

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 074

DATE: December 22, 2023

SUBJECT: FARM – October 2023 Participation Report

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

SPECIAL NOTE: Insurance Finance Expense Supplementary File

Please note that there is a supplementary file linked at the bottom of this bulletin that provides a breakdown of the components that comprise insurance finance expense. The breakdown includes the following items by accident year, jurisdiction/business segment and accounting month for the entire fiscal year 2023 (*namely Nov 2022 to Oct 2023*) and includes projected months for the remainder of 2023 (*namely Nov 2023 and Dec 2023*):

- discount unwinding
- the effect due to changes in discounting assumptions (yield impact)

Please be advised that the October 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 **October 2023 received premium** was \$48.0 million, lower than prior year by \$1.4 million. The **projected 2023 year-end received premium** is \$551.6 million; and
- (b) The **October 2023 insurance revenue** was \$45.3 million, higher than prior year by \$1.6 million. The **projected 2023 year-end insurance revenue** is \$523.6 million; and
- (c) The **October 2023 operating result** was a surplus of \$20.5 million, higher than prior year by \$18.4 million. The **projected 2023 operating results** is a surplus of \$82.5 million; and
- (d) The **October 2023 combined operating ratio** was 54.7%, lower than prior year by 40.1 percentage points. The **projected 2023 year-end combined operating ratio** is 84.2 %.
- (e) The implementation of the **2023 Q3 Valuation**, generated **16.8 million favourable impact** for the month, and decrease to the **year-to-date combined operating ratio by 4.0 percentage points**.
- (f) The October 2023 Participation Report reflects the Distribution of **\$82 million in Operating Results** to members for all Accident Years.

FARM Summary of IFRS17 Financial Results

Total 2023 Summary Amounts in \$000s	Actual (October 2023)	Projection (October 2023)	Prior Year (October 2022)	2023 year-to-date as at 10 months	2022 year-to-date as at 10 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	48,428	54,787	49,196	453,542	419,526	554,048	566,850	499,823
Received Premium	47,987	54,091	49,408	451,691	419,710	551,561	565,833	501,178
Earned Premium	45,257	44,923	43,623	421,983	412,066	523,590	519,828	496,981
Insurance Revenue	45,257	44,923	43,623	421,983	412,066	523,590	519,828	496,981
Total Claims Incurred	19,459	29,065	39,015	252,653	303,472	317,857	367,696	360,656
Claims Incurred (CAY)	28,019	30,359	36,923	287,615	285,193	355,346	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	(8,560)	(1,294)	2,092	(34,962)	18,279	(37,490)	16,897	18,687
Administrative Expense	5,898	6,755	5,485	54,421	48,967	66,758	69,911	58,848
Amortization of IACFs	3,884	4,100	3,383	35,663	32,968	43,918	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	29,242	39,920	47,883	342,737	385,406	428,532	484,899	460,716
Insurance Service Result	16,016	5,002	(4,261)	79,246	26,660	95,057	34,929	36,265
Insurance Finance Expense from PV FCF	2,879	(2,878)	5,308	(17,953)	46,169	(23,989)	0	46,169
Insurance Finance Expense from Risk Adjustment	144	(251)	530	(1,927)	4,384	(2,465)	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	3,022	(3,129)	5,838	(19,880)	50,553	(26,454)	0	50,553
Investment Income	1,449	1,446	674	11,240	2,772	13,877	7,476	4,516
Operating Result	20,487	3,319	2,251	70,606	79,984	82,480	42,405	91,333
Ratios:								
Loss ratios (% insurance revenue):	43.0%	64.7%	89.4%	59.9%	73.6%	60.7%	70.7%	72.6%
Claims incurred (CAY)	61.9%	67.6%	84.6%	68.2%	69.2%	67.9%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(18.9%)	(2.9%)	4.8%	(8.3%)	4.4%	(7.2%)	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue):	21.6%	24.2%	20.3%	21.3%	19.9%	21.1%	22.5%	20.1%
Administrative Expenses	13.0%	15.0%	12.6%	12.9%	11.9%	12.8%	13.4%	11.8%
Amortization of IACFs	8.6%	9.1%	7.8%	8.5%	8.0%	8.4%	9.1%	8.3%
Change in Loss Component	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance Service Ratio:	64.6%	88.9%	109.8%	81.2%	93.5%	81.8%	93.3%	92.7%
Insurance Finance Income:	(6.7%)	7.0%	(13.4%)	4.7%	(12.3%)	5.1%	0.0%	(10.2%)
Investment Income Ratio:	(3.2%)	(3.2%)	(1.5%)	(2.7%)	(0.7%)	(2.7%)	(1.4%)	(0.9%)
Combined Operating Ratio	54.7%	92.6%	94.8%	83.3%	80.6%	84.2%	91.8%	81.6%

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

Insurance Service Expenses Key Drivers

- Claims Incurred – Incurred losses were \$19.5 million, lower than projection by \$9.6 million and \$19.6 million lower compared with the same month from last year. Loss ratio was at 43.0%, 21.7 percentage points lower than projected, and 46.4 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. 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. Insurance Finance income for implementation month of October was \$2.9 million, \$5.7 million higher than projected; driven by more discounting due to approximately 62 basis points increase in the yield curve.

Impact of Quarterly Valuation

A valuation of the FARM as at September 30, 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 **\$16.8 million favourable impact** on the month's net results from operations, subtracting an estimated **4.0 points** from the year-to-date Combined Operating Ratio. The Impact this month is summarized in the following table below

For more information on the valuation impact refer to the [Quarterly Financial Insights](#)

FARM Summary of 2023 Q3 Valuation Implementation Impact

FARM (in \$000s)	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY (2022 & prior)	(9,034)	-	(9,034)	(2.1%)
CAY (2023)	(7,741)	-	(7,741)	(1.8%)
Total	(16,775)		(16,775)	(4.0%)

(negative values are favorable)

Projection to year-end 2023

Compared with The Outlook released in January 2023, insurance revenue has increased by \$3.7 million to \$523.6 million. The year-end 2023 operating result is expected to be \$82.5 million, higher than The Outlook by \$40.1 million.

Operating Results Distributed to Members

The October 2023 Participation Report reflects the Distribution of **\$82.0 million in Operating Results** to members for all Accident Years as accrued to October 2023.

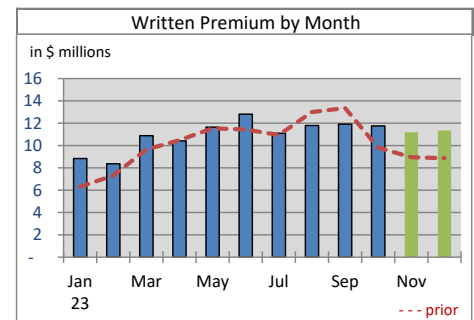
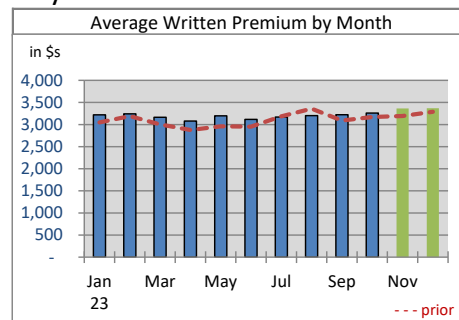
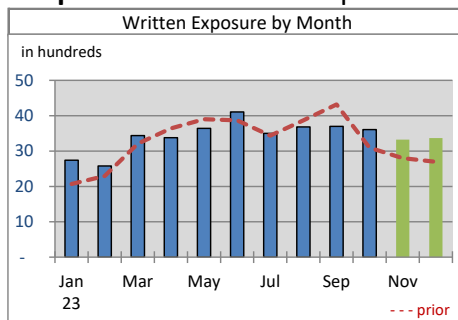
Amounts (\$000s) to be Transferred to / (from) Members

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	1,217	38,895	40,112
Alberta	738	15,621	16,359
Newfoundland & Labrador	3,936	1,606	5,542
New Brunswick	3,650	3,059	6,709
Nova Scotia	5,533	2,611	8,145
Prince Edward Island	846	1,175	2,021
Yukon	257	907	1,164
Northwest Territories	692	825	1,517
Nunavut	161	270	431
TOTAL	17,030	64,970	82,000

Due to the Annual Share Base update in June 2023 and because Members' share ratios vary by jurisdiction, business segment and accident year, it has resulted in redistribution of previously available funds distributed to and from Members, even though the aggregate transfer is \$0. The amount due to or from Facility Association for your company as a result of Annual Share Base update and the Distribution of Operating Results is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions.

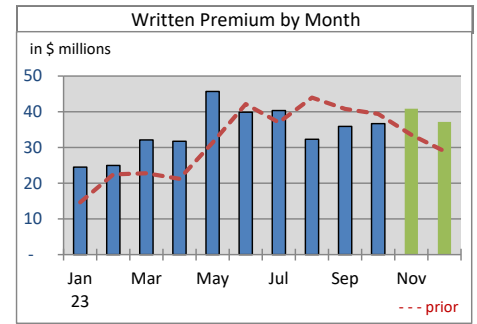
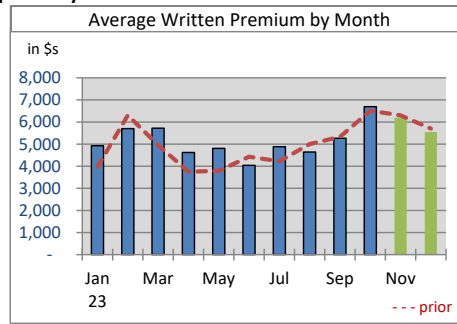
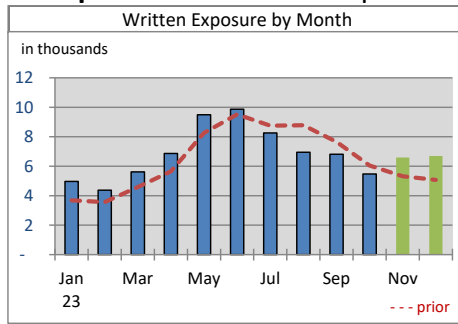
Premium

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



The Private Passenger vehicle count for the month was 3,607 vehicles; written premium was \$11.8 million, up by 19.8% compared with prior year. Average premium for PPV was up by 2.8% 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 5,476 vehicles, down 9.5% compared with prior year; written premium was \$36.7 million, down 6.9% compared with prior year. Average written premium for NPPV was up 2.9% compared with prior year. There has been significant growth in interurban, commercial, and taxi vehicles primarily driven by Ontario and Alberta.

As a result, the overall month's written premium was down \$0.8 million or 1.6% compared with prior year.

FARM Summary of full year Vehicle Count

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 Proj.	December Proj.	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	1,941	1,954	23,554
Private Passenger	522	487	669	700	771	731	690	679	710	680	644	655	7,939
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,371	1,477	1,276	1,596	1,357	1,297	1,299	15,616
Alberta	2,051	1,658	2,522	3,228	4,442	4,428	3,352	3,016	2,515	2,361	2,828	2,878	35,278
Private Passenger	87	70	152	132	158	129	131	164	123	143	120	124	1,531
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,299	3,221	2,852	2,392	2,219	2,708	2,755	33,747
Atlantics	3,828	3,311	4,005	4,661	5,887	6,721	5,696	5,145	5,316	4,264	4,661	4,739	58,234
Private Passenger	2,036	1,887	2,445	2,394	2,536	3,045	2,521	2,630	2,711	2,637	2,404	2,429	29,673
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	3,677	3,176	2,515	2,606	1,628	2,257	2,310	28,562
Territories	305	378	526	515	700	725	545	521	376	421	483	492	5,988
Private Passenger	99	137	171	154	178	202	161	211	155	148	155	159	1,929
Non Private Passenger	206	242	356	361	522	523	384	311	221	273	328	333	4,059
Total	7,716	6,959	9,052	10,244	13,136	13,976	11,760	10,637	10,514	9,084	9,914	10,063	123,055
Private Passenger	2,743	2,580	3,437	3,380	3,642	4,107	3,502	3,683	3,699	3,607	3,323	3,367	41,071
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	9,869	8,258	6,953	6,815	5,476	6,591	6,697	81,984

FARM Summary of full year Written Premium

2023 Premiums (in thousands) 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	13,098	13,450	17,399	13,966	18,979	17,714	21,515	17,792	21,912	19,587	17,302	16,819	209,531
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,032	3,940	3,907	4,191	4,184	4,114	4,039	45,594
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	13,682	17,575	13,885	17,721	15,403	13,188	12,780	163,938
Alberta	11,147	9,433	14,057	16,698	24,421	18,680	15,668	12,835	12,950	17,273	19,439	18,223	190,824
Private Passenger	498	401	845	689	812	774	743	832	647	740	717	698	8,398
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	17,906	14,925	12,003	12,302	16,533	18,722	17,525	182,427
Atlantics	8,371	9,870	10,747	10,708	12,761	15,071	13,469	12,691	12,323	10,897	14,585	12,618	144,111
Private Passenger	5,257	5,079	6,053	5,867	6,092	7,660	6,167	6,712	6,805	6,567	6,099	6,327	74,684
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	7,411	7,302	5,979	5,518	4,330	8,486	6,291	69,427
Territories	717	568	790	784	1,143	1,216	781	762	630	672	697	823	9,583
Private Passenger	207	239	333	272	297	337	252	343	273	264	250	282	3,347
Non Private Passenger	511	330	458	512	846	879	529	419	357	408	447	541	6,236
Total	33,333	33,320	42,993	42,155	57,303	52,681	51,433	44,080	47,815	48,429	52,023	48,483	554,050
Private Passenger	8,834	8,364	10,875	10,410	11,645	12,803	11,102	11,793	11,917	11,755	11,180	11,346	132,023
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	39,878	40,331	32,287	35,898	36,674	40,844	37,137	422,027

FARM Summary of full year *Average Written Premiums*

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	8,912	8,606	8,896
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,513	5,710	5,757	5,899	6,153	6,387	6,163	5,743
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	9,981	11,896	10,882	11,103	11,347	10,166	9,839	10,498
Alberta	5,436	5,690	5,575	5,173	5,498	4,219	4,675	4,256	5,149	7,315	6,874	6,332	5,409
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,984	5,685	5,066	5,267	5,193	5,991	5,652	5,485
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	4,165	4,634	4,209	5,143	7,452	6,913	6,362	5,406
Atlantics	2,187	2,980	2,683	2,297	2,168	2,242	2,364	2,467	2,318	2,555	3,129	2,663	2,475
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,516	2,447	2,552	2,510	2,491	2,537	2,605	2,517
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,016	2,299	2,378	2,118	2,661	3,760	2,724	2,431
Territories	2,355	1,502	1,501	1,522	1,633	1,678	1,434	1,462	1,675	1,596	1,442	1,671	1,601
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,667	1,569	1,627	1,764	1,779	1,608	1,773	1,736
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,682	1,377	1,350	1,612	1,497	1,363	1,622	1,536
Total	4,320	4,788	4,749	4,115	4,362	3,769	4,374	4,144	4,548	5,331	5,247	4,818	4,502
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,117	3,170	3,202	3,222	3,259	3,364	3,370	3,214
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	4,041	4,884	4,643	5,267	6,697	6,197	5,546	5,148

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](#)

*10 months ended October 2023 (discounted basis)

[FARM Supplementary File – Insurance Finance Expense Breakdown](#)