

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-092

DATE: November 29, 2021

SUBJECT: Nova Scotia Risk Sharing Pool – October 2021 Operational Report

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

Please be advised that the October 2021 Nova Scotia Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **October 2021 premium written for the month was -\$0.6 million**, \$5.8 million lower compared with prior year, mainly driven by one member company transferring business out of the pool;
- (b) The **2021 year-to-date net operating surplus was \$11.1 million**, resulting in a COR of 68.7% on earned premium of \$35.2 million; and
- (c) The implementation of the **2021 Q3 valuation**, generated **\$0.3 million favourable impact** for the month, decreasing the COR by 15.5 percentage points.

Summary of Financial Results

NS RSP Summary of Financial Results

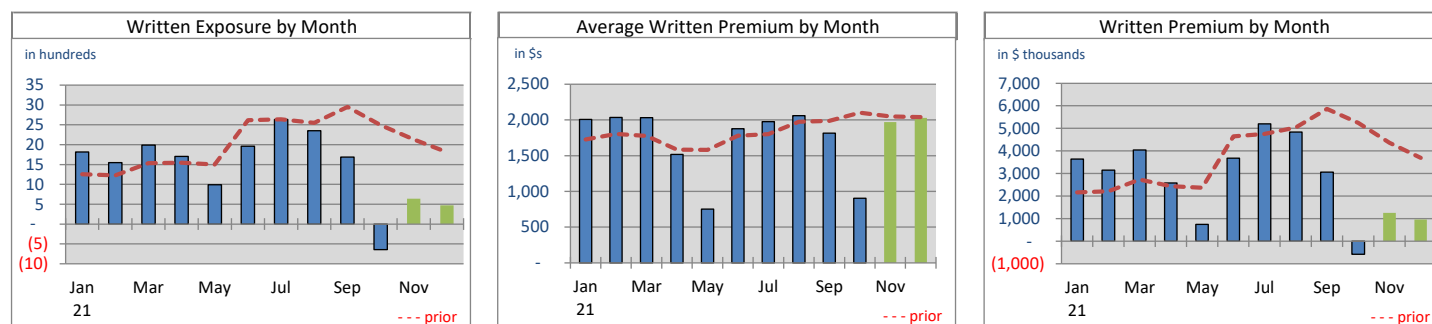
| NS RSP 2021 Summary Amounts in \$000s | Actual (October 2021) | Projection (October 2021) | Prior Year (October 2020) | 2021 year-to-date as at 10 months | 2020 year-to-date as at 10 months | 2021 year-end Projection | Outlook* Full year 2021 |
|---|---------------------------------|-------------------------------------|-------------------------------------|---|---|------------------------------------|-----------------------------------|
| Premium Written | (582) | 3,434 | 5,244 | 30,363 | 37,467 | 32,580 | 54,582 |
| Premium Earned | 2,056 | 4,608 | 3,561 | 35,249 | 29,887 | 41,523 | 49,597 |
| Incurred Losses | 1,460 | 3,803 | 1,102 | 17,071 | 23,766 | 22,136 | 51,756 |
| Underwriting & Admin Expense | 331 | 1,826 | 2,268 | 7,113 | 13,311 | 8,787 | 20,526 |
| Expense allowance | (186) | 1,075 | 1,663 | 9,499 | 11,883 | 10,191 | 17,303 |
| Premium Deficiency / (DPAC) | 407 | 656 | 488 | (3,220) | 690 | (2,238) | 1,717 |
| Administrative Expenses | 110 | 95 | 117 | 834 | 738 | 834 | 1,506 |
| Net Result from Operations | 265 | (1,021) | 191 | 11,065 | (7,190) | 10,600 | (22,685) |
| Ratios: | | | | | | | |
| Loss ratio - Prior Accident Years | (1.0%) | (1.5%) | (67.2%) | (35.6%) | (16.7%) | (30.6%) | (3.0%) |
| - Current Accident Year | 72.0% | 84.0% | 98.2% | 84.1% | 96.2% | 83.9% | 107.3% |
| Total | 71.0% | 82.5% | 31.0% | 48.5% | 79.5% | 53.3% | 104.3% |
| Underwriting & Admin Expense | 16.1% | 39.6% | 63.7% | 20.2% | 44.5% | 21.2% | 41.4% |
| Combined Operating Ratio | 87.1% | 122.1% | 94.7% | 68.7% | 124.0% | 74.5% | 145.7% |

rounding differences may occur

**as posted to FA's website Nov. 18, 2020*

Premium

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



October's vehicle count transfer was negative 644 vehicles, representing a 125.8% decrease compared with prior year; counts were down 21.0% year-to-date. The projection for October from prior month anticipated for an decrease of 889 vehicles, however the actual came in 2,250 lower than projected, driven primarily by one member company groups transferring business out of the pool.

Both average written premium and written premium is in line with prior year.

Incurred Losses

Incurred losses in October 2021 were \$1.5 million, \$2.3 million lower than our projection from last month, \$0.4 million higher compared with the same month from last year. The variance from projection was driven by the 2021 Q3 valuation being implemented in the month, generating a favourable impact of \$0.2 million on the month and year-to-date losses. This impact is driven by minimal change from the prior valuation driven by slightly lower than expected claims emergence during the quarter.

NS RSP Summary of 2021 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 (2020 & prior) | 163 | 7.9% | 0.5% | 162 | 0.8% |
| CAY (2021) | (387) | (18.8%) | (1.1%) | (445) | (2.2%) |
| PAYs & CAY | (224) | (10.9%) | (0.6%) | (283) | (1.4%) |
| Premium Deficiency / (DPAC) | (94) | (4.6%) | (0.3%) | (37) | (0.2%) |
| Total | (318) | (15.5%) | (0.9%) | (320) | (1.6%) |

Reported losses in October 2021 were \$1.0 million higher than projected. The Current Accident Year had a \$1.1 million favourable variance in reported losses, and the Prior Accident Years had a \$0.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses year to date continue to be below prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses

Expenses for October 2021 include,

- Expense Allowance: \$0.2 million for October 2021 compared to projection at \$1.1 million and prior year at \$1.7 million. The allowance is approximately 32% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Premium Deficiency / (DPAC): Premium Deficiency of \$0.4 million for October 2021, compared to

projected \$0.7 million and prior year at \$0.5 million.

- Administrative Expense: \$0.1 million for October 2021, fairly in line with projection and prior year.

Expense ratios year-to-date was lower than prior year driven by the combined effect of the following:

- **Lower overall expenses** driven by the favourable valuation impact on premium deficiency reserve booked in the year
- **Higher earned premium** driven by the past continuous increase in written premium

Projection to year-end 2021

Compared with the Outlook released in November 2020, written premium has decreased \$22.0 million to \$32.6 million mainly driven by the reduction in premium year to date as well as the updated premium projections received from the main users of the Nova Scotia Risk Sharing Pool. As a result of the change in projected written premium, earned premium also decreased by \$8.1 million to \$41.5 million.

The updated year-end 2021 operating surplus is now \$10.6 million and the combined operating ratio is 74.5%. The improvement of \$33.3 million in operating result and 71.2 percentage points in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption with reduced loss ratios.

Should you require any further information, please call Sheetal Savani, VP Finance, Compliance and CFO at (416) 863-1750 x5626.

Saskia Matheson
President & CEO

Related links:

[Nova Scotia RSP Summary of Operations - Calendar Year 2021](#)

*10 months ended October 2021 (discounted basis)

[Nova Scotia RSP August 2021 Operational Report – Actuarial Highlights](#)

*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)