

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 066

DATE: October 30, 2023

SUBJECT: FARM – August 2023 Participation Report

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

Please be advised that the August 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 ***August 2023 received premium*** was \$43.6 million, lower than prior year by \$11.3 million. The ***projected 2023 year-end received premium*** was \$545.6 million; and
- (b) The ***August 2023 insurance revenue*** was \$44.3 million, in line with prior year. The ***projected 2023 year-end insurance revenue*** was \$525.2 million; and
- (c) The ***August 2023 operating result*** was a surplus of \$30.6 million, higher than prior year by \$0.8 million. The ***projected 2023 operating results*** is a surplus of \$65.6 million; and
- (d) The ***August 2023 combined operating ratio*** was 30.9%, lower than prior year by 1.9 percentage points. The ***projected 2023 year-end combined operating ratio*** was 87.5 %.
- (e) The implementation of the ***2023 Q2 Valuation***, generated ***\$28.8 million favourable impact*** for the month, and decrease to the ***year-to-date combined operating ratio by 7.7 percentage points***

Summary of Financial Results

FARM Summary of IFRS17 Financial Results

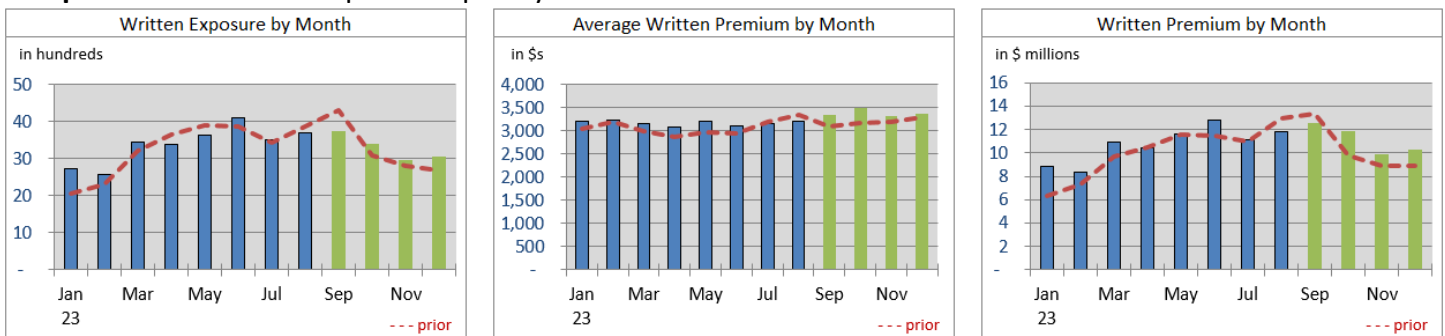
Total 2023 Summary Amounts in \$000s	Actual (August 2023)	Projection (August 2023)	Prior Year (August 2022)	2023 year-to-date as at 8 months	2022 year-to-date as at 8 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	44,079	52,931	56,948	357,299	316,185	548,578	566,850	499,823
Received Premium	43,646	51,867	54,940	356,465	316,131	545,582	565,833	501,178
Earned Premium	44,268	45,258	44,283	334,216	326,213	525,174	519,828	496,981
Insurance Revenue	44,268	45,258	44,283	334,216	326,213	525,174	519,828	496,981
Total Claims Incurred	12,816	29,334	23,084	205,591	225,829	329,991	367,696	360,656
Claims incurred (CAY)	31,426	30,962	31,152	230,527	220,806	360,088	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	(18,610)	(1,627)	(8,067)	(24,936)	5,023	(30,098)	16,897	18,687
Administrative Expense	5,290	6,511	6,369	42,880	37,229	66,462	69,911	58,848
Amortization of IACFs	3,765	4,102	3,379	28,360	26,419	44,441	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	21,871	39,947	32,832	276,831	289,477	440,893	484,899	460,716
Insurance Service Result	22,397	5,311	11,451	57,386	36,736	84,281	34,929	36,265
Insurance Finance Expense from PV FCF	6,291	(2,739)	16,277	(18,022)	40,861	(29,588)	0	46,169
Insurance Finance Expense from Risk Adjustment	566	(257)	1,542	(1,825)	3,854	(2,830)	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	6,857	(2,996)	17,819	(19,846)	44,715	(32,418)	0	50,553
Investment Income	1,339	1,338	485	8,457	1,565	13,735	7,476	4,516
Operating Result	30,593	3,653	29,755	45,996	83,016	65,597	42,405	91,333
Ratios:								
Loss ratios (% insurance revenue):	29.0%	64.8%	52.1%	61.5%	69.2%	62.8%	70.7%	72.6%
Claims incurred (CAY)	71.0%	68.4%	70.3%	69.0%	67.7%	68.6%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(42.0%)	(3.6%)	(18.2%)	(7.5%)	1.5%	(5.7%)	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue):	20.5%	23.4%	22.0%	21.3%	19.5%	21.1%	22.5%	20.1%
Administrative Expenses	12.0%	14.4%	14.4%	12.8%	11.4%	12.7%	13.4%	11.8%
Amortization of IACFs	8.5%	9.1%	7.6%	8.5%	8.1%	8.5%	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:	49.4%	88.3%	74.1%	82.8%	88.7%	84.0%	93.3%	92.7%
Insurance Finance Income:	(15.5%)	6.6%	(40.2%)	5.9%	(13.7%)	6.2%	0.0%	(10.2%)
Investment Income Ratio:	(3.0%)	(3.0%)	(1.1%)	(2.5%)	(0.5%)	(2.6%)	(1.4%)	(0.9%)
Combined Operating Ratio	30.9%	91.9%	32.8%	86.2%	74.6%	87.5%	91.8%	81.6%

rounding differences may occur

*as posted to FA's website on Jan 18, 2023

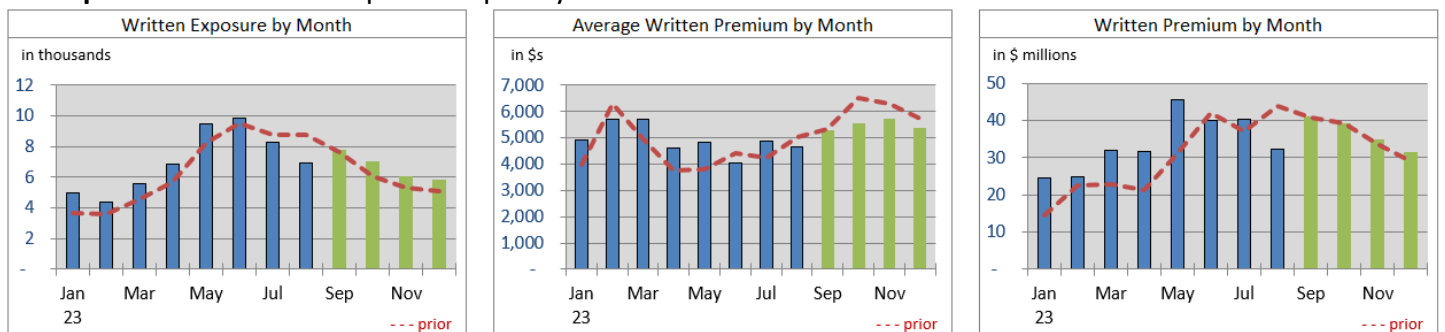
Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 3,683 vehicles; written premium was \$11.8 million down by 9.3% compared with prior year. Average premium for PPV was down by 4.6% 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 for the month was 6,954 vehicles, down 20.8% compared with prior year; written premium was \$32.3 million, down 26.5% compared with prior year. Average written premium for NPPV was down 7.2% compared with prior year.

As a result, the overall month's written premium was down \$12.9 million or 22.6% compared with prior year.

This year's counts were significantly higher than last year in the early months of the year, and this month they are significantly down compared to prior year. This is related to timing of business processing by the servicing carrier; last year, there was a backlog of business processing in the first half of the year, and a large catch-up beginning in August. The monthly vehicle count pattern we are seeing this year is more aligned with a "normal" rate of business processing.

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 Proj.	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	2,300	2,070	1,960	2,040	23,685
Private Passenger	522	487	669	700	771	731	690	679	900	670	560	640	8,019
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,371	1,477	1,276	1,400	1,400	1,400	1,400	15,666
Alberta	2,051	1,658	2,522	3,228	4,442	4,428	3,352	3,017	3,481	3,279	2,377	2,276	36,110
Private Passenger	87	70	152	132	158	129	131	164	81	79	77	76	1,336
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,299	3,221	2,853	3,400	3,200	2,300	2,200	34,775
Atlantic	3,828	3,311	4,005	4,661	5,887	6,721	5,696	5,145	5,266	4,629	4,183	4,103	57,435
Private Passenger	2,036	1,887	2,445	2,394	2,536	3,045	2,521	2,630	2,599	2,499	2,171	2,177	28,939
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	3,677	3,176	2,515	2,667	2,129	2,013	1,925	28,496
Territories	305	378	526	515	700	725	545	521	503	494	502	500	6,213
Private Passenger	99	137	171	154	178	202	161	211	161	158	157	157	1,943
Non Private Passenger	206	242	356	361	522	523	384	311	343	336	345	344	4,270
Yukon	71	100	153	193	326	268	101	146	151	146	151	153	1,958
Private Passenger	-2	7	5	8	13	11	-2	7	6	6	6	6	72
Non Private Passenger	73	94	147	185	314	257	102	139	145	139	144	147	1,886
Northwest Territories	169	237	305	276	301	287	267	277	254	250	252	256	3,132
Private Passenger	99	120	151	132	154	163	145	174	138	136	135	136	1,682
Non Private Passenger	70	117	154	145	147	125	123	103	116	114	117	119	1,450
Nunavut	64	42	69	46	73	169	177	98	99	98	98	92	1,123
Private Passenger	2	10	15	14	11	28	18	29	16	16	15	15	189
Non Private Passenger	62	32	54	32	62	141	159	69	82	82	83	77	934
Total	7,716	6,959	9,052	10,244	13,136	13,976	11,760	10,638	11,550	10,471	9,022	8,919	123,443
Private Passenger	2,743	2,580	3,437	3,380	3,642	4,107	3,502	3,683	3,741	3,406	2,965	3,050	40,236
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	9,869	8,258	6,954	7,809	7,065	6,058	5,869	83,207

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	20,999	20,993	18,521	18,407	212,831
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,032	3,940	3,907	5,210	4,831	3,576	3,944	46,627
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	13,682	17,575	13,885	15,789	16,162	14,945	14,463	166,205
Alberta	11,147	9,433	14,057	16,698	24,421	18,680	15,668	12,837	18,546	17,613	13,759	11,834	184,693
Private Passenger	498	401	845	689	812	774	743	832	516	551	463	431	7,556
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	17,906	14,925	12,005	18,030	17,062	13,296	11,403	177,137
Atlantic	8,371	9,870	10,747	10,708	12,761	15,071	13,469	12,691	13,356	11,799	11,549	10,692	141,082
Private Passenger	5,257	5,079	6,053	5,867	6,092	7,660	6,167	6,712	6,512	6,244	5,547	5,609	72,798
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	7,411	7,302	5,979	6,843	5,555	6,001	5,084	68,284
Territories	717	568	790	784	1,143	1,216	781	762	810	795	804	804	9,974
Private Passenger	207	239	333	272	297	337	252	343	288	285	286	281	3,418
Non Private Passenger	511	330	458	512	846	879	529	419	522	510	518	523	6,556
Total	33,333	33,320	42,993	42,155	57,303	52,681	51,433	44,082	53,710	51,199	44,632	41,737	548,581
Private Passenger	8,834	8,364	10,875	10,410	11,645	12,803	11,102	11,793	12,526	11,910	9,872	10,264	130,398
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	39,878	40,331	32,288	41,184	39,289	34,760	31,473	418,182

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	9,130	10,142	9,450	9,023	8,986
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,513	5,710	5,757	5,789	7,210	6,388	6,163	5,815
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	9,981	11,896	10,882	11,278	11,544	10,675	10,331	10,609
Alberta	5,436	5,690	5,575	5,173	5,498	4,219	4,675	4,255	5,328	5,372	5,787	5,199	5,115
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,984	5,685	5,066	6,400	6,984	5,983	5,648	5,657
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	4,165	4,634	4,208	5,303	5,332	5,781	5,183	5,094
Atlantics	2,187	2,980	2,683	2,297	2,168	2,242	2,364	2,467	2,536	2,549	2,761	2,606	2,456
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,516	2,447	2,552	2,505	2,498	2,556	2,576	2,516
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,016	2,299	2,378	2,566	2,609	2,981	2,640	2,396
Territories	2,355	1,502	1,501	1,522	1,633	1,678	1,434	1,462	1,609	1,610	1,602	1,607	1,605
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,667	1,569	1,627	1,790	1,802	1,821	1,793	1,759
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,682	1,377	1,350	1,524	1,520	1,502	1,522	1,535
Total	4,320	4,788	4,749	4,115	4,362	3,769	4,374	4,144	4,650	4,890	4,947	4,680	4,444
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,117	3,170	3,202	3,348	3,497	3,330	3,365	3,241
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	4,041	4,884	4,643	5,274	5,561	5,738	5,363	5,026

Insurance Service Expenses

- Claims Incurred – Incurred losses were \$12.8 million, lower than projection by \$16.8 million and \$10.3 million lower compared with the same month from last year. Loss ratio was at 29.0%, 35.9 percentage points lower than projected, and down 23.2 percentage points lower compared with prior year.
- Administrative Expense – \$5.3 million
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$3.8 million
- 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.

Impact of Quarterly Valuation

A valuation of the FARM as at June 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 **\$25.8 million favorable impact** on the month's net result from operations, subtracting an estimated **7.7 points** to 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 please refer to the [Quarterly Financial Insights](#).

FARM Summary of 2023 Q2 Valuation Implementation Impact

FARM (in \$000s)	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY (2022 & prior)	(24,770)	-	(24,770)	(7.4%)
CAY (2023)	(1,055)	-	(1,055)	(0.3%)
Total	(25,826)		(25,826)	(7.7%)

(negative values are favorable)

Projection to year-end 2023

Projection to year-end 2023 have been updated using 2023 Q2 valuation assumptions which generated an estimated favorable impact of \$25.8 million on the year to date results which carries through to the projected year-end result.

Compared with The Outlook released in January 2023, insurance revenue has decreased by \$18.3 million to \$548.6 million. The year-end 2023 operating result is expected to be \$65.6 million, higher than The Outlook by \$23.2 million.

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](#)

*08 months ended August 2023 (discounted basis)