



TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F19 – 056

DATE: JULY 30, 2019

SUBJECT: FARM – MAY 2019 PARTICIPATION REPORT

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

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

New This Month

Members' Transfer of Funds

The May 2019 Participation Report reflects the effects of a transfer of \$20 million from Facility Association to members. Member Company's share of this transfer is shown on page 21 of the Participation Report: Members Combined Accident Year Share Results for all Jurisdictions. ***Note: All balances due to/from Facility Association, and receivable and payable dates are shown on page 21 of the Participation Report.*** Please see the "Members' Transfer of Funds" section on page 10 of this bulletin for more detail.

Valuation

An actuarial valuation as at March 31, 2019 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 resulted in an estimated overall **\$18.6 million unfavourable** impact on the month's net result from operations, adding an estimated 16.1 points to the year-to-date Combined Operating Ratio (ending at 107.7%). The impact on the month's results is summarized in the tables at the top of the next page¹.

¹In 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".

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2019 Q1 FARM Valuation Implementation Impact (\$000s) – Impact on Year-to-date Results

Grand Total	unfav / (fav)						ytd EP 115,599 (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	12,810	915	13,725	3,815	-	17,540	11.1%	0.8%	11.9%	3.3%	-	15.2%
CAY	177	14	191	709	-	900	0.2%	-	0.2%	0.6%	-	0.8%
Prem Def	57	21	78	108	-	186	-	-	0.1%	0.1%	-	0.2%
TOTAL	13,044	950	13,994	4,632	-	18,626	11.3%	0.8%	12.1%	4.0%	-	16.1%

Please see “Effect of Quarterly Valuation” on page 5 for additional detail.

Summary of Financial Results

The calendar year-to-date Operating Result is -\$8.6 million and the incurred loss ratio to the end of 5 months is 85.1%, as summarized in the table immediately below.

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

Amounts in \$000s	May 2019	May 2018	Year to date May 2019	Year to Date May 2018
Premium Written	38,475	27,753	136,625	89,647
Premium Earned	25,862	16,805	115,599	77,433
Incurred Losses	35,254	7,893	98,453	40,426
Underwriting & Admin Expense	6,960	5,252	25,794	18,557
Net Result from Operations	(16,352)	3,660	(8,648)	18,450
Ratios:				
Loss ratio - Prior Accident Years	64.6%	(25.5%)	15.6%	(20.2%)
- Current Accident Year	71.7%	72.5%	69.5%	72.4%
<i>Total</i>	136.3%	47.0%	85.1%	52.2%
Underwriting & Admin Expense	27.1%	31.4%	22.6%	24.1%
Combined Operating Ratio	163.4%	78.4%	107.7%	76.3%

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 \$11.1 million and the estimated combined operating ratio to December 2019 is 96.5% as indicated in the table at the top of the next page.

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

FARM 2019 Year-end Projection	Current	Prior Mth	Change	Final 2019
Amounts in \$000s	(May 2019)	(Apr 2019)		Outlook*
Premium Written	319,417	312,052	7,365	245,869
Premium Earned	297,522	292,146	5,376	239,409
Incurred Losses	220,551	198,651	21,899	164,659
Underwriting & Admin Expense	65,917	65,447	469	54,223
Net Result from Operations	11,055	28,047	(16,993)	20,528
Ratios:				
Loss ratio - Prior Accident Years	4.8%	(0.7%)	5.5%	(1.5%)
- Current Accident Year	69.3%	68.7%	0.6%	70.2%
<i>Total</i>	74.1%	68.0%	6.1%	68.8%
Underwriting & Admin Expense	22.4%	22.7%	(0.3%)	22.9%
Combined Operating Ratio	96.5%	90.7%	5.8%	91.7%

rounding differences may occur

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

This updated projection to the end of the year has deteriorated by \$17.0 million from the projection provided last month (see table above), mainly due to the impact of the valuation as at March 31, 2019, as summarized in the table below (see more information under “Effect of Quarterly Valuation” on page 5). Remaining differences were driven by changes in projected premium volumes by jurisdiction and business segment, and the associated impacts on claims and expense projections.

Significant projected written premium levels relative to the Final 2019 Outlook are primarily related to a continued influx of commercial vehicle and interurban vehicle premium, particularly in Ontario and Alberta.

2019 Q1 FARM Valuation Implementation Impact (\$000s) – Impact on Year-end Projected Results

Grand Total	unfav / (fav) projected for full year						year EP 297,522 (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	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	12,810	683	13,493	3,233	-	16,726	4.3%	0.2%	4.5%	1.1%	-	5.6%
CAY	403	(247)	156	1,624	-	1,780	0.1%	(0.1%)	0.1%	0.5%	-	0.6%
Prem Def	-	23	23	65	-	88	-	-	-	-	-	-
TOTAL	13,213	459	13,672	4,922	-	18,594	4.4%	0.2%	4.6%	1.7%	-	6.2%

The updated year-end projections are shown by jurisdiction against the November 30, 2018 Outlook in the table at the top of the next page, with the estimated impact of implementing the current valuation in the two far right columns. In particular, with *three* valuations (2018 Q3 & Q4, 2019 Q1) and other changes since August 2018 (the actuals used in the Outlook), **the projected \$20.5 million operating result has been decreased to \$11.1 million**, with \$18.6 million of the \$9.5 million deterioration being attributed to the 2019 Q1 valuation implementation. (The changes before the impact of the 2019 Q1 valuation are attributable to mix of business and other projection assumptions outside of the valuation process, as well

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as the previous valuations implemented since the valuation used for the Outlook.)

2019 Q1 FARM Valuation Implementation Impact (\$000s) – Impact on Year-end Projected Results by Jurisdiction favourable / (unfavourable) – note that favourable / (unfavourable) are switched relative to prior tables, as this table shows operating results, not changes in ultimate

\$000s	Outlook Posted November 30, 2018			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 2019
Ontario	83,379	9,719	88.6%	107,331	15,032	86.2%	(4,947)	(3,809)
Alberta	71,083	11,405	84.2%	96,436	5,601	94.4%	(7,751)	(7,727)
Newfoundland & Labrador	28,625	(1,408)	105.2%	30,058	(2,987)	110.3%	(1,625)	(1,623)
New Brunswick	22,596	1,035	95.5%	24,654	(915)	103.9%	(1,071)	(1,979)
Nova Scotia	21,915	(1,986)	109.2%	27,108	(5,028)	118.9%	(1,282)	(1,309)
Prince Edward Island	4,484	322	93.0%	4,686	(1,756)	137.8%	(1,719)	(1,842)
Yukon	1,869	257	86.7%	1,871	(177)	109.8%	(182)	(177)
Northwest Territories	4,546	915	80.1%	4,410	1,189	73.2%	91	20
Nunavut	913	269	71.0%	969	95	90.6%	(140)	(148)
TOTAL	239,409	20,528	91.7%	297,522	11,055	96.5%	(18,626)	(18,594)

Another important change relative to the 2019 Final Outlook has been the decrease in the discount rate (the interest rate margin for adverse deviation remained consistent at 25 basis points). Had the 2019 Final Outlook discount rate of 1.88%² still been applicable (rather than the 1.48% applied with this valuation), the operating result would have been *higher* by \$3.5 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately \$14.5 million (COR of 95.1%) had the discount rate and associated margin remained at the 2019 Final Outlook level.

Current Month Results

The Net Results from Operations in the month of May 2019 was -\$16.4 million, down \$20.0 million from the same month last year. This deterioration is composed of a \$22.0 million unfavourable impact stemming from the overall decrease in the combined ratio (from 78.4% to 163.4% applied to \$25.9 million in earned premium), offset by a \$2.0 million favourable impact associated with the \$9.1 million increase in earned premium (at a prior combined ratio of 78.4%).

This month's results moved the year-to-date combined operating ratio from 91.7% at the end of 4 months to 107.7% at the end of 5 months. The 16.0 percentage point increase is composed of a 14.1 percentage point increase in the Prior Accident Years loss ratio, coupled with a 0.6 percentage point increase in the Current Accident Year, and a 1.3 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.

²The 2019 Outlook was based on the June 30, 2018 valuation and the Bank of Canada yield curves at June 30, 2018. Readers can use the interest rate sensitivity tables in Exhibit F of the monthly operational Actuarial Highlights to test for the impact of alternate discount rates. For example, page 82 of the May 2019 FARM Actuarial Highlights Exhibit F (page 10 of 10), indicating a 1.88% discount rate would decrease indemnity claims liabilities by an estimated \$3.5 million using simple linear interpolation $((-4,349 \times 40 + 0 \times 10) / 50)$.

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FARM Summary of Actual vs Projected variances

May 2019	Actual	Projection	Difference	Difference %
Premium Written	38,475	31,741	6,734	21.2%
Premium Earned	25,862	24,387	1,475	6.0%
Reported Losses				
Paid Losses	20,415	12,584	7,831	62.2%
Change in Outstanding Losses	(6,287)	41	(6,328)	(15,434.1%)
Total Reported Losses	14,128	12,625	1,503	11.9%
Change in IBNR*	19,411	4,049	15,362	
Change in Premium Deficiency (DPAC)*	(754)	(569)	(185)	
Change in Retro Claims Expense*	1,715	(401)	2,116	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM May 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 May 2019, reported indemnity amounts were \$1.9 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 \$1.5 million*). The Current Accident Year had a \$3.2 million unfavourable variance in reported indemnity, while the Prior Accident Years had a favourable variance of \$1.3 million. Of the Prior Accident Years, 2018 had the largest variance in reported losses 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).

Effect of Quarterly Valuation

The May 2019 Participation Report reflects the results of an updated valuation as at March 31, 2019, with the associated impacts in relation to the results for May 2019 summarized in the table at the top of the next page.

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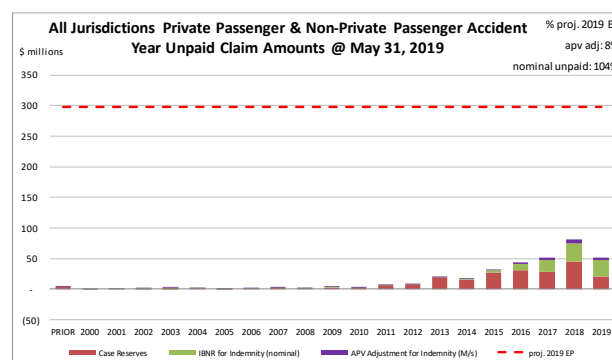
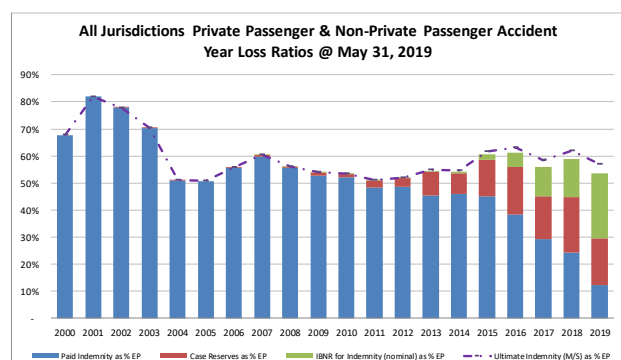
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2019 Q1 FARM Valuation Implementation Impact (\$000s) – Impact on Month's Results

Grand Total	unfav / (fav)						mth EP 25,862 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ultimates & payout patterns		dsct rate	margins		TOTAL	ultimates & payout patterns		dsct rate	margins		TOTAL
	nominal	apv adj.	sub-tot	apv adj.	apv adj.		nominal	apv adj.	sub-tot	apv adj.	apv adj.	
	[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]
PAYs	12,810	915	13,725	3,815	-	17,540	49.5%	3.5%	53.1%	14.8%	-	67.8%
CAY	177	14	191	709	-	900	0.7%	0.1%	0.7%	2.7%	-	3.5%
Prem Def	57	21	78	108	-	186	0.2%	0.1%	0.3%	0.4%	-	0.7%
TOTAL	13,044	950	13,994	4,632	-	18,626	50.4%	3.7%	54.1%	17.9%	-	72.0%

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

FARM Indemnity Only Accident Year Ultimate Loss Ratios and Claims Liabilities (% EP)



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 a decrease in the selected discount rate from 1.95% to 1.48%. The investment return margin for adverse deviation was left unchanged at 25 basis points, and the selected claims development margins³ were also left unchanged (per usual practice, claims development margins are 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 [7] to [9] in that table, the estimated impacts are in relation to a full year estimated earned premium, and are not “year-to-date”).

³Claims development margins are selected by jurisdiction, business segment, coverage, and accident half-year.

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2019 Q1 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis)

unfavourable / (favourable)

Jurisdiction	2018 & Prior Beginning Indemnity Unpaid (000s)	2018 & Prior Accident Year Indemnity Change (000s)	% of Beginning Unpaid	2019 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2019 Earned Prem (000s)	2020 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2020 Proj Earned Prem (000s)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Ontario	86,631	3,431	4.0%	46.5%	(1.2%)	(1,163)	48.9%	(0.1%)	(104)
PPV	32,326	1,671	5.2%	51.2%	0.7%	150	52.0%	(0.1%)	(23)
Non-PPV	54,305	1,760	3.2%	45.3%	(1.7%)	(1,313)	48.0%	(0.1%)	(81)
Alberta	77,093	6,052	7.9%	51.2%	(0.1%)	(80)	52.3%	0.0%	(9)
PPV	12,776	(134)	(1.0%)	50.0%	1.0%	86	50.5%	(0.1%)	(9)
Non-PPV	64,317	6,186	9.6%	51.3%	(0.2%)	(166)	52.5%	0.0%	-
Newfoundland & Labrador	47,405	850	1.8%	66.7%	0.6%	192	64.9%	(0.1%)	(22)
PPV	33,245	514	1.5%	68.2%	0.7%	152	66.0%	(0.1%)	(22)
Non-PPV	14,160	336	2.4%	63.0%	0.5%	41	62.0%	0.0%	-
New Brunswick	35,746	(25)	(0.1%)	64.9%	5.3%	1,299	59.0%	0.0%	(11)
PPV	23,497	(178)	(0.8%)	66.9%	0.9%	124	64.5%	0.0%	-
Non-PPV	12,249	153	1.2%	62.4%	10.9%	1,175	52.0%	(0.1%)	(11)
Nova Scotia	27,423	589	2.1%	67.7%	0.4%	94	65.2%	0.1%	16
PPV	10,966	257	2.3%	73.0%	1.0%	133	67.6%	0.1%	16
Non-PPV	16,457	332	2.0%	62.2%	(0.3%)	(39)	62.5%	0.0%	-
Prince Edward Island	9,083	1,305	14.4%	58.6%	4.4%	204	52.6%	0.0%	-
PPV	3,991	1,073	26.9%	45.4%	0.4%	10	45.0%	0.0%	-
Non-PPV	5,092	232	4.6%	72.8%	8.8%	194	60.5%	0.0%	-
Yukon Territory	2,814	131	4.7%	49.9%	(0.5%)	(9)	51.0%	0.0%	(0)
PPV	1,744	(2)	(0.1%)	63.7%	0.2%	1	65.1%	(0.1%)	(0)
Non-PPV	1,070	133	12.4%	46.9%	(0.6%)	(9)	48.0%	0.0%	-
Northwest Territories	3,577	(147)	(4.1%)	46.0%	2.0%	86	44.9%	(0.1%)	(3)
PPV	2,147	(141)	(6.6%)	50.0%	2.5%	70	49.0%	(0.1%)	(3)
Non-PPV	1,430	(6)	(0.4%)	38.1%	1.1%	15	37.0%	0.0%	-
Nunavut	1,087	101	9.3%	36.5%	1.4%	14	35.7%	(0.1%)	(1)
PPV	316	(1)	(0.3%)	27.7%	(0.3%)	(0)	28.9%	(0.4%)	(1)
Non-PPV	771	102	13.2%	38.3%	1.8%	15	37.0%	0.0%	-
Total	290,859	12,287	4.2%	53.9%	0.2%	637	54.1%	0.0%	(135)

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, 2019 (used for the valuation) and available for implementation (May 31, 2019).

In addition, column [9] of the valuation summary table above estimates the impact of the change in selected future accident year indemnity loss ratio against projected full year 2019 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 2019 year-to-date earned premium at May 31, 2019.

With this background, the overall **impact of implementing the valuation** on the results of the Month of May 2019 is estimated as **unfavourable by \$18.6 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 above (column [2] in the valuation summary table is comparable to the first row of column [1] in the table at the top of the next page).

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Implementation Impact - relative to projection for month of May 2019 (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 (1994-2018)	11,950	860	-	12,810	4,730	17,540
current accident year claims incurred	197	(20)	-	177	723	900
premium deficiency / (DPAC)	57			57	129	186
TOTAL	12,204	840	-	13,044	5,582	18,626

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.

2019 Q1 FARM Valuation Implementation Impact (\$000s) – Impact on Year-to-date Results

Grand Total	unfav / (fav)						ytd EP 115,599 (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	12,810	915	13,725	3,815	-	17,540	11.1%	0.8%	11.9%	3.3%	-	15.2%
CAY	177	14	191	709	-	900	0.2%	-	0.2%	0.6%	-	0.8%
Prem Def	57	21	78	108	-	186	-	-	0.1%	0.1%	-	0.2%
TOTAL	13,044	950	13,994	4,632	-	18,626	11.3%	0.8%	12.1%	4.0%	-	16.1%

The overall impact *prior to* the 47 basis point decrease in the discount rate (from 1.95% to 1.48%) and changes to margins for adverse deviation was unfavourable by \$14.0 million (Total row, column [3] of left table above). This was augmented by the \$4.6 million unfavourable impact of the discount rate change (Total row, column [4] of left table above). As there were no updates to the selected margins for investment income and selected margins for adverse claims development deviation, there is no margin change impact (Total row, column [5] of left table above).

As shown in the table⁴ at the top of the next page, management has observed favourable *total* valuation impacts (column [5]) over the last 12 valuation implementations, with 4 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).

⁴The 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.

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FARM Valuation Implementation Impacts (\$000s) – most recent 12 valuations

FARM juris: ALL,
as at: 2019 Q1

Valuation	period implemented	unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
		updated LR & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5] = sum([1] to [5])	[6]	[7] = [5] / [6]	[8] = [1] / [6]
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%)
2018 Q2	Aug 2018	(4,126)	1,450	630	(1,800)	(3,846)	451,385	(0.9%)	(0.9%)
2018 Q3	Oct 2018	59	465	(3,754)	-	(3,230)	463,838	(0.7%)	-
2018 Q4	Mar 2019	(1,628)	129	3,105	-	1,606	469,304	0.3%	(0.3%)
2019 Q1	May 2019	13,044	950	4,632	-	18,626	507,837	3.7%	2.6%
12-qtrs	-	(6,901)	7,581	(8,723)	(4,139)	(12,182)			
% of total		56.6%	(62.2%)	71.6%	34.0%	100.0%			
4 unfavourable (nominal) valuations							1 impact was outside of 2.5%		
Averages									
12-qtrs		(575)	632	(727)	(345)	(1,015)	458,940	(0.2%)	(0.1%)
2016 Q2 to 2017 Q3		(536)	1,080	(1,974)	(390)	(1,820)	460,890	(0.4%)	(0.1%)
2017 Q4 to 2019 Q1		(614)	184	520	(300)	(211)	456,991	-	(0.1%)
Standard deviations									
12-qtrs		7,693	2,212	3,357	644	11,351	24,216	2.4%	1.7%
2016 Q2 to 2017 Q3		7,925	2,744	2,987	543	11,800	22,268	2.6%	1.7%
2017 Q4 to 2019 Q1		7,666	576	3,664	900	10,511	24,347	2.1%	1.5%

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 liabilities⁵, 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 \$6.9 million favourable. That said, the average favourable impact over the 12 quarters at \$0.6 million (nominal only) represents 0.1% of ending policy liabilities, which we would view as not significant. We note that the latest 6 valuations have been on average slightly more favourable than the earlier 6 valuations. At this point, we view this as more process variance, but we do look for a result closer to \$0.

⁵We 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.

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- (ii) **Nominal size measurement: This objective has largely been met**, as there is only a single individual valuation showing a nominal change in excess of 2.5% of ending policy liabilities per column [8] in the table above (that being the current valuation).
- (iii) **Bias evidence measurement: This objective has been met**, as 4 of 12 valuations show unfavourable changes (column [1] of the table above), 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.

Additional detail related to the valuation results and impact is available in the [FARM May 2019 Participation Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights FARM as at March 31, 2019 are expected to be posted during the month of August 2019.

The actuarial valuation will be updated next as at June 30, 2019 for all jurisdictions and business segments. The results are anticipated to be reflected in the August 2019 Participation Report.

Members' Transfer of Funds

As indicated in our Bulletin [F05-049](#) dated October 4, 2005, the Facility Association Board of Directors authorized the transfer to members of Facility Association Residual Market (FARM) reserve-related funds that are not required to meet Facility Association's short-term cash flow needs. Transferring these funds to Members allows them to invest the funds based upon Members' own investment plans and policies. **Please note that any investment losses on funds held by Members will be borne solely by them.**

As 100% of all FARM policyholder payments are made directly through Facility Association, Members will be required to return the FARM policyholder funds they hold when such payments are made, or projected to be made, by Facility Association. Facility Association's short-term cash flow needs are monitored on a monthly basis, and net transfers of funds to or from Members are made periodically as needed.

The May 2019 Participation Report reflects the effect of the transfer of \$20 million from Facility Association to Members. The amount due to or from Facility Association for your company as a result of the transfer will depend on your company's share of the FARM in each jurisdiction, as well as differences in share ratios by business segment and accident year.

Member company share of the transfer of \$20 million is shown on page 21 of the FARM Participation Report: Members Combined Accident Year Share Results for all Jurisdictions. ***Note: All balances due to/from Facility Association, and receivable and payable dates are shown on page 21 of the Participation Report.***

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 at the top of the next page.

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Amounts (\$000s) to be Transferred to / (from) Members

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	810	9,521	10,332
Alberta	(1,488)	7,028	5,540
Newfoundland & Labrador	1,402	472	1,874
New Brunswick	(273)	(383)	(657)
Nova Scotia	1,662	1,337	2,999
Prince Edward Island	(344)	233	(112)
Yukon	(36)	66	30
Northwest Territories	(107)	36	(71)
Nunavut	(30)	95	65
TOTAL	1,595	18,405	20,000

Management Comments

As shown in the table below, the private passenger annualized vehicle counts increased by 30.2% overall in May 2019 relative to May 2018. On a year-to-date basis, exposure counts are up by 28.1%, increasing in all jurisdictions except Yukon, Northwest Territories and Nunavut.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	Month of May 2019					Calendar YTD as of May 2019			
	2019	2018	Chg	% Chg		2019	2018	Chg	% Chg
Ontario	660	313	347	110.7%		2,309	1,080	1,229	113.8%
Alberta	171	144	27	18.7%		713	600	113	18.8%
Newfoundland & Labrador	1,136	1,059	76	7.2%		4,293	3,893	400	10.3%
New Brunswick	625	560	65	11.7%		2,590	2,419	171	7.0%
Nova Scotia	784	460	324	70.6%		2,987	1,724	1,262	73.2%
Prince Edward Island	114	84	30	35.7%		498	439	59	13.5%
Yukon	19	20	(1)	(3.4%)		58	69	(11)	(15.8%)
Northwest Territories	145	152	(7)	(4.9%)		724	826	(102)	(12.4%)
Nunavut	13	24	(11)	(46.3%)		42	48	(6)	(11.9%)
All Jurisdictions	3,666	2,815	851	30.2%		14,213	11,099	3,115	28.1%

Rounding differences may occur

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Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson
President & CEO

Related link:

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 5 months ended May 31, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 05/2019
(thousands of dollars)

	January	February	March	April	May	CY2019 YTD	CY2019 12 Months Updated Projections	CY2018 12 Months Actual
UNDERWRITING REVENUE:								
PREMIUMS WRITTEN	\$24,756	\$16,886	\$23,354	\$33,154	\$38,475	\$136,625	\$319,416	\$254,047
CHANGE IN UNEARNED PREMIUMS	(2,287)	3,202	(253)	(9,075)	(12,613)	(21,026)	(21,895)	(37,666)
NET PREMIUMS EARNED	\$22,469	\$20,088	\$23,101	\$24,079	\$25,862	\$115,599	\$297,521	\$216,381
CLAIMS INCURRED								
PRIOR ACCIDENT YEARS								
UNDISCOUNTED	458	(1,493)	625	(1)	12,799	12,388	12,389	(14,683)
EFFECT OF DISCOUNTING	(150)	(286)	2,624	(404)	3,914	5,698	1,912	(9,883)
DISCOUNTED	308	(1,779)	3,249	(405)	16,713	18,086	14,301	(24,566)
CURRENT ACCIDENT YEAR								
UNDISCOUNTED	14,604	13,486	14,854	15,814	17,161	75,919	195,777	147,959
EFFECT OF DISCOUNTING	761	624	919	764	1,380	4,448	10,472	5,799
DISCOUNTED	15,365	14,110	15,773	16,578	18,541	80,367	206,249	153,758
CLAIMS INCURRED	\$15,673	\$12,331	\$19,022	\$16,173	\$35,254	\$98,453	\$220,550	\$129,192
UNDERWRITING EXPENSES								
OPERATING & SERVICE FEES	2,547	1,746	2,406	3,425	3,995	14,119	32,899	26,218
AGENTS COMMISSIONS	1,875	1,261	1,822	2,373	2,860	10,191	25,039	19,686
DRIVER RECORD ABSTRACTS	102	246	435	151	421	1,355	3,771	3,093
BAD DEBTS	(2)	(4)	(2)	(10)	9	(9)	(20)	(279)
PREMIUM DEFICIENCY/(DPAC)								
UNDISCOUNTED	(143)	283	(171)	(670)	(903)	(1,604)	(1,961)	(2,888)
EFFECT OF DISCOUNTING	3	(5)	(220)	16	149	(57)	(285)	(249)
DISCOUNTED	(140)	278	(391)	(654)	(754)	(1,661)	(2,246)	(3,137)
UNDERWRITING EXPENSES	\$4,382	\$3,527	\$4,270	\$5,285	\$6,531	\$23,995	\$59,443	\$45,581
NET UNDERWRITING GAIN (LOSS)	\$2,414	\$4,230	(\$191)	\$2,621	(\$15,923)	(\$6,849)	\$17,528	\$41,608
ADMINISTRATIVE EXPENSES	400	419	391	420	488	2,118	7,323	5,656
PREMIUM FINANCE FEE	(9)	(8)	(9)	(10)	(11)	(47)	(35)	(110)
INVESTMENT INCOME	106	78	55	57	70	366	886	636
OPERATING RESULTS	\$2,111	\$3,881	(\$536)	\$2,248	(\$16,352)	(\$8,648)	\$11,056	\$36,478
RATIOS:								
Claims & Adj Expenses Incurred (Earned)								
Prior Accident Years	1.4%	-8.9%	14.1%	-1.7%	64.6%	15.6%	4.8%	-11.4%
Current Accident Year	68.4%	70.2%	68.3%	68.8%	71.7%	69.5%	69.3%	71.1%
All Accident Years Combined	69.8%	61.3%	82.4%	67.1%	136.3%	85.1%	74.1%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	19.6%	20.2%	23.7%	27.1%	22.6%	22.4%	23.7%
COMBINED OPERATING RATIO	91.1%	80.9%	102.6%	90.8%	163.4%	107.7%	96.5%	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 5 months ended May 31, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 05/2019
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2019 12 Months Updated Projections	CY2018 12 Months Actual
UNDERWRITING REVENUE:												
PREMIUMS WRITTEN	\$42,552	\$53,386	\$12,223	\$1,951	\$10,643	\$12,813	\$816	\$1,968	\$273	\$136,625	\$319,416	\$254,047
CHANGE IN UNEARNED PREMIUMS	(4,176)	(13,163)	(1,920)	(51)	(745)	(855)	(59)	(201)	144	(21,026)	(\$21,895)	(\$37,666)
NET PREMIUMS EARNED	\$38,376	\$40,223	\$10,303	\$1,900	\$9,898	\$11,958	\$757	\$1,767	\$417	\$115,599	\$297,521	\$216,381
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	7,738	(97)	1,764	1,589	(606)	1,938	373	(462)	151	12,388	\$12,389	(\$14,683)
EFFECT OF DISCOUNTING	1,673	2,169	429	152	525	591	72	49	38	5,698	\$1,912	(\$9,883)
DISCOUNTED	9,411	2,072	2,193	1,741	(81)	2,529	445	(413)	189	18,086	14,301	(24,566)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	23,204	24,293	8,355	1,341	7,746	9,319	460	1,011	190	75,919	\$195,777	\$147,959
EFFECT OF DISCOUNTING	1,078	1,849	475	88	407	475	26	39	11	4,448	\$10,472	\$5,799
DISCOUNTED	24,282	26,142	8,830	1,429	8,153	9,794	486	1,050	201	80,367	206,249	153,758
CLAIMS INCURRED	\$33,693	\$28,214	\$11,023	\$3,170	\$8,072	\$12,323	\$931	\$637	\$390	\$98,453	\$220,550	\$129,192
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	4,255	5,765	1,223	194	1,065	1,312	81	197	27	14,119	\$32,899	\$26,218
AGENTS COMMISSIONS	3,263	3,172	1,113	182	992	1,190	73	184	22	10,191	\$25,039	\$19,686
DRIVER RECORD ABSTRACTS	304	121	376	91	239	186	10	26	2	1,355	\$3,771	\$3,093
BAD DEBTS	(6)	5	0	0	0	(8)	0	0	0	(9)	(\$20)	(\$279)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(348)	(799)	(305)	(3)	(68)	(71)	(6)	(16)	12	(1,604)	(\$1,961)	(\$2,888)
EFFECT OF DISCOUNTING	0	0	164	17	0	(238)	0	0	0	(57)	(\$285)	(\$249)
DISCOUNTED	(348)	(799)	(141)	14	(68)	(309)	(6)	(16)	12	(1,661)	(2,246)	(3,137)
UNDERWRITING EXPENSES	\$7,468	\$8,264	\$2,571	\$481	\$2,228	\$2,371	\$158	\$391	\$63	\$23,995	\$59,443	\$45,581
NET UNDERWRITING GAIN (LOSS)	(\$2,785)	\$3,745	(\$3,291)	(\$1,751)	(\$402)	(\$2,736)	(\$332)	\$739	(\$36)	(\$6,849)	\$17,528	\$41,608
ADMINISTRATIVE EXPENSES	574	798	200	58	174	208	33	47	26	2,118	\$7,323	\$5,656
PREMIUM FINANCE FEE	(13)	(21)	(5)	0	(3)	(5)	0	0	0	(47)	(\$35)	(\$110)
INVESTMENT INCOME	110	120	34	9	34	51	2	5	1	366	\$886	\$636
OPERATING RESULTS	(\$3,262)	\$3,046	(\$3,462)	(\$1,800)	(\$545)	(\$2,898)	(\$363)	\$697	(\$61)	(\$8,648)	\$11,056	\$36,478
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	24.5%	5.2%	21.3%	91.6%	-0.8%	21.1%	58.8%	-23.4%	45.3%	15.6%	4.8%	-11.4%
Current Accident Year	63.3%	65.0%	85.7%	75.2%	82.4%	81.9%	64.2%	59.4%	48.2%	69.5%	69.3%	71.1%
All Accident Years Combined	87.8%	70.2%	107.0%	166.8%	81.6%	103.0%	123.0%	36.0%	93.5%	85.1%	74.1%	59.7%
Underwriting & Admin Exp.(Earned)	21.0%	22.5%	26.9%	28.4%	24.3%	21.6%	25.2%	24.8%	21.3%	22.6%	22.4%	23.7%
COMBINED OPERATING RATIO	108.8%	92.7%	133.9%	195.2%	105.9%	124.6%	148.2%	60.8%	114.8%	107.7%	96.5%	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