

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021 - 026

DATE: April 29, 2021

SUBJECT: Ontario Risk Sharing Pool – March 2021 Operational Report

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

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

Highlights

- (a) The **March 2021 premium written for the month was \$28 million**, lower than prior year by \$14 million;
- (b) The implementation of the **2020 Q4 valuation**, generated a **\$55 million favourable impact**, reducing the COR by 165.5 percentage points;
- (c) The quarterly RSP member share ratios have been updated for actual usage.

Summary of Financial Results

ON RSP Summary of Financial Results

ON RSP 2021 Summary Amounts in \$000s	Actual (March 2021)	Projection (March 2021)	Prior Year (March 2020)	2021 year-to-date as at 3 months	2020 year-to-date as at 3 months	2021 year-end Projection	Outlook* Full year 2021
Premium Written	28,160	31,340	42,191	80,261	110,511	407,400	497,186
Premium Earned	33,100	36,179	38,545	97,964	109,717	396,385	480,127
Incurred Losses	(5,173)	43,359	(7,276)	73,878	87,165	418,955	575,275
Underwriting & Admin Expense	(2,739)	8,222	(1,783)	8,931	17,843	133,914	163,936
Net Result from Operations	41,012	(15,402)	47,604	15,155	4,709	(156,484)	(259,084)
Ratios:							
Loss ratio - Prior Accident Years	(131.2%)	(7.2%)	(136.3%)	(53.2%)	(52.8%)	(18.4%)	(6.5%)
- Current Accident Year	115.6%	127.2%	117.4%	128.7%	132.2%	124.1%	126.3%
Total	(15.6%)	119.9%	(18.9%)	75.5%	79.4%	105.7%	119.8%
Underwriting & Admin Expense	(8.3%)	22.7%	(4.6%)	9.1%	16.3%	33.8%	34.1%
Combined Operating Ratio	(23.9%)	142.6%	(23.5%)	84.6%	95.7%	139.5%	153.9%

rounding differences may occur

**as posted to FA's website Nov. 18, 2020*

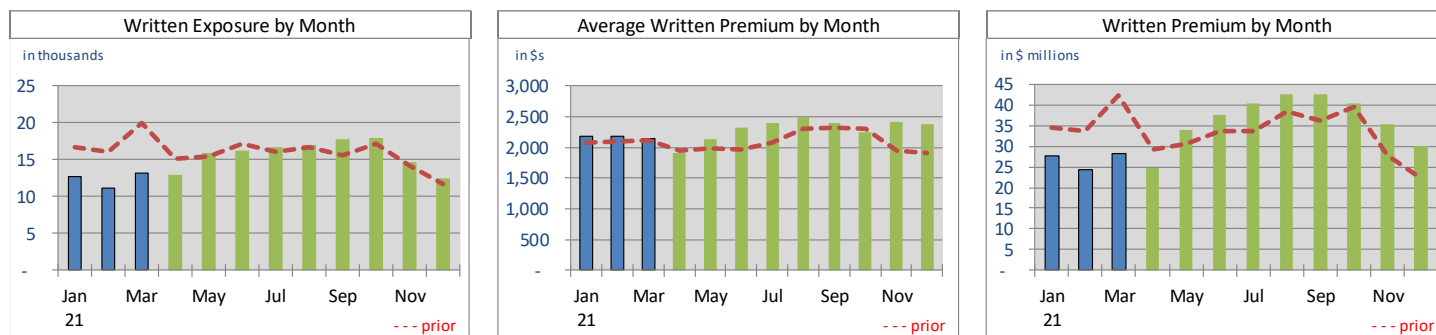
ON RSP Summary of 2020 Q4 Valuation Implementation Impact

unfav / (fav)

Risk Sharing Pool	Impact on Operating Results (\$000s)	Impact on COR (%)	Impact on COR (%)	Impact on Operating Results (\$000s)	Impact on COR (%)
Ontario	month/yttd	as month EP	as ytd EP	full year	as full year EP
PAYs (2020 & prior)	(39,162)	(118.3%)	(40.0%)	(38,266)	(9.7%)
CAY (2021)	(5,863)	(17.7%)	(6.0%)	(22,199)	(5.6%)
PAYs & CAY	(45,025)	(136.0%)	(46.0%)	(60,465)	(15.3%)
Premium Deficiency / (DPAC)	(9,741)	(29.4%)	(9.9%)	963	0.2%
Total	(54,766)	(165.5%)	(55.9%)	(59,502)	(15.0%)

Premium

The **premium drivers** compared to prior year and outlook to year end are:



The March vehicle count transfer was 13,185 vehicles, representing a 34.1% decrease compared with prior year, and counts were down 29.7% year-to-date. The projection for March from last month anticipated a decrease of 5,352 vehicles, however the actual came in 1,470 lower than projected, driven primarily by three 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 March 2021 were -\$5.2 million, \$48.5 million lower than our projection from last month, while \$2.1 million higher compared with the same month from last year. The significant variance from projection was largely driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$45.0 million on the month and year-to-date losses. The favourable impact is due to updated COVID-19 assumptions and the increase in discount rate (from 0.26% to 0.32%).

Reported losses in March 2021 were \$3.9 million lower than projected. The Current Accident Year had a \$6.4 million favourable variance in reported losses, while the Prior Accident Years had a \$2.5 million unfavourable variance. Of all the Prior Accident Years, 2020 had the largest variance in reported losses at \$4.1 million favourable, followed by 2018 with a variance of \$3.3 million unfavourable, 2016 with a variance of \$1.7 million unfavourable, and 2017 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 March 2021 include,

- Expense Allowances: \$8.0 million for March 2021 compared to projection at \$9.2 million and prior year at \$12.5 million. The allowance is approximately 29% of written premium. Decreases from projection and prior year are consistent with decreases in written premium.
- Premium deficiency reserve changes: reduction in reserve of \$10.9 million for March 2021 compared to projected decrease of \$1.2 million and prior year decrease of \$14.4 million. The variance from projection was primarily driven by the 2020 Q4 valuation being implemented in the month, generating a favourable impact of \$9.7 million.

Expense ratios for the month and year-to-date were lower than both projection and prior years primarily due to

the combined effect of premium deficiency reserve decreases as well as the reduction in expense allowance driven by premium written and lower premium earned.

Projection to year-end 2021

Projections to year-end 2021 has been updated using the 2020 Q4 valuation assumptions; the implementation generated an estimated favourable impact of \$59.5 million on the full year result.

Compared with the Outlook released in November 2020, written premium has reduced \$89.8 million to \$407.4 million driven by the reduction in premium year to date and 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 \$83.7 million to \$396.4 million.

The updated year-end 2021 operating result is now -\$156.5 million and the combined operating ratio is 139.5%, the improvement of \$102.6 million in operating result and 14.4% 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 March 2021 Operational Report – Actuarial Highlights](#)

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

SUMMARY OF OPERATIONS - CALENDAR YEAR 2021

Risk Sharing Pool - Ontario

Operating Results for the 3 Months Ended March 31, 2021 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	CY2021	YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
Net Premiums Written	\$27,706	\$24,395	\$28,160	\$80,261		\$407,400	\$401,800
Decrease (Increase) in Unearned Premiums	6,629	6,134	4,940	\$17,703		(\$11,015)	18,834
Net Premiums Earned	\$34,335	\$30,529	\$33,100	\$97,964		\$396,385	\$420,634
Claims Incurred:							
Prior Accident Years:							
Undiscounted	(\$902)	(\$954)	(\$35,443)	(\$37,299)		(\$37,300)	(\$120,205)
Effect of Discounting	(4,206)	(2,670)	(7,989)	(14,865)		(35,748)	(20,350)
Discounted	(\$5,108)	(\$3,624)	(\$43,432)	(\$52,164)		(\$73,048)	(\$140,555)
Current Accident Year:							
Undiscounted	\$40,038	\$35,728	\$34,347	\$110,113		\$435,094	\$383,861
Effect of Discounting	6,790	5,227	3,912	15,929		56,909	44,281
Discounted	\$46,828	\$40,955	\$38,259	\$126,042		\$492,003	\$428,142
Claims Incurred	\$41,720	\$37,331	(\$5,173)	\$73,878		\$418,955	\$287,587
Underwriting Expenses:							
Expense Allowance	\$7,929	\$7,006	\$8,026	\$22,961		\$119,465	\$117,702
Change in UPDR/DPAC:							
Undiscounted	(873)	(742)	(8,861)	(10,476)		10,179	(29,486)
Effect of Discounting	(990)	(908)	(2,063)	(3,961)		2,503	1,872
Discounted	(1,863)	(1,650)	(10,924)	(14,437)		12,682	(27,614)
Underwriting Expenses	\$6,066	\$5,356	(\$2,898)	\$8,524		\$132,147	\$90,088
Net Underwriting Gain (Loss)	(\$13,451)	(\$12,158)	\$41,171	\$15,562		(\$154,717)	\$42,959
Administrative Expenses	\$87	\$161	\$159	\$407		\$1,767	\$1,654
Operating Result	(\$13,538)	(\$12,319)	\$41,012	\$15,155		(\$156,484)	\$41,305
Ratios:							
Claims & Expenses Incurred (Earned)							
Prior Accident Years	-14.9%	-11.9%	-131.2%	-53.2%		-18.4%	-33.4%
Current Accident Year	136.4%	134.2%	115.6%	128.7%		124.1%	101.8%
All Accident Years Combined	121.5%	122.3%	-15.6%	75.5%		105.7%	68.4%
Underwriting & Administrative Expenses (Earned)	17.9%	18.1%	-8.3%	9.1%		33.8%	21.8%
Combined Operating Ratio	139.4%	140.4%	-23.9%	84.6%		139.5%	90.2%

Note: Amounts shown above do not reflect costs incurred directly by member companies e.g. income and premium taxes, health levies, association dues, cost of capital as a result of their compulsory participation in Facility Association and investment income earned on Facility Association premium dollars invested directly by members.

Rounding difference may apply