

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022-042

DATE: June 29, 2022

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

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

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

Highlights

- (a) The **May 2022 premium written** was \$1.9 million, higher than prior year by \$1.2 million. The **2022 year-to-date premium written** was \$5.9 million lower than prior year by \$8.3 million; and
- (b) The **May 2022 operating results** were a *surplus* of \$1.8 million. The **2022 year-to-date operating results** were a *surplus* of \$2.6 million; and
- (c) The **May 2022 combined operating ratio** was 23.2%, lower than prior years by 51.3 percentage points. The **2022 year-to-date combined operating ratio** was 79.2%, higher than prior year by 12.8 percentage points.
- (d) The implementation of the **2022 Q1 valuation**, generated **\$2.2 million favourable impact** for the month, reducing the month COR by 102.1 percentage points; and
- (e) As per the annual process for the RSPs, member share ratios have been updated to reflect recent market share information

Summary of Financial Results

NS RSP Summary of Financial Results

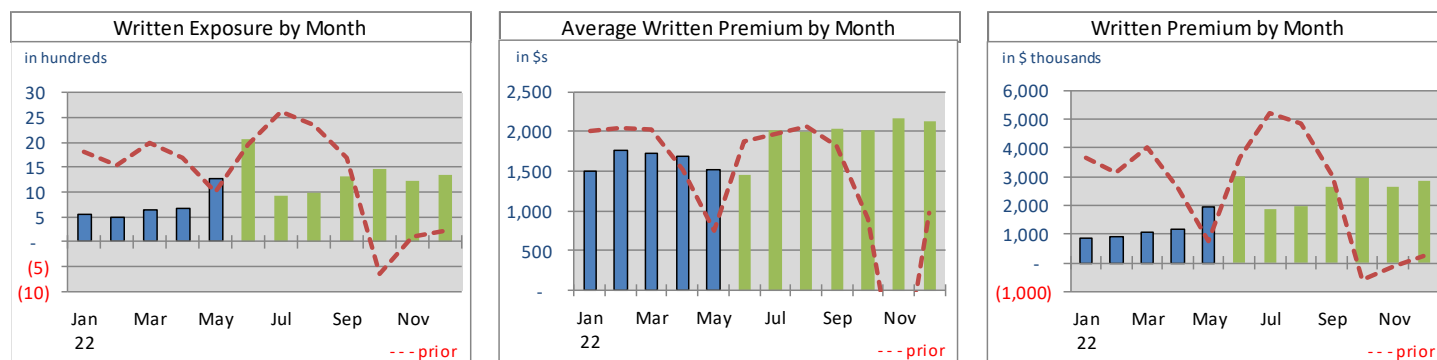
NS RSP 2022 Summary Amounts in \$000s	Actual (May 2022)	Projection (May 2022)	Prior Year (May 2021)	2022 year-to-date as at 5 months	2021 year-to-date as at 5 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	1,931	3,702	746	5,908	14,160	23,888	33,322	30,440
Premium Earned	2,294	2,993	3,773	12,451	19,470	27,474	34,102	41,021
Incurred Losses	95	2,947	2,806	8,092	10,672	22,483	33,089	21,759
Underwriting & Admin Expense	438	1,342	3	1,765	2,256	8,043	11,771	8,254
Expense allowance	565	1,084	233	1,728	4,432	6,997	9,766	9,521
Premium Deficiency / (DPAC)	(206)	168	(303)	(363)	(2,542)	232	1,193	(2,319)
Administrative Expenses	79	90	73	400	366	814	812	1,052
Net Result from Operations	1,761	(1,296)	964	2,594	6,542	(3,052)	(10,758)	11,008
Ratios:								
Loss ratio - Prior Accident Years	(86.9%)	(2.2%)	(15.3%)	(34.4%)	(44.0%)	(17.0%)	(3.5%)	(30.7%)
- Current Accident Year	91.0%	100.7%	89.7%	99.4%	98.8%	98.9%	100.5%	83.8%
Total	4.1%	98.5%	74.4%	65.0%	54.8%	81.9%	97.0%	53.1%
Underwriting & Admin Expense	19.1%	44.8%	0.1%	14.2%	11.6%	29.3%	34.5%	20.1%
Expense allowance	24.6%	36.2%	6.2%	13.9%	22.8%	25.5%	28.6%	23.2%
Premium Deficiency / (DPAC)	(9.0%)	5.6%	(8.0%)	(2.9%)	(13.1%)	0.8%	3.5%	(5.7%)
Administrative Expenses	3.4%	3.0%	1.9%	3.2%	1.9%	3.0%	2.4%	2.6%
Combined Operating Ratio	23.2%	143.3%	74.5%	79.2%	66.4%	111.2%	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 May 2022 was 1279 vehicles, which was higher than prior year while lower than the projection, this is mostly driven by the decrease in usage by one member of the pool. The Outlook expected an increase in usage due to the increase in vehicle transfer limit to 5% as well as expanding the eligibility criteria to allow all private passenger use vehicles from the current restriction for inexperienced operators.

The May 2022 average premium was above prior years. Premium written was also above the prior year but still below The Outlook.

Incurred Losses

Incurred losses in May 2022 were \$0.1 million, and loss ratio was at 4.1%, down 94.4 percentage points compared with the projection and down 70.3 percentage points compared with prior year. This variance from projection was largely driven by the 2022 Q1 valuation being implemented in the month, generating a favourable impact of \$2.1 million of the year-to-date losses. This impact is mainly driven by increased discount rate on year-to-date, particularly for the recent quarter for Prior Accident Year. For more information on the

valuation impact please refer to the Actuarial Highlights.

NS RSP Summary of 2022 Q1 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)	(1,874)	(81.7%)	(7.9%)	(1,711)	(8.4%)
CAY (2022)	(242)	(10.5%)	(1.0%)	(475)	(2.3%)
PAYs & CAY	(2,116)	(92.2%)	(8.9%)	(2,186)	(10.7%)
Premium Deficiency / (DPAC)	(226)	(9.9%)	(1.0%)	(395)	(1.9%)
Total	(2,342)	(102.1%)	(9.9%)	(2,581)	(12.7%)

Underwriting and Admin Expenses

Expenses for May 2022 include,

- Expense Allowance: \$0.6 million for May 2022 compared to projection at \$1.1 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.
- Premium Deficiency / (DPAC): DPAC of \$0.2 million compared to projected Premium Deficiency of \$0.2 million and prior year DPAC of \$0.3 million.
- Administrative Expenses were in line with projection and prior year.

Projection to year-end 2022

Projections to year-end 2022 has been updated using the 2022 Q1 valuation assumption which generated and estimated favourable impact of \$2.6 million on the full year results.

Compared with The Outlook, written premium has decreased by \$9.4 million to \$23.9 million.

The updated year-end 2022 operating deficit is now \$3.1 million and the combined operating ratio is 111.2%; 20.3 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](#)

*Q4 month ended May 2022 (discounted basis)

[Nova Scotia RSP Operational Report – Actuarial Highlights](#)

*For additional details on Actuarial vs Projected variance, IBNR, and Valuation