

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-058

DATE: July 29, 2021

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

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

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

Highlights

- (a) The **June 2021 premium written for the month was \$3.7 million**, \$1.0 million lower compared with prior year;
- (b) The **2021 year-to-date net operating surplus was \$5.4 million**, with a COR of 76.6% on earned premium of \$22.9 million;

Summary of Financial Results

NS RSP Summary of Financial Results

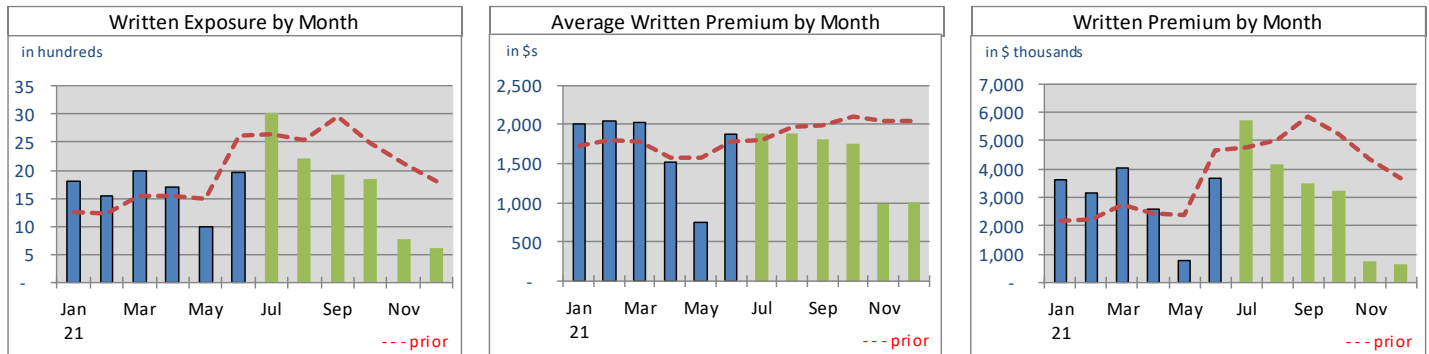
NS RSP 2021 Summary Amounts in \$000s	Actual (June 2021)	Projection (June 2021)	Prior Year (June 2020)	2021 year-to-date as at 6 months	2020 year-to-date as at 6 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	3,681	5,259	4,647	17,840	16,568	35,791	54,582
Premium Earned	3,409	4,180	2,760	22,878	16,610	44,104	49,597
Incurred Losses	3,210	3,970	2,921	13,882	19,576	34,072	51,756
Underwriting & Admin Expense	1,381	1,977	1,903	3,636	6,676	10,667	20,526
Expense allowance	1,152	1,646	1,474	5,584	5,256	11,201	17,303
Premium Deficiency / (DPAC)	151	186	354	(2,391)	1,001	(1,475)	1,717
Administrative Expenses	78	145	75	443	417	941	1,506
Net Result from Operations	(1,182)	(1,767)	(2,064)	5,360	(9,642)	(635)	(22,685)
Ratios:							
Loss ratio - Prior Accident Years	(3.3%)	(1.9%)	(3.3%)	(37.9%)	8.6%	(20.9%)	(3.0%)
- Current Accident Year	97.5%	96.9%	109.2%	98.6%	109.3%	98.1%	107.3%
Total	94.2%	95.0%	105.9%	60.7%	117.9%	77.2%	104.3%
Underwriting & Admin Expense	40.5%	47.3%	68.9%	15.9%	40.2%	24.2%	41.4%
Combined Operating Ratio	134.7%	142.3%	174.8%	76.6%	158.1%	101.4%	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:



June's vehicle count transfer was 1,962 vehicles, representing a 24.9% decrease compared with prior year, however, counts were still up 3.4% year-to-date. The projection anticipated for an increase of 206 vehicles, however the actual came in 858 lower than projected, driven primarily by two member companies transferring less than their projection.

Average premium was in line with prior year. Premium written was below prior year and projection driven by the reduction in vehicles transferred to the pool.

Incurred Losses

Incurred losses in June 2021 were \$3.2 million, \$0.8 million lower than our projection from last month, while \$0.3 million higher compared with the same month from last year.

Reported losses in June 2021 were \$0.1 million higher than projected. The Current Accident Year had an approximately \$0.1 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$0.2 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 June 2021 include,

- Expense Allowance: \$1.2 million for June 2021 compared to projection at \$1.6 million and prior year at \$1.5 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 \$0.2 million for June 2021, in line with projection and compared to prior year at \$0.4 million.
- Administrative Expense: \$0.1 million for June 2021, in line with projection and prior year.

Expense ratio for the month was lower than both projection and prior year was due to the reduction in expense allowance driven by reduced written premium. The lower expense ratio year to date compared with prior year was primarily driven by the favourable valuation impact on premium deficiency reserve booked in the year.

Projection to year-end 2021

Compared with the Outlook released in November 2020, written premium has decreased \$18.8 million to

\$35.8 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 \$5.5 million to \$44.1 million.

The updated year-end 2021 operating deficit is now \$0.6 million and the combined operating ratio is 101.4%. The improvement of \$22.1 million in operating result and 44.3 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](#)

*6 months ended June 2021 (discounted basis)