

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 100

DATE: December 24, 2021

SUBJECT: Ontario Risk Sharing Pool – November 2021 Operational Report

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

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

Highlights

- (a) The **November 2021 premium written for the month was \$45 million**, higher than prior year by \$17 million;
- (b) The **2021 year-to-date net operating deficit was \$17.2 million**, resulting in a COR of 105.0% on earned premium of \$346 million; and

Summary of Financial Results

ON RSP Summary of Financial Results

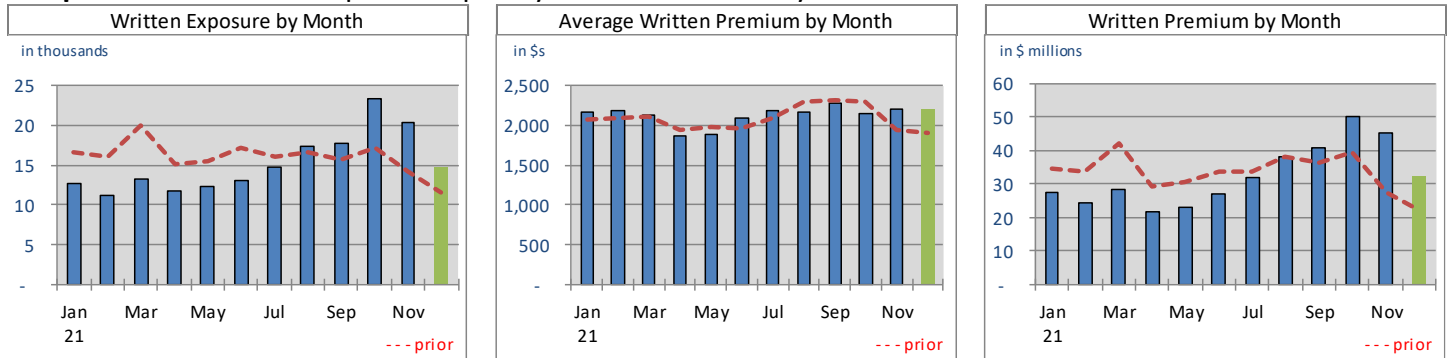
ON RSP 2021 Summary Amounts in \$000s	Actual (November 2021)	Projection (November 2021)	Prior Year (November 2020)	2021 year-to-date as at 11 months	2020 year-to-date as at 11 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	45,093	41,014	27,679	358,511	379,625	390,716	497,186
Premium Earned	32,165	34,983	31,990	346,240	388,417	379,607	480,127
Incurred Losses	29,686	33,959	29,902	270,885	258,373	302,231	575,275
Underwriting & Admin Expense	23,098	20,304	15,500	92,573	78,698	110,166	163,936
Expense allowance	12,772	12,099	8,186	100,983	111,063	110,483	147,167
Premium Deficiency / (DPAC)	10,105	8,033	7,215	(10,080)	(33,803)	(2,247)	14,677
Administrative Expenses	221	172	99	1,668	1,438	1,930	2,092
Net Result from Operations	(20,619)	(19,280)	(13,412)	(17,218)	51,346	(32,790)	(259,084)
Ratios:							
Loss ratio							
- Prior Accident Years	(5.5%)	(4.0%)	(8.9%)	(23.3%)	(35.5%)	(21.7%)	(6.5%)
- Current Accident Year	97.7%	101.2%	102.3%	101.6%	102.0%	101.3%	126.3%
Total	92.2%	97.1%	93.4%	78.3%	66.5%	79.6%	119.8%
Underwriting & Admin Expense	71.8%	58.0%	48.5%	26.7%	20.3%	29.0%	34.1%
Combined Operating Ratio	164.0%	155.1%	141.9%	105.0%	86.8%	108.6%	153.9%

rounding differences may occur

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

Premium

The **premium drivers** compared to prior year and outlook to year end are:



November's vehicle count transfer was 20,390 vehicles, representing a 43.5% increase compared with prior year, while counts were down 6.9% year-to-date. The projection anticipated an increase of 3,136 vehicles, however actual came in 3,045 higher than projected, driven primarily by two member company group transferring higher than their projection.

Average premium remained in line with prior year. Premium written was also fairly in line with prior and projection.

Incurred Losses

Incurred losses in November 2021 were \$29.7 million, \$2.8 million higher than our projection from last month, and \$7.6 million higher compared with the same month from last year.

Reported losses in November 2021 were \$0.4 million higher than projected. The Current Accident Year had a \$2.6 million favourable variance in reported losses, and the Prior Accident Years had a \$2.9 million unfavourable variance overall. Of all the Prior Accident Years, 2019 had the largest variance in reported losses at \$2.3 million unfavourable, followed by 2020 with a variance of \$2.2 million favourable. 2017 had a \$1.8 million unfavourable variance and 2018 had a \$1.3 million unfavourable variance. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses year to date was above prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses

Underwriting expenses for November 2021 include,

- Expense Allowance: \$12.7 million for November 2021 compared to projection at \$12.1 million and prior year at \$8.2 million. The allowance is approximately 28% of written premium. Increases from projection and prior year are consistent with Increases in written premium.
- Premium Deficiency / (DPAC): Premium Deficiency of \$10.1 million for November 2021 compared to projection at \$8.0 million and prior year at \$7.2 million.
- Administrative Expense: \$0.2 million for November 2021, fairly consistent with projection and prior year.

Expense ratios for the month and year-to-date were lower than both projection and prior year primarily due to the reduction in expense allowance driven by reduced written premium.

Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2021 Q3 valuation assumptions; the implementation generated an estimated favourable impact of \$13.1 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced \$106.5 million to \$390.7 million driven by the reduction in premium year to date as well as the updated premium projections received from the main users of the Ontario Risk Sharing Pool. As a result of the change in projected written premium, earned premium also reduced by \$100.5 million to \$379.6 million.

The updated year-end 2021 operating deficit is now \$32.8 million and the combined operating ratio is 108.6%; the improvement of \$226.3 million in operating result and 45.3% in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumptions with reduced loss ratios as well as the premium reduction for the calendar year.

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 November 2021 (discounted basis)