

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 064

DATE: AUGUST 29, 2017

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

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

Please be advised that the July 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 \$0.7 million and the incurred loss ratio to the end of 7 months is 51.8%, as summarized in the table below.

Amounts in \$000s	July 2017	July 2016	Year to date Jul 2017	Year to Date Jul 2016
Premiums Written	1,198	1,043	6,401	5,339
Premiums Earned	894	823	5,864	5,942
Claims Incurred	697	635	3,039	2,201
General Expenses	374	388	2,128	2,075
Operating Result	(177)	(200)	697	1,666
Ratios:				
Loss ratio % - Prior Accident Years	(3.2%)	(7.5%)	(29.5%)	(48.8%)
- Current Accident Year	81.2%	84.7%	81.3%	85.8%
<i>Total</i>	78.0%	77.2%	51.8%	37.0%
General Expenses %	41.8%	47.1%	36.3%	34.9%
Combined Operating Ratio	119.8%	124.3%	88.1%	71.9%

Rounding differences may apply.

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These results are discussed in some detail in the “Current Month Results” section below. 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 -\$0.3 million and the estimated combined operating ratio to December 2017 is 102.4%, an insignificant change from the projection provided last month.

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of July 2017, an insignificant change compared with the same month last year.

This month’s results moved the year-to-date combined operating ratio from 82.4% at the end of 6 months to 88.1% at the end of 7 months. The 5.7 percentage point increase is composed of a 4.7 percentage point increase in the Prior Accident Years loss ratio, and a 1.0 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.

July 2017	Actual	Projection	Difference	Difference %
Premiums Written	1,198	1,647	(449)	(27.3%)
Premiums Earned	894	967	(73)	(7.5%)
Reported Losses				
Paid Losses	341	515	(174)	(33.8%)
Paid Expenses	57	21	36	171.4%
Change in Outstanding Losses	414	(37)	451	<(999.9%)
Total Reported Losses	812	499	313	62.7%
Change in IBNR Provision *	(115)	245	(360)	
Change in Premium Deficiency (DPAC) *	(52)	(115)	63	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [New Brunswick RSP July 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 July 2017, reported losses were \$0.3 million higher than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

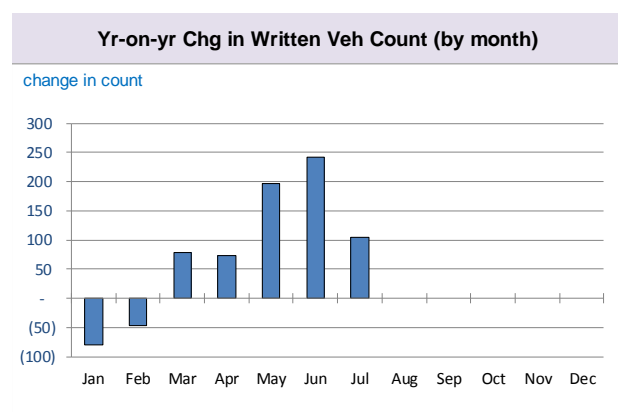
Booking IBNR

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

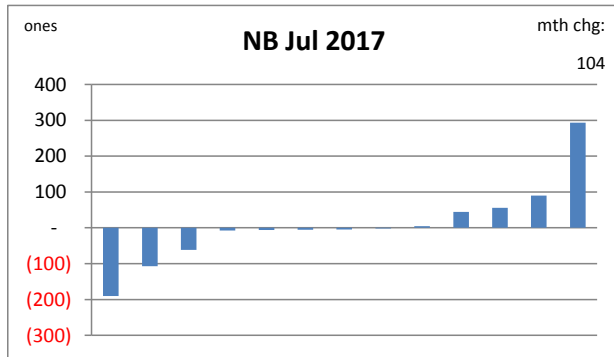
Effect of Quarterly Valuation

The July 2017 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2017). The actuarial valuation will be updated next as at June 30, 2017 and we anticipate that the results will be reflected in the August 2017 Operational Report.

Management Comments

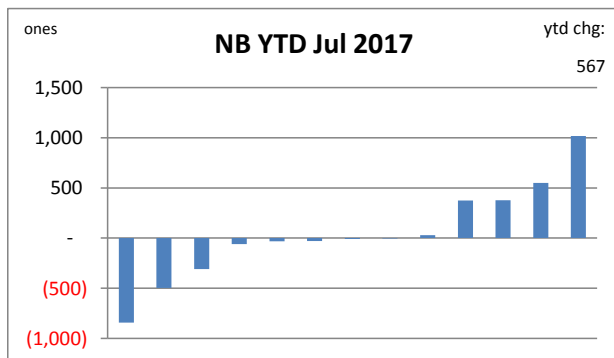


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with July showing an increase of 104 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 402 vehicles, indicating a variance of 298 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in July than projected.



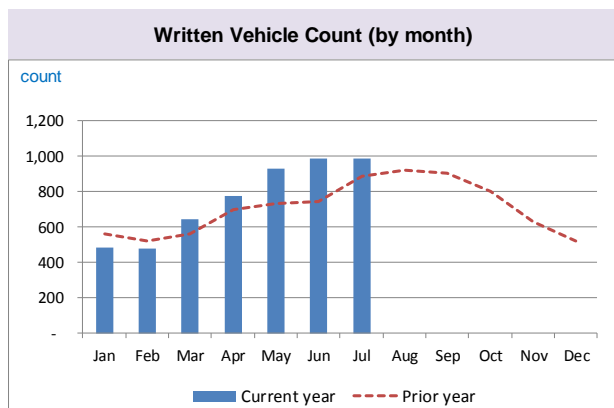
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared with a year ago, while five transferred more. Of the 8 member company groups transferring fewer vehicles, 2 member

company groups accounted for 77% of the total transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 60% of the total transfer increase for the “grower” members.

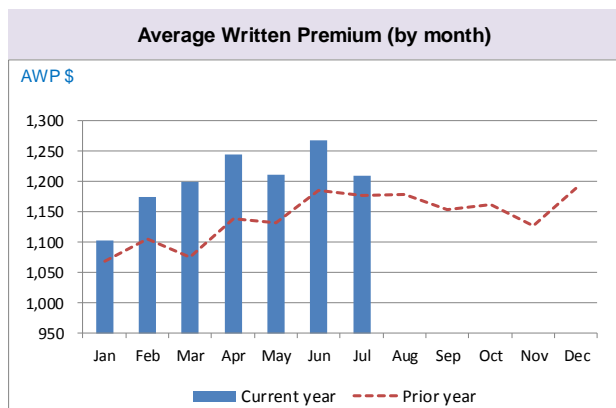


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

July’s vehicle count transfers to the pool represent an 11.7% increase from July 2016, and counts were up 12.0% year-to-date. Average written premium was up 2.7% in July 2017, and up 7.0% year-to-date (see charts immediately below and at the top of the next page).



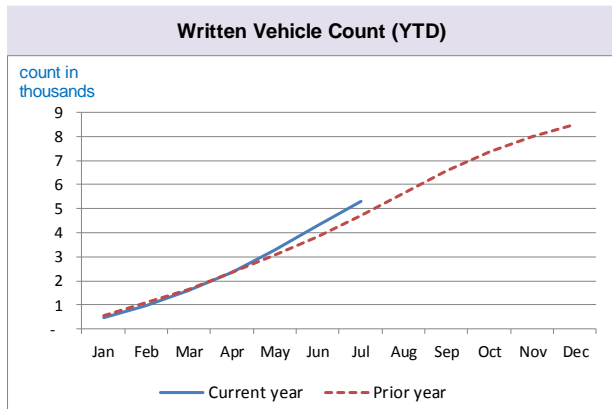
	Jul-17	Jul-16	Amt Chg	% Chg
W. Veh curr mth	990	887	104	11.7%



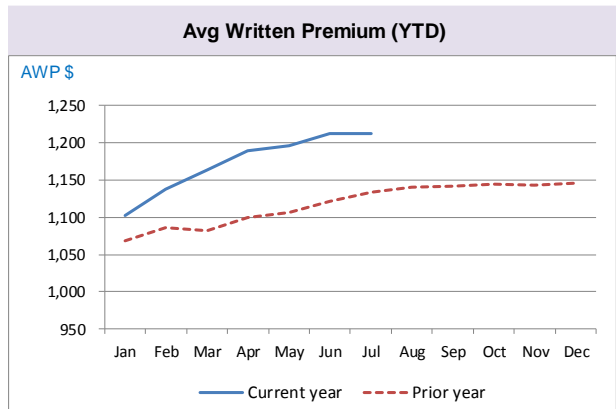
	Jul-17	Jul-16	Amt Chg	% Chg
AWP curr mth	1,209	1,177	32	2.7%

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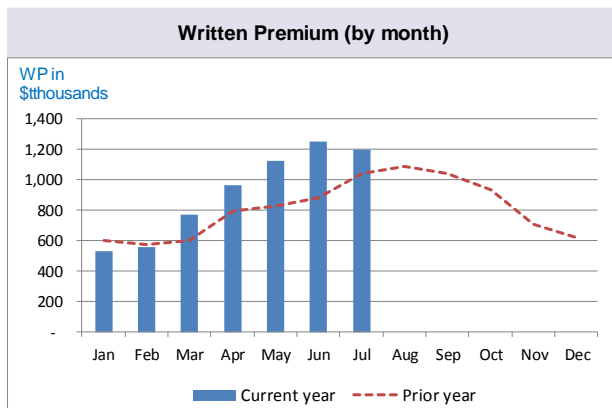


	Jul-17	Jul-16	Amt Chg	% Chg
W. Vehicles YTD	5,282	4,715	567	12.0%

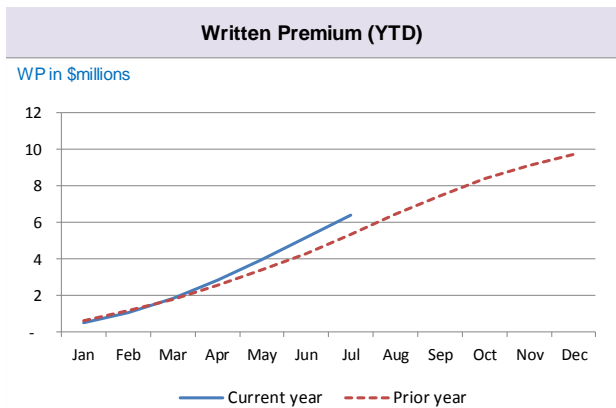


	Jul-17	Jul-16	Amt Chg	% Chg
Avg W. Prem YTD	1,212	1,133	79	7.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 14.8% for the month compared with the 57.8% increase we projected last month, and was up 19.9% year-to-date (see charts immediately below).



	Jul-17	Jul-16	Amt Chg	% Chg
WP (\$000s) curr mth	1,198	1,043	154	14.8%



	Jul-17	Jul-16	Amt Chg	% Chg
WP (\$000s) YTD	6,401	5,340	1,060	19.9%

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 July 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - New Brunswick

Operating Results for the 7 Months Ended July 31, 2017 (Discounted basis)

 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:										
Net Premiums Written	\$532	\$559	\$771	\$963	\$1,125	\$1,253	\$1,198	\$6,401	\$12,906	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	(407)	(304)	(537)	(1,913)	235
Net Premiums Earned	\$845	\$741	\$833	\$829	\$876	\$846	\$894	\$5,864	\$10,993	\$9,977
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$15)	(\$15)	(\$1,267)	(\$1,267)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(12)	(14)	(461)	(603)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$27)	(\$29)	(\$1,728)	(\$1,870)	(\$3,002)
Current Accident Year:										
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$651	\$688	\$4,520	\$8,379	\$7,539
Effect of Discounting	61	42	(3)	35	37	37	38	247	440	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$688	\$726	\$4,767	\$8,819	\$7,988
Claims Incurred	\$698	\$584	(\$279)	\$646	\$32	\$661	\$697	\$3,039	\$6,949	\$4,986
Underwriting Expenses:										
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$399	\$381	\$2,033	\$4,108	\$3,431
Change in UPDR/DPAC:										
Undiscounted	65	37	(121)	(30)	(14)	(91)	(69)	(223)	(539)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	23	17	(31)	47	(62)
Discounted	44	25	(193)	(24)	14	(68)	(52)	(254)	(492)	(\$219)
Underwriting Expenses	\$212	\$201	\$52	\$282	\$372	\$331	\$329	\$1,779	\$3,616	\$3,212
Net Underwriting Gain (Loss)	(\$65)	(\$44)	\$1,060	(\$99)	\$472	(\$146)	(\$132)	\$1,046	\$428	\$1,779
Administrative Expenses	\$47	\$50	\$45	\$51	\$63	\$48	\$45	\$349	\$689	\$475
Operating Result	(\$112)	(\$94)	\$1,015	(\$150)	\$409	(\$194)	(\$177)	\$697	(\$261)	\$1,304
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	-3.7%	-7.2%	-104.1%	-2.1%	-80.4%	-3.2%	-3.2%	-29.5%	-17.0%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	84.0%	81.3%	81.2%	81.3%	80.2%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	3.6%	78.1%	78.0%	51.8%	63.2%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	49.7%	44.8%	41.8%	36.3%	39.2%	37.0%
Combined Operating Ratio	113.3%	112.7%	-21.9%	118.1%	53.3%	122.9%	119.8%	88.1%	102.4%	87.0%

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