

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 027

DATE: APRIL 28, 2016

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

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

Please be advised that the March 2016 Nova Scotia Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

New This Month

Valuation

A valuation of the Nova Scotia Risk Sharing Pool (“RSP”) as at December 31, 2015 has been completed since last month’s Operational Report and the results of that valuation have been incorporated into this month’s Operational Report. The valuation was completed by the Facility Association’s internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

The implementation of the new valuation resulted in an estimated overall **\$0.8 million favourable** impact on the month’s net result from operations, subtracting an estimated 22.2 points to the year-to-date Combined Operating Ratio (ending at 111.4%). The impact is summarized in the tables at the top of the next page¹.

¹ In the tables, “ults & payout patterns” refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; “dsct rate” refers to the impact of changes in the selected discount rate applied to projected cashflows; and “apv adj.” refers to “actuarial present value adjustments”.

Bulletin F16-027
Nova Scotia Risk Sharing Pool – March 2016 Operational Report

NS	unfav / (fav) for the month and ytd						ytd EP 3,530 (actual)						
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:						
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins		TOTAL
Nominal	apv adj.	sub-tot	apv adj.	apv adj.		TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.		TOTAL
[1]	[2]	[3]	[4]	[5]		[6]	[1]	[2]	[3]	[4]	[5]		[6]
PAYs	(251)	14	(237)	36	-	(201)	(7.1%)	0.4%	(6.7%)	1.0%	-		(5.7%)
CAY	(186)	(23)	(209)	6	-	(203)	(5.3%)	(0.7%)	(5.9%)	0.2%	-		(5.8%)
Prem Def	(336)	(50)	(386)	7	-	(379)	(9.5%)	(1.4%)	(10.9%)	0.2%	-		(10.7%)
TOTAL	(773)	(59)	(832)	49	-	(783)	(21.9%)	(1.7%)	(23.6%)	1.4%	-		(22.2%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$0.8 million favourable impact – see column [3] in the left table above), offset by the impact of a 6 basis point decrease in the selected discount rate (from 0.70% to 0.64%, generating a \$49 thousand unfavourable impact – see column [4] in the left table above). Finally, there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points) and no changes to the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence zeros in all rows of column [5] in the left table at the bottom of the previous page).

Please see “Effect of Quarterly Valuation” further in this bulletin for additional details on the impacts of the updated valuation.

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 3 months is 95.7%, as summarized in the table below.

Amounts in \$000s	March 2016	March 2015	Year to date Mar 2016	Year to Date Mar 2015
Written Premiums	1,055	984	2,660	2,595
Earned Premiums	1,222	1,171	3,530	3,368
Incurred Losses	900	1,275	3,378	3,421
Underwriting Expenses and Others	10	436	553	1,041
Net Result from Operations	312	(540)	(401)	(1,094)
Ratios:				
Loss ratio % - Prior Accident Year	(20.9%)	6.4%	(11.8%)	(0.8%)
- Current Accident Years	94.6%	102.5%	107.5%	102.3%
<i>Total</i>	73.7%	108.9%	95.7%	101.5%
Underwriting & Admin Exp.%	0.8%	37.2%	15.7%	30.9%
Combined Operating Ratio	74.5%	146.1%	111.4%	132.4%

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.

Updated Projection to Year-end 2016

The projected calendar year Net Result from Operations to December 2016 is -\$4.8 million and the estimated combined operating ratio to December 2016 is 133.3%. This updated projection to the end of the year has improved by \$1.3 million from the projection provided last month (-\$6.1 million and 142.5%), mainly due to impact of the December 31, 2015 valuation, as summarized in the table immediately below (see more information under “Effect of Quarterly Valuation”). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

NS	unfav / (fav) projected for full year						year EP 11,022 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(251)	19	(232)	28	-	(204)	(2.3%)	0.2%	(2.1%)	0.3%	-	(1.9%)
CAY	(743)	(90)	(833)	21	-	(812)	(6.7%)	(0.8%)	(7.6%)	0.2%	-	(7.4%)
Prem Def	(336)	(48)	(384)	8	-	(376)	(3.0%)	(0.4%)	(3.5%)	0.1%	-	(3.4%)
TOTAL	(1,330)	(119)	(1,449)	57	-	(1,392)	(12.1%)	(1.1%)	(13.1%)	0.5%	-	(12.6%)

Current Month Results

The Nova Scotia Risk Sharing Pool produced a \$0.3 million Net Result from Operations in the month of March 2016, a \$0.9 million improvement from the same month last year. This improvement stems from the overall decrease in the combined ratio (from 146.1% to 74.5% applied to \$1.2 million in earned premium). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month’s results moved the year-to-date combined operating ratio from 130.9% at the end of 2 months to 111.4% at the end of 3 months. The 19.5 percentage point decrease is composed of a 4.9 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 6.8 percentage point decrease in the Current Accident Year loss ratio, and a 7.8 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.

March 2016	Actual	Projection	Difference	Difference %
Written Premiums	1,055	991	64	6.5%
Earned Premiums	1,222	1,253	(31)	(2.5%)
Reported Losses				
Paid Losses	523	645	(122)	(18.9%)
Loss Expenses Paid	48	22	26	118.2%
Change in Outstanding Losses	(42)	482	(524)	(108.7%)
Total Reported Losses	529	1,149	(620)	(54.0%)
Change in IBNR *	371	177	194	
Change in Premium Deficiency (DPAC) *	(395)	(29)	(366)	

(Amounts in \$000 's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP March 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.

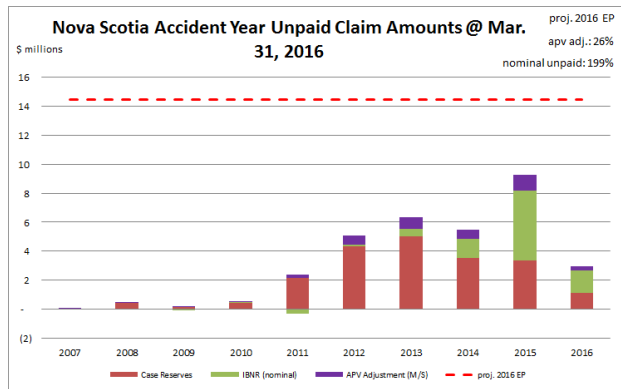
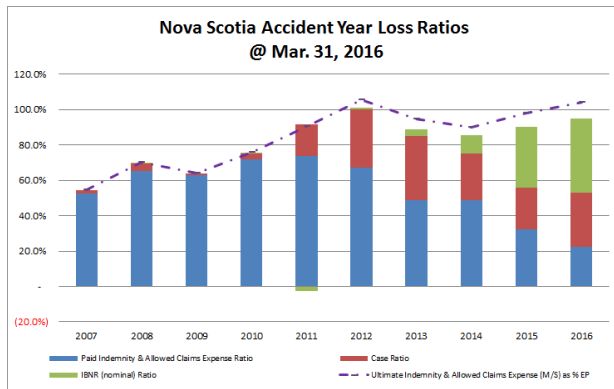
For the month of March 2016, reported losses were \$0.6 million lower than projected. The Current Accident Year had a \$0.4 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.2 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The March 2016 Nova Scotia Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2015, with the associated impacts in relation to the results for March 2016 summarized in the table immediately below.

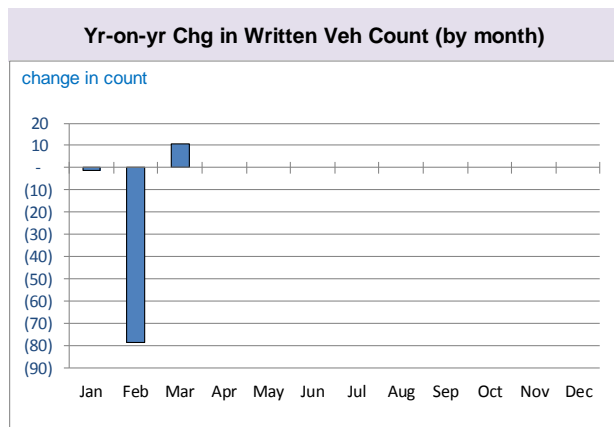
NS	unfav / (fav) for the month and ytd						mth EP 1,221 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate		margins	ults & payout patterns			dsct rate		margins
	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(251)	14	(237)	36	-	(201)	(20.6%)	1.1%	(19.4%)	2.9%	-	(16.5%)
CAY	(186)	(23)	(209)	6	-	(203)	(15.2%)	(1.9%)	(17.1%)	0.5%	-	(16.6%)
Prem Def	(336)	(50)	(386)	7	-	(379)	(27.5%)	(4.1%)	(31.6%)	0.6%	-	(31.0%)
TOTAL	(773)	(59)	(832)	49	-	(783)	(63.3%)	(4.8%)	(68.1%)	4.0%	-	(64.1%)

The charts at the top of the next page summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.

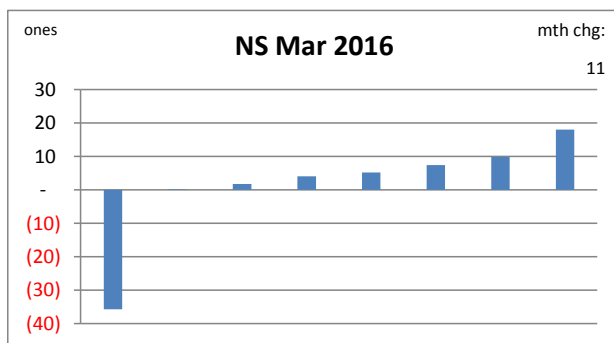


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [Nova Scotia RSP March 2016 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015](#). The actuarial valuation will be updated next as at March 31, 2016 and we anticipate the results will be reflected in the May 2016 Operational Report.

Management Comments

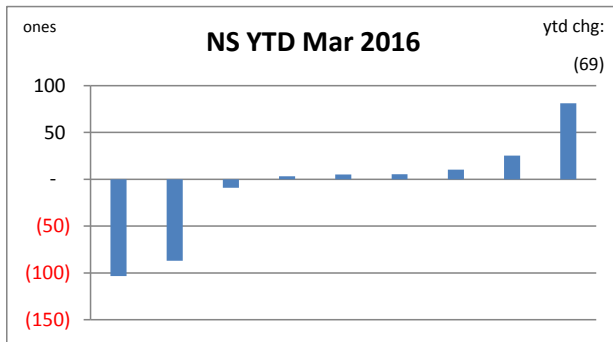


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with March showing an increase of 11 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 29 vehicles, indicating a variance of 40 from the actual transfers. This variance was mainly due to one member company groups transferring a greater number of vehicles to the pool in March than projected.



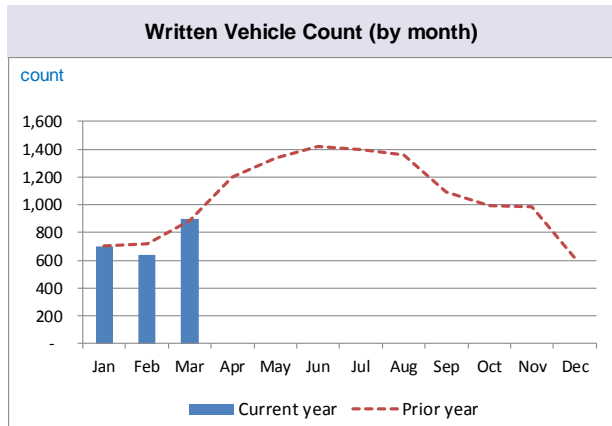
The chart on the left shows the overall change in the month, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. One member company group transferred fewer vehicles to the pool this month compared with a year ago, while 7 transferred more. 1 member company group accounted for 100% of the total transfer

decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 1 member company group accounted for 39% of the total transfer increase for these “grower” members.

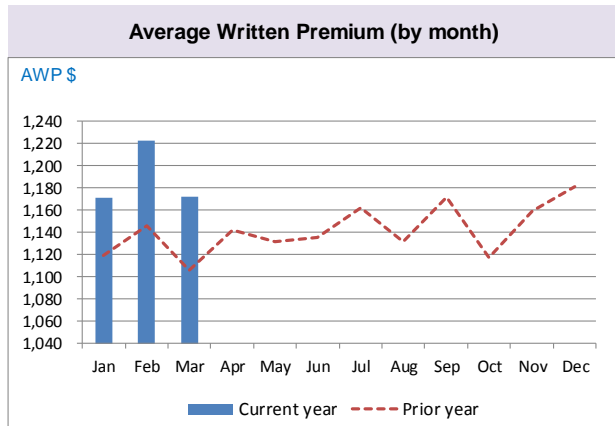


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

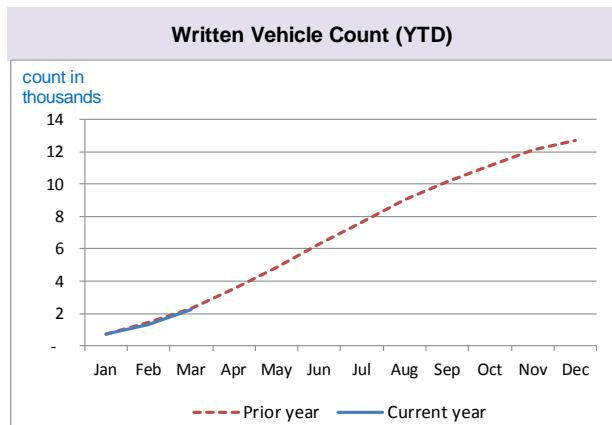
March’s vehicle count transfers to the pool represent a 1.2% increase from March 2015, but vehicle counts were down 3.0% year-to-date. Average written premium was up 6.0% in March 2016, and was up 5.7% year-to-date (see charts immediately below).



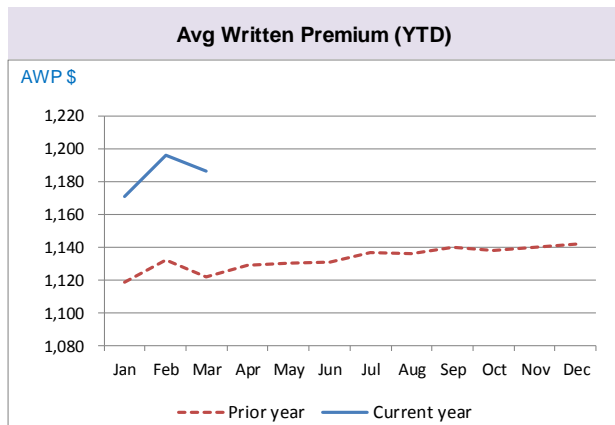
	Mar-16	Mar-15	Amt Chg	% Chg
W. Veh curr mth	900	890	11	1.2%



	Mar-16	Mar-15	Amt Chg	% Chg
AWP curr mth	1,172	1,106	66	6.0%

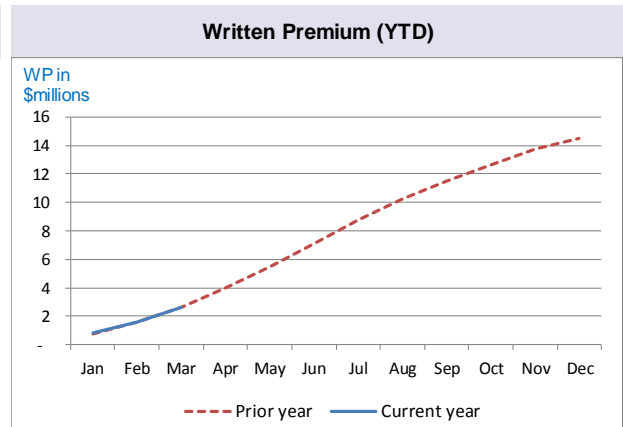
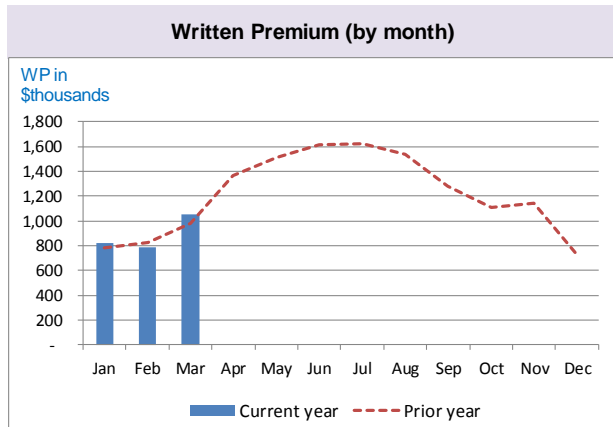


	Mar-16	Mar-15	Amt Chg	% Chg
W. Vehicles YTD	2,243	2,312	(69)	-3.0%



	Mar-16	Mar-15	Amt Chg	% Chg
Avg W. Prem YTD	1,186	1,122	64	5.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 7.3% for the month compared with the 0.7% increase we projected last month, and was up 2.6% year-to-date (see charts at the top of the next page).



	Mar-16	Mar-15	Amt Chg	% Chg
WP (\$000s) curr mth	1,055	984	72	7.3%

	Mar-16	Mar-15	Amt Chg	% Chg
WP (\$000s) YTD	2,661	2,594	66	2.6%

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 March 2016 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015](#)

[Actuarial Quarterly Valuation Highlights – Nova Scotia RSP Exhibit A](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 3 Months ended March 31, 2016 (Discounted basis)

 Source: *Monthly Operational Report*

(thousands of dollars)

	January	February	March	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:						
Net Premiums Written	\$822	\$783	\$1,055	\$2,660	\$14,239	\$14,500
Decrease (Increase) in Unearned Premiums	343	360	167	870	201	(421)
Net Premiums Earned	\$1,165	\$1,143	\$1,222	\$3,530	\$14,440	\$14,079
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$78)	(\$16)	(\$271)	(\$365)	(\$365)	\$431
Effect of Discounting	(33)	(33)	15	(51)	(548)	(255)
Discounted	(\$111)	(\$49)	(\$256)	(\$416)	(\$913)	\$176
Current Accident Year:						
Undiscounted	\$1,245	\$1,159	\$1,055	\$3,459	\$13,792	\$13,503
Effect of Discounting	132	102	101	335	1,157	1,187
Discounted	\$1,377	\$1,261	\$1,156	\$3,794	\$14,949	\$14,690
Claims Incurred	\$1,266	\$1,212	\$900	\$3,378	\$14,036	\$14,866
Underwriting Expenses:						
Expense Allowance	\$287	\$273	\$368	\$928	\$4,957	\$5,008
Change in UPDR/DPAC:						
Undiscounted	6	(16)	(336)	(346)	(231)	546
Effect of Discounting	(36)	(36)	(59)	(131)	(51)	181
Discounted	(\$30)	(\$52)	(\$395)	(477)	(\$282)	\$727
Underwriting Expenses	\$257	\$221	(\$27)	\$451	\$4,675	\$5,735
Net Underwriting Gain (Loss)	(\$358)	(\$290)	\$349	(\$299)	(\$4,271)	(\$6,522)
Administrative Expenses	\$29	\$36	\$37	\$102	\$545	\$507
Net Result from Operations	(\$387)	(\$326)	\$312	(\$401)	(\$4,816)	(\$7,029)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-9.5%	-4.3%	-20.9%	-11.8%	-6.3%	1.3%
Current Accident Year	118.2%	110.3%	94.6%	107.5%	103.5%	104.3%
All Accident Years Combined	108.7%	106.0%	73.7%	95.7%	97.2%	105.6%
Underwriting & Administrative Expenses (Earned)	24.5%	22.5%	0.8%	15.7%	36.1%	44.3%
Combined Operating Ratio	133.2%	128.5%	74.5%	111.4%	133.3%	149.9%

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