

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 065

DATE: AUGUST 29, 2019

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

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

Please be advised that the July 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 -\$7.9 million and the incurred loss ratio to the end of 7 months is 108.5%, as summarized in the table below.

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

Amounts in \$000s	July 2019	July 2018	Year to date Jul 2019	Year to Date Jul 2018
Premium Written	3,074	2,844	17,491	16,119
Premium Earned	2,573	2,395	17,002	15,785
Incurring Losses	2,604	2,282	18,440	14,423
Underwriting & Admin Expense	1,075	931	6,421	5,494
Operating Result	(1,106)	(818)	(7,859)	(4,132)
Ratios:				
Loss ratio				
- Prior Accident Years	(1.5%)	(2.9%)	4.1%	(7.3%)
- Current Accident Year	102.7%	98.2%	104.4%	98.7%
<i>Total</i>	101.2%	95.3%	108.5%	91.4%
<i>Underwriting & Admin Expense</i>	41.8%	38.9%	37.8%	34.8%
<i>Combined Operating Ratio</i>	143.0%	134.2%	146.3%	126.2%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. For additional

Bulletin F19-065
Nova Scotia Risk Sharing Pool – July 2019 Operational Report

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 -\$12.5 million and the estimated combined operating ratio to December 2019 is 141.9%, 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)*

NS RSP 2019 Yr-end Projection Amounts in \$000s	Current (Jul 2019)	Prior Mth (Jun 2019)	Change	Final 2019 Outlook*
Premium Written	30,388	30,315	73	31,089
Premium Earned	29,776	29,758	18	30,272
Incurred Losses	31,199	31,128	71	30,014
Underwriting & Admin Expense	11,040	11,049	(8)	11,148
Net Result from Operations	(12,463)	(12,419)	(45)	(10,890)
Ratios:				
Loss ratio - Prior Accident Years	1.2%	1.1%	0.1%	(1.5%)
- Current Accident Year	103.6%	103.5%	0.1%	100.7%
<i>Total</i>	104.8%	104.6%	0.2%	99.2%
Underwriting & Admin Expense	37.1%	37.1%	0.0%	36.8%
Combined Operating Ratio	141.9%	141.7%	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 -\$1.1 million Operating Result in the month of July 2019, a \$0.3 million deterioration from the same month last year. This deterioration is composed of a \$0.1 million unfavourable impact associated with the \$0.2 million increase in earned premium (at a combined ratio of 134.2%), with remaining \$0.2 million deterioration stemming from the overall increase in the combined ratio (from 134.2% to 143.0% applied to \$2.6 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 146.9% at the end of 6 months to 146.3% at the end of 7 months. The 0.6 percentage point decrease is composed of a 1.0 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.3 percentage point decrease in the Current Accident Year loss ratio, offset by 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

Bulletin F19-065
Nova Scotia Risk Sharing Pool – July 2019 Operational Report

results as compared to the estimates projected last month.

NS RSP Summary of Actual vs Projected variances

July 2019	Actual	Projection	Difference	Difference %
Written Premium	3,074	3,001	73	2.4%
Earned Premium	2,573	2,610	(37)	(1.4%)
Reported Losses				
Paid Losses	1,210	1,596	(386)	(24.2%)
Paid Expenses	76	118	(42)	(35.6%)
Change in Outstanding Losses	326	198	128	64.6%
Total Reported Losses	1,612	1,912	(300)	(15.7%)
Change in IBNR Provision *	992	688	304	
Change in Premium Deficiency (DPAC) *	57	48	9	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP July 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 July 2019, reported losses were \$0.3 million lower than projected. The Current Accident Year had a \$0.3 million favourable variance in reported losses, and the Prior Accident Years had an insignificant 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

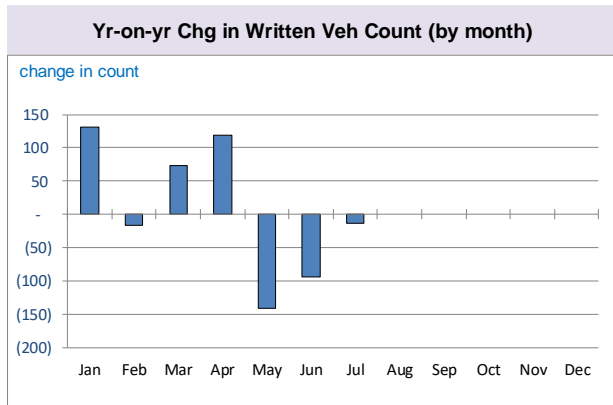
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 July 2019 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

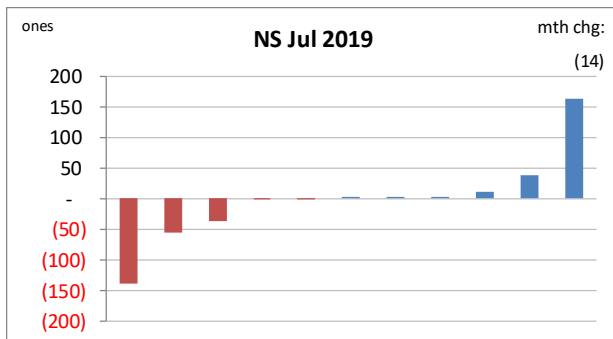
The July 2019 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2019). The actuarial valuation will be updated next as at June 30, 2019 and we anticipate that the results will be reflected in the August

2019 Operational Report.

Management Comments

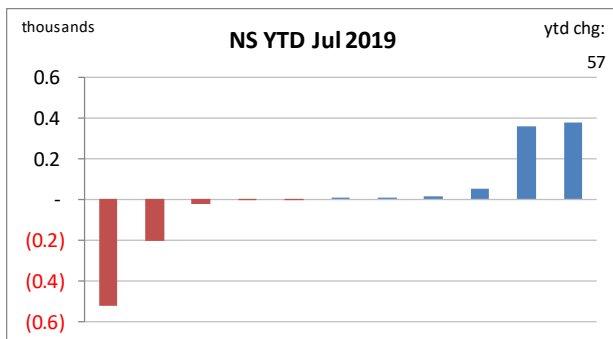


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with July showing a decrease of 14 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 34 vehicles, indicating a variance of 20 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the RSP in July than projected.



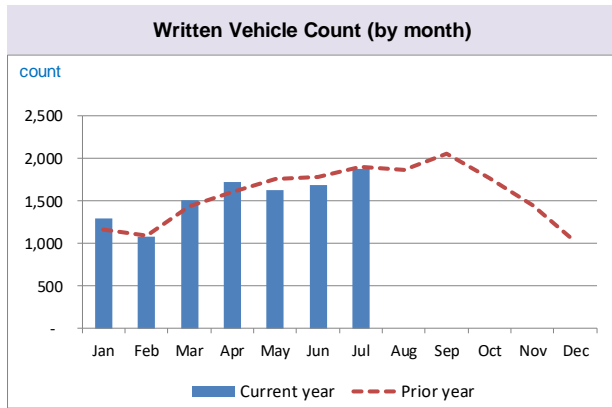
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while six transferred more. Of the 5 member company groups transferring fewer vehicles, 1 member company

group accounted for 60% of the total transfer decrease for these “decliner” members. Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 75% of the total transfer increase for these “grower” members.

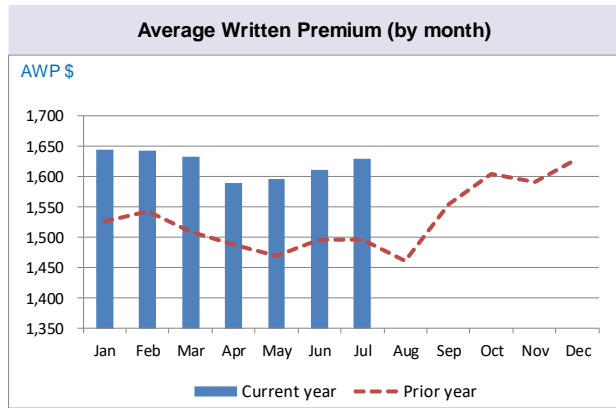


The chart on the left presents the same information as the previous chart, but on a year-to-date basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by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

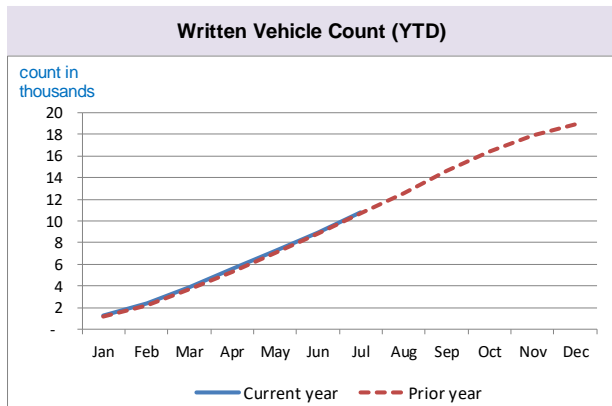
July’s vehicle count transfers to the RSP represent a 0.7% decrease from July 2018, but vehicle counts were up 0.5% year-to-date. Average written premium was up 8.9% in July 2019, and was up 7.9% year-to-date (see charts at the top of the next page).



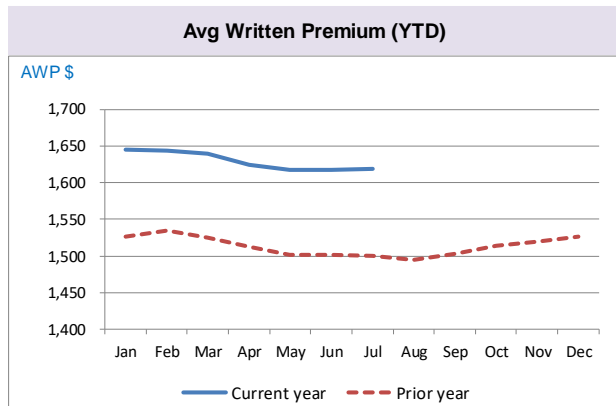
	Jul-19	Jul-18	Amt Chg	% Chg
W. Veh curr mth	1,885	1,899	(14)	-0.7%



	Jul-19	Jul-18	Amt Chg	% Chg
AWP curr mth	1,630	1,497	133	8.9%

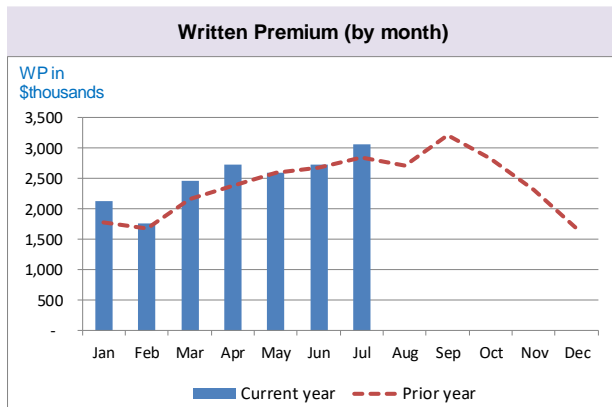


	Jul-19	Jul-18	Amt Chg	% Chg
W. Vehicles YTD	10,801	10,744	57	0.5%

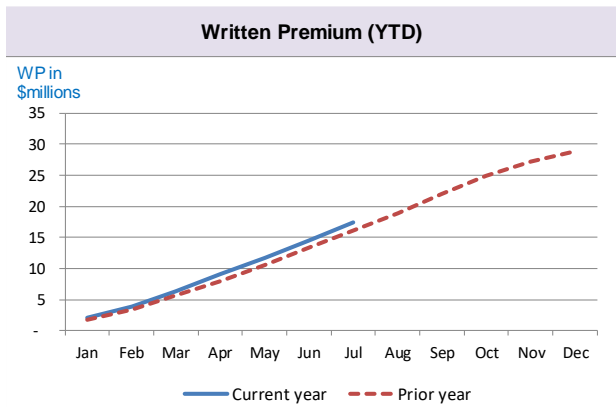


	Jul-19	Jul-18	Amt Chg	% Chg
Avg W. Prem YTD	1,619	1,500	119	7.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 8.1% for the month compared with the 5.5% increase we projected last month, and was up 8.5% year-to-date (see charts immediately below).



	Jul-19	Jul-18	Amt Chg	% Chg
WP (\$000s) curr mth	3,074	2,844	230	8.1%



	Jul-19	Jul-18	Amt Chg	% Chg
WP (\$000s) YTD	17,490	16,121	1,369	8.5%

Bulletin F19-065
Nova Scotia Risk Sharing Pool – July 2019 Operational Report

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 July 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Nova Scotia

Operating Results for the 7 Months Ended July 31, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	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	\$3,074	\$17,491	\$30,388	\$28,869
Decrease (Increase) in Unearned Premiums	368	479	59	(271)	(246)	(377)	(501)	(489)	(612)	(1,213)
Net Premiums Earned	\$2,494	\$2,248	\$2,521	\$2,467	\$2,347	\$2,352	\$2,573	\$17,002	\$29,776	\$27,656
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$14)	(\$17)	(\$834)	(\$5)	\$1,030	(\$48)	(\$3)	\$109	\$109	\$195
Effect of Discounting	153	(70)	228	(50)	452	(92)	(35)	586	256	(683)
Discounted	\$139	(\$87)	(\$606)	(\$55)	\$1,482	(\$140)	(\$38)	\$695	\$365	(\$488)
Current Accident Year:										
Undiscounted	\$2,422	\$2,185	\$2,429	\$2,381	\$2,586	\$2,344	\$2,517	\$16,864	\$29,346	\$25,819
Effect of Discounting	115	81	126	86	225	123	125	881	1,488	872
Discounted	\$2,537	\$2,266	\$2,555	\$2,467	\$2,811	\$2,467	\$2,642	\$17,745	\$30,834	\$26,691
Claims Incurred	\$2,676	\$2,179	\$1,949	\$2,412	\$4,293	\$2,327	\$2,604	\$18,440	\$31,199	\$26,203
Underwriting Expenses:										
Expense Allowance	\$659	\$549	\$763	\$849	\$805	\$847	\$953	\$5,425	\$9,423	\$8,714
Change in UPDR/DPAC:										
Undiscounted	10	15	(13)	17	200	18	22	269	422	537
Effect of Discounting	(16)	(22)	105	15	214	28	35	359	376	(86)
Discounted	(6)	(7)	92	32	414	46	57	628	798	451
Underwriting Expenses	\$653	\$542	\$855	\$881	\$1,219	\$893	\$1,010	\$6,053	\$10,221	\$9,165
Net Underwriting Gain (Loss)	(\$835)	(\$473)	(\$283)	(\$826)	(\$3,165)	(\$868)	(\$1,041)	(\$7,491)	(\$11,644)	(\$7,712)
Administrative Expenses	\$49	\$59	\$41	\$50	\$51	\$53	\$65	\$368	\$819	\$608
Operating Result	(\$884)	(\$532)	(\$324)	(\$876)	(\$3,216)	(\$921)	(\$1,106)	(\$7,859)	(\$12,463)	(\$8,320)
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	5.6%	-3.9%	-24.0%	-2.2%	63.1%	-6.0%	-1.5%	4.1%	1.2%	-1.8%
Current Accident Year	101.7%	100.8%	101.3%	100.0%	119.8%	104.9%	102.7%	104.4%	103.6%	96.5%
All Accident Years Combined	107.3%	96.9%	77.3%	97.8%	182.9%	98.9%	101.2%	108.5%	104.8%	94.7%
Underwriting & Administrative Expenses (Earned)	28.1%	26.7%	35.5%	37.7%	54.1%	40.2%	41.8%	37.8%	37.1%	35.3%
Combined Operating Ratio	135.4%	123.6%	112.8%	135.5%	237.0%	139.1%	143.0%	146.3%	141.9%	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