

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F16 – 007**

**DATE: JANUARY 28, 2016**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– DECEMBER 2015 OPERATIONAL REPORT**

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

Please be advised that the December 2015 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

### Summary of Financial Results

The calendar year-to-date Net Result from Operations is -\$4.4 million and the incurred loss ratio to the end of 12 months is 99.2%, as summarized in the table below.

	<b>December 2015</b>	December 2014	<b>Year to date December 2015</b>	Year to Date December 2014
Written Premiums	\$623	\$596	\$11,164	\$9,501
Earned Premiums	\$941	\$822	\$10,237	\$9,561
Incurred Losses	\$773	\$624	\$10,146	\$9,101
Underwriting Expenses and Others	\$256	\$263	\$4,506	\$3,929
<b>Net Result from Operations</b>	<b>(\$88)</b>	<b>(\$65)</b>	<b>(\$4,415)</b>	<b>(\$3,469)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(5.8%)</b>	<b>(7.3%)</b>	9.0%	10.7%
- Current Accident Year	88.0%	83.2%	90.2%	84.5%
	82.2%	75.9%	99.2%	95.2%
<b>Underwriting &amp; Admin Exp.%</b>	27.2%	32.0%	44.0%	41.1%
<b>Combined Operating Ratio</b>	<b>109.4%</b>	<b>107.9%</b>	<b>143.2%</b>	<b>136.3%</b>

*(Amounts in \$000's)*

*Rounding differences may occur.*

These results are discussed in some detail in the “Current Month Results” section on the next page. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2015” attached to this bulletin.

**Bulletin F16-007****New Brunswick Risk Sharing Pool – December 2015 Operational Report**Updated Projection to Year-end 2016

An Outlook had been prepared to provide members with an estimate of New Brunswick RSP operating results for calendar year 2016 based on the actuarial valuation at June 30, 2015, and reflecting actual experience to date as detailed in the August 2015 Operational Report. This Outlook was posted on September 30, 2015 (please refer to Bulletin [F15-072](#)), and projected a Net Result from Operations for 2016 of -\$2.4 million, and a combined operating ratio of 122.4%.

The projected calendar year Net Result from Operations to December 2016 is now -\$2.8 million (a \$0.4 million deterioration relative to the Outlook) and the estimated combined operating ratio to December 2015 is 124.2% (a 1.8 point deterioration relative to the Outlook).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$88 thousand Net Result from Operations in the month of December 2015, a \$23 thousand deterioration from the same month last year.

This month's results moved the year-to-date combined operating ratio from 146.6% at the end of 11 months to 143.2% at the end of 12 months. The 3.4 percentage point decrease is composed of a 1.5 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 0.2 percentage point decrease the Current Accident Year loss ratio and a 1.7 percentage point decrease in the expense ratio.

Variances from Projections

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

<b>December 2015</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference%</b>
Written Premiums	\$623	\$637	(\$14)	(2.2%)
Earned Premiums	\$941	\$953	(\$12)	(1.3%)
Reported Losses				
Paid Losses	\$865	\$591	\$274	46.4%
Loss Expenses Paid	\$32	\$22	\$10	45.5%
Increase (decrease) in Outstanding Losses	(\$581)	\$95	(\$676)	(711.6%)
<b>Total Reported Losses</b>	<b>\$316</b>	<b>\$708</b>	<b>(\$392)</b>	<b>(55.4%)</b>
Increase (decrease) in IBNR *	\$457	\$107	\$350	
Increase (decrease) in Premium Deficiency *	(\$2)	\$6	(\$8)	

(Amounts in \$000's)

*Rounding difference may occur*

\* Detailed information is included in [New Brunswick RSP December 2015 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 above set thresholds and responds as appropriate. For this month the variances were within the threshold levels associated with monthly reporting volatility.

For the month of December 2015, reported losses were \$0.4 million lower than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, and 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.

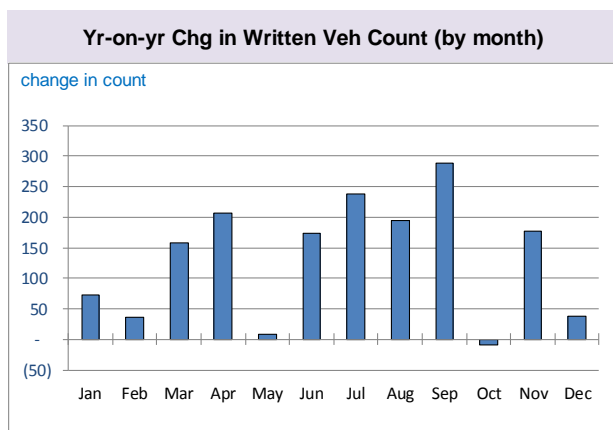
Booking IBNR

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management’s investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [New Brunswick RSP December 2015 Operational Report – Actuarial Highlights](#).

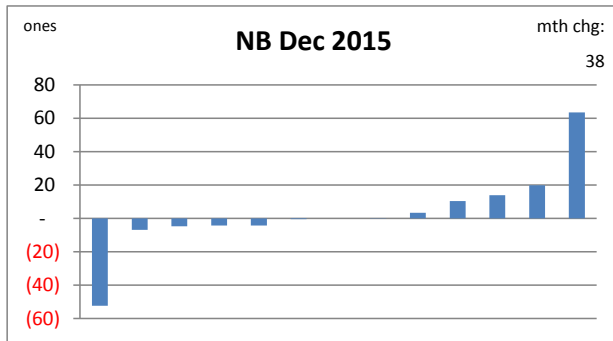
**Effect of Quarterly Valuation**

The December 2015 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected in the March 2016 Operational Report.

**Management Comments**

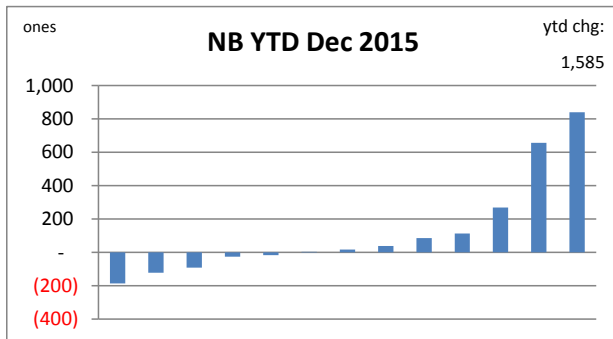


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November showing an increase of 38 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 53 vehicles, indicating a variance of 15 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in December than projected.



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

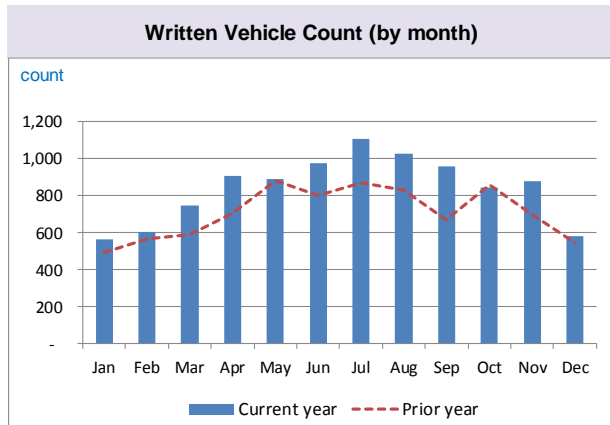
fewer vehicles, 3 member company groups accounted for 88% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 57% of the total transfer increase for the “grower” members.



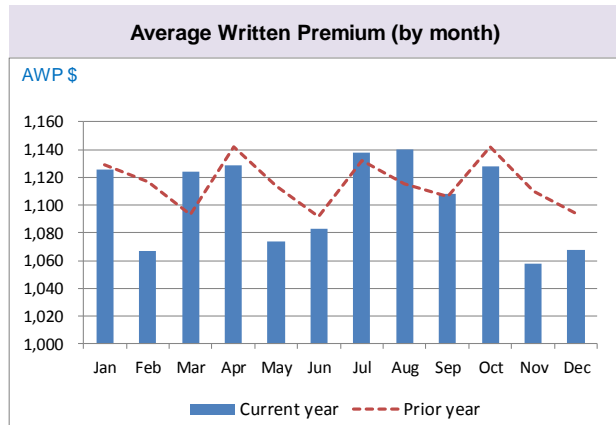
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. 2015 ended with fewer members decreasing their transfers (5) than those increasing (8). Further, while no

members decreased their transfers by more than 200 vehicles, 3 members increased their transfers by more than 200 vehicles (by comparison, we project that the FARM will write approximately 7,600 private passenger vehicles in New Brunswick in total during 2015, a increase of approximately 400 vehicles, or 6%). Of the 13 members using the NB RSP during 2015, 5 transferred more than 1,000 vehicles (and on average transferring approximately 1,600).

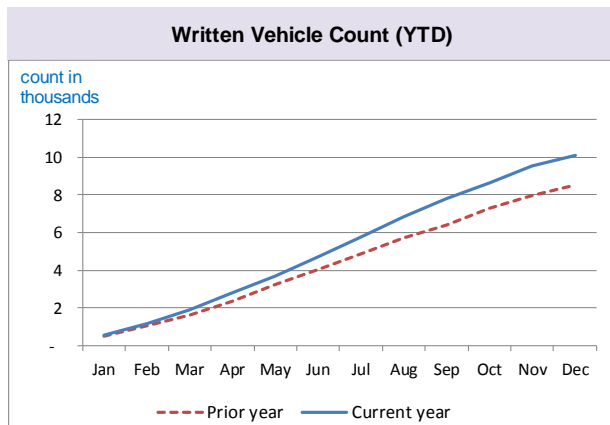
December’s vehicle count transfers to the pool represent a 7.1% increase from December 2014, and counts were up 18.6% year-to-date. Average written premium was down 2.4% in December 2015, and down 0.9% year-to-date (see charts at the top of the next page).



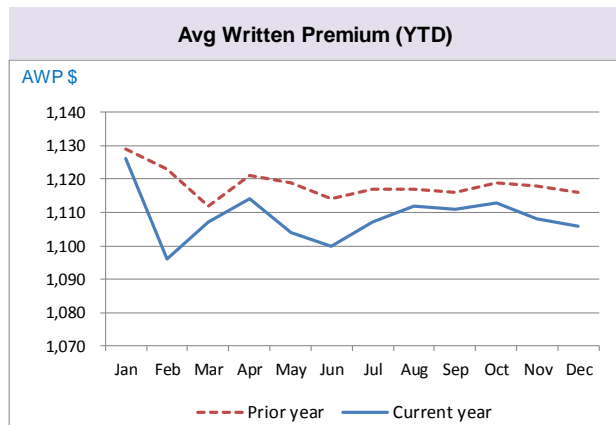
	Dec-15	Dec-14	Amt Chg	% Chg
W. Veh curr mth	583	545	38	7.1%



	Dec-15	Dec-14	Amt Chg	% Chg
AWP curr mth	1,068	1,094	(26)	-2.4%



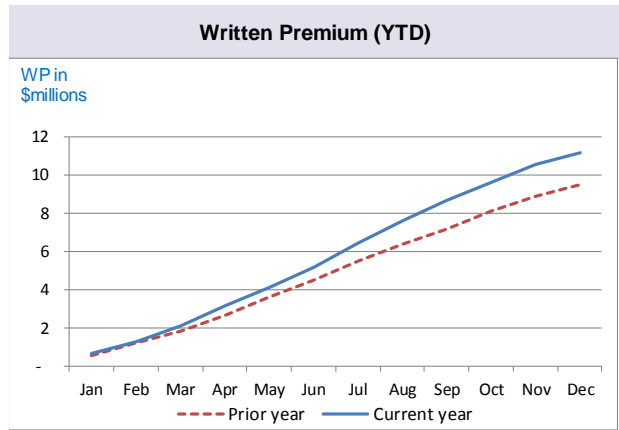
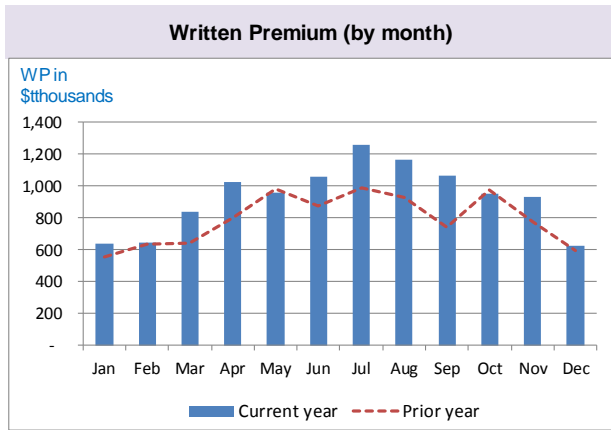
	Dec-15	Dec-14	Amt Chg	% Chg
W. Vehicles YTD	10,096	8,512	1,585	18.6%



	Dec-15	Dec-14	Amt Chg	% Chg
Avg W. Prem YTD	1,106	1,116	(10)	-0.9%

Total transfers for the full year at 10,096 were 1,406 (16.2%) higher than the 8,690 transfers projected for the 2015 Outlook (see Bulletin [F14-068](#)), reflecting individual member variations in transfers relative to the projections provided and used in the Outlook projection process. The total transfers for the year can be compared with the approximate 7,600 non-fleet private passenger vehicles we project will be written in the FARM for New Brunswick in 2015.

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 4.5% for the month compared with the 6.9% increase we projected last month, and was up 17.5% year-to-date (see charts at the top of the next page).



	Dec-15	Dec-14	Amt Chg	% Chg
WP (\$000s) curr mth	623	596	27	4.5%

	Dec-15	Dec-14	Amt Chg	% Chg
WP (\$000s) YTD	11,163	9,503	1,660	17.5%

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

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

**Related links:**

[New Brunswick RSP December 2015 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2015**

Risk Sharing Pool - New Brunswick

Operating Results for 12 Months ended December 31, 2015 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	December	CY2015 YTD	CY2016 12 MONTHS Updated Projection	CY2014 12 MONTHS Actual
<b>Underwriting Revenue:</b>															
Net Premiums Written	\$637	\$644	\$839	\$1,028	\$956	\$1,057	\$1,262	\$1,169	\$1,063	\$956	\$930	\$623	\$11,164	\$11,847	\$9,501
Decrease (Increase) in Unearned Premiums	181	98	(8)	(215)	(107)	(219)	(390)	(291)	(199)	(60)	(35)	318	(927)	(172)	60
<b>Net Premiums Earned</b>	<b>\$818</b>	<b>\$742</b>	<b>\$831</b>	<b>\$813</b>	<b>\$849</b>	<b>\$838</b>	<b>\$872</b>	<b>\$878</b>	<b>\$864</b>	<b>\$896</b>	<b>\$895</b>	<b>\$941</b>	<b>\$10,237</b>	<b>\$11,675</b>	<b>\$9,561</b>
<b>Claims Incurred:</b>															
Prior Accident Years:															
Undiscounted	(\$11)	(\$11)	\$12	(\$6)	(\$769)	(\$3)	(\$1)	\$1,388	(\$4)	\$285	(\$5)	(\$1)	\$874	\$0	\$1,149
Effect of Discounting	(6)	(31)	116	(22)	39	(8)	(14)	17	(37)	77	(34)	(54)	43	(382)	(123)
Discounted	(\$17)	(\$42)	\$128	(\$28)	(\$730)	(\$11)	(\$15)	\$1,405	(\$41)	\$362	(\$39)	(\$55)	\$917	(\$382)	\$1,026
Current Accident Year:															
Undiscounted	\$646	\$587	\$592	\$617	\$851	\$675	\$702	\$894	\$723	\$800	\$752	\$785	\$8,624	\$9,411	\$7,629
Effect of Discounting	51	29	33	23	93	57	58	34	42	83	59	43	605	651	446
Discounted	\$697	\$616	\$625	\$640	\$944	\$732	\$760	\$928	\$765	\$883	\$811	\$828	\$9,229	\$10,062	\$8,075
<b>Claims Incurred</b>	<b>\$680</b>	<b>\$574</b>	<b>\$753</b>	<b>\$612</b>	<b>\$214</b>	<b>\$721</b>	<b>\$745</b>	<b>\$2,333</b>	<b>\$724</b>	<b>\$1,245</b>	<b>\$772</b>	<b>\$773</b>	<b>\$10,146</b>	<b>\$9,680</b>	<b>\$9,101</b>
<b>Underwriting Expenses:</b>															
Expense Allowance	\$223	\$225	\$292	\$358	\$333	\$368	\$439	\$407	\$370	\$333	\$324	\$217	\$3,889	\$4,172	\$3,076
Change in UPDR/DPAC:															
Undiscounted	36	15	(111)	(54)	165	(69)	(112)	164	(49)	(2)	(29)	25	(21)	(28)	330
Effect of Discounting	(13)	(5)	15	16	61	14	28	(6)	15	32	(1)	(27)	129	13	29
Discounted	23	10	(96)	(38)	226	(55)	(84)	158	(34)	30	(30)	(2)	108	(15)	\$359
<b>Underwriting Expenses</b>	<b>\$246</b>	<b>\$235</b>	<b>\$196</b>	<b>\$320</b>	<b>\$559</b>	<b>\$313</b>	<b>\$355</b>	<b>\$565</b>	<b>\$336</b>	<b>\$363</b>	<b>\$294</b>	<b>\$215</b>	<b>\$3,997</b>	<b>\$4,157</b>	<b>\$3,435</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$108)</b>	<b>(\$67)</b>	<b>(\$118)</b>	<b>(\$119)</b>	<b>\$76</b>	<b>(\$196)</b>	<b>(\$228)</b>	<b>(\$2,020)</b>	<b>(\$196)</b>	<b>(\$712)</b>	<b>(\$171)</b>	<b>(\$47)</b>	<b>(\$3,906)</b>	<b>(\$2,162)</b>	<b>(\$2,975)</b>
<b>Administrative Expenses</b>	<b>\$35</b>	<b>\$28</b>	<b>\$38</b>	<b>\$53</b>	<b>\$43</b>	<b>\$53</b>	<b>\$45</b>	<b>\$46</b>	<b>\$38</b>	<b>\$51</b>	<b>\$38</b>	<b>\$41</b>	<b>\$509</b>	<b>\$663</b>	<b>\$494</b>
<b>Net Result from Operations</b>	<b>(\$143)</b>	<b>(\$95)</b>	<b>(\$156)</b>	<b>(\$172)</b>	<b>\$33</b>	<b>(\$249)</b>	<b>(\$273)</b>	<b>(\$2,066)</b>	<b>(\$234)</b>	<b>(\$763)</b>	<b>(\$209)</b>	<b>(\$88)</b>	<b>(\$4,415)</b>	<b>(\$2,825)</b>	<b>(\$3,469)</b>
<b>Ratios:</b>															
<b>Claims &amp; Expenses Incurred (Earned)</b>															
Prior Accident Years	-2.1%	-5.7%	15.4%	-3.4%	-86.0%	-1.3%	-1.7%	160.0%	-4.7%	40.4%	-4.4%	-5.8%	9.0%	-3.3%	10.7%
Current Accident Year	85.2%	83.0%	75.2%	78.7%	111.2%	87.4%	87.2%	105.7%	88.5%	98.5%	90.6%	88.0%	90.2%	86.2%	84.5%
All Accident Years Combined	83.1%	77.3%	90.6%	75.3%	25.2%	86.1%	85.5%	265.7%	83.8%	138.9%	86.2%	82.2%	99.2%	82.9%	95.2%
Underwriting & Administrative Expenses (Earned)	34.4%	35.4%	28.2%	45.9%	70.9%	43.7%	45.9%	69.6%	43.3%	46.2%	37.1%	27.2%	44.0%	41.3%	41.1%
<b>Combined Operating Ratio</b>	<b>117.5%</b>	<b>112.7%</b>	<b>118.8%</b>	<b>121.2%</b>	<b>96.1%</b>	<b>129.8%</b>	<b>131.4%</b>	<b>335.3%</b>	<b>127.1%</b>	<b>185.1%</b>	<b>123.3%</b>	<b>109.4%</b>	<b>143.2%</b>	<b>124.2%</b>	<b>136.3%</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