

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 052

DATE: July 28, 2023

SUBJECT: FARM – May 2023 Participation Report

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

Please be advised that the May 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 ***May 2023 received premium*** was \$56.8 million, higher than prior year by \$14.3 million. The ***projected 2023 year-end received premium*** was \$582.1 million; and
- (b) The ***May 2023 insurance revenue*** was \$43.7 million, higher than prior year by \$2.4 million. The ***projected 2023 year-end insurance revenue*** was \$537.4 million; and
- (c) The ***May 2023 operating result*** was a deficit of \$12.3 million, lower than prior year by \$29.1 million. The ***projected 2023 operating results*** is a surplus of \$30.8 million; and
- (d) The ***May 2023 combined operating ratio*** was 128.2%, higher than prior year by 68.7 percentage points. The ***projected 2023 year-end combined operating ratio*** was 94.3 %.
- (e) The implementation of the ***2023 Q1 Valuation***, generated ***\$17.7 million unfavourable impact*** for the month, an increase to the ***year-to-date combined operating ratio by 8.7 percentage points***.

Summary of Financial Results

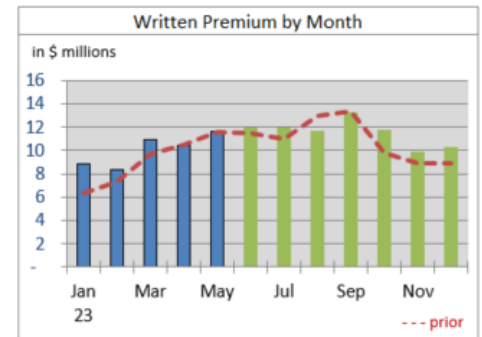
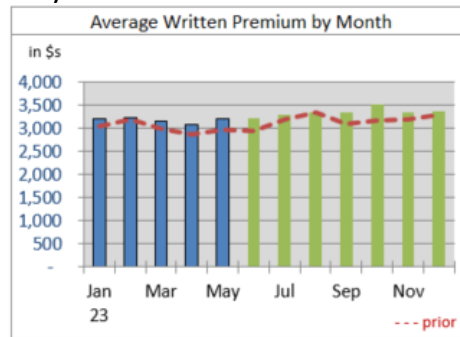
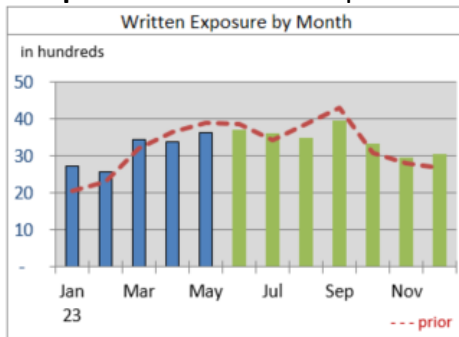
FARM Summary of IFRS17 Financial Results

Total 2023 Summary Amounts in \$000s	Actual (May 2023)	Projection (May 2023)	Prior Year (May 2022)	2023 year-to-date as at 5 months	2022 year-to-date as at 5 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	57,303	47,626	42,878	209,106	157,724	586,549	566,850	499,823
Received Premium	56,778	47,327	42,495	209,334	161,108	582,121	565,833	501,178
Earned Premium	43,744	41,386	41,321	203,560	196,876	537,370	519,828	496,981
Insurance Revenue	43,744	41,386	41,321	203,560	196,876	537,370	519,828	496,981
Total Claims Incurred	41,646	30,438	39,705	152,628	146,661	396,100	367,696	360,656
Claims incurred (CAY)	29,564	28,849	28,230	140,301	133,356	373,566	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	12,081	1,589	11,475	12,327	13,305	22,535	16,897	18,687
Administrative Expense	5,369	5,876	4,994	24,128	19,060	70,663	69,911	58,848
Amortization of IACFs	3,800	4,009	3,689	17,159	16,505	46,382	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	50,815	40,323	48,389	193,915	182,227	513,146	484,899	460,716
Insurance Service Result	(7,071)	1,063	(7,068)	9,644	14,650	24,225	34,929	36,265
Insurance Finance Expense from PV FCF	(5,720)	0	21,631	(4,515)	24,584	(4,515)	0	46,169
Insurance Finance Expense from Risk Adjustment	(545)	0	2,024	(424)	2,312	(424)	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	(6,265)	0	23,656	(4,939)	26,896	(4,939)	0	50,553
Investment Income	1,013	1,013	174	4,827	449	11,525	7,476	4,516
Operating Result	(12,322)	2,075	16,762	9,532	41,995	30,810	42,405	91,333
Ratios:								
Loss ratios (% insurance revenue):	95.2%	73.5%	96.1%	75.0%	74.5%	73.7%	70.7%	72.6%
Claims incurred (CAY)	67.6%	69.7%	68.3%	68.9%	67.7%	69.5%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	27.6%	3.8%	27.8%	6.1%	6.8%	4.2%	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue)	21.0%	23.9%	21.0%	20.3%	18.1%	21.8%	22.5%	20.1%
Administrative Expenses	12.3%	14.2%	12.1%	11.9%	9.7%	13.1%	13.4%	11.8%
Amortization of IACFs	8.7%	9.7%	8.9%	8.4%	8.4%	8.6%	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:	116.2%	97.4%	117.1%	95.3%	92.6%	95.5%	93.3%	92.7%
Insurance Finance Income:	14.3%	0.0%	(57.2%)	2.4%	(13.7%)	0.9%	0.0%	(10.2%)
Investment Income Ratio:	(2.3%)	(2.4%)	(0.4%)	(2.4%)	(0.2%)	(2.1%)	(1.4%)	(0.9%)
Combined Operating Ratio	128.2%	95.0%	59.4%	95.3%	78.7%	94.3%	91.8%	81.6%

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

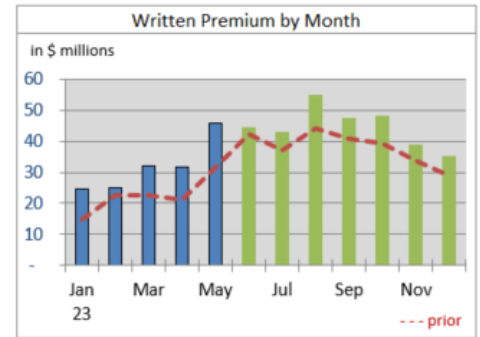
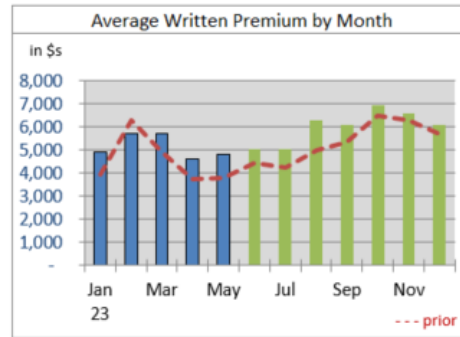
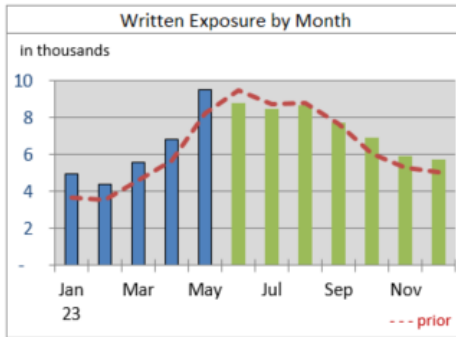
Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 3,642 vehicles; written premium was \$11.6 million, in line compared to prior year. Average premium for PPV was up by 8.0% compared to prior year. The green bars represent our current projection for the remainder of the year.

NPPV premium drivers compared to prior year are:



The Non-Private Passenger vehicle count was 9,494 vehicles, up 14.9% compared with prior year; written premium was \$45.7 million, up 45.7% compared with prior year. Average written premium for NPPV was up 26.8% 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 \$14.4 million or 33.6% 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	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-end
Ontario	1,533	1,611	1,999	1,840	2,108	2,459	2,462	2,598	2,323	2,058	1,965	2,036	24,991
Private Passenger	522	487	669	700	771	836	862	835	905	665	560	639	8,451
Non Private Passenger	1,011	1,124	1,331	1,140	1,337	1,623	1,600	1,763	1,417	1,393	1,405	1,397	16,540
Alberta	2,051	1,658	2,522	3,228	4,442	4,229	4,031	4,050	3,513	3,246	2,337	2,245	37,551
Private Passenger	87	70	152	132	158	148	110	105	97	85	78	78	1,300
Non Private Passenger	1,964	1,588	2,369	3,097	4,284	4,081	3,921	3,945	3,416	3,162	2,259	2,166	36,252
Atlantics	3,828	3,311	4,005	4,661	5,887	5,330	5,137	5,044	5,423	4,513	4,118	4,050	55,307
Private Passenger	2,036	1,887	2,445	2,394	2,536	2,567	2,491	2,408	2,816	2,448	2,174	2,199	28,401
Non Private Passenger	1,792	1,425	1,560	2,267	3,351	2,762	2,646	2,636	2,607	2,065	1,944	1,851	26,906
Territories	305	378	526	515	700	503	505	482	480	469	475	471	5,810
Private Passenger	99	137	171	154	178	155	155	150	152	149	147	146	1,791
Non Private Passenger	206	242	356	361	522	348	350	332	328	320	328	326	4,019
Total	7,716	6,959	9,052	10,244	13,136	12,522	12,134	12,174	11,739	10,286	8,895	8,802	123,659
Private Passenger	2,743	2,580	3,437	3,380	3,642	3,707	3,619	3,498	3,971	3,346	2,959	3,062	39,943
Non Private Passenger	4,973	4,378	5,615	6,864	9,494	8,815	8,516	8,676	7,769	6,940	5,936	5,740	83,716

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	21,010	22,086	23,986	22,527	24,267	18,619	18,431	227,817
Private Passenger	2,872	2,646	3,645	3,581	4,444	4,460	4,883	4,739	5,240	4,795	3,576	3,938	48,818
Non Private Passenger	10,226	10,804	13,755	10,384	14,535	16,550	17,203	19,247	17,287	19,472	15,043	14,493	178,999
Alberta	11,147	9,433	14,057	16,698	24,421	22,172	20,578	29,131	23,526	23,399	18,121	15,619	228,302
Private Passenger	498	401	845	689	812	839	622	571	623	592	466	443	7,401
Non Private Passenger	10,649	9,031	13,213	16,009	23,609	21,333	19,956	28,560	22,903	22,807	17,655	15,176	220,901
Atlantics	8,371	9,870	10,747	10,708	12,761	12,381	11,548	12,568	13,830	11,514	11,418	10,560	136,275
Private Passenger	5,257	5,079	6,053	5,867	6,092	6,382	6,156	6,092	7,130	6,116	5,586	5,650	71,460
Non Private Passenger	3,114	4,790	4,694	4,841	6,669	5,999	5,392	6,476	6,700	5,398	5,832	4,910	64,814
Territories	717	568	790	784	1,143	795	818	778	779	762	768	766	9,469
Private Passenger	207	239	333	272	297	270	274	266	269	264	263	257	3,211
Non Private Passenger	511	330	458	512	846	525	544	512	510	498	505	509	6,258
Total	33,333	33,320	42,993	42,155	57,303	56,358	55,031	66,463	60,662	59,942	48,925	45,377	601,862
Private Passenger	8,834	8,364	10,875	10,410	11,645	11,951	11,935	11,669	13,262	11,767	9,891	10,289	130,891
Non Private Passenger	24,500	24,956	32,119	31,745	45,658	44,407	43,095	54,794	47,400	48,175	39,034	35,088	470,972

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	8,545	8,971	9,234	9,699	11,792	9,476	9,051	9,116
Private Passenger	5,503	5,430	5,449	5,113	5,767	5,334	5,663	5,676	5,788	7,211	6,388	6,163	5,776
Non Private Passenger	10,116	9,615	10,338	9,112	10,869	10,199	10,754	10,919	12,196	13,980	10,707	10,372	10,823
Alberta	5,436	5,690	5,575	5,173	5,498	5,242	5,106	7,192	6,697	7,208	7,753	6,959	6,080
Private Passenger	5,744	5,761	5,541	5,242	5,146	5,666	5,659	5,438	6,401	6,978	5,987	5,649	5,695
Non Private Passenger	5,422	5,687	5,577	5,170	5,511	5,227	5,090	7,239	6,705	7,214	7,814	7,006	6,093
Atlantics	2,187	2,980	2,683	2,297	2,168	2,323	2,248	2,492	2,550	2,551	2,772	2,607	2,464
Private Passenger	2,582	2,692	2,475	2,451	2,403	2,486	2,471	2,530	2,532	2,499	2,569	2,569	2,516
Non Private Passenger	1,737	3,363	3,009	2,135	1,990	2,172	2,038	2,457	2,570	2,614	3,000	2,653	2,409
Territories	2,355	1,502	1,501	1,522	1,633	1,579	1,621	1,614	1,622	1,625	1,616	1,626	1,630
Private Passenger	2,092	1,746	1,949	1,769	1,669	1,745	1,766	1,779	1,766	1,776	1,790	1,766	1,793
Non Private Passenger	2,482	1,364	1,287	1,417	1,621	1,505	1,556	1,539	1,555	1,555	1,538	1,563	1,557
Total	4,320	4,788	4,749	4,115	4,362	4,501	4,535	5,459	5,167	5,828	5,500	5,155	4,867
Private Passenger	3,220	3,242	3,164	3,080	3,197	3,224	3,298	3,336	3,340	3,517	3,343	3,360	3,277
Non Private Passenger	4,927	5,700	5,720	4,625	4,809	5,038	5,061	6,315	6,102	6,942	6,575	6,113	5,626

Insurance Service Expenses

- Claims Incurred – Incurred losses in May 2023 were \$41.6 million, higher than projection by \$11.2 million and \$1.9 million higher compared with the same month from last year. Loss ratio was at 95.2%, 21.7 percentage points higher than projected, and down 0.9 percentage points higher compared with prior year. The increase in claims incurred is driven by the Q1 valuation implementation in the May accounting month results.
- Administrative Expense – \$5.4 million for May 2023
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$3.8 million for May 2023
- 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.

FARM Summary of **2023 Q1 Valuation Implementation Impact**

FARM (in \$000s)	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY (2022 & prior)	17,184	-	17,184	8.4%
CAY (2023)	494	-	494	0.2%
Total	17,678		17,678	8.7%

(negative values are favorable)

For more information on the valuation impact please refer to the [Actuarial Highlights](#).

Projection to year-end 2023

Projections to year-end 2023 have been updated using the 2023 Q1 valuation assumptions which generated an estimated unfavorable impact of \$17.7 million on the year to date results.

Compared with The Outlook released in January 2023, insurance revenue has increased by \$17.5 million to \$537.4 million. The year-end 2023 operating result is expected to be \$30.8 million, lower than The Outlook by \$11.6 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](#)

*05 months ended May 2023 (discounted basis)