

NOVA SCOTIA RISK SHARING POOL

OCTOBER 2022 OPERATIONAL REPORT

ACTUARIAL HIGHLIGHTS

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ACTUARIAL HIGHLIGHTS

RSP NOVA SCOTIA

OPERATIONAL REPORT

OCTOBER 2022

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1 Summary

Note to members: this is the quarterly Actuarial Highlights we will release going forward to replace the monthly Actuarial Highlights. The next report will be available for reporting month March 2023 in April 2023, in line with the valuation implementation schedule. Please contact us with any questions or concerns in regards to this matter.

1.1 Valuation Schedule (Fiscal Year 2022)

The October 2022 Operational Report incorporates the results of an updated valuation (as at September 30, 2022) – the impact of the implementation of the valuation is discussed in section 1.2. The following table summarizes the valuation implementations scheduled for fiscal year 2022.

NOVA SCOTIA RISK SHARING POOL FISCAL YEAR 2022 – SCHEDULE OF VALUATIONS			
Valuation Date	Discount Rate (per annum)	Operational Report	Description of Changes
Sep 30, 2021 (completed)	0.19% mfad ¹ 25 bp	Oct. 2021	update valuation (roll-forward): accident year 2021 loss ratio <u>d</u> ecreased 0.8 points to 77.4%; discount rate increased by 10 basis points; no change to selected margins for adverse deviations
Dec. 31, 2021 (completed)	0.76% mfad 25 bp	Mar. 2022	update valuation: accident year 2021 loss ratio no change at 77.4% and accident year 2022 loss ratio <u>i</u> ncreased 0.8 points to 94.7%; discount rate <u>i</u> ncreased 25 basis points; no change to selected margins for adverse deviations
Mar. 31, 2022 (completed)	2.25% mfad 25 bp	May. 2022	update valuation (roll-forward): accident year 2022 loss ratio increased 0.7 points to 95.4%; discount rate increased by 122 basis points; no change to selected margins for adverse deviations
Jun. 30, 2022	3.16% mfad 25 bp	Aug. 2022	update valuation: accident year 2022 loss ratio decreased 6.5 points to 88.9%; discount rate increased by 91 basis point; no change to selected margins for adverse deviations
Sep. 30, 2022	3.53% mfad 25 bp	Oct. 2022	update valuation (roll-forward): accident year 2022 loss ratio increased 0.2 points to 89.1%; discount rate increased by 37 basis points; no change to selected margins for adverse deviations

Under the proposed schedule for fiscal year 2022, the off-half valuation quarters ending

¹ The selected interest rate margin is limited to reducing the selected discount rate to 0%; the approach is that if the net impact is negative, the discount rate will be capped at 0%.

March 31, 2022 and September 30, 2022 would not reflect a full valuation update of assumptions, but would rather roll-forward key assumptions from the previous valuation.

1.2 New Valuation

A valuation of the Nova Scotia Risk Sharing Pool (“RSP”) as at September 30, 2022 has been completed since last month’s Operational Report and the results of that valuation have been incorporated into this month’s Report. The valuation was completed by the Facility Association’s internal actuarial group in conjunction with, and approved by, the Appointed Actuary, under the hybrid model for actuarial services.

The valuation implementation impact is summarized in the following two tables, where the abbreviations PAYS refers to prior accident years, CAY refers to the current accident year (2022), and Prem Def refers to premium deficiency / deferred acquisition costs impacts.

Summary of Impact (\$000s) of Implementing Result of Valuation as at Sep. 30, 2022²

NS	unfav / (fav) for the month and ytd					
	IMPACT in \$000s from changes in:					
	ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	881	44	925	(395)	-	530
CAY	44	18	62	(145)	-	(83)
Prem Def	5	8	13	(71)	-	(58)
TOTAL	930	70	1,000	(611)	-	389

As indicated in the preceding table, the incorporation of the new valuation had an estimated **\$0.4 million unfavourable impact** on the month’s net result from operations, adding an estimated 1.8 points (see following table) from the **year-to-date Combined Operating Ratio** to end at 66.4%. Due to the September valuation being a roll-forward, the unfavourable valuation impact is mainly driven by large loss activity on prior years and partially offset by the increase in discounting.

²In these tables, “PAYS” refers to prior accident years, “CAY” refers to the current accident year, and “Prem Def” refers to the provision for premium deficiency or the deferred policy acquisition asset (as applicable). “Nominal” refers to changes excluding any actuarial present value adjustments, whereas “apv adj.” refers to actuarial present value adjustments.

The columns under the heading “ults & payout patterns” reflect the impact of changes in the valuation selected ultimates and claims payment patterns (i.e. based on unchanged selection of discount rates and margins for adverse deviation). The column “dsct rate” reflects the impact of the change in the selected discount rate and the column “margins” reflects the impact of any changes in selected margins for adverse deviations.

Summary of Impact (% YTD EP) of Implementing Result of Valuation as at Sep. 30, 2022

NS	ytd EP 21,430 (actual)					
	IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	4.1%	0.2%	4.3%	(1.8%)	-	2.5%
CAY	0.2%	0.1%	0.3%	(0.7%)	-	(0.4%)
Prem Def	-	-	0.1%	(0.3%)	-	(0.3%)
TOTAL	4.3%	0.3%	4.7%	(2.9%)	-	1.8%

The impact of the **nominal changes** is shown in column [1] of the two preceding summary tables. The change in the selected nominal ultimates was **unfavourable by \$0.9 million** overall. This reflects the impact attributable to the changes in the selected ultimate loss ratios (i.e. for each accident year, it is the product of life-to-date earned premium for the accident year and the change in the selected ultimate loss ratio). As this quarter is a roll-forward valuation, the impacts are mainly driven by claims development on short-tailed lines of business and on older accident years. Since the impact is relatively small, this indicates that claims are developing more or less as expected.

The **PAYs** overall showed a **\$0.9 million unfavourable** nominal variance or 1.9% of the PAYs nominal unpaid balance of \$48.2 million determined at the end of last month (September 2022), due mainly to unfavourable development on a large loss from 2017.

The CAY and premium deficiency impacts are a result of the change in the selected loss ratio for accident year **2022** (increased 0.2 points to 89.1%), a relatively small change due to unfavourable claims development. Please note that the 2022 accident year loss ratio is expected to increase in 2022 compared to 2021 as the new RSP harmonization rules come into effect, allowing companies to select up to 5% of their personal passenger automobile to cede to the pool at their discretion.

The impacts related to actuarial present value (“apv”) adjustments are split into the impact prior to any change in the selected discount rate and selected margins for adverse deviations or “MfADs” (at the level they were selected i.e. coverage and accident half-year), the impact of then updating the discount rate, and finally the impact of any changes to the MfADs (at the level they were selected). The changes in actuarial present value adjustments are shown in the preceding summary tables in columns [2], [4], and [5].

Column [2] recognizes that changing the nominal selections also changed the unpaid estimates (including changes to the relative mix by government line, which had an impact on the weighted-average MfADs). It also reflects the fact that we updated the projected emergence of claims payments, resulting in a change in the projected cash flows. These changes generated a favourable change of \$70 thousand in the actuarial present value adjustments, prior to any changes in the selected discount rate and/or MfADs.

Updated projected cash flows were reviewed against the risk-free curve calculated monthly by the Fiera Capital Corporation³ as at Sep. 30, 2022, which replaced the previously selected risk-free yield

³ <https://www.fieracapital.com/en/institutional-markets/cia-ifrs-17-curves>

curve, derived from Government of Canada benchmark bond yields. Column [4] accounts for the change in the **discount rate** selected (average discount rate increased 37 basis points to **3.53%**), indicating an favourable impact of \$0.6 million. The impact *related only to claims liabilities* (i.e. PAYs plus CAY) was \$0.5 million at October 2022 – this compares to the \$0.6 million change one would estimate as the impact by interpolation using the interest rate sensitivity table provided in the previous Actuarial Highlights.

Column [5] accounts for any changes to selected MfADs. The selected **investment rate MfAD** was **left unchanged at 25 basis points** and the selected **claims development MfADs** at the coverage and accident year level were also left unchanged (as per our usual practice, development margins are reviewed with the June 30 valuation).

Consideration was given to recent legal decisions and changes in legislation / regulation as noted above and outlined in section 1.4.

1.3 Appointed Actuary and Hybrid Actuarial Services Model

The Annual General Meeting of the members of Facility Association (“FA”) appointed Mr. Cosimo Pantaleo as the Appointed Actuary at its meeting on March 3, 2022.

Facility Association operates under a hybrid model in relation to the management and provision of actuarial services. Under this model, actuarial services are performed by both Facility Association’s internal staff and its external actuarial consulting firm. The hybrid model approach maximizes the efficiency of resource allocation while providing access to additional expertise and capacity as needed.

1.4 Consideration of Recent Legal Decisions and Changes in Legislation / Regulation

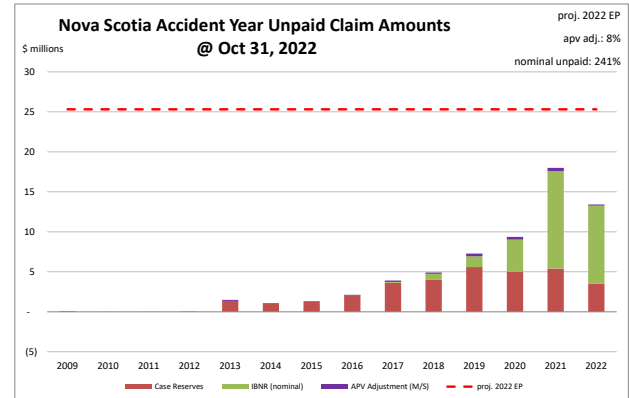
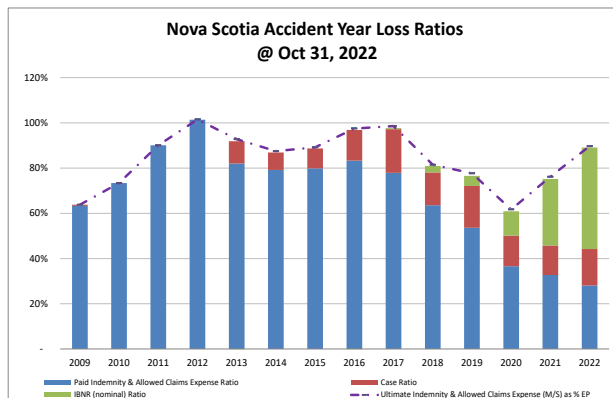
There have been no changes in these descriptions since last Highlights.

Consideration and assessment of potential impacts of legal decisions and changes in legislation / regulation constitutes a regular part of the valuation process. Descriptions of some of the more recent (i.e. within the last five years) changes are provided below.

The **Nova Scotia Court of Appeal** confirmed, in a unanimous decision released on **January 18, 2019** in relation to **Sparks v Holland (2019 NSCA 3)**, that future Canada Pension Plan (CPP) disability benefits are deductible from future income loss awards in motor-vehicle accident claims in that province. Sparks sustained injuries as a result of a motor vehicle accident in Nova Scotia and sought damages for personal injuries and loss of income. The decision supported an earlier decision (Tibbets v Murphy, 2017 NSCA 35) that both past and future CPP disability benefits are deductible under section 133A of the Insurance Act. At the current time, no adjustments have been made to our valuation estimates as a result of this decision, and at this point we do not believe this judgment will have a further impact on our valuation results.

1.5 Current Provision Summary

The following charts show the current levels of claim liabilities⁴ booked by accident year. The left chart displays life-to-date payments, case reserves, IBNR, and the total including actuarial present value adjustments against accident year earned premium. The right chart shows the associated dollar amounts for the components of the claim liabilities and the current projected amount of 2021 full year earned premium (the red hash-mark line) to provide some perspective.



“M/S” refers to “Member Statement” values – that is, actuarial present value adjustments at the selected discount rate.

claim liabilities (\$000s)	amt	%
case	32,853	52.2%
ibnr	28,172	44.7%
M/S apv adjust.	1,932	3.1%
M/S total	62,957	100.0%

The current actuarial present value adjustments balance (\$1.9 million – see the following table) represents 8% of the earned premium projected for the full year 2022 (see the upper right corner of the right chart above). If our current estimates of the nominal unpaid amounts prove to match actual

claims payments, the actuarial present value adjustments will be released into the net operating result over future periods.

The table to the left breaks down the Member Statement (M/S) claim liabilities total into component parts, showing that the majority of the claim liabilities for this RSP is in case reserves. Approximately 78% of the IBNR balance relates to accident years 2021 and 2022 (see Exhibit B). Approximately 84% of the M/S total claim liabilities are related to accident years 2018-2022 inclusive (i.e. the most recent 5 accident years), and just over 0% is related to accident years 2012 and prior (i.e. prior to the most recent 10 accident years).

The following tables summarize the premium liabilities and the total policy liabilities.

⁴Claim liabilities refer to provision for unpaid indemnity and allowed claims expenses. Allowed claims expenses are first party legal and other expenses as listed in the RSP Claims Guide. Claims expenses paid through the member company expense allowance are NOT included in this discussion.

premium liabilities (\$000s)			policy liabilities (\$000s)		
	amt	%		amt	%
unearned prem	8,069	99.1%	claim	61,025	85.8%
prem def/(dpac)	(40)	(0.5%)	premium	8,029	11.3%
M/S apv adjust.	110	1.4%	M/S apv adjust.	2,042	2.9%
M/S total	8,139	100.0%	M/S total	71,096	100.0%

2 Activity since previous valuation implementation

2.1 Recorded Premium and Claims Activity

The following table summarizes the extent to which premiums and claims amounts recorded since the prior implementation differ from the prior projection.

Nova Scotia RSP Actual vs Projected Summary: Recorded Transaction Amounts (\$ thousands)

AY Group	Share Year	Share Month	Actual Earned Premium (000s)	Actual minus Projected Earned Premium (000s)	Actual Paid Claims (000s)	Actual minus Projected Paid Claims (000s)	Actual Recorded Claims (000s)	Actual minus Projected Recorded Claims (000s)
PAY	2022	September	(2)	(2)	1,133	309	866	323
		October	(1)	(1)	1,334	492	(275)	(688)
PAY Total			(3)	(3)	2,467	801	591	(365)
CAY	2022	September	1,503	(172)	770	58	1,180	402
		October	1,349	(253)	711	(111)	569	(510)
CAY Total			2,852	(425)	1,481	(53)	1,749	(108)
Grand Total			2,849	(428)	3,948	748	2,340	(473)

(Recorded transaction amounts exclude IBNR & other actuarial provisions)

Claims transaction activity is generally volatile and changes from one month to the next are anticipated due to this natural “process variance” (i.e. random variation), and this is particularly true where volumes are low as found in this RSP. Each month, the projection variances are reviewed for signs of projection bias and to identify potential ways to reduce the level of the variance. The variances are also reviewed as part of the quarterly valuation process, as an indicator of changes in the claims development process or potential bias in ultimate claims estimates.

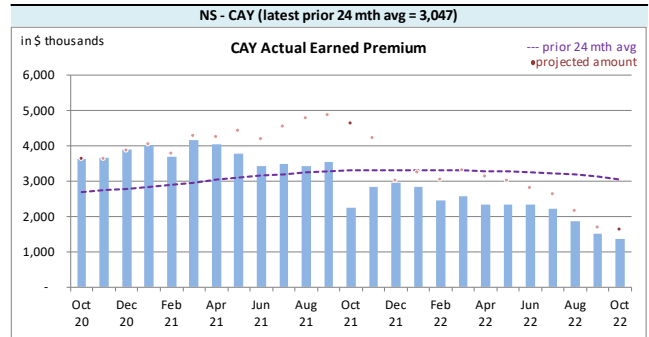
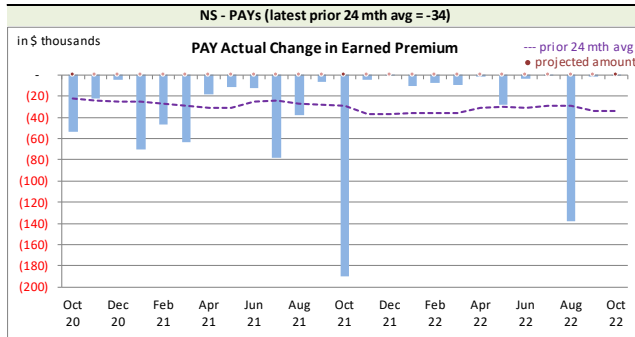
More detailed analysis and commentary on actual vs. projected for the most recent reporting months is provided below.

2.1.a Actual vs. Projected (AvsP): Earned Premium

The following charts show actual **earned premium**⁵ activity in each of the most recent 25 calendar months, along with a “prior 24-month average” to show how each month’s actual compares with the average amount of the preceding 24 calendar months.

⁵Premium is earned on a daily basis based on the transaction term measured in days. As a result, months with 31 days earned relatively more than those with 30 days, and February earns the least.

Nova Scotia RSP Actual **Earned Premium** by Calendar Month



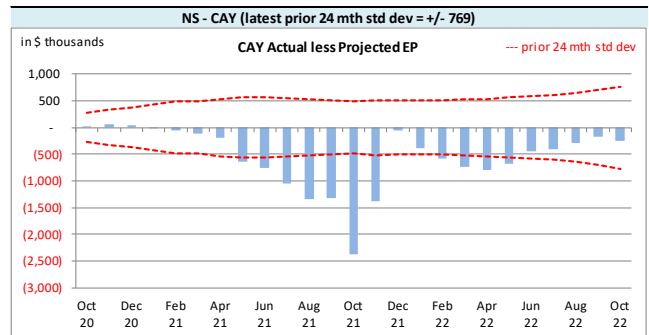
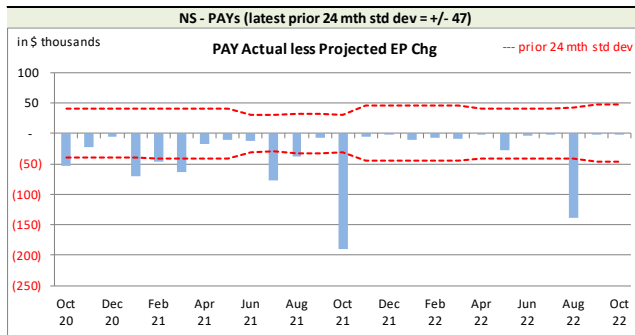
On Latest \$ thousands		
Earned Premium	PAYs	CAY
Mthly Avg EP Chg (prior 24 mths)	(34)	3,047
std dev	47	769
A-P <> std dev	8	11
% <> std dev	32.0%	44.0%
norm <> std dev	31.7%	31.7%
performance vs 24-mth avg:	no better	worse

Earned premium changes during a given calendar month in relation to prior accident years tend to be at modest levels, although relatively high levels generally occur at the beginning of each year.

The associated variance between the actual changes and the projections from the previous month are shown in the following charts. **Earned**

premium change projections are all attributed to the current accident year as the projection upload does not accept **earned premium** changes for other accident years. We do not see this limitation as being significant for our purposes, but it does mean that the actual less projection variance will equal the actual **earned premium** change in relation to prior accident years.

Nova Scotia RSP Actual vs. Projected Summary: **Earned Premium Variances by Calendar Month**



We project **earned premium** changes from known unearned premium balances and projected written premium levels, but upload the total projections as current accident year (CAY). This process has generated prior accident years' (PAYS) bias⁶, with actuals generally lower than projected, although the magnitude is not high relative to monthly premium. In addition to the PAYS' bias, the CAY has also shown bias⁷, with actuals being generally lower than projected, and while we modified our

⁶The PAYS' variances will show bias as the projection upload forces all earned premium projections to be attributed to the CAY.

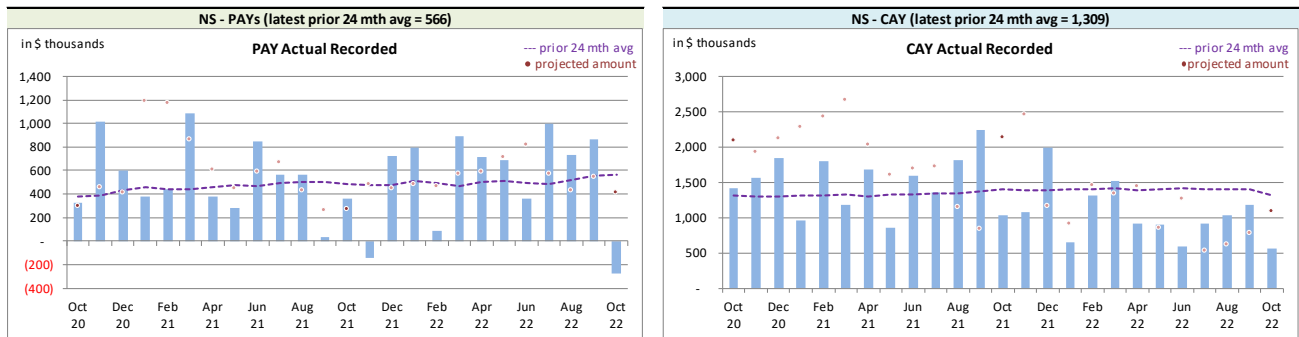
⁷We measure bias based on a 95% confidence range for a binominal distribution with trials based on the range being considered (25 in this case) and 50% probability of success. The rolling 25-month CAY variances at May 2022 has only 7 months where the actuals were higher than projected, and as the 95% confidence range is 8 to 17, bias continues to be indicated.

projections processes in response, bias still exists. Over time, we may consider other projection approaches to address the bias issue, but it is not currently deemed as priority.

2.1.b AvsP: Recorded Indemnity & Allowed Claims Expense

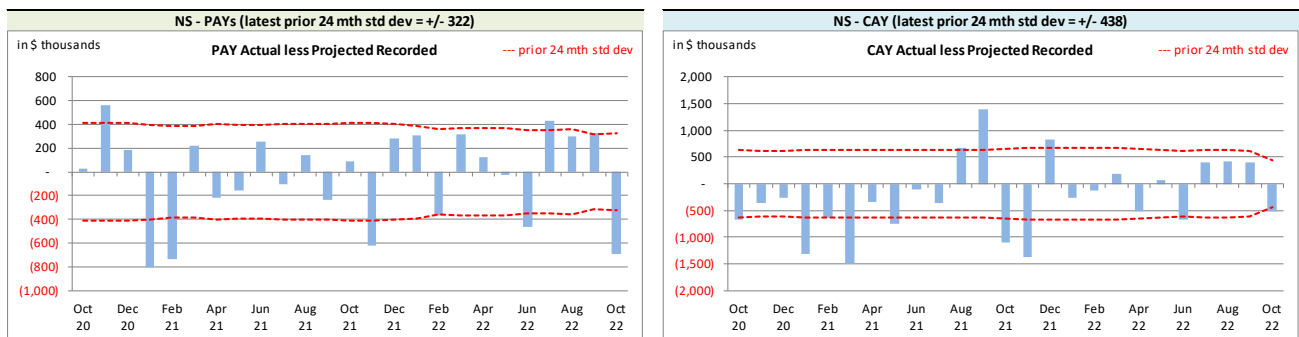
The following charts show actual **recorded** activity (**paid** and case reserve changes), in each of the most recent 25 calendar months, along with a “prior 24-month average” to show how each month’s actual compares with the average amount of the preceding 24 calendar months.

Nova Scotia RSP Actual Recorded by Calendar Month



Recorded activity variances from the previous month’s projections are shown in the following charts, including the “prior 24-month standard deviation” levels to show how the variances from projection compare with historical standard deviations.

Nova Scotia RSP Actual vs Projected Summary: Recorded Variances by Calendar Month



On Latest \$ thousands		
Recorded	PAYs	CAY
Mthly Avg Recorded (prior 24 mths)	566	1,309
std dev	322	438
A-P <> std dev	9	12
% <> std dev	36.0%	48.0%
norm <> std dev	31.7%	31.7%
performance vs 24-mth avg:	no better	worse

With respect to **recorded** indemnity & allowed claims expense activity, caution must be exercised in reviewing the variances as this is a small pool and single claim transactions that are normal course for the business may look unusual and generate relatively significant variances that in nominal value terms are not that significant in relative or

overall terms. That said, 36% of prior accident years’ (PAYs) **recorded** variances over the last 25 calendar months have fallen outside of one standard deviation of the actual **recorded** amounts (see the preceding table), suggesting the projection process has performed worse than simply projecting the prior 24-month average amount (assuming it follows a normal distribution). Bias has

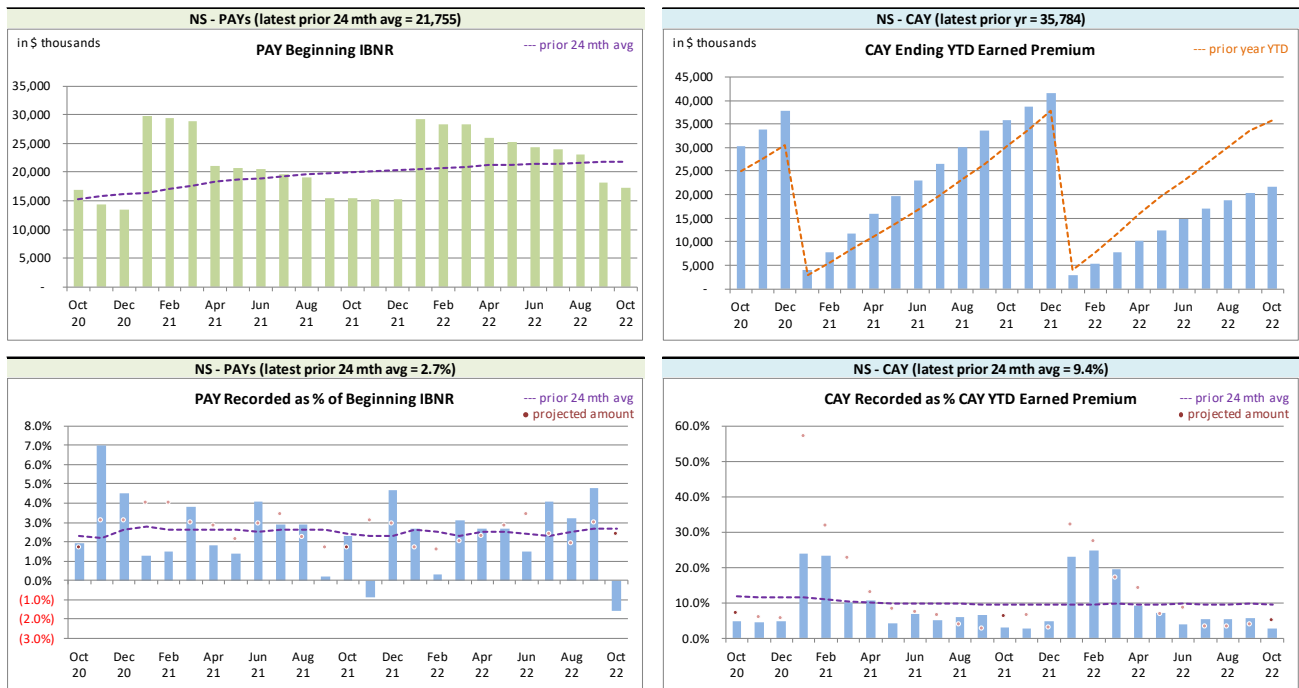
not been indicated at a 95% confidence level on a rolling 25-month basis (14 of 25 variances are positive).

The current accident year (CAY) **recorded** variances fell outside of one standard deviation 48% of the time over the last 25 calendar months (see preceding table on the left), suggesting that the projection process has performed worse than simply projecting the prior 24-month average amount. We are considering ways to improve our projection process as a result, but efforts so far have fallen short. Bias has not been indicated at a 95% confidence level on a rolling 25-month basis (8 of 25 variances are positive).

The method for establishing IBNR adjusts automatically for changes in **earned premium** and **recorded** claims activity level (see sections 2.2 and 3).

We have included, for reference, the following charts related to levels influencing **recorded** activity. Note in particular the increase in the level of PAY beginning IBNR. Part of this will be as a response to valuations and showing up as a beginning IBNR change one month after the valuation is implemented (i.e. April, June, September, and November), and part will also reflect the maturity level of the RSP.

Nova Scotia RSP Levels that influence⁸ Recorded activity by Calendar Month



We track PAY beginning IBNR as **recorded** activity comes out of IBNR. Changes in the PAY beginning IBNR (see upper left of the preceding group of charts) occur for several possible reasons:

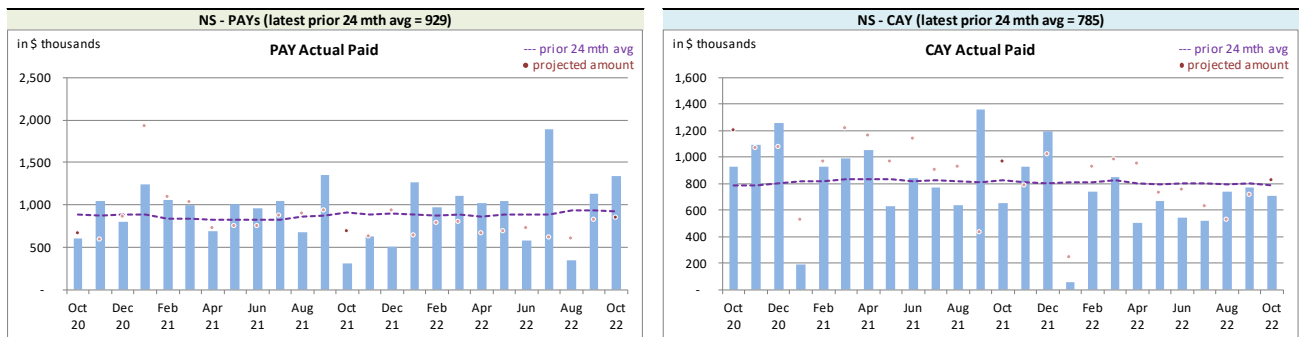
⁸Our recorded activity projections for the prior accident years are based on selected ratios of recorded activity to beginning unpaid balances, whereas the current accident year projections are based on selected ratios of year-to-date IBNR to year-to-date selected ultimate (i.e. selected LR x earned premium), deriving year-to-date recorded as selected ultimate less IBNR. In both cases, the ratio selection is based on our review of the more recent recorded activity and recent AvSP analyses.

- to offset actual **recorded** activity (through loss ratio matching);
- the annual switchover as a CAY becomes a PAY (occurs in January); and
- when a new valuation is implemented, where the valuation resulted in changes to the selection of PAYs’ ultimates (will show up as a beginning IBNR change one month after the valuation is implemented, i.e. the change will generally show in April, June, September, and November).

2.1.c AvsP: Paid Indemnity & Allowed Claims Expense

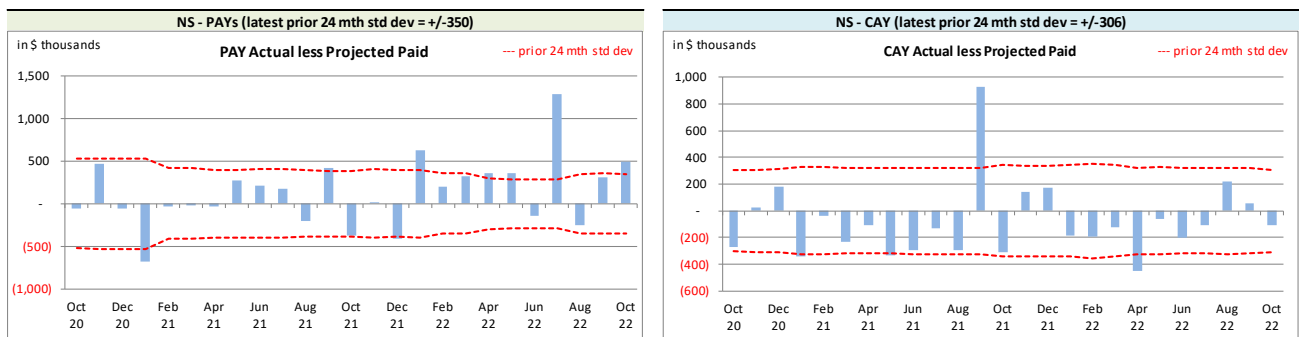
The following charts show actual **paid** activity in each of the most recent 25 calendar months, along with a “prior 24-month average” to show how each month’s actual compares with the average amount of the preceding 24 calendar months.

*Nova Scotia RSP Actual **Paid** by activity Calendar Month*



Paid activity variances from the previous month’s projections are shown in the following charts, including the “prior 24-month standard deviation” levels to show how the variances from projection compare with historical standard deviations.

*Nova Scotia RSP Actual vs Projected Summary: **Paid** Variances by Calendar Month*



With respect to **paid** indemnity & allowed claims expense activity, caution must be exercised in reviewing the variances as this is a small pool and single claim transactions that are normal course for the business may look unusual and generate relatively significant variances that in nominal value terms are not that significant in relative or overall terms. That said, 32% of the prior accident years’ (PAYs) variances over the last 25 calendar months have fallen outside of one standard deviation of the actual **paid** amounts (see preceding table on the left), suggesting the projection process has

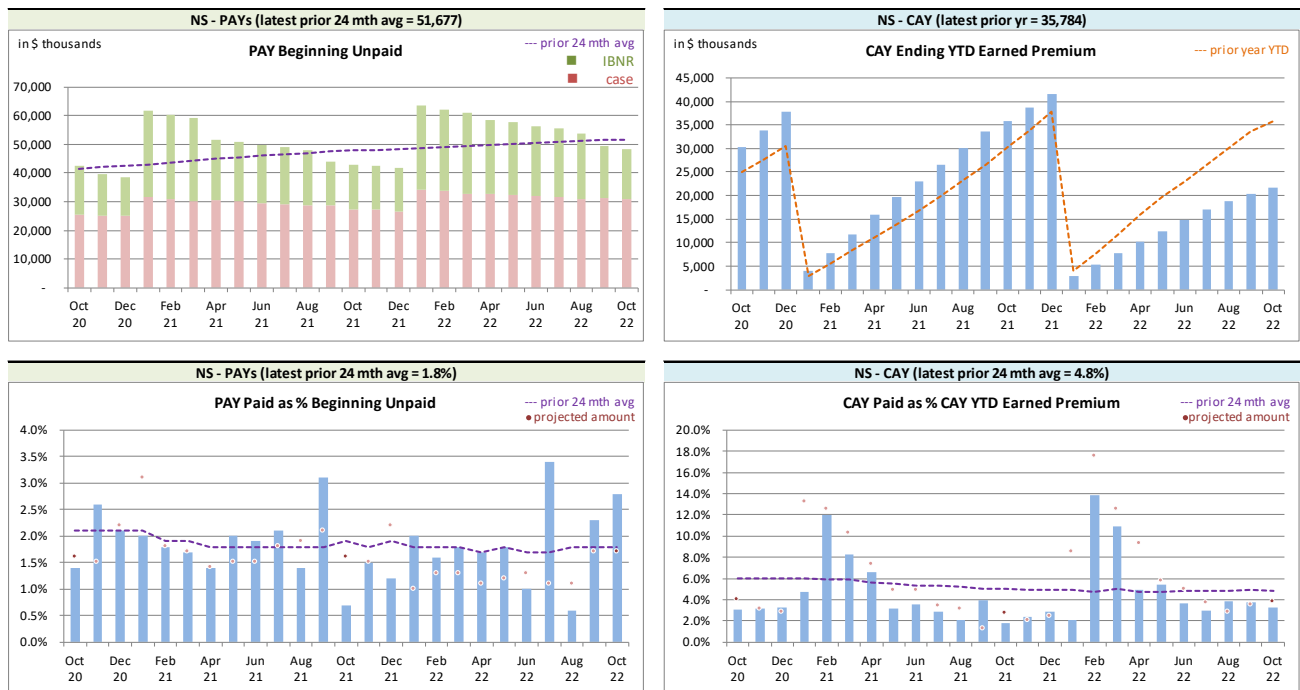
performed better than simply projecting the prior 24-month average amount (assuming it follows a normal distribution). Bias has been indicated at a 95% confidence level on a rolling 25-month basis (14 of 25 variances are positive).

On Latest \$ thousands			
	Paid	PAYs	CAY
Mthly Avg Paid (prior 24 mths)		929	785
std dev		350	306
A-P <> std dev		8	4
% <> std dev		32.0%	16.0%
norm <> std dev		31.7%	31.7%
performance vs 24-mth avg:	no better		better

The current accident year (CAY) **paid** variances fell outside of one standard deviation 16% of the time over the last 25 calendar months (see the preceding table), suggesting that the projection process has performed no better than simply projecting the prior 24-month average amount. Bias has not been indicated at a 95% confidence level on a rolling 25-month basis (7 of 25 variances are positive).

We have included, for reference, the following charts related to levels influencing **paid** activity. Both case and IBNR increases contribute to the increase of PAY beginning unpaid. This is somewhat expected, given the maturity level of the RSP.

Nova Scotia RSP Levels that influence⁹ Paid activity by Calendar Month



We track the PAY beginning unpaid balance (case and IBNR) as **paid** activity comes out of the unpaid balance. Changes in the PAY beginning unpaid balance (see upper left of the preceding group of charts) occur for several possible reasons:

⁹Our paid projections for the prior accident years are based on selected ratios of paid to beginning unpaid balances, whereas the current accident year projections are based on selected ratios of year-to-date paid to year-to-date selected ultimate indemnity (i.e. selected LR x earned premium). In both cases, the ratio selection is based on our review of the more recent recorded activity and recent AvsP analyses.

- to offset actual **paid** activity (may reduce case or IBNR or both);
- the annual switchover as a CAY becomes a PAY (occurs in January); and
- when a new valuation is implemented, where the valuation resulted in changes to the selection of PAYs' ultimates (will show up as a beginning unpaid balance change one month after the valuation is implemented, i.e. the change will generally show in April, June, September, and November).

2.2 Actuarial Provisions

An ultimate loss ratio matching method (described in section 3) was used to determine the month's IBNR¹⁰, and factors were applied to the nominal unpaid claims liability (case plus IBNR) to determine the discount amount (shown as a negative value to indicate its impact of reducing the liability) and the Provisions for Adverse Deviations. The loss ratios and the factors used to determine the current month's provisions and projections were based on the applicable valuation.

Exhibit G shows the accident year IBNR amount change from last month to this month broken down into:

- (i) the change projected last month;
- (ii) the additional change due to variances in earned premium (because we apply a loss ratio to earned premium in determining ultimate level) and/or recorded claims (as IBNR is calculated as ultimate less recorded) differences; and
- (iii) the additional change due to valuation implementation impacts (as applicable)

3 Ultimate Loss Ratio Matching Method

An "ultimate loss ratio matching method" continues to be applied to the current month and two projected months shown in the Operational Reports, with IBNR determined by accident year as follows:

- (a) Earned premium to-date
- (b) Ultimate loss¹¹ ratio per latest valuation
- (c) Estimated ultimate incurred = (a) x (b)
- (d) Recorded indemnity & allowed claims expense to-date
- (e) IBNR = (c) – (d)

4 Calendar Year-to-Date Results

The following table summarizes the calendar year-to-date results for indemnity & allowed claims

¹⁰For ease of discussion, "IBNR" is used in place of "provisions for incurred but not recorded (IBNR) and development".

¹¹"Loss" here refers to indemnity and allowed claims expenses, but does not include the claims expense allowance included in member company overall expense allowances ("Expense Allowance" in the Operational Report).

expenses¹², including IBNR.

In calculating the amounts as percentages of earned premium, the calendar year-to-date earned premium has been used, which includes not only the earned premium associated with the current accident year, but also earned premium adjustments related to prior accident years. Specifically, the current accident year (CAY) ratio in the table is 89.9% rather than 89.1% (the valuation ultimate ratio for accident year 2022), as the calendar year-to-date earned premium includes prior accident year earned premium adjustments. (Note that the ratios in this table may differ slightly from those shown in the Nova Scotia RSP Summary of Operations due to rounding.)

Nova Scotia RSP Calendar Year-to-Date Indemnity & Allowed Claims Expense Summary (\$ thousands)

Table 04	YTD Nominal Values		YTD actuarial present value adjustment		YTD Total		Change from Prior Month YTD	
	Amount	% EP	Amount	% EP	Amount	% EP	Amount	LR pts
PAYs	(4,956)	(23.0%)	(4,718)	(21.9%)	(9,674)	(44.9%)	476	5.3%
CAY	19,381	89.9%	141	0.7%	19,522	90.6%	1,127	(0.5%)
TOTAL	14,426	66.9%	(4,577)	(21.2%)	9,849	45.7%	1,603	4.9%

(" % EP " based on 2022 calendar year-to-date earned premium; ratios may not total due to rounding)

In general, prior accident years (PAYs) changes from last month are due to the release of the actuarial present value adjustments with claims payments, except when valuations are implemented. The loss ratio change year-to-date in Table 04 reflects not only changes in the prior accident year levels, but also the increase in the calendar year-to-date earned premium with an additional month’s earned premium, and due to the impact of valuation implementation.

For the current accident year (CAY), changes in the year-to-date total reflects the additional month’s exposure and regular changes to actuarial present value adjustments as the year ages, and due to the impact of valuation implementation.

5 Current Operational Report – Additional Exhibits

Section 6 provides exhibits pertaining to the actuarial provisions reflected in the current month’s Operational Report.

IBNR (including actuarial present value adjustments) presented in section 6, Exhibit A, were derived on a discounted basis, and therefore reflect the time value of money and include an explicit provision for adverse deviations in accordance with accepted actuarial practice in Canada.

IBNR presented in section 6, Exhibit B, does NOT include any actuarial present value adjustments. The “Total IBNR” from this exhibit is shown in the Operational Report as “Undiscounted IBNR”.

The ultimate loss ratios detailed in section 6, Exhibit B, refer to the estimates derived on the basis of various actuarial methodologies applied to the experience of the Nova Scotia Risk Sharing Pool for the purposes of the most recent quarterly valuation. As discussed in section 3, IBNR reflected in the current month’s Operational Report was derived as the difference between the estimated ultimate

¹²Allowed claims expenses are first party legal and other expenses as listed in the RSP Claims Guide. Claims expenses paid through the member company expense allowance are NOT included in this analysis.

for the claims amount (i.e. earned premium x ultimate loss ratio) and the associated current recorded amounts (life-to-date payments plus current case reserves).

6 EXHIBITS

The exhibits listed below are provided on the pages that follow:

- EXHIBIT A IBNR for Member Sharing – includes Actuarial Present Value Adjustments
- EXHIBIT B IBNR
- EXHIBIT C Premium Liabilities
- EXHIBIT D Projected Year-end Policy Liabilities
- EXHIBIT E Discount Rate & Margins for Adverse Deviations
- EXHIBIT F Interest Rate Sensitivity
- EXHIBIT G Components of IBNR Change During Month

EXHIBIT A

IBNR for Member Sharing – includes Actuarial Present Value Adjustments

TABLE EXHIBIT A

		Amounts in \$000s							
IBNR + M/S actuarial present value adjustments	Accident Year	Actual Sep. 2022	Actual Oct. 2022	Projected Nov. 2022	Projected Dec. 2022	Projected Jan. 2023	Projected Feb. 2023	Projected Mar. 2023	Projected Dec. 2023
	2009	12	12	12	12	12	12	12	11
	2010	4	4	4	4	4	4	4	4
	2011	4	4	4	4	4	4	4	4
	2012	34	5	5	5	5	5	5	5
	2013	118	115	114	113	66	66	66	57
	2014	71	81	80	80	92	91	90	82
	2015	37	79	79	78	97	96	95	87
	2016	138	85	85	84	101	100	99	86
discount rate 3.53%	2017	(806)	261	257	254	276	268	264	234
	2018	464	917	905	882	881	839	824	704
	2019	2,004	1,698	1,661	1,637	1,657	1,616	1,578	1,265
interest rate margin 25 basis pts	2020	4,700	4,343	4,217	4,092	4,149	4,088	4,008	3,135
	2021	12,659	12,586	12,208	11,848	11,894	11,719	11,491	8,788
	2022	9,360	9,918	10,148	11,069	10,968	10,805	10,589	8,543
	TOTAL	28,795	30,104	29,775	30,158	30,881	31,031	31,193	33,210
	Change		1,309	(329)	383	723	150	162	

Please see Exhibit G, page 1 for Components of Change during Current Month

EXHIBIT B

IBNR

TABLE EXHIBIT B

Amounts in \$000s

IBNR	Ultimate Loss Ratio	Accident Year	Actual Sep. 2022	Actual Oct. 2022	Projected Nov. 2022	Projected Dec. 2022	Projected Jan. 2023	Projected Feb. 2023	Projected Mar. 2023	Projected Dec. 2023
	63.8%	2009	5	5	5	5	5	5	5	5
	73.4%	2010	4	4	4	4	4	4	4	4
	90.1%	2011	4	4	4	4	4	4	4	4
	101.5%	2012	31	4	4	4	4	4	4	4
	91.9%	2013	(7)	(9)	(9)	(9)	(8)	(8)	(8)	(8)
	86.9%	2014	(10)	2	2	2	2	2	2	2
	88.7%	2015	(39)	5	5	5	5	5	5	5
	96.8%	2016	25	(18)	(17)	(17)	(16)	(15)	(15)	(15)
	97.7%	2017	(949)	99	96	95	89	84	82	69
	80.9%	2018	247	763	755	739	691	652	639	537
	76.6%	2019	1,607	1,362	1,328	1,315	1,302	1,266	1,233	986
	60.8%	2020	4,265	4,006	3,886	3,769	3,731	3,675	3,601	2,773
	75.2%	2021	12,060	12,172	11,807	11,453	11,281	11,112	10,890	8,259
	89.1%	2022	9,103	9,777	10,000	10,911	10,693	10,533	10,322	8,309
		TOTAL	26,342	28,172	27,866	28,276	28,449	28,616	28,794	30,939
		Change		1,830	(306)	410	173	167	178	

Please see Exhibit G, page 2 for Components of Change during Current Month

EXHIBIT C

Premium Liabilities

TABLE EXHIBIT C

Premium Liabilities	Amounts in \$000s							
	Actual Sep. 2022	Actual Oct. 2022	Projected Nov. 2022	Projected Dec. 2022	Projected Jan. 2023	Projected Feb. 2023	Projected Mar. 2023	Projected Dec. 2023
(1) unearned premium (UP)	8,099	8,069	9,039	8,909	9,721	10,589	11,624	15,094
FOR MEMBER SHARING								
(2) expected future costs ratio {% of (1)}	99.6%	100.9%	101.6%	104.7%	104.8%	104.9%	104.8%	104.9%
(3) expected future costs {(1) x (2)}	8,069	8,139	9,187	9,331	10,192	11,103	12,187	15,827
(4) premium deficiency / (deferred policy acquisition cost)	(30)	70	148	422	471	514	563	733
Excluding Actuarial Present Value Adjustments								
(5) expected future costs ratio {% of (1)}	97.5%	99.5%	100.3%	103.3%	103.4%	103.5%	103.4%	103.5%
(6) expected future costs {(1) x (5)}	7,899	8,029	9,064	9,205	10,056	10,954	12,024	15,615
(7) premium deficiency / (deferred policy acquisition cost)	(200)	(40)	25	296	335	365	400	521

EXHIBIT D

Projected Year-end Policy Liabilities

The table below presents the projected policy liabilities as at December 31, 2022, broken down by component.

Nova Scotia		Projected Balances as at Dec. 31, 2022 (\$000s)									
ending 2022		nominal values			actuarial present value adjustments (apvs)						TOTAL
Acc Yr	Case	IBNR	Total Unpaid	discount	investment PfAD	nominal development PfAD	development PfAD discount	development PfAD	Total apvs	TOTAL	
2009	66	5	71	-	-	7	-	7	7	78	
2010	-	4	4	-	-	-	-	-	-	4	
2011	-	4	4	-	-	-	-	-	-	4	
2012	6	4	10	-	-	1	-	1	1	11	
2013	1,342	(9)	1,333	(11)	1	133	(1)	132	122	1,455	
2014	997	2	999	(22)	2	100	(2)	98	78	1,077	
2015	1,211	5	1,216	(47)	3	122	(5)	117	73	1,289	
2016	1,978	(17)	1,961	(92)	6	196	(9)	187	101	2,062	
2017	3,572	95	3,667	(201)	13	367	(20)	347	159	3,826	
2018	3,706	739	4,445	(291)	19	444	(29)	415	143	4,588	
2019	5,339	1,315	6,654	(469)	31	818	(58)	760	322	6,976	
2020	4,897	3,769	8,666	(703)	46	1,067	(87)	980	323	8,989	
2021	5,337	11,453	16,790	(1,573)	102	2,059	(193)	1,866	395	17,185	
PAYs (sub-total):	28,451	17,365	45,816	(3,409)	223	5,314	(404)	4,910	1,724	47,540	
CAY (2022)	4,091	10,911	15,002	(1,518)	98	1,756	(178)	1,578	158	15,160	
claims liabilities:	32,542	28,276	60,818	(4,927)	321	7,070	(582)	6,488	1,882	62,700	
	Unearned Premium	Premium Deficiency / (DPAC)	Total Provision	discount	investment PfAD	nominal development PfAD	development PfAD discount	development PfAD	Total apvs	TOTAL*	
premium liabilities:	8,909	296	9,205	(758)	49	911	(76)	835	126	9,331	
policy liabilities:			70,023	(5,685)	370	7,981	(658)	7,323	2,008	72,031	

*Total may not be sum of parts, as apvs apply to future costs within UPR

EXHIBIT E

Discount Rate & Margins for Adverse Deviations

The tables below present selected margins for adverse development by coverage (the total is a weighted average, based on the unpaid claims projection for December 31, 2022 from the valuation), followed by the selected discount rate and the associated margin for investment income.

Accident Year	Selected Claims Development MfADs			
	Third Party Liability	Accident Benefits	Other Coverages	Total
	Margins	Margins	Margins	Margins
2005	10.0%	10.0%	10.0%	10.0%
2006	10.0%	10.0%	10.0%	10.0%
2007	10.0%	10.0%	10.0%	10.0%
2008	10.0%	10.0%	10.0%	10.0%
2009	10.0%	10.0%	10.0%	10.0%
2010	10.0%	10.0%	10.0%	10.0%
2011	10.0%	10.0%	10.0%	10.0%
2012	10.0%	10.0%	10.0%	10.0%
2013	10.0%	10.0%	10.0%	10.0%
2014	10.0%	10.0%	10.0%	10.0%
2015	10.0%	10.0%	10.0%	10.0%
2016	10.0%	10.0%	10.0%	10.0%
2017	10.0%	10.0%	10.0%	10.0%
2018	10.0%	10.0%	10.0%	10.0%
2019	12.5%	10.0%	12.4%	12.3%
2020	12.5%	10.0%	12.5%	12.3%
2021	12.5%	10.0%	12.3%	12.3%
2022	12.4%	10.0%	5.4%	11.7%
2023	12.0%	10.0%	5.1%	10.0%
prem liab	12.0%	10.0%	5.1%	10.0%

discount rate: 3.53%
margin (basis points): 25

*prem liabilities as at 2022m09

EXHIBIT F

Interest Rate Sensitivity

The tables below present sensitivity to the member statement claims liability as projected to Dec. 31, 2022 from the latest valuation date (projections in exhibits A to D are to Dec. 31, 2022, and are based on more up-to-date information). We have included the most recent valuation selection (3.53%), the prior valuation assumption (3.17%) and the prior fiscal year end valuation assumption (0.19%) for comparative purposes. A 25 basis point margin for investment return adverse deviation is used in all scenarios presented.

Actuarial Present Value of Provisions at Various Discount Rates - Dec. 31, 2022 projected Unpaid								
AY	2.53%	3.03%	3.53%	4.03%	4.53%	5.03%	3.16%	0.78%
2005 & prior	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	0	0	0	0	0	0	0	0
2013	1,335	1,333	1,331	1,330	1,328	1,327	1,333	1,340
2014	489	488	486	484	483	481	487	495
2015	1,264	1,257	1,250	1,243	1,237	1,231	1,255	1,289
2016	1,886	1,874	1,861	1,849	1,837	1,825	1,870	1,932
2017	3,843	3,813	3,784	3,754	3,726	3,698	3,806	3,953
2018	5,196	5,148	5,099	5,052	5,006	4,961	5,135	5,375
2019	6,941	6,871	6,802	6,735	6,669	6,604	6,853	7,199
2020	9,164	9,057	8,953	8,850	8,750	8,652	9,030	9,560
2021	17,885	17,642	17,405	17,174	16,949	16,729	17,580	18,786
2022	16,573	16,328	16,090	15,858	15,633	15,414	16,265	17,485
Total	64,577	63,810	63,062	62,331	61,618	60,921	63,614	67,414
	curr - 100 bp	curr - 50 bp	curr val assumption	curr + 50bp	curr + 100bp	curr + 150bp	prior val assumption	prior fyr end assumption

Dollar Impact Relative to Valuation Assumption								
AY	2.53%	3.03%	3.53%	4.03%	4.53%	5.03%	3.16%	0.78%
Total	1,515	748	-	(731)	(1,444)	(2,141)	552	4,352
	curr - 100 bp	curr - 50 bp	curr val assumption	curr + 50bp	curr + 100bp	curr + 150bp	prior val assumption	prior fyr end assumption

Percentage Impact Relative to Valuation Assumption								
AY	2.53%	3.03%	3.53%	4.03%	4.53%	5.03%	3.16%	0.78%
2005 & prior	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2005	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2006	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2007	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2008	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2009	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2010	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2011	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2012	1.2%	0.6%	0.0%	-0.6%	-1.2%	-1.8%	0.4%	3.4%
2013	0.2%	0.1%	0.0%	-0.1%	-0.2%	-0.4%	0.1%	0.7%
2014	0.6%	0.3%	0.0%	-0.3%	-0.6%	-0.9%	0.2%	1.8%
2015	1.1%	0.5%	0.0%	-0.5%	-1.1%	-1.6%	0.4%	3.1%
2016	1.3%	0.7%	0.0%	-0.7%	-1.3%	-1.9%	0.5%	3.8%
2017	1.6%	0.8%	0.0%	-0.8%	-1.5%	-2.3%	0.6%	4.5%
2018	1.9%	0.9%	0.0%	-0.9%	-1.8%	-2.7%	0.7%	5.4%
2019	2.0%	1.0%	0.0%	-1.0%	-2.0%	-2.9%	0.7%	5.8%
2020	2.4%	1.2%	0.0%	-1.1%	-2.3%	-3.4%	0.9%	6.8%
2021	2.8%	1.4%	0.0%	-1.3%	-2.6%	-3.9%	1.0%	7.9%
2022	3.0%	1.5%	0.0%	-1.4%	-2.8%	-4.2%	1.1%	8.7%
2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.4%	1.2%	0.0%	-1.2%	-2.3%	-3.4%	0.9%	6.9%
	curr - 100 bp	curr - 50 bp	curr val assumption	curr + 50bp	curr + 100bp	curr + 150bp	prior val assumption	prior fyr end assumption

EXHIBIT G

Components of Member Statement IBNR (i.e. “Discounted”) Change
(September 2022 to October 2022)

RSP Nova Scotia
AccountCode Desc IBNR - Discounted

M/S IBNR - in \$000s

AccYear	Sum of Prior Month Actual Amount	Sum of Projected Change	Sum of Change Due to AvsP Variances	Sum of Change Due to Valuation Implementation	Sum of Total Change	Sum of % Total Change	Sum of Current Month Final Amount
prior	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	(1)	-	-	-	-	-	(1)
2008	(3)	-	-	-	-	-	(3)
2009	12	-	-	-	-	-	12
2010	4	-	-	-	-	-	4
2011	4	-	-	-	-	-	4
2012	35	(2)	1	(29)	(30)	(85.7%)	5
2013	121	(2)	(3)	(1)	(6)	(5.0%)	115
2014	90	(4)	(16)	11	(9)	(10.0%)	81
2015	58	-	(19)	40	21	36.2%	79
2016	142	(6)	(26)	(25)	(57)	(40.1%)	85
2017	76	25	(871)	1,031	185	243.4%	261
2018	378	(26)	486	79	539	142.6%	917
2019	1,990	(88)	(82)	(122)	(292)	(14.7%)	1,698
2020	4,682	(184)	160	(315)	(339)	(7.2%)	4,343
2021	12,774	(746)	697	(139)	(188)	(1.5%)	12,586
2022	9,191	1,086	(276)	(83)	727	7.9%	9,918
Grand Total	29,553	53	51	447	551	1.9%	30,104

EXHIBIT G

Components of IBNR (i.e. “Undiscounted”) Change
(September 2022 to October 2022)

RSP Nova Scotia
AccountCode Desc IBNR - Undiscounted

IBNR - in \$000s

AccYear	Sum of Prior Month Actual Amount	Sum of Projected Change	Sum of Change Due to AvsP Variances	Sum of Change Due to Valuation Implementation	Sum of Total Change	Sum of % Total Change	Sum of Current Month Final Amount
prior	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	(1)	-	-	-	-	-	(1)
2008	(3)	-	-	-	-	-	(3)
2009	5	-	-	-	-	-	5
2010	4	-	-	-	-	-	4
2011	4	-	-	-	-	-	4
2012	32	(2)	1	(27)	(28)	(87.5%)	4
2013	(4)	-	(5)	-	(5)	125.0%	(9)
2014	(9)	-	(2)	13	11	(122.2%)	2
2015	(18)	2	(21)	42	23	(127.8%)	5
2016	28	(2)	(29)	(15)	(46)	(164.3%)	(18)
2017	(91)	31	(843)	1,002	190	(208.8%)	99
2018	156	(9)	506	110	607	389.1%	763
2019	1,587	(79)	(85)	(61)	(225)	(14.2%)	1,362
2020	4,247	(170)	153	(224)	(241)	(5.7%)	4,006
2021	12,169	(727)	689	41	3	0.0%	12,172
2022	8,946	1,057	(270)	44	831	9.3%	9,777
Grand Total	27,052	101	94	925	1,120	4.1%	28,172