

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 036

DATE: May 30, 2023

SUBJECT: FARM – March 2023 Participation Report

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

Please be advised that the March 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 ***March 2023 received premium*** was \$41.9 million, higher than prior year by \$8.7 million. The ***projected 2023 year-end received premium*** was \$567.3 million; and
- (b) The ***March 2023 insurance revenue*** was \$40.9 million, higher than prior year by \$1.1 million. The ***projected 2023 year-end insurance revenue*** was \$533.6 million; and
- (c) The ***March 2023 operating result*** was \$9.8 million, higher than prior year by \$4.2 million. The ***projected 2023 operating results*** is \$48.8 million; and
- (d) The ***March 2023 combined operating ratio*** was 76.0%, below prior year by 9.8 percentage points. The ***projected 2023 year-end combined operating ratio*** was 90.9%.
- (e) The implementation of the ***2022 Q4 Valuation***, generated ***\$4.5 million favourable impact*** for the month, a reduction to the ***year-to-date combined operating Ratio*** by 3.7 percentage points.

Summary of Financial Results

FARM Summary of IFRS17 Financial Results

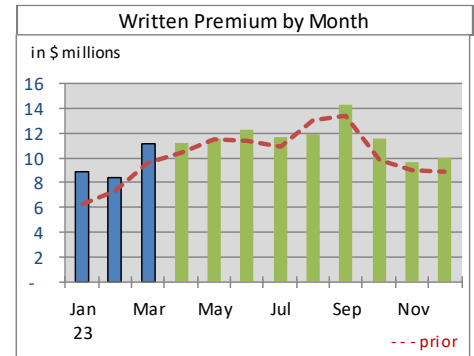
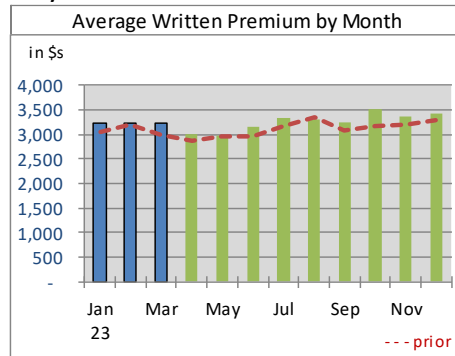
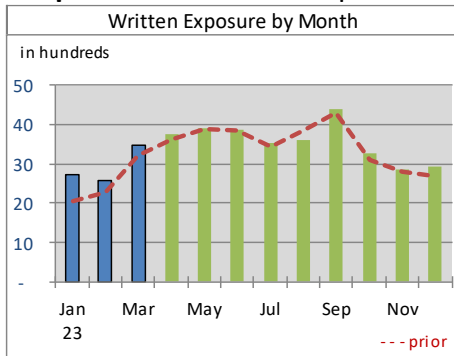
Total 2023 Summary Amounts in \$000s	Actual (March 2023)	Projection (March 2023)	Prior Year (March 2022)	2023 year-to-date as at 3 months	2022 year-to-date as at 3 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	41,705	39,659	32,455	109,647	83,347	572,299	566,850	499,823
Received Premium	41,879	39,302	33,143	109,410	86,385	567,285	565,833	501,178
Earned Premium	40,904	38,330	39,808	121,264	116,704	533,600	519,828	496,981
Insurance Revenue	40,904	38,330	39,808	121,264	116,704	533,600	519,828	496,981
Total Claims Incurred	24,775	27,557	30,417	83,708	80,889	384,472	367,696	360,656
Claims incurred (CAY)	30,733	25,820	28,778	83,143	78,518	370,830	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	(5,958)	1,738	1,639	565	2,371	13,642	16,897	18,687
Administrative Expense	5,107	4,895	3,935	13,390	10,103	70,423	69,911	58,848
Amortization of IACFs	3,458	3,906	3,084	4,357	9,781	41,724	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	33,340	36,358	37,437	101,454	100,772	496,619	484,899	460,716
Insurance Service Result	7,564	1,972	2,371	19,809	15,932	36,981	34,929	36,265
Insurance Finance Expense from PV FCF	1,205	0	2,953	1,205	2,953	1,205	0	46,169
Insurance Finance Expense from Risk Adjustment	121	0	288	121	288	121	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Insurance Finance Income (Expense)	1,326	0	3,241	1,326	3,241	1,326	0	50,553
Investment Income	946	944	73	2,876	166	10,492	7,476	4,516
Operating Result	9,836	2,917	5,685	24,011	19,338	48,799	42,405	91,333
Ratios:								
Loss ratios (% insurance revenue):	60.6%	71.9%	76.4%	69.0%	69.3%	72.1%	70.7%	72.6%
Claims incurred (CAY)	75.1%	67.4%	72.3%	68.6%	67.3%	69.5%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	(14.6%)	4.5%	4.1%	0.5%	2.0%	2.6%	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue)	20.9%	23.0%	17.6%	14.6%	17.0%	21.0%	22.5%	20.1%
Administrative Expenses	12.5%	12.8%	9.9%	11.0%	8.7%	13.2%	13.4%	11.8%
Amortization of IACFs	8.5%	10.2%	7.7%	3.6%	8.4%	7.8%	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:	81.5%	94.9%	94.0%	83.7%	86.3%	93.1%	93.3%	92.7%
Insurance Finance Income:	(3.2%)	0.0%	(8.1%)	(1.1%)	(2.8%)	(0.2%)	0.0%	(10.2%)
Investment Income Ratio:	(2.3%)	(2.5%)	(0.2%)	(2.4%)	(0.1%)	(2.0%)	(1.4%)	(0.9%)
Combined Operating Ratio	76.0%	92.4%	85.7%	80.2%	83.4%	90.9%	91.8%	81.6%

rounding differences may occur

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

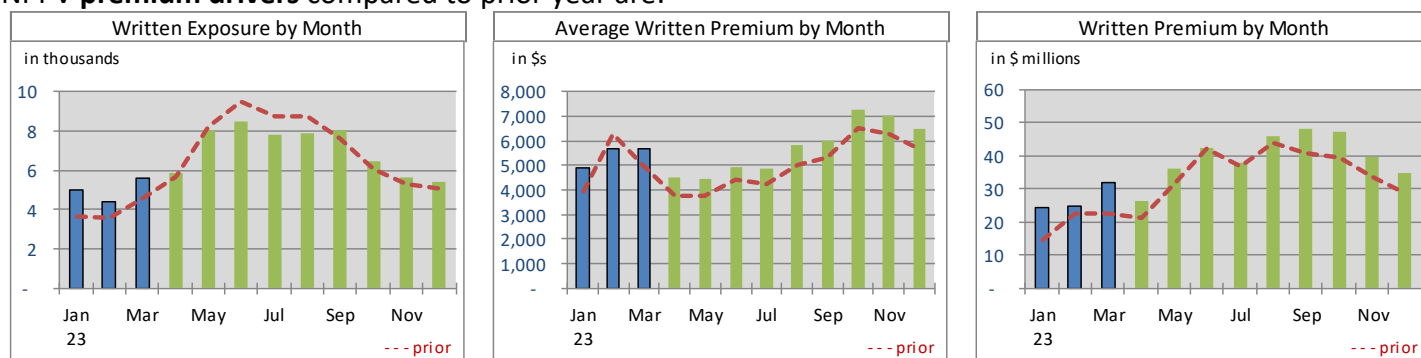
Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 3,475 vehicles; written premium was \$11.2 million, higher compared to prior year. Average premium for PPV was up by 7.2% 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 5,581 vehicles, up 21.6% compared with prior year; written premium was \$31.8 million, up 39.8% compared with prior year. Average written premium for NPPV was down up 15.0% compared with prior year.

As a result, the overall month's written premium was up \$10.6 million or 32.7% compared with prior year.

Insurance Service Expenses

- Claims Incurred – Incurred losses in March 2023 were \$24.8 million, lower than projection by \$2.8 million and \$5.6 million lower compared with the same month from last year. Loss ratio was at 60.6%, 11.3 percentage points below projected, and down 15.8 percentage points compared with prior year.
- Administrative Expense – \$5.1 million for March 2023
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$3.5 million for March 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 2022 Q4 Valuation Implementation Impact

FARM (in \$000s)	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY (2022 & prior)	(7,498)	-	(7,498)	(6.2%)
CAY (2023)	2,988	-	2,988	2.5%
Total	(4,509)		(4,509)	(3.7%)

(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 2022 Q4 valuation assumptions which generated an estimated favourable impact of \$4.5 million on the year to date results.

Compared with The Outlook released in January 2023, insurance revenue has increased by \$13.8 million to \$533.6 million. The year-end 2023 operating result is expected to be \$48.8 million, higher than The Outlook by \$6.4 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](#)

*03 months ended March 2023 (discounted basis)