

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 005

DATE: January 18, 2023

**SUBJECT: FARM Final Outlook for Calendar Year 2023
Based on August 2022 Operational Reports**

This Outlook was prepared for the Member companies of Facility Association to assist Member companies in estimating their share of FARM results for planning purposes. It is not intended, nor is it necessarily suitable, for any other purpose.

Key Takeaways

- The projected **2023 Premium Written** is **\$567 million**, an increase of \$67 million from the current updated full-year 2022 forecast of \$500 million; the projected **Combined Operating Ratio (COR)** is **91.8% for 2023**, an increase of 12.1% pts from 2022 forecast of 79.8%. Approximately 9.9% pts of the 2022 COR forecast was driven by finance income that had already been recognized up to August 2022 due to higher interest rates.
- The estimated premium and COR include consideration of approved rate changes, portfolio mix changes related to recent growth in FARM volumes across jurisdictions and certain classes of vehicles and impacts related to the COVID-19 pandemic and the post-COVID economic environment, following from discussions with Facility Association's Actuarial team, Underwriting team and Servicing Carriers (note that CORs for FARM do not include all expenses like premium taxes, where such expenses are the direct responsibility of FA members);
- The projected **2023 Operating Result** is **\$42 million**, a decrease of \$57 million from 2022 forecast of \$100 million. The decrease is primarily driven by an expected increase in Current Accident Year loss ratios and the associated impact on the projected losses;
- **Operating cash inflows^[1]** of **\$160 million in 2023**, down \$7 million from an expected inflow of **\$167 million for 2022** mainly driven by the continuing increase in written premium offset by generally higher expected loss ratios for the future accident year; and
- Facility Association has adopted the IFRS 17 accounting standards effective Nov. 1, 2022, and the 2022-2023 financial projections in this paper have been prepared on the IFRS 17 basis. IFRS 17 has significant impact on the liabilities and operating statements of the FARM.

^[1]Operating cash outflows are estimated based on assumptions related to collection of premium, and payment of expenses and claims.



The calendar year 2023 FARM Outlook based on actual results as found in the August 2022 Operational Reports can be found on our website: [FARM Outlook CY 2023](#)

Questions regarding the Outlook should be directed to Philippe Gosselin, VP Actuarial, CRO at Facility Association, 416-863-1750 x 4968, PGosselin@facilityassociation.com

Saskia Matheson,
President & CEO

Please forward a copy of this bulletin to your Chief Financial Officer