

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 099

DATE: DECEMBER 22, 2016

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

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

Please be advised that the November 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 Operating Result is \$1.4 million and the incurred loss ratio to the end of 11 months is 47.5%, as summarized in the table below.

Amounts in \$000s	November 2016	November 2015	Year to date Nov 2016	Year to Date Nov 2015
Premiums Written	710	930	9,120	10,541
Premiums Earned	780	895	9,123	9,296
Claims Incurred	591	772	4,330	9,373
General Expenses	319	332	3,360	4,250
Operating Result	(130)	(209)	1,433	(4,327)
Ratios:				
Loss ratio % - Prior Accident Years	(3.2%)	(4.4%)	(32.8%)	10.5%
- Current Accident Year	79.0%	90.6%	80.3%	90.4%
<i>Total</i>	75.8%	86.2%	47.5%	100.9%
General Expenses %	40.9%	37.1%	36.8%	45.7%
Combined Operating Ratio	116.7%	123.3%	84.3%	146.6%

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 Operating Result to December 2016 is \$1.3 million and the estimated combined operating ratio to December 2016 is 87.0%. This updated projection to the end of the year has not changed significantly from the projection provided last month (\$1.3 million and 87.5%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of November 2016, a \$79 thousand improvement compared with the same month last year. This improvement is composed of an estimated \$27 thousand favourable impact associated with the \$0.1 million decrease in earned premium (at a combined ratio of 123.3%), with the remaining \$52 thousand improvement stemming from the overall decrease in the combined ratio (from 123.3% to 116.7% applied to \$0.8 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 81.2% at the end of 10 months to 84.3% at the end of 11 months. The 3.1 percentage point increase is composed of a 2.8 percentage point increase in the Prior Accident Years loss ratio, and a 0.4 percentage point increase in the expense ratio, offset by a 0.1 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.

November 2016	Actual	Projection	Difference	Difference %
Premiums Written	710	931	(221)	(23.7%)
Premiums Earned	780	830	(50)	(6.0%)
Reported Losses				
Paid Losses	473	598	(125)	(20.9%)
Paid Expenses	20	15	5	33.3%
Change in Outstanding Losses	61	(111)	172	155.0%
Total Reported Losses	554	502	52	10.4%
Change in IBNR Provision *	37	114	(77)	
Change in Premium Deficiency (DPAC) *	30	17	13	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP November 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 November 2016, reported losses were \$0.1 million higher than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, while the Prior Accident Years had a \$0.2 million unfavourable 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.

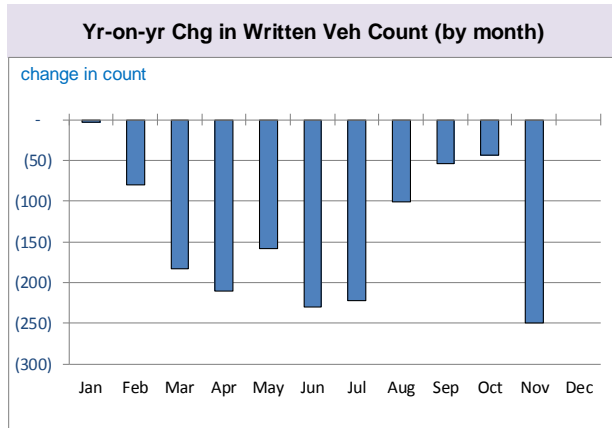
Booking IBNR

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

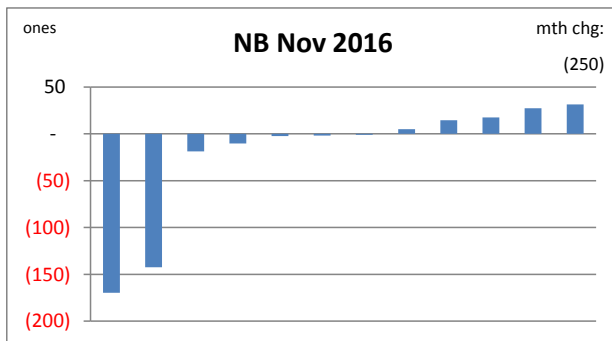
Effect of Quarterly Valuation

The November 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, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected in the March 2017 Operational Report.

Management Comments

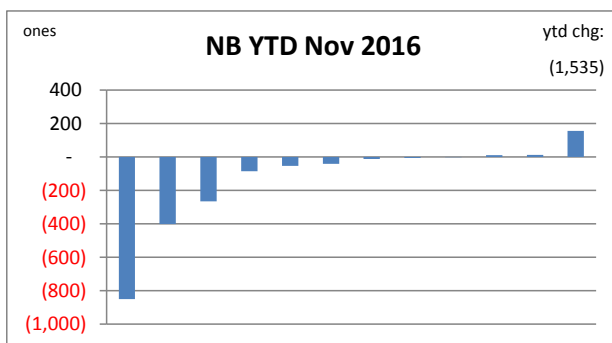


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November showing a decrease of 250 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 44 vehicles, indicating a variance of 206 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in November than projected.



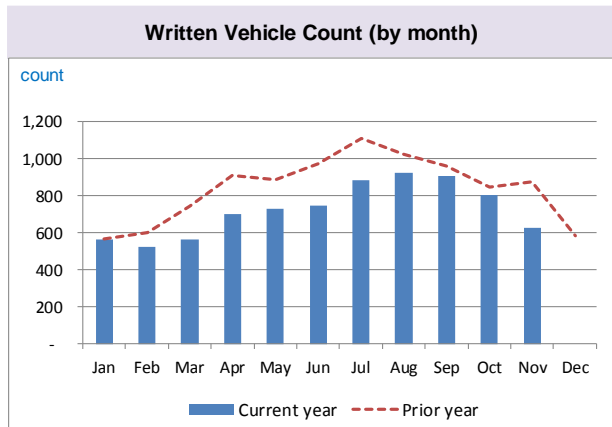
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 5 transferred more. Of the 7 member company groups transferring fewer vehicles, 2 member company groups accounted for 90% of the total transfer decrease for the “decliner” members.

Of the 5 member company groups transferring more vehicles, 2 member company groups accounted for 61% of the total transfer increase for the “grower” members.

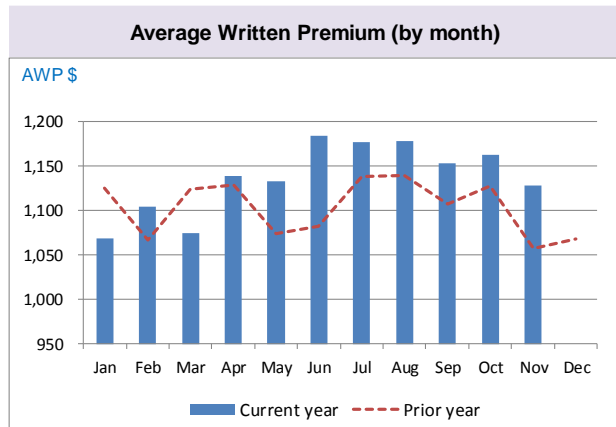


The chart on the left presents the same information as the previous chart, but on a year-to-date basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by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

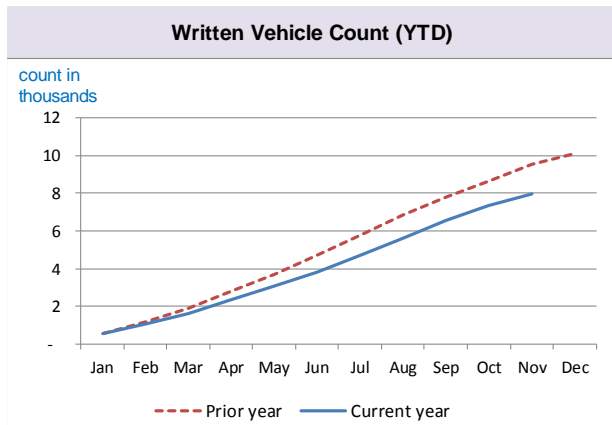
November’s vehicle count transfers to the pool represent a 28.4% decrease from November 2015, and counts were down 16.1% year-to-date. Average written premium was up 6.6% in November 2016, and up 3.2% year-to-date (see charts at the top of the next page).



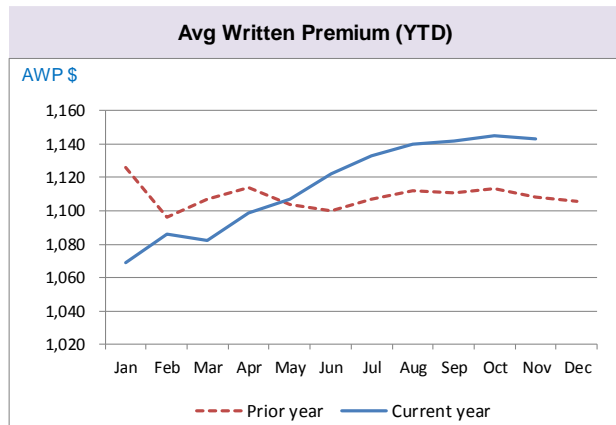
	Nov-16	Nov-15	Amt Chg	% Chg
W. Veh curr mth	629	879	(250)	-28.4%



	Nov-16	Nov-15	Amt Chg	% Chg
AWP curr mth	1,128	1,058	70	6.6%



	Nov-16	Nov-15	Amt Chg	% Chg
W. Vehicles YTD	7,978	9,513	(1,535)	-16.1%

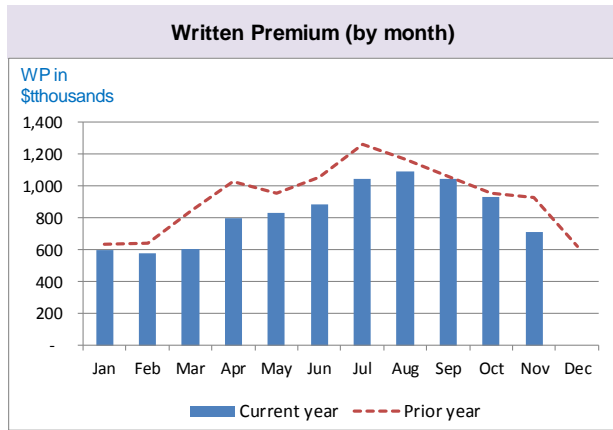


	Nov-16	Nov-15	Amt Chg	% Chg
Avg W. Prem YTD	1,143	1,108	35	3.2%

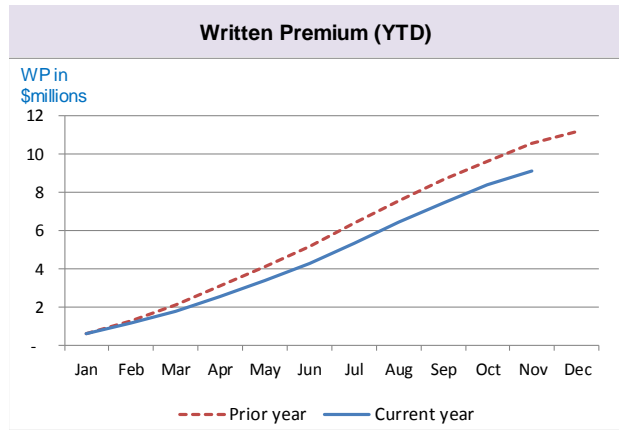
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 23.7% for the month compared with the 0.1% increase we projected last month, and was down 13.5% year-to-date (see charts at the top of the next page).

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New Brunswick Risk Sharing Pool – November 2016 Operational Report



	Nov-16	Nov-15	Amt Chg	% Chg
WP (\$000s) curr mth	710	930	(220)	-23.7%



	Nov-16	Nov-15	Amt Chg	% Chg
WP (\$000s) YTD	9,121	10,540	(1,419)	-13.5%

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 November 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - New Brunswick

Operating Results for the 11 Months Ended November 30, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	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	\$1,046	\$935	\$710	\$9,120	\$9,861	\$11,164
Decrease (Increase) in Unearned Premiums	312	285	284	37	1	(96)	(220)	(296)	(260)	(114)	70	3	121	(927)
Net Premiums Earned	\$913	\$863	\$889	\$835	\$831	\$788	\$823	\$794	\$786	\$821	\$780	\$9,123	\$9,982	\$10,237
Claims Incurred:														
Prior Accident Years:														
Undiscounted	(\$23)	(\$4)	(\$2,164)	(\$8)	(\$287)	(\$6)	(\$6)	(\$149)	(\$17)	\$497	(\$15)	(\$2,182)	(\$2,181)	\$874
Effect of Discounting	(2)	(33)	(208)	(16)	(83)	(2)	(56)	(400)	(56)	54	(10)	(812)	(856)	43
Discounted	(\$25)	(\$37)	(\$2,372)	(\$24)	(\$370)	(\$8)	(\$62)	(\$549)	(\$73)	\$551	(\$25)	(\$2,994)	(\$3,037)	\$917
Current Accident Year:														
Undiscounted	\$757	\$700	\$646	\$657	\$684	\$625	\$649	\$453	\$611	\$525	\$596	\$6,903	\$7,543	\$8,624
Effect of Discounting	82	46	55	43	57	50	48	(48)	35	33	20	421	451	605
Discounted	\$839	\$746	\$701	\$700	\$741	\$675	\$697	\$405	\$646	\$558	\$616	\$7,324	\$7,994	\$9,229
Claims Incurred	\$814	\$709	(\$1,671)	\$676	\$371	\$667	\$635	(\$144)	\$573	\$1,109	\$591	\$4,330	\$4,957	\$10,146
Underwriting Expenses:														
Expense Allowance	\$212	\$204	\$213	\$281	\$292	\$311	\$367	\$384	\$369	\$329	\$250	\$3,212	\$3,473	\$3,889
Change in UPDR/DPAC:														
Undiscounted	60	40	(89)	9	25	(19)	(42)	(159)	(49)	(34)	33	(225)	(167)	(21)
Effect of Discounting	(23)	(23)	(35)	(4)	9	5	18	(30)	20	18	(3)	(48)	(53)	129
Discounted	37	17	(124)	5	34	(14)	(24)	(189)	(29)	(16)	30	(273)	(220)	\$108
Underwriting Expenses	\$249	\$221	\$89	\$286	\$326	\$297	\$343	\$195	\$340	\$313	\$280	\$2,939	\$3,253	\$3,997
Net Underwriting Gain (Loss)	(\$150)	(\$67)	\$2,471	(\$127)	\$134	(\$176)	(\$155)	\$743	(\$127)	(\$601)	(\$91)	\$1,854	\$1,772	(\$3,906)
Administrative Expenses	\$29	\$36	\$39	\$34	\$43	\$38	\$45	\$42	\$35	\$41	\$39	\$421	\$471	\$509
Operating Result	(\$179)	(\$103)	\$2,432	(\$161)	\$91	(\$214)	(\$200)	\$701	(\$162)	(\$642)	(\$130)	\$1,433	\$1,301	(\$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%	-9.3%	67.1%	-3.2%	-32.8%	-30.4%	9.0%
Current Accident Year	91.9%	86.4%	78.9%	83.8%	89.2%	85.7%	84.7%	51.0%	82.2%	68.0%	79.0%	80.3%	80.1%	90.2%
All Accident Years Combined	89.2%	82.1%	-187.9%	80.9%	44.7%	84.7%	77.2%	-18.1%	72.9%	135.1%	75.8%	47.5%	49.7%	99.2%
Underwriting & Administrative Expenses (Earned)	30.4%	29.8%	14.4%	38.3%	44.4%	42.5%	47.1%	29.8%	47.7%	43.1%	40.9%	36.8%	37.3%	44.0%
Combined Operating Ratio	119.6%	111.9%	-173.5%	119.2%	89.1%	127.2%	124.3%	11.7%	120.6%	178.2%	116.7%	84.3%	87.0%	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