

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 081

DATE: October 28, 2021

SUBJECT: Ontario Risk Sharing Pool – September 2021 Operational Report

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

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

Highlights

- (a) The **September 2021 premium written for the month was \$40.7 million**, higher than prior year by \$4.4 million;
- (b) The **2021 year-to-date net operating surplus was \$12.9 million**, with the \$17.0 million in deficit generated in September, resulting in a COR of 95.4% on earned premium of \$282 million; and
- (c) Member pool usage has been updated to reflect recent member transfers.

Summary of Financial Results

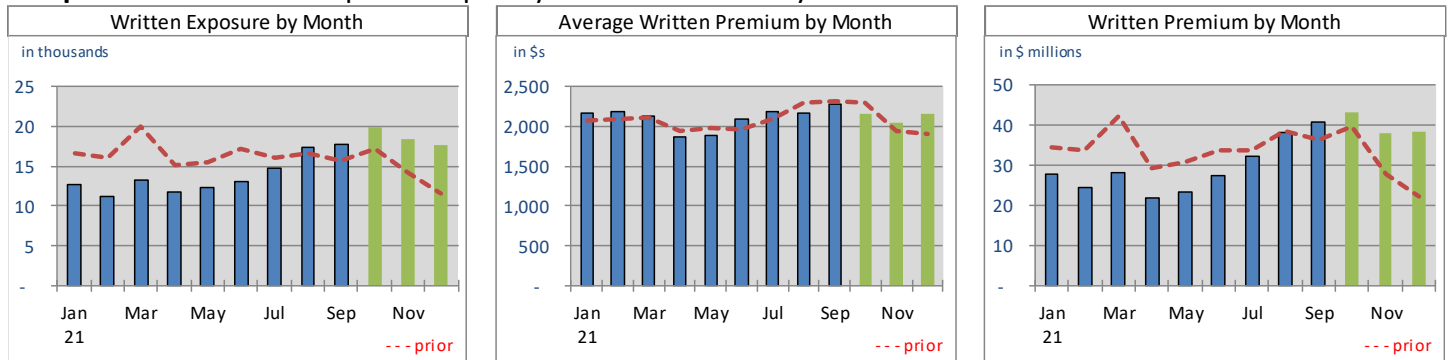
ON RSP Summary of Financial Results

ON RSP 2021 Summary	Actual	Projection	Prior Year	2021 year-to-date	2020 year-to-date	2021 year-end	Outlook*
Amounts in \$000s	(September 2021)	(September 2021)	(September 2020)	as at 9 months	as at 9 months	Projection	Full year 2021
Premium Written	40,665	46,171	36,222	263,191	312,331	382,482	497,186
Premium Earned	30,180	33,924	32,953	281,981	321,579	375,731	480,127
Incurred Losses	28,817	34,073	32,596	221,084	223,091	315,443	575,275
Underwriting & Admin Expense	18,371	21,624	16,482	48,003	47,452	108,136	163,936
Expense allowance	11,380	13,620	10,371	73,962	91,364	109,153	147,167
Premium Deficiency / (DPAC)	6,795	7,810	5,983	(27,408)	(45,037)	(2,888)	14,677
Administrative Expenses	196	194	128	1,447	1,125	1,871	2,092
Net Result from Operations	(17,008)	(21,773)	(16,125)	12,894	51,036	(47,848)	(259,084)
Ratios:							
Loss ratio							
- Prior Accident Years	(5.8%)	(4.6%)	(8.8%)	(27.2%)	(38.7%)	(21.7%)	(6.5%)
- Current Accident Year	101.3%	105.1%	107.7%	105.6%	108.0%	105.7%	126.3%
Total	95.5%	100.4%	98.9%	78.4%	69.3%	84.0%	119.8%
Underwriting & Admin Expense	60.9%	63.7%	50.0%	17.0%	14.8%	28.8%	34.1%
Combined Operating Ratio	156.4%	164.1%	148.9%	95.4%	84.1%	112.8%	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:



September's vehicle count transfer was 17,850 vehicles, representing a 14.1% increase compared with prior year, while counts were down 16.7% year-to-date. The projection anticipated an increase of 5,577 vehicles, however actual came in 3,366 lower than projected, driven primarily by one member company group transferring lower than their projection.

Average premium remained in line with prior year. Premium written changes compared to prior year and projection were driven by the changes in vehicles transferred to the pool.

Incurred Losses

Incurred losses in September 2021 were \$28.8 million, \$5.3 million lower than our projection from last month, and \$3.8 million lower compared with the same month from last year.

Reported losses in September 2021 were \$7.7 million higher than projected. The Current Accident Year had a \$10.6 million unfavourable variance in reported losses, while the Prior Accident Years had a \$2.9 million favourable variance overall. Of all the Prior Accident Years, 2020 had the largest variance in reported losses at \$2.8 million favourable, followed by 2015 with a variance of \$2.2 million favourable, 2018 with a variance of \$2.1 million unfavourable, 2013 with a variance of \$1.8 million favourable, and 2014 with a variance of \$1.6 million unfavourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Loss ratio 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 September 2021 include,

- Expense Allowance: \$11.4 million for September 2021 compared to projection at \$13.6 million and prior year at \$10.3 million. The allowance is approximately 28% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Premium Deficiency / (DPAC): Premium Deficiency of \$6.8 million for September 2021 compared to projection at \$7.8 million and prior year at \$6.0 million.
- Administrative Expense: \$0.2 million for September 2021, fairly consistent with projection and prior year.

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

Projection to year-end 2021

Compared with the Outlook released in November 2020, written premium has reduced \$114.7 million to \$382.5 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 \$104.4 million to \$375.7 million.

The updated year-end 2021 operating deficit is now \$47.8 million and the combined operating ratio is 112.8%; the improvement of \$211.2 million in operating result and 41.1% in combined operating ratio compared with 2021 Outlook reflects the reduction in policy liability as a result of the updated COVID-19 assumption 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](#)

* 9 months ended September 2021 (discounted basis)