

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-028

DATE: April 29, 2021

SUBJECT: New Brunswick 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 New Brunswick 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 for the month was \$1.6 million**, 0.3 million higher than prior year; and
- (b) The implementation of the **2020 Q4 valuation**, generated a **\$1.9 million favourable impact**, reducing the COR by 111.4 percentage points.

Summary of Financial Results

NB RSP Summary of Financial Results

NB RSP 2021 Summary Amounts in \$000s	Actual (March 2021)	Projection (March 2021)	Prior Year (March 2020)	2021 year-to-date as at 3 months	2020 year-to-date as at 3 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	1,586	1,636	1,304	4,528	3,545	19,589	21,771
Premium Earned	1,678	1,653	1,413	4,798	4,170	19,917	20,891
Incurred Losses	135	1,286	2,045	2,662	4,066	13,664	16,389
Underwriting & Admin Expense	(83)	589	664	977	1,594	7,021	7,694
Net Result from Operations	1,626	(222)	(1,296)	1,159	(1,490)	(768)	(3,192)
Ratios:							
Loss ratio - Prior Accident Years	(55.4%)	(4.2%)	60.4%	(23.6%)	17.2%	(7.7%)	(3.0%)
- Current Accident Year	63.5%	82.0%	84.3%	79.1%	80.3%	76.3%	81.4%
Total	8.1%	77.8%	144.7%	55.5%	97.5%	68.6%	78.4%
Underwriting & Admin Expense	(4.9%)	35.6%	47.0%	20.4%	38.2%	35.3%	36.8%
Combined Operating Ratio	3.2%	113.4%	191.7%	75.9%	135.7%	103.9%	115.2%

rounding differences may occur

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

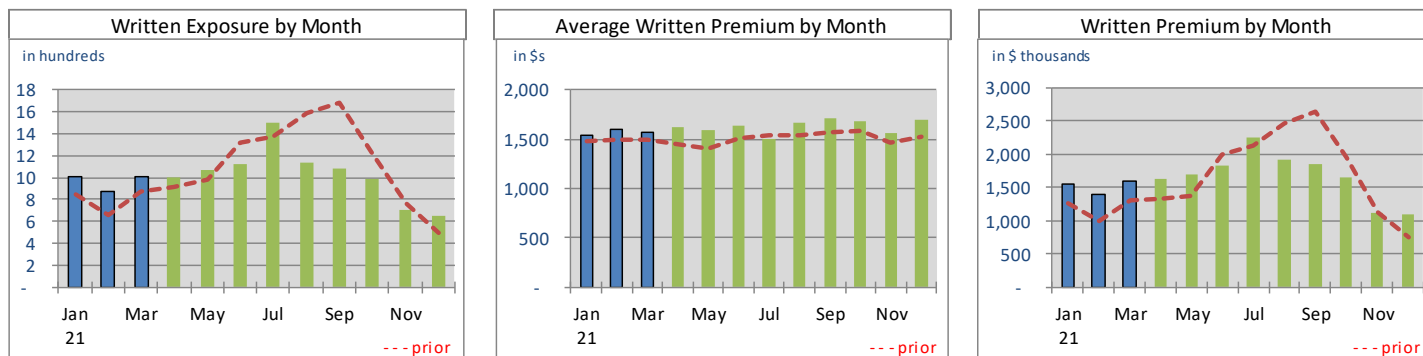
NB RSP Summary of 2020 Q4 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/yt	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)	(847)	(50.5%)	(17.7%)	(835)	(4.2%)
CAY (2021)	(360)	(21.5%)	(7.5%)	(1,398)	(7.0%)
PAYs & CAY	(1,207)	(72.0%)	(25.2%)	(2,233)	(11.2%)
Premium Deficiency / (DPAC)	(663)	(39.5%)	(13.8%)	(118)	(0.6%)
Total	(1,870)	(111.4%)	(39.0%)	(2,351)	(11.8%)

Premium

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



March's vehicle count transfer was 1,011 vehicles, representing a 16.5% increase compared with prior year, however consistent with our projection from last month; on a year-to-date basis, counts were up 21.7%.

Average premium remained fairly in line with projection and prior year. Premium written was in-line with projection, however above prior year, driven by the increase in vehicles transferred to the pool.

Incurred Losses

Incurred losses in March 2021 were \$0.1 million, \$1.2 million lower than our projection from last month, and \$1.9 million lower compared with the same month from last year. The significant variance from projection was largely driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$1.2 million on the month and year-to-date losses. The favourable impact is due to updated COVID-19 assumptions and the increase in discount rate (from 0.22% to 0.26 %).

Reported losses in March were \$0.3 million lower than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, and the Prior Accident Years had a \$0.2 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

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

Underwriting and Admin Expenses

Expenses for March 2021 include,

- Expense Allowances: \$0.5 million for March 2021, compared to prior year at \$0.4 million, however in line with projection. The allowance is approximately 31% of written premium. Increase from prior year is consistent with increase in written premium.
- Premium deficiency reserve changes: reduction in reserve of \$0.6 million for March 2021 compared to projected no change and prior year increase of \$0.2 million. The variance from projection was primarily driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$0.7 million.

Expense ratios for the month and year-to-date were lower than both projection and prior years primarily due to the premium deficiency reserve decreases on higher premium earned.

Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2020 Q4 valuation assumptions; the implementation generated an estimated favourable impact of \$2.4 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced \$2.2 million to \$19.6 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 New Brunswick Risk Sharing Pool. As a result of the change in projected written premium, earned premium is also reduced by \$1.0 million to \$19.9 million.

The updated year-end 2021 operating deficit is now \$0.8 million and the combined operating ratio is \$103.9%. The improvement of \$2.4 million in operating result and 11.3% 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 March 2021 Operational Report – Actuarial Highlights](#)

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2021

Risk Sharing Pool - New Brunswick

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 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$1,547	\$1,395	\$1,586	\$4,528	\$19,589	\$19,305
Decrease (Increase) in Unearned Premiums	70	108	92	270	328	(1,267)
Net Premiums Earned	\$1,617	\$1,503	\$1,678	\$4,798	\$19,917	\$18,038
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$57)	(\$41)	(\$868)	(\$966)	(\$966)	\$1,006
Effect of Discounting	(73)	(30)	(62)	(165)	(563)	352
Discounted	(\$130)	(\$71)	(\$930)	(\$1,131)	(\$1,529)	\$1,358
Current Accident Year:						
Undiscounted	\$1,301	\$1,194	\$1,006	\$3,501	\$14,100	\$11,912
Effect of Discounting	136	97	59	292	1,093	825
Discounted	\$1,437	\$1,291	\$1,065	\$3,793	\$15,193	\$12,737
Claims Incurred	\$1,307	\$1,220	\$135	\$2,662	\$13,664	\$14,095
Underwriting Expenses:						
Expense Allowance	\$474	\$427	\$486	\$1,387	\$5,993	\$5,830
Change in UPDR/DPAC:						
Undiscounted	16	25	(585)	(544)	59	53
Effect of Discounting	(6)	(7)	(64)	(77)	(26)	330
Discounted	10	18	(649)	(621)	33	383
Underwriting Expenses	\$484	\$445	(\$163)	\$766	\$6,026	\$6,213
Net Underwriting Gain (Loss)	(\$174)	(\$162)	\$1,706	\$1,370	\$227	(\$2,270)
Administrative Expenses	\$47	\$84	\$80	\$211	\$995	\$887
Operating Result	(\$221)	(\$246)	\$1,626	\$1,159	(\$768)	(\$3,157)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-8.0%	-4.7%	-55.4%	-23.6%	-7.7%	7.5%
Current Accident Year	88.9%	85.9%	63.5%	79.1%	76.3%	70.6%
All Accident Years Combined	80.9%	81.2%	8.1%	55.5%	68.6%	78.1%
Underwriting & Administrative Expenses (Earned)	32.8%	35.2%	-4.9%	20.4%	35.3%	39.4%
Combined Operating Ratio	113.7%	116.4%	3.2%	75.9%	103.9%	117.5%

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