

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2021 – 061

**DATE:** August 30, 2021

**SUBJECT:** FARM – June 2021 Participation Report

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

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

## Highlights

- (a) The **June 2021 premium written for the month was \$43 million**, in line compared with June 2020; and
- (b) The **year-to-date net operating surplus was \$9 million**, with the addition of \$6 million in surplus generated in June, resulting in a year-to-date COR of 95.8% on earned premium of \$218 million.

## Summary of Financial Results

### FARM Summary of Financial Results

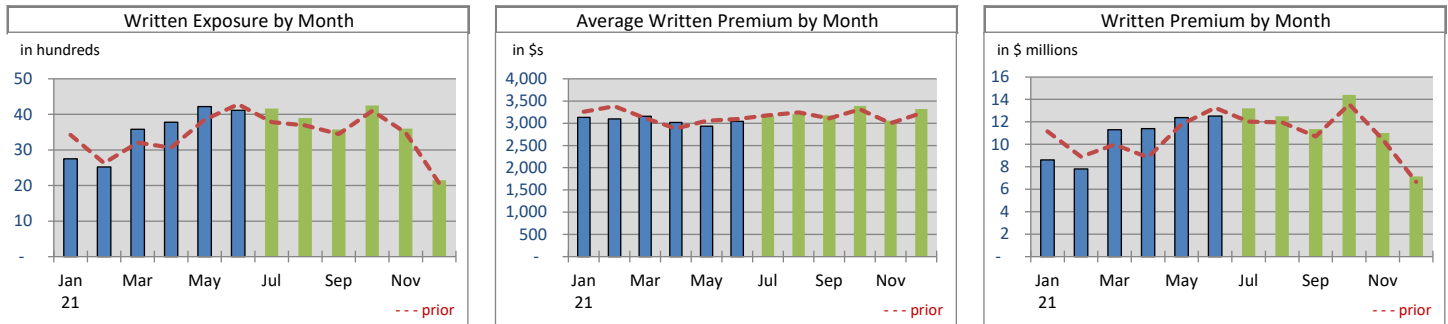
<b>FARM 2021 Summary</b> Amounts in \$000s	Actual (Jun 2021)	Projection (Jun 2021)	Actual (Jun 2020)	2021 year-to-date as at 6 months	2020 year-to-date as at 6 months	Projection calendar year 2021	Outlook* calendar year 2021
Premium Written	42,656	39,372	42,285	219,485	200,229	460,966	466,359
Premium Earned	37,337	31,807	29,943	217,663	186,657	449,531	450,497
Incurred Losses	23,818	19,931	18,458	164,826	140,250	310,915	288,087
Underwriting & Admin Expense	7,386	7,897	7,577	43,717	39,765	96,370	99,257
<b>Net Result from Operations</b>	<b>6,133</b>	<b>3,979</b>	<b>3,908</b>	<b>9,120</b>	<b>6,642</b>	<b>42,246</b>	<b>63,153</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(2.0%)	(2.7%)	(4.8%)	9.7%	9.7%	3.6%	(2.4%)
- Current Accident Year	65.8%	65.4%	66.4%	66.0%	65.5%	65.6%	66.4%
<b>Total</b>	<b>63.8%</b>	<b>62.7%</b>	<b>61.6%</b>	<b>75.7%</b>	<b>75.2%</b>	<b>69.2%</b>	<b>63.9%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>19.8%</b>	<b>24.9%</b>	<b>25.4%</b>	<b>20.1%</b>	<b>21.5%</b>	<b>21.5%</b>	<b>22.1%</b>
<b>Combined Operating Ratio</b>	<b>83.6%</b>	<b>87.6%</b>	<b>87.0%</b>	<b>95.8%</b>	<b>96.7%</b>	<b>90.7%</b>	<b>86.0%</b>

*rounding differences may occur*

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

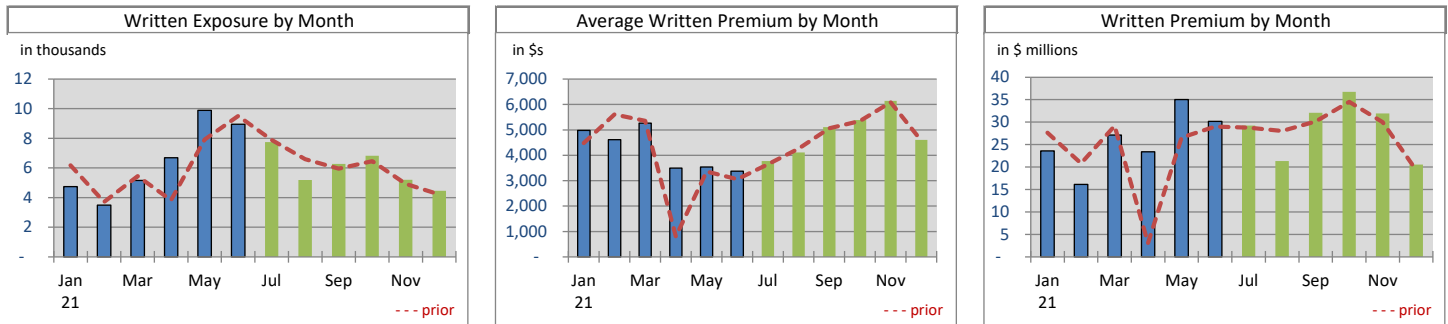
## Premium

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



June 2021's Private Passenger vehicle count was 4,111 vehicles, down 4.1% compared with prior year; written premium was \$12.5 million, down 6% compared with prior year. Ontario and New Brunswick account for majority of the decrease.

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



June 2021's Non-Private Passenger vehicle count was 8,947 vehicles, down 5.9% compared with prior year; written premium was \$30.2 million, up 3.9% 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 also fairly in line with prior year, up \$0.4 million or 0.9%. The year-to-date written premium was 219.5 million, up 19.3 million or 9.6%.

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 June 2021**

Business Segment	FA Minor Rating Class Desc	2021 rolling 12 to month 06			% Change in Amount			Change in Amount			2020 rolling 12 to month 06		
		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)	41,511	129,367,428	3,116	1.5%	1.4%	(0.2%)	627	1,771,032	(5)	40,884	127,596,396	3,121
	Farmer	1	445	890	100.0%	100.0%	100.0%	1	445	890	-	-	-
PPV Total		41,511	129,367,873	3,116	1.5%	1.4%	(0.2%)	627	1,771,477	(5)	40,884	127,596,396	3,121
non-PPV	Private Passenger (x Farmers)	589	894,494	1,519	(14.3%)	31.7%	53.6%	(98)	215,417	530	687	679,077	989
	Commercial	21,372	122,349,098	5,725	10.7%	18.5%	7.0%	2,067	19,071,659	375	19,305	103,277,439	5,350
	Interurban	10,457	117,256,972	11,213	43.0%	26.0%	(11.9%)	3,145	24,165,464	(1,518)	7,312	93,091,508	12,731
	Public Bus	962	3,589,393	3,732	(9.5%)	(21.0%)	(12.7%)	(101)	(954,153)	(545)	1,062	4,543,546	4,277
	Private Bus & Misc Public	1,664	7,427,261	4,464	18.3%	33.9%	13.2%	257	1,879,315	520	1,407	5,547,946	3,944
	School Bus	1,529	2,372,667	1,552	78.2%	71.7%	(3.6%)	671	991,041	(58)	858	1,381,626	1,610
	Hotel & Country Club Bus	584	1,423,423	2,436	3.1%	12.5%	9.2%	17	158,205	205	567	1,265,218	2,231
	Taxi	5,090	34,155,458	6,710	8.8%	11.3%	2.3%	414	3,473,095	149	4,676	30,682,363	6,561
	Funeral	5	17,040	3,408	150.0%	398.7%	99.4%	3	13,623	1,699	2	3,417	1,709
	Ambulance	85	317,430	3,749	171.7%	168.9%	(1.0%)	54	199,404	(38)	31	118,026	3,787
	Motorcycle	18,383	15,728,461	856	1.2%	25.3%	23.9%	220	3,174,692	165	18,163	12,553,769	691
	All Terrain Vehicle	9,965	4,620,894	464	3.2%	10.6%	7.2%	313	442,530	31	9,651	4,178,364	433
	Snow Vehicle	3,785	1,619,255	428	(2.0%)	(1.9%)	0.2%	(78)	(32,043)	1	3,864	1,651,298	427
	Antique	4	15,602	3,532	89.3%	369.4%	147.9%	2	12,278	2,107	2	3,324	1,425
	Motor Home	409	1,013,075	2,476	20.9%	21.6%	0.6%	71	179,729	14	339	833,346	2,462
	Trailer Home	-	68,989	68,989	-	(1.7%)	(1.7%)	-	(1,208)	(1,208)	-	70,197	70,197
	Garage	-	12,301,203	12,301,203	-	13.2%	13.2%	-	1,438,938	1,438,938	-	10,862,265	10,862,265
	Non-Owned	-	957,638	957,638	-	111.5%	111.5%	-	504,775	504,775	-	452,863	452,863
	Drivers Policy	85	127,433	1,492	1.1%	2.1%	0.9%	1	2,584	14	84	124,849	1,478
non-PPV Total		74,968	326,255,786	4,352	10.2%	20.2%	9.1%	6,957	54,935,345	363	68,011	271,320,441	3,989
TOTAL		116,480	455,623,659	3,912	7.0%	14.2%	6.8%	7,584	56,706,822	249	108,895	398,916,837	3,663

**Incurred Losses**

Incurred losses in June 2021 was \$23.8 million; and loss ratio was at 63.8%, up 1.1 percentage points compared with our projection last month and up 2.2 percentage points compared with prior year. Losses year-to-date were above prior year, up \$24.6 million and 0.5 percentage point on the loss ratio driven by the Current Accident Year.

Reported losses in June 2021 was \$0.5 million higher than projected. The Current Accident Year had a \$0.3 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$0.8 million unfavourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

**Underwriting and Admin Expenses**

Expenses for June 2021 was \$7.4 million; the expense ratio was 5.1 percentage point lower than projected, and 5.6 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 \$5.4 million (1.0%) to \$461.0 million. As a result of the change in projected written premium, earned premium also reduced by \$1.0 million (0.2%) to \$449.5 million.

The updated year-end 2021 operating surplus is now \$42.2 million and the combined operating ratio is 90.7%, the deterioration of \$20.9 million in operating result and 4.7 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](#)

\*6 months ended June 2021 (discounted basis)