



TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F17 – 097

DATE: DECEMBER 21, 2017

SUBJECT: FARM – OCTOBER 2017 PARTICIPATION REPORT

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

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

New This Month

Valuation

An actuarial valuation as at September 30, 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. The valuation was completed by the Facility Association's internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

The implementation of the new valuation resulted in an estimated overall **\$8.3 million favourable** impact on the month's net result from operations, subtracting an estimated 5.7 points from the year-to-date Combined Operating Ratio (ending at 80.0%). The impact on the month's results is summarized in the table at the top of the next page¹.

It is important to note that the discount rate change (increased by 54 basis points) accounts for the majority of the impact (\$5.8 million of \$8.3 million).

In addition, as discussed later, a one-time review of the allowed claims expense ultimate selections was completed with this valuation, accounting for \$4.2 million of nominal favourable impact (that is, were it not for this additional review, the total impact in column [1] in the table at the top of the next page would have been unfavourable by \$2.1 million, instead of favourable by \$2.1 million).

¹In the tables, "ults & payout patterns" refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; "dscet rate" refers to the impact of changes in the selected discount rate applied to projected cashflows; and "apv adj." refers to "actuarial present value adjustments".

Bulletin F17-097
FARM – October 2017 Participation Report

Grand Total	unfav / (fav)						ytd EP 146,084 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns		dsct rate	margins			ultimates & payout patterns		dsct rate	margins		
nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(2,313)	(334)	(2,647)	(4,581)	-	(7,228)	(1.6%)	(0.2%)	(1.8%)	(3.1%)	-	(4.9%)
CAY	294	(22)	272	(1,059)	-	(787)	0.2%	-	0.2%	(0.7%)	-	(0.5%)
Prem Def	(81)	15	(66)	(207)	-	(273)	(0.1%)	-	-	(0.1%)	-	(0.2%)
TOTAL	(2,100)	(341)	(2,441)	(5,847)	-	(8,288)	(1.4%)	(0.2%)	(1.7%)	(4.0%)	-	(5.7%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$2.4 million favourable impact – see column [3] in the left table above), augmented by the impact of a 54 basis point increase in the selected discount rate (from 1.27% to 1.81%, generating a \$5.8 million favourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

While our usual process with respect to ultimate selections for allowed claims expenses (aka “excess legal”) is to update only with the June 30 valuation, additional work was completed with this September 30 valuation, in relation to a one-off review of older accident year (accident year 2009 & prior) allowed claims expense ultimate selections to better align with corresponding selected nominal unpaid indemnity, in conjunction with review of large loss open claims files completed by FA’s claims department during the quarter. As indicated earlier, this resulted in a favourable impact of \$4.2 million (nominal) and is reflected in column [1] in the table above.

As shown in the table² at the top of the next page, management has observed favourable *total* valuation impacts (column [5]) over the last 12 valuation implementations, with the 5 valuation implementations being unfavourable over that 12-quarter period. It should be noted that the impacts in column [4] are largely outside of the control of FA (as being related to macroeconomic factors).

²The table summarizes the same information as provided in the columns [1], [2], [4], and [5] for the TOTAL row of the summary table on this page, but does so for the most recent 12 valuation implementations.

Bulletin F17-097

FARM – October 2017 Participation Report

FARM juris: ALL,
as at: 2017 Q3

Valuation	period implemented	unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
		updated LRs & exp [1]	APVs @ prior assumptions [2]	updated dsct rate [3]	updated margins [4]	Total Impact [5] = sum([1] to [5])	Booked Policy Liabilities [6]	Total Impact as % Book Liabs [7] = [5] / [6]	Nominal Impact as % Book Liabs [8] = [1] / [6]
2014 Q4	Mar 2015	(1,049)	(354)	3,015	-	1,612	494,017	0.3%	(0.2%)
2015 Q1	May 2015	(3,373)	(194)	6,292	(2,665)	60	497,463	-	(0.7%)
2015 Q2	Aug 2015	(5,307)	(434)	(3,174)	(1,572)	(10,487)	496,594	(2.1%)	(1.1%)
2015 Q3	Oct 2015	(2,487)	(375)	2,201	-	(661)	496,058	(0.1%)	(0.5%)
2015 Q4	Mar 2016	(2,416)	(204)	586	-	(2,034)	467,105	(0.4%)	(0.5%)
2016 Q1	May 2016	4,360	331	677	-	5,368	479,244	1.1%	0.9%
2016 Q2	Aug 2016	(7,711)	(630)	638	(1,083)	(8,786)	473,885	(1.9%)	(1.6%)
2016 Q3	Oct 2016	8,589	7,156	865	-	16,610	487,528	3.4%	1.8%
2016 Q4	Mar 2017	(10,311)	(613)	(6,322)	-	(17,246)	439,627	(3.9%)	(2.3%)
2017 Q1	May 2017	10,636	1,177	1,138	-	12,951	456,566	2.8%	2.3%
2017 Q2	Aug 2017	(2,319)	(271)	(2,314)	(1,256)	(6,160)	457,027	(1.3%)	(0.5%)
2017 Q3	Oct 2017	(2,100)	(341)	(5,847)	-	(8,288)	450,704	(1.8%)	(0.5%)
12-qtrs	-	(13,488)	5,248	(2,245)	(6,576)	(17,061)			
% of total		79.1%	(30.8%)	13.2%	38.5%	100.0%			
Averages									
12-qtrs		(1,124)	437	(187)	(548)	(1,422)	474,652	(0.3%)	(0.2%)
2014 Q4 to 2016 Q3		(1,174)	662	1,388	(665)	210	486,487	-	(0.2%)
2016 Q4 to 2017 Q3		(1,024)	(12)	(3,336)	(314)	(4,686)	450,981	(1.0%)	(0.2%)

The FA valuation approach is focused on providing best estimates on a nominal basis, and we expect this to manifest itself as a close-to-zero 12-quarter impact for column [2] in the table above. While this objective has not been met, the average favourable impact over the 12 quarters at \$1.1 million (nominal only) represents 0.2% of ending policy liabilities, which we would view as not significant.

Please see “Effect of Quarterly Valuation” on page 7 for additional detail.

Unclaimed Property & Miscellaneous Income

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

Summary of Financial Results

The calendar year-to-date Operating Result is \$29.4 million and the incurred loss ratio to the end of 10 months is 55.6%, as summarized in the table at the top of the next page.

Bulletin F17-097
FARM – October 2017 Participation Report

Amounts in \$000s	October 2017	October 2016	Year to date Oct 2017	Year to Date Oct 2016
Premium Written	17,086	14,725	162,601	150,782
Premium Earned	15,868	15,167	146,084	149,540
Incurred Losses	2,735	26,722	81,140	113,194
Underwriting & Admin Expense	3,247	3,629	35,522	34,870
Net Result from Operations	9,886	(15,184)	29,422	1,476
<i>Ratios:</i>				
Loss ratio - <i>Prior Accident Years</i>	(50.9%)	77.2%	(17.8%)	(0.8%)
- <i>Current Accident Year</i>	68.1%	99.0%	73.4%	76.5%
<i>Total</i>	17.2%	176.2%	55.6%	75.7%
<i>Underwriting & Admin Expense</i>	20.6%	24.0%	24.4%	23.4%
<i>Combined Operating Ratio</i>	37.8%	200.2%	80.0%	99.1%

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 \$32.6 million and the estimated combined operating ratio to December 2017 is 81.7% as indicated in the table at the top of the next page.

Bulletin F17-097
FARM – October 2017 Participation Report

FARM Year-end Projection	Current	Prior Mth	Change	Final 2017
Amounts in \$000s	(Oct 2017)	(Sep 2017)		Outlook*
Premium Written	183,393	182,227	1,166	183,890
Premium Earned	176,653	175,649	1,004	179,643
Incurred Losses	103,015	110,152	(7,136)	122,815
Underwriting & Admin Expense	41,001	41,118	(117)	41,031
Net Result from Operations	32,637	24,379	8,258	15,797
Ratios:				
Loss ratio - Prior Accident Years	(14.9%)	(11.1%)	(3.8%)	(4.6%)
- Current Accident Year	73.3%	73.8%	(0.5%)	72.9%
<i>Total</i>	58.4%	62.7%	(4.4%)	68.4%
Underwriting & Admin Expense	23.3%	23.5%	(0.2%)	23.0%
Combined Operating Ratio	81.7%	86.2%	(4.6%)	91.4%

rounding differences may occur

*as posted to FA's website Oct. 27, 2016

This updated projection to the end of the year has improved by \$8.3 million from the projection provided last month (see table above), mainly due to the impact of the valuation as at September 30, 2017, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 7). 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 176,653 (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	(2,313)	(258)	(2,571)	(4,363)	-	(6,934)	(1.3%)	(0.1%)	(1.5%)	(2.5%)	-	(3.9%)
CAY	369	6	375	(1,253)	-	(878)	0.2%	-	0.2%	(0.7%)	-	(0.5%)
Prem Def	(28)	34	6	(192)	-	(186)	-	-	-	(0.1%)	-	(0.1%)
TOTAL	(1,972)	(218)	(2,190)	(5,808)	-	(7,998)	(1.1%)	(0.1%)	(1.2%)	(3.3%)	-	(4.5%)

The updated year-end projections are shown by jurisdiction against the October 27, 2016 Outlook in the table at the top of the next page, with the estimated impact of implementing the *current* valuation in the two far right columns. In particular, with *five* valuations (2016 Q3 & Q4, and 2017 Q1, Q2, & Q3) and other changes since August 2016 (the actuals used in the Outlook), **the projected \$15.8 million operating result has been increased to \$32.6 million.**

Bulletin F17-097
FARM – October 2017 Participation Report

(negative operating results are unfavourable)

\$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 October	Year-end 2017
Ontario	38,460	6,833	82.5%	43,210	17,614	59.3%	3,152	3,134
Alberta	59,144	7,013	88.3%	54,355	9,219	83.1%	1,431	1,488
Newfoundland & Labrador	30,471	(2,698)	109.0%	28,504	1,787	93.9%	3,016	3,052
New Brunswick	20,657	1,929	90.8%	20,682	(3,097)	115.0%	(865)	(977)
Nova Scotia	18,087	175	99.2%	18,016	2,909	84.0%	923	789
Prince Edward Island	4,954	825	83.5%	4,456	232	94.9%	333	353
Yukon	1,954	228	88.5%	1,862	1,138	39.0%	395	412
Northwest Territories	4,584	1,055	77.1%	4,413	1,585	64.2%	(43)	(204)
Nunavut	1,332	439	67.2%	1,157	1,251	(7.8%)	(54)	(49)
TOTAL	179,643	15,797	91.4%	176,653	32,637	81.6%	8,288	7,998

In total, the operating result projection to year-end has increased by \$16.8 million from the Outlook posted October 27, 2016 (to \$32.6 million as shown above). This amount is \$8.0 million higher than it would have been, if not for the implementation of the September 30, 2017 valuation. (The changes before the impact of the September 30, 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 2017 Final Outlook has been the increase in the discount rate (the interest rate margin for adverse deviation remained consistent at 25 basis points). Had the 2017 Final Outlook discount rate of 0.69%³ still been applicable, the operating result would have been *lower* by \$10.4 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately \$22.2 million (COR of 87.4%) had the discount rate and associated margin remained at the Outlook levels.

Current Month Results

The Net Results from Operations in the month of October 2017 was \$9.9 million, up \$25.1 million from the same month last year. This improvement included a \$25.8 million stemming from the decrease in the combined ratio (from 200.2% last year to 37.8% this year, applied to this month's \$15.9 million earned premium), offset by an estimated \$0.7 million unfavourable impact due to the \$0.7 million increase in earned premium (at a combined ratio of 200.2%).

This month's results moved the year-to-date combined operating ratio from 85.0% at the end of 9 months to 80.0% at the end of 10 months. The 5.0 percentage point decrease is composed of a 4.0 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 0.6 percentage

³The 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 87 of the October 2017 FARM Actuarial Highlights Exhibit F (page 10 of 10), indicating a 0.69% discount rate would increase indemnity claims liabilities by an estimated \$10.4 million using simple linear interpolation between the estimated \$11.1 million impact of a 0.62% prior fiscal year-end selected discount rate and the \$9.2 million impact of a 0.81% discount rate shown in the table.

Bulletin F17-097
FARM – October 2017 Participation Report

point decrease in the Current Accident Year loss ratio, and a 0.4 percentage point decrease in the expense ratio.

Variances from Projections

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

October 2017	Actual	Projection	Difference	Difference %
Premium Written	17,086	15,489	1,597	10.3%
Premium Earned	15,868	15,092	776	5.1%
Reported Losses				
Paid Losses	11,076	10,935	141	1.3%
Change in Outstanding Losses	(1,719)	(646)	(1,073)	166.1%
Total Reported Losses	9,357	10,289	(932)	(9.1%)
Change in IBNR*	(1,446)	856	(2,302)	
Change in Premium Deficiency (DPAC)*	(387)	(110)	(277)	
Change in Retro Claims Expense*	(5,176)	(607)	(4,569)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM October 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 October 2017, reported indemnity amounts were \$0.1 million lower than projected (*allowed claims expenses are included in table immediately above as part of reported losses, explaining why the variance in Total Reported Losses in the table shows -\$0.9 million*). The Current Accident Year had a \$0.9 million favourable variance in reported indemnity, while the Prior Accident Years had an unfavourable variance of \$0.8 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

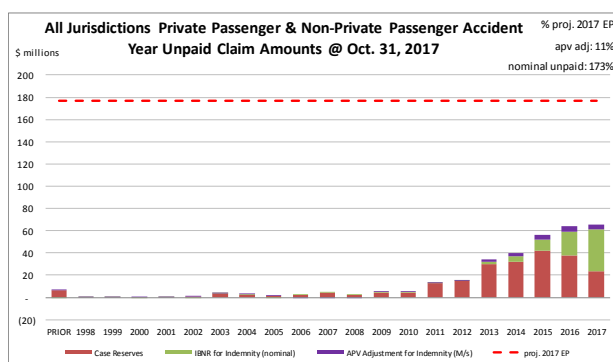
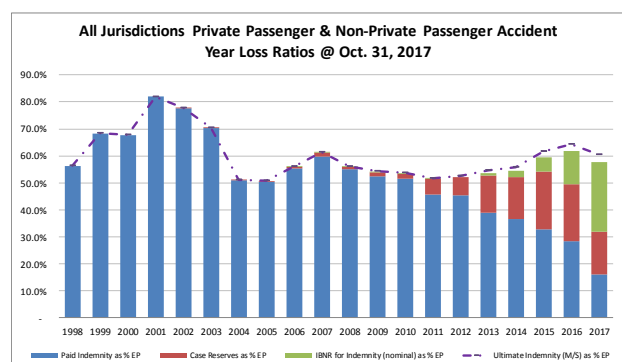
The October 2017 Participation Report reflects the results of an updated valuation as at September

Bulletin F17-097
FARM – October 2017 Participation Report

30, 2017, with the associated impacts in relation to the results for October 2017 summarized in the table immediately below.

Grand Total	unfav / (fav)						mth EP 15,868 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ultimates & payout patterns			dsct rate		argins	ultimates & payout patterns			dsct rate		argins
	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	(2,313)	(334)	(2,647)	(4,581)	-	(7,228)	(14.6%)	(2.1%)	(16.7%)	(28.9%)	-	(45.6%)
CAY	294	(22)	272	(1,059)	-	(787)	1.9%	(0.1%)	1.7%	(6.7%)	-	(5.0%)
Prem Def	(81)	15	(66)	(207)	-	(273)	(0.5%)	0.1%	(0.4%)	(1.3%)	-	(1.7%)
TOTAL	(2,100)	(341)	(2,441)	(5,847)	-	(8,288)	(13.2%)	(2.1%)	(15.4%)	(36.8%)	-	(52.2%)

The charts immediately below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.



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 1.27% to 1.81%. The investment return margin for adverse deviation was left unchanged at 25 basis points, and the selected claims development margins⁴ were also left unchanged (as per usual practice, claims development margins are only reviewed and updated annually with the June 30 valuation). Typically, selected ultimates for allowed claims expenses are only updated annually with the June 30 valuation. However, with this valuation, additional work was completed in relation to a one-off review of older accident year (accident year 2009 & prior) allowed claims expense ultimate selections to better align with corresponding selected nominal unpaid indemnity, in conjunction with review of large loss open claims files completed by FA’s claims department during the quarter.

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”.)

⁴Claims development margins are selected by jurisdiction, business segment, coverage, and accident half-year.

Bulletin F17-097
FARM – October 2017 Participation Report

September 30, 2017 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis)									
Jurisdiction	2016 & Prior	2016 & Prior	% of	2017	Change	Change	unfavourable / (favourable)		
	Beginning	Accident Year					Beginning	Indemnity	from Prior
	Unpaid (000s)	Indemnity	Unpaid	Loss Ratio	Valuation	Earned Prem	Loss Ratio	from Prior	against 2018
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Ontario	93,651	1,151	1.2%	50.0%	(0.1%)	(26)	52.9%	0.0%	-
PPV	41,877	141	0.3%	49.5%	(0.2%)	(26)	52.5%	0.0%	-
Non-PPV	51,774	1,010	2.0%	50.2%	0.0%	-	53.0%	0.0%	-
Alberta	66,705	502	0.8%	54.2%	(1.3%)	(723)	54.8%	(0.4%)	(226)
PPV	15,522	2	0.0%	55.4%	(0.9%)	(67)	53.6%	(2.9%)	(226)
Non-PPV	51,183	500	1.0%	54.0%	(1.4%)	(656)	55.0%	0.0%	-
Newfoundland & Labrador	43,856	(968)	(2.2%)	73.2%	(1.6%)	(459)	74.6%	0.0%	-
PPV	29,731	(560)	(1.9%)	69.9%	(2.1%)	(445)	73.5%	0.0%	-
Non-PPV	14,125	(408)	(2.9%)	82.6%	(0.2%)	(15)	77.5%	0.0%	-
New Brunswick	30,056	1,261	4.2%	60.7%	2.1%	423	56.7%	0.0%	-
PPV	17,890	965	5.4%	60.7%	(3.2%)	(401)	60.5%	0.0%	-
Non-PPV	12,166	296	2.4%	60.6%	10.2%	824	51.1%	0.0%	-
Nova Scotia	18,703	162	0.9%	64.7%	2.9%	528	62.5%	0.0%	-
PPV	7,878	387	4.9%	65.7%	(0.1%)	(8)	68.5%	0.0%	-
Non-PPV	10,825	(225)	(2.1%)	64.0%	5.2%	536	58.0%	0.0%	-
Prince Edward Island	6,711	(120)	(1.8%)	46.9%	(2.8%)	(126)	47.5%	0.0%	-
PPV	3,934	(63)	(1.6%)	40.5%	(2.4%)	(65)	42.5%	0.0%	-
Non-PPV	2,777	(57)	(2.1%)	56.3%	(3.3%)	(61)	54.5%	0.0%	-
Yukon Territory	2,783	(235)	(8.4%)	45.2%	(4.4%)	(81)	53.8%	0.0%	-
PPV	1,848	(249)	(13.5%)	57.2%	(0.1%)	(0)	60.5%	0.0%	-
Non-PPV	935	14	1.5%	41.5%	(5.7%)	(81)	52.0%	0.0%	-
Northwest Territories	4,563	(375)	(8.2%)	61.3%	16.5%	723	43.2%	0.0%	1
PPV	2,942	(357)	(12.1%)	48.2%	(0.1%)	(3)	47.0%	0.0%	-
Non-PPV	1,621	(18)	(1.1%)	93.4%	56.9%	726	34.6%	0.1%	1
Nunavut	700	85	12.1%	35.7%	0.0%	(1)	37.6%	0.0%	-
PPV	295	95	32.2%	26.6%	(0.8%)	(3)	29.0%	0.0%	-
Non-PPV	405	(10)	(2.5%)	39.9%	0.3%	2	41.0%	0.0%	-
Total	267,728	1,463	0.5%	57.9%	0.1%	258	58.0%	(0.1%)	(225)

The overall **impact of implementing the valuation** on the results of the Month of October 2017 is estimated as **favourable by \$8.3 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 (column [2] in the valuation summary table is 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 September 30, 2017 (used for the valuation) and available for implementation (October 31, 2017). In addition, column [6] of the valuation summary table above estimates the impact of the change in selected current accident year indemnity loss ratio against projected full year 2017 earned premium, whereas the current accident year row, second row of column [1] in the implementation impact table at the top of the next page applies the change to year-to-date earned premium at October 31, 2017.

Bulletin F17-097
FARM – October 2017 Participation Report

Implementation Summary Table A (\$000s)

Implementation Impact - relative to projection for month of Oct 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)	1,584	311	(4,208)	(2,313)	(4,915)	(7,228)
current accident year claims incurred	215	74	5	294	(1,081)	(787)
premium deficiency / (DPAC)	(81)			(81)	(192)	(273)
TOTAL	1,718	385	(4,203)	(2,100)	(6,188)	(8,288)

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 146,084 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns			dsct rate	margins		ultimates & payout patterns			dsct rate	margins	
nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(2,313)	(334)	(2,647)	(4,581)	-	(7,228)	(1.6%)	(0.2%)	(1.8%)	(3.1%)	-	(4.9%)
CAY	294	(22)	272	(1,059)	-	(787)	0.2%	-	0.2%	(0.7%)	-	(0.5%)
Prem Def	(81)	15	(66)	(207)	-	(273)	(0.1%)	-	-	(0.1%)	-	(0.2%)
TOTAL	(2,100)	(341)	(2,441)	(5,847)	-	(8,288)	(1.4%)	(0.2%)	(1.7%)	(4.0%)	-	(5.7%)

The overall impact *prior to* the 54 basis point increase in the discount rate (to 1.81%) and changes to margins for adverse deviation was favourable by \$2.4 million (Total row, third column in the table above). This was augmented by the \$5.8 million favourable impact of the discount rate change (Total row, fourth column). As there were no updates to the selected margins investment income or for adverse claims development deviation, no “margin change” impact is shown (fifth column in the table above).

Additional detail related to the valuation results and impact is available in the [FARM October 2017 Participation Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights FARM as at September 30, 2017 are expected to be posted on or before January 26, 2018.

The actuarial valuation will be updated next as at December 31, 2017 for all jurisdictions and business segments. The results are anticipated to be reflected in the March 2018 Participation Report.

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 5.1% overall in October 2017 relative to October 2016. On a year-to-date basis,

Bulletin F17-097
FARM – October 2017 Participation Report

exposure counts are down by 2.3%, decreasing in all jurisdictions except Ontario, Newfoundland & Labrador and Nova Scotia.

FARM Private Passenger Written Car Years

# FARM Vehicles Written								
Jurisdiction	Month of October 2017				Calendar YTD as of October 2017			
	2017	2016	Chg	% Chg	2017	2016	Chg	% Chg
Ontario	171	137	34	25.0%	2,046	1,729	316	18.3%
Alberta	130	184	(54)	(29.5%)	1,321	1,495	(174)	(11.6%)
Newfoundland & Labrador	931	1,001	(70)	(7.0%)	9,293	9,091	202	2.2%
New Brunswick	675	733	(58)	(7.9%)	5,850	6,416	(566)	(8.8%)
Nova Scotia	418	345	73	21.2%	3,521	3,354	167	5.0%
Prince Edward Island	123	141	(19)	(13.1%)	1,154	1,253	(99)	(7.9%)
Yukon	16	10	5	52.0%	156	209	(53)	(25.3%)
Northwest Territories	220	256	(36)	(14.1%)	1,890	2,154	(264)	(12.2%)
Nunavut	10	29	(19)	(66.3%)	160	298	(138)	(46.3%)
All Jurisdictions	2,693	2,837	(144)	(5.1%)	25,391	26,000	(608)	(2.3%)

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 October 2017 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 10 months ended October 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 10/2017
(thousands of dollars)

	January	February	March	April	May	June	July	August	September	October	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	\$20,989	\$16,994	\$17,099	\$18,013	\$17,086	\$162,601	\$183,393	\$171,000
CHANGE IN UNEARNED PREMIUMS	3,684	2,114	258	(2,654)	(6,272)	(6,354)	(1,758)	(1,653)	(2,664)	(1,218)	(16,517)	(6,738)	7,060
NET PREMIUMS EARNED	\$14,268	\$12,751	\$14,285	\$13,662	\$14,584	\$14,635	\$15,236	\$15,446	\$15,349	\$15,868	\$146,084	\$176,655	\$178,060
CLAIMS INCURRED													
PRIOR ACCIDENT YEARS													
UNDISCOUNTED	(132)	156	(10,108)	(64)	10,097	(36)	(44)	(3,345)	(57)	(2,776)	(6,309)	(5,867)	(2,129)
EFFECT OF DISCOUNTING	(790)	(707)	(7,562)	(708)	1,445	(667)	(689)	(4,291)	(486)	(5,302)	(19,757)	(20,535)	(1,579)
DISCOUNTED	(922)	(551)	(17,670)	(772)	11,542	(703)	(733)	(7,636)	(543)	(8,078)	(26,066)	(26,402)	(3,708)
CURRENT ACCIDENT YEAR													
UNDISCOUNTED	9,713	8,799	9,702	9,371	10,441	10,109	10,508	11,726	10,734	11,330	102,433	123,735	127,293
EFFECT OF DISCOUNTING	871	654	269	565	705	633	682	348	563	(517)	4,773	5,681	8,574
DISCOUNTED	10,584	9,453	9,971	9,936	11,146	10,742	11,190	12,074	11,297	10,813	107,206	129,416	135,867
CLAIMS INCURRED	\$9,662	\$8,902	(\$7,699)	\$9,164	\$22,688	\$10,039	\$10,457	\$4,438	\$10,754	\$2,735	\$81,140	\$103,014	\$132,159
UNDERWRITING EXPENSES													
OPERATING & SERVICE FEES	1,080	1,093	1,464	1,730	2,128	2,154	1,734	1,749	1,894	1,746	16,772	18,897	17,653
AGENTS COMMISSIONS	873	869	1,185	1,322	1,713	1,747	1,419	1,424	1,419	1,394	13,365	15,156	14,416
DRIVER RECORD ABSTRACTS	177	239	265	321	335	300	184	358	141	245	2,565	2,844	3,068
BAD DEBTS	(2)	(1)	(5)	0	(10)	(8)	(4)	(2)	(27)	(177)	(236)	(60)	(179)
PREMIUM DEFICIENCY/(DPAC)													
UNDISCOUNTED	266	183	(93)	(203)	(442)	(507)	(139)	(124)	(171)	(199)	(1,429)	(647)	331
EFFECT OF DISCOUNTING	(24)	1	100	15	230	67	7	181	36	(188)	425	363	112
DISCOUNTED	242	184	7	(188)	(212)	(440)	(132)	57	(135)	(387)	(1,004)	(284)	443
UNDERWRITING EXPENSES	\$2,370	\$2,384	\$2,916	\$3,185	\$3,954	\$3,753	\$3,201	\$3,586	\$3,292	\$2,821	\$31,462	\$36,553	\$35,401
NET UNDERWRITING GAIN (LOSS)	\$2,236	\$1,465	\$19,068	\$1,313	(\$12,058)	\$843	\$1,578	\$7,422	\$1,303	\$10,312	\$33,482	\$37,088	\$10,500
ADMINISTRATIVE EXPENSES	379	421	361	408	494	442	376	407	425	445	4,158	4,620	4,999
PREMIUM FINANCE FEE	(9)	(8)	(10)	(7)	(9)	(10)	(9)	(9)	(9)	(9)	(89)	(80)	(108)
INVESTMENT INCOME	13	11	18	16	15	16	21	24	25	28	187	253	226
OPERATING RESULTS	\$1,861	\$1,047	\$18,715	\$914	(\$12,546)	\$407	\$1,214	\$7,030	\$894	\$9,886	\$29,422	\$32,641	\$5,619
RATIOS:													
Claims & Adj Expenses Incurred (Earned)													
Prior Accident Year	-6.5%	-4.3%	-123.7%	-5.7%	79.1%	-4.8%	-4.8%	-49.4%	-3.5%	-50.9%	-17.8%	-14.9%	-2.1%
Current Accident Years	74.2%	74.1%	69.8%	72.7%	76.4%	73.4%	73.4%	78.2%	73.6%	68.1%	73.4%	73.3%	76.3%
All Accident Years Combined	67.7%	69.8%	-53.9%	67.0%	155.5%	68.6%	68.6%	28.8%	70.1%	17.2%	55.6%	58.4%	74.2%
Underwriting & Admin Exp.(Earned)	19.3%	22.0%	22.9%	26.3%	30.5%	28.7%	23.5%	25.9%	24.2%	20.6%	24.4%	23.3%	22.7%
COMBINED OPERATING RATIO	87.0%	91.8%	-31.0%	93.3%	186.0%	97.3%	92.1%	54.7%	94.3%	37.8%	80.0%	81.7%	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 10 months ended October 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 10/2017
(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	\$47,638	\$44,185	\$16,392	\$3,831	\$18,334	\$25,712	\$1,675	\$3,891	\$943	\$162,601	\$183,393	\$171,000
CHANGE IN UNEARNED PREMIUMS	(2,355)	(9,096)	(1,446)	(99)	(1,136)	(2,075)	(127)	(220)	37	(16,517)	(\$6,738)	\$7,060
NET PREMIUMS EARNED	\$45,283	\$35,089	\$14,946	\$3,732	\$17,198	\$23,637	\$1,548	\$3,671	\$980	\$146,084	\$176,655	\$178,060
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	1,719	(4,821)	(2,904)	601	4,126	(2,408)	(598)	(1,200)	(824)	(6,309)	(\$5,867)	(\$2,129)
EFFECT OF DISCOUNTING	(4,448)	(8,592)	(1,383)	(392)	(1,320)	(2,817)	(222)	(470)	(113)	(19,757)	(\$20,535)	(\$1,579)
DISCOUNTED	(2,729)	(13,413)	(4,287)	209	2,806	(5,225)	(820)	(1,670)	(937)	(26,066)	(26,402)	(3,708)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	28,999	22,727	11,665	2,281	12,675	20,070	870	2,702	444	102,433	\$123,735	\$127,293
EFFECT OF DISCOUNTING	1,033	1,477	511	117	541	912	41	117	24	4,773	\$5,681	\$8,574
DISCOUNTED	30,032	24,204	12,176	2,398	13,216	20,982	911	2,819	468	107,206	129,416	135,867
CLAIMS INCURRED	\$27,303	\$10,791	\$7,889	\$2,607	\$16,022	\$15,757	\$91	\$1,149	(\$469)	\$81,140	\$103,014	\$132,159
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	4,764	4,772	1,638	403	1,889	2,657	167	389	93	16,772	\$18,897	\$17,653
AGENTS COMMISSIONS	4,110	2,640	1,452	363	1,746	2,436	149	387	82	13,365	\$15,156	\$14,416
DRIVER RECORD ABSTRACTS	607	163	642	164	482	407	22	69	9	2,565	\$2,844	\$3,068
BAD DEBTS	(51)	(87)	(8)	(1)	(24)	(58)	(2)	37	(42)	(236)	(\$60)	(\$179)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(200)	(574)	(129)	(9)	(109)	(383)	(10)	(20)	5	(1,429)	(\$647)	\$331
EFFECT OF DISCOUNTING	0	0	80	0	0	345	0	0	0	425	\$363	\$112
DISCOUNTED	(200)	(574)	(49)	(9)	(109)	(38)	(10)	(20)	5	(1,004)	(284)	443
UNDERWRITING EXPENSES	\$9,230	\$6,914	\$3,675	\$920	\$3,984	\$5,404	\$326	\$862	\$147	\$31,462	\$36,553	\$35,401
NET UNDERWRITING GAIN (LOSS)	\$8,750	\$17,384	\$3,382	\$205	(\$2,808)	\$2,476	\$1,131	\$1,660	\$1,302	\$33,482	\$37,088	\$10,500
ADMINISTRATIVE EXPENSES	1,111	1,071	421	145	463	640	91	141	75	4,158	\$4,620	\$4,999
PREMIUM FINANCE FEE	(25)	(32)	(9)	0	(8)	(15)	0	0	0	(89)	(\$80)	(\$108)
INVESTMENT INCOME	51	65	16	2	18	29	1	3	2	187	\$253	\$226
OPERATING RESULTS	\$7,665	\$16,346	\$2,968	\$62	(\$3,261)	\$1,850	\$1,041	\$1,522	\$1,229	\$29,422	\$32,641	\$5,619
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-6.0%	-38.2%	-28.7%	5.6%	16.3%	-22.1%	-53.0%	-45.5%	-95.6%	-17.8%	-14.9%	-2.1%
Current Accident Years	66.3%	69.0%	81.5%	64.3%	76.8%	88.8%	58.9%	76.8%	47.8%	73.4%	73.3%	76.3%
All Accident Years Combined	60.3%	30.8%	52.8%	69.9%	93.1%	66.7%	5.9%	31.3%	-47.8%	55.6%	58.4%	74.2%
Underwriting & Admin Exp.(Earned)	22.8%	22.8%	27.4%	28.5%	25.9%	25.6%	26.9%	27.3%	22.7%	24.4%	23.3%	22.7%
COMBINED OPERATING RATIO	83.1%	53.6%	80.2%	98.4%	119.0%	92.3%	32.8%	58.6%	-25.1%	80.0%	81.7%	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