



TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO.: F18 – 085
DATE: NOVEMBER 29, 2018
SUBJECT: FARM – SEPTEMBER 2018 PARTICIPATION REPORT

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

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

New This Month

Harmonized Sales Tax Class Action – Ontario

Since the end of October 2018, class action lawsuits have been brought against multiple insurers related to HST and limits / sub-limits of benefits per the Statutory Accident Benefits Schedule and FSCO's Professional Services Guideline as part of claims settlement practices in Ontario.

At the current time, no adjustments have been made to our valuation estimates, but in conjunction with FA's Appointed Actuary, FA management continues to review and consider the implications of the potential outcomes related to the class action lawsuits. Please contact Shawn Doherty at sdoherty@facilityassociation.com if you need further information.

Summary of Financial Results

The calendar year-to-date Operating Result is \$26.4 million and the incurred loss ratio to the end of 9 months is 58.2%, as summarized in the table at the top of the next page.

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Amounts in \$000s	September 2018	September 2017	Year to date Sep 2018	Year to Date Sep 2017
Premium Written	22,091	18,013	188,536	145,515
Premium Earned	19,377	15,349	152,623	130,216
Incurred Losses	13,499	10,754	88,889	78,405
Underwriting & Admin Expense	4,298	3,701	37,375	32,275
Net Result from Operations	1,580	894	26,359	19,536
Ratios:				
Loss ratio - <i>Prior Accident Years</i>	(2.0%)	(3.5%)	(13.9%)	(13.8%)
- <i>Current Accident Year</i>	71.7%	73.6%	72.1%	74.0%
<i>Total</i>	69.7%	70.1%	58.2%	60.2%
Underwriting & Admin Expense	22.5%	24.2%	24.7%	24.8%
Combined Operating Ratio	92.2%	94.3%	82.9%	85.0%

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 \$33.6 million and the estimated combined operating ratio to December 2018 is 84.3% as indicated in the table at the top of the next page. This updated projection to the end of the year has not changed significantly from the projection provided last month (\$33.8 million and 84.2%).

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FARM 2018 Year-end Projection	Current	Prior Mth	Change	Final 2018
Amounts in \$000s	(Sep 2018)	(Aug 2018)		Outlook*
Premium Written	233,896	231,081	2,815	182,582
Premium Earned	211,369	210,661	707	181,347
Incurred Losses	129,275	128,774	500	129,462
Underwriting & Admin Expense	48,476	48,113	363	41,471
Net Result from Operations	33,618	33,774	(156)	10,414
Ratios:				
Loss ratio - Prior Accident Years	(10.7%)	(10.6%)	(0.1%)	(2.9%)
- Current Accident Year	71.8%	71.7%	0.1%	74.2%
<i>Total</i>	61.1%	61.1%	0.1%	71.4%
Underwriting & Admin Expense	23.2%	23.1%	0.1%	23.0%
Combined Operating Ratio	84.3%	84.2%	0.2%	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 September 2018 was \$1.6 million, up \$0.7 million from the same month last year. This improvement is composed of an approximately \$0.3 million favourable impact associated with the \$4.0 million increase in earned premium (at a combined ratio of 94.3%), with the remaining \$0.4 million improvement stemming from the overall decrease in the combined ratio (from 94.3% to 92.2% applied to \$19.4 million in earned premium),.

This month's results moved the year-to-date combined operating ratio from 81.6% at the end of 8 months to 82.9% at the end of 9 months. The 1.3 percentage point increase is composed of a 1.7 percentage point increase in the Prior Accident Years loss ratio, offset by a 0.1 percentage point decrease in the Current Accident Year loss ratio, further offset by a 0.3 percentage point decrease 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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September 2018	Actual	Projection	Difference	Difference %
Premium Written	22,091	20,861	1,230	5.9%
Premium Earned	19,377	18,748	629	3.4%
Reported Losses				
Paid Losses	10,688	10,667	21	0.2%
Change in Outstanding Losses	520	974	(454)	(46.6%)
Total Reported Losses	11,208	11,641	(433)	(3.7%)
Change in IBNR*	2,103	1,751	352	
Change in Premium Deficiency (DPAC)*	(228)	(197)	(31)	
Change in Retro Claims Expense*	188	(423)	611	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM September 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 September 2018, reported indemnity amounts were \$29 thousand 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 -\$0.4 million*). The Current Accident Year had a \$468 thousand favourable variance in reported indemnity, while the Prior Accident Years had an unfavourable variance of \$497 thousand. 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.

Effect of Quarterly Valuation

The September 2018 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at June 30, 2018 for all jurisdictions and business segments. The

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actuarial valuation will be updated next as at September 30, 2018 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the October 2018 Participation Report.

Management Comments

As shown in the table below, the private passenger annualized vehicle counts increased by 5.5% overall in September 2018 relative to September 2017. On a year-to-date basis, exposure counts are down by 0.8%, decreasing in all jurisdictions except Ontario, Alberta and Nova Scotia.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	Month of September 2018					Calendar YTD as of September 2018			
	2018	2017	Chg	% Chg		2018	2017	Chg	% Chg
Ontario	289	246	43	17.5%		2,360	1,874	486	25.9%
Alberta	180	110	70	63.4%		1,246	1,191	54	4.6%
Newfoundland & Labrador	964	907	57	6.2%		7,900	8,362	(462)	(5.5%)
New Brunswick	526	633	(107)	(16.9%)		4,576	5,175	(599)	(11.6%)
Nova Scotia	540	375	164	43.9%		3,761	3,103	658	21.2%
Prince Edward Island	101	136	(35)	(25.4%)		913	1,031	(118)	(11.4%)
Yukon	10	17	(8)	(44.2%)		126	141	(14)	(10.2%)
Northwest Territories	156	188	(32)	(17.0%)		1,548	1,670	(122)	(7.3%)
Nunavut	11	19	(8)	(42.9%)		93	151	(57)	(37.9%)
All Jurisdictions	2,776	2,632	144	5.5%		22,525	22,698	(173)	(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 September 2018 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2018
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 9 months ended September 30, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 09/2018
(Thousands of dollars)

	January	February	March	April	May	June	July	August	September	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	\$23,645	\$22,091	\$188,536	\$233,897	\$184,248
CHANGE IN UNEARNED PREMIUMS	1,131	(123)	675	(2,949)	(10,948)	(10,008)	(6,928)	(4,049)	(2,714)	(35,913)	(22,528)	(7,762)
NET PREMIUMS EARNED	\$15,419	\$14,097	\$15,771	\$15,341	\$16,805	\$17,377	\$18,840	\$19,596	\$19,377	\$152,623	\$211,369	\$176,486
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	21	53	(9,199)	18	(1,457)	4	13	(4,415)	(12)	(14,974)	(14,971)	(6,309)
EFFECT OF DISCOUNTING	27	(762)	(1,214)	(289)	(2,830)	(350)	(220)	(216)	(380)	(6,234)	(7,588)	(20,772)
DISCOUNTED	48	(709)	(10,413)	(271)	(4,287)	(346)	(207)	(4,631)	(392)	(21,208)	(22,559)	(27,081)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	10,750	9,918	10,451	10,539	11,827	11,924	12,871	13,491	13,255	105,026	145,078	123,688
EFFECT OF DISCOUNTING	659	510	515	536	353	500	604	758	636	5,071	6,754	5,657
DISCOUNTED	11,409	10,428	10,966	11,075	12,180	12,424	13,475	14,249	13,891	110,097	151,832	129,345
CLAIMS INCURRED	\$11,457	\$9,719	\$553	\$10,804	\$7,893	\$12,078	\$13,268	\$9,618	\$13,499	\$88,889	\$129,273	\$102,264
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	1,470	1,464	1,544	1,875	2,861	2,807	2,651	2,518	2,261	19,451	24,095	18,983
AGENTS COMMISSIONS	1,081	1,100	1,222	1,466	2,132	2,067	2,011	1,841	1,767	14,687	18,485	15,266
DRIVER RECORD ABSTRACTS	172	128	159	297	510	303	205	285	132	2,191	2,960	3,004
BAD DEBTS	(1)	(2)	1	(31)	(3)	(2)	(5)	2	(1)	(42)	(45)	(304)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	106	31	(237)	(226)	(603)	(797)	(565)	(190)	(266)	(2,747)	(1,795)	(684)
EFFECT OF DISCOUNTING	(44)	(16)	11	18	(120)	59	29	(27)	38	(52)	(164)	398
DISCOUNTED	62	15	(226)	(208)	(723)	(738)	(536)	(217)	(228)	(2,799)	(1,959)	(286)
UNDERWRITING EXPENSES	\$2,784	\$2,705	\$2,700	\$3,399	\$4,777	\$4,437	\$4,326	\$4,429	\$3,931	\$33,488	\$43,536	\$36,663
NET UNDERWRITING GAIN (LOSS)	\$1,178	\$1,673	\$12,518	\$1,138	\$4,135	\$862	\$1,246	\$5,549	\$1,947	\$30,246	\$38,560	\$37,559
ADMINISTRATIVE EXPENSES	448	435	505	408	501	486	445	529	426	4,183	5,451	5,096
PREMIUM FINANCE FEE	(10)	(9)	(8)	(10)	(9)	(8)	(10)	(9)	(10)	(83)	(68)	(108)
INVESTMENT INCOME	29	26	29	32	35	38	48	73	69	379	585	251
OPERATING RESULTS	\$749	\$1,255	\$12,034	\$752	\$3,660	\$406	\$839	\$5,084	\$1,580	\$26,359	\$33,626	\$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%	-23.6%	-2.0%	-13.9%	-10.7%	-15.3%
Current Accident Year	74.0%	74.0%	69.5%	72.2%	72.5%	71.5%	71.5%	72.7%	71.7%	72.1%	71.8%	73.3%
All Accident Years Combined	74.3%	69.0%	3.5%	70.4%	47.0%	69.5%	70.4%	49.1%	69.7%	58.2%	61.1%	58.0%
Underwriting & Admin Exp.(Earned)	21.0%	22.3%	20.3%	24.8%	31.4%	28.3%	25.3%	25.3%	22.5%	24.7%	23.2%	23.7%
COMBINED OPERATING RATIO	95.3%	91.3%	23.8%	95.2%	78.4%	97.8%	95.7%	74.4%	92.2%	82.9%	84.3%	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 9 months ended September 30, 2018 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 09/2018
(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	\$58,013	\$63,441	\$17,948	\$3,607	\$17,544	\$22,353	\$1,565	\$3,384	\$681	\$188,536	\$233,897	\$184,248
CHANGE IN UNEARNED PREMIUMS	(11,809)	(18,214)	(3,036)	(248)	(1,485)	(882)	(197)	(103)	61	(35,913)	(\$22,528)	(\$7,762)
NET PREMIUMS EARNED	\$46,204	\$45,227	\$14,912	\$3,359	\$16,059	\$21,471	\$1,368	\$3,281	\$742	\$152,623	\$211,369	\$176,486
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(2,795)	(10,577)	(202)	395	3,413	(3,583)	(384)	(913)	(328)	(14,974)	(\$14,971)	(\$6,309)
EFFECT OF DISCOUNTING	(1,165)	(2,761)	(320)	(134)	(326)	(1,137)	(139)	(222)	(30)	(6,234)	(\$7,588)	(\$20,772)
DISCOUNTED	(3,960)	(13,338)	(522)	261	3,087	(4,720)	(523)	(1,135)	(358)	(21,208)	(22,559)	(27,081)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	29,439	28,363	11,576	2,846	12,178	17,498	890	1,890	346	105,026	\$145,078	\$123,688
EFFECT OF DISCOUNTING	1,081	1,849	530	186	501	788	42	80	14	5,071	\$6,754	\$5,657
DISCOUNTED	30,520	30,212	12,106	3,032	12,679	18,286	932	1,970	360	110,097	151,832	129,345
CLAIMS INCURRED	\$26,560	\$16,874	\$11,584	\$3,293	\$15,766	\$13,566	\$409	\$835	\$2	\$88,889	\$129,273	\$102,264
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	5,802	6,853	1,793	362	1,757	2,323	156	339	66	19,451	\$24,095	\$18,983
AGENTS COMMISSIONS	4,730	3,765	1,597	334	1,626	2,100	138	335	62	14,687	\$18,485	\$15,266
DRIVER RECORD ABSTRACTS	509	168	582	143	384	331	12	55	7	2,191	\$2,960	\$3,004
BAD DEBTS	(8)	19	(19)	(7)	0	(26)	(1)	0	0	(42)	(\$45)	(\$304)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(990)	(1,149)	(68)	21	(124)	(419)	(16)	(8)	6	(2,747)	(\$1,795)	(\$684)
EFFECT OF DISCOUNTING	0	0	173	71	0	(296)	0	0	0	(52)	(\$164)	\$398
DISCOUNTED	(990)	(1,149)	105	92	(124)	(715)	(16)	(8)	6	(2,799)	(1,959)	(286)
UNDERWRITING EXPENSES	\$10,043	\$9,656	\$4,058	\$924	\$3,643	\$4,013	\$289	\$721	\$141	\$33,488	\$43,536	\$36,663
NET UNDERWRITING GAIN (LOSS)	\$9,601	\$18,697	(\$730)	(\$858)	(\$3,350)	\$3,892	\$670	\$1,725	\$599	\$30,246	\$38,560	\$37,559
ADMINISTRATIVE EXPENSES	1,183	1,368	406	124	386	503	67	99	47	4,183	\$5,451	\$5,096
PREMIUM FINANCE FEE	(24)	(33)	(9)	0	(8)	(9)	0	0	0	(83)	(\$68)	(\$108)
INVESTMENT INCOME	101	141	30	9	37	53	2	6	0	379	\$585	\$251
OPERATING RESULTS	\$8,495	\$17,437	(\$1,115)	(\$973)	(\$3,707)	\$3,433	\$605	\$1,632	\$552	\$26,359	\$33,626	\$32,606
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	-8.6%	-29.5%	-3.5%	7.8%	19.2%	-22.0%	-38.2%	-34.6%	-48.2%	-13.9%	-10.7%	-15.3%
Current Accident Year	66.1%	66.8%	81.2%	90.3%	79.0%	85.2%	68.1%	60.0%	48.5%	72.1%	71.8%	73.3%
All Accident Years Combined	57.5%	37.3%	77.7%	98.1%	98.2%	63.2%	29.9%	25.4%	0.3%	58.2%	61.1%	58.0%
Underwriting & Admin Exp.(Earned)	24.3%	24.4%	29.9%	31.2%	25.1%	21.0%	26.0%	25.0%	25.3%	24.7%	23.2%	23.7%
COMBINED OPERATING RATIO	81.8%	61.7%	107.6%	129.3%	123.3%	84.2%	55.9%	50.4%	25.6%	82.9%	84.3%	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