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TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN No.: F17 - 016

DATE: MARCH 13, 2017

SUBJECT: DRAFT MINUTES OF THE ANNUAL GENERAL MEETING

Please find attached, for your information, the draft minutes, Chairman's remarks and President's remarks from the Facility Association Annual General Meeting held February 24, 2017.

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

Attach.

Facility Association

DRAFT MINUTES OF THE ANNUAL GENERAL MEETING HELD AT THE CHELSEA HOTEL TORONTO TORONTO, ONTARIO ON FEBRUARY 24TH, 2017

1. The President read the notice of meeting dated January 20, 2017 (Bulletin F17-002) and confirmed the presence of a quorum.

Residual Market	1593	Votes represented in person
Residual Market	266	Votes represented by proxy
Residual Market	1859	Total represented (out of 2581 votes)

Ontario RSP	1176	Votes represented in person
Ontario RSP	179	Votes represented by proxy
Ontario RSP	1355	Total represented (out of 1969 votes)

Alberta RSP	298	Votes represented in person
Alberta RSP	65	Votes represented by proxy
Alberta RSP	363	Total represented (out of 455 votes)

New Brunswick RSP	37	Votes represented in person
New Brunswick RSP	14	Votes represented by proxy
New Brunswick RSP	51	Total represented (out of 79 votes)

Nova Scotia RSP	44	Votes represented in person
Nova Scotia RSP	10	Votes represented by proxy
Nova Scotia RSP	54	Total represented (out of 84 votes)

2. On a **MOTION** made by Mr. George Hardy, **SECONDED** by Mr. Steve Cohen and **CARRIED**, the Minutes of the Facility Association Annual General Meeting held on February 24th 2016, as previously circulated, were approved.

3. **THE CHAIRMAN'S REMARKS – ATTACHED**

4. **THE PRESIDENT'S REMARKS – ATTACHED**

5. REPORTS OF THE PROVINCIAL OPERATING COMMITTEES

The written reports were attached to the Agenda. The Chairman noted that not all of the Chairpersons were present, however, the President or the Committee staff liaison would be responding to questions on their behalf.

On **MOTION** made by Mr. Bob Tisdale, **SECONDED** by Mr. Don Sollows and **CARRIED**, the reports were adopted.

6. REPORTS OF THE ADVISORY COMMITTEES

The reports of the Advisory Committees were circulated with the Agenda. The Chairman asked if there were any questions arising from these reports and indicated that the President or the Committee staff liaison were present to answer any questions.

On **MOTION** made by Mr. Chris Cooney, **SECONDED** by Mr. George Hardy and **CARRIED**, the reports were adopted.

7. NOMINATING REPORT

Mr. George Hardy presented the Nominating Report on behalf of the Governance and Human Resources Committee.

Nominated for election to the Board of Directors for a two-year term expiring in the year 2019:

Christopher Cooney	TD Insurance
Bob Hillman	AMA Insurance
Darren Lipsett	Bridgewater Insurance
Cara Low	The Wawanesa Mutual Insurance Company
Brian Purcell	James Purcell Insurance Broker Ltd.
Janis Riven	
Bob Tisdale	Pembridge Insurance Company

Nominated for election to the Board of Directors for a period of one year ending at the Annual General Meeting in 2018:

James Tucker	The Boston Consulting Group
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The continuing members with terms expiring in 2018 are:

Patrick Barbeau	Intact Insurance
Andrew Cartmell	SGI/Coachman Insurance
Steve Cohen	Aviva Canada
Karen Dyberg	Dyberg Insurance
George Hardy	The Co-operators General Insurance
Aaron Purdue	Millenium Insurance
Don Sollows	Johnson Inc.

Mr. George Hardy noted that the President is a member of the Board by virtue of his office.

8. ELECTION OF DIRECTORS

The Chair asked if there were any nominations from members in attendance. There being none, on **MOTION** by Mr. Steve Cohen, **SECONDED** by Mr. Bob Tisdale and **CARRIED, IT WAS RESOLVED** that nominations be closed. As there were no further nominations, the Chairman directed that a single ballot be cast in favour of those nominated.

9. INDEPENDENT DIRECTOR REMUNERATION

On **MOTION** made by Mr. Don Sollows, **SECONDED** by Mr. Chris Cooney and **CARRIED, IT WAS RESOLVED** that the independent director remuneration is established as follows:

- 1) An annual stipend of \$12,000 plus meeting fees of \$1,250 per meeting of the Board or a Board Committee, with reimbursement of travel expenses; plus
- 2) \$500 for each ad-hoc conference call; plus
- 3) A further \$3,000 annual stipend for those who Chair the Board or a Committee of the Board.

10. FINANCIAL STATEMENTS

Mr. Ratan Ralliaram from the firm of Deloitte LLP advised that they were presenting an unqualified opinion with respect to the Financial Statements of the Facility Association Residual Market Segment as at October 31st, 2016, and the Risk Sharing Pools as at October 31st, 2016.

On **MOTION** made by Mr. George Hardy, **SECONDED** by Mr. Steve Cohen and **CARRIED**, all of the above Financial Statements for the fiscal year 2016 as previously circulated were accepted.

11. APPOINTMENT OF AUDITORS

Upon **MOTION** made by Mr. Bob Tisdale, **SECONDED** by Mr. Don Sollows and **CARRIED**, the firm of Deloitte LLP was appointed as the auditors for Facility Association for the fiscal year 2017, with terms to be negotiated with the Audit and Risk Committee of the Board of Directors.

12. APPOINTMENT OF THE ACTUARY

Upon **MOTION** made by Mr. Chris Cooney, **SECONDED** by Mr. George Hardy and **CARRIED**, Liam McFarlane, Limited Partner with Ernst & Young LLP, was appointed as Actuary for Facility Association for the fiscal year 2017, with terms to be negotiated with the Audit & Risk Committee of the Board of Directors.

13. OTHER BUSINESS

No other business was brought before the meeting.

14. TERMINATION OF MEETING

There being no further business, on **MOTION** made by Mr. Steve Cohen, **SECONDED** by Mr. Bob Tisdale and **CARRIED, IT WAS RESOLVED** that the meeting be terminated.

Patrick Barbeau
Chairman



ANNUAL GENERAL MEETING

Friday, February 24th 2019, 11:00 a.m.
Conrad York Hotel
Toronto, Ontario

Chair's Remarks
and
President's Remarks

Last year, Board Chair Bob Tisdale informed you that we did not see significant availability pressures building in any jurisdiction. This year, the picture is a little bit different.

Although the Facility Association Residual Market, or FARM, volumes have been decreasing across almost all lines in all jurisdictions, we have seen a 35% increase in the number of exposures transferred to the Ontario Risk Sharing Pool in 2016. We have also seen a 17% increase in the number of exposures transferred to the similar Alberta Non-Grid Risk Sharing Pool. Because companies use the risk sharing pools for risks they believe to be underpriced, it is reasonable to assume there is an increased mismatch between prices and underlying claims costs. In some ways this is not a surprise, as auto insurance costs in the United States and the United Kingdom rose by multiples of the overall inflation rate in 2016. The trade press has reported increased claims costs in those jurisdictions as being the result of technologically advanced cars being more expensive to repair following a collision; and of more collisions taking place due to more kilometres being driven and increased incidences of distracted driving.

I mention those other jurisdictions because it is unlikely that we, here in Canada, will be immune from facing similar claims cost pressures

arising from the same factors, and where there is a misalignment between claims costs and prices, availability issues can certainly arise and arise quickly. As always, management and the Board of Directors will continue to monitor availability throughout the nine jurisdictions we serve and we will alert all appropriate stakeholders if we begin to see availability problems forming.

We continue to be active in making sure our own rates are adequate, and, with the exception of some classes in the northern territories, we review the rates for all lines each year. Last year that review process led to us submitting 21 major rate applications and I can assure you that your Board of Directors will remain vigilant with respect to pricing.

We are in the third year of our current three year strategic plan and the first priority in that plan is to Review, Assess, and Optimize Residual Market Mechanisms. Last year, you heard from this podium that the Board had authorized the formation of a working group to provide it with recommendations, and the output of their efforts has been reviewed and accepted by the Board and circulated to the industry leadership for consultation. The Board reviewed the preliminary results of that consultation this morning, and we will approach it in

greater detail at our annual strategy session in June. It is also my responsibility to remind everyone, just as the previous Board Chair did, that maintaining the status quo is always an option.

The other three strategic priorities are:

- enhance analysis, communication, and reporting capabilities
- enhance operational efficiency and the control environment
- review and strengthen the ERM framework

The President will have additional detail on those three priorities in his remarks.

Another initiative which is not included in our Strategic Plan, but which will occupy the Board's and Management's attention significantly this year, is the industry's Underwriting Information Tracking System. At the request of the Canadian Council of Insurance Regulators, the Board has agreed to recommend to member companies that Facility Association take on a greater role over the governance of the Underwriting Information Tracking System. This will be done via a member vote to amend the Plan of Operation, and we expect the vote to take place in the next month or two.

Speaking of amending the Plan, we sent a number of changes to the membership for a vote last fall and I thank the members for their overwhelming support. The changes helped to ensure that we keep our governance practices current.

I would now like to thank our departing Directors for their service.

Linda Regner-Dykeman, formerly of Travelers Canada, was elected to our Board in February of 2013 and immediately joined the Audit and Risk Committee. She was a strong contributor from the start, and left the Board in March of last year when she pursued a new career opportunity.

Michael Brattman, our Ontario broker representative on the Board, who also joined us in February 2013, leaves us today having served two full terms. Michael is a very thoughtful individual and he brought a sound business and industry perspective to all of the issues facing the Association during those two terms.

Denis Dubois, of Desjardins, was elected to the Board in February of 2015, and was very active from the start as he too immediately joined the Audit and Risk Committee. Denis left the Board in September of last year as he moved forward in his career.

The Board of Directors meets five times a year, and the Audit and Risk Committee meets at least six times year, so combined with the pre-meeting reading and research, the time commitment can be substantial, and I thank these Directors for their involvement and for their contributions.

I will now turn the podium over to our President and CEO, David Simpson, for his remarks.

Thank you.

Thank you Mr. Chairman.

I would like to begin my remarks today by introducing the newest member of our Executive Management team, Mohammed Siddiqui, or simply Siddiqui as he prefers to be called. Many of you know that our Vice President of Underwriting and Claims, Jill Hepburn, retired in June of last year and that Colin George, our former VP Internal Audit and Chief Risk Officer, moved over to take on that role. Siddiqui has joined us our new VP Internal Audit and Chief Risk Officer. Siddiqui comes to us with a multifaceted background in audit and enterprise risk management in both the private and public sectors, most recently as Assistant Auditor General in Ontario.

I will now provide the annual roundup of market share and financial results by jurisdiction. I will follow that up with an overview of our operational achievements of the past year and what we are seeking to accomplish in the months ahead.

I will begin by showing the market share by jurisdiction for Private Passenger vehicles (or PPV) only. They are presented on a preliminary basis in that we currently only have 2015 industry data available to us for use in our calculations. Final market share figures will be posted on our website when they become available. Following a review of private passenger, we will then take a look at some of the other lines of business where we are seeing some relatively significant changes.

The financial results are based on our audited financial statements for fiscal year 2016, which ended October 31st. Accounting standards do not make it feasible to show the impact of our results on the industry in our statements;

however charts illustrating the impact of our results on our member companies are available on the “provincial profiles” section of our website. Costs incurred by our members as a result of their compulsory participation in Facility Association are outlined in Note 2 of our Financial Statements.

I would note here that this year our financial statements, which were approved by the Board earlier this week and which we will be asking our members to accept later in the meeting, do feature three changes:

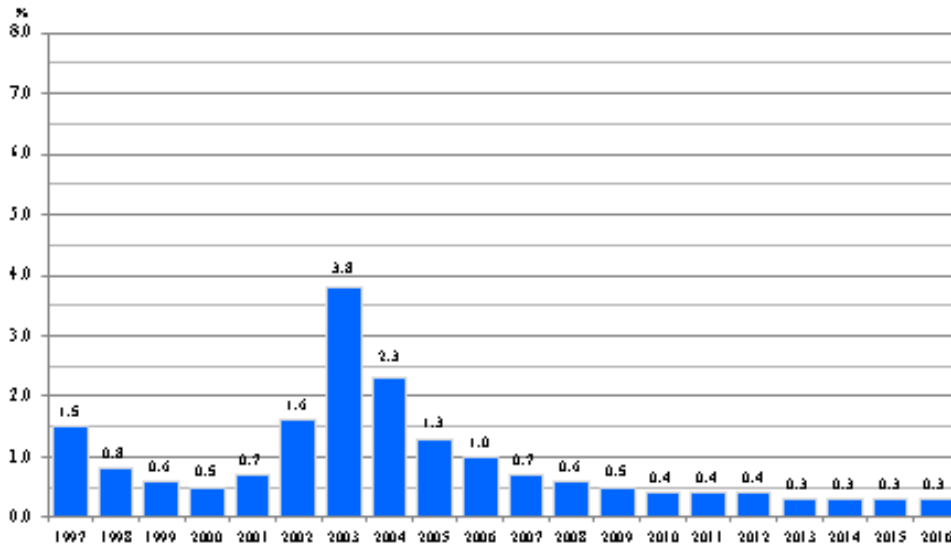
The first deals with measures taken to both align the audited financial statements with our member sharing statements and to better reflect the financial obligations between Facility Association and its members. The second reflects a more precise approach to discounting when developing our valuation estimates, and the third is a change to more accurately describe the Uninsured Automobile Funds assessments.

I would remind everyone that the fiscal year results are essentially the results of all accident years divided by the current year's premium. Many of you know that residual market volumes have been volatile over the years. Because of that volatility, relatively minor changes in loss ratio estimates on older accident years, where volumes were much higher, can have a disproportionate impact on the current fiscal year, where volumes are much lower. Throughout my presentation, I will also provide an overview of loss ratios by accident year to give you a better sense of how the business is actually performing through time. As with market share, the loss ratios are for private passenger vehicles only.

Slide 3



**Residual Market - Private Passenger
Market Share @ December 31, 2016
All Jurisdictions**



Exposure-Cost Basis

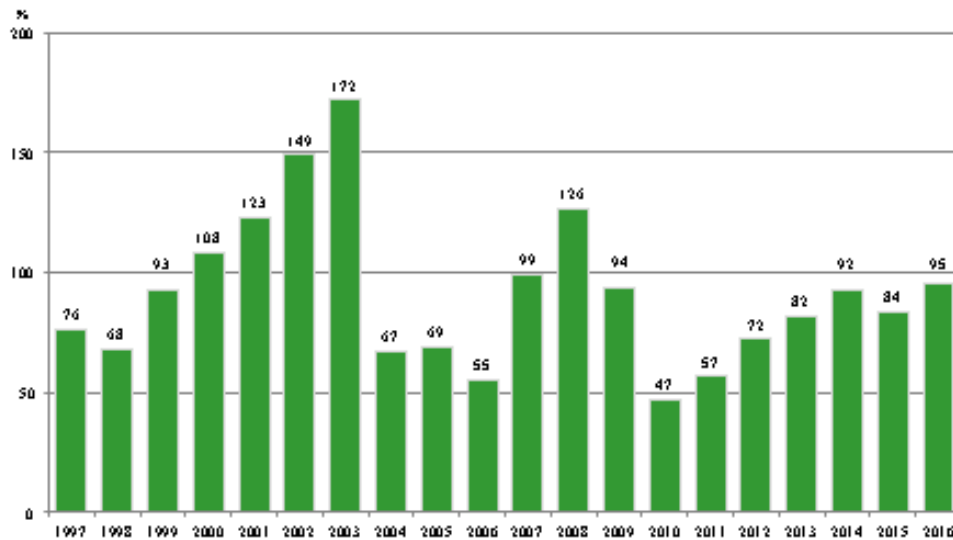
3

On an all jurisdictions basis, the residual market private passenger market share was 3 tenths of one percent, for the fourth year in a row.

Slide 4



Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
All Jurisdictions



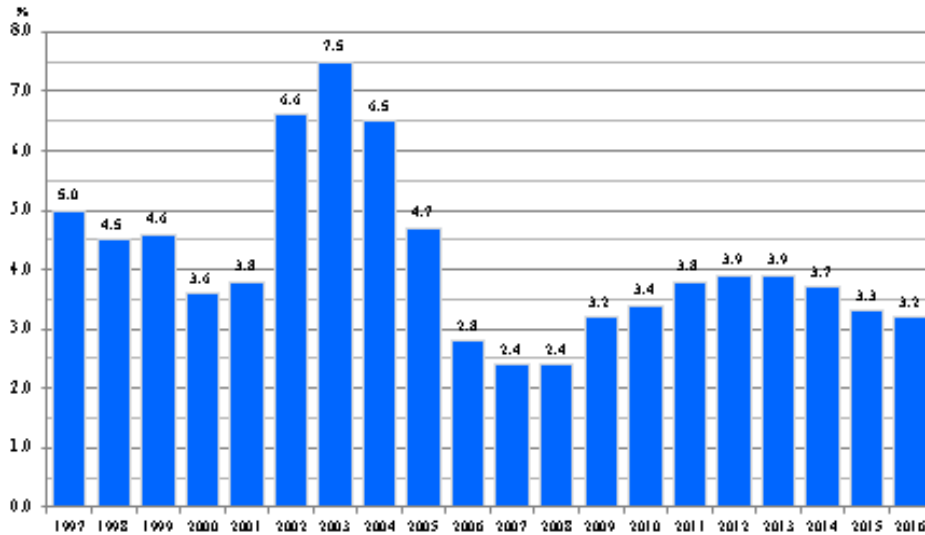
4

The combined ratio for all jurisdictions and all vehicle types ended the year at 95%. Again, this is from the perspective of the Facility Association. It does not include all costs from the Membership perspective and the policy liabilities have been valued using a 0% discount rate.

Slide 5



**Residual Market - Private Passenger
Market Share @ December 31, 2016
Newfoundland & Labrador**



Expressed on a Constant Basis

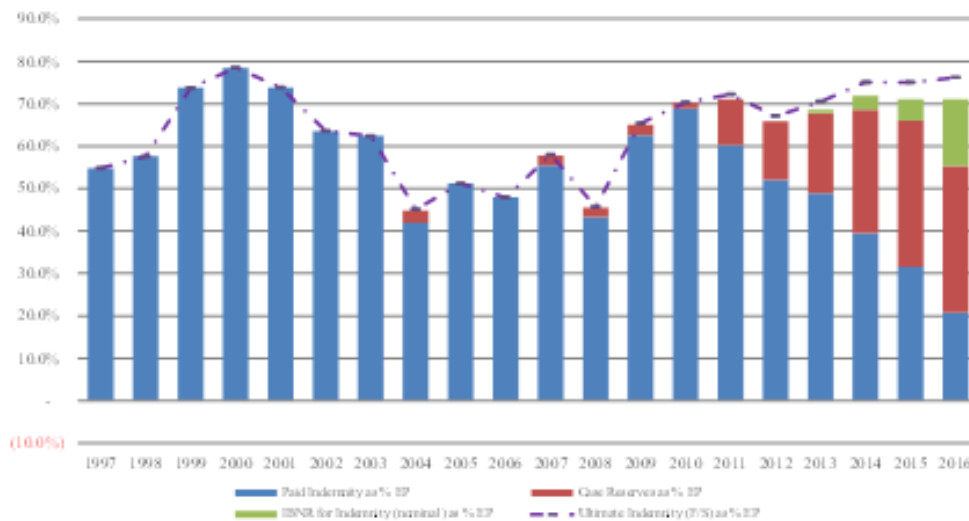
5

I will now take you through the market share for the jurisdictions we serve from east to west. Our private passenger market share in Newfoundland & Labrador again moved down slightly to 3.2%.

Slide 6



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Newfoundland & Labrador**



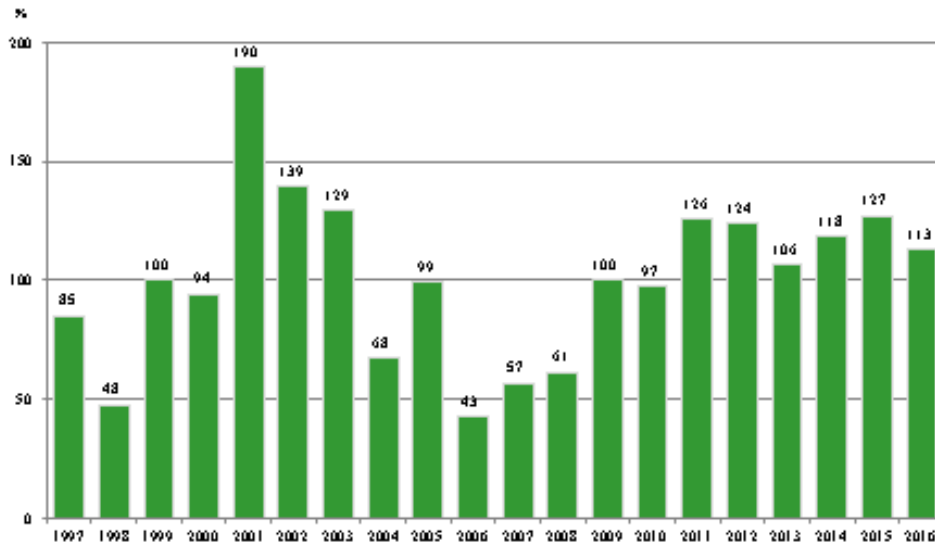
* Does not include all claims adjustment expenses

This chart shows Newfoundland & Labrador's private passenger loss ratios by accident year. If you cannot see the legend, the blue represents paid indemnity, the red represents case reserves, and the green represents IBNR. The dotted line indicates our current estimate of the ultimate indemnity amount that will be paid out plus a provision for adverse deviation. Please note that not all loss adjustment expenses are included in the loss ratio figures. You can see that for Newfoundland and Labrador, the loss ratios have been relatively stable the last few years.

Slide 7



Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Newfoundland & Labrador



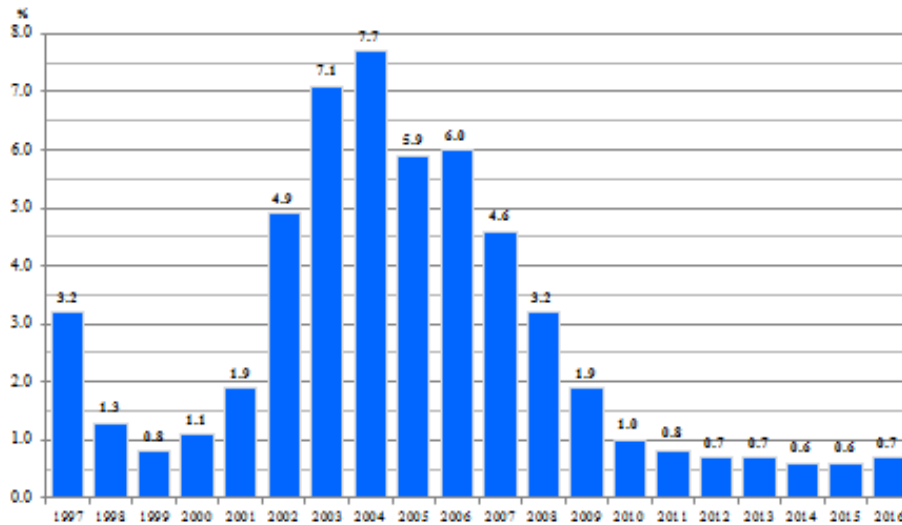
7

Newfoundland & Labrador's combined ratio for the year, for all vehicle types, was 113. A significant loss driver for the province continues to be taxis. We recently received approval to increase our taxi rates there again this year but, even with that increase, we believe our rates to still be inadequate, and with the support of the Board of Directors, we will continue to pursue rate adequacy there.

Slide 8



**Residual Market - Private Passenger
Market Share @ December 31, 2016
Nova Scotia**



Exposure Count Basis

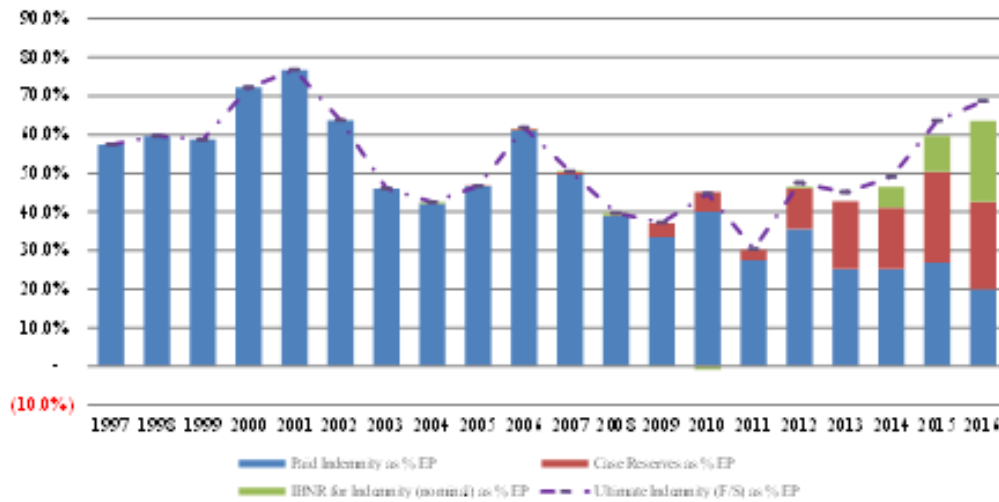
8

Although our application counts increased somewhat last year, our PPV market share in Nova Scotia remained at a low 7 tenths of one percent.

Slide 9



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Nova Scotia**



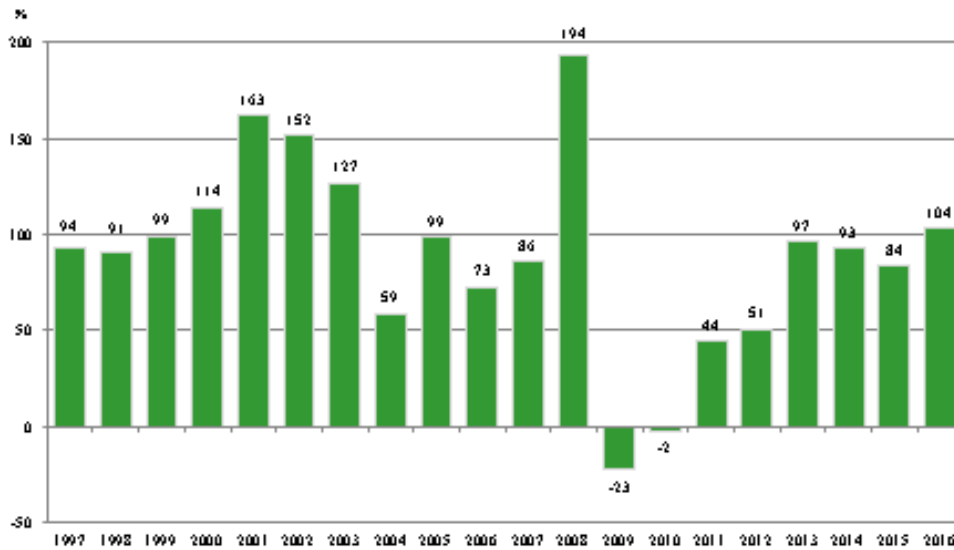
* Data not include all claims adjustment expenses

Nova Scotia's residual market private passenger accident year loss ratios continue to be relatively moderate.

Slide 10



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Nova Scotia**



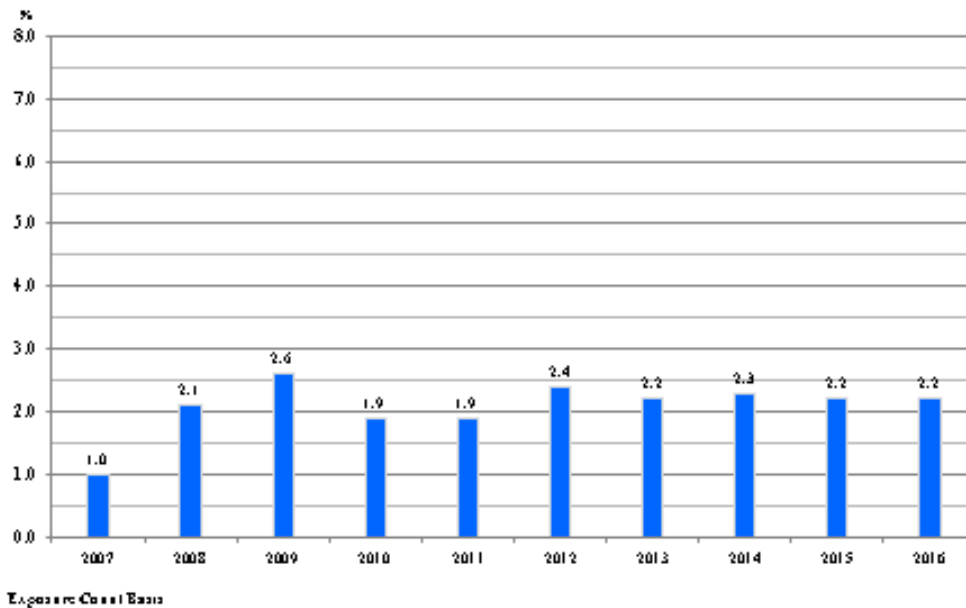
10

Nova Scotia's residual market combined ratio for all vehicle types was 104 for the year.

Slide 11



**Nova Scotia Risk Sharing Pool
Market Share @ December 31, 2016**



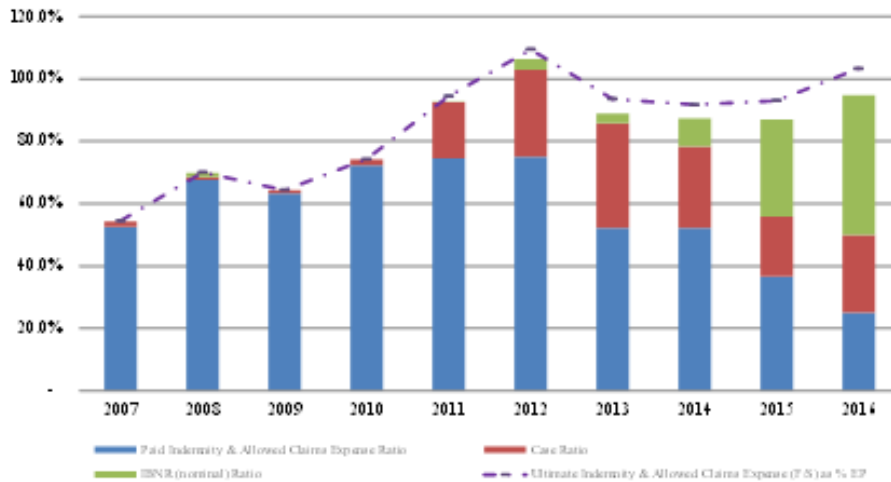
11

The Nova Scotia Risk Sharing Pool market share remained stable at 2.2%. This pool is for inexperienced drivers with clean records and, like all of our Risk Sharing Pools, is for private passenger vehicles only.

Slide 12



**Nova Scotia Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2016**



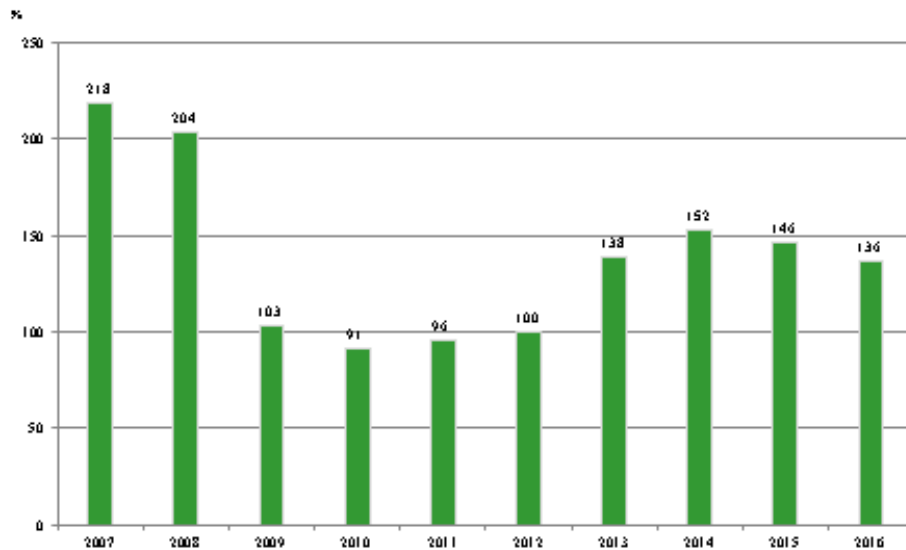
* Does not include all claims adjusted expenses

The loss ratios for the Nova Scotia RSP have been more stable over the last four years than one might expect from a small premium pool with a very specific target class (that being inexperienced drivers with clean driving records).

Slide 13



**Nova Scotia Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2016**



13

The combined operating ratio of the Nova Scotia RSP has been quite stable over the last three years, ending the year at 136.

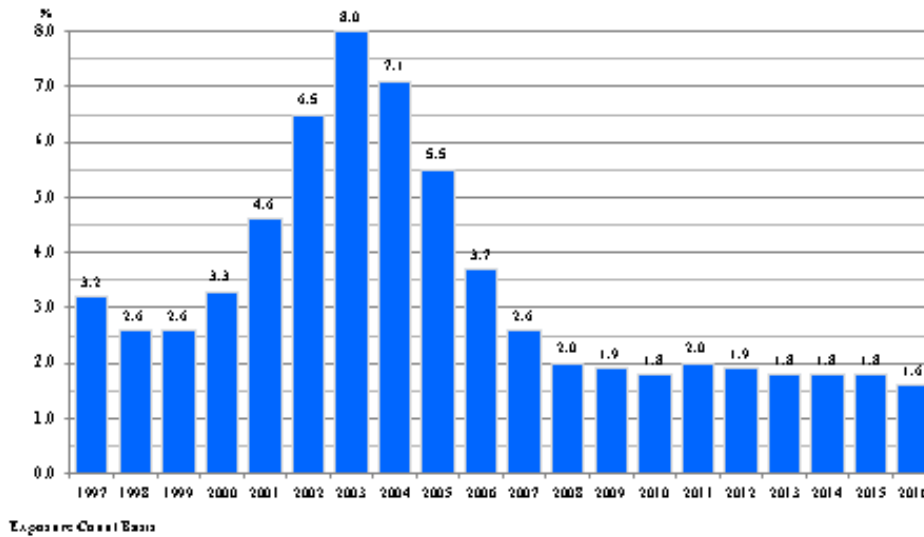
For those of you not familiar with risk sharing pools, RSP risks are written at member company rates, in contrast to the FARM, where risks are written at our rates (subject to regulatory approval).

RSPs are designed to allow member companies to pool risks that, as the Chair mentioned in his remarks, they believe to be underpriced. Because of that, over time, we expect to see loss ratios and combined ratios in the RSPs that are relatively high.

Slide 14



**Residual Market - Private Passenger
Market Share @ December 31, 2016
Prince Edward Island**



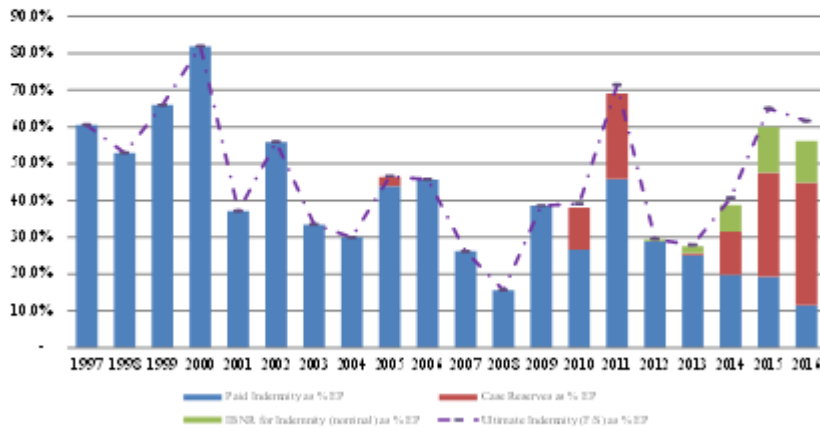
14

The market share for PEI's Private Passenger residual market moved down to 1.6%, the lowest level since we started tracking these numbers.

Slide 15



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Prince Edward Island**



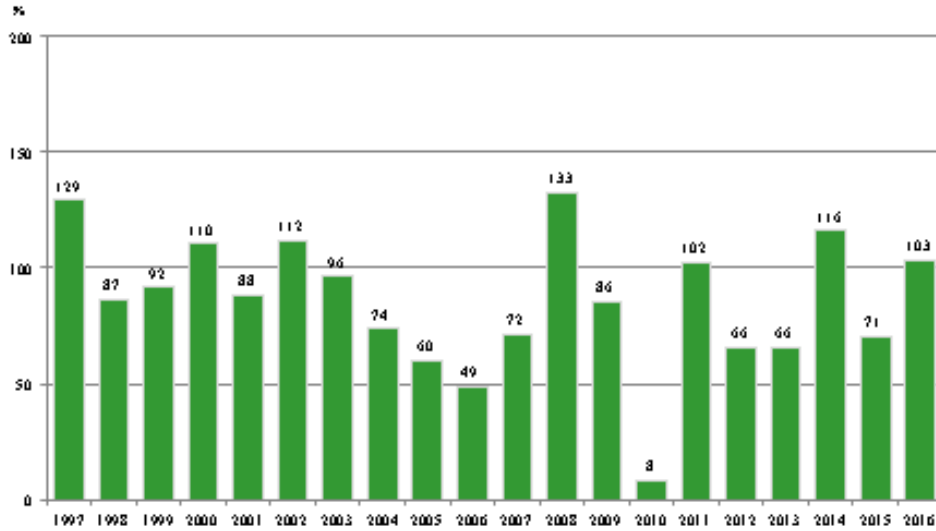
* Does not include all claims adjustment expenses

The PEI residual market private passenger accident year loss ratio moved down 5 percentage points in 2016. In jurisdictions like PEI, where the premium volumes are quite small, one or two large losses in a year can have a dramatic impact on the loss ratio. Because of our focus on our mission to keep our market share as small as possible, most lines of business in the FARM in most of the jurisdictions we serve are, or are becoming, very small in absolute terms so increasing volatility is becoming the order of the day.

Slide 16



Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Prince Edward Island



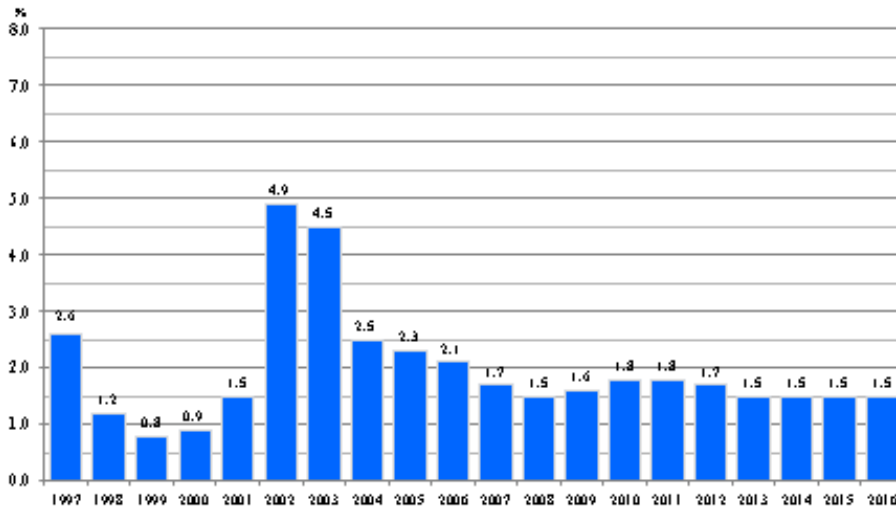
16

PEI's residual market combined ratio for all vehicle types ended the year at 103, and we see in this chart the volatility financial results inherent in the small residual market mechanism.

Slide 17



**Residual Market - Private Passenger
Market Share @ December 31, 2016
New Brunswick**



Exposure Cost Basis

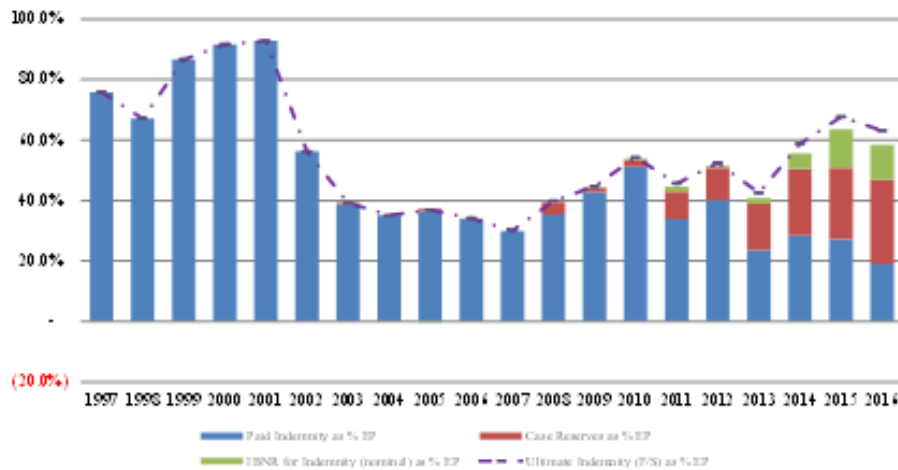
17

The residual market private passenger market share in New Brunswick has been stable at 1.5% for the last four years.

Slide 18



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
New Brunswick**



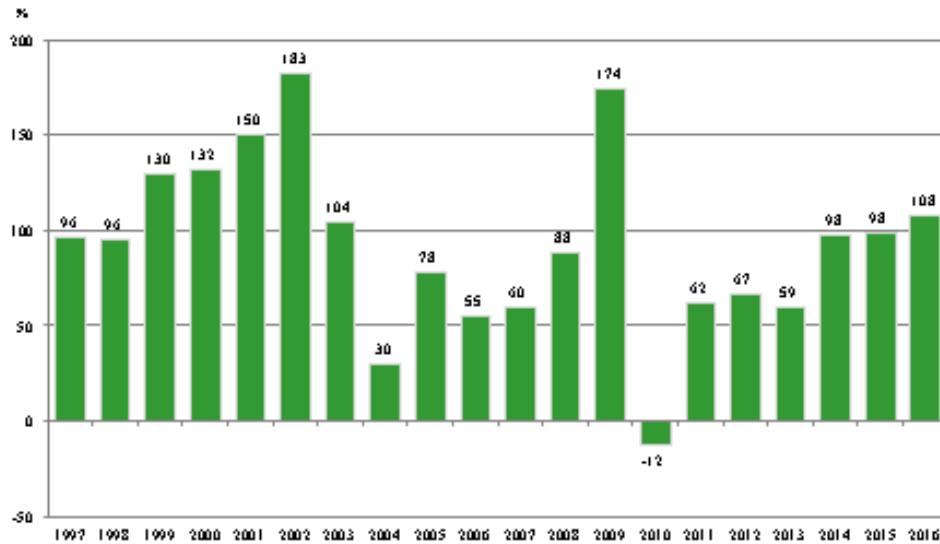
* Data not available for all classes adjust local expenses

The New Brunswick Private Passenger accident year loss ratio decreased marginally last year.

Slide 19



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
New Brunswick**



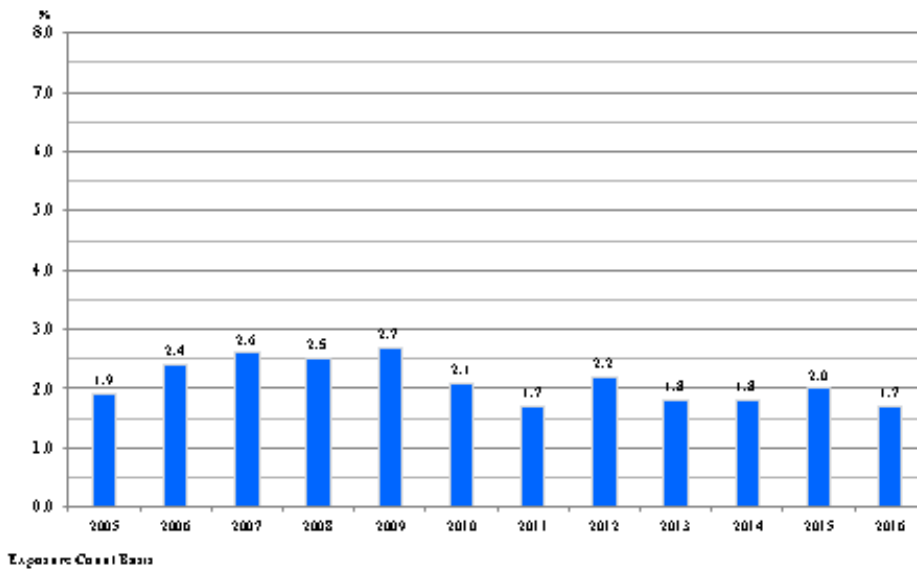
19

The New Brunswick combined ratio for all vehicle types ended the year at 108. We continue to pursue rate adequacy in this jurisdiction as we do in all others, and we have a Hearing scheduled with the New Brunswick Insurance Board for March 23rd in relation to our application for an increase in taxi rates.

Slide 20



New Brunswick Risk Sharing Pool
Market Share @ December 31, 2016

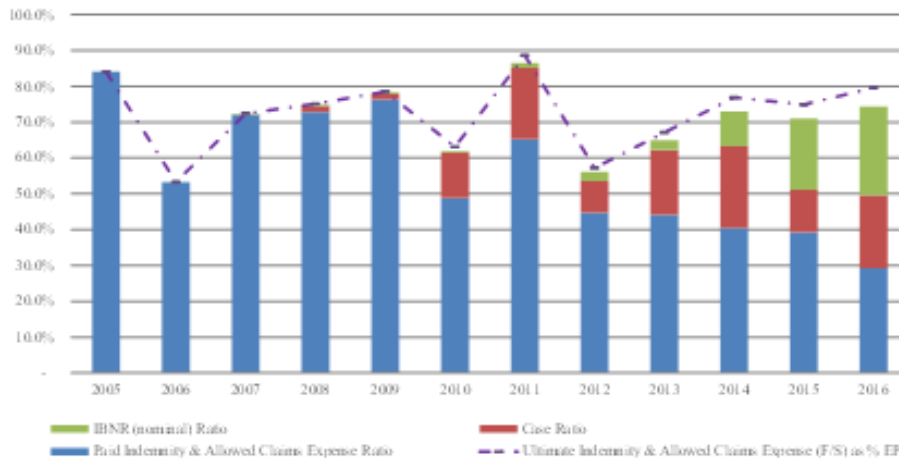


The New Brunswick RSP market share declined to 1.7% in 2016, and it is only the second time since the inception of this pool that we have seen a market share that low.

Slide 21



**New Brunswick Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2016**



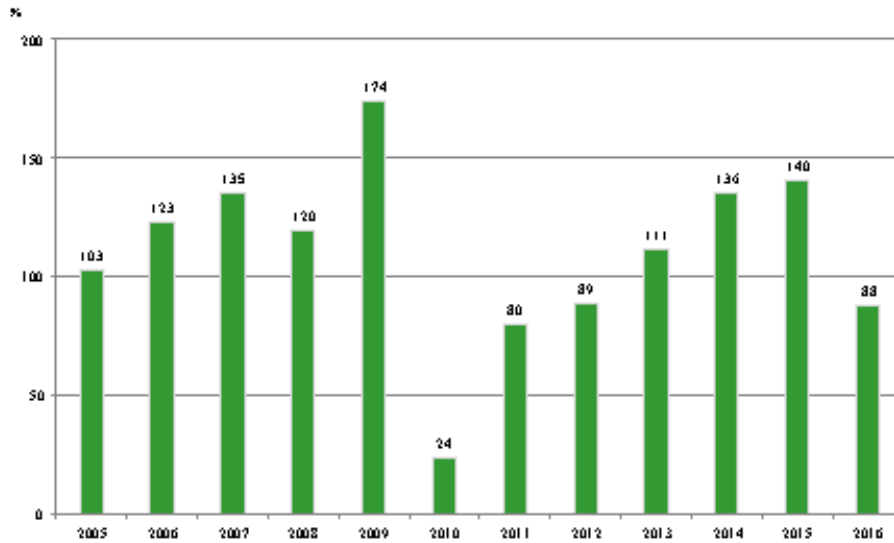
* Data not including all claims and legal expenses

The most recent accident year loss ratios for the New Brunswick Risk Sharing Pool moderated somewhat last year.

Slide 22



**New Brunswick Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2016**



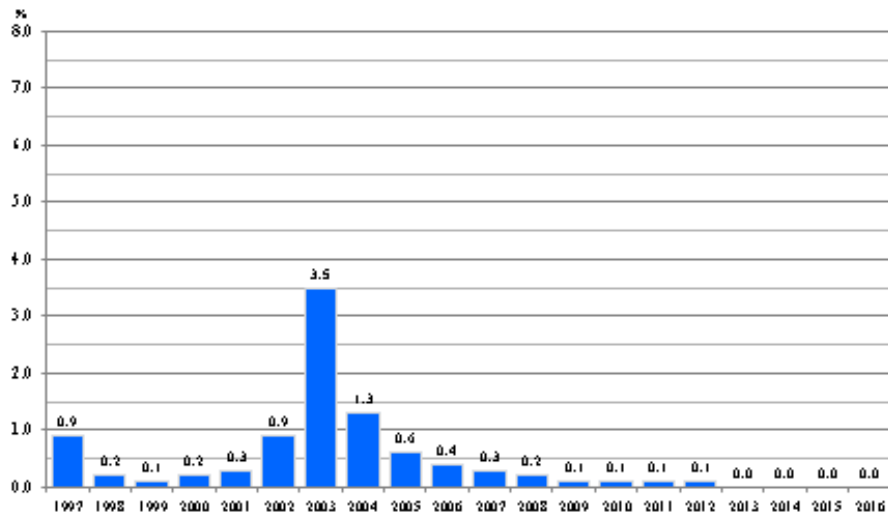
22

The combined ratio for the New Brunswick Risk Sharing Pool ended the year at 88.

Slide 23



**Residual Market - Private Passenger
Market Share @ December 31, 2016
Ontario**



Expressed on a Cost Basis

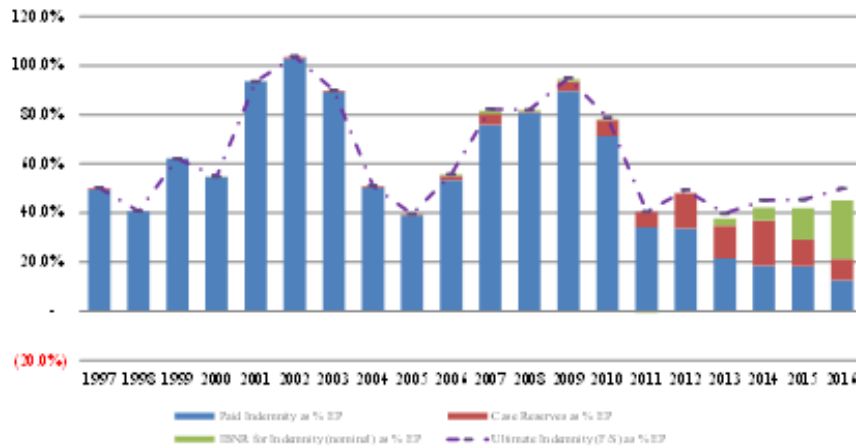
23

In Ontario, the residual market private passenger market share remains less than one tenth of 1%.

Slide 24



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Ontario**



* Data not include all claims adjusted expenses

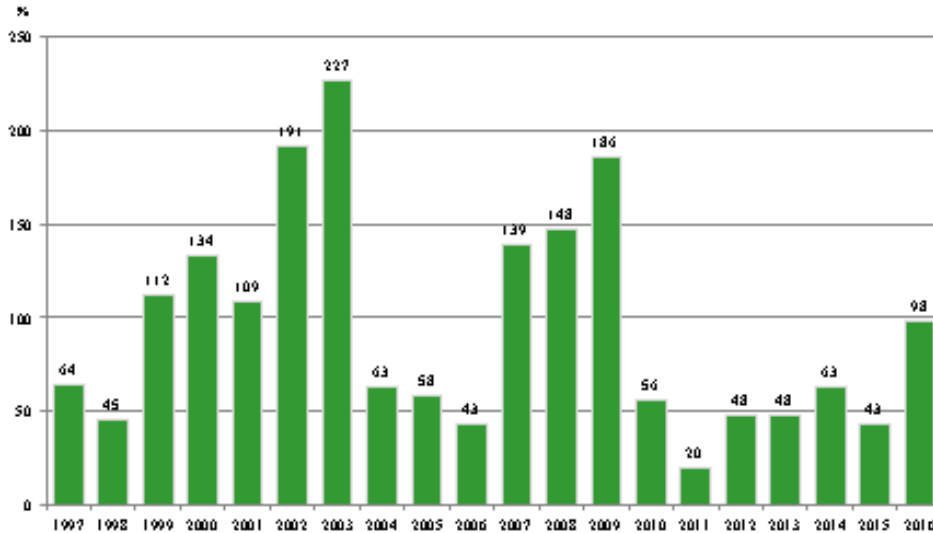
24

The Ontario residual market private passenger accident year loss ratio continues to be relatively stable.

Slide 25



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Ontario**



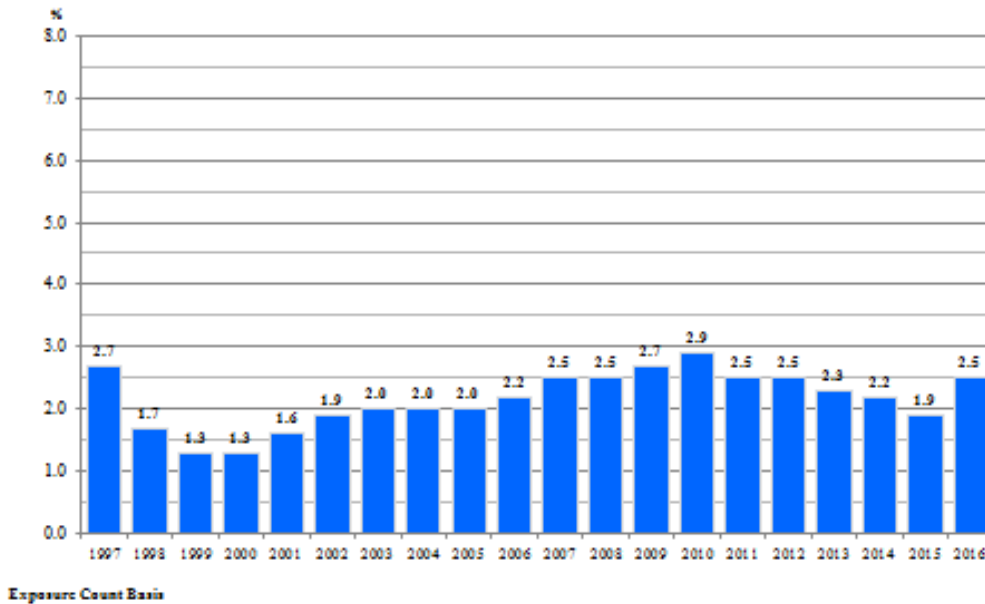
25

The combined operating ratio for all vehicle types in the Ontario residual market was 98%. This chart highlights better than any other the phenomenon I mentioned earlier about the impacts changes to the loss ratios for older years of larger volumes can have on the current fiscal year. For example, we had approximately 225,000 private passenger cars in 2003 compared to the less than the 2000 we have today; in 2003 we had close to \$700M PPV written premium compared to the approximately \$12M we have today.

Slide 26



**Ontario Risk Sharing Pool
Market Share @ December 31, 2016**

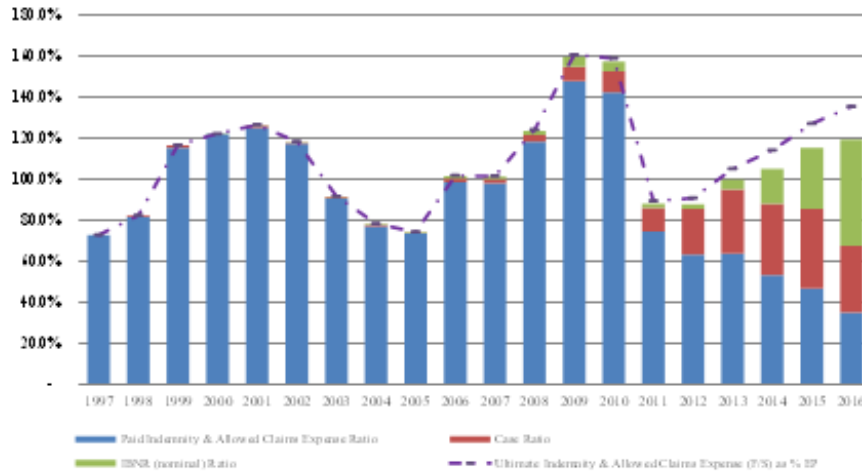


The market share of the Ontario Risk Sharing Pool increased quite significantly to 2.5%. We do not have access to individual company decision-making to know why exposures transferred into the Ontario RSP increased by 35%, but given that companies usually transfer business into a Risk Sharing Pool that they believe to be underpriced, as the Chair noted, it is likely an indicator of rising cost and pricing pressures in the province.

Slide 27



**Ontario Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2016**



* Data not include all claims adjustment expenses

27

The Ontario risk sharing pool loss ratios continue to be relatively high, indicating that ceding companies are accurately assessing the risks to be ceded to the pool.

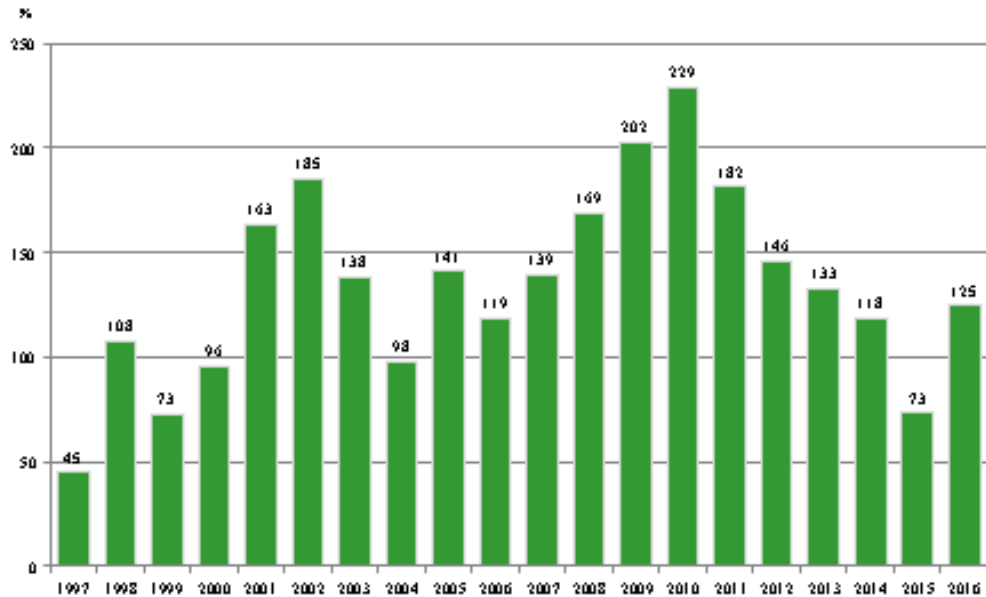
This slide also illustrates the dramatic year-to-year changes in loss ratios that we can see in RSPs. From 2010 to 2011, the loss ratio dropped approximately 70 points. Those kinds of sudden, large changes make the actuarial work with respect to these pools extremely challenging.

Again, the business in the RSPs is written at member companies' own rates.

Slide 28



Ontario Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2016



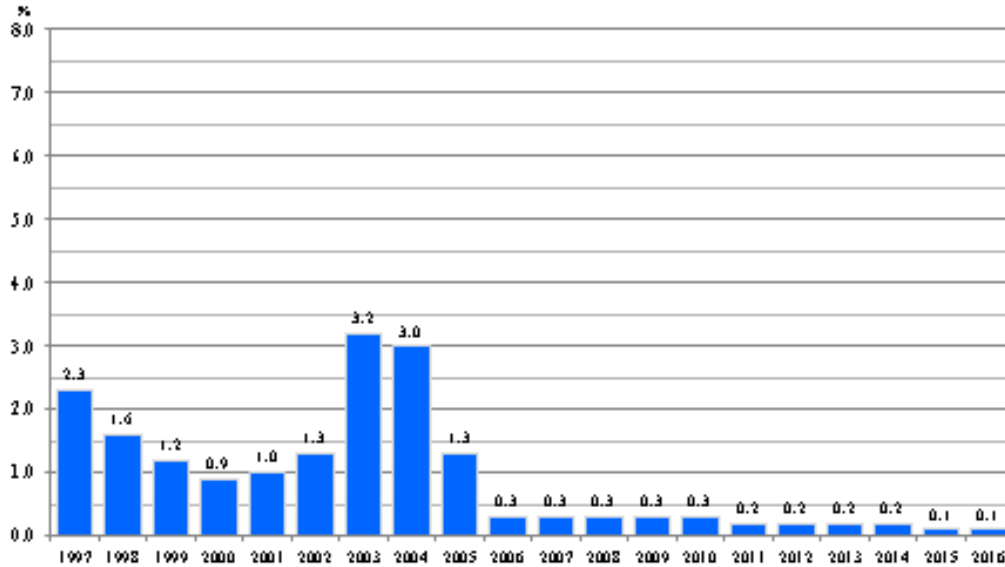
26

The combined operating ratio for the Ontario risk sharing pool was 125, returning to a level one would be more inclined to expect from this particular pool.

Slide 29



**Residual Market - Private Passenger
Market Share @ December 31, 2016
Alberta**



Exposure Control Basis

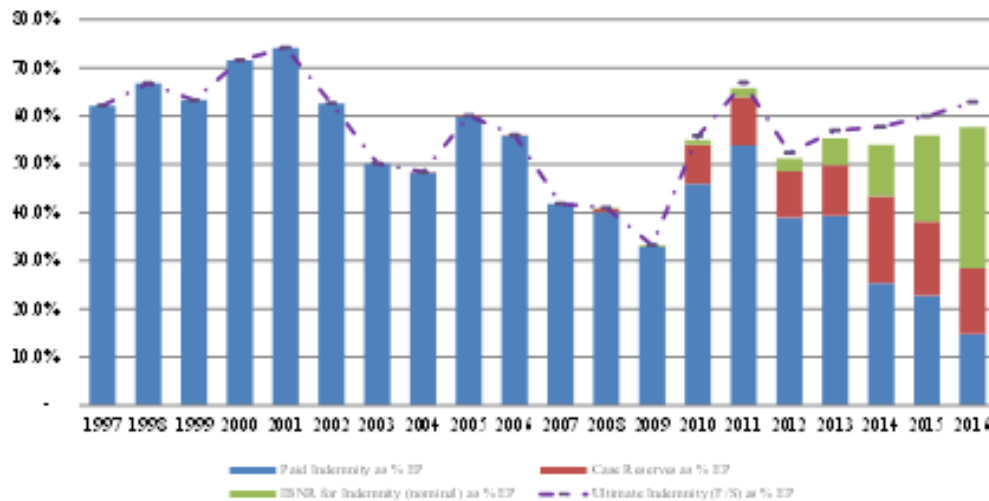
29

The residual market's private passenger market share in Alberta remained at 1 tenth of 1% for the second year in a row. Alberta has a very stringent "take all comers" market for private passenger vehicles.

Slide 30



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Alberta**



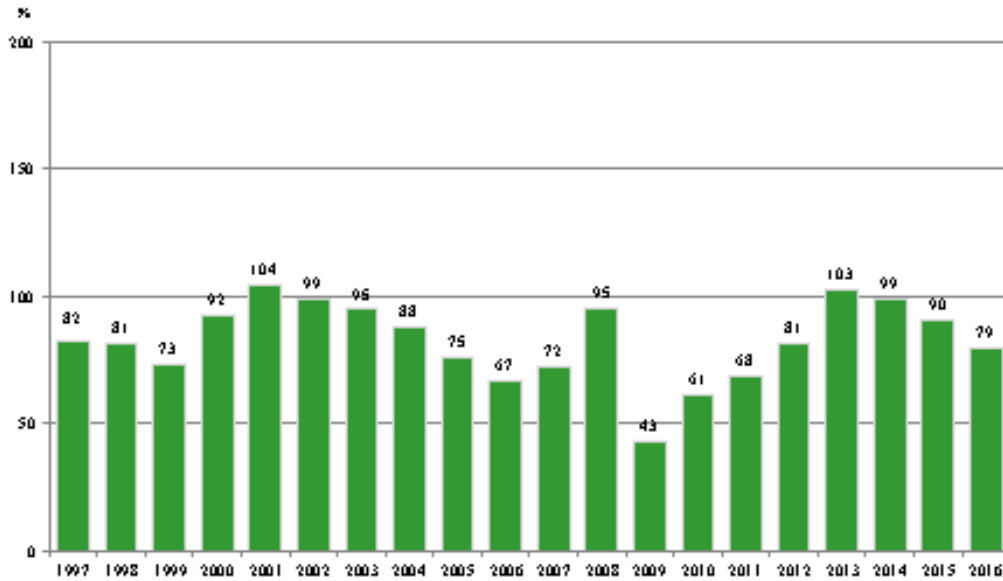
* Data not available for all dates as adjusted for expenses

The PPV accident year loss ratios for the residual market in Alberta have been relatively moderate and stable in recent years. More than 90% of the FARM PPV business in the province is written at rates capped by the premium regulation there.

Slide 31



Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Alberta



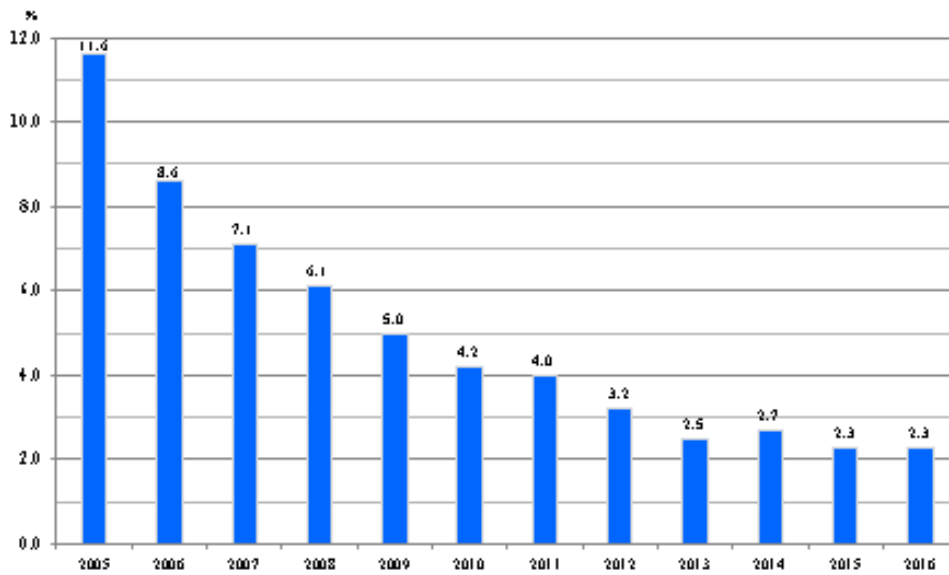
31

The Alberta residual market combined operating ratio for all types of vehicles improved from 90 to 79.

Slide 32



**Alberta Grid Risk Sharing Pool
Market Share @ December 31, 2016**



Exposure Count Basis

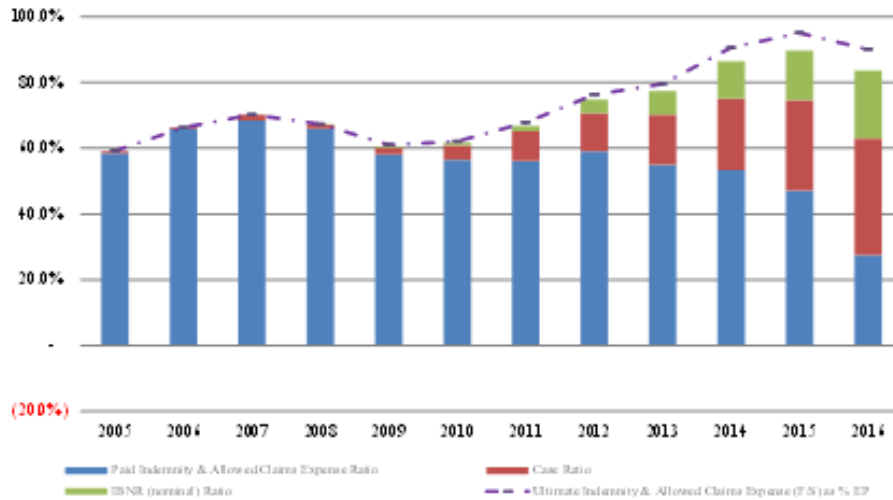
32

The market share of the Alberta Grid Risk Sharing Pool, a risk sharing pool for private passenger vehicles subject to the regulated maximum premium in the province, again ended the year at 2.3%, its lowest level ever.

Slide 33



**Alberta Grid Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2016**



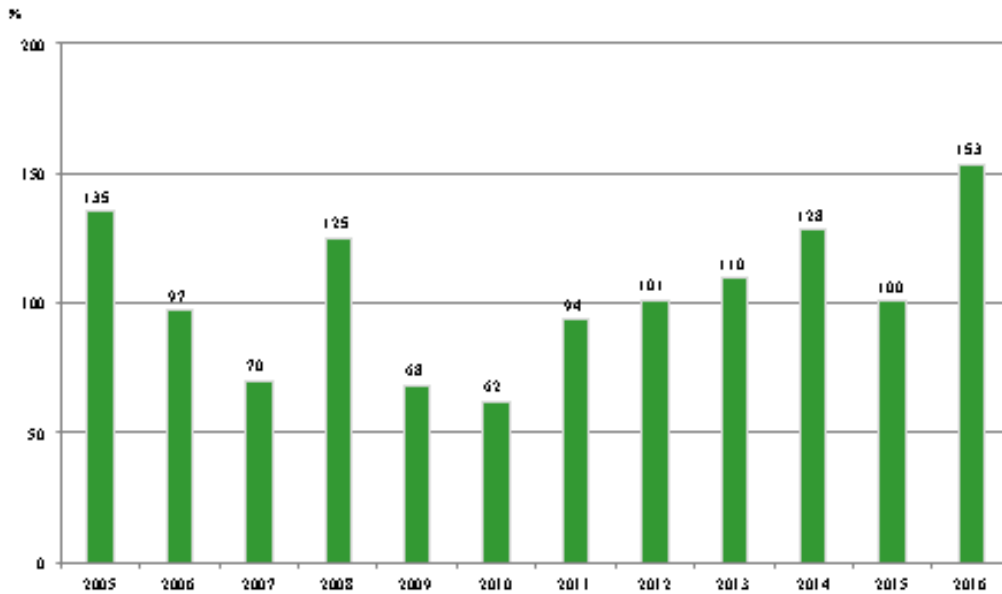
* Data not available all dates adjusted expenses

The accident year loss ratios for the Alberta grid risk sharing pool look like they have been relatively stable over the years, but in reality, the loss ratios for accident years 2013, 14 and 15 have deteriorated relative to last year's estimates.

Slide 34



Alberta Grid Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2016



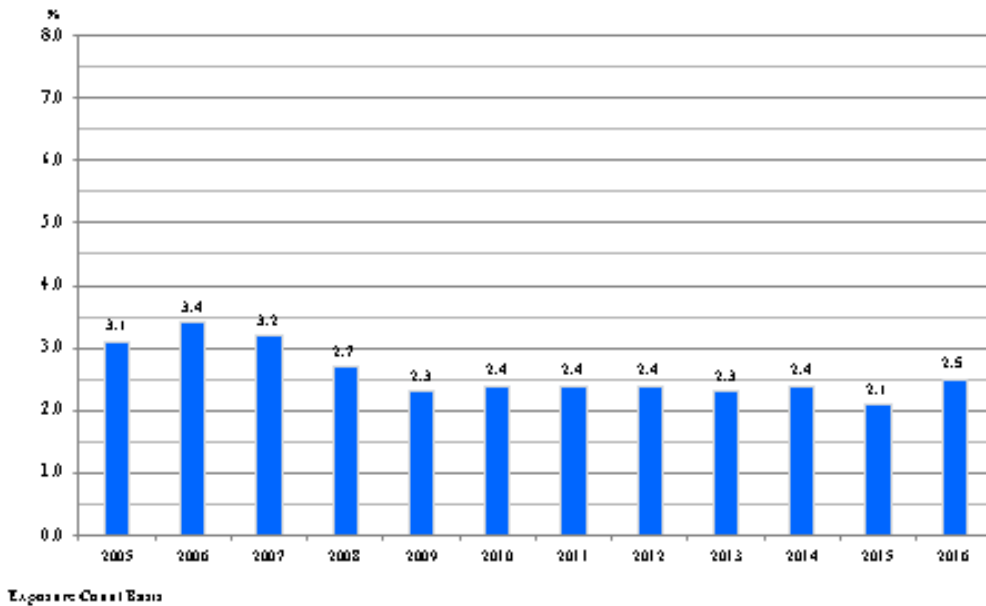
34

The deterioration in loss ratios I just mentioned led to the Alberta Grid Risk Sharing Pool combined operating ratio rising to 153 for 2016, the highest level we have seen since this pool's inception.

Slide 35



**Alberta Non-Grid Risk Sharing Pool
Market Share @ December 31, 2016**

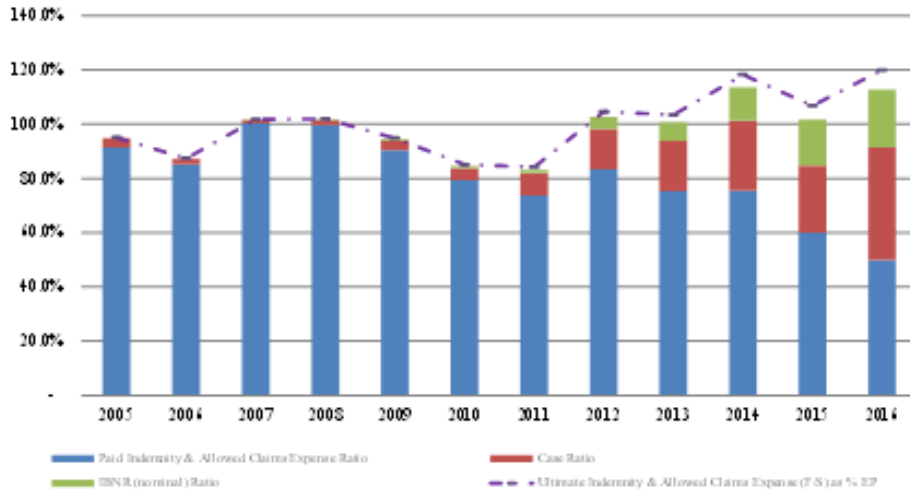


The market share of the Alberta Non-Grid Risk Sharing Pool (a pool for private passenger risks which are not subject to the regulated maximum premium but which insurance companies are required to accept under the take all comers rules in the province) rose to 2.5%, which is within the range of the last several years but it does mark the first time that this pool has had a larger market share than the Alberta Grid Risk Sharing Pool.

Slide 36



**Alberta Non-Grid Risk Sharing Pool
Accident Year Loss Ratios @ October 31, 2016**



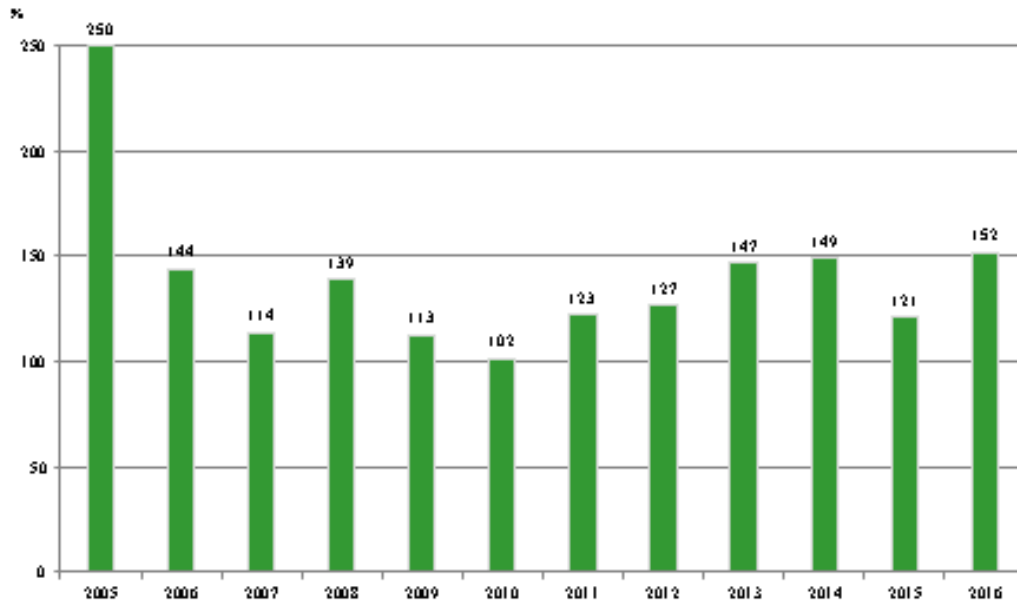
* Does not include all claims adjustment expenses

The Alberta Non-Grid Risk Sharing Pool accident year loss ratio has been quite stable over the last five years.

Slide 37



**Alberta Non-Grid Risk Sharing Pool
Fiscal Year Combined Operating Ratio @ October 31, 2016**



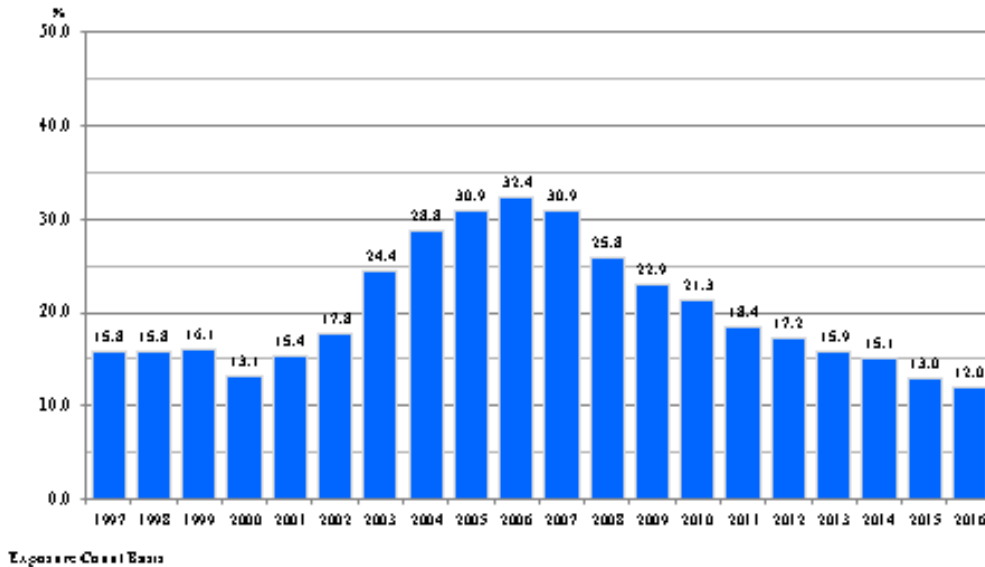
37

The combined ratio for the Alberta Non-Grid Risk Sharing Pool moved up to 152, a level more consistent with 2013 and 2014.

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**Residual Market - Private Passenger
Market Share @ December 31, 2016
Northwest Territories**

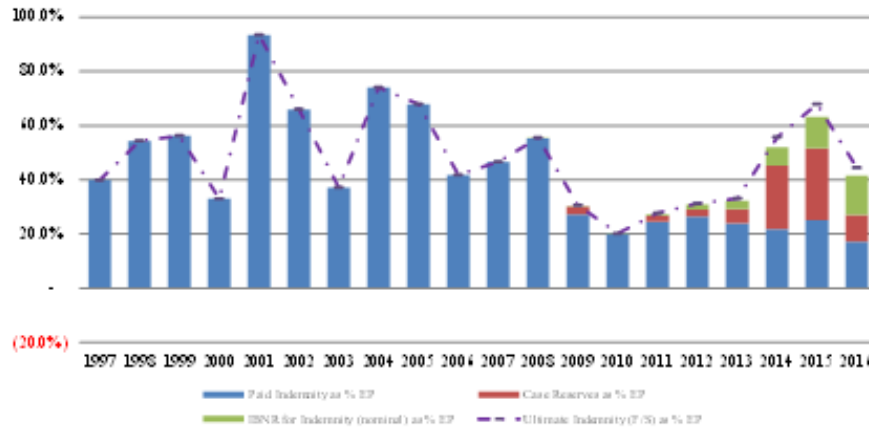


With regard to the northern territories, I will not comment on each one individually other than to say the volumes here are very small and the results are somewhat volatile. That said, we continue to see positive, declining market share trends for private passenger vehicles in all three territories in recent years. The Territories are unique in that their financial results are shared by all automobile insurers in the six provinces that we serve. In the provinces, results are shared within each individual jurisdiction.

Slide 39



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Northwest Territories**



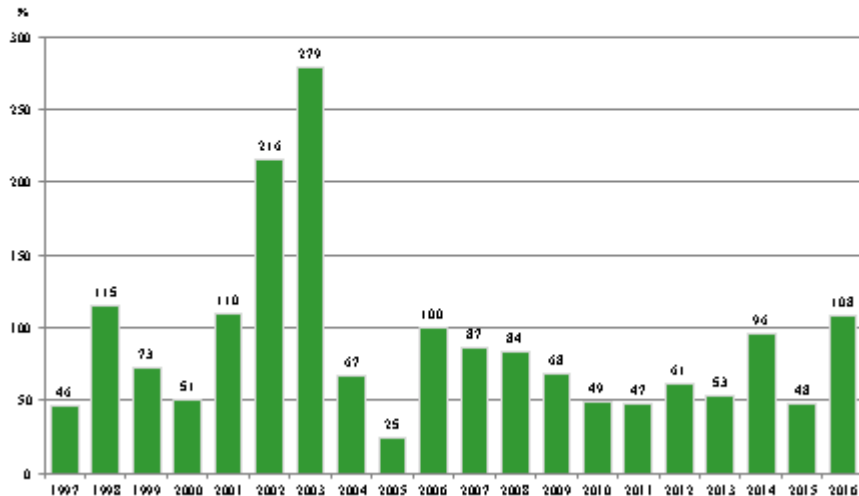
* Data not available all dates adjusted figures

39

Slide 40



**Residual Market - All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Northwest Territories**

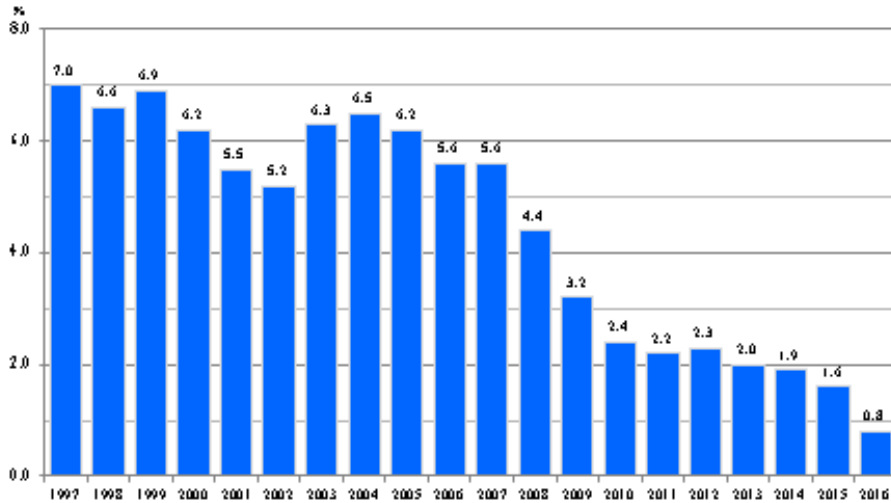


40

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**Residual Market - Private Passenger
Market Share @ December 31, 2016
Yukon**



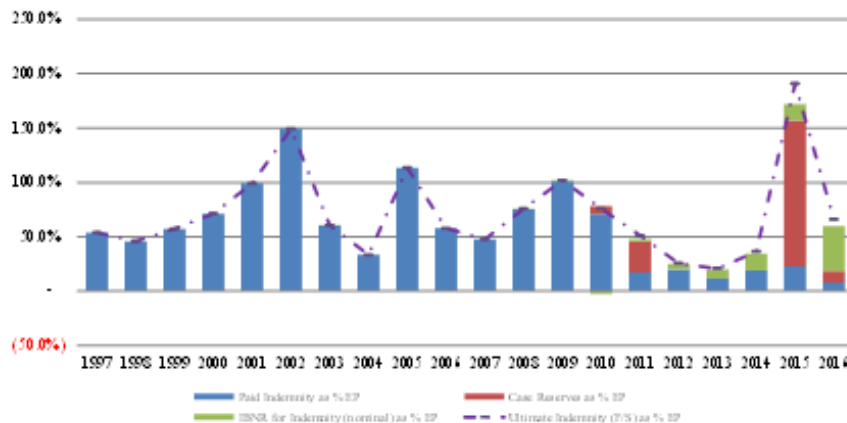
Exposure Constant Basis

41

Slide 42



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Yukon**



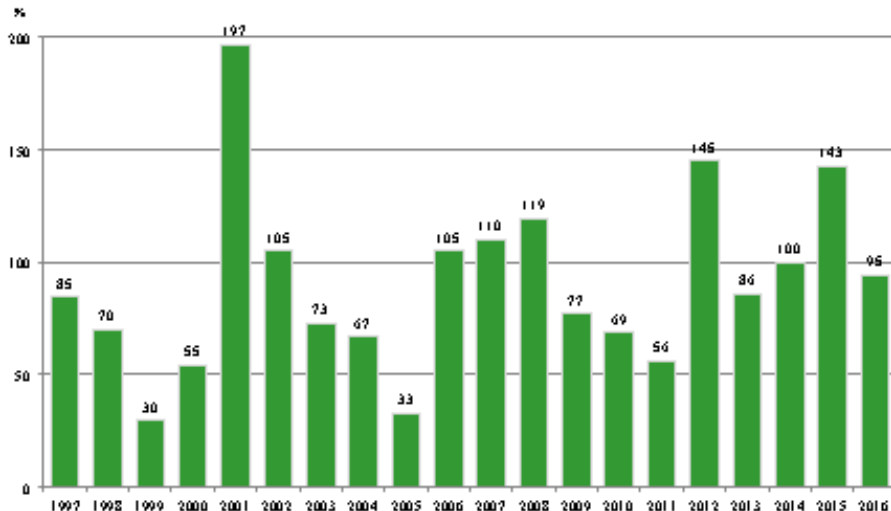
* Data not available all dates adjusted exposure

42

Slide 43



**Residual Market – All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Yukon**

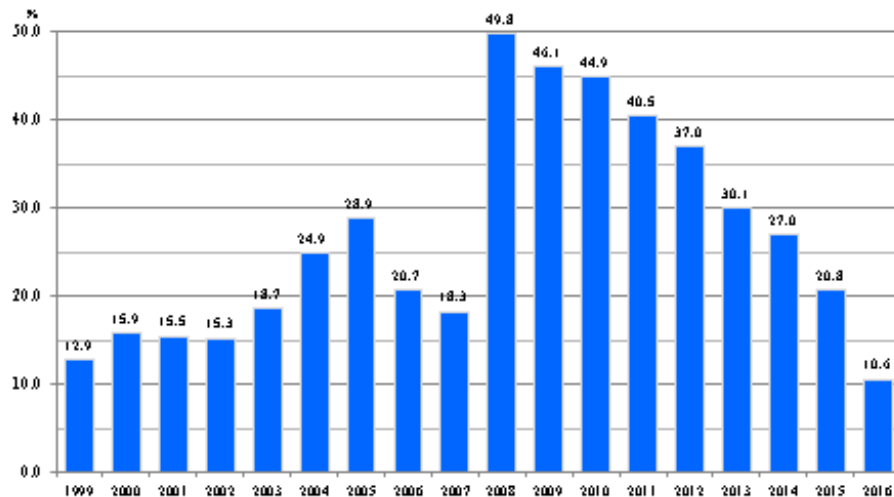


43

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**Residual Market - Private Passenger
Market Share @ December 31, 2016
Nunavut**



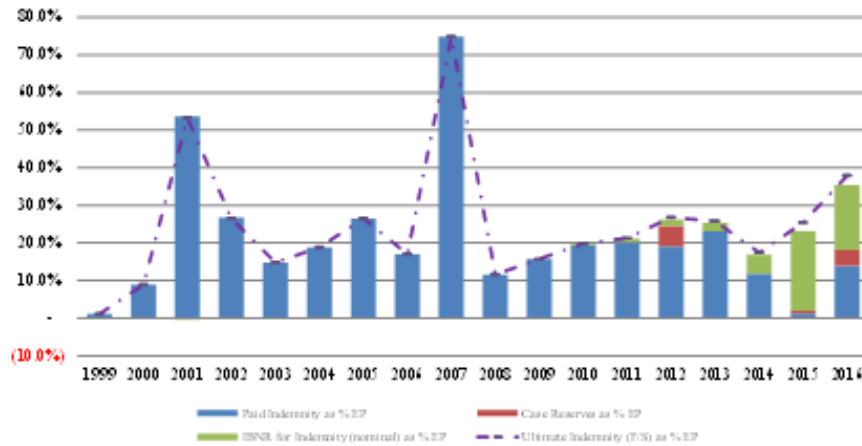
Exposure on a Cost Basis

44

Slide 45



**Residual Market - Private Passenger
Accident Year Loss Ratios @ October 31, 2016
Nunavut**



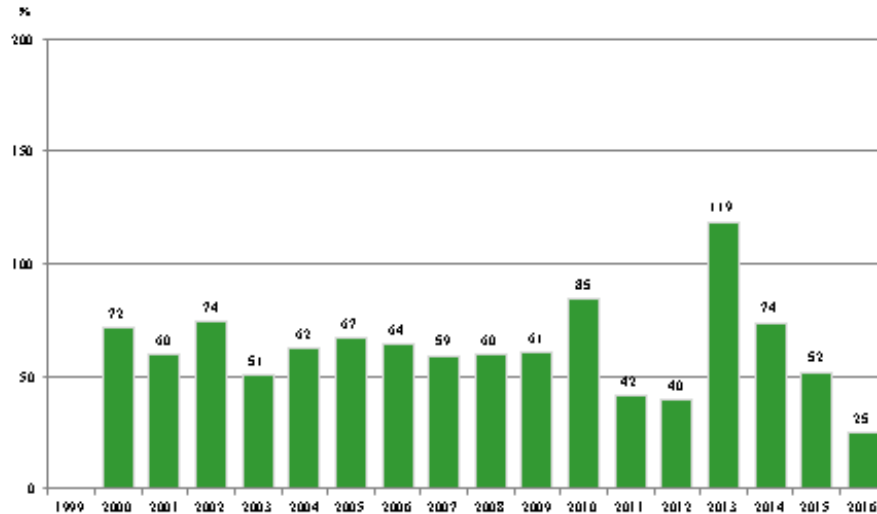
* Does not include all claims and legal expenses

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Slide 46



**Residual Market - All Vehicle Types
Fiscal Year Combined Operating Ratio @ October 31, 2016
Nunavut**



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Although my focus today has been on private passenger vehicles, I think it is also important to note that, consistent with our mission, overall non-private passenger vehicle counts declined 16% across all jurisdictions last year. The only lines of business where we saw increased vehicle counts were in the non-taxi public vehicle classes – buses, funeral vehicles, and ambulances for example. Alberta was the biggest success story with a 24% decline across all lines. I encourage member companies and intermediaries to contact us to find out where there might be further opportunities for depopulation.

The Chair highlighted our activities under the first of our four priorities in our three year strategic plan.

With respect to our second priority, Enhance analysis, communication, and reporting capabilities:

- with the support of our Board, we are pursuing a software solution that will give us much more detailed insight into residual market transaction data. We expect to be able to use the software in support of our actuarial work, our depopulation efforts, and our risk-based audit approach.
 - we completed the integration of a comprehensive communications strategy into our Enterprise Risk Management Framework.
 - based on feedback we received from our advisory committees and member surveys, we improved some of the metrics we provided in our FARM and RSP Outlooks and released them on a schedule more
-

relevant to member companies' planning needs. The Outlooks are publicly available on our website.

With respect to our third priority "Enhance operational efficiency and the control environment":

- after carefully evaluating a number of accounting software packages, we replaced our accounting software mid-year. Accounting is a little bit like hydro—you only notice it when there is a problem. The fact that none of you noticed the change is a testament to the good work done by our Finance and accounting people.
- work continues on the comprehensive three year review, evaluation and improvement of our control environment. This is being done as a matter of good practice; the fact that we were able to provide our members with a CSAE 3416 audit report from Deloitte of our internal controls reflects the existing high quality of our control environment.

With respect to our fourth priority: Review and Strengthen the Enterprise Risk Management Framework:

- under Siddiqui's leadership we are exploring ways to better measure and communicate about risk and we will see more of that in 2017.

On behalf of the Board and staff I would like to recognize the following volunteer committee members who moved on to other things since our last Annual General Meeting for their services to the Association:

- Sonya Côté of Intact after 4 years of serving on the Accounting Committee.

Chris Cooney of TD Insurance has left the Actuarial Committee after 12 years of service, many of those as Chair. I am pleased to say that Chris is now a member of our Board of Directors.

Other members leaving the Actuarial Committee after one or two years of service are:

Patrick Beaulieu of Aviva

Paul Boisvert of RSA

Todd Orrett of Intact and

Brant Wiperman of Peace Hills

Steve Steele of Echelon General leaves the Rates and Rules Committee after five years with us.

Pamela Woolley of Atlantic Insurance left the Newfoundland & Labrador Operating Committee after serving for the past year.

Karl Biermann resigned from the Nova Scotia Operating Committee after serving on the committee for 12 years, most recently as Chair.

John Gelston of HKMB Hub International has retired from our industry and has resigned from the Ontario Operating Committee after serving for 21 years, many of those as Chair.

Brian Yetman, of First Durham Insurance and Financial, is also leaving the Ontario Operating Committee after serving for 11 years.

At this point I would like to acknowledge and thank a long-serving employee who will be retiring this August. Underwriting and Claims Manager Carole Davison will be leaving us after nearly 14 years of service with Facility Association. Thank you Carole. We wish you all the very best.

Personally, I extend my thanks and appreciation to Board Chair, Patrick Barbeau, the Board of Directors, the Facility Association staff, our many volunteers, and our business partners for their hard work, dedication, and support over the past year.

I enjoyed working with, and learning from, everyone. And, as I always do, I am looking forward to doing more, and doing it better, in the year ahead.

Mr. Chairman that concludes my remarks.
