

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**  
**ONTARIO RISK SHARING POOL PROJECT MANAGER**

**BULLETIN NO: F2024-035**

**DATE: September 13, 2024**

**SUBJECT: ONTARIO RISK SHARING POOL – EXPENSE FACTOR**

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Please forward a copy of this bulletin to your Chief Financial Officer.

This is to inform you that the Facility Association Plan of Operation, Article XI.1, Section 6 (b), requires every member using the Ontario Risk Sharing Pool (“RSP”) to submit its expense factor to the Facility Association.

The Facility Association Board of Directors has approved a maximum Ontario expense factor of 35.4% for the 2025 calendar year.

Please find enclosed the Expense Factor Form together with instructions for its completion. If you require any assistance or clarification on completion of this form, please contact Richard Badali at (647) 619-2952 or [rbadali@facilityassociation.com](mailto:rbadali@facilityassociation.com). Also, please note that the Expense Factor Form must be certified by a Fellow of the Canadian Institute of Actuaries.

We request that you complete the Expense Factor Form and return it to us **no later than October 4, 2024**.

We thank you for your anticipated co-operation in this matter.

Saskia Matheson  
President & CEO

*This Expense Factor Form is to be completed by member companies in applying to Facility Association for consideration of their Expense Factor for the RISK SHARING POOL. (Please see attached for instructions)*

Co. # \_\_\_\_\_ Co. Name \_\_\_\_\_

1. **FSRA Expense Factor** \_\_\_\_\_ %
  - Based on the latest approved FSRA filing for Personal Vehicles - Private Passenger Automobiles.
  - Date of FSRA filing \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_.
2. **Adjustment for Claims Adjustment Expenses**
  - If not already included in the FSRA Expense Factor.
  - Add:** i) External/Allocated Loss Adjustment Cost \_\_\_\_\_ %
  - ii) Internal/Unallocated Loss Adjustment Cost \_\_\_\_\_ %
3. **Add: Adjustment for Monthly Policy Service Charge** \_\_\_\_\_ %
  - If the member company is charging a Monthly Policy Service Charge and is offsetting it against underwriting expenses and therefore reducing its FSRA Expense Factor, then this item should be added back.
4. **Adjustment for Premium Taxes and Assessment of Health System Costs**
  - If the member company has excluded provisions for Premium Taxes and Assessment of Health System Costs in the FSRA Expense Factor, then these item should be added. Otherwise, please leave these blank.
  - Add:** i) Premium Taxes \_\_\_\_\_ %
  - ii) Assessment of Health System Costs \_\_\_\_\_ %
5. **Subtract: Professional Fees** ( 4.0 ) %
  - As defined in the 'Expense Factor Form - Instructions' attached herewith.
  - This is a predetermined setpercentage.
  - This expense is reimbursed by Risk Sharing Pool to the members on an actual paid basis.
6. **Subtract: Contingent Profit Commission** ( \_\_\_\_\_ ) %
  - If the member company has included a provision for Contingent Profit Commission in the FSRA Expense Factor, then this factor should be taken out.

The Net Expense Factor for the member company [(1+2+3+4) - (5+6)] \_\_\_\_\_ % **(A)**

The Maximum Expense Factor as established by the Board of Directors for the year 2025. 35.4 % **(B)**

The Expense Factor Allowance to be used for the member company for the year 2025 is the lower of (A) or (B) \_\_\_\_\_ %

I, \_\_\_\_\_, a Fellow of the Canadian Institute of Actuaries, certify that the Company's expense information provided in items 1 through 6 is consistent with the comparable information included in the Company's latest approved FSRA filing for Personal Vehicles - Private Passenger Automobiles.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Each member company is assigned a unique company number by the Insurance Bureau of Canada for statistical reporting. This is the same number which you use for Facility Association and to report on this Expense Factor Form.

The name of the member company should correspond with the company number. If, within the same organization, there are **several companies each with a separate company number**, then a **separate Expense Factor Form** should be completed for each company.

Where there are several companies operating within **a single company number and they have submitted more than one rate filing**, these companies would still have to **file a single Expense Factor Form**; however, they would have to indicate therein their Weighted Average Expense Factor.

Where a member company is conducting its business through different distribution channels such as “group plan” the company may have filed separate rates, it would then have to calculate the Weighted Average Expense Factor for all such filings.

The expenses to be reflected in the Expense Factor Form should be expressed as a percentage of written premiums.

1. The FSRA Expense Factor percentage is for that particular company with the same company number.

Please indicate the Expense Factor percentage most recently **approved** by FSRA for Personal Vehicles - Private Passenger Automobiles and not necessarily the one which was filed with FSRA.

For this purpose, it is assumed that the FSRA Expense Factor, as defined, makes provision for categories of expense such as Commissions, Taxes, Assessments, Operating Expenses and possibly Loss Adjustment Expenses, but specifically excludes any provision for profit or return on equity and furthermore excludes any offsetting provision for the contribution of investment income on the cash flow from insurance operations.

2. For those companies who do not include the External/Allocated Loss Adjustment Cost or the Internal/Unallocated Loss Adjustment Cost in their expense factor filed with FSRA, these expense factors should be added on.

Please note that some companies do include these expenses within their overall expense factor filed with FSRA. In that case, this item should be left blank.

3. Some companies apply the Monthly Policy Service Charge to offset against their underwriting expenses; as a result, the expense factor is reduced by the Monthly Policy Service Charge earned. If your company has reduced its FSRA expense factor by such Monthly Policy Service Charge, you should add back the reduction for Monthly Policy Service Charge included in your FSRA filing, to a maximum as established by the Board of Directors of the Facility Association (see item 7 below).

Other companies add the Monthly Policy Service Charge to their investment income or other underwriting income. If your company follows one of these practices, this item should be left blank.

4. For those companies who do not include provisions for Premium Taxes and/or Assessment of Health System Costs in their expense factor filed with FSRA, these expense factors should be added on.

Please note that some companies do include these expenses within their overall expense factor filed with FSRA. In that case, these items should be left blank.

For this purpose, Premium Taxes are narrowly defined to exclude other types of expenses such as license fees, dues, assessments, etc.

5. Professional Fees here refers to specific first party, allocated legal and other approved fees incurred for loss settlement purposes, which are as follows:

- |   |   |
|---|---|
| (i) Accounting Services                     | (ii) Actuarial Services   |
| (iii) Alternate Dispute Resolution Services | (iv) Arbitration  |
| (v) Architectural Services                  | (vi) Autopsy Reports  |
| (vii) Coroners' Court transcripts           | (viii) Court Stenographers  |
| (ix) Engineering Services                   | (x) Notarial Services   |
| (xi) Medical Reports                        | (xii) Salvage (seller fees only)  |
| (xiii) Translations                         | (xiv) First Party Legal Fees (excluding disbursements investigative in nature i.e. police and surveillance reports) |

This percentage is estimated by Facility Association as an average percentage for the industry, and the same percentage applies to all member companies. It is preprinted on the Expense Factor Form.

6. The Risk Sharing Pool expense factor is intended to include a provision for regular commission only. If the member company has made provision in their expense factor filed with FSRA for an additional expense for Contingent Profit Commission, this provision should be taken out under this item. Otherwise, this item should be left blank.
7. The Board of Directors of the Facility Association will establish the Maximum Expense Factor before the end of September of each year, to be used for the subsequent calendar year.

***Please note that although Facility Association does not require you to submit the back- up materials with the Expense Factor Form, it does reserve its right to audit and as such, we request that you retain the appropriate back-up material for a minimum period of two years.***