

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 070

DATE: November 29, 2023

SUBJECT: FARM – September 2023 Participation Report

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

Please be advised that the September 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 ***September 2023 received premium*** was \$47.2 million, lower than prior year by \$6.9 million. The ***projected 2023 year-end received premium*** was \$558.5 million; and
- (b) The ***September 2023 insurance revenue*** was \$42.5 million, higher than prior year by \$0.3 million. The ***projected 2023 year-end insurance revenue*** was \$525.9 million; and
- (c) The ***September 2023 operating result*** was a surplus of \$4.3 million, higher than prior year by \$9.5 million. The ***projected 2023 operating results*** is a surplus of \$65.4 million; and
- (d) The ***September 2023 combined operating ratio*** was 90.0%, lower than prior year by 22.5 percentage points. The ***projected 2023 year-end combined operating ratio*** was 87.6 %.

FARM Summary of IFRS17 Financial Results

Total 2023 Summary Amounts in \$000s	Actual (September 2023)	Projection (September 2023)	Prior Year (September 2022)	2023 year-to-date as at 9 months	2022 year-to-date as at 9 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	47,815	53,710	54,145	405,114	370,330	561,116	566,850	499,823
Received Premium	47,239	52,079	54,170	403,705	370,301	558,450	565,833	501,178
Earned Premium	42,510	43,307	42,231	376,726	368,443	525,892	519,828	496,981
Insurance Revenue	42,510	43,307	42,231	376,726	368,443	525,892	519,828	496,981
Total Claims Incurred	27,171	28,146	38,628	232,730	264,457	330,009	367,696	360,656
Claims incurred (CAY)	29,041	29,432	27,464	259,596	248,270	360,784	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	(1,870)	(1,287)	11,163	(26,867)	16,187	(30,775)	16,897	18,687
Administrative Expense	5,643	6,613	6,253	48,522	43,482	67,697	69,911	58,848
Amortization of IACFs	3,717	4,051	3,165	31,972	29,584	44,397	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	36,531	38,810	48,046	313,224	337,523	442,103	484,899	460,716
Insurance Service Result	5,979	4,497	(5,816)	63,502	30,920	83,789	34,929	36,265
Insurance Finance Expense from PV FCF	(2,810)	(2,810)	0	(20,831)	40,861	(29,633)	0	46,169
Insurance Finance Expense from Risk Adjustment	(246)	(246)	0	(2,071)	3,854	(2,836)	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	(3,056)	(3,056)	0	(22,902)	44,715	(32,469)	0	50,553
Investment Income	1,335	1,380	532	9,791	2,097	14,042	7,476	4,516
Operating Result	4,257	2,821	(5,284)	50,391	77,733	65,362	42,405	91,333
Ratios:								
Loss ratios (% insurance revenue):	63.9%	65.0%	91.5%	61.8%	71.8%	62.8%	70.7%	72.6%
Claims incurred (CAY)	68.3%	68.0%	65.0%	68.9%	67.4%	68.6%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(4.4%)	(3.0%)	26.4%	(7.1%)	4.4%	(5.9%)	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue):	22.0%	24.6%	22.3%	21.4%	19.8%	21.3%	22.5%	20.1%
Administrative Expenses	13.3%	15.3%	14.8%	12.9%	11.8%	12.9%	13.4%	11.8%
Amortization of IACFs	8.7%	9.4%	7.5%	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:	85.9%	89.6%	113.8%	83.1%	91.6%	84.1%	93.3%	92.7%
Insurance Finance Income:	7.2%	7.1%	0.0%	6.1%	(12.1%)	6.2%	0.0%	(10.2%)
Investment Income Ratio:	(3.1%)	(3.2%)	(1.3%)	(2.6%)	(0.6%)	(2.7%)	(1.4%)	(0.9%)
Combined Operating Ratio	90.0%	93.5%	112.5%	86.6%	78.9%	87.6%	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 \$27.2 million, lower than projection by \$0.9 million and \$11.4 million lower compared with the same month from last year. Loss ratio was at 63.9%, 1.1 percentage points lower than projected, and 27.6 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 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:

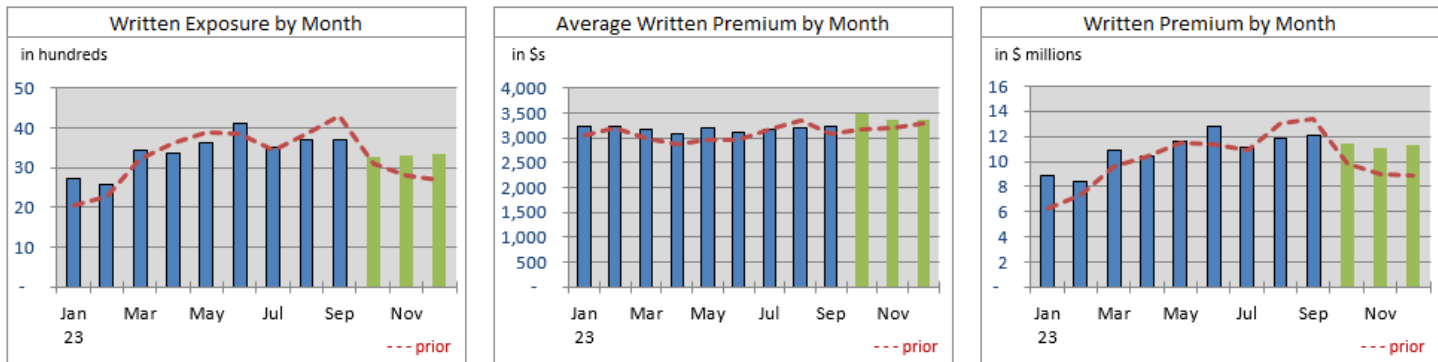
- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated.

Projection to year-end 2023

Compared with The Outlook released in January 2023, insurance revenue has increased by \$6.0 million to \$525.9 million. The year-end 2023 operating result is expected to be \$65.4 million, higher than The Outlook by \$22.9 million.

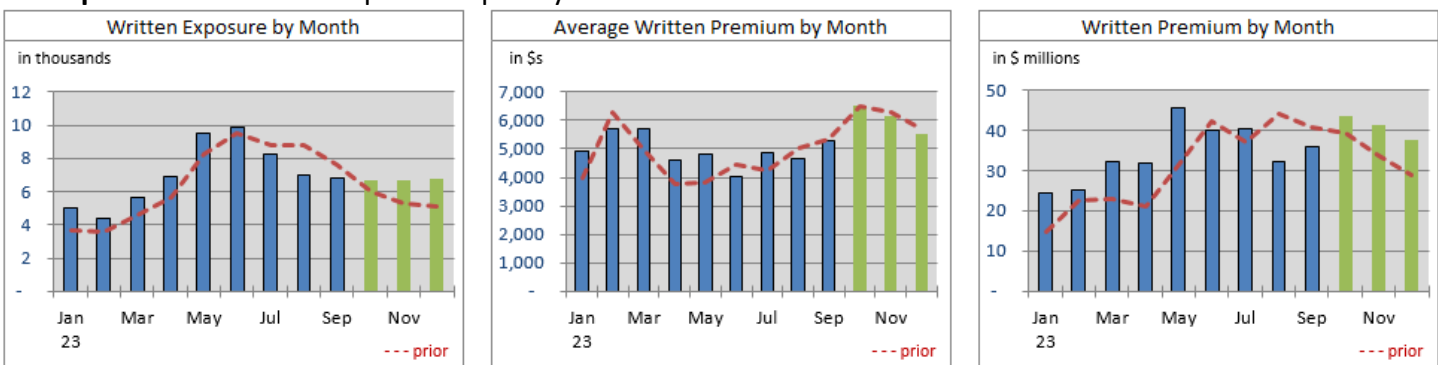
Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 3,720 vehicles; written premium was \$12.1 million, down by 9.6% compared with prior year. Average premium for PPV was up by 4.9% 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 6,796 vehicles, down 11.2% compared with prior year; written premium was \$35.8 million, down 12.3% compared with prior year. Average written premium for NPPV was down 1.2% 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 \$6.3 million or 11.6% 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 Proj.	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	2,309	1,908	1,931	1,943	23,406
Private Passenger	522	487	669	700	771	731	690	679	732	629	642	653	7,903
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,371	1,477	1,276	1,578	1,279	1,289	1,290	15,502
Alberta	2,051	1,658	2,522	3,228	4,442	4,428	3,352	3,016	2,515	2,889	2,872	2,926	35,897
Private Passenger	87	70	152	132	158	129	131	164	123	115	117	121	1,498
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,299	3,221	2,852	2,392	2,774	2,755	2,805	34,399
Atlantics	3,828	3,311	4,005	4,661	5,887	6,721	5,696	5,145	5,316	4,631	4,692	4,772	58,665
Private Passenger	2,036	1,887	2,445	2,394	2,536	3,045	2,521	2,630	2,711	2,383	2,383	2,406	29,375
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	3,677	3,176	2,515	2,606	2,248	2,309	2,366	29,290
Territories	305	378	526	515	700	725	545	521	376	492	489	499	6,071
Private Passenger	99	137	171	154	178	202	161	211	155	156	156	160	1,938
Non Private Passenger	206	242	356	361	522	523	384	311	221	335	333	339	4,133
Total	7,716	6,959	9,052	10,244	13,136	13,976	11,760	10,637	10,517	9,919	9,984	10,139	124,039
Private Passenger	2,743	2,580	3,437	3,380	3,642	4,107	3,502	3,683	3,720	3,282	3,298	3,339	40,714
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	9,869	8,258	6,953	6,796	6,637	6,686	6,800	83,325

FARM Summary of full year *Written Premium*

2023 Premiums (in thousands)	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	21,937	21,907	17,204	16,716	211,675
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,032	3,940	3,907	4,340	4,533	4,098	4,022	46,059
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	13,682	17,575	13,885	17,597	17,374	13,106	12,694	165,616
Alberta	11,147	9,433	14,057	16,698	24,421	18,680	15,668	12,835	12,950	18,669	19,745	18,527	192,830
Private Passenger	498	401	845	689	812	774	743	832	647	800	703	683	8,428
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	17,906	14,925	12,003	12,302	17,869	19,042	17,844	184,402
Atlantics	8,371	9,870	10,747	10,708	12,761	15,071	13,469	12,691	12,323	13,430	14,759	12,721	146,920
Private Passenger	5,257	5,079	6,053	5,867	6,092	7,660	6,167	6,712	6,805	5,798	6,047	6,268	73,806
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	7,411	7,302	5,979	5,518	7,632	8,712	6,453	73,115
Territories	717	568	790	784	1,143	1,216	781	762	630	781	706	837	9,716
Private Passenger	207	239	333	272	297	337	252	343	273	317	251	282	3,402
Non Private Passenger	511	330	458	512	846	879	529	419	357	464	455	555	6,313
Total	33,333	33,320	42,993	42,155	57,303	52,681	51,433	44,080	47,840	54,787	52,414	48,801	561,141
Private Passenger	8,834	8,364	10,875	10,410	11,645	12,803	11,102	11,793	12,066	11,448	11,099	11,255	131,695
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	39,878	40,331	32,287	35,774	43,339	41,314	37,545	429,447

FARM Summary of full year *Average Written Premiums*

2023 Average Premiums	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
Ontario	8,545	8,349	8,703	7,590	9,004	8,427	9,927	9,103	9,500	11,481	8,910	8,604	9,044
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,513	5,710	5,757	5,933	7,209	6,387	6,163	5,828
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	9,981	11,896	10,882	11,154	13,581	10,166	9,839	10,683
Alberta	5,436	5,690	5,575	5,173	5,498	4,219	4,675	4,256	5,149	6,463	6,875	6,332	5,372
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,984	5,685	5,066	5,267	6,985	5,991	5,646	5,626
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	4,165	4,634	4,209	5,143	6,441	6,913	6,362	5,361
Atlantics	2,187	2,980	2,683	2,297	2,168	2,242	2,364	2,467	2,318	2,900	3,146	2,666	2,504
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,516	2,447	2,552	2,510	2,434	2,538	2,605	2,513
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,016	2,299	2,378	2,118	3,395	3,773	2,727	2,496
Territories	2,355	1,502	1,501	1,522	1,633	1,678	1,434	1,462	1,675	1,589	1,442	1,677	1,600
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,667	1,569	1,627	1,764	2,029	1,610	1,766	1,755
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,682	1,377	1,350	1,612	1,384	1,364	1,636	1,528
Total	4,320	4,788	4,749	4,115	4,362	3,769	4,374	4,144	4,549	5,523	5,250	4,813	4,524
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,117	3,170	3,202	3,243	3,488	3,366	3,371	3,235
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	4,041	4,884	4,643	5,264	6,530	6,179	5,521	5,154

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](#)

*09 months ended September 2023 (discounted basis)