

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F18 – 007**

**DATE: JANUARY 30, 2018**

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

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

Please be advised that the December 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 -\$27 thousand and the incurred loss ratio to the end of 12 months is 65.6%, as summarized in the table below.

Amounts in \$000s	December 2017	December 2016	Year to date Dec 2017	Year to Date Dec 2016
Premium Written	886	622	11,775	9,742
Premium Earned	1,052	854	10,614	9,977
Incurred Losses	784	656	6,959	4,986
Underwriting & Admin Expense	373	327	3,682	3,687
<b>Operating Result</b>	<b>(105)</b>	<b>(129)</b>	<b>(27)</b>	<b>1,304</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	<b>(1.6%)</b>	<b>(0.9%)</b>	<b>(11.8%)</b>	<b>(30.1%)</b>
- Current Accident Year	76.1%	77.8%	77.4%	80.1%
<i>Total</i>	<b>74.5%</b>	<b>76.9%</b>	<b>65.6%</b>	<b>50.0%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>35.5%</b>	<b>38.3%</b>	<b>34.7%</b>	<b>37.0%</b>
<i>Combined Operating Ratio</i>	<b>110.0%</b>	<b>115.2%</b>	<b>100.3%</b>	<b>87.0%</b>

*rounding differences may occur*

**Bulletin F18-007****New Brunswick Risk Sharing Pool – December 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 2018

An Outlook had been prepared to provide Members with an estimate of New Brunswick RSP operating results for calendar year 2018 based on the actuarial valuation at June 30, 2017, and reflecting actual experience to date as detailed in the August 2017 Operational Report. This Outlook was posted on October 3, 2017 (please refer to Bulletin [F17-078](#)), and projected a Net Result from Operations for 2018 of -\$1.5 million, and a combined operating ratio of 109.9%. Projections for 2018 have been updated each month since as per our usual practice (although until this month, the bulletins have focused on projections to the end of 2017).

The projected calendar year Operating Result to December 2018 is now -\$1.5 million (a \$80 thousand deterioration relative to the Outlook) and the estimated combined operating ratio to December 2018 is 109.9% (a 0.9 point deterioration relative to the Outlook). The deterioration is composed of a \$140 thousand stemming from the overall increase in the combined ratio (from 109.0% to 109.9% applied to \$15.3 million in projected earned premium), offset by an estimated \$60 thousand favourable impact associated with the \$0.7 million decrease in projected earned premium (at a combined ratio of 109.0%).

<b>NB RSP 2018 Yr-end Projection</b>	<b>Current</b>	Prior Mth		Final 2018
<b>Amounts in \$000s</b>	<b>(Dec 2017)</b>	(Nov 2017)	<b>Change</b>	Outlook*
Premium Written	17,981	17,890	91	17,486
Premium Earned	15,292	15,396	(104)	15,974
Incurred Losses	11,237	11,314	(77)	11,739
Underwriting & Admin Expense	5,588	5,597	(9)	5,688
<b>Net Result from Operations</b>	<b>(1,533)</b>	<b>(1,515)</b>	<b>(18)</b>	<b>(1,453)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(0.9%)	(0.8%)	(0.1%)	(1.7%)
- Current Accident Year	74.3%	74.3%	0.0%	75.1%
<i>Total</i>	<b>73.4%</b>	<b>73.5%</b>	<b>(0.1%)</b>	<b>73.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.5%</b>	<b>36.4%</b>	<b>0.1%</b>	<b>35.6%</b>
<b>Combined Operating Ratio</b>	<b>109.9%</b>	<b>109.9%</b>	<b>0.0%</b>	<b>109.0%</b>

*rounding differences may occur*

\*as posted to FA's website Oct. 3, 2017

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of December 2017, a \$24 thousand improvement compared with the same month last year. This

improvement is composed of an approximately \$54 thousand improvement stemming from the overall decrease in the combined ratio (from 115.2% to 110.0% applied to \$1.1 million in earned premium), offset by an estimated \$30 thousand unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 115.2%).

This month's results moved the year-to-date combined operating ratio from 99.2% at the end of 11 months to 100.3% at the end of 12 months. The 1.1 percentage point increase is composed of a 1.1 percentage point increase in the Prior Accident Years loss ratio, and a 0.1 percentage point increase in the expense ratio, offset by a 0.1 percentage point decrease in the Current Accident Year loss ratio.

Variances from Projections

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

<b>December 2017</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	886	918	(32)	(3.5%)
Earned Premium	1,052	993	59	5.9%
Reported Losses				
Paid Losses	534	695	(161)	(23.2%)
Paid Expenses	15	19	(4)	(21.1%)
Change in Outstanding Losses	1,197	(136)	1,333	(980.1%)
<b>Total Reported Losses</b>	<b>1,746</b>	<b>578</b>	<b>1,168</b>	<b>202.1%</b>
Change in IBNR Provision*	(962)	150	(1,112)	
Change in Premium Deficiency (DPAC)*	21	1	20	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP December 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 December 2017, reported losses were \$1.2 million higher than projected. The Current Accident Year had a \$0.6 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.6 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated paid claims activity and is satisfied that the variances are

appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

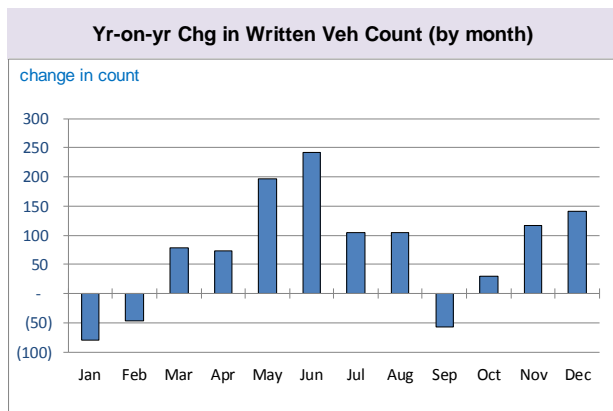
Booking IBNR

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 2017 Operational Report – Actuarial Highlights](#).

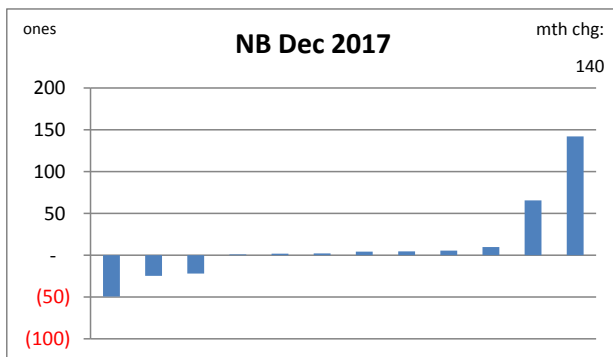
**Effect of Quarterly Valuation**

The December 2017 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, 2017). The actuarial valuation will be updated next as at December 31, 2017 and we anticipate that the results will be reflected in the March 2018 Operational Report.

**Management Comments**

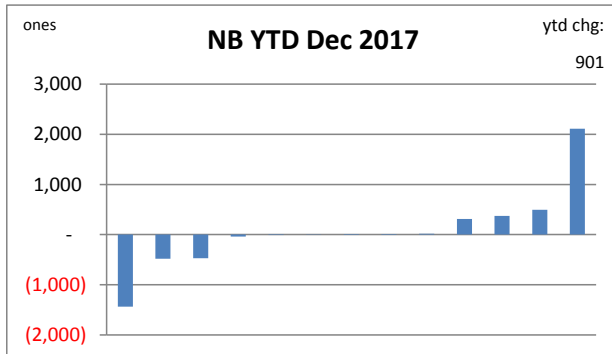


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with December showing an increase of 140 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 211 vehicles, indicating a variance of 71 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.



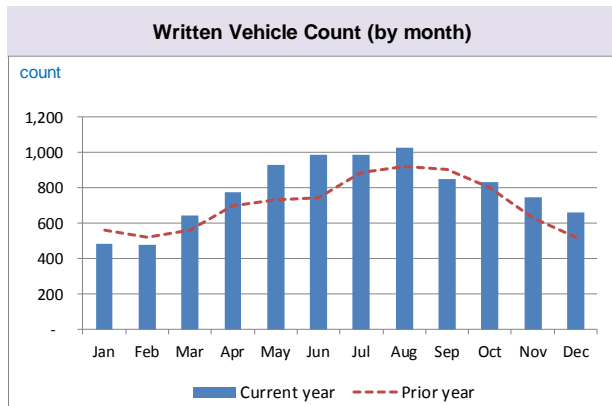
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Three member company groups transferred fewer vehicles to the pool this month compared with a year ago, while nine transferred more. Of the 3 member company groups transferring fewer vehicles, 1 member company group accounted for 51% of the total transfer decrease for the “decliner” members. Of

the 9 member company groups transferring more vehicles, 1 member company group accounted for 60% of the total transfer increase for the “grower” members.

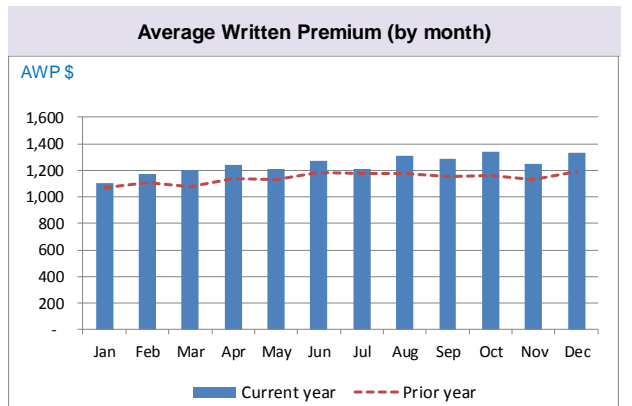


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

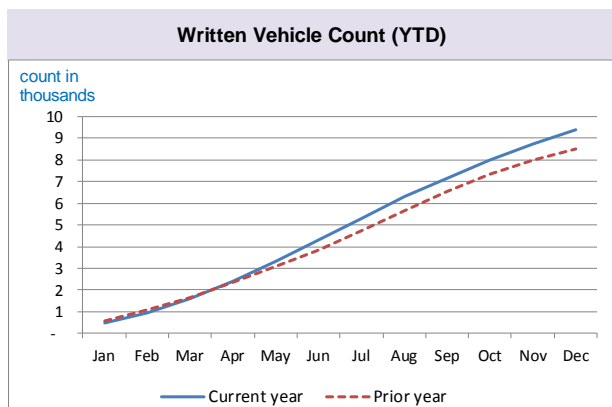
December’s vehicle count transfers to the pool represent a 26.9% increase from December 2016, and counts were up 10.6% year-to-date. Average written premium was up 12.4% in December 2017, and up 9.2% year-to-date (see charts immediately below).



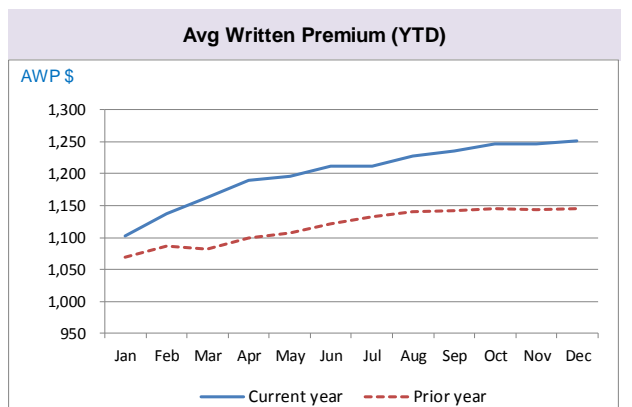
	Dec-17	Dec-16	Amt Chg	% Chg
W. Veh curr mth	664	523	140	26.9%



	Dec-17	Dec-16	Amt Chg	% Chg
AWP curr mth	1,336	1,189	147	12.4%

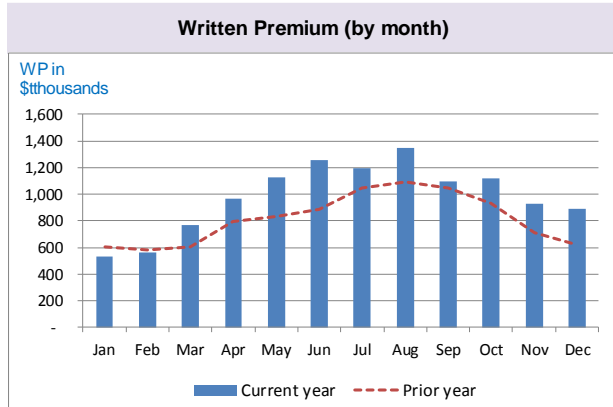


	Dec-17	Dec-16	Amt Chg	% Chg
W. Vehicles YTD	9,402	8,502	901	10.6%

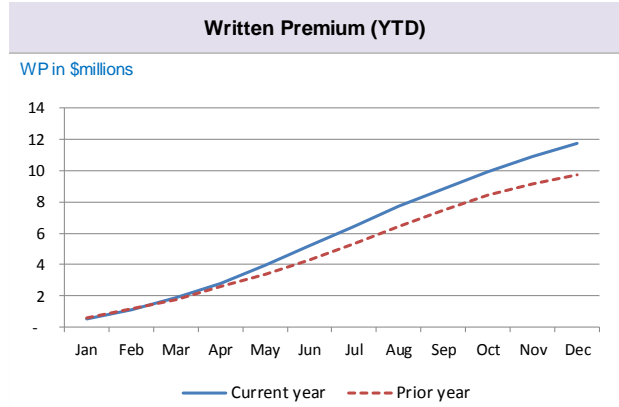


	Dec-17	Dec-16	Amt Chg	% Chg
Avg W. Prem YTD	1,252	1,146	106	9.2%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 42.5% for the month compared with the 47.5% increase we projected last month, and was up 20.9% year-to-date (see charts immediately below).



	Dec-17	Dec-16	Amt Chg	% Chg
WP (\$000s) curr mth	886	622	264	42.5%



	Dec-17	Dec-16	Amt Chg	% Chg
WP (\$000s) YTD	11,776	9,743	2,033	20.9%

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 2017 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**

Risk Sharing Pool - New Brunswick

Operating Results for the 12 Months Ended December 31, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	December	CY2017 YTD	CY2018 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>															
Net Premiums Written	\$532	\$559	\$771	\$963	\$1,125	\$1,253	\$1,198	\$1,347	\$1,092	\$1,118	\$931	\$886	\$11,775	\$17,981	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	(407)	(304)	(463)	(172)	(193)	38	166	(1,161)	(2,689)	235
<b>Net Premiums Earned</b>	<b>\$845</b>	<b>\$741</b>	<b>\$833</b>	<b>\$829</b>	<b>\$876</b>	<b>\$846</b>	<b>\$894</b>	<b>\$884</b>	<b>\$920</b>	<b>\$925</b>	<b>\$969</b>	<b>\$1,052</b>	<b>\$10,614</b>	<b>\$15,292</b>	<b>\$9,977</b>
<b>Claims Incurred:</b>															
Prior Accident Years:															
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$15)	(\$15)	(\$351)	(\$5)	\$1,284	\$3	(\$4)	(\$340)	\$0	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(12)	(14)	(215)	(71)	(149)	(6)	(13)	(915)	(132)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$27)	(\$29)	(\$566)	(\$76)	\$1,135	(\$3)	(\$17)	(\$1,255)	(\$132)	(\$3,002)
Current Accident Year:															
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$651	\$688	\$495	\$671	\$783	\$711	\$778	\$7,958	\$11,026	\$7,539
Effect of Discounting	61	42	(3)	35	37	37	38	(22)	32	(48)	24	23	256	343	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$688	\$726	\$473	\$703	\$735	\$735	\$801	\$8,214	\$11,369	\$7,988
<b>Claims Incurred</b>	<b>\$698</b>	<b>\$584</b>	<b>(\$279)</b>	<b>\$646</b>	<b>\$32</b>	<b>\$661</b>	<b>\$697</b>	<b>(\$93)</b>	<b>\$627</b>	<b>\$1,870</b>	<b>\$732</b>	<b>\$784</b>	<b>\$6,959</b>	<b>\$11,237</b>	<b>\$4,986</b>
<b>Underwriting Expenses:</b>															
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$399	\$381	\$428	\$348	\$355	\$297	\$283	\$3,744	\$5,143	\$3,431
Change in UPDR/DPAC:															
Undiscounted	65	37	(121)	(30)	(14)	(91)	(69)	(282)	(46)	(31)	(2)	28	(556)	(584)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	23	17	(21)	10	(56)	(4)	(7)	(109)	113	(62)
Discounted	44	25	(193)	(24)	14	(68)	(52)	(303)	(36)	(87)	(6)	21	(665)	(471)	(\$219)
<b>Underwriting Expenses</b>	<b>\$212</b>	<b>\$201</b>	<b>\$52</b>	<b>\$282</b>	<b>\$372</b>	<b>\$331</b>	<b>\$329</b>	<b>\$125</b>	<b>\$312</b>	<b>\$268</b>	<b>\$291</b>	<b>\$304</b>	<b>\$3,079</b>	<b>\$4,672</b>	<b>\$3,212</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$65)</b>	<b>(\$44)</b>	<b>\$1,060</b>	<b>(\$99)</b>	<b>\$472</b>	<b>(\$146)</b>	<b>(\$132)</b>	<b>\$852</b>	<b>(\$19)</b>	<b>(\$1,213)</b>	<b>(\$54)</b>	<b>(\$36)</b>	<b>\$576</b>	<b>(\$617)</b>	<b>\$1,779</b>
<b>Administrative Expenses</b>	<b>\$47</b>	<b>\$50</b>	<b>\$45</b>	<b>\$51</b>	<b>\$63</b>	<b>\$48</b>	<b>\$45</b>	<b>\$51</b>	<b>\$42</b>	<b>\$48</b>	<b>\$44</b>	<b>\$69</b>	<b>\$603</b>	<b>\$916</b>	<b>\$475</b>
<b>Operating Result</b>	<b>(\$112)</b>	<b>(\$94)</b>	<b>\$1,015</b>	<b>(\$150)</b>	<b>\$409</b>	<b>(\$194)</b>	<b>(\$177)</b>	<b>\$801</b>	<b>(\$61)</b>	<b>(\$1,261)</b>	<b>(\$98)</b>	<b>(\$105)</b>	<b>(\$27)</b>	<b>(\$1,533)</b>	<b>\$1,304</b>
<b>Ratios:</b>															
<b>Claims &amp; Expenses Incurred (Earned)</b>															
Prior Accident Years	-3.7%	-7.2%	-104.1%	-2.1%	-80.4%	-3.2%	-3.2%	-64.0%	-8.3%	122.7%	-0.3%	-1.6%	-11.8%	-0.9%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	84.0%	81.3%	81.2%	53.5%	76.4%	79.5%	75.9%	76.1%	77.4%	74.3%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	3.6%	78.1%	78.0%	-10.5%	68.1%	202.2%	75.6%	74.5%	65.6%	73.4%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	49.7%	44.8%	41.8%	19.9%	38.5%	34.2%	34.6%	35.5%	34.7%	36.5%	37.0%
<b>Combined Operating Ratio</b>	<b>113.3%</b>	<b>112.7%</b>	<b>-21.9%</b>	<b>118.1%</b>	<b>53.3%</b>	<b>122.9%</b>	<b>119.8%</b>	<b>9.4%</b>	<b>106.6%</b>	<b>236.4%</b>	<b>110.2%</b>	<b>110.0%</b>	<b>100.3%</b>	<b>109.9%</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