

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 037

DATE: MAY 30, 2019

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

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

Please be advised that the April 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 -\$1.7 million and the incurred loss ratio to the end of 4 months is 97.0%, as summarized in the table below.

NB RSP Summary of Financial Results (for month and year-to-date)

Amounts in \$000s	April 2019	April 2018	Year to date Apr 2019	Year to Date Apr 2018
Premium Written	1,520	1,267	4,813	3,672
Premium Earned	1,298	1,033	4,979	4,006
Incurred Losses	1,014	755	4,829	2,890
Underwriting & Admin Expense	487	368	1,858	1,403
Operating Result	(203)	(90)	(1,708)	(287)
Ratios:				
Loss ratio - Prior Accident Years	0.1%	(3.6%)	17.2%	(4.7%)
- Current Accident Year	78.0%	76.7%	79.8%	76.9%
<i>Total</i>	78.1%	73.1%	97.0%	72.2%
Underwriting & Admin Expense	37.5%	35.6%	37.3%	35.0%
Combined Operating Ratio	115.6%	108.7%	134.3%	107.2%

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 -\$3.7 million and the estimated combined operating ratio to December 2019 is 122.0%, as summarized in the table below. This updated projection to the end of the year has not changed significantly from the projection provided last month (see the second and third columns in the table).

NB RSP Summary of Projected Year-end Financial Results (current month's projection, prior month's projection, and Outlook posted last fall)

NB RSP 2019 Yr-end Projection Amounts in \$000s	Current (Apr 2019)	Prior Mth (Mar 2019)	Change	Final 2019 Outlook*
Premium Written	19,096	19,394	(298)	17,463
Premium Earned	17,000	17,246	(246)	16,429
Incurred Losses	14,029	14,188	(159)	12,457
Underwriting & Admin Expense	6,707	6,833	(126)	6,010
Net Result from Operations	(3,736)	(3,775)	39	(2,038)
Ratios:				
Loss ratio - Prior Accident Years	4.1%	3.9%	0.2%	(1.2%)
- Current Accident Year	78.4%	78.3%	0.1%	77.0%
<i>Total</i>	82.5%	82.2%	0.3%	75.8%
Underwriting & Admin Expense	39.5%	39.6%	(0.1%)	36.6%
Combined Operating Ratio	122.0%	121.8%	0.2%	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 April 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 108.7% to 115.6% applied to \$1.3 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 140.9% at the end of 3 months to 134.3% at the end of 4 months. The 6.6 percentage point decrease is composed of a 6.0 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.7 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.1 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.

NB RSP Summary of Actual vs Projected variances

April 2019	Actual	Projection	Difference	Difference %
Written Premium	1,520	1,818	(298)	(16.4%)
Earned Premium	1,298	1,339	(41)	(3.1%)
Reported Losses				
Paid Losses	416	673	(257)	(38.2%)
Paid Expenses	24	129	(105)	(81.4%)
Change in Outstanding Losses	341	(24)	365	<-999.9%
Total Reported Losses	781	778	3	0.4%
Change in IBNR Provision*	233	239	(6)	
Change in Premium Deficiency (DPAC)*	(29)	(76)	47	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP April 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 April 2019, reported losses were \$3 thousand higher than projected. The Current Accident Year had a \$132 thousand unfavourable variance in reported losses, while the Prior Accident Years had a \$129 thousand 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

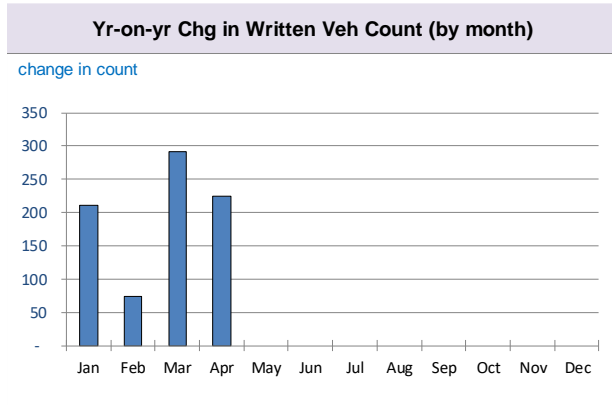
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 April 2019 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

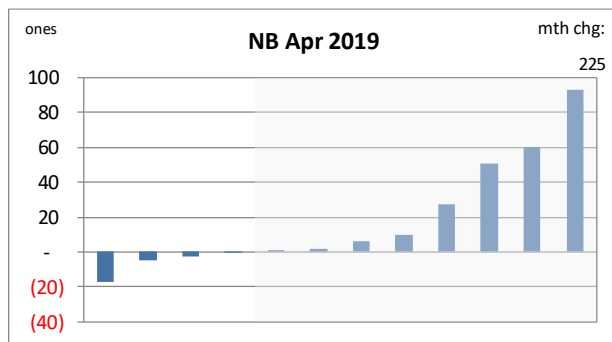
The April 2019 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2018). The actuarial valuation will be updated next as at March 31, 2019 and we anticipate that the results will be

reflected in the May 2019 Operational Report.

Management Comments

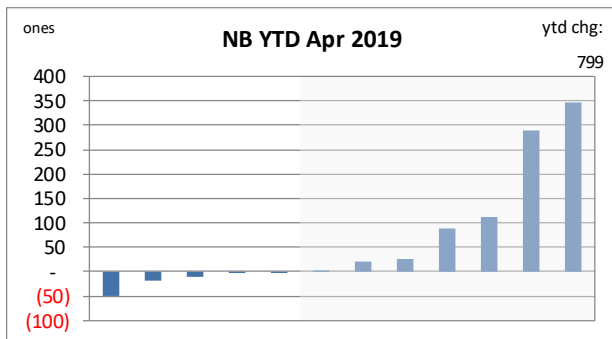


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with April showing an increase of 225 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 374 vehicles, indicating a variance of 149 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in April than projected.



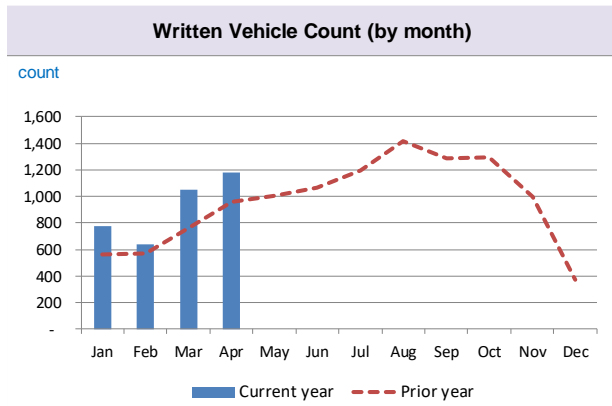
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while eight transferred more. Of the 4 member company groups transferring fewer vehicles, 1 member

company group accounted for 70% of the total transfer decrease for the “decliner” members. Of the 8 member company groups transferring more vehicles, 3 member company groups accounted for 82% of the total transfer increase for the “grower” members.

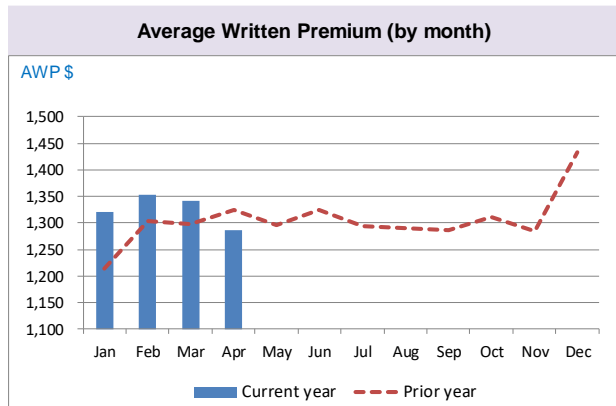


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

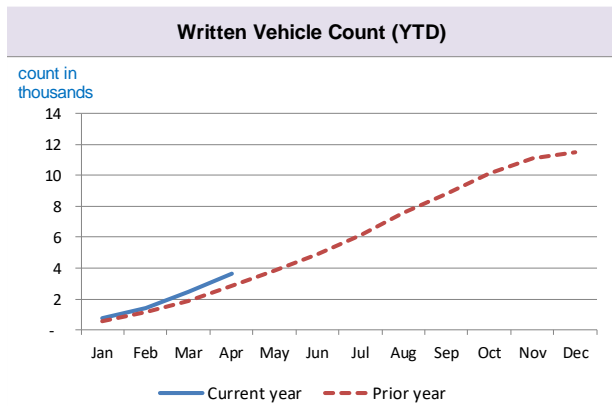
April’s vehicle count transfers to the RSP represent a 23.5% increase from April 2018, and counts were up 28.1% year-to-date. Average written premium was down 2.8% in April 2019, but up 2.3% year-to-date (see charts at the top of the next page).



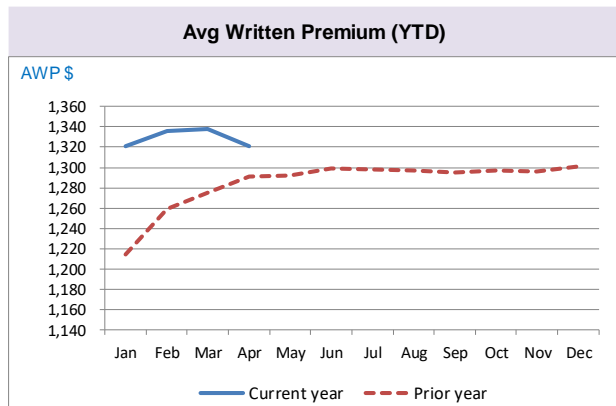
	Apr-19	Apr-18	Amt Chg	% Chg
W. Veh curr mth	1,181	957	225	23.5%



	Apr-19	Apr-18	Amt Chg	% Chg
AWP curr mth	1,287	1,324	(37)	-2.8%

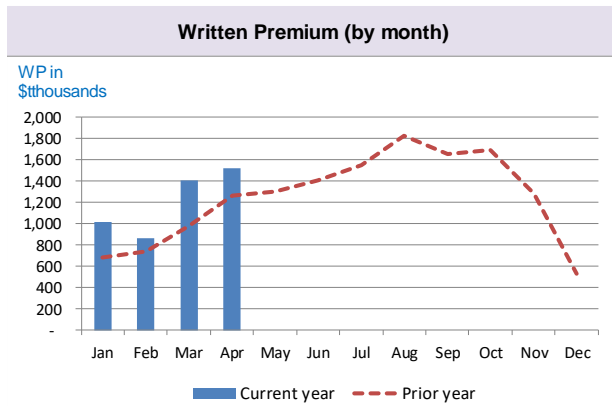


	Apr-19	Apr-18	Amt Chg	% Chg
W. Vehicles YTD	3,643	2,843	799	28.1%

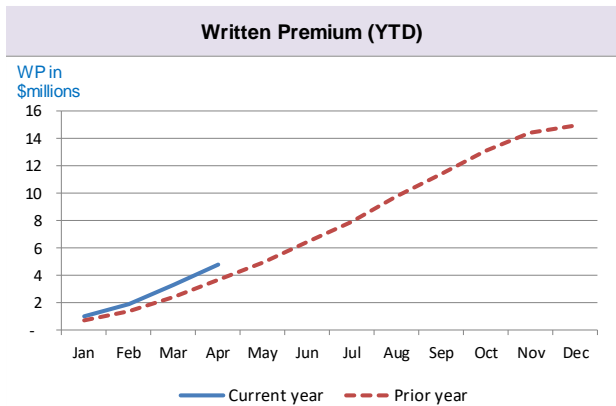


	Apr-19	Apr-18	Amt Chg	% Chg
Avg W. Prem YTD	1,321	1,291	30	2.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 20.0% for the month compared with the 43.5% increase we projected last month, and was up 31.1% year-to-date (see charts immediately below).



	Apr-19	Apr-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,520	1,267	254	20.0%



	Apr-19	Apr-18	Amt Chg	% Chg
WP (\$000s) YTD	4,813	3,672	1,142	31.1%

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$1,020	\$866	\$1,407	\$1,520	\$4,813	\$19,096	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	(80)	(222)	166	(2,096)	(1,658)
Net Premiums Earned	\$1,268	\$1,086	\$1,327	\$1,298	\$4,979	\$17,000	\$13,267
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$14)	(\$74)	\$703	(\$6)	\$609	\$609	\$618
Effect of Discounting	56	(9)	191	7	245	95	(410)
Discounted	\$42	(\$83)	\$894	\$1	\$854	\$704	\$208
Current Accident Year:							
Undiscounted	\$960	\$879	\$1,028	\$988	\$3,855	\$12,931	\$9,987
Effect of Discounting	30	21	44	25	120	394	216
Discounted	\$990	\$900	\$1,072	\$1,013	\$3,975	\$13,325	\$10,203
Claims Incurred	\$1,032	\$817	\$1,966	\$1,014	\$4,829	\$14,029	\$10,411
Underwriting Expenses:							
Expense Allowance	\$308	\$259	\$424	\$458	\$1,449	\$5,749	\$4,260
Change in UPDR/DPAC:							
Undiscounted	57	51	58	(38)	128	(183)	(214)
Effect of Discounting	(8)	(7)	57	9	51	146	(2)
Discounted	49	44	115	(29)	179	(37)	(\$216)
Underwriting Expenses	\$357	\$303	\$539	\$429	\$1,628	\$5,712	\$4,044
Net Underwriting Gain (Loss)	(\$121)	(\$34)	(\$1,178)	(\$145)	(\$1,478)	(\$2,741)	(\$1,188)
Administrative Expenses	\$57	\$66	\$49	\$58	\$230	\$995	\$628
Operating Result	(\$178)	(\$100)	(\$1,227)	(\$203)	(\$1,708)	(\$3,736)	(\$1,816)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	3.3%	-7.6%	67.4%	0.1%	17.2%	4.1%	1.6%
Current Accident Year	78.1%	82.9%	80.8%	78.0%	79.8%	78.4%	76.9%
All Accident Years Combined	81.4%	75.3%	148.2%	78.1%	97.0%	82.5%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	44.3%	37.5%	37.3%	39.5%	35.2%
Combined Operating Ratio	114.0%	109.3%	192.5%	115.6%	134.3%	122.0%	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