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TO:	**MEMBERS OF THE FACILITY ASSOCIATION**
ATTENTION:	**CHIEF EXECUTIVE OFFICER**
BULLETIN NO.:	**F18 – 054**
DATE:	**JULY 30, 2018**
SUBJECT:	**FARM – MAY 2018 PARTICIPATION REPORT**

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

Please be advised that the May 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 May 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 August 23, 2018.*** Please see “Redistribution of Member Funds” on page 7**.**

Valuation

An actuarial valuation as at March 31, 2018 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 **$3.6 million favourable** impact on the month’s net result from operations, subtracting an estimated 4.6 points from the year-to-date Combined Operating Ratio (ending at 76.3%). The impact on the month’s results is summarized in the table at the top of the next page[1].

[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 77,433 (actual)					
	IMPACT in $000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns			dsct rate	margins		ultimates & payout patterns			dsct rate	margins	
	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(1,455)	(897)	(2,352)	(1,424)	-	(3,776)	(1.9%)	(1.2%)	(3.0%)	(1.8%)	-	(4.9%)
CAY	313	8	321	(171)	-	150	0.4%	-	0.4%	(0.2%)	-	0.2%
Prem Def	193	(112)	81	(52)	-	29	0.2%	(0.1%)	0.1%	(0.1%)	-	-
TOTAL	(949)	(1,001)	(1,950)	(1,647)	-	(3,597)	(1.2%)	(1.3%)	(2.5%)	(2.1%)	-	(4.6%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a $2.0 million favourable impact – see column [3] in the left table above), augmented by the impact of a 16 basis point increase in the selected discount rate (from 1.79% to 1.95%, generating a $1.6 million favourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and no change in the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence generating no impact – see column [5] in the left table above).

As shown in the table[2] immediately below, management has observed favourable *total* valuation impacts (column [5]) over the last 12 valuation implementations, with 3 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: 2018 Q1

Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		unfavourable / (favourable) Valuation Implementation Impact ($000s)					**$000s**		
		[1]	[2]	[3]	[4]	[5] = sum([1] to [5])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
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%)
2018 Q1	May 2018	(949)	(1,001)	(1,647)	-	(3,597)	429,713	(0.8%)	(0.2%)
12-qtrs	-	(20,100)	3,905	(13,046)	(3,911)	(33,152)			
% of total		60.6%	(11.8%)	39.4%	11.8%	100.0%			
Averages									
12-qtrs		(1,675)	325	(1,087)	(326)	(2,763)	462,827	(0.6%)	(0.4%)
2015 Q2 to 2016 Q3		(829)	974	299	(443)	2	483,402	-	(0.2%)
2016 Q4 to 2018 Q1		(2,521)	(323)	(2,473)	(209)	(5,527)	442,251	(1.2%)	(0.6%)

[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 (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal changes of any one valuation in relation to policy liabilities[3], should be "small" (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, 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). On these 3 measures:

(i) **Best estimate measurement**: **This objective has not been met**, as the 12-quarter nominal change in column [1] is $20.0 million favourable. That said, the average favourable impact over the 12 quarters at $1.7 million (nominal only) represents 0.6% of ending policy liabilities, which we would view as not significant. We do note that the latest 6 valuations have been on average more favourable than the earlier 6 valuations. At this point, we view this as more process variance, but it is certainly not the direction we are looking for.

(ii) **Nominal size measurement**: **This objective has been met**, as there were no individual valuations showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table at the bottom of the previous page.

(iii) **Bias evidence measurement**: **This objective has been met**, as 3 of 12 valuations show unfavourable changes (column [1] of the table at the bottom of the previous page), in line with our expectation (4 of 12).

In summary, while our best estimate measurement has not been met, our remaining two valuation measurements have been met. 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 7 for additional detail.

Summary of Financial Results

The calendar year-to-date Operating Result is $18.5 million and the incurred loss ratio to the end of 5 months is 52.2%, as summarized in the table at the top of the next page.

[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.

Amounts in $000s	**May 2018**	May 2017	**Year to date May 2018**	Year to Date May 2017
Premium Written	27,753	20,856	89,647	72,420
Premium Earned	16,805	14,584	77,433	69,550
Incurred Losses	7,893	22,688	40,426	42,717
Underwriting & Admin Expense	5,252	4,442	18,557	16,842
Net Result from Operations	**3,660**	**(12,546)**	**18,450**	**9,991**
Ratios:				
Loss ratio - *Prior Accident Years*	(25.5%)	79.1%	(20.2%)	(12.0%)
- *Current Accident Year*	72.5%	76.4%	72.4%	73.5%
Total	**47.0%**	**155.5%**	**52.2%**	**61.5%**
Underwriting & Admin Expense	**31.4%**	**30.5%**	**24.1%**	**24.3%**
Combined Operating Ratio	**78.4%**	**186.0%**	**76.3%**	**85.8%**

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 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 $29.4 million and the estimated combined operating ratio to December 2018 is 85.7% as indicated in the table below.

FARM 2018 Year-end Projection **Amounts in $000s**	**Current (May 2018)**	Prior Mth (Apr 2018)	**Change**	Final 2018 Outlook*
Premium Written	215,870	201,437	14,433	182,582
Premium Earned	203,152	196,233	6,919	181,347
Incurred Losses	127,553	126,174	1,380	129,462
Underwriting & Admin Expense	46,179	44,140	2,039	41,471
Net Result from Operations	**29,419**	**25,919**	**3,500**	**10,414**
Ratios:				
Loss ratio - *Prior Accident Years*	(9.0%)	(7.5%)	(1.5%)	(2.9%)
- *Current Accident Year*	71.8%	71.8%	0.0%	74.2%
Total	**62.8%**	**64.3%**	**(1.5%)**	**71.4%**
Underwriting & Admin Expense	**22.9%**	**22.7%**	**0.2%**	**23.0%**
Combined Operating Ratio	**85.7%**	**87.0%**	**(1.3%)**	**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 $3.5 million from the projection provided last month ($25.9 million and 87.0%), mainly due to the impact of the valuation as at March 31, 2018, as summarized in the table below (see more information under "Effect of Quarterly Valuation" on page 7). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

Grand Total	unfav / (fav) projected for full year						year EP 203,152 (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	(1,455)	(740)	(2,195)	(1,198)	-	(3,393)	(0.7%)	(0.4%)	(1.1%)	(0.6%)	-	(1.7%)
CAY	715	107	822	(403)	-	419	0.4%	0.1%	0.4%	(0.2%)	-	0.2%
Prem Def	(11)	(91)	(102)	(53)	-	(155)	-	-	(0.1%)	-	-	(0.1%)
TOTAL	(751)	(724)	(1,475)	(1,654)	-	(3,129)	(0.4%)	(0.4%)	(0.7%)	(0.8%)	-	(1.5%)

The updated year-end projections are shown by jurisdiction against the November 10, 2017 Outlook in the table immediately below, with the estimated impact of implementing the *current* valuation in the two far right columns. In particular, with *three* valuations (2017 Q3 & Q4, 2018 Q1) and other changes since August 2017 (the actuals used in the Outlook), **the projected $10.4 million operating result has been increased to $29.4 million**.

$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 May	Year-end 2018
Ontario	44,378	4,583	89.8%	62,228	17,266	72.4%	3,899	3,900
Alberta	55,194	6,965	87.5%	59,147	11,385	80.9%	721	812
Newfoundland & Labrador	30,025	(3,626)	112.2%	29,158	2,608	91.3%	1,250	1,425
New Brunswick	21,336	1,212	94.5%	21,542	(1,526)	107.4%	(496)	(735)
Nova Scotia	18,432	(722)	104.0%	19,430	(586)	103.1%	(869)	(872)
Prince Edward Island	4,470	582	87.0%	4,409	(1,342)	130.6%	(1,203)	(1,640)
Yukon	1,884	187	90.3%	1,852	376	80.0%	30	47
Northwest Territories	4,453	910	79.6%	4,376	751	83.0%	237	154
Nunavut	1,175	324	72.6%	1,009	488	51.7%	28	38
TOTAL	181,347	10,414	94.4%	203,152	29,419	85.7%	3,597	3,129

In total, the operating result projection to year-end has increased by $19.0 million from the Outlook posted November 10, 2017 (to $29.4 million as shown above). This amount is $3.1 million higher than it would have been, if not for the implementation of the March 31, 2018 valuation. (The changes before the impact of the March 31, 2018 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 (rather than the 1.95% applied with this valuation),

[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 May 2018 FARM Actuarial Highlights Exhibit F (page 10 of 10), indicating a 1.27% discount rate would increase indemnity claims liabilities by an estimated $5.8 million using simple linear interpolation between the estimated $8.7 million impact of a 0.95% discount rate and the $4.2 million impact of a 1.45% discount rate shown in the table.

the operating result would have been *lower* by $5.8 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately $23.6 million (COR of 88.4%) had the discount rate and associated margin remained at the 2018 Final Outlook level.

Current Month Results

The Net Results from Operations in the month of May 2018 was $3.7 million, up $16.2 million from the same month last year. This improvement consists of a $1.9 million unfavourable impact due to the $2.2 million increase in earned premium (at a combined ratio of 186.0%), more than offset by the $18.1 million favourable impact due to the decrease in the combined ratio (from 186.0% last year to 78.4% this year, applied to this month's $16.8 million earned premium).

This month's results moved the year-to-date combined operating ratio from 75.8% at the end of 4 months to 76.3% at the end of 5 months. The 0.5 percentage point increase is composed of a 2.0 percentage point increase in the expense ratio offset by a 1.5 percentage point decrease in the Prior Accident Years loss ratio.

Variances from Projections

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

May 2018	Actual	Projection	Difference	Difference %
Premium Written	27,753	21,845	5,908	27.0%
Premium Earned	16,805	16,262	543	3.3%
Reported Losses				
Paid Losses	13,297	10,896	2,401	22.0%
Change in Outstanding Losses	(2,640)	(1,487)	(1,153)	77.5%
Total Reported Losses	**10,657**	**9,409**	**1,248**	**13.3%**
Change in IBNR*	(2,012)	2,293	(4,305)	
Change in Premium Deficiency (DPAC)*	(723)	(471)	(252)	
Change in Retro Claims Expense*	(752)	(495)	(257)	

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

*Detailed information is included in FARM May 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 May 2018, reported indemnity amounts were $1.1 million higher 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 $1.2 million).* The Current Accident Year had approximately $0.4 million unfavourable variance in reported indemnity, and the Prior Accident

Years had an unfavourable variance of $0.7 million. No single Prior Accident Year had a reported indemnity variance in excess of $1.0 million.

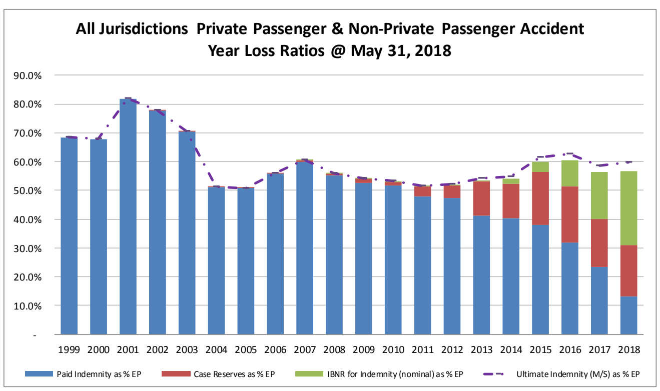
The variances for claims activity that were beyond the set thresholds at the jurisdiction, business segment level, and accident year group (i.e. Prior Accident Years vs. Current Accident Year) were investigated by Management. Management is satisfied that the variances are appropriately accounted for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

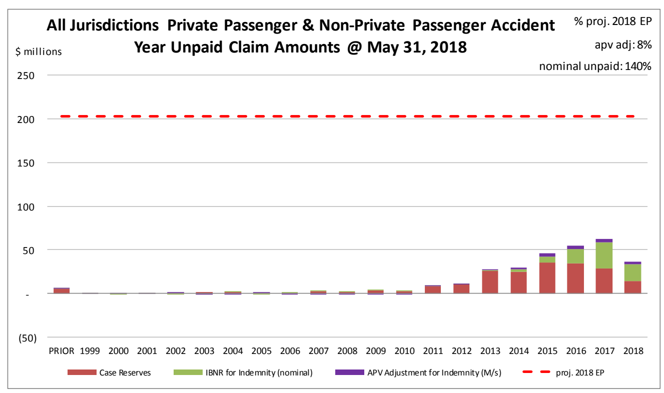
Effect of Quarterly Valuation

The May 2018 Participation Report reflects the results of an updated valuation as at March 31, 2018, with the associated impacts in relation to the results for May 2018 summarized in the table immediately below.

Grand Total	unfav / (fav)						mth EP 16,805 (actual)					
	IMPACT in $000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ultimates & payout patterns			dsct rate	margins		ultimates & payout patterns			dsct rate	margins	
	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	(1,455)	(897)	(2,352)	(1,424)	-	(3,776)	(8.7%)	(5.3%)	(14.0%)	(8.5%)	-	(22.5%)
CAY	313	8	321	(171)	-	150	1.9%	-	1.9%	(1.0%)	-	0.9%
Prem Def	193	(112)	81	(52)	-	29	1.1%	(0.7%)	0.5%	(0.3%)	-	0.2%
TOTAL	(949)	(1,001)	(1,950)	(1,647)	-	(3,597)	(5.6%)	(6.0%)	(11.6%)	(9.8%)	-	(21.4%)

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





The valuation included all jurisdictions and business segments and resulted in updated policy liability cash flow estimates for all jurisdictions that, when applied to the updated risk free yield curve, resulted in an increase in the selected discount rate from 1.79% to 1.95%. 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 not "year-to-date".)

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

March 31, 2018 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis) unfavourable / (favourable)

Jurisdiction	2017 & Prior Beginning Indemnity Unpaid (000s)	2017 & Prior Accident Year Indemnity Change (000s)	% of Beginning Unpaid	2018 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2018 Earned Prem (000s)	2019 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2019 Proj Earned Prem (000s)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Ontario	**92,958**	**(1,384)**	**(1.5%)**	**49.7%**	**(0.4%)**	**(222)**	**51.6%**	**0.0%**	**16**
PPV	39,258	(1,056)	(2.7%)	52.0%	0.4%	60	54.6%	0.1%	16
Non-PPV	53,700	(328)	(0.6%)	48.8%	(0.7%)	(283)	50.5%	0.0%	-
Alberta	**71,550**	**(228)**	**(0.3%)**	**53.9%**	**(0.4%)**	**(235)**	**53.2%**	**(2.2%)**	**(1,286)**
PPV	14,662	(4)	(0.0%)	56.4%	2.9%	216	54.0%	(0.1%)	(8)
Non-PPV	56,888	(224)	(0.4%)	53.6%	(0.9%)	(451)	53.0%	(2.5%)	(1,279)
Newfoundland & Labrador	**49,126**	**(593)**	**(1.2%)**	**71.2%**	**(1.0%)**	**(303)**	**70.4%**	**(2.0%)**	**(615)**
PPV	34,380	(459)	(1.3%)	71.3%	0.3%	65	72.0%	0.0%	-
Non-PPV	14,746	(134)	(0.9%)	71.0%	(4.5%)	(369)	66.0%	(7.0%)	(615)
New Brunswick	**35,865**	**371**	**1.0%**	**58.5%**	**1.8%**	**396**	**56.0%**	**0.9%**	**212**
PPV	21,803	594	2.7%	61.7%	1.7%	224	57.5%	0.0%	-
Non-PPV	14,062	(223)	(1.6%)	53.5%	2.0%	172	53.5%	2.4%	212
Nova Scotia	**22,989**	**811**	**3.5%**	**63.0%**	**0.0%**	**(1)**	**65.3%**	**0.0%**	**9**
PPV	9,783	(11)	(0.1%)	69.7%	(0.4%)	(33)	72.6%	0.1%	9
Non-PPV	13,206	822	6.2%	57.8%	0.3%	32	59.5%	0.0%	-
Prince Edward Island	**6,677**	**403**	**6.0%**	**70.5%**	**22.5%**	**1,019**	**47.7%**	**(0.4%)**	**(19)**
PPV	3,787	64	1.7%	44.4%	(0.1%)	(3)	44.5%	0.0%	-
Non-PPV	2,890	339	11.7%	108.0%	55.0%	1,021	52.5%	(1.0%)	(19)
Yukon Territory	**2,952**	**(2)**	**(0.1%)**	**52.4%**	**(1.2%)**	**(22)**	**53.6%**	**(2.8%)**	**(51)**
PPV	1,582	53	3.4%	59.9%	0.9%	4	62.5%	(0.2%)	(1)
Non-PPV	1,370	(55)	(4.0%)	50.2%	(1.8%)	(26)	51.0%	(3.5%)	(50)
Northwest Territories	**5,950**	**(214)**	**(3.6%)**	**47.2%**	**2.5%**	**110**	**45.7%**	**(0.4%)**	**(20)**
PPV	3,053	(30)	(1.0%)	48.9%	3.4%	106	47.0%	0.0%	-
Non-PPV	2,897	(184)	(6.4%)	43.3%	0.3%	4	42.5%	(1.5%)	(20)
Nunavut	**1,014**	**(16)**	**(1.6%)**	**36.8%**	**(1.5%)**	**(17)**	**37.9%**	**(2.0%)**	**(22)**
PPV	401	4	1.0%	27.3%	1.3%	3	27.5%	(0.1%)	(0)
Non-PPV	613	(20)	(3.3%)	39.6%	(2.4%)	(20)	41.0%	(2.5%)	(22)
Total	**289,081**	**(852)**	**(0.3%)**	**56.9%**	**0.4%**	**724**	**56.5%**	**(0.9%)**	**(1,776)**

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). For example, differences will emerge due to the differences between data available at March 31, 2018 (used for the valuation) and available for implementation (May 31, 2018).

Finally, column [6] of the valuation summary table above estimates the impact of the change in selected *current* accident year indemnity loss ratio against projected full year 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 May 31, 2018.

With this background, the overall **impact of implementing the valuation** on the results of the Month of May 2018 is estimated as **favourable by $3.6 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 Impact - relative to projection for month of May 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)	(1,616)	161	-	(1,455)	(2,321)	**(3,776)**
current accident year claims incurred	293	20	-	313	(163)	**150**
premium deficiency / (DPAC)	193			193	(164)	**29**
TOTAL	**(1,130)**	**181**	**-**	**(949)**	**(2,648)**	**(3,597)**

An alternate summary of the valuation implementation impact is presented in the table immediately below, including the impact in relation to year-to-date earned premium. In this table, rows "PAYs" and "CAY" (for "Prior Accident Years" and "Current Accident Year" respectively), include the changes in indemnity, retroactive claims fee adjustment provision and the provision for allowed claims adjustment expenses.

Grand Total — unfav / (fav) — ytd EP 77,433 (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	(1,455)	(897)	(2,352)	(1,424)	-	(3,776)	(1.9%)	(1.2%)	(3.0%)	(1.8%)	-	(4.9%)
CAY	313	8	321	(171)	-	150	0.4%	-	0.4%	(0.2%)	-	0.2%
Prem Def	193	(112)	81	(52)	-	29	0.2%	(0.1%)	0.1%	(0.1%)	-	-
TOTAL	(949)	(1,001)	(1,950)	(1,647)	-	(3,597)	(1.2%)	(1.3%)	(2.5%)	(2.1%)	-	(4.6%)

The overall impact ***prior to*** the 16 basis point increase in the discount rate (to 1.95%) and changes to margins for adverse deviation was favourable by $2.0 million (Total row, third column in the table above). This was augmented by the $1.6 million favourable impact of the discount rate change (Total row, fourth column). As there were no updates to the selected margins for 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 May 2018 Participation Report – Actuarial Highlights](). The Actuarial Quarterly Valuation Highlights FARM as at March 31, 2018 are expected to be posted during the month of August 2018.

The actuarial valuation will be updated next as at June 30, 2018 for all jurisdictions and business segments. The results are anticipated to be reflected in the August 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 May 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 August 23, 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	(2,546)	2,289	(257)
Alberta	(1,035)	(33)	(1,068)
Newfoundland & Labrador	(1,500)	(1,365)	(2,865)
New Brunswick	2,414	928	3,342
Nova Scotia	322	(24)	298
Prince Edward Island	(58)	379	321
Yukon	(124)	207	84
Northwest Territories	69	274	342
Nunavut	(70)	(126)	(196)
TOTAL	(2,530)	2,530	-

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 7.3% overall in May 2018 relative to May 2017. On a year-to-date basis, exposure counts are down by 3.8%, decreasing in all jurisdictions except Ontario, Nova Scotia and Yukon.

FARM Private Passenger Written Car Years

# FARM Vehicles Written								
Jurisdiction	**Month of May 2018**				**Calendar YTD as of May 2018**			
	2018	**2017**	**Chg**	**% Chg**	**2018**	**2017**	**Chg**	**% Chg**
Ontario	327	251	77	30.6%	1,108	840	268	32.0%
Alberta	144	167	(23)	(13.5%)	600	617	(17)	(2.7%)
Newfoundland & Labrador	1,060	1,170	(109)	(9.3%)	3,894	4,160	(266)	(6.4%)
New Brunswick	560	691	(131)	(19.0%)	2,419	2,815	(396)	(14.1%)
Nova Scotia	460	418	42	10.0%	1,724	1,572	153	9.7%
Prince Edward Island	84	133	(49)	(36.8%)	439	499	(61)	(12.1%)
Yukon	20	23	(4)	(16.1%)	69	64	5	7.9%
Northwest Territories	152	183	(31)	(17.0%)	826	939	(113)	(12.0%)
Nunavut	24	19	5	25.2%	48	59	(11)	(18.3%)
All Jurisdictions	**2,831**	**3,055**	**(224)**	**(7.3%)**	**11,127**	**11,564**	**(436)**	**(3.8%)**

Rounding differences may occur

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

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

Related link:

FARM May 2018 Participation Report – Actuarial Highlights

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 5 months ended May 31, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 05/2018
(thousands of dollars)

	January	February	March	April	May	CY2018 YTD	CY2018 12 Months Updated Projections	CY2017 12 Months Actual
UNDERWRITING REVENUE:								
PREMIUMS WRITTEN	$14,288	$14,220	$15,096	$18,290	$27,753	$89,647	$215,869	$184,248
CHANGE IN UNEARNED PREMIUMS	1,131	(123)	675	(2,949)	(10,948)	(12,214)	(12,716)	(7,762)
NET PREMIUMS EARNED	**$15,419**	**$14,097**	**$15,771**	**$15,341**	**$16,805**	**$77,433**	**$203,153**	**$176,486**
CLAIMS INCURRED								
PRIOR ACCIDENT YEARS								
UNDISCOUNTED	21	53	(9,199)	18	(1,457)	(10,564)	(10,559)	(6,309)
EFFECT OF DISCOUNTING	27	(762)	(1,214)	(289)	(2,830)	(5,068)	(7,702)	(20,772)
DISCOUNTED	48	(709)	(10,413)	(271)	(4,287)	(15,632)	(18,261)	(27,081)
CURRENT ACCIDENT YEAR								
UNDISCOUNTED	10,750	9,918	10,451	10,539	11,827	53,485	139,590	123,688
EFFECT OF DISCOUNTING	659	510	515	536	353	2,573	6,225	5,657
DISCOUNTED	11,409	10,428	10,966	11,075	12,180	56,058	145,815	129,345
CLAIMS INCURRED	**$11,457**	**$9,719**	**$553**	**$10,804**	**$7,893**	**$40,426**	**$127,554**	**$102,264**
UNDERWRITING EXPENSES								
OPERATING & SERVICE FEES	1,470	1,464	1,544	1,875	2,861	9,214	22,167	18,983
AGENTS COMMISSIONS	1,081	1,100	1,222	1,466	2,132	7,001	17,328	15,266
DRIVER RECORD ABSTRACTS	172	128	159	297	510	1,266	2,755	3,004
BAD DEBTS	(1)	(2)	1	(31)	(3)	(36)	(35)	(304)
PREMIUM DEFICIENCY/(DPAC)								
UNDISCOUNTED	106	31	(237)	(226)	(603)	(929)	(1,128)	(684)
EFFECT OF DISCOUNTING	(44)	(16)	11	18	(120)	(151)	(133)	398
DISCOUNTED	62	15	(226)	(208)	(723)	(1,080)	(1,261)	(286)
UNDERWRITING EXPENSES	**$2,784**	**$2,705**	**$2,700**	**$3,399**	**$4,777**	**$16,365**	**$40,954**	**$36,663**
NET UNDERWRITING GAIN (LOSS)	**$1,178**	**$1,673**	**$12,518**	**$1,138**	**$4,135**	**$20,642**	**$34,645**	**$37,559**
ADMINISTRATIVE EXPENSES	448	435	505	408	501	2,297	5,569	5,096
PREMIUM FINANCE FEE	(10)	(9)	(8)	(10)	(9)	(46)	(33)	(108)
INVESTMENT INCOME	29	26	29	32	35	151	380	251
OPERATING RESULTS	**$749**	**$1,255**	**$12,034**	**$752**	**$3,660**	**$18,450**	**$29,423**	**$32,606**
RATIOS:								
Claims & Adj Expenses Incurred (Earned)								
Prior Accident Year	0.3%	-5.0%	-66.0%	-1.8%	-25.5%	-20.2%	-9.0%	-15.3%
Current Accident Years	74.0%	74.0%	69.5%	72.2%	72.5%	72.4%	71.8%	73.3%
All Accident Years Combined	74.3%	69.0%	3.5%	70.4%	47.0%	52.2%	62.8%	58.0%
Underwriting & Admin Exp.(Earned)	21.0%	22.3%	20.3%	24.8%	31.4%	24.1%	22.9%	23.7%
COMBINED OPERATING RATIO	95.3%	91.3%	23.8%	95.2%	78.4%	76.3%	85.7%	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 5 months ended May 31, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 05/2018
(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	$25,412	$31,055	$8,564	$1,690	$9,082	$10,936	$830	$1,867	$211	$89,647	$215,869	$184,248
CHANGE IN UNEARNED PREMIUMS	(2,533)	(9,417)	(815)	117	(486)	874	(110)	(53)	209	(12,214)	($12,716)	($7,762)
NET PREMIUMS EARNED	**$22,879**	**$21,638**	**$7,749**	**$1,807**	**$8,596**	**$11,810**	**$720**	**$1,814**	**$420**	**$77,433**	**$203,153**	**$176,486**
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(2,722)	(7,564)	(8)	671	2,549	(3,174)	(157)	38	(197)	(10,564)	($10,559)	($6,309)
EFFECT OF DISCOUNTING	(1,080)	(2,482)	(239)	22	(125)	(1,043)	(17)	(86)	(18)	(5,068)	($7,702)	($20,772)
DISCOUNTED	(3,802)	(10,046)	(247)	693	2,424	(4,217)	(174)	(48)	(215)	(15,632)	(18,261)	(27,081)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	14,582	13,875	5,889	1,520	6,129	9,783	459	1,051	197	53,485	$139,590	$123,688
EFFECT OF DISCOUNTING	546	902	277	97	249	433	19	41	9	2,573	$6,225	$5,657
DISCOUNTED	15,128	14,777	6,166	1,617	6,378	10,216	478	1,092	206	56,058	145,815	129,345
CLAIMS INCURRED	**$11,326**	**$4,731**	**$5,919**	**$2,310**	**$8,802**	**$5,999**	**$304**	**$1,044**	**($9)**	**$40,426**	**$127,554**	**$102,264**
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	2,541	3,354	856	169	910	1,095	82	187	20	9,214	$22,167	$18,983
AGENTS COMMISSIONS	2,093	1,869	755	159	834	1,013	74	183	21	7,001	$17,328	$15,266
DRIVER RECORD ABSTRACTS	290	92	330	97	224	193	7	29	4	1,266	$2,755	$3,004
BAD DEBTS	(6)	11	(18)	(7)	0	(16)	0	0	0	(36)	($35)	($304)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(209)	(589)	(69)	222	(34)	(256)	(8)	(4)	18	(929)	($1,128)	($684)
EFFECT OF DISCOUNTING	0	0	78	68	0	(297)	0	0	0	(151)	($133)	$398
DISCOUNTED	(209)	(589)	9	290	(34)	(553)	(8)	(4)	18	(1,080)	(1,261)	(286)
UNDERWRITING EXPENSES	**$4,709**	**$4,737**	**$1,932**	**$708**	**$1,934**	**$1,732**	**$155**	**$395**	**$63**	**$16,365**	**$40,954**	**$36,663**
NET UNDERWRITING GAIN (LOSS)	**$6,844**	**$12,170**	**($102)**	**($1,211)**	**($2,140)**	**$4,079**	**$261**	**$375**	**$366**	**$20,642**	**$34,645**	**$37,559**
ADMINISTRATIVE EXPENSES	585	771	223	73	231	271	46	67	30	2,297	$5,569	$5,096
PREMIUM FINANCE FEE	(12)	(19)	(5)	0	(5)	(5)	0	0	0	(46)	($33)	($108)
INVESTMENT INCOME	37	51	12	4	19	24	0	4	0	151	$380	$251
OPERATING RESULTS	**$6,284**	**$11,431**	**($318)**	**($1,280)**	**($2,357)**	**$3,827**	**$215**	**$312**	**$336**	**$18,450**	**$29,423**	**$32,606**
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-16.6%	-46.4%	-3.2%	38.4%	28.2%	-35.7%	-24.2%	-2.6%	-51.2%	-20.2%	-9.0%	-15.3%
Current Accident Years	66.1%	68.3%	79.6%	89.5%	74.2%	86.5%	66.4%	60.2%	49.0%	72.4%	71.8%	73.3%
All Accident Years Combined	49.5%	21.9%	76.4%	127.9%	102.4%	50.8%	42.2%	57.6%	-2.2%	52.2%	62.8%	58.0%
Underwriting & Admin Exp.(Earned)	23.1%	25.5%	27.8%	43.2%	25.2%	17.0%	27.9%	25.5%	22.1%	24.1%	22.9%	23.7%
COMBINED OPERATING RATIO	72.6%	47.4%	104.2%	171.1%	127.6%	67.8%	70.1%	83.1%	19.9%	76.3%	85.7%	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