



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F2020 – 014

DATE: FEBRUARY 27, 2020

SUBJECT: NEW BRUNSWICK RISK SHARING POOL
– JANUARY 2020 OPERATIONAL REPORT

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

Please be advised that the January 2020 New Brunswick Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Key Points

- (a) the *January 2020 net operating deficit was \$0.1 million*, with a COR of 108.0% on earned premium of \$1.4 million; and
- (b) the *projected 2020 year-end net operating deficit is now \$1.7 million*, with a COR at 110.1% on earned premium of \$16.9 million, which is in consistent with our Outlook for 2020.

Summary of Financial Results

The calendar year-to-date Operating Result is -\$0.1 million and the incurred loss ratio to the end of 1 month is 74.8%, as summarized in the table at the top of the next page.

Bulletin F2020-014**New Brunswick Risk Sharing Pool – January 2020 Operational Report***NB RSP Summary of Financial Results (for month and year-to-date)*

Amounts in \$000s	January 2020	January 2019	Year to date Jan 2020	Year to Date Jan 2019
Premium Written	1,255	1,020	1,255	1,020
Premium Earned	1,432	1,268	1,432	1,268
Incurred Losses	1,070	1,032	1,070	1,032
Underwriting & Admin Expense	475	414	475	414
Operating Result	(113)	(178)	(113)	(178)
<i>Ratios:</i>				
Loss ratio - <i>Prior Accident Years</i>	(3.1%)	3.3%	(3.1%)	3.3%
- <i>Current Accident Year</i>	77.9%	78.1%	77.9%	78.1%
<i>Total</i>	74.8%	81.4%	74.8%	81.4%
<i>Underwriting & Admin Expense</i>	33.2%	32.6%	33.2%	32.6%
<i>Combined Operating Ratio</i>	108.0%	114.0%	108.0%	114.0%

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 2020

The projected calendar year Operating Result to December 2020 is -\$1.7 million and the estimated combined operating ratio to December 2020 is 110.1%, as summarized in the table at the top of the next page. This updated projection to the end of the year has not changed much 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 2020 Yr-end Projection Amounts in \$000s	Current (Jan 2020)	Prior Mth (Dec 2019)	Change	Final 2020 Outlook*
Premium Written	16,525	16,464	61	16,078
Premium Earned	16,949	16,898	51	16,667
Incurred Losses	12,514	12,508	6	12,332
Underwriting & Admin Expense	6,129	6,087	42	5,968
Net Result from Operations	(1,694)	(1,697)	3	(1,633)
Ratios:				
Loss ratio - Prior Accident Years	(2.0%)	(1.7%)	(0.3%)	(1.7%)
- Current Accident Year	75.9%	75.7%	0.2%	75.7%
<i>Total</i>	73.9%	74.0%	(0.1%)	74.0%
Underwriting & Admin Expense	36.2%	36.0%	0.2%	35.8%
Combined Operating Ratio	110.1%	110.0%	0.1%	109.8%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$0.1 million Operating Result in the month of January 2020, a fairly small improvement compared with the same month last year. This improvement mainly stems from the overall decrease in the combined operating ratio (from 114.0% to 108.0% applied to \$1.4 million in earned premium).

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

January 2020	Actual	Projection	Difference	Difference %
Written Premium	1,255	968	287	29.6%
Earned Premium	1,432	1,437	(5)	(0.3%)
Reported Losses				
Paid Losses	1,419	635	784	123.5%
Paid Expenses	97	209	(112)	(53.6%)
Change in Outstanding Losses	(455)	118	(573)	(485.6%)
Total Reported Losses	1,061	962	99	10.3%
Change in IBNR Provision*	9	166	(157)	
Change in Premium Deficiency (DPAC)*	37	93	(56)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP January 2020 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 January 2020, reported losses were \$0.1 million higher than projected and it is mainly from Prior Accident Years. 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 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

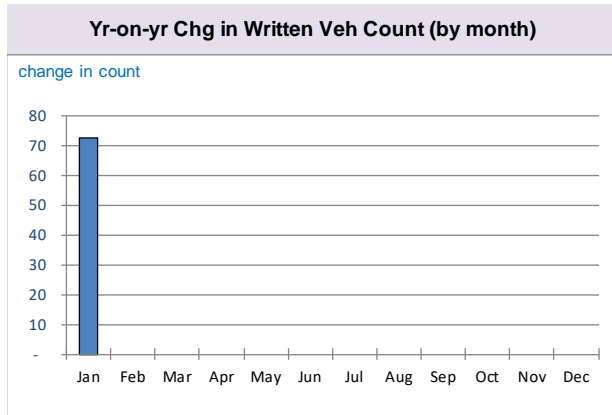
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 January 2020 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

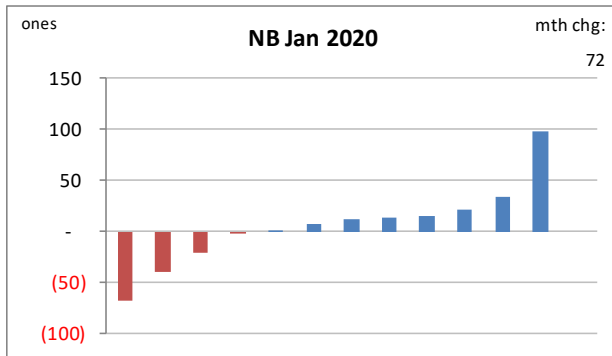
The January 2020 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2019). The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results

will be reflected in the March 2020 Operational Report.

Management Comments



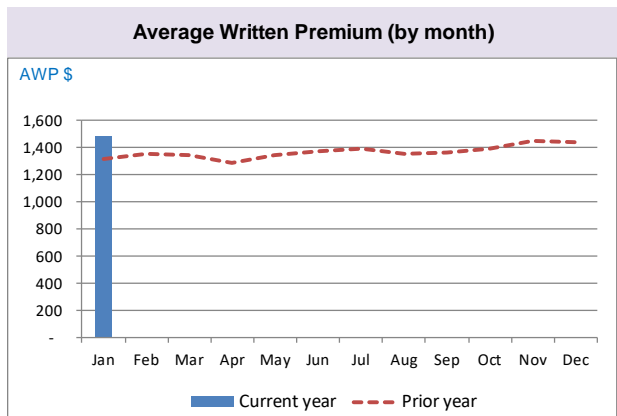
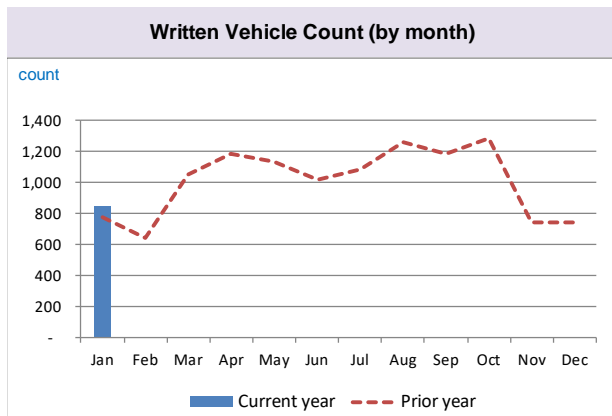
The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with January showing an increase of 72 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 71 vehicles, indicating a variance of 143 from the actual transfers. This variance was mainly due to one member company group transferring a higher number of vehicles to the RSP in January 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 53% of the total transfer decrease for the “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company groups accounted for 49% of the total transfer increase for the “grower” members.

January’s vehicle count transfers to the RSP represent a 9.4% increase from January 2019. Average written premium was also up 12.5% in January 2020 (see charts below).

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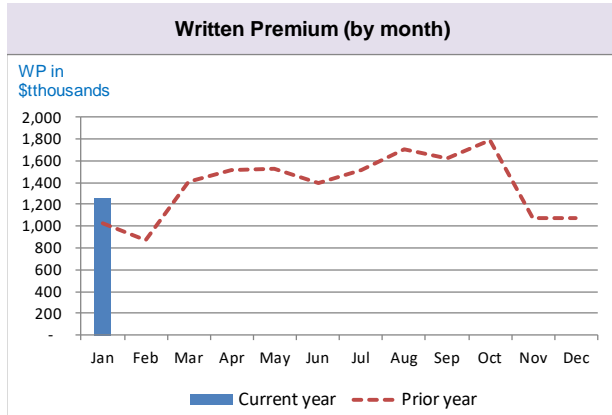
	Jan-20	Jan-19	Amt Chg	% Chg
W. Veh curr mth	845	772	72	9.4%

	Jan-20	Jan-19	Amt Chg	% Chg
AWP curr mth	1,486	1,321	165	12.5%

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New Brunswick Risk Sharing Pool – January 2020 Operational Report

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 23.1% for the month compared with the 5.1% decrease we projected last month (see chart below).



	Jan-20	Jan-19	Amt Chg	% Chg
WP (\$000s) curr mth	1,255	1,020	235	23.1%

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 January 2020 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2020

Risk Sharing Pool - New Brunswick

Operating Results for the 1 Month Ended January 31, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$1,255	\$1,255	\$16,525	\$16,518
Decrease (Increase) in Unearned Premiums	177	177	424	(735)
Net Premiums Earned	\$1,432	\$1,432	\$16,949	\$15,783
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$14)	(\$14)	(\$14)	\$435
Effect of Discounting	(31)	(31)	(332)	173
Discounted	(\$45)	(\$45)	(\$346)	\$608
Current Accident Year:				
Undiscounted	\$1,057	\$1,057	\$12,386	\$11,886
Effect of Discounting	58	58	474	392
Discounted	\$1,115	\$1,115	\$12,860	\$12,278
Claims Incurred	\$1,070	\$1,070	\$12,514	\$12,886
Underwriting Expenses:				
Expense Allowance	\$379	\$379	\$4,991	\$4,974
Change in UPDR/DPAC:				
Undiscounted	45	45	270	(309)
Effect of Discounting	(8)	(8)	(8)	144
Discounted	37	37	262	(165)
Underwriting Expenses	\$416	\$416	\$5,253	\$4,809
Net Underwriting Gain (Loss)	(\$54)	(\$54)	(\$818)	(\$1,912)
Administrative Expenses	\$59	\$59	\$876	\$849
Operating Result	(\$113)	(\$113)	(\$1,694)	(\$2,761)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-3.1%	-3.1%	-2.0%	3.9%
Current Accident Year	77.9%	77.9%	75.9%	77.8%
All Accident Years Combined	74.8%	74.8%	73.9%	81.7%
Underwriting & Administrative Expenses (Earned)	33.2%	33.2%	36.2%	35.8%
Combined Operating Ratio	108.0%	108.0%	110.1%	117.5%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium tax health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association or investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply