



TO: MEMBERS OF THE FACILITY ASSOCIATION

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

BULLETIN NO.: F19 – 029

DATE: APRIL 29, 2019

**SUBJECT: ONTARIO RISK SHARING POOL
– MARCH 2019 OPERATIONAL REPORT**

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

Please be advised that the March 2019 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 2019 Operational Report, bringing members' sharing current to the first quarter 2019. The usage update is reflected in the March 2019 Operational Report.

Valuation

A valuation of the Ontario RSP as at December 31, 2018 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.

The implementation of the new valuation resulted in an estimated overall **\$3.6 million favourable** impact on the month's net result from operations, subtracting an estimated 4.4 points from the year-to-date Combined Operating Ratio (ending at 153.7%). The impact on the month's results is summarized in the tables at the top of the next page¹.

¹In 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".

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Ontario	unfav / (fav) for the month and ytd						ytd EP 82,855 (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	(17,688)	2,371	(15,317)	8,968	-	(6,349)	(21.3%)	2.9%	(18.5%)	10.8%	-	(7.7%)
CAY	-	75	75	950	-	1,025	-	0.1%	0.1%	1.1%	-	1.2%
Prem Def	(9)	(1)	(10)	1,694	-	1,684	-	-	-	2.0%	-	2.0%
TOTAL	(17,697)	2,445	(15,252)	11,612	-	(3,640)	(21.4%)	3.0%	(18.4%)	14.0%	-	(4.4%)

Please see “Effect of Quarterly Valuation” on page 4 for additional valuation result detail.

Summary of Financial Results

The calendar year-to-date Operating Result is -\$44.5 million and the incurred loss ratio to the end of 3 months is 126.3%, as summarized in the table below.

Amounts in \$000s	March 2019	March 2018	Year to date Mar 2019	Year to Date Mar 2018
Premium Written	26,913	31,369	76,765	73,421
Premium Earned	24,283	30,135	82,855	87,655
Incurred Losses	25,918	26,406	104,628	100,604
Underwriting & Admin Expense	11,064	16,540	22,694	24,218
Operating Result	(12,699)	(12,811)	(44,467)	(37,167)
Ratios:				
Loss ratio - Prior Accident Years	(57.1%)	(57.8%)	(15.0%)	(24.8%)
- Current Accident Year	163.8%	145.4%	141.3%	139.6%
<i>Total</i>	106.7%	87.6%	126.3%	114.8%
Underwriting & Admin Expense	45.6%	54.9%	27.4%	27.6%
Combined Operating Ratio	152.3%	142.5%	153.7%	142.4%

rounding differences may occur

These results are discussed in some detail in the “Current Month Results” section. For additional numeric detail, please refer to Exhibit 1 “Summary of Operations for Calendar Year 2019” attached to this bulletin.

Updated Projection to Year-end 2019

The projected calendar year Operating Result to December 2019 is -\$250.0 million and the estimated combined operating ratio to December 2019 is 169.7%, as summarized in the table at the top of the next page.

ON RSP 2019 Yr-end Projection	Current	Prior Mth	Change	Final 2019
Amounts in \$000s	(Mar 2019)	(Feb 2019)		Outlook*
Premium Written	398,163	410,425	(12,262)	424,778
Premium Earned	358,573	368,976	(10,403)	392,210
Incurred Losses	467,053	485,491	(18,438)	514,677
Underwriting & Admin Expense	141,534	143,655	(2,121)	144,373
Net Result from Operations	(250,014)	(260,170)	10,156	(266,840)
Ratios:				
Loss ratio				
- Prior Accident Years	(7.8%)	(3.7%)	(4.1%)	(4.6%)
- Current Accident Year	138.0%	135.3%	2.7%	135.8%
<i>Total</i>	130.2%	131.6%	(1.4%)	131.2%
Underwriting & Admin Expense	39.5%	38.9%	0.6%	36.8%
Combined Operating Ratio	169.7%	170.5%	(0.8%)	168.0%

rounding differences may occur

*as posted to FA's website Oct. 18, 2018

This updated projection to the end of the year has improved by \$10.2 million from the projection provided last month (-\$260.2 million and 170.5%), and included the overall \$2.0 million favourable impact of the valuation as at December 31, 2018, as summarized in the table immediately below (see more information under “Effect of Quarterly Valuation” on page 4). Remaining differences were driven by changes in projected premium volumes, and the associated impacts on claims and expense projections.

Ontario	unfav / (fav) projected for full year						year EP 358,573 (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		TOTAL	ults & payout patterns		dsct rate	margins		TOTAL
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	(17,688)	2,071	(15,617)	7,304	-	(8,313)	(4.9%)	0.6%	(4.4%)	2.0%	-	(2.3%)
CAY	-	797	797	3,529	-	4,326	-	0.2%	0.2%	1.0%	-	1.2%
Prem Def	(210)	(16)	(226)	2,210	-	1,984	(0.1%)	-	(0.1%)	0.6%	-	0.6%
TOTAL	(17,898)	2,852	(15,046)	13,043	-	(2,003)	(5.0%)	0.8%	(4.2%)	3.6%	-	(0.6%)

Current Month Results

The Ontario Risk Sharing Pool produced a -\$12.7 million Operating Result in the month of March 2019, a \$0.1 million improvement compared with the same month last year. This improvement is composed of a \$2.5 million favourable impact associated with the \$5.9 million decrease in earned premium (at a combined ratio of 142.5%), offset by a \$2.4 million deterioration stemming from the overall increase in the combined ratio (from 142.5% to 152.3% applied to \$24.3 million in earned premium). 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 154.3% at the end of 2 month to 153.7% at the end of 3 months. The 0.6 percentage point decrease is composed of a 17.4 percentage point decrease in the Prior Accident Year loss ratio, offset by a 9.3 percentage point increase in the Current Accident Year loss ratio, further offset by a 7.5 percentage point increase in the expense ratio.

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Variations from Projections

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

March 2019	Actual	Projection	Difference	Difference %
Written Premium	26,913	33,768	(6,855)	(20.3%)
Earned Premium	24,283	30,604	(6,321)	(20.7%)
Reported Losses				
Paid Losses	31,551	30,185	1,366	4.5%
Paid Expenses	1,311	2,797	(1,486)	(53.1%)
Change in Outstanding Losses	(1,054)	887	(1,941)	(218.8%)
Total Reported Losses	31,808	33,869	(2,061)	(6.1%)
Change in IBNR Provision*	(5,890)	6,374	(12,264)	
Change in Premium Deficiency (DPAC)*	2,885	1,397	1,488	

(Amounts in \$000's)

rounding differences may occur

*Detailed information is included in [Ontario RSP March 2019 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 beyond set thresholds and responds as appropriate.

For the month of March 2019, reported losses were \$2.1 million lower than projected. The Current Accident Year had a \$1.0 million unfavourable variance in reported losses, while the Prior Accident Years had an approximately \$3.1 million favourable variance. No single Prior Accident Year had a reported loss variance in excess of \$1.0 million.

The variances for claims activity were beyond the set thresholds for some specific individual Prior Accident Years for the month. Management investigated paid claims activity and is satisfied that the variances are appropriately accounted for in our current booking process. All other variances were within the set thresholds for the month.

Effect of Quarterly Valuation

The March 2019 Ontario Risk Sharing Pool Operational Report reflects the results of an updated valuation as at December 31, 2018, with the associated impacts in relation to the results for March 2019 summarized in the table at the top of the next page.

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Ontario Risk Sharing Pool – March 2019 Operational Report

Ontario	unfav / (fav) for the month and ytd						mth EP 24,283 (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	(17,688)	2,371	(15,317)	8,968	-	(6,349)	(72.8%)	9.8%	(63.1%)	36.9%	-	(26.1%)
CAY	-	75	75	950	-	1,025	-	0.3%	0.3%	3.9%	-	4.2%
Prem Def	(9)	(1)	(10)	1,694	-	1,684	-	-	-	7.0%	-	6.9%
TOTAL	(17,697)	2,445	(15,252)	11,612	-	(3,640)	(72.9%)	10.1%	(62.8%)	47.8%	-	(15.0%)

The valuation result is due to changes generated from updated nominal ultimate selections and projected cash flows (generating a \$15.3 million favourable impact – see column [3] in the left table above), partially offset by the impact due to a 34 basis point decrease in the selected discount rate (from 2.22% to 1.88% generating an \$11.6 million unfavourable impact – see column [4] in the left table above). There was no change in the margin for adverse deviation in investment yield (remains at 25 basis points), and our usual practice is to only update margins for adverse deviation for claims development (selected at the coverage / accident year level) at the June 30 valuation, these were also left unchanged (hence \$0 in column [5] in the left table above).

Management has observed favourable total valuation impacts over the last 12 valuation implementations, with only 2 valuation implementations being unfavourable over that 12-quarter period, as shown in column [5] of the table below (summarizing the same information as provided in the left table above as relates to the most recent 12 valuation implementations). It should be noted that the impacts in column [3] are largely outside of the control of FA (as being related to macroeconomic factors).

RSP: Ontario, as at: 2018 Q4		unfavourable / (favourable) Valuation Implementation Impact (\$000s)					\$000s		
Valuation	period implemented	updated LRs & exp	APVs @ prior assumptions	updated dsct rate	updated margins	Total Impact	Booked Policy Liabilities	Total Impact as % Book Liabs	Nominal Impact as % Book Liabs
		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
						= sum([1] to [5])		= [5] / [6]	= [1] / [6]
2016 Q1	May 2016	(5,109)	(214)	3,318	-	(2,005)	1,137,087	(0.2%)	(0.4%)
2016 Q2	Aug 2016	(18,614)	(528)	4,692	(14,996)	(29,446)	1,142,149	(2.6%)	(1.6%)
2016 Q3	Oct 2016	1,048	(965)	1,885	-	1,968	1,184,757	0.2%	0.1%
2016 Q4	Mar 2017	(35,665)	(2,640)	(17,825)	-	(56,130)	1,174,423	(4.8%)	(3.0%)
2017 Q1	May 2017	6,929	646	3,204	-	10,779	1,224,460	0.9%	0.6%
2017 Q2	Aug 2017	(12,256)	(2,265)	(7,162)	(13,084)	(34,767)	1,242,002	(2.8%)	(1.0%)
2017 Q3	Oct 2017	8,279	882	(19,050)	-	(9,889)	1,235,584	(0.8%)	0.7%
2017 Q4	Mar 2018	(10,194)	3,623	1,101	-	(5,470)	1,235,959	(0.4%)	(0.8%)
2018 Q1	May 2018	3,936	(2,730)	(5,846)	-	(4,640)	1,265,737	(0.4%)	0.3%
2018 Q2	Aug 2018	(8,275)	463	2,024	(30,423)	(36,211)	1,272,626	(2.8%)	(0.7%)
2018 Q3	Oct 2018	(1,047)	(374)	(13,794)	13,943	(1,272)	1,285,282	(0.1%)	(0.1%)
2018 Q4	Mar 2019	(17,697)	2,445	11,612	-	(3,640)	1,279,486	(0.3%)	(1.4%)
12-qtrs		(88,665)	(1,657)	(35,841)	(44,560)	(170,723)			
% of total		51.9%	1.0%	21.0%	26.1%	100.0%			
Averages									
12-qtrs		(7,389)	(138)	(2,987)	(3,713)	(14,227)	1,223,296	(1.2%)	(0.6%)
2016 Q1 to 2017 Q4		(8,198)	(183)	(3,730)	(3,510)	(15,620)	1,197,053	(1.3%)	(0.7%)
2018 Q1 to 2018 Q4		(5,771)	(49)	(1,501)	(4,120)	(11,441)	1,275,783	(0.9%)	(0.5%)

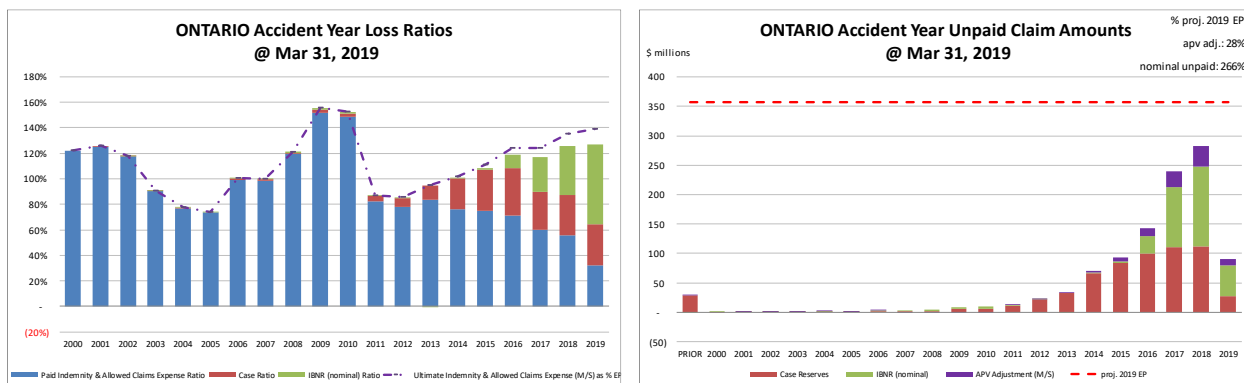
The FA valuation approach is focused on providing (i) best estimates on a nominal basis (i.e. the longer term average of nominal changes in column [1] should be close-to-zero); (ii) the nominal

changes of any one valuation in relation to policy liabilities², should be “small” (less than 2.5%); and (iii) the valuation results should not indicate bias – that is, we generally anticipate approximately 1/3rd of nominal valuation impacts will be unfavourable, and 2/3rds will be favourable (due to the skewness of the development). On these 3 measures:

- (i) **Best estimate measurement: This objective has not been met**, as the 12-quarter nominal change in column [1] is \$88.7 million favourable. That said, the average favourable impact over the 12 quarters at \$7.4 million (nominal only) represents 0.6% of ending policy liabilities per column [8], which we would view as not significant. We do note that the latest 4 valuations have been on average less favourable than the earlier 8 valuations.
- (ii) **Nominal size measurement: This objective has not been met**, as there was 1 individual valuation showing nominal changes in excess of 2.5% of ending policy liabilities per column [8] in the table above.
- (iii) **Bias evidence measurement: This objective has been met**, as 4 of 12 valuations show unfavourable changes (column [1] of the table above), in line with our expectation (4 of 12).

In summary, we believe the nominal valuation impacts are moving toward our target impacts (long term zero impact; individual valuation impact of no more than 2.5% of policy liabilities; no bias evident).

The charts immediately 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.

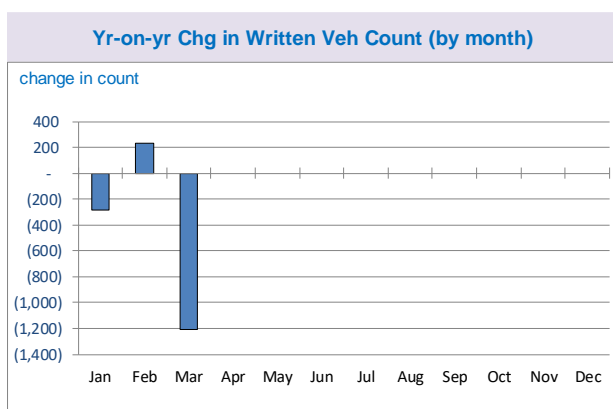


The preceding charts, latest valuation results, and related actuarial present value assumption updates are discussed in more detail in the [Ontario RSP March 2019 Operational Report – Actuarial Highlights](#). The Actuarial Quarterly Valuation Highlights for Risk Sharing Pools as at December 31, 2018 is expected to be posted in June 2019. The actuarial valuation will be updated next as at March 31, 2019 and we anticipate that the results will be reflected in the May 2019 Operational Report.

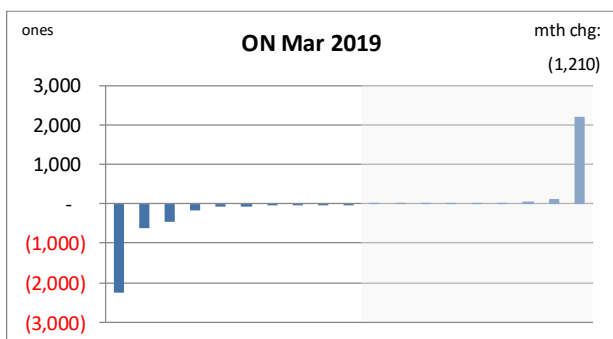
²We also consider changes in nominal estimates relative to beginning claims liabilities, with this metric also ideally being small, but in this case, less than 5.0%. Over time, our view of “small” for each of these metrics may change.

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 2019 vehicle count up 5.3% from 2018, being 2.6% of the 2017 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count (as we don't have an industry count yet for 2018, we continue to use the 2017 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.



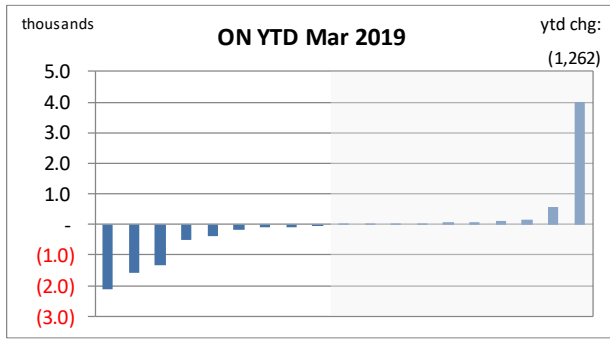
The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with March reporting a decrease of 1,210 vehicles. Our projection last month (in part based on previous projections provided by select large pool participants) was for a decrease of 417 vehicles, indicating a variance of 793 from the actual transfers. This variance was mainly due to one member company group 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. Ten member company groups transferred fewer vehicles to the pool this month compared to a year ago, while nine transferred more³. Of the 10 member company groups transferring fewer vehicles, 1 member company group accounted for 62% of

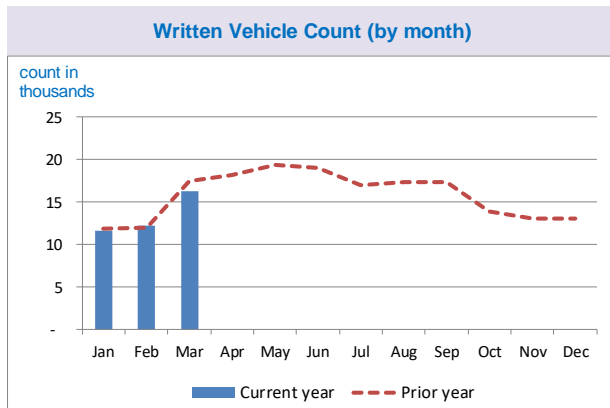
the total transfer decrease for the “decliner” members. Of the 9 member company groups transferring more vehicles, 1 member company group accounted for 89% of the total transfer increases for the “grower” members.

³For the purposes of discussion here, we only include those member company groups that transferred at least one vehicle in either 2018 or 2019. Groups that have not transferred vehicles in these two periods are ignored.

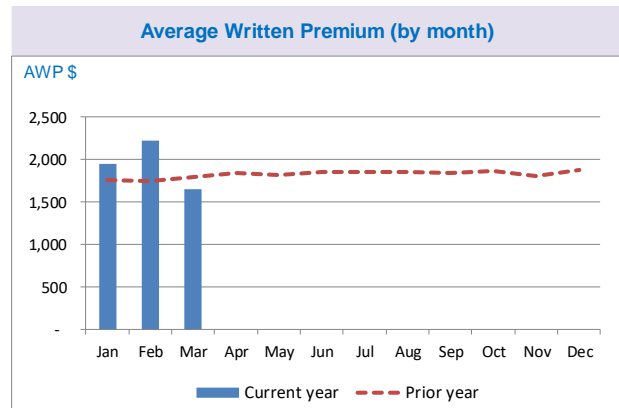


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

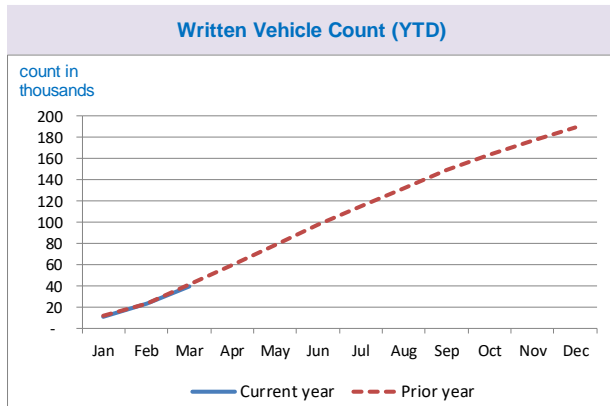
March’s year-on-year change in vehicle count transfers to the pool represents a 6.9% decrease from March 2018, and counts were down 3.0% year-to-date. Average written premium was down 7.8% in March 2019 compared with the same month in 2018, but up 7.9% year-to-date (see charts immediately below).



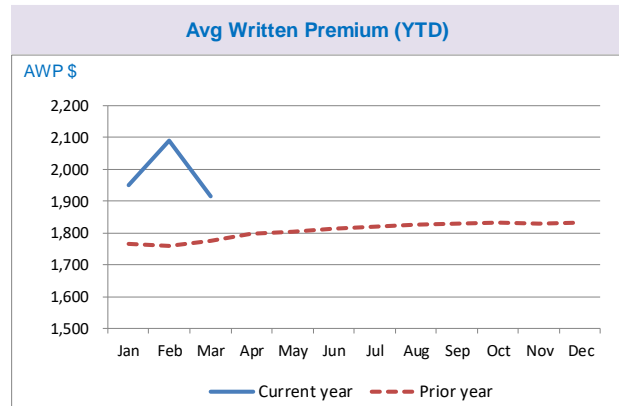
	Mar-19	Mar-18	Amt Chg	% Chg
W. Veh curr mth	16,264	17,474	(1,210)	-6.9%



	Mar-19	Mar-18	Amt Chg	% Chg
AWP curr mth	1,655	1,795	(140)	-7.8%

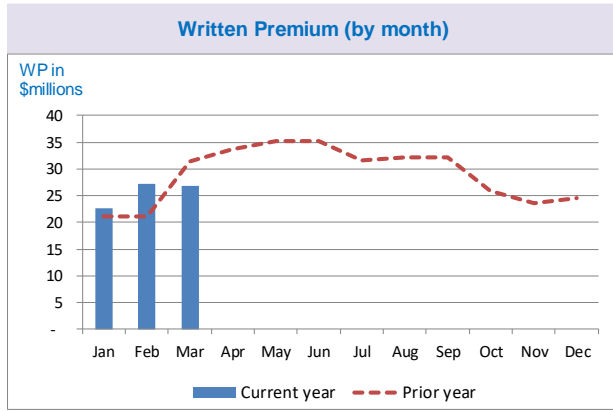


	Mar-19	Mar-18	Amt Chg	% Chg
W. Vehicles YTD	40,116	41,377	(1,262)	-3.0%

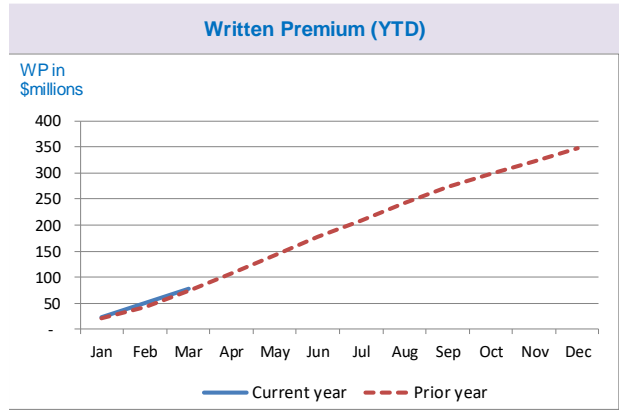


	Mar-19	Mar-18	Amt Chg	% Chg
Avg W. Prem YTD	1,914	1,774	140	7.9%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 14.2% for the month compared with the 7.6% increase we projected last month, but was up 4.6% year-to-date (see charts at the top of the next page).



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) curr mth	26,913	31,369	(4,456)	-14.2%



	Mar-19	Mar-18	Amt Chg	% Chg
WP (\$000s) YTD	76,764	73,421	3,343	4.6%

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

Saskia Matheson
President & CEO

Related links:

[Ontario RSP March 2019 Operational Report – Actuarial Highlights](#)

SUMMARY OF OPERATIONS - CALENDAR YEAR 2019

Risk Sharing Pool - Ontario

Operating Results for the 3 Months Ended March 31, 2019 (Discounted basis)

EXHIBIT 1

Source: Monthly Operational Report

(thousands of dollars)

	January	February	March	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Net Premiums Written	\$22,666	\$27,186	\$26,913	\$76,765	\$398,163	\$347,756
Decrease (Increase) in Unearned Premiums	6,641	2,079	(2,630)	6,090	(39,590)	4,866
Net Premiums Earned	\$29,307	\$29,265	\$24,283	\$82,855	\$358,573	\$352,622
Claims Incurred:						
Prior Accident Years:						
Undiscounted	\$346	\$3,446	(\$23,095)	(\$19,303)	(\$19,303)	(\$27,680)
Effect of Discounting	(1,015)	(1,367)	9,238	6,856	(8,615)	(44,774)
Discounted	(\$669)	\$2,079	(\$13,857)	(\$12,447)	(\$27,918)	(\$72,454)
Current Accident Year:						
Undiscounted	\$36,918	\$33,768	\$36,284	\$106,970	\$457,408	\$449,107
Effect of Discounting	3,864	2,750	3,491	10,105	37,563	32,229
Discounted	\$40,782	\$36,518	\$39,775	\$117,075	\$494,971	\$481,336
Claims Incurred	\$40,113	\$38,597	\$25,918	\$104,628	\$467,053	\$408,882
Underwriting Expenses:						
Expense Allowance	\$6,664	\$7,928	\$8,089	\$22,681	\$115,889	\$104,488
Change in UPDR/DPAC:						
Undiscounted	(1,786)	(485)	896	(1,375)	16,897	6,686
Effect of Discounting	(711)	(215)	1,989	1,063	6,985	(3,188)
Discounted	(2,497)	(700)	2,885	(312)	23,882	3,498
Underwriting Expenses	\$4,167	\$7,228	\$10,974	\$22,369	\$139,771	\$107,986
Net Underwriting Gain (Loss)	(\$14,973)	(\$16,560)	(\$12,609)	(\$44,142)	(\$248,251)	(\$164,246)
Administrative Expenses	\$104	\$131	\$90	\$325	\$1,763	\$1,354
Operating Result	(\$15,077)	(\$16,691)	(\$12,699)	(\$44,467)	(\$250,014)	(\$165,600)
Ratios:						
Claims & Expenses Incurred (Earned)						
Prior Accident Years	-2.3%	7.1%	-57.1%	-15.0%	-7.8%	-20.5%
Current Accident Year	139.2%	124.8%	163.8%	141.3%	138.0%	136.5%
All Accident Years Combined	136.9%	131.9%	106.7%	126.3%	130.2%	116.0%
Underwriting & Administrative Expenses (Earned)	14.6%	25.1%	45.6%	27.4%	39.5%	31.0%
Combined Operating Ratio	151.5%	157.0%	152.3%	153.7%	169.7%	147.0%

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