

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 023

DATE: MARCH 28, 2019

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

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

Please be advised that the February 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 -\$0.3 million and the incurred loss ratio to the end of 2 months is 78.6%, as summarized in the table below.

Amounts in \$000s	February 2019	February 2018	Year to date Feb 2019	Year to Date Feb 2018
Premium Written	866	739	1,886	1,421
Premium Earned	1,086	929	2,354	1,950
Incurring Losses	817	599	1,849	1,417
Underwriting & Admin Expense	369	311	783	619
Operating Result	(100)	19	(278)	(86)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(7.6%)	(9.8%)	(1.7%)	(2.6%)
- Current Accident Year	82.9%	74.3%	80.3%	75.2%
<i>Total</i>	75.3%	64.5%	78.6%	72.6%
<i>Underwriting & Admin Expense</i>	34.0%	33.5%	33.3%	31.7%
Combined Operating Ratio	109.3%	98.0%	111.9%	104.3%

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 -\$2.3 million and the estimated combined operating ratio to December 2019 is 113.3%, 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 (-\$2.5 million and 113.6%). This improvement is driven by a \$1.6 million decrease in the projected written premium for the year, based on updated projections provided by members.

NB RSP 2019 Yr-end Projection Amounts in \$000s	Current (Feb 2019)	Prior Mth (Jan 2019)	Change	Final 2019 Outlook*
Premium Written	19,563	21,211	(1,648)	17,463
Premium Earned	17,404	18,526	(1,122)	16,429
Incurred Losses	13,159	13,991	(832)	12,457
Underwriting & Admin Expense	6,560	7,039	(479)	6,010
Net Result from Operations	(2,315)	(2,504)	189	(2,038)
Ratios:				
Loss ratio - Prior Accident Years	(1.2%)	(0.8%)	(0.4%)	(1.2%)
- Current Accident Year	76.8%	76.4%	0.4%	77.0%
<i>Total</i>	75.6%	75.6%	0.0%	75.8%
Underwriting & Admin Expense	37.7%	38.0%	(0.3%)	36.6%
Combined Operating Ratio	113.3%	113.6%	(0.3%)	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 -\$0.1 million Operating Result in the month of February 2019, a deterioration of \$0.1 million compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 98.0% to 109.3% applied to \$1.1 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 114.0% at the end of 1 month to 109.3% at the end of 2 months. The 4.7 percentage point decrease is composed of a 10.9 percentage point decrease in the Prior Accident Years loss ratio, offset by a 4.8 percentage point increase in the Current Accident Year loss ratio, further offset by a 1.4 percentage point increase in the expense ratio.

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.

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February 2019	Actual	Projection	Difference	Difference %
Written Premium	866	1,550	(684)	(44.1%)
Earned Premium	1,086	1,219	(133)	(10.9%)
Reported Losses				
Paid Losses	469	801	(332)	(41.4%)
Paid Expenses	38	204	(166)	(81.4%)
Change in Outstanding Losses	800	(146)	946	(647.9%)
Total Reported Losses	1,307	859	448	52.2%
Change in IBNR Provision*	(490)	35	(525)	
Change in Premium Deficiency (DPAC)*	44	(64)	108	

*(Amounts in \$000's)**rounding differences may occur*

*Detailed information is included in [New Brunswick RSP February 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 February 2019, reported losses were \$0.4 million higher than projected. The Current Accident Year had a \$49 thousand unfavourable variance in reported losses, and the Prior Accident Years had a \$0.4 million unfavourable 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.

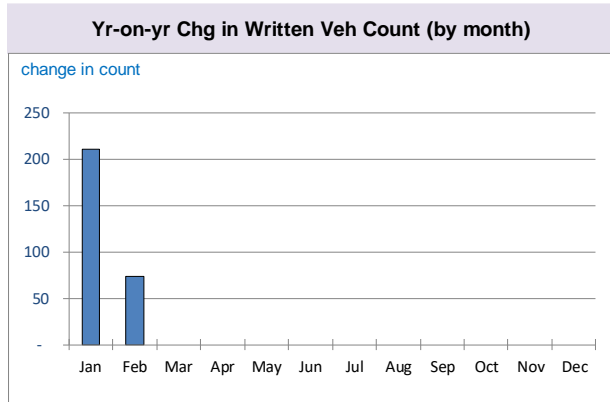
Booking IBNR

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

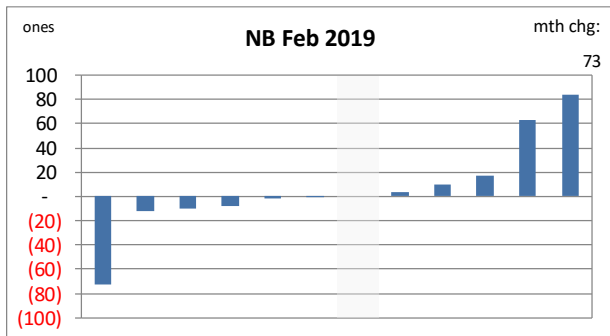
Effect of Quarterly Valuation

The February 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

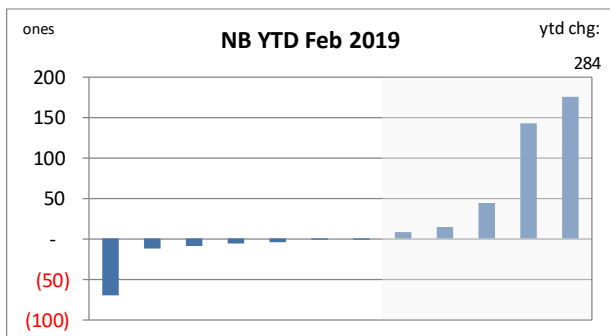


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February showing an increase of 73 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 569 vehicles, indicating a variance of 496 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in February than projected.



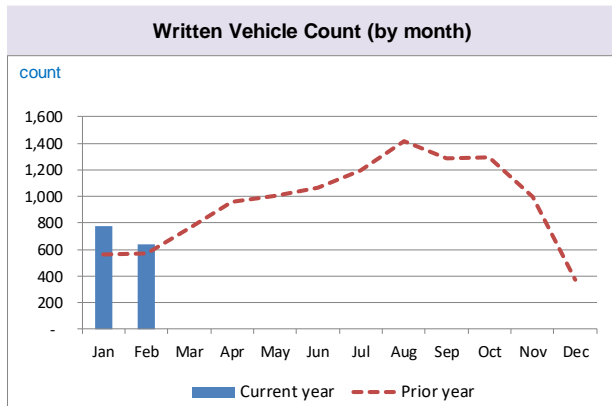
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while five transferred more, and one remained the same. Of the 6 member company groups transferring fewer vehicles, 1 member company

group accounted for 70% of the total transfer decrease for the “decliner” members. Of the 5 member company groups transferring more vehicles, 2 member company groups accounted for 83% of the total transfer increase for the “grower” members.

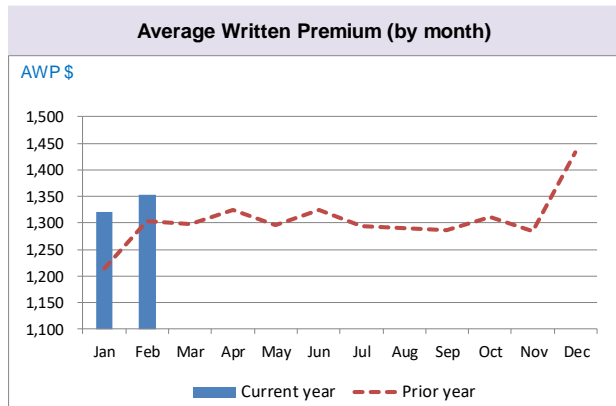


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

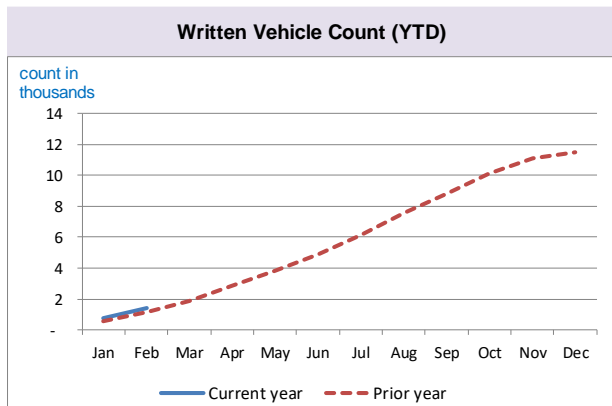
February’s vehicle count transfers to the pool represent a 13.0% increase from February 2018, and counts were up 25.2% year-to-date. Average written premium was up 3.8% in February 2019, and up 6.1% year-to-date (see charts at the top of the next page).



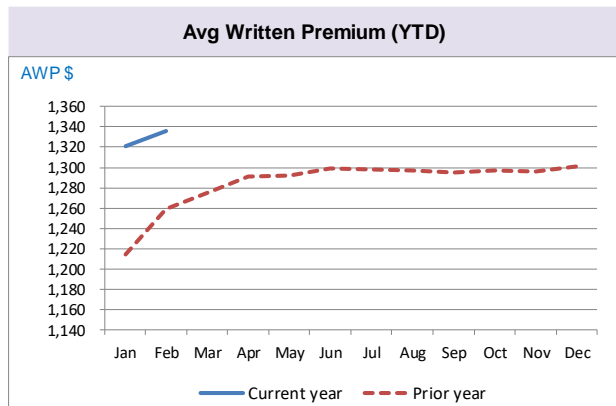
	Feb-19	Feb-18	Amt Chg	% Chg
W. Veh curr mth	640	566	73	13.0%



	Feb-19	Feb-18	Amt Chg	% Chg
AWP curr mth	1,353	1,304	49	3.8%

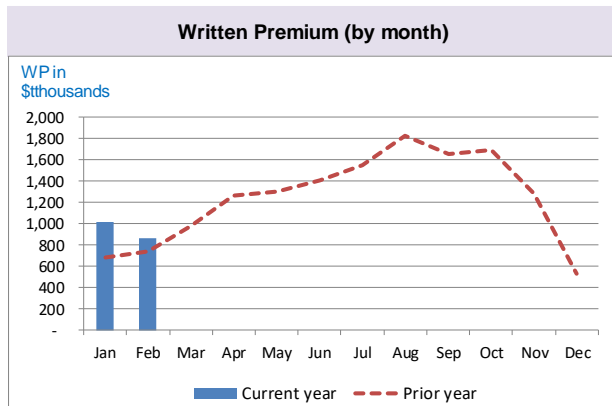


	Feb-19	Feb-18	Amt Chg	% Chg
W. Vehicles YTD	1,412	1,128	284	25.2%

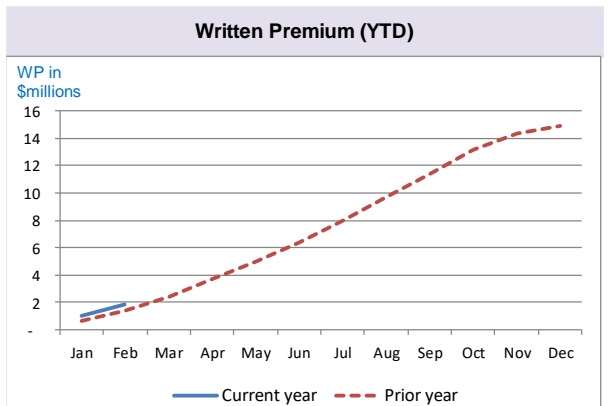


	Feb-19	Feb-18	Amt Chg	% Chg
Avg W. Prem YTD	1,336	1,259	77	6.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 17.2% for the month compared with the 109.9% increase we projected last month, and was up 32.7% year-to-date (see charts immediately below).



	Feb-19	Feb-18	Amt Chg	% Chg
WP (\$000s) curr mth	866	739	127	17.2%



	Feb-19	Feb-18	Amt Chg	% Chg
WP (\$000s) YTD	1,886	1,421	465	32.7%

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New Brunswick Risk Sharing Pool – February 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 February 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - New Brunswick

Operating Results for the 2 Months Ended February 28, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$1,020	\$866	\$1,886	\$19,563	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	468	(2,159)	(1,658)
Net Premiums Earned	\$1,268	\$1,086	\$2,354	\$17,404	\$13,267
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$14)	(\$74)	(\$88)	(\$88)	\$618
Effect of Discounting	56	(9)	47	(116)	(410)
Discounted	\$42	(\$83)	(\$41)	(\$204)	\$208
Current Accident Year:					
Undiscounted	\$960	\$879	\$1,839	\$13,067	\$9,987
Effect of Discounting	30	21	51	296	216
Discounted	\$990	\$900	\$1,890	\$13,363	\$10,203
Claims Incurred	\$1,032	\$817	\$1,849	\$13,159	\$10,411
Underwriting Expenses:					
Expense Allowance	\$308	\$259	\$567	\$5,888	\$4,260
Change in UPDR/DPAC:					
Undiscounted	57	51	108	(441)	(214)
Effect of Discounting	(8)	(7)	(15)	70	(2)
Discounted	49	44	93	(371)	(\$216)
Underwriting Expenses	\$357	\$303	\$660	\$5,517	\$4,044
Net Underwriting Gain (Loss)	(\$121)	(\$34)	(\$155)	(\$1,272)	(\$1,188)
Administrative Expenses	\$57	\$66	\$123	\$1,043	\$628
Operating Result	(\$178)	(\$100)	(\$278)	(\$2,315)	(\$1,816)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	3.3%	-7.6%	-1.7%	-1.2%	1.6%
Current Accident Year	78.1%	82.9%	80.3%	76.8%	76.9%
All Accident Years Combined	81.4%	75.3%	78.6%	75.6%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	33.3%	37.7%	35.2%
Combined Operating Ratio	114.0%	109.3%	111.9%	113.3%	113.7%

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