

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 039

DATE: June 29, 2022

SUBJECT: Ontario Risk Sharing Pool – May 2022 Operational Report

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

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

Highlights

- (a) The **May 2022 premium written** was \$45.8 million, higher than prior year by \$22.6 million. The **2022 year-to-date premium written** was \$212.3 million higher than prior year by \$87.0 million; and
- (b) The **May 2022 operating result** was a surplus of \$13.8 million and the **2022 year-to-date operating results** were a deficit of \$75.5 million; and
- (c) The **May 2022 combined operating ratio** was 66.2%, lower than prior year by 82.0 percentage points. The **year-to-date combined operating ratio** was 140.7%, higher than prior year by 34.6 percentage points; and
- (d) The implementation of the **2022 Q1 Valuation**, generated **\$41.1 million favourable impact** for the month, decreasing the COR by 100.1 percentage points; and
- (e) As per the annual process for the RSPs, member share ratios have been updated to reflect recent market share information.

Summary of Financial Results

ON RSP Summary of Financial Results

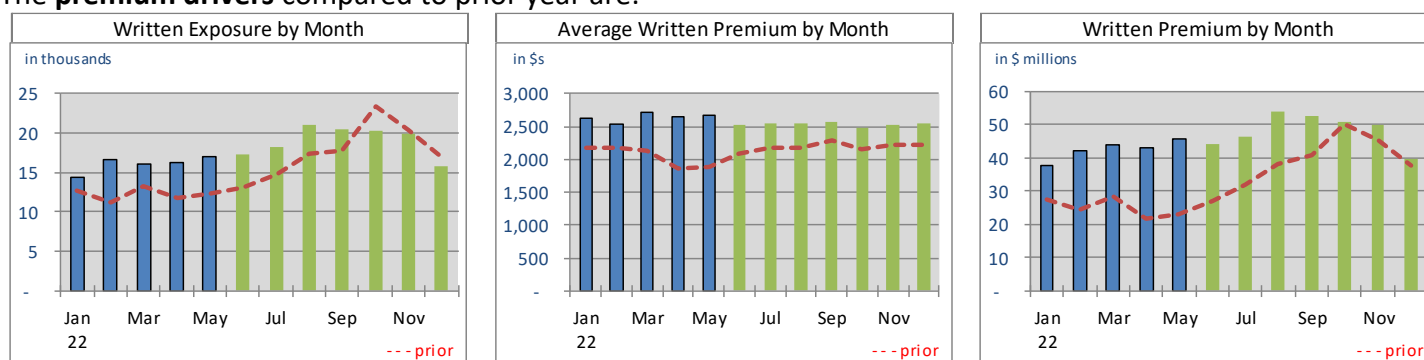
ON RSP 2022 Summary Amounts in \$000s	Actual (May 2022)	Projection (May 2022)	Prior Year (May 2021)	2022 year-to-date as at 5 months	2021 year-to-date as at 5 months	2022 year-end Projection	Outlook* Full year 2022	2021 year-end Actual
Premium Written	45,778	43,033	23,169	212,266	125,256	543,367	516,439	396,077
Premium Earned	41,009	39,200	31,580	185,613	160,936	486,662	477,938	380,748
Incurred Losses	22,900	51,175	47,033	178,447	157,432	571,272	573,649	302,388
Underwriting & Admin Expense	4,268	14,124	(212)	82,669	13,421	193,000	164,861	112,798
Expense allowance	12,700	12,092	6,383	59,298	35,353	152,337	145,120	111,786
Premium Deficiency / (DPAC)	(8,593)	1,843	(6,744)	22,553	(22,658)	38,374	17,469	(1,114)
Administrative Expenses	161	189	149	818	726	2,289	2,272	2,126
Net Result from Operations	13,841	(26,099)	(15,241)	(75,503)	(9,917)	(277,610)	(260,572)	(34,438)
Ratios:								
Loss ratio								
- Prior Accident Years	(63.2%)	(3.7%)	44.7%	(36.3%)	(25.8%)	(15.6%)	(4.9%)	(21.7%)
- Current Accident Year	119.0%	134.3%	104.2%	132.5%	123.6%	133.0%	124.9%	101.1%
Total	55.8%	130.5%	148.9%	96.2%	97.8%	117.4%	120.0%	79.4%
Underwriting & Admin Expense	10.4%	36.0%	(0.7%)	44.5%	8.3%	39.7%	34.5%	29.6%
Expense allowance	31.0%	30.8%	20.2%	31.9%	22.0%	31.3%	30.4%	29.4%
Premium Deficiency / (DPAC)	(21.0%)	4.7%	(21.4%)	12.2%	(14.1%)	7.9%	3.7%	(0.3%)
Administrative Expenses	0.4%	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%	0.6%
Combined Operating Ratio	66.2%	166.5%	148.2%	140.7%	106.1%	157.1%	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 May 2022 was 17,083 vehicles, which was higher than prior year by 4,838 vehicles, and 3,326 vehicles lower than The Outlook for the month.

The May 2022 average premium was above The Outlook by 5.6%, 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 May 2022 were \$22.9 million, \$28.3 million lower than projection and \$24.1 million lower compared with the same month from last year. This variance from projection was largely driven by the 2022 Q1 valuation being implemented in the month, generating a favourable impact of \$30.3 million on the year-to-date losses. This impact is mainly driven by increased discount rate on year-to-date, 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 Q1 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s) month/ytd	Impact on COR (%) as month EP	Impact on COR (%) as ytd EP	Impact on Operating Results (\$000s) full year	Impact on COR (%) as full year EP
Ontario					
PAYs (2021 & prior)	(24,265)	(59.2%)	(6.1%)	(20,446)	(4.2%)
CAY (2022)	(6,013)	(14.7%)	(1.5%)	(17,330)	(3.6%)
PAYs & CAY	(30,278)	(73.9%)	(7.6%)	(37,776)	(7.8%)
Premium Deficiency / (DPAC)	(10,778)	(26.3%)	(2.7%)	(12,511)	(2.6%)
Total	(41,056)	(100.1%)	(10.3%)	(50,287)	(10.3%)

Loss ratio was at 55.8%, 74.7 percentage points below projected, and down 93.1 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 May 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 \$8.6 million for May 2022 compared to projected Premium Deficiency of \$1.8 million and prior year DPAC at \$6.7 million;
- Administrative Expense: \$0.2 million for May 2022, consistent with projection and prior year.

Projection to year-end 2022

Projections to year-end 2022 has been updated using the 2022 Q1 valuation assumption which generated an estimated favourable impact of \$50.3 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 to return to pre-pandemic levels.

The year-end 2022 operating deficit is expected to be \$277.6 million with loss ratios slightly 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 combined ratios.

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](#)

*05 month ended May 2022 (discounted basis)

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

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