

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER
NOVA SCOTIA RISK SHARING POOL PROJECT MANAGER

BULLETIN NO.: F2021 – 022

DATE: MARCH 30, 2021

SUBJECT: NOVA SCOTIA RISK SHARING POOL
– FEBRUARY 2021 OPERATIONAL REPORT

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

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

Highlights

- (a) The **February 2021 premium written for the month** was \$3.1 million, compared to member projections of \$4.3 million, a decrease of \$0.9 million or 42%;
- (b) The **February 2021 premium written year-to-date** was \$2.6 million, compared to prior year of \$1.8 million, an increase of \$2.4 million or 55%;
- (c) The **February 2021 loss ratio** was 105%, in line with projection and prior year; year-to-date loss ratio is also in line prior year at 106%;
- (d) The **February 2021 combined ratio** was 133%, in line with prior year, however below projected ratio of 146% driven by reduced expense ratio; year-to-date combined ratio is also in line with prior year;
- (e) The **February 2021 net operating deficit** was \$1.2 million, below projected deficit of \$1.7 million but above prior year deficit of \$0.9 million; and
- (f) The **February 2021 year-to-date net operating deficit** was \$2.6 million, which was below prior year deficit of \$1.8 million.

Summary of Financial Results

NS RSP Summary of Financial Results

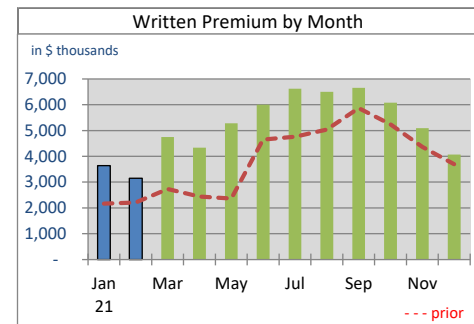
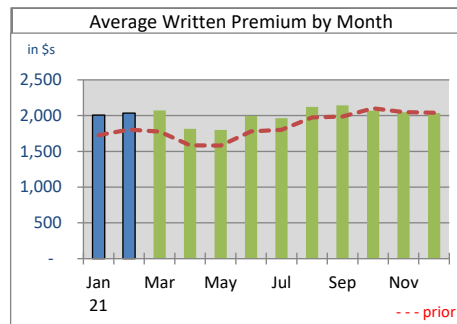
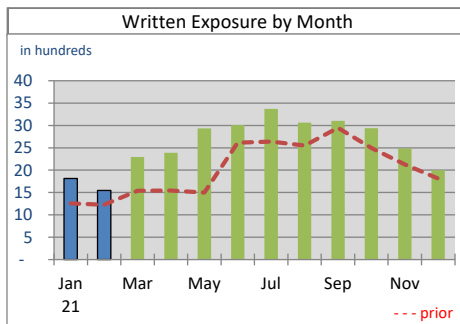
NS RSP 2021 Summary Amounts in \$000s	Actual (February 2021)	Projection (February 2021)	Prior Year (February 2020)	2021 year-to-date as at 2 months	2020 year-to-date as at 2 months	Outlook* Full year 2021
Premium Written	3,146	4,347	2,212	6,785	4,380	54,582
Premium Earned	3,642	3,752	2,676	7,573	5,501	49,597
Incurred Losses	3,812	3,925	2,766	8,025	5,843	51,756
Underwriting & Admin Expense	1,025	1,567	764	2,191	1,474	20,526
Net Result from Operations	(1,195)	(1,740)	(854)	(2,643)	(1,816)	(22,685)
Ratios:						
Loss ratio - Prior Accident Years	(4.9%)	(3.5%)	(2.3%)	(5.1%)	0.3%	(3.0%)
- Current Accident Year	109.6%	108.1%	105.6%	111.1%	106.0%	107.3%
Total	104.7%	104.6%	103.3%	106.0%	106.3%	104.3%
Underwriting & Admin Expense	28.1%	41.8%	28.6%	28.9%	26.8%	41.4%
Combined Operating Ratio	132.8%	146.4%	131.9%	134.9%	133.1%	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:



February's vehicle count transfer was 1,546 vehicles, representing a 26.1% increase compared with prior year, and counts were up 35.4% year-to-date. The projection anticipated was for an increase of 817 vehicles, however the actual came in 497 lower, driven primarily by one member company group.

Average premium was fairly in line with projection and prior year. Premium written was above prior year, however below projection driven by the changes in vehicles transferred to the pool.

Incurred Losses

Incurred losses in February 2021 were \$3.8 million, 0.1 million lower than our projection from last month, however \$1.0 million higher compared with the same month from last year.

Reported losses in February 2021 were \$1.4 million lower than projected. The Current Accident Year had a \$0.6 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.8 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Underwriting and Admin Expenses

Expenses for February 2021 was \$1.0 million, \$0.5 million lower than projected, however \$0.3 million higher than prior year. These variances were primary driven by underwriting expense – expense allowance due to written

premium changes, while admin expense remains fairly constant.

Expenses for February 2021 include,

- Expense Allowances: \$1.0 million for February 2021 compared to projection at \$1.4 million and prior year at \$0.7 million. The allowance is approximately 30% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Premium deficiency reserve changes: change in reserve for February 2021 was fairly in line with projection and prior year.

Expense ratios for the month and year-to-date were lower than projection primarily from the reduction in expense allowance which is driven by premium written decrease, however were fairly in line with prior year.

Projection to year-end 2021

Updated projections to year-end 2021 will be presented in the March 2021 results updates together with the impact of the 2020 Q4 valuation implementation.

Should you require any further information, please call Sheetal Savani, VP Finance, Audit and CFO at (416) 863-1750 x5626.

Saskia Matheson
President & CEO

Related links:

[NS RSP February 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

EXHIBIT 1

Operating Results for the 2 Months Ended February 28, 2021 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2021 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$3,639	\$3,146	\$6,785	\$62,159	\$45,525
Decrease (Increase) in Unearned Premiums	292	496	788	(7,481)	(8,124)
Net Premiums Earned	\$3,931	\$3,642	\$7,573	\$54,678	\$37,401
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$64)	(\$44)	(\$108)	(\$107)	(\$5,166)
Effect of Discounting	(144)	(134)	(278)	(1,375)	(71)
Discounted	(\$208)	(\$178)	(\$386)	(\$1,482)	(\$5,237)
Current Accident Year:					
Undiscounted	\$3,977	\$3,668	\$7,645	\$54,468	\$33,093
Effect of Discounting	444	322	766	4,983	2,786
Discounted	\$4,421	\$3,990	\$8,411	\$59,451	\$35,879
Claims Incurred	\$4,213	\$3,812	\$8,025	\$57,969	\$30,642
Underwriting Expenses:					
Expense Allowance	\$1,139	\$985	\$2,124	\$19,455	\$14,439
Change in UPDR/DPAC:					
Undiscounted	4	11	15	1,242	218
Effect of Discounting	(29)	(48)	(77)	865	1,419
Discounted	(25)	(37)	(62)	2,107	1,637
Underwriting Expenses	\$1,114	\$948	\$2,062	\$21,562	\$16,076
Net Underwriting Gain (Loss)	(\$1,396)	(\$1,118)	(\$2,514)	(\$24,853)	(\$9,317)
Administrative Expenses	\$52	\$77	\$129	\$1,688	\$892
Operating Result	(\$1,448)	(\$1,195)	(\$2,643)	(\$26,541)	(\$10,209)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-5.3%	-4.9%	-5.1%	-2.7%	-14.0%
Current Accident Year	112.5%	109.6%	111.1%	108.7%	95.9%
All Accident Years Combined	107.2%	104.7%	106.0%	106.0%	81.9%
Underwriting & Administrative Expenses (Earned)	29.7%	28.1%	28.9%	42.5%	45.4%
Combined Operating Ratio	136.9%	132.8%	134.9%	148.5%	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