



**TO:** MEMBERS OF THE FACILITY ASSOCIATION

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

**BULLETIN NO.:** F2020 – 096

**DATE:** DECEMBER 23, 2020

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

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

Please be advised that the November 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 **2020 year-to-date net operating deficit was \$3.0 million**, with a COR of 118.5% on earned premium of \$16.4 million; and
- (b) The **projected 2020 year-end net operating deficit is now \$3.1 million**, with a COR at 117.1% on earned premium of \$18.1 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; this update reflects updated written premium projections received from certain members.

### **Summary of Financial Results**

The calendar year-to-date Operating Result is -\$3.0 million and the incurred loss ratio to the end of eleven months is 79.2% as summarized in the following table.

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

Amounts in \$000s	November 2020	November 2019	Year to date Nov 2020	Year to Date Nov 2019
Premium Written	1,135	1,077	18,546	15,446
Premium Earned	1,651	1,182	16,380	14,371
Incurred Losses	1,125	821	12,979	11,842
Underwriting & Admin Expense	657	491	6,436	5,199
<b>Operating Result</b>	<b>(131)</b>	<b>(130)</b>	<b>(3,035)</b>	<b>(2,670)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(1.8%)	(8.0%)	8.4%	4.4%
- Current Accident Year	70.0%	77.4%	70.8%	78.0%
<i>Total</i>	<b>68.2%</b>	<b>69.4%</b>	<b>79.2%</b>	<b>82.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>39.8%</b>	<b>41.5%</b>	<b>39.3%</b>	<b>36.2%</b>
<b>Combined Operating Ratio</b>	<b>108.0%</b>	<b>110.9%</b>	<b>118.5%</b>	<b>118.6%</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

The projected calendar year Operating Result to December 2020 is -\$3.1 million and the estimated combined operating ratio to December 2020 is 117.1%, as summarized in the following table. This updated projection to the end of the year has deteriorated by \$0.1 million from the projection provided last month (see the second and third columns in the table). The deterioration is driven by the \$0.3 million increase in the projected earned premium for the year and the associated impacts on written premium, claims, and expense projections, this reflects updated written premium projections received from certain members.

*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> (Nov 2020)	Prior Mth (Oct 2020)	<b>Change</b>	Final 2020 Outlook*
Premium Written	19,346	19,059	287	16,178
Premium Earned	18,057	18,026	31	16,215
Incurred Losses	14,062	14,019	43	12,004
Underwriting & Admin Expense	7,081	6,959	122	5,896
<b>Net Result from Operations</b>	<b>(3,086)</b>	<b>(2,952)</b>	<b>(134)</b>	<b>(1,685)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	7.3%	7.2%	0.1%	(1.7%)
- Current Accident Year	70.6%	70.5%	0.1%	75.7%
<i>Total</i>	<b>77.9%</b>	<b>77.7%</b>	<b>0.2%</b>	<b>74.0%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>39.2%</b>	<b>38.6%</b>	<b>0.6%</b>	<b>36.4%</b>
<b>Combined Operating Ratio</b>	<b>117.1%</b>	<b>116.3%</b>	<b>0.8%</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 -\$0.1 million Operating Result in the month of November 2020, fairly consistent with the same month last year. This is a result of a \$0.1 million unfavourable impact associated with the \$0.5 million increase in earned premium (at a prior combined ratio of 110.9%, offset by an approximately \$0.1 million favourable impact stemming from the overall decrease in the combined ratio (from 110.9% to 108.0% applied to \$1.7 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 119.7% at the end of ten months to 118.5% at the end of eleven months. The 1.2 percentage point decrease is composed of a 1.2 percentage point decrease in Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.1 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*

November 2020	Actual	Projection	Difference	Difference %
Written Premium	1,135	943	192	20.4%
Earned Premium	1,651	1,654	(3)	(0.2%)
Reported Losses				
Paid Losses	616	796	(180)	(22.6%)
Paid Expenses	53	64	(11)	(17.2%)
Change in Outstanding Losses	(559)	192	(751)	(391.1%)
<b>Total Reported Losses</b>	<b>110</b>	<b>1,052</b>	<b>(942)</b>	<b>(89.5%)</b>
Change in IBNR Provision*	1,015	51	964	
Change in Premium Deficiency (DPAC)*	263	294	(31)	

*(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 November 2020, reported losses were \$0.9 million lower than projected. The Current Accident Year had a \$0.4 million favourable variance, and the Prior Accident Years had an approximately \$0.5 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.

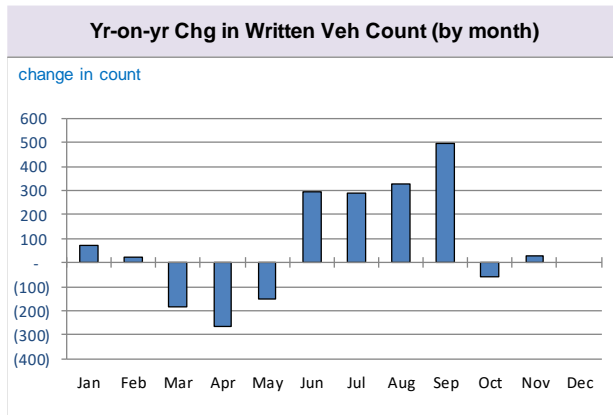
*Booking IBNR*

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.

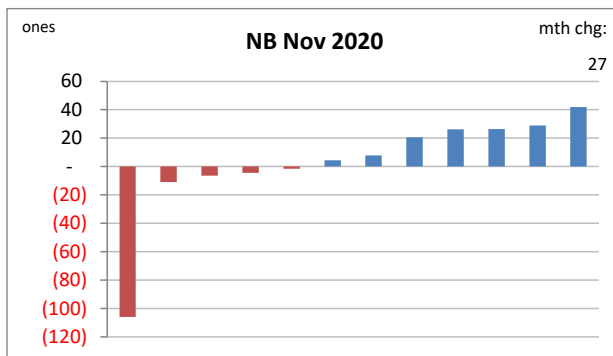
### Effect of Quarterly Valuation

The November 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, 2020). The actuarial valuation will be updated next as at December 31, 2020 and we anticipate that the results will be reflected in the March 2021 Operational Report.

### Management Comments

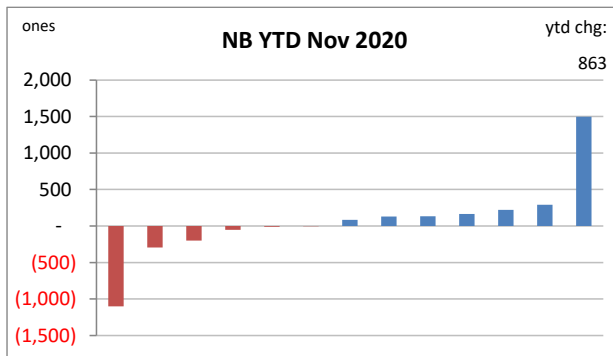


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with November showing an increase of 27 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 57 vehicles, indicating a variance of 84 from the actual transfers. This variance was mainly due to one member company group transferring a higher number of vehicles to the RSP in November than projected.



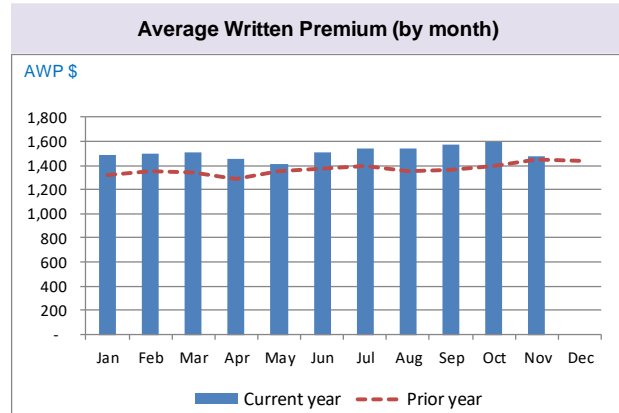
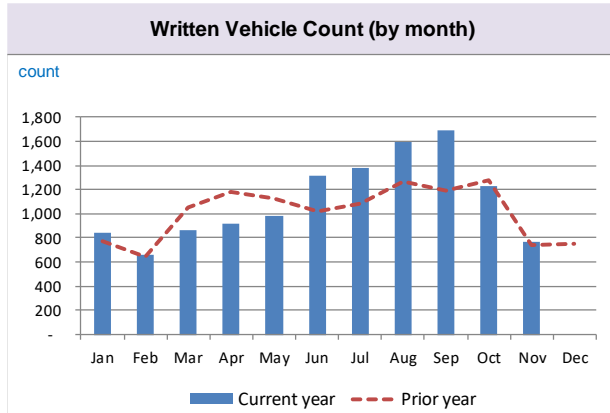
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue or red bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while seven transferred more. Of the 5 member company groups transferring fewer vehicles, 1 member company group accounted for 82% of the total transfer decrease for the “decliner” members.

Of the 7 member company groups transferring more vehicles, 5 member company groups accounted for 92% of the total transfer increase for the “grower” members.



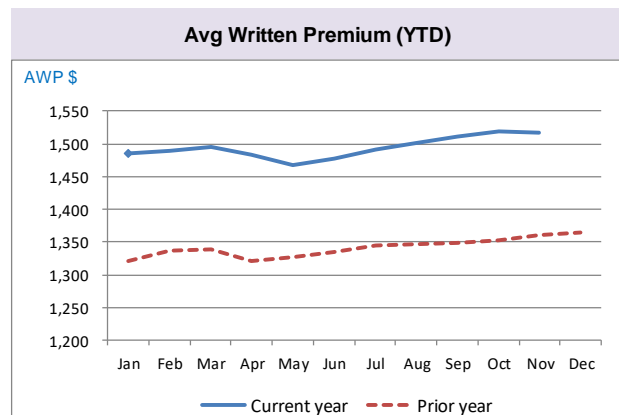
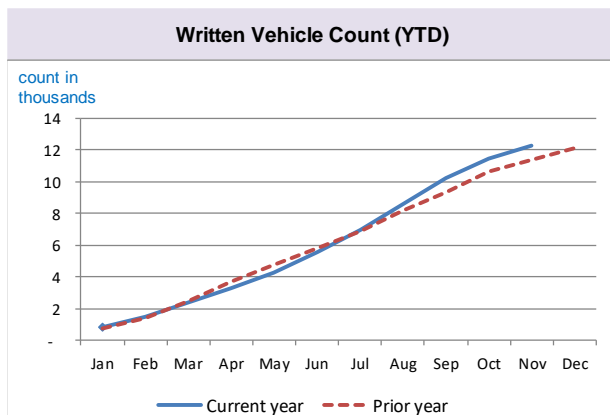
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group),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

November’s vehicle count transfers to the RSP represent a 3.6% increase from November 2019, and counts were up 7.6% year-to-date. Average written premium was up 1.7% in November 2020, and up 11.5% year-to-date (see the following charts).



	Nov-20	Nov-19	Amt Chg	% Chg
W. Veh curr mth	771	744	27	3.6%

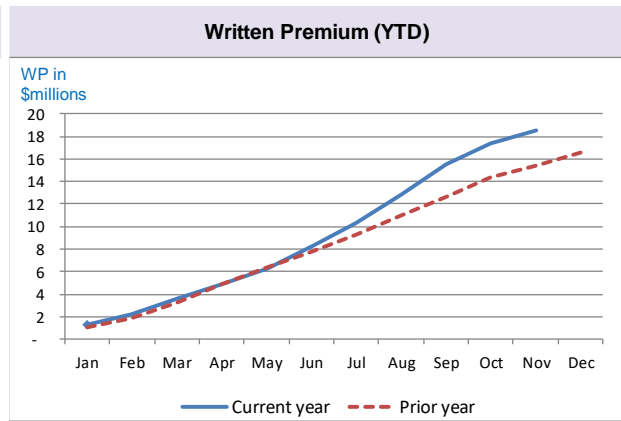
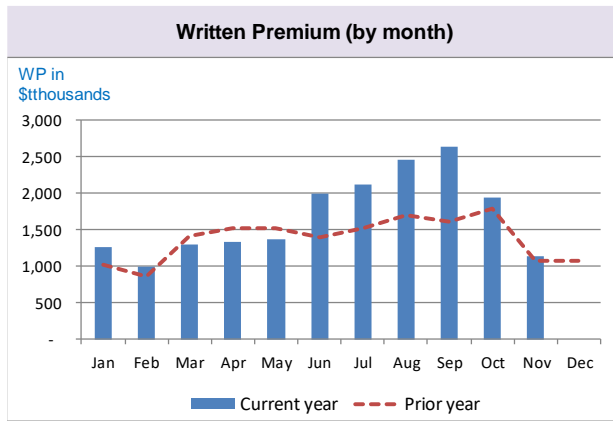
	Nov-20	Nov-19	Amt Chg	% Chg
AWP curr mth	1,472	1,448	24	1.7%



	Nov-20	Nov-19	Amt Chg	% Chg
W. Vehicles YTD	12,224	11,361	863	7.6%

	Nov-20	Nov-19	Amt Chg	% Chg
Avg W. Prem YTD	1,517	1,360	157	11.5%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 5.4% for the month compared with the 12.4% decrease we projected last month, and was up 20.1% year-to-date (see the following charts).



	Nov-20	Nov-19	Amt Chg	% Chg
WP (\$000s) curr mth	1,135	1,077	58	5.4%

	Nov-20	Nov-19	Amt Chg	% Chg
WP (\$000s) YTD	18,546	15,446	3,100	20.1%

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 November 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 11 Months Ended November 30, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	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	\$1,377	\$1,988	\$2,122	\$2,456	\$2,641	\$1,949	\$1,135	\$18,546	\$19,346	\$16,518
Decrease (Increase) in Unearned Premiums	177	339	109	51	53	(600)	(634)	(922)	(1,006)	(249)	516	(2,166)	(1,289)	(735)
<b>Net Premiums Earned</b>	<b>\$1,432</b>	<b>\$1,325</b>	<b>\$1,413</b>	<b>\$1,384</b>	<b>\$1,430</b>	<b>\$1,388</b>	<b>\$1,488</b>	<b>\$1,534</b>	<b>\$1,635</b>	<b>\$1,700</b>	<b>\$1,651</b>	<b>\$16,380</b>	<b>\$18,057</b>	<b>\$15,783</b>
<b>Claims Incurred:</b>														
Prior Accident Years:														
Undiscounted	(\$14)	(\$30)	\$878	(\$11)	\$886	(\$14)	(\$18)	(\$473)	(\$2)	(\$173)	(\$14)	\$1,015	\$1,016	\$435
Effect of Discounting	(31)	(61)	(24)	(19)	623	(73)	(17)	64	(28)	(55)	(16)	363	294	173
Discounted	(\$45)	(\$91)	\$854	(\$30)	\$1,509	(\$87)	(\$35)	(\$409)	(\$30)	(\$228)	(\$30)	\$1,378	\$1,310	\$608
Current Accident Year:														
Undiscounted	\$1,057	\$997	\$1,159	\$1,054	\$1,021	\$1,046	\$1,127	\$93	\$1,068	\$1,112	\$1,090	\$10,824	\$11,917	\$11,886
Effect of Discounting	58	45	32	52	194	69	61	57	73	71	65	777	835	392
Discounted	\$1,115	\$1,042	\$1,191	\$1,106	\$1,215	\$1,115	\$1,188	\$150	\$1,141	\$1,183	\$1,155	\$11,601	\$12,752	\$12,278
<b>Claims Incurred</b>	<b>\$1,070</b>	<b>\$951</b>	<b>\$2,045</b>	<b>\$1,076</b>	<b>\$2,724</b>	<b>\$1,028</b>	<b>\$1,153</b>	<b>(\$259)</b>	<b>\$1,111</b>	<b>\$955</b>	<b>\$1,125</b>	<b>\$12,979</b>	<b>\$14,062</b>	<b>\$12,886</b>
<b>Underwriting Expenses:</b>														
Expense Allowance	\$379	\$298	\$393	\$403	\$416	\$601	\$641	\$742	\$797	\$588	\$343	\$5,601	\$5,844	\$4,974
Change in UPDR/DPAC:														
Undiscounted	45	85	229	20	(11)	(94)	(86)	(770)	(122)	96	283	(325)	49	(309)
Effect of Discounting	(8)	(13)	(19)	(5)	148	42	43	89	80	39	(20)	376	331	144
Discounted	37	72	210	15	137	(52)	(43)	(681)	(42)	135	263	51	380	(165)
<b>Underwriting Expenses</b>	<b>\$416</b>	<b>\$370</b>	<b>\$603</b>	<b>\$418</b>	<b>\$553</b>	<b>\$549</b>	<b>\$598</b>	<b>\$61</b>	<b>\$755</b>	<b>\$723</b>	<b>\$606</b>	<b>\$5,652</b>	<b>\$6,224</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>(\$1,847)</b>	<b>(\$189)</b>	<b>(\$263)</b>	<b>\$1,732</b>	<b>(\$231)</b>	<b>\$22</b>	<b>(\$80)</b>	<b>(\$2,251)</b>	<b>(\$2,229)</b>	<b>(\$1,912)</b>
<b>Administrative Expenses</b>	<b>\$59</b>	<b>\$85</b>	<b>\$61</b>	<b>\$70</b>	<b>\$68</b>	<b>\$68</b>	<b>\$75</b>	<b>\$63</b>	<b>\$66</b>	<b>\$118</b>	<b>\$51</b>	<b>\$784</b>	<b>\$857</b>	<b>\$849</b>
<b>Operating Result</b>	<b>(\$113)</b>	<b>(\$81)</b>	<b>(\$1,296)</b>	<b>(\$180)</b>	<b>(\$1,915)</b>	<b>(\$257)</b>	<b>(\$338)</b>	<b>\$1,669</b>	<b>(\$297)</b>	<b>(\$96)</b>	<b>(\$131)</b>	<b>(\$3,035)</b>	<b>(\$3,086)</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%	105.5%	-6.3%	-2.4%	-26.7%	-1.8%	-13.4%	-1.8%	8.4%	7.3%	3.9%
Current Accident Year	77.9%	78.6%	84.3%	79.9%	85.0%	80.3%	79.8%	9.8%	69.8%	69.6%	70.0%	70.8%	70.6%	77.8%
All Accident Years Combined	74.8%	71.7%	144.7%	77.7%	190.5%	74.0%	77.4%	-16.9%	68.0%	56.2%	68.2%	79.2%	77.9%	81.7%
Underwriting & Administrative Expenses (Earned)	33.2%	34.3%	47.0%	35.3%	43.4%	44.5%	45.2%	8.1%	50.2%	49.5%	39.8%	39.3%	39.2%	35.8%
<b>Combined Operating Ratio</b>	<b>108.0%</b>	<b>106.0%</b>	<b>191.7%</b>	<b>113.0%</b>	<b>233.9%</b>	<b>118.5%</b>	<b>122.6%</b>	<b>-8.8%</b>	<b>118.2%</b>	<b>105.7%</b>	<b>108.0%</b>	<b>118.5%</b>	<b>117.1%</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