

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F19 – 038**

**DATE: MAY 30, 2019**

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

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

Please be advised that the April 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 -\$2.6 million and the incurred loss ratio to the end of 4 months is 94.7%, as summarized in the table below.

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

Amounts in \$000s	April 2019	April 2018	Year to date Apr 2019	Year to Date Apr 2018
Premium Written	2,738	2,385	9,095	8,008
Premium Earned	2,467	2,261	9,730	8,728
Incurred Losses	2,412	2,186	9,216	6,290
Underwriting & Admin Expense	931	784	3,130	2,835
<b>Operating Result</b>	<b>(876)</b>	<b>(709)</b>	<b>(2,616)</b>	<b>(397)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(2.2%)	(1.4%)	(6.3%)	(26.8%)
- Current Accident Year	100.0%	98.1%	101.0%	98.9%
<i>Total</i>	<b>97.8%</b>	<b>96.7%</b>	<b>94.7%</b>	<b>72.1%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>37.7%</b>	<b>34.7%</b>	<b>32.2%</b>	<b>32.5%</b>
<i>Combined Operating Ratio</i>	<b>135.5%</b>	<b>131.4%</b>	<b>126.9%</b>	<b>104.6%</b>

*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”

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attached to this bulletin.

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is -\$10.5 million and the estimated combined operating ratio to December 2019 is 134.3%, as summarized in the table below. This updated projection to the end of the year has not changed significantly 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)*

<b>NS RSP 2019 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> <b>(Apr 2019)</b>	Prior Mth (Mar 2019)	<b>Change</b>	Final 2019 Outlook*
Premium Written	31,809	31,862	(53)	31,089
Premium Earned	30,668	30,733	(65)	30,272
Incurred Losses	29,729	29,792	(63)	30,014
Underwriting & Admin Expense	11,464	11,531	(66)	11,148
<b>Net Result from Operations</b>	<b>(10,525)</b>	<b>(10,590)</b>	<b>64</b>	<b>(10,890)</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	(3.5%)	(3.4%)	(0.1%)	(1.5%)
- Current Accident Year	100.4%	100.4%	0.0%	100.7%
<i>Total</i>	<b>96.9%</b>	<b>97.0%</b>	<b>(0.1%)</b>	<b>99.2%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>37.4%</b>	<b>37.5%</b>	<b>(0.1%)</b>	<b>36.8%</b>
<i>Combined Operating Ratio</i>	<b>134.3%</b>	<b>134.5%</b>	<b>(0.2%)</b>	<b>136.0%</b>

*rounding differences may occur*

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

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.9 million Operating Result in the month of April 2019, a \$0.2 million deterioration from the same month last year. This deterioration is composed of a \$0.1 million deterioration associated with the \$0.2 million increase in earned premium (at a combined ratio of 131.4%), with the remaining \$0.1 million deterioration stemming from the overall increase in the combined ratio (from 131.4% to 135.5% applied to \$2.5 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 124.0% at the end of 3 months to 126.9% at the end of 4 months. The 2.9 percentage point increase is composed of a 1.3 percentage point increase in the Prior Accident Years loss ratio, and a 1.9 percentage point increase in the expense ratio, offset by a 0.3 percentage point decrease in the Current Accident Year loss ratio.

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.

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*NS RSP Summary of Actual vs Projected variances*

<b>April 2019</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	2,738	2,791	(53)	(1.9%)
Earned Premium	2,467	2,510	(43)	(1.7%)
Reported Losses				
Paid Losses	1,607	1,433	174	12.1%
Paid Expenses	50	95	(45)	(47.4%)
Change in Outstanding Losses	(576)	349	(925)	(265.0%)
<b>Total Reported Losses</b>	<b>1,081</b>	<b>1,877</b>	<b>(796)</b>	<b>(42.4%)</b>
Change in IBNR Provision *	1,331	584	747	
Change in Premium Deficiency (DPAC) *	32	34	(2)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included at [Nova Scotia RSP April 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 April 2019, reported losses were \$0.8 million lower than projected. The Current Accident Year had a \$0.4 million favourable variance in reported losses, and the Prior Accident Years had a \$0.4 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

There were no variances for claims activity beyond the set thresholds for specific individual Prior Accident Years for the month.

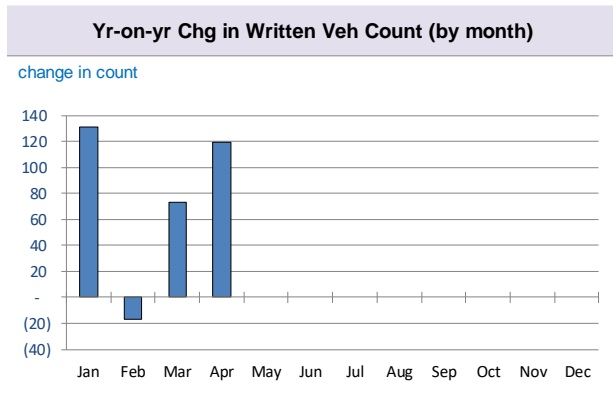
**Booking IBNR**

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

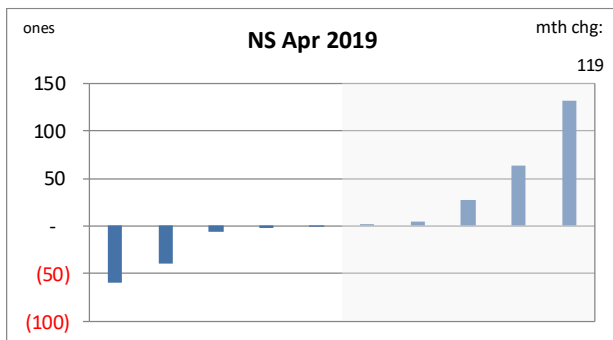
**Effect of Quarterly Valuation**

The April 2019 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2018). The actuarial valuation will be updated next as at March 31, 2019 and we anticipate that the results will be reflected in the May 2019 Operational Report.

Management Comments

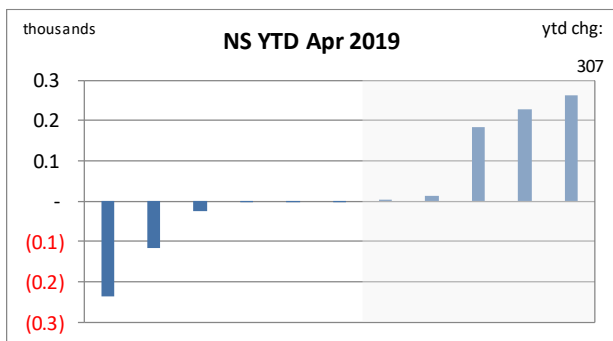


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with April showing an increase of 119 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 144 vehicles, indicating a variance of 25 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the RSP in April 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. Five member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while five transferred more. Of the 5 member company groups transferring fewer vehicles, 2 member company groups accounted for 93% of

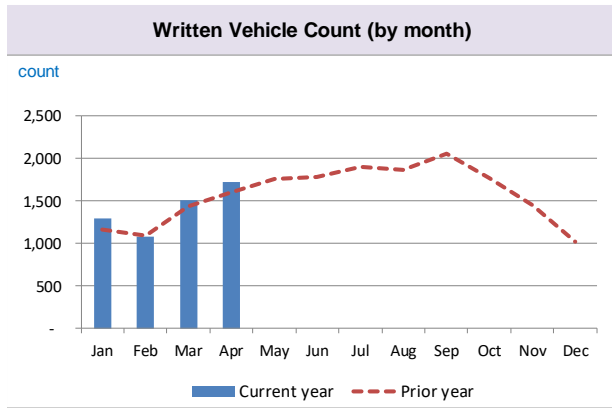
the total transfer decrease for these “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 58% of the total transfer increase for these “grower” members.



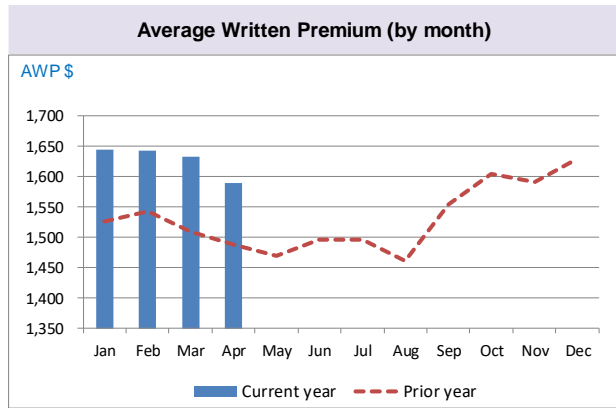
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

April’s vehicle count transfers to the RSP represent a 7.4% increase from April 2018, and vehicle counts were up 5.8% year-to-date. Average written premium was up 6.8% in April 2019, and was up 7.3% year-to-date (see charts at the top of the next page).

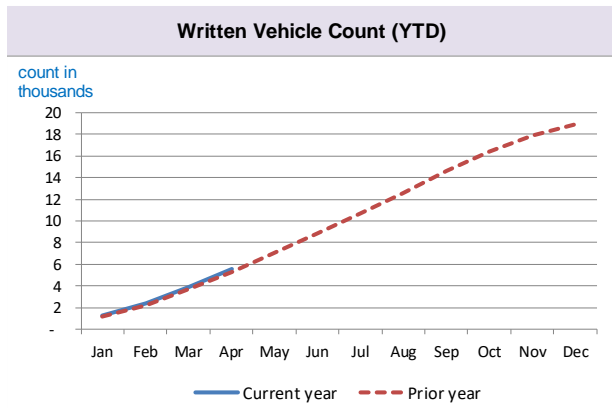
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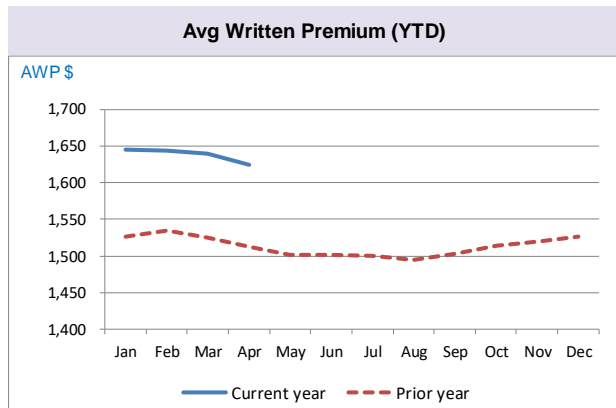
	Apr-19	Apr-18	Amt Chg	% Chg
W. Veh curr mth	1,723	1,604	119	7.4%



	Apr-19	Apr-18	Amt Chg	% Chg
AWP curr mth	1,589	1,488	101	6.8%

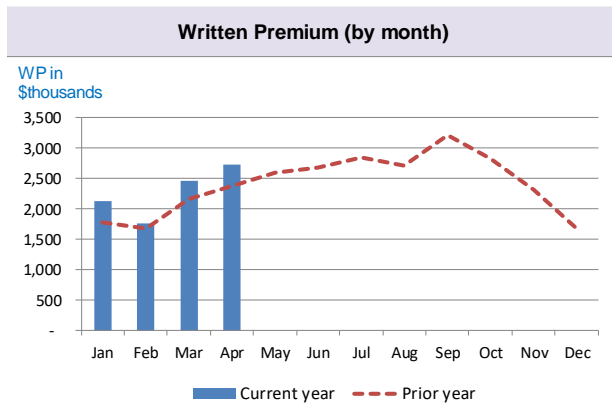


	Apr-19	Apr-18	Amt Chg	% Chg
W. Vehicles YTD	5,599	5,292	307	5.8%

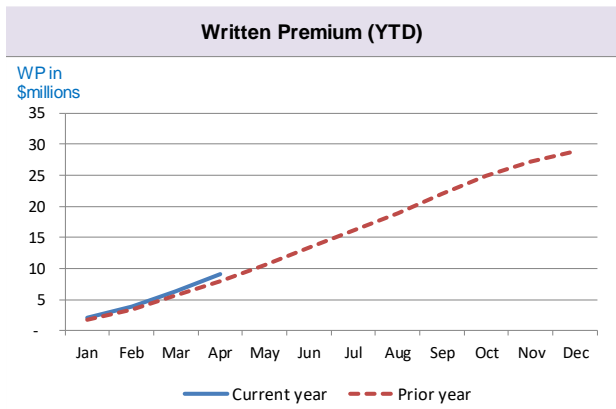


	Apr-19	Apr-18	Amt Chg	% Chg
Avg W. Prem YTD	1,624	1,513	111	7.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 14.8% for the month compared with the 17.0% increase we projected last month, and was up 13.5% year-to-date (see charts immediately below).



	Apr-19	Apr-18	Amt Chg	% Chg
WP (\$000s) curr mth	2,738	2,386	352	14.8%



	Apr-19	Apr-18	Amt Chg	% Chg
WP (\$000s) YTD	9,094	8,009	1,085	13.5%

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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 April 2019 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**

Risk Sharing Pool - Nova Scotia

Operating Results for the 4 Months Ended April 30, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
<b>Underwriting Revenue:</b>							
Net Premiums Written	\$2,126	\$1,769	\$2,462	\$2,738	\$9,095	\$31,809	\$28,869
Decrease (Increase) in Unearned Premiums	368	479	59	(271)	635	(1,141)	(1,213)
<b>Net Premiums Earned</b>	<b>\$2,494</b>	<b>\$2,248</b>	<b>\$2,521</b>	<b>\$2,467</b>	<b>\$9,730</b>	<b>\$30,668</b>	<b>\$27,656</b>
<b>Claims Incurred:</b>							
Prior Accident Years:							
Undiscounted	(\$14)	(\$17)	(\$834)	(\$5)	(\$870)	(\$870)	\$195
Effect of Discounting	153	(70)	228	(50)	261	(190)	(683)
Discounted	\$139	(\$87)	(\$606)	(\$55)	(\$609)	(\$1,060)	(\$488)
Current Accident Year:							
Undiscounted	\$2,422	\$2,185	\$2,429	\$2,381	\$9,417	\$29,580	\$25,819
Effect of Discounting	115	81	126	86	408	1,209	872
Discounted	\$2,537	\$2,266	\$2,555	\$2,467	\$9,825	\$30,789	\$26,691
<b>Claims Incurred</b>	<b>\$2,676</b>	<b>\$2,179</b>	<b>\$1,949</b>	<b>\$2,412</b>	<b>\$9,216</b>	<b>\$29,729</b>	<b>\$26,203</b>
<b>Underwriting Expenses:</b>							
Expense Allowance	\$659	\$549	\$763	\$849	\$2,820	\$9,863	\$8,714
Change in UPDR/DPAC:							
Undiscounted	10	15	(13)	17	29	425	537
Effect of Discounting	(16)	(22)	105	15	82	202	(86)
Discounted	(6)	(7)	92	32	111	627	451
<b>Underwriting Expenses</b>	<b>\$653</b>	<b>\$542</b>	<b>\$855</b>	<b>\$881</b>	<b>\$2,931</b>	<b>\$10,490</b>	<b>\$9,165</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$835)</b>	<b>(\$473)</b>	<b>(\$283)</b>	<b>(\$826)</b>	<b>(\$2,417)</b>	<b>(\$9,551)</b>	<b>(\$7,712)</b>
<b>Administrative Expenses</b>	<b>\$49</b>	<b>\$59</b>	<b>\$41</b>	<b>\$50</b>	<b>\$199</b>	<b>\$974</b>	<b>\$608</b>
<b>Operating Result</b>	<b>(\$884)</b>	<b>(\$532)</b>	<b>(\$324)</b>	<b>(\$876)</b>	<b>(\$2,616)</b>	<b>(\$10,525)</b>	<b>(\$8,320)</b>
<b>Ratios:</b>							
<b>Claims &amp; Expenses Incurred (Earned)</b>							
Prior Accident Years	5.6%	-3.9%	-24.0%	-2.2%	-6.3%	-3.5%	-1.8%
Current Accident Year	101.7%	100.8%	101.3%	100.0%	101.0%	100.4%	96.5%
All Accident Years Combined	107.3%	96.9%	77.3%	97.8%	94.7%	96.9%	94.7%
Underwriting & Administrative Expenses (Earned)	28.1%	26.7%	35.5%	37.7%	32.2%	37.4%	35.3%
<b>Combined Operating Ratio</b>	<b>135.4%</b>	<b>123.6%</b>	<b>112.8%</b>	<b>135.5%</b>	<b>126.9%</b>	<b>134.3%</b>	<b>130.0%</b>

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