

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 013

DATE: FEBRUARY 26, 2016

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL
– JANUARY 2016 OPERATIONAL REPORT**

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

Please be advised that the January 2016 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 Net Result from Operations is -\$0.2 million and the incurred loss ratio to the end of 1 month is 89.2%, as summarized in the table below.

Amounts in \$000s	January 2016	January 2015	Year to date Jan 2016	Year to Date Jan 2015
Written Premiums	601	637	601	637
Earned Premiums	913	818	913	818
Incurred Losses	814	680	814	680
Underwriting Expenses and Others	278	281	278	281
Net Result from Operations	(179)	(143)	(179)	(143)
Ratios:				
Loss ratio % - Prior Accident Year	(2.7%)	(2.1%)	(2.7%)	(2.1%)
- Current Accident Years	91.9%	85.2%	91.9%	85.2%
<i>Total</i>	89.2%	83.1%	89.2%	83.1%
Underwriting & Admin Exp.%	30.4%	34.4%	30.4%	34.4%
Combined Operating Ratio	119.6%	117.5%	119.6%	117.5%

Rounding differences may apply.

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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 2016” attached to this bulletin.

Updated Projection to Year-end 2016

This month, the projected calendar year Net Result from Operations to December 2016 is now -\$3.0 million and the estimated combined operating ratio to December 2016 is 125.7%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$2.8 million and 124.2%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Net Result from Operations in the month of January 2016, a \$36 thousand deterioration from the same month last year.

Variances from Projections

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

January 2016	Actual	Projection	Difference	Difference %
Written Premiums	601	655	(54)	(8.2%)
Earned Premiums	913	936	(23)	(2.5%)
Reported Losses				
Paid Losses	270	656	(386)	(58.8%)
Loss Expenses Paid	26	29	(3)	(10.3%)
Change in Outstanding Losses	(95)	109	(204)	(187.2%)
Total Reported Losses	201	794	(593)	(74.7%)
Change in IBNR *	613	2	611	
Change in Premium Deficiency (DPAC) *	37	25	12	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP January 2016 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 above set thresholds and responds as appropriate. For this month the variances were within the threshold levels associated with monthly reporting volatility.

For the month of January 2016, reported losses were \$0.6 million lower than projected. The Current Accident Year had a \$0.2 million favourable variance in reported losses, and the Prior Accident Years had a \$0.4 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

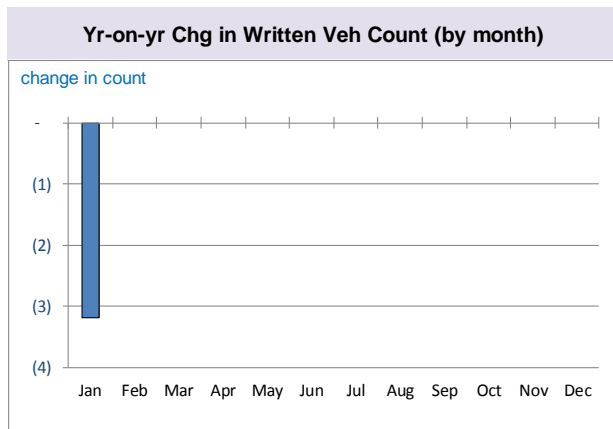
Booking IBNR

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 January 2016 Operational Report – Actuarial Highlights](#).

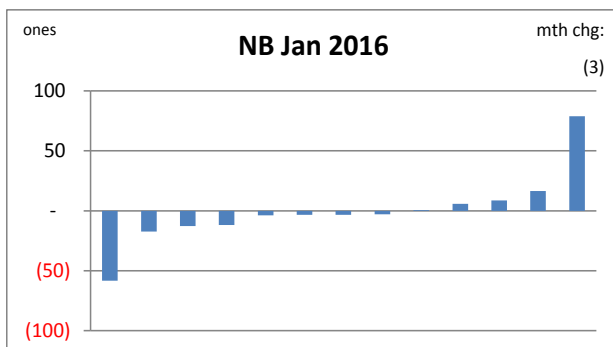
Effect of Quarterly Valuation

The January 2016 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, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected in the March 2016 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 January showing a decrease of 3 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 35 vehicles, indicating a variance of 38 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in January than projected.



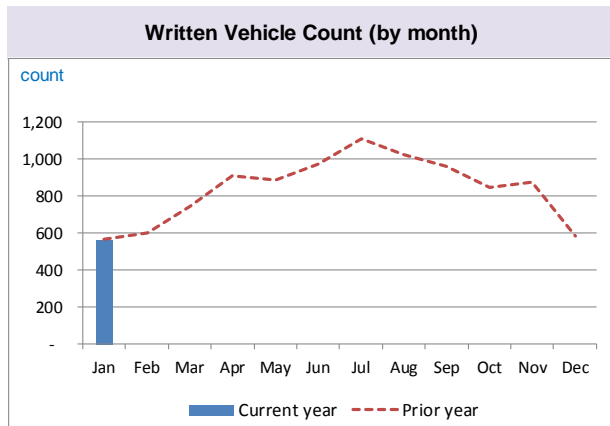
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 5 transferred more. Of the 8 member company

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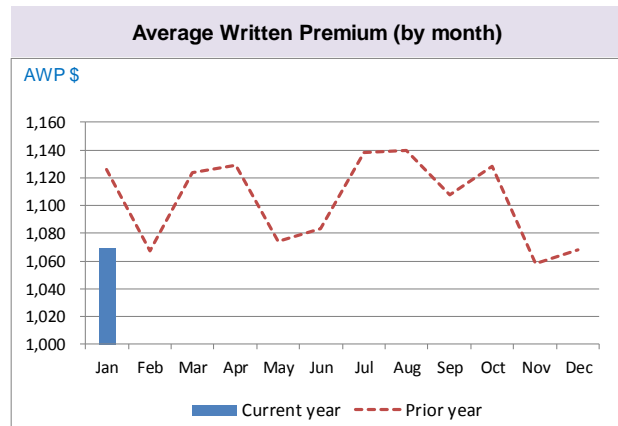
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groups transferring fewer vehicles, 1 member company group accounted for 51% of the total transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 71% of the total transfer increase for the “grower” members.

January’s vehicle count transfers to the pool represent a 0.6% decrease from January 2015. Average written premium was down 5.1% in January 2016 (see charts immediately below).

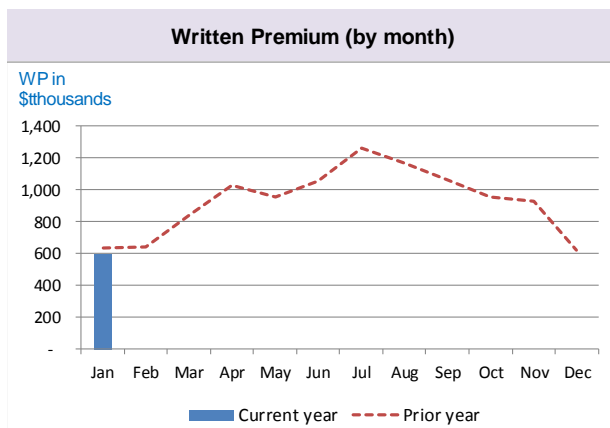


	Jan-16	Jan-15	Amt Chg	% Chg
W. Veh curr mth	563	566	(3)	-0.6%

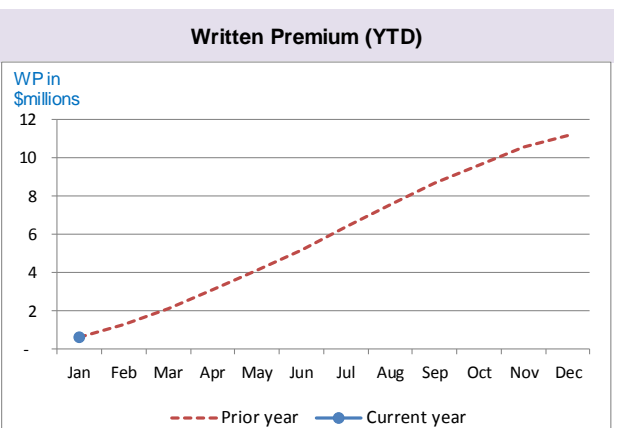


	Jan-16	Jan-15	Amt Chg	% Chg
AWP curr mth	1,069	1,126	(57)	-5.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 5.6% for the month compared with the 2.8% increase we projected last month (see charts below).



	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) curr mth	601	637	(36)	-5.6%



	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) YTD	601	637	(36)	-5.6%

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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 January 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016
Risk Sharing Pool - New Brunswick
Operating Results for 1 Month ended January 31, 2016 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$601	\$601	\$11,793	\$11,164
Decrease (Increase) in Unearned Premiums	312	312	(191)	(927)
Net Premiums Earned	\$913	\$913	\$11,602	\$10,237
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$23)	(\$23)	(\$23)	\$874
Effect of Discounting	(2)	(2)	(330)	43
Discounted	(\$25)	(\$25)	(\$353)	\$917
Current Accident Year:				
Undiscounted	\$757	\$757	\$9,372	\$8,624
Effect of Discounting	82	82	649	605
Discounted	\$839	\$839	\$10,021	\$9,229
Claims Incurred	\$814	\$814	\$9,668	\$10,146
Underwriting Expenses:				
Expense Allowance	\$212	\$212	\$4,154	\$3,889
Change in UPDR/DPAC:				
Undiscounted	60	60	47	(21)
Effect of Discounting	(23)	(23)	24	129
Discounted	37	37	71	\$108
Underwriting Expenses	\$249	\$249	\$4,225	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$150)	(\$2,291)	(\$3,906)
Administrative Expenses	\$29	\$29	\$682	\$509
Net Result from Operations	(\$179)	(\$179)	(\$2,973)	(\$4,415)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-2.7%	-2.7%	-3.0%	9.0%
Current Accident Year	91.9%	91.9%	86.4%	90.2%
All Accident Years Combined	89.2%	89.2%	83.4%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	30.4%	42.3%	44.0%
Combined Operating Ratio	119.6%	119.6%	125.7%	143.2%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply