

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 032

**DATE:** August 30, 2024

**SUBJECT:** FARM – June 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 June 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 ***June 2024 received premium*** was \$50.0 million, lower than prior year by \$2.1 million. The ***projected 2024 year-end received premium*** is \$541.0 million; and
- (b) The ***June 2024 insurance revenue*** was \$43.2 million, higher than prior year by \$0.9 million. The ***projected 2024 year-end insurance revenue*** is \$535.6 million; and
- (c) The ***June 2024 operating result*** was a surplus of \$5.6 million, higher than prior year by \$2.5 million. The ***projected 2024 year-end operating results*** is a surplus of \$46.9 million; and
- (d) The ***June 2024 combined operating ratio*** was 86.9%, lower than prior year by 5.7 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 (June 2024)	Projection (June 2024)	Prior Year (June 2023)	2024 year-to-date as at 6 months	2023 year-to-date as at 6 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	50,675	54,238	52,681	263,778	261,787	541,693	593,822	523,780
Received Premium	50,028	53,430	52,160	264,030	261,495	541,049	591,939	523,677
Earned Premium	43,160	43,198	42,222	254,345	245,781	535,602	594,211	508,080
<b>Insurance Revenue</b>	<b>43,160</b>	<b>43,198</b>	<b>42,222</b>	<b>254,345</b>	<b>245,781</b>	<b>535,602</b>	<b>594,211</b>	<b>508,080</b>
Total Claims Incurred	25,850	27,643	11,473	158,990	164,087	340,483	400,777	307,108
Claims Incurred (CAY)	29,484	29,386	28,455	172,897	168,742	362,605	417,523	344,630
Adjustments to Liabilities for Incurred Claims (PAYs)	(3,634)	(1,743)	(16,982)	(13,907)	(4,655)	(22,122)	(16,747)	(37,523)
Administrative Expense	6,299	6,672	6,298	34,041	31,642	68,370	73,052	63,932
Amortization of IACFs	3,557	3,741	3,533	20,650	20,527	43,655	52,258	41,705
Change in Loss Component	0	0	0	0	0	0	0	0
<b>Insurance Service Expenses</b>	<b>35,706</b>	<b>38,056</b>	<b>21,304</b>	<b>213,681</b>	<b>216,256</b>	<b>452,508</b>	<b>526,087</b>	<b>412,745</b>
<b>Insurance Service Result</b>	<b>7,454</b>	<b>5,141</b>	<b>20,918</b>	<b>40,663</b>	<b>29,525</b>	<b>83,094</b>	<b>68,124</b>	<b>95,336</b>
Insurance Finance Expense from PV FCF	(2,954)	(2,954)	(17,162)	(32,158)	(21,677)	(48,742)	(35,490)	(24,129)
Insurance Finance Expense from Risk Adjustment	(219)	(219)	(1,718)	(2,722)	(2,142)	(4,032)	(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>(3,173)</b>	<b>(3,173)</b>	<b>(18,880)</b>	<b>(34,880)</b>	<b>(23,819)</b>	<b>(52,774)</b>	<b>(38,580)</b>	<b>(26,609)</b>
<b>Investment Income</b>	<b>1,355</b>	<b>1,334</b>	<b>1,064</b>	<b>8,322</b>	<b>5,890</b>	<b>16,597</b>	<b>16,829</b>	<b>14,329</b>
<b>Operating Result</b>	<b>5,635</b>	<b>3,303</b>	<b>3,101</b>	<b>14,105</b>	<b>11,597</b>	<b>46,916</b>	<b>46,373</b>	<b>83,056</b>
<b>Ratios:</b>								
Loss ratios (% insurance revenue):	59.9%	64.0%	27.2%	62.5%	66.8%	63.6%	67.4%	60.4%
Claims Incurred (CAY)	68.3%	68.0%	67.4%	68.0%	68.7%	67.7%	70.3%	67.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(8.4%)	(4.0%)	(40.2%)	(5.5%)	(1.9%)	(4.1%)	(2.8%)	(7.4%)
<b>Underwriting and Admin Expenses (% insurance revenue):</b>	<b>22.8%</b>	<b>24.1%</b>	<b>23.3%</b>	<b>21.5%</b>	<b>21.2%</b>	<b>20.9%</b>	<b>21.1%</b>	<b>20.8%</b>
Administrative Expenses	14.6%	15.4%	14.9%	13.4%	12.9%	12.8%	12.3%	12.6%
Amortization of IACFs	8.2%	8.7%	8.4%	8.1%	8.4%	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%
<b>Insurance Service Ratio:</b>	<b>82.7%</b>	<b>88.1%</b>	<b>50.5%</b>	<b>84.0%</b>	<b>88.0%</b>	<b>84.5%</b>	<b>88.5%</b>	<b>81.2%</b>
<b>Insurance Finance Income:</b>	<b>7.4%</b>	<b>7.3%</b>	<b>44.7%</b>	<b>13.7%</b>	<b>9.7%</b>	<b>9.9%</b>	<b>6.5%</b>	<b>5.2%</b>
<b>Investment Income Ratio:</b>	<b>(3.1%)</b>	<b>(3.1%)</b>	<b>(2.5%)</b>	<b>(3.3%)</b>	<b>(2.4%)</b>	<b>(3.1%)</b>	<b>(2.8%)</b>	<b>(2.8%)</b>
<b>Combined Operating Ratio</b>	<b>86.9%</b>	<b>92.4%</b>	<b>92.7%</b>	<b>94.5%</b>	<b>95.3%</b>	<b>91.2%</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 (June 2024)	Projection (June 2024)	Prior Year (June 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
<b>LIC</b>	<b>689,366</b>	<b>677,835</b>	<b>648,862</b>	<b>713,478</b>	<b>771,065</b>	<b>644,513</b>
Undiscounted Case Reserves	335,548	333,683	299,863	366,792	428,963	315,331
Undiscounted IBNR	330,211	318,458	319,652	325,258	328,512	323,587
Undiscounted Retro Expense	53,023	52,844	49,133	53,586	53,823	46,832
Discount	(88,723)	(85,265)	(80,300)	(91,789)	(103,765)	(97,546)
PV FCF	630,058	619,721	588,348	653,846	707,533	588,203
Risk Adjustment	59,309	58,114	60,515	59,631	63,533	56,310
Risk Adjustment %	9.41%	9.38%	10.29%	9.12%	8.98%	9.57%
<b>LRC</b>	<b>210,621</b>	<b>214,315</b>	<b>205,792</b>	<b>227,461</b>	<b>236,648</b>	<b>204,168</b>
LRC excl. Loss Component	210,621	214,315	205,792	227,461	236,648	204,168
Loss Component	0	0	0	0	0	0

## Insurance Service Expenses Key Drivers

- Claims Incurred** – Incurred losses were \$25.9 million, lower than projection by \$1.8 million and \$14.4 million higher compared with the same month from last year. Loss ratio was at 59.9%, 4.1 percentage points lower than projected, and 32.7 percentage points higher compared with prior year. The adjustments to liabilities for incurred claims is \$1.8 million lower than projected. This is driven by a large loss transfer recovery relating to a latent claim that has now been closed. The ultimate loss ratio is fixed until the next valuation is implemented – this means that any change in prior year payments and case reserves will be equally offset by IBNR to keep the ultimate loss fixed. This month there is an increase in IBNR to offset the large loss transfer recovery, which generates more discounting benefit and thus a larger favorable adjustment to liabilities for incurred claims compared to projected.

Note that there was a special one-time adjustment to the year to date income classification between Insurance Service Expenses and Insurance Finance Income (Expense) in June 2023. For this reason, the prior year is not a parallel comparison and becomes less meaningful due to this one-time adjustment.

- 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:

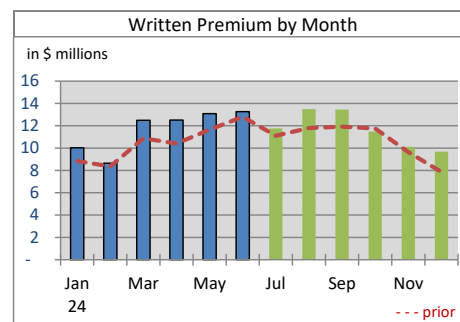
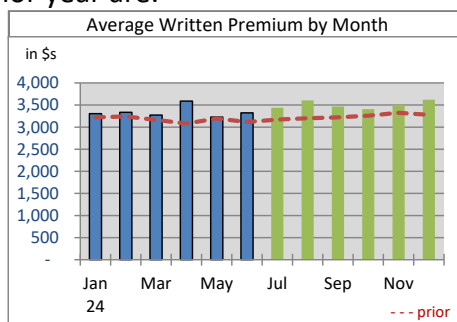
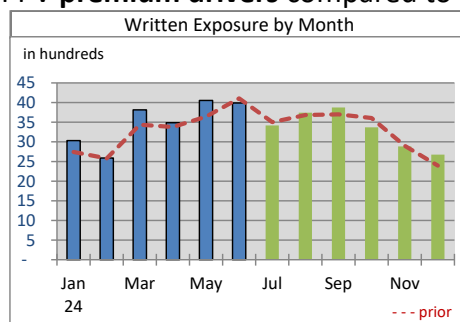
- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated.

## Projection to Year-end 2024

Compared with The Outlook released in December 2023, insurance revenue has decreased by \$58.6 million to \$535.6 million. The projected year-end 2024 operating result is 46.9 million, slightly higher than The Outlook by \$0.5 million.

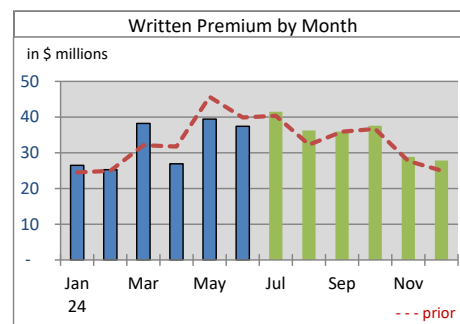
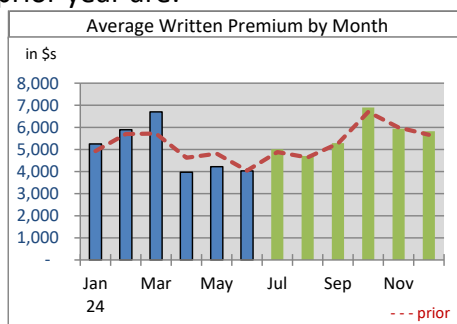
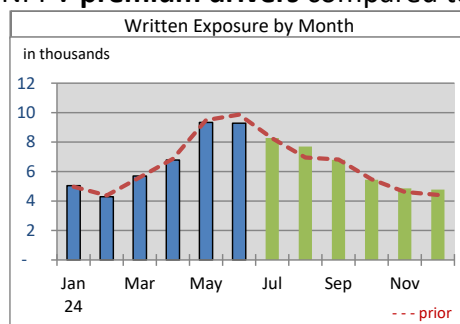
## Premium

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



The Private Passenger vehicle count for the month was 3,990 vehicles; written premium was \$13.3 million, up by 3.6% compared with prior year, primarily driven by Ontario and Nova Scotia. Average premium for PPV was up by 6.6% 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 9,286 vehicles, down 5.9% compared with prior year; written premium was \$37.4 million, down 6.2% compared with prior year primarily driven by interurban and taxi in Alberta and Ontario Non-PPV respectively (which represents \$2.5 million decrease compared to prior year). Average written premium for NPPV was down 2.6% compared with prior year.

As a result, the overall month's written premium was \$50.7 million; down \$2.0 million or 3.8% 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	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>2,172</b>	<b>2,299</b>	<b>2,186</b>	<b>1,815</b>	<b>1,851</b>	<b>1,795</b>	<b>23,873</b>
Private Passenger	578	487	733	567	782	775	669	826	703	513	491	495	7,619
Non Private Passenger	960	1,245	1,391	1,300	1,539	1,399	1,503	1,473	1,483	1,301	1,360	1,300	16,254
<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>3,412</b>	<b>3,085</b>	<b>2,785</b>	<b>2,606</b>	<b>2,008</b>	<b>1,905</b>	<b>32,879</b>
Private Passenger	92	87	85	125	95	106	96	122	151	154	127	123	1,365
Non Private Passenger	2,061	1,449	2,270	2,674	4,107	3,925	3,316	2,963	2,634	2,451	1,881	1,782	31,514
<b>Atlantic</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>5,640</b>	<b>5,509</b>	<b>5,719</b>	<b>4,096</b>	<b>3,505</b>	<b>3,324</b>	<b>57,100</b>
Private Passenger	2,244	1,853	2,829	2,617	2,986	2,940	2,511	2,588	2,992	2,553	2,139	1,915	30,166
Non Private Passenger	1,759	1,382	1,664	2,417	3,131	3,486	3,129	2,921	2,728	1,542	1,366	1,409	26,934
<b>Territories</b>	<b>385</b>	<b>380</b>	<b>546</b>	<b>567</b>	<b>750</b>	<b>645</b>	<b>475</b>	<b>551</b>	<b>364</b>	<b>411</b>	<b>378</b>	<b>427</b>	<b>5,877</b>
Private Passenger	118	163	168	177	192	169	141	206	167	155	126	142	1,924
Non Private Passenger	267	217	378	390	558	476	334	344	197	256	252	285	3,953
<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>11,699</b>	<b>11,443</b>	<b>11,054</b>	<b>8,927</b>	<b>7,742</b>	<b>7,450</b>	<b>119,728</b>
Private Passenger	3,033	2,590	3,815	3,486	4,055	3,990	3,417	3,742	4,012	3,376	2,883	2,675	41,073
Non Private Passenger	5,047	4,292	5,702	6,782	9,336	9,286	8,282	7,701	7,042	5,551	4,859	4,776	78,655

### 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	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>22,602</b>	<b>21,745</b>	<b>21,454</b>	<b>18,606</b>	<b>18,669</b>	<b>17,103</b>	<b>224,359</b>
Private Passenger	3,427	2,829	4,148	4,661	4,670	4,429	4,559	5,671	4,924	3,764	3,525	3,617	50,225
Non Private Passenger	8,964	12,654	20,657	9,675	15,918	12,147	18,043	16,074	16,530	14,842	15,144	13,486	174,134
<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>16,381</b>	<b>13,439</b>	<b>14,487</b>	<b>19,253</b>	<b>9,418</b>	<b>10,006</b>	<b>164,651</b>
Private Passenger	503	561	651	816	727	822	569	646	830	839	805	542	8,310
Non Private Passenger	11,891	8,406	12,499	11,128	16,152	17,513	15,812	12,793	13,657	18,414	8,613	9,464	156,341
<b>Atlantic</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>13,583</b>	<b>13,746</b>	<b>13,604</b>	<b>10,755</b>	<b>10,354</b>	<b>9,714</b>	<b>144,037</b>
Private Passenger	5,862	4,947	7,356	6,672	7,362	7,744	6,382	6,844	7,771	6,611	5,575	5,263	78,389
Non Private Passenger	5,191	3,886	4,460	5,556	6,294	6,951	7,201	6,902	5,833	4,143	4,778	4,451	65,648
<b>Territories</b>	<b>670</b>	<b>647</b>	<b>934</b>	<b>932</b>	<b>1,396</b>	<b>1,070</b>	<b>693</b>	<b>814</b>	<b>629</b>	<b>715</b>	<b>542</b>	<b>677</b>	<b>9,720</b>
Private Passenger	233	304	328	363	330	268	249	329	287	278	227	272	3,468
Non Private Passenger	437	344	606	570	1,066	803	444	485	342	437	315	405	6,253
<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>53,259</b>	<b>49,744</b>	<b>50,174</b>	<b>49,329</b>	<b>38,983</b>	<b>37,500</b>	<b>542,767</b>
Private Passenger	10,025	8,640	12,484	12,512	13,089	13,262	11,759	13,490	13,812	11,492	10,133	9,694	140,391
Non Private Passenger	26,484	25,290	38,222	26,928	39,429	37,413	41,500	36,254	36,362	37,837	28,850	27,806	402,375

### 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	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>10,406</b>	<b>9,459</b>	<b>9,813</b>	<b>10,254</b>	<b>10,087</b>	<b>9,529</b>	<b>9,398</b>
Private Passenger	5,927	5,812	5,659	8,226	5,971	5,717	6,815	6,865	7,001	7,336	7,183	7,306	6,592
Non Private Passenger	9,338	10,167	14,853	7,441	10,343	8,681	12,003	10,914	11,147	11,404	11,135	10,376	10,713
<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>4,801</b>	<b>4,356</b>	<b>5,202</b>	<b>7,389</b>	<b>4,691</b>	<b>5,253</b>	<b>5,008</b>
Private Passenger	5,438	6,457	7,634	6,539	7,614	7,724	5,927	5,276	5,511	5,434	6,335	4,413	6,090
Non Private Passenger	5,769	5,800	5,506	4,161	3,933	4,461	4,768	4,318	5,184	7,512	4,580	5,311	4,961
<b>Atlantic</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>2,408</b>	<b>2,495</b>	<b>2,379</b>	<b>2,626</b>	<b>2,954</b>	<b>2,922</b>	<b>2,523</b>
Private Passenger	2,613	2,670	2,601	2,549	2,466	2,634	2,542	2,645	2,598	2,589	2,607	2,748	2,599
Non Private Passenger	2,952	2,812	2,681	2,299	2,010	1,994	2,302	2,363	2,138	2,687	3,497	3,158	2,437
<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>1,460</b>	<b>1,478</b>	<b>1,728</b>	<b>1,740</b>	<b>1,433</b>	<b>1,588</b>	<b>1,654</b>
Private Passenger	1,973	1,859	1,953	2,052	1,721	1,582	1,767	1,596	1,722	1,790	1,802	1,916	1,802
Non Private Passenger	1,637	1,589	1,604	1,461	1,909	1,687	1,331	1,408	1,733	1,710	1,248	1,424	1,582
<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>4,553</b>	<b>4,347</b>	<b>4,539</b>	<b>5,526</b>	<b>5,035</b>	<b>5,033</b>	<b>4,533</b>
Private Passenger	3,306	3,336	3,272	3,590	3,228	3,324	3,441	3,605	3,443	3,404	3,515	3,624	3,418
Non Private Passenger	5,248	5,892	6,703	3,971	4,223	4,029	5,011	4,708	5,163	6,817	5,938	5,823	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](#)

\*06 months ended June 2024 (discounted basis)