

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 080

DATE: October 28, 2022

SUBJECT: Ontario Risk Sharing Pool – September 2022 Operational Report

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

Please be advised that the September 2022 Ontario Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The ***September 2022 premium written*** was \$43.8 million, higher than prior year by \$3.1 million. The ***2022 year-to-date premium written*** was \$394.2 million, higher than prior year by \$131.0 million; and
- (b) The ***September 2022 operating result*** was a deficit of \$23.1 million, and the ***2022 year-to-date operating results*** were a deficit of \$72.0 million; and
- (c) The ***September 2022 combined operating ratio*** was 154.4%, lower than prior year by 2.0 percentage points. The ***year-to-date combined operating ratio*** was 120.3%, higher than prior year by 24.9 percentage points;

Summary of Financial Results

ON RSP Summary of Financial Results

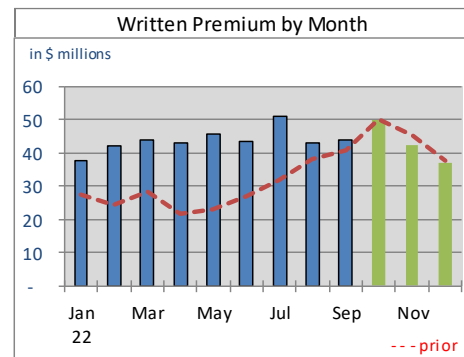
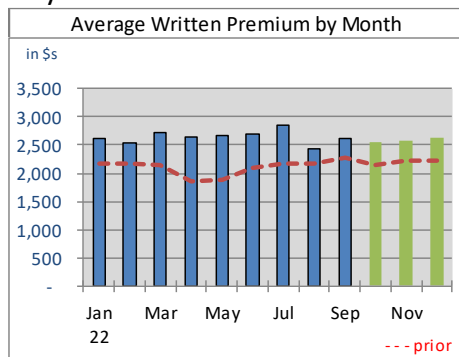
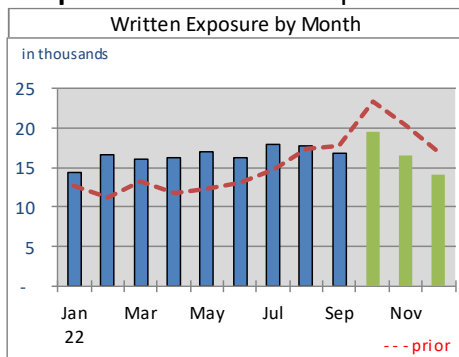
ON RSP 2022 Summary Amounts in \$000s	Actual (September 2022)	Projection (September 2022)	Prior Year (September 2021)	2022 year-to-date as at 9 months	2021 year-to-date as at 9 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	43,812	54,013	40,665	394,156	263,192	523,427	516,439	396,077
Premium Earned	42,471	42,202	30,180	356,248	281,982	483,511	477,938	380,748
Incurred Losses	50,504	50,739	28,818	305,813	221,083	457,915	573,649	302,388
Underwriting & Admin Expense	15,063	20,781	18,372	122,459	48,002	167,775	164,861	112,798
Expense allowance	12,289	15,178	11,381	110,171	73,962	146,497	145,120	111,786
Premium Deficiency / (DPAC)	2,513	5,365	6,795	10,688	(27,408)	19,192	17,469	(1,114)
Administrative Expenses	261	238	196	1,600	1,448	2,086	2,272	2,126
Net Result from Operations	(23,096)	(29,318)	(17,010)	(72,024)	12,897	(142,179)	(260,572)	(34,438)
Ratios:								
Loss ratio - Prior Accident Years	(2.4%)	(1.1%)	(5.8%)	(35.6%)	(27.2%)	(26.6%)	(4.9%)	(21.7%)
- Current Accident Year	121.3%	121.5%	101.3%	121.5%	105.6%	121.3%	124.9%	101.1%
Total	118.9%	120.4%	95.5%	85.9%	78.4%	94.7%	120.0%	79.4%
Underwriting & Admin Expense	35.5%	49.2%	60.9%	34.4%	17.0%	34.7%	34.5%	29.6%
Expense allowance	28.9%	36.0%	37.7%	30.9%	26.2%	30.3%	30.4%	29.4%
Premium Deficiency / (DPAC)	5.9%	12.7%	22.5%	3.0%	(9.7%)	4.0%	3.7%	(0.3%)
Administrative Expenses	0.6%	0.6%	0.6%	0.4%	0.5%	0.4%	0.5%	0.6%
Combined Operating Ratio	154.4%	169.6%	156.4%	120.3%	95.4%	129.4%	154.5%	109.0%

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 September 2022 was 16,733 vehicles, which was lower than prior year by 1,118 vehicles, and 1,252 vehicles lower than The Outlook for the month.

The September 2022 average premium was below The Outlook by 2.0%, 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 September 2022 were \$50.5 million, \$0.2 million lower than projection and \$21.7 million higher compared with the same month from last year

Loss ratio was at 118.9%, 1.5 percentage points below projected, and up 23.4 percentage points compared with prior year.

Underwriting and Admin Expenses

Underwriting expenses for September 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 \$2.5 million for September 2022 compared to projected premium deficiency of \$5.4 million and prior year premium deficiency of \$6.8 million;
- Administrative Expense: \$0.2 million for September 2022, consistent with projection and prior year.

Projection to year-end 2022

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 \$142.2 million with loss ratios below The Outlook. Expense Allowance, driven mainly from written premium, as well as Premium Deficiency are expected to be above those predicted in The Outlook. Despite that, the decrease in incurred losses is 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](#)

*09 month ended September 2022 (discounted basis)