

FACILITY ASSOCIATION

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TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F05 – 060

DATE: NOVEMBER 29, 2005

SUBJECT: FARM – SEPTEMBER 2005 PARTICIPATION REPORT

Enclosed please find the September 2005 Participation Report and a Summary of Operations presented on a calendar year basis.

Provision for IBNR and Development

The assumptions underlying the provision for IBNR and Development included in the September 2005 Participation Report are unchanged from those in the prior Participation Report. The overall provision for IBNR and Development at September 30, 2005 is \$413 million, compared to \$422 million held at August 31, 2005. Based on the interim analysis, we anticipate further reductions of about \$9 million per month, as shown by jurisdiction in the following table

PROVISION FOR IBNR AND DEVELOPMENT				
	SEPTEMBER 2005 PARTICIPATION REPORT			Preliminary Estimate to 31/Dec/05 ^(#)
	As at 30/Sep/05	As at 31/Oct/05 ^(#)	As at 30/Nov/05 ^(#)	
Newfoundland & Labrador	6,682	6,748	6,814	6,881
New Brunswick	18,889	19,715	20,541	21,367
Nova Scotia	18,878	19,352	19,827	20,301
Prince Edward Island	3,268	3,360	3,451	3,542
Ontario	326,385	316,430	306,475	296,520
Alberta	37,747	37,346	36,945	36,544
Yukon Territory	623	632	641	651
Northwest Territories	711	656	600	544
Nunavut	98	91	85	79
Total	413,281	404,331	395,381	386,428

(Amounts in \$000's)

(#) Pending a final analysis of the claims liabilities for fiscal year 2005.

Provision for Retro Claims Expense

An interim actuarial analysis of the provision for Retro Claims Expense was completed following the release of the August 2005 Participation Report. The overall provision for Retro Claims Expense at September 30, 2005 is \$46 million, compared to \$62 million held at August 31, 2005. Based on this interim analysis, we anticipate further reductions of about \$1 million per month, as shown by jurisdiction in the following table:

PROVISION FOR RETRO CLAIMS EXPENSE				
	SEPTEMBER 2005 PARTICIPATION REPORT			Preliminary Estimate to 31/Dec/05 ^(#)
	As at 30/Sep/05	As at 31/Oct/05 ^(#)	As at 30/Nov/05 ^(#)	
Newfoundland & Labrador	1,890	1,853	1,815	1,777
New Brunswick	2,035	1,877	1,719	1,561
Nova Scotia	2,341	2,255	2,170	2,084
Prince Edward Island	539	512	486	460
Ontario	28,940	28,599	28,259	27,918
Alberta	10,332	9,952	9,572	9,192
Yukon Territory	-24	23	70	117
Northwest Territories	290	292	293	295
Nunavut	36	36	36	36
Total	46,380	45,400	44,420	43,427

(Amounts in \$000's)

(#) Pending a final analysis of the claims liabilities for fiscal year 2005.

Premium Deficiency Reserve

The premium deficiency reserve is an amount which, when added to the unearned premium, is expected to make proper provision for the future costs expected to arise on the unexpired portion of in-force policies. In this context, future costs include losses, claims expenses and administrative expenses.

With two exceptions noted below, the premium deficiency reserve amounts are negative at September 2005, and therefore represent assets for deferred policy acquisition costs ("DPAC"). Specifically, these amounts represent the portion of FARM commissions that may be deferred by member companies, in addition to the premium tax associated with FARM unearned premiums.

With respect to Private Passenger vehicles in Northwest Territories and Nunavut, the premium deficiency reserve amounts are positive, consistent with the relatively high underlying loss ratios. These liabilities have been estimated on the assumption that member companies would first reduce to \$0 any deferred commission in respect of pool-related unearned premiums.

Company-specific adjustments may be made to the premium deficiency reserve amounts (negative or positive) reported in Facility Association's Participation Reports, depending on a company's aggregate deferrable expenses and expected future costs.

PREMIUM DEFICIENCY RESERVE					
	Expected Future Cost Ratios (% of UPR)		SEPTEMBER 2005 PARTICIPATION REPORT (All Vehicles Combined)		
	Private Passenger	Non Private Passenger	Sep. 2005	Oct. 2005 ^(#)	Nov. 2005 ^(#)
Nfld & Labrador	74.8%	95.0%	-1,097	-1,075	-1,053
New Brunswick	60.6%	88.6%	-1,975	-2,013	-2,052
Nova Scotia	72.2%	80.9%	-3,294	-3,359	-3,423
Prince Edward Island	73.4%	64.1%	-425	-416	-392
Ontario	77.7%	94.4%	-7,801	-7,470	-7,186
Alberta	76.7%	63.3%	-6,336	-6,494	-6,612
Yukon Territory	73.6%	49.7%	-143	-146	-148
Northwest Territories	99.3%	36.2%	-10	-14	-15
Nunavut	99.3%	36.2%	-4	-5	-5
Total			-21,084	-20,992	-20,887

(Amounts in \$000's)

(#) Pending a final analysis of the premium liabilities for fiscal year 2005.

October 2005 Participation Report

Prior to the release of the October 2005 Participation Report, the following provisions will be evaluated on the basis of the FARM's September 30th claims experience:

- Provision for IBNR and Development
- Provision for Retro Claims Expense
- Premium Deficiency Reserve

This analysis may lead to significant changes in these provisions, particularly the portion relating to accident year 2005.

Should you require any further information, please call Norm Seeney, Vice President, Finance & Chief Financial Officer, Facility Association at (416) 644-4914.

David J. Simpson, M.B.A., FCIP
President & CEO

Attach.

Please forward a copy of this bulletin to your Chief Financial Officer.

Note: A copy of this bulletin has been attached to the September 2005 Participation Report

SUMMARY OF OPERATIONS - CALENDAR YEAR 2005

FACILITY ASSOCIATION RESIDUAL MARKET

Operating Results for the 9 months ended September 30, 2005 - Unaudited

Source: Monthly (Accident Year) Member Participation Report as at 9/2005

(thousands of dollars)

	ALBERTA	ONTARIO	N.S.	P.E.I.	N.B.	NFLD. & LABR.	YUKON	N.W.T.	NUNAVUT	As at 09/2005	As at 09/2004
UNDERWRITING REVENUE:											
PREMIUMS WRITTEN	\$97,404	\$194,639	\$48,830	\$7,142	\$33,876	\$18,662	\$2,526	\$5,533	\$1,003	\$409,615	\$716,174
CHANGE IN UNEARNED PREMIUMS	12,778	67,377	4,442	658	32	1,314	(236)	(392)	(164)	85,809	86,157
NET PREMIUMS EARNED	\$110,182	\$262,016	\$53,272	\$7,800	\$33,908	\$19,976	\$2,290	\$5,141	\$839	\$495,424	\$802,331
UNDERWRITING EXPENSES:											
CLAIMS INCURRED	\$49,903	\$95,050	\$23,029	\$3,050	\$16,176	\$9,952	\$1,527	\$1,568	\$240	\$200,495	\$531,428
CLAIMS ADJUSTING EXPENSE	\$12,074	\$28,665	\$7,023	\$901	\$3,724	\$2,312	\$42	\$361	\$92	55,194	132,522
OPERATING AND SERVICE FEES	\$10,309	\$22,178	\$5,108	\$735	\$3,601	\$1,950	\$167	\$305	\$99	44,452	75,160
COMMISSIONS	\$9,300	\$12,985	\$5,066	\$711	\$3,219	\$1,883	\$157	\$307	\$91	33,719	58,642
MOTOR VEHICLE REPORTS	\$969	\$1,478	\$1,818	\$174	\$275	\$231	\$10	\$20	\$0	4,975	7,133
COLLECTION FEES AND BAD DEBTS	(\$37)	(\$474)	(\$11)	\$0	(\$4)	\$9	\$0	\$0	\$0	(517)	(23)
TOTAL UNDERWRITING EXPENSES	\$82,518	\$159,882	\$42,033	\$5,571	\$26,991	\$16,337	\$1,903	\$2,561	\$522	\$338,318	\$804,862
NET UNDERWRITING GAIN (LOSS)	\$27,664	\$102,134	\$11,239	\$2,229	\$6,917	\$3,639	\$387	\$2,580	\$317	\$157,106	(\$2,531)
ADMINISTRATIVE EXPENSES	\$465	\$878	\$252	\$80	\$221	\$178	\$45	\$48	\$40	2,207	(\$20,409)
PREMIUM FINANCE FEE	(\$8)	(\$85)	\$0	\$0	\$0	\$8	\$0	\$0	\$0	(85)	(\$114)
INVESTMENT INCOME	\$6,651	\$25,426	\$3,117	\$498	\$2,871	\$1,489	\$122	\$260	\$33	40,467	\$39,074
OPERATING RESULTS - Participation Report	\$33,842	\$126,597	\$14,104	\$2,647	\$9,567	\$4,958	\$464	\$2,792	\$310	\$195,281	\$56,838
CHANGE IN UEP DEFICIENCY/DPAC - MEMO	\$736	\$4,408	\$405	\$60	\$125	\$120	(\$32)	(\$4)	(\$1)	5,817	(\$126,317)
NET RESULT FROM OPERATION	\$33,106	\$122,189	\$13,699	\$2,587	\$9,442	\$4,838	\$496	\$2,796	\$311	\$189,464	\$183,155
RATIOS:											
Claims Incurred & Related Exp.(Earned)	56.2%	47.2%	56.4%	50.7%	58.7%	61.4%	68.5%	37.5%	39.6%	51.6%	82.8%
Underwriting & Administrative Exp.(Earned)	19.1%	14.1%	23.0%	21.8%	21.6%	21.3%	16.6%	13.2%	27.4%	17.1%	15.0%
COMBINED OPERATING RATIO Sept. 2005	75.3%	61.3%	79.4%	72.5%	80.3%	82.7%	85.1%	50.7%	67.0%	68.7%	97.8%
COMBINED OPERATING RATIO Sept. 2004	89.3%	106.2%	79.5%	62.0%	78.7%	79.8%	56.3%	105.4%	60.6%	97.8%	
Underwriting & Administrative Exp.(Written)	21.6%	19.0%	25.1%	23.8%	21.6%	22.8%	15.0%	12.3%	22.9%	20.7%	

Notes: - Amounts shown above do not reflect costs incurred directly by member companies (e.g. premium taxes, health levies, cost of capital) as a result of their compulsory participation in Facility Association.

- Premium Deficiency/DPAC is not included in the above ratios.

- Underwriting & Administrative Expenses (Operating & Service fees, Commissions, Motor Vehicle Reports, Collection Fees & Bad Debts, Administrative Expenses) are also shown as a ratio to "Written" as they are based and calculated as a percentage of Premiums Written and this ratio is more responsive to changes in these expense levels.