

**TO: MEMBERS OF THE FACILITY ASSOCIATION**  
**ATTENTION: CHIEF EXECUTIVE OFFICER**  
**NOVA SCOTIA RISK SHARING POOL PROJECT MANAGER**

**BULLETIN NO.: F18 – 099**

**DATE: DECEMBER 20, 2018**

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

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

Please be advised that the November 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 -\$7.8 million and the incurred loss ratio to the end of 11 months is 94.8%, as summarized in the table below.

<b>Amounts in \$000s</b>	<b>November 2018</b>	November 2017	<b>Year to date Nov 2018</b>	Year to Date Nov 2017
Premium Written	2,312	1,917	27,196	23,320
Premium Earned	2,387	1,945	25,214	16,707
Incurred Losses	2,234	1,801	23,902	12,558
Underwriting & Admin Expense	811	622	9,142	7,037
<b>Operating Result</b>	<b>(658)</b>	<b>(478)</b>	<b>(7,830)</b>	<b>(2,888)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	<b>(2.4%)</b>	<b>(4.5%)</b>	<b>(1.7%)</b>	<b>(23.4%)</b>
- Current Accident Year	96.0%	97.1%	96.5%	98.6%
<i>Total</i>	<b>93.6%</b>	<b>92.6%</b>	<b>94.8%</b>	<b>75.2%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>34.0%</b>	<b>32.0%</b>	<b>36.3%</b>	<b>42.1%</b>
<b>Combined Operating Ratio</b>	<b>127.6%</b>	<b>124.6%</b>	<b>131.1%</b>	<b>117.3%</b>

*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 -\$8.6 million and the estimated combined operating ratio to December 2018 is 131.0%, as summarized in the table below. This updated projection to the end of the year has not changed significantly from the projection provided last month as shown in the table below.

<b>NS RSP 2018 Yr-end Projection</b>	<b>Current</b>	<b>Prior Mth</b>	<b>Change</b>	<b>Final 2018</b>
<b>Amounts in \$000s</b>	<b>(Nov 2018)</b>	<b>(Oct 2018)</b>		<b>Outlook*</b>
Premium Written	29,441	29,300	141	39,593
Premium Earned	27,744	27,730	14	35,242
Incurred Losses	26,266	26,220	46	33,944
Underwriting & Admin Expense	10,061	10,035	25	13,954
<b>Net Result from Operations</b>	<b>(8,583)</b>	<b>(8,525)</b>	<b>(57)</b>	<b>(12,656)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	<b>(1.8%)</b>	<b>(1.9%)</b>	0.1%	<b>(1.6%)</b>
- Current Accident Year	96.5%	96.4%	0.1%	98.0%
<i>Total</i>	<b>94.7%</b>	<b>94.5%</b>	<b>0.2%</b>	<b>96.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>36.3%</b>	<b>36.2%</b>	<b>0.1%</b>	<b>39.6%</b>
<b>Combined Operating Ratio</b>	<b>131.0%</b>	<b>130.7%</b>	<b>0.3%</b>	<b>136.0%</b>

*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 November 2018, a \$0.2 million deterioration from the same month last year. This deterioration is composed of a \$0.1 million unfavourable impact associated with the \$0.4 million increase in earned premium (at a combined ratio of 124.6%), with the remaining \$0.1 million unfavourable impact stemming from the overall increase in the combined ratio (from 124.6% to 127.6% applied to \$2.4 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 131.4% at the end of 10 months to 131.1% at the end of 11 months. The 0.3 percentage point decrease is composed of a 0.1 percentage point decrease in the Current Accident Year loss ratio, and a 0.2 percentage point decrease in the expense 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.

November 2018	Actual	Projection	Difference	Difference %
Written Premium	2,312	2,262	50	2.2%
Earned Premium	2,387	2,372	15	0.6%
Reported Losses				
Paid Losses	1,646	1,828	(182)	(10.0%)
Paid Expenses	47	116	(69)	(59.5%)
Change in Outstanding Losses	(518)	183	(701)	(383.1%)
<b>Total Reported Losses</b>	<b>1,175</b>	<b>2,127</b>	<b>(952)</b>	<b>(44.8%)</b>
Change in IBNR Provision *	1,059	75	984	
Change in Premium Deficiency (DPAC) *	74	95	(21)	

(Amounts in \$000's)

rounding differences may occur

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

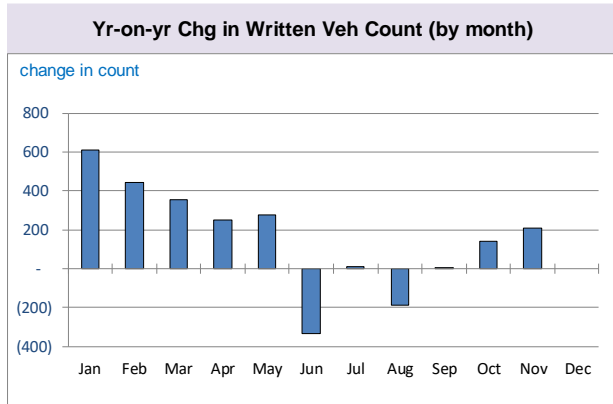
### Booking IBNR

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

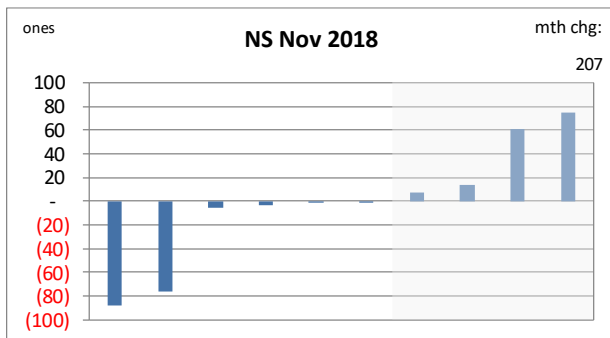
### **Effect of Quarterly Valuation**

The November 2018 Nova Scotia Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2018). The actuarial valuation will be updated next as at December 31, 2018 and we anticipate that the results will be reflected in the March 2019 Operational Report.

Management Comments

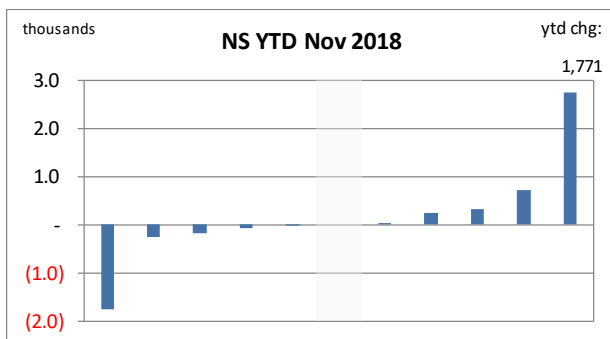


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November showing an increase of 207 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 187 vehicles, indicating a variance of 20 from the actual transfers. This variance was mainly due to one member company group transferring a greater number of vehicles to the pool in November than projected.



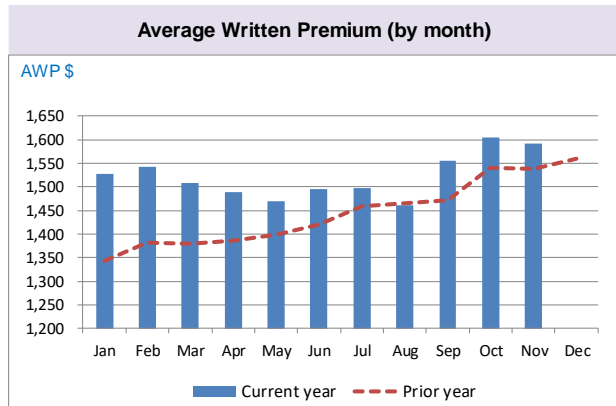
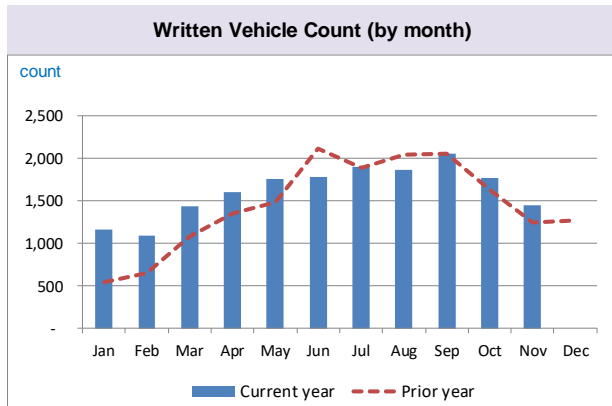
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with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

company group accounted for 94% of the total transfer decrease for these “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company groups accounted for 59% of the total transfer increase for these “grower” members.



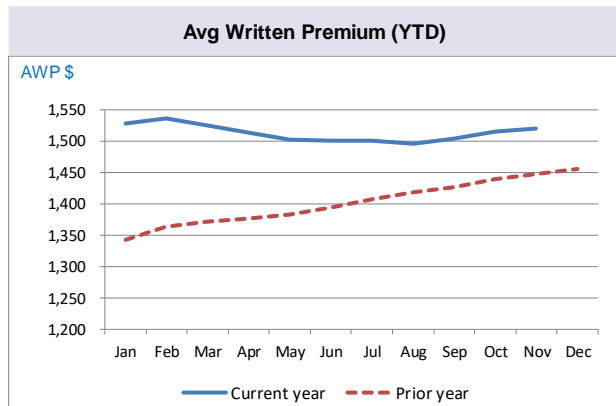
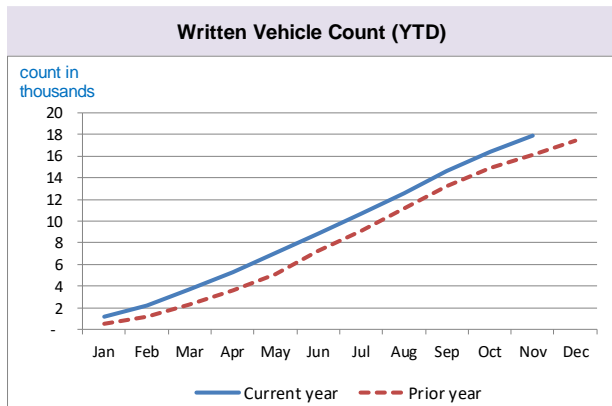
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

November’s vehicle count transfers to the pool represent a 16.6% increase from November 2017, and vehicle counts were up 11.0% year-to-date. Average written premium was up 3.4% in November 2018, and was up 5.0% year-to-date (see charts at the top of the next page).



	Nov-18	Nov-17	Amt Chg	% Chg
W. Veh curr mth	1,454	1,246	207	16.6%

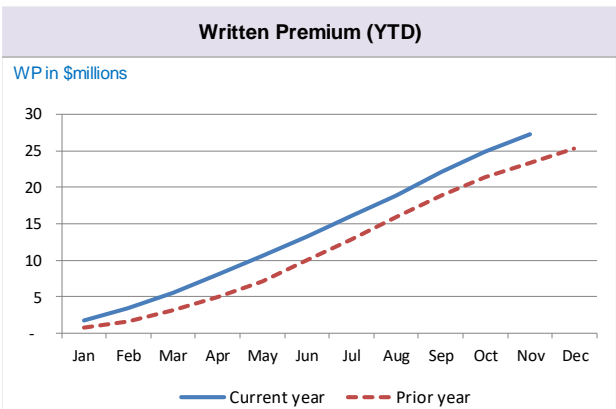
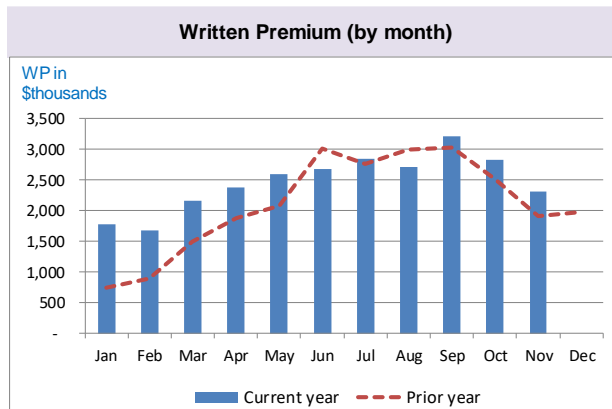
	Nov-18	Nov-17	Amt Chg	% Chg
AWP curr mth	1,591	1,538	53	3.4%



	Nov-18	Nov-17	Amt Chg	% Chg
W. Vehicles YTD	17,892	16,120	1,771	11.0%

	Nov-18	Nov-17	Amt Chg	% Chg
Avg W. Prem YTD	1,520	1,447	73	5.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 20.6% for the month compared with the 18.0% increase we projected last month, and was up 16.6% year-to-date (see charts immediately below).



	Nov-18	Nov-17	Amt Chg	% Chg
WP (\$000s) curr mth	2,312	1,917	395	20.6%

	Nov-18	Nov-17	Amt Chg	% Chg
WP (\$000s) YTD	27,198	23,320	3,878	16.6%

**Bulletin F18-099**

**Nova Scotia Risk Sharing Pool – November 2018 Operational Report**

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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 November 2018 Operational Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2018**

Risk Sharing Pool - Nova Scotia

Operating Results for the 11 Months Ended November 30, 2018 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	CY2018 YTD	CY2018 12 MONTHS Updated Projection	CY2017 12 MONTHS Actual
<b>Underwriting Revenue:</b>														
Net Premiums Written	\$1,773	\$1,686	\$2,164	\$2,385	\$2,593	\$2,674	\$2,844	\$2,722	\$3,209	\$2,834	\$2,312	\$27,196	\$29,441	\$25,298
Decrease (Increase) in Unearned Premiums	389	337	118	(124)	(232)	(373)	(449)	(418)	(898)	(407)	75	(1,982)	(1,697)	(6,335)
<b>Net Premiums Earned</b>	<b>\$2,162</b>	<b>\$2,023</b>	<b>\$2,282</b>	<b>\$2,261</b>	<b>\$2,361</b>	<b>\$2,301</b>	<b>\$2,395</b>	<b>\$2,304</b>	<b>\$2,311</b>	<b>\$2,427</b>	<b>\$2,387</b>	<b>\$25,214</b>	<b>\$27,744</b>	<b>\$18,963</b>
<b>Claims Incurred:</b>														
Prior Accident Years:														
Undiscounted	(\$29)	(\$8)	(\$2,276)	\$0	\$1,366	(\$10)	(\$6)	\$104	(\$7)	\$1,061	\$3	\$198	\$198	(\$2,136)
Effect of Discounting	90	(39)	(48)	(32)	(79)	(23)	(63)	(122)	(53)	(208)	(61)	(638)	(696)	(1,836)
Discounted	\$61	(\$47)	(\$2,324)	(\$32)	\$1,287	(\$33)	(\$69)	(\$18)	(\$60)	\$853	(\$58)	(\$440)	(\$498)	(\$3,972)
Current Accident Year:														
Undiscounted	\$2,026	\$1,877	\$2,194	\$2,118	\$2,283	\$2,177	\$2,262	\$2,112	\$2,169	\$2,113	\$2,218	\$23,549	\$25,901	\$17,837
Effect of Discounting	117	92	108	100	50	87	89	87	92	(103)	74	793	863	817
Discounted	\$2,143	\$1,969	\$2,302	\$2,218	\$2,333	\$2,264	\$2,351	\$2,199	\$2,261	\$2,010	\$2,292	\$24,342	\$26,764	\$18,654
<b>Claims Incurred</b>	<b>\$2,204</b>	<b>\$1,922</b>	<b>(\$22)</b>	<b>\$2,186</b>	<b>\$3,620</b>	<b>\$2,231</b>	<b>\$2,282</b>	<b>\$2,181</b>	<b>\$2,201</b>	<b>\$2,863</b>	<b>\$2,234</b>	<b>\$23,902</b>	<b>\$26,266</b>	<b>\$14,682</b>
<b>Underwriting Expenses:</b>														
Expense Allowance	\$534	\$509	\$653	\$720	\$783	\$807	\$859	\$821	\$969	\$856	\$698	\$8,209	\$8,886	\$7,829
Change in UPDR/DPAC:														
Undiscounted	25	24	173	8	72	(2)	1	29	22	13	73	438	552	(773)
Effect of Discounting	(21)	(18)	17	8	(55)	21	23	40	53	(123)	1	(54)	(64)	37
Discounted	\$4	\$6	\$190	\$16	\$17	\$19	\$24	\$69	\$75	(\$110)	\$74	384	488	(\$736)
<b>Underwriting Expenses</b>	<b>\$538</b>	<b>\$515</b>	<b>\$843</b>	<b>\$736</b>	<b>\$800</b>	<b>\$826</b>	<b>\$883</b>	<b>\$890</b>	<b>\$1,044</b>	<b>\$746</b>	<b>\$772</b>	<b>\$8,593</b>	<b>\$9,374</b>	<b>\$7,093</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$580)</b>	<b>(\$414)</b>	<b>\$1,461</b>	<b>(\$661)</b>	<b>(\$2,059)</b>	<b>(\$756)</b>	<b>(\$770)</b>	<b>(\$767)</b>	<b>(\$934)</b>	<b>(\$1,182)</b>	<b>(\$619)</b>	<b>(\$7,281)</b>	<b>(\$7,896)</b>	<b>(\$2,812)</b>
<b>Administrative Expenses</b>	<b>\$40</b>	<b>\$56</b>	<b>\$59</b>	<b>\$48</b>	<b>\$55</b>	<b>\$47</b>	<b>\$48</b>	<b>\$56</b>	<b>\$45</b>	<b>\$56</b>	<b>\$39</b>	<b>\$549</b>	<b>\$687</b>	<b>\$600</b>
<b>Operating Result</b>	<b>(\$620)</b>	<b>(\$470)</b>	<b>\$1,402</b>	<b>(\$709)</b>	<b>(\$2,114)</b>	<b>(\$803)</b>	<b>(\$818)</b>	<b>(\$823)</b>	<b>(\$979)</b>	<b>(\$1,238)</b>	<b>(\$658)</b>	<b>(\$7,830)</b>	<b>(\$8,583)</b>	<b>(\$3,412)</b>
<b>Ratios:</b>														
<b>Claims &amp; Expenses Incurred (Earned)</b>														
Prior Accident Years	2.8%	-2.3%	-101.8%	-1.4%	54.5%	-1.4%	-2.9%	-0.8%	-2.6%	35.1%	-2.4%	-1.7%	-1.8%	-20.9%
Current Accident Year	99.1%	97.3%	100.9%	98.1%	98.8%	98.4%	98.2%	95.4%	97.8%	82.8%	96.0%	96.5%	96.5%	98.4%
All Accident Years Combined	101.9%	95.0%	-0.9%	96.7%	153.3%	97.0%	95.3%	94.6%	95.2%	117.9%	93.6%	94.8%	94.7%	77.5%
Underwriting & Administrative Expenses (Earned)	26.7%	28.2%	39.5%	34.7%	36.2%	37.9%	38.9%	41.1%	47.1%	33.0%	34.0%	36.3%	36.3%	40.6%
<b>Combined Operating Ratio</b>	<b>128.6%</b>	<b>123.2%</b>	<b>38.6%</b>	<b>131.4%</b>	<b>189.5%</b>	<b>134.9%</b>	<b>134.2%</b>	<b>135.7%</b>	<b>142.3%</b>	<b>150.9%</b>	<b>127.6%</b>	<b>131.1%</b>	<b>131.0%</b>	<b>118.1%</b>

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