

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17– 022

DATE: MARCH 30, 2017

SUBJECT: NOVA SCOTIA RISK SHARING POOL
– FEBRUARY 2017 OPERATIONAL REPORT

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

Please be advised that the February 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 -\$0.6 million and the incurred loss ratio to the end of 2 months is 100.7%, as summarized in the table below.

| Amounts in \$000s | February 2017 | February 2016 | Year to date Feb 2017 | Year to Date Feb 2016 |
|--|----------------------|---------------|------------------------------|-----------------------|
| Premiums Written | 895 | 783 | 1,634 | 1,605 |
| Premiums Earned | 1,136 | 1,143 | 2,404 | 2,308 |
| Claims Incurred | 1,156 | 1,212 | 2,422 | 2,478 |
| General Expenses | 318 | 257 | 544 | 543 |
| Operating Result | (338) | (326) | (562) | (713) |
| Ratios: | | | | |
| Loss ratio % - Prior Accident Years | (7.3%) | (4.3%) | (8.6%) | (6.9%) |
| - Current Accident Year | 109.1% | 110.3% | 109.3% | 114.3% |
| <i>Total</i> | 101.8% | 106.0% | 100.7% | 107.4% |
| General Expenses % | 28.0% | 22.5% | 22.6% | 23.5% |
| Combined Operating Ratio | 129.8% | 128.5% | 123.3% | 130.9% |

Rounding differences may apply.

Bulletin F17-022**Nova Scotia Risk Sharing Pool – February 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 -\$11.4 million and the estimated combined operating ratio to December 2017 is 154.8%. This updated projection to the end of the year has not changed significantly from the projection provided last month (-\$11.9 million and 154.1%).

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.3 million Operating Result in the month of February 2017, not significantly different from the same month last year.

This month’s results moved the year-to-date combined operating ratio from 117.6% at the end of 1 month to 123.3% at the end of 2 months. The 5.7 percentage point increase is composed of a 1.1 percentage point increase in the Prior Accident Year loss ratio, and a 4.8 percentage point increase in the expense ratio, offset by a 0.2 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.

| February 2017 | Actual | Projection | Difference | Difference % |
|---------------------------------------|---------------|-------------------|-------------------|---------------------|
| Premiums Written | 895 | 2,174 | (1,279) | (58.8%) |
| Premiums Earned | 1,136 | 1,276 | (140) | (11.0%) |
| Reported Losses | | | | |
| Paid Losses | 680 | 622 | 58 | 9.3% |
| Paid Expenses | 26 | 30 | (4) | (13.3%) |
| Change in Outstanding Losses | 443 | 447 | (4) | (0.9%) |
| Total Reported Losses | 1,149 | 1,099 | 50 | 4.5% |
| Change in IBNR Provision * | 7 | 210 | (203) | |
| Change in Premium Deficiency (DPAC) * | (17) | 88 | (105) | |

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP February 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 February 2017, reported losses were \$50 thousand higher than projected. The Current Accident Year had a \$114 thousand favourable variance in reported losses, while the Prior Accident Years had a \$164 thousand unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

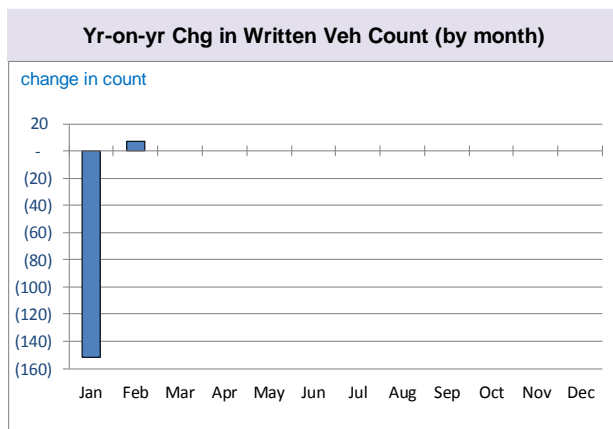
Booking IBNR

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

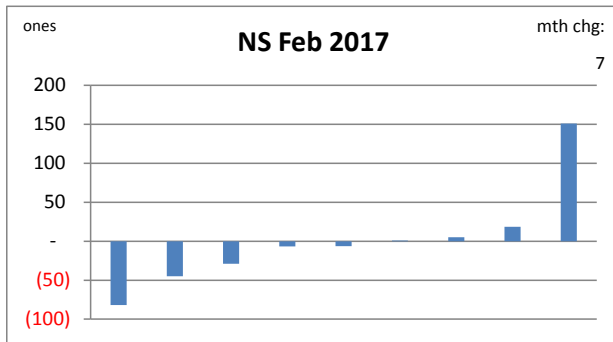
Effect of Quarterly Valuation

The February 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

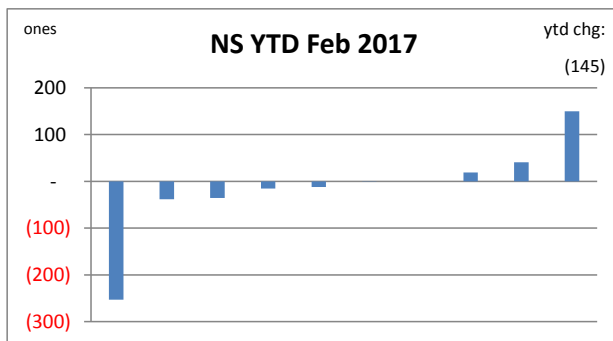


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February showing an increase of 7 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 929 vehicles, indicating a variance of 922 from the actual transfers. This variance was mainly due to one member company groups transferring a lower number of vehicles to the pool in February than projected.



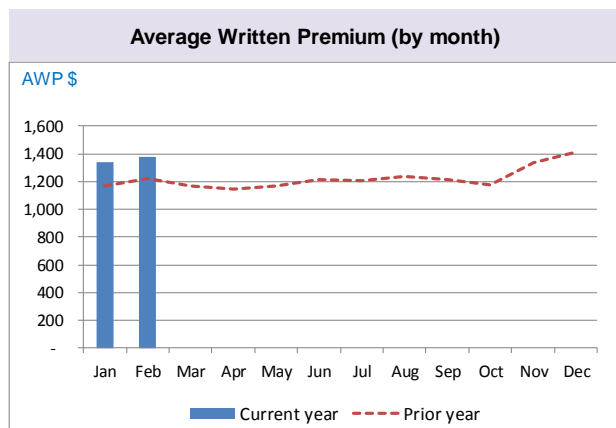
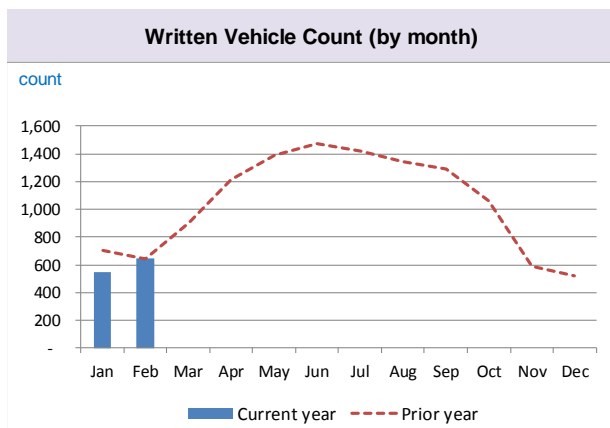
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with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

fewer vehicles, 1 member company group accounted for 49% of the total transfer decrease for these “decliner” members. Of the 4 member company groups transferring more vehicles, 1 member company group accounted for 86% of the total transfer increase for these “grower” members.



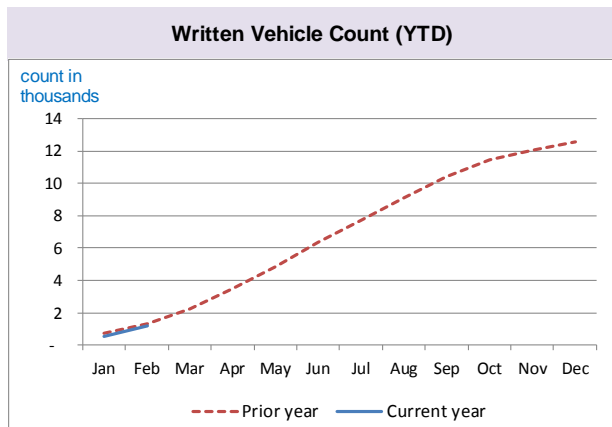
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

February’s vehicle count transfers to the pool represent a 1.1% increase from February 2016, but vehicle counts were down 10.8% year-to-date. Average written premium was up 13.0% in February 2017, and was up 14.0% year-to-date (see charts immediately below and at the top of the next page).

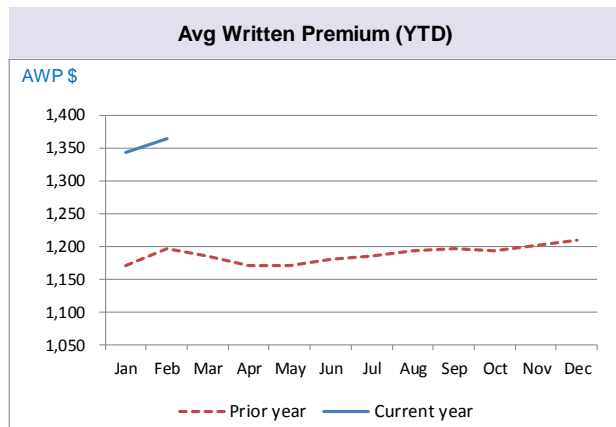


| | Feb-17 | Feb-16 | Amt Chg | % Chg |
|-----------------|--------|--------|---------|-------|
| W. Veh curr mth | 647 | 640 | 7 | 1.1% |

| | Feb-17 | Feb-16 | Amt Chg | % Chg |
|--------------|--------|--------|---------|-------|
| AWP curr mth | 1,382 | 1,223 | 159 | 13.0% |

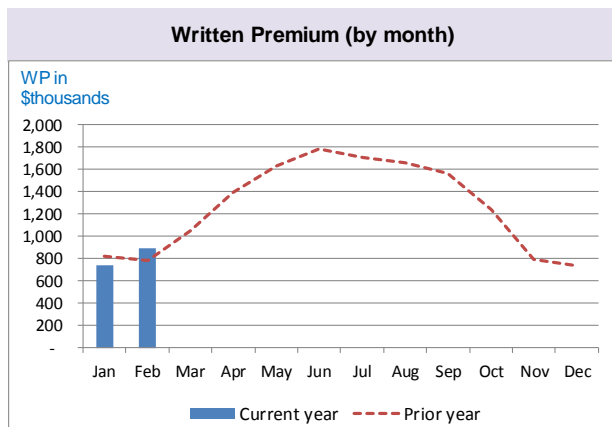


| | Feb-17 | Feb-16 | Amt Chg | % Chg |
|-----------------|--------|--------|---------|--------|
| W. Vehicles YTD | 1,198 | 1,342 | (145) | -10.8% |

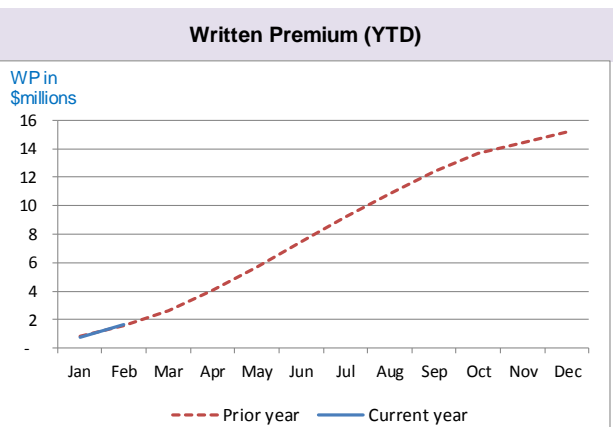


| | Feb-17 | Feb-16 | Amt Chg | % Chg |
|-----------------|--------|--------|---------|-------|
| Avg W. Prem YTD | 1,364 | 1,196 | 168 | 14.0% |

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 14.3% for the month compared with the 177.6% increase we projected last month (based in particular on a significant increase in transfers projected by one member), and was up 1.8% year-to-date (see charts immediately below).



| | Feb-17 | Feb-16 | Amt Chg | % Chg |
|----------------------|--------|--------|---------|-------|
| WP (\$000s) curr mth | 895 | 783 | 112 | 14.3% |



| | Feb-17 | Feb-16 | Amt Chg | % Chg |
|-----------------|--------|--------|---------|-------|
| WP (\$000s) YTD | 1,634 | 1,605 | 29 | 1.8% |

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 February2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 2 Months Ended February 28, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

| | January | February | CY2017 YTD | CY2017 12 MONTHS Updated Projection | CY2016 12 MONTHS Actual |
|---|----------------|----------------|----------------|--|-------------------------------|
| Underwriting Revenue: | | | | | |
| Net Premiums Written | \$739 | \$895 | \$1,634 | \$29,329 | \$15,184 |
| Decrease (Increase) in Unearned Premiums | 529 | 241 | 770 | (8,498) | (383) |
| Net Premiums Earned | \$1,268 | \$1,136 | \$2,404 | \$20,831 | \$14,801 |
| Claims Incurred: | | | | | |
| Prior Accident Years: | | | | | |
| Undiscounted | (\$35) | (\$36) | (\$71) | (\$71) | \$441 |
| Effect of Discounting | (88) | (47) | (135) | (833) | (1,075) |
| Discounted | (\$123) | (\$83) | (\$206) | (\$904) | (\$634) |
| Current Accident Year: | | | | | |
| Undiscounted | \$1,272 | \$1,146 | \$2,418 | \$20,385 | \$14,225 |
| Effect of Discounting | 117 | 93 | 210 | 1,404 | 1,155 |
| Discounted | \$1,389 | \$1,239 | \$2,628 | \$21,789 | \$15,380 |
| Claims Incurred | \$1,266 | \$1,156 | \$2,422 | \$20,885 | \$14,746 |
| Underwriting Expenses: | | | | | |
| Expense Allowance | \$225 | \$274 | \$499 | \$9,084 | \$5,288 |
| Change in UPDR/DPAC: | | | | | |
| Undiscounted | 5 | 5 | 10 | 346 | (184) |
| Effect of Discounting | (50) | (22) | (72) | 856 | (22) |
| Discounted | (\$45) | (\$17) | (62) | \$1,202 | (\$206) |
| Underwriting Expenses | \$180 | \$257 | \$437 | \$10,286 | \$5,082 |
| Net Underwriting Gain (Loss) | (\$178) | (\$277) | (\$455) | (\$10,340) | (\$5,027) |
| Administrative Expenses | \$46 | \$61 | \$107 | \$1,062 | \$474 |
| Operating Result | (\$224) | (\$338) | (\$562) | (\$11,402) | (\$5,501) |
| Ratios: | | | | | |
| Claims & Expenses Incurred (Earned) | | | | | |
| Prior Accident Years | -9.7% | -7.3% | -8.6% | -4.3% | -4.3% |
| Current Accident Year | 109.5% | 109.1% | 109.3% | 104.6% | 103.9% |
| All Accident Years Combined | 99.8% | 101.8% | 100.7% | 100.3% | 99.6% |
| Underwriting & Administrative Expenses (Earned) | 17.8% | 28.0% | 22.6% | 54.5% | 37.5% |
| Combined Operating Ratio | 117.6% | 129.8% | 123.3% | 154.8% | 137.1% |

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