



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F17 – 028**

**DATE: APRIL 28, 2017**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– MARCH 2017 OPERATIONAL REPORT**

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

Please be advised that the March 2017 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, 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 **\$1.1 million favourable** impact on the month’s net result from operations, subtracting an estimated 46.3 points to the year-to-date Combined Operating Ratio (ending at 66.6%). 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”.

**Bulletin F17-028**
**New Brunswick Risk Sharing Pool – March 2017 Operational Report**

NB	unfav / (fav) for the month and ytd					ytd EP 2,419 (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	(526)	(46)	(572)	(239)	-	(811)	(21.7%)	(1.9%)	(23.6%)	(9.9%)	-	(33.5%)
CAY	(72)	(7)	(79)	(24)	-	(103)	(3.0%)	(0.3%)	(3.3%)	(1.0%)	-	(4.3%)
Prem Def	(138)	(18)	(156)	(49)	-	(205)	(5.7%)	(0.7%)	(6.4%)	(2.0%)	-	(8.5%)
<b>TOTAL</b>	<b>(736)</b>	<b>(71)</b>	<b>(807)</b>	<b>(312)</b>	<b>-</b>	<b>(1,119)</b>	<b>(30.4%)</b>	<b>(2.9%)</b>	<b>(33.4%)</b>	<b>(12.9%)</b>	<b>-</b>	<b>(46.3%)</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.8 million favourable impact – see column [3] in the left table above), and the impact of a 52 basis point increase in the selected discount rate (from 0.52% to 1.04%, generating a \$0.3 million favourable 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” on page 4 for additional detail.

**Summary of Financial Results**

The calendar year-to-date Operating Result is \$0.8 million and the incurred loss ratio to the end of 3 months is 41.5%, as summarized in the table below.

Amounts in \$000s	March 2017	March 2016	Year to date Mar 2017	Year to Date Mar 2016
Premiums Written	771	605	1,862	1,784
Premiums Earned	833	889	2,419	2,665
Claims Incurred	(279)	(1,671)	1,003	(148)
General Expenses	97	128	607	663
<b>Operating Result</b>	<b>1,015</b>	<b>2,432</b>	<b>809</b>	<b>2,150</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(104.1%)</b>	<b>(266.8%)</b>	<b>(39.3%)</b>	<b>(91.3%)</b>
<b>- Current Accident Year</b>	<b>70.6%</b>	<b>78.9%</b>	<b>80.8%</b>	<b>85.8%</b>
<b>Total</b>	<b>(33.5%)</b>	<b>(187.9%)</b>	<b>41.5%</b>	<b>(5.5%)</b>
<b>General Expenses %</b>	<b>11.6%</b>	<b>14.4%</b>	<b>25.1%</b>	<b>24.9%</b>
<b>Combined Operating Ratio</b>	<b>(21.9%)</b>	<b>(173.5%)</b>	<b>66.6%</b>	<b>19.4%</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 2017” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$0.8 million and the estimated combined operating ratio to December 2017 is 107.3%. This updated projection to the end of the year has improved by \$1.7 million from the projection provided last month (-\$2.5 million and 120.8%), mainly due to the overall favourable impact of the valuation as at December 31, 2016, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 4). 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 11,681 (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	(526)	(32)	(558)	(191)	-	(749)	(4.5%)	(0.3%)	(4.8%)	(1.6%)	-	(6.4%)
CAY	(341)	(28)	(369)	(87)	-	(456)	(2.9%)	(0.2%)	(3.2%)	(0.7%)	-	(3.9%)
Prem Def	(305)	(38)	(343)	(81)	-	(424)	(2.6%)	(0.3%)	(2.9%)	(0.7%)	-	(3.6%)
<b>TOTAL</b>	<b>(1,172)</b>	<b>(98)</b>	<b>(1,270)</b>	<b>(359)</b>	<b>-</b>	<b>(1,629)</b>	<b>(10.0%)</b>	<b>(0.8%)</b>	<b>(10.9%)</b>	<b>(3.1%)</b>	<b>-</b>	<b>(13.9%)</b>

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$1.0 million Operating Result in the month of March 2017, a \$1.4 million deterioration compared with the same month last year. This deterioration is composed of an estimated \$0.1 million unfavourable impact associated with the \$0.1 million decrease in earned premium (at a combined ratio of -173.5%), with the remaining \$1.3 million deterioration stemming from the overall increase in the combined ratio (from -173.5% to -21.9% 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 113.0% at the end of 2 months to 66.6% at the end of 3 months. The 46.4 percentage point decrease is composed of a 34.0 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 5.3 percentage point decrease in the Current Accident Year loss ratio, and a 7.1 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.

March 2017	Actual	Projection	Difference	Difference %
Premiums Written	771	1,151	(380)	(33.0%)
Premiums Earned	833	892	(59)	(6.6%)
Reported Losses				
Paid Losses	726	447	279	62.4%
Paid Expenses	32	18	14	77.8%
Change in Outstanding Losses	(495)	88	(583)	(662.5%)
<b>Total Reported Losses</b>	<b>263</b>	<b>553</b>	<b>(290)</b>	<b>(52.4%)</b>
Change in IBNR Provision *	(542)	157	(699)	
Change in Premium Deficiency (DPAC) *	(193)	(30)	(163)	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [New Brunswick RSP March 2017 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 March 2017, reported losses were \$0.3 million lower than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.5 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

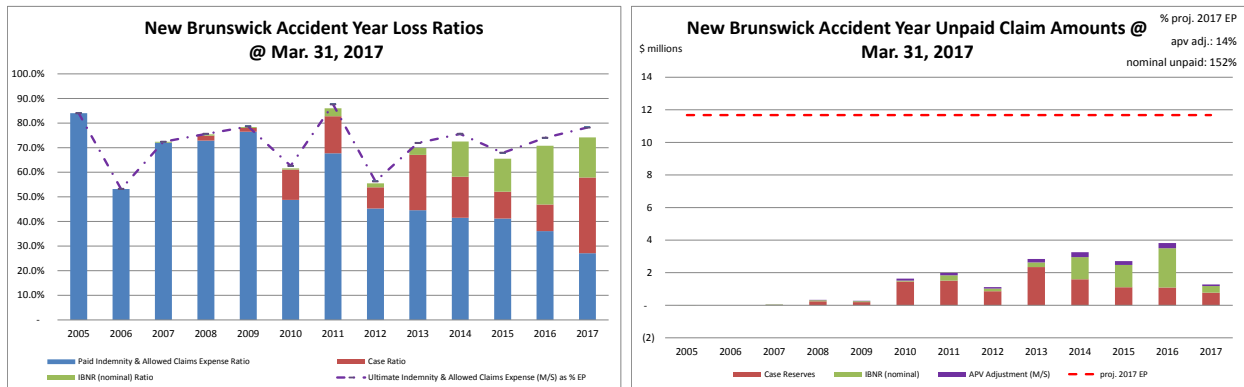
The variances for reported claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

### Effect of Quarterly Valuation

The March 2017 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2016 with the associated impacts in relation to the results for March 2017 summarized in the table immediately below.

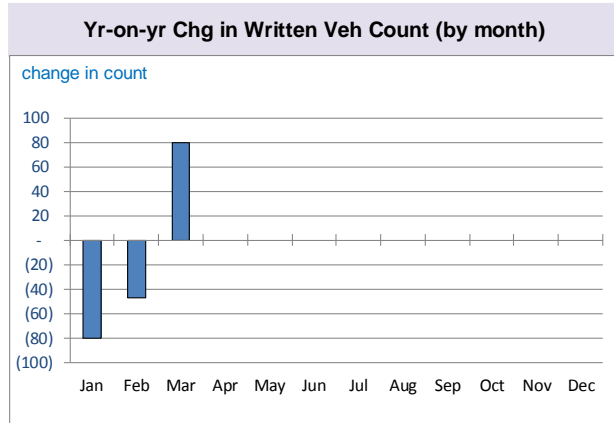
NB	unfav / (fav) for the month and ytd						mth EP 833 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns		dsct rate		margins		ults & payout patterns		dsct rate		margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(526)	(46)	(572)	(239)	-	(811)	(63.1%)	(5.5%)	(68.7%)	(28.7%)	-	(97.4%)
CAY	(72)	(7)	(79)	(24)	-	(103)	(8.6%)	(0.8%)	(9.5%)	(2.9%)	-	(12.4%)
Prem Def	(138)	(18)	(156)	(49)	-	(205)	(16.6%)	(2.2%)	(18.7%)	(5.9%)	-	(24.6%)
<b>TOTAL</b>	<b>(736)</b>	<b>(71)</b>	<b>(807)</b>	<b>(312)</b>	<b>-</b>	<b>(1,119)</b>	<b>(88.4%)</b>	<b>(8.5%)</b>	<b>(96.9%)</b>	<b>(37.5%)</b>	<b>-</b>	<b>(134.3%)</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.

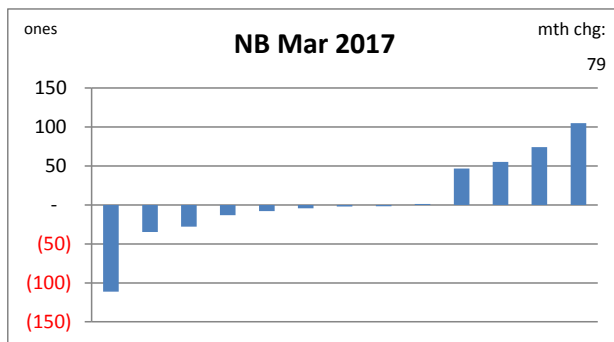


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP March 2017 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December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

**Management Comments**

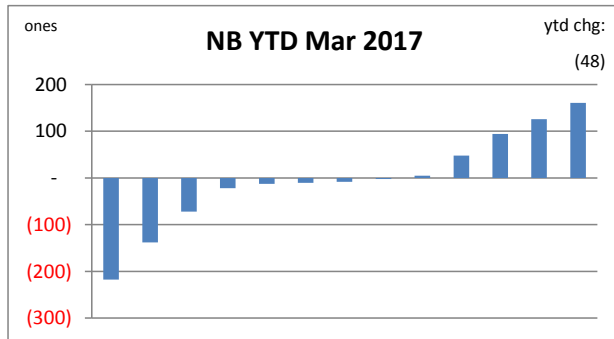


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with March showing an increase of 79 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 446 vehicles, indicating a variance of 367 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.



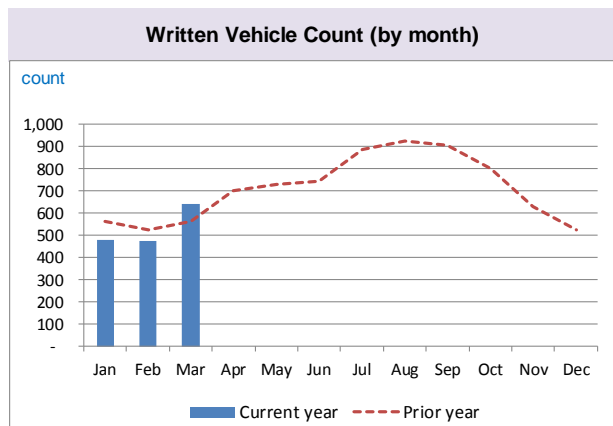
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared with a year ago, while five transferred more. Of the 8 member company groups transferring fewer vehicles, 1 member company group accounted for 55% of the total transfer decrease for the “decliner” members. Of

the 5 member company groups transferring more vehicles, 1 member company group accounted for 37% of the total transfer increase for the “grower” members.

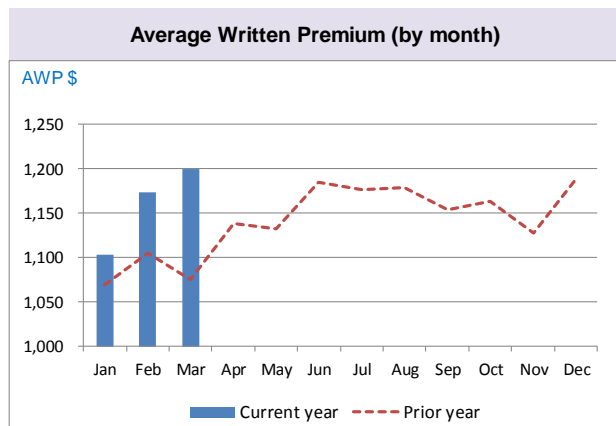


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

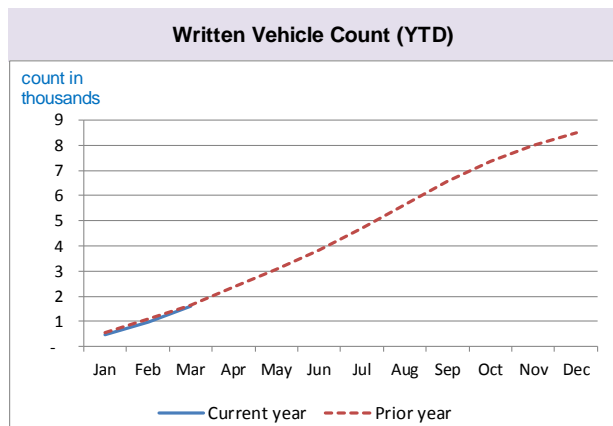
March’s vehicle count transfers to the pool represent a 14.1% increase from March 2016, but counts were down 2.9% year-to-date. Average written premium was up 11.6% in March 2017, and up 7.5% year-to-date (see charts immediately below).



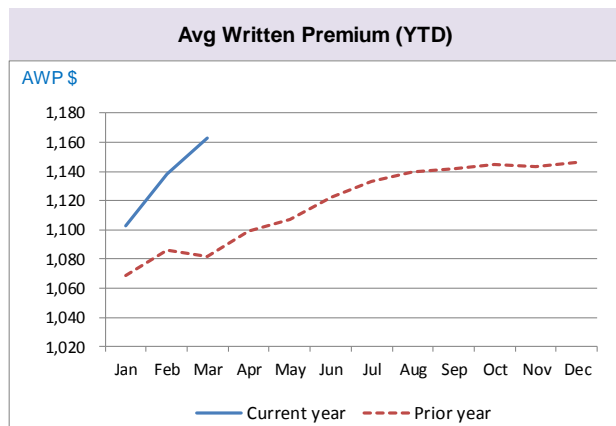
	Mar-17	Mar-16	Amt Chg	% Chg
W. Veh curr mth	642	563	79	14.1%



	Mar-17	Mar-16	Amt Chg	% Chg
AWP curr mth	1,200	1,075	125	11.6%



	Mar-17	Mar-16	Amt Chg	% Chg
W. Vehicles YTD	1,601	1,649	(48)	-2.9%

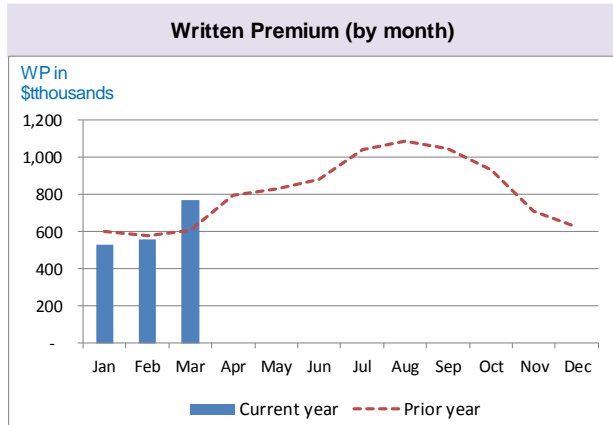


	Mar-17	Mar-16	Amt Chg	% Chg
Avg W. Prem YTD	1,163	1,082	81	7.5%

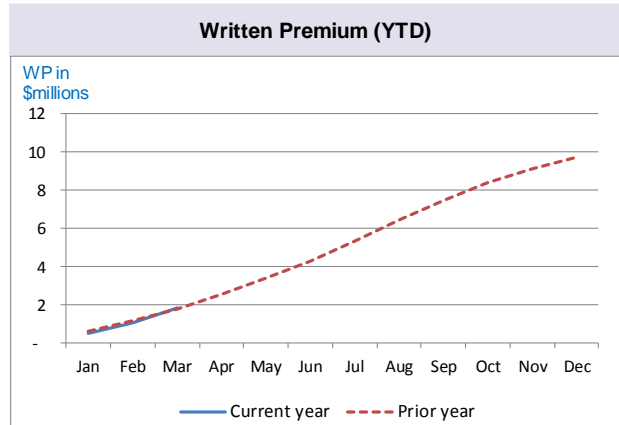
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**New Brunswick Risk Sharing Pool – March 2017 Operational Report**

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 27.3% for the month compared with the 90.2% increase we projected last month (based in particular on a significant increase in transfers projected by one member), and was up 4.3% year-to-date (see charts immediately below).



	Mar-17	Mar-16	Amt Chg	% Chg
WP (\$000s) curr mth	771	605	165	27.3%



	Mar-17	Mar-16	Amt Chg	% Chg
WP (\$000s) YTD	1,861	1,785	77	4.3%

Should you require any further information, please call Norm Seenev, 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 2017 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2016](#)

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**

**Risk Sharing Pool - New Brunswick**

EXHIBIT 1

**Operating Results for the 3 Months Ended March 31, 2017 (Discounted basis)**

**Source: Monthly Operational Report  
(thousands of dollars)**

	January	February	March	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>						
Net Premiums Written	\$532	\$559	\$771	\$1,862	\$13,910	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	557	(2,229)	235
<b>Net Premiums Earned</b>	<b>\$845</b>	<b>\$741</b>	<b>\$833</b>	<b>\$2,419</b>	<b>\$11,681</b>	<b>\$9,977</b>
<b>Claims Incurred:</b>						
Prior Accident Years:						
Undiscounted	(\$18)	(\$21)	(\$545)	(\$584)	(\$584)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(367)	(620)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$951)	(\$1,204)	(\$3,002)
Current Accident Year:						
Undiscounted	\$668	\$595	\$591	\$1,854	\$8,727	\$7,539
Effect of Discounting	61	42	(3)	100	370	449
Discounted	\$729	\$637	\$588	\$1,954	\$9,097	\$7,988
<b>Claims Incurred</b>	<b>\$698</b>	<b>\$584</b>	<b>(\$279)</b>	<b>\$1,003</b>	<b>\$7,893</b>	<b>\$4,986</b>
<b>Underwriting Expenses:</b>						
Expense Allowance	\$168	\$176	\$245	\$589	\$4,433	\$3,431
Change in UPDR/DPAC:						
Undiscounted	65	37	(121)	(19)	(610)	(157)
Effect of Discounting	(21)	(12)	(72)	(105)	51	(62)
Discounted	44	25	(193)	(124)	(559)	(\$219)
<b>Underwriting Expenses</b>	<b>\$212</b>	<b>\$201</b>	<b>\$52</b>	<b>\$465</b>	<b>\$3,874</b>	<b>\$3,212</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$65)</b>	<b>(\$44)</b>	<b>\$1,060</b>	<b>\$951</b>	<b>(\$86)</b>	<b>\$1,779</b>
<b>Administrative Expenses</b>	<b>\$47</b>	<b>\$50</b>	<b>\$45</b>	<b>\$142</b>	<b>\$761</b>	<b>\$475</b>
<b>Operating Result</b>	<b>(\$112)</b>	<b>(\$94)</b>	<b>\$1,015</b>	<b>\$809</b>	<b>(\$847)</b>	<b>\$1,304</b>
<b>Ratios:</b>						
<b>Claims &amp; Expenses Incurred (Earned)</b>						
Prior Accident Years	-3.7%	-7.2%	-104.1%	-39.3%	-10.3%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.8%	77.9%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	41.5%	67.6%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	25.1%	39.7%	37.0%
<b>Combined Operating Ratio</b>	<b>113.3%</b>	<b>112.7%</b>	<b>-21.9%</b>	<b>66.6%</b>	<b>107.3%</b>	<b>87.0%</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