

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 017

DATE: March 30, 2022

SUBJECT: FARM – January 2022 Participation Report

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

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

Highlights

- (a) The **January 2022 premium written** was \$21.0 million, lower than prior year by \$11.3 million (primarily driven by a backlog in processing); and
- (b) The **January 2022 Operating Results** were a surplus of \$5.9 million; and
- (c) The **January 2022 combined operating ratio** was 85.5%, above prior year by 3.1 percentage points.

Summary of Financial Results

FARM Summary of Financial Results

FARM 2022 Summary Amounts in \$000s	Actual (Jan 2022)	Projection (Jan 2022)	Actual (Jan 2021)	2022 year-to-date as at 1 month	2021 year-to-date as at 1 month	Projection calendar year 2022	Outlook* calendar year 2022
Premium Written	20,946	36,151	32,218	20,946	32,218	510,209	518,820
Premium Earned	40,206	38,171	37,282	40,206	37,282	486,690	493,040
Incurred Losses	28,410	25,428	23,439	28,410	23,439	330,759	337,337
Underwriting & Admin Expense	5,882	7,818	7,302	5,882	7,302	106,782	108,084
Net Result from Operations	5,914	4,925	6,541	5,914	6,541	49,148	47,619
Ratios:							
Loss ratio - Prior Accident Years	1.6%	(4.0%)	(3.2%)	1.6%	(3.2%)	(1.7%)	(1.8%)
- Current Accident Year	69.1%	70.7%	66.1%	69.1%	66.1%	69.7%	70.2%
Total	70.7%	66.6%	62.8%	70.7%	62.8%	68.0%	68.4%
Underwriting & Admin Expense	14.8%	20.6%	19.6%	14.8%	19.6%	22.1%	22.0%
Combined Operating Ratio	85.5%	87.2%	82.4%	85.5%	82.4%	90.1%	90.4%

rounding differences may occur

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

Following the publication of the Member Statements we noted an error in our Liabilities resulting from a calculation error. The incurred losses are currently \$1.1 million overstated in the published Member statements. The impact on the incurred losses is immaterial and the items will be corrected in the following month. The adjusted summary table below shows the correct amounts which will be reflected in next month's member statements.

Adjusted - FARM Summary of Financial Results

FARM 2022 Summary Amounts in \$000s	Actual (Jan 2022)	Projection (Jan 2022)	Actual (Jan 2021)	2022 year-to-date as at 1 month	2021 year-to-date as at 1 month	Projection calendar year 2022	Outlook* calendar year 2022
Premium Written	20,946	36,151	32,218	20,946	32,218	510,209	518,820
Premium Earned	40,206	38,171	37,282	40,206	37,282	486,690	493,040
Incurred Losses	27,329	25,428	23,439	27,329	23,439	329,480	337,337
Underwriting & Admin Expense	5,882	7,818	7,302	5,882	7,302	106,782	108,084
Net Result from Operations	6,995	4,925	6,541	6,995	6,541	50,427	47,619
Ratios:							
Loss ratio - Prior Accident Years	(1.1%)	(4.0%)	(3.2%)	(1.1%)	(3.2%)	(2.0%)	(1.8%)
- Current Accident Year	69.1%	70.7%	66.1%	69.1%	66.1%	69.7%	70.2%
Total	68.0%	66.6%	62.8%	68.0%	62.8%	67.7%	68.4%
Underwriting & Admin Expense	14.8%	20.6%	19.6%	14.8%	19.6%	22.1%	22.0%
Combined Operating Ratio	82.8%	87.2%	82.4%	82.8%	82.4%	89.8%	90.4%

rounding differences may occur

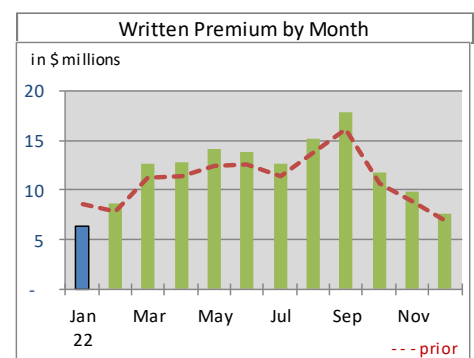
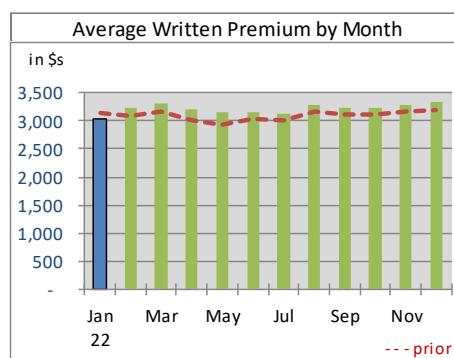
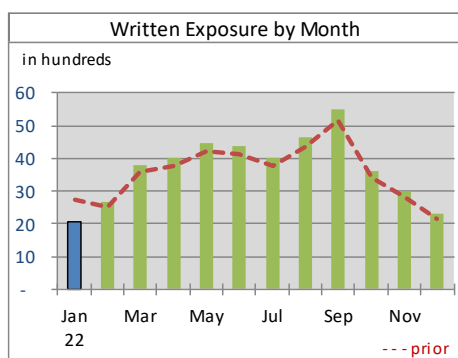
**as posted to FA's website Dec 24, 2021*

Below is the table showing the break down in the difference in incurred losses by accident year.

AY	Difference in undiscounted incurred losses	Difference in discounted incurred losses
2016	39,000	(140,000)
2017	(845,000)	(845,000)
2018	517,000	512,000
2019	(2,131,000)	(2,106,000)
2020	(3,381,000)	(3,381,000)
2021	7,085,000	7,041,000
2022	-	-
TOTAL	1,284,000	1,081,000

Premium

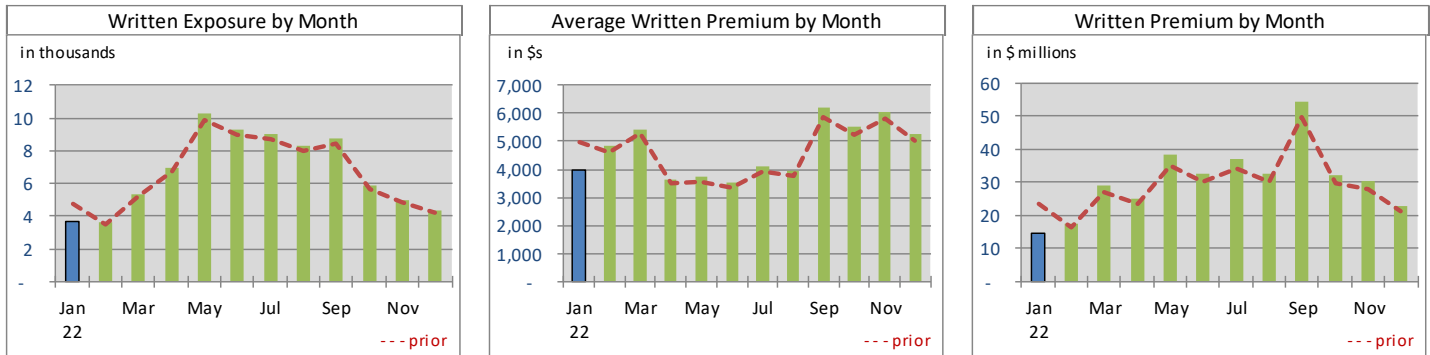
PPV premium drivers compared to prior year and outlook to year end:



The Private Passenger vehicle count for the month was 2,068 vehicles, down 24.8% compared with prior year;

written premium was \$6.3 million, down 26.7% compared with prior year. There was no significant changes in average premium.

NPPV premium drivers compared to prior year and outlook to year end:



The Non-Private Passenger vehicle count was 3,689 vehicles, down 22.3% compared with prior year; written premium was \$14.6 million, down 38.0% compared with prior year. Average written premium for NPPV was down compared with prior year.

As a result, the overall month's written premium was down \$11.3 million or 35.0% compared with prior year. Following discussion with our Servicing Carrier, our understanding is the current decrease in vehicle count and written premium is driven by a backlog in processing renewals and new business impacted by the transition to a single Servicing Carrier environment. We expect that this 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 increase in Non-Private Passenger vehicle counts and written premium are driven by increases in commercial and interurban vehicles. 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 January 2022

Business Segment	FA Minor Rating Class Desc	2022 rolling 12 to month 01			% Change in Amount			Change in Amount			2021 rolling 12 to month 01		
		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)	41,967	129,509,725	3,086	4.0%	2.2%	(1.8%)	1,621	2,786,283	(55)	40,346	126,723,442	3,141
	Farmer	2	1,643	1,095	100.0%	1,928.4%	1,251.9%	2	1,562	1,014	-	81	81
PPV Total		41,969	129,511,368	3,086	4.0%	2.2%	(1.8%)	1,623	2,787,845	(55)	40,346	126,723,523	3,141
non-PPV	Private Passenger (x Farmers)	658	938,997	1,428	10.7%	(11.7%)	(20.2%)	64	(124,312)	(362)	594	1,063,309	1,790
	Commercial	22,540	129,367,986	5,739	9.3%	9.7%	0.3%	1,919	11,440,402	20	20,621	117,927,584	5,719
	Interurban	11,013	113,245,646	10,283	23.2%	13.0%	(8.3%)	2,072	12,987,372	(929)	8,942	100,258,274	11,212
	Public Bus	1,146	4,851,786	4,233	66.4%	89.9%	14.2%	457	2,297,363	525	689	2,554,423	3,708
	Private Bus & Misc Public	1,813	8,581,040	4,734	25.6%	41.4%	12.6%	369	2,510,547	528	1,443	6,070,493	4,206
	School Bus	1,453	2,422,055	1,667	17.6%	20.3%	2.2%	218	408,581	36	1,235	2,013,474	1,631
	Hotel & Country Club Bus	634	1,569,272	2,476	39.0%	47.5%	6.2%	178	505,658	144	456	1,063,614	2,332
	Taxi	5,250	38,046,091	7,247	3.5%	(1.3%)	(4.6%)	178	(495,790)	(352)	5,072	38,541,881	7,599
	Funeral	7	25,941	3,620	79.2%	94.2%	8.4%	3	12,585	281	4	13,356	3,339
	Ambulance	73	276,212	3,775	(13.4%)	(15.6%)	(2.6%)	(11)	(51,131)	(99)	85	327,343	3,874
	Motorcycle	18,692	17,117,786	916	2.0%	25.5%	23.1%	364	3,480,091	172	18,328	13,637,695	744
	All Terrain Vehicle	10,225	4,937,386	483	5.7%	13.2%	7.1%	551	575,699	32	9,674	4,361,687	451
	Snow Vehicle	3,567	1,582,118	444	(1.6%)	6.4%	8.3%	(58)	94,734	34	3,625	1,487,384	410
	Antique	5	17,493	3,748	5.7%	50.3%	42.2%	0	5,854	1,113	4	11,639	2,635
	Motor Home	484	1,170,091	2,415	44.3%	53.6%	6.4%	149	408,071	145	336	762,020	2,270
	Trailer Home	-	73,969	73,969	-	2.9%	2.9%	-	2,065	2,065	-	71,904	71,904
	Garage	-	12,912,575	12,912,575	-	8.7%	8.7%	-	1,037,282	1,037,282	-	11,875,293	11,875,293
	Non-Owned	-	1,404,909	1,404,909	-	63.9%	63.9%	-	547,560	547,560	-	857,349	857,349
	Drivers Policy	70	100,002	1,439	(11.7%)	(18.6%)	(7.9%)	(9)	(22,878)	(123)	79	122,880	1,562
non-PPV Total		77,630	338,641,355	4,362	9.1%	11.8%	2.5%	6,443	35,619,753	105	71,187	303,021,602	4,257
TOTAL		119,598	468,152,723	3,914	7.2%	8.9%	1.6%	8,066	38,407,598	61	111,533	429,745,125	3,853

Incurred Losses

Incurred losses in January 2022 were \$28.4 million; and loss ratio was at 70.7%, up 4.1 percentage points compared with projection and up 7.9 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 \$5.9 million; the expense ratio was 5.8 percentage points lower than projection, and 4.8 percentage points below prior year. As the reporting backlog is cleared, we expect to see underwriting expenses increase in the upcoming months.

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 January 2022 our year end projection is \$8.6 million lower than The Outlook released in December 2021. This is driven by a back-log in processing 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 year-end 2022 operating deficit is expected to be \$49.1 million with loss ratios above 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](#)

*01 months ended January 2022 (discounted basis)