

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 020

DATE: MARCH 30, 2017

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

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

Please be advised that the February 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 -\$0.6 million and the incurred loss ratio to the end of 2 months is 77.9%, as summarized below.

Amounts in \$000s	February 2017	February 2016	Year to date Feb 2017	Year to Date Feb 2016
Premiums Written	8,020	7,054	15,737	13,365
Premiums Earned	11,166	10,048	23,355	21,361
Claims Incurred	8,473	6,978	18,190	15,185
General Expenses	2,864	2,908	5,813	5,985
Operating Result	(171)	162	(648)	191
Ratios:				
Loss ratio % - Prior Accident Years	(9.9%)	(7.8%)	(9.6%)	(6.8%)
- Current Accident Year	85.7%	77.2%	87.5%	77.9%
<i>Total</i>	75.8%	69.4%	77.9%	71.1%
General Expenses %	25.6%	28.9%	24.9%	28.0%
Combined Operating Ratio	101.4%	98.3%	102.8%	99.1%

Rounding differences may apply.

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Alberta Risk Sharing Pools – February 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 -\$13.4 million and the estimated combined operating ratio to December 2017 is 108.3%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$13.1 million and 108.0%).

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of February 2017, a deterioration of \$0.3 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 98.3% to 101.4% applied to \$11.2 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 103.9% at the end of 1 month to 102.8% at the end of 2 months. The 1.1 percentage point decrease is composed of a 0.2 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 1.6 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.7 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.

February 2017	Actual	Projection	Difference	Difference %
Premiums Written	8,020	10,466	(2,446)	(23.4%)
Premiums Earned	11,166	11,464	(298)	(2.6%)
Reported Losses				
Paid Losses	10,581	10,743	(162)	(1.5%)
Paid Expenses	489	712	(223)	(31.3%)
Change in Outstanding Losses	2,967	(906)	3,873	427.5%
Total Reported Losses	14,037	10,549	3,488	33.1%
Change in IBNR Provision*	(5,564)	(1,870)	(3,694)	
Change in Premium Deficiency (DPAC) *	473	156	317	

(Amounts in \$000's)

Rounding differences may apply.

* Detailed information is included in [Alberta Grid RSP February 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 February 2017, reported losses were \$3.5 million higher than projected. The Current Accident Year reported an approximately unfavourable variance of \$0.7 million, and the Prior Accident Years reported an unfavourable variance of \$2.8 million. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$1.8 million unfavourable. No other single Prior Accident Year had a variance in excess of \$1.0 million.

The variances for paid claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is 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 February 2017 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The February 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 -\$3.9 million and the incurred loss ratio to the end of 2 months is 97.7%, as summarized in the table at the top of the next page.

Bulletin F17-020**Alberta Risk Sharing Pools – February 2017 Operational Reports**

Amounts in \$000s	February 2017	February 2016	Year to date Feb 2017	Year to Date Feb 2016
Premiums Written	7,368	7,698	14,530	14,336
Premiums Earned	7,520	6,774	15,696	13,990
Claims Incurred	7,384	6,239	15,333	13,222
General Expenses	2,207	2,432	4,278	4,489
Operating Results	(2,071)	(1,897)	(3,915)	(3,721)
Ratios:				
Loss ratio % - Prior Accident Years	(8.1%)	(9.4%)	(10.5%)	(8.4%)
- Current Accident Year	106.3%	101.5%	108.2%	102.9%
<i>Total</i>	98.2%	92.1%	97.7%	94.5%
General Expenses %	29.3%	35.9%	27.3%	32.1%
Combined Operating Ratio	127.5%	128.0%	125.0%	126.6%

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 -\$30.3 million and the estimated combined operating ratio to December 2017 is 130.3%. This updated projection to the end of the year has deteriorated by \$1.1 million from the projection provided last month (approximately -\$29.2 million and 129.6%). The deterioration is composed of an estimated \$0.4 million unfavourable impact associated with the \$1.4 million increase in projected earned premium (at a combined ratio of 129.6%), and a \$0.7 million deterioration stemming from the overall increase in the combined ratio (from 129.6% to 130.3% applied to \$100.1 million in projected earned premium).

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a -\$2.1 million Operating Result in the month of February 2017, a deterioration of \$0.2 million from the same month last year. This deterioration mainly stems from the \$0.7 million increase in earned premium (at a combined ratio of 128.0%).

This month’s results moved the year-to-date combined operating ratio from 122.5% at the end of 1 month to 125.0% at the end of 2 months. The 2.5 percentage point increase is composed of a 2.2 percentage point increase in the Prior Accident Years loss ratio, coupled by a 2.0 percentage point increase in the expense ratio, and offset by a 1.7 percentage point decrease in the Current Accident Year loss ratio.

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Alberta Risk Sharing Pools – February 2017 Operational Reports

Variances from Projections

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

February 2017	Actual	Projection	Difference	Difference %
Premiums Written	7,368	6,573	795	12.1%
Premiums Earned	7,520	7,513	7	0.1%
Reported Losses				
Paid Losses	8,284	8,095	189	2.3%
Paid Expenses	243	382	(139)	(36.4%)
Change in Outstanding Losses	2,898	(1,094)	3,992	364.9%
Total Reported Losses	11,425	7,383	4,042	54.7%
Change in IBNR Provision *	(4,041)	(114)	(3,927)	
Change in Premium Deficiency (DPAC) *	(1)	(58)	57	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Alberta Non-Grid RSP February 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 February 2017, reported losses were \$4.0 million higher than projected. The Current Accident Year had a \$0.6 million unfavourable variance in reported losses, and the Prior Accident Years had a \$3.4 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for paid claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is 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-](#)

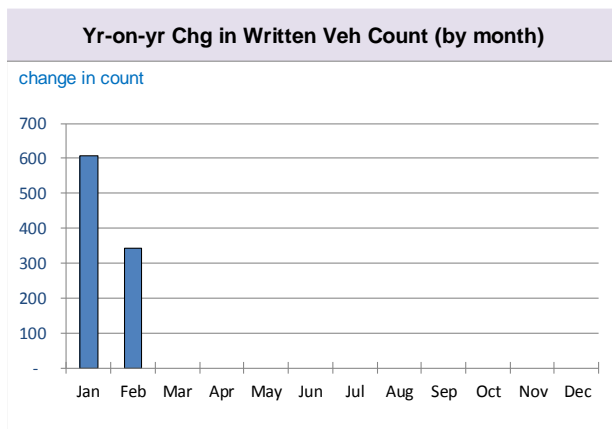
[Grid RSP February 2017 Operational Report – Actuarial Highlights.](#)

Effect of Quarterly Valuation

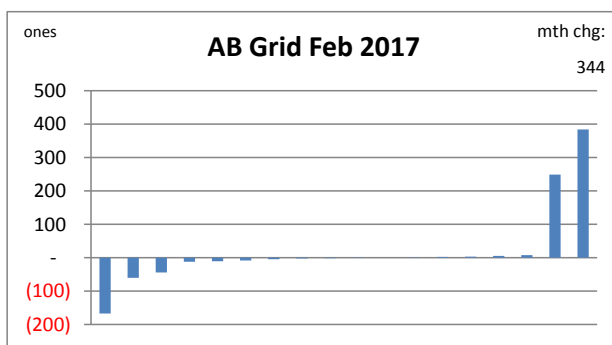
The February 2017 Alberta Non-Grid Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected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

Management Comments

Alberta Grid

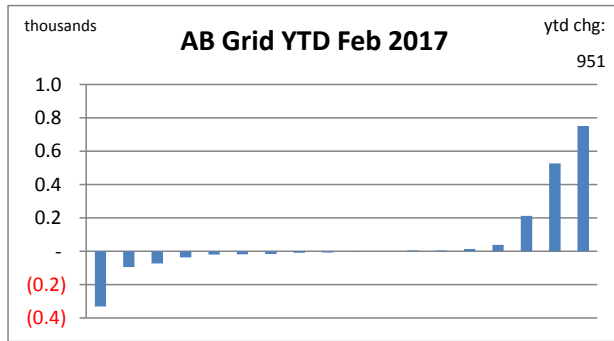


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with February showing an increase of 344 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,467 vehicles, indicating a variance of 1,123 vehicles from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in February than projected.



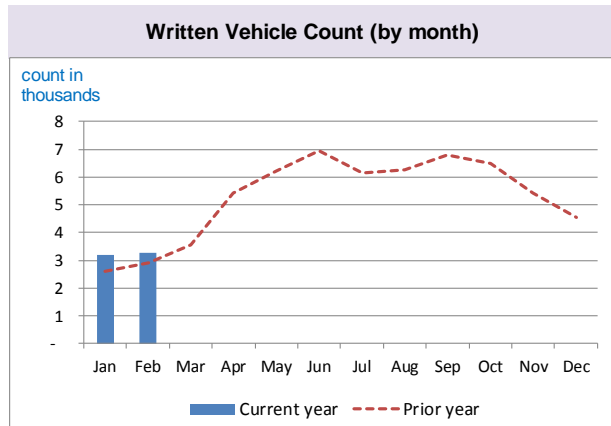
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more and one remained the same. 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, 2 member company groups accounted for 97% of the total transfer increases for these “grower” members.

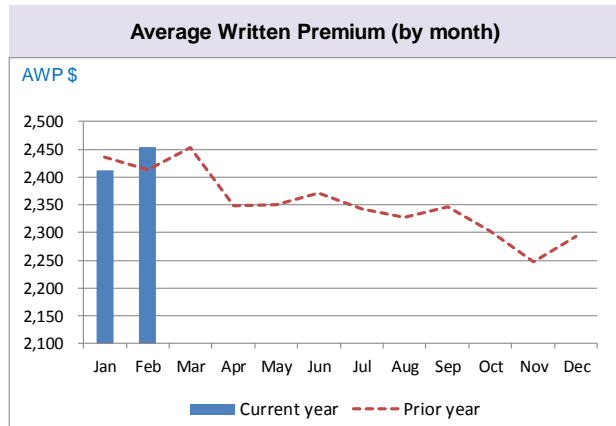


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

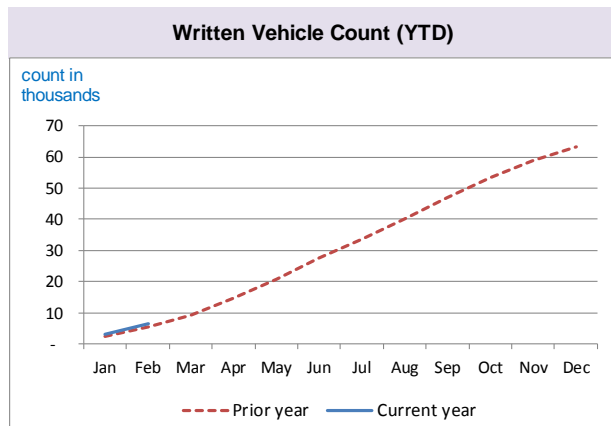
February’s vehicle count transfers to the pool represent an 11.8% increase from February 2016, and counts were up 17.2% year-to-date. Average written premium was up 1.7% in February 2017 compared with the same month in 2016, and up 0.4% year-to-date (see charts immediately below).



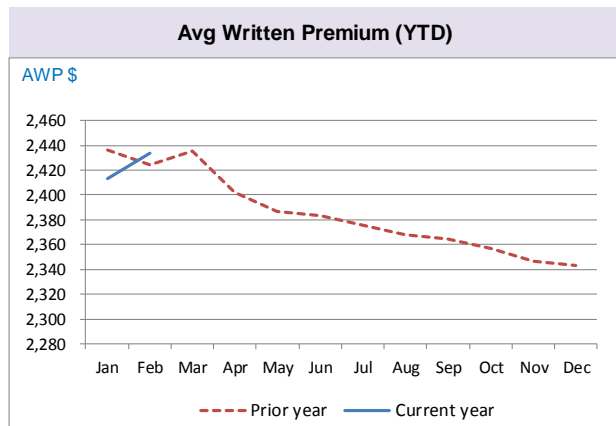
	Feb-17	Feb-16	Amt Chg	% Chg
W. Veh curr mth	3,267	2,923	344	11.8%



	Feb-17	Feb-16	Amt Chg	% Chg
AWP curr mth	2,455	2,413	42	1.7%

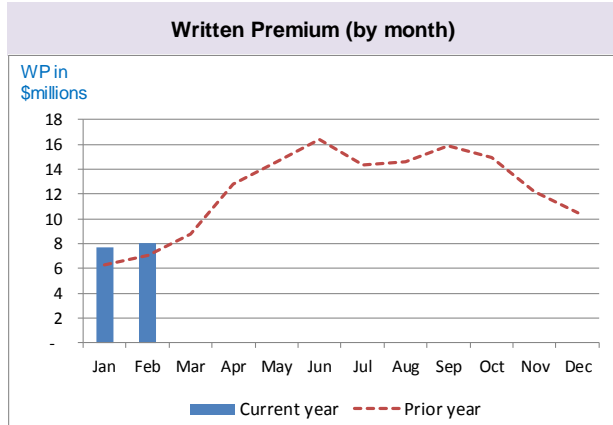


	Feb-17	Feb-16	Amt Chg	% Chg
W. Vehicles YTD	6,465	5,514	951	17.2%

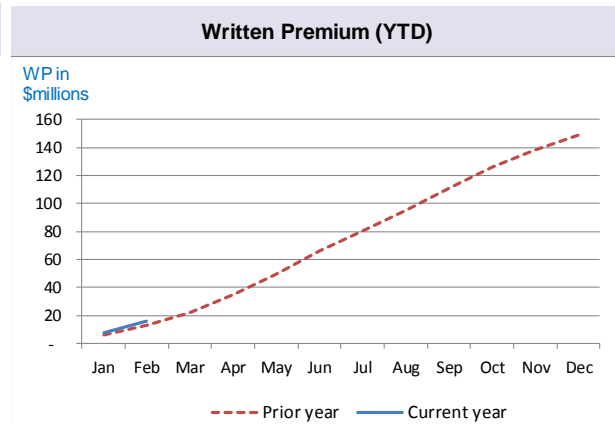


	Feb-17	Feb-16	Amt Chg	% Chg
Avg W. Prem YTD	2,434	2,424	10	0.4%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 13.7% for the month compared with the 48.4% increase we projected last month, and was up 17.7% year-to-date (see charts immediately below).

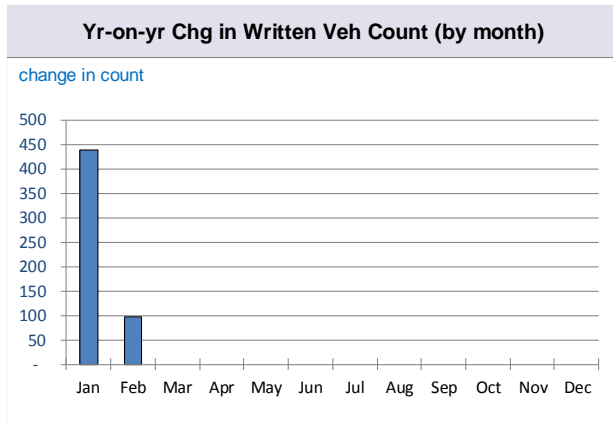


	Feb-17	Feb-16	Amt Chg	% Chg
WP (\$000s) curr mth	8,020	7,054	966	13.7%

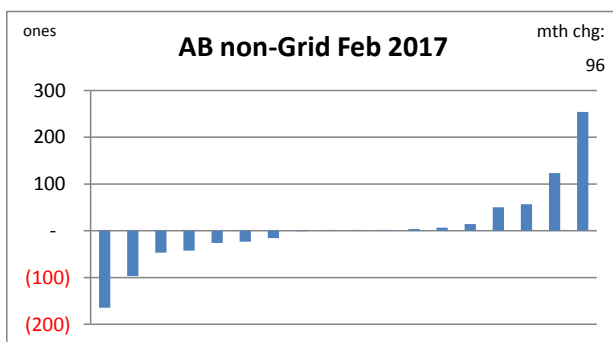


	Feb-17	Feb-16	Amt Chg	% Chg
WP (\$000s) YTD	15,737	13,366	2,371	17.7%

Alberta Non-Grid

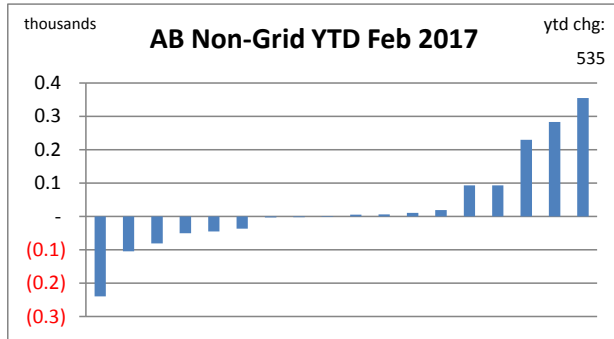


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with February showing an increase of 96 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 337 vehicles, indicating a variance of 433 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 February than projected.



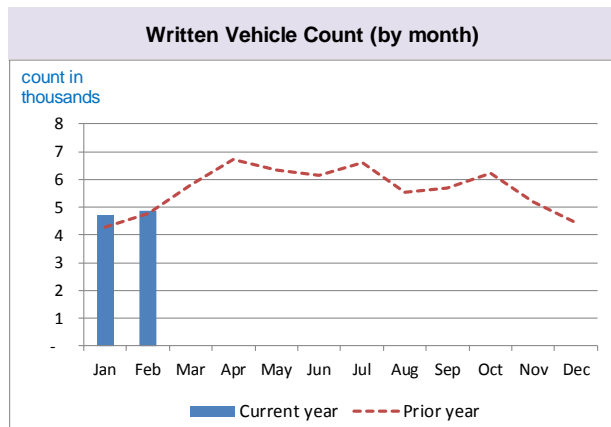
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared to a year ago, while nine transferred more. Of the 9 member company groups transferring fewer vehicles, 2 member

company groups accounted for 63% of the total transfer decrease for these “decliner” members. Of the 9 member company groups transferring more vehicles, 1 member company group accounted for 50% of the total transfers increase for these “grower” members.

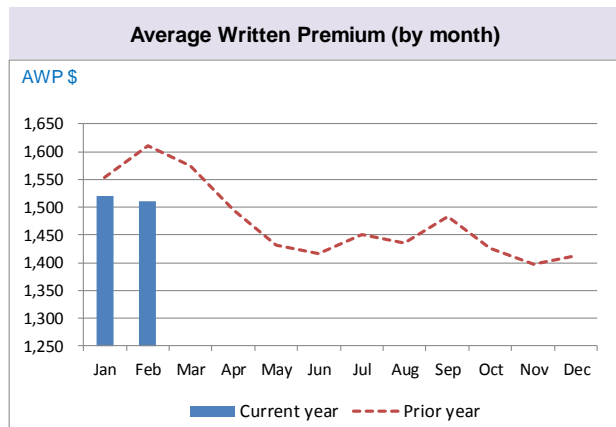


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

February’s vehicle count transfers to the pool represent a 2.0% increase from February 2016, and counts were up 5.9% year-to-date. Average written premium was down 6.1% in February 2017 compared with the same month in 2016, and down 4.4% year-to-date (see charts immediately below and at the top of the next page).

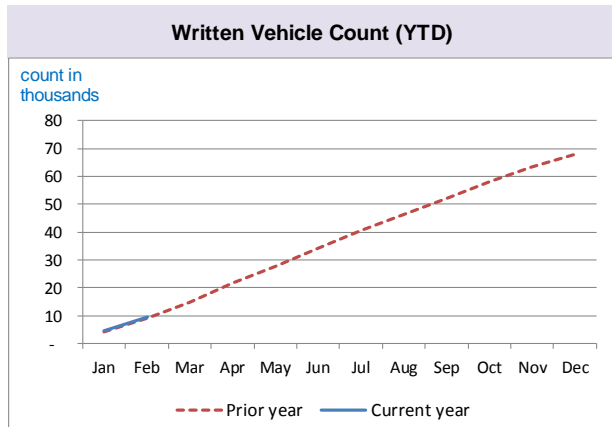


	Feb-17	Feb-16	Amt Chg	% Chg
W. Veh curr mth	4,877	4,780	96	2.0%

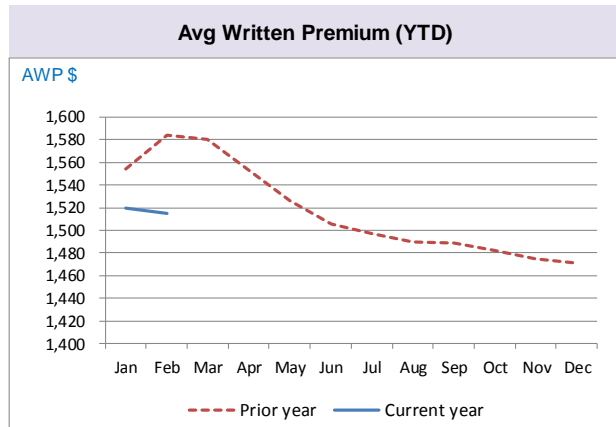


	Feb-17	Feb-16	Amt Chg	% Chg
AWP curr mth	1,511	1,610	(99)	-6.1%

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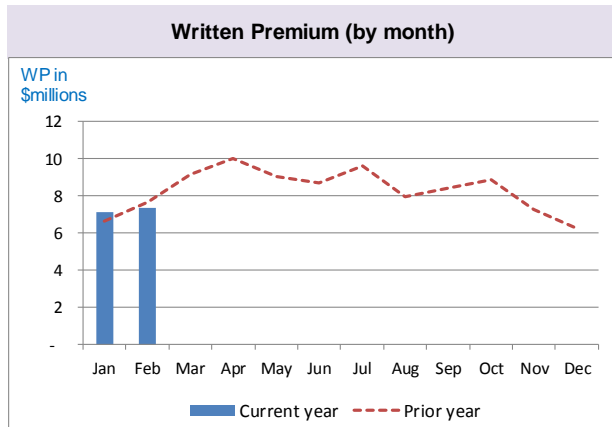


	Feb-17	Feb-16	Amt Chg	% Chg
W. Vehicles YTD	9,588	9,053	535	5.9%

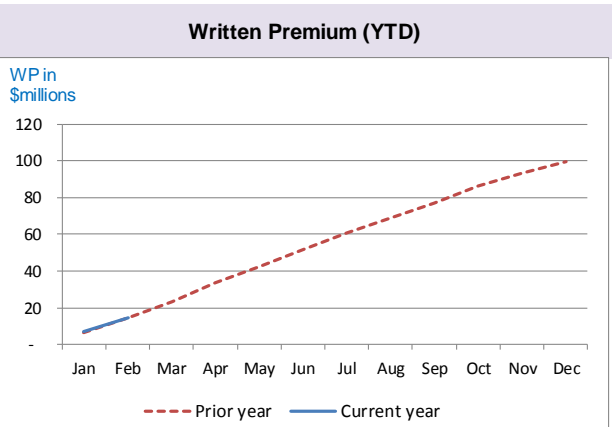


	Feb-17	Feb-16	Amt Chg	% Chg
Avg W. Prem YTD	1,515	1,584	(69)	-4.4%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 4.3% for the month compared with the 14.6% decrease we projected last month, but was up 1.3% year-to-date (see charts immediately below).



	Feb-17	Feb-16	Amt Chg	% Chg
WP (\$000s) curr mth	7,368	7,698	(331)	-4.3%



	Feb-17	Feb-16	Amt Chg	% Chg
WP (\$000s) YTD	14,530	14,336	193	1.3%

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

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Alberta Risk Sharing Pools – February 2017 Operational Reports

Related Links:

Alberta Grid RSP:

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

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Alberta (Grid)

EXHIBIT 1

Operating Results for the 2 Months Ended February 28, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$7,717	\$8,020	\$15,737	\$164,399	\$148,473
Decrease (Increase) in Unearned Premiums	4,472	3,146	7,618	(739)	(16,653)
Net Premiums Earned	\$12,189	\$11,166	\$23,355	\$163,660	\$131,820
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$396)	(\$174)	(\$570)	(\$570)	\$41,142
Effect of Discounting	(744)	(926)	(\$1,670)	(7,838)	(1,682)
Discounted	(\$1,140)	(\$1,100)	(\$2,240)	(\$8,408)	\$39,460
Current Accident Year:					
Undiscounted	\$9,865	\$8,860	\$18,725	\$128,024	\$110,558
Effect of Discounting	992	713	\$1,705	8,074	7,515
Discounted	\$10,857	\$9,573	\$20,430	\$136,098	\$118,073
Claims Incurred	\$9,717	\$8,473	\$18,190	\$127,690	\$157,533
Underwriting Expenses:					
Expense Allowance	\$2,215	\$2,312	\$4,527	\$47,490	\$44,732
Change in UPDR/DPAC:					
Undiscounted	979	697	1,676	730	689
Effect of Discounting	(318)	(224)	(542)	135	1,915
Discounted	661	473	\$1,134	865	\$2,604
Underwriting Expenses	\$2,876	\$2,785	\$5,661	48,355	\$47,336
Net Underwriting Gain (Loss)	(\$404)	(\$92)	(\$496)	(\$12,385)	(\$73,049)
Administrative Expenses	\$73	\$79	\$152	\$990	\$894
Operating Result	(\$477)	(\$171)	(\$648)	(\$13,375)	(\$73,943)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-9.4%	-9.9%	-9.6%	-5.1%	29.9%
Current Accident Year	89.1%	85.7%	87.5%	83.2%	89.6%
All Accident Years Combined (Earned)	79.7%	75.8%	77.9%	78.1%	119.5%
Underwriting & Administrative Expenses (Earned)	24.2%	25.6%	24.9%	30.2%	36.6%
Combined Operating Ratio	103.9%	101.4%	102.8%	108.3%	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 2 Months Ended February 28, 2017 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$7,162	\$7,368	\$14,530	\$101,489	\$99,667
Decrease (Increase) in Unearned Premiums	1,014	152	1,166	(1,360)	(9,196)
Net Premiums Earned	\$8,176	\$7,520	\$15,696	\$100,129	\$90,471
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$209)	(\$89)	(\$298)	(\$298)	\$2,286
Effect of Discounting	(826)	(520)	(1,346)	(4,773)	(3,163)
Discounted	(\$1,035)	(\$609)	(\$1,644)	(\$5,071)	(\$877)
Current Accident Year:					
Undiscounted	\$8,220	\$7,472	\$15,692	\$98,686	\$102,363
Effect of Discounting	764	521	1,285	5,911	5,476
Discounted	\$8,984	\$7,993	\$16,977	\$104,597	\$107,839
Claims Incurred	\$7,949	\$7,384	\$15,333	\$99,526	\$106,962
Underwriting Expenses:					
Expense Allowance	\$2,066	\$2,129	\$4,195	\$29,327	\$30,016
Change in UPDR/DPAC:					
Undiscounted	15	10	25	478	1,003
Effect of Discounting	(83)	(11)	(94)	155	987
Discounted	(68)	(1)	(69)	633	\$1,990
Underwriting Expenses	\$1,998	\$2,128	\$4,126	\$29,960	\$32,006
Net Underwriting Gain (Loss)	(\$1,771)	(\$1,992)	(\$3,763)	(\$29,357)	(\$48,497)
Administrative Expenses	\$73	\$79	\$152	\$972	\$898
Operating Result	(\$1,844)	(\$2,071)	(\$3,915)	(\$30,329)	(\$49,395)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-12.7%	-8.1%	-10.5%	-5.1%	-1.0%
Current Accident Year	109.9%	106.3%	108.2%	104.5%	119.2%
All Accident Years Combined	97.2%	98.2%	97.7%	99.4%	118.2%
(Earned)	25.3%	29.3%	27.3%	30.9%	36.4%
Combined Operating Ratio	122.5%	127.5%	125.0%	130.3%	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