

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 064

DATE: AUGUST 29, 2019

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

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

Please be advised that the July 2019 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 -\$2.7 million and the incurred loss ratio to the end of 7 months is 91.9%, as summarized in the table below.

NB RSP Summary of Financial Results (for month and year-to-date)

Amounts in \$000s	July 2019	July 2018	Year to date Jul 2019	Year to Date Jul 2018
Premium Written	1,517	1,550	9,254	7,936
Premium Earned	1,386	1,131	8,899	7,290
Incurred Losses	1,030	829	8,174	4,860
Underwriting & Admin Expense	519	417	3,469	2,554
Operating Result	(163)	(115)	(2,744)	(124)
Ratios:				
Loss ratio - Prior Accident Years	(4.6%)	(2.1%)	10.2%	(9.5%)
- Current Accident Year	78.9%	75.4%	81.7%	76.1%
<i>Total</i>	74.3%	73.3%	91.9%	66.6%
Underwriting & Admin Expense	37.4%	36.9%	39.0%	35.0%
Combined Operating Ratio	111.7%	110.2%	130.9%	101.6%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. For additional

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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 123.2%, 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 (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)*

NB RSP 2019 Yr-end Projection Amounts in \$000s	Current (Jul 2019)	Prior Mth (Jun 2019)	Change	Final 2019 Outlook*
Premium Written	15,547	15,449	98	17,463
Premium Earned	15,610	15,631	(21)	16,429
Incurring Losses	13,405	13,459	(54)	12,457
Underwriting & Admin Expense	5,822	5,818	3	6,010
Net Result from Operations	(3,617)	(3,646)	30	(2,038)
Ratios:				
Loss ratio - Prior Accident Years	5.1%	5.3%	(0.2%)	(1.2%)
- Current Accident Year	80.8%	80.8%	0.0%	77.0%
<i>Total</i>	85.9%	86.1%	(0.2%)	75.8%
Underwriting & Admin Expense	37.3%	37.2%	0.1%	36.6%
Combined Operating Ratio	123.2%	123.3%	(0.1%)	112.4%

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 July 2019, a deterioration of \$48 thousand compared with the same month last year. This improvement is composed of an approximately \$27 thousand unfavourable impact associated with the \$0.3 million increase in earned premium (at a combined ratio of 110.2%), with the remaining approximately \$21 thousand unfavourable impact stemming from the overall increase in the combined ratio (from 110.2% to 111.7% applied to \$1.4 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 134.4% at the end of 6 months to 130.9% at the end of 7 months. The 3.5 percentage point decrease is composed of a 2.7 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.5 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.

NB RSP Summary of Actual vs Projected variances

July 2019	Actual	Projection	Difference	Difference %
Written Premium	1,517	1,419	98	6.9%
Earned Premium	1,386	1,397	(11)	(0.8%)
Reported Losses				
Paid Losses	1,305	673	632	93.9%
Paid Expenses	38	75	(37)	(49.3%)
Change in Outstanding Losses	(398)	78	(476)	(610.3%)
Total Reported Losses	945	826	119	14.4%
Change in IBNR Provision*	85	257	(172)	
Change in Premium Deficiency (DPAC)*	(11)	4	(15)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP July 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 July 2019, reported losses were \$0.1 million higher than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, but 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.

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

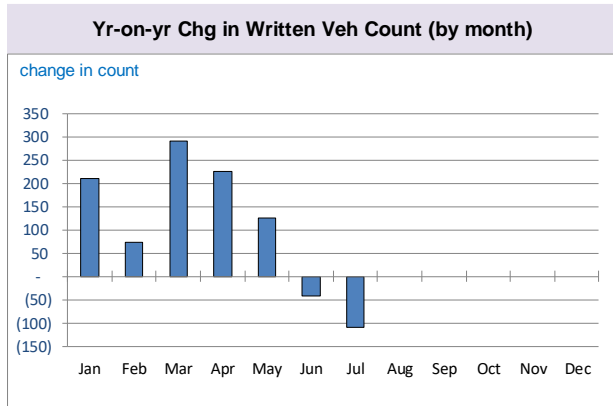
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 July 2019 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

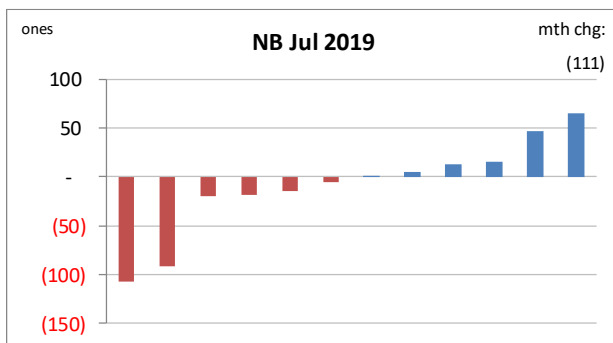
The July 2019 New Brunswick Risk Sharing Pool Operational Report does not reflect the results

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

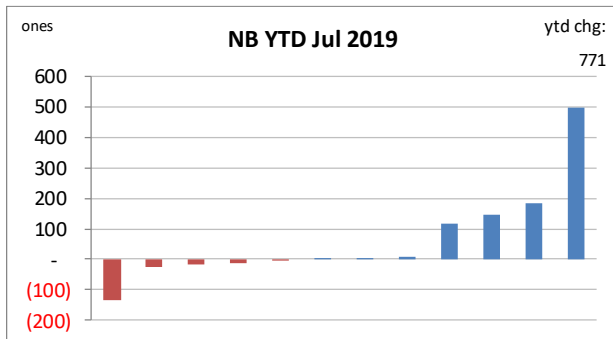


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with July showing a decrease of 111 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 122 vehicles, indicating a variance of 11 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the RSP in July than projected.



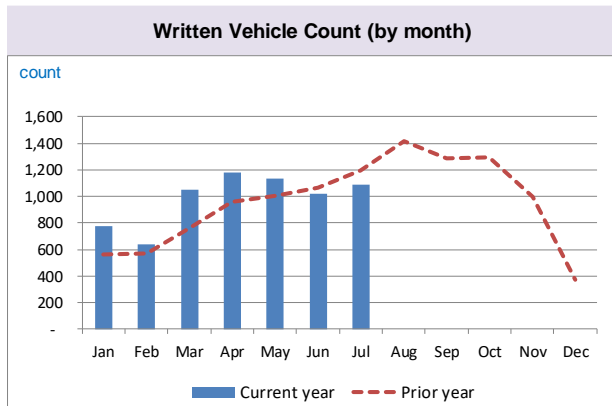
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while six transferred more. Of the 6 member company groups transferring fewer vehicles, 2 member company groups accounted for 77% of the total transfer decrease for the “decliner” members.

Of the 6 member company groups transferring more vehicles, 2 member company groups accounted for 77% of the total transfer increase for the “grower” members.

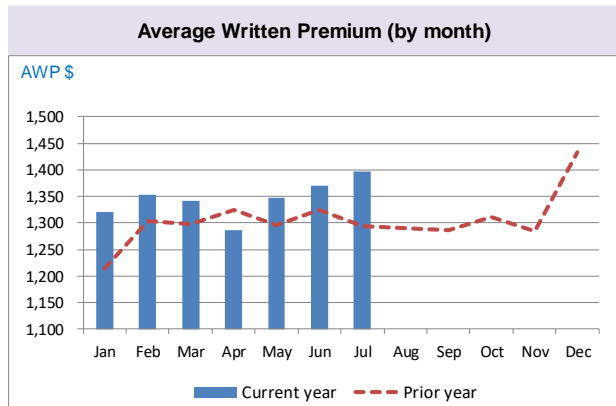


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

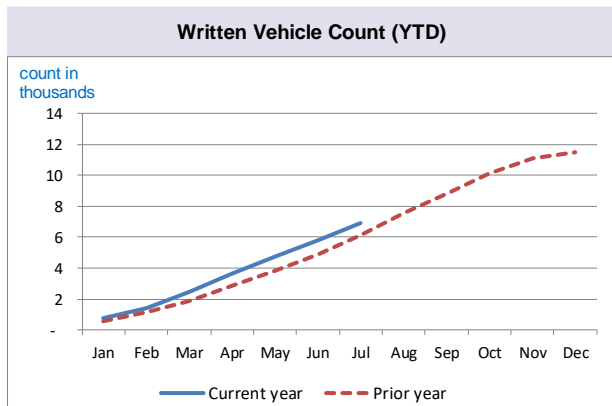
July’s vehicle count transfers to the RSP represent a 9.2% decrease from July 2018, but counts were up 12.6% year-to-date. Average written premium was up 7.9% in July 2019, and up 3.6% year-to-date (see charts at the top of the next page).



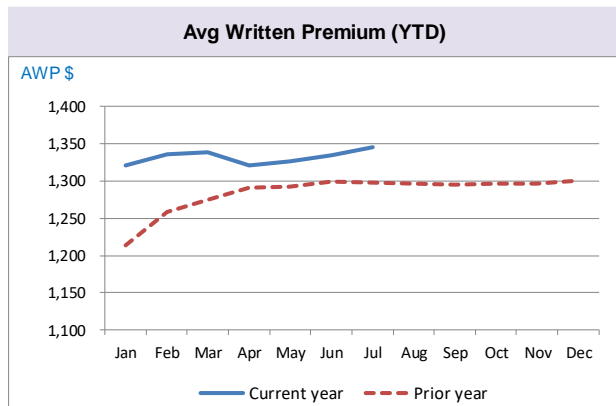
	Jul-19	Jul-18	Amt Chg	% Chg
W. Veh curr mth	1,087	1,198	(111)	-9.2%



	Jul-19	Jul-18	Amt Chg	% Chg
AWP curr mth	1,396	1,294	102	7.9%

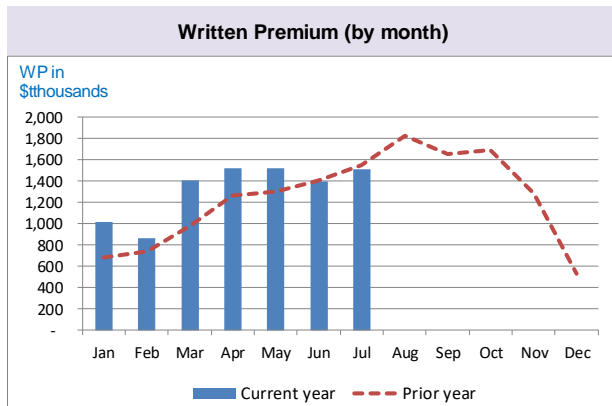


	Jul-19	Jul-18	Amt Chg	% Chg
W. Vehicles YTD	6,883	6,112	771	12.6%

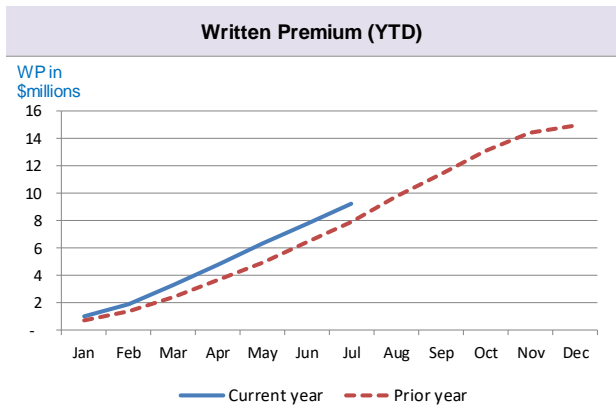


	Jul-19	Jul-18	Amt Chg	% Chg
Avg W. Prem YTD	1,345	1,298	47	3.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 2.1% for the month compared with the 8.4% decrease we projected last month, and was up 16.6% year-to-date (see charts immediately below).



	Jul-19	Jul-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,517	1,550	(33)	-2.1%



	Jul-19	Jul-18	Amt Chg	% Chg
WP (\$000s) YTD	9,255	7,936	1,319	16.6%

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New Brunswick Risk Sharing Pool – July 2019 Operational Report

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 July 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019
Risk Sharing Pool - New Brunswick
Operating Results for the 7 Months Ended July 31, 2019 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:										
Net Premiums Written	\$1,020	\$866	\$1,407	\$1,520	\$1,524	\$1,400	\$1,517	\$9,254	\$15,547	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	(80)	(222)	(240)	(150)	(131)	(355)	63	(1,658)
Net Premiums Earned	\$1,268	\$1,086	\$1,327	\$1,298	\$1,284	\$1,250	\$1,386	\$8,899	\$15,610	\$13,267
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$14)	(\$74)	\$703	(\$6)	(\$67)	(\$26)	(\$2)	\$514	\$514	\$618
Effect of Discounting	56	(9)	191	7	219	(12)	(62)	390	279	(410)
Discounted	\$42	(\$83)	\$894	\$1	\$152	(\$38)	(\$64)	\$904	\$793	\$208
Current Accident Year:										
Undiscounted	\$960	\$879	\$1,028	\$988	\$1,091	\$983	\$1,063	\$6,992	\$12,125	\$9,987
Effect of Discounting	30	21	44	25	84	43	31	278	487	216
Discounted	\$990	\$900	\$1,072	\$1,013	\$1,175	\$1,026	\$1,094	\$7,270	\$12,612	\$10,203
Claims Incurred	\$1,032	\$817	\$1,966	\$1,014	\$1,327	\$988	\$1,030	\$8,174	\$13,405	\$10,411
Underwriting Expenses:										
Expense Allowance	\$308	\$259	\$424	\$458	\$458	\$423	\$457	\$2,787	\$4,681	\$4,260
Change in UPDR/DPAC:										
Undiscounted	57	51	58	(38)	25	(25)	(18)	110	246	(214)
Effect of Discounting	(8)	(7)	57	9	86	8	7	152	135	(2)
Discounted	49	44	115	(29)	111	(17)	(11)	262	381	(\$216)
Underwriting Expenses	\$357	\$303	\$539	\$429	\$569	\$406	\$446	\$3,049	\$5,062	\$4,044
Net Underwriting Gain (Loss)	(\$121)	(\$34)	(\$1,178)	(\$145)	(\$612)	(\$144)	(\$90)	(\$2,324)	(\$2,857)	(\$1,188)
Administrative Expenses	\$57	\$66	\$49	\$58	\$59	\$58	\$73	\$420	\$760	\$628
Operating Result	(\$178)	(\$100)	(\$1,227)	(\$203)	(\$671)	(\$202)	(\$163)	(\$2,744)	(\$3,617)	(\$1,816)
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	3.3%	-7.6%	67.4%	0.1%	11.8%	-3.0%	-4.6%	10.2%	5.1%	1.6%
Current Accident Year	78.1%	82.9%	80.8%	78.0%	91.5%	82.1%	78.9%	81.7%	80.8%	76.9%
All Accident Years Combined	81.4%	75.3%	148.2%	78.1%	103.3%	79.1%	74.3%	91.9%	85.9%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	44.3%	37.5%	48.9%	37.1%	37.4%	39.0%	37.3%	35.2%
Combined Operating Ratio	114.0%	109.3%	192.5%	115.6%	152.2%	116.2%	111.7%	130.9%	123.2%	113.7%

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