



**TO:** MEMBERS OF THE FACILITY ASSOCIATION  
**ATTENTION:** CHIEF EXECUTIVE OFFICER  
**BULLETIN NO.:** F19 – 020  
**DATE:** MARCH 28, 2019  
**SUBJECT:** FARM – JANUARY 2019 PARTICIPATION REPORT

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

Please be advised that the January 2019 FARM Participation Report is now available on the Facility Association Portal at <https://portal.facilityassociation.com>.

**Summary of Financial Results**

The calendar year-to-date Operating Result is \$2.1 million and the incurred loss ratio to the end of 1 month is 69.8%, as summarized in the table below.

Amounts in \$000s	January 2019	January 2018	Year to date Jan 2019	Year to Date Jan 2018
Premium Written	24,756	14,288	24,756	14,288
Premium Earned	22,469	15,419	22,469	15,419
Incurred Losses	15,673	11,457	15,673	11,457
Underwriting & Admin Expense	4,685	3,213	4,685	3,213
<b>Net Result from Operations</b>	<b>2,111</b>	<b>749</b>	<b>2,111</b>	<b>749</b>
<i>Ratios:</i>				
<b>Loss ratio</b> - Prior Accident Years	1.4%	0.3%	1.4%	0.3%
- Current Accident Year	68.4%	74.0%	68.4%	74.0%
<i>Total</i>	<b>69.8%</b>	<b>74.3%</b>	<b>69.8%</b>	<b>74.3%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>21.3%</b>	<b>21.0%</b>	<b>21.3%</b>	<b>21.0%</b>
<i>Combined Operating Ratio</i>	<b>91.1%</b>	<b>95.3%</b>	<b>91.1%</b>	<b>95.3%</b>

*rounding differences may occur*

For details on the financial results, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2019 - 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](#)”.

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**FARM – January 2019 Participation Report**

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Updated Projection to Year-end 2019

The projected calendar year Net Result from Operations to December 2019 is \$24.6 million and the estimated combined operating ratio to December 2019 is 91.4% as indicated in the table below. This updated projection to the end of the year has improved by \$0.4 million from the projection provided last month (\$24.2 million and 91.3%). This improvement is driven by a \$9.1 million increase in the projected written premium for the year, due to higher-than-projected written premium in January for private passenger vehicles (excluding farmers), commercial vehicles, and interurban vehicles (see table at the top of the next page), where written premium in January for these rating classes almost doubled from January 2018.

<b>FARM 2019 Year-end Projection</b>	<b>Current</b>	<b>Prior Mth</b>	<b>Change</b>	<b>Final 2019</b>
<b>Amounts in \$000s</b>	<b>(Jan 2019)</b>	<b>(Dec 2018)</b>		<b>Outlook*</b>
Premium Written	292,868	283,790	9,078	245,869
Premium Earned	276,184	267,074	9,110	239,409
Incurred Losses	187,695	181,265	6,430	164,659
Underwriting & Admin Expense	63,937	61,624	2,313	54,223
<b>Net Result from Operations</b>	<b>24,552</b>	<b>24,185</b>	<b>367</b>	<b>20,528</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(1.3%)	(1.5%)	0.2%	(1.5%)
- Current Accident Year	69.3%	69.4%	(0.1%)	70.2%
<i>Total</i>	<b>68.0%</b>	<b>67.9%</b>	<b>0.1%</b>	<b>68.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>23.4%</b>	<b>23.4%</b>	<b>0.0%</b>	<b>22.9%</b>
<b>Combined Operating Ratio</b>	<b>91.4%</b>	<b>91.3%</b>	<b>0.1%</b>	<b>91.7%</b>

*rounding differences may occur*

\*as posted to FA's website Nov. 30, 2018

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***FARM January Written Premium for Private Passenger Vehicles x Farmers, Commercial Vehicles, and Interurban Vehicles***

FA Major Rating Class Code	(All)	Amounts formatted in \$000s
Business Segment	(All)	
Rating Type	(All)	
Share Month	01	

ytd to January 31

FA Minor Rating Class Code	Jurisdiction	Share Year Values						
		2019			2018			2017
		Sum of Written Premium	Change from Prior	% Change	Sum of Written Premium	Change from Prior	% Change	Sum of Written Premium
PPVxFrmr	ON	1,943	960	97.6%	983	120	14.0%	863
	AB	843	268	46.6%	575	63	12.4%	512
	NL	1,408	253	21.9%	1,155	(78)	(6.4%)	1,234
	NB	1,139	291	34.4%	848	(12)	(1.4%)	860
	NS	1,401	799	132.7%	602	66	12.3%	536
	PE	181	(5)	(2.6%)	186	28	17.8%	158
	YT	26	(5)	(15.9%)	31	15	94.6%	16
	NT	208	(20)	(8.9%)	228	(19)	(7.8%)	247
	NU	7	2	36.3%	5	(15)	(74.0%)	21
<b>PPVxFrmr Total</b>		<b>7,157</b>	<b>2,543</b>	<b>55.1%</b>	<b>4,614</b>	<b>168</b>	<b>3.8%</b>	<b>4,446</b>
CV	ON	2,002	1,177	142.6%	825	434	110.9%	391
	AB	1,993	859	75.8%	1,133	39	3.6%	1,094
	NL	31	(12)	(27.9%)	43	14	51.2%	28
	NB	228	104	84.1%	124	2	1.8%	122
	NS	218	(4)	(1.6%)	222	127	134.2%	95
	PE	43	17	66.3%	26	(14)	(35.2%)	40
	YT	22	7	45.0%	15	(12)	(44.3%)	27
	NT	50	(2)	(3.3%)	52	26	98.8%	26
	NU	15	14	12,251.7%	0	2	(105.5%)	(2)
<b>CV Total</b>		<b>4,602</b>	<b>2,162</b>	<b>88.6%</b>	<b>2,440</b>	<b>618</b>	<b>34.0%</b>	<b>1,821</b>
IU	ON	4,151	2,135	105.9%	2,016	1,591	374.5%	425
	AB	4,186	2,887	222.3%	1,299	760	140.9%	539
	NL	23	14	166.4%	8	22	(162.3%)	(14)
	NB	247	165	200.9%	82	47	131.8%	35
	NS	129	29	28.9%	100	38	60.9%	62
	PE	43	47	(1,094.7%)	(4)	(3)	144.9%	(2)
	YT	12	(2)	(14.2%)	14	(4)	(21.6%)	18
	NT	31	31			(6)	#NULL!	6
<b>IU Total</b>		<b>8,820</b>	<b>5,306</b>	<b>151.0%</b>	<b>3,514</b>	<b>2,445</b>	<b>228.6%</b>	<b>1,070</b>
<b>Grand Total</b>		<b>20,578</b>	<b>10,010</b>	<b>94.7%</b>	<b>10,568</b>	<b>3,231</b>	<b>44.0%</b>	<b>7,337</b>

Source: FA extract from IBC's Exhibit Production System (EPS)

Current Month Results

The Net Results from Operations in the month of January 2019 was \$2.1 million, up \$1.4 million from the same month last year. This improvement is composed of approximately \$0.4 million favourable impact associated with the \$7.1 million increase in earned premium (at a combined ratio of 95.3%), with the remaining \$1.0 million favorable impact stemming from the overall decrease in the combined ratio (from 95.3% to 91.1% applied to \$22.5 million in earned premium).

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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January 2019	Actual	Projection	Difference	Difference %
Premium Written	24,756	17,400	7,356	42.3%
Premium Earned	22,469	21,348	1,121	5.3%
Reported Losses				
Paid Losses	11,346	12,253	(907)	(7.4%)
Change in Outstanding Losses	5,510	243	5,267	2,167.5%
<b>Total Reported Losses</b>	<b>16,856</b>	<b>12,496</b>	<b>4,360</b>	<b>34.9%</b>
Change in IBNR*	(1,147)	2,835	(3,982)	
Change in Premium Deficiency (DPAC)*	(140)	250	(390)	
Change in Retro Claims Expense*	(36)	(414)	378	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [FARM January 2019 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 January 2019, reported indemnity amounts were \$4.6 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 \$4.4 million*). The Current Accident Year had a \$22 thousand favourable variance in reported indemnity, while the Prior Accident Years had an unfavourable variance of \$4.6 million. Of the Prior Accident Years, 2018 had the largest variance in reported losses at \$1.5 million unfavourable, followed by Accident Year 2016 at \$1.2 million unfavourable and Accident Year 2017 at \$1.2 million unfavourable. No other 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 (variances were spread across jurisdictions and business segments).

**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 January 2019 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at September 30, 2018 for all jurisdictions and business segments. The actuarial valuation will be updated next as at December 31, 2018 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the March 2019 Participation Report.

**Management Comments**

As shown in the table below, the private passenger annualized vehicle counts increased by 41.5% overall in January 2019 relative to January 2018, decreasing only in Northwest Territories. This is a continuation of FARM private passenger changes in counts that gained traction in the latter half of 2018, where overall FARM private passenger vehicle counts started generally increasing, with 4 of the last 6 months of 2018 showing overall count growth (there were no months with overall count grow in the first half of 2018, two months with count growth in all of 2017, and none in either of 2016 or 2015). At 740, the increase during January 2019 was higher than any of the 4 months in 2018 with count increases (the largest was November at 488). Similarly, at 41.5%, the percentage growth in count during January 2019 was higher than any of the 4 growth months in 2018 (again, November was highest at 23.5%).

That said, to provide some overall perspective, the industry writes approximately 1 million private passenger vehicles per month across the jurisdictions the FARM operates in, so while we are seeing significant growth relative to FARM volumes in 2018, market shares remain at relatively low levels (we are projecting the overall FARM market share of private passenger vehicles across all jurisdictions to increase from 0.2% to 0.3% in 2019).

*FARM Private Passenger Written Car Years*

<b># FARM Vehicles Written</b>									
<b>Jurisdiction</b>	<b>Month of January 2019</b>					<b>Calendar YTD as of January 2019</b>			
	<b>2019</b>	<b>2018</b>	<b>Chg</b>	<b>% Chg</b>		<b>2019</b>	<b>2018</b>	<b>Chg</b>	<b>% Chg</b>
<b>Ontario</b>	318	154	164	106.9%		318	154	164	106.9%
<b>Alberta</b>	173	105	68	65.3%		173	105	68	65.3%
<b>Newfoundland &amp; Labrador</b>	691	580	110	19.0%		691	580	110	19.0%
<b>New Brunswick</b>	488	421	67	16.0%		488	421	67	16.0%
<b>Nova Scotia</b>	604	282	322	114.5%		604	282	322	114.5%
<b>Prince Edward Island</b>	91	80	11	13.9%		91	80	11	13.9%
<b>Yukon</b>	9	9	0	4.6%		9	9	0	4.6%
<b>Northwest Territories</b>	144	151	(7)	(4.5%)		144	151	(7)	(4.5%)
<b>Nunavut</b>	4	2	2	142.8%		4	2	2	142.8%
<b>All Jurisdictions</b>	<b>2,523</b>	<b>1,783</b>	<b>740</b>	<b>41.5%</b>		<b>2,523</b>	<b>1,783</b>	<b>740</b>	<b>41.5%</b>

*Rounding differences may occur*

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

Saskia Matheson  
President & CEO

**Related link:**

[FARM January 2019 Participation Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 1 month ended January 31, 2019 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 01/2019**  
(thousands of dollars)

	January	CY2019 YTD	CY2019 12 Months Updated Projections	CY2018 12 Months Actual
<b>UNDERWRITING REVENUE:</b>				
PREMIUMS WRITTEN	\$24,756	\$24,756	\$292,869	\$254,047
CHANGE IN UNEARNED PREMIUMS	(2,287)	(2,287)	(16,684)	(37,666)
<b>NET PREMIUMS EARNED</b>	<b>\$22,469</b>	<b>\$22,469</b>	<b>\$276,185</b>	<b>\$216,381</b>
<b>CLAIMS INCURRED</b>				
PRIOR ACCIDENT YEARS				
UNDISCOUNTED	458	458	458	(14,683)
EFFECT OF DISCOUNTING	(150)	(150)	(4,157)	(9,883)
DISCOUNTED	308	308	(3,699)	(24,566)
CURRENT ACCIDENT YEAR				
UNDISCOUNTED	14,604	14,604	184,065	147,959
EFFECT OF DISCOUNTING	761	761	7,328	5,799
DISCOUNTED	15,365	15,365	191,393	153,758
<b>CLAIMS INCURRED</b>	<b>\$15,673</b>	<b>\$15,673</b>	<b>\$187,694</b>	<b>\$129,192</b>
<b>UNDERWRITING EXPENSES</b>				
OPERATING & SERVICE FEES	2,547	2,547	30,118	26,218
AGENTS COMMISSIONS	1,875	1,875	23,514	19,686
DRIVER RECORD ABSTRACTS	102	102	3,767	3,093
BAD DEBTS	(2)	(2)	0	(279)
PREMIUM DEFICIENCY/(DPAC)				
UNDISCOUNTED	(143)	(143)	(975)	(2,888)
EFFECT OF DISCOUNTING	3	3	190	(249)
DISCOUNTED	(140)	(140)	(785)	(3,137)
<b>UNDERWRITING EXPENSES</b>	<b>\$4,382</b>	<b>\$4,382</b>	<b>\$56,614</b>	<b>\$45,581</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$2,414</b>	<b>\$2,414</b>	<b>\$31,877</b>	<b>\$41,608</b>
ADMINISTRATIVE EXPENSES	400	400	8,006	5,656
PREMIUM FINANCE FEE	(9)	(9)	0	(110)
INVESTMENT INCOME	106	106	683	636
<b>OPERATING RESULTS</b>	<b>\$2,111</b>	<b>\$2,111</b>	<b>\$24,554</b>	<b>\$36,478</b>
<b>RATIOS:</b>				
Claims & Adj Expenses Incurred (Earned)				
Prior Accident Year	1.4%	1.4%	-1.3%	-11.4%
Current Accident Years	68.4%	68.4%	69.3%	71.1%
All Accident Years Combined	69.8%	69.8%	68.0%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	21.3%	23.4%	23.7%
COMBINED OPERATING RATIO	91.1%	91.1%	91.4%	83.4%

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 2019**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS**  
**Operating Results for the 1 month ended January 31, 2019 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 01/2019**  
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2019 12 Months Updated Projections	CY2018 12 Months Actual
<b>UNDERWRITING REVENUE:</b>												
PREMIUMS WRITTEN	\$8,413	\$9,357	\$2,135	\$334	\$2,000	\$2,024	\$104	\$352	\$37	\$24,756	\$292,869	\$254,047
CHANGE IN UNEARNED PREMIUMS	(892)	(1,848)	(125)	55	7	396	53	19	48	(2,287)	(\$16,684)	(\$37,666)
<b>NET PREMIUMS EARNED</b>	<b>\$7,521</b>	<b>\$7,509</b>	<b>\$2,010</b>	<b>\$389</b>	<b>\$2,007</b>	<b>\$2,420</b>	<b>\$157</b>	<b>\$371</b>	<b>\$85</b>	<b>\$22,469</b>	<b>\$276,185</b>	<b>\$216,381</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	181	187	22	6	18	36	0	4	4	458	\$458	(\$14,683)
EFFECT OF DISCOUNTING	25	3	(84)	(36)	58	(152)	18	15	3	(150)	(\$4,157)	(\$9,883)
DISCOUNTED	206	190	(62)	(30)	76	(116)	18	19	7	308	(3,699)	(24,566)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	4,374	4,739	1,608	252	1,371	1,932	96	193	39	14,604	\$184,065	\$147,959
EFFECT OF DISCOUNTING	186	319	84	15	53	88	5	10	1	761	\$7,328	\$5,799
DISCOUNTED	4,560	5,058	1,692	267	1,424	2,020	101	203	40	15,365	191,393	153,758
<b>CLAIMS INCURRED</b>	<b>\$4,766</b>	<b>\$5,248</b>	<b>\$1,630</b>	<b>\$237</b>	<b>\$1,500</b>	<b>\$1,904</b>	<b>\$119</b>	<b>\$222</b>	<b>\$47</b>	<b>\$15,673</b>	<b>\$187,694</b>	<b>\$129,192</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	840	1,010	213	33	200	202	10	35	4	2,547	\$30,118	\$26,218
AGENTS COMMISSIONS	654	568	206	32	182	187	9	33	4	1,875	\$23,514	\$19,686
DRIVER RECORD ABSTRACTS	25	12	29	3	17	7	2	7	0	102	\$3,767	\$3,093
BAD DEBTS	0	0	1	0	0	(2)	0	(1)	0	(2)	\$0	(\$279)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(77)	(115)	(5)	6	(1)	39	5	1	4	(143)	(\$975)	(\$2,888)
EFFECT OF DISCOUNTING	0	0	15	0	0	(12)	0	0	0	3	\$190	(\$249)
DISCOUNTED	(77)	(115)	10	6	(1)	27	5	1	4	(140)	(785)	(3,137)
<b>UNDERWRITING EXPENSES</b>	<b>\$1,442</b>	<b>\$1,475</b>	<b>\$459</b>	<b>\$74</b>	<b>\$398</b>	<b>\$421</b>	<b>\$26</b>	<b>\$75</b>	<b>\$12</b>	<b>\$4,382</b>	<b>\$56,614</b>	<b>\$45,581</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$1,313</b>	<b>\$786</b>	<b>(\$79)</b>	<b>\$78</b>	<b>\$109</b>	<b>\$95</b>	<b>\$12</b>	<b>\$74</b>	<b>\$26</b>	<b>\$2,414</b>	<b>\$31,877</b>	<b>\$41,608</b>
ADMINISTRATIVE EXPENSES	108	155	40	13	35	35	4	7	3	400	\$8,006	\$5,656
PREMIUM FINANCE FEE	(3)	(4)	(1)	0	0	(1)	0	0	0	(9)	\$0	(\$110)
INVESTMENT INCOME	33	32	9	3	11	15	1	1	1	106	\$683	\$636
<b>OPERATING RESULTS</b>	<b>\$1,235</b>	<b>\$659</b>	<b>(\$111)</b>	<b>\$68</b>	<b>\$85</b>	<b>\$74</b>	<b>\$9</b>	<b>\$68</b>	<b>\$24</b>	<b>\$2,111</b>	<b>\$24,554</b>	<b>\$36,478</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	2.7%	2.5%	-3.1%	-7.7%	3.8%	-4.8%	11.5%	5.1%	8.2%	1.4%	-1.3%	-11.4%
Current Accident Years	60.6%	67.4%	84.2%	68.6%	71.0%	83.5%	64.3%	54.7%	47.1%	68.4%	69.3%	71.1%
All Accident Years Combined	63.3%	69.9%	81.1%	60.9%	74.8%	78.7%	75.8%	59.8%	55.3%	69.8%	68.0%	59.7%
Underwriting & Admin Exp.(Earned)	20.6%	21.7%	24.8%	22.4%	21.6%	18.8%	19.1%	22.1%	17.6%	21.3%	23.4%	23.7%
COMBINED OPERATING RATIO	83.9%	91.6%	105.9%	83.3%	96.4%	97.5%	94.9%	81.9%	72.9%	91.1%	91.4%	83.4%

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