



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F16 – 024

DATE: APRIL 28, 2016

**SUBJECT: ONTARIO RISK SHARING POOL
– MARCH 2016 OPERATIONAL REPORT**

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

Please be advised that the March 2016 Ontario Risk Sharing Pool Operational Report is now available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

New This Month

Quarterly Sharing Update

An update of the "Member's Usage" of the Ontario Risk Sharing Pool ("RSP") was performed since the release of the February 2016 Operational Report, bringing members' sharing current to the first quarter 2016. The usage update is reflected in the March 2016 Operational Report.

Valuation

A valuation of the Ontario RSP as at December 31, 2015 has been completed since last month's Operational Report and the results of that valuation have been incorporated into this month's Operational Report. The valuation was completed by the Facility Association's internal staff in conjunction with, and reviewed and approved by, the Appointed Actuary.

Ontario 2014 Bill 15 and 2015 Bill 91 included various changes to the Ontario automobile insurance product that affect the benefits available to policyholders. With the current Ontario RSP valuation (as at December 31, 2015), we've included various adjustments related to these recent product reforms, aligned with adjustments introduced with the September 30, 2015 valuation. For further detail related to recent legal decisions and changes in legislation / regulation and associated adjustments, please see the Ontario RSP March 2016 Operational Report – Actuarial Highlights and the Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015. Links are provided to both of these documents at the end of this bulletin.

Bulletin F16-024
Ontario Risk Sharing Pool – March 2016 Operational Report

The implementation of the new valuation resulted in an estimated overall **\$49.3 million favourable** impact on the month's net result from operations, subtracting an estimated 82.8 points from the year-to-date Combined Operating Ratio (ending at 64.5%). The impact on the month's results is summarized in the table immediately below¹.

Ontario	unfav / (fav) for the month and ytd						ytd EP 59,517 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % ytd EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(42,724)	(2,018)	(44,742)	2,103	-	(42,639)	(71.8%)	(3.4%)	(75.2%)	3.5%	-	(71.6%)
CAY	(2,151)	(279)	(2,430)	196	-	(2,234)	(3.6%)	(0.5%)	(4.1%)	0.3%	-	(3.8%)
Prem Def	(4,197)	(515)	(4,712)	311	-	(4,401)	(7.1%)	(0.9%)	(7.9%)	0.5%	-	(7.4%)
TOTAL	(49,072)	(2,812)	(51,884)	2,610	-	(49,274)	(82.5%)	(4.7%)	(87.2%)	4.4%	-	(82.8%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$51.9 million favourable impact – see column [3] in the left table above), the impact of an 8 basis point decrease in the selected discount rate (from 0.98 to 0.90%, generating a \$2.6 million unfavourable impact – see column [4] in the left table above). Finally, there was no change in the margin for adverse deviation in investment yield (remains at 25 basis points) and no changes to the margins for adverse deviation for claims development as selected at the coverage / accident year level (hence zeros in all rows of column [5] in the left table above).

Please see “Effect of Quarterly Valuation” further in this bulletin for additional details on the impacts of the updated valuation.

Summary of Financial Results

The calendar year-to-date Net Result from Operations is \$21.1 million and the incurred loss ratio to the end of 3 months is 47.8%, as summarized in the table at the top of the next page.

¹ In the tables, “ults & payout patterns” refers to the impacts associated with changes in selected ultimates and updated cashflows of claims payments; “dsct rate” refers to the impact of changes in the selected discount rate applied to projected cashflows; and “apv adj.” refers to “actuarial present value adjustments”.

Bulletin F16-024
Ontario Risk Sharing Pool – March 2016 Operational Report

Amounts in \$000s	March 2016	March 2015	Year to date Mar 2016	Year to Date Mar 2015
Written Premiums	20,046	20,095	53,300	58,034
Earned Premiums	20,308	23,324	59,517	68,245
Incurred Losses	(19,795)	662	28,464	57,992
Underwriting Expenses and Others	1,826	6,509	9,914	15,400
Net Result from Operations	38,277	16,153	21,139	(5,147)
Ratios:				
Loss ratio % - Prior Accident Year	(220.9%)	(136.7%)	(84.7%)	(54.3%)
- Current Accident Years	123.4%	139.6%	132.5%	139.3%
Total	(97.5%)	2.9%	47.8%	85.0%
Underwriting & Admin Exp.%	9.0%	27.9%	16.7%	22.6%
Combined Operating Ratio	(88.5%)	30.8%	64.5%	107.6%

Rounding differences may apply.

These results are discussed in some detail in the “Current Month Results” section below. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2016” attached to this bulletin.

Updated Projection to Year-end 2016

The projected calendar year Net Result from Operations to December 2016 is -\$123.8 million and the estimated combined operating ratio to December 2016 is 147.6%. This updated projection to the end of the year has improved by \$43.2 million from the projection provided last month (-\$167.0 million and 165.3%), with the impact of the December 31, 2015 valuation generating \$61.1 million of improvement as summarized in the table immediately below (see more information under “Effect of Quarterly Valuation”), offset by changes in projected premium volumes, and the associated impacts on claims and expense projections. In particular, one member company group has significantly increased their transfer projections for the year, accounting for the bulk of the \$17.9 million offset between the \$61.1 million favourable valuation impact, and the \$43.2 million favourable change in the net operating result projection to year-end.

Ontario	unfav / (fav) projected for full year						year EP 259,890 (projected this month)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % full year EP from changes in:					
	ults & payout patterns			dsct rate		margins	ults & payout patterns			dsct rate		margins
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(42,724)	(1,905)	(44,629)	1,774	-	(42,855)	(16.4%)	(0.7%)	(17.2%)	0.7%	-	(16.5%)
CAY	(9,365)	(1,314)	(10,679)	779	-	(9,900)	(3.6%)	(0.5%)	(4.1%)	0.3%	-	(3.8%)
Prem Def	(7,864)	(974)	(8,838)	469	-	(8,369)	(3.0%)	(0.4%)	(3.4%)	0.2%	-	(3.2%)
TOTAL	(59,953)	(4,193)	(64,146)	3,022	-	(61,124)	(23.1%)	(1.6%)	(24.7%)	1.2%	-	(23.5%)

Current Month Results

The Ontario Risk Sharing Pool produced a \$38.3 million Net Result from Operations in the month of March 2016, a \$22.1 million improvement compared with the same month last year. This improvement is composed of a \$24.2 million improvement stemming from the overall decrease in the combined ratio (from 30.8% to -88.5% applied to \$20.3 million in earned premium), offset by a \$2.1 million unfavourable impact associated with the \$3.0 million decrease in earned premium (at a combined ratio of 30.8%). The primary driver of the difference in combined ratios is the difference in the respective valuation implementation impacts.

This month's results moved the year-to-date combined operating ratio from 143.7% at the end of 2 months to 64.5% at the end of 3 months. The 79.2 percentage point decrease is composed of a 70.5 percentage point decrease in the Prior Accident Year loss ratio, coupled with a 4.8 percentage point decrease in the Current Accident Year loss ratio, and a 3.9 percentage point decrease in the expense ratio.

Variances from Projections

The table below provides a summary of key components of the operating results as compared to the estimates projected last month.

March 2016	Actual	Projection	Difference	Difference %
Written Premiums	20,046	23,431	(3,385)	(14.4%)
Earned Premiums	20,308	20,975	(667)	(3.2%)
Reported Losses				
Paid Losses	21,490	21,699	(209)	(1.0%)
Loss Expenses Paid	2,336	1,853	483	26.1%
Change in Outstanding Losses	(1,443)	(362)	(1,081)	(298.6%)
Total Reported Losses	22,383	23,190	(807)	(3.5%)
Change in IBNR *	(42,178)	2,826	(45,004)	
Change in Premium Deficiency (DPAC) *	(4,275)	1,148	(5,423)	

(Amounts in \$000's)

Rounding differences may occur.

* Detailed information is included in [Ontario RSP March 2016 Operational Report - Actuarial Highlights](#).

Each month, management reviews the variance between reported premium activity and claims activity (actual reported claims payments and changes in case reserves) and the associated actuarial projections. The projection process involves many assumptions including claims reporting patterns. Actual reporting patterns vary from month-to-month, sometimes considerably. Although variances from our projections are expected, management investigates variances above set thresholds and responds as appropriate. For this month, the variances were within the threshold given the monthly reporting volatility.

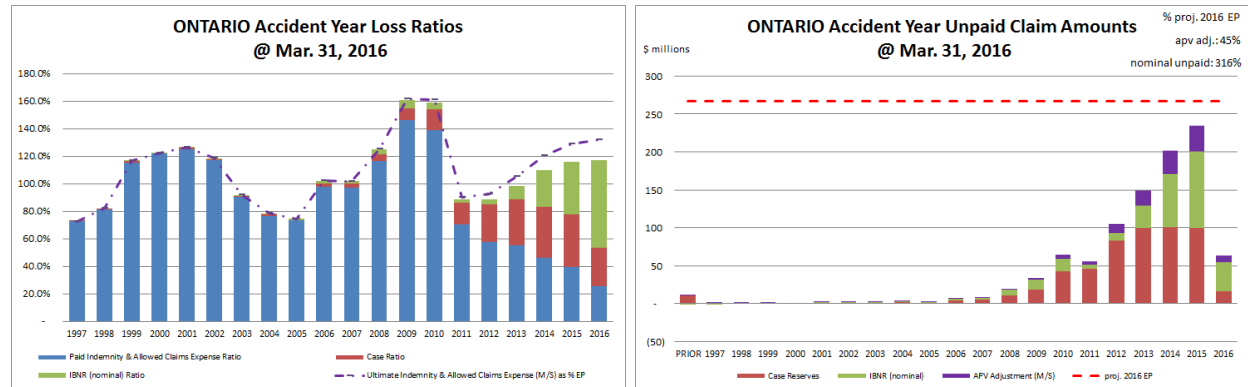
For the month of March 2016, reported losses were \$0.8 million lower than projected. Management investigated reported claims activity and is satisfied that the variance is appropriately accounted for in our current booking process. The Current Accident Year had a \$1.5 million favourable variance in reported losses, while the Prior Accident Years had a \$0.7 million unfavourable variance. Of the Prior Accident Years, 2013 had the largest variance in reported losses at \$2.5 million unfavourable, followed by Accident Year 2011 at \$1.5 million favourable and Accident Year 2008 at \$1.2 million favourable. No other single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

Effect of Quarterly Valuation

The March 2016 Ontario Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2015, with the associated impacts in relation to the results for March 2016 summarized in the table immediately below.

Ontario	unfav / (fav) for the month and ytd						mth EP 20,308 (actual)					
	IMPACT in \$000s from changes in:						IMPACT unfav / (fav) as % mth EP from changes in:					
	ults & payout patterns			dsct rate	margins		ults & payout patterns			dsct rate	margins	
Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	Nominal	apv adj.	sub-tot	apv adj.	apv adj.	TOTAL	
[1]	[2]	[3]	[4]	[5]	[6]	[1]	[2]	[3]	[4]	[5]	[6]	
PAYs	(42,724)	(2,018)	(44,742)	2,103	-	(42,639)	(210.4%)	(9.9%)	(220.3%)	10.4%	-	(210.0%)
CAY	(2,151)	(279)	(2,430)	196	-	(2,234)	(10.6%)	(1.4%)	(12.0%)	1.0%	-	(11.0%)
Prem Def	(4,197)	(515)	(4,712)	311	-	(4,401)	(20.7%)	(2.5%)	(23.2%)	1.5%	-	(21.7%)
TOTAL	(49,072)	(2,812)	(51,884)	2,610	-	(49,274)	(241.6%)	(13.8%)	(255.5%)	12.9%	-	(242.6%)

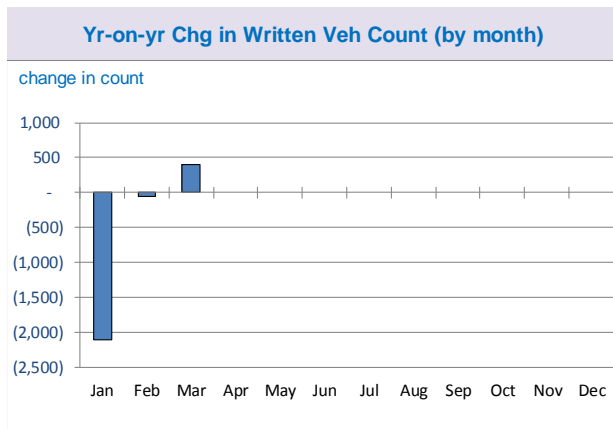
The charts below summarize the current view of the historical loss ratios (indemnity and allowed claims adjustment expenses on a nominal basis) and the associated claims liabilities.



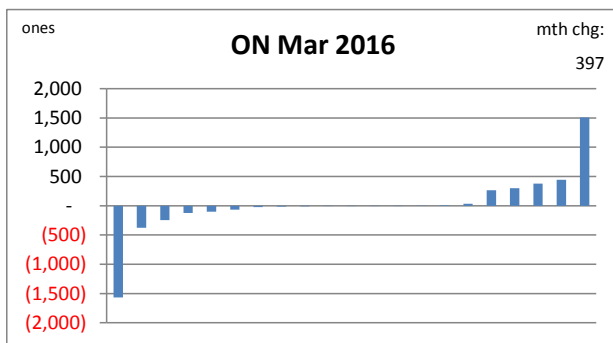
The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [Ontario RSP March 2016 Operational Report – Actuarial Highlights](#) and in the [Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015](#). The actuarial valuation will be updated next as at March 31, 2016 and we anticipate that the results will be reflected in the May 2016 Operational Report.

Management Comments

For the Ontario RSP, the transfer limit is 5.0% of exposures written in the prior year at the member company group level (that is, within a group under common management or ownership, a single member can transfer the entire transfer limit for the group). System programming prevents member groups from exceeding their transfer limits during a calendar year. However, member groups can transfer their entire limit for a given year at any time throughout the year including, for example, the last day of that year. Our current projection has the 2016 vehicle count up 22.2% from 2015, being 2.2% of the 2014 industry private passenger vehicle count including farmers (as we don't have an industry count yet for 2015, we continue to use the 2014 count as a proxy). There is the potential for the transferred vehicle count to change dramatically and quickly if member companies choose to take full advantage of their transfer limits.



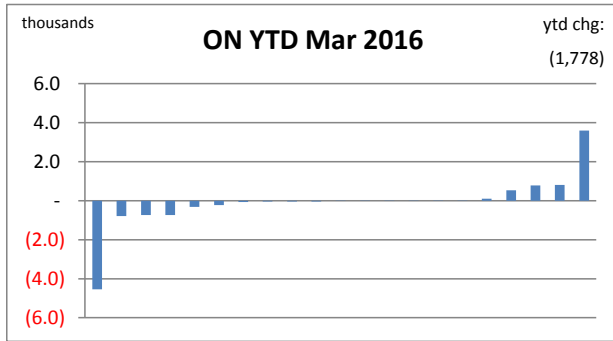
The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with February reporting an increase of 397 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for an increase of 1,847 vehicles, indicating a variance of 1,450 from the actual transfers. This variance was mainly due to one member company transferring a lower number of vehicles to the pool in March than projected.



The chart on the left shows the overall change in the **month**, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change. Thirteen member company groups transferred fewer vehicles to the pool this month compared to a year ago, while 8 transferred more². Of the 13 member company groups transferring fewer vehicles, 1 member company group accounted for 62% of the total transfer decrease for the “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 51% of the total transfer increases for the “grower” members.

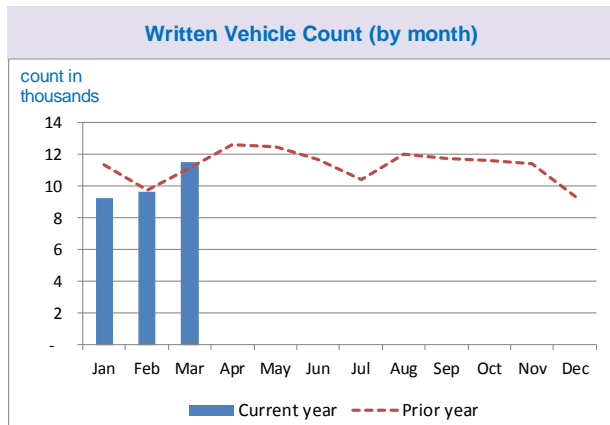
company group accounted for 62% of the total transfer decrease for the “decliner” members. Of the 8 member company groups transferring more vehicles, 1 member company group accounted for 51% of the total transfer increases for the “grower” members.

²For the purposes of discussion here, we only include those member company groups that transferred at least one vehicle in either 2015 or 2016. Groups that have not transferred vehicles in these two periods are ignored.

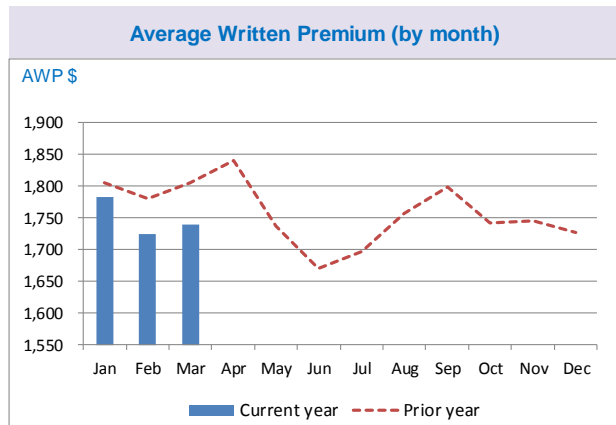


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted by magnitude of change.

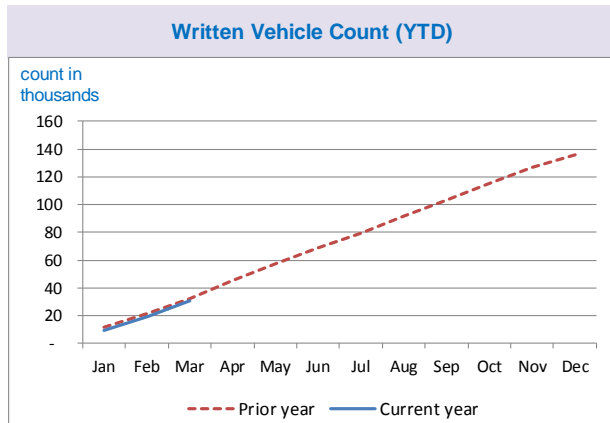
March's year-on-year change in vehicle count transfers to the pool represents a 3.6% increase from March 2015, but counts were down 5.5% year-to-date. Average written premium was down 3.7% in March 2016 compared with the same month in 2015, and down 2.8% year-to-date (see charts immediately below).



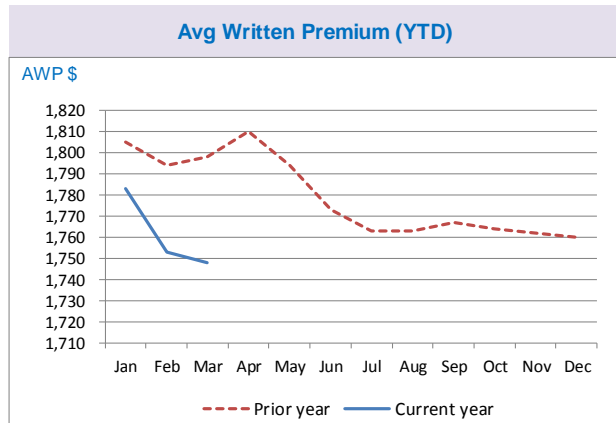
	Mar-16	Mar-15	Amt Chg	% Chg
W. Veh curr mth	11,526	11,130	397	3.6%



	Mar-16	Mar-15	Amt Chg	% Chg
AWP curr mth	1,739	1,806	(67)	-3.7%



	Mar-16	Mar-15	Amt Chg	% Chg
W. Vehicles YTD	30,495	32,273	(1,778)	-5.5%

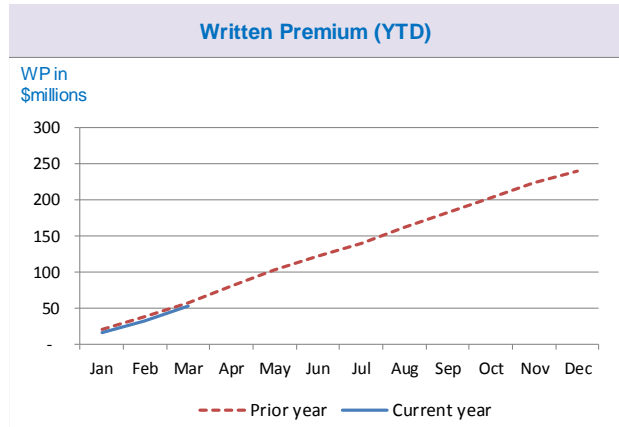
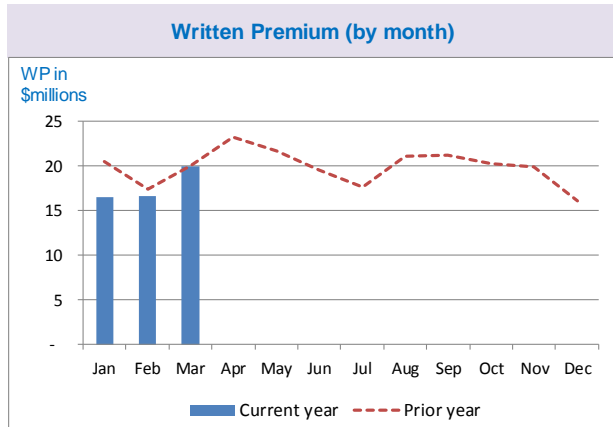


	Mar-16	Mar-15	Amt Chg	% Chg
Avg W. Prem YTD	1,748	1,798	(50)	-2.8%

Bulletin F16-024

Ontario Risk Sharing Pool – March 2016 Operational Report

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 0.2% for the month compared with the 16.6% increase we projected last month, and was down 8.2% year-to-date (see charts immediately below).



WP (\$000s) curr mth	Mar-16	Mar-15	Amt Chg	% Chg
	20,046	20,096	(50)	-0.2%

WP (\$000s) YTD	Mar-16	Mar-15	Amt Chg	% Chg
	53,300	58,035	(4,735)	-8.2%

Should you require any further information, please call Norm Seeney, Vice President, Finance and Member Services at (416) 644-4914.

David J. Simpson, M.B.A., FCIP, C. Dir.
President & CEO

Related links:

[Ontario RSP March 2016 Operational Report – Actuarial Highlights](#)

[Actuarial Quarterly Valuation Highlights Risk Sharing Pools as at December 31, 2015](#)

[Actuarial Quarterly Valuation Highlights – Ontario RSP Exhibit A](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2016

Risk Sharing Pool - Ontario

Operating Results for the 3 Months ended March 31, 2016 (Discounted basis)

EXHIBIT 1

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	CY2016 YTD	CY2016 12 MONTHS Updated Projection	CY2015 12 MONTHS Actual
Net Premiums Written	\$16,543	\$16,711	\$20,046	\$53,300	\$306,283	\$239,007
Decrease (Increase) in Unearned Premiums	\$3,723	\$2,232	\$262	\$6,217	(\$46,393)	\$23,561
Net Premiums Earned	\$20,266	\$18,943	\$20,308	\$59,517	\$259,890	\$262,568
Claims Incurred:						
Prior Accident Years:						
Undiscounted	(\$98)	(\$96)	(\$42,766)	(\$42,960)	(\$42,960)	(\$146,204)
Effect of Discounting	(3,280)	(2,086)	(2,092)	(7,458)	(24,927)	(42,694)
Discounted	(\$3,378)	(\$2,182)	(\$44,858)	(\$50,418)	(\$67,887)	(\$188,898)
Current Accident Year:						
Undiscounted	\$24,544	\$22,944	\$22,431	\$69,919	\$304,356	\$307,691
Effect of Discounting	3,598	2,733	2,632	8,963	35,693	34,955
Discounted	\$28,142	\$25,677	\$25,063	\$78,882	\$340,049	\$342,646
Claims Incurred	\$24,764	\$23,495	(\$19,795)	\$28,464	\$272,162	\$153,748
Underwriting Expenses:						
Expense Allowance	\$4,926	\$4,981	\$5,959	\$15,866	\$91,762	\$70,525
Change in UPDR/DPAC:						
Undiscounted	(745)	(376)	(4,056)	(5,177)	10,502	(8,667)
Effect of Discounting	(570)	(336)	(219)	(1,125)	7,793	(1,893)
Discounted	(1,315)	(712)	(4,275)	(6,302)	18,295	(\$10,560)
Underwriting Expenses	\$3,611	\$4,269	\$1,684	\$9,564	\$110,057	\$59,965
Net Underwriting Gain (Loss)	(\$8,109)	(\$8,821)	\$38,419	\$21,489	(\$122,329)	\$48,855
Administrative Expenses	\$80	\$128	\$142	\$350	\$1,465	\$1,309
Net Result from Operations	(\$8,189)	(\$8,949)	\$38,277	\$21,139	(\$123,794)	\$47,546
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-16.7%	-11.5%	-220.9%	-84.7%	-26.1%	-71.9%
Current Accident Year	138.9%	135.5%	123.4%	132.5%	130.8%	130.5%
All Accident Years Combined	122.2%	124.0%	-97.5%	47.8%	104.7%	58.6%
Underwriting & Administrative Expenses (Earned)	18.2%	23.2%	9.0%	16.7%	42.9%	23.3%
Combined Operating Ratio	140.4%	147.2%	-88.5%	64.5%	147.6%	81.9%

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