

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO.: F16 – 079

DATE: OCTOBER 27, 2016

SUBJECT: FARM – AUGUST 2016 PARTICIPATION REPORT

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

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

New This Month

Valuation

An actuarial valuation as at June 30, 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 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 0.75% to 0.69% in the selected discount rate used in determining actuarial present value adjustments, but the associated margin for adverse deviation for investment return was left unchanged at 25 basis points. As per our usual process with the June 30 valuation, margins for adverse deviation for claims development were reviewed and updated as deemed appropriate at the jurisdiction, business segment, coverage, and accident half-year level.

The incorporation of the new valuation, including the discount rate changes, is estimated to account for an overall **\$8.8 million favourable** impact on the month's net result from operations (see the table at the top of the next page), subtracting an estimated 7.3 points to the year-to-date Combined Operating Ratio (ending at 87.1%).

Grand Total	unfav / (fav)						ytd EP 119,562 (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	(9,183)	(843)	(10,026)	514	(1,083)	(10,595)	(7.7%)	(0.7%)	(8.4%)	0.4%	(0.9%)	(8.9%)
CAY	1,602	133	1,735	106	-	1,841	1.3%	0.1%	1.5%	0.1%	-	1.5%
Prem Def	(130)	80	(50)	18	-	(32)	(0.1%)	0.1%	-	-	-	-
TOTAL	(7,711)	(630)	(8,341)	638	(1,083)	(8,786)	(6.4%)	(0.5%)	(7.0%)	0.5%	(0.9%)	(7.3%)

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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 Operating Results is \$15.6 million and the incurred loss ratio to the end of 8 months is 63.6%, as summarized in the table immediately below.

Amounts in \$000s	August 2016	August 2015	Year to date Aug 2016	Year to Date Aug 2015
Premiums Written	14,676	16,041	121,720	136,056
Premiums Earned	15,329	16,957	119,564	131,272
Claims and Adj. Expenses Incurred	1,887	1,728	76,021	81,564
Underwriting Expenses and Others	3,221	3,691	27,976	30,926
Net Result from Operations	10,221	11,538	15,567	18,782
Ratios:				
Loss ratio % - Prior Accident Years	(71.7%)	(72.8%)	(10.5%)	(13.2%)
- Current Accident Year	84.0%	83.0%	74.1%	75.4%
<i>Total</i>	12.3%	10.2%	63.6%	62.2%
Underwriting & Admin Exp.%	21.1%	21.9%	23.5%	23.6%
Combined Operating Ratio	33.4%	32.1%	87.1%	85.8%

Rounding differences may occur.

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 Operating Results to December 2016 is \$21.8 million and the estimated combined operating ratio to December 2016 is 87.9%. The updated projection to the end of calendar year 2016 has improved by \$8.2 million as compared to the projection provided last month (\$13.6 million and 92.4%), mainly as a result of the \$8.1 million impact of the implementation this month of the June 30, 2016 valuation, as summarized in the table at the top of the next page. 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 177,881 (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	(9,183)	(795)	(9,978)	458	(1,006)	(10,526)	(5.2%)	(0.4%)	(5.6%)	0.3%	(0.6%)	(5.9%)
CAY	2,416	58	2,474	146	-	2,620	1.4%	-	1.4%	0.1%	-	1.5%
Prem Def	(200)	(40)	(240)	7	-	(233)	(0.1%)	-	(0.1%)	-	-	(0.1%)
TOTAL	(6,967)	(777)	(7,744)	611	(1,006)	(8,139)	(3.9%)	(0.4%)	(4.4%)	0.3%	(0.6%)	(4.6%)

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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 *four* valuations (2015 Q3 & Q4, and 2016 Q1 & Q2) and other changes since August 2015 (the actuals used in the Outlook), **the projected \$12.4 million operating result has been increased to \$21.8 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 August	Year-end 2016
Ontario	45,033	2,790	94.0%	39,658	8,406	79.0%	2,376	2,604
Alberta	70,498	7,300	89.8%	59,955	13,782	77.1%	4,456	3,806
Newfoundland & Labrador	28,662	(3,666)	112.9%	28,008	(1,846)	106.7%	1,539	1,669
New Brunswick	20,601	2,010	90.4%	20,351	108	99.6%	(1,037)	(1,130)
Nova Scotia	16,312	1,584	90.4%	16,968	(447)	102.7%	717	476
Prince Edward Island	4,520	307	93.3%	4,778	564	88.2%	(346)	(440)
Yukon	2,163	221	89.9%	1,996	272	86.5%	157	175
Northwest Territories	5,159	1,430	72.3%	4,714	(85)	101.9%	615	602
Nunavut	1,631	457	72.1%	1,452	1,033	28.9%	309	309
TOTAL	194,579	12,432	93.7%	177,881	21,787	87.9%	8,786	8,071

In total, the operating result projection to year-end has increased by \$9.4 million from the Outlook posted October 28, 2015 (to \$21.8 million as shown above). This amount is \$8.1 million higher than it would have been, if not for the implementation of the June 30, 2016 valuation. (The changes before the impact of the June 30, 2016 valuation are attributable to mix of business and other projection assumptions outside of the valuation process, as well as the previous valuations 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 \$3.7 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately \$25.5 million (COR of 85.8%) had the discount rate and associated margin remained at the Outlook levels.

Current month results

The Operating Results in the month of August 2016 is \$10.2 million, down \$1.3 million from the same month last year. This deterioration included an estimated \$1.1 million unfavourable impact due to the \$1.6 million decrease in earned premium (at a combined ratio of 32.1%), with the remaining \$0.2 million unfavourable impact stemming from the increase in the combined ratio (from 32.1% last year to 33.4% this year, applied to this month's \$15.3 million earned premium).

This month's results moved the year-to-date combined operating ratio from 94.9% at the end of 7 months to 87.1% at the end of 8 months. The 7.8 percentage point decrease is composed of a 9.0 percentage point decrease in the Prior Accident Years loss ratio, and a 0.3 percentage point decrease in the expense ratio, offset by a 1.5 percentage point increase in the Current Accident

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Year loss 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.

August 2016	Actual	Projection	Difference	Difference %
Premiums Written	14,676	16,197	(1,521)	(9.4%)
Premiums Earned	15,329	15,056	273	1.8%
Reported Losses				
Paid Losses	8,932	8,855	77	0.9%
Change in Outstanding Losses	281	(1,232)	1,513	122.8%
Total Reported Losses	9,213	7,623	1,590	20.9%
Change in IBNR Provision *	(6,704)	3,563	(10,267)	
Change in Premium Deficiency (DPAC) *	(31)	(102)	71	
Change in Retro Claims Expense *	(622)	(668)	46	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [FARM August 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. Although variances from our projections are expected, management investigates variances beyond set thresholds and responds as appropriate.

For the month of August 2016, reported indemnity amounts were \$2.2 million higher 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 \$1.6 million*). The Current Accident Year had a \$0.4 million unfavourable variance in reported indemnity, and the Prior Accident Years had an unfavourable variance of \$1.8 million. Of the Prior Accident Years, 2015 had the largest variance in reported losses at \$1.8 million unfavourable, followed by Accident Year 1993 at \$1.3 million favourable, Accident Year 2013 at \$1.2 million unfavourable and Accident Year 1994 at \$1.0 million unfavourable. 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, except as discussed in the next paragraph.

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Effect of Quarterly Valuation

The August 2016 Participation Report reflects the results of an updated valuation as at June 30, 2016, with the associated impacts in relation to the results for August 2016 summarized in the table immediately below.

Grand Total	unfav / (fav)						mth EP 15,328 (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	(9,183)	(843)	(10,026)	514	(1,083)	(10,595)	(59.9%)	(5.5%)	(65.4%)	3.4%	(7.1%)	(69.1%)
CAY	1,602	133	1,735	106	-	1,841	10.5%	0.9%	11.3%	0.7%	-	12.0%
Prem Def	(130)	80	(50)	18	-	(32)	(0.8%)	0.5%	(0.3%)	0.1%	-	(0.2%)
TOTAL	(7,711)	(630)	(8,341)	638	(1,083)	(8,786)	(50.3%)	(4.1%)	(54.4%)	4.2%	(7.1%)	(57.3%)

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 0.75% to 0.69%. The investment return margin for adverse deviation was left unchanged at 25 basis points, but the selected claims development margins¹ were updated (as 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 [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”.)

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

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June 30, 2016 Valuation Summary (Indemnity Only)

Valuation Summary (Nominal Basis)

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]
Ontario	111,115	(1,631)	(1.5%)	47.9%	(2.0%)	(789)	50.6%	(1.5%)	(581)
PPV	48,925	(619)	(1.3%)	45.5%	0.8%	95	47.5%	(1.5%)	(170)
Non-PPV	62,190	(1,012)	(1.6%)	49.0%	(3.2%)	(881)	52.0%	(1.5%)	(411)
Alberta	77,868	(4,895)	(6.3%)	58.8%	3.3%	2,015	56.3%	(0.1%)	(61)
PPV	22,708	(2,560)	(11.3%)	59.4%	(0.4%)	(40)	60.2%	(0.5%)	(49)
Non-PPV	55,160	(2,335)	(4.2%)	58.7%	4.0%	2,044	55.6%	0.0%	-
Newfoundland & Labrador	52,075	(1,561)	(3.0%)	76.1%	0.7%	196	72.4%	(1.7%)	(485)
PPV	34,945	(1,426)	(4.1%)	68.5%	1.5%	315	66.5%	(0.5%)	(105)
Non-PPV	17,130	(135)	(0.8%)	99.0%	(1.4%)	(98)	88.6%	(5.0%)	(381)
New Brunswick	27,062	992	3.7%	54.5%	0.9%	184	54.5%	(1.0%)	(212)
PPV	16,886	225	1.3%	58.3%	0.9%	116	59.1%	(1.4%)	(186)
Non-PPV	10,176	767	7.5%	48.1%	1.1%	84	47.0%	0.5%	40
Nova Scotia	23,847	(762)	(3.2%)	60.0%	3.6%	607	59.8%	4.2%	751
PPV	12,518	(115)	(0.9%)	63.7%	4.6%	324	63.1%	3.0%	222
Non-PPV	11,329	(647)	(5.7%)	57.4%	2.9%	285	57.5%	5.0%	523
Prince Edward Island	5,438	21	0.4%	53.7%	4.8%	227	46.9%	(0.8%)	(39)
PPV	3,307	(10)	(0.3%)	52.6%	6.9%	197	42.0%	(1.5%)	(44)
Non-PPV	2,131	31	1.5%	55.3%	1.5%	28	54.0%	0.0%	-
Yukon Territory	3,401	(107)	(3.1%)	51.3%	(2.5%)	(51)	54.7%	(0.2%)	(4)
PPV	2,301	(31)	(1.3%)	67.2%	2.9%	22	63.1%	2.1%	15
Non-PPV	1,100	(76)	(6.9%)	42.0%	(5.1%)	(66)	50.0%	(1.0%)	(13)
Northwest Territories	5,789	(503)	(8.7%)	41.6%	0.8%	38	42.5%	2.5%	117
PPV	3,941	(472)	(12.0%)	45.7%	0.2%	7	45.5%	1.5%	51
Non-PPV	1,848	(31)	(1.7%)	30.3%	1.5%	19	34.5%	4.0%	52
Nunavut	1,520	(268)	(17.6%)	39.6%	0.7%	11	33.8%	(2.0%)	(30)
PPV	580	(144)	(24.8%)	31.2%	1.6%	11	26.6%	(2.5%)	(17)
Non-PPV	940	(124)	(13.2%)	46.8%	(1.3%)	(11)	39.6%	(2.6%)	(21)
Total	308,115	(8,714)	(2.8%)	57.9%	1.4%	2,505	57.0%	(0.2%)	(361)

The overall **impact of implementing the valuation** on the results of the Month of August is estimated as **favourable by \$8.8 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 June 30, 2016 (used for the valuation) and available for implementation (August 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 August 31, 2016.

Implementation Impact - relative to projection for month of October 2016 (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 (1994-2015)	(8,599)	(641)	57	(9,183)	(1,412)	(10,595)
current accident year claims incurred	1,633	34	(65)	1,602	239	1,841
premium deficiency / (DPAC)	(130)			(130)	98	(32)
TOTAL	(7,096)	(607)	(8)	(7,711)	(1,075)	(8,786)

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Accepted Actuarial Practice requires all policy liabilities recognize both the time value of money and provisions for adverse deviations. For FARM member statement and financial statement reporting purposes, we have historically applied actuarial present value adjustments only to the indemnity portion of the claims and premium liabilities, and explicitly NOT to provisions for certain specific reimbursed loss adjustment expenses (“claims fees and allowed claims expenses”²), having assessed and deemed actuarial present value adjustments related to the claims fee and allowed claims expenses as being not material.

FA management is currently reviewing this practice with the FA Appointed Actuary and may begin to include actuarial present value adjustments for “claims fees and allowed claims expenses” as part of the next FARM valuation, as at September 30, 2016 (2016 Q3). If this action is taken, detail will be provided with the FARM 2016 Q3 valuation highlights and FARM October 2016 participation reports and associated bulletins.

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 119,562 (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	(9,183)	(843)	(10,026)	514	(1,083)	(10,595)	(7.7%)	(0.7%)	(8.4%)	0.4%	(0.9%)	(8.9%)
CAY	1,602	133	1,735	106	-	1,841	1.3%	0.1%	1.5%	0.1%	-	1.5%
Prem Def	(130)	80	(50)	18	-	(32)	(0.1%)	0.1%	-	-	-	-
TOTAL	(7,711)	(630)	(8,341)	638	(1,083)	(8,786)	(6.4%)	(0.5%)	(7.0%)	0.5%	(0.9%)	(7.3%)

The overall impact *prior to* the 6 basis point decrease in the discount rate (to 0.69%) and changes to margins for adverse deviation was favourable by \$8.3 million (Total row, third column in the table above). This was partially offset by the \$0.6 million unfavourable impact of the discount rate change (Total row, fourth column). Finally, while the selected margin for investment return was left unchanged with this valuation, the impact of updated selected margins for adverse deviation related to claims development was favourable by \$1.1 million (Total row, fifth column

² Servicing Carriers for the Residual Market are compensated via an initial claims fee paid as a percentage of earned premium. This fee is retroactively adjusted and settled at age 72 months for each accident year based on the formula as laid out in the Plan of Operation. The claims fee is meant to cover Servicing Carrier costs for claims management and adjudication except for certain categories of claims expenses (first party legal and professional consulting fees as described in the Facility Association’s “Claims Guide” manual under the “Legal & Professional Fees” section). These latter fees are reimbursable upon proof of closure of the applicable coverage of the claim, and upon verification of eligibility.

We refer to these fees/expenses collectively as “claims fees and allowed claims expense”, or alternately as “retro claims expenses”, and these are generally NOT included in this discussion, although reference is made to them from time to time as deemed appropriate. The claims fees and allowed claims expenses may be reviewed in the valuation process and any associated changes in unpaid amounts are reflected in the Participation Report.

At the current time, these “claims expense” type provisions are not adjusted to an actuarial present value basis, as per the practice that has been in place. This position is being reviewed by management and the Appointed Actuary.

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in the table on the previous page).

Additional detail of the valuation results and impact is available in the [FARM August 2016 Participation Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights FARM as at June 30, 2016](#).

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

Management Comments

As shown in the table immediately below, the private passenger annualized vehicle counts decreased by 8.7% overall in August 2016 relative to August 2015. On a year-to-date basis, exposure counts are down by 6.9%, decreasing in all jurisdictions except Nova Scotia.

FARM Private Passenger Written Car Years³

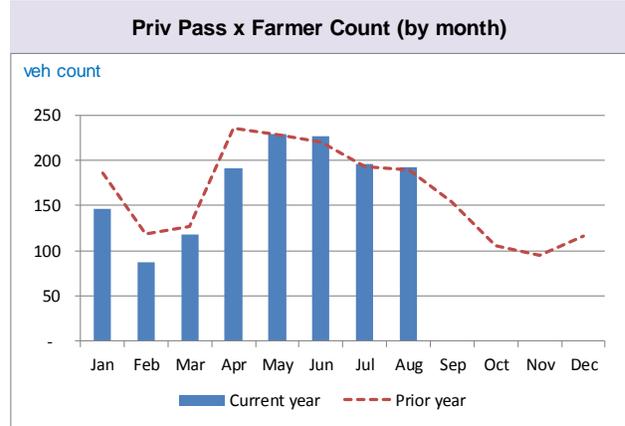
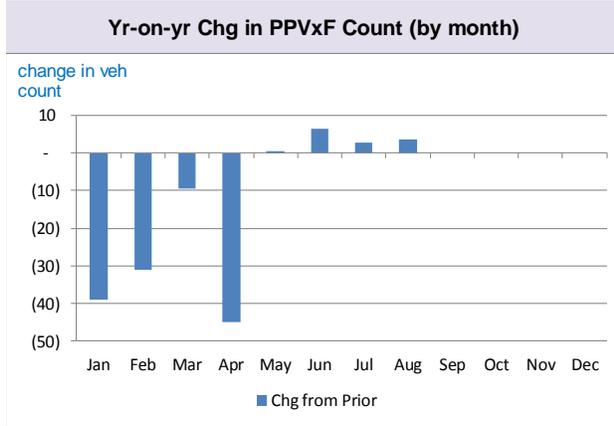
# FARM Vehicles Written								
Jurisdiction	Month of August 2016				Calendar YTD as of August 2016			
	2016	2015	Chg	% Chg	2016	2015	Chg	% Chg
Ontario	193	190	3	1.8%	1,388	1,499	(111)	(7.4%)
Alberta	137	193	(56)	(29.0%)	1,162	1,759	(597)	(34.0%)
Newfoundland & Labrador	998	1,004	(6)	(0.6%)	7,235	7,364	(129)	(1.8%)
New Brunswick	599	697	(98)	(14.1%)	4,977	5,289	(311)	(5.9%)
Nova Scotia	355	314	41	13.1%	2,638	2,487	151	6.1%
Prince Edward Island	133	137	(4)	(3.0%)	1,063	1,097	(34)	(3.1%)
Yukon	25	55	(30)	(54.8%)	179	313	(135)	(43.0%)
Northwest Territories	207	270	(63)	(23.4%)	1,677	1,834	(156)	(8.5%)
Nunavut	29	70	(41)	(58.7%)	226	428	(203)	(47.3%)
All Jurisdictions	2,676	2,930	(254)	(8.7%)	20,543	22,069	(1,525)	(6.9%)

August 2016 represents the fourth month in a row where the Ontario FARM private passenger counts have not decreased (see chart at the top of the next page). Four consecutive months of non-decreasing year-over-year counts has not occurred since at least 2008, perhaps signaling the “bottom” of the de-population in the jurisdiction.

³ As indicated in the June 2016 Bulletin, we changed the basis of the counts provided in the table above from an “Entry Date” basis to a “Share Date” basis to be in line with our share base reporting, as well as excluding fleet-rated private passenger vehicles from the table because fleet-rated private passenger vehicles are considered “non-private passenger” for the purposes of sharing. This basis is consistent with share written premium presented each month, better aligning count changes with premium changes. “Entry Date” basis for the above consistent with prior reporting practice is available upon request.

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Ontario FARM Private Passenger Written Car Years



	Aug-16	Aug-15	Amt Chg	% Chg
W. Veh curr mth	193	190	3	1.8%

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 August 2016 Participation Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights FARM as at June 30, 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 8 months ended August 31, 2016 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 08/2016
(thousands of dollars)

	January	February	March	April	May	June	July	August	CY2016 YTD	CY2016 12 Months Updated Projections	CY2015 12 Months Actual
UNDERWRITING REVENUE:											
PREMIUMS WRITTEN	\$11,014	\$10,437	\$12,647	\$16,323	\$21,139	\$19,074	\$16,410	\$14,676	\$121,720	\$175,830	\$189,847
CHANGE IN UNEARNED PREMIUMS	4,378	3,624	2,270	(1,943)	(6,005)	(4,214)	(919)	653	(2,156)	2,050	6,085
NET PREMIUMS EARNED	\$15,392	\$14,061	\$14,917	\$14,380	\$15,134	\$14,860	\$15,491	\$15,329	\$119,564	\$177,880	\$195,932
CLAIMS INCURRED											
PRIOR ACCIDENT YEARS											
UNDISCOUNTED	(201)	70	(2,552)	(2)	4,266	(173)	2	(9,184)	(7,774)	(7,775)	(15,364)
EFFECT OF DISCOUNTING	(575)	(797)	(288)	(592)	368	(769)	(309)	(1,813)	(4,775)	(7,332)	(4,171)
DISCOUNTED	(776)	(727)	(2,840)	(594)	4,634	(942)	(307)	(10,997)	(12,549)	(15,107)	(19,535)
CURRENT ACCIDENT YEAR											
UNDISCOUNTED	10,458	9,614	10,300	9,851	10,354	10,175	10,572	12,078	83,402	124,142	138,707
EFFECT OF DISCOUNTING	813	664	622	530	712	450	571	806	5,168	7,055	8,047
DISCOUNTED	11,271	10,278	10,922	10,381	11,066	10,625	11,143	12,884	88,570	131,197	146,754
CLAIMS INCURRED	\$10,495	\$9,551	\$8,082	\$9,787	\$15,700	\$9,683	\$10,836	\$1,887	\$76,021	\$116,090	\$127,219
UNDERWRITING EXPENSES											
OPERATING & SERVICE FEES	1,170	1,059	1,381	1,666	2,156	2,000	1,704	1,496	12,632	18,130	19,838
AGENTS COMMISSIONS	899	873	1,083	1,366	1,706	1,607	1,382	1,242	10,158	14,781	15,658
DRIVER RECORD ABSTRACTS	175	148	396	147	291	222	180	109	1,668	2,544	3,187
BAD DEBTS	(7)	(4)	1	190	(5)	(6)	(4)	(3)	162	162	(579)
PREMIUM DEFICIENCY/(DPAC)											
UNDISCOUNTED	336	277	178	(144)	(316)	(282)	(65)	(115)	(131)	(86)	292
EFFECT OF DISCOUNTING	(16)	(5)	4	1	87	20	12	84	187	17	(230)
DISCOUNTED	320	272	182	(143)	(229)	(262)	(53)	(31)	56	(69)	62
UNDERWRITING EXPENSES	\$2,557	\$2,348	\$3,043	\$3,226	\$3,919	\$3,561	\$3,209	\$2,813	\$24,676	\$35,548	\$38,166
NET UNDERWRITING GAIN (LOSS)	\$2,340	\$2,162	\$3,792	\$1,367	(\$4,485)	\$1,616	\$1,446	\$10,629	\$18,867	\$26,242	\$30,547
ADMINISTRATIVE EXPENSES	364	320	607	399	391	522	343	421	3,367	4,629	5,085
PREMIUM FINANCE FEE	(10)	(9)	(9)	(9)	(9)	(10)	(8)	(10)	(74)	(64)	(108)
INVESTMENT INCOME	17	16	18	15	16	18	18	23	141	238	260
OPERATING RESULTS	\$1,983	\$1,849	\$3,194	\$974	(\$4,869)	\$1,102	\$1,113	\$10,221	\$15,567	\$21,787	\$25,614
RATIOS:											
Claims & Adj Expenses Incurred (Earned)											
Prior Accident Year	-5.0%	-5.2%	-19.0%	-4.1%	30.6%	-6.3%	-2.0%	-71.7%	-10.5%	-8.5%	-10.0%
Current Accident Years	73.2%	73.1%	73.2%	72.2%	73.1%	71.5%	71.9%	84.0%	74.1%	73.8%	74.9%
All Accident Years Combined	68.2%	67.9%	54.2%	68.1%	103.7%	65.2%	69.9%	12.3%	63.6%	65.3%	64.9%
Underwriting & Admin Exp.(Earned)	19.0%	19.0%	24.5%	25.2%	28.5%	27.5%	22.9%	21.1%	23.5%	22.6%	22.1%
COMBINED OPERATING RATIO	87.2%	86.9%	78.7%	93.3%	132.2%	92.7%	92.8%	33.4%	87.1%	87.9%	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 8 months ended August 31, 2016 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 08/2016
(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2016 12 Months Updated Projections	CY2015 12 Months Actual
UNDERWRITING REVENUE:												
PREMIUMS WRITTEN	\$38,212	\$28,250	\$12,535	\$3,445	\$14,244	\$19,455	\$1,484	\$3,218	\$877	\$121,720	\$175,830	\$189,847
CHANGE IN UNEARNED PREMIUMS	2,391	(1,504)	(1,314)	(286)	(630)	(763)	(122)	(48)	120	(2,156)	2,050	6,085
NET PREMIUMS EARNED	\$40,603	\$26,746	\$11,221	\$3,159	\$13,614	\$18,692	\$1,362	\$3,170	\$997	\$119,564	\$177,880	\$195,932
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	(7,439)	(685)	302	(299)	1,395	(1,344)	(59)	998	(643)	(7,774)	(7,775)	(15,364)
EFFECT OF DISCOUNTING	(2,085)	(1,541)	(156)	(65)	(184)	(723)	(10)	49	(60)	(4,775)	(7,332)	(4,171)
DISCOUNTED	(9,524)	(2,226)	146	(364)	1,211	(2,067)	(69)	1,047	(703)	(12,549)	(15,107)	(19,535)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	27,864	16,656	8,191	2,077	9,129	16,494	848	1,659	484	83,402	124,142	138,707
EFFECT OF DISCOUNTING	1,532	1,367	472	141	521	949	59	93	34	5,168	7,055	8,047
DISCOUNTED	29,396	18,023	8,663	2,218	9,650	17,443	907	1,752	518	88,570	131,197	146,754
CLAIMS INCURRED	\$19,872	\$15,797	\$8,809	\$1,854	\$10,861	\$15,376	\$838	\$2,799	(\$185)	\$76,021	\$116,090	\$127,219
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	3,841	3,071	1,281	352	1,448	2,031	165	338	105	12,632	18,130	19,838
AGENTS COMMISSIONS	3,313	1,699	1,100	327	1,350	1,827	133	325	84	10,158	14,781	15,658
DRIVER RECORD ABSTRACTS	500	97	377	97	243	218	22	101	13	1,668	2,544	3,187
BAD DEBTS	(6)	186	(1)	0	0	(17)	0	0	0	162	162	(579)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	231	(91)	(111)	(26)	(59)	(73)	(10)	(5)	13	(131)	(86)	292
EFFECT OF DISCOUNTING	0	0	0	0	0	187	0	0	0	187	17	(230)
DISCOUNTED	231	(91)	(111)	(26)	(59)	114	(10)	(5)	13	56	(69)	62
UNDERWRITING EXPENSES	\$7,879	\$4,962	\$2,646	\$750	\$2,982	\$4,173	\$310	\$759	\$215	\$24,676	\$35,548	\$38,166
NET UNDERWRITING GAIN (LOSS)	\$12,852	\$5,987	(\$234)	\$555	(\$229)	(\$857)	\$214	(\$388)	\$967	\$18,867	\$26,242	\$30,547
ADMINISTRATIVE EXPENSES	976	755	354	119	396	524	72	114	57	3,367	4,629	5,085
PREMIUM FINANCE FEE	(24)	(23)	(8)	0	(8)	(11)	0	0	0	(74)	(64)	(108)
INVESTMENT INCOME	38	49	12	3	14	24	0	1	0	141	238	260
OPERATING RESULTS	\$11,890	\$5,258	(\$584)	\$439	(\$619)	(\$1,368)	\$142	(\$501)	\$910	\$15,567	\$21,787	\$25,614
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-23.5%	-8.3%	1.3%	-11.5%	8.9%	-11.1%	-5.1%	33.0%	-70.5%	-10.5%	-8.5%	-10.0%
Current Accident Years	72.4%	67.4%	77.2%	70.2%	70.9%	93.3%	66.6%	55.3%	52.0%	74.1%	73.8%	74.9%
All Accident Years Combined	48.9%	59.1%	78.5%	58.7%	79.8%	82.2%	61.5%	88.3%	-18.5%	63.6%	65.3%	64.9%
Underwriting & Admin Exp.(Earned)	21.8%	21.4%	26.7%	27.5%	24.8%	25.1%	28.0%	27.5%	27.3%	23.5%	22.6%	22.1%
COMBINED OPERATING RATIO	70.7%	80.5%	105.2%	86.2%	104.6%	107.3%	89.5%	115.8%	8.8%	87.1%	87.9%	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