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TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F17 – 055

DATE: JULY 28, 2017

SUBJECT: FARM – MAY 2017 PARTICIPATION REPORT

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

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

New This Month

Members' Transfer of Funds

The May 2017 Participation Report reflects the effects of a transfer of $5 million from Facility Association to members. 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 August 25, 2017.*** Please see the "Members' Transfer of Funds" section on page 7 for more detail.

Valuation

An actuarial valuation as at March 31, 2017 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 1.17% to 1.07% 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 **$13.0 million unfavourable** impact on the month's net result from operations (see the table at the top of the next page), adding an estimated 18.6 points to the year-to-date Combined Operating Ratio (ending at 95.8%).

Grand Total	unfav / (fav)						ytd EP 69,550 (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	10,133	1,016	11,149	996	-	12,145	14.6%	1.5%	16.0%	1.4%	-	17.5%
CAY	475	21	496	106	-	602	0.7%	-	0.7%	0.2%	-	0.9%
Prem Def	28	140	168	36	-	204	-	0.2%	0.2%	0.1%	-	0.3%
TOTAL	10,636	1,177	11,813	1,138	-	12,951	15.3%	1.7%	17.0%	1.6%	-	18.6%

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 $10.0 million and the incurred loss ratio to the end of 5 months is 61.5%, as summarized in the table immediately below.

Amounts in $000s		**May 2017**	May 2016	**Year to date May 2017**	Year to Date May 2016
Written Premiums		20,856	21,139	72,420	71,560
Earned Premiums		14,584	15,134	69,550	73,884
Incurred Losses		22,688	15,700	42,717	53,615
Underwriting Expenses and Others		4,442	4,303	16,842	17,138
Net Result from Operations		**(12,546)**	**(4,869)**	**9,991**	**3,131**
Ratios:					
Loss ratio %	*- Prior Accident Year*	79.1%	30.6%	(12.0%)	(0.4%)
	- Current Accident Years	76.4%	73.1%	73.5%	73.0%
	Total	**155.5%**	**103.7%**	**61.5%**	**72.6%**
Underwriting & Admin Exp.%		**30.5%**	**28.5%**	**24.3%**	**23.2%**
Combined Operating Ratio		**186.0%**	**132.2%**	**85.8%**	**95.8%**

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 $20.6 million and the estimated combined operating ratio to December 2017 is 88.1%. This updated projection to the end of the year has deteriorated approximately $13.2 million from the projection provided last month ($33.7 million and 80.5%), mainly as a result of the $13.1 million impact of the implementation this month of the March 31, 2017 valuation, as summarized in the table that follows. 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 171,830 (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
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	10,133	696	10,829	830	-	11,659	5.9%	0.4%	6.3%	0.5%	-	6.8%
CAY	1,164	(4)	1,160	225	-	1,385	0.7%	-	0.7%	0.1%	-	0.8%
Prem Def	5	9	14	49	-	63	-	-	-	-	-	-
TOTAL	11,302	701	12,003	1,104	-	13,107	6.6%	0.4%	7.0%	0.6%	-	7.6%

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 *three* valuations (2016 Q3 & Q4, and 2017 Q1) and other changes since August 2016 (the actuals used in the Outlook), **the projected $15.8 million operating result has been increased to $20.6 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%	39,015	12,484	68.1%	(4,383)	(4,388)
Alberta	59,144	7,013	88.3%	53,544	8,964	83.3%	(1,227)	(1,183)
Newfoundland & Labrador	30,471	(2,698)	109.0%	28,658	(3,475)	112.1%	(1,901)	(1,934)
New Brunswick	20,657	1,929	90.8%	20,565	(1,539)	107.5%	(3,393)	(3,458)
Nova Scotia	18,087	175	99.2%	17,969	1,123	93.8%	(1,083)	(1,112)
Prince Edward Island	4,954	825	83.5%	4,642	(93)	102.1%	(796)	(794)
Yukon	1,954	228	88.5%	1,836	594	67.7%	46	42
Northwest Territories	4,584	1,055	77.1%	4,413	1,328	69.9%	(876)	(931)
Nunavut	1,332	439	67.2%	1,189	1,172	1.6%	662	651
TOTAL	179,643	15,797	91.4%	171,830	20,559	88.1%	(12,951)	(13,107)

In total, the operating result projection to year-end has increased by $4.8 million from the Outlook posted October 27, 2016 (to $20.6 million as shown above). This amount is $13.1 million lower than it would have been, if not for the implementation of the March 31, 2017 valuation. (The changes before the impact of the March 31, 2017 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.)

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 $3.6 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately $17.0 million (COR of 90.5%) had the discount rate and associated margin remained at the Outlook levels.

[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 85 of the May 2017 FARM Actuarial Highlights Exhibit F (page 10 of 10), indicating a 0.69% discount rate would increase indemnity claims liabilities by an estimated $3.6 million using simple linear interpolation with the estimated $4.7 million impact of a 0.57% discount rate, which is 50 basis points lower than the selected discount rate of 1.07%.

Current month results

The Net Results from Operations in the month of May 2017 was -$12.5 million, down $7.7 million from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 132.2% to 186.0% applied to $14.6 million in earned premium), primarily 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 59.1% at the end of 4 months to 85.8% at the end of 5 months. The 26.7 percentage point increase is composed of a 24.2 percentage point increase in the Prior Accident Years loss ratio, coupled with a 0.8 percentage point increase in the Current Accident Year loss ratio, and a 1.7 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.

May 2017	Actual	Projection	Difference	Difference %
Written Premiums	20,856	22,279	(1,423)	(6.4%)
Earned Premiums	14,584	14,415	169	1.2%
Reported Losses				
Paid Losses	10,737	10,154	583	5.7%
Change in Outstanding Losses	(2,225)	(1,754)	(471)	(26.9%)
Total Reported Losses	**8,512**	**8,400**	**112**	**1.3%**
Change in IBNR *	13,269	2,100	11,169	
Change in Premium Deficiency (DPAC) *	(212)	(581)	369	
Change in Retro Claims Expense *	907	(1,373)	2,280	

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

*Detailed information is included in FARM May 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 May 2017, reported indemnity amounts were $0.5 million higher than projected (*allowed claims expenses are included in table at the bottom of the prior page as part of reported losses, explaining why the variance in Total Reported Losses in the table shows $0.1 million).* The

Current Accident Year had a $21 thousand favourable variance in reported indemnity, while the Prior Accident Years had an unfavourable variance of approximately $0.5 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.

Effect of Quarterly Valuation

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

Grand Total	unfav / (fav)						mth EP 14,584 (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
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	10,133	1,016	11,149	996	-	12,145	69.5%	7.0%	76.4%	6.8%	-	83.3%
CAY	475	21	496	106	-	602	3.3%	0.1%	3.4%	0.7%	-	4.1%
Prem Def	28	140	168	36	-	204	0.2%	1.0%	1.2%	0.2%	-	1.4%
TOTAL	10,636	1,177	11,813	1,138	-	12,951	72.9%	8.1%	81.0%	7.8%	-	88.8%

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 1.17% to 1.07%. 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.

March 31, 2017 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis)

Jurisdiction	2016 & Prior Beginning Indemnity Unpaid (000s)	2016 & Prior Accident Year Indemnity Change (000s)	% of Beginning Unpaid	2017 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2017 Earned Prem (000s)	2018 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2018 Proj Earned Prem (000s)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Ontario	**104,701**	**3,487**	**3.3%**	**50.1%**	**0.4%**	**170**	**51.1%**	**0.0%**	**-**
PPV	46,015	2,158	4.7%	49.8%	1.8%	223	49.0%	0.0%	-
Non-PPV	58,686	1,329	2.3%	50.3%	(0.2%)	(53)	52.0%	0.0%	-
Alberta	**77,759**	**631**	**0.8%**	**54.7%**	**0.4%**	**192**	**54.7%**	**(0.1%)**	**(65)**
PPV	18,092	(276)	(1.5%)	59.9%	1.3%	98	59.0%	(0.2%)	(16)
Non-PPV	59,667	907	1.5%	53.8%	0.2%	94	54.0%	(0.1%)	(49)
Newfoundland & Labrador	**53,463**	**1,191**	**2.2%**	**73.8%**	**1.1%**	**322**	**72.4%**	**(0.2%)**	**(48)**
PPV	36,040	1,042	2.9%	69.9%	1.2%	262	70.0%	(0.2%)	(48)
Non-PPV	17,423	149	0.9%	85.3%	0.8%	60	79.5%	0.0%	-
New Brunswick	**31,363**	**2,676**	**8.5%**	**56.1%**	**0.8%**	**165**	**54.9%**	**0.0%**	**-**
PPV	18,976	1,673	8.8%	59.8%	0.8%	102	57.5%	0.0%	-
Non-PPV	12,387	1,003	8.1%	50.3%	0.8%	64	50.5%	0.0%	-
Nova Scotia	**21,494**	**752**	**3.5%**	**60.8%**	**0.6%**	**115**	**60.9%**	**0.0%**	**(8)**
PPV	9,551	193	2.0%	65.7%	1.1%	83	67.0%	(0.1%)	(8)
Non-PPV	11,943	559	4.7%	57.3%	0.3%	31	56.5%	0.0%	-
Prince Edward Island	**6,915**	**644**	**9.3%**	**46.3%**	**0.4%**	**19**	**45.8%**	**0.0%**	**-**
PPV	4,014	302	7.5%	41.6%	0.6%	17	41.0%	0.0%	-
Non-PPV	2,901	342	11.8%	53.1%	0.1%	2	52.5%	0.0%	-
Yukon Territory	**3,329**	**(56)**	**(1.7%)**	**53.0%**	**0.3%**	**5**	**55.2%**	**0.0%**	**-**
PPV	2,002	(41)	(2.0%)	63.3%	(0.1%)	(0)	66.0%	0.0%	-
Non-PPV	1,327	(15)	(1.1%)	49.4%	0.4%	5	51.5%	0.0%	-
Northwest Territories	**5,515**	**657**	**11.9%**	**42.3%**	**2.6%**	**120**	**41.0%**	**0.0%**	**-**
PPV	3,588	734	20.5%	46.1%	3.1%	98	44.0%	0.0%	-
Non-PPV	1,927	(77)	(4.0%)	34.0%	1.5%	22	34.5%	0.0%	-
Nunavut	**1,455**	**(595)**	**(40.9%)**	**35.9%**	**0.1%**	**2**	**37.5%**	**(0.1%)**	**(1)**
PPV	400	(31)	(7.8%)	27.2%	0.2%	1	28.0%	(0.1%)	(0)
Non-PPV	1,055	(564)	(53.5%)	40.2%	0.1%	1	42.0%	(0.1%)	(1)
Total	**305,994**	**9,387**	**3.1%**	**57.0%**	**0.6%**	**1,109**	**57.0%**	**(0.1%)**	**(122)**

The overall **impact of implementing the valuation** on the results of the Month of May 2017 is estimated as **unfavourable by $13.0 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 March 31, 2017 (used for the valuation) and available for implementation (May 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 May 31, 2017.

Implementation Impact - relative to projection for month of May 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)	9,302	831	-	10,133	2,012	**12,145**
current accident year claims incurred	444	31	-	475	127	**602**
premium deficiency / (DPAC)	28			28	176	**204**
TOTAL	**9,774**	**862**	**-**	**10,636**	**2,315**	**12,951**

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 69,550 (actual)

	IMPACT in $000s from changes in: ultimates & payout patterns nominal [1]	apv adj. [2]	sub-tot [3]	dsct rate apv adj. [4]	margins apv adj. [5]	TOTAL [6]	IMPACT unfav / (fav) as % ytd EP from changes in: ultimates & payout patterns nominal [1]	apv adj. [2]	sub-tot [3]	dsct rate apv adj. [4]	margins apv adj. [5]	TOTAL [6]
PAYs	10,133	1,016	11,149	996	-	12,145	14.6%	1.5%	16.0%	1.4%	-	17.5%
CAY	475	21	496	106	-	602	0.7%	-	0.7%	0.2%	-	0.9%
Prem Def	28	140	168	36	-	204	-	0.2%	0.2%	0.1%	-	0.3%
TOTAL	10,636	1,177	11,813	1,138	-	12,951	15.3%	1.7%	17.0%	1.6%	-	18.6%

The overall impact ***prior to*** the 10 basis point decrease in the discount rate (to 1.07%) and changes to margins for adverse deviation was unfavourable by $11.8 million (Total row, third column in the table above). This was coupled with a $1.1 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 above).

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

The actuarial valuation will be updated next as at June 30, 2017 for all jurisdictions and business segments. The results are anticipated to be reflected in the August 2017 Participation Report, and used in support of the Final 2018 Outlook, anticipated to be released in October 2017.

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 May 2017 Participation Report reflects the effect of the transfer of $5 million from Facility Association to Members. 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 $5 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 August 25, 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 immediately below.

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

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	850	1,479	2,329
Alberta	(1,003)	220	(783)
Newfoundland & Labrador	(660)	130	(530)
New Brunswick	1,297	1,173	2,471
Nova Scotia	387	940	1,326
Prince Edward Island	263	470	734
Yukon	(65)	143	77
Northwest Territories	170	(180)	(10)
Nunavut	(59)	(555)	(613)
TOTAL	1,180	3,820	5,000

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 2.5% overall in May 2017 relative to May 2016. On a year-to-date basis, exposure counts are down by 4.4%, decreasing in all jurisdictions except Ontario and Nova Scotia.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	**Month of May 2017**					**Calendar YTD as of May 2017**			
	2017	**2016**	**Chg**	**% Chg**		**2017**	**2016**	**Chg**	**% Chg**
Ontario	251	229	22	9.6%		840	772	68	8.8%
Alberta	167	187	(20)	(10.5%)		617	721	(104)	(14.4%)
Newfoundland & Labrador	1,170	1,183	(12)	(1.0%)		4,161	4,229	(68)	(1.6%)
New Brunswick	691	746	(55)	(7.4%)		2,815	2,966	(151)	(5.1%)
Nova Scotia	418	381	36	9.5%		1,572	1,539	33	2.1%
Prince Edward Island	133	161	(28)	(17.4%)		499	590	(91)	(15.4%)
Yukon	23	30	(6)	(21.3%)		64	105	(42)	(39.6%)
Northwest Territories	183	201	(18)	(8.7%)		939	1,053	(114)	(10.9%)
Nunavut	19	18	1	5.6%		59	119	(60)	(50.4%)
All Jurisdictions	**3,056**	**3,135**	**(79)**	**(2.5%)**		**11,565**	**12,094**	**(529)**	**(4.4%)**

Rounding differences may occur

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 May 2017 Participation Report – Actuarial Highlights

Actuarial Quarterly Valuation Highlights FARM as at March 31, 2017

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 5 months ended May 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 05/2017
(thousands of dollars)

	January	February	March	April	May	CY2017 YTD	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
UNDERWRITING REVENUE:								
PREMIUMS WRITTEN	$10,584	$10,637	$14,027	$16,316	$20,856	$72,420	$177,815	$171,000
CHANGE IN UNEARNED PREMIUMS	3,684	2,114	258	(2,654)	(6,272)	(2,870)	(5,984)	7,060
NET PREMIUMS EARNED	**$14,268**	**$12,751**	**$14,285**	**$13,662**	**$14,584**	**$69,550**	**$171,831**	**$178,060**
CLAIMS INCURRED								
PRIOR ACCIDENT YEARS								
UNDISCOUNTED	(132)	156	(10,108)	(64)	10,097	(51)	(54)	(2,129)
EFFECT OF DISCOUNTING	(790)	(707)	(7,562)	(708)	1,445	(8,322)	(13,875)	(1,579)
DISCOUNTED	(922)	(551)	(17,670)	(772)	11,542	(8,373)	(13,929)	(3,708)
CURRENT ACCIDENT YEAR								
UNDISCOUNTED	9,713	8,799	9,702	9,371	10,441	48,026	118,520	127,293
EFFECT OF DISCOUNTING	871	654	269	565	705	3,064	6,742	8,574
DISCOUNTED	10,584	9,453	9,971	9,936	11,146	51,090	125,262	135,867
CLAIMS INCURRED	**$9,662**	**$8,902**	**($7,699)**	**$9,164**	**$22,688**	**$42,717**	**$111,333**	**$132,159**
UNDERWRITING EXPENSES								
OPERATING & SERVICE FEES	1,080	1,093	1,464	1,730	2,128	7,495	18,221	17,653
AGENTS COMMISSIONS	873	869	1,185	1,322	1,713	5,962	14,900	14,416
DRIVER RECORD ABSTRACTS	177	239	265	321	335	1,337	2,820	3,068
BAD DEBTS	(2)	(1)	(5)	0	(10)	(18)	(10)	(179)
PREMIUM DEFICIENCY/(DPAC)								
UNDISCOUNTED	266	183	(93)	(203)	(442)	(289)	(808)	331
EFFECT OF DISCOUNTING	(24)	1	100	15	230	322	427	112
DISCOUNTED	242	184	7	(188)	(212)	33	(381)	443
UNDERWRITING EXPENSES	**$2,370**	**$2,384**	**$2,916**	**$3,185**	**$3,954**	**$14,809**	**$35,550**	**$35,401**
NET UNDERWRITING GAIN (LOSS)	**$2,236**	**$1,465**	**$19,068**	**$1,313**	**($12,058)**	**$12,024**	**$24,948**	**$10,500**
ADMINISTRATIVE EXPENSES	379	421	361	408	494	2,063	4,529	4,999
PREMIUM FINANCE FEE	(9)	(8)	(10)	(7)	(9)	(43)	(36)	(108)
INVESTMENT INCOME	13	11	18	16	15	73	176	226
OPERATING RESULTS	**$1,861**	**$1,047**	**$18,715**	**$914**	**($12,546)**	**$9,991**	**$20,559**	**$5,619**
RATIOS:								
Claims & Adj Expenses Incurred (Earned)								
Prior Accident Year	-6.5%	-4.3%	-123.7%	-5.7%	79.1%	-12.0%	-8.1%	-2.1%
Current Accident Years	74.2%	74.1%	69.8%	72.7%	76.4%	73.5%	72.9%	76.3%
All Accident Years Combined	67.7%	69.8%	-53.9%	67.0%	155.5%	61.5%	64.8%	74.2%
Underwriting & Admin Exp.(Earned)	19.3%	22.0%	22.9%	26.3%	30.5%	24.3%	23.3%	22.7%
COMBINED OPERATING RATIO	87.0%	91.8%	-31.0%	93.3%	186.0%	85.8%	88.1%	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

EXHIBIT 2

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS
Operating Results for the 5 months ended May 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 05/2017
(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	$21,667	$18,126	$7,602	$1,793	$8,598	$11,596	$782	$1,966	$290	$72,420	$177,815	$171,000
CHANGE IN UNEARNED PREMIUMS	100	(2,257)	(362)	109	(254)	(235)	(46)	(143)	218	(2,870)	($5,984)	$7,060
NET PREMIUMS EARNED	**$21,767**	**$15,869**	**$7,240**	**$1,902**	**$8,344**	**$11,361**	**$736**	**$1,823**	**$508**	**$69,550**	**$171,831**	**$178,060**
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(289)	(2,863)	(860)	906	3,093	1,180	(283)	(179)	(756)	(51)	($54)	($2,129)
EFFECT OF DISCOUNTING	(2,149)	(3,606)	(639)	(104)	(378)	(1,068)	(99)	(188)	(91)	(8,322)	($13,875)	($1,579)
DISCOUNTED	(2,438)	(6,469)	(1,499)	802	2,715	112	(382)	(367)	(847)	(8,373)	(13,929)	(3,708)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	14,086	10,314	5,349	1,107	5,743	9,755	474	968	230	48,026	$118,520	$127,293
EFFECT OF DISCOUNTING	794	873	324	72	337	563	33	53	15	3,064	$6,742	$8,574
DISCOUNTED	14,880	11,187	5,673	1,179	6,080	10,318	507	1,021	245	51,090	125,262	135,867
CLAIMS INCURRED	**$12,442**	**$4,718**	**$4,174**	**$1,981**	**$8,795**	**$10,430**	**$125**	**$654**	**($602)**	**$42,717**	**$111,333**	**$132,159**
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	2,168	1,959	761	182	916	1,208	77	196	28	7,495	$18,221	$17,653
AGENTS COMMISSIONS	1,867	1,089	660	168	811	1,082	68	193	24	5,962	$14,900	$14,416
DRIVER RECORD ABSTRACTS	340	78	333	83	247	203	11	36	6	1,337	$2,820	$3,068
BAD DEBTS	(6)	(2)	(1)	0	1	(10)	0	0	0	(18)	($10)	($179)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	14	(140)	(29)	13	(22)	(131)	(3)	(12)	21	(289)	($808)	$331
EFFECT OF DISCOUNTING	0	0	35	0	0	287	0	0	0	322	$427	$112
DISCOUNTED	14	(140)	6	13	(22)	156	(3)	(12)	21	33	(381)	443
UNDERWRITING EXPENSES	**$4,383**	**$2,984**	**$1,759**	**$446**	**$1,953**	**$2,639**	**$153**	**$413**	**$79**	**$14,809**	**$35,550**	**$35,401**
NET UNDERWRITING GAIN (LOSS)	**$4,942**	**$8,167**	**$1,307**	**($525)**	**($2,404)**	**($1,708)**	**$458**	**$756**	**$1,031**	**$12,024**	**$24,948**	**$10,500**
ADMINISTRATIVE EXPENSES	554	490	217	74	240	325	49	78	36	2,063	$4,529	$4,999
PREMIUM FINANCE FEE	(13)	(15)	(4)	0	(4)	(7)	0	0	0	(43)	($36)	($108)
INVESTMENT INCOME	17	28	6	0	9	12	0	1	0	73	$176	$226
OPERATING RESULTS	**$4,392**	**$7,690**	**$1,092**	**($599)**	**($2,639)**	**($2,028)**	**$409**	**$679**	**$995**	**$9,991**	**$20,559**	**$5,619**
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-11.2%	-40.8%	-20.7%	42.2%	32.5%	1.0%	-51.9%	-20.1%	-166.7%	-12.0%	-8.1%	-2.1%
Current Accident Years	68.4%	70.5%	78.4%	62.0%	72.9%	90.8%	68.9%	56.0%	48.2%	73.5%	72.9%	76.3%
All Accident Years Combined	57.2%	29.7%	57.7%	104.2%	105.4%	91.8%	17.0%	35.9%	-118.5%	61.5%	64.8%	74.2%
Underwriting & Admin Exp.(Earned)	22.7%	21.9%	27.3%	27.3%	26.3%	26.1%	27.4%	26.9%	22.6%	24.3%	23.3%	22.7%
COMBINED OPERATING RATIO	79.9%	51.6%	85.0%	131.5%	131.7%	117.9%	44.4%	62.8%	-95.9%	85.8%	88.1%	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