



TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F18 – 071

DATE: SEPTEMBER 27, 2018

SUBJECT: FARM – JULY 2018 PARTICIPATION REPORT

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

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

New This Month

Operating Results Distributed to Members

Please be advised that the amounts “Operating Results Distributed” on an annual basis (or more often if needed) have been updated on the July 2018 FARM Participation Report, reflecting distributions as summarized in the table below.

Net Results from Operations (\$000s) to be Distributed to Members

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	10,481	8,335	18,817
Alberta	1,497	9,455	10,952
Newfoundland & Labrador	2,221	1,055	3,275
New Brunswick	(3,703)	661	(3,042)
Nova Scotia	232	272	504
Prince Edward Island	485	(394)	91
Yukon	429	350	779
Northwest Territories	962	(315)	647
Nunavut	98	336	434
TOTAL	12,702	19,755	32,457

rounding differences may occur

As shown on page 23 of the Participation Report (All Years to Date basis), the amount in line item “Operating Results Distributed” shows your share of FARM operating results as accrued to October 31, 2017. Similarly, the amount shown under “Available Funds Distributed” represents the reserve-related

Bulletin F18-071
FARM – July 2018 Participation Report

funds (cash) transferred to you that is not yet required to meet FA’s short term cash flow needs. This latter amount (“Available Funds Distributed”) represents the liability of you (as a member) to FA, which you must return to FA upon request (subject to 30 day settlement period). Such requests will be driven by FA’s need to pay claims, return unearned FARM premiums to policyholders and distribute operating results to its Members. This is consistent with the requirements under the Plan of Operation Article V (Participation Ratios and Sharing) which states:

“Profit shall be credited or distributed to each member and loss shall be charged against or collected from each member in accordance with the member’s appropriate participation ratio determined in the manner hereinafter set forth in this Article V.”

Members are reminded that as advised in Bulletin [F16-084](#), any amount shown in the “Total Distributed to Member” line for the month on page 21 is due to rounding, and therefore settlement (from or to Members) of these amounts is not required.

Summary of Financial Results

The calendar year-to-date Operating Result is \$19.7 million and the incurred loss ratio to the end of 7 months is 57.9%, as summarized in the table immediately below.

Amounts in \$000s	July 2018	July 2017	Year to date Jul 2018	Year to Date Jul 2017
Premium Written	25,768	16,994	142,800	110,403
Premium Earned	18,840	15,236	113,650	99,421
Incurred Losses	13,268	10,457	65,772	63,213
Underwriting & Admin Expense	4,733	3,565	28,183	24,596
Net Result from Operations	839	1,214	19,695	11,612
Ratios:				
Loss ratio - Prior Accident Years	(1.1%)	(4.8%)	(14.2%)	(9.9%)
- Current Accident Year	71.5%	73.4%	72.1%	73.4%
<i>Total</i>	70.4%	68.6%	57.9%	63.5%
Underwriting & Admin Expense	25.3%	23.5%	25.0%	24.8%
Combined Operating Ratio	95.7%	92.1%	82.9%	88.3%

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](#)”.

Bulletin F18-071
FARM – July 2018 Participation Report

Updated Projection to Year-end 2018

The projected calendar year Net Result from Operations to December 2018 is \$29.5 million and the estimated combined operating ratio to December 2018 is 86.1% as indicated in the table below. This updated projection to the end of the year has deteriorated by \$0.3 million from the projection provided last month (\$29.8 million and 85.7%).

FARM 2018 Year-end Projection	Current	Prior Mth		Final 2018
Amounts in \$000s	(Jul 2018)	(Jun 2018)	Change	Outlook*
Premium Written	226,906	219,483	7,422	182,582
Premium Earned	208,496	205,228	3,268	181,347
Incurred Losses	131,430	128,835	2,595	129,462
Underwriting & Admin Expense	47,584	46,550	1,034	41,471
Net Result from Operations	29,483	29,844	(361)	10,414
Ratios:				
Loss ratio - Prior Accident Years	(8.7%)	(8.9%)	0.2%	(2.9%)
- Current Accident Year	71.7%	71.7%	0.0%	74.2%
<i>Total</i>	63.0%	62.8%	0.2%	71.4%
Underwriting & Admin Expense	23.1%	22.9%	0.2%	23.0%
Combined Operating Ratio	86.1%	85.7%	0.4%	94.4%

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 July 2018 was \$0.8 million, down \$0.4 million from the same month last year. This deterioration is composed of a \$0.7 million deterioration stemming from the overall increase in the combined ratio (from 92.1% to 95.7% applied to \$18.8 million in earned premium), offset by a \$0.3 million favourable impact associated with the \$3.6 million increase in earned premium (at a combined ratio of 92.1%).

This month's results moved the year-to-date combined operating ratio from 80.2% at the end of 6 months to 82.9% at the end of 7 months. The 2.7 percentage point increase is composed of a 2.7 percentage point increase in the Prior Accident Years loss ratio and a 0.1 percentage point increase in the expense ratio, offset by a 0.1 percentage point decrease in the Current Accident Year loss 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.

Bulletin F18-071
FARM – July 2018 Participation Report

July 2018	Actual	Projection	Difference	Difference %
Premium Written	25,768	19,664	6,104	31.0%
Premium Earned	18,840	17,441	1,399	8.0%
Reported Losses				
Paid Losses	8,964	10,833	(1,869)	(17.3%)
Change in Outstanding Losses	2,954	(388)	3,342	(861.3%)
Total Reported Losses	11,918	10,445	1,473	14.1%
Change in IBNR*	1,666	2,038	(372)	
Change in Premium Deficiency (DPAC)*	(536)	(221)	(315)	
Change in Retro Claims Expense*	(316)	(441)	125	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM July 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 July 2018, reported indemnity amounts were \$1.3 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 \$1.5 million*). The Current Accident Year had a \$0.7 million unfavourable variance in reported indemnity, and the Prior Accident Years had an unfavourable variance of \$0.6 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.

Bulletin F18-071
FARM – July 2018 Participation Report

Effect of Quarterly Valuation

The July 2018 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at March 31, 2018 for all jurisdictions and business segments. The actuarial valuation will be updated next as at June 30, 2018 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the August 2018 Participation Report.

Management Comments

As shown in the table below, the private passenger annualized vehicle counts increased by 15.6% overall in July 2018 relative to July 2017. On a year-to-date basis, exposure counts are down by 0.8%, decreasing in all jurisdictions except Ontario, Alberta, Nova Scotia and Yukon.

FARM Private Passenger Written Car Years

# FARM Vehicles Written								
Jurisdiction	Month of July 2018				Calendar YTD as of July 2018			
	2018	2017	Chg	% Chg	2018	2017	Chg	% Chg
Ontario	346	256	89	34.9%	1,812	1,382	430	31.2%
Alberta	223	168	55	32.8%	974	926	49	5.2%
Newfoundland & Labrador	1,026	943	84	8.9%	6,049	6,427	(378)	(5.9%)
New Brunswick	530	534	(4)	(0.7%)	3,525	4,007	(482)	(12.0%)
Nova Scotia	518	377	141	37.5%	2,770	2,359	411	17.4%
Prince Edward Island	160	129	31	24.2%	718	774	(57)	(7.3%)
Yukon	18	18	(0)	(0.5%)	105	100	5	4.5%
Northwest Territories	204	184	20	11.0%	1,197	1,288	(91)	(7.1%)
Nunavut	17	24	(7)	(28.6%)	77	111	(34)	(31.0%)
All Jurisdictions	3,043	2,633	410	15.6%	17,228	17,374	(146)	(0.8%)

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 July 2018 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 7 months ended July 31, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 07/2018
(thousands of dollars)

	January	February	March	April	May	June	July	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	\$27,385	\$25,768	\$142,800	\$226,904	\$184,248
CHANGE IN UNEARNED PREMIUMS	1,131	(123)	675	(2,949)	(10,948)	(10,008)	(6,928)	(29,150)	(18,410)	(7,762)
NET PREMIUMS EARNED	\$15,419	\$14,097	\$15,771	\$15,341	\$16,805	\$17,377	\$18,840	\$113,650	\$208,494	\$176,486
CLAIMS INCURRED										
PRIOR ACCIDENT YEARS										
UNDISCOUNTED	21	53	(9,199)	18	(1,457)	4	13	(10,547)	(10,542)	(6,309)
EFFECT OF DISCOUNTING	27	(762)	(1,214)	(289)	(2,830)	(350)	(220)	(5,638)	(7,595)	(20,772)
DISCOUNTED	48	(709)	(10,413)	(271)	(4,287)	(346)	(207)	(16,185)	(18,137)	(27,081)
CURRENT ACCIDENT YEAR										
UNDISCOUNTED	10,750	9,918	10,451	10,539	11,827	11,924	12,871	78,280	143,056	123,688
EFFECT OF DISCOUNTING	659	510	515	536	353	500	604	3,677	6,512	5,657
DISCOUNTED	11,409	10,428	10,966	11,075	12,180	12,424	13,475	81,957	149,568	129,345
CLAIMS INCURRED	\$11,457	\$9,719	\$553	\$10,804	\$7,893	\$12,078	\$13,268	\$65,772	\$131,431	\$102,264
UNDERWRITING EXPENSES										
OPERATING & SERVICE FEES	1,470	1,464	1,544	1,875	2,861	2,807	2,651	14,672	23,310	18,983
AGENTS COMMISSIONS	1,081	1,100	1,222	1,466	2,132	2,067	2,011	11,079	18,020	15,266
DRIVER RECORD ABSTRACTS	172	128	159	297	510	303	205	1,774	2,992	3,004
BAD DEBTS	(1)	(2)	1	(31)	(3)	(2)	(5)	(43)	(41)	(304)
PREMIUM DEFICIENCY/(DPAC)										
UNDISCOUNTED	106	31	(237)	(226)	(603)	(797)	(565)	(2,291)	(1,546)	(684)
EFFECT OF DISCOUNTING	(44)	(16)	11	18	(120)	59	29	(63)	(120)	398
DISCOUNTED	62	15	(226)	(208)	(723)	(738)	(536)	(2,354)	(1,666)	(286)
UNDERWRITING EXPENSES	\$2,784	\$2,705	\$2,700	\$3,399	\$4,777	\$4,437	\$4,326	\$25,128	\$42,615	\$36,663
NET UNDERWRITING GAIN (LOSS)	\$1,178	\$1,673	\$12,518	\$1,138	\$4,135	\$862	\$1,246	\$22,750	\$34,448	\$37,559
ADMINISTRATIVE EXPENSES	448	435	505	408	501	486	445	3,228	5,458	5,096
PREMIUM FINANCE FEE	(10)	(9)	(8)	(10)	(9)	(8)	(10)	(64)	(52)	(108)
INVESTMENT INCOME	29	26	29	32	35	38	48	237	540	251
OPERATING RESULTS	\$749	\$1,255	\$12,034	\$752	\$3,660	\$406	\$839	\$19,695	\$29,478	\$32,606
RATIOS:										
Claims & Adj Expenses Incurred (Earned)										
Prior Accident Years	0.3%	-5.0%	-66.0%	-1.8%	-25.5%	-2.0%	-1.1%	-14.2%	-8.7%	-15.3%
Current Accident Year	74.0%	74.0%	69.5%	72.2%	72.5%	71.5%	71.5%	72.1%	71.7%	73.3%
All Accident Years Combined	74.3%	69.0%	3.5%	70.4%	47.0%	69.5%	70.4%	57.9%	63.0%	58.0%
Underwriting & Admin Exp.(Earned)	21.0%	22.3%	20.3%	24.8%	31.4%	28.3%	25.3%	25.0%	23.1%	23.7%
COMBINED OPERATING RATIO	95.3%	91.3%	23.8%	95.2%	78.4%	97.8%	95.7%	82.9%	86.1%	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 7 months ended July 31, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 07/2018
(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	\$42,577	\$49,022	\$13,403	\$2,704	\$13,594	\$17,012	\$1,344	\$2,628	\$516	\$142,800	\$226,904	\$184,248
CHANGE IN UNEARNED PREMIUMS	(8,558)	(16,243)	(2,188)	(150)	(1,336)	(372)	(298)	(75)	70	(29,150)	(\$18,410)	(\$7,762)
NET PREMIUMS EARNED	\$34,019	\$32,779	\$11,215	\$2,554	\$12,258	\$16,640	\$1,046	\$2,553	\$586	\$113,650	\$208,494	\$176,486
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(2,726)	(7,545)	(5)	671	2,549	(3,174)	(158)	37	(196)	(10,547)	(\$10,542)	(\$6,309)
EFFECT OF DISCOUNTING	(1,246)	(2,550)	(330)	16	(127)	(1,233)	(18)	(131)	(19)	(5,638)	(\$7,595)	(\$20,772)
DISCOUNTED	(3,972)	(10,095)	(335)	687	2,422	(4,407)	(176)	(94)	(215)	(16,185)	(18,137)	(27,081)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	21,658	20,997	8,528	2,162	8,735	13,774	667	1,485	274	78,280	\$143,056	\$123,688
EFFECT OF DISCOUNTING	784	1,331	386	143	330	603	29	57	14	3,677	\$6,512	\$5,657
DISCOUNTED	22,442	22,328	8,914	2,305	9,065	14,377	696	1,542	288	81,957	149,568	129,345
CLAIMS INCURRED	\$18,470	\$12,233	\$8,579	\$2,992	\$11,487	\$9,970	\$520	\$1,448	\$73	\$65,772	\$131,431	\$102,264
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	4,258	5,295	1,339	271	1,360	1,702	134	263	50	14,672	\$23,310	\$18,983
AGENTS COMMISSIONS	3,505	2,870	1,183	254	1,253	1,590	117	259	48	11,079	\$18,020	\$15,266
DRIVER RECORD ABSTRACTS	416	134	466	120	308	273	10	41	6	1,774	\$2,992	\$3,004
BAD DEBTS	(6)	10	(19)	(7)	0	(20)	(1)	0	0	(43)	(\$41)	(\$304)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(722)	(1,009)	(184)	126	(107)	(371)	(24)	(7)	7	(2,291)	(\$1,546)	(\$684)
EFFECT OF DISCOUNTING	0	0	124	70	0	(257)	0	0	0	(63)	(\$120)	\$398
DISCOUNTED	(722)	(1,009)	(60)	196	(107)	(628)	(24)	(7)	7	(2,354)	(1,666)	(286)
UNDERWRITING EXPENSES	\$7,451	\$7,300	\$2,909	\$834	\$2,814	\$2,917	\$236	\$556	\$111	\$25,128	\$42,615	\$36,663
NET UNDERWRITING GAIN (LOSS)	\$8,098	\$13,246	(\$273)	(\$1,272)	(\$2,043)	\$3,753	\$290	\$549	\$402	\$22,750	\$34,448	\$37,559
ADMINISTRATIVE EXPENSES	878	1,077	309	95	304	391	57	79	38	3,228	\$5,458	\$5,096
PREMIUM FINANCE FEE	(18)	(25)	(7)	0	(7)	(7)	0	0	0	(64)	(\$52)	(\$108)
INVESTMENT INCOME	59	80	20	7	30	36	0	5	0	237	\$540	\$251
OPERATING RESULTS	\$7,261	\$12,224	(\$569)	(\$1,360)	(\$2,324)	\$3,391	\$233	\$475	\$364	\$19,695	\$29,478	\$32,606
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	-11.7%	-30.8%	-3.0%	26.9%	19.8%	-26.5%	-16.8%	-3.7%	-36.7%	-14.2%	-8.7%	-15.3%
Current Accident Year	66.0%	68.1%	79.5%	90.3%	74.0%	86.4%	66.5%	60.4%	49.1%	72.1%	71.7%	73.3%
All Accident Years Combined	54.3%	37.3%	76.5%	117.2%	93.8%	59.9%	49.7%	56.7%	12.4%	57.9%	63.0%	58.0%
Underwriting & Admin Exp.(Earned)	24.5%	25.6%	28.7%	36.4%	25.4%	19.9%	28.0%	24.9%	25.4%	25.0%	23.1%	23.7%
COMBINED OPERATING RATIO	78.8%	62.9%	105.2%	153.6%	119.2%	79.8%	77.7%	81.6%	37.8%	82.9%	86.1%	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