

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-077

DATE: September 29, 2021

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

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

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

Highlights

- (a) The **August 2021 premium written for the month was \$2.4 million**, in line with prior year;
- (b) The **2021 year-to-date net operating surplus was \$1.1 million**, resulting in a COR of 91.8% on earned premium of \$13.6 million; and
- (c) The implementation of the **2021 Q2 valuation**, generated **\$0.6 million favourable impact** for the month, decreasing the COR by 31.5 percentage points.

Summary of Financial Results

NB RSP Summary of Financial Results

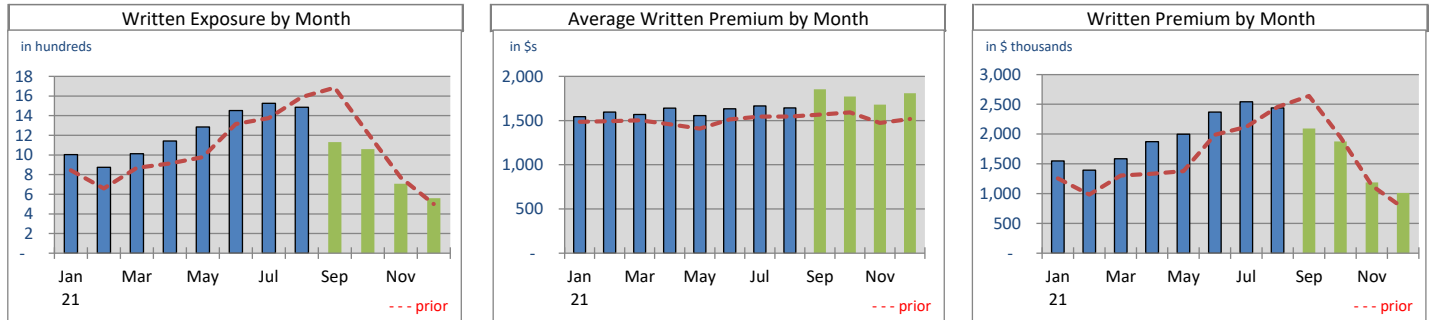
NB RSP 2021 Summary Amounts in \$000s	Actual (August 2021)	Projection (August 2021)	Prior Year (August 2020)	2021 year-to-date as at 8 months	2020 year-to-date as at 8 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	2,441	2,116	2,455	15,754	12,821	21,926	21,771
Premium Earned	1,836	1,932	1,533	13,615	11,394	20,937	20,891
Incurred Losses	536	1,398	(259)	7,759	9,788	12,700	16,389
Underwriting & Admin Expense	1,013	817	124	4,734	4,117	8,305	7,694
Expense allowance	747	647	742	4,822	3,874	6,710	6,575
Premium Deficiency / (DPAC)	182	60	(681)	(710)	(305)	647	(3)
Administrative Expenses	84	110	63	622	548	948	1,122
Net Result from Operations	287	(283)	1,668	1,122	(2,511)	(68)	(3,192)
Ratios:							
Loss ratio - Prior Accident Years	(8.3%)	(1.5%)	(26.7%)	(13.5%)	14.6%	(9.5%)	(3.0%)
- Current Accident Year	37.5%	73.9%	9.8%	70.5%	71.3%	70.2%	81.4%
Total	29.2%	72.4%	(16.8%)	57.0%	85.9%	60.7%	78.4%
Underwriting & Admin Expense	55.2%	42.3%	8.1%	34.8%	36.1%	39.7%	36.8%
Combined Operating Ratio	84.4%	114.7%	(8.7%)	91.8%	122.0%	100.4%	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:



August's vehicle count transfer was 1,485 vehicles, representing a 6.6% decrease compared with prior year, and counts were up 14.4% year-to-date. The projection for August from last month anticipated a decrease of 267 vehicles, however the actual came in 163 higher than projected, driven primarily by two member company group transferring more 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 August 2021 were \$0.5 million, \$0.9 million lower than our projection, while \$0.8 million higher compared with the same month from last year. The variance from projection was driven by the 2021 Q2 valuation being implemented in the month, generating a favourable impact of \$0.8 million on the month and year-to-date losses. This impact is mainly driven by the reduced loss ratios due to COVID-19 assumption update as well as the favourable impact from the Prior Accident Years due to member's Bodily Injury case reserve change.

NB RSP Summary of 2021 Q2 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)	(117)	(6.4%)	(1.1%)	(109)	(0.5%)
CAY (2021)	(662)	(36.1%)	(6.3%)	(981)	(4.7%)
PAYs & CAY	(779)	(42.5%)	(7.4%)	(1,090)	(5.2%)
Premium Deficiency / (DPAC)	201	11.0%	1.9%	915	4.4%
Total	(578)	(31.5%)	(5.5%)	(175)	(0.8%)

Reported losses in August 2021 slightly higher than projected. The Current Accident Year had an approximately \$0.1 million unfavourable variance in reported losses, and the Prior Accident Years had an approximately \$0.1 million unfavourable variance. No single Accident Year had a reported loss variance in excess of \$1.0 million.

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 August 2021 include,

- Expense Allowance: \$0.7 million for August 2021, in line with prior year and compared to compared to projection 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 \$0.2 million for August 2021 compared to projection at \$0.1 million and prior year DPAC at \$0.7 million
- Administrative Expense: \$0.1 million for August 2021, consistent with projection and prior year.

Projection to year-end 2021

Compared with the Outlook released in November 2020, written premium has increased by \$0.1 million to \$21.9 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 \$0.1 million to \$20.9 million.

The updated year-end 2021 operating deficit is now \$0.1 million and the combined operating ratio is 100.4%. The improvement of \$3.1 million in operating result and 14.8% 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 August 2021 Operational Report – Actuarial Highlights](#)

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

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

*8 months ended August 2021 (discounted basis)