

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 042

DATE: June 29, 2021

SUBJECT: FARM – April 2021 Participation Report

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

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

Highlights

- (a) The **April 2021 premium written for the month was \$35 million**, up 22.9 million or 192.6% from April 2020, due to the extremely low prior year level as a result of COVID-19 pandemic and the associated relief measures that were implemented.
- (b) The **April 2021 net operating surplus was \$6 million**, with a COR of 83.9% on earned premium of \$36 million; and
- (c) As per the annual process for the FARM, member share ratios have been updated to reflect recent market share information.

Summary of Financial Results

FARM Summary of Financial Results

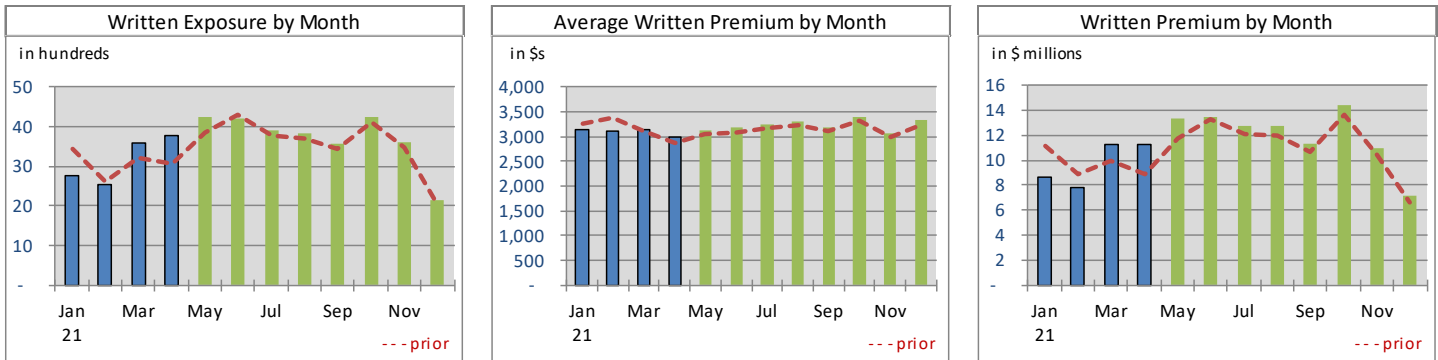
FARM 2021 Summary Amounts in \$000s	Actual (Apr 2021)	Projection (Apr 2021)	Actual (Apr 2020)	2021 year-to-date as at 4 months	2020 year-to-date as at 4 months	Projection calendar year 2021	Outlook* calendar year 2021
Premium Written	34,797	31,454	11,893	129,411	119,583	465,421	466,359
Premium Earned	36,181	32,278	29,076	142,066	126,978	449,957	450,497
Incurred Losses	23,165	20,258	18,783	105,781	86,454	301,484	288,087
Underwriting & Admin Expense	7,205	6,830	4,471	27,508	24,821	98,146	99,257
Net Result from Operations	5,811	5,189	5,822	8,777	15,702	50,328	63,153
Ratios:							
Loss ratio							
- Prior Accident Years	(2.9%)	(3.1%)	(2.8%)	7.2%	2.9%	0.5%	(2.4%)
- Current Accident Year	66.9%	65.9%	67.4%	67.2%	65.2%	66.5%	66.4%
Total	64.0%	62.8%	64.6%	74.4%	68.1%	67.0%	63.9%
Underwriting & Admin Expense	19.9%	21.2%	15.4%	19.4%	19.8%	21.9%	22.1%
Combined Operating Ratio	83.9%	84.0%	80.0%	93.8%	87.9%	88.9%	86.0%

rounding differences may occur

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

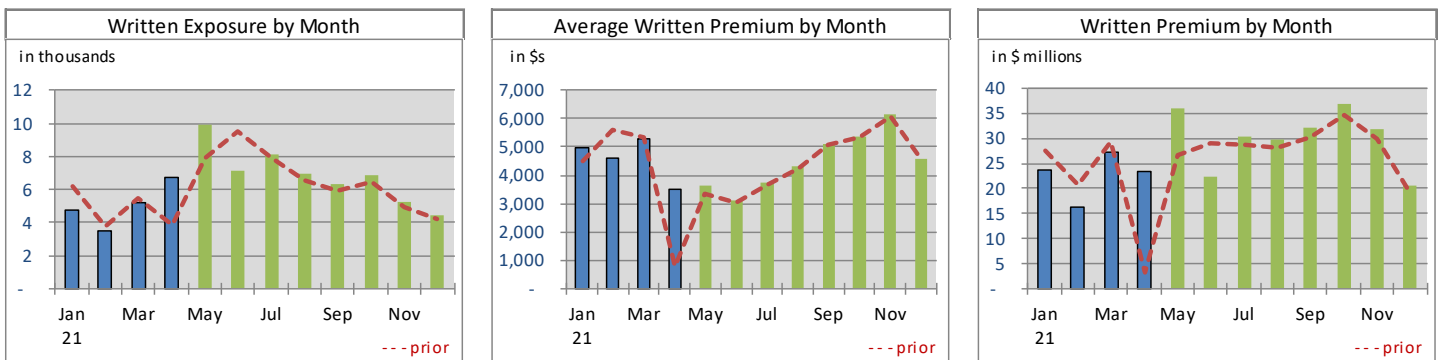
Premium

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



April 2021's Private Passenger vehicle count was 3,766 vehicles, up 22.9% compared with prior year; written premium was \$11.3 million, up 27.7% compared with prior year. Ontario, Newfoundland & Labrador, and Nova Scotia account for majority of the increase.

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



April 2021's Non-Private Passenger vehicle count was 6,704 vehicles, up 75.2% compared with prior year; written premium was \$23.5 million, up 668.9% compared with prior year.

The significant increase in counts and average written premium compared with prior year, in particular for Non-Private Passenger, was due to the extremely low prior year level as a result of COVID-19 pandemic and the associated relief measure that were implemented. As a result, the overall written premium was up \$22.9 million or 192.6%.

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 April 2021

Business Segment	Non-Owned	2021 rolling 12 to month 04			% Change in Amount			Change in Amount			2020 rolling 12 to month 04		
		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)	41,310	129,399,252	3,132	3.5%	5.3%	1.7%	1,414	6,478,992	51	39,896	122,920,260	3,081
	Farmer	1	445	890	100.0%	100.0%	100.0%	1	445	890	-	-	-
PPV Total		41,311	129,399,697	3,132	3.5%	5.3%	1.7%	1,414	6,479,437	51	39,896	122,920,260	3,081
non-PPV	Private Passenger (x Farmers)	617	949,889	1,540	(7.7%)	34.5%	45.7%	(52)	243,545	483	668	706,344	1,057
	Commercial	20,997	119,885,541	5,710	11.5%	20.9%	8.5%	2,165	20,737,505	445	18,832	99,148,036	5,265
	Interurban	10,054	111,376,478	11,078	34.2%	14.3%	(14.9%)	2,563	13,908,558	(1,934)	7,490	97,467,920	13,012
	Public Bus	819	3,394,563	4,144	(45.9%)	(49.5%)	(6.7%)	(696)	(3,333,968)	(297)	1,515	6,728,531	4,441
	Private Bus & Misc Public	1,547	6,705,486	4,334	5.6%	17.7%	11.4%	82	1,008,980	445	1,465	5,696,506	3,889
	School Bus	1,453	2,216,496	1,525	59.7%	41.6%	(11.3%)	544	651,540	(195)	910	1,564,956	1,720
	Hotel & Country Club Bus	512	1,277,947	2,495	(18.9%)	(10.1%)	10.8%	(119)	(144,184)	243	631	1,422,131	2,252
	Taxi	5,171	36,512,861	7,061	9.3%	27.7%	16.8%	442	7,928,882	1,017	4,729	28,583,979	6,044
	Funeral	4	12,674	3,169	100.0%	270.9%	85.4%	2	9,257	1,460	2	3,417	1,709
	Ambulance	83	310,299	3,731	105.4%	97.6%	(3.8%)	43	153,237	(147)	41	157,062	3,878
	Motorcycle	18,166	13,662,105	752	0.2%	7.2%	7.0%	29	916,919	49	18,137	12,745,186	703
	All Terrain Vehicle	9,902	4,528,851	457	5.9%	12.9%	6.5%	555	516,528	28	9,347	4,012,323	429
	Snow Vehicle	3,775	1,624,777	430	(1.8%)	1.0%	2.6%	(68)	15,907	11	3,843	1,608,870	419
	Antique	4	14,348	3,249	6.0%	145.8%	131.9%	0	8,511	1,848	4	5,837	1,401
	Motor Home	366	870,848	2,379	8.7%	3.9%	(4.4%)	29	32,869	(109)	337	837,979	2,488
	Trailer Home	-	71,553	71,553	-	52.3%	52.3%	-	24,573	24,573	-	46,980	46,980
	Garage	-	12,288,119	12,288,119	-	20.0%	20.0%	-	2,049,503	2,049,503	-	10,238,616	10,238,616
	Non-Owned	-	930,401	930,401	-	134.4%	134.4%	-	533,418	533,418	-	396,983	396,983
	Drivers Policy	90	140,180	1,553	17.5%	29.1%	9.9%	13	31,593	140	77	108,587	1,413
non-PPV Total		73,561	316,773,416	4,306	8.1%	16.7%	7.9%	5,534	45,293,173	315	68,027	271,480,243	3,991
TOTAL		114,872	446,173,113	3,884	6.4%	13.1%	6.3%	6,948	51,772,610	230	107,924	394,400,503	3,654

Incurred Losses

Incurred losses in April 2021 was \$23.2 million; and loss ratio was at 64.0%, up 1.2 percentage points compared with our projection last month and down 0.6 percentage points compared with prior year. However, losses year to date were still above prior year, up \$19.3 million and 6.3 percentage point on the loss ratio due to the unfavourable valuation impact previously booked in the year.

Reported losses in April 2021 was \$1.2 million lower than projected. The Current Accident Year had a \$2.0 million favourable variance in reported losses, while the Prior Accident Years had a \$0.8 million unfavourable variance. Of all the Prior Accident Years, 2019 had the largest variance in reported losses at \$1.4 million unfavourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Underwriting and Admin Expenses

Expenses for April 2021 was \$7.2 million; the expense ratio was 1.3 percentage point lower than projected, and 4.5 percentage point higher 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, written premium has not changed much, reduced \$0.9 million (0.2%) to \$465.4 million. As a result of the change in projected written premium, earned premium also reduced by \$0.5 million (0.1%) to \$450.0 million.

The updated year-end 2021 operating surplus is now \$50.3 million and the combined operating ratio is 88.9%, the deterioration of \$12.8 million in operating result and 2.9 percentage points in combined operating ratio compared with 2021 Outlook reflects the increase in claims liabilities, primarily driven by the previously

booked 2020Q4 valuation results (increase in Current Accident Year expected loss ratios in Ontario and Alberta Non-PPV, 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 April 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](#)

*4 months ended April 2021 (discounted basis)