

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2022 – 072

**DATE:** September 29, 2022

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

### Highlights

- (a) The **August 2022 premium written** was \$43.3 million, higher than prior year by \$5.3 million. The **2022 year-to-date premium written** was \$350.3 million higher than prior year by \$127.8 million; and
- (b) The **August 2022 operating result** was a surplus of \$77.9 million and the **2022 year-to-date operating results** were a deficit of \$48.9 million; and
- (c) The **August 2022 combined operating ratio** was 97.0%, higher than prior year by 22.9 percentage points. The **year-to-date combined operating ratio** was 115.6%, higher than prior year by 27.5 percentage points; and
- (d) The implementation of the **2022 Q2 Valuation**, generated **\$104.0 million favourable impact** for the month, decreasing the COR by 263.2 percentage points.

## Summary of Financial Results

### ON RSP Summary of Financial Results

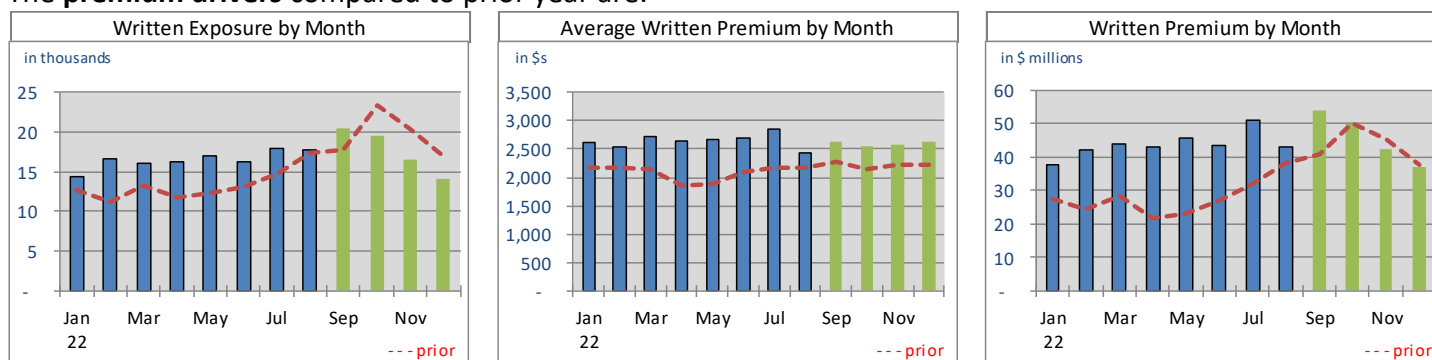
<b>ON RSP 2022 Summary</b> Amounts in \$000s	<b>Actual</b> (August 2022)	<b>Projection</b> (August 2022)	<b>Prior Year</b> (August 2021)	<b>2022 year-to-date</b> as at 8 months	<b>2021 year-to-date</b> as at 8 months	<b>2022 year-end</b> Projection	<b>Outlook*</b> Full year 2022	<b>2021 year-end</b> Actual
Premium Written	43,251	53,250	37,973	350,344	222,527	533,628	516,439	396,077
Premium Earned	39,518	42,718	30,711	313,777	251,802	486,474	477,938	380,748
Incurred Losses	(33,415)	54,327	(32,634)	255,309	192,266	462,600	573,649	302,388
Underwriting & Admin Expense	(4,957)	19,445	(4,223)	107,396	29,631	172,876	164,861	112,798
Expense allowance	12,442	14,964	10,709	97,882	62,582	149,386	145,120	111,786
Premium Deficiency / (DPAC)	(17,550)	4,246	(15,098)	8,175	(34,203)	21,330	17,469	(1,114)
Administrative Expenses	151	235	166	1,339	1,252	2,160	2,272	2,126
<b>Net Result from Operations</b>	<b>77,890</b>	<b>(31,054)</b>	<b>67,568</b>	<b>(48,928)</b>	<b>29,905</b>	<b>(149,002)</b>	<b>(260,572)</b>	<b>(34,438)</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(152.2%)	(2.8%)	(94.3%)	(40.1%)	(29.7%)	(26.4%)	(4.9%)	(21.7%)
- Current Accident Year	67.7%	130.1%	(11.9%)	121.5%	106.1%	121.5%	124.9%	101.1%
<b>Total</b>	<b>(84.5%)</b>	<b>127.3%</b>	<b>(106.2%)</b>	<b>81.4%</b>	<b>76.4%</b>	<b>95.1%</b>	<b>120.0%</b>	<b>79.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>(12.5%)</b>	<b>45.5%</b>	<b>(13.8%)</b>	<b>34.2%</b>	<b>11.8%</b>	<b>35.5%</b>	<b>34.5%</b>	<b>29.6%</b>
Expense allowance	31.5%	35.0%	34.9%	31.2%	24.9%	30.7%	30.4%	29.4%
Premium Deficiency / (DPAC)	(44.4%)	9.9%	(49.2%)	2.6%	(13.6%)	4.4%	3.7%	(0.3%)
Administrative Expenses	0.4%	0.6%	0.5%	0.4%	0.5%	0.4%	0.5%	0.6%
<b>Combined Operating Ratio</b>	<b>(97.0%)</b>	<b>172.8%</b>	<b>(120.0%)</b>	<b>115.6%</b>	<b>88.2%</b>	<b>130.6%</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 August 2022 was 17,778 vehicles, which was higher than prior year by 310 vehicles, and 136 vehicles lower than The Outlook for the month.

The August 2022 average premium was above The Outlook by 8.4%, 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 August 2022 were \$33.4 million, \$87.7 million lower than projection and \$0.8 million lower compared with the same month from last year. This variance from projection was largely driven by the 2022 Q2 valuation being implemented in the month, generating a favourable impact of \$84.5 million on the year-to-date losses. This impact is mainly driven by the reduced loss ratios, particularly for the recent quarter for Prior Accident Year. For more information on the valuation impact please refer to the Actuarial Highlights.

### ON RSP Summary of 2022 Q2 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)	(55,063)	(139.3%)	(13.9%)	(52,019)	(10.7%)
CAY (2022)	(29,430)	(74.5%)	(7.4%)	(44,284)	(9.1%)
<b>PAYs &amp; CAY</b>	<b>(84,493)</b>	<b>(213.8%)</b>	<b>(21.3%)</b>	<b>(96,303)</b>	<b>(19.8%)</b>
Premium Deficiency / (DPAC)	(19,519)	(49.4%)	(4.9%)	(13,744)	(2.8%)
<b>Total</b>	<b>(104,012)</b>	<b>(263.2%)</b>	<b>(26.3%)</b>	<b>(110,047)</b>	<b>(22.6%)</b>

Loss ratio was at -84.5% due to the favorable valuation impact, 211.7 percentage points below projected, and up 21.7 percentage points compared with prior year.

### Underwriting and Admin Expenses

Underwriting expenses for August 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): DPAC of \$17.6 million for August 2022 compared to projected Premium Deficiency of \$4.2 million and prior year DPAC of \$15.1 million;
- Administrative Expense: \$0.2 million for August 2022, consistent with projection and prior year.

### Projection to year-end 2022

Projections to year-end 2022 has been updated using the 2022 Q2 valuation assumption which generated an estimated favourable impact of \$110.0 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 \$149.0 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](#)

\*08 month ended August 2022 (discounted basis)

[Ontario RSP Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variance, IBRN, and valuation