



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 – 057

DATE: JULY 28, 2016

SUBJECT: FARM OUTLOOK FOR CALENDAR YEAR 2017 - UPDATE

To assist member companies in planning for their share of the Facility Association Residual Market (FARM) results for the next calendar year, Facility Association prepares a FARM “Outlook” which projects Net Results from Operations. The Outlook presentation format is very similar to that of the “Participation Report– Calendar Year” exhibits of the monthly Participation Reports Member Bulletins (“Bulletins”).

A preliminary calendar year 2017 FARM Outlook was released to the membership May 27, 2016 (see Bulletin F16-037) based on the actual results as found in the March 2016 Participation Reports. At that time, we anticipated that an updated FARM Outlook will be made available to members in August 2016 based on the May 2016 Participation Report, which would include the implementation of the FARM 2016 Q1 valuation.

The implementation of the FARM 2016 Q1 valuation with the May 2016 results had a minimum impact, and our projection for calendar year 2017 is little changed from our preliminary 2017 FARM Outlook. As such, we have decided to postpone release of the updated (and final) 2017 FARM Outlook until completion of the FARM 2016 Q2 valuation, anticipated to be implemented with the August Participation Report, to be released in October 2016.

For reference, we have attached summaries of the projected net operation results for 2017 consistent with the preliminary Outlook as well as our current projection.

Questions regarding the Outlook should be directed to Shawn Doherty, SVP, Actuarial and CFO, Facility Association, (416) 644-4968 or sdoherty@facilityassociation.com

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

Attach.

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

as at: **201603** (Share YYYYMM)

SUMMARY OF OPERATIONS - PROJECTION TO YEAR-END 2017

**2017 PRELIMINARY
 OUTLOOK PROJECTION**

 uses 2015 Q4 FARM
 valuation and actuals to
 March 2016

in \$ thousands	Private Passenger	Non-Private Passenger	TOTAL
Underwriting Revenue			
written premium	72,538	113,230	185,768
decrease / (increase) in unearned	(569)	(1,299)	(1,868)
earned premium	71,969	111,931	183,900
Claims Incurred			
Prior Accident Years			
Undiscounted	-	-	-
effect of discounting	(3,168)	(4,655)	(7,823)
Discounted	(3,168)	(4,655)	(7,823)
Current Accident Year			
Undiscounted	50,950	75,843	126,793
effect of discounting	2,846	4,312	7,158
Discounted	53,796	80,155	133,951
Claims Incurred	50,628	75,500	126,128
Underwriting Expenses			
Operating & Service Fees	7,355	11,548	18,903
Agent's Commissions	6,985	8,644	15,629
Driver Record Abstracts	1,138	1,525	2,663
Bad Debts	-	-	-
Premium Deficiency / (DPAC)			
Undiscounted	(56)	1	(55)
effect of discounting	35	10	45
Discounted	(21)	11	(10)
Underwriting Expenses	15,457	21,728	37,185
Net Underwriting Gain (Loss)	5,884	14,703	20,587
Administrative Expenses	1,734	2,721	4,455
Miscellaneous income / (expense)	-	-	-
Investment Income	86	108	194
Operating Result	4,236	12,090	16,326
Ratios			
Claims & Adj. Expenses to EP			
Prior Accident Year	(4.4%)	(4.2%)	(4.3%)
Current Accident Year	74.7%	71.6%	72.8%
All Accident Years Combined	70.3%	67.5%	68.6%
Underwriting & Admin Exp (EP)	23.9%	21.8%	22.6%
Combined Operating Ratio	94.2%	89.3%	91.2%

as at: **201605** (Share YYYYMM)

SUMMARY OF OPERATIONS - PROJECTION TO YEAR-END 2017

UPDATED PROJECTION
 uses 2016 Q1 FARM
 valuation and actuals to May
 2016

in \$ thousands	Private Passenger	Non-Private Passenger	TOTAL
Underwriting Revenue			
written premium	71,604	112,920	184,524
decrease / (increase) in unearned	(567)	(1,299)	(1,866)
earned premium	71,037	111,621	182,658
Claims Incurred			
Prior Accident Years			
Undiscounted	-	-	-
effect of discounting	(3,370)	(4,890)	(8,260)
Discounted	(3,370)	(4,890)	(8,260)
Current Accident Year			
Undiscounted	50,316	75,739	126,055
effect of discounting	2,903	4,421	7,324
Discounted	53,219	80,160	133,379
Claims Incurred	49,849	75,270	125,119
Underwriting Expenses			
Operating & Service Fees	7,258	11,520	18,778
Agent's Commissions	6,896	8,602	15,498
Driver Record Abstracts	1,126	1,511	2,637
Bad Debts	-	-	-
Premium Deficiency / (DPAC)			
Undiscounted	(55)	5	(50)
effect of discounting	113	12	125
Discounted	58	17	75
Underwriting Expenses	15,338	21,650	36,988
Net Underwriting Gain (Loss)	5,850	14,701	20,551
Administrative Expenses	1,709	2,712	4,421
Miscellaneous income / (expense)	-	-	-
Investment Income	94	131	225
Operating Result	4,235	12,120	16,355
Ratios			
Claims & Adj. Expenses to EP			
Prior Accident Year	(4.7%)	(4.4%)	(4.5%)
Current Accident Year	74.9%	71.8%	73.0%
All Accident Years Combined	70.2%	67.4%	68.5%
Underwriting & Admin Exp (EP)	24.0%	21.8%	22.7%
Combined Operating Ratio	94.2%	89.2%	91.2%