

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 027

DATE: June 28, 2024

SUBJECT: FARM – April 2024 Participation Report

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

Please be advised that the April 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 ***April 2024 received premium*** was \$38.9 million, lower than prior year by \$4.2 million. The ***projected 2024 year-end received premium*** is \$551.5 million; and
- (b) The ***April 2024 insurance revenue*** was \$41.7 million, higher than prior year by \$3.2 million. The ***projected 2024 year-end insurance revenue*** is \$544.8 million; and
- (c) The ***April 2024 operating result*** was a surplus of \$5.2 million, higher than prior year by \$1.6 million. The ***projected 2024 year-end operating results*** is a surplus of \$45.9 million; and
- (d) The ***April 2024 combined operating ratio*** was 87.6%, lower than prior year by 3.1 percentage points. The ***projected 2024 year-end combined operating ratio*** is 91.6%.

FARM Summary of IFRS17 Financial Results

Total 2024 Summary Amounts in \$000s	Actual (April 2024)	Projection (April 2024)	Prior Year (April 2023)	2024 year-to-date as at 4 months	2023 year-to-date as at 4 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	39,441	41,719	42,155	160,586	151,802	552,479	593,822	523,780
Received Premium	38,923	41,364	43,146	162,168	152,556	551,477	591,939	523,677
Earned Premium	41,704	42,676	38,552	167,183	159,815	544,777	594,211	508,080
Insurance Revenue	41,704	42,676	38,552	167,183	159,815	544,777	594,211	508,080
Total Claims Incurred	26,751	27,413	27,271	106,014	110,982	350,656	400,777	307,108
Claims Incurred (CAY)	28,518	29,052	27,590	112,787	110,737	368,134	417,523	344,630
Adjustments to Liabilities for Incurred Claims (PAYs)	(1,767)	(1,638)	(319)	(6,773)	246	(17,478)	(16,747)	(37,523)
Administrative Expense	4,989	5,126	5,369	20,586	18,759	68,912	73,052	63,932
Amortization of IACFs	3,558	3,691	3,267	13,239	13,359	43,970	52,258	41,705
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	35,299	36,230	35,907	139,840	143,100	463,538	526,087	412,745
Insurance Service Result	6,406	6,446	2,645	27,343	16,716	81,239	68,124	95,336
Insurance Finance Expense from PV FCF	(2,325)	(2,325)	0	(28,096)	1,205	(47,514)	(35,490)	(24,129)
Insurance Finance Expense from Risk Adjustment	(205)	(205)	0	(2,366)	121	(4,055)	(3,090)	(2,480)
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	(2,530)	(2,530)	0	(30,462)	1,326	(51,569)	(38,580)	(26,609)
Investment Income	1,306	1,307	937	5,595	3,813	16,243	16,829	14,329
Operating Result	5,182	5,222	3,582	2,476	21,855	45,913	46,373	83,056
Ratios:								
Loss ratios (% insurance revenue):	64.1%	64.2%	70.7%	63.4%	69.4%	64.4%	67.4%	60.4%
Claims Incurred (CAY)	68.4%	68.1%	71.6%	67.5%	69.3%	67.6%	70.3%	67.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(4.2%)	(3.8%)	(0.8%)	(4.1%)	0.2%	(3.2%)	(2.8%)	(7.4%)
Underwriting and Admin Expenses (% insurance revenue):	20.5%	20.7%	22.4%	20.2%	20.1%	20.7%	21.1%	20.8%
Administrative Expenses	12.0%	12.0%	13.9%	12.3%	11.7%	12.6%	12.3%	12.6%
Amortization of IACFs	8.5%	8.6%	8.5%	7.9%	8.4%	8.1%	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:	84.6%	84.9%	93.1%	83.6%	89.5%	85.1%	88.5%	81.2%
Insurance Finance Income:	6.1%	5.9%	0.0%	18.2%	(0.8%)	9.5%	6.5%	5.2%
Investment Income Ratio:	(3.1%)	(3.1%)	(2.4%)	(3.3%)	(2.4%)	(3.0%)	(2.8%)	(2.8%)
Combined Operating Ratio	87.6%	87.8%	90.7%	98.5%	86.3%	91.6%	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 (April 2024)	Projection (April 2024)	Prior Year (April 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	677,480	676,740	621,095	717,329	771,065	644,513
Undiscounted Case Reserves	330,736	333,720	298,276	370,401	428,963	315,331
Undiscounted IBNR	318,639	315,034	298,564	320,228	328,512	323,587
Undiscounted Retro Expense	52,528	52,107	46,670	52,893	53,823	46,832
Discount	(83,006)	(82,547)	(83,207)	(87,531)	(103,765)	(97,546)
PV FCF	618,897	618,314	560,303	655,990	707,533	588,203
Risk Adjustment	58,583	58,426	60,792	61,339	63,533	56,310
Risk Adjustment %	9.47%	9.45%	10.85%	9.35%	8.98%	9.57%
LRC	197,759	198,959	184,977	235,335	236,648	204,168
LRC excl. Loss Component	197,759	198,959	184,977	235,335	236,648	204,168
Loss Component	0	0	0	0	0	0

Insurance Service Expenses Key Drivers

- Claims Incurred – Incurred losses were \$26.8 million, lower than projection by \$0.7 million and \$0.5 million lower compared with the same month from last year. Loss ratio was at 64.1%, 0.1 percentage points lower than projected, and 6.6 percentage points lower 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:

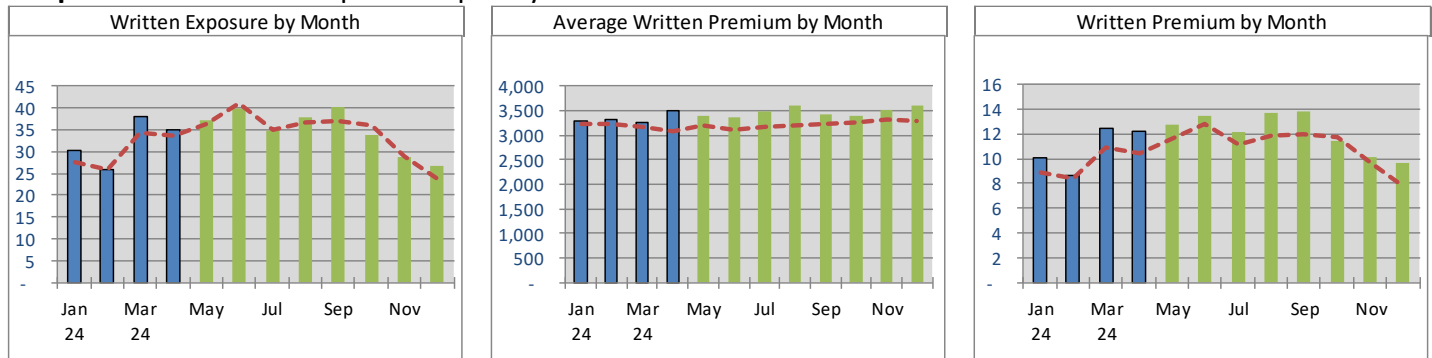
- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated.

Projection to Year-end 2024

Compared with The Outlook released in December 2023, insurance revenue has decreased by \$49.4 million to \$544.8 million. The projected year-end 2024 operating result is \$45.9 million, slightly higher than The Outlook by \$0.5 million.

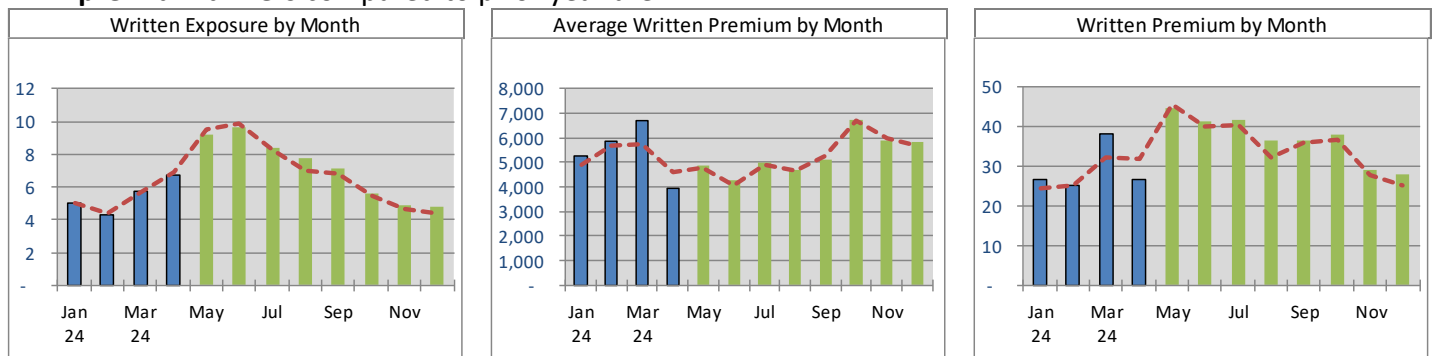
Premium

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



The Private Passenger vehicle count for the month was 3,492 vehicles; written premium was \$12.2 million, up by 17.5% compared with prior year, primarily driven by Ontario and Nova Scotia. Average premium for PPV was up by 13.7% 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 6,729 vehicles, down 2.0% compared with prior year; written premium was \$26.5 million, down 16.5% compared with prior year primarily driven by interurban in Alberta NPPV (which represents \$4.0 million decrease compared to prior year). Average written premium for NPPV was down 14.8% compared with prior year.

As a result, the overall month's written premium was \$38.7 million; down \$3.4 million or 8.1% 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
Ontario	1,538	1,731	2,124	1,890	2,043	2,217	2,172	2,299	2,186	1,815	1,851	1,795	23,661
Private Passenger	578	487	733	613	716	677	669	826	703	513	491	495	7,501
Non Private Passenger	960	1,245	1,391	1,278	1,327	1,540	1,503	1,473	1,483	1,301	1,360	1,300	16,160
Alberta	2,154	1,536	2,356	2,799	4,279	4,477	3,476	3,138	2,785	2,606	2,008	1,905	33,517
Private Passenger	92	87	85	125	182	177	160	175	151	154	127	123	1,638
Non Private Passenger	2,061	1,449	2,270	2,674	4,097	4,300	3,316	2,963	2,634	2,451	1,881	1,782	31,879
Atlantics	4,003	3,235	4,492	4,964	5,906	6,136	5,690	5,509	5,719	4,096	3,505	3,324	56,579
Private Passenger	2,244	1,853	2,828	2,577	2,640	2,930	2,511	2,588	2,992	2,553	2,139	1,915	29,770
Non Private Passenger	1,759	1,382	1,664	2,387	3,266	3,206	3,179	2,921	2,728	1,542	1,366	1,409	26,809
Territories	385	380	546	567	672	779	547	594	410	487	429	427	6,222
Private Passenger	118	163	168	177	177	215	141	206	167	155	123	142	1,952
Non Private Passenger	267	217	378	390	495	564	406	387	244	332	306	285	4,270
Total	8,080	6,882	9,517	10,221	12,900	13,608	11,886	11,539	11,100	9,003	7,793	7,450	119,978
Private Passenger	3,033	2,590	3,815	3,492	3,715	3,998	3,481	3,795	4,012	3,376	2,879	2,675	40,861
Non Private Passenger	5,047	4,292	5,702	6,729	9,185	9,610	8,405	7,744	7,088	5,627	4,913	4,776	79,118

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
Ontario	12,392	15,483	24,806	13,862	19,407	19,896	22,602	21,745	21,440	18,596	18,660	17,093	225,981
Private Passenger	3,427	2,829	4,148	4,497	4,931	4,448	4,559	5,671	4,910	3,754	3,516	3,607	50,298
Non Private Passenger	8,964	12,654	20,657	9,365	14,476	15,448	18,043	16,074	16,530	14,842	15,144	13,486	175,684
Alberta	12,394	8,966	13,150	11,943	23,694	19,380	16,722	13,679	14,450	19,216	9,382	9,982	172,959
Private Passenger	503	561	651	816	935	1,057	910	886	793	802	769	518	9,200
Non Private Passenger	11,891	8,406	12,499	11,128	22,759	18,323	15,812	12,793	13,657	18,414	8,613	9,464	163,758
Atlantics	11,053	8,833	11,816	12,002	13,041	14,115	13,717	13,746	13,622	10,770	10,376	9,731	142,823
Private Passenger	5,862	4,947	7,356	6,555	6,522	7,618	6,382	6,844	7,786	6,625	5,591	5,278	77,366
Non Private Passenger	5,191	3,886	4,460	5,447	6,519	6,497	7,335	6,902	5,836	4,145	4,785	4,453	65,457
Territories	670	647	934	932	1,070	1,309	834	851	685	791	600	677	10,000
Private Passenger	233	304	328	363	286	358	275	329	287	277	224	272	3,536
Non Private Passenger	437	344	606	570	784	951	558	522	398	513	376	405	6,464
Total	36,509	33,930	50,706	38,740	57,212	54,700	53,874	50,021	50,197	49,373	39,018	37,483	551,763
Private Passenger	10,025	8,640	12,484	12,231	12,673	13,481	12,126	13,730	13,776	11,458	10,100	9,675	140,400
Non Private Passenger	26,484	25,290	38,222	26,509	44,539	41,219	41,748	36,291	36,421	37,915	28,918	27,808	411,363

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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
Ontario	8,056	8,943	11,680	7,332	9,499	8,976	10,406	9,459	9,807	10,248	10,082	9,524	9,551
Private Passenger	5,927	5,812	5,659	7,336	6,882	6,574	6,815	6,865	6,981	7,317	7,165	7,286	6,705
Non Private Passenger	9,338	10,167	14,853	7,331	10,912	10,031	12,003	10,914	11,147	11,404	11,135	10,376	10,872
Alberta	5,755	5,837	5,583	4,267	5,538	4,329	4,810	4,360	5,189	7,375	4,673	5,241	5,160
Private Passenger	5,438	6,457	7,634	6,539	5,145	5,984	5,687	5,065	5,266	5,194	6,051	4,218	5,619
Non Private Passenger	5,769	5,800	5,506	4,161	5,555	4,261	4,768	4,318	5,184	7,512	4,580	5,311	5,137
Atlantics	2,762	2,731	2,631	2,418	2,208	2,300	2,411	2,495	2,382	2,630	2,960	2,927	2,524
Private Passenger	2,613	2,670	2,601	2,544	2,470	2,600	2,542	2,645	2,603	2,595	2,614	2,756	2,599
Non Private Passenger	2,952	2,812	2,681	2,282	1,996	2,027	2,307	2,363	2,140	2,688	3,502	3,160	2,442
Territories	1,740	1,705	1,712	1,645	1,592	1,680	1,524	1,433	1,670	1,623	1,399	1,587	1,607
Private Passenger	1,973	1,859	1,953	2,052	1,613	1,665	1,955	1,596	1,722	1,787	1,827	1,914	1,811
Non Private Passenger	1,637	1,589	1,604	1,461	1,584	1,686	1,375	1,347	1,634	1,546	1,227	1,424	1,514
Total	4,519	4,930	5,328	3,790	4,435	4,020	4,533	4,335	4,522	5,484	5,007	5,031	4,599
Private Passenger	3,306	3,336	3,272	3,503	3,411	3,372	3,484	3,618	3,434	3,394	3,508	3,617	3,436
Non Private Passenger	5,248	5,892	6,703	3,940	4,849	4,289	4,967	4,686	5,138	6,738	5,886	5,823	5,199

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](#)

*04 months ended April 2024 (discounted basis)