



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F2020 – 015

DATE: FEBRUARY 27, 2020

SUBJECT: NOVA SCOTIA RISK SHARING POOL
– JANUARY 2020 OPERATIONAL REPORT

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

Please be advised that the January 2020 Nova Scotia Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Key Points

- (a) the *January 2020 net operating deficit was \$1.0 million*, with a COR of 134.1% on earned premium of \$2.8 million; and
- (b) the *projected 2020 year-end net operating deficit is now \$12.5 million*, with a COR at 136.8% on earned premium of \$34.0 million (our Outlook for 2020 was \$14.5 million of net operating deficit with a COR of 139.8% on earned premium of \$36.5 million).

Summary of Financial Results

The calendar year-to-date Operating Result is -\$1.0 million and the incurred loss ratio to the end of 1 month is 109.0%, as summarized in the table at the top of the next page.

NS RSP Summary of Financial Results (for month and year-to-date)

Amounts in \$000s	January 2020	January 2019	Year to date Jan 2020	Year to Date Jan 2019
Premium Written	2,168	2,126	2,168	2,126
Premium Earned	2,825	2,494	2,825	2,494
Incurred Losses	3,077	2,676	3,077	2,676
Underwriting & Admin Expense	710	702	710	702
Operating Result	(962)	(884)	(962)	(884)
Ratios:				
Loss ratio - <i>Prior Accident Years</i>	2.7%	5.6%	2.7%	5.6%
- <i>Current Accident Year</i>	106.3%	101.7%	106.3%	101.7%
<i>Total</i>	109.0%	107.3%	109.0%	107.3%
Underwriting & Admin Expense	25.1%	28.1%	25.1%	28.1%
Combined Operating Ratio	134.1%	135.4%	134.1%	135.4%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. For additional numeric details, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2019” attached to this bulletin.

Updated Projection to Year-end 2020

The projected calendar year Operating Result to December 2020 is -\$12.5 million and the estimated combined operating ratio to December 2020 is 136.8%, as summarized in the table at the top of the next page. This updated projection to the end of the year has not changed much from the projection provided last month (see the second and third columns in the table).

NS RSP Summary of Projected Year-end Financial Results (current month's projection, prior month's projection, and Outlook posted last fall)

NS RSP 2020 Yr-end Projection Amounts in \$000s	Current (Jan 2020)	Prior Mth (Dec 2019)	Change	Final 2020 Outlook*
Premium Written	32,693	33,147	(454)	38,266
Premium Earned	33,957	34,262	(305)	36,542
Incurred Losses	34,620	34,796	(176)	37,142
Underwriting & Admin Expense	11,842	11,952	(110)	13,940
Net Result from Operations	(12,505)	(12,486)	(19)	(14,540)
Ratios:				
Loss ratio - Prior Accident Years	(2.1%)	(2.0%)	(0.1%)	(1.9%)
- Current Accident Year	104.0%	103.6%	0.4%	103.6%
<i>Total</i>	101.9%	101.6%	0.3%	101.7%
Underwriting & Admin Expense	34.9%	34.9%	-	38.1%
Combined Operating Ratio	136.8%	136.5%	0.3%	139.8%

rounding differences may occur

*as posted to FA's website Nov. 5, 2019

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$1.0 million Operating Result in the month of January 2020, a \$0.1 million deterioration from the same month last year. This deterioration is mainly associated with the \$0.3 million increase in earned premium (at a combined ratio of 135.4%).

Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

NS RSP Summary of Actual vs Projected variances

January 2020	Actual	Projection	Difference	Difference %
Written Premium	2,168	2,102	66	3.1%
Earned Premium	2,825	2,867	(42)	(1.5%)
Reported Losses				
Paid Losses	1,885	1,925	(40)	(2.1%)
Paid Expenses	91	170	(79)	(46.5%)
Change in Outstanding Losses	(7)	162	(169)	(104.3%)
Total Reported Losses	1,969	2,257	(288)	(12.8%)
Change in IBNR Provision *	1,108	860	248	
Change in Premium Deficiency (DPAC) *	(39)	(48)	9	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP January 2020 Operational Report - Actuarial Highlights](#).

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of January 2020, reported losses were \$0.3 million lower than projected. The Current Accident Year had an approximately \$0.6 million favourable variance in reported losses while the Prior Accident Years had a \$0.3 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for some specific individual Accident Years for the month. Management investigated claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

Booking IBNR

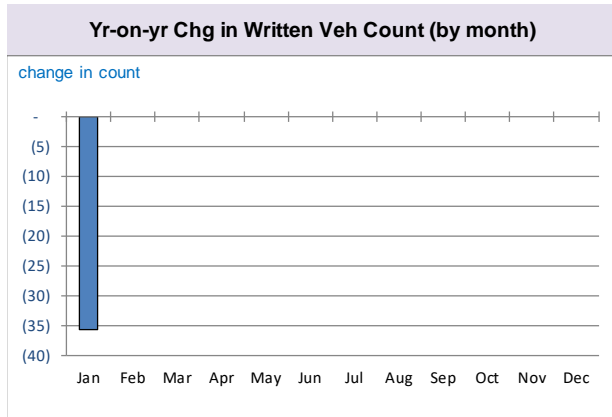
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management's investigation into reported claims variances concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [Nova Scotia RSP January 2020 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

The January 2020 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2019). The actuarial

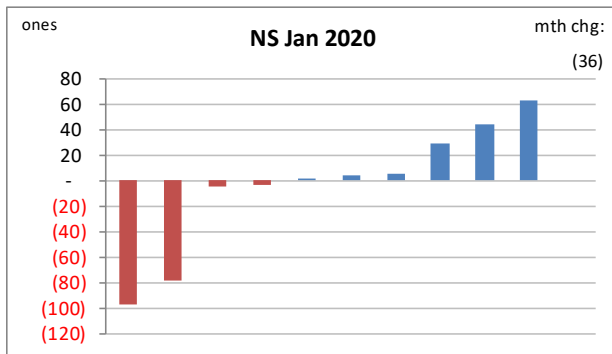
valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

Management Comments



The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with January showing a decrease of 36 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 73 vehicles, indicating a variance of 37 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles while another member company group transferring a lower number of vehicles to the RSP in January

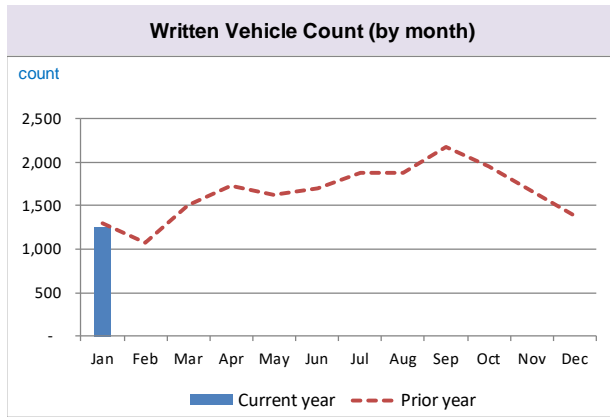
than projected.



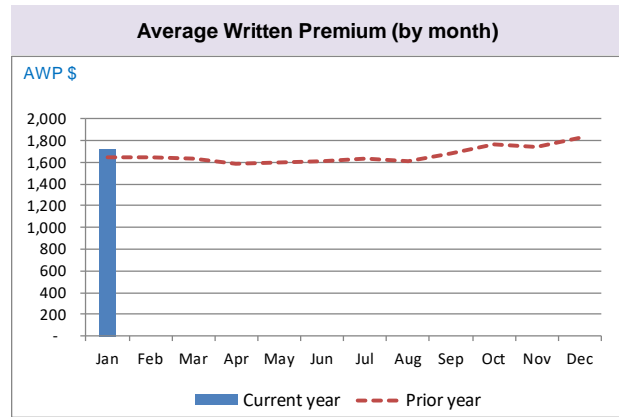
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while six transferred more. Of the 4 member company groups transferring fewer vehicles, 2 member company

group accounted for 96% of the total transfer decrease for these “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 43% of the total transfer increase for these “grower” members.

January’s vehicle count transfers to the RSP represent a slight decrease from January 2019 at 2.8%. Average written premium was up 4.9% in January 2020 (see charts below and at the top of the next page).

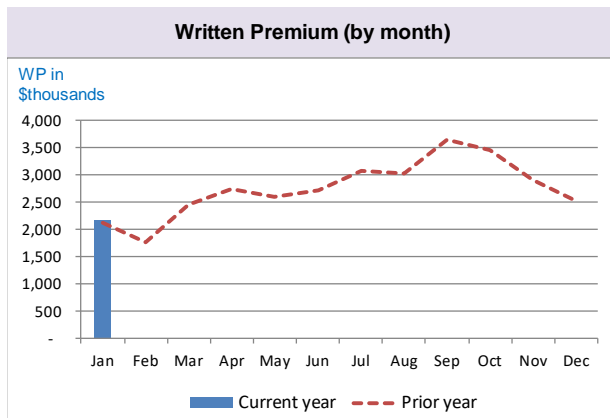


	Jan-20	Jan-19	Amt Chg	% Chg
W. Veh curr mth	1,256	1,292	(36)	-2.8%



	Jan-20	Jan-19	Amt Chg	% Chg
AWP curr mth	1,726	1,645	81	4.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 2.0% for the month compared with the 1.1% decrease we projected last month (see chart below).



	Jan-20	Jan-19	Amt Chg	% Chg
WP (\$000s) curr mth	2,168	2,126	42	2.0%

Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson
President & CEO

Related links:

[Nova Scotia RSP January 2020 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2020

Risk Sharing Pool - Nova Scotia

Operating Results for the 1 Month Ended January 31, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$2,168	\$2,168	\$32,693	\$33,046
Decrease (Increase) in Unearned Premiums	657	657	1,264	(2,781)
Net Premiums Earned	\$2,825	\$2,825	\$33,957	\$30,265
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$17)	(\$17)	(\$17)	\$107
Effect of Discounting	92	92	(684)	249
Discounted	\$75	\$75	(\$701)	\$356
Current Accident Year:				
Undiscounted	\$2,802	\$2,802	\$33,498	\$29,858
Effect of Discounting	200	200	1,823	1,505
Discounted	\$3,002	\$3,002	\$35,321	\$31,363
Claims Incurred	\$3,077	\$3,077	\$34,620	\$31,719
Underwriting Expenses:				
Expense Allowance	\$689	\$689	\$10,365	\$10,247
Change in UPDR/DPAC:				
Undiscounted	3	3	594	279
Effect of Discounting	(42)	(42)	(44)	504
Discounted	(39)	(39)	550	783
Underwriting Expenses	\$650	\$650	\$10,915	\$11,030
Net Underwriting Gain (Loss)	(\$902)	(\$902)	(\$11,578)	(\$12,484)
Administrative Expenses	\$60	\$60	\$927	\$753
Operating Result	(\$962)	(\$962)	(\$12,505)	(\$13,237)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	2.7%	2.7%	-2.1%	1.2%
Current Accident Year	106.3%	106.3%	104.0%	103.6%
All Accident Years Combined	109.0%	109.0%	101.9%	104.8%
Underwriting & Administrative Expenses (Earned)	25.1%	25.1%	34.9%	38.9%
Combined Operating Ratio	134.1%	134.1%	136.8%	143.7%

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

Rounding difference may apply