

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER
ALBERTA RISK SHARING POOL PROJECT MANAGER

BULLETIN NO.: F2020 – 013

DATE: FEBRUARY 27, 2020

SUBJECT: ALBERTA RISK SHARING POOLS
– JANUARY 2020 OPERATIONAL REPORT

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

Please be advised that the January 2020 Alberta Risk Sharing Pools Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Key Points

- (a) the *Alberta Grid January 2020 net operating deficit was \$3.2 million*, with a COR of 118.2% on earned premium of \$17.4 million;
- (b) the *Alberta Non-Grid January 2020 net operating deficit was \$4.7 million*, with a COR of 144.6% on earned premium of \$10.6 million;
- (c) the *projected Alberta Grid 2020 year-end net operating deficit is now \$53 million*, with a COR at 124.1% on earned premium of \$220 million (our Outlook for 2020 was \$55 million of net operating deficit with a COR of 124.6% on earned premium of \$225 million); and
- (d) the *projected Alberta Non-Grid 2020 year-end net operating deficit is now \$62 million*, with a COR at 145.4% on earned premium of \$138 million (our Outlook for 2020 was \$64 million of net operating deficit with a COR of 144.7% on earned premium of \$143 million).

Alberta Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$3.2 million and the incurred loss ratio to the end of 1 month is 95.8%, as summarized in the table at the top of the next page.

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Alberta Risk Sharing Pools – January 2020 Operational Reports

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

Amounts in \$000s	January 2020	January 2019	Year to date Jan 2020	Year to Date Jan 2019
Premium Written	11,789	11,700	11,789	11,700
Premium Earned	17,421	13,635	17,421	13,635
Incurred Losses	16,698	13,518	16,698	13,518
Underwriting & Admin Expense	3,902	3,850	3,902	3,850
Operating Result	(3,179)	(3,733)	(3,179)	(3,733)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(1.5%)	3.2%	(1.5%)	3.2%
- Current Accident Year	97.3%	95.9%	97.3%	95.9%
<i>Total</i>	95.8%	99.1%	95.8%	99.1%
<i>Underwriting & Admin Expense</i>	22.4%	28.2%	22.4%	28.2%
<i>Combined Operating Ratio</i>	118.2%	127.3%	118.2%	127.3%

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 (Alberta Grid RSP)

The projected calendar year Operating Result to December 2020 is -\$53.0 million and the estimated combined operating ratio to December 2020 is 124.1%, as summarized in the table at the top of the next page for the Alberta Grid RSP. This updated projection to the end of the year has improved by \$1.7 million from the projection provided last month (see the second and third columns in the table). The improvement is driven by the \$7.3 million decrease in the projected written premium for the year and the associated impacts on earned premium, claims, and expense projections. The updated written premium projection reflects information provided by certain members.

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 2020 Yr-end Projection Amounts in \$000s	Current (Jan 2020)	Prior Mth (Dec 2019)	Change	Final 2020 Outlook*
Premium Written	224,306	231,564	(7,258)	234,342
Premium Earned	220,115	226,426	(6,311)	225,066
Incurred Losses	201,797	207,584	(5,787)	206,262
Underwriting & Admin Expense	71,352	73,564	(2,212)	74,288
Net Result from Operations	(53,034)	(54,722)	1,688	(55,484)
Ratios:				
Loss ratio - Prior Accident Years	(2.9%)	(2.8%)	(0.1%)	(2.8%)
- Current Accident Year	94.6%	94.4%	0.2%	94.4%
<i>Total</i>	91.7%	91.6%	0.1%	91.6%
Underwriting & Admin Expense	32.4%	32.5%	(0.1%)	33.0%
Combined Operating Ratio	124.1%	124.1%	-	124.6%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

Current Month Results (Alberta Grid RSP)

The Alberta Grid Risk Sharing Pool produced a -\$3.2 million Operating Result in the month of January 2020, an improvement of \$0.6 million compared with the same month last year. This improvement is composed of a \$1.0 million unfavourable impact associated with the \$3.7 million increase in earned premium (at a combined ratio of 127.3%), offset by a \$1.6 million favourable impact from the overall decrease in the combined ratio (from 127.3% to 118.2% applied to \$17.4 million in earned premium).

Variances from Projections (Alberta Grid RSP)

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.

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Alberta Risk Sharing Pools – January 2020 Operational Reports

Alberta Grid RSP Summary of Actual vs Projected variances

January 2020	Actual	Projection	Difference	Difference %
Written Premium	11,789	15,213	(3,424)	(22.5%)
Earned Premium	17,421	18,063	(642)	(3.6%)
Reported Losses				
Paid Losses	9,127	11,416	(2,289)	(20.1%)
Paid Expenses	301	302	(1)	(0.3%)
Change in Outstanding Losses	7,567	2,134	5,433	254.6%
Total Reported Losses	16,995	13,852	3,143	22.7%
Change in IBNR Provision*	(297)	3,290	(3,587)	
Change in Premium Deficiency (DPAC)*	226	115	111	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP January 2020 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 2020, the reported losses were \$3.1 million higher projected. The Current Accident Year had a \$0.2 million favourable variance in reported losses, while the Prior Accident Years had a \$3.3 million unfavourable variance. Accident year 2019 had the largest variance of \$1.4 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 Grid RSP January 2020 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation (Alberta Grid RSP)

The January 2020 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, 2019). The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$4.7 million and the incurred loss ratio to the end of 1 month is 109.4%, as summarized in the table below.

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

Amounts in \$000s	January 2020	January 2019	Year to date Jan 2020	Year to Date Jan 2019
Premium Written	11,535	10,569	11,535	10,569
Premium Earned	10,617	9,840	10,617	9,840
Incurred Losses	11,621	10,786	11,621	10,786
Underwriting & Admin Expense	3,741	3,458	3,741	3,458
Operating Result	(4,745)	(4,404)	(4,745)	(4,404)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(5.8%)	(4.0%)	(5.8%)	(4.0%)
- Current Accident Year	115.2%	113.6%	115.2%	113.6%
<i>Total</i>	109.4%	109.6%	109.4%	109.6%
<i>Underwriting & Admin Expense</i>	35.2%	35.1%	35.2%	35.1%
<i>Combined Operating Ratio</i>	144.6%	144.7%	144.6%	144.7%

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 (Alberta Non-Grid RSP)

The projected calendar year Operating Result to December 2020 is -\$62.4 million and the estimated combined operating ratio to December 2020 is 145.4%, as summarized in the table at the top of the next page for Alberta Non-Grid RSP. This updated projection to the end of the year has improved by \$0.8 million from the projection provided last month (see the second and third columns in the table). This improvement is driven by the \$2.0 million decrease in the projected written premium for the year and the associated impacts on earned premium, claims, and expense projections. The updated written premium projection reflects information provided by certain members.

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 2020 Yr-end Proj. Amounts in \$000s	Current (Jan 2020)	Prior Mth (Dec 2019)	Change	Final 2020 Outlook*
Premium Written	149,089	151,129	(2,040)	152,744
Premium Earned	137,610	139,162	(1,552)	143,093
Incurred Losses	150,014	151,661	(1,647)	156,090
Underwriting & Admin Expense	50,024	50,728	(704)	50,912
Net Result from Operations	(62,428)	(63,227)	799	(63,909)
Ratios:				
Loss ratio - Prior Accident Years	(2.9%)	(2.8%)	(0.1%)	(2.7%)
- Current Accident Year	111.9%	111.8%	0.1%	111.8%
<i>Total</i>	109.0%	109.0%	-	109.1%
Underwriting & Admin Expense	36.4%	36.5%	(0.1%)	35.6%
Combined Operating Ratio	145.4%	145.5%	(0.1%)	144.7%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

Current month results (Alberta Non-Grid RSP)

The Alberta Non-Grid Risk Sharing Pool produced a -\$4.7 million Operating Result in the month of January 2020, a deterioration of \$0.3 million compared with the same month last year. This deterioration is mainly a result of the \$0.8 million increase in earned premium (at a combined ratio of 144.7%).

Variations from Projections (Alberta Non-Grid RSP)

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

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Alberta Risk Sharing Pools – January 2020 Operational Reports

Alberta Non-Grid RSP Summary of Actual vs Projected variances

January 2020	Actual	Projection	Difference	Difference %
Written Premium	11,535	11,372	163	1.4%
Earned Premium	10,617	10,835	(218)	(2.0%)
Reported Losses				
Paid Losses	8,783	7,393	1,390	18.8%
Paid Expenses	232	262	(30)	(11.5%)
Change in Outstanding Losses	(228)	2,162	(2,390)	(110.5%)
Total Reported Losses	8,787	9,817	(1,030)	(10.5%)
Change in IBNR Provision*	2,834	2,169	665	
Change in Premium Deficiency (DPAC)*	143	86	57	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP January 2020 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 2020, reported losses were \$1.0 million lower than projected. The Current Accident Year had a \$0.3 million favourable variance in reported losses and the Prior Accident Years had a \$0.7 million favourable variance. Of all the Prior Accident Years, Accident Year 2019 had the largest variance of \$1.5 million unfavourable followed by Accident Year 2017 with a \$1.2 million favourable variance; 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

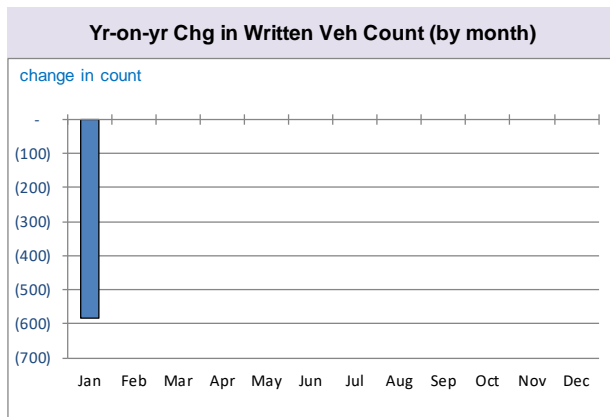
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 2020 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation (AB-N RSP)

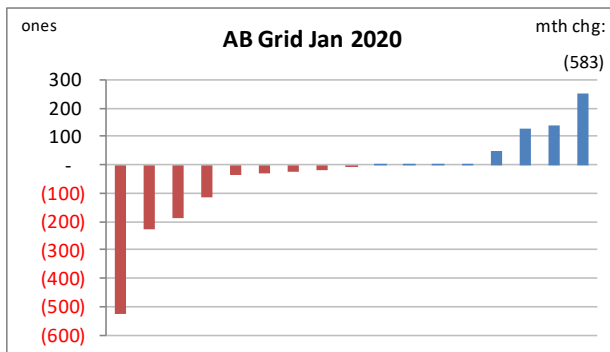
The January 2020 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2019). The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

Management Comments

Alberta Grid



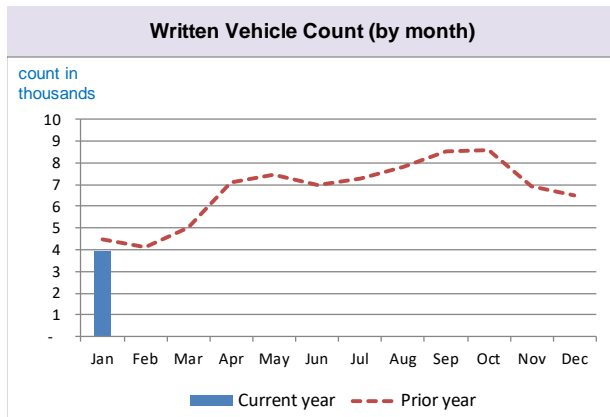
The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid RSP by month, with January showing a decrease of 583 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 851 vehicles, indicating a variance of 1,434 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles than projected to the RSP in January.



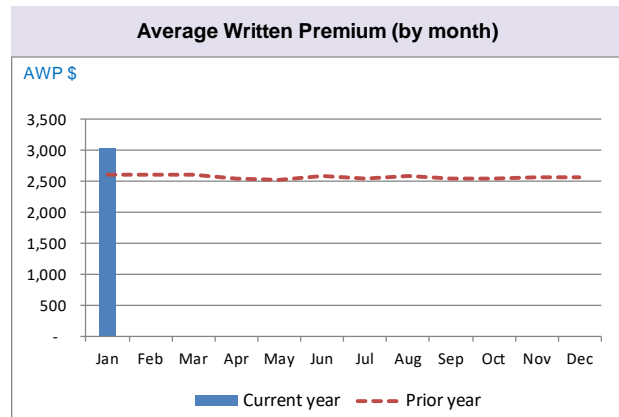
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while eight transferred more. Of the 9 member company groups transferring fewer vehicles, 1 member company group accounted for 45% of the total transfer decrease for these “decliner” members.

Of the 8 member company groups transferring more vehicles, 2 member company groups accounted for 68% of the total transfer increases for these “grower” members.

January’s vehicle count transfers to the RSP represent a 13.0% decrease from January 2019. Average written premium was up significantly by 15.8% in January 2020 compared with the same month in 2019 due to Grid rate increase effective January 2020 (see charts at the top of the next page).

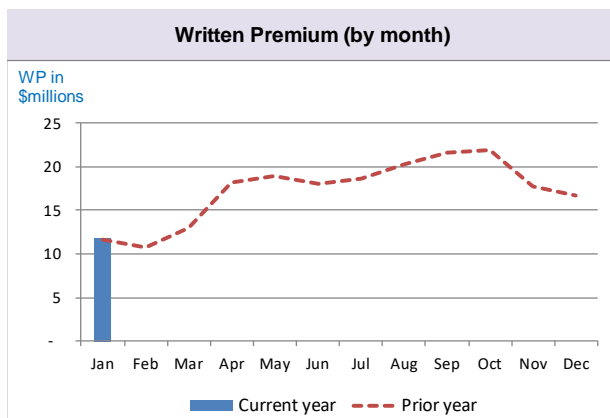


	Jan-20	Jan-19	Amt Chg	% Chg
W. Veh curr mth	3,896	4,479	(583)	-13.0%



	Jan-20	Jan-19	Amt Chg	% Chg
AWP curr mth	3,026	2,612	414	15.8%

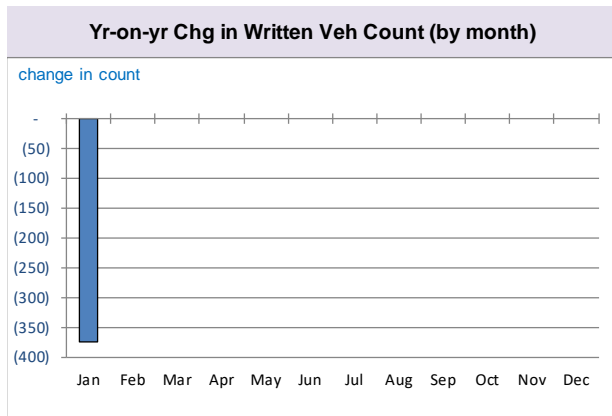
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 0.8% for the month compared with the 30.0% increase we projected last month (see chart below).



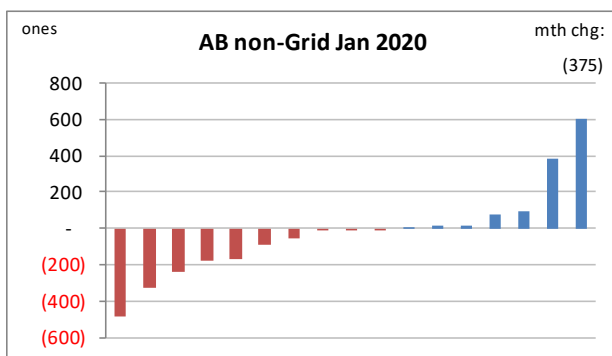
	Jan-20	Jan-19	Amt Chg	% Chg
WP (\$000s) curr mth	11,789	11,700	89	0.8%

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 2020 vehicle count up 14.0% from 2019, being 3.0% of the 2018 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count (as we don't have an industry count yet for 2019, we continue to use the 2018 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.

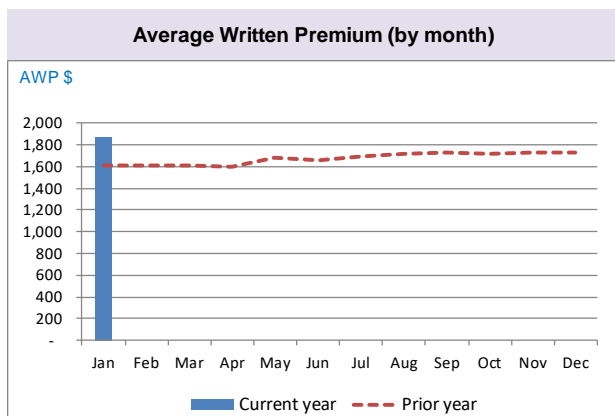
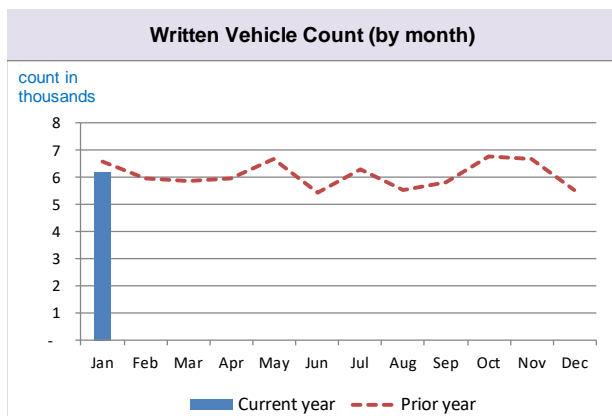


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid RSP by month, with January showing a decrease of 375 vehicles. This is fairly consistent with our projection last month (in part based on previous projections provided by select member company groups).



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. Ten member company groups transferred fewer vehicles to the RSP this month compared to a year ago, while seven transferred more. Of the 10 member company groups transferring fewer vehicles, 2 member company group accounted for 52% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 2 member company group accounted for 83% of the total transfers increase for these “grower” members.

January’s vehicle count transfers to the RSP represent a 5.7% decrease from January 2019. Average written premium was up 15.7% in January 2020 compared with the same month in 2019 (see charts below).



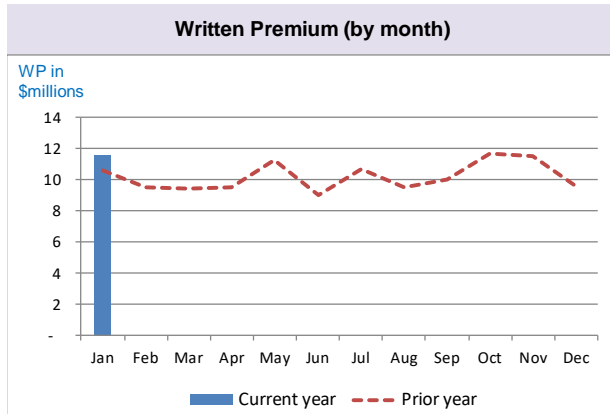
	Jan-20	Jan-19	Amt Chg	% Chg
W. Veh curr mth	6,199	6,574	(375)	-5.7%

	Jan-20	Jan-19	Amt Chg	% Chg
AWP curr mth	1,861	1,608	253	15.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 9.1% for the month compared with the 7.6% increase we projected

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last month (see chart below).



	Jan-20	Jan-19	Amt Chg	% Chg
WP (\$000s) curr mth	11,535	10,569	966	9.1%

Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson
 President & CEO

Related Links:

Alberta Grid RSP:

[Alberta Grid RSP January 2020 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP January 2020 Operational Report - Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2020

Risk Sharing Pool - Alberta (Grid)

EXHIBIT 1

Operating Results for the 1 Month Ended January 31, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$11,789	\$11,789	\$224,306	\$207,231
Decrease (Increase) in Unearned Premiums	5,632	5,632	(4,191)	(26,892)
Net Premiums Earned	\$17,421	\$17,421	\$220,115	\$180,339
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$178)	(\$178)	(\$178)	(\$29,152)
Effect of Discounting	(83)	(\$83)	(6,255)	(636)
Discounted	(\$261)	(\$261)	(\$6,433)	(\$29,788)
Current Accident Year:				
Undiscounted	\$15,776	\$15,776	\$197,186	\$153,840
Effect of Discounting	1,183	\$1,183	11,044	8,884
Discounted	\$16,959	\$16,959	\$208,230	\$162,724
Claims Incurred	\$16,698	\$16,698	\$201,797	\$132,936
Underwriting Expenses:				
Expense Allowance	\$3,590	\$3,590	\$68,195	\$64,494
Change in UPDR/DPAC:				
Undiscounted	583	583	1,366	(2,404)
Effect of Discounting	(357)	(357)	392	3,776
Discounted	226	226	1,758	1,372
Underwriting Expenses	\$3,816	\$3,816	69,953	65,866
Net Underwriting Gain (Loss)	(\$3,093)	(\$3,093)	(\$51,635)	(\$18,463)
Administrative Expenses	\$86	\$86	\$1,399	\$1,139
Operating Result	(\$3,179)	(\$3,179)	(\$53,034)	(\$19,602)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-1.5%	-1.5%	-2.9%	-16.5%
Current Accident Year	97.3%	97.3%	94.6%	90.2%
All Accident Years Combined (Earned)	95.8%	95.8%	91.7%	73.7%
Underwriting & Administrative Expenses (Earned)	22.4%	22.4%	32.4%	37.2%
Combined Operating Ratio	118.2%	118.2%	124.1%	110.9%

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 investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply

SUMMARY OF OPERATIONS - CALENDAR YEAR 2020

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 1 Month Ended January 31, 2020 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$11,535	\$11,535	\$149,089	\$122,354
Decrease (Increase) in Unearned Premiums	(918)	(918)	(11,479)	(6,597)
Net Premiums Earned	\$10,617	\$10,617	\$137,610	\$115,757
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$46)	(\$46)	(\$46)	(\$24,105)
Effect of Discounting	(565)	(565)	(3,941)	(784)
Discounted	(\$611)	(\$611)	(\$3,987)	(\$24,889)
Current Accident Year:				
Undiscounted	\$11,377	\$11,377	\$146,877	\$120,930
Effect of Discounting	855	855	7,124	5,956
Discounted	\$12,232	\$12,232	\$154,001	\$126,886
Claims Incurred	\$11,621	\$11,621	\$150,014	\$101,997
Underwriting Expenses:				
Expense Allowance	\$3,510	\$3,510	\$45,327	\$38,100
Change in UPDR/DPAC:				
Undiscounted	77	77	2,336	218
Effect of Discounting	66	66	922	1,595
Discounted	143	143	3,258	1,813
Underwriting Expenses	\$3,653	\$3,653	\$48,585	\$39,913
Net Underwriting Gain (Loss)	(\$4,657)	(\$4,657)	(\$60,989)	(\$26,153)
Administrative Expenses	\$88	\$88	\$1,439	\$1,169
Operating Result	(\$4,745)	(\$4,745)	(\$62,428)	(\$27,322)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-5.8%	-5.8%	-2.9%	-21.5%
Current Accident Year	115.2%	115.2%	111.9%	109.6%
All Accident Years Combined	109.4%	109.4%	109.0%	88.1%
Underwriting & Administrative Expenses (Earned)	35.2%	35.2%	36.4%	35.5%
Combined Operating Ratio	144.6%	144.6%	145.4%	123.6%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium 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