

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 045

DATE: November 29, 2024

SUBJECT: FARM – September 2024 Participation Report

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

Please be advised that the September 2024 FARM Participation Report is available on the Facility Association Portal at <https://portal.facilityassociation.com>.

The results in this report are shown on the IFRS 17 accounting basis. However, please note that for interested members, the FARM participation report on the IFRS 4 basis are available on the FA Portal.

Highlights

- (a) The ***September 2024 received premium*** was \$52.5 million, higher than prior year by \$5.2 million. The ***projected 2024 year-end received premium*** is \$534.9 million; and
- (b) The ***September 2024 insurance revenue*** was \$44.9 million, higher than prior year by \$2.4 million. The ***projected 2024 year-end insurance revenue*** is \$529.5 million; and
- (c) The ***September 2024 operating result*** was a surplus of \$3.4 million, lower than prior year by \$0.6 million. The ***projected 2024 year-end operating results*** is a surplus of \$69.3 million; and
- (d) The ***September 2024 combined operating ratio*** was 92.4%, higher than prior year by 1.8%. The ***projected 2024 year-end combined operating ratio*** is 86.9%.

FARM Summary of IFRS17 Financial Results

Total 2024 Summary Amounts in \$000s	Actual (September 2024)	Projection (September 2024)	Prior Year (September 2023)	2024 year-to-date as at 9 months	2023 year-to-date as at 9 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	52,999	49,116	47,815	414,414	405,114	533,668	593,822	523,780
Received Premium	52,476	48,445	47,239	414,452	403,705	534,865	591,939	523,677
Earned Premium	44,872	43,841	42,510	389,853	376,726	529,481	594,211	508,080
Insurance Revenue	44,872	43,841	42,510	389,853	376,726	529,481	594,211	508,080
Total Claims Incurred	29,521	28,341	27,635	220,508	233,194	311,383	400,777	307,108
Claims incurred (CAY)	30,663	29,737	29,041	267,376	259,596	362,134	417,523	344,630
Adjustments to Liabilities for Incurred Claims (PAYs)	(1,143)	(1,396)	(1,406)	(46,868)	(26,402)	(50,751)	(16,747)	(37,523)
Administrative Expense	6,722	6,083	5,643	53,098	48,522	67,825	73,052	63,932
Amortization of IACFs	3,780	3,842	3,525	32,336	31,779	43,960	52,258	41,705
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	40,022	38,266	36,802	305,942	313,495	423,167	526,087	412,745
Insurance Service Result	4,850	5,576	5,707	83,911	63,231	106,314	68,124	95,336
Insurance Finance Expense from PV FCF	(2,597)	(2,597)	(2,810)	(41,109)	(20,831)	(49,133)	(35,490)	(24,129)
Insurance Finance Expense from Risk Adjustment	(205)	(205)	(246)	(3,451)	(2,071)	(4,077)	(3,090)	(2,480)
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	(2,802)	(2,802)	(3,056)	(44,560)	(22,902)	(53,210)	(38,580)	(26,609)
Investment Income	1,366	1,331	1,335	12,542	9,791	16,212	16,829	14,329
Operating Result	3,414	4,104	3,986	51,893	50,120	69,316	46,373	83,056
Ratios:								
Loss ratios (% insurance revenue):	65.8%	64.6%	65.0%	56.6%	61.9%	58.8%	67.4%	60.4%
Claims incurred (CAY)	68.3%	67.8%	68.3%	68.6%	68.9%	68.4%	70.3%	67.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(2.5%)	(3.2%)	(3.3%)	(12.0%)	(7.0%)	(9.6%)	(2.8%)	(7.4%)
Underwriting and Admin Expenses (% insurance revenue):	23.4%	22.6%	21.6%	21.9%	21.3%	21.1%	21.1%	20.8%
Administrative Expenses	15.0%	13.9%	13.3%	13.6%	12.9%	12.8%	12.3%	12.6%
Amortization of IACFs	8.4%	8.8%	8.3%	8.3%	8.4%	8.3%	8.8%	8.2%
Change in Loss Component	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance Service Ratio:	89.2%	87.3%	86.6%	78.5%	83.2%	79.9%	88.5%	81.2%
Insurance Finance Income:	6.2%	6.4%	7.2%	11.4%	6.1%	10.0%	6.5%	5.2%
Investment Income Ratio:	(3.0%)	(3.0%)	(3.1%)	(3.2%)	(2.6%)	(3.1%)	(2.8%)	(2.8%)
Combined Operating Ratio	92.4%	90.6%	90.6%	86.7%	86.7%	86.9%	92.2%	83.7%

rounding differences may occur

*as posted to FA's website on Dec 22, 2023

FARM 2024 Summary of Liabilities Amounts in \$000s	Actual (September 2024)	Projection (September 2024)	Prior Year (September 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	669,505	669,876	649,099	682,483	771,065	644,513
Undiscounted Case Reserves	333,337	338,497	311,106	353,663	428,963	315,331
Undiscounted IBNR	319,201	314,717	325,005	312,876	328,512	323,587
Undiscounted Retro Expense	48,781	48,155	46,623	49,129	53,823	46,832
Discount	(84,524)	(84,299)	(90,053)	(85,950)	(103,765)	(97,546)
PV FCF	616,795	617,071	592,681	629,717	707,533	588,203
Risk Adjustment	52,710	52,805	56,418	52,766	63,533	56,310
Risk Adjustment %	8.55%	8.56%	9.52%	8.38%	8.98%	9.57%
LRC	223,421	221,323	215,759	214,319	236,648	204,168
LRC excl. Loss Component	223,421	221,323	215,759	214,319	236,648	204,168
Loss Component	0	0	0	0	0	0

Insurance Service Expenses Key Drivers

- **Claims Incurred** – Incurred losses were \$29.5 million, higher than projection by \$1.1 million and \$1.8 million higher compared with the same month from last year. Loss ratio was at 65.4%, 1.1 percentage points higher than projected, and 0.8 percentage points higher compared with prior year.
- **Change in Loss Component** – FARM business is priced with a return on capital provision and targets a 12% ROE on members' supporting capital (based on a 2.0 premium to surplus ratio assumption). Based on current indications, none of our FARM segments are expected to be onerous in 2024. We will continue to monitor these indications on an ongoing basis to determine if any segments become onerous and require loss component.

Insurance Finance Income

Insurance Finance income/ (expense) is comprised of:

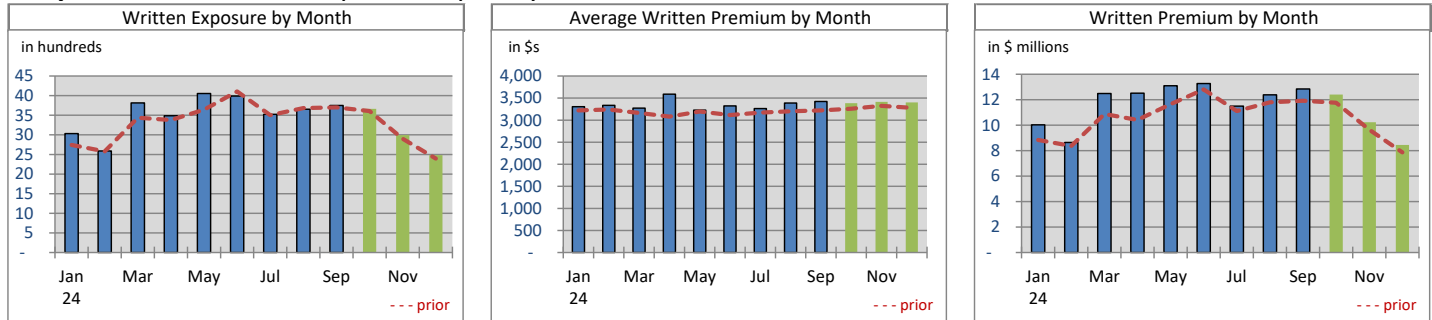
- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, September, and October), when the yield curve is updated.

Projection to Year-end 2024

Compared with The Outlook released in December 2023, insurance revenue has decreased by \$64.7 million to \$529.5 million. The projected year-end 2024 operating result surplus is \$69.3 million, higher than The Outlook by \$22.9 million.

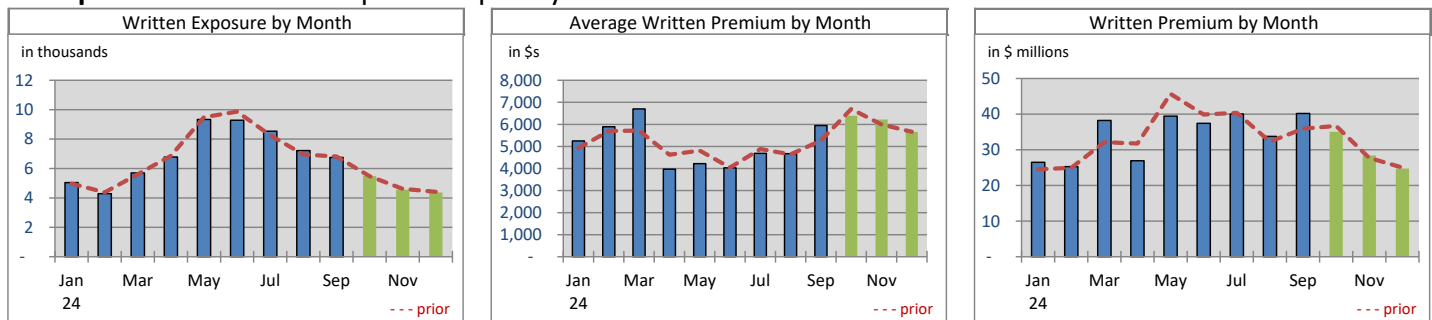
Premium

PPV **premium drivers** compared to prior year are:



The Private Passenger vehicle count for the month was 3,749 vehicles; written premium was \$12.8 million, up by 7.7% compared with prior year, primarily driven by Ontario and Nova Scotia. Average premium for PPV was up by 6.3% compared to prior year. The green bars represent our latest projection for the remainder of the year.

NPPV **premium drivers** compared to prior year are:



The Non-Private Passenger vehicle count was 6,754 vehicles, down 0.9% compared with prior year; written premium was \$4.2 million, up 11.9% compared with prior year. Average written premium for NPPV was up 12.9% compared with prior year.

As a result, the overall month's written premium was \$53.0 million; up \$5.2 million or 10.8% compared with prior year.

FARM Private Passenger and Non Private Passenger Summary of full year Vehicle Count

2024 Vehicle Count	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-end
Ontario	1,538	1,731	2,124	1,867	2,321	2,174	2,220	2,046	2,062	1,968	1,935	1,493	23,480
Private Passenger	578	487	733	567	782	775	654	742	727	691	609	453	7,798
Non Private Passenger	960	1,245	1,391	1,300	1,539	1,399	1,567	1,304	1,336	1,277	1,326	1,040	15,683
Alberta	2,154	1,536	2,356	2,799	4,203	4,032	3,537	3,164	2,878	2,689	1,928	1,997	33,272
Private Passenger	92	87	85	125	95	106	116	95	119	117	71	48	1,156
Non Private Passenger	2,061	1,449	2,270	2,674	4,107	3,925	3,421	3,070	2,760	2,572	1,857	1,949	32,117
Atlantics	4,003	3,235	4,492	5,035	6,117	6,426	5,720	5,178	5,079	4,035	3,233	3,049	55,601
Private Passenger	2,244	1,853	2,829	2,617	2,986	2,940	2,563	2,649	2,708	2,701	2,173	1,846	30,108
Non Private Passenger	1,759	1,382	1,664	2,417	3,131	3,486	3,157	2,529	2,371	1,335	1,059	1,203	25,493
Territories	385	380	546	567	750	645	581	487	484	456	463	314	6,057
Private Passenger	118	163	168	177	192	169	191	167	195	156	142	135	1,974
Non Private Passenger	267	217	378	390	558	476	390	320	288	300	321	179	4,084
Total	8,080	6,882	9,517	10,267	13,391	13,276	12,059	10,876	10,503	9,148	7,558	6,854	118,411
Private Passenger	3,033	2,590	3,815	3,486	4,055	3,990	3,523	3,653	3,749	3,664	2,995	2,483	41,035
Non Private Passenger	5,047	4,292	5,702	6,782	9,336	9,286	8,536	7,223	6,754	5,484	4,564	4,371	77,376

FARM Private Passenger and Non Private Passenger Summary of full year Written Premium

2024 Premiums (in 0000's)	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-end
Ontario	12,392	15,483	24,806	14,336	20,588	16,576	21,324	17,649	20,163	19,172	18,743	13,798	215,030
Private Passenger	3,427	2,829	4,148	4,661	4,670	4,429	4,025	4,366	4,590	4,609	3,978	3,011	48,745
Non Private Passenger	8,964	12,654	20,657	9,675	15,918	12,147	17,299	13,283	15,573	14,563	14,765	10,787	166,285
Alberta	12,394	8,966	13,150	11,943	16,878	18,335	15,435	14,441	19,719	17,058	10,228	10,564	169,112
Private Passenger	503	561	651	816	727	822	770	715	814	634	447	212	7,670
Non Private Passenger	11,891	8,406	12,499	11,128	16,152	17,513	14,665	13,726	18,905	16,424	9,781	10,352	161,442
Atlantics	11,053	8,833	11,816	12,229	13,656	14,694	13,798	13,336	12,151	10,470	8,982	8,301	139,318
Private Passenger	5,862	4,947	7,356	6,672	7,362	7,744	6,340	7,017	6,984	6,877	5,539	4,974	77,673
Non Private Passenger	5,191	3,886	4,460	5,556	6,294	6,951	7,457	6,319	5,167	3,593	3,443	3,327	61,646
Territories	670	647	934	932	1,396	1,070	963	690	966	747	663	527	10,207
Private Passenger	233	304	328	363	330	268	359	282	449	278	262	252	3,708
Non Private Passenger	437	344	606	570	1,066	803	605	409	517	469	401	276	6,500
Total	36,509	33,930	50,706	39,441	52,518	50,675	51,521	46,116	52,999	47,447	38,616	33,190	533,668
Private Passenger	10,025	8,640	12,484	12,512	13,089	13,262	11,495	12,379	12,837	12,399	10,226	8,448	137,796
Non Private Passenger	26,484	25,290	38,222	26,928	39,429	37,413	40,026	33,737	40,162	35,048	28,390	24,742	395,872

FARM Private and Non Private Passenger Summary of full year Average Written Premiums

2024 Average Premiums	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-end
Ontario	8,056	8,943	11,680	7,679	8,870	7,624	9,605	8,625	9,777	9,742	9,686	9,242	9,158
Private Passenger	5,927	5,812	5,659	8,226	5,971	5,717	6,160	5,882	6,315	6,670	6,530	6,642	6,251
Non Private Passenger	9,338	10,167	14,853	7,441	10,343	8,681	11,041	10,186	11,660	11,404	11,135	10,376	10,603
Alberta	5,755	5,837	5,583	4,267	4,016	4,548	4,363	4,564	6,851	6,344	5,306	5,289	5,083
Private Passenger	5,438	6,457	7,634	6,539	7,614	7,724	6,639	7,564	6,867	5,434	6,334	4,407	6,638
Non Private Passenger	5,769	5,800	5,506	4,161	3,933	4,461	4,286	4,471	6,850	6,385	5,267	5,311	5,027
Atlantics	2,762	2,731	2,630	2,429	2,232	2,287	2,412	2,576	2,392	2,595	2,779	2,722	2,506
Private Passenger	2,613	2,670	2,601	2,549	2,466	2,634	2,474	2,649	2,579	2,547	2,549	2,694	2,580
Non Private Passenger	2,952	2,812	2,681	2,299	2,010	1,994	2,362	2,499	2,179	2,692	3,250	2,765	2,418
Territories	1,740	1,705	1,712	1,645	1,861	1,660	1,659	1,416	1,998	1,639	1,433	1,678	1,685
Private Passenger	1,973	1,859	1,953	2,052	1,721	1,582	1,883	1,686	2,300	1,783	1,852	1,856	1,879
Non Private Passenger	1,637	1,589	1,604	1,461	1,909	1,687	1,549	1,275	1,793	1,563	1,248	1,542	1,592
Total	4,519	4,930	5,328	3,841	3,922	3,817	4,273	4,240	5,046	5,187	5,109	4,843	4,507
Private Passenger	3,306	3,336	3,272	3,590	3,228	3,324	3,263	3,389	3,424	3,384	3,415	3,402	3,358
Non Private Passenger	5,248	5,892	6,703	3,971	4,223	4,029	4,689	4,671	5,946	6,391	6,221	5,661	5,116

Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related link:

[FARM Summary of Operations – Calendar Year 2024](#)

*09 months ended September 2024 (discounted basis)