

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER
ALBERTA RISK SHARING POOL PROJECT MANAGER

BULLETIN NO.: F2020 – 028

DATE: APRIL 29, 2020

SUBJECT: ALBERTA RISK SHARING POOLS
– MARCH 2020 OPERATIONAL REPORT

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

Please be advised that the March 2020 Alberta Risk Sharing Pools Operational Reports are available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Key Points

- (a) The updated valuation loss ratios do NOT include any incurred impacts or adjustments related to COVID-19; any associated impacts and changes will be initially reflected in our March 31, 2020 valuation which we anticipate will be implemented in the May 2020 Operational Reports;
- (b) The *Alberta Grid 2020 year-to-date net operating result was \$15.4 million*, with a COR of 70.0% on earned premium of \$51.4 million;
- (c) The *Alberta Non-Grid 2020 year-to-date net operating deficit was \$8.5 million*, with a COR of 127.2% on earned premium of \$31.4 million;
- (d) This month's results include the implementation of the 2019 Q4 valuation, resulting in an estimated \$24.2 million favourable impact for the Alberta Grid RSP and \$5.4 million favourable impact for the Alberta Non-Grid RSP;
- (e) The *projected Alberta Grid 2020 year-end net operating deficit is now \$14 million*, with a COR at 106.5% on earned premium of \$223 million (our Outlook for 2020 was \$59 million of net operating deficit with a COR of 125.3% on earned premium of \$234 million). However, our projections do NOT take into account any specific impacts that might arise due to the COVID-19 pandemic (FA is still in the process of considering impacts, which will be reflected in future projections, as deemed appropriate); and
- (f) The *projected Alberta Non-Grid 2020 year-end net operating deficit is now \$48 million*, with a COR at 134.5% on earned premium of \$139 million (our Outlook for 2020 was \$66 million of net operating deficit with a COR of 143.8% on earned premium of \$151 million). (COVID-19 comment above applies here as well).

New This Month

Valuation

Valuations of the Alberta Grid Risk Sharing Pool (“RSP”) and Non-Grid RSP as at December 31, 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 **\$24.2 million favourable** impact on the month’s net result from operations, subtracting an estimated 47.0 points from the year-to-date Combined Operating Ratio (ending at 70.0%). The impact is summarized in the tables below ¹.

AB Grid	unfav / (fav) for the month and ytd						ytd EP 51,416 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(8,386)	(101)	(8,487)	(1,532)	-	(10,019)	(16.3%)	(0.2%)	(16.5%)	(3.0%)	-	(19.5%)
CAY	(4,212)	(335)	(4,547)	(196)	-	(4,743)	(8.2%)	(0.7%)	(8.8%)	(0.4%)	-	(9.2%)
Prem Def	(8,301)	(669)	(8,970)	(449)	-	(9,419)	(16.1%)	(1.3%)	(17.4%)	(0.9%)	-	(18.3%)
TOTAL	(20,899)	(1,105)	(22,004)	(2,177)	-	(24,181)	(40.6%)	(2.1%)	(42.8%)	(4.2%)	-	(47.0%)

For the **Alberta Non-Grid RSP**, the implementation of the new valuation resulted in an estimated overall **\$5.4 million favourable** impact on the month’s net result from operations, subtracting an estimated 17.3 points from the year-to-date Combined Operating Ratio (ending at 127.2%). The impact is summarized in the tables below.

AB Non-Grid	unfav / (fav) for the month and ytd						ytd EP 31,389 (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	2,850	525	3,375	(878)	-	2,497	9.1%	1.7%	10.8%	(2.8%)	-	8.0%
CAY	(2,230)	(200)	(2,430)	(126)	-	(2,556)	(7.1%)	(0.6%)	(7.7%)	(0.4%)	-	(8.1%)
Prem Def	(4,776)	(312)	(5,088)	(292)	-	(5,380)	(15.2%)	(1.0%)	(16.2%)	(0.9%)	-	(17.1%)
TOTAL	(4,156)	13	(4,143)	(1,296)	-	(5,439)	(13.2%)	-	(13.2%)	(4.1%)	-	(17.3%)

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 \$15.4 million and the incurred loss ratio to the end of 3 months is 64.0% as summarized in the table at the top of the next page.

¹In 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”.

Bulletin F2020-028
Alberta Risk Sharing Pools – March 2020 Operational Reports

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

Amounts in \$000s	March 2020	March 2019	Year to date Mar 2020	Year to Date Mar 2019
Premium Written	14,810	13,009	38,102	35,480
Premium Earned	17,663	13,902	51,416	39,790
Incurring Losses	1,284	(469)	32,908	24,131
Underwriting & Admin Expense	(4,664)	4,747	3,072	12,166
Operating Result	21,043	9,624	15,436	3,493
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(61.4%)	(97.9%)	(23.3%)	(35.0%)
- Current Accident Year	68.7%	94.5%	87.3%	95.7%
<i>Total</i>	7.3%	(3.4%)	64.0%	60.7%
<i>Underwriting & Admin Expense</i>	(26.4%)	34.1%	6.0%	30.6%
<i>Combined Operating Ratio</i>	(19.1%)	30.7%	70.0%	91.3%

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 2020 for Risk Sharing Pool - Alberta Grid” attached to this bulletin.

Updated Projection to Year-end 2020 (Alberta Grid RSP)

PLEASE NOTE: our projections have NOT been adjusted in any way to reflect COVID-19 pandemic impacts. Such impacts are under investigation and will be reflected in future projections as deemed appropriate.

The projected calendar year Operating Result to December 2020 is -\$14.3 million and the estimated combined operating ratio to December 2020 is 106.5%, 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)

AB Grid RSP 2020 Yr-end Projection Amounts in \$000s	Current (Mar 2020)	Prior Mth (Feb 2020)	Change	Final 2020 Outlook*
Premium Written	236,829	235,061	1,768	247,866
Premium Earned	223,228	222,786	442	234,333
Incurred Losses	175,283	204,420	(29,137)	215,198
Underwriting & Admin Expense	62,247	74,520	(12,274)	78,403
Net Result from Operations	(14,302)	(56,154)	41,853	(59,268)
Ratios:				
Loss ratio - Prior Accident Years	(7.3%)	(2.9%)	(4.4%)	(2.7%)
- Current Accident Year	85.9%	94.7%	(8.8%)	94.5%
<i>Total</i>	78.6%	91.8%	(13.2%)	91.8%
Underwriting & Admin Expense	27.9%	33.4%	(5.5%)	33.5%
Combined Operating Ratio	106.5%	125.2%	(18.7%)	125.3%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

This updated projection to the end of the year has improved by \$41.9 million from the projection provided last month (see the second and third columns in the table). The update includes the overall \$42.4 million favourable impact of the valuation as at December 31, 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 223,228 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(8,386)	(92)	(8,478)	(1,248)	-	(9,726)	(3.8%)	-	(3.8%)	(0.6%)	-	(4.4%)
CAY	(18,128)	(1,020)	(19,148)	(725)	-	(19,873)	(8.1%)	(0.5%)	(8.6%)	(0.3%)	-	(8.9%)
Prem Def	(11,347)	(905)	(12,252)	(575)	-	(12,827)	(5.1%)	(0.4%)	(5.5%)	(0.3%)	-	(5.7%)
TOTAL	(37,861)	(2,017)	(39,878)	(2,548)	-	(42,426)	(17.0%)	(0.9%)	(17.9%)	(1.1%)	-	(19.0%)

Current Month Results (Alberta Grid RSP)

The Alberta Grid Risk Sharing Pool produced a \$21.0 million Operating Result in the month of March 2020, an improvement of \$11.4 million compared with the same month last year. This improvement is associated with a \$2.6 million favourable impact associated with the \$3.8 million increase in earned premium (at a combined ratio of 30.7%), and a \$8.8 million favourable impact from the overall decrease in the combined ratio (from 30.7% to -19.1% applied to \$17.7 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 116.6% at the end of 2 months to 70.0% at the end of 3 months. The 46.6 percentage point decrease is composed of a 19.9 percentage point decrease in the Prior Accident Years loss ratio, a 9.8 percentage point

Bulletin F2020–028
Alberta Risk Sharing Pools – March 2020 Operational Reports

decrease in the Current Accident Year loss ratio, and a 16.9 percentage point decrease in the expense ratio.

Variances from Projections (Alberta Grid RSP)

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

*Alberta Grid RSP Summary of **Actual vs Projected** variances*

March 2020	Actual	Projection	Difference	Difference %
Written Premium	14,810	19,037	(4,227)	(22.2%)
Earned Premium	17,663	18,141	(478)	(2.6%)
Reported Losses				
Paid Losses	11,669	12,582	(913)	(7.3%)
Paid Expenses	1,069	886	183	20.7%
Change in Outstanding Losses	(2,744)	(1,729)	(1,015)	58.7%
Total Reported Losses	9,994	11,739	(1,745)	(14.9%)
Change in IBNR Provision*	(8,710)	4,704	(13,414)	
Change in Premium Deficiency (DPAC)*	(9,257)	27	(9,284)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Grid RSP March 2020 Operational Report - Actuarial Highlights](#).

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of March 2020, the reported losses were \$1.7 million lower than projected. The Current Accident Year had a \$0.8 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.9 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 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 March 2020 Alberta Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2019, with the associated impacts in relation to the results for March 2020 summarized in the table at the top of the next page.

Bulletin F2020–028

Alberta Risk Sharing Pools – March 2020 Operational Reports

AB Grid	unfav / (fav) for the month and ytd						mth EP 17,663 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(8,386)	(101)	(8,487)	(1,532)	-	(10,019)	(47.5%)	(0.6%)	(48.0%)	(8.7%)	-	(56.7%)
CAY	(4,212)	(335)	(4,547)	(196)	-	(4,743)	(23.8%)	(1.9%)	(25.7%)	(1.1%)	-	(26.9%)
Prem Def	(8,301)	(669)	(8,970)	(449)	-	(9,419)	(47.0%)	(3.8%)	(50.8%)	(2.5%)	-	(53.3%)
TOTAL	(20,899)	(1,105)	(22,004)	(2,177)	-	(24,181)	(118.3%)	(6.3%)	(124.6%)	(12.3%)	-	(136.9%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$22.0 million favourable impact – see column [3] in the left table above). This was augmented by the impact due to a 19 basis point increase in the selected discount rate from 1.44% to 1.63% (generating a \$2.2 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 investment yield and 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 Grid, as at: 2019 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						= sum([1] to [4])		= [5] / [6]	= [1] / [6]
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%)
2019 Q4	Mar 2020	(20,899)	(1,105)	(2,177)	-	(24,181)	437,311	(5.5%)	(4.8%)
12-qtrs		(36,789)	598	(6,835)	(2,959)	(45,985)			
% of total		80.0%	(1.3%)	14.9%	6.4%	100.0%			
		4 unfavourable (nominal) valuations						5 impacts were outside of 2.5%	
Averages									
12-qtrs		(3,066)	50	(570)	(247)	(3,832)	423,235	(0.9%)	(0.7%)
2017 Q1 to 2018 Q4		614	401	(1,266)	(254)	(506)	413,758	(0.1%)	0.1%
2019 Q1 to 2019 Q4		(10,426)	(652)	824	(231)	(10,485)	442,188	(2.4%)	(2.4%)

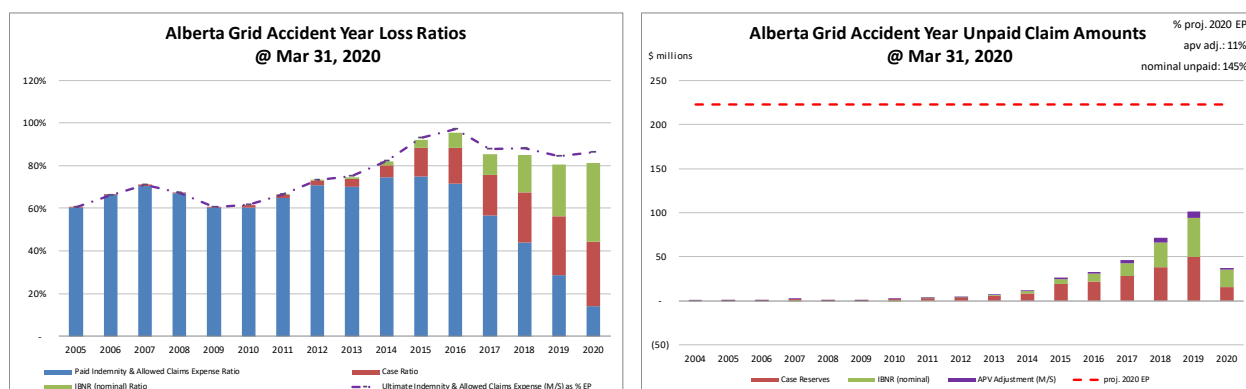
The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities², should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3^{rds} 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 \$36.8 million favourable. That said, the average favourable impact over the 12 quarters at \$3.1 million (nominal only) represents 0.7% of ending policy liabilities per column [8], which we would view as not significant. We do note that the 2019 Q2 and current valuation impacts drove the average impact of the most recent 4 valuations to be more favourable than the earlier 8 valuations, which 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). At 4.8%, the current valuation is close to twice of the 2.5% top end criteria we have set. We are initiating a review of the valuation process (including how assumptions are struck, the accuracy of various valuation methodologies, and our default selections). We expect this review to occur over the next 2-5 months..
- (iii) **Bias evidence measurement: This objective has been met**, as 4 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 the recent valuations suggest 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.

²We 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 March 2020 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2019 is expected to be posted in June 2020. The actuarial valuation will be updated next as at March 31, 2020 and we anticipate that the results will be reflected in the May 2020 Operational Report.

Alberta Non-Grid RSP - Summary of Financial Results

The calendar year-to-date Operating Result is -\$8.5 million and the incurred loss ratio to the end of 3 months is 108.5%, as summarized in the table below.

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

Amounts in \$000s	March 2020	March 2019	Year to date Mar 2020	Year to Date Mar 2019
Premium Written	12,139	9,397	34,291	29,515
Premium Earned	10,823	10,092	31,389	29,004
Incurred Losses	11,635	2,660	34,045	23,199
Underwriting & Admin Expense	(1,356)	4,261	5,859	10,874
Operating Result	544	3,171	(8,515)	(5,069)
Ratios:				
Loss ratio - Prior Accident Years	17.2%	(91.3%)	1.8%	(34.7%)
- Current Accident Year	90.3%	117.7%	106.7%	114.7%
<i>Total</i>	107.5%	26.4%	108.5%	80.0%
Underwriting & Admin Expense	(12.5%)	42.2%	18.7%	37.5%
Combined Operating Ratio	95.0%	68.6%	127.2%	117.5%

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 2020 for Risk Sharing Pool - Alberta Non-Grid” attached to this bulletin.

Updated Projection to Year-end 2019 (Alberta Non-Grid RSP)

PLEASE NOTE: our projections have NOT been adjusted in any way to reflect COVID-19 pandemic impacts. Such impacts are under investigation and will be reflected in future projections as deemed appropriate.

The projected calendar year Operating Result to December 2020 is -\$48.1 million and the estimated combined operating ratio to December 2020 is 134.5%, as summarized in the table below for Alberta Non-Grid RSP.

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

AB Non-Grid RSP 2020 Yr-end Proj. Amounts in \$000s	Current (Mar 2020)	Prior Mth (Feb 2020)	Change	Final 2020 Outlook*
Premium Written	152,654	152,459	195	159,575
Premium Earned	139,336	139,351	(15)	151,437
Incurred Losses	143,866	151,976	(8,110)	164,961
Underwriting & Admin Expense	43,599	51,328	(7,729)	52,911
Net Result from Operations	(48,129)	(63,953)	15,824	(66,435)
Ratios:				
Loss ratio - Prior Accident Years	(1.3%)	(3.0%)	1.7%	(2.6%)
- Current Accident Year	104.5%	112.1%	(7.6%)	111.5%
<i>Total</i>	103.2%	109.1%	(5.9%)	108.9%
Underwriting & Admin Expense	31.3%	36.8%	(5.5%)	34.9%
Combined Operating Ratio	134.5%	145.9%	(11.4%)	143.8%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

This updated projection to the end of the year has improved by \$15.8 million from the projection provided last month (see the second and third columns in the table). The update includes the overall \$16.0 million favourable impact of the valuation as at December 31, 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, and the associated impacts on claims and expense projections.

AB Non-Grid	unfav / (fav) projected for full year						year EP 139,336 (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	2,850	475	3,325	(727)	-	2,598	2.0%	0.3%	2.4%	(0.5%)	-	1.9%
CAY	(9,787)	(531)	(10,318)	(459)	-	(10,777)	(7.0%)	(0.4%)	(7.4%)	(0.3%)	-	(7.7%)
Prem Def	(7,041)	(464)	(7,505)	(337)	-	(7,842)	(5.1%)	(0.3%)	(5.4%)	(0.2%)	-	(5.6%)
TOTAL	(13,978)	(520)	(14,498)	(1,523)	-	(16,021)	(10.0%)	(0.4%)	(10.4%)	(1.1%)	-	(11.5%)

Current month results (Alberta Non-Grid RSP)

The Alberta Non-Grid Risk Sharing Pool produced a \$0.5 million Operating Result in the month of March 2020, a deterioration of \$2.6 million compared with the same month last year. This deterioration is a result of a \$0.2 million favourable impact associated with the \$0.7 million increase in earned premium (at a combined ratio of 68.6%), offset by an approximately \$2.8 million unfavourable impact from the overall increase in the combined ratio (from 68.6% to 95.0% applied to \$10.8 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 144.1% at the end of 2 months to 127.2% at the end of 3 months. The 16.9 percentage point decrease is composed of a 8.6 percentage point decrease in the Current Accident Years loss ratio, a 16.4 percentage point decrease in the expense ratio, offset by a 8.1 percentage point increase in the Prior Accident Year loss ratio.

Variances from Projections (Alberta Non-Grid RSP)

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

Alberta Non-Grid RSP Summary of Actual vs Projected variances

March 2020	Actual	Projection	Difference	Difference %
Written Premium	12,139	11,290	849	7.5%
Earned Premium	10,823	11,007	(184)	(1.7%)
Reported Losses				
Paid Losses	9,912	10,059	(147)	(1.5%)
Paid Expenses	458	542	(84)	(15.5%)
Change in Outstanding Losses	(2,216)	(226)	(1,990)	880.5%
Total Reported Losses	8,154	10,375	(2,221)	(21.4%)
Change in IBNR Provision*	3,481	1,479	2,002	
Change in Premium Deficiency (DPAC)*	(5,138)	89	(5,227)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Alberta Non-Grid RSP March 2020 Operational Report - Actuarial Highlights](#).

As discussed in relation to the Alberta Grid RSP, each month management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of March 2020, reported losses were \$2.2 million lower than projected. The Current Accident Year had a \$1.4 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.8 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 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 March 2020 Alberta Non-Grid Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2019, with the associated impacts in relation to the results for March 2020 summarized in the tables below.

AB Non-Grid	unfav / (fav) for the month and ytd						mth EP 10,823 (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	2,850	525	3,375	(878)	-	2,497	26.3%	4.9%	31.2%	(8.1%)	-	23.1%
CAY	(2,230)	(200)	(2,430)	(126)	-	(2,556)	(20.6%)	(1.8%)	(22.5%)	(1.2%)	-	(23.6%)
Prem Def	(4,776)	(312)	(5,088)	(292)	-	(5,380)	(44.1%)	(2.9%)	(47.0%)	(2.7%)	-	(49.7%)
TOTAL	(4,156)	13	(4,143)	(1,296)	-	(5,439)	(38.4%)	0.1%	(38.3%)	(12.0%)	-	(50.3%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$4.1 million favourable impact – see column [3] in the left table above). This was augmented by the impact due to a 18 basis point increase in the selected discount rate (from 1.46% to 1.64% generating a \$1.3 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 investment yield and 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 at the top of the next page (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).

Bulletin F2020–028
Alberta Risk Sharing Pools – March 2020 Operational Reports

RSP: Alberta Non-Grid, as at: 2019 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LR & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						= sum([1] to [4])		= [5] / [6]	= [1] / [6]
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%)
2019 Q4	Mar 2020	(4,156)	13	(1,296)	-	(5,439)	283,726	(1.9%)	(1.5%)
12-qtrs	-	(29,679)	186	(3,898)	(1,564)	(34,955)			
% of total		84.9%	(0.5%)	11.2%	4.5%	100.0%			
		5 unfavourable (nominal) valuations						4 impacts were outside of 2.5%	
Averages									
12-qtrs		(2,473)	16	(325)	(130)	(2,913)	262,458	(1.1%)	(0.9%)
2017 Q1 to 2018 Q4		(787)	164	(712)	(131)	(1,466)	256,300	(0.6%)	(0.3%)
2019 Q1 to 2019 Q4		(5,846)	(282)	450	(130)	(5,808)	274,775	(2.1%)	(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 liabilities³, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3^{rds} will be favourable (due to the skewness of the development). On these 3 measures:

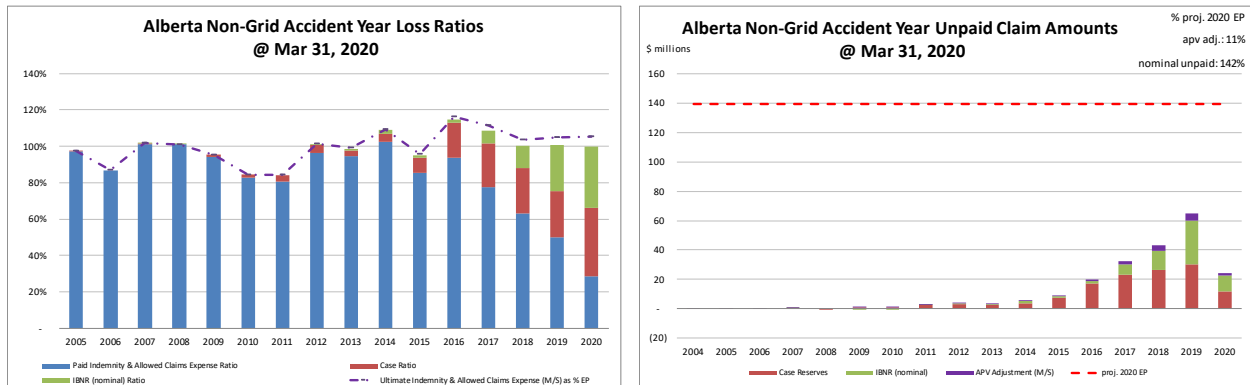
- (i) **Best estimate measurement: This objective has not been met**, as the 12-quarter nominal change in column [1] is \$29.7 million favourable. That said, the average favourable impact over the 12 quarters at \$2.5 million (nominal only) represents 0.9% of ending policy liabilities, which we would 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 favourable.
- (ii) **Nominal size measurement: This objective has not been met**, with 4 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 are initiating a review of the valuation process (including how assumptions are struck, the accuracy of various valuation methodologies, and our default selections). We expect this review to occur over the next 2-5 months.

³We 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.

- (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 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 two of the three objectives indicate improvement needed and suggests some reflection on our processes is warranted, so we are taking action in response.

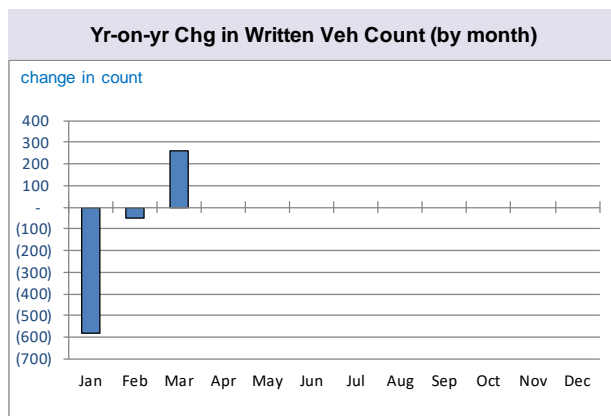
The charts below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.



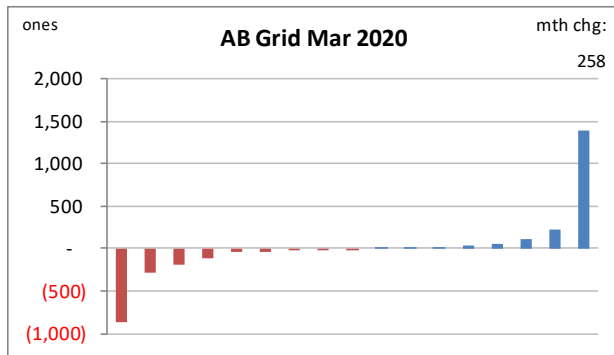
The preceding charts, latest valuation results and related discounting assumptions are discussed in more detail in the [Alberta Non-Grid RSP March 2020 Operational Report - Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2019 is expected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

Management Comments

Alberta Grid

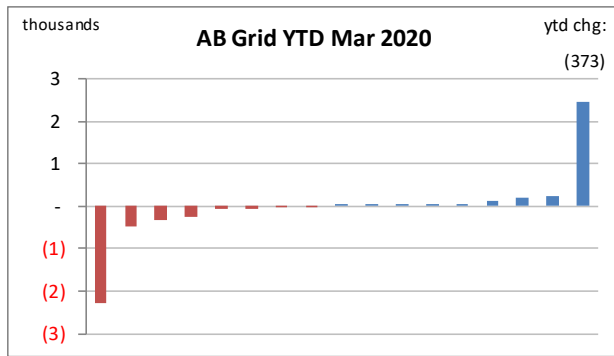


The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Grid RSP by month, with March showing an increase of 258 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,534 vehicles, indicating a variance of 1,276 vehicles from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles than projected to the RSP in March.



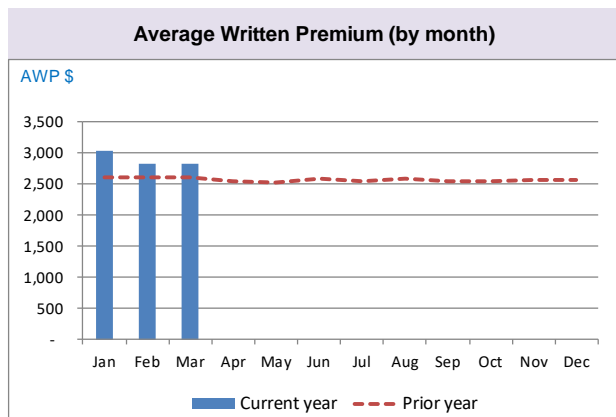
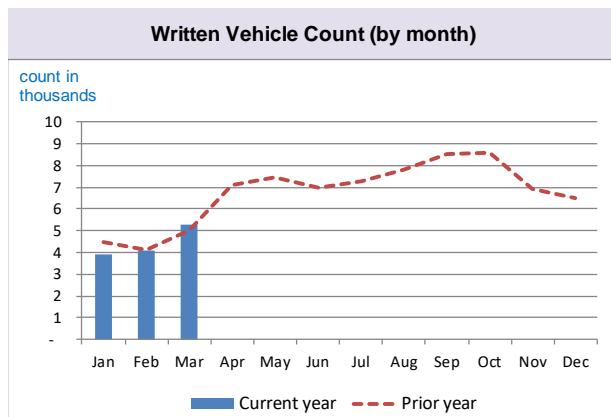
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue or red bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the RSP this month compared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

company group accounted for 55% of the total transfer decrease for these “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 76% of the total transfer increases for these “grower” members.



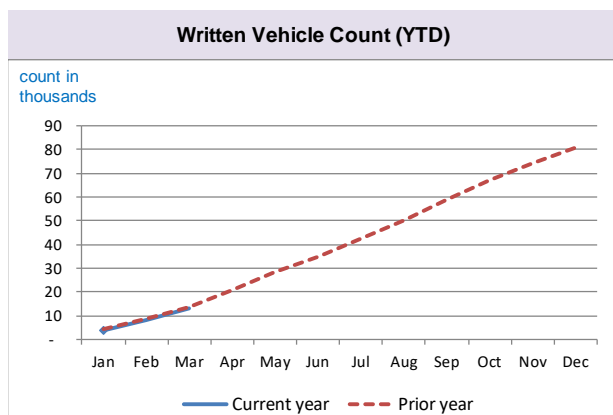
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group),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

March’s vehicle count transfers to the RSP represent a 5.2% increase from March 2019, while counts were down 2.7% year-to-date. Average written premium was up by 8.2% in March 2020 compared with the same month in 2019, and up 10.5% year-to-date (see charts below and at the top of the next page).

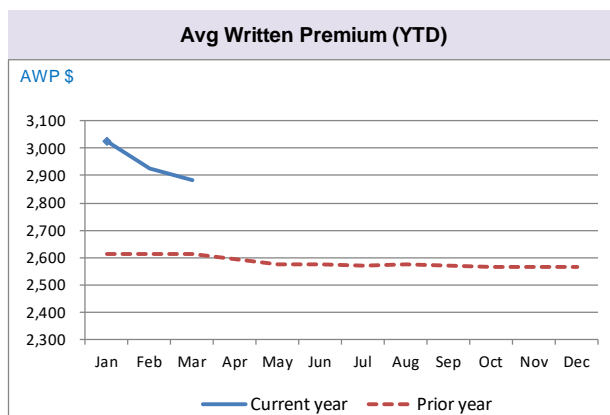


	Mar-20	Mar-19	Amt Chg	% Chg
W. Veh curr mth	5,253	4,995	258	5.2%

	Mar-20	Mar-19	Amt Chg	% Chg
AWP curr mth	2,819	2,605	214	8.2%

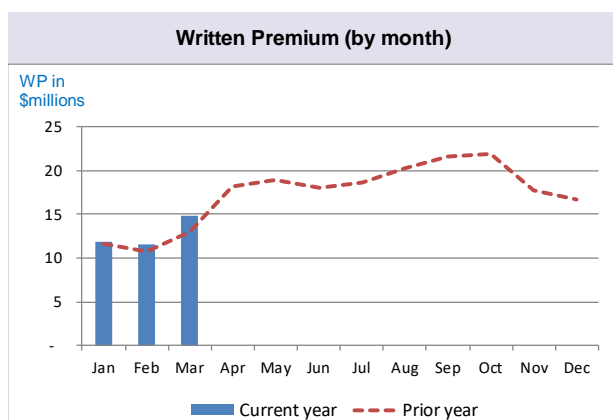


	Mar-20	Mar-19	Amt Chg	% Chg
W. Vehicles YTD	13,214	13,586	(373)	-2.7%

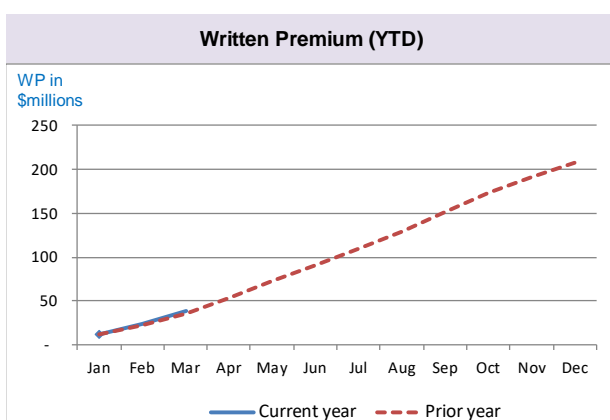


	Mar-20	Mar-19	Amt Chg	% Chg
Avg W. Prem YTD	2,884	2,611	273	10.5%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 13.8% for the month compared with the 46.3% increase we projected last month, and was up 7.4% year-to-date (see charts below).



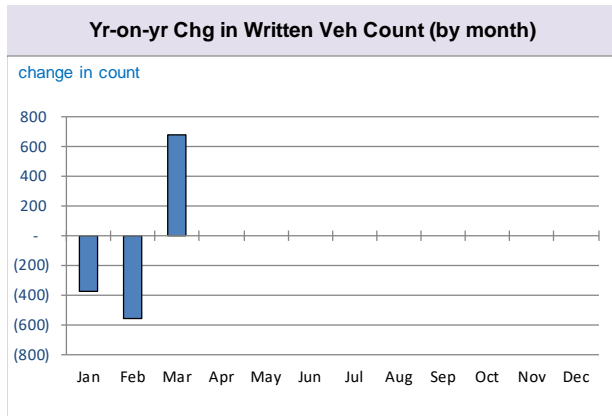
	Mar-20	Mar-19	Amt Chg	% Chg
WP (\$000s) curr mth	14,810	13,009	1,801	13.8%



	Mar-20	Mar-19	Amt Chg	% Chg
WP (\$000s) YTD	38,102	35,479	2,622	7.4%

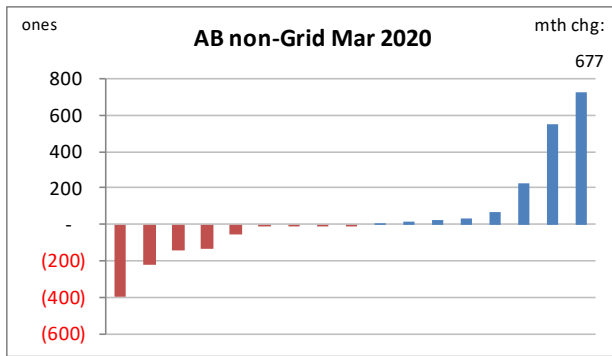
Alberta Non-Grid

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 2020 vehicle count up 14.2% from 2019, being 3.0% of the 2018 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count (as we don't have an industry count yet for 2019, we continue to use the 2018 count as a proxy). 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.



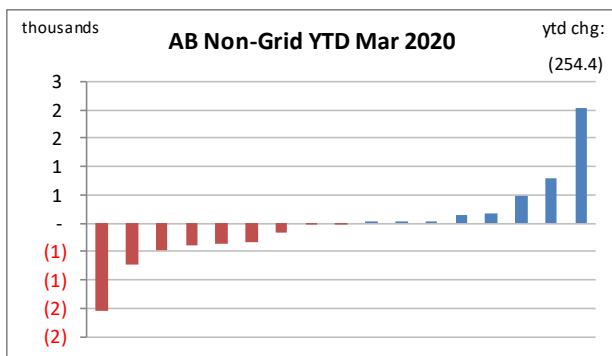
The chart on the left shows the year-on-year change in the vehicles transferred to the Alberta Non-Grid RSP by month, with March showing an increase of 677 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 696 vehicles, indicating a variance of 19 vehicles from the actual transfers. This variance was mainly due to two member company groups transferring a higher number of vehicles than projected to the RSP in March while majority of the company groups

transferring less than projected.



The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue or red 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 eight transferred more. Of the 9 member company groups transferring fewer vehicles, 4 member company

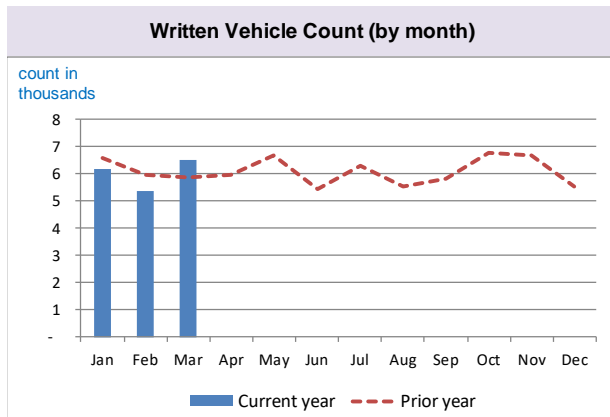
groups accounted for 92% of the total transfer decrease for these “decliner” members. Of the 8 member company groups transferring more vehicles, 2 member company groups accounted for 77% of the total transfers increase for these “grower” members.



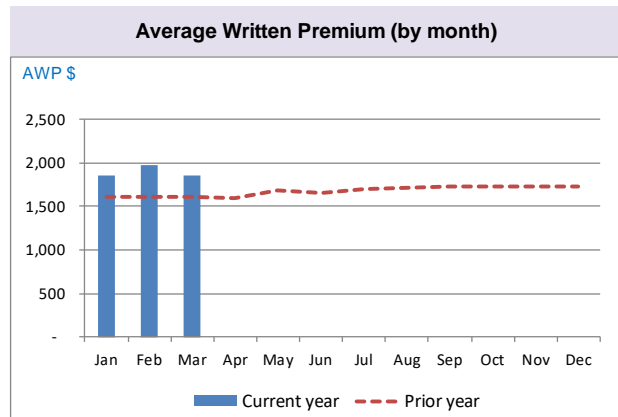
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group),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

March’s vehicle count transfers to the RSP represent an 11.6% increase from March 2019, while counts were down 1.4% year-to-date. Average written premium was up 15.8% in March 2020 compared with the same month in 2019, and up 17.8% year-to-date (see charts at the top of the next page).

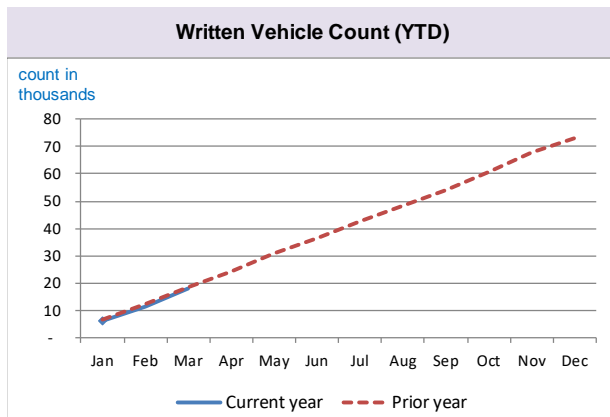
Bulletin F2020-028
Alberta Risk Sharing Pools – March 2020 Operational Reports



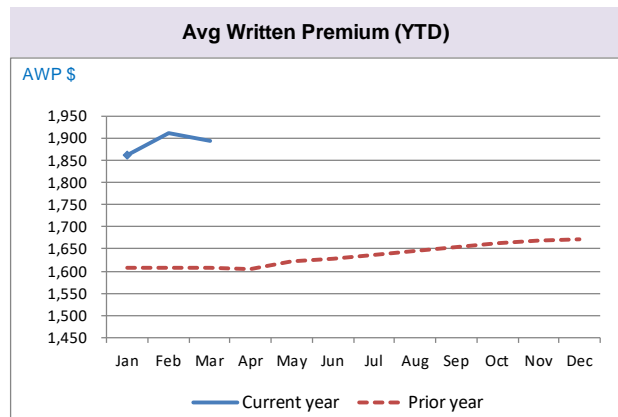
	Mar-20	Mar-19	Amt Chg	% Chg
W. Veh curr mth	6,528	5,851	677	11.6%



	Mar-20	Mar-19	Amt Chg	% Chg
AWP curr mth	1,859	1,606	253	15.8%

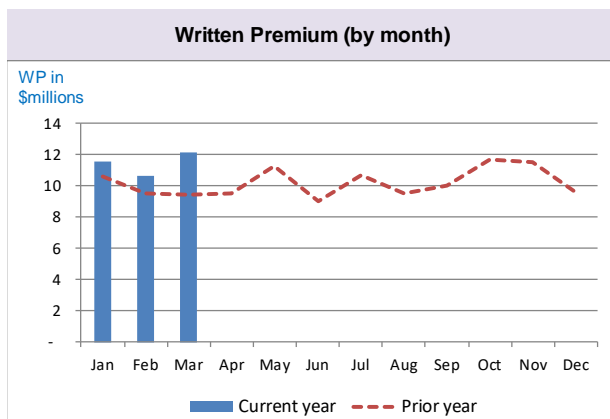


	Mar-20	Mar-19	Amt Chg	% Chg
W. Vehicles YTD	18,117	18,372	(254)	-1.4%

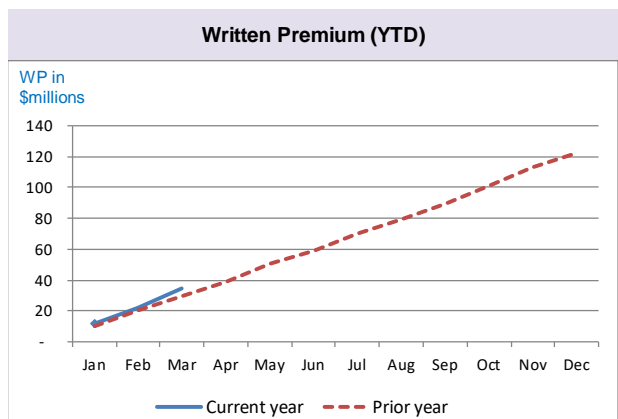


	Mar-20	Mar-19	Amt Chg	% Chg
Avg W. Prem YTD	1,893	1,607	286	17.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 29.2% for the month compared with the 20.1% increase we projected last month, and was up 16.2% year-to-date (see charts below).



	Mar-20	Mar-19	Amt Chg	% Chg
WP (\$000s) curr mth	12,139	9,397	2,743	29.2%



	Mar-20	Mar-19	Amt Chg	% Chg
WP (\$000s) YTD	34,292	29,515	4,777	16.2%

Bulletin F2020-028
Alberta Risk Sharing Pools – March 2020 Operational Reports

Should you require any further information, please call Aidan Chen, AVP Data & Analytics at (416) 863-1750 x4804.

Saskia Matheson
President & CEO

Related Links:

Alberta Grid RSP:

[Alberta Grid RSP March 2020 Operational Report - Actuarial Highlights](#)

Alberta Non-Grid RSP:

[Alberta Non-Grid RSP March 2020 Operational Report - Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2020

Risk Sharing Pool - Alberta (Grid)

EXHIBIT 1

Operating Results for the 3 Months Ended March 31, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$11,789	\$11,503	\$14,810	\$38,102	\$236,829	\$207,231
Decrease (Increase) in Unearned Premiums	5,632	4,829	2,853	13,314	(13,601)	(26,892)
Net Premiums Earned	\$17,421	\$16,332	\$17,663	\$51,416	\$223,228	\$180,339
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$178)	(\$207)	(\$8,498)	(\$8,883)	(\$8,884)	(\$29,152)
Effect of Discounting	(83)	(666)	(2,354)	(\$3,103)	(7,488)	(636)
Discounted	(\$261)	(\$873)	(\$10,852)	(\$11,986)	(\$16,372)	(\$29,788)
Current Accident Year:						
Undiscounted	\$15,776	\$14,836	\$11,715	\$42,327	\$182,182	\$153,840
Effect of Discounting	1,183	963	421	\$2,567	9,473	8,884
Discounted	\$16,959	\$15,799	\$12,136	\$44,894	\$191,655	\$162,724
Claims Incurred	\$16,698	\$14,926	\$1,284	\$32,908	\$175,283	\$132,936
Underwriting Expenses:						
Expense Allowance	\$3,590	\$3,500	\$4,500	\$11,590	\$72,002	\$64,494
Change in UPDR/DPAC:						
Undiscounted	583	514	(7,962)	(6,865)	(10,799)	(2,404)
Effect of Discounting	(357)	(304)	(1,295)	(1,956)	(482)	3,776
Discounted	226	210	(9,257)	(8,821)	(11,281)	1,372
Underwriting Expenses	\$3,816	\$3,710	(\$4,757)	\$2,769	60,721	65,866
Net Underwriting Gain (Loss)	(\$3,093)	(\$2,304)	\$21,136	\$15,739	(\$12,776)	(\$18,463)
Administrative Expenses	\$86	\$124	\$93	\$303	\$1,526	\$1,139
Operating Result	(\$3,179)	(\$2,428)	\$21,043	\$15,436	(\$14,302)	(\$19,602)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-1.5%	-5.3%	-61.4%	-23.3%	-7.3%	-16.5%
Current Accident Year	97.3%	96.7%	68.7%	87.3%	85.9%	90.2%
All Accident Years Combined (Earned)	95.8%	91.4%	7.3%	64.0%	78.6%	73.7%
Underwriting & Administrative Expenses (Earned)	22.4%	23.5%	-26.4%	6.0%	27.9%	37.2%
Combined Operating Ratio	118.2%	114.9%	-19.1%	70.0%	106.5%	110.9%

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 2020

Risk Sharing Pool - Alberta (Non-Grid)

Operating Results for the 3 Months Ended March 31, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 2

	January	February	March	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$11,535	\$10,617	\$12,139	\$34,291	\$152,654	\$122,354
Decrease (Increase) in Unearned Premiums	(918)	(668)	(1,316)	(2,902)	(13,318)	(6,597)
Net Premiums Earned	\$10,617	\$9,949	\$10,823	\$31,389	\$139,336	\$115,757
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$46)	(\$230)	\$2,640	\$2,364	\$2,364	(\$24,105)
Effect of Discounting	(565)	(464)	(781)	(1,810)	(4,140)	(784)
Discounted	(\$611)	(\$694)	\$1,859	\$554	(\$1,776)	(\$24,889)
Current Accident Year:						
Undiscounted	\$11,377	\$10,857	\$9,537	\$31,771	\$139,396	\$120,930
Effect of Discounting	855	626	239	1,720	6,245	5,956
Discounted	\$12,232	\$11,483	\$9,776	\$33,491	\$145,641	\$126,886
Claims Incurred	\$11,621	\$10,789	\$11,635	\$34,045	\$143,865	\$101,997
Underwriting Expenses:						
Expense Allowance	\$3,510	\$3,227	\$3,689	\$10,426	\$46,407	\$38,100
Change in UPDR/DPAC:						
Undiscounted	77	72	(4,633)	(4,484)	(4,537)	218
Effect of Discounting	66	48	(505)	(391)	256	1,595
Discounted	143	120	(5,138)	(4,875)	(4,281)	1,813
Underwriting Expenses	\$3,653	\$3,347	(\$1,449)	\$5,551	\$42,126	\$39,913
Net Underwriting Gain (Loss)	(\$4,657)	(\$4,187)	\$637	(\$8,207)	(\$46,655)	(\$26,153)
Administrative Expenses	\$88	\$127	\$93	\$308	\$1,473	\$1,169
Operating Result	(\$4,745)	(\$4,314)	\$544	(\$8,515)	(\$48,128)	(\$27,322)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-5.8%	-7.0%	17.2%	1.8%	-1.3%	-21.5%
Current Accident Year	115.2%	115.4%	90.3%	106.7%	104.5%	109.6%
All Accident Years Combined	109.4%	108.4%	107.5%	108.5%	103.2%	88.1%
Underwriting & Administrative Expenses (Earned)	35.2%	34.9%	-12.5%	18.7%	31.3%	35.5%
Combined Operating Ratio	144.6%	143.3%	95.0%	127.2%	134.5%	123.6%

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

Rounding difference may apply