

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 033

DATE: May 28, 2021

SUBJECT: FARM – March 2021 Participation Report

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

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

Highlights

- (a) The **March 2021 premium written for the month was \$38 million**, consistent with the prior year;
- (b) The implementation of the **2020 Q4 valuation**, generated a **\$15 million unfavourable impact** for the month, increasing the COR by 41.9 percentage points; and
- (c) The **March 2021 net operating deficit was \$9 million**, with a COR of 125.8% on earned premium of \$36 million.

Summary of Financial Results

FARM Summary of Financial Results

FARM 2021 Summary Amounts in \$000s	Actual (Mar 2021)	Projection (Mar 2021)	Actual (Mar 2020)	2021 year-to-date as at 3 months	2020 year-to-date as at 3 months	Projection calendar year 2021	Outlook* calendar year 2021
Premium Written	38,433	38,086	39,160	94,614	107,690	461,966	466,359
Premium Earned	36,467	33,882	33,458	105,885	97,902	447,524	450,497
Incurred Losses	38,520	21,430	27,217	82,616	67,671	299,613	288,087
Underwriting & Admin Expense	7,336	7,866	6,998	20,303	20,352	98,254	99,257
Net Result from Operations	(9,389)	4,586	(757)	2,966	9,880	49,657	63,153
Ratios:							
Loss ratio - Prior Accident Years	37.8%	(2.6%)	21.0%	10.7%	4.6%	0.5%	(2.4%)
- Current Accident Year	67.8%	65.8%	60.3%	67.4%	64.6%	66.4%	66.4%
Total	105.6%	63.2%	81.3%	78.1%	69.2%	66.9%	63.9%
Underwriting & Admin Expense	20.2%	23.3%	21.1%	19.2%	21.1%	22.0%	22.1%
Combined Operating Ratio	125.8%	86.5%	102.4%	97.3%	90.3%	88.9%	86.0%

rounding differences may occur

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

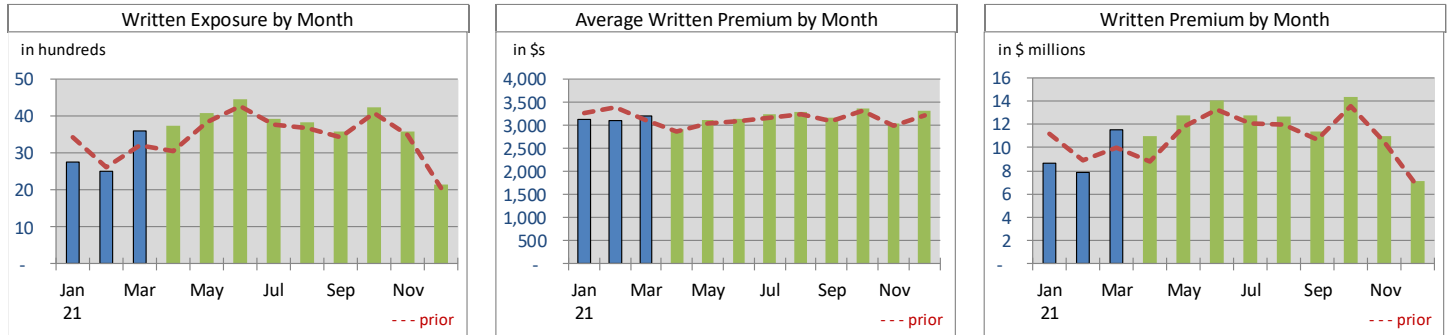
FARM Summary of 2020 Q4 Valuation Implementation Impact

unfav / (fav)

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)	14,989	41.1%	14.2%	14,242	3.2%
CAY (2021)	274	0.8%	0.3%	1,165	0.3%
PAYs & CAY	15,263	41.9%	14.5%	15,407	3.5%
Premium Deficiency / (DPAC)	-	-	-	-	-
Total	15,263	41.9%	14.4%	15,407	3.4%

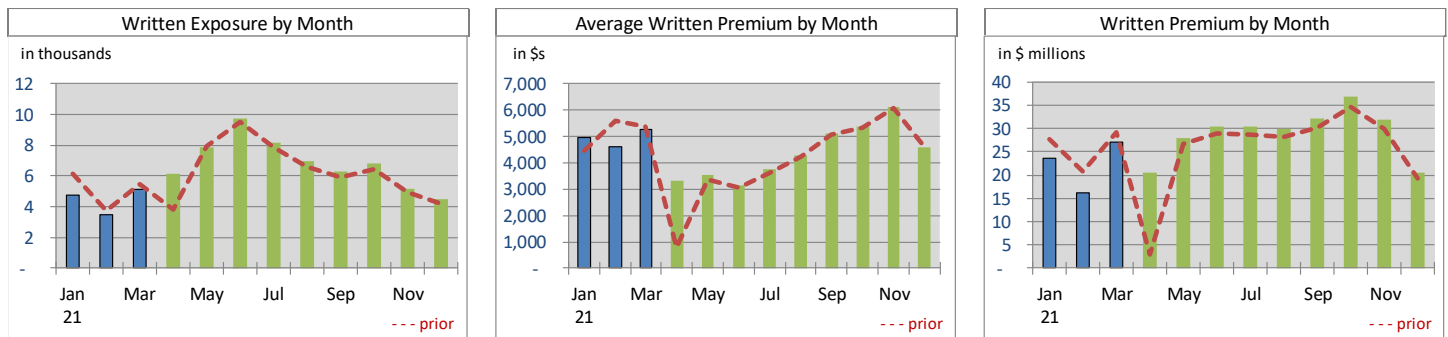
Premium

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



March 2021's Private Passenger vehicle count was 3,606 vehicles, up 12.5% compared with prior year; written premium was \$11.5 million, up 15.5% 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



March 2021's Non-Private Passenger vehicle count was 5,133 vehicles, down 5.7% compared with prior year; written premium was \$26.9 million, down 7.7% 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 consistent with prior year, down 0.7 million or 1.8%.

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. This creates an opposite pattern in vehicle counts and written premium changes – while the overall counts are up, premium is down due to the significant higher rate for Interurban vehicles in Ontario. Public vehicles (taxi and buses) were down in general, consistent with our expectation under the COVID-19 environment.

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

Business Segment	FA Minor Rating Class Desc	2021 rolling 12 to month 03			% Change in Amount			Change in Amount			2020 rolling 12 to month 03		
		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)	40,637	127,186,510	3,130	1.5%	3.0%	1.4%	608	3,655,717	44	40,028	123,530,793	3,086
	Farmer	1	445	890	100.0%	100.0%	100.0%	1	445	890	-	-	-
PPV Total		40,637	127,186,955	3,130	1.5%	3.0%	1.4%	609	3,656,162	44	40,028	123,530,793	3,086
non-PPV	Private Passenger (x Farmers)	646	999,962	1,547	(8.0%)	38.6%	50.6%	(56)	278,429	520	702	721,533	1,027
	Commercial	20,136	115,504,431	5,736	4.8%	12.8%	7.7%	915	13,146,841	411	19,221	102,357,590	5,325
	Interurban	9,247	102,310,075	11,064	17.2%	(4.7%)	(18.7%)	1,357	(5,102,058)	(2,550)	7,890	107,412,133	13,614
	Public Bus	597	2,127,523	3,563	(65.8%)	(72.7%)	(20.1%)	(1,151)	(5,665,789)	(895)	1,748	7,793,312	4,458
	Private Bus & Misc Public	1,421	6,165,745	4,340	(11.4%)	(2.5%)	10.1%	(184)	(157,881)	398	1,604	6,323,626	3,942
	School Bus	1,226	1,937,821	1,581	4.5%	0.6%	(3.7%)	52	12,430	(60)	1,173	1,925,391	1,641
	Hotel & Country Club Bus	473	1,151,828	2,437	(29.1%)	(26.0%)	4.5%	(194)	(403,946)	104	667	1,555,774	2,333
	Taxi	4,628	31,754,340	6,861	(14.2%)	(7.9%)	7.3%	(767)	(2,742,135)	466	5,395	34,496,475	6,395
	Funeral	4	12,674	3,169	100.0%	236.2%	68.1%	2	8,904	1,284	2	3,770	1,885
	Ambulance	83	315,230	3,798	116.5%	103.0%	(6.2%)	45	159,959	(253)	38	155,271	4,051
	Motorcycle	18,205	13,495,357	741	0.3%	7.5%	7.2%	48	940,844	50	18,158	12,554,513	691
	All Terrain Vehicle	9,857	4,490,196	456	5.2%	13.1%	7.5%	491	518,407	32	9,365	3,971,789	424
	Snow Vehicle	3,690	1,599,451	434	(5.5%)	0.2%	6.1%	(216)	3,527	25	3,906	1,595,924	409
	Antique	4	9,494	2,649	(28.3%)	18.5%	65.4%	(1)	1,483	1,047	5	8,011	1,602
	Motor Home	361	861,369	2,383	10.2%	3.4%	(6.2%)	33	28,384	(157)	328	832,985	2,540
	Trailer Home	-	70,085	70,085	-	78.1%	78.1%	-	30,737	30,737	-	39,348	39,348
	Garage	-	12,237,098	12,237,098	-	23.8%	23.8%	-	2,352,875	2,352,875	-	9,884,223	9,884,223
	Non-Owned	-	946,369	946,369	-	150.3%	150.3%	-	568,302	568,302	-	378,067	378,067
	Drivers Policy	83	130,656	1,576	(7.7%)	7.7%	16.7%	(7)	9,285	225	90	121,371	1,351
non-PPV Total		70,660	296,119,704	4,191	0.5%	1.4%	0.8%	368	3,988,598	35	70,292	292,131,106	4,156
TOTAL		111,297	423,306,659	3,803	0.9%	1.8%	0.9%	976	7,644,760	35	110,320	415,661,899	3,768

Incurred Losses

Incurred losses in March 2021 was \$38.5 million; and loss ratio was at 105.6%, up 42.4 percentage points compared with our projection last month and up 24.3 percentage points compared with prior year. The significant variance from projection was largely driven by the 2020 Q4 valuation being implemented in the month, generating an unfavourable impact of \$15.3 million on the month and year-to-date losses. The unfavourable impact is primarily due to the unfavourable Current Accident Year claims development in Ontario and Alberta Non-Private Passenger, offset by the impact of updated COVID-19 assumption which results a larger loss ratio reduction. As a result, losses year to date were above prior year, up \$14.9 million and 8.9 percentage point on the loss ratio.

Reported losses in March 2021 was \$1.5 million higher than projected. The Current Accident Year had a \$0.4 million favourable variance in reported losses, while the Prior Accident Years had a \$1.9 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 March 2021 was \$7.3 million; the expense ratio was 3.1 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. The 2020 Q4 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 2020 Q4 valuation assumptions; the implementation generated an unfavourable impact of \$15.4 million on the full year result, increased the COR by 3.4 percentage points.

Compared with the Outlook released in February 2021, written premium has not changed much, reduced \$4.4

million (1%) to \$462.0 million. As a result of the change in projected written premium, earned premium also reduced by \$3.0 million (1%) to \$447.5 million.

The updated year-end 2021 operating surplus is now \$49.7 million and the combined operating ratio is 88.9%, the deterioration of \$13.5 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 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 March 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](#)

*3 months ended March 2021 (discounted basis)