



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 072

DATE: SEPTEMBER 28, 2016

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

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

Please be advised that the August 2016 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

New This Month

Valuation

A valuation of the New Brunswick Risk Sharing Pool (“RSP”) as at June 30, 2016 has been completed since last month’s Operational Report and the results of that valuation have been incorporated into this month’s Operational Report. The valuation was completed by the Facility Association’s internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

The implementation of the new valuation resulted in an estimated overall **\$0.9 million favourable** impact on the month’s net result from operations, subtracting an estimated 14.1 points from the year-to-date Combined Operating Ratio (ending at 64.8%). The impact is summarized in the tables at the top of the next page¹.

¹ In the tables, “ults & payout patterns” refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; “dscst rate” refers to the impact of changes in the selected discount rate applied to projected cashflows; and “apv adj.” refers to “actuarial present value adjustments”.

Bulletin F16-072
New Brunswick Risk Sharing Pool – August 2016 Operational Report

NB	unfav / (fav) for the month and ytd						ytd EP 6,736 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(133)	(66)	(199)	26	(359)	(532)	(2.0%)	(1.0%)	(3.0%)	0.4%	(5.3%)	(7.9%)
CAY	(185)	(23)	(208)	8	(64)	(264)	(2.7%)	(0.3%)	(3.1%)	0.1%	(1.0%)	(3.9%)
Prem Def	(100)	(14)	(114)	9	(48)	(153)	(1.5%)	(0.2%)	(1.7%)	0.1%	(0.7%)	(2.3%)
TOTAL	(418)	(103)	(521)	43	(471)	(949)	(6.2%)	(1.5%)	(7.7%)	0.6%	(7.0%)	(14.1%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.5 million favourable impact – see column [3] in the left table above), and the impact of a 6 basis point decrease in the selected discount rate (from 0.63% to 0.57%, generating a \$43 thousand unfavourable impact – see column [4] in the left table above). Finally, there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points) but the margins for adverse deviation for claims development as selected at the coverage / accident year level were updated with this valuation (generating a \$0.5 million favourable impact – see column [5] in the left table above).

Please see “Effect of Quarterly Valuation” further in this bulletin for additional details on the impacts of the updated valuation.

Summary of Financial Results

The calendar year-to-date Net Result from Operations is \$2.4 million and the incurred loss ratio to the end of 8 months is 30.5%, as summarized in the table below.

Amounts in \$000s	August 2016	August 2015	Year to date Aug 2016	Year to Date Aug 2015
Written Premiums	1,090	1,169	6,429	7,592
Earned Premiums	794	878	6,736	6,641
Incurred Losses	(144)	2,333	2,057	6,632
Underwriting Expenses and Others	237	611	2,312	3,130
Net Result from Operations	701	(2,066)	2,367	(3,121)
Ratios:				
Loss ratio % - Prior Accident Year	(69.1%)	160.0%	(51.2%)	10.4%
- Current Accident Years	51.0%	105.7%	81.7%	89.5%
<i>Total</i>	(18.1%)	265.7%	30.5%	99.9%
Underwriting & Admin Exp.%	29.8%	69.6%	34.3%	47.1%
Combined Operating Ratio	11.7%	335.3%	64.8%	147.0%

Rounding differences may apply.

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 \$1.9 million and the estimated combined operating ratio to December 2016 is 81.0%. This updated projection to the end of the year has improved by \$0.8 million from the projection provided last month (\$1.1 million and 89.0%), mainly due to the impact of the valuation as at June 30, 2016, as summarized in the table below (see more information under “Effect of Quarterly Valuation”). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

NB	unfav / (fav) projected for full year						year EP 10,009 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(133)	(58)	(191)	19	(328)	(500)	(1.3%)	(0.6%)	(1.9%)	0.2%	(3.3%)	(5.0%)
CAY	(273)	(32)	(305)	9	(76)	(372)	(2.7%)	(0.3%)	(3.0%)	0.1%	(0.8%)	(3.7%)
Prem Def	(44)	(9)	(53)	8	(43)	(88)	(0.4%)	(0.1%)	(0.5%)	0.1%	(0.4%)	(0.9%)
TOTAL	(450)	(99)	(549)	36	(447)	(960)	(4.5%)	(1.0%)	(5.5%)	0.4%	(4.5%)	(9.6%)

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$0.7 million Net Result from Operations in the month of August 2016, a \$2.8 million improvement compared with the same month last year. This improvement is composed of an estimated \$0.2 million favourable impact associated with the \$0.1 million decrease in earned premium (at a combined ratio of 335.3%), with the remaining \$2.6 million improvement stemming from the overall decrease in the combined ratio (from 335.3% to 11.7% applied to \$0.8 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month’s results moved the year-to-date combined operating ratio from 71.9% at the end of 7 months to 64.8% at the end of 8 months. The 7.1 percentage point decrease is composed of a 2.4 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 4.1 percentage point decrease in the Current Accident Year loss ratio, and a 0.6 percentage point decrease in the expense ratio.

Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

August 2016	Actual	Projection	Difference	Difference %
Written Premiums	1,090	932	158	17.0%
Earned Premiums	794	825	(31)	(3.8%)
Reported Losses				
Paid Losses	356	440	(84)	(19.1%)
Loss Expenses Paid	32	14	18	128.6%
Change in Outstanding Losses	88	186	(98)	(52.7%)
Total Reported Losses	476	640	(164)	(25.6%)
Change in IBNR *	(620)	29	(649)	
Change in Premium Deficiency (DPAC) *	(189)	(16)	(173)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP August 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 August 2016, reported losses were \$0.2 million lower than projected. The Current Accident Year had a \$43 thousand unfavourable variance in reported losses, while 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.

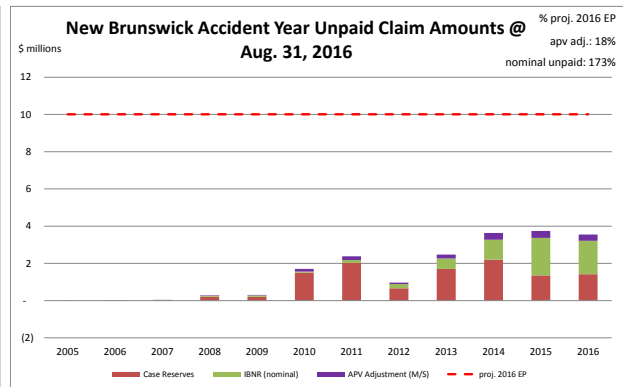
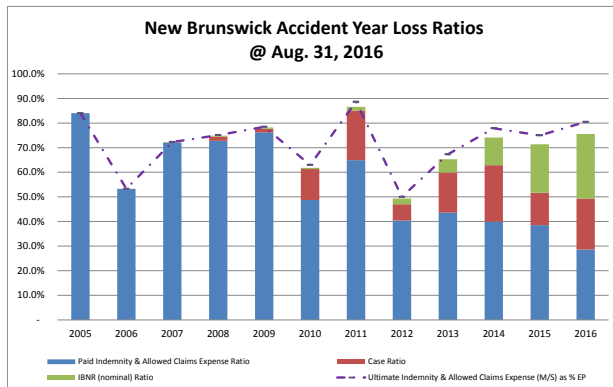
The variances for paid claims activity for the Prior Accident Years were beyond the set threshold for the month. Management investigated the variance and is satisfied it is appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

Effect of Quarterly Valuation

The August 2016 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at June 30, 2016 with the associated impacts in relation to the results for August 2016 summarized in the table immediately below.

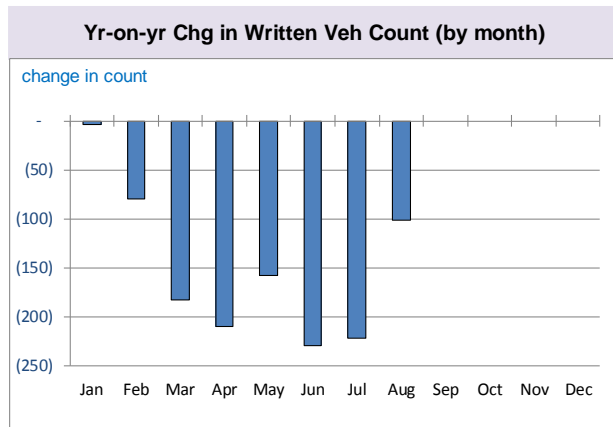
NB	unfav / (fav) for the month and ytd						mth EP 794 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate		margins	ults & payout patterns			dsct rate		margins
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(133)	(66)	(199)	26	(359)	(532)	(16.8%)	(8.3%)	(25.1%)	3.3%	(45.2%)	(67.0%)
CAY	(185)	(23)	(208)	8	(64)	(264)	(23.3%)	(2.9%)	(26.2%)	1.0%	(8.1%)	(33.2%)
Prem Def	(100)	(14)	(114)	9	(48)	(153)	(12.6%)	(1.8%)	(14.4%)	1.1%	(6.0%)	(19.3%)
TOTAL	(418)	(103)	(521)	43	(471)	(949)	(52.6%)	(13.0%)	(65.6%)	5.4%	(59.3%)	(119.5%)

The charts immediately below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.

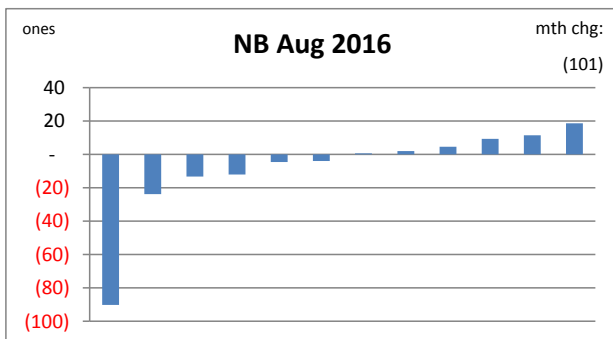


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP August 2016 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at June 30, 2016](#). The actuarial valuation will be updated next as at September 30, 2016 and we anticipate the results will be reflected in the October 2016 Operational Report.

Management Comments

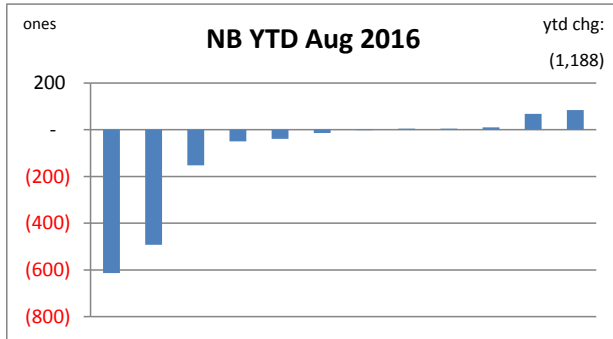


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with August showing a decrease of 101 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 200 vehicles, indicating a variance of 99 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in August than projected.



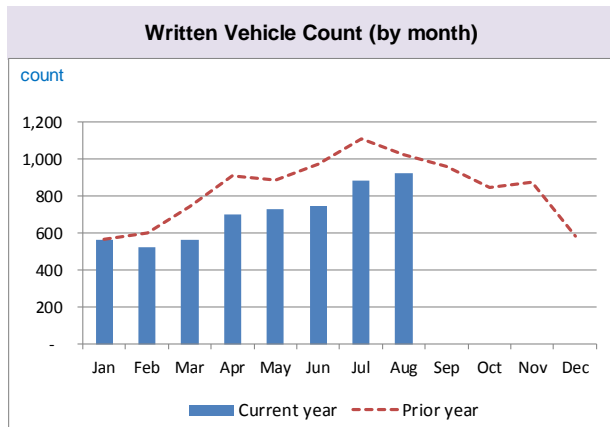
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 6 transferred more. Of the 6 member company groups transferring fewer vehicles, 1 member

company group accounted for 61% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 40% of the total transfer increase for the “grower” members.

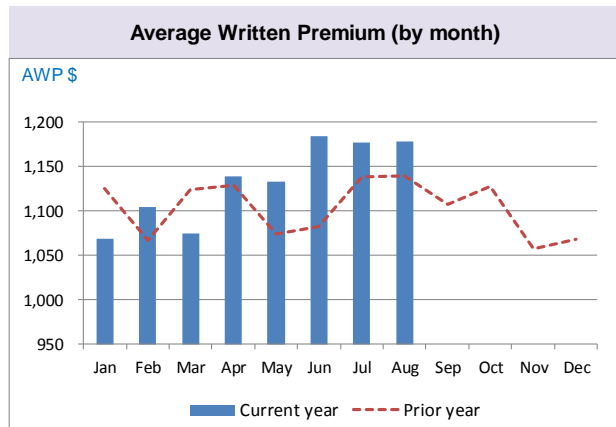


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

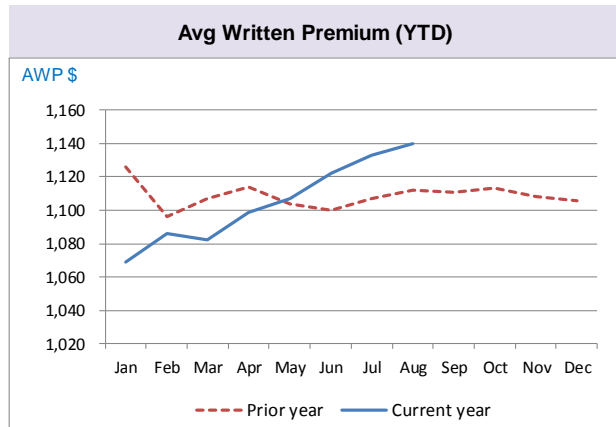
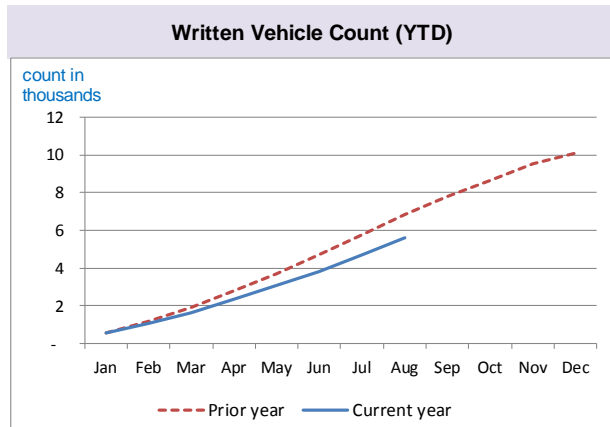
August’s vehicle count transfers to the pool represent a 9.9% decrease from August 2015, and counts were down 17.4% year-to-date. Average written premium was up 3.4% in August 2016, and up 2.5% year-to-date (see charts immediately below and at the top of the next page).



	Aug-16	Aug-15	Amt Chg	% Chg
W. Veh curr mth	925	1,026	(101)	-9.9%



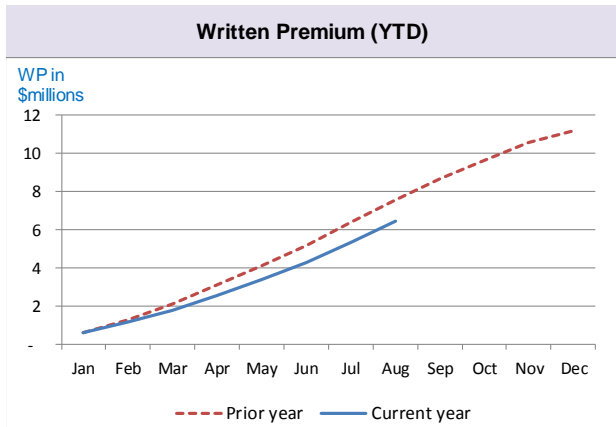
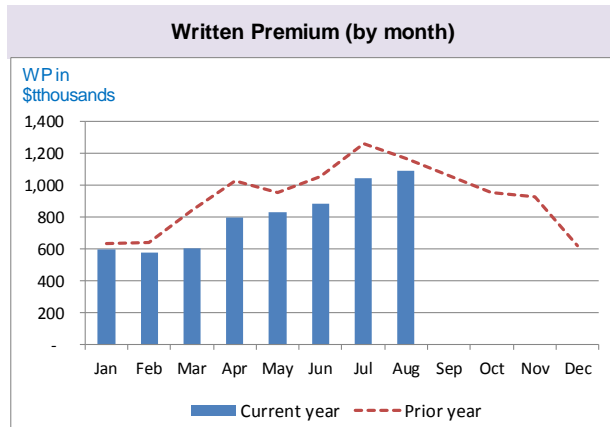
	Aug-16	Aug-15	Amt Chg	% Chg
AWP curr mth	1,179	1,140	39	3.4%



	Aug-16	Aug-15	Amt Chg	% Chg
W. Vehicles YTD	5,639	6,827	(1,188)	-17.4%

	Aug-16	Aug-15	Amt Chg	% Chg
Avg W. Prem YTD	1,140	1,112	28	2.5%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 6.7% for the month compared with the 20.3% decrease we projected last month, and was down 15.3% year-to-date (see charts immediately below).



	Aug-16	Aug-15	Amt Chg	% Chg
WP (\$000s) curr mth	1,090	1,169	(79)	-6.7%

	Aug-16	Aug-15	Amt Chg	% Chg
WP (\$000s) YTD	6,430	7,591	(1,161)	-15.3%

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 August 2016 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at June 30, 2016](#)

[Actuarial Quarterly Valuation Highlights Exhibits – New Brunswick RSP](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 8 Months Ended August 31, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	May	June	July	August	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:											
Net Premiums Written	\$601	\$578	\$605	\$798	\$830	\$884	\$1,043	\$1,090	\$6,429	\$9,428	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	37	1	(96)	(220)	(296)	307	581	(927)
Net Premiums Earned	\$913	\$863	\$889	\$835	\$831	\$788	\$823	\$794	\$6,736	\$10,009	\$10,237
Claims Incurred:											
Prior Accident Years:											
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$8)	(\$287)	(\$6)	(\$6)	(\$149)	(\$2,647)	(\$2,646)	\$874
Effect of Discounting	(2)	(33)	(208)	(16)	(83)	(2)	(56)	(400)	(800)	(927)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$24)	(\$370)	(\$8)	(\$62)	(\$549)	(\$3,447)	(\$3,573)	\$917
Current Accident Year:											
Undiscounted	\$757	\$700	\$646	\$657	\$684	\$625	\$649	\$453	\$5,171	\$7,647	\$8,624
Effect of Discounting	82	46	55	43	57	50	48	(48)	333	404	605
Discounted	\$839	\$746	\$701	\$700	\$741	\$675	\$697	\$405	\$5,504	\$8,051	\$9,229
Claims Incurred	\$814	\$709	(\$1,671)	\$676	\$371	\$667	\$635	(\$144)	\$2,057	\$4,478	\$10,146
Underwriting Expenses:											
Expense Allowance	\$212	\$204	\$213	\$281	\$292	\$311	\$367	\$384	\$2,264	\$3,321	\$3,889
Change in UPDR/DPAC:											
Undiscounted	60	40	(89)	9	25	(19)	(42)	(159)	(175)	(74)	(21)
Effect of Discounting	(23)	(23)	(35)	(4)	9	5	18	(30)	(83)	(96)	129
Discounted	37	17	(124)	5	34	(14)	(24)	(189)	(258)	(170)	\$108
Underwriting Expenses	\$249	\$221	\$89	\$286	\$326	\$297	\$343	\$195	\$2,006	\$3,151	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$67)	\$2,471	(\$127)	\$134	(\$176)	(\$155)	\$743	\$2,673	\$2,380	(\$3,906)
Administrative Expenses	\$29	\$36	\$39	\$34	\$43	\$38	\$45	\$42	\$306	\$483	\$509
Net Result from Operations	(\$179)	(\$103)	\$2,432	(\$161)	\$91	(\$214)	(\$200)	\$701	\$2,367	\$1,897	(\$4,415)
Ratios:											
Claims & Expenses Incurred (Earned)											
Prior Accident Years	-2.7%	-4.3%	-266.8%	-2.9%	-44.5%	-1.0%	-7.5%	-69.1%	-51.2%	-35.7%	9.0%
Current Accident Year	91.9%	86.4%	78.9%	83.8%	89.2%	85.7%	84.7%	51.0%	81.7%	80.4%	90.2%
All Accident Years Combined	89.2%	82.1%	-187.9%	80.9%	44.7%	84.7%	77.2%	-18.1%	30.5%	44.7%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	14.4%	38.3%	44.4%	42.5%	47.1%	29.8%	34.3%	36.3%	44.0%
Combined Operating Ratio	119.6%	111.9%	-173.5%	119.2%	89.1%	127.2%	124.3%	11.7%	64.8%	81.0%	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