

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 062

DATE: AUGUST 29, 2016

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

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

Please be advised that the July 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 \$1.7 million and the incurred loss ratio to the end of 7 months is 37.0%, as summarized in the table below.

Amounts in \$000s	July 2016	July 2015	Year to date Jul 2016	Year to Date Jul 2015
Written Premiums	1,043	1,262	5,339	6,423
Earned Premiums	823	872	5,942	5,763
Incurred Losses	635	745	2,201	4,299
Underwriting Expenses and Others	388	400	2,075	2,519
Net Result from Operations	(200)	(273)	1,666	(1,055)
Ratios:				
Loss ratio % - Prior Accident Year	(7.5%)	(1.7%)	(48.8%)	(12.4%)
- Current Accident Years	84.7%	87.2%	85.8%	87.0%
Total	77.2%	85.5%	37.0%	74.6%
Underwriting & Admin Exp.%	47.1%	45.9%	34.9%	43.7%
Combined Operating Ratio	124.3%	131.4%	71.9%	118.3%

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 \$1.1 million and the estimated combined operating ratio to December 2016 is 89.0%. This updated projection to the end of the year has not changed significantly from the projection provided last month (\$1.1 million and 89.5%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Net Result from Operations in the month of July 2016, a \$73 thousand improvement compared with the same month last year. This improvement is composed of a \$15 thousand favourable impact associated with the \$50 thousand decrease in earned premium (at a combined ratio of 131.4%), with the remaining \$58 thousand improvement stemming from the overall decrease in the combined ratio (from 131.4% to 124.3% applied to \$0.8 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 63.6% at the end of 6 months to 71.9% at the end of 7 months. The 8.3 percentage point increase is composed of a 6.6 percentage point increase in the Prior Accident Year loss ratio, and a 1.9 percentage point increase in the expense ratio, offset by a 0.2 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.

July 2016	Actual	Projection	Difference	Difference %
Written Premiums	1,043	1,012	31	3.1%
Earned Premiums	823	853	(30)	(3.5%)
Reported Losses				
Paid Losses	634	481	153	31.8%
Loss Expenses Paid	87	18	69	383.3%
Change in Outstanding Losses	(325)	265	(590)	(222.6%)
Total Reported Losses	396	764	(368)	(48.2%)
Change in IBNR *	239	(76)	315	
Change in Premium Deficiency (DPAC) *	(24)	(17)	(7)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP July 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 beyond set thresholds and responds as appropriate.

For the month of July 2016, reported losses were \$0.4 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 \$0.2 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for paid claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

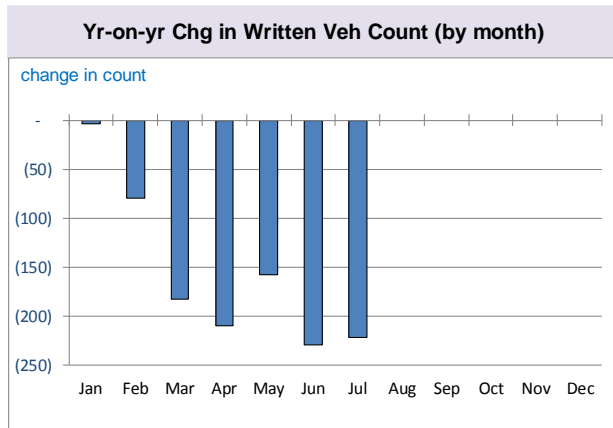
Booking IBNR

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

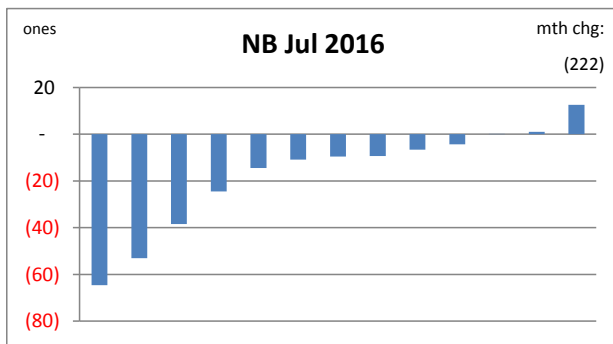
Effect of Quarterly Valuation

The July 2016 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2016). The actuarial valuation will be updated next as at June 30, 2016 and we anticipate that the results will be reflected in the August 2016 Operational Report.

Management Comments

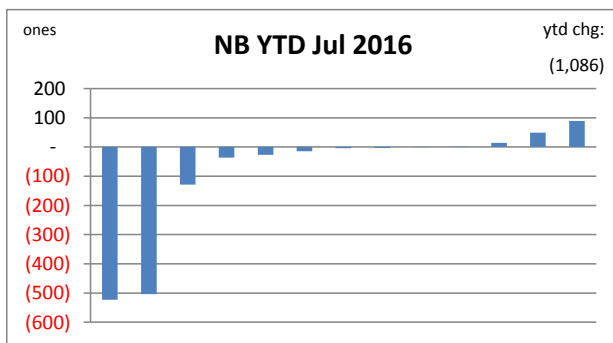


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with July showing a decrease of 222 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 200 vehicles, indicating a variance of 22 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in July than projected.



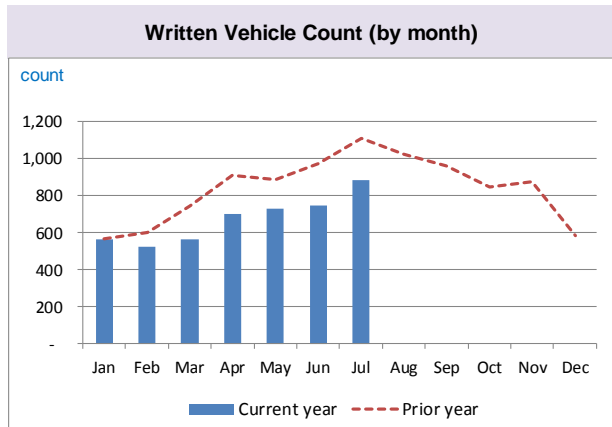
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Ten member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 3 transferred more. Of the 10 member company groups transferring fewer vehicles, 2 member company groups accounted for 50% of the total transfer decrease for the “decliner” members. Of the 3 member company groups transferring more vehicles, 1 member company group accounted for 92% of the total transfer increase for the “grower” members.

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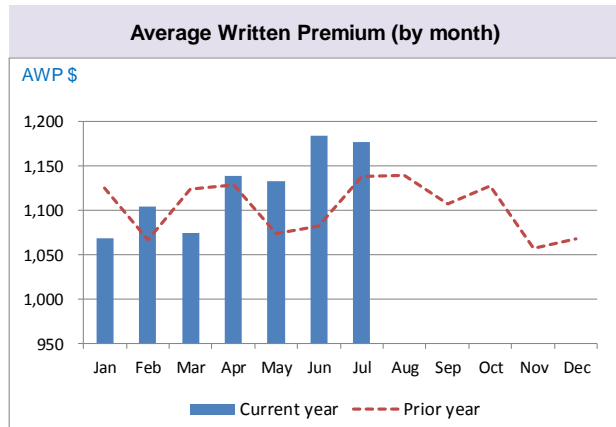


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

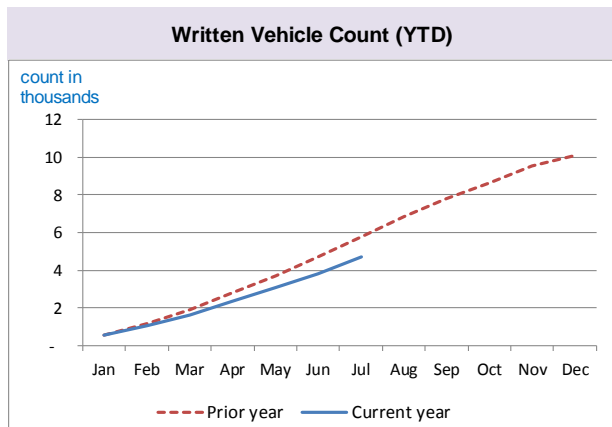
July’s vehicle count transfers to the pool represent a 20.0% decrease from July 2015, and counts were down 18.7% year-to-date. Average written premium was up 3.4% in July 2016, and up 2.3% year-to-date (see charts at the top of the next page).



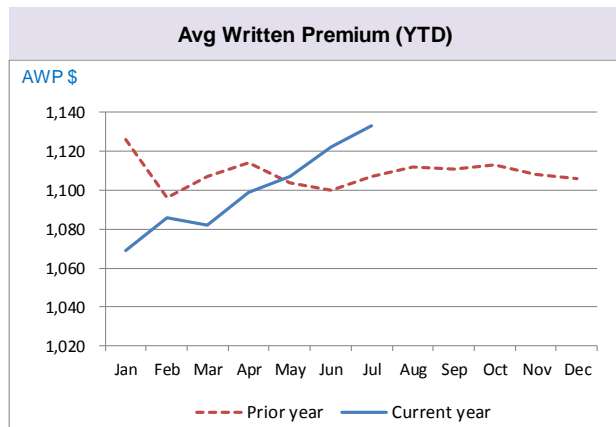
	Jul-16	Jul-15	Amt Chg	% Chg
W. Veh curr mth	887	1,109	(222)	-20.0%



	Jul-16	Jul-15	Amt Chg	% Chg
AWP curr mth	1,177	1,138	39	3.4%



	Jul-16	Jul-15	Amt Chg	% Chg
W. Vehicles YTD	4,715	5,801	(1,086)	-18.7%

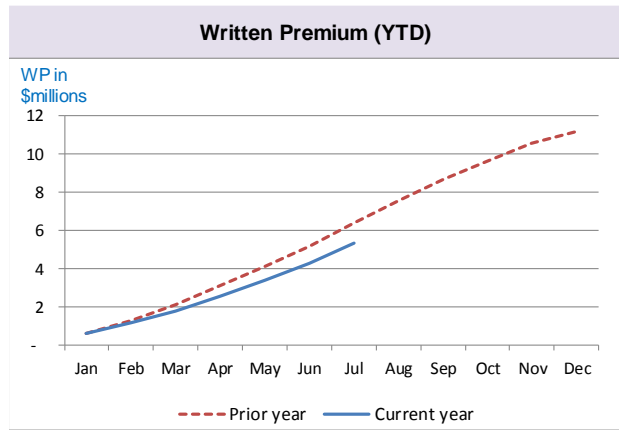
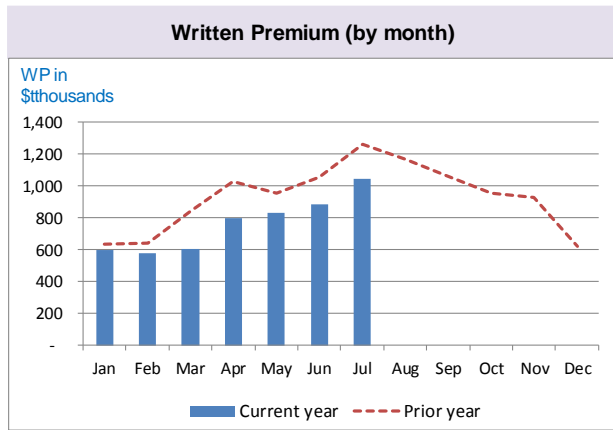


	Jul-16	Jul-15	Amt Chg	% Chg
Avg W. Prem YTD	1,133	1,107	26	2.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 17.3% for the month compared with the 19.8% decrease we projected last month, and was down 16.9% year-to-date (see charts at the top of the next page).

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New Brunswick Risk Sharing Pool – July 2016 Operational Report



	Jul-16	Jul-15	Amt Chg	% Chg
WP (\$000s) curr mth	1,043	1,262	(218)	-17.3%

	Jul-16	Jul-15	Amt Chg	% Chg
WP (\$000s) YTD	5,340	6,422	(1,082)	-16.9%

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 July 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - New Brunswick

Operating Results for the 7 Months Ended July 31, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:										
Net Premiums Written	\$601	\$578	\$605	\$798	\$830	\$884	\$1,043	\$5,339	\$8,967	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	37	1	(96)	(220)	603	947	(927)
Net Premiums Earned	\$913	\$863	\$889	\$835	\$831	\$788	\$823	\$5,942	\$9,914	\$10,237
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$8)	(\$287)	(\$6)	(\$6)	(\$2,498)	(\$2,497)	\$874
Effect of Discounting	(2)	(33)	(208)	(16)	(83)	(2)	(56)	(400)	(586)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$24)	(\$370)	(\$8)	(\$62)	(\$2,898)	(\$3,083)	\$917
Current Accident Year:										
Undiscounted	\$757	\$700	\$646	\$657	\$684	\$625	\$649	\$4,718	\$7,828	\$8,624
Effect of Discounting	82	46	55	43	57	50	48	381	493	605
Discounted	\$839	\$746	\$701	\$700	\$741	\$675	\$697	\$5,099	\$8,321	\$9,229
Claims Incurred	\$814	\$709	(\$1,671)	\$676	\$371	\$667	\$635	\$2,201	\$5,238	\$10,146
Underwriting Expenses:										
Expense Allowance	\$212	\$204	\$213	\$281	\$292	\$311	\$367	\$1,880	\$3,158	\$3,889
Change in UPDR/DPAC:										
Undiscounted	60	40	(89)	9	25	(19)	(42)	(16)	39	(21)
Effect of Discounting	(23)	(23)	(35)	(4)	9	5	18	(53)	(81)	129
Discounted	37	17	(124)	5	34	(14)	(24)	(69)	(42)	\$108
Underwriting Expenses	\$249	\$221	\$89	\$286	\$326	\$297	\$343	\$1,811	\$3,116	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$67)	\$2,471	(\$127)	\$134	(\$176)	(\$155)	\$1,930	\$1,560	(\$3,906)
Administrative Expenses	\$29	\$36	\$39	\$34	\$43	\$38	\$45	\$264	\$473	\$509
Net Result from Operations	(\$179)	(\$103)	\$2,432	(\$161)	\$91	(\$214)	(\$200)	\$1,666	\$1,087	(\$4,415)
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	-2.7%	-4.3%	-266.8%	-2.9%	-44.5%	-1.0%	-7.5%	-48.8%	-31.1%	9.0%
Current Accident Year	91.9%	86.4%	78.9%	83.8%	89.2%	85.7%	84.7%	85.8%	83.9%	90.2%
All Accident Years Combined	89.2%	82.1%	-187.9%	80.9%	44.7%	84.7%	77.2%	37.0%	52.8%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	14.4%	38.3%	44.4%	42.5%	47.1%	34.9%	36.2%	44.0%
Combined Operating Ratio	119.6%	111.9%	-173.5%	119.2%	89.1%	127.2%	124.3%	71.9%	89.0%	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