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**TO:** MEMBERS OF THE FACILITY ASSOCIATION  
**ATTENTION:** CHIEF EXECUTIVE OFFICER  
**BULLETIN NO.:** F17 – 018  
**DATE:** MARCH 30, 2017  
**SUBJECT:** FARM – JANUARY 2017 PARTICIPATION REPORT

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

Please be advised that the January 2017 FARM Participation Report is now available on the Facility Association Portal at <https://portal.facilityassociation.com>.

**Summary of Financial Results**

The calendar year-to-date Operating Result is \$1.9 million and the incurred loss ratio to the end of 1 month is 87.0%, as summarized in the table below.

Amounts in \$000s	Jan 2017	Jan 2016	Year to date Jan 2017	Year to Date Jan 2016
Written Premiums	10,584	11,014	10,584	11,014
Earned Premiums	14,268	15,392	14,268	15,392
Incurred Losses	9,662	10,495	9,662	10,495
Underwriting Expenses and Others	2,745	2,914	2,745	2,914
<b>Net Result from Operations</b>	<b>1,861</b>	<b>1,983</b>	<b>1,861</b>	<b>1,983</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Year</b>	<b>(6.5%)</b>	<b>(5.0%)</b>	<b>(6.5%)</b>	<b>(5.0%)</b>
- Current Accident Years	74.2%	73.2%	74.2%	73.2%
<i>Total</i>	<b>67.7%</b>	<b>68.2%</b>	<b>67.7%</b>	<b>68.2%</b>
<b>Underwriting &amp; Admin Exp. %</b>	<b>19.3%</b>	<b>19.0%</b>	<b>19.3%</b>	<b>19.0%</b>
<b>Combined Operating Ratio</b>	<b>87.0%</b>	<b>87.2%</b>	<b>87.0%</b>	<b>87.2%</b>

*Rounding differences may occur*

For details on the financial results, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2017 - 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”](#).

**Bulletin F17-018**  
**FARM – January 2017 Participation Report**

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Updated Projection to Year-end 2017

This month, the estimated calendar year Net Result from Operations to December 2017 is \$18.1 million and the estimated combined operating ratio to December 2017 is 89.8%. The updated projection to the end of calendar year 2017 has not changed significantly from the projection provided last month (\$18.2 million and 89.8%).

Current month results

The Operating Results in the month of January 2017 is \$1.9 million, down \$0.1 million from the same month last year. This deterioration resulted from an estimated \$0.1 million unfavourable impact due to the \$1.1 million decrease in earned premium (at a combined ratio of 87.2%).

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.

<b>January 2017</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premiums	10,584	11,612	(1,028)	(8.9%)
Earned Premiums	14,268	13,770	498	3.6%
Reported Losses				
Paid Losses	11,683	11,512	171	1.5%
Change in Outstanding Losses	(106)	(2,922)	2,816	96.4%
<b>Total Reported Losses</b>	<b>11,577</b>	<b>8,590</b>	<b>2,987</b>	<b>34.8%</b>
Change in IBNR *	(1,158)	1,607	(2,765)	
Change in Premium Deficiency (DPAC) *	242	38	204	
Change in Retro Claims Expense *	(757)	(1,193)	436	

(Amounts in \$000's)

Rounding differences may occur

\*Detailed information is included in [FARM January 2017 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 January 2017, reported indemnity amounts were \$3.1 million higher than projected (*allowed claims expenses are included in table above as part of reported losses, explaining why the variance in Total Reported Losses in the table shows \$3.0 million*). The Current Accident Year had a \$0.3 million unfavourable variance in reported indemnity, and the Prior Accident Years had an unfavourable variance of \$2.8 million. Of the Prior Accident Years,

**Bulletin F17-018**  
**FARM – January 2017 Participation Report**

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2016 had the largest variance in reported losses at \$2.2 million unfavourable. 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.

*Booking IBNR*

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected for the most recent accident years back to 1994 (for accident years 1993 and earlier, IBNR is held at \$0). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend.

**Effect of Quarterly Valuation**

The January 2017 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.

**Management Comments**

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 4.4% overall in January 2017 relative to January 2016, decreasing in all jurisdictions except New Brunswick, Nova Scotia and Northwest Territories.

**Bulletin F17-018**  
**FARM – January 2017 Participation Report**

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*FARM Private Passenger Written Car Years*

# FARM Vehicles Written								
Jurisdiction	Month of January 2017				Calendar YTD as of January 2017			
	2017	2016	Chg	% Chg	2017	2016	Chg	% Chg
<b>Ontario</b>	122	147	(24)	(16.6%)	122	147	(24)	(16.6%)
<b>Alberta</b>	101	131	(30)	(23.0%)	101	131	(30)	(23.0%)
<b>Newfoundland &amp; Labrador</b>	610	636	(26)	(4.0%)	610	636	(26)	(4.0%)
<b>New Brunswick</b>	463	410	53	12.9%	463	410	53	12.9%
<b>Nova Scotia</b>	267	261	6	2.4%	267	261	6	2.4%
<b>Prince Edward Island</b>	70	124	(55)	(44.0%)	70	124	(55)	(44.0%)
<b>Yukon</b>	6	16	(10)	(60.9%)	6	16	(10)	(60.9%)
<b>Northwest Territories</b>	169	164	5	3.3%	169	164	5	3.3%
<b>Nunavut</b>	11	16	(5)	(30.4%)	11	16	(5)	(30.4%)
<b>All Jurisdictions</b>	<b>1,820</b>	<b>1,905</b>	<b>(85)</b>	<b>(4.4%)</b>	<b>1,820</b>	<b>1,905</b>	<b>(85)</b>	<b>(4.4%)</b>

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 January 2017 Participation Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 1 month ended January 31, 2017 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 01/2017**  
(thousands of dollars)

	January	CY2016 YTD	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
<b>UNDERWRITING REVENUE:</b>				
PREMIUMS WRITTEN	\$10,584	\$10,584	\$180,610	\$171,000
CHANGE IN UNEARNED PREMIUMS	3,684	3,684	(4,999)	7,060
<b>NET PREMIUMS EARNED</b>	<b>\$14,268</b>	<b>\$14,268</b>	<b>\$175,611</b>	<b>\$178,060</b>
<b>CLAIMS INCURRED</b>				
PRIOR ACCIDENT YEARS				
UNDISCOUNTED	(132)	(132)	(133)	(2,129)
EFFECT OF DISCOUNTING	(790)	(790)	(10,944)	(1,579)
DISCOUNTED	(922)	(922)	(11,077)	(3,708)
CURRENT ACCIDENT YEAR				
UNDISCOUNTED	9,713	9,713	120,089	127,293
EFFECT OF DISCOUNTING	871	871	8,128	8,574
DISCOUNTED	10,584	10,584	128,217	135,867
<b>CLAIMS INCURRED</b>	<b>\$9,662</b>	<b>\$9,662</b>	<b>\$117,140</b>	<b>\$132,159</b>
<b>UNDERWRITING EXPENSES</b>				
OPERATING & SERVICE FEES	1,080	1,080	18,383	17,653
AGENTS COMMISSIONS	873	873	15,208	14,416
DRIVER RECORD ABSTRACTS	177	177	2,584	3,068
BAD DEBTS	(2)	(2)	0	(179)
PREMIUM DEFICIENCY/(DPAC)				
UNDISCOUNTED	266	266	(351)	331
EFFECT OF DISCOUNTING	(24)	(24)	154	112
DISCOUNTED	242	242	(197)	443
<b>UNDERWRITING EXPENSES</b>	<b>\$2,370</b>	<b>\$2,370</b>	<b>\$35,978</b>	<b>\$35,401</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$2,236</b>	<b>\$2,236</b>	<b>\$22,493</b>	<b>\$10,500</b>
ADMINISTRATIVE EXPENSES	379	379	4,575	4,999
PREMIUM FINANCE FEE	(9)	(9)	0	(108)
INVESTMENT INCOME	13	13	145	226
<b>OPERATING RESULTS</b>	<b>\$1,861</b>	<b>\$1,861</b>	<b>\$18,063</b>	<b>\$5,619</b>
<b>RATIOS:</b>				
Claims & Adj Expenses Incurred (Earned)				
Prior Accident Year	-6.5%	-6.5%	-6.3%	-2.1%
Current Accident Years	74.2%	74.2%	73.0%	76.3%
All Accident Years Combined	67.7%	67.7%	66.7%	74.2%
Underwriting & Admin Exp.(Earned)	19.3%	19.3%	23.1%	22.7%
COMBINED OPERATING RATIO	87.0%	87.0%	89.8%	96.9%

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 2017**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS**  
**Operating Results for the 1 month ended January 31, 2017 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 01/2017**  
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
<b>UNDERWRITING REVENUE:</b>												
PREMIUMS WRITTEN	\$3,380	\$2,439	\$1,186	\$263	\$1,370	\$1,537	\$81	\$318	\$10	\$10,584	\$180,610	\$171,000
CHANGE IN UNEARNED PREMIUMS	1,136	763	302	131	345	785	70	56	96	3,684	(\$4,999)	\$7,060
<b>NET PREMIUMS EARNED</b>	<b>\$4,516</b>	<b>\$3,202</b>	<b>\$1,488</b>	<b>\$394</b>	<b>\$1,715</b>	<b>\$2,322</b>	<b>\$151</b>	<b>\$374</b>	<b>\$106</b>	<b>\$14,268</b>	<b>\$175,611</b>	<b>\$178,060</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(13)	(67)	4	(3)	(18)	(31)	(5)	1	0	(132)	(\$133)	(\$2,129)
EFFECT OF DISCOUNTING	(228)	(292)	(94)	(3)	(74)	(73)	(13)	(13)	0	(790)	(\$10,944)	(\$1,579)
DISCOUNTED	(241)	(359)	(90)	(6)	(92)	(104)	(18)	(12)	0	(922)	(11,077)	(3,708)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	2,906	2,078	1,079	227	1,144	1,940	99	194	46	9,713	\$120,089	\$127,293
EFFECT OF DISCOUNTING	244	241	84	22	102	152	5	18	3	871	\$8,128	\$8,574
DISCOUNTED	3,150	2,319	1,163	249	1,246	2,092	104	212	49	10,584	\$128,217	\$135,867
<b>CLAIMS INCURRED</b>	<b>\$2,909</b>	<b>\$1,960</b>	<b>\$1,073</b>	<b>\$243</b>	<b>\$1,154</b>	<b>\$1,988</b>	<b>\$86</b>	<b>\$200</b>	<b>\$49</b>	<b>\$9,662</b>	<b>\$117,140</b>	<b>\$132,159</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	339	263	119	26	139	153	8	32	1	1,080	\$18,383	\$17,653
AGENTS COMMISSIONS	291	139	101	26	129	147	7	32	1	873	\$15,208	\$14,416
DRIVER RECORD ABSTRACTS	43	7	40	8	38	30	2	7	2	177	\$2,584	\$3,068
BAD DEBTS	0	0	0	0	0	(2)	0	0	0	(2)	\$0	(\$179)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	98	46	26	12	31	32	7	5	9	266	(\$351)	\$331
EFFECT OF DISCOUNTING	0	0	0	0	0	(24)	0	0	0	(24)	\$154	\$112
DISCOUNTED	98	46	26	12	31	8	7	5	9	242	(197)	443
<b>UNDERWRITING EXPENSES</b>	<b>\$771</b>	<b>\$455</b>	<b>\$286</b>	<b>\$72</b>	<b>\$337</b>	<b>\$336</b>	<b>\$24</b>	<b>\$76</b>	<b>\$13</b>	<b>\$2,370</b>	<b>\$35,978</b>	<b>\$35,401</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$836</b>	<b>\$787</b>	<b>\$129</b>	<b>\$79</b>	<b>\$224</b>	<b>(\$2)</b>	<b>\$41</b>	<b>\$98</b>	<b>\$44</b>	<b>\$2,236</b>	<b>\$22,493</b>	<b>\$10,500</b>
ADMINISTRATIVE EXPENSES	110	82	43	14	48	52	8	16	6	379	\$4,575	\$4,999
PREMIUM FINANCE FEE	(3)	(3)	(1)	0	(1)	(1)	0	0	0	(9)	\$0	(\$108)
INVESTMENT INCOME	3	5	1	0	2	2	0	0	0	13	\$145	\$226
<b>OPERATING RESULTS</b>	<b>\$726</b>	<b>\$707</b>	<b>\$86</b>	<b>\$65</b>	<b>\$177</b>	<b>(\$53)</b>	<b>\$33</b>	<b>\$82</b>	<b>\$38</b>	<b>\$1,861</b>	<b>\$18,063</b>	<b>\$5,619</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-5.3%	-11.2%	-6.0%	-1.5%	-5.4%	-4.5%	-11.9%	-3.2%	0.0%	-6.5%	-6.3%	-2.1%
Current Accident Years	69.8%	72.4%	78.2%	63.2%	72.7%	90.1%	68.9%	56.7%	46.2%	74.2%	73.0%	76.3%
All Accident Years Combined	64.5%	61.2%	72.2%	61.7%	67.3%	85.6%	57.0%	53.5%	46.2%	67.7%	66.7%	74.2%
Underwriting & Admin Exp.(Earned)	19.5%	16.8%	22.1%	21.8%	22.4%	16.7%	21.2%	24.6%	17.9%	19.3%	23.1%	22.7%
COMBINED OPERATING RATIO	84.0%	78.0%	94.3%	83.5%	89.7%	102.3%	78.2%	78.1%	64.1%	87.0%	89.8%	96.9%

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