



**TO:** MEMBERS OF THE FACILITY ASSOCIATION

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

**BULLETIN NO.:** F19 – 059

**DATE:** JULY 30, 2019

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

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

Please be advised that the June 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**

##### *Annual Update of Member Sharing Ratios*

The June 2019 Operational Report reflects the annual update of member sharing ratios for Accident Years 2017, 2018, 2019 and 2020. Please refer to Bulletin [F19-054](#) for additional information.

#### **Summary of Financial Results**

The calendar year-to-date Operating Result is -\$2.6 million and the incurred loss ratio to the end of 6 months is 95.1%, as summarized in the table at the top of the next page.

**Bulletin F19-059****New Brunswick Risk Sharing Pool – June 2019 Operational Report***NB RSP Summary of Financial Results (for month and year-to-date)*

<b>Amounts in \$000s</b>	<b>June 2019</b>	June 2018	<b>Year to date Jun 2019</b>	Year to Date Jun 2018
Premium Written	1,400	1,410	7,737	6,386
Premium Earned	1,250	1,075	7,513	6,159
Incurred Losses	988	791	7,144	4,031
Underwriting & Admin Expense	464	385	2,950	2,137
<b>Operating Result</b>	<b>(202)</b>	<b>(101)</b>	<b>(2,581)</b>	<b>(9)</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	<b>(3.0%)</b>	<b>(2.2%)</b>	12.9%	<b>(10.8%)</b>
- Current Accident Year	82.1%	75.8%	82.2%	76.3%
<i>Total</i>	<b>79.1%</b>	<b>73.6%</b>	<b>95.1%</b>	<b>65.5%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>37.1%</b>	<b>35.8%</b>	<b>39.3%</b>	<b>34.7%</b>
<b>Combined Operating Ratio</b>	<b>116.2%</b>	<b>109.4%</b>	<b>134.4%</b>	<b>100.2%</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 -\$3.6 million and the estimated combined operating ratio to December 2019 is 123.3%, as summarized in the table at the top of the next page. This updated projection to the end of the year has not changed significantly from the projection provided last month (see the second and third columns in the table).

*NB RSP Summary of **Projected Year-end Financial Results** (current month's projection, prior month's projection, and Outlook posted last fall)*

<b>NB RSP 2019 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> <b>(Jun 2019)</b>	<b>Prior Mth</b> <b>(May 2019)</b>	<b>Change</b>	<b>Final 2019</b> <b>Outlook*</b>
Premium Written	15,449	15,562	(113)	17,463
Premium Earned	15,631	15,761	(130)	16,429
Incurred Losses	13,459	13,557	(98)	12,457
Underwriting & Admin Expense	5,818	5,873	(54)	6,010
<b>Net Result from Operations</b>	<b>(3,646)</b>	<b>(3,669)</b>	<b>22</b>	<b>(2,038)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	5.3%	5.4%	(0.1%)	(1.2%)
- Current Accident Year	80.8%	80.6%	0.2%	77.0%
<i>Total</i>	<b>86.1%</b>	<b>86.0%</b>	<b>0.1%</b>	<b>75.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>37.2%</b>	<b>37.3%</b>	<b>(0.1%)</b>	<b>36.6%</b>
<b>Combined Operating Ratio</b>	<b>123.3%</b>	<b>123.3%</b>	<b>0.0%</b>	<b>112.4%</b>

*rounding differences may occur*

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

### Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of June 2019, a deterioration of \$0.1 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 109.4% to 116.2% applied to \$1.3 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 138.0% at the end of 5 months to 134.4% at the end of 6 months. The 3.6 percentage point decrease is composed of a 3.2 percentage point decrease in the Prior Accident Year loss ratio, and a 0.4 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.

*NB RSP Summary of Actual vs Projected variances*

June 2019	Actual	Projection	Difference	Difference %
Written Premium	1,400	1,513	(113)	(7.5%)
Earned Premium	1,250	1,344	(94)	(7.0%)
Reported Losses				
Paid Losses	480	596	(116)	(19.5%)
Paid Expenses	32	61	(29)	(47.5%)
Change in Outstanding Losses	53	237	(184)	(77.6%)
<b>Total Reported Losses</b>	<b>565</b>	<b>894</b>	<b>(329)</b>	<b>(36.8%)</b>
Change in IBNR Provision*	423	153	270	
Change in Premium Deficiency (DPAC)*	(17)	(18)	1	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP June 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 June 2019, reported losses were \$0.3 million lower than projected. The Current Accident Year had a \$0.2 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.

There were no variances for claims activity beyond the set thresholds for specific individual Prior Accident Years for the month.

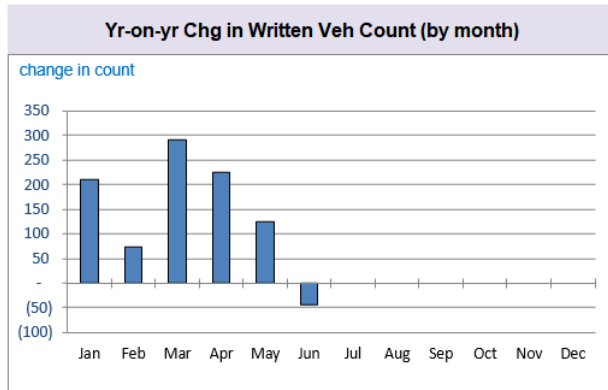
Booking IBNR

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 June 2019 Operational Report – Actuarial Highlights](#).

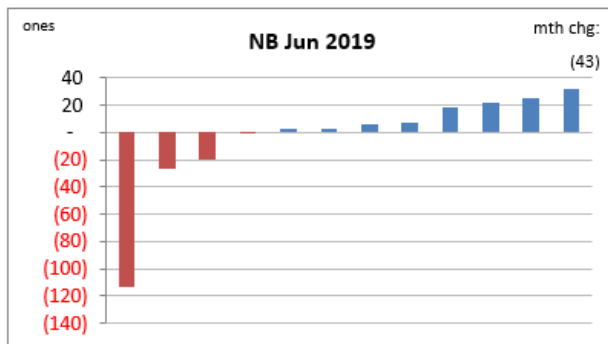
**Effect of Quarterly Valuation**

The June 2019 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, 2019). The actuarial valuation will be updated next as at June 30, 2019 and we anticipate that the results will be reflected in the August 2019 Operational Report.

Management Comments

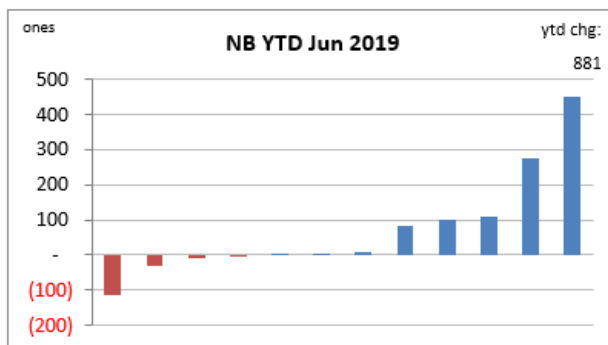


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with June showing a decrease of 43 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 67 vehicles, indicating a variance of 110 from the actual transfers. This variance was mainly due to one member company groups transferring a lower number of vehicles to the pool in June than projected.



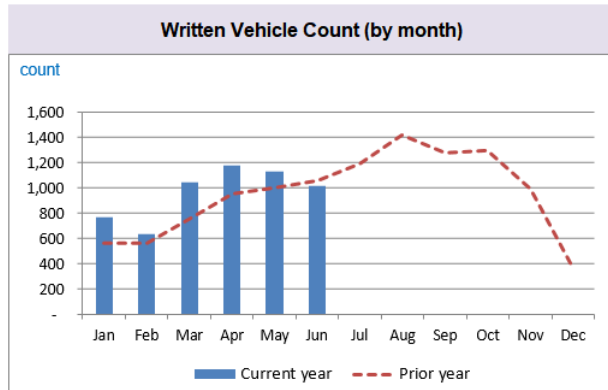
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while eight transferred more. Of the 4 member company groups transferring fewer vehicles, 1 member company group accounted for 71% of

the total transfer decrease for the “decliner” members. Of the 8 member company groups transferring more vehicles, 4 member company groups accounted for 84% of the total transfer increase for the “grower” members.

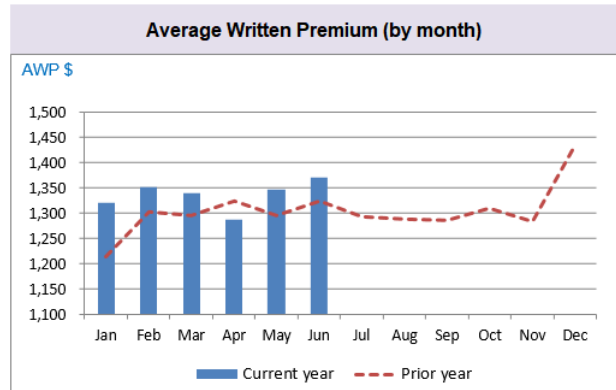


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

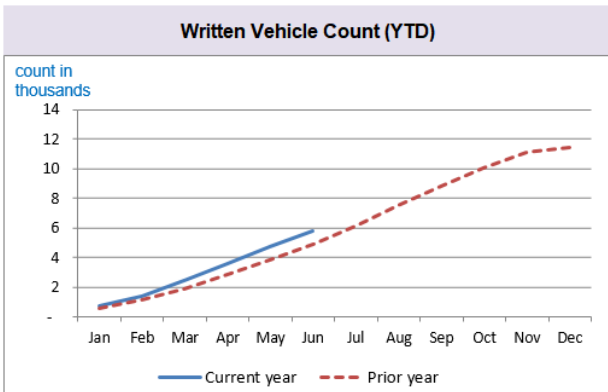
June’s vehicle count transfers to the RSP represent a 4.1% decrease from June 2018, but counts were up 17.9% year-to-date. Average written premium was up 3.5% in June 2019, and up 2.8% year-to-date (see charts at the top of the next page).



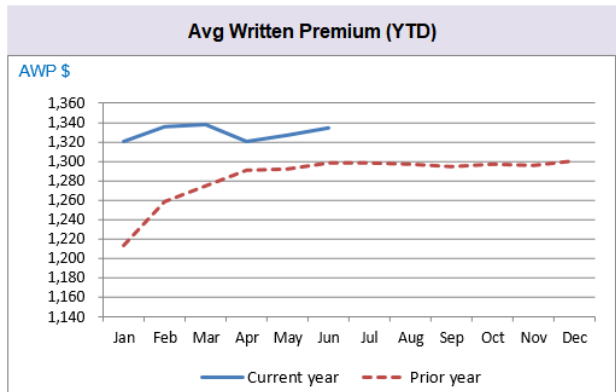
	Jun-19	Jun-18	Amt Chg	% Chg
W. Veh curr mth	1,022	1,065	(43)	-4.1%



	Jun-19	Jun-18	Amt Chg	% Chg
AWP curr mth	1,371	1,324	47	3.5%

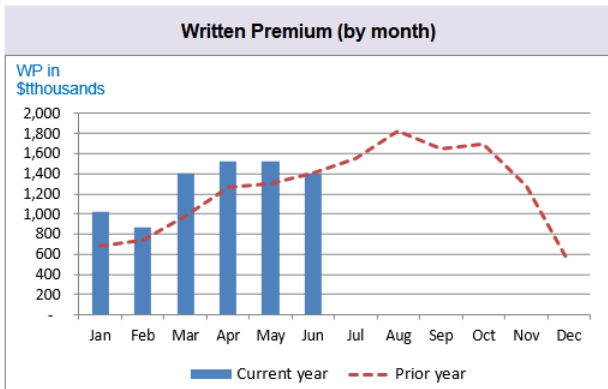


	Jun-19	Jun-18	Amt Chg	% Chg
W. Vehicles YTD	5,796	4,914	881	17.9%

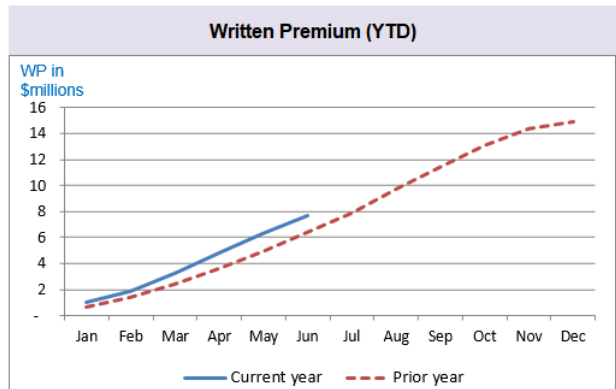


	Jun-19	Jun-18	Amt Chg	% Chg
Avg W. Prem YTD	1,335	1,299	36	2.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 0.7% for the month compared with the 7.3% increase we projected last month, and was up 21.2% year-to-date (see charts immediately below).



	Jun-19	Jun-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,400	1,410	(10)	-0.7%



	Jun-19	Jun-18	Amt Chg	% Chg
WP (\$000s) YTD	7,738	6,386	1,352	21.2%

**Bulletin F19-059**

**New Brunswick Risk Sharing Pool – June 2019 Operational Report**

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Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson  
President & CEO

**Related links:**

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**

Risk Sharing Pool - New Brunswick

Operating Results for the 6 Months Ended June 30, 2019 (Discounted basis)

Source: Monthly Operational Report  
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
<b>Underwriting Revenue:</b>									
Net Premiums Written	\$1,020	\$866	\$1,407	\$1,520	\$1,524	\$1,400	\$7,737	\$15,449	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	(80)	(222)	(240)	(150)	(224)	182	(1,658)
<b>Net Premiums Earned</b>	<b>\$1,268</b>	<b>\$1,086</b>	<b>\$1,327</b>	<b>\$1,298</b>	<b>\$1,284</b>	<b>\$1,250</b>	<b>\$7,513</b>	<b>\$15,631</b>	<b>\$13,267</b>
<b>Claims Incurred:</b>									
Prior Accident Years:									
Undiscounted	(\$14)	(\$74)	\$703	(\$6)	(\$67)	(\$26)	\$516	\$516	\$618
Effect of Discounting	56	(9)	191	7	219	(12)	452	317	(410)
Discounted	\$42	(\$83)	\$894	\$1	\$152	(\$38)	\$968	\$833	\$208
Current Accident Year:									
Undiscounted	\$960	\$879	\$1,028	\$988	\$1,091	\$983	\$5,929	\$12,138	\$9,987
Effect of Discounting	30	21	44	25	84	43	247	488	216
Discounted	\$990	\$900	\$1,072	\$1,013	\$1,175	\$1,026	\$6,176	\$12,626	\$10,203
<b>Claims Incurred</b>	<b>\$1,032</b>	<b>\$817</b>	<b>\$1,966</b>	<b>\$1,014</b>	<b>\$1,327</b>	<b>\$988</b>	<b>\$7,144</b>	<b>\$13,459</b>	<b>\$10,411</b>
<b>Underwriting Expenses:</b>									
Expense Allowance	\$308	\$259	\$424	\$458	\$458	\$423	\$2,330	\$4,652	\$4,260
Change in UPDR/DPAC:									
Undiscounted	57	51	58	(38)	25	(25)	128	269	(214)
Effect of Discounting	(8)	(7)	57	9	86	8	145	130	(2)
Discounted	49	44	115	(29)	111	(17)	273	399	(\$216)
<b>Underwriting Expenses</b>	<b>\$357</b>	<b>\$303</b>	<b>\$539</b>	<b>\$429</b>	<b>\$569</b>	<b>\$406</b>	<b>\$2,603</b>	<b>\$5,051</b>	<b>\$4,044</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$121)</b>	<b>(\$34)</b>	<b>(\$1,178)</b>	<b>(\$145)</b>	<b>(\$612)</b>	<b>(\$144)</b>	<b>(\$2,234)</b>	<b>(\$2,879)</b>	<b>(\$1,188)</b>
<b>Administrative Expenses</b>	<b>\$57</b>	<b>\$66</b>	<b>\$49</b>	<b>\$58</b>	<b>\$59</b>	<b>\$58</b>	<b>\$347</b>	<b>\$767</b>	<b>\$628</b>
<b>Operating Result</b>	<b>(\$178)</b>	<b>(\$100)</b>	<b>(\$1,227)</b>	<b>(\$203)</b>	<b>(\$671)</b>	<b>(\$202)</b>	<b>(\$2,581)</b>	<b>(\$3,646)</b>	<b>(\$1,816)</b>
<b>Ratios:</b>									
<b>Claims &amp; Expenses Incurred (Earned)</b>									
Prior Accident Years	3.3%	-7.6%	67.4%	0.1%	11.8%	-3.0%	12.9%	5.3%	1.6%
Current Accident Year	78.1%	82.9%	80.8%	78.0%	91.5%	82.1%	82.2%	80.8%	76.9%
All Accident Years Combined	81.4%	75.3%	148.2%	78.1%	103.3%	79.1%	95.1%	86.1%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	44.3%	37.5%	48.9%	37.1%	39.3%	37.2%	35.2%
<b>Combined Operating Ratio</b>	<b>114.0%</b>	<b>109.3%</b>	<b>192.5%</b>	<b>115.6%</b>	<b>152.2%</b>	<b>116.2%</b>	<b>134.4%</b>	<b>123.3%</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