

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2021 – 055**

**DATE: July 29, 2021**

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

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

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

### Highlights

- (a) The **June 2021 premium written for the month was \$27 million**, lower than prior year by \$6 million;
- (b) The **2021 year-to-date net operating deficit was \$22.6 million**, with a COR of 111.9% on earned premium of \$191 million; and
- (c) Member pool usage has been updated to reflect recent member transfers.

### Summary of Financial Results

#### ON RSP Summary of Financial Results

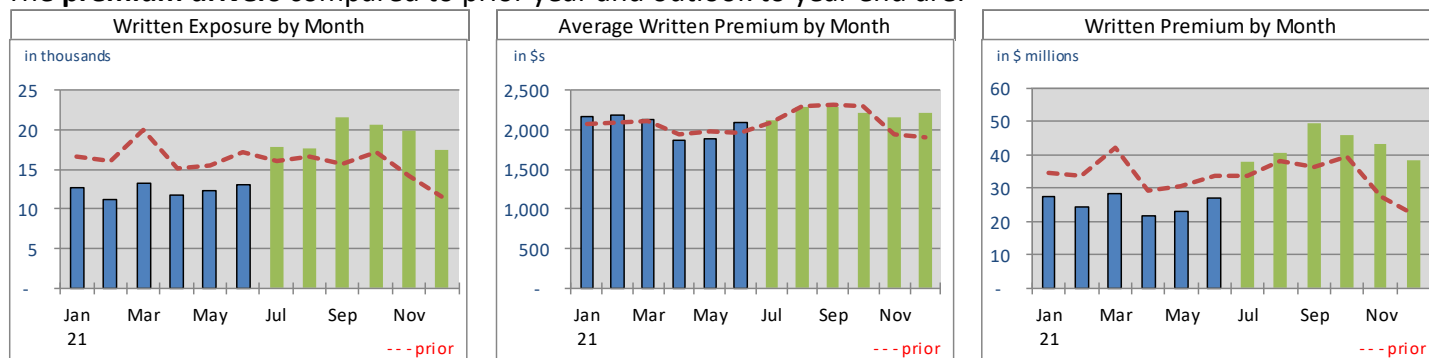
<b>ON RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> <b>(June 2021)</b>	<b>Projection</b> <b>(June 2021)</b>	<b>Prior Year</b> <b>(June 2020)</b>	<b>2021 year-to-date</b> <b>as at 6 months</b>	<b>2020 year-to-date</b> <b>as at 6 months</b>	<b>2021 year-end</b> <b>Projection</b>	<b>Outlook*</b> <b>Full year 2021</b>
Premium Written	27,244	34,904	33,656	152,499	204,180	408,032	497,186
Premium Earned	29,650	33,963	33,651	190,585	217,981	381,049	480,127
Incurred Losses	33,480	38,953	39,979	190,913	214,158	404,477	575,275
Underwriting & Admin Expense	8,833	12,647	11,502	22,254	32,720	135,507	163,936
Expense allowance	7,568	10,297	9,753	42,921	60,533	118,303	147,167
Premium Deficiency / (DPAC)	1,101	2,204	1,626	(21,558)	(28,564)	15,289	14,677
Administrative Expenses	164	146	123	889	751	1,915	2,092
<b>Net Result from Operations</b>	<b>(12,663)</b>	<b>(17,637)</b>	<b>(17,830)</b>	<b>(22,582)</b>	<b>(28,897)</b>	<b>(158,935)</b>	<b>(259,084)</b>
<b>Ratios:</b>							
<b>Loss ratio</b>							
- Prior Accident Years	(7.0%)	(4.1%)	(7.3%)	(22.9%)	(28.0%)	(14.7%)	(6.5%)
- Current Accident Year	120.0%	118.9%	126.1%	123.1%	126.2%	120.9%	126.3%
<b>Total</b>	<b>113.0%</b>	<b>114.7%</b>	<b>118.8%</b>	<b>100.2%</b>	<b>98.2%</b>	<b>106.2%</b>	<b>119.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>29.8%</b>	<b>37.2%</b>	<b>34.2%</b>	<b>11.7%</b>	<b>15.0%</b>	<b>35.6%</b>	<b>34.1%</b>
<b>Combined Operating Ratio</b>	<b>142.8%</b>	<b>151.9%</b>	<b>153.0%</b>	<b>111.9%</b>	<b>113.2%</b>	<b>141.8%</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 June vehicle count transfer was 12,997 vehicles, representing a 24.3% decrease compared with prior year, and counts were down 26.3% year-to-date. The projection for June from last month anticipated a decrease of 284 vehicles, however the actual came in 3,886 lower than projected, driven primarily by two member companies transferring less than their projections.

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 June 2021 were \$33.5 million, \$5.5 million lower than our projection from last month, and \$6.5 million lower compared with the same month from last year.

Reported losses in June 2021 were \$8.5 million higher than projected. The Current Accident Year had a \$0.4 million unfavourable variance in reported losses, and the Prior Accident Years had an \$8.1 million unfavourable variance overall. Of all the Prior Accident Years, 2018 had the largest variance in reported losses at \$2.8 million unfavourable, followed by 2017 with a variance of \$2.3 million unfavourable, 2019 with a variance of \$2.2 million unfavourable, 2020 with a variance of \$1.7 million favourable, 2015 with a variance of \$1.4 million unfavourable, and 2016 with a variance of \$1.3 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 June 2021 include,

- Expense Allowance: \$7.6 million for June 2021 compared to projection at \$10.3 million and prior year at \$9.8 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 \$1.1 million for June 2021 compared to projection at \$2.2 million and prior year at \$1.6 million.
- Administrative Expense: \$0.2 million for June 2021, fairly consistent with projection and prior year.

Expense ratios for the month and year-to-date were lower than both projection and prior years 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 \$89.2 million to \$408.0 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 \$99.1 million to \$381.0 million.

The updated year-end 2021 operating deficit is now \$158.9 million and the combined operating ratio is 141.8%; the improvement of \$100.1 million in operating result and 12.1 % 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](mailto:ssavani@facilityassociation.com).

Saskia Matheson  
President & CEO

**Related links:**

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

\* 6 months ended June 2021 (discounted basis)