

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 014

DATE: FEBRUARY 26, 2016

**SUBJECT: NOVA SCOTIA RISK SHARING POOL
– JANUARY 2016 OPERATIONAL REPORT**

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

Please be advised that the January 2016 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 -\$0.4 million and the incurred loss ratio to the end of 1 month is 108.7%, as summarized in the table below.

Amounts in \$000s	January 2016	January 2015	Year to date Jan 2016	Year to Date Jan 2015
Written Premiums	822	787	822	787
Earned Premiums	1,165	1,142	1,165	1,142
Incurred Losses	1,266	1,129	1,266	1,129
Underwriting Expenses and Others	286	299	286	299
Net Result from Operations	(387)	(286)	(387)	(286)
<i>Ratios:</i>				
Loss ratio % - Prior Accident Year	(9.5%)	(4.8%)	(9.5%)	(4.8%)
- Current Accident Years	118.2%	103.7%	118.2%	103.7%
<i>Total</i>	108.7%	98.9%	108.7%	98.9%
Underwriting & Admin Exp. %	24.5%	26.2%	24.5%	26.2%
Combined Operating Ratio	133.2%	125.1%	133.2%	125.1%

Rounding differences may apply.

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 2016” attached to this bulletin.

Bulletin F16-014**Nova Scotia Risk Sharing Pool – January 2016 Operational Report**Updated Projection to Year-end 2016

This month, the updated projected calendar year Net Result from Operations to December 2016 is -\$5.9 million and the estimated combined operating ratio to December 2016 is 141.2%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$5.7 million and 139.7%).

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.4 million Net Result from Operations in the month of January 2016, a \$0.1 million deterioration from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 125.1% to 133.2% applied to \$1.2 million in earned premium).

Variances from Projections

The table below provides a summary of key components of the operating results as compared to the estimates projected last month.

January 2016	Actual	Projection	Difference	Difference %
Written Premiums	822	752	70	9.3%
Earned Premiums	1,165	1,241	(76)	(6.1%)
Reported Losses				
Paid Losses	560	765	(205)	(26.8%)
Loss Expenses Paid	35	20	15	75.0%
Change in Outstanding Losses	740	26	714	>999.9%
Total Reported Losses	1,335	811	524	64.6%
Change in IBNR *	(69)	512	(581)	
Change in Premium Deficiency (DPAC) *	(30)	(59)	29	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP January 2016 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 January 2016, reported losses were \$0.5 million higher than projected. The Current Accident Year had a \$0.1 million unfavourable 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.

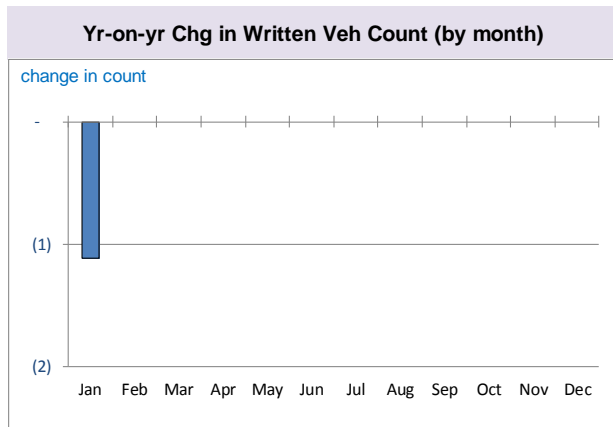
Booking IBNR

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 January 2016 Operational Report – Actuarial Highlights](#).

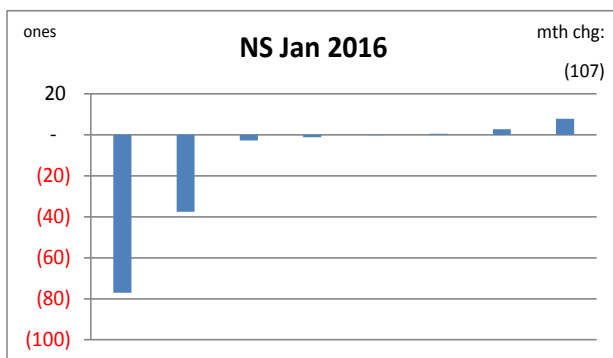
Effect of Quarterly Valuation

The January 2016 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 January showing a decrease of 1 vehicle. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 37 written vehicles, indicating a variance of 36 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in January than projected.



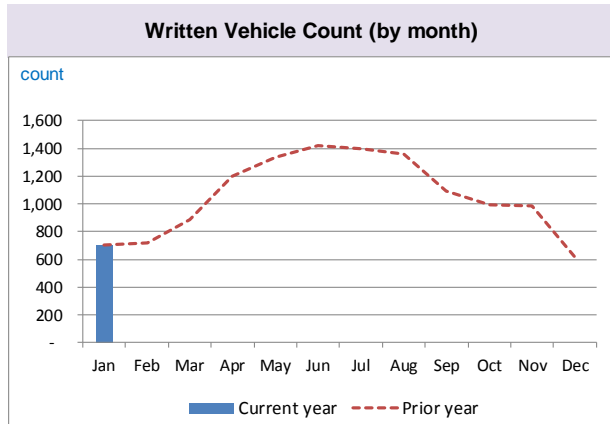
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 4 transferred more. Of the 5 member company groups transferring fewer vehicles, 1 member company group accounted for 85% of the total transfer decrease for these “decliner” members.

Of the 4 member company groups transferring more vehicles, 1 member company group accounted for 88% of the total transfer increase for these “grower” members.

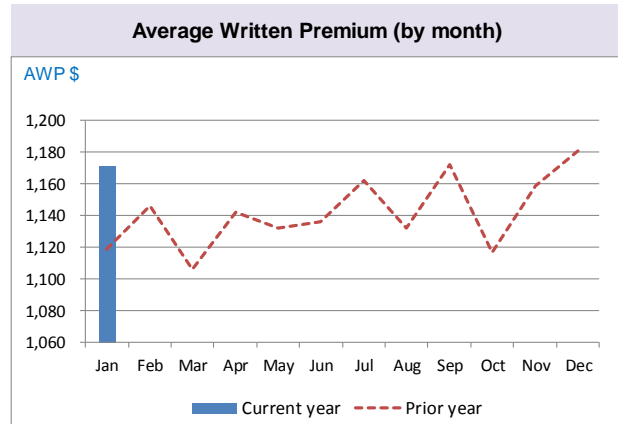
Bulletin F16-014

Nova Scotia Risk Sharing Pool – January 2016 Operational Report

January’s vehicle count transfers to the pool represent a 0.2% decrease from January 2016. Average written premium was up 4.6% in January 2016 (see charts immediately below).

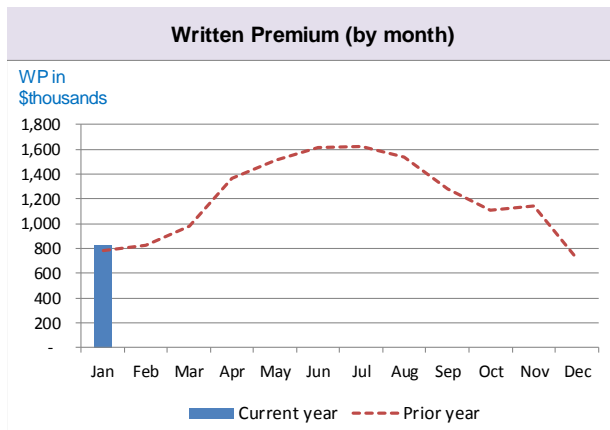


	Jan-16	Jan-15	Amt Chg	% Chg
W. Veh curr mth	702	703	(1)	-0.2%

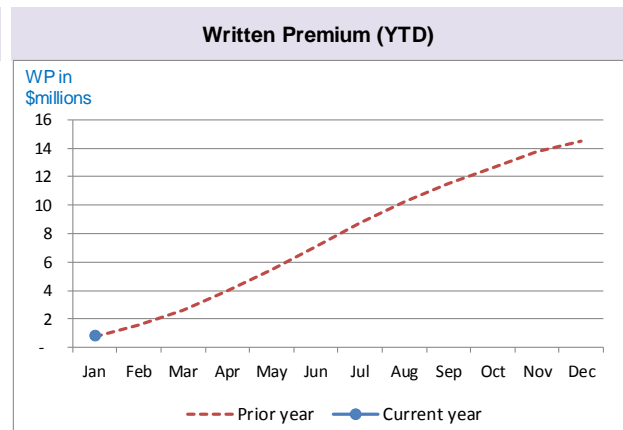


	Jan-16	Jan-15	Amt Chg	% Chg
AWP curr mth	1,171	1,119	52	4.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 4.5% for the month compared with the 4.4% decrease we projected last month (see charts below).



	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) curr mth	822	787	35	4.5%



	Jan-16	Jan-15	Amt Chg	% Chg
WP (\$000s) YTD	822	787	35	4.5%

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 January 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for 1 Month ended January 31, 2016 (Discounted basis)

Source: *Monthly Operational Report*

(thousands of dollars)

	January	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$822	\$822	\$13,835	\$14,500
Decrease (Increase) in Unearned Premiums	343	343	519	(421)
Net Premiums Earned	\$1,165	\$1,165	\$14,354	\$14,079
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$78)	(\$78)	(\$78)	\$431
Effect of Discounting	(33)	(33)	(672)	(255)
Discounted	(\$111)	(\$111)	(\$750)	\$176
Current Accident Year:				
Undiscounted	\$1,245	\$1,245	\$14,408	\$13,503
Effect of Discounting	132	132	1,215	1,187
Discounted	\$1,377	\$1,377	\$15,623	\$14,690
Claims Incurred	\$1,266	\$1,266	\$14,873	\$14,866
Underwriting Expenses:				
Expense Allowance	\$287	\$287	\$4,815	\$5,008
Change in UPDR/DPAC:				
Undiscounted	6	6	96	546
Effect of Discounting	(36)	(36)	(43)	181
Discounted	(\$30)	(30)	\$53	\$727
Underwriting Expenses	\$257	\$257	\$4,868	\$5,735
Net Underwriting Gain (Loss)	(\$358)	(\$358)	(\$5,387)	(\$6,522)
Administrative Expenses	\$29	\$29	\$531	\$507
Net Result from Operations	(\$387)	(\$387)	(\$5,918)	(\$7,029)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-9.5%	-9.5%	-5.2%	1.3%
Current Accident Year	118.2%	118.2%	108.8%	104.3%
All Accident Years Combined	108.7%	108.7%	103.6%	105.6%
Underwriting & Administrative Expenses (Earned)	24.5%	24.5%	37.6%	44.3%
Combined Operating Ratio	133.2%	133.2%	141.2%	149.9%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium tax health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply