

FARM IFRS 17 Operational Report User Guide

Introducing Facility Association's new Operational Report

We are very pleased to introduce Facility Association's new monthly Facility Association Residual Market (FARM) IFRS 17 Operational Report to be used for all monthly reporting of FARM Results on an IFRS 17-compliant basis. The report provides the FARM results in aggregate and your share in these results in a format familiar to users of FA's operational reports. We have endeavored to ensure that the report contains the appropriate levels of detail and information for your operational, financial and management needs.

FA reports its results on the IFRS 17 basis as of November 1, 2022; reports prior to this date are provided for comparative purposes only.

Please note that the IFRS 17 calculations in this report rely on assumptions about the level of aggregation, risk adjustment, discount rate, cash flows, and contract boundary which may differ from the members' own assumptions. Members are advised to assess the impact of any differences in FA's assumptions compared to the Members. For more information on these assumptions and accounting policy papers, please refer to FA's IFRS 17 documents available at:

<https://facilityassociation.com/Members/IFRS17Documents>

Understanding the structure and format of the IFRS 17 Report

Facility Association's IFRS 17 report is designed in a format that will be familiar to users of the previous operational reports to date. This is done to assist members with the transition to IFRS 17 and to allow for ease of comparison between the IFRS 4 and IFRS 17 reports.

- The report shows month to date, year to date and all years to date for
 - The Statement of Operations
 - Selected items for Cash Flow Movements for IFRS 17
 - Summary of distributions and funds held by members
 - Selected items for the Statement of Financial Position
 - Selected items for Memo items to assist member who wish to use their own assumptions
- Consistent with previous reports, the report contains details by accident years with totals, as well as results split by PPV, Non-PPV, and combined.
- Amounts are provided for both the FARM total and for the member's share

- Projections for the next two months are provided on page 12 & 13 (for Operating Result, Statement of Financial Position, and Memo Items); projections on a calendar year-to-date basis are also provided on page 12 (for Operating Result). These projections are provided only on the combined PPV and Non-PPV basis.
- Please note that the definition of “claims incurred” and “adjustments to liabilities for incurred claims” may be different in the “Projections” section of the report compared to other sections. “Claims incurred” is defined as claims incurred in the current accident year, and so in the Projections section this accident year is defined based on the “projection month” i.e. 2 months ahead of the current accounting month. Therefore, around the end of the year when the projection month is in the accident year following the current accounting year, the split of claims between “claims incurred” and “adjustments to liabilities for incurred claims” may be different in this projection section.
- Please use caution with the “All Years to Date” operating statements, as some items in these sections are only available since the start of IFRS 17 (for example, insurance finance expenses were not calculated prior to IFRS 17 and therefore we do not have an accurate split for all historical years of the operating costs between insurance service and insurance finance expenses).

Guide to IFRS 17 terminology

Several new quantities are included in the IFRS 17 report. To allow the user to understand the definitions of these quantities, we have created an IFRS 17 Glossary of Terms. You can find the glossary on our website here:

https://facilityassociation.com/docs/FARM_IFRS17_Participation_Report_Glossary.pdf

If you require additional information on the definition of any of the quantities found in this report, please send your inquiry to ifrs17@facilityassociation.com.

The User Guide

To assist readers in understanding the new report layout, the following table sets out a more detailed breakdown of the type of information provided in each section and shows whether each income statement item is added or subtracted in coming up with the “Operating Result”.

Page Number	Sections	Explanation
1	FARM TOTAL PPV <ul style="list-style-type: none"> ❖ Month to Date <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results, Cash Flow Movements, and Summary of Distributions 	<u>Statement of Operations:</u> <p>+ Earned Premium = Insurance Revenue (A)</p> <p>+ Paid Claims (for current accident year) + Paid and payable claims expenses (for current accident year) + Change in PV FCF (for current accident year) + Change in Risk Adjustment (for current accident year) = Claims Incurred (B)</p> <p>+ Administration Expense (not shown) + Operating and Service Fee (not shown) + Bad Debt (not shown) + Premium Finance Fees (not shown) = Administrative Expenses (C)</p> <p>+ Agents' Commissions + Driver Record Abstracts + Change in Unamortized Insurance Acquisition Cash Flows = Amortization of insurance acquisition cash flows (D)</p> <p>+ Losses on Onerous Contracts + Reversal of Losses on Onerous Contracts = Changes in the Loss Component (E)</p> <p>+ Paid Claims (for prior accident years) + Paid and payable claims expenses (for prior accident years) + Change in PV FCF (for prior accident years) + Change in Risk Adjustment (for prior accident years) = Adjustments to Liabilities for Incurred Claims (F)</p> <p>INSURANCE SERVICE RESULT = (A) – (B) – (C) – (D) – (E) – (F)</p> <p>+Investment Income = Investment Income (G)</p> <p>+ Finance Income/Expense from PV FCF + Finance Income/Expense from Risk Adjustment + Finance Income/Expense from Loss Component = Net finance income/expense from insurance (H)</p> <p>FINANCE RESULT = (G) + (H)</p> <p>OPERATING RESULT = (A) – (B) – (C) – (D) – (E) – (F) + (G) + (H)</p>

Page Number	Sections	Explanation
		<p><u>Cash Flow Movements:</u></p> <p>+ Premium Received = Premium received</p> <p>+ Insurance Acquisition Cash Flows paid = Insurance Acquisition Cash Flows paid</p> <p>+ Claims Paid = Claims Paid</p> <p>+ Paid claims expenses + Paid Administrative expenses = Insurance service expenses paid</p> <p><u>Summary of Distributions:</u></p> <p>+ Operating results distributed + Available funds distributed = Total distributed to member</p> <p>+ Operating Result (from above) - Total distributed to member (from above) = Funds held by FA (Members)</p>
2	<p>FARM TOTAL PPV</p> <p>❖ Fiscal Year to Date (cumulative fiscal year)</p> <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results, Cash Flow Movements, and Summary of Distributions 	Same as Page 1 but covering the entire fiscal year to date.

Page Number	Sections	Explanation
3	FARM TOTAL PPV <ul style="list-style-type: none"> ❖ Years To Date (cumulative all years since inception) <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results, Cash Flow Movements and Summary of Distributions 	<p>Same as Page 1 but covering all years to date.</p> <p>Please note: We are unable to retroactively calculate the insurance finance income/expense for all years to date, as we do not have the impact of change in yield for all liabilities since inception of the pool. Therefore, insurance finance income/expense related accounts below only include amounts since November 1, 2021 (the start of our IFRS 17 comparative period).</p> <p>+ Finance Income/Expense from PV FCF + Finance Income/Expense from Risk Adjustment + Finance Income/Expense from Loss Component = Net finance income/expense from insurance (F)</p> <p>Other income/loss attributable to changes in yield prior to this date would be included within the “Change in PV FCF”, “Change in Risk Adjustment” and “Change in Loss Component” life to date amounts.</p>
4	FARM TOTAL PPV <ul style="list-style-type: none"> ❖ IFRS 17 Statement of Financial Position <ul style="list-style-type: none"> • Split by Accident Year ❖ Memo Items <ul style="list-style-type: none"> • Split by Accident Year 	<p>Statement of Financial Position amounts are provided for inclusion in member’s financial statements as required.</p> <p>Memo Item amounts are provided to use as appropriate by the member.</p>

Page Number	Sections	Explanation
5	FARM TOTAL NON-PPV <ul style="list-style-type: none"> ❖ Month to Date <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results, Cash Flow Movements and Summary of Distributions 	Same as Page 1, but for Non-PPV business instead of PPV.
6	FARM TOTAL NON-PPV <ul style="list-style-type: none"> • Fiscal Year to Date (cumulative fiscal year) <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results, Cash Flow Movements and Summary of Distributions 	Same as Page 2, but for Non-PPV business instead of PPV.

Page Number	Sections	Explanation
7	FARM TOTAL NON-PPV <ul style="list-style-type: none"> ❖ Years To Date (cumulative all years since inception) <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results, Cash Flow Movements and Summary of Distributions 	Same as Page 3, but for Non-PPV business instead of PPV.
8	FARM TOTAL NON-PPV <ul style="list-style-type: none"> ❖ IFRS 17 Statement of Financial Position <ul style="list-style-type: none"> • Split by Accident Year ❖ Memo Items <ul style="list-style-type: none"> • Split by Accident Year 	Same as Page 4, but for Non-PPV business instead of PPV.
9	FARM TOTAL COMBINED <ul style="list-style-type: none"> ❖ Month to Date <ul style="list-style-type: none"> • Split by Accident Year Includes Operating Results, Cash Flow Movements and Summary of Distributions	Same as Page 1, but for combined PPV and Non-PPV business.

Page Number	Sections	Explanation
10	FARM TOTAL COMBINED <ul style="list-style-type: none"> • Fiscal Year to Date (cumulative fiscal year) • Split by Accident Year Includes Operating Results, Cash Flow Movements and Summary of Distributions	Same as Page 2, but for combined PPV and Non-PPV business.
11	FARM TOTAL COMBINED <ul style="list-style-type: none"> ❖ Years To Date (cumulative all years since inception) • Split by Accident Year Includes Operating Results, Cash Flow Movements and Summary of Distributions	Same as Page 3, but for combined PPV and Non-PPV business.
12	FARM TOTAL COMBINED <ul style="list-style-type: none"> ❖ IFRS 17 Statement of Financial Position • Split by Accident Year ❖ Memo Items Split by Accident Year 	Same as Page 4, but for combined PPV and Non-PPV business.

Page Number	Sections	Explanation
13-24	MEMBER'S SHARE	Same as pages 1-12, but for the Member's share of the FARM operating results, cash flows, distributions and balance sheet.
25	PROJECTIONS MEMBER'S SHARE COMBINED <ul style="list-style-type: none"> ❖ Operating Results ❖ Cash Flow Movements ❖ Summary of Distributions 	<p>Projections provided for member use as appropriate</p> <ul style="list-style-type: none"> • column [1] shows the actual fiscal YTD results • column [2] is an estimate of the first month beyond the current accounting month • column [3] is an estimate of the second month beyond the current accounting month • column [4] is the current fiscal year's November estimate (remains until the next fiscal year) • column [5] is the current fiscal year's December estimate (remains until the next fiscal year) • column [6] is the projected year to date operating result as at 2 months beyond the current calendar month • column [7] is column [6] from the previous month's report • column [8] is the difference of column [6] and [7]. It is the projected change in YTD result from last month's +2 month projection to this month's +2 month projection. <p>Includes the same quantities as page 1, on the combined PPV and Non-PPV basis, for the member's share of the amounts.</p>
13	PROJECTIONS MEMBER'S SHARE COMBINED <ul style="list-style-type: none"> ❖ IFRS 17 Statement of Financial Position ❖ Memo items 	<p>Projected balances as at the end of the next two accounting months beyond the current accounting month. Includes the same quantities as page 4.</p> <p>Amounts on combined PPV and Non-PPV basis for the Member's share.</p>