



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F17 – 045**

**DATE: JUNE 29, 2017**

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

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

Please be advised that the May 2017 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

### **New This Month**

#### *Annual Update of Member Sharing Ratios*

The May 2017 Operational Report reflects the annual update of member sharing ratios for Accident Years 2015, 2016, 2017 and 2018. Please refer to Bulletin [F17-051](#) for additional information.

#### *Valuation*

A valuation of the New Brunswick Risk Sharing Pool (“RSP”) as at March 31, 2017 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 **\$0.6 million favourable** impact on the month’s net result from operations, subtracting an estimated 13.5 points to the year-to-date Combined Operating Ratio (ending at 74.1%). The impact is summarized in the tables at the top of the next page<sup>1</sup>.

---

<sup>1</sup>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 F17-045**
**New Brunswick Risk Sharing Pool – May 2017 Operational Report**

NB	unfav / (fav) for the month and ytd						ytd EP 4,124 (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	(636)	(68)	(704)	37	-	(667)	(15.4%)	(1.6%)	(17.1%)	0.9%	-	(16.2%)
CAY	42	6	48	6	-	54	1.0%	0.1%	1.2%	0.1%	-	1.3%
Prem Def	42	5	47	10	-	57	1.0%	0.1%	1.1%	0.2%	-	1.4%
<b>TOTAL</b>	<b>(552)</b>	<b>(57)</b>	<b>(609)</b>	<b>53</b>	<b>-</b>	<b>(556)</b>	<b>(13.4%)</b>	<b>(1.4%)</b>	<b>(14.8%)</b>	<b>1.3%</b>	<b>-</b>	<b>(13.5%)</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.6 million favourable impact – see column [3] in the left table above), and the impact of a 9 basis point decrease in the selected discount rate (from 1.04% to 0.95%, generating a \$0.1 million unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no changes to the margins for adverse deviation for claims development as selected at the coverage / accident year level with this valuation (therefore generating no impact – see column [5] in the left table above).

Management has observed favourable *total* valuation impacts over the last 8 valuation implementations, with 3 of 8 valuation implementation being unfavourable over that period, as shown in the table below (summarizing the same information as provided in the left table above as relates to the most recent 8 valuation implementations).

RSP: New Brunswick, as at: 2017 Q1							\$000s	
Valuation	updated LRs & exp	unfavourable / (favourable) Valuation Implementation Impact (\$000s)					Booked Policy Liabilities	Total Impact as % Book Liabs
		updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact		
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						=sum([1] to [6])		=[6] / [7]
2015 Q2	Aug	1,846	189	(166)	(21)	1,848	25,209	7.3%
2015 Q3	Oct	372	32	125	-	529	26,351	2.0%
2015 Q4	Mar	(2,379)	(243)	40	-	(2,582)	23,779	(10.9%)
2016 Q1	May	(226)	(38)	25	-	(239)	23,693	(1.0%)
2016 Q2	Aug	(418)	(103)	43	(471)	(949)	23,496	(4.0%)
2016 Q3	Oct	379	32	41	-	452	24,304	1.9%
2016 Q4	Mar	(736)	(71)	(312)	-	(1,119)	23,149	(4.8%)
2017 Q1	May	(552)	(57)	53	-	(556)	23,168	(2.4%)
8-qtrs	-	(1,714)	(259)	(151)	(492)	(2,616)		
% of total		65.5%	9.9%	5.8%	18.8%	100.0%		
Averages								
8-qtrs		(214)	(32)	(19)	(62)	(327)	24,144	(1.4%)
2015 Q2 to 2016 Q1		(97)	(15)	6	(5)	(111)	24,758	(0.4%)
2016 Q2 to 2017 Q1		(332)	(50)	(44)	(118)	(543)	23,529	(2.3%)

The FA valuation approach is focused on providing best estimates on a nominal basis, and we expect this to manifest itself as a close-to-zero 8-quarter impact for column [2] in the table above. This objective has not been met, and we note that the average impact over the most recent 4 valuations has been larger than the earlier 4 valuations shown. It is also important to

bear in mind that the impacts in column [4] are largely outside of the control of FA (as being related to macroeconomic factors).

Please see “Effect of Quarterly Valuation” on page 5 for additional detail.

**Summary of Financial Results**

The calendar year-to-date Operating Result is \$1.1 million and the incurred loss ratio to the end of 5 months is 40.8%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>May 2017</b>	May 2016	<b>Year to date May 2017</b>	Year to Date May 2016
Premiums Written	1,125	830	3,950	3,412
Premiums Earned	876	831	4,124	4,331
Claims Incurred	32	371	1,681	899
General Expenses	435	369	1,375	1,352
<b>Operating Result</b>	<b>409</b>	<b>91</b>	<b>1,068</b>	<b>2,080</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(80.4%)</b>	<b>(44.5%)</b>	<b>(40.5%)</b>	<b>(65.3%)</b>
- Current Accident Year	84.0%	89.2%	81.3%	86.1%
<i>Total</i>	<b>3.6%</b>	<b>44.7%</b>	<b>40.8%</b>	<b>20.8%</b>
<b>General Expenses %</b>	<b>49.7%</b>	<b>44.4%</b>	<b>33.3%</b>	<b>31.2%</b>
<b>Combined Operating Ratio</b>	<b>53.3%</b>	<b>89.1%</b>	<b>74.1%</b>	<b>52.0%</b>

*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 2017” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$0.4 million and the estimated combined operating ratio to December 2017 is 103.3%. This updated projection to the end of the year has improved by \$0.5 million from the projection provided last month (-\$0.9 million and 107.4%), mainly due to the overall favourable impact of the valuation as at March 31, 2017, as summarized in the table at the top of the next page (see more information under “Effect of Quarterly Valuation” on page 5). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

**Bulletin F17-045**

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

NB	unfav / (fav) projected for full year						year EP 11,523 (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	(636)	(64)	(700)	35	-	(665)	(5.5%)	(0.6%)	(6.1%)	0.3%	-	(5.8%)
CAY	117	35	152	16	-	168	1.0%	0.3%	1.3%	0.1%	-	1.5%
Prem Def	1	1	2	12	-	14	-	-	-	0.1%	-	0.1%
<b>TOTAL</b>	<b>(518)</b>	<b>(28)</b>	<b>(546)</b>	<b>63</b>	<b>-</b>	<b>(483)</b>	<b>(4.5%)</b>	<b>(0.2%)</b>	<b>(4.7%)</b>	<b>0.5%</b>	<b>-</b>	<b>(4.2%)</b>

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$0.4 million Operating Result in the month of May 2017, a \$0.3 million improvement compared with the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 89.1% to 53.3% applied to \$0.9 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 79.7% at the end of 4 months to 74.1% at the end of 5 months. The 5.6 percentage point decrease is composed of a 10.7 percentage point decrease in the Prior Accident Years loss ratio, offset by a 0.7 percentage point increase in the Current Accident Year loss ratio and a 4.4 percentage point increase in the expense ratio.

Variations from Projections

The table below provides a summary of key components of the operating results as compared to the estimates projected last month.

May 2017	Actual	Projection	Difference	Difference %
Premiums Written	1,125	1,189	(64)	(5.4%)
Premiums Earned	876	898	(22)	(2.4%)
Reported Losses				
Paid Losses	713	497	216	43.5%
Paid Expenses	20	19	1	5.3%
Change in Outstanding Losses	(34)	(172)	138	80.2%
<b>Total Reported Losses</b>	<b>699</b>	<b>344</b>	<b>355</b>	<b>103.2%</b>
Change in IBNR Provision *	(667)	333	(1,000)	
Change in Premium Deficiency (DPAC) *	14	(48)	62	

(Amounts in \$000's)

Rounding differences may occur.

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

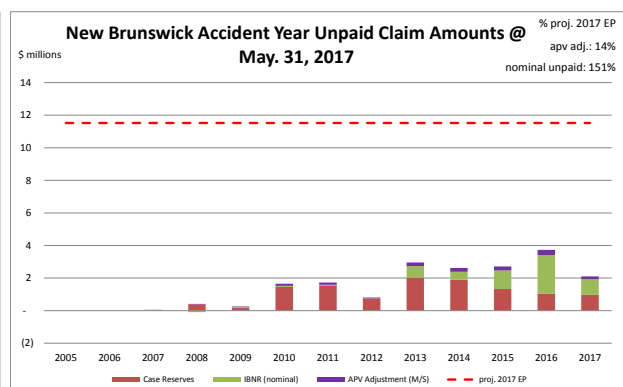
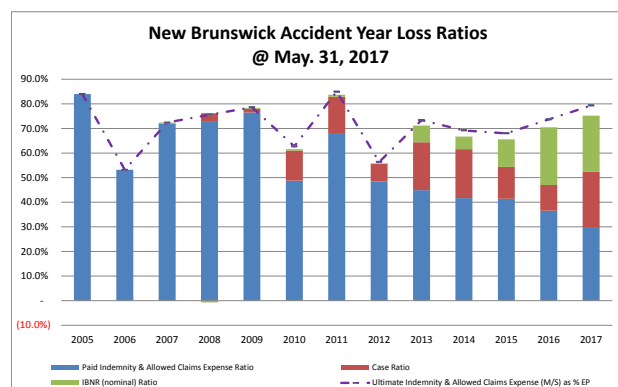
For the month of May 2017, reported losses were \$0.4 million higher than projected. The Current Accident Year had a \$0.1 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.3 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

**Effect of Quarterly Valuation**

The May 2017 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at March 31, 2017 with the associated impacts in relation to the results for May 2017 summarized in the table immediately below.

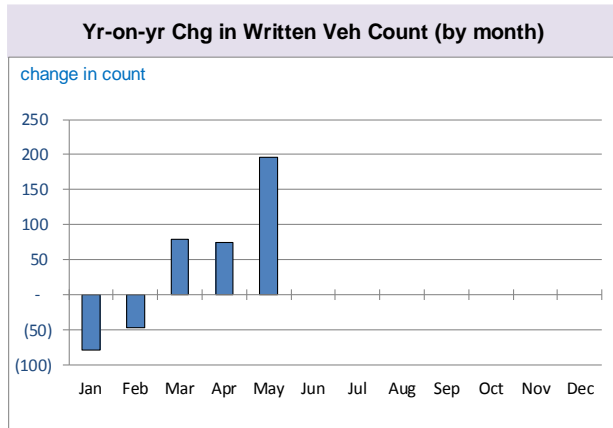
NB	unfav / (fav) for the month and ytd						mth EP 876 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(636)	(68)	(704)	37	-	(667)	(72.6%)	(7.8%)	(80.4%)	4.2%	-	(76.1%)
CAY	42	6	48	6	-	54	4.8%	0.7%	5.5%	0.7%	-	6.2%
Prem Def	42	5	47	10	-	57	4.8%	0.6%	5.4%	1.1%	-	6.5%
<b>TOTAL</b>	<b>(552)</b>	<b>(57)</b>	<b>(609)</b>	<b>53</b>	<b>-</b>	<b>(556)</b>	<b>(63.0%)</b>	<b>(6.5%)</b>	<b>(69.5%)</b>	<b>6.1%</b>	<b>-</b>	<b>(63.5%)</b>

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.

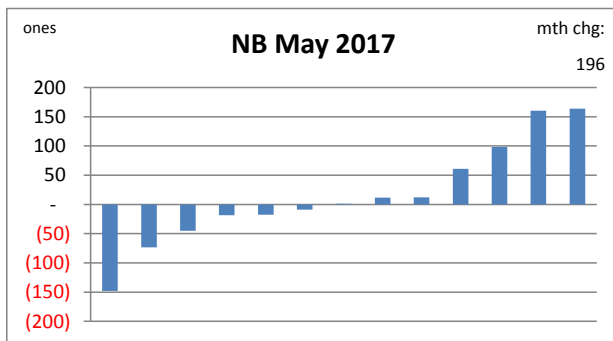


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP May 2017 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at March 31, 2017](#). The actuarial valuation will be updated next as at June 30, 2017 and we anticipate the results will be reflected in the August 2017 Operational Report.

Management Comments

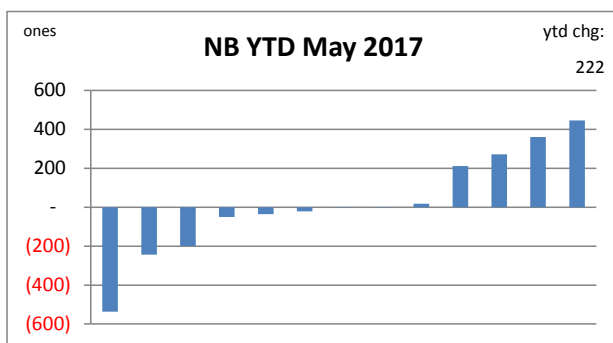


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with May showing an increase of 196 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 293 vehicles, indicating a variance of 97 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in May than projected.



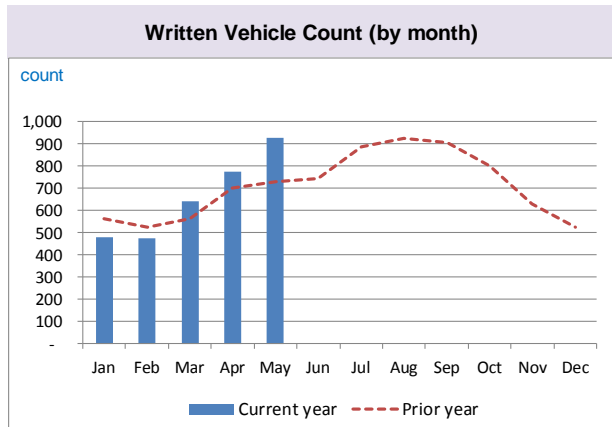
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with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

company group accounted for 47% of the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 2 member company groups accounted for 64% of the total transfer increase for the “grower” members.

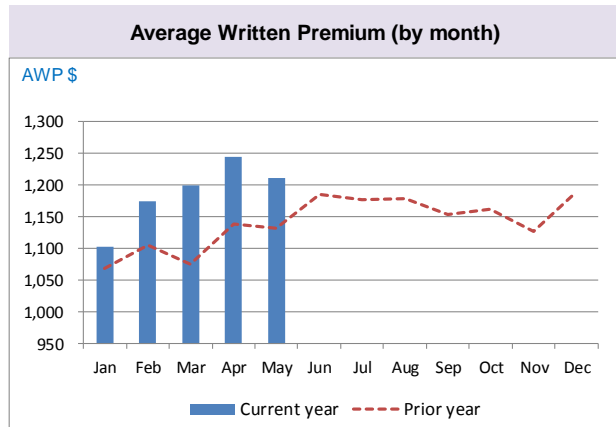


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

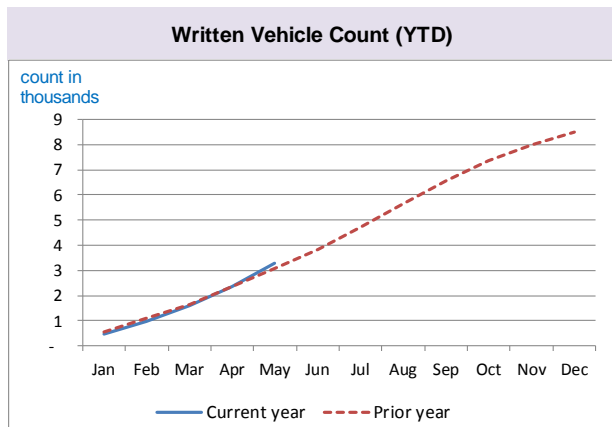
May’s vehicle count transfers to the pool represent a 26.8% increase from May 2016, and counts were up 7.2% year-to-date. Average written premium was up 6.9% in May 2017, and up 8.0% year-to-date (see charts at the top of the next page).



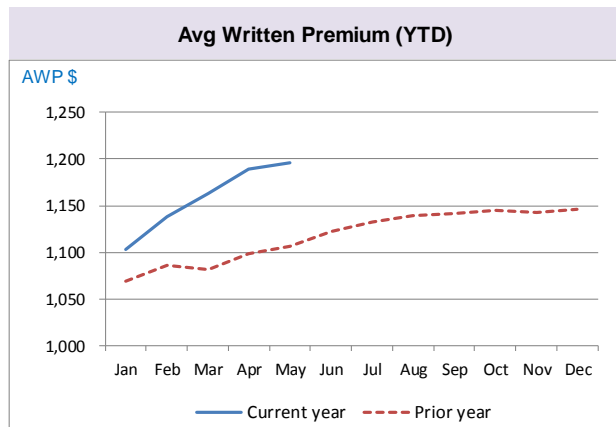
	May-17	May-16	Amt Chg	% Chg
W. Veh curr mth	928	732	196	26.8%



	May-17	May-16	Amt Chg	% Chg
AWP curr mth	1,211	1,133	78	6.9%



	May-17	May-16	Amt Chg	% Chg
W. Vehicles YTD	3,303	3,082	222	7.2%

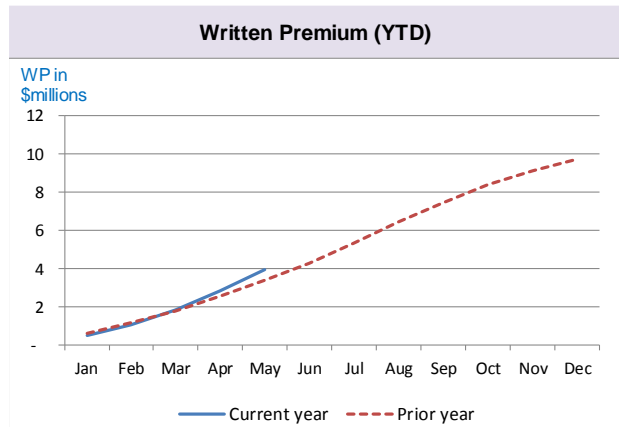
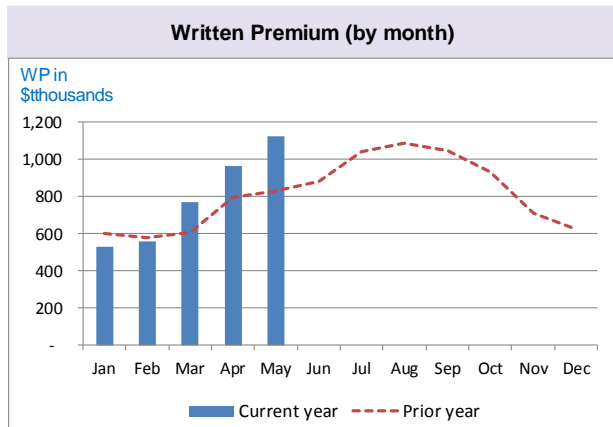


	May-17	May-16	Amt Chg	% Chg
Avg W. Prem YTD	1,196	1,107	89	8.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 35.5% for the month compared with the 43.2% increase we projected last month, and was up 15.7% year-to-date (see charts at the top of the next page).

**Bulletin F17-045**

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



	May-17	May-16	Amt Chg	% Chg
WP (\$000s) curr mth	1,125	830	295	35.5%

	May-17	May-16	Amt Chg	% Chg
WP (\$000s) YTD	3,949	3,412	537	15.7%

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 May 2017 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at March 31, 2017](#)

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



**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**  
**Risk Sharing Pool - New Brunswick**  
**Operating Results for the 5 Months Ended May 31, 2017 (Discounted basis)**  
**Source: Monthly Operational Report**  
**(thousands of dollars)**

EXHIBIT 1

	January	February	March	April	May	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>								
Net Premiums Written	\$532	\$559	\$771	\$963	\$1,125	\$3,950	\$13,848	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	174	(2,325)	235
<b>Net Premiums Earned</b>	<b>\$845</b>	<b>\$741</b>	<b>\$833</b>	<b>\$829</b>	<b>\$876</b>	<b>\$4,124</b>	<b>\$11,523</b>	<b>\$9,977</b>
<b>Claims Incurred:</b>								
Prior Accident Years:								
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$1,237)	(\$1,237)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(435)	(634)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$1,672)	(\$1,871)	(\$3,002)
Current Accident Year:								
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$3,181	\$8,746	\$7,539
Effect of Discounting	61	42	(3)	35	37	172	413	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$3,353	\$9,159	\$7,988
<b>Claims Incurred</b>	<b>\$698</b>	<b>\$584</b>	<b>(\$279)</b>	<b>\$646</b>	<b>\$32</b>	<b>\$1,681</b>	<b>\$7,288</b>	<b>\$4,986</b>
<b>Underwriting Expenses:</b>								
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$1,253	\$4,412	\$3,431
Change in UPDR/DPAC:								
Undiscounted	65	37	(121)	(30)	(14)	(63)	(630)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	(71)	70	(62)
Discounted	44	25	(193)	(24)	14	(134)	(560)	(\$219)
<b>Underwriting Expenses</b>	<b>\$212</b>	<b>\$201</b>	<b>\$52</b>	<b>\$282</b>	<b>\$372</b>	<b>\$1,119</b>	<b>\$3,852</b>	<b>\$3,212</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$65)</b>	<b>(\$44)</b>	<b>\$1,060</b>	<b>(\$99)</b>	<b>\$472</b>	<b>\$1,324</b>	<b>\$383</b>	<b>\$1,779</b>
<b>Administrative Expenses</b>	<b>\$47</b>	<b>\$50</b>	<b>\$45</b>	<b>\$51</b>	<b>\$63</b>	<b>\$256</b>	<b>\$752</b>	<b>\$475</b>
<b>Operating Result</b>	<b>(\$112)</b>	<b>(\$94)</b>	<b>\$1,015</b>	<b>(\$150)</b>	<b>\$409</b>	<b>\$1,068</b>	<b>(\$369)</b>	<b>\$1,304</b>
<b>Ratios:</b>								
<b>Claims &amp; Expenses Incurred (Earned)</b>								
Prior Accident Years	-3.7%	-7.2%	-104.1%	-2.1%	-80.4%	-40.5%	-16.2%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	84.0%	81.3%	79.5%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	3.6%	40.8%	63.3%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	49.7%	33.3%	40.0%	37.0%
<b>Combined Operating Ratio</b>	<b>113.3%</b>	<b>112.7%</b>	<b>-21.9%</b>	<b>118.1%</b>	<b>53.3%</b>	<b>74.1%</b>	<b>103.3%</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