

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022-092

DATE: November 29, 2022

SUBJECT: Nova Scotia Risk Sharing Pool – October 2022 Operational Report

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

Please be advised that the October 2022 Nova Scotia Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **October 2022 premium written** was \$1.3 million, higher than prior year by \$1.9 million. The **2022 year-to-date premium written** was \$13.9 million lower than prior year by \$16.5 million; and
- (b) The **October 2022 operating results** were a *deficit* of \$0.8 million. The **2022 year-to-date operating results** were a *surplus* of \$7.1 million; and
- (c) The **October 2022 combined operating ratio** was 162.6%, higher than prior year by 17.0 percentage points. The **2022 year-to-date combined operating ratio** was 67.0%, lower than prior year by 1.7 percentage points.
- (d) The implementation of the **2022 Q3 Valuation**, generated **\$0.4 million unfavourable impact** for the month, increasing the COR by 28.9 percentage points.

Summary of Financial Results

NS RSP Summary of Financial Results

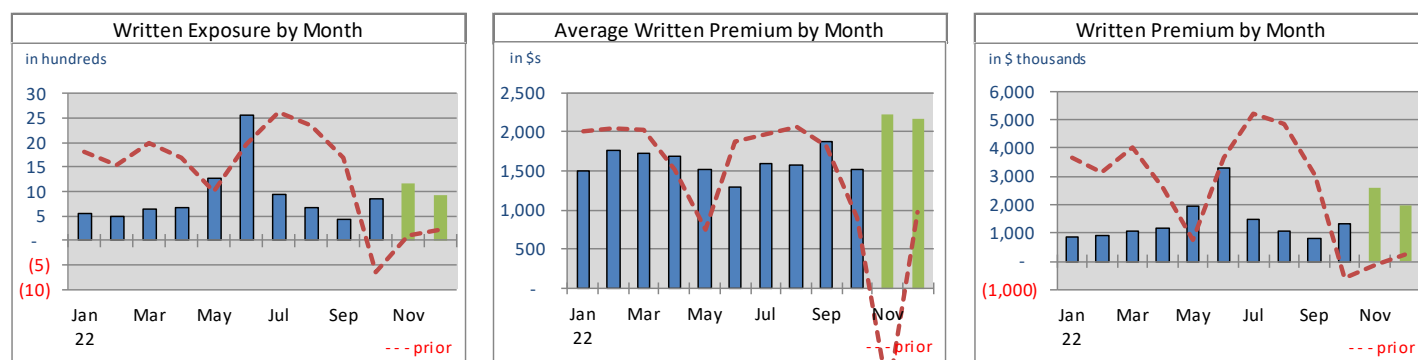
NS RSP 2022 Summary Amounts in \$000s	Actual (October 2022)	Projection (October 2022)	Prior Year (October 2021)	2022 year-to-date as at 10 months	2021 year-to-date as at 10 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	1,318	2,854	(582)	13,863	30,364	18,463	33,322	30,440
Premium Earned	1,348	1,602	2,056	21,550	35,249	25,310	34,102	41,021
Incurred Losses	1,603	1,397	1,458	9,849	17,070	13,149	33,089	21,759
Underwriting & Admin Expense	589	935	331	4,580	7,111	6,268	11,771	8,254
Expense allowance	386	836	(186)	4,055	9,497	5,404	9,766	9,521
Premium Deficiency / (DPAC)	100	30	407	(446)	(3,220)	(94)	1,193	(2,319)
Administrative Expenses	103	69	110	971	834	958	812	1,052
Net Result from Operations	(844)	(730)	267	7,121	11,068	5,893	(10,758)	11,008
Ratios:								
Loss ratio - Prior Accident Years	35.3%	(2.4%)	(1.1%)	(44.9%)	(35.6%)	(38.5%)	(3.5%)	(30.7%)
- Current Accident Year	83.6%	89.6%	72.0%	90.6%	84.1%	90.4%	100.5%	83.8%
Total	118.9%	87.2%	70.9%	45.7%	48.5%	51.9%	97.0%	53.1%
Underwriting & Admin Expense	43.7%	58.4%	16.1%	21.3%	20.2%	24.8%	34.5%	20.1%
Expense allowance	28.6%	52.2%	(9.0%)	18.8%	26.9%	21.4%	28.6%	23.2%
Premium Deficiency / (DPAC)	7.4%	1.9%	19.8%	(2.1%)	(9.1%)	(0.4%)	3.5%	(5.7%)
Administrative Expenses	7.6%	4.3%	5.4%	4.5%	2.4%	3.8%	2.4%	2.6%
Combined Operating Ratio	162.6%	145.6%	87.0%	67.0%	68.7%	76.7%	131.5%	73.2%

rounding differences may occur

*as posted to FA's website Dec. 24, 2021

Premium

The **premium drivers** compared to prior year and The Outlook to year-end are:



The vehicle count transfer for October 2022 was 862 vehicles, which was higher than prior year and also below our projection. The lower than prior year count, is primarily driven by changes in the cession strategy by one member company group.

The October 2022 average premium was above prior year. Premium written was also higher the prior year but lower than The Outlook.

Incurred Losses

Incurred losses in October 2022 were \$1.6 million, and loss ratio was at 118.9%, up 31.7 percentage points compared with the projection and up 48.0 percentage points compared with prior year.

This variance from projection was largely driven by the 2022 Q3 valuation being implemented in the month, generating an unfavourable impact of \$447 thousand on the year-to-date losses. This impact is mainly driven by unfavourable development on Prior Accident Year claims (in this case, a single large loss from 2017). For more information on the valuation impact please refer to the Actuarial Highlights.

NS RSP Summary of 2022 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
Nova Scotia					
PAYs (2021 & prior)	530	39.3%	2.5%	539	2.9%
CAY (2022)	(83)	(6.2%)	(0.4%)	(98)	(0.5%)
PAYs & CAY	447	33.1%	2.1%	441	2.4%
Premium Deficiency / (DPAC)	(58)	(4.3%)	(0.3%)	(73)	(0.4%)
Total	389	28.9%	1.8%	368	2.0%

Underwriting and Admin Expenses

Expenses for October 2022 include,

- Expense Allowance: \$0.4 million for October 2022 compared to projection at \$0.8 million and prior year at -\$0.2 million. The allowance is approximately 29% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Change in Premium Deficiency / (DPAC): Premium deficiency of \$100 thousand compared to projected premium deficiency of \$30 thousand and prior year premium deficiency of \$407 thousand.
- Administrative Expenses were in line with projection and prior year.

Projection to year-end 2022

Projections to year-end 2022 have been updated using the 2022 Q3 valuation assumptions which generated an estimated unfavourable impact of \$0.4 million on the full year results.

Compared with The Outlook, written premium has decreased by \$14.9 million to \$18.5 million.

The updated year-end 2022 operating surplus is now \$5.9 million and the combined operating ratio is 76.7%; 54.9 percentage points below The Outlook.

Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related links:
[Nova Scotia RSP Summary of Operations - Calendar Year 2022](#)

*10 month ended October 2022 (discounted basis)