

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F19 – 091**

**DATE: NOVEMBER 28, 2019**

**SUBJECT: ALBERTA RISK SHARING POOLS  
– OCTOBER 2019 OPERATIONAL REPORT**

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

Please be advised that the October 2019 Alberta Risk Sharing Pools Operational Reports was available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com> on November 21, 2019.

### **Key Points**

- (a) The *Alberta Grid 2019 year-to-date net operating deficit is \$12 million* with the addition of \$1 million in deficit generated in October, resulting in a year-to-date COR of 108.1% on earned premium of \$147 million;
- (b) the *Alberta Non-Grid 2019 year-to-date net operating deficit is \$19 million* with the addition of \$3 million in deficit generated in October, resulting in a year-to-date COR of 119.5% on earned premium of \$101 million;
- (c) this month's results include the implementation of the 2019 Q3 valuation, resulting in an estimated \$4 million favourable impact for the Alberta Grid RSP and \$2 million favourable for the Alberta Non-Grid;
- (d) the *projected Alberta Grid 2019 year-end net operating deficit is \$19 million*, with a COR at 110.7% on earned premium of \$206 million (our Outlook for 2019 was \$38 million of net operating deficit with a COR of 124.2% on earned premium of \$158 million); and
- (e) the *projected Alberta Non-Grid 2019 year-end net operating deficit is \$29 million*, with a COR at 125.1% on earned premium of \$116 million (our Outlook for 2019 was \$63 million of net operating deficit with a COR of 150.6% on earned premium of \$125 million).

## New This Month

Valuation

Valuations of the Alberta Grid Risk Sharing Pool (“RSP”) and Non-Grid RSP as at September 30, 2019 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 **\$3.9 million favourable** impact on the month’s net result from operations, subtracting an estimated 2.7 points to the year-to-date Combined Operating Ratio (ending at 108.1%). The impact is summarized in the tables below <sup>1</sup>.

AB Grid	unfav / (fav) for the month and ytd						ytd EP 146,496 (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	857	26	883	(230)	-	653	0.6%	-	0.6%	(0.2%)	-	0.4%
CAY	(3,560)	(387)	(3,947)	(13)	-	(3,960)	(2.4%)	(0.3%)	(2.7%)	-	-	(2.7%)
Prem Def	(750)	229	(521)	(112)	-	(633)	(0.5%)	0.2%	(0.4%)	(0.1%)	-	(0.4%)
TOTAL	(3,453)	(132)	(3,585)	(355)	-	(3,940)	(2.4%)	(0.1%)	(2.4%)	(0.2%)	-	(2.7%)

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$1.9 million favourable** impact on the month’s net result from operations, subtracting an estimated 2.0 points to the year-to-date Combined Operating Ratio (ending at 119.5%). The impact is summarized in the tables below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 95,496 (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	995	104	1,099	(109)	-	990	1.0%	0.1%	1.2%	(0.1%)	-	1.0%
CAY	(2,549)	83	(2,466)	(7)	-	(2,473)	(2.7%)	0.1%	(2.6%)	-	-	(2.6%)
Prem Def	(482)	89	(393)	(73)	-	(466)	(0.5%)	0.1%	(0.4%)	(0.1%)	-	(0.5%)
TOTAL	(2,036)	276	(1,760)	(189)	-	(1,949)	(2.1%)	0.3%	(1.8%)	(0.2%)	-	(2.0%)

Please see “Effect of Quarterly Valuation” sections for additional valuation result detail (page 5 for Grid and page 11 for Non-Grid).

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

The calendar year-to-date Operating Result is -\$11.9 million and the incurred loss ratio to the end of 10 months is 71.1%, as summarized in the table at the top of the next page.

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

*AB-G RSP Summary of Financial Results (for month and year-to-date)*

Amounts in \$000s	October 2019	October 2018	Year to date Oct 2019	Year to Date Oct 2018
Premium Written	21,960	15,975	172,845	131,236
Premium Earned	16,759	13,553	146,506	134,622
Incurred Losses	11,423	1,223	104,147	119,395
Underwriting & Admin Expense	6,438	2,156	54,272	42,298
<b>Operating Result</b>	<b>(1,102)</b>	<b>10,174</b>	<b>(11,913)</b>	<b>(27,071)</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	0.2%	(57.2%)	(19.4%)	(5.1%)
- Current Accident Year	67.9%	66.2%	90.5%	93.8%
<i>Total</i>	<b>68.1%</b>	<b>9.0%</b>	<b>71.1%</b>	<b>88.7%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>38.4%</b>	<b>15.9%</b>	<b>37.0%</b>	<b>31.4%</b>
<i>Combined Operating Ratio</i>	<b>106.5%</b>	<b>24.9%</b>	<b>108.1%</b>	<b>120.1%</b>

*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 2019 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

*Updated Projection to Year-end 2019 (AB-G RSP)*

The projected calendar year Operating Result to December 2019 is -\$19.4 million and the estimated combined operating ratio to December 2019 is 110.7%, as summarized in the table at the top of the next page for the Alberta Grid RSP.

AB-G RSP Summary of **Projected Year-end Financial Results** (current month's projection, prior month's projection, and Outlook posted last fall)

<b>AB Grid RSP 2019 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Oct 2019)	Prior Mth (Sep 2019)	<b>Change</b>	Final 2019 Outlook*
Premium Written	205,995	204,376	1,619	158,031
Premium Earned	180,772	180,281	491	158,085
Incurred Losses	133,650	137,328	(3,678)	144,374
Underwriting & Admin Expense	66,551	65,972	579	51,933
<b>Net Result from Operations</b>	<b>(19,429)</b>	<b>(23,019)</b>	<b>3,590</b>	<b>(38,222)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(16.3%)	(16.6%)	0.3%	(3.1%)
- Current Accident Year	90.2%	92.8%	(2.6%)	94.4%
<i>Total</i>	<b>73.9%</b>	<b>76.2%</b>	<b>(2.3%)</b>	<b>91.3%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.8%</b>	<b>36.6%</b>	<b>0.2%</b>	<b>32.9%</b>
<b>Combined Operating Ratio</b>	<b>110.7%</b>	<b>112.8%</b>	<b>(2.1%)</b>	<b>124.2%</b>

rounding differences may occur

\*as posted to FA's website Oct. 18, 2018

This updated projection to the end of the year has improved by \$3.6 million from the projection provided last month (see the second and third columns in the table). The update includes the overall \$3.9 million favourable impact of the valuation as at September 30, 2019, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 5). 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 180,772 (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	857	46	903	(218)	-	685	0.5%	-	0.5%	(0.1%)	-	0.4%
CAY	(4,383)	(388)	(4,771)	(13)	-	(4,784)	(2.4%)	(0.2%)	(2.6%)	-	-	(2.6%)
Prem Def	-	282	282	(113)	-	169	-	0.2%	0.2%	(0.1%)	-	0.1%
<b>TOTAL</b>	<b>(3,526)</b>	<b>(60)</b>	<b>(3,586)</b>	<b>(344)</b>	<b>-</b>	<b>(3,930)</b>	<b>(2.0%)</b>	<b>-</b>	<b>(2.0%)</b>	<b>(0.2%)</b>	<b>-</b>	<b>(2.2%)</b>

### Current Month Results (AB-G RSP)

The Alberta Grid Risk Sharing Pool produced a -\$1.1 million Operating Result in the month of October 2019, a deterioration of \$11.3 million compared with the same month last year. This deterioration is composed of a \$2.4 million favourable impact associated with the \$3.2 million increase in earned premium (at a combined ratio of 24.9%), offset by a \$13.7 million unfavourable impact from the overall increase in the combined ratio (from 24.9% to 106.5% applied to \$16.8 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 108.4% at the end of 9 months to 108.1% at the end of 10 months. The 0.3 percentage point decrease is composed of a 2.9 percentage point decrease in the Current Accident Years loss ratio, offset by a 2.5 percentage

**Bulletin F19-091**  
**Alberta Risk Sharing Pools – October 2019 Operational Reports**

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point increase in the Prior Accident Year loss ratio and a 0.1 percentage point increase in the expense ratio.

*Variances from Projections (AB-G RSP)*

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

*AB-G RSP Summary of Actual vs Projected variances*

<b>October 2019</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	21,960	20,341	1,619	8.0%
Earned Premium	16,759	16,968	(209)	(1.2%)
Reported Losses				
Paid Losses	11,979	9,606	2,373	24.7%
Paid Expenses	450	686	(236)	(34.4%)
Change in Outstanding Losses	1,311	694	617	88.9%
<b>Total Reported Losses</b>	<b>13,740</b>	<b>10,986</b>	<b>2,754</b>	<b>25.1%</b>
Change in IBNR Provision*	(2,318)	4,103	(6,421)	
Change in Premium Deficiency (DPAC)*	(485)	241	(726)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [Alberta Grid RSP October 2019 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 October 2019, reported losses were \$2.8 million higher than projected. The Current Accident Year had a \$3.1 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.3 million favourable variance. No 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 some specific individual 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 (AB-G RSP)**

The October 2019 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2019, with the associated impacts in relation to the results for October 2019 summarized in the table at the top of the next page.

**Bulletin F19-091**

**Alberta Risk Sharing Pools – October 2019 Operational Reports**

AB Grid	unfav / (fav) for the month and ytd						mth EP 16,759 (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	857	26	883	(230)	-	653	5.1%	0.2%	5.3%	(1.4%)	-	3.9%
CAY	(3,560)	(387)	(3,947)	(13)	-	(3,960)	(21.2%)	(2.3%)	(23.6%)	(0.1%)	-	(23.6%)
Prem Def	(750)	229	(521)	(112)	-	(633)	(4.5%)	1.4%	(3.1%)	(0.7%)	-	(3.8%)
<b>TOTAL</b>	<b>(3,453)</b>	<b>(132)</b>	<b>(3,585)</b>	<b>(355)</b>	<b>-</b>	<b>(3,940)</b>	<b>(20.6%)</b>	<b>(0.8%)</b>	<b>(21.4%)</b>	<b>(2.1%)</b>	<b>-</b>	<b>(23.5%)</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$3.6 million favourable impact – see column [3] in the left table above). This was augmented by the impact due to a 3 basis point increase in the selected discount rate from 1.41% to 1.44% (generating a \$0.4 million favourable impact – see column [4] in the left table above).

There was no change in the margin for adverse deviation in investment yield (25 basis points). As well, the margins for adverse deviation for claims development as selected at the coverage / accident year level were left unchanged with this valuation. (Our usual practice is to review / update margins for claims development at the June 30 valuations.) As a result, column [5] in the left table above shows \$0 impact for margin changes with this valuation.

Management has observed unfavourable total valuation impacts over the last 12 valuation implementations as shown in column [5] of the table below (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). 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: 2019 Q3		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 [4])		= [5] / [6]	= [1] / [6]
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%)
2018 Q3	Oct 2018	(8,623)	(412)	(4,596)	-	(13,631)	416,479	(3.3%)	(2.1%)
2018 Q4	Mar 2019	(15,773)	(233)	3,631	-	(12,375)	414,703	(3.0%)	(3.8%)
2019 Q1	May 2019	1,865	58	5,395	-	7,318	434,451	1.7%	0.4%
2019 Q2	Aug 2019	(19,217)	(1,428)	432	(925)	(21,138)	442,053	(4.8%)	(4.3%)
2019 Q3	Oct 2019	(3,453)	(132)	(355)	-	(3,940)	454,938	(0.9%)	(0.8%)
12-qtrs		3,480	4,403	(10,165)	(2,959)	(5,241)			
% of total		(66.4%)	(84.0%)	194.0%	56.5%	100.0%			
5 unfavourable (nominal) valuations							5 impacts were outside of 2.5%		
Averages									
12-qtrs		290	367	(847)	(247)	(437)	418,769	(0.1%)	0.1%
2016 Q4 to 2018 Q3		5,007	767	(2,409)	(254)	3,112	409,885	0.8%	1.2%
2018 Q4 to 2019 Q3		(9,145)	(434)	2,276	(231)	(7,534)	436,536	(1.7%)	(2.1%)

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities<sup>2</sup>, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3<sup>rd</sup> of nominal valuation impacts will be unfavourable, and 2/3<sup>rd</sup>s will be favourable (due to the skewness of the development). On these 3 measures:

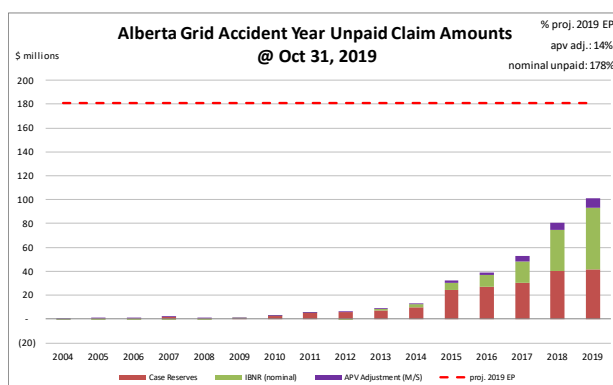
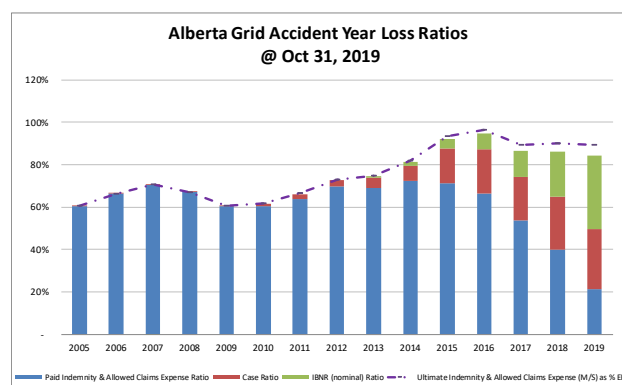
- (i) **Best estimate measurement: This objective has not been met**, as the 12-quarter nominal change in column [1] is \$3.5 million unfavourable. That said, the average unfavourable impact over the 12 quarters at \$0.3 million (nominal only) represents 0.1% of ending policy liabilities per column [8], which we would view as not significant. We do note that the latest 4 valuations have been on average more favourable than the earlier 8 valuations were unfavourable.
- (ii) **Nominal size measurement: This objective has not been met**, with 5 individual valuations showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above, being higher than our expectation (0). We have initiated a review our valuation process, but have not found evidence of bias (the results of this valuation are more related to specific issues like data quality issues being resolved, and experience simply performing better than expected). The review (including how assumptions are struck, the accuracy of various valuation methodologies, and our default selections) is expected to conclude over the next 2-5 months.
- (iii) **Bias evidence measurement: This objective has been met**, as 5 of 12 valuations show unfavourable changes (column [1] of the table above), in line with our expectation (3 to 5 of 12).

In summary, we believe the nominal valuation impacts had 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), but all objectives indicate improvement needed, and the latest valuation suggests some reflection on our processes is warranted, so we are taking action in response.

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.

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<sup>2</sup>We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.



The preceding charts, latest valuation results, and related actuarial present value assumptions are discussed in more detail in the [Alberta Grid RSP October 2019 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at September 30, 2019 is expected to be posted in January 2020. The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

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

The calendar year-to-date Operating Result is -\$18.7 million and the incurred loss ratio to the end of 10 months is 84.8%, as summarized in the table below.

*AB-N RSP Summary of Financial Results (for month and year-to-date)*

Amounts in \$000s	October 2019	October 2018	Year to date Oct 2019	Year to Date Oct 2018
Premium Written	11,675	9,471	101,230	97,892
Premium Earned	10,000	9,664	95,499	87,538
Incurred Losses	9,111	1,848	81,013	79,435
Underwriting & Admin Expense	3,657	828	33,143	31,939
<b>Operating Result</b>	<b>(2,768)</b>	<b>6,988</b>	<b>(18,657)</b>	<b>(23,836)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	6.6%	(63.6%)	(25.5%)	(22.6%)
- Current Accident Year	84.5%	82.8%	110.3%	113.4%
<i>Total</i>	<b>91.1%</b>	<b>19.2%</b>	<b>84.8%</b>	<b>90.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.6%</b>	<b>8.6%</b>	<b>34.7%</b>	<b>36.5%</b>
<b>Combined Operating Ratio</b>	<b>127.7%</b>	<b>27.8%</b>	<b>119.5%</b>	<b>127.3%</b>

*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 2019 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.



Updated Projection to Year-end 2019 (AB-N RSP)

The projected calendar year Operating Result to December 2019 is -\$29.2 million and the estimated combined operating ratio to December 2019 is 125.1%, as summarized in the table below.

*AB-N RSP Summary of Projected Year-end Financial Results (current month's projection, prior month's projection, and Outlook posted last fall)*

<b>AB Non-Grid RSP 2019 Yr-end Proj.</b> <b>Amounts in \$000s</b>	<b>Current</b> <b>(Oct 2019)</b>	Prior Mth (Sep 2019)	<b>Change</b>	Final 2019 Outlook*
Premium Written	126,715	128,758	(2,043)	141,592
Premium Earned	116,245	116,720	(475)	124,625
Incurred Losses	102,526	105,205	(2,679)	137,538
Underwriting & Admin Expense	42,937	43,799	(862)	50,104
<b>Net Result from Operations</b>	<b>(29,218)</b>	<b>(32,284)</b>	<b>3,066</b>	<b>(63,017)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(21.4%)	(22.0%)	0.6%	(2.6%)
- Current Accident Year	109.6%	112.1%	(2.5%)	113.0%
<i>Total</i>	<b>88.2%</b>	<b>90.1%</b>	<b>(1.9%)</b>	<b>110.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.9%</b>	<b>37.5%</b>	<b>(0.6%)</b>	<b>40.2%</b>
<b>Combined Operating Ratio</b>	<b>125.1%</b>	<b>127.6%</b>	<b>(2.5%)</b>	<b>150.6%</b>

*rounding differences may occur*

\*as posted to FA's website Oct. 18, 2018

This updated projection to the end of the year has improved by \$3.1 million from the projection provided last month (see the second and third columns in the table). The update includes the overall \$1.9 million favourable impact of the valuation as at September 30, 2019, as summarized in the table below (see more information under "Effect of Quarterly Valuation" on page 11). Remaining differences were driven by changes in projected premium volumes (notably, the reduction in projected written premium), and the associated impacts on claims and expense projections.

AB Non-Grid	unfav / (fav) projected for full year						year EP 116,245 (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	995	103	1,098	(104)	-	994	0.9%	0.1%	0.9%	(0.1%)	-	0.9%
CAY	(3,088)	186	(2,902)	(9)	-	(2,911)	(2.7%)	0.2%	(2.5%)	-	-	(2.5%)
Prem Def	-	131	131	(79)	-	52	-	0.1%	0.1%	(0.1%)	-	-
<b>TOTAL</b>	<b>(2,093)</b>	<b>420</b>	<b>(1,673)</b>	<b>(192)</b>	<b>-</b>	<b>(1,865)</b>	<b>(1.8%)</b>	<b>0.4%</b>	<b>(1.4%)</b>	<b>(0.2%)</b>	<b>-</b>	<b>(1.6%)</b>

Current month results (AB-N RSP)

The Alberta Non-Grid Risk Sharing Pool produced a -\$2.8 million Operating Result in the month of October 2019, a deterioration of \$9.8 million compared with the same month last year. This deterioration is composed of a \$0.2 million favourable impact associated with the \$0.3 million increase in earned premium (at a combined ratio of 27.8%), offset by a \$1.0 million unfavourable

impact stemming from the overall increase in the combined ratio (from 27.8% to 127.7% applied to \$10.0 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 118.6% at the end of 9 months to 119.5% at the end of 10 months. The 0.9 percentage point increase is composed of a 3.7 percentage point increase in the Prior Accident loss ratio, and a 0.2 percentage point increase in the expense loss ratio, offset by a 3.0 percentage point decrease in the Current Accident Years loss ratio.

*Variations from Projections (AB-N RSP)*

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

*AB-N RSP Summary of Actual vs Projected variances*

<b>October 2019</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	11,675	13,718	(2,043)	(14.9%)
Earned Premium	10,000	10,312	(312)	(3.0%)
Reported Losses				
Paid Losses	8,873	7,224	1,649	22.8%
Paid Expenses	289	443	(154)	(34.8%)
Change in Outstanding Losses	2,342	585	1,757	300.3%
<b>Total Reported Losses</b>	<b>11,504</b>	<b>8,252</b>	<b>3,252</b>	<b>39.4%</b>
Change in IBNR Provision*	(2,393)	2,813	(5,206)	
Change in Premium Deficiency (DPAC)*	(73)	652	(725)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [Alberta Non-Grid RSP October 2019 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 October 2019, reported losses were \$3.3 million higher than projected. The Current Accident Year had a \$0.6 million unfavourable variance in reported losses and the Prior Accident Years had an approximately \$2.7 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million except for Accident Year 2016 which had an unfavourable variance of \$1.1 million.

The variances for claims activity were beyond the set thresholds for some specific individual 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 (AB-N RSP)

The October 2019 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2019, with the associated impacts in relation to the results for October 2019 summarized in the tables below.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 10,000 (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	995	104	1,099	(109)	-	990	10.0%	1.0%	11.0%	(1.1%)	-	9.9%
CAY	(2,549)	83	(2,466)	(7)	-	(2,473)	(25.5%)	0.8%	(24.7%)	(0.1%)	-	(24.7%)
Prem Def	(482)	89	(393)	(73)	-	(466)	(4.8%)	0.9%	(3.9%)	(0.7%)	-	(4.7%)
TOTAL	(2,036)	276	(1,760)	(189)	-	(1,949)	(20.4%)	2.8%	(17.6%)	(1.9%)	-	(19.5%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$1.8 million favourable impact – see column [3] in the left table above). This was augmented by the impact due to a 3 basis point increase in the selected discount rate (from 1.46% to 1.43% generating a \$0.2 million favourable impact – see column [4] in the left table above).

There was no change in the margin for adverse deviation in investment yield (25 basis points). As well, the margins for adverse deviation for claims development as selected at the coverage / accident year level were left unchanged with this valuation. (Our usual practice is to review / update margins for claims development at the June 30 valuations.) As a result, column [5] in the left table above shows \$0 impact for margin changes with this valuation.

Management has observed favourable *total* valuation impacts over the last 12 valuation implementations as shown in column [5] of the table below (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). 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 Non-Grid, as at: 2019 Q3		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 [4])		= [5] / [6]	= [1] / [6]	
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%)	
2018 Q3	Oct 2018	(8,099)	(75)	(2,704)	-	(10,878)	264,348	(4.1%)	(3.1%)	
2018 Q4	Mar 2019	(9,148)	39	2,211	-	(6,898)	258,566	(2.7%)	(3.5%)	
2019 Q1	May 2019	246	17	3,116	-	3,379	271,962	1.2%	0.1%	
2019 Q2	Aug 2019	(17,438)	(1,435)	170	(519)	(19,222)	268,613	(7.2%)	(6.5%)	
2019 Q3	Oct 2019	(2,036)	276	(189)	-	(1,949)	274,797	(0.7%)	(0.7%)	
12-qtrs	-	(22,335)	855	(5,963)	(1,564)	(29,007)				
% of total		77.0%	(2.9%)	20.6%	5.4%	100.0%				
		6 unfavourable (nominal) valuations						4 impacts were outside of 2.5%		
Averages										
12-qtrs		(1,861)	71	(497)	(130)	(2,417)	258,394	(0.9%)	(0.7%)	
2016 Q4 to 2018 Q3		755	245	(1,409)	(131)	(540)	253,348	(0.2%)	0.3%	
2018 Q4 to 2019 Q3		(7,094)	(276)	1,327	(130)	(6,173)	268,485	(2.3%)	(2.6%)	

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities<sup>3</sup>, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3<sup>rd</sup> of nominal valuation impacts will be unfavourable, and 2/3<sup>rds</sup> will be favourable (due to the skewness of the development). On these 3 measures:

- (i) **Best estimate measurement: This objective has not been met**, as the 12-quarter nominal change in column [1] is \$22.3 million favourable. That said, the average favourable impact over the 12 quarters at \$1.9 million (nominal only) represents 0.7% of ending policy liabilities, which we would view as not significant. We do note that the latest 4 valuations have been on average much more favourable than the earlier 8 valuations were unfavourable – we are reviewing our valuation process as a result.
- (ii) **Nominal size measurement: This objective has not been met**, with 4 individual valuations (including the current valuation) showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above, being higher than our expectation (0). We have initiated a review our valuation process, but have not found evidence of bias (the results of this valuation are more related to specific issues like data quality issues being resolved, and experience simply performing better than expected). The review (including how assumptions are

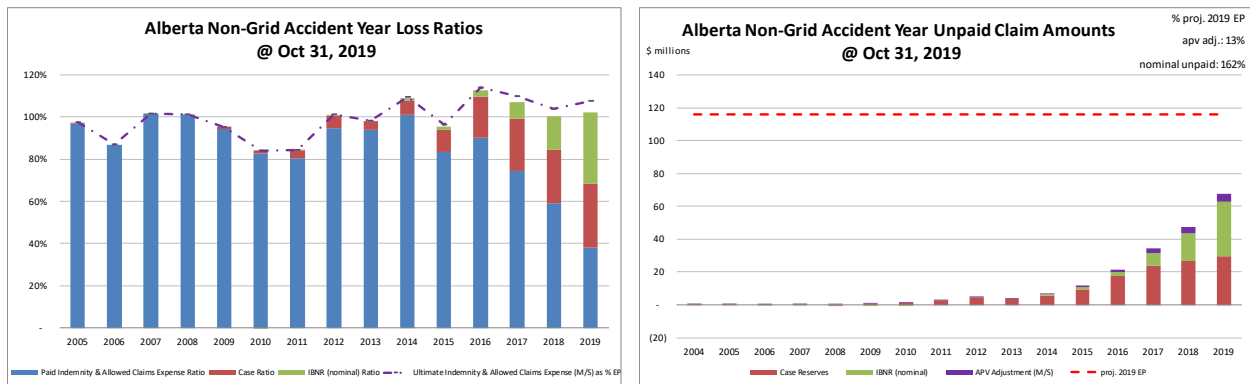
<sup>3</sup>We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.

struck, the accuracy of various valuation methodologies, and our default selections) is expected to conclude over the next 2-5 months.

- (iii) **Bias evidence measurement:** This objective not has been met, as 6 of 12 valuations show unfavourable changes (column [1] of the table above), higher than our expectation (3 to 5 of 12).

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), but all objectives indicate improvement needed and the latest valuation suggests some reflection on our processes is warranted, so we are taking action in response.

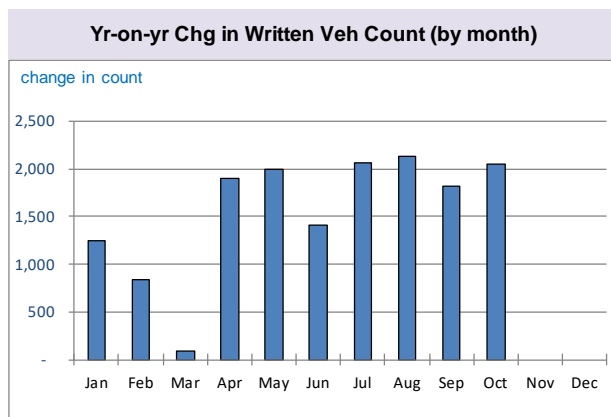
The charts below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.



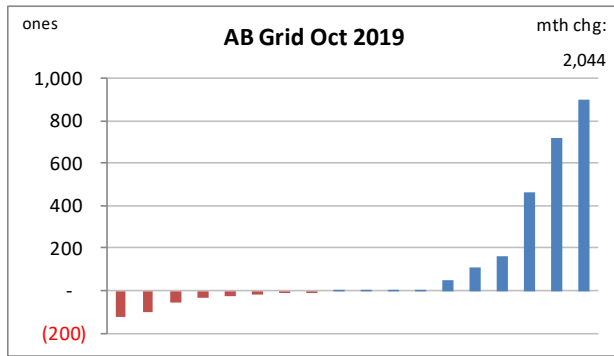
The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP October 2019 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at September 30, 2019 is expected to be posted in January 2020. The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

**Management Comments**

**Alberta Grid**

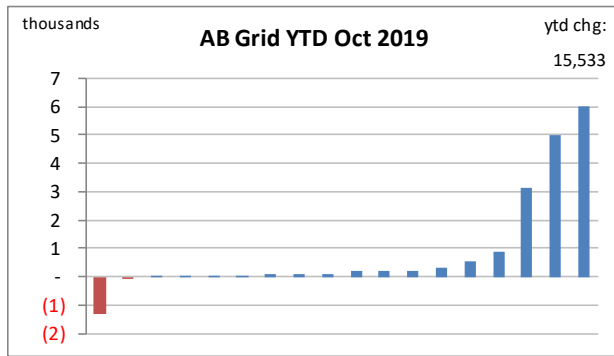


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid RSP by month, with October showing an increase of 2,044 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,341 vehicles, indicating a variance of 703 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a greater number of vehicles to the RSP in October 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. Eight member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while ten transferred more. Of the 8 member company groups transferring fewer vehicles, 2 member company groups accounted for 61% of the total transfer decrease for these “decliner” members. Of the 10 member company groups transferring more vehicles, 3 member company groups accounted for 86% of the total transfer increases for these “grower” members.

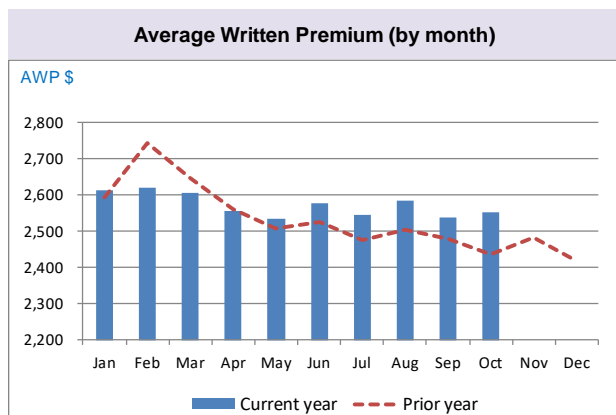
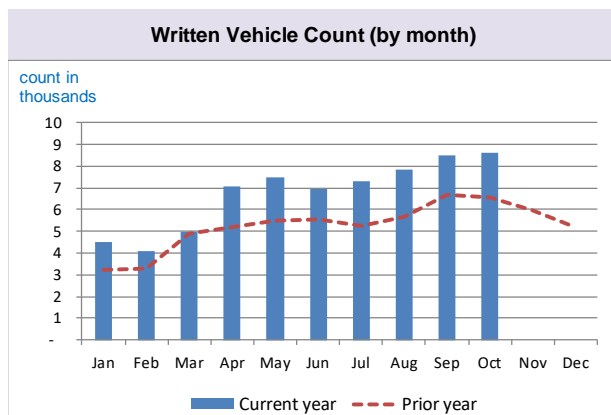
groups accounted for 61% of the total transfer decrease for these “decliner” members. Of the 10 member company groups transferring more vehicles, 3 member company groups accounted for 86% of the total transfer increases for these “grower” members.



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. Only two member company groups decreased their transfers to the RSP – all other member company groups that use the RSP have increased their transfers year-to-date.

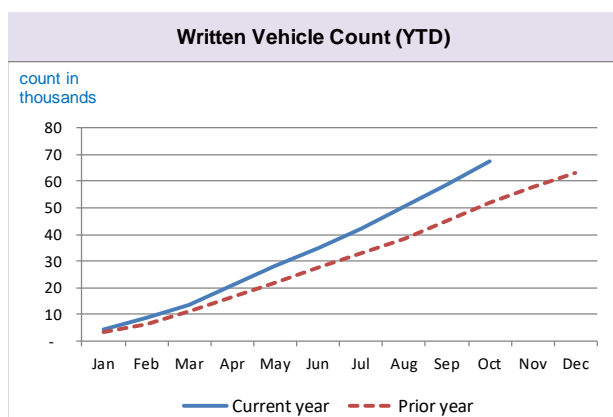
increased their transfers year-to-date.

October’s vehicle count transfers to the RSP represent a 31.2% increase from October 2018, and counts were up 30.0% year-to-date. Average written premium was up 4.8% in October 2019 compared with the same month in 2018, and up 1.3% year-to-date (see charts immediately below and at the top of the next page).

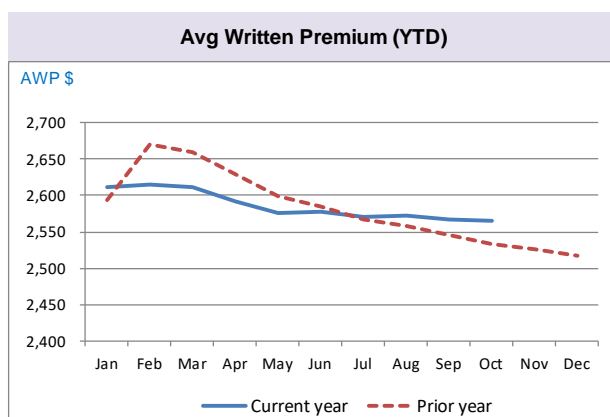


	Oct-19	Oct-18	Amt Chg	% Chg
W. Veh curr mth	8,597	6,553	2,044	31.2%

	Oct-19	Oct-18	Amt Chg	% Chg
AWP curr mth	2,554	2,438	116	4.8%

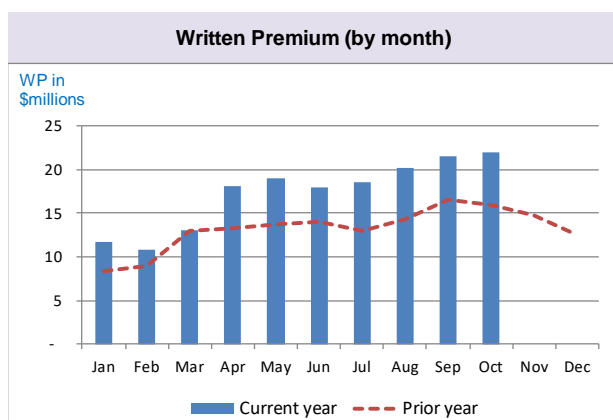


	Oct-19	Oct-18	Amt Chg	% Chg
W. Vehicles YTD	67,352	51,819	15,533	30.0%

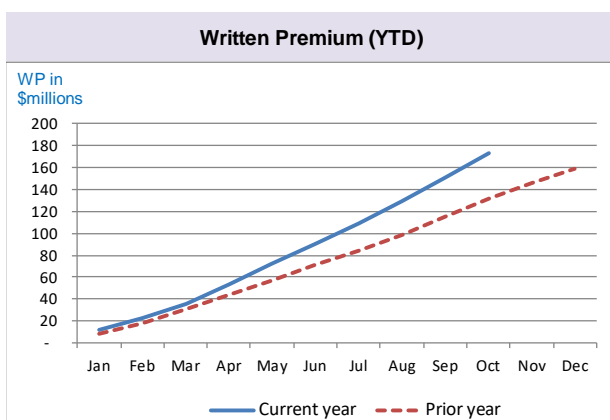


	Oct-19	Oct-18	Amt Chg	% Chg
Avg W. Prem YTD	2,566	2,533	33	1.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 37.5% for the month compared with the 27.3% increase we projected last month, and was up 31.7% year-to-date (see charts below).



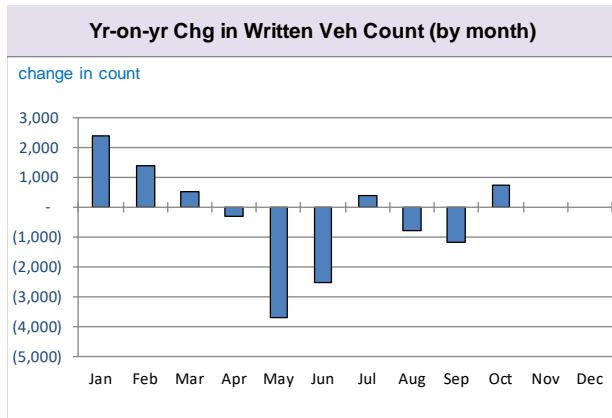
	Oct-19	Oct-18	Amt Chg	% Chg
WP (\$000s) curr mth	21,960	15,975	5,985	37.5%



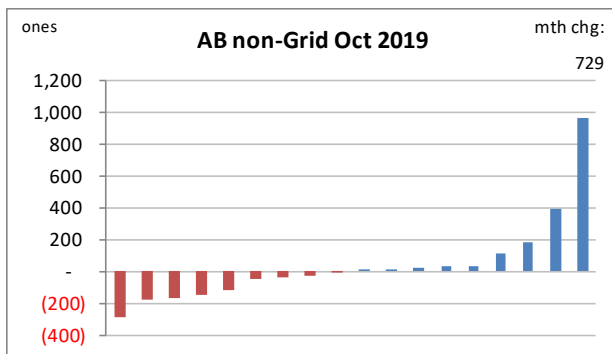
	Oct-19	Oct-18	Amt Chg	% Chg
WP (\$000s) YTD	172,844	131,236	41,608	31.7%

**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 2019 vehicle count up 2.7% from 2018**, being 2.7% of the 2018 industry private passenger vehicle count (including farmers). 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.

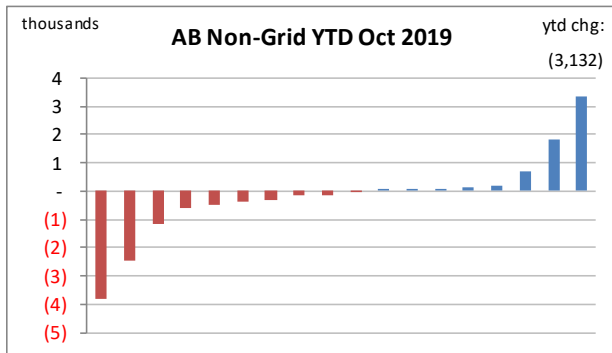


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid RSP by month, with October showing an increase of 729 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 2,218 vehicles, indicating a variance of 1,487 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the RSP in October than projected.

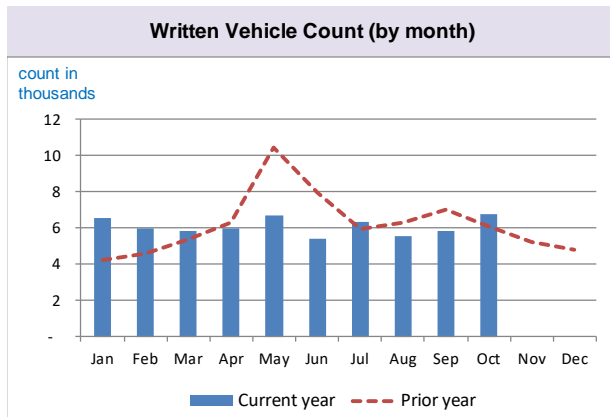


The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the RSP this month compared to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

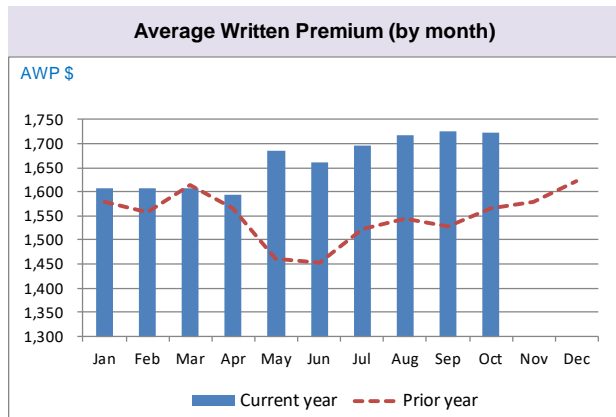
group accounted for 28% of the total transfer decrease for these “decliner” members. Of the 9 member company groups transferring more vehicles, 1 member company group accounted for 55% of the total transfers increase for these “grower” members.



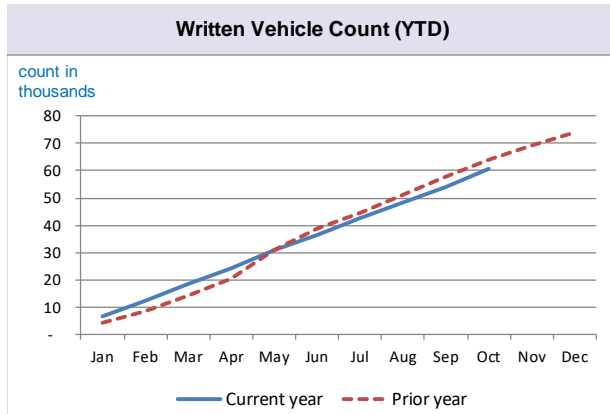




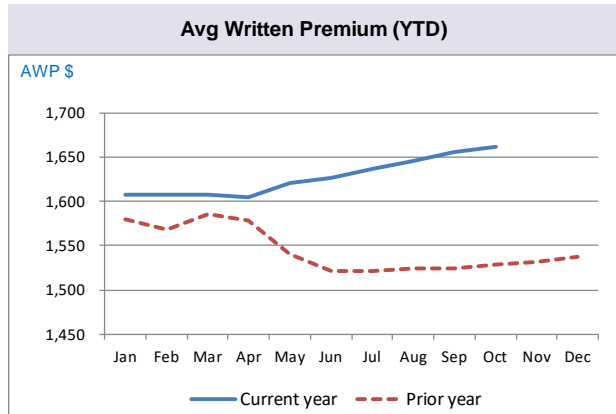
	Oct-19	Oct-18	Amt Chg	% Chg
W. Veh curr mth	6,778	6,049	729	12.1%



	Oct-19	Oct-18	Amt Chg	% Chg
AWP curr mth	1,723	1,566	157	10.0%

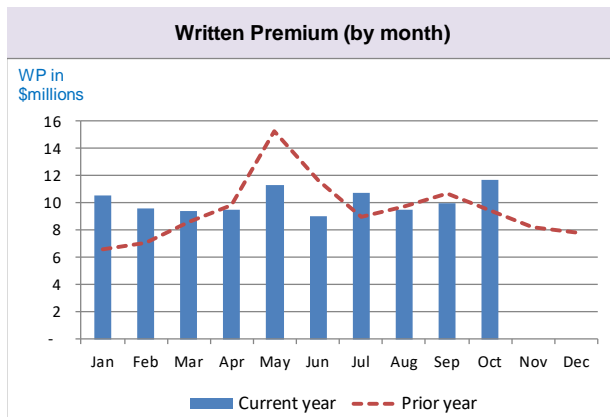


	Oct-19	Oct-18	Amt Chg	% Chg
W. Vehicles YTD	60,902	64,035	(3,132)	-4.9%

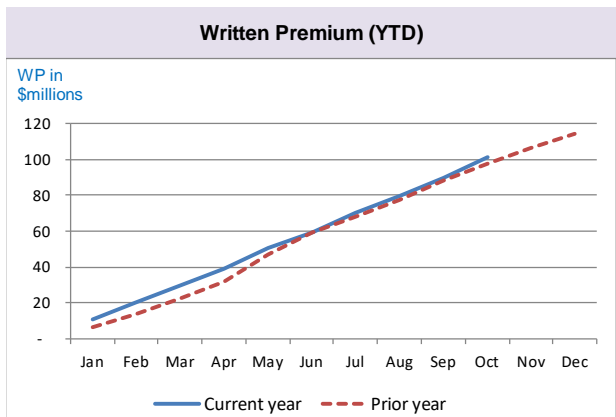


	Oct-19	Oct-18	Amt Chg	% Chg
Avg W. Prem YTD	1,662	1,529	133	8.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 23.3% for the month compared with the 44.8% increase we projected last month, and was up 3.4% year-to-date (see charts below).



	Oct-19	Oct-18	Amt Chg	% Chg
WP (\$000s) curr mth	11,675	9,471	2,204	23.3%



	Oct-19	Oct-18	Amt Chg	% Chg
WP (\$000s) YTD	101,229	97,892	3,337	3.4%

**Bulletin F19-091**

**Alberta Risk Sharing Pools – October 2019 Operational Reports**

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Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson  
President & CEO

**Related Links:**

Alberta Grid RSP:

[Alberta Grid RSP October 2019 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP October 2019 Operational Report - Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**

Risk Sharing Pool - Alberta (Grid)

Operating Results for the 10 Months Ended October 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
<b>Underwriting Revenue:</b>													
Net Premiums Written	\$11,700	\$10,771	\$13,009	\$18,131	\$18,933	\$17,983	\$18,582	\$20,204	\$21,572	\$21,960	\$172,845	\$205,995	\$158,547
Decrease (Increase) in Unearned Premiums	1,935	1,482	893	(4,247)	(3,980)	(3,986)	(3,159)	(4,271)	(5,805)	(5,201)	(26,339)	(25,223)	3,021
<b>Net Premiums Earned</b>	<b>\$13,635</b>	<b>\$12,253</b>	<b>\$13,902</b>	<b>\$13,884</b>	<b>\$14,953</b>	<b>\$13,997</b>	<b>\$15,423</b>	<b>\$15,933</b>	<b>\$15,767</b>	<b>\$16,759</b>	<b>\$146,506</b>	<b>\$180,772</b>	<b>\$161,568</b>
<b>Claims Incurred:</b>													
Prior Accident Years:													
Undiscounted	(\$336)	(\$453)	(\$15,477)	(\$157)	\$554	(\$565)	(\$61)	(\$13,394)	(\$22)	\$829	(\$29,082)	(\$29,082)	\$555
Effect of Discounting	779	(315)	1,873	(506)	3,132	(567)	(437)	(1,991)	(536)	(793)	\$639	(413)	(8,142)
Discounted	\$443	(\$768)	(\$13,604)	(\$663)	\$3,686	(\$1,132)	(\$498)	(\$15,385)	(\$558)	\$36	(\$28,443)	(\$29,495)	(\$7,587)
Current Accident Year:													
Undiscounted	\$12,482	\$11,366	\$12,301	\$12,485	\$13,919	\$13,111	\$13,898	\$10,934	\$13,704	\$11,014	\$125,214	\$154,147	\$146,295
Effect of Discounting	593	484	834	565	1,403	762	829	725	808	373	\$7,376	8,998	4,993
Discounted	\$13,075	\$11,850	\$13,135	\$13,050	\$15,322	\$13,873	\$14,727	\$11,659	\$14,512	\$11,387	\$132,590	\$163,145	\$151,288
<b>Claims Incurred</b>	<b>\$13,518</b>	<b>\$11,082</b>	<b>(\$469)</b>	<b>\$12,387</b>	<b>\$19,008</b>	<b>\$12,741</b>	<b>\$14,229</b>	<b>(\$3,726)</b>	<b>\$13,954</b>	<b>\$11,423</b>	<b>\$104,147</b>	<b>\$133,650</b>	<b>\$143,701</b>
<b>Underwriting Expenses:</b>													
Expense Allowance	\$3,644	\$3,360	\$4,049	\$5,645	\$5,889	\$5,605	\$5,781	\$6,284	\$6,710	\$6,830	\$53,797	\$64,108	\$47,116
Change in UPDR/DPAC:													
Undiscounted	213	178	(66)	(328)	424	(251)	(146)	(2,683)	(329)	(947)	(3,935)	(2,212)	3,348
Effect of Discounting	(76)	(61)	703	213	1,342	254	205	209	377	462	3,628	3,669	(1,135)
Discounted	137	117	637	(115)	1,766	3	59	(2,474)	48	(485)	(307)	1,457	2,213
<b>Underwriting Expenses</b>	<b>\$3,781</b>	<b>\$3,477</b>	<b>\$4,686</b>	<b>\$5,530</b>	<b>\$7,655</b>	<b>\$5,608</b>	<b>\$5,840</b>	<b>\$3,810</b>	<b>\$6,758</b>	<b>\$6,345</b>	<b>\$53,490</b>	<b>65,565</b>	<b>\$49,329</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$3,664)</b>	<b>(\$2,306)</b>	<b>\$9,685</b>	<b>(\$4,033)</b>	<b>(\$11,710)</b>	<b>(\$4,352)</b>	<b>(\$4,646)</b>	<b>\$15,849</b>	<b>(\$4,945)</b>	<b>(\$1,009)</b>	<b>(\$11,131)</b>	<b>(\$18,443)</b>	<b>(\$31,462)</b>
<b>Administrative Expenses</b>	<b>\$69</b>	<b>\$92</b>	<b>\$61</b>	<b>\$79</b>	<b>\$79</b>	<b>\$69</b>	<b>\$92</b>	<b>\$71</b>	<b>\$77</b>	<b>\$93</b>	<b>\$782</b>	<b>\$986</b>	<b>\$1,039</b>
<b>Operating Result</b>	<b>(\$3,733)</b>	<b>(\$2,398)</b>	<b>\$9,624</b>	<b>(\$4,112)</b>	<b>(\$11,789)</b>	<b>(\$4,421)</b>	<b>(\$4,738)</b>	<b>\$15,778</b>	<b>(\$5,022)</b>	<b>(\$1,102)</b>	<b>(\$11,913)</b>	<b>(\$19,429)</b>	<b>(\$32,501)</b>
<b>Ratios:</b>													
<b>Claims &amp; Expenses Incurred (Earned)</b>													
Prior Accident Years	3.2%	-6.3%	-97.9%	-4.8%	24.7%	-8.1%	-3.2%	-96.6%	-3.5%	0.2%	-19.4%	-16.3%	-4.7%
Current Accident Year	95.9%	96.7%	94.5%	94.0%	102.5%	99.1%	95.5%	73.2%	92.0%	67.9%	90.5%	90.2%	93.6%
All Accident Years Combined (Earned)	99.1%	90.4%	-3.4%	89.2%	127.2%	91.0%	92.3%	-23.4%	88.5%	68.1%	71.1%	73.9%	88.9%
Underwriting & Administrative Expenses (Earned)	28.2%	29.1%	34.1%	40.4%	51.7%	40.6%	38.5%	24.4%	43.4%	38.4%	37.0%	36.8%	31.2%
<b>Combined Operating Ratio</b>	<b>127.3%</b>	<b>119.5%</b>	<b>30.7%</b>	<b>129.6%</b>	<b>178.9%</b>	<b>131.6%</b>	<b>130.8%</b>	<b>1.0%</b>	<b>131.9%</b>	<b>106.5%</b>	<b>108.1%</b>	<b>110.7%</b>	<b>120.1%</b>

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

Rounding difference may apply

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 10 Months Ended October 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	April	May	June	July	August	September	October	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
<b>Underwriting Revenue:</b>													
Net Premiums Written	\$10,569	\$9,549	\$9,397	\$9,521	\$11,278	\$9,022	\$10,707	\$9,505	\$10,007	\$11,675	\$101,230	\$126,715	\$113,977
Decrease (Increase) in Unearned Premiums	(729)	(477)	695	(291)	(1,330)	(1,072)	(846)	448	(454)	(1,675)	(5,731)	(10,470)	(7,273)
<b>Net Premiums Earned</b>	<b>\$9,840</b>	<b>\$9,072</b>	<b>\$10,092</b>	<b>\$9,230</b>	<b>\$9,948</b>	<b>\$7,950</b>	<b>\$9,861</b>	<b>\$9,953</b>	<b>\$9,553</b>	<b>\$10,000</b>	<b>\$95,499</b>	<b>\$116,245</b>	<b>\$106,704</b>
<b>Claims Incurred:</b>													
Prior Accident Years:													
Undiscounted	(\$92)	(\$79)	(\$10,395)	(\$587)	(\$39)	(\$1,670)	(\$60)	(\$12,051)	(\$23)	\$954	(\$24,042)	(\$24,042)	(\$14,506)
Effect of Discounting	(301)	(372)	1,181	(229)	1,855	(297)	(147)	(1,525)	(135)	(293)	(263)	(884)	(5,786)
Discounted	(\$393)	(\$451)	(\$9,214)	(\$816)	\$1,816	(\$1,967)	(\$207)	(\$13,576)	(\$158)	\$661	(\$24,305)	(\$24,926)	(\$20,292)
Current Accident Year:													
Undiscounted	\$10,631	\$9,795	\$11,262	\$10,623	\$10,983	\$10,310	\$10,778	\$7,771	\$10,035	\$7,975	\$100,163	\$121,366	\$117,039
Effect of Discounting	548	409	612	417	976	498	555	238	427	475	5,155	6,086	3,698
Discounted	\$11,179	\$10,204	\$11,874	\$11,040	\$11,959	\$10,808	\$11,333	\$8,009	\$10,462	\$8,450	\$105,318	\$127,452	\$120,737
<b>Claims Incurred</b>	<b>\$10,786</b>	<b>\$9,753</b>	<b>\$2,660</b>	<b>\$10,224</b>	<b>\$13,775</b>	<b>\$8,841</b>	<b>\$11,126</b>	<b>(\$5,567)</b>	<b>\$10,304</b>	<b>\$9,111</b>	<b>\$81,013</b>	<b>\$102,526</b>	<b>\$100,445</b>
<b>Underwriting Expenses:</b>													
Expense Allowance	\$3,286	\$2,970	\$2,924	\$2,973	\$3,510	\$2,833	\$3,331	\$2,957	\$3,113	\$3,632	\$31,529	\$39,455	\$33,858
Change in UPDR/DPAC:													
Undiscounted	65	66	787	81	301	185	179	(2,274)	159	(219)	(670)	524	1,227
Effect of Discounting	38	27	488	21	676	80	67	(105)	39	146	1,477	1,871	(63)
Discounted	103	93	1,275	102	977	265	246	(2,379)	198	(73)	807	2,395	1,164
<b>Underwriting Expenses</b>	<b>\$3,389</b>	<b>\$3,063</b>	<b>\$4,199</b>	<b>\$3,075</b>	<b>\$4,487</b>	<b>\$3,098</b>	<b>\$3,577</b>	<b>\$578</b>	<b>\$3,311</b>	<b>\$3,559</b>	<b>\$32,336</b>	<b>\$41,850</b>	<b>\$35,022</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$4,335)</b>	<b>(\$3,744)</b>	<b>\$3,233</b>	<b>(\$4,069)</b>	<b>(\$8,314)</b>	<b>(\$3,989)</b>	<b>(\$4,842)</b>	<b>\$14,942</b>	<b>(\$4,062)</b>	<b>(\$2,670)</b>	<b>(\$17,850)</b>	<b>(\$28,131)</b>	<b>(\$28,763)</b>
<b>Administrative Expenses</b>	<b>\$69</b>	<b>\$92</b>	<b>\$62</b>	<b>\$79</b>	<b>\$80</b>	<b>\$71</b>	<b>\$96</b>	<b>\$77</b>	<b>\$83</b>	<b>\$98</b>	<b>\$807</b>	<b>\$1,087</b>	<b>\$1,054</b>
<b>Operating Result</b>	<b>(\$4,404)</b>	<b>(\$3,836)</b>	<b>\$3,171</b>	<b>(\$4,148)</b>	<b>(\$8,394)</b>	<b>(\$4,060)</b>	<b>(\$4,938)</b>	<b>\$14,865</b>	<b>(\$4,145)</b>	<b>(\$2,768)</b>	<b>(\$18,657)</b>	<b>(\$29,218)</b>	<b>(\$29,817)</b>
<b>Ratios:</b>													
<b>Claims &amp; Expenses Incurred (Earned)</b>													
Prior Accident Years	-4.0%	-5.0%	-91.3%	-8.8%	18.3%	-24.7%	-2.1%	-136.4%	-1.7%	6.6%	-25.5%	-21.4%	-19.0%
Current Accident Year	113.6%	112.5%	117.7%	119.6%	120.2%	135.9%	114.9%	80.5%	109.5%	84.5%	110.3%	109.6%	113.2%
All Accident Years Combined	109.6%	107.5%	26.4%	110.8%	138.5%	111.2%	112.8%	-55.9%	107.8%	91.1%	84.8%	88.2%	94.2%
Underwriting & Administrative Expenses (Earned)	35.1%	34.8%	42.2%	34.2%	45.9%	39.9%	37.2%	6.6%	35.5%	36.6%	34.7%	36.9%	33.8%
<b>Combined Operating Ratio</b>	<b>144.7%</b>	<b>142.3%</b>	<b>68.6%</b>	<b>145.0%</b>	<b>184.4%</b>	<b>151.1%</b>	<b>150.0%</b>	<b>-49.3%</b>	<b>143.3%</b>	<b>127.7%</b>	<b>119.5%</b>	<b>125.1%</b>	<b>128.0%</b>

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

Rounding difference may apply