

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 080

DATE: October 28, 2021

SUBJECT: FARM – August 2021 Participation Report

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

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

Highlights

- (a) The **August 2021 premium written for the month was \$44 million**, higher than prior year by \$4 million;
- (b) The **year-to-date net operating surplus was \$36 million**, with the addition of \$22 million in surplus generated in August, resulting in a year-to-date COR of 87.7% on earned premium of \$297 million; and
- (c) The implementation of the **2021 Q2 valuation**, generated \$16.3 million favourable impact for the month, decreasing the COR by 41.0 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	(Aug 2021)	(Aug 2021)	(Aug 2020)	as at 8 months	as at 8 months	calendar year 2021	calendar year 2021
Premium Written	43,813	37,931	40,020	308,682	281,037	454,833	466,359
Premium Earned	39,774	33,442	34,120	297,050	253,614	450,450	450,497
Incurred Losses	9,351	21,320	44,209	199,832	205,243	297,214	288,087
Underwriting & Admin Expense	8,368	7,780	7,488	60,971	55,055	93,257	99,257
Net Result from Operations	22,055	4,343	(17,577)	36,247	(6,684)	59,979	63,153
Ratios:							
Loss ratio							
- Prior Accident Years	(42.5%)	(1.6%)	88.2%	1.3%	18.6%	0.4%	(2.4%)
- Current Accident Year	65.9%	65.4%	41.3%	65.9%	62.4%	65.6%	66.4%
Total	23.4%	63.8%	129.6%	67.2%	81.0%	66.0%	63.9%
Underwriting & Admin Expense	21.1%	23.4%	22.0%	20.5%	21.8%	20.8%	22.1%
Combined Operating Ratio	44.5%	87.2%	151.6%	87.7%	102.8%	86.8%	86.0%

rounding differences may occur

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

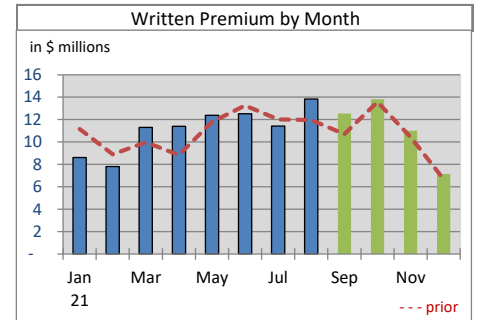
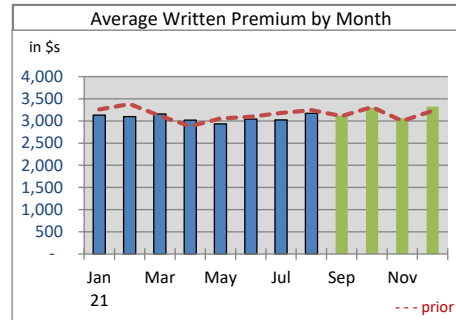
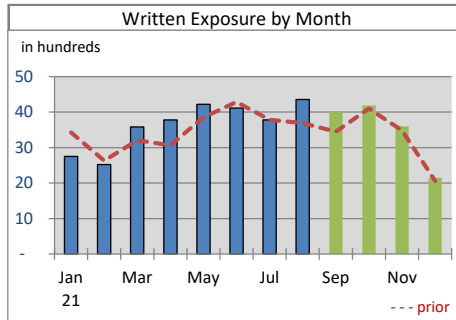
FARM Summary of 2021 Q2 Valuation Implementation Impact

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)	(16,358)	(41.1%)	(5.5%)	(14,760)	(3.3%)
CAY (2021)	73	0.2%	-	(20)	-
PAYs & CAY	(16,285)	(40.9%)	(5.5%)	(14,780)	(3.3%)
Premium Deficiency / (DPAC)	(19)	-	-	-	-
Total	(16,304)	(41.0%)	(5.5%)	(14,780)	(3.3%)

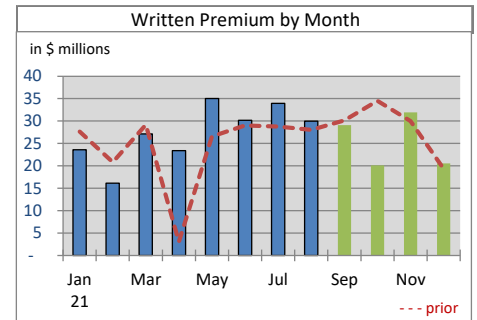
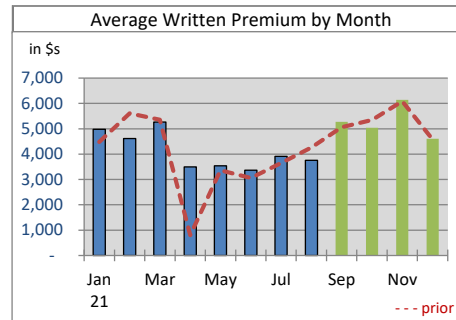
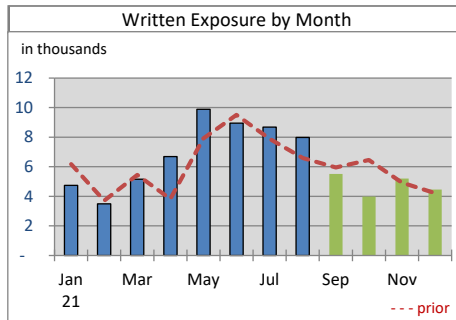
Premium

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



August 2021's Private Passenger vehicle count was 4,356 vehicles, up 18.0% compared with prior year; written premium was \$13.8 million, up 15.6% compared with prior year. Ontario, Alberta, and Nova Scotia account for majority of the increase.

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



August 2021's Non-Private Passenger vehicle count was 7,988 vehicles, up 21.3% compared with prior year; written premium was \$30.0 million, up 6.9% compared with prior year.

Average written premium for PPV and NPPV were fairly consistent with prior year.

As a result, the overall month's written premium was up \$3.8 million or 9.5% 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 August 2021

Business Segment	FA Minor Rating Class Desc	2021 rolling 12 to month 08			% Change in Amount			Change in Amount			2020 rolling 12 to month 08		
		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)	42,172	130,631,995	3,098	1.9%	-	(1.8%)	766	(17,291)	(57)	41,406	130,649,286	3,155
	Farmer	2	1,036	691	100.0%	1,281.3%	821.3%	2	961	616	-	75	75
PPV Total		42,174	130,633,031	3,098	1.9%	-	(1.8%)	768	(16,330)	(57)	41,406	130,649,361	3,155
non-PPV	Private Passenger (x Farmers)	617	946,287	1,535	(6.5%)	45.6%	55.8%	(43)	296,537	550	659	649,750	985
	Commercial	21,624	122,148,396	5,649	7.1%	9.0%	1.8%	1,441	10,129,071	99	20,183	112,019,325	5,550
	Interurban	10,965	118,200,225	10,780	41.4%	25.7%	(11.1%)	3,210	24,191,755	(1,342)	7,755	94,008,470	12,122
	Public Bus	980	3,708,996	3,786	4.8%	1.5%	(3.2%)	45	55,801	(124)	934	3,653,195	3,910
	Private Bus & Misc Public	1,752	7,921,916	4,522	24.1%	43.1%	15.3%	340	2,384,557	600	1,412	5,537,359	3,922
	School Bus	1,484	2,338,533	1,576	66.5%	70.2%	2.3%	593	964,564	35	891	1,373,969	1,541
	Hotel & Country Club Bus	569	1,390,210	2,442	2.7%	12.0%	9.1%	15	149,210	203	554	1,241,000	2,239
	Taxi	5,191	36,921,100	7,112	10.1%	20.3%	9.2%	476	6,224,478	602	4,715	30,696,622	6,510
	Funeral	4	11,020	2,645	38.9%	12.4%	(19.1%)	1	1,217	(623)	3	9,803	3,268
	Ambulance	84	309,912	3,682	85.3%	61.0%	(13.1%)	39	117,470	(555)	45	192,442	4,237
	Motorcycle	19,351	18,233,933	942	1.5%	30.7%	28.7%	282	4,278,815	210	19,068	13,955,118	732
	All Terrain Vehicle	10,194	4,733,668	464	3.0%	9.9%	6.7%	298	425,732	29	9,896	4,307,936	435
	Snow Vehicle	3,823	1,639,771	429	(0.7%)	(0.1%)	0.7%	(26)	(1,815)	3	3,849	1,641,586	426
	Antique	2	9,956	5,430	(67.2%)	(15.9%)	156.1%	(4)	(1,878)	3,310	6	11,834	2,120
	Motor Home	449	1,049,134	2,339	25.0%	16.4%	(6.8%)	90	148,006	(172)	359	901,128	2,511
	Trailer Home	-	75,993	75,993	-	7.5%	7.5%	-	5,303	5,303	-	70,690	70,690
	Garage	-	12,603,679	12,603,679	-	15.7%	15.7%	-	1,711,285	1,711,285	-	10,892,394	10,892,394
	Non-Owned	-	996,679	996,679	-	115.3%	115.3%	-	533,672	533,672	-	463,007	463,007
	Drivers Policy	80	116,805	1,456	(5.0%)	(7.6%)	(2.7%)	(4)	(9,671)	(41)	84	126,476	1,497
non-PPV Total		77,168	333,356,213	4,320	9.6%	18.3%	8.0%	6,752	51,604,109	319	70,416	281,752,104	4,001
TOTAL		119,342	463,989,244	3,888	6.7%	12.5%	5.4%	7,520	51,587,779	200	111,822	412,401,465	3,688

Incurred Losses

Incurred losses in August 2021 was \$9.4 million; and loss ratio was at 23.4%, down 40.4 percentage points compared with our projection last month and down 106.2 percentage points compared with prior year. The variance from projection was largely driven by the 2021 Q2 valuation being implemented in the month, generating a favourable impact of \$16.3 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 August 2021 was \$1.3 million higher than projected. The Current Accident Year had a \$2.3 million unfavourable variance in reported losses, while the Prior Accident Years had an approximately \$1.0 million favourable variance. Of all the prior Accident Years, 2020 had the largest variance in reported losses at \$1.2 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 August 2021 was \$8.4 million; the expense ratio was 2.3 percentage point lower than projected, and 0.9 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, down \$11.5 million (2.5%) to \$454.8 million; projected earned premium was however still in line with

the Outlook.

The updated year-end 2021 operating surplus is now \$60.0 million and the combined operating ratio is 86.8%, the deterioration of \$3.2 million in operating result and 0.8 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](#)

*8 months ended August 2021 (discounted basis)

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

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