

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 – 043

DATE: June 29, 2021

SUBJECT: Ontario Risk Sharing Pool – May 2021 Operational Report

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

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

Highlights

- (a) The **May 2021 premium written for the month was \$23 million**, lower than prior year by \$8 million;
- (b) The **2021 year-to-date net operating deficit was \$10 million**, with a COR of 106.1% on earned premium of \$161 million;
- (c) The implementation of the **2021 Q1 valuation**, generated **\$4 million unfavourable impact** for the month, increasing the COR by 13.0 percentage points; and
- (d) As per the annual process for the RSPs, member share ratios have been updated to reflect recent market share information.

Summary of Financial Results

ON RSP Summary of Financial Results

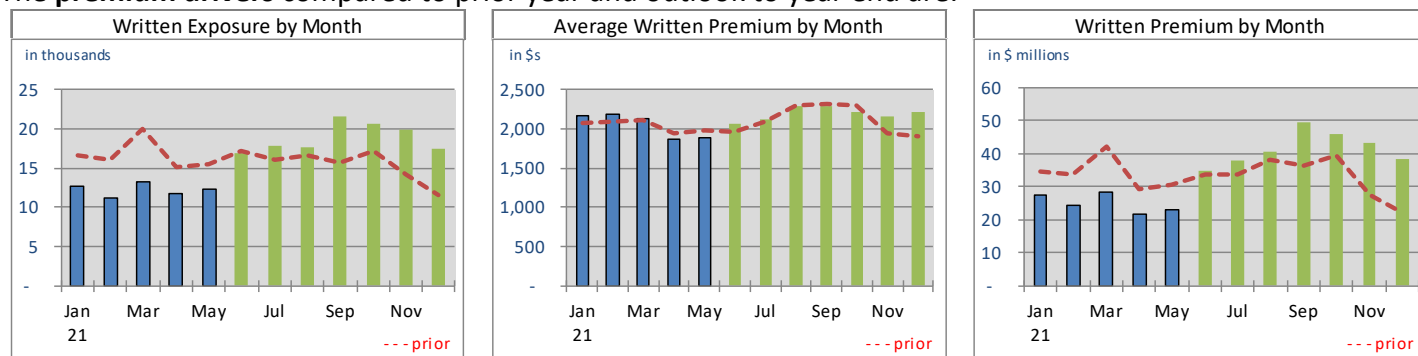
ON RSP 2021 Summary	Actual	Projection	Prior Year	2021 year-to-date	2020 year-to-date	2021 year-end	Outlook*
Amounts in \$000s	(May 2021)	(May 2021)	(May 2020)	as at 5 months	as at 5 months	Projection	Full year 2021
Premium Written	23,168	32,370	30,705	125,255	170,524	415,531	497,186
Premium Earned	31,579	35,561	37,191	160,935	184,330	385,016	480,127
Incurred Losses	47,032	41,361	39,353	157,433	174,179	409,356	575,275
Underwriting & Admin Expense	(214)	10,100	(3,331)	13,421	21,218	139,320	163,936
Expense allowance	6,382	9,549	9,120	35,353	50,780	120,985	147,167
Premium Deficiency / (DPAC)	(6,744)	415	(12,564)	(22,658)	(30,190)	16,416	14,677
Administrative Expenses	148	136	113	725	628	1,919	2,092
Net Result from Operations	(15,239)	(15,900)	1,169	(9,919)	(11,067)	(163,660)	(259,084)
Ratios:							
Loss ratio - Prior Accident Years	44.7%	(6.8%)	2.9%	(25.8%)	(31.8%)	(14.5%)	(6.5%)
- Current Accident Year	104.2%	123.2%	103.0%	123.6%	126.2%	120.8%	126.3%
Total	148.9%	116.3%	105.9%	97.8%	94.4%	106.3%	119.8%
Underwriting & Admin Expense	(0.7%)	28.4%	(9.0%)	8.3%	11.5%	36.2%	34.1%
Combined Operating Ratio	148.2%	144.7%	96.9%	106.1%	105.9%	142.5%	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 May vehicle count transfer was 12,245 vehicles, representing a 21.0% decrease compared with prior year, and counts were down 26.8% year-to-date. The projection for May from last month anticipated a decrease of 345 vehicles, however the actual came in 2,914 lower than projected, driven primarily by one member company 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 May 2021 were \$47.0 million, \$5.7 million higher than our projection from last month, and \$7.7 million higher compared with the same month from last year. The variance from projection was largely driven by the 2021 Q1 valuation being implemented in the month, generating an unfavourable impact of \$9.9 million on the month and year-to-date losses. This impact is mainly driven by the unfavourable claims development and an adjustment to IBNR for latent accident benefits claims to reflect the potential emergence of claims arising from AY 1994 to AY 1996, partially offset by the favourable impact due to the increase in discount rate (from 0.32% to 0.77%).

ON RSP Summary of 2021 Q1 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)	16,609	52.6%	10.3%	18,090	4.7%
CAY (2021)	(6,705)	(21.2%)	(4.2%)	(15,101)	(3.9%)
PAYs & CAY	9,904	31.4%	6.1%	2,989	0.8%
Premium Deficiency / (DPA)	(5,801)	(18.4%)	(3.6%)	(2,703)	(0.7%)
Total	4,103	13.0%	2.5%	286	0.1%

Reported losses in May 2021 were \$16.9 million lower than projected. The Current Accident Year had a \$10.5 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$6.4 million favourable variance. This significant lower than projected activity was reviewed and attributed to the reserving methodology change of one member company group.

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 May 2021 include,

- Expense Allowances: \$6.4 million for May 2021 compared to projection at \$9.6 million and prior year at \$9.1 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 \$6.7 million for May 2021 compared to projected premium deficiency at \$0.4 million and prior year DPAC at \$12.6 million. The variance from projection was primarily driven by the 2021 Q1 valuation being implemented in the month, generating a favourable impact of \$5.8 million.
- Administrative Expense: \$0.1 million for May 2021, 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 combined effect of the reduction in expense allowance and DPAC driven by reduced premium as well as the impact of 2021 Q1 valuation update .

Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2021 Q1 valuation assumptions; the implementation generated an estimated unfavourable impact of \$0.3 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced \$81.7 million to \$415.5 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 \$95.1 million to \$385.0 million.

The updated year-end 2021 operating deficit is now \$163.7 million and the combined operating ratio is 142.5%; the improvement of \$95.4 million in operating result and 11.4 % 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 May 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](#)

* 5 months ended May 2021 (discounted basis)