



**TO: MEMBERS OF THE FACILITY ASSOCIATION**

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

**BULLETIN NO.: F19 – 097**

**DATE: DECEMBER 23, 2019**

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

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

Please be advised that the November 2019 Ontario Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

### **Key Points**

- (a) the **2019 year-to-date net operating deficit is \$155 million** with the addition of \$28 million in deficit generated in November, resulting in a year-to-date COR of 148.0% on earned premium of \$324 million;
- (b) the **projected 2019 year-end net operating deficit is \$170 million**, with a COR at 147.3% on earned premium of \$360 million (our Outlook for 2019 was \$168 million of net operating deficit with a COR of 168.0% on earned premium of \$392 million); and
- (c) transfer counts and premium were higher than expected in the month (up 66% and 90% respectively, compared with our projected increases of 24% and 29%), leading a higher projected operating deficit than we would have otherwise projected.

### **Summary of Financial Results**

The calendar year-to-date Operating Result is -\$155.4 million and the incurred loss ratio to the end of 11 months is 105.8%, as summarized in the table at the top of next page.

*ON RSP Summary of Financial Results (for month and year-to-date)*

Amounts in \$000s	November 2019	November 2018	Year to date Nov 2019	Year to Date Nov 2018
Premium Written	45,010	23,660	384,198	323,173
Premium Earned	33,321	28,690	324,085	323,422
Incurred Losses	42,480	37,191	342,854	370,738
Underwriting & Admin Expense	18,839	5,349	136,611	103,429
<b>Operating Result</b>	<b>(27,998)</b>	<b>(13,850)</b>	<b>(155,380)</b>	<b>(150,745)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(4.6%)	(4.3%)	(28.8%)	(22.0%)
- Current Accident Year	132.1%	134.0%	134.6%	136.6%
<i>Total</i>	<b>127.5%</b>	<b>129.7%</b>	<b>105.8%</b>	<b>114.6%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>56.5%</b>	<b>18.6%</b>	<b>42.2%</b>	<b>32.0%</b>
<b>Combined Operating Ratio</b>	<b>184.0%</b>	<b>148.3%</b>	<b>148.0%</b>	<b>146.6%</b>

*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 -\$170.4 million and the estimated combined operating ratio to December 2019 is 147.3%, as summarized in the table at the top of next page. This updated projection to the end of the year has deteriorated by \$10.7 million from the projection provided last month (see the second and third columns in the table). This deterioration is driven by the \$14.6 million increase in the projected written premium for the year and the associated impacts on earned premium, claims, and expense projections.

ON RSP Summary of **Projected Year-end Financial Results** (current month's projection, prior month's projection, and Outlook posted last fall)

<b>ON RSP 2019 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Nov 2019)	Prior Mth (Oct 2019)	<b>Change</b>	Final 2019 Outlook*
Premium Written	410,112	395,473	14,639	424,778
Premium Earned	359,613	358,169	1,444	392,210
Incurred Losses	388,563	385,885	2,678	514,677
Underwriting & Admin Expense	141,493	132,075	9,418	144,373
<b>Net Result from Operations</b>	<b>(170,443)</b>	<b>(159,791)</b>	<b>(10,652)</b>	<b>(266,840)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(26.5%)	(26.6%)	0.1%	(4.6%)
- Current Accident Year	134.5%	134.3%	0.2%	135.8%
<i>Total</i>	<b>108.0%</b>	<b>107.7%</b>	<b>0.3%</b>	<b>131.2%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>39.3%</b>	<b>36.9%</b>	<b>2.4%</b>	<b>36.8%</b>
<b>Combined Operating Ratio</b>	<b>147.3%</b>	<b>144.6%</b>	<b>2.7%</b>	<b>168.0%</b>

rounding differences may occur

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

### Current Month Results

The Ontario Risk Sharing Pool produced a -\$28.0 million Operating Result in the month of November 2019, a \$14.1 million deterioration compared with the same month last year. This deterioration is composed of an approximately \$2.2 million unfavourable impact associated with the \$4.6 million increase in earned premium (at a combined ratio of 148.3%), with the remaining \$11.9 million unfavourable impact stemming from the overall increase in the combined ratio (from 148.3% to 184.0% applied to \$33.3 million in earned premium).

This month's results moved the year-to-date combined operating ratio from 143.8% at the end of 10 months to 148.0% at the end of 11 months. The 4.2 percentage point increase is composed of a 2.8 percentage point increase in the Prior Accident Years loss ratio, a 1.7 percentage point increase in the expense ratio, offset by a 0.3 percentage point decrease in the Current Accident Year loss ratio.

### Variations from Projections

The table at the top of the next page provides a summary of key components of the operating results as compared to the estimates projected last month.

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**Ontario Risk Sharing Pool – November 2019 Operational Report**

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*ON RSP Summary of Actual vs Projected variances*

November 2019	Actual	Projection	Difference	Difference %
Written Premium	45,010	30,401	14,609	48.1%
Earned Premium	33,321	32,924	397	1.2%
Reported Losses				
Paid Losses	32,053	32,127	(74)	(0.2%)
Paid Expenses	1,952	2,851	(899)	(31.5%)
Change in Outstanding Losses	1,082	2,618	(1,536)	(58.7%)
<b>Total Reported Losses</b>	<b>35,087</b>	<b>37,596</b>	<b>(2,509)</b>	<b>(6.7%)</b>
Change in IBNR Provision*	7,393	4,262	3,131	
Change in Premium Deficiency (DPAC)*	5,351	(30)	5,381	

(Amounts in \$000's)

rounding differences may occur

\*Detailed information is included in [Ontario RSP November 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 November 2019, reported losses were \$2.5 million lower than projected. The Current Accident Year had a \$0.8 million unfavourable variance in reported losses, while the Prior Accident Years had a \$3.3 million favourable variance. Of all the Prior Accident Years, 2018 had the largest variance in reported losses at \$2.0 million favourable; no other 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.

Booking IBNR

The IBNR booking process this month allowed the nominal IBNR (i.e. before the impact of discounting and changes in provisions for adverse deviation) to vary from projected in order to offset the Prior Accident Years and Current Accident Year variances from projected, including the impact of earned premium variances (as IBNR is based on loss ratios). This is consistent with management's investigation into reported claims variances concluding they were random and not necessarily indicative of a trend. IBNR is discussed in more detail in the [Ontario RSP November 2019 Operational Report – Actuarial Highlights](#).

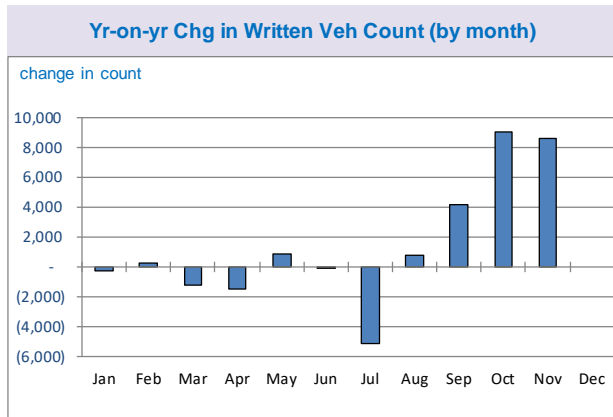
**Effect of Quarterly Valuation**

The November 2019 Ontario Risk Sharing Pool Operational Report does not reflect the results of

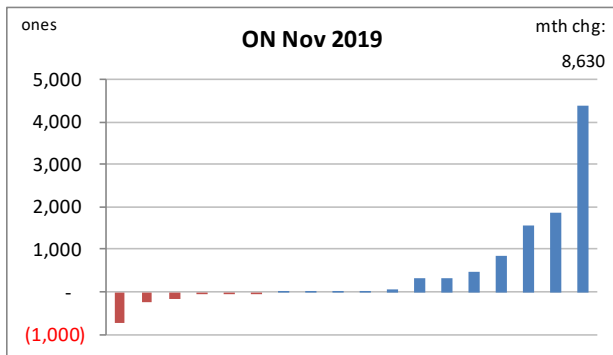
an updated valuation (the most recent valuation is as at September 30, 2019). The actuarial valuation will be updated next as at December 31, 2019 and we anticipate that the results will be reflected in the March 2020 Operational Report.

**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 2019 vehicle count up 8.1% from 2018, being 2.6% of the 2019 industry private passenger vehicle count (excluding farmers) and industry farmers private passenger vehicle count. 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.



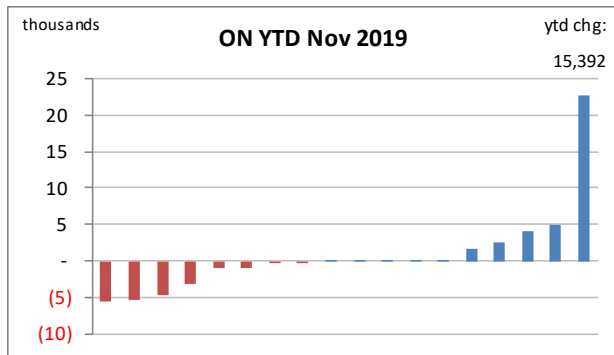
The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November reporting an increase of 8,630 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 3,130 vehicles, indicating a variance of 5,500 vehicles from the actual transfers. This variance was mainly due to three member company groups transferring a greater number of vehicles to the RSP in November 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. Six member company groups transferred fewer vehicles to the pool this month compared to a year ago, while twelve transferred more<sup>1</sup>. Of the 6 member company groups transferring fewer vehicles, 1 member company group accounted for 60% of the total transfer decrease for the “decliner” members. Of the 12 member company groups transferring more vehicles, 1 member company group accounted for 44% of the total transfer increases for the “grower” members.

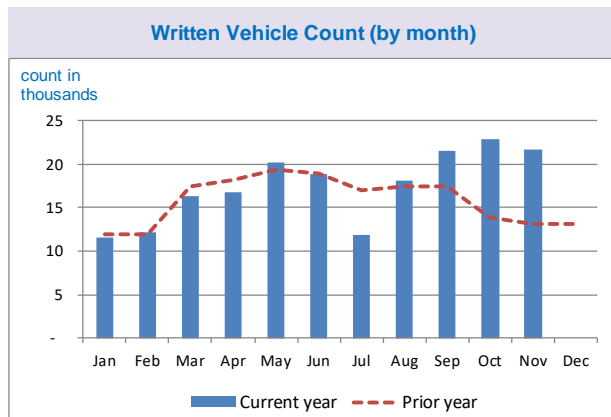
company group accounted for 60% of the total transfer decrease for the “decliner” members. Of the 12 member company groups transferring more vehicles, 1 member company group accounted for 44% of the total transfer increases for the “grower” members.

<sup>1</sup>For 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.

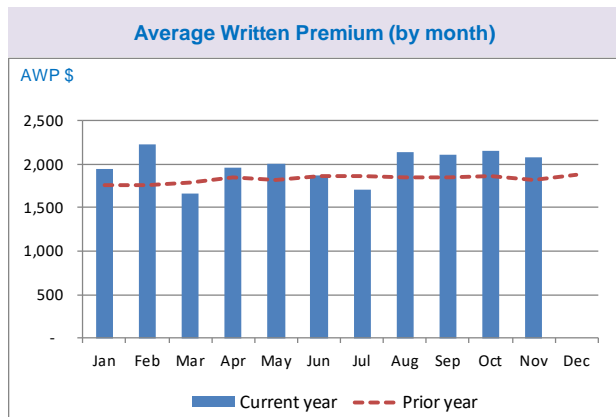


The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue bar represents the change for a single member company group), sorted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

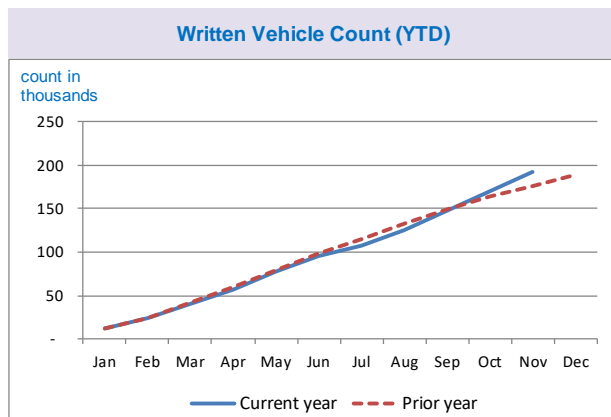
November’s year-on-year change in vehicle count transfers to the pool represents a 66.1% increase from November 2018, and vehicle counts were up 8.7% year-to-date. Average written premium was up 14.6% in November 2019 compared with the same month in 2018, and was up 9.3% year-to-date (see charts immediately below).



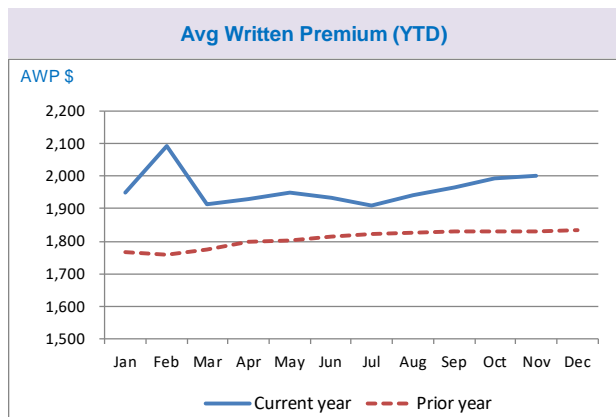
	Nov-19	Nov-18	Amt Chg	% Chg
W. Veh curr mth	21,686	13,056	8,630	66.1%



	Nov-19	Nov-18	Amt Chg	% Chg
AWP curr mth	2,076	1,812	264	14.6%

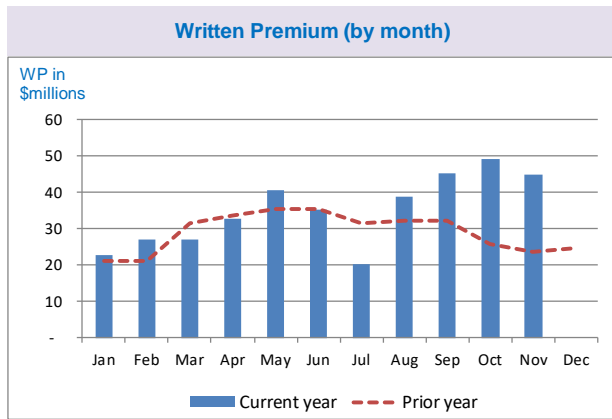


	Nov-19	Nov-18	Amt Chg	% Chg
W. Vehicles YTD	192,029	176,637	15,392	8.7%

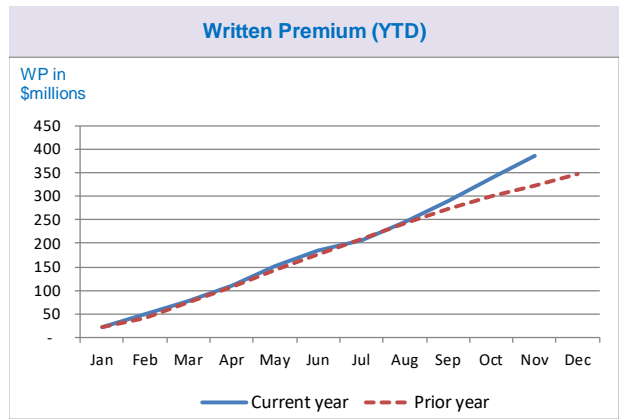


	Nov-19	Nov-18	Amt Chg	% Chg
Avg W. Prem YTD	2,001	1,830	171	9.3%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was up 90.2% for the month compared with the 28.5% increase we projected last month, and was up 18.9% year-to-date (see charts at the top of the next page).



	Nov-19	Nov-18	Amt Chg	% Chg
WP (\$000s) curr mth	45,010	23,659	21,351	90.2%



	Nov-19	Nov-18	Amt Chg	% Chg
WP (\$000s) YTD	384,197	323,171	61,026	18.9%

Should you require any further information, please call Shawn Doherty, Senior Vice President Actuarial & CFO at (416) 644-4968.

Saskia Matheson  
President & CEO

**Related links:**

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

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2019**

Risk Sharing Pool - Ontario

Operating Results for the 11 Months Ended November 30, 2019 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	CY2019 YTD	CY2019 12 MONTHS Updated Projection	CY2018 12 MONTHS Actual
Net Premiums Written	\$22,666	\$27,186	\$26,913	\$32,790	\$40,607	\$35,385	\$20,133	\$38,779	\$45,425	\$49,304	\$45,010	\$384,198	\$410,112	\$347,756
Decrease (Increase) in Unearned Premiums	6,641	2,079	(2,630)	(\$4,851)	(\$10,947)	(\$8,186)	\$9,860	(\$8,760)	(\$15,034)	(\$16,596)	(\$11,689)	(60,113)	(50,499)	4,866
<b>Net Premiums Earned</b>	<b>\$29,307</b>	<b>\$29,265</b>	<b>\$24,283</b>	<b>\$27,939</b>	<b>\$29,660</b>	<b>\$27,199</b>	<b>\$29,993</b>	<b>\$30,019</b>	<b>\$30,391</b>	<b>\$32,708</b>	<b>\$33,321</b>	<b>\$324,085</b>	<b>\$359,613</b>	<b>\$352,622</b>
<b>Claims Incurred:</b>														
Prior Accident Years:														
Undiscounted	\$346	\$3,446	(\$23,095)	(\$441)	\$4,769	(\$1,648)	(\$189)	(\$56,479)	(\$33)	(\$5,531)	(\$59)	(\$78,914)	(\$78,914)	(\$27,680)
Effect of Discounting	(1,015)	(1,367)	9,238	(1,477)	10,662	(1,883)	(1,882)	(21,796)	(1,158)	(2,257)	(1,486)	(14,421)	(16,241)	(44,774)
Discounted	(\$669)	\$2,079	(\$13,857)	(\$1,918)	\$15,431	(\$3,531)	(\$2,071)	(\$78,275)	(\$1,191)	(\$7,788)	(\$1,545)	(\$93,335)	(\$95,155)	(\$72,454)
Current Accident Year:														
Undiscounted	\$36,918	\$33,768	\$36,284	\$35,970	\$38,699	\$36,401	\$38,463	\$27,765	\$37,414	\$38,289	\$40,812	\$400,783	\$444,232	\$449,107
Effect of Discounting	3,864	2,750	3,491	2,878	5,120	3,264	3,473	1,766	3,294	2,293	3,213	35,406	39,486	32,229
Discounted	\$40,782	\$36,518	\$39,775	\$38,848	\$43,819	\$39,665	\$41,936	\$29,531	\$40,708	\$40,582	\$44,025	\$436,189	\$483,718	\$481,336
<b>Claims Incurred</b>	<b>\$40,113</b>	<b>\$38,597</b>	<b>\$25,918</b>	<b>\$36,930</b>	<b>\$59,250</b>	<b>\$36,134</b>	<b>\$39,865</b>	<b>(\$48,744)</b>	<b>\$39,517</b>	<b>\$32,794</b>	<b>\$42,480</b>	<b>\$342,854</b>	<b>\$388,563</b>	<b>\$408,882</b>
<b>Underwriting Expenses:</b>														
Expense Allowance	\$6,664	\$7,928	\$8,089	\$9,715	\$12,040	\$10,408	\$5,564	\$11,335	\$13,276	\$14,491	\$13,159	\$112,669	\$120,183	\$104,488
Change in UPDR/DPAC:														
Undiscounted	(1,786)	(485)	896	1,598	4,151	2,678	(2,428)	(5,782)	4,172	4,265	3,754	11,033	9,605	6,686
Effect of Discounting	(711)	(215)	1,989	598	4,474	1,149	(1,300)	355	2,039	1,472	1,597	11,447	10,301	(3,188)
Discounted	(2,497)	(700)	2,885	2,196	8,625	3,827	(3,728)	(5,427)	6,211	5,737	5,351	22,480	19,906	3,498
<b>Underwriting Expenses</b>	<b>\$4,167</b>	<b>\$7,228</b>	<b>\$10,974</b>	<b>\$11,911</b>	<b>\$20,665</b>	<b>\$14,235</b>	<b>\$1,836</b>	<b>\$5,908</b>	<b>\$19,487</b>	<b>\$20,228</b>	<b>\$18,510</b>	<b>\$135,149</b>	<b>\$140,089</b>	<b>\$107,986</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$14,973)</b>	<b>(\$16,560)</b>	<b>(\$12,609)</b>	<b>(\$20,902)</b>	<b>(\$50,255)</b>	<b>(\$23,170)</b>	<b>(\$11,708)</b>	<b>\$72,855</b>	<b>(\$28,613)</b>	<b>(\$20,314)</b>	<b>(\$27,669)</b>	<b>(\$153,918)</b>	<b>(\$169,039)</b>	<b>(\$164,246)</b>
<b>Administrative Expenses</b>	<b>\$104</b>	<b>\$131</b>	<b>\$90</b>	<b>\$109</b>	<b>\$112</b>	<b>\$100</b>	<b>\$139</b>	<b>\$110</b>	<b>\$107</b>	<b>\$131</b>	<b>\$329</b>	<b>\$1,462</b>	<b>\$1,404</b>	<b>\$1,354</b>
<b>Operating Result</b>	<b>(\$15,077)</b>	<b>(\$16,691)</b>	<b>(\$12,699)</b>	<b>(\$21,011)</b>	<b>(\$50,367)</b>	<b>(\$23,270)</b>	<b>(\$11,847)</b>	<b>\$72,745</b>	<b>(\$28,720)</b>	<b>(\$20,445)</b>	<b>(\$27,998)</b>	<b>(\$155,380)</b>	<b>(\$170,443)</b>	<b>(\$165,600)</b>
<b>Ratios:</b>														
<b>Claims &amp; Expenses Incurred (Earned)</b>														
Prior Accident Years	-2.3%	7.1%	-57.1%	-6.9%	52.0%	-13.0%	-6.9%	-260.8%	-3.9%	-23.8%	-4.6%	-28.8%	-26.5%	-20.5%
Current Accident Year	139.2%	124.8%	163.8%	139.0%	147.7%	145.8%	139.8%	98.4%	133.9%	124.1%	132.1%	134.6%	134.5%	136.5%
All Accident Years Combined	136.9%	131.9%	106.7%	132.1%	199.7%	132.8%	132.9%	-162.4%	130.0%	100.3%	127.5%	105.8%	108.0%	116.0%
Underwriting & Administrative Expenses (Earned)	14.6%	25.1%	45.6%	43.0%	70.1%	52.7%	6.6%	20.0%	64.5%	62.2%	56.5%	42.2%	39.3%	31.0%
<b>Combined Operating Ratio</b>	<b>151.5%</b>	<b>157.0%</b>	<b>152.3%</b>	<b>175.1%</b>	<b>269.8%</b>	<b>185.5%</b>	<b>139.5%</b>	<b>-142.4%</b>	<b>194.5%</b>	<b>162.5%</b>	<b>184.0%</b>	<b>148.0%</b>	<b>147.3%</b>	<b>147.0%</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