

CCHA Final Hail Report Summary - Nov. 1, 2018

The Canadian Crop Hail Association
2018 Summarized Hail Report

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Prairie crop hail sums insured over \$6.3 billion

Prairie farmers continue to insure their crops for hail damage at near record levels. 2018 year was average for claims but endured higher than average claim payments. Overall the industry will record the year on the positive side of the balance sheet. Claims produced insurance payouts of over \$161 million on over 11,200 claims in Western Canada. Producer premiums totaled just over \$264 million for an industry loss ratio of 61 percent.

Some timely spring rains and early seeding conditions gave producers some hope early on. The weather dried out quickly across the prairies and with little to no reserve moisture and some excess heat, crops in areas soon started to suffer. Indications are that crops are from excellent to poor depending on the area. Producers continued to welcome industry rate declines after a record low hail year in 2017 with an eight percent decrease in producer paid premiums for 2018.

With the lack of moisture the western prairies received less than average storm days throughout the summer, but storm severity made up for the decrease in storm days. A June 14th storm date caused havoc across all three provinces. Storm activity was reported from Picture Butte, AB to Morden, MB. Activity was relegated too much of the southern part of the provinces. Some insurers reported this to be one of the costliest June storms on record.

Hardest hit was Manitoba with an industry loss ratio of 71 per cent compared to 2017's 47 percent. Saskatchewan followed with a 66 per cent loss ratio, compared to 30 percent in 2017. Alberta recorded another good year at 40 percent loss ratio compared to 34 percent in 2017.

Another year of contrasts and challenges emerged for producers. Dry conditions followed what looked to be a promising planting season. The dry conditions were wide spread across the western prairies. There were concerns going into the season after a winter with little snow cover, but some timely spring rains brightened the outlook. Record dry was reported through southern Manitoba and a large portion of south western Saskatchewan and southern Alberta. In spite of the dry conditions producers were once again surprised come harvest with yield and quality. However, spirits were dampened with a persistent cool and damp fall. What began as an early look to harvest has been a long fall with little harvest progress through September.

The storm season was spread across all months starting in June and continuing through October. All months of June thru October reported hail. Claim frequency (Claim to Policy) was down 8% to the five year average. Storm severity (Average per Claim) was down about 2% from the average.

Alberta hail claims result in second straight year of positive results.

Alberta's quiet storm activity resulted in lighter than average loss activity for the industry. The dry southern Alberta crops advanced quickly. The in climate fall is again resulting in delayed harvest in some areas.

June activity provided an early start to the hail season. June 9th, 14th, and 25th were the top three storm dates in Alberta. These three days produced over 100 claims and damage averaging over \$12,000 per claim. Alberta's most expensive storm date(s) were July 13th, 19th and 20th. These storms cost 31% of the total year claims. Total hail payments for 2018 were reported at just over \$25 million on par with 2017. Storm severity decreased by about 3 percent, while the storm frequency was up about 12 percent from 2017. The overall reported loss ratio was 40%.

Total sums insured saw a decrease for 2018, with average charged rates showing a continued decline from 2017. The decrease in sums insured resulted in a premium decline for 2018.

Saskatchewan reported average loss year.

The west central part of the province began the season with early moisture and delayed seeding. Meanwhile the southern part of the province awaited moisture to help start the crops. The dry conditions gave way to some areas receiving timely mid-June moisture. Some southern areas not so lucky had spotty germination and continued drought concerns. Regardless most areas in the province produced average crops with good quality.

Saskatchewan's hail season began with a severe storm on June 14th. Hail frequency was on par with the five year average. The hail severity saw a 24% increase on the 5 year average. Saskatchewan's most expensive storm date(s) was July 07th, 09th and 10th contributing over

\$34 million in losses on over 1750 claims. Total hail payments were just over \$98 million for the year compared to \$47 million in 2017, an increase of 108 percent from a year earlier. The overall reported loss ratio was 66%.

Provincial total sums insured saw a slight increase in 2018 due to continued increase coverage from producers. The average rate charged continued to decline from the 2017 year. The declining rates are a result of average industry loss results and competitive pressures.

Manitoba records poorer hail results for 2018.

Seeding was mostly complete by early June. The absence of rain was a concern early after a dry winter. With below average precipitation through June crops had an average to below average start. Crops reported average to above average with the exception of the late season crops like soybeans and grain corn. Later seeded crops that suffered through drought like conditions were also impacted.

Manitoba's hail season started with a bolt on June 14th. With most crops still in the early stage a large storm swath coming out of the US moving across southern Saskatchewan continued its path to Manitoba. The storm was one if not the most expensive of the season. The storm path ran between Highway 2 to the north, the US border to the south, and from the west provincial border to Morden creating over 675 claims. For some companies this early storm was one of the most expensive early storms in their history. Some companies reported their average claims at over \$20,000.

Historically July is one of the most active months. With dry weather July had below average claim activity with just localized storms. On August 3rd the weekend was active after a humid hot week. A storm cut a path through much of the area north of the Duck Mountains to Swan River, and from the west border to the interlake, creating over 800 claims.

Cool damp weather settling in the later part of August and into September halting harvest. Cold weather storm activity did not slow down. Storms reported on August 26th, September 3rd and 16th continuing to provide losses through the central and northern crop belt with much of the crop still out.

Hail frequency was down about 4% from the five year average. Claim Severity was up about 17% from the five year average. Total hail payments were over \$37 million compared to \$22 million in 2017. 2018 reported a not so stellar loss ratio of 71 percent, compared to last year's 47 percent loss ratio.

Total provincial sums insured saw an increase for 2018. This can be contributed to the continued low rates and increased producer coverage. Average charged rates saw a minimal decrease, likely from the historic loss results and competitive nature of the industry. These two factors would help contribute to a small increase in premium for the year.

Who we are:

The Canadian Crop Hail Association (CCHA) has been serving the crop insurance industry in one form or another since 1915. It is a member-driven organization that represents the interests of the Canadian Crop Hail managing general agencies and insurance companies. CCHA member companies write Crop-Hail insurance product totaling over \$250 million in premium, and liability totaling approximately \$6 billion. Our companies service agriculture producers in the western prairies. These private and government organizations together provide a risk management tool to the Western Canadian prairie farmer.

What the CCHA does:

- Operates as an insurance advisory organization.
- Gathers and distributes industry statistics and information for its members.
- Develop loss adjusting procedures and forms in conjunction with National Crop Insurance Services, provincial insurance superintendents and provincial insurance councils.
- Conduct research, training and education activities in order to promote improved knowledge and understanding of the appropriate aspects of crop hail insurance.

2018 contributing Canadian Crop Hail Association Members to this report are:

- Additional Municipal Hail Ltd. (Saskatchewan)
- Agriculture Financial Services Corporation (Alberta)
- Co-operative Hail Insurance Company
- Manitoba Agricultural Services Corporation
- Rain and Hail Insurance Service Ltd.
- Palliser Insurance Company Ltd.