



TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO.: F16 – 096
DATE: DECEMBER 22, 2016
SUBJECT: FARM – OCTOBER 2016 PARTICIPATION REPORT

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

Please be advised that the October 2016 FARM Participation Report is now available on the Facility Association Portal at <https://portal.facilityassociation.com>.

New This Month

Unclaimed Property & Miscellaneous Income

This month's Participation Report includes **\$0.2 million** related to the re-classification of certain unclaimed property (mainly related to unclaimed return-premium and claims cheques) as abandoned and as a result, distributed to members as a credit to bad debts in accordance with Facility Association's "Unclaimed Property Guidelines and Procedures".

Actuarial Present Value Adjustments in Policy Liabilities related to Claims Fees and Allowed Claims Expenses

Accepted Actuarial Practice requires all policy liabilities recognize both the time value of money and provisions for adverse deviations. For member statement and financial statement reporting purposes, FA has historically applied actuarial present value adjustments only to the indemnity portion of the FARM policy liabilities, and explicitly NOT to provisions for certain specific reimbursed loss adjustment expenses ("claims fees and allowed claims expenses" or "retro provisions") as allowed under IFRS 4, after having assessed and deemed actuarial present value adjustments related to the claims fee and allowed claims expenses as being not material.

FA management has been reviewing this practice with the FA Appointed Actuary. The review is now complete and a decision has been made to begin to include actuarial present value adjustments for "claims fees and allowed claims expenses", effective as part of the FARM valuation as at September 30, 2016 (2016 Q3) and so implemented with this latest valuation into this month's results (the impact is included in the overall valuation implementation impact).

Bulletin F16-096
FARM – October 2016 Participation Report

The impact of this change is shown in columns [4] to [6] in the summary table below. For the premium deficiency / (DPAC) impact, the impact due to the individual components is not direct (due to how the provision is calculated), so we only show the total impact in columns [6] and [9].

Implementation Summary Table (\$000s) – claims fees and allowed claims expenses

\$000s	nominal values			actuarial present value adjustments			Member Statement impact		
	retroactive claims fee [1]	allowed claims expenses [2]	total [3]	retroactive claims fee [4]	allowed claims expenses [5]	total [6]	retroactive claims fee [7]	allowed claims expenses [8]	total [9]
prior accident years (1994-2015)	433	-	433	1,925	3,361	5,286	2,358	3,361	5,719
current accident year claims incurred	212	-	212	732	285	1,017	944	285	1,229
premium deficiency / (DPAC)	-	-	-			113			113
TOTAL	645	-	645			6,416			7,061

To put the above impact into some perspective, the total impact of this change (\$6.4 million – column [6], TOTAL row above) accounts for approximately 80% of the \$8.0 million actuarial present value implementation impact of this valuation.

It is important to keep in mind that actuarial present value adjustments reflect timing differences in the recognition of results. That is, our view of “best estimate” has not changed, and over time, the actuarial present value adjustments by accident year will be “released” as claims and Servicing Carrier claims fees are settled at their respective final resolution. These “releases” will have the same sort of impact as actuarial present value “releases” have with respect to indemnity liabilities.

It is also important to keep in mind that this does not impact Servicing Carrier fees themselves, nor the timing of the FA settlements with the Servicing Carriers for their claims fees.

Details are provided with the monthly operational actuarial highlights for October [FARM October 2016 Participation Report – Actuarial Highlights](#) and the FARM 2016 Q3 Actuarial Valuation Highlights [Actuarial Quarterly Valuation Highlights FARM as at September 30, 2016](#). Additional information can be obtained by contacting Shawn Doherty at sdoherty@facilityassociation.com.

Valuation

An actuarial valuation as at September 30, 2016 has been completed since last month’s Participation Report for the FARM private passenger and non-private passenger business segments for all jurisdictions and the results of that valuation have been incorporated into this month’s Participation Report. In addition, projected cash flows for all jurisdictions were updated along with the estimated risk-free yield curve, resulting in a decrease from 0.69% to 0.62% in the selected discount rate used in determining actuarial present value adjustments. Margins for adverse deviation were left unchanged for both investment return and claims development.

The incorporation of the new valuation, including the discount rate changes and the introduction of actuarial present value adjustments for claims fees and allowed claims expenses, is estimated to account for an overall **\$16.6 million unfavourable** impact on the month’s net result from operations (see the table at the top of the next page), adding an estimated 11.1 points to the year-

Bulletin F16-096
FARM – October 2016 Participation Report

to-date Combined Operating Ratio (ending at 99.1%). Of the \$16.6 million impact, \$6.4 million is directly attributed to the introduction of actuarial present value adjustments for claims fees and allowed claims expenses.

Grand Total	unfav / (fav)						ytd EP 149,540 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns		dsct rate		margins		ultimates & payout patterns		dsct rate		margins	
	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
PAYs	5,954	5,725	11,679	716	-	12,395	4.0%	3.8%	7.8%	0.5%	-	8.3%
CAY	2,575	1,193	3,768	138	-	3,906	1.7%	0.8%	2.5%	0.1%	-	2.6%
Prem Def	60	238	298	11	-	309	-	0.2%	0.2%	-	-	0.2%
TOTAL	8,589	7,156	15,745	865	-	16,610	5.7%	4.8%	10.5%	0.6%	-	11.1%

Please see “Effect of Quarterly Valuation” further in this bulletin for additional detail on the impacts of the updated valuation.

Summary of Financial Results

The calendar year-to-date Operating Results is \$1.5 million and the incurred loss ratio to the end of 10 months is 75.7%, as summarized in the table immediately below.

Amounts in \$000s	October 2016	October 2015	Year to date Oct 2016	Year to Date Oct 2015
Written Premiums	14,725	15,916	150,782	168,057
Earned Premiums	15,167	16,777	149,540	164,310
Incurred Losses	26,722	11,447	113,194	104,875
Underwriting Expenses and Others	3,629	2,993	34,870	37,527
Net Result from Operations	(15,184)	2,337	1,476	21,908
Ratios:				
Loss ratio % - Prior Accident Year	77.2%	(4.4%)	(0.8%)	(11.2%)
- Current Accident Years	99.0%	72.6%	76.5%	75.0%
Total	176.2%	68.2%	75.7%	63.8%
Underwriting & Admin Exp.%	24.0%	17.9%	23.4%	22.9%
Combined Operating Ratio	200.2%	86.1%	99.1%	86.7%

Rounding differences may occur

For details on the financial results, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2016 - 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”](#).

Updated Projection to Year-end 2016

This month, the projected calendar year Operating Results to December 2016 is \$5.5 million and the projected combined operating ratio to December 2016 is 96.9%. The updated projection to the end of calendar year 2016 has deteriorated by \$16.3 million as compared to the projection

Bulletin F16-096
FARM – October 2016 Participation Report

provided last month (\$21.9 million and 87.7%), mainly as a result of the \$16.2 million impact of the implementation this month of the September 30, 2016 valuation, as summarized in the table immediately below. Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

Grand Total	unfav / (fav) projected for full year						year EP 177,733 (current projection)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ultimates & payout patterns		dsct rate		margins		ultimates & payout patterns		dsct rate		margins	
	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
PAYs	5,954	4,994	10,948	687	-	11,635	3.3%	2.8%	6.2%	0.4%	-	6.5%
CAY	3,034	1,343	4,377	154	-	4,531	1.7%	0.8%	2.5%	0.1%	-	2.5%
Prem Def	3	4	7	2	-	9	-	-	-	-	-	-
TOTAL	8,991	6,341	15,332	843	-	16,175	5.1%	3.6%	8.6%	0.5%	-	9.1%

The updated year-end projections are shown against the October 28, 2015 Outlook in the table immediately below, with the estimated impact of implementing the *current* valuation in the two far right columns. In particular, with *five* valuations (2015 Q3 & Q4, and 2016 Q1, Q2 & Q3) and other changes since August 2015 (the actuals used in the Outlook), **the projected \$12.4 million operating result has been decreased to \$5.5 million.**

\$000s	Outlook Posted October 28, 2015			Updated Year-end Projection			Operating Result Change due to Valuation	
	Earned Premium	Operating Result	COR	Earned Premium	Operating Result	COR	Month of October	Year-end 2016
Ontario	45,033	2,790	94.0%	39,939	(95)	100.3%	(8,667)	(8,318)
Alberta	70,498	7,300	89.8%	59,494	11,291	81.1%	(2,409)	(2,598)
Newfoundland & Labrador	28,662	(3,666)	112.9%	27,975	(3,889)	114.0%	(2,195)	(2,006)
New Brunswick	20,601	2,010	90.4%	20,389	(1,585)	107.8%	(1,755)	(1,709)
Nova Scotia	16,312	1,584	90.4%	17,025	(822)	105.0%	(569)	(496)
Prince Edward Island	4,520	307	93.3%	4,786	(95)	102.1%	(580)	(637)
Yukon	2,163	221	89.9%	1,994	224	88.8%	(51)	(36)
Northwest Territories	5,159	1,430	72.3%	4,703	(476)	110.2%	(368)	(355)
Nunavut	1,631	457	72.1%	1,429	986	31.0%	(16)	(20)
TOTAL	194,579	12,432	93.7%	177,733	5,539	96.9%	(16,610)	(16,175)

In total, the operating result projection to year-end has decreased by \$6.9 million from the Outlook posted October 28, 2015 (to \$5.5 million as shown above). This amount is \$16.2 million lower than it would have been, if not for the implementation of the September 30, 2016 valuation. (The changes before the impact of the September 30, 2016 valuation are attributable to mix of business and other projection assumptions outside of the valuation process, as well as the previous valuations implemented since the valuation used for the Outlook.) As discussed, the 2016 Q3 valuation implementation included a \$6.4 million unfavourable impact related to the introduction of actuarial present value adjustments for claims fees and allowed claims expenses. Without this latter change, the result projected to year-end would have been close to what was originally projected for calendar year 2016.

One important change relative to the Outlook has been the reduction in the discount rate (the interest rate margin for adverse deviation remained consistent at 25 basis points). Had the

Bulletin F16-096
FARM – October 2016 Participation Report

Outlook discount rate of 1.07%¹ still been applicable, the operating result would have been higher by \$4.6 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately \$10.1 million (COR of 94.3%) had the discount rate and associated margin remained at the Outlook levels.

Current month results

The Operating Results in the month of October 2016 is -\$15.2 million, down \$17.5 million from the same month last year. This deterioration included an estimated \$0.2 million unfavourable impact due to the \$1.6 million decrease in earned premium (at a combined ratio of 86.1%), with the remaining \$17.3 million deterioration stemming from the increase in the combined ratio (from 86.1% last year to 200.2% this year, applied to this month's \$15.2 million earned premium).

This month's results moved the year-to-date combined operating ratio from 87.7% at the end of 9 months to 99.1% at the end of 10 months. The 11.4 percentage point increase is composed of an 8.8 percentage point increase in the Prior Accident Years loss ratio, coupled with a 2.5 percentage point increase in the Current Accident Year loss ratio, and a 0.1 percentage point increase in the expense ratio.

Variances from Projections

The table immediately below provides a summary of key components of the operating results as compared to the estimates projected last month.

October 2016	Actual	Projection	Difference	Difference %
Written Premiums	14,725	15,977	(1,252)	(7.8%)
Earned Premiums	15,167	14,702	465	3.2%
Reported Losses				
Paid Losses	13,116	10,639	2,477	23.3%
Change in Outstanding Losses	(4,620)	(594)	(4,026)	(677.8%)
Total Reported Losses	8,496	10,045	(1,549)	(15.4%)
Change in IBNR *	11,672	924	10,748	
Change in Premium Deficiency (DPAC) *	190	(288)	478	
Change in Retro Claims Expense *	6,554	(631)	7,185	

(Amounts in \$000's)

Rounding differences may occur

* Detailed information is included in [FARM October 2016 Participation Report - Actuarial Highlights](#).

¹ Bond yields have moved since the November 8, 2016 US Presidential election. Had the discount rate been based on November 2016 Bank of Canada yield curves rather than September 2016 as per our practice, the selected discount rate would have been 1.01%, rather than 0.62%. Users can use the interest rate sensitivity tables in Exhibit F to test for impact of alternate discount rates. For example, based on page 10 of Exhibit F, a 1.01% discount rate would reduce indemnity claims liabilities by an estimated \$4.6 million using simple linear interpolation. This is approximately the same impact as if the Outlook discount rate of 1.07% were still applicable.

Bulletin F16-096
FARM – October 2016 Participation Report

(The introduction of actuarial present value adjustments for “retro claims expense” or “claims fees and allowed claims expenses” added \$6.3 million to the ending retro provision and had a \$0.1 million unfavourable impact on the premium deficiency / (DPAC) provisions. As the introduction of actuarial present value adjustments for these liabilities was not included in the projections, these changes account directly for a portion of the difference between actual and projected values.)

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 October 2016, reported indemnity amounts were \$1.4 million lower 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 -\$1.5 million*). The Current Accident Year had a \$0.3 million favourable variance in reported indemnity, and the Prior Accident Years had a favourable variance of approximately \$1.1 million. No single Prior Accident Year had a reported indemnity variance in excess of \$1.0 million.

The variances for claims activity that were beyond the set thresholds at the jurisdiction, business segment level, and accident year group (i.e. Prior Accident Years vs. Current Accident Year) were investigated by Management. Management is satisfied that the variances are appropriately accounted for in our current booking process, except as discussed in the next paragraph.

Effect of Quarterly Valuation

The October 2016 Participation Report reflects the results of an updated valuation as at September 30, 2016, with the associated impacts in relation to the results for October 2016 summarized in the table immediately below.

Grand Total	unfav / (fav)						mth EP 15,167 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ultimates & payout patterns			dsct rate	margins		ultimates & payout patterns			dsct rate	margins	
nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
PAYs	5,954	5,725	11,679	716	-	12,395	39.3%	37.7%	77.0%	4.7%	-	81.7%
CAY	2,575	1,193	3,768	138	-	3,906	17.0%	7.9%	24.8%	0.9%	-	25.8%
Prem Def	60	238	298	11	-	309	0.4%	1.6%	2.0%	0.1%	-	2.0%
TOTAL	8,589	7,156	15,745	865	-	16,610	56.6%	47.2%	103.8%	5.7%	-	109.5%

The valuation included all jurisdictions and business segments and resulted in updated policy liability cash flow estimates for all jurisdictions that, when applied to the updated risk free yield curve, resulted in a decrease in the selected discount rate from 0.69% to 0.62%. The investment return margin for adverse deviation was left unchanged at 25 basis points, and the selected claims development margins² were also left unchanged.

² Claims development margins are selected by jurisdiction, business segment, coverage, and accident half-year.

Bulletin F16-096
FARM – October 2016 Participation Report

The **valuation summary** (in relation to **indemnity only**) is provided in the table that follows. (Please note that in reference to columns [4] to [9] in that table, the estimated impacts are in relation to a full year estimated earned premium, and are not “year-to-date”.)

September 30, 2016 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis)

Jurisdiction	2015 & Prior Beginning Indemnity Unpaid (000s)	2015 & Prior Accident Year Indemnity Change (000s)	% of Beginning Unpaid	2016 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2016 Earned Prem (000s)	2017 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2017 Proj Earned Prem (000s)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Ontario	103,327	3,921	3.8%	49.2%	1.3%	519	50.6%	0.0%	-
PPV	46,373	2,356	5.1%	45.2%	(0.3%)	(37)	47.5%	0.0%	-
Non-PPV	56,954	1,565	2.7%	51.0%	2.0%	553	52.0%	0.0%	-
Alberta	66,956	221	0.3%	60.5%	1.7%	1,012	54.6%	(1.7%)	(987)
PPV	18,410	(359)	(2.0%)	57.7%	(1.7%)	(163)	57.7%	(2.5%)	(225)
Non-PPV	48,546	580	1.2%	61.1%	2.4%	1,199	54.1%	(1.5%)	(736)
Newfoundland & Labrador	45,116	(23)	(0.1%)	79.3%	3.2%	892	72.0%	(0.4%)	(120)
PPV	29,725	15	0.1%	71.2%	2.7%	567	66.7%	0.2%	45
Non-PPV	15,391	(38)	(0.2%)	104.0%	5.0%	345	88.6%	0.0%	-
New Brunswick	26,094	881	3.4%	54.3%	(0.2%)	(41)	54.5%	0.0%	-
PPV	15,357	443	2.9%	58.5%	0.2%	26	59.0%	(0.1%)	(13)
Non-PPV	10,737	438	4.1%	47.2%	(0.9%)	(68)	47.0%	0.0%	-
Nova Scotia	22,518	(226)	(1.0%)	60.7%	0.7%	119	59.8%	0.0%	-
PPV	12,159	(890)	(7.3%)	63.6%	(0.1%)	(7)	63.1%	0.0%	-
Non-PPV	10,359	664	6.4%	58.5%	1.1%	108	57.5%	0.0%	-
Prince Edward Island	5,287	(4)	(0.1%)	62.0%	8.3%	398	46.8%	(0.1%)	(5)
PPV	3,186	40	1.3%	56.2%	3.6%	105	42.0%	0.0%	-
Non-PPV	2,101	(44)	(2.1%)	70.9%	15.6%	295	54.0%	0.0%	-
Yukon Territory	3,167	31	1.0%	48.0%	(3.3%)	(66)	54.2%	(0.5%)	(10)
PPV	2,256	(92)	(4.1%)	59.6%	(7.6%)	(53)	63.1%	0.0%	-
Non-PPV	911	123	13.5%	41.8%	(0.2%)	(3)	50.0%	0.0%	-
Northwest Territories	5,194	271	5.2%	39.8%	(1.8%)	(85)	42.4%	(0.1%)	(5)
PPV	3,415	285	8.3%	41.6%	(4.1%)	(141)	45.5%	0.0%	-
Non-PPV	1,779	(14)	(0.8%)	35.2%	4.9%	63	34.5%	0.0%	-
Nunavut	1,171	(19)	(1.6%)	40.7%	1.1%	16	34.3%	0.5%	7
PPV	369	(14)	(3.8%)	35.3%	4.1%	27	26.6%	0.0%	-
Non-PPV	802	(5)	(0.6%)	45.2%	(1.6%)	(13)	39.6%	0.0%	-
Total	278,830	5,053	1.8%	59.4%	1.5%	2,665	56.5%	(0.5%)	(892)

The overall **impact of implementing the valuation** on the results of the Month of October is estimated as **unfavourable by \$16.6 million**, as summarized in the table at the top of the next page. In that table, column [1] shows indemnity only, and is therefore comparable to the valuation summary table above (columns [2], [6] and a portion of [9] in the valuation summary table are comparable to the first row of column [1] in the table below). Differences will emerge due to the differences between data available at September 30, 2016 (used for the valuation) and available for implementation (October 31, 2016). In addition, column [6] of the valuation summary table above estimates the impact of the change in selected current accident year indemnity loss ratio against projected full year 2016 earned premium, whereas the current accident year row, column [1] in the implementation impact table immediately below applies the change to year-to-date earned premium at October 31, 2016.

Bulletin F16-096
FARM – October 2016 Participation Report

Implementation Impact - relative to projection for month of October 2016 (negative values are favourable)

\$000s	indemnity [1]	retroactive claims fee [2]	allowed claims expenses [3]	nominal total [4]	actuarial present value [5]	Grand Total [6]
prior accident years (1994-2015)	5,521	433	-	5,954	6,441	12,395
current accident year claims incurred	2,363	212	-	2,575	1,331	3,906
premium deficiency / (DPAC)	60			60	249	309
TOTAL	7,944	645	-	8,589	8,021	16,610

As discussed earlier, the actuarial present value implementation impacts include those related to the first time introduction of actuarial present value adjustments for claims fees and allowed claims expenses. The associated table of impacts from that section is reproduced below, with the impact total for actuarial present value adjustments alone shown in columns [4] to [6]. Specifically, the values in column [5] in the table above include the values shown in column [6] of the table below. Clearly, a significant portion (in fact, 80%) of the \$8.0 million implementation impact related to actuarial present value adjustments is due to the first time introduction of actuarial present value adjustments for claims fees and allowed claims expenses (i.e. a \$6.4 million impact).

Implementation Summary Table (\$000s) – claims fees and allowed claims expenses, aka “retro” expenses

\$000s	nominal values			actuarial present value adjustments			Member Statement Impact		
	retroactive claims fee [1]	allowed claims expenses [2]	total [3]	retroactive claims fee [4]	allowed claims expenses [5]	total [6]	retroactive claims fee [7]	allowed claims expenses [8]	total [9]
prior accident years (1994-2015)	433	-	433	1,925	3,361	5,286	2,358	3,361	5,719
current accident year claims incurred	212	-	212	732	285	1,017	944	285	1,229
premium deficiency / (DPAC)	-	-	-			113			113
TOTAL	645	-	645			6,416			7,061

An alternate summary of the valuation implementation impact is presented in the table immediately below, including the impact in relation to year-to-date earned premium. In this table, rows “PAYs” and “CAY” (for “Prior Accident Years” and “Current Accident Year” respectively), include the changes in indemnity, retroactive claims fee adjustment provision and the provision for allowed claims adjustment expenses.

Grand Total	unfav / (fav)						ytd EP 149,540 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns		dsct rate	margins			ultimates & payout patterns		dsct rate	margins		
	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
PAYs	5,954	5,725	11,679	716	-	12,395	4.0%	3.8%	7.8%	0.5%	-	8.3%
CAY	2,575	1,193	3,768	138	-	3,906	1.7%	0.8%	2.5%	0.1%	-	2.6%
Prem Def	60	238	298	11	-	309	-	0.2%	0.2%	-	-	0.2%
TOTAL	8,589	7,156	15,745	865	-	16,610	5.7%	4.8%	10.5%	0.6%	-	11.1%

The overall impact *prior to* the 7 basis point decrease in the discount rate (to 0.62%) and changes

Bulletin F16–096
FARM – October 2016 Participation Report

to margins for adverse deviation was unfavourable by \$15.7 million (Total row, third column in the table at the bottom of the previous page – this includes \$6.3 million in impacts related to the introduction of actuarial present value adjustments for claims fees and allowed expenses, and again, prior to changing the discount rate from 0.69% to 0.62%). This was augmented by the \$0.9 million unfavourable impact of the discount rate change (Total row, fourth column). Finally, as there were no changes to the selected margins for adverse deviation, there was no associated impact (fifth column in the table at the bottom of the previous page).

Additional detail of the valuation results and impact is available in the [FARM October 2016 Participation Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights FARM as at September 30, 2016](#).

The actuarial valuation will be updated next as at December 31, 2016 for all jurisdictions and business segments. The results are anticipated to be reflected in the March 2017 Participation Report.

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 4.8% overall in October 2016 relative to October 2015. On a year-to-date basis, exposure counts are down by 6.4%, decreasing in all jurisdictions except Nova Scotia.

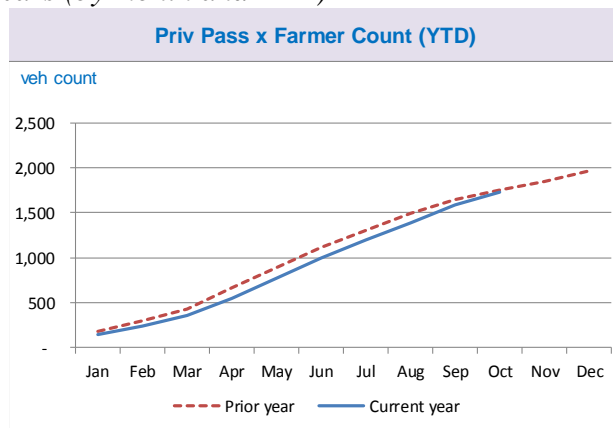
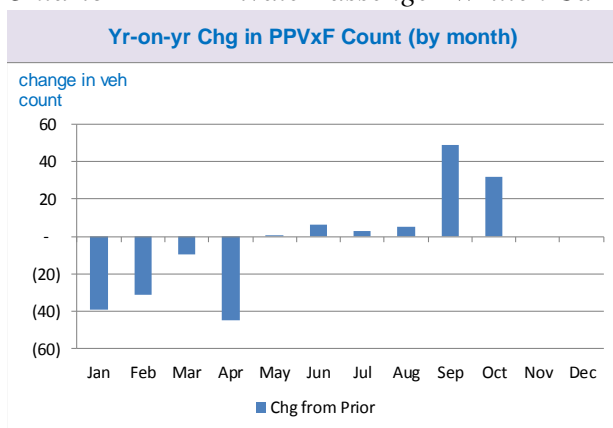
Bulletin F16-096
FARM – October 2016 Participation Report

FARM Private Passenger Written Car Years³

Jurisdiction	# FARM Vehicles Written							
	Month of October 2016				Calendar YTD as of October 2016			
	2016	2015	Chg	% Chg	2016	2015	Chg	% Chg
Ontario	137	106	32	30.1%	1,730	1,759	(29)	(1.6%)
Alberta	184	236	(51)	(21.8%)	1,495	2,218	(723)	(32.6%)
Newfoundland & Labrador	1,001	1,008	(7)	(0.7%)	9,091	9,323	(232)	(2.5%)
New Brunswick	733	756	(23)	(3.1%)	6,416	6,706	(290)	(4.3%)
Nova Scotia	345	340	5	1.4%	3,355	3,219	135	4.2%
Prince Edward Island	141	173	(32)	(18.2%)	1,329	1,402	(72)	(5.1%)
Yukon	10	31	(21)	(66.9%)	209	384	(174)	(45.4%)
Northwest Territories	256	259	(3)	(1.2%)	2,154	2,282	(128)	(5.6%)
Nunavut	29	71	(42)	(58.9%)	299	565	(267)	(47.1%)
All Jurisdictions	2,837	2,980	(142)	(4.8%)	26,078	27,858	(1,780)	(6.4%)

October 2016 represents the sixth month in a row where the Ontario FARM private passenger counts have not decreased (see charts immediately below). Six consecutive months of non-decreasing year-over-year counts has not occurred since at least 2008, perhaps signaling the “bottom” of the de-population in the jurisdiction.

Ontario FARM Private Passenger Written Car Years (by month and YTD)



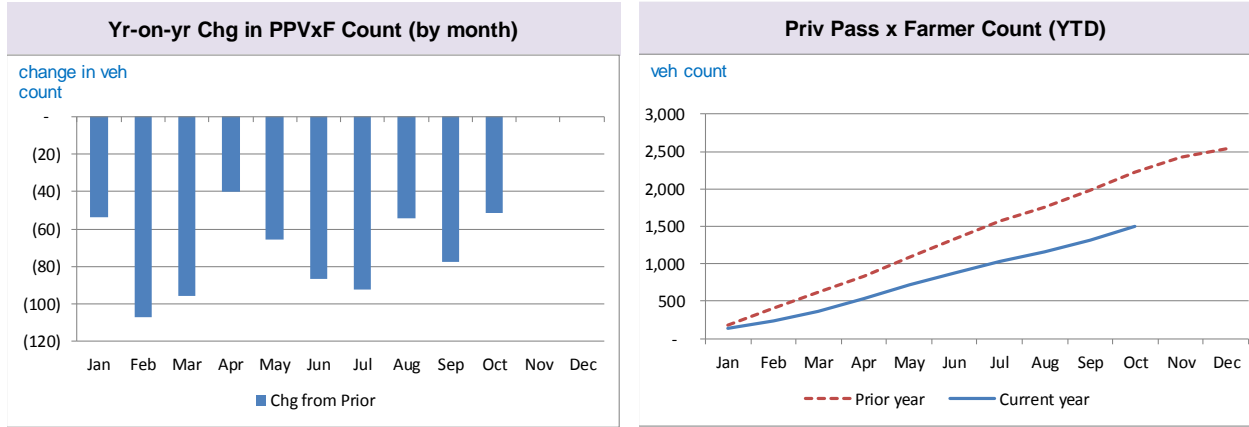
	Oct-16	Oct-15	Amt Chg	% Chg
W. Vehicles YTD	1,730	1,759	(29)	-1.6%

³ As indicated in the June 2016 Bulletin, we changed the basis of the counts provided in the table above from an “Entry Date” basis to a “Share Date” basis to be in line with our share base reporting, as well as excluding fleet-rated private passenger vehicles from the table because fleet-rated private passenger vehicles are considered “non-private passenger” for the purposes of sharing. This basis is consistent with share written premium presented each month, better aligning count changes with premium changes. “Entry Date” basis for the above consistent with prior reporting practice is available upon request.

Bulletin F16-096
FARM – October 2016 Participation Report

In contrast with Ontario, Alberta Private Passenger counts continue to decline at a significant pace as indicated in the charts below.

Alberta FARM Private Passenger Written Car Years (by month and YTD)



	Oct-16	Oct-15	Amt Chg	% Chg
W. Vehicles YTD	1,494	2,217	(724)	-32.6%

“Private Passenger” follows the Plan of Operation definition and so does NOT include fleet-rated private passenger vehicles.

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 October 2016 Participation Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights FARM as at September 30, 2016](#)

[Actuarial Quarterly Valuation Highlights – FARM Summary Exhibits](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 10 months ended October 31, 2016 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 10/2016
(thousands of dollars)

	January	February	March	April	May	June	July	August	September	October	CY2016 YTD	CY2016 12 Months Updated Projections	CY2015 12 Months Actual
UNDERWRITING REVENUE:													
PREMIUMS WRITTEN	\$11,014	\$10,437	\$12,647	\$16,323	\$21,139	\$19,074	\$16,410	\$14,676	\$14,337	\$14,725	\$150,782	\$172,718	\$189,847
CHANGE IN UNEARNED PREMIUMS	4,378	3,624	2,270	(1,943)	(6,005)	(4,214)	(919)	653	472	442	(1,242)	5,015	6,085
NET PREMIUMS EARNED	\$15,392	\$14,061	\$14,917	\$14,380	\$15,134	\$14,860	\$15,491	\$15,329	\$14,809	\$15,167	\$149,540	\$177,733	\$195,932
CLAIMS INCURRED													
PRIOR ACCIDENT YEARS													
UNDISCOUNTED	(201)	70	(2,552)	(2)	4,266	(173)	2	(9,184)	15	5,964	(1,795)	(1,808)	(15,364)
EFFECT OF DISCOUNTING	(575)	(797)	(288)	(592)	368	(769)	(309)	(1,813)	(369)	5,745	601	(1,231)	(4,171)
DISCOUNTED	(776)	(727)	(2,840)	(594)	4,634	(942)	(307)	(10,997)	(354)	11,709	(1,194)	(3,039)	(19,535)
CURRENT ACCIDENT YEAR													
UNDISCOUNTED	10,458	9,614	10,300	9,851	10,354	10,175	10,572	12,078	10,326	13,152	106,880	127,050	138,707
EFFECT OF DISCOUNTING	813	664	622	530	712	450	571	806	479	1,861	7,508	8,631	8,047
DISCOUNTED	11,271	10,278	10,922	10,381	11,066	10,625	11,143	12,884	10,805	15,013	114,388	135,681	146,754
CLAIMS INCURRED	\$10,495	\$9,551	\$8,082	\$9,787	\$15,700	\$9,683	\$10,836	\$1,887	\$10,451	\$26,722	\$113,194	\$132,642	\$127,219
UNDERWRITING EXPENSES													
OPERATING & SERVICE FEES	1,170	1,059	1,381	1,666	2,156	2,000	1,704	1,496	1,466	1,499	15,597	17,821	19,838
AGENTS COMMISSIONS	899	873	1,083	1,366	1,706	1,607	1,382	1,242	1,209	1,280	12,647	14,503	15,658
DRIVER RECORD ABSTRACTS	175	148	396	147	291	222	180	109	218	665	2,551	2,400	3,187
BAD DEBTS	(7)	(4)	1	190	(5)	(6)	(4)	(3)	(10)	(331)	(179)	149	(579)
PREMIUM DEFICIENCY/(DPAC)													
UNDISCOUNTED	336	277	178	(144)	(316)	(282)	(65)	(115)	16	(9)	(124)	167	292
EFFECT OF DISCOUNTING	(16)	(5)	4	1	87	20	12	84	(28)	199	358	14	(230)
DISCOUNTED	320	272	182	(143)	(229)	(262)	(53)	(31)	(12)	190	234	181	62
UNDERWRITING EXPENSES	\$2,557	\$2,348	\$3,043	\$3,226	\$3,919	\$3,561	\$3,209	\$2,813	\$2,871	\$3,303	\$30,850	\$35,054	\$38,166
NET UNDERWRITING GAIN (LOSS)	\$2,340	\$2,162	\$3,792	\$1,367	(\$4,485)	\$1,616	\$1,446	\$10,629	\$1,487	(\$14,858)	\$5,496	\$10,037	\$30,547
ADMINISTRATIVE EXPENSES	364	320	607	399	391	522	343	421	408	342	4,117	4,650	5,085
PREMIUM FINANCE FEE	(10)	(9)	(9)	(9)	(9)	(10)	(8)	(10)	(10)	(7)	(91)	(84)	(108)
INVESTMENT INCOME	17	16	18	15	16	18	18	23	24	23	188	235	260
OPERATING RESULTS	\$1,983	\$1,849	\$3,194	\$974	(\$4,869)	\$1,102	\$1,113	\$10,221	\$1,093	(\$15,184)	\$1,476	\$5,538	\$25,614
RATIOS:													
Claims & Adj Expenses Incurred (Earned)													
Prior Accident Year	-5.0%	-5.2%	-19.0%	-4.1%	30.6%	-6.3%	-2.0%	-71.7%	-2.4%	77.2%	-0.8%	-1.7%	-10.0%
Current Accident Years	73.2%	73.1%	73.2%	72.2%	73.1%	71.5%	71.9%	84.0%	73.0%	99.0%	76.5%	76.3%	74.9%
All Accident Years Combined	68.2%	67.9%	54.2%	68.1%	103.7%	65.2%	69.9%	12.3%	70.6%	176.2%	75.7%	74.6%	64.9%
Underwriting & Admin Exp.(Earned)	19.0%	19.0%	24.5%	25.2%	28.5%	27.5%	22.9%	21.1%	22.1%	24.0%	23.4%	22.3%	22.1%
COMBINED OPERATING RATIO	87.2%	86.9%	78.7%	93.3%	132.2%	92.7%	92.8%	33.4%	92.7%	200.2%	99.1%	96.9%	87.0%

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 2016
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS
Operating Results for the 10 months ended October 31, 2016 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 10/2016
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2016 12 Months Updated Projections	CY2015 12 Months Actual
UNDERWRITING REVENUE:												
PREMIUMS WRITTEN	\$47,039	\$34,801	\$15,587	\$4,281	\$17,932	\$24,299	\$1,675	\$4,021	\$1,147	\$150,782	\$172,718	\$189,847
CHANGE IN UNEARNED PREMIUMS	3,224	(1,144)	(1,382)	(281)	(824)	(850)	14	(71)	72	(1,242)	5,015	6,085
NET PREMIUMS EARNED	\$50,263	\$33,657	\$14,205	\$4,000	\$17,108	\$23,449	\$1,689	\$3,950	\$1,219	\$149,540	\$177,733	\$195,932
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(7,093)	3,676	166	(288)	2,395	(1,274)	(22)	1,309	(664)	(1,795)	(1,808)	(15,364)
EFFECT OF DISCOUNTING	(1,577)	1,455	221	74	413	(149)	40	166	(42)	601	(1,231)	(4,171)
DISCOUNTED	(8,670)	5,131	387	(214)	2,808	(1,423)	18	1,475	(706)	(1,194)	(3,039)	(19,535)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	35,407	21,417	10,470	2,996	11,437	21,559	996	1,986	612	106,880	127,050	138,707
EFFECT OF DISCOUNTING	2,100	2,111	693	237	727	1,406	72	116	46	7,508	8,631	8,047
DISCOUNTED	37,507	23,528	11,163	3,233	12,164	22,965	1,068	2,102	658	114,388	135,681	146,754
CLAIMS INCURRED	\$28,837	\$28,659	\$11,550	\$3,019	\$14,972	\$21,542	\$1,086	\$3,577	(\$48)	\$113,194	\$132,642	\$127,219
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	4,728	3,784	1,584	434	1,817	2,513	185	414	138	15,597	17,821	19,838
AGENTS COMMISSIONS	4,087	2,105	1,374	411	1,709	2,292	152	409	108	12,647	14,503	15,658
DRIVER RECORD ABSTRACTS	655	155	636	156	439	353	25	116	16	2,551	2,400	3,187
BAD DEBTS	103	(155)	(29)	(36)	3	(54)	(10)	(15)	14	(179)	149	(579)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	299	(67)	(122)	(27)	(86)	(122)	2	(9)	8	(124)	167	292
EFFECT OF DISCOUNTING	0	0	0	0	0	358	0	0	0	358	14	(230)
DISCOUNTED	299	(67)	(122)	(27)	(86)	236	2	(9)	8	234	181	62
UNDERWRITING EXPENSES	\$9,872	\$5,822	\$3,443	\$938	\$3,882	\$5,340	\$354	\$915	\$284	\$30,850	\$35,054	\$38,166
NET UNDERWRITING GAIN (LOSS)	\$11,554	(\$824)	(\$788)	\$43	(\$1,746)	(\$3,433)	\$249	(\$542)	\$983	\$5,496	\$10,037	\$30,547
ADMINISTRATIVE EXPENSES	1,185	915	433	149	491	643	86	141	74	4,117	4,650	5,085
PREMIUM FINANCE FEE	(29)	(29)	(9)	0	(10)	(14)	0	0	0	(91)	(84)	(108)
INVESTMENT INCOME	46	64	17	5	18	34	1	3	0	188	235	260
OPERATING RESULTS	\$10,386	(\$1,704)	(\$1,213)	(\$101)	(\$2,229)	(\$4,056)	\$164	(\$680)	\$909	\$1,476	\$5,538	\$25,614
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-17.2%	15.2%	2.7%	-5.4%	16.4%	-6.1%	1.1%	37.3%	-57.9%	-0.8%	-1.7%	-10.0%
Current Accident Years	74.6%	69.9%	78.6%	80.8%	71.1%	97.9%	63.2%	53.2%	54.0%	76.5%	76.3%	74.9%
All Accident Years Combined	57.4%	85.1%	81.3%	75.4%	87.5%	91.8%	64.3%	90.5%	-3.9%	75.7%	74.6%	64.9%
Underwriting & Admin Exp.(Earned)	22.0%	20.0%	27.3%	27.2%	25.6%	25.5%	26.1%	26.7%	29.4%	23.4%	22.3%	22.1%
COMBINED OPERATING RATIO	79.4%	105.1%	108.6%	102.6%	113.1%	117.3%	90.4%	117.2%	25.5%	99.1%	96.9%	87.0%

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