



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F16 – 091**

**DATE: NOVEMBER 29, 2016**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– OCTOBER 2016 OPERATIONAL REPORT**

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

Please be advised that the October 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 September 30, 2016 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 **\$0.5 million unfavourable** impact on the month’s net result from operations, adding an estimated 5.4 points to the year-to-date Combined Operating Ratio (ending at 81.2%). The impact is summarized in the tables at the top of the next page<sup>1</sup>.

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<sup>1</sup> 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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### New Brunswick Risk Sharing Pool – October 2016 Operational Report

NB	unfav / (fav) for the month and ytd						ytd EP 8,343 (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	509	42	551	26	-	577	6.1%	0.5%	6.6%	0.3%	-	6.9%
CAY	(110)	(11)	(121)	5	-	(116)	(1.3%)	(0.1%)	(1.5%)	0.1%	-	(1.4%)
Prem Def	(20)	1	(19)	10	-	(9)	(0.2%)	-	(0.2%)	0.1%	-	(0.1%)
<b>TOTAL</b>	<b>379</b>	<b>32</b>	<b>411</b>	<b>41</b>	<b>-</b>	<b>452</b>	<b>4.5%</b>	<b>0.4%</b>	<b>4.9%</b>	<b>0.5%</b>	<b>-</b>	<b>5.4%</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.4 million unfavourable impact – see column [3] in the left table above), and the impact of a 5 basis point decrease in the selected discount rate (from 0.57% to 0.52%, generating a \$41 thousand unfavourable impact – see column [4] in the left table above). 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 with this valuation (therefore generating no impact – see 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 Operating Result is \$1.6 million and the incurred loss ratio to the end of 10 months is 44.8%, as summarized in the table below.

Amounts in \$000s	October 2016	October 2015	Year to date Oct 2016	Year to Date Oct 2015
Premiums Written	935	956	8,410	9,611
Premiums Earned	821	896	8,343	8,401
Claims Incurred	1,109	1,245	3,739	8,601
General Expenses	354	414	3,041	3,918
<b>Operating Result</b>	<b>(642)</b>	<b>(763)</b>	<b>1,563</b>	<b>(4,118)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	67.1%	40.4%	(35.6%)	12.0%
<b>- Current Accident Year</b>	68.0%	98.5%	80.4%	90.3%
<b>Total</b>	<b>135.1%</b>	<b>138.9%</b>	<b>44.8%</b>	<b>102.3%</b>
<b>General Expenses %</b>	<b>43.1%</b>	<b>46.2%</b>	<b>36.4%</b>	<b>46.6%</b>
<b>Combined Operating Ratio</b>	<b>178.2%</b>	<b>185.1%</b>	<b>81.2%</b>	<b>148.9%</b>

*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 Operating Result to December 2016 is \$1.3 million and the estimated combined operating ratio to December 2016 is 87.5%. This updated projection to the end of the year has deteriorated by \$0.6 million from the projection provided last month (\$1.8 million and 81.8%), mainly due to the overall unfavourable impact of the valuation as at September 30, 2016, 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 10,045 (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	509	40	549	21	-	570	5.1%	0.4%	5.5%	0.2%	-	5.7%
CAY	(133)	(15)	(148)	5	-	(143)	(1.3%)	(0.1%)	(1.5%)	-	-	(1.4%)
Prem Def	(1)	5	4	8	-	12	-	-	-	0.1%	-	0.1%
<b>TOTAL</b>	<b>375</b>	<b>30</b>	<b>405</b>	<b>34</b>	<b>-</b>	<b>439</b>	<b>3.7%</b>	<b>0.3%</b>	<b>4.0%</b>	<b>0.3%</b>	<b>-</b>	<b>4.4%</b>

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.6 million Operating Result in the month of October 2016, a \$0.1 million improvement compared with the same month last year. This improvement is composed of an estimated \$64 thousand favourable impact associated with the \$75 thousand decrease in earned premium (at a combined ratio of 185.1%), with the remaining \$57 thousand improvement stemming from the overall decrease in the combined ratio (from 185.1% to 178.2% applied to \$0.8 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 70.7% at the end of 9 months to 81.2% at the end of 10 months. The 10.5 percentage point increase is composed of an 11.2 percentage point increase in the Prior Accident Years loss ratio, coupled with a 0.7 percentage point increase in the expense ratio, offset by a 1.4 percentage point decrease in the Current Accident Year loss 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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**New Brunswick Risk Sharing Pool – October 2016 Operational Report**

<b>October 2016</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Premiums Written	935	764	171	22.4%
Premiums Earned	821	841	(20)	(2.4%)
<b>Reported Losses</b>				
Paid Losses	354	513	(159)	(31.0%)
Paid Expenses	34	10	24	240.0%
Change in Outstanding Losses	390	(87)	477	548.3%
<b>Total Reported Losses</b>	<b>778</b>	<b>436</b>	<b>342</b>	<b>78.4%</b>
Change in IBNR Provision *	331	211	120	
Change in Premium Deficiency (DPAC) *	(16)	29	(45)	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [New Brunswick RSP October 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 beyond set thresholds and responds as appropriate.

For the month of October 2016, reported losses were \$0.3 million higher than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

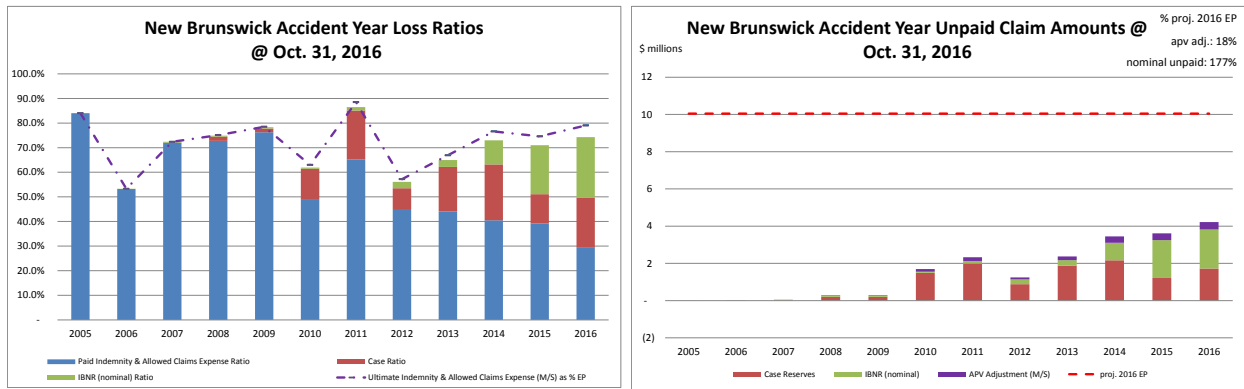
The variances for paid claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

**Effect of Quarterly Valuation**

The October 2016 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2016 with the associated impacts in relation to the results for October 2016 summarized in the table immediately below.

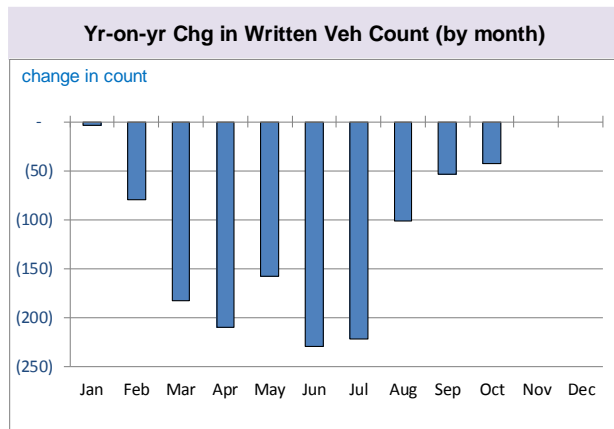
NB	unfav / (fav) for the month and ytd						mth EP 821 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns		dsct rate		margins		ults & payout patterns		dsct rate		margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	509	42	551	26	-	577	62.0%	5.1%	67.1%	3.2%	-	70.3%
CAY	(110)	(11)	(121)	5	-	(116)	(13.4%)	(1.3%)	(14.7%)	0.6%	-	(14.1%)
Prem Def	(20)	1	(19)	10	-	(9)	(2.4%)	0.1%	(2.3%)	1.2%	-	(1.1%)
<b>TOTAL</b>	<b>379</b>	<b>32</b>	<b>411</b>	<b>41</b>	<b>-</b>	<b>452</b>	<b>46.2%</b>	<b>3.9%</b>	<b>50.1%</b>	<b>5.0%</b>	<b>-</b>	<b>55.1%</b>

The charts immediately 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.

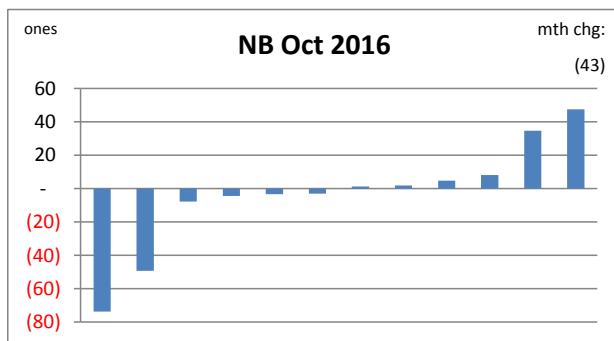


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP October 2016 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at September 30, 2016](#). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate the results will be reflected in the March 2017 Operational Report.

**Management Comments**

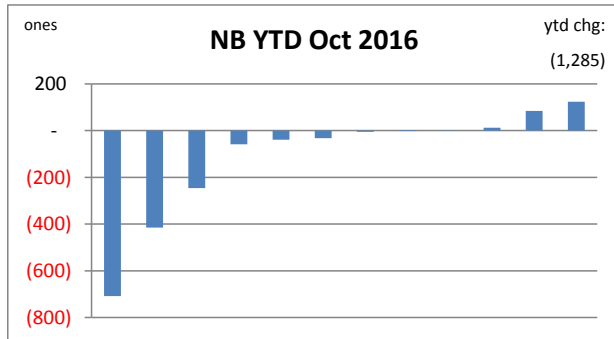


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with October showing a decrease of 43 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 179 vehicles, indicating a variance of 136 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in October than projected.



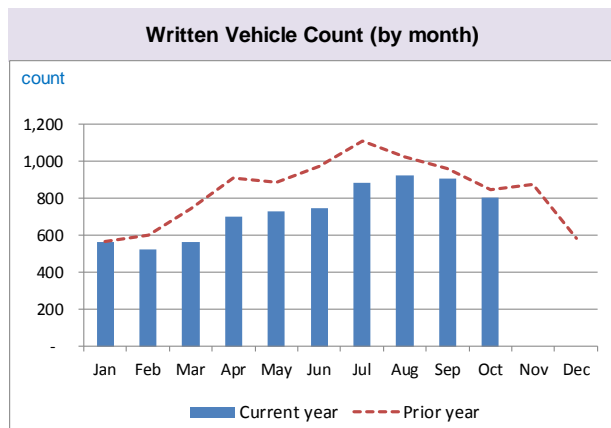
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 6 transferred more. Of the 6 member company groups transferring fewer vehicles, 1 member company group accounted for 52% of the total transfer decrease for the “decliner” members. Of

the 6 member company groups transferring more vehicles, 2 member company groups accounted for 84% of the total transfer increase for the “grower” members.

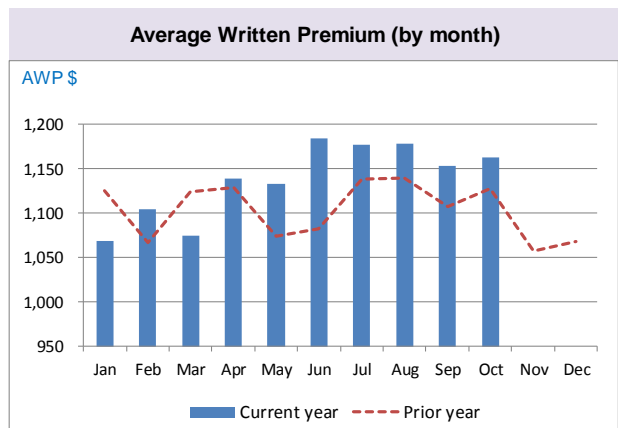


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

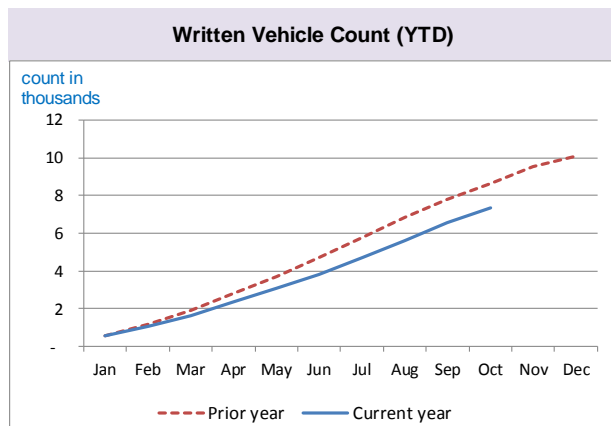
October’s vehicle count transfers to the pool represent a 5.1% decrease from October 2015, and counts were down 14.9% year-to-date. Average written premium was up 3.1% in October 2016, and up 2.9% year-to-date (see charts immediately below).



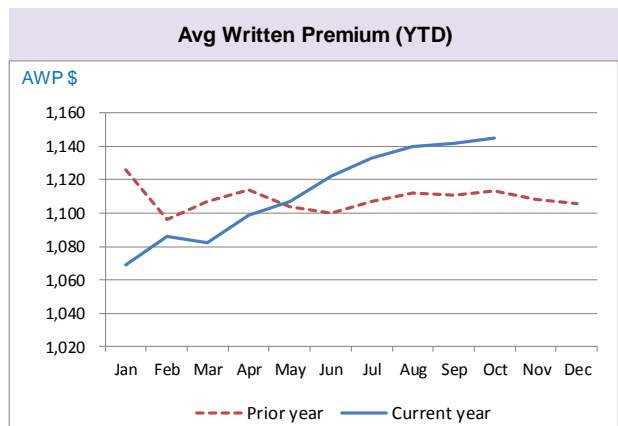
	Oct-16	Oct-15	Amt Chg	% Chg
W. Veh curr mth	804	847	(43)	-5.1%



	Oct-16	Oct-15	Amt Chg	% Chg
AWP curr mth	1,163	1,128	35	3.1%



	Oct-16	Oct-15	Amt Chg	% Chg
W. Vehicles YTD	7,349	8,634	(1,285)	-14.9%

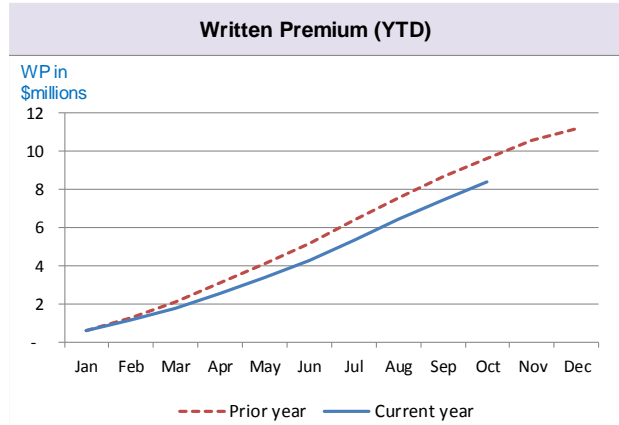
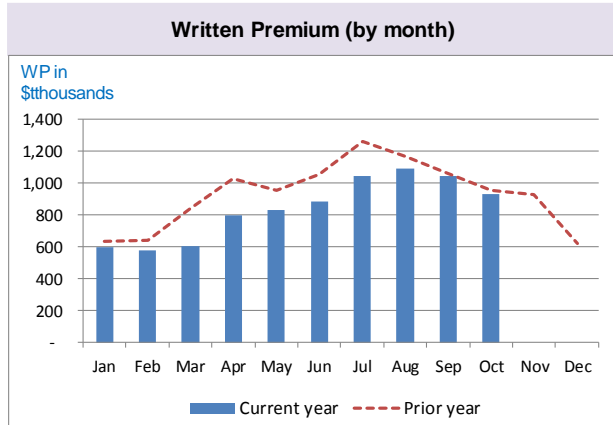


	Oct-16	Oct-15	Amt Chg	% Chg
Avg W. Prem YTD	1,145	1,113	32	2.9%

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As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 2.2% for the month compared with the 20.1% decrease we projected last month, and was down 12.5% year-to-date (see charts immediately below).



	Oct-16	Oct-15	Amt Chg	% Chg
WP (\$000s) curr mth	935	956	(21)	-2.2%

	Oct-16	Oct-15	Amt Chg	% Chg
WP (\$000s) YTD	8,411	9,611	(1,199)	-12.5%

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 October 2016 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at September 30, 2016](#)

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2016**

Risk Sharing Pool - New Brunswick  
 Operating Results for the 10 Months Ended October 31, 2016 (Discounted basis)  
 Source: Monthly Operational Report  
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
<b>Underwriting Revenue:</b>													
Net Premiums Written	\$601	\$578	\$605	\$798	\$830	\$884	\$1,043	\$1,090	\$1,046	\$935	\$8,410	\$10,082	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	37	1	(96)	(220)	(296)	(260)	(114)	(67)	(37)	(927)
<b>Net Premiums Earned</b>	<b>\$913</b>	<b>\$863</b>	<b>\$889</b>	<b>\$835</b>	<b>\$831</b>	<b>\$788</b>	<b>\$823</b>	<b>\$794</b>	<b>\$786</b>	<b>\$821</b>	<b>\$8,343</b>	<b>\$10,045</b>	<b>\$10,237</b>
<b>Claims Incurred:</b>													
Prior Accident Years:													
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$8)	(\$287)	(\$6)	(\$6)	(\$149)	(\$17)	\$497	(\$2,167)	(\$2,166)	\$874
Effect of Discounting	(2)	(33)	(208)	(16)	(83)	(2)	(56)	(400)	(56)	54	(802)	(878)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$24)	(\$370)	(\$8)	(\$62)	(\$549)	(\$73)	\$551	(\$2,969)	(\$3,044)	\$917
Current Accident Year:													
Undiscounted	\$757	\$700	\$646	\$657	\$684	\$625	\$649	\$453	\$611	\$525	\$6,307	\$7,572	\$8,624
Effect of Discounting	82	46	55	43	57	50	48	(48)	35	33	401	464	605
Discounted	\$839	\$746	\$701	\$700	\$741	\$675	\$697	\$405	\$646	\$558	\$6,708	\$8,036	\$9,229
<b>Claims Incurred</b>	<b>\$814</b>	<b>\$709</b>	<b>(\$1,671)</b>	<b>\$676</b>	<b>\$371</b>	<b>\$667</b>	<b>\$635</b>	<b>(\$144)</b>	<b>\$573</b>	<b>\$1,109</b>	<b>\$3,739</b>	<b>\$4,992</b>	<b>\$10,146</b>
<b>Underwriting Expenses:</b>													
Expense Allowance	\$212	\$204	\$213	\$281	\$292	\$311	\$367	\$384	\$369	\$329	\$2,962	\$3,551	\$3,889
Change in UPDR/DPAC:													
Undiscounted	60	40	(89)	9	25	(19)	(42)	(159)	(49)	(34)	(258)	(199)	(21)
Effect of Discounting	(23)	(23)	(35)	(4)	9	5	18	(30)	20	18	(45)	(43)	129
Discounted	37	17	(124)	5	34	(14)	(24)	(189)	(29)	(16)	(303)	(242)	\$108
<b>Underwriting Expenses</b>	<b>\$249</b>	<b>\$221</b>	<b>\$89</b>	<b>\$286</b>	<b>\$326</b>	<b>\$297</b>	<b>\$343</b>	<b>\$195</b>	<b>\$340</b>	<b>\$313</b>	<b>\$2,659</b>	<b>\$3,309</b>	<b>\$3,997</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$150)</b>	<b>(\$67)</b>	<b>\$2,471</b>	<b>(\$127)</b>	<b>\$134</b>	<b>(\$176)</b>	<b>(\$155)</b>	<b>\$743</b>	<b>(\$127)</b>	<b>(\$601)</b>	<b>\$1,945</b>	<b>\$1,744</b>	<b>(\$3,906)</b>
<b>Administrative Expenses</b>	<b>\$29</b>	<b>\$36</b>	<b>\$39</b>	<b>\$34</b>	<b>\$43</b>	<b>\$38</b>	<b>\$45</b>	<b>\$42</b>	<b>\$35</b>	<b>\$41</b>	<b>\$382</b>	<b>\$485</b>	<b>\$509</b>
<b>Operating Result</b>	<b>(\$179)</b>	<b>(\$103)</b>	<b>\$2,432</b>	<b>(\$161)</b>	<b>\$91</b>	<b>(\$214)</b>	<b>(\$200)</b>	<b>\$701</b>	<b>(\$162)</b>	<b>(\$642)</b>	<b>\$1,563</b>	<b>\$1,259</b>	<b>(\$4,415)</b>
<b>Ratios:</b>													
<b>Claims &amp; Expenses Incurred (Earned)</b>													
Prior Accident Years	-2.7%	-4.3%	-266.8%	-2.9%	-44.5%	-1.0%	-7.5%	-69.1%	-9.3%	67.1%	-35.6%	-30.3%	9.0%
Current Accident Year	91.9%	86.4%	78.9%	83.8%	89.2%	85.7%	84.7%	51.0%	82.2%	68.0%	80.4%	80.0%	90.2%
All Accident Years Combined	89.2%	82.1%	-187.9%	80.9%	44.7%	84.7%	77.2%	-18.1%	72.9%	135.1%	44.8%	49.7%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	14.4%	38.3%	44.4%	42.5%	47.1%	29.8%	47.7%	43.1%	36.4%	37.8%	44.0%
<b>Combined Operating Ratio</b>	<b>119.6%</b>	<b>111.9%</b>	<b>-173.5%</b>	<b>119.2%</b>	<b>89.1%</b>	<b>127.2%</b>	<b>124.3%</b>	<b>11.7%</b>	<b>120.6%</b>	<b>178.2%</b>	<b>81.2%</b>	<b>87.5%</b>	<b>143.2%</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