

TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO: F2021 – 054
DATE: July 29, 2021
SUBJECT: FARM – May 2021 Participation Report

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

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

Highlights

- (a) The **May 2021 premium written for the month was \$47 million**, up 9.1 million or 24% from May 2020;
- (b) The implementation of the **2021 Q1 valuation**, generated a \$11.0 million unfavourable impact for the month, increasing the COR by 28.7 percentage points;
- (c) The **May 2021 net operating deficit was \$6 million**, with a COR of 115.2% on earned premium of \$38 million; and
- (d) The May 2021 Participation Report reflects the effect of a redistribution of Member Funds with an aggregate adjustment of \$0.

Summary of Financial Results

FARM Summary of Financial Results

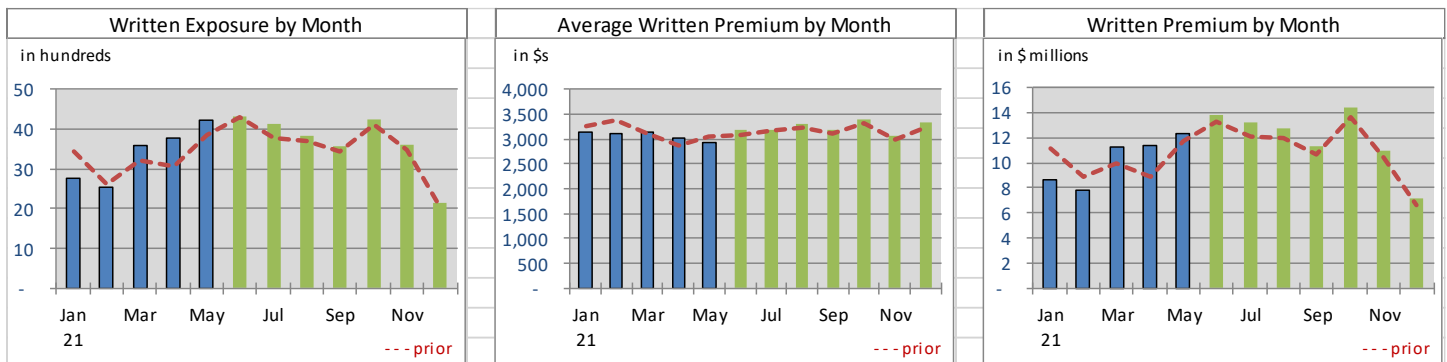
FARM 2021 Summary Amounts in \$000s	Actual (May 2021)	Projection (May 2021)	Actual (May 2020)	2021 year-to-date as at 5 months	2020 year-to-date as at 5 months	Projection calendar year 2021	Outlook* calendar year 2021
Premium Written	47,417	49,411	38,359	176,828	157,943	461,813	466,359
Premium Earned	38,260	33,521	29,736	180,326	156,714	448,860	450,497
Incurred Losses	35,227	21,206	35,338	141,008	121,792	310,097	288,087
Underwriting & Admin Expense	8,823	9,376	7,366	36,331	32,188	97,044	99,257
Net Result from Operations	(5,791)	2,939	(12,968)	2,987	2,734	41,719	63,153
Ratios:							
Loss ratio - Prior Accident Years	30.6%	(2.6%)	53.2%	12.2%	12.4%	3.5%	(2.4%)
- Current Accident Year	61.5%	65.9%	65.6%	66.0%	65.3%	65.5%	66.4%
Total	92.1%	63.3%	118.8%	78.2%	77.7%	69.1%	63.9%
Underwriting & Admin Expense	23.1%	28.1%	24.8%	20.2%	20.7%	21.7%	22.1%
Combined Operating Ratio	115.2%	91.4%	143.6%	98.4%	98.4%	90.8%	86.0%

rounding differences may occur
 *as posted to FA's website Feb. 9, 2021

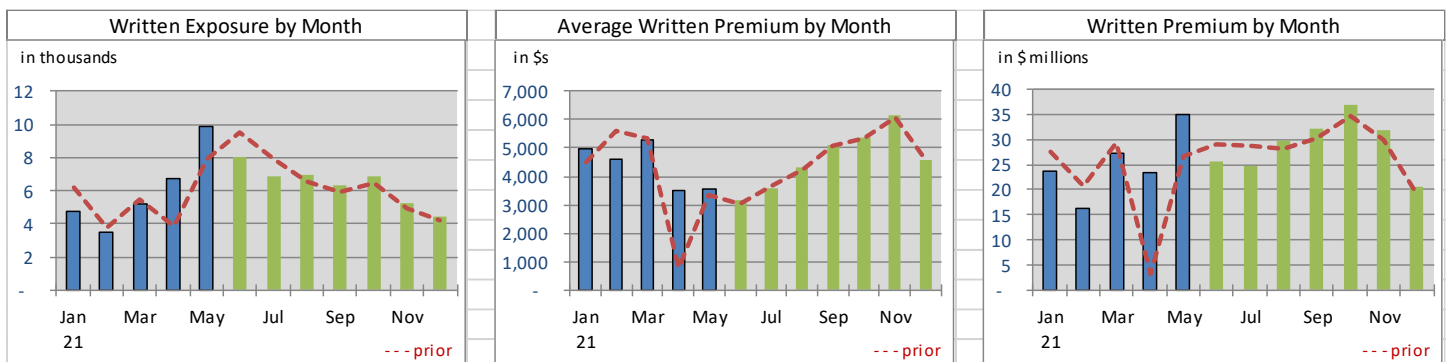
FARM Summary of 2021 Q1 Valuation Implementation Impact

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FARM	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
PAYs (2020 & prior)	12,891	33.7%	7.1%	13,678	3.0%
CAY (2021)	(1,927)	(5.0%)	(1.1%)	(4,055)	(0.9%)
PAYs & CAY	10,964	28.7%	6.0%	9,623	2.1%
Premium Deficiency / (DPAC)	-	-	-	-	-
Total	10,964	28.7%	6.1%	9,623	2.1%

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


May 2021's Private Passenger vehicle count was 4,217 vehicles, up 9.4% compared with prior year; written premium was \$12.4 million, up 5% compared with prior year. Ontario and Newfoundland & Labrador account for majority of the increase.

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


May 2021's Non-Private Passenger vehicle count was 9,893 vehicles, up 25.0% compared with prior year; written premium was \$35.0 million, up 31.8% compared with prior year.

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

As a result, the overall written premium was up \$9.1 million or 23.6% compared with prior year.

It is important to note that Non-Private Passenger counts and premiums are influenced by change in mix. As shown in the following table, the increase in Non-Private Passenger vehicle counts is mainly driven by increases in interurban vehicles and commercial vehicles while the increase in written premium is mainly driven by commercial vehicles. Note that the rapid growth in interurban vehicle counts across jurisdictions, observed over

the last few years has slowed with a recent decrease in Ontario; however, the interurban counts are still up for the rest of the jurisdictions. As a result, the average written premium for interurban was down due to the significant higher rate for Interurban vehicles in Ontario.

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

Business Segment	FA Minor Rating Class Desc	2021 rolling 12 to month 05			% Change in Amount			Change in Amount			2020 rolling 12 to month 05		
		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)	41,685	130,110,055	3,121	4.0%	4.9%	0.9%	1,597	6,070,226	27	40,088	124,039,829	3,094
	Farmer	1	445	890	100.0%	100.0%	100.0%	1	445	890	-	-	-
PPV Total		41,685	130,110,500	3,121	4.0%	4.9%	0.9%	1,597	6,070,671	27	40,088	124,039,829	3,094
non-PPV	Private Passenger (x Farmers)	592	965,301	1,629	(10.6%)	44.7%	61.9%	(71)	298,135	623	663	667,166	1,006
	Commercial	21,423	123,763,241	5,777	13.9%	23.5%	8.4%	2,610	23,524,711	449	18,813	100,238,530	5,328
	Interurban	10,533	114,370,860	10,859	45.8%	18.1%	(19.0%)	3,307	17,521,207	(2,545)	7,225	96,849,653	13,404
	Public Bus	937	3,564,527	3,806	(22.9%)	(33.1%)	(13.2%)	(278)	(1,761,796)	(581)	1,214	5,326,323	4,387
	Private Bus & Misc Public	1,638	7,168,792	4,378	17.5%	28.6%	9.5%	243	1,592,376	378	1,394	5,576,416	4,000
	School Bus	1,536	2,384,498	1,552	93.0%	75.2%	(9.3%)	740	1,023,149	(159)	796	1,361,349	1,711
	Hotel & Country Club Bus	566	1,373,679	2,426	(0.7%)	7.6%	8.4%	(4)	97,420	188	570	1,276,259	2,238
	Taxi	5,355	36,257,111	6,771	19.1%	26.9%	6.6%	858	7,685,979	417	4,496	28,571,132	6,354
	Funeral	4	12,674	3,169	100.0%	270.9%	85.4%	2	9,257	1,460	2	3,417	1,709
	Ambulance	87	329,551	3,781	138.8%	130.7%	(3.4%)	51	186,713	(132)	36	142,838	3,913
	Motorcycle	18,541	14,782,370	797	5.3%	20.7%	14.5%	938	2,538,499	101	17,603	12,243,871	696
	All Terrain Vehicle	10,009	4,616,586	461	7.1%	14.9%	7.2%	662	597,539	31	9,348	4,019,047	430
	Snow Vehicle	3,818	1,642,693	430	(1.1%)	-	0.9%	(42)	(171)	4	3,860	1,642,864	426
	Antique	5	18,194	3,359	62.5%	242.6%	110.9%	2	12,883	1,766	3	5,311	1,593
	Motor Home	394	939,898	2,385	19.2%	14.3%	(4.1%)	63	117,360	(103)	331	822,538	2,488
	Trailer Home	-	70,771	70,771	-	16.7%	16.7%	-	10,102	10,102	-	60,669	60,669
	Garage	-	11,784,067	11,784,067	-	8.5%	8.5%	-	919,365	919,365	-	10,864,702	10,864,702
	Non-Owned	-	938,117	938,117	-	105.8%	105.8%	-	482,300	482,300	-	455,817	455,817
	Drivers Policy	89	136,393	1,534	13.1%	17.3%	3.7%	10	20,133	55	79	116,260	1,479
non-PPV Total		75,527	325,119,323	4,305	13.7%	20.3%	5.8%	9,093	54,875,161	237	66,434	270,244,162	4,068
TOTAL		117,212	455,229,823	3,884	10.0%	15.5%	4.9%	10,690	60,945,832	183	106,522	394,283,991	3,701

Incurred Losses

Incurred losses in May 2021 was \$35.2 million; and loss ratio was at 92.1%, up 28.8 percentage points compared with our projection last month while down 26.7 percentage points compared with prior year. The variance from projection was largely driven by the 2021 Q1 valuation being implemented in the month, generating an unfavourable impact of \$11.0 million on the month and year-to-date losses. The unfavourable impact is primarily due to the unfavourable claims development and an adjustment to IBNR for latent accident benefits claims. The main driver from the latent Accident Benefit IBNR adjustment to reflect the potential emergence of claims arising from AY 1994 to AY 1996 for Ontario Private Passenger. Losses year to date were above prior year, up \$19.2 million and 0.5 percentage point on the loss ratio.

Reported losses in May 2021 was \$4.8 million lower than projected. The Current Accident Year had a \$0.8 million unfavourable variance in reported losses, while the Prior Accident Years had an approximately \$5.6 million favourable variance. Of all the Prior Accident Years, 2019 had the largest variance in reported losses at \$3.0 million favourable, followed by 2020 with a variance of \$1.0 million favourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Underwriting and Admin Expenses

Expenses for May 2021 was \$8.8 million; the expense ratio was 5.0 percentage point lower than projected, and 1.7 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.

The 2021 Q1 valuation being implemented in the month had no impact on expenses.

Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2021 Q1 valuation assumptions; the implementation generated an estimated unfavourable impact of \$9.6 million on the full year result, increased the COR by 2.1 percentage points.

Compared with the Outlook released in February 2021, written premium has not changed much, reduced \$4.5 million (1.0%) to \$461.8 million. As a result of the change in projected written premium, earned premium also reduced by \$1.6 million (0.4%) to \$448.9 million.

The updated year-end 2021 operating surplus is now \$41.7 million and the combined operating ratio is 90.8%, the deterioration of \$21.4 million in operating result and 4.8 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 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 May 2021 Participation Report Actuarial Highlights](#)

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

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

*5 months ended May 2021 (discounted basis)