



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO.: F16 – 003**

**DATE: JANUARY 28, 2016**

**SUBJECT: PROVISIONS FOR ADVERSE DEVIATIONS IN FUTURE COSTS**  
**– OCTOBER 2015 FARM PARTICIPATION REPORTS**  
**– OCTOBER 2015 RISK SHARING POOL OPERATIONAL REPORTS**

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

It has been brought to our attention that recent changes to the Minimum Capital Test (MCT) require companies to estimate net premium liabilities less the provision for adverse deviation (PfAD).

While we have not yet been able to add the additional data to our on-line FARM Participation Reports and RSP Operational Reports (provisions for adverse deviations applicable to claims liabilities is already available within these reports), we have attached summary exhibits providing this detail as applies to balances as at October 31, 2015 for each RSP and for the FARM by province, separately for private passenger and non-private passenger. Using these exhibits, by multiplying by the appropriate sharing ratios, companies can calculate net premium liabilities less PfAD for their participation in Facility Association for purposes of their MCT calculations. We are providing balances as at October 31 as this aligns with our year-end, but exhibits related to other periods are available upon request.

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

David J. Simpson, M.B.A., FCIP, C. Dir.  
President & CEO

**Attachment**

FACILITY ASSOCIATION  
RSPs  
Calculation of Current Month Balances  
Amounts in \$000s  
as at: **Oct. 31, 2015**

<b>RSP</b>			ONTARIO	Alberta Grid	Alberta Non-Grid	New Brunswick	Nova Scotia
Unearned Premium	[1]	source data	125,440	69,556	42,321	5,737	8,069
maximum DPAC	[2]	source data	37,933	20,540	12,497	2,013	2,801
Available for Future Costs	[3]	= [1]-[2]	87,507	49,016	29,824	3,724	5,268
<b>Future Costs</b>							
admin costs	[4]	source data	288	181	217	163	153
claims costs	[5]	source data	149,852	50,515	41,181	4,673	7,945
total (nominal)	[6]	= [4]+[5]	150,140	50,696	41,398	4,836	8,098
discount amount	[7]	source data	(4,496)	(858)	(741)	(85)	(135)
investment PfAD	[8]	source data	1,049	252	206	29	47
development PfAD	[9]	= [8]-[10]	22,676	4,867	3,842	510	915
<b>total PfAD</b>	<b>[10]</b>	<b>source data</b>	<b>23,725</b>	<b>5,119</b>	<b>4,048</b>	<b>539</b>	<b>962</b>
Total Future Costs (apv basis)	[11]	= [6]+[7]+[10]	169,369	54,957	44,705	5,290	8,925
M/S premium deficiency / (DPAC)	[12]	= max(0, [11]-[3])- [2]	43,929	(14,599)	2,384	(447)	856

Facility Association  
 FARM  
 Calculation of Current Month Balances  
 Amounts in \$000s  
 as at: **201510** (Share YYYYMM)

<b>Private Passenger</b>		Ontario	Alberta	Newfoundland & Labrador	New Brunswick	Nova Scotia	Prince Edward Island	Yukon	Northwest Territories	Nunavut
unearned premium (UP)	[1] source data	6,752	5,990	11,691	6,942	3,742	1,498	447	1,531	480
maximum DPAC (commission)	[2] source data	358	641	1,181	729	400	160	48	166	52
M/S deferrable premium tax	[3] source data	203	180	467	208	149	52	9	46	15
Available for Future Costs	[4] =[1]-[2]-[3]	6,191	5,169	10,043	6,005	3,193	1,286	390	1,319	413
<b>Future Costs</b>										
admin costs	[5] source data	81	72	141	83	45	18	6	19	6
claims indemnity	[6] source data	3,140	3,531	7,750	4,058	2,134	725	384	606	147
claims expense	[7] source data	972	584	1,410	878	474	182	57	151	48
total (nominal)	[8] =[5]+[6]+[7]	4,193	4,187	9,301	5,019	2,653	925	447	776	201
discount amount	[9] source data	(69)	(95)	(163)	(89)	(47)	(17)	(14)	(14)	(4)
investment PfAD	[10] source data	19	24	46	24	13	4	4	4	1
development PfAD	[11] =[10]-[12]	356	357	690	357	214	79	44	59	15
<b>total PfAD</b>	<b>[12] source data</b>	<b>375</b>	<b>381</b>	<b>736</b>	<b>381</b>	<b>227</b>	<b>83</b>	<b>48</b>	<b>63</b>	<b>16</b>
Total Future Costs (apv basis)	[13] =[8]+[9]+[12]	4,499	4,473	9,874	5,311	2,833	991	481	825	213
M/S premium deficiency / (DPAC)	[14] =max(0,[13]-[4])-2	(358)	(641)	(1,181)	(729)	(400)	(160)	43	(166)	(52)
<b>Non Private Passenger</b>										
unearned premium (UP)	[15] source data	15,695	28,816	3,659	4,110	5,093	1,002	671	658	488
maximum DPAC (commission)	[16] source data	989	2,391	274	316	382	79	54	53	39
M/S deferrable premium tax	[17] source data	470	864	147	123	204	35	13	20	15
Available for Future Costs	[18] =[15]-[16]-[17]	14,236	25,561	3,238	3,671	4,507	888	604	585	434
<b>Future Costs</b>										
admin costs	[19] source data	189	346	43	50	61	12	8	7	6
claims indemnity	[20] source data	8,338	15,960	3,801	1,947	2,789	557	379	194	197
claims expense	[21] source data	2,260	2,809	442	519	645	122	87	64	48
total (nominal)	[22] =[19]+[20]+[21]	10,787	19,115	4,286	2,516	3,495	691	474	265	251
discount amount	[23] source data	(241)	(288)	(79)	(39)	(61)	(9)	(12)	(4)	(4)
investment PfAD	[24] source data	67	80	23	10	17	3	3	1	1
development PfAD	[25] =[24]-[26]	1,061	1,426	343	164	285	51	41	17	19
<b>total PfAD</b>	<b>[26] source data</b>	<b>1,128</b>	<b>1,506</b>	<b>366</b>	<b>174</b>	<b>302</b>	<b>54</b>	<b>44</b>	<b>18</b>	<b>20</b>
Total Future Costs (apv basis)	[27] =[22]+[23]+[26]	11,674	20,333	4,573	2,651	3,736	736	506	279	267
M/S premium deficiency / (DPAC)	[28] =max(0,[27]-[18])-16	(989)	(2,391)	1,061	(316)	(382)	(79)	(54)	(53)	(39)
<b>Private Passenger &amp; Non Private Passenger</b>										
<b>total PfAD</b>	<b>[29] =[12]+[26]</b>	<b>1,503</b>	<b>1,887</b>	<b>1,102</b>	<b>555</b>	<b>529</b>	<b>137</b>	<b>92</b>	<b>81</b>	<b>36</b>