



**TO:** MEMBERS OF THE FACILITY ASSOCIATION

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

**BULLETIN NO.:** F19 – 099

**DATE:** DECEMBER 23, 2019

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

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

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

#### **Key Points**

- (a) the **2019 year-to-date net operating deficit is \$2.7 million** with the addition of \$0.1 million in deficit generated in November, resulting in a year-to-date COR of 118.6% on earned premium of \$14.4 million; and
- (b) the **projected 2019 year-end net operating deficit is \$2.6 million**, with a COR at 116.6% on earned premium of \$16.0 million (our Outlook for 2019 was \$2.0 million of net operating deficit with a COR of 112.4% on earned premium of \$16.4 million).

#### **Summary of Financial Results**

The calendar year-to-date Operating Result is -\$2.7 million and the incurred loss ratio to the end of 11 months is 82.4%, as summarized in the table at the top of the next page.

**Bulletin F19-099****New Brunswick Risk Sharing Pool – November 2019 Operational Report***NB RSP Summary of Financial Results (for month and year-to-date)*

<b>Amounts in \$000s</b>	<b>November 2019</b>	November 2018	<b>Year to date Nov 2019</b>	Year to Date Nov 2018
Premium Written	1,077	1,282	15,446	14,395
Premium Earned	1,182	1,226	14,371	12,084
Incurred Losses	821	924	11,842	9,505
Underwriting & Admin Expense	491	398	5,199	4,321
<b>Operating Result</b>	<b>(130)</b>	<b>(96)</b>	<b>(2,670)</b>	<b>(1,742)</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	<b>(8.0%)</b>	<b>(0.4%)</b>	4.4%	1.7%
- Current Accident Year	77.4%	75.8%	78.0%	77.0%
<i>Total</i>	<b>69.4%</b>	<b>75.4%</b>	<b>82.4%</b>	<b>78.7%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>41.5%</b>	<b>32.5%</b>	<b>36.2%</b>	<b>35.8%</b>
<b>Combined Operating Ratio</b>	<b>110.9%</b>	<b>107.9%</b>	<b>118.6%</b>	<b>114.5%</b>

*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 -\$2.6 million and the estimated combined operating ratio to December 2019 is 116.6%, as summarized in the table at the top of the next page. This updated projection to the end of the year has not changed much 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)*

<b>NB RSP 2019 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Nov 2019)	Prior Mth (Oct 2019)	<b>Change</b>	Final 2019 Outlook*
Premium Written	16,424	16,444	(20)	17,463
Premium Earned	15,789	15,961	(172)	16,429
Incurred Losses	12,883	13,058	(175)	12,457
Underwriting & Admin Expense	5,530	5,574	(44)	6,010
<b>Net Result from Operations</b>	<b>(2,624)</b>	<b>(2,671)</b>	<b>47</b>	<b>(2,038)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	3.7%	4.2%	(0.5%)	(1.2%)
- Current Accident Year	77.9%	77.6%	0.3%	77.0%
<i>Total</i>	<b>81.6%</b>	<b>81.8%</b>	<b>(0.2%)</b>	<b>75.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>35.0%</b>	<b>34.9%</b>	<b>0.1%</b>	<b>36.6%</b>
<b>Combined Operating Ratio</b>	<b>116.6%</b>	<b>116.7%</b>	<b>(0.1%)</b>	<b>112.4%</b>

*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 November 2019, a fairly small deterioration compared with the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 107.9% to 110.9% applied to \$1.2 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 119.3% at the end of 10 months to 118.6% at the end of 11 months. The 0.7 percentage point decrease is composed of a 1.1 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, offset by a 0.5 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*

November 2019	Actual	Projection	Difference	Difference %
Written Premium	1,077	1,097	(20)	(1.8%)
Earned Premium	1,182	1,379	(197)	(14.3%)
Reported Losses				
Paid Losses	1,574	906	668	73.7%
Paid Expenses	25	55	(30)	(54.5%)
Change in Outstanding Losses	(347)	156	(503)	(322.4%)
<b>Total Reported Losses</b>	<b>1,252</b>	<b>1,117</b>	<b>135</b>	<b>12.1%</b>
Change in IBNR Provision*	(431)	(92)	(339)	
Change in Premium Deficiency (DPAC)*	3	43	(40)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [New Brunswick RSP October 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 November 2019, reported losses were \$0.1 million higher than projected. The Current Accident Year had an approximately \$0.2 million unfavourable variance in reported losses, while 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

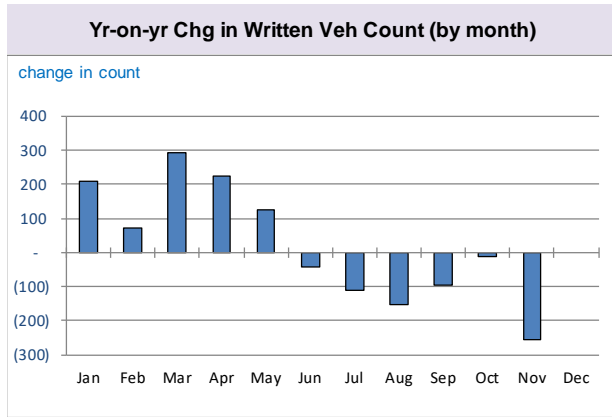
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium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

**Effect of Quarterly Valuation**

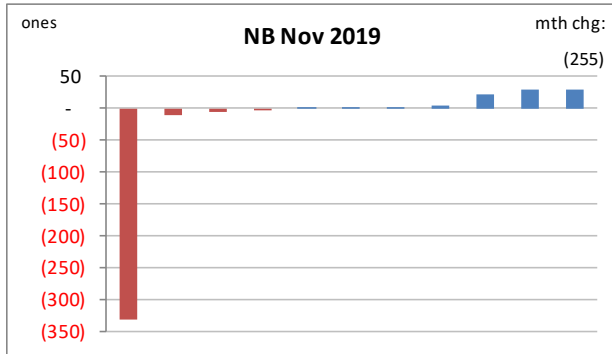
The November 2019 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2019). The

actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

**Management Comments**

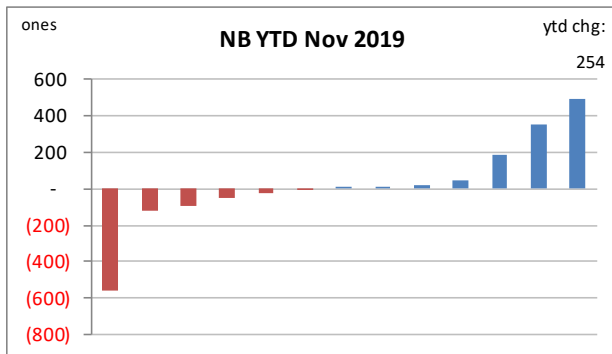


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with November showing a decrease of 255 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 193 vehicles, indicating a variance of 62 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the RSP in November than projected.



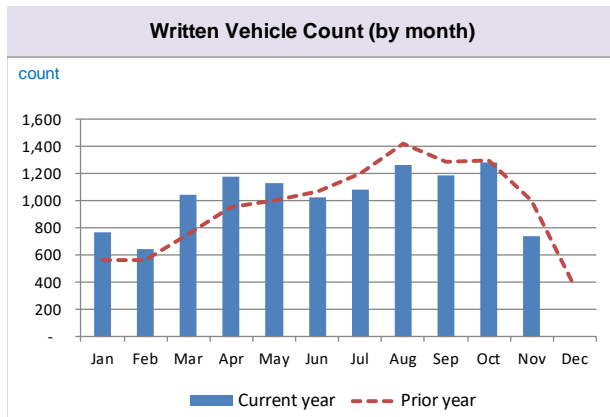
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while seven transferred more. Of the 4 member company groups transferring fewer vehicles, 1 member company group accounted for 95% of the total

transfer decrease for the “decliner” members. Of the 7 member company groups transferring more vehicles, 3 member company groups accounted for 88% of the total transfer increase for the “grower” members.

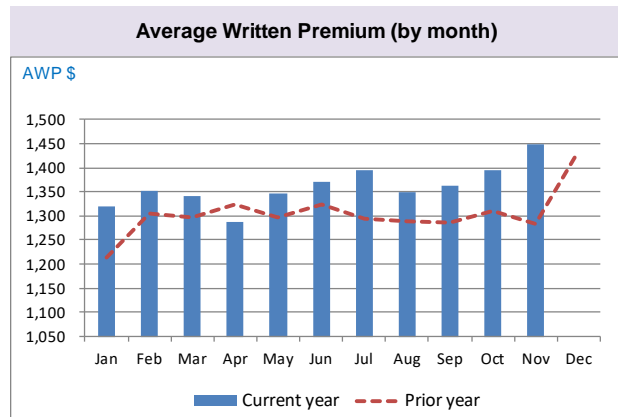


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

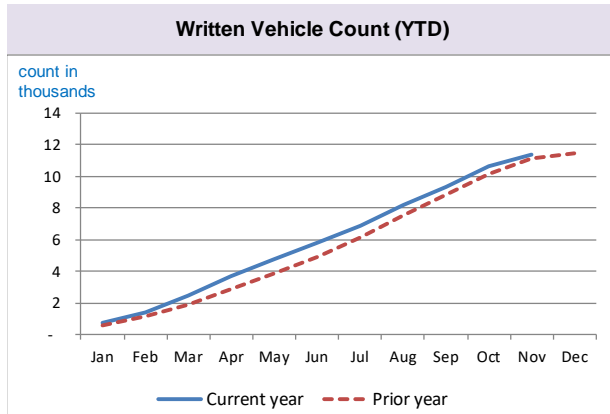
November’s vehicle count transfers to the RSP represent a 25.5% decrease from November 2018, but counts were up 2.3% year-to-date. Average written premium was up 12.8% in November 2019, and up 4.9% year-to-date (see charts at the top of the next page).



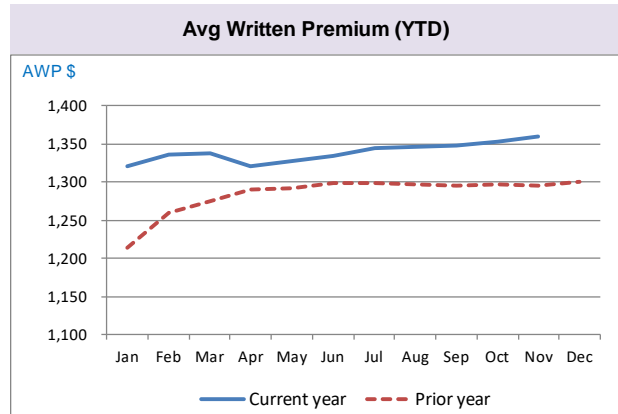
	Nov-19	Nov-18	Amt Chg	% Chg
W. Veh curr mth	744	998	(255)	-25.5%



	Nov-19	Nov-18	Amt Chg	% Chg
AWP curr mth	1,448	1,284	164	12.8%

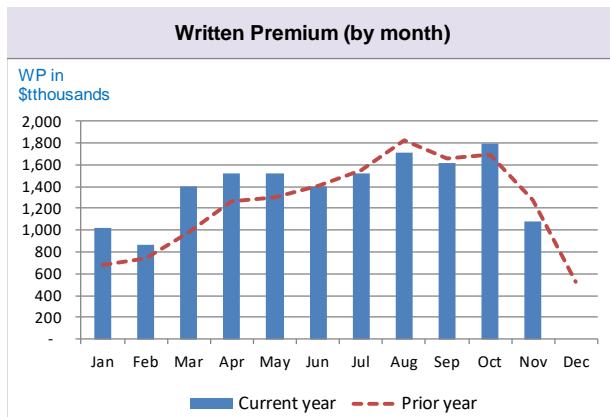


	Nov-19	Nov-18	Amt Chg	% Chg
W. Vehicles YTD	11,361	11,106	254	2.3%

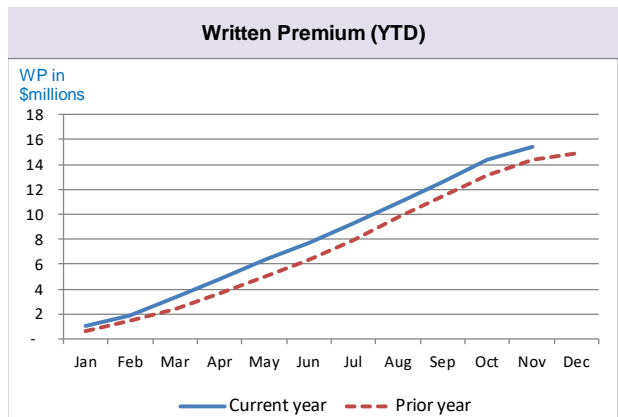


	Nov-19	Nov-18	Amt Chg	% Chg
Avg W. Prem YTD	1,360	1,296	64	4.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 16.0% for the month compared with the 14.4% decrease we projected last month, but was still up 7.3% year-to-date (see charts below).



	Nov-19	Nov-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,077	1,282	(205)	-16.0%



	Nov-19	Nov-18	Amt Chg	% Chg
WP (\$000s) YTD	15,446	14,396	1,051	7.3%

**Bulletin F19-099**

**New Brunswick Risk Sharing Pool – November 2019 Operational Report**

---

Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson  
President & CEO

**Related links:**

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**

Risk Sharing Pool - New Brunswick  
 Operating Results for the 11 Months Ended November 30, 2019 (Discounted basis)  
 Source: Monthly Operational Report  
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
<b>Underwriting Revenue:</b>														
Net Premiums Written	\$1,020	\$866	\$1,407	\$1,520	\$1,524	\$1,400	\$1,517	\$1,707	\$1,619	\$1,789	\$1,077	\$15,446	\$16,424	\$14,925
Decrease (Increase) in Unearned Premiums	248	220	(80)	(222)	(240)	(150)	(131)	(344)	(273)	(208)	105	(1,075)	(635)	(1,658)
<b>Net Premiums Earned</b>	<b>\$1,268</b>	<b>\$1,086</b>	<b>\$1,327</b>	<b>\$1,298</b>	<b>\$1,284</b>	<b>\$1,250</b>	<b>\$1,386</b>	<b>\$1,363</b>	<b>\$1,346</b>	<b>\$1,581</b>	<b>\$1,182</b>	<b>\$14,371</b>	<b>\$15,789</b>	<b>\$13,267</b>
<b>Claims Incurred:</b>														
Prior Accident Years:														
Undiscounted	(\$14)	(\$74)	\$703	(\$6)	(\$67)	(\$26)	(\$2)	(\$1,024)	\$6	\$964	(\$23)	\$437	\$437	\$618
Effect of Discounting	56	(9)	191	7	219	(12)	(62)	(162)	(21)	56	(71)	192	148	(410)
Discounted	\$42	(\$83)	\$894	\$1	\$152	(\$38)	(\$64)	(\$1,186)	(\$15)	\$1,020	(\$94)	\$629	\$585	\$208
Current Accident Year:														
Undiscounted	\$960	\$879	\$1,028	\$988	\$1,091	\$983	\$1,063	\$745	\$986	\$1,213	\$898	\$10,834	\$11,884	\$9,987
Effect of Discounting	30	21	44	25	84	43	31	28	24	32	17	379	414	216
Discounted	\$990	\$900	\$1,072	\$1,013	\$1,175	\$1,026	\$1,094	\$773	\$1,010	\$1,245	\$915	\$11,213	\$12,298	\$10,203
<b>Claims Incurred</b>	<b>\$1,032</b>	<b>\$817</b>	<b>\$1,966</b>	<b>\$1,014</b>	<b>\$1,327</b>	<b>\$988</b>	<b>\$1,030</b>	<b>(\$413)</b>	<b>\$995</b>	<b>\$2,265</b>	<b>\$821</b>	<b>\$11,842</b>	<b>\$12,883</b>	<b>\$10,411</b>
<b>Underwriting Expenses:</b>														
Expense Allowance	\$308	\$259	\$424	\$458	\$458	\$423	\$457	\$514	\$488	\$535	\$327	\$4,651	\$4,945	\$4,260
Change in UPDR/DPAC:														
Undiscounted	57	51	58	(38)	25	(25)	(18)	(382)	(72)	(41)	10	(375)	(282)	(214)
Effect of Discounting	(8)	(7)	57	9	86	8	7	(8)	13	9	(7)	159	140	(2)
Discounted	49	44	115	(29)	111	(17)	(11)	(390)	(59)	(32)	3	(216)	(142)	(\$216)
<b>Underwriting Expenses</b>	<b>\$357</b>	<b>\$303</b>	<b>\$539</b>	<b>\$429</b>	<b>\$569</b>	<b>\$406</b>	<b>\$446</b>	<b>\$124</b>	<b>\$429</b>	<b>\$503</b>	<b>\$330</b>	<b>\$4,435</b>	<b>\$4,803</b>	<b>\$4,044</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$121)</b>	<b>(\$34)</b>	<b>(\$1,178)</b>	<b>(\$145)</b>	<b>(\$612)</b>	<b>(\$144)</b>	<b>(\$90)</b>	<b>\$1,652</b>	<b>(\$78)</b>	<b>(\$1,187)</b>	<b>\$31</b>	<b>(\$1,906)</b>	<b>(\$1,897)</b>	<b>(\$1,188)</b>
<b>Administrative Expenses</b>	<b>\$57</b>	<b>\$66</b>	<b>\$49</b>	<b>\$58</b>	<b>\$59</b>	<b>\$58</b>	<b>\$73</b>	<b>\$56</b>	<b>\$56</b>	<b>\$71</b>	<b>\$161</b>	<b>\$764</b>	<b>\$727</b>	<b>\$628</b>
<b>Operating Result</b>	<b>(\$178)</b>	<b>(\$100)</b>	<b>(\$1,227)</b>	<b>(\$203)</b>	<b>(\$671)</b>	<b>(\$202)</b>	<b>(\$163)</b>	<b>\$1,596</b>	<b>(\$134)</b>	<b>(\$1,258)</b>	<b>(\$130)</b>	<b>(\$2,670)</b>	<b>(\$2,624)</b>	<b>(\$1,816)</b>
<b>Ratios:</b>														
<b>Claims &amp; Expenses Incurred (Earned)</b>														
Prior Accident Years	3.3%	-7.6%	67.4%	0.1%	11.8%	-3.0%	-4.6%	-87.0%	-1.1%	64.5%	-8.0%	4.4%	3.7%	1.6%
Current Accident Year	78.1%	82.9%	80.8%	78.0%	91.5%	82.1%	78.9%	56.7%	75.0%	78.7%	77.4%	78.0%	77.9%	76.9%
All Accident Years Combined	81.4%	75.3%	148.2%	78.1%	103.3%	79.1%	74.3%	-30.3%	73.9%	143.2%	69.4%	82.4%	81.6%	78.5%
Underwriting & Administrative Expenses (Earned)	32.6%	34.0%	44.3%	37.5%	48.9%	37.1%	37.4%	13.2%	36.0%	36.3%	41.5%	36.2%	35.0%	35.2%
<b>Combined Operating Ratio</b>	<b>114.0%</b>	<b>109.3%</b>	<b>192.5%</b>	<b>115.6%</b>	<b>152.2%</b>	<b>116.2%</b>	<b>111.7%</b>	<b>-17.1%</b>	<b>109.9%</b>	<b>179.5%</b>	<b>110.9%</b>	<b>118.6%</b>	<b>116.6%</b>	<b>113.7%</b>

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