

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2021 – 062

**DATE:** August 30, 2021

**SUBJECT:** Ontario Risk Sharing Pool – July 2021 Operational Report

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

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

### Highlights

- (a) The **July 2021 premium written for the month was \$32 million**, lower than prior year by \$2 million; and
- (b) The **2021 year-to-date net operating deficit was \$38 million**, with \$15 million of the deficit generated in July, resulting in a COR of 117.1% on earned premium of \$221 million.

### Summary of Financial Results

#### ON RSP Summary of Financial Results

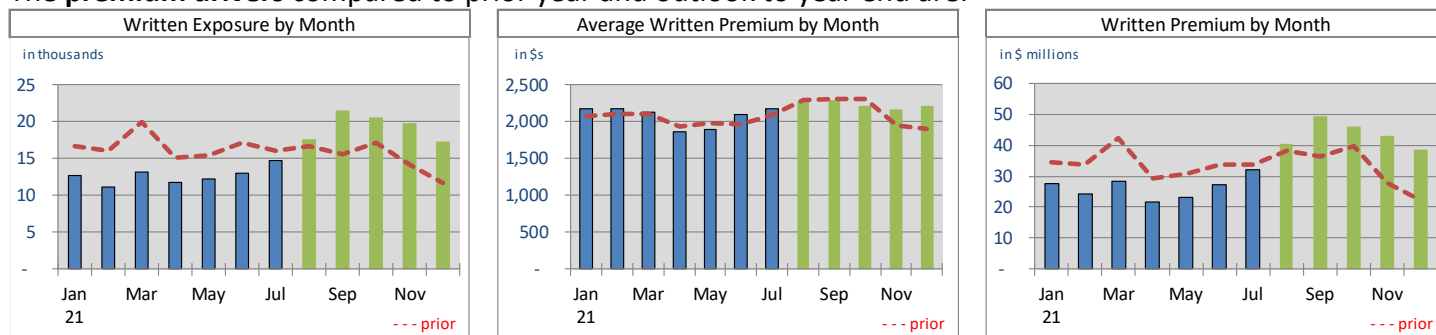
<b>ON RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> (July 2021)	<b>Projection</b> (July 2021)	<b>Prior Year</b> (July 2020)	<b>2021 year-to-date</b> as at 7 months	<b>2020 year-to-date</b> as at 7 months	<b>2021 year-end</b> Projection	<b>Outlook*</b> Full year 2021
Premium Written	32,054	37,869	33,615	184,553	237,795	401,438	497,186
Premium Earned	30,505	34,984	34,645	221,090	252,626	379,486	480,127
Incurred Losses	33,989	40,050	41,599	224,902	255,757	402,470	575,275
Underwriting & Admin Expense	11,602	14,585	11,159	33,856	43,879	131,460	163,936
Expense allowance	8,953	11,171	9,571	51,874	70,104	115,854	147,167
Premium Deficiency / (DPAC)	2,453	3,255	1,453	(19,105)	(27,111)	13,687	14,677
Administrative Expenses	196	159	134	1,085	884	1,919	2,092
<b>Net Result from Operations</b>	<b>(15,086)</b>	<b>(19,651)</b>	<b>(18,113)</b>	<b>(37,668)</b>	<b>(47,010)</b>	<b>(154,444)</b>	<b>(259,084)</b>
<b>Ratios:</b>							
<b>Loss ratio</b> - Prior Accident Years	(7.3%)	(5.2%)	(7.7%)	(20.7%)	(25.2%)	(14.8%)	(6.5%)
- Current Accident Year	118.7%	119.8%	127.8%	122.5%	126.4%	120.9%	126.3%
<b>Total</b>	<b>111.4%</b>	<b>114.5%</b>	<b>120.1%</b>	<b>101.8%</b>	<b>101.2%</b>	<b>106.1%</b>	<b>119.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>38.0%</b>	<b>41.7%</b>	<b>32.2%</b>	<b>15.3%</b>	<b>17.4%</b>	<b>34.6%</b>	<b>34.1%</b>
<b>Combined Operating Ratio</b>	<b>149.4%</b>	<b>156.2%</b>	<b>152.3%</b>	<b>117.1%</b>	<b>118.6%</b>	<b>140.7%</b>	<b>153.9%</b>

*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 July vehicle count transfer was 14,706 vehicles, representing an 8.7% decrease compared with prior year, and counts were down 23.9% year-to-date. The projection for July from last month anticipated an increase of 1,696 vehicles, however the actual came in 3,099 lower than projected, driven primarily by one member company group transferring less than their projection.

Average premium remained in line with prior year. Premium written was below prior year and projection driven by the reduction in vehicles transferred to the pool.

## Incurred Losses

Incurred losses in July 2021 were \$34.0 million, \$6.1 million lower than our projection from last month, and \$7.6 million lower compared with the same month from last year.

Reported losses in July 2021 were \$3.3 million higher than projected. The Current Accident Year had a \$0.6 million unfavourable variance in reported losses, and the Prior Accident Years had a \$2.7 million unfavourable variance overall. Of all the Prior Accident Years, 2015 had the largest variance in reported losses at \$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 July 2021 include,

- Expense Allowance: \$9.0 million for July 2021 compared to projection at \$11.2 million and prior year at \$9.6 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): Premium deficiency of \$2.5 million for July 2021 compared to projection at \$3.3 million and prior year at \$1.5 million.
- Administrative Expense: \$0.2 million for July 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

Compared with the Outlook released in November 2020, written premium has reduced \$95.7 million to \$401.4 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 \$100.6 million to \$379.5 million.

The updated year-end 2021 operating deficit is now \$154.4 million and the combined operating ratio is 140.7%; the improvement of \$104.6 million in operating result and 13.2% 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](mailto:ssavani@facilityassociation.com).

Saskia Matheson  
President & CEO

**Related links:**

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

\* 7 months ended July 2021 (discounted basis)