



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO.: F19 – 043**

**DATE: JUNE 27, 2019**

**SUBJECT: FARM – APRIL 2019 PARTICIPATION REPORT**

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

Please be advised that the April 2019 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 2019 FARM Participation Report reflects the annual update of member sharing ratios for Accident Years 2017, 2018, 2019 and 2020. Please refer to Bulletin [F19-042](#) for additional information.

#### **Summary of Financial Results**

The calendar year-to-date Operating Result is \$7.7 million and the incurred loss ratio to the end of 4 months is 70.4%, as summarized in the table at the top of the next page.

**Bulletin F19-043**  
**FARM – April 2019 Participation Report**

---

*FARM Summary of Financial Results (for month and year-to-date)*

<b>Amounts in \$000s</b>	<b>April 2019</b>	April 2018	<b>Year to date Apr 2019</b>	Year to Date Apr 2018
Premium Written	33,154	18,290	98,150	61,894
Premium Earned	24,079	15,341	89,737	60,628
Incurred Losses	16,173	10,804	63,199	32,533
Underwriting & Admin Expense	5,658	3,785	18,834	13,305
<b>Net Result from Operations</b>	<b>2,248</b>	<b>752</b>	<b>7,704</b>	<b>14,790</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(1.7%)	(1.8%)	1.5%	(18.7%)
- Current Accident Year	68.8%	72.2%	68.9%	72.4%
<i>Total</i>	<b>67.1%</b>	<b>70.4%</b>	<b>70.4%</b>	<b>53.7%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>23.7%</b>	<b>24.8%</b>	<b>21.3%</b>	<b>22.1%</b>
<b>Combined Operating Ratio</b>	<b>90.8%</b>	<b>95.2%</b>	<b>91.7%</b>	<b>75.8%</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](#)”.

*Updated Projection to Year-end 2019*

The projected calendar year Net Result from Operations to December 2019 is \$28.0 million and the estimated combined operating ratio to December 2019 is 90.7% 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 (see the second and third columns in the table), notwithstanding the increase in earned premium (which are largely offset by prior accident year changes related to changes in actuarial present value adjustment releases with updated claims settlement projections).

**Bulletin F19-043**  
**FARM – April 2019 Participation Report**

*FARM Summary of Projected Year-end Financial Results (current month's projection, prior month's projection, and Outlook posted last fall)*

<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>(Apr 2019)</b>	<b>(Mar 2019)</b>		<b>Outlook*</b>
Premium Written	312,052	301,108	10,944	245,869
Premium Earned	292,146	283,084	9,062	239,409
Incurred Losses	198,651	191,337	7,315	164,659
Underwriting & Admin Expense	65,447	63,716	1,732	54,223
<b>Net Result from Operations</b>	<b>28,047</b>	<b>28,032</b>	<b>16</b>	<b>20,528</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	<b>(0.7%)</b>	<b>(1.2%)</b>	0.5%	<b>(1.5%)</b>
- Current Accident Year	68.7%	68.8%	<b>(0.1%)</b>	70.2%
<i>Total</i>	<b>68.0%</b>	<b>67.6%</b>	<b>0.4%</b>	<b>68.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>22.7%</b>	<b>22.8%</b>	<b>(0.1%)</b>	<b>22.9%</b>
<b>Combined Operating Ratio</b>	<b>90.7%</b>	<b>90.4%</b>	<b>0.3%</b>	<b>91.7%</b>

*rounding differences may occur*

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

Current Month Results

The Net Results from Operations in the month of April 2019 was \$2.2 million, up \$1.5 million from the same month last year. This improvement is composed of a \$0.4 million favourable impact associated with the \$8.7 million increase in earned premium (at a prior combined ratio of 95.2%), with the remaining \$1.1 million favourable impact stemming from the overall decrease in the combined ratio (from 95.2% to 90.8% applied to \$24.1 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 92.0% at the end of 3 months to 91.7% at the end of 4 months. The 0.3 percentage point decrease is composed of a 1.2 percentage point decrease in the Prior Accident Years loss ratio offset by a 0.9 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.

**Bulletin F19-043**  
**FARM – April 2019 Participation Report**

*FARM Summary of Actual vs Projected variances*

<b>April 2019</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Premium Written	33,154	23,009	10,145	44.1%
Premium Earned	24,079	23,189	890	3.8%
Reported Losses				
Paid Losses	12,761	12,750	11	0.1%
Change in Outstanding Losses	187	220	(33)	(15.0%)
<b>Total Reported Losses</b>	<b>12,948</b>	<b>12,970</b>	<b>(22)</b>	<b>(0.2%)</b>
Change in IBNR*	3,117	2,935	182	
Change in Premium Deficiency (DPAC)*	(654)	(12)	(642)	
Change in Retro Claims Expense*	108	(349)	457	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [FARM April 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 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 2019, reported indemnity amounts were \$0.3 million higher than projected (*allowed claims expenses are included in the table immediately above as part of reported losses, explaining why the variance in Total Reported Losses in the table shows -\$22 thousand*). The Current Accident Year had a \$0.3 million unfavourable variance in reported indemnity, while the Prior Accident Years had a favourable variance of \$30 thousand. Of the Prior Accident Years, 2018 had the largest variance in reported losses at \$1.5 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.

**Bulletin F19-043**  
**FARM – April 2019 Participation Report**

---

**Effect of Quarterly Valuation**

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

**Management Comments**

As shown in the table below, the private passenger annualized vehicle counts increased by 30.8% overall in April 2019 relative to April 2018. On a year-to-date basis, exposure counts are up by 26.9%, increasing in all jurisdictions except Yukon and Northwest Territories.

*FARM Private Passenger Written Car Years*

<b># FARM Vehicles Written</b>									
<b>Jurisdiction</b>	<b>Month of April 2019</b>					<b>Calendar YTD as of April 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>	567	230	337	146.3%		1,643	767	876	114.2%
<b>Alberta</b>	160	120	40	33.4%		541	455	86	18.8%
<b>Newfoundland &amp; Labrador</b>	1,004	895	109	12.2%		3,158	2,834	324	11.4%
<b>New Brunswick</b>	490	491	(1)	(0.3%)		1,956	1,859	97	5.2%
<b>Nova Scotia</b>	634	391	243	62.2%		2,186	1,265	921	72.8%
<b>Prince Edward Island</b>	116	104	12	11.0%		381	355	26	7.4%
<b>Yukon</b>	15	16	(1)	(4.8%)		39	49	(10)	(20.7%)
<b>Northwest Territories</b>	164	163	0	0.3%		579	674	(95)	(14.1%)
<b>Nunavut</b>	13	7	6	77.9%		30	25	5	20.9%
<b>All Jurisdictions</b>	<b>3,162</b>	<b>2,418</b>	<b>745</b>	<b>30.8%</b>		<b>10,513</b>	<b>8,283</b>	<b>2,230</b>	<b>26.9%</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.

Saskia Matheson  
 President & CEO

**Related link:**

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 4 months ended April 30, 2019 (Discounted Basis)**

Source: Monthly (Accident Year) Member Participation Report as at 04/2019

(thousands of dollars)

	January	February	March	April	CY2019 YTD	CY2019 12 Months Updated Projections	CY2018 12 Months Actual
<b>UNDERWRITING REVENUE:</b>							
PREMIUMS WRITTEN	\$24,756	\$16,886	\$23,354	\$33,154	\$98,150	\$312,052	\$254,047
CHANGE IN UNEARNED PREMIUMS	(2,287)	3,202	(253)	(9,075)	(8,413)	(19,907)	(37,666)
<b>NET PREMIUMS EARNED</b>	<b>\$22,469</b>	<b>\$20,088</b>	<b>\$23,101</b>	<b>\$24,079</b>	<b>\$89,737</b>	<b>\$292,145</b>	<b>\$216,381</b>
<b>CLAIMS INCURRED</b>							
PRIOR ACCIDENT YEARS							
UNDISCOUNTED	458	(1,493)	625	(1)	(411)	(409)	(14,683)
EFFECT OF DISCOUNTING	(150)	(286)	2,624	(404)	1,784	(1,662)	(9,883)
DISCOUNTED	308	(1,779)	3,249	(405)	1,373	(2,071)	(24,566)
CURRENT ACCIDENT YEAR							
UNDISCOUNTED	14,604	13,486	14,854	15,814	58,758	191,815	147,959
EFFECT OF DISCOUNTING	761	624	919	764	3,068	8,908	5,799
DISCOUNTED	15,365	14,110	15,773	16,578	61,826	200,723	153,758
<b>CLAIMS INCURRED</b>	<b>\$15,673</b>	<b>\$12,331</b>	<b>\$19,022</b>	<b>\$16,173</b>	<b>\$63,199</b>	<b>\$198,652</b>	<b>\$129,192</b>
<b>UNDERWRITING EXPENSES</b>							
OPERATING & SERVICE FEES	2,547	1,746	2,406	3,425	10,124	32,122	26,218
AGENTS COMMISSIONS	1,875	1,261	1,822	2,373	7,331	24,731	19,686
DRIVER RECORD ABSTRACTS	102	246	435	151	934	3,923	3,093
BAD DEBTS	(2)	(4)	(2)	(10)	(18)	(9)	(279)
PREMIUM DEFICIENCY/(DPAC)							
UNDISCOUNTED	(143)	283	(171)	(670)	(701)	(1,836)	(2,888)
EFFECT OF DISCOUNTING	3	(5)	(220)	16	(206)	(377)	(249)
DISCOUNTED	(140)	278	(391)	(654)	(907)	(2,213)	(3,137)
<b>UNDERWRITING EXPENSES</b>	<b>\$4,382</b>	<b>\$3,527</b>	<b>\$4,270</b>	<b>\$5,285</b>	<b>\$17,464</b>	<b>\$58,554</b>	<b>\$45,581</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$2,414</b>	<b>\$4,230</b>	<b>(\$191)</b>	<b>\$2,621</b>	<b>\$9,074</b>	<b>\$34,939</b>	<b>\$41,608</b>
ADMINISTRATIVE EXPENSES	400	419	391	420	1,630	7,732	5,656
PREMIUM FINANCE FEE	(9)	(8)	(9)	(10)	(36)	(26)	(110)
INVESTMENT INCOME	106	78	55	57	296	864	636
<b>OPERATING RESULTS</b>	<b>\$2,111</b>	<b>\$3,881</b>	<b>(\$536)</b>	<b>\$2,248</b>	<b>\$7,704</b>	<b>\$28,045</b>	<b>\$36,478</b>
<b>RATIOS:</b>							
Claims & Adj Expenses Incurred (Earned)							
Prior Accident Years	1.4%	-8.9%	14.1%	-1.7%	1.5%	-0.7%	-11.4%
Current Accident Year	68.4%	70.2%	68.3%	68.8%	68.9%	68.7%	71.1%
All Accident Years Combined	69.8%	61.3%	82.4%	67.1%	70.4%	68.0%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	19.6%	20.2%	23.7%	21.3%	22.7%	23.7%
COMBINED OPERATING RATIO	91.1%	80.9%	102.6%	90.8%	91.7%	90.7%	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 4 months ended April 30, 2019 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 04/2019**  
(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	\$30,246	\$38,475	\$8,676	\$1,420	\$7,624	\$9,567	\$409	\$1,516	\$217	\$98,150	\$312,052	\$254,047
CHANGE IN UNEARNED PREMIUMS	(380)	(7,608)	(675)	71	148	(157)	187	(114)	115	(8,413)	(\$19,907)	(\$37,666)
<b>NET PREMIUMS EARNED</b>	<b>\$29,866</b>	<b>\$30,867</b>	<b>\$8,001</b>	<b>\$1,491</b>	<b>\$7,772</b>	<b>\$9,410</b>	<b>\$596</b>	<b>\$1,402</b>	<b>\$332</b>	<b>\$89,737</b>	<b>\$292,145</b>	<b>\$216,381</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	1,637	(3,725)	1,118	153	(601)	1,023	227	(289)	46	(411)	(\$409)	(\$14,683)
EFFECT OF DISCOUNTING	497	637	137	9	214	214	40	24	12	1,784	(\$1,662)	(\$9,883)
DISCOUNTED	2,134	(3,088)	1,255	162	(387)	1,237	267	(265)	58	1,373	(2,071)	(24,566)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	18,074	19,061	6,452	982	5,638	7,270	365	769	147	58,758	\$191,815	\$147,959
EFFECT OF DISCOUNTING	767	1,310	309	51	239	335	20	30	7	3,068	\$8,908	\$5,799
DISCOUNTED	18,841	20,371	6,761	1,033	5,877	7,605	385	799	154	61,826	200,723	153,758
<b>CLAIMS INCURRED</b>	<b>\$20,975</b>	<b>\$17,283</b>	<b>\$8,016</b>	<b>\$1,195</b>	<b>\$5,490</b>	<b>\$8,842</b>	<b>\$652</b>	<b>\$534</b>	<b>\$212</b>	<b>\$63,199</b>	<b>\$198,652</b>	<b>\$129,192</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	3,025	4,155	868	141	763	958	40	152	22	10,124	\$32,122	\$26,218
AGENTS COMMISSIONS	2,320	2,276	799	133	718	884	39	145	17	7,331	\$24,731	\$19,686
DRIVER RECORD ABSTRACTS	188	86	271	66	161	135	8	18	1	934	\$3,923	\$3,093
BAD DEBTS	(4)	(9)	1	0	0	(6)	0	0	0	(18)	(\$9)	(\$279)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(30)	(460)	(236)	8	8	(6)	15	(10)	10	(701)	(\$1,836)	(\$2,888)
EFFECT OF DISCOUNTING	0	0	67	0	0	(273)	0	0	0	(206)	(\$377)	(\$249)
DISCOUNTED	(30)	(460)	(169)	8	8	(279)	15	(10)	10	(907)	(2,213)	(3,137)
<b>UNDERWRITING EXPENSES</b>	<b>\$5,499</b>	<b>\$6,048</b>	<b>\$1,770</b>	<b>\$348</b>	<b>\$1,650</b>	<b>\$1,692</b>	<b>\$102</b>	<b>\$305</b>	<b>\$50</b>	<b>\$17,464</b>	<b>\$58,554</b>	<b>\$45,581</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$3,392</b>	<b>\$7,536</b>	<b>(\$1,785)</b>	<b>(\$52)</b>	<b>\$632</b>	<b>(\$1,124)</b>	<b>(\$158)</b>	<b>\$563</b>	<b>\$70</b>	<b>\$9,074</b>	<b>\$34,939</b>	<b>\$41,608</b>
ADMINISTRATIVE EXPENSES	439	625	153	43	133	167	19	34	17	1,630	\$7,732	\$5,656
PREMIUM FINANCE FEE	(10)	(16)	(4)	0	(2)	(4)	0	0	0	(36)	(\$26)	(\$110)
INVESTMENT INCOME	89	95	27	8	29	41	2	4	1	296	\$864	\$636
<b>OPERATING RESULTS</b>	<b>\$3,032</b>	<b>\$6,990</b>	<b>(\$1,915)</b>	<b>(\$87)</b>	<b>\$526</b>	<b>(\$1,254)</b>	<b>(\$175)</b>	<b>\$533</b>	<b>\$54</b>	<b>\$7,704</b>	<b>\$28,045</b>	<b>\$36,478</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	7.1%	-10.0%	15.7%	10.9%	-5.0%	13.1%	44.8%	-18.9%	17.5%	1.5%	-0.7%	-11.4%
Current Accident Year	63.1%	66.0%	84.5%	69.3%	75.6%	80.8%	64.6%	57.0%	46.4%	68.9%	68.7%	71.1%
All Accident Years Combined	70.2%	56.0%	100.2%	80.2%	70.6%	93.9%	109.4%	38.1%	63.9%	70.4%	68.0%	59.7%
Underwriting & Admin Exp.(Earned)	19.9%	21.6%	24.0%	26.2%	22.9%	19.8%	20.3%	24.2%	20.2%	21.3%	22.7%	23.7%
COMBINED OPERATING RATIO	90.1%	77.6%	124.2%	106.4%	93.5%	113.7%	129.7%	62.3%	84.1%	91.7%	90.7%	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