

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 064

DATE: September 29, 2023

SUBJECT: FARM – July 2023 Participation Report

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

SPECIAL REMINDER: [MEMBER'S CALL OCTOBER 17, 2023, 11:00 am – 12:00 pm \(EDT\) FA IFRS 17 FINANCIAL REPORTING UPDATE](#)

The purpose of this communication is to invite your company's CFO and Appointed Actuary to a scheduled teleconference during which Facility Association's management will provide an update on the IFRS 17 financial results of the Risk Sharing Pool (RSP) and residual market (FARM) mechanisms.

Please be advised that the July 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 **July 2023 received premium** was \$51.3 million, higher than prior year by \$4.4 million. The **projected 2023 year-end received premium** was \$553.7 million; and
- (b) The **July 2023 insurance revenue** was \$44.2 million, higher than prior year by \$1.6 million. The **projected 2023 year-end insurance revenue** was \$530.4 million; and
- (c) The **July 2023 operating result** was a surplus of \$3.6 million, lower than prior year by \$2.5 million. The **projected 2023 operating results** is a surplus of \$40.6 million; and
- (d) The **July 2023 combined operating ratio** was 91.8%, higher than prior year by 6.1 percentage points. The **projected 2023 year-end combined operating ratio** was 92.3 %.

Summary of Financial Results

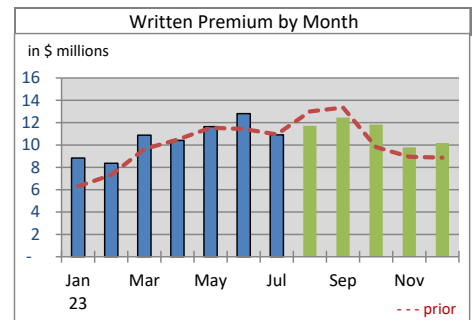
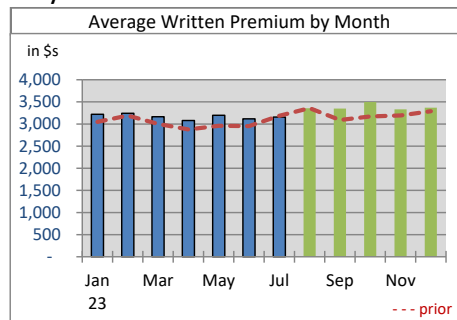
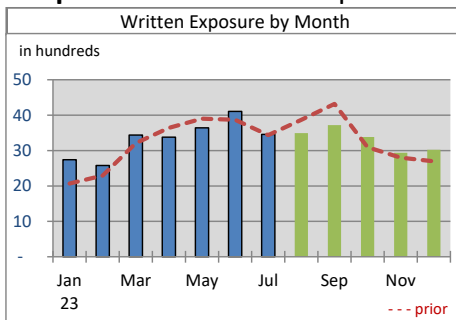
FARM Summary of IFRS17 Financial Results

Total 2023 Summary Amounts in \$000s	Actual (July 2023)	Projection (July 2023)	Prior Year (July 2022)	2023 year-to-date as at 7 months	2022 year-to-date as at 7 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	51,433	54,274	47,930	313,220	259,237	557,120	566,850	499,823
Received Premium	51,325	53,494	46,973	312,819	261,191	553,698	565,833	501,178
Earned Premium	44,167	44,958	42,615	289,949	281,930	530,431	519,828	496,981
Insurance Revenue	44,167	44,958	42,615	289,949	281,930	530,431	519,828	496,981
Total Claims Incurred	28,716	29,393	28,037	192,803	202,745	350,025	367,696	360,656
Claims incurred (CAY)	30,387	31,006	28,163	199,130	189,654	363,380	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	(1,671)	(1,614)	(126)	(6,326)	13,090	(13,355)	16,897	18,687
Administrative Expense	5,947	6,668	5,459	37,589	30,859	67,642	69,911	58,848
Amortization of IACFs	4,221	4,168	3,402	24,748	23,040	45,057	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	38,884	40,228	36,898	255,140	256,644	462,724	484,899	460,716
Insurance Service Result	5,283	4,729	5,717	34,809	25,285	67,707	34,929	36,265
Insurance Finance Expense from PV FCF	(2,636)	(2,636)	0	(24,313)	24,584	(37,110)	0	46,169
Insurance Finance Expense from Risk Adjustment	(249)	(249)	0	(2,391)	2,312	(3,584)	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	(2,885)	(2,885)	0	(26,704)	26,896	(40,694)	0	50,553
Investment Income	1,227	1,213	387	7,118	1,080	13,663	7,476	4,516
Operating Result	3,626	3,057	6,104	15,222	53,262	40,676	42,405	91,333
Ratios:								
Loss ratios (% insurance revenue):	65.0%	65.4%	65.8%	66.5%	71.9%	66.0%	70.7%	72.6%
Claims incurred (CAY)	68.8%	69.0%	66.1%	68.7%	67.3%	68.5%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(3.8%)	(3.6%)	(0.3%)	(2.2%)	4.6%	(2.5%)	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue):	23.0%	24.1%	20.8%	21.2%	19.1%	21.2%	22.5%	20.1%
Administrative Expenses	13.5%	14.8%	12.8%	13.0%	10.9%	12.8%	13.4%	11.8%
Amortization of IACFs	9.6%	9.3%	8.0%	8.5%	8.2%	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:	88.0%	89.5%	86.6%	88.0%	91.0%	87.2%	93.3%	92.7%
Insurance Finance Income:	6.5%	6.4%	0.0%	9.2%	(9.5%)	7.7%	0.0%	(10.2%)
Investment Income Ratio:	(2.8%)	(2.7%)	(0.9%)	(2.5%)	(0.4%)	(2.6%)	(1.4%)	(0.9%)
Combined Operating Ratio	91.8%	93.2%	85.7%	94.7%	81.1%	92.3%	91.8%	81.6%

rounding differences may occur

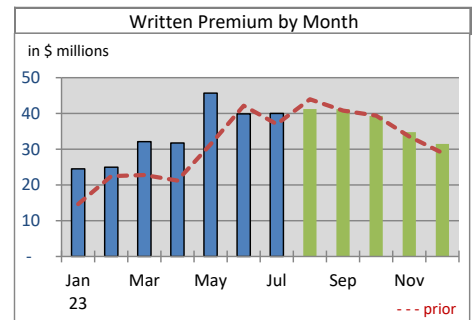
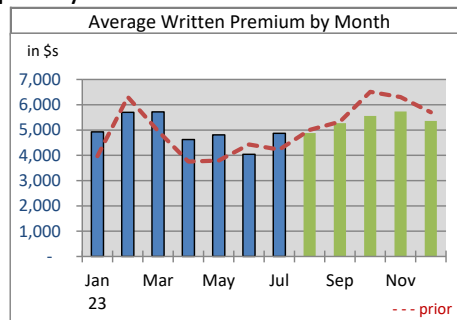
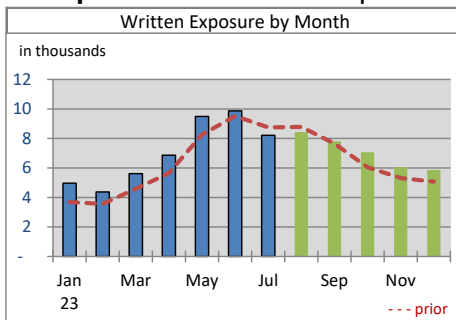
*as posted to FA's website on Jan 18, 2023

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 3,456 vehicles; written premium was \$10.9 million down by 0.3% compared with prior year. Average premium for PPV was down by 0.9% 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 8,215 vehicles, down 6.1% compared with prior year; written

premium was \$40.0 million, up 8.1% compared with prior year. Average written premium for NPPV was up 15.2% 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 up \$2.9 million or 6.2% 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 Proj.	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	2,144	2,250	2,300	2,070	1,960	2,040	23,956
Private Passenger	522	487	669	700	771	731	671	850	900	670	560	640	8,171
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,371	1,473	1,400	1,400	1,400	1,400	1,400	15,786
Alberta	2,051	1,658	2,522	3,228	4,442	4,428	3,352	4,009	3,477	3,275	2,373	2,271	37,084
Private Passenger	87	70	152	132	158	129	131	109	77	75	73	71	1,263
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,298	3,221	3,900	3,400	3,200	2,300	2,200	35,821
Atlantics	3,828	3,311	4,005	4,661	5,887	6,721	5,632	5,171	5,253	4,614	4,168	4,086	57,336
Private Passenger	2,036	1,887	2,445	2,394	2,536	3,045	2,494	2,379	2,586	2,485	2,155	2,160	28,601
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	3,677	3,137	2,791	2,667	2,130	2,013	1,926	28,735
Territories	305	378	526	515	700	725	545	502	502	492	500	498	6,188
Private Passenger	99	137	171	154	178	202	161	154	156	153	152	151	1,867
Non Private Passenger	206	242	356	361	522	523	384	349	345	339	348	347	4,321
Total	7,716	6,959	9,052	10,244	13,136	13,975	11,672	11,932	11,531	10,451	9,000	8,896	124,564
Private Passenger	2,743	2,580	3,437	3,380	3,642	4,107	3,456	3,492	3,719	3,382	2,939	3,023	39,902
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	9,868	8,215	8,440	7,812	7,068	6,061	5,873	84,662

*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	21,174	20,036	20,999	20,993	18,521	18,407	214,734
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,032	3,828	4,825	5,210	4,831	3,576	3,944	47,433
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	13,682	17,346	15,211	15,789	16,162	14,945	14,463	167,302
Alberta	11,147	9,433	14,057	16,698	24,421	18,679	15,668	19,165	18,321	17,583	13,732	11,807	190,911
Private Passenger	498	401	845	689	812	774	743	593	491	521	436	404	7,208
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	17,904	14,925	18,572	18,030	17,062	13,296	11,403	183,703
Atlantics	8,371	9,870	10,747	10,708	12,761	15,071	13,285	12,920	13,307	11,747	11,494	10,632	140,912
Private Passenger	5,257	5,079	6,053	5,867	6,092	7,660	6,087	6,020	6,471	6,200	5,500	5,558	71,844
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	7,411	7,198	6,899	6,836	5,547	5,993	5,074	69,068
Territories	717	568	790	784	1,143	1,216	781	811	813	798	807	808	10,036
Private Passenger	207	239	333	272	297	337	252	280	282	279	279	274	3,330
Non Private Passenger	511	330	458	512	846	879	529	531	531	519	528	534	6,707
Total	33,333	33,320	42,993	42,155	57,303	52,680	50,908	52,931	53,640	51,121	44,554	41,654	556,594
Private Passenger	8,834	8,364	10,875	10,410	11,645	12,803	10,910	11,718	12,455	11,830	9,792	10,180	129,815
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	39,877	39,998	41,213	41,186	39,290	34,762	31,474	426,779

*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	9,877	8,905	9,130	10,142	9,450	9,023	8,964
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,513	5,706	5,676	5,789	7,210	6,388	6,163	5,805
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	9,981	11,777	10,865	11,278	11,544	10,675	10,331	10,598
Alberta	5,436	5,690	5,575	5,173	5,498	4,219	4,675	4,781	5,327	5,369	5,787	5,198	5,148
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,984	5,685	5,442	6,403	6,978	5,984	5,653	5,708
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	4,166	4,634	4,762	5,303	5,332	5,781	5,183	5,128
Atlantics	2,187	2,980	2,683	2,297	2,168	2,242	2,359	2,499	2,533	2,546	2,758	2,602	2,458
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,516	2,440	2,530	2,503	2,495	2,553	2,573	2,512
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,016	2,294	2,472	2,563	2,605	2,977	2,635	2,404
Territories	2,355	1,502	1,501	1,522	1,633	1,678	1,434	1,614	1,620	1,622	1,614	1,621	1,622
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,667	1,569	1,819	1,805	1,818	1,839	1,812	1,784
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,682	1,377	1,524	1,536	1,534	1,516	1,538	1,552
Total	4,320	4,788	4,749	4,115	4,362	3,769	4,362	4,436	4,652	4,892	4,950	4,682	4,468
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,117	3,156	3,356	3,349	3,498	3,331	3,368	3,253
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	4,041	4,869	4,883	5,272	5,559	5,735	5,359	5,041

Insurance Service Expenses

- Claims Incurred – Incurred losses were \$28.7 million, lower than projection by \$0.7 million and \$0.6

million higher compared with the same month from last year. Loss ratio was at 65.0%, 0.4 percentage points lower than projected, and down 0.8 percentage points lower compared with prior year.

- Administrative Expense – \$5.9 million
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$4.2 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.

Projection to year-end 2023

Compared with The Outlook released in January 2023, insurance revenue has increased by \$10.6 million to \$530.4 million. The year-end 2023 operating result is expected to be \$40.7 million, lower than The Outlook by \$1.7 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](#)

*07 months ended July 2023 (discounted basis)