

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 074

DATE: September 29, 2021

SUBJECT: FARM – July 2021 Participation Report

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

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

Highlights

- (a) The **July 2021 premium written for the month was \$45 million**, higher than prior year by \$5 million;
- (b) The **year-to-date net operating surplus was \$14 million**, with the addition of \$5 million in surplus generated in July, resulting in a year-to-date COR of 94.4% on earned premium of \$257 million;
- (c) The July 2021 Participation Report reflects the settlement of \$21 million in Operating Results for all Prior Accident Years as accrued to July 2021.

Summary of Financial Results

FARM Summary of Financial Results

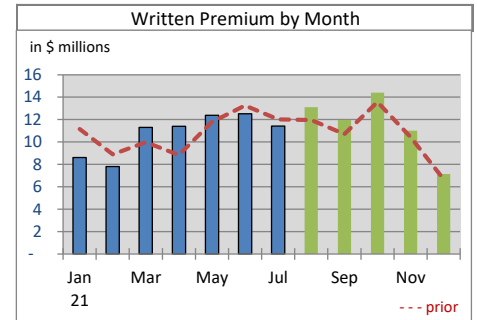
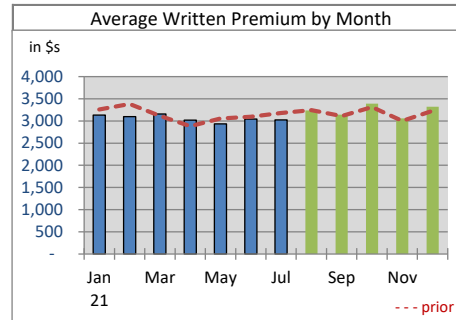
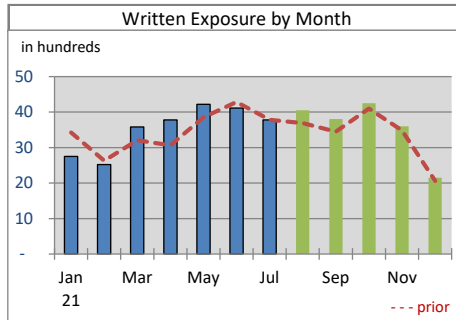
FARM 2021 Summary Amounts in \$000s	Actual (Jul 2021)	Projection (Jul 2021)	Actual (Jul 2020)	2021 year-to-date as at 7 months	2020 year-to-date as at 7 months	Projection calendar year 2021	Outlook* calendar year 2021
Premium Written	45,383	42,449	40,788	264,869	241,017	458,768	466,359
Premium Earned	39,613	33,271	32,837	257,276	219,494	449,594	450,497
Incurred Losses	25,655	21,192	20,784	190,481	161,034	311,354	288,087
Underwriting & Admin Expense	8,886	8,412	7,802	52,603	47,567	94,574	99,257
Net Result from Operations	5,072	3,667	4,251	14,192	10,893	43,666	63,153
Ratios:							
Loss ratio - Prior Accident Years	(1.0%)	(1.9%)	(3.2%)	8.1%	7.7%	3.7%	(2.4%)
- Current Accident Year	65.7%	65.6%	66.5%	65.9%	65.6%	65.6%	66.4%
Total	64.7%	63.7%	63.3%	74.0%	73.3%	69.3%	63.9%
Underwriting & Admin Expense	22.5%	25.4%	23.8%	20.4%	21.8%	21.1%	22.1%
Combined Operating Ratio	87.2%	89.1%	87.1%	94.4%	95.1%	90.4%	86.0%

rounding differences may occur

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

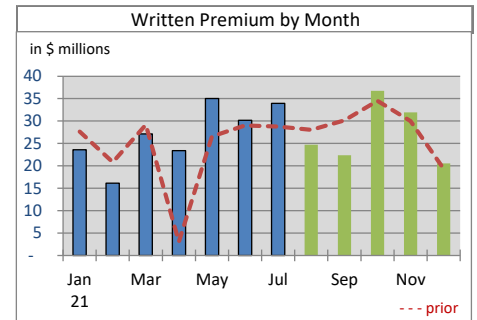
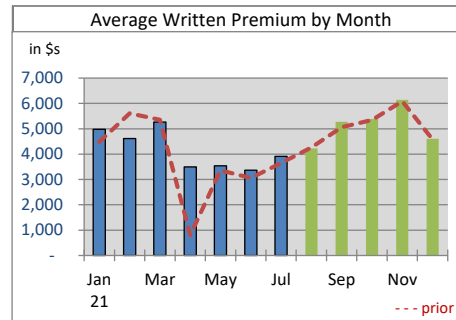
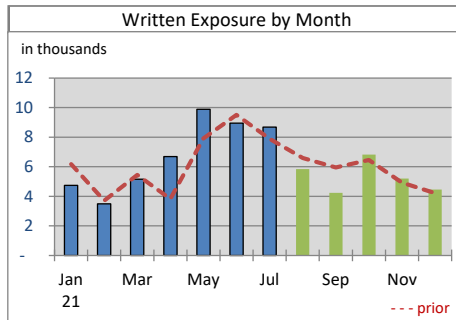
Premium

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



July 2021's Private Passenger vehicle count was 3,779 vehicles, in line compared with prior year; written premium was \$11.4 million, down 5% compared with prior year. Ontario, Alberta, and New Brunswick account for majority of the decrease.

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



July 2021's Non-Private Passenger vehicle count was 8,688 vehicles, up 10.2% compared with prior year; written premium was \$34.0 million, up 18.0% 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 up \$4.6 million or 11.3% 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 July 2021

Business Segment	FA Minor Rating Class Desc	2021 rolling 12 to month 07			% Change in Amount			Change in Amount			2020 rolling 12 to month 07		
		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
Farmer		1	445	890	100.0%	100.0%	100.0%	1	445	890	-	-	-
PPV Total		41,508	128,775,426	3,102	1.1%	0.1%	(1.0%)	448	158,856	(30)	41,060	128,616,570	3,132
non-PPV	Private Passenger (x Farmers)	602	922,978	1,534	(7.3%)	53.6%	65.7%	(47)	322,026	608	649	600,952	926
	Commercial	21,432	121,635,815	5,675	7.7%	11.5%	3.5%	1,537	12,586,610	194	19,895	109,049,205	5,481
	Interurban	10,772	119,519,952	11,096	42.2%	25.0%	(12.1%)	3,197	23,901,267	(1,527)	7,575	95,618,685	12,623
	Public Bus	940	3,199,119	3,405	(8.0%)	(26.4%)	(20.0%)	(82)	(1,149,066)	(850)	1,022	4,348,185	4,255
	Private Bus & Misc Public	1,720	7,649,137	4,448	21.5%	34.4%	10.6%	304	1,956,864	427	1,416	5,692,273	4,021
	School Bus	1,486	2,371,602	1,596	65.3%	73.9%	5.3%	587	1,008,074	80	899	1,363,528	1,516
	Hotel & Country Club Bus	568	1,388,682	2,445	(0.4%)	7.8%	8.2%	(2)	100,475	185	570	1,288,207	2,260
	Taxi	5,175	36,856,057	7,123	12.7%	30.7%	15.9%	585	8,653,004	978	4,590	28,203,053	6,145
	Funeral	5	17,040	3,408	150.0%	398.7%	99.4%	3	13,623	1,699	2	3,417	1,709
	Ambulance	82	300,108	3,679	94.2%	71.9%	(11.5%)	40	125,568	(477)	42	174,540	4,156
	Motorcycle	18,554	16,566,249	893	(0.7%)	25.9%	26.7%	(127)	3,402,842	188	18,681	13,163,407	705
	All Terrain Vehicle	10,114	4,689,170	464	4.2%	11.2%	6.9%	405	471,865	30	9,709	4,217,305	434
	Snow Vehicle	3,803	1,633,627	430	(1.4%)	(1.2%)	0.2%	(56)	(20,206)	1	3,858	1,653,833	429
	Antique	5	16,521	3,147	125.0%	191.3%	29.5%	3	10,850	717	2	5,671	2,430
	Motor Home	430	1,036,432	2,408	24.8%	19.1%	(4.6%)	86	165,899	(117)	345	870,533	2,525
	Trailer Home	-	74,533	74,533	-	5.2%	5.2%	-	3,686	3,686	-	70,847	70,847
	Garage	-	12,414,958	12,414,958	-	15.2%	15.2%	-	1,641,623	1,641,623	-	10,773,335	10,773,335
	Non-Owned	-	1,014,615	1,014,615	-	127.1%	127.1%	-	567,852	567,852	-	446,763	446,763
	Drivers Policy	82	118,120	1,445	(7.4%)	(7.8%)	(0.5%)	(6)	(10,028)	(7)	88	128,148	1,452
non-PPV Total		75,767	331,424,715	4,374	9.3%	19.4%	9.2%	6,425	53,752,828	370	69,343	277,671,887	4,004
TOTAL		117,275	460,200,141	3,924	6.2%	13.3%	6.6%	6,873	53,911,684	244	110,402	406,288,457	3,680

Incurred Losses

Incurred losses in July 2021 was \$25.7 million; and loss ratio was at 64.7%, up 1.0 percentage points compared with our projection last month and up 1.4 percentage points compared with prior year. Losses year-to-date were above prior year, up \$29.4 million and 0.7 percentage point on the loss ratio.

Reported losses in July 2021 was \$0.8 million lower than projected. The Current Accident Year had a \$1.0 million unfavourable variance in reported losses, while the Prior Accident Years had an approximately \$1.8 million favourable variance. Of all the prior Accident Years, 2020 had the largest variance in reported losses at \$1.5 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 July 2021 was \$8.9 million; the expense ratio was 2.9 percentage point lower than projected, and 1.3 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 \$7.6 million (1.6%) to \$458.8 million. As a result of the change in projected written premium, earned premium also reduced by \$1.0 million (0.2%) to \$449.6 million.

The updated year-end 2021 operating surplus is now \$43.7 million and the combined operating ratio is 90.4%, the deterioration of \$19.5 million in operating result and 4.4 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 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](#)

*7 months ended July 2021 (discounted basis)