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**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER  
ONTARIO RISK SHARING POOL PROJECT MANAGER

**BULLETIN NO.:** F2021 – 012

**DATE:** FEBRUARY 25, 2021

**SUBJECT:** ONTARIO RISK SHARING POOL  
– JANUARY 2021 OPERATIONAL REPORT

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

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

### Highlights

- (a) *Written premium* transferred in January 2021 was \$27.7 million, \$6.9 million lower than prior year.
- (b) The *2021 year-to-date net operating deficit was \$13.5 million*, with a COR of 139.4% on earned premium of \$34.3 million, and
- (c) Note that there are changes in the format of this bulletin compared to previous months, as we review our reporting and ensure we continue to meet member needs.

## Summary of Financial Results

## ON RSP Summary of Financial Results

<b>ON RSP 2021 Summary</b> Amounts in \$000s	<b>Actual</b> January 2021	<b>Projection</b> January 2021	<b>Prior Year</b> January 2020	<b>Outlook*</b> Full year 2021
Premium Written	27,706	40,437	34,572	497,186
Premium Earned	34,335	36,234	36,501	480,127
Incurred Losses	41,720	44,397	48,712	575,275
Underwriting & Admin Expense	6,153	13,361	9,664	163,936
<b>Net Result from Operations</b>	<b>(13,538)</b>	<b>(21,524)</b>	<b>(21,875)</b>	<b>(259,084)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(14.9%)	(9.7%)	(7.6%)	(6.5%)
- Current Accident Year	136.4%	132.2%	141.0%	126.3%
<b>Total</b>	<b>121.5%</b>	<b>122.5%</b>	<b>133.4%</b>	<b>119.8%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>17.9%</b>	<b>36.9%</b>	<b>26.5%</b>	<b>34.1%</b>
<b>Combined Operating Ratio</b>	<b>139.4%</b>	<b>159.4%</b>	<b>159.9%</b>	<b>153.9%</b>

rounding differences may occur

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

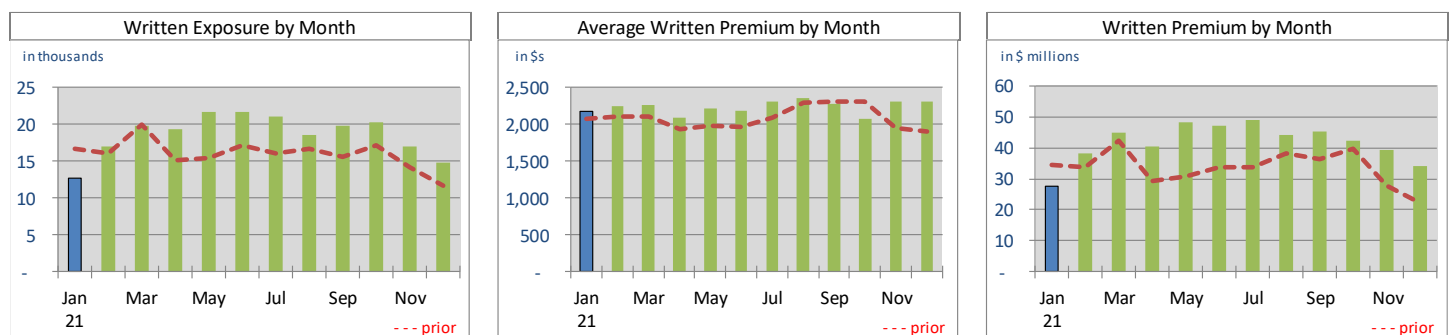
The Ontario Risk Sharing Pool produced a \$13.5 million operating deficit in the month of January 2021 and calendar year-to-date, an \$8.3 million improvement compared with the prior year.

The year-to-date combined operating ratio at the end of one month was 139.4%, a 20.5 percentage point improvement over prior year. This substantial improvement was primarily driven by the reduced loss experience, from both Prior Accident years and Current Accident Year, in relation to COVID-19 pandemic; the overall loss ratio dropped 11.9 percentage points, from 133.4% to 121.5%. Expenses were also reduced by \$3.5 million, with the Expense Ratio decreasing by 8.6 percentage point, driven by the impact of written premium reduction on expense allowance as well as the reduction in premium deficiency.

Premium

As shown in the preceding table, written premium transferred in January 2021 was \$27.7 million, \$12.7 million lower than our projection last month, and \$6.9 million lower compared with the same month from last year.

The following graphs shows the **premium drivers** compared to prior year and outlook to year end



January's vehicle count transfer was 12,741 vehicles, representing a decrease of 3,955 vehicles compared with

prior year. The projection anticipated an increase of 1,268 vehicles, however the actual came in 5,223 lower, driven primarily by three member company groups. This lower than prior year and projected vehicle count transfer was consistent with the trending seen from Q4 2020, and we are in the process of reviewing the premium projections that will be included in next month.

*Incurred Losses*

Incurred losses in January 2021 was \$41.7 million, \$2.7 million lower than our projection from last month, and \$7.0 million lower compared with the same month from last year.

For the month of January 2021, reported losses were \$24.0 million lower than projected. This large variance was reviewed and attributed to a reserving methodology change reported by one member company group, this reserving change was reviewed and discussed with FA's Appointed Actuary and consideration was included in the prior valuation assessment of the liabilities. Because Facility Association uses an ultimate loss ratio matching (IBNR booking) approach with the monthly participation results calculations (recorded activity is assumed to be offset by changes in IBNR), there is no impact on this month's Operating Results. The Current Accident Year had an approximately \$6.9 million favourable variance in reported losses, and the Prior Accident Years had an approximately \$17.1 million favourable variance. Of all the Prior Accident Years, 2019 had the largest variance in reported losses at \$8.4 million favourable, followed by 2020 with a variance of \$5.0 million favourable and 2018 with a variance of \$3.5 million favourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

*Underwriting and Admin Expenses*

Expenses for January 2021 were \$6.2 million, \$7.2 million lower than projected, and \$3.5 million lower than prior year. These variances were primary driven by underwriting expense – expense allowance due to written premium reductions as well as the reduction in premium deficiency, while admin expense remains fairly constant.

Should you require any further information, please call Sheetal Savani, VP Finance, Audit and CFO at (416) 863-1750 x5626.

Saskia Matheson  
President & CEO

**Related links:**

[ON RSP January 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 1 Month Ended January 31, 2021 (Discounted basis)

EXHIBIT 1

Source: Monthly Operational Report

(thousands of dollars)

	January	CY2021 YTD	CY2021 12 MONTHS Updated Projection	CY2020 12 MONTHS Actual
Net Premiums Written	\$27,706	\$27,706	\$499,708	\$401,800
Decrease (Increase) in Unearned Premiums	6,629	\$6,629	(\$46,014)	18,834
<b>Net Premiums Earned</b>	<b>\$34,335</b>	<b>\$34,335</b>	<b>\$453,694</b>	<b>\$420,634</b>
<b>Claims Incurred:</b>				
Prior Accident Years:				
Undiscounted	(\$902)	(\$902)	(\$902)	(\$120,205)
Effect of Discounting	(4,206)	(4,206)	(31,330)	(20,350)
Discounted	(\$5,108)	(\$5,108)	(\$32,232)	(\$140,555)
Current Accident Year:				
Undiscounted	\$40,038	\$40,038	\$516,009	\$383,861
Effect of Discounting	6,790	6,790	69,104	44,281
Discounted	\$46,828	\$46,828	\$585,113	\$428,142
<b>Claims Incurred</b>	<b>\$41,720</b>	<b>\$41,720</b>	<b>\$552,881</b>	<b>\$287,587</b>
<b>Underwriting Expenses:</b>				
Expense Allowance	\$7,929	\$7,929	\$147,168	\$117,702
Change in UPDR/DPAC:				
Undiscounted	(873)	(873)	15,056	(29,486)
Effect of Discounting	(990)	(990)	8,061	1,872
Discounted	(1,863)	(1,863)	23,117	(27,614)
<b>Underwriting Expenses</b>	<b>\$6,066</b>	<b>\$6,066</b>	<b>\$170,285</b>	<b>\$90,088</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$13,451)</b>	<b>(\$13,451)</b>	<b>(\$269,472)</b>	<b>\$42,959</b>
<b>Administrative Expenses</b>	<b>\$87</b>	<b>\$87</b>	<b>\$2,134</b>	<b>\$1,654</b>
<b>Operating Result</b>	<b>(\$13,538)</b>	<b>(\$13,538)</b>	<b>(\$271,606)</b>	<b>\$41,305</b>
<b>Ratios:</b>				
<b>Claims &amp; Expenses Incurred (Earned)</b>				
Prior Accident Years	-14.9%	-14.9%	-7.1%	-33.4%
Current Accident Year	136.4%	136.4%	129.0%	101.8%
All Accident Years Combined	121.5%	121.5%	121.9%	68.4%
Underwriting & Administrative Expenses (Earned)	17.9%	17.9%	38.0%	21.8%
<b>Combined Operating Ratio</b>	<b>139.4%</b>	<b>139.4%</b>	<b>159.9%</b>	<b>90.2%</b>

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