



FACILITY
Association

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TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO.: F17 – 003
DATE: JANUARY 30, 2017
SUBJECT: FARM – NOVEMBER 2016 PARTICIPATION REPORT

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

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

New This Month

The November 2016 Participation Report reflects the effects of a transfer of \$10 million from members to Facility Association. Member Company's share of this transfer is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions. *Note: All balances due to/from Facility Association are to be settled on or before February 27, 2017.* Please see the "Members' Transfer of Funds" section on page 4 for more detail.

Summary of Financial Results

The calendar year-to-date Operating Result is \$3.9 million and the incurred loss ratio to the end of 11 months is 74.7%, as summarized in the table at the top of the next page.

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Amounts in \$000s	November 2016	November 2015	Year to date Nov 2016	Year to Date Nov 2015
Written Premiums	10,540	11,648	161,322	179,705
Earned Premiums	14,195	15,730	163,735	180,040
Incurred Losses	9,031	11,376	122,225	116,251
Underwriting Expenses and Others	2,769	2,964	37,639	40,491
Net Result from Operations	2,395	1,390	3,871	23,298
Ratios:				
Loss ratio % - Prior Accident Year	(11.5%)	(2.2%)	(1.7%)	(10.4%)
- Current Accident Years	75.2%	74.6%	76.4%	75.0%
Total	63.7%	72.4%	74.7%	64.6%
Underwriting & Admin Exp.%	19.6%	18.9%	23.1%	22.6%
Combined Operating Ratio	83.3%	91.3%	97.8%	87.2%

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 \$7.4 million and the projected combined operating ratio to December 2016 is 96.0%. The updated projection to the end of calendar year 2016 has improved by \$1.9 million as compared to the projection provided last month (\$5.5 million and 96.9%). This improvement mainly stems from the overall decrease in the combined ratio (from 96.9% to 96.0% applied to \$177.5 million in projected earned premium). Projected written and earned premium have both decreased, but at differing levels (written premium down \$1.2 million or 0.7%; earned premium down \$0.2 million or 0.1%).

Current month results

The Operating Results in the month of November 2016 is \$2.4 million, up \$1.0 million from the same month last year. This improvement included an estimated \$0.1 million unfavourable impact due to the \$1.5 million decrease in earned premium (at a combined ratio of 91.3%), offset by a \$1.1 million improvement stemming from the decrease in the combined ratio (from 91.3% last year to 83.3% this year, applied to this month’s \$14.2 million earned premium).

This month’s results moved the year-to-date combined operating ratio from 99.1% at the end of 10 months to 97.8% at the end of 11 months. The 1.3 percentage point decrease is composed of a 0.9 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.1 percentage point decrease in the Current Accident Year loss ratio, and a 0.3 percentage point decrease in the expense ratio.

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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.

November 2016	Actual	Projection	Difference	Difference %
Written Premiums	10,540	11,734	(1,194)	(10.2%)
Earned Premiums	14,195	14,302	(107)	(0.7%)
Reported Losses				
Paid Losses	17,633	10,323	7,310	70.8%
Change in Outstanding Losses	(3,640)	668	(4,308)	(644.9%)
Total Reported Losses	13,993	10,991	3,002	27.3%
Change in IBNR *	(4,545)	(43)	(4,502)	
Change in Premium Deficiency (DPAC) *	89	(118)	207	
Change in Retro Claims Expense *	(417)	(1,001)	584	

(Amounts in \$000's)

Rounding differences may occur

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

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 November 2016, reported indemnity amounts were \$3.3 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 \$3.0 million*). The Current Accident Year had a \$4.9 million unfavourable variance in reported indemnity, while the Prior Accident Years had a favourable variance of \$1.6 million. Of the Prior Accident Years, 2012 had the largest variance in reported losses at \$1.1 million favourable. No other 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.

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

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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 2016 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at September 30, 2016 for all jurisdictions and business segments. The actuarial valuation will be updated next as at December 31, 2016 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the March 2017 Participation Report.

Members' Transfer of Funds

As indicated in our Bulletin [F05-049](#) dated October 4, 2005, the Facility Association Board of Directors authorized the transfer to members of Facility Association (FARM) reserve-related funds that are not required to meet Facility Association's short-term cash flow needs. Transferring these funds to Members allows them to invest the funds based upon Members' own investment plans and policies. **Please note that any investment losses on funds held by Members will be borne solely by them.**

As 100% of all FARM policyholder payments are made directly through Facility Association, Members will be required to return the FARM policyholder funds they hold when such payments are made, or projected to be made, by Facility Association. Facility Association's short-term cash flow needs are monitored on a monthly basis, and net transfers of funds to or from Members are made periodically as needed.

The November 2016 Participation Report reflects the effect of the transfer of \$10 million from Members to Facility Association. The amount due to or from Facility Association for your company as a result of the transfer will depend on your company's share of the Residual Market in each jurisdiction, as well as differences in share ratios by business segment and accident year.

Member company share of the transfer of \$10 million is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions. ***Note: All balances due to/from Facility Association are to be settled on or before February 27, 2017.***

The amounts to be settled with Facility Association at this time are the net amounts of the adjustment referred to above, an aggregate summary of which is shown at the top of the next page.

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Amounts (\$000s) to be Transferred to / (from) Members

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	(978)	(3,566)	(4,544)
Alberta	(6,992)	(5,146)	(12,139)
Newfoundland & Labrador	1,605	1,875	3,479
New Brunswick	1,900	536	2,436
Nova Scotia	(343)	375	32
Prince Edward Island	167	119	286
Yukon	205	(87)	118
Northwest Territories	949	245	1,194
Nunavut	(683)	(181)	(864)
TOTAL	(4,171)	(5,829)	(10,000)

Management Comments

As shown in the table immediately below, the private passenger annualized vehicle counts decreased by 6.8% overall in November 2016 relative to November 2015. On a year-to-date basis, exposure counts are down by 6.4%, decreasing in all jurisdictions except Nova Scotia.

FARM Private Passenger Written Car Years¹

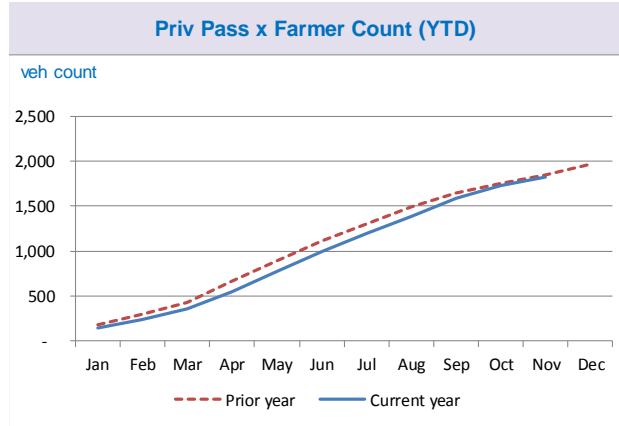
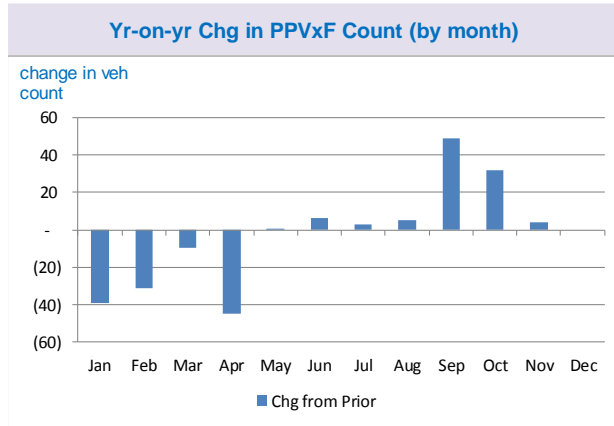
Jurisdiction	# FARM Vehicles Written							
	Month of November 2016				Calendar YTD as of November 2016			
	2016	2015	Chg	% Chg	2016	2015	Chg	% Chg
Ontario	99	95	4	4.5%	1,829	1,854	(25)	(1.3%)
Alberta	62	200	(137)	(68.8%)	1,557	2,418	(861)	(35.6%)
Newfoundland & Labrador	733	752	(19)	(2.5%)	9,824	10,075	(251)	(2.5%)
New Brunswick	495	440	55	12.5%	6,911	7,146	(235)	(3.3%)
Nova Scotia	283	238	45	18.7%	3,638	3,458	180	5.2%
Prince Edward Island	103	106	(3)	(2.8%)	1,432	1,507	(75)	(5.0%)
Yukon	11	27	(16)	(59.5%)	220	411	(191)	(46.4%)
Northwest Territories	111	157	(46)	(29.3%)	2,265	2,438	(174)	(7.1%)
Nunavut	11	33	(22)	(65.9%)	310	598	(288)	(48.2%)
All Jurisdictions	1,909	2,048	(139)	(6.8%)	27,986	29,905	(1,919)	(6.4%)

¹ 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.

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November 2016 represents the seventh month in a row where the Ontario FARM private passenger counts have not decreased (see charts immediately below). Seven 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.

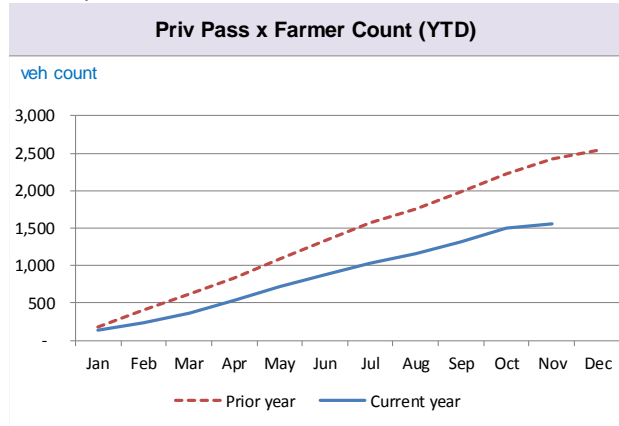
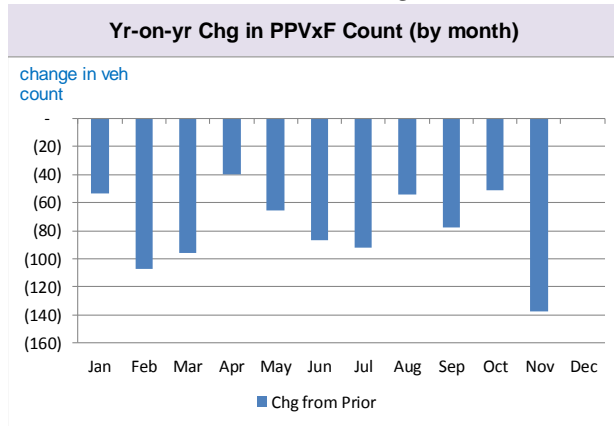
Ontario FARM Private Passenger Written Car Years (by month and YTD)



	Nov-16	Nov-15	Amt Chg	% Chg
W. Vehicles YTD	1,829	1,854	(25)	-1.3%

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)



	Nov-16	Nov-15	Amt Chg	% Chg
W. Vehicles YTD	1,556	2,417	(861)	-35.6%

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

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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 2016 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 11 months ended November 30, 2016 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 11/2016
(thousands of dollars)

	January	February	March	April	May	June	July	August	September	October	November	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	\$10,540	\$161,322	\$171,524	\$189,847
CHANGE IN UNEARNED PREMIUMS	4,378	3,624	2,270	(1,943)	(6,005)	(4,214)	(919)	653	472	442	3,655	2,413	6,016	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	\$14,195	\$163,735	\$177,540	\$195,932
CLAIMS INCURRED														
PRIOR ACCIDENT YEARS														
UNDISCOUNTED	(201)	70	(2,552)	(2)	4,266	(173)	2	(9,184)	15	5,964	(356)	(2,151)	(2,153)	(15,364)
EFFECT OF DISCOUNTING	(575)	(797)	(288)	(592)	368	(769)	(309)	(1,813)	(369)	5,745	(1,282)	(681)	(2,723)	(4,171)
DISCOUNTED	(776)	(727)	(2,840)	(594)	4,634	(942)	(307)	(10,997)	(354)	11,709	(1,638)	(2,832)	(4,876)	(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	10,172	117,052	126,939	138,707
EFFECT OF DISCOUNTING	813	664	622	530	712	450	571	806	479	1,861	497	8,005	8,507	8,047
DISCOUNTED	11,271	10,278	10,922	10,381	11,066	10,625	11,143	12,884	10,805	15,013	10,669	125,057	135,446	146,754
CLAIMS INCURRED	\$10,495	\$9,551	\$8,082	\$9,787	\$15,700	\$9,683	\$10,836	\$1,887	\$10,451	\$26,722	\$9,031	\$122,225	\$130,570	\$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	1,071	16,668	17,702	19,838
AGENTS COMMISSIONS	899	873	1,083	1,366	1,706	1,607	1,382	1,242	1,209	1,280	955	13,602	14,412	15,658
DRIVER RECORD ABSTRACTS	175	148	396	147	291	222	180	109	218	665	256	2,807	2,851	3,187
BAD DEBTS	(7)	(4)	1	190	(5)	(6)	(4)	(3)	(10)	(331)	3	(176)	(183)	(579)
PREMIUM DEFICIENCY/(DPAC)														
UNDISCOUNTED	336	277	178	(144)	(316)	(282)	(65)	(115)	16	(9)	196	72	244	292
EFFECT OF DISCOUNTING	(16)	(5)	4	1	87	20	12	84	(28)	199	(107)	251	9	(230)
DISCOUNTED	320	272	182	(143)	(229)	(262)	(53)	(31)	(12)	190	89	323	253	62
UNDERWRITING EXPENSES	\$2,557	\$2,348	\$3,043	\$3,226	\$3,919	\$3,561	\$3,209	\$2,813	\$2,871	\$3,303	\$2,374	\$33,224	\$35,035	\$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)	\$2,790	\$8,286	\$11,935	\$30,547
ADMINISTRATIVE EXPENSES	364	320	607	399	391	522	343	421	408	342	407	4,524	4,677	5,085
PREMIUM FINANCE FEE	(10)	(9)	(9)	(9)	(9)	(10)	(8)	(10)	(10)	(7)	(9)	(100)	(91)	(108)
INVESTMENT INCOME	17	16	18	15	16	18	18	23	24	23	21	209	232	260
OPERATING RESULTS	\$1,983	\$1,849	\$3,194	\$974	(\$4,869)	\$1,102	\$1,113	\$10,221	\$1,093	(\$15,184)	\$2,395	\$3,871	\$7,399	\$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%	-11.5%	-1.7%	-2.7%	-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%	75.2%	76.4%	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%	63.7%	74.7%	73.6%	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%	19.6%	23.1%	22.4%	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%	83.3%	97.8%	96.0%	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 11 months ended November 30, 2016 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 11/2016
(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	\$50,583	\$36,645	\$16,653	\$4,591	\$19,297	\$26,264	\$1,766	\$4,312	\$1,211	\$161,322	\$171,524	\$189,847
CHANGE IN UNEARNED PREMIUMS	4,172	215	(1,000)	(190)	(498)	(496)	84	9	117	2,413	6,016	6,085
NET PREMIUMS EARNED	\$54,755	\$36,860	\$15,653	\$4,401	\$18,799	\$25,768	\$1,850	\$4,321	\$1,328	\$163,735	\$177,540	\$195,932
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(7,096)	3,332	164	(269)	2,371	(1,275)	(23)	1,309	(664)	(2,151)	(2,153)	(15,364)
EFFECT OF DISCOUNTING	(1,717)	890	3	31	383	(413)	39	146	(43)	(681)	(2,723)	(4,171)
DISCOUNTED	(8,813)	4,222	167	(238)	2,754	(1,688)	16	1,455	(707)	(2,832)	(4,876)	(19,535)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	38,570	23,449	11,537	3,295	12,566	23,701	1,090	2,177	667	117,052	126,939	138,707
EFFECT OF DISCOUNTING	2,154	2,290	763	256	769	1,524	77	124	48	8,005	8,507	8,047
DISCOUNTED	40,724	25,739	12,300	3,551	13,335	25,225	1,167	2,301	715	125,057	135,446	146,754
CLAIMS INCURRED	\$31,911	\$29,961	\$12,467	\$3,313	\$16,089	\$23,537	\$1,183	\$3,756	\$8	\$122,225	\$130,570	\$127,219
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	5,084	3,983	1,691	465	1,954	2,709	194	443	145	16,668	17,702	19,838
AGENTS COMMISSIONS	4,400	2,264	1,470	441	1,841	2,476	160	436	114	13,602	14,412	15,658
DRIVER RECORD ABSTRACTS	706	174	695	173	493	399	27	123	17	2,807	2,851	3,187
BAD DEBTS	103	(150)	(29)	(36)	3	(56)	(10)	(15)	14	(176)	(183)	(579)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	385	15	(92)	(18)	(54)	(186)	8	1	13	72	244	292
EFFECT OF DISCOUNTING	0	0	0	0	0	251	0	0	0	251	9	(230)
DISCOUNTED	385	15	(92)	(18)	(54)	65	8	1	13	323	253	62
UNDERWRITING EXPENSES	\$10,678	\$6,286	\$3,735	\$1,025	\$4,237	\$5,593	\$379	\$988	\$303	\$33,224	\$35,035	\$38,166
NET UNDERWRITING GAIN (LOSS)	\$12,166	\$613	(\$549)	\$63	(\$1,527)	(\$3,362)	\$288	(\$423)	\$1,017	\$8,286	\$11,935	\$30,547
ADMINISTRATIVE EXPENSES	1,314	984	474	164	543	716	93	155	81	4,524	4,677	5,085
PREMIUM FINANCE FEE	(32)	(31)	(10)	0	(11)	(16)	0	0	0	(100)	(91)	(108)
INVESTMENT INCOME	48	71	19	6	21	39	1	4	0	209	232	260
OPERATING RESULTS	\$10,868	(\$331)	(\$1,014)	(\$95)	(\$2,060)	(\$4,055)	\$196	(\$574)	\$936	\$3,871	\$7,399	\$25,614
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-16.1%	11.5%	1.1%	-5.4%	14.6%	-6.6%	0.9%	33.7%	-53.2%	-1.7%	-2.7%	-10.0%
Current Accident Years	74.4%	69.8%	78.6%	80.7%	70.9%	97.9%	63.1%	53.3%	53.8%	76.4%	76.3%	74.9%
All Accident Years Combined	58.3%	81.3%	79.7%	75.3%	85.5%	91.3%	64.0%	87.0%	0.6%	74.7%	73.6%	64.9%
Underwriting & Admin Exp.(Earned)	21.9%	19.7%	26.9%	27.0%	25.4%	24.5%	25.5%	26.5%	28.9%	23.1%	22.4%	22.1%
COMBINED OPERATING RATIO	80.2%	101.0%	106.6%	102.3%	110.9%	115.8%	89.5%	113.5%	29.5%	97.8%	96.0%	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