

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F18 – 073

DATE: SEPTEMBER 27, 2018

**SUBJECT: ALBERTA RISK SHARING POOLS
– AUGUST 2018 OPERATIONAL REPORT**

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

Please be advised that the August 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 June 30, 2018 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 **\$2.3 million favourable** impact on the month’s net result from operations, subtracting an estimated 2.1 points from the year-to-date Combined Operating Ratio (ending at 131.0%). The impact is summarized in the tables immediately below ¹.

AB Grid	unfav / (fav) for the month and ytd						ytd EP 107,997 (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	(838)	(86)	(924)	351	(1,093)	(1,666)	(0.8%)	(0.1%)	(0.9%)	0.3%	(1.0%)	(1.5%)
CAY	(109)	(7)	(116)	80	-	(36)	(0.1%)	-	(0.1%)	0.1%	-	-
Prem Def	(608)	(58)	(666)	83	-	(583)	(0.6%)	(0.1%)	(0.6%)	0.1%	-	(0.5%)
TOTAL	(1,555)	(151)	(1,706)	514	(1,093)	(2,285)	(1.4%)	(0.1%)	(1.6%)	0.5%	(1.0%)	(2.1%)

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”.

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$1.7 million favourable impact – see column [3] in the left table at the bottom of the previous page), partially offset by the impact due to a 5 basis point decrease in the selected discount rate (from 1.92% to 1.87%, generating a \$0.5 million unfavourable impact – see column [4] in the left table at the bottom of the previous page). While there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), as per our usual practice with the June 30 valuations, the margins for adverse deviation for claims development as selected at the coverage / accident year level were updated with this valuation (generating a \$1.1 million favourable impact – see column [5] in the left table at the bottom of the previous page).

Management has observed unfavourable total valuation impacts over the last 12 valuation implementations for the Alberta Grid RSP, with only 3 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: 2018 Q2							\$000s		
Valuation	period implemented	unfavourable / (favourable) Valuation Implementation Impact (\$000s)					Booked Policy Liabilities [6]	Total Impact as % Book Liabs [7] = [5] / [6]	Nominal Impact as % Book Liabs [8] = [1] / [6]
		updated LR & exp [1]	APVs @ prior assumptions [2]	updated dsct rate [3]	updated margins [4]	Total Impact [5] = sum([1] to [5])			
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%
2018 Q1	May 2018	(157)	(184)	(1,804)	-	(2,145)	419,196	(0.5%)	-
2018 Q2	Aug 2018	(1,555)	(151)	514	(1,093)	(2,285)	421,922	(0.5%)	(0.4%)
12-qtrs		106,836	12,933	(10,797)	(2,854)	106,118			
% of total		100.7%	12.2%	(10.2%)	(2.7%)	100.0%			
Averages									
12-qtrs		8,903	1,078	(900)	(238)	8,843	385,904	2.3%	2.3%
2015 Q3 to 2017 Q2		11,931	1,307	(383)	(220)	12,634	369,677	3.4%	3.2%
2017 Q3 to 2018 Q2		2,848	620	(1,933)	(273)	1,262	418,360	0.3%	0.7%

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 over the most recent 4 valuations has been much (76%) 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 6 of the 12 valuation

implementations above indicate an impact greater than 2.5%, but the overall average impact at 2.3% being (slightly) 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 be evidence of improvement in this measure toward less bias.

In summary, we believe the nominal valuation impacts have 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).

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$5.2 million favourable** impact on the month’s net result from operations, subtracting an estimated 7.6 points from the year-to-date Combined Operating Ratio (ending at 138.2%). The impact is summarized in the tables immediately below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 68,595 (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	(5,247)	(276)	(5,523)	185	(495)	(5,833)	(7.6%)	(0.4%)	(8.1%)	0.3%	(0.7%)	(8.5%)
CAY	620	46	666	62	-	728	0.9%	0.1%	1.0%	0.1%	-	1.1%
Prem Def	(144)	(18)	(162)	78	-	(84)	(0.2%)	-	(0.2%)	0.1%	-	(0.1%)
TOTAL	(4,771)	(248)	(5,019)	325	(495)	(5,189)	(7.0%)	(0.4%)	(7.3%)	0.5%	(0.7%)	(7.6%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$5.0 million favourable impact – see column [3] in the left table above), partially offset by the impact due to a 6 basis point decrease in the selected discount rate (from 1.93% to 1.87%, generating a \$0.3 million unfavourable impact – see column [4] in the left table above). While there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), as per our usual practice with the June 30 valuations, the margins for adverse deviation for claims development as selected at the coverage / accident year level were updated with this valuation (generating a \$0.5 million favourable impact – see column [5] in the left table above).

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).

Bulletin F18-073
Alberta Risk Sharing Pools – August 2018 Operational Reports

RSP: Alberta Non-Grid, as at: 2018 Q2		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] = sum([1] to [5])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
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%)
2018 Q1	May 2018	4,158	66	(1,063)	-	3,161	263,797	1.2%	1.6%
2018 Q2	Aug 2018	(4,771)	(248)	325	(495)	(5,189)	270,140	(1.9%)	(1.8%)
12-qtrs	-	29,217	4,018	(5,935)	(1,538)	25,762			
% of total		113.4%	15.6%	(23.0%)	(6.0%)	100.0%			
Averages									
12-qtrs		2,435	335	(495)	(128)	2,147	241,400	0.9%	1.0%
2015 Q3 to 2017 Q2		3,860	454	(183)	(130)	4,002	232,921	1.7%	1.7%
2017 Q3 to 2018 Q2		(416)	96	(1,119)	(124)	(1,563)	258,358	(0.6%)	(0.2%)

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 1.0% 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 be evidence of bias by this measure (there are more unfavourable impacts than we would expect), although there is evidence that this is improving.

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 has 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 7 for Grid and page 10 for Non-Grid).

Alberta Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$33.4 million and the incurred loss ratio to the end of 8 months is 98.2%, as summarized in the table at the top of the next page.

Amounts in \$000s	August 2018	August 2017	Year to date Aug 2018	Year to Date Aug 2017
Premium Written	14,265	16,796	98,675	97,954
Premium Earned	13,635	12,826	107,997	97,121
Incurred Losses	11,034	16,429	106,004	104,983
Underwriting & Admin Expense	3,767	7,594	35,373	38,254
Operating Result	(1,166)	(11,197)	(33,380)	(46,116)
Ratios:				
Loss ratio - Prior Accident Years	(15.0%)	9.4%	1.1%	11.1%
- Current Accident Year	95.9%	118.7%	97.1%	97.0%
<i>Total</i>	80.9%	128.1%	98.2%	108.1%
<i>Underwriting & Admin Expense</i>	27.6%	59.2%	32.8%	39.4%
<i>Combined Operating Ratio</i>	108.5%	187.3%	131.0%	147.5%

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 -\$44.7 million and the estimated combined operating ratio to December 2018 is 127.7%, as summarized in the table below.

AB Grid RSP 2018 Yr-end Projection	Current (Aug 2018)	Prior Mth (Jul 2018)	Change	Final 2018 Outlook*
Amounts in \$000s				
Premium Written	152,024	149,648	2,376	189,665
Premium Earned	161,547	161,672	(125)	184,393
Incurred Losses	155,272	156,527	(1,255)	167,321
Underwriting & Admin Expense	51,017	51,602	(585)	59,423
Net Result from Operations	(44,742)	(46,457)	1,715	(42,351)
Ratios:				
Loss ratio - Prior Accident Years	(0.4%)	0.5%	(0.9%)	(3.9%)
- Current Accident Year	96.5%	96.3%	0.2%	94.6%
<i>Total</i>	96.1%	96.8%	(0.7%)	90.7%
<i>Underwriting & Admin Expense</i>	31.6%	31.9%	(0.3%)	32.2%
<i>Combined Operating Ratio</i>	127.7%	128.7%	(1.0%)	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 improved by \$1.7 million from the projection

provided last month (-\$46.5 million and 128.7%), due to the overall \$2.9 million favourable impact of the valuation as at June 30, 2018, as summarized in the tables immediately below (see more information under “Effect of Quarterly Valuation” on page 7). 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 161,547 (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	(838)	(81)	(919)	319	(977)	(1,577)	(0.5%)	(0.1%)	(0.6%)	0.2%	(0.6%)	(1.0%)
CAY	(162)	(7)	(169)	115	-	(54)	(0.1%)	-	(0.1%)	0.1%	-	-
Prem Def	(1,229)	(89)	(1,318)	82	-	(1,236)	(0.8%)	(0.1%)	(0.8%)	0.1%	-	(0.8%)
TOTAL	(2,229)	(177)	(2,406)	516	(977)	(2,867)	(1.4%)	(0.1%)	(1.5%)	0.3%	(0.6%)	(1.8%)

Current Month Results

The Alberta Grid Risk Sharing Pool produced a -\$1.2 million Operating Result in the month of August 2018, an improvement of \$10.0 million compared with the same month last year. This improvement is composed of \$10.7 million favourable impact stemming from the overall decrease in the combined ratio (from 187.3% to 108.5% applied to \$13.6 million in earned premium), offset by an estimated \$0.7 million unfavourable impact associated with the \$0.8 million increase in earned premium (at a combined ratio of 187.3%). 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 134.1% at the end of 7 months to 131.0% at the end of 8 months. The 3.1 percentage point decrease is composed of a 2.3 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, and a 0.7 percentage point decrease in the expense ratio.

Variances from Projections

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

August 2018	Actual	Projection	Difference	Difference %
Written Premium	14,265	14,661	(396)	(2.7%)
Earned Premium	13,635	13,945	(310)	(2.2%)
Reported Losses				
Paid Losses	8,090	10,548	(2,458)	(23.3%)
Paid Expenses	341	670	(329)	(49.1%)
Change in Outstanding Losses	(1,843)	421	(2,264)	(537.8%)
Total Reported Losses	6,588	11,639	(5,051)	(43.4%)
Change in IBNR Provision*	4,446	1,212	3,234	
Change in Premium Deficiency (DPAC)*	(569)	7	(576)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP August 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 August 2018, reported losses were \$5.1 million lower than projected. The Current Accident Year reported a favourable variance of \$3.1 million, and the Prior Accident Years reported a favourable variance of \$2.0 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.

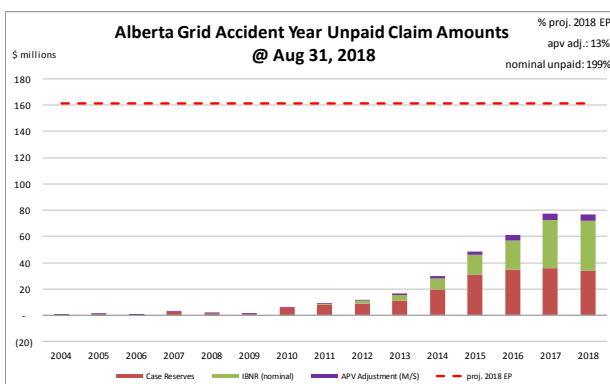
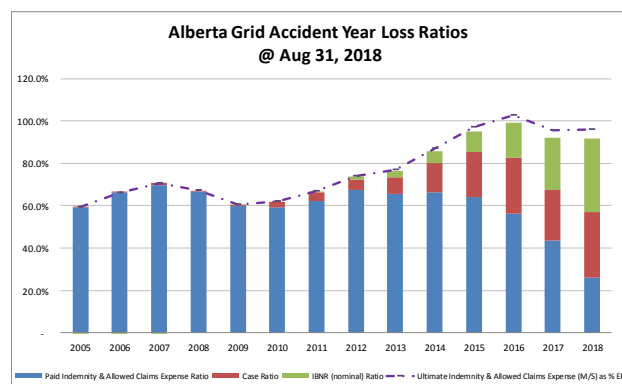
Effect of Quarterly Valuation

The August 2018 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at June 30, 2018, with the associated impacts in relation to the results for August 2018 summarized in the tables immediately below.

AB Grid	unfav / (fav) for the month and ytd						mth EP 13,635 (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	(838)	(86)	(924)	351	(1,093)	(1,666)	(6.1%)	(0.6%)	(6.8%)	2.6%	(8.0%)	(12.2%)
CAY	(109)	(7)	(116)	80	-	(36)	(0.8%)	(0.1%)	(0.9%)	0.6%	-	(0.3%)
Prem Def	(608)	(58)	(666)	83	-	(583)	(4.5%)	(0.4%)	(4.9%)	0.6%	-	(4.3%)
TOTAL	(1,555)	(151)	(1,706)	514	(1,093)	(2,285)	(11.4%)	(1.1%)	(12.5%)	3.8%	(8.0%)	(16.8%)

The charts at the top of the next page 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 August 2018 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at June 30, 2018 is expected to be posted this fall. The actuarial valuation will be updated next as at September 30, 2018 and we anticipate that the results will be reflected in the October 2018 Operational Report.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$26.2 million and the incurred loss ratio to the end of 8 months is 97.6%, as summarized in the table below.

Amounts in \$000s	August 2018	August 2017	Year to date Aug 2018	Year to Date Aug 2017
Premium Written	9,741	7,704	77,715	65,289
Premium Earned	9,312	8,186	68,595	64,739
Incurred Losses	5,475	12,732	67,001	73,925
Underwriting & Admin Expense	2,953	4,125	27,819	24,902
Operating Result	884	(8,671)	(26,225)	(34,088)
Ratios:				
Loss ratio				
- Prior Accident Years	(64.8%)	18.9%	(19.7%)	(2.1%)
- Current Accident Year	123.6%	136.7%	117.3%	116.3%
Total	58.8%	155.6%	97.6%	114.2%
Underwriting & Admin Expense	31.7%	50.4%	40.6%	38.5%
Combined Operating Ratio	90.5%	206.0%	138.2%	152.7%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. For additional numeric details, please refer to Exhibit 2 “Summary of Operations for Calendar Year 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 -\$39.3 million and the estimated combined operating ratio to December 2018 is 136.9%, as summarized in the table below.

AB Non-Grid RSP 2018 Yr-end Proj. Amounts in \$000s	Current (Aug 2018)	Prior Mth (Jul 2018)	Change	Final 2018 Outlook*
Premium Written	109,754	113,583	(3,829)	101,307
Premium Earned	106,280	106,593	(313)	97,354
Incurred Losses	109,789	114,303	(4,514)	107,678
Underwriting & Admin Expense	35,756	38,381	(2,625)	33,362
Net Result from Operations	(39,265)	(46,091)	6,826	(43,686)
Ratios:				
Loss ratio - Prior Accident Years	(13.5%)	(8.1%)	(5.4%)	(4.5%)
- Current Accident Year	116.8%	115.4%	1.4%	115.1%
<i>Total</i>	103.3%	107.3%	(4.0%)	110.6%
Underwriting & Admin Expense	33.6%	36.0%	(2.4%)	34.3%
Combined Operating Ratio	136.9%	143.3%	(6.4%)	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 \$6.8 million from the projection provided last month (-\$46.1 million and 143.3%), mainly due to the overall \$5.4 million favourable impact of the valuation as at June 30, 2018, as summarized in the tables immediately below (see more information under “Effect of Quarterly Valuation” on page 10). 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 106,280 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year 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	(5,247)	(145)	(5,392)	166	(451)	(5,677)	(4.9%)	(0.1%)	(5.1%)	0.2%	(0.4%)	(5.3%)
CAY	959	49	1,008	87	-	1,095	0.9%	-	0.9%	0.1%	-	1.0%
Prem Def	(859)	(52)	(911)	68	-	(843)	(0.8%)	-	(0.9%)	0.1%	-	(0.8%)
TOTAL	(5,147)	(148)	(5,295)	321	(451)	(5,425)	(4.8%)	(0.1%)	(5.0%)	0.3%	(0.4%)	(5.1%)

Current month results

The Alberta Non-Grid Risk Sharing Pool produced a \$0.9 million Operating Result in the month of August 2018, an improvement of \$9.6 million from the same month last year. This improvement is composed of a \$10.8 million improvement stemming from the overall decrease in the combined ratio (from 206.0% to 90.5% applied to \$9.3 million in earned premium), offset by a \$1.2 million unfavourable impact associated with the \$1.1 million increase in earned premium (at a combined ratio of 206.0%). 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 145.7% at the end of 7 months to 138.2% at the end of 8 months. The 7.5 percentage point decrease is composed of a 7.1 percentage point decrease in the Prior Accident Years loss ratio and a 1.3 percentage point decrease in the expense ratio, offset by a 0.9 percentage point increase in the Current Accident Year loss 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.

August 2018	Actual	Projection	Difference	Difference %
Written Premium	9,741	9,195	546	5.9%
Earned Premium	9,312	9,412	(100)	(1.1%)
Reported Losses				
Paid Losses	6,497	7,907	(1,410)	(17.8%)
Paid Expenses	138	371	(233)	(62.8%)
Change in Outstanding Losses	2,719	2,254	465	20.6%
Total Reported Losses	9,354	10,532	(1,178)	(11.2%)
Change in IBNR Provision*	(3,879)	65	(3,944)	
Change in Premium Deficiency (DPAC)*	(40)	(66)	26	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP August 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 August 2018, reported losses were \$1.2 million lower than projected. The Current Accident Year had a \$0.5 million favourable variance in reported losses, and the Prior Accident Years had a \$0.7 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

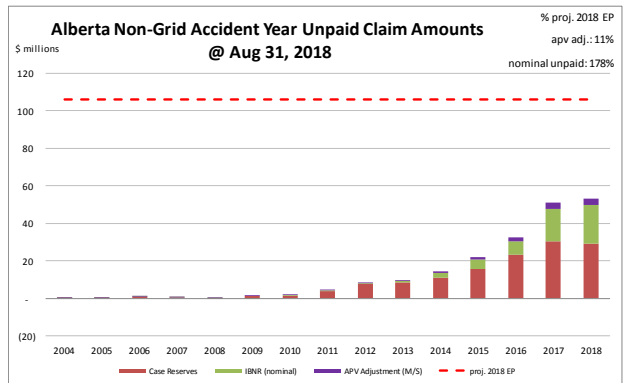
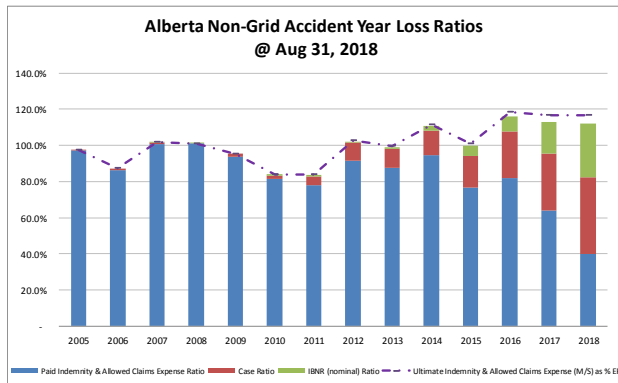
Effect of Quarterly Valuation

The August 2018 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at June 30, 2018, with the associated impacts in relation to the results for August 2018 summarized in the tables at the top of the next page.

AB Non-Grid

	unfav / (fav) for the month and ytd						mth EP 9,312 (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	(5,247)	(276)	(5,523)	185	(495)	(5,833)	(56.3%)	(3.0%)	(59.3%)	2.0%	(5.3%)	(62.6%)
CAY	620	46	666	62	-	728	6.7%	0.5%	7.2%	0.7%	-	7.8%
Prem Def	(144)	(18)	(162)	78	-	(84)	(1.5%)	(0.2%)	(1.7%)	0.8%	-	(0.9%)
TOTAL	(4,771)	(248)	(5,019)	325	(495)	(5,189)	(51.2%)	(2.7%)	(53.9%)	3.5%	(5.3%)	(55.7%)

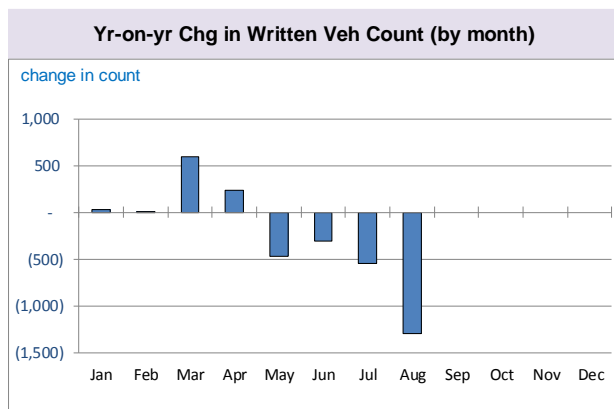
The charts immediately below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities. We have included the associated claims liabilities in the chart on the right.



The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP August 2018 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at June 30, 2018 is expected to be posted this fall. The actuarial valuation will be updated next as at September 30, 2018 and we anticipate that the results will be reflected in the October 2018 Operational Report.

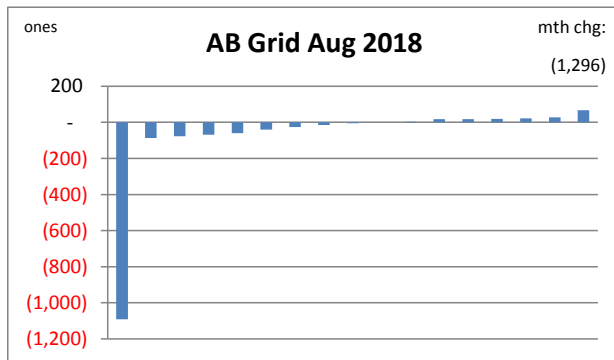
Management Comments

Alberta Grid



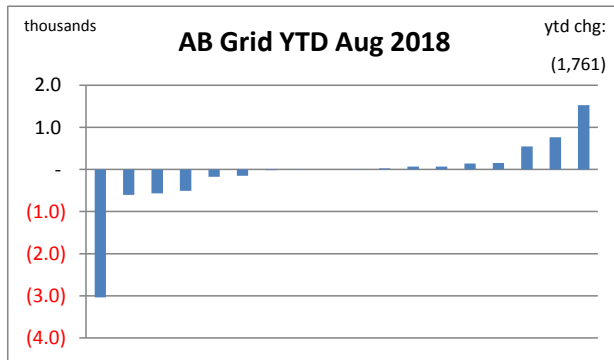
The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid pool by month, with August showing a decrease of 1,296 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 1,361 vehicles, indicating a variance of 65 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 August than

projected.



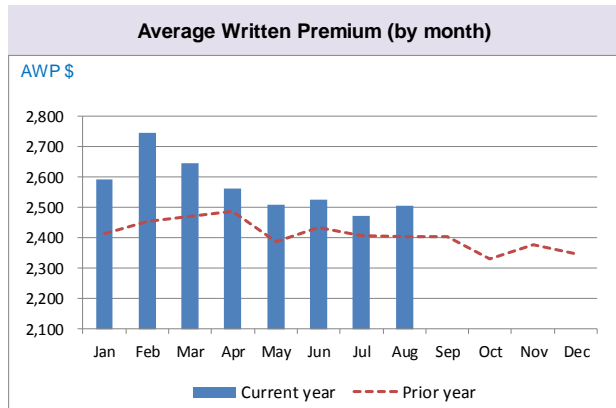
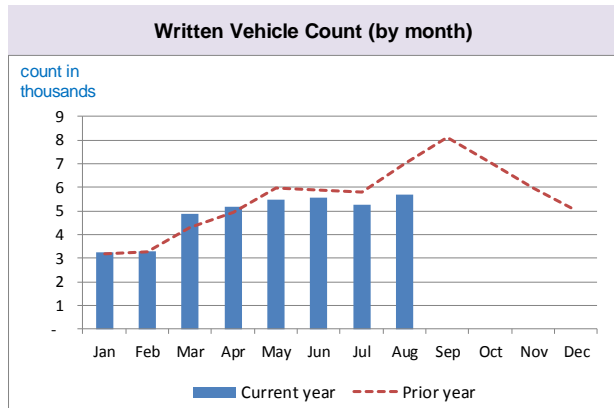
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with a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

company group accounted for 74% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 2 member company groups accounted for 54% of the total transfer increases for these “grower” members.



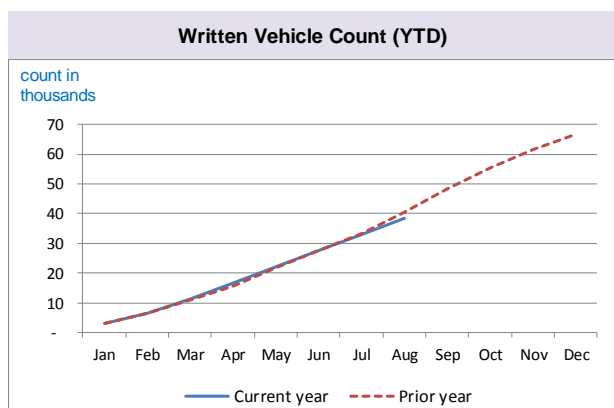
The chart on the left presents the same information as the previous chart, but on a year-to-date basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by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

August’s vehicle count transfers to the pool represent an 18.5% decrease from August 2017, and counts were down 4.4% year-to-date. Average written premium was up 4.2% in August 2018 compared with the same month in 2017, and up 5.3% year-to-date (see charts immediately below and at the top of the next page).

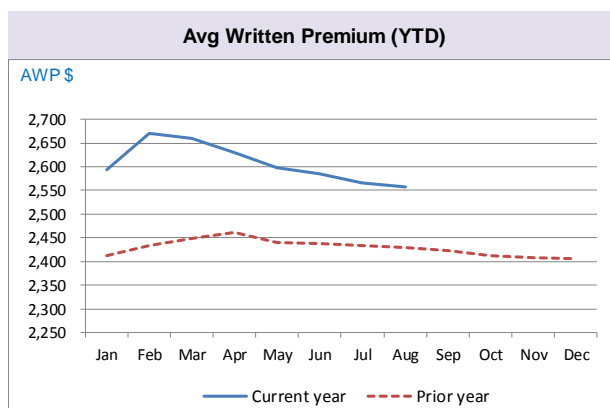


	Aug-18	Aug-17	Amt Chg	% Chg
W. Veh curr mth	5,694	6,990	(1,296)	-18.5%

	Aug-18	Aug-17	Amt Chg	% Chg
AWP curr mth	2,505	2,403	102	4.2%

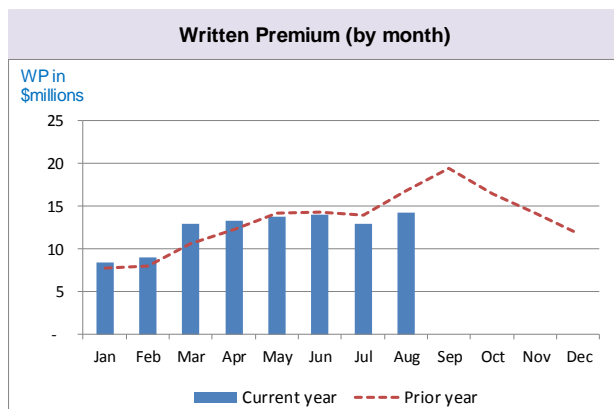


	Aug-18	Aug-17	Amt Chg	% Chg
W. Vehicles YTD	38,574	40,335	(1,761)	-4.4%

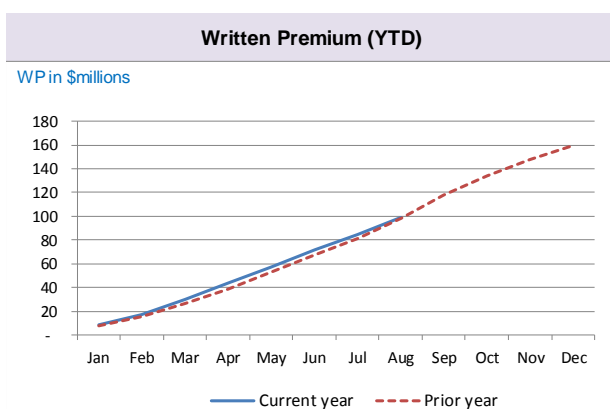


	Aug-18	Aug-17	Amt Chg	% Chg
Avg W. Prem YTD	2,558	2,429	129	5.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 15.1% for the month compared with the 12.7% decrease we projected last month, but was up 0.7% year-to-date (see charts immediately below).



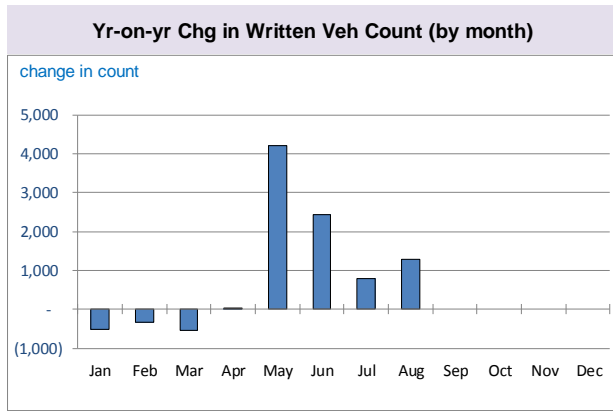
	Aug-18	Aug-17	Amt Chg	% Chg
WP (\$000s) curr mth	14,265	16,796	(2,531)	-15.1%



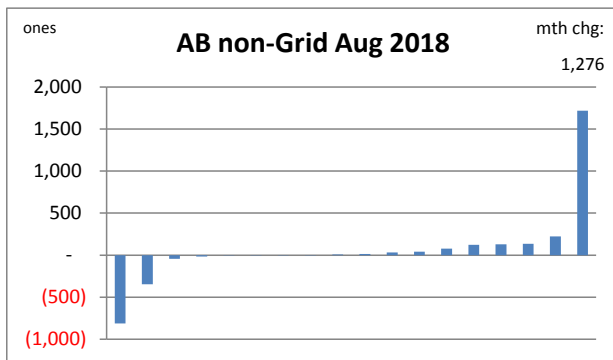
	Aug-18	Aug-17	Amt Chg	% Chg
WP (\$000s) YTD	98,675	97,954	720	0.7%

Alberta Non-Grid

For the Alberta Non-Grid RSP, the transfer limit is 4.0% of Non-Grid exposures written in the prior year at the member company group level (that is, within a group under common management or ownership, a single member can transfer the entire transfer limit for the group). System programming prevents member groups from exceeding their transfer limits during a calendar year. However, member groups can transfer their entire limit for a given year at any time throughout the year including, for example, the last day of that year. **Our current projection has the 2018 vehicle count up 7.2% from 2017**, being 2.5% of the 2017 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count. There is the potential for the transferred vehicle count to change dramatically and quickly if member companies choose to take full advantage of their transfer limits.

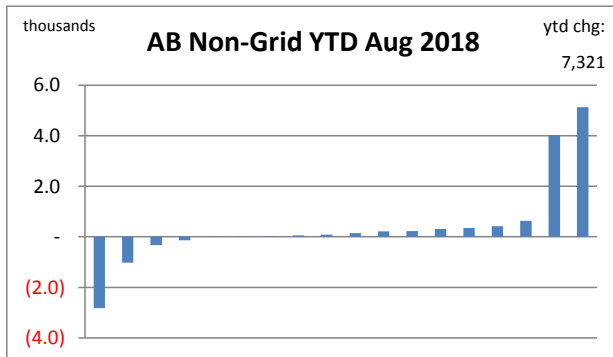


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid pool by month, with August showing an increase of 1,276 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 856 vehicles, indicating a variance of 420 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 August than projected.



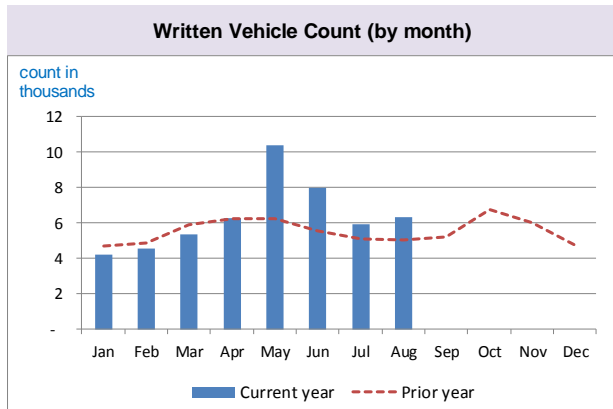
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared to a year ago, while twelve transferred more. Of the 6 member company groups transferring fewer vehicles, 1 member

company group accounted for 66% of the total transfer decrease for these “decliner” members. Of the 12 member company groups transferring more vehicles, 1 member company group accounted for 69% of the total transfers increase for these “grower” members.

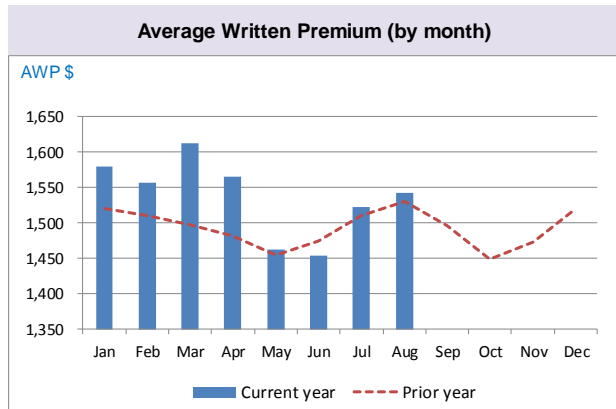


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

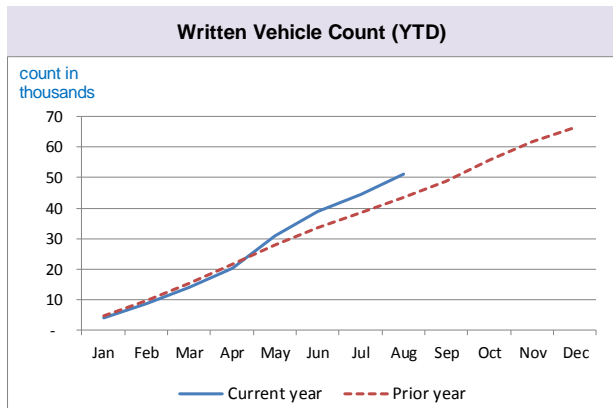
August’s vehicle count transfers to the pool represent a 25.3% increase from August 2017, and counts were up 16.8% year-to-date. Average written premium was up 0.8% in August 2018 compared with the same month in 2017, and up 1.9% year-to-date (see charts at the top of the next page).



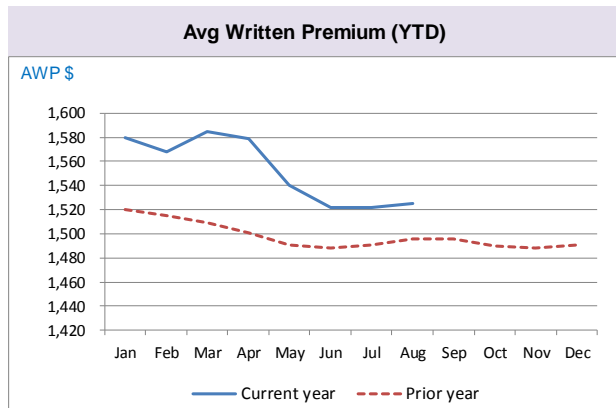
	Aug-18	Aug-17	Amt Chg	% Chg
W. Veh curr mth	6,312	5,036	1,276	25.3%



	Aug-18	Aug-17	Amt Chg	% Chg
AWP curr mth	1,543	1,530	13	0.8%

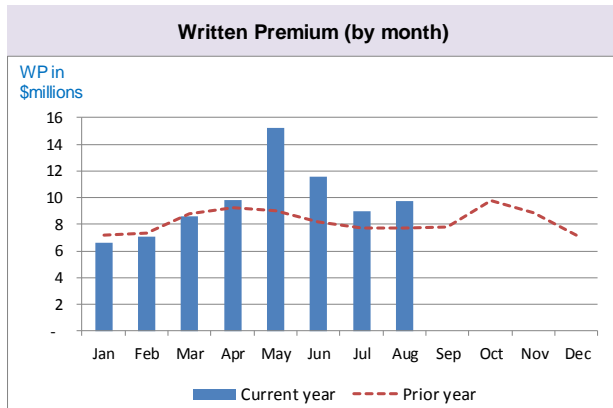


	Aug-18	Aug-17	Amt Chg	% Chg
W. Vehicles YTD	50,977	43,656	7,321	16.8%

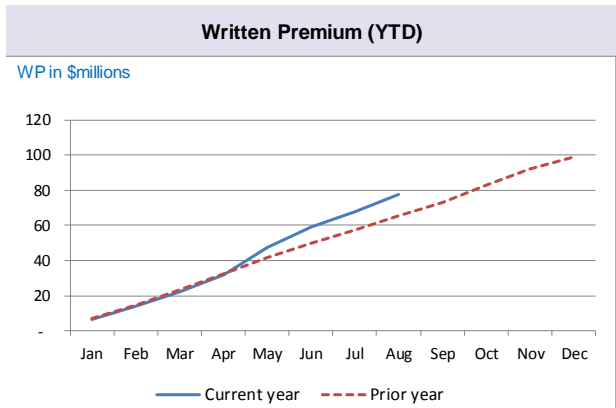


	Aug-18	Aug-17	Amt Chg	% Chg
Avg W. Prem YTD	1,525	1,496	29	1.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 26.5% for the month compared with the 19.4% increase we projected last month, and was up 19.0% year-to-date (see charts immediately below).



	Aug-18	Aug-17	Amt Chg	% Chg
WP (\$000s) curr mth	9,741	7,703	2,038	26.5%



	Aug-18	Aug-17	Amt Chg	% Chg
WP (\$000s) YTD	77,715	65,289	12,427	19.0%

Bulletin F18-073
Alberta Risk Sharing Pools – August 2018 Operational Reports

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 August 2018 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 8 Months Ended August 31, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:											
Net Premiums Written	\$8,379	\$8,986	\$12,966	\$13,305	\$13,749	\$14,047	\$12,978	\$14,265	\$98,675	\$152,024	\$159,965
Decrease (Increase) in Unearned Premiums	5,211	3,213	772	(23)	579	(703)	903	(630)	9,322	9,523	(10,517)
Net Premiums Earned	\$13,590	\$12,199	\$13,738	\$13,282	\$14,328	\$13,344	\$13,881	\$13,635	\$107,997	\$161,547	\$149,448
Claims Incurred:											
Prior Accident Years:											
Undiscounted	(\$318)	(\$292)	\$8,574	(\$276)	(\$1,565)	(\$211)	(\$8)	(\$923)	\$4,981	\$4,981	\$21,037
Effect of Discounting	(68)	(629)	1,625	(502)	(1,963)	(706)	(456)	(1,118)	(\$3,817)	(5,640)	(14,503)
Discounted	(\$386)	(\$921)	\$10,199	(\$778)	(\$3,528)	(\$917)	(\$464)	(\$2,041)	\$1,164	(\$659)	\$6,534
Current Accident Year:											
Undiscounted	\$11,970	\$10,743	\$13,963	\$12,317	\$13,615	\$12,468	\$12,769	\$12,503	\$100,348	\$149,496	\$135,791
Effect of Discounting	740	544	713	551	337	487	548	572	\$4,492	6,435	5,930
Discounted	\$12,710	\$11,287	\$14,676	\$12,868	\$13,952	\$12,955	\$13,317	\$13,075	\$104,840	\$155,931	\$141,721
Claims Incurred	\$12,324	\$10,366	\$24,875	\$12,090	\$10,424	\$12,038	\$12,853	\$11,034	\$106,004	\$155,272	\$148,255
Underwriting Expenses:											
Expense Allowance	\$2,499	\$2,670	\$3,853	\$3,956	\$4,085	\$4,174	\$3,855	\$4,240	\$29,332	\$45,177	\$46,180
Change in UPDR/DPAC:											
Undiscounted	731	463	4,181	61	945	(35)	93	(628)	5,811	5,338	4,959
Effect of Discounting	(266)	(163)	286	5	(381)	37	(44)	59	(467)	(504)	(1,106)
Discounted	465	300	4,467	66	564	2	49	(569)	\$5,344	4,834	\$3,853
Underwriting Expenses	\$2,964	\$2,970	\$8,320	\$4,022	\$4,649	\$4,176	\$3,904	\$3,671	\$34,676	50,011	\$50,033
Net Underwriting Gain (Loss)	(\$1,698)	(\$1,137)	(\$19,457)	(\$2,830)	(\$745)	(\$2,870)	(\$2,876)	(\$1,070)	(\$32,683)	(\$43,736)	(\$48,840)
Administrative Expenses	\$70	\$97	\$101	\$82	\$96	\$75	\$80	\$96	\$697	\$1,006	\$979
Operating Result	(\$1,768)	(\$1,234)	(\$19,558)	(\$2,912)	(\$841)	(\$2,945)	(\$2,956)	(\$1,166)	(\$33,380)	(\$44,742)	(\$49,819)
Ratios:											
Claims & Expenses Incurred (Earned)											
Prior Accident Years	-2.8%	-7.5%	74.2%	-5.9%	-24.6%	-6.9%	-3.3%	-15.0%	1.1%	-0.4%	4.4%
Current Accident Year	93.5%	92.5%	106.8%	96.9%	97.4%	97.1%	95.9%	95.9%	97.1%	96.5%	94.8%
All Accident Years Combined (Earned)	90.7%	85.0%	181.0%	91.0%	72.8%	90.2%	92.6%	80.9%	98.2%	96.1%	99.2%
Underwriting & Administrative Expenses (Earned)	22.3%	25.1%	61.3%	30.9%	33.1%	31.9%	28.7%	27.6%	32.8%	31.6%	34.1%
Combined Operating Ratio	113.0%	110.1%	242.3%	121.9%	105.9%	122.1%	121.3%	108.5%	131.0%	127.7%	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 8 Months Ended August 31, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	June	July	August	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:											
Net Premiums Written	\$6,627	\$7,087	\$8,608	\$9,819	\$15,231	\$11,594	\$9,008	\$9,741	\$77,715	\$109,754	\$99,007
Decrease (Increase) in Unearned Premiums	1,664	389	(270)	(1,671)	(6,421)	(2,661)	279	(429)	(9,120)	(3,474)	(2,088)
Net Premiums Earned	\$8,291	\$7,476	\$8,338	\$8,148	\$8,810	\$8,933	\$9,287	\$9,312	\$68,595	\$106,280	\$96,919
Claims Incurred:											
Prior Accident Years:											
Undiscounted	(\$129)	(\$107)	(\$6,428)	(\$45)	\$1,812	(\$20)	\$26	(\$5,295)	(\$10,186)	(\$10,185)	\$6,938
Effect of Discounting	(129)	(301)	(452)	(245)	(926)	(282)	(231)	(736)	(3,302)	(4,163)	(9,421)
Discounted	(\$258)	(\$408)	(\$6,880)	(\$290)	\$886	(\$302)	(\$205)	(\$6,031)	(\$13,488)	(\$14,348)	(\$2,483)
Current Accident Year:											
Undiscounted	\$8,890	\$8,011	\$9,540	\$8,884	\$10,684	\$9,954	\$10,299	\$11,020	\$77,282	\$119,526	\$109,961
Effect of Discounting	533	363	400	367	283	366	409	486	3,207	4,611	4,086
Discounted	\$9,423	\$8,374	\$9,940	\$9,251	\$10,967	\$10,320	\$10,708	\$11,506	\$80,489	\$124,137	\$114,047
Claims Incurred	\$9,165	\$7,966	\$3,060	\$8,961	\$11,853	\$10,018	\$10,503	\$5,475	\$67,001	\$109,789	\$111,564
Underwriting Expenses:											
Expense Allowance	\$1,971	\$2,105	\$2,557	\$2,917	\$4,524	\$3,444	\$2,676	\$2,894	\$23,088	\$32,604	\$28,599
Change in UPDR/DPAC:											
Undiscounted	(97)	(3)	1,358	210	1,923	285	(57)	(126)	3,493	1,989	3,745
Effect of Discounting	(101)	(22)	157	110	161	158	(20)	86	529	141	(918)
Discounted	(198)	(25)	1,515	320	2,084	443	(77)	(40)	4,022	2,130	\$2,827
Underwriting Expenses	\$1,773	\$2,080	\$4,072	\$3,237	\$6,608	\$3,887	\$2,599	\$2,854	\$27,110	\$34,734	\$31,426
Net Underwriting Gain (Loss)	(\$2,647)	(\$2,570)	\$1,206	(\$4,050)	(\$9,651)	(\$4,972)	(\$3,815)	\$983	(\$25,516)	(\$38,243)	(\$46,071)
Administrative Expenses	\$71	\$98	\$106	\$83	\$97	\$72	\$83	\$99	\$709	\$1,022	\$981
Operating Result	(\$2,718)	(\$2,668)	\$1,100	(\$4,133)	(\$9,748)	(\$5,044)	(\$3,898)	\$884	(\$26,225)	(\$39,265)	(\$47,052)
Ratios:											
Claims & Expenses Incurred (Earned)											
Prior Accident Years	-3.1%	-5.5%	-82.5%	-3.6%	10.1%	-3.4%	-2.2%	-64.8%	-19.7%	-13.5%	-2.6%
Current Accident Year	113.7%	112.0%	119.2%	113.5%	124.5%	115.5%	115.3%	123.6%	117.3%	116.8%	117.7%
All Accident Years Combined	110.6%	106.5%	36.7%	109.9%	134.6%	112.1%	113.1%	58.8%	97.6%	103.3%	115.1%
Underwriting & Administrative Expenses (Earned)	22.2%	29.1%	50.1%	40.7%	76.1%	44.3%	28.9%	31.7%	40.6%	33.6%	33.4%
Combined Operating Ratio	132.8%	135.6%	86.8%	150.6%	210.7%	156.4%	142.0%	90.5%	138.2%	136.9%	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