

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023 – 016

DATE: February 27, 2023

SUBJECT: Ontario Risk Sharing Pool – January 2023 Operational Report

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

Please be advised that the January 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.

Please note a change in the IFRS 17 ratios shown in the bulletins this month compared to last month. ***The denominator of our ratios (loss ratios etc.) is the Insurance Revenue***, calculated as earned premium net of earned expense allowance. Last month, as well as in the 2023 RSP Outlook published to our website, the denominator of the ratios was the earned premium. The Outlook ratios shown in this bulletin have been modified to the new basis for ease of comparison.

Highlights (IFRS 17)

- (a) The ***January 2023 received premium*** was \$33.8 million, lower than prior year by \$3.5 million. The ***projected 2023 year-end received premium*** is \$555.0 million;
- (b) The ***January 2023 insurance revenue*** was \$30.1 million, higher than prior year by \$5.0 million. The ***projected 2023 year-end insurance revenue*** is \$367.9 million;
- (c) The ***January 2023 operating result*** was a deficit \$245.1 million, lower than prior year by \$12.5 million. The ***projected 2023 year-end operating result*** is a deficit \$311.3 million;
- (d) The ***January 2023 combined operating ratio*** was 915.4%, lower than prior year by 111.9 percentage points. The ***projected year-end combined operating ratio*** is 184.6%.

Summary of Financial Results

ON RSP Summary of IFRS17 Financial Results

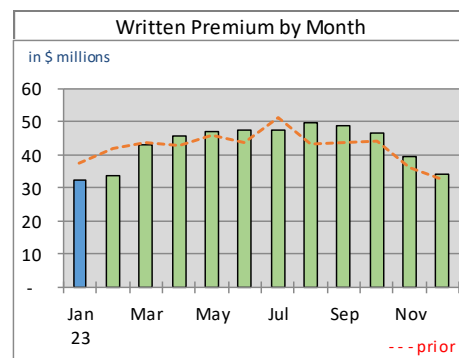
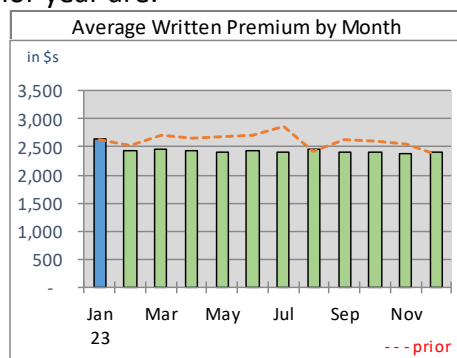
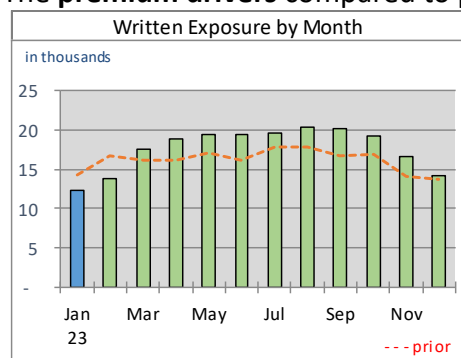
ON RSP 2023 Summary Amounts in \$000s	Actual (January 2023)	Projection (January 2023)	Prior Year (January 2022)	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Written Premium	32,293	41,268	37,552	545,822	573,507	506,828
Received Premium	33,755	33,914	37,215	555,041	567,045	501,928
Earned Premium	41,975	42,804	34,967	525,000	537,369	483,509
Earned Expense Allowance	(11,912)	(12,192)	(9,882)	(157,116)	(160,591)	(136,215)
Insurance Revenue	30,063	30,611	25,085	367,884	376,778	347,295
Total Claims Incurred	55,955	59,035	37,531	662,682	669,716	511,164
Claims incurred (CAY)	48,382	49,801	39,816	599,822	630,320	562,805
Adjustments to Liabilities for Incurred Claims (PAYs)	7,573	9,233	(2,284)	62,860	39,396	(51,641)
Administrative Expense	329	190	145	2,694	2,637	2,223
Losses on Onerous Contracts	249,662	265,510	235,736	249,662	281,568	310,273
Reversal of Losses on Onerous Contracts	(30,754)	(17,564)	(15,722)	(235,900)	(226,879)	(202,452)
Insurance Service Expenses	275,192	307,171	257,690	679,137	727,042	621,207
Insurance Service Result	(245,130)	(276,560)	(232,605)	(311,254)	(350,264)	(273,912)
Insurance Finance Expense from PV FCF	0	0	0	0	0	66,257
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	4,817
Insurance Finance Expense from Loss Component	0	0	0	0	0	78,572
Insurance Finance Income (Expense)	0	0	0	0	0	149,647
Operating Result	(245,130)	(276,560)	(232,605)	(311,254)	(350,264)	(124,265)
Ratios:						
Loss ratio - Claims Incurred (CAY)	160.9%	162.7%	158.7%	163.0%	167.3%	162.1%
- Adjustments to Liabilities for Incurred Claims (PAYs)	25.2%	30.2%	(9.1%)	17.1%	10.5%	(14.9%)
Total	186.1%	192.9%	149.6%	180.1%	177.7%	147.2%
Earned Expense allowance	28.4%	28.5%	28.3%	29.9%	29.9%	28.2%
Change in Loss Component (excluding IFE)	728.2%	810.0%	877.1%	3.7%	14.5%	31.0%
Administrative Expenses	1.1%	0.6%	0.6%	0.7%	0.7%	0.6%
Insurance Service Ratio	915.4%	1003.5%	1027.3%	184.6%	193.0%	178.9%
Combined Operating Ratio	915.4%	1,003.5%	1,027.3%	184.6%	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 January 2023 was 12,275 vehicles, which was lower than prior year by 2,051 vehicles, and 2,812 vehicles lower than The Outlook for the month.

The January 2023 average premium was below The Outlook by 4.0%, but in line with prior year.

Insurance Service Expenses

Insurance expenses for January 2023 include,

- Claims Incurred - Incurred losses in January 2023 were \$56.0 million, lower than projection by \$3.1 million and \$18.4 million higher compared with the same month from last year. Loss ratio was at 186.1%, 6.7 percentage points below projected, and up 36.5 percentage points compared with prior year.
- Losses on Onerous Contracts – The liability for remaining coverage demonstrates a sharp jump in January of each calendar year due to the initial recognition of the future accident year loss component, then gradually decreases for the remainder of the year as losses move into the liability for incurred claims. Initial recognition in January generates a large insurance service result loss in the January result.
- 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 January 2023, written premiums has reduced by \$27.7 million to \$545.8 million driven by reduction in premium year to date as well as updated premium projections received from members for the Ontario Risk Sharing pool. As a result of the change in projected written premium, earned premium was also reduced by \$12.0 million to \$555.0 million.

The year-end 2023 operating deficit is expected to be \$311.3 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 2022](#)

*01 month ended January 2023 (discounted basis)