

**TO: MEMBERS OF THE FACILITY ASSOCIATION**

**ATTENTION: CHIEF EXECUTIVE OFFICER**

**BULLETIN NO: F2021 – 034**

**DATE: May 28, 2021**

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

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

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

### Highlights

- (a) The **April 2021 premium written for the month was \$22 million**, lower than prior year by \$7 million; and
- (b) The **2021 year-to-date net operating surplus was \$5 million**, with a COR of 95.9% on earned premium of \$129 million.

### Summary of Financial Results

#### ON RSP Summary of Financial Results

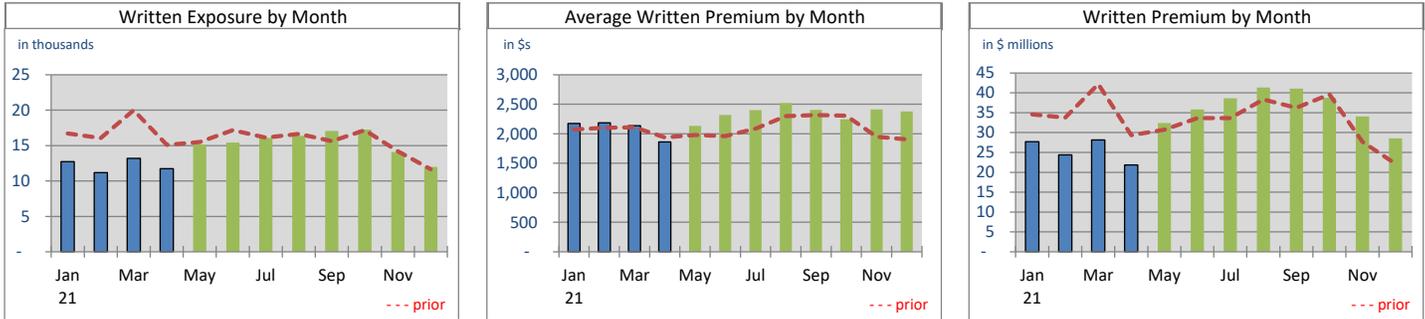
<b>ON RSP 2021 Summary</b> Amounts in \$000s	Actual (April 2021)	Projection (April 2021)	Prior Year (April 2020)	2021 year-to-date as at 4 months	2020 year-to-date as at 4 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	21,826	24,692	29,308	102,087	139,819	392,520	497,186
Premium Earned	31,392	34,783	37,422	129,356	147,139	389,055	480,127
Incurred Losses	36,523	40,558	47,662	110,401	134,826	410,287	575,275
Underwriting & Admin Expense	4,704	5,737	6,706	13,635	24,549	126,606	163,936
Expense allowance	6,010	7,284	8,855	28,971	41,660	114,650	147,167
Premium Deficiency / (DPAC)	(1,476)	(1,651)	(2,276)	(15,913)	(17,626)	10,191	14,677
Administrative Expenses	170	104	127	577	515	1,765	2,092
<b>Net Result from Operations</b>	<b>(9,835)</b>	<b>(11,512)</b>	<b>(16,945)</b>	<b>5,320</b>	<b>(12,236)</b>	<b>(147,838)</b>	<b>(259,084)</b>
<b>Ratios:</b>							
<b>Loss ratio</b>							
- Prior Accident Years	(11.1%)	(6.7%)	(4.5%)	(43.0%)	(40.5%)	(19.1%)	(6.5%)
- Current Accident Year	127.4%	123.4%	131.9%	128.4%	132.1%	124.5%	126.3%
<i>Total</i>	<b>116.3%</b>	<b>116.6%</b>	<b>127.4%</b>	<b>85.4%</b>	<b>91.6%</b>	<b>105.4%</b>	<b>119.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>15.0%</b>	<b>16.5%</b>	<b>17.9%</b>	<b>10.5%</b>	<b>16.7%</b>	<b>32.5%</b>	<b>34.1%</b>
<b>Combined Operating Ratio</b>	<b>131.3%</b>	<b>133.1%</b>	<b>145.3%</b>	<b>95.9%</b>	<b>108.3%</b>	<b>137.9%</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 April vehicle count transfer was 11,725 vehicles, representing a 22.4% decrease compared with prior year, and counts were down 28.1% year-to-date. The projection for April from last month anticipated a decrease of 2,237 vehicles, however the actual came in 1,153 lower than projected, driven primarily by three member companies transferring less than their projections, offset by one member company transferring more.

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 April 2021 were \$36.5 million, \$4.0 million lower than our projection from last month, and \$11.1 million lower compared with the same month from last year.

Reported losses in April 2021 were \$4.2 million lower than projected. The Current Accident Year had a \$2.8 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$1.3 million favourable variance. Of all the Prior Accident Years, 2020 had the largest variance in reported losses at \$1.7 million favourable. 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 April 2021 include,

- Expense Allowances: \$6.0 million for April 2021 compared to projection at \$7.3 million and prior year at \$8.9 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 \$1.5 million for April 2021 compared to projection at \$1.7 million and prior year at \$2.3 million.
- Administrative Expense: \$0.2 million for April 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 combined effect of the reduction in expense allowance and DPAC driven by reduced premium written and earned premium.

**Projection to year-end 2021**

Compared with the Outlook released in November 2020, written premium has reduced \$104.7 million to \$392.5 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 \$91.1 million to \$389.1 million.

The updated year-end 2021 operating deficit is now \$147.8 million and the combined operating ratio is 137.9%; the improvement of \$111.2 million in operating result and 16.0% 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 April 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](#)

\* 4 months ended April 2021 (discounted basis)