

TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F17– 059

DATE: JULY 28, 2017

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

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

Please be advised that the June 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 -\$1.8 million and the incurred loss ratio to the end of 6 months is 77.7%, as summarized in the table below.

Amounts in \$000s	June 2017	June 2016	Year to date Jun 2017	Year to Date Jun 2016
Premiums Written	3,012	1,790	10,097	7,471
Premiums Earned	1,442	1,225	7,854	7,189
Claims Incurred	1,444	1,256	6,099	7,486
General Expenses	1,105	678	3,505	2,444
Operating Result	(1,107)	(709)	(1,750)	(2,741)
Ratios:				
Loss ratio % - Prior Accident Years	(5.0%)	(2.5%)	(28.4%)	(2.6%)
- Current Accident Year	105.1%	105.1%	106.1%	106.7%
<i>Total</i>	100.1%	102.6%	77.7%	104.1%
General Expenses %	76.6%	55.3%	44.6%	34.0%
Combined Operating Ratio	176.7%	157.9%	122.3%	138.1%

Rounding differences may apply.

Bulletin F17-059
Nova Scotia Risk Sharing Pool – June 2017 Operational Report

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 -\$8.9 million and the estimated combined operating ratio to December 2017 is 145.1%. This updated projection to the end of the year has improved by \$0.6 million from the projection provided last month (-\$9.5 million and 146.8%). This improvement is driven by a \$1.2 million decrease in the projected written premium for the year.

Current Month Results

The Nova Scotia Risk Sharing Pool produced a -\$1.1 million Operating Result in the month of June 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 \$0.2 million increase in earned premium (at a combined ratio of 157.9%), with the remaining \$0.3 million deterioration stemming from the overall increase in the combined ratio (from 157.9% to 176.7% applied to \$1.4 million in earned premium).

This month’s results moved the year-to-date combined operating ratio from 110.0% at the end of 5 months to 122.3% at the end of 6 months. The 12.3 percentage point increase is composed of a 5.3 percentage point increase in the Prior Accident Year loss ratio, and a 7.2 percentage point increase in the expense ratio, offset by a 0.2 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.

June 2017	Actual	Projection	Difference	Difference %
Premiums Written	3,012	3,701	(689)	(18.6%)
Premiums Earned	1,442	1,547	(105)	(6.8%)
Reported Losses				
Paid Losses	833	700	133	19.0%
Paid Expenses	112	22	90	409.1%
Change in Outstanding Losses	(34)	291	(325)	(111.7%)
Total Reported Losses	911	1,013	(102)	(10.1%)
Change in IBNR Provision *	533	565	(32)	
Change in Premium Deficiency (DPAC) *	124	169	(45)	

(Amounts in \$000's)

Rounding differences may occur.

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

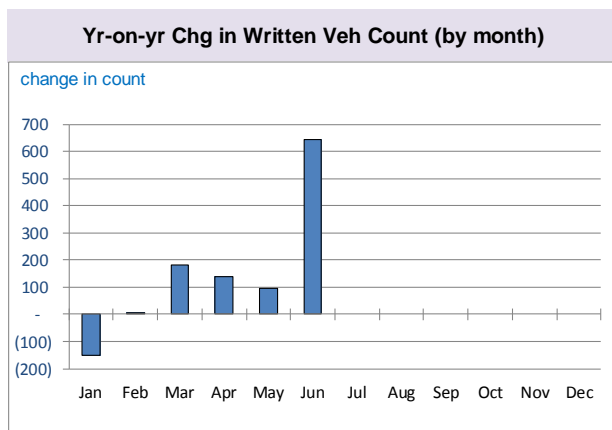
Booking IBNR

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

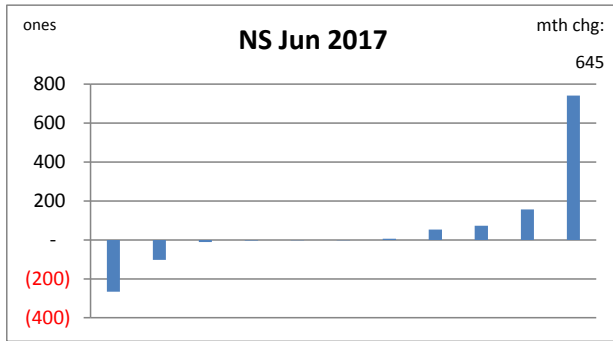
Effect of Quarterly Valuation

The June 2017 New Brunswick 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

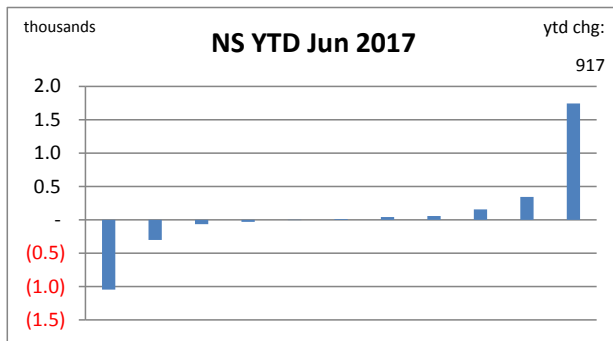


The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with June showing an increase of 645 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,093 vehicles, indicating a variance of 448 from the actual transfers. This variance was mainly due to one member company group transferring a lower number of vehicles to the pool in June than projected.



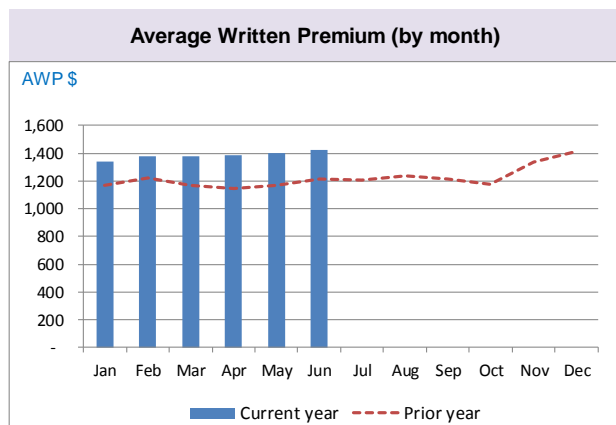
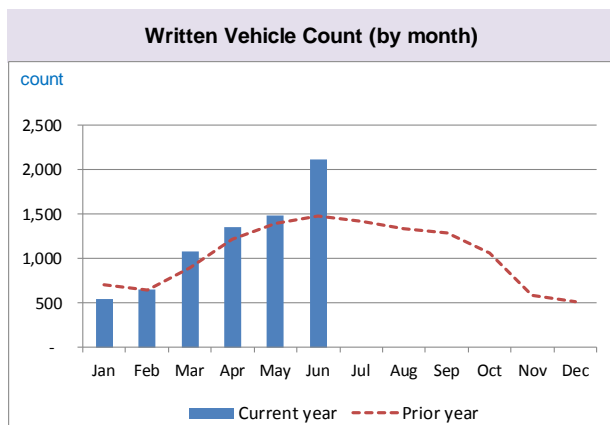
The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Six member company groups transferred fewer vehicles to the pool this month compared with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

company groups accounted for 96% of the total transfer decrease for these “decliner” members. Of the 5 member company groups transferring more vehicles, 1 member company group accounted for 72% 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.

June’s vehicle count transfers to the pool represent a 43.7% increase from June 2016, and vehicle counts were up 14.5% year-to-date. Average written premium was up 17.1% in June 2017, and was up 18.0% year-to-date (see charts immediately below and at the top of the next page).

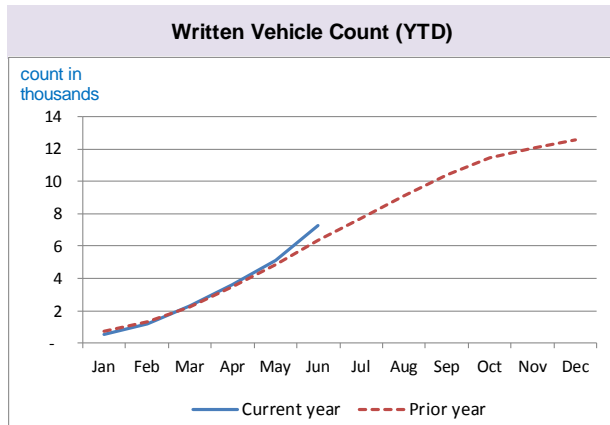


	Jun-17	Jun-16	Amt Chg	% Chg
W. Veh curr mth	2,120	1,475	645	43.7%

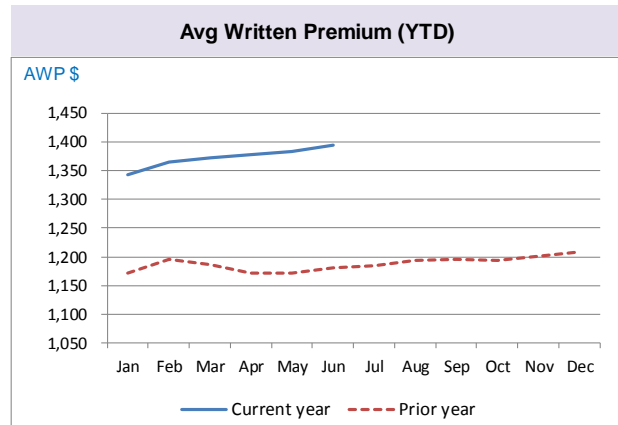
	Jun-17	Jun-16	Amt Chg	% Chg
AWP curr mth	1,421	1,213	208	17.1%

Bulletin F17-059

Nova Scotia Risk Sharing Pool – June 2017 Operational Report

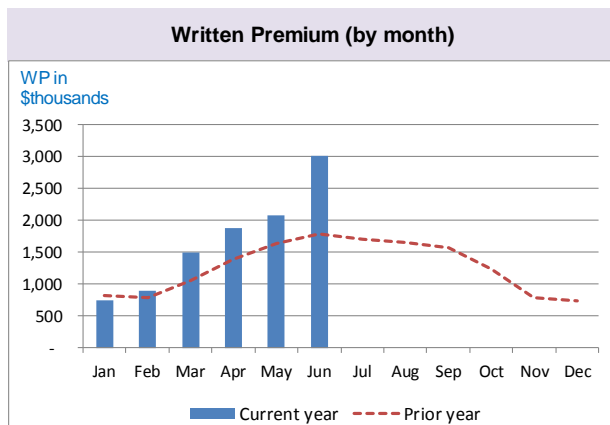


	Jun-17	Jun-16	Amt Chg	% Chg
W. Vehicles YTD	7,244	6,327	917	14.5%

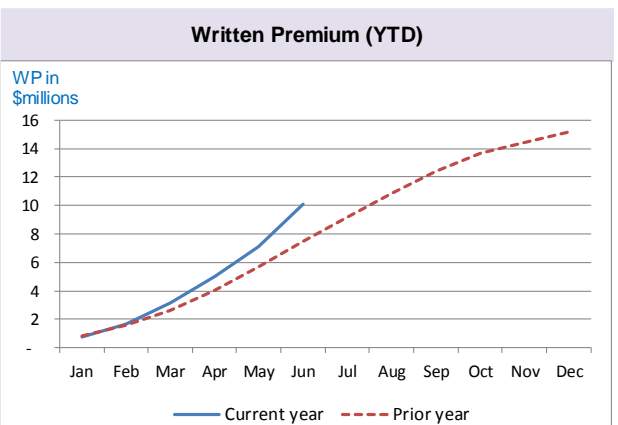


	Jun-17	Jun-16	Amt Chg	% Chg
Avg W. Prem YTD	1,394	1,181	213	18.0%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 68.3% 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 35.1% year-to-date (see charts immediately below).



	Jun-17	Jun-16	Amt Chg	% Chg
WP (\$000s) curr mth	3,012	1,790	1,222	68.3%



	Jun-17	Jun-16	Amt Chg	% Chg
WP (\$000s) YTD	10,097	7,471	2,626	35.1%

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 June 2017 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017

Risk Sharing Pool - Nova Scotia

EXHIBIT 1

Operating Results for the 6 Months Ended June 30, 2017 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	April	May	June	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	\$10,097	\$28,990	\$15,184
Decrease (Increase) in Unearned Premiums	529	241	(193)	(566)	(684)	(1,570)	(2,243)	(9,161)	(383)
Net Premiums Earned	\$1,268	\$1,136	\$1,300	\$1,310	\$1,398	\$1,442	\$7,854	\$19,829	\$14,801
Claims Incurred:									
Prior Accident Years:									
Undiscounted	(\$35)	(\$36)	(\$1,321)	(\$9)	(\$27)	(\$8)	(\$1,436)	(\$1,436)	\$441
Effect of Discounting	(88)	(47)	(566)	(42)	12	(64)	(795)	(1,168)	(1,075)
Discounted	(\$123)	(\$83)	(\$1,887)	(\$51)	(\$15)	(\$72)	(\$2,231)	(\$2,604)	(\$634)
Current Accident Year:									
Undiscounted	\$1,272	\$1,146	\$1,252	\$1,274	\$1,418	\$1,412	\$7,774	\$19,439	\$14,225
Effect of Discounting	117	93	52	77	113	104	556	1,298	1,155
Discounted	\$1,389	\$1,239	\$1,304	\$1,351	\$1,531	\$1,516	\$8,330	\$20,737	\$15,380
Claims Incurred	\$1,266	\$1,156	(\$583)	\$1,300	\$1,516	\$1,444	\$6,099	\$18,133	\$14,746
Underwriting Expenses:									
Expense Allowance	\$225	\$274	\$461	\$581	\$645	\$933	\$3,119	\$8,975	\$5,288
Change in UPDR/DPAC:									
Undiscounted	5	5	(73)	(2)	60	(7)	(12)	(2)	(184)
Effect of Discounting	(50)	(22)	(99)	48	77	131	85	664	(22)
Discounted	(\$45)	(\$17)	(\$172)	\$46	\$137	\$124	73	\$662	(\$206)
Underwriting Expenses	\$180	\$257	\$289	\$627	\$782	\$1,057	\$3,192	\$9,637	\$5,082
Net Underwriting Gain (Loss)	(\$178)	(\$277)	\$1,594	(\$617)	(\$900)	(\$1,059)	(\$1,437)	(\$7,941)	(\$5,027)
Administrative Expenses	\$46	\$61	\$45	\$51	\$62	\$48	\$313	\$986	\$474
Operating Result	(\$224)	(\$338)	\$1,549	(\$668)	(\$962)	(\$1,107)	(\$1,750)	(\$8,927)	(\$5,501)
Ratios:									
Claims & Expenses Incurred (Earned)									
Prior Accident Years	-9.7%	-7.3%	-145.2%	-3.9%	-1.1%	-5.0%	-28.4%	-13.1%	-4.3%
Current Accident Year	109.5%	109.1%	100.3%	103.1%	109.5%	105.1%	106.1%	104.6%	103.9%
All Accident Years Combined	99.8%	101.8%	-44.9%	99.2%	108.4%	100.1%	77.7%	91.5%	99.6%
Underwriting & Administrative Expenses (Earned)	17.8%	28.0%	25.7%	51.8%	60.4%	76.6%	44.6%	53.6%	37.5%
Combined Operating Ratio	117.6%	129.8%	-19.2%	151.0%	168.8%	176.7%	122.3%	145.1%	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