



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17 – 090

DATE: NOVEMBER 29, 2017

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

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

Please be advised that the October 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 September 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 **\$1.2 million unfavourable** impact on the month’s net result from operations, adding an estimated 13.5 points to the year-to-date Combined Operating Ratio (ending at 97.9%). 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 F17-090
New Brunswick Risk Sharing Pool – October 2017 Operational Report

NB	unfav / (fav) for the month and ytd						ytd EP 8,593 (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	1,299	99	1,398	(219)	-	1,179	15.1%	1.2%	16.3%	(2.5%)	-	13.7%
CAY	96	5	101	(72)	-	29	1.1%	0.1%	1.2%	(0.8%)	-	0.3%
Prem Def	20	(3)	17	(63)	-	(46)	0.2%	-	0.2%	(0.7%)	-	(0.5%)
TOTAL	1,415	101	1,516	(354)	-	1,162	16.5%	1.2%	17.6%	(4.1%)	-	13.5%

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$1.5 million unfavourable impact – see column [3] in the left table above), augmented by the impact of a 57 basis point increase in the selected discount rate (from 1.17% to 1.74%, generating a \$0.4 million favourable 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 change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

Management has observed favourable *total* valuation impacts over the last 12 valuation implementations, with 5 of 12 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 12 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 Q3		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	updated LR & exp	updated LR & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
						= sum([1] to [6])		= [6] / [7]	= [2] / [7]
2014 Q4	Mar	379	32	41	-	452	21,263	2.1%	1.8%
2015 Q1	May	(356)	(41)	330	(130)	(197)	21,651	(0.9%)	(1.6%)
2015 Q2	Aug	1,846	189	(166)	(21)	1,848	25,209	7.3%	7.3%
2015 Q3	Oct	372	32	125	-	529	26,351	2.0%	1.4%
2015 Q4	Mar	(2,379)	(243)	40	-	(2,582)	23,779	(10.9%)	(10.0%)
2016 Q1	May	(226)	(38)	25	-	(239)	23,693	(1.0%)	(1.0%)
2016 Q2	Aug	(418)	(103)	43	(471)	(949)	23,496	(4.0%)	(1.8%)
2016 Q3	Oct	379	32	41	-	452	24,304	1.9%	1.6%
2016 Q4	Mar	(736)	(71)	(312)	-	(1,119)	23,149	(4.8%)	(3.2%)
2017 Q1	May	(552)	(57)	53	-	(556)	23,168	(2.4%)	(2.4%)
2017 Q2	Aug	(701)	(95)	(129)	(46)	(971)	23,538	(4.1%)	(3.0%)
2017 Q3	Oct	1,415	101	(354)	-	1,162	24,385	4.8%	5.8%
12-qtrs	-	(977)	(262)	(263)	(668)	(2,170)			
% of total		45.0%	12.1%	12.1%	30.8%	100.0%			
Averages									
12-qtrs		(81)	(22)	(22)	(56)	(181)	23,666	(0.8%)	(0.3%)
2014 Q4 to 2016 Q3		(50)	(18)	60	(78)	(86)	23,718	(0.4%)	(0.2%)
2016 Q4 to 2017 Q3		(144)	(31)	(186)	(12)	(371)	23,560	(1.6%)	(0.6%)

Bulletin F17-090**New Brunswick Risk Sharing Pool – October 2017 Operational Report**

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 12-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 8 valuations shown. At this point, we are not overly concerned with this outcome, as the results are less than 1% of policy liabilities.

Please see “Effect of Quarterly Valuation” on page 6 for additional detail.

Summary of Financial Results

The calendar year-to-date Operating Result is \$0.2 million and the incurred loss ratio to the end of 10 months is 63.3%, as summarized in the table below.

Amounts in \$000s	October 2017	October 2016	Year to date Oct 2017	Year to Date Oct 2016
Premium Written	1,118	935	9,958	8,410
Premium Earned	925	821	8,593	8,343
Incurred Losses	1,870	1,109	5,443	3,739
Underwriting & Admin Expense	316	354	2,974	3,041
Operating Result	(1,261)	(642)	176	1,563
<i>Ratios:</i>				
Loss ratio - <i>Prior Accident Years</i>	122.7%	67.1%	(14.4%)	(35.6%)
- <i>Current Accident Year</i>	79.5%	68.0%	77.7%	80.4%
<i>Total</i>	202.2%	135.1%	63.3%	44.8%
<i>Underwriting & Admin Expense</i>	34.2%	43.1%	34.6%	36.4%
<i>Combined Operating Ratio</i>	236.4%	178.2%	97.9%	81.2%

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 -\$58 thousand and the estimated combined operating ratio to December 2017 is 100.5%, 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	(Oct 2017)	(Sep 2017)		Outlook*
Premium Written	12,227	12,865	(638)	10,545
Premium Earned	10,585	10,770	(185)	10,399
Incurred Losses	6,907	5,831	1,076	8,064
Underwriting & Admin Expense	3,736	3,964	(228)	3,978
Net Result from Operations	(58)	975	(1,033)	(1,643)
Ratios:				
Loss ratio - Prior Accident Years	(12.1%)	(22.7%)	10.6%	(3.8%)
- Current Accident Year	77.3%	76.8%	0.5%	81.3%
<i>Total</i>	65.2%	54.1%	11.1%	77.5%
Underwriting & Admin Expense	35.3%	36.8%	(1.5%)	38.3%
Combined Operating Ratio	100.5%	90.9%	9.6%	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 deteriorated by approximately \$1.0 million from the projection provided last month (see table above), mainly due to the overall unfavourable impact of the valuation implementation as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 6). 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 10,585 (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	1,299	89	1,388	(205)	-	1,183	12.3%	0.8%	13.1%	(1.9%)	-	11.2%
CAY	119	-	119	(87)	-	32	1.1%	-	1.1%	(0.8%)	-	0.3%
Prem Def	1	(5)	(4)	(64)	-	(68)	-	-	-	(0.6%)	-	(0.6%)
TOTAL	1,419	84	1,503	(356)	-	1,147	13.4%	0.8%	14.2%	(3.4%)	-	10.8%

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$1.3 million Operating Result in the month of October 2017, a \$0.6 million deterioration compared with the same month last year. This deterioration is composed of an estimated \$0.1 million unfavourable impact associated with the \$0.1 million increase in earned premium (at a combined ratio of 178.2%), with the remaining \$0.5 million deterioration stemming from the overall increase in the combined ratio (from 178.2% to 236.4% 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.

This month's results moved the year-to-date combined operating ratio from 81.3% at the end of 9 months to 97.9% at the end of 10 months. The 16.6 percentage point increase is composed of a 16.5 percentage point increase in the Prior Accident Years loss ratio, coupled with a 0.2 percentage point increase in the Current Accident Year loss ratio, offset by a 0.1 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.

October 2017	Actual	Projection	Difference	Difference %
Written Premium	1,118	1,756	(638)	(36.3%)
Earned Premium	925	1,025	(100)	(9.8%)
Reported Losses				
Paid Losses	690	553	137	24.8%
Paid Expenses	35	15	20	133.3%
Change in Outstanding Losses	181	107	74	69.2%
Total Reported Losses	906	675	231	34.2%
Change in IBNR Provision*	964	79	885	
Change in Premium Deficiency (DPAC)*	(87)	(151)	64	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP October 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.

Bulletin F17-090

New Brunswick Risk Sharing Pool – October 2017 Operational Report

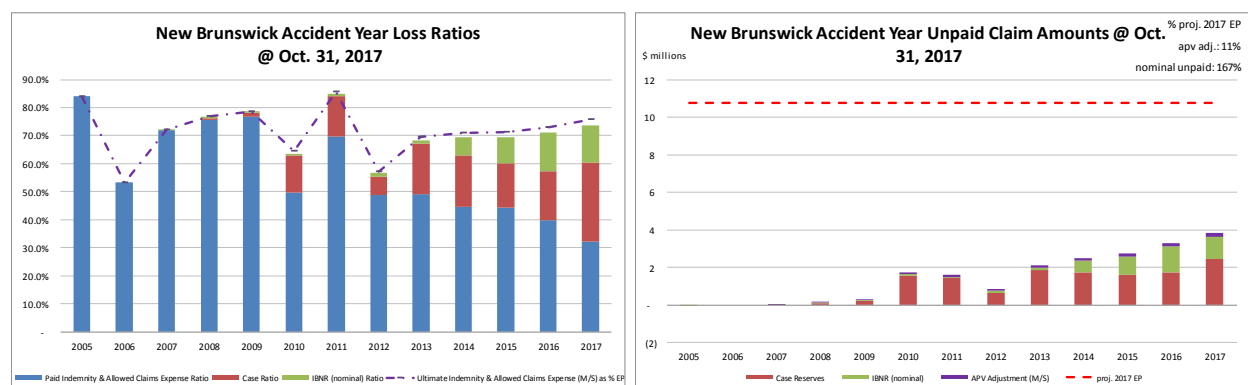
For the month of October 2017, reported losses were \$0.2 million higher than projected. The Current Accident Year had a \$0.1 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The October 2017 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at September 30, 2017 with the associated impacts in relation to the results for October 2017 summarized in the table immediately below.

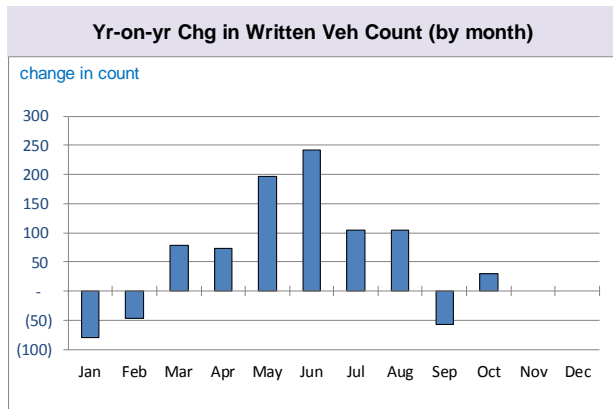
NB	unfav / (fav) for the month and ytd						mth EP 925 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	1,299	99	1,398	(219)	-	1,179	140.4%	10.7%	151.1%	(23.7%)	-	127.5%
CAY	96	5	101	(72)	-	29	10.4%	0.5%	10.9%	(7.8%)	-	3.1%
Prem Def	20	(3)	17	(63)	-	(46)	2.2%	(0.3%)	1.8%	(6.8%)	-	(5.0%)
TOTAL	1,415	101	1,516	(354)	-	1,162	153.0%	10.9%	163.9%	(38.3%)	-	125.6%

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.

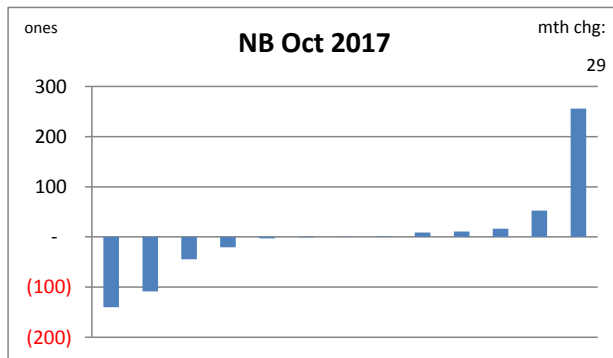


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP October 2017 Operational Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at September 30, 2017 are expected to be posted on or before December 15, 2017. The actuarial valuation will be updated next as at December 31, 2017 and we anticipate the results will be reflected in the March 2018 Operational Report.

Management Comments

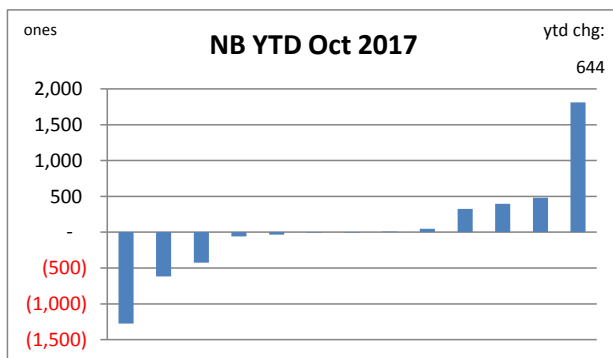


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with October showing an increase of 29 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 607 vehicles, indicating a variance of 578 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in October than projected.



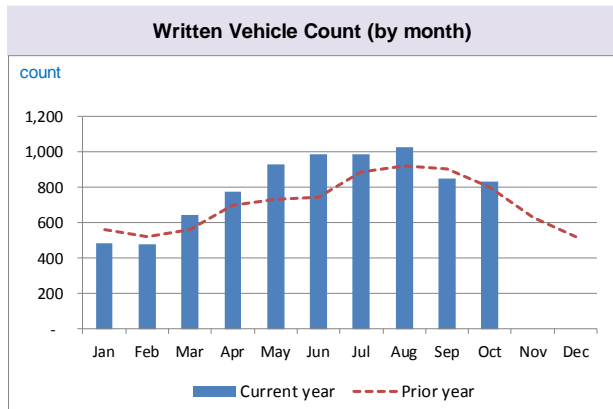
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more. Of the 6 member company groups transferring fewer vehicles, 2 member

company groups accounted for 78% of the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 74% of the total transfer increase for the “grower” members.

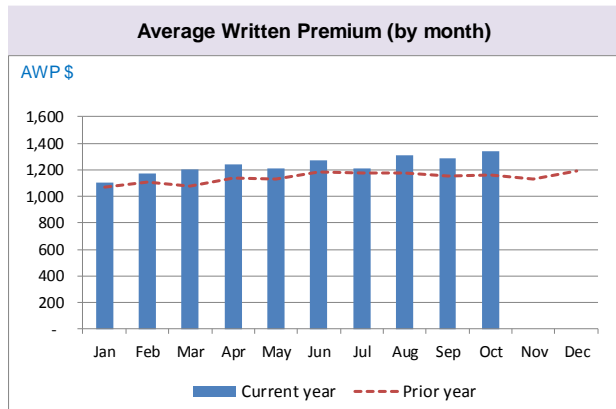


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

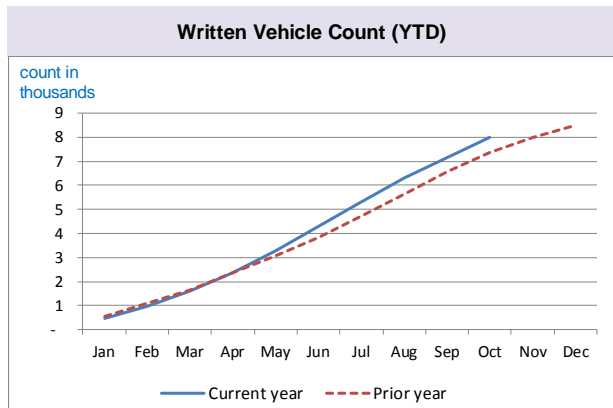
October’s vehicle count transfers to the pool represent a 3.6% increase from October 2016, and counts were up 8.8% year-to-date. Average written premium was up 15.4% in October 2017, and up 8.8% year-to-date (see charts at the top of the next page).



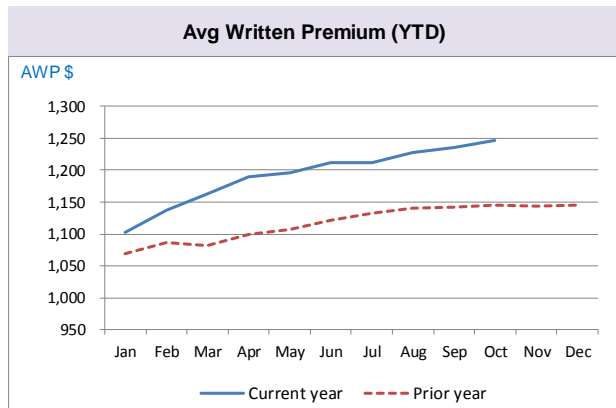
	Oct-17	Oct-16	Amt Chg	% Chg
W. Veh curr mth	833	804	29	3.6%



	Oct-17	Oct-16	Amt Chg	% Chg
AWP curr mth	1,342	1,163	179	15.4%

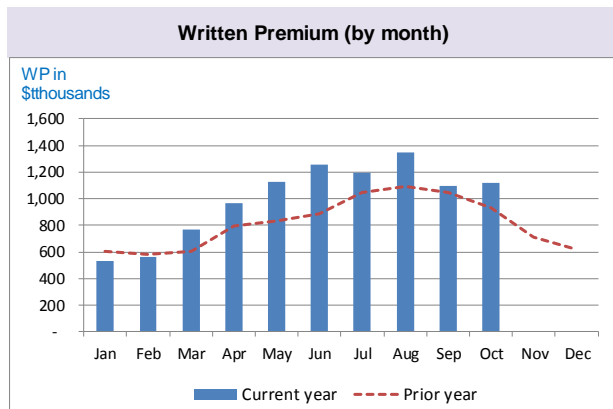


	Oct-17	Oct-16	Amt Chg	% Chg
W. Vehicles YTD	7,993	7,349	644	8.8%

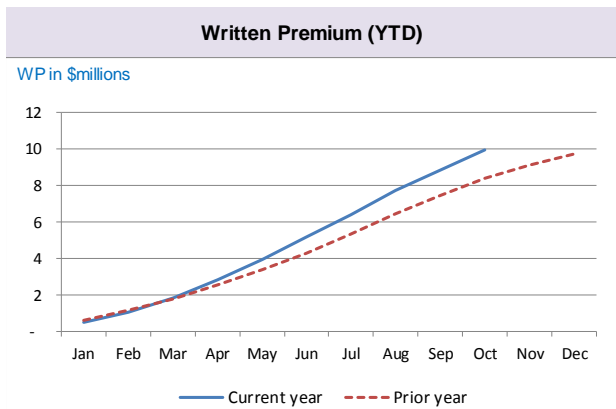


	Oct-17	Oct-16	Amt Chg	% Chg
Avg W. Prem YTD	1,246	1,145	101	8.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 19.6% for the month compared with the 87.8% increase we projected last month, and was up 18.4% year-to-date (see charts immediately below).



	Oct-17	Oct-16	Amt Chg	% Chg
WP (\$000s) curr mth	1,118	935	183	19.6%



	Oct-17	Oct-16	Amt Chg	% Chg
WP (\$000s) YTD	9,958	8,411	1,547	18.4%

Bulletin F17-090
New Brunswick Risk Sharing Pool – October 2017 Operational Report

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 October 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - New Brunswick
 Operating Results for the 10 Months Ended October 31, 2017 (Discounted basis)
 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	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	\$1,092	\$1,118	\$9,958	\$12,227	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	(407)	(304)	(463)	(172)	(193)	(1,365)	(1,642)	235
Net Premiums Earned	\$845	\$741	\$833	\$829	\$876	\$846	\$894	\$884	\$920	\$925	\$8,593	\$10,585	\$9,977
Claims Incurred:													
Prior Accident Years:													
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$15)	(\$15)	(\$351)	(\$5)	\$1,284	(\$339)	(\$339)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(12)	(14)	(215)	(71)	(149)	(896)	(938)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$27)	(\$29)	(\$566)	(\$76)	\$1,135	(\$1,235)	(\$1,277)	(\$3,002)
Current Accident Year:													
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$651	\$688	\$495	\$671	\$783	\$6,469	\$7,934	\$7,539
Effect of Discounting	61	42	(3)	35	37	37	38	(22)	32	(48)	209	250	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$688	\$726	\$473	\$703	\$735	\$6,678	\$8,184	\$7,988
Claims Incurred	\$698	\$584	(\$279)	\$646	\$32	\$661	\$697	(\$93)	\$627	\$1,870	\$5,443	\$6,907	\$4,986
Underwriting Expenses:													
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$399	\$381	\$428	\$348	\$355	\$3,164	\$3,889	\$3,431
Change in UPDR/DPAC:													
Undiscounted	65	37	(121)	(30)	(14)	(91)	(69)	(282)	(46)	(31)	(582)	(677)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	23	17	(21)	10	(56)	(98)	(89)	(62)
Discounted	44	25	(193)	(24)	14	(68)	(52)	(303)	(36)	(87)	(680)	(766)	(\$219)
Underwriting Expenses	\$212	\$201	\$52	\$282	\$372	\$331	\$329	\$125	\$312	\$268	\$2,484	\$3,123	\$3,212
Net Underwriting Gain (Loss)	(\$65)	(\$44)	\$1,060	(\$99)	\$472	(\$146)	(\$132)	\$852	(\$19)	(\$1,213)	\$666	\$555	\$1,779
Administrative Expenses	\$47	\$50	\$45	\$51	\$63	\$48	\$45	\$51	\$42	\$48	\$490	\$613	\$475
Operating Result	(\$112)	(\$94)	\$1,015	(\$150)	\$409	(\$194)	(\$177)	\$801	(\$61)	(\$1,261)	\$176	(\$58)	\$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%	-8.3%	122.7%	-14.4%	-12.1%	-30.1%
Current Accident Year	86.3%	86.0%	70.6%	80.0%	84.0%	81.3%	81.2%	53.5%	76.4%	79.5%	77.7%	77.3%	80.1%
All Accident Years Combined	82.6%	78.8%	-33.5%	77.9%	3.6%	78.1%	78.0%	-10.5%	68.1%	202.2%	63.3%	65.2%	50.0%
Underwriting & Administrative Expenses (Earned)	30.7%	33.9%	11.6%	40.2%	49.7%	44.8%	41.8%	19.9%	38.5%	34.2%	34.6%	35.3%	37.0%
Combined Operating Ratio	113.3%	112.7%	-21.9%	118.1%	53.3%	122.9%	119.8%	9.4%	106.6%	236.4%	97.9%	100.5%	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