

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2021-030

**DATE:** April 29, 2021

**SUBJECT:** Newfoundland and Labrador Risk Sharing Pool  
– March 2021 Operational Report

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

Please be advised that the March 2021 Newfoundland and Labrador (NL) Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

### Highlights

- (a) The **March 2021 premium written** was \$318 thousand, and the **net operating deficit was \$179 thousand**, with a COR of 238.8% on earned premium of \$129 thousand; and
- (b) The implementation of the 2020 Q4 valuation resulted in no impact on the financial result

### Summary of Financial Results

#### NL RSP Summary of Financial Results

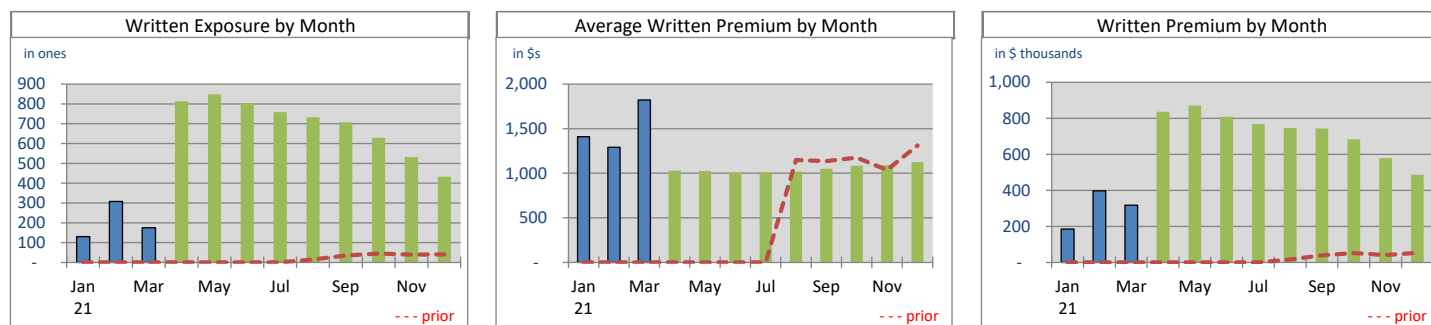
| <b>NL RSP 2021 Summary</b>               | <b>Actual</b>       | <b>Projection</b>   | <b>Prior Year</b>   | <b>2021 year-to-date</b> | <b>2020 year-to-date</b> | <b>2021 year-end</b> | <b>Outlook*</b>       |
|--|---------------------|---------------------|---------------------|--------------------------|--------------------------|----------------------|-----------------------|
| <b>Amounts in \$000s</b>                 | <b>(March 2021)</b> | <b>(March 2021)</b> | <b>(March 2020)</b> | <b>as at 3 months</b>    | <b>as at 3 months</b>    | <b>Projection</b>    | <b>Full year 2021</b> |
| Premium Written                          | 318                 | 646                 | -                   | 900                      | -                        | 7,421                | 8,994                 |
| Premium Earned                           | 129                 | 61                  | -                   | 233                      | -                        | 3,586                | 6,035                 |
| Incurred Losses                          | 145                 | 67                  | -                   | 257                      | -                        | 3,911                | 6,509                 |
| Underwriting & Admin Expense             | 163                 | 279                 | -                   | 484                      | -                        | 2,920                | 3,384                 |
| <b>Net Result from Operations</b>        | <b>(179)</b>        | <b>(285)</b>        | <b>-</b>            | <b>(508)</b>             | <b>-</b>                 | <b>(3,245)</b>       | <b>(3,858)</b>        |
| <b>Ratios:</b>                           |                     |                     |                     |                          |                          |                      |                       |
| <b>Loss ratio</b> - Prior Accident Years | 0.8%                | 0.0%                | -                   | 0.4%                     | -                        | 0.0%                 | 0.0%                  |
| - Current Accident Year                  | 111.6%              | 109.8%              | -                   | 109.9%                   | -                        | 109.1%               | 107.9%                |
| <b>Total</b>                             | <b>112.4%</b>       | <b>109.8%</b>       | <b>-</b>            | <b>110.3%</b>            | <b>-</b>                 | <b>109.1%</b>        | <b>107.9%</b>         |
| <b>Underwriting &amp; Admin Expense</b>  | <b>126.4%</b>       | <b>457.4%</b>       | <b>-</b>            | <b>207.7%</b>            | <b>-</b>                 | <b>81.4%</b>         | <b>56.1%</b>          |
| <b>Combined Operating Ratio</b>          | <b>238.8%</b>       | <b>567.2%</b>       | <b>-</b>            | <b>318.0%</b>            | <b>-</b>                 | <b>190.5%</b>        | <b>164.0%</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:



March's vehicle count transfer was 175 vehicles; the projection for March from last month anticipated 620 vehicle transfers, however the actual came in 446 lower than projected, driven primarily by one member company.

Vehicle count and written premium are expected to increase over the remainder of the year.

## Incurred Losses

Incurred losses in March 2021 were \$145 thousand, \$78 thousand higher than our projection last month. Reported losses were \$59.4 thousand higher than projected, mainly driven by the Current Accident Year.

## Underwriting and Admin Expenses

Expenses for March 2021 were \$163 thousand, \$116 thousand lower compared with our projection from prior month, this is mainly driven by the lower expenses allowance in consistent with the written premium reduction.

## Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2020 Q4 valuation assumptions; the implementation generated no impact on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced by \$1.6 million to \$7.4 million driven by the reduction in premium year to date and as well as the updated premium projections received from the main users of the Newfoundland and Labrador Risk Sharing Pool. As a result of the change in projected written premium, earned premium is also reduced by \$2.4 million to \$3.6 million.

The updated year-end 2021 operating deficit is now \$3.2 million and the combined operating ratio is \$190.5%, the improvement of \$0.6 million in operating result and deterioration of 26.5% in combined operating ratio compared with 2021 Outlook reflects 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

# SUMMARY OF OPERATIONS - CALENDAR YEAR 2021

Risk Sharing Pool - Newfoundland and Labrador

Operating Results for the 3 Months Ended March 31, 2021 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

|   | January        | February       | March          | CY2021<br>YTD  | CY2021<br>12 MONTHS<br>Updated<br>Projection | CY2020<br>6 MONTHS<br>Actual |
|---|----------------|----------------|----------------|----------------|--|------------------------------|
| <b>Underwriting Revenue:</b>                    |                |                |                |                |  |                              |
| Net Premiums Written                            | \$185          | \$397          | \$318          | \$900          | \$7,421                                      | \$203                        |
| Decrease (Increase) in Unearned Premiums        | (151)          | (327)          | (189)          | (667)          | (3,835)                                      | (149)                        |
| <b>Net Premiums Earned</b>                      | <b>\$34</b>    | <b>\$70</b>    | <b>\$129</b>   | <b>\$233</b>   | <b>\$3,586</b>                               | <b>\$54</b>                  |
| <b>Claims Incurred:</b>                         |                |                |                |                |  |                              |
| Prior Accident Years:                           |                |                |                |                |  |                              |
| Undiscounted                                    | \$0            | \$1            | \$0            | \$1            | \$1  | \$0                          |
| Effect of Discounting                           | -              | (1)            | 1              | -              | (2)  | -                            |
| Discounted                                      | \$0            | \$0            | \$1            | \$1            | (\$1)  | \$0                          |
| Current Accident Year:                          |                |                |                |                |  |                              |
| Undiscounted                                    | \$34           | \$70           | \$130          | \$234          | \$3,589                                      | \$55                         |
| Effect of Discounting                           | 3              | 5              | 14             | 22             | 323  | 6                            |
| Discounted                                      | \$37           | \$75           | \$144          | \$256          | \$3,912                                      | \$61                         |
| <b>Claims Incurred</b>                          | <b>\$37</b>    | <b>\$75</b>    | <b>\$145</b>   | <b>\$257</b>   | <b>\$3,911</b>                               | <b>\$61</b>                  |
| <b>Underwriting Expenses:</b>                   |                |                |                |                |  |                              |
| Expense Allowance                               | \$53           | \$113          | \$90           | \$256          | \$2,116                                      | \$60                         |
| Change in UPDR/DPAC:                            |                |                |                |                |  |                              |
| Undiscounted                                    | 2              | 6              | 6              | 14             | 75   | 3                            |
| Effect of Discounting                           | 14             | 32             | 18             | 64             | 370  | 15                           |
| Discounted                                      | 16             | 38             | 24             | 78             | 445  | 18                           |
| <b>Underwriting Expenses</b>                    | <b>\$69</b>    | <b>\$151</b>   | <b>\$114</b>   | <b>\$334</b>   | <b>\$2,561</b>                               | <b>\$78</b>                  |
| <b>Net Underwriting Gain (Loss)</b>             | <b>(\$72)</b>  | <b>(\$156)</b> | <b>(\$130)</b> | <b>(\$358)</b> | <b>(\$2,886)</b>                             | <b>(\$85)</b>                |
| <b>Administrative Expenses</b>                  | <b>\$50</b>    | <b>\$51</b>    | <b>\$49</b>    | <b>\$150</b>   | <b>\$359</b>                                 | <b>\$234</b>                 |
| <b>Operating Result</b>                         | <b>(\$122)</b> | <b>(\$207)</b> | <b>(\$179)</b> | <b>(\$508)</b> | <b>(\$3,245)</b>                             | <b>(\$319)</b>               |
| <b>Ratios:</b>                                  |                |                |                |                |  |                              |
| <b>Claims &amp; Expenses Incurred (Earned)</b>  |                |                |                |                |  |                              |
| Prior Accident Years                            | 0.0%           | 0.0%           | 0.8%           | 0.4%           | 0.0%   | 0.0%                         |
| Current Accident Year                           | 108.8%         | 107.1%         | 111.6%         | 109.9%         | 109.1%                                       | 113.0%                       |
| All Accident Years Combined                     | 108.8%         | 107.1%         | 112.4%         | 110.3%         | 109.1%                                       | 113.0%                       |
| Underwriting & Administrative Expenses (Earned) | 350.0%         | 288.6%         | 126.4%         | 207.7%         | 81.4%  | 577.8%                       |
| <b>Combined Operating Ratio</b>                 | <b>458.8%</b>  | <b>395.7%</b>  | <b>238.8%</b>  | <b>318.0%</b>  | <b>190.5%</b>                                | <b>690.8%</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