

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 089

DATE: November 29, 2021

SUBJECT: Ontario Risk Sharing Pool – October 2021 Operational Report

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

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

Highlights

- (a) The **October 2021 premium written for the month was \$50 million**, higher than prior year by \$11 million;
- (b) The **2021 year-to-date net operating surplus was \$3.2 million**, resulting in a COR of 99.0% on earned premium of \$314 million; and
- (c) The implementation of the **2021 Q3 valuation**, generated **\$13.1 million favourable impact** for the month, decreasing the COR by 40.9 percentage points.

Summary of Financial Results

ON RSP Summary of Financial Results

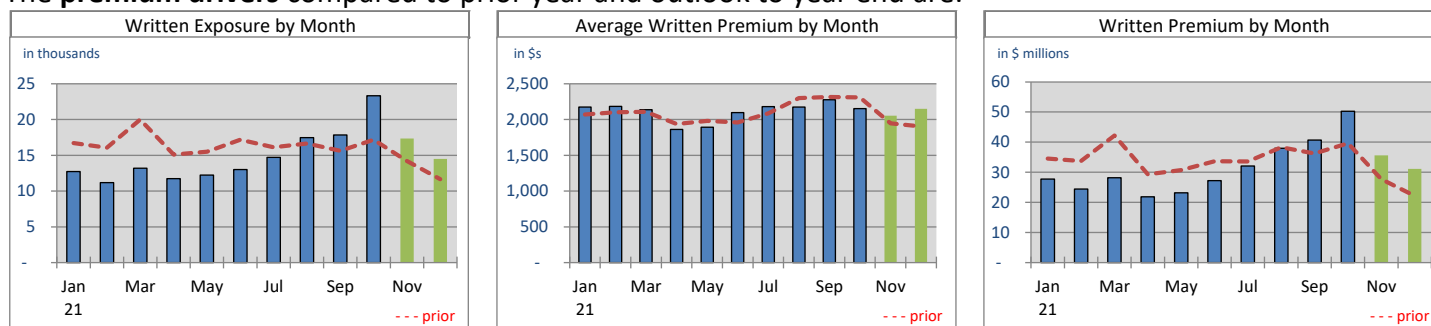
ON RSP 2021 Summary Amounts in \$000s	Actual (October 2021)	Projection (October 2021)	Prior Year (October 2020)	2021 year-to-date as at 10 months	2020 year-to-date as at 10 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	50,227	43,276	39,615	313,418	351,946	388,167	497,186
Premium Earned	32,094	34,244	34,848	314,075	356,427	385,981	480,127
Incurred Losses	20,116	33,641	5,380	241,200	228,471	311,013	575,275
Underwriting & Admin Expense	21,693	20,927	15,744	69,696	63,198	107,556	163,936
Expense allowance	14,249	12,767	11,512	88,211	102,877	110,261	147,167
Premium Deficiency / (DPAC)	7,223	7,978	4,018	(20,185)	(41,018)	(4,591)	14,677
Administrative Expenses	221	182	214	1,668	1,339	1,886	2,092
Net Result from Operations	(9,715)	(20,324)	13,724	3,179	64,758	(32,588)	(259,084)
Ratios:							
Loss ratio							
- Prior Accident Years	(7.8%)	(4.4%)	(30.4%)	(25.2%)	(37.9%)	(21.3%)	(6.5%)
- Current Accident Year	70.5%	102.8%	45.8%	102.0%	102.0%	101.8%	126.3%
Total	62.7%	98.3%	15.4%	76.8%	64.1%	80.5%	119.8%
Underwriting & Admin Expense	67.6%	61.1%	45.2%	22.2%	17.7%	27.9%	34.1%
Combined Operating Ratio	130.3%	159.4%	60.6%	99.0%	81.8%	108.4%	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:



October's vehicle count transfer was 23,317 vehicles, representing a 35.9% increase compared with prior year, while counts were down 11.3% year-to-date. The projection anticipated an increase of 2,808 vehicles, however actual came in 3,345 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 October 2021 were \$20.1 million, \$13.5 million lower than our projection from last month, and \$14.7 million higher compared with the same month from last year. The variance from projection was largely driven by the 2021 Q3 valuation being implemented in the month, generating a favourable impact of \$11.0 million on the month and year-to-date losses. This impact is mainly driven by lower than expected claims costs on physical damage coverages year to date, particularly for the most recent quarter for the Current Accident Year.

ON RSP Summary of 2021 Q3 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
Ontario	month/ytd	as month EP	as ytd EP	full year	as full year EP
PAYs (2020 & prior)	(937)	(2.9%)	(0.3%)	(857)	(0.2%)
CAY (2021)	(10,052)	(31.3%)	(3.2%)	(11,866)	(3.1%)
PAYs & CAY	(10,989)	(34.2%)	(3.5%)	(12,723)	(3.3%)
Premium Deficiency / (DPAC)	(2,144)	(6.7%)	(0.7%)	(492)	(0.1%)
Total	(13,133)	(40.9%)	(4.2%)	(13,215)	(3.4%)

Reported losses in October 2021 were \$1.0 million higher than projected. The Current Accident Year had a \$1.2 million unfavourable variance in reported losses, and the Prior Accident Years had a \$0.2 million favourable variance overall. Of all the Prior Accident Years, 2020 had the largest variance in reported losses at \$1.9 million favourable, followed by 2018 with a variance of \$1.7 million unfavourable. 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 October 2021 include,

- Expense Allowance: \$14.3 million for October 2021 compared to projection at \$12.8 million and prior year at \$11.5 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 \$7.2 million for October 2021 compared to projection at \$8.0 million and prior year at \$4.0 million.
- Administrative Expense: \$0.2 million for October 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 \$109.0 million to \$388.2 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 \$94.1 million to \$386.0 million.

The updated year-end 2021 operating deficit is now \$32.6 million and the combined operating ratio is 108.4%; the improvement of \$226.5 million in operating result and 45.5% 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](#)

*10 months ended October 2021 (discounted basis)

[Ontario RSP October 2021 Operational Report – Actuarial Highlights](#)

*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)