

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-029

DATE: April 29, 2021

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

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

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

Highlights

- (a) The **March 2021 premium written for the month was \$4 million**, \$1 million higher compared with prior year; and
- (b) The implementation of the **2020 Q4 valuation**, generated an **\$11 million favourable impact**, reducing the COR by 260.1 percentage points.

Summary of Financial Results

NS RSP Summary of Financial Results

NS RSP 2021 Summary Amounts in \$000s	Actual (March 2021)	Projection (March 2021)	Prior Year (March 2020)	2021 year-to-date as at 3 months	2020 year-to-date as at 3 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	4,044	4,749	2,731	10,829	7,111	61,454	54,582
Premium Earned	4,096	4,266	2,727	11,669	8,228	54,140	49,597
Incurred Losses	(4,066)	4,473	3,564	3,959	9,407	45,370	51,756
Underwriting & Admin Expense	(884)	1,708	1,700	1,307	3,174	20,893	20,526
Net Result from Operations	9,046	(1,915)	(2,537)	6,403	(4,353)	(12,123)	(22,685)
Ratios:							
Loss ratio - Prior Accident Years	(183.0%)	(2.9%)	10.1%	(67.5%)	3.5%	(16.2%)	(3.0%)
- Current Accident Year	83.7%	107.7%	120.6%	101.5%	110.8%	100.0%	107.3%
Total	(99.3%)	104.8%	130.7%	34.0%	114.3%	83.8%	104.3%
Underwriting & Admin Expense	(21.6%)	40.0%	62.3%	11.2%	38.6%	38.6%	41.4%
Combined Operating Ratio	(120.9%)	144.8%	193.0%	45.2%	152.9%	122.4%	145.7%

rounding differences may occur

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

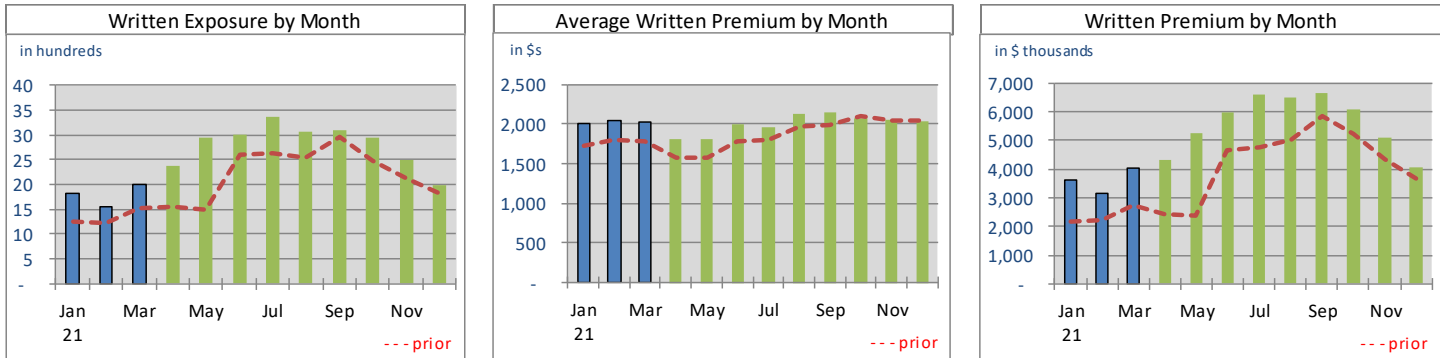
NS RSP Summary of 2020 Q4 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
Nova Scotia	month/ytd	as month EP	as ytd EP	full year	as full year EP
PAYs (2020 & prior)	(7,323)	(178.8%)	(62.8%)	(7,220)	(36.3%)
CAY (2021)	(1,073)	(26.2%)	(9.2%)	(4,807)	(24.1%)
PAYs & CAY	(8,396)	(205.0%)	(72.0%)	(12,027)	(60.4%)
Premium Deficiency / (DPAC)	(2,257)	(55.1%)	(19.3%)	(2,073)	(10.4%)
Total	(10,653)	(260.1%)	(91.3%)	(14,100)	(70.8%)

Premium

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



March's vehicle count transfer was 1,989 vehicles, representing a 29.5% increase compared with prior year, and counts were up 33.1% year-to-date. The projection anticipated for an increase of 756 vehicles, however the actual came in 305 lower than projected, driven primarily by two member companies transferring less than their projection.

Average premium was also above prior year level. Premium written was well above prior year, driven by the increase in both vehicles transferred and average written premium.

Incurred Losses

Incurred losses in March 2021 were -\$4.1 million, 8.5 million lower than our projection from last month, and \$7.6 million lower compared with the same month from last year. The significant variance from projection was largely driven by the 2020 Q4 valuation being implemented in the month, generating an \$8.4 million on the month and year-to-date losses. The favourable impact is due to updated COVID-19 assumptions and the increase in discount rate (from 0.19% to 0.22 %).

Reported losses in March 2021 were \$1.3 million lower than projected. The Current Accident Year had a \$1.5 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 continue to be below prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses

Expenses for March 2021 include,

- Expense Allowances: \$1.3 million for March 2021 compared to projection at \$1.5 million and prior year at \$0.9 million. The allowance is approximately 31% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Premium deficiency reserve changes: reduction in reserve of \$2.2 million for March 2021 compared to projected increase of \$0.1 million and prior year increase of \$0.8 million. The large variance from projection was primarily driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$2.3 million.

Expense ratios for the month and year-to-date were lower than both projection and prior years 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 2020 Q4 valuation assumptions; the implementation generated an estimated favourable impact of \$14.1 million on the full year result.

Compared with the Outlook released in November 2020, written premium has increased \$6.9 million to \$61.5 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 increased by \$4.5 million to \$54.1 million.

The updated year-end 2021 operating deficit is now \$12.1 million and the combined operating ratio is \$122.4%. The improvement of \$10.6 million in operating result and 23.3% 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 March 2021 Operational Report – Actuarial Highlights](#)

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2021

Risk Sharing Pool - Nova Scotia

Operating Results for the 3 Months Ended March 31, 2021 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	CY2021 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$3,639	\$3,146	\$4,044	\$10,829	\$61,454	\$45,525
Decrease (Increase) in Unearned Premiums	292	496	52	840	(7,314)	(8,124)
Net Premiums Earned	\$3,931	\$3,642	\$4,096	\$11,669	\$54,140	\$37,401
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$64)	(\$44)	(\$6,674)	(\$6,782)	(\$6,781)	(\$5,166)
Effect of Discounting	(144)	(134)	(822)	(1,100)	(1,977)	(71)
Discounted	(\$208)	(\$178)	(\$7,496)	(\$7,882)	(\$8,758)	(\$5,237)
Current Accident Year:						
Undiscounted	\$3,977	\$3,668	\$3,174	\$10,819	\$49,595	\$33,093
Effect of Discounting	444	322	256	1,022	4,533	2,786
Discounted	\$4,421	\$3,990	\$3,430	\$11,841	\$54,128	\$35,879
Claims Incurred	\$4,213	\$3,812	(\$4,066)	\$3,959	\$45,370	\$30,642
Underwriting Expenses:						
Expense Allowance	\$1,139	\$985	\$1,266	\$3,390	\$19,235	\$14,439
Change in UPDR/DPAC:						
Undiscounted	4	11	(1,999)	(1,984)	(616)	218
Effect of Discounting	(29)	(48)	(231)	(308)	627	1,419
Discounted	(25)	(37)	(2,230)	(2,292)	11	1,637
Underwriting Expenses	\$1,114	\$948	(\$964)	\$1,098	\$19,246	\$16,076
Net Underwriting Gain (Loss)	(\$1,396)	(\$1,118)	\$9,126	\$6,612	(\$10,476)	(\$9,317)
Administrative Expenses	\$52	\$77	\$80	\$209	\$1,647	\$892
Operating Result	(\$1,448)	(\$1,195)	\$9,046	\$6,403	(\$12,123)	(\$10,209)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-5.3%	-4.9%	-183.0%	-67.5%	-16.2%	-14.0%
Current Accident Year	112.5%	109.6%	83.7%	101.5%	100.0%	95.9%
All Accident Years Combined	107.2%	104.7%	-99.3%	34.0%	83.8%	81.9%
Underwriting & Administrative Expenses (Earned)	29.7%	28.1%	-21.6%	11.2%	38.6%	45.4%
Combined Operating Ratio	136.9%	132.8%	-120.9%	45.2%	122.4%	127.3%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium taxes, health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association and investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply