

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 035

DATE: MAY 27, 2016

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

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

Please be advised that the April 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 -\$0.9 million and the incurred loss ratio to the end of 4 months is 96.9%, as summarized in the table below.

Amounts in \$000s	April 2016	April 2015	Year to date Apr 2016	Year to Date Apr 2015
Written Premiums	1,390	1,370	4,050	3,965
Earned Premiums	1,190	1,115	4,720	4,483
Incurred Losses	1,198	1,062	4,576	4,483
Underwriting Expenses and Others	539	538	1,092	1,579
Net Result from Operations	(547)	(485)	(948)	(1,579)
Ratios:				
Loss ratio % - Prior Accident Year	(4.2%)	(4.8%)	(9.9%)	(1.8%)
- Current Accident Years	104.9%	100.1%	106.8%	101.8%
<i>Total</i>	100.7%	95.3%	96.9%	100.0%
Underwriting & Admin Exp.%	45.3%	48.3%	23.1%	35.2%
Combined Operating Ratio	146.0%	143.6%	120.0%	135.2%

Rounding differences may apply.

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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 2016” attached to this bulletin.

Updated Projection to Year-end 2016

The projected calendar year Net Result from Operations to December 2016 is -\$4.9 million and the estimated combined operating ratio to December 2016 is 133.7%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$4.8 million and 133.3%).

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.5 million Net Result from Operations in the month of April 2016, a \$62 thousand deterioration from the same month last year. This deterioration is composed of a \$33 thousand unfavourable impact associated with the \$75 thousand increase in earned premium (at a combined ratio of 143.6%), with the remaining \$29 thousand deterioration stemming from the overall increase in the combined ratio (from 143.6% to 146.0% applied to \$1.2 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 111.4% at the end of 3 months to 120.0% at the end of 4 months. The 8.6 percentage point increase is composed of a 1.9 percentage point increase in the Prior Accident Year loss ratio, and a 7.4 percentage point increase in the expense ratio, offset by a 0.7 percentage point decrease in the Current Accident Year loss ratio.

Variances from Projections

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

April 2016	Actual	Projection	Difference	Difference %
Written Premiums	1,390	1,229	161	13.1%
Earned Premiums	1,190	1,224	(34)	(2.8%)
Reported Losses				
Paid Losses	495	637	(142)	(22.3%)
Loss Expenses Paid	45	23	22	95.7%
Change in Outstanding Losses	(220)	243	(463)	(190.5%)
Total Reported Losses	320	903	(583)	(64.6%)
Change in IBNR *	878	319	559	
Change in Premium Deficiency (DPAC) *	21	9	12	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP April 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 April 2016, reported losses were \$0.6 million lower than projected. The Current Accident Year had a \$0.3 million favourable variance in reported losses, and the Prior Accident Years had a \$0.3 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

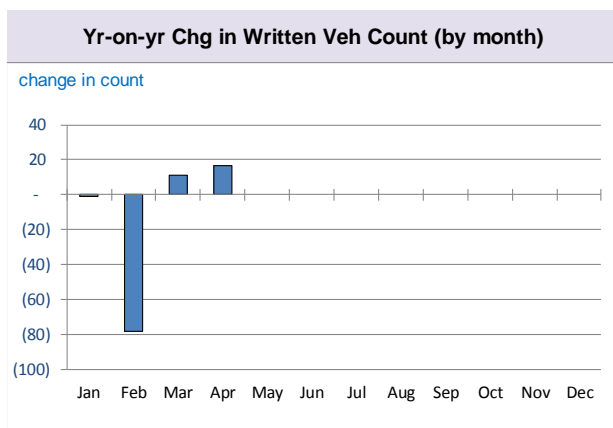
Booking IBNR

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

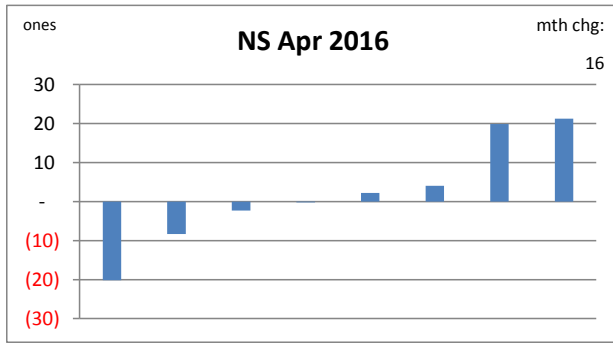
Effect of Quarterly Valuation

The April 2016 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at December 31, 2015). The actuarial valuation will be updated next as at March 31, 2016 and we anticipate that the results will be reflected in the May 2016 Operational Report.

Management Comments

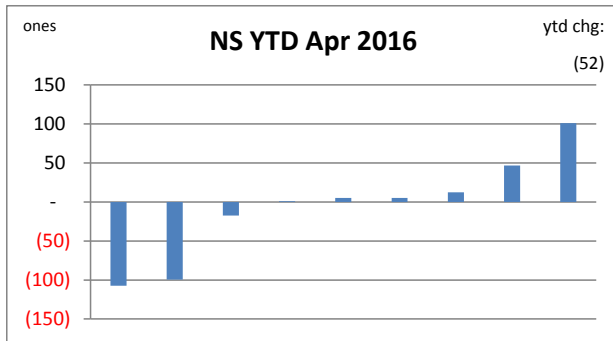


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with April showing an increase of 16 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for a decrease of 121 vehicles, indicating a variance of 137 from the actual transfers. This variance was mainly due to one member company groups transferring a greater number of vehicles to the pool in April than projected.



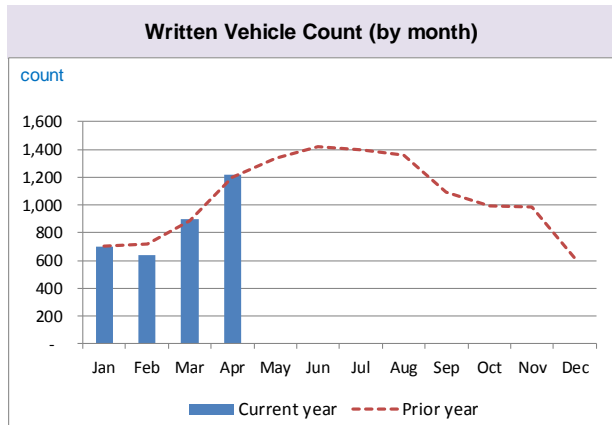
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 4 transferred more. Of the 4 member company groups transferring fewer vehicles, 1 member

company group accounted for 65% of the total transfer decrease for these “decliner” members. Of the 4 member company groups transferring more vehicles, 2 member company groups accounted for 87% of the total transfer increase for these “grower” members.

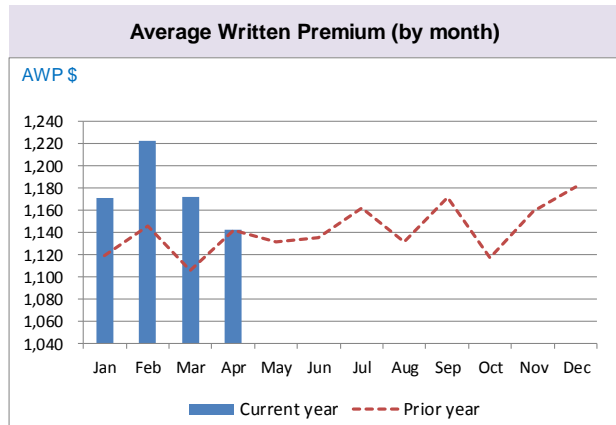


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

April’s vehicle count transfers to the pool represent a 1.4% increase from April 2015, but vehicle counts were down 1.5% year-to-date. Average written premium was up 0.1% in April 2016, and was up 3.7% year-to-date (see charts immediately below and at the top of the next page).



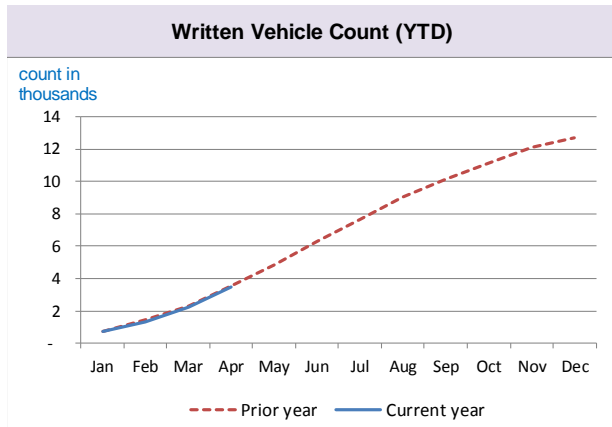
	Apr-16	Apr-15	Amt Chg	% Chg
W. Veh curr mth	1,216	1,199	16	1.4%



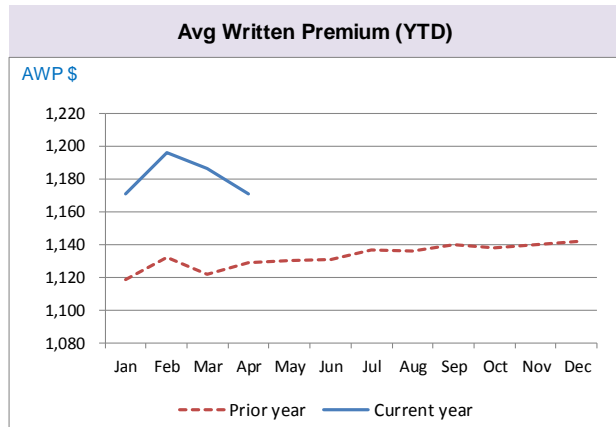
	Apr-16	Apr-15	Amt Chg	% Chg
AWP curr mth	1,143	1,142	1	0.1%

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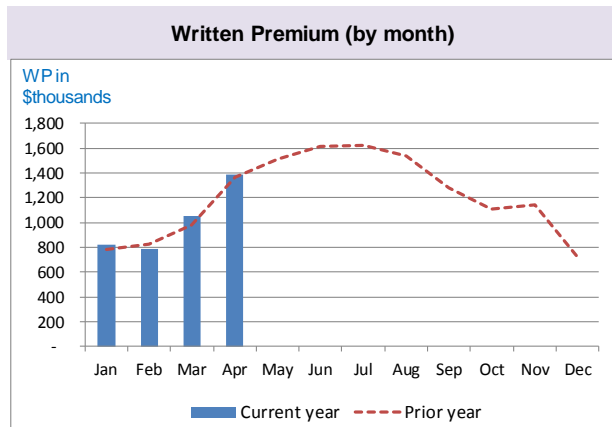


	Apr-16	Apr-15	Amt Chg	% Chg
W. Vehicles YTD	3,459	3,511	(52)	-1.5%

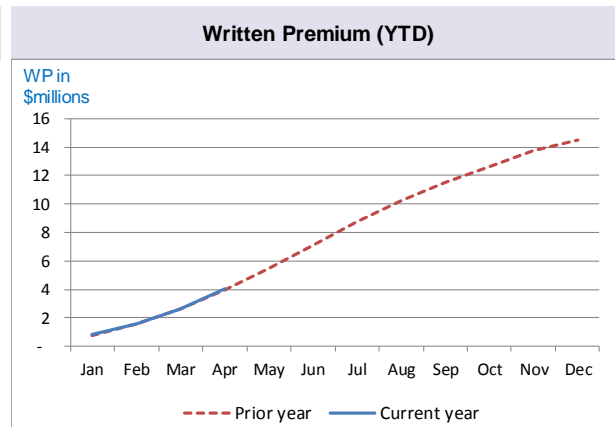


	Apr-16	Apr-15	Amt Chg	% Chg
Avg W. Prem YTD	1,171	1,129	42	3.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 1.5% for the month compared with the 10.3% decrease we projected last month, and was up 2.2% year-to-date (see charts immediately below).



	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) curr mth	1,390	1,370	20	1.5%



	Apr-16	Apr-15	Amt Chg	% Chg
WP (\$000s) YTD	4,050	3,964	87	2.2%

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 April 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$822	\$783	\$1,055	\$1,390	\$4,050	\$14,400	\$14,500
Decrease (Increase) in Unearned Premiums	343	360	167	(200)	670	150	(421)
Net Premiums Earned	\$1,165	\$1,143	\$1,222	\$1,190	\$4,720	\$14,550	\$14,079
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$78)	(\$16)	(\$271)	(\$12)	(\$377)	(\$377)	\$431
Effect of Discounting	(33)	(33)	15	(38)	(89)	(514)	(255)
Discounted	(\$111)	(\$49)	(\$256)	(\$50)	(\$466)	(\$891)	\$176
Current Accident Year:							
Undiscounted	\$1,245	\$1,159	\$1,055	\$1,138	\$4,597	\$13,907	\$13,503
Effect of Discounting	132	102	101	110	445	1,167	1,187
Discounted	\$1,377	\$1,261	\$1,156	\$1,248	\$5,042	\$15,074	\$14,690
Claims Incurred	\$1,266	\$1,212	\$900	\$1,198	\$4,576	\$14,183	\$14,866
Underwriting Expenses:							
Expense Allowance	\$287	\$273	\$368	\$484	\$1,412	\$5,014	\$5,008
Change in UPDR/DPAC:							
Undiscounted	6	(16)	(336)	1	(345)	(232)	546
Effect of Discounting	(36)	(36)	(59)	20	(111)	(45)	181
Discounted	(\$30)	(\$52)	(\$395)	\$21	(456)	(\$277)	\$727
Underwriting Expenses	\$257	\$221	(\$27)	\$505	\$956	\$4,737	\$5,735
Net Underwriting Gain (Loss)	(\$358)	(\$290)	\$349	(\$513)	(\$812)	(\$4,370)	(\$6,522)
Administrative Expenses	\$29	\$36	\$37	\$34	\$136	\$535	\$507
Net Result from Operations	(\$387)	(\$326)	\$312	(\$547)	(\$948)	(\$4,905)	(\$7,029)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-9.5%	-4.3%	-20.9%	-4.2%	-9.9%	-6.1%	1.3%
Current Accident Year	118.2%	110.3%	94.6%	104.9%	106.8%	103.6%	104.3%
All Accident Years Combined	108.7%	106.0%	73.7%	100.7%	96.9%	97.5%	105.6%
Underwriting & Administrative Expenses (Earned)	24.5%	22.5%	0.8%	45.3%	23.1%	36.2%	44.3%
Combined Operating Ratio	133.2%	128.5%	74.5%	146.0%	120.0%	133.7%	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