

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2021-045**

**DATE: June 29, 2021**

**SUBJECT: New Brunswick Risk Sharing Pool – May 2021 Operational Report**

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

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

### Highlights

- (a) The **May 2021 premium written for the month was \$2.0 million**, 0.6 million higher than prior year;
- (b) The **2021 year-to-date net operating surplus was \$1.4 million**, with a COR of 82.7% on earned premium of \$8.3 million;
- (c) The implementation of the **2021 Q1 valuation**, generated **\$0.7 million favourable impact** for the month, reducing the month COR by 38.6 percentage points; and
- (d) As per the annual process for the RSPs, member share ratios have been updated to reflect recent market share information.

### Summary of Financial Results

#### *NB RSP Summary of Financial Results*

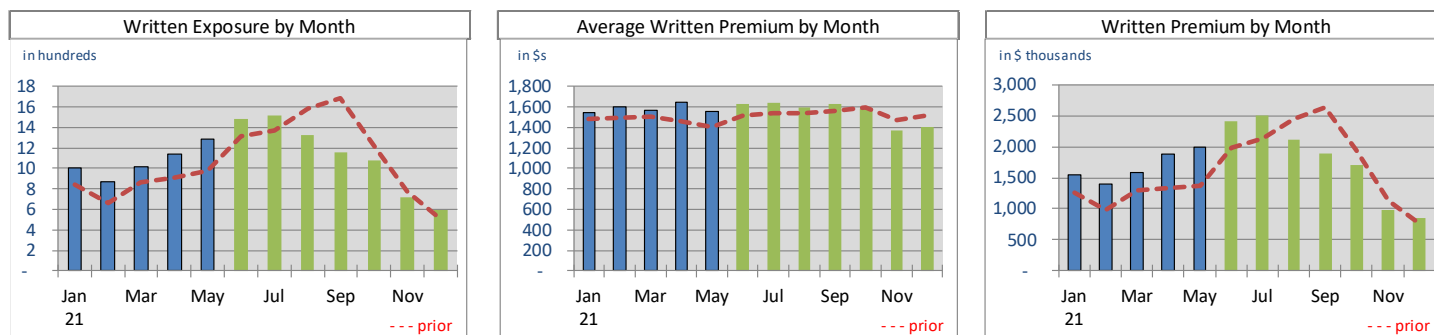
<b>NB RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> (May 2021)	<b>Projection</b> (May 2021)	<b>Prior Year</b> (May 2020)	<b>2021 year-to-date</b> as at 5 months	<b>2020 year-to-date</b> as at 5 months	<b>2021 year-end</b> Projection	<b>Outlook*</b> Full year 2021
Premium Written	1,998	1,703	1,377	8,400	6,255	20,829	21,771
Premium Earned	1,753	1,701	1,430	8,253	6,984	20,703	20,891
Incurred Losses	738	1,222	2,724	4,659	7,866	13,587	16,389
Underwriting & Admin Expense	534	654	621	2,170	2,703	7,254	7,694
Expense allowance	611	522	416	2,571	1,890	6,374	6,575
Premium Deficiency / (DPAC)	(151)	44	137	(769)	471	(140)	(3)
Administrative Expenses	74	88	68	368	342	1,020	1,122
<b>Net Result from Operations</b>	<b>481</b>	<b>(175)</b>	<b>(1,915)</b>	<b>1,424</b>	<b>(3,585)</b>	<b>(138)</b>	<b>(3,192)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(26.6%)	(3.1%)	105.5%	(19.7%)	31.5%	(9.1%)	(3.0%)
- Current Accident Year	68.7%	75.0%	84.9%	76.1%	81.2%	74.7%	81.4%
<b>Total</b>	<b>42.1%</b>	<b>71.9%</b>	<b>190.5%</b>	<b>56.4%</b>	<b>112.7%</b>	<b>65.6%</b>	<b>78.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>30.5%</b>	<b>38.4%</b>	<b>43.4%</b>	<b>26.3%</b>	<b>38.7%</b>	<b>35.0%</b>	<b>36.8%</b>
<b>Combined Operating Ratio</b>	<b>72.6%</b>	<b>110.3%</b>	<b>233.9%</b>	<b>82.7%</b>	<b>151.4%</b>	<b>100.6%</b>	<b>115.2%</b>

*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:



May's vehicle count transfer was 1,284 vehicles, representing a 31.2% increase compared with prior year, and counts were up 24.6% year-to-date. The projection for May from last month anticipated an increase of 86 vehicles, however the actual came in 219 higher than projected, driven primarily by two member companies transferring more than their projections.

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

## Incurred Losses

Incurred losses in May 2021 were \$0.7 million, \$0.5 million lower than our projection from last month, and \$2.0 million lower compared with the same month from last year. The variance from projection was largely driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$0.5 million on the month and year-to-date losses. The favourable impact is primarily driven by the increase in discount rate (from 0.26% to 0.78 %).

### *NB RSP Summary of 2021 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 (2020 & prior)	(376)	(21.5%)	(0.5%)	(338)	(1.6%)
CAY (2021)	(145)	(8.3%)	(0.2%)	(344)	(1.7%)
<b>PAYs &amp; CAY</b>	<b>(521)</b>	<b>(29.8%)</b>	<b>(0.7%)</b>	<b>(682)</b>	<b>(3.3%)</b>
Premium Deficiency / (DPAC)	(156)	(8.9%)	(0.2%)	(111)	(0.5%)
<b>Total</b>	<b>(677)</b>	<b>(38.6%)</b>	<b>(0.8%)</b>	<b>(793)</b>	<b>(3.8%)</b>

Reported losses in May 2021 were \$2.4 million lower than projected. The Current Accident Year had a \$0.2 million favourable variance in reported losses, and the Prior Accident Years had a \$2.2 million favourable variance. This significant lower than projected activity was reviewed and attributed to the reserving methodology change of one member company group.

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 May 2021 include,

- Expense Allowances: \$0.6 million for May 2021, compared to projection at \$0.5 million and prior year at \$0.4 million. The allowance is approximately 31% of written premium. Increases from projection

and prior year are consistent with increases in written premium.

- Premium Deficiency / (DPAC): DPAC of \$0.2 million for May 2021 compared to projected minimal premium deficiency and prior year premium deficiency of \$0.1 million. The variance for projection was primarily driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$0.2 million.
- Administrative Expense: \$0.1 million for May 2021, consistent with projection and prior year.

Expense ratios for the month and year-to-date were lower than both projection and prior year primarily due to the favourable valuation impact booked in the year.

### Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2021 Q1 valuation assumptions; the implementation generated an estimated favourable impact of \$0.8 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced \$0.9 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 \$0.2 million to \$20.7 million.

The updated year-end 2021 operating deficit is now \$0.1 million and the combined operating ratio is 100.6%. The improvement of \$3.1 million in operating result and 14.6% 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 as well as the premium reduction for the calendar year.

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 May 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](#)

\*5 months ended May 2021 (discounted basis)