

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2022 – 025

**DATE:** April 28, 2022

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

### Highlights

- (a) The **March 2022 premium written** was \$43.8 million, higher than prior year by \$15.7 million. The **2022 year-to-date premium written** was \$43.2 million higher than prior year; and
- (b) The **March 2022 operating result** was a deficit of \$25 million and the **2022 year-to-date operating results** were a deficit of \$63.8 million; and
- (c) The **March 2022 combined operating ratio** was 165.1%, higher than prior year by 189.0 percentage points. The **year-to-date combined operating ratio** was 160.1%, higher than prior year by 75.5 percentage points.
- (d) The implementation of the **2021 Q4 valuation**, generated **\$4.4 million unfavourable impact** for the month, increasing the COR by 11.6 percentage points.

## Summary of Financial Results

### ON RSP Summary of Financial Results

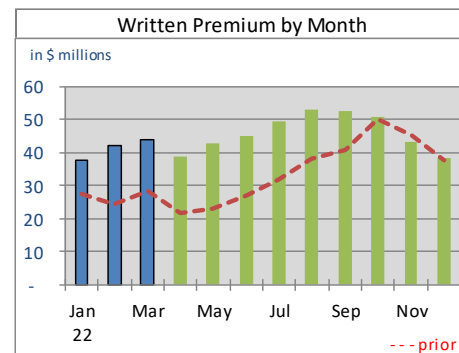
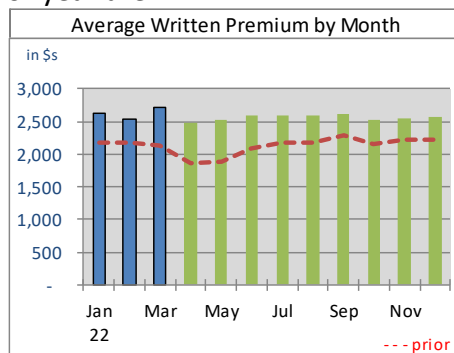
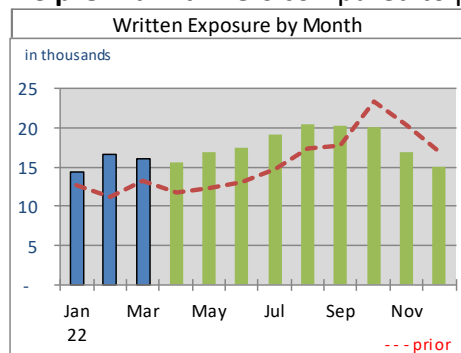
<b>ON RSP 2022 Summary</b> Amounts in \$000s	<b>Actual</b> (March 2022)	<b>Projection</b> (March 2022)	<b>Prior Year</b> (March 2021)	<b>2022 year-to-date</b> as at 3 months	<b>2021 year-to-date</b> as at 3 months	<b>2022 year-end</b> Projection	<b>Outlook*</b> Full year 2022
Premium Written	43,833	34,364	28,160	123,475	80,261	538,179	516,439
Premium Earned	38,295	37,297	33,100	106,096	97,964	480,910	477,938
Incurred Losses	24,990	44,627	(5,173)	105,623	73,877	600,122	573,649
Underwriting & Admin Expense	38,262	9,235	(2,739)	64,297	8,931	204,284	164,861
Expense allowance	12,182	9,656	8,027	34,657	22,961	151,186	145,120
Premium Deficiency / (DPAC)	25,918	(572)	(10,925)	29,200	(14,438)	50,845	17,469
Administrative Expenses	162	151	159	440	408	2,253	2,272
<b>Net Result from Operations</b>	<b>(24,957)</b>	<b>(16,565)</b>	<b>41,012</b>	<b>(63,824)</b>	<b>15,156</b>	<b>(323,496)</b>	<b>(260,572)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(86.2%)	(6.7%)	(131.2%)	(37.6%)	(53.2%)	(11.8%)	(4.9%)
- Current Accident Year	151.4%	126.5%	115.6%	137.1%	128.7%	136.5%	124.9%
<b>Total</b>	<b>65.2%</b>	<b>119.7%</b>	<b>(15.6%)</b>	<b>99.5%</b>	<b>75.5%</b>	<b>124.7%</b>	<b>120.0%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>99.9%</b>	<b>24.8%</b>	<b>(8.3%)</b>	<b>60.6%</b>	<b>9.1%</b>	<b>42.5%</b>	<b>34.5%</b>
Expense allowance	31.8%	25.9%	24.3%	32.7%	23.4%	31.4%	30.4%
Premium Deficiency / (DPAC)	67.7%	(1.5%)	(33.0%)	27.5%	(14.7%)	10.6%	3.7%
Administrative Expenses	0.4%	0.4%	0.5%	0.4%	0.4%	0.5%	0.5%
<b>Combined Operating Ratio</b>	<b>165.1%</b>	<b>144.5%</b>	<b>(23.9%)</b>	<b>160.1%</b>	<b>84.6%</b>	<b>167.2%</b>	<b>154.5%</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 March 2022 was 16,120 vehicles, which was higher than prior year by 2,934 vehicles, and 715 vehicles lower than The Outlook for the month.

The March 2022 average premium was above The Outlook by 6.5%, increased from prior years reflecting the rate activity by members and increased ceding activity by four member companies.

## Incurred Losses

Incurred losses in March 2022 were \$25.0 million, \$19.6 million lower than projection and \$30.2 million higher compared with the same month from last year. This variance from projection was largely driven by the 2021 Q4 valuation being implemented in the month, generating a favourable impact of \$19.8 million on the year-to-date losses. This impact is mainly driven by lower than expected claims cost 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 2021 Q4 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
<b>Ontario</b>					
PAYs (2021 & prior)	(30,411)	(79.4%)	(28.7%)	(29,166)	(6.1%)
CAY (2022)	10,637	27.8%	10.1%	46,466	9.7%
<b>PAYs &amp; CAY</b>	<b>(19,774)</b>	<b>(51.6%)</b>	<b>(18.6%)</b>	<b>17,300</b>	<b>3.6%</b>
Premium Deficiency / (DPAC)	24,203	63.2%	22.9%	27,537	5.7%
<b>Total</b>	<b>4,429</b>	<b>11.6%</b>	<b>4.2%</b>	<b>44,837</b>	<b>9.3%</b>

Loss ratio was at 65.2%, down 54.5 percentage points compared to projection, and up 80.8 percentage points compared to 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 March 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 \$25.9 million for March 2022 compared to projected DPAC at \$0.6 million and prior year DPAC at \$10.9 million;
- Administrative Expense: \$0.2 million for March 2022, consistent with projection and prior year.

### Projection to year-end 2022

Projections to year-end 2022 has been updated using the 2021 Q4 valuation assumptions; the impact generated an estimated unfavourable impact of \$44.8 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 \$323.5 million with loss ratios slightly above The Outlook. Expense ratios, driven mainly from written premium, are expected to be above those predicted in The Outlook as well as higher Premium Deficiency which is driving the increase in combined ratios due to 2021 Q4 valuation impact.

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](#)

\*03 month ended March 2022 (discounted basis)

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

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