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 – 033

DATE: MAY 30, 2018

SUBJECT: FARM – MARCH 2018 PARTICIPATION REPORT

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

Please be advised that the March 2018 FARM Participation Report is now available on the Facility Association Portal at https://portal.facilityassociation.com.

New This Month

Redistribution of Member Funds

The Participation Report for March 2018 reflects the effect of a redistribution of Member Funds. This balance is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions. ***Note: All balances due to/from Facility Association are to be settled on or before June 22, 2018.*** Please see "Redistribution of Member Funds" on page 6**.**

Valuation

An actuarial valuation as at December 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. 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 **$10.8 million favourable** impact on the month's net result from operations, subtracting an estimated 23.9 points from the year-to-date Combined Operating Ratio (ending at 69.0%). The impact on the month's results is summarized in the table at the top of the next page[1].

It is important to note that the changes to prior accident years' nominal ultimates account for the majority of the impact ($9.2 million of $10.8 million).

[1] In the tables, "ults & payout patterns" refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; "dsct 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".

Grand Total	unfav / (fav)						ytd EP 45,287 (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	(9,200)	(838)	(10,038)	139	-	(9,899)	(20.3%)	(1.9%)	(22.2%)	0.3%	-	(21.9%)
CAY	(574)	(61)	(635)	14	-	(621)	(1.3%)	(0.1%)	(1.4%)	-	-	(1.4%)
Prem Def	(311)	9	(302)	-	-	(302)	(0.7%)	-	(0.7%)	-	-	(0.7%)
TOTAL	(10,085)	(890)	(10,975)	153	-	(10,822)	(22.3%)	(2.0%)	(24.2%)	0.3%	-	(23.9%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a $11.0 million favourable impact – see column [3] in the left table above), partially offset by the impact of a 2 basis point decrease in the selected discount rate (from 1.81% to 1.79%, generating a $0.2 million unfavourable 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).

As shown in the table[2] immediately below, management has observed favourable *total* valuation impacts (column [5]) over the last 12 valuation implementations, with 4 valuation implementations being unfavourable over that 12-quarter period). It should be noted that the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

FARM juris: ALL,
as at: 2017 Q4

Valuation	period implemented	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]
		unfavourable / (favourable) Valuation Implementation Impact ($000s)					**$000s**		
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%)
2017 Q4	Mar 2018	(10,085)	(890)	153	-	(10,822)	419,870	(2.6%)	(2.4%)
12-qtrs	-	(22,524)	4,712	(5,107)	(6,576)	(29,495)			
% of total		76.4%	(16.0%)	17.3%	22.3%	100.0%			
Averages									
12-qtrs		(1,877)	393	(426)	(548)	(2,458)	468,473	(0.5%)	(0.4%)
2015 Q1 to 2016 Q4		(2,332)	630	220	(665)	(2,147)	479,688	(0.4%)	(0.5%)
2017 Q1 to 2017 Q4		(967)	(81)	(1,718)	(314)	(3,080)	446,042	(0.7%)	(0.2%)

[2]The 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.

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 [1] in the table above. While this objective has not been met, the average favourable impact over the 12 quarters at $1.9 million (nominal only) represents 0.4% of ending policy liabilities, which we would view as not significant. Further, the nominal impacts at each valuation, as a percentage of booked policy liabilities[3], should ideally be small (less than 2.5%) – this percentage is provided in column [8] above, showing no impacts beyond 2.5%. Finally, potential "bias" in the nominal impacts should be considered (per either column [1] or [8]). We generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3rds will be favourable (due to the skewness of the development), and on this basis, bias does not appear to be evident.

In summary, we believe the nominal valuation impacts are generally at our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no bias evident). That said, we continue to look for ways to improve the overall accuracy of the valuation estimates.

Please see "Effect of Quarterly Valuation" on page 6 for additional detail.

Summary of Financial Results

The calendar year-to-date Operating Result is $14.0 million and the incurred loss ratio to the end of 3 months is 47.9%, as summarized in the table below.

Amounts in $000s		**March 2018**	March 2017	**Year to date Mar 2018**	Year to Date Mar 2017
Premium Written		15,096	14,027	43,604	35,248
Premium Earned		15,771	14,285	45,287	41,304
Incurred Losses		553	(7,699)	21,729	10,865
Underwriting & Admin Expense		3,184	3,269	9,520	8,816
Net Result from Operations		**12,034**	**18,715**	**14,038**	**21,623**
Ratios:					
Loss ratio	*- Prior Accident Years*	(66.0%)	(123.7%)	(24.5%)	(46.3%)
	- Current Accident Year	69.5%	69.8%	72.4%	72.7%
	Total	**3.5%**	**(53.9%)**	**47.9%**	**26.4%**
Underwriting & Admin Expense		**20.3%**	**22.9%**	**21.1%**	**21.4%**
Combined Operating Ratio		**23.8%**	**(31.0%)**	**69.0%**	**47.8%**

rounding differences may occur

For details on the financial results, please refer to Exhibit 1 "Summary of Operations for Calendar Year 2018 - All jurisdictions by month". A comparable summary by jurisdiction is included in

[3]We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of "small" for each of these metrics may change.

Exhibit 2. Detailed exhibits by jurisdiction are included in a separate folder on our website called "Summary of Operations".

Updated Projection to Year-end 2018

The projected calendar year Net Result from Operations to December 2018 is $26.1 million and the estimated combined operating ratio to December 2018 is 86.8% as indicated in the table immediately below.

FARM 2018 Year-end Projection **Amounts in $000s**	**Current** **(Mar 2018)**	Prior Mth (Feb 2018)	**Change**	Final 2018 Outlook*
Premium Written	200,348	199,523	826	182,582
Premium Earned	195,534	195,044	490	181,347
Incurred Losses	125,414	137,785	(12,371)	129,462
Underwriting & Admin Expense	44,061	44,503	(442)	41,471
Net Result from Operations	**26,058**	**12,756**	**13,302**	**10,414**
Ratios:				
Loss ratio - *Prior Accident Years*	(7.7%)	(2.6%)	(5.1%)	(2.9%)
- *Current Accident Year*	71.8%	73.2%	(1.4%)	74.2%
Total	**64.1%**	**70.6%**	**(6.5%)**	**71.4%**
Underwriting & Admin Expense	**22.7%**	**23.0%**	**(0.3%)**	**23.0%**
Combined Operating Ratio	**86.8%**	**93.6%**	**(6.8%)**	**94.4%**

rounding differences may occur

*as posted to FA's website Nov. 10, 2017

This updated projection to the end of the year has improved by $13.3 million from the projection provided last month ($12.8 million and 93.6%), mainly due to the impact of the valuation as at December 31, 2017, as summarized in the table below (see more information under "Effect of Quarterly Valuation" on page 6). 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 195,534 (current projection)					
	IMPACT in $000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ultimates & payout patterns			dsct rate	margins		ultimates & payout patterns			dsct rate	margins	
	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(9,200)	(712)	(9,912)	123	-	(9,789)	(4.7%)	(0.4%)	(5.1%)	0.1%	-	(5.0%)
CAY	(2,558)	(199)	(2,757)	55	-	(2,702)	(1.3%)	(0.1%)	(1.4%)	-	-	(1.4%)
Prem Def	(565)	(64)	(629)	-	-	(629)	(0.3%)	-	(0.3%)	-	-	(0.3%)
TOTAL	(12,323)	(975)	(13,298)	178	-	(13,120)	(6.3%)	(0.5%)	(6.8%)	0.1%	-	(6.7%)

The updated year-end projections are shown by jurisdiction against the November 10, 2017 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 *two* valuations (2017 Q3 & Q4) and other changes since August 2017 (the actuals used in the Outlook), **the projected $10.4 million operating result has been increased to $26.1 million**.

(negative operating results are unfavourable)

$000s	Outlook Posted November 10, 2017			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 2018
Ontario	44,378	4,583	89.8%	55,471	13,508	75.9%	6,322	7,705
Alberta	55,194	6,965	87.5%	57,540	10,400	82.0%	2,750	2,925
Newfoundland & Labrador	30,025	(3,626)	112.2%	29,899	1,053	96.7%	3,404	4,315
New Brunswick	21,336	1,212	94.5%	21,767	(833)	103.9%	(2,376)	(2,326)
Nova Scotia	18,432	(722)	104.0%	18,924	204	99.0%	927	780
Prince Edward Island	4,470	582	87.0%	4,528	311	93.2%	(248)	(267)
Yukon	1,884	187	90.3%	1,847	325	82.6%	144	154
Northwest Territories	4,453	910	79.6%	4,460	614	86.3%	(294)	(359)
Nunavut	1,175	324	72.6%	1,098	476	56.8%	193	193
TOTAL	181,347	10,414	94.4%	195,534	26,058	86.8%	10,822	13,120

In total, the operating result projection to year-end has increased by $15.6 million from the Outlook posted November 10, 2017 (to $26.1 million as shown above). This amount is $13.1 million higher than it would have been, if not for the implementation of the December 31, 2017 valuation. (The changes before the impact of the December 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 2018 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 2018 Final Outlook discount rate of 1.27%[4] still been applicable, the operating result would have been *lower* by $4.4 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately $21.7 million (COR of 88.9%) had the discount rate and associated margin remained at the Outlook levels.

Current Month Results

The Net Results from Operations in the month of March 2018 was $12.0 million, down $6.7 million from the same month last year. This deterioration included an $8.6 million unfavourable impact stemming from the increase in the combined ratio (from -31.0% last year to 23.8% this year, applied to this month's $15.8 million earned premium), offset by a $1.9 million favourable impact due to the $1.5 million increase in earned premium (at a combined ratio of -31.0%).

This month's results moved the year-to-date combined operating ratio from 93.4% at the end of 2 months to 69.0% at the end of 3 months. The 24.4 percentage point decrease is composed of a 22.3 percentage point decrease in the Prior Accident Years loss ratio, coupled with a 1.6

[4]The 2018 Outlook was based on the June 30, 2017 valuation and the Bank of Canada yield curves at June 30, 2017. Readers 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 March 2018 FARM Actuarial Highlights Exhibit F (page 10 of 10), indicating a 1.27% discount rate would increase indemnity claims liabilities by an estimated $4.4 million using simple linear interpolation between the estimated $8.6 million impact of a 0.79% prior fiscal year-end selected discount rate and the $4.2 million impact of a 1.29% discount rate shown in the table.

percentage point decrease in the Current Accident Year loss ratio, and a 0.5 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.

March 2018	Actual	Projection	Difference	Difference %
Premium Written	15,096	14,692	404	2.7%
Premium Earned	15,771	15,994	(223)	(1.4%)
Reported Losses				
Paid Losses	11,520	13,251	(1,731)	(13.1%)
Change in Outstanding Losses	(2,185)	(461)	(1,724)	374.0%
Total Reported Losses	**9,335**	**12,790**	**(3,455)**	**(27.0%)**
Change in IBNR*	(8,095)	(1,194)	(6,901)	
Change in Premium Deficiency (DPAC)*	(226)	75	(301)	
Change in Retro Claims Expense*	(687)	(423)	(264)	

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

*Detailed information is included in FARM March 2018 Participation Report - Actuarial Highlights.

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of March 2018, reported indemnity amounts were $2.9 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 -$3.5 million).* The Current Accident Year had a $0.5 million favourable variance in reported indemnity, and the Prior Accident Years had a favourable variance of $2.4 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.

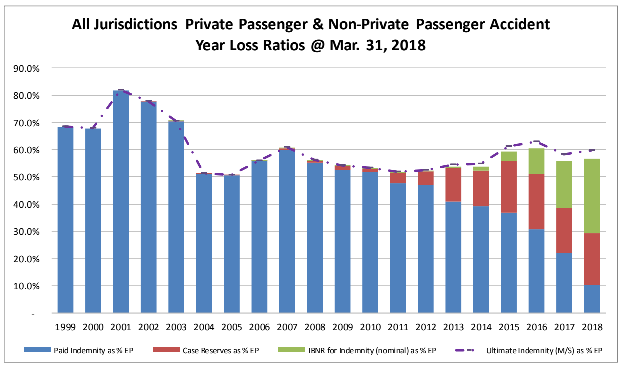
Effect of Quarterly Valuation

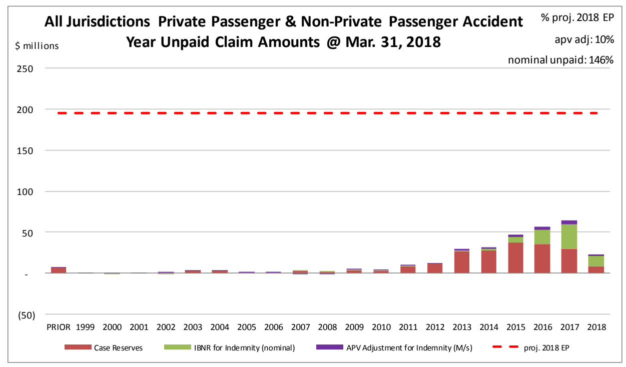
The March 2018 Participation Report reflects the results of an updated valuation as at December

31, 2017, with the associated impacts in relation to the results for March 2018 summarized in the table immediately below.

Grand Total	unfav / (fav)						mth EP 15,771 (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 [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	(9,200)	(838)	(10,038)	139	-	(9,899)	(58.3%)	(5.3%)	(63.6%)	0.9%	-	(62.8%)
CAY	(574)	(61)	(635)	14	-	(621)	(3.6%)	(0.4%)	(4.0%)	0.1%	-	(3.9%)
Prem Def	(311)	9	(302)	-	-	(302)	(2.0%)	0.1%	(1.9%)	-	-	(1.9%)
TOTAL	(10,085)	(890)	(10,975)	153	-	(10,822)	(63.9%)	(5.6%)	(69.6%)	1.0%	-	(68.6%)

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 <u>de</u>crease in the selected discount rate from 1.81% to 1.79%. The investment return margin for adverse deviation was left unchanged at 25 basis points, and the selected claims development margins[5] were also left unchanged (as per usual practice, claims development margins are only reviewed and updated annually with the June 30 valuation).

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 <u>not</u> "year-to-date".)

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

December 31, 2017 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis) unfavourable / (favourable)

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	**87,690**	**(3,257)**	**(3.7%)**	**45.5%**	**(4.5%)**	**(1,943)**	**50.1%**	**(2.7%)**	**(1,462)**
PPV	40,060	(2,820)	(7.0%)	49.9%	0.4%	54	51.6%	(0.9%)	(141)
Non-PPV	47,630	(437)	(0.9%)	43.5%	(6.7%)	(1,997)	49.5%	(3.5%)	(1,321)
Alberta	**60,780**	**(1,875)**	**(3.1%)**	**53.1%**	**(1.0%)**	**(569)**	**54.4%**	**(0.4%)**	**(257)**
PPV	13,752	(470)	(3.4%)	52.8%	(2.6%)	(193)	53.5%	(0.1%)	(8)
Non-PPV	47,028	(1,405)	(3.0%)	53.2%	(0.8%)	(377)	54.5%	(0.5%)	(250)
Newfoundland & Labrador	**40,244**	**(1,480)**	**(3.7%)**	**70.3%**	**(3.0%)**	**(844)**	**72.3%**	**(2.4%)**	**(748)**
PPV	27,483	(283)	(1.0%)	65.6%	(4.3%)	(910)	71.0%	(2.5%)	(573)
Non-PPV	12,761	(1,197)	(9.4%)	83.5%	0.9%	66	75.5%	(2.0%)	(176)
New Brunswick	**29,946**	**2,329**	**7.8%**	**58.9%**	**(1.8%)**	**(364)**	**56.6%**	**(0.1%)**	**(30)**
PPV	18,081	1,688	9.3%	65.3%	4.6%	580	60.0%	(0.5%)	(65)
Non-PPV	11,865	641	5.4%	48.9%	(11.7%)	(944)	51.5%	0.4%	35
Nova Scotia	**18,113**	**(664)**	**(3.7%)**	**63.4%**	**(1.4%)**	**(245)**	**63.0%**	**0.4%**	**83**
PPV	8,040	(173)	(2.2%)	64.8%	(0.9%)	(69)	70.1%	1.6%	137
Non-PPV	10,073	(491)	(4.9%)	62.3%	(1.7%)	(176)	57.5%	(0.5%)	(54)
Prince Edward Island	**6,095**	**94**	**1.5%**	**49.4%**	**2.6%**	**122**	**48.0%**	**0.6%**	**27**
PPV	3,851	(29)	(0.8%)	44.2%	3.7%	104	44.5%	2.0%	56
Non-PPV	2,244	123	5.5%	57.3%	1.0%	19	53.0%	(1.5%)	(28)
Yukon Territory	**2,514**	**(143)**	**(5.7%)**	**45.5%**	**0.3%**	**5**	**53.4%**	**(0.3%)**	**(6)**
PPV	1,562	(177)	(11.3%)	58.3%	1.1%	5	59.0%	(1.5%)	(6)
Non-PPV	952	34	3.6%	41.5%	0.0%	-	52.0%	0.0%	-
Northwest Territories	**4,082**	**73**	**1.8%**	**65.0%**	**3.5%**	**153**	**44.7%**	**1.7%**	**81**
PPV	2,454	69	2.8%	47.1%	(1.1%)	(34)	45.5%	(1.5%)	(47)
Non-PPV	1,628	4	0.2%	107.9%	14.5%	187	43.0%	8.4%	128
Nunavut	**785**	**(157)**	**(20.0%)**	**34.1%**	**(1.8%)**	**(21)**	**38.2%**	**0.1%**	**1**
PPV	390	(72)	(18.5%)	24.4%	(2.2%)	(8)	26.0%	(3.0%)	(8)
Non-PPV	395	(85)	(21.5%)	38.3%	(1.6%)	(13)	42.0%	1.0%	8
Total	**250,249**	**(5,080)**	**(2.0%)**	**55.7%**	**(2.1%)**	**(3,706)**	**56.7%**	**(1.2%)**	**(2,312)**

There are differences between the changes in valuation estimates (summarized above), and the impact of implementing the valuation into the operating results (summarized on the next page). Differences will emerge due to the differences between data available at December 31, 2017 (used for the valuation) and available for implementation (March 31, 2018). Further, as the valuation is "as at December 31, 2017) but the implementation applies to March 2018 statements, accident year 2017 was considered the "current accident year" in the valuation (and changes reflected in columns [4] to [6] in the table above), accident year 2017 is considered a "prior accident year" for the purposes of implementation (where accident year 2018 is considered the "current accident year"). As a result, the "prior accident year" impacts for implementation purposes (first row, column [1] in the implementation table on the next page) would be comparable to the sum of columns [2] and [6] of the table above.

Finally, column [9] of the valuation summary table above estimates the impact of the change in selected *future* accident year indemnity loss ratio against projected full year 2018 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 2018 year-to-date earned premium at March 31, 2018.

With this background, the overall **impact of implementing the valuation** on the results of the Month of March 2018 is estimated as **favourable by $10.8 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 at the top of the previous page (sum of column [2] and [6] in the valuation summary table is comparable to the first row of column [1] in the table below).

Implementation Summary Table A ($000s)

Implementation Impact - relative to projection for month of Mar 2018 **(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 (1994-2017)	(8,648)	(552)	-	(9,200)	(699)	**(9,899)**
current accident year claims incurred	(531)	(43)	-	(574)	(47)	**(621)**
premium deficiency / (DPAC)	(311)			(311)	9	**(302)**
TOTAL	**(9,490)**	**(595)**	**-**	**(10,085)**	**(737)**	**(10,822)**

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)

	IMPACT in $000s from changes in:					
	ultimates & payout patterns			dsct rate	margins	
	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(9,200)	(838)	(10,038)	139	-	(9,899)
CAY	(574)	(61)	(635)	14	-	(621)
Prem Def	(311)	9	(302)	-	-	(302)
TOTAL	(10,085)	(890)	(10,975)	153	-	(10,822)

ytd EP 45,287 (actual)

	IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns			dsct rate	margins	
	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	TOTAL [6]
PAYs	(20.3%)	(1.9%)	(22.2%)	0.3%	-	(21.9%)
CAY	(1.3%)	(0.1%)	(1.4%)	-	-	(1.4%)
Prem Def	(0.7%)	-	(0.7%)	-	-	(0.7%)
TOTAL	(22.3%)	(2.0%)	(24.2%)	0.3%	-	(23.9%)

The overall impact ***prior to*** the 2 basis point decrease in the discount rate (to 1.79%) and changes to margins for adverse deviation was favourable by $11.0 million (Total row, third column in the table above). This was partially offset by the $0.2 million unfavourable 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 March 2018 Participation Report – Actuarial Highlights. The Actuarial Quarterly Valuation Highlights FARM as at December 31, 2017 are expected to be posted during the month of June, 2018.

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

Redistribution of Member Funds

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

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

The amount due to or from Facility Association for your company as a result of this adjustment will depend on your company's share of the Residual Market in each jurisdiction, as well as differences in share ratios by business segment and accident year, as per the Participation Report attached.

The Participation Report for March 2018 reflects the effect of the redistribution of Member Funds. This balance is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions. ***Note: All balances due to/from Facility Association are to be settled on or before June 22, 2018.***

The amounts to be settled with Facility Association at this time are the net amounts of the adjustment referred to above, an aggregate summary of which is shown in the table immediately below.

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

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	(726)	3,541	2,815
Alberta	(418)	178	(240)
Newfoundland & Labrador	(126)	616	490
New Brunswick	(2,207)	(726)	(2,933)
Nova Scotia	(39)	322	282
Prince Edward Island	5	(92)	(87)
Yukon	53	19	72
Northwest Territories	(721)	282	(439)
Nunavut	(8)	48	40
TOTAL	(4,188)	4,188	(0)

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 2.6% overall in March 2018 relative to March 2017. On a year-to-date basis, exposure counts are down by 2.3%. Note that 5 of the 9 jurisdictions had year-on-year count increases for the year-to-date, the highest number of jurisdictions with increases in private passenger counts year-to-date at March since we began tracking this metric beginning with the FARM June 2012 Participation Report.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	**Month of March 2018**					**Calendar YTD as of March 2018**			
	2018	**2017**	**Chg**	**% Chg**		**2018**	**2017**	**Chg**	**% Chg**
Ontario	214	137	77	56.2%		543	410	133	32.4%
Alberta	143	107	36	34.0%		335	305	30	9.9%
Newfoundland & Labrador	720	831	(111)	(13.4%)		1,939	2,081	(142)	(6.8%)
New Brunswick	521	591	(70)	(11.9%)		1,368	1,518	(149)	(9.8%)
Nova Scotia	373	342	31	9.2%		874	857	17	2.0%
Prince Edward Island	86	91	(5)	(5.5%)		250	235	15	6.3%
Yukon	14	12	1	11.0%		33	24	9	38.8%
Northwest Territories	197	215	(18)	(8.5%)		511	554	(44)	(7.8%)
Nunavut	12	14	(3)	(19.1%)		18	25	(8)	(30.7%)
All Jurisdictions	**2,279**	**2,341**	**(62)**	**(2.6%)**		**5,872**	**6,010**	**(138)**	**(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 March 2018 Participation Report – Actuarial Highlights]

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 3 months ended March 31, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 03/2018
(thousands of dollars)

	January	February	March	CY2018 YTD	CY2018 12 Months Updated Projections	CY2017 12 Months Actual
UNDERWRITING REVENUE:						
PREMIUMS WRITTEN	$14,288	$14,220	$15,096	$43,604	$200,348	$184,248
CHANGE IN UNEARNED PREMIUMS	1,131	(123)	675	1,683	(4,815)	(7,762)
NET PREMIUMS EARNED	**$15,419**	**$14,097**	**$15,771**	**$45,287**	**$195,533**	**$176,486**
CLAIMS INCURRED						
PRIOR ACCIDENT YEARS						
UNDISCOUNTED	21	53	(9,199)	(9,125)	(9,122)	(6,309)
EFFECT OF DISCOUNTING	27	(762)	(1,214)	(1,949)	(5,886)	(20,772)
DISCOUNTED	48	(709)	(10,413)	(11,074)	(15,008)	(27,081)
CURRENT ACCIDENT YEAR						
UNDISCOUNTED	10,750	9,918	10,451	31,119	134,058	123,688
EFFECT OF DISCOUNTING	659	510	515	1,684	6,364	5,657
DISCOUNTED	11,409	10,428	10,966	32,803	140,422	129,345
CLAIMS INCURRED	**$11,457**	**$9,719**	**$553**	**$21,729**	**$125,414**	**$102,264**
UNDERWRITING EXPENSES						
OPERATING & SERVICE FEES	1,470	1,464	1,544	4,478	20,514	18,983
AGENTS COMMISSIONS	1,081	1,100	1,222	3,403	16,352	15,266
DRIVER RECORD ABSTRACTS	172	128	159	459	2,649	3,004
BAD DEBTS	(1)	(2)	1	(2)	(3)	(304)
PREMIUM DEFICIENCY/(DPAC)						
UNDISCOUNTED	106	31	(237)	(100)	(625)	(684)
EFFECT OF DISCOUNTING	(44)	(16)	11	(49)	23	398
DISCOUNTED	62	15	(226)	(149)	(602)	(286)
UNDERWRITING EXPENSES	**$2,784**	**$2,705**	**$2,700**	**$8,189**	**$38,910**	**$36,663**
NET UNDERWRITING GAIN (LOSS)	**$1,178**	**$1,673**	**$12,518**	**$15,369**	**$31,209**	**$37,559**
ADMINISTRATIVE EXPENSES	448	435	505	1,388	5,461	5,096
PREMIUM FINANCE FEE	(10)	(9)	(8)	(27)	(17)	(108)
INVESTMENT INCOME	29	26	29	84	330	251
OPERATING RESULTS	**$749**	**$1,255**	**$12,034**	**$14,038**	**$26,061**	**$32,606**
RATIOS:						
Claims & Adj Expenses Incurred (Earned)						
Prior Accident Years	0.3%	-5.0%	-66.0%	-24.5%	-7.7%	-15.3%
Current Accident Year	74.0%	74.0%	69.5%	72.4%	71.8%	73.3%
All Accident Years Combined	74.3%	69.0%	3.5%	47.9%	64.1%	58.0%
Underwriting & Admin Exp.(Earned)	21.0%	22.3%	20.3%	21.1%	22.7%	23.7%
COMBINED OPERATING RATIO	95.3%	91.3%	23.8%	69.0%	86.8%	81.7%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium taxes, health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association and investment income earned on Facilty Association premium dollars invested directly by members.

Rounding Difference may apply

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS
Operating Results for the 3 months ended March 31, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 03/2018
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2018 12 Months Updated Projections	CY2017 12 Months Actual
UNDERWRITING REVENUE:												
PREMIUMS WRITTEN	$12,556	$14,467	$4,134	$762	$4,378	$5,724	$281	$1,161	$141	$43,604	$200,348	$184,248
CHANGE IN UNEARNED PREMIUMS	907	(2,204)	408	326	710	1,339	146	(69)	120	1,683	($4,815)	($7,762)
NET PREMIUMS EARNED	**$13,463**	**$12,263**	**$4,542**	**$1,088**	**$5,088**	**$7,063**	**$427**	**$1,092**	**$261**	**$45,287**	**$195,533**	**$176,486**
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(2,495)	(5,525)	(929)	237	2,157	(2,512)	(153)	277	(182)	(9,125)	($9,122)	($6,309)
EFFECT OF DISCOUNTING	(477)	(582)	(150)	25	(40)	(669)	(4)	(39)	(13)	(1,949)	($5,886)	($20,772)
DISCOUNTED	(2,972)	(6,107)	(1,079)	262	2,117	(3,181)	(157)	238	(195)	(11,074)	(15,008)	(27,081)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	8,633	7,922	3,448	647	3,526	5,929	278	610	126	31,119	$134,058	$123,688
EFFECT OF DISCOUNTING	380	580	186	38	160	289	17	28	6	1,684	$6,364	$5,657
DISCOUNTED	9,013	8,502	3,634	685	3,686	6,218	295	638	132	32,803	140,422	129,345
CLAIMS INCURRED	**$6,041**	**$2,395**	**$2,555**	**$947**	**$5,803**	**$3,037**	**$138**	**$876**	**($63)**	**$21,729**	**$125,414**	**$102,264**
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	1,255	1,564	413	76	440	573	28	116	13	4,478	$20,514	$18,983
AGENTS COMMISSIONS	1,038	831	365	76	420	520	26	113	14	3,403	$16,352	$15,266
DRIVER RECORD ABSTRACTS	138	34	115	24	63	59	4	19	3	459	$2,649	$3,004
BAD DEBTS	(4)	8	0	0	0	(6)	0	0	0	(2)	($3)	($304)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	79	(139)	35	29	65	(186)	13	(6)	10	(100)	($625)	($684)
EFFECT OF DISCOUNTING	0	0	70	0	0	(119)	0	0	0	(49)	$23	$398
DISCOUNTED	79	(139)	105	29	65	(305)	13	(6)	10	(149)	(602)	(286)
UNDERWRITING EXPENSES	**$2,506**	**$2,298**	**$998**	**$205**	**$988**	**$841**	**$71**	**$242**	**$40**	**$8,189**	**$38,910**	**$36,663**
NET UNDERWRITING GAIN (LOSS)	**$4,916**	**$7,570**	**$989**	**($64)**	**($1,703)**	**$3,185**	**$218**	**($26)**	**$284**	**$15,369**	**$31,209**	**$37,559**
ADMINISTRATIVE EXPENSES	355	441	136	44	134	181	26	50	21	1,388	$5,461	$5,096
PREMIUM FINANCE FEE	(7)	(11)	(3)	0	(3)	(3)	0	0	0	(27)	($17)	($108)
INVESTMENT INCOME	20	32	6	2	7	15	0	2	0	84	$330	$251
OPERATING RESULTS	**$4,574**	**$7,150**	**$856**	**($106)**	**($1,833)**	**$3,016**	**$192**	**($74)**	**$263**	**$14,038**	**$26,061**	**$32,606**
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	-22.1%	-49.8%	-23.8%	24.1%	41.6%	-45.0%	-36.8%	21.8%	-74.7%	-24.5%	-7.7%	-15.3%
Current Accident Year	66.9%	69.3%	80.0%	63.0%	72.4%	88.0%	69.1%	58.4%	50.6%	72.4%	71.8%	73.3%
All Accident Years Combined	44.8%	19.5%	56.2%	87.1%	114.0%	43.0%	32.3%	80.2%	-24.1%	47.9%	64.1%	58.0%
Underwriting & Admin Exp.(Earned)	21.3%	22.3%	25.0%	22.9%	22.1%	14.5%	22.7%	26.7%	23.4%	21.1%	22.7%	23.7%
COMBINED OPERATING RATIO	66.1%	41.8%	81.2%	110.0%	136.1%	57.5%	55.0%	106.9%	-0.7%	69.0%	86.8%	81.7%

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