



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F2020 – 022

DATE: MARCH 30, 2020

**SUBJECT: NEW BRUNSWICK RISK SHARING POOL
– FEBRUARY 2020 OPERATIONAL REPORT**

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

Please be advised that the February 2020 New Brunswick Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Key Points

- (a) The *2020 year-to-date net operating deficit was \$0.2 million*, with a COR of 107.0% on earned premium of \$2.8 million;
- (b) The *projected 2020 year-end net operating deficit is now \$2.5 million*, with a COR at 113.0% on earned premium of \$19.4 million, (our Outlook for 2020 was \$1.7 million of net operating deficit with a COR of 110.4% on earned premium of \$16.2 million). However, our projections do NOT taken into account any specific impacts that might arise due to the COVID-19 pandemic (FA is still in the process of considering impacts); and
- (c) With the current situation of COVID-19, we were still able to release our member statements on time as a result of our continuous effort in ensuring the timeliness of member reporting.

Summary of Financial Results

The calendar year-to-date Operating Result is -\$0.2 million and the incurred loss ratio to the end of 2 months is 73.3% as summarized in the table at the top of the next page.

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

Amounts in \$000s	February 2020	February 2019	Year to date Feb 2020	Year to Date Feb 2019
Premium Written	986	866	2,241	1,886
Premium Earned	1,325	1,086	2,757	2,354
Incurred Losses	951	817	2,021	1,849
Underwriting & Admin Expense	455	369	930	783
Operating Result	(81)	(100)	(194)	(278)
Ratios:				
Loss ratio - Prior Accident Years	(6.9%)	(7.6%)	(4.9%)	(1.7%)
- Current Accident Year	78.6%	82.9%	78.2%	80.3%
<i>Total</i>	71.7%	75.3%	73.3%	78.6%
Underwriting & Admin Expense	34.3%	34.0%	33.7%	33.3%
Combined Operating Ratio	106.0%	109.3%	107.0%	111.9%

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 2020” attached to this bulletin.

Updated Projection to Year-end 2020

PLEASE NOTE: our projections have NOT been adjusted in any way to reflect COVID-19 pandemic impacts. Such impacts are under investigation and will be reflected in future projections as deemed appropriate.

The projected calendar year Operating Result to December 2020 is -\$2.5 million and the estimated combined operating ratio to December 2020 is 113.0%, as summarized in the table at the top of the next page. This updated projection to the end of the year has deteriorated by \$0.8 million from the projection provided last month (see the second and third columns in the table). The deterioration is driven by the \$5.6 million increase in the projected written premium for the year and the associated impacts on earned premium, claims, and expense projections. The updated written premium projection reflects information provided by certain members.

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

NB RSP 2020 Yr-end Projection Amounts in \$000s	Current (Feb 2020)	Prior Mth (Jan 2020)	Change	Final 2020 Outlook*
Premium Written	22,173	16,525	5,648	16,178
Premium Earned	19,375	16,949	2,426	16,215
Incurred Losses	14,343	12,514	1,829	12,004
Underwriting & Admin Expense	7,552	6,129	1,423	5,896
Net Result from Operations	(2,520)	(1,694)	(826)	(1,685)
Ratios:				
Loss ratio - Prior Accident Years	(2.0%)	(2.0%)	-	(1.7%)
- Current Accident Year	76.0%	75.9%	0.1%	75.7%
<i>Total</i>	74.0%	73.9%	0.1%	74.0%
Underwriting & Admin Expense	39.0%	36.2%	2.8%	36.4%
Combined Operating Ratio	113.0%	110.1%	2.9%	110.4%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

Current Month Results

The New Brunswick Risk Sharing Pool produced a -\$0.1 million Operating Result in the month of February 2020, not much change compared with the same month last year.

This month's results moved the year-to-date combined operating ratio from 108.0% at the end of 1 month to 107.0% at the end of 2 months. The 1.0 percentage point decrease is composed of a 1.8 percentage point decrease in the Prior Accident Years loss ratio, offset by a 0.3 percentage point increase in the Current Accident Year loss ratio, and a 0.5 percentage point increase in 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

February 2020	Actual	Projection	Difference	Difference %
Written Premium	986	615	371	60.3%
Earned Premium	1,325	1,326	(1)	(0.1%)
Reported Losses				
Paid Losses	1,076	806	270	33.5%
Paid Expenses	51	167	(116)	(69.5%)
Change in Outstanding Losses	(186)	45	(231)	(513.3%)
Total Reported Losses	941	1,018	(77)	(7.6%)
Change in IBNR Provision*	10	(53)	63	
Change in Premium Deficiency (DPAC)*	72	142	(70)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [New Brunswick RSP February 2020 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 2020, reported losses were consistent with projected. No single 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 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.

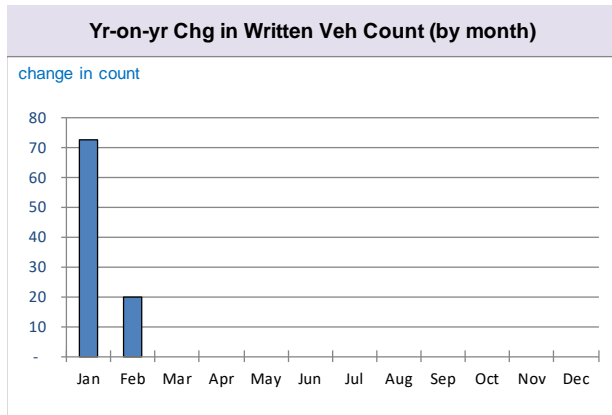
Booking IBNR

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 2020 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

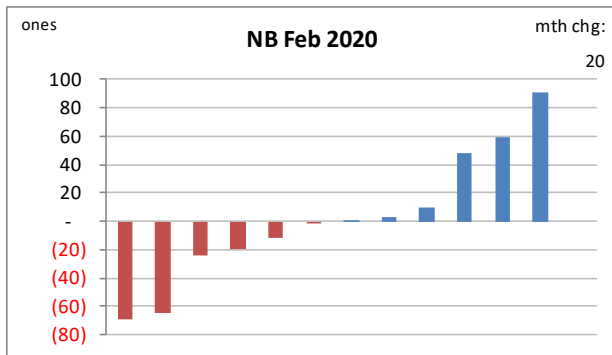
The February 2020 New Brunswick Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2019). The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

Management Comments



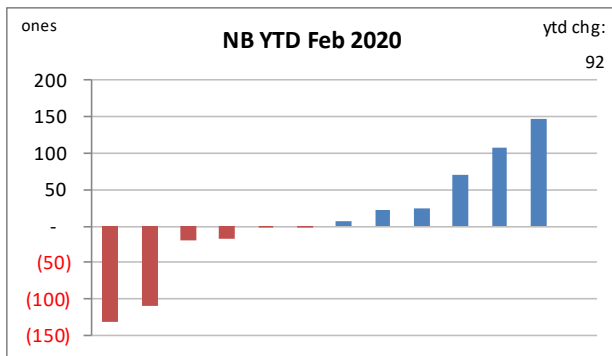
The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with February showing an increase of 20 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 183 vehicles, indicating a variance of 203 from the actual transfers. This variance was mainly due to one member company group transferring a higher number of vehicles to the RSP in February than projected. This member company group has provided their updated

written counts estimates, which we have already included in this month’s projection.



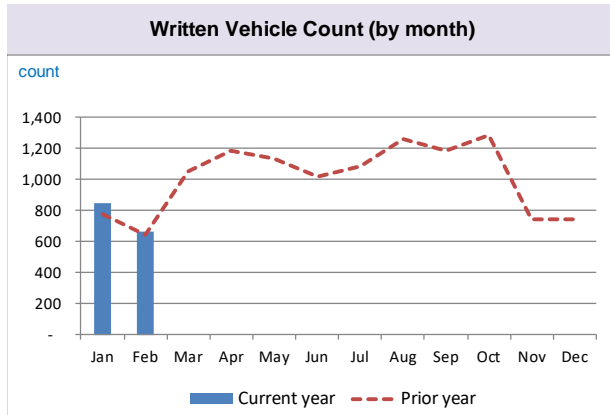
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue or red bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while six transferred more. Of the 6 member company groups transferring fewer vehicles, 2 member company

groups accounted for 70% of the total transfer decrease for the “decliner” members. Of the 6 member company groups transferring more vehicles, 3 member company groups accounted for 94% of the total transfer increase for the “grower” members.

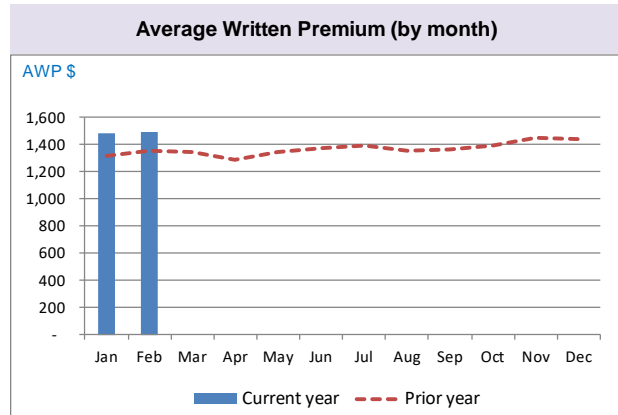


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group),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

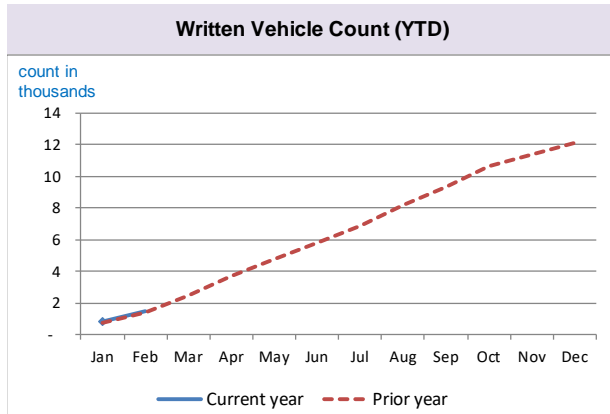
February’s vehicle count transfers to the RSP represent a 3.1% increase from February 2019, and counts were up 6.5% year-to-date. Average written premium was also up 10.4% in February 2020, and up 11.5% year-to-date (see charts at the top of the next page).



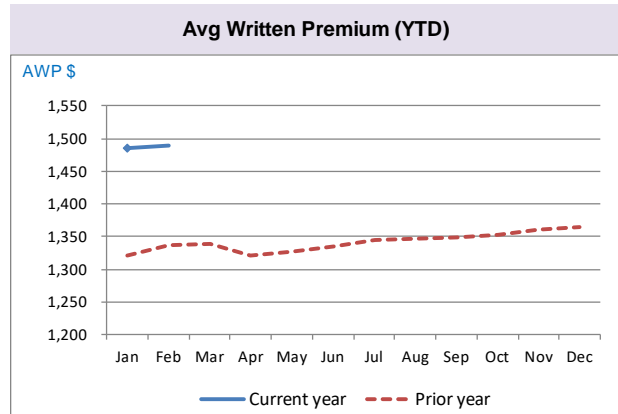
	Feb-20	Feb-19	Amt Chg	% Chg
W. Veh curr mth	660	640	20	3.1%



	Feb-20	Feb-19	Amt Chg	% Chg
AWP curr mth	1,494	1,353	141	10.4%

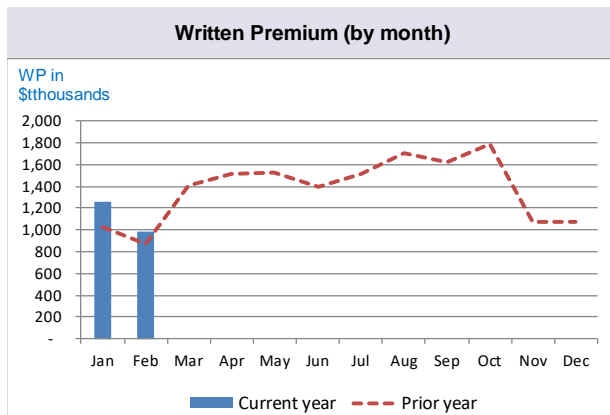


	Feb-20	Feb-19	Amt Chg	% Chg
W. Vehicles YTD	1,504	1,412	92	6.5%

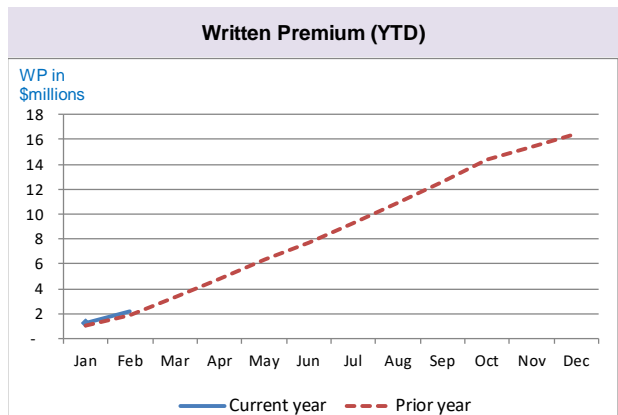


	Feb-20	Feb-19	Amt Chg	% Chg
Avg W. Prem YTD	1,490	1,336	154	11.5%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 13.9% for the month compared with the 29% decrease we projected last month, and was up 18.8% year-to-date (see charts below).



	Feb-20	Feb-19	Amt Chg	% Chg
WP (\$000s) curr mth	986	866	120	13.9%



	Feb-20	Feb-19	Amt Chg	% Chg
WP (\$000s) YTD	2,241	1,886	355	18.8%

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New Brunswick Risk Sharing Pool – February 2020 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 February 2020 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2020

Risk Sharing Pool - New Brunswick

EXHIBIT 1

Operating Results for the 2 Months Ended February 29, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$1,255	\$986	\$2,241	\$22,173	\$16,518
Decrease (Increase) in Unearned Premiums	177	339	516	(2,798)	(735)
Net Premiums Earned	\$1,432	\$1,325	\$2,757	\$19,375	\$15,783
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$14)	(\$30)	(\$44)	(\$44)	\$435
Effect of Discounting	(31)	(61)	(92)	(342)	173
Discounted	(\$45)	(\$91)	(\$136)	(\$386)	\$608
Current Accident Year:					
Undiscounted	\$1,057	\$997	\$2,054	\$14,185	\$11,886
Effect of Discounting	58	45	103	544	392
Discounted	\$1,115	\$1,042	\$2,157	\$14,729	\$12,278
Claims Incurred	\$1,070	\$951	\$2,021	\$14,343	\$12,886
Underwriting Expenses:					
Expense Allowance	\$379	\$298	\$677	\$6,698	\$4,974
Change in UPDR/DPAC:					
Undiscounted	45	85	130	(452)	(309)
Effect of Discounting	(8)	(13)	(21)	141	144
Discounted	37	72	109	(311)	(165)
Underwriting Expenses	\$416	\$370	\$786	\$6,387	\$4,809
Net Underwriting Gain (Loss)	(\$54)	\$4	(\$50)	(\$1,355)	(\$1,912)
Administrative Expenses	\$59	\$85	\$144	\$1,165	\$849
Operating Result	(\$113)	(\$81)	(\$194)	(\$2,520)	(\$2,761)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-3.1%	-6.9%	-4.9%	-2.0%	3.9%
Current Accident Year	77.9%	78.6%	78.2%	76.0%	77.8%
All Accident Years Combined	74.8%	71.7%	73.3%	74.0%	81.7%
Underwriting & Administrative Expenses (Earned)	33.2%	34.3%	33.7%	39.0%	35.8%
Combined Operating Ratio	108.0%	106.0%	107.0%	113.0%	117.5%

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