

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 043

**DATE:** October 29, 2024

**SUBJECT:** FARM – August 2024 Participation Report

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

Please be advised that the August 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 **August 2024 received premium** was \$45.7 million, higher than prior year by \$2.1 million. The **projected 2024 year-end received premium** is \$533.6 million; and
- (b) The **August 2024 insurance revenue** was \$45.4 million, higher than prior year by \$1.2 million. The **projected 2024 year-end insurance revenue** is \$530.1 million; and
- (c) The **August 2024 operating result** was a surplus of \$30.4 million, lower than prior year by \$0.3 million. The **projected 2024 year-end operating results** is a surplus of \$70.8 million; and
- (d) The **August 2024 combined operating ratio** was 33.1%, higher than prior year by 2.5 percentage points. The **projected 2024 year-end combined operating ratio** is 86.7%.
- (e) The implementation of the **2024 Q2 Valuation** generated **\$25.4 million favourable impact** for the month, improving to the **year-to-date combined operating ratio by 7.4%**.

## FARM Summary of IFRS17 Financial Results

Total 2024 Summary Amounts in \$000s	Actual (August 2024)	Projection (August 2024)	Prior Year (August 2023)	2024 year-to-date as at 8 months	2023 year-to-date as at 8 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	46,116	49,481	44,079	361,416	357,299	532,532	593,822	523,780
Received Premium	45,699	48,550	43,646	361,976	356,465	533,559	591,939	523,677
Earned Premium	45,424	45,372	44,268	344,981	334,216	530,092	594,211	508,080
<b>Insurance Revenue</b>	<b>45,424</b>	<b>45,372</b>	<b>44,268</b>	<b>344,981</b>	<b>334,216</b>	<b>530,092</b>	<b>594,211</b>	<b>508,080</b>
Total Claims Incurred	2,438	29,240	12,784	190,987	205,559	311,194	400,777	307,108
Claims incurred (CAY)	32,565	30,724	31,454	236,712	230,555	361,968	417,523	344,630
Adjustments to Liabilities for Incurred Claims (PAYs)	(30,127)	(1,484)	(18,670)	(45,725)	(24,996)	(50,774)	(16,747)	(37,523)
Administrative Expense	6,038	6,111	5,290	46,413	42,880	67,579	73,052	63,932
Amortization of IACFs	3,934	3,836	3,659	28,584	28,254	43,984	52,258	41,705
Change in Loss Component	0	0	0	0	0	0	0	0
<b>Insurance Service Expenses</b>	<b>12,410</b>	<b>39,187</b>	<b>21,733</b>	<b>265,985</b>	<b>276,693</b>	<b>422,757</b>	<b>526,087</b>	<b>412,745</b>
<b>Insurance Service Result</b>	<b>33,014</b>	<b>6,185</b>	<b>22,535</b>	<b>78,996</b>	<b>57,524</b>	<b>107,335</b>	<b>68,124</b>	<b>95,336</b>
Insurance Finance Expense from PV FCF	(3,743)	(2,664)	6,291	(38,512)	(18,022)	(49,128)	(35,490)	(24,129)
Insurance Finance Expense from Risk Adjustment	(307)	(220)	566	(3,246)	(1,825)	(4,076)	(3,090)	(2,480)
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
<b>Insurance Finance Income (Expense)</b>	<b>(4,050)</b>	<b>(2,885)</b>	<b>6,857</b>	<b>(41,758)</b>	<b>(19,846)</b>	<b>(53,204)</b>	<b>(38,580)</b>	<b>(26,609)</b>
<b>Investment Income</b>	<b>1,418</b>	<b>1,419</b>	<b>1,339</b>	<b>11,176</b>	<b>8,457</b>	<b>16,632</b>	<b>16,829</b>	<b>14,329</b>
<b>Operating Result</b>	<b>30,382</b>	<b>4,719</b>	<b>30,731</b>	<b>48,414</b>	<b>46,134</b>	<b>70,763</b>	<b>46,373</b>	<b>83,056</b>
<b>Ratios:</b>								
Loss ratios (% insurance revenue):	5.4%	64.4%	28.9%	55.4%	61.5%	58.7%	67.4%	60.4%
Claims incurred (CAY)	71.7%	67.7%	71.1%	68.6%	69.0%	68.3%	70.3%	67.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(66.3%)	(3.3%)	(42.2%)	(13.3%)	(7.5%)	(9.6%)	(2.8%)	(7.4%)
<b>Underwriting and Admin Expenses (% insurance revenue):</b>	<b>22.0%</b>	<b>21.9%</b>	<b>20.2%</b>	<b>21.7%</b>	<b>21.3%</b>	<b>21.0%</b>	<b>21.1%</b>	<b>20.8%</b>
Administrative Expenses	13.3%	13.5%	12.0%	13.5%	12.8%	12.7%	12.3%	12.6%
Amortization of IACFs	8.7%	8.5%	8.3%	8.3%	8.5%	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%
<b>Insurance Service Ratio:</b>	<b>27.3%</b>	<b>86.4%</b>	<b>49.1%</b>	<b>77.1%</b>	<b>82.8%</b>	<b>79.8%</b>	<b>88.5%</b>	<b>81.2%</b>
<b>Insurance Finance Income:</b>	<b>8.9%</b>	<b>6.4%</b>	<b>(15.5%)</b>	<b>12.1%</b>	<b>5.9%</b>	<b>10.0%</b>	<b>6.5%</b>	<b>5.2%</b>
<b>Investment Income Ratio:</b>	<b>(3.1%)</b>	<b>(3.1%)</b>	<b>(3.0%)</b>	<b>(3.2%)</b>	<b>(2.5%)</b>	<b>(3.1%)</b>	<b>(2.8%)</b>	<b>(2.8%)</b>
<b>Combined Operating Ratio</b>	<b>33.1%</b>	<b>89.6%</b>	<b>30.6%</b>	<b>86.0%</b>	<b>86.2%</b>	<b>86.7%</b>	<b>92.2%</b>	<b>83.7%</b>

rounding differences may occur

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

FARM 2024 Summary of Liabilities Amounts in \$000s	Actual (August 2024)	Projection (August 2024)	Prior Year (August 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
<b>LIC</b>	<b>667,423</b>	<b>691,411</b>	<b>643,213</b>	<b>683,343</b>	<b>771,065</b>	<b>644,513</b>
Undiscounted Case Reserves	333,885	338,143	307,796	357,349	428,963	315,331
Undiscounted IBNR	316,759	329,434	322,515	310,628	328,512	323,587
Undiscounted Retro Expense	48,133	53,541	46,466	48,625	53,823	46,832
<b>Discount</b>	<b>(84,223)</b>	<b>(88,638)</b>	<b>(89,641)</b>	<b>(86,210)</b>	<b>(103,765)</b>	<b>(97,546)</b>
PV FCF	614,554	632,479	587,136	630,392	707,533	588,203
Risk Adjustment	52,869	58,931	56,077	52,950	63,533	56,310
Risk Adjustment %	8.60%	9.32%	9.55%	8.40%	8.98%	9.57%
<b>LRC</b>	<b>216,417</b>	<b>221,181</b>	<b>211,489</b>	<b>215,429</b>	<b>236,648</b>	<b>204,168</b>
LRC excl. Loss Component	216,417	221,181	211,489	215,429	236,648	204,168
Loss Component	0	0	0	0	0	0

## Insurance Service Expenses Key Drivers

- **Claims Incurred** – Incurred losses were \$2.4 million, lower than projection by \$26.8 million and \$10.3 million lower compared with the same month from last year. Loss ratio was at 5.4%, 59.1 percentage points lower than projected, and 23.5 percentage points lower compared with prior year. The 2024 Q2 valuation was implemented this month and generated a favorable change to adjustments to liabilities for incurred claims. Please see next page for further information.
- **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, August, and October), when the yield curve is updated as part of the quarterly valuation. Insurance Finance Expense was \$4.0 million (of which \$0.7 million loss was generated driven by less discounting due to approximately 3-6 basis points decrease in the yield curve).

## Impact of Quarterly Valuation

A valuation of the FARM as at June 30, 2024 has been completed since last month's participation report and the results of that valuation has been incorporated into this month's participation report.

The implementation of the new valuation resulted in an estimated overall **\$25.4 million favorable impact** on the month's net result from operations, subtracting an estimated **7.4 points** to the year-to-date Combined Operating Ratio. The impact this month is summarized in the following tables below.

For more information on the valuation impact please refer to the [Quarterly Financial Insights](#).

### FARM Summary of 2024 Q2 Valuation Implementation Impact

FARM (in \$000s)	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY (2023 & prior)	(26,903)	-	(26,903)	(7.8%)
CAY (2024)	1,462	-	1,462	0.4%
<b>Total</b>	<b>(25,441)</b>		<b>(25,441)</b>	<b>(7.4%)</b>

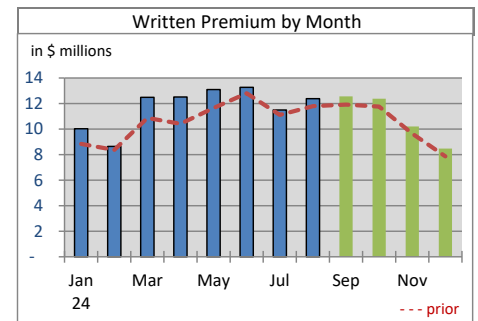
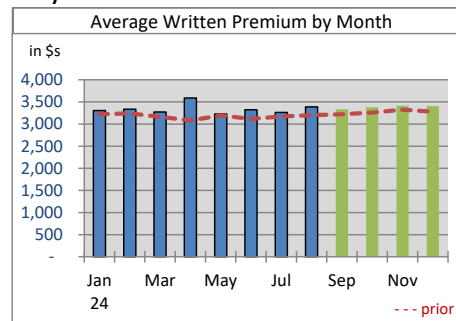
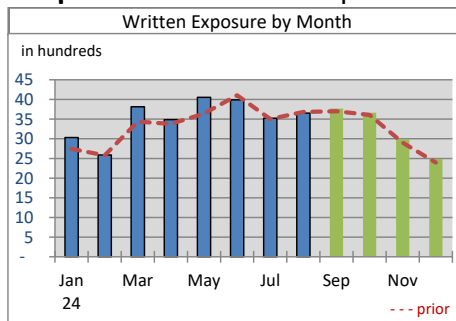
(negative values are favorable)

## Projection to Year-end 2024

Compared with The Outlook released in December 2023, insurance revenue has decreased by \$64.1 million to \$530.1 million. The projected year-end 2024 operating result is \$70.7 million, higher than The Outlook by \$24.4 million.

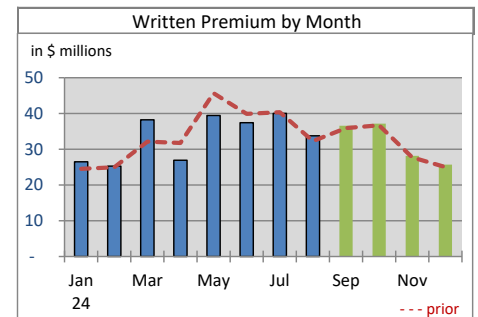
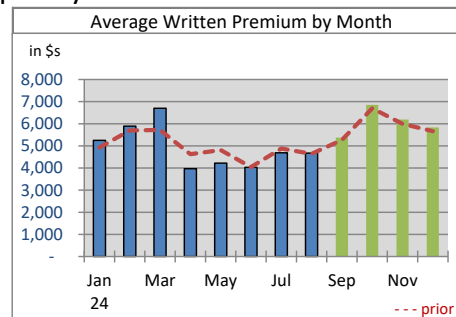
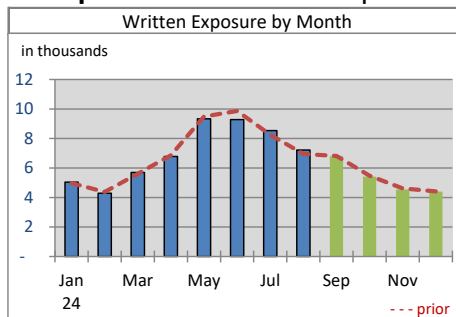
## Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 3,653 vehicles; written premium was \$12.4 million, up by 5.0% compared with prior year, primarily driven by Ontario and New Brunswick. Average premium for PPV was up by 5.8% 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 7,223 vehicles, up 3.9% compared with prior year; written

premium was \$33.7 million, up 4.5% compared with prior year. Average written premium for NPPV was up 0.6% compared with prior year.

As a result, the overall month's written premium was \$46.1 million; up \$2.0 million or 4.6% compared with prior year.

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

2024 Vehicle Count Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Proj.	October Proj.	November Proj.	December Proj.	CY 2024 Year-end
<b>Ontario</b>	<b>1,538</b>	<b>1,731</b>	<b>2,124</b>	<b>1,867</b>	<b>2,321</b>	<b>2,174</b>	<b>2,220</b>	<b>2,046</b>	<b>2,387</b>	<b>2,120</b>	<b>2,015</b>	<b>1,598</b>	<b>24,142</b>
Private Passenger	578	487	733	567	782	775	654	742	726	691	609	453	7,796
Non Private Passenger	960	1,245	1,391	1,300	1,539	1,399	1,567	1,304	1,661	1,429	1,406	1,145	16,346
<b>Alberta</b>	<b>2,154</b>	<b>1,536</b>	<b>2,356</b>	<b>2,799</b>	<b>4,203</b>	<b>4,032</b>	<b>3,537</b>	<b>3,164</b>	<b>2,453</b>	<b>2,276</b>	<b>1,822</b>	<b>1,843</b>	<b>32,173</b>
Private Passenger	92	87	85	125	95	106	116	95	101	112	66	44	1,124
Non Private Passenger	2,061	1,449	2,270	2,674	4,107	3,925	3,421	3,070	2,352	2,164	1,756	1,799	31,049
<b>Atlantics</b>	<b>4,003</b>	<b>3,235</b>	<b>4,492</b>	<b>5,035</b>	<b>6,117</b>	<b>6,426</b>	<b>5,720</b>	<b>5,178</b>	<b>5,358</b>	<b>4,257</b>	<b>3,258</b>	<b>3,088</b>	<b>56,167</b>
Private Passenger	2,244	1,853	2,829	2,617	2,986	2,940	2,563	2,649	2,790	2,713	2,186	1,862	30,231
Non Private Passenger	1,759	1,382	1,664	2,417	3,131	3,486	3,157	2,529	2,568	1,544	1,072	1,226	25,936
<b>Territories</b>	<b>385</b>	<b>380</b>	<b>546</b>	<b>567</b>	<b>750</b>	<b>645</b>	<b>581</b>	<b>487</b>	<b>372</b>	<b>429</b>	<b>437</b>	<b>359</b>	<b>5,937</b>
Private Passenger	118	163	168	177	192	169	191	167	150	148	128	129	1,900
Non Private Passenger	267	217	378	390	558	476	390	320	221	281	309	230	4,037
<b>Total</b>	<b>8,080</b>	<b>6,882</b>	<b>9,517</b>	<b>10,267</b>	<b>13,391</b>	<b>13,276</b>	<b>12,059</b>	<b>10,876</b>	<b>10,569</b>	<b>9,082</b>	<b>7,533</b>	<b>6,888</b>	<b>118,419</b>
Private Passenger	3,033	2,590	3,815	3,486	4,055	3,990	3,523	3,653	3,767	3,663	2,989	2,488	41,051
Non Private Passenger	5,047	4,292	5,702	6,782	9,336	9,286	8,536	7,223	6,802	5,418	4,544	4,400	77,368

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

2024 Premiums (in 0000's) Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Proj.	October Proj.	November Proj.	December Proj.	CY 2024 Year-end
<b>Ontario</b>	<b>12,392</b>	<b>15,483</b>	<b>24,806</b>	<b>14,336</b>	<b>20,588</b>	<b>16,576</b>	<b>21,324</b>	<b>17,649</b>	<b>23,137</b>	<b>20,903</b>	<b>19,637</b>	<b>14,894</b>	<b>221,724</b>
Private Passenger	3,427	2,829	4,148	4,661	4,670	4,429	4,021	4,366	4,620	4,607	3,977	3,010	48,766
Non Private Passenger	8,964	12,654	20,657	9,675	15,918	12,147	17,303	13,283	18,517	16,296	15,660	11,884	172,958
<b>Alberta</b>	<b>12,394</b>	<b>8,966</b>	<b>13,150</b>	<b>11,943</b>	<b>16,878</b>	<b>18,335</b>	<b>15,435</b>	<b>14,441</b>	<b>12,747</b>	<b>16,865</b>	<b>8,461</b>	<b>9,747</b>	<b>159,363</b>
Private Passenger	503	561	651	816	727	822	770	715	556	606	419	193	7,338
Non Private Passenger	11,891	8,406	12,499	11,128	16,152	17,513	14,665	13,726	12,191	16,259	8,042	9,554	152,026
<b>Atlantics</b>	<b>11,053</b>	<b>8,833</b>	<b>11,816</b>	<b>12,229</b>	<b>13,656</b>	<b>14,694</b>	<b>13,798</b>	<b>13,336</b>	<b>12,602</b>	<b>11,056</b>	<b>9,615</b>	<b>8,884</b>	<b>141,573</b>
Private Passenger	5,862	4,947	7,356	6,672	7,362	7,744	6,340	7,017	7,120	6,901	5,567	5,009	77,896
Non Private Passenger	5,191	3,886	4,460	5,556	6,294	6,951	7,457	6,319	5,482	4,155	4,049	3,875	63,677
<b>Territories</b>	<b>670</b>	<b>647</b>	<b>934</b>	<b>932</b>	<b>1,396</b>	<b>1,070</b>	<b>963</b>	<b>690</b>	<b>630</b>	<b>691</b>	<b>624</b>	<b>624</b>	<b>9,871</b>
Private Passenger	233	304	328	363	330	268	359	282	264	263	239	258	3,491
Non Private Passenger	437	344	606	570	1,066	803	605	409	365	428	385	366	6,381
<b>Total</b>	<b>36,509</b>	<b>33,930</b>	<b>50,706</b>	<b>39,441</b>	<b>52,518</b>	<b>50,675</b>	<b>51,521</b>	<b>46,116</b>	<b>49,116</b>	<b>49,515</b>	<b>38,337</b>	<b>34,148</b>	<b>532,532</b>
Private Passenger	10,025	8,640	12,484	12,512	13,089	13,262	11,490	12,379	12,561	12,377	10,202	8,470	137,491
Non Private Passenger	26,484	25,290	38,222	26,928	39,429	37,413	40,030	33,737	36,555	37,138	28,136	25,678	395,042

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

2024 Average Premiums Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Proj.	October Proj.	November Proj.	December Proj.	CY 2024 Year-end
<b>Ontario</b>	<b>8,056</b>	<b>8,943</b>	<b>11,680</b>	<b>7,679</b>	<b>8,870</b>	<b>7,624</b>	<b>9,605</b>	<b>8,625</b>	<b>9,693</b>	<b>9,861</b>	<b>9,744</b>	<b>9,318</b>	<b>9,184</b>
Private Passenger	5,927	5,812	5,659	8,226	5,971	5,717	6,152	5,882	6,365	6,670	6,531	6,643	6,255
Non Private Passenger	9,338	10,167	14,853	7,441	10,343	8,681	11,045	10,186	11,147	11,404	11,135	10,376	10,581
<b>Alberta</b>	<b>5,755</b>	<b>5,837</b>	<b>5,583</b>	<b>4,267</b>	<b>4,016</b>	<b>4,548</b>	<b>4,363</b>	<b>4,564</b>	<b>5,197</b>	<b>7,410</b>	<b>4,644</b>	<b>5,290</b>	<b>4,953</b>
Private Passenger	5,438	6,457	7,634	6,539	7,614	7,724	6,639	7,564	5,514	5,433	6,337	4,420	6,529
Non Private Passenger	5,769	5,800	5,506	4,161	3,933	4,461	4,286	4,471	5,184	7,512	4,580	5,311	4,896
<b>Atlantics</b>	<b>2,762</b>	<b>2,731</b>	<b>2,630</b>	<b>2,429</b>	<b>2,232</b>	<b>2,287</b>	<b>2,412</b>	<b>2,576</b>	<b>2,352</b>	<b>2,597</b>	<b>2,951</b>	<b>2,877</b>	<b>2,521</b>
Private Passenger	2,613	2,670	2,601	2,549	2,466	2,634	2,474	2,649	2,552	2,543	2,547	2,690	2,577
Non Private Passenger	2,952	2,812	2,681	2,299	2,010	1,994	2,362	2,499	2,135	2,691	3,775	3,160	2,455
<b>Territories</b>	<b>1,740</b>	<b>1,705</b>	<b>1,712</b>	<b>1,645</b>	<b>1,861</b>	<b>1,660</b>	<b>1,659</b>	<b>1,416</b>	<b>1,694</b>	<b>1,611</b>	<b>1,427</b>	<b>1,738</b>	<b>1,663</b>
Private Passenger	1,973	1,859	1,953	2,052	1,721	1,582	1,883	1,686	1,759	1,781	1,867	1,999	1,837
Non Private Passenger	1,637	1,589	1,604	1,461	1,909	1,687	1,549	1,275	1,650	1,522	1,245	1,591	1,581
<b>Total</b>	<b>4,519</b>	<b>4,930</b>	<b>5,328</b>	<b>3,841</b>	<b>3,922</b>	<b>3,817</b>	<b>4,273</b>	<b>4,240</b>	<b>4,647</b>	<b>5,452</b>	<b>5,089</b>	<b>4,957</b>	<b>4,497</b>
Private Passenger	3,306	3,336	3,272	3,590	3,228	3,324	3,262	3,389	3,334	3,379	3,413	3,404	3,349
Non Private Passenger	5,248	5,892	6,703	3,971	4,223	4,029	4,690	4,671	5,374	6,854	6,192	5,836	5,106

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

Saskia Matheson  
President & CEO

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

\*08 months ended August 2024 (discounted basis)