



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 060

DATE: JULY 30, 2019

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

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

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

New This Month

Annual Update of Member Sharing Ratios

The June 2019 Operational Report reflects the annual update of member sharing ratios for Accident Years 2017, 2018, 2019 and 2020. Please refer to Bulletin [F19-055](#) for additional information.

Summary of Financial Results

The calendar year-to-date Operating Result is -\$6.8 million and the incurred loss ratio to the end of 6 months is 109.8%, as summarized in the table at the top of the next page.

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Nova Scotia Risk Sharing Pool – June 2019 Operational Report

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

Amounts in \$000s	June 2019	June 2018	Year to date Jun 2019	Year to Date Jun 2018
Premium Written	2,729	2,674	14,417	13,275
Premium Earned	2,352	2,301	14,429	13,390
Incurred Losses	2,327	2,231	15,836	12,141
Underwriting & Admin Expense	946	873	5,346	4,563
Operating Result	(921)	(803)	(6,753)	(3,314)
Ratios:				
Loss ratio - Prior Accident Years	(6.0%)	(1.4%)	5.1%	(8.1%)
- Current Accident Year	104.9%	98.4%	104.7%	98.8%
<i>Total</i>	98.9%	97.0%	109.8%	90.7%
Underwriting & Admin Expense	40.2%	37.9%	37.1%	34.1%
Combined Operating Ratio	139.1%	134.9%	146.9%	124.8%

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.

The June 2019 Prior Accident Years loss ratio at -6.0% is unusual for a month where there is no valuation implementation. In fact, last month’s projection for this ratio was -2.2%, indicating a variance of 3.8 points. This variance was driven by activity during the month resulting in risks with exposure in the Prior Accident Years being removed due to ineligibility, with the result that the earned premium associated with Prior Accident Years was -\$47 thousand for the month. As our booking process applies the Appointed Actuary’s approved accident year loss ratio to accident year earned premium, the negative earned premium resulted in a reduction of booked claims liabilities, reducing them by \$51 thousand relative to what would have been booked had the Prior Accident Years earned premium not changed during the month. The reduction in Prior Accident Years earned premium also had a minor impact on the current accident year claims ratio (as it is measured against the calendar month’s earned premium, which was reduced as discussed earlier).

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is -\$12.4 million and the estimated combined operating ratio to December 2019 is 141.7%, as summarized in the table at the top of the next page. 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)

NS RSP 2019 Yr-end Projection Amounts in \$000s	Current (Jun 2019)	Prior Mth (May 2019)	Change	Final 2019 Outlook*
Premium Written	30,315	30,517	(202)	31,089
Premium Earned	29,758	29,980	(222)	30,272
Incurred Losses	31,128	31,391	(263)	30,014
Underwriting & Admin Expense	11,049	11,153	(104)	11,148
Net Result from Operations	(12,419)	(12,564)	145	(10,890)
Ratios:				
Loss ratio - <i>Prior Accident Years</i>	1.1%	1.3%	(0.2%)	(1.5%)
- <i>Current Accident Year</i>	103.5%	103.4%	0.1%	100.7%
<i>Total</i>	104.6%	104.7%	(0.1%)	99.2%
Underwriting & Admin Expense	37.1%	37.2%	(0.1%)	36.8%
Combined Operating Ratio	141.7%	141.9%	(0.2%)	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 -\$0.9 million Operating Result in the month of June 2019, a \$0.1 million deterioration from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 134.9% to 139.1% applied to \$2.4 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 148.2% at the end of 5 months to 146.9% at the end of 6 months. The 1.3 percentage point decrease is composed of a 2.1 percentage point decrease in the Prior Accident Years loss ratio, offset by a 0.1 percentage point increase in the Current Accident Year loss ratio, and a 0.7 percentage point increase in the expense 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

June 2019	Actual	Projection	Difference	Difference %
Written Premium	2,729	2,931	(202)	(6.9%)
Earned Premium	2,352	2,494	(142)	(5.7%)
Reported Losses				
Paid Losses	1,655	1,339	316	23.6%
Paid Expenses	56	79	(23)	(29.1%)
Change in Outstanding Losses	(272)	224	(496)	(221.4%)
Total Reported Losses	1,439	1,642	(203)	(12.4%)
Change in IBNR Provision *	888	865	23	
Change in Premium Deficiency (DPAC) *	46	47	(1)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP June 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 June 2019, reported losses were \$0.2 million lower than projected. The Current Accident Year had a \$0.1 million unfavourable variance in reported losses, while the Prior Accident Years had a \$0.3 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.

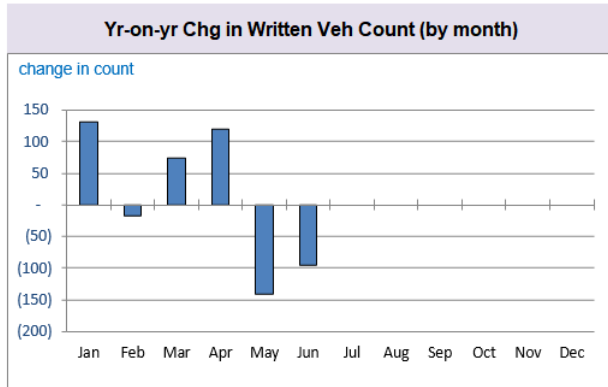
Booking IBNR

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

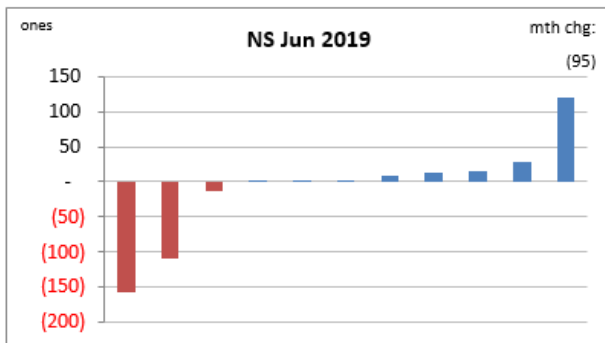
Effect of Quarterly Valuation

The June 2019 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2019). The actuarial valuation will be updated next as at June 30, 2019 and we anticipate that the results will be reflected in the August 2019 Operational Report.

Management Comments

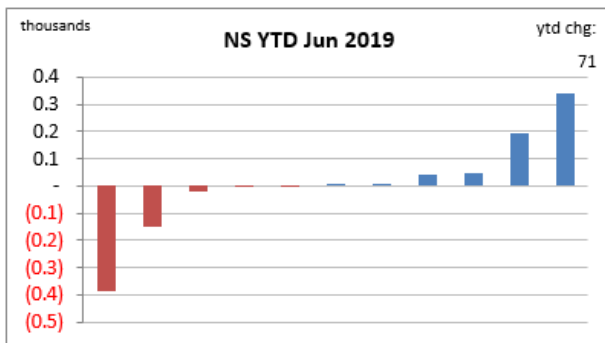


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with June showing a decrease of 95 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 63 vehicles, indicating a variance of 158 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the RSP in June than projected.



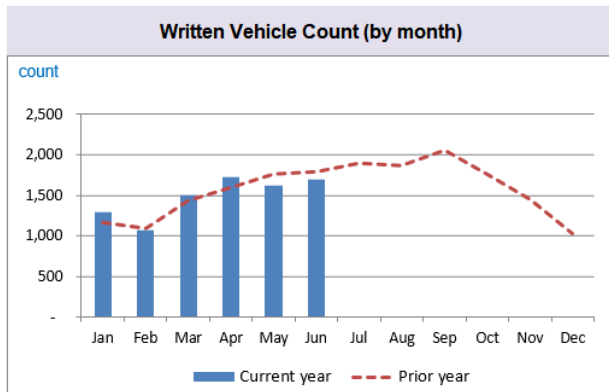
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Three member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while eight transferred more. Of the 3 member company groups transferring fewer vehicles, 2 member company group accounted for 95% of

the total transfer decrease for these “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 64% of the total transfer increase for these “grower” members.

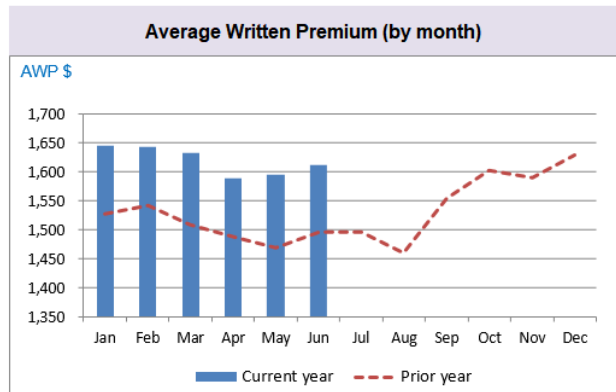


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

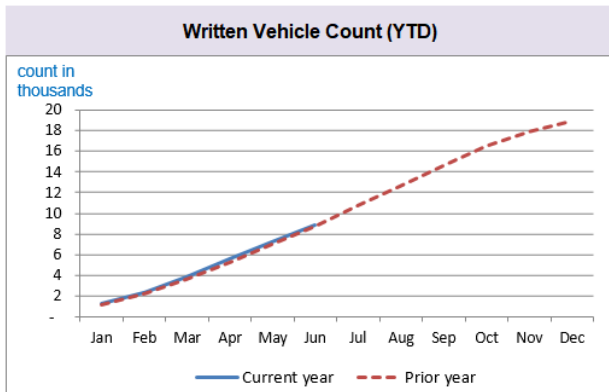
June’s vehicle count transfers to the RSP represent a 5.3% decrease from June 2018, but vehicle counts were up 0.8% year-to-date. Average written premium was up 7.8% in June 2019, and was up 7.7% year-to-date (see charts at the top of the next page).



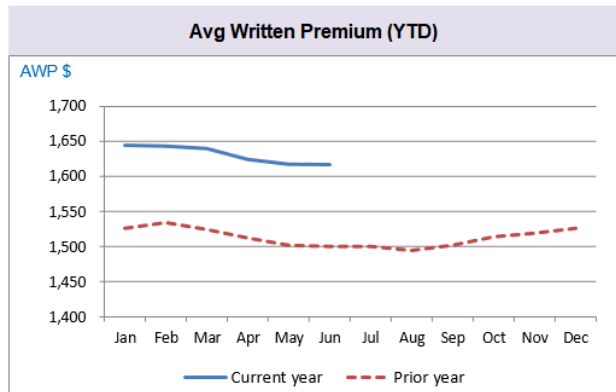
	Jun-19	Jun-18	Amt Chg	% Chg
W. Veh curr mth	1,693	1,787	(95)	-5.3%



	Jun-19	Jun-18	Amt Chg	% Chg
AWP curr mth	1,612	1,496	116	7.8%

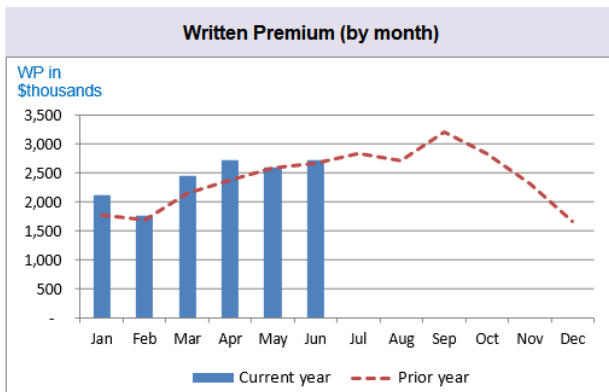


	Jun-19	Jun-18	Amt Chg	% Chg
W. Vehicles YTD	8,916	8,845	71	0.8%

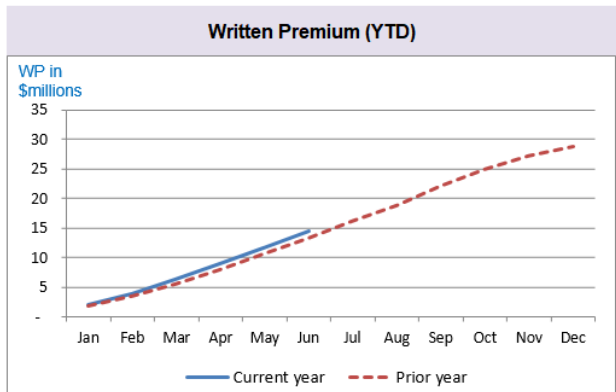


	Jun-19	Jun-18	Amt Chg	% Chg
Avg W. Prem YTD	1,617	1,501	116	7.7%

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 9.6% increase we projected last month, and was up 8.6% year-to-date (see charts immediately below).



	Jun-19	Jun-18	Amt Chg	% Chg
WP (\$000s) curr mth	2,729	2,674	55	2.0%



	Jun-19	Jun-18	Amt Chg	% Chg
WP (\$000s) YTD	14,416	13,277	1,140	8.6%

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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 June 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Nova Scotia
 Operating Results for the 6 Months Ended June 30, 2019 (Discounted basis)
 Source: Monthly Operational Report
 (thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Underwriting Revenue:									
Net Premiums Written	\$2,126	\$1,769	\$2,462	\$2,738	\$2,593	\$2,729	\$14,417	\$30,315	\$28,869
Decrease (Increase) in Unearned Premiums	368	479	59	(271)	(246)	(377)	12	(557)	(1,213)
Net Premiums Earned	\$2,494	\$2,248	\$2,521	\$2,467	\$2,347	\$2,352	\$14,429	\$29,758	\$27,656
Claims Incurred:									
Prior Accident Years:									
Undiscounted	(\$14)	(\$17)	(\$834)	(\$5)	\$1,030	(\$48)	\$112	\$112	\$195
Effect of Discounting	153	(70)	228	(50)	452	(92)	621	206	(683)
Discounted	\$139	(\$87)	(\$606)	(\$55)	\$1,482	(\$140)	\$733	\$318	(\$488)
Current Accident Year:									
Undiscounted	\$2,422	\$2,185	\$2,429	\$2,381	\$2,586	\$2,344	\$14,347	\$29,325	\$25,819
Effect of Discounting	115	81	126	86	225	123	756	1,485	872
Discounted	\$2,537	\$2,266	\$2,555	\$2,467	\$2,811	\$2,467	\$15,103	\$30,810	\$26,691
Claims Incurred	\$2,676	\$2,179	\$1,949	\$2,412	\$4,293	\$2,327	\$15,836	\$31,128	\$26,203
Underwriting Expenses:									
Expense Allowance	\$659	\$549	\$763	\$849	\$805	\$847	\$4,472	\$9,399	\$8,714
Change in UPDR/DPAC:									
Undiscounted	10	15	(13)	17	200	18	247	422	537
Effect of Discounting	(16)	(22)	105	15	214	28	324	374	(86)
Discounted	(6)	(7)	92	32	414	46	571	796	451
Underwriting Expenses	\$653	\$542	\$855	\$881	\$1,219	\$893	\$5,043	\$10,195	\$9,165
Net Underwriting Gain (Loss)	(\$835)	(\$473)	(\$283)	(\$826)	(\$3,165)	(\$868)	(\$6,450)	(\$11,565)	(\$7,712)
Administrative Expenses	\$49	\$59	\$41	\$50	\$51	\$53	\$303	\$854	\$608
Operating Result	(\$884)	(\$532)	(\$324)	(\$876)	(\$3,216)	(\$921)	(\$6,753)	(\$12,419)	(\$8,320)
Ratios:									
Claims & Expenses Incurred (Earned)									
Prior Accident Years	5.6%	-3.9%	-24.0%	-2.2%	63.1%	-6.0%	5.1%	1.1%	-1.8%
Current Accident Year	101.7%	100.8%	101.3%	100.0%	119.8%	104.9%	104.7%	103.5%	96.5%
All Accident Years Combined	107.3%	96.9%	77.3%	97.8%	182.9%	98.9%	109.8%	104.6%	94.7%
Underwriting & Administrative Expenses (Earned)	28.1%	26.7%	35.5%	37.7%	54.1%	40.2%	37.1%	37.1%	35.3%
Combined Operating Ratio	135.4%	123.6%	112.8%	135.5%	237.0%	139.1%	146.9%	141.7%	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