

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-078

DATE: September 29, 2021

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

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

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

Highlights

- (a) The **August 2021 premium written for the month was \$4.8 million**, \$0.2 million lower compared with prior year;
- (b) The **2021 year-to-date net operating surplus was \$11.6 million**, resulting in a COR of 61.1% on earned premium of \$29.7 million; and
- (c) The implementation of the **2021 Q2 valuation**, generated **\$9.7 million favourable impact** for the month, decreasing the COR by 286.7 percentage points.

Summary of Financial Results

NS RSP Summary of Financial Results

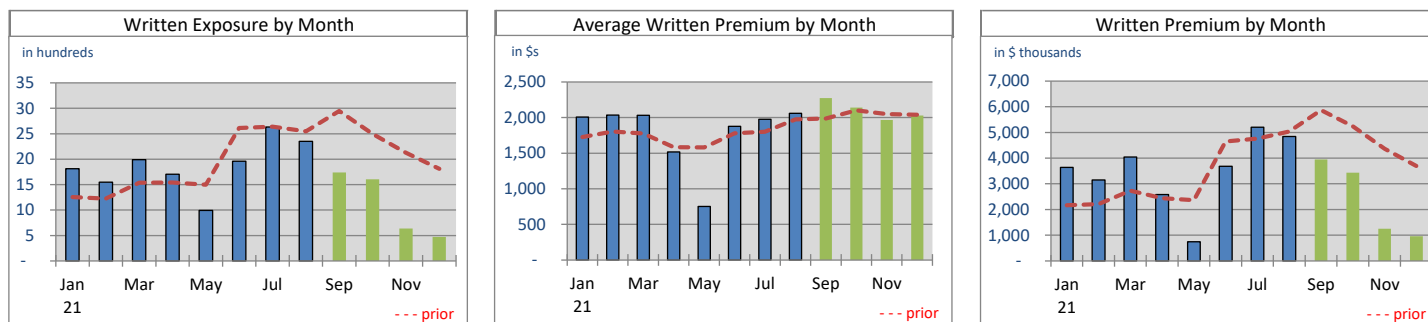
NS RSP 2021 Summary Amounts in \$000s	Actual (August 2021)	Projection (August 2021)	Prior Year (August 2020)	2021 year-to-date as at 8 months	2020 year-to-date as at 8 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	4,842	4,156	5,036	27,886	26,359	37,483	54,582
Premium Earned	3,379	4,756	3,261	29,659	22,974	43,974	49,597
Incurred Losses	(4,286)	4,552	(3,186)	12,830	19,655	24,673	51,756
Underwriting & Admin Expense	(316)	1,618	4	5,269	8,624	10,503	20,526
Expense allowance	1,514	1,301	1,597	8,726	8,361	11,730	17,303
Premium Deficiency / (DPAC)	(1,915)	202	(1,655)	(4,079)	(293)	(2,111)	1,717
Administrative Expenses	84	115	63	622	555	884	1,506
Net Result from Operations	7,981	(1,414)	6,443	11,560	(5,305)	8,798	(22,685)
Ratios:							
Loss ratio - Prior Accident Years	(105.7%)	(2.0%)	(117.2%)	(41.8%)	(10.8%)	(28.9%)	(3.0%)
- Current Accident Year	(21.2%)	97.7%	19.5%	85.1%	96.3%	85.1%	107.3%
Total	(126.9%)	95.7%	(97.7%)	43.3%	85.5%	56.2%	104.3%
Underwriting & Admin Expense	(9.4%)	34.0%	0.1%	17.8%	37.5%	23.9%	41.4%
Combined Operating Ratio	(136.3%)	129.7%	(97.6%)	61.1%	123.0%	80.1%	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:



August's vehicle count transfer was 2,351 vehicles, representing a 7.8% decrease compared with prior year; counts were still up 0.9% year-to-date. The projection for August from prior month anticipated for an decrease of 345 vehicles, however the actual came in 147 higher than projected, driven primarily by one member company groups transferring less than their projection.

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

Incurred Losses

Incurred losses in August 2021 were \$4.3 million, \$8.8 million lower than our projection from last month, \$1.1 million lower compared with the same month from last year. The variance from projection was driven by the 2021 Q2 valuation being implemented in the month, generating a favourable impact of \$7.5 million on the month and year-to-date losses. This impact is mainly driven by the reduced loss ratios due to COVID-19 assumption update.

NS RSP Summary of 2021 Q2 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/yt	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)	(3,465)	(102.5%)	(14.9%)	(3,423)	(16.3%)
CAY (2021)	(4,056)	(120.0%)	(17.5%)	(5,870)	(28.0%)
PAYs & CAY	(7,521)	(222.5%)	(32.4%)	(9,293)	(44.3%)
Premium Deficiency / (DPAC)	(2,167)	(64.1%)	(9.3%)	(774)	(3.7%)
Total	(9,688)	(286.7%)	(41.7%)	(10,067)	(48.1%)

Reported losses in August 2021 were \$0.8 million higher than projected. The Current Accident Year had a \$0.7 million unfavourable 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 August 2021 include,

- Expense Allowance: \$1.5 million for August 2021 compared to projection at \$1.3 million and prior year at \$1.6 million. The allowance is approximately 31% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Premium Deficiency / (DPAC): DPAC of \$1.9 million for August 2021, compared to projected premium

deficiency at \$0.2 million and prior year DPAC at \$1.7 million.

- Administrative Expense: \$0.1 million for August 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 \$17.1 million to \$37.5 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 \$5.6 million to \$44.0 million.

The updated year-end 2021 operating surplus is now \$8.8 million and the combined operating ratio is 80.1%. The improvement of \$31.5 million in operating result and 65.6 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 August 2021 Operational Report – Actuarial Highlights](#)

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

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

*8 months ended August 2021 (discounted basis)