

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 058

DATE: August 30, 2022

SUBJECT: Ontario Risk Sharing Pool – July 2022 Operational Report

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

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

Highlights

- (a) The **July 2022 premium written** was \$51.1 million, higher than prior year by \$19.1 million. The **2022 year-to-date premium written** was \$307.1 million higher than prior year by \$122.5 million; and
- (b) The **July 2022 operating result** was a deficit of \$26.9 million and the **2022 year-to-date operating results** were a deficit of \$126.8 million; and
- (c) The **July 2022 combined operating ratio** was 156.1%, higher than prior year by 6.6 percentage points. The **year-to-date combined operating ratio** was 146.2%, higher than prior year by 29.1 percentage points.

Summary of Financial Results

ON RSP Summary of Financial Results

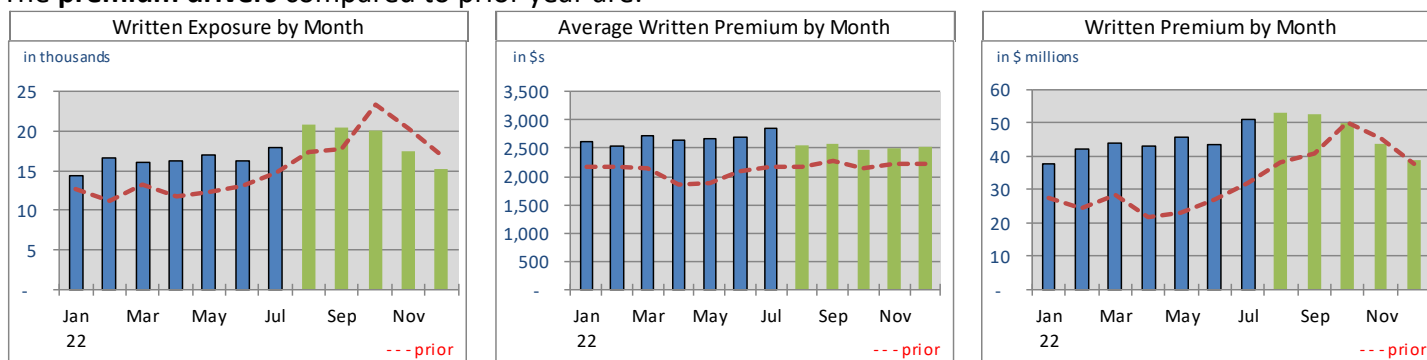
ON RSP 2022 Summary Amounts in \$000s	Actual (July 2022)	Projection (July 2022)	Prior Year (July 2021)	2022 year-to-date as at 7 months	2021 year-to-date as at 7 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	51,115	46,505	32,054	307,093	184,554	545,388	516,439	396,077
Premium Earned	47,957	41,135	30,505	274,259	221,091	492,254	477,938	380,748
Incurred Losses	58,832	52,492	33,990	288,724	224,901	565,710	573,649	302,388
Underwriting & Admin Expense	16,001	15,687	11,603	112,353	33,855	191,834	164,861	112,798
Expense allowance	14,205	13,068	8,954	85,440	51,874	152,400	145,120	111,786
Premium Deficiency / (DPAC)	1,651	2,414	2,453	25,725	(19,105)	37,140	17,469	(1,114)
Administrative Expenses	145	205	196	1,188	1,086	2,294	2,272	2,126
Net Result from Operations	(26,876)	(27,044)	(15,088)	(126,818)	(37,665)	(265,290)	(260,572)	(34,438)
Ratios:								
Loss ratio - Prior Accident Years	6.7%	(3.0%)	(7.3%)	(24.0%)	(20.7%)	(14.7%)	(4.9%)	(21.7%)
- Current Accident Year	116.0%	130.7%	118.7%	129.2%	122.5%	129.6%	124.9%	101.1%
Total	122.7%	127.6%	111.4%	105.2%	101.8%	114.9%	120.0%	79.4%
Underwriting & Admin Expense	33.4%	38.1%	38.0%	41.0%	15.3%	39.0%	34.5%	29.6%
Expense allowance	29.6%	31.8%	29.4%	31.2%	23.5%	31.0%	30.4%	29.4%
Premium Deficiency / (DPAC)	3.4%	5.9%	8.0%	9.4%	(8.6%)	7.5%	3.7%	(0.3%)
Administrative Expenses	0.3%	0.5%	0.6%	0.4%	0.5%	0.5%	0.5%	0.6%
Combined Operating Ratio	156.1%	165.7%	149.4%	146.2%	117.1%	153.9%	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 July 2022 was 17,863 vehicles, which was higher than prior year by 3,157 vehicles, and 4,516 vehicles lower than The Outlook for the month.

The July 2022 average premium was above The Outlook by 11.2%, 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 July 2022 were \$58.8 million, \$6.3 million higher than projection and \$24.8 million higher compared with the same month from last year.

Loss ratio was at 122.7%, 4.9 percentage points below projected, and up 11.3 percentage points compared with prior year. The impacts of the pandemic are continuing with the expectation that they will return to normalized levels over the year.

Underwriting and Admin Expenses

Underwriting expenses for July 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 \$1.7 million for July 2022 compared to projected Premium Deficiency of \$2.4 million and prior year Premium deficiency of \$2.5 million;
- Administrative Expense: \$0.2 million for July 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 \$265.3 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 and are driving the increase 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](#)

*07 month ended July 2022 (discounted basis)