

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17– 013

DATE: FEBRUARY 27, 2017

**SUBJECT: NOVA SCOTIA RISK SHARING POOL
– JANUARY 2017 OPERATIONAL REPORT**

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

Please be advised that the January 2017 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 -\$0.2 million and the incurred loss ratio to the end of 1 month is 99.8%, as summarized in the table below.

Amounts in \$000s	January 2017	January 2016	Year to date Jan 2017	Year to Date Jan 2016
Premiums Written	739	822	739	822
Premiums Earned	1,268	1,165	1,268	1,165
Claims Incurred	1,266	1,266	1,266	1,266
General Expenses	226	286	226	286
Operating Result	(224)	(387)	(224)	(387)
Ratios:				
Loss ratio % - Prior Accident Years	(9.7%)	(9.5%)	(9.7%)	(9.5%)
- Current Accident Year	109.5%	118.2%	109.5%	118.2%
<i>Total</i>	99.8%	108.7%	99.8%	108.7%
General Expenses %	17.8%	24.5%	17.8%	24.5%
Combined Operating Ratio	117.6%	133.2%	117.6%	133.2%

Rounding differences may apply.

Bulletin F17-013**Nova Scotia Risk Sharing Pool – January 2017 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 2017” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$11.9 million and the estimated combined operating ratio to December 2017 is 154.1%. This updated projection to the end of the year has improved by \$0.4 million from the projection provided last month (-\$12.3 million and 153.6%). The improvement is composed of an estimated \$0.5 million favourable impact associated with the \$0.9 million decrease in projected earned premium (at a combined ratio of 153.6%), offset by a \$0.1 million deterioration stemming from the overall increase in the combined ratio (from 153.6% to 154.1% applied to \$22.0 million in projected earned premium).

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.2 million Operating Result in the month of January 2017, a \$0.2 million improvement from the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 133.2% to 117.6% applied to \$1.3 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 2017	Actual	Projection	Difference	Difference %
Premiums Written	739	1,608	(869)	(54.0%)
Premiums Earned	1,268	1,266	2	0.2%
Reported Losses				
Paid Losses	1,151	652	499	76.5%
Paid Expenses	64	36	28	77.8%
Change in Outstanding Losses	(275)	206	(481)	(233.5%)
Total Reported Losses	940	894	46	5.1%
Change in IBNR Provision *	326	425	(99)	
Change in Premium Deficiency (DPAC) *	(45)	33	(78)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP January 2017 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 January 2017, reported losses were \$46 thousand higher than projected. The Current Accident Year had a \$304 thousand unfavourable variance in reported losses, while the Prior Accident Years had a \$258 thousand 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.

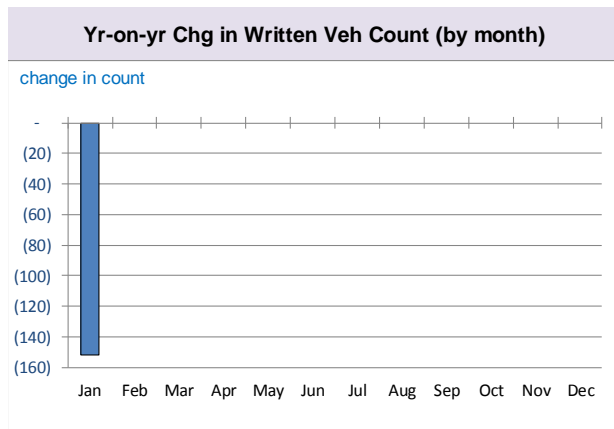
Booking IBNR

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 January 2017 Operational Report – Actuarial Highlights](#).

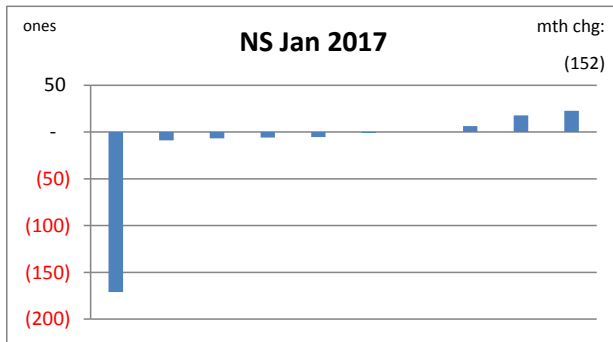
Effect of Quarterly Valuation

The January 2017 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

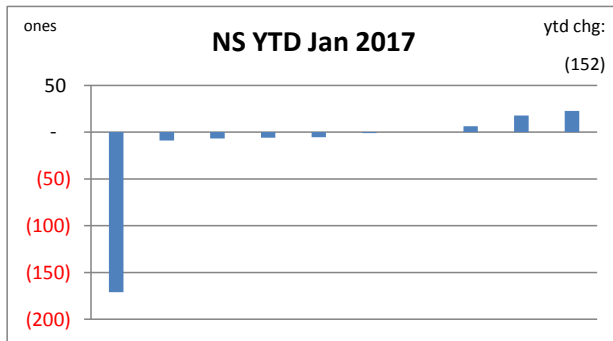


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with January showing a decrease of 152 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 528 vehicles, indicating a variance of 680 from the actual transfers. This variance was mainly due to one member company groups transferring a lower number of vehicles to the pool in January than projected.



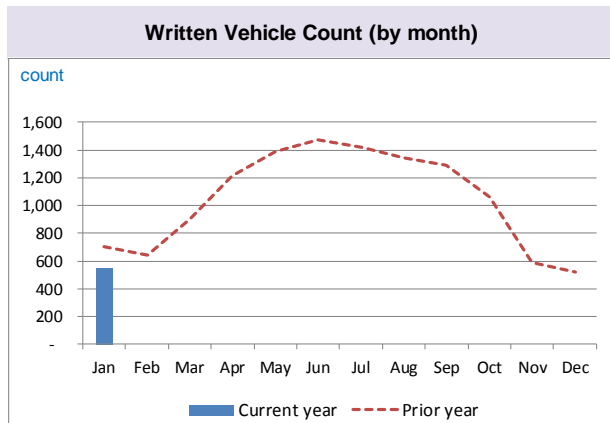
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while three transferred more and one remained the same. Of the 6 member company groups transferring

fewer vehicles, 1 member company group accounted for 86% of the total transfer decrease for these “decliner” members. Of the 3 member company groups transferring more vehicles, 2 member company groups accounted for 86% of the total transfer increase for these “grower” members.

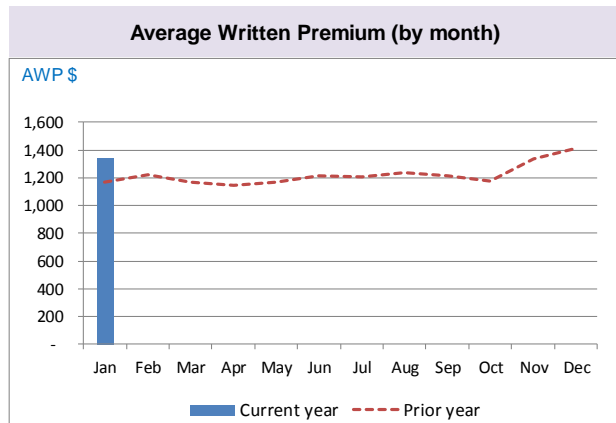


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

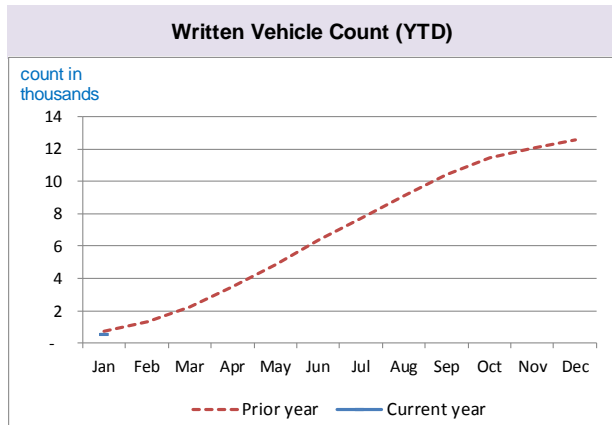
January’s vehicle count transfers to the pool represent a 21.6% decrease from January 2016. Average written premium was up 14.7% in January 2017 (see charts immediately below and at the top of the next page).



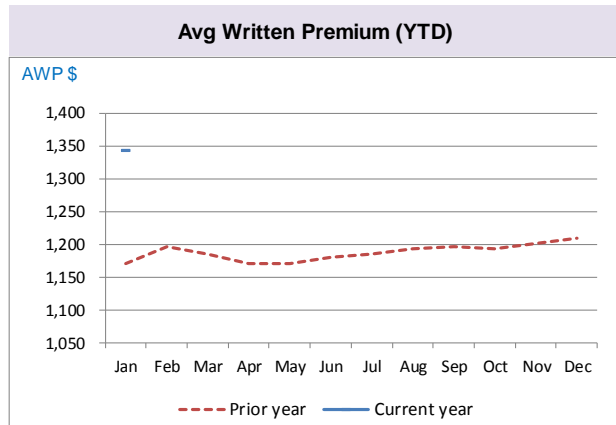
	Jan-17	Jan-16	Amt Chg	% Chg
W. Veh curr mth	550	702	(152)	-21.6%



	Jan-17	Jan-16	Amt Chg	% Chg
AWP curr mth	1,343	1,171	172	14.7%

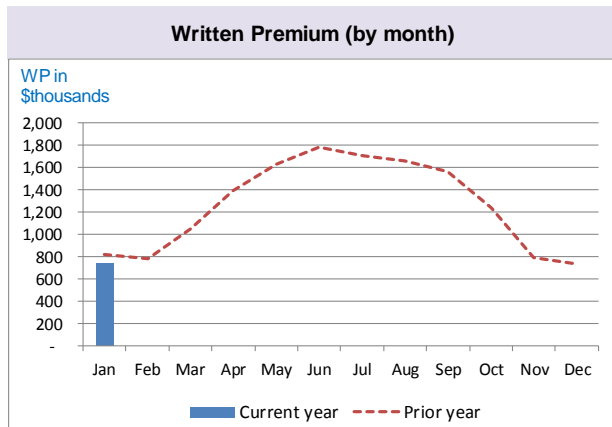


	Jan-17	Jan-16	Amt Chg	% Chg
W. Vehicles YTD	550	702	(152)	-21.6%

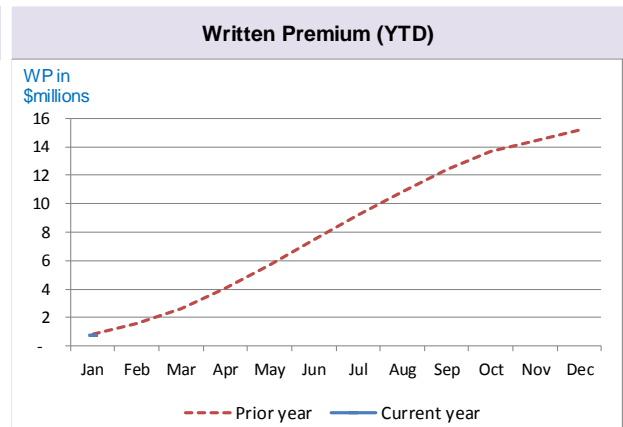


	Jan-17	Jan-16	Amt Chg	% Chg
Avg W. Prem YTD	1,343	1,171	172	14.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 10.1% for the month compared with the 95.6% increase we projected last month (see charts immediately below).



	Jan-17	Jan-16	Amt Chg	% Chg
WP (\$000s) curr mth	739	822	(83)	-10.1%



	Jan-17	Jan-16	Amt Chg	% Chg
WP (\$000s) YTD	739	822	(83)	-10.1%

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 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 1 Month Ended January 31, 2017 (Discounted basis)

Source: *Monthly Operational Report*
(thousands of dollars)

	January	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:				
Net Premiums Written	\$739	\$739	\$30,600	\$15,184
Decrease (Increase) in Unearned Premiums	529	529	(8,602)	(383)
Net Premiums Earned	\$1,268	\$1,268	\$21,998	\$14,801
Claims Incurred:				
Prior Accident Years:				
Undiscounted	(\$35)	(\$35)	(\$35)	\$441
Effect of Discounting	(88)	(88)	(867)	(1,075)
Discounted	(\$123)	(\$123)	(\$902)	(\$634)
Current Accident Year:				
Undiscounted	\$1,272	\$1,272	\$21,483	\$14,225
Effect of Discounting	117	117	1,527	1,155
Discounted	\$1,389	\$1,389	\$23,010	\$15,380
Claims Incurred	\$1,266	\$1,266	\$22,108	\$14,746
Underwriting Expenses:				
Expense Allowance	\$225	\$225	\$9,482	\$5,288
Change in UPDR/DPAC:				
Undiscounted	5	5	348	(184)
Effect of Discounting	(50)	(50)	866	(22)
Discounted	(\$45)	(45)	\$1,214	(\$206)
Underwriting Expenses	\$180	\$180	\$10,696	\$5,082
Net Underwriting Gain (Loss)	(\$178)	(\$178)	(\$10,806)	(\$5,027)
Administrative Expenses	\$46	\$46	\$1,096	\$474
Operating Result	(\$224)	(\$224)	(\$11,902)	(\$5,501)
Ratios:				
Claims & Expenses Incurred (Earned)				
Prior Accident Years	-9.7%	-9.7%	-4.1%	-4.3%
Current Accident Year	109.5%	109.5%	104.6%	103.9%
All Accident Years Combined	99.8%	99.8%	100.5%	99.6%
Underwriting & Administrative Expenses (Earned)	17.8%	17.8%	53.6%	37.5%
Combined Operating Ratio	117.6%	117.6%	154.1%	137.1%

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

Rounding difference may apply