

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 040

DATE: September 27, 2024

SUBJECT: FARM – July 2024 Participation Report

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

Please be advised that the July 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 (IFRS 17)

- (a) The ***July 2024 received premium*** was \$52.2 million, higher than prior year by \$0.9 million. The ***projected 2024 year-end received premium*** is \$539.0 million; and
- (b) The ***July 2024 insurance revenue*** was \$45.2 million, higher than prior year by \$1.0 million. The ***projected 2024 year-end insurance revenue*** is \$533.3 million; and
- (c) The ***July 2024 operating result*** was a surplus of \$4.0 million, higher than prior year by \$0.2 million. The ***projected 2024 year-end operating results*** is a surplus of \$46.8 million; and
- (d) The ***July 2024 combined operating ratio*** was 91.0%, lower than prior year by 0.3 percentage points. The ***projected 2024 year-end combined operating ratio*** is 91.2%.

FARM Summary of IFRS17 Financial Results

| Total 2024 Summary Amounts in \$000s | Actual (July 2024) | Projection (July 2024) | Prior Year (July 2023) | 2024 year-to-date as at 7 months | 2023 year-to-date as at 7 months | 2024 year-end Projection | Outlook* Full year 2024 | 2023 year-end Actual |
|--|-----------------------|---------------------------|---------------------------|-------------------------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Written Premium | 51,521 | 53,256 | 51,433 | 315,299 | 313,220 | 537,174 | 593,822 | 523,780 |
| Received Premium | 52,246 | 52,751 | 51,325 | 316,277 | 312,819 | 538,975 | 591,939 | 523,677 |
| Earned Premium | 45,212 | 45,016 | 44,167 | 299,557 | 289,949 | 533,341 | 594,211 | 508,080 |
| Insurance Revenue | 45,212 | 45,016 | 44,167 | 299,557 | 289,949 | 533,341 | 594,211 | 508,080 |
| Total Claims Incurred | 29,559 | 29,137 | 28,688 | 188,549 | 192,775 | 338,828 | 400,777 | 307,108 |
| Claims Incurred (CAY) | 31,251 | 30,627 | 30,359 | 204,147 | 199,101 | 361,354 | 417,523 | 344,630 |
| Adjustments to Liabilities for Incurred Claims (PAYs) | (1,692) | (1,490) | (1,671) | (15,598) | (6,326) | (22,526) | (16,747) | (37,523) |
| Administrative Expense | 6,410 | 6,576 | 5,947 | 40,412 | 37,589 | 67,814 | 73,052 | 63,932 |
| Amortization of IACFs | 3,798 | 3,763 | 4,069 | 24,599 | 24,596 | 43,873 | 52,258 | 41,705 |
| Change in Loss Component | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance Service Expenses | 39,768 | 39,476 | 38,704 | 253,559 | 254,960 | 450,515 | 526,087 | 412,745 |
| Insurance Service Result | 5,445 | 5,541 | 5,463 | 45,998 | 34,989 | 82,826 | 68,124 | 95,336 |
| Insurance Finance Expense from PV FCF | (2,611) | (2,611) | (2,636) | (34,769) | (24,313) | (48,641) | (35,490) | (24,129) |
| Insurance Finance Expense from Risk Adjustment | (217) | (217) | (249) | (2,939) | (2,391) | (4,024) | (3,090) | (2,480) |
| Insurance Finance Expense from Loss Component | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance Finance Income (Expense) | (2,828) | (2,828) | (2,885) | (37,708) | (26,704) | (52,665) | (38,580) | (26,609) |
| Investment Income | 1,437 | 1,379 | 1,227 | 9,758 | 7,118 | 16,670 | 16,829 | 14,329 |
| Operating Result | 4,053 | 4,092 | 3,806 | 18,048 | 15,403 | 46,831 | 46,373 | 83,056 |
| Ratios: | | | | | | | | |
| Loss ratios (% insurance revenue): | 65.4% | 64.7% | 65.0% | 62.9% | 66.5% | 63.5% | 67.4% | 60.4% |
| Claims Incurred (CAY) | 69.1% | 68.0% | 68.7% | 68.1% | 68.7% | 67.8% | 70.3% | 67.8% |
| Adjustments to Liabilities for Incurred Claims (PAYs) | (3.7%) | (3.3%) | (3.8%) | (5.2%) | (2.2%) | (4.2%) | (2.8%) | (7.4%) |
| Underwriting and Admin Expenses (% insurance revenue): | 22.6% | 23.0% | 22.7% | 21.7% | 21.4% | 20.9% | 21.1% | 20.8% |
| Administrative Expenses | 14.2% | 14.6% | 13.5% | 13.5% | 13.0% | 12.7% | 12.3% | 12.6% |
| Amortization of IACFs | 8.4% | 8.4% | 9.2% | 8.2% | 8.5% | 8.2% | 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: | 88.0% | 87.7% | 87.6% | 84.6% | 87.9% | 84.5% | 88.5% | 81.2% |
| Insurance Finance Income: | 6.3% | 6.3% | 6.5% | 12.6% | 9.2% | 9.9% | 6.5% | 5.2% |
| Investment Income Ratio: | (3.2%) | (3.1%) | (2.8%) | (3.3%) | (2.5%) | (3.1%) | (2.8%) | (2.8%) |
| Combined Operating Ratio | 91.0% | 90.9% | 91.4% | 94.0% | 94.7% | 91.2% | 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 (July 2024) | Projection (July 2024) | Prior Year (July 2023) | 2024 year-end Projection | Outlook* Full year 2024 | 2023 year-end Actual |
|---|-----------------------|---------------------------|---------------------------|-----------------------------|----------------------------|-------------------------|
| LIC | 687,887 | 692,695 | 659,829 | 707,318 | 771,065 | 644,513 |
| Undiscounted Case Reserves | 332,960 | 340,369 | 301,616 | 360,977 | 428,963 | 315,331 |
| Undiscounted IBNR | 331,030 | 328,685 | 328,696 | 324,539 | 328,512 | 323,587 |
| Undiscounted Retro Expense | 53,475 | 53,106 | 49,445 | 53,855 | 53,823 | 46,832 |
| Discount | (88,559) | (88,704) | (81,303) | (91,142) | (103,765) | (97,546) |
| PV FCF | 628,907 | 633,456 | 598,455 | 648,229 | 707,533 | 588,203 |
| Risk Adjustment | 58,981 | 59,239 | 61,374 | 59,089 | 63,533 | 56,310 |
| Risk Adjustment % | 9.38% | 9.35% | 10.26% | 9.12% | 8.98% | 9.57% |
| LRC | 216,253 | 219,950 | 212,312 | 222,443 | 236,648 | 204,168 |
| LRC excl. Loss Component | 216,253 | 219,950 | 212,312 | 222,443 | 236,648 | 204,168 |
| Loss Component | 0 | 0 | 0 | 0 | 0 | 0 |

Insurance Service Expenses Key Drivers

- **Claims Incurred** – Incurred losses were \$29.6 million, higher than projection by \$0.4 million and \$0.9 million higher compared with the same month from last year. Loss ratio was at 65.4%, 0.7 percentage points higher than projected, and 0.4 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:

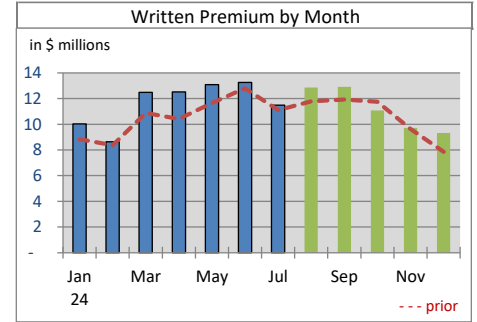
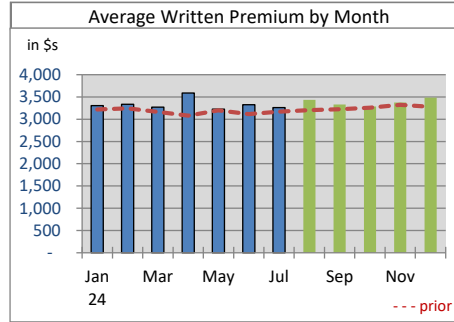
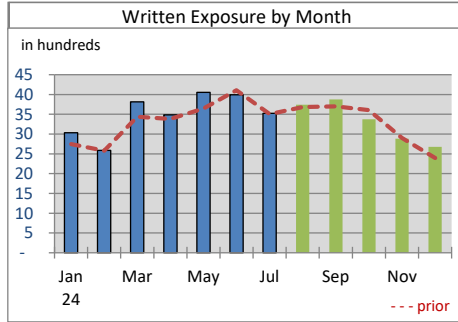
- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated.

Projection to Year-end 2024

Compared with The Outlook released in December 2023, insurance revenue has decreased by \$60.9 million to \$533.3 million. The projected year-end 2024 operating result is 46.8 million, slightly higher than The Outlook by \$0.5 million.

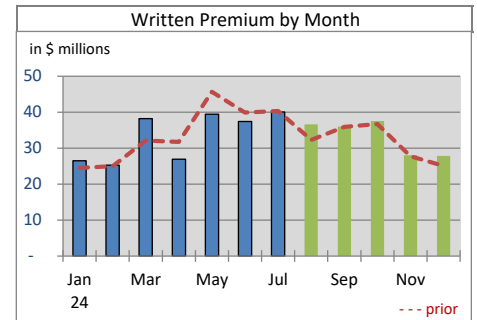
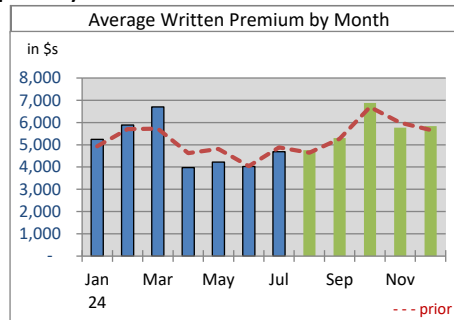
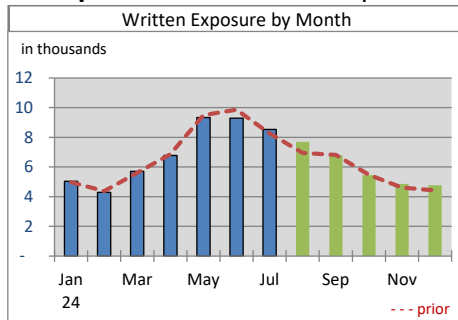
Premium

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



The Private Passenger vehicle count for the month was 3,523 vehicles; written premium was \$11.5 million, up by 3.5% compared with prior year, primarily driven by Ontario and New Brunswick. Average premium for PPV was up by 2.9% 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 8,536 vehicles, up 3.4% compared with prior year; written premium was \$40.0 million, down 0.7% compared with prior year primarily driven by interurban and private bus in Alberta and Ontario Non-PPV respectively (which represents \$1.7 million decrease compared to prior year). Average written premium for NPPV was down 4.0% compared with prior year.

As a result, the overall month's written premium was \$51.5 million; up \$0.09 million or 0.2% 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 Proj. | September Proj. | October Proj. | November Proj. | December Proj. | CY 2024 Year-end |
|------------------------------------|-------------------|--------------------|-----------------|-----------------|---------------|----------------|----------------|-----------------|--------------------|------------------|-------------------|-------------------|---------------------|
| Ontario | 1,538 | 1,731 | 2,124 | 1,867 | 2,321 | 2,174 | 2,220 | 2,299 | 2,186 | 1,815 | 1,851 | 1,795 | 23,921 |
| Private Passenger | 578 | 487 | 733 | 567 | 782 | 775 | 654 | 826 | 703 | 513 | 491 | 495 | 7,603 |
| Non Private Passenger | 960 | 1,245 | 1,391 | 1,300 | 1,539 | 1,399 | 1,567 | 1,473 | 1,483 | 1,301 | 1,360 | 1,300 | 16,317 |
| Alberta | 2,154 | 1,536 | 2,356 | 2,799 | 4,203 | 4,032 | 3,537 | 3,085 | 2,785 | 2,606 | 2,008 | 1,905 | 33,004 |
| Private Passenger | 92 | 87 | 85 | 125 | 95 | 106 | 116 | 122 | 151 | 154 | 127 | 123 | 1,385 |
| Non Private Passenger | 2,061 | 1,449 | 2,270 | 2,674 | 4,107 | 3,925 | 3,421 | 2,963 | 2,634 | 2,451 | 1,881 | 1,782 | 31,620 |
| Atlantic | 4,003 | 3,235 | 4,492 | 5,035 | 6,117 | 6,426 | 5,720 | 5,509 | 5,333 | 3,996 | 3,505 | 3,324 | 56,694 |
| Private Passenger | 2,244 | 1,853 | 2,829 | 2,617 | 2,986 | 2,940 | 2,563 | 2,588 | 2,856 | 2,553 | 2,139 | 1,915 | 30,081 |
| Non Private Passenger | 1,759 | 1,382 | 1,664 | 2,417 | 3,131 | 3,486 | 3,157 | 2,921 | 2,478 | 1,442 | 1,366 | 1,409 | 26,613 |
| Territories | 385 | 380 | 546 | 567 | 750 | 645 | 581 | 550 | 364 | 406 | 378 | 427 | 5,977 |
| Private Passenger | 118 | 163 | 168 | 177 | 192 | 169 | 191 | 205 | 167 | 150 | 126 | 142 | 1,968 |
| Non Private Passenger | 267 | 217 | 378 | 390 | 558 | 476 | 390 | 344 | 197 | 256 | 252 | 285 | 4,009 |
| Total | 8,080 | 6,882 | 9,517 | 10,267 | 13,391 | 13,276 | 12,059 | 11,442 | 10,668 | 8,822 | 7,742 | 7,450 | 119,596 |
| Private Passenger | 3,033 | 2,590 | 3,815 | 3,486 | 4,055 | 3,990 | 3,523 | 3,741 | 3,876 | 3,371 | 2,883 | 2,675 | 41,037 |
| Non Private Passenger | 5,047 | 4,292 | 5,702 | 6,782 | 9,336 | 9,286 | 8,536 | 7,701 | 6,792 | 5,451 | 4,859 | 4,776 | 78,559 |

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 Proj. | September Proj. | October Proj. | November Proj. | December Proj. | CY 2024 Year-end |
|---|-------------------|--------------------|-----------------|-----------------|---------------|----------------|----------------|-----------------|--------------------|------------------|-------------------|-------------------|---------------------|
| Ontario | 12,392 | 15,483 | 24,806 | 14,336 | 20,588 | 16,576 | 21,324 | 21,116 | 20,914 | 18,193 | 18,278 | 16,736 | 220,741 |
| Private Passenger | 3,427 | 2,829 | 4,148 | 4,661 | 4,670 | 4,429 | 4,021 | 5,042 | 4,384 | 3,351 | 3,134 | 3,250 | 47,347 |
| Non Private Passenger | 8,964 | 12,654 | 20,657 | 9,675 | 15,918 | 12,147 | 17,303 | 16,074 | 16,530 | 14,842 | 15,144 | 13,486 | 173,394 |
| Alberta | 12,394 | 8,966 | 13,150 | 11,943 | 16,878 | 18,335 | 15,435 | 13,439 | 14,487 | 19,253 | 9,418 | 10,006 | 163,705 |
| Private Passenger | 503 | 561 | 651 | 816 | 727 | 822 | 770 | 646 | 830 | 839 | 805 | 542 | 8,511 |
| Non Private Passenger | 11,891 | 8,406 | 12,499 | 11,128 | 16,152 | 17,513 | 14,665 | 12,793 | 13,657 | 18,414 | 8,613 | 9,464 | 155,194 |
| Atlantic | 11,053 | 8,833 | 11,816 | 12,229 | 13,656 | 14,694 | 13,798 | 14,118 | 12,860 | 10,440 | 9,497 | 9,757 | 142,751 |
| Private Passenger | 5,862 | 4,947 | 7,356 | 6,672 | 7,362 | 7,744 | 6,340 | 6,844 | 7,405 | 6,611 | 5,554 | 5,251 | 77,948 |
| Non Private Passenger | 5,191 | 3,886 | 4,460 | 5,556 | 6,294 | 6,951 | 7,457 | 7,274 | 5,455 | 3,829 | 3,943 | 4,506 | 64,803 |
| Territories | 670 | 647 | 934 | 932 | 1,396 | 1,070 | 963 | 808 | 628 | 707 | 545 | 676 | 9,977 |
| Private Passenger | 233 | 304 | 328 | 363 | 330 | 268 | 359 | 323 | 286 | 270 | 230 | 270 | 3,564 |
| Non Private Passenger | 437 | 344 | 606 | 570 | 1,066 | 803 | 605 | 485 | 342 | 437 | 315 | 405 | 6,413 |
| Total | 36,509 | 33,930 | 50,706 | 39,441 | 52,518 | 50,675 | 51,521 | 49,481 | 48,889 | 48,593 | 37,738 | 37,174 | 537,174 |
| Private Passenger | 10,025 | 8,640 | 12,484 | 12,512 | 13,089 | 13,262 | 11,490 | 12,855 | 12,905 | 11,071 | 9,724 | 9,313 | 137,370 |
| Non Private Passenger | 26,484 | 25,290 | 38,222 | 26,928 | 39,429 | 37,413 | 40,030 | 36,626 | 35,984 | 37,522 | 28,014 | 27,861 | 399,804 |

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 Proj. | September Proj. | October Proj. | November Proj. | December Proj. | CY 2024 Year-end |
|---------------------------------------|-------------------|--------------------|-----------------|-----------------|---------------|----------------|----------------|-----------------|--------------------|------------------|-------------------|-------------------|---------------------|
| Ontario | 8,056 | 8,943 | 11,680 | 7,679 | 8,870 | 7,624 | 9,605 | 9,185 | 9,566 | 10,026 | 9,876 | 9,325 | 9,228 |
| Private Passenger | 5,927 | 5,812 | 5,659 | 8,226 | 5,971 | 5,717 | 6,152 | 6,104 | 6,234 | 6,531 | 6,386 | 6,565 | 6,227 |
| Non Private Passenger | 9,338 | 10,167 | 14,853 | 7,441 | 10,343 | 8,681 | 11,045 | 10,914 | 11,147 | 11,404 | 11,135 | 10,376 | 10,626 |
| Alberta | 5,755 | 5,837 | 5,583 | 4,267 | 4,016 | 4,548 | 4,363 | 4,356 | 5,202 | 7,389 | 4,691 | 5,253 | 4,960 |
| Private Passenger | 5,438 | 6,457 | 7,634 | 6,539 | 7,614 | 7,724 | 6,639 | 5,276 | 5,511 | 5,434 | 6,335 | 4,413 | 6,147 |
| Non Private Passenger | 5,769 | 5,800 | 5,506 | 4,161 | 3,933 | 4,461 | 4,286 | 4,318 | 5,184 | 7,512 | 4,580 | 5,311 | 4,908 |
| Atlantic | 2,762 | 2,731 | 2,630 | 2,429 | 2,232 | 2,287 | 2,412 | 2,563 | 2,411 | 2,613 | 2,709 | 2,935 | 2,518 |
| Private Passenger | 2,613 | 2,670 | 2,601 | 2,549 | 2,466 | 2,634 | 2,474 | 2,645 | 2,593 | 2,589 | 2,597 | 2,742 | 2,591 |
| Non Private Passenger | 2,952 | 2,812 | 2,681 | 2,299 | 2,010 | 1,994 | 2,362 | 2,490 | 2,202 | 2,655 | 2,886 | 3,197 | 2,435 |
| Territories | 1,740 | 1,705 | 1,712 | 1,645 | 1,861 | 1,660 | 1,659 | 1,470 | 1,726 | 1,743 | 1,440 | 1,584 | 1,669 |
| Private Passenger | 1,973 | 1,859 | 1,953 | 2,052 | 1,721 | 1,582 | 1,883 | 1,574 | 1,717 | 1,798 | 1,823 | 1,905 | 1,811 |
| Non Private Passenger | 1,637 | 1,589 | 1,604 | 1,461 | 1,909 | 1,687 | 1,549 | 1,408 | 1,733 | 1,710 | 1,248 | 1,424 | 1,600 |
| Total | 4,519 | 4,930 | 5,328 | 3,841 | 3,922 | 3,817 | 4,273 | 4,324 | 4,583 | 5,508 | 4,874 | 4,990 | 4,492 |
| Private Passenger | 3,306 | 3,336 | 3,272 | 3,590 | 3,228 | 3,324 | 3,262 | 3,436 | 3,329 | 3,284 | 3,373 | 3,482 | 3,347 |
| Non Private Passenger | 5,248 | 5,892 | 6,703 | 3,971 | 4,223 | 4,029 | 4,690 | 4,756 | 5,298 | 6,884 | 5,766 | 5,834 | 5,089 |

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](#)

*07 months ended July 2024 (discounted basis)