

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 100

DATE: DECEMBER 23, 2019

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

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

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

Key Points

- (a) the **2019 year-to-date net operating deficit is \$12.4 million** with the addition of \$1.1 million in deficit generated in November, resulting in a year-to-date COR of 145.0% on earned premium of \$27.5 million; and
- (b) the **projected 2019 year-end net operating deficit is \$13.0 million**, with a COR at 143.0% on earned premium of \$30.3 million (our Outlook for 2019 was \$10.9 million of net operating deficit with a COR of 136.0% on earned premium of \$30.3 million).

Summary of Financial Results

The calendar year-to-date Operating Result is -\$12.4 million and the incurred loss ratio to the end of 11 months is 105.2%, as summarized in the table at the top of the next page.

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Nova Scotia Risk Sharing Pool – November 2019 Operational Report

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

Amounts in \$000s	November 2019	November 2018	Year to date Nov 2019	Year to Date Nov 2018
Premium Written	2,910	2,312	30,519	27,196
Premium Earned	2,646	2,387	27,460	25,214
Incurring Losses	2,680	2,234	28,900	23,902
Underwriting & Admin Expense	1,075	811	10,919	9,142
Operating Result	(1,109)	(658)	(12,359)	(7,830)
Ratios:				
Loss ratio - <i>Prior Accident Years</i>	(1.4%)	(2.4%)	1.5%	(1.7%)
- <i>Current Accident Year</i>	102.7%	96.0%	103.7%	96.5%
<i>Total</i>	101.3%	93.6%	105.2%	94.8%
Underwriting & Admin Expense	40.6%	34.0%	39.8%	36.3%
Combined Operating Ratio	141.9%	127.6%	145.0%	131.1%

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 -\$13.0 million and the estimated combined operating ratio to December 2019 is 143.0%, 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 2019 Yr-end Projection	Current	Prior Mth	Change	Final 2019
Amounts in \$000s	(Nov 2019)	(Oct 2019)		Outlook*
Premium Written	32,543	32,499	44	31,089
Premium Earned	30,271	30,237	34	30,272
Incurred Losses	31,692	31,576	116	30,014
Underwriting & Admin Expense	11,587	11,606	(19)	11,148
Net Result from Operations	(13,008)	(12,945)	(63)	(10,890)
Ratios:				
Loss ratio - Prior Accident Years	1.1%	1.0%	0.1%	(1.5%)
- Current Accident Year	103.6%	103.5%	0.1%	100.7%
<i>Total</i>	104.7%	104.5%	0.2%	99.2%
Underwriting & Admin Expense	38.3%	38.4%	(0.1%)	36.8%
Combined Operating Ratio	143.0%	142.9%	0.1%	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 November 2019, a \$0.5 million deterioration from the same month last year. This deterioration is composed of a \$0.1 million unfavourable impact associated with the \$0.3 million increase in earned premium (at a combined ratio of 127.6%), with the remaining \$0.4 million stemming from the overall increase in the combined ratio (from 127.6% to 141.9% applied to \$2.6 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 145.3% at the end of 10 months to 145.0% at the end of 11 months. The 0.3 percentage point decrease is composed of a 0.3 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.1 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.

NS RSP Summary of Actual vs Projected variances

November 2019	Actual	Projection	Difference	Difference %
Written Premium	2,910	2,617	293	11.2%
Earned Premium	2,646	2,679	(33)	(1.2%)
Reported Losses				
Paid Losses	1,287	1,984	(697)	(35.1%)
Paid Expenses	56	100	(44)	(44.0%)
Change in Outstanding Losses	(515)	184	(699)	(379.9%)
Total Reported Losses	828	2,268	(1,440)	(63.5%)
Change in IBNR Provision *	1,852	384	1,468	
Change in Premium Deficiency (DPAC) *	29	52	(23)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP November 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 November 2019, reported losses were \$1.4 million higher than projected. The Current Accident Year had an approximately \$0.7 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.7 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 Prior 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

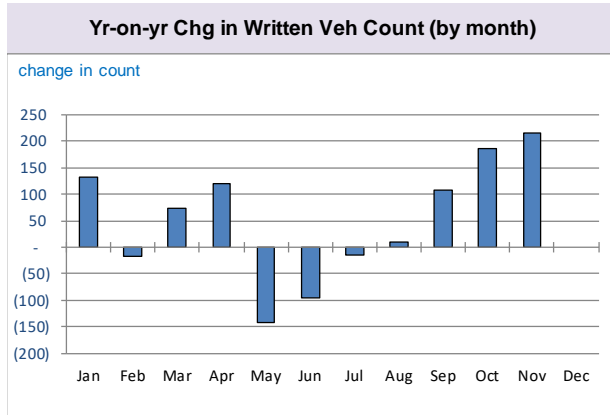
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium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

Effect of Quarterly Valuation

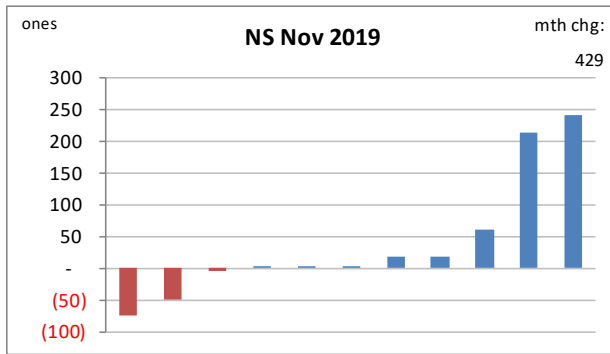
The November 2019 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2019). The actuarial

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

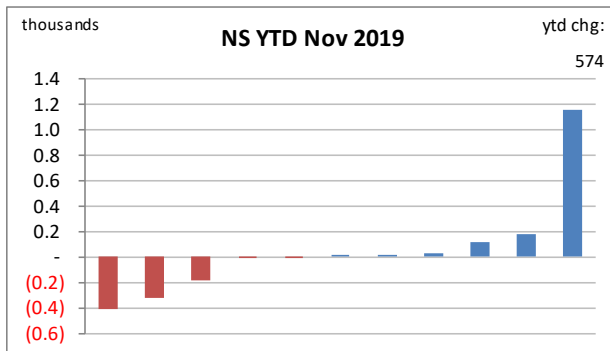


The chart on the left shows the year-on-year change in the vehicles transferred to the RSP by month, with November showing an increase of 215 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 149 vehicles, indicating a variance of 66 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the RSP in November than projected.



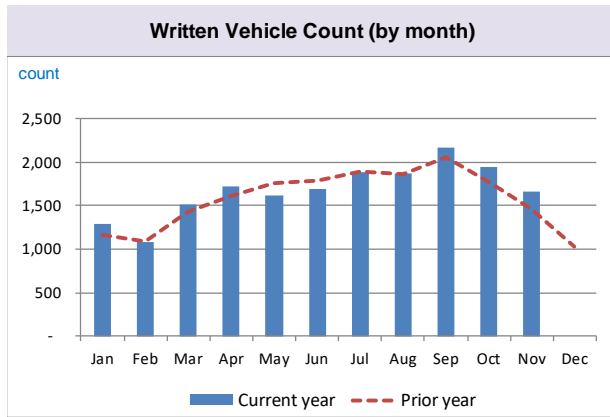
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Three member company groups transferred fewer vehicles to the RSP this month compared with a year ago, while eight transferred more. Of the 3 member company groups transferring fewer vehicles, 2 member company groups accounted for 96% of the total transfer decrease for these “decliner” members.

Of the 8 member company groups transferring more vehicles, 2 member company groups accounted for 82% of the total transfer increase for these “grower” members.

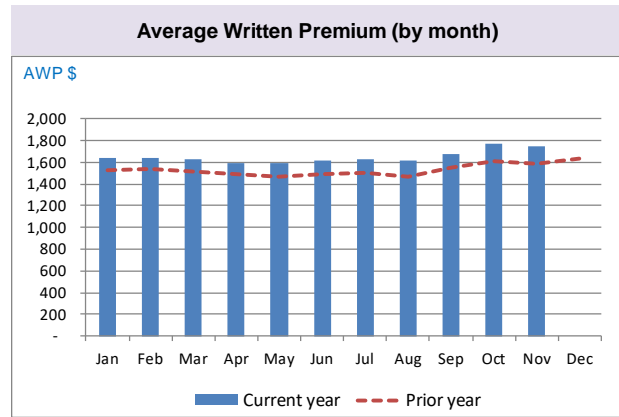


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

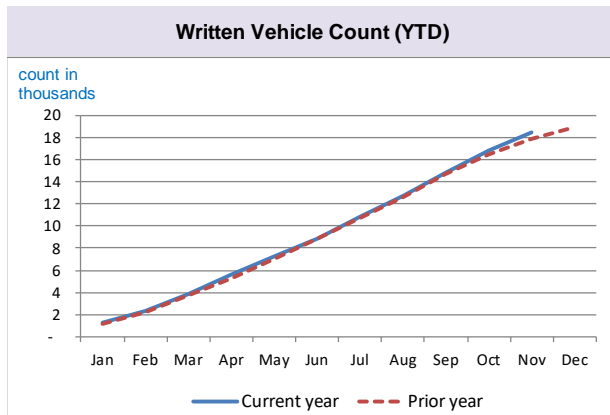
November’s vehicle count transfers to the RSP represent a 14.8% increase from November 2018, and vehicle counts were up 3.2% year-to-date. Average written premium was up 9.6% in November 2019, and was up 8.8% year-to-date (see charts at the top of the next page).



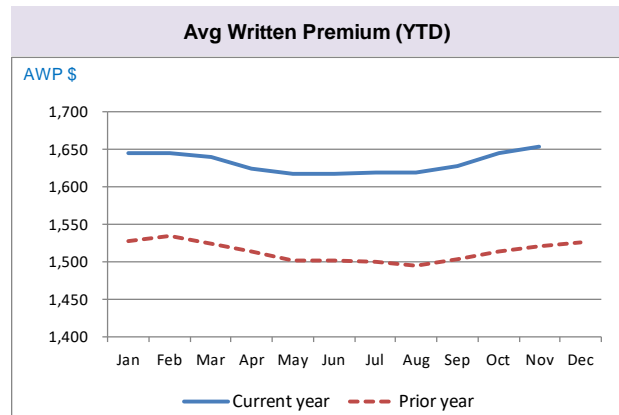
	Nov-19	Nov-18	Amt Chg	% Chg
W. Veh curr mth	1,668	1,454	215	14.8%



	Nov-19	Nov-18	Amt Chg	% Chg
AWP curr mth	1,744	1,591	153	9.6%

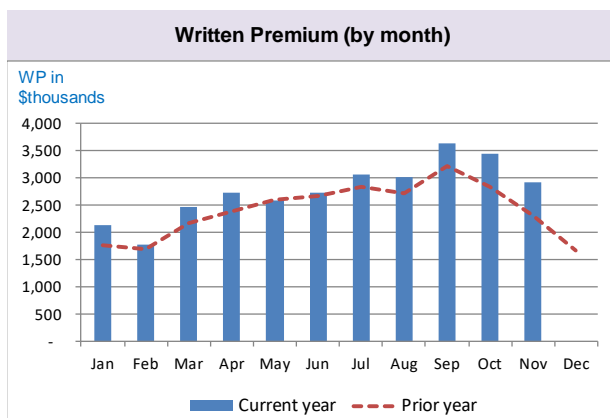


	Nov-19	Nov-18	Amt Chg	% Chg
W. Vehicles YTD	18,465	17,892	574	3.2%

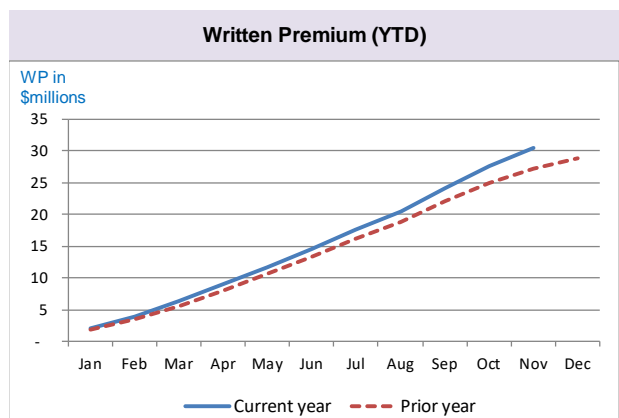


	Nov-19	Nov-18	Amt Chg	% Chg
Avg W. Prem YTD	1,653	1,520	133	8.8%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 25.9% for the month compared with the 13.2% increase we projected last month, and was up 12.2% year-to-date (see charts immediately below).



	Nov-19	Nov-18	Amt Chg	% Chg
WP (\$000s) curr mth	2,910	2,312	598	25.9%



	Nov-19	Nov-18	Amt Chg	% Chg
WP (\$000s) YTD	30,517	27,198	3,319	12.2%

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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 November 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Nova Scotia

Operating Results for the 11 Months Ended November 30, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	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	\$3,024	\$3,643	\$3,451	\$2,910	\$30,519	\$32,543	\$28,869
Decrease (Increase) in Unearned Premiums	368	479	59	(271)	(246)	(377)	(501)	(428)	(1,097)	(781)	(264)	(3,059)	(2,272)	(1,213)
Net Premiums Earned	\$2,494	\$2,248	\$2,521	\$2,467	\$2,347	\$2,352	\$2,573	\$2,596	\$2,546	\$2,670	\$2,646	\$27,460	\$30,271	\$27,656
Claims Incurred:														
Prior Accident Years:														
Undiscounted	(\$14)	(\$17)	(\$834)	(\$5)	\$1,030	(\$48)	(\$3)	(\$512)	\$7	\$512	(\$5)	\$111	\$111	\$195
Effect of Discounting	153	(70)	228	(50)	452	(92)	(35)	(157)	(36)	(54)	(32)	307	234	(683)
Discounted	\$139	(\$87)	(\$606)	(\$55)	\$1,482	(\$140)	(\$38)	(\$669)	(\$29)	\$458	(\$37)	\$418	\$345	(\$488)
Current Accident Year:														
Undiscounted	\$2,422	\$2,185	\$2,429	\$2,381	\$2,586	\$2,344	\$2,517	\$2,356	\$2,458	\$2,838	\$2,594	\$27,110	\$29,859	\$25,819
Effect of Discounting	115	81	126	86	225	123	125	138	115	115	123	1,372	1,488	872
Discounted	\$2,537	\$2,266	\$2,555	\$2,467	\$2,811	\$2,467	\$2,642	\$2,494	\$2,573	\$2,953	\$2,717	\$28,482	\$31,347	\$26,691
Claims Incurred	\$2,676	\$2,179	\$1,949	\$2,412	\$4,293	\$2,327	\$2,604	\$1,825	\$2,544	\$3,411	\$2,680	\$28,900	\$31,692	\$26,203
Underwriting Expenses:														
Expense Allowance	\$659	\$549	\$763	\$849	\$805	\$847	\$953	\$938	\$1,129	\$1,070	\$902	\$9,464	\$10,091	\$8,714
Change in UPDR/DPAC:														
Undiscounted	10	15	(13)	17	200	18	22	(118)	23	79	11	264	327	537
Effect of Discounting	(16)	(22)	105	15	214	28	35	39	78	27	18	521	471	(86)
Discounted	(6)	(7)	92	32	414	46	57	(79)	101	106	29	785	798	451
Underwriting Expenses	\$653	\$542	\$855	\$881	\$1,219	\$893	\$1,010	\$859	\$1,230	\$1,176	\$931	\$10,249	\$10,889	\$9,165
Net Underwriting Gain (Loss)	(\$835)	(\$473)	(\$283)	(\$826)	(\$3,165)	(\$868)	(\$1,041)	(\$88)	(\$1,228)	(\$1,917)	(\$965)	(\$11,689)	(\$12,310)	(\$7,712)
Administrative Expenses	\$49	\$59	\$41	\$50	\$51	\$53	\$65	\$48	\$50	\$60	\$144	\$670	\$698	\$608
Operating Result	(\$884)	(\$532)	(\$324)	(\$876)	(\$3,216)	(\$921)	(\$1,106)	(\$136)	(\$1,278)	(\$1,977)	(\$1,109)	(\$12,359)	(\$13,008)	(\$8,320)
Ratios:														
Claims & Expenses Incurred (Earned)														
Prior Accident Years	5.6%	-3.9%	-24.0%	-2.2%	63.1%	-6.0%	-1.5%	-25.8%	-1.1%	17.2%	-1.4%	1.5%	1.1%	-1.8%
Current Accident Year	101.7%	100.8%	101.3%	100.0%	119.8%	104.9%	102.7%	96.1%	101.1%	110.6%	102.7%	103.7%	103.6%	96.5%
All Accident Years Combined	107.3%	96.9%	77.3%	97.8%	182.9%	98.9%	101.2%	70.3%	100.0%	127.8%	101.3%	105.2%	104.7%	94.7%
Underwriting & Administrative Expenses (Earned)	28.1%	26.7%	35.5%	37.7%	54.1%	40.2%	41.8%	34.9%	50.3%	46.3%	40.6%	39.8%	38.3%	35.3%
Combined Operating Ratio	135.4%	123.6%	112.8%	135.5%	237.0%	139.1%	143.0%	105.2%	150.3%	174.1%	141.9%	145.0%	143.0%	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