

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F18 – 036**

**DATE: MAY 30, 2018**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– APRIL 2018 OPERATIONAL REPORT**

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

Please be advised that the April 2018 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 -\$0.3 million and the incurred loss ratio to the end of 4 months is 72.2%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>April 2018</b>	April 2017	<b>Year to date Apr 2018</b>	Year to Date Apr 2017
Premium Written	1,267	963	3,672	2,825
Premium Earned	1,033	829	4,006	3,248
Incurred Losses	755	646	2,890	1,649
Underwriting & Admin Expense	368	333	1,403	940
<b>Operating Result</b>	<b>(90)</b>	<b>(150)</b>	<b>(287)</b>	<b>659</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	<b>(3.6%)</b>	<b>(2.1%)</b>	<b>(4.7%)</b>	<b>(29.8%)</b>
- Current Accident Year	76.7%	80.0%	76.9%	80.6%
<i>Total</i>	<b>73.1%</b>	<b>77.9%</b>	<b>72.2%</b>	<b>50.8%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>35.6%</b>	<b>40.2%</b>	<b>35.0%</b>	<b>28.9%</b>
<i>Combined Operating Ratio</i>	<b>108.7%</b>	<b>118.1%</b>	<b>107.2%</b>	<b>79.7%</b>

*rounding differences may occur*

**Bulletin F18-036****New Brunswick Risk Sharing Pool – April 2018 Operational Report**

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 2018” attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$1.5 million and the estimated combined operating ratio to December 2018 is 110.6%, as summarized in the table below. This updated projection to the end of the year has changed insignificantly from the projection provided last month as shown in the table below.

<b>NB RSP 2018 Yr-end Projection</b>	<b>Current</b>	Prior Mth	<b>Change</b>	Final 2018
<b>Amounts in \$000s</b>	<b>(Apr 2018)</b>	(Mar 2018)		Outlook*
Premium Written	15,522	15,754	(232)	17,486
Premium Earned	13,701	13,899	(198)	15,974
Incurred Losses	10,092	10,227	(135)	11,739
Underwriting & Admin Expense	5,076	5,156	(80)	5,688
<b>Net Result from Operations</b>	<b>(1,467)</b>	<b>(1,484)</b>	<b>17</b>	<b>(1,453)</b>
<b>Ratios:</b>				
<b>Loss ratio</b>				
- Prior Accident Years	(2.2%)	(2.1%)	(0.1%)	(1.7%)
- Current Accident Year	75.8%	75.6%	0.2%	75.1%
<i>Total</i>	<b>73.6%</b>	<b>73.5%</b>	<b>0.1%</b>	<b>73.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>37.0%</b>	<b>37.1%</b>	<b>(0.1%)</b>	<b>35.6%</b>
<b>Combined Operating Ratio</b>	<b>110.6%</b>	<b>110.6%</b>	<b>0.0%</b>	<b>109.0%</b>

*rounding differences may occur*

\*as posted to FA's website Oct. 3, 2017

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of April 2018, an improvement of \$60 thousand compared with the same month last year. This improvement is composed of a \$97 thousand favourable impact stemming from the overall decrease in the combined ratio (from 118.1% to 108.7% applied to \$1.0 million in earned premium), offset by \$37 thousand unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 118.1%).

This month's results moved the year-to-date combined operating ratio from 106.7% at the end of 3 months to 107.2% at the end of 4 months. The 0.5 percentage point increase is composed of a 0.4 percentage point increase in the Prior Accident Years loss ratio, and a 0.2 percentage point increase in the expense ratio, offset by a 0.1 percentage point decrease in the Current Accident Years loss ratio.

**Bulletin F18-036**  
**New Brunswick Risk Sharing Pool – April 2018 Operational Report**

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Variations from Projections

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

<b>April 2018</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	1,267	1,499	(232)	(15.5%)
Earned Premium	1,033	1,056	(23)	(2.2%)
Reported Losses				
Paid Losses	626	570	56	9.8%
Paid Expenses	63	128	(65)	(50.8%)
Change in Outstanding Losses	(95)	13	(108)	(830.8%)
<b>Total Reported Losses</b>	<b>594</b>	<b>711</b>	<b>(117)</b>	<b>(16.5%)</b>
Change in IBNR Provision*	161	66	95	
Change in Premium Deficiency (DPAC)*	(42)	(84)	42	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP April 2018 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 April 2018, reported losses were \$0.1 million lower than projected. The Current Accident Year had a \$71 thousand favourable variance in reported losses, and the Prior Accident Years had a \$46 thousand favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

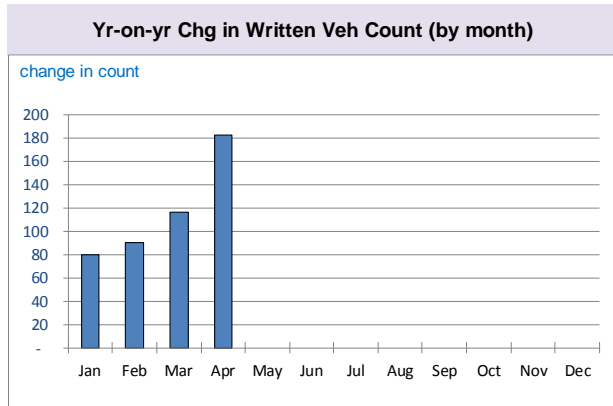
Booking IBNR

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 April 2018 Operational Report – Actuarial Highlights](#).

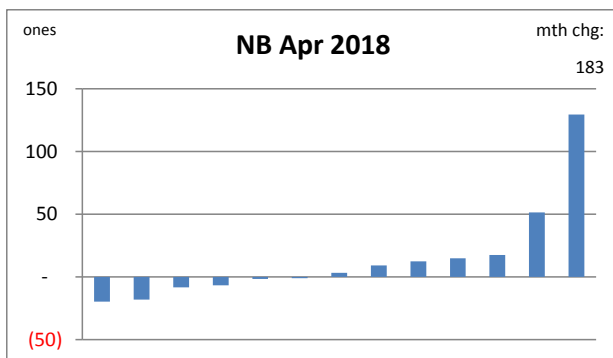
**Effect of Quarterly Valuation**

The April 2018 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2017). The actuarial valuation will be updated next as at March 31, 2018 and we anticipate that the results will be reflected in the May 2018 Operational Report.

**Management Comments**

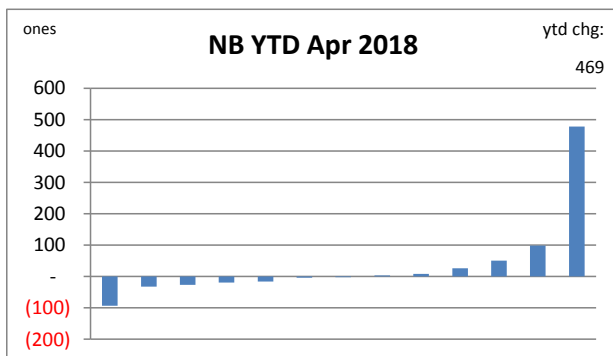


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with April showing an increase of 183 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 370 vehicles, indicating a variance of 187 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in April than projected.



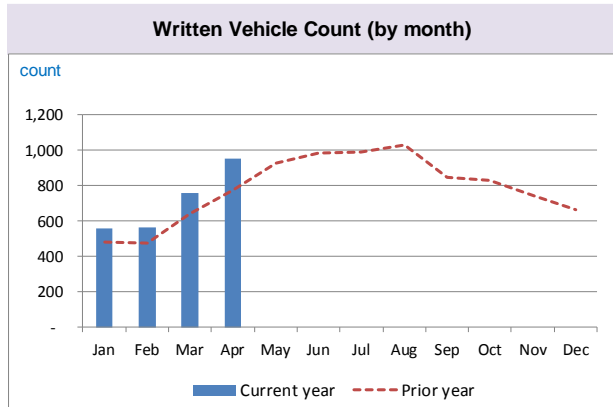
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more. Of the 6 member company groups transferring fewer vehicles, 2 member company groups accounted for 68% of the total transfer decrease for the “decliner” members.

Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 54% of the total transfer increase for the “grower” members.

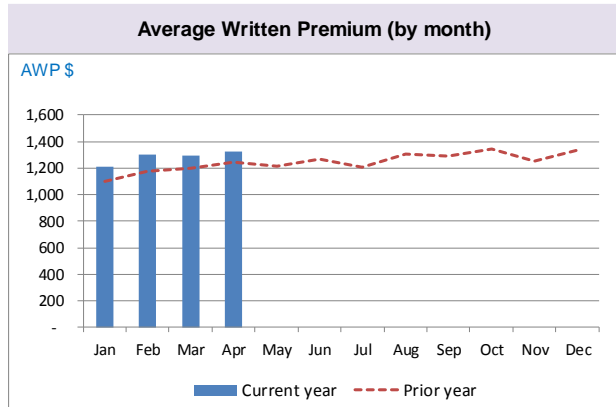


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

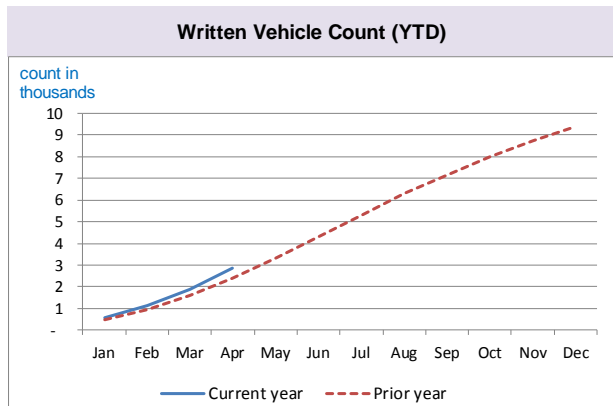
April’s vehicle count transfers to the pool represent a 23.6% increase from April 2017, and counts were up 19.7% year-to-date. Average written premium was up 6.3% in April 2018, and up 8.6% year-to-date (see charts immediately below).



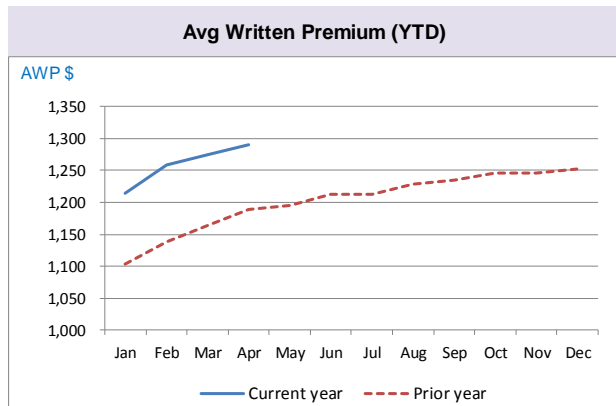
	Apr-18	Apr-17	Amt Chg	% Chg
W. Veh curr mth	957	774	183	23.6%



	Apr-18	Apr-17	Amt Chg	% Chg
AWP curr mth	1,324	1,245	79	6.3%

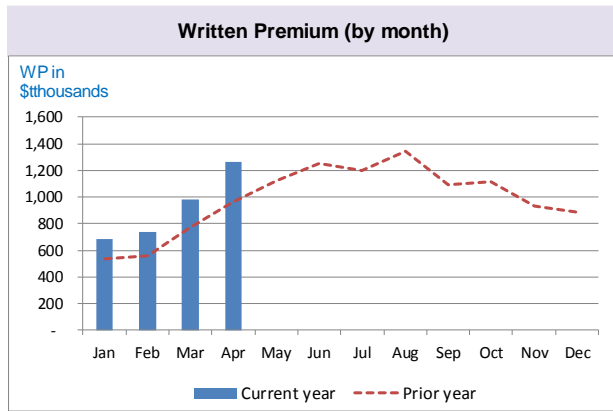


	Apr-18	Apr-17	Amt Chg	% Chg
W. Vehicles YTD	2,843	2,375	469	19.7%

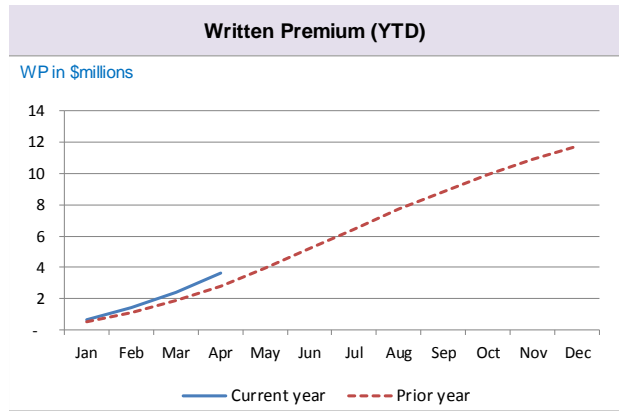


	Apr-18	Apr-17	Amt Chg	% Chg
Avg W. Prem YTD	1,291	1,189	102	8.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 31.5% for the month compared with the 55.6% increase we projected last month, and was up 30.0% year-to-date (see charts at the top of the next page).



	Apr-18	Apr-17	Amt Chg	% Chg
WP (\$000s) curr mth	1,267	963	304	31.5%



	Apr-18	Apr-17	Amt Chg	% Chg
WP (\$000s) YTD	3,672	2,825	847	30.0%

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 April 2018 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2018**

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
<b>Underwriting Revenue:</b>							
Net Premiums Written	\$682	\$739	\$984	\$1,267	\$3,672	\$15,522	\$11,775
Decrease (Increase) in Unearned Premiums	339	190	39	(234)	334	(1,821)	(1,161)
<b>Net Premiums Earned</b>	<b>\$1,021</b>	<b>\$929</b>	<b>\$1,023</b>	<b>\$1,033</b>	<b>\$4,006</b>	<b>\$13,701</b>	<b>\$10,614</b>
<b>Claims Incurred:</b>							
Prior Accident Years:							
Undiscounted	(\$5)	(\$5)	(\$63)	(\$7)	(\$80)	(\$80)	(\$340)
Effect of Discounting	46	(86)	(40)	(30)	(110)	(217)	(915)
Discounted	\$41	(\$91)	(\$103)	(\$37)	(\$190)	(\$297)	(\$1,255)
Current Accident Year:							
Undiscounted	\$742	\$674	\$789	\$763	\$2,968	\$10,065	\$7,958
Effect of Discounting	35	16	32	29	112	324	256
Discounted	\$777	\$690	\$821	\$792	\$3,080	\$10,389	\$8,214
<b>Claims Incurred</b>	<b>\$818</b>	<b>\$599</b>	<b>\$718</b>	<b>\$755</b>	<b>\$2,890</b>	<b>\$10,092</b>	<b>\$6,959</b>
<b>Underwriting Expenses:</b>							
Expense Allowance	\$193	\$211	\$280	\$362	\$1,046	\$4,434	\$3,744
Change in UPDR/DPAC:							
Undiscounted	87	49	77	(53)	160	(265)	(556)
Effect of Discounting	(13)	(6)	-	11	(8)	85	(109)
Discounted	74	43	77	(42)	152	(180)	(\$665)
<b>Underwriting Expenses</b>	<b>\$267</b>	<b>\$254</b>	<b>\$357</b>	<b>\$320</b>	<b>\$1,198</b>	<b>\$4,254</b>	<b>\$3,079</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$64)</b>	<b>\$76</b>	<b>(\$52)</b>	<b>(\$42)</b>	<b>(\$82)</b>	<b>(\$645)</b>	<b>\$576</b>
<b>Administrative Expenses</b>	<b>\$41</b>	<b>\$57</b>	<b>\$59</b>	<b>\$48</b>	<b>\$205</b>	<b>\$822</b>	<b>\$603</b>
<b>Operating Result</b>	<b>(\$105)</b>	<b>\$19</b>	<b>(\$111)</b>	<b>(\$90)</b>	<b>(\$287)</b>	<b>(\$1,467)</b>	<b>(\$27)</b>
<b>Ratios:</b>							
<b>Claims &amp; Expenses Incurred (Earned)</b>							
Prior Accident Years	4.0%	-9.8%	-10.1%	-3.6%	-4.7%	-2.2%	-11.8%
Current Accident Year	76.1%	74.3%	80.3%	76.7%	76.9%	75.8%	77.4%
All Accident Years Combined	80.1%	64.5%	70.2%	73.1%	72.2%	73.6%	65.6%
Underwriting & Administrative Expenses (Earned)	30.2%	33.5%	40.7%	35.6%	35.0%	37.0%	34.7%
<b>Combined Operating Ratio</b>	<b>110.3%</b>	<b>98.0%</b>	<b>110.9%</b>	<b>108.7%</b>	<b>107.2%</b>	<b>110.6%</b>	<b>100.3%</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