

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER  
NEW BRUNSWICK RISK SHARING POOL PROJECT MANAGER**

**BULLETIN NO.: F18 – 021**

**DATE: MARCH 29, 2018**

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL  
– FEBRUARY 2018 OPERATIONAL REPORT**

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

Please be advised that the February 2018 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

### Summary of Financial Results

The calendar year-to-date Operating Result is -\$0.1 million and the incurred loss ratio to the end of 2 months is 72.6%, as summarized in the table below.

Amounts in \$000s	February 2018	February 2017	Year to date Feb 2018	Year to Date Feb 2017
Premium Written	739	559	1,421	1,091
Premium Earned	929	741	1,950	1,586
Incurred Losses	599	584	1,417	1,282
Underwriting & Admin Expense	311	251	619	510
<b>Operating Result</b>	<b>19</b>	<b>(94)</b>	<b>(86)</b>	<b>(206)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	<b>(9.8%)</b>	<b>(7.2%)</b>	<b>(2.6%)</b>	<b>(5.3%)</b>
- Current Accident Year	74.3%	86.0%	75.2%	86.1%
<i>Total</i>	<b>64.5%</b>	<b>78.8%</b>	<b>72.6%</b>	<b>80.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>33.5%</b>	<b>33.9%</b>	<b>31.7%</b>	<b>32.2%</b>
<b>Combined Operating Ratio</b>	<b>98.0%</b>	<b>112.7%</b>	<b>104.3%</b>	<b>113.0%</b>

*rounding differences may occur*

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These results are discussed in some detail in the “Current Month Results” section. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2018” attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$1.3 million and the estimated combined operating ratio to December 2018 is 109.1%, as summarized in the table below. This updated projection to the end of the year has improved by \$0.2 million from the projection provided last month (-\$1.5 million and 110.3%). This improvement is driven by a \$1.7 million decrease in the projected written premium for the year, based on updated projections provided by members.

<b>NB RSP 2018 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> <b>(Feb 2018)</b>	Prior Mth (Jan 2018)	<b>Change</b>	Final 2018 Outlook*
Premium Written	15,975	17,688	(1,713)	17,486
Premium Earned	14,108	14,888	(780)	15,974
Incurred Losses	10,292	10,926	(634)	11,739
Underwriting & Admin Expense	5,102	5,496	(394)	5,688
<b>Net Result from Operations</b>	<b>(1,286)</b>	<b>(1,534)</b>	<b>248</b>	<b>(1,453)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(1.4%)	(0.9%)	(0.5%)	(1.7%)
- Current Accident Year	74.3%	74.3%	0.0%	75.1%
<i>Total</i>	<b>72.9%</b>	<b>73.4%</b>	<b>(0.5%)</b>	<b>73.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.2%</b>	<b>36.9%</b>	<b>(0.7%)</b>	<b>35.6%</b>
<b>Combined Operating Ratio</b>	<b>109.1%</b>	<b>110.3%</b>	<b>(1.2%)</b>	<b>109.0%</b>

*rounding differences may occur*

\*as posted to FA's website Oct. 3, 2017

Current Month Results

The New Brunswick Risk Sharing Pool produced a \$19 thousand Operating Result in the month of February 2018, an improvement of \$0.1 million compared with the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 112.7% to 98.0% applied to \$1.0 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 110.3% at the end of 1 month to 104.3% at the end of 2 months. The 6.0 percentage point decrease is composed of a 6.6 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.9 percentage point decrease in the Current Accident Year loss ratio, offset by a 1.5 percentage point increase in the expense ratio.

As noted in last month's bulletin, FA management was notified on January 31, 2018 by a member of a potential recorded case reserve overstatement. Management investigated and

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estimated the overstatement for the New Brunswick RSP as at October 31, 2017 as indicated in the table immediately below.

*Estimated case reserve overstatement as at Oct 31, 2017***Case Reserve Overstatement**

300 RSP NB	
	Amounts in \$000s
2012	24
2013	22
2014	9
2015	418
2016	506
2017	164
<b>TOTAL</b>	<b>1,143</b>

The overstatement of \$1.1 million represented 8.5% of total case reserves recorded at October 31, 2017 for the New Brunswick RSP, and 6.3% of nominal claims liabilities.

*Variances from Projections*

The table immediately below provides a summary of key components of the operating results as compared to the estimates projected last month.

<b>February 2018</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	739	938	(199)	(21.2%)
Earned Premium	929	946	(17)	(1.8%)
Reported Losses				
Paid Losses	1,457	467	990	212.0%
Paid Expenses	98	98	0	0.0%
Change in Outstanding Losses	(1,131)	53	(1,184)	<-999.9%
<b>Total Reported Losses</b>	<b>424</b>	<b>618</b>	<b>(194)</b>	<b>(31.4%)</b>
Change in IBNR Provision*	175	66	109	
Change in Premium Deficiency (DPAC)*	43	2	41	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP February 2018 Operational Report - Actuarial Highlights](#).

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of February 2018, reported losses were \$0.2 million lower than projected. The Current Accident Year had a \$0.2 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.4 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated paid claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

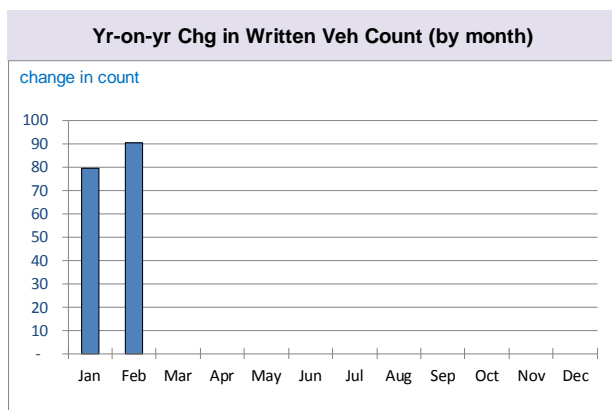
Booking IBNR

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management’s investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [New Brunswick RSP February 2018 Operational Report – Actuarial Highlights](#).

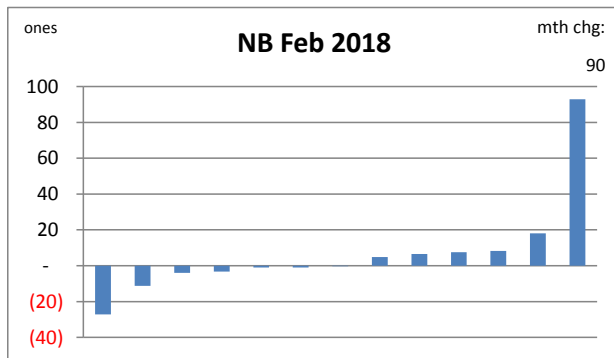
**Effect of Quarterly Valuation**

The February 2018 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2017). The actuarial valuation will be updated next as at December 31, 2017 and we anticipate that the results will be reflected in the March 2018 Operational Report.

**Management Comments**

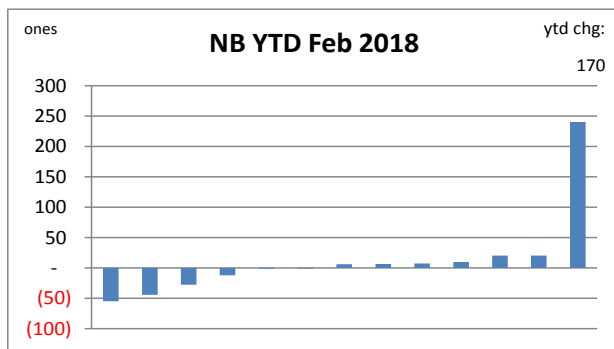


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February showing an increase of 90 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 275 vehicles, indicating a variance of 185 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in February than projected.



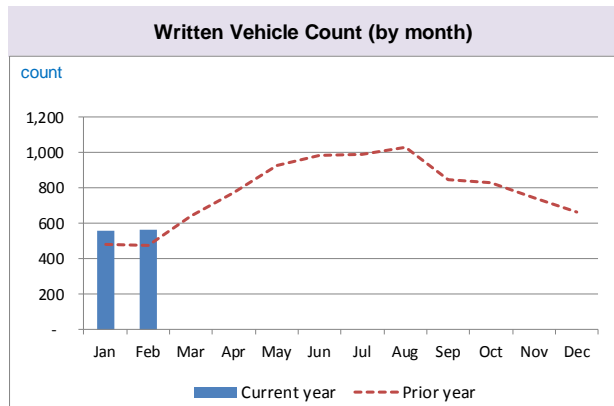
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared with a year ago, while six transferred more. Of the 7 member company groups transferring fewer vehicles, 3 member

company groups accounted for 88% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 67% of the total transfer increase for the “grower” members.

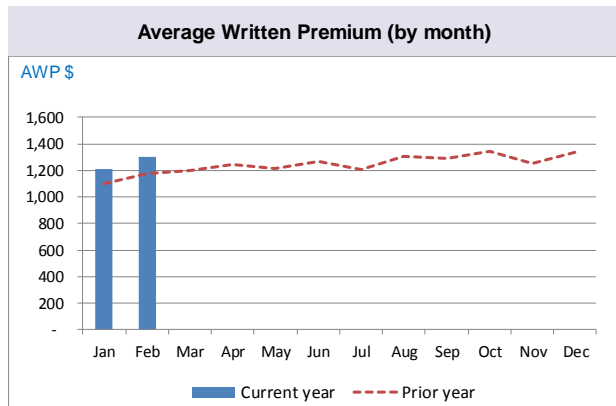


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change.

February’s vehicle count transfers to the pool represent an 18.9% increase from February 2017, and counts were up 17.7% year-to-date. Average written premium was up 11.1% in February 2018, and up 10.6% year-to-date (see charts immediately below and at the top of the next page).



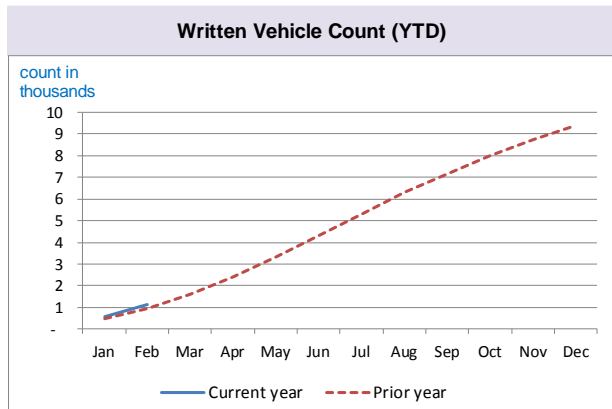
	Feb-18	Feb-17	Amt Chg	% Chg
W. Veh curr mth	566	476	90	18.9%



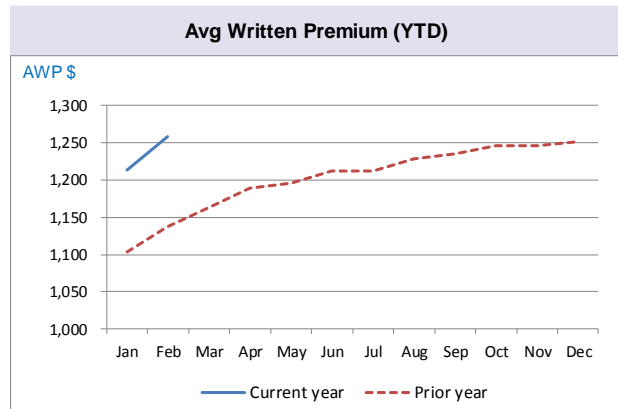
	Feb-18	Feb-17	Amt Chg	% Chg
AWP curr mth	1,304	1,174	130	11.1%

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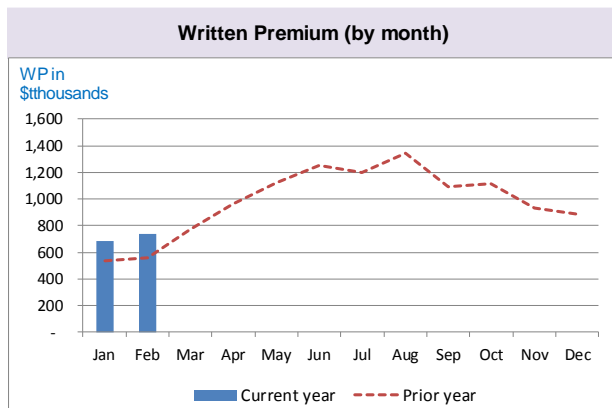


	Feb-18	Feb-17	Amt Chg	% Chg
W. Vehicles YTD	1,128	959	170	17.7%

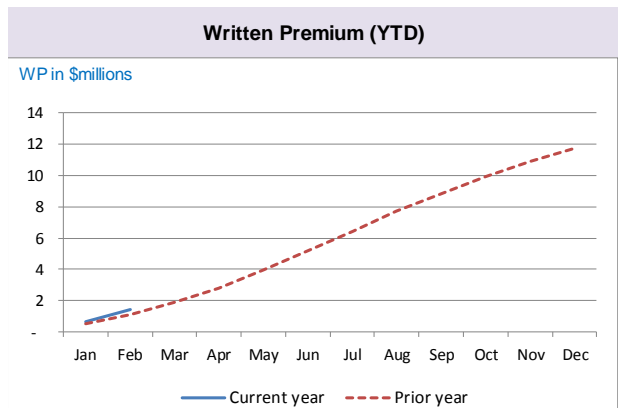


	Feb-18	Feb-17	Amt Chg	% Chg
Avg W. Prem YTD	1,259	1,138	121	10.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 32.2% for the month compared with the 67.8% increase we projected last month, and was up 30.3% year-to-date (see charts immediately below).



	Feb-18	Feb-17	Amt Chg	% Chg
WP (\$000s) curr mth	739	559	180	32.2%



	Feb-18	Feb-17	Amt Chg	% Chg
WP (\$000s) YTD	1,421	1,091	330	30.3%

Should you require any further information, please call Norm Seenev, Vice President, Finance and Member Services at (416) 644-4914.

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Related links:**

[New Brunswick RSP February 2018 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2018**

Risk Sharing Pool - New Brunswick

Operating Results for the 2 Months Ended February 28, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
<b>Underwriting Revenue:</b>					
Net Premiums Written	\$682	\$739	\$1,421	\$15,975	\$11,775
Decrease (Increase) in Unearned Premiums	339	190	529	(1,867)	(1,161)
<b>Net Premiums Earned</b>	<b>\$1,021</b>	<b>\$929</b>	<b>\$1,950</b>	<b>\$14,108</b>	<b>\$10,614</b>
<b>Claims Incurred:</b>					
Prior Accident Years:					
Undiscounted	(\$5)	(\$5)	(\$10)	(\$10)	(\$340)
Effect of Discounting	46	(86)	(40)	(182)	(915)
Discounted	\$41	(\$91)	(\$50)	(\$192)	(\$1,255)
Current Accident Year:					
Undiscounted	\$742	\$674	\$1,416	\$10,180	\$7,958
Effect of Discounting	35	16	51	304	256
Discounted	\$777	\$690	\$1,467	\$10,484	\$8,214
<b>Claims Incurred</b>	<b>\$818</b>	<b>\$599</b>	<b>\$1,417</b>	<b>\$10,292</b>	<b>\$6,959</b>
<b>Underwriting Expenses:</b>					
Expense Allowance	\$193	\$211	\$404	\$4,567	\$3,744
Change in UPDR/DPAC:					
Undiscounted	87	49	136	(383)	(556)
Effect of Discounting	(13)	(6)	(19)	80	(109)
Discounted	74	43	117	(303)	(\$665)
<b>Underwriting Expenses</b>	<b>\$267</b>	<b>\$254</b>	<b>\$521</b>	<b>\$4,264</b>	<b>\$3,079</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$64)</b>	<b>\$76</b>	<b>\$12</b>	<b>(\$448)</b>	<b>\$576</b>
<b>Administrative Expenses</b>	<b>\$41</b>	<b>\$57</b>	<b>\$98</b>	<b>\$838</b>	<b>\$603</b>
<b>Operating Result</b>	<b>(\$105)</b>	<b>\$19</b>	<b>(\$86)</b>	<b>(\$1,286)</b>	<b>(\$27)</b>
<b>Ratios:</b>					
<b>Claims &amp; Expenses Incurred (Earned)</b>					
Prior Accident Years	4.0%	-9.8%	-2.6%	-1.4%	-11.8%
Current Accident Year	76.1%	74.3%	75.2%	74.3%	77.4%
All Accident Years Combined	80.1%	64.5%	72.6%	72.9%	65.6%
Underwriting & Administrative Expenses (Earned)	30.2%	33.5%	31.7%	36.2%	34.7%
<b>Combined Operating Ratio</b>	<b>110.3%</b>	<b>98.0%</b>	<b>104.3%</b>	<b>109.1%</b>	<b>100.3%</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