

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 015

DATE: FEBRUARY 27, 2019

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL
– JANUARY 2019 OPERATIONAL REPORT**

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

Please be advised that the January 2019 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 -\$0.2 million and the incurred loss ratio to the end of 1 month is 81.4%, as summarized in the table below.

Amounts in \$000s	January 2019	January 2018	Year to date Jan 2019	Year to Date Jan 2018
Premium Written	1,020	682	1,020	682
Premium Earned	1,268	1,021	1,268	1,021
Incurred Losses	1,032	818	1,032	818
Underwriting & Admin Expense	414	308	414	308
Operating Result	(178)	(105)	(178)	(105)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	3.3%	4.0%	3.3%	4.0%
- Current Accident Year	78.1%	76.1%	78.1%	76.1%
<i>Total</i>	81.4%	80.1%	81.4%	80.1%
<i>Underwriting & Admin Expense</i>	32.6%	30.2%	32.6%	30.2%
<i>Combined Operating Ratio</i>	114.0%	110.3%	114.0%	110.3%

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 2019” attached to this bulletin.

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is now -\$2.5 million and the estimated combined operating ratio to December 2018 is 113.6%, as summarized in the table below. This updated projection to the end of the year has deteriorated by \$0.3 million from the projection provided last month (-\$2.2 million and 111.5%). This deterioration is driven by a correction to the calendar year 2019 RSP expense factors (see below), offsetting the favourable impact of a \$0.4 million decrease in the projected written premium for the year.

The change in underwriting & admin expense in the table below is impacted by the correction to the calendar year 2019 RSP expense factors used in the projection model which resulted in an overall \$0.3 million unfavourable impact in projected year-end results. The updated calendar year 2019 RSP expense factors did not affect the current and prior month's (December 2018) actual results.

NB RSP 2019 Yr-end Projection Amounts in \$000s	Current (Jan 2019)	Prior Mth (Dec 2018)	Change	Final 2019 Outlook*
Premium Written	21,211	21,645	(434)	17,463
Premium Earned	18,526	18,981	(455)	16,429
Incurred Losses	13,991	14,351	(360)	12,457
Underwriting & Admin Expense	7,039	6,823	216	6,010
Net Result from Operations	(2,504)	(2,193)	(311)	(2,038)
Ratios:				
Loss ratio - Prior Accident Years	(0.8%)	(0.7%)	(0.1%)	(1.2%)
- Current Accident Year	76.4%	76.3%	0.1%	77.0%
<i>Total</i>	75.6%	75.6%	0.0%	75.8%
Underwriting & Admin Expense	38.0%	35.9%	2.1%	36.6%
Combined Operating Ratio	113.6%	111.5%	2.1%	112.4%

rounding differences may occur

*as posted to FA's website Oct. 18, 2018

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of January 2019, a deterioration of \$73 thousand compared with the same month last year. This deterioration is composed of a \$26 thousand unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 110.3%), with the remaining \$47 thousand deterioration stemming from the overall increase in the combined ratio (from 110.3% to 114.0% applied to \$1.3 million in earned premium).

Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

January 2019	Actual	Projection	Difference	Difference %
Written Premium	1,020	1,454	(434)	(29.8%)
Earned Premium	1,268	1,314	(46)	(3.5%)
Reported Losses				
Paid Losses	1,006	583	423	72.6%
Paid Expenses	9	96	(87)	(90.6%)
Change in Outstanding Losses	(568)	106	(674)	(635.8%)
Total Reported Losses	447	785	(338)	(43.1%)
Change in IBNR Provision*	585	304	281	
Change in Premium Deficiency (DPAC)*	49	(32)	81	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP January 2019 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 January 2019, reported losses were \$0.3 million lower than projected. The Current Accident Year had a \$0.1 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.

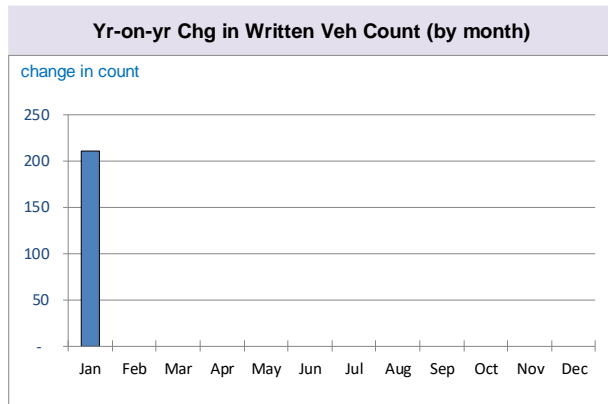
Booking IBNR

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 January 2019 Operational Report – Actuarial Highlights](#).

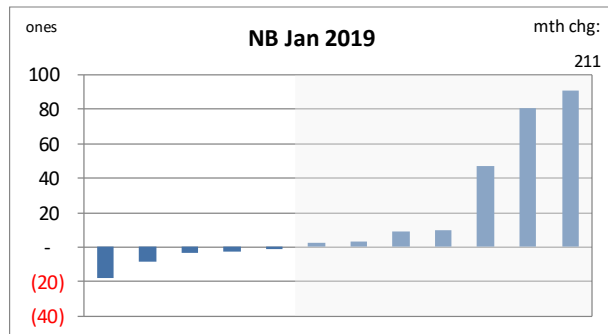
Effect of Quarterly Valuation

The January 2019 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

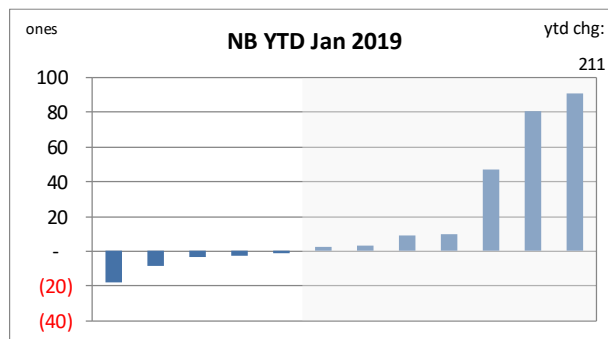


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with January showing an increase of 211 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 551 vehicles, indicating a variance of 340 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in January than projected.



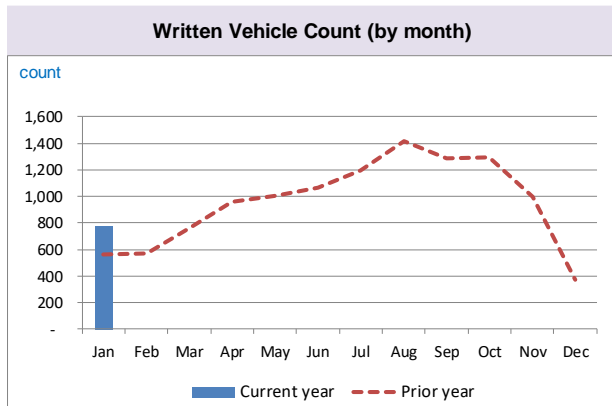
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more. Of the 5 member company groups transferring fewer vehicles, 1 member company group accounted for 55% of

the total transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 3 member company groups accounted for 90% of the total transfer increase for the “grower” members.

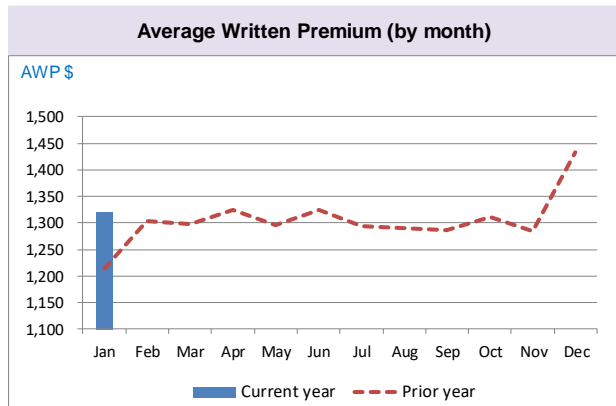


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

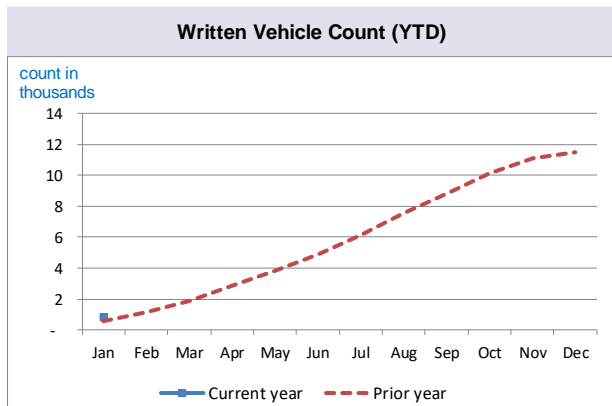
January’s vehicle count transfers to the pool represent a 37.5% increase from January 2018. Average written premium was up 8.8% in January 2019 (see charts at the top of the next page).



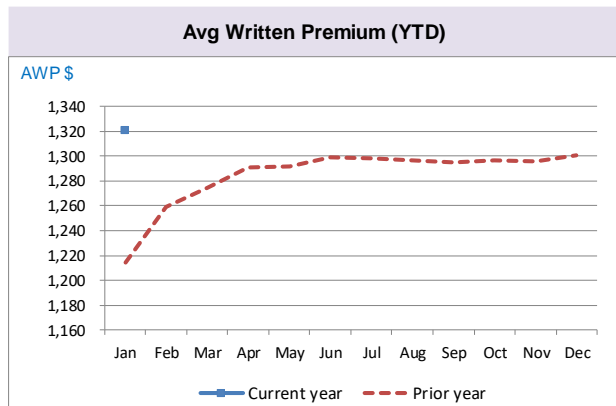
	Jan-19	Jan-18	Amt Chg	% Chg
W. Veh curr mth	772	562	211	37.5%



	Jan-19	Jan-18	Amt Chg	% Chg
AWP curr mth	1,321	1,214	107	8.8%

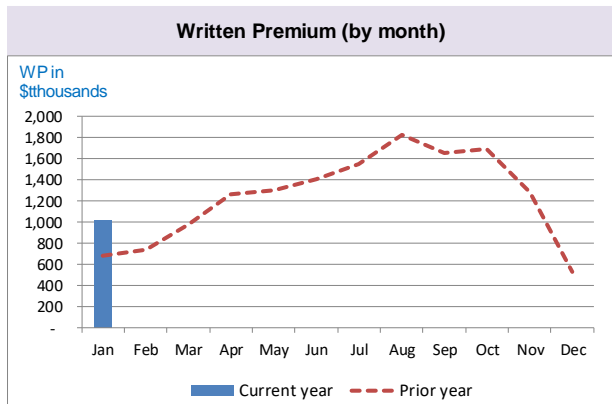


	Jan-19	Jan-18	Amt Chg	% Chg
W. Vehicles YTD	772	562	211	37.5%

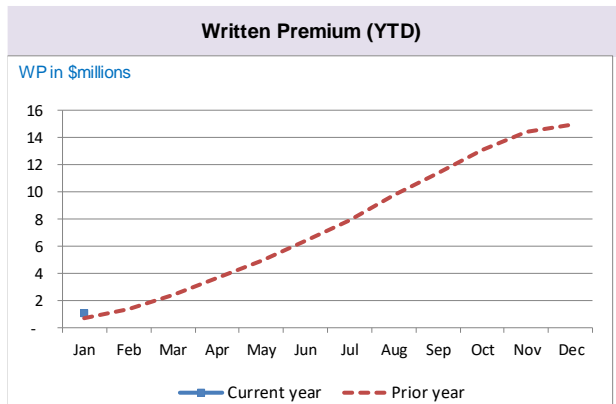


	Jan-19	Jan-18	Amt Chg	% Chg
Avg W. Prem YTD	1,321	1,214	107	8.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 49.5% for the month compared with the 113.1% increase we projected last month (see charts immediately below).



	Jan-19	Jan-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,020	682	338	49.5%



	Jan-19	Jan-18	Amt Chg	% Chg
WP (\$000s) YTD	1,020	682	338	49.5%

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New Brunswick Risk Sharing Pool – January 2019 Operational Report

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

Saskia Matheson
President & CEO

Related links:

[New Brunswick RSP January 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - New Brunswick

Operating Results for the 1 Month Ended January 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$1,020	\$1,020	\$21,211	\$14,925
Decrease (Increase) in Unearned Premiums	248	248	(2,685)	(1,658)
Net Premiums Earned	\$1,268	\$1,268	\$18,526	\$13,267
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$14)	(\$14)	(\$14)	\$618
Effect of Discounting	56	56	(142)	(410)
Discounted	\$42	\$42	(\$156)	\$208
Current Accident Year:				
Undiscounted	\$960	\$960	\$13,834	\$9,987
Effect of Discounting	30	30	313	216
Discounted	\$990	\$990	\$14,147	\$10,203
Claims Incurred	\$1,032	\$1,032	\$13,991	\$10,411
Underwriting Expenses:				
Expense Allowance	\$308	\$308	\$6,387	\$4,260
Change in UPDR/DPAC:				
Undiscounted	57	57	(559)	(214)
Effect of Discounting	(8)	(8)	86	(2)
Discounted	49	49	(473)	(\$216)
Underwriting Expenses	\$357	\$357	\$5,914	\$4,044
Net Underwriting Gain (Loss)	(\$121)	(\$121)	(\$1,379)	(\$1,188)
Administrative Expenses	\$57	\$57	\$1,125	\$628
Operating Result	(\$178)	(\$178)	(\$2,504)	(\$1,816)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	3.3%	3.3%	-0.8%	1.6%
Current Accident Year	78.1%	78.1%	76.4%	76.9%
All Accident Years Combined	81.4%	81.4%	75.6%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	32.6%	38.0%	35.2%
Combined Operating Ratio	114.0%	114.0%	113.6%	113.7%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium tax health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply