

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2023 – 008

**DATE:** January 30, 2023

**SUBJECT:** Ontario Risk Sharing Pool – December 2022 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 December 2022 Ontario Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

This month, we have included financial results on both IFRS 4 and IFRS 17 basis to assist members with the transition to IFRS 17. Operational reports are available on both accounting bases on the FA Portal. Commentary below are on the IFRS 4 basis unless otherwise stated; in January 2023, the commentary will be presented on the IFRS 17 basis.

#### **Highlights (IFRS 4)**

- (a) The **December 2022 premium written** was \$32.5 million, lower than prior year by \$5.1 million. The **2022 year-end premium written** was \$506.8 million, higher than prior year by \$110.8 million; and
- (b) The **December 2022 operating result** was a deficit of \$15.1 million, and the **2022 year-end operating results** were a deficit of \$122.2 million; and
- (c) The **December 2022 combined operating ratio** was 136.5%, lower than prior year by 13.0 percentage points. The **year-end combined operating ratio** was 125.3%, higher than prior year by 16.2 percentage points;

#### **Highlights (IFRS 17)**

- (a) The **December 2022 received premium** was \$35.0 million, lower than prior year by \$10.1 million. The **2022 year-end received premium** was \$501.9 million;
- (b) The **December 2022 insurance revenue** was \$29.8 million, higher than prior year by \$5.2 million. The **2022 year-end insurance revenue** was \$347.3 million;
- (c) The **December 2022 operating result** was a deficit \$3.9 million, higher than prior year by \$3.5 million. The **2022 year-end operating result** was a deficit \$124.3 million;
- (d) The **December 2022 combined operating ratio** was 109.5%, higher than prior year by 8.2 percentage points. The **year-end combined operating ratio** was 125.7%.
- (e) Please note that there is a significant movement this month between the **projected** Calendar Year to Date **incurred claims** (current accident year incurred) and **adjustments to liabilities for incurred claims** (prior accident years incurred). This is caused by a change to the projections page. Previously, the “current accident year” on the projections page was defined as the year of the accounting month. Now, it is defined as the year of the +2 month projected month. This will be a one-time adjustment.

## Summary of Financial Results

### ON RSP Summary of IFRS4 Financial Results

ON RSP 2022 Summary Amounts in \$000s	Actual (December 2022)	Projection (December 2022)	Prior Year (December 2021)	2022 year-end Actual	Outlook* Full year 2022	2021 year-end Actual
Premium Written	32,460	33,620	37,565	506,828	516,439	396,076
Premium Earned	41,421	41,365	34,507	483,509	477,938	380,748
Incurred Losses	47,746	49,041	31,506	449,722	573,649	302,390
Prior Accident Years	(1,767)	1,304	(1,760)	(143,024)	(23,419)	(82,600)
Current Accident Year	49,513	47,738	33,265	592,746	596,945	384,990
Underwriting & Admin Expense	8,785	9,247	20,080	156,020	164,861	112,800
Expense allowance	9,152	9,447	10,803	141,946	145,120	111,787
Premium Deficiency / (DPAC)	(696)	(348)	8,966	11,851	17,469	(1,113)
Administrative Expenses	329	148	312	2,223	2,272	2,126
<b>Net Result from Operations</b>	<b>(15,110)</b>	<b>(16,924)</b>	<b>(17,079)</b>	<b>(122,232)</b>	<b>(260,572)</b>	<b>(34,442)</b>
<b>Ratios:</b>						
Loss ratio - Prior Accident Years	(4.3%)	3.2%	(5.1%)	(29.6%)	(4.9%)	(21.7%)
- Current Accident Year	119.5%	115.4%	96.4%	122.6%	124.9%	101.1%
Total	<b>115.3%</b>	<b>118.6%</b>	<b>91.3%</b>	<b>93.0%</b>	<b>120.0%</b>	<b>79.4%</b>
Underwriting & Admin Expense	<b>21.2%</b>	<b>22.4%</b>	<b>58.2%</b>	<b>32.3%</b>	<b>34.5%</b>	<b>29.6%</b>
Expense allowance	22.1%	22.8%	31.3%	29.4%	30.4%	29.4%
Premium Deficiency / (DPAC)	(1.7%)	(0.8%)	26.0%	2.5%	3.7%	(0.3%)
Administrative Expenses	0.8%	0.4%	0.9%	0.5%	0.5%	0.6%
<b>Combined Operating Ratio</b>	<b>136.5%</b>	<b>140.9%</b>	<b>149.5%</b>	<b>125.3%</b>	<b>154.5%</b>	<b>109.0%</b>

rounding differences may occur

\*as posted to FA's website Dec. 24, 2021

### ON RSP Summary of IFRS17 Financial Results

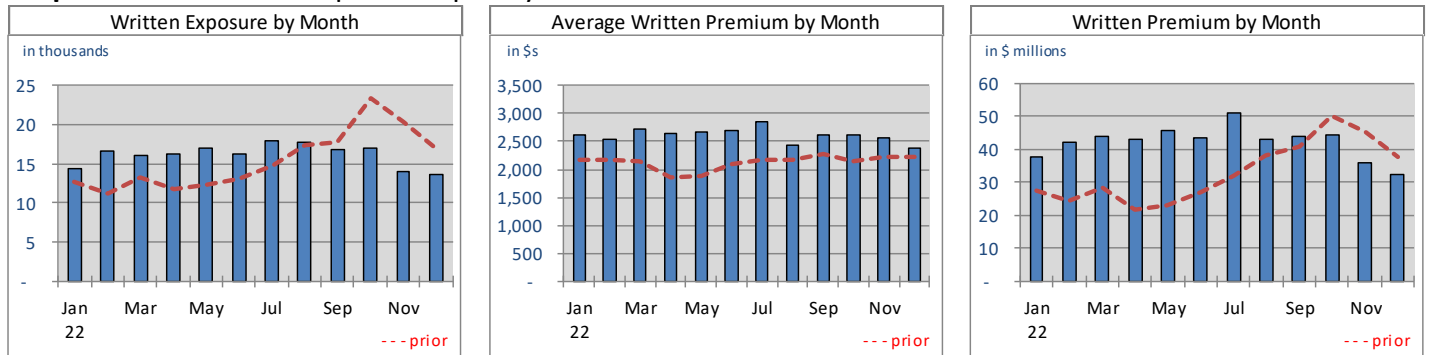
ON RSP 2022 Summary Amounts in \$000s	Actual (December 2022)	Projection (December 2022)	Prior Year (December 2021)	2022 year-to-date as at 12 months	Outlook* Full year 2022
Written Premium	32,460	33,620	37,565	506,828	
Received Premium	35,017	36,036	45,081	501,928	
Earned Premium	41,421	41,365	34,507	483,509	
Earned Expense Allowance	(11,626)	(11,642)	(9,918)	(136,215)	
<b>Insurance Revenue</b>	<b>29,795</b>	<b>29,723</b>	<b>24,588</b>	<b>347,295</b>	
Total Claims Incurred	48,863	50,601	31,218	511,164	
Claims incurred (CAY)	49,185	47,404	31,378	562,805	
Adjustments to Liabilities for Incurred Claims (PAYs)	(323)	3,197	(160)	(51,641)	
Administrative Expense	329	148	312	2,223	
Losses on Onerous Contracts	0	0	0	310,273	
Reversal of Losses on Onerous Contracts	(15,449)	(15,468)	(6,487)	(202,452)	
<b>Insurance Service Expenses</b>	<b>33,742</b>	<b>35,280</b>	<b>25,043</b>	<b>621,207</b>	
<b>Insurance Service Result</b>	<b>(3,947)</b>	<b>(5,557)</b>	<b>(455)</b>	<b>(273,913)</b>	
Insurance Finance Expense from PV FCF	0	0	0	66,257	
Insurance Finance Expense from Risk Adjustment	0	0	0	4,817	
Insurance Finance Expense from Loss Component	0	0	0	78,572	
<b>Insurance Finance Income (Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>149,647</b>	
<b>Operating Result</b>	<b>(3,947)</b>	<b>(5,557)</b>	<b>(455)</b>	<b>(124,265)</b>	
<b>Ratios:</b>					
Loss ratio - Claims Incurred (CAY)	118.7%	114.6%	90.9%	116.4%	
- Adjustments to Liabilities for Incurred Claims (PAYs)	(0.8%)	7.7%	(0.5%)	(10.7%)	
Total	<b>118.0%</b>	<b>122.3%</b>	<b>90.5%</b>	<b>105.7%</b>	
Earned Expense allowance	28.1%	28.1%	28.7%	28.2%	
Change in Loss Component (excluding IFE)	(37.3%)	(37.4%)	(18.8%)	22.3%	
Administrative Expenses	0.8%	0.4%	0.9%	0.5%	
<b>Insurance Service Ratio</b>	<b>109.5%</b>	<b>113.4%</b>	<b>101.3%</b>	<b>156.7%</b>	
<b>Combined Operating Ratio</b>	<b>109.5%</b>	<b>113.4%</b>	<b>101.3%</b>	<b>125.7%</b>	

rounding differences may occur

\*2022 Outlook was not created on IFRS 17 basis

## Premium

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



The vehicle count transfer for December 2022 was 13,648 vehicles, which was lower than prior year by 3,334 vehicles, and 1,760 vehicles lower than The Outlook for the month.

The December 2022 average premium was below The Outlook by 1.8%, increased from prior years reflecting the increase in cession limit change from 85% to 100% as well as a change in the mix of risks being ceded to the pool.

## Incurred Losses

Incurred losses in December 2022 were \$47.8 million, in line with projection and \$16.3 million higher compared with the same month from last year. Loss ratio was at 115.3%, 3.3 percentage points below projected, and up 24.0 percentage points compared with prior year.

## Underwriting and Admin Expenses

Underwriting expenses for December 2022 include,

- Expense Allowance – this is based on written premium. The allowance ratio is approximately 28% of written premium and consistent across actual, prior year and outlook for both current month and year-end;
- Change in Premium Deficiency / (DPAC): Reduction in DPAC of only \$696 thousand for December 2022 compared to projected decrease in DPAC of \$348 thousand and prior year increase in premium deficiency of \$9.0 million;
- Administrative Expense: \$0.3 million for December 2022, slightly above projection and in line with prior year.

## Year-End 2022

The 2022 year-end written premium is below The Outlook by \$9.6 million while above prior year by \$110.8 million. Earned premium is above The Outlook by \$5.6 million and above prior year by \$102.8 million. The relatively large increase compared to prior year is due to the increase in cession limit change from 85% to 100% as well as a change in the mix of risks being ceded to the pool.

The year-end loss ratio of 93.0% is above prior year as the impact of the pandemic decreases. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher (120.0%) compared to the year-end. The actual year-end loss ratio includes the favourable impact of rising yields on discounting during the past year, which offset the increased nominal loss experience.

The year-end expense ratio is in line with The Outlook as well as with prior year. Expense allowance remain consistent as a percentage of premium written across prior year and The Outlook.

The year-end operating deficit was \$122.2 million compared with prior year deficit of \$34.4 million. The Outlook expected a deficit of \$260.6 million. Again, this is largely driven by favourable impact of discounting which was not included in the Outlook forecast.

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](#)

\*12 month ended December 2022 (discounted basis)