

MEMBER CALL

IFRS 17 Update

May 27, 2021



Agenda

<i>Time</i>	<i>Item</i>	<i>Speaker</i>
11.00 am	Welcome and Introduction	Moderator - Derek Tupling <i>VP, Government Relations & Communications, FA</i>
11.05 am	FA Purpose and Mechanisms	Saskia Matheson - <i>President and CEO, FA</i>
11.15 am	IFRS 17 and Impact to Members	Sheetal Savani - <i>VP Finance, Compliance & CFO, FA</i> Aidan Chen - <i>VP, Data and Analytics, FA</i> Philippe Gosselin - <i>VP, Actuarial & CRO, FA</i>
11.35 am	Regulator and OSFI discussion	Ajay Tellis - <i>CFO, Peace Hills Insurance</i>
11.45 am	Member Questions	Moderated by Derek Tupling

About the Presenters

Facility Association - Senior Management



Saskia Matheson is the President & CEO.

She has over 30 years of experience in the Canadian property & casualty industry, where she has held numerous company positions. Saskia was appointed as the President and CEO of Facility Association in February 2019.

Saskia began her insurance career with the Ontario government's Osborne Inquiry into Motor Vehicle Accident Compensation. She then progressed through successively senior roles in the industry. Saskia has served on numerous industry committees and served as spokesperson for industry initiatives.



Sheetal Savani is the Vice President, Finance & Compliance, and CFO.

She is responsible for all of Facility Association's financial functions including accounting, treasury, compliance, planning and forecasting. She is a CPA, CA and CPA (Illinois).

She is an energetic, accomplished, and well rounded professional of 25 years, recognized as a respected influential voice with a strong leadership presence. Sheetal has in depth knowledge of the insurance industry with diverse experience in reporting, planning and analysis, business continuity, cyber security, program management with a solid understanding of technology.

Facility Association - Senior Management



Derek Tupling is Vice President, Government Relations & Communications.

A new role for the organization, he is responsible for proactively engaging with provincial governments and regulators as well as leading strategic initiatives that address and advance issues that impact FA operations.

A seasoned public affairs professional with an acute understanding of the Canadian political landscape, Derek has an accomplished record of leading and executing highly effective government relations and strategic communications initiatives.



Philippe Gosselin is Vice President, Actuarial and CRO.

He is responsible for all of Facility Association's valuation, pricing and ERM functions. He is a Fellow of the Canadian Institute of Actuaries as well as of the Casualty Actuarial Society.

He is a seasoned actuary with experience in pricing, valuation, R&D, planning and marketing. Early in his career, Philippe developed his strategic vision, political and governance skills by being involved in non-profit organizations as Board Director. He currently sits on the Board of the Coopérative régionale d'électricité de St-Jean-Baptiste de Rouville.

Facility Association Senior Management



Aidan Chen is Vice President, Data & Analytics and Privacy Officer.

Aidan is responsible for Facility Association's data asset management development, oversight of new products and associated processes, and Member Services.

He is a passionate insurance professional committed to continual learning and development. With over 18 years of experience in the Canadian and International Reinsurance, P&C and Life insurance industries, Aidan's diverse background includes insurance pricing and portfolio management, valuation and financial reporting, system conversion and system development.



Fadia Charbine is the Vice President of Underwriting, Claims & Operations.

With 23 years of experience in the P&C industry, she held various roles in Underwriting, Risk Management, Compliance, Business-Systems Strategy, Claims Analytics & Operations, and leading the Ontario Market.

A goal driven leader with a track record of driving measurable and sustainable results, Fadia thrives on promoting environments of collaboration, innovation and continuous improvement.

Facility Association - Chair of the Accounting Committee

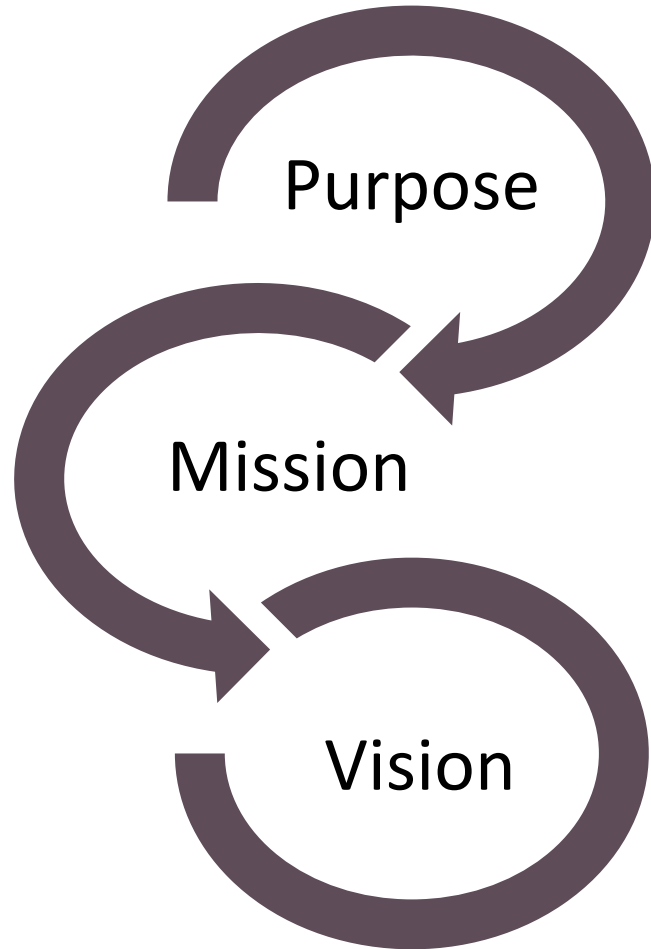


Ajay Tellis joined Peace Hills General Insurance Company in Alberta as the Chief Financial Officer in 2017. Ajay has an extensive background in both insurance and finance, making his way from Controller to Chief Financial Officer with an Insurance company in Ontario. He currently serves as the Chair of the Accounting Committee of Facility Association.

Ajay has a CPA, CA; CPA (Illinois) and a CIP. Ajay was awarded the Ralph Sketch award in 2016 and the Gerald E. Hackett Memorial award in 2015 by the Insurance Institute of Canada. He was also awarded the Diamond Jubilee award in 2016 and the Douglas N. Hurlbut Award in 2015 by the Insurance Institute of Ontario. In 2010, Ajay was the top student at the CIAA's 2010 Fundamentals of Insurance Accounting Course.

FA Purpose and Mechanisms

Facility Association - Purpose, Mission, Vision

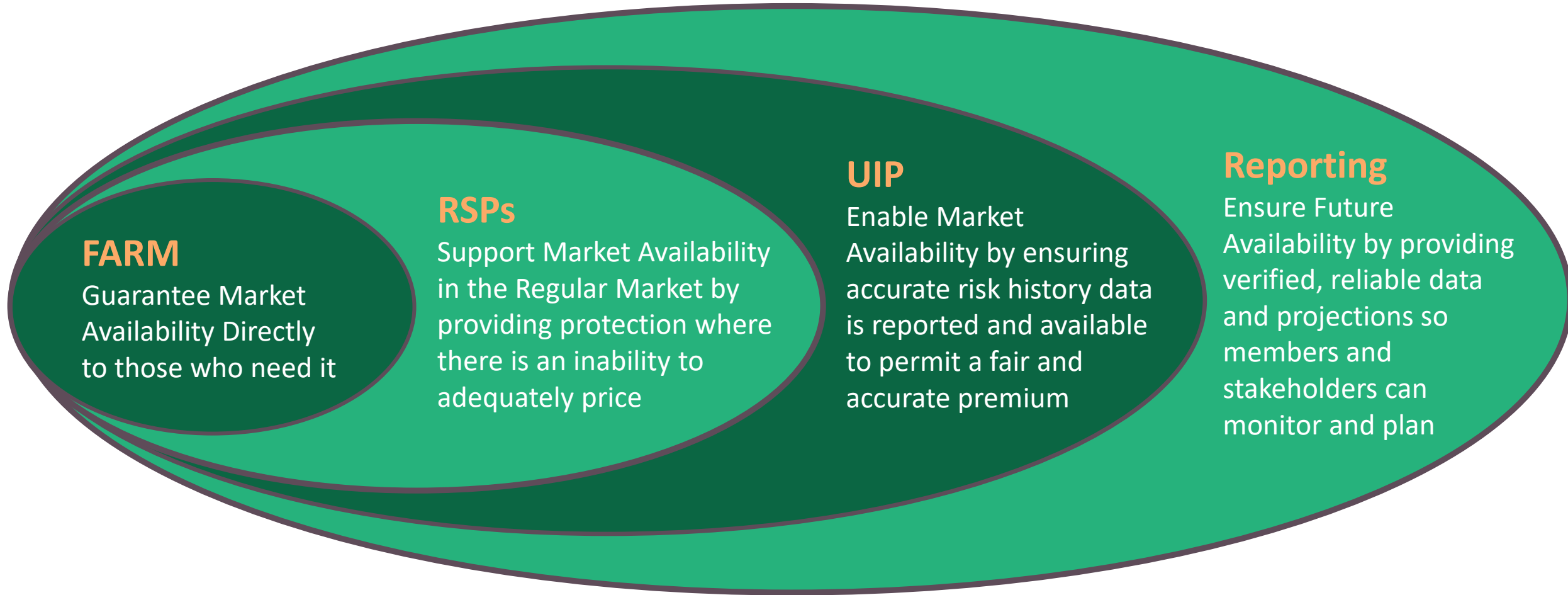


Purpose
To ensure the availability of automobile insurance to owners, lessees and licensed drivers of motor vehicles who are eligible.

Mission
To deliver on our Purpose through the efficient administration of automobile insurance residual market mechanisms and by providing valued information to our members. Facility Association strives to enhance market stability through minimizing its market presence and impact, in an effort to provide consumers with the benefits of a healthy and competitive standard insurance market.

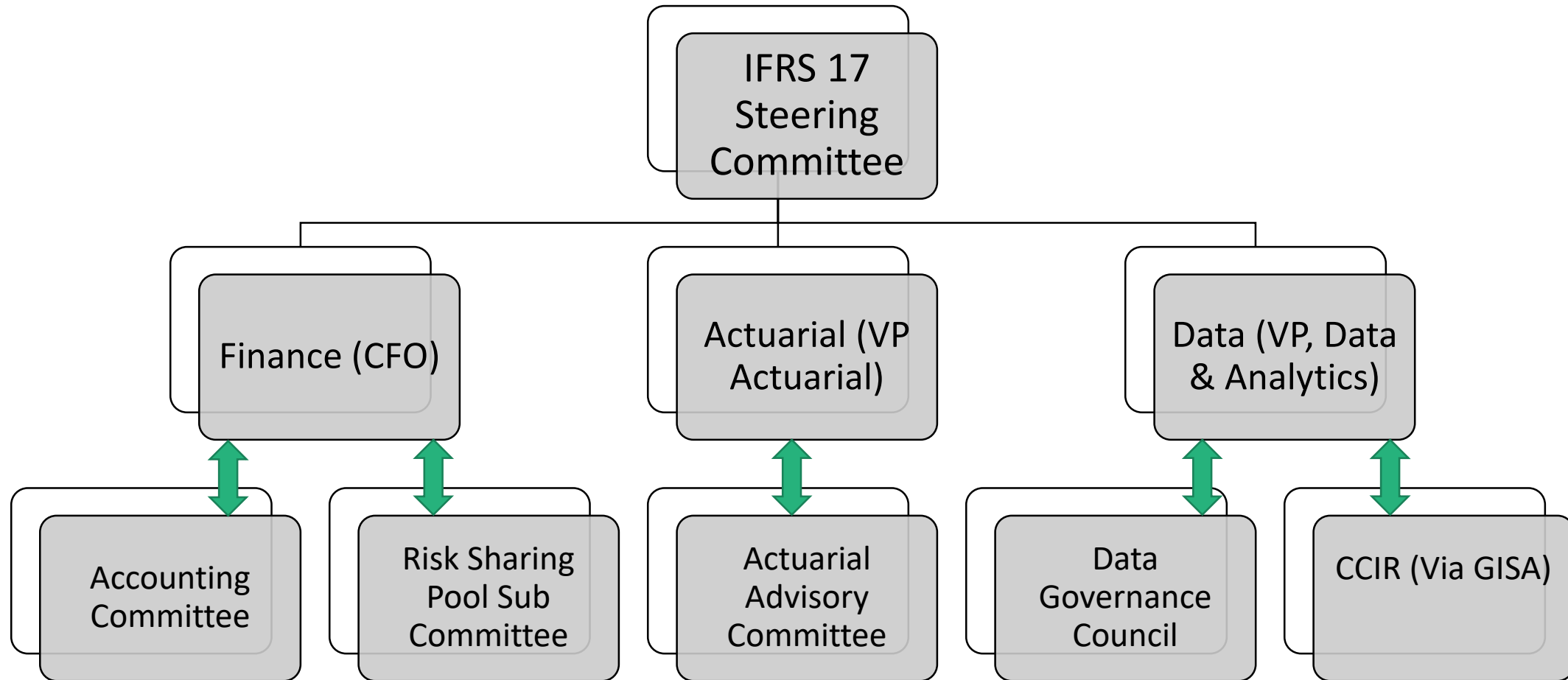
Vision
Facility Association is recognized as an essential component of the Canadian P&C insurance industry, supporting Canadians and the Canadian economy through its highly efficient and effective administration of automobile insurance residual markets and data governance; Facility Association is sought out for its objective opinion on residual markets and related issues.

FA Mechanisms – How it all fits together



IFRS 17 Governance

IFRS 17 has a significant impact on the Insurance Industry and FA is committed to supporting Members adopt. Governance over the project is structured with member representation through various committees. Regular updates and status reporting to **Board of Directors** and the **Audit & Risk Committee**

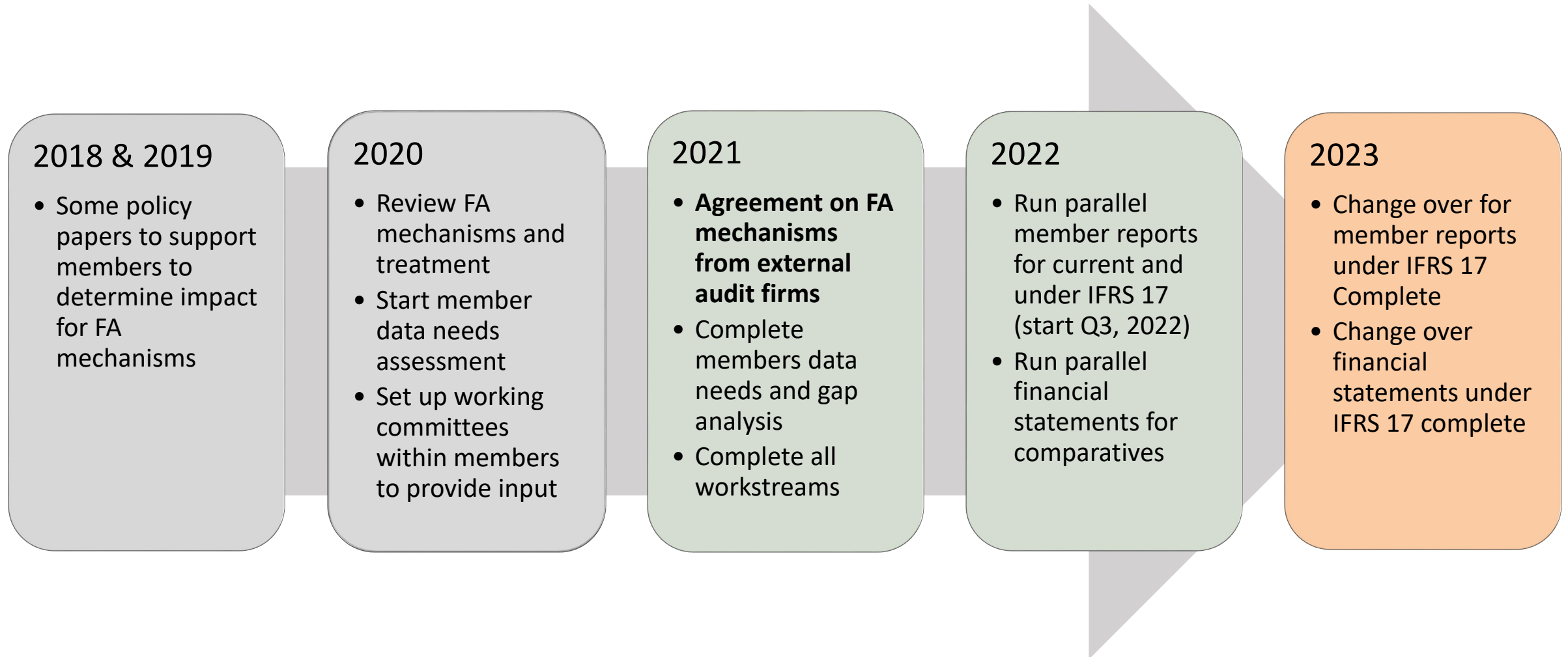


IFRS 17 and Impact to Members

IFRS 17 adoption timelines

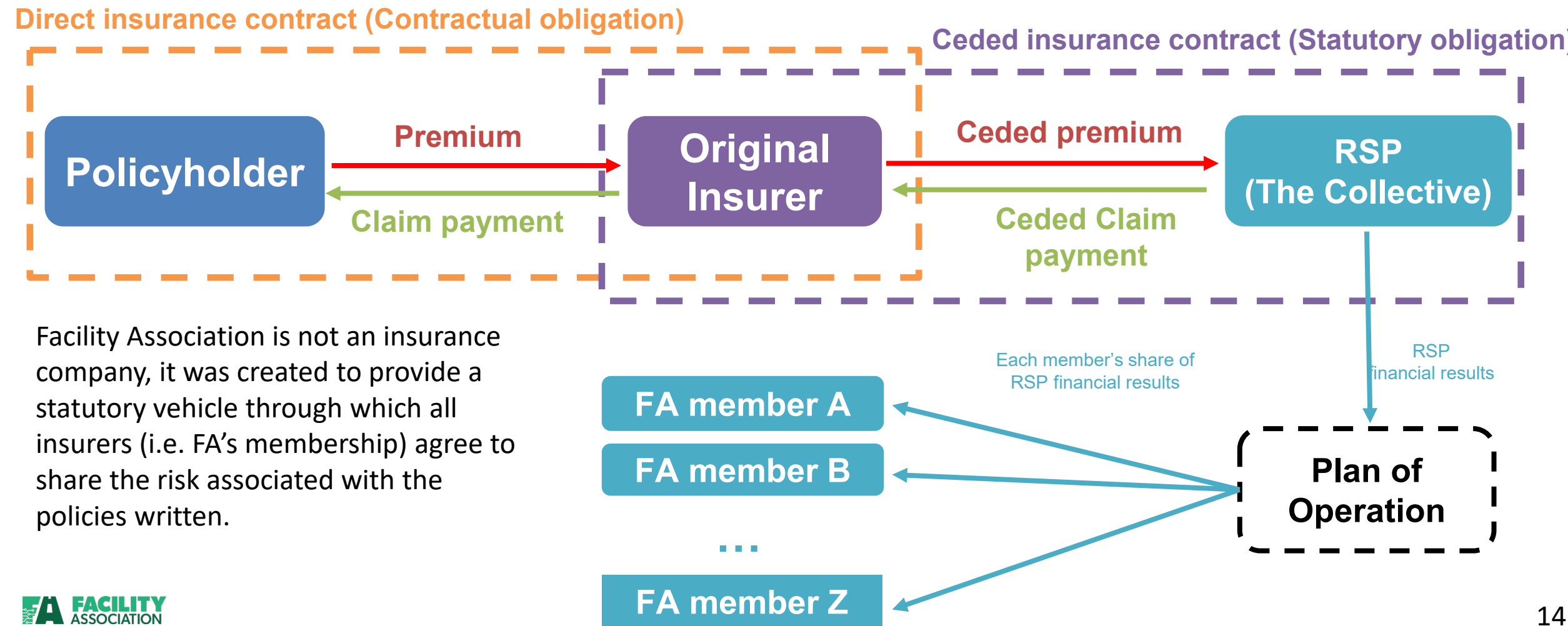
IFRS 17 assessment began in 2018 and FA has completed a number of important milestones in adoption.

The FA mechanisms and how they will be treated under IFRS 17 set the next phase of the adoption plan.



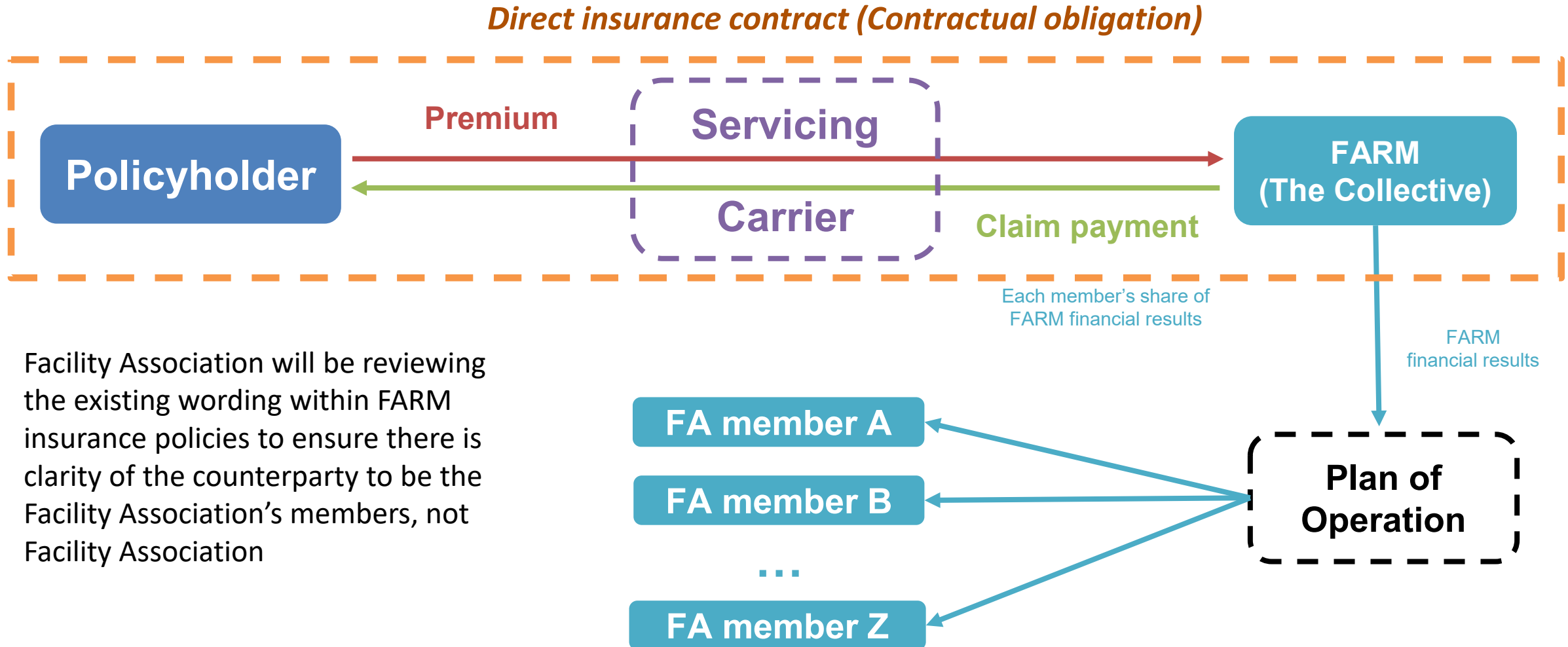
Risk Sharing Pool treatment under IFRS 17

The current treatment allows the transfer of premium to be treated as “**Negative Direct**” **Premium** in the original issuing member. Under IFRS 17, the mechanism is treated as reinsurance contract under a statutory obligation and the Premium ceded and claims assumed will be classified as **Reinsurance Premium**. This has implications on reporting and capital.



FARM treatment under IFRS 17

Consistent with current treatment, members are the counterparty to the insurance contract written via the Servicing Carriers. These contracts will continue to be accounted for as **Direct Written Business** in the financials and regulatory filings



Facility Association will be reviewing the existing wording within FARM insurance policies to ensure there is clarity of the counterparty to be the Facility Association's members, not Facility Association

Keeping the Core: FA's Member Reporting Objectives

FA's obligation is to **ensure Members get the data/ information:**

- What they need,
- When they need it, and
- In the format they need

to properly **account for their rights and obligations arising out of FA operations.**

FA's role is to ensure that FA Members receive data / information that is:

- **useful** (i.e. understandable, relevant),
- **timely** (i.e. in time such that action may be taken),
- **reliable** (i.e. complete, accurate, and verified), and
- **comparable** (over time and against industry / accounting standards).

In addition, FA management determines how the results of the FA operations are to be shared among the FA members as per the FA Plan of Operation, and prepares advisory / auditable financial statements of the FA operations to allow for aggregation and reconciliation of operating results.

*While FA provides data / information, **FA is not responsible for Member's financial reporting – Members are responsible for appropriate inclusion of FA information***

Keeping the Core: FA's Member Reporting Objectives

FA continues to work with **various stakeholders and working groups** (Members, Audit Firms, Industry Associations, Regulators) to **ensure FA is able to meet Members' needs**:

- various options for delivery (granular transaction data file vs summary reporting)

FA would perform all analysis and reach all conclusions necessary to produce an accounting outcome under IFRS 17 and send each member their share in accordance with the Plan of Operation. Monthly operational reporting (RSP and FARM) would be largely consistent with FA reporting provided today, alongside IFRS 17 compliant results

- changes in regulatory reporting
- levels of aggregation, recognition and measurement
- actuarial considerations and assumptions – **will be compliant with industry guidance and standards (Canadian Institute of Actuaries)**
 - future cash flow projections, discounting and risk adjustment for non-financial risk
 - separation of changes relating to current, future and past services
 - onerous contract testing
 - treatment of expenses

Some questions that IFRS 17 has raised

1. What is the “contract”? e.g. each provincial pool or each underlying contract transferred into the pool?
2. Which premiums are within the boundary of the contract?
3. When is the date of initial recognition for each group of contracts:
 - Assumed by the RSP, and
 - Written by the FARM?
4. For the RSP, are there any implications of the switch from “direct” to “assumed” and are they an accounting policy change or not?
5. Could members avoid the recognition of loss component on onerous RSP contracts by grouping them with profitable contracts? What level should onerous testing be assessed i.e. by FA or at the Member level?

FA anticipates questions to be answered during Q3 of 2021.

Regulator and OSFI Discussion

Regulator / industry issues currently under discussion

- ☐ Capital implications
- ☐ Provincial Forms
- ☐ Transition considerations
- ☐ Taxation and changes

Member Questions

Questions may be directed to: cweiler@facilityassociation.com