

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2022 – 052**

**DATE: July 28, 2022**

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

### **Highlights**

- (a) The ***June 2022 premium written*** was \$43.7 million, higher than prior year by \$16.5 million. The ***2022 year-to-date premium written*** was \$256.0 million higher than prior year by \$103.5 million; and
- (b) The ***June 2022 operating result*** was a deficit of \$24.4 million and the ***2022 year-to-date operating results*** were a deficit of \$99.9 million; and
- (c) The ***June 2022 combined operating ratio*** was 160%, higher than prior year by 17.2 percentage points. The ***year-to-date combined operating ratio*** was 144.2%, higher than prior year by 32.3 percentage points; and

## Summary of Financial Results

### ON RSP Summary of Financial Results

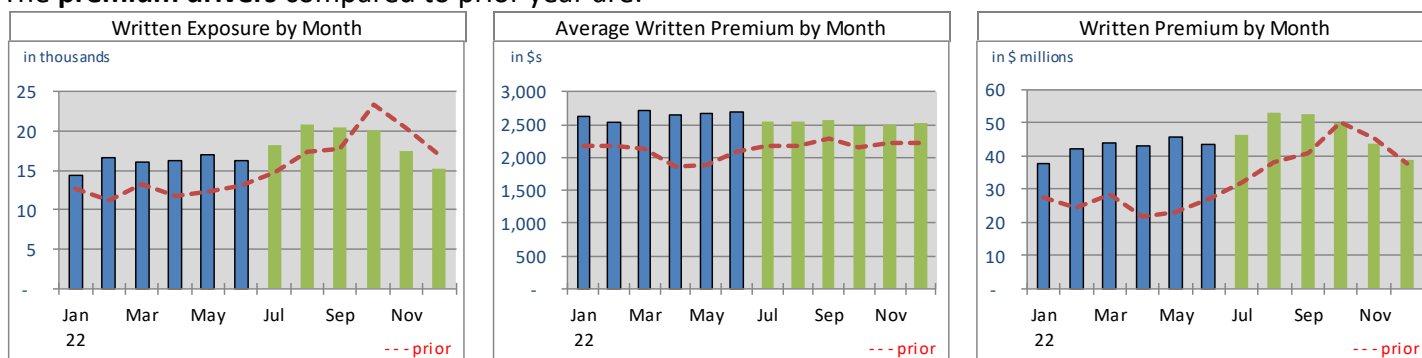
ON RSP 2022 Summary Amounts in \$000s	Actual (June 2022)	Projection (June 2022)	Prior Year (June 2021)	2022 year-to-date as at 6 months	2021 year-to-date as at 6 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	43,712	44,051	27,244	255,978	152,500	543,028	516,439	396,077
Premium Earned	40,686	38,814	29,650	226,299	190,586	485,967	477,938	380,748
Incurred Losses	51,445	49,692	33,481	229,892	190,912	560,003	573,649	302,388
Underwriting & Admin Expense	13,683	14,790	8,833	96,352	22,253	192,645	164,861	112,798
Expense allowance	11,937	12,378	7,569	71,235	42,921	151,896	145,120	111,786
Premium Deficiency / (DPAC)	1,521	2,218	1,100	24,074	(21,558)	38,495	17,469	(1,114)
Administrative Expenses	225	194	164	1,043	890	2,254	2,272	2,126
<b>Net Result from Operations</b>	<b>(24,442)</b>	<b>(25,668)</b>	<b>(12,664)</b>	<b>(99,945)</b>	<b>(22,579)</b>	<b>(266,681)</b>	<b>(260,572)</b>	<b>(34,438)</b>
<b>Ratios:</b>								
<b>Loss ratio</b> - Prior Accident Years	(3.7%)	(2.2%)	(7.0%)	(30.4%)	(22.9%)	(15.8%)	(4.9%)	(21.7%)
- Current Accident Year	130.1%	130.4%	120.0%	132.0%	123.1%	131.0%	124.9%	101.1%
<b>Total</b>	<b>126.4%</b>	<b>128.1%</b>	<b>113.0%</b>	<b>101.6%</b>	<b>100.2%</b>	<b>115.2%</b>	<b>120.0%</b>	<b>79.4%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>33.6%</b>	<b>38.1%</b>	<b>29.8%</b>	<b>42.6%</b>	<b>11.7%</b>	<b>39.6%</b>	<b>34.5%</b>	<b>29.6%</b>
Expense allowance	29.3%	31.9%	25.5%	31.5%	22.5%	31.3%	30.4%	29.4%
Premium Deficiency / (DPAC)	3.7%	5.7%	3.7%	10.6%	(11.3%)	7.9%	3.7%	(0.3%)
Administrative Expenses	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.6%
<b>Combined Operating Ratio</b>	<b>160.0%</b>	<b>166.2%</b>	<b>142.8%</b>	<b>144.2%</b>	<b>111.9%</b>	<b>154.8%</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 June 2022 was 16,185 vehicles, which was higher than prior year by 3,187 vehicles, and 4,224 vehicles lower than The Outlook for the month.

The June 2022 average premium was above The Outlook by 6.4%, 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 June 2022 were \$51.4 million, \$1.8 million higher than projection and \$18.0 million higher compared with the same month from last year.

Loss ratio was at 126.4%, 1.7 percentage points below projected, and up 13.4 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 June 2022 include,

- Expense Allowance – this is based on written premium. The allowance ratio is approximately 28% of written premium and mostly consistent across actual, prior year and outlook for both current month and year-to-date;
- Premium Deficiency / (DPAC): Premium deficiency of \$1.5 million for June 2022 compared to projected Premium Deficiency of \$2.2 million and prior year Premium deficiency of \$1.1 million;
- Administrative Expense: \$0.2 million for June 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 \$266.7 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](#)

\*06 month ended June 2022 (discounted basis)