

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 080

DATE: OCTOBER 30, 2019

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

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

Please be advised that the September 2019 New Brunswick Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Key Points

- (a) Liam McFarlane has resigned as the Facility Association's Appointed Actuary; Mr. Cosimo Pantaleo of Ernst & Young LLP has assumed the Appointed Actuary's role (effective as of October 24, 2019), pending formal appointment by the Facility Association Board (expected at its December 12, 2019 meeting); and
- (b) While premium for the month was \$0.3 million (23%) higher than expected, the operating deficit for the month improved slightly, moving the year-end projected net operating deficit to \$1.6 million with an associated COR of 109.8%.

New This Month

Appointed Actuary

Liam McFarlane of Ernst & Young LLP was Facility Association's Appointed Actuary (effective as of June 1, 2013). Mr. McFarlane has resigned his Appointment to take on a role at a different organization. Mr. Cosimo Pantaleo of Ernst & Young LLP has assumed the Appointed Actuary's role (effective as of October 24, 2019), pending formal appointment by the Facility Association Board (expected at its December 12, 2019 meeting).

Summary of Financial Results

The calendar year-to-date Operating Result is -\$1.3 million and the incurred loss ratio to the end of 9 months is 75.4%, as summarized in the table at the top of the next page.

Bulletin F19-080**New Brunswick Risk Sharing Pool – September 2019 Operational Report***NB RSP Summary of Financial Results (for month and year-to-date)*

Amounts in \$000s	September 2019	September 2018	Year to date Sep 2019	Year to Date Sep 2018
Premium Written	1,619	1,653	12,580	11,416
Premium Earned	1,346	1,164	11,608	9,608
Incurring Losses	995	881	8,756	8,082
Underwriting & Admin Expense	485	428	4,134	3,487
Operating Result	(134)	(145)	(1,282)	(1,961)
Ratios:				
Loss ratio				
- Prior Accident Years	(1.1%)	(1.0%)	(2.6%)	6.8%
- Current Accident Year	75.0%	76.7%	78.0%	77.3%
<i>Total</i>	73.9%	75.7%	75.4%	84.1%
Underwriting & Admin Expense	36.0%	36.8%	35.6%	36.3%
Combined Operating Ratio	109.9%	112.5%	111.0%	120.4%

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 -\$1.6 million and the estimated combined operating ratio to December 2019 is 109.8%, as summarized in the table at the top of the next page. 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 (Sep 2019)	Prior Mth (Aug 2019)	Change	Final 2019 Outlook*
Premium Written	15,933	15,638	295	17,463
Premium Earned	15,709	15,619	90	16,429
Incurred Losses	11,788	11,717	71	12,457
Underwriting & Admin Expense	5,471	5,434	36	6,010
Net Result from Operations	(1,550)	(1,532)	(17)	(2,038)
Ratios:				
Loss ratio - Prior Accident Years	(2.3%)	(2.4%)	0.1%	(1.2%)
- Current Accident Year	77.3%	77.4%	(0.1%)	77.0%
<i>Total</i>	75.0%	75.0%	0.0%	75.8%
Underwriting & Admin Expense	34.8%	34.8%	0.0%	36.6%
Combined Operating Ratio	109.8%	109.8%	0.0%	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 September 2019, an insignificant change compared with the same month last year.

This month's results moved the year-to-date combined operating ratio from 111.3% at the end of 8 months to 111.0% at the end of 9 months. The 0.3 percentage point decrease is composed of a 0.4 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.1 percentage point increase in the Prior Accident Years loss 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.

Bulletin F19-080**New Brunswick Risk Sharing Pool – September 2019 Operational Report***NB RSP Summary of Actual vs Projected variances*

September 2019	Actual	Projection	Difference	Difference %
Written Premium	1,619	1,324	295	22.3%
Earned Premium	1,346	1,334	12	0.9%
Reported Losses				
Paid Losses	907	728	179	24.6%
Paid Expenses	34	66	(32)	(48.5%)
Change in Outstanding Losses	231	86	145	168.6%
Total Reported Losses	1,172	880	292	33.2%
Change in IBNR Provision*	(177)	113	(290)	
Change in Premium Deficiency (DPAC)*	(59)	(3)	(56)	

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

*Detailed information is included in [New Brunswick RSP September 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 September 2019, reported losses were \$0.3 million higher than projected. The Current Accident Year had a \$28 thousand unfavourable variance in reported losses, and the Prior Accident Years had a \$0.3 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

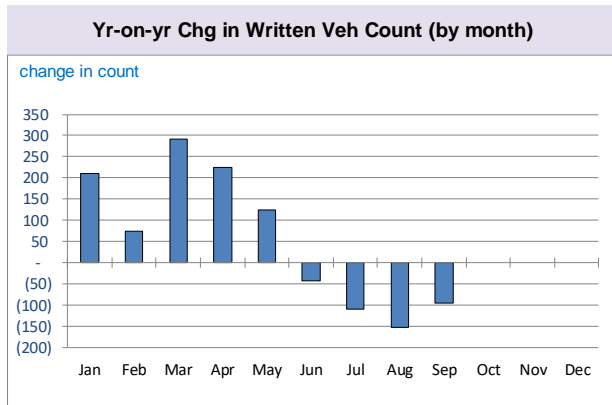
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium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

Effect of Quarterly Valuation

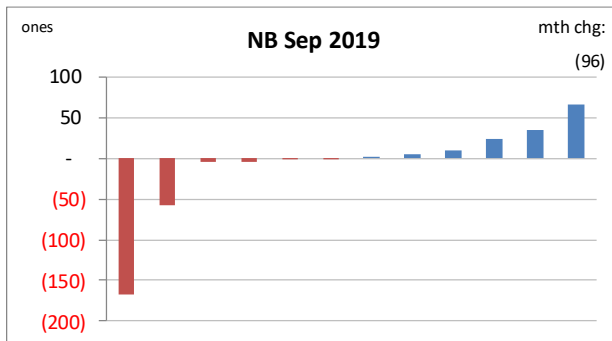
The September 2019 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at June 30, 2019). The actuarial valuation will be updated next as at September 30, 2019 and we anticipate that the results will be

reflected in the October 2019 Operational Report.

Management Comments

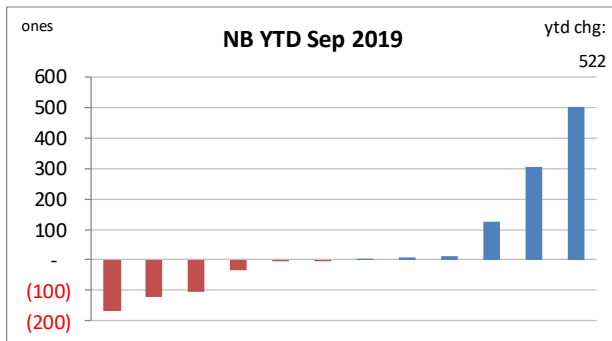


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with September showing a decrease of 96 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 290 vehicles, indicating a variance of 194 from the actual transfers. This variance was mainly due to two member company groups transferring a greater number of vehicles to the RSP in September than projected.



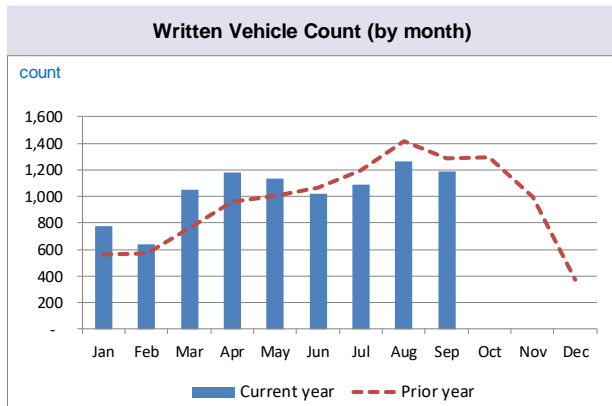
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the RSP this month compared with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

group accounted for 71% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 48% of the total transfer increase for the “grower” members.

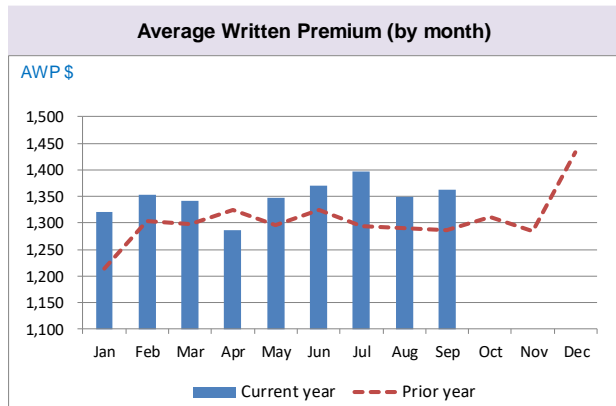


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

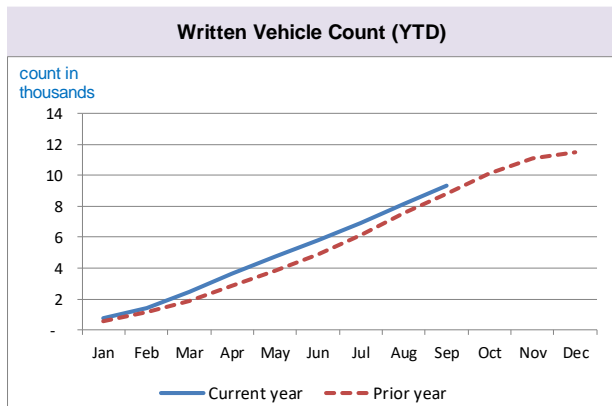
September’s vehicle count transfers to the RSP represent a 7.4% decrease from September 2018, but counts were up 5.9% year-to-date. Average written premium was up 5.8% in September 2019, and up 4.1% year-to-date (see charts at the top of the next page).



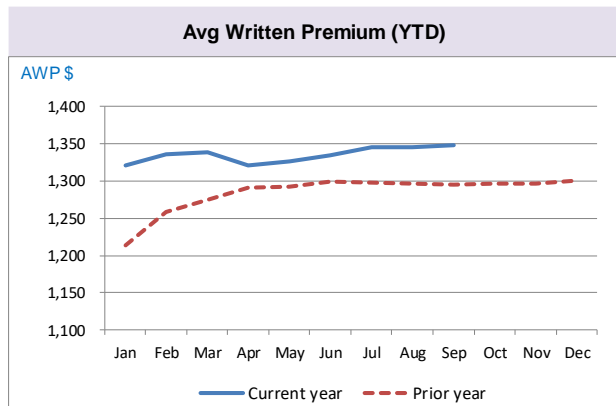
	Sep-19	Sep-18	Amt Chg	% Chg
W. Veh curr mth	1,189	1,284	(96)	-7.4%



	Sep-19	Sep-18	Amt Chg	% Chg
AWP curr mth	1,362	1,287	75	5.8%

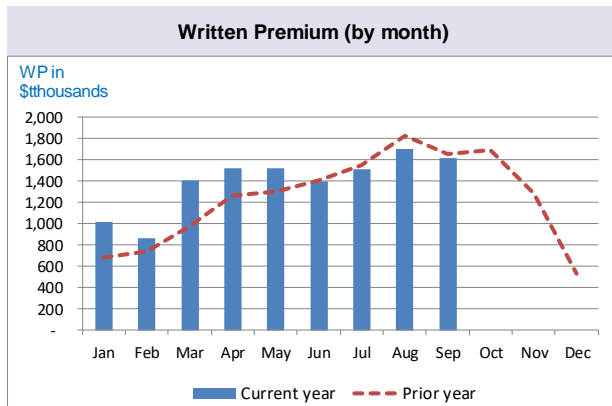


	Sep-19	Sep-18	Amt Chg	% Chg
W. Vehicles YTD	9,335	8,813	522	5.9%

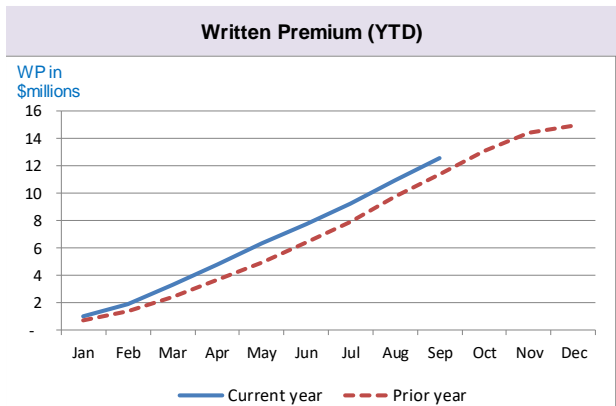


	Sep-19	Sep-18	Amt Chg	% Chg
Avg W. Prem YTD	1,348	1,295	53	4.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 2.1% for the month compared with the 19.9% decrease we projected last month, but was up 10.2% year-to-date (see charts immediately below).



	Sep-19	Sep-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,619	1,653	(34)	-2.1%



	Sep-19	Sep-18	Amt Chg	% Chg
WP (\$000s) YTD	12,580	11,416	1,164	10.2%

Should you require any further information, please call Shawn Doherty, Senior Vice President

Bulletin F19-080
New Brunswick Risk Sharing Pool – September 2019 Operational Report

Actuarial & CFO at (416) 644-4968.

Saskia Matheson
President & CEO

Related links:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - New Brunswick
 Operating Results for the 9 Months Ended September 30, 2019 (Discounted basis)
 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:												
Net Premiums Written	\$1,020	\$866	\$1,407	\$1,520	\$1,524	\$1,400	\$1,517	\$1,707	\$1,619	\$12,580	\$15,933	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	(80)	(222)	(240)	(150)	(131)	(344)	(273)	(972)	(224)	(1,658)
Net Premiums Earned	\$1,268	\$1,086	\$1,327	\$1,298	\$1,284	\$1,250	\$1,386	\$1,363	\$1,346	\$11,608	\$15,709	\$13,267
Claims Incurred:												
Prior Accident Years:												
Undiscounted	(\$14)	(\$74)	\$703	(\$6)	(\$67)	(\$26)	(\$2)	(\$1,024)	\$6	(\$504)	(\$504)	\$618
Effect of Discounting	56	(9)	191	7	219	(12)	(62)	(162)	(21)	207	145	(410)
Discounted	\$42	(\$83)	\$894	\$1	\$152	(\$38)	(\$64)	(\$1,186)	(\$15)	(\$297)	(\$359)	\$208
Current Accident Year:												
Undiscounted	\$960	\$879	\$1,028	\$988	\$1,091	\$983	\$1,063	\$745	\$986	\$8,723	\$11,739	\$9,987
Effect of Discounting	30	21	44	25	84	43	31	28	24	330	408	216
Discounted	\$990	\$900	\$1,072	\$1,013	\$1,175	\$1,026	\$1,094	\$773	\$1,010	\$9,053	\$12,147	\$10,203
Claims Incurred	\$1,032	\$817	\$1,966	\$1,014	\$1,327	\$988	\$1,030	(\$413)	\$995	\$8,756	\$11,788	\$10,411
Underwriting Expenses:												
Expense Allowance	\$308	\$259	\$424	\$458	\$458	\$423	\$457	\$514	\$488	\$3,789	\$4,798	\$4,260
Change in UPDR/DPAC:												
Undiscounted	57	51	58	(38)	25	(25)	(18)	(382)	(72)	(344)	(182)	(214)
Effect of Discounting	(8)	(7)	57	9	86	8	7	(8)	13	157	121	(2)
Discounted	49	44	115	(29)	111	(17)	(11)	(390)	(59)	(187)	(61)	(\$216)
Underwriting Expenses	\$357	\$303	\$539	\$429	\$569	\$406	\$446	\$124	\$429	\$3,602	\$4,737	\$4,044
Net Underwriting Gain (Loss)	(\$121)	(\$34)	(\$1,178)	(\$145)	(\$612)	(\$144)	(\$90)	\$1,652	(\$78)	(\$750)	(\$816)	(\$1,188)
Administrative Expenses	\$57	\$66	\$49	\$58	\$59	\$58	\$73	\$56	\$56	\$532	\$734	\$628
Operating Result	(\$178)	(\$100)	(\$1,227)	(\$203)	(\$671)	(\$202)	(\$163)	\$1,596	(\$134)	(\$1,282)	(\$1,550)	(\$1,816)
Ratios:												
Claims & Expenses Incurred (Earned)												
Prior Accident Years	3.3%	-7.6%	67.4%	0.1%	11.8%	-3.0%	-4.6%	-87.0%	-1.1%	-2.6%	-2.3%	1.6%
Current Accident Year	78.1%	82.9%	80.8%	78.0%	91.5%	82.1%	78.9%	56.7%	75.0%	78.0%	77.3%	76.9%
All Accident Years Combined	81.4%	75.3%	148.2%	78.1%	103.3%	79.1%	74.3%	-30.3%	73.9%	75.4%	75.0%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	44.3%	37.5%	48.9%	37.1%	37.4%	13.2%	36.0%	35.6%	34.8%	35.2%
Combined Operating Ratio	114.0%	109.3%	192.5%	115.6%	152.2%	116.2%	111.7%	-17.1%	109.9%	111.0%	109.8%	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