

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO.: F16 – 004**

**DATE: JANUARY 28, 2016**

**SUBJECT: FARM – NOVEMBER 2015 PARTICIPATION REPORT**

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

Please be advised that the November 2015 FARM Participation Report is now available on the Facility Association Portal at <https://portal.facilityassociation.com>.

### Summary of Financial Results

The calendar year-to-date Net Result from Operations is \$23.3 million and the incurred loss ratio to the end of 11 months is 64.6%, as summarized in the table immediately below.

	<b>November 2015</b>	November 2014	<b>Year to date Nov 2015</b>	Year to Date Nov 2014
Written Premiums	\$11,648	\$13,209	\$179,705	\$190,543
Earned Premiums	\$15,730	\$16,807	\$180,040	\$189,858
Incurred Losses	\$11,376	\$11,722	\$116,251	\$144,500
Underwriting Expenses and Others	\$2,964	\$3,044	\$40,491	\$42,677
<b>Net Result from Operations</b>	<b>\$1,390</b>	<b>\$2,041</b>	<b>\$23,298</b>	<b>\$2,681</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Years</b>	<b>(2.2%)</b>	<b>(2.9%)</b>	<b>(10.4%)</b>	3.2%
- Current Accident Year	74.6%	72.6%	75.0%	72.9%
	<b>72.4%</b>	<b>69.7%</b>	<b>64.6%</b>	<b>76.1%</b>
<b>Underwriting &amp; Admin Exp.%</b>	<b>18.9%</b>	<b>18.3%</b>	<b>22.6%</b>	<b>22.6%</b>
<b>Combined Operating Ratio</b>	<b>91.3%</b>	<b>88.0%</b>	<b>87.2%</b>	<b>98.7%</b>

(Amounts in \$000's)

Rounding differences may occur.

For details on the financial results, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2015 - All jurisdictions by month”. A comparable summary by jurisdiction is included in Exhibit 2. Detailed exhibits by jurisdiction are included in a separate folder on our website called [“Summary of Operations”](#).

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Updated Projection to Year-end

The estimated calendar year Net Result from Operations to December 2015 is \$25.7 million and the estimated combined operating ratio to December 2015 is 86.9%. This updated projection to the end of the year has not changed significantly from the projection provided last month (\$25.3 million and 87.2%).

Current month results

The Net Result from Operations in the month of November 2015 is \$1.4 million, down approximately \$0.6 million from the same month last year. This deterioration included a \$0.1 million unfavourable impact due to the \$1.1 million decrease in earned premium (at a combined ratio of 88.0%), with the remaining \$0.5 million unfavourable impact from the increase in the combined ratio (from 88.0% last year to 91.3% this year, applied to this month's \$15.7 million earned premium).

This month's results moved the year-to-date combined operating ratio from 86.7% at the end of 10 months to 87.2% at the end of 11 months. The 0.5 percentage point increase is composed of a 0.8 percentage point increase in the Prior Accident Year loss ratio, offset by a 0.3 percentage point decrease in the expense 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.

<b>November 2015</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premiums	\$11,648	\$13,142	(\$1,494)	(11.4%)
Earned Premiums	\$15,730	\$15,954	(\$224)	(1.4%)
Reported Losses				
Paid Losses	\$9,873	\$11,755	(\$1,882)	(16.0%)
Increase (decrease) in Outstanding Losses	\$2,494	(\$364)	\$2,858	785.2%
<b>Total Reported Losses</b>	<b>\$12,367</b>	<b>\$11,391</b>	\$976	<b>8.6%</b>
Increase (decrease) in IBNR *	(\$503)	\$615	(\$1,118)	
Decrease (increase) in DPAC *	\$146	\$69	\$77	
Increase (decrease) in Retro Claims Expense	(\$488)	(\$726)	\$238	

(Amounts in \$000's)

Rounding differences may occur.

\* Detailed information is included in [FARM November 2015 Participation Report - Actuarial Highlights](#).

For the month of November 2015, reported indemnity amounts were \$1.1 million higher than projected (*allowed claims expenses are included in table above as part of reported losses, explaining why the variance in Total Reported Losses in the table shows \$1.0 million*). The Current Accident Year had an approximately \$1.8 million unfavourable variance in reported indemnity, while the Prior Accident Years had a favourable variance of \$0.7 million. Of the Prior

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Accident Years, 2012 had the largest variance in reported losses at \$1.5 million unfavourable. No other single Prior Accident Year had a reported indemnity 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 for the most recent accident years back to 1994 (for accident years 1993 and earlier, IBNR is held at \$0). This is consistent with management’s investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend.

**Effect of Quarterly Valuation**

The November 2015 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at September 30, 2015 for all jurisdictions and business segments. The actuarial valuation will be updated next as at December 31, 2015 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the March 2016 Participation Report.

**Management Comments**

As shown in the table immediately below, the private passenger annualized vehicle counts decreased by 8.9% overall in November 2015 relative to November 2014. On a year-to-date basis, exposure counts are down by 6.9%, decreasing in all jurisdictions except New Brunswick, Nova Scotia and Prince Edward Island.

*FARM Private Passenger Written Car Years*

# FARM Vehicles Written								
Jurisdiction	Month of November 2015				Calendar YTD as of November 2015			
	2015	2014	Chg	% Chg	2015	2014	Chg	% Chg
Ontario	82	126	(44)	(34.9%)	1,819	2,250	(431)	(19.2%)
Alberta	256	363	(107)	(29.5%)	2,941	3,985	(1,044)	(26.2%)
Newfoundland & Labrador	627	660	(33)	(5.0%)	10,012	10,969	(957)	(8.7%)
New Brunswick	368	368	0	0.0%	7,051	6,728	323	4.8%
Nova Scotia	219	160	59	36.9%	3,419	3,258	161	4.9%
Prince Edward Island	95	63	32	50.8%	1,538	1,464	74	5.1%
Yukon	17	27	(10)	(37.0%)	428	485	(57)	(11.8%)
Northwest Territories	143	213	(70)	(32.9%)	2,453	2,661	(208)	(7.8%)
Nunavut	12	17	(5)	(29.4%)	625	733	(108)	(14.7%)
<b>All Jurisdictions</b>	<b>1,819</b>	<b>1,997</b>	<b>(178)</b>	<b>(8.9%)</b>	<b>30,286</b>	<b>32,533</b>	<b>(2,247)</b>	<b>(6.9%)</b>

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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 link:** [FARM November 2015 Participation Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2015**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 11 months ended November 30, 2015 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 11/2015**  
**(thousands of dollars)**

	January	February	March	April	May	June	July	August	September	October	November	CY2015 YTD	CY2015 12 Months Updated Projections	CY2014 12 Months Actual
<b>UNDERWRITING REVENUE:</b>														
PREMIUMS WRITTEN	\$15,841	\$11,370	\$14,071	\$17,124	\$22,159	\$21,730	\$17,720	16,041	16,085	15,916	11,648	\$179,705	\$190,359	\$202,233
CHANGE IN UNEARNED PREMIUMS	1,189	3,748	2,463	-1,318	-5,619	-5,397	-766	916	176	861	4,082	335	5,053	4,689
<b>NET PREMIUMS EARNED</b>	<b>\$17,030</b>	<b>\$15,118</b>	<b>\$16,534</b>	<b>\$15,806</b>	<b>\$16,540</b>	<b>\$16,333</b>	<b>\$16,954</b>	<b>\$16,957</b>	<b>\$16,261</b>	<b>\$16,777</b>	<b>\$15,730</b>	<b>\$180,040</b>	<b>\$195,412</b>	<b>\$206,922</b>
<b>CLAIMS INCURRED</b>														
PRIOR ACCIDENT YEARS														
UNDISCOUNTED	255	-879	-443	-128	-5,451	-54	-12	-6,871	-4	-1,783	4	-15,366	-15,365	5,139
EFFECT OF DISCOUNTING	-278	-566	2,127	-815	2,379	-692	-471	-5,473	-299	1,042	-356	-3,402	-4,178	-351
DISCOUNTED	-23	-1,445	1,684	-943	-3,072	-746	-483	-12,344	-303	-741	-352	-18,768	-19,543	4,788
CURRENT ACCIDENT YEAR														
UNDISCOUNTED	11,581	10,468	10,958	10,775	12,720	11,458	11,837	13,597	11,597	11,278	11,166	127,435	138,237	143,901
EFFECT OF DISCOUNTING	717	581	654	451	1,255	644	765	475	570	910	562	7,584	8,122	6,825
DISCOUNTED	12,298	11,049	11,612	11,226	13,975	12,102	12,602	14,072	12,167	12,188	11,728	135,019	146,359	150,726
<b>CLAIMS INCURRED</b>	<b>\$12,275</b>	<b>\$9,604</b>	<b>\$13,296</b>	<b>\$10,283</b>	<b>\$10,903</b>	<b>\$11,356</b>	<b>\$12,119</b>	<b>\$1,728</b>	<b>\$11,864</b>	<b>\$11,447</b>	<b>\$11,376</b>	<b>\$116,251</b>	<b>\$126,816</b>	<b>\$155,514</b>
<b>UNDERWRITING EXPENSES</b>														
OPERATING & SERVICE FEES	1,669	1,170	1,434	1,749	2,611	2,257	1,838	1,639	1,640	1,610	1,181	18,798	19,886	20,936
AGENTS COMMISSIONS	1,256	622	1,193	1,425	1,827	1,783	1,522	1,374	1,360	1,390	1,001	14,753	15,653	17,070
DRIVER RECORD ABSTRACTS	173	267	302	340	237	346	373	304	221	258	203	3,024	3,125	3,169
BAD DEBTS	-19	-7	-8	-2	-7	-11	-6	-9	-8	-306	-4	-387	-384	-236
PREMIUM DEFICIENCY/(DPAC)														
UNDISCOUNTED	100	259	-18	-109	259	-326	-76	-168	40	-137	163	-13	241	263
EFFECT OF DISCOUNTING	-24	-17	-234	-4	116	38	7	159	-40	-156	-17	-172	-222	-71
DISCOUNTED	76	242	-252	-113	375	-288	-69	-9	0	-293	146	-185	19	192
<b>UNDERWRITING EXPENSES</b>	<b>\$3,155</b>	<b>\$2,294</b>	<b>\$2,669</b>	<b>\$3,399</b>	<b>\$5,043</b>	<b>\$4,087</b>	<b>\$3,658</b>	<b>\$3,299</b>	<b>\$3,213</b>	<b>\$2,659</b>	<b>\$2,527</b>	<b>\$36,003</b>	<b>\$38,299</b>	<b>\$41,131</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$1,600</b>	<b>\$3,220</b>	<b>\$569</b>	<b>\$2,124</b>	<b>\$594</b>	<b>\$890</b>	<b>\$1,177</b>	<b>\$11,930</b>	<b>\$1,184</b>	<b>\$2,671</b>	<b>\$1,827</b>	<b>\$27,786</b>	<b>\$30,297</b>	<b>\$10,277</b>
ADMINISTRATIVE EXPENSES	406	372	496	418	412	532	373	407	410	347	453	4,626	4,768	4,923
PREMIUM FINANCE FEE	-9	-9	-9	-9	-9	-9	-9	-9	-9	-9	-9	-99	-92	-110
INVESTMENT INCOME	15	15	24	20	22	22	24	24	24	22	25	237	271	372
<b>OPERATING RESULTS</b>	<b>\$1,200</b>	<b>\$2,854</b>	<b>\$88</b>	<b>\$1,717</b>	<b>\$195</b>	<b>\$371</b>	<b>\$819</b>	<b>\$11,538</b>	<b>\$789</b>	<b>\$2,337</b>	<b>\$1,390</b>	<b>\$23,298</b>	<b>\$25,708</b>	<b>\$5,616</b>
<b>RATIOS:</b>														
Claims & Adj Expenses Incurred (Earned)														
Prior Accident Year	-0.1%	-9.6%	10.2%	-6.0%	-18.6%	-4.6%	-2.8%	-72.8%	-1.9%	-4.4%	-2.2%	-10.4%	-10.0%	2.3%
Current Accident Years	72.2%	73.1%	70.2%	71.0%	84.5%	74.1%	74.3%	83.0%	74.8%	72.6%	74.6%	75.0%	74.9%	72.8%
All Accident Years Combined	72.1%	63.5%	80.4%	65.0%	65.9%	69.5%	71.5%	10.2%	72.9%	68.2%	72.4%	64.6%	64.9%	75.1%
Underwriting & Admin Exp.(Earned)	20.9%	17.6%	19.1%	24.1%	33.0%	28.3%	23.8%	21.9%	22.3%	17.9%	18.9%	22.6%	22.0%	22.3%
COMBINED OPERATING RATIO	93.0%	81.1%	99.5%	89.1%	98.9%	97.8%	95.3%	32.1%	95.2%	86.1%	91.3%	87.2%	86.9%	97.4%

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2015**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS**  
**Operating Results for the 11 months ended November 30, 2015 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 11/2015**  
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2015 12 Months Updated Projections	CY2014 12 Months Actual
<b>UNDERWRITING REVENUE:</b>												
PREMIUMS WRITTEN	\$63,955	\$41,512	\$15,594	\$4,456	\$19,430	\$26,545	\$1,996	\$4,720	\$1,497	\$179,705	\$190,359	\$202,233
CHANGE IN UNEARNED PREMIUMS	2,189	332	-530	-305	-763	-514	-13	-25	-36	335	5,053	4,689
<b>NET PREMIUMS EARNED</b>	<b>\$66,144</b>	<b>\$41,844</b>	<b>\$15,064</b>	<b>\$4,151</b>	<b>\$18,667</b>	<b>\$26,031</b>	<b>\$1,983</b>	<b>\$4,695</b>	<b>\$1,461</b>	<b>\$180,040</b>	<b>\$195,412</b>	<b>\$206,922</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	1,557	-15,354	-2,049	-970	692	2,420	-70	-1,350	-242	-15,366	-15,365	5,139
EFFECT OF DISCOUNTING	-592	-2,408	-166	-10	114	-174	-14	-85	-67	-3,402	-4,178	-351
DISCOUNTED	965	-17,762	-2,215	-980	806	2,246	-84	-1,435	-309	-18,768	-19,543	4,788
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	43,813	27,680	10,428	2,738	12,824	24,742	2,408	2,145	657	127,435	138,237	143,901
EFFECT OF DISCOUNTING	2,428	2,171	540	152	670	1,296	174	111	42	7,584	8,122	6,825
DISCOUNTED	46,241	29,851	10,968	2,890	13,494	26,038	2,582	2,256	699	135,019	146,359	150,726
<b>CLAIMS INCURRED</b>	<b>\$47,206</b>	<b>\$12,089</b>	<b>\$8,753</b>	<b>\$1,910</b>	<b>\$14,300</b>	<b>\$28,284</b>	<b>\$2,498</b>	<b>\$821</b>	<b>\$390</b>	<b>\$116,251</b>	<b>\$126,816</b>	<b>\$155,514</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	6,430	4,555	1,569	448	1,953	2,998	207	498	140	18,798	19,886	20,936
AGENTS COMMISSIONS	5,559	2,211	1,378	424	1,864	2,508	186	480	143	14,753	15,653	17,070
DRIVER RECORD ABSTRACTS	855	194	691	200	510	458	22	75	19	3,024	3,125	3,169
BAD DEBTS	-43	-299	-16	0	5	-33	-6	160	-155	-387	-384	-236
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	201	86	-45	-29	-82	-147	7	-2	-2	-13	241	263
EFFECT OF DISCOUNTING	0	0	0	0	0	-201	29	0	0	-172	-222	-71
DISCOUNTED	201	86	-45	-29	-82	-348	36	-2	-2	-185	19	192
<b>UNDERWRITING EXPENSES</b>	<b>\$13,002</b>	<b>\$6,747</b>	<b>\$3,577</b>	<b>\$1,043</b>	<b>\$4,250</b>	<b>\$5,583</b>	<b>\$445</b>	<b>\$1,211</b>	<b>\$145</b>	<b>\$36,003</b>	<b>\$38,299</b>	<b>\$41,131</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$5,936</b>	<b>\$23,008</b>	<b>\$2,734</b>	<b>\$1,198</b>	<b>\$117</b>	<b>(\$7,836)</b>	<b>(\$960)</b>	<b>\$2,663</b>	<b>\$926</b>	<b>\$27,786</b>	<b>\$30,297</b>	<b>\$10,277</b>
ADMINISTRATIVE EXPENSES	1,503	1,004	408	150	502	729	92	162	76	4,626	4,768	4,923
PREMIUM FINANCE FEE	-34	-34	-10	0	-10	-11	0	0	0	-99	-92	-110
INVESTMENT INCOME	63	92	20	1	22	35	0	4	0	237	271	372
<b>OPERATING RESULTS</b>	<b>\$4,462</b>	<b>\$22,062</b>	<b>\$2,336</b>	<b>\$1,049</b>	<b>(\$373)</b>	<b>(\$8,541)</b>	<b>(\$1,052)</b>	<b>\$2,505</b>	<b>\$850</b>	<b>\$23,298</b>	<b>\$25,708</b>	<b>\$5,616</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	1.5%	-42.4%	-14.7%	-23.6%	4.3%	8.6%	-4.2%	-30.6%	-21.1%	-10.4%	-10.0%	2.3%
Current Accident Years	69.9%	71.3%	72.8%	69.6%	72.3%	100.0%	130.2%	48.1%	47.8%	75.0%	74.9%	72.8%
All Accident Years Combined	71.4%	28.9%	58.1%	46.0%	76.6%	108.6%	126.0%	17.5%	26.7%	64.6%	64.9%	75.1%
Underwriting & Admin Exp.(Earned)	21.9%	18.5%	26.5%	28.7%	25.5%	24.2%	27.1%	29.2%	15.1%	22.6%	22.0%	22.3%
COMBINED OPERATING RATIO	93.3%	47.4%	84.6%	74.7%	102.1%	132.8%	153.1%	46.7%	41.8%	87.2%	86.9%	97.4%

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