FACILITY Association

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.: F17 – 034

DATE: MAY 30, 2017

SUBJECT: FARM – MARCH 2017 PARTICIPATION REPORT

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

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

New This Month

Redistribution of Member Funds

The Participation Report for March 2017 reflects the effect of a redistribution of Member Funds. This balance 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 June 27, 2017.*** Please see "Redistribution of Member Funds" on page 7.

Valuation

An actuarial valuation as at December 31, 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 an increase from 0.62% to 1.17% 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 change, is estimated to account for an overall **$17.2 million favourable** impact on the month's net result from operations (see the table at the top of the next page), subtracting an estimated 41.8 points from the year-to-date Combined Operating Ratio (ending at 47.8%).

Grand Total	unfav / (fav)						ytd EP 41,304 (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 [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(10,104)	(869)	(10,973)	(5,830)	-	(16,803)	(24.5%)	(2.1%)	(26.6%)	(14.1%)	-	(40.7%)
CAY	(59)	10	(49)	(332)	-	(381)	(0.1%)	-	(0.1%)	(0.8%)	-	(0.9%)
Prem Def	(148)	246	98	(160)	-	(62)	(0.4%)	0.6%	0.2%	(0.4%)	-	(0.2%)
TOTAL	(10,311)	(613)	(10,924)	(6,322)	-	(17,246)	(25.0%)	(1.5%)	(26.4%)	(15.3%)	-	(41.8%)

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 Result is $21.6 million and the incurred loss ratio to the end of 3 months is 26.4%, as summarized in the table immediately below.

Amounts in $000s	**Mar 2017**	Mar 2016	**Year to date Mar 2017**	Year to Date Mar 2016
Written Premiums	14,027	12,647	35,248	34,098
Earned Premiums	14,285	14,917	41,304	44,370
Incurred Losses	(7,699)	8,082	10,865	28,128
Underwriting Expenses and Others	3,269	3,641	8,816	9,216
Net Result from Operations	**18,715**	**3,194**	**21,623**	**7,026**
Ratios:				
Loss ratio % - *Prior Accident Year*	(123.7%)	(19.0%)	(46.3%)	(9.8%)
- *Current Accident Years*	69.8%	73.2%	72.7%	73.2%
Total	**(53.9%)**	**54.2%**	**26.4%**	**63.4%**
Underwriting & Admin Exp.%	**22.9%**	**24.5%**	**21.4%**	**20.8%**
Combined Operating Ratio	**(31.0%)**	**78.7%**	**47.8%**	**84.2%**

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".

Updated Projection to Year-end 2017

The projected calendar year Net Result from Operations to December 2017 is $34.2 million and the estimated combined operating ratio to December 2017 is 80.3%. This updated projection to the end of the year has improved $16.8 million from the projection provided last month ($17.4 million and 90.1%), mainly as a result of the full-year projected $17.5 million impact of the implementation this month of the December 31, 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 173,842 (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 [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(10,104)	(967)	(11,071)	(4,617)	-	(15,688)	(5.8%)	(0.6%)	(6.4%)	(2.7%)	-	(9.0%)
CAY	(240)	(27)	(267)	(1,232)	-	(1,499)	(0.1%)	-	(0.2%)	(0.7%)	-	(0.9%)
Prem Def	(403)	355	(48)	(223)	-	(271)	(0.2%)	0.2%	-	(0.1%)	-	(0.2%)
TOTAL	(10,747)	(639)	(11,386)	(6,072)	-	(17,458)	(6.2%)	(0.4%)	(6.5%)	(3.5%)	-	(10.0%)

The updated year-end projections are shown against the October 27, 2016 Outlook in the table immediately below, with the estimated impact of implementing the *current* valuation in the two far right columns. In particular, with *two* valuations (2016 Q3 & Q4) and other changes since August 2016 (the actuals used in the Outlook), **the projected $15.8 million operating result has been increased to $34.2 million**.

$000s	Outlook Posted October 27, 2016			Updated Year-end Projection			Operating Result Change due to Valuation	
	Earned Premium	Operating Result	COR	Earned Premium	Operating Result	COR	Month of March	Year-end 2017
Ontario	38,460	6,833	82.5%	38,874	17,135	56.1%	9,871	9,929
Alberta	59,144	7,013	88.3%	54,668	10,311	81.2%	2,485	2,521
Newfoundland & Labrador	30,471	(2,698)	109.0%	29,289	(1,646)	105.7%	881	1,044
New Brunswick	20,657	1,929	90.8%	20,649	2,010	90.4%	209	134
Nova Scotia	18,087	175	99.2%	17,985	2,310	87.2%	2,283	2,198
Prince Edward Island	4,954	825	83.5%	4,755	734	84.6%	(76)	(48)
Yukon	1,954	228	88.5%	1,803	559	69.1%	306	315
Northwest Territories	4,584	1,055	77.1%	4,604	2,292	50.3%	1,107	1,194
Nunavut	1,332	439	67.2%	1,215	536	56.0%	180	171
TOTAL	179,643	15,797	91.4%	173,842	34,239	80.4%	17,246	17,458

In total, the operating result projection to year-end has increased by $18.4 million from the Outlook posted October 27, 2016 (to $34.2 million as shown above). This amount is $17.5 million higher than it would have been, if not for the implementation of the December 31, 2016 valuation. (The changes before the impact of the December 31, 2016 valuation are attributable to mix of business and other projection assumptions outside of the valuation process, as well as the previous valuation implemented since the valuation used for the Outlook.)

One important change relative to the Outlook has been the increase in the discount rate (the interest rate margin for adverse deviation remained consistent at 25 basis points). Had the Outlook discount rate of 0.69%[1] still been applicable, the operating result would have been lower by $4.4 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately $29.8 million (COR of 82.9%) had the discount rate and

[1]The 2017 Outlook was based on the June 30, 2016 valuation and the Bank of Canada yield curves at June 30, 2016. Users can use the interest rate sensitivity tables in Exhibit F of the monthly operational Actuarial Highlights to test for impact of alternate discount rates. For example, page 84 of the March 2017 FARM Actuarial Highlights shows Exhibit F (page 10 of 10), indicating 0.69% discount rate would increase indemnity claims liabilities by an estimated $4.4 million using simple linear interpolation. This is approximately the same impact as if the Outlook discount rate of 0.69% were still applicable.

associated margin remained at the Outlook levels.

Current month results

The Net Results from Operations in the month of March 2017 was $18.7 million, up $15.5 million from the same month last year. This improvement mainly stems from the overall decrease in the combined ratio (from 78.7% to -31.0% applied to $14.3 million in earned premium), due to varying impacts of related valuation implementations during the respective months.

This month's results moved the year-to-date combined operating ratio from 89.3% at the end of 2 months to 47.8% at the end of 3 months. The 41.5 percentage point decrease is composed of a 40.8 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 1.5 percentage point decrease in the Current Accident Year loss ratio, offset by a 0.8 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.

March 2017	**Actual**	**Projection**	**Difference**	**Difference %**
Written Premiums	14,027	13,521	506	3.7%
Earned Premiums	14,285	13,909	376	2.7%
Reported Losses				
Paid Losses	12,732	11,864	868	7.3%
Change in Outstanding Losses	839	(900)	1,739	193.2%
Total Reported Losses	**13,571**	**10,964**	**2,607**	**23.8%**
Change in IBNR *	(20,076)	(952)	(19,124)	
Change in Premium Deficiency (DPAC) *	7	19	(12)	
Change in Retro Claims Expense *	(1,194)	(1,281)	87	

(Amounts in $000's) *Rounding differences may occur*

*Detailed information is included in FARM March 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 March 2017, reported indemnity amounts were $3.2 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 $2.6 million).* The

Current Accident Year had a $1.1 million unfavourable variance in reported indemnity, and the Prior Accident Years had an unfavourable variance of $2.1 million. Of the Prior Accident Years, 2015 had the largest variance in reported losses at $1.6 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.

Effect of Quarterly Valuation

The March 2017 Participation Report reflects the results of an updated valuation as at December 31, 2016, with the associated impacts in relation to the results for March 2017 summarized in the table immediately below.

Grand Total

unfav / (fav)

	IMPACT in $000s from changes in:					
	ultimates & payout patterns			dsct rate	margins	
	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(10,104)	(869)	(10,973)	(5,830)	-	(16,803)
CAY	(59)	10	(49)	(332)	-	(381)
Prem Def	(148)	246	98	(160)	-	(62)
TOTAL	(10,311)	(613)	(10,924)	(6,322)	-	(17,246)

mth EP 14,285 (actual)

	IMPACT unfav / (fav) as % mth EP from changes in:					
	ultimates & payout patterns			dsct rate	margins	
	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(70.7%)	(6.1%)	(76.8%)	(40.8%)	-	(117.6%)
CAY	(0.4%)	0.1%	(0.3%)	(2.3%)	-	(2.7%)
Prem Def	(1.0%)	1.7%	0.7%	(1.1%)	-	(0.4%)
TOTAL	(72.2%)	(4.3%)	(76.5%)	(44.3%)	-	(120.7%)

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 an increase in the selected discount rate from 0.62% to 1.17%. The investment return margin for adverse deviation was left unchanged at 25 basis points, and the selected claims development margins[2] were also left unchanged.

The **valuation summary** (in relation to **indemnity only**) is provided in the table at the top of the next page. (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".)

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

December 31, 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	**103,917**	**(6,974)**	**(6.7%)**	**50.7%**	**1.5%**	**603**	**49.7%**	**(0.9%)**	**(349)**
PPV	46,980	(3,230)	(6.9%)	43.6%	(1.6%)	(200)	48.0%	0.5%	62
Non-PPV	56,937	(3,744)	(6.6%)	53.9%	2.9%	804	50.5%	(1.5%)	(396)
Alberta	**63,897**	**(2,582)**	**(4.0%)**	**63.0%**	**2.5%**	**1,484**	**54.3%**	**(0.3%)**	**(167)**
PPV	17,353	(2,133)	(12.3%)	56.1%	(1.6%)	(149)	58.6%	0.9%	71
Non-PPV	46,544	(449)	(1.0%)	64.4%	3.3%	1,650	53.6%	(0.5%)	(238)
Newfoundland & Labrador	**43,210**	**(922)**	**(2.1%)**	**82.2%**	**2.9%**	**816**	**72.7%**	**0.7%**	**212**
PPV	28,342	389	1.4%	74.6%	3.4%	719	68.7%	2.0%	454
Non-PPV	14,868	(1,311)	(8.8%)	105.1%	1.1%	77	84.5%	(4.1%)	(312)
New Brunswick	**26,018**	**(621)**	**(2.4%)**	**58.1%**	**3.8%**	**779**	**55.4%**	**0.9%**	**187**
PPV	15,378	(605)	(3.9%)	63.8%	5.3%	679	59.0%	0.0%	-
Non-PPV	10,640	(16)	(0.2%)	48.6%	1.4%	108	49.5%	2.5%	199
Nova Scotia	**20,971**	**(1,381)**	**(6.6%)**	**59.5%**	**(1.2%)**	**(206)**	**60.2%**	**0.4%**	**72**
PPV	10,720	(1,010)	(9.4%)	62.8%	(0.8%)	(58)	64.6%	1.5%	115
Non-PPV	10,251	(371)	(3.6%)	57.1%	(1.4%)	(139)	57.0%	(0.5%)	(52)
Prince Edward Island	**4,864**	**(93)**	**(1.9%)**	**67.9%**	**5.9%**	**283**	**45.8%**	**(1.0%)**	**(48)**
PPV	2,897	(188)	(6.5%)	60.3%	4.1%	119	41.0%	(1.0%)	(29)
Non-PPV	1,967	95	4.8%	79.7%	8.8%	166	53.0%	(1.0%)	(19)
Yukon Territory	**3,166**	**(246)**	**(7.8%)**	**48.7%**	**0.7%**	**14**	**53.1%**	**(1.1%)**	**(21)**
PPV	2,164	(197)	(9.1%)	57.1%	(2.5%)	(17)	63.4%	0.3%	2
Non-PPV	1,002	(49)	(4.9%)	44.3%	2.5%	33	49.0%	(1.0%)	(13)
Northwest Territories	**5,323**	**(580)**	**(10.9%)**	**34.9%**	**(4.9%)**	**(230)**	**40.1%**	**(2.3%)**	**(105)**
PPV	3,550	(439)	(12.4%)	36.4%	(5.2%)	(178)	43.0%	(2.5%)	(82)
Non-PPV	1,773	(141)	(8.0%)	30.7%	(4.5%)	(57)	32.5%	(2.0%)	(25)
Nunavut	**1,144**	**(139)**	**(12.2%)**	**40.6%**	**(0.1%)**	**(1)**	**35.5%**	**1.2%**	**15**
PPV	355	(87)	(24.5%)	34.0%	(1.3%)	(8)	27.0%	0.4%	2
Non-PPV	789	(52)	(6.6%)	45.9%	0.7%	6	40.1%	0.5%	4
Total	**272,510**	**(13,538)**	**(5.0%)**	**61.4%**	**2.0%**	**3,566**	**56.5%**	**0.0%**	**-**

The overall **impact of implementing the valuation** on the results of the Month of March 2017 is estimated as **favourable by $17.2 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] and [6] in the valuation summary table are comparable to the first row of column [1] in the table at the top of the next page). Differences will emerge due to the differences between data available at December 31, 2016 (used for the valuation) and available for implementation (March 31, 2017). In addition, column [9] of the valuation summary table above estimates the impact of the change in selected current accident year indemnity loss ratio against projected full year 2017 earned premium, whereas the current accident year row, column [1] in the implementation impact table at the top of the next page applies the change to year-to-date earned premium at March 31, 2017.

Implementation Impact - relative to projection for month of March 2017 **(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 (1994-2016)	(9,834)	(270)	-	(10,104)	(6,699)	**(16,803)**
current accident year claims incurred	(58)	(1)	-	(59)	(322)	**(381)**
premium deficiency / (DPAC)	(148)			(148)	86	**(62)**
TOTAL	**(10,040)**	**(271)**	**-**	**(10,311)**	**(6,935)**	**(17,246)**

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 41,304 (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 [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(10,104)	(869)	(10,973)	(5,830)	-	(16,803)	(24.5%)	(2.1%)	(26.6%)	(14.1%)	-	(40.7%)
CAY	(59)	10	(49)	(332)	-	(381)	(0.1%)	-	(0.1%)	(0.8%)	-	(0.9%)
Prem Def	(148)	246	98	(160)	-	(62)	(0.4%)	0.6%	0.2%	(0.4%)	-	(0.2%)
TOTAL	(10,311)	(613)	(10,924)	(6,322)	-	(17,246)	(25.0%)	(1.5%)	(26.4%)	(15.3%)	-	(41.8%)

The overall impact ***prior to*** the 55 basis point increase in the discount rate (to 1.17%) and changes to margins for adverse deviation was favourable by $10.9 million (Total row, third column in the table above). This was augmented by the $6.3 million favourable 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 above).

Additional detail related to the valuation results and impact is available in the FARM March 2017 Participation Report – Actuarial Highlights and in the Actuarial Quarterly Valuation Highlights FARM as at December 31, 2016.

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

Redistribution of Member Funds

Facility Association monitors the level of policy liability-related funds attributable to each jurisdiction, business segment, and accident year. Throughout the year, adjustments are made to the fund levels to reflect claims payment activity and policy liability changes since the previous adjustment. Generally, these adjustments will result in payments being made to members in respect of the most recent accident periods, while payments from Members would be required for the older accident periods. Because Members' share ratios vary by jurisdiction, business segment and accident year, each such review is likely to result in payments to and from Members, even when the aggregate adjustment is $0. This process is referred to below as "redistribution" of previously transferred amounts.

The redistribution of previously transferred funds is in effect transferring funds to Members in respect of policies written in the last 12 to 24 months, and transferring funds to Facility Association in respect of claims and expenses paid on policies written in prior periods. The aggregate effect of this redistribution is $0 for Facility Association in total.

The amount due to or from Facility Association for your company as a result of this adjustment 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, as per the Participation Report attached.

The Participation Report for March 2017 reflects the effect of the redistribution of Member Funds. This balance 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 June 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 in the table immediately below.

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

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	(2,747)	(199)	(2,946)
Alberta	(845)	838	(7)
Newfoundland & Labrador	2,215	(236)	1,979
New Brunswick	1,022	710	1,732
Nova Scotia	(1,195)	325	(870)
Prince Edward Island	135	314	449
Yukon	(149)	(20)	(170)
Northwest Territories	(225)	124	(101)
Nunavut	(94)	29	(66)
TOTAL	(1,884)	1,884	-

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts <u>de</u>creased by 3.5% overall in March 2017 relative to March 2016. On a year-to-date basis, exposure counts are down by 3.2%, decreasing in all jurisdictions except Ontario, Newfoundland & Labrador and Nova Scotia.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	**Month of March 2017**					**Calendar YTD as of March 2017**			
	2017	**2016**	**Chg**	**% Chg**		**2017**	**2016**	**Chg**	**% Chg**
Ontario	137	118	19	16.5%		410	352	58	16.6%
Alberta	107	127	(20)	(15.9%)		305	368	(63)	(17.1%)
Newfoundland & Labrador	831	799	32	4.0%		2,081	2,077	4	0.2%
New Brunswick	591	630	(40)	(6.3%)		1,518	1,539	(21)	(1.4%)
Nova Scotia	342	343	(1)	(0.2%)		857	836	21	2.5%
Prince Edward Island	92	99	(6)	(6.3%)		236	290	(53)	(18.4%)
Yukon	12	22	(10)	(44.9%)		24	53	(29)	(54.5%)
Northwest Territories	215	253	(38)	(15.2%)		554	630	(76)	(12.1%)
Nunavut	14	34	(20)	(57.7%)		25	63	(38)	(59.9%)
All Jurisdictions	**2,342**	**2,425**	**(84)**	**(3.5%)**		**6,011**	**6,208**	**(197)**	**(3.2%)**

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 March 2017 Participation Report – Actuarial Highlights

Actuarial Quarterly Valuation Highlights FARM as at December 31, 2016

Actuarial Quarterly Valuation Highlights – FARM Summary Exhibits

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 3 months ended March 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 03/2017
(thousands of dollars)

	January	February	March	CY2017 YTD	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
UNDERWRITING REVENUE:						
PREMIUMS WRITTEN	$10,584	$10,637	$14,027	$35,248	$180,038	$171,000
CHANGE IN UNEARNED PREMIUMS	3,684	2,114	258	6,056	(6,199)	7,060
NET PREMIUMS EARNED	**$14,268**	**$12,751**	**$14,285**	**$41,304**	**$173,839**	**$178,060**
CLAIMS INCURRED						
PRIOR ACCIDENT YEARS						
UNDISCOUNTED	(132)	156	(10,108)	(10,084)	(10,089)	(2,129)
EFFECT OF DISCOUNTING	(790)	(707)	(7,562)	(9,059)	(15,785)	(1,579)
DISCOUNTED	(922)	(551)	(17,670)	(19,143)	(25,874)	(3,708)
CURRENT ACCIDENT YEAR						
UNDISCOUNTED	9,713	8,799	9,702	28,214	118,634	127,293
EFFECT OF DISCOUNTING	871	654	269	1,794	6,610	8,574
DISCOUNTED	10,584	9,453	9,971	30,008	125,244	135,867
CLAIMS INCURRED	**$9,662**	**$8,902**	**($7,699)**	**$10,865**	**$99,370**	**$132,159**
UNDERWRITING EXPENSES						
OPERATING & SERVICE FEES	1,080	1,093	1,464	3,637	18,342	17,653
AGENTS COMMISSIONS	873	869	1,185	2,927	15,105	14,416
DRIVER RECORD ABSTRACTS	177	239	265	681	2,683	3,068
BAD DEBTS	(2)	(1)	(5)	(8)	(4)	(179)
PREMIUM DEFICIENCY/(DPAC)						
UNDISCOUNTED	266	183	(93)	356	(850)	331
EFFECT OF DISCOUNTING	(24)	1	100	77	381	112
DISCOUNTED	242	184	7	433	(469)	443
UNDERWRITING EXPENSES	**$2,370**	**$2,384**	**$2,916**	**$7,670**	**$35,657**	**$35,401**
NET UNDERWRITING GAIN (LOSS)	**$2,236**	**$1,465**	**$19,068**	**$22,769**	**$38,812**	**$10,500**
ADMINISTRATIVE EXPENSES	379	421	361	1,161	4,738	4,999
PREMIUM FINANCE FEE	(9)	(8)	(10)	(27)	(16)	(108)
INVESTMENT INCOME	13	11	18	42	181	226
OPERATING RESULTS	**$1,861**	**$1,047**	**$18,715**	**$21,623**	**$34,239**	**$5,619**
RATIOS:						
Claims & Adj Expenses Incurred (Earned)						
Prior Accident Year	-6.5%	-4.3%	-123.7%	-46.3%	-14.9%	-2.1%
Current Accident Years	74.2%	74.1%	69.8%	72.7%	72.0%	76.3%
All Accident Years Combined	67.7%	69.8%	-53.9%	26.4%	57.1%	74.2%
Underwriting & Admin Exp.(Earned)	19.3%	22.0%	22.9%	21.4%	23.2%	22.7%
COMBINED OPERATING RATIO	87.0%	91.8%	-31.0%	47.8%	80.3%	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 Facilty 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 3 months ended March 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 03/2017
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
UNDERWRITING REVENUE:												
PREMIUMS WRITTEN	$10,583	$8,548	$3,821	$727	$4,073	$5,789	$257	$1,339	$111	$35,248	$180,038	$171,000
CHANGE IN UNEARNED PREMIUMS	2,464	730	485	408	883	947	176	(229)	192	6,056	($6,199)	$7,060
NET PREMIUMS EARNED	**$13,047**	**$9,278**	**$4,306**	**$1,135**	**$4,956**	**$6,736**	**$433**	**$1,110**	**$303**	**$41,304**	**$173,839**	**$178,060**
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(959)	(6,345)	(1,692)	211	125	(163)	(229)	(889)	(143)	(10,084)	($10,089)	($2,129)
EFFECT OF DISCOUNTING	(2,163)	(4,135)	(687)	(159)	(556)	(1,010)	(95)	(216)	(38)	(9,059)	($15,785)	($1,579)
DISCOUNTED	(3,122)	(10,480)	(2,379)	52	(431)	(1,173)	(324)	(1,105)	(181)	(19,143)	(25,874)	(3,708)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	8,381	5,980	3,146	647	3,363	5,702	279	581	135	28,214	$118,634	$127,293
EFFECT OF DISCOUNTING	463	497	185	43	200	345	21	31	9	1,794	$6,610	$8,574
DISCOUNTED	8,844	6,477	3,331	690	3,563	6,047	300	612	144	30,008	125,244	135,867
CLAIMS INCURRED	**$5,722**	**($4,003)**	**$952**	**$742**	**$3,132**	**$4,874**	**($24)**	**($493)**	**($37)**	**$10,865**	**$99,370**	**$132,159**
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	1,059	925	383	73	447	580	25	134	11	3,637	$18,342	$17,653
AGENTS COMMISSIONS	913	517	335	71	397	540	22	123	9	2,927	$15,105	$14,416
DRIVER RECORD ABSTRACTS	169	43	163	39	135	99	7	22	4	681	$2,683	$3,068
BAD DEBTS	0	(2)	0	0	1	(7)	0	0	0	(8)	($4)	($179)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	214	43	41	36	76	(70)	16	(18)	18	356	($850)	$331
EFFECT OF DISCOUNTING	0	0	0	0	0	77	0	0	0	77	$381	$112
DISCOUNTED	214	43	41	36	76	7	16	(18)	18	433	(469)	443
UNDERWRITING EXPENSES	**$2,355**	**$1,526**	**$922**	**$219**	**$1,056**	**$1,219**	**$70**	**$261**	**$42**	**$7,670**	**$35,657**	**$35,401**
NET UNDERWRITING GAIN (LOSS)	**$4,970**	**$11,755**	**$2,432**	**$174**	**$768**	**$643**	**$387**	**$1,342**	**$298**	**$22,769**	**$38,812**	**$10,500**
ADMINISTRATIVE EXPENSES	309	264	126	37	130	193	25	57	20	1,161	$4,738	$4,999
PREMIUM FINANCE FEE	(9)	(9)	(3)	0	(2)	(4)	0	0	0	(27)	($16)	($108)
INVESTMENT INCOME	10	16	3	0	5	7	0	1	0	42	$181	$226
OPERATING RESULTS	**$4,662**	**$11,498**	**$2,306**	**$137**	**$641**	**$453**	**$362**	**$1,286**	**$278**	**$21,623**	**$34,239**	**$5,619**
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-23.9%	-113.0%	-55.2%	4.6%	-8.7%	-17.4%	-74.8%	-99.5%	-59.7%	-46.3%	-14.9%	-2.1%
Current Accident Years	67.8%	69.8%	77.4%	60.8%	71.9%	89.8%	69.3%	55.1%	47.5%	72.7%	72.0%	76.3%
All Accident Years Combined	43.9%	-43.2%	22.2%	65.4%	63.2%	72.4%	-5.5%	-44.4%	-12.2%	26.4%	57.1%	74.2%
Underwriting & Admin Exp.(Earned)	20.4%	19.3%	24.3%	22.6%	23.9%	21.0%	21.9%	28.6%	20.5%	21.4%	23.2%	22.7%
COMBINED OPERATING RATIO	64.3%	-23.9%	46.5%	88.0%	87.1%	93.4%	16.4%	-15.8%	8.3%	47.8%	80.3%	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 Facilty Association premium dollars invested directly by members.

Rounding Difference may apply