

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 075

DATE: September 29, 2021

SUBJECT: Ontario Risk Sharing Pool – August 2021 Operational Report

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

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

Highlights

- (a) The **August 2021 premium written for the month was \$38.0 million**, lower than prior year by \$0.3 million;
- (b) The **2021 year-to-date net operating surplus was \$29.9 million**, resulting in a COR of 88.2% on earned premium of \$252 million; and
- (c) The implementation of the **2021 Q2 valuation**, generated **\$87.1 million favourable impact** for the month, decreasing the COR by 283.5 percentage points.

Summary of Financial Results

ON RSP Summary of Financial Results

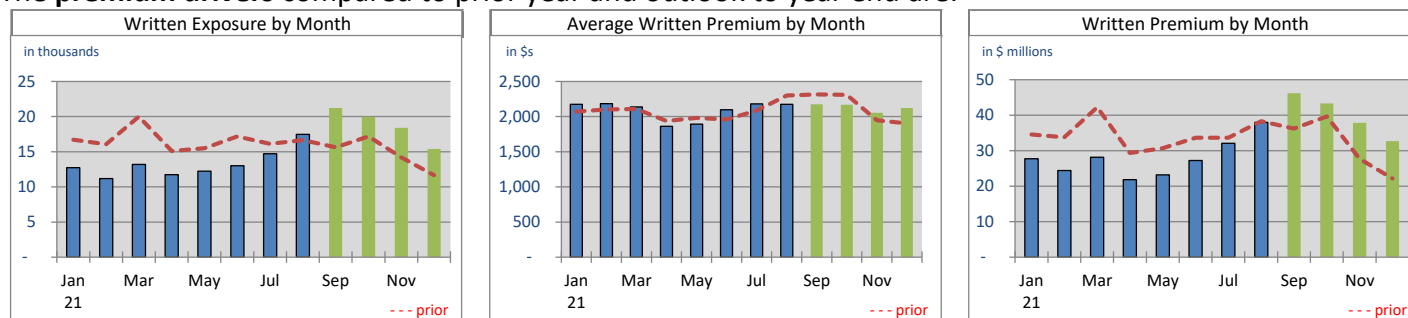
ON RSP 2021 Summary Amounts in \$000s	Actual (August 2021)	Projection (August 2021)	Prior Year (August 2020)	2021 year-to-date as at 8 months	2020 year-to-date as at 8 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	37,973	40,288	38,314	222,526	276,109	382,496	497,186
Premium Earned	30,711	34,939	36,000	251,801	288,626	376,861	480,127
Incurred Losses	(32,635)	39,808	(65,262)	192,267	190,495	316,029	575,275
Underwriting & Admin Expense	(4,224)	16,221	(12,907)	29,632	30,970	108,470	163,936
Expense allowance	10,708	11,885	10,889	62,582	80,993	109,773	147,167
Premium Deficiency / (DPAC)	(15,098)	4,167	(23,909)	(34,203)	(51,020)	(3,181)	14,677
Administrative Expenses	166	169	113	1,251	997	1,878	2,092
Net Result from Operations	67,570	(21,090)	114,169	29,902	67,161	(47,638)	(259,084)
Ratios:							
Loss ratio - Prior Accident Years	(94.3%)	(5.1%)	(160.6%)	(29.7%)	(42.1%)	(21.8%)	(6.5%)
- Current Accident Year	(11.9%)	119.1%	(20.6%)	106.1%	108.1%	105.7%	126.3%
Total	(106.2%)	113.9%	(181.2%)	76.4%	66.0%	83.9%	119.8%
Underwriting & Admin Expense	(13.8%)	46.4%	(35.9%)	11.8%	10.7%	28.8%	34.1%
Combined Operating Ratio	(120.0%)	160.3%	(217.1%)	88.2%	76.7%	112.7%	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:



The August vehicle count transfer was 17,469 vehicles, representing a 4.9% increase compared with prior year, however, the counts were down 20.3% year-to-date. The projection for August from last month anticipated an increase of 17,620 vehicles, in line with the month's count transfer.

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

Incurred Losses

Incurred losses in August 2021 were -\$30.1 million, \$72.4 million lower than our projection from last month, and \$32.6 million higher compared with the same month from last year. The variance from projection was largely driven by the 2021 Q2 valuation being implemented in the month, generating a favourable impact of \$67.6 million on the month and year-to-date losses. This impact is mainly driven by the reduced loss ratios due to COVID-19 assumption update as well as the favourable impact from the Prior Accident Years due to member's Accident Benefits and Bodily Injury case reserve methodology change.

ON RSP Summary of 2021 Q2 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
Ontario					
PAYs (2020 & prior)	(27,503)	(89.6%)	(14.4%)	(26,105)	(6.9%)
CAY (2021)	(40,136)	(130.7%)	(21.0%)	(57,619)	(15.3%)
PAYs & CAY	(67,639)	(220.3%)	(35.4%)	(83,724)	(22.2%)
Premium Deficiency / (DPAC)	(19,437)	(63.3%)	(10.2%)	(11,664)	(3.1%)
Total	(87,076)	(283.5%)	(45.5%)	(95,388)	(25.3%)

Reported losses in August 2021 were \$4.6 million higher than projected. The Current Accident Year had a \$3.5 million unfavourable variance in reported losses, and the Prior Accident Years had a \$1.1 million unfavourable variance overall. Of all the Prior Accident Years, 2020 had the largest variance in reported losses at \$2.2 million favourable, followed by 2017 with a variance of \$1.4 million unfavourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses year to date continue to be below prior year, in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses

Underwriting expenses for August 2021 include,

- Expense Allowance: \$10.7 million for August 2021 compared to projection at \$11.9 million and prior

year at \$10.9 million. The allowance is approximately 28% of written premium. Decreases from projection and prior year are consistent with decreases in written premium.

- Premium Deficiency / (DPAC): DPAC of \$15.1 million for August 2021 compared to projection Premium Deficiency at \$4.1 million and prior year at \$23.9 million.
- Administrative Expense: \$0.2 million for August 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 Q2 valuation assumptions; the implementation generated an estimated favourable impact of \$95.4 million on the full year result.

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 \$103.3 million to \$376.9 million.

The updated year-end 2021 operating deficit is now \$47.6 million and the combined operating ratio is 112.7%; the improvement of \$211.4 million in operating result and 41.2% 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 August 2021 Operational Report – Actuarial Highlights](#)

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

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

* 8 months ended September 2021 (discounted basis)