

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F18– 037

DATE: MAY 30, 2018

**SUBJECT: NOVA SCOTIA RISK SHARING POOL
– APRIL 2018 OPERATIONAL REPORT**

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

Please be advised that the April 2018 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 -\$0.4 million and the incurred loss ratio to the end of 4 months is 72.1%, as summarized in the table below.

Amounts in \$000s	April 2018	April 2017	Year to date Apr 2018	Year to Date Apr 2017
Premium Written	2,385	1,876	8,008	5,003
Premium Earned	2,261	1,310	8,728	5,014
Incurred Losses	2,186	1,300	6,290	3,139
Underwriting & Admin Expense	784	678	2,835	1,556
Operating Result	(709)	(668)	(397)	319
Ratios:				
Loss ratio - Prior Accident Years	(1.4%)	(3.9%)	(26.8%)	(42.8%)
- Current Accident Year	98.1%	103.1%	98.9%	105.4%
<i>Total</i>	96.7%	99.2%	72.1%	62.6%
<i>Underwriting & Admin Expense</i>	34.7%	51.8%	32.5%	31.0%
<i>Combined Operating Ratio</i>	131.4%	151.0%	104.6%	93.6%

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 2018” attached to this bulletin.

Updated Projection to Year-end 2018

The projected calendar year Operating Result to December 2018 is -\$7.4 million and the estimated combined operating ratio to December 2018 is 126.0%, as summarized in the table below. This updated projection to the end of the year has changed insignificantly from the projection provided last month as shown in the table below.

NS RSP 2018 Yr-end Projection	Current	Prior Mth		Final 2018
Amounts in \$000s	(Apr 2018)	(Mar 2018)	Change	Outlook*
Premium Written	30,241	30,506	(265)	39,593
Premium Earned	28,666	28,887	(221)	35,242
Incurring Losses	25,454	25,665	(211)	33,944
Underwriting & Admin Expense	10,655	10,770	(115)	13,954
Net Result from Operations	(7,443)	(7,548)	105	(12,656)
Ratios:				
Loss ratio - Prior Accident Years	(9.3%)	(9.2%)	(0.1%)	(1.6%)
- Current Accident Year	98.1%	98.1%	0.0%	98.0%
Total	88.8%	88.9%	(0.1%)	96.4%
Underwriting & Admin Expense	37.2%	37.3%	(0.1%)	39.6%
Combined Operating Ratio	126.0%	126.2%	(0.2%)	136.0%

rounding differences may occur

*as posted to FA's website Oct. 3, 2017

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$0.7 million Operating Result in the month of April 2018, a \$41 thousand deterioration from the same month last year.

This month's results moved the year-to-date combined operating ratio from 95.2% at the end of 3 months to 104.6% at the end of 4 months. The 9.4 percentage point increase is composed of an 8.9 percentage point increase in the Prior Accident Years loss ratio, and a 0.8 percentage point increase in the expense ratio, offset by a 0.3 percentage point decrease in the Current Accident Year loss ratio.

Variances from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

April 2018	Actual	Projection	Difference	Difference %
Written Premium	2,385	2,651	(266)	(10.0%)
Earned Premium	2,261	2,311	(50)	(2.2%)
Reported Losses				
Paid Losses	1,012	1,262	(250)	(19.8%)
Paid Expenses	56	64	(8)	(12.5%)
Change in Outstanding Losses	253	404	(151)	(37.4%)
Total Reported Losses	1,321	1,730	(409)	(23.6%)
Change in IBNR Provision *	865	480	385	
Change in Premium Deficiency (DPAC) *	16	19	(3)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP April 2018 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 2018, reported losses were \$0.4 million lower than projected. The Current Accident Year had a \$0.5 million favourable variance in reported losses, while the Prior Accident Years had a \$0.1 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

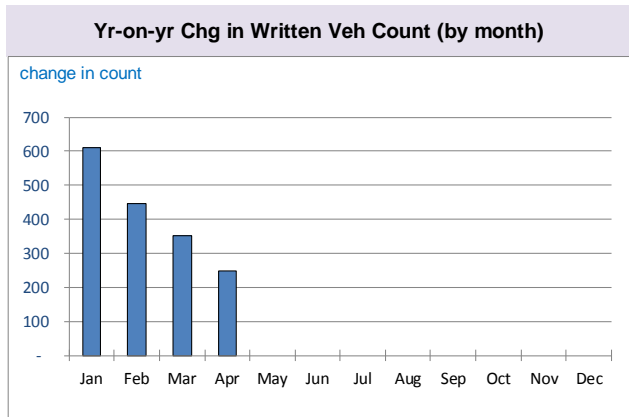
Booking IBNR

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 April 2018 Operational Report – Actuarial Highlights](#).

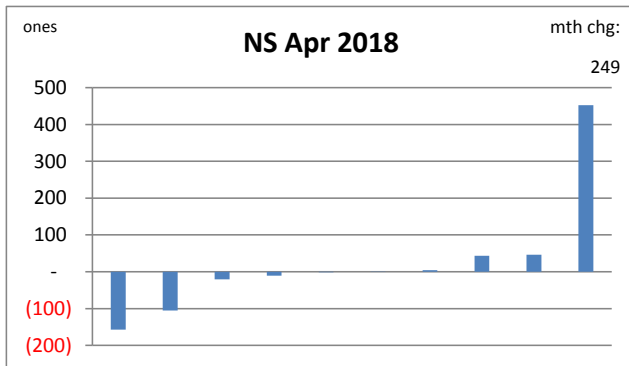
Effect of Quarterly Valuation

The April 2018 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, 2017). The actuarial valuation will be updated next as at March 31, 2018 and we anticipate that the results will be reflected in the May 2018 Operational Report.

Management Comments

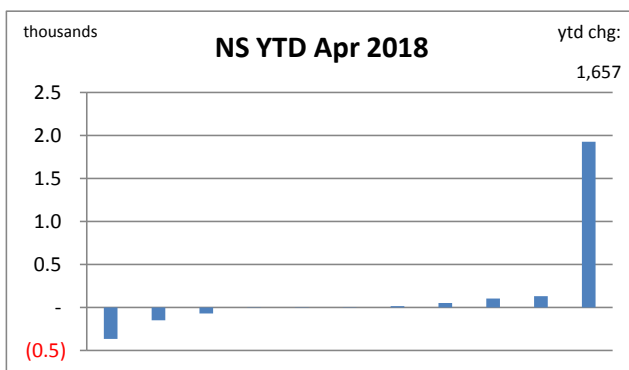


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with April showing an increase of 249 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 387 vehicles, indicating a variance of 138 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in April than projected.



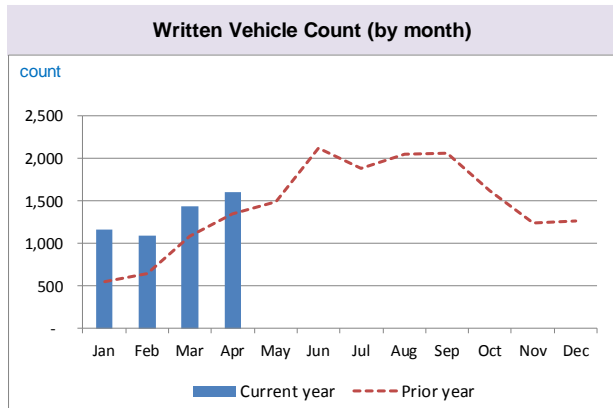
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with a year ago, while four transferred more. Of the 6 member company groups transferring fewer vehicles, 2 member company groups accounted for 89% of the

total transfer decrease for these “decliner” members. Of the 4 member company groups transferring more vehicles, 1 member company group accounted for 83% of the total transfer increase for these “grower” members.

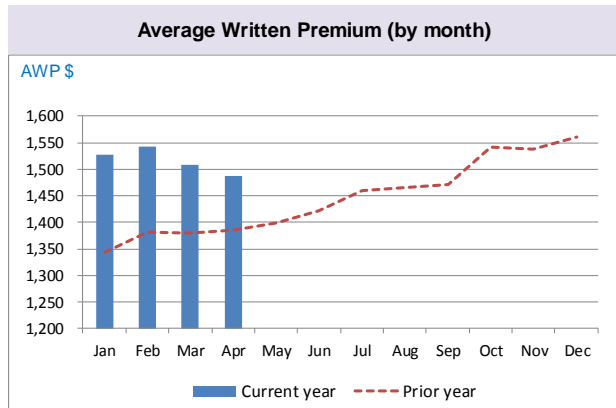


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

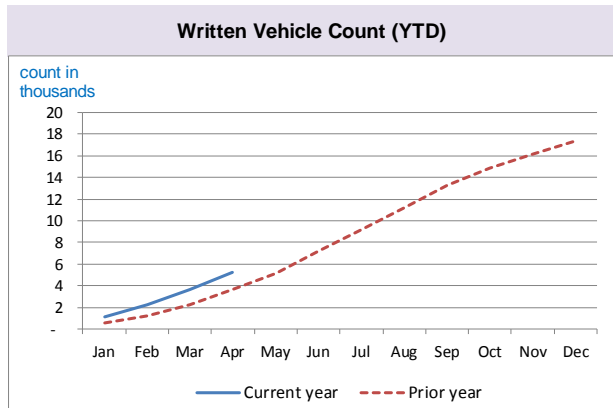
April’s vehicle count transfers to the pool represent an 18.4% increase from April 2017, and vehicle counts were up 45.6% year-to-date. Average written premium was up 7.4% in April 2018, and was up 9.9% year-to-date (see charts at the top of the next page).



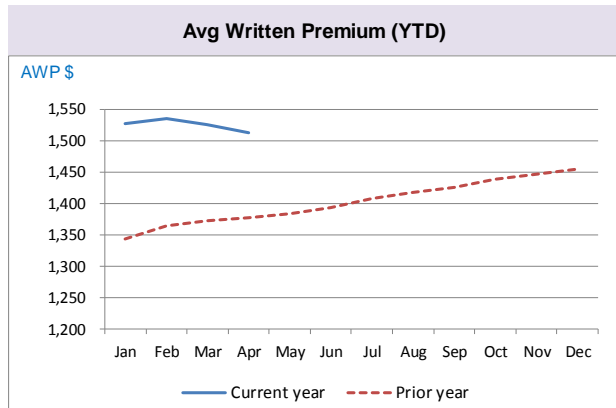
	Apr-18	Apr-17	Amt Chg	% Chg
W. Veh curr mth	1,604	1,355	249	18.4%



	Apr-18	Apr-17	Amt Chg	% Chg
AWP curr mth	1,488	1,385	103	7.4%

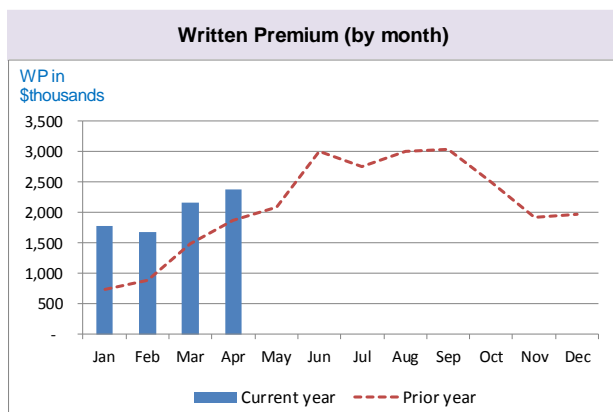


	Apr-18	Apr-17	Amt Chg	% Chg
W. Vehicles YTD	5,292	3,634	1,657	45.6%

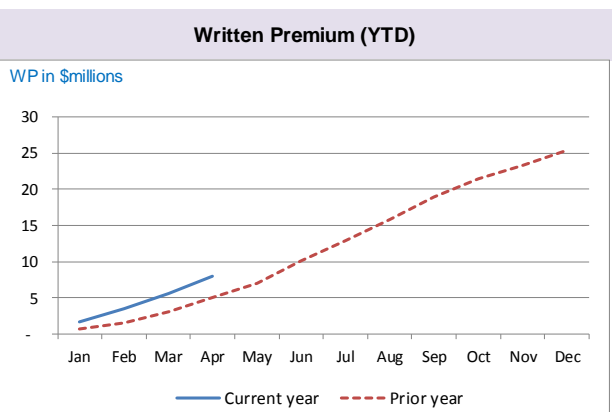


	Apr-18	Apr-17	Amt Chg	% Chg
Avg W. Prem YTD	1,513	1,377	136	9.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 27.1% for the month compared with the 41.3% increase we projected last month, and was up 60.1% year-to-date (see charts immediately below).



	Apr-18	Apr-17	Amt Chg	% Chg
WP (\$000s) curr mth	2,386	1,876	509	27.1%



	Apr-18	Apr-17	Amt Chg	% Chg
WP (\$000s) YTD	8,009	5,003	3,006	60.1%

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Nova Scotia Risk Sharing Pool – April 2018 Operational Report

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 2018 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 4 Months Ended April 30, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:							
Net Premiums Written	\$1,773	\$1,686	\$2,164	\$2,385	\$8,008	\$30,241	\$25,298
Decrease (Increase) in Unearned Premiums	389	337	118	(124)	720	(1,575)	(6,335)
Net Premiums Earned	\$2,162	\$2,023	\$2,282	\$2,261	\$8,728	\$28,666	\$18,963
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$29)	(\$8)	(\$2,276)	\$0	(\$2,313)	(\$2,313)	(\$2,136)
Effect of Discounting	90	(39)	(48)	(32)	(29)	(343)	(1,836)
Discounted	\$61	(\$47)	(\$2,324)	(\$32)	(\$2,342)	(\$2,656)	(\$3,972)
Current Accident Year:							
Undiscounted	\$2,026	\$1,877	\$2,194	\$2,118	\$8,215	\$26,878	\$17,837
Effect of Discounting	117	92	108	100	417	1,232	817
Discounted	\$2,143	\$1,969	\$2,302	\$2,218	\$8,632	\$28,110	\$18,654
Claims Incurred	\$2,204	\$1,922	(\$22)	\$2,186	\$6,290	\$25,454	\$14,682
Underwriting Expenses:							
Expense Allowance	\$534	\$509	\$653	\$720	\$2,416	\$9,131	\$7,829
Change in UPDR/DPAC:							
Undiscounted	25	24	173	8	230	366	(773)
Effect of Discounting	(21)	(18)	17	8	(14)	132	37
Discounted	\$4	\$6	\$190	\$16	216	498	(\$736)
Underwriting Expenses	\$538	\$515	\$843	\$736	\$2,632	\$9,629	\$7,093
Net Underwriting Gain (Loss)	(\$580)	(\$414)	\$1,461	(\$661)	(\$194)	(\$6,417)	(\$2,812)
Administrative Expenses	\$40	\$56	\$59	\$48	\$203	\$1,026	\$600
Operating Result	(\$620)	(\$470)	\$1,402	(\$709)	(\$397)	(\$7,443)	(\$3,412)
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	2.8%	-2.3%	-101.8%	-1.4%	-26.8%	-9.3%	-20.9%
Current Accident Year	99.1%	97.3%	100.9%	98.1%	98.9%	98.1%	98.4%
All Accident Years Combined	101.9%	95.0%	-0.9%	96.7%	72.1%	88.8%	77.5%
Underwriting & Administrative Expenses (Earned)	26.7%	28.2%	39.5%	34.7%	32.5%	37.2%	40.6%
Combined Operating Ratio	128.6%	123.2%	38.6%	131.4%	104.6%	126.0%	118.1%

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