

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17– 065

DATE: AUGUST 29, 2017

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

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

Please be advised that the July 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 -\$2.8 million and the incurred loss ratio to the end of 7 months is 81.6%, as summarized in the table below.

Amounts in \$000s	July 2017	July 2016	Year to date Jul 2017	Year to Date Jul 2016
Premiums Written	2,757	1,712	12,854	9,183
Premiums Earned	1,568	1,285	9,422	8,474
Claims Incurred	1,587	1,249	7,686	8,735
General Expenses	996	646	4,501	3,090
Operating Result	(1,015)	(610)	(2,765)	(3,351)
Ratios:				
Loss ratio % - Prior Accident Years	(4.4%)	(7.2%)	(24.4%)	(3.3%)
- Current Accident Year	105.6%	104.4%	106.0%	106.4%
<i>Total</i>	101.2%	97.2%	81.6%	103.1%
General Expenses %	63.5%	50.3%	47.8%	36.5%
Combined Operating Ratio	164.7%	147.5%	129.4%	139.6%

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 2017” attached to this bulletin.

Updated Projection to Year-end 2017

The projected calendar year Operating Result to December 2017 is -\$8.6 million and the estimated combined operating ratio to December 2017 is 144.3%. This updated projection to the end of the year has improved by \$0.3 million from the projection provided last month (-\$8.9 million and 145.1%). This improvement is driven by a \$0.8 million decrease in the projected written premium for the year.

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$1.0 million Operating Result in the month of July 2017, a \$0.4 million deterioration from the same month last year. This deterioration is composed of an estimated \$0.1 million unfavourable impact associated with the \$0.3 million increase in earned premium (at a combined ratio of 147.5%), with the remaining \$0.3 million deterioration stemming from the overall increase in the combined ratio (from 147.5% to 164.7% applied to \$1.6 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 122.3% at the end of 6 months to 129.4% at the end of 7 months. The 7.1 percentage point increase is composed of a 4.0 percentage point increase in the Prior Accident Year loss ratio, and a 3.2 percentage point increase in the expense ratio, offset by a 0.1 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.

July 2017	Actual	Projection	Difference	Difference %
Premiums Written	2,757	3,575	(818)	(22.9%)
Premiums Earned	1,568	1,692	(124)	(7.3%)
Reported Losses				
Paid Losses	901	1,003	(102)	(10.2%)
Paid Expenses	25	44	(19)	(43.2%)
Change in Outstanding Losses	236	24	212	883.3%
Total Reported Losses	1,162	1,071	91	8.5%
Change in IBNR Provision *	425	632	(207)	
Change in Premium Deficiency (DPAC) *	97	151	(54)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included at [Nova Scotia RSP July 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 July 2017, reported losses were \$0.1 million higher than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, while the Prior Accident Years had a \$0.2 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

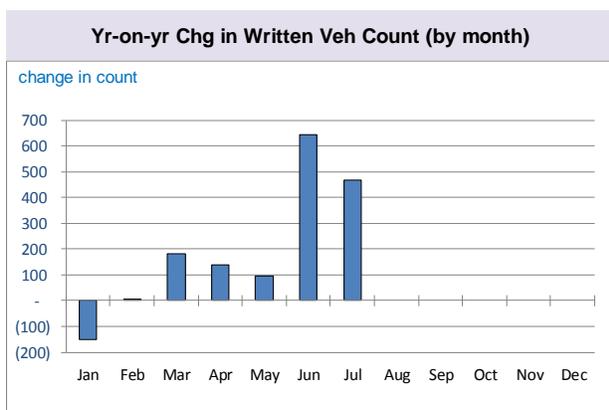
Booking IBNR

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

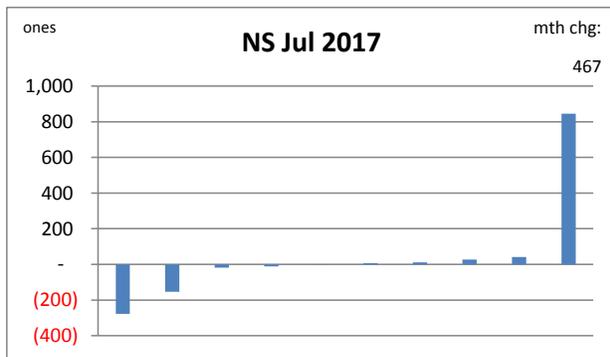
Effect of Quarterly Valuation

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

Management Comments

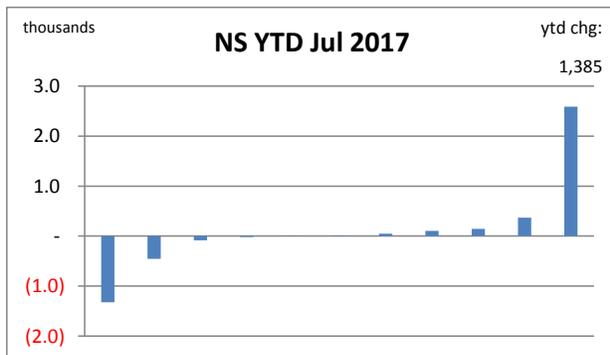


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with July showing an increase of 467 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,093 vehicles, indicating a variance of 626 from the actual transfers. This variance was mainly due to two member company groups transferring a lower number of vehicles to the pool in July than projected.



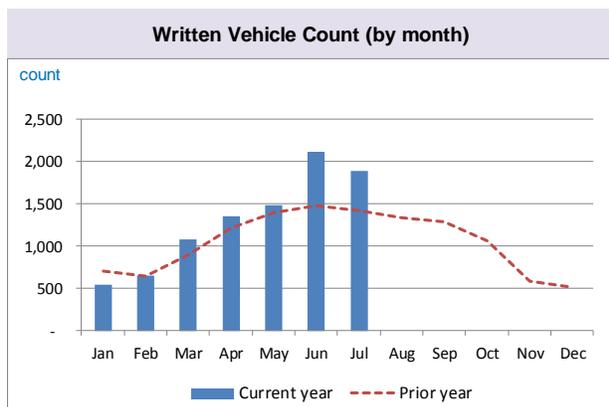
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Five member company groups transferred fewer vehicles to the pool this month compared with a year ago, while five transferred more. Of the 5 member company groups transferring fewer vehicles, 2 member groups transferring fewer vehicles, 2 member groups transferring more.

Of the 5 member company groups transferring fewer vehicles, 2 member company groups accounted for 93% of the total transfer decrease for these “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 91% of the total transfer increase for these “grower” members.

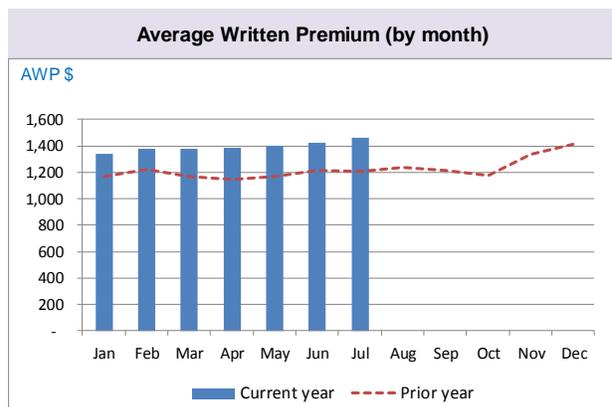


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

July’s vehicle count transfers to the pool represent a 32.9% increase from July 2016, and vehicle counts were up 17.9% year-to-date. Average written premium was up 21.2% in July 2017, and was up 18.7% year-to-date (see charts immediately below and at the top of the next page).

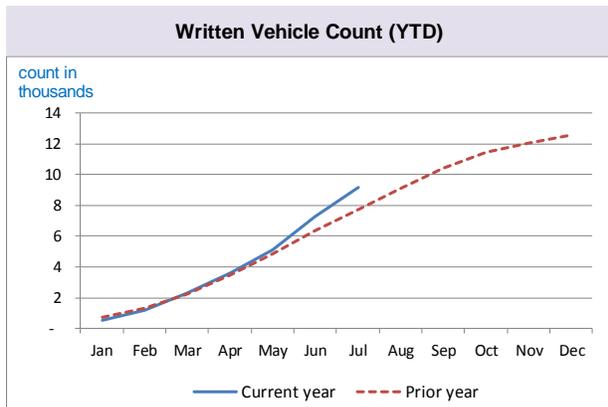


	Jul-17	Jul-16	Amt Chg	% Chg
W. Veh curr mth	1,889	1,422	467	32.9%

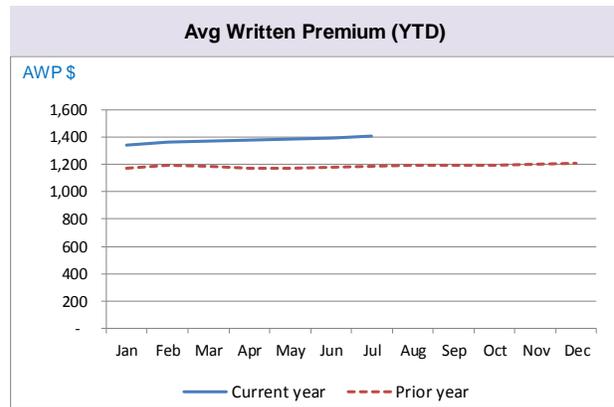


	Jul-17	Jul-16	Amt Chg	% Chg
AWP curr mth	1,459	1,204	255	21.2%

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	Jul-17	Jul-16	Amt Chg	% Chg
W. Vehicles YTD	9,133	7,749	1,385	17.9%

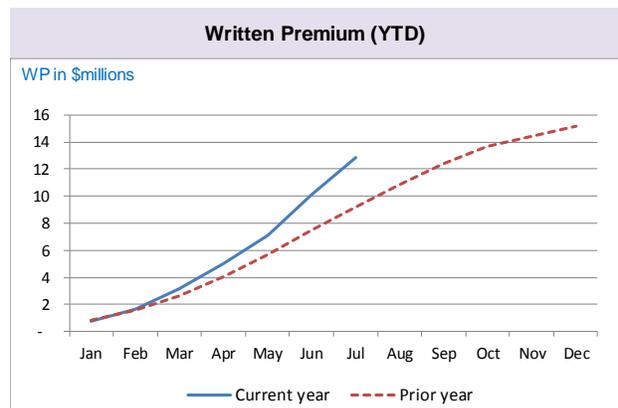


	Jul-17	Jul-16	Amt Chg	% Chg
Avg W. Prem YTD	1,407	1,185	222	18.7%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 61.0% for the month compared with the 108.8% increase we projected last month (based in particular on a significant increase in transfers projected by one member), and was up 40.0% year-to-date (see charts immediately below).



	Jul-17	Jul-16	Amt Chg	% Chg
WP (\$000s) curr mth	2,757	1,712	1,045	61.0%



	Jul-17	Jul-16	Amt Chg	% Chg
WP (\$000s) YTD	12,854	9,183	3,671	40.0%

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 July 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Nova Scotia

Operating Results for the 7 Months Ended July 31, 2017 (Discounted basis)

Source: Monthly Operational Report
(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	CY2017 YTD	CY2017 12 MONTHS Updated Projection	CY2016 12 MONTHS Actual
Underwriting Revenue:										
Net Premiums Written	\$739	\$895	\$1,493	\$1,876	\$2,082	\$3,012	\$2,757	\$12,854	\$28,172	\$15,184
Decrease (Increase) in Unearned Premiums	529	241	(193)	(566)	(684)	(1,570)	(1,189)	(3,432)	(8,743)	(383)
Net Premiums Earned	\$1,268	\$1,136	\$1,300	\$1,310	\$1,398	\$1,442	\$1,568	\$9,422	\$19,429	\$14,801
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$35)	(\$36)	(\$1,321)	(\$9)	(\$27)	(\$8)	(\$17)	(\$1,453)	(\$1,453)	\$441
Effect of Discounting	(88)	(47)	(566)	(42)	12	(64)	(52)	(847)	(1,160)	(1,075)
Discounted	(\$123)	(\$83)	(\$1,887)	(\$51)	(\$15)	(\$72)	(\$69)	(\$2,300)	(\$2,613)	(\$634)
Current Accident Year:										
Undiscounted	\$1,272	\$1,146	\$1,252	\$1,274	\$1,418	\$1,412	\$1,546	\$9,320	\$19,069	\$14,225
Effect of Discounting	117	93	52	77	113	104	110	666	1,309	1,155
Discounted	\$1,389	\$1,239	\$1,304	\$1,351	\$1,531	\$1,516	\$1,656	\$9,986	\$20,378	\$15,380
Claims Incurred	\$1,266	\$1,156	(\$583)	\$1,300	\$1,516	\$1,444	\$1,587	\$7,686	\$17,765	\$14,746
Underwriting Expenses:										
Expense Allowance	\$225	\$274	\$461	\$581	\$645	\$933	\$853	\$3,972	\$8,719	\$5,288
Change in UPDR/DPAC:										
Undiscounted	5	5	(73)	(2)	60	(7)	(3)	(15)	(1)	(184)
Effect of Discounting	(50)	(22)	(99)	48	77	131	100	185	629	(22)
Discounted	(\$45)	(\$17)	(\$172)	\$46	\$137	\$124	\$97	170	\$628	(\$206)
Underwriting Expenses	\$180	\$257	\$289	\$627	\$782	\$1,057	\$950	\$4,142	\$9,347	\$5,082
Net Underwriting Gain (Loss)	(\$178)	(\$277)	\$1,594	(\$617)	(\$900)	(\$1,059)	(\$969)	(\$2,406)	(\$7,683)	(\$5,027)
Administrative Expenses	\$46	\$61	\$45	\$51	\$62	\$48	\$46	\$359	\$914	\$474
Operating Result	(\$224)	(\$338)	\$1,549	(\$668)	(\$962)	(\$1,107)	(\$1,015)	(\$2,765)	(\$8,597)	(\$5,501)
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	-9.7%	-7.3%	-145.2%	-3.9%	-1.1%	-5.0%	-4.4%	-24.4%	-13.4%	-4.3%
Current Accident Year	109.5%	109.1%	100.3%	103.1%	109.5%	105.1%	105.6%	106.0%	104.9%	103.9%
All Accident Years Combined	99.8%	101.8%	-44.9%	99.2%	108.4%	100.1%	101.2%	81.6%	91.5%	99.6%
Underwriting & Administrative Expenses (Earned)	17.8%	28.0%	25.7%	51.8%	60.4%	76.6%	63.5%	47.8%	52.8%	37.5%
Combined Operating Ratio	117.6%	129.8%	-19.2%	151.0%	168.8%	176.7%	164.7%	129.4%	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