

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 015

DATE: February 27, 2023

SUBJECT: FARM – December 2022 Participation Report

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

Please be advised that the December 2022 FARM Participation Report is available on the Facility Association Portal at <https://portal.facilityassociation.com>.

Highlights (IFRS 4)

- (a) The ***December 2022 premium written*** was \$37.8 million, higher than prior year by \$9.7 million. The ***2022 year-to-date premium written*** was \$499.8 million, higher than prior year by \$20.4 million; and
- (b) The ***December 2022 Operating Results*** were a surplus of \$6.6 million and the ***2022 year-to-date Operating Results*** were a surplus of \$97.5 million; and
- (c) The ***December 2022 combined operating ratio*** was 84.5%, higher than prior year by 4.4 percentage points. The ***2022 year-to-date combined operating ratio*** was 80.4%, lower than prior year by 5.0 percentage points;

Highlights (IFRS 17)

- (a) The ***December 2022 received premium*** was \$38.4 million, higher than prior year by \$8.4 million. The ***2022 year-to-date received premium*** was \$501.1 million; and
- (b) The ***December 2022 insurance revenue*** was \$42.8 million, higher than prior year by \$1.9 million. The ***2022 year-to-date insurance revenue*** was \$496.9 million; and
- (c) The ***December 2022 operating result*** was \$5.0 million, lower than prior year by \$4.2 million; and
- (d) The ***December 2022 combined operating ratio*** was 88.3%, above prior year by 10.9 percentage points. The ***2022 year-to-date combined operating ratio*** was 73.6%.

Summary of Financial Results

FARM Summary of IFRS4 Financial Results

Total FARM 2022 Summary Amounts in \$000s	Actual (December 2022)	Projection (December 2022)	Prior Year (December 2021)	2022 year-to-date as at 12 months	Outlook* Full year 2022	2021 year-end Actual
Premium Written	37,811	34,389	28,078	499,823	518,820	479,426
Premium Earned	42,841	41,322	40,860	496,981	493,040	461,837
Incurred Losses	28,382	28,254	25,480	303,593	337,337	295,650
Underwriting & Admin Expense	8,785	7,805	7,053	100,436	108,084	95,239
Net Result from Operations	6,633	6,221	8,382	97,468	47,619	71,414
Ratios:						
Loss ratio						
- Prior Accident Years	(3.4%)	(1.5%)	(1.8%)	(8.9%)	(1.8%)	(0.8%)
- Current Accident Year	69.7%	69.8%	64.1%	69.9%	70.2%	64.8%
Total	66.3%	68.4%	62.4%	61.1%	68.4%	64.0%
Underwriting & Admin Expense	20.5%	18.9%	17.3%	20.2%	21.9%	20.6%
Combined Operating Ratio	84.5%	84.9%	79.5%	80.4%	90.3%	84.5%

rounding differences may occur
*as posted to FA's website Dec. 24, 2021

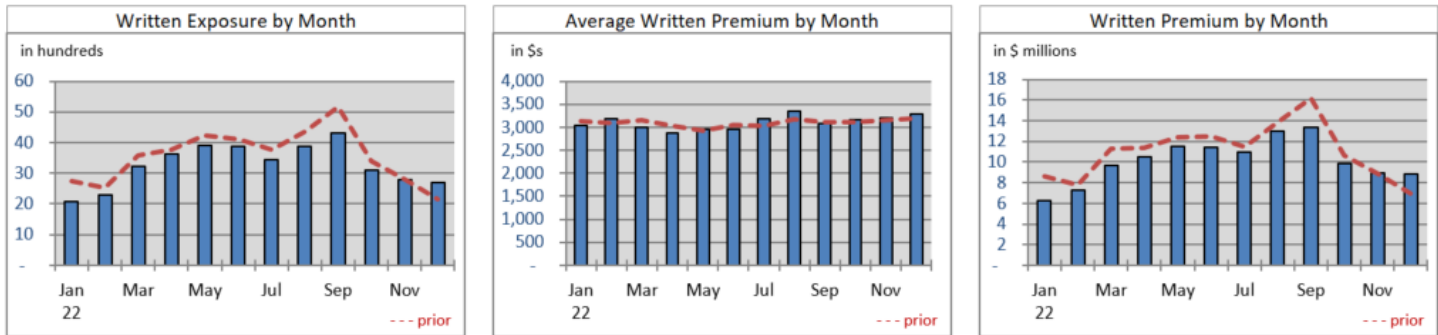
FARM Summary of IFRS17 Financial Results

Total FARM 2022 Summary Amounts in \$000s	Actual (December 2022)	Projection (December 2022)	Prior Year (December 2021)	2022 year-to-date as at 12 months	Outlook* Full year 2022
Written Premium	37,811	34,389	28,078	499,823	
Received Premium	38,423	35,010	29,996	501,178	
Earned Premium	42,841	41,322	40,860	496,981	
Insurance Revenue	42,841	41,322	40,860	496,981	
Total Claims Incurred	28,755	29,375	24,673	360,685	
Claims incurred (CAY)	28,559	27,681	24,821	341,998	
Adjustments to Liabilities for Incurred Claims (PAYs)	196	1,694	(148)	18,687	
Administrative Expense	5,164	4,278	3,786	58,848	
Amortization of IACFs	4,858	3,563	3,208	1,002	
Change in Loss Component	0	0	0	0	
Insurance Service Expenses	38,777	37,216	31,666	420,535	
Insurance Service Result	4,063	4,106	9,194	76,446	
Insurance Finance Expense from PV FCF	0	0	0	46,169	
Insurance Finance Expense from Risk Adjustment	0	0	0	4,384	
Insurance Finance Expense from Loss Component	0	0	0	0	
Investment Income	959	957	55	4,344	
Insurance Finance Income (Expense)	959	957	55	54,897	
Operating Result	5,022	5,063	9,249	131,343	
Ratios:					
Loss ratios (% insurance revenue):	67.1%	71.1%	60.4%	72.6%	
Claims incurred (CAY)	66.7%	67.0%	60.7%	68.8%	
Adjustments to Liabilities for Incurred Claims (PAYs)	0.5%	4.1%	(0.4%)	3.8%	
Underwriting and Admin Expenses (% insurance revenue):	23.4%	19.0%	17.1%	12.0%	
Administrative Expenses	12.1%	10.4%	9.3%	11.8%	
Amortization of IACFs	11.3%	8.6%	7.9%	0.2%	
Change in Loss Component	0.0%	0.0%	0.0%	0.0%	
Insurance Service Ratio:	90.5%	90.1%	77.5%	84.6%	
Insurance Finance Income:	(2.2%)	(2.3%)	(0.1%)	(11.0%)	
Combined Operating Ratio	88.3%	87.7%	77.4%	73.6%	

rounding differences may occur
*2022 Outlook was not created on IFRS 17 basis

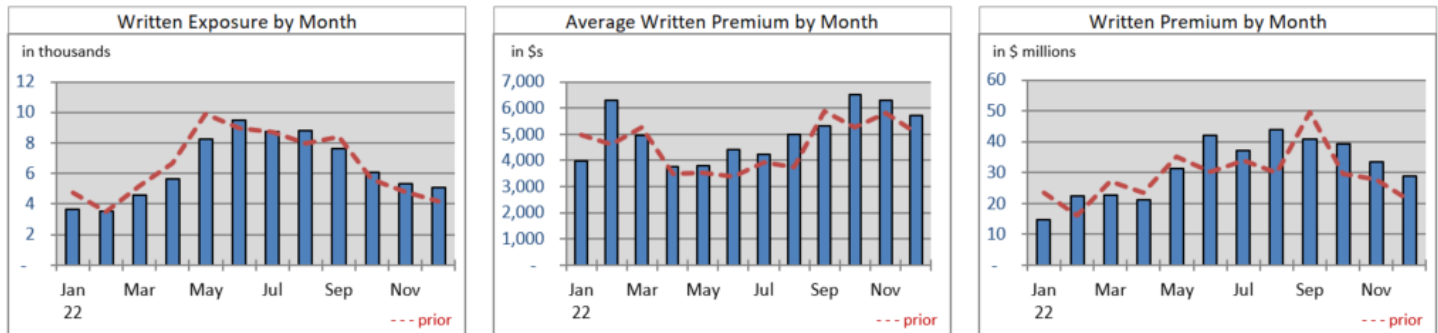
Premium

PPV **premium drivers** compared to prior year are:



The Private Passenger vehicle count for the month was 2,696 vehicles; written premium was \$8.9 million, in line compared with prior year. Average premium for PPV was up by 2.8% compared to prior year.

NPPV **premium drivers** compared to prior year and The Outlook to year-end:



The Non-Private Passenger vehicle count was 5075 vehicles, up 20.8% compared with prior year; written premium was \$28.9 million, up 36.9% compared with prior year. Average written premium for NPPV was up by 8.8% compared with prior year.

As a result, the overall month's written premium was up \$9.7 million or 34.7% compared with prior year.

Incurred Losses

Incurred losses in December 2022 were \$28.4 million, \$0.1 million higher than projection and \$2.9 million higher compared with the same month from last year. Loss ratio was at 66.3%, down 2.1 percentage points compared with projection and up 3.9 percentage points compared with prior year.

Underwriting and Admin Expenses

Underwriting expenses arise from servicing carrier compensation arrangements and are driven by written premium. Expenses for the month were \$4.7 million; the expense ratio was 7.8% lower compared with projection and 6.2% lower compared with prior year.

Year-End 2022

The 2022 year-end written premium is below The Outlook by \$18.9 million while above prior year by \$20.4 million. Earned premium is above The Outlook by \$3.9 million and above prior year by \$35.1 million.

The year-end loss ratio of 61.1% is slightly below prior year by 2.9%. The Outlook had assumed a return of the

loss ratios to normalized levels hence expected loss ratios were higher (68.4%) compared to the year-end. The actual year-end loss ratio includes the favorable impact of rising yields on discounting during the past year.

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 2022](#)

*12 months ended December 2022 (discounted basis)