

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 005

DATE: February 28, 2024

SUBJECT: FARM – December 2023 Participation Report

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

Please be advised that the December 2023 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 ***December 2023 received premium*** was \$34.2 million, lower than prior year by \$4.2 million. The ***2023 year-end received premium*** is \$523.7 million; and
- (b) The ***December 2023 insurance revenue*** was \$43.8 million, higher than prior year by \$0.9 million. The ***2023 year-end insurance revenue*** is \$508.1 million; and
- (c) The ***December 2023 operating result*** was a surplus of \$5.8 million, higher than prior year by \$0.6 million. The ***2023 operating results*** is a surplus of \$82.9 million; and
- (d) The ***December 2023 combined operating ratio*** was 86.8%, lower than prior year by 1.1 percentage points. The ***2023 year-end combined operating ratio*** is 83.7%.

FARM Summary of IFRS17 Financial Results

Total 2023 Summary Amounts in \$000s	Actual (December 2023)	Projection (December 2023)	Prior Year (December 2022)	2023 year-to-date as at 12 months	2022 year-to-date as at 12 months	Outlook* Full year 2023
Written Premium	32,877	36,345	37,811	523,780	499,823	566,850
Received Premium	34,174	37,182	38,423	523,677	501,178	565,833
Earned Premium	43,791	51,402	42,841	508,080	496,981	519,828
Insurance Revenue	43,791	51,402	42,841	508,080	496,981	519,828
Total Claims Incurred	27,403	32,450	28,726	307,134	360,656	367,696
Claims incurred (CAY)	28,930	34,041	28,530	344,656	341,969	350,800
Adjustments to Liabilities for Incurred Claims (PAYs)	(1,528)	(1,591)	196	(37,523)	18,687	16,897
Administrative Expense	4,874	4,478	5,164	63,932	58,848	69,911
Amortization of IACFs	3,870	3,835	4,721	41,814	41,213	47,292
Change in Loss Component	0	0	0	0	0	0
Insurance Service Expenses	36,147	40,763	38,611	412,880	460,716	484,899
Insurance Service Result	7,644	10,639	4,230	95,200	36,265	34,929
Insurance Finance Expense from PV FCF	(3,191)	(3,191)	0	(24,129)	46,169	0
Insurance Finance Expense from Risk Adjustment	(286)	(286)	0	(2,480)	4,384	0
Insurance Finance Expense from Loss Component	0	0	0	0	0	0
Insurance Finance Income (Expense)	(3,477)	(3,477)	0	(26,609)	50,553	0
Investment Income	1,613	1,611	959	14,329	4,516	7,476
Operating Result	5,780	8,773	5,188	82,920	91,333	42,405
Ratios:						
Loss ratios (% insurance revenue):	62.6%	63.1%	67.1%	60.4%	72.6%	70.7%
Claims incurred (CAY)	66.1%	66.2%	66.6%	67.8%	68.8%	67.5%
Adjustments to Liabilities for Incurred Claims (PAYs)	(3.5%)	(3.1%)	0.5%	(7.4%)	3.8%	3.3%
Underwriting and Admin Expenses (% insurance revenue):	20.0%	16.2%	23.1%	20.8%	20.1%	22.5%
Administrative Expenses	11.1%	8.7%	12.1%	12.6%	11.8%	13.4%
Amortization of IACFs	8.8%	7.5%	11.0%	8.2%	8.3%	9.1%
Change in Loss Component	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance Service Ratio:	82.5%	79.3%	90.1%	81.3%	92.7%	93.3%
Insurance Finance Income:	7.9%	6.8%	0.0%	5.2%	(10.2%)	0.0%
Investment Income Ratio:	(3.7%)	(3.1%)	(2.2%)	(2.8%)	(0.9%)	(1.4%)
Combined Operating Ratio	86.8%	82.9%	87.9%	83.7%	81.6%	91.8%

rounding differences may occur
*as posted to FA's website on Jan 18, 2023

Insurance Service Expenses Key Drivers

- Claims Incurred – Incurred losses were \$27.4 million, lower than projection by \$5.0 million and \$1.3 million lower compared with the same month from last year. Loss ratio was at 62.6%, 0.6 percentage points lower than projected, and 4.5 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 2023 or 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

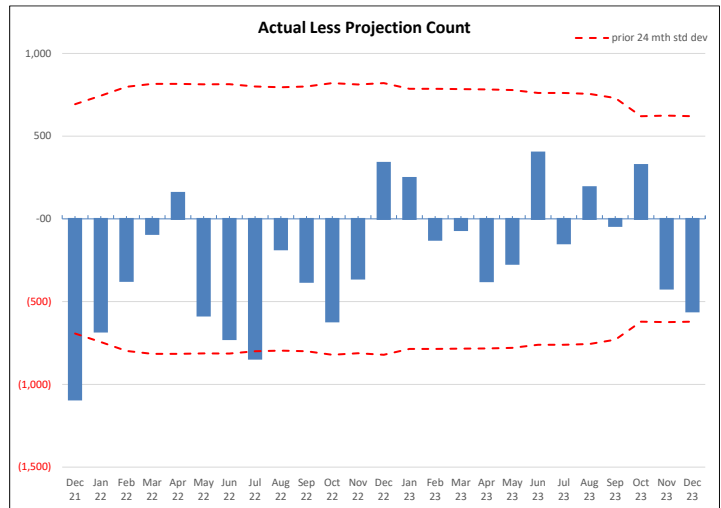
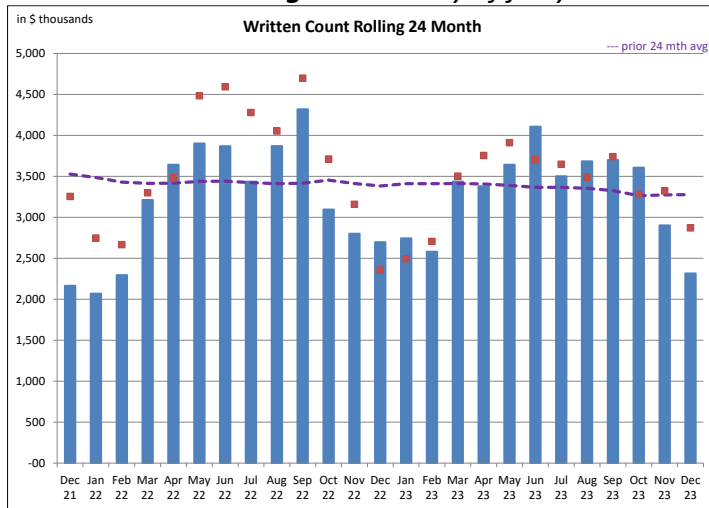
Insurance Finance income/ (expense) is comprised of:

- 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.

Year-end 2023

Compared with The Outlook released in January 2023, insurance revenue has decreased by \$11.7 million to \$508.0 million. The year-end 2023 operating result is \$82.9 million, higher than The Outlook by \$40.5 million.

FARM Private Passenger Summary of full year Vehicle Count

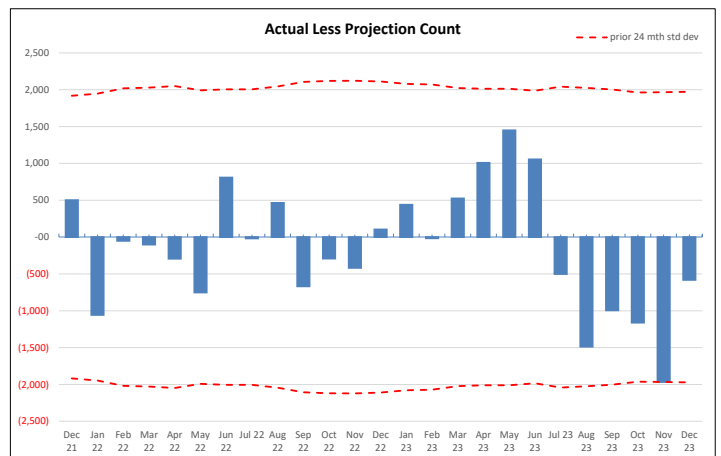
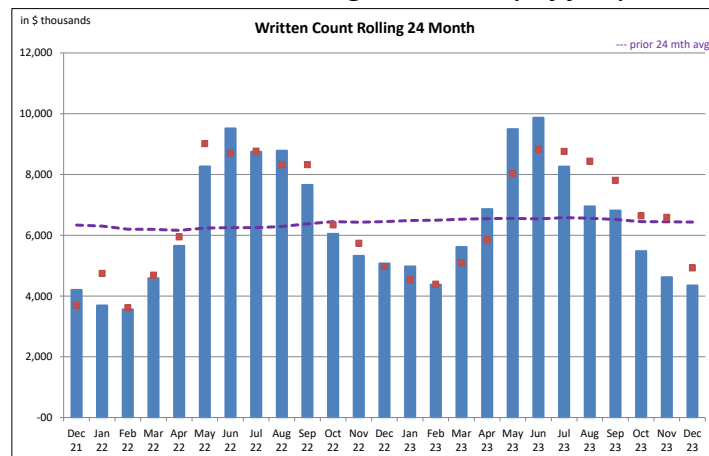


The vehicle counts transfer for the month was 2,314 vehicles, which was lower than prior month by 382 vehicles, and 1,264 vehicles lower than the Outlook for the entire calendar year.

Written Count	
Mthly Avg Chg (prior 24 mths)	3,239
std dev	638
A-P <> std dev	2
% <> std dev	8.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	better

The **written count** variance (preceding table on the left) fell outside the standard deviation 8.0% of the time over the last 25 months suggesting that the projection process has performed **better** than simply projecting the prior 24-month average amount.

FARM Non Private Passenger Summary of full year Vehicle Count



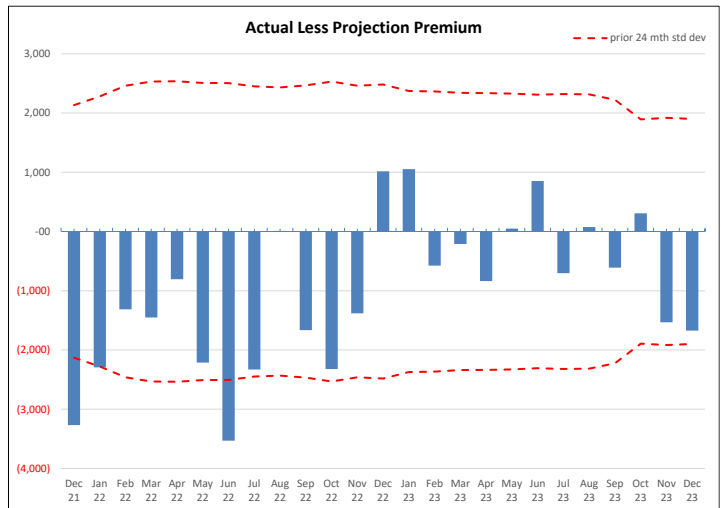
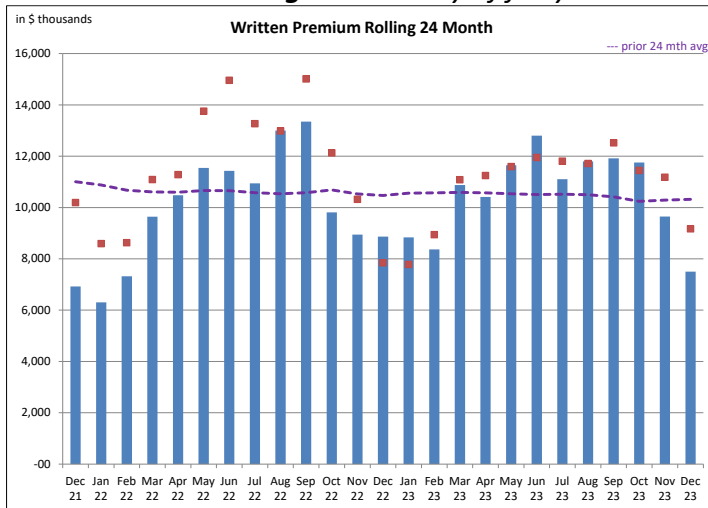
The vehicle counts transfer for the month was 4,347 vehicles, which was lower than prior month by 727 vehicles, and 347 vehicles lower than the Outlook for the entire calendar year.

Written Count	
Mthly Avg Chg (prior 24 mths)	6,351
std dev	1,976
A-P <> std dev	1
% <> std dev	4.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	better

The **written count** variance (preceding table on the left) fell outside the standard deviation 4.0% of the time over the last 25 months suggesting that the projection process has performed **better** than simply projecting the prior 24-month average amount.

FARM – December 2023 Participation Report

2023 Vehicle Count Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	CY 2023 Year-end
Ontario	1,533	1,611	1,999	1,840	2,108	2,102	2,167	1,955	2,307	2,037	1,954	1,462	23,075
Private Passenger	522	487	669	700	771	731	690	679	710	680	598	408	7,645
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,371	1,477	1,276	1,596	1,357	1,356	1,054	15,430
Alberta	2,051	1,658	2,522	3,228	4,442	4,428	3,352	3,016	2,515	2,361	1,909	1,912	33,393
Private Passenger	87	70	152	132	158	129	131	164	123	143	95	74	1,457
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,299	3,221	2,852	2,392	2,219	1,814	1,838	31,936
Atlantics	3,828	3,311	4,005	4,661	5,887	6,721	5,696	5,145	5,316	4,264	3,229	2,933	54,997
Private Passenger	2,036	1,887	2,445	2,394	2,536	3,045	2,521	2,630	2,711	2,637	2,080	1,702	28,622
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	3,677	3,176	2,515	2,606	1,628	1,149	1,231	26,375
Territories	305	378	526	515	700	725	545	521	376	421	433	354	5,799
Private Passenger	99	137	171	154	178	202	161	211	155	148	129	130	1,874
Non Private Passenger	206	242	356	361	522	523	384	311	221	273	304	224	3,925
Total	7,716	6,959	9,052	10,244	13,136	13,976	11,760	10,637	10,514	9,084	7,526	6,661	117,264
Private Passenger	2,743	2,580	3,437	3,380	3,642	4,107	3,502	3,683	3,699	3,607	2,902	2,314	39,598
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	9,869	8,258	6,953	6,815	5,476	4,623	4,347	77,666

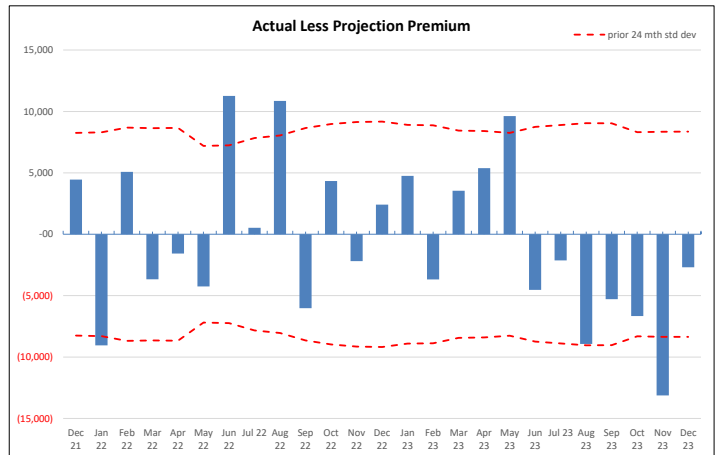
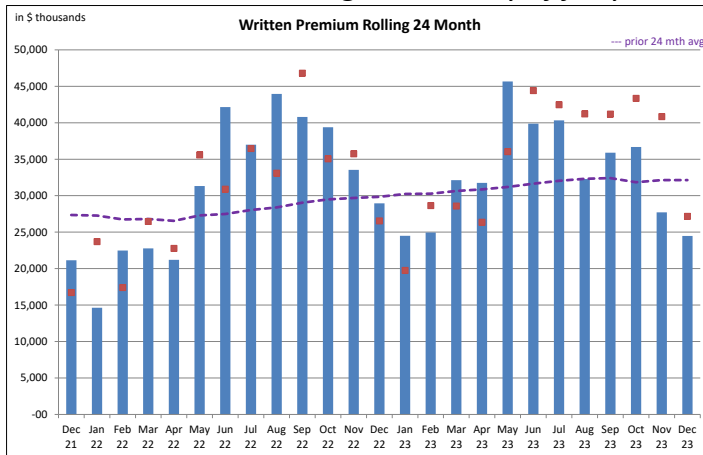
FARM Private Passenger Summary of full year Written Premium


The written premium for the month was \$7.5 million, which was **lower** than prior month by \$1.4 million, and \$3.6 million lower than the Outlook for the entire calendar year.

Written Premium

Mthly Avg Chg (prior 24 mths)	10,208
std dev	1,943
A-P <> std dev	3
% <> std dev	12.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	better

The **written premium** variance (preceding table on the left) fell outside the standard deviation 12.0% of the time over the last 25 months suggesting that the projection process has performed **better** than simply projecting the prior 24-month average amount.

FARM Non Private Passenger Summary of full year Written Premium


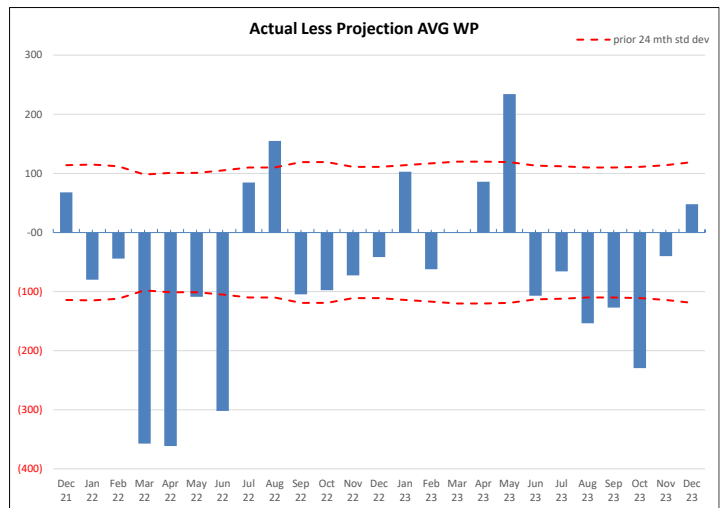
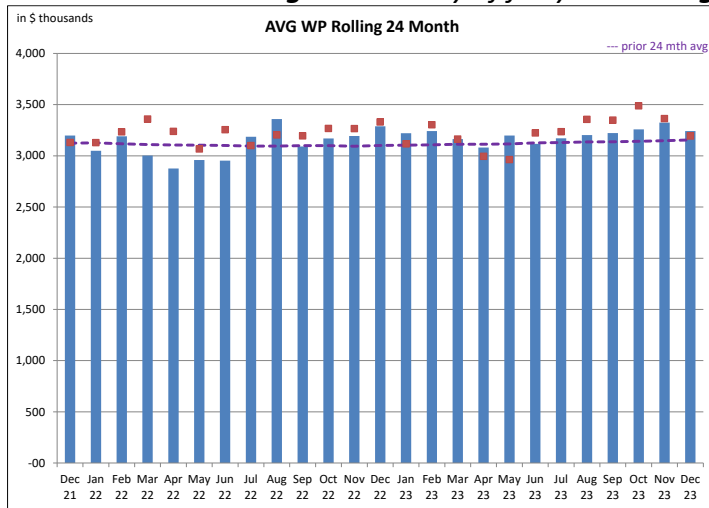
The written premium for the month was \$24.5 million, which was **lower** than prior month by \$4.5 million, and \$40.4 million lower than the Outlook for the entire calendar year.

Written Premium

Mthly Avg Chg (prior 24 mths)	31,824
std dev	8,320
A-P <> std dev	5
% <> std dev	20.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	better

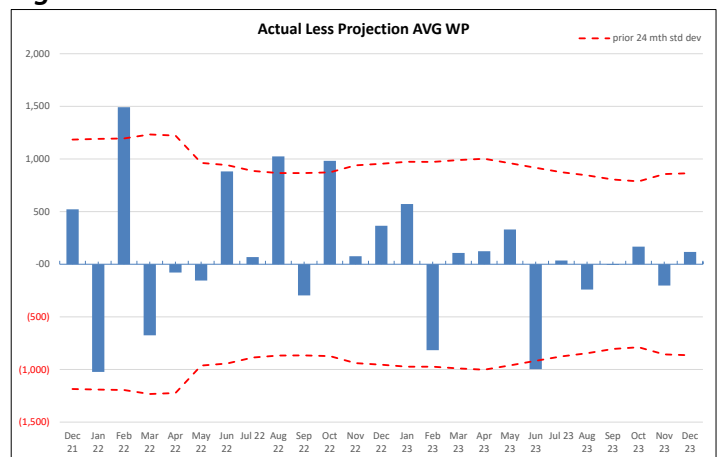
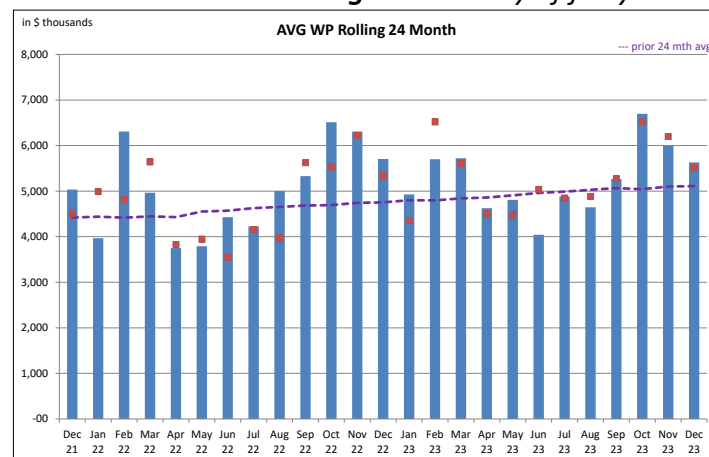
The **written premium** variance (preceding table on the left) fell outside the standard deviation 20.0% of the time over the last 25 months suggesting that the projection process has performed **better** than simply projecting the prior 24-month average amount.

2023 Premiums (in 0000's)	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Year-end
Ontario	13,098	13,450	17,399	13,966	18,979	17,714	21,515	17,792	21,912	19,587	18,378	13,170	206,959
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,032	3,940	3,907	4,191	4,184	3,617	2,472	43,530
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	13,682	17,575	13,885	17,721	15,403	14,761	10,698	163,429
Alberta	11,147	9,433	14,057	16,698	24,421	18,680	15,668	12,835	12,950	17,273	8,859	9,947	171,968
Private Passenger	498	401	845	689	812	774	743	832	647	740	576	312	7,871
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	17,906	14,925	12,003	12,302	16,533	8,283	9,635	164,097
Atlantics	8,371	9,870	10,747	10,708	12,761	15,071	13,469	12,691	12,323	10,897	9,516	8,264	134,688
Private Passenger	5,257	5,079	6,053	5,867	6,092	7,660	6,167	6,712	6,805	6,567	5,214	4,459	71,931
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	7,411	7,302	5,979	5,518	4,330	4,302	3,805	62,756
Territories	717	568	790	784	1,143	1,216	781	762	630	672	612	599	9,274
Private Passenger	207	239	333	272	297	337	252	343	273	264	241	259	3,315
Non Private Passenger	511	330	458	512	846	879	529	419	357	408	371	341	5,959
Total	33,333	33,320	42,993	42,155	57,303	52,681	51,433	44,080	47,815	48,429	37,365	31,981	522,889
Private Passenger	8,834	8,364	10,875	10,410	11,645	12,803	11,102	11,793	11,917	11,755	9,648	7,502	126,647
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	39,878	40,331	32,287	35,898	36,674	27,717	24,479	396,242

FARM Private Passenger Summary of full year Average Written Premiums

Average Written Premiums

Mthly Avg Chg (prior 24 mths)	3,158
std dev	118
A-P <> std dev	9
% <> std dev	36.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	no better

The **average written premium** variance (preceding table on the left) fell outside the standard deviation 36.0% of the time over the last 25 months suggesting that the projection process has performed **worse** than simply projecting the prior 24-month average amount.

FARM Non Private Passenger Summary of full year Average Written Premiums

Average Written Premiums

Mthly Avg Chg (prior 24 mths)	5,130
std dev	853
A-P <> std dev	4
% <> std dev	16.0%
norm <> std dev	31.7%
performance vs 24-mth avg:	better

The **average written premium** variance (preceding table on the left) fell outside the standard deviation 16.0% of the time over the last 25 months suggesting that the projection process has performed **better** than simply projecting the prior 24-month average amount.

FARM – December 2023 Participation Report

2023 Average Premiums Jurisdiction	January Proj.	February Proj.	March Proj.	April Proj.	May Proj.	June Proj.	July Proj.	August Proj.	September Proj.	October Proj.	November Proj.	December Proj.	CY 2023 Year-end
Ontario	8,545	8,349	8,703	7,590	9,004	8,427	9,927	9,103	9,500	9,614	9,404	9,007	8,969
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,513	5,710	5,757	5,899	6,153	6,047	6,062	5,694
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	9,981	11,896	10,882	11,103	11,347	10,885	10,145	10,591
Alberta	5,436	5,690	5,575	5,173	5,498	4,219	4,675	4,256	5,149	7,315	4,640	5,204	5,150
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,984	5,685	5,066	5,267	5,193	6,049	4,217	5,401
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	4,165	4,634	4,209	5,143	7,452	4,566	5,243	5,138
Atlantics	2,187	2,980	2,683	2,297	2,168	2,242	2,364	2,467	2,318	2,555	2,947	2,817	2,449
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,516	2,447	2,552	2,510	2,491	2,507	2,620	2,513
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,016	2,299	2,378	2,118	2,661	3,744	3,090	2,379
Territories	2,355	1,502	1,501	1,522	1,633	1,678	1,434	1,462	1,675	1,596	1,412	1,692	1,599
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,667	1,569	1,627	1,764	1,779	1,864	1,983	1,769
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,682	1,377	1,350	1,612	1,497	1,220	1,522	1,518
Total	4,320	4,788	4,749	4,115	4,362	3,769	4,374	4,144	4,548	5,331	4,965	4,801	4,459
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,117	3,170	3,202	3,222	3,259	3,324	3,242	3,198
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	4,041	4,884	4,643	5,267	6,697	5,995	5,631	5,102

FARM Vehicle Counts and Premiums – Rolling 12-months to December 2023

Business Segment	FA Minor Rating Class Desc	2023 rolling 12 to month 12			% Change in Amount			Change in Amount			2022 rolling 12 to month 12		
		Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP
PPV	Private Passenger (x Farmers)	39,598	126,647,171	3,198	0.8%	3.8%	3.0%	302	4,672,254	94	39,296	121,974,917	3,104
	Farmer	-	-	-	(100.0%)	(100.0%)	(100.0%)	(1)	(1,523)	(1,523)	1	1,523	1,523
PPV Total		39,598	126,647,171	3,198	0.8%	3.8%	3.0%	301	4,670,731	94	39,297	121,976,440	3,104
non-PPV	Private Passenger (x Farmers)	944	797,504	845	8.5%	14.9%	6.0%	74	103,533	48	870	693,971	797
	Commercial	26,500	164,948,553	6,225	9.0%	12.6%	3.3%	2,185	18,432,223	199	24,315	146,516,330	6,026
	Interurban	10,521	113,318,733	10,770	(12.8%)	(11.7%)	1.3%	(1,549)	(14,965,313)	142	12,071	128,284,046	10,628
	Public Bus	1,808	9,958,199	5,507	14.7%	31.8%	14.9%	232	2,402,120	713	1,576	7,556,079	4,794
	Private Bus & Misc Public	2,466	12,302,697	4,988	9.0%	7.4%	(1.5%)	205	844,788	(78)	2,262	11,457,909	5,066
	School Bus	1,539	2,854,285	1,855	4.6%	14.6%	9.5%	68	362,834	161	1,471	2,491,451	1,694
	Hotel & Country Club Bus	518	1,254,320	2,421	(3.4%)	6.2%	10.0%	(18)	73,619	220	536	1,180,701	2,201
	Taxi	6,190	53,826,852	8,696	10.8%	25.3%	13.0%	606	10,865,061	1,003	5,585	42,961,791	7,693
	Funeral	3	10,421	3,380	(22.9%)	(24.0%)	(1.4%)	(1)	(3,293)	(48)	4	13,714	3,428
	Ambulance	184	1,027,795	5,601	62.0%	85.6%	14.6%	70	474,159	712	113	553,636	4,889
	Motorcycle	14,589	10,824,926	742	(4.9%)	(16.8%)	(12.6%)	(754)	(2,193,484)	(107)	15,343	13,018,410	849
	All Terrain Vehicle	8,764	4,743,704	541	(3.5%)	(2.3%)	1.3%	(321)	(110,809)	7	9,085	4,854,513	534
	Snow Vehicle	2,982	1,426,971	479	(8.4%)	(7.6%)	1.1%	(272)	(116,778)	5	3,254	1,543,749	474
	Antique	1	1,519	1,519	(45.5%)	3,202.2%	5,976.0%	(1)	1,473	1,494	2	46	25
	Motor Home	597	1,331,109	2,230	16.2%	21.9%	4.9%	83	238,851	104	514	1,092,258	2,126
	Trailer Home	-	(421)	(421)	-	(102.8%)	(102.8%)	-	(15,254)	(15,254)	-	14,833	14,833
	Garage	-	15,836,435	15,836,435	-	7.0%	7.0%	-	1,034,661	1,034,661	-	14,801,774	14,801,774
	Non-Owned	-	1,692,706	1,692,706	-	6.2%	6.2%	-	99,359	99,359	-	1,593,347	1,593,347
	Drivers Policy	61	88,150	1,439	29.9%	(72.5%)	(78.8%)	14	(232,584)	(5,361)	47	320,734	6,800
non-PPV Total		77,667	396,244,458	5,102	0.8%	4.6%	3.7%	621	17,295,166	184	77,046	378,949,292	4,918
TOTAL		117,265	522,891,629	4,459	0.8%	4.4%	3.6%	921	21,965,897	153	116,343	500,925,732	4,306

The increase in Non Private Passenger vehicle counts and premiums are mainly driven by increases in commercial and taxi vehicles. Note that this is primarily driven by a continuation of the shift in the mix of business towards higher risk, higher premium segments.

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 2023](#)

*12 months ended December 2023 (discounted basis)