

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F19 – 031**

**DATE: APRIL 29, 2019**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– MARCH 2019 OPERATIONAL REPORT**

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

Please be advised that the March 2019 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

## New This Month

### Valuation

A valuation of the New Brunswick Risk Sharing Pool (“RSP”) as at December 31, 2018 has been completed since last month’s Operational Report and the results of that valuation have been incorporated into this month’s Operational Report. The valuation was completed by the Facility Association’s internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

The implementation of the new valuation resulted in an estimated overall **\$1.1 million unfavourable** impact on the month’s net result from operations, adding an estimated 29.8 points from the year-to-date Combined Operating Ratio (ending at 140.9%). The impact is summarized in the tables immediately below<sup>1</sup>.

NB	unfav / (fav) for the month and ytd						ytd EP 3,681 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate		margins	ults & payout patterns			dsct rate		margins
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	705	27	732	173	-	905	19.2%	0.7%	19.9%	4.7%	-	24.6%
CAY	34	2	36	25	-	61	0.9%	0.1%	1.0%	0.7%	-	1.7%
Prem Def	75	3	78	52	-	130	2.0%	0.1%	2.1%	1.4%	-	3.5%
<b>TOTAL</b>	<b>814</b>	<b>32</b>	<b>846</b>	<b>250</b>	<b>-</b>	<b>1,096</b>	<b>22.1%</b>	<b>0.9%</b>	<b>23.0%</b>	<b>6.8%</b>	<b>-</b>	<b>29.8%</b>

<sup>1</sup>In the tables, “ults & payout patterns” refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; “dsct rate” refers to the impact of changes in the selected discount rate applied to projected cashflows; and “apv adj.” refers to “actuarial present value adjustments”.

Please see “Effect of Quarterly Valuation” on page 4 for additional valuation result detail.

**Summary of Financial Results**

The calendar year-to-date Operating Result is -\$1.5 million and the incurred loss ratio to the end of 3 months is 103.7%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>March 2019</b>	March 2018	<b>Year to date Mar 2019</b>	Year to Date Mar 2018
Premium Written	1,407	984	3,293	2,405
Premium Earned	1,327	1,023	3,681	2,973
Incurred Losses	1,966	718	3,815	2,135
Underwriting & Admin Expense	588	416	1,371	1,035
<b>Operating Result</b>	<b>(1,227)</b>	<b>(111)</b>	<b>(1,505)</b>	<b>(197)</b>
<i>Ratios:</i>				
<b>Loss ratio</b>				
- Prior Accident Years	67.4%	(10.1%)	23.2%	(5.1%)
- Current Accident Year	80.8%	80.3%	80.5%	77.0%
<i>Total</i>	<b>148.2%</b>	<b>70.2%</b>	<b>103.7%</b>	<b>71.9%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>44.3%</b>	<b>40.7%</b>	<b>37.2%</b>	<b>34.8%</b>
<i>Combined Operating Ratio</i>	<b>192.5%</b>	<b>110.9%</b>	<b>140.9%</b>	<b>106.7%</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 2019” attached to this bulletin.

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is -\$3.8 million and the estimated combined operating ratio to December 2019 is 121.8%, as summarized in the table at the top of the next page.

<b>NB RSP 2019 Yr-end Projection</b>	<b>Current</b>	Prior Mth		Final 2019
<b>Amounts in \$000s</b>	<b>(Mar 2019)</b>	<b>(Feb 2019)</b>	<b>Change</b>	<b>Outlook*</b>
Premium Written	19,394	19,563	(169)	17,463
Premium Earned	17,246	17,404	(158)	16,429
Incurred Losses	14,188	13,159	1,029	12,457
Underwriting & Admin Expense	6,833	6,560	274	6,010
<b>Net Result from Operations</b>	<b>(3,775)</b>	<b>(2,315)</b>	<b>(1,461)</b>	<b>(2,038)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	3.9%	(1.2%)	5.1%	(1.2%)
- Current Accident Year	78.3%	76.8%	1.5%	77.0%
<i>Total</i>	<b>82.2%</b>	<b>75.6%</b>	<b>6.6%</b>	<b>75.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>39.6%</b>	<b>37.7%</b>	<b>1.9%</b>	<b>36.6%</b>
<b>Combined Operating Ratio</b>	<b>121.8%</b>	<b>113.3%</b>	<b>8.5%</b>	<b>112.4%</b>

rounding differences may occur

\*as posted to FA's website Oct. 18, 2018

This updated projection to the end of the year has deteriorated by \$1.5 million from the projection provided last month (-\$2.3 million and 113.3%), and included the overall \$1.5 million unfavourable impact of the valuation implementation as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 4). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

NB	unfav / (fav) projected for full year						year EP 17,246 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns		dsct rate	margins			ults & payout patterns		dsct rate	margins		
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	705	6	711	153	-	864	4.1%	-	4.1%	0.9%	-	5.0%
CAY	157	5	162	103	-	265	0.9%	-	0.9%	0.6%	-	1.5%
Prem Def	245	9	254	70	-	324	1.4%	0.1%	1.5%	0.4%	-	1.9%
TOTAL	1,107	20	1,127	326	-	1,453	6.4%	0.1%	6.5%	1.9%	-	8.4%

### Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$1.2 million Operating Result in the month of March 2019, a deterioration of \$1.1 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 110.9% to 192.5% applied to \$1.3 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month's results moved the year-to-date combined operating ratio from 111.9% at the end of 2 months to 140.9% at the end of 3 months. The 29.0 percentage point increase is composed of a 24.9 percentage point increase in the Prior Accident Years loss ratio, coupled with a 0.2 percentage point increase in the Current Accident Year loss ratio, and a 3.9 percentage point increase in the expense ratio.

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>March 2019</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	1,407	1,576	(169)	(10.7%)
Earned Premium	1,327	1,352	(25)	(1.8%)
<b>Reported Losses</b>				
Paid Losses	709	699	10	1.4%
Paid Expenses	19	109	(90)	(82.6%)
Change in Outstanding Losses	140	(163)	303	(185.9%)
<b>Total Reported Losses</b>	<b>868</b>	<b>645</b>	<b>223</b>	<b>34.6%</b>
Change in IBNR Provision*	1,098	365	733	
Change in Premium Deficiency (DPAC)*	115	(45)	160	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP March 2019 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 March 2019, reported losses were \$0.2 million higher than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, and the Prior Accident Years had a \$25 thousand unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

**Effect of Quarterly Valuation**

The March 2019 New Brunswick Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2018 with the associated impacts in relation to the results for March 2019 summarized in the table immediately below.

NB	unfav / (fav) for the month and ytd						mth EP 1,327 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	705	27	732	173	-	905	53.1%	2.0%	55.2%	13.0%	-	68.2%
CAY	34	2	36	25	-	61	2.6%	0.2%	2.7%	1.9%	-	4.6%
Prem Def	75	3	78	52	-	130	5.7%	0.2%	5.9%	3.9%	-	9.8%
<b>TOTAL</b>	<b>814</b>	<b>32</b>	<b>846</b>	<b>250</b>	<b>-</b>	<b>1,096</b>	<b>61.3%</b>	<b>2.4%</b>	<b>63.8%</b>	<b>18.8%</b>	<b>-</b>	<b>82.6%</b>

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.8 million unfavourable impact – see column [3] in the left table above), augmented by the impact due to a 36 basis point decrease in the selected discount

rate (from 2.29% to 1.93% generating a \$0.3 million unfavourable impact – see column [4] in the left table at the bottom of the previous page). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and our usual practice is to only update margins for adverse deviation for claims development (selected at the coverage / accident year level) at the June 30 valuation, these were also left unchanged (hence \$0 in column [5] in the left table at the bottom of the previous page).

Management has observed favourable *total* valuation impacts over the last 12 valuation implementations, with 5 valuation implementations being unfavourable over that 12-quarter period, as shown in column [5] of the table immediately below (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). It should be noted that the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

RSP: New Brunswick, as at: 2018 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						= sum([1] to [5])		= [5] / [6]	= [1] / [6]
2016 Q1	May 2016	(226)	(38)	25	-	(239)	23,693	(1.0%)	(1.0%)
2016 Q2	Aug 2016	(418)	(103)	43	(471)	(949)	23,496	(4.0%)	(1.8%)
2016 Q3	Oct 2016	379	32	41	-	452	24,304	1.9%	1.6%
2016 Q4	Mar 2017	(736)	(71)	(312)	-	(1,119)	23,149	(4.8%)	(3.2%)
2017 Q1	May 2017	(552)	(57)	53	-	(556)	23,168	(2.4%)	(2.4%)
2017 Q2	Aug 2017	(701)	(95)	(129)	(46)	(971)	23,538	(4.1%)	(3.0%)
2017 Q3	Oct 2017	1,415	101	(354)	-	1,162	24,385	4.8%	5.8%
2017 Q4	Mar 2018	55	37	(6)	-	86	23,228	0.4%	0.2%
2018 Q1	May 2018	(320)	(50)	(110)	-	(480)	23,274	(2.1%)	(1.4%)
2018 Q2	Aug 2018	1,463	53	45	(31)	1,530	26,690	5.7%	5.5%
2018 Q3	Oct 2018	(205)	34	(300)	-	(471)	27,694	(1.7%)	(0.7%)
2018 Q4	Mar 2019	814	32	250	-	1,096	28,364	3.9%	2.9%
12-qtrs	-	968	(125)	(754)	(548)	(459)			
% of total		(210.9%)	27.2%	164.3%	119.4%	100.0%			
Averages									
12-qtrs		81	(10)	(63)	(46)	(38)	24,582	(0.2%)	0.3%
2016 Q1 to 2017 Q4		(98)	(24)	(80)	(65)	(267)	23,620	(1.1%)	(0.4%)
2018 Q1 to 2018 Q4		438	17	(29)	(8)	419	26,506	1.6%	1.7%

The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities<sup>2</sup>, should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3<sup>rd</sup> of nominal valuation impacts will be unfavourable, and 2/3<sup>rd</sup>s will be favourable (due to the skewness of the development). On these 3 measures:

- (i) **Best estimate measurement: This objective has not been met**, as the 12-quarter nominal change in column [1] is \$1.0 million unfavourable. That said, the average

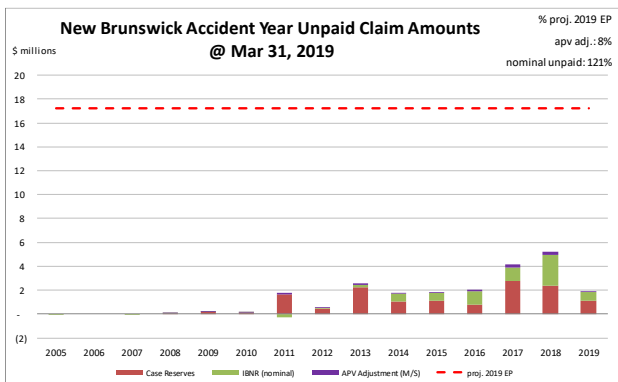
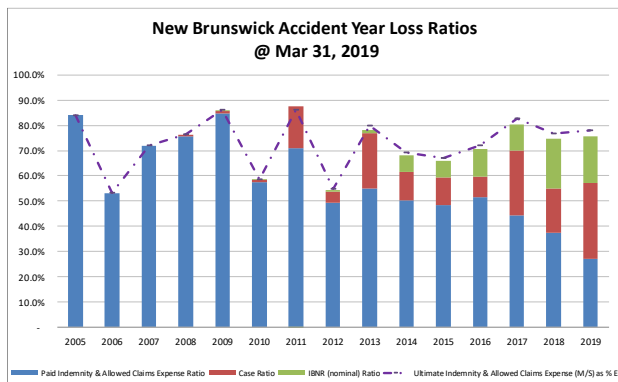
<sup>2</sup>We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.

unfavourable impact over the 12 quarters at \$0.1 million (nominal only) represents 0.3% of ending policy liabilities per column [8], which we would view as not significant. We do note that the latest 4 valuations have been on average more unfavourable than the earlier 8 valuations were favourable.

- (ii) **Nominal size measurement:** This objective has not been met, as there were 5 individual valuations (including the current valuation) showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above.
- (iii) **Bias evidence measurement:** This objective has been met, as 5 of 12 valuations show unfavourable changes (column [1] of the table above), in line with our expectation (4 of 12).

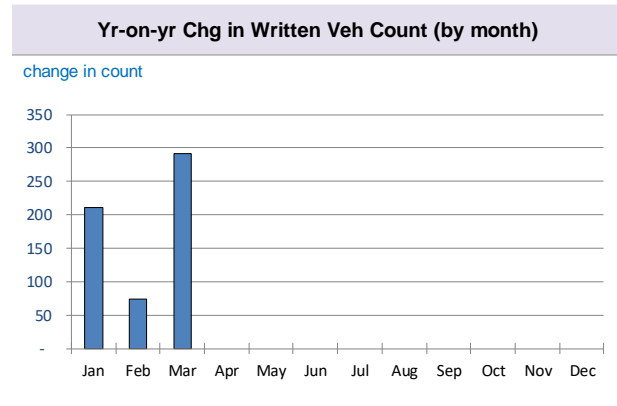
In summary, while challenging as a small RSP, we believe the nominal valuation impacts are moving toward our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no bias evident).

The charts immediately below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.

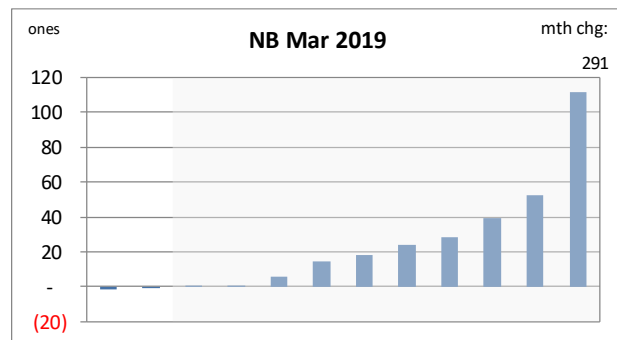


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [New Brunswick RSP October 2018 Operational Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2018 is expected to be posted in June 2019. The actuarial valuation will be updated next as at March 31, 2019 and we anticipate that the results will be reflected in the May 2019 Operational Report.

Management Comments

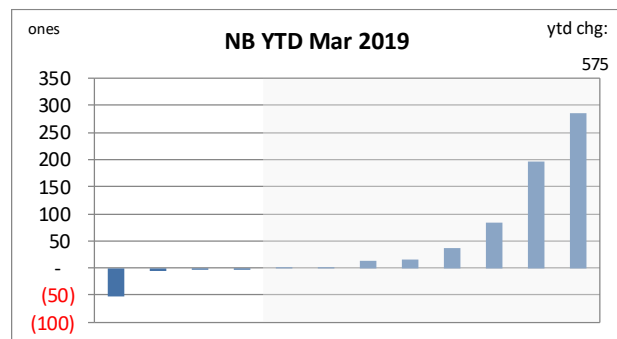


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with March showing an increase of 291 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 405 vehicles, indicating a variance of 114 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in March than projected.



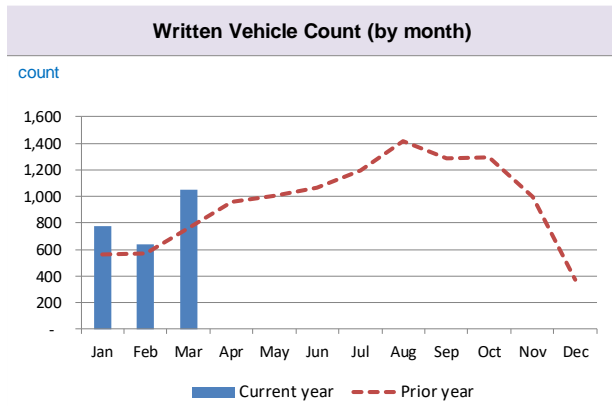
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Two member company groups transferred fewer vehicles to the pool this month compared with a year ago, while ten transferred more, and one remained the same. Of the 2 member company groups transferring fewer vehicles, 1 member company

group accounted for 59% of the total transfer decrease for the “decliner” members. Of the 10 member company groups transferring more vehicles, 2 member company groups accounted for 56% of the total transfer increase for the “grower” members.

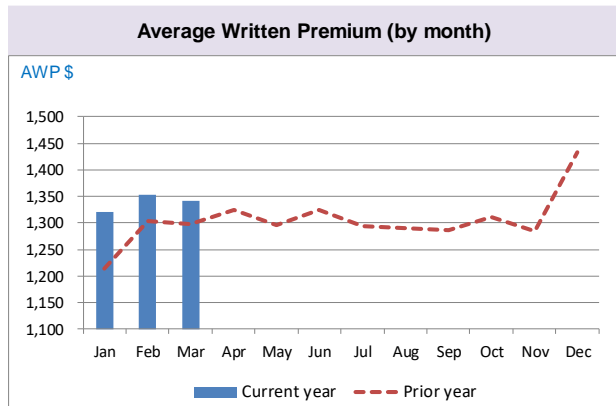


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

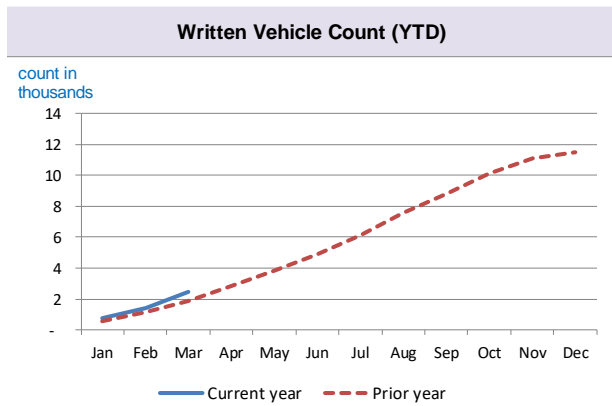
March’s vehicle count transfers to the pool represent a 38.3% increase from March 2018, and counts were up 30.5% year-to-date. Average written premium was up 3.4% in March 2019, and up 4.9% year-to-date (see charts at the top of the next page).



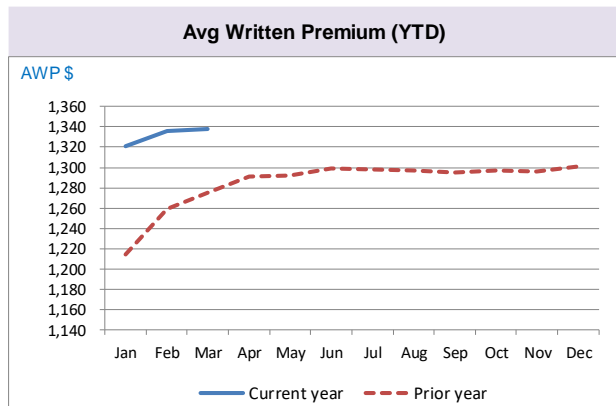
	Mar-19	Mar-18	Amt Chg	% Chg
W. Veh curr mth	1,049	759	291	38.3%



	Mar-19	Mar-18	Amt Chg	% Chg
AWP curr mth	1,341	1,297	44	3.4%

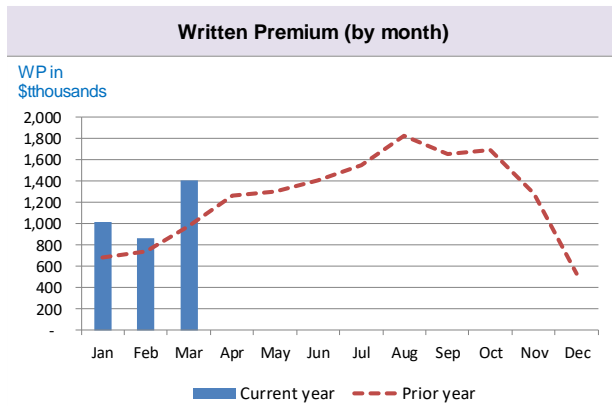


	Mar-19	Mar-18	Amt Chg	% Chg
W. Vehicles YTD	2,462	1,887	575	30.5%

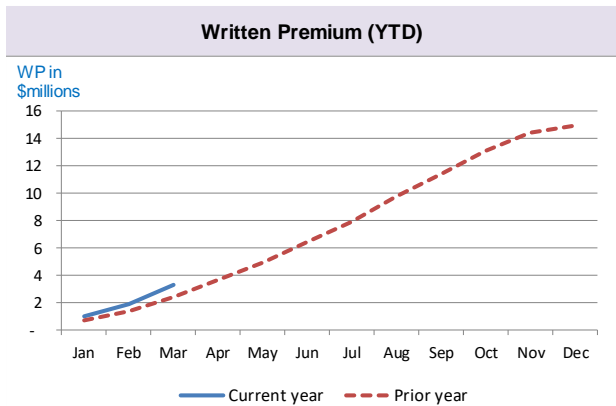


	Mar-19	Mar-18	Amt Chg	% Chg
Avg W. Prem YTD	1,338	1,275	63	4.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 43.0% for the month compared with the 60.2% increase we projected last month, and was up 36.9% year-to-date (see charts immediately below).



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,407	984	423	43.0%



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) YTD	3,293	2,405	888	36.9%



**Bulletin F19-031**

**New Brunswick Risk Sharing Pool – March 2019 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.

Saskia Matheson  
President & CEO

**Related links:**

[New Brunswick RSP March 2019 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**
**Risk Sharing Pool - New Brunswick**
**Operating Results for the 3 Months Ended March 31, 2019 (Discounted basis)**
**Source: Monthly Operational Report**
**(thousands of dollars)**

EXHIBIT 1

	January	February	March	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
<b>Underwriting Revenue:</b>						
Net Premiums Written	\$1,020	\$866	\$1,407	\$3,293	\$19,394	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	(80)	388	(2,148)	(1,658)
<b>Net Premiums Earned</b>	<b>\$1,268</b>	<b>\$1,086</b>	<b>\$1,327</b>	<b>\$3,681</b>	<b>\$17,246</b>	<b>\$13,267</b>
<b>Claims Incurred:</b>						
Prior Accident Years:						
Undiscounted	(\$14)	(\$74)	\$703	\$615	\$615	\$618
Effect of Discounting	56	(9)	191	238	63	(410)
Discounted	\$42	(\$83)	\$894	\$853	\$678	\$208
Current Accident Year:						
Undiscounted	\$960	\$879	\$1,028	\$2,867	\$13,110	\$9,987
Effect of Discounting	30	21	44	95	400	216
Discounted	\$990	\$900	\$1,072	\$2,962	\$13,510	\$10,203
<b>Claims Incurred</b>	<b>\$1,032</b>	<b>\$817</b>	<b>\$1,966</b>	<b>\$3,815</b>	<b>\$14,188</b>	<b>\$10,411</b>
<b>Underwriting Expenses:</b>						
Expense Allowance	\$308	\$259	\$424	\$991	\$5,838	\$4,260
Change in UPDR/DPAC:						
Undiscounted	57	51	58	166	(194)	(214)
Effect of Discounting	(8)	(7)	57	42	148	(2)
Discounted	49	44	115	208	(46)	(\$216)
<b>Underwriting Expenses</b>	<b>\$357</b>	<b>\$303</b>	<b>\$539</b>	<b>\$1,199</b>	<b>\$5,792</b>	<b>\$4,044</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$121)</b>	<b>(\$34)</b>	<b>(\$1,178)</b>	<b>(\$1,333)</b>	<b>(\$2,734)</b>	<b>(\$1,188)</b>
<b>Administrative Expenses</b>	<b>\$57</b>	<b>\$66</b>	<b>\$49</b>	<b>\$172</b>	<b>\$1,041</b>	<b>\$628</b>
<b>Operating Result</b>	<b>(\$178)</b>	<b>(\$100)</b>	<b>(\$1,227)</b>	<b>(\$1,505)</b>	<b>(\$3,775)</b>	<b>(\$1,816)</b>
<b>Ratios:</b>						
<b>Claims &amp; Expenses Incurred (Earned)</b>						
Prior Accident Years	3.3%	-7.6%	67.4%	23.2%	3.9%	1.6%
Current Accident Year	78.1%	82.9%	80.8%	80.5%	78.3%	76.9%
All Accident Years Combined	81.4%	75.3%	148.2%	103.7%	82.2%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	44.3%	37.2%	39.6%	35.2%
<b>Combined Operating Ratio</b>	<b>114.0%</b>	<b>109.3%</b>	<b>192.5%</b>	<b>140.9%</b>	<b>121.8%</b>	<b>113.7%</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