

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-091

DATE: November 29, 2021

SUBJECT: New Brunswick Risk Sharing Pool – October 2021 Operational Report

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

Please be advised that the October 2021 New Brunswick Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **October 2021 premium written for the month was \$0.9 million**, lower than prior year by \$1.0 million;
- (b) The **2021 year-to-date net operating surplus was \$0.6 million**, resulting in a COR of 96.2% on earned premium of \$16.9 million; and
- (c) The implementation of the **2021 Q3 valuation**, generated **\$0.1 million favourable impact** for the month, decreasing the COR by 7.1 percentage points.

Summary of Financial Results

NB RSP Summary of Financial Results

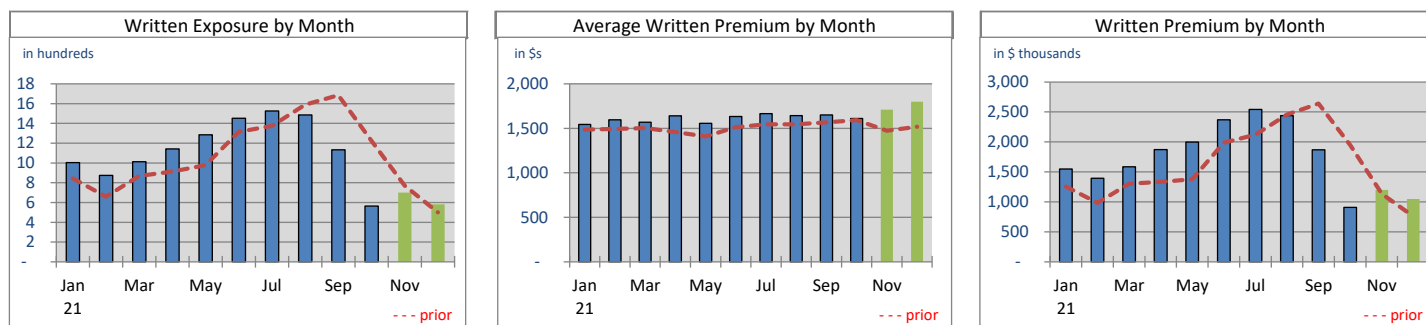
NB RSP 2021 Summary Amounts in \$000s	Actual (October 2021)	Projection (October 2021)	Prior Year (October 2020)	2021 year-to-date as at 10 months	2020 year-to-date as at 10 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	909	1,875	1,949	18,530	17,411	20,779	21,771
Premium Earned	1,468	1,930	1,700	16,891	14,729	20,312	20,891
Incurred Losses	874	1,301	955	9,810	11,854	12,095	16,389
Underwriting & Admin Expense	763	995	841	6,435	5,779	7,922	7,694
Expense allowance	280	573	588	5,673	5,260	6,361	6,575
Premium Deficiency / (DPAC)	373	325	135	(76)	(212)	648	(3)
Administrative Expenses	110	97	118	838	732	913	1,122
Net Result from Operations	(169)	(366)	(96)	646	(2,904)	295	(3,192)
Ratios:							
Loss ratio - Prior Accident Years	(24.3%)	(1.6%)	(13.4%)	(13.2%)	9.6%	(11.5%)	(3.0%)
- Current Accident Year	83.9%	69.0%	69.6%	71.3%	70.9%	71.0%	81.4%
Total	59.6%	67.4%	56.2%	58.1%	80.5%	59.5%	78.4%
Underwriting & Admin Expense	52.0%	51.6%	49.5%	38.1%	39.2%	39.0%	36.8%
Combined Operating Ratio	111.6%	119.0%	105.7%	96.2%	119.7%	98.5%	115.2%

rounding differences may occur

**as posted to FA's website Nov. 18, 2020*

Premium

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



October's vehicle count transfer was 565 vehicles, representing a 53.8% decrease compared with prior year, and counts are slightly higher year-to-date. The projection for October from last month anticipated a decrease of 167 vehicles, however the actual came in 492 lower than projected, driven primarily by one member company group transferring less than their projection.

Average premium showed a moderate increase compared with prior year. Premium written was above prior year, primarily driven by the increase in vehicles transferred to the pool.

Incurred Losses

Incurred losses in October 2021 were \$0.9 million, \$0.4 million lower than our projection, and in line compared with the same month from last year. The variance from projection was driven by the 2021 Q3 valuation being implemented in the month, generating a favourable impact of \$0.1 million on the month and year-to-date losses.

NB RSP Summary of 2021 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
New Brunswick					
PAYs (2020 & prior)	(310)	(21.1%)	(1.8%)	(305)	(1.5%)
CAY (2021)	197	13.4%	1.2%	229	1.1%
PAYs & CAY	(113)	(7.7%)	(0.6%)	(76)	(0.4%)
Premium Deficiency / (DPAC)	9	0.6%	0.1%	(32)	(0.2%)
Total	(104)	(7.1%)	(0.6%)	(108)	(0.5%)

Reported losses in October 2021 were \$0.4 million lower than projected. The Current Accident Year had a \$0.5 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million. This impact is driven by minimal change from the prior valuation driven by claims emergence during the quarter.

Losses year to date continue to be below prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses

Expenses for October 2021 include,

- Expense Allowance: \$0.3 million for October 2021, compared to projection and prior year at \$0.6 million. The allowance is approximately 31% of written premium. Increase from prior year is consistent with increase in written premium.

- Premium Deficiency / (DPAC): premium deficiency of \$0.4 million for October 2021 compared to projection at \$0.3 million and prior year at \$0.1 million
- Administrative Expense: \$0.1 million for October 2021, consistent with projection and prior year.

Projection to year-end 2021

Compared with the Outlook released in November 2020, written premium has decreased by \$1.0 million to \$20.8 million driven by the updated premium projections received from the main users of the New Brunswick Risk Sharing Pool. As a result of the change in projected written premium, earned premium is also reduced by \$0.6 million to \$20.3 million.

The updated year-end 2021 operating surplus is now \$0.3 million and the combined operating ratio is 98.5%. The improvement of \$3.5 million in operating result and 16.7% in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption with reduced loss ratios.

Should you require any further information, please call Sheetal Savani, VP Finance, Compliance and CFO at (416) 863-1750 x5626.

Saskia Matheson
President & CEO

Related links:

[New Brunswick RSP Summary of Operations - Calendar Year 2021](#)

*10 months ended October 2021 (discounted basis)

[New Brunswick RSP August 2021 Operational Report – Actuarial Highlights](#)

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