

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 045

DATE: JUNE 27, 2019

**SUBJECT: ALBERTA RISK SHARING POOLS
– MAY 2019 OPERATIONAL REPORT**

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

Please be advised that the May 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 March 31, 2019 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 **\$7.3 million unfavourable** impact on the month’s net result from operations, adding an estimated 10.7 points to the year-to-date Combined Operating Ratio (ending at 118.1%). The impact is summarized in the tables below ¹.

AB Grid	unfav / (fav) for the month and ytd						ytd EP 68,627 (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	565	(21)	544	3,515	-	4,059	0.8%	-	0.8%	5.1%	-	5.9%
CAY	628	41	669	780	-	1,449	0.9%	0.1%	1.0%	1.1%	-	2.1%
Prem Def	672	38	710	1,100	-	1,810	1.0%	0.1%	1.0%	1.6%	-	2.6%
TOTAL	1,865	58	1,923	5,395	-	7,318	2.7%	0.1%	2.8%	7.9%	-	10.7%

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 **\$3.4 million unfavourable** impact on the month's net result from operations, adding an estimated 7.0 points to the year-to-date Combined Operating Ratio (ending at 136.6%). The impact is summarized in the tables below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 48,182 (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	50	53	103	1,977	-	2,080	0.1%	0.1%	0.2%	4.1%	-	4.3%
CAY	98	12	110	499	-	609	0.2%	-	0.2%	1.0%	-	1.3%
Prem Def	98	(48)	50	640	-	690	0.2%	(0.1%)	0.1%	1.3%	-	1.4%
TOTAL	246	17	263	3,116	-	3,379	0.5%	-	0.5%	6.5%	-	7.0%

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 -\$12.4 million and the incurred loss ratio to the end of 5 months is 80.9%, as summarized in the table below.

AB-G RSP Summary of Financial Results (for month and year-to-date)

Amounts in \$000s	May 2019	May 2018	Year to date May 2019	Year to Date May 2018
Premium Written	18,933	13,749	72,544	57,385
Premium Earned	14,953	14,328	68,627	67,137
Incurred Losses	19,008	10,424	55,526	70,079
Underwriting & Admin Expense	7,734	4,745	25,509	23,371
Operating Result	(11,789)	(841)	(12,408)	(26,313)
Ratios:				
Loss ratio - Prior Accident Years	24.7%	(24.6%)	(15.9%)	6.8%
- Current Accident Year	102.5%	97.4%	96.8%	97.6%
<i>Total</i>	127.2%	72.8%	80.9%	104.4%
Underwriting & Admin Expense	51.7%	33.1%	37.2%	34.8%
Combined Operating Ratio	178.9%	105.9%	118.1%	139.2%

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 -\$44.0 million and the estimated combined operating ratio to December 2019 is 124.3%, as summarized in the table at the top of the next page.

*AB-G RSP Summary of **Projected Year-end Financial Results** (current month's projection, prior month's projection, and Outlook posted last fall)*

AB Grid RSP 2019 Yr-end Projection Amounts in \$000s	Current (May 2019)	Prior Mth (Apr 2019)	Change	Final 2019 Outlook*
Premium Written	200,368	199,291	1,077	158,031
Premium Earned	180,850	180,970	(120)	158,085
Incurred Losses	157,783	150,752	7,031	144,374
Underwriting & Admin Expense	67,039	65,474	1,565	51,933
Net Result from Operations	(43,972)	(35,256)	(8,716)	(38,222)
Ratios:				
Loss ratio - Prior Accident Years	(8.0%)	(9.9%)	1.9%	(3.1%)
- Current Accident Year	95.2%	93.2%	2.0%	94.4%
<i>Total</i>	87.2%	83.3%	3.9%	91.3%
Underwriting & Admin Expense	37.1%	36.2%	0.9%	32.9%
Combined Operating Ratio	124.3%	119.5%	4.8%	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 deteriorated by \$8.7 million from the projection provided last month (see the second and third columns in the table), and included the overall \$8.3 million unfavourable impact of the valuation as at March 31, 2019, 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 180,850 (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	565	(126)	439	2,961	-	3,400	0.3%	(0.1%)	0.2%	1.6%	-	1.9%
CAY	1,637	173	1,810	1,815	-	3,625	0.9%	0.1%	1.0%	1.0%	-	2.0%
Prem Def	-	-	-	1,306	-	1,306	-	-	-	0.7%	-	0.7%
TOTAL	2,202	47	2,249	6,082	-	8,331	1.2%	-	1.2%	3.4%	-	4.6%

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$11.8 million Operating Result in the month of May 2019, a deterioration of \$11.0 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 105.9% to 178.9% applied to \$15.0 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 101.1% at the end of 4 months to 118.1% at the end of 5 months. The 17.0 percentage point increase is composed of an 11.3 percentage point increase in the Prior Accident Years loss ratio, coupled with a 1.6 percentage point increase in the Current Accident Year loss ratio, and a 4.1 percentage point increase in the expense ratio.

Variances from Projections

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

AB-G RSP Summary of Actual vs Projected variances

May 2019	Actual	Projection	Difference	Difference %
Written Premium	18,933	18,920	13	0.1%
Earned Premium	14,953	15,128	(175)	(1.2%)
Reported Losses				
Paid Losses	10,654	10,187	467	4.6%
Paid Expenses	298	863	(565)	(65.5%)
Change in Outstanding Losses	(2,960)	(740)	(2,220)	300.0%
Total Reported Losses	7,992	10,310	(2,318)	(22.5%)
Change in IBNR Provision*	11,016	3,225	7,791	
Change in Premium Deficiency (DPAC)*	1,766	(44)	1,810	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP May 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 May 2019, reported losses were \$2.3 million lower than projected. The Current Accident Year reported a favourable variance of \$1.2 million, and the Prior Accident Years reported a favourable variance of \$1.1 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.

Effect of Quarterly Valuation

The May 2019 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at March 31, 2019, with the associated impacts in relation to the results for May 2019 summarized in the table at the top of the next page.

AB Grid	unfav / (fav) for the month and ytd						mth EP 14,953 (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	565	(21)	544	3,515	-	4,059	3.8%	(0.1%)	3.6%	23.5%	-	27.1%
CAY	628	41	669	780	-	1,449	4.2%	0.3%	4.5%	5.2%	-	9.7%
Prem Def	672	38	710	1,100	-	1,810	4.5%	0.3%	4.7%	7.4%	-	12.1%
TOTAL	1,865	58	1,923	5,395	-	7,318	12.5%	0.4%	12.9%	36.1%	-	48.9%

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$1.9 million unfavourable impact – see column [3] in the left table above), augmented by the impact due to a 49 basis point decrease in the selected discount rate (from 1.93% to 1.44% generating a \$5.4 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 no changes to margins for adverse deviation for claims development² (hence \$0 in column [5] in the left table above).

Management has observed unfavourable *total* valuation impacts over the last 12 valuation implementations as shown in column [5] of the table 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: 2019 Q1		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 [4])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
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%)
2019 Q1	May 2019	1,865	58	5,395	-	7,318	434,451	1.7%	0.4%
12-qtrs		42,959	7,779	(9,083)	(2,854)	38,801			
% of total		110.7%	20.0%	(23.4%)	(7.4%)	100.0%			
7 unfavourable (nominal) valuations							5 impacts were outside of 2.5%		
Averages									
12-qtrs		3,580	648	(757)	(238)	3,233	407,154	0.8%	0.9%
2016 Q2 to 2018 Q1		8,381	1,065	(1,753)	(220)	7,472	399,787	1.9%	2.1%
2018 Q2 to 2019 Q1		(6,022)	(185)	1,236	(273)	(5,243)	421,889	(1.2%)	(1.4%)

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the

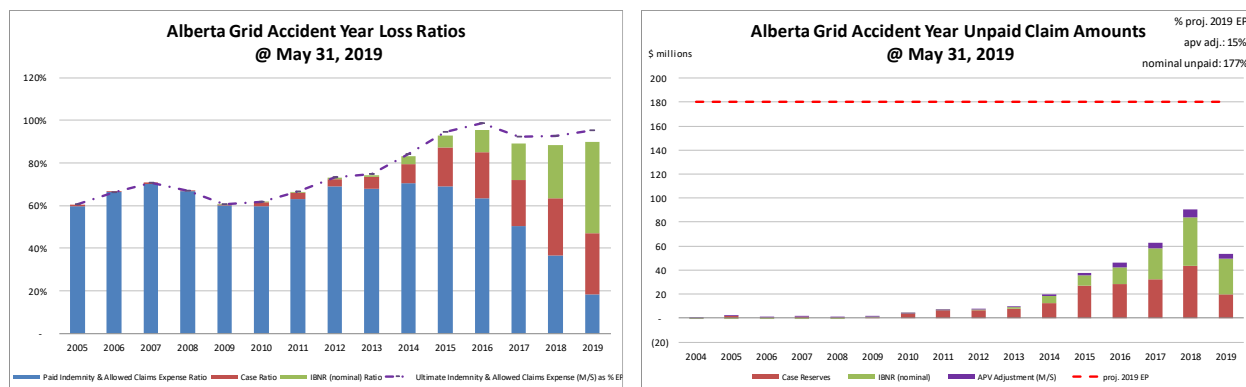
²Our usual practice is to only update margins for adverse deviation for claims development (selected at the coverage / accident year level) at the June 30 valuation.

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:

- (i) **Best estimate measurement:** This objective has not been met, as the 12-quarter nominal change in column [1] is \$43.0 million unfavourable. That said, the average unfavourable impact over the 12 quarters at \$3.6 million (nominal only) represents 0.9% 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, with 5 individual valuations showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above, being higher than our expectation (0).
- (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 (3 to 5 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 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 May 2019 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at March 31, 2019 is expected to be posted in July 2019. The actuarial valuation will be updated next as at June 30, 2019 and we anticipate that the results will be reflected in the August 2019 Operational Report.

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.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$17.6 million and the incurred loss ratio to the end of 5 months is 98.0%, as summarized in the table below.

AB-N RSP Summary of Financial Results (for month and year-to-date)

Amounts in \$000s	May 2019	May 2018	Year to date May 2019	Year to Date May 2018
Premium Written	11,278	15,231	50,314	47,372
Premium Earned	9,948	8,810	48,182	41,063
Incurred Losses	13,775	11,853	47,198	41,005
Underwriting & Admin Expense	4,567	6,705	18,595	18,225
Operating Result	(8,394)	(9,748)	(17,611)	(18,167)
Ratios:				
Loss ratio - Prior Accident Years	18.3%	10.1%	(18.8%)	(16.9%)
- Current Accident Year	120.2%	124.5%	116.8%	116.8%
<i>Total</i>	138.5%	134.6%	98.0%	99.9%
<i>Underwriting & Admin Expense</i>	45.9%	76.1%	38.6%	44.4%
<i>Combined Operating Ratio</i>	184.4%	210.7%	136.6%	144.3%

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 -\$58.1 million and the estimated combined operating ratio to December 2019 is 147.3%, as summarized in the table at the top of the next page.

*AB-N RSP Summary of **Projected Year-end Financial Results** (current month's projection, prior month's projection, and Outlook posted last fall)*

AB Non-Grid RSP 2019 Yr-end Proj. Amounts in \$000s	Current (May 2019)	Prior Mth (Apr 2019)	Change	Final 2019 Outlook*
Premium Written	139,230	137,884	1,346	141,592
Premium Earned	122,827	124,097	(1,270)	124,625
Incurred Losses	130,266	128,243	2,023	137,538
Underwriting & Admin Expense	50,671	49,084	1,588	50,104
Net Result from Operations	(58,110)	(53,230)	(4,881)	(63,017)
Ratios:				
Loss ratio - Prior Accident Years	(8.8%)	(10.1%)	1.3%	(2.6%)
- Current Accident Year	114.8%	113.5%	1.3%	113.0%
<i>Total</i>	106.0%	103.4%	2.6%	110.4%
Underwriting & Admin Expense	41.3%	39.6%	1.7%	40.2%
Combined Operating Ratio	147.3%	143.0%	4.3%	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 deteriorated by \$4.9 million from the projection provided last month (see the second and third columns in the table), and included the overall \$4.1 million unfavourable impact of the valuation as at March 31, 2019, 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 122,827 (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	50	18	68	1,696	-	1,764	-	-	0.1%	1.4%	-	1.4%
CAY	247	197	444	1,117	-	1,561	0.2%	0.2%	0.4%	0.9%	-	1.3%
Prem Def	-	(67)		801	-	734	-	(0.1%)	(0.1%)	0.7%	-	0.6%
TOTAL	297	148	445	3,614	-	4,059	0.2%	0.1%	0.4%	2.9%	-	3.3%

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$8.4 million Operating Result in the month of May 2019, an improvement of \$1.4 million from the same month last year. This improvement is composed of a \$2.6 million improvement stemming from the overall decrease in the combined ratio (from 210.7% to 184.4% applied to 9.9 million in earned premium), offset by an approximately \$1.2 million unfavourable impact associated with the \$1.1 million increase in earned premium (at a combined ratio of 210.7%). 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 124.2% at the end of 4 months to 136.6% at the end of 5 months. The 12.4 percentage point increase is composed of a 9.6 percentage point increase in the Prior Accident Years loss ratio, coupled with a 0.9 percentage

point increase in the Current Accident Year loss ratio, and a 1.9 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.

AB-N RSP Summary of Actual vs Projected variances

May 2019	Actual	Projection	Difference	Difference %
Written Premium	11,278	12,559	(1,281)	(10.2%)
Earned Premium	9,948	10,184	(236)	(2.3%)
Reported Losses				
Paid Losses	6,023	7,727	(1,704)	(22.1%)
Paid Expenses	278	460	(182)	(39.6%)
Change in Outstanding Losses	(648)	(362)	(286)	79.0%
Total Reported Losses	5,653	7,825	(2,172)	(27.8%)
Change in IBNR Provision*	8,122	3,404	4,718	
Change in Premium Deficiency (DPAC)*	977	452	525	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP May 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 May 2019, reported losses were \$2.2 million lower than projected. The Current Accident Year had a \$1.2 million favourable variance in reported losses, and the Prior Accident Years had a \$1.0 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 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 May 2019 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at March 31, 2019, with the associated impacts in relation to the results for May 2019 summarized in the tables at the top of the next page.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 9,948 (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	50	53	103	1,977	-	2,080	0.5%	0.5%	1.0%	19.9%	-	20.9%
CAY	98	12	110	499	-	609	1.0%	0.1%	1.1%	5.0%	-	6.1%
Prem Def	98	(48)	50	640	-	690	1.0%	(0.5%)	0.5%	6.4%	-	6.9%
TOTAL	246	17	263	3,116	-	3,379	2.5%	0.2%	2.6%	31.3%	-	34.0%

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.3 million unfavourable impact – see column [3] in the left table above), augmented by the impact due to a 47 basis point decrease in the selected discount rate (from 1.93% to 1.46% generating a \$3.1 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 no changes to margins for adverse deviation for claims development⁴ (hence \$0 in column [5] in the left table above).

Management has observed unfavourable *total* valuation impacts over the last 12 valuation implementations as shown in column [5] of the table 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: 2019 Q1		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 [4])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
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%)
2019 Q1	May 2019	246	17	3,116	-	3,379	271,962	1.2%	0.1%
12-qtrs	-	15,082	3,924	(5,097)	(1,538)	12,371			
% of total		121.9%	31.7%	(41.2%)	(12.4%)	100.0%			
8 unfavourable (nominal) valuations							5 impacts were outside of 2.5%		
Averages									
12-qtrs		1,257	327	(425)	(128)	1,031	253,179	0.4%	0.5%
2016 Q2 to 2018 Q1		4,607	524	(1,006)	(130)	3,995	246,642	1.6%	1.9%
2018 Q2 to 2019 Q1		(5,443)	(67)	737	(124)	(4,897)	266,254	(1.8%)	(2.0%)

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the

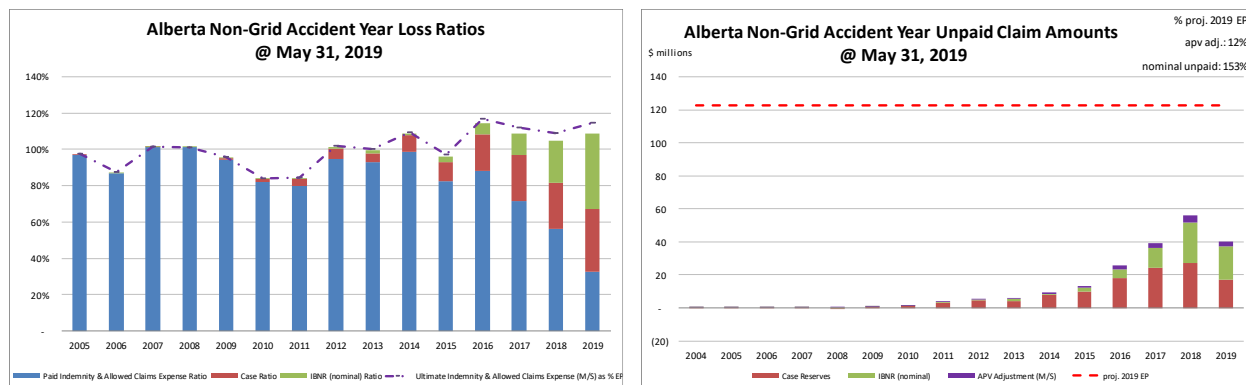
⁴Our usual practice is to only update margins for adverse deviation for claims development (selected at the coverage / accident year level) at the June 30 valuation.

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 liabilities⁵, 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 \$15.1 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, with 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, being higher than our expectation (0).
- (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 (3 to 5 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 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.

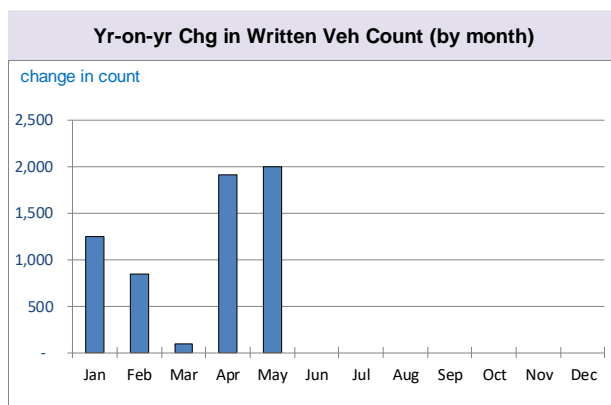


The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP May 2019 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at March 31, 2019 is expected to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

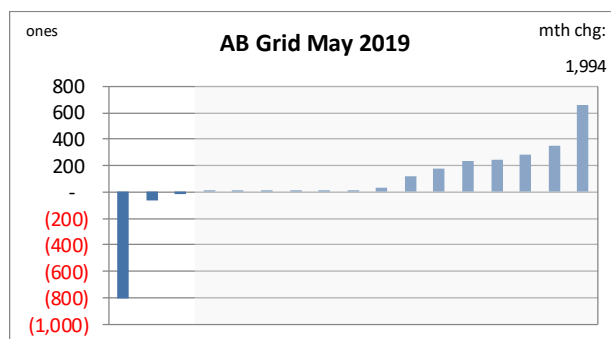
⁵We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.

Management Comments

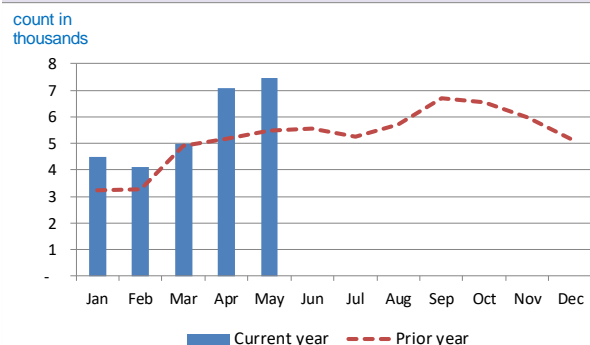
Alberta Grid



The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid RSP by month, with May showing an increase of 1,994 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 2,080 vehicles, indicating a variance of 86 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the RSP in May than projected.

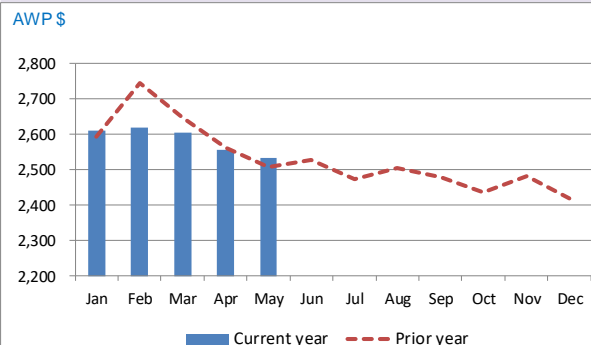


Written Vehicle Count (by month)



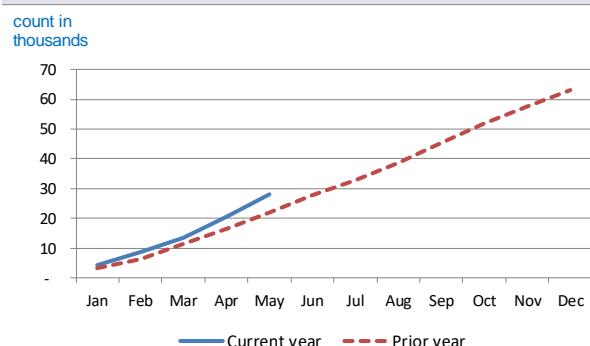
	May-19	May-18	Amt Chg	% Chg
W. Veh curr mth	7,475	5,482	1,994	36.4%

Average Written Premium (by month)



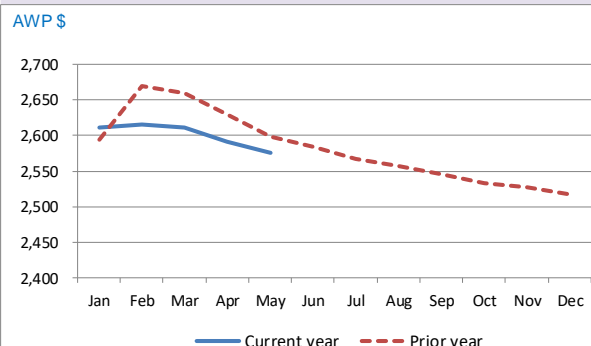
	May-19	May-18	Amt Chg	% Chg
AWP curr mth	2,533	2,508	25	1.0%

Written Vehicle Count (YTD)



	May-19	May-18	Amt Chg	% Chg
W. Vehicles YTD	28,157	22,076	6,080	27.5%

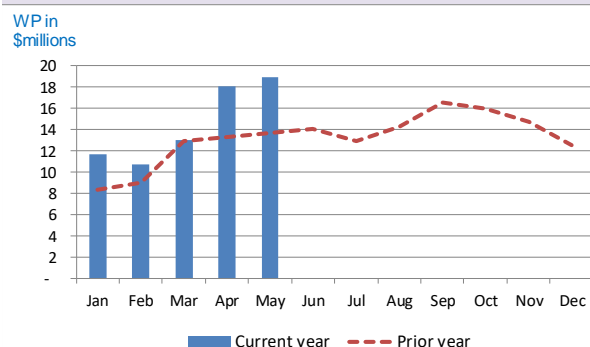
Avg Written Premium (YTD)



	May-19	May-18	Amt Chg	% Chg
Avg W. Prem YTD	2,576	2,599	(23)	-0.9%

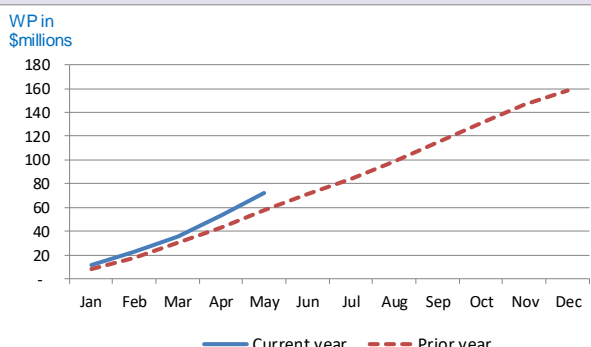
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 37.7% for the month compared with the 37.6% increase we projected last month, and was up 26.4% year-to-date (see charts below).

Written Premium (by month)



	May-19	May-18	Amt Chg	% Chg
WP (\$000s) curr mth	18,933	13,749	5,183	37.7%

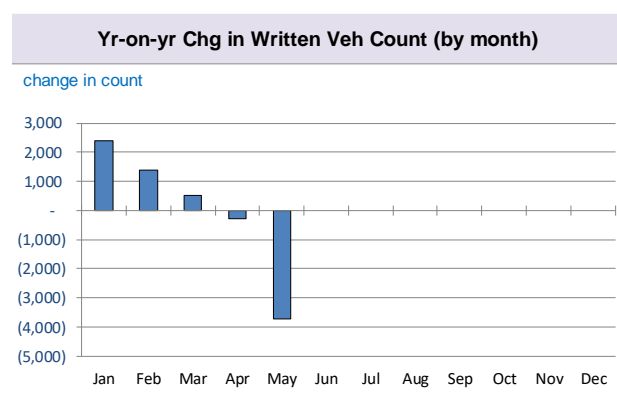
Written Premium (YTD)



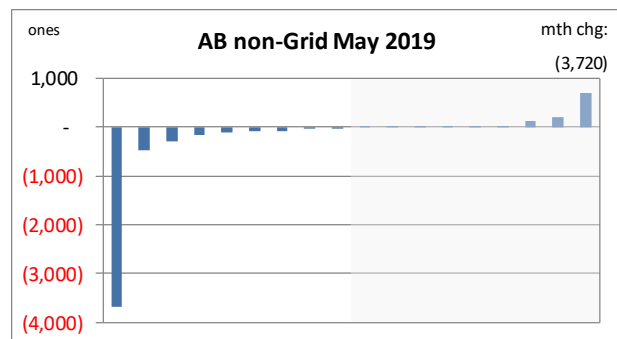
	May-19	May-18	Amt Chg	% Chg
WP (\$000s) YTD	72,543	57,385	15,158	26.4%

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 13.8% from 2018**, being 3.0% 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.

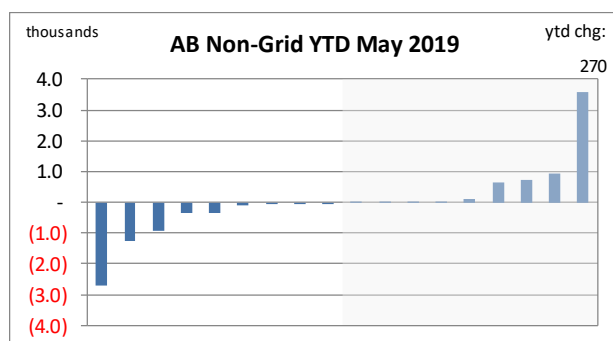


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid RSP by month, with May showing a decrease of 3,720 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 2,521 vehicles, indicating a variance of 1,199 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the RSP in May than projected.



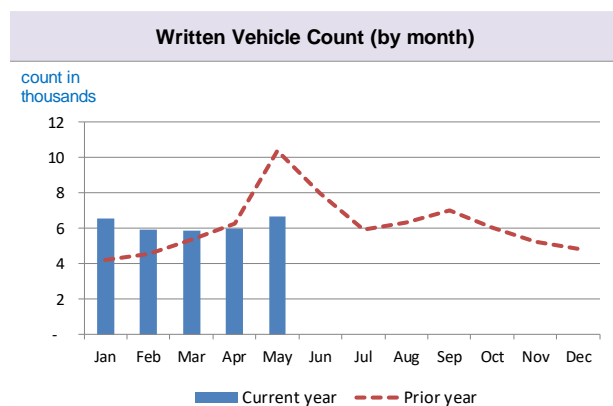
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the RSP this month compared to a year ago, while nine transferred more. Of the 9 member company groups transferring fewer vehicles, 1 member company group accounted for 76% of

the total transfer decrease for these “decliner” members. Of the 9 member company groups transferring more vehicles, 1 member company group accounted for 63% of the total transfers increase for these “grower” members.

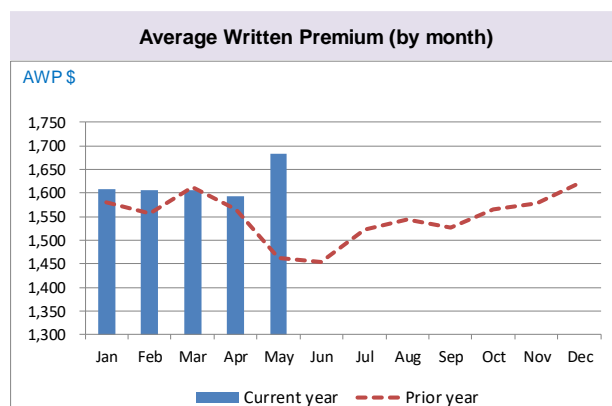


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

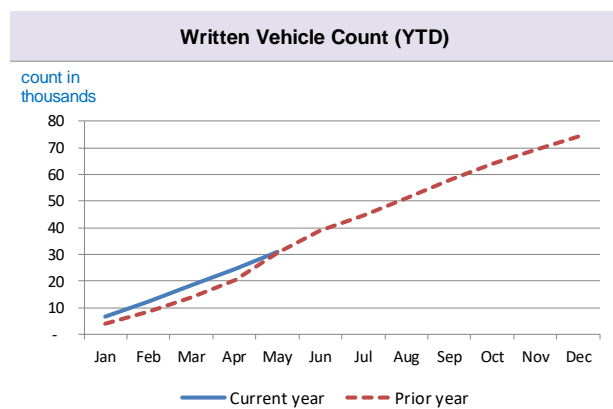
May's vehicle count transfers to the RSP represent a 35.7% decrease from May 2018, but counts were up 0.9% year-to-date. Average written premium was up 15.2% in May 2019 compared with the same month in 2018, and were up 5.3% year-to-date (see charts below).



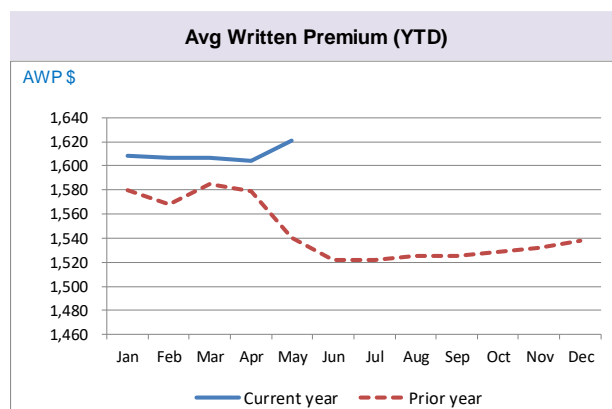
	May-19	May-18	Amt Chg	% Chg
W. Veh curr mth	6,696	10,416	(3,720)	-35.7%



	May-19	May-18	Amt Chg	% Chg
AWP curr mth	1,684	1,462	222	15.2%

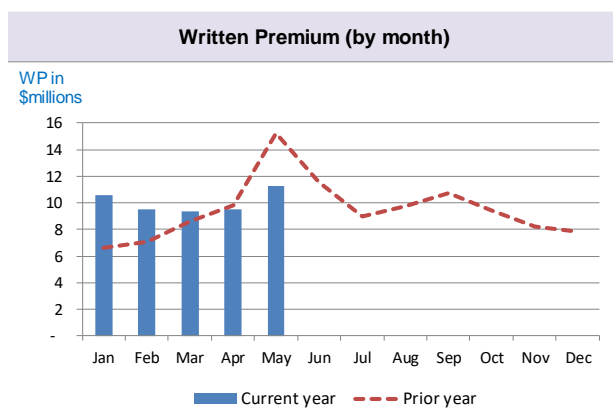


	May-19	May-18	Amt Chg	% Chg
W. Vehicles YTD	31,039	30,769	270	0.9%

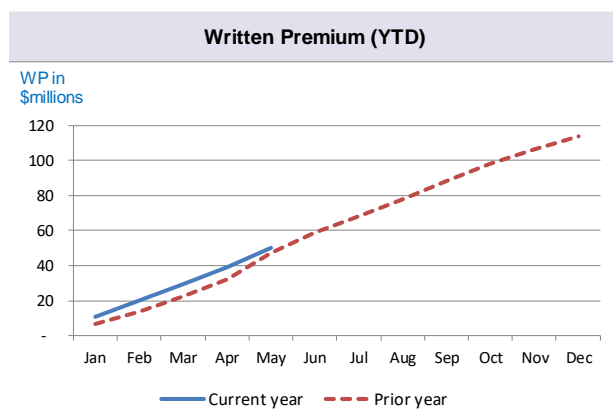


	May-19	May-18	Amt Chg	% Chg
Avg W. Prem YTD	1,621	1,540	81	5.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 26.0% for the month compared with the 17.5% decrease we projected last month, but was up 6.2% year-to-date (see charts at the top of the next page).



	May-19	May-18	Amt Chg	% Chg
WP (\$000s) curr mth	11,278	15,231	(3,953)	-26.0%



	May-19	May-18	Amt Chg	% Chg
WP (\$000s) YTD	50,313	47,372	2,941	6.2%

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 May 2019 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 5 Months Ended May 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:								
Net Premiums Written	\$11,700	\$10,771	\$13,009	\$18,131	\$18,933	\$72,544	\$200,368	\$158,547
Decrease (Increase) in Unearned Premiums	1,935	1,482	893	(4,247)	(3,980)	(3,917)	(19,518)	3,021
Net Premiums Earned	\$13,635	\$12,253	\$13,902	\$13,884	\$14,953	\$68,627	\$180,850	\$161,568
Claims Incurred:								
Prior Accident Years:								
Undiscounted	(\$336)	(\$453)	(\$15,477)	(\$157)	\$554	(\$15,869)	(\$15,869)	\$555
Effect of Discounting	779	(315)	1,873	(506)	3,132	\$4,963	1,413	(8,142)
Discounted	\$443	(\$768)	(\$13,604)	(\$663)	\$3,686	(\$10,906)	(\$14,456)	(\$7,587)
Current Accident Year:								
Undiscounted	\$12,482	\$11,366	\$12,301	\$12,485	\$13,919	\$62,553	\$163,214	\$146,295
Effect of Discounting	593	484	834	565	1,403	\$3,879	9,025	4,993
Discounted	\$13,075	\$11,850	\$13,135	\$13,050	\$15,322	\$66,432	\$172,239	\$151,288
Claims Incurred	\$13,518	\$11,082	(\$469)	\$12,387	\$19,008	\$55,526	\$157,783	\$143,701
Underwriting Expenses:								
Expense Allowance	\$3,644	\$3,360	\$4,049	\$5,645	\$5,889	\$22,587	\$62,341	\$47,116
Change in UPDR/DPAC:								
Undiscounted	213	178	(66)	(328)	424	421	312	3,348
Effect of Discounting	(76)	(61)	703	213	1,342	2,121	3,171	(1,135)
Discounted	137	117	637	(115)	1,766	2,542	3,483	2,213
Underwriting Expenses	\$3,781	\$3,477	\$4,686	\$5,530	\$7,655	\$25,129	65,824	\$49,329
Net Underwriting Gain (Loss)	(\$3,664)	(\$2,306)	\$9,685	(\$4,033)	(\$11,710)	(\$12,028)	(\$42,757)	(\$31,462)
Administrative Expenses	\$69	\$92	\$61	\$79	\$79	\$380	\$1,215	\$1,039
Operating Result	(\$3,733)	(\$2,398)	\$9,624	(\$4,112)	(\$11,789)	(\$12,408)	(\$43,972)	(\$32,501)
Ratios:								
Claims & Expenses Incurred (Earned)								
Prior Accident Years	3.2%	-6.3%	-97.9%	-4.8%	24.7%	-15.9%	-8.0%	-4.7%
Current Accident Year	95.9%	96.7%	94.5%	94.0%	102.5%	96.8%	95.2%	93.6%
All Accident Years Combined (Earned)	99.1%	90.4%	-3.4%	89.2%	127.2%	80.9%	87.2%	88.9%
Underwriting & Administrative Expenses (Earned)	28.2%	29.1%	34.1%	40.4%	51.7%	37.2%	37.1%	31.2%
Combined Operating Ratio	127.3%	119.5%	30.7%	129.6%	178.9%	118.1%	124.3%	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 5 Months Ended May 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:								
Net Premiums Written	\$10,569	\$9,549	\$9,397	\$9,521	\$11,278	\$50,314	\$139,230	\$113,977
Decrease (Increase) in Unearned Premiums	(729)	(477)	695	(291)	(1,330)	(2,132)	(16,403)	(7,273)
Net Premiums Earned	\$9,840	\$9,072	\$10,092	\$9,230	\$9,948	\$48,182	\$122,827	\$106,704
Claims Incurred:								
Prior Accident Years:								
Undiscounted	(\$92)	(\$79)	(\$10,395)	(\$587)	(\$39)	(\$11,192)	(\$11,192)	(\$14,506)
Effect of Discounting	(301)	(372)	1,181	(229)	1,855	2,134	402	(5,786)
Discounted	(\$393)	(\$451)	(\$9,214)	(\$816)	\$1,816	(\$9,058)	(\$10,790)	(\$20,292)
Current Accident Year:								
Undiscounted	\$10,631	\$9,795	\$11,262	\$10,623	\$10,983	\$53,294	\$134,435	\$117,039
Effect of Discounting	548	409	612	417	976	2,962	6,621	3,698
Discounted	\$11,179	\$10,204	\$11,874	\$11,040	\$11,959	\$56,256	\$141,056	120,737
Claims Incurred	\$10,786	\$9,753	\$2,660	\$10,224	\$13,775	\$47,198	\$130,266	\$100,445
Underwriting Expenses:								
Expense Allowance	\$3,286	\$2,970	\$2,924	\$2,973	\$3,510	\$15,663	\$43,315	\$33,858
Change in UPDR/DPAC:								
Undiscounted	65	66	787	81	301	1,300	3,687	1,227
Effect of Discounting	38	27	488	21	676	1,250	2,330	(63)
Discounted	103	93	1,275	102	977	2,550	6,017	1,164
Underwriting Expenses	\$3,389	\$3,063	\$4,199	\$3,075	\$4,487	\$18,213	\$49,332	\$35,022
Net Underwriting Gain (Loss)	(\$4,335)	(\$3,744)	\$3,233	(\$4,069)	(\$8,314)	(\$17,229)	(\$56,771)	(\$28,763)
Administrative Expenses	\$69	\$92	\$62	\$79	\$80	\$382	\$1,339	\$1,054
Operating Result	(\$4,404)	(\$3,836)	\$3,171	(\$4,148)	(\$8,394)	(\$17,611)	(\$58,110)	(\$29,817)
Ratios:								
Claims & Expenses Incurred (Earned)								
Prior Accident Years	-4.0%	-5.0%	-91.3%	-8.8%	18.3%	-18.8%	-8.8%	-19.0%
Current Accident Year	113.6%	112.5%	117.7%	119.6%	120.2%	116.8%	114.8%	113.2%
All Accident Years Combined	109.6%	107.5%	26.4%	110.8%	138.5%	98.0%	106.0%	94.2%
Underwriting & Administrative Expenses (Earned)	35.1%	34.8%	42.2%	34.2%	45.9%	38.6%	41.3%	33.8%
Combined Operating Ratio	144.7%	142.3%	68.6%	145.0%	184.4%	136.6%	147.3%	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