

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 023

DATE: March 30, 2023

SUBJECT: FARM – January 2023 Participation Report

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

Please be advised that the January 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 ***January 2023 received premium*** was \$33.0 million, higher than prior year by \$10.8 million. The ***projected 2023 year-end received premium*** was \$569.1 million; and
- (b) The ***January 2023 insurance revenue*** was \$41.8 million, higher than prior year by \$1.6 million. The ***projected 2023 year-end insurance revenue*** was \$534.4 million; and
- (c) The ***January 2023 operating result*** was \$2.5 million, lower than prior year by \$6.6 million; and
- (d) The ***January 2023 combined operating ratio*** was 93.9%, above prior year by 16.7 percentage points. The ***projected 2023 year-end combined operating ratio*** was 91.3%.

Summary of Financial Results

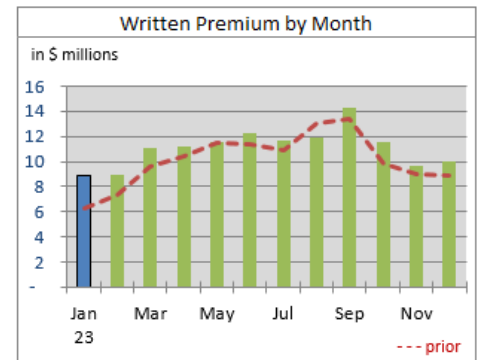
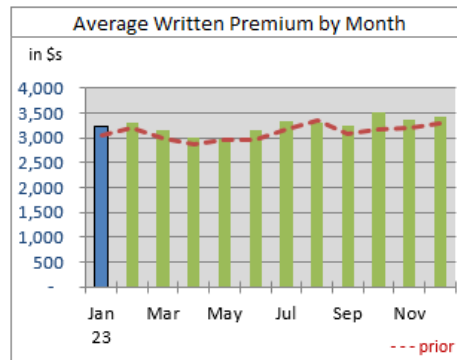
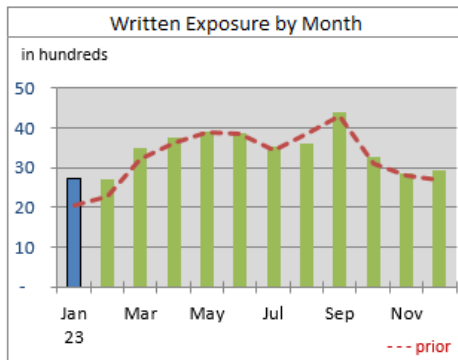
FARM Summary of IFRS17 Financial Results

Total FARM 2023 Summary Amounts in \$000s	Actual (January 2023)	Projection (January 2023)	Prior Year (January 2022)	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	33,333	27,523	20,945	573,224	566,850	499,823
Received Premium	33,093	28,284	22,321	569,146	565,833	501,178
Earned Premium	41,760	35,841	40,205	534,406	519,828	496,981
Insurance Revenue	41,760	35,841	40,205	534,406	519,828	496,981
Total Claims Incurred	32,722	30,424	25,226	379,027	367,696	360,656
<i>Claims incurred (CAY)</i>	27,209	24,115	25,755	358,935	350,800	341,969
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	5,513	6,309	(529)	20,093	16,897	18,687
Administrative Expense	4,202	3,397	2,686	70,789	69,911	58,848
Amortization of IACFs	3,330	3,790	3,180	49,258	47,292	41,213
Change in Loss Component	0	0	0	0	0	0
Insurance Service Expenses	40,254	37,611	31,092	499,075	484,899	460,716
Insurance Service Result	1,505	(1,770)	9,113	35,331	34,929	36,265
<i>Insurance Finance Expense from PV FCF</i>	0	0	0	0	0	46,169
<i>Insurance Finance Expense from Risk Adjustment</i>	0	0	0	0	0	4,384
<i>Insurance Finance Expense from Loss Component</i>	0	0	0	0	0	0
<i>Investment Income</i>	1,047	1,062	53	11,095	7,476	4,516
Insurance Finance Income (Expense)	1,047	1,062	53	11,095	7,476	55,069
Operating Result	2,553	(708)	9,166	46,427	42,405	91,333
Ratios:						
Loss ratios (% insurance revenue):	78.4%	84.9%	62.7%	70.9%	70.7%	72.6%
<i>Claims incurred (CAY)</i>	65.2%	67.3%	64.1%	67.2%	67.5%	68.8%
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	13.2%	17.6%	(1.3%)	3.8%	3.3%	3.8%
Underwriting and Admin Expenses (% insurance revenue)	18.0%	20.1%	14.6%	22.5%	22.5%	20.1%
<i>Administrative Expenses</i>	10.1%	9.5%	6.7%	13.2%	13.4%	11.8%
<i>Amortization of IACFs</i>	8.0%	10.6%	7.9%	9.2%	9.1%	8.3%
<i>Change in Loss Component</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance Service Ratio:	96.4%	104.9%	77.3%	93.4%	93.3%	92.7%
Insurance Finance Income:	(2.5%)	(3.0%)	(0.1%)	(2.1%)	(1.4%)	(11.1%)
Combined Operating Ratio	93.9%	102.0%	77.2%	91.3%	91.8%	81.6%

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

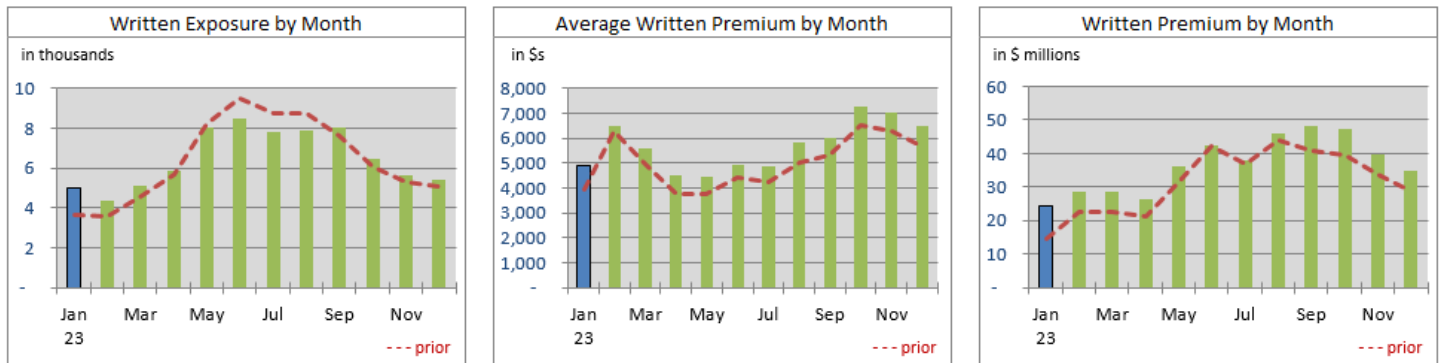
Premium

PPV premium drivers compared to prior year are:



The Private Passenger vehicle count for the month was 2,744 vehicles; written premium was \$8.8 million, slightly higher compared to prior year. Average premium for PPV was up by 5.6% compared to prior year.

NPPV premium drivers compared to prior year are:



The Non-Private Passenger vehicle count was 4975 vehicles, up 34.8% compared with prior year; written premium was \$24.5 million, up 67.4% compared with prior year. Average written premium for NPPV was up by 24.1% compared with prior year.

As a result, the overall month's written premium was up \$12.4 million or 59.2% compared with prior year.

Insurance Service Expenses

- Claims Incurred – Incurred losses in January 2023 were \$33.0 million, higher than projection by \$2.3 million and \$7.5 million higher compared with the same month from last year. Loss ratio was at 78.4%, 6.5 percentage points below projected, and up 15.6 percentage points compared with prior year.
- Administrative Expense – \$4.2 million for January 2023
- Amortization of Insurance Acquisition Cash Flows (IACFs) – \$3.3 million for January 2023
- Change in Loss Component – FARM business is priced with a profit 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 \$14.5 million to \$534.4 million. The year-end 2023 operating result is expected to be \$46.4 million, slightly higher than The Outlook by \$4.0 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](#)

*01 months ended January 2023 (discounted basis)