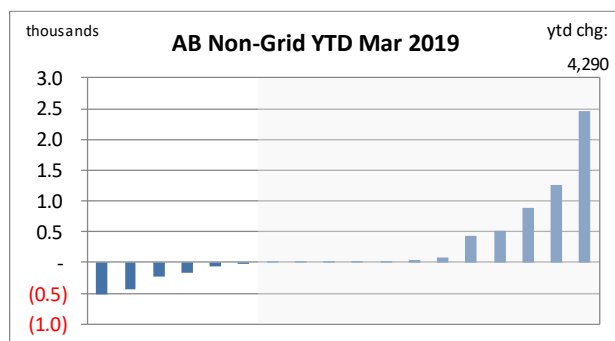


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with March showing an increase of 514 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 1,957 vehicles, indicating a variance of 1,443 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in March than projected.



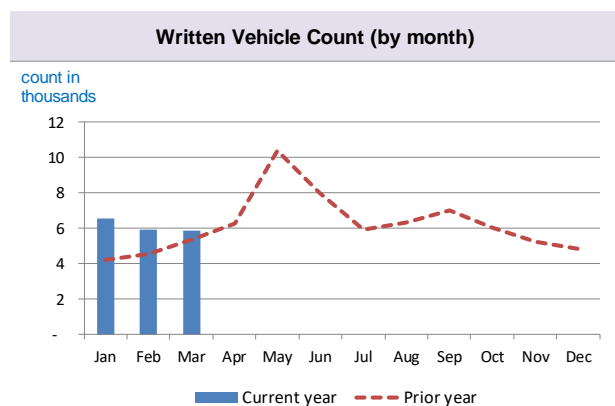
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eleven member company groups transferred fewer vehicles to the pool this month compared to a year ago, while seven transferred more. Of the 11 member company groups transferring fewer vehicles, 1 member company groups transferred fewer vehicles, 1 member company groups transferred more.

Of the 11 member company groups transferring fewer vehicles, 1 member company groups accounted for 52% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company groups accounted for 47% of the total transfers increase for these “grower” members.

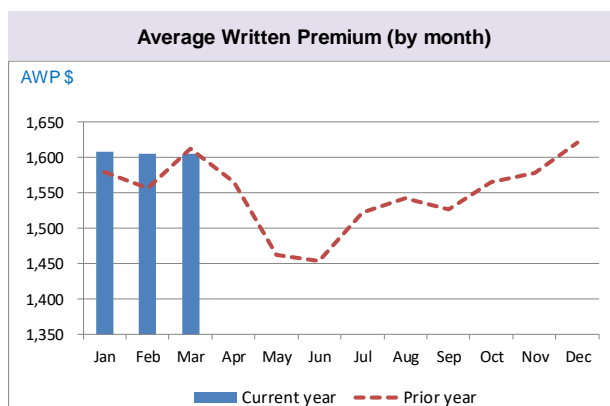


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

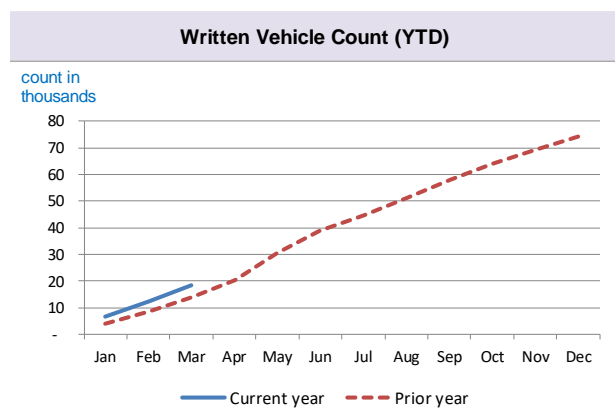
March's vehicle count transfers to the pool represent a 9.6% increase from March 2018, and counts were up 30.5% year-to-date. Average written premium was down 0.4% in March 2019 compared with the same month in 2018, but were up 1.4% year-to-date (see charts immediately below).



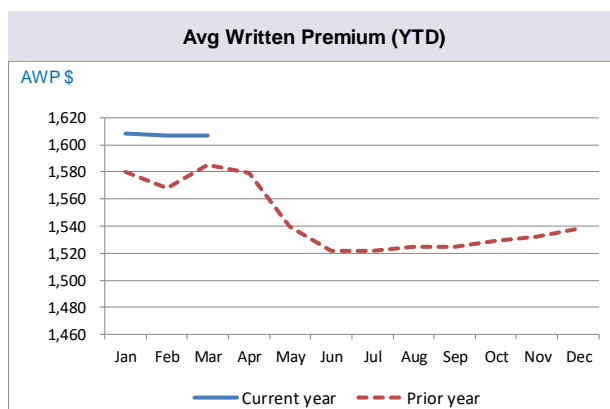
	Mar-19	Mar-18	Amt Chg	% Chg
W. Veh curr mth	5,851	5,337	514	9.6%



	Mar-19	Mar-18	Amt Chg	% Chg
AWP curr mth	1,606	1,613	(7)	-0.4%

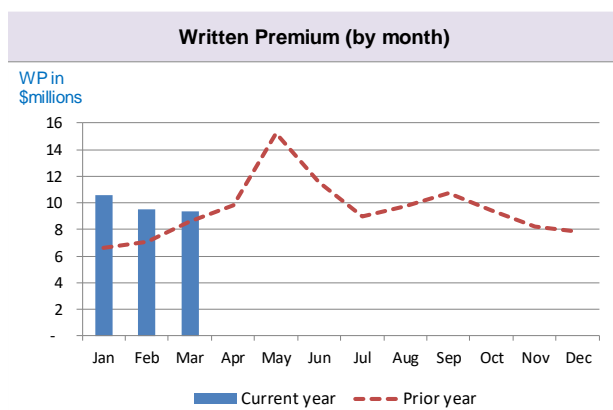


	Mar-19	Mar-18	Amt Chg	% Chg
W. Vehicles YTD	18,372	14,082	4,290	30.5%

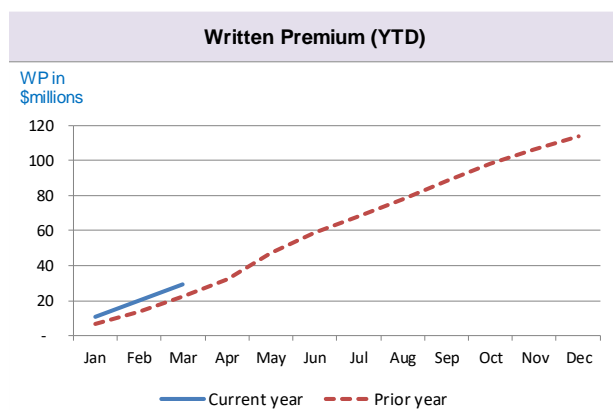


	Mar-19	Mar-18	Amt Chg	% Chg
Avg W. Prem YTD	1,607	1,585	22	1.4%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 9.2% for the month compared with the 40.1% increase we projected last month, and was up 32.2% year-to-date (see charts at the top of the next page).



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) curr mth	9,397	8,608	789	9.2%



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) YTD	29,515	22,322	7,193	32.2%

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 March 2019 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 3 Months Ended March 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$11,700	\$10,771	\$13,009	\$35,480	\$199,428	\$158,547
Decrease (Increase) in Unearned Premiums	1,935	1,482	893	4,310	(18,448)	3,021
Net Premiums Earned	\$13,635	\$12,253	\$13,902	\$39,790	\$180,980	\$161,568
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$336)	(\$453)	(\$15,477)	(\$16,266)	(\$16,266)	\$555
Effect of Discounting	779	(315)	1,873	\$2,337	(1,378)	(8,142)
Discounted	\$443	(\$768)	(\$13,604)	(\$13,929)	(\$17,644)	(\$7,587)
Current Accident Year:						
Undiscounted	\$12,482	\$11,366	\$12,301	\$36,149	\$161,523	\$146,295
Effect of Discounting	593	484	834	\$1,911	7,034	4,993
Discounted	\$13,075	\$11,850	\$13,135	\$38,060	\$168,557	\$151,288
Claims Incurred	\$13,518	\$11,082	(\$469)	\$24,131	\$150,913	\$143,701
Underwriting Expenses:						
Expense Allowance	\$3,644	\$3,360	\$4,049	\$11,053	\$62,042	\$47,116
Change in UPDR/DPAC:						
Undiscounted	213	178	(66)	325	402	3,348
Effect of Discounting	(76)	(61)	703	566	1,813	(1,135)
Discounted	137	117	637	891	2,215	2,213
Underwriting Expenses	\$3,781	\$3,477	\$4,686	\$11,944	64,257	\$49,329
Net Underwriting Gain (Loss)	(\$3,664)	(\$2,306)	\$9,685	\$3,715	(\$34,190)	(\$31,462)
Administrative Expenses	\$69	\$92	\$61	\$222	\$1,308	\$1,039
Operating Result	(\$3,733)	(\$2,398)	\$9,624	\$3,493	(\$35,498)	(\$32,501)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	3.2%	-6.3%	-97.9%	-35.0%	-9.7%	-4.7%
Current Accident Year	95.9%	96.7%	94.5%	95.7%	93.1%	93.6%
All Accident Years Combined (Earned)	99.1%	90.4%	-3.4%	60.7%	83.4%	88.9%
Underwriting & Administrative Expenses (Earned)	28.2%	29.1%	34.1%	30.6%	36.2%	31.2%
Combined Operating Ratio	127.3%	119.5%	30.7%	91.3%	119.6%	120.1%

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 2019

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 3 Months Ended March 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$10,569	\$9,549	\$9,397	\$29,515	\$141,244	\$113,977
Decrease (Increase) in Unearned Premiums	(729)	(477)	695	(511)	(14,388)	(7,273)
Net Premiums Earned	\$9,840	\$9,072	\$10,092	\$29,004	\$126,856	\$106,704
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$92)	(\$79)	(\$10,395)	(\$10,566)	(\$10,566)	(\$14,506)
Effect of Discounting	(301)	(372)	1,181	508	(1,511)	(5,786)
Discounted	(\$393)	(\$451)	(\$9,214)	(\$10,058)	(\$12,077)	(\$20,292)
Current Accident Year:						
Undiscounted	\$10,631	\$9,795	\$11,262	\$31,688	\$137,860	\$117,039
Effect of Discounting	548	409	612	1,569	5,453	3,698
Discounted	\$11,179	\$10,204	\$11,874	\$33,257	\$143,313	120,737
Claims Incurred	\$10,786	\$9,753	\$2,660	\$23,199	\$131,236	\$100,445
Underwriting Expenses:						
Expense Allowance	\$3,286	\$2,970	\$2,924	\$9,180	\$43,928	\$33,858
Change in UPDR/DPAC:						
Undiscounted	65	66	787	918	3,466	1,227
Effect of Discounting	38	27	488	553	1,472	(63)
Discounted	103	93	1,275	1,471	4,938	1,164
Underwriting Expenses	\$3,389	\$3,063	\$4,199	\$10,651	\$48,866	\$35,022
Net Underwriting Gain (Loss)	(\$4,335)	(\$3,744)	\$3,233	(\$4,846)	(\$53,246)	(\$28,763)
Administrative Expenses	\$69	\$92	\$62	\$223	\$1,435	\$1,054
Operating Result	(\$4,404)	(\$3,836)	\$3,171	(\$5,069)	(\$54,681)	(\$29,817)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-4.0%	-5.0%	-91.3%	-34.7%	-9.5%	-19.0%
Current Accident Year	113.6%	112.5%	117.7%	114.7%	113.0%	113.2%
All Accident Years Combined	109.6%	107.5%	26.4%	80.0%	103.5%	94.2%
Underwriting & Administrative Expenses (Earned)	35.1%	34.8%	42.2%	37.5%	39.7%	33.8%
Combined Operating Ratio	144.7%	142.3%	68.6%	117.5%	143.2%	128.0%

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