



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F17 – 100**

**DATE: DECEMBER 21, 2017**

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

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

Please be advised that the November 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 \$78 thousand and the incurred loss ratio to the end of 11 months is 64.6%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>November 2017</b>	November 2016	<b>Year to date Nov 2017</b>	Year to Date Nov 2016
Premium Written	931	710	10,889	9,120
Premium Earned	969	780	9,562	9,123
Incurred Losses	732	591	6,175	4,330
Underwriting & Admin Expense	335	319	3,309	3,360
<b>Operating Result</b>	<b>(98)</b>	<b>(130)</b>	<b>78</b>	<b>1,433</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	<b>(0.3%)</b>	<b>(3.2%)</b>	<b>(12.9%)</b>	<b>(32.8%)</b>
- Current Accident Year	75.9%	79.0%	77.5%	80.3%
<i>Total</i>	<b>75.6%</b>	<b>75.8%</b>	<b>64.6%</b>	<b>47.5%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>34.6%</b>	<b>40.9%</b>	<b>34.6%</b>	<b>36.8%</b>
<i>Combined Operating Ratio</i>	<b>110.2%</b>	<b>116.7%</b>	<b>99.2%</b>	<b>84.3%</b>

*rounding differences may occur*

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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 -\$15 thousand and the estimated combined operating ratio to December 2017 is 100.1%, as summarized in the table below. This updated projection to the end of the year has improved by \$43 thousand from the projection provided last month (-\$58 thousand and 100.5%). This improvement is driven by a \$0.4 million decrease in the projected written premium for the year, based on updated projections provided by members.

<b>NB RSP Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Nov 2017)	Prior Mth (Oct 2017)	<b>Change</b>	Final 2017 Outlook*
Premium Written	11,807	12,227	(420)	10,545
Premium Earned	10,554	10,585	(31)	10,399
Incurred Losses	6,904	6,907	(3)	8,064
Underwriting & Admin Expense	3,665	3,736	(72)	3,978
<b>Net Result from Operations</b>	<b>(15)</b>	<b>(58)</b>	<b>44</b>	<b>(1,643)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(11.9%)	(12.1%)	0.2%	(3.8%)
- Current Accident Year	77.3%	77.3%	0.0%	81.3%
<i>Total</i>	<b>65.4%</b>	<b>65.2%</b>	<b>0.2%</b>	<b>77.5%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>34.7%</b>	<b>35.3%</b>	<b>(0.6%)</b>	<b>38.3%</b>
<b>Combined Operating Ratio</b>	<b>100.1%</b>	<b>100.5%</b>	<b>(0.4%)</b>	<b>115.8%</b>

*rounding differences may occur*

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

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$98 thousand Operating Result in the month of November 2017, a \$32 thousand improvement compared with the same month last year. This deterioration is composed of a \$63 thousand improvement stemming from the overall decrease in the combined ratio (from 116.7% to 110.2% applied to \$1.0 million in earned premium), offset by an estimated \$31 thousand unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 116.7%).

This month's results moved the year-to-date combined operating ratio from 97.9% at the end of 10 months to 99.2% at the end of 11 months. The 1.3 percentage point increase is composed of a 1.5 percentage point increase in the Prior Accident Years loss ratio, offset by a 0.2 percentage point decrease in the Current Accident Year loss ratio.

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*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>November 2017</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	931	1,200	(269)	(22.4%)
Earned Premium	969	979	(10)	(1.0%)
Reported Losses				
Paid Losses	388	666	(278)	(41.7%)
Paid Expenses	33	21	12	57.1%
Change in Outstanding Losses	529	29	500	>999.9%
<b>Total Reported Losses</b>	<b>950</b>	<b>716</b>	<b>234</b>	<b>32.7%</b>
Change in IBNR Provision*	(218)	5	(223)	
Change in Premium Deficiency (DPAC)*	(6)	(60)	54	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP November 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 November 2017, reported losses were \$0.2 million higher than projected. The Current Accident Year had an approximately \$0.2 million unfavourable variance in reported losses, while the Prior Accident Years had a \$29 thousand favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated paid claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

*Booking IBNR*

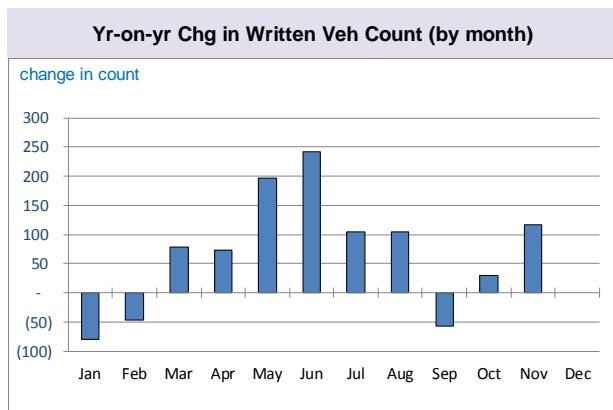
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 November 2017 Operational Report – Actuarial Highlights.](#)

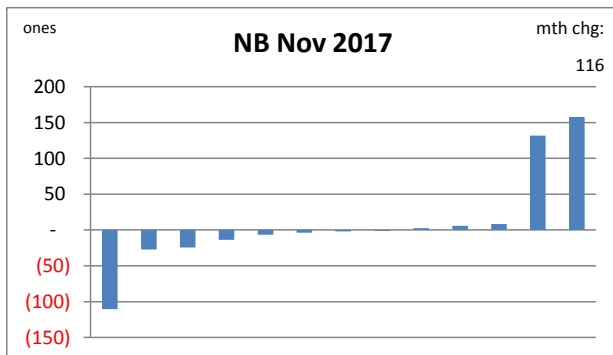
**Effect of Quarterly Valuation**

The November 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, 2017). The actuarial valuation will be updated next as at December 31, 2017 and we anticipate that the results will be reflected in the March 2018 Operational Report.

**Management Comments**

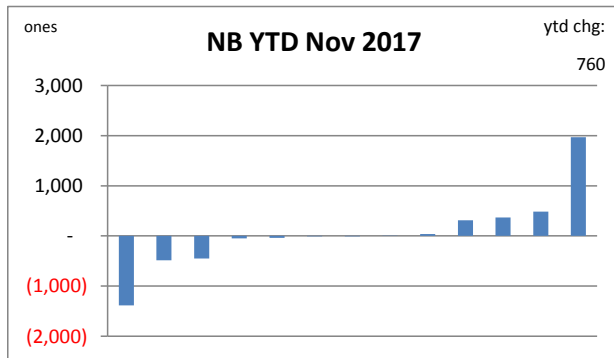


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November showing an increase of 116 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 402 vehicles, indicating a variance of 286 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in November than projected.



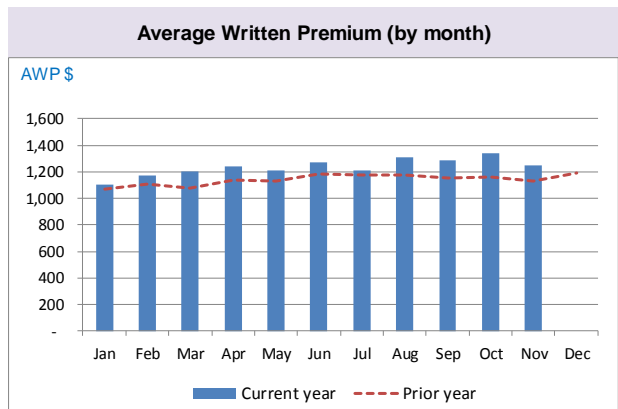
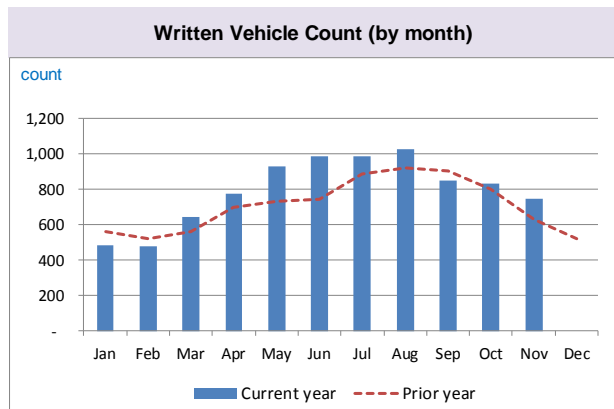
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the pool this month compared with a year ago, while five transferred more. Of the 8 member company groups transferring fewer vehicles, 1 member company group accounted for 58% of the total

transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 2 member company groups accounted for 95% of the total transfer increase for the “grower” members.



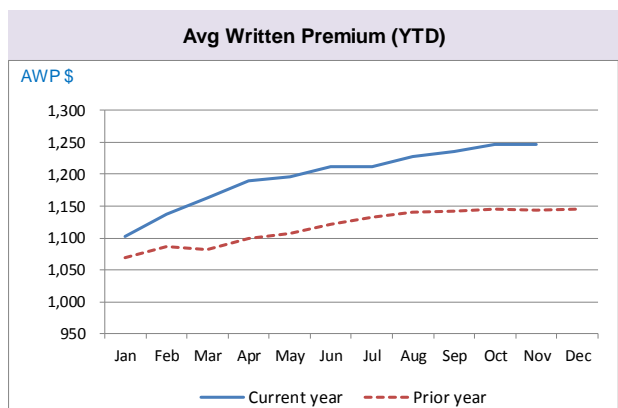
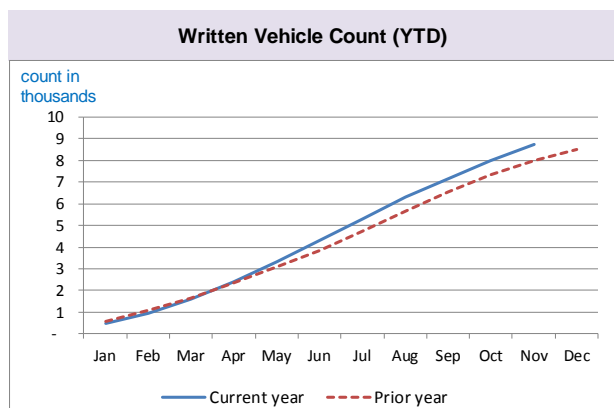
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

November’s vehicle count transfers to the pool represent an 18.5% increase from November 2016, and counts were up 9.5% year-to-date. Average written premium was up 10.7% in November 2017, and up 9.0% year-to-date (see charts immediately below).



	Nov-17	Nov-16	Amt Chg	% Chg
W. Veh curr mth	746	629	116	18.5%

	Nov-17	Nov-16	Amt Chg	% Chg
AWP curr mth	1,249	1,128	121	10.7%



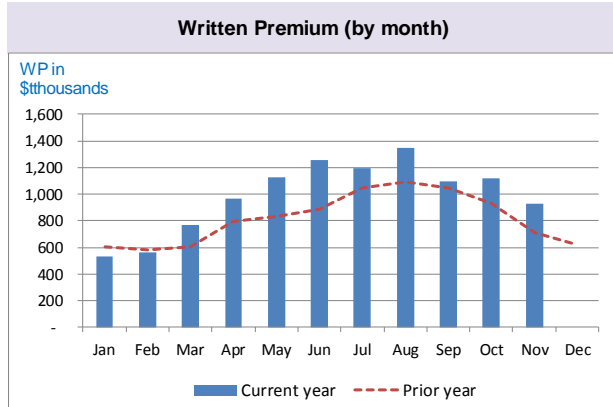
	Nov-17	Nov-16	Amt Chg	% Chg
W. Vehicles YTD	8,738	7,978	760	9.5%

	Nov-17	Nov-16	Amt Chg	% Chg
Avg W. Prem YTD	1,246	1,143	103	9.0%

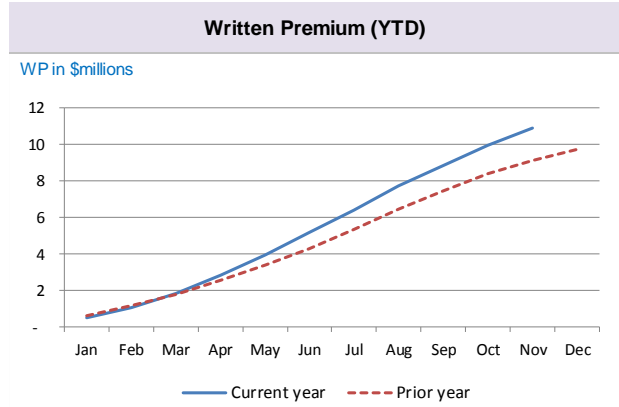
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As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 31.2% for the month compared with the 69.0% increase we projected last month, and was up 19.4% year-to-date (see charts immediately below).



	Nov-17	Nov-16	Amt Chg	% Chg
WP (\$000s) curr mth	931	710	221	31.2%



	Nov-17	Nov-16	Amt Chg	% Chg
WP (\$000s) YTD	10,890	9,121	1,768	19.4%

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 November 2017 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**

Risk Sharing Pool - New Brunswick

Operating Results for the 11 Months Ended November 30, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
<b>Underwriting Revenue:</b>														
Net Premiums Written	\$532	\$559	\$771	\$963	\$1,125	\$1,253	\$1,198	\$1,347	\$1,092	\$1,118	\$931	\$10,889	\$11,807	\$9,742
Decrease (Increase) in Unearned Premiums	313	182	62	(134)	(249)	(407)	(304)	(463)	(172)	(193)	38	(1,327)	(1,253)	235
<b>Net Premiums Earned</b>	<b>\$845</b>	<b>\$741</b>	<b>\$833</b>	<b>\$829</b>	<b>\$876</b>	<b>\$846</b>	<b>\$894</b>	<b>\$884</b>	<b>\$920</b>	<b>\$925</b>	<b>\$969</b>	<b>\$9,562</b>	<b>\$10,554</b>	<b>\$9,977</b>
<b>Claims Incurred:</b>														
Prior Accident Years:														
Undiscounted	(\$18)	(\$21)	(\$545)	(\$12)	(\$641)	(\$15)	(\$15)	(\$351)	(\$5)	\$1,284	\$3	(\$336)	(\$336)	(\$2,183)
Effect of Discounting	(13)	(32)	(322)	(5)	(63)	(12)	(14)	(215)	(71)	(149)	(6)	(902)	(920)	(819)
Discounted	(\$31)	(\$53)	(\$867)	(\$17)	(\$704)	(\$27)	(\$29)	(\$566)	(\$76)	\$1,135	(\$3)	(\$1,238)	(\$1,256)	(\$3,002)
Current Accident Year:														
Undiscounted	\$668	\$595	\$591	\$628	\$699	\$651	\$688	\$495	\$671	\$783	\$711	\$7,180	\$7,910	\$7,539
Effect of Discounting	61	42	(3)	35	37	37	38	(22)	32	(48)	24	233	250	449
Discounted	\$729	\$637	\$588	\$663	\$736	\$688	\$726	\$473	\$703	\$735	\$735	\$7,413	\$8,160	\$7,988
<b>Claims Incurred</b>	<b>\$698</b>	<b>\$584</b>	<b>(\$279)</b>	<b>\$646</b>	<b>\$32</b>	<b>\$661</b>	<b>\$697</b>	<b>(\$93)</b>	<b>\$627</b>	<b>\$1,870</b>	<b>\$732</b>	<b>\$6,175</b>	<b>\$6,904</b>	<b>\$4,986</b>
<b>Underwriting Expenses:</b>														
Expense Allowance	\$168	\$176	\$245	\$306	\$358	\$399	\$381	\$428	\$348	\$355	\$297	\$3,461	\$3,755	\$3,431
Change in UPDR/DPAC:														
Undiscounted	65	37	(121)	(30)	(14)	(91)	(69)	(282)	(46)	(31)	(2)	(584)	(579)	(157)
Effect of Discounting	(21)	(12)	(72)	6	28	23	17	(21)	10	(56)	(4)	(102)	(106)	(62)
Discounted	44	25	(193)	(24)	14	(68)	(52)	(303)	(36)	(87)	(6)	(686)	(685)	(\$219)
<b>Underwriting Expenses</b>	<b>\$212</b>	<b>\$201</b>	<b>\$52</b>	<b>\$282</b>	<b>\$372</b>	<b>\$331</b>	<b>\$329</b>	<b>\$125</b>	<b>\$312</b>	<b>\$268</b>	<b>\$291</b>	<b>\$2,775</b>	<b>\$3,070</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>(\$146)</b>	<b>(\$132)</b>	<b>\$852</b>	<b>(\$19)</b>	<b>(\$1,213)</b>	<b>(\$54)</b>	<b>\$612</b>	<b>\$580</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>\$48</b>	<b>\$45</b>	<b>\$51</b>	<b>\$42</b>	<b>\$48</b>	<b>\$44</b>	<b>\$534</b>	<b>\$595</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>(\$194)</b>	<b>(\$177)</b>	<b>\$801</b>	<b>(\$61)</b>	<b>(\$1,261)</b>	<b>(\$98)</b>	<b>\$78</b>	<b>(\$15)</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%	-3.2%	-3.2%	-64.0%	-8.3%	122.7%	-0.3%	-12.9%	-11.9%	-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%	75.9%	77.5%	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%	75.6%	64.6%	65.4%	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%	34.6%	34.7%	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>122.9%</b>	<b>119.8%</b>	<b>9.4%</b>	<b>106.6%</b>	<b>236.4%</b>	<b>110.2%</b>	<b>99.2%</b>	<b>100.1%</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