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TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F18 – 098

DATE: DECEMBER 20, 2018

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

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

Please be advised that the November 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 -\$1.7 million and the incurred loss ratio to the end of 11 months is 78.7%, as summarized in the table below.

Amounts in \$000s	November 2018	November 2017	Year to date Nov 2018	Year to Date Nov 2017
Premium Written	1,282	931	14,395	10,889
Premium Earned	1,226	969	12,084	9,562
Incurred Losses	924	732	9,505	6,175
Underwriting & Admin Expense	398	335	4,321	3,309
Operating Result	(96)	(98)	(1,742)	78
Ratios:				
Loss ratio				
- Prior Accident Years	(0.4%)	(0.3%)	1.7%	(12.9%)
- Current Accident Year	75.8%	75.9%	77.0%	77.5%
<i>Total</i>	75.4%	75.6%	78.7%	64.6%
<i>Underwriting & Admin Expense</i>	32.5%	34.6%	35.8%	34.6%
<i>Combined Operating Ratio</i>	107.9%	110.2%	114.5%	99.2%

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 2018” attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$1.9 million and the estimated combined operating ratio to December 2018 is 114.2%, as summarized 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 Amounts in \$000s	Current (Nov 2018)	Prior Mth (Oct 2018)	Change	Final 2018 Outlook*
Premium Written	15,818	15,556	262	17,486
Premium Earned	13,401	13,422	(21)	15,974
Incurring Losses	10,502	10,517	(15)	11,739
Underwriting & Admin Expense	4,805	4,780	25	5,688
Net Result from Operations	(1,906)	(1,875)	(31)	(1,453)
Ratios:				
Loss ratio - Prior Accident Years	1.4%	1.4%	0.0%	(1.7%)
- Current Accident Year	76.9%	77.0%	(0.1%)	75.1%
<i>Total</i>	78.3%	78.4%	(0.1%)	73.4%
Underwriting & Admin Expense	35.9%	35.6%	0.3%	35.6%
Combined Operating Ratio	114.2%	114.0%	0.2%	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 November 2018, an improvement of \$2 thousand compared with the same month last year. This improvement is composed of \$28 thousand favourable impact stemming from the overall decrease in the combined ratio (from 110.2% to 107.9% applied to \$1.2 million in earned premium), offset by a \$26 thousand unfavourable impact associated with the \$0.3 million increase in earned premium (at a combined ratio of 110.2%).

This month's results moved the year-to-date combined operating ratio from 115.1% at the end of 10 months to 114.5% at the end of 11 months. The 0.6 percentage point decrease is composed of a 0.2 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, and a 0.3 percentage point decrease 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.

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November 2018	Actual	Projection	Difference	Difference %
Written Premium	1,282	1,238	44	3.6%
Earned Premium	1,226	1,230	(4)	(0.3%)
Reported Losses				
Paid Losses	727	556	171	30.8%
Paid Expenses	21	62	(41)	(66.1%)
Change in Outstanding Losses	1,137	249	888	356.6%
Total Reported Losses	1,885	867	1,018	117.4%
Change in IBNR Provision*	(961)	65	(1,026)	
Change in Premium Deficiency (DPAC)*	(11)	(6)	(5)	

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

*Detailed information is included in [New Brunswick RSP November 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 November 2018, reported losses were \$1.0 million higher than projected. The Current Accident Year had a \$32 thousand unfavourable variance in reported losses, and the Prior Accident Years had a \$1.0 million unfavourable 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 some specific individual 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.

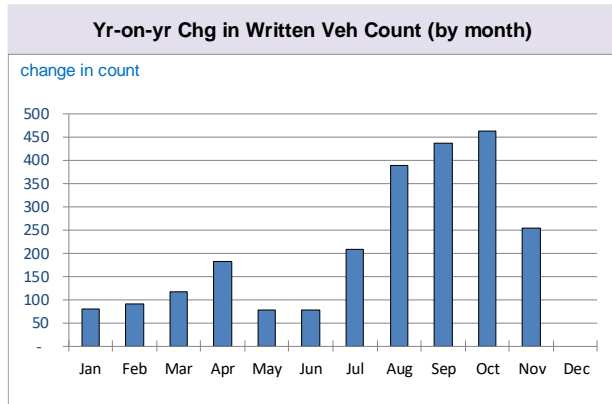
Booking IBNR

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 2018 Operational Report – Actuarial Highlights](#).

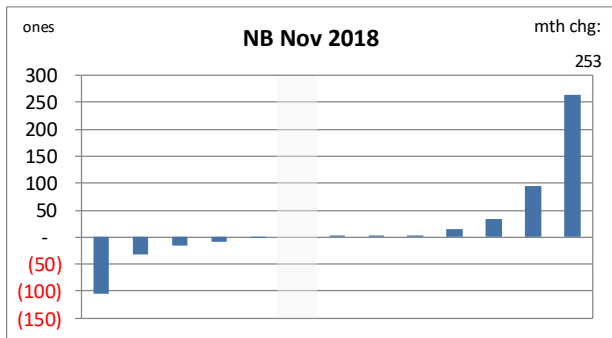
Effect of Quarterly Valuation

The November 2018 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, 2018). The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

Management Comments

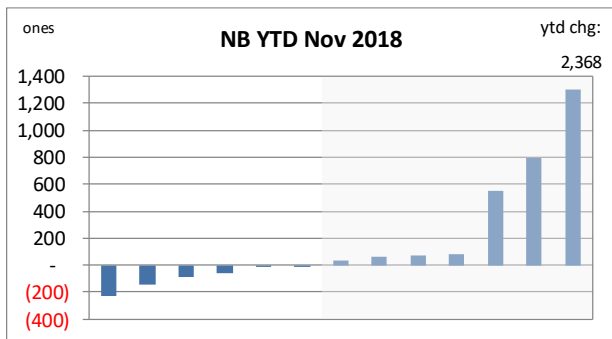


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November showing an increase of 253 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 215 vehicles, indicating a variance of 38 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in November than projected.



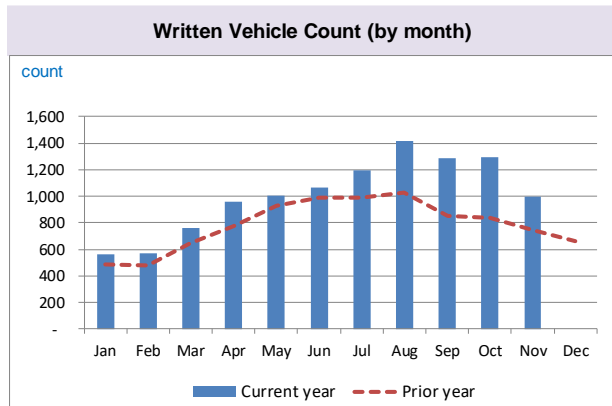
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more, and one remained the same. Of the 5 member company groups transferring fewer vehicles, 1 member company

group accounted for 65% of the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 64% of the total transfer increase for the “grower” members.

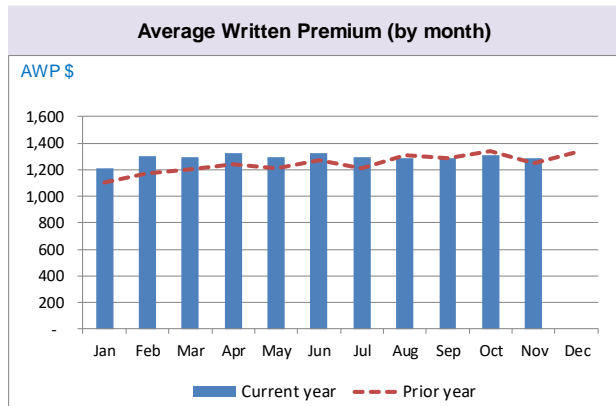


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

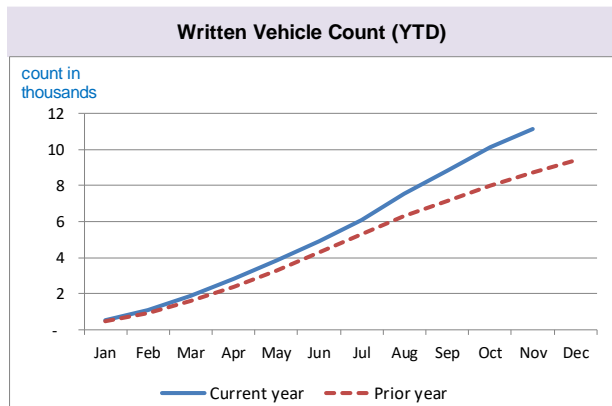
November’s vehicle count transfers to the pool represent a 33.9% increase from November 2017, and counts were up 27.1% year-to-date. Average written premium was up 2.8% in November 2018, and up 4.0% year-to-date (see charts at the top of the next page).



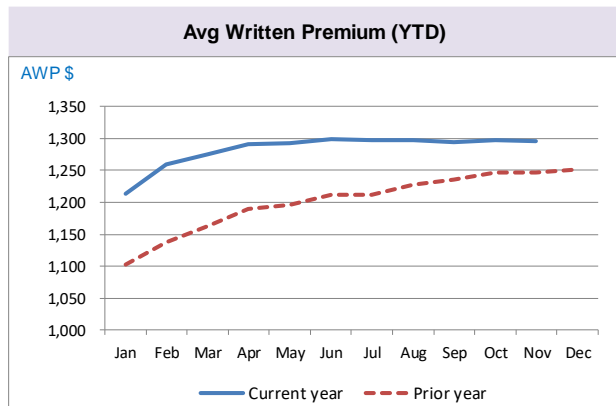
	Nov-18	Nov-17	Amt Chg	% Chg
W. Veh curr mth	998	746	253	33.9%



	Nov-18	Nov-17	Amt Chg	% Chg
AWP curr mth	1,284	1,249	35	2.8%

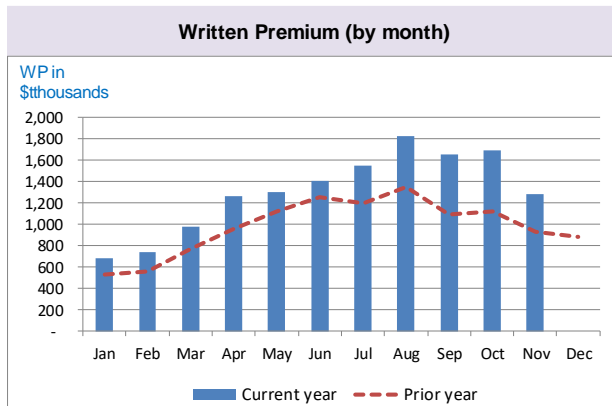


	Nov-18	Nov-17	Amt Chg	% Chg
W. Vehicles YTD	11,106	8,738	2,368	27.1%

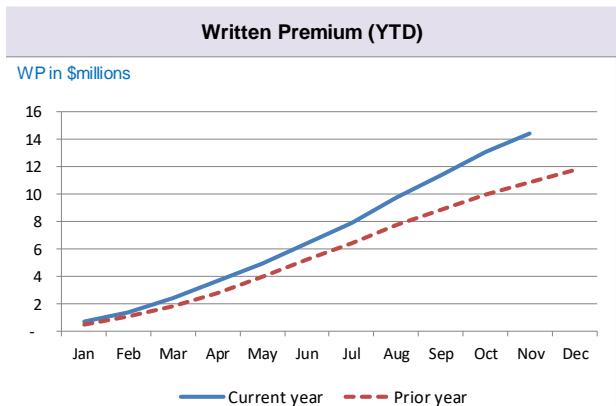


	Nov-18	Nov-17	Amt Chg	% Chg
Avg W. Prem YTD	1,296	1,246	50	4.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 37.7% for the month compared with the 33.0% increase we projected last month, and was up 32.2% year-to-date (see charts immediately below).



	Nov-18	Nov-17	Amt Chg	% Chg
WP (\$000s) curr mth	1,282	931	351	37.7%



	Nov-18	Nov-17	Amt Chg	% Chg
WP (\$000s) YTD	14,396	10,890	3,506	32.2%

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New Brunswick Risk Sharing Pool – November 2018 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 November 2018 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018

Risk Sharing Pool - New Brunswick

Operating Results for the 11 Months Ended November 30, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	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	\$1,827	\$1,653	\$1,697	\$1,282	\$14,395	\$15,818	\$11,775
Decrease (Increase) in Unearned Premiums	339	190	39	(234)	(226)	(335)	(419)	(673)	(489)	(447)	(56)	(2,311)	(2,417)	(1,161)
Net Premiums Earned	\$1,021	\$929	\$1,023	\$1,033	\$1,078	\$1,075	\$1,131	\$1,154	\$1,164	\$1,250	\$1,226	\$12,084	\$13,401	\$10,614
Claims Incurred:														
Prior Accident Years:														
Undiscounted	(\$5)	(\$5)	(\$63)	(\$7)	(\$315)	(\$7)	(\$5)	\$1,304	(\$3)	(\$273)	(\$2)	\$619	\$618	(\$340)
Effect of Discounting	46	(86)	(40)	(30)	(138)	(17)	(19)	51	(9)	(171)	(3)	(416)	(425)	(915)
Discounted	\$41	(\$91)	(\$103)	(\$37)	(\$453)	(\$24)	(\$24)	\$1,355	(\$12)	(\$444)	(\$5)	\$203	\$193	(\$1,255)
Current Accident Year:														
Undiscounted	\$742	\$674	\$789	\$763	\$789	\$794	\$831	\$952	\$868	\$983	\$918	\$9,103	\$10,089	\$7,958
Effect of Discounting	35	16	32	29	14	21	22	34	25	(40)	11	199	220	256
Discounted	\$777	\$690	\$821	\$792	\$803	\$815	\$853	\$986	\$893	\$943	\$929	\$9,302	\$10,309	\$8,214
Claims Incurred	\$818	\$599	\$718	\$755	\$350	\$791	\$829	\$2,341	\$881	\$499	\$924	\$9,505	\$10,502	\$6,959
Underwriting Expenses:														
Expense Allowance	\$193	\$211	\$280	\$362	\$372	\$402	\$443	\$521	\$473	\$485	\$366	\$4,108	\$4,516	\$3,744
Change in UPDR/DPAC:														
Undiscounted	87	49	77	(53)	(52)	(74)	(89)	(100)	(108)	(85)	(14)	(362)	(392)	(556)
Effect of Discounting	(13)	(6)	-	11	(26)	12	15	28	18	(23)	3	19	22	(109)
Discounted	74	43	77	(42)	(78)	(62)	(74)	(72)	(90)	(108)	(11)	(343)	(370)	(\$665)
Underwriting Expenses	\$267	\$254	\$357	\$320	\$294	\$340	\$369	\$449	\$383	\$377	\$355	\$3,765	\$4,146	\$3,079
Net Underwriting Gain (Loss)	(\$64)	\$76	(\$52)	(\$42)	\$434	(\$56)	(\$67)	(\$1,636)	(\$100)	\$374	(\$53)	(\$1,186)	(\$1,247)	\$576
Administrative Expenses	\$41	\$57	\$59	\$48	\$55	\$45	\$48	\$56	\$45	\$59	\$43	\$556	\$659	\$603
Operating Result	(\$105)	\$19	(\$111)	(\$90)	\$379	(\$101)	(\$115)	(\$1,692)	(\$145)	\$315	(\$96)	(\$1,742)	(\$1,906)	(\$27)
Ratios:														
Claims & Expenses Incurred (Earned)														
Prior Accident Years	4.0%	-9.8%	-10.1%	-3.6%	-42.0%	-2.2%	-2.1%	117.4%	-1.0%	-35.5%	-0.4%	1.7%	1.4%	-11.8%
Current Accident Year	76.1%	74.3%	80.3%	76.7%	74.5%	75.8%	75.4%	85.4%	76.7%	75.4%	75.8%	77.0%	76.9%	77.4%
All Accident Years Combined	80.1%	64.5%	70.2%	73.1%	32.5%	73.6%	73.3%	202.8%	75.7%	39.9%	75.4%	78.7%	78.3%	65.6%
Underwriting & Administrative Expenses (Earned)	30.2%	33.5%	40.7%	35.6%	32.4%	35.8%	36.9%	43.8%	36.8%	34.9%	32.5%	35.8%	35.9%	34.7%
Combined Operating Ratio	110.3%	98.0%	110.9%	108.7%	64.9%	109.4%	110.2%	246.6%	112.5%	74.8%	107.9%	114.5%	114.2%	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