

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 030

DATE: May 30, 2022

SUBJECT: FARM – March 2022 Participation Report

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

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

Highlights

- (a) The **March 2022 premium written** was \$32.5 million, lower than prior year by \$6.0 million. The **2022 year-to-date premium written** was \$11.3 million lower than prior year; and
- (b) The **March 2022 Operating Results** were a surplus of \$8.0 million and the **2022 year-to-date Operating Results** were a surplus of \$20.4 million; and
- (c) The **March 2022 combined operating ratio** was 80.0%, below prior year by 45.8 percentage points. The **2022 year-to-date combined operating ratio** was 82.7%, lower than prior year by 14.6 percentage points; and
- (d) The implementation of the **2021 Q4 valuation**, generated \$2.1 million favourable impact for the month, decreasing the COR by 5.2 percentage points.

Summary of Financial Results

FARM Summary of Financial Results

FARM 2022 Summary Amounts in \$000s	Actual (Mar 2022)	Projection (Mar 2022)	Actual (Mar 2021)	2022 year-to-date as at 3 months	2021 year-to-date as at 3 months	Projection calendar year 2022	Outlook* calendar year 2022
Premium Written	32,455	37,542	38,433	83,346	94,613	507,499	518,820
Premium Earned	39,806	34,101	36,468	116,702	105,885	484,970	493,040
Incurred Losses	24,714	22,771	38,520	76,615	82,616	329,567	337,337
Underwriting & Admin Expense	7,079	7,681	7,338	19,731	20,304	105,552	108,084
Net Result from Operations	8,013	3,649	(9,389)	20,356	2,966	49,850	47,619
Ratios:							
Loss ratio - Prior Accident Years	(10.1%)	(3.1%)	37.8%	(4.5%)	10.7%	(2.3%)	(1.8%)
- Current Accident Year	72.3%	69.8%	67.8%	70.3%	67.4%	70.3%	70.2%
Total	62.2%	66.8%	105.6%	65.8%	78.1%	68.0%	68.4%
Underwriting & Admin Expense	17.8%	22.5%	20.2%	16.9%	19.2%	21.8%	21.9%
Premium Deficiency/(DPAC)	1.4%	(0.8%)	(0.4%)	2.2%	0.8%	(0.3%)	(0.4%)
SC Incurred Expenses & Others	16.4%	23.3%	20.6%	14.7%	18.4%	22.1%	22.3%
Combined Operating Ratio	80.0%	89.3%	125.8%	82.7%	97.3%	89.8%	90.3%

rounding differences may occur

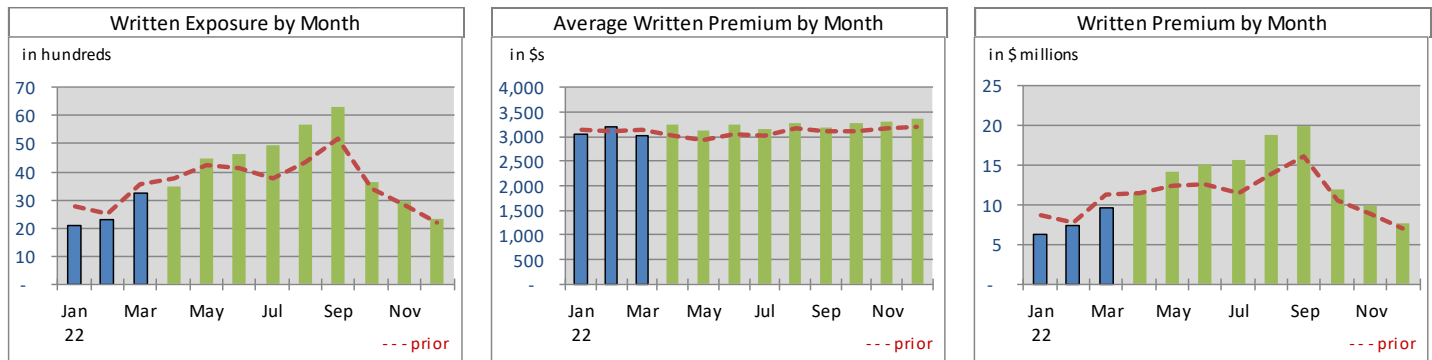
*as posted to FA's website Dec 24, 2021

FARM Summary of 2021 Q4 Valuation Implementation Impact

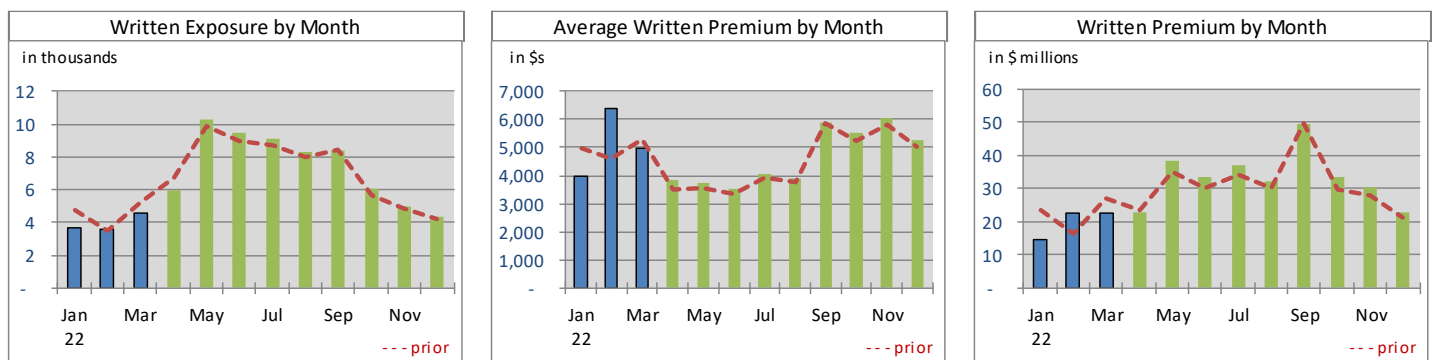
unfav / (fav)

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)	(3,030)	(7.6%)	(2.6%)	332	0.1%
CAY (2022)	963	2.4%	0.8%	4,182	0.9%
PAYs & CAY	(2,067)	(5.2%)	(1.8%)	4,514	1.0%
Premium Deficiency / (DPAC)	-	-	-	279	0.1%
Total	(2,067)	(5.2%)	(1.8%)	4,793	1.0%

Premium

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


The Private Passenger vehicle count for the month was 3,218 vehicles, down 10.0% compared with prior year; written premium was \$9.7 million, down 14.3% compared with prior year. The average premium was \$3007 down by 4.7% compared to prior year.

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


The Non-Private Passenger vehicle count was 4,597 vehicles, down 10.9% compared with prior year; written premium was \$22.8 million, down 16.0% compared with prior year. Average written premium for NPPV was down by 5.8% compared with prior year.

As a result, the overall month's written premium was down \$6.0 million or 15.5% 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 increases in Non-Private Passenger vehicle counts and written premium are driven by increases in commercial and interurban vehicles. The Public business segment also contributes to the growth while the Recreational segment is decreasing. The growth in interurban vehicle counts across jurisdictions, observed over the last few years as the voluntary market tightened, appears to be slowing.

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

Business Segment	FA Minor Rating Class Desc	2022 rolling 12 to month 03			% Change in Amount			Change in Amount			2021 rolling 12 to month 03		
		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)	38,437	120,232,600	3,128	(5.7%)	(5.3%)	0.4%	(2,303)	(6,765,431)	11	40,741	126,998,031	3,117
	Farmer	2	2,990	1,495	300.0%	571.9%	68.0%	2	2,545	605	1	445	890
PPV Total		38,439	120,235,590	3,128	(5.7%)	(5.3%)	0.4%	(2,302)	(6,762,886)	11	40,741	126,998,476	3,117
non-PPV	Private Passenger (x Farmers)	578	928,975	1,607	(10.6%)	(7.3%)	3.6%	(68)	(73,482)	56	646	1,002,457	1,551
	Commercial	21,831	129,361,721	5,925	10.6%	15.1%	4.0%	2,091	16,946,025	230	19,740	112,415,696	5,695
	Interurban	10,621	110,615,587	10,415	17.1%	10.9%	(5.3%)	1,554	10,865,647	(586)	9,067	99,749,940	11,001
	Public Bus	1,218	5,467,765	4,489	124.8%	196.2%	31.8%	676	3,621,579	1,083	542	1,846,186	3,406
	Private Bus & Misc Public	1,809	8,610,973	4,760	29.4%	38.8%	7.2%	411	2,405,640	321	1,398	6,205,333	4,439
	School Bus	1,456	2,392,609	1,644	18.7%	22.1%	2.9%	229	432,637	46	1,227	1,959,972	1,598
	Hotel & Country Club Bus	551	1,317,226	2,389	25.7%	16.6%	(7.3%)	113	187,358	(187)	439	1,129,868	2,576
	Taxi	4,951	36,055,787	7,283	8.9%	11.2%	2.1%	405	3,643,507	153	4,546	32,412,280	7,130
	Funeral	7	26,623	3,715	79.2%	110.1%	17.2%	3	13,949	546	4	12,674	3,169
	Ambulance	76	299,233	3,963	(10.1%)	(6.0%)	4.5%	(9)	(19,177)	172	84	318,410	3,791
	Motorcycle	16,427	15,287,345	931	(8.1%)	14.5%	24.6%	(1,446)	1,940,245	184	17,873	13,347,100	747
	All Terrain Vehicle	9,113	4,456,943	489	(7.3%)	(1.0%)	6.8%	(714)	(43,842)	31	9,826	4,500,785	458
	Snow Vehicle	3,301	1,483,165	449	(10.0%)	(6.7%)	3.7%	(369)	(107,135)	16	3,669	1,590,300	433
	Antique	5	16,980	3,575	83.9%	80.3%	(1.9%)	2	7,563	(70)	3	9,417	3,645
	Motor Home	461	1,072,155	2,326	27.6%	23.7%	(3.1%)	100	205,254	(74)	361	866,901	2,400
	Trailer Home	-	60,221	60,221	-	(11.7%)	(11.7%)	-	(7,997)	(7,997)	-	68,218	68,218
	Garage	-	12,571,160	12,571,160	-	4.0%	4.0%	-	478,955	478,955	-	12,092,205	12,092,205
	Non-Owned	-	1,198,809	1,198,809	-	20.0%	20.0%	-	199,575	199,575	-	999,234	999,234
	Drivers Policy	65	97,755	1,514	(22.2%)	(25.3%)	(3.9%)	(18)	(33,030)	(62)	83	130,785	1,576
non-PPV Total		72,468	331,321,032	4,572	4.3%	14.0%	9.3%	2,960	40,663,271	390	69,508	290,657,761	4,182
TOTAL		110,907	451,556,622	4,071	0.6%	8.1%	7.5%	658	33,900,385	283	110,249	417,656,237	3,788

Incurred Losses

Incurred losses in March 2022 were \$24.7 million; and loss ratio was at 62.2%, down 4.6 percentage points compared with projection and also down 43.4% compared with prior year. Prior Accident Years unfavourable development is due to case reserves adjustment. As a result, losses year-to-date were below prior year, down \$6.0 million and 12.3 percentage points on the loss ratio.

The variance from projection is unfavourable but was offset by the 2021 Q4 valuation being implemented in the month, generating a favourable impact of \$2.1 million on the month and year-to-date losses. The favourable impact is mainly driven by the Prior Accident Year due to impact of discount rate increase and lower than expected claims development for Prior Accident Years across all jurisdictions, partially offset by additional IBNR and Case Reserves allocated to Ontario PPV latent SABS claims.

Underwriting and Admin Expenses

Underwriting expenses arise from servicing carrier compensation arrangements and are driven by written premium. Expenses for the month were \$7.1 million; the expense ratio was in line with projection and prior year.

Projection to Year-End 2022

Compared to 2021, written premium is expected to increase in 2022 as the economy is opening up and loss

ratios to return to pre-pandemic levels. As of March 2022, our year-end projection is \$11.3 million lower than The Outlook released in December 2021. This is driven by a back-log in proceeding renewals and new business which is expected to normalize later in the year. After this, we would expect the premium to return to a level closer to The Outlook.

The updated year-end 2022 operating surplus is expected to be \$49.9 million with loss ratios slightly lower than The Outlook. Expense ratios and combined ratios, driven mainly from written premium, are expected to be in line with 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](#)

*03 months ended March 2022 (discounted basis)

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

*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)