

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 006

DATE: JANUARY 30, 2017

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

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

Please be advised that the December 2016 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 Operating Result is \$1.3 million and the incurred loss ratio to the end of 12 months is 50.0%, as summarized in the table below.

Amounts in \$000s	December 2016	December 2015	Year to date Dec 2016	Year to Date Dec 2015
Premiums Written	622	623	9,742	11,164
Premiums Earned	854	941	9,977	10,237
Claims Incurred	656	773	4,986	10,146
General Expenses	327	256	3,687	4,506
Operating Result	(129)	(88)	1,304	(4,415)
Ratios:				
Loss ratio % - Prior Accident Years	(0.9%)	(5.8%)	(30.1%)	9.0%
- Current Accident Year	77.8%	88.0%	80.1%	90.2%
<i>Total</i>	76.9%	82.2%	50.0%	99.2%
General Expenses %	38.3%	27.2%	37.0%	44.0%
Combined Operating Ratio	115.2%	109.4%	87.0%	143.2%

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 2017

An Outlook had been prepared to provide members with an estimate of New Brunswick RSP operating results for calendar year 2017 based on the actuarial valuation at June 30, 2016, and reflecting actual experience to date as detailed in the August 2016 Operational Report. This Outlook was posted on September 28, 2016 (please refer to Bulletin [F16-075](#)), and projected a Net Result from Operations for 2017 of -\$1.6 million, and a combined operating ratio of 115.8%.

The projected calendar year Operating Result to December 2017 is now -\$2.6 million (a \$1.0 million deterioration relative to the Outlook) and the estimated combined operating ratio to December 2017 is 120.4% (a 4.6 point deterioration relative to the Outlook). The deterioration is composed of an estimated \$0.4 million unfavourable impact associated with the \$2.5 million increase in projected earned premium (at a combined ratio of 115.8%), with the remaining \$0.6 million deterioration stemming from the overall increase in the combined ratio (from 115.8% to 120.4% applied to \$12.9 million in projected earned premium).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of December 2016, a \$41 thousand deterioration compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 109.4% to 115.2% applied to \$0.9 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 84.3% at the end of 11 months to 87.0% at the end of 12 months. The 2.7 percentage point increase is composed of a 2.7 percentage point increase in the Prior Accident Years loss ratio, and a 0.2 percentage point increase in the expense ratio, offset by a 0.2 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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December 2016	Actual	Projection	Difference	Difference %
Premiums Written	622	741	(119)	(16.1%)
Premiums Earned	854	859	(5)	(0.6%)
Reported Losses				
Paid Losses	419	729	(310)	(42.5%)
Paid Expenses	7	22	(15)	(68.2%)
Change in Outstanding Losses	61	(206)	267	129.6%
Total Reported Losses	487	545	(58)	(10.6%)
Change in IBNR Provision *	169	79	90	
Change in Premium Deficiency (DPAC) *	54	53	1	

*(Amounts in \$000's)**Rounding differences may occur.** Detailed information is included in [New Brunswick RSP December 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 December 2016, reported losses were \$58 thousand lower than projected. The Current Accident Year had a \$25 thousand favourable variance in reported losses, and the Prior Accident Years had an approximately \$33 thousand favourable 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.

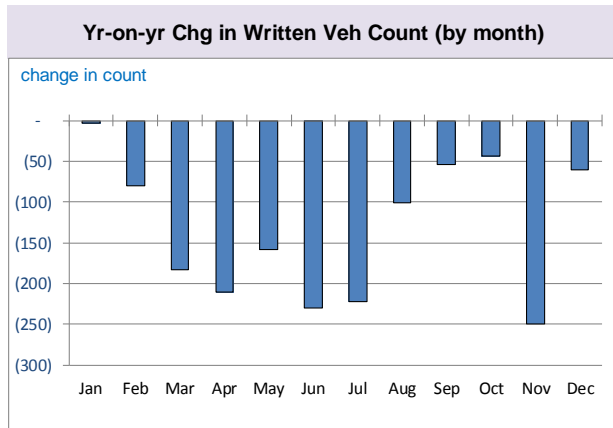
Booking IBNR

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 2016 Operational Report – Actuarial Highlights](#).

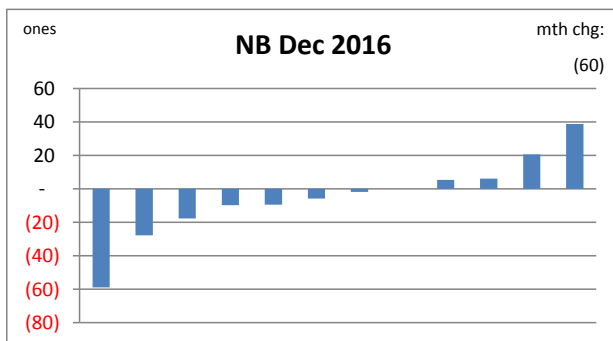
Effect of Quarterly Valuation

The December 2016 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, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected in the March 2017 Operational Report.

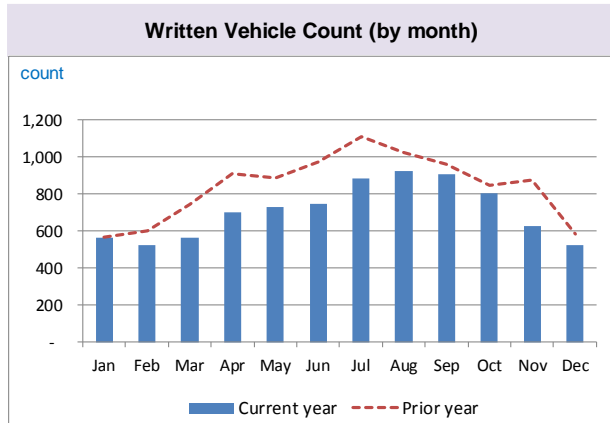
Management Comments



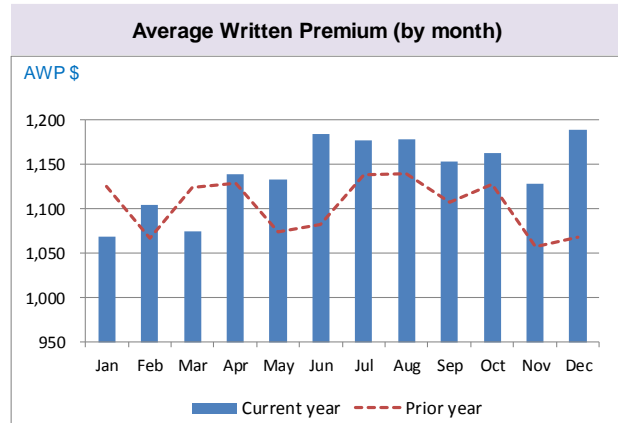
The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with December showing a decrease of 60 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 80 vehicles, indicating a variance of 140 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.



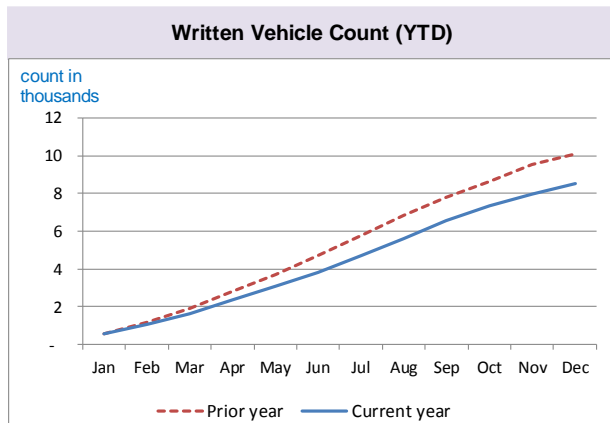
December’s vehicle count transfers to the pool represent a 10.3% decrease from December 2015, and counts were down 15.8% year-to-date. Average written premium was up 11.3% in December 2016, and up 3.6% year-to-date (see charts immediately below).



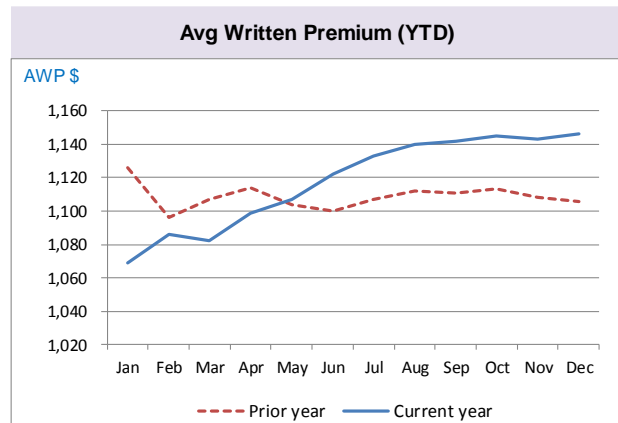
	Dec-16	Dec-15	Amt Chg	% Chg
W. Veh curr mth	523	583	(60)	-10.3%



	Dec-16	Dec-15	Amt Chg	% Chg
AWP curr mth	1,189	1,068	121	11.3%

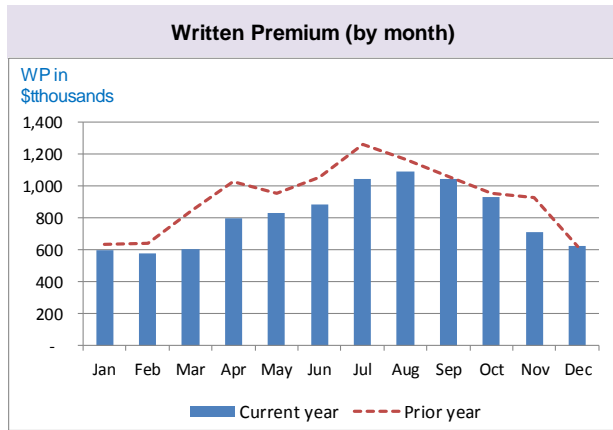


	Dec-16	Dec-15	Amt Chg	% Chg
W. Vehicles YTD	8,502	10,096	(1,595)	-15.8%

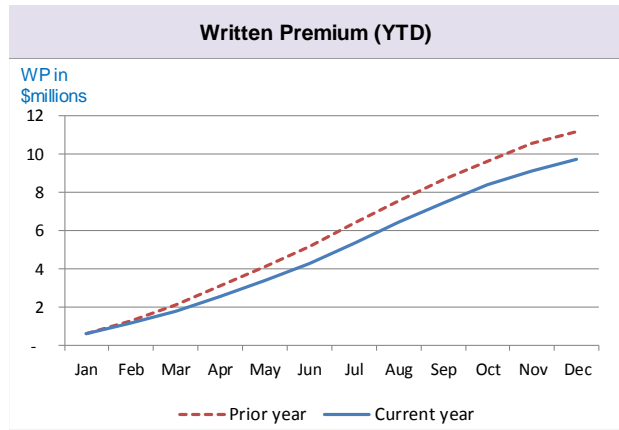


	Dec-16	Dec-15	Amt Chg	% Chg
Avg W. Prem YTD	1,146	1,106	40	3.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium remained the same for the month compared with the 19.0% increase we projected last month, but was down 12.7% year-to-date (see charts at the top of the next page).



	Dec-16	Dec-15	Amt Chg	% Chg
WP (\$000s) curr mth	622	623	(0)	0.0%



	Dec-16	Dec-15	Amt Chg	% Chg
WP (\$000s) YTD	9,743	11,163	(1,420)	-12.7%

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 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - New Brunswick

Operating Results for the 12 Months Ended December 31, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	December	CY2016 YTD	CY2017 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:															
Net Premiums Written	\$601	\$578	\$605	\$798	\$830	\$884	\$1,043	\$1,090	\$1,046	\$935	\$710	\$622	\$9,742	\$14,951	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	37	1	(96)	(220)	(296)	(260)	(114)	70	232	235	(2,055)	(927)
Net Premiums Earned	\$913	\$863	\$889	\$835	\$831	\$788	\$823	\$794	\$786	\$821	\$780	\$854	\$9,977	\$12,896	\$10,237
Claims Incurred:															
Prior Accident Years:															
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$8)	(\$287)	(\$6)	(\$6)	(\$149)	(\$17)	\$497	(\$15)	(\$1)	(\$2,183)	\$0	\$874
Effect of Discounting	(2)	(33)	(208)	(16)	(83)	(2)	(56)	(400)	(56)	54	(10)	(7)	(819)	(416)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$24)	(\$370)	(\$8)	(\$62)	(\$549)	(\$73)	\$551	(\$25)	(\$8)	(\$3,002)	(\$416)	\$917
Current Accident Year:															
Undiscounted	\$757	\$700	\$646	\$657	\$684	\$625	\$649	\$453	\$611	\$525	\$596	\$636	\$7,539	\$9,943	\$8,624
Effect of Discounting	82	46	55	43	57	50	48	(48)	35	33	20	28	449	579	605
Discounted	\$839	\$746	\$701	\$700	\$741	\$675	\$697	\$405	\$646	\$558	\$616	\$664	\$7,988	\$10,522	\$9,229
Claims Incurred	\$814	\$709	(\$1,671)	\$676	\$371	\$667	\$635	(\$144)	\$573	\$1,109	\$591	\$656	\$4,986	\$10,106	\$10,146
Underwriting Expenses:															
Expense Allowance	\$212	\$204	\$213	\$281	\$292	\$311	\$367	\$384	\$369	\$329	\$250	\$219	\$3,431	\$4,768	\$3,889
Change in UPDR/DPAC:															
Undiscounted	60	40	(89)	9	25	(19)	(42)	(159)	(49)	(34)	33	68	(157)	(273)	(21)
Effect of Discounting	(23)	(23)	(35)	(4)	9	5	18	(30)	20	18	(3)	(14)	(62)	157	129
Discounted	37	17	(124)	5	34	(14)	(24)	(189)	(29)	(16)	30	54	(219)	(116)	\$108
Underwriting Expenses	\$249	\$221	\$89	\$286	\$326	\$297	\$343	\$195	\$340	\$313	\$280	\$273	\$3,212	\$4,652	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$67)	\$2,471	(\$127)	\$134	(\$176)	(\$155)	\$743	(\$127)	(\$601)	(\$91)	(\$75)	\$1,779	(\$1,862)	(\$3,906)
Administrative Expenses	\$29	\$36	\$39	\$34	\$43	\$38	\$45	\$42	\$35	\$41	\$39	\$54	\$475	\$764	\$509
Operating Result	(\$179)	(\$103)	\$2,432	(\$161)	\$91	(\$214)	(\$200)	\$701	(\$162)	(\$642)	(\$130)	(\$129)	\$1,304	(\$2,626)	(\$4,415)
Ratios:															
Claims & Expenses Incurred (Earned)															
Prior Accident Years	-2.7%	-4.3%	-266.8%	-2.9%	-44.5%	-1.0%	-7.5%	-69.1%	-9.3%	67.1%	-3.2%	-0.9%	-30.1%	-3.2%	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%	79.0%	77.8%	80.1%	81.6%	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%	75.8%	76.9%	50.0%	78.4%	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%	40.9%	38.3%	37.0%	42.0%	44.0%
Combined Operating Ratio	119.6%	111.9%	-173.5%	119.2%	89.1%	127.2%	124.3%	11.7%	120.6%	178.2%	116.7%	115.2%	87.0%	120.4%	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