

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 100

DATE: DECEMBER 22, 2016

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

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

Please be advised that the November 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 Operating Result is -\$5.2 million and the incurred loss ratio to the end of 11 months is 99.8%, as summarized in the table below.

Amounts in \$000s	November 2016	November 2015	Year to date Nov 2016	Year to Date Nov 2015
Premiums Written	792	1,140	14,451	13,777
Premiums Earned	1,203	1,188	13,523	12,838
Claims Incurred	1,139	1,041	13,506	13,631
General Expenses	316	481	5,260	5,955
Operating Result	(252)	(334)	(5,243)	(6,748)
Ratios:				
Loss ratio % - Prior Accident Years	(9.9%)	(15.2%)	(4.2%)	1.8%
- Current Accident Year	104.6%	102.9%	104.0%	104.4%
<i>Total</i>	94.7%	87.7%	99.8%	106.2%
General Expenses %	26.3%	40.5%	38.9%	46.4%
Combined Operating Ratio	121.0%	128.2%	138.7%	152.6%

Rounding differences may apply.

Bulletin F16–100**Nova Scotia Risk Sharing Pool – November 2016 Operational Report**

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 Operating Result to December 2016 is -\$5.8 million and the estimated combined operating ratio to December 2016 is 139.2%. This updated projection to the end of the year has improved by approximately \$0.6 million from the projection provided last month (-\$6.4 million and 142.4%). This improvement is driven by a \$1.1 million decrease in projected written premium (and associated assumption updates), resulting in a lower projected net operating loss.

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.3 million Operating Result in the month of November 2016, a \$0.1 million improvement from the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 128.2% to 121.0% applied to \$1.2 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 140.5% at the end of 10 months to 138.7% at the end of 11 months. The 1.8 percentage point decrease is composed of a 0.6 percentage point decrease in the Prior Accident Years loss ratio, and a 1.2 percentage point decrease in the expense 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.

November 2016	Actual	Projection	Difference	Difference %
Premiums Written	792	1,873	(1,081)	(57.7%)
Premiums Earned	1,203	1,323	(120)	(9.1%)
Reported Losses				
Paid Losses	1,212	764	448	58.6%
Paid Expenses	68	34	34	100.0%
Change in Outstanding Losses	(452)	860	(1,312)	(152.6%)
Total Reported Losses	828	1,658	(830)	(50.1%)
Change in IBNR Provision *	311	(355)	666	
Change in Premium Deficiency (DPAC) *	1	92	(91)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP November 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 beyond set thresholds and responds as appropriate.

For the month of November 2016, reported losses were \$0.8 million lower than projected. The Current Accident Year had an approximately \$0.3 million favourable variance in reported losses, and the Prior Accident Years had a \$0.5 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variance for Prior Accident Years' reported claims activity was beyond the set threshold for the month. Management investigated the variance and is satisfied it is appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

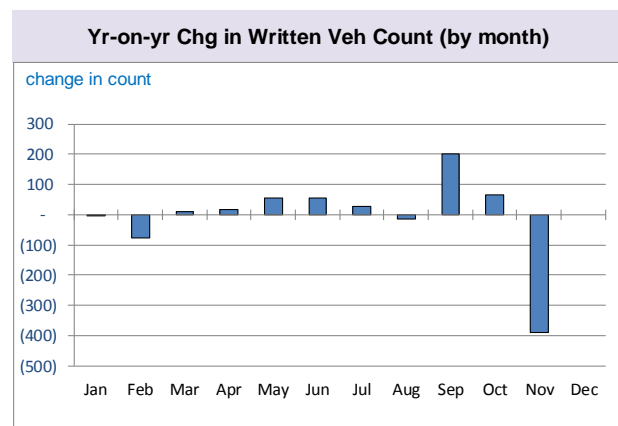
Booking IBNR

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 2016 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

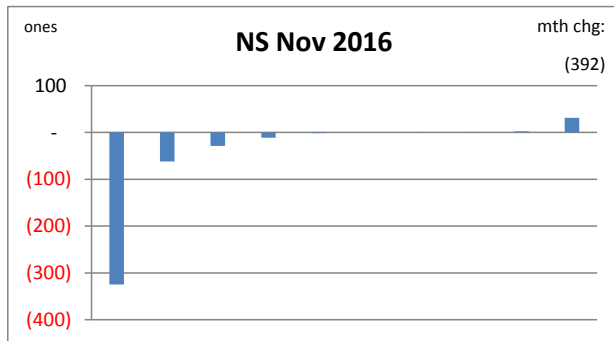
The November 2016 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2016). The actuarial valuation will be updated next as at December 31, 2016 and we anticipate that the results will be reflected in the March 2017 Operational Report.

Management Comments



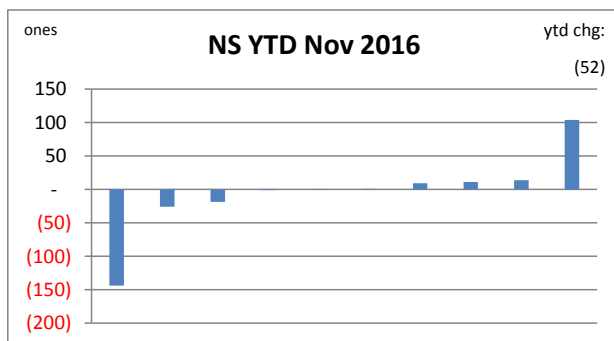
The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November showing a decrease of 392 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 488 vehicles, indicating a variance of 880 from the actual transfers. This variance was mainly due to one member company

groups transferring a lower number of vehicles to the pool in November than projected.



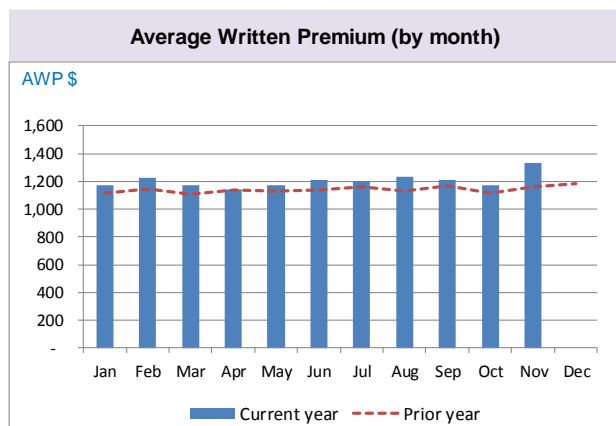
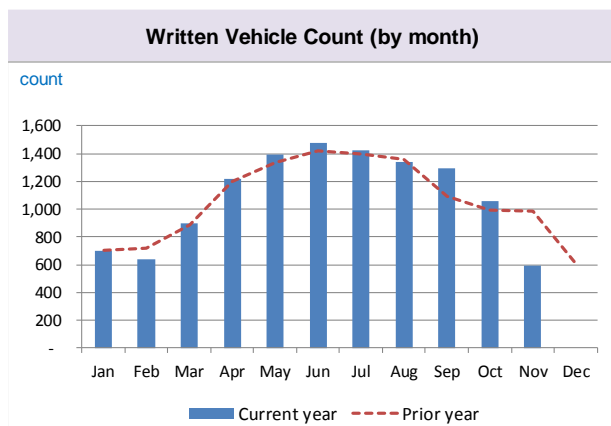
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while 4 transferred more and 1 remained the same. Of the 5 member company groups transferring

fewer vehicles, 1 member company group accounted for 76% 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.



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 pool represent a 39.8% decrease from November 2015, and vehicle counts were down 0.4% year-to-date. Average written premium was up 15.3% in November 2016, and was up 5.4% year-to-date (see charts immediately below and at the top of the next page).

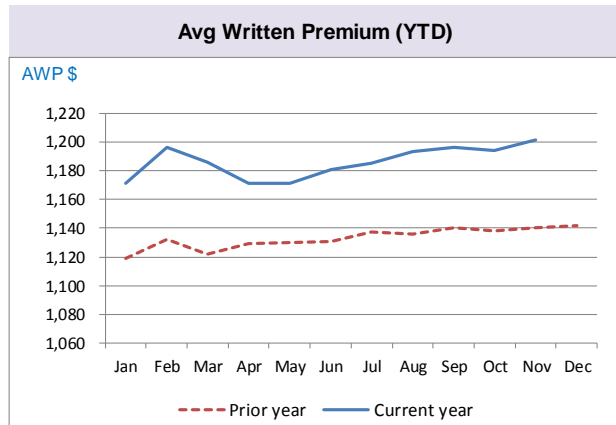
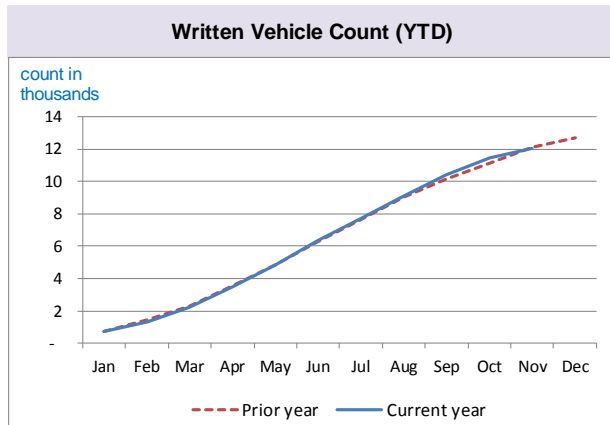


	Nov-16	Nov-15	Amt Chg	% Chg
W. Veh curr mth	592	984	(392)	-39.8%

	Nov-16	Nov-15	Amt Chg	% Chg
AWP curr mth	1,336	1,159	177	15.3%

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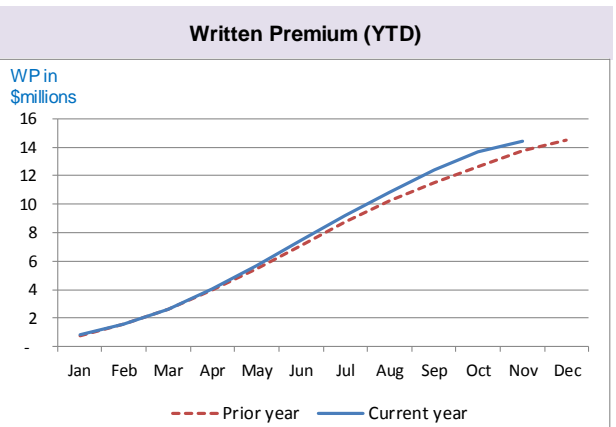
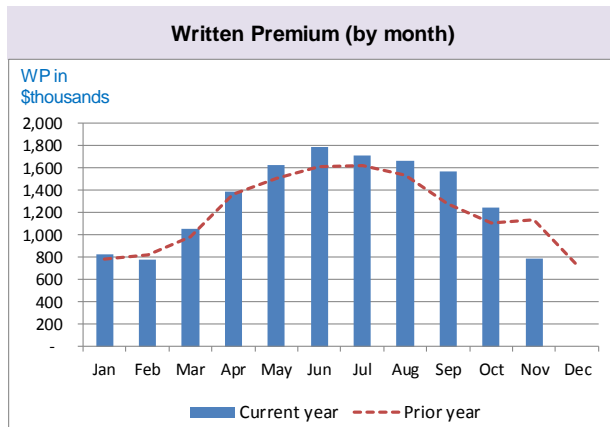
Nova Scotia Risk Sharing Pool – November 2016 Operational Report



	Nov-16	Nov-15	Amt Chg	% Chg
W. Vehicles YTD	12,036	12,087	(52)	-0.4%

	Nov-16	Nov-15	Amt Chg	% Chg
Avg W. Prem YTD	1,201	1,140	61	5.4%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 30.6% for the month compared with the 64.2% increase we projected last month, but was up 4.9% year-to-date (see charts immediately below).



	Nov-16	Nov-15	Amt Chg	% Chg
WP (\$000s) curr mth	791	1,140	(349)	-30.6%

	Nov-16	Nov-15	Amt Chg	% Chg
WP (\$000s) YTD	14,451	13,776	675	4.9%

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 October 2016 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Nova Scotia

Operating Results for the 11 Months Ended November 30, 2016 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Underwriting Revenue:														
Net Premiums Written	\$822	\$783	\$1,055	\$1,390	\$1,631	\$1,790	\$1,712	\$1,662	\$1,570	\$1,244	\$792	\$14,451	\$15,865	\$14,500
Decrease (Increase) in Unearned Premiums	343	360	167	(200)	(387)	(565)	(427)	(382)	(322)	74	411	(928)	(1,028)	(421)
Net Premiums Earned	\$1,165	\$1,143	\$1,222	\$1,190	\$1,244	\$1,225	\$1,285	\$1,280	\$1,248	\$1,318	\$1,203	\$13,523	\$14,837	\$14,079
Claims Incurred:														
Prior Accident Years:														
Undiscounted	(\$78)	(\$16)	(\$271)	(\$12)	\$285	(\$5)	\$0	(\$262)	(\$6)	\$834	(\$24)	\$445	\$445	\$431
Effect of Discounting	(33)	(33)	15	(38)	25	(26)	(92)	(746)	(70)	84	(95)	(1,009)	(1,064)	(255)
Discounted	(\$111)	(\$49)	(\$256)	(\$50)	\$310	(\$31)	(\$92)	(\$1,008)	(\$76)	\$918	(\$119)	(\$564)	(\$619)	\$176
Current Accident Year:														
Undiscounted	\$1,245	\$1,159	\$1,055	\$1,138	\$1,218	\$1,173	\$1,224	\$1,189	\$1,189	\$1,253	\$1,164	\$13,007	\$14,254	\$13,503
Effect of Discounting	132	102	101	110	126	114	117	(50)	87	130	94	1,063	1,163	1,187
Discounted	\$1,377	\$1,261	\$1,156	\$1,248	\$1,344	\$1,287	\$1,341	\$1,139	\$1,276	\$1,383	\$1,258	\$14,070	\$15,417	\$14,690
Claims Incurred	\$1,266	\$1,212	\$900	\$1,198	\$1,654	\$1,256	\$1,249	\$131	\$1,200	\$2,301	\$1,139	\$13,506	\$14,798	\$14,866
Underwriting Expenses:														
Expense Allowance	\$287	\$273	\$368	\$484	\$568	\$623	\$596	\$578	\$547	\$433	\$276	\$5,033	\$5,525	\$5,008
Change in UPDR/DPAC:														
Undiscounted	6	(16)	(336)	1	(33)	(41)	(39)	156	19	27	35	(221)	(180)	546
Effect of Discounting	(36)	(36)	(59)	20	96	58	43	(69)	32	13	(34)	28	41	181
Discounted	(\$30)	(\$52)	(\$395)	\$21	\$63	\$17	\$4	\$87	\$51	\$40	\$1	(193)	(\$139)	\$727
Underwriting Expenses	\$257	\$221	(\$27)	\$505	\$631	\$640	\$600	\$665	\$598	\$473	\$277	\$4,840	\$5,386	\$5,735
Net Underwriting Gain (Loss)	(\$358)	(\$290)	\$349	(\$513)	(\$1,041)	(\$671)	(\$564)	\$484	(\$550)	(\$1,456)	(\$213)	(\$4,823)	(\$5,347)	(\$6,522)
Administrative Expenses	\$29	\$36	\$37	\$34	\$43	\$38	\$46	\$43	\$35	\$40	\$39	\$420	\$482	\$507
Operating Result	(\$387)	(\$326)	\$312	(\$547)	(\$1,084)	(\$709)	(\$610)	\$441	(\$585)	(\$1,496)	(\$252)	(\$5,243)	(\$5,829)	(\$7,029)
Ratios:														
Claims & Expenses Incurred (Earned)														
Prior Accident Years	-9.5%	-4.3%	-20.9%	-4.2%	24.9%	-2.5%	-7.2%	-78.8%	-6.1%	69.7%	-9.9%	-4.2%	-4.2%	1.3%
Current Accident Year	118.2%	110.3%	94.6%	104.9%	108.0%	105.1%	104.4%	89.0%	102.2%	104.9%	104.6%	104.0%	103.9%	104.3%
All Accident Years Combined	108.7%	106.0%	73.7%	100.7%	132.9%	102.6%	97.2%	10.2%	96.1%	174.6%	94.7%	99.8%	99.7%	105.6%
Underwriting & Administrative Expenses (Earned)	24.5%	22.5%	0.8%	45.3%	54.2%	55.3%	50.3%	55.3%	50.7%	38.9%	26.3%	38.9%	39.5%	44.3%
Combined Operating Ratio	133.2%	128.5%	74.5%	146.0%	187.1%	157.9%	147.5%	65.5%	146.8%	213.5%	121.0%	138.7%	139.2%	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