



TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER
ALBERTA RISK SHARING POOL PROJECT MANAGER

BULLETIN NO.: F18 – 028

DATE: APRIL 27, 2018

SUBJECT: ALBERTA RISK SHARING POOLS
– MARCH 2018 OPERATIONAL REPORT

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

Please be advised that the March 2018 Alberta Risk Sharing Pools Operational Reports are now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

New This Month

Valuation

Valuations of the Alberta Grid Risk Sharing Pool (“RSP”) and Non-Grid RSP as at December 31, 2017 have been completed since last month’s Operational Reports and the results of these valuations have been incorporated into this month’s Operational Reports. The valuations were completed by the Facility Association’s internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

For the **Alberta Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$17.5 million unfavourable** impact on the month’s net result from operations, adding an estimated 44.3 points to the year-to-date Combined Operating Ratio (ending at 157.0%). The impact is summarized in the tables at the top of the next page¹.

¹In the tables, “ults & payout patterns” refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; “dsct rate” refers to the impact of changes in the selected discount rate applied to projected cashflows; and “apv adj.” refers to “actuarial present value adjustments”.

Bulletin F18-028

Alberta Risk Sharing Pools – March 2018 Operational Reports

AB Grid	unfav / (fav) for the month and ytd						ytd EP 39,527 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	8,778	2,216	10,994	22	-	11,016	22.2%	5.6%	27.8%	0.1%	-	27.9%
CAY	1,982	159	2,141	4	-	2,145	5.0%	0.4%	5.4%	-	-	5.4%
Prem Def	4,027	322	4,349	-	-	4,349	10.2%	0.8%	11.0%	-	-	11.0%
TOTAL	14,787	2,697	17,484	26	-	17,510	37.4%	6.8%	44.2%	0.1%	-	44.3%

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating an unfavourable impact of \$17.5 million – see column [3] in the left table above), augmented by the impact due to a 1 basis point decrease in the selected discount rate (from 1.76% to 1.75%, generating a \$26 thousand unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

Management has observed unfavourable total valuation impacts over the last 12 valuation implementations for the Alberta Grid RSP, with only 2 of 12 valuation implementations being favourable over that period, as shown in the table below (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). Nominal estimate updates (column [1]) drive the overall impacts. It should be noted that the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

RSP: Alberta Grid, as at: 2017 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						= sum([1] to [5])		= [5] / [6]	= [1] / [6]
2015 Q1	May 2015	10,011	1,317	5,068	(2,034)	14,362	336,655	4.3%	3.0%
2015 Q2	Aug 2015	(2,405)	1,964	(2,317)	(1,433)	(4,191)	329,238	(1.3%)	(0.7%)
2015 Q3	Oct 2015	3,402	315	1,683	-	5,400	333,060	1.6%	1.0%
2015 Q4	Mar 2016	20,151	2,474	524	-	23,149	328,237	7.1%	6.1%
2016 Q1	May 2016	17,793	1,778	509	-	20,080	349,340	5.7%	5.1%
2016 Q2	Aug 2016	11,942	1,410	556	(820)	13,088	372,965	3.5%	3.2%
2016 Q3	Oct 2016	4,867	406	603	-	5,876	384,652	1.5%	1.3%
2016 Q4	Mar 2017	19,370	2,700	(5,507)	-	16,563	383,713	4.3%	5.0%
2017 Q1	May 2017	7,217	455	934	-	8,606	395,177	2.2%	1.8%
2017 Q2	Aug 2017	10,704	914	(2,369)	(941)	8,308	410,268	2.0%	2.6%
2017 Q3	Oct 2017	(1,685)	119	(6,466)	-	(8,032)	412,971	(1.9%)	(0.4%)
2017 Q4	Mar 2018	14,787	2,697	26	-	17,510	419,351	4.2%	3.5%
12-qtrs		116,154	16,549	(6,756)	(5,228)	120,719			
% of total		96.2%	13.7%	(5.6%)	(4.3%)	100.0%			
Averages									
12-qtrs		9,680	1,379	(563)	(436)	10,060	371,302	2.7%	2.6%
2015 Q1 to 2016 Q4		10,641	1,546	140	(536)	11,791	352,233	3.3%	3.0%
2017 Q1 to 2017 Q4		7,756	1,046	(1,969)	(235)	6,598	409,442	1.6%	1.9%

The FA valuation approach is focused on providing best estimates on a nominal basis, and we expect this to manifest itself as a close-to-zero 12-quarter impact for column [1] in the table at the bottom of the previous page. While this objective has not been met, we are encouraged that the average impact over the most recent 4 valuations has been much smaller than the earliest 8 valuations shown. Further, the nominal impacts, as a percentage of booked policy liabilities, should ideally be small (less than 2.5%) – this percentage is provided in column [8] above, showing 7 of the 12 valuation implementations above indicate an impact greater than 2.5%, and the overall average impact at 2.6% being above the 2.5% level. Finally, potential “bias” in the nominal impacts should be considered (per either column [1] or [8]). We generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3rds will be favourable (due to the skewness of the development), and there seems to be evidence of improvement in this measure toward less bias.

In summary, we believe the nominal valuation impacts have not been moving toward our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no bias evident), and underlying causes for this are being discussed with the valuation team. Part of this may be due to what appears to be underlying changes in claims recording and payment patterns for this RSP which we are NOT seeing for the Alberta Non-Grid RSP, nor are we seeing for the FARM Alberta results. Some indicators of this are discussed in the current month results section for the Alberta Grid RSP found on page 7.

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$4.3 million favourable** impact on the month’s net result from operations, subtracting an estimated 18.0 points from the year-to-date Combined Operating Ratio (ending at 117.8%). The impact is summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 24,105 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(6,362)	(137)	(6,499)	-	-	(6,499)	(26.4%)	(0.6%)	(27.0%)	-	-	(27.0%)
CAY	658	68	726	-	-	726	2.7%	0.3%	3.0%	-	-	3.0%
Prem Def	1,295	138	1,433	-	-	1,433	5.4%	0.6%	5.9%	-	-	5.9%
TOTAL	(4,409)	69	(4,340)	-	-	(4,340)	(18.3%)	0.3%	(18.0%)	-	-	(18.0%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a favourable impact of \$4.3 million – see column [3] in the left table above), with no impact due to the selected discount rate (left unchanged at 1.76%, generating no impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

As indicated in the table above, the prior accident years (PAYs) nominal impact was \$6.4 million favourable (first row under column [1]). Of this amount, \$5.0 million was directly attributable to valuation adjustments made to reflect a known overstatement of a member’s reported case reserves. Specifically, as noted in the last two month’s Bulletins, FA management was notified

on January 31, 2018 by a member of a potential recorded case reserve overstatement. Furthermore, during the current valuation review, FA management was advised of an additional and separate recorded case reserve understatement primarily due to incorrect reporting after FA's October 31, 2017 fiscal year end. Management investigated and estimated the overall overstatement for the Alberta Non-Grid RSP as at December 31, 2017 as indicated in the table below.

Estimated case reserve overstatement as at Dec 31, 2017

<u>overstatement / (understatement)</u>	
Accident Year	Total Case Reserve Adjustment (\$'000s)
2010	(171)
2011	(239)
2012	-
2013	(92)
2014	(104)
2015	518
2016	2,554
2017	2,529
Total	4,995

A decision was made by management and the Appointed Actuary, after receiving the initial January 2018 notification, to not make an adjustment to selected loss ratios until the 2017 Q4 RSP valuation was completed (however, for the purposes of the fiscal year-end financial reporting, an adjustment was made). With this valuation, prior accident years' ultimates selections have now taken into account the member's overstatement (both the original amount as notified, and the subsequent amount, with the combination of the two being summarized in the table above). FA management is working with the member on a process to correct the reported levels, and we currently anticipate that this will be either partially or entirely completed in time for the 2018 Q2 valuation.

The valuation implementations related to the last 12 quarterly valuations are summarized in the table at the top of the next page, indicating an overall unfavourable result over those implementations. Only 4 of the 12 implementations over the period have been favourable. Nominal estimate updates (column [1]) drive the overall impacts. As previously noted, the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

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Alberta Risk Sharing Pools – March 2018 Operational Reports

RSP: Alberta Non-Grid, as at: 2017 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LR & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						= sum([1] to [5])		= [5] / [6]	= [1] / [6]
2015 Q1	May 2015	156	(176)	3,545	(1,507)	2,018	231,014	0.9%	0.1%
2015 Q2	Aug 2015	(4,412)	(455)	(1,631)	(597)	(7,095)	226,467	(3.1%)	(1.9%)
2015 Q3	Oct 2015	(2,686)	(124)	1,175	-	(1,635)	222,481	(0.7%)	(1.2%)
2015 Q4	Mar 2016	(980)	248	306	-	(426)	212,621	(0.2%)	(0.5%)
2016 Q1	May 2016	800	(49)	304	-	1,055	218,423	0.5%	0.4%
2016 Q2	Aug 2016	10,902	1,022	395	(493)	11,826	235,294	5.0%	4.6%
2016 Q3	Oct 2016	7,041	888	452	-	8,381	245,539	3.4%	2.9%
2016 Q4	Mar 2017	3,188	682	(3,361)	-	509	234,950	0.2%	1.4%
2017 Q1	May 2017	5,516	280	645	-	6,441	242,689	2.7%	2.3%
2017 Q2	Aug 2017	7,100	687	(1,376)	(550)	5,861	251,367	2.3%	2.8%
2017 Q3	Oct 2017	3,358	497	(3,737)	-	118	251,978	-	1.3%
2017 Q4	Mar 2018	(4,409)	69	-	-	(4,340)	247,518	(1.8%)	(1.8%)
12-qtrs	-	25,574	3,569	(3,283)	(3,147)	22,713			
% of total		112.6%	15.7%	(14.5%)	(13.9%)	100.0%			
Averages									
12-qtrs		2,131	297	(274)	(262)	1,893	235,028	0.8%	0.9%
2015 Q1 to 2016 Q4		1,751	255	148	(325)	1,829	228,349	0.8%	0.8%
2017 Q1 to 2017 Q4		2,891	383	(1,117)	(138)	2,020	248,388	0.8%	1.2%

As previously noted, the FA valuation approach is focused on providing best estimates on a nominal basis, and we expect this to manifest itself as a close-to-zero 12-quarter impact for column [1] in the table above. While this objective has not been met, we are encouraged that the average impact is relatively small. Further, the nominal impacts, as a percentage of booked policy liabilities, should ideally be small (less than 2.5%) – this percentage is provided in column [8] above, and shows only 3 of the 12 valuation implementations above indicate an impact greater than 2.5%, and the overall average impact at 0.9% is below the 2.5% level. Finally, potential “bias” in the nominal impacts should be considered (per either column [1] or [8]). We generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3rds will be favourable (due to the skewness of the development), and there seems to evidence of bias by this measure (there are more unfavourable impacts than we would expect).

In summary, we believe the nominal valuation impacts are moving toward our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no bias evident), although we have been challenged by bias in the results where there have tended to be more unfavourable impacts than we expect (recognizing that the valuation impacts have tended to be small).

Please see “Effect of Quarterly Valuation” sections for additional valuation result detail (page 9 for Grid and page 13 for Non-Grid).

Alberta Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$22.6 million and the incurred loss ratio to the end of 3 months is 120.3%, as summarized in the table below.

Amounts in \$000s	March 2018	March 2017	Year to date Mar 2018	Year to Date Mar 2017
Premium Written	12,966	10,642	30,331	26,379
Premium Earned	13,738	12,254	39,527	35,609
Incurred Losses	24,875	21,678	47,565	39,868
Underwriting & Admin Expense	8,421	7,508	14,522	13,321
Operating Result	(19,558)	(16,932)	(22,560)	(17,580)
Ratios:				
Loss ratio - Prior Accident Years	74.2%	75.2%	22.5%	19.6%
- Current Accident Year	106.8%	101.7%	97.8%	92.4%
<i>Total</i>	181.0%	176.9%	120.3%	112.0%
<i>Underwriting & Admin Expense</i>	61.3%	61.3%	36.7%	37.4%
<i>Combined Operating Ratio</i>	242.3%	238.2%	157.0%	149.4%

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 2018 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$55.3 million and the estimated combined operating ratio to December 2018 is 131.4%, as summarized in the table at the top of the next page.

AB Grid RSP 2018 Yr-end Projection	Current	Prior Mth		Final 2018
Amounts in \$000s	(Mar 2018)	(Feb 2018)	Change	Outlook*
Premium Written	175,587	176,510	(923)	189,665
Premium Earned	176,189	177,375	(1,186)	184,393
Incurred Losses	171,887	153,351	18,536	167,321
Underwriting & Admin Expense	59,628	55,192	4,437	59,423
Net Result from Operations	(55,326)	(31,168)	(24,159)	(42,351)
Ratios:				
Loss ratio				
- Prior Accident Years	2.5%	(3.3%)	5.8%	(3.9%)
- Current Accident Year	95.1%	89.7%	5.4%	94.6%
<i>Total</i>	97.6%	86.4%	11.2%	90.7%
Underwriting & Admin Expense	33.8%	31.1%	2.7%	32.2%
Combined Operating Ratio	131.4%	117.5%	13.9%	122.9%

rounding differences may occur

*as posted to FA's website Oct. 3, 2017

This updated projection to the end of the year has deteriorated by \$24.2 million from the projection provided last month (-\$31.2 million and 117.5%), mainly due to the overall \$24.4 million unfavourable impact of the valuation as at December 31, 2017, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 9). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

AB Grid	unfav / (fav) projected for full year						year EP 176,189 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	8,778	1,791	10,569	14	-	10,583	5.0%	1.0%	6.0%	-	-	6.0%
CAY	8,677	468	9,145	13	-	9,158	4.9%	0.3%	5.2%	-	-	5.2%
Prem Def	4,362	352	4,714	-	-	4,714	2.5%	0.2%	2.7%	-	-	2.7%
TOTAL	21,817	2,611	24,428	27	-	24,455	12.4%	1.5%	13.9%	-	-	13.9%

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$19.6 million Operating Result in the month of March 2018, a deterioration of \$2.6 million compared with the same month last year. This deterioration is composed of an estimated \$2.0 million unfavourable impact associated with the \$1.5 million increase in earned premium (at a combined ratio of 238.2%), with the remaining \$0.6 million deterioration stemming from the overall increase in the combined ratio (from 238.2% to 242.3% applied to \$13.7 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

As has been presented and discussed over the past several months in the Actuarial Highlights, we note that there may be a change in the levels of current accident year (CAY) recorded and paid

activity relative to year-to-date earned premium, as evidenced by the average of monthly ratios over the past several years shown in the tables at the top of the next page. These tables show, in each row, the average monthly ratio for each calendar year. That is, each row in the left table (as at Dec) provides the average of the 12 monthly-ratios (i.e. Jan, Feb, ... Dec) for that row's calendar year, whereas each row in the right table (as at March) provides the average of the 3 monthly ratios (i.e. Jan-Mar) for that row's calendar year.

CAY avg of mthly ratios for yr					CAY avg of mthly ratios for yr				
as at	Rec'd	yr-on-yr chg	Paid	yr-on-yr chg	as at	Rec'd	yr-on-yr chg	Paid	yr-on-yr chg
Dec 2009	11.5%		4.4%		Mar 2009	25.7%		5.5%	
Dec 2010	10.9%	(0.6%)	4.5%	0.1%	Mar 2010	22.4%	(3.3%)	6.1%	0.6%
Dec 2011	12.8%	1.9%	4.8%	0.3%	Mar 2011	29.8%	7.4%	6.1%	0.0%
Dec 2012	12.4%	(0.4%)	4.7%	(0.1%)	Mar 2012	24.9%	(4.9%)	5.9%	(0.2%)
Dec 2013	12.6%	0.2%	4.8%	0.1%	Mar 2013	26.8%	1.9%	5.6%	(0.3%)
Dec 2014	13.8%	1.2%	5.3%	0.5%	Mar 2014	27.2%	0.4%	6.4%	0.8%
Dec 2015	14.4%	0.6%	5.5%	0.2%	Mar 2015	29.8%	2.6%	6.9%	0.5%
Dec 2016	14.0%	(0.4%)	5.4%	(0.1%)	Mar 2016	27.0%	(2.8%)	7.0%	0.1%
Dec 2017	15.5%	1.5%	5.6%	0.2%	Mar 2017	36.9%	9.9%	8.0%	1.0%
					Mar 2018	35.3%	(1.6%)	7.8%	(0.2%)

Both recorded and paid ratios for Dec. 2017 relative to Dec. 2009 have increased at an annual rate of almost 4% over and above any premium rate level increases. At this point, we are only monitoring, but the valuation team has been advised and is taking this information into consideration. Further, while the average of the 12 monthly ratios at December for 2016 was down from 2015, the December 12-month average ratios for calendar year 2017 were at the highest level for both recorded and paid.

As can be seen in the right table above, (average of 3 months to March of each year), both the recorded and paid ratio were the second highest ratios since 2009, though down from 2017 (the highest recorded and paid ratios). However, these ratios are more volatile earlier in the year due to smaller year-to-date earned premium levels.

Note that we are NOT seeing this same level of change in similar metrics for the AB Non-Grid RSP nor for the FARM Alberta results.

This month's results moved the year-to-date combined operating ratio from 111.7% at the end of 2 month to 157.0% at the end of 3 months. The 45.3 percentage point increase is composed of a 27.6 percentage point increase in the Prior Accident Years loss ratio, coupled with a 4.7 percentage point increase in the Current Accident Year loss ratio, and a 13.0 percentage point increase in the expense ratio.

Variations 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.

March 2018	Actual	Projection	Difference	Difference %
Written Premium	12,966	13,889	(923)	(6.6%)
Earned Premium	13,738	14,152	(414)	(2.9%)
Reported Losses				
Paid Losses	11,825	12,434	(609)	(4.9%)
Paid Expenses	464	986	(522)	(52.9%)
Change in Outstanding Losses	770	24	746	>999.9%
Total Reported Losses	13,059	13,444	(385)	(2.9%)
Change in IBNR Provision*	11,816	(1,401)	13,217	
Change in Premium Deficiency (DPAC)*	4,467	71	4,396	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP March 2018 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 March 2018, reported losses were \$0.4 million lower than projected. The Current Accident Year reported a favourable variance of \$2.0 million, while the Prior Accident Years reported an unfavourable variance of \$1.6 million. No single Prior Accident Year had a variance in excess of \$1.0 million.

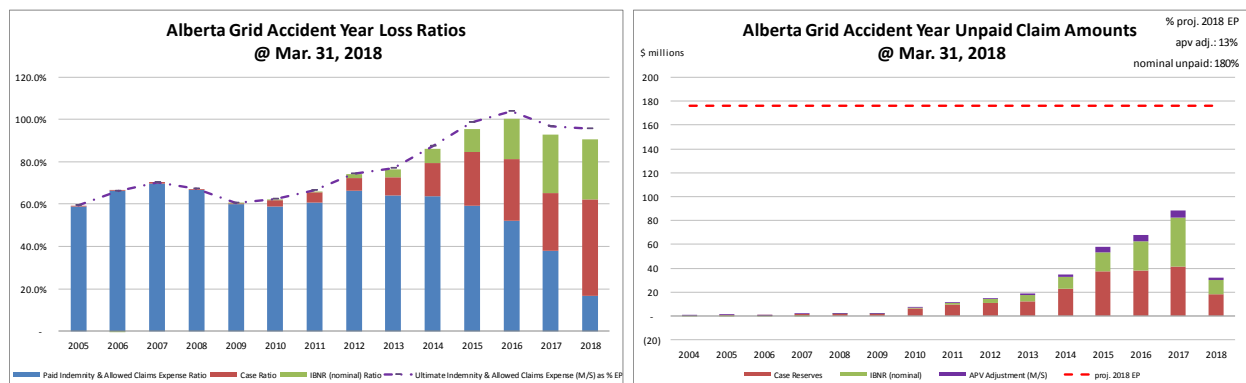
The variances for claims activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

Effect of Quarterly Valuation

The March 2018 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2017, with the associated impacts in relation to the results for March 2018 summarized in the table immediately below.

AB Grid	unfav / (fav) for the month and ytd						mth EP 13,738 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	8,778	2,216	10,994	22	-	11,016	63.9%	16.1%	80.0%	0.2%	-	80.2%
CAY	1,982	159	2,141	4	-	2,145	14.4%	1.2%	15.6%	-	-	15.6%
Prem Def	4,027	322	4,349	-	-	4,349	29.3%	2.3%	31.7%	-	-	31.7%
TOTAL	14,787	2,697	17,484	26	-	17,510	107.6%	19.6%	127.3%	0.2%	-	127.5%

The charts immediately below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities. We have included the associated claims liabilities in the chart on the right.



The preceding charts, latest valuation results, and related actuarial present value assumptions are discussed in more detail in the [Alberta Grid RSP March 2018 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2017 is expected to be posted on or before May 11, 2018. The actuarial valuation will be updated next as at March 31, 2018 and we anticipate that the results will be reflected in the May 2018 Operational Report.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$4.3 million and the incurred loss ratio to the end of 3 months is 83.8%, as summarized in the table below.

Amounts in \$000s	March 2018	March 2017	Year to date Mar 2018	Year to Date Mar 2017
Premium Written	8,608	8,817	22,322	23,347
Premium Earned	8,338	8,318	24,105	24,014
Incurred Losses	3,060	6,569	20,191	21,902
Underwriting & Admin Expense	4,178	4,650	8,200	8,928
Operating Result	1,100	(2,901)	(4,286)	(6,816)
Ratios:				
Loss ratio - Prior Accident Years	(82.5%)	(37.7%)	(31.3%)	(19.9%)
- Current Accident Year	119.2%	116.7%	115.1%	111.1%
<i>Total</i>	36.7%	79.0%	83.8%	91.2%
Underwriting & Admin Expense	50.1%	55.9%	34.0%	37.2%
Combined Operating Ratio	86.8%	134.9%	117.8%	128.4%

rounding differences may occur

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Alberta Risk Sharing Pools – March 2018 Operational Reports

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 2018 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$50.7 million and the estimated combined operating ratio to December 2018 is 143.8%, as summarized in the table below.

AB Non-Grid RSP 2018 Yr-end Proj. Amounts in \$000s	Current (Mar 2018)	Prior Mth (Feb 2018)	Change	Final 2018 Outlook*
Premium Written	131,143	130,461	682	101,307
Premium Earned	115,648	115,190	458	97,354
Incurred Losses	120,707	123,166	(2,459)	107,678
Underwriting & Admin Expense	45,669	43,716	1,953	33,362
Net Result from Operations	(50,728)	(51,692)	964	(43,686)
Ratios:				
Loss ratio - Prior Accident Years	(8.5%)	(2.8%)	(5.7%)	(4.5%)
- Current Accident Year	112.8%	109.7%	3.1%	115.1%
<i>Total</i>	104.3%	106.9%	(2.6%)	110.6%
Underwriting & Admin Expense	39.5%	38.0%	1.5%	34.3%
Combined Operating Ratio	143.8%	144.9%	(1.1%)	144.9%

rounding differences may occur

*as posted to FA's website Oct. 3, 2017

This updated projection to the end of the year has improved by \$1.0 million from the projection provided last month (-\$51.7 million and 144.9%), mainly due to the overall \$1.3 million favourable impact of the valuation as at December 31, 2017, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 13). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

AB Non-Grid	unfav / (fav) projected for full year						year EP 115,648 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(6,362)	(185)	(6,547)	-	-	(6,547)	(5.5%)	(0.2%)	(5.7%)	-	-	(5.7%)
CAY	3,130	452	3,582	-	-	3,582	2.7%	0.4%	3.1%	-	-	3.1%
Prem Def	1,510	176	1,686	-	-	1,686	1.3%	0.2%	1.5%	-	-	1.5%
TOTAL	(1,722)	443	(1,279)	-	-	(1,279)	(1.5%)	0.4%	(1.1%)	-	-	(1.1%)

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a \$1.1 million Operating Result in the month of March 2018, an improvement of \$4.0 million from the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 134.9% to 86.8% applied to \$8.3 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month's results moved the year-to-date combined operating ratio from 134.2% at the end of 2 months to 117.8% at the end of 3 months. The 16.4 percentage point decrease is composed of a 27.1 percentage point decrease in the Prior Accident Years loss ratio, offset by a 2.2 percentage point increase in the Current Accident Year loss ratio, and further offset by an 8.5 percentage point increase in the expense ratio.

Variances from Projections

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

March 2018	Actual	Projection	Difference	Difference %
Written Premium	8,608	7,926	682	8.6%
Earned Premium	8,338	8,351	(13)	(0.2%)
Reported Losses				
Paid Losses	8,124	8,728	(604)	(6.9%)
Paid Expenses	192	545	(353)	(64.8%)
Change in Outstanding Losses	3,186	71	3,115	>999.9%
Total Reported Losses	11,502	9,344	2,158	23.1%
Change in IBNR Provision*	(8,442)	(531)	(7,911)	
Change in Premium Deficiency (DPAC)*	1,515	(9)	1,524	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP March 2018 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 March 2018, reported losses were \$2.2 million higher than projected. The Current Accident Year had a \$0.6 million favourable variance in reported losses, while the Prior Accident Years had a \$2.8 million unfavourable variance. Of the Prior Accident Years, 2016

had the largest variance in reported losses at \$1.3 million unfavourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

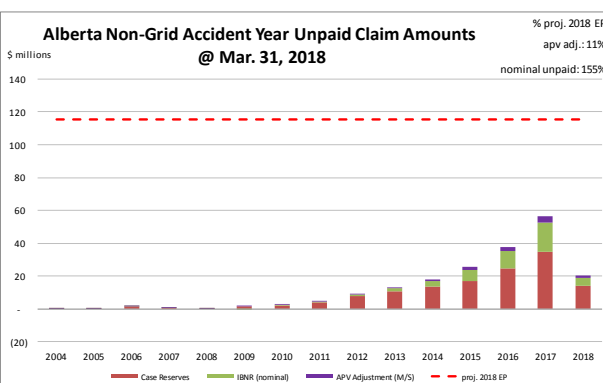
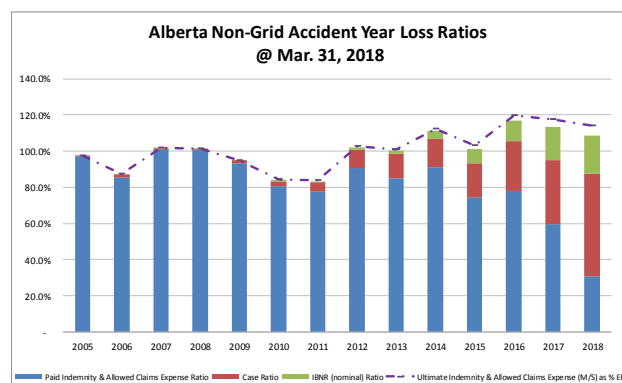
The variances for claims activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

Effect of Quarterly Valuation

The March 2018 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2017, with the associated impacts in relation to the results for March 2018 summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 8,338 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate		argins	ults & payout patterns			dsct rate		argins
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(6,362)	(137)	(6,499)	-	-	(6,499)	(76.3%)	(1.6%)	(77.9%)	-	-	(77.9%)
CAY	658	68	726	-	-	726	7.9%	0.8%	8.7%	-	-	8.7%
Prem Def	1,295	138	1,433	-	-	1,433	15.5%	1.7%	17.2%	-	-	17.2%
TOTAL	(4,409)	69	(4,340)	-	-	(4,340)	(52.9%)	0.8%	(52.1%)	-	-	(52.1%)

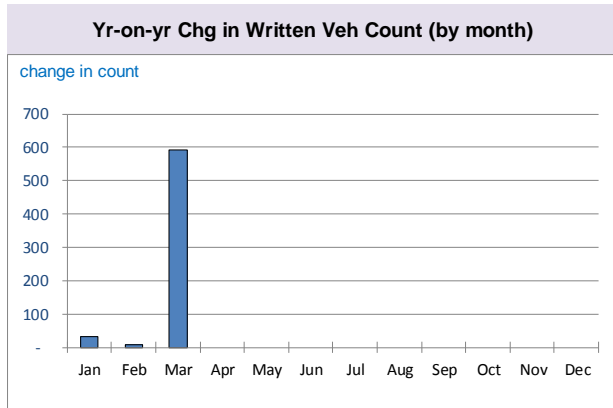
The charts below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities. We have included the associated claims liabilities in the chart on the right.



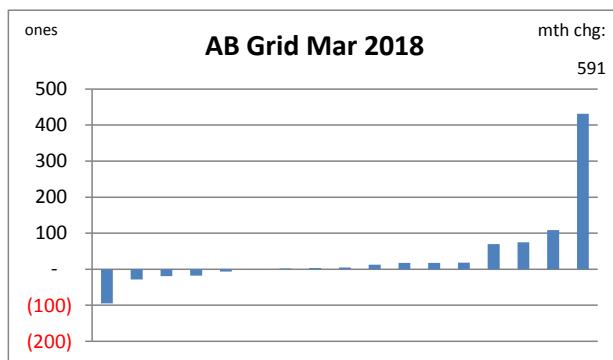
The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP March 2018 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2017 is expected to be posted on or before May 11, 2018. The actuarial valuation will be updated next as at March 31, 2018 and we anticipate that the results will be reflected in the May 2018 Operational Report.

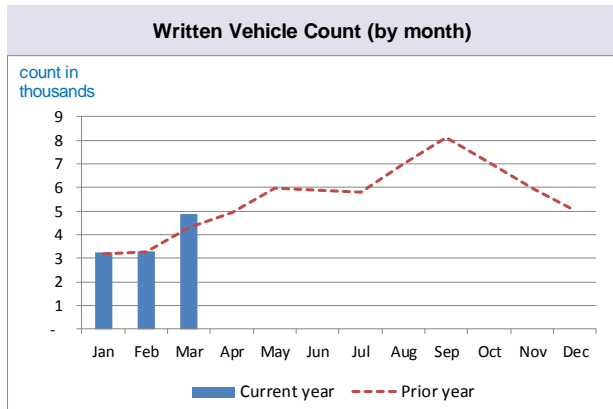
Management Comments

Alberta Grid

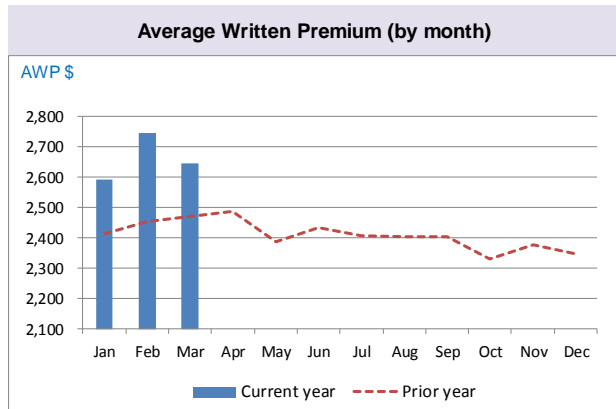


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with March showing an increase of 591 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 992 vehicles, indicating a variance of 401 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in March than projected.

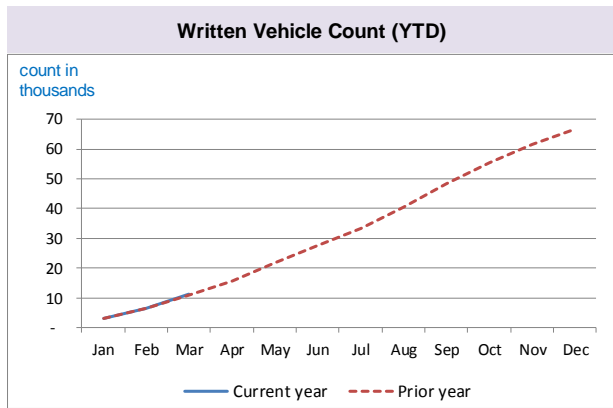




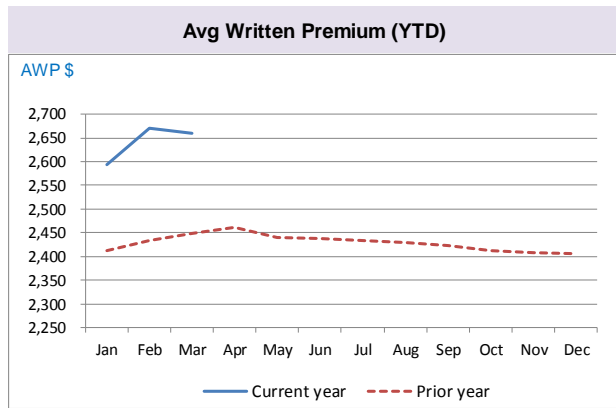
	Mar-18	Mar-17	Amt Chg	% Chg
W. Veh curr mth	4,899	4,309	591	13.7%



	Mar-18	Mar-17	Amt Chg	% Chg
AWP curr mth	2,647	2,470	177	7.2%

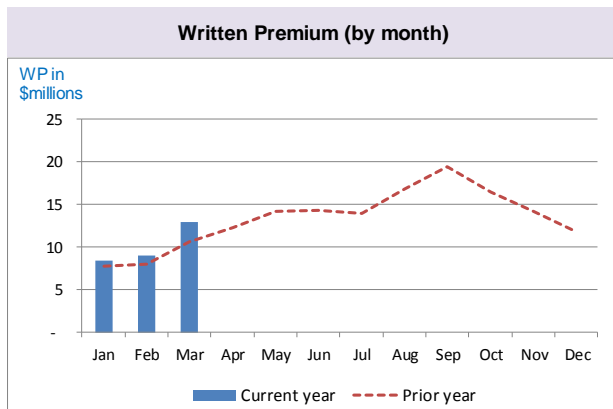


	Mar-18	Mar-17	Amt Chg	% Chg
W. Vehicles YTD	11,403	10,774	630	5.8%

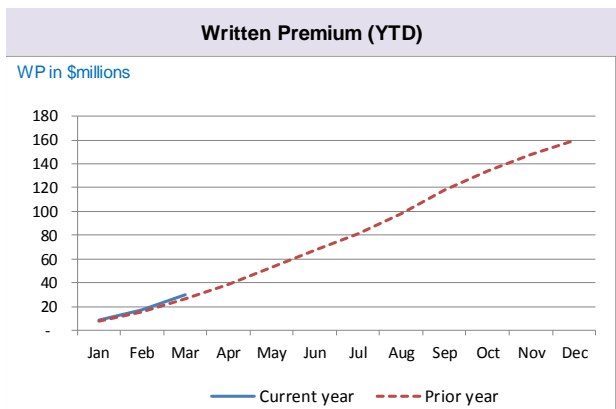


	Mar-18	Mar-17	Amt Chg	% Chg
Avg W. Prem YTD	2,660	2,448	212	8.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 21.8% for the month compared with the 30.5% increase we projected last month, and was up 15.0% year-to-date (see charts immediately below).

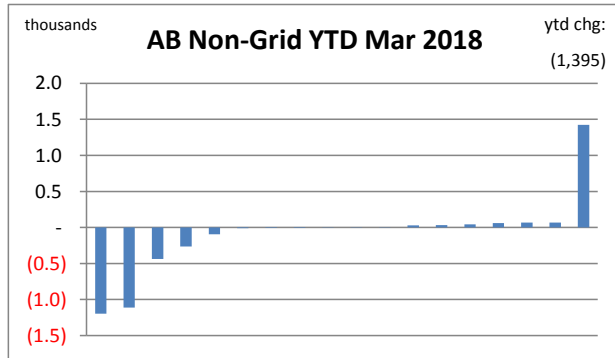


	Mar-18	Mar-17	Amt Chg	% Chg
WP (\$000s) curr mth	12,966	10,642	2,324	21.8%



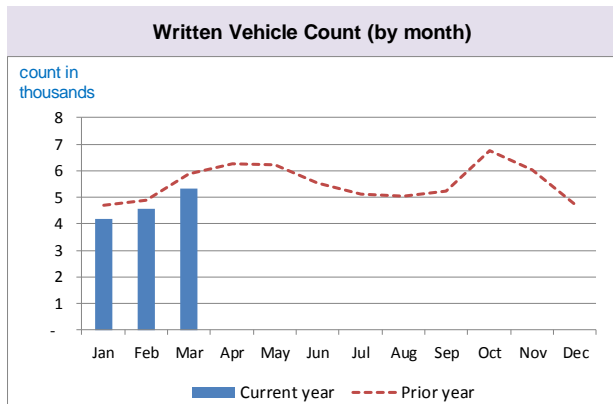
	Mar-18	Mar-17	Amt Chg	% Chg
WP (\$000s) YTD	30,331	26,379	3,952	15.0%

company groups accounted for 86% of the total transfer decrease for these “decliner” members. Of the 9 member company groups transferring more vehicles, 1 member company group accounted for 79% of the total transfers increase for these “grower” members.

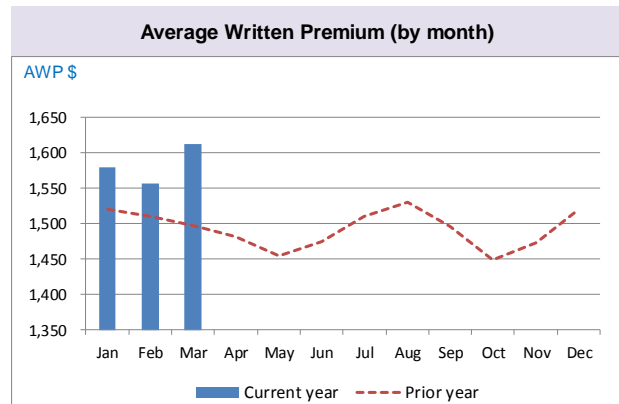


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

March’s vehicle count transfers to the pool represent a 9.4% decrease from March 2017, and counts were down 9.0% year-to-date. Average written premium was up 7.7% in March 2018 compared with the same month in 2017, and counts were up 5.0% year-to-date (see charts immediately below and at the top of the next page).



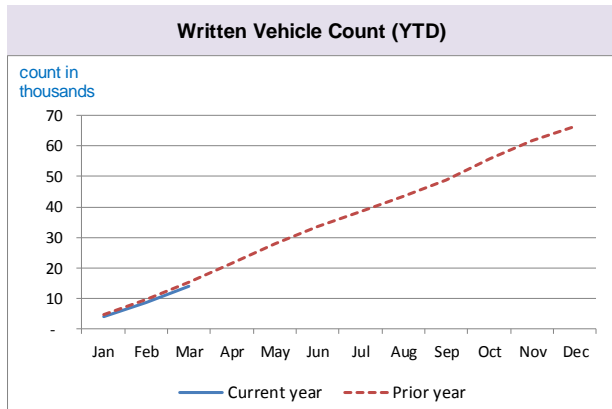
	Mar-18	Mar-17	Amt Chg	% Chg
W. Veh curr mth	5,337	5,889	(552)	-9.4%



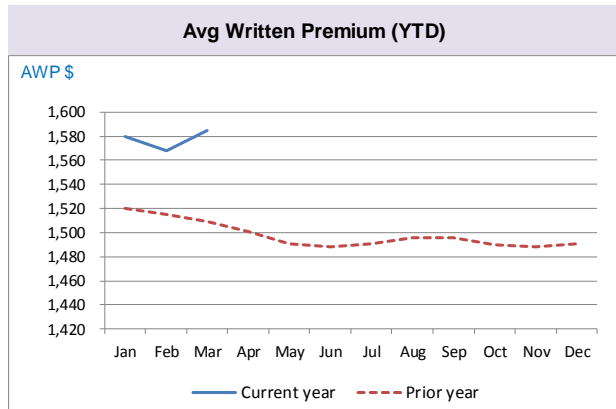
	Mar-18	Mar-17	Amt Chg	% Chg
AWP curr mth	1,613	1,497	116	7.7%

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Alberta Risk Sharing Pools – March 2018 Operational Reports

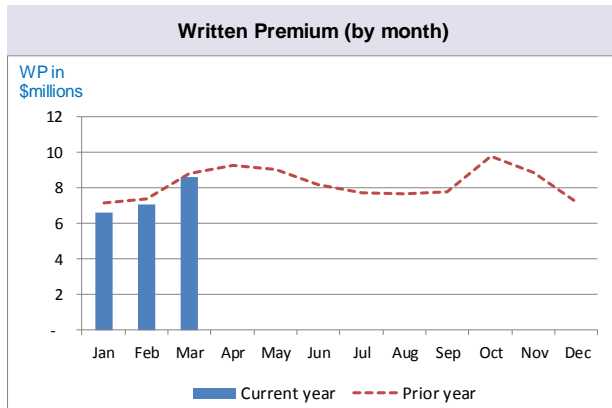


	Mar-18	Mar-17	Amt Chg	% Chg
W. Vehicles YTD	14,082	15,476	(1,395)	-9.0%

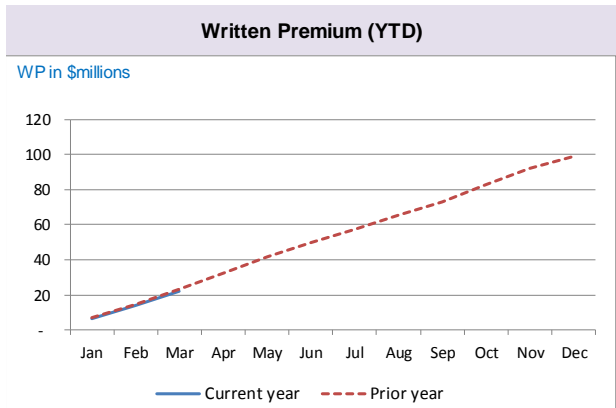


	Mar-18	Mar-17	Amt Chg	% Chg
Avg W. Prem YTD	1,585	1,509	76	5.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 2.4% for the month compared with the 10.1% decrease we projected last month, and was down 4.4% year-to-date (see charts immediately below).



	Mar-18	Mar-17	Amt Chg	% Chg
WP (\$000s) curr mth	8,608	8,817	(209)	-2.4%



	Mar-18	Mar-17	Amt Chg	% Chg
WP (\$000s) YTD	22,322	23,347	(1,025)	-4.4%

Should you require any further information, please call Norm Seene, 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 March 2018 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP March 2018 Operational Report - Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
Risk Sharing Pool - Alberta (Grid)
Operating Results for the 3 Months Ended March 31, 2018 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	February	March	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$8,379	\$8,986	\$12,966	\$30,331	\$175,587	\$159,965
Decrease (Increase) in Unearned Premiums	5,211	3,213	772	9,196	602	(10,517)
Net Premiums Earned	\$13,590	\$12,199	\$13,738	\$39,527	\$176,189	\$149,448
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$318)	(\$292)	\$8,574	\$7,964	\$7,964	\$21,037
Effect of Discounting	(68)	(629)	1,625	\$928	(3,565)	(14,503)
Discounted	(\$386)	(\$921)	\$10,199	\$8,892	\$4,399	\$6,534
Current Accident Year:						
Undiscounted	\$11,970	\$10,743	\$13,963	\$36,676	\$160,614	\$135,791
Effect of Discounting	740	544	713	\$1,997	6,874	5,930
Discounted	\$12,710	\$11,287	\$14,676	\$38,673	\$167,488	\$141,721
Claims Incurred	\$12,324	\$10,366	\$24,875	\$47,565	\$171,887	\$148,255
Underwriting Expenses:						
Expense Allowance	\$2,499	\$2,670	\$3,853	\$9,022	\$52,161	\$46,180
Change in UPDR/DPAC:						
Undiscounted	731	463	4,181	5,375	5,899	4,959
Effect of Discounting	(266)	(163)	286	(143)	408	(1,106)
Discounted	465	300	4,467	\$5,232	6,307	\$3,853
Underwriting Expenses	\$2,964	\$2,970	\$8,320	\$14,254	58,468	\$50,033
Net Underwriting Gain (Loss)	(\$1,698)	(\$1,137)	(\$19,457)	(\$22,292)	(\$54,166)	(\$48,840)
Administrative Expenses	\$70	\$97	\$101	\$268	\$1,160	\$979
Operating Result	(\$1,768)	(\$1,234)	(\$19,558)	(\$22,560)	(\$55,326)	(\$49,819)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-2.8%	-7.5%	74.2%	22.5%	2.5%	4.4%
Current Accident Year	93.5%	92.5%	106.8%	97.8%	95.1%	94.8%
All Accident Years Combined (Earned)	90.7%	85.0%	181.0%	120.3%	97.6%	99.2%
Underwriting & Administrative Expenses (Earned)	22.3%	25.1%	61.3%	36.7%	33.8%	34.1%
Combined Operating Ratio	113.0%	110.1%	242.3%	157.0%	131.4%	133.3%

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 2018

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 3 Months Ended March 31, 2018 (Discounted basis)

EXHIBIT 2

Source: Monthly Operational Report
(thousands of dollars)

	January	February	March	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$6,627	\$7,087	\$8,608	\$22,322	\$131,143	\$99,007
Decrease (Increase) in Unearned Premiums	1,664	389	(270)	1,783	(15,495)	(2,088)
Net Premiums Earned	\$8,291	\$7,476	\$8,338	\$24,105	\$115,648	\$96,919
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$129)	(\$107)	(\$6,428)	(\$6,664)	(\$6,664)	\$6,938
Effect of Discounting	(129)	(301)	(452)	(882)	(3,120)	(9,421)
Discounted	(\$258)	(\$408)	(\$6,880)	(\$7,546)	(\$9,784)	(\$2,483)
Current Accident Year:						
Undiscounted	\$8,890	\$8,011	\$9,540	\$26,441	\$125,765	\$109,961
Effect of Discounting	533	363	400	1,296	4,726	4,086
Discounted	\$9,423	\$8,374	\$9,940	\$27,737	\$130,491	\$114,047
Claims Incurred	\$9,165	\$7,966	\$3,060	\$20,191	\$120,707	\$111,564
Underwriting Expenses:						
Expense Allowance	\$1,971	\$2,105	\$2,557	\$6,633	\$38,954	\$28,599
Change in UPDR/DPAC:						
Undiscounted	(97)	(3)	1,358	1,258	4,191	3,745
Effect of Discounting	(101)	(22)	157	34	1,215	(918)
Discounted	(198)	(25)	1,515	1,292	5,406	\$2,827
Underwriting Expenses	\$1,773	\$2,080	\$4,072	\$7,925	\$44,360	\$31,426
Net Underwriting Gain (Loss)	(\$2,647)	(\$2,570)	\$1,206	(\$4,011)	(\$49,419)	(\$46,071)
Administrative Expenses	\$71	\$98	\$106	\$275	\$1,309	\$981
Operating Result	(\$2,718)	(\$2,668)	\$1,100	(\$4,286)	(\$50,728)	(\$47,052)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-3.1%	-5.5%	-82.5%	-31.3%	-8.5%	-2.6%
Current Accident Year	113.7%	112.0%	119.2%	115.1%	112.8%	117.7%
All Accident Years Combined	110.6%	106.5%	36.7%	83.8%	104.3%	115.1%
Underwriting & Administrative Expenses (Earned)	22.2%	29.1%	50.1%	34.0%	39.5%	33.4%
Combined Operating Ratio	132.8%	135.6%	86.8%	117.8%	143.8%	148.5%

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