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.: **F18 - 024**

DATE: **APRIL 10, 2018**

SUBJECT: **DRAFT MINUTES OF THE ANNUAL GENERAL MEETING**

Please find attached, for your information, the draft minutes, Chairman's remarks and President's remarks from the Facility Association Annual General Meeting held February 22, 2018.

David J. Simpson, M.B.A., FCIP, C. Dir.
President & CEO

Attach.

Facility Association

DRAFT MINUTES OF THE ANNUAL GENERAL MEETING HELD AT THE COURTYARD TORONTO DOWNTOWN TORONTO, ONTARIO ON FEBRUARY 22ND, 2018

1. The President read the notice of meeting dated January 15, 2018 (Bulletin F18-002) and confirmed the presence of a quorum.

Residual Market	1426	Votes represented in person
Residual Market	680	Votes represented by proxy
Residual Market	**2106**	**Total represented (out of 2663 votes)**
Ontario RSP	521	Votes represented in person
Ontario RSP	1036	Votes represented by proxy
Ontario RSP	**1557**	**Total represented (out of 2019 votes)**
Alberta RSP	273	Votes represented in person
Alberta RSP	133	Votes represented by proxy
Alberta RSP	**406**	**Total represented (out of 479 votes)**
New Brunswick RSP	30	Votes represented in person
New Brunswick RSP	23	Votes represented by proxy
New Brunswick RSP	**53**	**Total represented (out of 81 votes)**
Nova Scotia RSP	45	Votes represented in person
Nova Scotia RSP	14	Votes represented by proxy
Nova Scotia RSP	**59**	**Total represented (out of 87 votes)**

2. On **MOTION** made by Mr. George Hardy, **SECONDED** by Mr. Don Sollows and **CARRIED**, the Minutes of the Facility Association Annual General Meeting held on February 24th 2017, as previously circulated, were approved.

3. THE CHAIRMAN'S REMARKS – ATTACHED

4. THE PRESIDENT'S REMARKS – ATTACHED

5. REPORTS OF THE PROVINCIAL OPERATING COMMITTEES

The written reports were attached to the Agenda. The Chairman noted that not all of the Chairpersons were present, however, the President or the Committee staff liaison would be responding to questions on their behalf.

On **MOTION** made by Mr. Andrew Cartmell, **SECONDED** by Mr. Chris Cooney and **CARRIED**, the reports were adopted.

6. REPORTS OF THE ADVISORY COMMITTEES

The reports of the Advisory Committees were circulated with the Agenda. The Chairman asked if there were any questions arising from these reports and indicated that the President or the Committee staff liaison were present to answer any questions.

On **MOTION** made by Mr. George Hardy, **SECONDED** by Mr. Don Sollows and **CARRIED**, the reports were adopted.

7. NOMINATING REPORT

George Hardy presented the Nominating Report on behalf of the Governance and Human Resources Committee.

Nominated for election to the Board of Directors for a two-year term expiring in the year 2020:

Patrick Barbeau	Intact Insurance
Andrew Cartmell	SGI Canada
Louis Durocher	Aviva Canada
Karen Dyberg	Dyberg Insurance Inc.
George Hardy	Co-operators General
Rhonda Lawson	LMC Consulting
Aaron Perdue	Millenium Insurance Corporation
Don Sollows	RSA Group

Nominated for election to the Board of Directors for a period of one year ending at the Annual General Meeting in 2019:

Adam Nolan	Munn Insurance

The continuing members with terms expiring in 2019 are:

Christopher Cooney	TD Insurance
Bob Hillman	AMA Insurance
Cara Low	Wawanesa Mutual
Brian Purcell	James Purcell Insurance Brokers Ltd.
Janis Riven	
J.R. (Bob) Tisdale	Pembridge & Pafco Insurance Co.

George Hardy noted that the President is a member of the Board by virtue of his office.

8. ELECTION OF DIRECTORS

The Chair asked if there were any nominations from members in attendance. There being none, on **MOTION** by Mr. Chris Cooney, **SECONDED** by Mr. Andrew Cartmell and **CARRIED, IT WAS RESOLVED** that nominations be closed. As there were no further nominations, the Chairman directed that a single ballot be cast in favour of those nominated.

9. INDEPENDENT DIRECTOR REMUNERATION

On **MOTION** made by Mr. Don Sollows, **SECONDED** by Mr. George Hardy and **CARRIE**D**, IT WAS RESOLVED** that the independent director remuneration is established as follows:

1) An annual stipend of $12,000 plus meeting fees of $1,500 per meeting of the Board or a Board Committee, with reimbursement of travel expenses on the basis for independent directors; plus
2) $600 for each ad-hoc conference call; plus
3) A further $3,000 annual stipend for those who Chair the Board or a Committee of the Board.

AND IT WAS FURTHER RESOLVED that industry directors receive no remuneration other than reimbursement of travel expenses in accordance with existing policy.

10. FINANCIAL STATEMENTS

Mr. Ian Brittain from the firm of Deloitte LLP advised that they were presenting an unqualified opinion with respect to the Financial Statements of the Facility Association Residual Market Segment as at October 31st, 2017, and the Risk Sharing Pools as at October 31st, 2017.

On **MOTION** made by Mr. Don Sollows, **SECONDED** by Mr. Andrew Cartmell and **CARRIED**, all of the above Financial Statements for the fiscal year 2017 as approved by the Board were accepted.

11. APPOINTMENT OF AUDITORS

Upon **MOTION** made by Mr. Chris Cooney, **SECONDED** by Mr. George Hardy and **CARRIED**, the firm of Deloitte LLP was appointed as the auditors for Facility Association for the fiscal year 2018, with terms to be negotiated with the Audit and Risk Committee of the Board of Directors.

12. APPOINTMENT OF THE ACTUARY

Upon **MOTION** made by Mr. Don Sollows, **SECONDED** by Mr. Andrew Cartmell and **CARRIED**, Mr. Liam McFarlane, Limited Partner with Ernst & Young LLP, was appointed as Actuary for Facility Association for the fiscal year 2018, with terms to be negotiated with the Audit & Risk Committee of the Board of Directors.

13. OTHER BUSINESS

No other business was brought before the meeting.

14. TERMINATION OF MEETING

There being no further business, on **MOTION** made by Mr. Chris Cooney, **SECONDED** by Mr. George Hardy and **CARRIED, IT WAS RESOLVED** that the meeting be terminated.

Patrick Barbeau
Chairman

ANNUAL GENERAL MEETING

Thursday, February 22nd 2018, 11:00 a.m.

Courtyard Toronto Downtown

Toronto, Ontario

Chairman's Remarks

and

President's Remarks

I would like to begin my remarks by saying that Facility Association once again did its job of providing the guarantee of availability for automobile insurance to Canadian consumers and that we are unaware of any consumers in the jurisdictions we serve having difficulty obtaining necessary coverage. Also on a positive note, volumes in the Facility Association Residual Market remained low and stable again last year.

All that said, automobile insurance claims costs continued to significantly outpace consumer price inflation in Canada and abroad, and evidence that insurers might be having trouble matching price to risk is showing up as increased Risk Sharing Pool volumes. For the Ontario RSP we have seen an 8% increase in the number of exposures transferred in 2017. This followed a 35% increase in 2016 and led to a record number of exposures being transferred to that Pool. We are currently projecting a further 14% increase this year. We have also seen a 38% increase in the number of exposures transferred to the Nova Scotia Risk Sharing Pool. The President will have more details for you in his remarks.

We continue to be active in making sure our own rates are adequate, and, with the exception of some classes in the northern territories, we review the rates for all lines each year. Last year that review process led to us submitting 29 major rate applications, up from 22 the year before and I can assure you that your Board of Directors will continue to be vigilant with respect to pricing.

2017 was the third year of our three year strategic plan and you have heard previously that the first priority in that plan was to Review, Assess, and Optimize Residual Market Mechanisms. I hope everyone would agree that looking comprehensively from time to time at the residual market mechanisms for which we have the responsibility of providing oversight is the proper work of the Board of Directors. The review process was very thoroughgoing, involving Directors educating themselves on the relative merits of the various types of residual markets used in Canada and elsewhere. Following that broad-based overview, the Board decided that it would be worthwhile to more deeply examine a framework that would use the existing Facility Association Residual Market (FARM) mechanism for non-private passenger vehicles and use Risk Sharing Pools for private passenger vehicles in all jurisdictions. With the support of management, a working group representing a broad cross section of the industry was tasked with coming up with what a specific business model in that framework could look like. They did an excellent job. The business model was presented to industry leaders and garnered a significant amount of support. It did not, however, achieve the near unanimous level of consensus that the Board had previously determined would be required before moving ahead with a formal proposal. When he introduced the initiative, the Board Chair at that time, Bob Tisdale, reminded everyone that the status quo was always an option. So, for the time being, there will be no changes to the residual market framework as it exists today. We will not be entirely resting on our laurels however as you will see in a moment as I expand on our priorities under our new three year strategic plan.

In October of last year, the Board of Directors approved a new three year strategic plan for 2018-2020. It features the following five priorities:

1. Underwriting Information Plan (UIP)

2. Comprehensive Risk Sharing Pool (RSP) Review

3. Operational Efficiency and Effectiveness

4. Regulatory Outreach

5. Enterprise Risk Management

With respect or first priority, at the request of the Canadian Council of Insurance Regulators, and with the support of our member companies, the Facility Association Board of Directors took on the governance responsibility for the Underwriting Information Plan formerly known as the Underwriting Information Tracking System, or UITs, effective December first of last year. There are no operational changes for member companies at present, but over the next three years, the Board and management will be working to become more deeply involved in the governance and administration of the Underwriting Information Plan.

Our second priority, the Comprehensive RSP Review, is a direct outgrowth of our comprehensive review of the residual market mechanisms I spoke about to a few moments ago. The review surfaced the reality that the Risk Sharing Pools serve similar purposes where they exist but that they do so in different ways depending on the jurisdiction. That they operate differently from each other is not surprising, given that they were created to respond to market, regulatory and political realities existing at the times, and in the places, each of them was created.

With the oversight of the Board, management will be working in a consultative fashion with members to review the eligibility requirements, parameters, and the technical interactions required of the Risk Sharing Pools to be sure that they are meeting the members' needs in the best way possible. While that work is underway, we will always keep in mind that our members have invested significant resources in the staff and systems that interact with the RSPs, and that a change that might look relatively straightforward from the perspective of Facility Association, could involve substantial cost and effort by the membership at large.

The President will give you a brief overview of the other three strategic priorities in his remarks.

From another perspective, our world continues to change around us and we need to change with it. As the use of ridesharing becomes more widespread, our industry is continuing to respond, and Facility Association will respond along with it. Soon, we will be sending a Plan of Operation amendment to the members for a vote to allow private passenger vehicles used in transportation network companies to be allowed to be transferred to the Risk Sharing Pools in Ontario, Nova Scotia, and New Brunswick. Currently private passenger vehicles used in ridesharing arrangements are not allowed to be transferred to the RSPs. If the members approve the amendment, the vehicles will be allowed to be transferred to the RSPs, as long as the premiums and claims associated with the transportation network activity itself is not transferred to an RSP. We believe this will enhance the availability of insurance for private passenger vehicles, while preserving the RSPs for private passenger vehicles only. We are not proposing this change in Alberta, because in that province, vehicles used in Transportation Network Companies are not defined as private passenger vehicles.

I would now like to thank our departing Directors for their service.

Steven Cohen resigned mid-year as he transitioned to a new opportunity within our industry. Steven was elected to the Board in 2014. He immediately joined the Audit & Risk Committee and contributed strongly to the Request for Proposal process for our Audit firm conducted that year. We thank Steven and wish him all the very best in his new role.

James Tucker was one of our first two Independent Directors and joined the Board in 2013. James has also served on the Audit and Risk Committee, and brought his extensive knowledge of the global

P&C industry and corporate governance to his role as an Independent Director. We appreciate his contribution over the last five years and wish him the best for the future.

Darren Lipsett, the IBAC representative on our Board for Atlantic Canada is leaving us after one year due to his business commitments. Darren has served on the Audit and Risk committee in the brief time that he has been with us. We thank him wish him all the best.

Lastly, I would like to thank and acknowledge a Director who will be leaving us later this year, and that is our President and CEO, David Simpson, who will be retiring later in the year.

We regret to see Dave leave us because he continues to provide strong leadership at FA. Dave is seen by the Board as a strategic thinker who maintains a "hands on" approach to operational details.

Many significant changes have occurred at FA since Dave took on his role in July, 2001. Since that time, with the support of the FA employee team and the membership, Dave has contributed to the following accomplishments:

- The creation and operation of the RSPs for Alberta, New Brunswick and Nova Scotia

- The implementation of completely new IT systems to support member company sharing and reporting
- Bringing the internal control environment to the point where a CSAE 3416 audit can be provided annually to members
- Developing a very significant "in-house" actuarial capability
- Taking a structured approach to Enterprise Risk Management
- Developing focused Mission and Vision statements to help communicate FA's role in the market and to help guide the actions of the Board, staff, and advisory committees
- Updating and revamping FA's governance structure and processes
- Improving both the quality and quantity of member communications
- Maintaining a commitment to continued efficiency, effectiveness, and constant improvement

Furthermore, all of the above was achieved with a professionalism that has come to be widely acknowledged. Dave leads by example, and has shared his commitment to lifelong learning with the FA employee group. Over his 30 plus years in the P&C industry, Dave himself has achieved his FCIP, his MBA, and the Chartered Director designation.

The Governance and Human Resources Committee of the Board will begin the process of recruiting a new CEO shortly, and Dave will be working with the Committee to ensure a smooth transition to his successor. Members will be kept up-to-date on the leadership transition through the usual bulletin process.

Thank you Dave, you'll be leaving us with big shoes to fill.

Lastly, this meeting is my last meeting as the Chair of the FA Board, and I would like to thank my fellow Directors, the employee group at FA, our advisory committees, and our professional partners for their support and engagement over the last two years. It has been a pleasure working with all of you, and I look forward to continuing to work with you in my role as Immediate Past Chair on the Board.

I will now turn the podium over to our President and CEO, David Simpson, for his remarks.

Thank you.

Thank you Mr. Chairman.

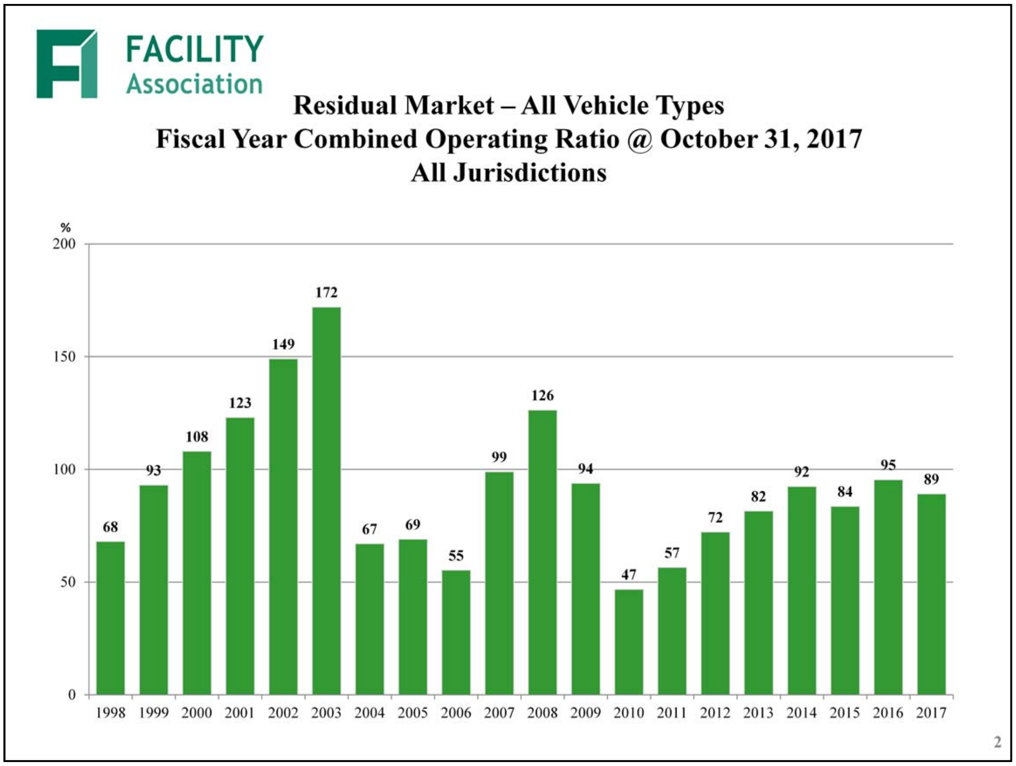
I will now provide the annual roundup of market share and financial results by jurisdiction, and follow that with a brief overview of our other three Strategic Priorities.

I will begin by showing the market share by jurisdiction for Private Passenger vehicles (or PPV) only. They are presented on a preliminary basis in that we currently only have 2016 industry data available to us for use in our calculations. Final market share figures will be posted on our website when they become available. Following a review of private passenger, we will then take a look at some of the other classes of business where we are seeing some relatively significant changes.

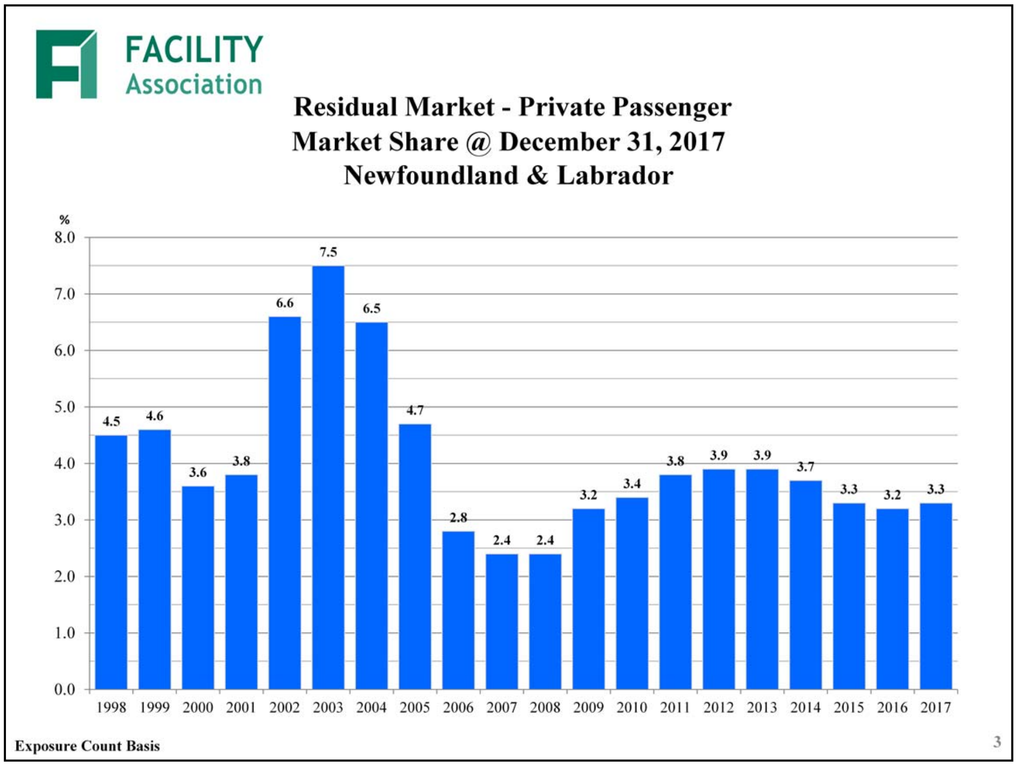
The financial results are based on our audited financial statements for fiscal year 2017, which ended October 31st. Accounting standards do not make it feasible to show the impact of our results on the industry in our statements; however charts illustrating the impact of our results on our member companies are available on the "provincial profiles" section of our website. Costs incurred by our members as a result of their compulsory participation in Facility Association are outlined in Note 2 of our Financial Statements.

I would remind everyone that the fiscal year results are essentially the results of all accident years divided by the current year's premium. Many of you know that residual market volumes have been volatile over the years. Because of that volatility, relatively minor changes in loss ratio estimates on older accident years, where volumes were much higher, can have a disproportionate impact on the current fiscal year, where volumes are much lower. Throughout my presentation, I will also provide an overview of loss ratios by accident year to give you a better sense of how the business is actually performing through time. As with market share, the loss ratios are for private passenger vehicles only.

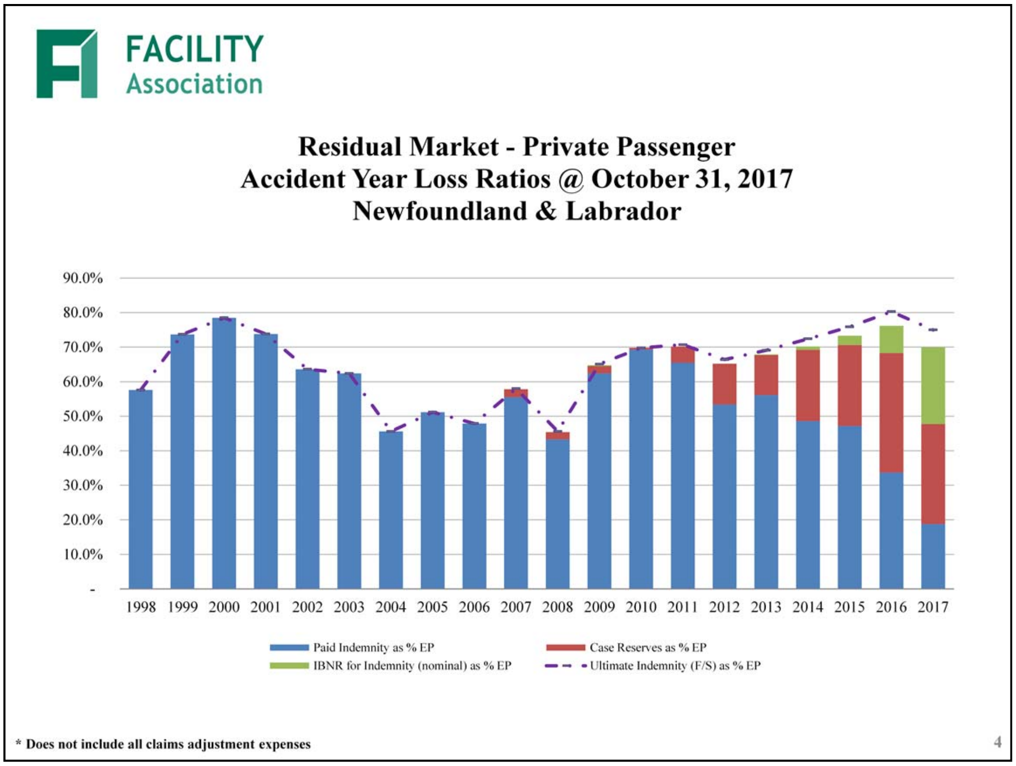
On an all jurisdictions basis, the residual market private passenger market share was 3 tenths of one percent, for the fifth year in a row.



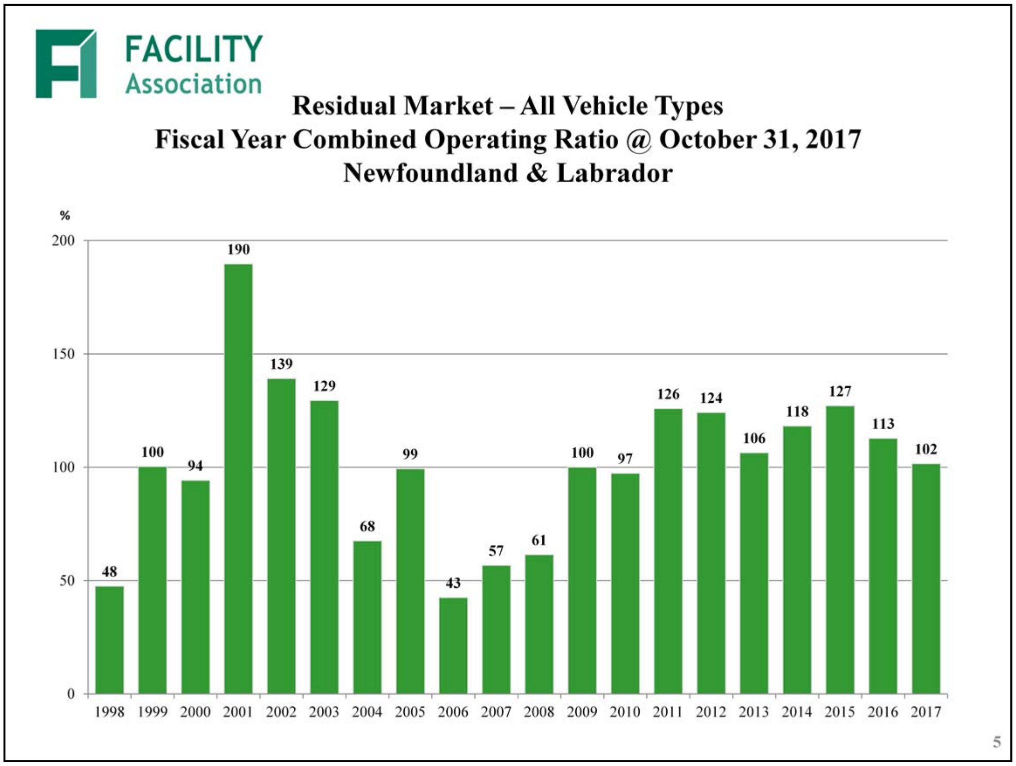
The combined ratio for all jurisdictions and all vehicle types ended the year at 89%. Again, this is from the perspective of the Facility Association. It does not include all costs from the Membership perspective and the policy liabilities have been valued using a 0% discount rate.



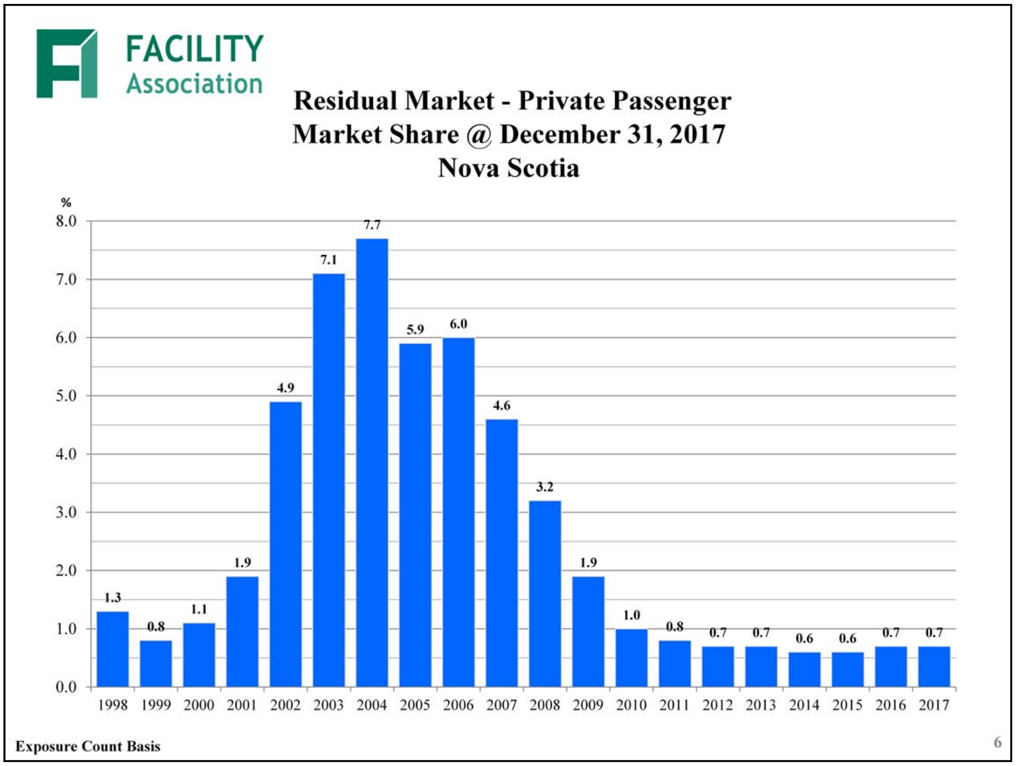
I will now take you through the summaries of the jurisdictions we serve from east to west. Our private passenger market share in Newfoundland & Labrador again moved up slightly to 3.3%.



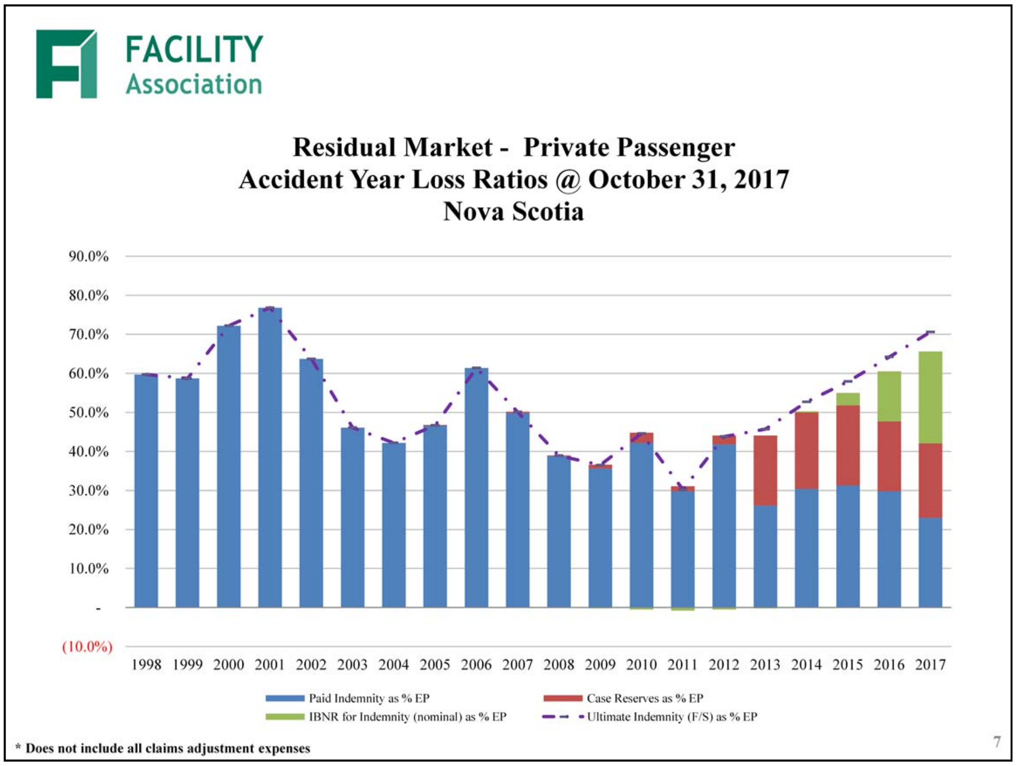
This chart shows Newfoundland & Labrador's private passenger loss ratios by accident year. If you cannot see the legend, the blue represents paid indemnity, the red represents case reserves, and the green represents IBNR. The dotted line indicates our current estimate of the ultimate indemnity amount that will be paid out plus a provision for adverse deviation. Please note that not all loss adjustment expenses are included in the loss ratio figures. You can see that for Newfoundland and Labrador, the loss ratios have been relatively stable the last few years.



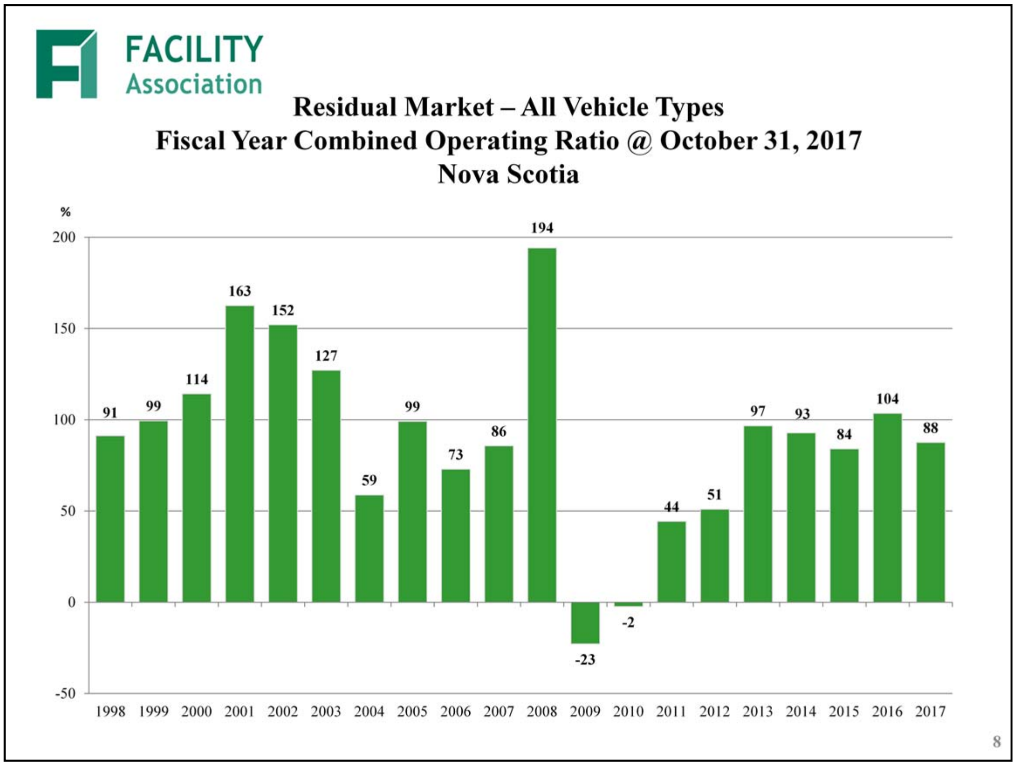
Newfoundland & Labrador’s combined ratio for the year, for all vehicle types, was 102.



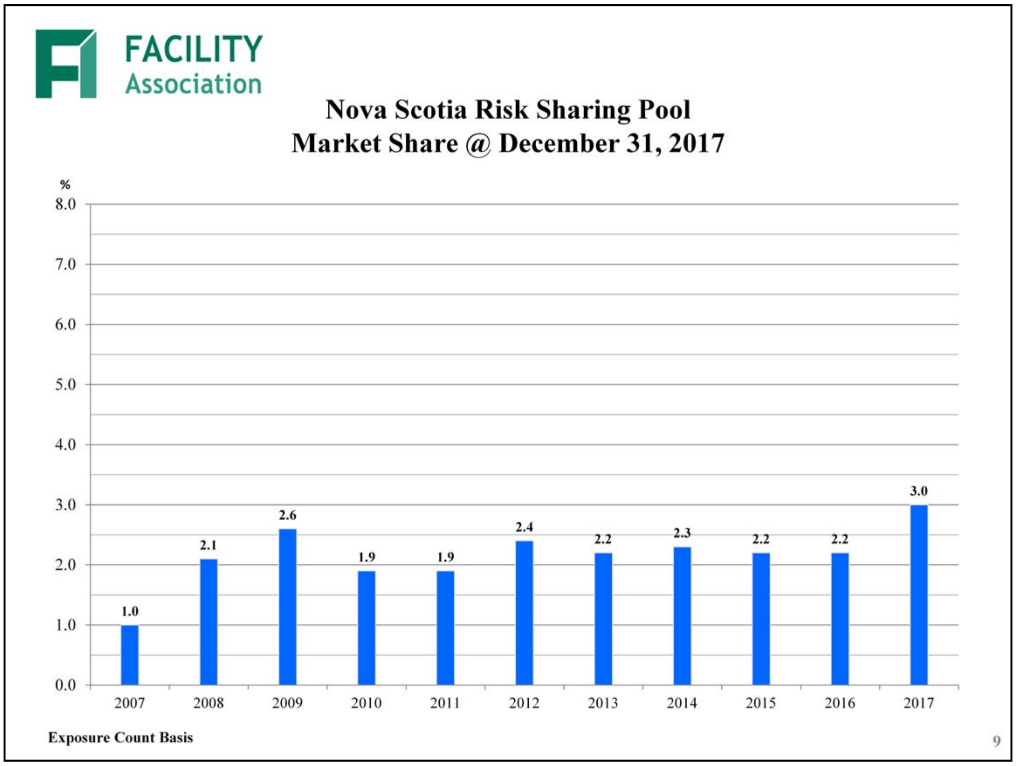
Although our application counts in Nova Scotia stabilized last year, and our PPV market share there remained at a low 7 tenths of one percent.



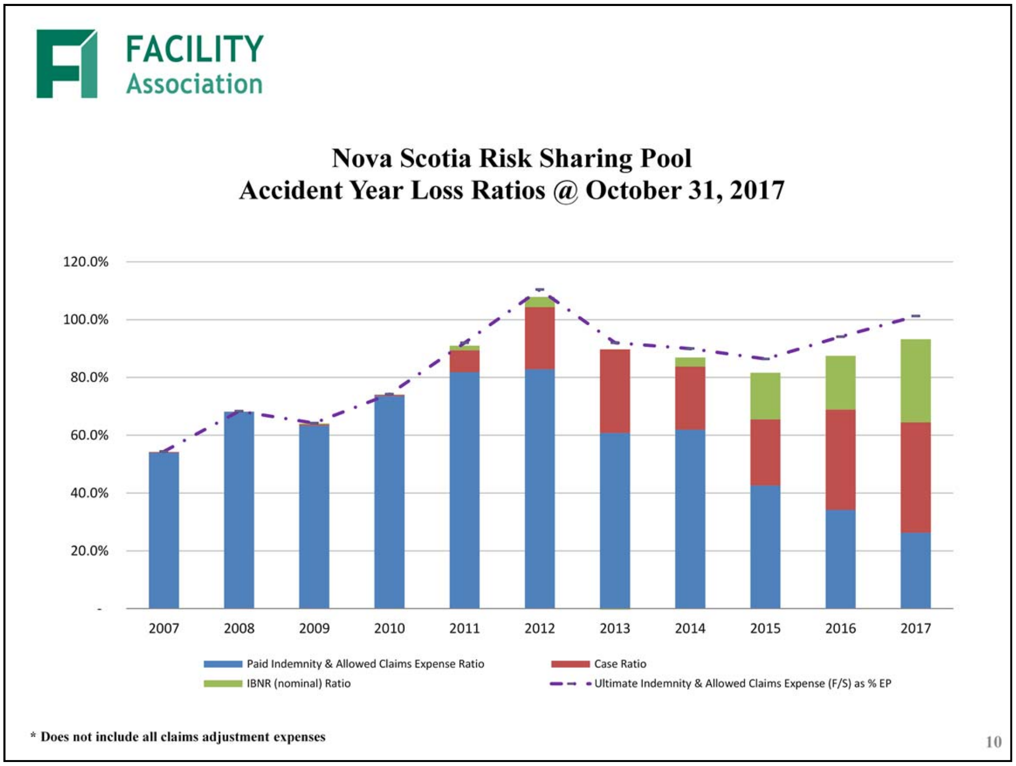
Nova Scotia's residual market private passenger accident year loss ratios continue to increase, and as the Board Chair highlighted, we continue to actively pursue rate adequacy there.



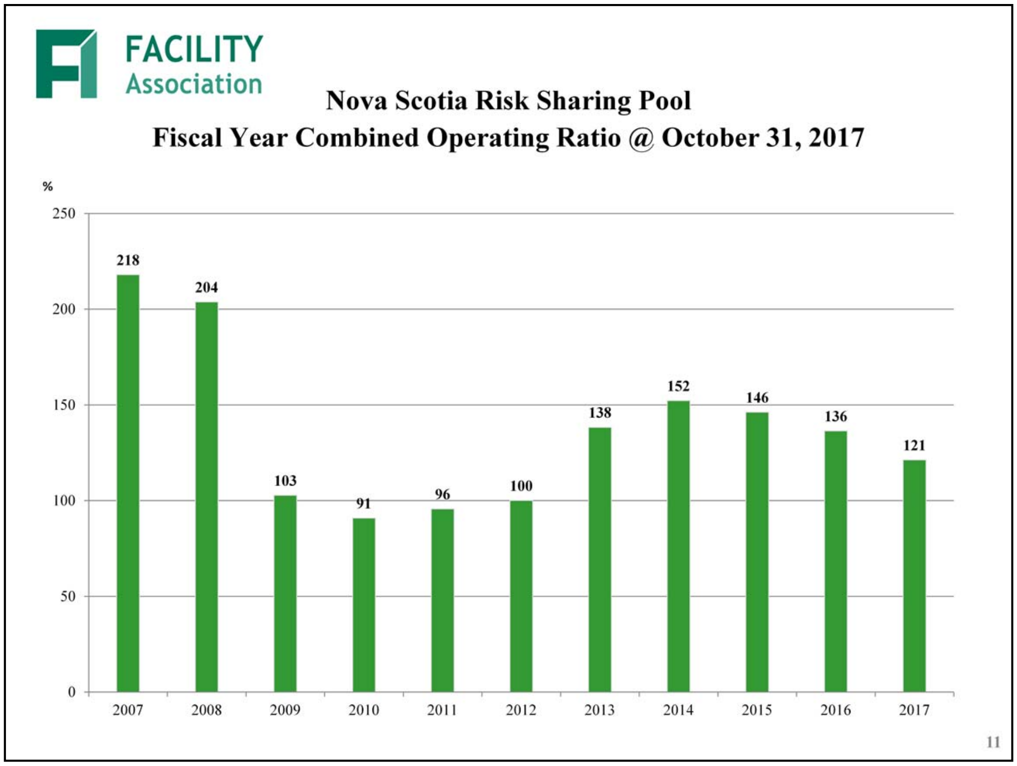
Nova Scotia’s residual market combined ratio for all vehicle types improved to 88% for the year.



The Nova Scotia Risk Sharing Pool is for inexperienced drivers with clean records and, like all of our Risk Sharing Pools, is for private passenger vehicles only. As the Board Chair pointed out, volumes in this Pool increased rather dramatically last year, taking the market share from 2.2% to 3%.



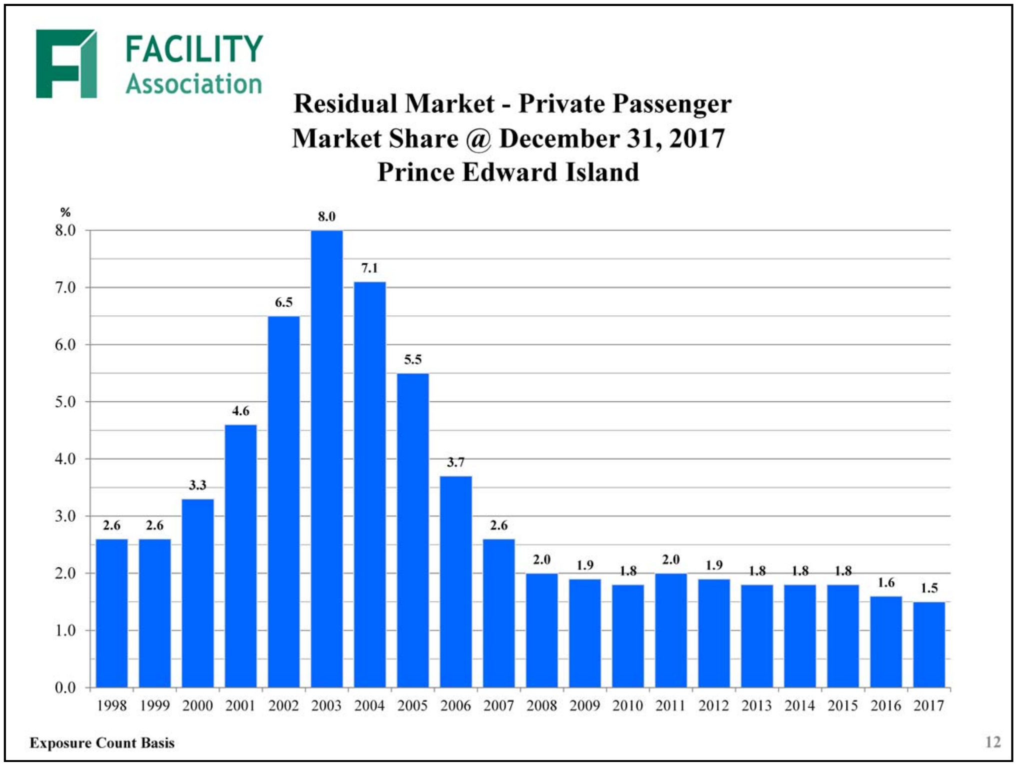
The loss ratios for the Nova Scotia RSP have been more stable over the last five years than one might expect from a pool with relatively small premium volumes and with a very specific target class (that being inexperienced drivers with clean driving records).



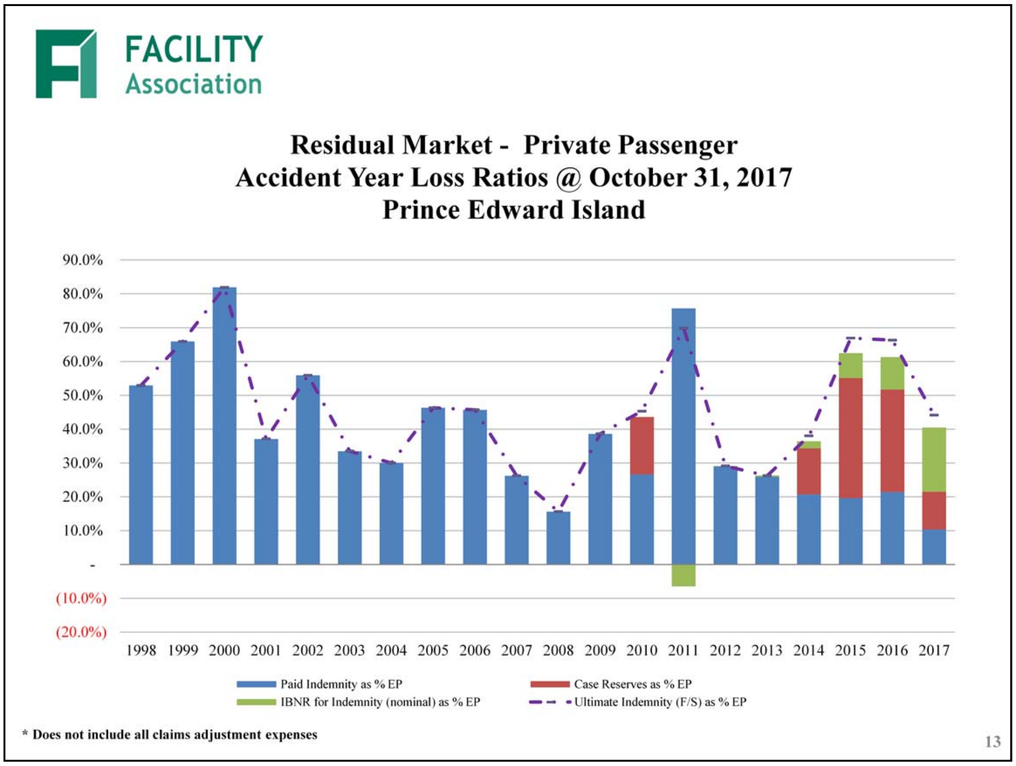
The combined operating ratio of the Nova Scotia RSP has been declining over the last four years, ending the year at 121.

For those of you not familiar with risk sharing pools, RSP risks are written at member company rates, in contrast to the FARM, where risks are written at our rates (subject to regulatory approval).

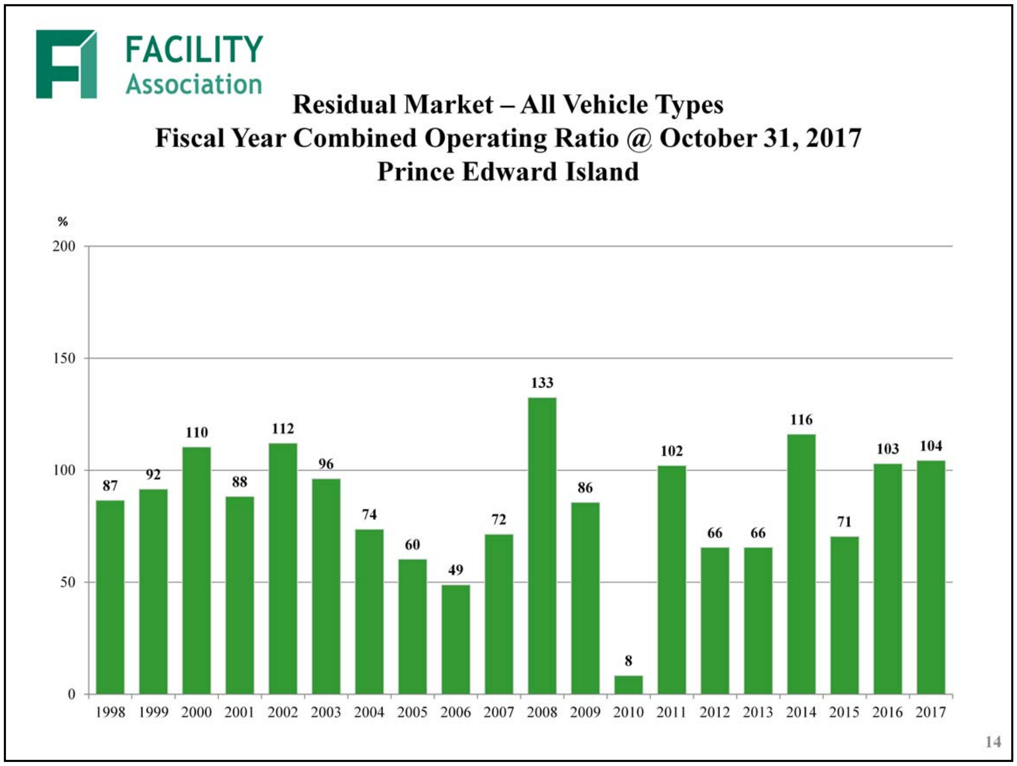
RSPs are designed to allow member companies to pool risks that, as the Chair mentioned in his remarks, they believe to be underpriced. Because of that, over time, we expect to see loss ratios and combined ratios in the RSPs that are relatively high.



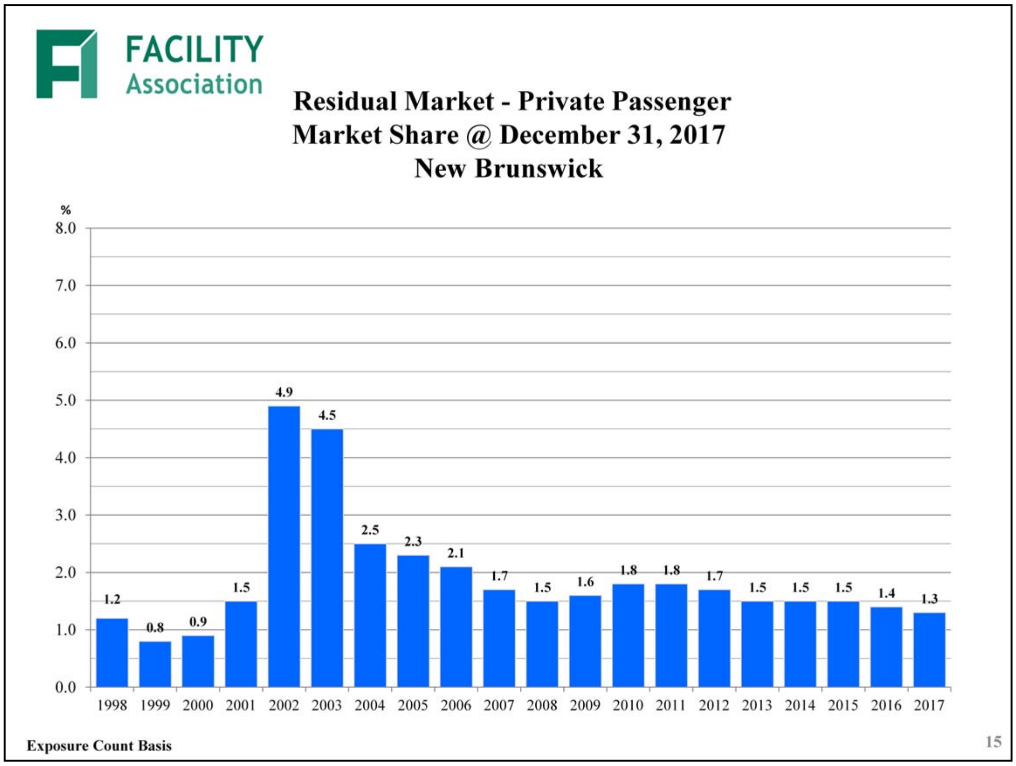
The market share for PEI’s Private Passenger residual market moved down marginally to 1.5%, the lowest level since we started tracking these numbers.



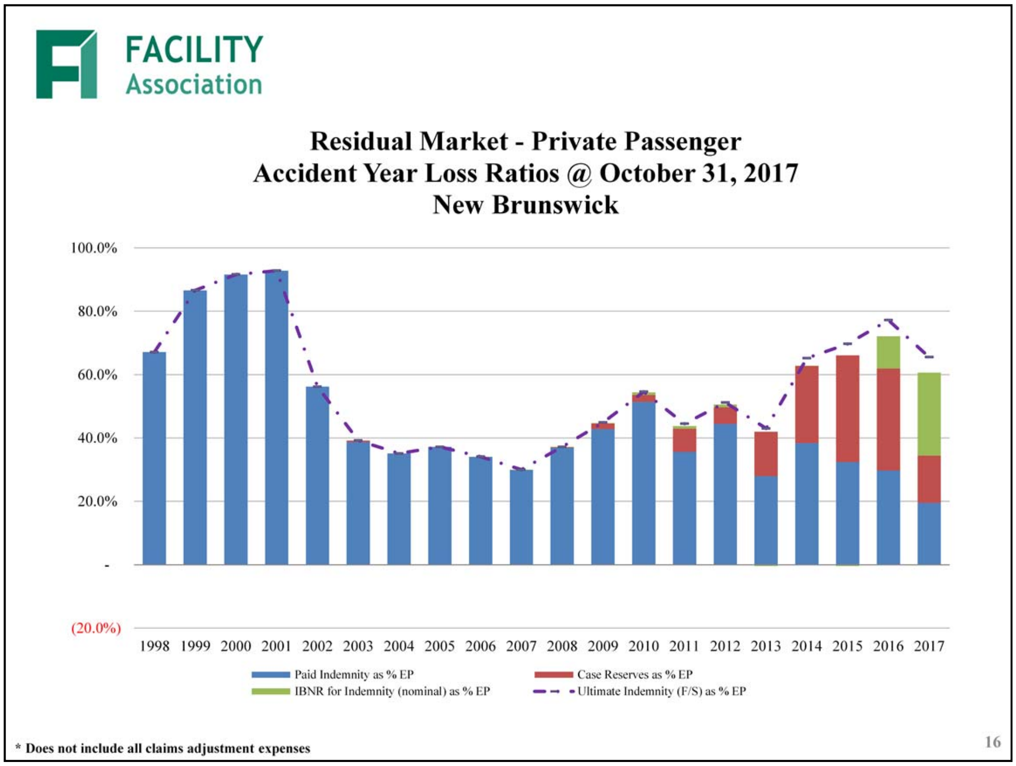
The PEI residual market private passenger accident year loss ratio moved down 20 percentage points in 2016. In jurisdictions like PEI, where the premium volumes are quite small, one or two large losses in a year can have a dramatic impact on the loss ratio. Because of our focus on our mission to keep our market share as small as possible, most classes of business in the FARM in the jurisdictions we serve either are, or are becoming, very small in absolute terms so increasing loss ratio volatility is by no means unusual.



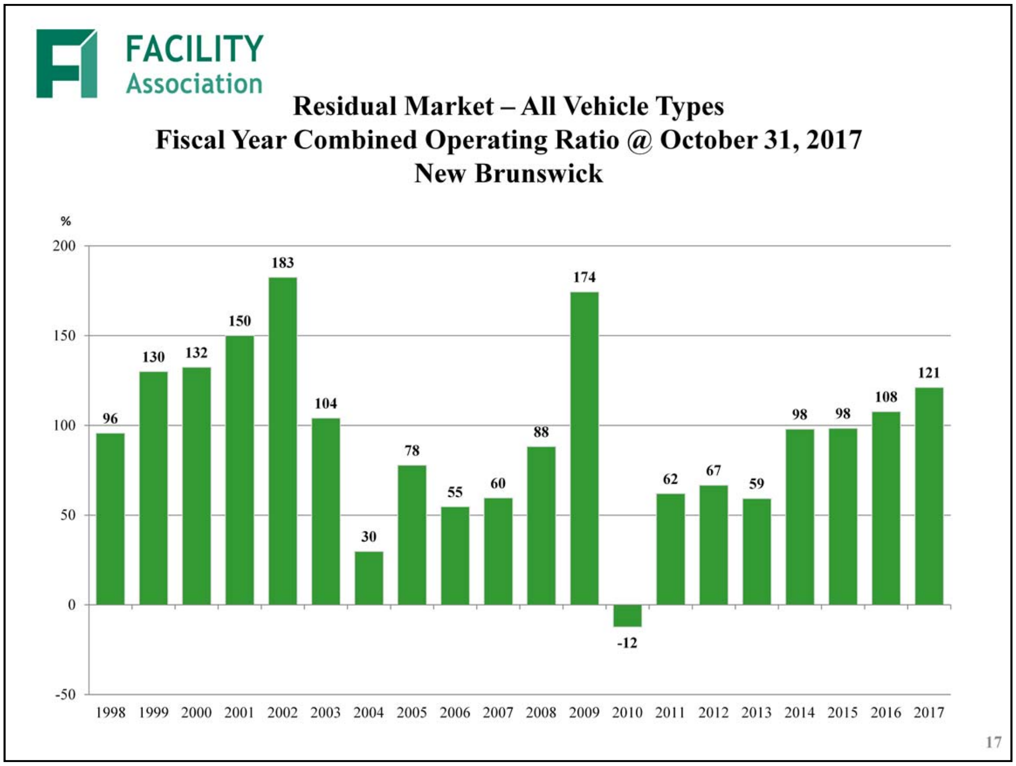
PEI's residual market combined ratio for all vehicle types ended the year at 104.



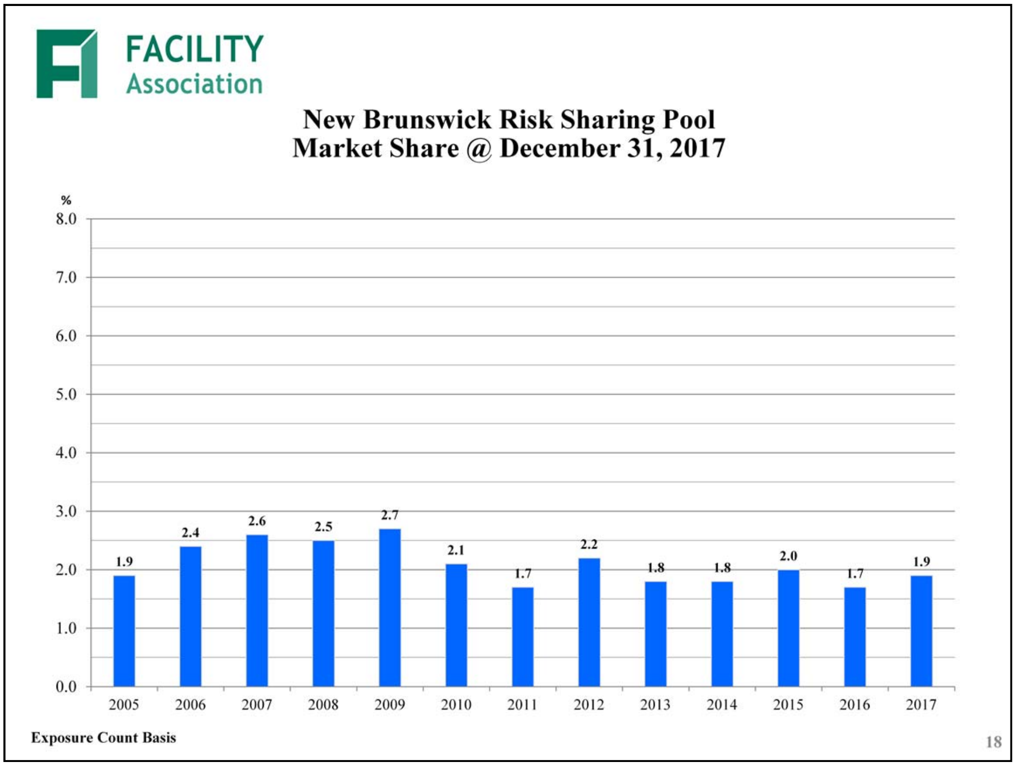
The residual market private passenger market share in New Brunswick moved down slightly to 1.3%.



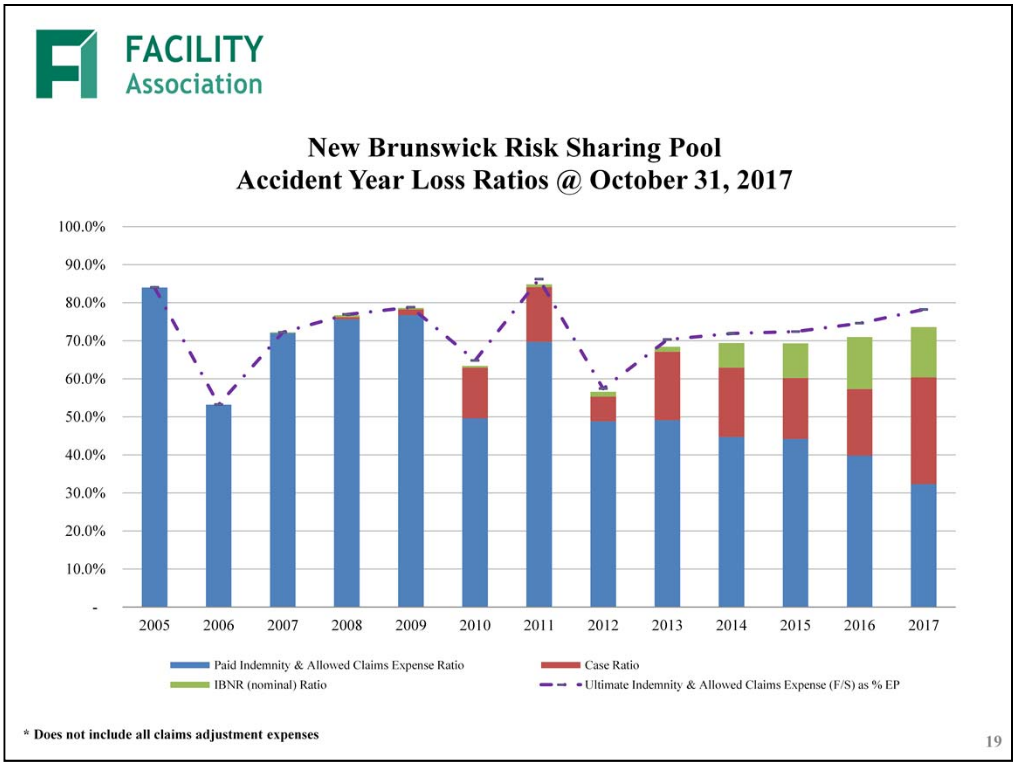
The New Brunswick Private Passenger accident year loss ratio has been relatively stable over the last four years, especially given the small volumes there.



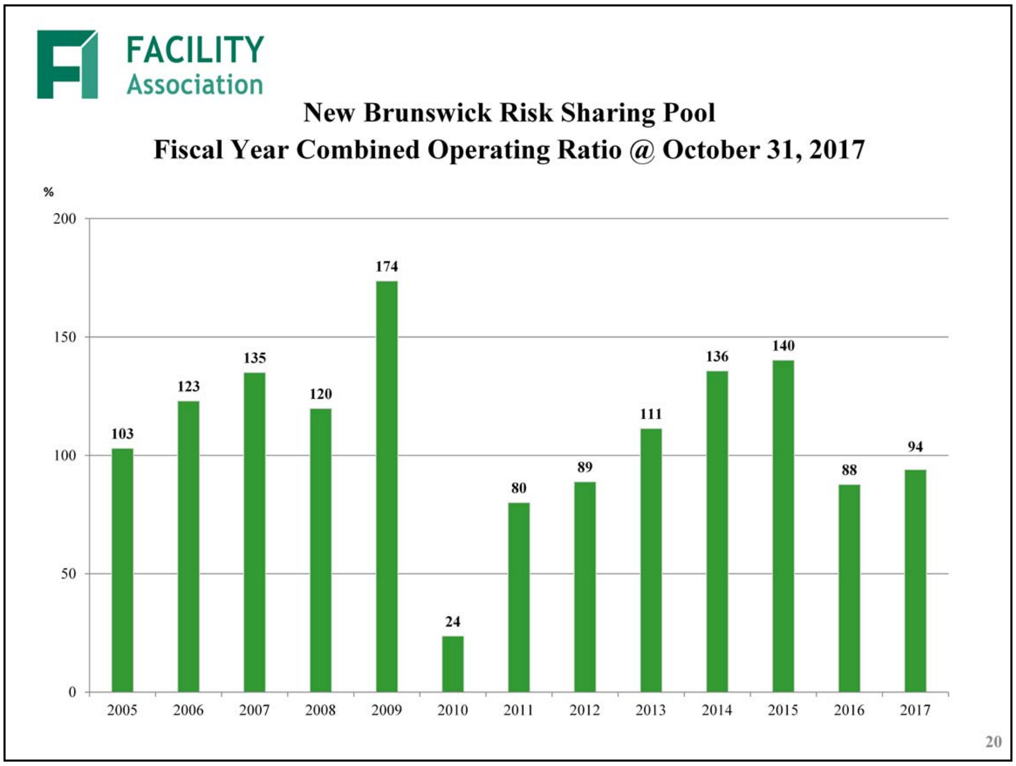
The New Brunswick combined ratio for all vehicle types ended the year at 121. We continue to pursue rate adequacy in this jurisdiction as we do in all others, and in 2017 we received approval to increase our rates for several classes of vehicles.



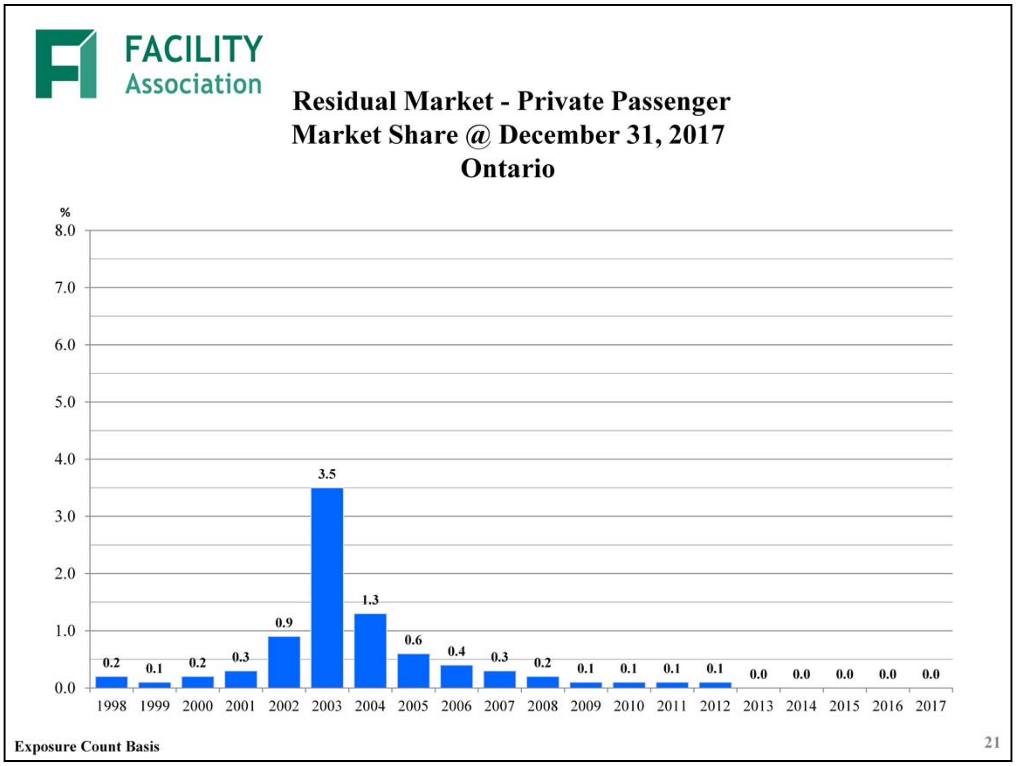
The New Brunswick RSP market share increased slightly to 1.9%, a modest increase and keeping the market share well within the range we've seen there for the last 7-8 years.



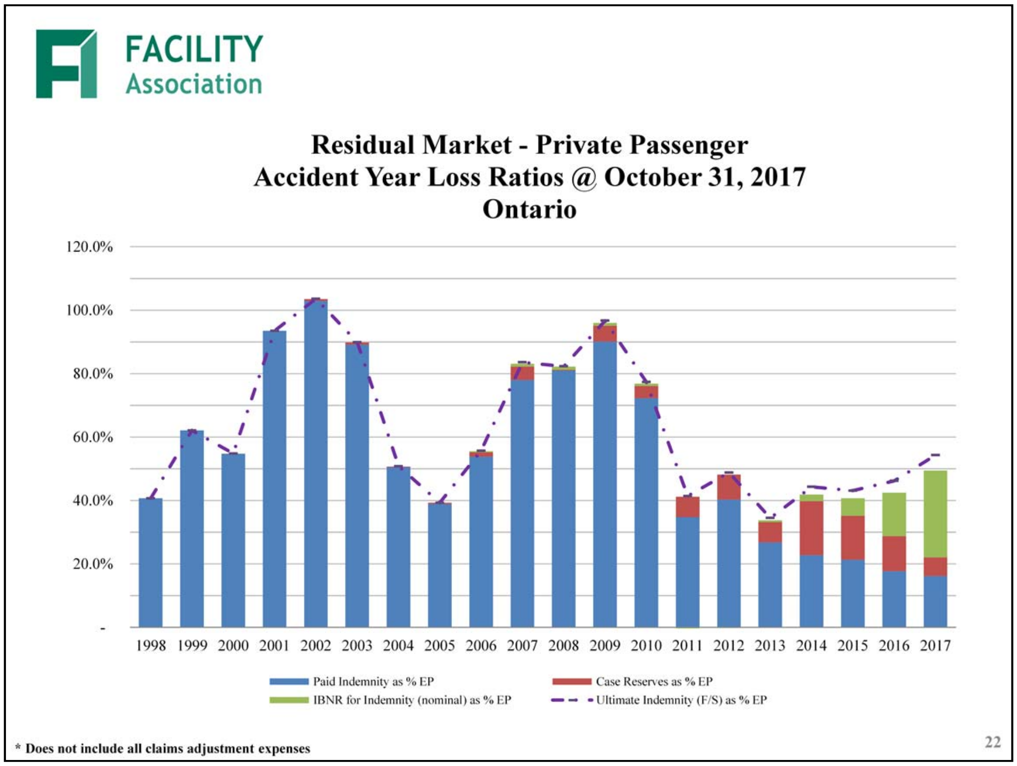
The loss ratios for the last few accident years for the New Brunswick Risk Sharing Pool show an almost remarkable stability.



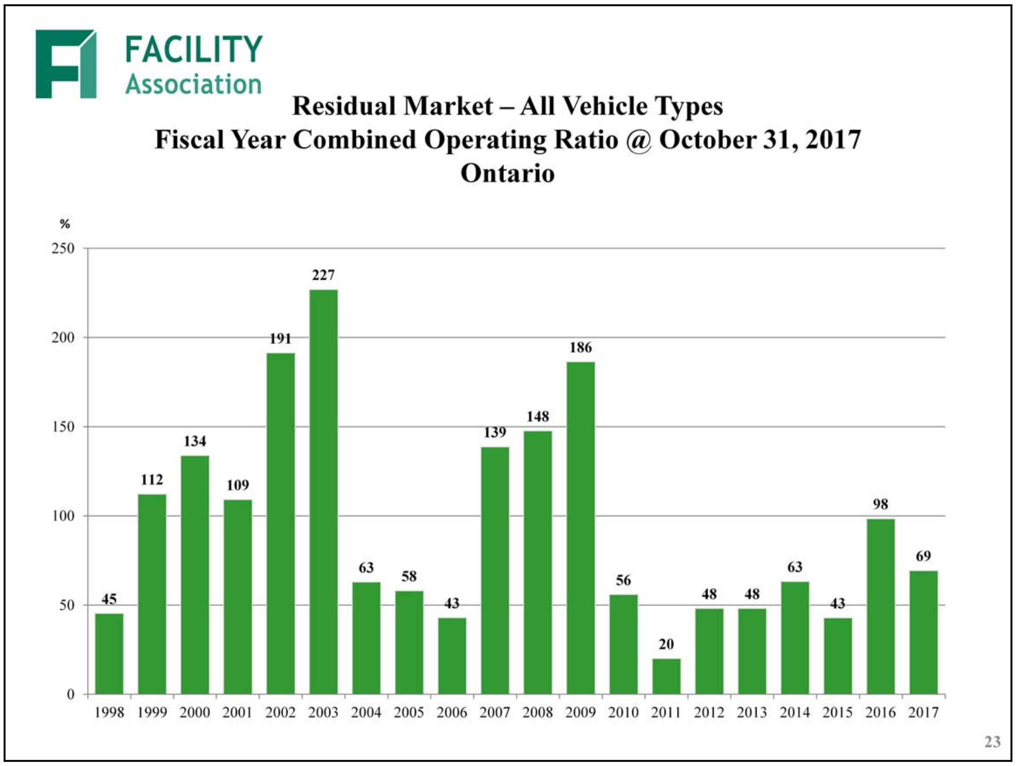
The combined ratio for the New Brunswick Risk Sharing Pool ended the year at 91.



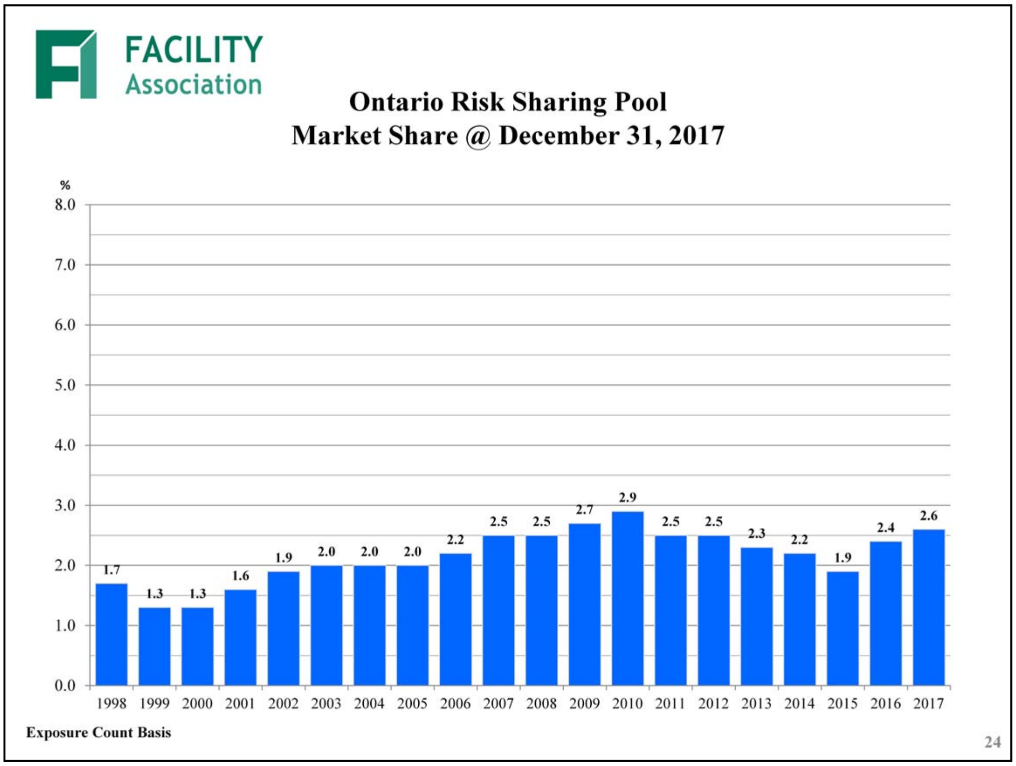
In Ontario, the residual market private passenger market share remains less than one tenth of 1%.



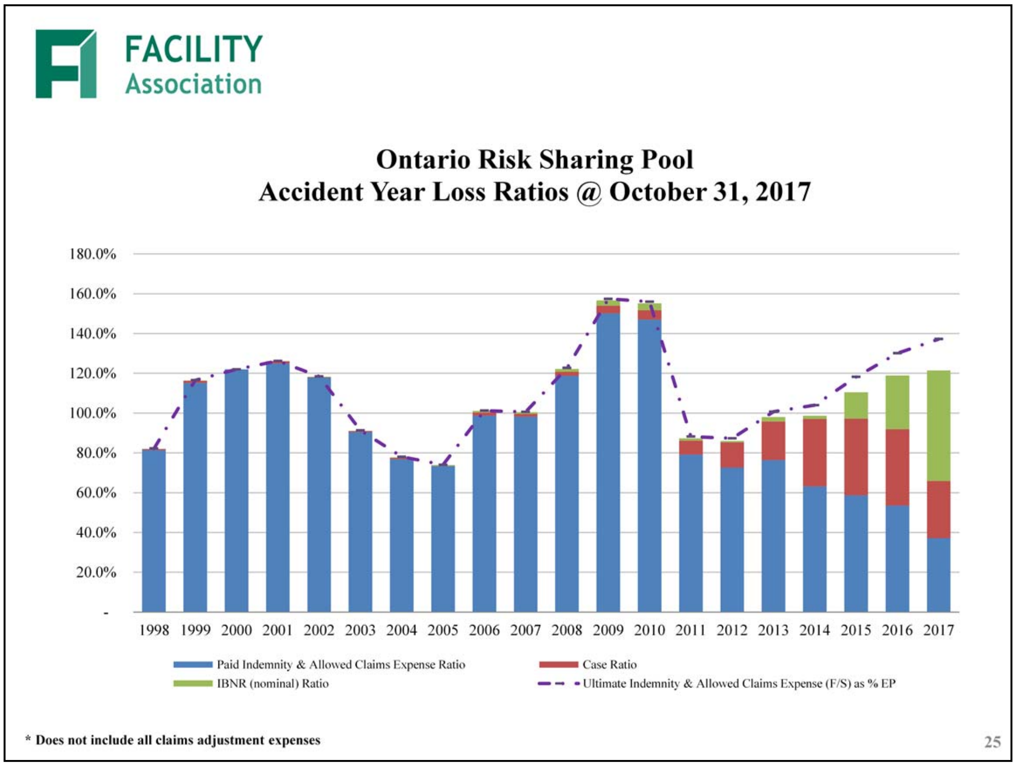
The Ontario residual market private passenger accident year loss ratio rose last year but remains at an acceptable level.



The combined operating ratio for all vehicle types in the Ontario residual market was 69%.



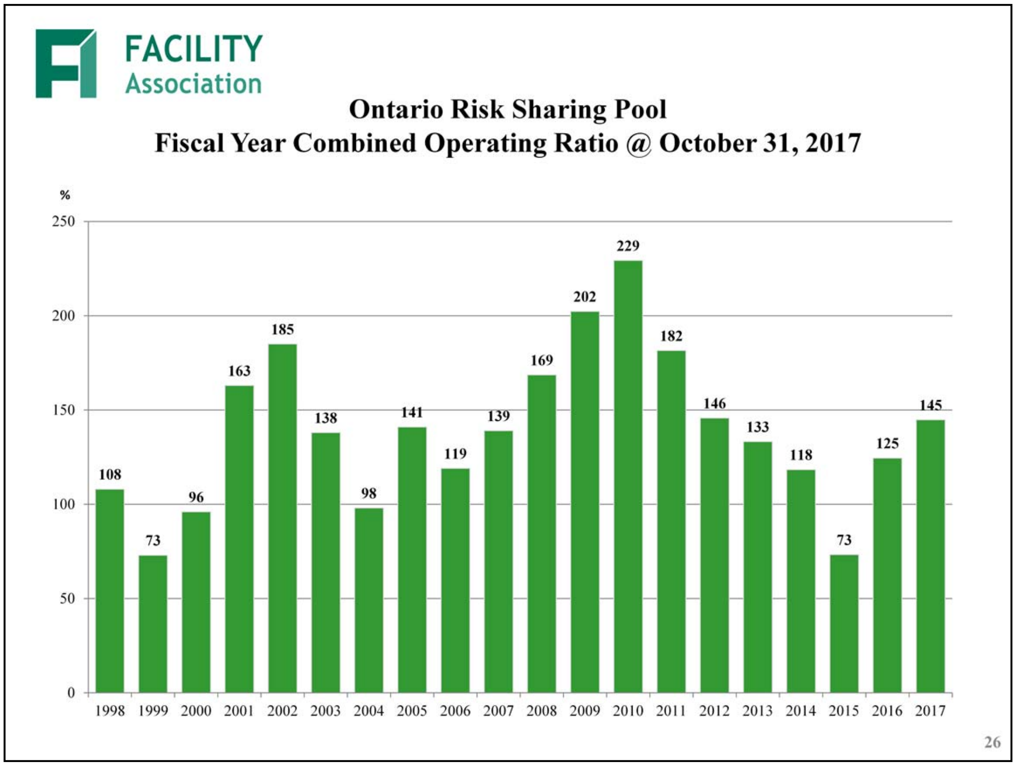
The Chair highlighted the increased volumes in the Ontario Risk Sharing Pool and we see that here with an increase in market share from 2.4 to 2.6 percent, the third highest market share in the last 20 years.



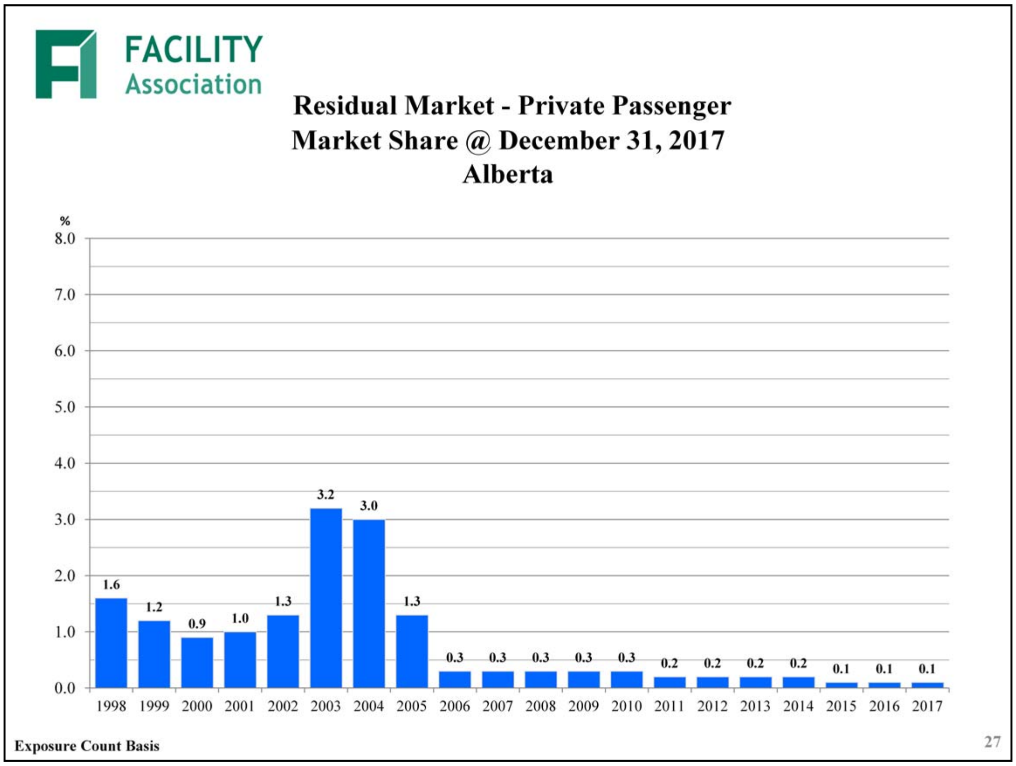
The Ontario risk sharing pool loss ratios continue to be relatively high, indicating that ceding companies are accurately assessing the risks to be ceded to the pool.

This slide also illustrates the dramatic year-to-year changes in loss ratios that we can see in RSPs. From 2010 to 2011, the loss ratio dropped approximately 70 points. Those kinds of sudden, large changes make the actuarial work with respect to these pools extremely challenging.

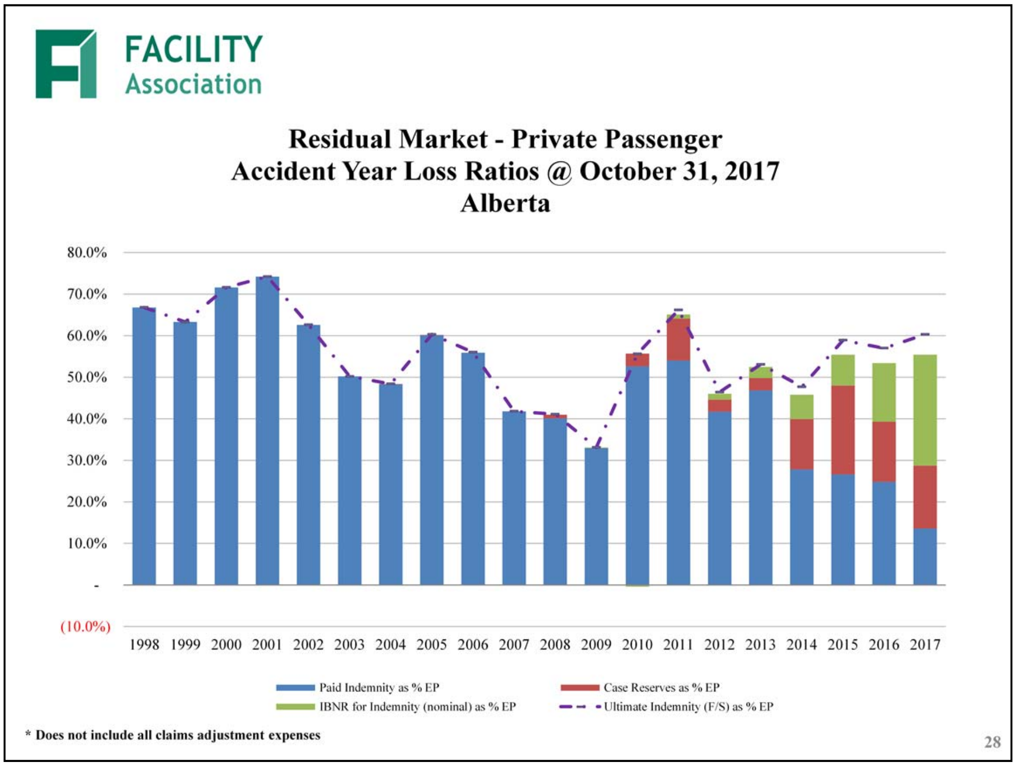
Again, the business in the RSPs is written at member companies’ own rates.



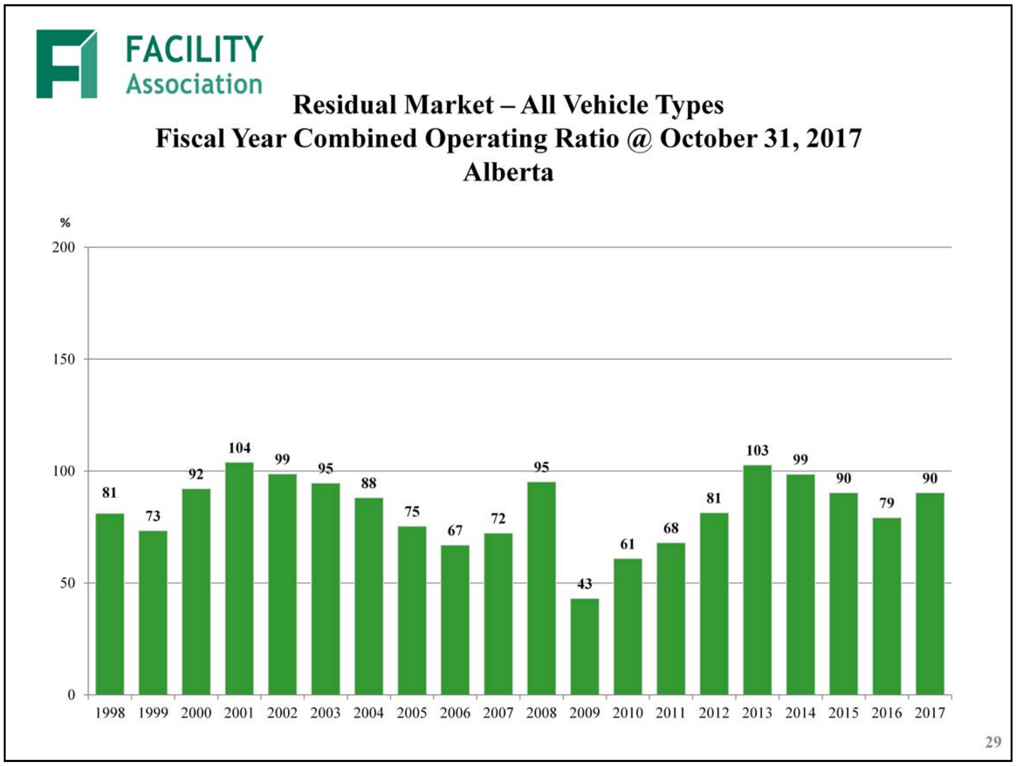
The combined operating ratio for the Ontario risk sharing pool was 145.



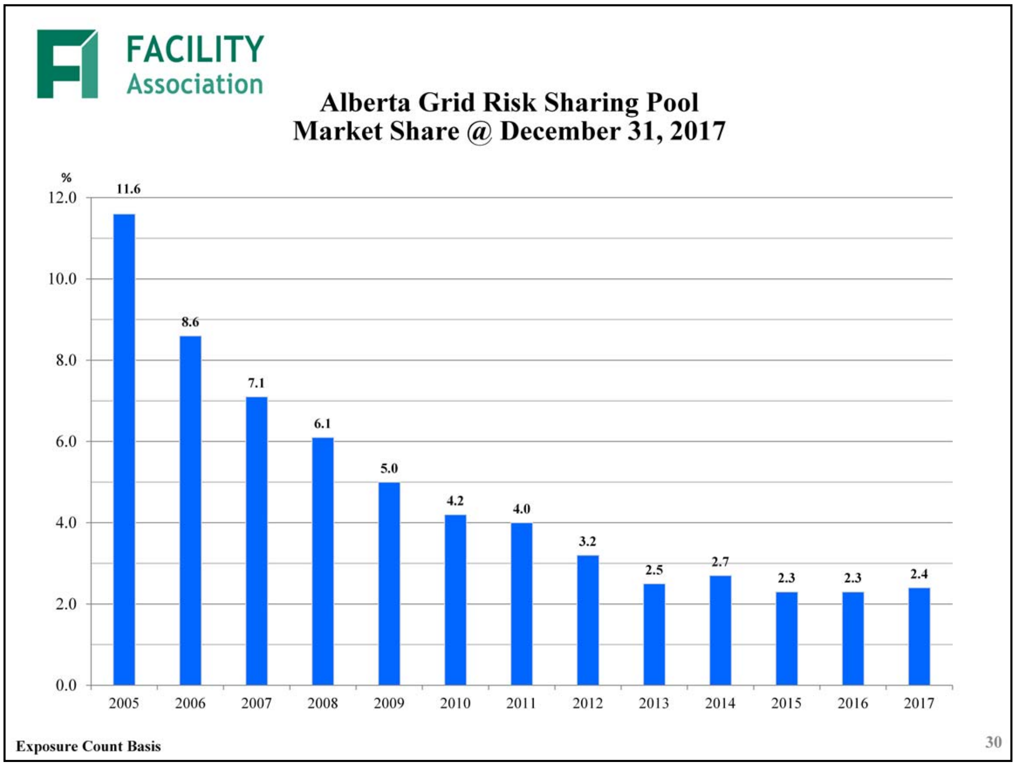
The residual market's private passenger market share in Alberta remained at 1 tenth of 1% for the third year in a row. Alberta has a very stringent "take all comers" market for private passenger vehicles.



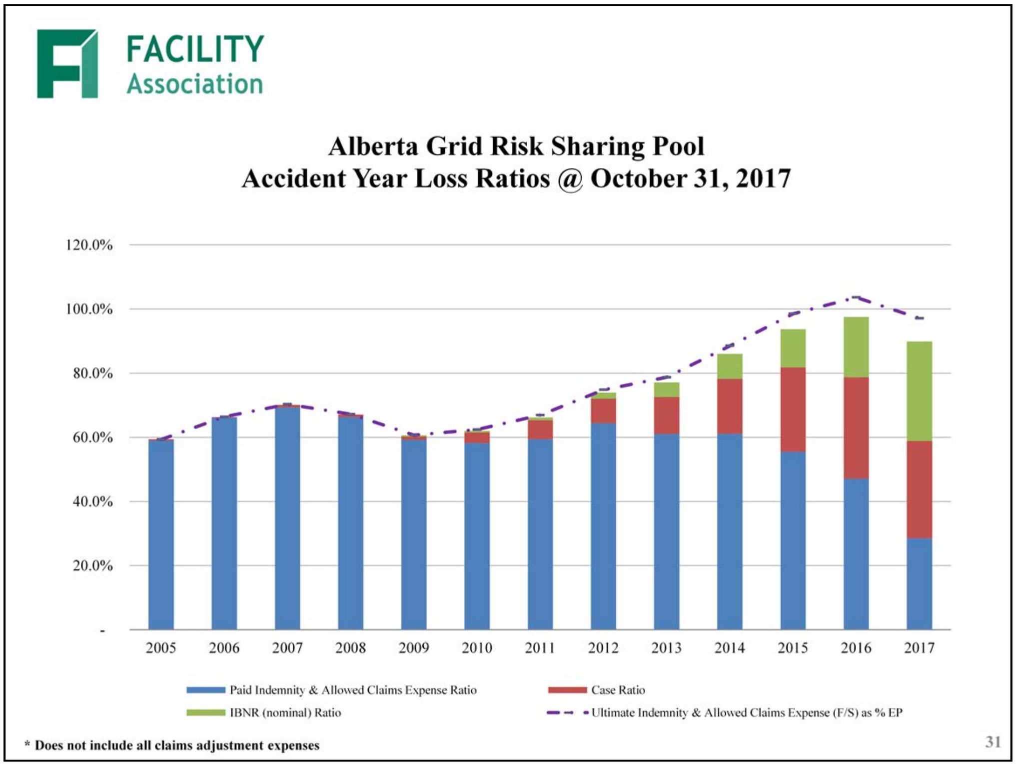
The PPV accident year loss ratios for the residual market in Alberta have been relatively moderate and stable in recent years. More than 90% of the FARM PPV business in the province is written at rates capped by the premium regulation there.



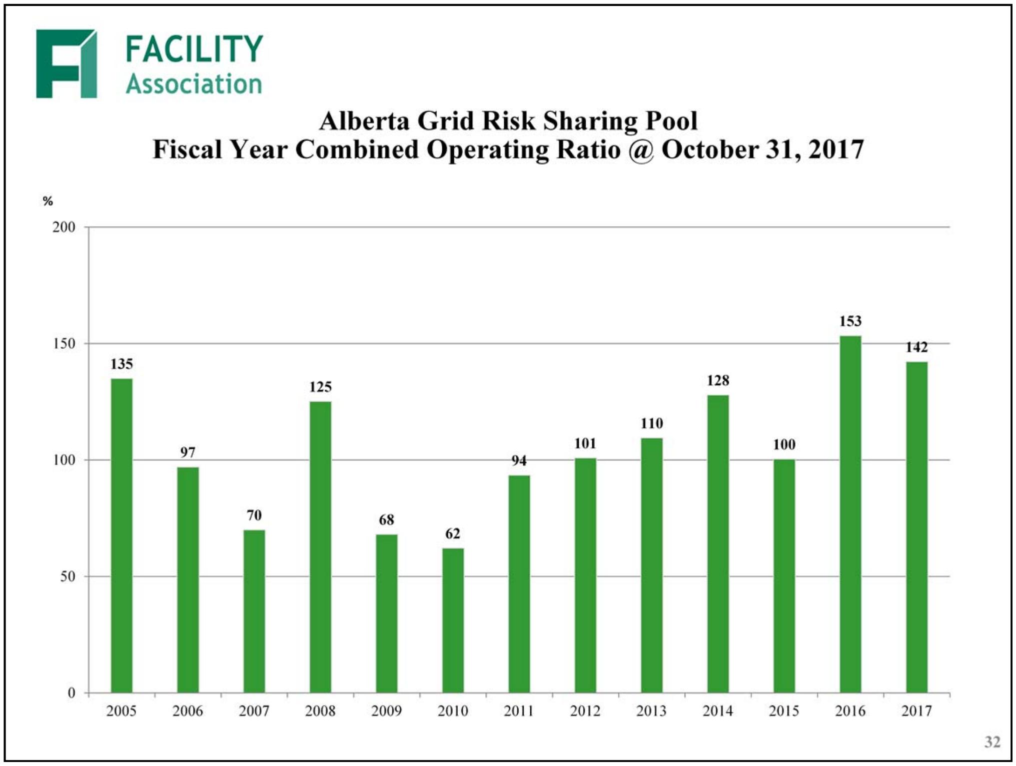
The Alberta residual market combined operating ratio for all types of vehicles improved moved up to 90.



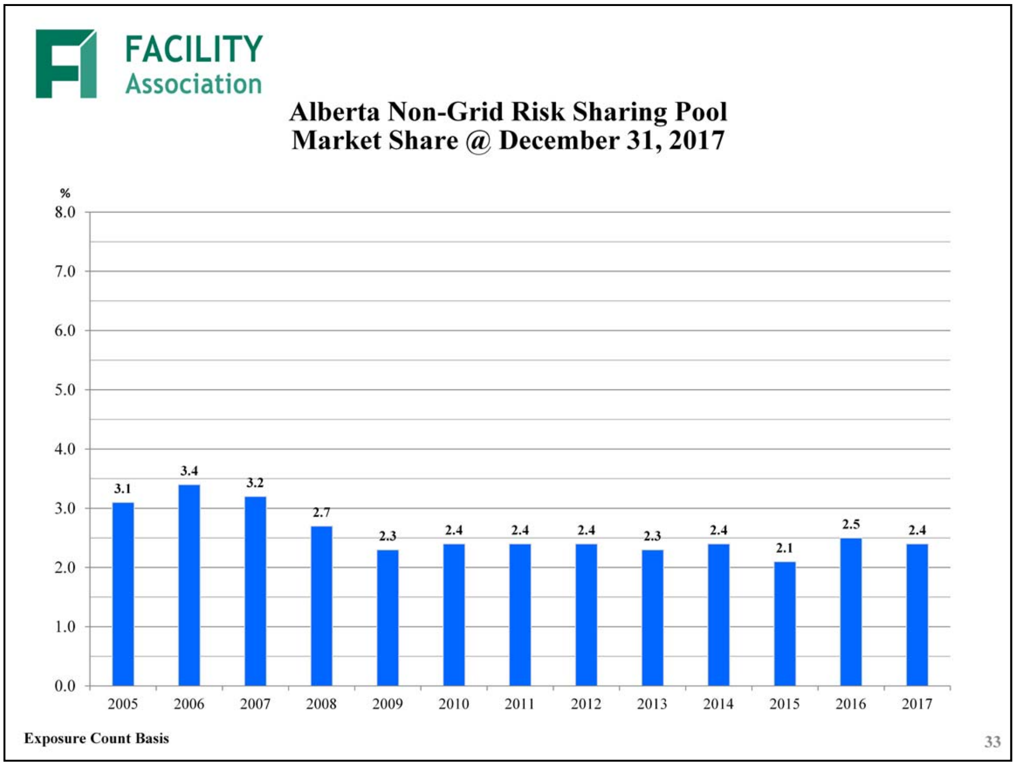
The market share of the Alberta Grid Risk Sharing Pool, a risk sharing pool for private passenger vehicles subject to the regulated maximum premium in the province, again ended the year slightly higher at 2.4%.



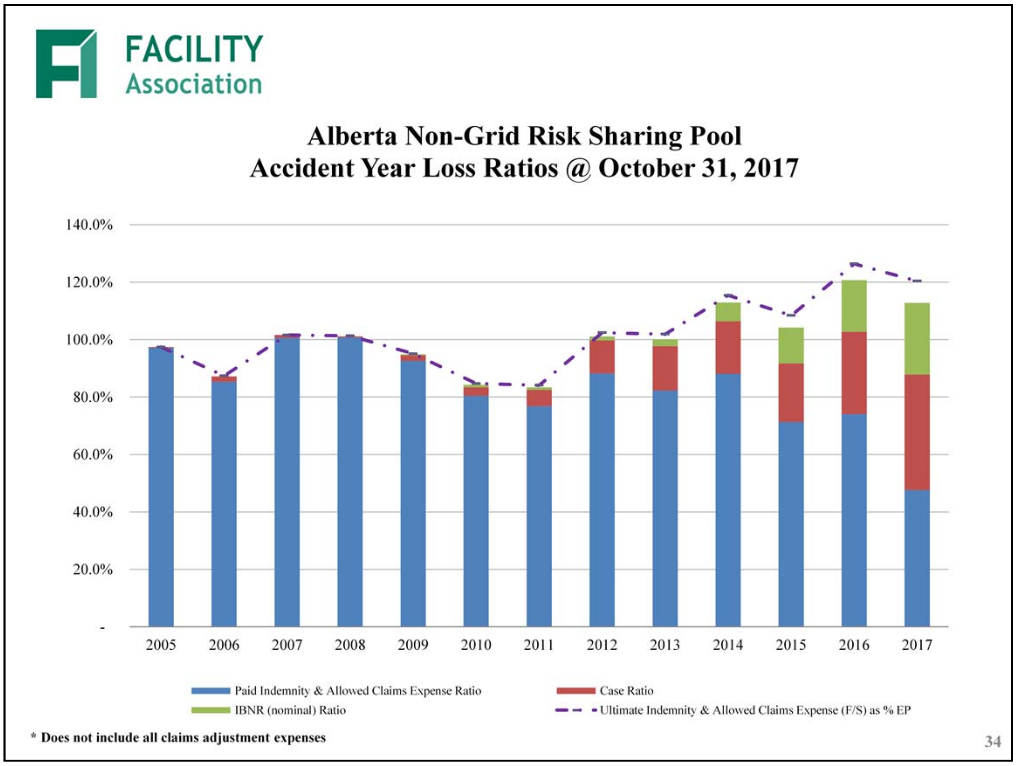
The accident year loss ratios for the Alberta Grid Risk Sharing Pool improved last year after three years of steady increases.



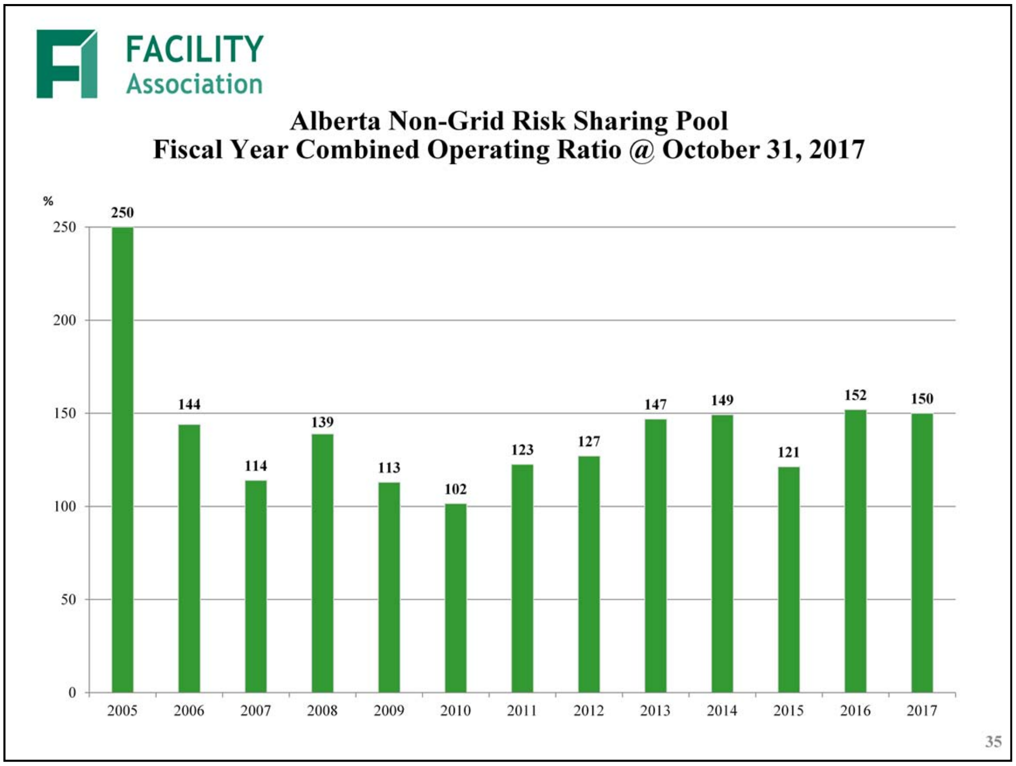
The Alberta Grid Risk Sharing Pool combined operating ratio improved to 142 from 153 in 2016, but it remains at the second-highest level we have seen since this pool's inception.



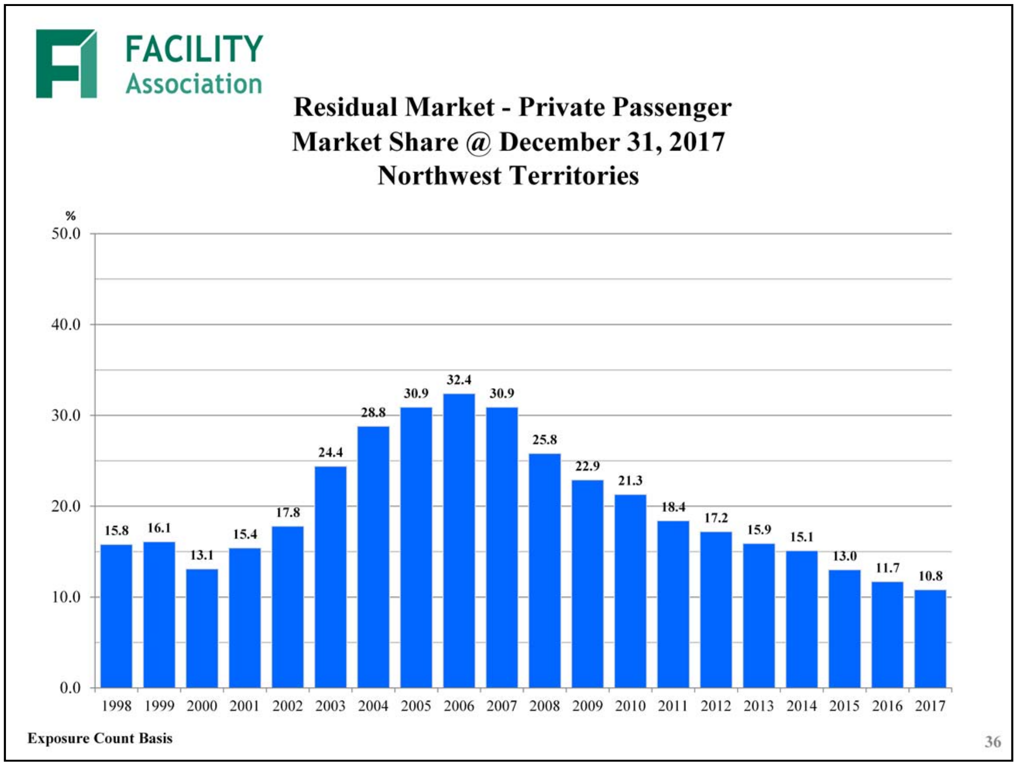
The market share of the Alberta Non-Grid Risk Sharing Pool (a pool for private passenger risks which are not subject to the regulated maximum premium but which insurance companies are required to accept under the take all comers rules in the province) moved down slightly to 2.4%, which is within the range of the last several years.



The Alberta Non-Grid Risk Sharing Pool accident year loss ratio has been relatively stable over the last five years.



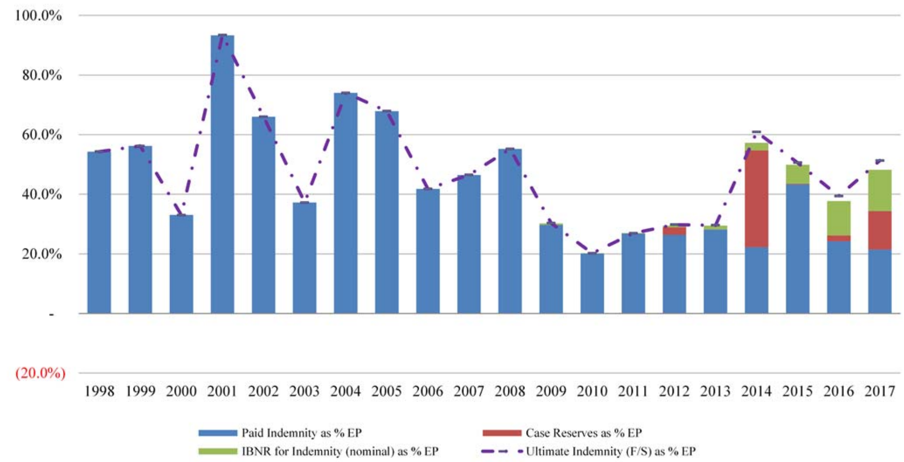
The combined ratio for the Alberta Non-Grid Risk Sharing Pool moved up to 150, a level consistent with what we saw in 2013, 2014, and 2016.



With regard to the northern territories, I will not comment on each one individually other than to say the volumes here are very small and the results are somewhat volatile. That said, we continue to see positive, declining market share trends for private passenger vehicles in all three territories in recent years. The Territories are unique in that their financial results are shared by all automobile insurers in the six provinces that we serve. In the provinces, results are shared within each individual jurisdiction.

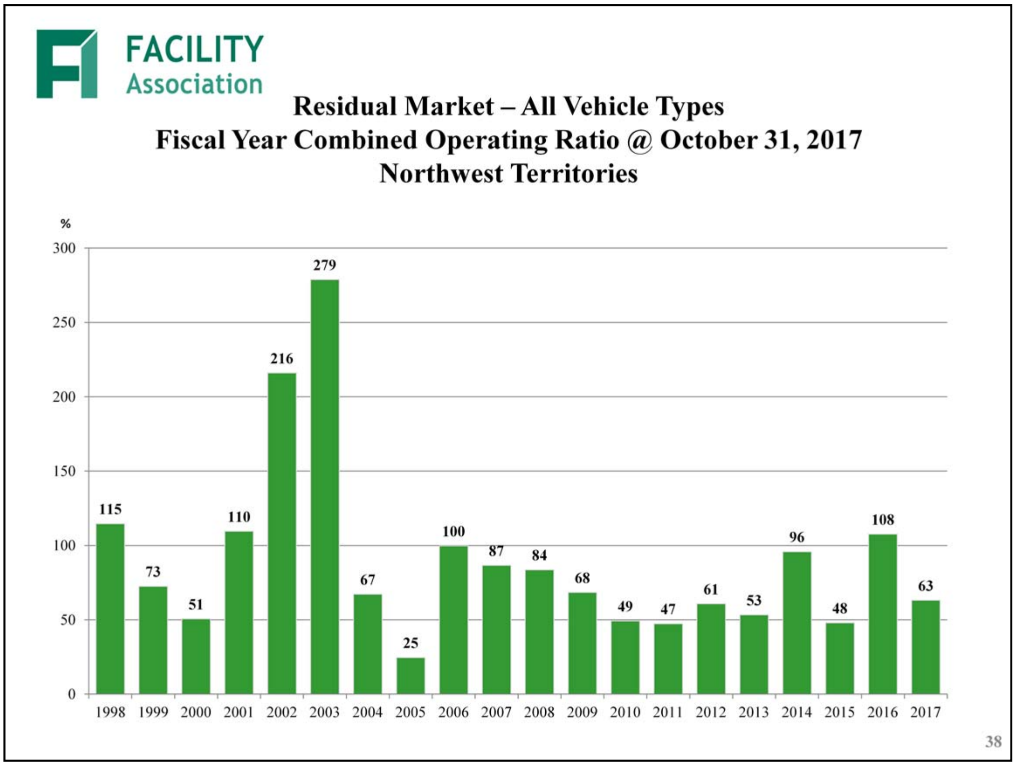
FACILITY Association

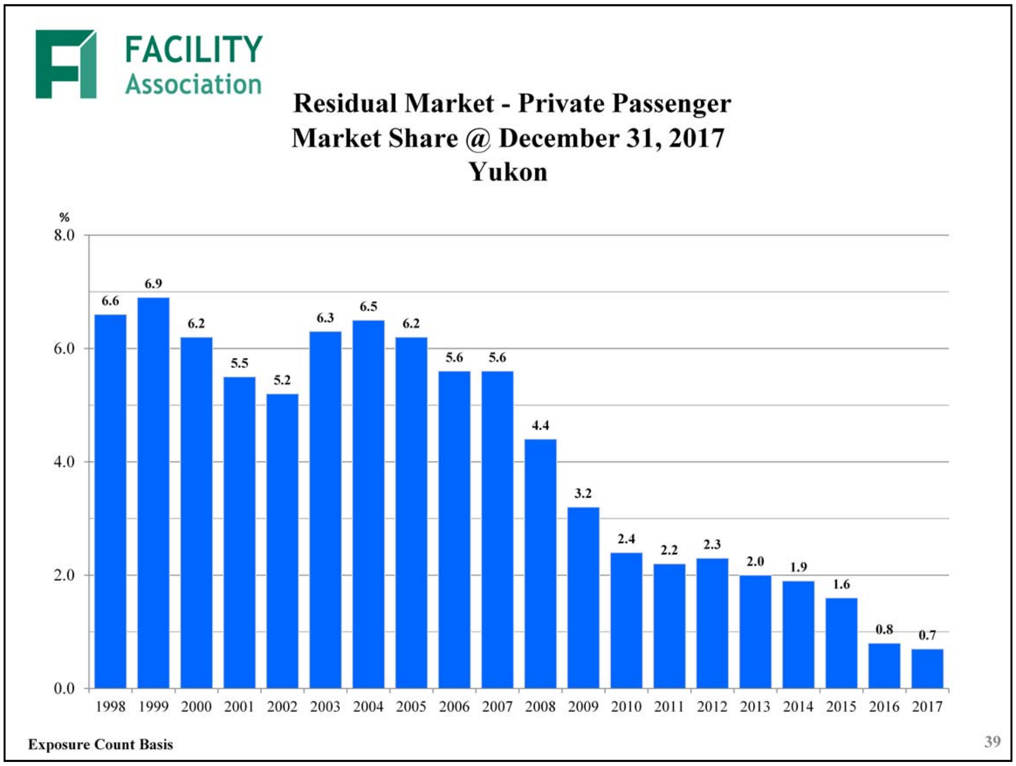
Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2017
Northwest Territories



* Does not include all claims adjustment expenses

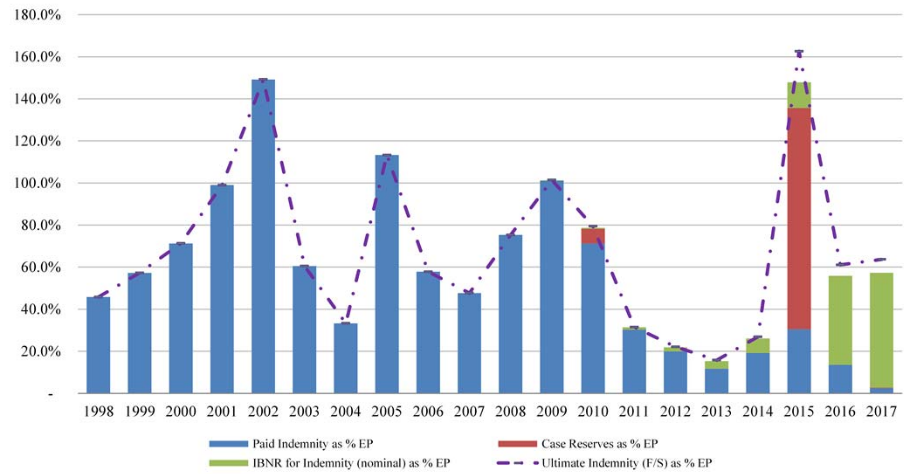
37


FACILITY
Association
Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2017
Northwest Territories
%
300
250
200
150
100
50
0
115
73
51
110
216
279
67
25
100
87
84
68
49
47
61
53
96
48
108
63
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
38


FACILITY
Association
Residual Market - Private Passenger
Market Share @ December 31, 2017
Yukon
%
8.0
6.0
4.0
2.0
0.0
6.6
6.9
6.2
5.5
5.2
6.3
6.5
6.2
5.6
5.6
4.4
3.2
2.4
2.2
2.3
2.0
1.9
1.6
0.8
0.7
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Exposure Count Basis
39

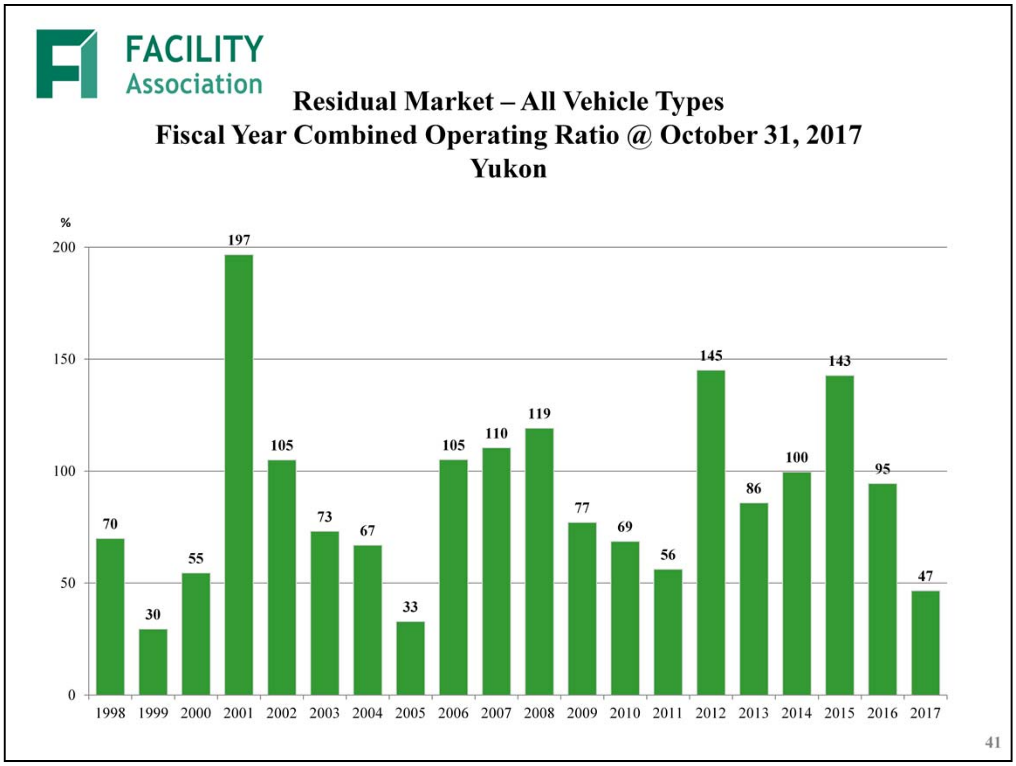
FACILITY Association

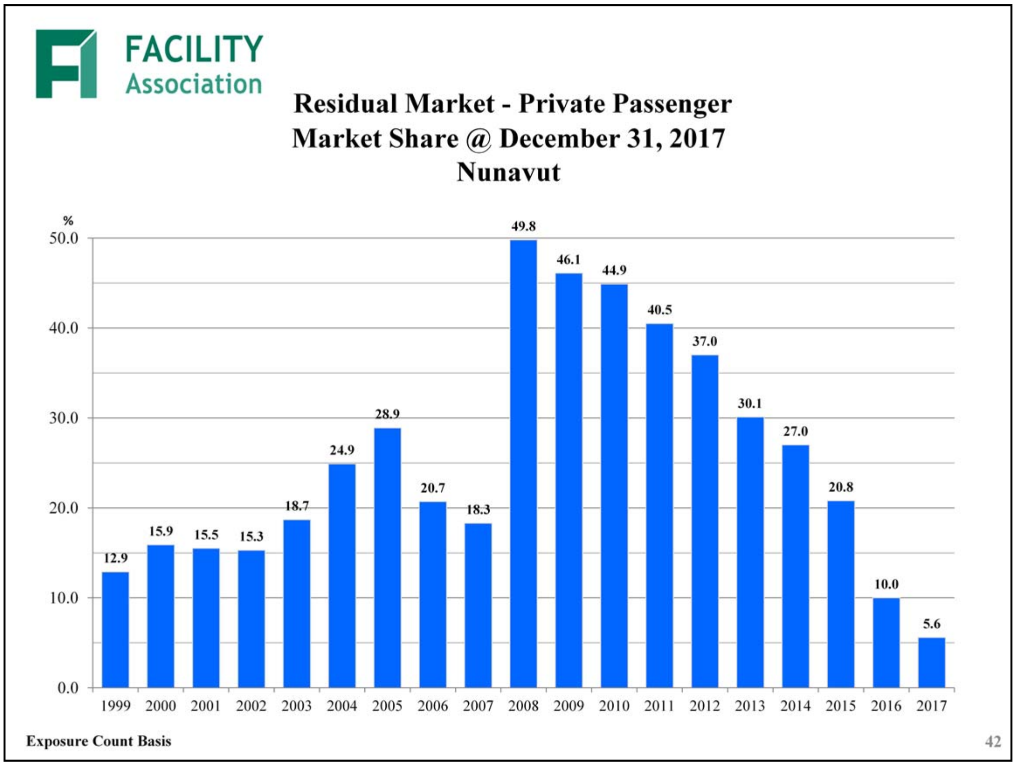
Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2017
Yukon

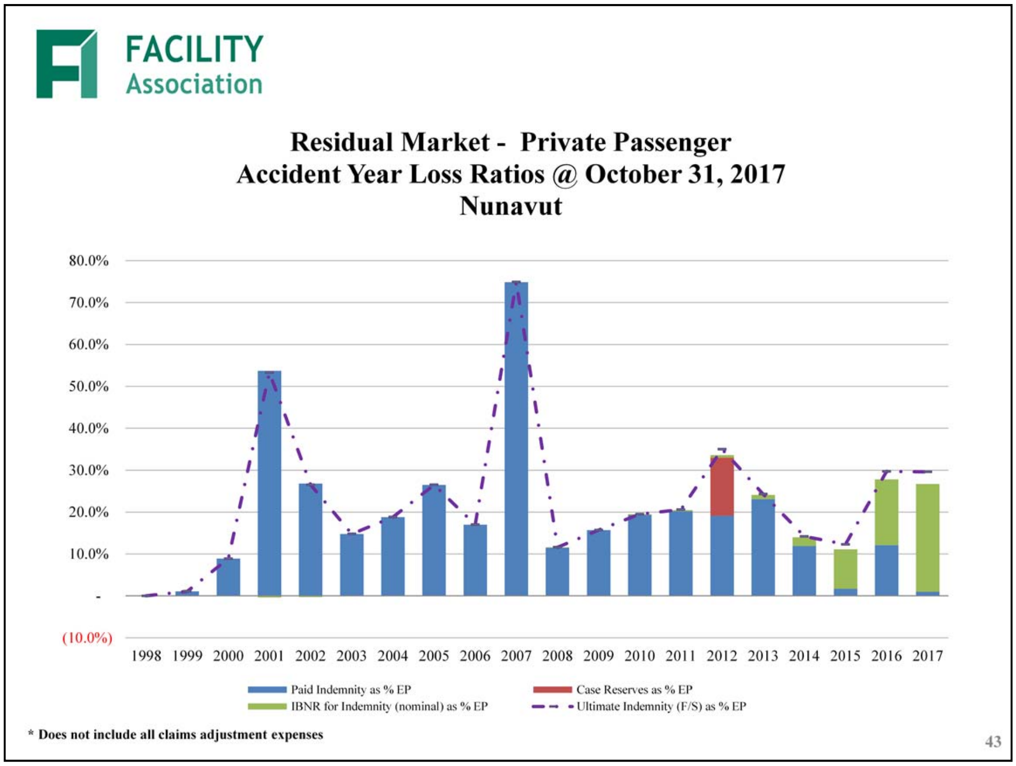


* Does not include all claims adjustment expenses

40


FACILITY
Association
Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2017
Yukon
%
200
150
100
50
0
70
30
55
197
105
73
67
33
105
110
119
77
69
56
145
86
100
143
95
47
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
41


FACILITY
Association
Residual Market - Private Passenger
Market Share @ December 31, 2017
Nunavut
%
50.0
40.0
30.0
20.0
10.0
0.0
12.9
15.9
15.5
15.3
18.7
24.9
28.9
20.7
18.3
49.8
46.1
44.9
40.5
37.0
30.1
27.0
20.8
10.0
5.6
1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Exposure Count Basis
42



FACILITY
Association
Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2017
Nunavut
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
-
(10.0%)
1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Paid Indemnity as % EP
Case Reserves as % EP
IBNR for Indemnity (nominal) as % EP
Ultimate Indemnity (F/S) as % EP
* Does not include all claims adjustment expenses
43

Although my focus today has been on private passenger vehicles, I think it is also important to note that, consistent with our mission, overall non-private passenger vehicle counts declined 7.8% across all jurisdictions last year. I am pleased to note that the only jurisdiction where we saw non-PPV counts increase were Ontario and the Yukon. Alberta was the biggest success story with a 12.3% decline, with 70% of that decline coming from motorcycles. On a class of business basis, we saw increases only in commercial, interurban, buses, and motorhomes. I encourage member companies and intermediaries to contact us to find out where there might be opportunities for depopulation.

The Chair highlighted our planned activities under the first two of our five priorities in our 2018 – 2020 strategic plan.

With respect to our third priority, Operational Efficiency and Effectiveness, some of the things we will be focusing on in 2018 include:

- implementing the refreshed methodology for prioritization, selection, frequency, and conduct of audits

- Working towards the future implementation of IFRS 17

- Conducting a review to ensure that all of the activities we require our Servicing Carriers to perform are truly needed.

In terms of our fourth priority, Regulatory Outreach, rather than focus on specific activities I think it is more important that I indicate why our Board believes this needs to be a priority within our three year plan:

The Chair alluded to the first reason in his remarks: the auto insurance environment is changing around us. We are witnessing the advent of ridesharing and transportation network companies, the accelerating cost of vehicle repair due to advanced technologies, and autonomous vehicles are clearly on the horizon. Secondly, Newfoundland and Labrador already has an automobile insurance review under way and Nova Scotia is also scheduled to conduct a review in 2018. We need to be an active participant in those reviews. Thirdly, we have the transition from FSCO to FSRA in Ontario likely to happen in the second half of this year or the first half of 2019. Lastly, we have demographics. In the last 18 months we have witnessed the retirement of senior regulatory leaders in three of the provinces we serve. All of the above factors emphasize the importance of maintaining open lines of communication and quality relationships with the regulatory community across Canada.

With respect to our fifth priority: the Enterprise Risk Management Framework:

We will be doing more work on risk tolerance quantification and tying risks more closely to our business objectives.

On behalf of the Board and staff I would like to recognize the following volunteer committee members who are moving on to other things:

From our advisory committees:

- Betty-Jo Walke of Zurich Insurance and Simon Mellor of SGI have both left the Actuarial Committee after 5 terms of service, with both having served 2 of those terms as Chair, and their leadership and commitment during their tenure is much appreciated.

- Other members that left the Actuarial Committee after serving one term are: Anne-Marie Vanier, formerly of Aviva, Hussain Dhalla of Intact, Gavin Brown-Jowett of Economical, and Cindy Chu of RSA Group.

- Doug Heaman from IBAO and Simon Careau of Allstate Canada have left the Rates and Rules Committee.

- Brian Kirkconnell of the Co-operators has left the Claims Committee. Brian joined the Committee in 2004, and served as Chair since 2007.

  Also leaving the Claims Committee are Marisa Chiu and Ron Mustill, both of Aviva.

From our provincial Operating Committees:

- Karl Biermann has left the Nova Scotia Operating Committee. Karl joined the Committee in 2004, and served as Chair since 2009.

- Pauline Nienhuis has left the Alberta Provincial Operating Committee

- Derek Stewart of Wawanesa has left the Newfoundland & Labrador Operating Committee

On a personal note, I thank the Chair for his kind remarks with respect to my impending retirement. And although it is far too soon to say goodbye, it is never too soon to say thank you. When I was discussing the decision to retire with my wife over the Christmas break, I made it clear that I enjoy my work, I enjoy the people I work with and I enjoy and am grateful for the support I have from the Board of Directors. So what better time could there be to retire?

I extend my thanks and appreciation to our current Board Chair, Patrick Barbeau, and his predecessors, current and past Directors, the Facility Association staff, our many volunteers, and our business partners for their hard work, dedication, and support over the years since I joined Facility Association in 2001. I think it is perilous to talk about individual achievement in the association context, because what has been achieved has been accomplished by all of us working together and I am proud to be a part of it.

Most of all, I would like to thank the membership. There are some, but not very many, people who come to work every morning to serve an entire industry and have the privilege of being supported by that industry. I have never taken that support for granted and I am truly appreciative of it.

There is still much work to do, though, and I am looking forward to working with all of you in the months ahead.

Thank you, Mr. Chairman, that concludes my remarks.