

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F18 – 062

DATE: AUGUST 30, 2018

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

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

Please be advised that the July 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 -\$0.1 million and the incurred loss ratio to the end of 7 months is 66.6%, as summarized in the table below.

Amounts in \$000s	July 2018	July 2017	Year to date Jul 2018	Year to Date Jul 2017
Premium Written	1,550	1,198	7,936	6,401
Premium Earned	1,131	894	7,290	5,864
Incurring Losses	829	697	4,860	3,039
Underwriting & Admin Expense	417	374	2,554	2,128
Operating Result	(115)	(177)	(124)	697
Ratios:				
Loss ratio - Prior Accident Years	(2.1%)	(3.2%)	(9.5%)	(29.5%)
- Current Accident Year	75.4%	81.2%	76.1%	81.3%
<i>Total</i>	73.3%	78.0%	66.6%	51.8%
Underwriting & Admin Expense	36.9%	41.8%	35.0%	36.3%
Combined Operating Ratio	110.2%	119.8%	101.6%	88.1%

rounding differences may occur

Bulletin F18-062**New Brunswick Risk Sharing Pool – July 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 -\$0.8 million and the estimated combined operating ratio to December 2018 is 105.8%, as summarized in the table immediately below. This updated projection to the end of the year has not changed significantly from the projection provided last month as shown in the table below.

NB RSP 2018 Yr-end Projection	Current	Prior Mth		Final 2018
Amounts in \$000s	(Jul 2018)	(Jun 2018)	Change	Outlook*
Premium Written	14,764	14,741	23	17,486
Premium Earned	13,288	13,288	0	15,974
Incurred Losses	9,281	9,291	(10)	11,739
Underwriting & Admin Expense	4,778	4,806	(28)	5,688
Net Result from Operations	(771)	(809)	38	(1,453)
Ratios:				
Loss ratio - Prior Accident Years	(5.8%)	(5.6%)	(0.2%)	(1.7%)
- Current Accident Year	75.6%	75.6%	0.0%	75.1%
<i>Total</i>	69.8%	70.0%	(0.2%)	73.4%
Underwriting & Admin Expense	36.0%	36.2%	(0.2%)	35.6%
Combined Operating Ratio	105.8%	106.2%	(0.4%)	109.0%

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 July 2018, an improvement of \$62 thousand compared with the same month last year. This improvement is composed of a \$109 thousand favourable impact stemming from the overall decrease in the combined ratio (from 119.8% to 110.2% applied to \$1.1 million in earned premium), offset by a \$47 thousand unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 119.8%).

This month's results moved the year-to-date combined operating ratio from 100.2% at the end of 6 months to 101.6% at the end of 7 months. The 1.4 percentage point increase is composed of a 1.3 percentage point increase in the Prior Accident Years loss ratio and a 0.3 percentage point increase in the expense ratio, offset by a 0.2 percentage point decrease in the Current Accident Year loss 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 2018	Actual	Projection	Difference	Difference %
Written Premium	1,550	1,527	23	1.5%
Earned Premium	1,131	1,154	(23)	(2.0%)
Reported Losses				
Paid Losses	674	545	129	23.7%
Paid Expenses	13	69	(56)	(81.2%)
Change in Outstanding Losses	(66)	216	(282)	(130.6%)
Total Reported Losses	621	830	(209)	(25.2%)
Change in IBNR Provision*	208	19	189	
Change in Premium Deficiency (DPAC)*	(74)	(66)	(8)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP July 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 July 2018, reported losses were \$0.2 million lower than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, and the Prior Accident Years had a \$0.1 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Booking IBNR

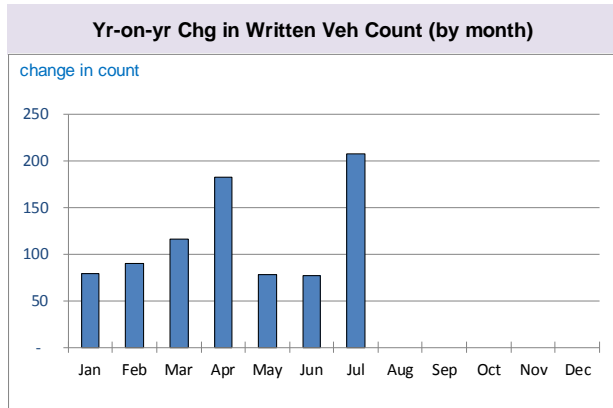
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 July 2018 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

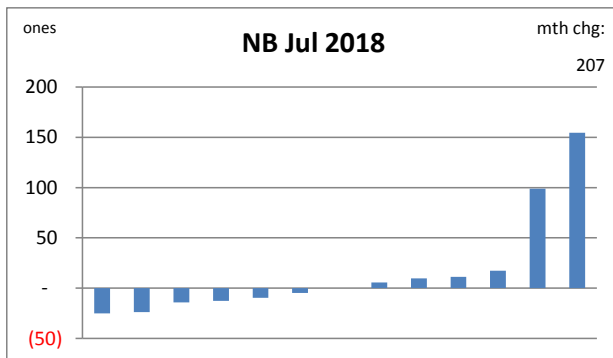
The July 2018 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2018). The actuarial

valuation will be updated next as at June 30, 2018 and we anticipate that the results will be reflected in the August 2018 Operational Report.

Management Comments

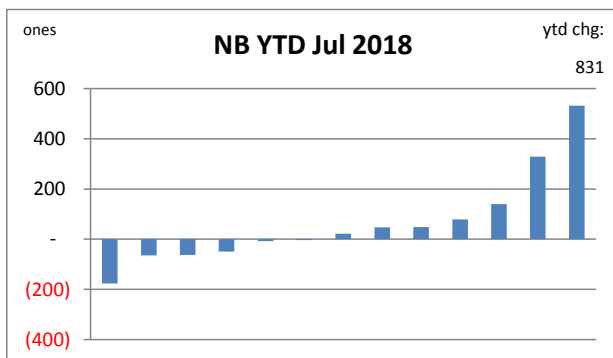


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with June showing an increase of 207 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 204 vehicles, indicating a variance of 3 from the actual transfers.



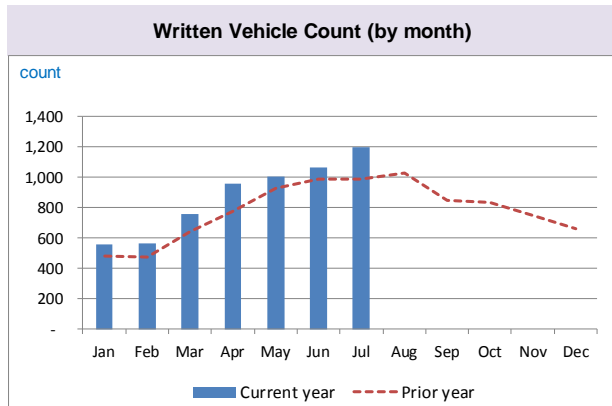
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with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

fewer vehicles, 4 member company groups accounted for 84% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 2 member company groups accounted for 85% of the total transfer increase for the “grower” members.

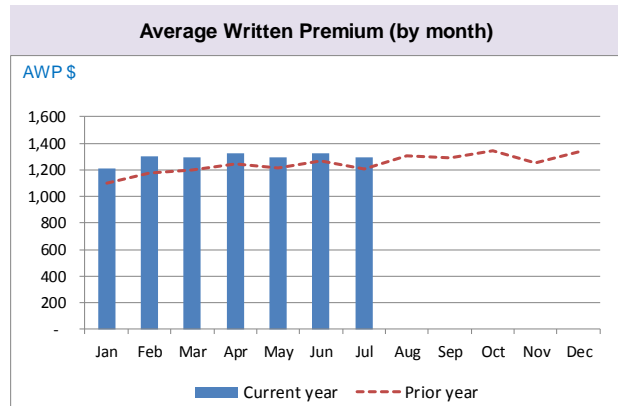


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

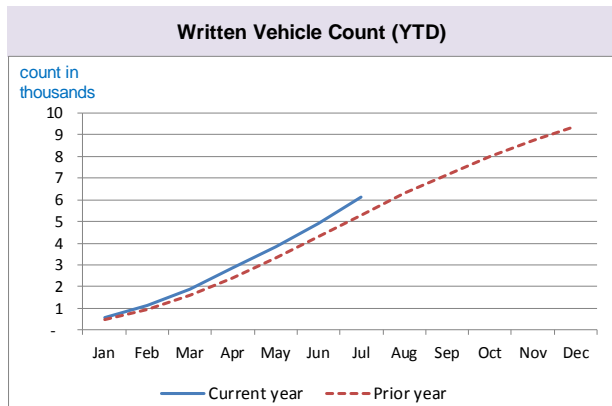
July’s vehicle count transfers to the pool represent a 20.9% increase from July 2017, and counts were up 15.7% year-to-date. Average written premium was up 7.0% in July 2018, and up 7.1% year-to-date (see charts immediately below).



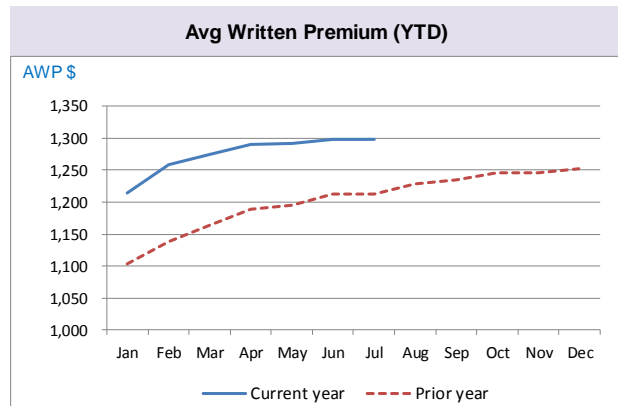
	Jul-18	Jul-17	Amt Chg	% Chg
W. Veh curr mth	1,198	990	207	20.9%



	Jul-18	Jul-17	Amt Chg	% Chg
AWP curr mth	1,294	1,209	85	7.0%

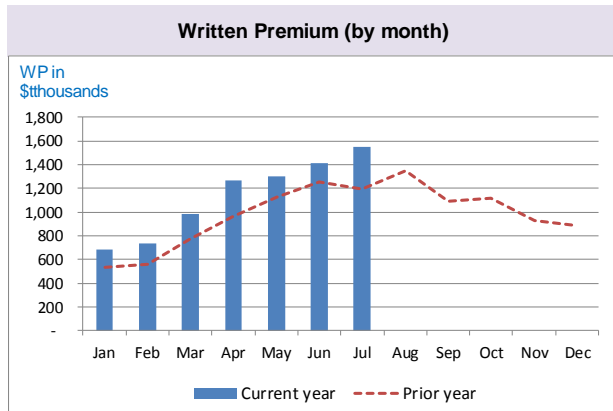


	Jul-18	Jul-17	Amt Chg	% Chg
W. Vehicles YTD	6,112	5,282	831	15.7%

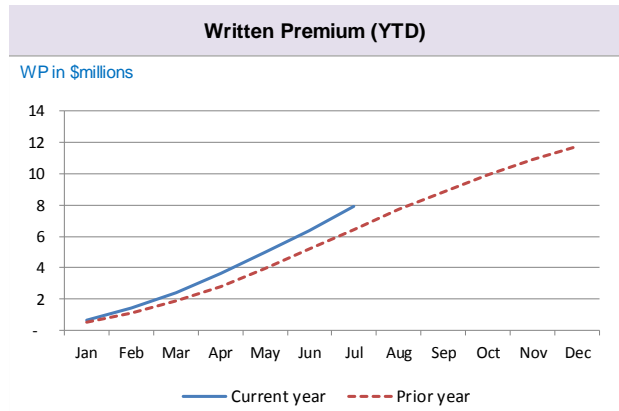


	Jul-18	Jul-17	Amt Chg	% Chg
Avg W. Prem YTD	1,298	1,212	86	7.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 29.4% for the month compared with the 27.5% increase we projected last month, and was up 24.0% year-to-date (see charts at the top of the next page).



	Jul-18	Jul-17	Amt Chg	% Chg
WP (\$000s) curr mth	1,550	1,198	352	29.4%



	Jul-18	Jul-17	Amt Chg	% Chg
WP (\$000s) YTD	7,936	6,401	1,535	24.0%

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 July 2018 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
Risk Sharing Pool - New Brunswick
Operating Results for the 7 Months Ended July 31, 2018 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:										
Net Premiums Written	\$682	\$739	\$984	\$1,267	\$1,304	\$1,410	\$1,550	\$7,936	\$14,764	\$11,775
Decrease (Increase) in Unearned Premiums	339	190	39	(234)	(226)	(335)	(419)	(646)	(1,476)	(1,161)
Net Premiums Earned	\$1,021	\$929	\$1,023	\$1,033	\$1,078	\$1,075	\$1,131	\$7,290	\$13,288	\$10,614
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$5)	(\$5)	(\$63)	(\$7)	(\$315)	(\$7)	(\$5)	(\$407)	(\$408)	(\$340)
Effect of Discounting	46	(86)	(40)	(30)	(138)	(17)	(19)	(284)	(357)	(915)
Discounted	\$41	(\$91)	(\$103)	(\$37)	(\$453)	(\$24)	(\$24)	(\$691)	(\$765)	(\$1,255)
Current Accident Year:										
Undiscounted	\$742	\$674	\$789	\$763	\$789	\$794	\$831	\$5,382	\$9,768	\$7,958
Effect of Discounting	35	16	32	29	14	21	22	169	278	256
Discounted	\$777	\$690	\$821	\$792	\$803	\$815	\$853	\$5,551	\$10,046	\$8,214
Claims Incurred	\$818	\$599	\$718	\$755	\$350	\$791	\$829	\$4,860	\$9,281	\$6,959
Underwriting Expenses:										
Expense Allowance	\$193	\$211	\$280	\$362	\$372	\$402	\$443	\$2,263	\$4,219	\$3,744
Change in UPDR/DPAC:										
Undiscounted	87	49	77	(53)	(52)	(74)	(89)	(55)	(186)	(556)
Effect of Discounting	(13)	(6)	-	11	(26)	12	15	(7)	26	(109)
Discounted	74	43	77	(42)	(78)	(62)	(74)	(62)	(160)	(\$665)
Underwriting Expenses	\$267	\$254	\$357	\$320	\$294	\$340	\$369	\$2,201	\$4,059	\$3,079
Net Underwriting Gain (Loss)	(\$64)	\$76	(\$52)	(\$42)	\$434	(\$56)	(\$67)	\$229	(\$52)	\$576
Administrative Expenses	\$41	\$57	\$59	\$48	\$55	\$45	\$48	\$353	\$719	\$603
Operating Result	(\$105)	\$19	(\$111)	(\$90)	\$379	(\$101)	(\$115)	(\$124)	(\$771)	(\$27)
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	4.0%	-9.8%	-10.1%	-3.6%	-42.0%	-2.2%	-2.1%	-9.5%	-5.8%	-11.8%
Current Accident Year	76.1%	74.3%	80.3%	76.7%	74.5%	75.8%	75.4%	76.1%	75.6%	77.4%
All Accident Years Combined	80.1%	64.5%	70.2%	73.1%	32.5%	73.6%	73.3%	66.6%	69.8%	65.6%
Underwriting & Administrative Expenses (Earned)	30.2%	33.5%	40.7%	35.6%	32.4%	35.8%	36.9%	35.0%	36.0%	34.7%
Combined Operating Ratio	110.3%	98.0%	110.9%	108.7%	64.9%	109.4%	110.2%	101.6%	105.8%	100.3%

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