

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 007

DATE: JANUARY 30, 2019

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

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

Please be advised that the December 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 -\$1.8 million and the incurred loss ratio to the end of 12 months is 78.5%, as summarized in the table below.

Amounts in \$000s	December 2018	December 2017	Year to date Dec 2018	Year to Date Dec 2017
Premium Written	530	886	14,925	11,775
Premium Earned	1,183	1,052	13,267	10,614
Incurred Losses	906	784	10,411	6,959
Underwriting & Admin Expense	351	373	4,672	3,682
Operating Result	(74)	(105)	(1,816)	(27)
Ratios:				
Loss ratio - Prior Accident Years	0.4%	(1.6%)	1.6%	(11.8%)
- Current Accident Year	76.2%	76.1%	76.9%	77.4%
<i>Total</i>	76.6%	74.5%	78.5%	65.6%
<i>Underwriting & Admin Expense</i>	29.7%	35.5%	35.2%	34.7%
<i>Combined Operating Ratio</i>	106.3%	110.0%	113.7%	100.3%

rounding differences may occur

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.

Compared with the Risk Sharing Pools' Final Outlook for 2018 ([F17-078](#) posted Oct. 3, 2017), 2018 finished with written premium \$2.6 million (14.6%) lower than expected, and earned premium \$2.7 million (16.9%) lower than expected. The net operating deficit at \$1.8 million was \$0.4 million (24.8%) lower than expected and the combined ratio was 4.7 points lower than expected (see table below).

NB RSP 2018 Yr-end Projection	Current	Prior Mth		Final 2018
Amounts in \$000s	(Dec 2018)	(Nov 2018)	Change	Outlook*
Premium Written	14,925	15,818	(893)	17,486
Premium Earned	13,268	13,401	(133)	15,974
Incurring Losses	10,412	10,502	(90)	11,739
Underwriting & Admin Expense	4,670	4,805	(134)	5,688
Net Result from Operations	(1,814)	(1,906)	91	(1,453)
Ratios:				
Loss ratio - Prior Accident Years	1.6%	1.4%	0.2%	(1.7%)
- Current Accident Year	76.9%	76.9%	0.0%	75.1%
<i>Total</i>	78.5%	78.3%	0.2%	73.4%
Underwriting & Admin Expense	35.2%	35.9%	(0.7%)	35.6%
Combined Operating Ratio	113.7%	114.2%	(0.5%)	109.0%

rounding differences may occur

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

Updated Projection to Year-end 2019

An Outlook had been prepared to provide Members with an estimate of New Brunswick RSP operating results for calendar year 2019 based on the actuarial valuation at June 30, 2018, and reflecting actual experience to date as detailed in the August 2018 Operational Report. This Outlook was posted on October 18, 2018 (please refer to Bulletin [F18-077](#)), and projected a Net Result from Operations for 2019 of -\$2.0 million, and a combined operating ratio of 112.4%. Projections for 2019 have been updated each month since as per our usual practice (although until this month, the bulletins have focused on projections to the end of 2018).

The projected calendar year Operating Result to December 2019 is now -\$2.2 million (a \$0.2 million deterioration relative to the Outlook) and the estimated combined operating ratio to December 2019 is 111.5% (a 0.9 point decrease relative to the Outlook). The deterioration is composed of an estimated \$0.3 million unfavourable impact associated with the \$2.6 million increase in projected earned premium (at a combined ratio of 112.4%), offset by an approximately \$0.1 million favourable impact stemming from the overall decrease in the combined ratio (from 112.4% to 111.5% applied to \$19.0 million in projected earned premium).

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of December 2018, an improvement of \$31 thousand compared with the same month last year.

This improvement is composed of \$44 thousand favourable impact stemming from the overall decrease in the combined ratio (from 110.0% to 106.3% applied to \$1.2 million in earned premium), offset by a \$13 thousand unfavourable impact associated with the \$0.1 million increase in earned premium (at a combined ratio of 110.0%).

This month's results moved the year-to-date combined operating ratio from 114.5% at the end of 11 months to 113.7% at the end of 12 months. The 0.8 percentage point decrease is composed of a 0.1 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, and a 0.6 percentage point decrease in the expense ratio.

Variances from Projections

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

December 2018	Actual	Projection	Difference	Difference %
Written Premium	530	1,423	(893)	(62.8%)
Earned Premium	1,183	1,316	(133)	(10.1%)
Reported Losses				
Paid Losses	1,286	578	708	122.5%
Paid Expenses	29	32	(3)	(9.4%)
Change in Outstanding Losses	(763)	397	(1,160)	(292.2%)
Total Reported Losses	552	1,007	(455)	(45.2%)
Change in IBNR Provision*	354	(11)	365	
Change in Premium Deficiency (DPAC)*	127	(27)	154	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP December 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 December 2018, reported losses were \$0.5 million lower than projected. The Current Accident Year had an approximately \$0.4 million favourable variance in reported losses, and the Prior Accident Years had a \$0.1 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 some specific individual 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.

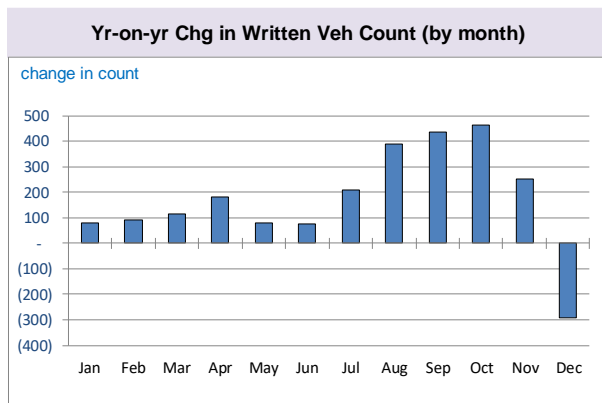
Booking IBNR

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 December 2018 Operational Report – Actuarial Highlights](#).

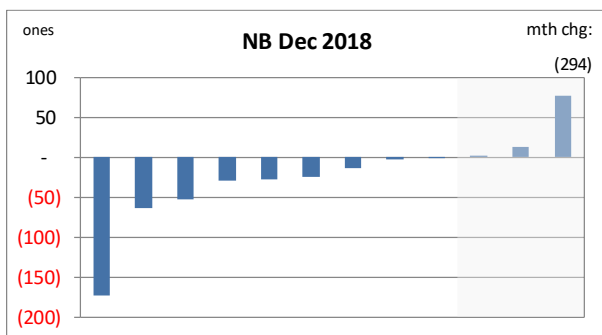
Effect of Quarterly Valuation

The December 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, 2018). The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

Management Comments

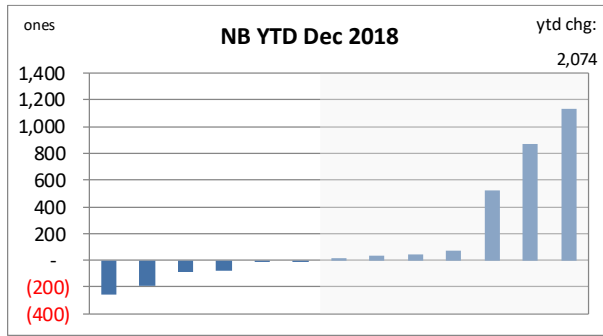


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with December showing a decrease of 294 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 385 vehicles, indicating a variance of 679 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in December than projected.



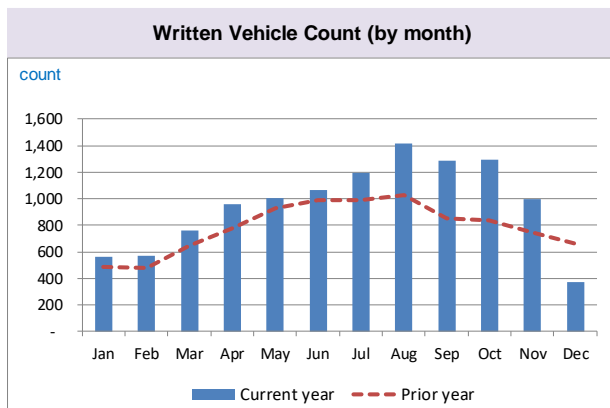
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared with a year ago, while three transferred more. Of the 9 member company groups transferring fewer vehicles, 1 member company group accounted for 45% of

the total transfer decrease for the “decliner” members. Of the 3 member company groups transferring more vehicles, 1 member company group accounted for 84% of the total transfer increase for the “grower” members.

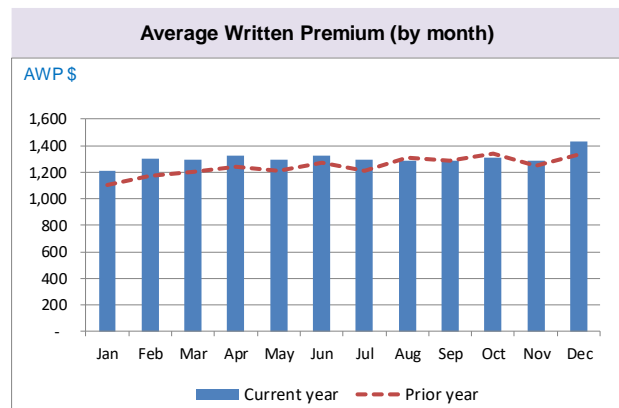


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

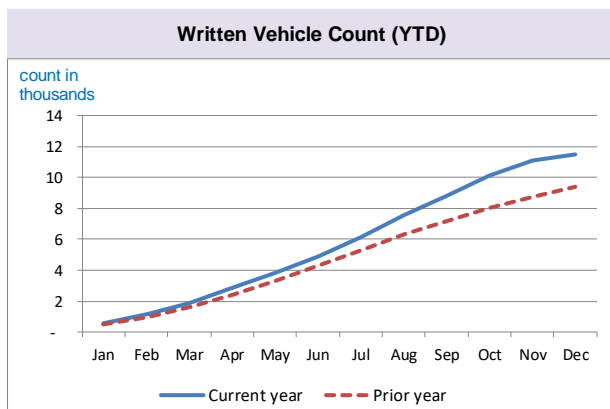
December’s vehicle count transfers to the pool represent a 44.3% decrease from December 2017, but counts were up 22.1% year-to-date. Average written premium was up 7.3% in December 2018, and up 3.9% year-to-date (see charts immediately below).



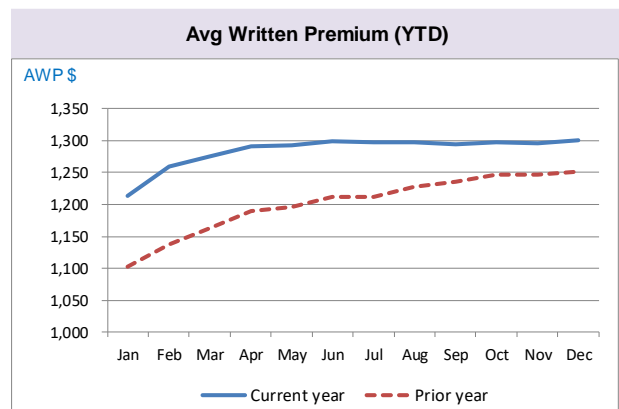
	Dec-18	Dec-17	Amt Chg	% Chg
W. Veh curr mth	369	664	(294)	-44.3%



	Dec-18	Dec-17	Amt Chg	% Chg
AWP curr mth	1,434	1,336	98	7.3%

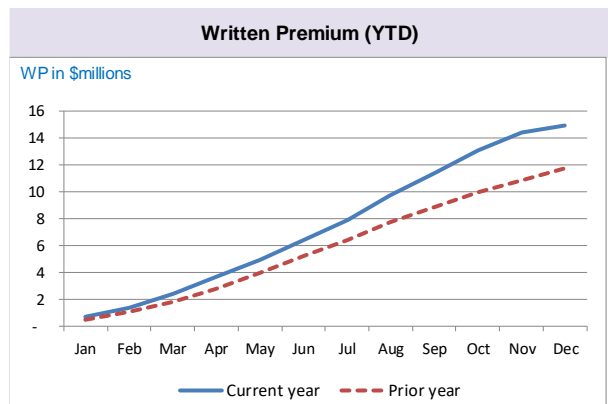
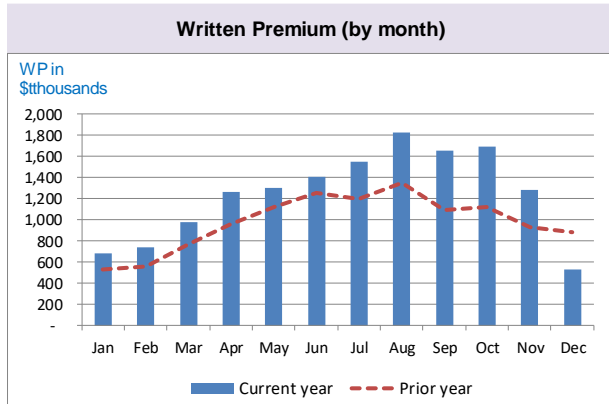


	Dec-18	Dec-17	Amt Chg	% Chg
W. Vehicles YTD	11,476	9,402	2,074	22.1%



	Dec-18	Dec-17	Amt Chg	% Chg
Avg W. Prem YTD	1,301	1,252	49	3.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 40.2% for the month compared with the 60.5% increase we projected last month, but was up 26.7% year-to-date (see charts at the top of the next page).



	Dec-18	Dec-17	Amt Chg	% Chg
WP (\$000s) curr mth	530	886	(357)	-40.2%

	Dec-18	Dec-17	Amt Chg	% Chg
WP (\$000s) YTD	14,925	11,776	3,149	26.7%

Should you require any further information, please call Norm Seeney, 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 December 2018 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018

Risk Sharing Pool - New Brunswick

Operating Results for the 12 Months Ended December 31, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	December	CY2018 YTD	CY2019 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:															
Net Premiums Written	\$682	\$739	\$984	\$1,267	\$1,304	\$1,410	\$1,550	\$1,827	\$1,653	\$1,697	\$1,282	\$530	\$14,925	\$21,645	\$11,775
Decrease (Increase) in Unearned Premiums	339	190	39	(234)	(226)	(335)	(419)	(673)	(489)	(447)	(56)	653	(1,658)	(2,664)	(1,161)
Net Premiums Earned	\$1,021	\$929	\$1,023	\$1,033	\$1,078	\$1,075	\$1,131	\$1,154	\$1,164	\$1,250	\$1,226	\$1,183	\$13,267	\$18,981	\$10,614
Claims Incurred:															
Prior Accident Years:															
Undiscounted	(\$5)	(\$5)	(\$63)	(\$7)	(\$315)	(\$7)	(\$5)	\$1,304	(\$3)	(\$273)	(\$2)	(\$1)	\$618	\$0	(\$340)
Effect of Discounting	46	(86)	(40)	(30)	(138)	(17)	(19)	51	(9)	(171)	(3)	6	(410)	(128)	(915)
Discounted	\$41	(\$91)	(\$103)	(\$37)	(\$453)	(\$24)	(\$24)	\$1,355	(\$12)	(\$444)	(\$5)	\$5	\$208	(\$128)	(\$1,255)
Current Accident Year:															
Undiscounted	\$742	\$674	\$789	\$763	\$789	\$794	\$831	\$952	\$868	\$983	\$918	\$884	\$9,987	\$14,159	\$7,958
Effect of Discounting	35	16	32	29	14	21	22	34	25	(40)	11	17	216	320	256
Discounted	\$777	\$690	\$821	\$792	\$803	\$815	\$853	\$986	\$893	\$943	\$929	\$901	\$10,203	\$14,479	\$8,214
Claims Incurred	\$818	\$599	\$718	\$755	\$350	\$791	\$829	\$2,341	\$881	\$499	\$924	\$906	\$10,411	\$14,351	\$6,959
Underwriting Expenses:															
Expense Allowance	\$193	\$211	\$280	\$362	\$372	\$402	\$443	\$521	\$473	\$485	\$366	\$152	\$4,260	\$6,190	\$3,744
Change in UPDR/DPAC:															
Undiscounted	87	49	77	(53)	(52)	(74)	(89)	(100)	(108)	(85)	(14)	148	(214)	(560)	(556)
Effect of Discounting	(13)	(6)	-	11	(26)	12	15	28	18	(23)	3	(21)	(2)	86	(109)
Discounted	74	43	77	(42)	(78)	(62)	(74)	(72)	(90)	(108)	(11)	127	(216)	(474)	(\$665)
Underwriting Expenses	\$267	\$254	\$357	\$320	\$294	\$340	\$369	\$449	\$383	\$377	\$355	\$279	\$4,044	\$5,716	\$3,079
Net Underwriting Gain (Loss)	(\$64)	\$76	(\$52)	(\$42)	\$434	(\$56)	(\$67)	(\$1,636)	(\$100)	\$374	(\$53)	(\$2)	(\$1,188)	(\$1,086)	\$576
Administrative Expenses	\$41	\$57	\$59	\$48	\$55	\$45	\$48	\$56	\$45	\$59	\$43	\$72	\$628	\$1,107	\$603
Operating Result	(\$105)	\$19	(\$111)	(\$90)	\$379	(\$101)	(\$115)	(\$1,692)	(\$145)	\$315	(\$96)	(\$74)	(\$1,816)	(\$2,193)	(\$27)
Ratios:															
Claims & Expenses Incurred (Earned)															
Prior Accident Years	4.0%	-9.8%	-10.1%	-3.6%	-42.0%	-2.2%	-2.1%	117.4%	-1.0%	-35.5%	-0.4%	0.4%	1.6%	-0.7%	-11.8%
Current Accident Year	76.1%	74.3%	80.3%	76.7%	74.5%	75.8%	75.4%	85.4%	76.7%	75.4%	75.8%	76.2%	76.9%	76.3%	77.4%
All Accident Years Combined	80.1%	64.5%	70.2%	73.1%	32.5%	73.6%	73.3%	202.8%	75.7%	39.9%	75.4%	76.6%	78.5%	75.6%	65.6%
Underwriting & Administrative Expenses (Earned)	30.2%	33.5%	40.7%	35.6%	32.4%	35.8%	36.9%	43.8%	36.8%	34.9%	32.5%	29.7%	35.2%	35.9%	34.7%
Combined Operating Ratio	110.3%	98.0%	110.9%	108.7%	64.9%	109.4%	110.2%	246.6%	112.5%	74.8%	107.9%	106.3%	113.7%	111.5%	100.3%

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