

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-046

DATE: June 29, 2021

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

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

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

Highlights

- (a) The **May 2021 premium written for the month was \$0.7 million**, \$1.6 million lower compared with prior year;
- (b) The **2021 year-to-date net operating surplus was \$6.5 million**, with a COR of 66.4% on earned premium of \$19.5 million;
- (c) The implementation of the **2021 Q1 valuation**, generated **\$1 million favourable impact** for the month, reducing the month COR by 31.4 percentage points; and
- (d) 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

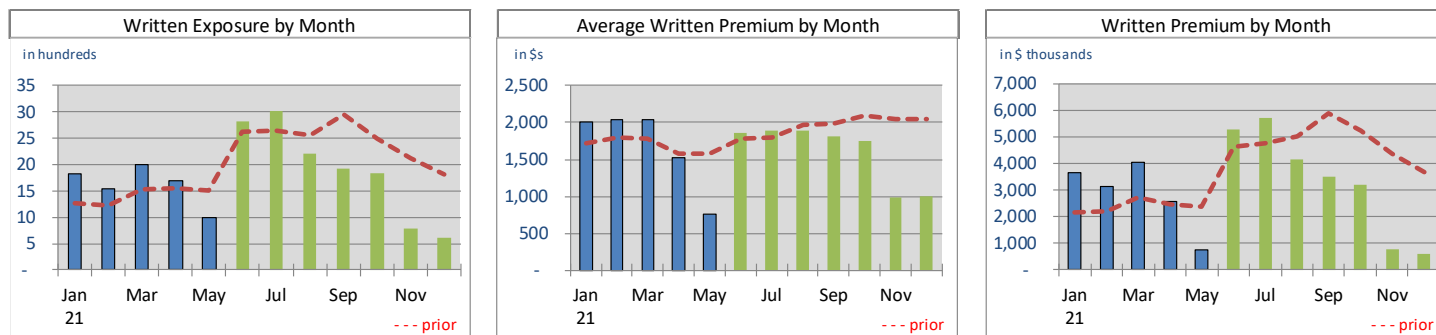
NS RSP 2021 Summary Amounts in \$000s	Actual (May 2021)	Projection (May 2021)	Prior Year (May 2020)	2021 year-to-date as at 5 months	2020 year-to-date as at 5 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	745	5,280	2,367	14,159	11,921	37,369	54,582
Premium Earned	3,772	4,419	2,859	19,469	13,850	45,214	49,597
Incurred Losses	2,807	4,303	4,283	10,672	16,655	35,176	51,756
Underwriting & Admin Expense	3	1,950	761	2,255	4,773	11,276	20,526
Expense allowance	233	1,653	750	4,432	3,782	11,695	17,303
Premium Deficiency / (DPAC)	(303)	152	(57)	(2,542)	647	(1,440)	1,717
Administrative Expenses	73	145	67	365	342	1,021	1,506
Net Result from Operations	962	(1,834)	(2,185)	6,542	(7,578)	(1,238)	(22,685)
Ratios:							
Loss ratio - Prior Accident Years	(15.3%)	(2.0%)	45.2%	(44.0%)	11.0%	(20.3%)	(3.0%)
- Current Accident Year	89.7%	99.4%	104.6%	98.8%	109.3%	98.1%	107.3%
Total	74.5%	97.4%	149.8%	54.8%	120.3%	77.8%	104.3%
Underwriting & Admin Expense	0.1%	44.1%	26.6%	11.6%	34.5%	24.9%	41.4%
Combined Operating Ratio	74.6%	141.5%	176.4%	66.4%	154.8%	102.7%	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:



May's vehicle count transfer was 992 vehicles, representing a 33.8% decrease compared with prior year, however, counts were still up 13.9% year-to-date. The projection anticipated for an increase of 1,434 vehicles, however the actual came in 1,940 lower than projected, driven primarily by one member company transferring less than their projection.

Average premium was also below prior year. As a result of the reductions in transferred vehicle counts and average written premium, premium written was down significantly compared with prior year. This activity was reviewed and attributed to a deceding project performed by one member company.

Incurred Losses

Incurred losses in May 2021 were \$2.8 million, \$1.5 million lower than prior year and our projection from last month. The variance from projection was largely driven by the 2021 Q1 valuation being implemented in the month, generating a \$0.9 million favourable impact on the month and year-to-date losses. The favourable impact is primarily driven by the increase in discount rate (from 0.22% to 0.69 %).

NS RSP Summary of 2021 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 (2020 & prior)	(456)	(12.1%)	(0.6%)	(389)	(1.9%)
CAY (2021)	(397)	(10.5%)	(0.5%)	(900)	(4.3%)
PAYs & CAY	(853)	(22.6%)	(1.1%)	(1,289)	(6.2%)
Premium Deficiency / (DPAC)	(332)	(8.8%)	(0.4%)	(169)	(0.8%)
Total	(1,185)	(31.4%)	(1.5%)	(1,458)	(7.0%)

Reported losses in May 2021 were \$0.9 million lower than projected. The Current Accident Year had an approximately \$0.7 million favourable variance in reported losses, and the Prior Accident Years had a \$0.2 million favourable variance. This lower than usual projected activity was reviewed and attributed to the reserving methodology change of one member company group.

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 May 2021 include,

- Expense Allowances: \$0.2 million for May 2021 compared to projection at \$1.6 million and prior year at \$0.8 million. The allowance is approximately 31% of written premium. Changes from projection and

prior year are consistent with decreases in written premium.

- Premium Deficiency / (DPAC): DPAC of \$0.3 million for May 2021 compared to projected premium deficiency at \$0.2 million and prior year DPAC of \$0.1 million. The variance from projection was primarily driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$0.3 million.
- Administrative Expense: \$0.1 million for May 2021, in line with projection and prior year.

Expense ratios for the month and year-to-date were lower than prior year primarily due to the premium deficiency reserve decreases on higher premium earned.

Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2021 Q1 valuation assumptions; the implementation generated an estimated favourable impact of \$1.5 million on the full year result.

Compared with the Outlook released in November 2020, written premium has decreased \$17.2 million to \$37.4 million mainly driven by 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 \$4.4 million to \$45.2 million.

The updated year-end 2021 operating deficit is now \$1.2 million and the combined operating ratio is 102.7%. The improvement of \$21.5 million in operating result and 43.0 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 May 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](#)

*5 months ended May 2021 (discounted basis)