

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 037

DATE: MAY 30, 2017

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

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

Please be advised that the April 2017 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 \$0.7 million and the incurred loss ratio to the end of 4 months is 50.8%, as summarized in the table below.

Amounts in \$000s	April 2017	April 2016	Year to date Apr 2017	Year to Date Apr 2016
Premiums Written	963	798	2,825	2,582
Premiums Earned	829	835	3,248	3,500
Claims Incurred	646	676	1,649	528
General Expenses	333	320	940	983
Operating Result	(150)	(161)	659	1,989
Ratios:				
Loss ratio % - Prior Accident Years	(2.1%)	(2.9%)	(29.8%)	(70.2%)
- Current Accident Year	80.0%	83.8%	80.6%	85.3%
<i>Total</i>	77.9%	80.9%	50.8%	15.1%
General Expenses %	40.2%	38.3%	28.9%	28.1%
Combined Operating Ratio	118.1%	119.2%	79.7%	43.2%

Rounding differences may apply.

Bulletin F17-037**New Brunswick Risk Sharing Pool – April 2017 Operational Report**

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 -\$0.9 million and the estimated combined operating ratio to December 2017 is 107.4%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$0.8 million and 107.3%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of April 2017, insignificantly changed from the same month last year.

This month’s results moved the year-to-date combined operating ratio from 66.6% at the end of 3 months to 79.7% at the end of 4 months. The 13.1 percentage point increase is composed of a 9.5 percentage point increase in the Prior Accident Years loss ratio, and a 3.8 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 below provides a summary of key components of the operating results as compared to the estimates projected last month.

April 2017	Actual	Projection	Difference	Difference %
Premiums Written	963	1,120	(157)	(14.0%)
Premiums Earned	829	857	(28)	(3.3%)
Reported Losses				
Paid Losses	262	485	(223)	(46.0%)
Paid Expenses	37	17	20	117.6%
Change in Outstanding Losses	385	202	183	90.6%
Total Reported Losses	684	704	(20)	(2.8%)
Change in IBNR Provision *	(38)	(54)	16	
Change in Premium Deficiency (DPAC) *	(24)	(45)	21	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP April 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 April 2017, reported losses were \$20 thousand lower than projected. The Current Accident Year had a \$42 thousand favourable variance in reported losses, while the Prior Accident Years had a \$22 thousand unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

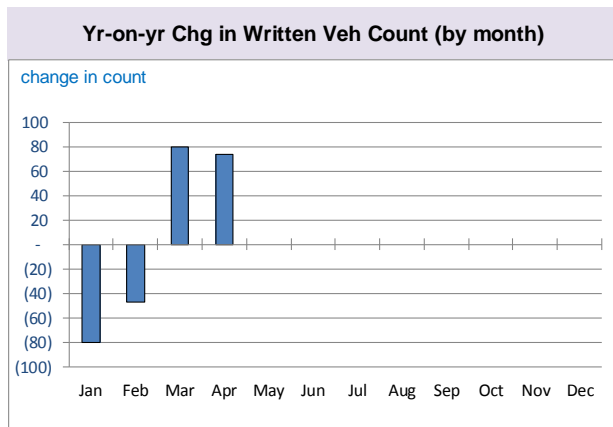
Booking IBNR

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 April 2017 Operational Report – Actuarial Highlights](#).

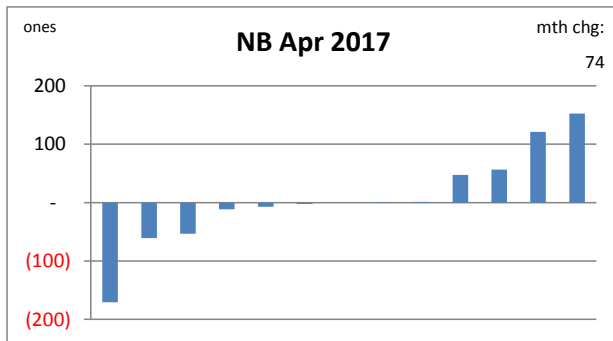
Effect of Quarterly Valuation

The April 2017 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2016). The actuarial valuation will be updated next as at March 31, 2017 and we anticipate that the results will be reflected in the May 2017 Operational Report.

Management Comments

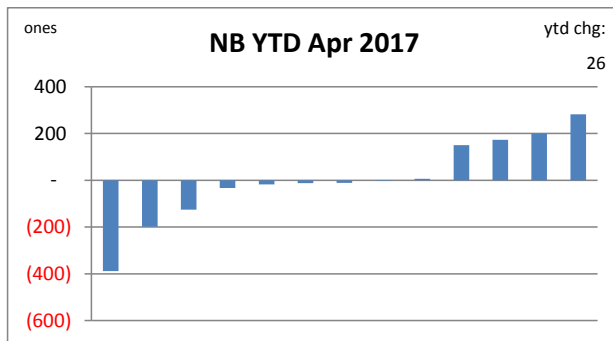


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with April showing an increase of 74 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 291 vehicles, indicating a variance of 217 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in April than projected.



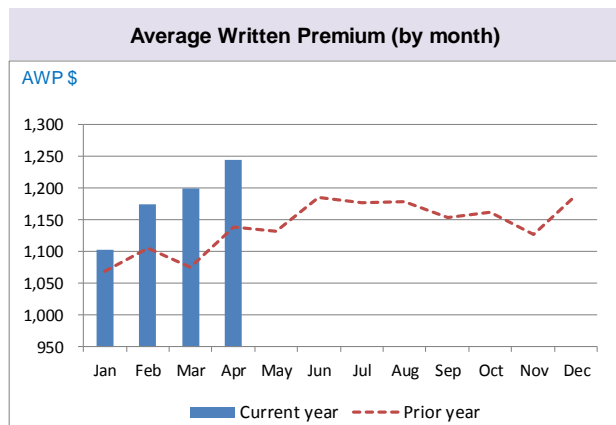
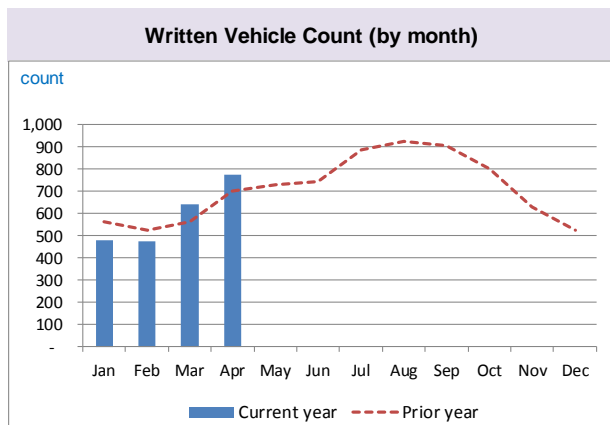
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with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

fewer vehicles, 1 member company group accounted for 56% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 2 member company groups accounted for 72% of the total transfer increase for the “grower” members.



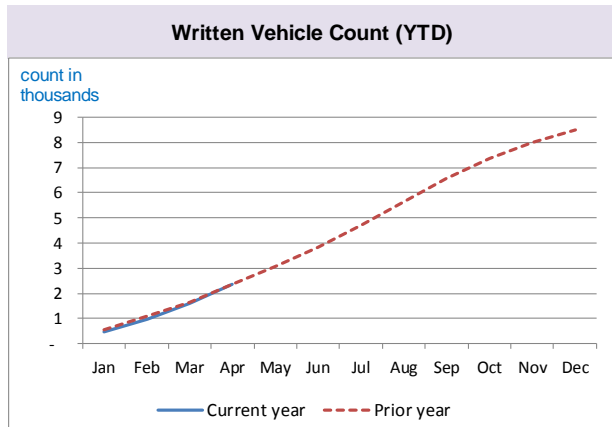
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

April’s vehicle count transfers to the pool represent a 10.5% increase from April 2016, and counts were up 1.1% year-to-date. Average written premium was up 9.3% in April 2017, and up 8.2% year-to-date (see charts immediately below and at the top of the next page).

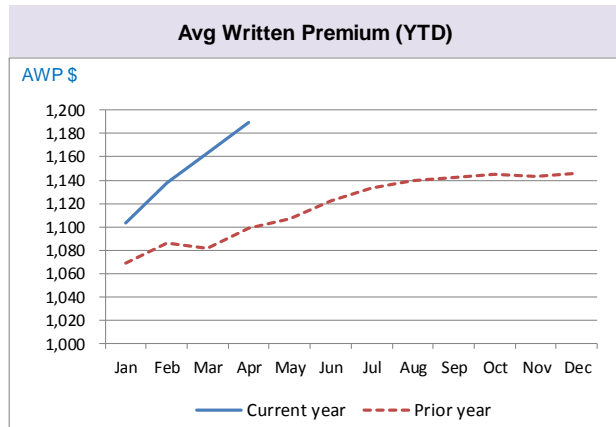


	Apr-17	Apr-16	Amt Chg	% Chg
W. Veh curr mth	774	700	74	10.5%

	Apr-17	Apr-16	Amt Chg	% Chg
AWP curr mth	1,245	1,139	106	9.3%

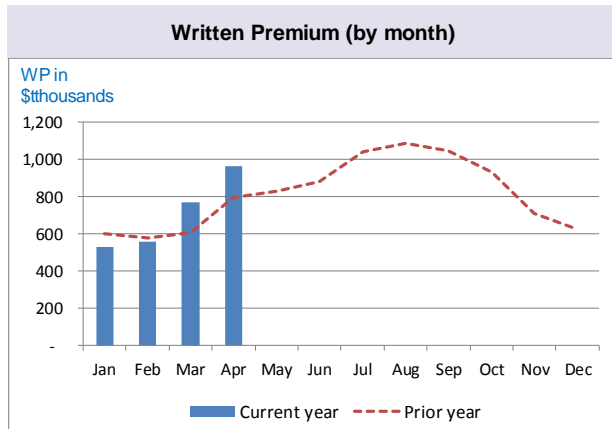


	Apr-17	Apr-16	Amt Chg	% Chg
W. Vehicles YTD	2,375	2,349	26	1.1%

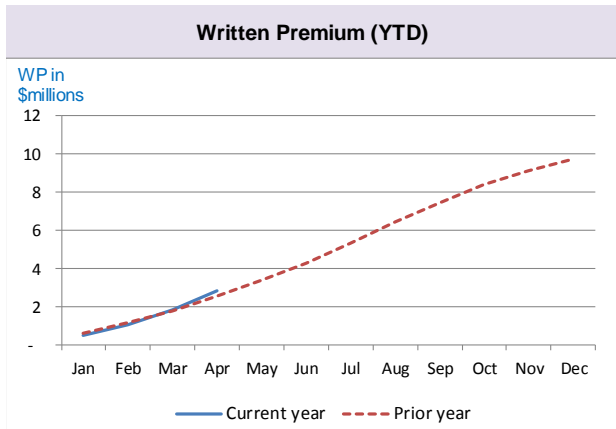


	Apr-17	Apr-16	Amt Chg	% Chg
Avg W. Prem YTD	1,189	1,099	90	8.2%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 20.8% for the month compared with the 40.4% increase we projected last month (with the projection based in particular on a significant increase in transfers projected by one member which did occur – this was offset by a significant projection miss in relation to another member), and was up 9.4% year-to-date (see charts immediately below).



	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) curr mth	963	798	166	20.8%



	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) YTD	2,825	2,582	242	9.4%

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 April 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - New Brunswick
 Operating Results for the 4 Months Ended April 30, 2017 (Discounted basis)
 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$532	\$559	\$771	\$963	\$2,825	\$13,846	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	423	(2,281)	235
Net Premiums Earned	\$845	\$741	\$833	\$829	\$3,248	\$11,565	\$9,977
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$596)	(\$596)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(372)	(601)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$968)	(\$1,197)	(\$3,002)
Current Accident Year:							
Undiscounted	\$668	\$595	\$591	\$628	\$2,482	\$8,653	\$7,539
Effect of Discounting	61	42	(3)	35	135	363	449
Discounted	\$729	\$637	\$588	\$663	\$2,617	\$9,016	\$7,988
Claims Incurred	\$698	\$584	(\$279)	\$646	\$1,649	\$7,819	\$4,986
Underwriting Expenses:							
Expense Allowance	\$168	\$176	\$245	\$306	\$895	\$4,413	\$3,431
Change in UPDR/DPAC:							
Undiscounted	65	37	(121)	(30)	(49)	(622)	(157)
Effect of Discounting	(21)	(12)	(72)	6	(99)	54	(62)
Discounted	44	25	(193)	(24)	(148)	(568)	(\$219)
Underwriting Expenses	\$212	\$201	\$52	\$282	\$747	\$3,845	\$3,212
Net Underwriting Gain (Loss)	(\$65)	(\$44)	\$1,060	(\$99)	\$852	(\$99)	\$1,779
Administrative Expenses	\$47	\$50	\$45	\$51	\$193	\$755	\$475
Operating Result	(\$112)	(\$94)	\$1,015	(\$150)	\$659	(\$854)	\$1,304
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-3.7%	-7.2%	-104.1%	-2.1%	-29.8%	-10.4%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	80.6%	78.0%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	50.8%	67.6%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	28.9%	39.8%	37.0%
Combined Operating Ratio	113.3%	112.7%	-21.9%	118.1%	79.7%	107.4%	87.0%

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