

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 012

DATE: FEBRUARY 27, 2017

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL
– JANUARY 2017 OPERATIONAL REPORT**

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

Please be advised that the January 2017 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 -\$0.1 million and the incurred loss ratio to the end of 1 month is 82.6%, as summarized in the table below.

Amounts in \$000s	January 2017	January 2016	Year to date Jan 2017	Year to Date Jan 2016
Premiums Written	532	601	532	601
Premiums Earned	845	913	845	913
Claims Incurred	698	814	698	814
General Expenses	259	278	259	278
Operating Result	(112)	(179)	(112)	(179)
Ratios:				
Loss ratio % - Prior Accident Years	(3.7%)	(2.7%)	(3.7%)	(2.7%)
- Current Accident Year	86.3%	91.9%	86.3%	91.9%
<i>Total</i>	82.6%	89.2%	82.6%	89.2%
General Expenses %	30.7%	30.4%	30.7%	30.4%
Combined Operating Ratio	113.3%	119.6%	113.3%	119.6%

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 2017” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$2.6 million and the estimated combined operating ratio to December 2017 is 120.6%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$2.6 million and 120.4%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of January 2017, a \$67 thousand improvement compared with the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 119.6% to 113.3% applied to \$0.8 million in earned premium).

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 2017	Actual	Projection	Difference	Difference %
Premiums Written	532	777	(245)	(31.5%)
Premiums Earned	845	860	(15)	(1.7%)
Reported Losses				
Paid Losses	361	424	(63)	(14.9%)
Paid Expenses	19	24	(5)	(20.8%)
Change in Outstanding Losses	37	155	(118)	(76.1%)
Total Reported Losses	417	603	(186)	(30.8%)
Change in IBNR Provision *	281	100	181	
Change in Premium Deficiency (DPAC) *	44	14	30	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP January 2017 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.

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For the month of January 2017, reported losses were \$0.2 million lower than projected. The Current Accident Year had a \$0.1 million unfavourable variance in reported losses, while the Prior Accident Years had an approximately \$0.3 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.

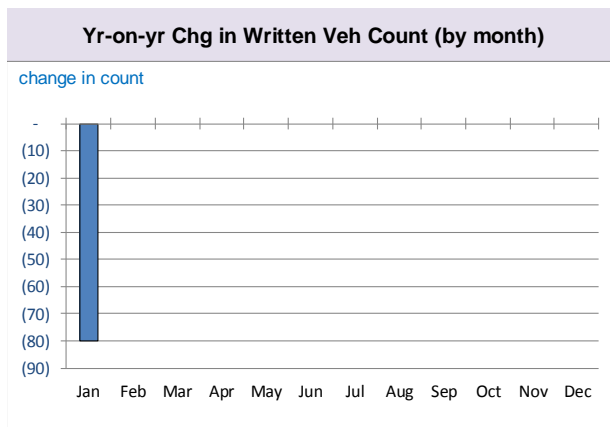
Booking IBNR

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 January 2017 Operational Report – Actuarial Highlights](#).

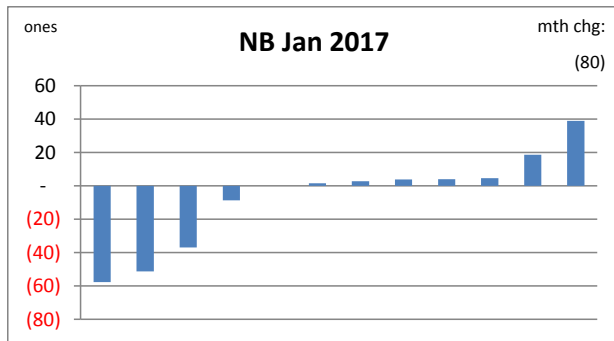
Effect of Quarterly Valuation

The January 2017 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

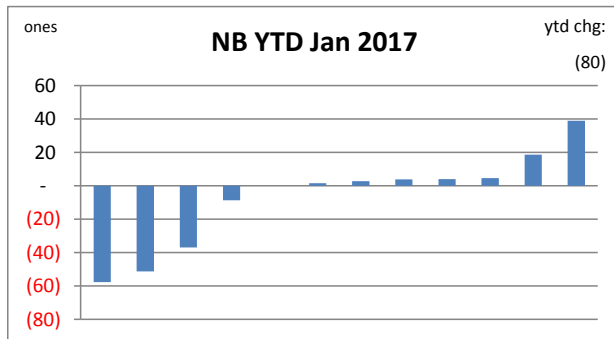


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with January showing a decrease of 80 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 124 vehicles, indicating a variance of 204 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.



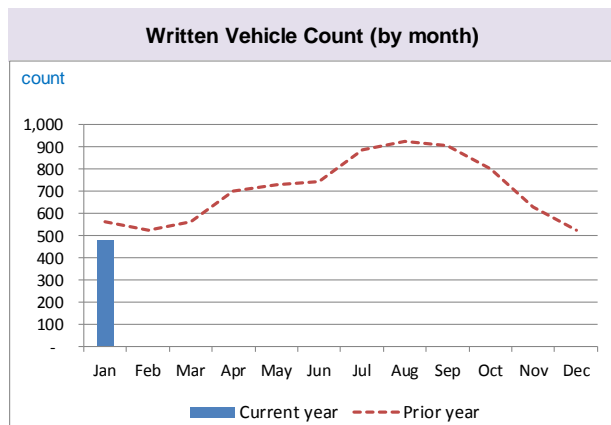
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more and one remained the same. Of the 4 member company groups transferring

fewer vehicles, 3 member company groups accounted for 94% of the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 52% of the total transfer increase for the “grower” members.

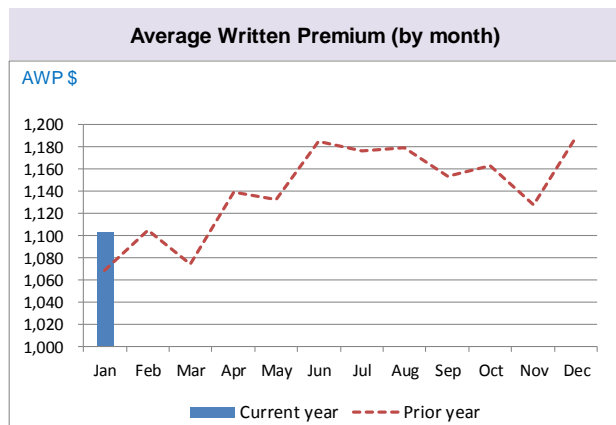


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

January’s vehicle count transfers to the pool represent a 14.2% decrease from January 2016. Average written premium was up 3.2% in January 2017 (see charts immediately below and at the top of the next page).



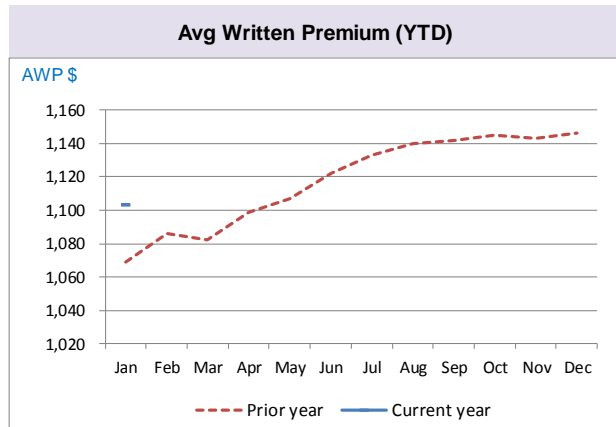
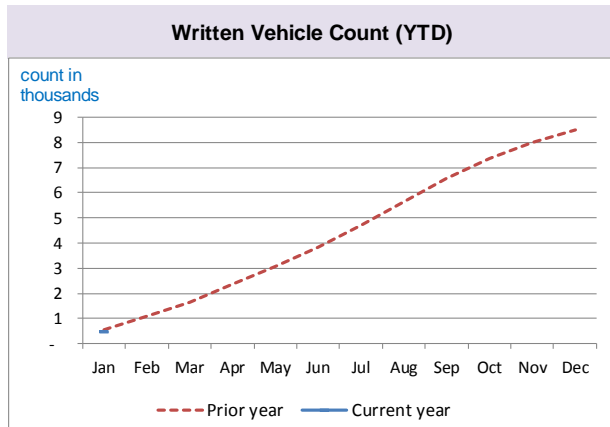
	Jan-17	Jan-16	Amt Chg	% Chg
W. Veh curr mth	482	563	(80)	-14.2%



	Jan-17	Jan-16	Amt Chg	% Chg
AWP curr mth	1,103	1,069	34	3.2%

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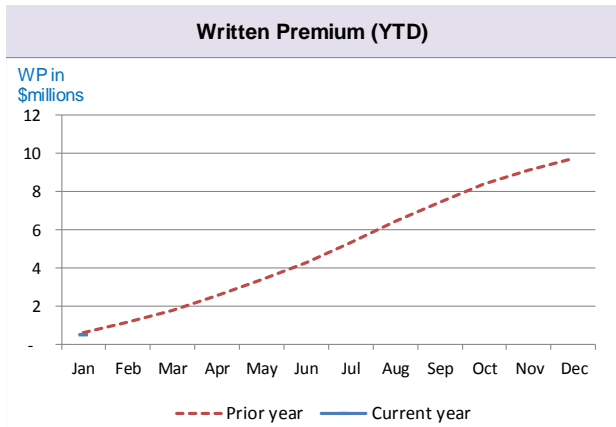
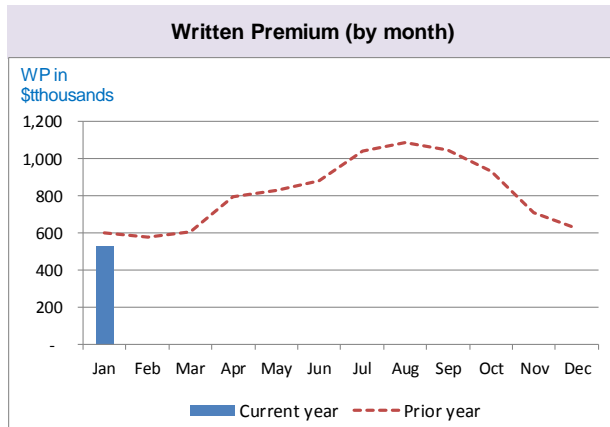
New Brunswick Risk Sharing Pool – January 2017 Operational Report



	Jan-17	Jan-16	Amt Chg	% Chg
W. Vehicles YTD	482	563	(80)	-14.2%

	Jan-17	Jan-16	Amt Chg	% Chg
Avg W. Prem YTD	1,103	1,069	34	3.2%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 11.5% for the month compared with the 29.2% increase we projected last month (see charts immediately below).



	Jan-17	Jan-16	Amt Chg	% Chg
WP (\$000s) curr mth	532	601	(69)	-11.5%

	Jan-17	Jan-16	Amt Chg	% Chg
WP (\$000s) YTD	532	601	(69)	-11.5%

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 January 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 1 Month Ended January 31, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$532	\$532	\$14,706	\$9,742
Decrease (Increase) in Unearned Premiums	313	313	(2,106)	235
Net Premiums Earned	\$845	\$845	\$12,600	\$9,977
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$18)	(\$18)	(\$18)	(\$2,183)
Effect of Discounting	(13)	(13)	(409)	(819)
Discounted	(\$31)	(\$31)	(\$427)	(\$3,002)
Current Accident Year:				
Undiscounted	\$668	\$668	\$9,730	\$7,539
Effect of Discounting	61	61	556	449
Discounted	\$729	\$729	\$10,286	\$7,988
Claims Incurred	\$698	\$698	\$9,859	\$4,986
Underwriting Expenses:				
Expense Allowance	\$168	\$168	\$4,687	\$3,431
Change in UPDR/DPAC:				
Undiscounted	65	65	(283)	(157)
Effect of Discounting	(21)	(21)	160	(62)
Discounted	44	44	(123)	(\$219)
Underwriting Expenses	\$212	\$212	\$4,564	\$3,212
Net Underwriting Gain (Loss)	(\$65)	(\$65)	(\$1,823)	\$1,779
Administrative Expenses	\$47	\$47	\$774	\$475
Operating Result	(\$112)	(\$112)	(\$2,597)	\$1,304
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-3.7%	-3.7%	-3.4%	-30.1%
Current Accident Year	86.3%	86.3%	81.6%	80.1%
All Accident Years Combined	82.6%	82.6%	78.2%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	30.7%	42.4%	37.0%
Combined Operating Ratio	113.3%	113.3%	120.6%	87.0%

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

Rounding difference may apply