

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F17 – 021**

**DATE: MARCH 30, 2017**

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

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

Please be advised that the February 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 -\$0.2 million and the incurred loss ratio to the end of 2 months is 80.8%, as summarized in the table below.

Amounts in \$000s	February 2017	February 2016	Year to date Feb 2017	Year to Date Feb 2016
Premiums Written	559	578	1,091	1,179
Premiums Earned	741	863	1,586	1,776
Claims Incurred	584	709	1,282	1,523
General Expenses	251	257	510	535
<b>Operating Result</b>	<b>(94)</b>	<b>(103)</b>	<b>(206)</b>	<b>(282)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(7.2%)</b>	<b>(4.3%)</b>	<b>(5.3%)</b>	<b>(3.5%)</b>
- Current Accident Year	86.0%	86.4%	86.1%	89.2%
<i>Total</i>	<b>78.8%</b>	<b>82.1%</b>	<b>80.8%</b>	<b>85.7%</b>
<b>General Expenses %</b>	<b>33.9%</b>	<b>29.8%</b>	<b>32.2%</b>	<b>30.1%</b>
<b>Combined Operating Ratio</b>	<b>112.7%</b>	<b>111.9%</b>	<b>113.0%</b>	<b>115.8%</b>

*Rounding differences may apply.*

**Bulletin F17-021****New Brunswick Risk Sharing Pool – February 2017 Operational Report**

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 -\$2.5 million and the estimated combined operating ratio to December 2017 is 120.8%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$2.6 million and 120.6%).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of February 2017, little changed from the same month last year.

This month’s results moved the year-to-date combined operating ratio from 113.3% at the end of 1 month to 113.0% at the end of 2 months. The 0.3 percentage point decrease is composed of a 1.6 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.2 percentage point decrease in the Current Accident Year loss ratio, offset by a 1.5 percentage point increase in the expense 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.

<b>February 2017</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Premiums Written	559	1,022	(463)	(45.3%)
Premiums Earned	741	800	(59)	(7.4%)
Reported Losses				
Paid Losses	412	533	(121)	(22.7%)
Paid Expenses	36	17	19	111.8%
Change in Outstanding Losses	(243)	350	(593)	(169.4%)
<b>Total Reported Losses</b>	<b>205</b>	<b>900</b>	<b>(695)</b>	<b>(77.2%)</b>
Change in IBNR Provision *	379	(278)	657	
Change in Premium Deficiency (DPAC) *	25	(27)	52	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [New Brunswick RSP February 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.

For the month of February 2017, reported losses were \$0.7 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 \$0.5 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.

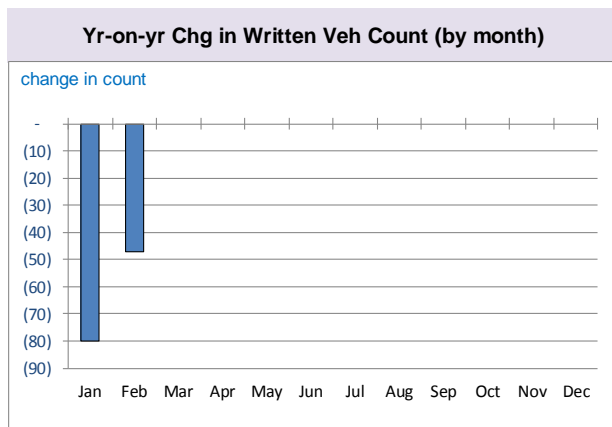
*Booking IBNR*

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

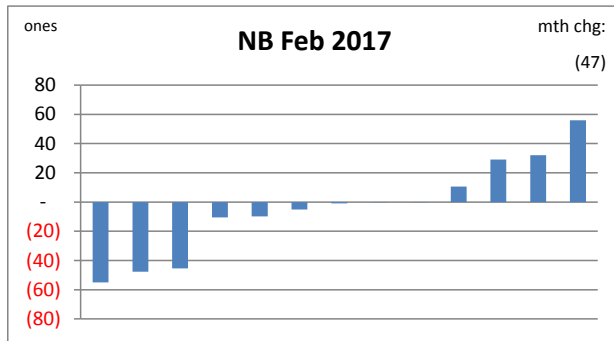
**Effect of Quarterly Valuation**

The February 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**

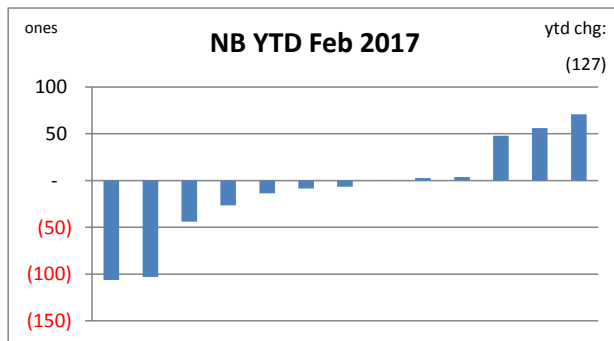


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February showing a decrease of 47 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 361 vehicles, indicating a variance of 408 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in February than projected.



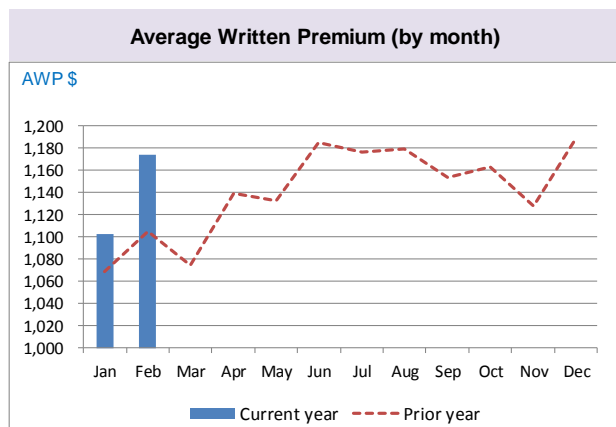
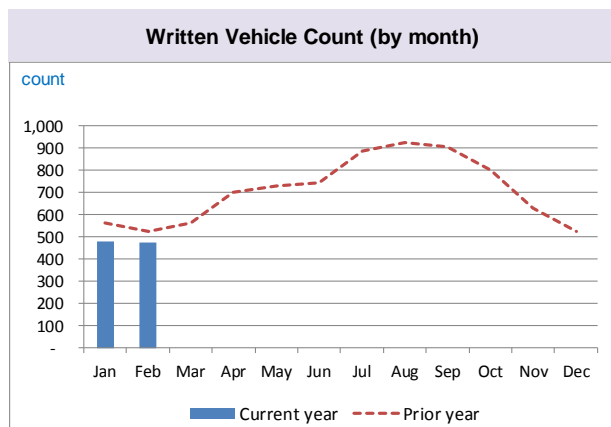
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared with a year ago, while four transferred more. Of the 9 member company groups transferring fewer vehicles, 3 member

company groups accounted for 85% of the total transfer decrease for the “decliner” members. Of the 4 member company groups transferring more vehicles, 1 member company group accounted for 44% of the total transfer increase for the “grower” members.



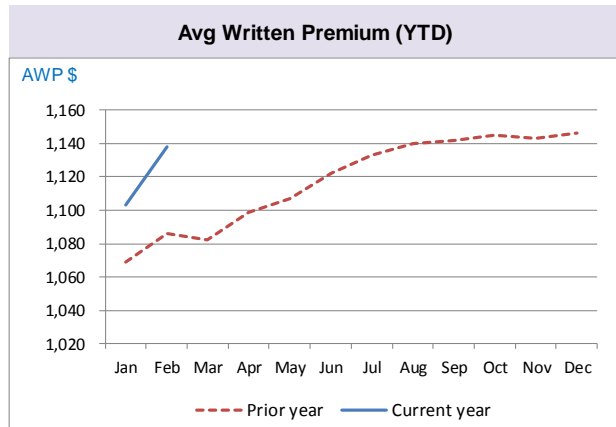
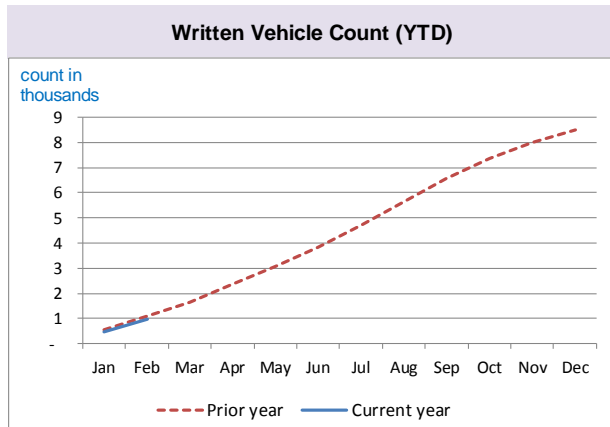
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

February’s vehicle count transfers to the pool represent a 9.0% decrease from February 2016, and counts were down 11.7% year-to-date. Average written premium was up 6.2% in February 2017, and up 4.8% year-to-date (see charts immediately below and at the top of the next page).



	Feb-17	Feb-16	Amt Chg	% Chg
W. Veh curr mth	476	523	(47)	-9.0%

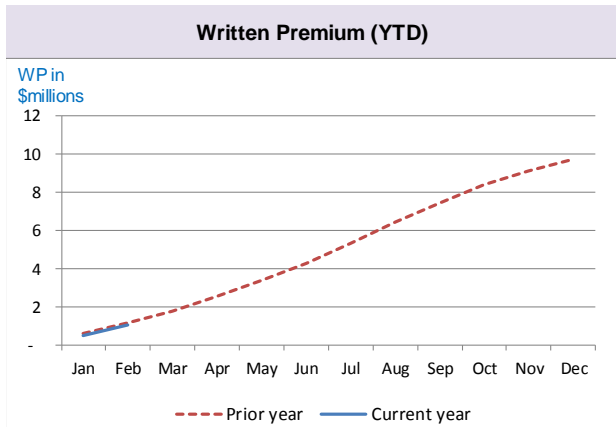
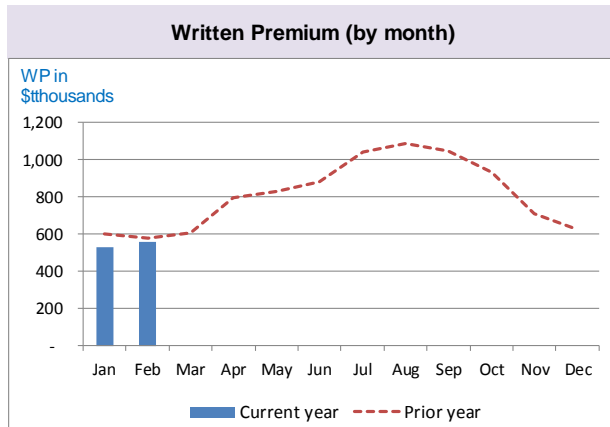
	Feb-17	Feb-16	Amt Chg	% Chg
AWP curr mth	1,174	1,105	69	6.2%



	Feb-17	Feb-16	Amt Chg	% Chg
W. Vehicles YTD	959	1,086	(127)	-11.7%

	Feb-17	Feb-16	Amt Chg	% Chg
Avg W. Prem YTD	1,138	1,086	52	4.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 3.3% for the month compared with the 76.8% increase we projected last month (based in particular on a significant increase in transfers projected by one member), and was down 7.5% year-to-date (see charts immediately below).



	Feb-17	Feb-16	Amt Chg	% Chg
WP (\$000s) curr mth	559	578	(19)	-3.3%

	Feb-17	Feb-16	Amt Chg	% Chg
WP (\$000s) YTD	1,091	1,179	(88)	-7.5%

Should you require any further information, please call Norm Seenev, Vice President, Finance and Member Services at (416) 644-4914.

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Bulletin F17-021**

**New Brunswick Risk Sharing Pool – February 2017 Operational Report**

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**Related links:**

[New Brunswick RSP February 2017 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**

**Risk Sharing Pool - New Brunswick**

EXHIBIT 1

**Operating Results for the 2 Months Ended February 28, 2017 (Discounted basis)**

*Source: Monthly Operational Report*

(thousands of dollars)

	January	February	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>					
Net Premiums Written	\$532	\$559	\$1,091	\$14,311	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	495	(2,107)	235
<b>Net Premiums Earned</b>	<b>\$845</b>	<b>\$741</b>	<b>\$1,586</b>	<b>\$12,204</b>	<b>\$9,977</b>
<b>Claims Incurred:</b>					
Prior Accident Years:					
Undiscounted	(\$18)	(\$21)	(\$39)	(\$39)	(\$2,183)
Effect of Discounting	(13)	(32)	(45)	(394)	(819)
Discounted	(\$31)	(\$53)	(\$84)	(\$433)	(\$3,002)
Current Accident Year:					
Undiscounted	\$668	\$595	\$1,263	\$9,449	\$7,539
Effect of Discounting	61	42	103	525	449
Discounted	\$729	\$637	\$1,366	\$9,974	\$7,988
<b>Claims Incurred</b>	<b>\$698</b>	<b>\$584</b>	<b>\$1,282</b>	<b>\$9,541</b>	<b>\$4,986</b>
<b>Underwriting Expenses:</b>					
Expense Allowance	\$168	\$176	\$344	\$4,560	\$3,431
Change in UPDR/DPAC:					
Undiscounted	65	37	102	(282)	(157)
Effect of Discounting	(21)	(12)	(33)	160	(62)
Discounted	44	25	69	(122)	(\$219)
<b>Underwriting Expenses</b>	<b>\$212</b>	<b>\$201</b>	<b>\$413</b>	<b>\$4,438</b>	<b>\$3,212</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$65)</b>	<b>(\$44)</b>	<b>(\$109)</b>	<b>(\$1,775)</b>	<b>\$1,779</b>
<b>Administrative Expenses</b>	<b>\$47</b>	<b>\$50</b>	<b>\$97</b>	<b>\$765</b>	<b>\$475</b>
<b>Operating Result</b>	<b>(\$112)</b>	<b>(\$94)</b>	<b>(\$206)</b>	<b>(\$2,540)</b>	<b>\$1,304</b>
<b>Ratios:</b>					
<b>Claims &amp; Expenses Incurred (Earned)</b>					
Prior Accident Years	-3.7%	-7.2%	-5.3%	-3.5%	-30.1%
Current Accident Year	86.3%	86.0%	86.1%	81.7%	80.1%
All Accident Years Combined	82.6%	78.8%	80.8%	78.2%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	32.2%	42.6%	37.0%
<b>Combined Operating Ratio</b>	<b>113.3%</b>	<b>112.7%</b>	<b>113.0%</b>	<b>120.8%</b>	<b>87.0%</b>

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