

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2022 – 089**

**DATE: November 29, 2022**

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

### **Highlights**

- (a) The **October 2022 premium written** was \$44.2 million, lower than prior year by \$6.0 million. The **2022 year-to-date premium written** was \$438.4 million, higher than prior year by \$124.9 million; and
- (b) The **October 2022 operating result** was a deficit of \$16.9 million, and the **2022 year-to-date operating results** were a deficit of \$89.0 million; and
- (c) The **October 2022 combined operating ratio** was 138.5%, higher than prior year by 8.3 percentage points. The **year-to-date combined operating ratio** was 122.3%, higher than prior year by 23.3 percentage points;
- (d) The implementation of the **2022 Q3 Valuation**, generated **\$6.5 million favourable impact** for the month, decreasing the COR by 14.8 percentage points.

## Summary of Financial Results

### ON RSP Summary of Financial Results

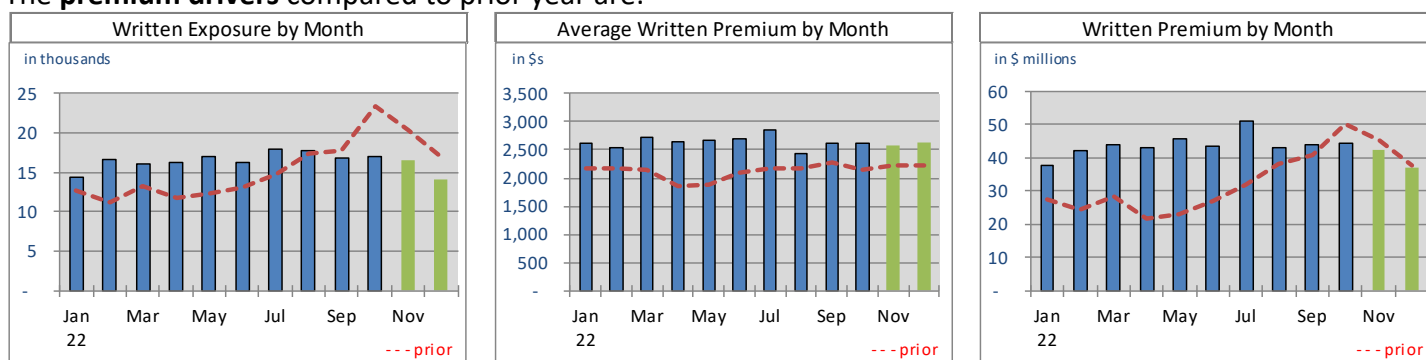
ON RSP 2022 Summary Amounts in \$000s	Actual (October 2022)	Projection (October 2022)	Prior Year (October 2021)	2022 year-to-date as at 10 months	2021 year-to-date as at 10 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	44,198	49,796	50,227	438,354	313,419	517,829	516,439	396,077
Premium Earned	43,938	44,203	32,094	400,186	314,076	482,707	477,938	380,748
Incurred Losses	46,270	52,927	20,116	352,083	241,198	451,659	573,649	302,388
Underwriting & Admin Expense	14,565	18,236	21,694	137,078	69,695	162,352	164,861	112,798
Expense allowance	12,516	13,993	14,250	122,687	88,211	145,020	145,120	111,786
Premium Deficiency / (DPAC)	1,842	4,024	7,223	12,530	(20,185)	15,198	17,469	(1,114)
Administrative Expenses	207	219	221	1,861	1,669	2,134	2,272	2,126
<b>Net Result from Operations</b>	<b>(16,897)</b>	<b>(26,960)</b>	<b>(9,716)</b>	<b>(88,975)</b>	<b>3,183</b>	<b>(131,304)</b>	<b>(260,572)</b>	<b>(34,438)</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(30.7%)	(1.3%)	(7.8%)	(35.1%)	(25.2%)	(29.3%)	(4.9%)	(21.7%)
- Current Accident Year	136.1%	121.1%	70.5%	123.1%	102.0%	122.8%	124.9%	101.1%
<b>Total</b>	<b>105.4%</b>	<b>119.8%</b>	<b>62.7%</b>	<b>88.0%</b>	<b>76.8%</b>	<b>93.5%</b>	<b>120.0%</b>	<b>79.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>33.1%</b>	<b>41.3%</b>	<b>67.6%</b>	<b>34.3%</b>	<b>22.2%</b>	<b>33.6%</b>	<b>34.5%</b>	<b>29.6%</b>
Expense allowance	28.5%	31.7%	44.4%	30.7%	28.1%	30.0%	30.4%	29.4%
Premium Deficiency / (DPAC)	4.2%	9.1%	22.5%	3.1%	(6.4%)	3.1%	3.7%	(0.3%)
Administrative Expenses	0.5%	0.5%	0.7%	0.5%	0.5%	0.4%	0.5%	0.6%
<b>Combined Operating Ratio</b>	<b>138.5%</b>	<b>161.1%</b>	<b>130.3%</b>	<b>122.3%</b>	<b>99.0%</b>	<b>127.1%</b>	<b>154.5%</b>	<b>109.0%</b>

rounding differences may occur

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

## Premium

The premium drivers compared to prior year are:



The vehicle count transfer for October 2022 was 16,948 vehicles, which was lower than prior year by 6,370 vehicles, and 2,640 vehicles higher than The Outlook for the month.

The October 2022 average premium was above The Outlook by 14.2%, 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 October 2022 were \$46.3 million, \$6.7 million lower than projection and \$26.2 million higher compared with the same month from last year. Loss ratio was at 105.4%, 14.4 percentage points below projected, and up 42.7 percentage points compared with prior year.

This variance from projection was largely driven by the 2022 Q3 valuation being implemented in the month, generating a favourable impact of \$5.8 million on the year-to-date losses. This impact is mainly driven by favourable development of Prior Accident Year claims as well as favourable change in the discount rate. For more information on the valuation impact please refer to the Actuarial Highlights.

### ON RSP Summary of 2022 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
Ontario	month/ytd	as month EP	as ytd EP	full year	as full year EP
PAYs (2021 & prior)	(12,835)	(29.2%)	(3.2%)	(12,528)	(2.6%)
CAY (2022)	6,999	15.9%	1.7%	7,295	1.5%
<b>PAYs &amp; CAY</b>	<b>(5,836)</b>	<b>(13.3%)</b>	<b>(1.5%)</b>	<b>(5,233)</b>	<b>(1.1%)</b>
Premium Deficiency / (DPAC)	(662)	(1.5%)	(0.2%)	(2,578)	(0.5%)
<b>Total</b>	<b>(6,498)</b>	<b>(14.8%)</b>	<b>(1.6%)</b>	<b>(7,811)</b>	<b>(1.6%)</b>

### Underwriting and Admin Expenses

Underwriting expenses for October 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-to-date;
- Premium Deficiency / (DPAC): Premium deficiency of \$1.8 million for October 2022 compared to projected premium deficiency of \$4.0 million and prior year premium deficiency of \$7.2 million;
- Administrative Expense: \$0.2 million for October 2022, consistent with projection and prior year.

### Projection to year-end 2022

Projections to year-end 2022 have been updated using the 2022 Q3 valuation assumptions which generated an estimated favourable impact of \$7.8 million on the full year results.

Compared with The Outlook released in December 2021, written premium is expected to increase as the economy opens up and loss ratios return to pre-pandemic levels.

The year-end 2022 operating deficit is expected to be \$131.3 million with loss ratios below The Outlook. Expense Allowance, driven mainly from written premium, as well as Premium Deficiency are expected to be slightly below those predicted in The Outlook. This together with the decrease in incurred losses is now driving the decrease in the operating deficit.

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](#)

\*10 month ended October 2022 (discounted basis)