

**IMPORTANT MESSAGE:**

***THE FOLLOWING PROVIDES USEFUL INFORMATION FOR ALL USERS OF FACILITY ASSOCIATION OPERATIONAL REPORT***

**Introducing Facility Association’s New Operational Report**

We are very pleased to introduce Facility Association’s new monthly Risk Sharing Pool Operational Report to be used for all monthly reporting of Risk Sharing Pool Results. The report provides clearer information regarding the Pool results in aggregate and your share in these results. We have endeavored to ensure that the report contains the appropriate levels of detail and information for your operational, financial and management needs.

**Understanding the Structure and Format of the New Operational Report**

Facility Association’s new report contains both additional information and has a very different layout than our previous reports to date.

- The new report is presented on a financial statement basis.
- The totals of all accident years are on the right side of the page.
- It provides an Operating Result for both the Pool Total and for Member’s Share for the current month, for fiscal year to date and for all years to date (see pages 1-4).
- “This month” figures are now available by accident year for Pool Total and for Member’s Share (see pages 1 & 3).
- “Fiscal year to date” figures are now available by accident year for Pool Total and Member’s Share (see pages 1 & 3).
- Balance Sheet figures are now available by accident year to accommodate regulatory and financial statement requirements - see pages 2, 4 & 8 (for 2 month projection figures).
- Memo items are provided by accident year as additional information for your actuaries, accountants, analysts, and management - see pages 2, 4 & 8 (for 2 month projection figures).

## **RISK SHARING POOL OPERATIONAL REPORT USER GUIDE**

- Account settlement information is shown on page 5: shows the Member's share of Pool results followed immediately by the "Account Reconciliation" of "Member's Share of Pool Results" and "Business Ceded to the Pool by Member".
- Page 6 and 7 shows "Reported by Member" provided for current month (page 6) and for years to date (page 7).
- Projections are provided on a calendar year basis for the Operating Result, for Balance Sheet items and for Memo items (see page 8).

### **The User Guide:**

To assist readers in understanding the new report layout, the following table sets out a more detailed breakdown of the type of information provided in each section and shows whether each income statement item is added or subtracted in coming up with the "Operating Result".

# RISK SHARING POOL OPERATIONAL REPORT USER GUIDE

Page Number	❖ Sections	Explanation
1	<p><b>POOL TOTAL</b></p> <ul style="list-style-type: none"> <li>❖ <b>This Month</b></li> <li>❖ <b>Fiscal Year to Date</b> (cumulative fiscal year) <ul style="list-style-type: none"> <li>• Presented on a financial statement basis</li> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p>+ Premiums Written (Transferred)  + Change in Unearned Premium  = <b>Premiums Earned (A)</b>  + Paid Losses  + Paid Expenses  + Change in Outstanding Losses  + Change in IBNR Provision  = <b>Claims Incurred (B)</b>  + Expense Allowance  + Administration Expense  + Change in Premium Deficiency(DPAC)  = <b>General Expenses (C)</b>  <b>OPERATING RESULT (A) – (B) – (C)</b></p>
2	<p><b>POOL TOTAL</b></p> <ul style="list-style-type: none"> <li>❖ <b>Years To Date</b> (cumulative all years since inception) <ul style="list-style-type: none"> <li>• Presented on a financial statement basis</li> <li>• Split by Accident Year</li> </ul> </li> </ul>  <ul style="list-style-type: none"> <li>❖ <b>Balance Sheet</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> </ul>  <ul style="list-style-type: none"> <li>❖ <b>Memo Items</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p>+ Premiums Written (Transferred)  + Change in Unearned Premium  = <b>Premiums Earned (A)</b>  + Paid Losses  + Paid Expenses  + Change in Outstanding Losses  + Change in IBNR Provision  = <b>Claims Incurred (B)</b>  + Expense Allowance  + Administration Expense  + Change in Premium Deficiency(DPAC)  = <b>General Expenses (C)</b>  <b>OPERATING RESULT (A) – (B) – (C)</b></p>  <p>Balance Sheet amounts are provided for inclusion in member’s financial statements as required.</p>  <p>Memo Item amounts are provided to use as appropriate by the member.</p>

# RISK SHARING POOL OPERATIONAL REPORT USER GUIDE

Page Number	❖ Sections	Explanation
3	<p><b>MEMBER'S SHARE</b></p> <ul style="list-style-type: none"> <li>❖ <b>This Month</b></li> <li>❖ <b>Fiscal Year to Date</b> <ul style="list-style-type: none"> <li>• Presented on a financial statement basis</li> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p>+ Premiums Written (Transferred)            + Change in Unearned Premium            = <b>Premiums Earned (A)</b>            + Paid Losses            + Paid Expenses            + Change in Outstanding Losses            + Change in IBNR Provision            = <b>Claims Incurred (B)</b>            + Expense Allowance            + Administration Expense            + Change in Premium Deficiency(DPAC)            = <b>General Expenses (C)</b>  <b>OPERATING RESULT (A) – (B) – (C)</b></p>
4	<p><b>MEMBER'S SHARE</b></p> <ul style="list-style-type: none"> <li>❖ <b>Years To Date</b> <ul style="list-style-type: none"> <li>• Presented on a financial statement basis</li> <li>• Split by Accident Year</li> </ul> </li>   <li>❖ <b>Balance Sheet</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li>   <li>❖ <b>Memo Items</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p>+ Premiums Written (Transferred)            + Change in Unearned Premium            = <b>Premiums Earned (A)</b>            + Paid Losses            + Paid Expenses            + Change in Outstanding Losses            + Change in IBNR Provision            = <b>Claims Incurred (B)</b>            + Expense Allowance            + Administration Expense            + Change in Premium Deficiency(DPAC)            = <b>General Expenses (C)</b>  <b>OPERATING RESULT (A) – (B) – (C)</b></p> <p>Balance Sheet amounts are provided for inclusion in member's financial statements as required.</p> <p>Memo Item amounts are provided to use as appropriate by the member.</p>

# RISK SHARING POOL OPERATIONAL REPORT USER GUIDE

Page Number	❖ Sections	Explanation
5	<ul style="list-style-type: none"> <li>❖ <b>Member's Share of Pool Results</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> <li>❖ <b>Account Reconciliation</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p>Member's Share of Pool Results for account settlement calculation.</p> <p>Amount due to / (from) Risk Sharing Pool is the amount in the <b>Total</b> column.</p>
6	<p><b>REPORTED BY MEMBER This Month</b></p> <ul style="list-style-type: none"> <li>❖ <b>Premium</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> <li>❖ <b>Normal Payments</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> <li>❖ <b>Special Payments</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> <li>❖ <b>Total Payments</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p><u>Gross</u>: Premium charged for risks transferred by the member to the Pool before any calculation of retained premium and expense allowance.  <u>Retained</u>: Portion of Gross Premium retained.  <u>Transferred</u>: Gross less Retained.  <u>Expense Allowance</u>: Percentage that is applied to the transferred premium.</p> <p><u>Gross Paid Losses</u>: Paid Losses for risks transferred by the member to the Pool before any calculation of retained amount.  <u>Retained Paid Losses</u>: Portion of Paid Losses retained.  <u>Transferred Paid Losses</u>: Gross less Retained.  <u>Gross Paid Expenses</u>: Paid Expenses for risks transferred by the member to the Pool before any calculation of retained amount.  <u>Retained Paid Expenses</u>: Portion of Paid Expenses retained.  <u>Transferred Paid Expenses</u>: Gross less Retained.</p> <p>Paid Loss and Paid Expense reimbursement to Member in advance of monthly Account Reconciliation, as per request.  See Normal Payments above for calculation explanation</p> <p>Total of Normal and Special Payment of Paid Losses and Paid Expenses.</p>

# RISK SHARING POOL OPERATIONAL REPORT USER GUIDE

Page Number	❖ Sections	Explanation
7	<p><b>REPORTED BY MEMBER</b> <b>Years To Date</b></p> <ul style="list-style-type: none"> <li>❖ <b>Retention</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li>   <li>❖ <b>Transferred</b> <ul style="list-style-type: none"> <li>• Split by Accident Year</li> </ul> </li> </ul>	<p>Portion of Gross Premium, Gross Paid Loss, and Gross Paid Expense computed by the system for retention.</p> <p><b>Note:</b> <u>Losses and Expenses</u> is the sum of Paid Losses and Expenses, and Outstanding Losses. <u>Outstanding Losses @previous fiscal year end</u> is not used in any calculation.</p> <p>Net = Transferred Premium less Expense Allowance. <b>Note:</b> <u>Losses and Expenses</u> is the sum of Paid Losses and Expenses, and Outstanding Losses. <u>Outstanding Losses @previous fiscal year end</u> is not used in any calculation.</p>
8	<p><b>PROJECTIONS</b></p> <ul style="list-style-type: none"> <li>❖ <b>Fiscal Year</b></li> <li>❖ <b>Balance Sheet</b></li> </ul>	<p>Projections provided for member use as appropriate</p> <p><b>Under Fiscal Year Section</b></p> <ul style="list-style-type: none"> <li>• column [1] shows the actual fiscal YTD results</li> <li>• column [2] is an estimate of the first month beyond the current accounting month</li> <li>• column [3] is an estimate of the second month beyond the current accounting month</li> <li>• column [4] is the current fiscal year's November estimate (remains until end of current fiscal year)</li> <li>• column [5] is the current year's December estimate (remains until end of current fiscal year)</li> <li>• column [6] is the year to date at 2 months beyond the current calendar month</li> <li>• column [7] is the year to date at 1 month beyond the current calendar month (estimated calendar month 2 months beyond the current calendar month)</li> <li>• column [8] is estimated calendar month 2 months beyond the current accounting month.</li> </ul> <p><b>Balance Sheet Section</b> (self explanatory)</p>