



**TO:** MEMBERS OF THE FACILITY ASSOCIATION

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

**BULLETIN NO.:** F2020 – 094

**DATE:** DECEMBER 23, 2020

**SUBJECT:** ONTARIO RISK SHARING POOL  
– NOVEMBER 2020 OPERATIONAL REPORT

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

Please be advised that the November 2020 Ontario Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

#### **Key Points**

- (a) The *2020 year-to-date net operating surplus was \$51 million*, with a COR of 86.8% on earned premium of \$388 million; and
- (b) The *projected 2020 year-end net operating surplus is now \$37 million*, with a COR of 91.3% on earned premium of \$424 million (our Outlook for 2020 was \$261 million of net operating deficit with a COR of 165.2% on earned premium of \$401 million); this update reflects updated written premium projections received from certain members.

#### **Summary of Financial Results**

The calendar year-to-date Operating Result is \$51.3 million and the incurred loss ratio to the end of eleven months is 66.5% as summarized in the following table.

**Bulletin F2020-094**  
**Ontario Risk Sharing Pool –November 2020 Operational Report**

---

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

<b>Amounts in \$000s</b>	<b>November 2020</b>	November 2019	<b>Year to date Nov 2020</b>	Year to Date Nov 2019
Premium Written	27,679	45,010	379,625	384,198
Premium Earned	31,990	33,321	388,417	324,085
Incurred Losses	29,902	42,480	258,373	342,854
Underwriting & Admin Expense	15,500	18,839	78,698	136,611
<b>Operating Result</b>	<b>(13,412)</b>	<b>(27,998)</b>	<b>51,346</b>	<b>(155,380)</b>
<i>Ratios:</i>				
<b>Loss ratio</b>				
- Prior Accident Years	(8.9%)	(4.6%)	(35.5%)	(28.8%)
- Current Accident Year	102.3%	132.1%	102.0%	134.6%
<i>Total</i>	<b>93.4%</b>	<b>127.5%</b>	<b>66.5%</b>	<b>105.8%</b>
<i>Underwriting &amp; Admin Expense</i>	<b>48.5%</b>	<b>56.5%</b>	<b>20.3%</b>	<b>42.2%</b>
<i>Combined Operating Ratio</i>	<b>141.9%</b>	<b>184.0%</b>	<b>86.8%</b>	<b>148.0%</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 2020” attached to this bulletin.

*Updated Projection to Year-end 2020*

The projected calendar year Operating Result to December 2020 is \$36.9 million and the estimated combined operating ratio to December 2020 is 91.3%, as summarized in the following table. This updated projection to the end of the year has improved by \$10.8 million from the projection provided last month (see the second and third columns in the table). The improvement is driven by the \$22.2 million decrease in the projected written premium for the year and the associated impacts on earned premium, claims, and expense projections; this update reflects updated written premium projections received from certain members.

**Bulletin F2020-094**  
**Ontario Risk Sharing Pool –November 2020 Operational Report**

---

*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 2020 Yr-end Projection</b> Amounts in \$000s	<b>Current</b> (Nov 2020)	Prior Mth (Oct 2020)	<b>Change</b>	Final 2020 Outlook*
Premium Written	411,370	433,548	(22,178)	416,066
Premium Earned	424,425	431,052	(6,627)	400,999
Incurred Losses	291,439	297,864	(6,425)	523,840
Underwriting & Admin Expense	96,088	107,123	(11,036)	138,522
<b>Net Result from Operations</b>	<b>36,898</b>	<b>26,065</b>	<b>10,834</b>	<b>(261,363)</b>
<b>Ratios:</b>				
<b>Loss ratio</b> - Prior Accident Years	(33.0%)	(32.4%)	(0.6%)	(5.9%)
- Current Accident Year	101.7%	101.5%	0.2%	136.6%
<i>Total</i>	<b>68.7%</b>	<b>69.1%</b>	<b>(0.4%)</b>	<b>130.7%</b>
<b>Underwriting &amp; Admin Expense</b>	<b>22.6%</b>	<b>24.9%</b>	<b>(2.3%)</b>	<b>34.5%</b>
<b>Combined Operating Ratio</b>	<b>91.3%</b>	<b>94.0%</b>	<b>(2.7%)</b>	<b>165.2%</b>

*rounding differences may occur*

\*as posted to FA's website Nov. 5, 2019

*Current Month Results*

The Ontario Risk Sharing Pool produced a -\$13.4 million Operating Result in the month of November 2020, a \$14.6 million improvement compared with the same month last year. This improvement is composed of a \$1.1 million favorable impact associated with the \$1.3 million decrease in earned premium (at a combined ratio of 184.0%), and a \$13.5 million favourable impact stemming from the overall decrease in the combined ratio (from 184.0% to 141.9% applied to \$32.0 million in earned premium)

This month's results moved the year-to-date combined operating ratio from 81.8% at the end of ten months to 86.8% at the end of eleven months. The 5.0 percentage point increase is composed of a 2.4 percentage increase in the Prior Accident year loss ratio, coupled with a 2.6 percentage point increase in the Expense Ratio.

*Variances from Projections*

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

**Bulletin F2020–094**  
**Ontario Risk Sharing Pool –November 2020 Operational Report**

---

*ON RSP Summary of Actual vs Projected variances*

<b>November 2020</b>	<b>Actual</b>	<b>Projection</b>	<b>Difference</b>	<b>Difference %</b>
Written Premium	27,679	52,026	(24,347)	(46.8%)
Earned Premium	31,990	36,408	(4,418)	(12.1%)
Reported Losses				
Paid Losses	25,423	29,398	(3,975)	(13.5%)
Paid Expenses	1,525	2,955	(1,430)	(48.4%)
Change in Outstanding Losses	(1,754)	89	(1,843)	<-999.9%
<b>Total Reported Losses</b>	<b>25,194</b>	<b>32,442</b>	<b>(7,248)</b>	<b>(22.3%)</b>
Change in IBNR Provision*	4,708	1,451	3,257	
Change in Premium Deficiency (DPAC)*	7,215	12,317	(5,102)	

(Amounts in \$000's)

rounding differences may occur

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 2020, reported losses were \$7.3 million lower than projected. The Current Accident Year had an approximately \$8.7 million favourable variance in reported losses, while the Prior Accident Years had an approximately \$1.4 million unfavourable variance. Of all the Prior Accident Years, 2017 had the largest variance in reported losses at \$1.3 million unfavourable. 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 Accident Years for the month. Management investigated the 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.

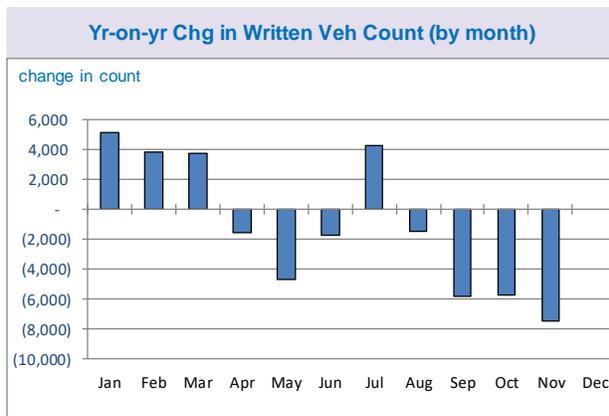
**Effect of Quarterly Valuation**

The November 2020 Ontario Risk Sharing Pool Operational Report does not reflect the results of an updated valuation (the most recent valuation is as at September 30, 2020). The actuarial valuation will be updated next as at December 31, 2020 and we anticipate that the results will be

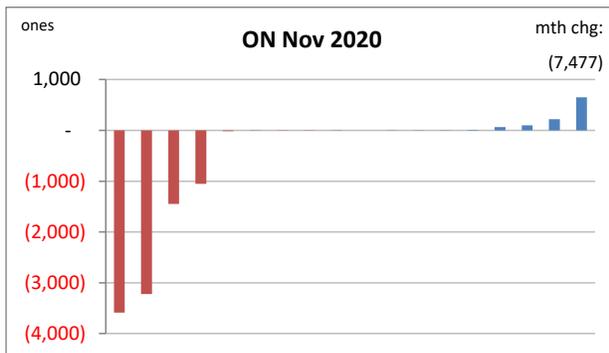
reflected in the March 2021 Operational Report.

**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 2020 vehicle count down 7.1% from 2019, being 2.5% of the 2019 industry private passenger vehicle count (including farmers). 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.



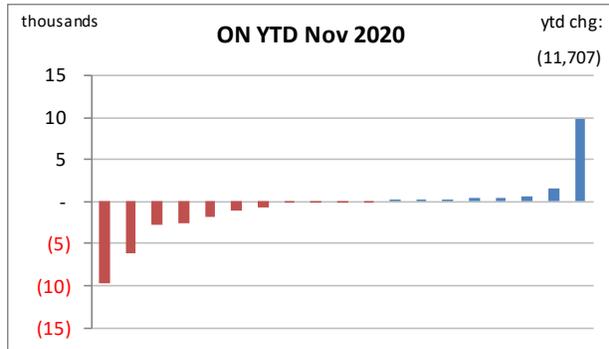
The chart on the left shows the year-on-year change in the vehicles transferred to the pool by month, with November reporting a decrease of 7,477 vehicles. Our projection last month (in part based on previous projections provided by select member company groups) was for an increase of 1,618 vehicles, indicating a variance of 9,095 vehicles from the actual transfers. This variance was mainly due to three member company groups transferring a lower 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 or red bar represents the change for a single member company group), sorted by magnitude of change. Nine member company groups transferred fewer vehicles to the pool this month compared to a year ago, while nine transferred more<sup>1</sup>; one had no transfer count change. Of the 9 member company groups transferring fewer vehicles, 2 member company groups accounted for 73% of the total transfer decrease for the “decliner” members. Of the 9 member company groups transferring more vehicles, 2 member company groups accounted for 78% of the total transfer increases for the “grower” members.

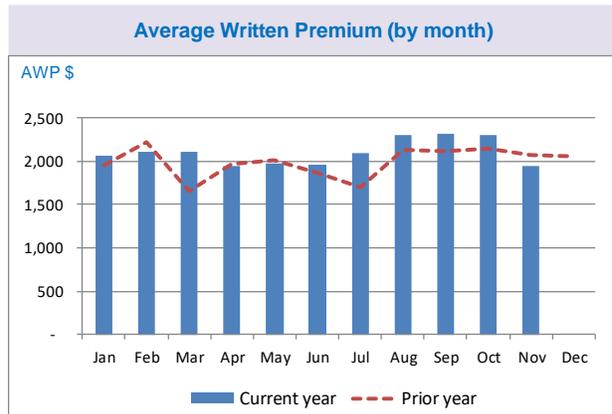
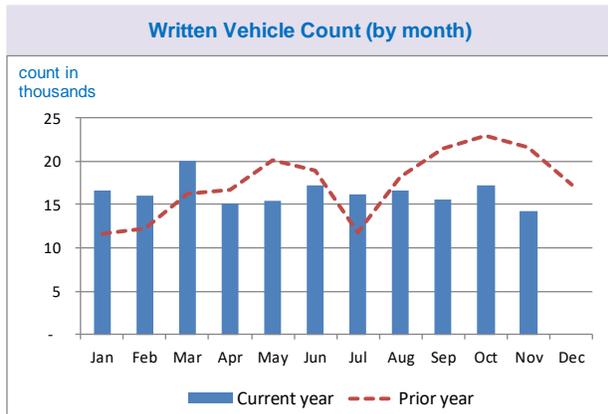
transferring fewer vehicles, 2 member company groups accounted for 73% of the total transfer decrease for the “decliner” members. Of the 9 member company groups transferring more vehicles, 2 member company groups accounted for 78% of the total transfer increases for the “grower” members.

<sup>1</sup>For the purposes of discussion here, we only include those member company groups that transferred at least one vehicle in either 2019 or 2020. Groups that have not transferred vehicles in these two periods are ignored.



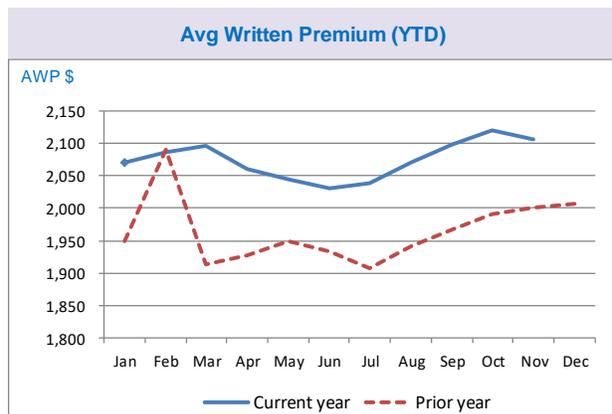
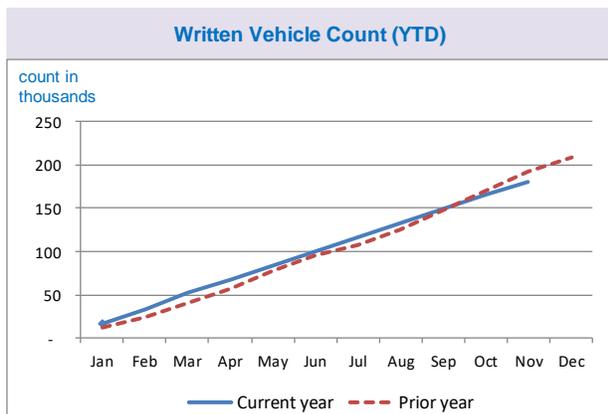
The chart on the left presents the same information as the previous chart, but on a **year-to-date** basis. That is, it shows the overall change in transfer counts year-to-date, broken down by member company group changes (each blue or red bar represents the change for a single member company group),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

November’s vehicle count transfers to the pool represents a 34.5% decrease from November 2019, and counts were down 6.1% year-to-date. Average written premium was down 6.2% in November 2020 compared with the same month in 2019, but was still up 5.2% year-to-date (see the following charts).



	Nov-20	Nov-19	Amt Chg	% Chg
W. Veh curr mth	14,210	21,686	(7,477)	-34.5%

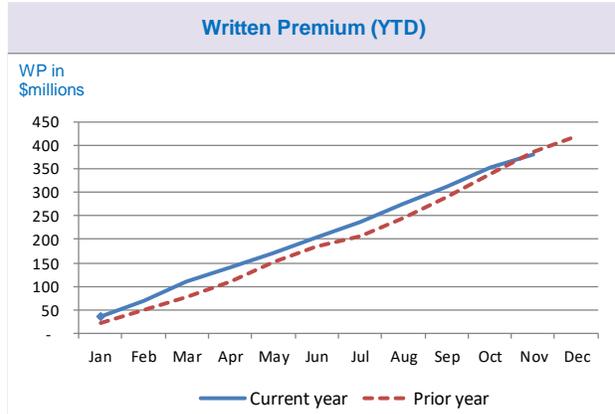
	Nov-20	Nov-19	Amt Chg	% Chg
AWP curr mth	1,948	2,076	(128)	-6.2%



	Nov-20	Nov-19	Amt Chg	% Chg
W. Vehicles YTD	180,322	192,029	(11,707)	-6.1%

	Nov-20	Nov-19	Amt Chg	% Chg
Avg W. Prem YTD	2,105	2,001	104	5.2%

As a result of the movements in transfer vehicle counts and average written premium, the transferred premium was down 38.5% for the month compared with the 15.6% increase we projected last month, and was down 1.2% year-to-date (see the following charts).



	Nov-20	Nov-19	Amt Chg	% Chg
WP (\$000s) curr mth	27,679	45,010	(17,331)	-38.5%

	Nov-20	Nov-19	Amt Chg	% Chg
WP (\$000s) YTD	379,624	384,197	(4,573)	-1.2%

Should you require any further information, please call Aidan Chen, AVP Data & Analytics at (416) 863-1750 x 4804.

Saskia Matheson  
President & CEO

**Related links:**

[Ontario RSP November 2020 Operational Report – Actuarial Highlights](#)

\*For additional details on Actual vs Projected variances, IBNR, and valuation (if applicable)

**SUMMARY OF OPERATIONS - CALENDAR YEAR 2020**

Risk Sharing Pool - Ontario

Operating Results for the 11 Months Ended November 30, 2020 (Discounted basis)

Source: Monthly Operational Report

(thousands of dollars)

EXHIBIT 1

	January	February	March	April	May	June	July	August	September	October	November	CY2020 YTD	CY2020 12 MONTHS Updated Projection	CY2019 12 MONTHS Actual
Net Premiums Written	\$34,572	\$33,748	\$42,191	\$29,308	\$30,705	\$33,656	\$33,615	\$38,314	\$36,222	\$39,615	\$27,679	\$379,625	\$411,370	\$419,790
Decrease (Increase) in Unearned Premiums	1,929	923	(3,646)	\$8,114	\$6,486	(\$5)	\$1,030	(\$2,314)	(\$3,269)	(\$4,767)	\$4,311	8,792	13,055	(60,036)
<b>Net Premiums Earned</b>	<b>\$36,501</b>	<b>\$34,671</b>	<b>\$38,545</b>	<b>\$37,422</b>	<b>\$37,191</b>	<b>\$33,651</b>	<b>\$34,645</b>	<b>\$36,000</b>	<b>\$32,953</b>	<b>\$34,848</b>	<b>\$31,990</b>	<b>\$388,417</b>	<b>\$424,425</b>	<b>\$359,754</b>
<b>Claims Incurred:</b>														
Prior Accident Years:														
Undiscounted	\$102	(\$383)	(\$45,015)	(\$101)	(\$18,176)	(\$219)	(\$755)	(\$45,434)	(\$750)	(\$8,263)	(\$935)	(\$119,929)	(\$119,928)	(\$78,927)
Effect of Discounting	(2,874)	(2,208)	(7,525)	(1,594)	19,237	(2,230)	(1,911)	(12,399)	(2,134)	(2,327)	(1,900)	(17,865)	(20,273)	(16,000)
Discounted	(\$2,772)	(\$2,591)	(\$52,540)	(\$1,695)	\$1,061	(\$2,449)	(\$2,666)	(\$57,833)	(\$2,884)	(\$10,590)	(\$2,835)	(\$137,794)	(\$140,201)	(\$94,927)
Current Accident Year:														
Undiscounted	\$45,573	\$43,809	\$42,285	\$44,818	\$30,138	\$37,803	\$39,430	(\$6,828)	\$32,086	\$15,716	\$29,682	\$354,512	\$387,062	\$444,417
Effect of Discounting	5,911	4,511	2,979	4,538	8,154	4,625	4,835	(601)	3,394	254	3,055	41,655	44,578	38,828
Discounted	\$51,484	\$48,320	\$45,264	\$49,356	\$38,292	\$42,428	\$44,265	(\$7,429)	\$35,480	\$15,970	\$32,737	\$396,167	\$431,640	\$483,245
<b>Claims Incurred</b>	<b>\$48,712</b>	<b>\$45,729</b>	<b>(\$7,276)</b>	<b>\$47,661</b>	<b>\$39,353</b>	<b>\$39,979</b>	<b>\$41,599</b>	<b>(\$65,262)</b>	<b>\$32,596</b>	<b>\$5,380</b>	<b>\$29,902</b>	<b>\$258,373</b>	<b>\$291,439</b>	<b>\$388,318</b>
<b>Underwriting Expenses:</b>														
Expense Allowance	\$10,247	\$10,010	\$12,548	\$8,855	\$9,120	\$9,753	\$9,572	\$10,889	\$10,371	\$11,512	\$8,186	\$111,063	\$120,459	\$123,090
Change in UPDR/DPAC:														
Undiscounted	(447)	(108)	(12,094)	(1,349)	(15,938)	1,450	1,406	(23,196)	4,926	2,350	6,876	(36,124)	(28,716)	11,983
Effect of Discounting	(247)	(106)	(2,349)	(927)	3,374	176	47	(713)	1,057	1,668	339	2,319	2,738	11,538
Discounted	(694)	(214)	(14,443)	(2,276)	(12,564)	1,626	1,453	(23,909)	5,983	4,018	7,215	(33,805)	(25,978)	23,521
<b>Underwriting Expenses</b>	<b>\$9,553</b>	<b>\$9,796</b>	<b>(\$1,895)</b>	<b>\$6,579</b>	<b>(\$3,444)</b>	<b>\$11,379</b>	<b>\$11,025</b>	<b>(\$13,020)</b>	<b>\$16,354</b>	<b>\$15,530</b>	<b>\$15,401</b>	<b>\$77,258</b>	<b>\$94,481</b>	<b>\$146,611</b>
<b>Net Underwriting Gain (Loss)</b>	<b>(\$21,764)</b>	<b>(\$20,854)</b>	<b>\$47,716</b>	<b>(\$16,818)</b>	<b>\$1,282</b>	<b>(\$17,707)</b>	<b>(\$17,979)</b>	<b>\$114,282</b>	<b>(\$15,997)</b>	<b>\$13,938</b>	<b>(\$13,313)</b>	<b>\$52,786</b>	<b>\$38,505</b>	<b>(\$175,175)</b>
<b>Administrative Expenses</b>	<b>\$111</b>	<b>\$166</b>	<b>\$112</b>	<b>\$127</b>	<b>\$113</b>	<b>\$123</b>	<b>\$134</b>	<b>\$113</b>	<b>\$128</b>	<b>\$214</b>	<b>\$99</b>	<b>\$1,440</b>	<b>\$1,607</b>	<b>\$1,624</b>
<b>Operating Result</b>	<b>(\$21,875)</b>	<b>(\$21,020)</b>	<b>\$47,604</b>	<b>(\$16,945)</b>	<b>\$1,169</b>	<b>(\$17,830)</b>	<b>(\$18,113)</b>	<b>\$114,169</b>	<b>(\$16,125)</b>	<b>\$13,724</b>	<b>(\$13,412)</b>	<b>\$51,346</b>	<b>\$36,898</b>	<b>(\$176,799)</b>
<b>Ratios:</b>														
<b>Claims &amp; Expenses Incurred (Earned)</b>														
Prior Accident Years	-7.6%	-7.5%	-136.3%	-4.5%	2.9%	-7.3%	-7.7%	-160.6%	-8.8%	-30.4%	-8.9%	-35.5%	-33.0%	-26.4%
Current Accident Year	141.0%	139.4%	117.4%	131.9%	103.0%	126.1%	127.8%	-20.6%	107.7%	45.8%	102.3%	102.0%	101.7%	134.3%
All Accident Years Combined	133.4%	131.9%	-18.9%	127.4%	105.9%	118.8%	120.1%	-181.2%	98.9%	15.4%	93.4%	66.5%	68.7%	107.9%
Underwriting & Administrative Expenses (Earned)	26.5%	28.7%	-4.6%	17.9%	-9.0%	34.2%	32.2%	-35.9%	50.0%	45.2%	48.5%	20.3%	22.6%	41.2%
<b>Combined Operating Ratio</b>	<b>159.9%</b>	<b>160.6%</b>	<b>-23.5%</b>	<b>145.3%</b>	<b>96.9%</b>	<b>153.0%</b>	<b>152.3%</b>	<b>-217.1%</b>	<b>148.9%</b>	<b>60.6%</b>	<b>141.9%</b>	<b>86.8%</b>	<b>91.3%</b>	<b>149.1%</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