

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F17 – 005**

**DATE: JANUARY 30, 2017**

**SUBJECT: ALBERTA RISK SHARING POOLS  
– DECEMBER 2016 OPERATIONAL REPORT**

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

Please be advised that the December 2016 Alberta Risk Sharing Pools Operational Reports are now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

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

The calendar year-to-date Operating Result is -\$73.9 million and the incurred loss ratio to the end of 12 months is 119.5%, as summarized below.

<b>Amounts in \$000s</b>	<b>December 2016</b>	December 2015	<b>Year to date Dec 2016</b>	Year to Date Dec 2015
Premiums Written	10,453	7,620	148,473	138,309
Premiums Earned	12,365	11,679	131,820	146,208
Claims Incurred	10,318	8,368	157,533	108,619
General Expenses	2,772	2,590	48,230	42,952
<b>Operating Result</b>	<b>(725)</b>	<b>721</b>	<b>(73,943)</b>	<b>(5,363)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(5.3%)</b>	<b>(7.2%)</b>	29.9%	<b>(6.3%)</b>
- Current Accident Year	88.7%	78.8%	89.6%	80.6%
<i>Total</i>	<b>83.4%</b>	<b>71.6%</b>	<b>119.5%</b>	<b>74.3%</b>
<b>General Expenses %</b>	<b>22.4%</b>	<b>22.2%</b>	<b>36.6%</b>	<b>29.4%</b>
<b>Combined Operating Ratio</b>	<b>105.8%</b>	<b>93.8%</b>	<b>156.1%</b>	<b>103.7%</b>

*Rounding differences may apply.*

These results are discussed in some detail in the “Current Month Results” section below. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2016 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

*Updated Projection to Year-end 2017*

An Outlook had been prepared to provide members with an estimate of Alberta Grid RSP operating results for calendar year 2017 based on the actuarial valuation at June 30, 2016, and reflecting actual experience to date as detailed in the August 2016 Operational Report. This Outlook was posted on September 28, 2016 (please refer to Bulletin [F16-075](#)), and projected a Net Result from Operations for 2017 of -\$24.2 million, and a combined operating ratio of 113.5%.

The projected calendar year Operating Result to December 2017 is now -\$13.8 million (a \$10.4 million improvement relative to the Outlook) and the estimated combined operating ratio to December 2017 is 108.1% (a 5.4 point improvement relative to the Outlook). The improvement is composed of an estimated \$1.4 million favourable impact associated with the \$10.6 million decrease in projected earned premium (at a combined ratio of 113.5%), and a \$9.1 million improvement stemming from the overall decrease in the combined ratio (from 113.5% to 108.1% applied to \$169.0 million in projected earned premium), offset by a \$0.1 million improvement due to other assumption updates.

*Current Month Results*

The Alberta Grid Risk Sharing Pool produced a -\$0.7 million Operating Result in the month of December 2016, a deterioration of \$1.4 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 93.8% to 105.8% applied to \$12.4 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 161.4% at the end of 11 months to 156.1% at the end of 12 months. The 5.3 percentage point decrease is composed of a 3.7 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, and a 1.5 percentage point decrease in the expense ratio.

*Variances from Projections*

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

**Bulletin F17-005****Alberta Risk Sharing Pools – December 2016 Operational Reports**

<b>December 2016</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Premiums Written	10,453	12,575	(2,122)	(16.9%)
Premiums Earned	12,365	12,375	(10)	(0.1%)
<b>Reported Losses</b>				
Paid Losses	10,127	13,575	(3,448)	(25.4%)
Paid Expenses	445	706	(261)	(37.0%)
Change in Outstanding Losses	968	(378)	1,346	356.1%
<b>Total Reported Losses</b>	<b>11,540</b>	<b>13,903</b>	<b>(2,363)</b>	<b>(17.0%)</b>
Change in IBNR Provision*	(1,222)	(3,967)	2,745	
Change in Premium Deficiency (DPAC) *	(465)	(775)	310	

*(Amounts in \$000's)**Rounding differences may apply.*

\* Detailed information is included in [Alberta Grid RSP December 2016 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 December 2016, reported losses were \$2.4 million lower than projected. The Current Accident Year reported a favourable variance of \$2.1 million, and the Prior Accident Years reported a favourable variance of \$0.3 million. No single Prior Accident Year had a variance in excess of \$1.0 million.

**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 December 2016 Operational Report – Actuarial Highlights](#).

**Effect of Quarterly Valuation**

The December 2016 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, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected in the March 2017 Operational Report.

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

The calendar year-to-date Operating Result is -\$49.4 million and the incurred loss ratio to the end of 12 months is 118.2%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>December 2016</b>	December 2015	<b>Year to date Dec 2016</b>	Year to Date Dec 2015
Premiums Written	6,257	5,344	99,667	85,987
Premiums Earned	8,157	7,231	90,471	89,843
Claims Incurred	9,386	6,987	106,962	86,951
General Expenses	574	1,067	32,904	23,913
<b>Operating Results</b>	<b>(1,803)</b>	<b>(823)</b>	<b>(49,395)</b>	<b>(21,021)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(2.5%)</b>	<b>(8.3%)</b>	<b>(1.0%)</b>	<b>(10.3%)</b>
- Current Accident Year	117.5%	105.0%	119.2%	107.1%
<i>Total</i>	<b>115.0%</b>	<b>96.7%</b>	<b>118.2%</b>	<b>96.8%</b>
<b>General Expenses %</b>	<b>7.0%</b>	<b>14.8%</b>	<b>36.4%</b>	<b>26.6%</b>
<b>Combined Operating Ratio</b>	<b>122.0%</b>	<b>111.5%</b>	<b>154.6%</b>	<b>123.4%</b>

*Rounding differences may apply.*

These results are discussed in some detail in the “Current Month Results” section below. For additional numeric details, please refer to Exhibit 2 “Summary of Operations for Calendar Year 2016 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

**Updated Projection to Year-end 2017**

An Outlook had been prepared to provide members with an estimate of Alberta Non-Grid RSP operating results for calendar year 2017 based on the actuarial valuation at June 30, 2016, and reflecting actual experience to date as detailed in the August 2016 Operational Report. This Outlook was posted on September 28, 2016 (please refer to Bulletin [F16-075](#)), and projected a Net Result from Operations for 2017 of -\$32.1 million, and a combined operating ratio of 132.9%.

The projected calendar year Operating Result to December 2017 is now -\$29.1 million (a \$3.0 million improvement relative to the Outlook) and the estimated combined operating ratio to December 2017 is 129.5% (a 3.4 point improvement relative to the Outlook). The improvement is composed of an estimated \$0.3 million unfavourable impact associated with the \$0.9 million increase in projected earned premium (at a combined ratio of 132.9%), offset by a \$3.3 million improvement stemming from the overall decrease in the combined ratio (from 132.9% to 129.5% applied to \$98.8 million in projected earned premium).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$1.8 million Operating Result in the month of December 2016, a deterioration of \$1.0 million compared with the same month last year. This deterioration is composed of a \$0.1 million unfavourable impact associated with the \$0.9 million increase in earned premium (at a combined ratio of 111.5%), with the remaining \$0.9 million deterioration stemming from the overall increase in the combined ratio (from 111.5% to 122.0% applied to \$8.2 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 157.9% at the end of 11 months to 154.6% at the end of 12 months. The 3.3 percentage point decrease is composed of a 0.2 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.2 percentage point decrease in the Current Accident Year loss ratio, and a 2.9 percentage point decrease 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.

December 2016	Actual	Projection	Difference	Difference %
Premiums Written	6,257	5,180	1,077	20.8%
Premiums Earned	8,157	8,140	17	0.2%
Reported Losses				
Paid Losses	7,295	8,569	(1,274)	(14.9%)
Paid Expenses	204	266	(62)	(23.3%)
Change in Outstanding Losses	2,693	953	1,740	182.6%
<b>Total Reported Losses</b>	<b>10,192</b>	<b>9,788</b>	<b>404</b>	<b>4.1%</b>
Change in IBNR Provision *	(806)	(582)	(224)	
Change in Premium Deficiency (DPAC) *	(1,401)	(1,439)	38	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [Alberta Non-Grid RSP December 2016 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 December 2016, reported losses were \$0.4 million higher than projected. The Current Accident Year had a \$1.4 million unfavourable variance in reported losses, while 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 reported claims activity were within the set thresholds for both the Prior Accident Years and the Current Accident Year for the month. However, large case reserve activity for a particular accident year was identified, investigated, and confirmed as recorded correctly. The variances for paid claims activity were outside the set thresholds for both the Prior Accident Years and the Current Accident Year for the month. Management investigated paid claims activity and is satisfied that the variances are appropriately accounted for in our current booking process.

### Booking IBNR

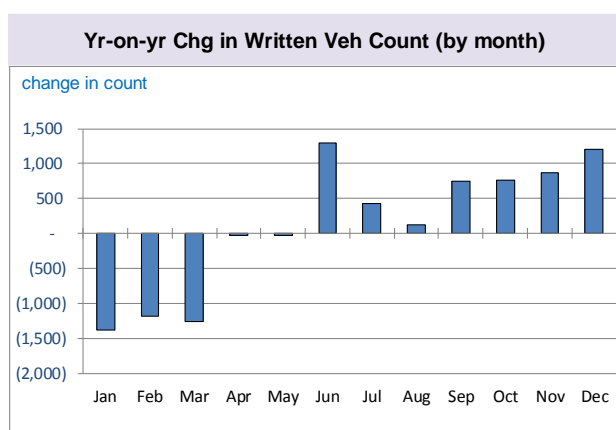
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 December 2016 Operational Report – Actuarial Highlights](#).

### **Effect of Quarterly Valuation**

The December 2016 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, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected in the March 2017 Operational Report.

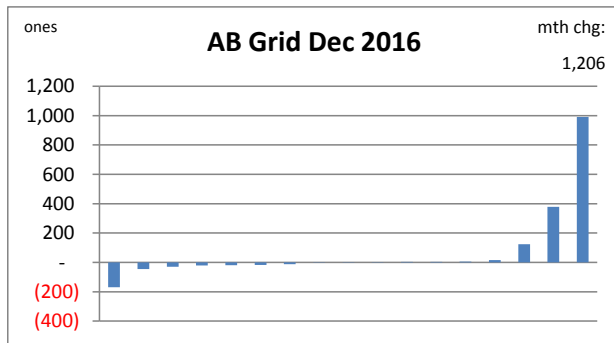
### **Management Comments**

#### *Alberta Grid*



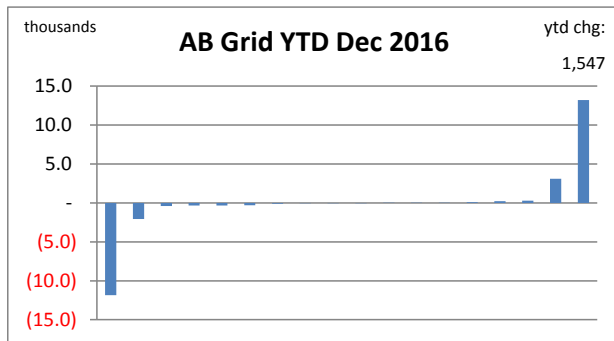
projected.

The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with December showing an increase of 1,206 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 2,074 vehicles, indicating a variance of 868 vehicles from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in December than



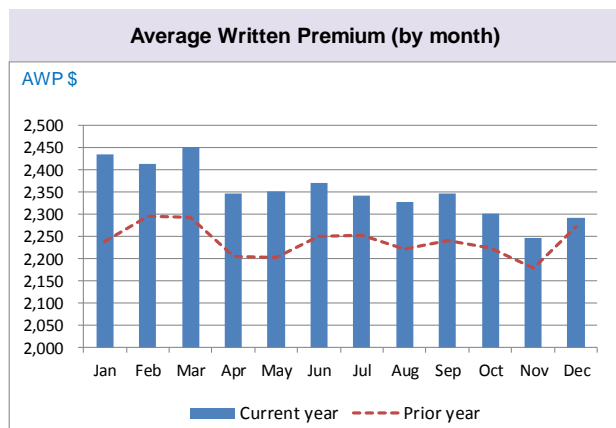
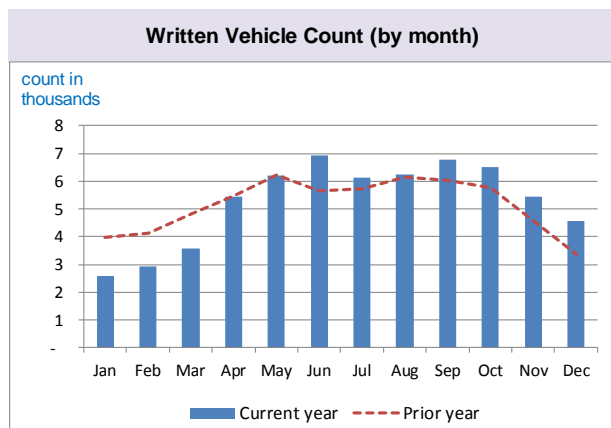
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 8 transferred more. Of the 9 member company groups transferring fewer vehicles, 1 member

company group accounted for 54% of the total transfer decrease for these “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 65% of the total transfer increases 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.

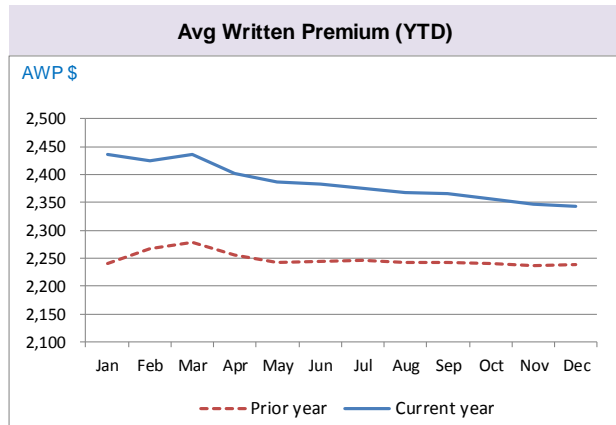
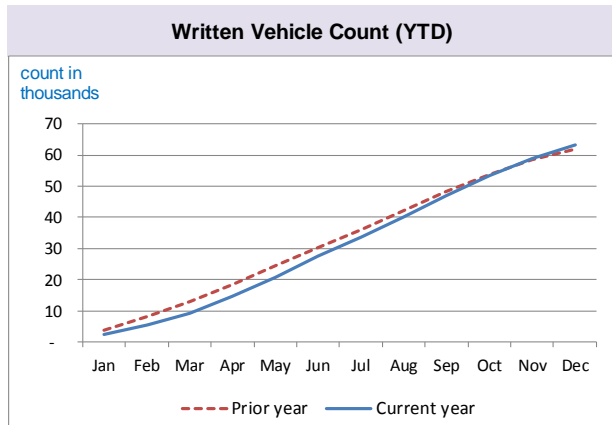
December’s vehicle count transfers to the pool represent a 36.0% increase from December 2015, and vehicle counts were up 2.5% year-to-date. Average written premium was up 0.9% in December 2016 compared with the same month in 2015, and up 4.7% year-to-date (see charts immediately below and at the top of the next page).



	Dec-16	Dec-15	Amt Chg	% Chg
W. Veh curr mth	4,559	3,353	1,206	36.0%

	Dec-16	Dec-15	Amt Chg	% Chg
AWP curr mth	2,293	2,272	21	0.9%

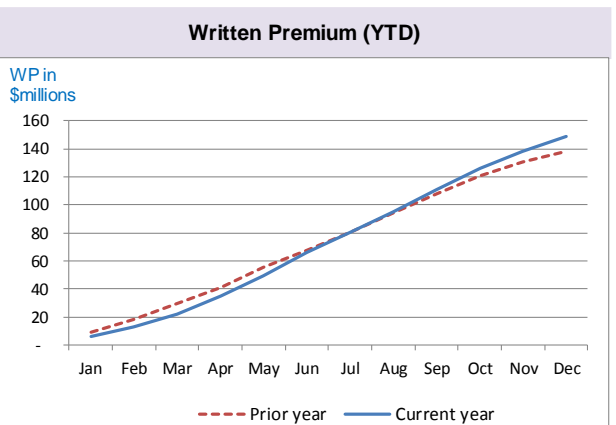
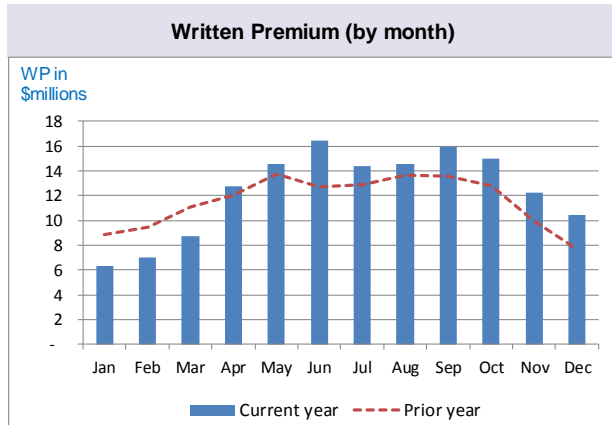




	Dec-16	Dec-15	Amt Chg	% Chg
W. Vehicles YTD	63,360	61,813	1,547	2.5%

	Dec-16	Dec-15	Amt Chg	% Chg
Avg W. Prem YTD	2,343	2,238	105	4.7%

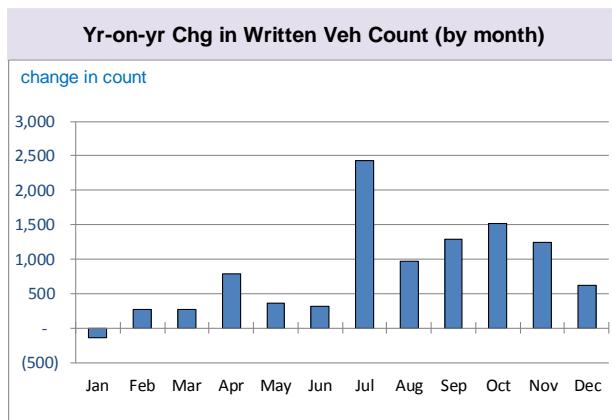
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 37.2% for the month compared with the 65.0% increase we projected last month, and was up 7.3% year-to-date (see charts immediately below).



	Dec-16	Dec-15	Amt Chg	% Chg
WP (\$000s) curr mth	10,453	7,620	2,833	37.2%

	Dec-16	Dec-15	Amt Chg	% Chg
WP (\$000s) YTD	148,472	138,309	10,163	7.3%

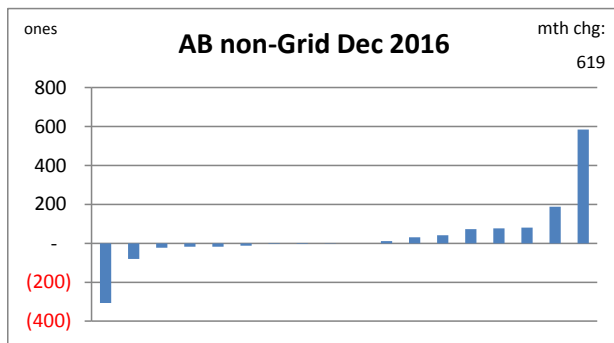
**Alberta Non-Grid**



The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with December showing an increase of 619 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 135 vehicles, indicating a variance of 754 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a greater number

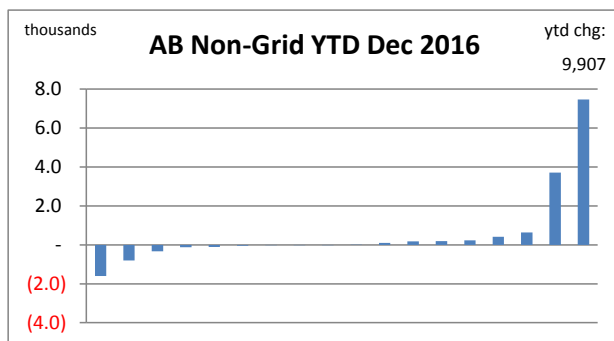


of vehicles to the pool in December than projected.



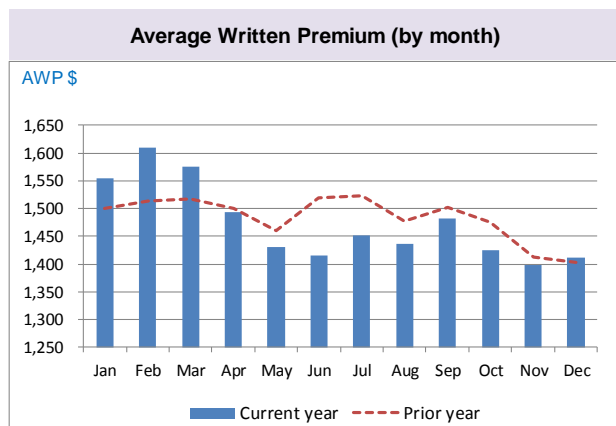
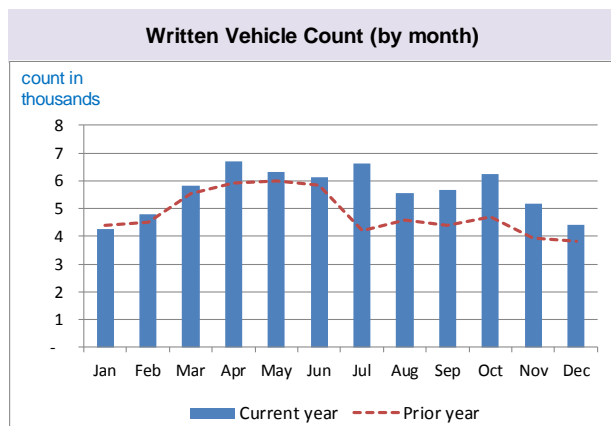
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared to a year ago, while 8 transferred more and 1 remained the same. Of the 9 member company groups transferring

fewer vehicles, 1 member company group accounted for 66% of the total transfer decrease for these “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 54% of the total transfers increase for these “grower” members.



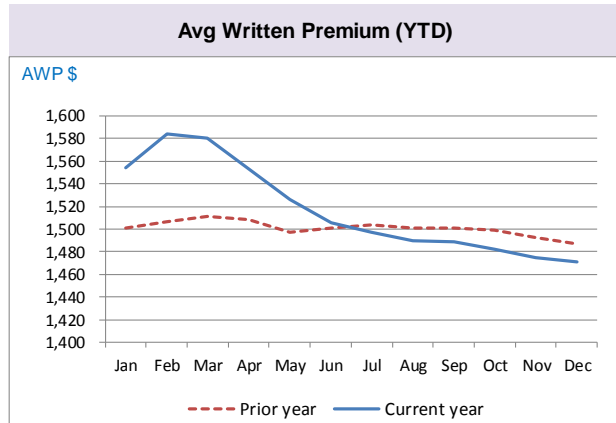
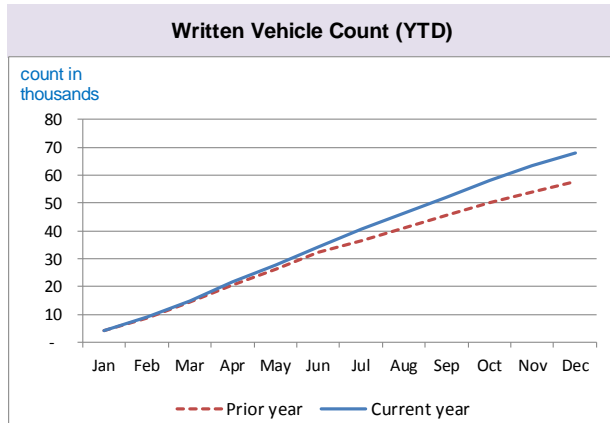
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

December’s vehicle count transfers to the pool represent a 16.2% increase from December 2015, and vehicle counts were up 17.1% year-to-date. Average written premium was up 0.7% in December 2016 compared with the same month in 2015, but down 1.1% year-to-date (see charts immediately below and at the top of the next page).



	Dec-16	Dec-15	Amt Chg	% Chg
W. Veh curr mth	4,431	3,813	619	16.2%

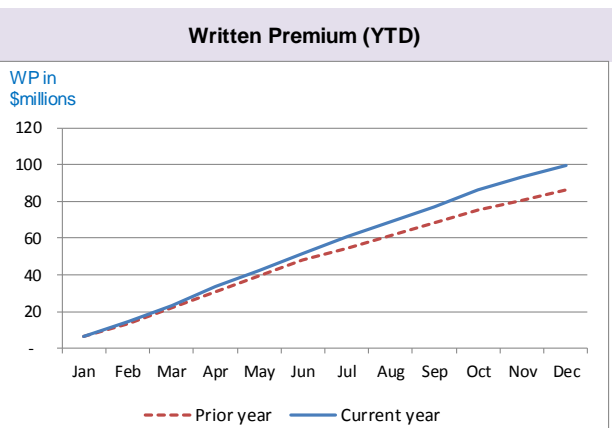
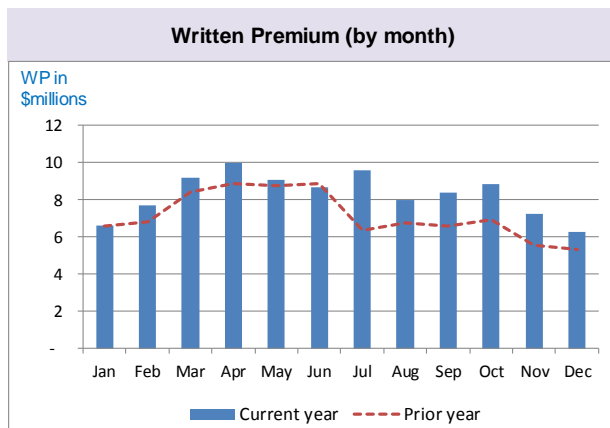
	Dec-16	Dec-15	Amt Chg	% Chg
AWP curr mth	1,412	1,402	10	0.7%



	Dec-16	Dec-15	Amt Chg	% Chg
W. Vehicles YTD	67,752	57,845	9,907	17.1%

	Dec-16	Dec-15	Amt Chg	% Chg
Avg W. Prem YTD	1,471	1,487	(16)	-1.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 17.1% for the month compared with the 3.1% decrease we projected last month, and was up 15.9% year-to-date (see charts immediately below).



	Dec-16	Dec-15	Amt Chg	% Chg
WP (\$000s) curr mth	6,257	5,344	913	17.1%

	Dec-16	Dec-15	Amt Chg	% Chg
WP (\$000s) YTD	99,668	85,988	13,680	15.9%

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

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Related Links:**

Alberta Grid RSP:

[Alberta Grid RSP December 2016 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP December 2016 Operational Report - Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2016**

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 12 Months Ended December 31, 2016 (Discounted basis)

Source: *Monthly Operational Report*

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	December	CY2016 YTD	CY2017 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
<b>Underwriting Revenue:</b>															
Net Premiums Written	\$6,311	\$7,054	\$8,735	\$12,762	\$14,607	\$16,446	\$14,392	\$14,580	\$15,930	\$14,979	\$12,224	\$10,453	\$148,473	\$165,682	\$138,309
Decrease (Increase) in Unearned Premiums	5,002	2,994	1,535	(2,943)	(4,410)	(6,267)	(3,237)	(3,290)	(4,481)	(2,852)	(616)	1,912	(16,653)	3,313	7,899
<b>Net Premiums Earned</b>	<b>\$11,313</b>	<b>\$10,048</b>	<b>\$10,270</b>	<b>\$9,819</b>	<b>\$10,197</b>	<b>\$10,179</b>	<b>\$11,155</b>	<b>\$11,290</b>	<b>\$11,449</b>	<b>\$12,127</b>	<b>\$11,608</b>	<b>\$12,365</b>	<b>\$131,820</b>	<b>\$168,995</b>	<b>\$146,208</b>
<b>Claims Incurred:</b>															
Prior Accident Years:															
Undiscounted	(\$83)	(\$80)	\$17,887	(\$62)	\$12,256	(\$40)	(\$18)	\$7,254	(\$12)	\$4,077	(\$12)	(\$25)	\$41,142	\$0	(\$4,050)
Effect of Discounting	(598)	(700)	2,020	(612)	941	(656)	(494)	59	(664)	272	(624)	(626)	(\$1,682)	(7,567)	(5,152)
Discounted	(\$681)	(\$780)	\$19,907	(\$674)	\$13,197	(\$696)	(\$512)	\$7,313	(\$676)	\$4,349	(\$636)	(\$651)	\$39,460	(\$7,567)	(\$9,202)
Current Accident Year:															
Undiscounted	\$8,133	\$7,229	\$8,191	\$7,292	\$10,101	\$8,036	\$8,782	\$11,345	\$9,342	\$12,056	\$9,703	\$10,348	\$110,558	\$131,648	\$111,518
Effect of Discounting	755	529	581	412	781	490	578	818	606	894	450	621	\$7,515	8,444	6,303
Discounted	\$8,888	\$7,758	\$8,772	\$7,704	\$10,882	\$8,526	\$9,360	\$12,163	\$9,948	\$12,950	\$10,153	\$10,969	\$118,073	\$140,092	\$117,821
<b>Claims Incurred</b>	<b>\$8,207</b>	<b>\$6,978</b>	<b>\$28,679</b>	<b>\$7,030</b>	<b>\$24,079</b>	<b>\$7,830</b>	<b>\$8,848</b>	<b>\$19,476</b>	<b>\$9,272</b>	<b>\$17,299</b>	<b>\$9,517</b>	<b>\$10,318</b>	<b>\$157,533</b>	<b>\$132,525</b>	<b>\$108,619</b>
<b>Underwriting Expenses:</b>															
Expense Allowance	\$1,911	\$2,131	\$2,636	\$3,845	\$4,401	\$4,954	\$4,333	\$4,389	\$4,796	\$4,509	\$3,680	\$3,147	\$44,732	\$47,882	\$39,133
Change in UPDR/DPAC:															
Undiscounted	1,558	728	1,808	(759)	1,811	(1,365)	(730)	1,463	(870)	(1,962)	(728)	(265)	689	1,569	2,087
Effect of Discounting	(449)	(31)	107	189	627	431	220	605	329	96	(9)	(200)	1,915	(158)	884
Discounted	1,109	697	1,915	(570)	2,438	(934)	(510)	2,068	(541)	(1,866)	(737)	(465)	\$2,604	1,411	\$2,971
<b>Underwriting Expenses</b>	<b>\$3,020</b>	<b>\$2,828</b>	<b>\$4,551</b>	<b>\$3,275</b>	<b>\$6,839</b>	<b>\$4,020</b>	<b>\$3,823</b>	<b>\$6,457</b>	<b>\$4,255</b>	<b>\$2,643</b>	<b>\$2,943</b>	<b>\$2,682</b>	<b>\$47,336</b>	<b>49,293</b>	<b>\$42,104</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$86</b>	<b>\$242</b>	<b>(\$22,960)</b>	<b>(\$486)</b>	<b>(\$20,721)</b>	<b>(\$1,671)</b>	<b>(\$1,516)</b>	<b>(\$14,643)</b>	<b>(\$2,078)</b>	<b>(\$7,815)</b>	<b>(\$852)</b>	<b>(\$635)</b>	<b>(\$73,049)</b>	<b>(\$12,823)</b>	<b>(\$4,515)</b>
<b>Administrative Expenses</b>	<b>\$57</b>	<b>\$80</b>	<b>\$73</b>	<b>\$68</b>	<b>\$83</b>	<b>\$77</b>	<b>\$77</b>	<b>\$82</b>	<b>\$66</b>	<b>\$73</b>	<b>\$68</b>	<b>\$90</b>	<b>\$894</b>	<b>\$961</b>	<b>\$848</b>
<b>Operating Result</b>	<b>\$29</b>	<b>\$162</b>	<b>(\$23,033)</b>	<b>(\$554)</b>	<b>(\$20,804)</b>	<b>(\$1,748)</b>	<b>(\$1,593)</b>	<b>(\$14,725)</b>	<b>(\$2,144)</b>	<b>(\$7,888)</b>	<b>(\$920)</b>	<b>(\$725)</b>	<b>(\$73,943)</b>	<b>(\$13,784)</b>	<b>(\$5,363)</b>
<b>Ratios:</b>															
<b>Claims &amp; Expenses Incurred (Earned)</b>															
Prior Accident Years	-6.0%	-7.8%	193.8%	-6.9%	129.4%	-6.8%	-4.6%	64.8%	-5.9%	35.9%	-5.5%	-5.3%	29.9%	-4.5%	-6.3%
Current Accident Year	78.6%	77.2%	85.4%	78.5%	106.7%	83.8%	83.9%	107.7%	86.9%	106.8%	87.5%	88.7%	89.6%	82.9%	80.6%
All Accident Years Combined (Earned)	72.6%	69.4%	279.2%	71.6%	236.1%	77.0%	79.3%	172.5%	81.0%	142.7%	82.0%	83.4%	119.5%	78.4%	74.3%
Underwriting & Administrative Expenses (Earned)	27.2%	28.9%	45.0%	34.0%	67.9%	40.2%	35.0%	57.9%	37.7%	22.4%	25.9%	22.4%	36.6%	29.7%	29.4%
<b>Combined Operating Ratio</b>	<b>99.8%</b>	<b>98.3%</b>	<b>324.2%</b>	<b>105.6%</b>	<b>304.0%</b>	<b>117.2%</b>	<b>114.3%</b>	<b>230.4%</b>	<b>118.7%</b>	<b>165.1%</b>	<b>107.9%</b>	<b>105.8%</b>	<b>156.1%</b>	<b>108.1%</b>	<b>103.7%</b>

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

Rounding difference may apply

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2016**

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 12 Months Ended December 31, 2016 (Discounted basis)

Source: *Monthly Operational Report*

(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	June	July	August	September	October	November	December	CY2016 YTD	CY2017 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
<b>Underwriting Revenue:</b>															
Net Premiums Written	\$6,638	\$7,698	\$9,171	\$10,023	\$9,071	\$8,700	\$9,598	\$7,968	\$8,419	\$8,871	\$7,253	\$6,257	\$99,667	\$98,519	\$85,987
Decrease (Increase) in Unearned Premiums	578	(924)	(1,869)	(2,877)	(1,634)	(1,448)	(1,931)	(175)	(715)	(719)	618	1,900	(9,196)	269	3,856
<b>Net Premiums Earned</b>	<b>\$7,216</b>	<b>\$6,774</b>	<b>\$7,302</b>	<b>\$7,146</b>	<b>\$7,437</b>	<b>\$7,252</b>	<b>\$7,667</b>	<b>\$7,793</b>	<b>\$7,704</b>	<b>\$8,152</b>	<b>\$7,871</b>	<b>\$8,157</b>	<b>\$90,471</b>	<b>\$98,788</b>	<b>\$89,843</b>
<b>Claims Incurred:</b>															
Prior Accident Years:															
Undiscounted	(38)	(25)	(\$1,121)	(\$52)	\$776	(\$25)	(\$7)	\$1,017	(\$8)	\$1,806	(\$9)	(\$28)	\$2,286	\$0	(\$6,955)
Effect of Discounting	(502)	(609)	(72)	(348)	23	(247)	(327)	(272)	(296)	249	(588)	(174)	(3,163)	(4,835)	(2,327)
Discounted	(\$540)	(\$634)	(\$1,193)	(\$400)	\$799	(\$272)	(\$334)	\$745	(\$304)	\$2,055	(\$597)	(\$202)	(\$877)	(\$4,835)	(\$9,282)
Current Accident Year:															
Undiscounted	\$6,919	\$6,487	\$7,046	\$6,878	\$7,184	\$6,963	\$7,344	\$13,290	\$8,140	\$13,991	\$8,888	\$9,233	\$102,363	\$97,109	\$91,354
Effect of Discounting	604	386	400	346	379	234	429	820	275	1,025	223	355	5,476	5,715	4,879
Discounted	\$7,523	\$6,873	\$7,446	\$7,224	\$7,563	\$7,197	\$7,773	\$14,110	\$8,415	\$15,016	\$9,111	\$9,588	\$107,839	\$102,824	\$96,233
<b>Claims Incurred</b>	<b>\$6,983</b>	<b>\$6,239</b>	<b>\$6,253</b>	<b>\$6,824</b>	<b>\$8,362</b>	<b>\$6,925</b>	<b>\$7,439</b>	<b>\$14,855</b>	<b>\$8,111</b>	<b>\$17,071</b>	<b>\$8,514</b>	<b>\$9,386</b>	<b>\$106,962</b>	<b>\$97,989</b>	<b>\$86,951</b>
<b>Underwriting Expenses:</b>															
Expense Allowance	\$2,001	\$2,319	\$2,763	\$3,019	\$2,732	\$2,620	\$2,890	\$2,399	\$2,535	\$2,671	\$2,183	\$1,884	\$30,016	\$28,473	\$24,332
Change in UPDR/DPAC:															
Undiscounted	42	(38)	13	(88)	(86)	(61)	(83)	4,035	(183)	(371)	(1,030)	(1,147)	1,003	480	(1,441)
Effect of Discounting	(44)	71	232	227	15	109	147	392	42	187	(137)	(254)	987	17	231
Discounted	(2)	33	245	139	(71)	48	64	4,427	(141)	(184)	(1,167)	(1,401)	1,990	497	(\$1,210)
<b>Underwriting Expenses</b>	<b>\$1,999</b>	<b>\$2,352</b>	<b>\$3,008</b>	<b>\$3,158</b>	<b>\$2,661</b>	<b>\$2,668</b>	<b>\$2,954</b>	<b>\$6,826</b>	<b>\$2,394</b>	<b>\$2,487</b>	<b>\$1,016</b>	<b>\$483</b>	<b>\$32,006</b>	<b>\$28,970</b>	<b>\$23,122</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$1,766)</b>	<b>(\$1,817)</b>	<b>(\$1,959)</b>	<b>(\$2,836)</b>	<b>(\$3,586)</b>	<b>(\$2,341)</b>	<b>(\$2,726)</b>	<b>(\$13,888)</b>	<b>(\$2,801)</b>	<b>(\$11,406)</b>	<b>(\$1,659)</b>	<b>(\$1,712)</b>	<b>(\$48,497)</b>	<b>(\$28,171)</b>	<b>(\$20,230)</b>
<b>Administrative Expenses</b>	<b>\$58</b>	<b>\$80</b>	<b>\$73</b>	<b>\$68</b>	<b>\$83</b>	<b>\$77</b>	<b>\$77</b>	<b>\$82</b>	<b>\$67</b>	<b>\$74</b>	<b>\$68</b>	<b>\$91</b>	<b>\$898</b>	<b>\$925</b>	<b>\$791</b>
<b>Operating Result</b>	<b>(\$1,824)</b>	<b>(\$1,897)</b>	<b>(\$2,032)</b>	<b>(\$2,904)</b>	<b>(\$3,669)</b>	<b>(\$2,418)</b>	<b>(\$2,803)</b>	<b>(\$13,970)</b>	<b>(\$2,868)</b>	<b>(\$11,480)</b>	<b>(\$1,727)</b>	<b>(\$1,803)</b>	<b>(\$49,395)</b>	<b>(\$29,096)</b>	<b>(\$21,021)</b>
<b>Ratios:</b>															
<b>Claims &amp; Expenses Incurred (Earned)</b>															
Prior Accident Years	-7.5%	-9.4%	-16.3%	-5.6%	10.7%	-3.8%	-4.4%	9.6%	-3.9%	25.2%	-7.6%	-2.5%	-1.0%	-4.9%	-10.3%
Current Accident Year	104.3%	101.5%	102.0%	101.1%	101.7%	99.2%	101.4%	181.1%	109.2%	184.2%	115.8%	117.5%	119.2%	104.1%	107.1%
All Accident Years Combined (Earned)	96.8%	92.1%	85.7%	95.5%	112.4%	95.4%	97.0%	190.7%	105.3%	209.4%	108.2%	115.0%	118.2%	99.2%	96.8%
<b>Combined Operating Ratio</b>	<b>125.3%</b>	<b>128.0%</b>	<b>127.9%</b>	<b>140.6%</b>	<b>149.3%</b>	<b>133.3%</b>	<b>136.5%</b>	<b>279.3%</b>	<b>137.2%</b>	<b>240.8%</b>	<b>122.0%</b>	<b>122.0%</b>	<b>154.6%</b>	<b>129.5%</b>	<b>123.4%</b>

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

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