



TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F19 – 061

DATE: AUGUST 29, 2019

SUBJECT: FARM – JUNE 2019 PARTICIPATION REPORT

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

Please be advised that the June 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 -\$6.8 million and the incurred loss ratio to the end of 6 months is 82.0%, as summarized in the table immediately below.

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

Amounts in \$000s	June 2019	June 2018	Year to date Jun 2019	Year to Date Jun 2018
Premium Written	37,652	27,385	174,277	117,032
Premium Earned	26,442	17,377	142,041	94,810
Incurred Losses	18,033	12,078	116,486	52,504
Underwriting & Admin Expense	6,533	4,893	32,327	23,450
Net Result from Operations	1,876	406	(6,772)	18,856
Ratios:				
Loss ratio - Prior Accident Years	(1.3%)	(2.0%)	12.5%	(16.9%)
- Current Accident Year	69.5%	71.5%	69.5%	72.2%
Total	68.2%	69.5%	82.0%	55.3%
Underwriting & Admin Expense	25.0%	28.3%	23.0%	24.9%
Combined Operating Ratio	93.2%	97.8%	105.0%	80.2%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. For additional numeric details, 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 the [Summary of Operations](#) folder on our website.

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Updated Projection to Year-end 2019

The projected calendar year Net Result from Operations to December 2019 is \$11.9 million and the estimated combined operating ratio to December 2019 is 96.4% as indicated in the table below. This updated projection to the end of the year has improved by \$0.8 million from the projection provided last month (see the second and third columns in the table). This improvement is largely driven by an \$8.9 million increase in the projected written premium for the year.

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	(Jun 2019)	(May 2019)		Outlook*
Premium Written	328,354	319,417	8,938	245,869
Premium Earned	303,252	297,522	5,730	239,409
Incurred Losses	224,654	220,551	4,103	164,659
Underwriting & Admin Expense	66,734	65,917	817	54,223
Net Result from Operations	11,865	11,055	810	20,528
Ratios:				
Loss ratio - Prior Accident Years	4.8%	4.8%	0.0%	(1.5%)
- Current Accident Year	69.3%	69.3%	0.0%	70.2%
<i>Total</i>	74.1%	74.1%	0.0%	68.8%
Underwriting & Admin Expense	22.3%	22.4%	(0.1%)	22.9%
Combined Operating Ratio	96.4%	96.5%	(0.1%)	91.7%

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 June 2019 was \$1.9 million, up \$1.5 million from the same month last year. This improvement is composed of a \$0.2 million favourable impact associated with the \$9.1 million increase in earned premium (at a prior combined ratio of 97.8%), with the remaining approximately \$1.3 million favourable impact stemming from the overall decrease in the combined ratio (from 97.8% to 93.2% applied to \$26.4 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 107.7% at the end of 5 months to 105.0% at the end of 6 months. The 2.7 percentage point decrease is composed of a 3.1 percentage point decrease in the Prior Accident Years loss ratio, offset by a 0.4 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.

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FARM Summary of Actual vs Projected variances

June 2019	Actual	Projection	Difference	Difference %
Premium Written	37,652	29,989	7,663	25.6%
Premium Earned	26,442	25,237	1,205	4.8%
Reported Losses				
Paid Losses	11,309	16,133	(4,824)	(29.9%)
Change in Outstanding Losses	1,813	340	1,473	433.2%
Total Reported Losses	13,122	16,473	(3,351)	(20.3%)
Change in IBNR*	4,528	646	3,882	
Change in Premium Deficiency (DPAC)*	(813)	(419)	(394)	
Change in Retro Claims Expense*	383	(405)	788	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM June 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 June 2019, reported indemnity amounts were \$2.9 million lower 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 -\$3.4 million*). The Current Accident Year had a \$1.3 million favourable variance in reported indemnity, and the Prior Accident Years had a favourable variance of \$1.6 million. Of the Prior Accident Years, 2017 had the largest variance in reported losses at \$1.1 million favourable. 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 June 2019 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at March 31, 2019 for all jurisdictions and business segments. The actuarial valuation will be updated next as at June 30, 2019 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the August 2019 Participation Report.

Management Comments

As shown in the table below, the private passenger annualized vehicle counts increased by 14.4% overall in June 2019 relative to June 2018. On a year-to-date basis, exposure counts are up by 25.1%, increasing in all jurisdictions except Yukon, Northwest Territories and Nunavut.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	Month of June 2019					Calendar YTD as of June 2019			
	2019	2018	Chg	% Chg		2019	2018	Chg	% Chg
Ontario	626	351	275	78.1%		2,930	1,431	1,499	104.7%
Alberta	90	152	(62)	(40.9%)		802	752	51	6.8%
Newfoundland & Labrador	1,102	1,130	(27)	(2.4%)		5,395	5,023	373	7.4%
New Brunswick	587	576	11	1.9%		3,177	2,995	181	6.0%
Nova Scotia	810	528	282	53.4%		3,796	2,252	1,544	68.5%
Prince Edward Island	119	119	(0)	(0.1%)		617	557	59	10.6%
Yukon	13	18	(5)	(25.9%)		71	87	(15)	(17.9%)
Northwest Territories	132	167	(35)	(20.8%)		856	993	(137)	(13.8%)
Nunavut	11	11	(0)	(0.7%)		54	60	(6)	(9.8%)
All Jurisdictions	3,490	3,052	438	14.4%		17,699	14,150	3,548	25.1%

Rounding differences may occur

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 June 2019 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 6 months ended June 30, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 06/2019
(thousands of dollars)

	January	February	March	April	May	June	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	\$37,652	\$174,277	\$328,355	\$254,047
CHANGE IN UNEARNED PREMIUMS	(2,287)	3,202	(253)	(9,075)	(12,613)	(11,210)	(32,236)	(25,102)	(37,666)
NET PREMIUMS EARNED	\$22,469	\$20,088	\$23,101	\$24,079	\$25,862	\$26,442	\$142,041	\$303,253	\$216,381
CLAIMS INCURRED									
PRIOR ACCIDENT YEARS									
UNDISCOUNTED	458	(1,493)	625	(1)	12,799	10	12,398	12,399	(14,683)
EFFECT OF DISCOUNTING	(150)	(286)	2,624	(404)	3,914	(350)	5,348	2,142	(9,883)
DISCOUNTED	308	(1,779)	3,249	(405)	16,713	(340)	17,746	14,541	(24,566)
CURRENT ACCIDENT YEAR									
UNDISCOUNTED	14,604	13,486	14,854	15,814	17,161	17,397	93,316	199,394	147,959
EFFECT OF DISCOUNTING	761	624	919	764	1,380	976	5,424	10,719	5,799
DISCOUNTED	15,365	14,110	15,773	16,578	18,541	18,373	98,740	210,113	153,758
CLAIMS INCURRED	\$15,673	\$12,331	\$19,022	\$16,173	\$35,254	\$18,033	\$116,486	\$224,654	\$129,192
UNDERWRITING EXPENSES									
OPERATING & SERVICE FEES	2,547	1,746	2,406	3,425	3,995	3,903	18,022	33,888	26,218
AGENTS COMMISSIONS	1,875	1,261	1,822	2,373	2,860	2,848	13,039	25,492	19,686
DRIVER RECORD ABSTRACTS	102	246	435	151	421	226	1,581	3,785	3,093
BAD DEBTS	(2)	(4)	(2)	(10)	9	(4)	(13)	(11)	(279)
PREMIUM DEFICIENCY/(DPAC)									
UNDISCOUNTED	(143)	283	(171)	(670)	(903)	(808)	(2,412)	(2,152)	(2,888)
EFFECT OF DISCOUNTING	3	(5)	(220)	16	149	(5)	(62)	(278)	(249)
DISCOUNTED	(140)	278	(391)	(654)	(754)	(813)	(2,474)	(2,430)	(3,137)
UNDERWRITING EXPENSES	\$4,382	\$3,527	\$4,270	\$5,285	\$6,531	\$6,160	\$30,155	\$60,724	\$45,581
NET UNDERWRITING GAIN (LOSS)	\$2,414	\$4,230	(\$191)	\$2,621	(\$15,923)	\$2,249	(\$4,600)	\$17,875	\$41,608
ADMINISTRATIVE EXPENSES	400	419	391	420	488	445	2,563	7,020	5,656
PREMIUM FINANCE FEE	(9)	(8)	(9)	(10)	(11)	(10)	(57)	(44)	(110)
INVESTMENT INCOME	106	78	55	57	70	82	448	1,057	636
OPERATING RESULTS	\$2,111	\$3,881	(\$536)	\$2,248	(\$16,352)	\$1,876	(\$6,772)	\$11,868	\$36,478
RATIOS:									
Claims & Adj Expenses Incurred (Earned)									
Prior Accident Years	1.4%	-8.9%	14.1%	-1.7%	64.6%	-1.3%	12.5%	4.8%	-11.4%
Current Accident Year	68.4%	70.2%	68.3%	68.8%	71.7%	69.5%	69.5%	69.3%	71.1%
All Accident Years Combined	69.8%	61.3%	82.4%	67.1%	136.3%	68.2%	82.0%	74.1%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	19.6%	20.2%	23.7%	27.1%	25.0%	23.0%	22.3%	23.7%
COMBINED OPERATING RATIO	91.1%	80.9%	102.6%	90.8%	163.4%	93.2%	105.0%	96.4%	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 6 months ended June 30, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 06/2019
(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	\$52,093	\$70,701	\$15,667	\$2,442	\$13,559	\$16,227	\$1,075	\$2,196	\$317	\$174,277	\$328,355	\$254,047
CHANGE IN UNEARNED PREMIUMS	(5,243)	(20,516)	(2,986)	(141)	(1,536)	(1,750)	(164)	(81)	181	(32,236)	(\$25,102)	(\$37,666)
NET PREMIUMS EARNED	\$46,850	\$50,185	\$12,681	\$2,301	\$12,023	\$14,477	\$911	\$2,115	\$498	\$142,041	\$303,253	\$216,381
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	7,736	(81)	1,764	1,588	(608)	1,935	374	(462)	152	12,398	\$12,399	(\$14,683)
EFFECT OF DISCOUNTING	1,611	2,079	420	149	424	511	70	46	38	5,348	\$2,142	(\$9,883)
DISCOUNTED	9,347	1,998	2,184	1,737	(184)	2,446	444	(416)	190	17,746	14,541	(24,566)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	28,372	30,343	10,291	1,626	9,412	11,288	554	1,202	228	93,316	\$199,394	\$147,959
EFFECT OF DISCOUNTING	1,296	2,308	580	104	475	563	35	50	13	5,424	\$10,719	\$5,799
DISCOUNTED	29,668	32,651	10,871	1,730	9,887	11,851	589	1,252	241	98,740	210,113	153,758
CLAIMS INCURRED	\$39,015	\$34,649	\$13,055	\$3,467	\$9,703	\$14,297	\$1,033	\$836	\$431	\$116,486	\$224,654	\$129,192
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	5,209	7,635	1,567	243	1,357	1,653	107	220	31	18,022	\$33,888	\$26,218
AGENTS COMMISSIONS	4,002	4,289	1,427	228	1,250	1,513	94	209	27	13,039	\$25,492	\$19,686
DRIVER RECORD ABSTRACTS	365	140	441	100	277	210	11	35	2	1,581	\$3,785	\$3,093
BAD DEBTS	(5)	4	(2)	0	(1)	(9)	0	0	0	(13)	(\$11)	(\$279)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(429)	(1,256)	(427)	(11)	(134)	(152)	(14)	(5)	16	(2,412)	(\$2,152)	(\$2,888)
EFFECT OF DISCOUNTING	0	0	186	10	0	(258)	0	0	0	(62)	(\$278)	(\$249)
DISCOUNTED	(429)	(1,256)	(241)	(1)	(134)	(410)	(14)	(5)	16	(2,474)	(2,430)	(3,137)
UNDERWRITING EXPENSES	\$9,142	\$10,812	\$3,192	\$570	\$2,749	\$2,957	\$198	\$459	\$76	\$30,155	\$60,724	\$45,581
NET UNDERWRITING GAIN (LOSS)	(\$1,307)	\$4,724	(\$3,566)	(\$1,736)	(\$429)	(\$2,777)	(\$320)	\$820	(\$9)	(\$4,600)	\$17,875	\$41,608
ADMINISTRATIVE EXPENSES	653	997	247	78	213	253	40	52	30	2,563	\$7,020	\$5,656
PREMIUM FINANCE FEE	(15)	(26)	(6)	0	(4)	(6)	0	0	0	(57)	(\$44)	(\$110)
INVESTMENT INCOME	135	147	41	12	42	61	3	6	1	448	\$1,057	\$636
OPERATING RESULTS	(\$1,840)	\$3,848	(\$3,778)	(\$1,802)	(\$604)	(\$2,975)	(\$357)	\$774	(\$38)	(\$6,772)	\$11,868	\$36,478
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	20.0%	4.0%	17.2%	75.5%	-1.5%	16.9%	48.7%	-19.7%	38.2%	12.5%	4.8%	-11.4%
Current Accident Year	63.3%	65.1%	85.7%	75.2%	82.2%	81.9%	64.7%	59.2%	48.4%	69.5%	69.3%	71.1%
All Accident Years Combined	83.3%	69.1%	102.9%	150.7%	80.7%	98.8%	113.4%	39.5%	86.6%	82.0%	74.1%	59.7%
Underwriting & Admin Exp.(Earned)	20.9%	23.5%	27.1%	28.2%	24.6%	22.2%	26.1%	24.2%	21.3%	23.0%	22.3%	23.7%
COMBINED OPERATING RATIO	104.2%	92.6%	130.0%	178.9%	105.3%	121.0%	139.5%	63.7%	107.9%	105.0%	96.4%	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