



**TO:** MEMBERS OF THE FACILITY ASSOCIATION  
**ATTENTION:** CHIEF EXECUTIVE OFFICER  
**BULLETIN NO.:** F16 – 051  
**DATE:** JULY 28, 2016  
**SUBJECT:** FARM – MAY 2016 PARTICIPATION REPORT

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

Please be advised that the May 2016 FARM Participation Report is now available on the Facility Association Portal at <https://portal.facilityassociation.com>.

#### **New This Month**

##### *Annual Update of Member Sharing Ratios*

The May 2016 FARM Participation Report reflects the annual update of member sharing ratios for Accident Years 2013, 2014, 2015, 2016 and 2017. Please refer to Bulletin [F16-056](#) for additional information.

##### *Redistribution of Member Funds*

The Participation Report for May 2016 reflects the effect of a redistribution of Member Funds. This balance is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions. *Note: All balances due to/from Facility Association are to be settled on or before August 23, 2016.* Please see “Redistribution of Member Funds” on page 7.

##### *FARM exposure to Fort McMurray Fires*

Based on Servicing Carrier responses to management’s request for information related to FARM claims arising from the Fort McMurray fires, we anticipate the total claims amount to be **less than \$3 million**. Given the loss ratio matching approach, the operating impact will not be formally reflected in net operating results until completion of the FARM 2016 Q2 valuation (expected to be implemented with the August Participation Report, to be released in October 2016).

##### *Valuation*

An actuarial valuation as at March 31, 2016 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

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

Participation Report. In addition, projected cash flows for all jurisdictions were updated along with the estimated risk-free yield curve, resulting in a decrease from 0.81% to 0.75% in the selected discount rate used in determining actuarial present value adjustments. Margins for adverse deviation were left unchanged for both investment return and claims development.

The incorporation of the new valuation, including the discount rate changes, is estimated to account for an overall **\$5.4 million unfavourable** impact on the month's net result from operations (see the table immediately below), adding an estimated 7.3 points to the year-to-date Combined Operating Ratio (ending at 95.8%). The estimated calendar year Net Result from Operations to December 2016 is \$14.1 million and the estimated combined operating ratio to December 2016 is 92.4%. The updated projection to the end of calendar year 2016 has deteriorated by \$5.4 million as compared to the projection provided last month (\$19.5 million and 89.4%), mainly as a result of the implementation this month of the March 31, 2016 valuation.

Grand Total	unfav / (fav)						ytd EP 73,884 (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	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
PAYs	4,274	288	4,562	586	-	5,148	5.8%	0.4%	6.2%	0.8%	-	7.0%
CAY	11	(2)	9	76	-	85	-	-	-	0.1%	-	0.1%
Prem Def	75	45	120	15	-	135	0.1%	0.1%	0.2%	-	-	0.2%
<b>TOTAL</b>	<b>4,360</b>	<b>331</b>	<b>4,691</b>	<b>677</b>	<b>-</b>	<b>5,368</b>	<b>5.9%</b>	<b>0.4%</b>	<b>6.3%</b>	<b>0.9%</b>	<b>-</b>	<b>7.3%</b>

Please see “Effect of Quarterly Valuation” further in this bulletin for additional detail on the impacts of the updated valuation.

**Summary of Financial Results**

The calendar year-to-date Net Result from Operations is \$3.1 million and the incurred loss ratio to the end of 5 months is 72.6%, as summarized in the table immediately below.

Amounts in \$000s	May 2016	May 2015	Year to date May 2016	Year to Date May 2015
Written Premiums	21,139	22,159	71,560	80,565
Earned Premiums	15,134	16,540	73,884	81,028
Incurred Losses	15,700	10,903	53,615	56,361
Underwriting Expenses and Others	4,303	5,442	17,138	18,613
<b>Net Result from Operations</b>	<b>(4,869)</b>	<b>195</b>	<b>3,131</b>	<b>6,054</b>
<b>Ratios:</b>				
<b>Loss ratio % - Prior Accident Year</b>	30.6%	(18.6%)	(0.4%)	(4.7%)
<b>- Current Accident Years</b>	73.1%	84.5%	73.0%	74.2%
<b>Total</b>	<b>103.7%</b>	<b>65.9%</b>	<b>72.6%</b>	<b>69.5%</b>
<b>Underwriting &amp; Admin Exp.%</b>	<b>28.5%</b>	<b>33.0%</b>	<b>23.2%</b>	<b>23.0%</b>
<b>Combined Operating Ratio</b>	<b>132.2%</b>	<b>98.9%</b>	<b>95.8%</b>	<b>92.5%</b>

*Rounding differences may occur*

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

For details on the financial results, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2016 - 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 2016

This month, the estimated calendar year Net Result from Operations to December 2016 is \$14.1 million and the estimated combined operating ratio to December 2016 is 92.4%. The updated projection to the end of calendar year 2016 has deteriorated by \$5.4 million as compared to the projection provided last month (\$19.5 million and 89.4%), mainly as a result of the \$5.1 million impact of the implementation this month of the March 31, 2016 valuation, as summarized in the table immediately below. Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

Grand Total	unfav / (fav) projected for full year						year EP 180,722 (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
PAYs	4,274	137	4,411	499	-	4,910	2.4%	0.1%	2.4%	0.3%	-	2.7%
CAY	54	(81)	(27)	155	-	128	-	-	-	0.1%	-	0.1%
Prem Def	39	24	63	15	-	78	-	-	-	-	-	-
TOTAL	4,367	80	4,447	669	-	5,116	2.4%	-	2.5%	0.4%	-	2.8%

The updated year-end projections are shown against the October 28, 2015 Outlook in the table immediately below, with the estimated impact of implementing the current valuation in the two far right columns. In particular, with three valuations (2015 Q3 & Q4, and 2016 Q1) and other changes since August 2015 (the actuals used in the Outlook), **the projected \$12.4 million operating result has been increased to \$14.1 million.**

\$000s	Outlook Posted October 28, 2015			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 2016
Ontario	45,033	2,790	94.0%	39,496	5,913	85.2%	(5,460)	(5,150)
Alberta	70,498	7,300	89.8%	62,026	10,127	83.8%	2,594	2,834
Newfoundland & Labrador	28,662	(3,666)	112.9%	28,173	(3,453)	112.3%	(606)	(691)
New Brunswick	20,601	2,010	90.4%	20,668	1,257	94.0%	(1,307)	(1,349)
Nova Scotia	16,312	1,584	90.4%	17,043	(968)	105.8%	(910)	(999)
Prince Edward Island	4,520	307	93.3%	4,823	988	79.5%	86	88
Yukon	2,163	221	89.9%	2,106	96	95.6%	341	365
Northwest Territories	5,159	1,430	72.3%	4,801	(649)	113.6%	(227)	(285)
Nunavut	1,631	457	72.1%	1,586	755	52.4%	121	71
TOTAL	194,579	12,432	93.7%	180,722	14,066	92.3%	(5,368)	(5,116)

In total, the operating result projection to year-end has increased by \$1.6 million from the Outlook posted October 28, 2015 (to \$14.1 million as shown above). This amount is \$5.1 million lower than it would have been, if not for the implementation of the March 31, 2016 valuation. (The changes before the impact of the March 31, 2016 valuation are attributable to mix of business and other projection assumptions outside of the valuation process, as well as the previous valuations

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

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implemented since the valuation used for the Outlook.)

One important change relative to the Outlook has been the reduction in the discount rate (the interest rate margin for adverse deviation remained consistent at 25 basis points). Had the Outlook discount rate of 1.07% still been applicable, the operating result would have been higher by \$3.1 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately \$17.2 million (COR of 91.2%) had the discount rate and associated margin remained at the Outlook levels.

Current month results

The Net Result from Operations in the month of May 2016 is -\$4.9 million, down \$5.1 million from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 98.9% to 132.2% applied to \$15.1 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 86.4% at the end of 4 months to 95.8% at the end of 5 months. The 9.4 percentage point increase is composed of an 8.0 percentage point increase in the Prior Accident Year loss ratio, coupled with a 0.1 percentage point increase in the Current Accident Year loss ratio, and a 1.3 percentage point increase in the expense ratio.

Variances from Projections

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

<b>May 2016</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premiums	21,139	21,775	(636)	(2.9%)
Earned Premiums	15,134	15,769	(635)	(4.0%)
Reported Losses				
Paid Losses	9,577	9,972	(395)	(4.0%)
Change in Outstanding Losses	(2,417)	(673)	(1,744)	(259.1%)
<b>Total Reported Losses</b>	<b>7,160</b>	<b>9,299</b>	<b>(2,139)</b>	<b>(23.0%)</b>
Change in IBNR *	7,964	2,299	5,665	
Change in Premium Deficiency (DPAC) *	(229)	(410)	181	
Change in Retro Claims Expense *	576	(700)	1,276	

(Amounts in \$000's)

Rounding differences may occur

\* Detailed information is included in [FARM May 2016 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 actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably.

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

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Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of May 2016, reported indemnity amounts were \$1.4 million lower than projected (*allowed claims expenses are included in table above as part of reported losses, explaining why the variance in Total Reported Losses in the table shows \$2.1 million*). The Current Accident Year had a \$1.5 million unfavourable variance in reported indemnity, and the Prior Accident Years had a favourable variance of \$2.9 million. Of the Prior Accident Years, 2015 had the largest variance in reported losses at \$1.6 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.

**Effect of Quarterly Valuation**

The May 2016 Participation Report reflects the results of an updated valuation as at March 31, 2016, with the associated impacts in relation to the results for May 2016 summarized in the table immediately below.

Grand Total	unfav / (fav)						mth EP 15,134 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth 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	
PAYs	4,274	288	4,562	586	-	5,148	28.2%	1.9%	30.1%	3.9%	-	34.0%
CAY	11	(2)	9	76	-	85	0.1%	-	0.1%	0.5%	-	0.6%
Prem Def	75	45	120	15	-	135	0.5%	0.3%	0.8%	0.1%	-	0.9%
TOTAL	4,360	331	4,691	677	-	5,368	28.8%	2.2%	31.0%	4.5%	-	35.5%

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 0.81% to 0.75%. The investment return margin for adverse deviation was left unchanged at 25 basis points, and the selected claims development margins<sup>1</sup> were also left unchanged.

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 [4] to [9] in that table, the estimated impacts are in relation to a full year estimated earned premium, and are not “year-to-date”.)

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<sup>1</sup> Claims development margins are selected by jurisdiction, business segment, coverage, and accident half-year.

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

*March 31, 2016 Valuation Summary (Indemnity Only)*

Valuation Summary (Nominal Basis)										unfavourable / (favourable)
Jurisdiction	2015 & Prior Beginning Indemnity Unpaid (000s)	2015 & Prior Accident Year Indemnity Change (000s)	% of Beginning Unpaid	2016 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2016 Earned Prem (000s)	2017 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2017 Proj Earned Prem (000s)	
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	
<b>Ontario</b>	<b>116,234</b>	<b>4,340</b>	<b>3.7%</b>	<b>49.9%</b>	<b>(0.7%)</b>	<b>(277)</b>	<b>52.1%</b>	<b>0.0%</b>	-	
PPV	50,263	3,306	6.6%	44.7%	(0.8%)	(97)	49.0%	0.0%	-	
Non-PPV	65,971	1,034	1.6%	52.2%	(0.7%)	(192)	53.5%	0.1%	27	
<b>Alberta</b>	<b>90,789</b>	<b>(2,326)</b>	<b>(2.6%)</b>	<b>55.5%</b>	<b>(0.7%)</b>	<b>(446)</b>	<b>56.4%</b>	<b>0.1%</b>	<b>64</b>	
PPV	26,777	(999)	(3.7%)	59.8%	(0.2%)	(21)	60.7%	0.3%	31	
Non-PPV	64,012	(1,327)	(2.1%)	54.7%	(0.8%)	(427)	55.6%	0.1%	54	
<b>Newfoundland &amp; Labrador</b>	<b>55,110</b>	<b>247</b>	<b>0.4%</b>	<b>75.4%</b>	<b>1.3%</b>	<b>368</b>	<b>74.1%</b>	<b>0.5%</b>	<b>143</b>	
PPV	37,021	299	0.8%	67.0%	1.0%	212	67.0%	0.0%	-	
Non-PPV	18,089	(52)	(0.3%)	100.4%	1.3%	92	93.6%	(0.1%)	(8)	
<b>New Brunswick</b>	<b>27,776</b>	<b>1,016</b>	<b>3.7%</b>	<b>53.6%</b>	<b>0.7%</b>	<b>145</b>	<b>55.5%</b>	<b>0.2%</b>	<b>42</b>	
PPV	17,069	1,141	6.7%	57.4%	0.4%	53	60.5%	0.0%	-	
Non-PPV	10,707	(125)	(1.2%)	47.0%	1.0%	76	46.5%	0.0%	-	
<b>Nova Scotia</b>	<b>25,180</b>	<b>631</b>	<b>2.5%</b>	<b>56.4%</b>	<b>0.8%</b>	<b>138</b>	<b>55.6%</b>	<b>(0.1%)</b>	<b>(18)</b>	
PPV	13,149	403	3.1%	59.1%	0.6%	43	60.1%	0.1%	8	
Non-PPV	12,031	228	1.9%	54.5%	1.0%	101	52.5%	0.0%	-	
<b>Prince Edward Island</b>	<b>5,689</b>	<b>(96)</b>	<b>(1.7%)</b>	<b>48.9%</b>	<b>(0.1%)</b>	<b>(5)</b>	<b>47.7%</b>	<b>0.0%</b>	<b>-</b>	
PPV	3,386	(36)	(1.1%)	45.7%	(0.3%)	(9)	43.5%	0.0%	-	
Non-PPV	2,303	(60)	(2.6%)	53.8%	0.3%	6	54.0%	0.0%	-	
<b>Yukon Territory</b>	<b>3,789</b>	<b>(280)</b>	<b>(7.4%)</b>	<b>53.8%</b>	<b>(1.4%)</b>	<b>(30)</b>	<b>54.9%</b>	<b>(0.1%)</b>	<b>(2)</b>	
PPV	2,598	(226)	(8.7%)	64.3%	(0.2%)	(2)	61.0%	(0.1%)	(1)	
Non-PPV	1,191	(54)	(4.5%)	47.1%	(1.9%)	(25)	51.0%	0.0%	-	
<b>Northwest Territories</b>	<b>6,182</b>	<b>148</b>	<b>2.4%</b>	<b>40.8%</b>	<b>1.7%</b>	<b>83</b>	<b>40.0%</b>	<b>(0.5%)</b>	<b>(24)</b>	
PPV	4,287	150	3.5%	45.5%	3.0%	106	44.0%	0.0%	-	
Non-PPV	1,895	(2)	(0.1%)	28.8%	(0.7%)	(10)	30.5%	0.0%	-	
<b>Nunavut</b>	<b>1,694</b>	<b>(125)</b>	<b>(7.4%)</b>	<b>38.9%</b>	<b>4.3%</b>	<b>69</b>	<b>35.8%</b>	<b>0.3%</b>	<b>5</b>	
PPV	692	(63)	(9.1%)	29.6%	0.6%	5	29.1%	0.0%	-	
Non-PPV	1,002	(62)	(6.2%)	48.1%	7.9%	64	42.2%	0.0%	-	
<b>Total</b>	<b>332,443</b>	<b>3,555</b>	<b>1.1%</b>	<b>56.5%</b>	<b>0.0%</b>	<b>-</b>	<b>57.2%</b>	<b>0.2%</b>	<b>368</b>	

The overall **impact of implementing the valuation** on the results of the Month of May is estimated as **unfavourable by \$5.4 million**, as summarized in the table immediately below. In that table, column [1] shows indemnity only, and is therefore comparable to the valuation summary table above (columns [2], [6] and a portion of [9] in the valuation summary table are comparable to the first row of column [1] in the table below). Differences will emerge due to the differences between data available at March 31, 2016 (used for the valuation) and available for implementation (May 31, 2016). In addition, column [6] of the valuation summary table above estimates the impact of the change in selected current accident year indemnity loss ratio against projected full year 2016 earned premium, whereas the current accident year row, column [1] in the implementation impact table immediately below applies the change to year-to-date earned premium at May 31, 2016.

**Implementation Impact - relative to projection for month of May 2016** (negative values are favourable)

\$000s	indemnity	retroactive claims fee	allowed claims expenses	nominal total	actuarial present value	Grand Total
	[1]	[2]	[3]	[4]	[5]	[6]
prior accident years (1994-2015)	3,672	602	-	4,274	874	5,148
current accident year claims incurred	(13)	24	-	11	74	85
premium deficiency / (DPAC)	75			75	60	135
<b>TOTAL</b>	<b>3,734</b>	<b>626</b>	<b>-</b>	<b>4,360</b>	<b>1,008</b>	<b>5,368</b>

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

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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.

Grand Total	unfav / (fav)						ytd EP 73,884 (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
PAYs	4,274	288	4,562	586	-	5,148	5.8%	0.4%	6.2%	0.8%	-	7.0%
CAY	11	(2)	9	76	-	85	-	-	-	0.1%	-	0.1%
Prem Def	75	45	120	15	-	135	0.1%	0.1%	0.2%	-	-	0.2%
TOTAL	4,360	331	4,691	677	-	5,368	5.9%	0.4%	6.3%	0.9%	-	7.3%

The overall impact *prior to* the 6 basis point decrease in the discount rate (to 0.75%) and changes to margins for adverse deviation was unfavourable by \$4.7 million (Total row, third column in the table above). This was augmented by the \$0.7 million unfavourable impact of the discount rate change (Total row, fourth column). Finally, as there were no changes to the selected margins for adverse deviation, there was no associated impact (fifth column in the table above).

Additional detail of the valuation results and impact is available in the [FARM May 2016 Participation Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights FARM as at March 31, 2016](#).

The actuarial valuation will be updated next as at June 30, 2016 for all jurisdictions and business segments. The results are anticipated to be reflected in the August 2016 Participation Report.

**Redistribution of Member Funds**

Facility Association monitors the level of policy liability-related funds attributable to each jurisdiction, business segment, and accident year. Throughout the year, adjustments are made to the fund levels to reflect claims payment activity and policy liability changes since the previous adjustment. Generally, these adjustments will result in payments being made to members in respect of the most recent accident periods, while payments from Members would be required for the older accident periods. Because Members’ share ratios vary by jurisdiction, business segment and accident year, each such review is likely to result in payments to and from Members, even when the aggregate adjustment is \$0. This process is referred to below as “redistribution” of previously transferred amounts.

The redistribution of previously transferred funds is in effect transferring funds to Members in respect of policies written in the last 12 to 24 months, and transferring funds to Facility Association in respect of claims and expenses paid on policies written in prior periods. The aggregate effect of this redistribution is \$0 for Facility Association in total.

The amount due to or from Facility Association for your company as a result of this adjustment will depend on your company’s share of the Residual Market in each jurisdiction, as well as differences in share ratios by business segment and accident year, as per the Participation Report attached.

**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

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The Participation Report for May 2016 reflects the effect of the redistribution of Member Funds. This balance is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions. *Note: All balances due to/from Facility Association are to be settled on or before August 23, 2016.*

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 in the table immediately below.

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

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	(1,013)	797	(217)
Alberta	(890)	1,446	555
Newfoundland & Labrador	(1,217)	(796)	(2,012)
New Brunswick	24	655	679
Nova Scotia	10	382	392
Prince Edward Island	136	240	375
Yukon	43	92	135
Northwest Territories	(36)	90	54
Nunavut	(15)	53	38
TOTAL	(2,959)	2,959	-

**Management Comments**

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 5.8% overall in May 2016 relative to May 2015. On a year-to-date basis, exposure counts are down by 6.0%, decreasing in all jurisdictions except Nova Scotia.



**Bulletin F16-051**  
**FARM – May 2016 Participation Report**

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*FARM Private Passenger Written Car Years*

# FARM Vehicles Written								
Jurisdiction	Month of May 2016				Calendar YTD as of May 2016			
	2016	2015	Chg	% Chg	2016	2015	Chg	% Chg
Ontario	220	226	(6)	(2.7%)	775	896	(121)	(13.5%)
Alberta	335	486	(151)	(31.1%)	1,041	1,508	(467)	(31.0%)
Newfoundland & Labrador	1,098	1,092	6	0.5%	4,480	4,544	(64)	(1.4%)
New Brunswick	711	738	(27)	(3.7%)	3,152	3,236	(84)	(2.6%)
Nova Scotia	368	360	8	2.2%	1,588	1,475	113	7.7%
Prince Edward Island	159	169	(10)	(5.9%)	654	682	(28)	(4.1%)
Yukon	30	29	1	3.4%	112	173	(61)	(35.3%)
Northwest Territories	213	203	10	4.9%	1,045	1,095	(50)	(4.6%)
Nunavut	41	66	(25)	(37.9%)	193	264	(71)	(26.9%)
<b>All Jurisdictions</b>	<b>3,175</b>	<b>3,369</b>	<b>(194)</b>	<b>(5.8%)</b>	<b>13,040</b>	<b>13,873</b>	<b>(833)</b>	<b>(6.0%)</b>

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

**Related link:**

[FARM May 2016 Participation Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights FARM as at March 31, 2016](#)

[Actuarial Quarterly Valuation Highlights – FARM Summary Exhibits](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2016**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 5 months ended May 31, 2016 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 05/2016**  
(thousands of dollars)

	January	February	March	April	May	CY2016 YTD	CY2016 12 Months Updated Projections	CY2015 12 Months Actual
<b>UNDERWRITING REVENUE:</b>								
PREMIUMS WRITTEN	\$11,014	\$10,437	\$12,647	\$16,323	\$21,139	\$71,560	\$181,083	\$189,847
CHANGE IN UNEARNED PREMIUMS	4,378	3,624	2,270	(1,943)	(6,005)	2,324	(361)	6,085
<b>NET PREMIUMS EARNED</b>	<b>\$15,392</b>	<b>\$14,061</b>	<b>\$14,917</b>	<b>\$14,380</b>	<b>\$15,134</b>	<b>\$73,884</b>	<b>\$180,722</b>	<b>\$195,932</b>
<b>CLAIMS INCURRED</b>								
PRIOR ACCIDENT YEARS								
UNDISCOUNTED	(201)	70	(2,552)	(2)	4,266	1,581	1,580	(15,364)
EFFECT OF DISCOUNTING	(575)	(797)	(288)	(592)	368	(1,884)	(6,729)	(4,171)
DISCOUNTED	(776)	(727)	(2,840)	(594)	4,634	(303)	(5,149)	(19,535)
CURRENT ACCIDENT YEAR								
UNDISCOUNTED	10,458	9,614	10,300	9,851	10,354	50,577	123,645	138,707
EFFECT OF DISCOUNTING	813	664	622	530	712	3,341	7,001	8,047
DISCOUNTED	11,271	10,278	10,922	10,381	11,066	53,918	130,646	146,754
<b>CLAIMS INCURRED</b>	<b>\$10,495</b>	<b>\$9,551</b>	<b>\$8,082</b>	<b>\$9,787</b>	<b>\$15,700</b>	<b>\$53,615</b>	<b>\$125,497</b>	<b>\$127,219</b>
<b>UNDERWRITING EXPENSES</b>								
OPERATING & SERVICE FEES	1,170	1,059	1,381	1,666	2,156	7,432	18,565	19,838
AGENTS COMMISSIONS	899	873	1,083	1,366	1,706	5,927	15,246	15,658
DRIVER RECORD ABSTRACTS	175	148	396	147	291	1,157	2,735	3,187
BAD DEBTS	(7)	(4)	1	190	(5)	175	178	(579)
PREMIUM DEFICIENCY/(DPAC)								
UNDISCOUNTED	336	277	178	(144)	(316)	331	(91)	292
EFFECT OF DISCOUNTING	(16)	(5)	4	1	87	71	60	(230)
DISCOUNTED	320	272	182	(143)	(229)	402	(31)	62
<b>UNDERWRITING EXPENSES</b>	<b>\$2,557</b>	<b>\$2,348</b>	<b>\$3,043</b>	<b>\$3,226</b>	<b>\$3,919</b>	<b>\$15,093</b>	<b>\$36,693</b>	<b>\$38,166</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$2,340</b>	<b>\$2,162</b>	<b>\$3,792</b>	<b>\$1,367</b>	<b>(\$4,485)</b>	<b>\$5,176</b>	<b>\$18,532</b>	<b>\$30,547</b>
ADMINISTRATIVE EXPENSES	364	320	607	399	391	2,081	4,646	5,085
PREMIUM FINANCE FEE	(10)	(9)	(9)	(9)	(9)	(46)	(36)	(108)
INVESTMENT INCOME	17	16	18	15	16	82	216	260
<b>OPERATING RESULTS</b>	<b>\$1,983</b>	<b>\$1,849</b>	<b>\$3,194</b>	<b>\$974</b>	<b>(\$4,869)</b>	<b>\$3,131</b>	<b>\$14,066</b>	<b>\$25,614</b>
<b>RATIOS:</b>								
Claims & Adj Expenses Incurred (Earned)								
Prior Accident Year	-5.0%	-5.2%	-19.0%	-4.1%	30.6%	-0.4%	-2.8%	-10.0%
Current Accident Years	73.2%	73.1%	73.2%	72.2%	73.1%	73.0%	72.3%	74.9%
All Accident Years Combined	68.2%	67.9%	54.2%	68.1%	103.7%	72.6%	69.5%	64.9%
Underwriting & Admin Exp.(Earned)	19.0%	19.0%	24.5%	25.2%	28.5%	23.2%	22.9%	22.1%
COMBINED OPERATING RATIO	87.2%	86.9%	78.7%	93.3%	132.2%	95.8%	92.4%	87.0%

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 2016**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS**  
**Operating Results for the 5 months ended May 31, 2016 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 05/2016**  
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2016 12 Months Updated Projections	CY2015 12 Months Actual
<b>UNDERWRITING REVENUE:</b>												
PREMIUMS WRITTEN	\$22,297	\$17,335	\$7,137	\$1,907	\$8,357	\$11,269	\$777	\$2,094	\$387	\$71,560	\$181,083	\$189,847
CHANGE IN UNEARNED PREMIUMS	3,197	(1,028)	(294)	15	26	205	65	(114)	252	2,324	(361)	6,085
<b>NET PREMIUMS EARNED</b>	<b>\$25,494</b>	<b>\$16,307</b>	<b>\$6,843</b>	<b>\$1,922</b>	<b>\$8,383</b>	<b>\$11,474</b>	<b>\$842</b>	<b>\$1,980</b>	<b>\$639</b>	<b>\$73,884</b>	<b>\$180,722</b>	<b>\$195,932</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(2,136)	629	1,424	(454)	512	325	56	1,583	(358)	1,581	1,580	(15,364)
EFFECT OF DISCOUNTING	(1,086)	(500)	45	(19)	(27)	(388)	4	116	(29)	(1,884)	(6,729)	(4,171)
DISCOUNTED	(3,222)	129	1,469	(473)	485	(63)	60	1,699	(387)	(303)	(5,149)	(19,535)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	16,703	10,552	4,735	1,158	5,540	10,009	547	1,024	309	50,577	123,645	138,707
EFFECT OF DISCOUNTING	1,076	909	257	75	329	581	39	54	21	3,341	7,001	8,047
DISCOUNTED	17,779	11,461	4,992	1,233	5,869	10,590	586	1,078	330	53,918	130,646	146,754
<b>CLAIMS INCURRED</b>	<b>\$14,557</b>	<b>\$11,590</b>	<b>\$6,461</b>	<b>\$760</b>	<b>\$6,354</b>	<b>\$10,527</b>	<b>\$646</b>	<b>\$2,777</b>	<b>(\$57)</b>	<b>\$53,615</b>	<b>\$125,497</b>	<b>\$127,219</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	2,240	1,882	724	191	844	1,197	88	218	48	7,432	18,565	19,838
AGENTS COMMISSIONS	1,926	1,022	630	181	796	1,055	70	209	38	5,927	15,246	15,658
DRIVER RECORD ABSTRACTS	342	67	259	73	173	147	15	75	6	1,157	2,735	3,187
BAD DEBTS	(2)	193	(1)	0	0	(15)	0	0	0	175	178	(579)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	289	(65)	(27)	2	6	102	8	(9)	25	331	(91)	292
EFFECT OF DISCOUNTING	0	0	0	0	0	71	0	0	0	71	60	(230)
DISCOUNTED	289	(65)	(27)	2	6	173	8	(9)	25	402	(31)	62
<b>UNDERWRITING EXPENSES</b>	<b>\$4,795</b>	<b>\$3,099</b>	<b>\$1,585</b>	<b>\$447</b>	<b>\$1,819</b>	<b>\$2,557</b>	<b>\$181</b>	<b>\$493</b>	<b>\$117</b>	<b>\$15,093</b>	<b>\$36,693</b>	<b>\$38,166</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$6,142</b>	<b>\$1,618</b>	<b>(\$1,203)</b>	<b>\$715</b>	<b>\$210</b>	<b>(\$1,610)</b>	<b>\$15</b>	<b>(\$1,290)</b>	<b>\$579</b>	<b>\$5,176</b>	<b>\$18,532</b>	<b>\$30,547</b>
ADMINISTRATIVE EXPENSES	585	483	213	75	244	316	47	80	38	2,081	4,646	5,085
PREMIUM FINANCE FEE	(15)	(15)	(5)	0	(5)	(6)	0	0	0	(46)	(36)	(108)
INVESTMENT INCOME	22	30	6	2	8	14	0	0	0	82	216	260
<b>OPERATING RESULTS</b>	<b>\$5,564</b>	<b>\$1,150</b>	<b>(\$1,415)</b>	<b>\$642</b>	<b>(\$31)</b>	<b>(\$1,918)</b>	<b>(\$32)</b>	<b>(\$1,370)</b>	<b>\$541</b>	<b>\$3,131</b>	<b>\$14,066</b>	<b>\$25,614</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-12.6%	0.8%	21.5%	-24.6%	5.8%	-0.5%	7.1%	85.8%	-60.6%	-0.4%	-2.8%	-10.0%
Current Accident Years	69.7%	70.3%	73.0%	64.2%	70.0%	92.3%	69.6%	54.4%	51.6%	73.0%	72.3%	74.9%
All Accident Years Combined	57.1%	71.1%	94.5%	39.6%	75.8%	91.8%	76.7%	140.2%	-9.0%	72.6%	69.5%	64.9%
Underwriting & Admin Exp.(Earned)	21.1%	22.0%	26.3%	27.2%	24.6%	25.0%	27.1%	28.9%	24.3%	23.2%	22.9%	22.1%
COMBINED OPERATING RATIO	78.2%	93.1%	120.8%	66.8%	100.4%	116.8%	103.8%	169.1%	15.3%	95.8%	92.4%	87.0%

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.

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