

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2023 – 054

**DATE:** August 30, 2023

**SUBJECT:** FARM – June 2023 Participation Report

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

**SPECIAL NOTE: Discount Unwinding Year to Date Adjustment**

Please note that there is a special one-time adjustment to the year to date income classification between Insurance Service Expenses and Insurance Finance Income (Expense). Previously, FA has been reporting the unwinding of discount on our liabilities within the Insurance Service Expenses. In the June calendar month results, we have re-classified the 2023 year-to-date discount unwinding as Insurance Finance Income (Expense). This results in a total \$18.9 million decrease in the Insurance Finance Income and a corresponding \$18.9 million increase in the Insurance Service Result.

The total year to date operating income is unaffected.

Going forward, each month's insurance finance income (expense) will include the amount of discount unwinding for that month only.

For members who wish to adjust the bookings either for the current year or for prior years, a link is provided at the bottom of this document to the estimated amounts of discount unwinding for each jurisdiction & business segment, for each Accident Year, for all past Accounting Month from November 2021 to May 2023.

Please be advised that the June 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 **June 2023 received premium** was \$52.1 million, lower than prior year by \$0.90 million. The **projected 2023 year-end received premium** was \$594.0 million; and
- (b) The **June 2023 insurance revenue** was \$42.2 million, lower than prior year by \$0.22 million. The **projected 2023 year-end insurance revenue** was \$546.1 million; and
- (c) The **June 2023 operating result** was a surplus of \$3.1 million, lower than prior year by \$2.1 million. The **projected 2023 operating results** is a surplus of \$20.0 million; and
- (d) The **June 2023 combined operating ratio** was 92.8%, higher than prior year by 4.9 percentage points. The **projected 2023 year-end combined operating ratio** was 96.3 %.

## Summary of Financial Results

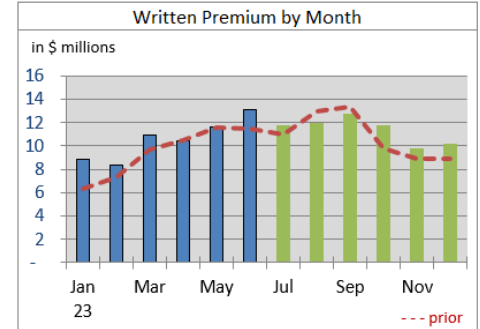
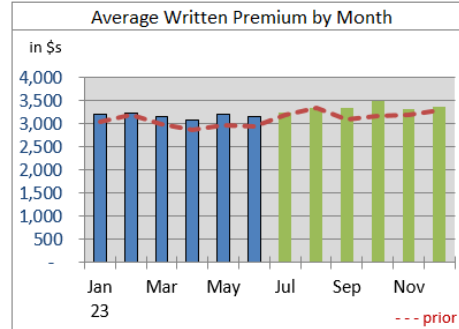
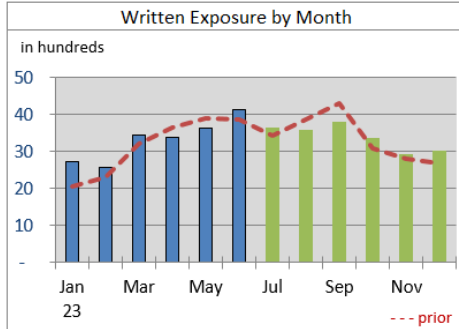
### FARM Summary of IFRS17 Financial Results

Total 2023 Summary Amounts in \$000s	Actual (June 2023)	Projection (June 2023)	Prior Year (June 2022)	2023 year-to-date as at 6 months	2022 year-to-date as at 6 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	52,681	56,358	53,583	261,787	211,307	597,827	566,850	499,823
Received Premium	52,160	55,669	53,110	261,495	214,218	593,952	565,833	501,178
Earned Premium	42,222	42,603	42,438	245,781	239,315	546,085	519,828	496,981
<b>Insurance Revenue</b>	<b>42,222</b>	<b>42,603</b>	<b>42,438</b>	<b>245,781</b>	<b>239,315</b>	<b>546,085</b>	<b>519,828</b>	<b>496,981</b>
Total Claims Incurred	11,454	30,467	28,047	164,069	174,708	378,745	367,696	360,656
Claims Incurred (CAY)	28,437	29,794	28,135	168,724	161,492	379,723	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	(16,982)	673	(89)	(4,655)	13,216	(978)	16,897	18,687
Administrative Expense	6,298	6,931	6,339	31,642	25,400	72,970	69,911	58,848
Amortization of IACFs	3,599	4,165	3,133	20,593	19,639	46,437	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
<b>Insurance Service Expenses</b>	<b>21,352</b>	<b>41,563</b>	<b>37,519</b>	<b>216,304</b>	<b>219,746</b>	<b>498,152</b>	<b>484,899</b>	<b>460,716</b>
<b>Insurance Service Result</b>	<b>20,870</b>	<b>1,040</b>	<b>4,919</b>	<b>29,478</b>	<b>19,569</b>	<b>47,933</b>	<b>34,929</b>	<b>36,265</b>
Insurance Finance Expense from PV FCF	(17,162)	0	0	(21,677)	24,584	(36,991)	0	46,169
Insurance Finance Expense from Risk Adjustment	(1,718)	0	0	(2,142)	2,312	(3,575)	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
<b>Insurance Finance Income (Expense)</b>	<b>(18,880)</b>	<b>0</b>	<b>0</b>	<b>(23,819)</b>	<b>26,896</b>	<b>(40,566)</b>	<b>0</b>	<b>50,553</b>
<b>Investment Income</b>	<b>1,064</b>	<b>1,062</b>	<b>244</b>	<b>5,890</b>	<b>693</b>	<b>12,602</b>	<b>7,476</b>	<b>4,516</b>
<b>Operating Result</b>	<b>3,054</b>	<b>2,102</b>	<b>5,163</b>	<b>11,549</b>	<b>47,158</b>	<b>19,969</b>	<b>42,405</b>	<b>91,333</b>
<b>Ratios:</b>								
Loss ratios (% insurance revenue):	27.1%	71.5%	66.1%	66.8%	73.0%	69.4%	70.7%	72.6%
Claims Incurred (CAY)	67.4%	69.9%	66.3%	68.6%	67.5%	69.5%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(40.2%)	1.6%	(0.2%)	(1.9%)	5.5%	(0.2%)	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue):	23.4%	26.0%	22.3%	21.3%	18.8%	21.9%	22.5%	20.1%
Administrative Expenses	14.9%	16.3%	14.9%	12.9%	10.6%	13.4%	13.4%	11.8%
Amortization of IACFs	8.5%	9.8%	7.4%	8.4%	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:	50.6%	97.6%	88.4%	88.0%	91.8%	91.2%	93.3%	92.7%
Insurance Finance Income:	44.7%	0.0%	0.0%	9.7%	(11.2%)	7.4%	0.0%	(10.2%)
Investment Income Ratio:	(2.5%)	(2.5%)	(0.6%)	(2.4%)	(0.3%)	(2.3%)	(1.4%)	(0.9%)
<b>Combined Operating Ratio</b>	<b>92.8%</b>	<b>95.1%</b>	<b>87.8%</b>	<b>95.3%</b>	<b>80.3%</b>	<b>96.3%</b>	<b>91.8%</b>	<b>81.6%</b>

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

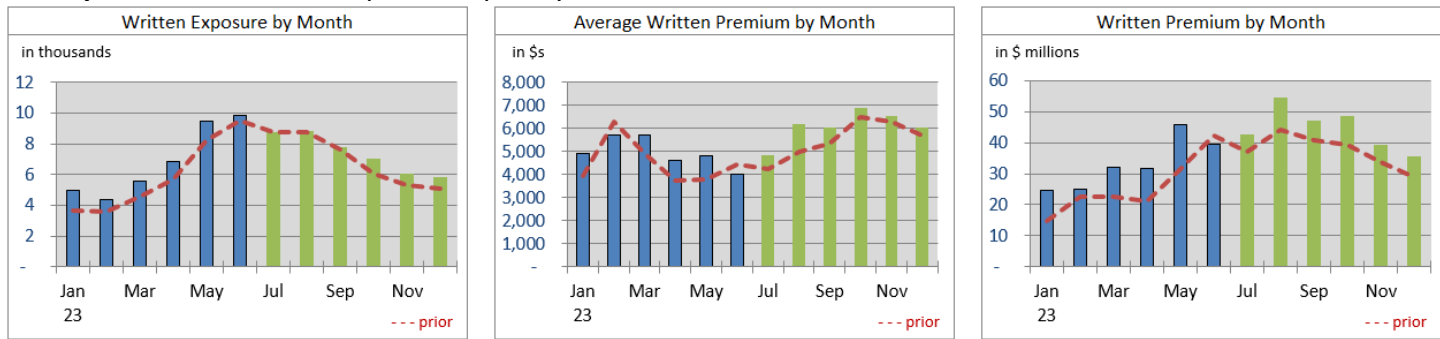
## Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 4,147 vehicles; written premium was \$13.1 million up by 14.6% compared with prior year. Average premium for PPV was up by 7.0% 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 9,832 vehicles, up 3.3% compared with prior year; written premium was \$39.6 million, down 6.1% compared with prior year. Average written premium for NPPV was down 9.1% 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 \$0.9 million or 1.7% compared with prior year.

### FARM Summary of full year **Vehicle Count**

2023 Vehicle Count	January	February	March	April	May	June	July	August	September	October	November	December	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
<b>Ontario</b>	<b>1,533</b>	<b>1,611</b>	<b>1,999</b>	<b>1,840</b>	<b>2,108</b>	<b>2,105</b>	<b>2,200</b>	<b>2,450</b>	<b>2,300</b>	<b>2,070</b>	<b>1,960</b>	<b>2,040</b>	<b>24,216</b>
Private Passenger	522	487	669	700	771	771	800	850	900	670	560	640	8,340
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,334	1,400	1,600	1,400	1,400	1,400	1,400	15,876
<b>Alberta</b>	<b>2,051</b>	<b>1,658</b>	<b>2,522</b>	<b>3,228</b>	<b>4,442</b>	<b>4,428</b>	<b>4,207</b>	<b>4,207</b>	<b>3,475</b>	<b>3,273</b>	<b>2,371</b>	<b>2,269</b>	<b>38,129</b>
Private Passenger	87	70	152	132	158	129	107	107	75	73	71	69	1,229
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,298	4,100	4,100	3,400	3,200	2,300	2,200	36,900
<b>Atlantic</b>	<b>3,828</b>	<b>3,311</b>	<b>4,005</b>	<b>4,661</b>	<b>5,887</b>	<b>6,721</b>	<b>5,480</b>	<b>5,255</b>	<b>5,336</b>	<b>4,596</b>	<b>4,149</b>	<b>4,065</b>	<b>57,295</b>
Private Passenger	2,036	1,887	2,445	2,394	2,536	3,045	2,583	2,477	2,683	2,481	2,151	2,156	28,873
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	3,677	2,897	2,779	2,653	2,115	1,998	1,909	28,422
<b>Territories</b>	<b>305</b>	<b>378</b>	<b>526</b>	<b>515</b>	<b>700</b>	<b>725</b>	<b>522</b>	<b>501</b>	<b>500</b>	<b>490</b>	<b>498</b>	<b>496</b>	<b>6,155</b>
Private Passenger	99	137	171	154	178	202	159	154	156	153	152	151	1,864
Non Private Passenger	206	242	356	361	522	523	363	347	344	337	346	345	4,291
<b>Yukon</b>	<b>71</b>	<b>100</b>	<b>153</b>	<b>193</b>	<b>326</b>	<b>268</b>	<b>170</b>	<b>159</b>	<b>157</b>	<b>152</b>	<b>158</b>	<b>160</b>	<b>2,068</b>
Private Passenger	-2	7	5	8	13	11	8	7	7	7	7	7	85
Non Private Passenger	73	94	147	185	314	257	162	152	150	145	151	154	1,984
<b>Northwest Territories</b>	<b>169</b>	<b>237</b>	<b>305</b>	<b>276</b>	<b>301</b>	<b>287</b>	<b>253</b>	<b>247</b>	<b>251</b>	<b>247</b>	<b>248</b>	<b>251</b>	<b>3,072</b>
Private Passenger	99	120	151	132	154	163	135	132	134	132	130	131	1,611
Non Private Passenger	70	117	154	145	147	125	118	115	116	115	118	120	1,461
<b>Nunavut</b>	<b>64</b>	<b>42</b>	<b>69</b>	<b>46</b>	<b>73</b>	<b>169</b>	<b>99</b>	<b>94</b>	<b>92</b>	<b>91</b>	<b>91</b>	<b>84</b>	<b>1,014</b>
Private Passenger	2	10	15	14	11	28	16	15	15	14	14	13	168
Non Private Passenger	62	32	54	32	62	141	83	79	77	76	77	71	846
<b>Total</b>	<b>7,716</b>	<b>6,959</b>	<b>9,052</b>	<b>10,244</b>	<b>13,136</b>	<b>13,979</b>	<b>12,409</b>	<b>12,413</b>	<b>11,611</b>	<b>10,429</b>	<b>8,977</b>	<b>8,871</b>	<b>125,795</b>
Private Passenger	2,743	2,580	3,437	3,380	3,642	4,147	3,649	3,587	3,814	3,377	2,933	3,017	40,307
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	9,832	8,760	8,826	7,797	7,052	6,044	5,854	85,488

### 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
<b>Ontario</b>	<b>13,098</b>	<b>13,450</b>	<b>17,399</b>	<b>13,966</b>	<b>18,979</b>	<b>17,724</b>	<b>19,586</b>	<b>22,295</b>	<b>22,284</b>	<b>24,403</b>	<b>18,566</b>	<b>18,465</b>	<b>220,214</b>
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,328	4,530	4,825	5,210	4,831	3,576	3,944	48,431
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	13,396	15,056	17,470	17,074	19,572	14,990	14,521	171,783
<b>Alberta</b>	<b>11,147</b>	<b>9,433</b>	<b>14,057</b>	<b>16,698</b>	<b>24,421</b>	<b>18,679</b>	<b>21,474</b>	<b>30,264</b>	<b>23,276</b>	<b>23,593</b>	<b>18,396</b>	<b>15,804</b>	<b>227,242</b>
Private Passenger	498	401	845	689	812	774	605	584	479	508	424	391	7,011
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	17,905	20,869	29,680	22,797	23,085	17,972	15,413	220,231
<b>Atlantic</b>	<b>8,371</b>	<b>9,870</b>	<b>10,747</b>	<b>10,708</b>	<b>12,761</b>	<b>15,071</b>	<b>12,365</b>	<b>13,162</b>	<b>13,543</b>	<b>11,684</b>	<b>11,426</b>	<b>10,561</b>	<b>140,268</b>
Private Passenger	5,257	5,079	6,053	5,867	6,092	7,660	6,393	6,307	6,755	6,188	5,487	5,544	72,681
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	7,411	5,972	6,855	6,788	5,496	5,938	5,017	67,586
<b>Territories</b>	<b>717</b>	<b>568</b>	<b>790</b>	<b>784</b>	<b>1,143</b>	<b>1,216</b>	<b>849</b>	<b>811</b>	<b>814</b>	<b>799</b>	<b>808</b>	<b>811</b>	<b>10,112</b>
Private Passenger	207	239	333	272	297	337	280	272	275	271	270	265	3,318
Non Private Passenger	511	330	458	512	846	879	569	539	539	528	538	546	6,794
<b>Total</b>	<b>33,333</b>	<b>33,320</b>	<b>42,993</b>	<b>42,155</b>	<b>57,303</b>	<b>52,690</b>	<b>54,274</b>	<b>66,532</b>	<b>59,918</b>	<b>60,479</b>	<b>49,196</b>	<b>45,641</b>	<b>597,836</b>
Private Passenger	8,834	8,364	10,875	10,410	11,645	13,099	11,807	11,988	12,719	11,798	9,758	10,144	131,441
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	39,591	42,466	54,544	47,198	48,682	39,438	35,496	466,395

### 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
<b>Ontario</b>	<b>8,545</b>	<b>8,349</b>	<b>8,703</b>	<b>7,590</b>	<b>9,004</b>	<b>8,419</b>	<b>8,903</b>	<b>9,100</b>	<b>9,689</b>	<b>11,789</b>	<b>9,473</b>	<b>9,051</b>	<b>9,094</b>
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,614	5,663	5,676	5,789	7,210	6,388	6,163	5,807
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	10,040	10,754	10,919	12,196	13,980	10,707	10,372	10,820
<b>Alberta</b>	<b>5,436</b>	<b>5,690</b>	<b>5,575</b>	<b>5,173</b>	<b>5,498</b>	<b>4,219</b>	<b>5,104</b>	<b>7,193</b>	<b>6,698</b>	<b>7,209</b>	<b>7,759</b>	<b>6,964</b>	<b>5,960</b>
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,984	5,653	5,444	6,398	6,986	5,991	5,648	5,703
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	4,166	5,090	7,239	6,705	7,214	7,814	7,006	5,968
<b>Atlantic</b>	<b>2,187</b>	<b>2,980</b>	<b>2,683</b>	<b>2,297</b>	<b>2,168</b>	<b>2,242</b>	<b>2,256</b>	<b>2,505</b>	<b>2,538</b>	<b>2,542</b>	<b>2,754</b>	<b>2,598</b>	<b>2,448</b>
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,516	2,475	2,547	2,518	2,494	2,551	2,571	2,517
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,016	2,062	2,467	2,558	2,599	2,973	2,628	2,378
<b>Territories</b>	<b>2,355</b>	<b>1,502</b>	<b>1,501</b>	<b>1,522</b>	<b>1,633</b>	<b>1,678</b>	<b>1,627</b>	<b>1,620</b>	<b>1,629</b>	<b>1,632</b>	<b>1,624</b>	<b>1,635</b>	<b>1,643</b>
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,667	1,760	1,773	1,760	1,769	1,783	1,758	1,780
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,682	1,568	1,552	1,569	1,569	1,555	1,581	1,584
<b>Total</b>	<b>4,320</b>	<b>4,788</b>	<b>4,749</b>	<b>4,115</b>	<b>4,362</b>	<b>3,769</b>	<b>4,374</b>	<b>5,360</b>	<b>5,160</b>	<b>5,799</b>	<b>5,480</b>	<b>5,145</b>	<b>4,752</b>
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,159	3,236	3,342	3,335	3,493	3,326	3,363	3,261
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	4,027	4,848	6,180	6,053	6,903	6,526	6,064	5,456

### Insurance Service Expenses

- Claims Incurred – Incurred losses were \$11.5 million, lower than projection by \$19.0 million and \$16.6 million lower compared with the same month from last year. Loss ratio was at 27.1%, 44.4 percentage points lower than projected, and down 39.0 percentage points lower compared with prior year. ***This favorable difference is due to the year to date discount unwinding.***
- Administrative Expense – \$6.3 million
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$3.6 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) for June 2023 of \$18.9 million unfavorable change due to ***the year to date discount unwinding adjustment.*** A breakdown as follows:

- \$17.2 million from PV FCF, the amount of discount unwinding for calendar months January to June.
- \$1.7 million from risk adjustment, the discount unwinding for calendar months January to June.
- Note: there is no loss component for FARM, and thus the discount unwinding for loss component is zero.

### Projection to year-end 2023

Compared with The Outlook released in January 2023, insurance revenue has increased by \$26.3 million to \$546.1 million. The year-end 2023 operating result is expected to be \$20.0 million, lower than The Outlook by \$22.4 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](#)

\*06 months ended June 2023 (discounted basis)

[FARM Unwinding Summary](#)

\*November 2021 – May 2023 Report