

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2022 – 051

**DATE:** July 28, 2022

**SUBJECT:** FARM – May 2022 Participation Report

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

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

### Highlights

- (a) The **May 2022 premium written** was \$42.9 million, lower than prior year by \$4.5 million. The **2022 year-to-date premium written** was \$19.1 million lower than prior year; and
- (b) The **May 2022 Operating Results** were a surplus of \$14.0 million and the **2022 year-to-date Operating Results** were a surplus of \$39.3 million; and
- (c) The **May 2022 combined operating ratio** was 66.6%, below prior year by 48.6 percentage points. The **2022 year-to-date combined operating ratio** was 80.0%, lower than prior year by 18.3 percentage points; and
- (d) The implementation of the **2022 Q1 valuation**, generated \$9.8 million favourable impact for the month, decreasing the COR by 23.7 percentage points.

### Summary of Financial Results

#### *FARM Summary of Financial Results*

<b>FARM 2022 Summary</b> Amounts in \$000s	Actual (May 2022)	Projection (May 2022)	Actual (May 2021)	2022 year-to-date as at 5 months	2021 year-to-date as at 5 months	Projection calendar year 2022	Outlook* calendar year 2022	Actual calendar year 2021
Premium Written	42,878	49,265	47,418	157,723	176,829	516,687	518,820	479,426
Premium Earned	41,321	30,104	38,261	196,876	180,326	486,500	493,040	461,837
Incurred Losses	18,566	19,803	35,227	122,119	141,008	320,076	337,337	295,650
Underwriting & Admin Expense	8,774	8,827	8,824	35,469	36,333	104,644	108,084	95,128
<b>Net Result from Operations</b>	<b>13,981</b>	<b>1,474</b>	<b>(5,790)</b>	<b>39,287</b>	<b>2,986</b>	<b>61,780</b>	<b>47,619</b>	<b>71,058</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(19.7%)	(3.3%)	30.6%	(7.3%)	12.2%	(3.6%)	(1.8%)	(0.8%)
- Current Accident Year	64.7%	69.1%	61.5%	69.3%	66.0%	69.4%	70.2%	64.8%
<b>Total</b>	<b>45.0%</b>	<b>65.8%</b>	<b>92.1%</b>	<b>62.0%</b>	<b>78.2%</b>	<b>65.8%</b>	<b>68.4%</b>	<b>64.0%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>21.6%</b>	<b>29.3%</b>	<b>23.2%</b>	<b>18.0%</b>	<b>20.1%</b>	<b>21.5%</b>	<b>21.9%</b>	<b>20.6%</b>
<b>Premium Deficiency/(DPAC)</b>	<b>(0.4%)</b>	<b>(4.7%)</b>	<b>(1.6%)</b>	<b>1.5%</b>	<b>0.1%</b>	<b>(0.4%)</b>	<b>(0.4%)</b>	<b>(0.3%)</b>
<b>SC Incurred Expenses &amp; Others</b>	<b>21.6%</b>	<b>34.0%</b>	<b>24.8%</b>	<b>16.6%</b>	<b>20.0%</b>	<b>21.9%</b>	<b>22.3%</b>	<b>20.9%</b>
<b>Combined Operating Ratio</b>	<b>66.6%</b>	<b>95.1%</b>	<b>115.3%</b>	<b>80.0%</b>	<b>98.3%</b>	<b>87.3%</b>	<b>90.3%</b>	<b>84.6%</b>

rounding differences may occur

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

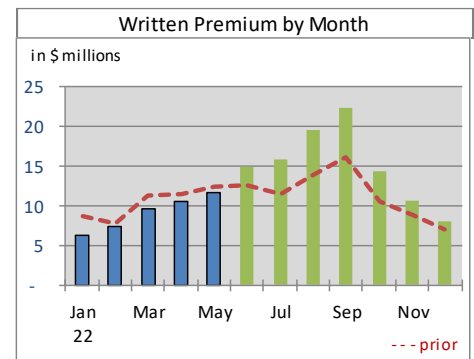
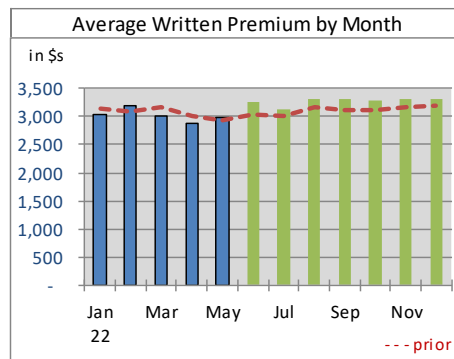
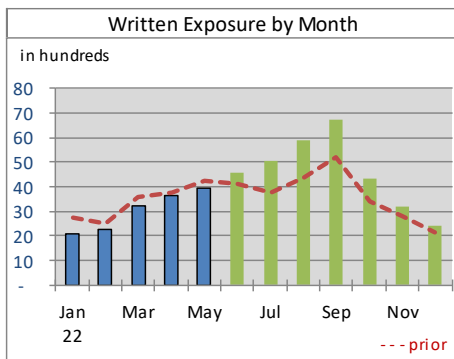
**FARM Summary of 2022 Q1 Valuation Implementation Impact**

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FARM	Impact on Operating Results (\$000s) month/yt	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)	(7,283)	(17.6%)	(3.7%)	(5,935)	(1.2%)
CAY (2022)	(2,520)	(6.1%)	(1.3%)	(4,694)	(1.0%)
<b>PAYs &amp; CAY</b>	<b>(9,803)</b>	<b>(23.7%)</b>	<b>(5.0%)</b>	<b>(10,629)</b>	<b>(2.2%)</b>
Premium Deficiency / (DPAC)	-	-	-	(246)	(0.1%)
<b>Total</b>	<b>(9,803)</b>	<b>(23.7%)</b>	<b>(5.0%)</b>	<b>(10,875)</b>	<b>(2.2%)</b>

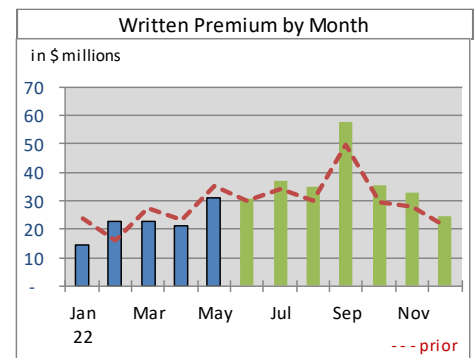
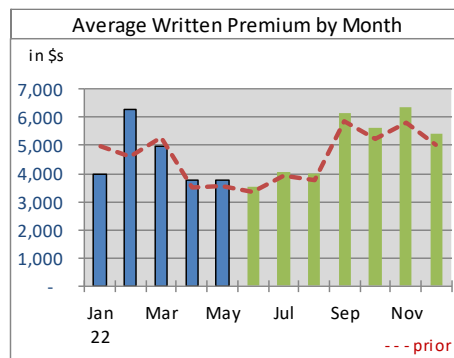
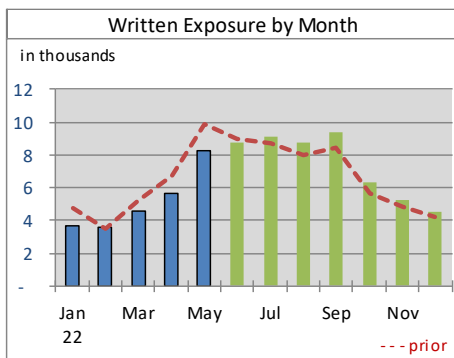
**Premium**

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



The Private Passenger vehicle count for the month was 3,919 vehicles, down 7.1% compared with prior year; written premium was \$11.7 million, down 5.7% compared with prior year. Average premium for PPV was up by 1.5% compared to prior year.

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



The Non-Private Passenger vehicle count was 8,249 vehicles, down 16.6% compared with prior year; written premium was \$31.2 million, down 10.9% compared with prior year. Average written premium for NPPV was up by 6.9% compared with prior year.

As a result, the overall month's written premium was down \$4.5 million or 9.6% compared with prior year. As mentioned in previous Participation Reports, the current decrease in 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 public/private buses and commercial vehicles. 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 resulting from the reporting backlog.

### *FARM Vehicle Counts and Written Premium – Rolling 12-months to May 2022*

Business Segment	FA Minor Rating Class Desc	2022 rolling 12 to month 05			% Change in Amount			Change in Amount			2021 rolling 12 to month 05		
		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)	37,931	117,931,844	3,109	(9.4%)	(9.6%)	(0.3%)	(3,918)	(12,506,036)	(8)	41,849	130,437,880	3,117
	Farmer	2	2,990	1,495	300.0%	571.9%	68.0%	2	2,545	605	1	445	890
PPV Total		37,933	117,934,834	3,109	(9.4%)	(9.6%)	(0.3%)	(3,916)	(12,503,491)	(8)	41,849	130,438,325	3,117
non-PPV	Private Passenger (x Farmers)	638	980,353	1,537	8.8%	8.3%	(0.4%)	52	75,271	(6)	586	905,082	1,543
	Commercial	21,181	126,794,536	5,986	(1.0%)	2.7%	3.8%	(212)	3,369,609	217	21,393	123,424,927	5,769
	Interurban	10,366	107,753,257	10,395	(0.3%)	(4.2%)	(3.9%)	(35)	(4,717,041)	(419)	10,401	112,470,298	10,814
	Public Bus	1,166	5,352,833	4,591	26.4%	51.5%	19.9%	243	1,820,201	763	923	3,532,632	3,828
	Private Bus & Misc Public	1,678	8,435,083	5,026	3.7%	18.5%	14.3%	59	1,313,884	627	1,619	7,121,199	4,399
	School Bus	1,413	2,364,726	1,673	(9.4%)	(1.0%)	9.3%	(146)	(23,122)	142	1,560	2,387,848	1,531
	Hotel & Country Club Bus	503	1,225,751	2,438	(11.7%)	(10.9%)	0.9%	(66)	(149,204)	22	569	1,374,955	2,416
	Taxi	4,886	36,734,378	7,518	(9.3%)	(0.4%)	9.8%	(500)	(146,372)	671	5,386	36,880,750	6,847
	Funeral	7	26,618	3,714	79.2%	110.0%	17.2%	3	13,944	545	4	12,674	3,169
	Ambulance	80	331,938	4,162	(8.5%)	0.8%	10.1%	(7)	2,539	383	87	329,399	3,779
	Motorcycle	14,857	13,306,354	896	(19.5%)	(9.7%)	12.3%	(3,607)	(1,429,617)	98	18,464	14,735,971	798
	All Terrain Vehicle	8,760	4,298,608	491	(13.9%)	(8.5%)	6.3%	(1,410)	(399,728)	29	10,169	4,698,336	462
	Snow Vehicle	3,285	1,517,459	462	(13.9%)	(7.5%)	7.4%	(530)	(123,675)	32	3,815	1,641,134	430
	Antique	5	15,911	3,350	7.5%	(4.2%)	(10.9%)	0	(702)	(411)	4	16,613	3,761
	Motor Home	483	1,077,630	2,231	24.0%	19.0%	(4.0%)	94	171,895	(94)	389	905,735	2,325
	Trailer Home	-	39,055	39,055	-	(46.6%)	(46.6%)	-	(34,043)	(34,043)	-	73,098	73,098
	Garage	-	11,747,436	11,747,436	-	(0.1%)	(0.1%)	-	(12,795)	(12,795)	-	11,760,231	11,760,231
	Non-Owned	-	1,285,329	1,285,329	-	37.1%	37.1%	-	347,678	347,678	-	937,651	937,651
	Drivers Policy	49	72,598	1,474	(44.6%)	(46.5%)	(3.3%)	(40)	(62,985)	(51)	89	135,583	1,525
non-PPV Total		69,357	323,359,853	4,662	(8.1%)	-	8.8%	(6,102)	15,737	377	75,460	323,344,116	4,285
TOTAL		107,290	441,294,687	4,113	(8.5%)	(2.8%)	6.3%	(10,019)	(12,487,754)	245	117,309	453,782,441	3,868

### **Incurred Losses**

Incurred losses in May 2022 were \$18.6 million, \$1.2 million lower than projection and \$16.6 million lower compared with the same month form last year. Loss ratio was at 45.0%, down 20.8 percentage points compared with projection and down 47.1 percentage points compared with prior year.

The variance from projection was largely driven by the 2022 Q1 valuation being implemented in the month, generating a favourable impact of \$9.8 million on the month and year-to-date losses. The favourable impact is mainly driven by the impact of discount rate increase. This is partially offset by unfavourable claims development for Prior Accident Years across jurisdictions. For more information on the valuation impact 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 \$8.9 million; the expense ratio was slightly higher compared with projection and 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 \$61.8 million with loss ratios slightly lower than The Outlook projections. Expense ratios and combined ratios, driven mainly from written premium, are expected to be slightly 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](#)

\*05 months ended May 2022 (discounted basis)

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

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