



777 Bay Street, Suite 2400
P.O. Box 121
Toronto, Ontario
M5G 2C8

T: 416 863 1750
F: 416 868 0894
E: mail@facilityassociation.com

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN No.: F16 - 016

DATE: MARCH 2, 2016

SUBJECT: DRAFT MINUTES OF THE ANNUAL GENERAL MEETING

Please find attached, for your information, the draft minutes, Chairman's remarks and President's remarks from the Facility Association Annual General Meeting held February 24, 2016.

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

Attach.

Facility Association

DRAFT MINUTES OF THE ANNUAL GENERAL MEETING HELD AT THE CHELSEA HOTEL TORONTO TORONTO, ONTARIO ON FEBRUARY 24TH, 2016

1. The President read the notice of meeting dated January 25, 2016 (Bulletin F16-002) and confirmed the presence of a quorum.

Residual Market	1870	Votes represented in person
Residual Market	406	Votes represented by proxy
Residual Market	2276	Total represented (out of 2551 votes)

Ontario RSP	286	Votes represented in person
Ontario RSP	1465	Votes represented by proxy
Ontario RSP	1751	Total represented (out of 1974 votes)

Alberta RSP	96	Votes represented in person
Alberta RSP	283	Votes represented by proxy
Alberta RSP	379	Total represented (out of 430 votes)

New Brunswick RSP	16	Votes represented in person
New Brunswick RSP	40	Votes represented by proxy
New Brunswick RSP	56	Total represented (out of 77 votes)

Nova Scotia RSP	13	Votes represented in person
Nova Scotia RSP	47	Votes represented by proxy
Nova Scotia RSP	60	Total represented (out of 84 votes)

2. On a **MOTION** made by Mr. Patrick Barbeau, **SECONDED** by Mr. Andrew Cartmell and **CARRIED**, the Minutes of the Facility Association Annual General Meeting held on February 26th 2015, as previously circulated, were approved.

3. **THE CHAIRMAN'S REMARKS – ATTACHED**

4. **THE PRESIDENT'S REMARKS – ATTACHED**

5. REPORTS OF THE PROVINCIAL OPERATING COMMITTEES

The written reports were attached to the Agenda. The Chairman noted that not all of the Chairpersons were present, however, the President or the Committee staff liaison would be responding to questions on their behalf.

On **MOTION** made by Mr. Steve Cohen, **SECONDED** by Mr. Denis Dubois and **CARRIED**, the reports were adopted.

6. REPORTS OF THE ADVISORY COMMITTEES

The reports of the Advisory Committees were circulated with the Agenda. The Chairman asked if there were any questions arising from these reports and indicated that the President or the Committee staff liaison were present to answer any questions.

On **MOTION** made by Mr. George Hardy, **SECONDED** by Ms. Linda Regner-Dykeman and **CARRIED**, the reports were adopted.

7. NOMINATING REPORT

Mr. James Tucker presented the Nominating Report on behalf of the Governance and Human Resources Committee.

Nominated for election to the Board of Directors for a one-year term expiring in the year 2017:

Darren Lipsett	Bridgewater Insurance
----------------	-----------------------

Nominated for election to the Board of Directors for a two-year term expiring in the year 2018:

Patrick Barbeau	Intact Insurance
Andrew Cartmell	SGI/Coachman Insurance
Steve Cohen	Aviva Canada
Karen Dyberg	Dyberg Insurance
George Hardy	The Co-operators General Insurance
Don Sollows	Johnson Inc.
Aaron Purdue	Millenium Insurance

The continuing members of the Board of Directors with terms expiring in 2017 are:

Michael Brattman	Erb & Erb Insurance Brokers
Linda Regner-Dykeman	Travelers Canada
Denis Dubois	Desjardins Insurance

Bob Hillman
Janis Riven
J. Robert Tisdale
James Tucker

AMA Insurance
Concordia University
Pembroke & PAFCO Insurance Companies
The Boston Consulting Group

Mr. James Tucker noted that the President is a member of the Board by virtue of his office.

8. ELECTION OF DIRECTORS

The Chair asked if there were any nominations from members in attendance. There being none, on **MOTION** by Mr. Don Sollows, **SECONDED** by Mr. Patrick Barbeau and **CARRIED, IT WAS RESOLVED** that nominations be closed. As there were no further nominations, the Chairman directed that a single ballot be cast in favour of those nominated.

9. INDEPENDENT DIRECTOR REMUNERATION

On **MOTION** made by Mr. Andrew Cartmell, **SECONDED** by Mr. Steve Cohen and **CARRIED, IT WAS RESOLVED** that the independent director remuneration is established as follows:

- 1) An annual stipend of \$12,000 plus meeting fees of \$1,250 per meeting of the Board or a Board Committee, with reimbursement of travel expenses; plus
- 2) \$500 for each ad-hoc conference call; plus
- 3) A further \$3,000 annual stipend for those who Chair the Board or a Committee of the Board.

10. FINANCIAL STATEMENTS

Mr. Ratan Ralliarum from the firm of Deloitte LLP advised that they were presenting an unqualified opinion with respect to the Financial Statements of the Facility Association Residual Market Segment as at October 31st, 2015, and the Risk Sharing Pools as at October 31st, 2015.

On **MOTION** made by Mr. Denis Dubois, **SECONDED** by Mr. George Hardy and **CARRIED**, all of the above Financial Statements for the fiscal year 2015 as previously circulated were accepted.

11. APPOINTMENT OF AUDITORS

Upon **MOTION** made by Ms. Linda Regner-Dykeman, **SECONDED** by Mr. Don Sollows and **CARRIED**, the firm of Deloitte LLP was appointed as the auditors for Facility Association for the fiscal year 2016, with terms to be negotiated with the Audit and Risk Committee of the Board of Directors.

12. OTHER BUSINESS

No other business was brought before the meeting.

13. TERMINATION OF MEETING

There being no further business, on **MOTION** made by Mr. Patrick Barbeau, **SECONDED** by Mr. Andrew Cartmell and **CARRIED, IT WAS RESOLVED** that the meeting be terminated.

J. R. Tisdale
Chairman

The Chair usually begins his remarks to the Facility Association AGM by talking about where the Association sees availability pressures building. I am very pleased to inform you that we do not see those pressures building at the present time. The President will have more detail on volume changes in specific jurisdictions in his annual update. In the meantime, I will only highlight the risk that there may be a mismatch between the product changes in Ontario and the rates approved by the regulator and it is far too early to tell whether that is an issue or not.

Although we do not see availability pressures building in the immediate term, we do know from past history that they can emerge very quickly. I can assure you that the Board and management will continue to remain vigilant especially through our structured Enterprise Risk Management process.

Against that background of relatively stable residual market volumes, the Board of Directors of Facility Association has been very active in thinking about what the optimal residual market mechanisms for automobile insurance in Canada could be. Our current mechanisms are something of a “patchwork quilt”, in that they were created in response to specific circumstances at specific times over the years,

leading us to have, for example, five risk sharing pools for private passenger vehicles, each with different parameters and characteristics. Recognizing that that the status quo is always an option, the Board felt it was worthwhile to spend an extensive amount of time and effort looking at the various types of residual market mechanisms used in Canada the United States and elsewhere, and the relative merits of each.

I want to emphasize right here that no decisions have been made. However, the Board is of the view that there is enough of an opportunity to improve the residual market mechanism structures to the potential benefit of the industry and its policyholders to warrant further investigation. With that in mind, at this morning's Board meeting, the Board authorized the creation of a working group with president and CEO as its liaison. The Board has given the working group a mandate and is looking forward to hearing from it later in the year.

Reviewing, assessing, and optimizing residual market mechanisms is our first priority of the four priorities in the current three year strategic planning cycle which began last year. The other three priorities are:

- enhance analysis, communication, and reporting capabilities

- enhance operational efficiency and the control environment
- review and strengthened the ERM framework

The President will have additional detail on those three priorities in his remarks.

Those of you that have been to previous AGMs have heard me and other Board Chairs talk about the importance of a cost of capital provision being allowed in residual market ratemaking. This may seem like a technical matter, but the reality is that without all of the cost elements of the risk transfer being allowed in residual market rates, there is a significantly increased risk that residual market rates will be inappropriately in conflict, and competitive, with the rates of Facility Association's member companies. In turn, that puts us at significant risk of being offside the aspect of our mission statement that says "we strive to keep the market share of the residual markets as small as possible, so consumers may benefit from the competitive marketplace to the greatest extent possible".

With that as background, I am pleased to inform you that in the past year, a cost of capital provision has been approved for use in residual market ratemaking in the Yukon, the Northwest Territories, and

Nunavut. That brings to eight of the nine jurisdictions that we serve that allow the cost of capital provision in our rates; leaving Newfoundland and Labrador as the only jurisdiction that does not allow it thus far. Your Board plans to address the cost of capital provision issue in Newfoundland and Labrador at some point in the future, however given the very costly nature of the regulatory framework there, and the need to maintain our focus on rates for specific lines of business, we will continue to prioritize our efforts there in the best interests of the membership.

In 2014, the Audit and Risk Committee of the Board led a request for proposal process for our audit firm and the membership accepted the Committee's recommendation to continue with our incumbent firm, Deloitte. In 2015, our audit partner at Deloitte, Doug Gray, retired and on behalf of the Board I want to thank our new audit partner at Deloitte, Ratan Ralliaran, for ensuring a smooth transition.

I would now like to thank our departing directors for their service.

Jean Roy joined the Board in February of 2014 and stepped forward immediately by volunteering as a member of the Audit and Risk Committee of the Board. As a member of that committee he contributed actively to the RFP conducted for Facility Association's

external audit services. He then served as Deputy Chair of the Board which made him a member of the Governance and Human Resources Committee of the Board as a result. Jean was always engaged, focused and committed to participating constructively in the dialogue with his fellow Directors. He resigned from the Board following a personal career transition from working at a member company to working at a consulting actuarial firm and we certainly wish him all the very best.

Our broker representative for Alberta and the Territories, Ken Dueck, is leaving the Board following the conclusion of his two year term, and on behalf of the Board I thank him for his thoughtful, deliberate and constructive approach to the issues which came before the Board in that time.

Jason Sharpe, our broker representative for the Atlantic Provinces, is leaving us after only one year on the Board. We all know that those who do things well get asked to do more, and that has been the case with Jason. Last fall, he was elected Vice President of the Insurance Brokers Association of Newfoundland and between those responsibilities and those of his own business, we certainly understand his decision to step away from the Facility Association Board. I thank Jason for his service.

I have been a Director on the Facility Association Board for quite some time now. Over those years, I have seen the progress and evolution in the quality of the governance at the Board and its committees. Being on the Board has also given me a “front row seat” for automobile insurance issues across nine jurisdictions, giving me a perspective that has enhanced my understanding of the Canadian automobile insurance marketplace generally. Because it has been, and continues to be, a very positive experience for me, I was somewhat surprised and disappointed at the low number of candidates that came forward when the call went out in early December for nominations to the Board. In the coming year, in my role as Past Chair, I will be encouraging my industry colleagues to think of being a Director on the Facility Association Board not as an obligation, but as an opportunity. I also call on my fellow Directors to encourage their industry colleagues in a similar fashion.

I will now turn the podium over to our President and CEO, David Simpson, for his remarks.

Thank you.

Thank you Mr. Chairman. Consistent with my customary practice, I will be providing the annual roundup of market share and financial results by jurisdiction. I will then update you on some of the things we have accomplished operationally over the last 12 months and what we are planning to achieve in the current year.

The market shares I will be presenting are for Private Passenger vehicles (or PPV) only. They are presented on a preliminary basis in that we currently only have 2014 industry data available to us for use in our calculations. Final market share figures will be posted on our website when they become available.

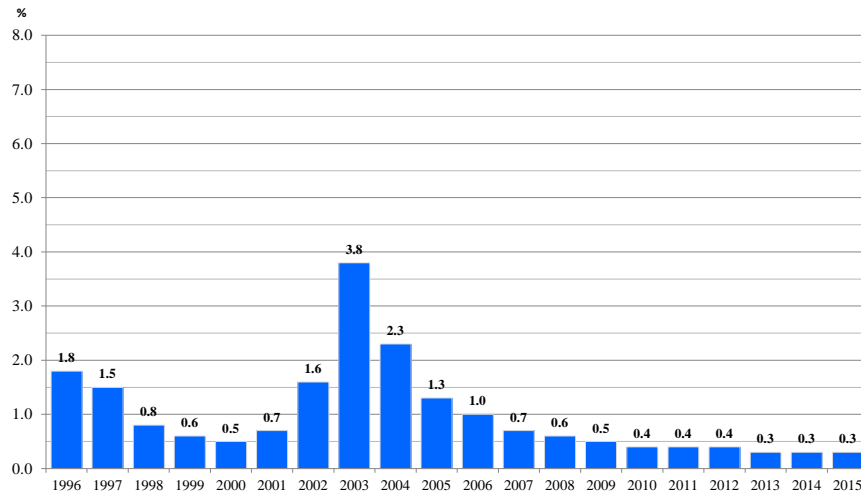
The financial results are based on our audited financial statements for fiscal year 2015, which ended October 31st. Accounting standards do not make it feasible to show the impact of our results on the industry in our statements; however charts illustrating the impact of our results on our member companies are available on the “provincial profiles” section of our website. Costs incurred by our members as a result of their compulsory participation in Facility Association are outlined in Note 2 of our Financial Statements.

Residual market volumes have been volatile over the years. Because of that, relatively minor changes in loss ratio estimates on older years where volumes were much higher can have a disproportionate impact on the current fiscal year, where volumes are much lower. Therefore, I will also provide an overview of loss ratios by accident year to give you a better sense of how the business is actually performing through time. As with market share, the loss ratios are for private passenger vehicles only.

Slide 3



**Residual Market - Private Passenger
Market Share @ December 31, 2015
All Jurisdictions**



Exposure Count Basis

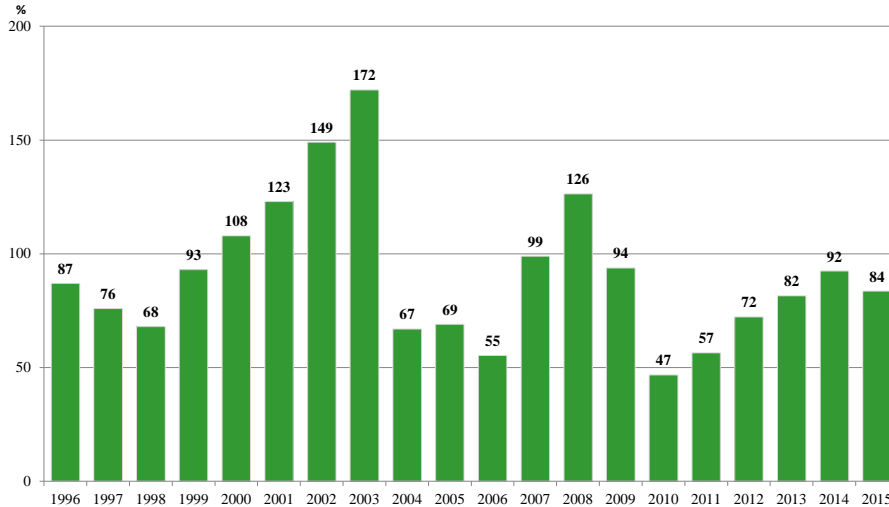
3

On an all jurisdictions basis, the residual market private passenger market share was 3 tenths of one percent, the same level that we saw in 2013 and 2014.

Slide 4



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
All Jurisdictions**



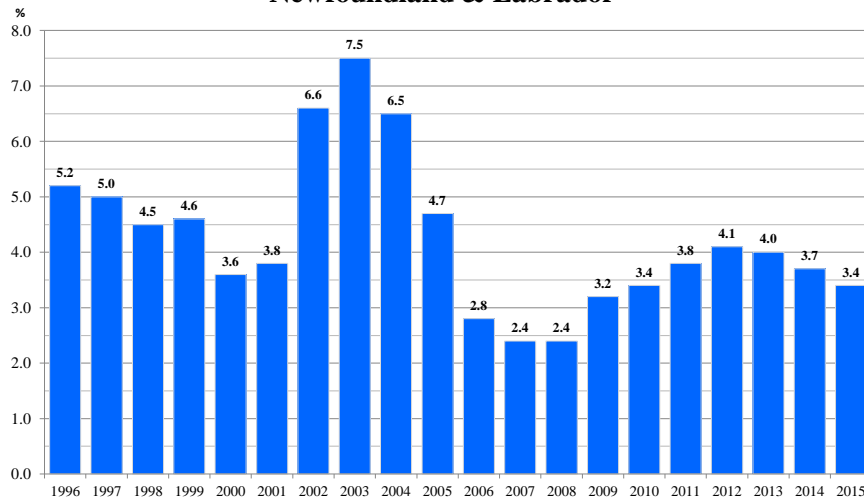
4

The combined ratio for all jurisdictions and all vehicle types ended the year at 84%. Again, this is from the perspective of the Facility Association. It does not include all costs from the Membership perspective and the policy liabilities have been valued using a 0% discount rate.

Slide 5



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Newfoundland & Labrador**



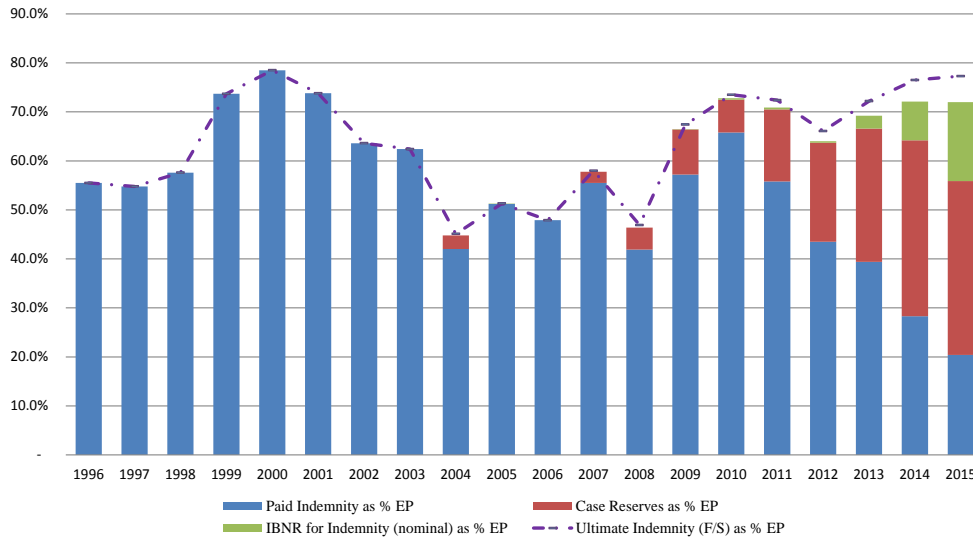
Exposure Count Basis

5

I will now take you through our individual jurisdictions from east to west. Our private passenger market share in Newfoundland & Labrador moved down slightly to 3.4%.

Slide 6

**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Newfoundland & Labrador**

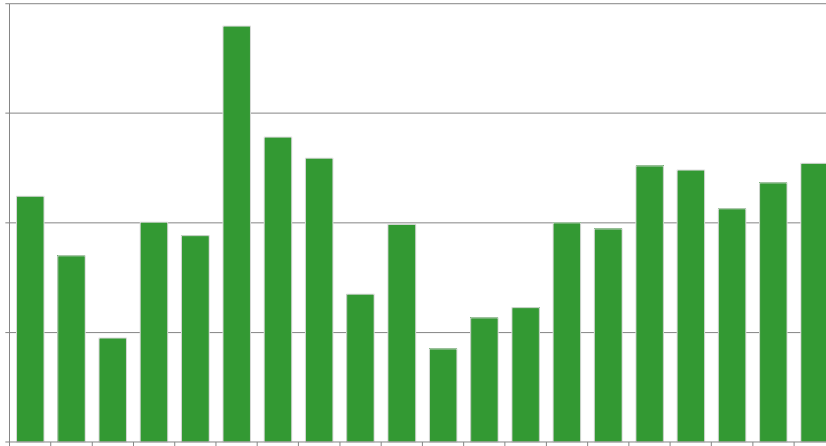


This chart shows Newfoundland & Labrador's private passenger loss ratios by accident year. If you cannot see the legend, the blue represents paid indemnity, the red represents case reserves, and the green represents IBNR. The dotted line indicates our current estimate of the ultimate indemnity amount that will be paid out plus a provision for adverse deviation. Please note that not all loss adjustment expenses are included in the loss ratio figures.

Slide 7



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
Newfoundland & Labrador**



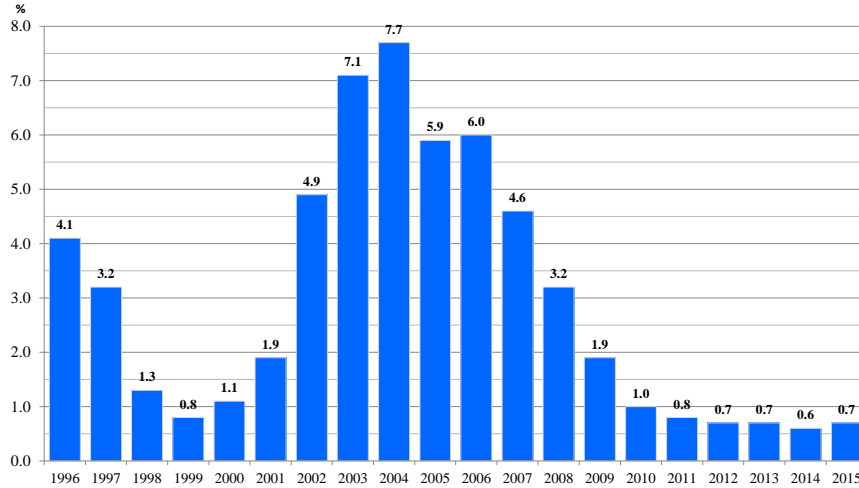
7

Newfoundland & Labrador’s combined ratio for the year, for all vehicle types, was 127. A significant loss driver for the province continues to be taxis. We recently received approval to increase our taxi rates there but, even with that increase, we believe our rates to still be inadequate, and with the support of the Board of Directors, we will continue to pursue rate adequacy there.

Slide 8



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Nova Scotia**



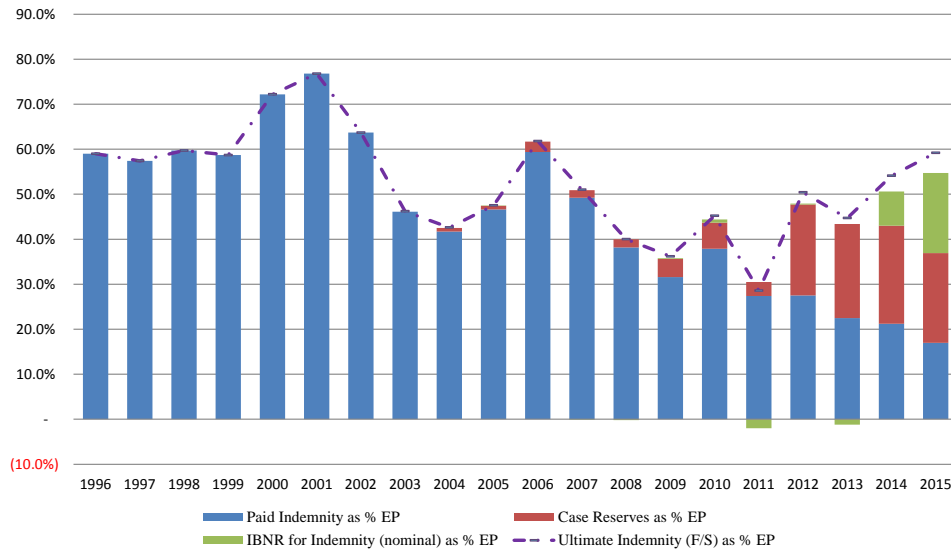
Exposure Count Basis

8

Our PPV market share in Nova Scotia moved up marginally to 7 tenths of one percent.

Slide 9

**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Nova Scotia**

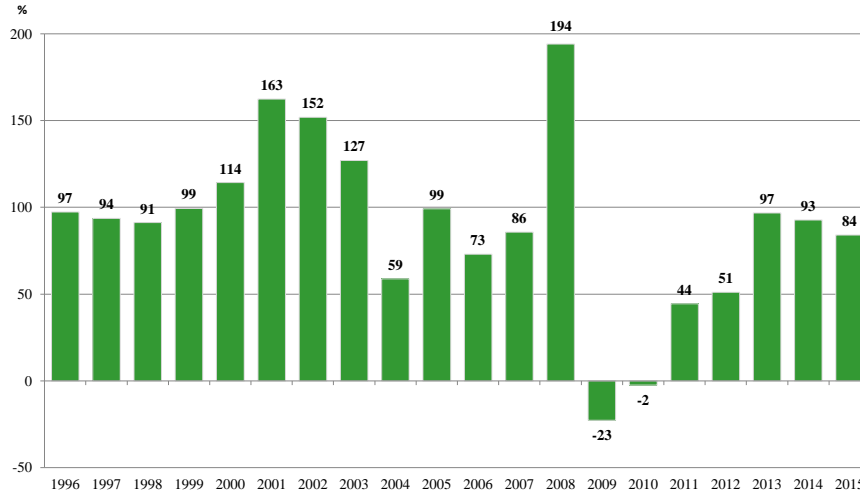


Nova Scotia's residual market private passenger accident year loss ratios continue to be relatively moderate.

Slide 10



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
Nova Scotia**



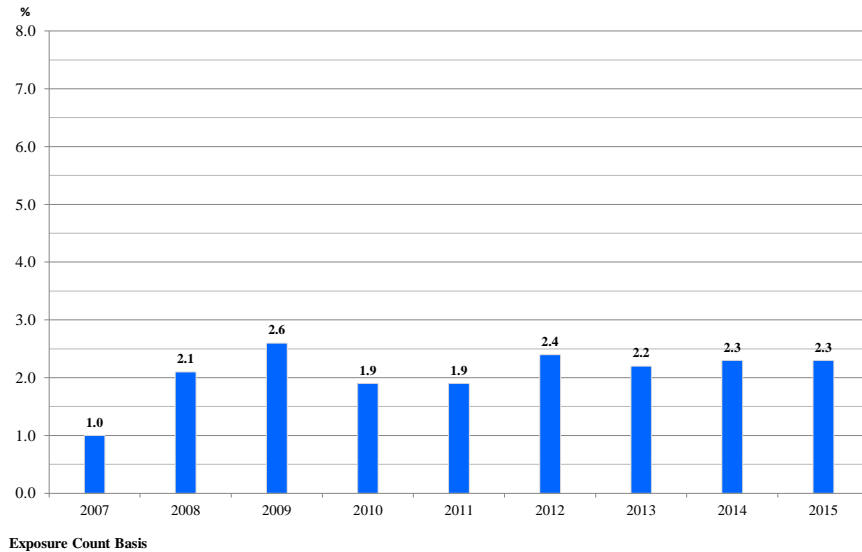
10

Nova Scotia's residual market combined ratio for all vehicle types was 84 for the year.

Slide 11



**Nova Scotia Risk Sharing Pool
Market Share @ December 31, 2015**

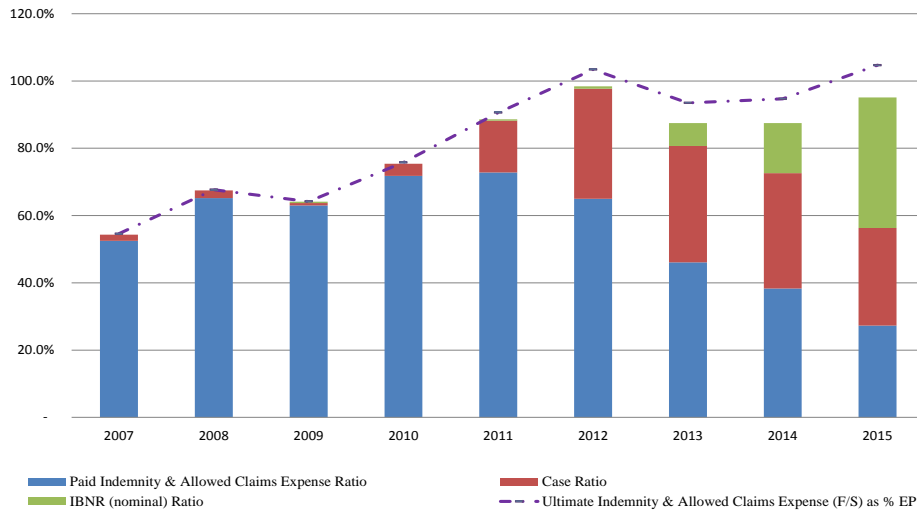


11

The Nova Scotia Risk Sharing Pool market share remained stable at 2.3%. This pool is for inexperienced drivers with clean records and, like all of our Risk Sharing Pools, is for private passenger vehicles only.

Slide 12

**Nova Scotia Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2015**



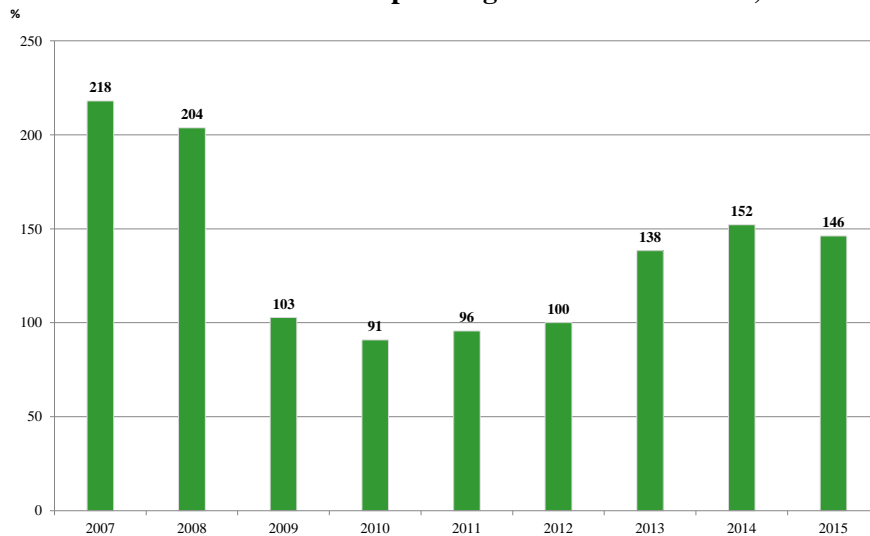
The loss ratios for the Nova Scotia RSP have been more stable over the last four years than one might expect from a small premium pool with a very specific target class (that being inexperienced drivers with clean driving records).

Slide 13



Nova Scotia Risk Sharing Pool

Fiscal Year Combined Operating Ratio @ October 31, 2015



13

The combined operating ratio of the Nova Scotia RSP has been quite stable over the last three years, ending the year at 146.

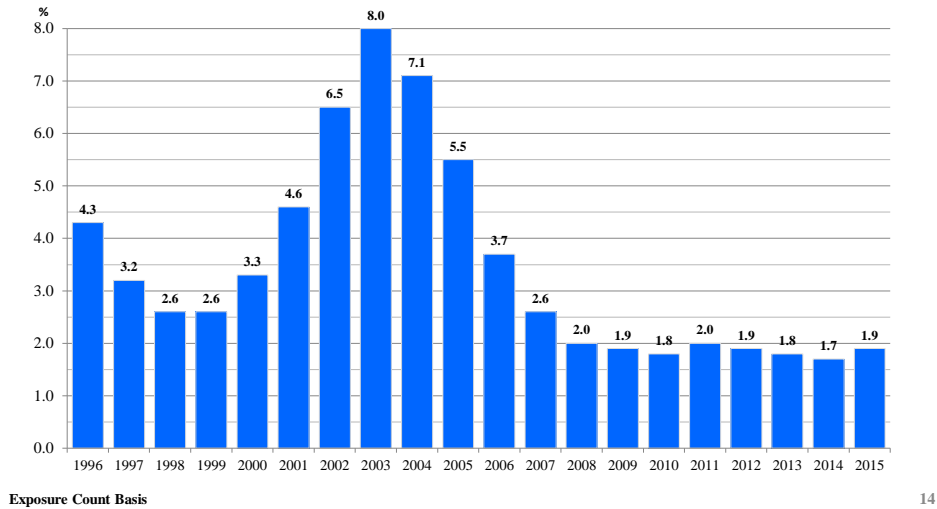
For those of you not familiar with risk sharing pools, RSP risks are written at member company rates, in contrast to the FARM, where risks are written at our rates (subject to regulatory approval).

RSPs are designed to allow member companies to pool risks that they believe to be underpriced. Because of that, over time, we expect to see loss ratios and combined ratios in the RSPs that are relatively high.

Slide 14



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Prince Edward Island**

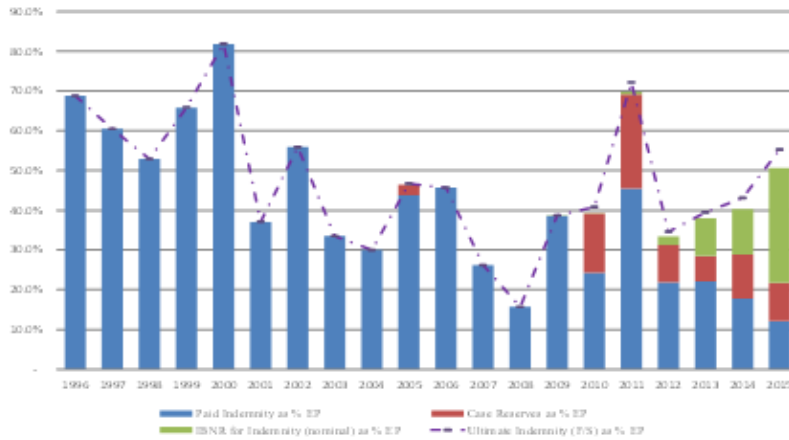


The market share for PEI's Private Passenger residual market moved up marginally last year to 1.9%.

Slide 15



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Prince Edward Island**



* Does not include all claims adjustment expenses

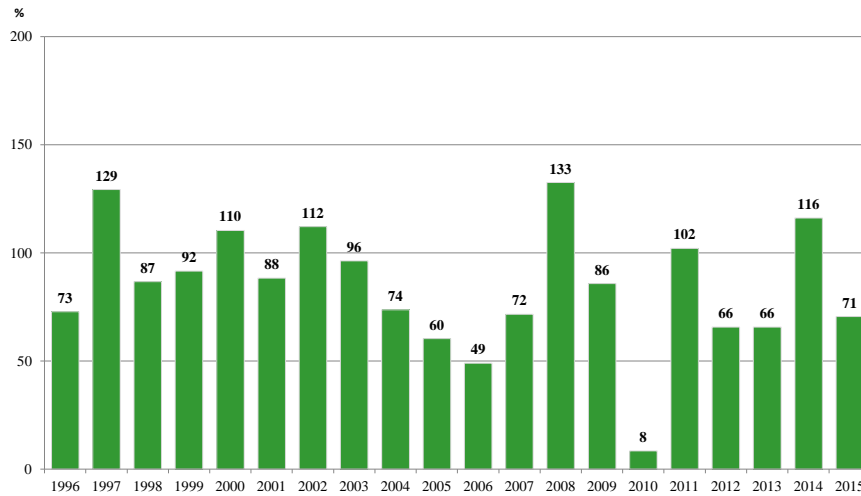
15

The PEI residual market private passenger accident year loss ratio moved up 10 percentage points in 2015. In jurisdictions like PEI, where the premium volumes are quite small, one or two large losses in a year can have a dramatic impact on the loss ratio. Because of our focus on our mission to keep our market share as small as possible, most lines of business in the FARM in most of the jurisdictions we serve are, or are becoming, very small in absolute terms so increasing volatility is becoming the order of the day.

Slide 16



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
Prince Edward Island**



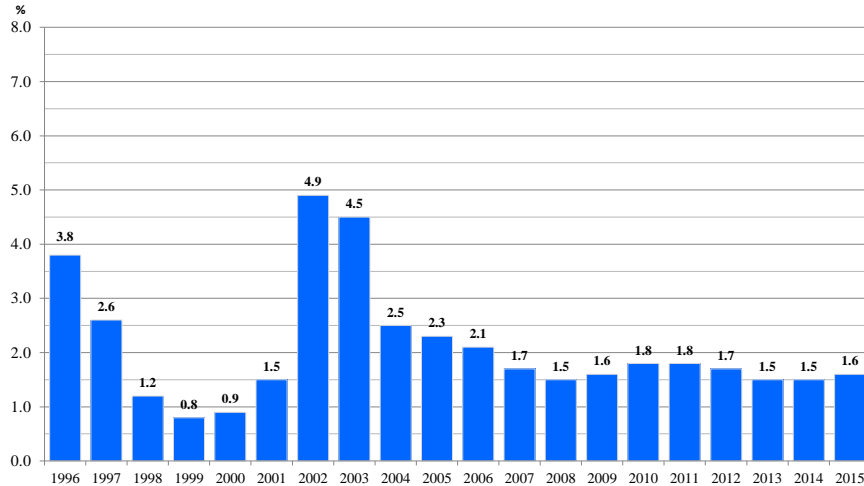
16

PEI's residual market combined ratio for all vehicle types ended the year at 71.

Slide 17



**Residual Market - Private Passenger
Market Share @ December 31, 2015
New Brunswick**



Exposure Count Basis

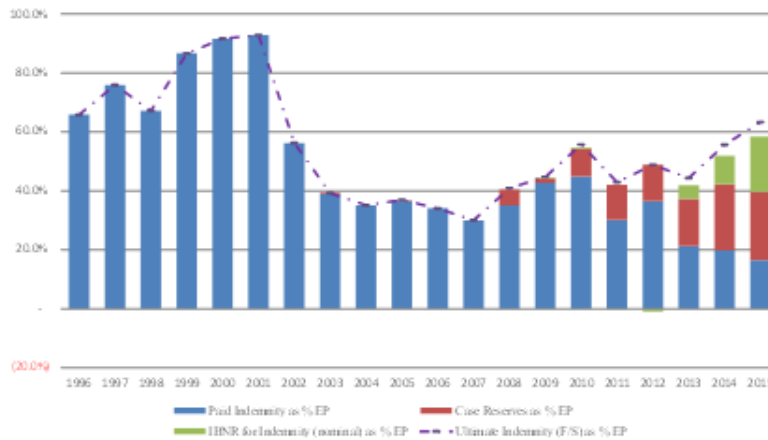
17

The residual market private passenger market share in New Brunswick has been stable at between 1.5 and 1.8% for the previous eight years, and last year was no exception at 1.6%.

Slide 18



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
New Brunswick**



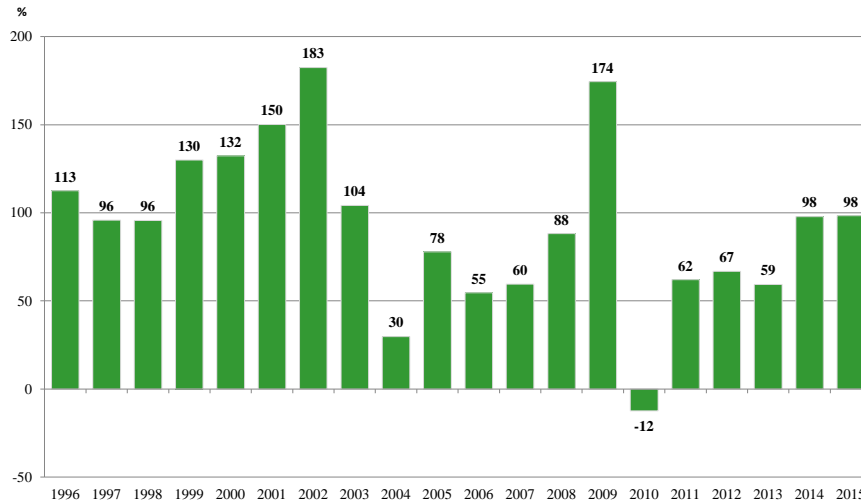
* Does not include all claims adjustment expenses

The New Brunswick Private Passenger accident year loss ratio increased again last year but is still at a reasonable level.

Slide 19



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
New Brunswick**



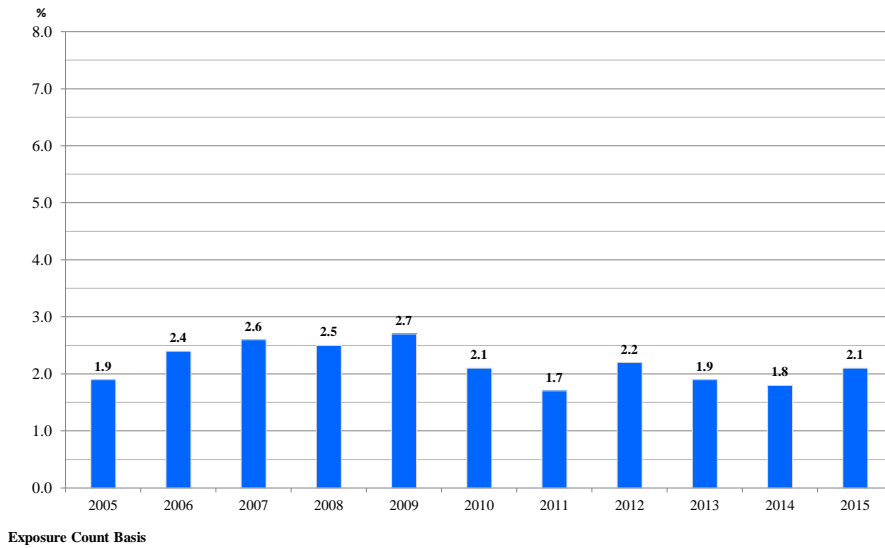
19

The New Brunswick combined ratio for all vehicle types again ended the year at 98.

Slide 20



**New Brunswick Risk Sharing Pool
Market Share @ December 31, 2015**



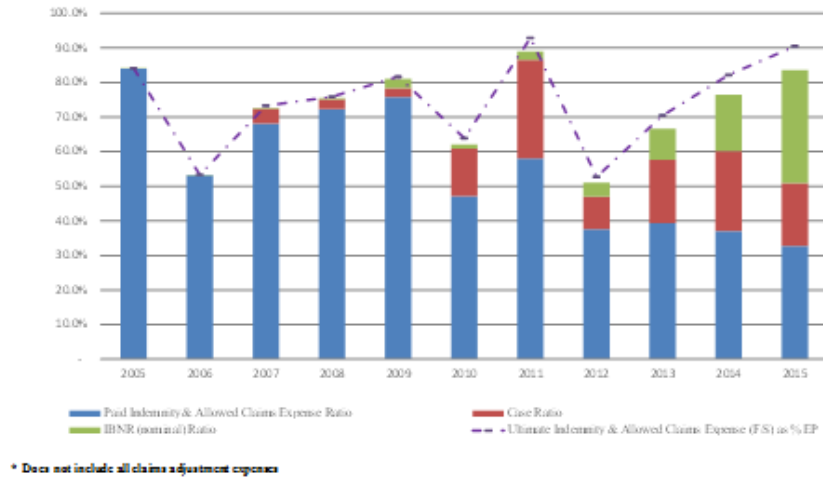
20

The New Brunswick RSP market share increased slightly last year to 2.1%.

Slide 21



**New Brunswick Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2015**



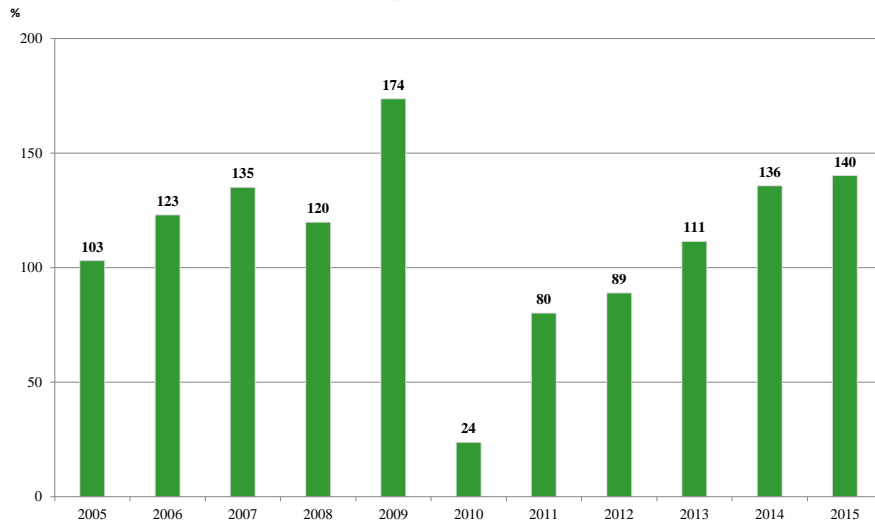
The accident year loss ratio for the New Brunswick Risk Sharing Pool continued to climb last year.

Slide 22



New Brunswick Risk Sharing Pool

Fiscal Year Combined Operating Ratio @ October 31, 2015



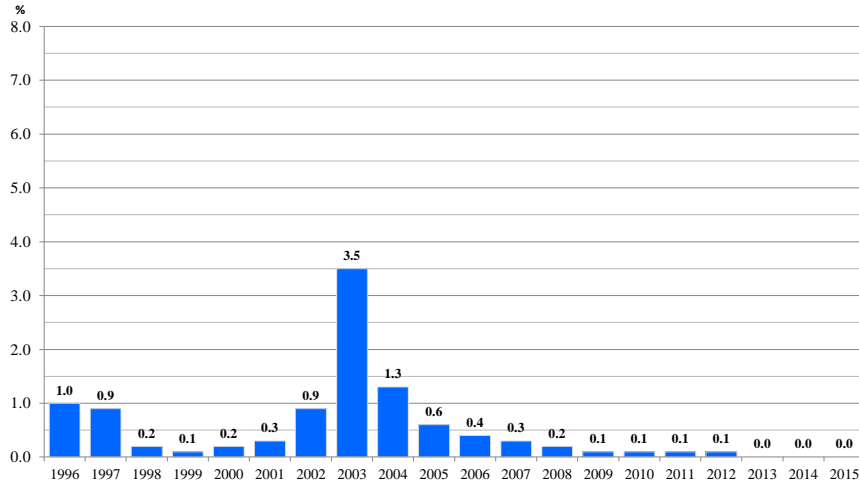
22

The combined ratio for the New Brunswick Risk Sharing Pool ended the year at 140.

Slide 23



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Ontario**



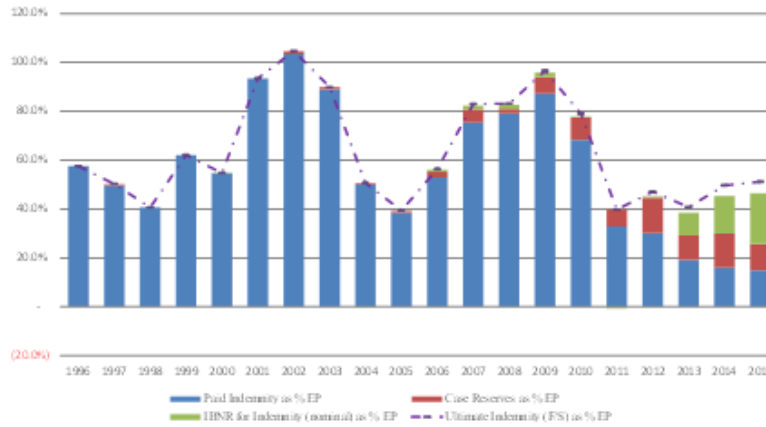
Exposure Count Basis

In Ontario, the residual market private passenger market share dropped slightly again last year and remains less than one tenth of 1%.

Slide 24



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Ontario**



* Does not include all claims adjustment expenses

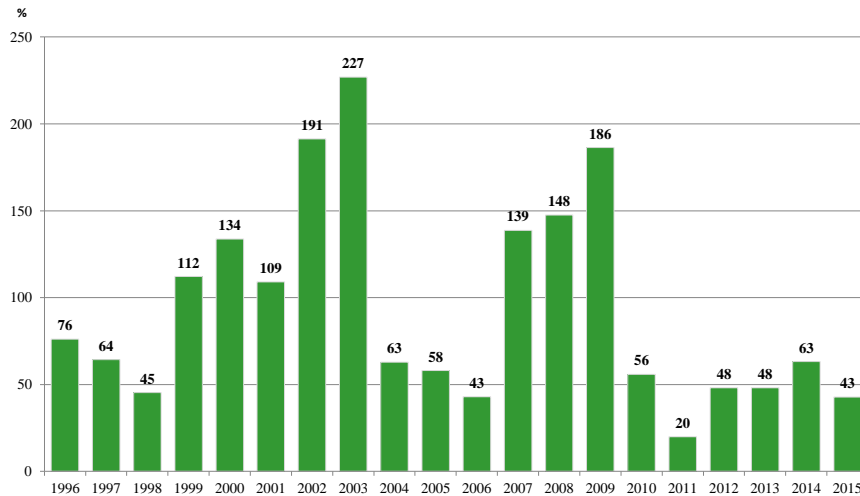
24

The Ontario residual market private passenger accident year loss ratio continues to be stable.

Slide 25



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
Ontario**



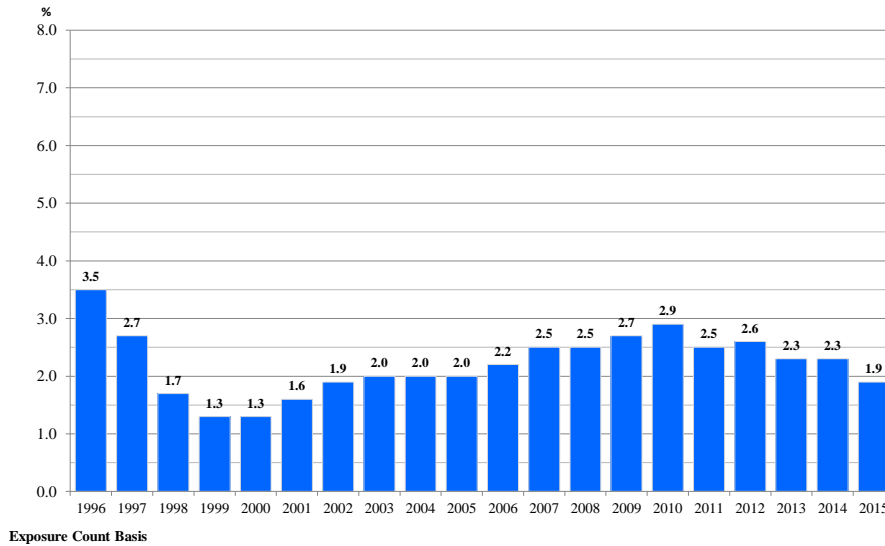
25

The combined operating ratio for all vehicle types in the Ontario residual market was 43%. This highlights the phenomenon I mentioned earlier showing the impacts changes to the loss ratios for older years of larger volumes can have on the current fiscal year. For example, we had approximately 225,000 private passenger cars in 2003 compared to the less than 2000 we have today; in 2002 we had close to \$700M PPV written premium compared to the approximately \$12M we have today.

Slide 26



**Ontario Risk Sharing Pool
Market Share @ December 31, 2015**



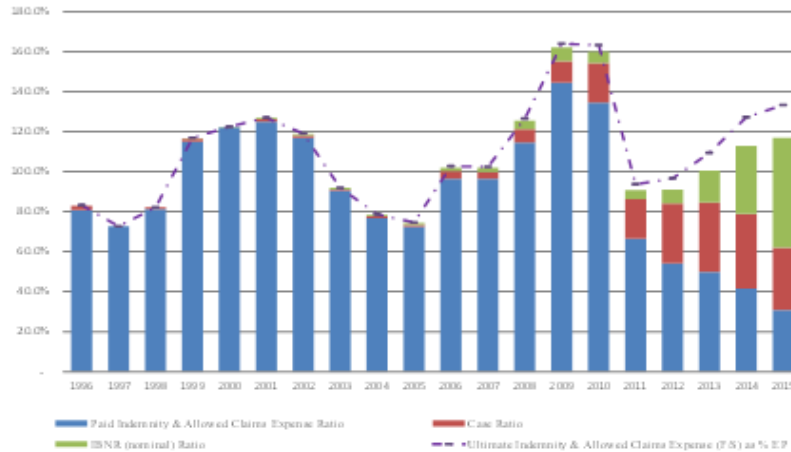
26

The market share of the Ontario Risk Sharing Pool declined to 1.9% last year, the lowest level since 2002.

Slide 27



**Ontario Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2015**



* Does not include all claims adjustment expenses

27

The Ontario risk sharing pool loss ratios continue to be relatively high, indicating that ceding companies are accurately assessing the risks to be ceded to the pool.

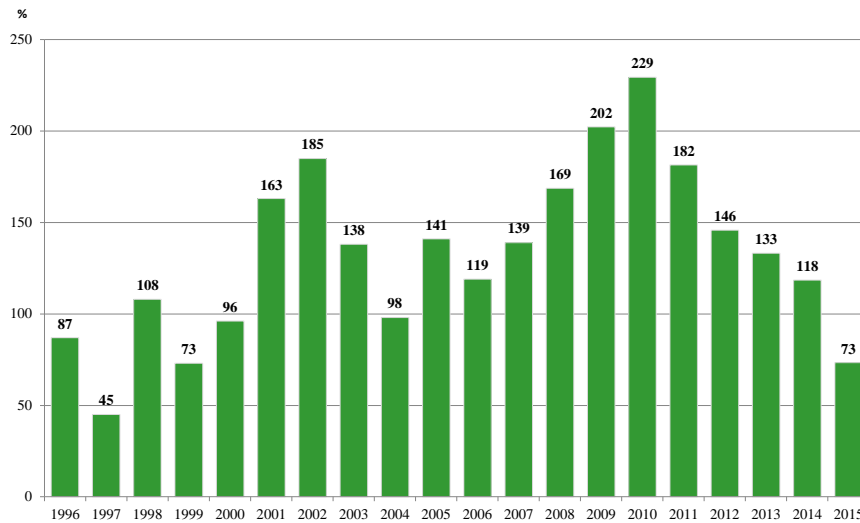
This slide also illustrates the dramatic year-to-year changes in loss ratios that we can see in RSPs. From 2010 to 2011, the loss ratio dropped approximately 70 points. Those kinds of sudden, large changes make the actuarial work with respect to these pools extremely challenging.

Again, the business in the RSPs is written at member companies' own rates.

Slide 28



**Ontario Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2015**



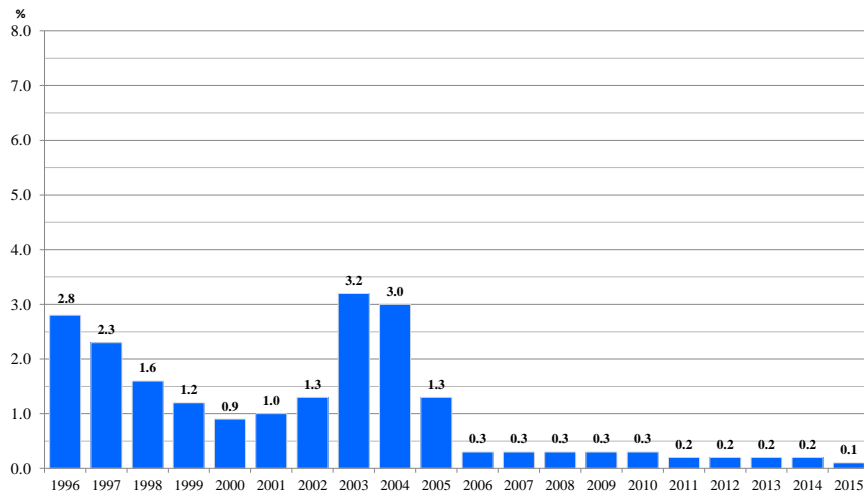
28

The combined operating ratio for the Ontario risk sharing pool was 73, showing the impact of reserve releases from prior years.

Slide 29



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Alberta**



Exposure Count Basis

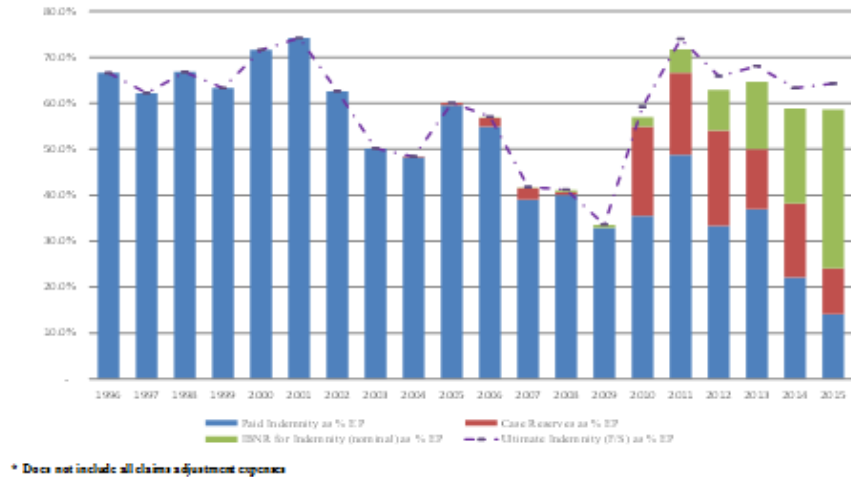
29

The residual market's private passenger market share in Alberta declined from 2 tenths of 1% where it had been for four years in a row, to 1 tenth of 1%. Alberta has a very stringent "take all comers" market.

Slide 30



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Alberta**



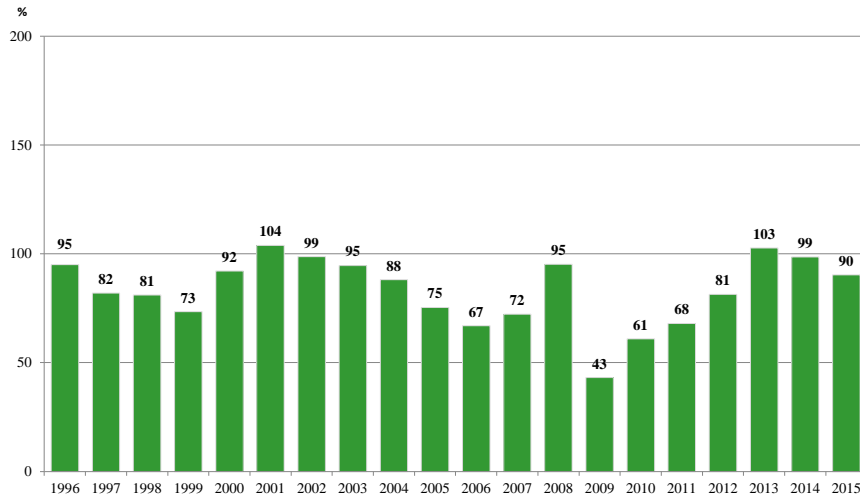
30

The PPV accident year loss ratios for the residual market in Alberta have been relatively moderate and stable in recent years. More than 90% of the FARM PPV business in the province is written at rates capped by the premium regulation there.

Slide 31



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
Alberta**



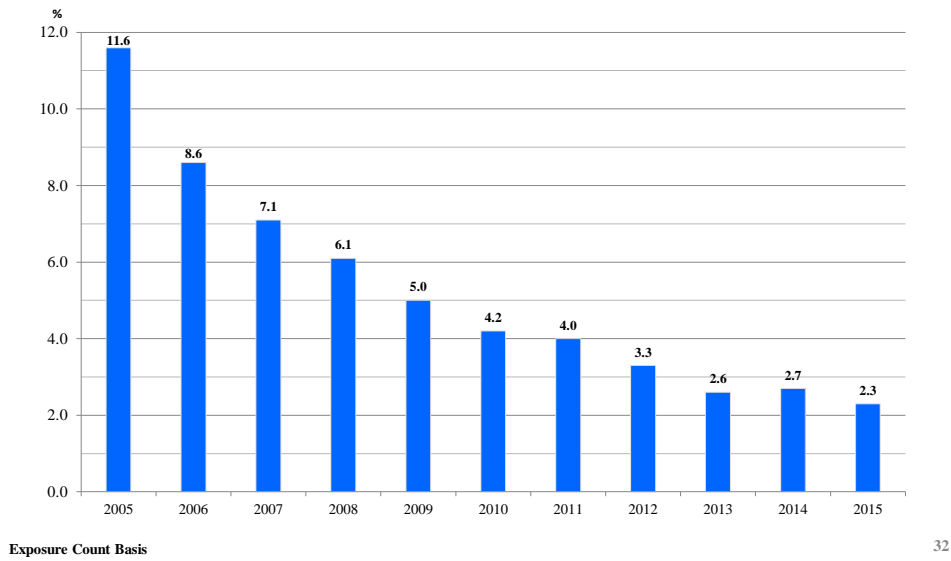
31

The Alberta residual market combined operating ratio for all types of vehicles improved from 99 to 90.

Slide 32



**Alberta Grid Risk Sharing Pool
Market Share @ December 31, 2015**



The market share of the Alberta Grid Risk Sharing Pool, a risk sharing pool for private passenger vehicles subject to the regulated maximum premium in the province, resumed its declining trend and ended the year at 2.3%, its lowest level ever.

Slide 33



**Alberta Grid Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2015**

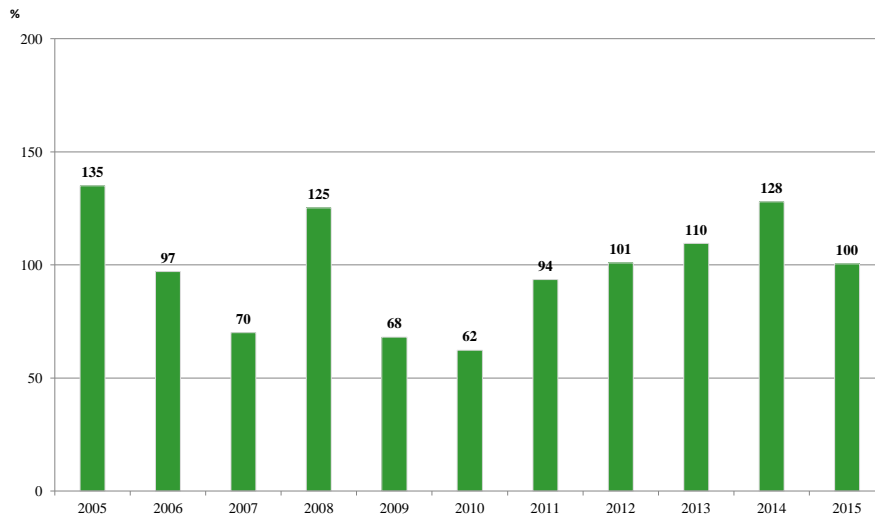


The accident year loss ratios for the Alberta grid risk sharing pool have been relatively stable over the years.

Slide 34



**Alberta Grid Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2015**



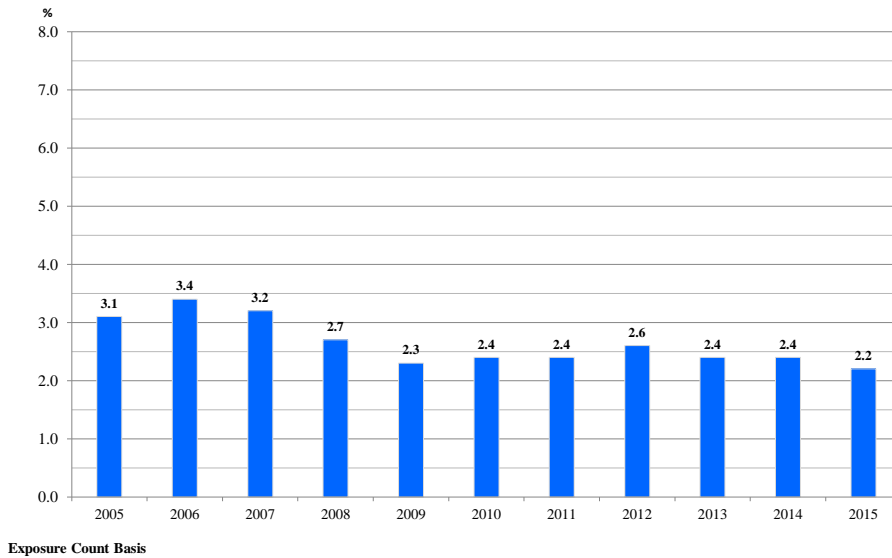
34

The Alberta Grid Risk Sharing Pool combined operating ratio for 2015 was 100.

Slide 35



**Alberta Non-Grid Risk Sharing Pool
Market Share @ December 31, 2015**



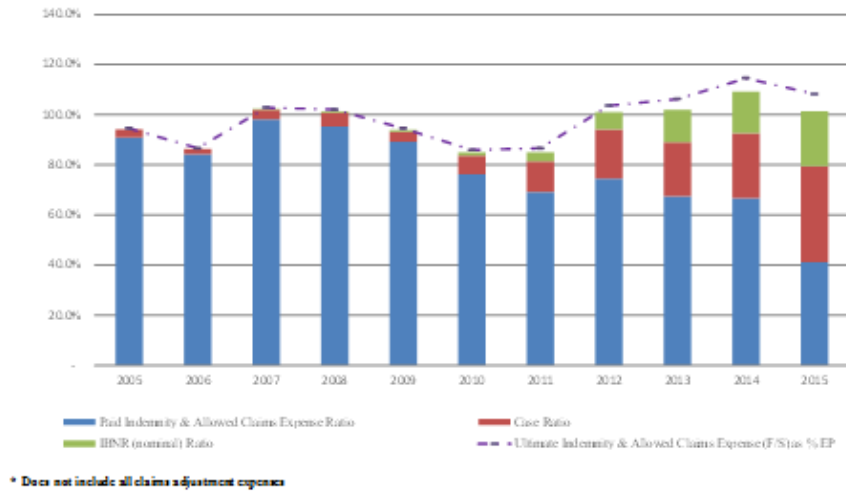
35

The market share of the Alberta Non-Grid Risk Sharing Pool (a pool for private passenger risks which are not subject to the regulated maximum premium but which insurance companies are required to accept under the take all comers rules in the province) was down slightly to 2.2%, its lowest level ever.

Slide 36



**Alberta Non-Grid Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2015**



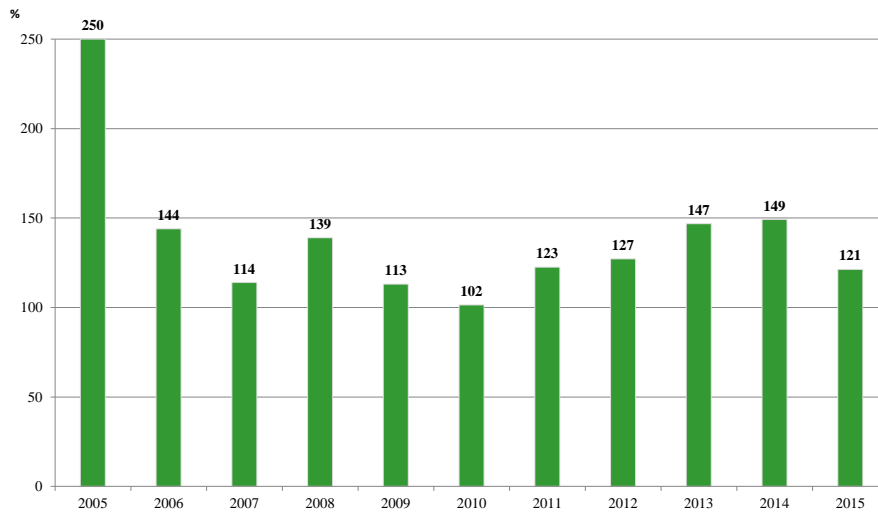
36

The Alberta Non-Grid Risk Sharing Pool accident year loss ratio has been quite stable over the last four years.

Slide 37



**Alberta Non-Grid Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2015**



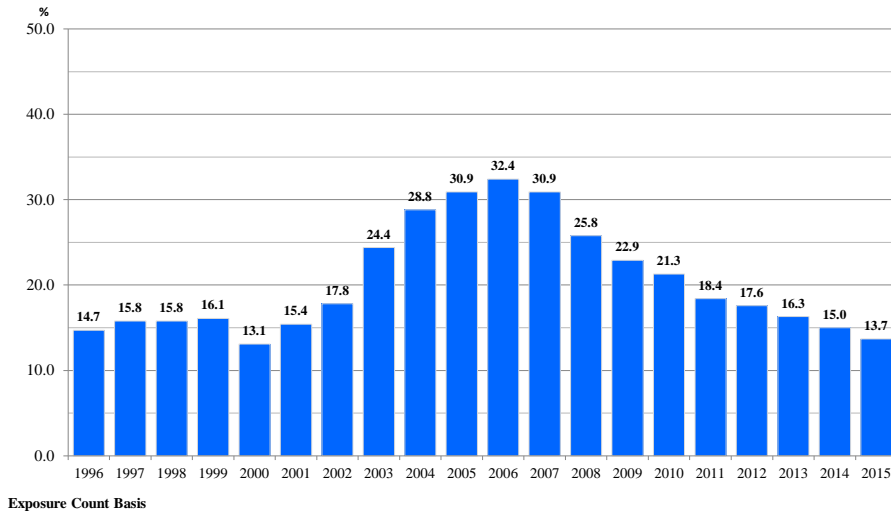
37

The combined ratio for the Alberta Non-Grid Risk Sharing Pool moved down to end the year at 121.

Slide 38



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Northwest Territories**



Exposure Count Basis

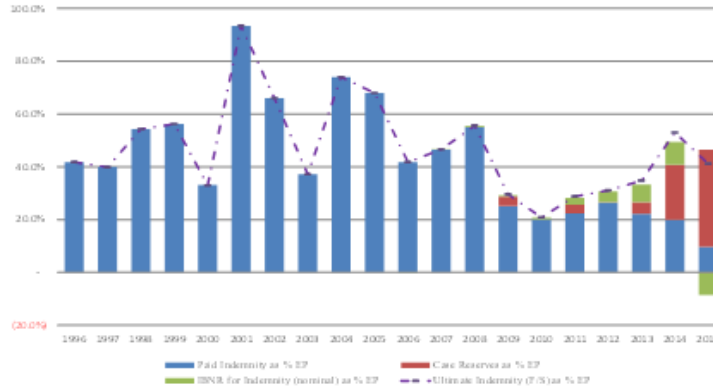
38

With regard to the northern territories, I will not comment on each one individually other than to say the volumes here are very small and the results are somewhat volatile. We continue to see positive, declining market share trends for private passenger vehicles in all three territories in recent years. The Territories are unique in that their financial results are shared by all automobile insurers in the six provinces that we serve. In the provinces, results are shared within each individual jurisdiction.

Slide 39



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Northwest Territories**



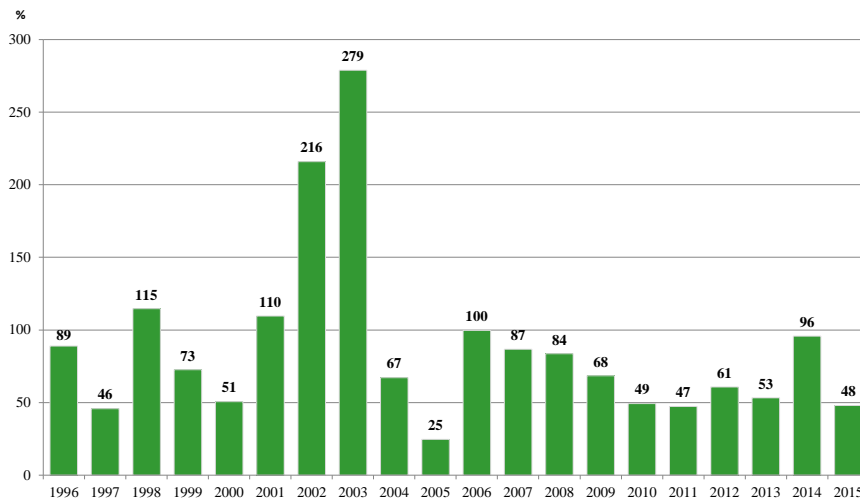
* Does not include all claims adjustment expenses

39

Slide 40



**Residual Market – All Vehicle Types
Combined Operating Ratio @ October 31, 2015
Northwest Territories**

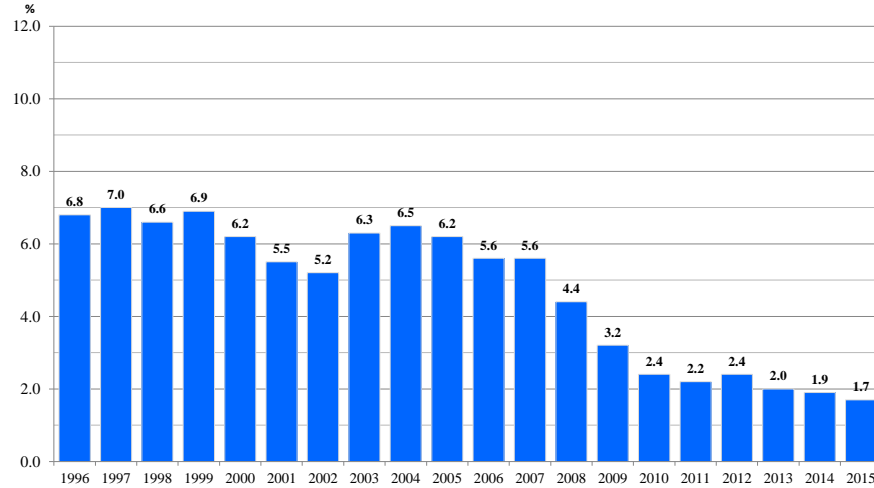


40

Slide 41



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Yukon**



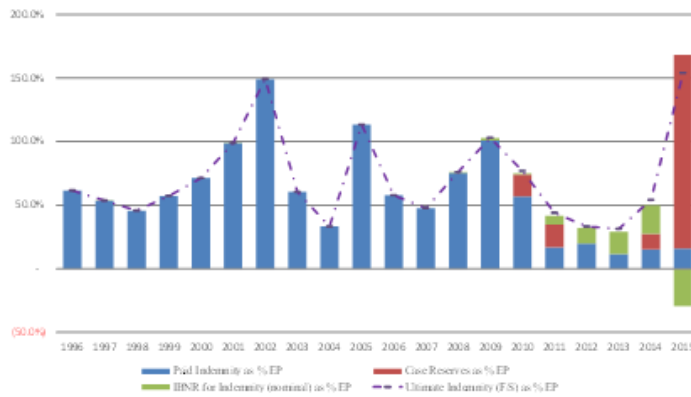
Exposure Count Basis

41

Slide 42



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Yukon**



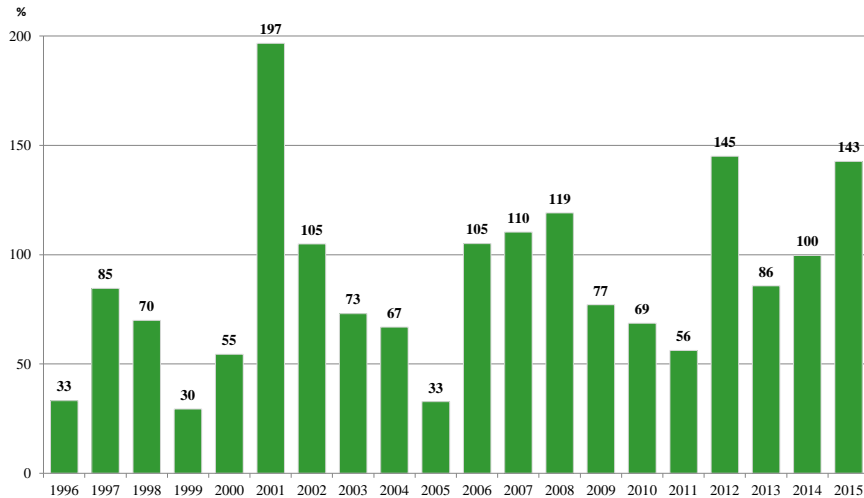
* Data not include all claims adjustment expenses

42

Slide 43



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2015
Yukon**

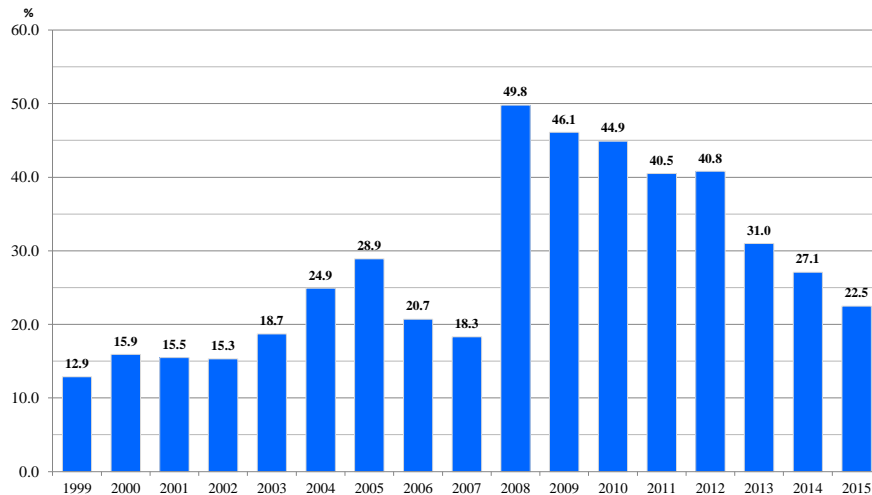


43

Slide 44



**Residual Market - Private Passenger
Market Share @ December 31, 2015
Nunavut**



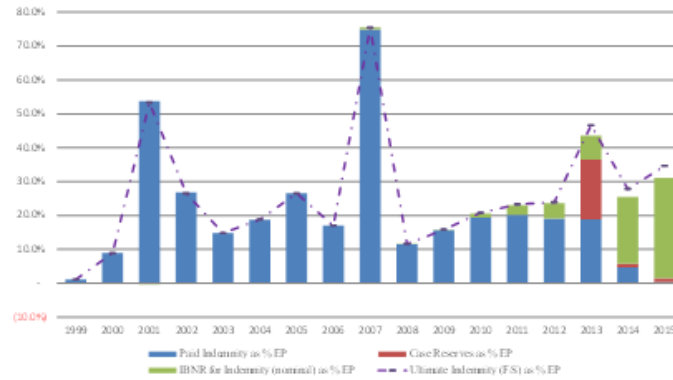
Exposure Count Basis

44

Slide 45



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2015
Nunavut**



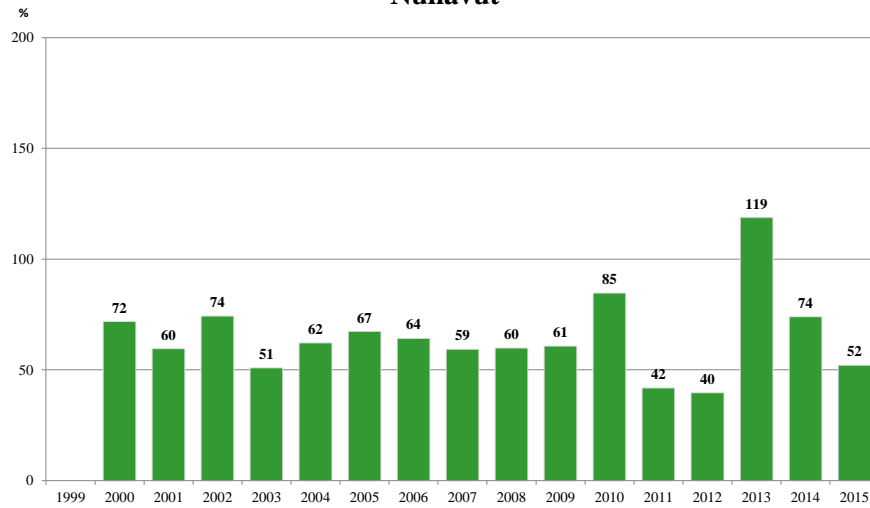
* Does not include all claims adjustment expenses

45

Slide 46



**Residual Market – All Vehicle Types
Combined Operating Ratio @ October 31, 2015
Nunavut**



46

My focus today has been on private passenger vehicles, and I would also like to point out that, consistent with our mission, we have seen declining volumes across most lines of business in most of the jurisdictions we serve over the last couple of years, especially with respect to motorcycles, snow vehicles and ATVs. I encourage member companies and intermediaries to contact us to find out where there might be further opportunities for depopulation.

The Chair highlighted our activities under the first of our four priorities in our three year strategic plan.

With respect to our second priority, Enhance analysis, communication, and reporting capabilities:

- we investigated opportunities to use both telematics and predictive modeling last year and this year we will further pursue opportunities to use new technologies and analytical techniques in our depopulation efforts.
- we developed key messages for specific audiences to integrate into a comprehensive communications strategy in our Enterprise Risk Management Framework.
- we also surveyed our members' for their reporting requirements and are currently reviewing ways that we can improve our Outlooks to better meet member company needs.

With respect to our third priority Enhance operational efficiency and the control environment:

- following work done last year we are now accepting electronic signatures on new applications and endorsements;
- we made significant progress in conducting a comprehensive review of our control environment; and
- we developed a recommendation to replace our accounting software after carefully evaluating a number of accounting software packages.

With respect to our fourth priority: Review and Strengthen the Enterprise Risk Management Framework:

- we performed a comprehensive review of our ERM framework and developed a structured approach to better detect emerging risks.

On behalf of the Board and staff I would like to recognize the following volunteer committee members who moved on to other things since our last Annual General Meeting for their services to the Association:

Bob Hillman of AMA. Bob served as Chair of the Accounting Committee and is now a Director on our Board.

Carolyn Mitchell of Desjardins and Andy Taylor of Gore Mutual have also left the Accounting Committee.

Denis Cloutier of Intact and Michel Trudeau of Echelon General have resigned from the Actuarial Committee. Denis served on the Committee for 14 years, most recently as Deputy Chair.

Joan Bagnell of RSA and Lisle George of Unifund have resigned from the Rates and Rules Committee.

Ron Schenk of State Farm, Johanne Desloges of Aviva and Sharon Clark of TD Insurance have resigned from the Claims Committee.

Blair Coady of RSA, Gord Enders of Direct-Line Insurance, and Howard Firth of T.A Firth & Son Limited have resigned from the Alberta Operating Committee. Howard served on the Committee for 13 years.

Mary Conroy of Unifund left the Newfoundland & Labrador Operating Committee after serving for over 15 years.

Joan Bagnell and Gordon Rose have resigned from the Operating Committees for Nova Scotia, New Brunswick and Prince Edward Island. Gordie served on the Nova Scotia Operating Committee for over 15 years.

It is with very mixed feelings that I note our Vice President of Underwriting and Claims, Jill Hepburn, will be retiring on June 30th of this year after 16-1/2 years of service with Facility Association. Jill and I have worked very closely for almost 15 years, and I have enjoyed every minute of it. She's a true leader, and continues to be a mentor to many of our employees. Our vision statement says, in part, that our goal is to be an: "...administrator of automobile insurance residual

markets, whose objective opinion on residual markets and related issues is respected and sought by stakeholders”. Jill lives that vision every day and is frequently sought out for her opinion by people at member companies, IBC, and the regulatory community. Her retirement will therefore be a loss not only to Facility Association but to our entire industry. She will leave us with the respect, gratitude, and best wishes of everyone on staff, especially me. Thank you Jill.

Thanks also to our outgoing Chair, Bob Tisdale. Bob is a true statesman of our industry—last November he was elected Chair of the Board of Governors of the Insurance Institute of Canada—and he always takes a broad perspective on the issues facing Facility Association. He is always careful to make sure all of the views around the Board table are heard at our meetings, and has always been thoughtful and responsive whenever I have consulted him for guidance. It's great that Bob is staying on the Board to continue to contribute his insights as Immediate Past Chair. Thank you Bob.

I also thank the Board of Directors, the Facility Association staff, our many volunteers, and our business partners for their hard work, dedication, and support over the past year.

I enjoyed working with, and learning from, everyone. And, as I always do, I am looking forward to doing more, and doing it better, in the year ahead.

Mr. Chairman that concludes my remarks.