

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO.: F17 – 079**

**DATE: OCTOBER 30, 2017**

**SUBJECT: FARM – AUGUST 2017 PARTICIPATION REPORT**

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

Please be advised that the August 2017 FARM Participation Report is now available on the Facility Association Portal at <https://portal.facilityassociation.com>.

### **New This Month**

#### Operating Results Distributed to Members

Please be advised that the amounts “Operating Results Distributed” on an annual basis (or more often if needed) have been updated on the August 2017 FARM Participation Report, reflecting distributions as summarized in the table below.

*Net Results from Operations (\$000s) to be Distributed to Members*

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	4,008	10,113	14,121
Alberta	11,596	7,099	18,694
Newfoundland & Labrador	(100)	1,491	1,391
New Brunswick	(2,213)	(24)	(2,237)
Nova Scotia	2,718	1,209	3,928
Prince Edward Island	240	(424)	(185)
Yukon	295	546	841
Northwest Territories	309	568	876
Nunavut	1,061	1,304	2,364
<b>TOTAL</b>	<b>17,913</b>	<b>21,880</b>	<b>39,794</b>

As shown on page 23 of the Participation Report (All Years to Date basis), the amount in line item “Operating Results Distributed” shows your share of FARM operating results as accrued to October 31, 2016. Similarly, the amount shown under “Available Funds Distributed” represents the reserve-related funds (cash) transferred to you that is not yet required to meet FA’s short term cash flow needs. This latter amount (“Available Funds Distributed”) represents the liability of you (as a member) to FA, which you must return to FA upon request (subject to 30 day settlement

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period). Such requests will be driven by FA’s need to pay claims, return unearned FARM premiums to policyholders and distribute operating results to its Members. This is consistent with the requirements under the Plan of Operation Article V (Participation Ratios and Sharing) which states:

*“Profit shall be credited or distributed to each member and loss shall be charged against or collected from each member in accordance with the member’s appropriate participation ratio determined in the manner hereinafter set forth in this Article V.”*

Members are reminded that as advised in Bulletin [F16-084](#), any amount shown in the “Total Distributed to Member” line for the month on page 21 is due to rounding, and therefore settlement (from or to Members) of these amounts is not required.

Valuation

An actuarial valuation as at June 30, 2017 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 an increase from 1.07% to 1.27% 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. Also as per our usual process with the June 30 valuation, ultimate selections for allowed claims expenses (aka “excess legal”) were updated.

The incorporation of the new valuation (including the discount rate change, margin updates, and allowed claims expense ultimate updates) is estimated to account for an overall **\$6.2 million favourable** impact on the month’s net result from operations (see the table below), subtracting an estimated 5.4 points from the year-to-date Combined Operating Ratio (ending at 83.8%).

Grand Total	unfav / (fav)						ytd EP 114,867 (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	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(3,424)	(612)	(4,036)	(1,906)	(1,256)	(7,198)	(3.0%)	(0.5%)	(3.5%)	(1.7%)	(1.1%)	(6.3%)
CAY	1,073	113	1,186	(333)	-	853	0.9%	0.1%	1.0%	(0.3%)	-	0.7%
Prem Def	32	228	260	(75)	-	185	-	0.2%	0.2%	(0.1%)	-	0.2%
<b>TOTAL</b>	<b>(2,319)</b>	<b>(271)</b>	<b>(2,590)</b>	<b>(2,314)</b>	<b>(1,256)</b>	<b>(6,160)</b>	<b>(2.0%)</b>	<b>(0.2%)</b>	<b>(2.3%)</b>	<b>(2.0%)</b>	<b>(1.1%)</b>	<b>(5.4%)</b>

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

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**Summary of Financial Results**

The calendar year-to-date Operating Result is \$18.6 million and the incurred loss ratio to the end of 8 months is 58.9%, as summarized in the table immediately below.

Amounts in \$000s	August 2017	August 2016	Year to date Aug 2017	Year to Date Aug 2016
Premium Written	17,099	14,676	127,502	121,720
Premium Earned	15,446	15,329	114,867	119,564
Incurred Losses	4,438	1,887	67,651	76,021
Underwriting & Admin Expense	3,978	3,221	28,574	27,976
<b>Net Result from Operations</b>	<b>7,030</b>	<b>10,221</b>	<b>18,642</b>	<b>15,567</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(49.4%)	(71.7%)	(15.2%)	(10.5%)
- Current Accident Year	78.2%	84.0%	74.1%	74.1%
<i>Total</i>	<b>28.8%</b>	<b>12.3%</b>	<b>58.9%</b>	<b>63.6%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>25.9%</b>	<b>21.1%</b>	<b>24.9%</b>	<b>23.5%</b>
<i>Combined Operating Ratio</i>	<b>54.7%</b>	<b>33.4%</b>	<b>83.8%</b>	<b>87.1%</b>

*rounding differences may occur*

For details on the financial results, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2017 - 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 2017

The projected calendar year Net Result from Operations to December 2017 is \$24.3 million and the estimated combined operating ratio to December 2017 is 86.2% as indicated in the table at the top of the next page. This updated projection to the end of the year has changed from the projection provided last month (\$20.3 million and 88.4%), mainly as a result of the \$5.2 million favourable impact of the implementation this month of the June 30, 2017 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 174,334 (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	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(3,424)	(488)	(3,912)	(1,764)	(1,125)	(6,801)	(2.0%)	(0.3%)	(2.2%)	(1.0%)	(0.6%)	(3.9%)
CAY	1,623	175	1,798	(475)	-	1,323	0.9%	0.1%	1.0%	(0.3%)	-	0.8%
Prem Def	118	231	349	(73)	-	276	0.1%	0.1%	0.2%	-	-	0.2%
<b>TOTAL</b>	<b>(1,683)</b>	<b>(82)</b>	<b>(1,765)</b>	<b>(2,312)</b>	<b>(1,125)</b>	<b>(5,202)</b>	<b>(1.0%)</b>	<b>-</b>	<b>(1.0%)</b>	<b>(1.3%)</b>	<b>(0.6%)</b>	<b>(3.0%)</b>

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<b>FARM Year-end Projection</b>	<b>Current</b>	Prior Mth		Final 2017
<b>Amounts in \$000s</b>	<b>(Aug 2017)</b>	<b>(Jul 2017)</b>	<b>Change</b>	<b>Outlook*</b>
Premium Written	179,198	178,289	909	183,890
Premium Earned	174,334	173,010	1,324	179,643
Incurred Losses	109,423	112,616	(3,193)	122,815
Underwriting & Admin Expense	40,564	40,088	477	41,031
<b>Net Result from Operations</b>	<b>24,346</b>	<b>20,307</b>	<b>4,040</b>	<b>15,797</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(11.0%)	(7.8%)	(3.2%)	(4.6%)
- Current Accident Year	73.8%	72.9%	0.9%	72.9%
<i>Total</i>	<b>62.8%</b>	<b>65.1%</b>	<b>(2.3%)</b>	<b>68.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>23.4%</b>	<b>23.3%</b>	<b>0.1%</b>	<b>23.0%</b>
<b>Combined Operating Ratio</b>	<b>86.2%</b>	<b>88.4%</b>	<b>(2.2%)</b>	<b>91.4%</b>

*rounding differences may occur*

\*as posted to FA's website Oct. 27, 2016

The updated year-end projections are shown by jurisdiction against the October 27, 2016 Outlook in the table immediately below, with the estimated impact of implementing the *current* valuation in the two far right columns (this includes \$100 thousand of increased administration expense that is not reflected in the table at the bottom of the previous page). In particular, with *four* valuations (2016 Q3 & Q4, and 2017 Q1 & Q2) and other changes since August 2016 (the actuals used in the Outlook), **the projected \$15.8 million operating result has been increased to \$24.3 million.**

**(negative operating results are unfavourable)**

\$000s	Outlook Posted October 27, 2016			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 2017
Ontario	38,460	6,833	82.5%	41,534	14,610	64.9%	3,054	2,820
Alberta	59,144	7,013	88.3%	53,882	7,438	86.2%	(1,206)	(1,452)
Newfoundland & Labrador	30,471	(2,698)	109.0%	28,494	(1,211)	104.3%	2,385	2,180
New Brunswick	20,657	1,929	90.8%	20,612	(2,242)	111.0%	(243)	(426)
Nova Scotia	18,087	175	99.2%	17,962	2,074	88.5%	1,193	1,088
Prince Edward Island	4,954	825	83.5%	4,431	(135)	103.1%	99	42
Yukon	1,954	228	88.5%	1,855	731	60.6%	163	182
Northwest Territories	4,584	1,055	77.1%	4,383	1,776	59.6%	559	498
Nunavut	1,332	439	67.2%	1,180	1,306	(10.6%)	156	155
<b>TOTAL</b>	<b>179,643</b>	<b>15,797</b>	<b>91.4%</b>	<b>174,334</b>	<b>24,346</b>	<b>86.2%</b>	<b>6,160</b>	<b>5,087</b>

In total, the operating result projection to year-end has increased by \$8.5 million from the Outlook posted October 27, 2016 (to \$24.3 million as shown above). This amount is \$5.1 million higher than it would have been, if not for the implementation of the June 30, 2017 valuation. (The changes before the impact of the June 30, 2017 valuation are attributable to mix of business and

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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 increase in the discount rate (the interest rate margin for adverse deviation remained consistent at 25 basis points). Had the Outlook discount rate of 0.69%<sup>1</sup> still been applicable, the operating result would have been *lower* by \$5.5 million (using the current interest rate sensitivity table). That is, the projected Operating Result would have been approximately \$18.8 million (COR of 89.2%) had the discount rate and associated margin remained at the Outlook levels.

*Current month results*

The Net Results from Operations in the month of August 2017 was \$7.0 million, down \$3.2 million from the same month last year. This deterioration mainly stems from the overall increase in the combined ratio (from 33.4% to 54.7% applied to \$15.4 million in earned premium), primarily due to varying impacts of related valuation implementations during the respective months.

This month's results moved the year-to-date combined operating ratio from 88.3% at the end of 7 months to 83.8% at the end of 8 months. The 4.5 percentage point decrease is composed of a 5.3 percentage point decrease in the Prior Accident Years loss ratio, offset by a 0.7 percentage point increase in the Current Accident Year loss ratio and a 0.1 percentage point increase in the expense ratio.

*Variances from Projections*

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

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<sup>1</sup>The 2017 Outlook was based on the June 30, 2016 valuation and the Bank of Canada yield curves at June 30, 2016. Users can use the interest rate sensitivity tables in Exhibit F of the monthly operational Actuarial Highlights to test for impact of alternate discount rates. For example, page 86 of the August 2017 FARM Actuarial Highlights Exhibit F (page 10 of 10), indicating a 0.69% discount rate would increase indemnity claims liabilities by an estimated \$5.5 million using simple linear interpolation with the estimated \$6.2 million impact of a 0.62% prior fiscal year-end selected discount rate, which is 65 basis points lower than the selected discount rate of 1.27%.

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August 2017	Actual	Projection	Difference	Difference %
Premium Written	17,099	15,429	1,670	10.8%
Premium Earned	15,446	14,584	862	5.9%
Reported Losses				
Paid Losses	11,349	11,614	(265)	(2.3%)
Change in Outstanding Losses	52	(1,125)	1,177	(104.6%)
<b>Total Reported Losses</b>	<b>11,401</b>	<b>10,489</b>	<b>912</b>	<b>8.7%</b>
Change in IBNR*	(5,252)	77	(5,329)	
Change in Premium Deficiency (DPAC)*	57	(125)	182	
Change in Retro Claims Expense*	(1,711)	(631)	(1,080)	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [FARM August 2017 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 2017, reported indemnity amounts were \$1.0 million higher than projected (*allowed claims expenses are included in table immediately above as part of reported losses, explaining why the variance in Total Reported Losses in the table shows \$0.9 million*). The Current Accident Year had a \$0.2 million unfavourable variance in reported indemnity, and the Prior Accident Years had an unfavourable variance of \$0.8 million. Of the Prior Accident Years, 2016 had the largest variance in reported losses at \$1.2 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 August 2017 Participation Report reflects the results of an updated valuation as at June 30, 2017, with the associated impacts in relation to the results for August 2017 summarized in the table at the top of the next page.

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Grand Total	unfav / (fav)						mth EP 15,446 (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	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(3,424)	(612)	(4,036)	(1,906)	(1,256)	(7,198)	(22.2%)	(4.0%)	(26.1%)	(12.3%)	(8.1%)	(46.6%)
CAY	1,073	113	1,186	(333)	-	853	6.9%	0.7%	7.7%	(2.2%)	-	5.5%
Prem Def	32	228	260	(75)	-	185	0.2%	1.5%	1.7%	(0.5%)	-	1.2%
<b>TOTAL</b>	<b>(2,319)</b>	<b>(271)</b>	<b>(2,590)</b>	<b>(2,314)</b>	<b>(1,256)</b>	<b>(6,160)</b>	<b>(15.0%)</b>	<b>(1.8%)</b>	<b>(16.8%)</b>	<b>(15.0%)</b>	<b>(8.1%)</b>	<b>(39.9%)</b>

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 an increase in the selected discount rate from 1.07% to 1.27%. The investment return margin for adverse deviation was left unchanged at 25 basis points, but the selected claims development margins<sup>2</sup> were updated (as per usual practice, claims development margins are reviewed and updated annually with the June 30 valuation). Also as usual with the June 30 valuation, selected ultimates for allowed claims expenses were updated.

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”.)

<sup>2</sup>Claims development margins are selected by jurisdiction, business segment, coverage, and accident half-year.

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*June 30, 2017 Valuation Summary (Indemnity Only)*

Valuation Summary (Nominal Basis)						unfavourable / (favourable)			
Jurisdiction	2016 & Prior Beginning Indemnity Unpaid (000s)	2016 & Prior Accident Year Indemnity Change (000s)	% of Beginning Unpaid	2017 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2017 Earned Prem (000s)	2018 Indemnity Loss Ratio	Change from Prior Valuation	Change against 2018 Proj Earned Prem (000s)
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
<b>Ontario</b>	<b>100,756</b>	<b>(1,099)</b>	<b>(1.1%)</b>	<b>50.0%</b>	<b>(0.1%)</b>	<b>(40)</b>	<b>52.8%</b>	<b>1.8%</b>	<b>711</b>
PPV	44,235	476	1.1%	49.7%	(0.1%)	(13)	52.5%	3.5%	430
Non-PPV	56,521	(1,575)	(2.8%)	50.2%	(0.1%)	(27)	53.0%	1.0%	281
<b>Alberta</b>	<b>71,558</b>	<b>1,617</b>	<b>2.3%</b>	<b>55.5%</b>	<b>0.9%</b>	<b>482</b>	<b>55.2%</b>	<b>0.5%</b>	<b>298</b>
PPV	17,098	(257)	(1.5%)	56.3%	(3.6%)	(259)	56.5%	(2.5%)	(183)
Non-PPV	54,460	1,874	3.4%	55.4%	1.6%	742	55.0%	1.0%	481
<b>Newfoundland &amp; Labrador</b>	<b>50,983</b>	<b>(1,734)</b>	<b>(3.4%)</b>	<b>74.7%</b>	<b>0.9%</b>	<b>269</b>	<b>74.4%</b>	<b>2.1%</b>	<b>669</b>
PPV	34,435	(761)	(2.2%)	72.0%	2.1%	451	73.5%	3.5%	825
Non-PPV	16,548	(973)	(5.9%)	82.8%	(2.5%)	(182)	77.5%	(2.0%)	(156)
<b>New Brunswick</b>	<b>32,390</b>	<b>246</b>	<b>0.8%</b>	<b>58.6%</b>	<b>2.5%</b>	<b>523</b>	<b>56.8%</b>	<b>2.1%</b>	<b>441</b>
PPV	19,348	(16)	(0.1%)	63.9%	4.1%	515	60.5%	3.0%	390
Non-PPV	13,042	262	2.0%	50.4%	0.1%	8	51.1%	0.6%	51
<b>Nova Scotia</b>	<b>20,595</b>	<b>(906)</b>	<b>(4.4%)</b>	<b>61.8%</b>	<b>0.9%</b>	<b>162</b>	<b>62.5%</b>	<b>1.5%</b>	<b>278</b>
PPV	9,006	(764)	(8.5%)	65.8%	0.1%	8	68.5%	1.5%	119
Non-PPV	11,589	(142)	(1.2%)	58.8%	1.5%	155	58.0%	1.5%	160
<b>Prince Edward Island</b>	<b>7,090</b>	<b>(139)</b>	<b>(2.0%)</b>	<b>49.6%</b>	<b>3.4%</b>	<b>157</b>	<b>47.4%</b>	<b>1.7%</b>	<b>79</b>
PPV	4,040	23	0.6%	42.9%	1.3%	36	42.5%	1.5%	41
Non-PPV	3,050	(162)	(5.3%)	59.6%	6.5%	121	54.5%	2.0%	38
<b>Yukon Territory</b>	<b>3,045</b>	<b>(86)</b>	<b>(2.8%)</b>	<b>49.6%</b>	<b>(3.1%)</b>	<b>(57)</b>	<b>54.0%</b>	<b>(0.9%)</b>	<b>(16)</b>
PPV	1,946	(44)	(2.3%)	57.3%	(6.0%)	(26)	60.5%	(5.5%)	(23)
Non-PPV	1,099	(42)	(3.8%)	47.2%	(2.2%)	(30)	52.0%	0.5%	7
<b>Northwest Territories</b>	<b>5,815</b>	<b>(442)</b>	<b>(7.6%)</b>	<b>44.9%</b>	<b>2.3%</b>	<b>100</b>	<b>43.3%</b>	<b>2.1%</b>	<b>92</b>
PPV	4,112	(401)	(9.8%)	48.3%	2.2%	68	47.0%	3.0%	92
Non-PPV	1,703	(41)	(2.4%)	36.5%	2.5%	32	34.5%	0.0%	-
<b>Nunavut</b>	<b>830</b>	<b>(122)</b>	<b>(14.7%)</b>	<b>35.6%</b>	<b>(0.3%)</b>	<b>(4)</b>	<b>37.2%</b>	<b>(0.4%)</b>	<b>(4)</b>
PPV	372	(77)	(20.7%)	27.4%	0.2%	1	29.0%	1.0%	4
Non-PPV	458	(45)	(9.8%)	39.6%	(0.6%)	(5)	41.0%	(1.0%)	(8)
<b>Total</b>	<b>293,062</b>	<b>(2,665)</b>	<b>(0.9%)</b>	<b>57.8%</b>	<b>0.9%</b>	<b>1,593</b>	<b>58.4%</b>	<b>1.4%</b>	<b>2,549</b>

The overall impact of implementing the valuation on the results of the Month of August 2017 is estimated as favourable by \$6.2 million, as summarized in the table at the top of the next page. In that table, column [1] shows indemnity only, and is therefore comparable to the valuation summary table above (column [2] in the valuation summary table is comparable to the first row of column [1] in the table at the top of the next page). Differences will emerge due to the differences between data available at June 30, 2017 (used for the valuation) and available for implementation (August 31, 2017). 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 2017 earned premium, whereas the current accident year row, second row of column [1] in the implementation impact table at the top of the next page applies the change to year-to-date earned premium at August 31, 2017.



**Bulletin F17-079**  
**FARM – August 2017 Participation Report**

**Implementation Impact - relative to actual for month of Aug 2017** (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 (1994-2016)	(2,625)	(849)	50	(3,424)	(3,774)	(7,198)
current accident year claims incurred	1,050	61	(38)	1,073	(220)	853
premium deficiency / (DPAC)	32			32	153	185
<b>TOTAL</b>	<b>(1,543)</b>	<b>(788)</b>	<b>12</b>	<b>(2,319)</b>	<b>(3,841)</b>	<b>(6,160)</b>

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 114,867 (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	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(3,424)	(612)	(4,036)	(1,906)	(1,256)	(7,198)	(3.0%)	(0.5%)	(3.5%)	(1.7%)	(1.1%)	(6.3%)
CAY	1,073	113	1,186	(333)	-	853	0.9%	0.1%	1.0%	(0.3%)	-	0.7%
Prem Def	32	228	260	(75)	-	185	-	0.2%	0.2%	(0.1%)	-	0.2%
<b>TOTAL</b>	<b>(2,319)</b>	<b>(271)</b>	<b>(2,590)</b>	<b>(2,314)</b>	<b>(1,256)</b>	<b>(6,160)</b>	<b>(2.0%)</b>	<b>(0.2%)</b>	<b>(2.3%)</b>	<b>(2.0%)</b>	<b>(1.1%)</b>	<b>(5.4%)</b>

The overall impact *prior to* the 20 basis point increase in the discount rate (to 1.27%) and changes to margins for adverse deviation was favourable by \$2.6 million (Total row, third column in the table above). This was augmented by the \$2.3 million favourable impact of the discount rate change (Total row, fourth column). Finally, updates to the selected margins for adverse claims development deviation resulted in a further \$1.3 million in favourable impact (fifth column in the table above).

Additional detail related to the valuation results and impact is available in the [FARM August 2017 Participation Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights FARM as at June 30, 2017 are expected to be posted on or before November 10, 2017.

The actuarial valuation will be updated next as at September 30, 2017 for all jurisdictions and business segments. The results are anticipated to be reflected in the October 2017 Participation Report.

**Management Comments**

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 0.3% overall in August 2017 relative to August 2016. On a year-to-date basis, exposure counts are down by 2.3%, decreasing in all jurisdictions except Ontario, Newfoundland & Labrador and Nova Scotia.

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*FARM Private Passenger Written Car Years*

# FARM Vehicles Written								
Jurisdiction	Month of August 2017				Calendar YTD as of August 2017			
	2017	2016	Chg	% Chg	2017	2016	Chg	% Chg
<b>Ontario</b>	247	195	52	26.6%	1,628	1,389	239	17.2%
<b>Alberta</b>	156	141	15	10.4%	1,081	1,165	(84)	(7.2%)
<b>Newfoundland &amp; Labrador</b>	1,027	1,010	17	1.7%	7,454	7,247	208	2.9%
<b>New Brunswick</b>	535	602	(67)	(11.1%)	4,542	4,980	(438)	(8.8%)
<b>Nova Scotia</b>	369	362	7	1.9%	2,728	2,644	83	3.1%
<b>Prince Edward Island</b>	123	135	(12)	(9.2%)	897	1,035	(137)	(13.3%)
<b>Yukon</b>	23	24	(1)	(3.2%)	123	178	(54)	(30.5%)
<b>Northwest Territories</b>	194	207	(13)	(6.2%)	1,482	1,677	(195)	(11.6%)
<b>Nunavut</b>	20	26	(6)	(21.8%)	131	222	(91)	(41.0%)
<b>All Jurisdictions</b>	<b>2,694</b>	<b>2,702</b>	<b>(8)</b>	<b>(0.3%)</b>	<b>20,068</b>	<b>20,538</b>	<b>(470)</b>	<b>(2.3%)</b>

*Rounding differences may occur*

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 2017 Participation Report – Actuarial Highlights](#)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2017**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH**  
**Operating Results for the 8 months ended August 31, 2017 (Discounted Basis)**  
**Source: Monthly (Accident Year) Member Participation Report as at 08/2017**  
(thousands of dollars)

	January	February	March	April	May	June	July	August	CY2017 YTD	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
<b>UNDERWRITING REVENUE:</b>											
PREMIUMS WRITTEN	\$10,584	\$10,637	\$14,027	\$16,316	\$20,856	\$20,989	\$16,994	\$17,099	\$127,502	\$179,198	\$171,000
CHANGE IN UNEARNED PREMIUMS	3,684	2,114	258	(2,654)	(6,272)	(6,354)	(1,758)	(1,653)	(12,635)	(4,864)	7,060
<b>NET PREMIUMS EARNED</b>	<b>\$14,268</b>	<b>\$12,751</b>	<b>\$14,285</b>	<b>\$13,662</b>	<b>\$14,584</b>	<b>\$14,635</b>	<b>\$15,236</b>	<b>\$15,446</b>	<b>\$114,867</b>	<b>\$174,334</b>	<b>\$178,060</b>
<b>CLAIMS INCURRED</b>											
PRIOR ACCIDENT YEARS											
UNDISCOUNTED	(132)	156	(10,108)	(64)	10,097	(36)	(44)	(3,345)	(3,476)	(3,477)	(2,129)
EFFECT OF DISCOUNTING	(790)	(707)	(7,562)	(708)	1,445	(667)	(689)	(4,291)	(13,969)	(15,730)	(1,579)
DISCOUNTED	(922)	(551)	(17,670)	(772)	11,542	(703)	(733)	(7,636)	(17,445)	(19,207)	(3,708)
CURRENT ACCIDENT YEAR											
UNDISCOUNTED	9,713	8,799	9,702	9,371	10,441	10,109	10,508	11,726	80,369	121,835	127,293
EFFECT OF DISCOUNTING	871	654	269	565	705	633	682	348	4,727	6,797	8,574
DISCOUNTED	10,584	9,453	9,971	9,936	11,146	10,742	11,190	12,074	85,096	128,632	135,867
<b>CLAIMS INCURRED</b>	<b>\$9,662</b>	<b>\$8,902</b>	<b>(\$7,699)</b>	<b>\$9,164</b>	<b>\$22,688</b>	<b>\$10,039</b>	<b>\$10,457</b>	<b>\$4,438</b>	<b>\$67,651</b>	<b>\$109,425</b>	<b>\$132,159</b>
<b>UNDERWRITING EXPENSES</b>											
OPERATING & SERVICE FEES	1,080	1,093	1,464	1,730	2,128	2,154	1,734	1,749	13,132	18,398	17,653
AGENTS COMMISSIONS	873	869	1,185	1,322	1,713	1,747	1,419	1,424	10,552	14,947	14,416
DRIVER RECORD ABSTRACTS	177	239	265	321	335	300	184	358	2,179	2,798	3,068
BAD DEBTS	(2)	(1)	(5)	0	(10)	(8)	(4)	(2)	(32)	(33)	(179)
PREMIUM DEFICIENCY/(DPAC)											
UNDISCOUNTED	266	183	(93)	(203)	(442)	(507)	(139)	(124)	(1,059)	(540)	331
EFFECT OF DISCOUNTING	(24)	1	100	15	230	67	7	181	577	530	112
DISCOUNTED	242	184	7	(188)	(212)	(440)	(132)	57	(482)	(10)	443
<b>UNDERWRITING EXPENSES</b>	<b>\$2,370</b>	<b>\$2,384</b>	<b>\$2,916</b>	<b>\$3,185</b>	<b>\$3,954</b>	<b>\$3,753</b>	<b>\$3,201</b>	<b>\$3,586</b>	<b>\$25,349</b>	<b>\$36,100</b>	<b>\$35,401</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$2,236</b>	<b>\$1,465</b>	<b>\$19,068</b>	<b>\$1,313</b>	<b>(\$12,058)</b>	<b>\$843</b>	<b>\$1,578</b>	<b>\$7,422</b>	<b>\$21,867</b>	<b>\$28,809</b>	<b>\$10,500</b>
ADMINISTRATIVE EXPENSES	379	421	361	408	494	442	376	407	3,288	4,614	4,999
PREMIUM FINANCE FEE	(9)	(8)	(10)	(7)	(9)	(10)	(9)	(9)	(71)	(62)	(108)
INVESTMENT INCOME	13	11	18	16	15	16	21	24	134	211	226
<b>OPERATING RESULTS</b>	<b>\$1,861</b>	<b>\$1,047</b>	<b>\$18,715</b>	<b>\$914</b>	<b>(\$12,546)</b>	<b>\$407</b>	<b>\$1,214</b>	<b>\$7,030</b>	<b>\$18,642</b>	<b>\$24,344</b>	<b>\$5,619</b>
<b>RATIOS:</b>											
Claims & Adj Expenses Incurred (Earned)											
Prior Accident Year	-6.5%	-4.3%	-123.7%	-5.7%	79.1%	-4.8%	-4.8%	-49.4%	-15.2%	-11.0%	-2.1%
Current Accident Years	74.2%	74.1%	69.8%	72.7%	76.4%	73.4%	73.4%	78.2%	74.1%	73.8%	76.3%
All Accident Years Combined	67.7%	69.8%	-53.9%	67.0%	155.5%	68.6%	68.6%	28.8%	58.9%	62.8%	74.2%
Underwriting & Admin Exp.(Earned)	19.3%	22.0%	22.9%	26.3%	30.5%	28.7%	23.5%	25.9%	24.9%	23.4%	22.7%
COMBINED OPERATING RATIO	87.0%	91.8%	-31.0%	93.3%	186.0%	97.3%	92.1%	54.7%	83.8%	86.2%	96.9%

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 2017**  
**FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS**  
**Operating Results for the 8 months ended August 31, 2017 (Discounted Basis)**

Source: Monthly (Accident Year) Member Participation Report as at 08/2017

(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2017 12 Months Updated Projections	CY2016 12 Months Actual
<b>UNDERWRITING REVENUE:</b>												
PREMIUMS WRITTEN	\$38,028	\$32,665	\$13,170	\$3,053	\$14,606	\$20,719	\$1,481	\$3,023	\$757	\$127,502	\$179,198	\$171,000
CHANGE IN UNEARNED PREMIUMS	(2,215)	(5,719)	(1,321)	(87)	(977)	(2,000)	(255)	(98)	37	(12,635)	(\$4,864)	\$7,060
<b>NET PREMIUMS EARNED</b>	<b>\$35,813</b>	<b>\$26,946</b>	<b>\$11,849</b>	<b>\$2,966</b>	<b>\$13,629</b>	<b>\$18,719</b>	<b>\$1,226</b>	<b>\$2,925</b>	<b>\$794</b>	<b>\$114,867</b>	<b>\$174,334</b>	<b>\$178,060</b>
<b>CLAIMS INCURRED</b>												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	1,132	(3,702)	(1,859)	670	3,162	(944)	(374)	(672)	(889)	(3,476)	(\$3,477)	(\$2,129)
EFFECT OF DISCOUNTING	(3,186)	(6,174)	(1,038)	(220)	(742)	(2,014)	(140)	(347)	(108)	(13,969)	(\$15,730)	(\$1,579)
DISCOUNTED	(2,054)	(9,876)	(2,897)	450	2,420	(2,958)	(514)	(1,019)	(997)	(17,445)	(19,207)	(3,708)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	23,431	17,466	8,863	1,910	9,743	16,231	746	1,619	360	80,369	\$121,835	\$127,293
EFFECT OF DISCOUNTING	1,154	1,398	470	125	530	892	52	82	24	4,727	\$6,797	\$8,574
DISCOUNTED	24,585	18,864	9,333	2,035	10,273	17,123	798	1,701	384	85,096	128,632	135,867
<b>CLAIMS INCURRED</b>	<b>\$22,531</b>	<b>\$8,988</b>	<b>\$6,436</b>	<b>\$2,485</b>	<b>\$12,693</b>	<b>\$14,165</b>	<b>\$284</b>	<b>\$682</b>	<b>(\$613)</b>	<b>\$67,651</b>	<b>\$109,425</b>	<b>\$132,159</b>
<b>UNDERWRITING EXPENSES</b>												
OPERATING & SERVICE FEES	3,803	3,529	1,317	321	1,517	2,121	147	302	75	13,132	\$18,398	\$17,653
AGENTS COMMISSIONS	3,290	1,989	1,160	287	1,376	1,956	128	301	65	10,552	\$14,947	\$14,416
DRIVER RECORD ABSTRACTS	503	136	563	135	409	353	17	55	8	2,179	\$2,798	\$3,068
BAD DEBTS	(7)	(5)	(1)	(1)	1	(19)	0	0	0	(32)	(\$33)	(\$179)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(188)	(364)	(108)	(6)	(83)	(287)	(21)	(8)	6	(1,059)	(\$540)	\$331
EFFECT OF DISCOUNTING	0	0	82	0	0	495	0	0	0	577	\$530	\$112
DISCOUNTED	(188)	(364)	(26)	(6)	(83)	208	(21)	(8)	6	(482)	(10)	443
<b>UNDERWRITING EXPENSES</b>	<b>\$7,401</b>	<b>\$5,285</b>	<b>\$3,013</b>	<b>\$736</b>	<b>\$3,220</b>	<b>\$4,619</b>	<b>\$271</b>	<b>\$650</b>	<b>\$154</b>	<b>\$25,349</b>	<b>\$36,100</b>	<b>\$35,401</b>
<b>NET UNDERWRITING GAIN (LOSS)</b>	<b>\$5,881</b>	<b>\$12,673</b>	<b>\$2,400</b>	<b>(\$255)</b>	<b>(\$2,284)</b>	<b>(\$65)</b>	<b>\$671</b>	<b>\$1,593</b>	<b>\$1,253</b>	<b>\$21,867</b>	<b>\$28,809</b>	<b>\$10,500</b>
ADMINISTRATIVE EXPENSES	891	800	340	117	370	521	77	111	61	3,288	\$4,614	\$4,999
PREMIUM FINANCE FEE	(21)	(24)	(7)	0	(7)	(12)	0	0	0	(71)	(\$62)	(\$108)
INVESTMENT INCOME	32	48	11	2	16	23	0	2	0	134	\$211	\$226
<b>OPERATING RESULTS</b>	<b>\$5,001</b>	<b>\$11,897</b>	<b>\$2,064</b>	<b>(\$370)</b>	<b>(\$2,645)</b>	<b>(\$575)</b>	<b>\$594</b>	<b>\$1,484</b>	<b>\$1,192</b>	<b>\$18,642</b>	<b>\$24,344</b>	<b>\$5,619</b>
<b>RATIOS:</b>												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-5.7%	-36.7%	-24.4%	15.2%	17.8%	-15.8%	-41.9%	-34.8%	-125.6%	-15.2%	-11.0%	-2.1%
Current Accident Years	68.6%	70.0%	78.8%	68.6%	75.4%	91.5%	65.1%	58.2%	48.4%	74.1%	73.8%	76.3%
All Accident Years Combined	62.9%	33.3%	54.4%	83.8%	93.2%	75.7%	23.2%	23.4%	-77.2%	58.9%	62.8%	74.2%
Underwriting & Admin Exp. (Earned)	23.2%	22.6%	28.3%	28.8%	26.3%	27.5%	28.4%	26.0%	27.1%	24.9%	23.4%	22.7%
COMBINED OPERATING RATIO	86.1%	55.9%	82.7%	112.6%	119.5%	103.2%	51.6%	49.4%	-50.1%	83.8%	86.2%	96.9%

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