

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER
ONTARIO RISK SHARING POOL PROJECT MANAGER

BULLETIN NO.: F2021 – 019

DATE: MARCH 30, 2021

SUBJECT: ONTARIO RISK SHARING POOL
– FEBRUARY 2021 OPERATIONAL REPORT

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

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

Highlights

- (a) The **February 2021 premium written for the month** was \$24.3 million, compared to member projections of \$38.1 million, a decrease of \$13.7 million or 36%;
- (b) The **February 2021 premium written year-to-date** was \$52.1 million, compared to prior year of \$68.3 million, a decrease of \$16.2 million or 24%;
- (c) The **February 2021 loss ratio** was 122%, in line with projection, but below prior year of 132%; year-to-date loss ratios also continue to be below prior year;
- (d) The **February 2021 combined ratio** was 140%, below projected and prior year ratio of 160% driven by reduced expense ratios; year-to-date combined ratios continue to be below prior year and Outlook;
- (e) The **February 2021 net operating deficit** was \$12.3 million, below projected deficit of \$20.0 million and prior year deficit of \$21.0 million; and
- (f) The **February 2021 year-to-date net operating deficit** was \$25.9 million, which was below prior year deficit of \$42.9 million.

Summary of Financial Results

ON RSP Summary of Financial Results

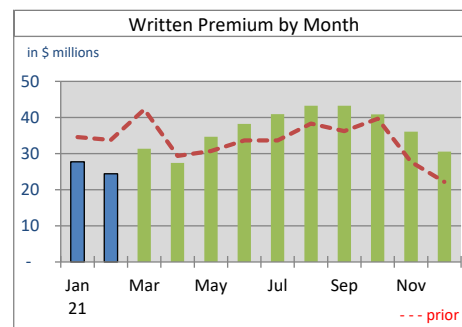
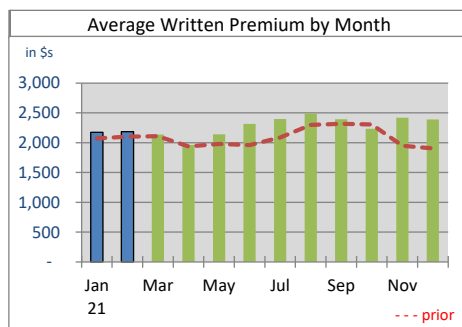
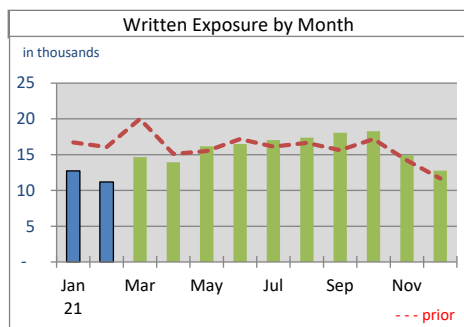
ON RSP 2021 Summary Amounts in \$000s	Actual (February 2021)	Projection (February 2021)	Prior Year (February 2020)	2021 year-to-date as at 2 months	2020 year-to-date as at 2 months	Outlook* Full year 2021
Premium Written	24,395	38,144	33,748	52,101	68,320	497,186
Premium Earned	30,529	33,090	34,671	64,864	71,172	480,127
Incurred Losses	37,331	40,034	45,729	79,051	94,441	575,275
Underwriting & Admin Expense	5,517	13,019	9,963	11,670	19,626	163,936
Net Result from Operations	(12,319)	(19,963)	(21,021)	(25,857)	(42,895)	(259,084)
Ratios:						
Loss ratio - Prior Accident Years	(11.9%)	(7.8%)	(7.5%)	(13.5%)	(7.5%)	(6.5%)
- Current Accident Year	134.2%	128.9%	139.4%	135.3%	140.2%	126.3%
Total	122.3%	121.0%	131.9%	121.8%	132.7%	119.8%
Underwriting & Admin Expense	18.1%	39.3%	28.7%	18.0%	27.6%	34.1%
Combined Operating Ratio	140.4%	160.3%	160.6%	139.8%	160.3%	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 February vehicle count transfer was 11,171 vehicles, representing a 30.4% decrease compared with prior year, and counts were down 27.0% year-to-date. The projection for February from last month anticipated an increase of 953 vehicles, however the actual came in 5,835 lower, driven primarily by three member companies transferring less than they had projected.

Average premium remained in line with projection and 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 February 2021 were \$37.3 million, \$2.7 million lower than our projection from last month, and \$8.4 million lower compared with the same month from last year. Reported losses in February 2021 were \$9.1 million lower than projected.

The Current Accident Year had an approximately \$8.1 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$1.0 million favourable variance. Of all the Prior Accident Years,

2020 had the largest variance in reported losses at \$3.5 million favourable, offset by 2018 with a \$1.8 million unfavourable variance. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Losses continue to be below prior year in line with the impact of the pandemic on the economy.

Underwriting and Admin Expenses

Expenses for February 2021 include,

- Expense Allowances: \$7.0 million for February 2021 compared to projection at \$11.3 million and prior year at \$10 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 \$ 1.7 million for February 2021 compared to projected increase of \$1.6 million and prior year reduction of \$0.2 million.

Expense ratios for the month and year-to-date were lower than both projection and prior years due to the combined effect of premium deficiency reserve decreases as well as the reduction in expense allowance driven by premium written being lower than premium earned.

Projection to year-end 2021

Updated projections to year-end 2021 will be presented in the March 2021 results updates together with the impact of the 2020 Q4 valuation implementation.

Should you require any further information, please contact Sheetal Savani, VP Finance, Audit and CFO at ssavani@facilityassociation.com.

Saskia Matheson
President & CEO

Related links:

[Ontario RSP February 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 2 Months Ended February 28, 2021 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	CY2021 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
Net Premiums Written	\$27,706	\$24,395	\$52,101	\$418,446	\$401,800
Decrease (Increase) in Unearned Premiums	6,629	6,134	\$12,763	(\$15,269)	18,834
Net Premiums Earned	\$34,335	\$30,529	\$64,864	\$403,177	\$420,634
Claims Incurred:					
Prior Accident Years:					
Undiscounted	(\$902)	(\$954)	(\$1,856)	(\$1,856)	(\$120,205)
Effect of Discounting	(4,206)	(2,670)	(6,876)	(31,390)	(20,350)
Discounted	(\$5,108)	(\$3,624)	(\$8,732)	(\$33,246)	(\$140,555)
Current Accident Year:					
Undiscounted	\$40,038	\$35,728	\$75,766	\$459,750	\$383,861
Effect of Discounting	6,790	5,227	12,017	61,569	44,281
Discounted	\$46,828	\$40,955	\$87,783	\$521,319	\$428,142
Claims Incurred	\$41,720	\$37,331	\$79,051	\$488,073	\$287,587
Underwriting Expenses:					
Expense Allowance	\$7,929	\$7,006	\$14,935	\$123,006	\$117,702
Change in UPDR/DPAC:					
Undiscounted	(873)	(742)	(1,615)	9,796	(29,486)
Effect of Discounting	(990)	(908)	(1,898)	3,310	1,872
Discounted	(1,863)	(1,650)	(3,513)	13,106	(27,614)
Underwriting Expenses	\$6,066	\$5,356	\$11,422	\$136,112	\$90,088
Net Underwriting Gain (Loss)	(\$13,451)	(\$12,158)	(\$25,609)	(\$221,008)	\$42,959
Administrative Expenses	\$87	\$161	\$248	\$1,760	\$1,654
Operating Result	(\$13,538)	(\$12,319)	(\$25,857)	(\$222,768)	\$41,305
Ratios:					
Claims & Expenses Incurred (Earned)					
Prior Accident Years	-14.9%	-11.9%	-13.5%	-8.2%	-33.4%
Current Accident Year	136.4%	134.2%	135.3%	129.3%	101.8%
All Accident Years Combined	121.5%	122.3%	121.8%	121.1%	68.4%
Underwriting & Administrative Expenses (Earned)	17.9%	18.1%	18.0%	34.2%	21.8%
Combined Operating Ratio	139.4%	140.4%	139.8%	155.3%	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