

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F18 – 081**

**DATE: OCTOBER 30, 2018**

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

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

Please be advised that the September 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 -\$2.0 million and the incurred loss ratio to the end of 9 months is 84.1%, as summarized in the table below.

Amounts in \$000s	September 2018	September 2017	Year to date Sep 2018	Year to Date Sep 2017
Premium Written	1,653	1,092	11,416	8,840
Premium Earned	1,164	920	9,608	7,668
Incurring Losses	881	627	8,082	3,573
Underwriting & Admin Expense	428	354	3,487	2,658
<b>Operating Result</b>	<b>(145)</b>	<b>(61)</b>	<b>(1,961)</b>	<b>1,437</b>
<b>Ratios:</b>				
<b>Loss ratio</b>				
- Prior Accident Years	(1.0%)	(8.3%)	6.8%	(30.9%)
- Current Accident Year	76.7%	76.4%	77.3%	77.5%
<i>Total</i>	<b>75.7%</b>	<b>68.1%</b>	<b>84.1%</b>	<b>46.6%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>36.8%</b>	<b>38.5%</b>	<b>36.3%</b>	<b>34.7%</b>
<i>Combined Operating Ratio</i>	<b>112.5%</b>	<b>106.6%</b>	<b>120.4%</b>	<b>81.3%</b>

*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 2018”

**Bulletin F18-081****New Brunswick Risk Sharing Pool – September 2018 Operational Report**

attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$2.3 million and the estimated combined operating ratio to December 2018 is 117.1%, as summarized in the table 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.

<b>NB RSP 2018 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Sep 2018)	Prior Mth (Aug 2018)	<b>Change</b>	Final 2018 Outlook*
Premium Written	14,751	14,452	299	17,486
Premium Earned	13,309	13,243	66	15,974
Incurring Losses	10,876	10,804	72	11,739
Underwriting & Admin Expense	4,716	4,689	28	5,688
<b>Net Result from Operations</b>	<b>(2,283)</b>	<b>(2,250)</b>	<b>(34)</b>	<b>(1,453)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	4.6%	4.5%	0.1%	<b>(1.7%)</b>
- Current Accident Year	77.1%	77.0%	0.1%	75.1%
<i>Total</i>	<b>81.7%</b>	<b>81.5%</b>	<b>0.2%</b>	<b>73.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>35.4%</b>	<b>35.4%</b>	<b>0.0%</b>	<b>35.6%</b>
<b>Combined Operating Ratio</b>	<b>117.1%</b>	<b>116.9%</b>	<b>0.2%</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 September 2018, a deterioration of \$84 thousand compared with the same month last year. This deterioration is composed of a \$16 thousand unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 106.6%), with the remaining \$68 thousand unfavourable impact stemming from the overall increase in the combined ratio (from 106.6% to 112.5% applied to \$1.2 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 121.5% at the end of 8 months to 120.4% at the end of 9 months. The 1.1 percentage point decrease is composed of a 1.1 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.1 percentage point increase in the expense ratio.

Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

**Bulletin F18-081****New Brunswick Risk Sharing Pool – September 2018 Operational Report**

<b>September 2018</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	1,653	1,354	299	22.1%
Earned Premium	1,164	1,167	(3)	(0.3%)
<b>Reported Losses</b>				
Paid Losses	521	671	(150)	(22.4%)
Paid Expenses	16	116	(100)	(86.2%)
Change in Outstanding Losses	(917)	102	(1,019)	(999.0%)
<b>Total Reported Losses</b>	<b>(380)</b>	<b>889</b>	<b>(1,269)</b>	<b>(142.7%)</b>
Change in IBNR Provision*	1,261	(26)	1,287	
Change in Premium Deficiency (DPAC)*	(90)	(36)	(54)	

*(Amounts in \$000's)**rounding differences may occur*

\*Detailed information is included in [New Brunswick RSP September 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 September 2018, reported losses were \$1.3 million lower than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, while the Prior Accident Years had an approximately \$1.5 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million. A portion of the Prior Accident Years' variances were the result of a member company group providing correcting case reserve transactions during the month. FA management reviewed the results of the transactions have determined that they were appropriate based on available information.

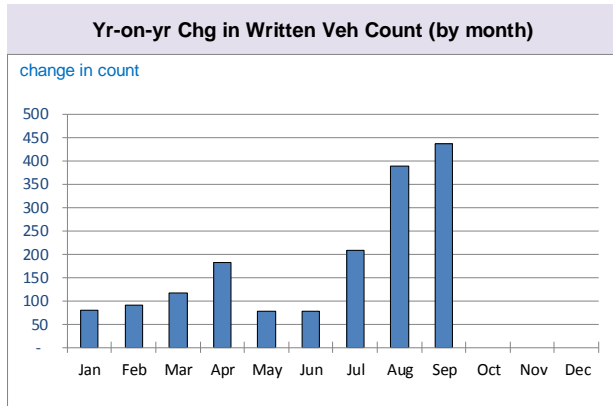
**Booking IBNR**

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

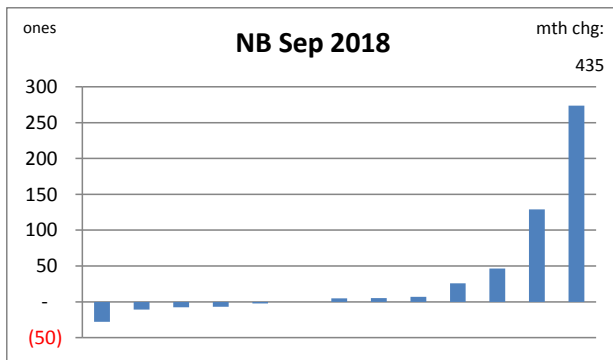
**Effect of Quarterly Valuation**

The September 2018 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at June 30, 2018). The actuarial valuation will be updated next as at September 30, 2018 and we anticipate that the results will be reflected in the October 2018 Operational Report.

Management Comments

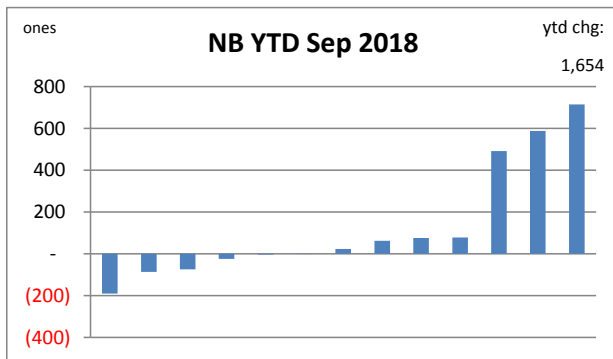


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with September showing an increase of 435 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 169 vehicles, indicating a variance of 266 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in September than projected.



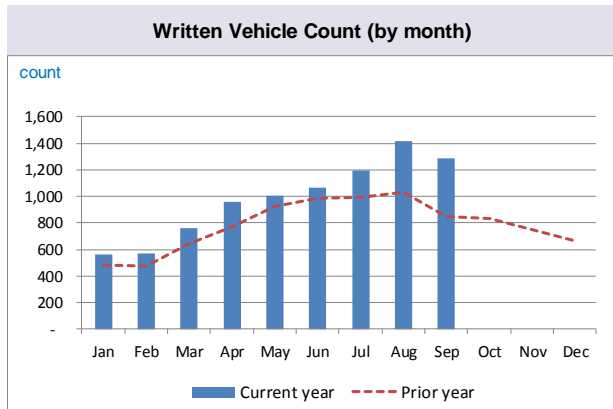
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more, and one remained the same. Of the 5 member company groups transferring fewer vehicles, 4 member company groups

accounted for 96% of the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 2 member company groups accounted for 82% of the total transfer increase for the “grower” members.

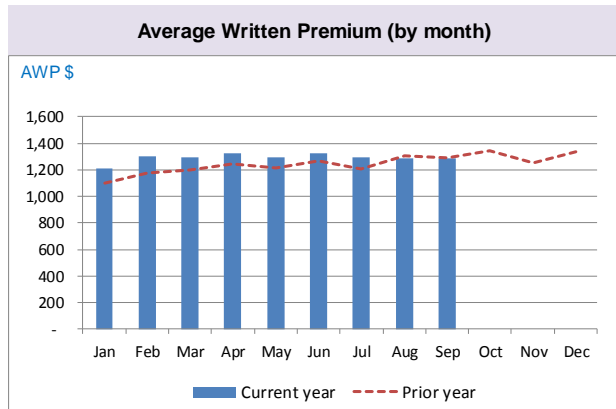


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

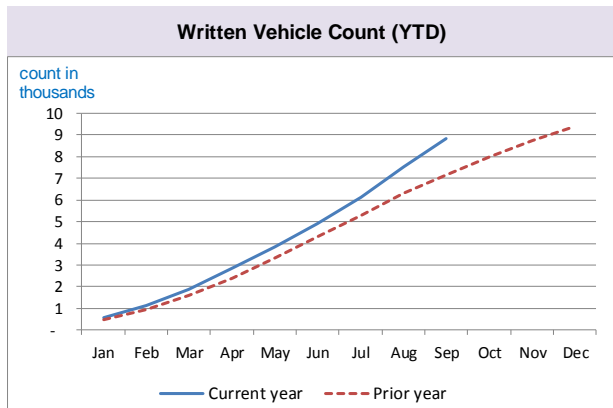
September’s vehicle count transfers to the pool represent a 51.3% increase from September 2017, and counts were up 23.1% year-to-date. Average written premium had no change in August 2018, but up 4.9% year-to-date (see charts at the top of the next page).



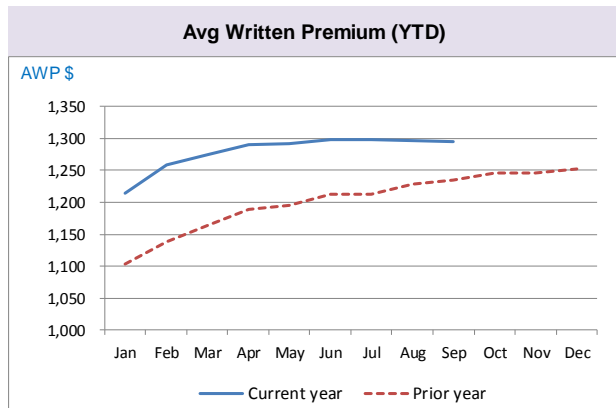
	Sep-18	Sep-17	Amt Chg	% Chg
W. Veh curr mth	1,284	849	435	51.3%



	Sep-18	Sep-17	Amt Chg	% Chg
AWP curr mth	1,287	1,287	-	0.0%

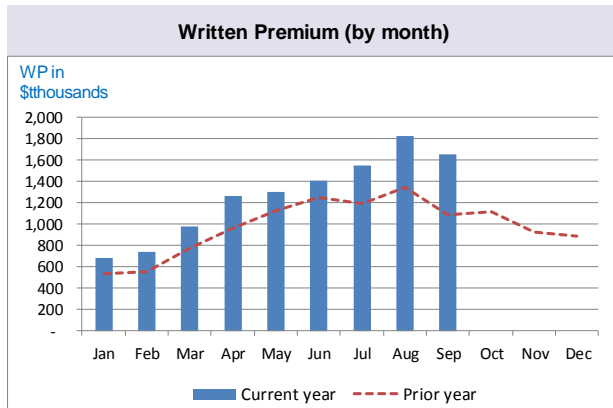


	Sep-18	Sep-17	Amt Chg	% Chg
W. Vehicles YTD	8,813	7,160	1,654	23.1%

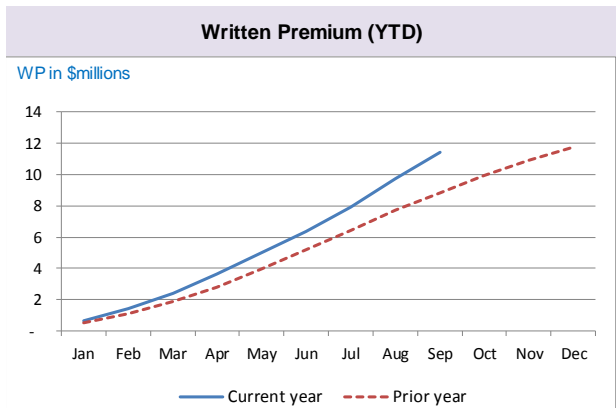


	Sep-18	Sep-17	Amt Chg	% Chg
Avg W. Prem YTD	1,295	1,235	60	4.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 51.3% for the month compared with the 23.9% increase we projected last month, and was up 29.1% year-to-date (see charts immediately below).



	Sep-18	Sep-17	Amt Chg	% Chg
WP (\$000s) curr mth	1,653	1,092	561	51.3%



	Sep-18	Sep-17	Amt Chg	% Chg
WP (\$000s) YTD	11,416	8,840	2,576	29.1%

**Bulletin F18-081**

**New Brunswick Risk Sharing Pool – September 2018 Operational Report**

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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 September 2018 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2018**

Risk Sharing Pool - New Brunswick  
 Operating Results for the 9 Months Ended September 30, 2018 (Discounted basis)  
 Source: Monthly Operational Report  
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
<b>Underwriting Revenue:</b>												
Net Premiums Written	\$682	\$739	\$984	\$1,267	\$1,304	\$1,410	\$1,550	\$1,827	\$1,653	\$11,416	\$14,751	\$11,775
Decrease (Increase) in Unearned Premiums	339	190	39	(234)	(226)	(335)	(419)	(673)	(489)	(1,808)	(1,442)	(1,161)
<b>Net Premiums Earned</b>	<b>\$1,021</b>	<b>\$929</b>	<b>\$1,023</b>	<b>\$1,033</b>	<b>\$1,078</b>	<b>\$1,075</b>	<b>\$1,131</b>	<b>\$1,154</b>	<b>\$1,164</b>	<b>\$9,608</b>	<b>\$13,309</b>	<b>\$10,614</b>
<b>Claims Incurred:</b>												
Prior Accident Years:												
Undiscounted	(\$5)	(\$5)	(\$63)	(\$7)	(\$315)	(\$7)	(\$5)	\$1,304	(\$3)	\$894	\$893	(\$340)
Effect of Discounting	46	(86)	(40)	(30)	(138)	(17)	(19)	51	(9)	(242)	(275)	(915)
Discounted	\$41	(\$91)	(\$103)	(\$37)	(\$453)	(\$24)	(\$24)	\$1,355	(\$12)	\$652	\$618	(\$1,255)
Current Accident Year:												
Undiscounted	\$742	\$674	\$789	\$763	\$789	\$794	\$831	\$952	\$868	\$7,202	\$9,949	\$7,958
Effect of Discounting	35	16	32	29	14	21	22	34	25	228	309	256
Discounted	\$777	\$690	\$821	\$792	\$803	\$815	\$853	\$986	\$893	\$7,430	\$10,258	\$8,214
<b>Claims Incurred</b>	<b>\$818</b>	<b>\$599</b>	<b>\$718</b>	<b>\$755</b>	<b>\$350</b>	<b>\$791</b>	<b>\$829</b>	<b>\$2,341</b>	<b>\$881</b>	<b>\$8,082</b>	<b>\$10,876</b>	<b>\$6,959</b>
<b>Underwriting Expenses:</b>												
Expense Allowance	\$193	\$211	\$280	\$362	\$372	\$402	\$443	\$521	\$473	\$3,257	\$4,212	\$3,744
Change in UPDR/DPAC:												
Undiscounted	87	49	77	(53)	(52)	(74)	(89)	(100)	(108)	(263)	(169)	(556)
Effect of Discounting	(13)	(6)	-	11	(26)	12	15	28	18	39	26	(109)
Discounted	74	43	77	(42)	(78)	(62)	(74)	(72)	(90)	(224)	(143)	(\$665)
<b>Underwriting Expenses</b>	<b>\$267</b>	<b>\$254</b>	<b>\$357</b>	<b>\$320</b>	<b>\$294</b>	<b>\$340</b>	<b>\$369</b>	<b>\$449</b>	<b>\$383</b>	<b>\$3,033</b>	<b>\$4,069</b>	<b>\$3,079</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$64)</b>	<b>\$76</b>	<b>(\$52)</b>	<b>(\$42)</b>	<b>\$434</b>	<b>(\$56)</b>	<b>(\$67)</b>	<b>(\$1,636)</b>	<b>(\$100)</b>	<b>(\$1,507)</b>	<b>(\$1,636)</b>	<b>\$576</b>
<b>Administrative Expenses</b>	<b>\$41</b>	<b>\$57</b>	<b>\$59</b>	<b>\$48</b>	<b>\$55</b>	<b>\$45</b>	<b>\$48</b>	<b>\$56</b>	<b>\$45</b>	<b>\$454</b>	<b>\$647</b>	<b>\$603</b>
<b>Operating Result</b>	<b>(\$105)</b>	<b>\$19</b>	<b>(\$111)</b>	<b>(\$90)</b>	<b>\$379</b>	<b>(\$101)</b>	<b>(\$115)</b>	<b>(\$1,692)</b>	<b>(\$145)</b>	<b>(\$1,961)</b>	<b>(\$2,283)</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%	-42.0%	-2.2%	-2.1%	117.4%	-1.0%	6.8%	4.6%	-11.8%
Current Accident Year	76.1%	74.3%	80.3%	76.7%	74.5%	75.8%	75.4%	85.4%	76.7%	77.3%	77.1%	77.4%
All Accident Years Combined	80.1%	64.5%	70.2%	73.1%	32.5%	73.6%	73.3%	202.8%	75.7%	84.1%	81.7%	65.6%
Underwriting & Administrative Expenses (Earned)	30.2%	33.5%	40.7%	35.6%	32.4%	35.8%	36.9%	43.8%	36.8%	36.3%	35.4%	34.7%
<b>Combined Operating Ratio</b>	<b>110.3%</b>	<b>98.0%</b>	<b>110.9%</b>	<b>108.7%</b>	<b>64.9%</b>	<b>109.4%</b>	<b>110.2%</b>	<b>246.6%</b>	<b>112.5%</b>	<b>120.4%</b>	<b>117.1%</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