

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 082

DATE: OCTOBER 30, 2017

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

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

Please be advised that the September 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 \$1.4 million and the incurred loss ratio to the end of 9 months is 46.6%, as summarized in the table below.

Amounts in \$000s	September 2017	September 2016	Year to date Sep 2017	Year to Date Sep 2016
Premium Written	1,092	1,046	8,840	7,475
Premium Earned	920	786	7,668	7,522
Incurred Losses	627	573	3,573	2,630
Underwriting & Admin Expense	354	375	2,658	2,687
Operating Result	(61)	(162)	1,437	2,205
Ratios:				
Loss ratio - Prior Accident Years	(8.3%)	(9.3%)	(30.9%)	(46.8%)
- Current Accident Year	76.4%	82.2%	77.5%	81.8%
<i>Total</i>	68.1%	72.9%	46.6%	35.0%
<i>Underwriting & Admin Expense</i>	38.5%	47.7%	34.7%	35.7%
<i>Combined Operating Ratio</i>	106.6%	120.6%	81.3%	70.7%

rounding differences may occur

Bulletin F17-082**New Brunswick Risk Sharing Pool – September 2017 Operational Report**

These results are discussed in some detail in the “Current Month Results” section. 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 \$1.0 million and the estimated combined operating ratio to December 2017 is 90.9%, as summarized in the table below. This updated projection to the end of the year has improved by \$0.1 million from the projection provided last month (\$0.9 million and 91.7%). This improvement is driven by a \$0.5 million decrease in the projected written premium for the year.

NB RSP Yr-end Projection	Current	Prior Mth	Change	Final 2017
Amounts in \$000s	(Sep 2017)	(Aug 2017)		Outlook*
Premium Written	12,865	13,318	(453)	10,545
Premium Earned	10,770	10,781	(11)	10,399
Incurred Losses	5,831	5,848	(17)	8,064
Underwriting & Admin Expense	3,964	4,047	(84)	3,978
Net Result from Operations	975	886	90	(1,643)
Ratios:				
Loss ratio - Prior Accident Years	(22.7%)	(22.3%)	(0.4%)	(3.8%)
- Current Accident Year	76.8%	76.5%	0.3%	81.3%
<i>Total</i>	54.1%	54.2%	(0.1%)	77.5%
Underwriting & Admin Expense	36.8%	37.5%	(0.7%)	38.3%
Combined Operating Ratio	90.9%	91.7%	(0.8%)	115.8%

rounding differences may occur

*as posted to FA's website Sep. 28, 2016

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$61 thousand Operating Result in the month of September 2017, a \$101 thousand improvement compared with the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 120.6% to 106.6% applied to \$0.9 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 77.8% at the end of 8 months to 81.3% at the end of 9 months. The 3.5 percentage point increase is composed of a 3.1 percentage point increase in the Prior Accident Years loss ratio, and a 0.6 percentage point increase in the expense ratio, offset by a 0.2 percentage point decrease in the Current Accident Year loss ratio.

Variations from Projections

The table below provides a summary of key components of the operating results as compared to the estimates projected last month.

September 2017	Actual	Projection	Difference	Difference %
Written Premium	1,092	1,545	(453)	(29.3%)
Earned Premium	920	945	(25)	(2.6%)
Reported Losses				
Paid Losses	1,154	792	362	45.7%
Paid Expenses	13	29	(16)	(55.2%)
Change in Outstanding Losses	740	(16)	756	<-999.9%
Total Reported Losses	1,907	805	1,102	136.9%
Change in IBNR Provision*	(1,280)	(136)	(1,144)	
Change in Premium Deficiency (DPAC)*	(36)	(122)	86	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP September 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 September 2017, reported losses were \$1.1 million higher than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, while the Prior Accident Years had a \$1.2 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Through 2016 and 2017, a member has been conducting a comprehensive review of their open claims transactions as reported to the FA RSP system, with correcting transactions posted in the current month (September 2017) and included in the above results. The correcting transaction amounts were not high relative to unpaid balances, however, the corrections are being reviewed and discussed with the member, in conjunction with the FA internal audit team, to ensure our records are accurate in relation to the member's own records on their RSP claims' portfolio.

Booking IBNR

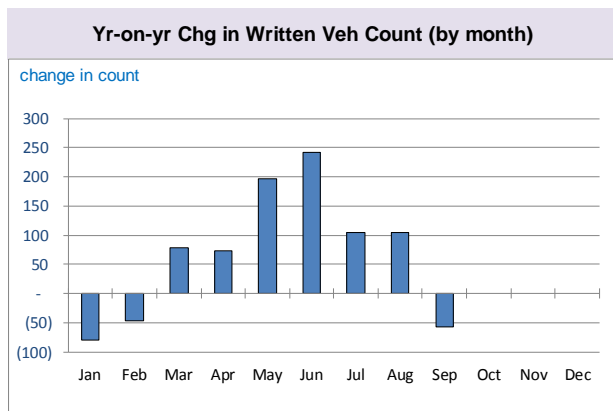
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 September 2017 Operational Report – Actuarial Highlights](#).

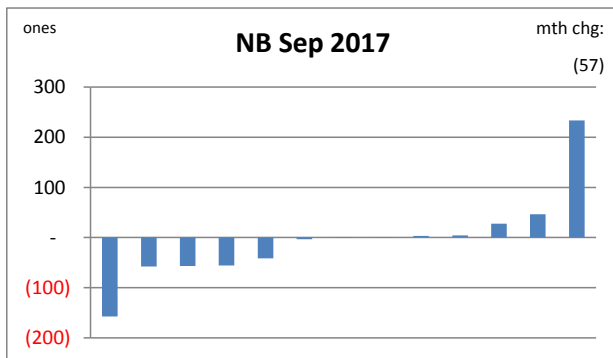
Effect of Quarterly Valuation

The September 2017 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at June 30, 2017). The actuarial valuation will be updated next as at September 30, 2017 and we anticipate that the results will be reflected in the October 2017 Operational Report.

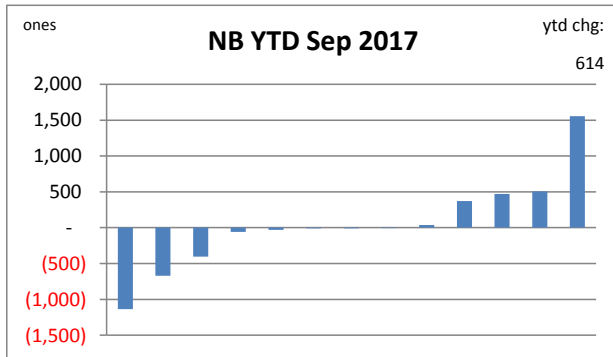
Management Comments



The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with September showing a decrease of 57 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 355 vehicles, indicating a variance of 412 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in September than projected.

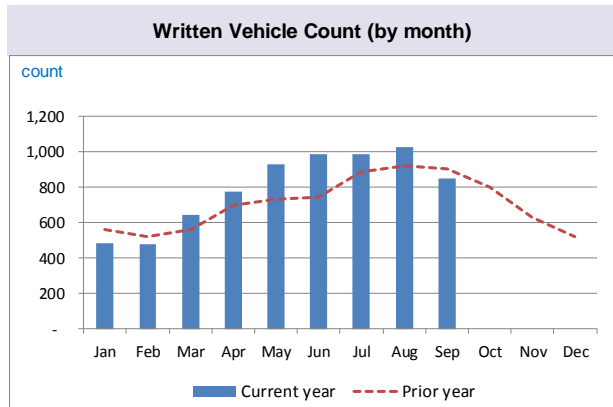


The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared with a year ago, while six transferred more. Of the 7 member company groups transferring fewer vehicles, 1 member company group accounted for 42% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 74% of the total transfer increase for the “grower” members.

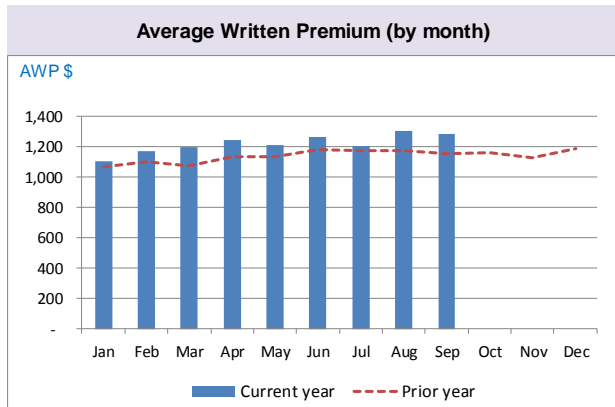


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

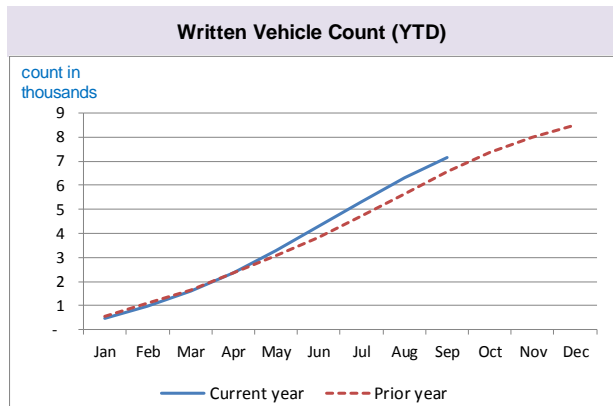
September's vehicle count transfers to the pool represent a 6.3% decrease from September 2016, but counts were up 9.4% year-to-date. Average written premium was up 11.5% in September 2017, and up 8.1% year-to-date (see charts immediately below).



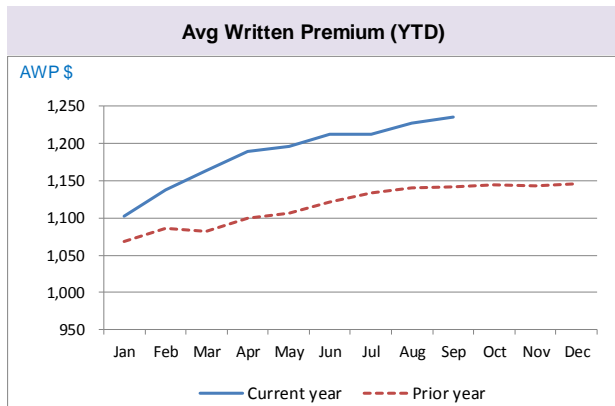
	Sep-17	Sep-16	Amt Chg	% Chg
W. Veh curr mth	849	906	(57)	-6.3%



	Sep-17	Sep-16	Amt Chg	% Chg
AWP curr mth	1,287	1,154	133	11.5%



	Sep-17	Sep-16	Amt Chg	% Chg
W. Vehicles YTD	7,160	6,545	614	9.4%

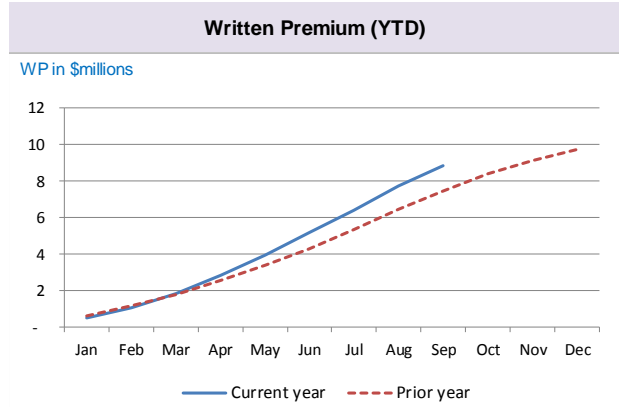
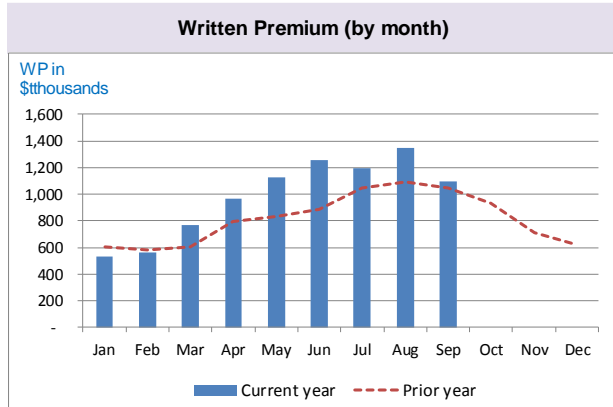


	Sep-17	Sep-16	Amt Chg	% Chg
Avg W. Prem YTD	1,235	1,142	93	8.1%

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As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 4.5% for the month compared with the 47.7% increase we projected last month, and was up 18.2% year-to-date (see charts immediately below).



	Sep-17	Sep-16	Amt Chg	% Chg
WP (\$000s) curr mth	1,092	1,046	47	4.5%

	Sep-17	Sep-16	Amt Chg	% Chg
WP (\$000s) YTD	8,840	7,476	1,364	18.2%

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 September 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - New Brunswick
 Operating Results for the 9 Months Ended September 30, 2017 (Discounted basis)
 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:												
Net Premiums Written	\$532	\$559	\$771	\$963	\$1,125	\$1,253	\$1,198	\$1,347	\$1,092	\$8,840	\$12,865	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	(407)	(304)	(463)	(172)	(1,172)	(2,095)	235
Net Premiums Earned	\$845	\$741	\$833	\$829	\$876	\$846	\$894	\$884	\$920	\$7,668	\$10,770	\$9,977
Claims Incurred:												
Prior Accident Years:												
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$15)	(\$15)	(\$351)	(\$5)	(\$1,623)	(\$1,623)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(12)	(14)	(215)	(71)	(747)	(820)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$27)	(\$29)	(\$566)	(\$76)	(\$2,370)	(\$2,443)	(\$3,002)
Current Accident Year:												
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$651	\$688	\$495	\$671	\$5,686	\$7,933	\$7,539
Effect of Discounting	61	42	(3)	35	37	37	38	(22)	32	257	341	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$688	\$726	\$473	\$703	\$5,943	\$8,274	\$7,988
Claims Incurred	\$698	\$584	(\$279)	\$646	\$32	\$661	\$697	(\$93)	\$627	\$3,573	\$5,831	\$4,986
Underwriting Expenses:												
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$399	\$381	\$428	\$348	\$2,809	\$4,093	\$3,431
Change in UPDR/DPAC:												
Undiscounted	65	37	(121)	(30)	(14)	(91)	(69)	(282)	(46)	(551)	(793)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	23	17	(21)	10	(42)	3	(62)
Discounted	44	25	(193)	(24)	14	(68)	(52)	(303)	(36)	(593)	(790)	(\$219)
Underwriting Expenses	\$212	\$201	\$52	\$282	\$372	\$331	\$329	\$125	\$312	\$2,216	\$3,303	\$3,212
Net Underwriting Gain (Loss)	(\$65)	(\$44)	\$1,060	(\$99)	\$472	(\$146)	(\$132)	\$852	(\$19)	\$1,879	\$1,636	\$1,779
Administrative Expenses	\$47	\$50	\$45	\$51	\$63	\$48	\$45	\$51	\$42	\$442	\$661	\$475
Operating Result	(\$112)	(\$94)	\$1,015	(\$150)	\$409	(\$194)	(\$177)	\$801	(\$61)	\$1,437	\$975	\$1,304
Ratios:												
Claims & Expenses Incurred (Earned)												
Prior Accident Years	-3.7%	-7.2%	-104.1%	-2.1%	-80.4%	-3.2%	-3.2%	-64.0%	-8.3%	-30.9%	-22.7%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	84.0%	81.3%	81.2%	53.5%	76.4%	77.5%	76.8%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	3.6%	78.1%	78.0%	-10.5%	68.1%	46.6%	54.1%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	49.7%	44.8%	41.8%	19.9%	38.5%	34.7%	36.8%	37.0%
Combined Operating Ratio	113.3%	112.7%	-21.9%	118.1%	53.3%	122.9%	119.8%	9.4%	106.6%	81.3%	90.9%	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