

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 031

DATE: April 28, 2023

SUBJECT: Ontario Risk Sharing Pool – March 2023 Operational Report

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

Please be advised that the March 2023 Ontario Risk Sharing Pool IFRS 17 Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

The results in this report are shown on the IFRS 17 accounting basis. However, please note that for interested members, the RSP operational report on the IFRS 4 basis are available on the FA Portal.

Highlights (IFRS 17)

- (a) The **March 2023 received premium** was \$38.9 million, lower than prior year by \$3.1 million. The **projected 2023 year-end received premium** is \$532.1 million;
- (b) The **March 2023 insurance revenue** was \$30.7 million, higher than prior year by \$3.2 million. The **projected 2023 year-end insurance revenue** is \$356.3 million;
- (c) The **March 2023 operating result** was a deficit \$73.1 million, higher than prior year by \$1.7 million. The **projected 2023 year-end operating result** is a deficit \$380.1 million;
- (d) The **March 2023 combined operating ratio** was 338.2%, lower than prior year by 33.6 percentage points. The **projected year-end combined operating ratio** is 206.7%.
- (e) The implementation of the **2022 Q4 Valuation**, generated **\$65.2 million unfavourable impact** for the month, increasing the **year-end combined operating Ratio** by 74.9 percentage points.

Summary of Financial Results

ON RSP Summary of IFRS17 Financial Results

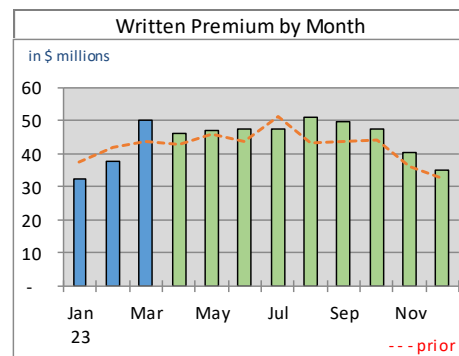
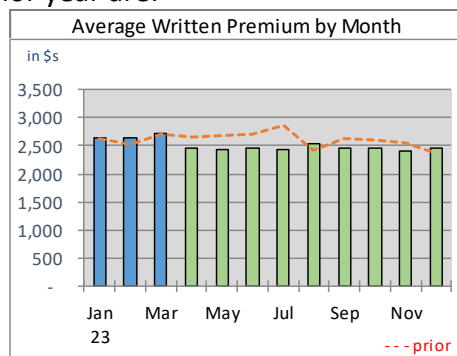
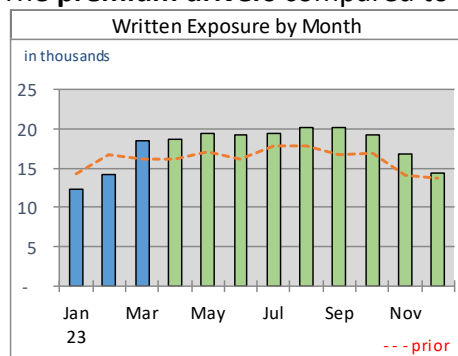
ON RSP 2023 Summary Amounts in \$000s	Actual (March 2023)	Projection (March 2023)	Prior Year (March 2022)	2023 year-to-date as at 3 months	2022 year-to-date as at 3 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	50,377	43,180	43,833	120,393	123,475	532,386	573,507	506,828
Received Premium	38,890	38,798	41,970	105,019	116,498	532,067	567,045	501,928
Earned Premium	43,794	42,751	38,295	123,081	106,096	508,690	537,369	483,509
Earned Expense Allowance	(13,110)	(12,683)	(10,784)	(35,959)	(29,965)	(152,439)	(160,591)	(136,215)
Insurance Revenue	30,683	30,068	27,510	87,122	76,131	356,251	376,778	347,295
Total Claims Incurred	65,395	53,282	24,470	166,542	98,904	674,525	669,716	511,164
<i>Claims incurred (CAY)</i>	60,623	49,729	53,579	153,438	130,680	636,101	630,320	562,805
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	4,772	3,552	(29,109)	13,104	(31,776)	38,424	39,396	(51,641)
Administrative Expense	169	199	162	525	441	2,418	2,637	2,223
Losses on Onerous Contracts	55,039	0	95,009	304,700	330,745	304,700	281,568	310,273
Reversal of Losses on Onerous Contracts	(14,671)	(17,443)	(3,179)	(54,613)	(33,163)	(243,128)	(226,879)	(202,452)
Insurance Service Expenses	105,932	36,038	116,462	417,154	396,927	738,515	727,042	621,207
Insurance Service Result	(75,249)	(5,970)	(88,952)	(330,032)	(320,796)	(382,264)	(350,264)	(273,912)
Insurance Finance Expense from PV FCF	(1,697)	0	4,511	(1,697)	4,511	(1,697)	0	66,257
Insurance Finance Expense from Risk Adjustment	(125)	0	323	(125)	323	(125)	0	4,817
Insurance Finance Expense from Loss Component	3,993	0	9,357	3,993	9,357	3,993	0	78,572
Insurance Finance Income (Expense)	2,171	0	14,191	2,171	14,191	2,171	0	149,647
Operating Result	(73,078)	(5,970)	(74,761)	(327,860)	(306,605)	(380,092)	(350,264)	(124,265)
Ratios:								
Loss ratio - Claims Incurred (CAY)	197.6%	165.4%	194.8%	176.1%	171.7%	178.6%	167.3%	162.1%
- Adjustments to Liabilities for Incurred Claims (PAYs)	15.6%	11.8%	(105.8%)	15.0%	(41.7%)	10.8%	10.5%	(14.9%)
Total	213.1%	177.2%	88.9%	191.2%	129.9%	189.3%	177.7%	147.2%
Earned Expense allowance	29.9%	29.7%	28.2%	29.2%	28.2%	30.0%	29.9%	28.2%
Change in Loss Component (excluding IFE)	131.6%	(58.0%)	333.8%	287.1%	390.9%	17.3%	14.5%	31.0%
Administrative Expenses	0.6%	0.7%	0.6%	0.6%	0.6%	0.7%	0.7%	0.6%
Insurance Service Ratio	345.2%	119.9%	423.3%	478.8%	521.4%	207.3%	193.0%	178.9%
Combined Operating Ratio	338.2%	119.9%	371.8%	476.3%	502.7%	206.7%	193.0%	135.8%

rounding differences may occur

*as posted to FA's website Jan 17, 2023

Premium

The **premium drivers** compared to prior year are:



The vehicle count transfer for March 2023 was 18, 474 vehicles, which was higher than prior year by 2,354 vehicles, and 764 vehicles higher than The Outlook for the month.

The March 2023 average premium was below The Outlook by 1.1%, but in line with prior year.

The green bars represent our current projection for the remainder of the year.

Insurance Service Expenses

Insurance expenses for March 2023 include,

- Claims Incurred - Incurred losses in March 2023 were \$65.4 million, higher than projection by \$12.1 million and \$40.9 million higher compared with the same month from last year. Loss ratio was at 197.6%, 32.2 percentage points above projected, and up 2.8 percentage points compared with prior year. The high claims incurred was driven by the valuation implementation.

- Losses on Onerous Contracts – This represents change in the loss component during the reporting period arising from Initial recognition and subsequent re-estimation of the loss component (due to changes in premium or loss ratio projections, for example). The change for the month of March 2023 is \$55.0 million unfavorable change.
- Reversal of Losses on Onerous Contracts – This represents changes in the loss component during the reporting period arising from the portion of the opening LRC earned during the period. Excludes the impact of change in discount rates.
- Administrative Expense: \$0.2 million for March 2023, slightly above projection and in line with prior year.

For more information on the valuation impact please refer to the Actuarial Highlights.

ON RSP Summary of 2022 Q4 Valuation Implementation Impact

RSP: Ontario	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY	5,268	0	5,268	6.0%
CAY	8,899	23,951	32,851	37.7%
FtAY	0	27,094	27,094	31.1%
Total	14,167	51,045	65,213	74.9%

unfav/(fav)

ON RSP Summary of 2022 Q4 Change in loss Component

	2023 (CAY)	2024 (FtAY)	TOTAL
Opening Loss Component	187,337	253,452	440,789
[1] Losses on onerous contracts	25,496	29,543	55,039
[2] Discount rate	(1,544)	(2,449)	(3,993)
[3] Reversal of losses on onerous contracts	(15,513)	843	(14,671)
TOTAL [1]+[2]+[3]	8,438	27,937	36,375
Ending Loss Component	195,775	281,388	477,163

unfav/(fav) for the month and ytd

Projection to year-end 2023

Projections to year-end 2023 have been updated using the 2022 Q4 valuation assumptions which generated an estimated unfavourable impact of \$65.2 million on the full year results.

Compared with The Outlook released in March 2023, written premiums has reduced by \$41.1 million to \$532.4 million driven by reduction in premium year to date as well as updated premium projections received from members for the Ontario Risk Sharing pool. Earned premium was decreased by \$28.7 million to \$508.7 million.

The year-end 2023 operating deficit is expected to be \$380.1 million driven by higher loss ratios compared with The Outlook. Expense ratios, driven mainly by Insurance Revenue, are expected to be in line with The Outlook.

Should you require any further information, please call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related links:

[Ontario RSP Summary of Operations - Calendar Year 2023](#)

*03 month ended March 2023 (discounted basis)