

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 097

DATE: December 23, 2022

SUBJECT: FARM – October 2022 Participation Report

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

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

Highlights

- (a) The **October 2022 premium written** was \$49.2 million, higher than prior year by \$9.0 million. The **2022 year-to-date premium written** was \$4.9 million higher than prior year; and
- (b) The **October 2022 Operating Results** were a surplus of \$3.8 million and the **2022 year-to-date Operating Results** were a surplus of \$84.9 million; and
- (c) The **October 2022 combined operating ratio** was 91.7%, above prior year by 26.8 percentage points. The **2022 year-to-date combined operating ratio** was 81.2%, lower than prior year by 5.4 percentage points.
- (d) The implementation of the **2022 Q3 valuation**, generated \$1.9 million unfavourable impact for the month, increasing the COR by 4.4 percentage points;
- (e) The October 2022 Participation Report reflects the Distribution of **\$40.2 million in Operating Results** to members for all Prior Accident Years as accrued to October 2021.

Summary of Financial Results

FARM Summary of Financial Results

FARM 2022 Summary Amounts in \$000s	Actual (Oct 2022)	Projection (Oct 2022)	Actual (Oct 2021)	2022 year-to-date as at 10 months	2021 year-to-date as at 10 months	Projection calendar year 2022	Outlook* calendar year 2022	Actual calendar year 2021
Premium Written	49,196	47,190	40,244	419,526	414,622	499,969	518,820	479,426
Premium Earned	43,623	40,856	41,812	412,066	380,884	494,170	493,040	461,837
Incurred Losses	31,374	28,055	18,468	246,160	245,105	303,619	337,337	295,650
Underwriting & Admin Expense	8,405	8,871	8,601	80,957	80,117	97,488	108,084	95,128
Net Result from Operations	3,843	3,930	14,744	84,949	55,662	93,062	47,619	71,058
Ratios:								
Loss ratio - Prior Accident Years	(9.9%)	(0.6%)	(12.8%)	(10.2%)	(0.5%)	(8.6%)	(1.8%)	(0.8%)
- Current Accident Year	81.8%	69.3%	57.0%	70.0%	64.9%	70.0%	70.2%	64.8%
Total	71.9%	68.7%	44.2%	59.8%	64.4%	61.4%	68.4%	64.0%
Underwriting & Admin Expense	19.8%	21.7%	20.7%	20.3%	21.1%	19.7%	21.9%	20.6%
Premium Deficiency/(DPAC)	(0.9%)	(1.1%)	0.3%	(0.2%)	(0.7%)	(0.1%)	(0.4%)	(0.3%)
SC Incurred Expenses & Others	20.7%	22.9%	20.2%	20.5%	21.7%	19.8%	22.3%	20.9%
Combined Operating Ratio	91.7%	90.4%	64.9%	80.1%	85.5%	81.2%	90.3%	84.6%

rounding differences may occur

**as posted to FA's website Dec 24, 2021*

FARM Summary of 2022 Q3 Valuation Implementation Impact

unfav / (fav)

FARM	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
PAYs (2021 & prior)	(3,930)	(9.0%)	(1.0%)	(3,848)	(0.8%)
CAY (2022)	5,871	13.5%	1.4%	7,065	1.4%
PAYs & CAY	1,941	4.5%	0.4%	3,217	0.6%
Premium Deficiency / (DPAC)	-	-	-	-	-
Total	1,941	4.4%	0.5%	3,217	0.7%

Operating Results Distributed to Members

The October 2022 Participation Report reflects the Distribution of **\$40.2 million in Operating Results** to members for all Prior Accident Years as accrued to October 2021.

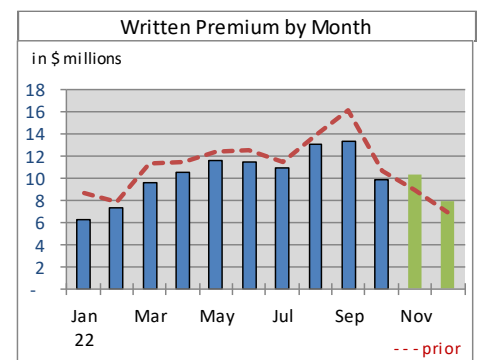
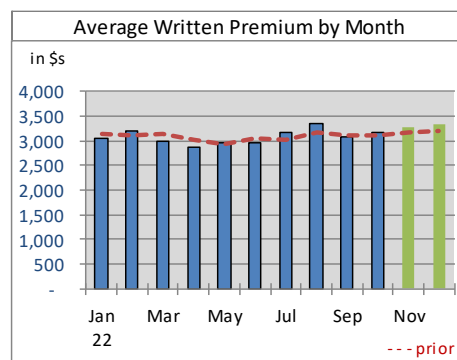
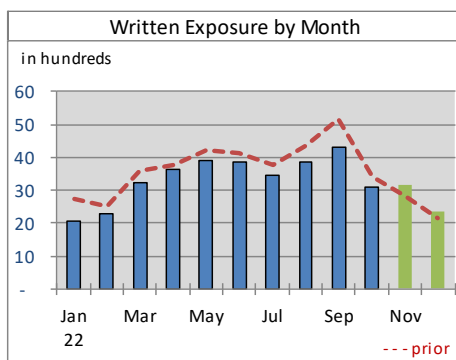
Net Results from Operations (\$000s) to be Distributed to Members

Summary by Jurisdiction	Private Passenger	Non Private Passenger	Total
Ontario	8,281	4,232	12,512
Alberta	350	19,069	19,419
Newfoundland & Labrador	3,671	591	4,263
New Brunswick	2,340	1,012	3,352
Nova Scotia	670	(2,534)	(1,863)
Prince Edward Island	257	127	385
Yukon	(200)	765	565
Northwest Territories	666	601	1,266
Nunavut	78	236	314
TOTAL	16,113	24,099	40,213

Due to the Annual Share Base update in June 2022 and because Members' share ratios vary by jurisdiction, business segment and accident year, it has resulted in redistribution of previously available funds distributed to and from Members, even though the aggregate transfer is \$0. The amount due to or from Facility Association for your company as a result of Annual Share Base update and the Distribution of Operating Results is shown on page 21: Members Combined Accident Year Share Results for all Jurisdictions.

Premium

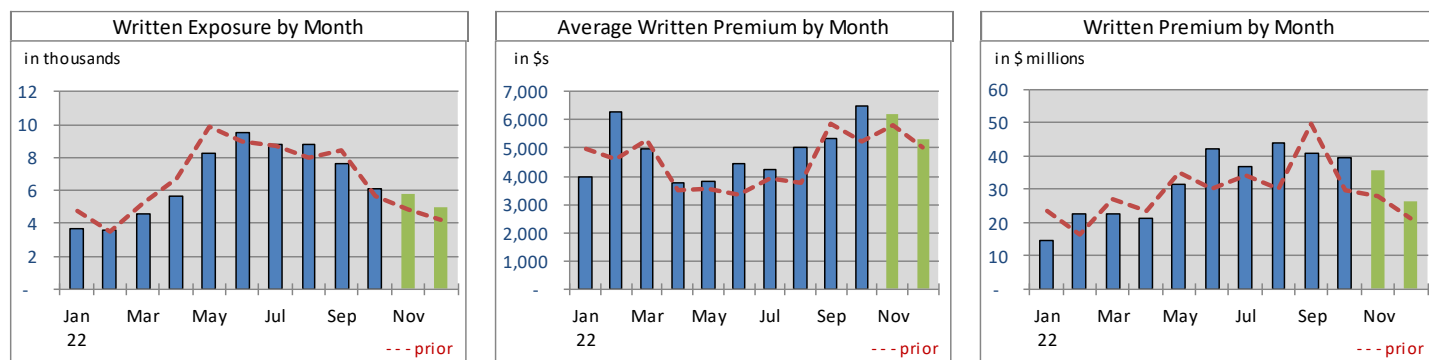
PPV **premium drivers** compared to prior year and The Outlook to year-end:



The Private Passenger vehicle count for the month was 3,097 vehicles, down 9.0% compared with prior year; written premium was \$9.8 million, down 7.6% compared with prior year. Average premium for PPV was up by

1.6% compared to prior year.

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



The Non-Private Passenger vehicle count was 6,051 vehicles, up 7.4% compared with prior year; written premium was \$39.4 million, up 33.0% compared with prior year. Average written premium for NPPV was up by 23.8% compared with prior year.

As a result, the overall month's written premium was up \$9.0 million or 22.3% compared with prior year. Please note, the servicing carrier backlog in new business and renewal processing is now resolved.

Incurred Losses

Incurred losses in October 2022 were \$31.4 million, \$3.3 million higher than projection and \$12.9 million higher compared with the same month from last year. Loss ratio was at 71.9%, up 3.2 percentage points compared with projection and 27.7 percentage points compared with prior year.

The variance from projection was driven by the 2022 Q3 valuation being implemented in the month, generating an unfavourable impact of \$1.9 million on the month and year-to-date losses. The unfavourable impact is mainly driven by the higher than expected claims development for Current Accident year. For more information on the valuation please refer to the Actuarial Highlights.

Underwriting and Admin Expenses

Underwriting expenses arise from servicing carrier compensation arrangements and are driven by written premium. Expenses for the month were \$8.4 million; the expense ratio was 1.9% lower compared with projection and 0.9% lower compared with prior year.

Projection to Year-End 2022

Compared to 2021, written premium is expected to increase in 2022 as the economy opens up, and loss ratios are expected to return to pre-pandemic levels.

The updated year-end 2022 operating surplus is expected to be \$93.1 million, with loss ratios lower than The Outlook projections. Please note that current accident year loss ratio is in line with The Outlook and prior accident years had favorable development. In addition, expense ratios, driven mainly from lower than expected written premium, are expected to be lower than The Outlook projections.

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](#)

*10 months ended October 2022 (discounted basis)

[FARM August 2022 Participation Report Actuarial Highlights](#)

*For additional details on Actual vs Projected Variance, IBNR, and Valuation