

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2023 – 024

**DATE:** March 30, 2023

**SUBJECT:** Ontario Risk Sharing Pool – February 2023 Operational Report

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

Please be advised that the February 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 ***February 2023 received premium*** was \$32.4 million, lower than prior year by \$4.9 million. The ***projected 2023 year-end received premium*** is \$525.0 million;
- (b) The ***February 2023 insurance revenue*** was \$26.4 million, higher than prior year by \$2.8 million. The ***projected 2023 year-end insurance revenue*** is \$351.6 million;
- (c) The ***February 2023 operating result*** was a deficit \$9.8 million, lower than prior year by \$10.6 million. The ***projected 2023 year-end operating result*** is a deficit \$306.1 million;
- (d) The ***February 2023 combined operating ratio*** was 137.7%, higher than prior year by 40.4 percentage points. The ***projected year-end combined operating ratio*** is 187.0%.

## Summary of Financial Results

### ON RSP Summary of IFRS17 Financial Results

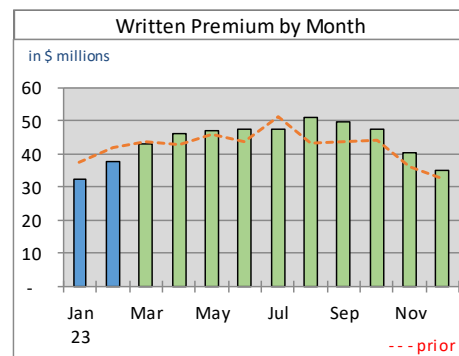
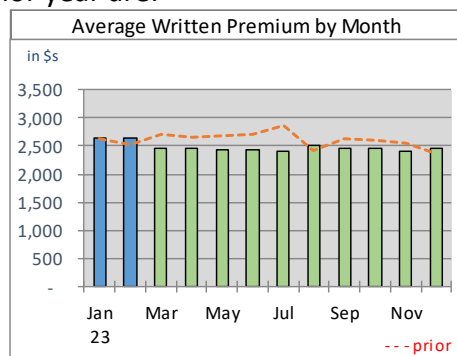
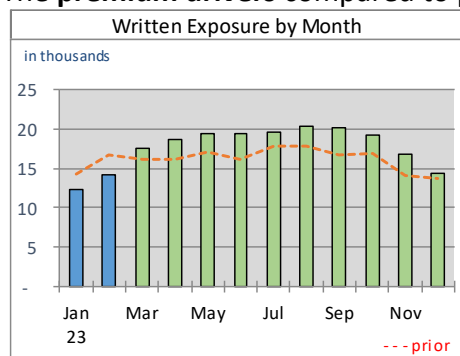
ON RSP 2023 Summary Amounts in \$000s	Actual (February 2023)	Projection (February 2023)	Prior Year (February 2022)	2023 year-to-date as at 2 months	2022 year-to-date as at 2 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	37,722	33,645	42,090	70,015	79,642	525,188	573,507	506,828
Received Premium	32,374	32,975	37,313	66,129	74,528	524,972	567,045	501,928
Earned Premium	37,312	37,981	32,834	79,287	67,801	501,702	537,369	483,509
Earned Expense Allowance	(10,936)	(11,045)	(9,299)	(22,848)	(19,181)	(150,066)	(160,591)	(136,215)
<b>Insurance Revenue</b>	<b>26,377</b>	<b>26,935</b>	<b>23,535</b>	<b>56,439</b>	<b>48,620</b>	<b>351,637</b>	<b>376,778</b>	<b>347,295</b>
Total Claims Incurred	45,192	47,949	36,903	101,147	74,434	626,039	669,716	511,164
Claims incurred (CAY)	44,433	44,310	37,286	92,815	77,101	589,708	630,320	562,805
Adjustments to Liabilities for Incurred Claims (PAYs)	759	3,639	(383)	8,331	(2,667)	36,331	39,396	(51,641)
Administrative Expense	164	155	133	355	279	2,447	2,637	2,223
Losses on Onerous Contracts	0	0	0	249,662	235,736	249,662	281,568	310,273
Reversal of Losses on Onerous Contracts	(9,188)	(14,864)	(14,262)	(39,942)	(29,984)	(220,442)	(226,879)	(202,452)
<b>Insurance Service Expenses</b>	<b>36,167</b>	<b>33,240</b>	<b>22,774</b>	<b>311,222</b>	<b>280,465</b>	<b>657,705</b>	<b>727,042</b>	<b>621,207</b>
<b>Insurance Service Result</b>	<b>(9,790)</b>	<b>(6,305)</b>	<b>761</b>	<b>(254,783)</b>	<b>(231,844)</b>	<b>(306,069)</b>	<b>(350,264)</b>	<b>(273,912)</b>
Insurance Finance Expense from PV FCF	0	0	0	0	0	0	0	66,257
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	0	0	4,817
Insurance Finance Expense from Loss Component	0	0	0	0	0	0	0	78,572
<b>Insurance Finance Income (Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149,647</b>
<b>Operating Result</b>	<b>(9,790)</b>	<b>(6,305)</b>	<b>761</b>	<b>(254,783)</b>	<b>(231,844)</b>	<b>(306,069)</b>	<b>(350,264)</b>	<b>(124,265)</b>
<b>Ratios:</b>								
<b>Loss ratio - Claims Incurred (CAY)</b>	168.5%	164.5%	158.4%	164.5%	158.6%	167.7%	167.3%	162.1%
<b>- Adjustments to Liabilities for Incurred Claims (PAYs)</b>	2.9%	13.5%	(1.6%)	14.8%	(5.5%)	10.3%	10.5%	(14.9%)
<b>Total</b>	171.3%	178.0%	156.8%	179.2%	153.1%	178.0%	177.7%	147.2%
<b>Earned Expense allowance</b>	29.3%	29.1%	28.3%	28.8%	28.3%	29.9%	29.9%	28.2%
<b>Change in Loss Component (excluding IFE)</b>	(34.8%)	(55.2%)	(60.6%)	371.6%	423.2%	8.3%	14.5%	31.0%
<b>Administrative Expenses</b>	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.6%
<b>Insurance Service Ratio</b>	<b>137.1%</b>	<b>123.4%</b>	<b>96.8%</b>	<b>551.4%</b>	<b>576.8%</b>	<b>187.0%</b>	<b>193.0%</b>	<b>178.9%</b>
<b>Combined Operating Ratio</b>	<b>137.1%</b>	<b>123.4%</b>	<b>96.8%</b>	<b>551.4%</b>	<b>576.8%</b>	<b>187.0%</b>	<b>193.0%</b>	<b>135.8%</b>

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 February 2023 was 14,257 vehicles, which was lower than prior year by 2,393 vehicles, and 66 vehicles lower than The Outlook for the month.

The February 2023 average premium was below The Outlook by 3.5%, but in line with prior year.

## Insurance Service Expenses

Insurance expenses for February 2023 include,

- Claims Incurred - Incurred losses in February 2023 were \$45.2 million, lower than projection by \$2.8 million and \$8.3 million higher compared with the same month from last year. Loss ratio was at 168.5%, 4.0 percentage points above projected, and up 10.0 percentage points compared with prior year.
- 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: \$0.3 million for January 2023, slightly above projection and in line with prior year.

### Projection to year-end 2023

Compared with The Outlook released in February 2023, written premiums has reduced by \$48.3 million to \$525.2 million driven by reduction in premium year to date as well as updated premium projections received from members for the Ontario Risk Sharing pool. While, earned premium was decreased by \$35.7 million to \$501.7 million.

The year-end 2023 operating deficit is expected to be \$306.1 million with loss ratios in line 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](#)

\*02 month ended February 2023 (discounted basis)