



TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F19 – 077

DATE: OCTOBER 30, 2019

SUBJECT: FARM – AUGUST 2019 PARTICIPATION REPORT

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

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

Key Points

- (a) Liam McFarlane has resigned as the Facility Association's Appointed Actuary; Mr. Cosimo Pantaleo of Ernst & Young LLP has assumed the Appointed Actuary's role (effective as of October 24, 2019), pending formal appointment by the Facility Association Board (expected at its December 12, 2019 meeting);
- (b) The **June 30, 2019 FARM valuation** was completed and implemented into this month's results, generating a **\$7.5 million favourable** impact (1.4% of policy liabilities; 3.8 points of ytd COR, 2.5 points of projected full year 2019 COR) – we view this as a low impact; and
- (c) The **2019 full year projected net operating surplus** after the valuation implementation is **\$20.0 million**, with a **COR of 93.9%** on earned premium of \$309 million (our Outlook for 2019 was \$20.5 million of net operating surplus with a COR of 91.7% on earned premium of \$239 million).

New This Month

Appointed Actuary

Liam McFarlane of Ernst & Young LLP was Facility Association's Appointed Actuary (effective as of June 1, 2013). Mr. McFarlane has resigned his Appointment to take on a role at a different organization. Mr. Cosimo Pantaleo of Ernst & Young LLP has assumed the Appointed Actuary's role (effective as of October 24, 2019), pending formal appointment by the Facility Association Board (expected at its December 12, 2019 meeting).

Members' Transfer of Funds

The August 2019 Participation Report reflects the effects of a transfer of \$30 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***

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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 June 30, 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 **\$7.5 million favourable** impact on the month’s net result from operations, subtracting an estimated 3.8 points to the year-to-date Combined Operating Ratio (ending at 97.2%). The impact on the month’s results is summarized in the tables below¹.

2019 Q2 FARM Valuation Implementation Impact (\$000s) – Impact on Year-to-date Results

Grand Total	unfav / (fav)						ytd EP 199,676 (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	(6,592)	(635)	(7,227)	315	(1,160)	(8,072)	(3.3%)	(0.3%)	(3.6%)	0.2%	(0.6%)	(4.0%)
CAY	460	(39)	421	97	-	518	0.2%	-	0.2%	-	-	0.3%
Prem Def	185	(168)	17	7	-	24	0.1%	(0.1%)	-	-	-	-
TOTAL	(5,947)	(842)	(6,789)	419	(1,160)	(7,530)	(3.0%)	(0.4%)	(3.4%)	0.2%	(0.6%)	(3.8%)

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

Summary of Financial Results

The calendar year-to-date Operating Result is \$6.2 million and the incurred loss ratio to the end of 8 months is 74.1%, as summarized in the table at the top of the next page.

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

Amounts in \$000s	Aug 2019	Aug 2018	Year to date Aug 2019	Year to Date Aug 2018
Premium Written	33,906	23,645	241,600	166,445
Premium Earned	29,352	19,596	199,676	133,246
Incurred Losses	12,295	9,618	147,986	75,390
Underwriting & Admin Expense	6,651	4,894	45,474	33,077
Net Result from Operations	10,406	5,084	6,216	24,779
Ratios:				
Loss ratio - Prior Accident Years	(29.0%)	(23.6%)	4.4%	(15.6%)
- Current Accident Year	70.9%	72.7%	69.7%	72.2%
<i>Total</i>	41.9%	49.1%	74.1%	56.6%
Underwriting & Admin Expense	23.1%	25.3%	23.1%	25.0%
Combined Operating Ratio	65.0%	74.4%	97.2%	81.6%

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.

Updated Projection to Year-end 2019

The projected calendar year Net Result from Operations to December 2019 is \$20.0 million and the estimated combined operating ratio to December 2019 is 93.9% 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	(Aug 2019)	(Jul 2019)		Outlook*
Premium Written	340,767	330,534	10,234	245,869
Premium Earned	308,923	303,954	4,969	239,409
Incurred Losses	221,515	225,546	(4,032)	164,659
Underwriting & Admin Expense	67,401	66,363	1,038	54,223
Net Result from Operations	20,008	12,045	7,963	20,528
Ratios:				
Loss ratio - Prior Accident Years	2.2%	4.8%	(2.6%)	(1.5%)
- Current Accident Year	69.5%	69.4%	0.1%	70.2%
<i>Total</i>	71.7%	74.2%	(2.5%)	68.8%
Underwriting & Admin Expense	22.2%	22.2%	0.0%	22.9%
Combined Operating Ratio	93.9%	96.4%	(2.5%)	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 improved by \$8.0 million from the projection provided last month (see second last column in table above), mainly due to the impact of the valuation as at June 30, 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.

2019 Q2 FARM Valuation Implementation Impact (\$000s) – Impact on Year-end Projected Results

Grand Total	unfav / (fav) projected for full year						year EP 308,923 (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	(6,592)	(690)	(7,282)	276	(1,075)	(8,081)	(2.1%)	(0.2%)	(2.4%)	0.1%	(0.3%)	(2.6%)
CAY	534	(255)	279	137	-	416	0.2%	(0.1%)	0.1%	-	-	0.1%
Prem Def	200	(166)	34	5	-	39	0.1%	(0.1%)	-	-	-	-
TOTAL	(5,858)	(1,111)	(6,969)	418	(1,075)	(7,626)	(1.9%)	(0.4%)	(2.3%)	0.1%	(0.3%)	(2.5%)

Current Month Results

The Net Results from Operations in the month of August 2019 was \$10.4 million, up \$5.3 million from the same month last year. This improvement is composed of a \$2.5 million favourable impact associated with the \$9.8 million increase in earned premium (at a prior combined ratio of 74.4%), with the remaining \$2.8 million favourable impact stemming from the overall decrease in the combined ratio (from 74.4% to 65.0% applied to \$29.4 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 102.8% at the end of 7 months to 97.2% at the end of 8 months. The 5.6 percentage point decrease is composed of a 5.8 percentage point decrease in the Prior Accident Years loss ratio, offset by a 0.2 percentage point increase in the Current

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Accident Year loss ratio.

Variances from Projections

The table below provides a summary of key components of the operating results as compared to the estimates projected last month.

FARM Summary of Actual vs Projected variances

August 2019	Actual	Projection	Difference	Difference %
Premium Written	33,906	25,305	8,601	34.0%
Premium Earned	29,352	26,697	2,655	9.9%
Reported Losses				
Paid Losses	14,196	13,362	834	6.2%
Change in Outstanding Losses	2,388	1,974	414	21.0%
Total Reported Losses	16,584	15,336	1,248	8.1%
Change in IBNR*	(1,152)	2,938	(4,090)	
Change in Premium Deficiency (DPAC)*	(349)	38	(387)	
Change in Retro Claims Expense*	(3,137)	(334)	(2,803)	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM August 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 August 2019, reported indemnity amounts were \$1.1 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 \$1.2 million*). The Current Accident Year had a \$0.2 million unfavourable variance in reported indemnity, and the Prior Accident Years had an unfavourable variance of \$0.9 million. 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 (variances were spread across jurisdictions and business segments).

Effect of Quarterly Valuation

The August 2019 Participation Report reflects the results of an updated valuation as at June 30, 2019, with the associated impacts in relation to the results for August 2019 summarized in the table at the top of the next page.

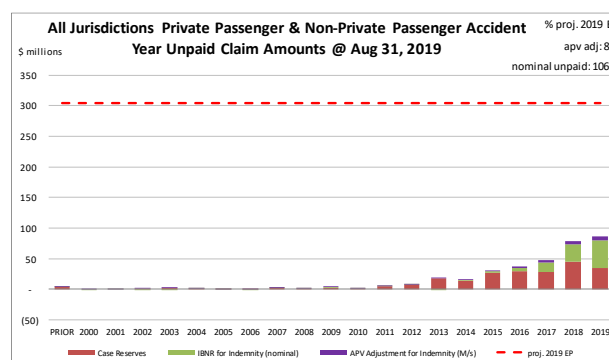
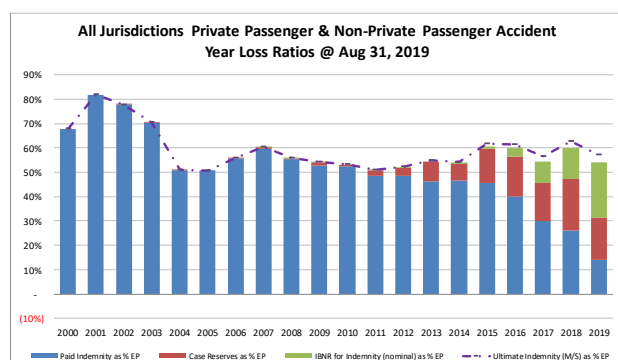
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2019 Q2 FARM Valuation Implementation Impact (\$000s) – Impact on Month's Results

Grand Total	unfav / (fav)						mth EP 29,352 (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	(6,592)	(635)	(7,227)	315	(1,160)	(8,072)	(22.5%)	(2.2%)	(24.6%)	1.1%	(4.0%)	(27.5%)
CAY	460	(39)	421	97	-	518	1.6%	(0.1%)	1.4%	0.3%	-	1.8%
Prem Def	185	(168)	17	7	-	24	0.6%	(0.6%)	0.1%	-	-	0.1%
TOTAL	(5,947)	(842)	(6,789)	419	(1,160)	(7,530)	(20.3%)	(2.9%)	(23.1%)	1.4%	(4.0%)	(25.7%)

The charts 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 1.48% to 1.44%. The investment return margin for adverse deviation was left unchanged at 25 basis points, but the selected claims development margins² were reviewed and updated (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”).

²Claims development margins are selected by jurisdiction, business segment, coverage, and accident half-year.

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2019 Q2 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	84,493	(3,918)	(4.6%)	43.5%	(3.1%)	(3,542)	48.3%	(0.6%)	(726)
PPV	31,838	(1,372)	(4.3%)	53.1%	1.9%	477	54.5%	2.5%	709
Non-PPV	52,655	(2,546)	(4.8%)	40.7%	(4.6%)	(4,019)	46.5%	(1.5%)	(1,435)
Alberta	74,950	3,320	4.4%	55.7%	4.5%	4,368	54.8%	2.5%	2,513
PPV	10,815	(1,284)	(11.9%)	51.9%	1.9%	161	48.4%	(2.1%)	(181)
Non-PPV	64,135	4,604	7.2%	56.1%	4.8%	4,207	55.4%	2.9%	2,694
Newfoundland & Labrador	45,536	1,547	3.4%	67.2%	0.4%	119	64.1%	(0.8%)	(256)
PPV	31,967	2,407	7.5%	67.6%	(0.6%)	(131)	64.5%	(1.5%)	(340)
Non-PPV	13,569	(860)	(6.3%)	66.0%	3.0%	249	63.0%	1.0%	84
New Brunswick	33,710	(1,814)	(5.4%)	65.1%	0.2%	56	58.0%	(1.0%)	(260)
PPV	21,841	(1,952)	(8.9%)	66.2%	(0.7%)	(97)	62.0%	(2.5%)	(364)
Non-PPV	11,869	138	1.2%	63.8%	1.4%	153	52.9%	0.9%	103
Nova Scotia	25,429	(1,970)	(7.7%)	66.2%	(1.7%)	(461)	63.9%	(1.6%)	(500)
PPV	10,383	(986)	(9.5%)	71.0%	(2.0%)	(290)	66.0%	(1.6%)	(291)
Non-PPV	15,046	(984)	(6.5%)	60.9%	(1.3%)	(171)	61.0%	(1.5%)	(209)
Prince Edward Island	9,907	(744)	(7.5%)	58.9%	0.5%	25	53.6%	1.3%	61
PPV	4,973	(461)	(9.3%)	45.8%	0.4%	10	46.5%	1.5%	38
Non-PPV	4,934	(283)	(5.7%)	73.5%	0.7%	15	61.5%	1.0%	23
Yukon Territory	2,803	(168)	(6.0%)	50.9%	1.0%	18	53.9%	2.8%	51
PPV	1,691	(166)	(9.8%)	63.2%	(0.5%)	(2)	64.6%	(0.5%)	(2)
Non-PPV	1,112	(2)	(0.2%)	48.2%	1.3%	20	51.5%	3.5%	53
Northwest Territories	3,255	(421)	(12.9%)	48.3%	2.7%	112	40.1%	(4.2%)	(181)
PPV	1,901	(257)	(13.5%)	50.4%	0.4%	11	45.5%	(3.5%)	(92)
Non-PPV	1,354	(164)	(12.1%)	44.7%	6.6%	102	31.6%	(5.4%)	(90)
Nunavut	1,153	(235)	(20.4%)	34.6%	(1.9%)	(18)	31.6%	(4.1%)	(39)
PPV	307	(31)	(10.1%)	26.7%	(1.0%)	(2)	26.9%	(2.0%)	(3)
Non-PPV	846	(204)	(24.1%)	36.2%	(2.1%)	(17)	32.5%	(4.5%)	(36)
Total	281,236	(4,403)	(1.6%)	53.9%	0.2%	677	54.1%	0.2%	662

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 June 30, 2019 (used for the valuation) and available for implementation (August 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 August 31, 2019.

With this background, the overall **impact of implementing the valuation** on the results of the Month of August 2019 is estimated as **favourable by \$7.5 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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2019 Q2 FARM Valuation Implementation Impact (\$000s) – Impact with expenses

Implementation Impact - relative to projection for month of August 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)	(4,144)	(647)	(1,801)	(6,592)	(1,480)	(8,072)
current accident year claims incurred	648	(216)	28	460	58	518
premium deficiency / (DPAC)	185			185	(161)	24
TOTAL	(3,311)	(863)	(1,773)	(5,947)	(1,583)	(7,530)

An alternate summary of the valuation implementation impact is presented in the table 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 Q2 FARM Valuation Implementation Impact (\$000s) – Impact on Year-to-date Results

Grand Total	unfav / (fav)						ytd EP 199,676 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ultimates & payout patterns		dsct rate	margins		TOTAL	ultimates & payout patterns		dsct rate	margins		TOTAL
	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	[6]	nominal [1]	apv adj. [2]	sub-tot [3]	apv adj. [4]	apv adj. [5]	[6]
PAYs	(6,592)	(635)	(7,227)	315	(1,160)	(8,072)	(3.3%)	(0.3%)	(3.6%)	0.2%	(0.6%)	(4.0%)
CAY	460	(39)	421	97	-	518	0.2%	-	0.2%	-	-	0.3%
Prem Def	185	(168)	17	7	-	24	0.1%	(0.1%)	-	-	-	-
TOTAL	(5,947)	(842)	(6,789)	419	(1,160)	(7,530)	(3.0%)	(0.4%)	(3.4%)	0.2%	(0.6%)	(3.8%)

The overall impact *prior to* the 4 basis point decrease in the discount rate (from 1.48% to 1.44%) and changes to margins for adverse deviation was favourable by \$6.8 million (Total row, column [3] of left table above). This was partially offset by the \$0.4 million unfavourable impact of the discount rate change (Total row, column [4] of left table above). Finally, while there was no update to the selected margins for investment income, updates were made to the selected margins for adverse claims development deviation, resulting in a \$1.2 million favourable margin change impact (Total row, column [5] of left table above).

As shown in the table³ 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).

³The 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 Q2

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 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%
2019 Q2	Aug 2019	(5,947)	(842)	419	(1,160)	(7,530)	535,467	(1.4%)	(1.1%)
12-qtrs	-	(5,137)	7,369	(8,942)	(4,216)	(10,926)			
% of total		47.0%	(67.4%)	81.8%	38.6%	100.0%			
4 unfavourable (nominal) valuations							1 impact was outside of 2.5%		
Averages									
12-qtrs		(428)	614	(745)	(351)	(911)	464,072	(0.2%)	(0.1%)
2016 Q3 to 2017 Q4		(932)	1,036	(2,055)	(209)	(2,159)	451,887	(0.5%)	(0.2%)
2018 Q1 to 2019 Q2		76	192	564	(493)	338	476,257	0.1%	-
Standard deviations									
12-qtrs		7,559	2,223	3,349	652	11,278	32,708	2.4%	1.6%
2016 Q3 to 2017 Q4		7,638	2,712	2,986	722	11,591	20,435	2.5%	1.7%
2018 Q1 to 2019 Q2		8,176	757	3,675	580	11,463	33,816	2.3%	1.6%
Coefficients of Variation									
12-qtrs		(1,766.2%)	362.1%	(449.6%)	(185.9%)	(1,238.0%)	7.0%	(1,197.8%)	(1,618.1%)
2016 Q3 to 2017 Q4		(819.6%)	261.8%	(145.3%)	(345.5%)	(536.9%)	4.5%	(504.3%)	(845.6%)
2018 Q1 to 2019 Q2		10,757.5%	394.5%	651.6%	(117.6%)	3,391.5%	7.1%	2,260.3%	100.0%

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 liabilities⁴, 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 largely been met.** While 12-quarter nominal change in column [1] is \$5.1 million favourable (clearly not \$0), the average

⁴We 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.

favourable impact over the 12 quarters at \$0.4 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 less unfavourable than the earlier 6 valuations were favourable. Taking into consideration the average changes relative to policy liabilities, we would consider the objective as being largely met.

- (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, we view our valuation measurements as either being largely met, or 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 August 2019 Participation Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights FARM as at June 30, 2019 are expected to be posted during the month of November 2019.

The actuarial valuation will be updated next as at September 30, 2019 for all jurisdictions and business segments. The results are anticipated to be reflected in the October 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 August 2019 Participation Report reflects the effect of the transfer of \$30 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 \$30 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.

Bulletin F19-077

FARM – August 2019 Participation Report

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

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	3,265	20,420	23,685
Alberta	563	15,613	16,176
Newfoundland & Labrador	(120)	(1,986)	(2,107)
New Brunswick	(5,016)	1,766	(3,250)
Nova Scotia	(1,183)	(1,776)	(2,959)
Prince Edward Island	(845)	(2,013)	(2,858)
Yukon	(839)	392	(447)
Northwest Territories	263	1,308	1,571
Nunavut	75	115	190
TOTAL	(3,839)	33,839	30,000

Management Comments

As shown in the table below, the private passenger annualized vehicle counts increased by 30.3% overall in August 2019 relative to August 2018. On a year-to-date basis, exposure counts are up by 24.8%, increasing in all jurisdictions except Yukon, Northwest Territories and Nunavut.

FARM Private Passenger Written Car Years

# FARM Vehicles Written									
Jurisdiction	Month of August 2019					Calendar YTD as of August 2019			
	2019	2018	Chg	% Chg		2019	2018	Chg	% Chg
Ontario	596	303	293	96.8%		4,317	2,071	2,246	108.4%
Alberta	141	92	49	53.4%		1,071	1,066	5	0.4%
Newfoundland & Labrador	1,124	889	235	26.4%		7,645	6,937	708	10.2%
New Brunswick	546	525	21	4.0%		4,226	4,050	176	4.3%
Nova Scotia	662	451	211	46.7%		5,209	3,222	1,988	61.7%
Prince Edward Island	116	94	22	23.0%		886	812	74	9.1%
Yukon	7	12	(5)	(41.1%)		90	117	(26)	(22.6%)
Northwest Territories	150	195	(45)	(22.9%)		1,136	1,392	(256)	(18.4%)
Nunavut	2	6	(3)	(57.1%)		69	82	(13)	(16.2%)
All Jurisdictions	3,344	2,567	777	30.3%		24,649	19,749	4,900	24.8%

Rounding differences may occur

On a rolling 12-month basis to August 2019 (see table on the top of the next page), FARM vehicle counts are up 10.3% across all rating classes (up 19.9% for private passenger, 5.5% for non-private passenger). However, the non-private passenger increase in vehicle counts is significantly influenced by the change in mix by rating class, as decreases in recreational vehicles have partially offset increases in commercial vehicles and interurban vehicles (long haul trucks). Rolling 12-month premium changes are much more significant than the changes in count (private passenger up 33.8%, non-private passenger up 54.0%, for a total increase of 47.4%).

Bulletin F19-077

FARM – August 2019 Participation Report

FARM Vehicle Counts and Written Premium – Rolling 12-months to August 2019

Business Segment	FA Minor Rating Class Desc	2019 rolling 12 to month 08			% Change in Amount			Change in Amount			2018 rolling 12 to month 08		
		Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP
PPV	Private Passenger (x Farmers)	34,299	97,225,386	2,835	19.9%	33.8%	11.6%	5,691	24,552,370	295	28,608	72,673,016	2,540
	Farmer	-	-	-	-	-	-	-	-	-	-	-	-
PPV Total		34,299	97,225,386	2,835	19.9%	33.8%	11.6%	5,691	24,552,370	295	28,608	72,673,016	2,540
non-PPV	Private Passenger (x Farmers)	682	720,087	1,056	34.8%	97.3%	46.5%	176	355,040	335	506	365,047	721
	Commercial	14,790	71,995,412	4,868	26.2%	53.5%	21.6%	3,072	25,105,871	866	11,718	46,889,541	4,002
	Interurban	6,508	95,521,503	14,679	83.3%	116.9%	18.3%	2,958	51,482,634	2,273	3,550	44,038,869	12,406
	Public Bus	1,639	7,436,608	4,536	1.4%	8.0%	6.6%	22	552,775	280	1,617	6,883,833	4,256
	Private Bus & Misc Public	1,460	5,343,265	3,660	2.3%	10.2%	7.7%	33	495,628	262	1,427	4,847,637	3,398
	School Bus	1,084	1,758,452	1,622	2.0%	13.0%	10.7%	22	202,050	157	1,063	1,556,402	1,465
	Hotel & Country Club Bus	580	1,354,588	2,336	1.8%	4.5%	2.6%	10	57,757	59	569	1,296,831	2,277
	Taxi	4,620	21,290,119	4,608	1.6%	9.2%	7.5%	72	1,802,552	323	4,548	19,487,567	4,285
	Funeral	5	11,624	2,325	150.0%	206.1%	22.4%	3	7,826	426	2	3,798	1,899
	Ambulance	33	131,762	4,044	8.9%	9.7%	0.7%	3	11,631	28	30	120,131	4,016
	Motorcycle	16,790	11,548,900	688	(11.7%)	0.4%	13.7%	(2,224)	48,468	83	19,014	11,500,432	605
	All Terrain Vehicle	8,791	3,590,857	408	(6.8%)	(1.6%)	5.4%	(641)	(57,672)	21	9,431	3,648,529	387
	Snow Vehicle	3,966	1,660,145	419	(7.5%)	(5.6%)	2.2%	(320)	(98,374)	9	4,286	1,758,519	410
	Antique	4	6,282	1,508	(39.0%)	(23.9%)	24.7%	(3)	(1,977)	299	7	8,259	1,209
	Motor Home	244	615,570	2,523	6.6%	14.5%	7.4%	15	77,857	174	229	537,713	2,349
	Trailer Home	-	11,960	11,960	-	2,186.8%	2,186.8%	-	11,437	11,437	-	523	523
	Garage	-	8,505,760	8,505,760	-	15.9%	15.9%	-	1,164,447	1,164,447	-	7,341,313	7,341,313
	Non-Owned	-	318,162	318,162	-	22.0%	22.0%	-	57,418	57,418	-	260,744	260,744
	Drivers Policy	71	91,298	1,283	21.1%	19.5%	(1.4%)	12	14,867	(18)	59	76,431	1,301
non-PPV Total		61,266	231,912,354	3,785	5.5%	54.0%	45.9%	3,211	81,290,235	1,191	58,055	150,622,119	2,594
TOTAL		95,565	329,137,740	3,444	10.3%	47.4%	33.6%	8,902	105,842,605	867	86,663	223,295,135	2,577

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 August 2019 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 8 months ended August 31, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 08/2019
(thousands of dollars)

	January	February	March	April	May	June	July	August	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	\$33,417	\$33,906	\$241,600	\$340,767	\$254,047
CHANGE IN UNEARNED PREMIUMS	(2,287)	3,202	(253)	(9,075)	(12,613)	(11,210)	(5,134)	(4,554)	(41,924)	(31,846)	(37,666)
NET PREMIUMS EARNED	\$22,469	\$20,088	\$23,101	\$24,079	\$25,862	\$26,442	\$28,283	\$29,352	\$199,676	\$308,921	\$216,381
CLAIMS INCURRED											
PRIOR ACCIDENT YEARS											
UNDISCOUNTED	458	(1,493)	625	(1)	12,799	10	(9)	(6,633)	5,756	5,757	(14,683)
EFFECT OF DISCOUNTING	(150)	(286)	2,624	(404)	3,914	(350)	(424)	(1,887)	3,037	947	(9,883)
DISCOUNTED	308	(1,779)	3,249	(405)	16,713	(340)	(433)	(8,520)	8,793	6,704	(24,566)
CURRENT ACCIDENT YEAR											
UNDISCOUNTED	14,604	13,486	14,854	15,814	17,161	17,397	18,614	19,782	131,712	203,791	147,959
EFFECT OF DISCOUNTING	761	624	919	764	1,380	976	1,024	1,033	7,481	11,020	5,799
DISCOUNTED	15,365	14,110	15,773	16,578	18,541	18,373	19,638	20,815	139,193	214,811	153,758
CLAIMS INCURRED	\$15,673	\$12,331	\$19,022	\$16,173	\$35,254	\$18,033	\$19,205	\$12,295	\$147,986	\$221,515	\$129,192
UNDERWRITING EXPENSES											
OPERATING & SERVICE FEES	2,547	1,746	2,406	3,425	3,995	3,903	3,450	3,502	24,974	35,179	26,218
AGENTS COMMISSIONS	1,875	1,261	1,822	2,373	2,860	2,848	2,542	2,685	18,266	26,111	19,686
DRIVER RECORD ABSTRACTS	102	246	435	151	421	226	520	448	2,549	3,782	3,093
BAD DEBTS	(2)	(4)	(2)	(10)	9	(4)	(3)	(3)	(19)	(18)	(279)
PREMIUM DEFICIENCY/(DPAC)											
UNDISCOUNTED	(143)	283	(171)	(670)	(903)	(808)	(400)	(192)	(3,004)	(2,375)	(2,888)
EFFECT OF DISCOUNTING	3	(5)	(220)	16	149	(5)	(7)	(157)	(226)	(446)	(249)
DISCOUNTED	(140)	278	(391)	(654)	(754)	(813)	(407)	(349)	(3,230)	(2,821)	(3,137)
UNDERWRITING EXPENSES	\$4,382	\$3,527	\$4,270	\$5,285	\$6,531	\$6,160	\$6,102	\$6,283	\$42,540	\$62,233	\$45,581
NET UNDERWRITING GAIN (LOSS)	\$2,414	\$4,230	-\$191	\$2,621	-\$15,923	\$2,249	\$2,976	\$10,774	\$9,150	\$25,173	\$41,608
ADMINISTRATIVE EXPENSES	400	419	391	420	488	445	485	483	3,531	6,265	5,656
PREMIUM FINANCE FEE	(9)	(8)	(9)	(10)	(11)	(10)	(10)	(12)	(79)	(66)	(110)
INVESTMENT INCOME	106	78	55	57	70	82	101	127	676	1,165	636
OPERATING RESULTS	\$2,111	\$3,881	-\$536	\$2,248	-\$16,352	\$1,876	\$2,582	\$10,406	\$6,216	\$20,007	\$36,478
RATIOS:											
Claims & Adj Expenses Incurred (Earned)											
Prior Accident Years	1.4%	-8.9%	14.1%	-1.7%	64.6%	-1.3%	-1.5%	-29.0%	4.4%	2.2%	-11.4%
Current Accident Year	68.4%	70.2%	68.3%	68.8%	71.7%	69.5%	69.4%	70.9%	69.7%	69.5%	71.1%
All Accident Years Combined	69.8%	61.3%	82.4%	67.1%	136.3%	68.2%	67.9%	41.9%	74.1%	71.7%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	19.6%	20.2%	23.7%	27.1%	25.0%	23.3%	23.1%	23.1%	22.2%	23.7%
COMBINED OPERATING RATIO	91.1%	80.9%	102.6%	90.8%	163.4%	93.2%	91.2%	65.0%	97.2%	93.9%	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 8 months ended August 31, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 08/2019
(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	\$71,833	\$98,069	\$21,734	\$3,775	\$18,462	\$22,842	\$1,462	\$2,849	\$574	\$241,600	\$340,767	\$254,047
CHANGE IN UNEARNED PREMIUMS	(6,344)	(26,207)	(3,913)	(533)	(1,899)	(2,863)	(203)	(47)	85	(41,924)	(31,846)	(37,666)
NET PREMIUMS EARNED	\$65,489	\$71,862	\$17,821	\$3,242	\$16,563	\$19,979	\$1,259	\$2,802	\$659	\$199,676	\$308,921	\$216,381
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	11,301	(5,456)	(795)	670	(2,769)	3,613	247	(957)	(98)	5,756	5,757	(14,683)
EFFECT OF DISCOUNTING	1,569	692	122	23	(36)	603	57	(1)	8	3,037	947	(9,883)
DISCOUNTED	12,870	(4,764)	(673)	693	(2,805)	4,216	304	(958)	(90)	8,793	6,704	(24,566)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	42,737	41,100	14,127	2,325	13,009	15,704	782	1,638	290	131,712	203,791	147,959
EFFECT OF DISCOUNTING	2,077	2,898	750	141	669	798	50	83	15	7,481	11,020	5,799
DISCOUNTED	44,814	43,998	14,877	2,466	13,678	16,502	832	1,721	305	139,193	214,811	153,758
CLAIMS INCURRED	\$57,684	\$39,234	\$14,204	\$3,159	\$10,873	\$20,718	\$1,136	\$763	\$215	\$147,986	\$221,515	\$129,192
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	7,184	10,591	2,173	376	1,847	2,315	146	285	57	24,974	35,179	26,218
AGENTS COMMISSIONS	5,596	6,033	1,994	344	1,699	2,153	128	272	47	18,266	26,111	19,686
DRIVER RECORD ABSTRACTS	526	225	708	171	443	411	13	48	4	2,549	3,782	3,093
BAD DEBTS	(5)	4	(3)	0	(2)	(13)	0	0	0	(19)	(18)	(279)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(332)	(1,583)	(607)	(44)	(164)	(262)	(17)	(2)	7	(3,004)	(2,375)	(2,888)
EFFECT OF DISCOUNTING	0	0	47	0	0	(273)	0	0	0	(226)	(446)	(249)
DISCOUNTED	(332)	(1,583)	(560)	(44)	(164)	(535)	(17)	(2)	7	(3,230)	(2,821)	(3,137)
UNDERWRITING EXPENSES	\$12,969	\$15,270	\$4,312	\$847	\$3,823	\$4,331	\$270	\$603	\$115	\$42,540	\$62,233	\$45,581
NET UNDERWRITING GAIN (LOSS)	-\$5,164	\$17,358	-\$695	-\$764	\$1,867	-\$5,070	-\$147	\$1,436	\$329	\$9,150	\$25,173	\$41,608
ADMINISTRATIVE EXPENSES	906	1,350	341	115	295	354	55	71	44	3,531	6,265	5,656
PREMIUM FINANCE FEE	(21)	(37)	(8)	0	(5)	(8)	0	0	0	(79)	(66)	(110)
INVESTMENT INCOME	199	246	59	17	57	81	4	10	3	676	1,165	636
OPERATING RESULTS	-\$5,892	\$16,217	-\$985	-\$862	\$1,624	-\$5,351	-\$198	\$1,375	\$288	\$6,216	\$20,007	\$36,478
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	19.7%	-6.6%	-3.8%	21.4%	-16.9%	21.1%	24.1%	-34.2%	-13.7%	4.4%	2.2%	-11.4%
Current Accident Year	68.4%	61.2%	83.5%	76.1%	82.6%	82.6%	66.1%	61.4%	46.3%	69.7%	69.5%	71.1%
All Accident Years Combined	88.1%	54.6%	79.7%	97.5%	65.7%	103.7%	90.2%	27.2%	32.6%	74.1%	71.7%	59.7%
Underwriting & Admin Exp.(Earned)	21.2%	23.1%	26.1%	29.7%	24.9%	23.4%	25.8%	24.1%	24.1%	23.1%	22.2%	23.7%
COMBINED OPERATING RATIO	109.3%	77.7%	105.8%	127.2%	90.6%	127.1%	116.0%	51.3%	56.7%	97.2%	93.9%	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