

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 034

DATE: MAY 27, 2016

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

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

Please be advised that the April 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 \$2.0 million and the incurred loss ratio to the end of 4 months is 15.1%, as summarized in the table below.

Amounts in \$000s	April 2016	April 2015	Year to date Apr 2016	Year to Date Apr 2015
Written Premiums	798	1,028	2,582	3,148
Earned Premiums	835	813	3,500	3,204
Incurred Losses	676	612	528	2,619
Underwriting Expenses and Others	320	373	983	1,151
Net Result from Operations	(161)	(172)	1,989	(566)
Ratios:				
Loss ratio % - Prior Accident Year	(2.9%)	(3.4%)	(70.2%)	1.3%
- Current Accident Years	83.8%	78.7%	85.3%	80.5%
<i>Total</i>	80.9%	75.3%	15.1%	81.8%
Underwriting & Admin Exp.%	38.3%	45.9%	28.1%	35.9%
Combined Operating Ratio	119.2%	121.2%	43.2%	117.7%

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

The projected calendar year Net Result from Operations to December 2016 is \$0.2 million and the estimated combined operating ratio to December 2016 is 98.3%. This updated projection to the end of the year has not changed significantly from the projection provided last month (\$0.1 million and 98.8%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Net Result from Operations in the month of April 2016, an \$11 thousand improvement compared with the same month last year. This improvement is composed of an approximately \$16 thousand improvement stemming from the overall decrease in the combined ratio (from 121.2% to 119.2% applied to \$0.8 million in earned premium), offset by a \$5 thousand unfavourable impact associated with the \$22 thousand increase in earned premium (at a combined ratio of 121.2%).

This month’s results moved the year-to-date combined operating ratio from 19.4% at the end of 3 months to 43.2% at the end of 4 months. The 23.8 percentage point increase is composed of a 21.1 percentage point increase in the Prior Accident Year loss ratio, and a 3.2 percentage point increase in the expense ratio, offset by a 0.5 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 2016	Actual	Projection	Difference	Difference %
Written Premiums	798	1,020	(222)	(21.8%)
Earned Premiums	835	878	(43)	(4.9%)
Reported Losses				
Paid Losses	337	440	(103)	(23.4%)
Loss Expenses Paid	72	13	59	453.8%
Change in Outstanding Losses	404	192	212	110.4%
Total Reported Losses	813	645	168	26.0%
Change in IBNR *	(137)	63	(200)	
Change in Premium Deficiency (DPAC) *	5	(15)	20	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP April 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 April 2016, reported losses were \$0.2 million higher than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, while the Prior Accident Years had a \$36 thousand favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

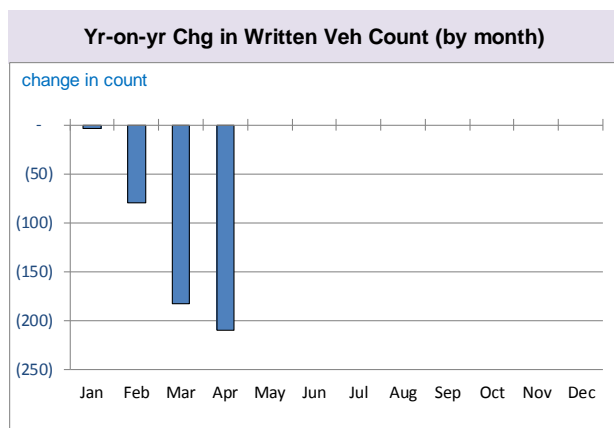
Booking IBNR

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

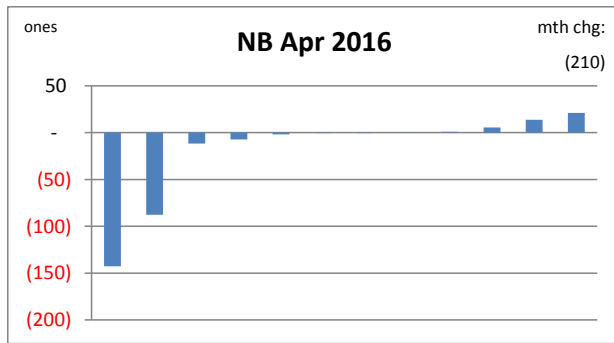
Effect of Quarterly Valuation

The April 2016 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, 2015). The actuarial valuation will be updated next as at March 31, 2016 and we anticipate that the results will be reflected in the May 2016 Operational Report.

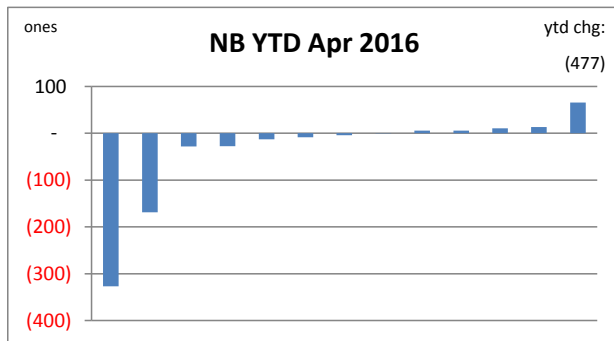
Management Comments



The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with April showing a decrease of 210 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 2 vehicle, indicating a variance of 212 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.

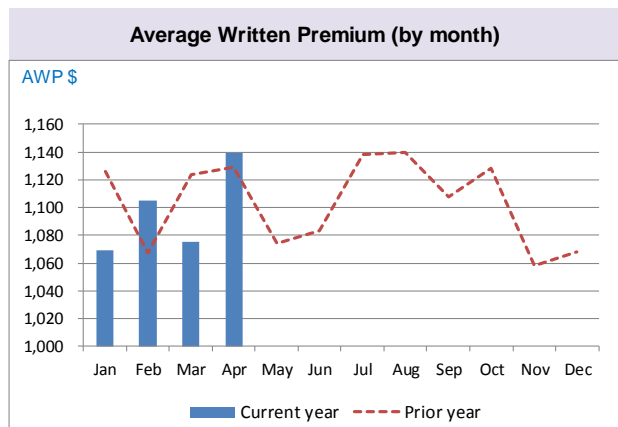
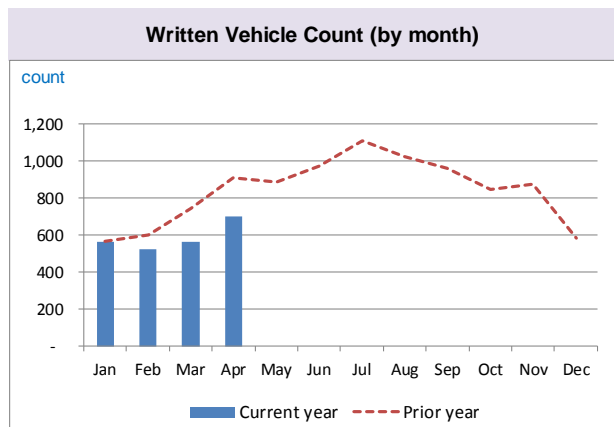


The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 5 transferred more. Of the 7 member company groups transferring fewer vehicles, 2 member company groups accounted for 91% of the total transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 2 member company groups accounted for 84% 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 23.1% decrease from April 2015, and counts were down 16.9% year-to-date. Average written premium was up 0.9% in April 2016, but down 1.3% year-to-date (see charts immediately below and at the top of the next page).

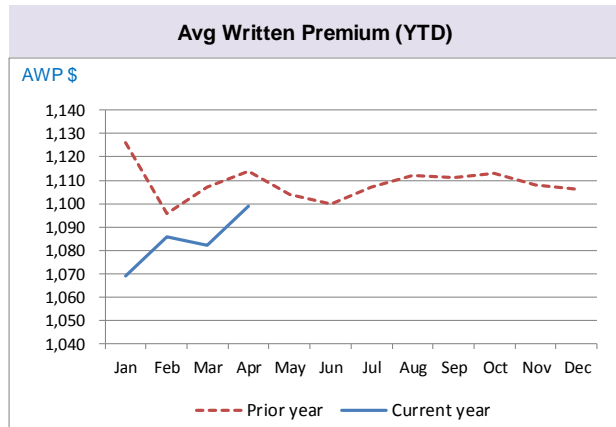
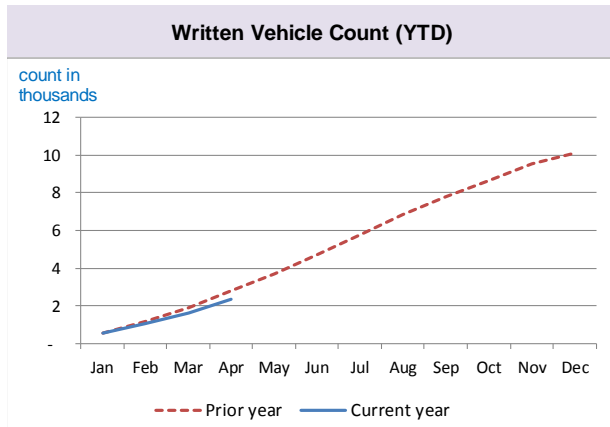


	Apr-16	Apr-15	Amt Chg	% Chg
W. Veh curr mth	700	910	(210)	-23.1%

	Apr-16	Apr-15	Amt Chg	% Chg
AWP curr mth	1,139	1,129	10	0.9%

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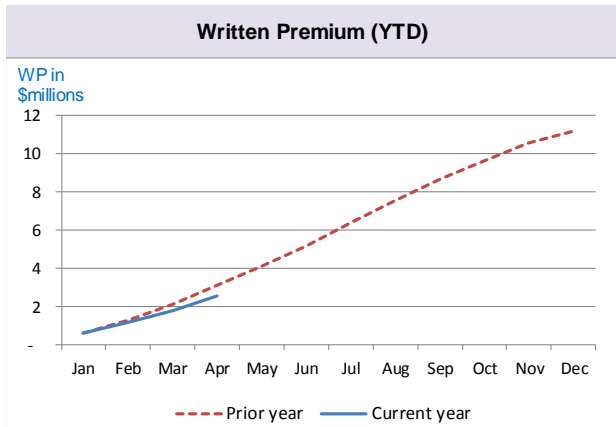
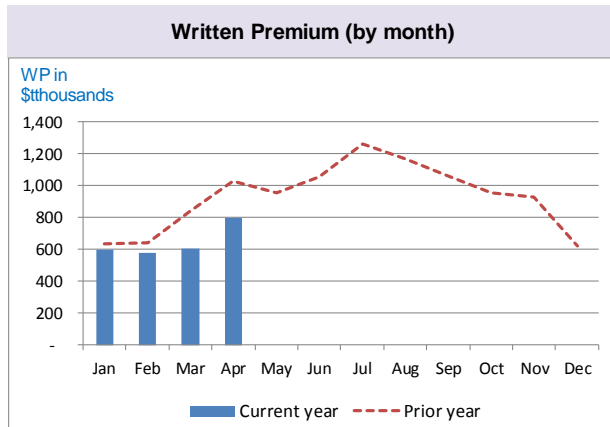
New Brunswick Risk Sharing Pool – April 2016 Operational Report



	Apr-16	Apr-15	Amt Chg	% Chg
W. Vehicles YTD	2,349	2,826	(477)	-16.9%

	Apr-16	Apr-15	Amt Chg	% Chg
Avg W. Prem YTD	1,099	1,114	(15)	-1.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 22.4% for the month compared with the 0.7% decrease we projected last month, and was down 18.0% year-to-date (see charts immediately below).



	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) curr mth	798	1,028	(230)	-22.4%

	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) YTD	2,582	3,148	(565)	-18.0%

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 April 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$601	\$578	\$605	\$798	\$2,582	\$10,792	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	37	918	22	(927)
Net Premiums Earned	\$913	\$863	\$889	\$835	\$3,500	\$10,814	\$10,237
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$8)	(\$2,199)	(\$2,199)	\$874
Effect of Discounting	(2)	(33)	(208)	(16)	(259)	(470)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$24)	(\$2,458)	(\$2,669)	\$917
Current Accident Year:							
Undiscounted	\$757	\$700	\$646	\$657	\$2,760	\$8,437	\$8,624
Effect of Discounting	82	46	55	43	226	576	605
Discounted	\$839	\$746	\$701	\$700	\$2,986	\$9,013	\$9,229
Claims Incurred	\$814	\$709	(\$1,671)	\$676	\$528	\$6,344	\$10,146
Underwriting Expenses:							
Expense Allowance	\$212	\$204	\$213	\$281	\$910	\$3,801	\$3,889
Change in UPDR/DPAC:							
Undiscounted	60	40	(89)	9	20	(112)	(21)
Effect of Discounting	(23)	(23)	(35)	(4)	(85)	(10)	129
Discounted	37	17	(124)	5	(65)	(122)	\$108
Underwriting Expenses	\$249	\$221	\$89	\$286	\$845	\$3,679	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$67)	\$2,471	(\$127)	\$2,127	\$791	(\$3,906)
Administrative Expenses	\$29	\$36	\$39	\$34	\$138	\$616	\$509
Net Result from Operations	(\$179)	(\$103)	\$2,432	(\$161)	\$1,989	\$175	(\$4,415)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-2.7%	-4.3%	-266.8%	-2.9%	-70.2%	-24.7%	9.0%
Current Accident Year	91.9%	86.4%	78.9%	83.8%	85.3%	83.3%	90.2%
All Accident Years Combined	89.2%	82.1%	-187.9%	80.9%	15.1%	58.6%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	14.4%	38.3%	28.1%	39.7%	44.0%
Combined Operating Ratio	119.6%	111.9%	-173.5%	119.2%	43.2%	98.3%	143.2%

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