

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 018

**DATE:** May 30, 2024

**SUBJECT:** FARM – March 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 March 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 ***March 2024 received premium*** was \$50.4 million, higher than prior year by \$8.5 million. The ***projected 2024 year-end received premium*** is \$553.7 million; and
- (b) The ***March 2024 insurance revenue*** was \$43.4 million, higher than prior year by \$2.5 million. The ***projected 2024 year-end insurance revenue*** is \$548.8 million; and
- (c) The ***March 2024 operating result*** was a deficit of \$11.0 million, lower than prior year by \$21.0 million. The ***projected 2024 year-end operating results*** is a surplus of \$46.7 million; and
- (d) The ***March 2024 combined operating ratio*** was 125.3%, higher than prior year by 49.6 percentage points. The ***projected 2024 year-end combined operating ratio*** is 91.5%.
- (e) The implementation of the ***2023 Q4 Valuation*** generated ***\$14.6 million unfavourable impact*** for the month, and an increase to the ***year-to-date combined operating ratio of 11.7%***.

### FARM Summary of IFRS17 Financial Results

Total 2024 Summary Amounts in \$000s	Actual (March 2024)	Projection (March 2024)	Prior Year (March 2023)	2024 year-to-date as at 3 months	2023 year-to-date as at 3 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	50,706	41,025	41,705	121,145	109,647	554,742	593,822	523,780
Received Premium	50,388	41,039	41,879	123,245	109,410	553,687	591,939	523,677
Earned Premium	43,448	43,100	40,904	125,478	121,264	548,816	594,211	508,080
<b>Insurance Revenue</b>	<b>43,448</b>	<b>43,100</b>	<b>40,904</b>	<b>125,478</b>	<b>121,264</b>	<b>548,816</b>	<b>594,211</b>	<b>508,080</b>
Total Claims Incurred	24,141	28,303	24,779	78,986	83,711	353,084	400,777	307,108
Claims incurred (CAY)	26,707	29,977	30,737	84,269	83,147	370,511	417,523	344,630
Adjustments to Liabilities for Incurred Claims (PAYs)	(2,565)	(1,673)	(5,958)	(5,282)	564	(17,427)	(16,747)	(37,523)
Administrative Expense	6,088	5,067	5,107	15,597	13,390	69,044	73,052	63,932
Amortization of IACFs	3,564	3,606	3,345	10,192	10,092	44,702	52,258	41,705
Change in Loss Component	0	0	0	0	0	0	0	0
<b>Insurance Service Expenses</b>	<b>33,794</b>	<b>36,976</b>	<b>33,231</b>	<b>104,775</b>	<b>107,193</b>	<b>466,830</b>	<b>526,087</b>	<b>412,745</b>
<b>Insurance Service Result</b>	<b>9,654</b>	<b>6,124</b>	<b>7,673</b>	<b>20,703</b>	<b>14,071</b>	<b>81,986</b>	<b>68,124</b>	<b>95,336</b>
Insurance Finance Expense from PV FCF	(20,304)	(2,860)	1,205	(25,771)	1,205	(47,595)	(35,490)	(24,129)
Insurance Finance Expense from Risk Adjustment	(1,679)	(250)	121	(2,161)	121	(4,062)	(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>(21,983)</b>	<b>(3,110)</b>	<b>1,326</b>	<b>(27,932)</b>	<b>1,326</b>	<b>(51,657)</b>	<b>(38,580)</b>	<b>(26,609)</b>
<b>Investment Income</b>	<b>1,339</b>	<b>1,340</b>	<b>946</b>	<b>4,289</b>	<b>2,876</b>	<b>16,371</b>	<b>16,829</b>	<b>14,329</b>
<b>Operating Result</b>	<b>(10,990)</b>	<b>4,354</b>	<b>9,945</b>	<b>(2,940)</b>	<b>18,273</b>	<b>46,700</b>	<b>46,373</b>	<b>83,056</b>
<b>Ratios:</b>								
Loss ratios (% insurance revenue):	55.6%	65.7%	60.6%	62.9%	69.0%	64.3%	67.4%	60.4%
Claims incurred (CAY)	61.5%	69.6%	75.1%	67.2%	68.6%	67.5%	70.3%	67.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(5.9%)	(3.9%)	(14.6%)	(4.2%)	0.5%	(3.2%)	(2.8%)	(7.4%)
<b>Underwriting and Admin Expenses (% insurance revenue):</b>	<b>22.2%</b>	<b>20.1%</b>	<b>20.7%</b>	<b>20.6%</b>	<b>19.4%</b>	<b>20.7%</b>	<b>21.1%</b>	<b>20.8%</b>
Administrative Expenses	14.0%	11.8%	12.5%	12.4%	11.0%	12.6%	12.3%	12.6%
Amortization of IACFs	8.2%	8.4%	8.2%	8.1%	8.3%	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%
<b>Insurance Service Ratio:</b>	<b>77.8%</b>	<b>85.8%</b>	<b>81.2%</b>	<b>83.5%</b>	<b>88.4%</b>	<b>85.1%</b>	<b>88.5%</b>	<b>81.2%</b>
Insurance Finance Income:	50.6%	7.2%	(3.2%)	22.3%	(1.1%)	9.4%	6.5%	5.2%
Investment Income Ratio:	(3.1%)	(3.1%)	(2.3%)	(3.4%)	(2.4%)	(3.0%)	(2.8%)	(2.8%)
<b>Combined Operating Ratio</b>	<b>125.3%</b>	<b>89.9%</b>	<b>75.7%</b>	<b>102.3%</b>	<b>84.9%</b>	<b>91.5%</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 (March 2024)	Projection (March 2024)	Prior Year (March 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
<b>LIC</b>	<b>674,617</b>	<b>660,632</b>	<b>617,710</b>	<b>718,564</b>	<b>771,065</b>	<b>644,513</b>
Undiscounted Case Reserves	329,950	329,622	301,186	373,055	428,963	315,331
Undiscounted IBNR	316,791	321,052	291,833	319,040	328,512	323,587
Undiscounted Retro Expense	52,048	51,660	46,529	52,662	53,823	46,832
Discount	(82,651)	(98,705)	(82,471)	(87,622)	(103,765)	(97,546)
PV FCF	616,138	603,629	557,077	657,135	707,533	588,203
Risk Adjustment	58,479	57,003	60,633	61,429	63,533	56,310
Risk Adjustment %	9.49%	9.44%	10.88%	9.35%	8.98%	9.57%
<b>LRC</b>	<b>200,657</b>	<b>193,427</b>	<b>181,523</b>	<b>234,196</b>	<b>236,648</b>	<b>204,168</b>
LRC excl. Loss Component	200,657	193,427	181,523	234,196	236,648	204,168
Loss Component	0	0	0	0	0	0

### Insurance Service Expenses Key Drivers

- Claims Incurred – Incurred losses were \$24.1 million, lower than projection by \$4.2 million and \$0.6 million lower compared with the same month from last year. Loss ratio was at 55.6%, 10.1 percentage points lower than projected, and 5.0 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 as part of the quarterly valuation. Insurance Finance expense for implementation month of March was \$21.9 million (of which \$18.8 million is driven by less discounting due to approximately 108 basis points decrease in the yield curve).

## Impact of Quarterly Valuation

A valuation of the FARM as at December 31, 2023 has been completed since last month's operational report and the results of that valuation has been incorporated into this month's Operational Report.

The implementation of the new valuation resulted in an estimated overall **\$14.6 million unfavorable impact** on the month's net result from operations, adding an estimated **11.7 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 2023 Q4 Valuation Implementation Impact

FARM (in \$000s)	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY (2023 & prior)	16,529	-	16,529	13.2%
CAY (2024)	(1,909)	-	(1,909)	(1.5%)
<b>Total</b>	<b>14,619</b>		<b>14,619</b>	<b>11.7%</b>

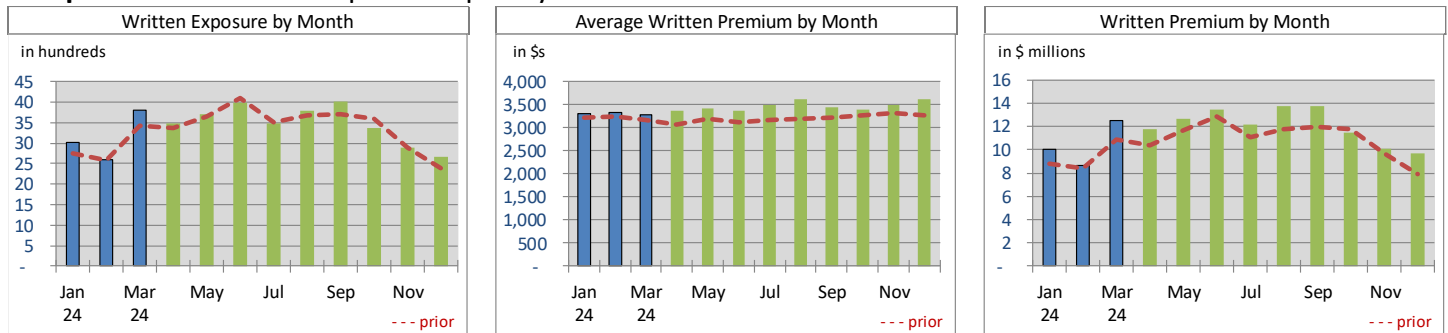
(negative values are favorable)

## Projection to Year-end 2024

Compared with The Outlook released in December 2023, insurance revenue has decreased by \$45.4 million to \$548.8 million. The projected year-end 2024 operating result is \$46.7 million, slightly higher than The Outlook by \$0.3 million.

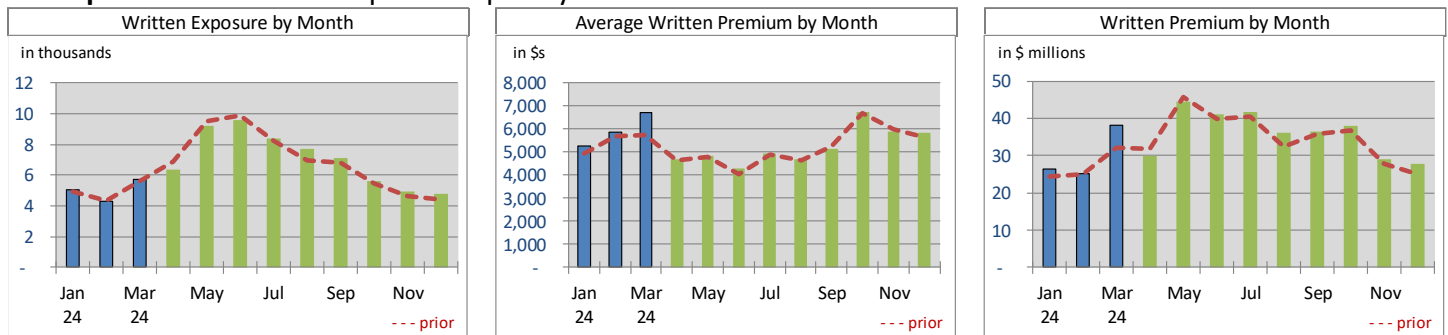
## Premium

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



The Private Passenger vehicle count for the month was 3,815 vehicles; written premium was \$12.5 million, up by 14.8% compared with prior year, primarily driven by Ontario and Alberta. Average premium for PPV was up by 3.4% 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 5,702 vehicles, up 1.5% compared with prior year; written premium was \$38.2 million, up 19.0% compared with prior year primarily driven by interurban in Ontario NPPV (which represents \$7.2m increase compared to prior year). Average written premium for NPPV was up 17.2%

compared with prior year.

As a result, the overall month's written premium was up \$7.7 million or 17.9% 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
<b>Ontario</b>	<b>1,538</b>	<b>1,731</b>	<b>2,124</b>	<b>1,775</b>	<b>2,043</b>	<b>2,217</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>23,545</b>
Private Passenger	578	487	733	645	716	677	669	826	703	513	491	495	7,533
Non Private Passenger	960	1,245	1,391	1,130	1,327	1,540	1,503	1,473	1,483	1,301	1,360	1,300	16,012
<b>Alberta</b>	<b>2,154</b>	<b>1,536</b>	<b>2,356</b>	<b>2,917</b>	<b>4,279</b>	<b>4,477</b>	<b>3,476</b>	<b>3,138</b>	<b>2,785</b>	<b>2,606</b>	<b>2,008</b>	<b>1,905</b>	<b>33,635</b>
Private Passenger	92	87	85	166	182	177	160	175	151	154	127	123	1,679
Non Private Passenger	2,061	1,449	2,270	2,751	4,097	4,300	3,316	2,963	2,634	2,451	1,881	1,782	31,956
<b>Atlantics</b>	<b>4,003</b>	<b>3,235</b>	<b>4,492</b>	<b>4,696</b>	<b>5,906</b>	<b>6,136</b>	<b>5,690</b>	<b>5,509</b>	<b>5,719</b>	<b>4,096</b>	<b>3,505</b>	<b>3,324</b>	<b>56,310</b>
Private Passenger	2,244	1,853	2,828	2,520	2,640	2,930	2,511	2,588	2,992	2,553	2,139	1,915	29,713
Non Private Passenger	1,759	1,382	1,664	2,175	3,266	3,206	3,179	2,921	2,728	1,542	1,366	1,409	26,597
<b>Territories</b>	<b>385</b>	<b>380</b>	<b>546</b>	<b>499</b>	<b>672</b>	<b>779</b>	<b>547</b>	<b>594</b>	<b>410</b>	<b>487</b>	<b>429</b>	<b>427</b>	<b>6,154</b>
Private Passenger	118	163	168	155	177	215	141	206	167	155	123	142	1,930
Non Private Passenger	267	217	378	344	495	564	406	387	244	332	306	285	4,224
<b>Total</b>	<b>8,080</b>	<b>6,882</b>	<b>9,517</b>	<b>9,887</b>	<b>12,900</b>	<b>13,608</b>	<b>11,886</b>	<b>11,539</b>	<b>11,100</b>	<b>9,003</b>	<b>7,793</b>	<b>7,450</b>	<b>119,644</b>
Private Passenger	3,033	2,590	3,815	3,486	3,715	3,998	3,481	3,795	4,012	3,376	2,879	2,675	40,855
Non Private Passenger	5,047	4,292	5,702	6,400	9,185	9,610	8,405	7,744	7,088	5,627	4,913	4,776	78,789

***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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
<b>Ontario</b>	<b>12,392</b>	<b>15,483</b>	<b>24,806</b>	<b>14,661</b>	<b>19,407</b>	<b>19,896</b>	<b>22,602</b>	<b>21,745</b>	<b>21,440</b>	<b>18,596</b>	<b>18,660</b>	<b>17,093</b>	<b>226,781</b>
Private Passenger	3,427	2,829	4,148	4,233	4,931	4,448	4,559	5,671	4,910	3,754	3,516	3,607	50,034
Non Private Passenger	8,964	12,654	20,657	10,428	14,476	15,448	18,043	16,074	16,530	14,842	15,144	13,486	176,747
<b>Alberta</b>	<b>12,394</b>	<b>8,966</b>	<b>13,150</b>	<b>15,206</b>	<b>23,694</b>	<b>19,380</b>	<b>16,722</b>	<b>13,679</b>	<b>14,450</b>	<b>19,216</b>	<b>9,382</b>	<b>9,982</b>	<b>176,221</b>
Private Passenger	503	561	651	871	935	1,057	910	886	793	802	769	518	9,256
Non Private Passenger	11,891	8,406	12,499	14,335	22,759	18,323	15,812	12,793	13,657	18,414	8,613	9,464	166,966
<b>Atlantics</b>	<b>11,053</b>	<b>8,833</b>	<b>11,816</b>	<b>11,105</b>	<b>13,041</b>	<b>14,115</b>	<b>13,717</b>	<b>13,746</b>	<b>13,622</b>	<b>10,770</b>	<b>10,376</b>	<b>9,731</b>	<b>141,925</b>
Private Passenger	5,862	4,947	7,356	6,380	6,522	7,618	6,382	6,844	7,786	6,625	5,591	5,278	77,191
Non Private Passenger	5,191	3,886	4,460	4,724	6,519	6,497	7,335	6,902	5,836	4,145	4,785	4,453	64,734
<b>Territories</b>	<b>670</b>	<b>647</b>	<b>934</b>	<b>747</b>	<b>1,070</b>	<b>1,309</b>	<b>834</b>	<b>851</b>	<b>685</b>	<b>791</b>	<b>600</b>	<b>677</b>	<b>9,815</b>
Private Passenger	233	304	328	271	286	358	275	329	287	277	224	272	3,444
Non Private Passenger	437	344	606	476	784	951	558	522	398	513	376	405	6,371
<b>Total</b>	<b>36,509</b>	<b>33,930</b>	<b>50,706</b>	<b>41,719</b>	<b>57,212</b>	<b>54,700</b>	<b>53,874</b>	<b>50,021</b>	<b>50,197</b>	<b>49,373</b>	<b>39,018</b>	<b>37,483</b>	<b>554,742</b>
Private Passenger	10,025	8,640	12,484	11,755	12,673	13,481	12,126	13,730	13,776	11,458	10,100	9,675	139,925
Non Private Passenger	26,484	25,290	38,222	29,963	44,539	41,219	41,748	36,291	36,421	37,915	28,918	27,808	414,817

***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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
<b>Ontario</b>	<b>8,056</b>	<b>8,943</b>	<b>11,680</b>	<b>8,261</b>	<b>9,499</b>	<b>8,976</b>	<b>10,406</b>	<b>9,459</b>	<b>9,807</b>	<b>10,248</b>	<b>10,082</b>	<b>9,524</b>	<b>9,632</b>
Private Passenger	5,927	5,812	5,659	6,563	6,882	6,574	6,815	6,865	6,981	7,317	7,165	7,286	6,642
Non Private Passenger	9,338	10,167	14,853	9,230	10,912	10,031	12,003	10,914	11,147	11,404	11,135	10,376	11,038
<b>Alberta</b>	<b>5,755</b>	<b>5,837</b>	<b>5,583</b>	<b>5,213</b>	<b>5,538</b>	<b>4,329</b>	<b>4,810</b>	<b>4,360</b>	<b>5,189</b>	<b>7,375</b>	<b>4,673</b>	<b>5,241</b>	<b>5,239</b>
Private Passenger	5,438	6,457	7,634	5,240	5,145	5,984	5,687	5,065	5,266	5,194	6,051	4,218	5,513
Non Private Passenger	5,769	5,800	5,506	5,211	5,555	4,261	4,768	4,318	5,184	7,512	4,580	5,311	5,225
<b>Atlantics</b>	<b>2,762</b>	<b>2,731</b>	<b>2,631</b>	<b>2,365</b>	<b>2,208</b>	<b>2,300</b>	<b>2,411</b>	<b>2,495</b>	<b>2,382</b>	<b>2,630</b>	<b>2,960</b>	<b>2,927</b>	<b>2,520</b>
Private Passenger	2,613	2,670	2,601	2,532	2,470	2,600	2,542	2,645	2,603	2,595	2,614	2,756	2,598
Non Private Passenger	2,952	2,812	2,681	2,172	1,996	2,027	2,307	2,363	2,140	2,688	3,502	3,160	2,434
<b>Territories</b>	<b>1,740</b>	<b>1,705</b>	<b>1,712</b>	<b>1,497</b>	<b>1,592</b>	<b>1,680</b>	<b>1,524</b>	<b>1,433</b>	<b>1,670</b>	<b>1,623</b>	<b>1,399</b>	<b>1,587</b>	<b>1,595</b>
Private Passenger	1,973	1,859	1,953	1,749	1,613	1,665	1,955	1,596	1,722	1,787	1,827	1,914	1,784
Non Private Passenger	1,637	1,589	1,604	1,384	1,584	1,686	1,375	1,347	1,634	1,546	1,227	1,424	1,508
<b>Total</b>	<b>4,519</b>	<b>4,930</b>	<b>5,328</b>	<b>4,220</b>	<b>4,435</b>	<b>4,020</b>	<b>4,533</b>	<b>4,335</b>	<b>4,522</b>	<b>5,484</b>	<b>5,007</b>	<b>5,031</b>	<b>4,637</b>
Private Passenger	3,306	3,336	3,272	3,372	3,411	3,372	3,484	3,618	3,434	3,394	3,508	3,617	3,425
Non Private Passenger	5,248	5,892	6,703	4,681	4,849	4,289	4,967	4,686	5,138	6,738	5,886	5,823	5,265

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](#)

\*03 months ended March 2024 (discounted basis)