

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F2020 – 054

DATE: JULY 30, 2020

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

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

Please be advised that the June 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 currently being used include an initial assessment of the incurred impacts associated with the COVID-19 pandemic;
- (b) The *2020 year-to-date net operating deficit was \$3.8 million*, with a COR of 145.9% on earned premium of \$8.4 million; and
- (c) The *projected 2020 year-end net operating deficit is now \$5.1 million*, with a COR at 130.3% on earned premium of \$17.0 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).

Summary of Financial Results

The calendar year-to-date Operating Result is -\$3.8 million and the incurred loss ratio to the end of six months is 106.2% as summarized in the following table.

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

Amounts in \$000s	June 2020	June 2019	Year to date Jun 2020	Year to Date Jun 2019
Premium Written	1,988	1,400	8,243	7,737
Premium Earned	1,388	1,250	8,372	7,513
Incurring Losses	1,028	988	8,894	7,144
Underwriting & Admin Expense	617	464	3,320	2,950
Operating Result	(257)	(202)	(3,842)	(2,581)
Ratios:				
Loss ratio - Prior Accident Years	(6.3%)	(3.0%)	25.2%	12.9%
- Current Accident Year	80.3%	82.1%	81.0%	82.2%
<i>Total</i>	74.0%	79.1%	106.2%	95.1%
Underwriting & Admin Expense	44.5%	37.1%	39.7%	39.3%
Combined Operating Ratio	118.5%	116.2%	145.9%	134.4%

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: June’s reported claims projections include an additional 10% decrease in Current Accident Year reported claims activity - reducing the projected reported activity over the next month and spreading over the remainder of the year, reflecting a shift in Current Accident Year claims reporting and emergence patterns due to the COVID-19 pandemic impact. This is consistent with previous month’s projections following the valuation assumptions update.

The projected calendar year Operating Result to December 2020 is -\$5.1 million and the estimated combined operating ratio to December 2020 is 130.3%, as summarized in the following table. 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 (Jun 2020)	Prior Mth (May 2020)	Change	Final 2020 Outlook*
Premium Written	17,061	16,771	290	16,178
Premium Earned	16,956	16,786	170	16,215
Incurred Losses	15,324	15,228	96	12,004
Underwriting & Admin Expense	6,762	6,708	55	5,896
Net Result from Operations	(5,130)	(5,150)	19	(1,685)
Ratios:				
Loss ratio - Prior Accident Years	11.2%	11.6%	(0.4%)	(1.7%)
- Current Accident Year	79.2%	79.1%	0.1%	75.7%
<i>Total</i>	90.4%	90.7%	(0.3%)	74.0%
Underwriting & Admin Expense	39.9%	40.0%	(0.1%)	36.4%
Combined Operating Ratio	130.3%	130.7%	(0.4%)	110.4%

rounding differences may occur

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

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.3 million Operating Result in the month of June 2020, not much change from the same month last year.

This month's results moved the year-to-date combined operating ratio from 151.4% at the end of five months to 145.9% at the end of six months. The 5.5 percentage point decrease is composed of a 6.3 percentage point decrease in Prior Accident Year Loss ratio, coupled with a 0.2 percentage point decrease in the Current Accident Year loss ratio, offset by a 1.0 percentage point increase in the 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

June 2020	Actual	Projection	Difference	Difference %
Written Premium	1,988	1,661	327	19.7%
Earned Premium	1,388	1,397	(9)	(0.6%)
Reported Losses				
Paid Losses	994	542	452	83.4%
Paid Expenses	51	68	(17)	(25.0%)
Change in Outstanding Losses	(671)	106	(777)	(733.0%)
Total Reported Losses	374	716	(342)	(47.8%)
Change in IBNR Provision*	654	363	291	
Change in Premium Deficiency (DPAC)*	(52)	(2)	(50)	

*(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 June 2020, reported losses were \$0.3 million lower than projected. The Current Accident Year had a \$0.1 million favourable variance and the Prior Accident Years had a \$0.2 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 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.

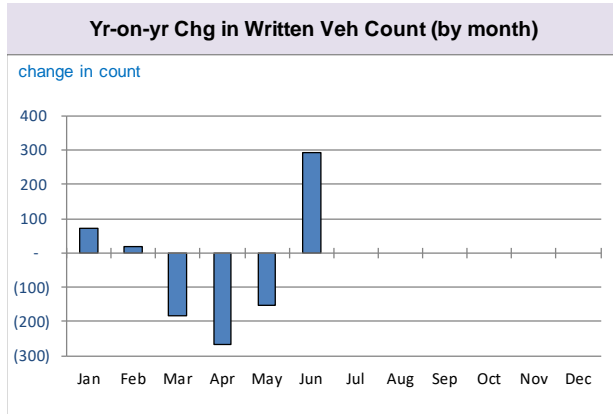
Booking IBNR

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.

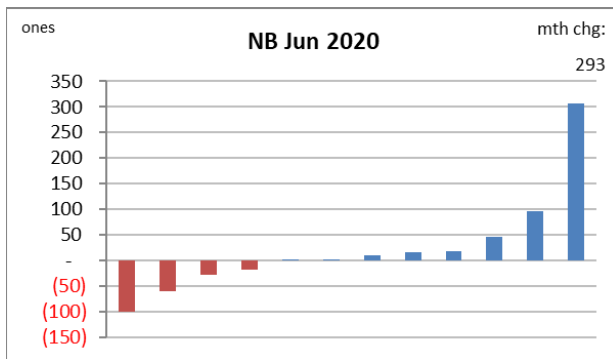
Effect of Quarterly Valuation

The June 2020 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, 2020). The actuarial valuation will be updated next as at June 30, 2020 and we anticipate that the results will be reflected in the August 2020 Operational Report.

Management Comments

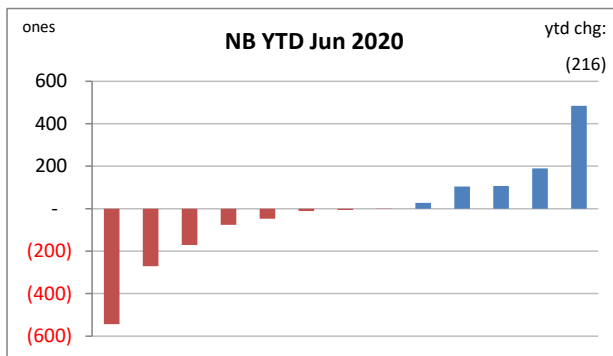


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with June showing an increase of 293 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 161 vehicles, indicating a variance of 132 from the actual transfers. This variance was mainly due to one member company group transferring a higher number of vehicles to the RSP in June than projected.



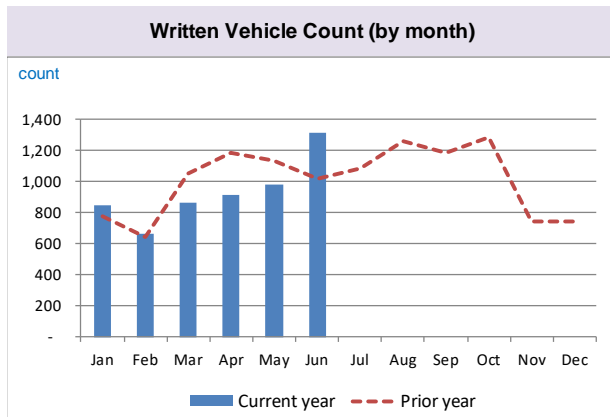
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue or red bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while eight transferred more. Of the 4 member company groups transferring fewer vehicles, 2 member company groups accounted for 77% of the total transfer decrease for the “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 62% of the total transfer increase for the “grower” members.

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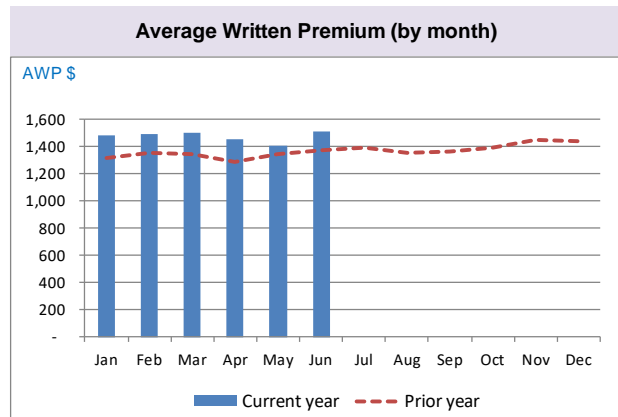


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group),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

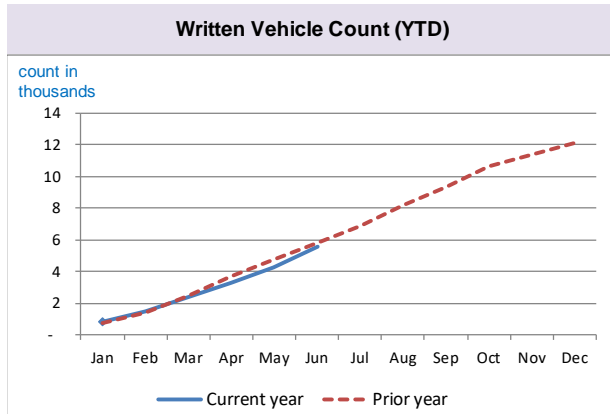
June’s vehicle count transfers to the RSP represent a 28.7% increase from June 2019, however, counts were down 3.7% year-to-date. Average written premium was up 10.3% in June 2020, and up 10.6% year-to-date (see the following charts).



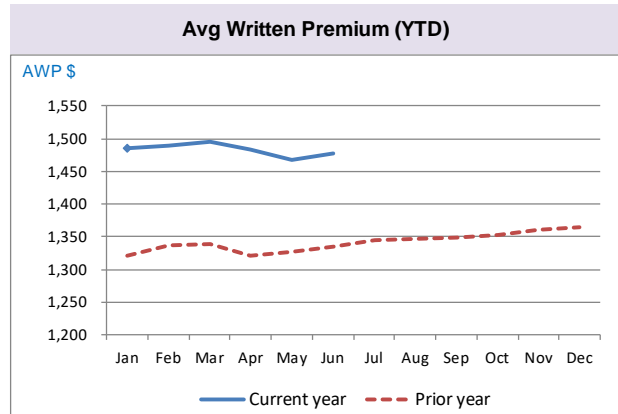
	Jun-20	Jun-19	Amt Chg	% Chg
W. Veh curr mth	1,315	1,022	293	28.7%



	Jun-20	Jun-19	Amt Chg	% Chg
AWP curr mth	1,512	1,371	141	10.3%

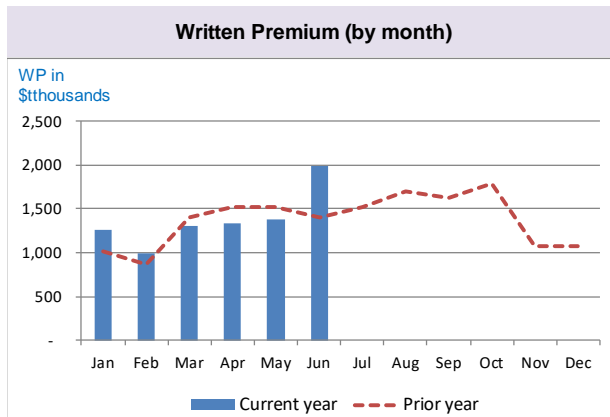


	Jun-20	Jun-19	Amt Chg	% Chg
W. Vehicles YTD	5,580	5,796	(216)	-3.7%

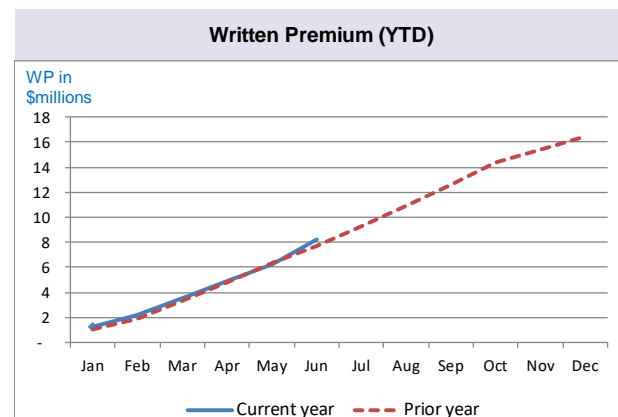


	Jun-20	Jun-19	Amt Chg	% Chg
Avg W. Prem YTD	1,477	1,335	142	10.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 42% for the month compared with the 18.6% increase we projected last month, and was up 6.5% year-to-date (see the following charts).



	Jun-20	Jun-19	Amt Chg	% Chg
WP (\$000s) curr mth	1,988	1,400	588	42.0%



	Jun-20	Jun-19	Amt Chg	% Chg
WP (\$000s) YTD	8,244	7,738	506	6.5%

Bulletin F2020-054

New Brunswick Risk Sharing Pool – June 2020 Operational Report

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 June 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
Operating Results for the 6 Months Ended June 30, 2020 (Discounted basis)
Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:									
Net Premiums Written	\$1,255	\$986	\$1,304	\$1,333	\$1,377	\$1,988	\$8,243	\$17,061	\$16,518
Decrease (Increase) in Unearned Premiums	177	339	109	51	53	(600)	129	(105)	(735)
Net Premiums Earned	\$1,432	\$1,325	\$1,413	\$1,384	\$1,430	\$1,388	\$8,372	\$16,956	\$15,783
Claims Incurred:									
Prior Accident Years:									
Undiscounted	(\$14)	(\$30)	\$878	(\$11)	\$886	(\$14)	\$1,695	\$1,696	\$435
Effect of Discounting	(31)	(61)	(24)	(19)	623	(73)	415	199	173
Discounted	(\$45)	(\$91)	\$854	(\$30)	\$1,509	(\$87)	\$2,110	\$1,895	\$608
Current Accident Year:									
Undiscounted	\$1,057	\$997	\$1,159	\$1,054	\$1,021	\$1,046	\$6,334	\$12,728	\$11,886
Effect of Discounting	58	45	32	52	194	69	450	701	392
Discounted	\$1,115	\$1,042	\$1,191	\$1,106	\$1,215	\$1,115	\$6,784	\$13,429	\$12,278
Claims Incurred	\$1,070	\$951	\$2,045	\$1,076	\$2,724	\$1,028	\$8,894	\$15,324	\$12,886
Underwriting Expenses:									
Expense Allowance	\$379	\$298	\$393	\$403	\$416	\$601	\$2,490	\$5,155	\$4,974
Change in UPDR/DPAC:									
Undiscounted	45	85	229	20	(11)	(94)	274	553	(309)
Effect of Discounting	(8)	(13)	(19)	(5)	148	42	145	186	144
Discounted	37	72	210	15	137	(52)	419	739	(165)
Underwriting Expenses	\$416	\$370	\$603	\$418	\$553	\$549	\$2,909	\$5,894	\$4,809
Net Underwriting Gain (Loss)	(\$54)	\$4	(\$1,235)	(\$110)	(\$1,847)	(\$189)	(\$3,431)	(\$4,262)	(\$1,912)
Administrative Expenses	\$59	\$85	\$61	\$70	\$68	\$68	\$411	\$868	\$849
Operating Result	(\$113)	(\$81)	(\$1,296)	(\$180)	(\$1,915)	(\$257)	(\$3,842)	(\$5,130)	(\$2,761)
Ratios:									
Claims & Expenses Incurred (Earned)									
Prior Accident Years	-3.1%	-6.9%	60.4%	-2.2%	105.5%	-6.3%	25.2%	11.2%	3.9%
Current Accident Year	77.9%	78.6%	84.3%	79.9%	85.0%	80.3%	81.0%	79.2%	77.8%
All Accident Years Combined	74.8%	71.7%	144.7%	77.7%	190.5%	74.0%	106.2%	90.4%	81.7%
Underwriting & Administrative Expenses (Earned)	33.2%	34.3%	47.0%	35.3%	43.4%	44.5%	39.7%	39.9%	35.8%
Combined Operating Ratio	108.0%	106.0%	191.7%	113.0%	233.9%	118.5%	145.9%	130.3%	117.5%

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