

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 011

DATE: FEBRUARY 27, 2017

**SUBJECT: ALBERTA RISK SHARING POOLS
– JANUARY 2017 OPERATIONAL REPORT**

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

Please be advised that the January 2017 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 -\$0.5 million and the incurred loss ratio to the end of 1 month is 79.7%, as summarized below.

Amounts in \$000s	January 2017	January 2016	Year to date Jan 2017	Year to Date Jan 2016
Premiums Written	7,717	6,311	7,717	6,311
Premiums Earned	12,189	11,313	12,189	11,313
Claims Incurred	9,717	8,207	9,717	8,207
General Expenses	2,949	3,077	2,949	3,077
Operating Result	(477)	29	(477)	29
Ratios:				
Loss ratio % - Prior Accident Years	(9.4%)	(6.0%)	(9.4%)	(6.0%)
- Current Accident Year	89.1%	78.6%	89.1%	78.6%
<i>Total</i>	79.7%	72.6%	79.7%	72.6%
General Expenses %	24.2%	27.2%	24.2%	27.2%
Combined Operating Ratio	103.9%	99.8%	103.9%	99.8%

Rounding differences may apply.

Bulletin F17-011**Alberta Risk Sharing Pools – January 2017 Operational Reports**

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 2017 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$13.1 million and the estimated combined operating ratio to December 2017 is 108.0%. The updated projection to the end of the year has improved by approximately \$0.7 million from the projection provided last month (-\$13.8 million and 108.1%). The improvement is composed of an estimated \$0.3 million favourable impact associated with the \$3.3 million decrease in projected earned premium (at a combined ratio of 108.1%), a \$0.2 million improvement stemming from the overall decrease in the combined ratio (from 108.1% to 108.0% applied to \$165.7 million in projected earned premium), and a \$0.2 million improvement due to other assumption updates.

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$0.5 million Operating Result in the month of January 2017, a deterioration of \$0.5 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 99.8% to 103.9% applied to \$12.2 million in earned premium).

Variances from Projections

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

January 2017	Actual	Projection	Difference	Difference %
Premiums Written	7,717	10,123	(2,406)	(23.8%)
Premiums Earned	12,189	12,710	(521)	(4.1%)
Reported Losses				
Paid Losses	8,021	7,120	901	12.7%
Paid Expenses	403	567	(164)	(28.9%)
Change in Outstanding Losses	5,730	1,422	4,308	303.0%
Total Reported Losses	14,154	9,109	5,045	55.4%
Change in IBNR Provision*	(4,437)	1,162	(5,599)	
Change in Premium Deficiency (DPAC) *	661	383	278	

(Amounts in \$000's)

Rounding differences may apply.

* Detailed information is included in [Alberta Grid RSP January 2017 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 2017, reported losses were \$5.0 million higher than projected. The Current Accident Year reported an approximately unfavourable variance of \$2.4 million, and the Prior Accident Years reported an unfavourable variance of \$2.6 million. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$2.9 million unfavourable. No other 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 January 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The January 2017 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 -\$1.8 million and the incurred loss ratio to the end of 1 month is 97.2%, as summarized in the table at the top of the next page.

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Alberta Risk Sharing Pools – January 2017 Operational Reports

Amounts in \$000s	January 2017	January 2016	Year to date Jan 2017	Year to Date Jan 2016
Premiums Written	7,162	6,638	7,162	6,638
Premiums Earned	8,176	7,216	8,176	7,216
Claims Incurred	7,949	6,983	7,949	6,983
General Expenses	2,071	2,057	2,071	2,057
Operating Results	(1,844)	(1,824)	(1,844)	(1,824)
Ratios:				
Loss ratio % - Prior Accident Years	(12.7%)	(7.5%)	(12.7%)	(7.5%)
- Current Accident Year	109.9%	104.3%	109.9%	104.3%
<i>Total</i>	97.2%	96.8%	97.2%	96.8%
General Expenses %	25.3%	28.5%	25.3%	28.5%
Combined Operating Ratio	122.5%	125.3%	122.5%	125.3%

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 2017 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$29.3 million and the estimated combined operating ratio to December 2017 is 129.6%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$29.1 million and 129.5%).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$1.8 million Operating Result in the month of January 2017, not significantly different from the same month last year.

Variances from Projections

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 2017 Operational Reports

January 2017	Actual	Projection	Difference	Difference %
Premiums Written	7,162	6,688	474	7.1%
Premiums Earned	8,176	8,313	(137)	(1.6%)
Reported Losses				
Paid Losses	8,648	5,731	2,917	50.9%
Paid Expenses	169	376	(207)	(55.1%)
Change in Outstanding Losses	885	618	267	43.2%
Total Reported Losses	9,702	6,725	2,977	44.3%
Change in IBNR Provision *	(1,753)	1,692	(3,445)	
Change in Premium Deficiency (DPAC) *	(68)	(113)	45	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Alberta Non-Grid RSP January 2017 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 2017, reported losses were \$3.0 million higher than projected. The Current Accident Year had a \$2.4 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.6 million unfavourable variance. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$1.5 million unfavourable. No other 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

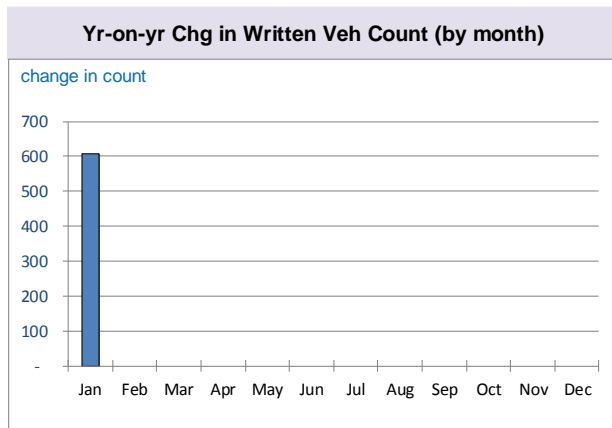
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 January 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

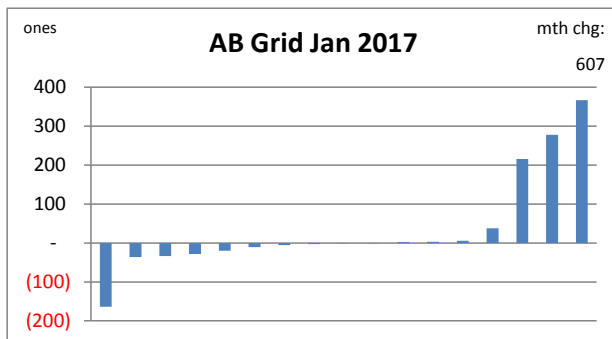
The January 2017 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected in the March 2017 Operational Report.

Management Comments

Alberta Grid

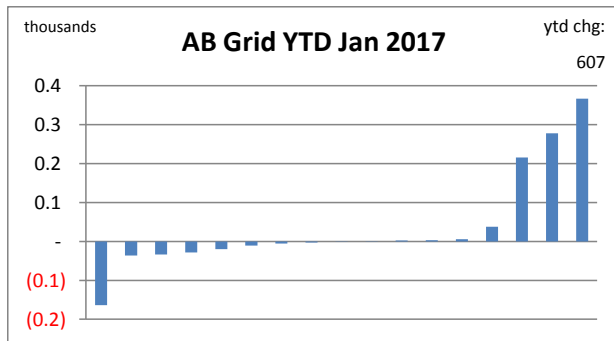


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with January showing an increase of 607 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,685 vehicles, indicating a variance of 1,078 vehicles from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in January than projected.



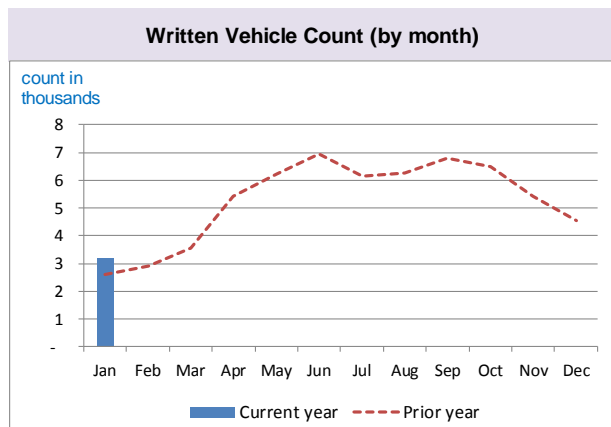
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more. Of the 10 member company groups transferring fewer vehicles, 1 member

company group accounted for 54% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 3 member company groups accounted for 95% of the total transfer increases for these “grower” members.

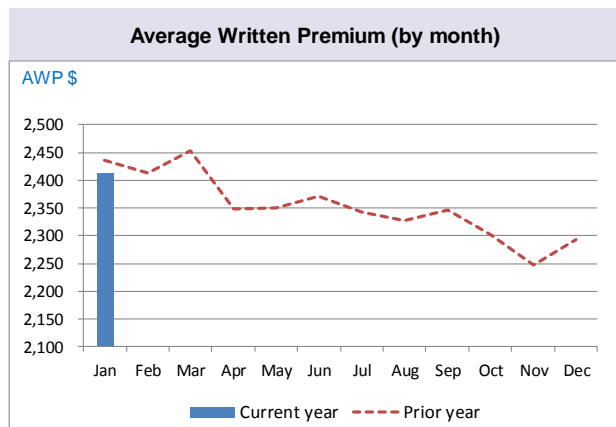


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

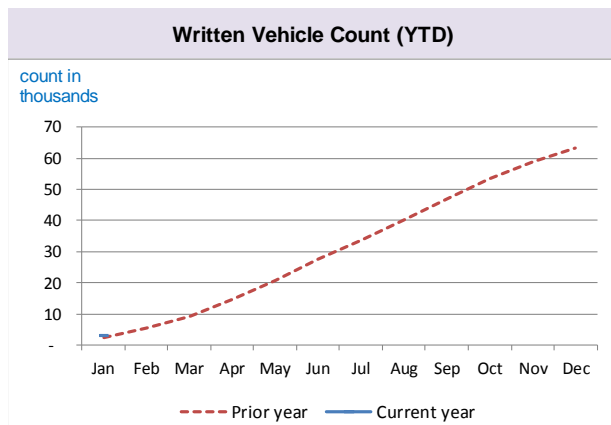
January’s vehicle count transfers to the pool represent a 23.4% increase from January 2016. Average written premium was down 0.9% in January 2017 compared with the same month in 2016 (see charts immediately below).



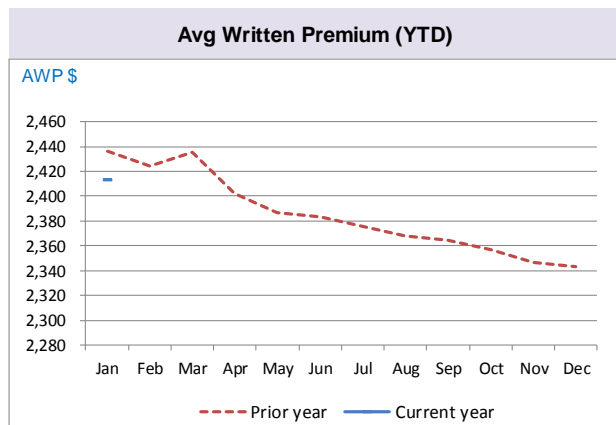
	Jan-17	Jan-16	Amt Chg	% Chg
W. Veh curr mth	3,198	2,591	607	23.4%



	Jan-17	Jan-16	Amt Chg	% Chg
AWP curr mth	2,413	2,436	(23)	-0.9%

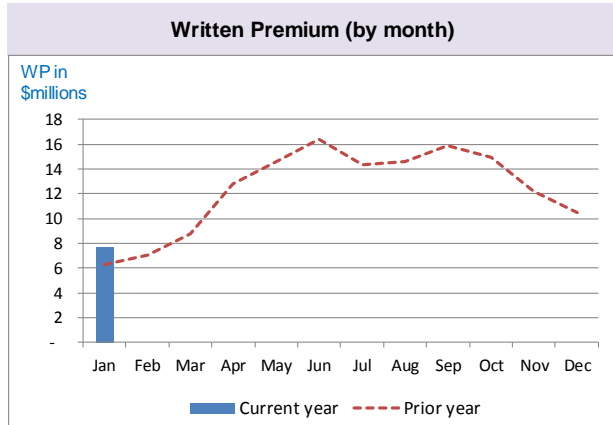


	Jan-17	Jan-16	Amt Chg	% Chg
W. Vehicles YTD	3,198	2,591	607	23.4%

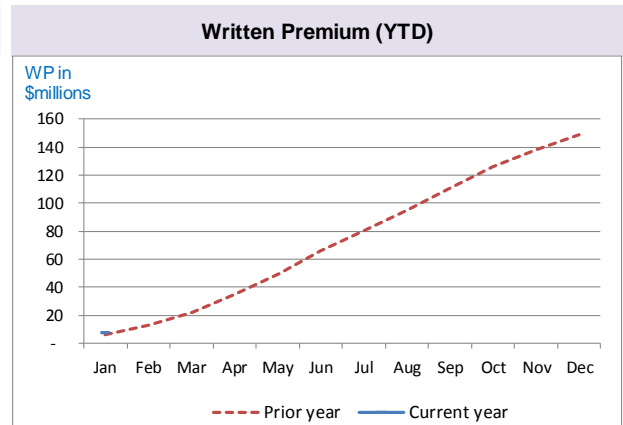


	Jan-17	Jan-16	Amt Chg	% Chg
Avg W. Prem YTD	2,413	2,436	(23)	-0.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 22.3% for the month compared with the 60.4% increase we projected last month (see charts immediately below).

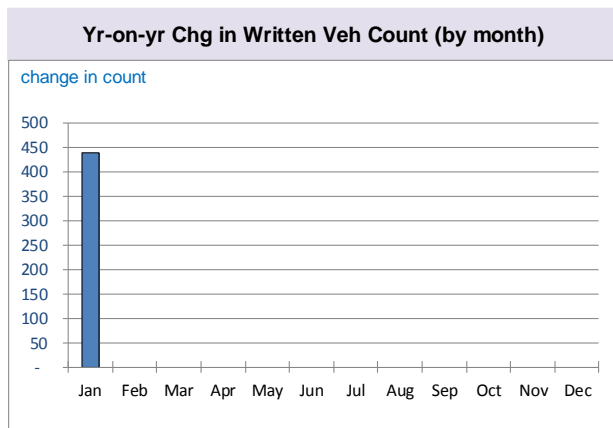


WP (\$000s) curr mth	Jan-17	Jan-16	Amt Chg	% Chg
	7,717	6,312	1,405	22.3%

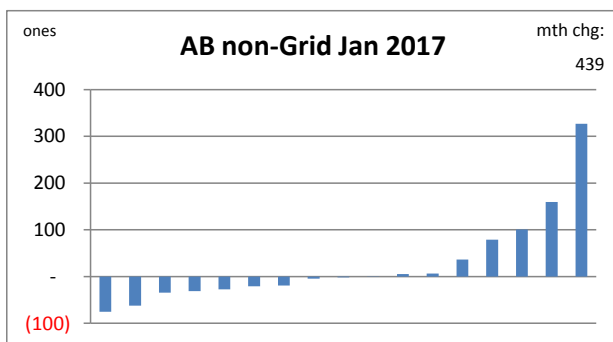


WP (\$000s) YTD	Jan-17	Jan-16	Amt Chg	% Chg
	7,717	6,312	1,405	22.3%

Alberta Non-Grid

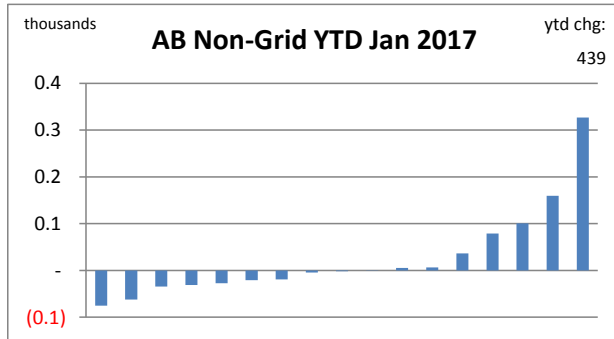


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with January showing an increase of 439 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 209 vehicles, indicating a variance of 230 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in January than projected.



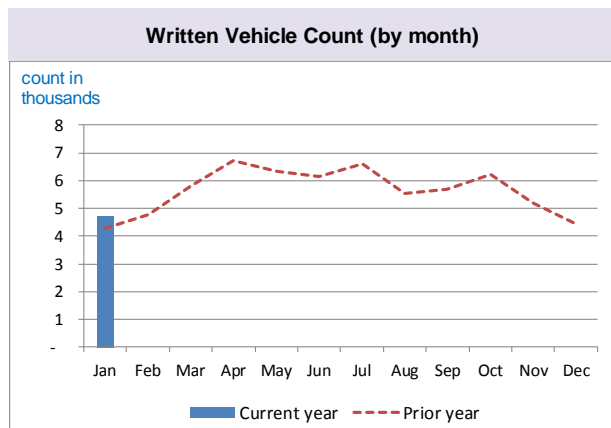
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared to a year ago, while seven transferred more. Of the 10 member company groups transferring fewer vehicles, 2 member

company groups accounted for 50% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 46% of the total transfers increase for these “grower” members.

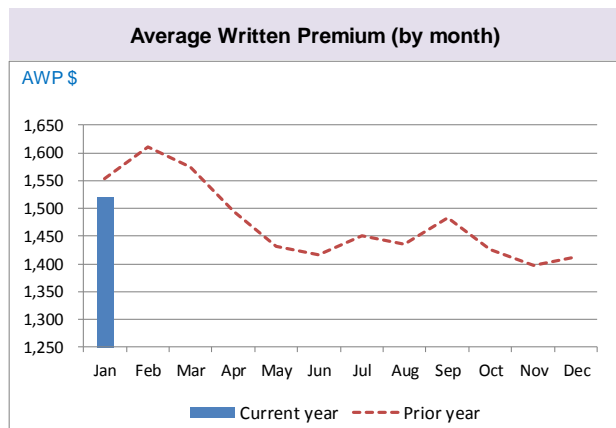


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

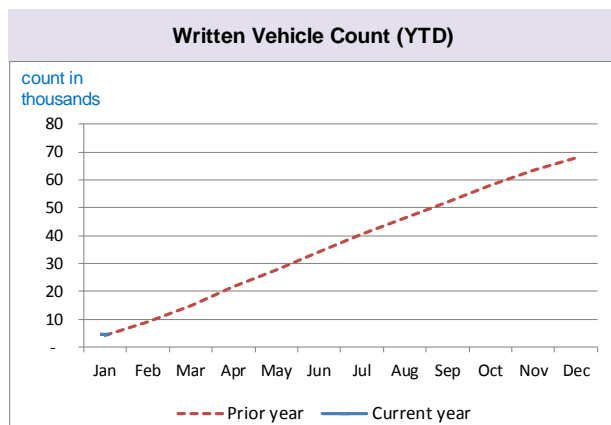
January’s vehicle count transfers to the pool represent a 10.3% increase from January 2016. Average written premium was down 2.2% in January 2017 compared with the same month in 2016 (see charts immediately below).



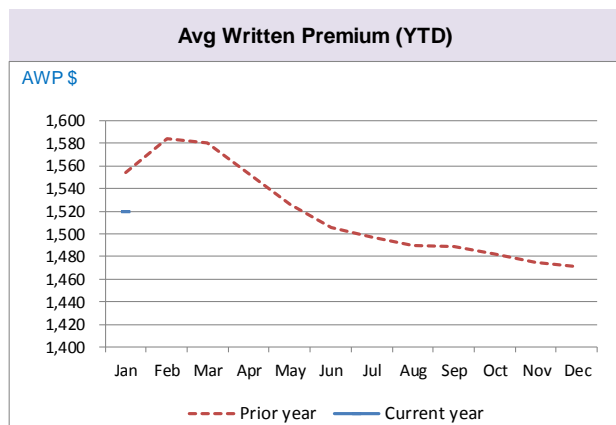
	Jan-17	Jan-16	Amt Chg	% Chg
W. Veh curr mth	4,711	4,272	439	10.3%



	Jan-17	Jan-16	Amt Chg	% Chg
AWP curr mth	1,520	1,554	(34)	-2.2%



	Jan-17	Jan-16	Amt Chg	% Chg
W. Vehicles YTD	4,711	4,272	439	10.3%

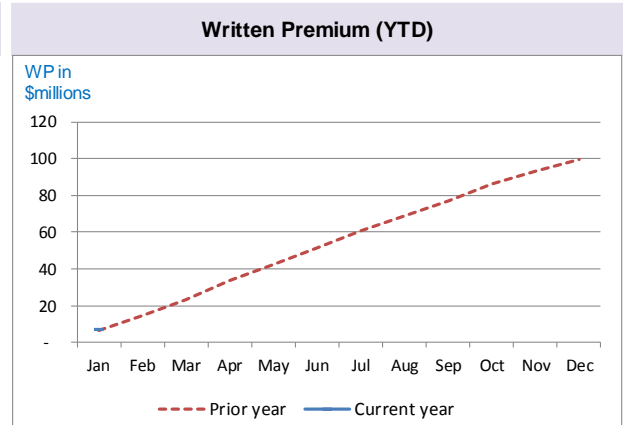
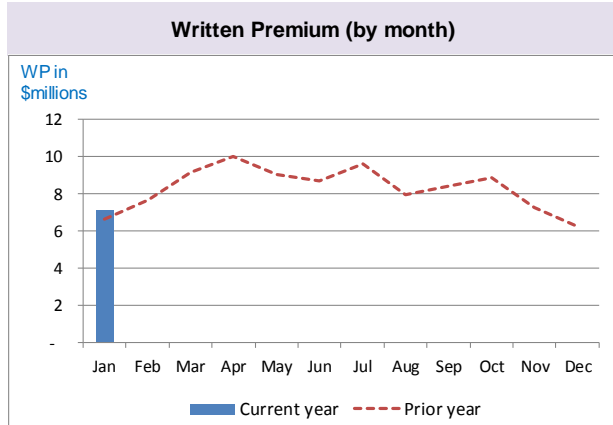


	Jan-17	Jan-16	Amt Chg	% Chg
Avg W. Prem YTD	1,520	1,554	(34)	-2.2%

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Alberta Risk Sharing Pools – January 2017 Operational Reports

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 7.9% for the month compared with the 0.8% increase we projected last month (see charts immediately below).



	Jan-17	Jan-16	Amt Chg	% Chg
WP (\$000s) curr mth	7,162	6,638	524	7.9%

	Jan-17	Jan-16	Amt Chg	% Chg
WP (\$000s) YTD	7,162	6,638	524	7.9%

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 January 2017 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP January 2017 Operational Report - Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Alberta (Grid)

EXHIBIT 1

Operating Results for the 1 Month Ended January 31, 2017 (Discounted basis)

Source: *Monthly Operational Report*

(thousands of dollars)

	January	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$7,717	\$7,717	\$163,274	\$148,473
Decrease (Increase) in Unearned Premiums	4,472	4,472	2,436	(16,653)
Net Premiums Earned	\$12,189	\$12,189	\$165,710	\$131,820
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$396)	(\$396)	(\$396)	\$41,142
Effect of Discounting	(744)	(\$744)	(7,794)	(1,682)
Discounted	(\$1,140)	(\$1,140)	(\$8,190)	\$39,460
Current Accident Year:				
Undiscounted	\$9,865	\$9,865	\$129,460	\$110,558
Effect of Discounting	992	\$992	8,166	7,515
Discounted	\$10,857	\$10,857	\$137,626	\$118,073
Claims Incurred	\$9,717	\$9,717	\$129,436	\$157,533
Underwriting Expenses:				
Expense Allowance	\$2,215	\$2,215	\$47,170	\$44,732
Change in UPDR/DPAC:				
Undiscounted	979	979	1,388	689
Effect of Discounting	(318)	(318)	(95)	1,915
Discounted	661	\$661	1,293	\$2,604
Underwriting Expenses	\$2,876	\$2,876	48,463	\$47,336
Net Underwriting Gain (Loss)	(\$404)	(\$404)	(\$12,189)	(\$73,049)
Administrative Expenses	\$73	\$73	\$958	\$894
Operating Result	(\$477)	(\$477)	(\$13,147)	(\$73,943)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-9.4%	-9.4%	-4.9%	29.9%
Current Accident Year	89.1%	89.1%	83.1%	89.6%
All Accident Years Combined (Earned)	79.7%	79.7%	78.2%	119.5%
Underwriting & Administrative Expenses (Earned)	24.2%	24.2%	29.8%	36.6%
Combined Operating Ratio	103.9%	103.9%	108.0%	156.1%

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 2017

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 1 Month Ended January 31, 2017 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$7,162	\$7,162	\$98,994	\$99,667
Decrease (Increase) in Unearned Premiums	1,014	1,014	(221)	(9,196)
Net Premiums Earned	\$8,176	\$8,176	\$98,773	\$90,471
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$209)	(\$209)	(\$209)	\$2,286
Effect of Discounting	(826)	(826)	(4,910)	(3,163)
Discounted	(\$1,035)	(\$1,035)	(\$5,119)	(\$877)
Current Accident Year:				
Undiscounted	\$8,220	\$8,220	\$97,275	\$102,363
Effect of Discounting	764	764	5,775	5,476
Discounted	\$8,984	\$8,984	\$103,050	\$107,839
Claims Incurred	\$7,949	\$7,949	\$97,931	\$106,962
Underwriting Expenses:				
Expense Allowance	\$2,066	\$2,066	\$28,606	\$30,016
Change in UPDR/DPAC:				
Undiscounted	15	15	479	1,003
Effect of Discounting	(83)	(83)	60	987
Discounted	(68)	(68)	539	\$1,990
Underwriting Expenses	\$1,998	\$1,998	\$29,145	\$32,006
Net Underwriting Gain (Loss)	(\$1,771)	(\$1,771)	(\$28,303)	(\$48,497)
Administrative Expenses	\$73	\$73	\$956	\$898
Operating Result	(\$1,844)	(\$1,844)	(\$29,259)	(\$49,395)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-12.7%	-12.7%	-5.2%	-1.0%
Current Accident Year	109.9%	109.9%	104.3%	119.2%
All Accident Years Combined	97.2%	97.2%	99.1%	118.2%
Underwriting & Administrative Expenses (Earned)	25.3%	25.3%	30.5%	36.4%
Combined Operating Ratio	122.5%	122.5%	129.6%	154.6%

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