

Facility Association Annual General Meeting

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Facility Association

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Thank you, Karen, and good morning, everyone.

It's wonderful to be here today - to meet with our members and stakeholders in person, and equally to connect virtually with people everywhere we do business in Canada.

This is my sixth AGM, and I must tell you it never gets old. Each year we face new challenges - and those challenges continue to provide us with the opportunity to become more resilient, to modernize our approach, and to prepare FA for the future.

We are meeting the challenge of that future by ensuring each of the FA mechanisms is solidly structured, well governed, and well managed. Rest assured we never forget that the capital supporting these mechanisms comes from you, our members.

The traditional FA that everyone knows about is the mechanism we call the Residual Market, or FARM. FARM insures half a billion in premium across 6 provinces and 3 territories, and as of 2024, 65 % of that is now non-Private passenger lines.

Our goal is to achieve pricing neutrality, with premiums sufficient to cover all costs, including the cost of your capital.

We continue to actively manage the pricing of the FARM book and in January of this year distributed \$54.6 million to members, representing the fair return on the capital members are required to hold for FA. Over the proceeding five years FA distributed a total of \$369 million to members.

We have also been working on improving efficiency and service.

Being a market of last resort does not mean we should make it difficult to do business with FA.

In fact, arcane and complex rules, often introduced in their time to keep FA uncompetitive, have served only to make it harder for brokers, agents, Servicing Carriers and consumers, both to come to, but also to leave FA.

That's why we have refined our focus on harmonization, and worked together with our Servicing Carrier Nordic around automation, rating tools, and this year's big roll-out of a new fleet rating engine. All these initiatives are part of FA's commitment to meeting the needs of our stakeholders and the consumers they serve.

The same commitment to efficiency applies to our largest mechanism: The Risk Sharing Pools. The RSPs were introduced over many years in response to market and political situations, designed to support subsidized pricing of specific portions of that particular market.

Through the last 30 years there have been many initiatives to simplify and harmonize - with varied successes.

We recognize the RSP needs to be updated and modernized. It needs to be easier to use and provide more flexibility for members. And we need the tools to be able to provide more accurate and reliable data along with the ongoing good governance and data protection.

As you may know, IBC has made a strategic decision to discontinue its role as an IT Service Provider to other industry bodies including FA.

The transition of the FA System from IBC to a new service provider is expected to be complex and lengthy, and we will work closely with our IBC friends and colleagues to achieve the transition in an efficient a cost-effective way.

But the transition also gives us an opportunity - to go back to the foundations of RSP - to clarify RSPs purpose, and to ask you, our members, how we can best achieve that purpose.

And while we are having that conversation, we also will be looking at the purpose of the Underwriting Information Plan - the UIP.

The UIP was created to permit consumers to be charged a fair price for their auto policies, by ensuring members had full and equal access to vehicle and driver history and detail.

Because every member is a participant in UIP, FA provides an assurance that the data is complete, and equally that every member is guaranteed access. But beyond ensuring that access, we have never had the opportunity to ask members what you are looking for from UIP.

It is FA's legal responsibility to protect UIP data and the governance of its use. But within that responsibility there are potential opportunities - and inherent risk.

And so, we will be coming to our members to understand your position and preferences on the possible use of this data. FA will always bring good management and solid governance around our purpose to this question. We look to the members to add the insight as to what the purpose of UIP and its data should be.

How are we going to do that?

You will recall in the spring of 2020, FA undertook a detailed survey of stakeholders, including a series of sit-down interviews with industry CEO's.

We gathered input and views on FA's perceived strengths and weaknesses, the role FA should play in the industry, and the major concerns and top risks that kept CEO's up at night.

The results of that survey became the foundation of FA's 5-year strategic plan from 2020 – 2025.

Now that we have reached the five-year window, and we face new developments, and new challenges, it's an important time to reach back out to members to establish your input on the future direction for the organization.

With that said, we will once again be reaching out to Member CEOs with the help of an external resource to help shape, define and refine FA's strategic priorities for 2026 and beyond.

And that leads us to the future, as we turn the page into 2025 and beyond.

Whatever the future brings, members can rest assured FA will continue to provide availability, capacity, good governance, and valued information all within the smallest administrative, strategic and cost burden to the industry – and we will continue to deliver the critical social, market and financial benefit to the industry and to all our stakeholders.

Thank you.