

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022-041

DATE: June 29, 2022

SUBJECT: New Brunswick Risk Sharing Pool – May 2022 Operational Report

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

Please be advised that the May 2022 New Brunswick Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **May 2022 premium written** was \$1.5 million, lower than prior year by \$0.5 million. The **2022 year-to-date premium written** was \$6.9 million lower than prior year by \$1.5 million; and
- (b) The **May 2022 operating results** were a *surplus* of \$0.6 million and the **2022 year-to-date operating results** were a *deficit* of \$1.0 million; and
- (c) The **May 2022 combined operating ratio** was 66.3%, lower than prior year by 6.2 percentage points. The **2022 year-to-date combined operating ratio** was 111.4%, above prior years by 28.7 percentage points.
- (d) The implementation of the **2022 Q1 valuation**, generated **\$1.0 million favourable impact** for the month, increasing the COR by 54.4 percentage points
- (e) As per the annual process for RSPs, member share ratios have been updated to reflect recent market share information.

Summary of Financial Results

NB RSP Summary of Financial Results

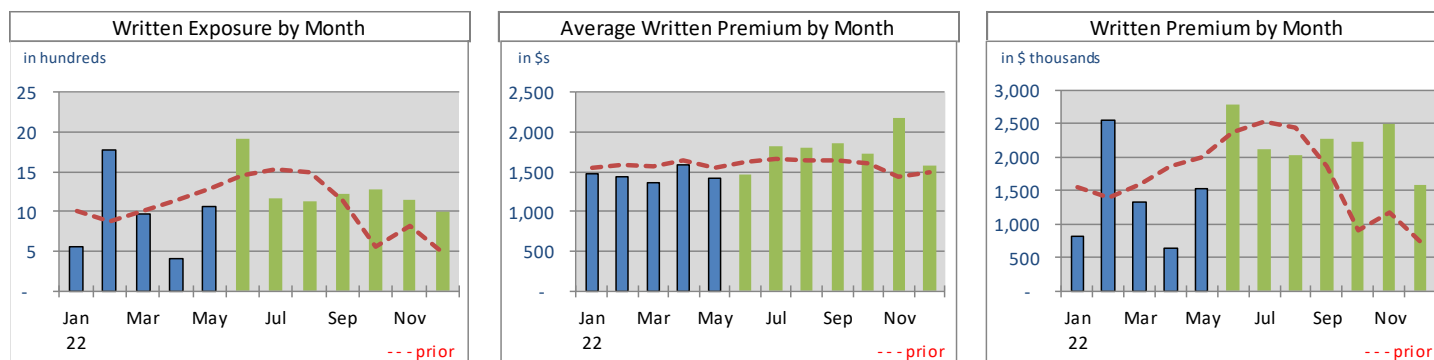
NB RSP 2022 Summary Amounts in \$000s	Actual (May 2022)	Projection (May 2022)	Prior Year (May 2021)	2022 year-to-date as at 5 months	2021 year-to-date as at 5 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	1,530	2,747	1,997	6,880	8,400	22,402	30,074	20,438
Premium Earned	1,812	1,524	1,752	8,985	8,253	20,294	26,023	20,409
Incurred Losses	821	1,327	738	7,586	4,660	17,234	22,620	12,227
Underwriting & Admin Expense	383	969	534	2,430	2,171	8,549	11,672	7,985
Expense allowance	448	802	611	2,009	2,571	6,541	8,783	6,256
Premium Deficiency / (DPAC)	(144)	28	(151)	21	(769)	814	1,365	673
Administrative Expenses	79	139	74	400	368	1,194	1,524	1,056
Net Result from Operations	608	(772)	480	(1,031)	1,422	(5,489)	(8,269)	197
Ratios:								
Loss ratio - Prior Accident Years	(31.3%)	(2.0%)	(26.6%)	(2.5%)	(19.7%)	(1.7%)	(2.1%)	(11.2%)
- Current Accident Year	76.5%	89.0%	68.7%	86.9%	76.1%	86.6%	89.0%	71.1%
Total	45.2%	87.0%	42.1%	84.4%	56.4%	84.9%	86.9%	59.9%
Underwriting & Admin Expense	21.1%	63.6%	30.5%	27.0%	26.3%	42.1%	44.9%	39.1%
Expense allowance	24.7%	52.6%	34.9%	22.4%	31.2%	32.2%	33.8%	30.7%
Premium Deficiency / (DPAC)	(7.9%)	1.8%	(8.6%)	0.2%	(9.3%)	4.0%	5.2%	3.3%
Administrative Expenses	4.3%	9.1%	4.2%	4.4%	4.5%	5.9%	5.9%	5.2%
Combined Operating Ratio	66.3%	150.6%	72.6%	111.4%	82.7%	127.0%	131.8%	99.0%

rounding differences may occur

*as posted to FA's website Dec. 24, 2021

Premium

The **premium drivers** compared to prior year and The Outlook to year-end are:



The vehicle count transfer for May 2022 was 1,070 vehicles, which was lower than prior year by 214 and lower than The Outlook for the month by 435.

With a decrease of 23.4%, premium written dropped significantly compared with the prior year and average premium also showed a significant decrease of 8.2% compared with prior year.

Incurred Losses

Incurred losses in May 2022 were \$0.8 million, \$0.5 million lower than projection and slightly higher compared with the same month form last year; and loss ratio was at 45.2%, down 41.8 percentage points compared with our projection and up 3.1 percentage points compared with prior year. This variance from projection was largely driven by the 2022 Q1 valuation being implemented in the month, generating a favourable impact of \$0.8 million on the year-to-date losses. This impact is mainly driven by increased discount rate on year-to-date, particularly for the recent quarter for Prior Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

NB RSP Summary of 2022 Q1 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
New Brunswick	month/ytd	as month EP	as ytd EP	full year	as full year EP
PAYs (2021 & prior)	(531)	(29.3%)	(2.8%)	(485)	(2.4%)
CAY (2022)	(240)	(13.3%)	(1.3%)	(531)	(2.6%)
PAYs & CAY	(771)	(42.6%)	(4.1%)	(1,016)	(5.0%)
Premium Deficiency / (DPAC)	(215)	(11.9%)	(1.1%)	(348)	(1.7%)
Total	(986)	(54.4%)	(5.1%)	(1,364)	(6.7%)

Underwriting and Admin Expenses

Expenses for May 2022 include,

- Expense Allowance– this is based on written premium. The allowance ratio is approximately 29% of written premium and consistent across actual and The Outlook for both current month and year-to-date.
- Premium Deficiency / (DPAC): DPAC of \$0.1 million for May 2022 compared to projection Premium deficiency of \$0.03 million and prior year DPAC at \$0.2 million.
- Administrative Expenses are fairly consistent with projection and prior year.

Projection to year-end 2022

Projections to year-end 2022 has been updated using the 2022 Q1 valuation assumption which generated an estimated favourable impact of \$1.4 million on the full year results.

Compared with The Outlook, written premium is below projection.

The updated year-end 2022 operating deficit is now \$5.5 million, an increase from The Outlook and the combined operating ratio is 127.0%, 4.7 percentage points below The Outlook.

Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related links:
[New Brunswick RSP Summary of Operations - Calendar Year 2022](#)

*05 month ended May 2022 (discounted basis)

[New Brunswick RSP Operational Report - Actuarial Highlights](#)

*For additional details on Actual vs Projected variance, IBNR, and valuation