



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 026

DATE: APRIL 28, 2016

SUBJECT: NEW BRUNSWICK RISK SHARING POOL
– MARCH 2016 OPERATIONAL REPORT

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

Please be advised that the March 2016 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

New This Month

Valuation

A valuation of the New Brunswick Risk Sharing Pool (“RSP”) as at December 31, 2015 has been completed since last month’s Operational Report and the results of that valuation have been incorporated into this month’s Operational Report. The valuation was completed by the Facility Association’s internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

The implementation of the new valuation resulted in an estimated overall **\$2.6 million favourable** impact on the month’s net result from operations, subtracting an estimated 96.7 points to the year-to-date Combined Operating Ratio (ending at 19.4%). The impact is summarized in the tables at the top of the next page¹.

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

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NB	unfav / (fav) for the month and ytd						ytd EP 2,665 (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	(2,154)	(217)	(2,371)	28	-	(2,343)	(80.8%)	(8.1%)	(89.0%)	1.1%	-	(87.9%)
CAY	(82)	(6)	(88)	3	-	(85)	(3.1%)	(0.2%)	(3.3%)	0.1%	-	(3.2%)
Prem Def	(137)	(19)	(156)	6	-	(150)	(5.1%)	(0.7%)	(5.9%)	0.2%	-	(5.6%)
TOTAL	(2,373)	(242)	(2,615)	37	-	(2,578)	(89.0%)	(9.1%)	(98.1%)	1.4%	-	(96.7%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$2.6 million favourable impact – see column [3] in the left table above), and the impact of a 6 basis point decrease in the selected discount rate (from 0.73% to 0.67%, generating a \$37 thousand unfavourable impact – see column [4] in the left table above). Finally, there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points) and no changes to the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence zeros in all rows of column [5] in the left table above).

Please see “Effect of Quarterly Valuation” further in this bulletin for additional details on the impacts of the updated valuation.

Summary of Financial Results

The calendar year-to-date Net Result from Operations is \$2.2 million and the incurred loss ratio to the end of 3 months is -5.5%, as summarized in the table below.

Amounts in \$000s	March 2016	March 2015	Year to date Mar 2016	Year to Date Mar 2015
Written Premiums	605	839	1,784	2,120
Earned Premiums	889	831	2,665	2,391
Incurred Losses	(1,671)	753	(148)	2,007
Underwriting Expenses and Others	128	234	663	778
Net Result from Operations	2,432	(156)	2,150	(394)
Ratios:				
Loss ratio % - Prior Accident Year	(266.8%)	15.4%	(91.3%)	2.9%
- Current Accident Years	78.9%	75.2%	85.8%	81.1%
Total	(187.9%)	90.6%	(5.5%)	84.0%
Underwriting & Admin Exp.%	14.4%	28.2%	24.9%	32.5%
Combined Operating Ratio	(173.5%)	118.8%	19.4%	116.5%

Rounding differences may apply.

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 2016” attached to this bulletin.

Updated Projection to Year-end 2016

The projected calendar year Net Result from Operations to December 2016 is \$0.1 million and the estimated combined operating ratio to December 2016 is 98.8%. This updated projection to the end of the year has improved by \$3.0 million from the projection provided last month (-\$2.9 million and 125.1%), mainly due to the impact of the December 31, 2015 valuation, as summarized in the table below (see more information under “Effect of Quarterly Valuation”). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

NB	unfav / (fav) projected for full year						year EP 11,022 (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	(2,154)	(197)	(2,351)	27	-	(2,324)	(19.5%)	(1.8%)	(21.3%)	0.2%	-	(21.1%)
CAY	(332)	(43)	(375)	11	-	(364)	(3.0%)	(0.4%)	(3.4%)	0.1%	-	(3.3%)
Prem Def	(191)	(28)	(219)	11	-	(208)	(1.7%)	(0.3%)	(2.0%)	0.1%	-	(1.9%)
TOTAL	(2,677)	(268)	(2,945)	49	-	(2,896)	(24.3%)	(2.4%)	(26.7%)	0.4%	-	(26.3%)

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$2.4 million Net Result from Operations in the month of March 2016, a \$2.6 million improvement compared with the same month last year. This improvement stems from the overall decrease in the combined ratio (from 118.8% to -173.5% applied to \$0.9 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month’s results moved the year-to-date combined operating ratio from 115.8% at the end of 2 months to 19.4% at the end of 3 months. The 96.4 percentage point decrease is composed of an 87.8 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 3.4 percentage point decrease in the Current Accident Year loss ratio, and a 5.2 percentage point decrease in the expense ratio.

Variances from Projections

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

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March 2016	Actual	Projection	Difference	Difference %
Written Premiums	605	841	(236)	(28.1%)
Earned Premiums	889	933	(44)	(4.7%)
Reported Losses				
Paid Losses	377	487	(110)	(22.6%)
Loss Expenses Paid	18	17	1	5.9%
Change in Outstanding Losses	71	(5)	76	>999.9%
Total Reported Losses	466	499	(33)	(6.6%)
Change in IBNR *	(2,137)	281	(2,418)	
Change in Premium Deficiency (DPAC) *	(124)	11	(135)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP March 2016 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.

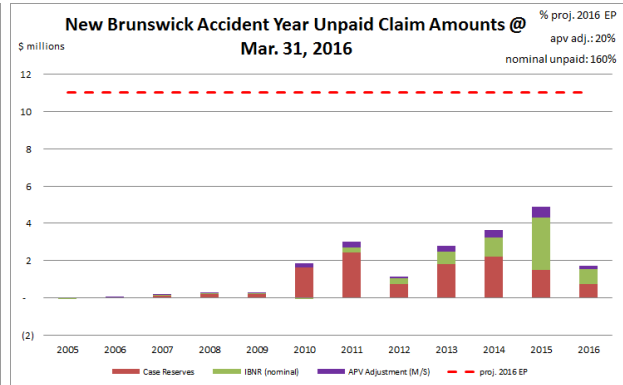
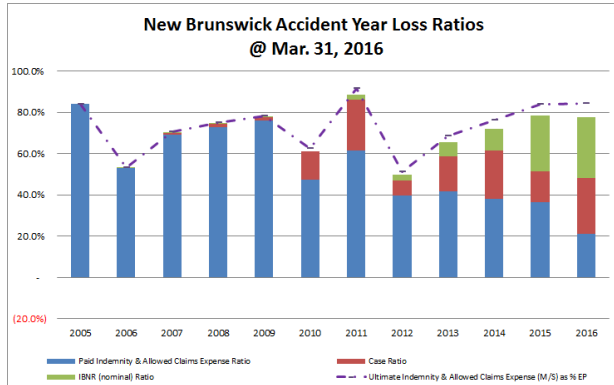
For the month of March 2016, reported losses were \$33 thousand lower than projected. The Current Accident Year had an approximately \$38 thousand unfavourable variance in reported losses, while the Prior Accident Years had a \$71 thousand favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The March 2016 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2015 with the associated impacts in relation to the results for March 2016 summarized in the table immediately below.

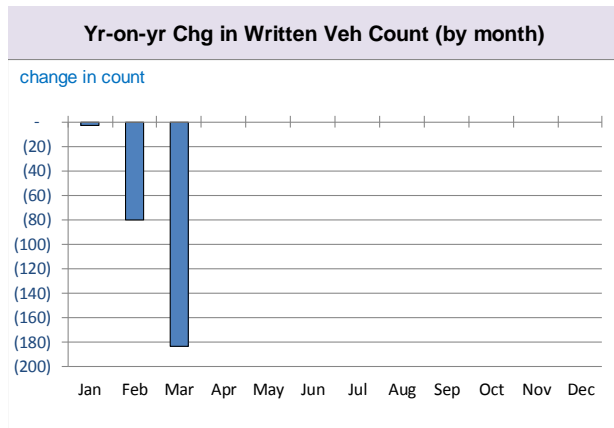
NB	unfav / (fav) for the month and ytd						mth EP 889 (actual)						
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:						
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins		
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL		Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]		[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(2,154)	(217)	(2,371)	28	-	(2,343)		(242.3%)	(24.4%)	(266.7%)	3.1%	-	(263.6%)
CAY	(82)	(6)	(88)	3	-	(85)		(9.2%)	(0.7%)	(9.9%)	0.3%	-	(9.6%)
Prem Def	(137)	(19)	(156)	6	-	(150)		(15.4%)	(2.1%)	(17.5%)	0.7%	-	(16.9%)
TOTAL	(2,373)	(242)	(2,615)	37	-	(2,578)		(266.9%)	(27.2%)	(294.2%)	4.2%	-	(290.0%)

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.

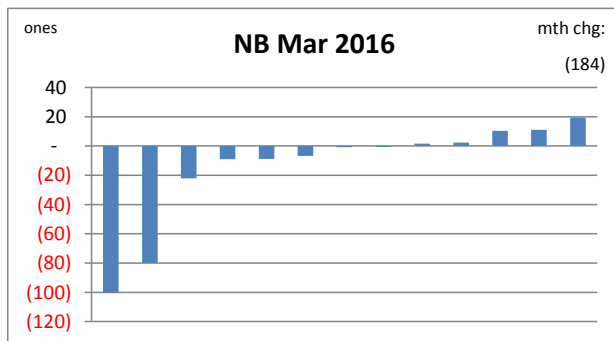


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP March 2016 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015](#). The actuarial valuation will be updated next as at March 31, 2016 and we anticipate the results will be reflected in the May 2016 Operational Report.

Management Comments

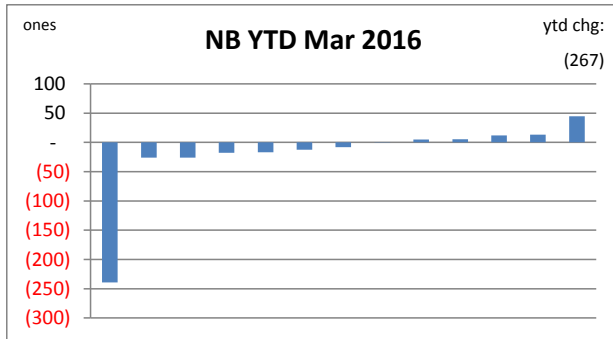


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with March showing a decrease of 184 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 1 vehicle, indicating a variance of 183 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in March than projected.



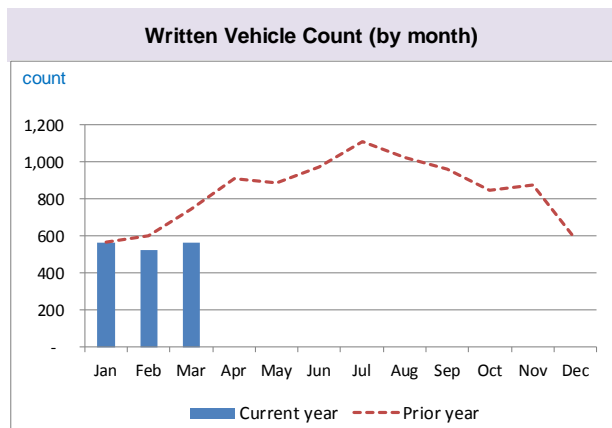
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 5 transferred more. Of the 8 member company groups transferring fewer vehicles, 2 member

company groups accounted for 79% of the total transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 43% of the total transfer increase for the “grower” members.

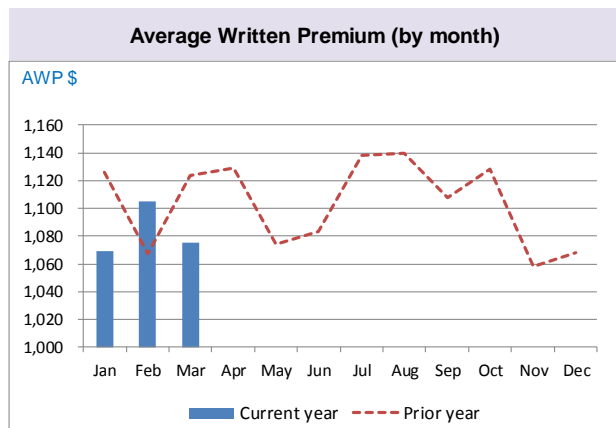


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

March’s vehicle count transfers to the pool represent a 24.6% decrease from March 2015, and counts were down 13.9% year-to-date. Average written premium was down 4.4% in March 2016, and down 2.3% year-to-date (see charts immediately below and at the top of the next page).

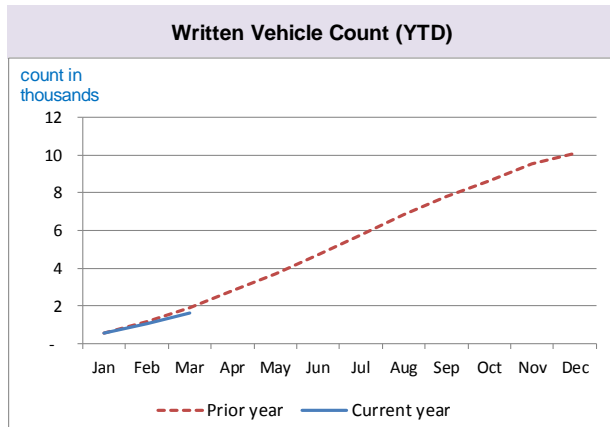


	Mar-16	Mar-15	Amt Chg	% Chg
W. Veh curr mth	563	747	(184)	-24.6%

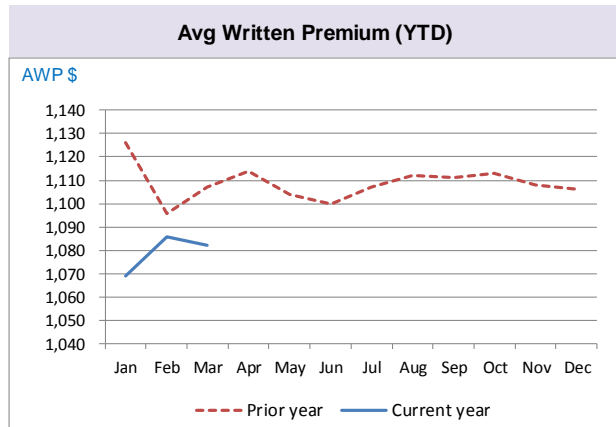


	Mar-16	Mar-15	Amt Chg	% Chg
AWP curr mth	1,075	1,124	(49)	-4.4%

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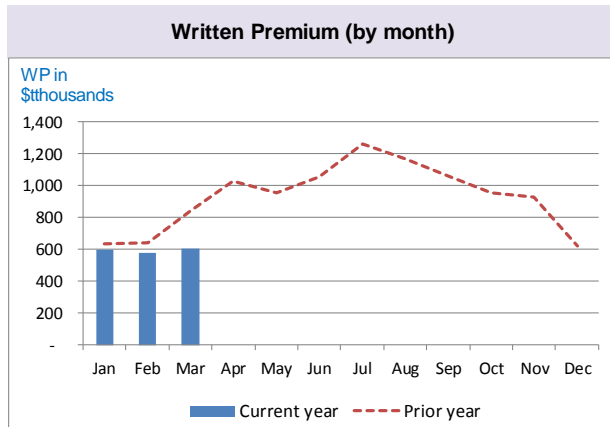


	Mar-16	Mar-15	Amt Chg	% Chg
W. Vehicles YTD	1,649	1,916	(267)	-13.9%

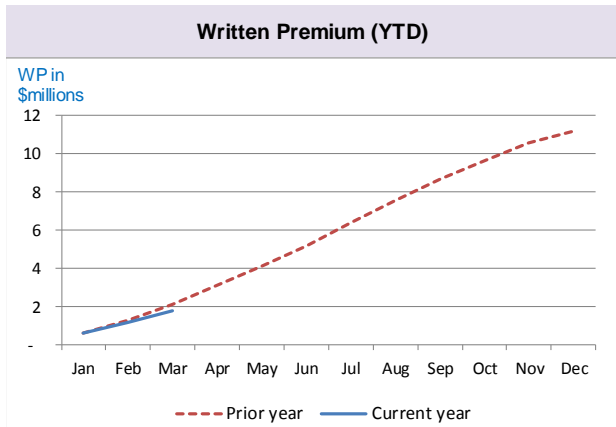


	Mar-16	Mar-15	Amt Chg	% Chg
Avg W. Prem YTD	1,082	1,107	(25)	-2.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 27.9% for the month compared with the 0.2% increase we projected last month, and was down 15.8% year-to-date (see charts immediately below).



	Mar-16	Mar-15	Amt Chg	% Chg
WP (\$000s) curr mth	605	839	(234)	-27.9%



	Mar-16	Mar-15	Amt Chg	% Chg
WP (\$000s) YTD	1,785	2,120	(335)	-15.8%

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 March 2016 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015](#)

[Actuarial Quarterly Valuation Highlights – New Brunswick RSP Exhibit A](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - New Brunswick

Operating Results for the 3 Months ended March 31, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$601	\$578	\$605	\$1,784	\$11,014	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	881	8	(927)
Net Premiums Earned	\$913	\$863	\$889	\$2,665	\$11,022	\$10,237
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$2,191)	(\$2,191)	\$874
Effect of Discounting	(2)	(33)	(208)	(243)	(482)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$2,434)	(\$2,673)	\$917
Current Accident Year:						
Undiscounted	\$757	\$700	\$646	\$2,103	\$8,590	\$8,624
Effect of Discounting	82	46	55	183	586	605
Discounted	\$839	\$746	\$701	\$2,286	\$9,176	\$9,229
Claims Incurred	\$814	\$709	(\$1,671)	(\$148)	\$6,503	\$10,146
Underwriting Expenses:						
Expense Allowance	\$212	\$204	\$213	\$629	\$3,878	\$3,889
Change in UPDR/DPAC:						
Undiscounted	60	40	(89)	11	(114)	(21)
Effect of Discounting	(23)	(23)	(35)	(81)	(9)	129
Discounted	37	17	(124)	(70)	(123)	\$108
Underwriting Expenses	\$249	\$221	\$89	\$559	\$3,755	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$67)	\$2,471	\$2,254	\$764	(\$3,906)
Administrative Expenses	\$29	\$36	\$39	\$104	\$637	\$509
Net Result from Operations	(\$179)	(\$103)	\$2,432	\$2,150	\$127	(\$4,415)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-2.7%	-4.3%	-266.8%	-91.3%	-24.3%	9.0%
Current Accident Year	91.9%	86.4%	78.9%	85.8%	83.3%	90.2%
All Accident Years Combined	89.2%	82.1%	-187.9%	-5.5%	59.0%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	14.4%	24.9%	39.8%	44.0%
Combined Operating Ratio	119.6%	111.9%	-173.5%	19.4%	98.8%	143.2%

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