



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 076

DATE: SEPTEMBER 29, 2017

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

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

Please be advised that the August 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

Valuation

A valuation of the New Brunswick Risk Sharing Pool (“RSP”) as at June 30, 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 **\$1.0 million favourable** impact on the month’s net result from operations, subtracting an estimated 14.4 points to the year-to-date Combined Operating Ratio (ending at 77.8%). The impact is summarized in the tables at the top of the next page¹.

¹In 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 F17-076
New Brunswick Risk Sharing Pool – August 2017 Operational Report

NB	unfav / (fav) for the month and ytd						ytd EP 6,748 (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	(330)	(46)	(376)	(82)	(46)	(504)	(4.9%)	(0.7%)	(5.6%)	(1.2%)	(0.7%)	(7.5%)
CAY	(194)	(27)	(221)	(21)	-	(242)	(2.9%)	(0.4%)	(3.3%)	(0.3%)	-	(3.6%)
Prem Def	(177)	(22)	(199)	(26)	-	(225)	(2.6%)	(0.3%)	(2.9%)	(0.4%)	-	(3.3%)
TOTAL	(701)	(95)	(796)	(129)	(46)	(971)	(10.4%)	(1.4%)	(11.8%)	(1.9%)	(0.7%)	(14.4%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.8 million favourable impact – see column [3] in the left table above), augmented by the impact of a 22 basis point increase in the selected discount rate (from 0.95% to 1.17%, generating a \$0.1 million favourable impact – see column [4] in the left table above). Further, while there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), the margins for adverse deviation for claims development as selected at the coverage / accident year level were updated with this valuation (generating a \$46 thousand favourable impact – see column [5] in the left table above).

Management has observed favourable *total* valuation impacts over the last 8 valuation implementations, with 2 of 8 valuation implementations 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). It should be noted that the impacts in column [4] are largely outside of the control of FA (as being related to macroeconomic factors).

RSP: New Brunswick, as at: 2017 Q2		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s	
Valuation	updated LRs & exp	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						=sum([1] to [6])		= [6] / [7]
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%)
2017 Q2	Aug	(701)	(95)	(129)	(46)	(971)	23,538	(4.1%)
8-qtrs	-	(4,261)	(543)	(114)	(517)	(5,435)		
% of total		78.4%	10.0%	2.1%	9.5%	100.0%		
Averages								
8-qtrs		(533)	(68)	(14)	(65)	(679)	23,935	(2.8%)
2015 Q3 to 2016 Q2		(663)	(88)	58	(118)	(810)	24,330	(3.3%)
2016 Q3 to 2017 Q2		(403)	(48)	(87)	(12)	(549)	23,540	(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, but we note that the average impact over the most recent 4 valuations has been smaller than the earlier 4 valuations shown.

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

Summary of Financial Results

The calendar year-to-date Operating Result is \$1.5 million and the incurred loss ratio to the end of 8 months is 43.7%, as summarized in the table below.

Amounts in \$000s	August 2017	August 2016	Year to date Aug 2017	Year to Date Aug 2016
Premium Written	1,347	1,090	7,748	6,429
Premium Earned	884	794	6,748	6,736
Incurred Losses	(93)	(144)	2,946	2,057
Underwriting & Admin Expense	176	237	2,304	2,312
Operating Result	801	701	1,498	2,367
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(64.0%)	(69.1%)	(34.0%)	(51.2%)
- Current Accident Year	53.5%	51.0%	77.7%	81.7%
<i>Total</i>	(10.5%)	(18.1%)	43.7%	30.5%
Underwriting & Admin Expense	19.9%	29.8%	34.1%	34.3%
Combined Operating Ratio	9.4%	11.7%	77.8%	64.8%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. 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 \$0.9 million and the estimated combined operating ratio to December 2017 is 91.7%, as summarized in the table at the top of the next page.

NB RSP Yr-end Projection	Current	Prior Mth	Change	Final 2017
Amounts in \$000s	(Aug 2017)	(Jul 2017)		Outlook*
Premium Written	13,318	12,906	412	10,545
Premium Earned	10,781	10,993	(212)	10,399
Incurred Losses	5,848	6,949	(1,101)	8,064
Underwriting & Admin Expense	4,047	4,305	(257)	3,978
Net Result from Operations	886	(261)	1,146	(1,643)
Ratios:				
Loss ratio - Prior Accident Years	(22.3%)	(17.0%)	(5.3%)	(3.8%)
- Current Accident Year	76.5%	80.2%	(3.7%)	81.3%
<i>Total</i>	54.2%	63.2%	(9.0%)	77.5%
Underwriting & Admin Expense	37.5%	39.2%	(1.7%)	38.3%
Combined Operating Ratio	91.7%	102.4%	(10.7%)	115.8%

rounding differences may occur

as posted to FA's website Sep. 28, 2016

This updated projection to the end of the year has improved by \$1.1 million from the projection provided last month (see table above), mainly due to the overall favourable impact of the valuation implementation as summarized in the table below (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. Variances in written/earned premium and prior accident year and current & future accident year loss ratio change impacts (driven by valuation results) are the main drivers of variances from the Final 2017 Outlook based on August 2016 Operational Report.

NB	unfav / (fav) projected for full year						year EP 10,781 (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	(330)	(48)	(378)	(71)	(41)	(490)	(3.1%)	(0.4%)	(3.5%)	(0.7%)	(0.4%)	(4.5%)	
CAY	(307)	(19)	(326)	(32)	-	(358)	(2.8%)	(0.2%)	(3.0%)	(0.3%)	-	(3.3%)	
Prem Def	(224)	(29)	(253)	(30)	-	(283)	(2.1%)	(0.3%)	(2.3%)	(0.3%)	-	(2.6%)	
TOTAL	(861)	(96)	(957)	(133)	(41)	(1,131)	(8.0%)	(0.9%)	(8.9%)	(1.2%)	(0.4%)	(10.5%)	

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$0.8 million Operating Result in the month of August 2017, a \$0.1 million improvement compared with the same month last year. This improvement is composed of an estimated \$80 thousand favourable impact associated with the \$0.1 million increase in earned premium (at a combined ratio of 11.7%), with the remaining \$20 thousand improvement stemming from the overall decrease in the combined ratio (from 11.7% to 9.4% 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.

Bulletin F17-076**New Brunswick Risk Sharing Pool – August 2017 Operational Report**

This month's results moved the year-to-date combined operating ratio from 88.1% at the end of 7 months to 77.8% at the end of 8 months. The 10.3 percentage point decrease is composed of a 4.5 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 3.6 percentage point decrease in the Current Accident Year loss ratio, and a 2.2 percentage point decrease 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.

August 2017	Actual	Projection	Difference	Difference %
Written Premium	1,347	1,683	(336)	(20.0%)
Earned Premium	884	967	(83)	(8.6%)
Reported Losses				
Paid Losses	839	504	335	66.5%
Paid Expenses	49	16	33	206.3%
Change in Outstanding Losses	65	175	(110)	(62.9%)
Total Reported Losses	953	695	258	37.1%
Change in IBNR Provision*	(1,046)	50	(1,096)	
Change in Premium Deficiency (DPAC)*	(303)	(121)	(182)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP August 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 August 2017, reported losses were \$0.3 million higher than projected. The Current Accident Year had an approximately \$0.3 million unfavourable variance in reported losses, and the Prior Accident Years had an \$11 thousand unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The August 2017 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at June 30, 2017 with the associated impacts in relation to the results for August 2017 summarized in the table at the top of the next page.

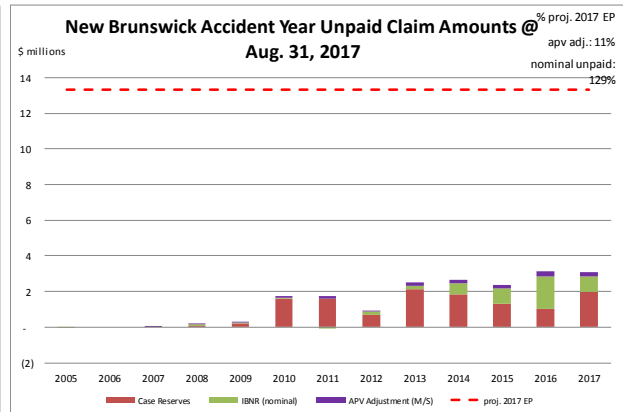
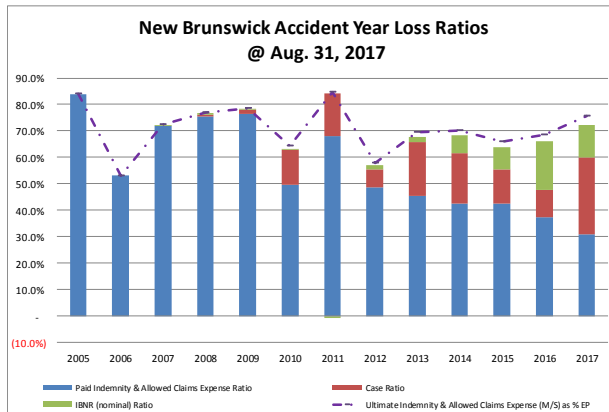
Bulletin F17-076

New Brunswick Risk Sharing Pool – August 2017 Operational Report

NB

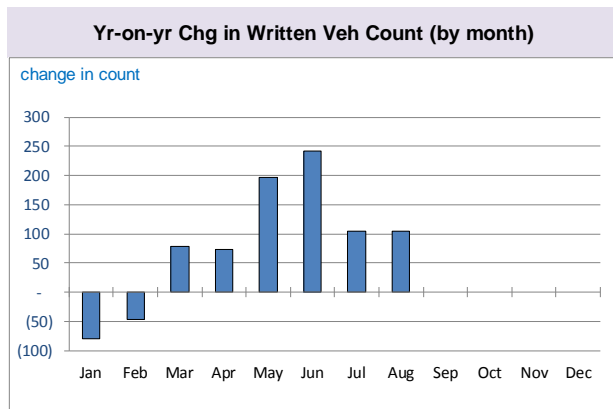
	unfav / (fav) for the month and ytd						mth EP 884 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(330)	(46)	(376)	(82)	(46)	(504)	(37.3%)	(5.2%)	(42.5%)	(9.3%)	(5.2%)	(57.0%)
CAY	(194)	(27)	(221)	(21)	-	(242)	(21.9%)	(3.1%)	(25.0%)	(2.4%)	-	(27.4%)
Prem Def	(177)	(22)	(199)	(26)	-	(225)	(20.0%)	(2.5%)	(22.5%)	(2.9%)	-	(25.5%)
TOTAL	(701)	(95)	(796)	(129)	(46)	(971)	(79.3%)	(10.7%)	(90.0%)	(14.6%)	(5.2%)	(109.8%)

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.

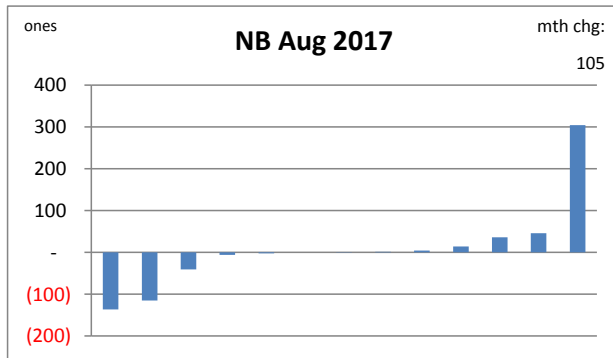


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP August 2017 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at June 30,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

Management Comments

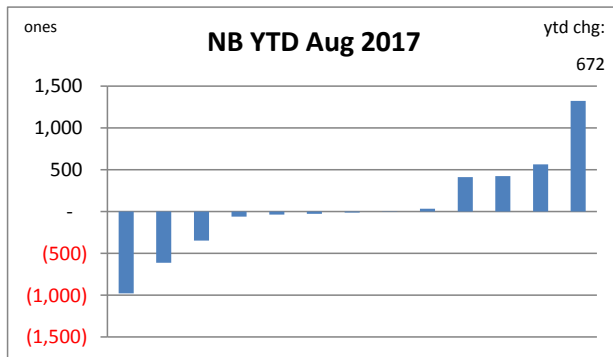


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with August showing an increase of 105 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 394 vehicles, indicating a variance of 289 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in August than projected.



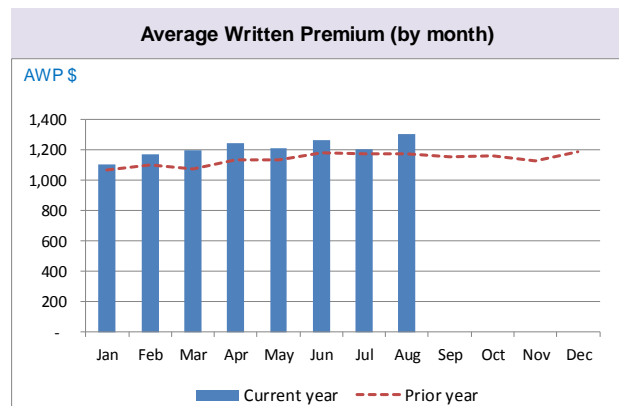
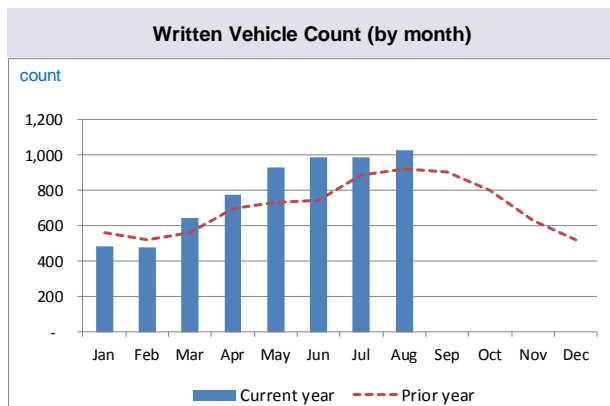
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more and one remained the same. Of the 5 member company groups transferring

fewer vehicles, 2 member company groups accounted for 83% of the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 75% of the total transfer increase for the “grower” members.



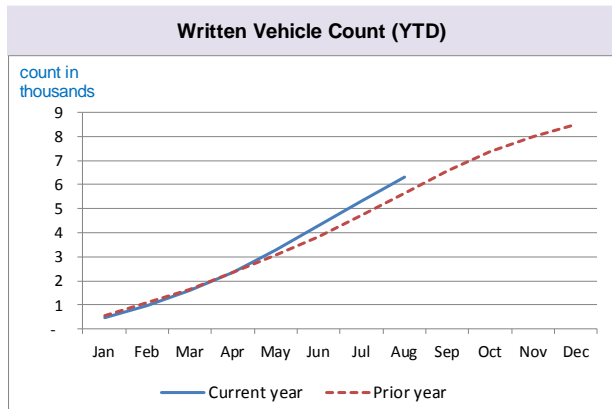
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

August’s vehicle count transfers to the pool represent an 11.3% increase from August 2016, and counts were up 11.9% year-to-date. Average written premium was up 11.0% in August 2017, and up 7.7% year-to-date (see charts immediately below and at the top of the next page).

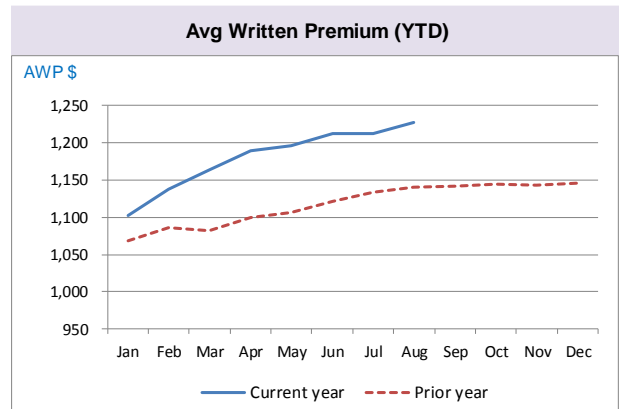


	Aug-17	Aug-16	Amt Chg	% Chg
W. Veh curr mth	1,029	925	105	11.3%

	Aug-17	Aug-16	Amt Chg	% Chg
AWP curr mth	1,309	1,179	130	11.0%

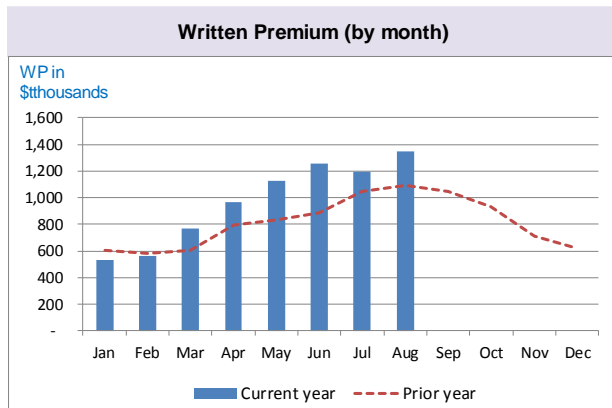


	Aug-17	Aug-16	Amt Chg	% Chg
W. Vehicles YTD	6,311	5,639	672	11.9%

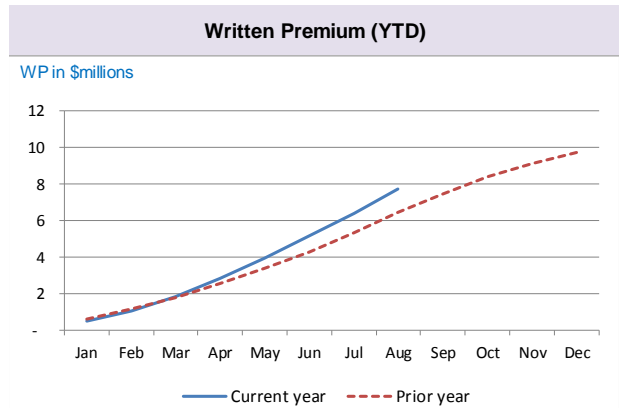


	Aug-17	Aug-16	Amt Chg	% Chg
Avg W. Prem YTD	1,228	1,140	88	7.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 23.6% for the month compared with the 54.4% increase we projected last month, and was up 20.5% year-to-date (see charts immediately below).



	Aug-17	Aug-16	Amt Chg	% Chg
WP (\$000s) curr mth	1,347	1,090	257	23.6%



	Aug-17	Aug-16	Amt Chg	% Chg
WP (\$000s) YTD	7,748	6,430	1,317	20.5%

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

Bulletin F17-076
New Brunswick Risk Sharing Pool – August 2017 Operational Report

Related links:

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

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at June 30, 2017](#)

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - New Brunswick
 Operating Results for the 8 Months Ended August 31, 2017 (Discounted basis)
 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	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	\$1,347	\$7,748	\$13,318	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	(407)	(304)	(463)	(1,000)	(2,537)	235
Net Premiums Earned	\$845	\$741	\$833	\$829	\$876	\$846	\$894	\$884	\$6,748	\$10,781	\$9,977
Claims Incurred:											
Prior Accident Years:											
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$15)	(\$15)	(\$351)	(\$1,618)	(\$1,618)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(12)	(14)	(215)	(676)	(786)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$27)	(\$29)	(\$566)	(\$2,294)	(\$2,404)	(\$3,002)
Current Accident Year:											
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$651	\$688	\$495	\$5,015	\$7,936	\$7,539
Effect of Discounting	61	42	(3)	35	37	37	38	(22)	225	316	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$688	\$726	\$473	\$5,240	\$8,252	\$7,988
Claims Incurred	\$698	\$584	(\$279)	\$646	\$32	\$661	\$697	(\$93)	\$2,946	\$5,848	\$4,986
Underwriting Expenses:											
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$399	\$381	\$428	\$2,461	\$4,239	\$3,431
Change in UPDR/DPAC:											
Undiscounted	65	37	(121)	(30)	(14)	(91)	(69)	(282)	(505)	(903)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	23	17	(21)	(52)	25	(62)
Discounted	44	25	(193)	(24)	14	(68)	(52)	(303)	(557)	(878)	(\$219)
Underwriting Expenses	\$212	\$201	\$52	\$282	\$372	\$331	\$329	\$125	\$1,904	\$3,361	\$3,212
Net Underwriting Gain (Loss)	(\$65)	(\$44)	\$1,060	(\$99)	\$472	(\$146)	(\$132)	\$852	\$1,898	\$1,572	\$1,779
Administrative Expenses	\$47	\$50	\$45	\$51	\$63	\$48	\$45	\$51	\$400	\$686	\$475
Operating Result	(\$112)	(\$94)	\$1,015	(\$150)	\$409	(\$194)	(\$177)	\$801	\$1,498	\$886	\$1,304
Ratios:											
Claims & Expenses Incurred (Earned)											
Prior Accident Years	-3.7%	-7.2%	-104.1%	-2.1%	-80.4%	-3.2%	-3.2%	-64.0%	-34.0%	-22.3%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	84.0%	81.3%	81.2%	53.5%	77.7%	76.5%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	3.6%	78.1%	78.0%	-10.5%	43.7%	54.2%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	49.7%	44.8%	41.8%	19.9%	34.1%	37.5%	37.0%
Combined Operating Ratio	113.3%	112.7%	-21.9%	118.1%	53.3%	122.9%	119.8%	9.4%	77.8%	91.7%	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