

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F18 – 063

DATE: August 30, 2018

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

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

Please be advised that the July 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 -\$4.1 million and the incurred loss ratio to the end of 7 months is 91.4%, as summarized in the table below.

Amounts in \$000s	July 2018	July 2017	Year to date Jul 2018	Year to Date Jul 2017
Premium Written	2,844	2,757	16,119	12,854
Premium Earned	2,395	1,568	15,785	9,422
Incurred Losses	2,282	1,587	14,423	7,686
Underwriting & Admin Expense	931	996	5,494	4,501
Operating Result	(818)	(1,015)	(4,132)	(2,765)
Ratios:				
Loss ratio - Prior Accident Years	(2.9%)	(4.4%)	(7.3%)	(24.4%)
- Current Accident Year	98.2%	105.6%	98.7%	106.0%
<i>Total</i>	95.3%	101.2%	91.4%	81.6%
Underwriting & Admin Expense	38.9%	63.5%	34.8%	47.8%
Combined Operating Ratio	134.2%	164.7%	126.2%	129.4%

rounding differences may occur

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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 -\$8.3 million and the estimated combined operating ratio to December 2018 is 129.6%, as summarized in the table below. This updated projection to the end of the year has improved by \$0.2 million from the projection provided last month (-\$8.5 million and 130.3%).

NS RSP 2018 Yr-end Projection Amounts in \$000s	Current (Jul 2018)	Prior Mth (Jun 2018)	Change	Final 2018 Outlook*
Premium Written	29,406	29,607	(201)	39,593
Premium Earned	27,880	27,975	(95)	35,242
Incurred Losses	25,988	26,186	(198)	33,944
Underwriting & Admin Expense	10,158	10,277	(118)	13,954
Net Result from Operations	(8,266)	(8,488)	221	(12,656)
Ratios:				
Loss ratio - Prior Accident Years	(5.1%)	(4.7%)	(0.4%)	(1.6%)
- Current Accident Year	98.3%	98.3%	0.0%	98.0%
<i>Total</i>	93.2%	93.6%	(0.4%)	96.4%
Underwriting & Admin Expense	36.4%	36.7%	(0.3%)	39.6%
Combined Operating Ratio	129.6%	130.3%	(0.7%)	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 -\$0.8 million Operating Result in the month of July 2018, a \$0.2 million improvement from the same month last year. This improvement is composed of a \$0.7 million improvement stemming from the overall decrease in the combined ratio (from 164.7% to 134.2% applied to \$2.4 million in earned premium), offset by a \$0.5 million unfavourable impact associated with the \$0.8 million increase in earned premium (at a combined ratio of 164.7%).

This month's results moved the year-to-date combined operating ratio from 124.8% at the end of 6 months to 126.2% at the end of 7 months. The 1.4 percentage point increase is composed of a 0.8 percentage point increase in the Prior Accident Years loss ratio and a 0.7 percentage point increase in the expense ratio, offset by a 0.1 percentage point decrease in the Current Accident Year loss ratio.

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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 2018	Actual	Projection	Difference	Difference %
Written Premium	2,844	3,045	(201)	(6.6%)
Earned Premium	2,395	2,451	(56)	(2.3%)
Reported Losses				
Paid Losses	1,580	1,354	226	16.7%
Paid Expenses	21	89	(68)	(76.4%)
Change in Outstanding Losses	(232)	345	(577)	(167.2%)
Total Reported Losses	1,369	1,788	(419)	(23.4%)
Change in IBNR Provision *	913	563	350	
Change in Premium Deficiency (DPAC) *	24	25	(1)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included at [Nova Scotia RSP July 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 July 2018, reported losses were \$0.4 million lower than projected. The Current Accident Year had a \$0.1 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$0.3 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Booking IBNR

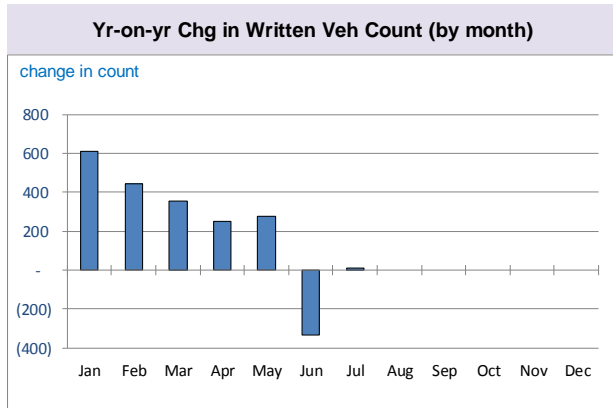
The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium 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 2018 Operational Report – Actuarial Highlights](#).

Effect of Quarterly Valuation

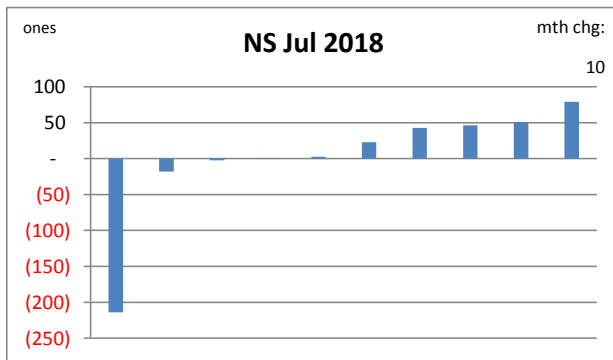
The July 2018 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at March 31, 2018). The actuarial valuation

will be updated next as at June 30, 2018 and we anticipate that the results will be reflected in the August 2018 Operational Report.

Management Comments

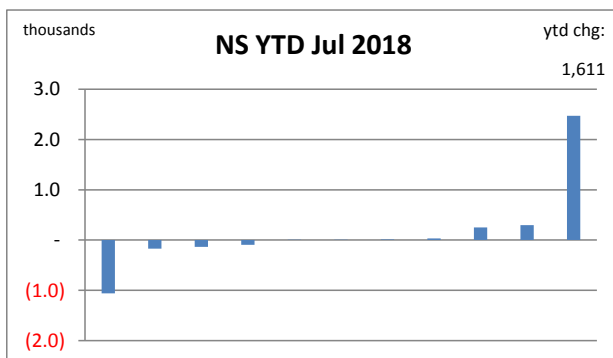


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with July showing an increase of 10 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 127 vehicles, indicating a variance of 117 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in July than projected.



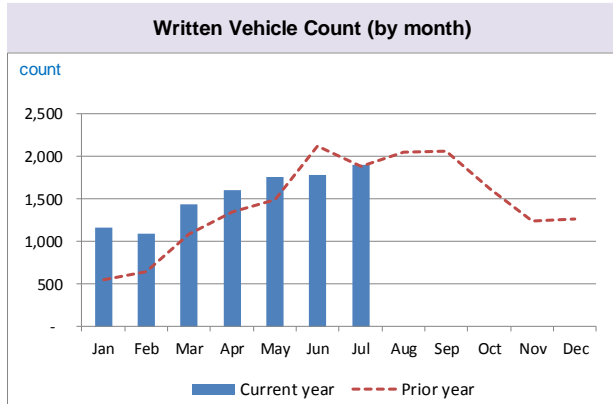
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Three member company groups transferred fewer vehicles to the pool this month compared with a year ago, while seven transferred more. Of the 3 member company groups transferring fewer vehicles, 1 member

company group accounted for 91% of the total transfer decrease for these “decliner” members. Of the 7 member company groups transferring more vehicles, 4 member company groups accounted for 89% of the total transfer increase for these “grower” members.

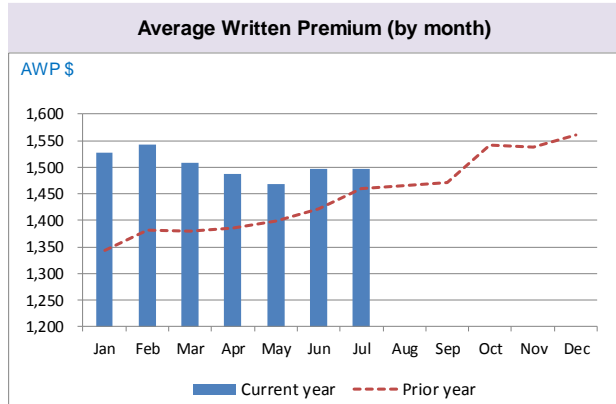


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

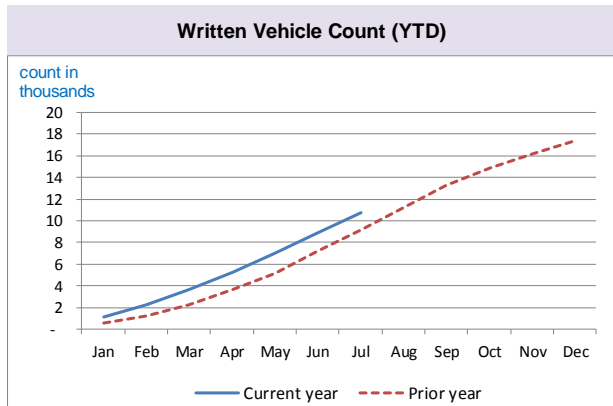
July’s vehicle count transfers to the pool represent a 0.5% increase from July 2017, and vehicle counts were up 17.6% year-to-date. Average written premium was up 2.6% in July 2018, and was up 6.6% year-to-date (see charts at the top of the next page).



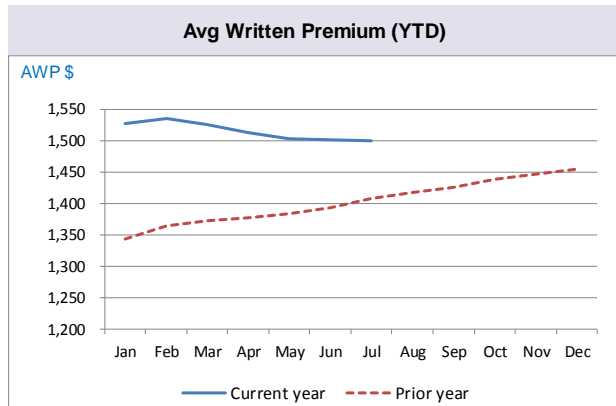
	Jul-18	Jul-17	Amt Chg	% Chg
W. Veh curr mth	1,899	1,889	10	0.5%



	Jul-18	Jul-17	Amt Chg	% Chg
AWP curr mth	1,497	1,459	38	2.6%

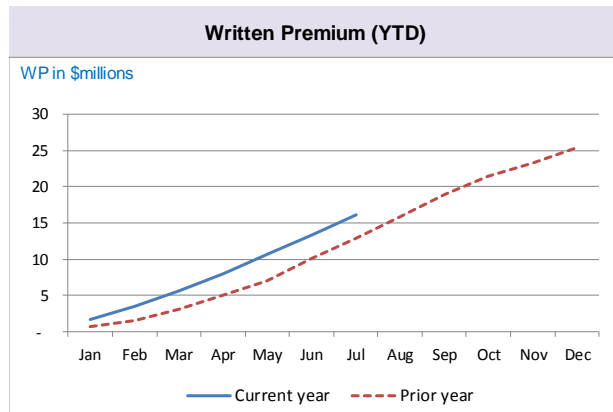
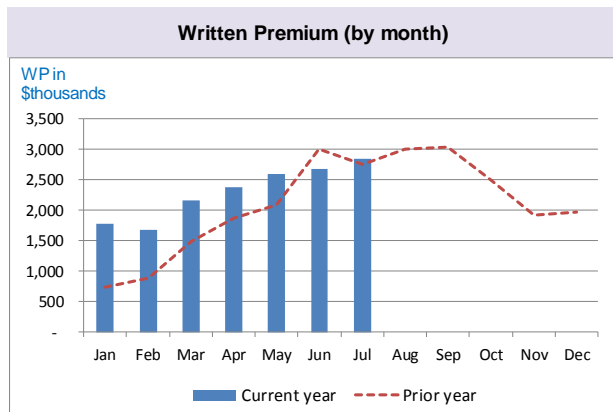


	Jul-18	Jul-17	Amt Chg	% Chg
W. Vehicles YTD	10,744	9,133	1,611	17.6%



	Jul-18	Jul-17	Amt Chg	% Chg
Avg W. Prem YTD	1,500	1,407	93	6.6%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 3.2% for the month compared with the 10.5% increase we projected last month, and was up 25.4% year-to-date (see charts at the top of the next page).



	Jul-18	Jul-17	Amt Chg	% Chg
WP (\$000s) curr mth	2,844	2,757	87	3.2%

	Jul-18	Jul-17	Amt Chg	% Chg
WP (\$000s) YTD	16,121	12,854	3,267	25.4%

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 2018 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018

Risk Sharing Pool - Nova Scotia

Operating Results for the 7 Months Ended July 31, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
Underwriting Revenue:										
Net Premiums Written	\$1,773	\$1,686	\$2,164	\$2,385	\$2,593	\$2,674	\$2,844	\$16,119	\$29,406	\$25,298
Decrease (Increase) in Unearned Premiums	389	337	118	(124)	(232)	(373)	(449)	(334)	(1,526)	(6,335)
Net Premiums Earned	\$2,162	\$2,023	\$2,282	\$2,261	\$2,361	\$2,301	\$2,395	\$15,785	\$27,880	\$18,963
Claims Incurred:										
Prior Accident Years:										
Undiscounted	(\$29)	(\$8)	(\$2,276)	\$0	\$1,366	(\$10)	(\$6)	(\$963)	(\$963)	(\$2,136)
Effect of Discounting	90	(39)	(48)	(32)	(79)	(23)	(63)	(194)	(446)	(1,836)
Discounted	\$61	(\$47)	(\$2,324)	(\$32)	\$1,287	(\$33)	(\$69)	(\$1,157)	(\$1,409)	(\$3,972)
Current Accident Year:										
Undiscounted	\$2,026	\$1,877	\$2,194	\$2,118	\$2,283	\$2,177	\$2,262	\$14,937	\$26,332	\$17,837
Effect of Discounting	117	92	108	100	50	87	89	643	1,065	817
Discounted	\$2,143	\$1,969	\$2,302	\$2,218	\$2,333	\$2,264	\$2,351	\$15,580	\$27,397	\$18,654
Claims Incurred	\$2,204	\$1,922	(\$22)	\$2,186	\$3,620	\$2,231	\$2,282	\$14,423	\$25,988	\$14,682
Underwriting Expenses:										
Expense Allowance	\$534	\$509	\$653	\$720	\$783	\$807	\$859	\$4,865	\$8,877	\$7,829
Change in UPDR/DPAC:										
Undiscounted	25	24	173	8	72	(2)	1	301	367	(773)
Effect of Discounting	(21)	(18)	17	8	(55)	21	23	(25)	46	37
Discounted	\$4	\$6	\$190	\$16	\$17	\$19	\$24	276	413	(\$736)
Underwriting Expenses	\$538	\$515	\$843	\$736	\$800	\$826	\$883	\$5,141	\$9,290	\$7,093
Net Underwriting Gain (Loss)	(\$580)	(\$414)	\$1,461	(\$661)	(\$2,059)	(\$756)	(\$770)	(\$3,779)	(\$7,398)	(\$2,812)
Administrative Expenses	\$40	\$56	\$59	\$48	\$55	\$47	\$48	\$353	\$868	\$600
Operating Result	(\$620)	(\$470)	\$1,402	(\$709)	(\$2,114)	(\$803)	(\$818)	(\$4,132)	(\$8,266)	(\$3,412)
Ratios:										
Claims & Expenses Incurred (Earned)										
Prior Accident Years	2.8%	-2.3%	-101.8%	-1.4%	54.5%	-1.4%	-2.9%	-7.3%	-5.1%	-20.9%
Current Accident Year	99.1%	97.3%	100.9%	98.1%	98.8%	98.4%	98.2%	98.7%	98.3%	98.4%
All Accident Years Combined	101.9%	95.0%	-0.9%	96.7%	153.3%	97.0%	95.3%	91.4%	93.2%	77.5%
Underwriting & Administrative Expenses (Earned)	26.7%	28.2%	39.5%	34.7%	36.2%	37.9%	38.9%	34.8%	36.4%	40.6%
Combined Operating Ratio	128.6%	123.2%	38.6%	131.4%	189.5%	134.9%	134.2%	126.2%	129.6%	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