

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 030

DATE: April 28, 2023

SUBJECT: FARM – February 2023 Participation Report

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

Please be advised that the February 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 ***February 2023 received premium*** was \$34.4 million, higher than prior year by \$3.5 million. The ***projected 2023 year-end received premium*** was \$565.1 million; and
- (b) The ***February 2023 insurance revenue*** was \$38.6 million, higher than prior year by \$1.9 million. The ***projected 2023 year-end insurance revenue*** was \$532.0 million; and
- (c) The ***February 2023 operating result*** was \$5.7 million, higher than prior year by \$1.2 million; and
- (d) The ***February 2023 combined operating ratio*** was 85.3%, below prior year by 2.5 percentage points. The ***projected 2023 year-end combined operating ratio*** was 90.5%.

Summary of Financial Results

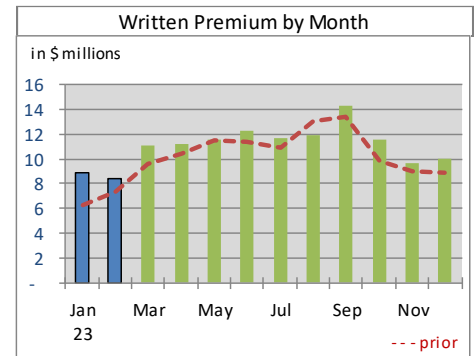
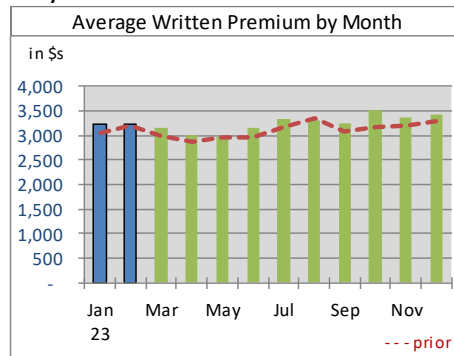
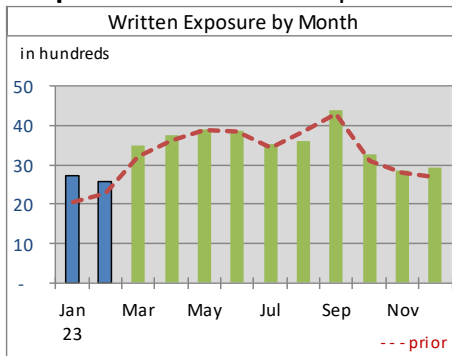
FARM Summary of IFRS17 Financial Results

Total FARM 2023 Summary Amounts in \$000s	Actual (February 2023)	Projection (February 2023)	Prior Year (February 2022)	2023 year-to-date as at 2 months	2022 year-to-date as at 2 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	34,609	37,577	29,948	67,943	50,892	570,257	566,850	499,823
Received Premium	34,438	37,719	30,921	67,531	53,242	565,125	565,833	501,178
Earned Premium	38,600	33,838	36,692	80,359	76,896	532,019	519,828	496,981
Insurance Revenue	38,600	33,838	36,692	80,359	76,896	532,019	519,828	496,981
Total Claims Incurred	26,143	24,530	25,245	58,839	50,471	376,045	367,696	360,656
Claims incurred (CAY)	25,137	22,758	23,985	52,322	49,740	356,269	350,800	341,969
Adjustments to Liabilities for Incurred Claims (PAYs)	1,005	1,772	1,260	6,517	732	19,777	16,897	18,687
Administrative Expense	4,081	4,642	3,482	8,283	6,168	70,228	69,911	58,848
Amortization of IACFs	3,587	3,921	3,517	4,202	6,697	45,697	47,292	41,213
Change in Loss Component	0	0	0	0	0	0	0	0
Insurance Service Expenses	33,811	33,092	32,244	71,325	63,336	491,971	484,899	460,716
Insurance Service Result	4,789	746	4,447	9,035	13,560	40,048	34,929	36,265
Insurance Finance Expense from PV FCF	0	0	0	0	0	0	0	46,169
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	0	0	4,384
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	0
Investment Income	883	879	40	1,930	93	10,741	7,476	4,516
Insurance Finance Income (Expense)	883	879	40	1,930	93	10,741	7,476	55,069
Operating Result	5,672	1,625	4,487	10,965	13,654	50,789	42,405	91,333
Ratios (% Insurance revenue):								
Loss ratios:	67.7%	72.5%	68.8%	73.2%	65.6%	70.7%	70.7%	72.6%
Claims incurred (CAY)	65.1%	67.3%	65.4%	65.1%	64.7%	67.0%	67.5%	68.8%
Adjustments to Liabilities for Incurred Claims (PAYs)	2.6%	5.2%	3.4%	8.1%	1.0%	3.7%	3.3%	3.8%
Underwriting and Admin Expenses:	19.9%	25.3%	19.1%	15.5%	16.7%	21.8%	22.5%	20.1%
Administrative Expenses	10.6%	13.7%	9.5%	10.3%	8.0%	13.2%	13.4%	11.8%
Amortization of IACFs	9.3%	11.6%	9.6%	5.2%	8.7%	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:	87.6%	97.8%	87.9%	88.8%	82.4%	92.5%	93.3%	92.7%
Insurance Finance Income:	(2.3%)	(2.6%)	(0.1%)	(2.4%)	(0.1%)	(2.0%)	(1.4%)	(11.1%)
Combined Operating Ratio	85.3%	95.2%	87.8%	86.4%	82.2%	90.5%	91.8%	81.6%

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

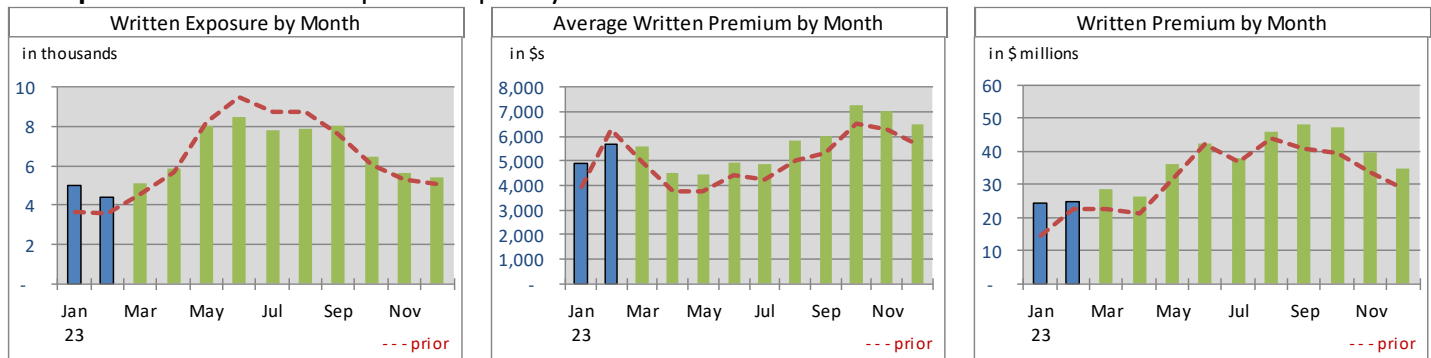
Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 2,580 vehicles; written premium was \$8.4 million, higher compared to prior year. Average premium for PPV was up by 1.6% 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 4,378 vehicles, up 22.9% compared with prior year; written premium was \$25.0 million, up 11.0% compared with prior year. Average written premium for NPPV was down by 9.6% compared with prior year.

As a result, the overall month's written premium was up \$3.5 million or 11.8% compared with prior year.

Insurance Service Expenses

- Claims Incurred – Incurred losses in February 2023 were \$26.1 million, higher than projection by \$1.6 million and \$0.9 million higher compared with the same month from last year. Loss ratio was at 67.7%, 4.8 percentage points below projected, and down 1.1 percentage points compared with prior year.
- Administrative Expense – \$4.1 million for February 2023
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$3.6 million for February 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.

Projection to year-end 2023

Compared with The Outlook released in January 2023, insurance revenue has increased by \$12.2 million to \$532.0 million. The year-end 2023 operating result is expected to be \$50.8 million, higher than The Outlook by \$8.4 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](#)

*02 months ended February 2023 (discounted basis)