

TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO.: F18 – 011
DATE: FEBRUARY 27, 2018
SUBJECT: FARM – DECEMBER 2017 PARTICIPATION REPORT

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

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

Summary of Financial Results

The calendar year-to-date Operating Result is \$32.6 million and the incurred loss ratio to the end of 12 months is 58.0%, as summarized in the table below.

Amounts in \$000s	December 2017	December 2016	Year to date Dec 2017	Year to Date Dec 2016
Premium Written	9,309	9,678	184,248	171,000
Premium Earned	15,243	14,325	176,486	178,060
Incurred Losses	10,571	9,934	102,264	132,159
Underwriting & Admin Expense	2,939	2,643	41,616	40,282
Net Result from Operations	1,733	1,748	32,606	5,619
<i>Ratios:</i>				
Loss ratio - Prior Accident Years	(3.2%)	(6.1%)	(15.3%)	(2.1%)
- Current Accident Year	72.6%	75.5%	73.3%	76.3%
<i>Total</i>	69.4%	69.4%	58.0%	74.2%
<i>Underwriting & Admin Expense</i>	19.4%	18.5%	23.7%	22.7%
<i>Combined Operating Ratio</i>	88.8%	87.9%	81.7%	96.9%

rounding differences may occur

Compared with the Final FARM Outlook for 2017 (F16-077 posted Oct. 27, 2016), 2017 finished with written premium \$0.4 million (0.2%) higher than expected, but earned premium \$3.2 million (1.8%) lower than expected. The net operating surplus at \$32.6 million was \$16.8 million (106.5%) higher than expected and the combined ratio was 9.7 points lower than expected. While **\$6.3 million** of the \$16.8 million favourable variance was **due to favourable prior accident year**

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nominal development (Alberta, New Brunswick, and Prince Edward Island development were unfavourable – all other jurisdictions were favourable), changes in assumptions for actuarial present value adjustments (both the discount rate and margins for adverse deviations) were the primary cause of the favourable variance in the net operating surplus. In particular, **the discount rate increase from 0.69%** (used in the 2017 Final Outlook) **to the currently used 1.81%** **accounts for an estimated \$10.4 million in the favourable variance** from the Final 2017 net operating surplus (based on last month’s interest rate sensitivity table found in the November 2017 Actuarial Highlights).

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 2018

A 2018 Outlook has been prepared to provide members with an estimate of Facility Association Residual Market operating results for calendar year 2018 based on the actuarial valuation at June 30, 2017, and reflecting actual experience to date as detailed in the August 2017 Participation Report. This 2018 Outlook was posted on November 10, 2017 (please refer to Bulletin [F17-085](#)), and projected a Net Result from Operations for 2018 of \$10.4 million, and a combined operating ratio of 94.4%.

The projected calendar year Operating Results to December 2018 is now \$11.2 million (a \$0.8 million improvement relative to the 2018 Outlook) and the projected combined operating ratio to December 2018 is 94.2% (a 0.2 point improvement relative to the 2018 Outlook). The changes reflect updates over the four share months released after the August 2017 results (including this month), and include the impact of a valuation (the September 2017 valuation was implemented in the October 2017 Participation Reports). The improvement included a \$0.4 million favourable impact due to the \$7.8 million increase in projected earned premium (at a combined ratio of 94.4%), with the remaining \$0.4 million favourable impact from the decrease in the combined ratio (from 94.4% to 94.2%, applied to this month’s \$189.1 million projected earned premium).

The table at the top of the next page summarizes our current projection (i.e. as at December 2017) for the 2018 full year with our projection from last month and the Final 2018 Outlook.

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FARM 2018 Year-end Projection	Current	Prior Mth	Change	Final 2018
Amounts in \$000s	(Dec 2017)	(Nov 2017)		Outlook*
Premium Written	193,124	190,427	2,697	182,582
Premium Earned	189,125	188,082	1,043	181,347
Incurred Losses	134,538	134,390	148	129,462
Underwriting & Admin Expense	43,382	42,932	449	41,471
Net Result from Operations	11,206	10,760	446	10,414
Ratios:				
Loss ratio - Prior Accident Years	(2.2%)	(1.8%)	(0.4%)	(2.9%)
- Current Accident Year	73.3%	73.3%	0.1%	74.2%
Total	71.1%	71.5%	(0.4%)	71.4%
Underwriting & Admin Expense	23.1%	22.9%	0.2%	23.0%
Combined Operating Ratio	94.2%	94.4%	(0.2%)	94.4%

rounding differences may occur

*as posted to FA's website Nov. 10, 2017

Current Month Results

The Net Results from Operations in the month of December 2017 was \$1.7 million, down \$15 thousand from the same month last year.

Variances from Projections

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

December 2017	Actual	Projection	Difference	Difference %
Premium Written	9,309	9,958	(649)	(6.5%)
Premium Earned	15,243	15,419	(176)	(1.1%)
Reported Losses				
Paid Losses	16,249	12,471	3,778	30.3%
Change in Outstanding Losses	(7,497)	(820)	(6,677)	814.3%
Total Reported Losses	8,752	11,651	(2,899)	(24.9%)
Change in IBNR*	2,209	(423)	2,632	
Change in Premium Deficiency (DPAC)*	472	368	104	
Change in Retro Claims Expense*	(390)	(507)	117	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [FARM December 2017 Participation Report - Actuarial Highlights](#).

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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 December 2017, reported indemnity amounts were \$2.8 million lower 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 -\$2.9 million*). The Current Accident Year had a \$0.4 million unfavourable variance in reported indemnity, while the Prior Accident Years had a favourable variance of \$3.2 million. No 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.

Booking IBNR

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected for the most recent accident years back to 1994 (for accident years 1993 and earlier, IBNR is held at \$0). This is consistent with management's investigation into reported claims variances, concluding they were random and not necessarily indicative of a trend.

Effect of Quarterly Valuation

The December 2017 Participation Report does not reflect the results of an actuarial valuation update. The most recent valuation was as at September 30, 2017 for all jurisdictions and business segments. The actuarial valuation will be updated next as at December 31, 2017 for all jurisdictions and business segments, and the results of that valuation are anticipated to be reflected in the March 2018 Participation Report.

Management Comments

As shown in the table at the top of the next page, the private passenger annualized vehicle counts decreased by 6.6% overall in December 2017 relative to December 2016. On a year-to-date basis, exposure counts are down by 1.8%, decreasing in all jurisdictions except Ontario, Newfoundland & Labrador and Nova Scotia. 2017 was the first year since at least 2010 that Ontario Private Passenger counts increased in Ontario, and since 2013 for Newfoundland & Labrador. In contrast, 2017 was the 3rd consecutive year where FARM Private Passenger counts increased in Nova Scotia.

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FARM Private Passenger Written Car Years

# FARM Vehicles Written								
Jurisdiction	Month of December 2017				Calendar YTD as of December 2017			
	2017	2016	Chg	% Chg	2017	2016	Chg	% Chg
Ontario	127	135	(9)	(6.3%)	2,342	1,964	378	19.2%
Alberta	71	86	(15)	(17.4%)	1,532	1,644	(112)	(6.8%)
Newfoundland & Labrador	527	544	(18)	(3.2%)	10,580	10,368	212	2.0%
New Brunswick	313	364	(52)	(14.2%)	6,647	7,275	(629)	(8.6%)
Nova Scotia	195	206	(11)	(5.4%)	4,011	3,843	169	4.4%
Prince Edward Island	77	69	8	11.4%	1,326	1,425	(99)	(7.0%)
Yukon	8	4	4	112.8%	167	225	(58)	(25.8%)
Northwest Territories	130	146	(16)	(10.8%)	2,146	2,411	(265)	(11.0%)
Nunavut	6	1	5	509.1%	176	311	(134)	(43.3%)
All Jurisdictions	1,453	1,556	(103)	(6.6%)	28,926	29,465	(539)	(1.8%)

Rounding differences may occur

The 1.8% decline in private passenger vehicle counts is the lowest year-on-year rate of decline for the FARM since 2011 as indicated in the table below.

FARM Private Passenger Written Car Years Over Time by Jurisdiction

Annualized Vehicle Count									
Jurisdiction	2017	2016	2015	2014	2013	2012	2011	2010	2009
ON	2,342	1,964	1,974	2,475	3,220	4,625	6,730	7,833	9,307
AB	1,532	1,644	2,543	3,445	4,088	4,525	5,153	5,283	4,953
NL	10,580	10,368	10,679	11,441	12,138	11,382	11,285	9,555	8,564
NB	6,647	7,275	7,587	7,150	7,199	7,543	8,732	8,146	6,575
NS	4,011	3,843	3,618	3,509	3,781	3,646	4,734	5,905	9,159
PE	1,326	1,425	1,574	1,518	1,569	1,570	1,779	1,515	1,490
YT	167	225	430	484	494	533	584	593	762
NT	2,146	2,411	2,590	2,817	2,978	3,083	3,373	3,783	4,067
NU	176	311	611	745	829	933	1,032	1,082	1,058
Grand Total	28,926	29,465	31,605	33,584	36,295	37,840	43,401	43,695	45,935
<i>count change</i>									
ON	378	(10)	(501)	(745)	(1,405)	(2,105)	(1,104)	(1,473)	
AB	(112)	(899)	(902)	(643)	(437)	(628)	(130)	330	
NL	212	(311)	(762)	(697)	756	97	1,730	991	
NB	(629)	(312)	437	(49)	(344)	(1,189)	586	1,571	
NS	169	225	109	(272)	135	(1,088)	(1,171)	(3,254)	
PE	(99)	(149)	56	(51)	(1)	(209)	264	25	
YT	(58)	(205)	(55)	(10)	(39)	(51)	(9)	(169)	
NT	(265)	(180)	(226)	(161)	(105)	(290)	(410)	(283)	
NU	(134)	(300)	(135)	(83)	(104)	(99)	(50)	24	
Grand Total	(539)	(2,141)	(1,978)	(2,711)	(1,545)	(5,561)	(294)	(2,239)	
<i>% change</i>									
ON	19.2%	(0.5%)	(20.3%)	(23.1%)	(30.4%)	(31.3%)	(14.1%)	(15.8%)	
AB	(6.8%)	(35.4%)	(26.2%)	(15.7%)	(9.7%)	(12.2%)	(2.5%)	6.7%	
NL	2.0%	(2.9%)	(6.7%)	(5.7%)	6.6%	0.9%	18.1%	11.6%	
NB	(8.6%)	(4.1%)	6.1%	(0.7%)	(4.6%)	(13.6%)	7.2%	23.9%	
NS	4.4%	6.2%	3.1%	(7.2%)	3.7%	(23.0%)	(19.8%)	(35.5%)	
PE	(7.0%)	(9.5%)	3.7%	(3.2%)	(0.1%)	(11.7%)	17.4%	1.7%	
YT	(25.8%)	(47.7%)	(11.3%)	(2.0%)	(7.2%)	(8.8%)	(1.6%)	(22.1%)	
NT	(11.0%)	(6.9%)	(8.0%)	(5.4%)	(3.4%)	(8.6%)	(10.8%)	(7.0%)	
NU	(43.3%)	(49.1%)	(18.1%)	(10.0%)	(11.2%)	(9.6%)	(4.6%)	2.2%	
Grand Total	(1.8%)	(6.8%)	(5.9%)	(7.5%)	(4.1%)	(12.8%)	(0.7%)	(4.9%)	

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For non-Private Passenger, counts were also down from 2016, and the declines continued at a healthy pace, as indicated in the table below. Like Private Passenger, Ontario saw an increase in 2017 (the first since 2013) and the increase was mainly in interurban and recreational classes. The only other jurisdiction showing a non-private passenger count increase was the Yukon.

FARM Non-Private Passenger¹ Written Car Years Over Time by Jurisdiction

Annualized Vehicle Count									
Jurisdiction	2017	2016	2015	2014	2013	2012	2011	2010	2009
ON	5,682	5,136	5,970	6,539	7,383	6,800	7,613	8,070	7,342
AB	24,680	28,156	36,781	42,120	48,567	53,439	54,427	53,917	55,345
NL	5,422	5,654	5,935	5,906	6,130	5,539	6,013	5,632	5,469
NB	6,380	6,634	6,967	7,699	9,637	11,476	15,177	14,494	14,294
NS	11,016	12,380	13,515	14,998	16,461	16,996	20,670	19,460	18,590
PE	2,078	2,180	2,430	2,527	2,655	2,688	2,710	2,711	2,635
YT	1,577	1,541	1,617	1,672	1,726	1,626	1,702	1,519	1,585
NT	1,409	1,534	1,560	1,669	1,823	2,089	2,168	2,232	2,267
NU	1,052	1,129	1,214	1,215	1,395	1,497	1,640	1,682	1,767
Grand Total	59,296	64,344	75,989	84,344	95,777	102,149	112,121	109,719	109,294
<i>count change</i>									
ON	546	(835)	(569)	(844)	583	(813)	(458)	728	
AB	(3,476)	(8,625)	(5,338)	(6,447)	(4,872)	(988)	510	(1,428)	
NL	(232)	(281)	29	(224)	590	(474)	382	163	
NB	(254)	(333)	(732)	(1,938)	(1,839)	(3,701)	683	201	
NS	(1,364)	(1,135)	(1,484)	(1,462)	(535)	(3,674)	1,210	870	
PE	(102)	(251)	(96)	(128)	(33)	(22)	(1)	75	
YT	36	(76)	(55)	(54)	100	(76)	183	(66)	
NT	(125)	(26)	(109)	(154)	(266)	(80)	(64)	(34)	
NU	(77)	(85)	(1)	(181)	(102)	(144)	(42)	(84)	
Grand Total	(5,048)	(11,645)	(8,355)	(11,432)	(6,372)	(9,972)	2,402	426	
<i>% change</i>									
ON	10.6%	(14.0%)	(8.7%)	(11.4%)	8.6%	(10.7%)	(5.7%)	9.9%	
AB	(12.3%)	(23.5%)	(12.7%)	(13.3%)	(9.1%)	(1.8%)	0.9%	(2.6%)	
NL	(4.1%)	(4.7%)	0.5%	(3.7%)	10.7%	(7.9%)	6.8%	3.0%	
NB	(3.8%)	(4.8%)	(9.5%)	(20.1%)	(16.0%)	(24.4%)	4.7%	1.4%	
NS	(11.0%)	(8.4%)	(9.9%)	(8.9%)	(3.1%)	(17.8%)	6.2%	4.7%	
PE	(4.7%)	(10.3%)	(3.8%)	(4.8%)	(1.2%)	(0.8%)	(0.1%)	2.9%	
YT	2.3%	(4.7%)	(3.3%)	(3.1%)	6.1%	(4.5%)	12.0%	(4.1%)	
NT	(8.2%)	(1.7%)	(6.5%)	(8.4%)	(12.7%)	(3.7%)	(2.9%)	(1.5%)	
NU	(6.9%)	(7.0%)	(0.1%)	(12.9%)	(6.8%)	(8.8%)	(2.5%)	(4.8%)	
Grand Total	(7.8%)	(15.3%)	(9.9%)	(11.9%)	(6.2%)	(8.9%)	2.2%	0.4%	

The table on the next page shows the written annualized vehicle counts for Non-Private Passenger by rating class (total for all jurisdictions), showing that overall, the FARM continues to see significant decreases in recreational vehicle counts.

¹As defined in the FA Plan of Operation, private passenger vehicles that are included as part of a fleet-rated policy are counted as part of the non-private passenger business segment.

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FARM Non-Private Passenger² Written Car Years Over Time by Rating Class

Annualized Vehicle Count	Share Year	2017	2016	2015	2014	2013	2012	2011	2010	2009
Private Passenger (x Farmer)		556	542	676	918	900	926	777	905	921
Commercial	10,631	10,503	12,092	12,624	12,831	13,417	14,527	14,532	14,262	14,262
Interurban	1,851	1,468	1,612	1,721	1,689	1,543	1,671	1,654	1,551	1,551
Public Bus	1,454	1,577	1,471	1,491	1,554	1,528	1,758	1,780	1,514	1,514
Private Bus & Misc Pu	1,388	1,355	1,331	1,485	1,692	1,393	1,558	1,449	1,401	1,401
School Bus	1,009	960	949	963	952	948	945	925	952	952
Hotel & Country Club	490	427	435	366	334	346	351	343	313	313
Taxi	4,621	4,842	5,989	6,298	6,645	5,404	5,723	5,295	5,280	5,280
Funeral	2	3	2	1	1	2	4	4	8	8
Ambulance	36	35	15	42	61	72	68	83	92	92
Motorcycle	21,819	25,093	31,070	34,900	40,536	42,429	41,472	40,595	40,353	40,353
All Terrain Vehicle	10,265	11,852	13,703	15,625	19,181	24,433	29,266	29,753	30,689	30,689
Snow Vehicle	4,914	5,438	6,376	7,649	9,154	9,409	13,682	12,116	11,663	11,663
Antique	2	1	4	6	6	4	6	7	5	5
Motor Home	196	185	193	171	165	207	207	213	195	195
Trailer Home	(0)	-	-	-	-	-	-	-	2	2
Garage	-	-	-	-	-	-	-	-	3	3
Non-Owned	-	-	-	-	-	-	-	-	1	1
Drivers Policy	62	63	72	86	74	89	108	65	90	90
Grand Total	59,296	64,344	75,989	84,344	95,777	102,149	112,121	109,719	109,294	109,294

count change

Private Passenger (x Farmer)	14	(133)	(242)	18	(26)	149	(128)	(16)		
Commercial	129	(1,589)	(532)	(208)	(586)	(1,110)	(5)	270		
Interurban	383	(144)	(109)	32	147	(128)	17	104		
Public Bus	(123)	106	(21)	(62)	26	(230)	(22)	266		
Private Bus & Misc Pu	33	24	(154)	(207)	299	(165)	109	48		
School Bus	49	11	(14)	11	4	3	20	(27)		
Hotel & Country Club	63	(8)	69	32	(11)	(5)	8	31		
Taxi	(221)	(1,146)	(310)	(347)	1,241	(318)	427	15		
Funeral	(1)	1	1	(0)	(1)	(2)	0	(4)		
Ambulance	1	20	(27)	(20)	(11)	4	(16)	(9)		
Motorcycle	(3,274)	(5,977)	(3,830)	(5,637)	(1,893)	958	877	241		
All Terrain Vehicle	(1,587)	(1,851)	(1,922)	(3,556)	(5,252)	(4,833)	(487)	(936)		
Snow Vehicle	(524)	(938)	(1,272)	(1,505)	(255)	(4,274)	1,566	453		
Antique	1	(3)	(1)	(0)	1	(1)	(1)	2		
Motor Home	11	(8)	22	6	(42)	0	(6)	18		
Trailer Home	(0)	-	-	-	-	-	-	(2)		
Garage	-	-	-	-	-	-	-	(3)		
Non-Owned	-	-	-	-	-	-	-	(1)		
Drivers Policy	(1)	(9)	(14)	12	(15)	(19)	42	(24)		
Grand Total	(5,048)	(11,645)	(8,355)	(11,432)	(6,372)	(9,972)	2,402	426		

% change

Private Passenger (x Farmer)	2.6%	(19.7%)	(26.4%)	2.0%	(2.8%)	19.2%	(14.2%)	(1.8%)		
Commercial	1.2%	(13.1%)	(4.2%)	(1.6%)	(4.4%)	(7.6%)	-	1.9%		
Interurban	26.1%	(9.0%)	(6.3%)	1.9%	9.5%	(7.7%)	1.0%	6.7%		
Public Bus	(7.8%)	7.2%	(1.4%)	(4.0%)	1.7%	(13.1%)	(1.3%)	17.6%		
Private Bus & Misc Pu	2.4%	1.8%	(10.4%)	(12.3%)	21.5%	(10.6%)	7.5%	3.4%		
School Bus	5.1%	1.2%	(1.4%)	1.1%	0.5%	0.3%	2.2%	(2.8%)		
Hotel & Country Club	14.8%	(1.9%)	18.9%	9.5%	(3.3%)	(1.5%)	2.2%	9.8%		
Taxi	(4.6%)	(19.1%)	(4.9%)	(5.2%)	23.0%	(5.6%)	8.1%	0.3%		
Funeral	(27.3%)	37.5%	100.0%	(14.3%)	(41.7%)	(50.0%)	11.6%	(52.2%)		
Ambulance	2.9%	138.1%	(64.9%)	(32.0%)	(14.8%)	6.5%	(18.7%)	(9.4%)		
Motorcycle	(13.0%)	(19.2%)	(11.0%)	(13.9%)	(4.5%)	2.3%	2.2%	0.6%		
All Terrain Vehicle	(13.4%)	(13.5%)	(12.3%)	(18.5%)	(21.5%)	(16.5%)	(1.6%)	(3.0%)		
Snow Vehicle	(9.6%)	(14.7%)	(16.6%)	(16.4%)	(2.7%)	(31.2%)	12.9%	3.9%		
Antique	73.3%	(70.6%)	(22.7%)	(1.5%)	34.0%	(25.4%)	(19.3%)	48.2%		
Motor Home	6.1%	(4.2%)	13.0%	3.4%	(20.2%)	0.1%	(2.9%)	9.2%		
Trailer Home	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(100.0%)		
Garage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(100.0%)		
Non-Owned	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	(100.0%)		
Drivers Policy	(0.8%)	(12.8%)	(16.7%)	15.9%	(16.3%)	(17.6%)	64.7%	(27.0%)		
Grand Total	(7.8%)	(15.3%)	(9.9%)	(11.9%)	(6.2%)	(8.9%)	2.2%	0.4%		

²As defined in the FA Plan of Operation, private passenger vehicles that are included as part of a fleet-rated policy are counted as part of the non-private passenger business segment.

Bulletin F18-011
FARM – December 2017 Participation Report

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 December 2017 Participation Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2017
FACILITY ASSOCIATION RESIDUAL MARKET - ALL JURISDICTIONS BY MONTH
Operating Results for the 12 months ended December 31, 2017 (Discounted Basis)
Source: Monthly (Accident Year) Member Participation Report as at 12/2017
(thousands of dollars)

	January	February	March	April	May	June	July	August	September	October	November	December	CY2017 YTD	CY2018 12 Months Updated Projections	CY2016 12 Months Actual
UNDERWRITING REVENUE:															
PREMIUMS WRITTEN	\$10,584	\$10,637	\$14,027	\$16,316	\$20,856	\$20,989	\$16,994	\$17,099	\$18,013	\$17,086	\$12,338	\$9,309	\$184,248	\$193,124	\$171,000
CHANGE IN UNEARNED PREMIUMS	3,684	2,114	258	(2,654)	(6,272)	(6,354)	(1,758)	(1,653)	(2,664)	(1,218)	2,821	5,934	(7,762)	(3,999)	7,060
NET PREMIUMS EARNED	\$14,268	\$12,751	\$14,285	\$13,662	\$14,584	\$14,635	\$15,236	\$15,446	\$15,349	\$15,868	\$15,159	\$15,243	\$176,486	\$189,125	\$178,060
CLAIMS INCURRED															
PRIOR ACCIDENT YEARS															
UNDISCOUNTED	(132)	156	(10,108)	(64)	10,097	(36)	(44)	(3,345)	(57)	(2,776)	3	(3)	(6,309)	0	(2,129)
EFFECT OF DISCOUNTING	(790)	(707)	(7,562)	(708)	1,445	(667)	(689)	(4,291)	(486)	(5,302)	(530)	(485)	(20,772)	(4,224)	(1,579)
DISCOUNTED	(922)	(551)	(17,670)	(772)	11,542	(703)	(733)	(7,636)	(543)	(8,078)	(527)	(488)	(27,081)	(4,224)	(3,708)
CURRENT ACCIDENT YEAR															
UNDISCOUNTED	9,713	8,799	9,702	9,371	10,441	10,109	10,508	11,726	10,734	11,330	10,594	10,661	123,688	132,326	127,293
EFFECT OF DISCOUNTING	871	654	269	565	705	633	682	348	563	(517)	486	398	5,657	6,436	8,574
DISCOUNTED	10,584	9,453	9,971	9,936	11,146	10,742	11,190	12,074	11,297	10,813	11,080	11,059	129,345	138,762	135,867
CLAIMS INCURRED	\$9,662	\$8,902	(\$7,699)	\$9,164	\$22,688	\$10,039	\$10,457	\$4,438	\$10,754	\$2,735	\$10,553	\$10,571	\$102,264	\$134,538	\$132,159
UNDERWRITING EXPENSES															
OPERATING & SERVICE FEES	1,080	1,093	1,464	1,730	2,128	2,154	1,734	1,749	1,894	1,746	1,253	958	18,983	19,747	17,653
AGENTS COMMISSIONS	873	869	1,185	1,322	1,713	1,747	1,419	1,424	1,419	1,394	1,096	805	15,266	15,924	14,416
DRIVER RECORD ABSTRACTS	177	239	265	321	335	300	184	358	141	245	188	251	3,004	2,648	3,068
BAD DEBTS	(2)	(1)	(5)	0	(10)	(8)	(4)	(2)	(27)	(177)	(18)	(50)	(304)	0	(179)
PREMIUM DEFICIENCY/(DPAC)															
UNDISCOUNTED	266	183	(93)	(203)	(442)	(507)	(139)	(124)	(171)	(199)	244	501	(684)	7	331
EFFECT OF DISCOUNTING	(24)	1	100	15	230	67	7	181	36	(188)	2	(29)	398	84	112
DISCOUNTED	242	184	7	(188)	(212)	(440)	(132)	57	(135)	(387)	246	472	(286)	91	443
UNDERWRITING EXPENSES	\$2,370	\$2,384	\$2,916	\$3,185	\$3,954	\$3,753	\$3,201	\$3,586	\$3,292	\$2,821	\$2,765	\$2,436	\$36,663	\$38,410	\$35,401
NET UNDERWRITING GAIN (LOSS)	\$2,236	\$1,465	\$19,068	\$1,313	(\$12,058)	\$843	\$1,578	\$7,422	\$1,303	\$10,312	\$1,841	\$2,236	\$37,559	\$16,177	\$10,500
ADMINISTRATIVE EXPENSES	379	421	361	408	494	442	376	407	425	445	412	526	5,096	5,212	4,999
PREMIUM FINANCE FEE	(9)	(8)	(10)	(7)	(9)	(10)	(9)	(9)	(9)	(9)	(10)	(9)	(108)	0	(108)
INVESTMENT INCOME	13	11	18	16	15	16	21	24	25	28	32	32	251	240	226
OPERATING RESULTS	\$1,861	\$1,047	\$18,715	\$914	(\$12,546)	\$407	\$1,214	\$7,030	\$894	\$9,886	\$1,451	\$1,733	\$32,606	\$11,205	\$5,619
RATIOS:															
Claims & Adj Expenses Incurred (Earned)															
Prior Accident Year	-6.5%	-4.3%	-123.7%	-5.7%	79.1%	-4.8%	-4.8%	-49.4%	-3.5%	-50.9%	-3.5%	-3.2%	-15.3%	-2.2%	-2.1%
Current Accident Years	74.2%	74.1%	69.8%	72.7%	76.4%	73.4%	73.4%	78.2%	73.6%	68.1%	73.1%	72.6%	73.3%	73.3%	76.3%
All Accident Years Combined	67.7%	69.8%	-53.9%	67.0%	155.5%	68.6%	68.6%	28.8%	70.1%	17.2%	69.6%	69.4%	58.0%	71.1%	74.2%
Underwriting & Admin Exp.(Earned)	19.3%	22.0%	22.9%	26.3%	30.5%	28.7%	23.5%	25.9%	24.2%	20.6%	21.0%	19.4%	23.7%	23.1%	22.7%
COMBINED OPERATING RATIO	87.0%	91.8%	-31.0%	93.3%	186.0%	97.3%	92.1%	54.7%	94.3%	37.8%	90.6%	88.8%	81.7%	94.2%	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 12 months ended December 31, 2017 (Discounted Basis)

Source: Monthly (Accident Year) Member Participation Report as at 12/2017

(thousands of dollars)

	Alberta	Ontario	NS	PEI	NB	NFLD & LAB	Yukon	NWT	Nunavut	Total	CY2018 12 Months Updated Projections	CY2016 12 Months Actual
UNDERWRITING REVENUE:												
PREMIUMS WRITTEN	\$54,800	\$48,759	\$18,562	\$4,359	\$21,008	\$29,449	\$1,825	\$4,419	\$1,067	\$184,248	\$193,124	\$171,000
CHANGE IN UNEARNED PREMIUMS	(499)	(5,746)	(523)	149	(320)	(919)	25	(28)	99	(7,762)	(\$3,999)	\$7,060
NET PREMIUMS EARNED	\$54,301	\$43,013	\$18,039	\$4,508	\$20,688	\$28,530	\$1,850	\$4,391	\$1,166	\$176,486	\$189,125	\$178,060
CLAIMS INCURRED												
PRIOR ACCIDENT YEARS												
UNDISCOUNTED	1,707	(4,807)	(2,901)	600	4,123	(2,408)	(598)	(1,201)	(824)	(6,309)	\$0	(\$2,129)
EFFECT OF DISCOUNTING	(4,630)	(8,777)	(1,517)	(417)	(1,565)	(3,053)	(223)	(477)	(113)	(20,772)	(\$4,224)	(\$1,579)
DISCOUNTED	(2,923)	(13,584)	(4,418)	183	2,558	(5,461)	(821)	(1,678)	(937)	(27,081)	(4,224)	(3,708)
CURRENT ACCIDENT YEAR												
UNDISCOUNTED	34,774	27,829	14,080	2,732	15,252	24,229	1,037	3,227	528	123,688	\$132,326	\$127,293
EFFECT OF DISCOUNTING	1,163	1,812	613	128	640	1,085	46	142	28	5,657	\$6,436	\$8,574
DISCOUNTED	35,937	29,641	14,693	2,860	15,892	25,314	1,083	3,369	556	129,345	138,762	135,867
CLAIMS INCURRED	\$33,014	\$16,057	\$10,275	\$3,043	\$18,450	\$19,853	\$262	\$1,691	(\$381)	\$102,264	\$134,538	\$132,159
UNDERWRITING EXPENSES												
OPERATING & SERVICE FEES	5,481	5,267	1,855	456	2,165	3,030	182	441	106	18,983	\$19,747	\$17,653
AGENTS COMMISSIONS	4,727	2,976	1,650	417	2,003	2,797	162	442	92	15,266	\$15,924	\$14,416
DRIVER RECORD ABSTRACTS	693	199	740	192	566	498	26	80	10	3,004	\$2,648	\$3,068
BAD DEBTS	(69)	(102)	(15)	(3)	(33)	(73)	(3)	36	(42)	(304)	\$0	(\$179)
PREMIUM DEFICIENCY/(DPAC)												
UNDISCOUNTED	(40)	(365)	(49)	14	(29)	(228)	3	(1)	11	(684)	\$7	\$331
EFFECT OF DISCOUNTING	0	0	105	0	0	293	0	0	0	398	\$84	\$112
DISCOUNTED	(40)	(365)	56	14	(29)	65	3	(1)	11	(286)	91	443
UNDERWRITING EXPENSES	\$10,792	\$7,975	\$4,286	\$1,076	\$4,672	\$6,317	\$370	\$998	\$177	\$36,663	\$38,410	\$35,401
NET UNDERWRITING GAIN (LOSS)	\$10,495	\$18,981	\$3,478	\$389	(\$2,434)	\$2,360	\$1,218	\$1,702	\$1,370	\$37,559	\$16,177	\$10,500
ADMINISTRATIVE EXPENSES	1,406	1,262	515	174	578	798	105	170	88	5,096	\$5,212	\$4,999
PREMIUM FINANCE FEE	(30)	(38)	(11)	0	(10)	(19)	0	0	0	(108)	\$0	(\$108)
INVESTMENT INCOME	71	85	22	3	24	37	2	4	3	251	\$240	\$226
OPERATING RESULTS	\$9,130	\$17,766	\$2,974	\$218	(\$2,998)	\$1,580	\$1,115	\$1,536	\$1,285	\$32,606	\$11,205	\$5,619
RATIOS:												
Claims & Adj Expenses Incurred (Earned)												
Prior Accident Year	-5.4%	-31.6%	-24.5%	4.1%	12.4%	-19.1%	-44.4%	-38.2%	-80.4%	-15.3%	-2.2%	-2.1%
Current Accident Years	66.2%	68.9%	81.5%	63.4%	76.8%	88.7%	58.5%	76.7%	47.7%	73.3%	73.3%	76.3%
All Accident Years Combined	60.8%	37.3%	57.0%	67.5%	89.2%	69.6%	14.1%	38.5%	-32.7%	58.0%	71.1%	74.2%
Underwriting & Admin Exp.(Earned)	22.5%	21.5%	26.6%	27.7%	25.4%	24.9%	25.7%	26.6%	22.7%	23.7%	23.1%	22.7%
COMBINED OPERATING RATIO	83.3%	58.8%	83.6%	95.2%	114.6%	94.5%	39.8%	65.1%	-10.0%	81.7%	94.2%	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