

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F16 – 008**

**DATE: JANUARY 28, 2016**

**SUBJECT: NOVA SCOTIA RISK SHARING POOL  
– DECEMBER 2015 OPERATIONAL REPORT**

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

Please be advised that the December 2015 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 Net Result from Operations is -\$7.0 million and the incurred loss ratio to the end of 12 months is 105.6%, as summarized in the table below.

	<b>December 2015</b>	December 2014	<b>Year to date December 2015</b>	Year to Date December 2014
Written Premiums	\$723	\$795	\$14,500	\$13,608
Earned Premiums	\$1,241	\$1,173	\$14,079	\$13,267
Incurred Losses	\$1,235	\$1,062	\$14,866	\$14,812
Underwriting Expenses and Others	\$287	\$299	\$6,242	\$5,578
<b>Net Result from Operations</b>	<b>(\$281)</b>	<b>(\$188)</b>	<b>(\$7,029)</b>	<b>(\$7,123)</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(4.3%)</b>	<b>(8.4%)</b>	1.3%	12.1%
- Current Accident Year	103.8%	99.0%	104.3%	99.6%
	99.5%	90.6%	105.6%	111.7%
<b>Underwriting &amp; Admin Exp.%</b>	23.1%	25.5%	44.3%	42.0%
<b>Combined Operating Ratio</b>	<b>122.6%</b>	<b>116.1%</b>	<b>149.9%</b>	<b>153.7%</b>

(Amounts in \$000's)

Rounding differences may occur.

**Bulletin F16-008****Nova Scotia Risk Sharing Pool – December 2015 Operational Report**

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These results are discussed in some detail in the “Current Month Results” section below. For additional numeric details, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2015” attached to this bulletin.

*Updated Projection to Year-end 2016*

An Outlook had been prepared to provide members with an estimate of Nova Scotia RSP operating results for calendar year 2016 based on the actuarial valuation at June 30, 2015, and reflecting actual experience to date as detailed in the August 2015 Operational Report. This Outlook was posted on September 30, 2015 (please refer to Bulletin [F15-072](#)), and projected a Net Result from Operations for 2016 of -\$5.5 million, and a combined operating ratio of 138.1%.

This month, the updated projected calendar year Net Result from Operations to December 2016 is -\$5.7 million (a \$0.1 million deterioration relative to the Outlook) and the estimated combined operating ratio to December 2015 is 139.7% (a 1.6 point deterioration relative to the Outlook).

*Current Month Results*

The Nova Scotia Risk Sharing Pool produced a -\$0.3 million Net Result from Operations in the month of December 2015, a \$0.1 million deterioration from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 116.1% to 122.6% applied to \$1.2 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 152.6% at the end of 11 months to 149.9% at the end of 12 months. The 2.7 percentage point decrease is composed of a 0.5 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, and a 2.1 percentage point decrease 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.

December 2015	Actual	Projection	Difference	Difference%
Written Premiums	\$723	\$770	(\$47)	(6.1%)
Earned Premiums	\$1,241	\$1,258	(\$17)	(1.4%)
Reported Losses				
Paid Losses	\$668	\$1,139	(\$471)	(41.4%)
Loss Expenses Paid	\$45	\$26	\$19	73.1%
Increase (decrease) in Outstanding Losses	\$390	(\$433)	\$823	190.1%
<b>Total Reported Losses</b>	<b>\$1,103</b>	<b>\$732</b>	<b>\$371</b>	<b>50.7%</b>
Increase (decrease) in IBNR *	\$132	\$464	(\$332)	
Decrease (increase) in DPAC *	(\$3)	\$13	(\$16)	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included at [Nova Scotia RSP December 2015 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 above set thresholds and responds as appropriate. For this month, the variances were within threshold levels associated with the monthly reporting volatility.

For the month of December 2015, reported losses were \$0.4 million higher than projected. The Current Accident Year had a \$10 thousand favourable variance in reported losses, and the Prior Accident Years had a \$0.4 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

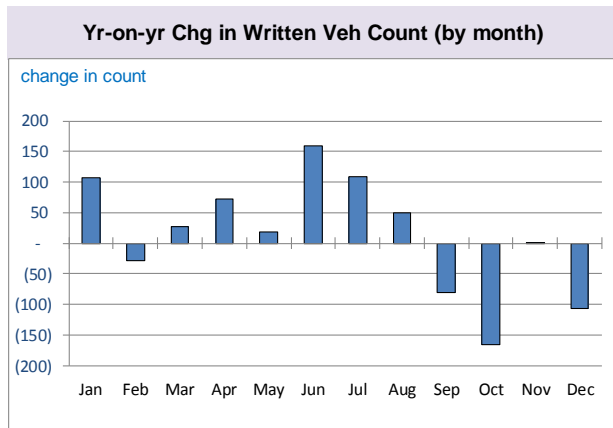
### Booking IBNR

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 December 2015 Operational Report – Actuarial Highlights](#).

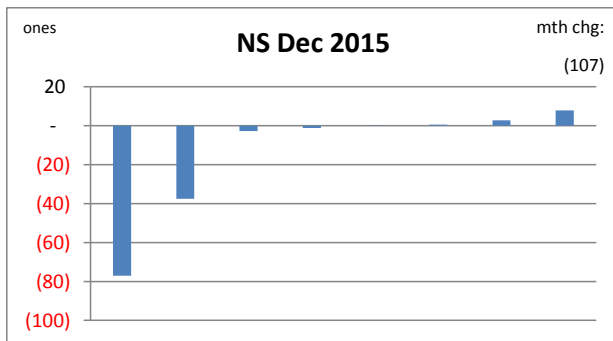
### **Effect of Quarterly Valuation**

The December 2015 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, 2015). The actuarial valuation will be updated next as at December 31, 2015 and we anticipate that the results will be reflected in the March 2016 Operational Report.

Management Comments

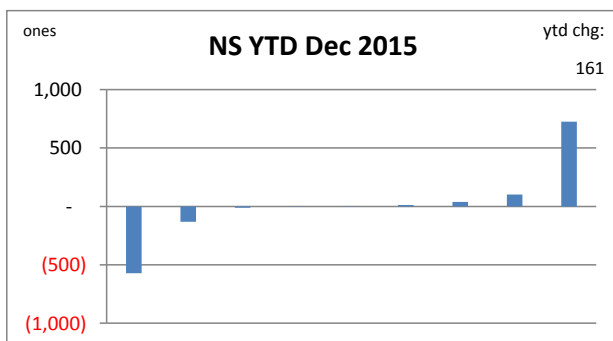


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with December showing a decrease of 107 vehicle. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 48 written vehicles, indicating a variance of 59 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in December 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 pool this month compared with a year ago, while 3 transferred more. Of the 5 member company groups transferring fewer vehicles, 1 member company group accounted for 65% of the total transfer decrease for these “decliner” members.

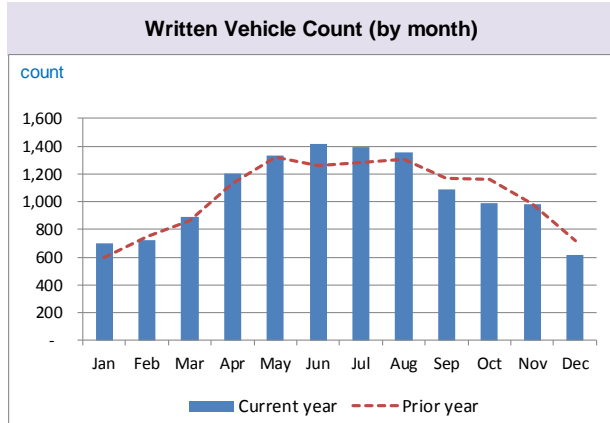
Of the 3 member company groups transferring more vehicles, 1 member company group accounted for 71% of the total transfer increase for these “grower” members.



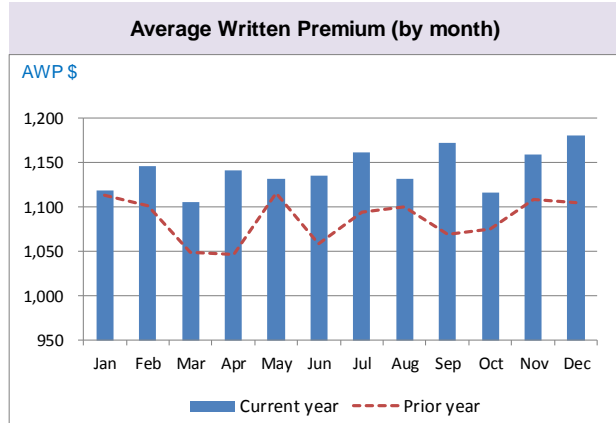
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. 2015 ended with more members decreasing their transfers (5) than those increasing (4). Two members

increased their transfers by more than 100 vehicles and 2 members decreased their transfers by more than 100 vehicles (by comparison, we project that the FARM will write approximately 3,600 non-fleet private passenger vehicles in Nova Scotia in total during 2015, an increase of approximately 100 vehicles, or 3%). Of the 9 members using the NS RSP during 2015, 4 transferred more than 1,000 vehicles (and on average transferring approximately 3,000).

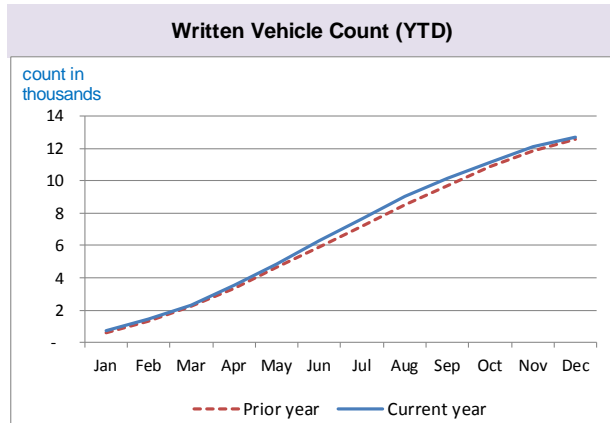
December’s vehicle count transfers to the pool represent a 14.9% decrease from December 2014, but vehicle counts were up 1.3% year-to-date. Average written premium was up 6.9% in December 2015, and was up 5.3% year-to-date (see charts immediately below).



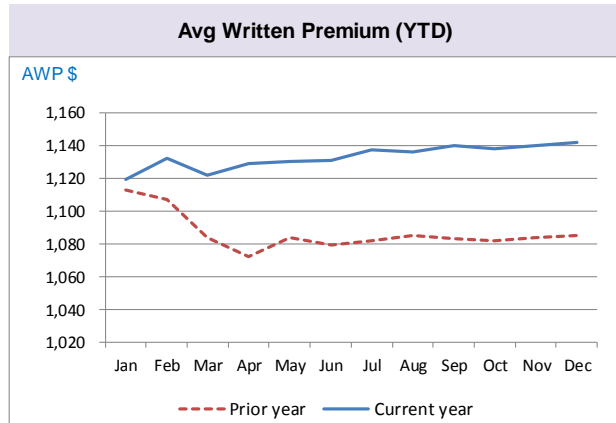
	Dec-15	Dec-14	Amt Chg	% Chg
W. Veh curr mth	612	720	(107)	-14.9%



	Dec-15	Dec-14	Amt Chg	% Chg
AWP curr mth	1,181	1,105	76	6.9%



	Dec-15	Dec-14	Amt Chg	% Chg
W. Vehicles YTD	12,700	12,539	161	1.3%



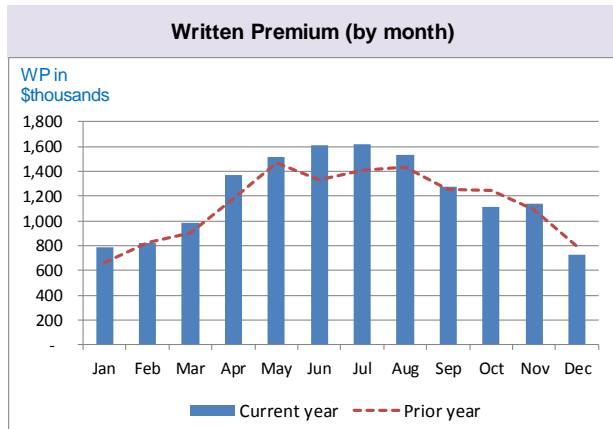
	Dec-15	Dec-14	Amt Chg	% Chg
Avg W. Prem YTD	1,142	1,085	57	5.3%

Total transfers for the full year at 12,700 were 999 (7.3%) lower than the 13,699 transfers projected for the 2015 Outlook (see Bulletin [F14-068](#)), reflecting individual member variations in transfers relative to the projections provided and used in the Outlook projection process. The total transfers for the year can be compared with the approximate 3,600 non-fleet private passenger vehicles we project will be written in the FARM for Nova Scotia in 2015.

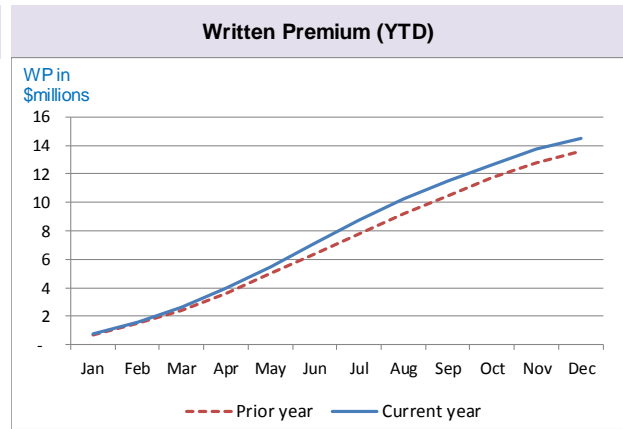
As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 9.0% for the month compared with the 3.2% decrease we projected last month, but was up 6.5% year-to-date (see charts at the top of the next page).

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	Dec-15	Dec-14	Amt Chg	% Chg
WP (\$000s) curr mth	723	795	(72)	-9.0%



	Dec-15	Dec-14	Amt Chg	% Chg
WP (\$000s) YTD	14,500	13,609	891	6.5%

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

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Related links:**

[Nova Scotia RSP December 2015 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2015**

Risk Sharing Pool - Nova Scotia

Operating Results for 12 Months ended December 31, 2015 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	December	CY2015 YTD	CY2016 12 MONTHS Updated Projection	CY2014 12 MONTHS Actual
<b>Underwriting Revenue:</b>															
Net Premiums Written	\$787	\$824	\$984	\$1,370	\$1,513	\$1,613	\$1,622	\$1,536	\$1,279	\$1,109	\$1,140	\$723	\$14,500	\$13,765	\$13,608
Decrease (Increase) in Unearned Premiums	355	231	187	(255)	(330)	(450)	(413)	(306)	(106)	100	48	518	(421)	541	(341)
<b>Net Premiums Earned</b>	<b>\$1,142</b>	<b>\$1,055</b>	<b>\$1,171</b>	<b>\$1,115</b>	<b>\$1,183</b>	<b>\$1,163</b>	<b>\$1,209</b>	<b>\$1,230</b>	<b>\$1,173</b>	<b>\$1,209</b>	<b>\$1,188</b>	<b>\$1,241</b>	<b>\$14,079</b>	<b>\$14,306</b>	<b>\$13,267</b>
<b>Claims Incurred:</b>															
Prior Accident Years:															
Undiscounted	(\$37)	(\$12)	(\$132)	(\$18)	(\$300)	(\$4)	(\$6)	\$873	(\$6)	\$76	(\$2)	(\$1)	\$431	\$0	\$1,794
Effect of Discounting	(18)	(34)	207	(36)	141	(37)	(65)	(185)	(28)	31	(179)	(52)	(255)	(699)	(193)
Discounted	(\$55)	(\$46)	\$75	(\$54)	(\$159)	(\$41)	(\$71)	\$688	(\$34)	\$107	(\$181)	(\$53)	\$176	(\$699)	\$1,601
Current Accident Year:															
Undiscounted	\$1,087	\$982	\$1,093	\$1,047	\$1,205	\$1,099	\$1,144	\$1,461	\$1,149	\$924	\$1,131	\$1,181	\$13,503	\$14,276	\$12,359
Effect of Discounting	97	81	107	69	145	87	108	79	102	114	91	107	1,187	1,178	852
Discounted	\$1,184	\$1,063	\$1,200	\$1,116	\$1,350	\$1,186	\$1,252	\$1,540	\$1,251	\$1,038	\$1,222	\$1,288	\$14,690	\$15,454	\$13,211
<b>Claims Incurred</b>	<b>\$1,129</b>	<b>\$1,017</b>	<b>\$1,275</b>	<b>\$1,062</b>	<b>\$1,191</b>	<b>\$1,145</b>	<b>\$1,181</b>	<b>\$2,228</b>	<b>\$1,217</b>	<b>\$1,145</b>	<b>\$1,041</b>	<b>\$1,235</b>	<b>\$14,866</b>	<b>\$14,755</b>	<b>\$14,812</b>
<b>Underwriting Expenses:</b>															
Expense Allowance	\$273	\$285	\$340	\$473	\$523	\$557	\$560	\$530	\$441	\$383	\$393	\$250	\$5,008	\$4,790	\$4,517
Change in UPDR/DPAC:															
Undiscounted	21	13	24	(14)	91	(28)	(30)	308	2	64	49	46	546	(9)	523
Effect of Discounting	(30)	(20)	35	24	108	47	42	(25)	10	38	1	(49)	181	(56)	119
Discounted	(\$9)	(\$7)	\$59	\$10	\$199	\$19	\$12	\$283	\$12	\$102	\$50	(\$3)	727	(\$65)	\$642
<b>Underwriting Expenses</b>	<b>\$264</b>	<b>\$278</b>	<b>\$399</b>	<b>\$483</b>	<b>\$722</b>	<b>\$576</b>	<b>\$572</b>	<b>\$813</b>	<b>\$453</b>	<b>\$485</b>	<b>\$443</b>	<b>\$247</b>	<b>\$5,735</b>	<b>\$4,725</b>	<b>\$5,159</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$251)</b>	<b>(\$240)</b>	<b>(\$503)</b>	<b>(\$430)</b>	<b>(\$730)</b>	<b>(\$558)</b>	<b>(\$544)</b>	<b>(\$1,811)</b>	<b>(\$497)</b>	<b>(\$421)</b>	<b>(\$296)</b>	<b>(\$241)</b>	<b>(\$6,522)</b>	<b>(\$5,174)</b>	<b>(\$6,704)</b>
<b>Administrative Expenses</b>	<b>\$35</b>	<b>\$28</b>	<b>\$37</b>	<b>\$55</b>	<b>\$43</b>	<b>\$52</b>	<b>\$43</b>	<b>\$47</b>	<b>\$38</b>	<b>\$51</b>	<b>\$38</b>	<b>\$40</b>	<b>\$507</b>	<b>\$510</b>	<b>\$419</b>
<b>Net Result from Operations</b>	<b>(\$286)</b>	<b>(\$268)</b>	<b>(\$540)</b>	<b>(\$485)</b>	<b>(\$773)</b>	<b>(\$610)</b>	<b>(\$587)</b>	<b>(\$1,858)</b>	<b>(\$535)</b>	<b>(\$472)</b>	<b>(\$334)</b>	<b>(\$281)</b>	<b>(\$7,029)</b>	<b>(\$5,684)</b>	<b>(\$7,123)</b>
<b>Ratios:</b>															
<b>Claims &amp; Expenses Incurred (Earned)</b>															
Prior Accident Years	-4.8%	-4.4%	6.4%	-4.8%	-13.4%	-3.5%	-5.9%	55.9%	-2.9%	8.9%	-15.2%	-4.3%	1.3%	-4.9%	12.1%
Current Accident Year	103.7%	100.8%	102.5%	100.1%	114.1%	102.0%	103.6%	125.2%	106.6%	85.9%	102.9%	103.8%	104.3%	108.0%	99.6%
All Accident Years Combined	98.9%	96.4%	108.9%	95.3%	100.7%	98.5%	97.7%	181.1%	103.7%	94.8%	87.7%	99.5%	105.6%	103.1%	111.7%
Underwriting & Administrative Expenses (Earned)	26.2%	29.0%	37.2%	48.3%	64.7%	54.0%	50.9%	69.9%	41.9%	44.3%	40.5%	23.1%	44.3%	36.6%	42.0%
<b>Combined Operating Ratio</b>	<b>125.1%</b>	<b>125.4%</b>	<b>146.1%</b>	<b>143.6%</b>	<b>165.4%</b>	<b>152.5%</b>	<b>148.6%</b>	<b>251.0%</b>	<b>145.6%</b>	<b>139.1%</b>	<b>128.2%</b>	<b>122.6%</b>	<b>149.9%</b>	<b>139.7%</b>	<b>153.7%</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