

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2022 – 003

DATE: January 28, 2022

SUBJECT: Ontario Risk Sharing Pool – December 2021 Operational Report

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

Please be advised that the December 2021 Ontario Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

Highlights

- (a) The **December 2021 premium written** was \$38 million, higher than prior year by \$15 million. The **2021 year-to-date premium written** was \$5.7 million lower than prior year;
- (b) The **December 2021 operating results** were a deficit of \$17 million and the **2021 year-to-date** operating results were a deficit of \$34.4 million; and
- (c) The **December 2021 combined operating ratio** was 149.5%, higher than prior year by 18.4 percentage points. The **2021 year-to-date combined operation ratio** was 109%, higher than prior year by 18.8 percentage points.

Summary of Financial Results

ON RSP Summary of Financial Results

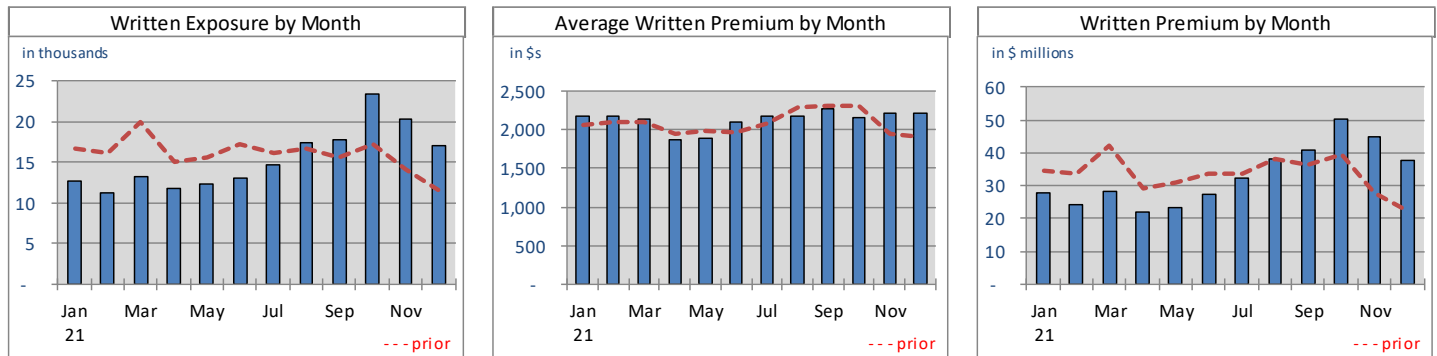
ON RSP 2022 Summary Amounts in \$000s	Actual (December 2021)	Projection (December 2021)	Prior Year (December 2020)	2021 year-to-date as at 12 months	2020 year-to-date as at 12 months	Outlook* Full year 2021
Premium Written	37,565	32,204	22,175	396,076	401,800	497,186
Premium Earned	34,507	33,366	32,217	380,747	420,634	480,127
Incurred Losses	31,506	31,348	29,214	302,391	287,587	575,275
Underwriting & Admin Expense	20,080	17,469	13,044	112,800	91,742	163,936
Expense allowance	10,803	9,500	6,639	111,786	117,702	147,167
Premium Deficiency / (DPAC)	8,965	7,833	6,191	(1,114)	(27,612)	14,677
Administrative Expenses	312	136	214	2,126	1,652	2,092
Net Result from Operations	(17,079)	(15,451)	(10,041)	(34,444)	41,305	(259,084)
Ratios:						
Loss ratio - Prior Accident Years	(5.1%)	(4.5%)	(8.6%)	(21.7%)	(33.4%)	(6.5%)
- Current Accident Year	96.4%	98.5%	99.2%	101.1%	101.8%	126.3%
Total	91.3%	93.9%	90.6%	79.4%	68.4%	119.8%
Underwriting & Admin Expense	58.2%	52.4%	40.5%	29.6%	21.8%	34.1%
Combined Operating Ratio	149.5%	146.3%	131.1%	109.0%	90.2%	153.9%

rounding differences may occur

**as posted to FA's website Nov. 18, 2020*

Premium

The **premium drivers** compared to prior year are:



The vehicle count transfer for December 2021 was 16,983 vehicles, which was higher than both prior year and projection, in line with the prior months, however the year end was still below prior year and projection due to the decreases in vehicle transfers seen in the earlier part of the year.

The December 2021 average premium was slightly above prior years. Premium written throughout the year remained fairly in line with the prior year and projection.

Incurred Losses

Incurred losses in December 2021 were \$31.5 million; and loss ratio was at 91.3%, down 2.6 percentage points compared with our projection and up 0.7 percentage points compared with prior year.

Year to date loss ratio 79.4% which was above prior year by 11 percentage points but below the outlook by 40.4 percentage points. Current accident year loss ratios remain in line with prior year and projection. Prior accident years saw favorable development in both current year and prior year as the impact of the pandemic and frequencies continues.

Underwriting and Admin Expenses

Underwriting expenses for December 2021 include,

- Expense Allowance – this is based on written premium. The allowance ratio is approximately 29% 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 \$9.0 million for December 2021 compared to projection at \$7.8 million and prior year at \$6.2 million. Increase in current month expense is based on expected increases in future losses. Consistent with the trending over the past few months While there is still a reduction in premium deficiency reserves for the year to date, the reduction is less than prior year as the impact of the pandemic reduces compared to 2020.
- Administrative Expense: \$0.3 million for December 2021, fairly consistent with projection and prior year.

Year-End 2021

The 2021 year-to-date written premium is below the Outlook by \$101.1M and below the prior year by \$5.7 million. Earned premium is below Outlook by \$99.3 million and below prior year by \$39.9 million. The relatively larger drop in earned premium as compared to the prior year is due to an increase in premium written in the latter part of the year.

The year-to-date loss ratio of 79.4% is above prior year as the impact of the pandemic decreases. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher compared to the year-to-date.

The year-to-date expense ratio has decreased from the Outlook mainly due to impact of a decrease in premium deficiency reserve. Expense allowances remain consistent as a percentage of premium written across prior year and Outlook.

The year-to-date operating deficit was \$34.4 million compared to a surplus of \$41.3 million. The Outlook had expected a deficit of \$259 million.

Should you require any further information, please contact Sheetal Savani, VP Finance, Compliance and CFO at ssavani@facilityassociation.com.

Saskia Matheson
President & CEO

Related links:

[Ontario RSP Summary of Operations - Calendar Year 2021](#)

*12 months ended December 2021 (discounted basis)