



TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO.: F19 – 089
DATE: NOVEMBER 28, 2019
SUBJECT: FARM – SEPTEMBER 2019 PARTICIPATION REPORT

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

Please be advised that the September 2019 FARM Participation Report was made available on the Facility Association Portal at <https://portal.facilityassociation.com> on November 21, 2019.

Key Points

- (a) The **2019 year-to-date net operating surplus is \$9.6 million** with the addition of \$3.4 million in surplus generated in September, resulting in a year-to-date COR of 96.2% on earned premium of \$230 million;
- (b) the **projected 2019 year-end net operating surplus is \$20.2 million**, with a COR at 93.9% on earned premium of \$313 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); and
- (c) we continue to see increases in both vehicle counts and written premiums across rating classes on a **rolling 12-month basis**, with overall counts up 10 thousand (11%) and **premium up \$115 million (51%)**, with premium growth driven primarily by interurban vehicles (long haul trucks), commercial vehicles, and private passenger vehicles.

Summary of Financial Results

The calendar year-to-date Operating Result is \$9.6 million and the incurred loss ratio to the end of 9 months is 73.3%, as summarized in the table at the top of the next page.

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

Amounts in \$000s	Sept 2019	Sept 2018	Year to date Sep 2019	Year to Date Sep 2018
Premium Written	34,918	22,091	276,518	188,536
Premium Earned	29,993	19,377	229,669	152,623
Incurred Losses	20,253	13,499	168,239	88,889
Underwriting & Admin Expense	6,359	4,298	51,833	37,375
Net Result from Operations	3,381	1,580	9,597	26,359
Ratios:				
Loss ratio - Prior Accident Years	(1.8%)	(2.0%)	3.6%	(13.9%)
- Current Accident Year	69.4%	71.7%	69.7%	72.1%
<i>Total</i>	67.6%	69.7%	73.3%	58.2%
Underwriting & Admin Expense	21.5%	22.5%	22.9%	24.7%
Combined Operating Ratio	89.1%	92.2%	96.2%	82.9%

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 \$20.2 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. This updated projection to the end of the year has improved by \$0.2 million from the projection provided last month (see the second and third columns in the table). This improvement is largely driven by a \$9.2 million increase in the projected written premium for the year and the associated impacts on earned premium, claims, and expense estimates.

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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	(Sep 2019)	(Aug 2019)		Outlook*
Premium Written	350,008	340,767	9,240	245,869
Premium Earned	313,368	308,923	4,445	239,409
Incurred Losses	224,465	221,515	2,950	164,659
Underwriting & Admin Expense	68,738	67,401	1,338	54,223
Net Result from Operations	20,165	20,008	158	20,528
Ratios:				
Loss ratio - Prior Accident Years	2.1%	2.2%	(0.1%)	(1.5%)
- Current Accident Year	69.5%	69.5%	-	70.2%
<i>Total</i>	71.6%	71.7%	(0.1%)	68.8%
Underwriting & Admin Expense	22.3%	22.2%	0.1%	22.9%
Combined Operating Ratio	93.9%	93.9%	-	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 September 2019 was \$3.4 million, up \$1.8 million from the same month last year. This improvement is composed of a \$0.8 million favourable impact associated with the \$10.6 million increase in earned premium (at a prior combined ratio of 92.2%), with the remaining favourable impact stemming from the overall decrease in the combined ratio (from 92.2% to 89.1% applied to \$30.0 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 97.2% at the end of 8 months to 96.2% at the end of 9 months. The 1.0 percentage point decrease is composed of a 0.8 percentage point decrease in the Prior Accident Years loss ratio, and a 0.2 percentage point decrease 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

September 2019	Actual	Projection	Difference	Difference %
Premium Written	34,918	24,994	9,924	39.7%
Premium Earned	29,993	27,618	2,375	8.6%
Reported Losses				
Paid Losses	14,990	13,338	1,652	12.4%
Change in Outstanding Losses	1,080	1,997	(917)	(45.9%)
Total Reported Losses	16,070	15,335	735	4.8%
Change in IBNR*	4,059	3,649	410	
Change in Premium Deficiency (DPAC)*	(434)	115	(549)	
Change in Retro Claims Expense*	124	(227)	351	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM September 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 September 2019, reported indemnity amounts were \$0.9 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 \$0.7 million*). The Current Accident Year had a \$1.9 million unfavourable variance in reported indemnity, while the Prior Accident Years had a favourable variance of approximately \$1.0 million. Accident Year 2018 had a favourable variance of \$1.3 million. 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 September 2019 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at June 30, 2019 for all jurisdictions and business segments. The actuarial valuation will be updated next as at September 30, 2019 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the October 2019 Participation Report.

Management Comments

As shown in the table below, the private passenger annualized vehicle counts increased by 29.2% overall in September 2019 relative to September 2018. On a year-to-date basis, exposure counts are up by 25.4%, increasing in all jurisdictions except in the northern territories. Note in particular that private passenger counts have more than doubled in Ontario year-to-date, while Nova Scotia has increased 56%.

FARM Private Passenger Written Car Years

# FARM Vehicles Written								
Jurisdiction	Month of September 2019				Calendar YTD as of September 2019			
	2019	2018	Chg	% Chg	2019	2018	Chg	% Chg
Ontario	676	289	388	134.2%	4,994	2,360	2,634	111.6%
Alberta	232	180	53	29.3%	1,303	1,246	57	4.6%
Newfoundland & Labrador	1,070	964	107	11.1%	8,715	7,900	815	10.3%
New Brunswick	565	526	40	7.5%	4,791	4,576	215	4.7%
Nova Scotia	658	540	118	21.9%	5,867	3,761	2,106	56.0%
Prince Edward Island	160	101	59	57.7%	1,046	913	132	14.5%
Yukon	21	10	11	113.8%	111	126	(15)	(12.1%)
Northwest Territories	179	156	23	14.7%	1,315	1,548	(233)	(15.0%)
Nunavut	24	11	13	117.4%	93	93	(0)	(0.4%)
All Jurisdictions	3,586	2,776	810	29.2%	28,236	22,525	5,711	25.4%

Rounding differences may occur

On a rolling 12-month basis to September 2019 (see table on the top of the next page), FARM vehicle counts are up 11.4% across all rating classes (up 22.1% for private passenger, 6.1% 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 38.0%, non-private passenger up 56.4%, for a total increase of 50.5%). The large premium increase relative to count increases reflects changes in mix by rating class and jurisdiction.

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

Business Segment	FA Minor Rating Class Desc	2019 rolling 12 to month 09			% Change in Amount			Change in Amount			2018 rolling 12 to month 09		
		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)	35,110	101,145,842	2,881	22.1%	38.0%	13.0%	6,358	27,863,856	332	28,752	73,281,986	2,549
	Farmer	-	-	-	-	-	-	-	-	-	-	-	-
PPV Total		35,110	101,145,842	2,881	22.1%	38.0%	13.0%	6,358	27,863,856	332	28,752	73,281,986	2,549
non-PPV	Private Passenger (x Farmers)	683	744,216	1,089	30.5%	102.3%	54.9%	160	376,254	386	524	367,962	703
	Commercial	15,237	75,954,056	4,985	28.4%	57.9%	23.0%	3,368	27,852,132	932	11,869	48,101,924	4,053
	Interurban	6,753	99,147,052	14,683	83.7%	117.6%	18.5%	3,076	53,580,239	2,288	3,676	45,566,813	12,395
	Public Bus	1,722	7,908,208	4,593	6.9%	15.4%	8.0%	111	1,055,344	340	1,611	6,852,864	4,253
	Private Bus & Misc Public	1,544	5,804,978	3,761	10.7%	20.4%	8.8%	149	982,139	304	1,395	4,822,839	3,457
	School Bus	1,031	1,653,508	1,603	(3.2%)	6.2%	9.7%	(35)	95,917	142	1,066	1,557,591	1,461
	Hotel & Country Club Bus	619	1,437,527	2,322	8.9%	8.6%	(0.2%)	50	114,348	(5)	569	1,323,179	2,327
	Taxi	4,625	21,412,455	4,630	1.0%	8.0%	6.9%	47	1,577,042	297	4,578	19,835,413	4,333
	Funeral	5	11,633	2,327	150.0%	243.3%	37.3%	3	8,244	632	2	3,389	1,695
	Ambulance	35	133,286	3,854	15.3%	13.0%	(2.0%)	5	15,369	(77)	30	117,917	3,931
	Motorcycle	16,849	11,645,681	691	(12.7%)	(1.7%)	12.5%	(2,454)	(197,368)	77	19,302	11,843,049	614
	All Terrain Vehicle	8,834	3,631,167	411	(6.2%)	(0.4%)	6.2%	(586)	(15,604)	24	9,419	3,646,771	387
	Snow Vehicle	3,966	1,653,074	417	(7.1%)	(5.9%)	1.2%	(302)	(103,679)	5	4,268	1,756,753	412
	Antique	5	5,850	1,114	(21.3%)	(47.9%)	(33.8%)	(1)	(5,370)	(569)	7	11,220	1,683
	Motor Home	247	635,171	2,567	1.9%	7.7%	5.7%	5	45,427	138	243	589,744	2,429
	Trailer Home	-	12,511	12,511	-	2,292.2%	2,292.2%	-	11,988	11,988	-	523	523
	Garage	-	8,700,707	8,700,707	-	20.3%	20.3%	-	1,469,322	1,469,322	-	7,231,385	7,231,385
	Non-Owned	-	323,564	323,564	-	26.3%	26.3%	-	67,352	67,352	-	256,212	256,212
	Drivers Policy	60	69,584	1,160	(17.2%)	(30.3%)	(15.7%)	(13)	(30,182)	(216)	73	99,766	1,376
non-PPV Total		62,214	240,884,228	3,872	6.1%	56.4%	47.4%	3,583	86,898,914	1,246	58,631	153,985,314	2,626
TOTAL		97,324	342,030,070	3,514	11.4%	50.5%	35.1%	9,940	114,762,770	913	87,383	227,267,300	2,601

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 September 2019 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 9 months ended September 30, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 09/2019
(thousands of dollars)

	January	February	March	April	May	June	July	August	September	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	\$34,918	\$276,518	\$350,008	\$254,047
CHANGE IN UNEARNED PREMIUMS	-2,287	3,202	-253	-9,075	-12,613	-11,210	-5,134	-4,554	-4,925	-46,849	-36,639	-37,666
NET PREMIUMS EARNED	\$22,469	\$20,088	\$23,101	\$24,079	\$25,862	\$26,442	\$28,283	\$29,352	\$29,993	\$229,669	\$313,369	\$216,381
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	458	-1,493	625	-1	12,799	10	-9	-6,633	-\$2	5,754	5,755	-14,683
EFFECT OF DISCOUNTING	-150	-286	2,624	-404	3,914	-350	-424	-1,887	-\$550	2,487	866	-9,883
DISCOUNTED	308	-1,779	3,249	-405	16,713	-340	-433	-8,520	-552	8,241	6,621	-24,566
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	14,604	13,486	14,854	15,814	17,161	17,397	18,614	19,782	\$19,792	151,504	206,752	147,959
EFFECT OF DISCOUNTING	761	624	919	764	1,380	976	1,024	1,033	\$1,013	8,494	11,092	5,799
DISCOUNTED	15,365	14,110	15,773	16,578	18,541	18,373	19,638	20,815	20,805	159,998	217,844	153,758
CLAIMS INCURRED	\$15,673	\$12,331	\$19,022	\$16,173	\$35,254	\$18,033	\$19,205	\$12,295	\$20,253	\$168,239	\$224,465	\$129,192
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	2,547	1,746	2,406	3,425	3,995	3,903	3,450	3,502	\$3,589	28,563	36,122	26,218
AGENTS COMMISSIONS	1,875	1,261	1,822	2,373	2,860	2,848	2,542	2,685	\$2,695	20,961	26,826	19,686
DRIVER RECORD ABSTRACTS	102	246	435	151	421	226	520	448	\$168	2,717	3,901	3,093
BAD DEBTS	-2	-4	-2	-10	9	-4	-3	-3	-\$11	-30	-22	-279
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	-143	283	-171	-670	-903	-808	-400	-192	-\$391	-3,395	-2,666	-2,888
EFFECT OF DISCOUNTING	3	-5	-220	16	149	-5	-7	-157	-\$43	-269	-442	-249
DISCOUNTED	-140	278	-391	-654	-754	-813	-407	-349	-434	-3,664	-3,108	-3,137
UNDERWRITING EXPENSES	\$4,382	\$3,527	\$4,270	\$5,285	\$6,531	\$6,160	\$6,102	\$6,283	\$6,007	\$48,547	\$63,719	\$45,581
NET UNDERWRITING GAIN (LOSS)	\$2,414	\$4,230	-\$191	\$2,621	-\$15,923	\$2,249	\$2,976	\$10,774	\$3,733	\$12,883	\$25,185	\$41,608
ADMINISTRATIVE EXPENSES	400	419	391	420	488	445	485	483	\$451	3,982	6,101	5,656
PREMIUM FINANCE FEE	-9	-8	-9	-10	-11	-10	-10	-12	-\$13	-92	-78	-110
INVESTMENT INCOME	106	78	55	57	70	82	101	127	\$112	788	1,161	636
OPERATING RESULTS	\$2,111	\$3,881	-\$536	\$2,248	-\$16,352	\$1,876	\$2,582	\$10,406	\$3,381	\$9,597	\$20,167	\$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%	-1.8%	3.6%	2.1%	-11.4%
Current Accident Year	68.4%	70.2%	68.3%	68.8%	71.7%	69.5%	69.4%	70.9%	69.4%	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%	67.6%	73.3%	71.6%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	19.6%	20.2%	23.7%	27.1%	25.0%	23.3%	23.1%	21.5%	22.9%	22.3%	23.7%
COMBINED OPERATING RATIO	91.1%	80.9%	102.6%	90.8%	163.4%	93.2%	91.2%	65.0%	89.1%	96.2%	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 9 months ended September 30, 2019 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 09/2019
(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	\$83,967	\$110,184	\$25,172	\$4,301	\$20,994	\$26,383	\$1,591	\$3,207	\$719	\$276,518	\$350,008	\$254,047
CHANGE IN UNEARNED PREMIUMS	-8,634	-27,159	-4,594	-572	-2,098	-3,618	-161	-40	27	-46,849	-36,639	-37,666
NET PREMIUMS EARNED	\$75,333	\$83,025	\$20,578	\$3,729	\$18,896	\$22,765	\$1,430	\$3,167	\$746	\$229,669	\$313,369	\$216,381
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	11,300	-5,453	-796	670	-2,771	3,613	247	-958	-98	5,754	5,755	-14,683
EFFECT OF DISCOUNTING	1,450	565	43	19	-132	490	53	-9	8	2,487	866	-9,883
DISCOUNTED	12,750	-4,888	-753	689	-2,903	4,103	300	-967	-90	8,241	6,621	-24,566
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	49,174	47,532	16,315	2,673	14,843	17,893	888	1,859	327	151,504	206,752	147,959
EFFECT OF DISCOUNTING	2,351	3,284	861	162	766	909	52	91	18	8,494	11,092	5,799
DISCOUNTED	51,525	50,816	17,176	2,835	15,609	18,802	940	1,950	345	159,998	217,844	153,758
CLAIMS INCURRED	\$64,275	\$45,928	\$16,423	\$3,524	\$12,706	\$22,905	\$1,240	\$983	\$255	\$168,239	\$224,465	\$129,192
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	8,397	11,899	2,517	428	2,101	2,669	159	321	72	28,563	36,122	26,218
AGENTS COMMISSIONS	6,529	6,809	2,298	398	1,933	2,486	140	308	60	20,961	26,826	19,686
DRIVER RECORD ABSTRACTS	579	242	749	180	467	429	14	52	5	2,717	3,901	3,093
BAD DEBTS	-5	4	-3	0	-2	-23	-1	0	0	-30	-22	-279
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	-519	-1,638	-663	-51	-182	-329	-14	-2	3	-3,395	-2,666	-2,888
EFFECT OF DISCOUNTING	0	0	4	0	0	-273	0	0	0	-269	-442	-249
DISCOUNTED	-519	-1,638	-659	-51	-182	-602	-14	-2	3	-3,664	-3,108	-3,137
UNDERWRITING EXPENSES	\$14,981	\$17,316	\$4,902	\$955	\$4,317	\$4,959	\$298	\$679	\$140	\$48,547	\$63,719	\$45,581
NET UNDERWRITING GAIN (LOSS)	-\$3,923	\$19,781	-\$747	-\$750	\$1,873	-\$5,099	-\$108	\$1,505	\$351	\$12,883	\$25,185	\$41,608
ADMINISTRATIVE EXPENSES	1,055	1,494	386	126	329	401	61	80	50	3,982	6,101	5,656
PREMIUM FINANCE FEE	-25	-43	-9	0	-6	-9	0	0	0	-92	-78	-110
INVESTMENT INCOME	231	286	69	19	68	96	5	11	3	788	1,161	636
OPERATING RESULTS	-\$4,772	\$18,530	-\$1,073	-\$857	\$1,606	-\$5,413	-\$164	\$1,436	\$304	\$9,597	\$20,167	\$36,478
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Years	16.9%	-5.9%	-3.7%	18.5%	-15.4%	18.0%	21.0%	-30.5%	-12.1%	3.6%	2.1%	-11.4%
Current Accident Year	68.4%	61.2%	83.5%	76.0%	82.6%	82.6%	65.7%	61.6%	46.2%	69.7%	69.5%	71.1%
All Accident Years Combined	85.3%	55.3%	79.8%	94.5%	67.2%	100.6%	86.7%	31.1%	34.1%	73.3%	71.6%	59.7%
Underwriting & Admin Exp.(Earned)	21.3%	22.7%	25.7%	29.0%	24.6%	23.5%	25.1%	24.0%	25.5%	22.9%	22.3%	23.7%
COMBINED OPERATING RATIO	106.6%	78.0%	105.5%	123.5%	91.8%	124.1%	111.8%	55.1%	59.6%	96.2%	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