

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-084

DATE: October 28, 2021

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

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

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

Highlights

- (a) The **September 2021 premium written for the month was \$3.1 million**, \$2.8 million lower compared with prior year; and
- (b) The **2021 year-to-date net operating surplus was \$10.8 million**, with the \$0.8 million in deficit generated in September, resulting in a COR of 67.4% on earned premium of \$33.2 million.

Summary of Financial Results

NS RSP Summary of Financial Results

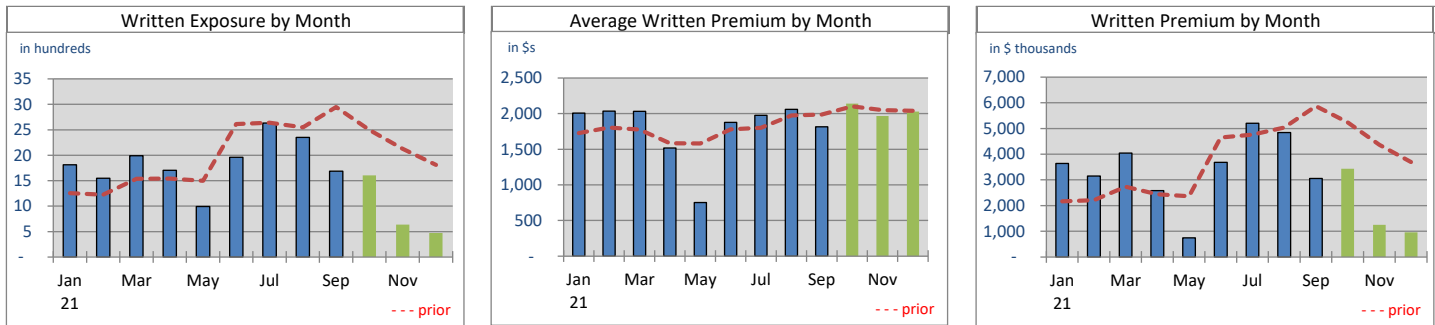
NS RSP 2021 Summary Amounts in \$000s	Actual (September 2021)	Projection (September 2021)	Prior Year (September 2020)	2021 year-to-date as at 9 months	2020 year-to-date as at 9 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	3,059	3,949	5,864	30,945	32,223	36,593	54,582
Premium Earned	3,534	4,857	3,353	33,193	26,327	43,635	49,597
Incurred Losses	2,781	4,050	3,009	15,611	22,664	24,355	51,756
Underwriting & Admin Expense	1,512	1,971	2,419	6,782	11,043	10,181	20,526
Expense allowance	957	1,236	1,859	9,685	10,220	11,451	17,303
Premium Deficiency / (DPAC)	452	626	495	(3,627)	202	(2,132)	1,717
Administrative Expenses	102	109	65	724	620	862	1,506
Net Result from Operations	(759)	(1,164)	(2,075)	10,800	(7,380)	9,099	(22,685)
Ratios:							
Loss ratio - Prior Accident Years	(3.8%)	(1.9%)	(3.8%)	(37.8%)	(9.9%)	(29.3%)	(3.0%)
- Current Accident Year	82.5%	85.3%	93.5%	84.8%	96.0%	85.1%	107.3%
Total	78.7%	83.4%	89.7%	47.0%	86.1%	55.8%	104.3%
Underwriting & Admin Expense	42.8%	40.6%	72.2%	20.4%	41.9%	23.3%	41.4%
Combined Operating Ratio	121.5%	124.0%	161.9%	67.4%	128.0%	79.1%	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:



September's vehicle count transfer was 1,686 vehicles, representing a 42.8% decrease compared with prior year; counts were still down 6.4% year-to-date. The projection for September from prior month anticipated for a decrease of 1,231 vehicles, in line with the month's count transfer.

Average premium showed a moderate decrease compared with prior year. Premium written was also below prior year and projection driven by the reduction in vehicles transferred to the pool.

Incurred Losses

Incurred losses in September 2021 were \$2.8 million, \$1.3 million lower than our projection from last month and \$0.2 million lower compared with the same month from last year.

Reported losses in September 2021 were \$1.2 million higher than projected. The Current Accident Year had a \$1.4 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.2 million favourable 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 September 2021 include,

- **Expense Allowance:** \$1.0 million for September 2021 compared to projection at \$1.2 million and prior year at \$1.9 million. The allowance is approximately 31% of written premium. Decreases from projection and prior year are consistent with decreases in written premium.
- **Premium Deficiency / (DPAC):** Premium Deficiency of \$0.5 million for September 2021, compared to projection at \$0.6 million and prior year at \$0.5 million.
- **Administrative Expense:** \$0.1 million for September 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 \$18.0 million to \$36.6 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 \$6.0 million to \$43.6 million.

The updated year-end 2021 operating surplus is now \$9.1 million and the combined operating ratio is 79.1%. The improvement of \$31.8 million in operating result and 66.6 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](#)

*9 months ended September 2021 (discounted basis)