

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 099

DATE: December 24, 2021

SUBJECT: FARM – October 2021 Participation Report

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

Please be advised that the October 2021 FARM Participation Report is available on the Facility Association Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **October 2021 premium written for the month was \$40 million**, higher than prior year by \$4 million;
- (b) The **year-to-date net operating surplus was \$56 million**, with the addition of \$14.8 million in surplus generated in October, resulting in a year-to-date COR of 85.5% on earned premium of \$381 million; and
- (c) The implementation of the **2021 Q3 valuation**, generated \$8.4 million favourable impact for the month, decreasing the COR by 20.0 percentage points.

Summary of Financial Results

FARM Summary of Financial Results

FARM 2021 Summary	Actual	Projection	Actual	2021 year-to-date	2020 year-to-date	Projection	Outlook*
Amounts in \$000s	(Oct 2021)	(Oct 2021)	(Oct 2020)	as at 10 months	as at 10 months	calendar year 2021	calendar year 2021
Premium Written	40,245	39,152	48,085	414,624	369,951	484,329	466,359
Premium Earned	41,813	35,277	37,040	380,885	324,792	461,498	450,497
Incurred Losses	18,468	22,903	17,701	245,105	243,445	296,076	288,087
Underwriting & Admin Expense	8,601	8,012	8,739	80,116	71,105	96,012	99,257
Net Result from Operations	14,744	4,361	10,600	55,663	10,242	69,409	63,153
Ratios:							
Loss ratio							
- Prior Accident Years	(12.8%)	(0.8%)	(12.7%)	(0.5%)	12.8%	(0.7%)	(2.4%)
- Current Accident Year	57.0%	65.7%	60.5%	64.9%	62.1%	64.8%	66.4%
Total	44.2%	64.9%	47.8%	64.4%	74.9%	64.2%	63.9%
Underwriting & Admin Expense	20.6%	22.8%	23.6%	21.1%	22.0%	20.9%	22.1%
Combined Operating Ratio	64.8%	87.7%	71.4%	85.5%	96.9%	85.1%	86.0%

rounding differences may occur

*as posted to FA's website Feb. 9, 2021

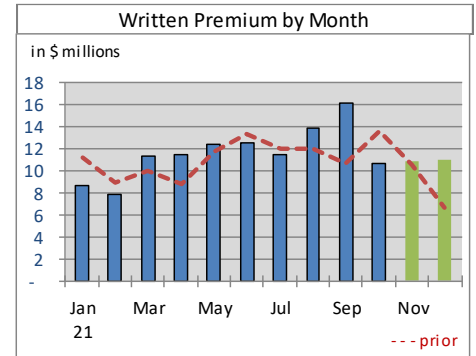
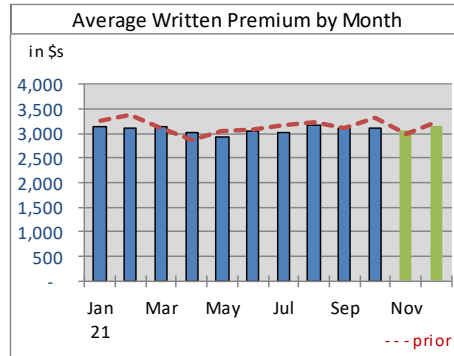
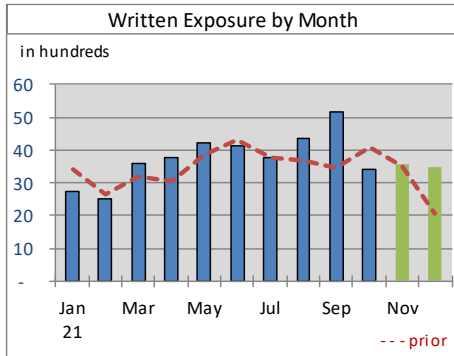
FARM Summary of 2021 Q3 Valuation Implementation Impact

unfav / (fav)

FARM	Impact on	Impact on COR	Impact on COR	Impact on	Impact on COR
	Operating	(%)	(%)	Operating	(%)
	Results (\$000s)	as month EP	as ytd EP	Results (\$000s)	as full year EP
	month/ytd			full year	
PAYs (2020 & prior)	(4,598)	(11.0%)	(1.2%)	(2,366)	(0.5%)
CAY (2021)	(3,775)	(9.0%)	(1.0%)	(4,462)	(1.0%)
PAYs & CAY	(8,373)	(20.0%)	(2.2%)	(6,828)	(1.5%)
Premium Deficiency / (DPAC)	-	-	-	(45)	-
Total	(8,373)	(20.0%)	(2.2%)	(6,873)	(1.5%)

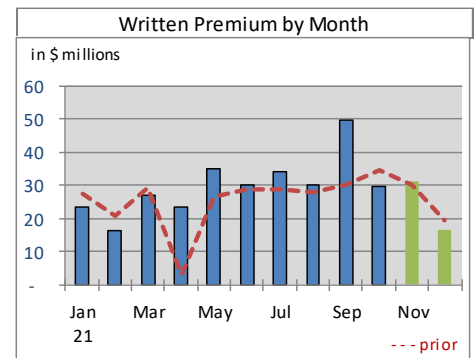
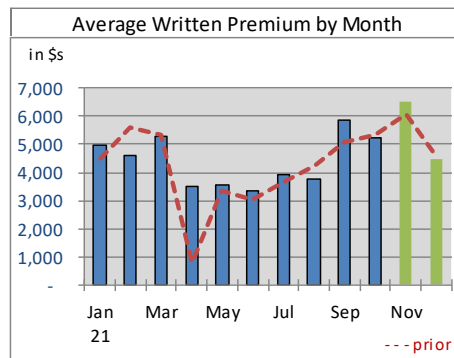
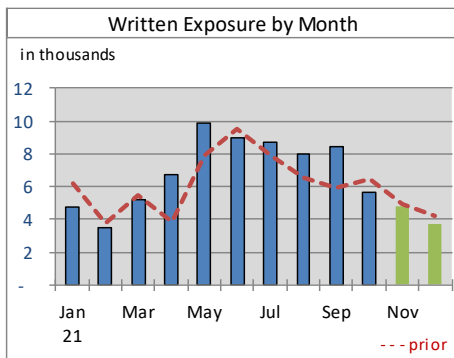
Premium

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



October 2021's Private Passenger vehicle count was 3,404 vehicles, down 16.9% compared with prior year; written premium was \$10.6 million, down 21.7% compared with prior year. Ontario, New Brunswick, and Nova Scotia account for majority of the increase.

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



October 2021's Non-Private Passenger vehicle count was 5,634 vehicles, down 12.8% compared with prior year; written premium was \$29.6 million, down 14.2% compared with prior year.

Average written premium for PPV and NPPV were down compared with prior year.

As a result, the overall month's written premium was down \$7.8 million or 16.3% compared with prior year.

It is important to note that Non-Private Passenger counts and premiums are influenced by change in mix; we have included the following table with FARM 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 mainly driven by increases in interurban vehicles and commercial vehicles. Note that the rapid growth in interurban vehicle counts across jurisdictions, observed over the last few years as a result of the tightened voluntary market has slowed with a previous decrease in Ontario; however, the interurban counts are still up for all jurisdictions.

FARM Vehicle Counts and Written Premium – Rolling 12-months to October 2021

Business Segment	FA Minor Rating Class Desc	2021 rolling 12 to month 10			% Change in Amount			Change in Amount			2020 rolling 12 to month 10		
		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)	43,379	133,210,846	3,071	2.2%	(1.1%)	(3.2%)	922	(1,491,916)	(102)	42,457	134,702,762	3,173
	Farmer	0	304	730	100.0%	275.3%	801.2%	0	223	649	-	81	81
PPV Total		43,380	133,211,150	3,071	2.2%	(1.1%)	(3.2%)	922	(1,491,693)	(102)	42,457	134,702,843	3,173
non-PPV	Private Passenger (x Farmers)	667	1,391,923	2,086	2.0%	107.2%	103.1%	13	720,261	1,059	654	671,662	1,027
	Commercial	22,593	128,438,243	5,685	7.9%	8.0%	0.2%	1,646	9,555,949	10	20,947	118,882,294	5,675
	Interurban	11,453	120,662,745	10,535	36.5%	23.0%	(9.9%)	3,061	22,576,041	(1,153)	8,392	98,086,704	11,688
	Public Bus	1,070	4,403,925	4,115	41.3%	70.9%	21.0%	313	1,827,709	713	757	2,576,216	3,402
	Private Bus & Misc Public	1,826	8,409,658	4,605	32.9%	48.2%	11.6%	452	2,735,965	477	1,374	5,673,693	4,128
	School Bus	1,574	2,677,072	1,700	45.4%	65.9%	14.1%	492	1,063,778	210	1,083	1,613,294	1,490
	Hotel & Country Club Bus	596	1,439,862	2,415	14.7%	17.5%	2.5%	76	214,891	59	520	1,224,971	2,356
	Taxi	4,995	34,947,479	6,996	(9.4%)	(18.1%)	(9.7%)	(516)	(7,736,523)	(749)	5,511	42,684,002	7,745
	Funeral	7	25,302	3,615	223.1%	466.5%	75.4%	5	20,836	1,554	2	4,466	2,061
	Ambulance	74	259,627	3,489	33.7%	18.4%	(11.4%)	19	40,295	(451)	56	219,332	3,940
	Motorcycle	18,861	17,545,858	930	(2.1%)	23.1%	25.7%	(407)	3,290,588	190	19,268	14,255,270	740
	All Terrain Vehicle	10,377	4,884,581	471	3.5%	9.8%	6.1%	355	434,780	27	10,021	4,449,801	444
	Snow Vehicle	3,805	1,648,384	433	(1.0%)	(0.7%)	0.2%	(38)	(11,680)	1	3,843	1,660,064	432
	Antique	4	16,838	4,699	(28.3%)	33.8%	86.7%	(1)	4,251	2,182	5	12,587	2,517
	Motor Home	490	1,180,672	2,411	32.0%	32.8%	0.5%	119	291,379	13	371	889,293	2,398
	Trailer Home	-	78,974	78,974	-	19.5%	19.5%	-	12,872	12,872	-	66,102	66,102
	Garage	-	13,116,823	13,116,823	-	16.3%	16.3%	-	1,835,209	1,835,209	-	11,281,614	11,281,614
	Non-Owned	-	1,504,880	1,504,880	-	209.7%	209.7%	-	1,018,900	1,018,900	-	485,980	485,980
	Drivers Policy	71	104,415	1,464	(25.8%)	(26.6%)	(1.0%)	(25)	(37,791)	(15)	96	142,206	1,479
non-PPV Total		78,464	342,737,261	4,368	7.6%	12.4%	4.4%	5,563	37,857,710	186	72,901	304,879,551	4,182
TOTAL		121,844	475,948,411	3,906	5.6%	8.3%	2.5%	6,486	36,366,017	95	115,358	439,582,394	3,811

Incurred Losses

Incurred losses in October 2021 was \$18.5 million; and loss ratio was at 44.2%, down 20.7 percentage points compared with our projection last month and down 3.6 percentage points compared with prior year. The variance from projection was largely driven by the 2021 Q3 valuation being implemented in the month, generating a favourable impact of \$8.4 million on the month and year-to-date losses. The favourable impact is mainly driven by the favourable impact from the Prior Accident Years due to servicing carrier's new case reserve methodology in Bodily Injury.

Losses year to date were also below prior year, down \$5.4 million and 13.8 percentage point on the loss ratio.

Reported losses in October 2021 was \$1.3 million lower than projected. The Current Accident Year had a \$1.1 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$0.3 million favourable variance. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Underwriting and Admin Expenses

Expenses for October 2021 was \$8.6 million; the expense ratio was 2.2 percentage point lower than projected, and 3.0 percentage point lower than prior year. As underwriting expenses are largely a function of servicing carrier compensation arrangements, these variances were primary driven by the change in written premium and earned premium while premium deficiency reserve and administrative expenses remained relatively constant.

Projection to year-end 2021

Compared with the Outlook released in February 2021, the projected full year written premium has deviated slightly, up \$18.0 million (3.9%) to \$484.3 million; projected earned premium was however still in line with the

Outlook.

The updated year-end 2021 operating surplus is now \$69.4 million and the combined operating ratio is 85.1%, the improvement of \$6.3 million in operating result and 0.9 percentage points in combined operating ratio compared with 2021 Outlook reflects the increase in claims liabilities, primarily driven by the unfavourable development of Prior Accident Year claims in Ontario and Alberta, partially offset by the impact of servicing carrier's new reserving methodology in Body Injury and updated COVID-19 assumptions.

Should you require any further information, please call Sheetal Savani, VP Finance, Compliance and CFO at (416) 863-1750 x5626.

Saskia Matheson
President & CEO

Related link:

[FARM Summary of Operations – Calendar Year 2021](#)

*10 months ended October 2021 (discounted basis)

[FARM October 2021 Participation Report Actuarial Highlights](#)

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