

FACILITY ASSOCIATION

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TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER
 NEW BRUNSWICK RISK SHARING POOL PROJECT MANAGER

BULLETIN NO.: F06 – 048

DATE: DECEMBER 19, 2006

SUBJECT: NEW BRUNSWICK RISK SHARING POOL
 - NOVEMBER 2006 OPERATIONAL REPORTS

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

Enclosed please find the November 2006 Operational Reports.

IBNR Included in the November 2006 Operational Reports

For the Risk Sharing Pool (RSP) in New Brunswick, the assumptions underlying the provision for IBNR and Development included in the November 2006 Operational Reports are based on an actuarial analysis at June 30, 2006. As such, the provisions for IBNR and Development for the months of November and December 2006 are consistent with the amounts shown in last month's report, subject to adjustment for the change in reported incurred amounts. Furthermore, the estimates for the month of January have been derived on a similar basis.

| NEW BRUNSWICK RISK SHARING POOL PROVISION FOR IBNR AND DEVELOPMENT | | | | | | |
|---|--|----------------------|-------------------------------|--------------------|--------------------|------------------------|
| Accident Year | Selected Loss Ratios Prior to Discounting | Held at 31/Oct/06 | NOV. 2006 OPERATIONAL REPORTS | | | Target to 31/Dec/07 |
| | | | As at 30/Nov/06 | As at 31/Dec/06 | As at 31/Jan/07 | |
| 2005 | 92.5% | 660 | 526 | 526 | 526 | Not yet Estimated |
| 2006 | 58.0% | 2,305 | 2,162 | 2,376 | 2,376 | |
| 2007 | 58.0% | - | - | - | 210 | |
| Total | | 2,965 | 2,688 | 2,902 | 3,112 | |

(Amounts in \$000's)

Bulletin No. F06-048

New Brunswick Risk Sharing Pool – November 2006 Operational Reports

The selected loss ratios and the related provisions for IBNR and Development exclude all loss adjustment expenses. They were derived on a discounted basis and therefore reflect the time value of money, and include an explicit provision for adverse deviations in accordance with accepted actuarial practice.

Premium Deficiency Reserve (DPAC)

The premium deficiency reserve is an amount which, when added to the unearned premium, is expected to make proper provision for the future costs expected to arise on the unexpired portion of in-force policies. In this context, future costs include losses and administrative expenses, where the losses are based on the selected loss ratios underlying the provisions for IBNR and Development.

| NEW BRUNSWICK RISK SHARING POOL PREMIUM DEFICIENCY RESERVE (DPAC) | | | | |
|--|---|---|----------------------------|----------------------------|
| | Expected Future Cost Ratios (% of UPR) | NOVEMBER 2006 OPERATIONAL REPORT | | |
| | | As at 30/Nov/06 | As at 31/Dec/06 | As at 31/Jan/07 |
| N.B. RSP | 65.1% | -2,022 | -1,954 | -1,961 |

(Amounts in \$000's)

For the New Brunswick RSP, the premium deficiency reserve amounts are negative, and therefore represent assets for deferred policy acquisition costs (“DPAC”). These amounts represent the portion of pool-related acquisition expenses, such as premium tax and commissions, which may be deferred by member companies.

Company-specific adjustments may be made to the premium deficiency reserve (DPAC) amounts reported in Facility Association’s Operational Reports, depending on a company’s aggregate deferrable expenses and expected future costs.

Discounting

For member reporting purposes, the provisions for IBNR and Development shown in the November 2006 Operational Reports reflect the time value of money based on a discount rate of 3.70% per annum, and include explicit provisions for adverse deviations, in accordance with the standards of practice of the Canadian Institute of Actuaries. The premium deficiency reserve (DPAC) was also estimated based on a discount rate of 3.70% per annum.

Additional information about the assumptions used for discounting purposes will be distributed to members under separate cover.

Measurement Uncertainty

The establishment of provisions for the unpaid and unreported claims is based on both known facts and the interpretation of current and anticipated circumstances. It is a complex and dynamic process influenced by a large variety of factors. These factors include the experience of the New Brunswick Risk Sharing Pool and the experience of the voluntary market in New Brunswick, involving claim payment patterns, loss payments, pending levels of unpaid claims, claims severity and claim frequency patterns. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

The estimate of the New Brunswick Pool's provision for unpaid and unreported claims and other policy liabilities involves a particularly high degree of measurement uncertainty because the Pool has only recently been introduced and its reporting relationships with members are in a formative stage. Further, underwriting results are impacted by legislation promulgated in recent years. To date, there is limited claims experience available to indicate how legislative changes are impacting and will impact the Pool's results of operations. It is impracticable to evaluate the extent of such measurement uncertainty.

Should you require any further information, please call Norm Seeney, Vice President, Finance & Chief Financial Officer, Facility Association at (416) 644-4914.

David J. Simpson, M.B.A., FCIP
President & CEO

Attach.

Note: A copy of this bulletin has been attached to the November 2006 New Brunswick Risk Sharing Pool Operational Report.