

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17– 083

DATE: OCTOBER 30, 2017

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

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

Please be advised that the September 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 9 months is 60.3%, as summarized in the table below.

Amounts in \$000s	September 2017	September 2016	Year to date Sep 2017	Year to Date Sep 2016
Premium Written	3,035	1,570	18,894	12,415
Premium Earned	1,762	1,248	12,860	11,002
Incurred Losses	1,693	1,200	7,747	10,066
Underwriting & Admin Expense	1,002	633	5,762	4,431
Operating Result	(933)	(585)	(649)	(3,495)
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(2.0%)	(6.1%)	(38.9%)	(12.4%)
- Current Accident Year	98.1%	102.2%	99.2%	103.9%
<i>Total</i>	96.1%	96.1%	60.3%	91.5%
<i>Underwriting & Admin Expense</i>	56.9%	50.7%	44.8%	40.3%
<i>Combined Operating Ratio</i>	153.0%	146.8%	105.1%	131.8%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. 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 -\$3.2 million and the estimated combined operating ratio to December 2017 is 117.0%, as summarized in the table below. This updated projection to the end of the year has improved by approximately \$0.4 million from the projection provided last month (\$3.7 million and 119.4%). This improvement is driven by a \$1.3 million decrease in the projected written premium for the year.

NS RSP Yr-end Projection Amounts in \$000s	Current (Sep 2017)	Prior Mth (Aug 2017)	Change	Final 2017 Outlook*
Premium Written	27,032	28,378	(1,346)	15,943
Premium Earned	18,996	18,850	146	15,564
Incurred Losses	13,584	13,328	256	15,512
Underwriting & Admin Expense	8,638	9,176	(537)	5,752
Net Result from Operations	(3,226)	(3,654)	427	(5,700)
Ratios:				
Loss ratio - Prior Accident Years	(27.2%)	(27.6%)	0.4%	(5.1%)
- Current Accident Year	98.7%	98.3%	0.4%	104.8%
<i>Total</i>	71.5%	70.7%	0.8%	99.7%
Underwriting & Admin Expense	45.5%	48.7%	(3.2%)	37.0%
Combined Operating Ratio	117.0%	119.4%	(2.4%)	136.7%

rounding differences may occur

*as posted to FA's website Sep. 28, 2016

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.9 million Operating Result in the month of September 2017, a \$0.3 million deterioration from the same month last year. This deterioration is composed of an estimated \$0.2 million unfavourable impact associated with the \$0.5 million increase in earned premium (at a combined ratio of 146.8%), with the remaining \$0.1 million deterioration stemming from the overall increase in the combined ratio (from 146.8% to 153.0% applied to \$1.8 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 97.5% at the end of 8 months to 105.1% at the end of 9 months. The 7.6 percentage point increase is composed of a 5.9 percentage point increase in the Prior Accident Year loss ratio, and a 1.9 percentage point increase in the expense ratio, offset by a 0.2 percentage point decrease in the Current Accident Year loss ratio.

Variations from Projections

The table below provides a summary of key components of the operating results as compared to the estimates projected last month.

September 2017	Actual	Projection	Difference	Difference %
Written Premium	3,035	4,381	(1,346)	(30.7%)
Earned Premium	1,762	1,803	(41)	(2.3%)
Reported Losses				
Paid Losses	803	967	(164)	(17.0%)
Paid Expenses	(46)	31	(77)	(248.4%)
Change in Outstanding Losses	2,522	214	2,308	>999.9%
Total Reported Losses	3,279	1,212	2,067	170.5%
Change in IBNR Provision *	(1,586)	503	(2,089)	
Change in Premium Deficiency (DPAC) *	19	37	(18)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP September 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 September 2017, reported losses were \$2.1 million higher than projected. The Current Accident Year had a \$0.7 million unfavourable variance in reported losses, and the Prior Accident Years had a \$1.4 million unfavourable variance. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$1.1 million unfavourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for the Prior Accident Years for the month. Management investigated paid claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

Through 2016 and 2017, a member has been conducting a comprehensive review of their open claims transactions as reported to the FA RSP system with correcting transactions posted in the current month (September 2017) and included in the above results. The correcting transaction amounts were not high relative to unpaid balances, however, the corrections are being reviewed and discussed with the member, in conjunction with the FA internal audit team, to ensure our records are accurate in relation to the member's own records on their RSP claims' portfolio.

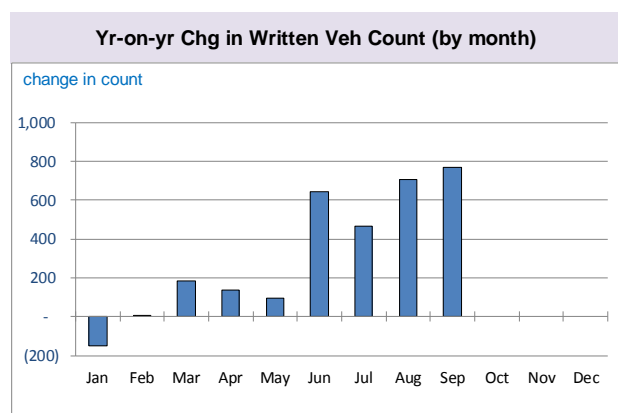
Booking IBNR

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

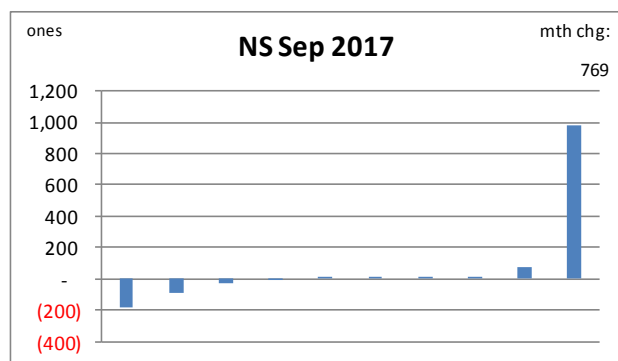
Effect of Quarterly Valuation

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

Management Comments

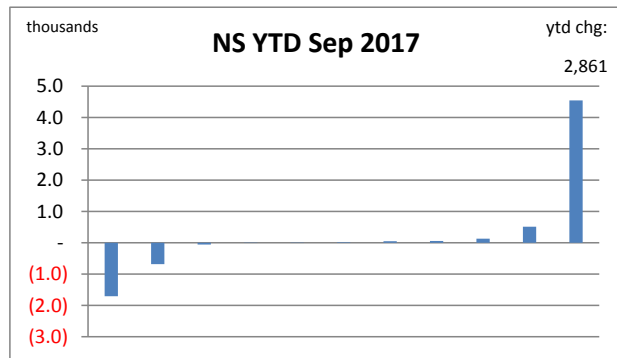


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with September showing an increase of 769 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,713 vehicles, indicating a variance of 944 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in September than projected.



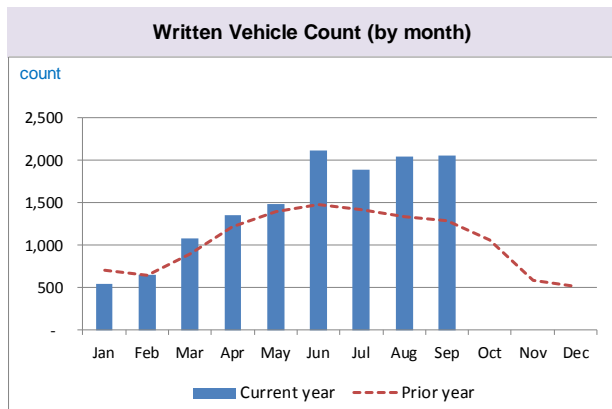
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Four member company groups transferred fewer vehicles to the pool this month compared with a year ago, while six transferred more. Of the 4 member company groups transferring fewer vehicles, 1 member company group accounted for 61% of the total transfer decrease for these “decliner” members.

Of the 6 member company groups transferring more vehicles, 1 member company group accounted for 91% of the total transfer increase for these “grower” members.

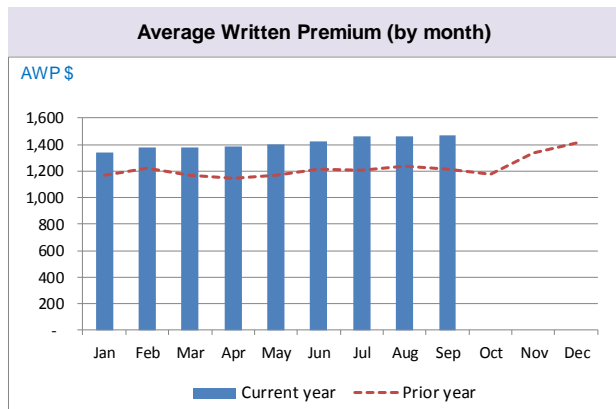


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

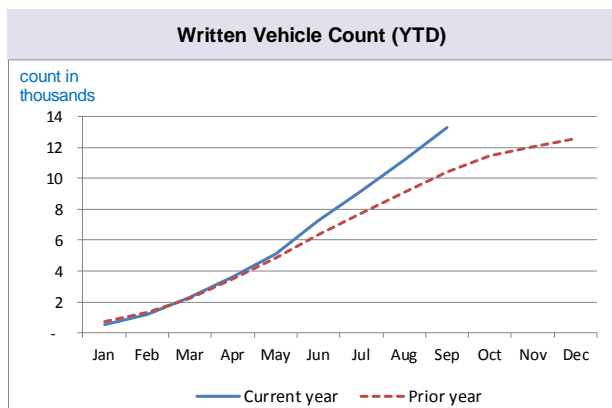
September’s vehicle count transfers to the pool represent a 59.4% increase from September 2016, and vehicle counts were up 27.5% year-to-date. Average written premium was up 21.3% in September 2017, and was up 19.2% year-to-date (see charts immediately below).



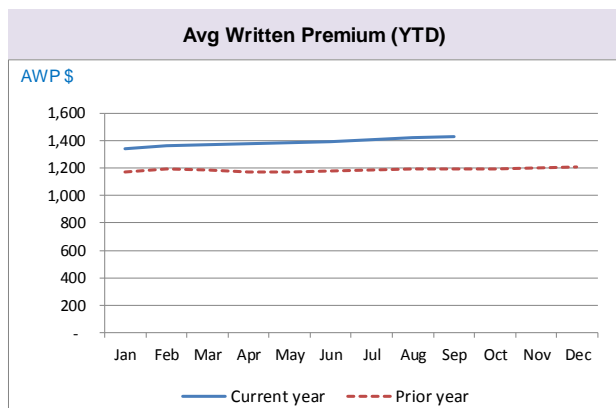
	Sep-17	Sep-16	Amt Chg	% Chg
W. Veh curr mth	2,062	1,293	769	59.4%



	Sep-17	Sep-16	Amt Chg	% Chg
AWP curr mth	1,472	1,214	258	21.3%



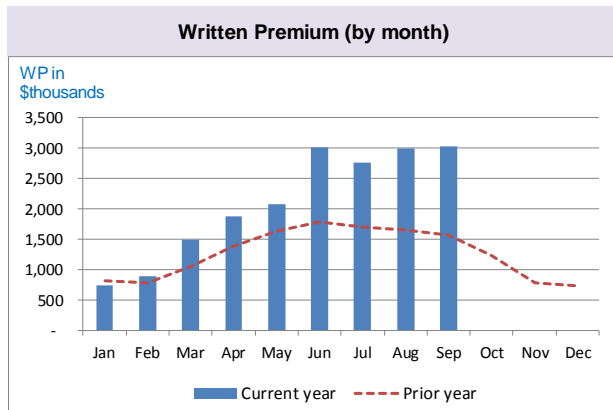
	Sep-17	Sep-16	Amt Chg	% Chg
W. Vehicles YTD	13,246	10,385	2,861	27.5%



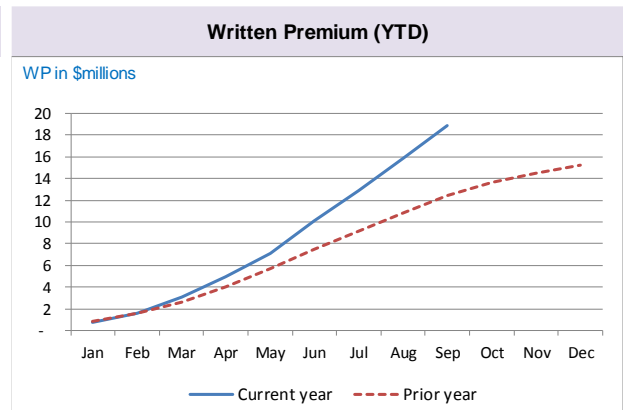
	Sep-17	Sep-16	Amt Chg	% Chg
Avg W. Prem YTD	1,426	1,196	230	19.2%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 93.2% for the month compared with the 179.0% increase we

projected last month (based in particular on a significant increase in transfers projected by one member), and was up 52.2% year-to-date (see charts immediately below).



	Sep-17	Sep-16	Amt Chg	% Chg
WP (\$000s) curr mth	3,035	1,570	1,464	93.2%



	Sep-17	Sep-16	Amt Chg	% Chg
WP (\$000s) YTD	18,894	12,416	6,478	52.2%

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 September 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Nova Scotia

Operating Results for the 9 Months Ended September 30, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	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	\$3,005	\$3,035	\$18,894	\$27,032	\$15,184
Decrease (Increase) in Unearned Premiums	529	241	(193)	(566)	(684)	(1,570)	(1,189)	(1,329)	(1,273)	(6,034)	(8,036)	(383)
Net Premiums Earned	\$1,268	\$1,136	\$1,300	\$1,310	\$1,398	\$1,442	\$1,568	\$1,676	\$1,762	\$12,860	\$18,996	\$14,801
Claims Incurred:												
Prior Accident Years:												
Undiscounted	(\$35)	(\$36)	(\$1,321)	(\$9)	(\$27)	(\$8)	(\$17)	(\$2,163)	(\$4)	(\$3,620)	(\$3,620)	\$441
Effect of Discounting	(88)	(47)	(566)	(42)	12	(64)	(52)	(509)	(31)	(1,387)	(1,549)	(1,075)
Discounted	(\$123)	(\$83)	(\$1,887)	(\$51)	(\$15)	(\$72)	(\$69)	(\$2,672)	(\$35)	(\$5,007)	(\$5,169)	(\$634)
Current Accident Year:												
Undiscounted	\$1,272	\$1,146	\$1,252	\$1,274	\$1,418	\$1,412	\$1,546	\$1,051	\$1,628	\$11,999	\$17,652	\$14,225
Effect of Discounting	117	93	52	77	113	104	110	(11)	100	755	1,101	1,155
Discounted	\$1,389	\$1,239	\$1,304	\$1,351	\$1,531	\$1,516	\$1,656	\$1,040	\$1,728	\$12,754	\$18,753	\$15,380
Claims Incurred	\$1,266	\$1,156	(\$583)	\$1,300	\$1,516	\$1,444	\$1,587	(\$1,632)	\$1,693	\$7,747	\$13,584	\$14,746
Underwriting Expenses:												
Expense Allowance	\$225	\$274	\$461	\$581	\$645	\$933	\$853	\$931	\$941	\$5,844	\$8,364	\$5,288
Change in UPDR/DPAC:												
Undiscounted	5	5	(73)	(2)	60	(7)	(3)	(685)	(73)	(773)	(875)	(184)
Effect of Discounting	(50)	(22)	(99)	48	77	131	100	(37)	92	240	384	(22)
Discounted	(\$45)	(\$17)	(\$172)	\$46	\$137	\$124	\$97	(\$722)	\$19	(533)	(\$491)	(\$206)
Underwriting Expenses	\$180	\$257	\$289	\$627	\$782	\$1,057	\$950	\$209	\$960	\$5,311	\$7,873	\$5,082
Net Underwriting Gain (Loss)	(\$178)	(\$277)	\$1,594	(\$617)	(\$900)	(\$1,059)	(\$969)	\$3,099	(\$891)	(\$198)	(\$2,461)	(\$5,027)
Administrative Expenses	\$46	\$61	\$45	\$51	\$62	\$48	\$46	\$50	\$42	\$451	\$765	\$474
Operating Result	(\$224)	(\$338)	\$1,549	(\$668)	(\$962)	(\$1,107)	(\$1,015)	\$3,049	(\$933)	(\$649)	(\$3,226)	(\$5,501)
Ratios:												
Claims & Expenses Incurred (Earned)												
Prior Accident Years	-9.7%	-7.3%	-145.2%	-3.9%	-1.1%	-5.0%	-4.4%	-159.4%	-2.0%	-38.9%	-27.2%	-4.3%
Current Accident Year	109.5%	109.1%	100.3%	103.1%	109.5%	105.1%	105.6%	62.1%	98.1%	99.2%	98.7%	103.9%
All Accident Years Combined	99.8%	101.8%	-44.9%	99.2%	108.4%	100.1%	101.2%	-97.3%	96.1%	60.3%	71.5%	99.6%
Underwriting & Administrative Expenses (Earned)	17.8%	28.0%	25.7%	51.8%	60.4%	76.6%	63.5%	15.5%	56.9%	44.8%	45.5%	37.5%
Combined Operating Ratio	117.6%	129.8%	-19.2%	151.0%	168.8%	176.7%	164.7%	-81.8%	153.0%	105.1%	117.0%	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