

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17– 038

DATE: MAY 30, 2017

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

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

Please be advised that the April 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 \$0.3 million and the incurred loss ratio to the end of 4 months is 62.6%, as summarized in the table below.

Amounts in \$000s	April 2017	April 2016	Year to date Apr 2017	Year to Date Apr 2016
Premiums Written	1,876	1,390	5,003	4,050
Premiums Earned	1,310	1,190	5,014	4,720
Claims Incurred	1,300	1,198	3,139	4,576
General Expenses	678	539	1,556	1,092
Operating Result	(668)	(547)	319	(948)
Ratios:				
Loss ratio % - Prior Accident Years	(3.9%)	(4.2%)	(42.8%)	(9.9%)
- Current Accident Year	103.1%	104.9%	105.4%	106.8%
<i>Total</i>	99.2%	100.7%	62.6%	96.9%
General Expenses %	51.8%	45.3%	31.0%	23.1%
Combined Operating Ratio	151.0%	146.0%	93.6%	120.0%

Rounding differences may apply.

Bulletin F17-038**Nova Scotia Risk Sharing Pool – April 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 -\$8.8 million and the estimated combined operating ratio to December 2017 is 144.3%. This updated projection to the end of the year has deteriorated by \$0.4 million from the projection provided last month (-\$8.4 million and 143.4%). This deterioration is driven by a \$0.9 million increase in projected written premium.

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.7 million Operating Result in the month of April 2017, a \$0.1 million deterioration from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 146.0% to 151.0% applied to \$1.3 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 73.4% at the end of 3 month to 93.6% at the end of 4 months. The 20.2 percentage point increase is composed of a 13.7 percentage point increase in the Prior Accident Year loss ratio, and a 7.3 percentage point increase in the expense ratio, offset by a 0.8 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 2017	Actual	Projection	Difference	Difference %
Premiums Written	1,876	1,644	232	14.1%
Premiums Earned	1,310	1,312	(2)	(0.2%)
Reported Losses				
Paid Losses	832	647	185	28.6%
Paid Expenses	67	23	44	191.3%
Change in Outstanding Losses	3,708	3,720	(12)	(0.3%)
Total Reported Losses	4,607	4,390	217	4.9%
Change in IBNR Provision *	(3,307)	(3,069)	(238)	
Change in Premium Deficiency (DPAC) *	46	28	18	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP April 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 April 2017, reported losses were \$0.2 million higher than projected. The Current Accident Year had a \$11 thousand unfavourable variance in reported losses, and the Prior Accident Years had a \$0.2 million unfavourable variance. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for reported claims activity for the Prior Accident Years (the issue of a member company unable to send “re-open” transactions to the RSPs in time for March close after closing out certain case reserves as part of a claims system migration) in March were reversed out in the month of April.

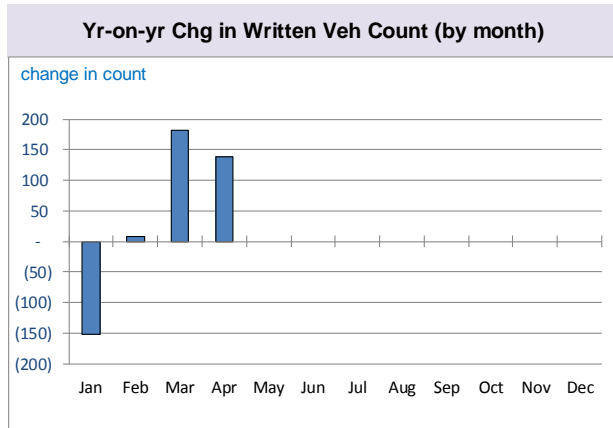
Booking IBNR

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 2017 Operational Report – Actuarial Highlights](#).

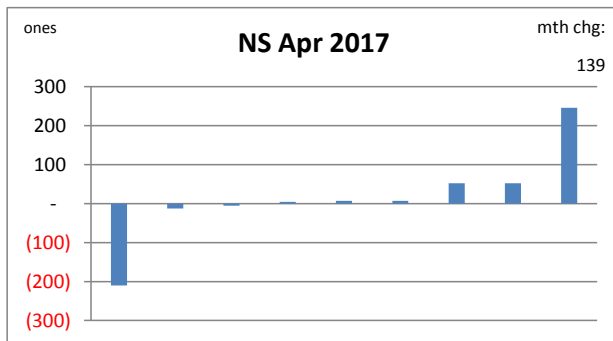
Effect of Quarterly Valuation

The April 2017 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, 2016). The actuarial valuation will be updated next as at March 31, 2017 and we anticipate that the results will be reflected in the May 2017 Operational Report.

Management Comments

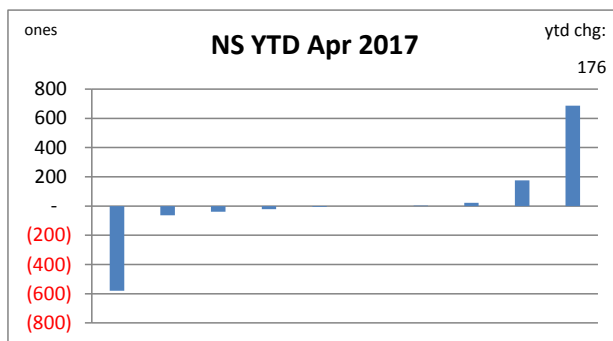


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with April showing an increase of 139 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 157 vehicles, indicating a variance of 18 from the actual transfers. This variance was mainly due to one member company groups transferring a lower number of vehicles to the pool in April than projected.



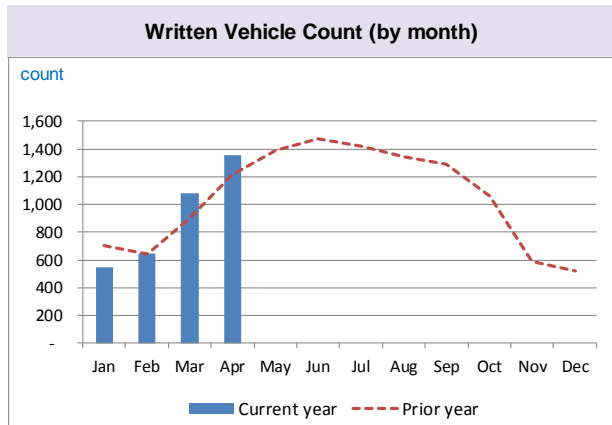
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Three member company groups transferred fewer vehicles to the pool this month compared with a year ago, while six transferred more. Of the 3 member company groups transferring fewer vehicles, 1 member company group accounted for 92% of the total transfer decrease for these “decliner” members.

Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 67% of the total transfer increase for these “grower” members.

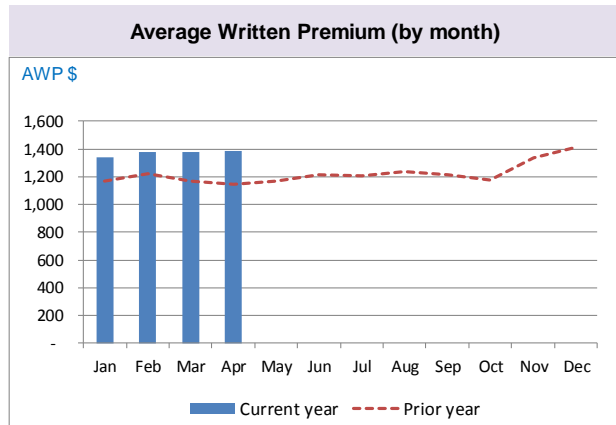


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

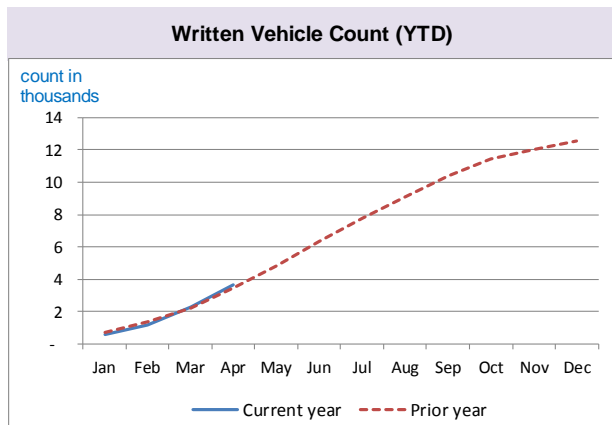
April’s vehicle count transfers to the pool represent an 11.4% increase from April 2016, and vehicle counts were up 5.1% year-to-date. Average written premium was up 21.2% in April 2017, and was up 17.6% year-to-date (see charts at the top of the next page).



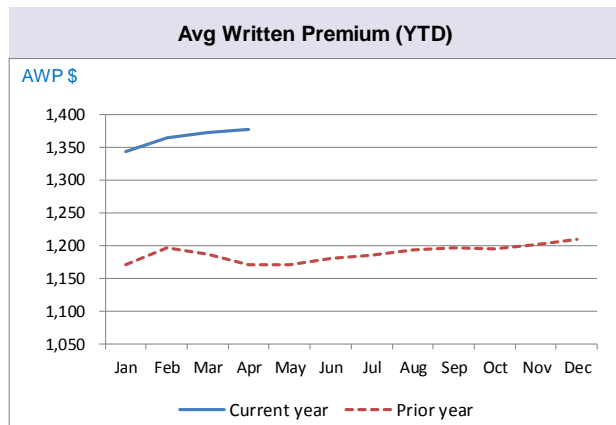
	Apr-17	Apr-16	Amt Chg	% Chg
W. Veh curr mth	1,355	1,216	139	11.4%



	Apr-17	Apr-16	Amt Chg	% Chg
AWP curr mth	1,385	1,143	242	21.2%

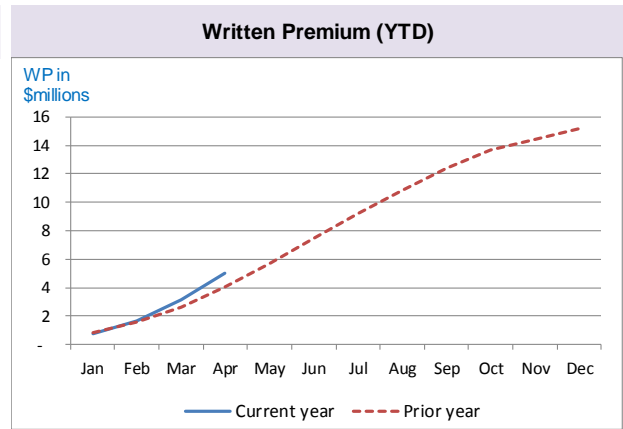
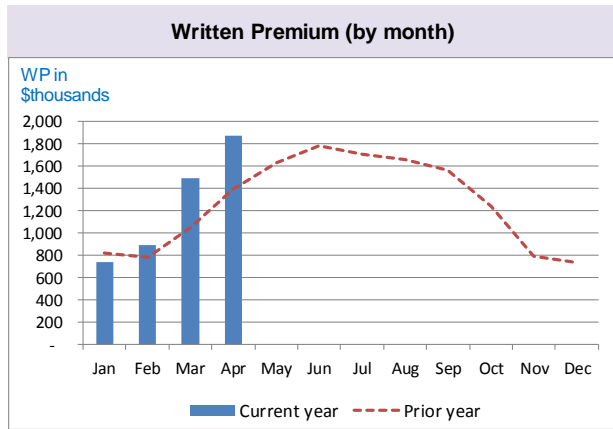


	Apr-17	Apr-16	Amt Chg	% Chg
W. Vehicles YTD	3,634	3,459	176	5.1%



	Apr-17	Apr-16	Amt Chg	% Chg
Avg W. Prem YTD	1,377	1,171	206	17.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 35.0% for the month compared with the 18.3% increase we projected last month (based in particular on a significant increase in transfers projected by one member), and was up 23.5% year-to-date (see charts at the top of the next page).



	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) curr mth	1,876	1,390	487	35.0%

	Apr-17	Apr-16	Amt Chg	% Chg
WP (\$000s) YTD	5,003	4,050	953	23.5%

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 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$739	\$895	\$1,493	\$1,876	\$5,003	\$29,216	\$15,184
Decrease (Increase) in Unearned Premiums	529	241	(193)	(566)	11	(9,445)	(383)
Net Premiums Earned	\$1,268	\$1,136	\$1,300	\$1,310	\$5,014	\$19,771	\$14,801
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$35)	(\$36)	(\$1,321)	(\$9)	(\$1,401)	(\$1,401)	\$441
Effect of Discounting	(88)	(47)	(566)	(42)	(743)	(1,160)	(1,075)
Discounted	(\$123)	(\$83)	(\$1,887)	(\$51)	(\$2,144)	(\$2,561)	(\$634)
Current Accident Year:							
Undiscounted	\$1,272	\$1,146	\$1,252	\$1,274	\$4,944	\$19,186	\$14,225
Effect of Discounting	117	93	52	77	339	1,152	1,155
Discounted	\$1,389	\$1,239	\$1,304	\$1,351	\$5,283	\$20,338	\$15,380
Claims Incurred	\$1,266	\$1,156	(\$583)	\$1,300	\$3,139	\$17,777	\$14,746
Underwriting Expenses:							
Expense Allowance	\$225	\$274	\$461	\$581	\$1,541	\$9,048	\$5,288
Change in UPDR/DPAC:							
Undiscounted	5	5	(73)	(2)	(65)	(3)	(184)
Effect of Discounting	(50)	(22)	(99)	48	(123)	653	(22)
Discounted	(\$45)	(\$17)	(\$172)	\$46	(188)	\$650	(\$206)
Underwriting Expenses	\$180	\$257	\$289	\$627	\$1,353	\$9,698	\$5,082
Net Underwriting Gain (Loss)	(\$178)	(\$277)	\$1,594	(\$617)	\$522	(\$7,704)	(\$5,027)
Administrative Expenses	\$46	\$61	\$45	\$51	\$203	\$1,053	\$474
Operating Result	(\$224)	(\$338)	\$1,549	(\$668)	\$319	(\$8,757)	(\$5,501)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-9.7%	-7.3%	-145.2%	-3.9%	-42.8%	-13.0%	-4.3%
Current Accident Year	109.5%	109.1%	100.3%	103.1%	105.4%	102.9%	103.9%
All Accident Years Combined	99.8%	101.8%	-44.9%	99.2%	62.6%	89.9%	99.6%
Underwriting & Administrative Expenses (Earned)	17.8%	28.0%	25.7%	51.8%	31.0%	54.4%	37.5%
Combined Operating Ratio	117.6%	129.8%	-19.2%	151.0%	93.6%	144.3%	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