

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F2020 – 034**

**DATE: MAY 28, 2020**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– APRIL 2020 OPERATIONAL REPORT**

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

Please be advised that the April 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 loss ratios being used under our current assumptions do NOT include any incurred impacts or adjustments related to COVID-19; any associated impacts and changes will be initially reflected in our March 31, 2020 valuation which we anticipate will be implemented in the May 2020 Operational Reports;
- (b) The **2020 year-to-date net operating deficit was \$1.7 million**, with a COR of 130.1% on earned premium of \$5.6 million;
- (c) The **projected 2020 year-end net operating deficit is now \$4.0 million**, with a COR at 121.7% on earned premium of \$18.3 million, (our Outlook for 2020 was \$1.7 million of net operating deficit with a COR of 110.4% on earned premium of \$16.2 million).  
**April's reported claims projections for the next two months (May 2020 and June 2020) have been adjusted to reflect COVID-19 pandemic impacts: a 30% decrease in Current Accident Year physical damage claim activity**, as per discussion with FA's Appointed Actuary. No adjustment has been made to this month's premium projections.

### **Summary of Financial Results**

The calendar year-to-date Operating Result is -\$1.7 million and the incurred loss ratio to the end of 4 months is 92.6% as summarized in the following table.

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

Amounts in \$000s	April 2020	April 2019	Year to date Apr 2020	Year to Date Apr 2019
Premium Written	1,333	1,520	4,878	4,813
Premium Earned	1,384	1,298	5,554	4,979
Incurring Losses	1,076	1,014	5,142	4,829
Underwriting & Admin Expense	488	487	2,082	1,858
<b>Operating Result</b>	<b>(180)</b>	<b>(203)</b>	<b>(1,670)</b>	<b>(1,708)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(2.2%)	0.1%	12.4%	17.2%
- Current Accident Year	79.9%	78.0%	80.2%	79.8%
<i>Total</i>	<b>77.7%</b>	<b>78.1%</b>	<b>92.6%</b>	<b>97.0%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>35.3%</b>	<b>37.5%</b>	<b>37.5%</b>	<b>37.3%</b>
<b>Combined Operating Ratio</b>	<b>113.0%</b>	<b>115.6%</b>	<b>130.1%</b>	<b>134.3%</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 2020” attached to this bulletin.

Updated Projection to Year-end 2020

PLEASE NOTE: April’s reported claims projections for the next two months (May 2020 and June 2020) have been adjusted to reflect COVID-19 pandemic impacts; this includes a 30% decrease in Current Accident Year physical damage claim activity, as per discussion with FA’s Appointed Actuary. No adjustment has been made to this month’s premium projections.

The projected calendar year Operating Result to December 2020 is -\$4.0 million and the estimated combined operating ratio to December 2020 is 121.7%, as summarized in the following table. This updated projection to the end of the year has improved by \$0.1 million from the projection provided last month (see the second and third columns in the table). The improvement is driven by the \$0.7 million decrease in the projected written premium for the year and the associated impacts on earned premium, claims, and expense projections, as well as the adjustments made on the claims projections due to COVID-19 pandemic (as indicated at the beginning of this section).

*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 2020 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Apr 2020)	Prior Mth (Mar 2020)	<b>Change</b>	Final 2020 Outlook*
Premium Written	20,850	21,575	(725)	16,178
Premium Earned	18,272	18,832	(560)	16,215
Incurred Losses	14,827	15,264	(437)	12,004
Underwriting & Admin Expense	7,416	7,655	(239)	5,896
<b>Net Result from Operations</b>	<b>(3,971)</b>	<b>(4,087)</b>	<b>116</b>	<b>(1,685)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	2.7%	2.7%	-	(1.7%)
- Current Accident Year	78.4%	78.4%	-	75.7%
<i>Total</i>	<b>81.1%</b>	<b>81.1%</b>	-	<b>74.0%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>40.6%</b>	<b>40.6%</b>	-	<b>36.4%</b>
<b>Combined Operating Ratio</b>	<b>121.7%</b>	<b>121.7%</b>	-	<b>110.4%</b>

*rounding differences may occur*

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

### Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of April 2020, not much change compared with the same month last year. The combined operating ratio for the month was at 113.0%.

This month's results moved the year-to-date combined operating ratio from 135.7% at the end of 4 months to 130.1% at the end of 4 months. The 5.6 percentage point decrease is composed of a 4.8 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 0.7 percentage point decrease in expense ratio.

### Variances from Projections

The following table 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*

April 2020	Actual	Projection	Difference	Difference %
Written Premium	1,333	2,062	(729)	(35.4%)
Earned Premium	1,384	1,453	(69)	(4.7%)
Reported Losses				
Paid Losses	405	723	(318)	(44.0%)
Paid Expenses	95	110	(15)	(13.6%)
Change in Outstanding Losses	97	(2)	99	<-999.9%
<b>Total Reported Losses</b>	<b>597</b>	<b>831</b>	<b>(234)</b>	<b>(28.2%)</b>
Change in IBNR Provision*	479	280	199	
Change in Premium Deficiency (DPAC)*	15	(96)	111	

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

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 April 2020, reported losses were \$0.2 million lower than projected. The Current Accident Year had a \$0.6 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$0.4 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 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.

With respect to the Current Accident Year, we attribute the lower than projected reported losses to a reduction in written premium and physical damage claims experience in relation to the COVID-19 pandemic impact, consistent with discussion with FA's Appointed Actuary and leading to the adjustment made on projected physical damage claims activity over the next two projection months.

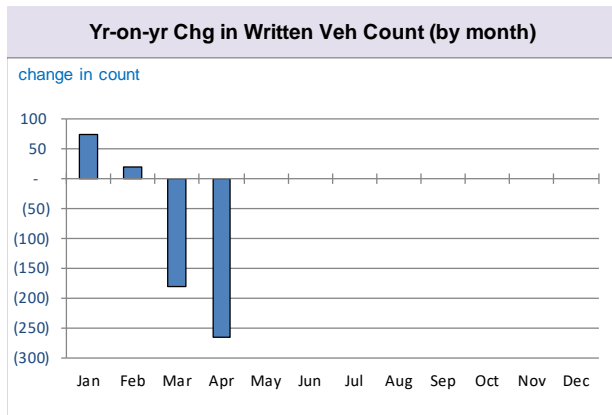
*Booking IBNR*

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.

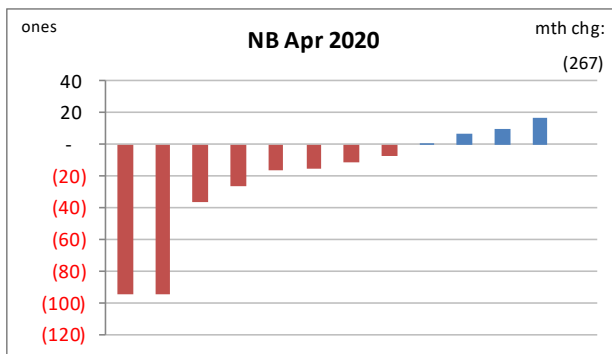
**Effect of Quarterly Valuation**

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

**Management Comments**

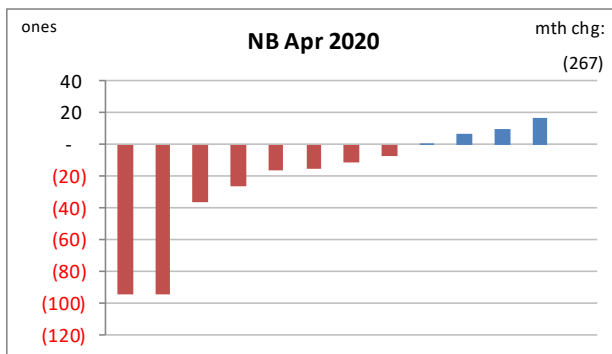


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with April showing a decrease of 267 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 352 vehicles, indicating a variance of 619 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the RSP in April than projected.



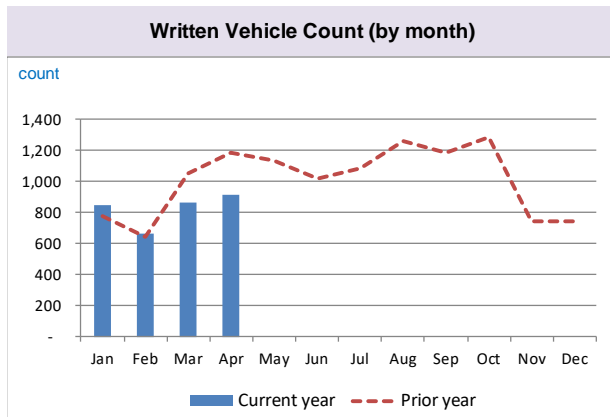
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue or red bar represents the change for a single member company group), sorted by magnitude of change. Eight member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while four transferred more. Of the 8 member company groups transferring fewer vehicles, 2 member

company groups accounted for 63% of the total transfer decrease for the “decliner” members. Of the 4 member company groups transferring more vehicles, 1 member company group accounted for 47% of the total transfer increase for the “grower” members.

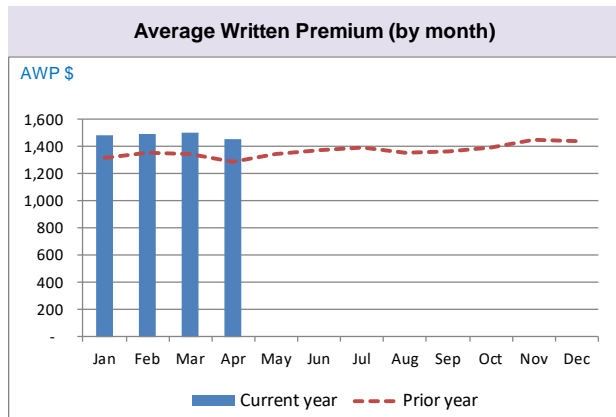


The chart on the left presents the same information as the previous chart, but on a year-to-date basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group), sorted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

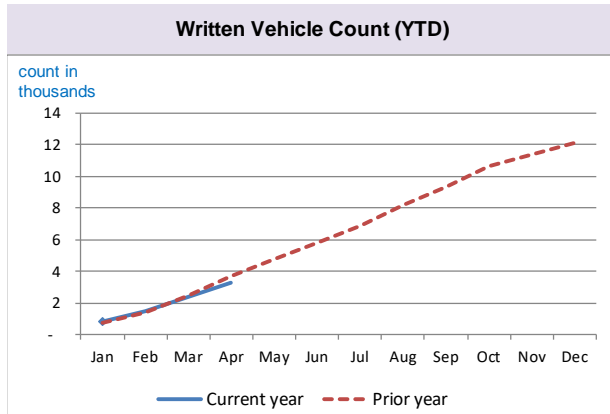
April’s vehicle count transfers to the RSP represent a 22.6% decrease from April 2019, and counts were down 9.8% year-to-date. Average written premium was up 13.3% in April 2020, and was up 12.3% year-to-date (see the following charts).



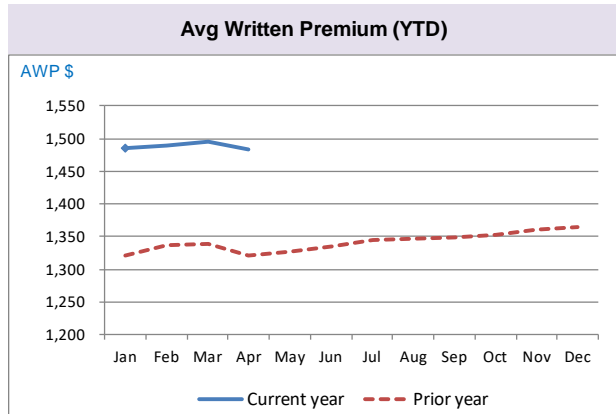
	Apr-20	Apr-19	Amt Chg	% Chg
W. Veh curr mth	914	1,181	(267)	-22.6%



	Apr-20	Apr-19	Amt Chg	% Chg
AWP curr mth	1,458	1,287	171	13.3%

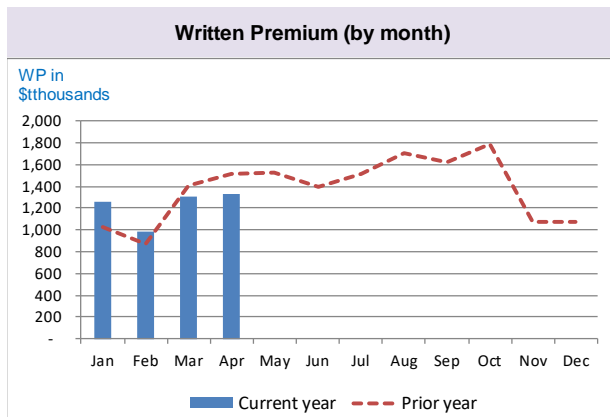


	Apr-20	Apr-19	Amt Chg	% Chg
W. Vehicles YTD	3,287	3,643	(356)	-9.8%

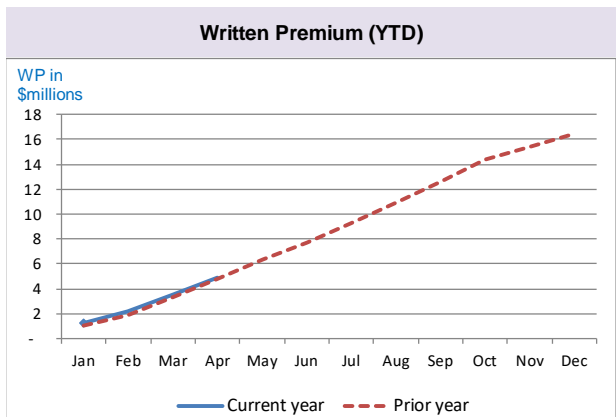


	Apr-20	Apr-19	Amt Chg	% Chg
Avg W. Prem YTD	1,484	1,321	163	12.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 12.3% for the month compared with the 35.6% increase we projected last month, but was up 1.3% year-to-date (see the following charts).



	Apr-20	Apr-19	Amt Chg	% Chg
WP (\$000s) curr mth	1,333	1,520	(188)	-12.3%



	Apr-20	Apr-19	Amt Chg	% Chg
WP (\$000s) YTD	4,878	4,813	65	1.3%

**Bulletin F2020-034**

**New Brunswick Risk Sharing Pool – April 2020 Operational Report**

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Should you require any further information, please call Aidan Chen, AVP Data & Analytics at (416) 863-1750 x4804.

Saskia Matheson  
President & CEO

**Related links:**

[New Brunswick RSP April 2020 Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2020**

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
<b>Underwriting Revenue:</b>							
Net Premiums Written	\$1,255	\$986	\$1,304	\$1,333	\$4,878	\$20,850	\$16,518
Decrease (Increase) in Unearned Premiums	177	339	109	51	676	(2,578)	(735)
<b>Net Premiums Earned</b>	<b>\$1,432</b>	<b>\$1,325</b>	<b>\$1,413</b>	<b>\$1,384</b>	<b>\$5,554</b>	<b>\$18,272</b>	<b>\$15,783</b>
<b>Claims Incurred:</b>							
Prior Accident Years:							
Undiscounted	(\$14)	(\$30)	\$878	(\$11)	\$823	\$824	\$435
Effect of Discounting	(31)	(61)	(24)	(19)	(135)	(331)	173
Discounted	(\$45)	(\$91)	\$854	(\$30)	\$688	\$493	\$608
Current Accident Year:							
Undiscounted	\$1,057	\$997	\$1,159	\$1,054	\$4,267	\$13,857	\$11,886
Effect of Discounting	58	45	32	52	187	477	392
Discounted	\$1,115	\$1,042	\$1,191	\$1,106	\$4,454	\$14,334	\$12,278
<b>Claims Incurred</b>	<b>\$1,070</b>	<b>\$951</b>	<b>\$2,045</b>	<b>\$1,076</b>	<b>\$5,142</b>	<b>\$14,827</b>	<b>\$12,886</b>
<b>Underwriting Expenses:</b>							
Expense Allowance	\$379	\$298	\$393	\$403	\$1,473	\$6,297	\$4,974
Change in UPDR/DPAC:							
Undiscounted	45	85	229	20	379	(105)	(309)
Effect of Discounting	(8)	(13)	(19)	(5)	(45)	112	144
Discounted	37	72	210	15	334	7	(165)
<b>Underwriting Expenses</b>	<b>\$416</b>	<b>\$370</b>	<b>\$603</b>	<b>\$418</b>	<b>\$1,807</b>	<b>\$6,304</b>	<b>\$4,809</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$54)</b>	<b>\$4</b>	<b>(\$1,235)</b>	<b>(\$110)</b>	<b>(\$1,395)</b>	<b>(\$2,859)</b>	<b>(\$1,912)</b>
<b>Administrative Expenses</b>	<b>\$59</b>	<b>\$85</b>	<b>\$61</b>	<b>\$70</b>	<b>\$275</b>	<b>\$1,112</b>	<b>\$849</b>
<b>Operating Result</b>	<b>(\$113)</b>	<b>(\$81)</b>	<b>(\$1,296)</b>	<b>(\$180)</b>	<b>(\$1,670)</b>	<b>(\$3,971)</b>	<b>(\$2,761)</b>
<b>Ratios:</b>							
<b>Claims &amp; Expenses Incurred (Earned)</b>							
Prior Accident Years	-3.1%	-6.9%	60.4%	-2.2%	12.4%	2.7%	3.9%
Current Accident Year	77.9%	78.6%	84.3%	79.9%	80.2%	78.4%	77.8%
All Accident Years Combined	74.8%	71.7%	144.7%	77.7%	92.6%	81.1%	81.7%
Underwriting & Administrative Expenses (Earned)	33.2%	34.3%	47.0%	35.3%	37.5%	40.6%	35.8%
<b>Combined Operating Ratio</b>	<b>108.0%</b>	<b>106.0%</b>	<b>191.7%</b>	<b>113.0%</b>	<b>130.1%</b>	<b>121.7%</b>	<b>117.5%</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