

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 071

DATE: September 29, 2022

SUBJECT: FARM – July 2022 Participation Report

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

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

Highlights

- (a) The **July 2022 premium written** was \$47.9 million, higher than prior year by \$2.5 million. The **2022 year-to-date premium written** was \$5.6 million lower than prior year; and
- (b) The **July 2022 Operating Results** were a surplus of \$4.9 million and the **2022 year-to-date Operating Results** were a surplus of \$48.2 million; and
- (c) The **July 2022 combined operating ratio** was 89.2%, above prior year by 1.9 percentage points. The **2022 year-to-date combined operating ratio** was 83.3%, lower than prior year by 11.3 percentage points.

Summary of Financial Results

FARM Summary of Financial Results

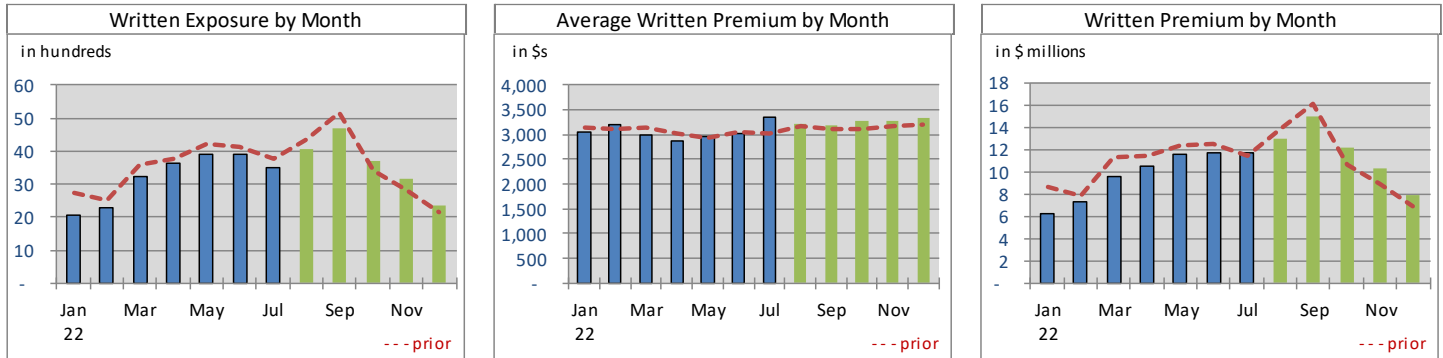
FARM 2022 Summary Amounts in \$000s	Actual (Jul 2022)	Projection (Jul 2022)	Actual (Jul 2021)	2022 year-to-date as at 7 months	2021 year-to-date as at 7 months	Projection calendar year 2022	Outlook* calendar year 2022	Actual calendar year 2021
Premium Written	47,930	49,735	45,384	259,237	264,869	491,338	518,820	475,848
Premium Earned	42,616	26,241	39,613	281,930	257,276	482,699	493,040	458,438
Incurred Losses	28,991	17,456	25,655	179,987	190,481	317,231	337,337	295,645
Underwriting & Admin Expense	8,718	8,434	8,886	53,769	52,603	98,948	108,084	94,298
Net Result from Operations	4,907	351	5,072	48,173	14,192	66,521	47,619	68,495
Ratios:								
Loss ratio								
- Prior Accident Years	(1.5%)	(2.0%)	(1.0%)	(5.6%)	8.0%	(3.7%)	(1.8%)	(0.4%)
- Current Accident Year	69.7%	68.5%	65.7%	69.5%	66.0%	69.4%	70.2%	64.8%
Total	68.2%	66.5%	64.7%	63.9%	74.0%	65.7%	68.4%	64.4%
Underwriting & Admin Expense	21.0%	32.1%	22.5%	19.4%	20.5%	20.5%	21.9%	20.6%
Premium Deficiency/(DPAC)	(0.9%)	(6.8%)	(1.0%)	0.6%	(0.2%)	(0.1%)	(0.4%)	(0.3%)
SC Incurred Expenses & Others	21.3%	38.9%	23.5%	18.5%	20.7%	20.6%	22.3%	20.8%
Combined Operating Ratio	89.2%	98.6%	87.2%	83.3%	94.5%	86.2%	90.3%	85.0%

rounding differences may occur

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

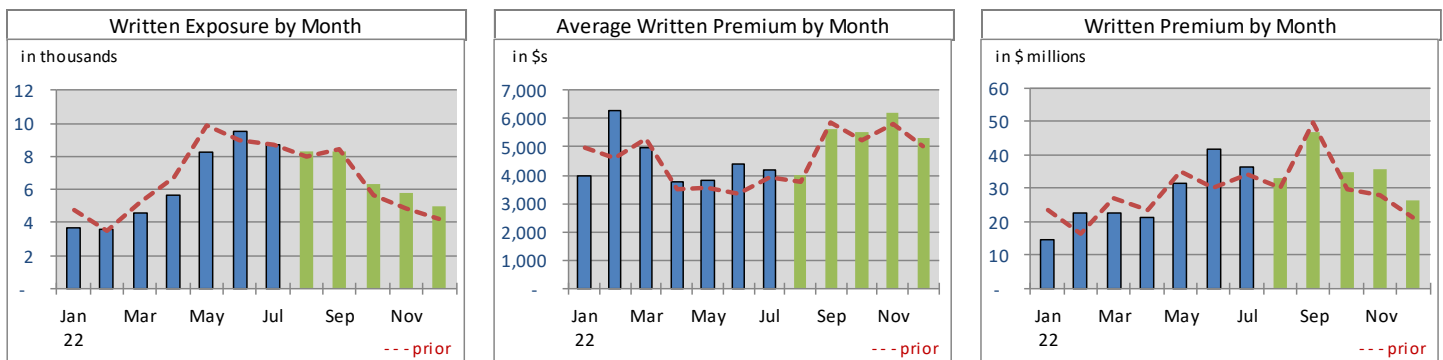
Premium

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



The Private Passenger vehicle count for the month was 3,516 vehicles, down 6.9% compared with prior year; written premium was \$11.7 million, up 2.8% compared with prior year. Average premium for PPV was up by 10.5% compared to prior year.

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



The Non-Private Passenger vehicle count was 8,674 vehicles, down 0.2% compared with prior year; written premium was \$36.2 million, up 6.7% compared with prior year. Average written premium for NPPV was up by 6.8% compared with prior year.

As a result, the overall month's written premium was up \$2.5 million or 5.3% compared with prior year. As mentioned in previous Participation Reports, the current decrease in year-to-date vehicle count and written premium is mainly driven by a backlog in processing renewals and new business impacted by the transition to a single Servicing Carrier environment. We expect that the reporting backlog will be cleared over the next few months, and we will provide additional commentary as this occurs.

The following table shows vehicle counts and written premium by rating class on a rolling 12-months basis. The decreases in Non-Private Passenger vehicle counts are driven by a decline in recreational vehicles, while premiums are still up due to commercial vehicles, taxi and public/private buses. The growth in interurban and commercial vehicle counts across jurisdictions, observed over the last few years as the voluntary market tightened, appears to be slowing. The current year we have experienced a decline in Private Passenger vehicles counts and premiums for most jurisdictions, in part due to the reporting backlog.

FARM Vehicle Counts and Written Premium – Rolling 12-months to July 2022

Business Segment	FA Minor Rating Class Desc	2022 rolling 12 to month 07			% Change in Amount			Change in Amount			2021 rolling 12 to month 07		
		Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP	Annualize Vehicle Count	Sum of Written Premium	AWP
PPV	Private Passenger (x Farmers)	37,660	118,108,762	3,136	(9.4%)	(8.2%)	1.3%	(3,897)	(10,549,753)	40	41,557	128,658,515	3,096
	Farmer	1	2,324	2,324	(33.3%)	124.3%	236.3%	(1)	1,288	1,633	2	1,036	691
PPV Total		37,661	118,111,086	3,136	(9.4%)	(8.2%)	1.3%	(3,898)	(10,548,465)	40	41,559	128,659,551	3,096
non-PPV	Private Passenger (x Farmers)	627	1,016,425	1,621	4.9%	11.0%	5.7%	29	100,379	88	598	916,046	1,533
	Commercial	21,883	131,373,212	6,004	2.2%	7.5%	5.2%	472	9,222,100	299	21,411	122,151,112	5,705
	Interurban	11,021	114,087,421	10,352	4.0%	(1.7%)	(5.5%)	421	(1,983,320)	(599)	10,599	116,070,741	10,951
	Public Bus	1,355	6,241,890	4,607	46.5%	94.3%	32.6%	430	3,029,520	1,133	925	3,212,370	3,474
	Private Bus & Misc Public	1,841	9,047,317	4,915	6.0%	17.0%	10.4%	104	1,311,598	462	1,737	7,735,719	4,453
	School Bus	1,328	2,288,159	1,723	(9.9%)	(5.2%)	5.3%	(146)	(126,268)	86	1,475	2,414,427	1,637
	Hotel & Country Club Bus	563	1,340,969	2,383	1.7%	(0.4%)	(2.1%)	9	(5,918)	(50)	554	1,346,887	2,433
	Taxi	5,235	38,543,659	7,363	(2.1%)	(2.2%)	(0.1%)	(112)	(874,877)	(9)	5,347	39,418,536	7,372
	Funeral	6	22,129	3,449	54.0%	67.2%	8.6%	2	8,892	272	4	13,237	3,177
	Ambulance	84	385,601	4,595	1.0%	25.8%	24.5%	1	78,981	904	83	306,620	3,691
	Motorcycle	15,058	13,205,291	877	(19.3%)	(20.7%)	(1.8%)	(3,601)	(3,455,207)	(16)	18,659	16,660,498	893
	All Terrain Vehicle	8,823	4,399,935	499	(13.1%)	(6.9%)	7.3%	(1,335)	(325,994)	34	10,158	4,725,929	465
	Snow Vehicle	3,311	1,532,244	463	(13.2%)	(6.5%)	7.7%	(502)	(107,385)	33	3,813	1,639,629	430
	Antique	3	1,734	631	(56.0%)	(92.7%)	(83.4%)	(4)	(21,980)	(3,163)	6	23,714	3,794
	Motor Home	482	999,951	2,075	10.3%	(4.6%)	(13.4%)	45	(47,923)	(322)	437	1,047,874	2,397
	Trailer Home	-	27,321	27,321	-	(65.8%)	(65.8%)	-	(52,489)	(52,489)	-	79,810	79,810
	Garage	-	11,724,058	11,724,058	-	(5.4%)	(5.4%)	-	(668,260)	(668,260)	-	12,392,318	12,392,318
	Non-Owned	-	1,293,092	1,293,092	-	24.1%	24.1%	-	251,519	251,519	-	1,041,573	1,041,573
	Drivers Policy	42	69,552	1,640	(48.6%)	(39.9%)	17.1%	(40)	(46,152)	239	83	115,704	1,401
non-PPV Total		71,662	337,599,960	4,711	(5.6%)	1.9%	7.9%	(4,227)	6,287,216	345	75,888	331,312,744	4,366
TOTAL		109,323	455,711,046	4,168	(6.9%)	(0.9%)	6.4%	(8,124)	(4,261,249)	252	117,447	459,972,295	3,916

Incurred Losses

Incurred losses in July 2022 were \$29.0 million, \$11.5 million higher than projection and \$3.3 million higher compared with the same month from last year. Loss ratio was at 68.2%, up 1.7 percentage points compared with projection and up 3.5 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 \$8.7 million; the expense ratio was 11.2% lower compared with projection and 1.6% higher 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 \$66.5 million with loss ratios lower than The Outlook projections. Expense ratios and combined ratios, driven mainly from favourable prior year development and 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](#)

*07 months ended July 2022 (discounted basis)