

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 024

DATE: MARCH 28, 2019

**SUBJECT: NOVA SCOTIA RISK SHARING POOL
– FEBRUARY 2019 OPERATIONAL REPORT**

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

Please be advised that the February 2019 Nova Scotia Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Summary of Financial Results

The calendar year-to-date Operating Result is -\$1.4 million and the incurred loss ratio to the end of 2 months is 102.4%, as summarized in the table below.

Amounts in \$000s	February 2019	February 2018	Year to date Feb 2019	Year to Date Feb 2018
Premium Written	1,769	1,686	3,895	3,459
Premium Earned	2,248	2,023	4,742	4,185
Incurred Losses	2,179	1,922	4,855	4,126
Underwriting & Admin Expense	601	571	1,303	1,149
Operating Result	(532)	(470)	(1,416)	(1,090)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(3.9%)	(2.3%)	1.1%	0.3%
- Current Accident Year	100.8%	97.3%	101.3%	98.3%
<i>Total</i>	96.9%	95.0%	102.4%	98.6%
<i>Underwriting & Admin Expense</i>	26.7%	28.2%	27.5%	27.5%
<i>Combined Operating Ratio</i>	123.6%	123.2%	129.9%	126.1%

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 2019

The projected calendar year Operating Result to December 2019 is -\$11.0 million and the estimated combined operating ratio to December 2019 is 135.8%, as summarized in the table below. This updated projection to the end of the year has improved by \$0.7 million from the projection provided last month (-\$11.7 million and 136.8%). This improvement is driven by a \$1.8 million decrease in the projected written premium for the year, based on updated projections provided by members.

NS RSP 2019 Yr-end Projection	Current	Prior Mth	Change	Final 2019
Amounts in \$000s	(Feb 2019)	(Jan 2019)		Outlook*
Premium Written	31,823	33,603	(1,780)	31,089
Premium Earned	30,718	31,746	(1,028)	30,272
Incurred Losses	30,242	31,303	(1,061)	30,014
Underwriting & Admin Expense	11,450	12,117	(668)	11,148
Net Result from Operations	(10,974)	(11,674)	701	(10,890)
Ratios:				
Loss ratio - Prior Accident Years	(1.4%)	(1.2%)	(0.2%)	(1.5%)
- Current Accident Year	99.9%	99.8%	0.1%	100.7%
<i>Total</i>	98.5%	98.6%	(0.1%)	99.2%
Underwriting & Admin Expense	37.3%	38.2%	(0.9%)	36.8%
Combined Operating Ratio	135.8%	136.8%	(1.0%)	136.0%

rounding differences may occur

*as posted to FA's website Oct. 18, 2018

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.5 million Operating Result in the month of February 2019, a \$0.1 million deterioration from the same month last year. This deterioration is composed of an approximately \$0.1 million unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 123.2%), with a negligible impact related to the overall increase in the combined ratio (from 123.2% to 123.6% applied to \$2.2 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 135.4% at the end of 1 month to 123.6% at the end of 2 months. The 11.8 percentage point decrease is composed of a 9.5 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.9 percentage point decrease in the Current Accident Year loss ratio, and a 1.4 percentage point decrease in the expense ratio.

Variations 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.

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February 2019	Actual	Projection	Difference	Difference %
Written Premium	1,769	2,149	(380)	(17.7%)
Earned Premium	2,248	2,306	(58)	(2.5%)
Reported Losses				
Paid Losses	1,575	970	605	62.4%
Paid Expenses	43	67	(24)	(35.8%)
Change in Outstanding Losses	591	1,109	(518)	(46.7%)
Total Reported Losses	2,209	2,146	63	2.9%
Change in IBNR Provision *	(30)	128	(158)	
Change in Premium Deficiency (DPAC) *	(7)	1	(8)	

*(Amounts in \$000's)**rounding differences may occur*

*Detailed information is included at [Nova Scotia RSP February 2019 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 February 2019, reported losses were \$0.1 million higher than projected. The Current Accident Year had a \$0.6 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.5 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

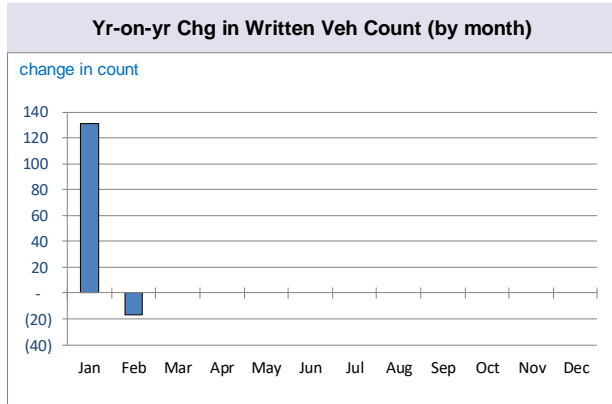
Booking IBNR

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 February 2019 Operational Report – Actuarial Highlights](#).

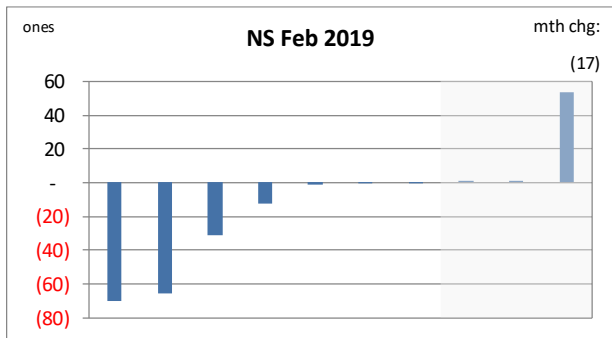
Effect of Quarterly Valuation

The February 2019 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, 2018). The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

Management Comments

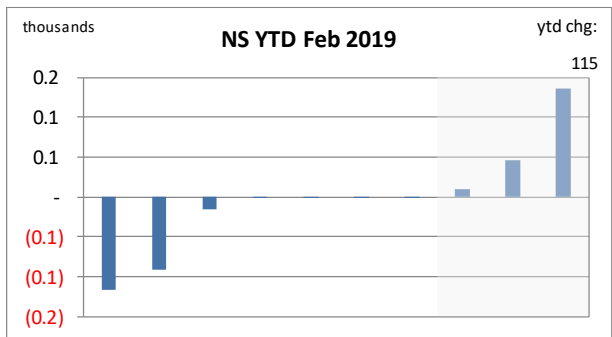


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February showing a decrease of 17 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 252 vehicles, indicating a variance of 269 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in February than projected.



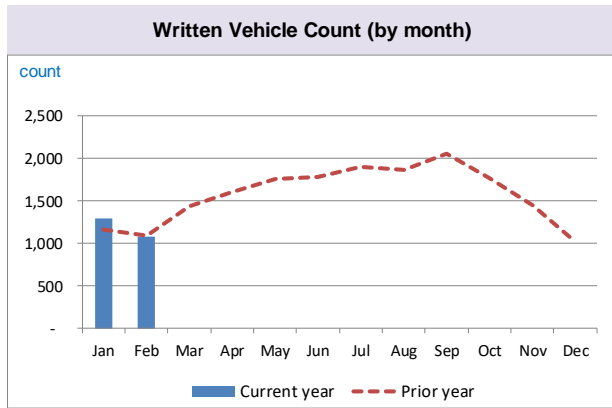
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Seven member company groups transferred fewer vehicles to the pool this month compared with a year ago, while four transferred more. Of the 7 member company groups transferring fewer vehicles, 2 member company group accounted for 75% of the total transfer decrease for these “decliner” members. Of the 4 member company groups transferring more vehicles, 2 member company groups accounted for 99% of the total transfer increase for these “grower” members.

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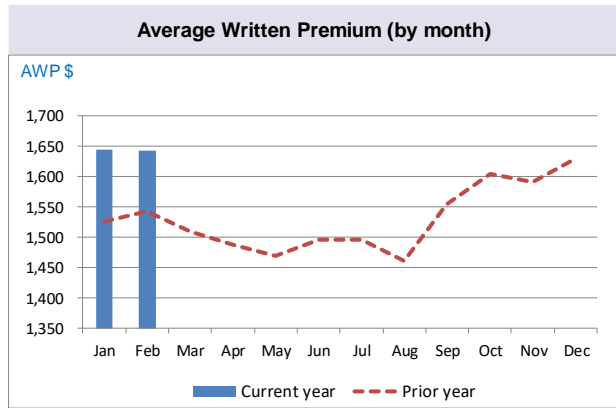


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change.

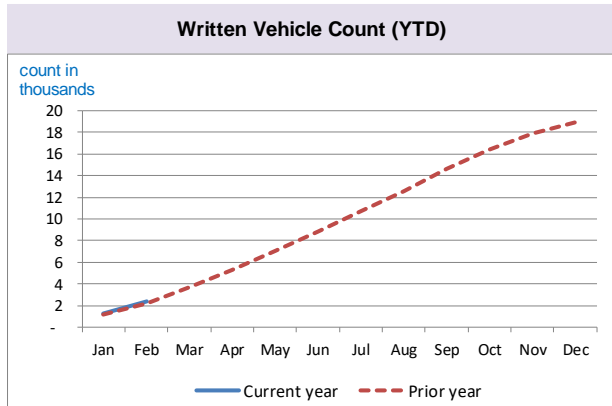
February’s vehicle count transfers to the pool represent a 1.5% decrease from February 2018, but vehicle counts were up 5.1% year-to-date. Average written premium was up 6.5% in February 2019, and was up 7.1% year-to-date (see charts at the top of the next page).



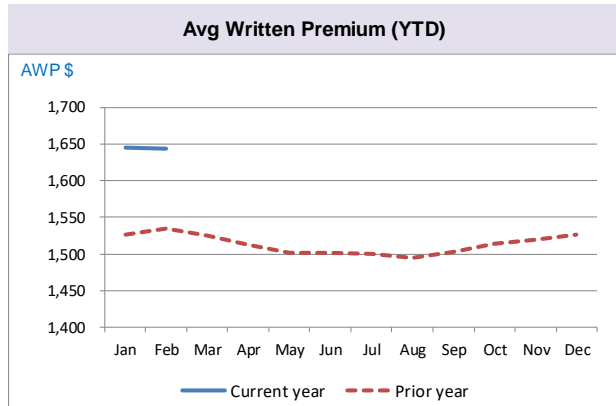
	Feb-19	Feb-18	Amt Chg	% Chg
W. Veh curr mth	1,076	1,093	(17)	-1.5%



	Feb-19	Feb-18	Amt Chg	% Chg
AWP curr mth	1,643	1,543	100	6.5%

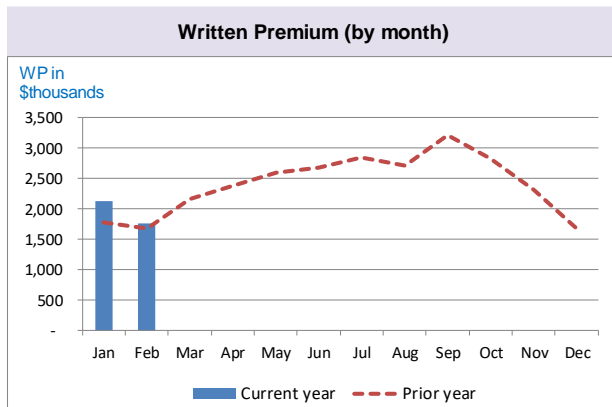


	Feb-19	Feb-18	Amt Chg	% Chg
W. Vehicles YTD	2,368	2,254	115	5.1%

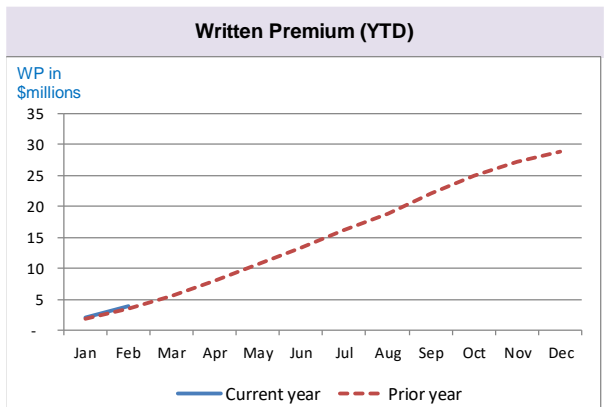


	Feb-19	Feb-18	Amt Chg	% Chg
Avg W. Prem YTD	1,644	1,535	109	7.1%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 4.9% for the month compared with the 27.4% increase we projected last month, and was up 12.6% year-to-date (see charts immediately below).



	Feb-19	Feb-18	Amt Chg	% Chg
WP (\$000s) curr mth	1,768	1,686	82	4.9%



	Feb-19	Feb-18	Amt Chg	% Chg
WP (\$000s) YTD	3,894	3,459	435	12.6%

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Nova Scotia Risk Sharing Pool – February 2019 Operational Report

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

Saskia Matheson
President & CEO

Related links:

[Nova Scotia RSP February 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 2 Months Ended February 28, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:					
Net Premiums Written	\$2,126	\$1,769	\$3,895	\$31,823	\$28,869
Decrease (Increase) in Unearned Premiums	368	479	847	(1,105)	(1,213)
Net Premiums Earned	\$2,494	\$2,248	\$4,742	\$30,718	\$27,656
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$14)	(\$17)	(\$31)	(\$31)	\$195
Effect of Discounting	153	(70)	83	(411)	(683)
Discounted	\$139	(\$87)	\$52	(\$442)	(\$488)
Current Accident Year:					
Undiscounted	\$2,422	\$2,185	\$4,607	\$29,673	\$25,819
Effect of Discounting	115	81	196	1,011	872
Discounted	\$2,537	\$2,266	\$4,803	\$30,684	\$26,691
Claims Incurred	\$2,676	\$2,179	\$4,855	\$30,242	\$26,203
Underwriting Expenses:					
Expense Allowance	\$659	\$549	\$1,208	\$9,866	\$8,714
Change in UPDR/DPAC:					
Undiscounted	10	15	25	476	537
Effect of Discounting	(16)	(22)	(38)	74	(86)
Discounted	(6)	(7)	(13)	550	451
Underwriting Expenses	\$653	\$542	\$1,195	\$10,416	\$9,165
Net Underwriting Gain (Loss)	(\$835)	(\$473)	(\$1,308)	(\$9,940)	(\$7,712)
Administrative Expenses	\$49	\$59	\$108	\$1,034	\$608
Operating Result	(\$884)	(\$532)	(\$1,416)	(\$10,974)	(\$8,320)
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	5.6%	-3.9%	1.1%	-1.4%	-1.8%
Current Accident Year	101.7%	100.8%	101.3%	99.9%	96.5%
All Accident Years Combined	107.3%	96.9%	102.4%	98.5%	94.7%
Underwriting & Administrative Expenses (Earned)	28.1%	26.7%	27.5%	37.3%	35.3%
Combined Operating Ratio	135.4%	123.6%	129.9%	135.8%	130.0%

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