



**TO:** MEMBERS OF THE FACILITY ASSOCIATION  
**ATTENTION:** CHIEF EXECUTIVE OFFICER  
**BULLETIN NO.:** F18 – 042  
**DATE:** JUNE 28, 2018  
**SUBJECT:** FARM – APRIL 2018 PARTICIPATION REPORT

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

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

### **New This Month**

#### *Annual Update of Member Sharing Ratios*

The April 2018 FARM Participation Report reflects the annual update of member sharing ratios for Accident Years 2016, 2017, 2018 and 2019. Please refer to Bulletin [F18-047](#) for additional information.

### **Summary of Financial Results**

The calendar year-to-date Operating Result is \$14.8 million and the incurred loss ratio to the end of 4 months is 53.7%, as summarized in the table at the top of the next page.

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**FARM – April 2018 Participation Report**

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<b>Amounts in \$000s</b>	<b>April 2018</b>	April 2017	<b>Year to date Apr 2018</b>	Year to Date Apr 2017
Premium Written	18,290	16,316	61,894	51,564
Premium Earned	15,341	13,662	60,628	54,966
Incurred Losses	10,804	9,164	32,533	20,029
Underwriting & Admin Expense	3,785	3,584	13,305	12,400
<b>Net Result from Operations</b>	<b>752</b>	<b>914</b>	<b>14,790</b>	<b>22,537</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(1.8%)	(5.7%)	(18.7%)	(36.2%)
- Current Accident Year	72.2%	72.7%	72.4%	72.7%
<i>Total</i>	<b>70.4%</b>	<b>67.0%</b>	<b>53.7%</b>	<b>36.5%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>24.8%</b>	<b>26.3%</b>	<b>22.1%</b>	<b>22.6%</b>
<b>Combined Operating Ratio</b>	<b>95.2%</b>	<b>93.3%</b>	<b>75.8%</b>	<b>59.1%</b>

*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 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 \$25.9 million and the estimated combined operating ratio to December 2018 is 87.0% as indicated in the table at the top of the next page. This updated projection to the end of the year has deteriorated by \$0.1 million from the projection provided last month (\$26.1 million and 86.8%).

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<b>FARM 2018 Year-end Projection</b>	<b>Current</b>	Prior Mth		Final 2018
<b>Amounts in \$000s</b>	<b>(Apr 2018)</b>	(Mar 2018)	<b>Change</b>	Outlook*
Premium Written	201,437	200,348	1,089	182,582
Premium Earned	196,233	195,534	699	181,347
Incurred Losses	126,174	125,414	760	129,462
Underwriting & Admin Expense	44,140	44,061	79	41,471
<b>Net Result from Operations</b>	<b>25,919</b>	<b>26,058</b>	<b>(139)</b>	<b>10,414</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	(7.5%)	(7.7%)	0.2%	(2.9%)
- Current Accident Year	71.8%	71.8%	0.0%	74.2%
<i>Total</i>	<b>64.3%</b>	<b>64.1%</b>	<b>0.2%</b>	<b>71.4%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>22.7%</b>	<b>22.7%</b>	<b>0.0%</b>	<b>23.0%</b>
<i>Combined Operating Ratio</i>	<b>87.0%</b>	<b>86.8%</b>	<b>0.2%</b>	<b>94.4%</b>

*rounding differences may occur*

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

*Current Month Results*

The Net Results from Operations in the month of April 2018 was \$0.8 million, down \$0.2 million from the same month last year. This deterioration included a \$0.3 million unfavourable impact stemming from the increase in the combined ratio (from 93.3% last year to 95.2% this year, applied to this month's \$15.3 million earned premium), offset by a \$0.1 million favourable impact due to the \$1.7 million increase in earned premium (at a combined ratio of 93.3%).

This month's results moved the year-to-date combined operating ratio from 69.0% at the end of 3 months to 75.8% at the end of 4 months. The 6.8 percentage point increase is composed of a 5.8 percentage point increase in the Prior Accident Years loss ratio, and a 1.0 percentage point increase in the expense ratio.

*Variances from Projections*

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

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<b>April 2018</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Premium Written	18,290	17,226	1,064	6.2%
Premium Earned	15,341	16,095	(754)	(4.7%)
Reported Losses				
Paid Losses	8,522	13,272	(4,750)	(35.8%)
Change in Outstanding Losses	(1,553)	(2,874)	1,321	(46.0%)
<b>Total Reported Losses</b>	<b>6,969</b>	<b>10,398</b>	<b>(3,429)</b>	<b>(33.0%)</b>
Change in IBNR*	3,723	1,052	2,671	
Change in Premium Deficiency (DPAC)*	(208)	(160)	(48)	
Change in Retro Claims Expense*	112	(501)	613	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [FARM April 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 April 2018, reported indemnity amounts were \$2.8 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 -\$3.4 million*). The Current Accident Year had a \$0.3 million favourable variance in reported indemnity, and the Prior Accident Years had a favourable variance of \$2.5 million. No single Prior Accident Year had a reported indemnity variance in excess of \$1.0 million.

The variances for claims activity that were beyond the set thresholds at the jurisdiction, business segment level, and accident year group (i.e. Prior Accident Years vs. Current Accident Year) were investigated by Management. Management is satisfied that the variances are appropriately accounted for in our current booking process.

**Booking IBNR**

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected for the most recent accident years back to 1994 (for accident years 1993 and earlier, IBNR is held at \$0). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend.

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**Effect of Quarterly Valuation**

The April 2018 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at December 31, 2017 for all jurisdictions and business segments. The actuarial valuation will be updated next as at March 31, 2018 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the May 2018 Participation Report.

**Management Comments**

As shown in the table below, the private passenger annualized vehicle counts decreased by 3.3% overall in April 2018 relative to April 2017. On a year-to-date basis, exposure counts are down by 2.6%, decreasing in all jurisdictions except Ontario, Alberta, Nova Scotia and Yukon.

*FARM Private Passenger Written Car Years*

# FARM Vehicles Written								
Jurisdiction	Month of April 2018				Calendar YTD as of April 2018			
	2018	2017	Chg	% Chg	2018	2017	Chg	% Chg
Ontario	234	178	55	30.8%	777	589	188	31.9%
Alberta	120	145	(25)	(17.0%)	455	450	6	1.3%
Newfoundland & Labrador	896	909	(14)	(1.5%)	2,835	2,990	(155)	(5.2%)
New Brunswick	488	607	(119)	(19.6%)	1,856	2,124	(268)	(12.6%)
Nova Scotia	389	297	92	30.9%	1,263	1,154	109	9.4%
Prince Edward Island	105	131	(26)	(19.5%)	356	366	(11)	(2.9%)
Yukon	16	16	(1)	(3.6%)	49	40	9	21.7%
Northwest Territories	163	201	(38)	(18.9%)	674	755	(82)	(10.8%)
Nunavut	7	15	(8)	(52.2%)	25	40	(16)	(38.7%)
<b>All Jurisdictions</b>	<b>2,417</b>	<b>2,499</b>	<b>(82)</b>	<b>(3.3%)</b>	<b>8,289</b>	<b>8,509</b>	<b>(220)</b>	<b>(2.6%)</b>

*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 April 2018 Participation Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2018**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 4 months ended April 30, 2018 (Discounted Basis)**

Source: Monthly (Accident Year) Member Participation Report as at 04/2018

(thousands of dollars)

	January	February	March	April	CY2018 YTD	CY2018 12 Months Updated Projections	CY2017 12 Months Actual
<b>UNDERWRITING REVENUE:</b>							
PREMIUMS WRITTEN	\$14,288	\$14,220	\$15,096	\$18,290	\$61,894	\$201,438	\$184,248
CHANGE IN UNEARNED PREMIUMS	1,131	(123)	675	(2,949)	(1,266)	(5,204)	(7,762)
<b>NET PREMIUMS EARNED</b>	<b>\$15,419</b>	<b>\$14,097</b>	<b>\$15,771</b>	<b>\$15,341</b>	<b>\$60,628</b>	<b>\$196,234</b>	<b>\$176,486</b>
<b>CLAIMS INCURRED</b>							
PRIOR ACCIDENT YEARS							
UNDISCOUNTED	21	53	(9,199)	18	(9,107)	(9,105)	(6,309)
EFFECT OF DISCOUNTING	27	(762)	(1,214)	(289)	(2,238)	(5,613)	(20,772)
DISCOUNTED	48	(709)	(10,413)	(271)	(11,345)	(14,718)	(27,081)
CURRENT ACCIDENT YEAR							
UNDISCOUNTED	10,750	9,918	10,451	10,539	41,658	134,527	123,688
EFFECT OF DISCOUNTING	659	510	515	536	2,220	6,364	5,657
DISCOUNTED	11,409	10,428	10,966	11,075	43,878	140,891	129,345
<b>CLAIMS INCURRED</b>	<b>\$11,457</b>	<b>\$9,719</b>	<b>\$553</b>	<b>\$10,804</b>	<b>\$32,533</b>	<b>\$126,173</b>	<b>\$102,264</b>
<b>UNDERWRITING EXPENSES</b>							
OPERATING & SERVICE FEES	1,470	1,464	1,544	1,875	6,353	20,629	18,983
AGENTS COMMISSIONS	1,081	1,100	1,222	1,466	4,869	16,408	15,266
DRIVER RECORD ABSTRACTS	172	128	159	297	756	2,610	3,004
BAD DEBTS	(1)	(2)	1	(31)	(33)	(2)	(304)
PREMIUM DEFICIENCY/(DPAC)							
UNDISCOUNTED	106	31	(237)	(226)	(326)	(652)	(684)
EFFECT OF DISCOUNTING	(44)	(16)	11	18	(31)	21	398
DISCOUNTED	62	15	(226)	(208)	(357)	(631)	(286)
<b>UNDERWRITING EXPENSES</b>	<b>\$2,784</b>	<b>\$2,705</b>	<b>\$2,700</b>	<b>\$3,399</b>	<b>\$11,588</b>	<b>\$39,014</b>	<b>\$36,663</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$1,178</b>	<b>\$1,673</b>	<b>\$12,518</b>	<b>\$1,138</b>	<b>\$16,507</b>	<b>\$31,047</b>	<b>\$37,559</b>
ADMINISTRATIVE EXPENSES	448	435	505	408	1,796	5,493	5,096
PREMIUM FINANCE FEE	(10)	(9)	(8)	(10)	(37)	(26)	(108)
INVESTMENT INCOME	29	26	29	32	116	389	251
<b>OPERATING RESULTS</b>	<b>\$749</b>	<b>\$1,255</b>	<b>\$12,034</b>	<b>\$752</b>	<b>\$14,790</b>	<b>\$25,917</b>	<b>\$32,606</b>
<b>RATIOS:</b>							
Claims & Adj Expenses Incurred (Earned)							
Prior Accident Year	0.3%	-5.0%	-66.0%	-1.8%	-18.7%	-7.5%	-15.3%
Current Accident Years	74.0%	74.0%	69.5%	72.2%	72.4%	71.8%	73.3%
All Accident Years Combined	74.3%	69.0%	3.5%	70.4%	53.7%	64.3%	58.0%
Underwriting & Admin Exp.(Earned)	21.0%	22.3%	20.3%	24.8%	22.1%	22.7%	23.7%
COMBINED OPERATING RATIO	95.3%	91.3%	23.8%	95.2%	75.8%	87.0%	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 Facility 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 4 months ended April 30, 2018 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 04/2018**  
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2018 12 Months Updated Projections	CY2017 12 Months Actual
<b>UNDERWRITING REVENUE:</b>												
PREMIUMS WRITTEN	\$17,847	\$20,283	\$6,013	\$1,224	\$6,396	\$8,078	\$406	\$1,496	\$151	\$61,894	\$201,438	\$184,248
CHANGE IN UNEARNED PREMIUMS	120	(3,680)	71	217	387	1,311	162	(44)	190	(1,266)	(\$5,204)	(\$7,762)
<b>NET PREMIUMS EARNED</b>	<b>\$17,967</b>	<b>\$16,603</b>	<b>\$6,084</b>	<b>\$1,441</b>	<b>\$6,783</b>	<b>\$9,389</b>	<b>\$568</b>	<b>\$1,452</b>	<b>\$341</b>	<b>\$60,628</b>	<b>\$196,234</b>	<b>\$176,486</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(2,500)	(5,518)	(930)	237	2,178	(2,517)	(152)	277	(182)	(9,107)	(\$9,105)	(\$6,309)
EFFECT OF DISCOUNTING	(551)	(689)	(190)	21	(67)	(703)	(5)	(40)	(14)	(2,238)	(\$5,613)	(\$20,772)
DISCOUNTED	(3,051)	(6,207)	(1,120)	258	2,111	(3,220)	(157)	237	(196)	(11,345)	(14,718)	(27,081)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	11,528	10,728	4,621	859	4,699	7,881	369	806	167	41,658	\$134,527	\$123,688
EFFECT OF DISCOUNTING	513	765	237	44	210	384	22	37	8	2,220	\$6,364	\$5,657
DISCOUNTED	12,041	11,493	4,858	903	4,909	8,265	391	843	175	43,878	140,891	129,345
<b>CLAIMS INCURRED</b>	<b>\$8,990</b>	<b>\$5,286</b>	<b>\$3,738</b>	<b>\$1,161</b>	<b>\$7,020</b>	<b>\$5,045</b>	<b>\$234</b>	<b>\$1,080</b>	<b>(\$21)</b>	<b>\$32,533</b>	<b>\$126,173</b>	<b>\$102,264</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	1,784	2,191	601	122	642	809	40	150	14	6,353	\$20,629	\$18,983
AGENTS COMMISSIONS	1,468	1,203	531	119	601	748	38	145	16	4,869	\$16,408	\$15,266
DRIVER RECORD ABSTRACTS	206	53	188	47	130	99	6	24	3	756	\$2,610	\$3,004
BAD DEBTS	(6)	11	(17)	(7)	0	(14)	0	0	0	(33)	(\$2)	(\$304)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	14	(233)	5	20	38	(196)	14	(5)	17	(326)	(\$652)	(\$684)
EFFECT OF DISCOUNTING	0	0	83	0	0	(114)	0	0	0	(31)	\$21	\$398
DISCOUNTED	14	(233)	88	20	38	(310)	14	(5)	17	(357)	(631)	(286)
<b>UNDERWRITING EXPENSES</b>	<b>\$3,466</b>	<b>\$3,225</b>	<b>\$1,391</b>	<b>\$301</b>	<b>\$1,411</b>	<b>\$1,332</b>	<b>\$98</b>	<b>\$314</b>	<b>\$50</b>	<b>\$11,588</b>	<b>\$39,014</b>	<b>\$36,663</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$5,511</b>	<b>\$8,092</b>	<b>\$955</b>	<b>(\$21)</b>	<b>(\$1,648)</b>	<b>\$3,012</b>	<b>\$236</b>	<b>\$58</b>	<b>\$312</b>	<b>\$16,507</b>	<b>\$31,047</b>	<b>\$37,559</b>
ADMINISTRATIVE EXPENSES	462	564	178	62	183	229	33	60	25	1,796	\$5,493	\$5,096
PREMIUM FINANCE FEE	(10)	(15)	(4)	0	(4)	(4)	0	0	0	(37)	(\$26)	(\$108)
INVESTMENT INCOME	28	41	9	3	13	19	0	3	0	116	\$389	\$251
<b>OPERATING RESULTS</b>	<b>\$5,067</b>	<b>\$7,554</b>	<b>\$782</b>	<b>(\$80)</b>	<b>(\$1,822)</b>	<b>\$2,798</b>	<b>\$203</b>	<b>\$1</b>	<b>\$287</b>	<b>\$14,790</b>	<b>\$25,917</b>	<b>\$32,606</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-17.0%	-37.4%	-18.4%	17.9%	31.1%	-34.3%	-27.6%	16.3%	-57.5%	-18.7%	-7.5%	-15.3%
Current Accident Years	67.0%	69.2%	79.8%	62.7%	72.4%	88.0%	68.8%	58.1%	51.3%	72.4%	71.8%	73.3%
All Accident Years Combined	50.0%	31.8%	61.4%	80.6%	103.5%	53.7%	41.2%	74.4%	-6.2%	53.7%	64.3%	58.0%
Underwriting & Admin Exp.(Earned)	21.9%	22.8%	25.8%	25.2%	23.5%	16.6%	23.1%	25.8%	22.0%	22.1%	22.7%	23.7%
COMBINED OPERATING RATIO	71.9%	54.6%	87.2%	105.8%	127.0%	70.3%	64.3%	100.2%	15.8%	75.8%	87.0%	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 Facility Association premium dollars invested directly by members.

Rounding Difference may apply