Saskatchewan Rate Review Panel (SRRP)

2021 Saskatchewan Auto Fund (SAF) Rate Review
Round 1 Information Requests
June 24, 2021

The following questions may require a response that will be deemed confidential by SAF. The Corporation is to identify those questions and file responses in confidence.

SRRP (SAF) 1-1

Application Part and Chapter:	**1**	**Page No.:**	**4**
Issue:	**General**		
Topic:	**Mandate**		
MFR:	**1**		

Preamble to IR (If Any):

Question:

Please confirm that SAF's accounting policies are following IFRS, or in the alternative discuss any deficiencies.

RESPONSE:

Yes, the Auto Fund accounting policies are following IFRS.

SRRP (SAF) 1-2

Application Part and Chapter:		**Page No.:**	
Issue:	**General**		
Topic:	**Agreements**		
MFR:			

Preamble to IR (If Any):

Question:

Please provide an update respecting collective agreement(s).

RESPONSE:

SGI's Collective Bargaining Agreement with the Canadian Office and Professional Employees Union Local 397, is in effect from January 1, 2018 to December 31, 2022. Either party may, not less than sixty (60) days nor more than one hundred twenty (120) days prior to the expiry date, give notice in writing to the other party that they wish to terminate the agreement or negotiate a revision.

SRRP (SAF) 1-3

Application Part and Chapter:		**Page No.:**	
Issue:	**General**		
Topic:	**Ratepayer Stakeholder Consultations – Taxicab & TNC**		
MFR:	**6**		

Preamble to IR (If Any):

In SRRP/SAF Pre-Ask – 3, SAF provided a synopsis of its Taxicab and TNC stakeholder consultations.

Question:

a) Please file the summary rate analysis provided to the stakeholder group at the June 1, 2021, meeting.

b) Please provide a summary of the results of the taxicab telematic technology pilot project.

c) Please provide the analysis that supports the determination of the per km rate established for TNC companies.

d) Please described the taxicab industry's interest in the per km rate.

e) Please provide a comparison of claims experience for TNC's for 2019/20 and 2020/21 versus the premium that has been collected.

f) Please provide a schedule of future proposed meetings and/or discussions and indicate the topics expected to be canvassed with taxicabs and TNC's.

RESPONSE:

a. The attached PDF (IR 3a) of the presentation omits one slide that was shown to the taxi industry since we were unable to update the Insurance Corporation of British Columbia (ICBC) taxi premiums from 2020. That slide has outdated premiums now that they have switched from a tort to a no-fault system. One slide was corrected at the end of the attachment and follows the original that was shown during the meeting. The Saskatchewan tables have been updated to be consistent with the claims free discounts that were applied in the Manitoba Public Insurance (MPI) table.

b. There was a management decision to defer the taxi telematics pilot program in 2015 due to limited interest from the taxi community after consultations with the group. The original intent was to conduct a pilot with taxi companies to assess interest within the taxi community in using telematics. Specifically, the pilot was to help us determine the potential effectiveness of telematics to better monitor drivers, provide feedback and thereby reduce accidents. The primary reason was that they did not want to subject themselves to a monitoring device.

   Only one taxi company from Saskatoon expressed interest and had itself introduced in-vehicle tablets in late 2014 with telematics capability. The telematics component was never activated by the company.

c. An excel attachment is provided to support the derivation within section 10 (pages 6,162 to 6,165) of the application.

d. SGI clarified confusion on the point in time when the TNC per km rate is in effect. It starts when a driver is matched with a customer and is on their way to pick the customer up and continues until the customer exits the vehicle at the destination. It is in effect while the driver participates in ridesharing and the personal use private passenger vehicle insurance is in effect the rest of the time.

   The taxicab industry indicated that they were interested in using the per km rate for their insurance since they estimated that it would be less than the current annual

premiums within the taxi rating class. SGI clarified the derivation of the TNC rate which was based on the taxi adequate premiums from the internal indication analysis for 2018 and that if estimates of the taxi trip distance were correct, then the TNC rate is higher than what taxis would pay once the TNC driver's private passenger vehicle insurance is factored in.

The taxi industry asked whether the TNC rate was proposed to increase in the 2021 rate program and SGI confirmed that no changes are proposed since one year of TNC data was collected for the analysis and lacks credibility.

The taxi industry noted that the TNC rate was derived based on the taxi rates, so if the taxi rates are proposed to increase, why not the TNC rate. SGI explained that the TNC rate was based on the adequate taxi rates, not the capped/current rates, so the TNC rate is presumably higher than the proposed taxi rates. The TNC rate was initially set up based on the taxi rate due to a lack of data on ridesharing, but future rate changes will be based on the actual TNC loss experience once enough data is collected.

e. The incurred claims stated in the table below have not been adjusted or trended to the rating year, exclude all other rating requirements such as expenses and discounting, and are subject to change as claims develop upward over time. The data is as at March 31, 2021.

Fiscal Year	Premium	Incurred Claims
2018/2019	51,781	11,858
2019/2020	780,069	227,943
2020/2021	503,409	210,461

f. The newly created Auto Fund Partnerships department aims to strengthen partnerships with our many stakeholder groups in order to improve operations, create open lines of communication and improve our overall partner experience with SGI. This department participated in the taxi and other stakeholder meetings for the 2021 rate program and are working on a framework to prioritize more

consistent meetings with key external stakeholders. No specific dates or topics have been determined at this time.

SRRP (SAF) 1-4

Application Part and Chapter:		**Page No.:**	
Issue:	**General**		
Topic:	**Ratepayer Stakeholder Consultations - Motorcycles**		
MFR:	**6**		

Preamble to IR (If Any):

In SRRP/SAF Pre-Ask – 4, SAF provided a synopsis of its Motorcycle stakeholder consultations.

Question:

a) Please file the Report prepared in November 2020, which summarizes the analysis of outcomes flowing from the Motorcycle Review.

b) Please provide an update on SAF's research into options to address the shortfall between motorcycle premiums and motorcycle claims costs.

c) Please provide a schedule of future proposed meetings and/or discussions and indicate the topics expected to be canvassed.

RESPONSE:

a) See attachment.

b) The potential options SGI will explore to address the shortfall between motorcycle premiums and motorcycle claim costs all require significant analysis and consultation. We are initiating a corporate project to undertake the work. The project will require resources from various areas of the company, many of whom are also required on the major systems transformation that is in progress. Therefore, this work will need to be coordinated around other priorities.

All potential solutions identified to date would not, if they prove viable, be able to be implemented until systems transformation takes place. It is likely to be several years before any solutions that prove viable could be put in place.

c) Analysis needs to be completed before consultations with the motorcycle community can be planned. We anticipate it is likely to be 2022 before SGI is in a position to plan consultations.

As mentioned in the response to b) above, this will not impact timing of implementation for any viable solutions, as they cannot be put in place until systems transformation is complete.

SRRP (SAF) 1-5

Application Part and Chapter:	**3, 18, 21**	**Page No.:**	
Issue:	**General**		
Topic:	**Non-Controllable Expenses**		
MFR:	**3, 18, 21**		

Preamble to IR (If Any):

Question:

a) Please provide, in tabular form, for each year from 2016/17 to 2021/22 expenses over which SAF has no control, specifically taxes, components of legislated programs that SAF is required to fund and other such payments, indicating the annual dollar amounts, percentage of total expenses, and the portion of rates these expenditures represent. Please also provide similar information for auto body repair and medical costs, including STARS.

b) Please summarize the terms of agreements on autobody, medical and Stars on the claims incurred and expenses of the Corporation.

c) Please expand the table in (a) to provide forecast amounts and percentages for 2021/22 and identify where the costs are reflected in the forecast.

d) Please file a table for 2022 forecast in the format of the financial forecast in Tab 18 Appendix separating the amount of each line item under the control of SAF, outside SAF's control and the percentage of the line item not within the Corporation's control consistent with the cost classification in (c).

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-6

Application Part and Chapter:	**3**	**Page No.:**	**35**
Issue:	**Claims Incurred Liabilities**		
Topic:	**IFRS – 17 Accounting Policies**		
MFR:	**3**		

Preamble to IR (If Any):

SGI is in the process of finalizing the accounting policy for discounting claims liabilities consistent with IFRS-17. SGI has options for determining the discount rate under the Standard.

Question:

a) Please provide an update on the accounting standard including the final accounting policy and approach selected, the reason for the selection of the approach and the preliminary impact on SAF.

b) Please provide an update on software changes required to implement IFRS-17.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-7

Application Part and Chapter:	**5**	**Page No.:**	**58**
Issue:	**Strategic Plan and Performance Measures**		
Topic:	**Strategic Initiatives**		
MFR:	**5. Performance Management Plan**		

Preamble to IR (If Any):

Question:

Please discuss, elaborate and provide a status update on the major initiatives specific SAF is proposing or has currently undertaken to enable the Corporation to accomplish the identified strategic areas of focus in its current three-year plan.

RESPONSE:

As noted on page 58, given the delays to fully executing on SGI's current strategy, the company is extended the term of the current strategy, with a new completion target of 2025-26. Progress made on major initiatives is discussed below.

Empower employees

A Culture Reinforcement and Sustainment Plan was developed to support leadership culture development. The focus areas are coaching, growth mindset and manager support. Work has started on all three areas. Highlights include:

- Rolling out coaching training for all leaders with direct reports.
- Virtual Dare to Lead sessions for all leaders with direct reports to build on existing leadership culture skills and processes.
- Quarterly meetings facilitated by Culture Development Team members to provide leadership culture support for all directors and managers with direct reports.

- Development of an Employee Advisory Committee, comprised of in-scope employees, to further reinforce SGI's culture.

HR launched a new learning management system and developed an approach for measuring learning hours per employee. Going forward, the company is targeting an average of 34 learning and development hours per employee.

SGI's IT roles have been modernized to support transformation. To help staff successfully transition into these new roles, learning and development opportunities were (and continue to be) provided to reskill and upskill staff.

Engage customers

SGI developed a Claims strategy to address its claims handling model, first notice of loss (FNOL), after hours claims, specialty units and analysis of branch needs. Highlights include:

- The introduction of specialty units (launched prior to the current strategy):
    - A Fatality Centre of Care that specializes in claims that involve a death;
    - A large truck unit that specializes in claims involving large trucks;
    - A total loss unit that specializes in total loss claims;
    - A rodent unit that specializes in trailer rodent claims; and,
    - An out-of-province claims unit that specializes in claims that Saskatchewan drivers are involved in outside of the province.
- A new Claims training program for staff (launched prior to the current strategy).
- A claims intake (i.e. FNOL) pilot in Saskatoon.
- Work to document claims handling models, including identifying pain points and opportunities for improvement.
- Work to develop and document a measuring and monitoring program for claim standards and processes.

SGI continues to deliver on its traffic safety strategy with a focus on children, young and new drivers, innovation and technology, and process improvement. Highlights include:

- Work to bring more traffic safety into schools.
- A review of the high school driver education program curriculum and resources (in progress).

- Exploring opportunities to leverage telematics with young and new drivers.
- Work with the Saskatoon Police Service on eCollision to collect and transmit collision data in real time.
- Work with Workers' Compensation Board (WCB) to improve workplace road safety.

SGI's routine traffic safety efforts also continue, including multi-media awareness campaigns, monthly traffic safety spotlights and the Traffic Safety Fund Grant program.

Optimize operations

SGI issued a one-time rebate to vehicle owners in May 2021, thanks to the strong financial position of the Saskatchewan Auto Fund Rate Stabilization Reserve (RSR). The balance in the RSR remains healthy, ensuring ongoing rate stability.

An application for a revenue neutral rate rebalancing is currently before the Saskatchewan Rate Review Panel. If approved, it will substantially improve fairness in rating. The application caps all rate changes to reduce rate shock for customers.

A business case has been developed for the transformation of SGI's core systems. An RFP for core system replacement was posted and evaluated, with decisions around next steps pending. As additional due diligence on how to transform the core systems was carried out, other system transformation efforts continued to move ahead. Foundational systems like Workday, Office 365 (including Outlook, OneDrive and Teams), the Azure platform (which enabled our transition to remote work in the wake of COVID-19), a new Human Resources Management System (Workday) and the Legal File Management system were successfully rolled out within the organization, supported by robust internal communication and change management activities.

Transform products

Foundational work is underway to help mature SGI's digital insurer capabilities, which will enable product transformation. The initial focus has largely been establishing clear governance structures. Highlights include:

- The development of two governance committees to ensure business cases and business outcomes that support SGI's strategy are consistently used in decision making

– the Strategic Review Board (SRB) and the Architecture Review Board (ARB). The SRB is a cross-divisional team of senior leaders who vet and recommend projects to proceed based on business case development. The Architecture Review Board (ARB) is a combination of business and IT leaders who are charged with the strategic roadmap of IT assets, understanding the business strategy and how IT can enable it and ensuring that standard best practices are implemented in governing, maintaining and managing IT delivery.

- The development of a Data Working Committee. The committee consists of senior leaders who have responsibilities related to data and/or a technical background in data. The group has focused on education and has developed strategic goals, guiding principles and prioritized data initiatives.

SRRP (SAF) 1-8

Application Part and Chapter:	**5**	**Page No.:**	**68, 96, 97 (MFR 5 Pg. 12, 40, 41)**
Issue:	**Strategic Plan and Performance Measures**		
Topic:	**Balanced Scorecard**		
MFR:	**5**		

Preamble to IR (If Any):

SAF indicates SGI's technical debt risk model was applied to its 2018-19 technologies to produce a baseline for technical debt. This represents a peak year for technology-related risk for the organization.

Question:

a) Please elaborate and explain how the technical debt risk model determined the percentage of IT technical debt and IT self-sufficiency. Please file a summary of the Report or analysis and indicate whether it is an internal or external study.

b) Please provide the KPMG study to support the average maturity score and goals required to be a digital insurer.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-9

Application Part and Chapter:	**5**	**Page No.:**	**90 (MFR 5, pg. 34) 128 (MFR 6, pg. 7)**
Issue:	**Strategic Plan and Performance Measures**		
Topic:	**Cross-Jurisdictional Comparison**		
MFR:	**5. Performance Management Plan and Balanced Scorecard**		

Preamble to IR (If Any):

Question:

a) Please indicate the 34 vehicle and driver profiles and the 18 cities used in the cross-Canada rate comparison. Please describe the methods to prepare and analyze the underlying data.

b) Please file a copy of any internal or external report prepared that assisted in preparing the cross-Canada comparison.

c) Please explain why the access to Cross-Canada rate comparison data from Atlantic provinces and Quebec data was no longer available.

RESPONSE:

a) The attachment details the 34 profiles of vehicles and drivers used in the cross-Canada comparison. Specific deductibles and limits are included to ensure consistency in the comparison. The driver profiles were modelled after the Consumers' Association of Canada's profiles from September 2003, and vehicles are updated annually based on the most popular vehicles registered in Saskatchewan (SK) with consideration for a variety of body styles and model years. A 12-month rolling average of the average of these 34 profiles is updated quarterly. With five provinces left in the comparison, 15 cities are specified in the table below.

British Columbia	Vancouver	Fort St. John	Merritt
Alberta	Calgary	Drumheller	Grande Prairie
Saskatchewan	Regina	Humboldt	Meadow Lake
Manitoba	Winnipeg	Portage	The Pas
Ontario	Toronto	Parry Sound	Kapuskasing

b) The Auto Fund and SGI CANADA components for the SK rates are provided in the attachment for part a. Auto Fund premiums with corresponding Safe Driver Recognition program discounts and driver penalties are included. The SGI CANADA premium is needed to match the deductible and liability limits of $500 and $2M. However, due to confidentiality agreements with external providers, details cannot be shared on the methods for other provinces. The Consumers' Association of Canada's report that formed the basis of our driver profiles is also attached.

c) The Quebec and Atlantic province quotes were provided through an external source and details cannot be shared due to confidentiality agreements.

SRRP (SAF) 1-10

Application Part and Chapter:	**5, App. 6**	**Page No.:**	**111 (MFR 5, Pg. 55)**
Issue:	**Capital Improvement Spending Plans**		
Topic:	**2021/22 to 2025/26 Capital Plans**		
MFR:	**5, 24**		

Preamble to IR (If Any):

Question:

Please provide a description of the project, including the business case and net present value analysis supporting: the Saskatoon Claims and the Regina Head Office project.

Please provide an Excel worksheet for the analysis if available.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-11

Application Part and Chapter:	**6, Sec. 4.2.4**	**Page No.:**	**132 (MFR 6, Pg. 11)**
Issue:	**Reinsurance**		
Topic:	**Injury Reinsurance**		
MFR:	**6**		

Preamble to IR (If Any):

Question:

a) Please explain why the Corporation determined that the injury reinsurance program was no longer needed. Please describe the program that was discontinued.

b) Please provide a table summarizing the forecast recoveries that would have been eligible for recovery under the previous injury program in each year.

RESPONSE:

a) The purpose of this program was to reduce the volatility in the Saskatchewan Auto Fund annual financial results, resulting from a large loss occurrence where multiple individuals are seriously injured. A plausible scenario would be a bus crash or a multi-vehicle pile-up.

Reinsurance coverage was on an excess basis - $30 million of coverage, on losses above the net retention of $20 million. Reinsurance recoveries would only apply once the total losses from that occurrence exceeded $20 million – and just for the amount above $20 million.

The analysis completed at the time found that the likelihood of an occurrence generating losses that high was low. In addition, the vast majority of financial result volatility was being generated by investment earnings. With an annual cost of $750,000, the purchase of this program was viewed as being excessively conservative and not effective in managing the volatility of annual financial results. As a result, the program was allowed to lapse on March 31, 2014.

b) Had the program remained in place, reinsurance recoveries from that program would have been as follows:

- 2014 – nil
- 2015 - nil
- 2016 – nil
- 2017 – nil
- 2018 – nil
- 2019 – nil
- 2020 – nil
- 2021 – nil

SRRP (SAF) 1-12

Application Part and Chapter:	**6, Sec. 4.2.4**	**Page No.:**	**133 (MFR 6, Pg. 11)**
Issue:	**Reinsurance**		
Topic:	**Damage Reinsurance**		
MFR:	**6**		

Preamble to IR (If Any):

Question:

a) Please provide details on the layers of protection for the damage reinsurance program.

b) Please provide a table summarizing the reinsurance premiums paid and recoveries received on the physical damage reinsurance program.

c) Please provide the number of hail/weather-related events, from 2016/17 to 2020/21, the cost per each event and recoveries under reinsurance and the amount of premiums paid to re-establish coverage after a claim.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-13

Application Part and Chapter:	**6 Sec. 5.3**	**Page No.:**	**142 (MFR 6, Pg. 21)**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**Claims Incurred – Tort vs No Fault**		
MFR:	**6**		

Preamble to IR (If Any):

SAF states: In 2016, the Government introduced legislation for several recommendations put forward by SGI for changes to its auto injury coverage programs.

Changes included improvements to both the Tort and No-Fault programs to better meet the needs of customers by providing improved benefits for those most seriously injured, closing gaps in coverage for everyone involved in an auto collision, making changes to help keep coverage affordable, and addressing inconsistencies in coverage.

Question:

a) Please provide details on the financial impact of the changes made to the Tort coverage.

b) Please confirm that there have been no changes in how the claim settlement process functions within and between the two options.

c) Please provide the number of drivers selecting No-fault vs. Tort and the relative percentage of each for the years 2010/11 through 2020/21.

d) Please confirm that once a driver chooses either the Tort or No-Fault coverage, the choice remains the same regardless of vehicle type operated and that the option can only be exercised once per year.

RESPONSE:

a) The most significant changes to Tort Coverage introduced on January 1, 2017 were:

- improving the income benefit for customers who have returned to work and require additional time away from work for further surgery or a rehabilitee program; and

- ensuring Tort income benefits maintain pace with minimum wage.

The financial impact of these changes has been minimal not exceeding $25,000 annually.

b) There have been no changes in the claim settlement process between No Fault and Tort Coverage.

c) All Saskatchewan residents have No Fault Coverage unless they have filed a declaration with SGI to choose Tort Coverage. Saskatchewan residents are provided injury coverage whether they own a vehicle or drive. Please see attached Excel Spreadsheet (IR 13) for the 11-year history for No Fault and Tort Customers.

d) All Saskatchewan residents have No Fault Coverage unless they file a declaration to choose Tort Coverage. The injury coverage chosen is available regardless if you own a vehicle or drive or in what class a vehicle is registered. Saskatchewan residents can change their injury coverage at any time and as many times as they like at no cost. The injury coverage in place at the time of the collision is the coverage they will receive if injured.

SRRP (SAF) 1-14

Application Part and Chapter:	**6**	**Page No.:**	**145 (MFR 6, Pg. 24)**
Issue:	**Break-Even Margin**		
Topic:	**COVID-19 Impact on Claims Incurred**		
MFR:	**6**		

Preamble to IR (If Any):

A 5% exposure reduction is assumed for class CD and IRP commercial classes due to expected economic conditions following the Pandemic. The number of vehicles insured in these fleets has historically been correlated with the health of the economy. Various economic indicators have been used to aid in predicting the potential drop in exposures in the rating year following the Pandemic.

Question:

a) Please provide a table indicating comparing the actual versus forecast claims and claims costs by coverage by month related to Covid-19 since the declaration of the Pandemic supporting the estimated reduction in Claims Incurred in 2020/21.

b) Please discuss the implications of a continuing trend to work from home and the potential impact on claims counts.

c) Please elaborate on the economic indicators that have been used to predict the drop in exposures.

d) Please discuss options on addressing the Covid-19 impacts in forecasting claims incurred at the 2022 Rate Application (next rate application).

RESPONSE:

a) See attached exhibit (IR 14).

b) Should the trend in working from home continue, there is the possibility of ongoing reduced claim counts. At the same time, there is also the possibility for:

- Reduced vehicle registrations as a response to reduced usage, offsetting any impact on pure premiums
- Increased severity of damage and injury claims from higher speed collisions

The ultimate impacts are uncertain. During the summer of 2020 when some restrictions were relaxed in Saskatchewan (but working from home continued for many), the observed difference between actual and expected claims nearly disappeared. In the August/September experience of the exhibit provided in part a:

- Collision & comprehensive combined counts (Damage Excluding Catastrophes and Liability) were in line with trended prior year expectations
- Third party liability damage claims (Damage Liability) were only 12-15% below expectations
- Injury claims ranged from 0-10% below expectations

Given that these minor differences were observed during a period of ongoing restrictions and work-from-home, it is reasonable to assume that a post-vaccination world could return to a pre-pandemic claim level. Should reality differ from that, in either direction, it will be incorporated into future rate applications.

c) Economic indicators used to project exposures on commercial vehicle classes include:

- Saskatchewan Business Bureau's small business confidence survey - 12 month lag
- Sweet Crude Oil Index - 12 month lag
- Canadian GDP (All) - 12 month lag
- Saskatchewan employment (goods producing industries) - 12 month lag
- Saskatchewan Farm Price Product Index - 15 month lag

Other variables tested, but not found to be statistically significant:

- Business Confidence Index (Canada-wide)
- S&P500
- Other GDP Measures (Energy, agriculture, mining)

- Other Employment statistics (All, mining, construction, trade, transportation)
- A variety of different lag periods for all variables

GLM models were evaluated against each other using goodness of fit measures with a holdout period to determine the ideal model. Using fitted parameters and statistics as at March 2020, the model measured a reduction in exposures of 4%. Using partially updated information beyond March 2020, another scenario forecast resulted in a reduction of exposures of up to 10%. From these scenarios, we judgmentally selected a reduction of 5% to apply to the relevant commercial vehicle classes.

d) In future rate applications, estimates of assumed COVID-19 impacts on the past vs. future could be used to on-level the claims experience to the level expected for the rating year. This approach would be similar to other on-level adjustments such as coverage changes, PST changes, or labour rates that affect the ultimate claims.

SRRP (SAF) 1-15

Application Part and Chapter:	**6 Sec. 6.37**	**Page No.:**	**204 (MFR 6, Pg. 83)**
Issue:	**Indicated Rates**		
Topic:	**Permits**		
MFR:	**6**		

Preamble to IR (If Any):

Question:

a) Please explain why the Corporation determined that 8-day and 24-hour permits provide insurance coverage up to 17 km beyond the Saskatchewan-Alberta border and up to 16 km beyond the Saskatchewan-Manitoba border why there is a 1 km difference.

b) Explain how SAF determined the level of capping for 8-day permits and indicate the required rate increase if no capping were applied.

RESPONSE:

a) Saskatchewan initially negotiated a 16 km limit with both Alberta and Manitoba. Alberta had a need to allow Saskatchewan vehicles to operate within 17 km of the Alberta border. They drafted their regulations, Section 51(1) of the *Operator Licensing and Vehicle Control Regulation* to allow for a 17 km zone. Saskatchewan only reciprocates a 16 km zone with both Alberta and Manitoba vehicles operating inside Saskatchewan's borders.

b) The current 8-day insurance premium of $24 was capped based on the capping structure that applies to all rating classes below. A $25 cap increased the premium to $49 and the indicated premium was $67, or a 180% increase over the current.

Current Annual Rate	Maximum Cap	Maximum Monthly Cap
$1 – 50	$25	$3
$51 – 100	$50	$5
$101 – 250	$75	$7
$251 – 500	$100	$9
$501 – 750	$125	$11
$751 – 1,000	$150	$13
$1,001 or greater	15%	15%

SRRP (SAF) 1-16

Application Part and Chapter:	**6.1, 6.3**	**Page No.:**	**261, 980, 1,216**
Issue:	**Indicated Rates**		
Topic:	**Malus Component of Business Recognition**		
MFR:	**6**		

Calculation of Malus component of Business Recognition Program:

In the case of CLEAR categorized vehicles, a credit for the malus component of the SDR program is calculated (page 261) and applied as appropriate to the vehicle classes eligible. However, we do not observe the credit for the Business Recognition (BR) program.

Question:

a) Please provide a similar calculation for the malus component of the BR program.

b) Explain why no BR credit appears to be presented in the rate indication calculations. Specifically, using pages 980 and 1216 as examples, explain why a $0 SDR malus amount is listed, but no reference to the BR program, despite recognition of BR bonus in the calculation of the average on-level premiums.

c) Provide any corrections as necessary.

RESPONSE:

a) The Safe Driver Recognition (SDR) malus, or financial penalties, are applied and collected differently compared to the Business Recognition (BR) program's surcharges. BR surcharges are applied as a surcharge on the basic vehicle's insurance premium whereas SDR penalties are flat amounts, $50 for every point in the penalty zone of the SDR scale, which are charged to drivers regardless of whether they have a vehicle registered through the Auto Fund. As a result, SDR malus cannot be tied directly to a vehicle class and requires allocation logic. This difference is the reason for the malus credit calculation for SDR on page 261 of the application.

b) The BR percentages within pages 980 and 1,216 are the net impact of discounts and surcharges from the BR program, so there is no need for a separate BR credit calculation like there is with SDR.

SRRP (SAF) 1-17

Application Part and Chapter:	**6.2**	**Page No.:**	**250 (MFR 6.2, Pg. 23)**
Issue:	**Claims Incurred**		
Topic:	**Wildlife Claims**		
MFR:	**6**		

Preamble to IR (If Any):

Question:

Please provide an updated schedule of the total number of wildlife claims and related claims costs in each of the years 2016/17 through 2020/21.

RESPONSE:

The incurred claims stated in the attachment have not been adjusted or trended to the rating year, exclude all other rating requirements such as expenses and discounting, and are subject to change as claims develop upward over time. The data is as at March 31, 2021.

SRRP (SAF) 1-18

Application Part and Chapter:	**6.2**		**259**
Issue:	**Indicated Rates**		
Topic:	**Reinsurance Provision**		
MFR:	**6**		

Reinsurance Provision

On page 259, the reinsurance provision of $9.65 per vehicle associated with Damage coverage is presented; and no provision is included for Injury coverage.

Question:

a) Confirm if all accident year ultimate loss amounts (e.g., page 740+) are on a gross of reinsurance or net of reinsurance basis. If on a gross of reinsurance basis, explain why a $9.65 per vehicle provision for reinsurance is also loaded onto the indicated rates.

b) As presented on page 271, the loss development factors are calculated as the ratio of net ultimate to gross reported. If the accident year reported loss amounts on page 740+ are on a net of reinsurance basis, explain why these loss development factors are appropriate. Specifically, if this is the case, why are the loss development factors not derived by the ratio of net ultimate to net reported?

c) Briefly describe the reinsurance program associated with the Damage coverage.

d) On page 259, a total of $9,562,000 is estimated for the rating year for reinsurance damage and injury premiums. Was this mislabeled? Should this be the amount for only damage claims?

e) In the prior filing (2014), the total reinsurance premium assumption was $10,364,000 – of which $9,604,000 was for Damage. Explain why the reinsurance premium assumption for Damage has declined for this filing to $9,562,000.

RESPONSE:

a) All accident year ultimate loss amounts are on a net of reinsurance basis.

b) Loss development factors are determined using gross incurred/reported claim information due to data limitations. Ideally, the loss development factors (LDFs) would be determined using net to net ratios, however ceded loss amounts by claim are not available in the current system. Note that this affects only the LDFs for the catastrophe coverage as it is the only coverage with historical ceded losses.

c) The reinsurance contract in effect for 2020 is a property and auto physical damage catastrophe excess treaty. It covers catastrophe events across SGI CANADA, SCISL, Coachman and the Auto Fund, $980 million XS $20 million across nine layers. It has an annual aggregate deductible of $20 million.

d) Yes, there is only reinsurance on damage see e) and response to IR #11.

e) As referenced in question #11, the Saskatchewan Auto Fund lapsed the personal injury reinsurance program in March 2014, as it was viewed to be overly conservative and not very effective at managing the volatility of overall annual financial results. This program cost approximately $750,000 per year and explains the majority of the decrease in the cost of reinsurance.

In addition, the catastrophe damage program has seen several changes since 2014, including a higher limit and a higher net retention and annual aggregate deductible. These changes, coupled with a softening reinsurance market in 2015-2019, resulted in a further reduction to the cost.

SRRP (SAF) 1-19

Application Part and Chapter:	**6.2**	**Page No.:**	**271-272**
Issue:	**Indicated Rates**		
Topic:	**Loss Development Factors**		
MFR:	**6**		

Actuarial Assumptions:

Pages 271-272 of the application list the loss development factors that are used in the rate application and shows how these "implied factors" are calculated as net ultimate loss divided by incurred loss.

For some lines of coverage, the values for net ultimate loss and reported loss are directly traceable to the Valuation of Policy Liabilities.

(Example: Undiscounted Care, AY 2019: Ultimate 20,702,279 and Incurred 4,669,137 on page 272 can be directly reconciled to corresponding values on page 3841).

For other lines of coverage, it is not apparent that the values for net ultimate loss and reported loss are directly traceable to the Valuation of Policy Liabilities.

Question:

Please provide a detailed narrative (supplemented with illustrative calculations and examples) that demonstrates how all ultimate and incurred values can be traced to the Valuation of Policy Liabilities.

RESPONSE:

Please see the attachments provided, which include the implied losses used in the rate program analysis, the Damage Ultimate Losses, and the Gross and Net Executive Summaries from the valuation as at March 31, 2020.

Ultimate and incurred losses for Injury and Liability were taken directly from the valuation of policy liabilities. Please note that the undiscounted ultimate loss for Income Replacement Benefits (IRB) used in the rate program analysis is the sum of IRB and Lump Sum ultimate losses from the valuation and the ultimate loss for Non-Economic Loss includes the WCB master claim file losses.

Damage Liability and Damage Excluding Catastrophes and Liability are broken down into their respective cover codes for the rate analysis. Cover codes 21, 22, and 23 fall under Damage Liability while cover codes 31, 32, 33, 34, 41, and 42 make up the Damage Excluding Catastrophes. Coverage descriptions for these codes are in the attachment. The implied losses can therefore be traced back to the valuation after combining them into their appropriate group.

There is an additional step to reconcile the Damage excluding Cats and Liability cover codes to the valuation due to Cover 31. Cover code 31 ultimate losses have been adjusted to remove Class A Power units – IRP Y claims. This class has a damage limit of $15,000 and the Y option represents the $15,000 deductible level. Even with this combination of limit and deductible, this class incurs expenses related to towing and storage which are not subject to the deductible and are classified as Cover 31/collision damage claims in our data. These expenses do not develop like other coverage 31 claims and expenses, so they are removed from the implied loss development factor calculation. There is some development for these expenses, so a factor of 1.215 is applied to the most recent year when removing these expenses.

These expense claims have been consistent throughout the years for this class. Therefore, we have proposed to introduce a new damage premium in this rate program.

SRRP (SAF) 1-20

Application Part and Chapter:	**6.2**	**Page No.:**	**267-272; 740+**
Issue:	**Indicated Rates**		
Topic:	**Loss Development Factors**		
MFR:	**6**		

Actuarial Assumption:

For the "Damage Liability to Others Auto" coverage, separate ultimate pure premium calculations are presented for each vehicle class (e.g., CLEAR-rated vehicles on pdf 740/6340, Ambulance on page 832/6340, Antique on page 1748/6340, Bus on page 1818/6340, Motorcycles on page 1964/6340, etc.).

Each of these pure premium calculations uses the same set of incurred loss development factors.

Similar observations apply to other coverages, where different vehicle classes leverage the same set of incurred loss development factors for all analyses for a particular coverage. Therefore, this discussion applies to all coverages, not just "Damage Liability to Others Auto."

Question:

a) Please provide analysis to demonstrate that it is appropriate to apply the same set of loss development factors to all vehicle classes.

b) If the analysis presented in response to question a indicates that it would be more appropriate to use different loss development factors for different vehicle classes, discuss the impact on each individual class and its rate level indication (e.g., would it increase or decrease the rate indication). To provide context, use motorcycles as an example of the impact if the loss development factors were "better" aligned with its development pattern.

RESPONSE:

a) and b)

Implied loss development factors from valuation work are used in the rate application analysis for three major reasons: the complexity of no-fault development, time limitations, and data limitations.

Complexity

No fault injury claimants are expected to collect benefits as long as 70 years from the time of the accident, requiring significant care in the selection of tail factors by coverage. On the damage lines, losses settle much quicker but recoveries on those losses do not. Many customers pay small amounts bi-weekly or monthly against large outstanding balances and will continue to do so for decades. In an attempt to combat these complexities, the actuarial reserving process incorporates external sources of information (aggregate level) and spends significant time and effort determining appropriate tail factors.

Additionally, the valuation work incorporates significant investigations into trends/changes in development patterns on individual lines, incorporating insights from a history of redundancies & deficiencies into the selections. This depth would not be possible in a more superficial development selection by class of vehicle. Attempting to select development factors at the class of vehicle level will also quickly run into credibility issues. Not only are many vehicle classes too small to have a credible history of loss development, the high-severity nature of the Auto Fund's no-fault coverage claims exacerbates this issue.

Attempting to capture patterns unique to vehicle classes through selections at a more granular level will result in a loss of accuracy in factors critically important to the Auto Fund, namely the tail factor, overall pattern trends, and noise in the smaller classes.

Time Limitations

An attempt to measure and select development factors for the 21 coverage groups for the 50+ vehicle groups in the Auto Fund, while attempting to consider the complexities described above would add a significant amount of time to the rate indication process. Currently, there is a delay of nearly two years from the data point to the average written premium date of the rating year:

- Data extraction, testing, selection and rate forecast – 6 months
- Internal and external approval process – 3 months
- Public review process – 6 months
- Rate change implementation and renewal letter notice period – 2 months

- Average policy renewal date after rate changes – 6 months

Any delay limits the accuracy of the forecast. Additional months of analysis and selection of forecast assumptions further limits the usefulness of the data in determining appropriate rates.

Data Limitations

Vehicle class definitions used for pricing exist only in the information technology system at a summarized/reporting level in a data warehouse that does not have the full history of claims experience required for loss development factor selection. Selection of development factors requires a full history of claim experience for the reasons detailed above. Creating a new data warehouse to suit these needs is possible; however, the corporate transformation process is in the process of modernizing these same information technology systems. Developing the resources for this request would take significant resources away from the corporate transformation project during its development to create something that would be obsolete within a year.

Another limiting factor to getting data for each vehicle class is that a significant percentage of claims are not associated with any vehicle, and require allocation across all classes. This process would be akin to what is done in the current rate program, limiting the potential additional accuracy of any analysis at the vehicle class level.

Overall

Limitations of the current system prevent data to be pulled on the basis that would be needed to determine development at a vehicle class level. Even with that data, there are many considerations that would limit the usefulness of that data. The benefits of incorporating the insights and analysis from the valuation assumptions, keeping the data as timely as possible, and keeping larger groups of the high severity no fault injury claims experience outweighs the benefits of more granular development assumptions.

SRRP (SAF) 1-21

Application Part and Chapter:	**6.2**	**Page No.:**	**280**
Issue:	**Indicated Rates**		
Topic:	**Discount Factors**		
MFR:	**6**		

Discount Factors:

The discount factor for "Non-Economic Loss Including WCB Master Claim File" is 1.3474 as displayed on page 280.

Other loss types all have discount factors less than 1.000, reflecting the potential for investment earnings on funds held for future payment obligations.

Question:

What is the rationale for a discount factor greater than 1.000 for "Non-Economic Loss Including WCB Master Claim File"?

RESPONSE:

Non-Economic Loss Including WCB Master Claim File includes cash flows for losses gross of recoveries as well as recoveries on those losses. Recoveries for non-economic loss, by their nature, are difficult to collect. Recoveries on these losses occur over a long period of time, with debtors paying smaller amounts on an ongoing basis for years.

Losses gross of recoveries on this coverage are paid relatively quickly, leading to a discount factor of 0.9286. The recoveries are collected much slower leading to a discount factor of 0.3565 (pages 278 & 279). The losses and recoveries are weighted against each other using the 2019/2020 fiscal year ultimate amounts from the March 31, 2020 valuation ($3,368,941 in losses vs. -$1,852,368 in recoveries) Netting the beneficial longer-tailed recovery inflows from the shorter-tailed losses gross of recoveries results in the impact of discounting having a net detrimental effect on this coverage. In other words, the impact of discounting on expected future recoveries outweighs the impact of discounting on the expected future loss payments, resulting in a discount factor of 1.3474.

SRRP (SAF) 1-22

Application Part and Chapter:	**6.2**	**Page No.:**	**Pdf. 283**
Issue:	**Indicated Rates**		
Topic:	**Economic & Interest Rate Forecast**		
MFR:	**6, 18**		

Preamble to IR (If Any):

We understand that the rate indication included in this Application is underpinned by an economic outlook for Saskatchewan and an interest rate forecast from the Conference Board of Canada.

Question:

a) Please file a copy of the economic outlook and third-party interest rate forecast used to develop this Application.

b) Please file the most recent economic outlook for Saskatchewan and interest rate forecast available

c) Utilizing the most recent economic outlook for Saskatchewan and interest rate forecast, please provide the indicated rate and a five-year forecast reflecting the indication. Please separate out the interest rate impact on claims incurred and investment income in the forecast.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-23

Application Part and Chapter:	**6.2, 6.3**		**295, 755, 757**
Issue:	**Indicated Rates**		
Topic:	**Labour Adjustment Factors**		
MFR:	**6**		

Labour Adjustment Factors

On page 295, the labour adjustment factors are presented, which adjust the historical loss amounts to the current labour cost level. In the case of glass, 46% of the claims costs are affected by labour rates. The labour annual future trend rate selected by SAF is 2.0%, adjusted by the proportion of glass claims affected by labour rates, 46%, is a factor of 1.0211.

Question:

a) Explain why an annual increase in the future labour cost of 2% is reasonable. Include in the response the impact of consolidation of body shop and advanced skills training in the 2% assumption.

b) How does the 2% assumption compare to SAF's future CPI assumption? Explain why the selected labour rate increase (+2%) would be the same or different than SAF's CPI expectation.

c) How sensitive is the overall rate level indication of +1.7% to this assumption? How would the rate level indication change, if an assumption of 3% per year was assumed instead of 2%?

RESPONSE:

a) Overall labour costs are expected to continue to increase as a result of advancements in vehicle safety technologies and construction, adding additional labour and parts to repair estimates, such as safety system calibrations and more repair/replace operations.

The labour rate projections listed on page 293 of the Application are based on actual claims experiences with late model vehicles being sold in Canada over the last few years, including an increase in the number of parts being used in repairs and new (previously unaccounted for) labour operations required to safely and properly repair these vehicles. As modern vehicles make up a larger portion of repaired claims in upcoming years, we are expecting to see at least a 2% effective increase in labour costs.

The projected labour cost increases may not be accomplished solely through a labour rate increase as SGI continues to have the highest blended autobody repair labour rate in Canada, by a significant margin (typically over 20% when compared to other carriers), but instead through compensation for additional (new) labour operations associated with new vehicle technologies and construction.

Body shop consolidation will result in a reallocation of those repairs to the remaining accredited network, increasing shop revenues and opportunities for economies of scale. Increasing revenue resulting from consolidation, combined with new and emerging additional parts and labour revenue opportunities, should better position accredited repair partners to fund the necessary investments in training and tooling to keep pace with changes in vehicle automation, design and construction.

b) As discussed in part a), changes in labour rates follow other emerging trends than the overall level of inflation in the province. The history of changes to the labour rates also show that it has not followed the smooth historical inflation changes, providing additional evidence that its changes are specific to the auto repair industry.

c) An assumption of 3% instead of 2% would increase the +1.7% to +2.1%.

SRRP (SAF) 1-24

Application Part and Chapter:	**6.2**	**Page No.:**	**301**
Issue:	**Indicated Rates**		
Topic:	**Management Capital Plan Calculation**		
MFR:	**6**		

Calculation of Additional Capital for Maintenance and Build/Release:

In the calculation of the additional capital for both Maintenance and Build/Release, consideration is given to the Market Risk, Credit Risk, Operational Risk and Diversification Credit through a gross-up calculation. However, underlying this calculation is an assumption of a 150% MCT target rather than the current SAF 140% target.

Question:

Provide an approximation of how sensitive the 0.56% capital management plan provision is to this 150% assumption rather than 140%. Specifically, how does the 0.56% estimate change to if 140% replaces the 150% assumption?

RESPONSE:

The 1.5 factor used in the gross up for “Additional Change in Required Capital” comes from the formula of the Minimum Capital Test (MCT) itself.

The goal of the calculation is to determine how much Capital Available will be required to offset the additional Capital Required to stabilize the impact on the MCT. The ratios in the SAF5YIS 2022 file reference Insurance Risk, Market Risk, Credit Risk and Operational Risk Margin amounts used in the MCT formula before they are divided by 1.5 in the MCT calculation. As a result, we need to similarly adjust the ratios for the same 1.5 so that their true impact on the MCT formula is accounted for.

SRRP (SAF) 1-25

Application Part and Chapter:	**6.2**	**Page No.:**	**301**
Issue:	**Indicated Rates**		
Topic:	**Management Capital Plan Calculation**		
MFR:	**6**		

Updated MCT Forecast Impact on +1.7% Rate Level Indication

Amongst other reasons, the duration of the COVID-19 Pandemic has resulted in a reduction of claims costs and a flow-through build-up of the capital and resulting MCT. The 0.56% estimate of the capital management plan provision is based on an MCT of 157.6%.

Question:

a) Can SAF provide an update to the 0.56% provision based on a more current MCT estimate; and the resulting change to the overall rate level indication of 0.0% (after the capital margin adjustment)?

b) Does SAF find this change in the MCT and the overall rate level indication to be material? Explain why or why not; including the materiality standard used.

RESPONSE:

Please see attachment.

a) Based on the projection updated with actual 2020/21 operating results, the required capital margin provision is -1.29% (rather than 0.56%). This is a decrease of 3.4% from the current capital margin of 2.23%. The overall rate level indication would be a decrease of 1.8%.

b) Yes, the change in the MCT and capital margin could be considered material. While a higher materiality would likely apply to forecasts like these given the uncertainty around projections of investment results and/or claims experience, the RSR balance at the end of FY 2021 was $70 million higher than expected under the initial 5-year forecast. This is a significant difference.

SRRP (SAF) 1-26

Application Part and Chapter:	**6.2**	**Page No.:**	**315**
Issue:	**Claims Incurred**		
Topic:	**Motorcycle Claims/ Capping of large losses**		
MFR:	**6**		

Preamble to IR (If Any):

SAF has provided a graph and table of underlying data of Motorcycle Claims Incurred and Premiums provided in its application presentation.

Question:

a) Please supplement the table indicating the number of motorcycle claims in each year and the number of claims which are single vehicle accidents.

b) Please provide a table that indicates the number and total amount of claims that exceed $1 million in aggregate by year of loss and provide the incurred loss amounts by sub-coverage for the motorcycle class. Please provide the listing on both an incurred and ultimate basis.

c) Please provide a table that indicates the number of claims and the total amount of Motorcycle claims where the large loss capping was applied in aggregate and on sub-coverage basis.

d) Please provide a similar analysis in (c) and (d) for the CLEAR rated vehicles and other classes and comment on the differences with the Motorcycle Class.

RESPONSE:

a) The requested table can be found below.

Fiscal Year	Number of Claims	Single Vehicle Accidents
2010	459	285
2011	442	283
2012	447	278
2013	440	272
2014	359	211
2015	278	187
2016	275	178
2017	247	174
2018	223	152
2019	210	144
2020	184	134

b) Note that these values are on the same basis as the indication's large loss smoothing and therefore include injury coverages and are assessed on an occurrence basis. Occurrences include all injured claimants within a single collision rather than assessing claims on a per claimant basis.

The table below represents the total incurred losses by year and coverage for which the incurred loss exceeds $1 million:

Incurred Amounts ($)								
Motorcycles	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	-	279,970	-	2,196,788	1,189,956	242,661	-	3,909,374
2011	-	-	-	-	-	-	-	-
2012	-	66,016	-	868,202	54,594	30,150	-	1,018,962
2013	-	306,090	-	656,029	33,973	129,168	-	1,125,260
2014	9,265	179,946	899,465	3,228,119	1,719,425	238,787	-	6,275,007
2015	-	818,505	-	939,663	1,970,222	226,277	-	3,954,667
2016	-	50,862	-	1,016,600	73,635	32,500	-	1,173,598
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-

The table below represents the total ultimate losses by year and coverage for which the incurred loss exceeds $1 million:

Ultimate Amounts ($)								
Motorcycles	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	-	800,520	-	4,530,679	2,495,090	445,364	-	8,271,653
2011	-	-	-	-	-	-	-	-
2012	-	233,154	-	1,691,030	117,948	50,906	-	2,093,038
2013	-	1,118,378	-	1,493,399	68,904	210,720	-	2,891,401
2014	54,319	615,008	1,050,242	6,819,491	3,184,692	380,642	-	12,104,394
2015	-	3,661,824	-	2,452,397	4,041,795	343,051	-	10,499,067
2016	-	206,130	-	2,471,604	127,160	48,257	-	2,853,151
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-

The table below represents the total claim count by year and coverage for which the incurred loss exceeds $1 million. The total column represents the number of occurrences in each year:

Claim Count								
Motorcycles	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	0	3	0	3	3	3	0	3
2011	0	0	0	0	0	0	0	0
2012	0	1	0	1	1	1	0	1
2013	0	1	0	1	1	1	0	1
2014	1	3	1	3	3	2	0	3
2015	0	2	0	2	2	1	0	2
2016	0	1	0	1	1	1	0	1
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0

c) Note that after reviewing the motorcycle excess ratios the CLEAR loading factors were selected for Appeal, Care, and Tort Injury. The remainder used the 15-year excess ratio except for Medical which was an average of the 10 and 15 year excess ratios (Medical below shows the 15 year period values).

Motorcycles	Claim Count	Ultimate Claim Amount ($)	Ultimate Excess Amount ($)	Periods Shown
Appeal	0	-	-	15 years
Care	1	2,187,245	687,245	13 years
Death	3	3,523,700	523,700	15 years
IRB	7	19,441,470	5,441,470	15 years
Medical	4	12,948,839	6,948,839	15 years
Perm Imp	4	1,583,879	383,879	15 years
Tort-Injury	0	-	-	14 years
Total	19	39,685,133	13,985,133	N/A

d) Section (b) for CLEAR rated vehicles (Note that these values are on the same basis as large loss and therefore include injury coverages and are assessed on an occurrence basis):

The table below represents the total incurred losses by year and coverage for which the incurred loss exceeds $1 million:

Incurred Amounts ($)								
CLEAR	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	17,053	17,568,215	1,583,135	33,194,346	13,518,504	3,572,719	-	69,453,972
2011	54,509	10,721,972	5,172,463	22,759,243	11,598,033	3,575,366	-	53,881,586
2012	27,144	6,564,819	4,350,143	22,471,208	6,570,197	2,641,443	-	42,624,954
2013	12,476	5,786,952	4,489,533	15,509,786	7,708,208	2,299,483	-	35,806,438
2014	4,950	6,306,797	1,955,931	16,748,952	10,586,629	2,414,202	-	38,017,462
2015	4,828	2,002,697	1,325,476	6,316,851	2,234,937	1,077,910	-	12,962,699
2016	5,250	1,582,094	3,586,149	7,194,176	4,833,236	1,265,042	-	18,465,946
2017	-	1,779,314	81,773	3,609,805	2,932,919	1,199,798	-	9,603,610
2018	-	420,997	1,269,073	665,253	499,100	493,901	-	3,348,324
2019	1,359	52,775	10,331	782,351	93,132	140,983	-	1,080,931
2020	-	-	1,283,242	-	12,814	-	-	1,296,056

The table below represents the total ultimate losses by year and coverage for which the incurred loss exceeds $1 million:

Ultimate Amounts ($)								
CLEAR	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	65,441	41,069,885	1,893,481	61,154,405	17,118,837	5,333,163	-	126,635,211
2011	196,798	32,976,634	6,209,772	42,939,746	15,772,079	5,209,708	-	103,304,737
2012	106,764	19,735,182	5,072,842	39,989,666	9,482,339	3,780,420	-	78,167,213
2013	56,546	18,363,858	5,211,449	32,624,985	10,983,894	3,246,160	-	70,486,893
2014	29,021	19,101,555	2,283,803	33,066,106	14,488,928	3,399,713	-	72,369,126
2015	27,490	8,101,372	1,511,399	15,581,650	3,563,032	1,473,790	-	30,258,734
2016	27,053	5,915,480	4,150,407	16,718,796	6,821,784	1,729,395	-	35,362,915
2017	-	7,064,613	93,189	9,769,614	4,743,802	1,691,204	-	23,362,421
2018	-	2,093,381	1,455,524	2,078,486	784,794	620,510	-	7,032,694
2019	35,767	251,685	11,418	2,697,834	141,851	180,930	-	3,319,484
2020	-	-	1,601,107	-	19,348	-	-	1,620,455

The table below represents the total claim count by year and coverage for which the incurred loss exceeds $1 million. The total column represents the number of occurrences in each year:

Claim Count								
CLEAR	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	9	28	4	27	28	24	0	28
2011	10	22	9	22	23	21	0	25
2012	6	19	10	21	22	19	0	22
2013	4	16	6	16	16	15	0	16
2014	3	14	3	14	15	12	0	15
2015	2	9	3	9	9	9	0	9
2016	2	8	5	9	12	9	0	12
2017	0	7	1	6	7	7	0	7
2018	0	2	1	2	3	2	0	3
2019	1	1	1	1	1	1	0	1
2020	0	0	1	0	1	0	0	1

Section (c) for CLEAR rated vehicles. All CLEAR loss loading factors were based on the 15-year excess ratios with the exception of Care (13 years), Tort-Injury (14 years), and Medical (average of 10 and 15 year excess ratios)

CLEAR	Claim Count	Ultimate Claim Amount ($)	Ultimate Excess Amount ($)	Periods Shown
Appeal	1	1,366,891	616,891	15 years
Care	9	65,200,922	20,200,922	13 years
Death	4	7,138,225	1,138,225	15 years
IRB	5	24,662,280	4,662,280	15 years
Medical	13	39,622,888	7,122,888	15 years
Perm Imp	15	7,201,157	1,201,157	15 years
Tort-Injury	2	1,564,942	564,942	14 years
Total	49	146,757,305	35,507,305	N/A

Section (b) for Other Classes (Note that these values are on the same basis as large loss and therefore include injury coverages and are assessed on an occurrence basis):

The table below represents the total incurred losses by year and coverage for which the incurred loss exceeds $1 million:

Incurred Amounts ($)								
Other	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	2,466	31,642	-	866,664	68,129	37,855	-	1,006,757
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	3,477	305,232	1,134,828	512,531	2,240,817	901,207	-	5,098,090
2020	-	-	-	-	-	-	-	-

The table below represents the total ultimate losses by year and coverage for which the incurred loss exceeds $1 million:

Ultimate Amounts ($)								
Other	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	9,700	95,123	-	1,542,311	98,327	54,178	-	1,799,640
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	91,488	1,455,641	1,254,179	1,767,395	3,413,020	1,156,563	-	9,138,286
2020	-	-	-	-	-	-	-	-

The table below represents the total claim count by year and coverage for which the incurred loss exceeds $1 million. The total column represents the number of occurrences in each year:

Claim Count								
Other	Appeal	Care	Death	IRB	Medical	Perm Imp	Tort-Injury	Total
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	1	1	0	1	1	1	0	1
2013	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0
2019	1	1	1	1	1	1	0	1
2020	0	0	0	0	0	0	0	0

Section (c) for Other Classes. Note that after reviewing the other classes' excess ratios the CLEAR loading factors were selected for Appeal, Care, and Tort Injury. The remainder used the 15-year excess ratio except for Medical which was an average of the 10 and 15 year excess ratios (Medical below shows the 15 year period values). In addition for Other Classes, an adjustment was made specifically with the Humboldt crash and an assumption was made that this event occurs less frequently than every 15 years (adjustment is different by coverage, either a 1 in 30 or 1 in 60 year event):

Other Classes	Claim Count	Ultimate Claim Amount ($)	Ultimate Excess Amount ($)	Periods Shown
Appeal	0	-	-	15 years
Care	2	2,513,631	513,631	13 years
Death	3	3,199,209	199,209	15 years
IRB	5	8,561,705	1,061,705	15 years
Medical	4	2,683,412	1,683,412	15 years
Perm Imp	2	1,220,196	620,196	15 years
Tort-Injury	0	-	-	14 years
Total	16	18,178,153	4,078,153	N/A

Comment on section (b): Based on the $1 million threshold requested, the number of claims and claim amounts are substantially more for CLEAR than for Motorcycles and Other Classes. There are a few reasons for this:

- Basing the criteria on incurred claims instead of ultimate claims neglects development and therefore leaves out a number of claims that would have been included otherwise

- The CLEAR group is substantially larger than Motorcycles and Other Classes and therefore has more claims experience. For context, the table below shows incurred claims over $1 million, earned exposures by class, and frequency per million exposures

	Occurrences (Over $1M)			Earned Exposures			Frequency (per million exposures)		
Fiscal Year	MC	CLEAR	Other	MC	CLEAR	Other	MC	CLEAR	Other
2010	3	28	0	10,869	726,069	282,651	276.01	38.56	0.00
2011	0	25	0	11,323	739,057	292,893	0.00	33.83	0.00
2012	1	22	1	11,310	755,888	300,272	88.42	29.10	3.33
2013	1	16	0	11,611	775,119	318,162	86.13	20.64	0.00
2014	3	15	0	9,923	787,789	325,234	302.33	19.04	0.00
2015	2	9	0	8,851	802,180	328,128	225.96	11.22	0.00
2016	1	12	0	8,114	813,375	332,803	123.24	14.75	0.00
2017	0	7	0	7,259	813,288	332,875	0.00	8.61	0.00
2018	0	3	0	6,612	817,449	335,496	0.00	3.67	0.00
2019	0	1	1	5,920	818,308	334,773	0.00	1.22	2.99
2020	0	1	0	5,562	823,333	336,523	0.00	1.21	0.00
Total	11	139	2	97,354	8,671,855	3,519,810	112.99	16.03	0.57

- The biggest reason is that the threshold for determining what is a large loss should differ by group and coverage as was implemented in the large loss policy. The purpose of the large loss policy is to smooth excess loss within a group so that claim trends remain reasonable. In a group with $1 million in total claims, a $200,000 claim could throw off the indication. That same $200,000 claim in another group with $80 million in total claims will likely not have the same effect

in its indication. The thresholds chosen must be relative to the group to be meaningful, a $1 million threshold used to compare against all groups does not consider the experience of each group. Because of its experience, CLEAR has higher selected thresholds than Motorcycles and Other Classes

Comment on section (c): The amount and number of claims are relative to the total amount of vehicles within each group. CLEAR has substantially more vehicles than Motorcycles and Other Classes.

SRRP (SAF) 1-27

Application Part and Chapter:	**6.2**	**Page No.:**	**315**
Issue:	**Indicated Rates**		
Topic:	**Large Loss Factor Calculation**		
MFR:	**6**		

Large Loss Factors

In the case of "care benefit" claims, the selected large loss factor is based on the sum of the latest 13 years, excluding the two oldest years, at 5.05%. In contrast, if the selection was based on the average of each factor for each of the last 13 years, it reduces to 3.4%. SAF's approach gives more weight to the years with a larger volume of claims, rather than equal weight to the large loss factor of each year.

Question:

a) Explain why SAF does not give equal weight to each year in its large loss calculation of averages over 5, 10 and 15 years.

b) The average factor over the last ten years is 0.56%; and over the prior five years (oldest 5 over the last 15 years) is 17.84%. Explain why the older years have a higher proportion of large losses than the more recent experience.

c) Are the development factors applied to closed large claims in the calculation process?

d) Explain why SAF introduced the large loss loading adjustment in this rate application and not the prior Application.

e) Can SAF provide how the rate level indication of +1.7% would change if the large loss loading procedure was not introduced in this filing?

RESPONSE:

a) It is more logical to account for a weight based on claims than assuming each year has equal contribution to the ratio, especially if the claim amounts from year to year are not stable. Using an extreme example, we can demonstrate why the equal weight does not always result in the lower ratio:

Suppose we have the following claims experience:

Year	Number of Claims	Ultimate Claims ($)	Excess Claims ($)	Net Excess Ratio
2019	25	23,600	1,200	5%
2020	3	3,900	1,200	44%

Where the net excess ratio is calculated as (Excess Claims/ (Ultimate Claims – Excess Claims)).

Using an equal weighted calculation results in a large loss loading factor of 24.90%. In contrast, using the sum over both periods results in a large loss loading factor of 9.56%. Intuitively, the true excess ratio should be tied closer to 2019 than 2020 for this class overall because there was more claims experience in that year and therefore it should be more indicative for the group overall. The sum ratio reflects this while the equal weighted ratio does not.

b) One of the reasons why older years appear to have a higher proportion of large losses compared to the most recent experience is because of how claims develop over time for the most severely injured people as well as the points in time where the injury reserves are updated to reflect the changing probability of recovery. The newest years of experience have not had as much time to develop while, in contrast, the oldest experience has matured. The development factors applied to all claims are aggregate factors and therefore are appropriate in aggregate. When looking on an individual claim basis this can cause older claims to exceed the threshold more readily than recent, developed experience.

Another major reason is simply the volatility of claims. By the nature of having coverage for injury claims with a limit as high as $7+ million where benefit amounts depend heavily on age of the claimant, their income, severity of their injury, etc., high variances between years are to be expected.

c) Yes, they are. In order to bring all claims to an ultimate basis, the development factors must be applied which are aggregate factors derived from total claims. There is also the significant risk of closed injury claims re-opening. A claimant who has stopped collecting benefits may return to collecting them if the injury becomes more severe later in life, if it is still medically deemed to be the same injury from the past collision.

d) We are constantly striving to add improvements to the rate analysis; the large loss policy is one such improvement we have implemented since the last rate program. The policy was initiated after the Humboldt Broncos bus crash in 2018 and its impact on the inter-city bus rate indication. It was determined that the rate program required a policy in place to consistently smooth catastrophic losses to mitigate the volatility caused by these losses on each vehicle class.

e) If the large loss loading procedure was not introduced in this filing, we estimate based on CLEAR that the +1.7% rate level indication would be essentially unchanged (within +/- 0.1%). This result is consistent with the intent of the large loss loading policy, that the long-term impact to the rate analysis should be approximately zero.

SRRP (SAF) 1-28

Application Part and Chapter:	**6.2 Actuarial Support Documents**	**Page No.:**	**91 (Pdf 318/6,340)**
Issue:	**Ratemaking Model**		
Topic:	**Loss Trend**		
MFR:	**6**		

Preamble to IR (If Any):

The support for selected loss trends includes limited statistical model outputs.

The adjusted R^2 statistic consider the number of predictors and the number of data points.

The *p-value* provides measures related to statistical significance.

An analysis of residuals can identify (i) non-linear relationships between predictors and outcome variables; (ii) deviations from the normality assumption underlying least squares regression (iii) deviations from the assumption of equal variance (homoscedasticity), and (iv) influential data points.

Question:

a) Why does SGI review the R^2 rather than the adjusted R^2?

b) Did SGI review *p-values* for the model coefficients?

c) Did SGI perform an analysis of residuals?

RESPONSE:

a), b) & c)
Statistical elements that were considered were provided as part of the Loss Trend Committee exhibits. The actuarial area is always seeking to improve ongoing processes and add

sophistication to its work. Future rate analyses could incorporate these or other measures of statistical considerations.

A significant element of the loss trend selection process is incorporating the experience of the loss trend committee members. These members bring experience specific to the coverage groupings to understand the underlying trends behind the numbers. The group includes members from actuarial services, traffic safety, claims and Auto Fund programs and considers insights such as:

- Current and previous policies and processes that can affect frequency and severity
- Changes in the auto body shop industry affecting speed and cost of repairs
- Ongoing trends in vehicle materials and features that affect both damage and injury coverages

These considerations help the committee determine the past year periods that are most relevant for future projections and, consequently, many of the selections. Statistical models are useful but will inevitably fail to consider these changes. Both statistical considerations and expert judgment are important in the trend selections.

SRRP (SAF) 1-29

Application Part and Chapter:	**6.2**	**Page No.:**	**320-720**
Issue:	**Indicated Rates**		
Topic:	**Loss Trend Rates**		
MFR:	**6**		

Summary of Selected Loss Cost Trend Rates:

In the case of the Heavy Vehicles grouping, the selected severity trend rates for (i) damage to own vehicle, 0.00% and (ii) damage to other vehicles, 1.94%, respectively.

Question:

Can SAF provide the rationale to explain why the annual increase in claim severity for damage claims would rise for other vehicles (at +1.94%) but be flat for Damage to own vehicles?

RESPONSE:

Damage to own vehicle for about half of the heavy vehicle classes is limited to $15,000 while the other half is covered for actual cash value. Among the commercial classes with a $15,000 limit for damage, the trend has flattened as claims have settled to an average severity equal to the difference between the deductible and limit. It was noted during loss trend committee meetings that the increases in severity among light vehicles with increased complexity of technology, procedures and materials is not as prevalent among heavier, commercial vehicles. This could explain the overall flat trend despite having half of the vehicles insured for actual cash value. The selected light vehicle severity loss trends were 3.56% for both past and future (pg 426 of the application). Given that damage to other vehicles is a reflection of the average vehicle on roads that could be involved in a collision with a heavy vehicle, including light vehicles with their increasing severity trend, it is reasonable to see a 1.94% overall trend.

SRRP (SAF) 1-30

Application Part and Chapter:	**6.2**	**Page No.:**	
Issue:	**Indicated Rates**		
Topic:	**Loss Trend Rates**		
MFR:	**6**		

Summary of Selected Loss Cost Trend Rates:

The overall rate level indication of +1.7% is sensitive to the loss trend rate assumptions – which are based on the actuary's review of its regression analysis and judgment.

Question:

As a sensitivity measure, can SAF provide the rate level indication by (i) increasing each loss cost trend rate by +1 percentage point and (i) decreasing each loss cost trend rate by -1 percentage point.

RESPONSE:

See the attached results by class of adjusting past and future pure premium loss trends by +/- 1%. Increases changed the overall +1.7% indication to 6.0% and decreases resulted in -2.4%.

SRRP (SAF) 1-31

Application Part and Chapter:	**6.**	**Page No.:**	
Issue:			
Topic:	**Sensitivity Testing – CLEAR Vehicles**		
MFR:	**27**		

Actuarial Assumptions:

The assumptions associated with loss trend rate and loss development factors are based on both the analysis and judgment made by the actuary; and are subject to uncertainty. In addition, the selected investment rate for the cashflow and capital is also subject to uncertainty. Alternative reasonable assumptions could result in a different estimate of the indicated rate level change need of +1.7%, before the capital margin adjustment.

The MFR 27, Recommendation 7, was in reference to the impact on the RSR, not the rate level indication of +1.7% presented in the rate application for all vehicles; nor for CLEAR rated vehicles (only) at -0.7% before rate capping and the capital margin adjustment.

Question:

a) As sensitivity test for CLEAR rated vehicles rate indication of -0.7%, provide the rate indications based on the following combination of assumptions:

   i. Increase in estimate of ultimate loss amounts by +10% for the Injury and Liability sub coverage categories; no change to estimated ultimate amounts for Damage.

   ii. Increase in the loss trend rate across all subcoverages by +1.0%.

   iii. Decrease the average investment income rate by 1 percentage point – for both cash flow and capital.

b) As sensitivity test for CLEAR rated vehicles rate indication of -0.7%, provide the rate indications based on the following combination of assumptions:

i. Decrease in estimate of ultimate loss amounts by -10% for the Injury and Liability sub overage categories; no change to estimated ultimate amounts for Damage.

ii. Decrease in the loss trend rate across all subcoverages by -1.0%.

iii. Increase in the average investment income rate by 1 percentage point – for both cash flow and capital.

RESPONSE:

a) i. Increasing the ultimate injury and non-damage liability losses by 10% increases the CLEAR indication from -0.7% to +0.9%.

ii. Increasing past and future pure premium loss trends by 1% increases the -0.7% CLEAR indication to 3.6%

iii. Decreasing the average investment income rate by 1% increases the -0.7% CLEAR indication to 2.0%

b) i. Decreasing the ultimate injury and non-damage liability losses by 10% decreases the CLEAR indication from -0.7% to -2.3%

ii. Decreasing past and future pure premium loss trends by 1% decreases the -0.7% CLEAR indication to -4.8%

iii. Increasing the average investment income rate by 1% decreases the -0.7% CLEAR indication to -3.2%

SRRP (SAF) 1-32

Application Part and Chapter:	**6.**	**Page No.:**	**742, 769, 772**
Issue:	**Indicated Rates**		
Topic:	**Accident Year Weights**		
MFR:	**6**		

Accident Year Weights:

SAF assigns weights to the historical accident year projected pure premiums that vary by subcoverage. In the case of CLEAR vehicles, weights of 10% for each of the last ten years are selected for Injury, Income Replacement, Death Benefit, Permanent Impairment; weights of 14.3% to each of the last six years for Care Benefits, Catastrophe, and Medical; whereas weights of 20% to each of the last five years are selected for the remaining coverages, most of which are damage coverages.

Question:

a) Provide the rationale for these selected weights, and explain the consideration given to the sensitivity of the rate level indications if other weights were chosen. Include any consideration of each of the accident year loss experience credibility in your explanation.

b) In the case of those subcoverages assigned 20% weight to each of the last five years and each accident year experience is considered fully credible by SAF, how does the +1.7% rate indication change if the weights are changed to:

   i) 50% to each of the last two years instead.

   ii) 33.33% to each of the last three years instead.

   iii) 40% and 60% to 2019 and 2020, respectively.

RESPONSE:

a) The default pure premium weights for damage, catastrophes and injury are equal over the past five, seven and 10 years, respectively. Since damage claims are settled quickly compared to the longer tailed injury coverages, a shorter period of time is considered to capture emerging trends. Due to the volatility of catastrophe claims, and credibility and development on injury claims, a longer view is considered within the indication. The CLEAR medical and care weights were manually selected to deviate from the default because a difference in the recent history was observed. These coverages were consistently lower than historical and with a credible number of claims over the seven-year period. Any manually adjusted weights that deviate from the default are made with consideration for credibility and sensitivity of the rate level indication. We aim to prudently capture emerging trends and remove any anomalies among the loss years to improve the accuracy of the rate indication. A minimum of 4-5 years will be used since winter storms can create volatility in province-wide collision claims from year to year.

b) The following sub coverages that met the criteria were within the CLEAR rated class: Damage Liability to Others Auto, Damage Liability Loss of Use, Damage to Own Vehicle, Comprehensive Coverage, Glass Coverage, and Theft Coverage.

i) When weights are changed to 50% in last two years the overall indication changes to 0.66%

ii) When the weights are changed to 1/3 in the last three years the overall indication changes to 1.64%

iii) When the weights are changed to 40% and 60% in 2019 and 2020, respectively, the overall indication changes to 0.45%

SRRP (SAF) 1-33

Application Part and Chapter:	**6.**	**Page No.:**	**132, 739**
Issue:	**Indicated Rates**		
Topic:	**Investment Income**		
MFR:	**6**		

Investment Income on Cash Flow:

As stated by SAF on page 132, the selected average investment income on cash flow is 2.98%. In the case of CLEAR rated vehicles, as presented on page 5 of Part 6, Chapter 3 (pdf 739/6340), the investment income reduces the pure premium from $927.59 to $854.59; a reduction of 7.84%.

Question:

Can SAF provide a comparable summary as on pdf 739/6340 for each of the three other main categories: Conventionally Rated, Trailers and Miscellaneous; and all vehicles combined – so as to evaluate the impact of cash flow investment income on the rate level indication?

RESPONSE:

See attachment IR 33.

SRRP (SAF) 1-34

Application Part and Chapter:	**6.2**	**Page No.:**	**739, 1,963**
Issue:	**Indicated Rates**		
Topic:	**Large Loss Factor Calculation**		
MFR:	**6**		

Undiscounted Pure Premium- Including and Excluding Large Loss Amounts:

Before the Application of the large loss adjustment factors, the pure premiums should be adjusted to remove the large loss amounts. The filing is unclear what the large loss amounts are that have been removed.

Question:

a) Is our understanding correct that in Exhibit 3, page 1 for each of the classes, the column "undiscounted pure premiums before adjustments" – is on a basis that excludes the large loss amounts?

b) Provide Exhibit 3, page 1 for CLEAR (page 739) and Motorcycles (page 1963) with the undiscounted pure premium before adjustments on two bases: with and without large loss amounts.

c) Are the loss trend rates determined using loss amounts that include or exclude the large loss amounts? If they include the large loss amounts, explain why this is reasonable.

d) Are the loss development factors determined using data that includes or exclude the large loss amounts? If they include the large loss amounts, explain why the Application of these loss development factors to reported losses that exclude large losses is reasonable.

RESPONSE:

a) Correct, the column “undiscounted pure premiums before adjustments” is on a basis that excludes large loss amounts.

b) Exhibit 3, page 1 for CLEAR and Motorcycles with and without large loss amounts have been prepared as attachments. Note that the pure premium adjustments were left unchanged and include the large loss loading factors.

c) The loss trend rates are determined using loss amounts that exclude large loss amounts. This is consistent with the idea that the large loss policy should aid in smoothing over any rate volatility caused by catastrophic claims.

d) The loss development factors are determined using data that includes large loss amounts. The loss development factor is an aggregate calculation and naturally, without a large loss policy in place, the factors would include large losses. These loss development factors are normally applied to unadjusted incurred losses.

The Application of these loss development factors to reported losses that exclude large losses is reasonable because the loading is applied to ultimate losses. If loss adjustment factors based on data that includes the large loss amounts were applied to reported losses that include large losses, and then loaded up for large losses, the result would erroneously double-count large losses.

SRRP (SAF) 1-35

Application Part and Chapter:	**6.3**	**Page No.:**	**821**
Issue:	**Indicated Rates**		
Topic:	**CLEAR Rated Surcharge & Discount Factors**		
MFR:	**6**		

Non-PPV CLEAR Rated Vehicles

For non-PPV rated vehicle classes within CLEAR, SAF evaluates the relative historical loss amounts for each vehicle class in comparison to PPV; with PPV considered the base class. Using this approach, including consideration of credibility, SAF selects an updated surcharge or discount factor for each of the non-PPV rated vehicle classes. Implicit in this approach is the assumption that the distribution of claims costs across "damage," "injury," and "liability" subcoverages are the same across all vehicle classes within CLEAR.

This a different approach than for Conventionally Rated Vehicles, whereby a rate indication for each vehicle type is calculated, and not derived as a discount/surcharge applied to a base class. As a result, there is no implicit assumption that the distribution across the subcoverages is the same for all vehicle classes.

Question:

a) Can SAF provide support for the implicit distribution assumption that the subcoverage loss amounts across each of the non-PPV CLEAR rated vehicles is the same?

b) Can SAF explain why the methodology for the Conventionally rated vehicles is not also used for the non-PPV CLEAR vehicle classes -whereby each is reviewed independently without the noted implicit assumption?

RESPONSE:

a)

There is no implicit or explicit assumption of equal coverage distribution for the CLEAR-rated vehicle classes in the determination of the indicated surcharges/discounts.

To determine the overall relativities that are used to select the surcharges/discounts, pure premiums for each coverage are projected to the rating year for each vehicle class. A class' specific historical claims in a coverage category will be projected forward to the rating year using on-level adjustments and trends specific to that coverage category, without consideration to PPV's proportions. Some classes have larger damage proportions (e.g., Police Cars), while others have larger liability proportions (e.g., Class A Light Trucks).

Overall projected pure premium for the class is compared to PPV's to determine the surcharge/discount after adjustments to remove the effect of other rating factors. The surcharge/discount is then applied to the overall rate for those CLEAR-rated vehicle classes.

Ideally, the surcharges/discounts would be measured and applied separately to each coverage grouping, however, this is not possible in the Auto Fund's current system. Overall rates for the 80,000+ light vehicles are saved individually. Expanding the saved vehicle rates to consider vehicle rates by coverage, by program (SDR/BR/IRP), and/or by usage would expand the number of saved rates to unmanageable levels. A migration toward a base rate and relativity-based rating engine is contemplated among the planned system transformation initiatives.

b)

Classes whose rates are based on PPV rates are all light passenger vehicles that can benefit from the CLEAR rate group rating process for the damage portion of their rates as well as the injury data from PPV for the injury portion of their rates. The surcharges and discounts for each of the non-PPV CLEAR-rated vehicle classes reflect how the usage of that class affects its claims experience as compared to PPV. While an independent rate indication could be performed for each of the non-PPV CLEAR-rated vehicle classes, this indication would suffer from inadequate credibility for several vehicle groups and require more work than the current indication approach. As explained in a), there is no implied assumption regarding the distribution of coverage groupings for these classes.

SRRP (SAF) 1-36

Application Part and Chapter:	**6.3**	**Page No.:**	**827**
Issue:	**Indicated Rates**		
Topic:	**Complement of Credibility**		
MFR:	**6**		

Complement of Credibility

For those cases where the indicated required rate is determined not to be fully credible, SAF selected the current on-level premiums as the basis for the complement of credibility.

Question:

a) Given that the current on-level premiums are based on the 2014 rate application, explain why an adjustment for the change in pure premium (i.e., loss trend) at least from the current accident year data average accident date (e.g., October 2019) to the average accident date of the proposed program (i.e., the future trend period) was not applied to the loss component of the current rates. In other words, why is it reasonable to assume a flat future trend rate on the claims cost component?

b) Given various product benefit reforms and changes have occurred since 2014 – explain why these product reform changes, such as CPP and Living Assistance changes, are not applied to the pure premium underlying the current on-level premiums that is used as the basis for the complement of credibility.

c) Assuming the claims handling expenses and non-claims related expenses that are selected for this 2021 filing are different than those selected for 2014 – explain why the more recent 2021 filing expense assumptions are not built into/substituted for the prior expense assumptions for the complement of credibility.

d) Assuming the investment income on cash flow and capital that is selected for this 2021 filing is different than that selected for 2014, explain why the more recent 2021 filing ROI assumptions are not built into/substituted for the prior assumptions underlying the complement of credibility.

e) As a sensitivity test, Can SAF present its rate level change need based on the above methodology for Ambulance (i.e., an update to pdf 827/6340, page 93 of Part 6, Chapter 3) including supporting worksheets.

RESPONSE:

a), b), c), d)

For many classes of vehicles, there is no perfect complement of credibility. Many classes have unique vehicle types, resulting in claims experience distinctly different from other classes. The idea behind the use of the current on-level premiums as the basis for the complement of credibility is to reflect the fact that there is significant uncertainty in the projected changes in loss, expense and investment levels since 2014 and err on the side of not over-dislocating customer rates in a rate program that already proposes significant rate dislocation.

In addition, the adjustments referenced in this question, the final rates from 2014 are not aligned to the actual required premium calculated at that time due to the effect of capping. Speaking to the adjustments individually:

1. Adjustments for loss trends by coverage could make sense to account for changes in loss levels from the 2014 rating year through the 2022 rating year; however, there is uncertainty in the projected loss pure premium levels and trends that does not get considered in this approach.
2. Adjustments for product benefit reforms better align the complement with current expectations.
3. Adjustments for expense levels could make sense to account for differences from 2014 through the 2022 rating year; however, there is uncertainty in the projected expense levels that does not get considered in this approach.
4. Investment income assumptions are subject to significant uncertainty and variance in the history of the Auto Fund. Despite the use of publicly available Conference Board of Canada projections, there is too much uncertainty to confidently claim that the projected

returns for the 2022 rating year will be significantly different than what was projected in the 2014 rate indication work. Adjustments for this assumption are not advised.

Adjusting for these elements identified could improve the appropriateness of the complement of credibility as an a priori estimate, especially accounting for product reform changes. However, it also treats the estimated changes in pure premiums, expense projections, and investment returns as 100% reliable. The investment returns, especially, are subject to significant variance from expectations. The noted adjustments also result in significantly more customer rate dislocation.

e)
See attached IR #36e excel file for a proof of concept for what the adjustments could look like for the Ambulance class for the above considerations.

SRRP (SAF) 1-37

Application Part and Chapter:	**6.1, 7.0**	**Page No.:**	**123, 6,156, 6,160**
Issue:	**Indicated Rates**		
Topic:	**Rebalancing after Rate Capping Calculation**		
MFR:	**6, 7, 8**		

Rate Capping

After the Application of rate capping, any shortfall or excess is applied to the CLEAR category. As a result, the CLEAR rate indication of -0.7% is increased to +0.8% (before the capital margin change adjustment) and the overall rate level change of +1.7% across all vehicle types is preserved.

Question:

a) What is the rationale for the selected rate capping level? Specifically, why was 15% for policies at $1,000 and higher; and a maximum $150 dollar amount that varies for premiums under $1,000 chosen, versus some other thresholds?

b) What other rate capping levels were considered by SAF, and why were they rejected?

c) Are there any exceptions to the Application of the caps as described on page 2 of the SAF Rate Proposal (pdf 123/6340)? If so, please describe those exceptions and why they exist.

d) If the shortfall or excess from capping *was not applied* so as to rebalance back to the overall rate level change of +1.7% to CLEAR, what would the overall rate change be?

e) What do the +15% and $150 thresholds need to be changed to, so as to not have any rebalancing back to the CLEAR vehicles – and still achieve the +1.7% rate change?

f) Did SAF consider setting different cap levels for some classes of business with higher rate indications? (For example, Motorhomes with a +134.6% rate indication – rather than capping at +15%, cap at a higher threshold – to achieve rate adequacy sooner.) If yes, describe the considerations made by SAF. If not, explain why not.

g) How would the +1.7% overall rate level indication change if the rate capping was set at: (i) +12.5% for premiums at $1,000 and higher- instead of 15%, (ii) maximum of $125 for $500 to $1,000 premiums and same dollar threshold as proposed for less than $500 premiums. If possible, include a summary chart as per page 6,160 that includes rebalancing to CLEAR.

h) How would the +1.7% overall rate level indication change if the rate capping was set at: (i) +10% for premiums at $1,000 and higher- instead of 15%, (ii) maximum of $100 for $250 to $1,000 premiums, and same dollar threshold as proposed for less than $250 premiums. If possible, include a summary chart as per page 6,160 that includes rebalancing to CLEAR.

RESPONSE:

a) The reason for the dollar caps on current premiums less than $1,000 is to address amounts of rate need on small premium vehicles more aggressively, while still avoiding significant dollar changes for customer rates. For example, a fiberglass personal cabin trailer valued at over $100,000 currently pays $538 excluding the capital margin provision for their basic damage coverage. The indicated premium for this trailer is $1,080. With a dollar cap of $125, we propose to increase the rate to $663, but with a 15% rate cap we could only increase it to $619. It would take as many as five capped rate changes to get this trailer to its adequate rate using a percent cap instead of the dollar cap, however with still-reasonable $125 dollar increases, it would be within 5% of its adequate rate in four capped rate changes.

b) In previous rate programs either a 10% or 15% rate capping structure has been implemented. Given that the last rate program was in 2014, the proportion of vehicles that are within +/- 5% of their adequate, indicated rate is 21%. With the higher 15% rate capping level, this 21% would increase to 93% of vehicles rather than 83% at a 10%

capping level. In essence, SGI is proposing a year of capped rate changes in line with the 2012 and 2013 rate program levels to address the significant level of subsidization across vehicles that would otherwise occur.

c) There is a system limitation that results in rate caps being exceeded for certain classes that rely on the Insurance Bureau of Canada's (IBC) Canadian Loss Experience Automobile Rating (CLEAR) table. The CLEAR-rated classes are listed on page 137 of the application. Aside from the private passenger vehicle (PPV) class, the system rates these classes by taking the PPV premium and then applying the corresponding class discount or surcharge. The individual PPV rates are loaded into the system for each combination of make, model and model year and capping can be ensured at this PPV level, but changes in the class discounts or surcharges might cause the final premium to exceed the caps. For example, the class A light vehicles are proposed to change from a current surcharge of 70% to 80%. This is a 6% increase from the current surcharge which would be compounded with the individual vehicle changes at the PPV level. In this rate program, the effect of changes in CLEAR-rated class discounts, surcharges and the capital margin reduction causes 99,000 vehicles to decrease below the minimum dollar and percent caps. There are 3,000 vehicles that are expected to increase by more than 15% over the current rates among the light vehicle classes.

d) Overall 0.8% instead of 1.7% and the differences for CLEAR and overall in the table below.

Vehicle Class	Required Rate Change	Proposed Change w/ rebalancing	Proposed Rate Change with Capital Margin &	Proposed Change w/o rebalancing	Proposed Rate Change with Capital Margin w/o rebalancing
CLEAR-Rated Vehicles	-0.7%	0.8%	-0.9%	-0.2%	-1.8%
A - Commercial Light Trucks		19.1%	17.1%	18.5%	16.6%
F - Farm Light Truck - 1994-2003		-17.8%	-19.2%	-18.7%	-20.0%
F - Farm Light Truck - 2004 & Newer		4.0%	2.3%	3.0%	1.4%
LV - Private Passenger Vehicles (PPV)		0.7%	-1.0%	-0.3%	-1.9%
LV - PPV - Farm Cars, SUVs and Vans		7.1%	5.3%	6.0%	4.3%
LV - Police Cars		-10.8%	-12.2%	-11.6%	-13.1%
LV - Police Trucks, Vans & SUVs		22.5%	20.5%	21.2%	19.2%
LV - Udrives		5.6%	3.9%	4.6%	2.9%
PT - Taxis (Rural)		0.9%	-0.7%	-0.1%	-1.7%
All Vehicles Including Trailers	**1.7%**	**1.7%**	**0.0%**	**0.8%**	**-0.9%**
All Vehicles Excluding Trailers & Misc	**0.8%**	**1.3%**	**-0.3%**	**0.4%**	**-1.2%**

e) Since there are numerous classes that require large increases and these are not being sufficiently offset by classes that require large decreases, rate capping would need to be removed to ensuring that no rebalancing back to CLEAR would be needed to achieve the overall 1.7% rate change. A 45% rate cap with the dollar caps tripled was tested, and there was still some rebalancing to CLEAR that was needed. With the 45% rate cap and no rebalancing to CLEAR, the overall rate change would have been 0.8% instead of 1.7% which is the same result as in part d.

f) Alternative capping options were discussed, but a consistent approach for all classes was selected. With regular, annual rate programs, classes would not require large increases or decreases. A consistent application of rate caps avoids rate shock along with the intent of making regular rate changes going forward to achieve adequacy among all classes over time.

g) See attached summary chart for the results.

h) See attached summary chart for the results.

SRRP (SAF) 1-38

Application Part and Chapter:	**6.4**	**Page No.:**	**3,814**
Issue:	**Indicated Rates**		
Topic:	**Reliance on Development Factors From the Valuation of Policy Liabilities in the Rate Application**		
MFR:	**6**		

Valuation of Policy Liabilities:

The Valuation of Policy Liabilities includes the following excerpt:

> This Report was prepared for the sole purpose of supporting the Financial Statements. This Report is not intended, nor necessarily suitable, for any other purpose.
>
> (Page 3 of Valuation of Policy Liabilities, page 3814 of the rate application)

Question:

Please explain the considerations in using the loss development assumptions from the Valuation of Policy Liabilities as support for the rate application. The response should specifically address the level of segmentation in each analysis (by line of coverage, by vehicle type, etc.).

RESPONSE:

For discussion on the use of development factors for different classes of vehicles, please see the response to 1-20.
For a mapping of coverages / lines of business between the reserve valuation groupings and those used in the rate application, please see the response to 1-19.
Ultimate losses are calculated as part of the Valuation of Policy Liabilities using coverage/line of business groupings that are similar to those used in the rate application. Damage is determined at a higher level, while some injury coverage groupings are more refined:

- The determination of damage development is done by cover code in the rate application (21, 22, 23, 31, 32, 33, 41, 42, and catastrophes) then compared to the groupings of damage liability (21, 22, 23 combined), catastrophes, and damage excluding liability and catastrophes (31, 32, 33, 41, 42 combined) used by the valuation. All significant differences are investigated to ensure that the two approaches are consistent with each other.
- Damage development is also done in the reserving work separately for “losses gross of recoveries” and “recoveries”. These are combined to the “net of recoveries” level for pricing purposes to simplify the number of coverage groupings in the application. If one group has higher losses, it can be expected that they would also have higher recoveries on those losses.
- The determination of injury development differs in only the definition of income replacement benefits. In the rate application, coverage for the basic wage replacement is combined with the lump sum payments made to vested income replacement claimants upon recovery or attainment of age 65. The coverages are directly related, even proportional, and so combining them simplifies the pricing approach without a loss of accuracy. If a group has high incurred losses in income replacement, they can expect to have higher losses on lump sum payments made to income replacement claimants.
- The determination of liability development factors combines a master claim file for payments to worker’s compensation into non-economic loss for pricing purposes. The master claim file cannot be traced to individual claimants and must be allocated. Non-economic loss is chosen as this basis as it is the largest in-province coverage grouping under liability.

Underlying both the valuation and rate application work are the same history of claims. Neither the valuation nor the rate application use loss development on a more granular level than coverage/line of business and vehicle class.

SRRP (SAF) 1-39

Application Part and Chapter:	**8**	**Page No.:**	**6,160**
Issue:	**Indicated Rates**		
Topic:	**Rate Adequacy Summary**		
MFR:	**8**		

Preamble to IR (If Any):

Question:

a) Please provide supplementary information of the number of vehicles currently below the + - 5% margin and above the margin and the number of vehicles that will be and not be within the range after the rebalancing exercise.

b) Please provide the results in (a) utilizing a 10% cap and indicated the range of rate changes and the number of vehicles relative to the rate adequacy.

c) Please provide the results in (a) utilizing a 12.5% cap and indicated the range of rate changes and the number of vehicles relative to the rate adequacy.

RESPONSE:

See attached.

SRRP (SAF) 1-40

Application Part and Chapter:	**12**	**Page No.:**	**6,170**
Issue:	**SDR & BR Incentive Programs**		
Topic:	**Jurisdictional Comparison**		
MFR:	**12**		

Preamble to IR (If Any):

Question:

a) Please provide a comparison of the Safe Driver Recognition Program and Business Recognition Program with similar programs provided by MPI and ICBC. Please include a description of the programs, scales, discounts, and demerit surcharges.

b) Please provide a table that compares the total amount of discounts provided by each program and demerit revenue generated in total and on a per vehicle basis.

RESPONSE:

See attachments.

SRRP (SAF) 1-41

Application Part and Chapter:	**14**	**Page No.:**	**6,190**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety Program Evaluation**		
MFR:	**14**		

Preamble to IR (If Any):

On March 5, 2013, the Legislative Assembly appointed a special committee to conduct an inquiry into traffic safety in Saskatchewan. The Special Committee on Traffic Safety's Final Report was tabled with the Legislative Assembly on August 30, 2013. The Report contains 26 recommendations to the Legislative Assembly, based on the testimony of expert witnesses and concerned citizens.

> *Recommendation 12 - Direct SGI to analyze impaired driving data for the past five years to establish a baseline to evaluate the effectiveness of the traffic safety initiatives against each year.*

Question:

Please provide the Analysis of impaired driving and the measurement of effectiveness of programs targeting impaired driving. Please summarize the program evaluation.

RESPONSE:

The baseline for Alcohol-Drug impaired driving was established as shown in the Table 1-41A. Comparing the baseline to collisions occurrence in the five years following the implementation of the initiatives, there are indications of reductions in the total collisions resulting from Alcohol-Drug impaired driving with associated reductions in corresponding fatalities and injuries. This is a simple naive before and after approach.

Table 1-41A: Reductions in Alcohol-Drug Impaired Collision Outcomes Relative to 5-Year Baseline

	Baseline Average (2009-2013)	Average Following Implementation (2015-2019)	Change	Percent Change (%)
Total Collisions	1,421	879	-542	-38%
Fatalities	60	41	-19	-32%
Injuries	729	422	-307	-42%

To increase attribution of any changes due to the introduction of the new initiatives, we developed algorithms as follows:

1. Projected what the expected collisions, injuries, and fatalities would have been between 2015 and 2019 had there been no initiatives in place. The algorithms used the long-term data from 1988 through 2013.

2. Using an intervention analysis to determine the direction and magnitude of the effect by creating an intervention variable such that the period before the introduction of the initiatives (pre-2014) took on a value zero and 1 otherwise.

3. In all the algorithms developed for the predictions, the models accounted for macroeconomic variables that could have impacted the underlying trends over the years in Saskatchewan. These include the unemployment rate, the consumer price index, and the consumer price index specific to alcohol consumption.

The results of the modelling effort are presented in Table 1-41B.

Table1-41B: Results of Modeling Efforts Comparing Observed Collision Outcomes to the Expected Without the New Initiatives.

Collisions and Victims	Expected Average (2009-2013)	Observed Average Following Implementation (2015-2019)	Number Prevented	Percent Change (%)
Total Collisions	1,131	879	-252	-22%
Fatalities	49	41	-8	-17%
Injuries	648	422	-226	-35%

FINDINGS

It appears, from the modeling effort, that when other factors are taken into consideration, the 2014 impaired driving initiatives yielded meaningful reductions in collisions, injuries, and fatalities. Specifically, about 40 lives have been saved and 1,130 injuries have been prevented between 2015 and 2019, compared to what would have been the case without the initiatives.

SRRP (SAF) 1-42

Application Part and Chapter:	**14**	**Page No.:**	**Pdf. 6,182**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety Expenditures**		
MFR:	**14**		

Preamble to IR (If Any):

Question:

a) Please provide details of HTB costs paid by SAF from 2016/17 to 2020/21 and projected for 2021/22 and explain any major year-over-year increases.

b) In each of the years, the number of applications made to HTB.

RESPONSE:

a), b)

	Hearings	HTB Costs Paid	Cost per Hearing
2016 - 17*	5650	672,746.45	$119.07
2017 - 18	4699	1,124,388.37	$239.28
2018 - 19	4763	1,084,484.63	$227.69
2019 - 20	4781	1,019,132.20	$213.16
2020 - 21	3936	878,234.07	$223.13

***In 2016-17, SGI paid $481,419.30 for HTB expenses directly in addition to the reimbursements made to the Ministry of Justice.**

SRRP (SAF) 1-43

Application Part and Chapter:	**14**	**Page No.:**	**Pdf. 6,197 (MFR 14, Pg. 9)**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety Programs**		
MFR:	**14**		

Preamble to IR (If Any):

On March 5, 2013, the Legislative Assembly appointed a special committee to conduct an inquiry into traffic safety in Saskatchewan. The Special Committee on Traffic Safety's Final Report was tabled with the Legislative Assembly on August 30, 2013. The Report contains 26 recommendations to the Legislative Assembly, based on the testimony of expert witnesses and concerned citizens.

> *Recommendation 20 - SGI to provide wildlife collision data analysis to the Ministry of Environment and the Ministry of Highways and Infrastructure to assist with finding solutions to mitigate wildlife collisions.*

SGI has noted in its 2019-20 Traffic Safety Program expenditures variance analysis that the Wildlife project had not yet started in 2019-20.

Question:

Please provide an update on the status of the wildlife project, including the proposed budget, project parameters and goals.

RESPONSE:

In 2019, SGI reinitiated the wildlife project by updating a report that was originally prepared for a multi-agency committee with representatives from SGI, Ministry of Environment, Ministry of Highways and Infrastructure, Saskatchewan Wildlife Federation and the Highway Traffic Board. The updated report includes recent innovative countermeasures that are designed to mitigate

wildlife collisions. Our intention was to reconstitute this multi-agency group to retackle this issue including looking at wildlife roadside detection technology. Due to COVID-19, the project is temporarily on hold. An executive summary of the revised report with research findings and effective recommended cost beneficial solutions is provided below.

EXECUTIVE SUMMARY of UPDATED DRAFT of WILDLIFE REPORT

A multi-agency committee with representatives from SGI, Ministry of Environment, Ministry of Highways and Infrastructure, Saskatchewan Wildlife Federation and the Highway Traffic Board was put together to research solutions to mitigate collisions with wildlife and recommend effective, cost beneficial solutions.

Data on wildlife-vehicle crashes and associated costs across the provincial highway network were analyzed to identify the sections of the road system that had the highest number and concentration of these types of collisions. This information was overlaid with mapping data from the Ministry of Environment on Wildlife Management Zones, as well as a map of rural municipality boundaries.

This allowed the committee to identify hotspots quantitatively and visually in regions of the province which are most problematic with respect to the number and cost of the wildlife-vehicle crashes (see maps below).

The following categories of countermeasures were researched:

- Those that aim to change driver behaviour;
- Those that aim to change animal behaviour;
- Those that physically separate animals from the roadway; and,
- Those that aim to reduce wildlife population

An extensive review of what countermeasures have been tried in other jurisdictions in both Canada and the US, and their effectiveness was conducted.

As part of the research for this project, the committee reviewed a comprehensive wildlife-vehicle collision reduction study written by the US Department of Transportation, Federal Highway Administration in 2008. The report evaluated a multitude of countermeasures both in the US and

in Canada. Some of the countermeasures under consideration by the committee include fencing, underpasses/overpasses (reported to be 80% - 99% effective in reducing wildlife-vehicle collisions when used together), crosswalks (found to be 37% - 42% effective), and non-standard signs (assessed at 50% effective).

Some of the other countermeasures the committee looked at are as follows:

- Increasing the number of hunting licenses issued – This has been tried in the past without success. Hunters tend to favor bucks over does for the trophy antlers. Herd size is better managed when does are harvested because the reproductive potential of the herd is more effectively reduced.
- Wildlife culling by sharpshooting professionals – While this can be effective in reducing wildlife density, it is not favored or accepted by the public. A field test in Minnesota was reported to have reduced deer densities by 46% and wildlife-vehicle collisions by 30%. Recently Cranbrook and Penticton in British Columbia, Kenora in Ontario, and the province of New Brunswick have looked at using bow hunters to cull herds in populated areas.
- Reducing speeds in high-collision areas – There is evidence of a minimal reduction, about 25% when speeds were reduced from 90 km/h to 70 km/h. Getting drivers to comply with reduced speed limits is, however, a challenge.
- Streetlight-like lighting along the highway – This would increase the driver's visibility and prevent a collision with an animal. This is effective only when used in conjunction with fencing and wildlife crosswalks. A study done in Alaska saw a reduction in moose-vehicle collisions by 65%.
- Reducing roadside vegetation – Vegetation may obscure wildlife approaching the roadway. There is minimal evidence that this reduces wildlife-vehicle collisions. Studies from Europe showed when clearing vegetation along transportation corridors, wildlife-vehicle collisions were reduced by 20%. A ditch-mowing pilot project done in Saskatchewan in 2009 concluded there was not a quantifiable reduction in wildlife-vehicle collision rates on the sections of highways involved. Mowing is done in the spring and summer months, while most collisions take place in late fall and early winter.
- Wildlife-detection systems – These detection systems use sensors to detect large animals that approach the road. Once a large animal is detected, warning signals are activated to inform the drivers a large animal may be on or near the road at that time. Most of these systems have or had problems with the reliability of the sensors, although

some of the manufacturers seem to have overcome these problems. Wildlife-detection systems rely on the vehicle operator to lower their speed, once they know an animal is on or near the road. Preliminary studies show some drivers slow substantially (5 km/h or more), some have minor decreases in speed (less than 5 km/h) and some increase their vehicle speed. The variability of results are related to various conditions such as the type of warning system and signs, whether the warning system is accompanied with mandatory or advisory speed limit reductions, road and weather conditions, and whether the driver is a local resident.

- Issue Awareness – More public awareness to the issue of wildlife vehicle collisions may help drivers be more mindful on the road. Increasing public awareness may include media attention, print advertising, billboard advertising, radio advertising, rest stop signage, and information handouts.
- Driver Education – Providing educational information to drivers such as wildlife collision hotspots, wildlife collision costs, and nighttime driving may help drivers to adjust their driving habits and be safer on the road.

The solutions under consideration would be implemented in a phased approach over five years and are as follows:

Temporary Non-standard Highway Signs

Temporary signs are portable signs that can be moved frequently and strategically placed in wildlife habitat areas during migration periods or when risk is higher based on collision experience. These signs can be installed adjacent to the highways in corridors that have been identified as the hotspots, which would be 29 locations around the province. It is estimated the cost of the signs, installing, and removing (or masking) them twice a year would be about $400,000.

Hunt 4 Hunger

Hunt 4 Hunger is a program where more antlerless deer are targeted during hunting season to better manage the herd population. Hunters then turn the deer carcasses over to be processed and donated to the local food bank or Salvation Army to feed the communities' hungry.

Reducing wildlife population is best done either by rural municipality or wildlife-management zone, as defined by the Ministry of Environment. The analysis done to determine wildlife-

collision problem areas show there are three parts of the province where this program could be piloted – Regina, Saskatoon, and Meadow Lake. The Chapters of the Saskatchewan Wildlife Federation (SWF) in these areas would be the coordinating agencies for the local hunters. Hunters interested in participating would acquire the appropriate antlerless license from the Ministry of Environment. Once the deer have been hunted, they would be turned over to the SWF chapter for processing and distribution. Total cost is estimated to be about $500,000.

Fencing and Underpasses/Overpasses or Crosswalks

Long-term solutions involve physically separating animals from the roadway. The analysis done to find collision hotspots has identified many corridors where fencing, wildlife underpasses or overpasses and/or crosswalks may be cost beneficial. More analysis and planning are required before specific recommendations can be made. The highway corridors that have been identified as hotspots total less than 1,000 kilometers. However, not all sections would be conducive to fencing because of the requirement to have gaps in the fence for grid roads, driveways, etc. The top five sections total about 240 km. It is estimated that fencing costs about $30,000/km so the total cost estimate would be $7.2 million.

Wildlife Detection Systems

The technology used in wildlife-detection systems is relatively new and is being perfected regularly. As more concrete evidence is gained on the effectiveness of wildlife-detection systems, this could be an option that is considered as a long-term solution in Saskatchewan. Costs associated to these types of systems are estimated between $40,000 - $96,000/km. The costs could be higher if the road sections concerned have curves or slopes or if the line of sight in the right of way is blocked in any way.

Wildlife Culling

There is much debate about whether it would be a viable solution to the wildlife-vehicle collision problem.

SRRP (SAF) 1-44

Application Part and Chapter:	**14**	**Page No.:**	**Pdf. 6,189 (Tab 14 Pg. 1)**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety Programs**		
MFR:	**14**		

Preamble to IR (If Any):

Question:

Please provide any available statistics assembled by SGI that measure the success of its traffic safety programs since 2016/17.

RESPONSE:

We continue to monitor the success of traffic safety programs using long-term collision outcomes. Table 1-44 indicates that there have been significant reductions in all categories of collision outcomes relative to the five-year baseline.

Table 1-44: Impact of SGI Initiatives on Collision Outcomes Since 2016/17

Collisions and Victims	Baseline Average (2009-2013)	Average Following Implementation (2018-2019)	Change	Percent Change (%)
Total Collisions	35,097	29,031	-6,066	-17%
Fatalities	158	100	-58	-37%
Injuries	6,936	4,238	-2,698	-39%

SRRP (SAF) 1-45

Application Part and Chapter:	**14**	**Page No.:**	**6,189 (MFR 14, Pg. 1)**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety- 2014 New Initiative Evaluation Report 2020**		
MFR:	**14**		

Preamble to IR (If Any):

SGI carried out a series of public opinion surveys before and after the 2014 traffic safety initiatives. In 2020, this survey was conducted twice (Spring and Fall) to evaluate all of SGI's existing programs.

Question:

a) Please provide an update of the observed cell phone usage trend by community from that provided at the 2014 GRA. If not available, please provide the analysis prepared on this safety issue.

b) Please file a table of supporting data on the survey results on distracted driving.

RESPONSE:

a) Since the 2014 GRA, SGI has analyzed the results of a study conducted in Saskatoon between 2013 and 2015 in collaboration with the University of Saskatchewan, Ministry of Highways and Infrastructure, and Virginia Tech Transportation Institute. In all the study covered over 123,753 trips logging over 685,000 vehicle miles of travel.

Cameras were placed in 125 light vehicles and 30 heavy long-haul trucks that captured participant drivers' activities while driving. The pieces of data captured included the natural driver behavior, detailed pre-crash and near crash information, distraction, drowsiness, aggressive driving, driver errors, vehicle dynamics and demographics. Specifically, the data

covered secondary tasks such as moving an object in the vehicle, combing or brushing of hair, reaching for an object

The data was used to conduct analyses to establish direct relationships between distraction and crash and near-crash behavior. Crashes and near-crashes were used because it was found that both are similar and using both increased statistical power. Relative near-crash/crash risk was calculated (odds ratios) using both crash and near-crash data compared to normal, baseline driving data for various sources of distraction. An odds ratio of 1 means there is no difference in risk posed by the distracted driver as compared to attentive drivers. A value greater than 1 indicates an elevated risk compared to an attentive driver.

Table 1-45 presents the results of the analyses on distracted driving and safety from the Canadian Naturalistic Driving Study data. Although the Naturalistic Driving Study captured data on over 50 distracting activities, what appears in the Table I-45 includes only those that indicate a higher level of risk when compared to a driver who was driving without being distracted in any way.

There are indications that when considering crash or near-crash situations, a driver using a cellphone - holding, browsing, texting, locating or answering the phone - increases his/her likelihood of being in a crash compared with a non-distracted driver. For example, the likelihood of a crash or near crash when browsing on a cellphone while driving could be as high as 8.5 times that of a driver who is not distracted. Similarly, risk of being involved in a crash when holding a cellphone could range from having no effect to as high as 6.5 times the risk of being in a crash or near-crash.

Thus, the Canadian Naturalistic Driving Study provides us with more insight into the higher risk of using a cellphone while driving compared to a driver whose primary task is focused on just driving.

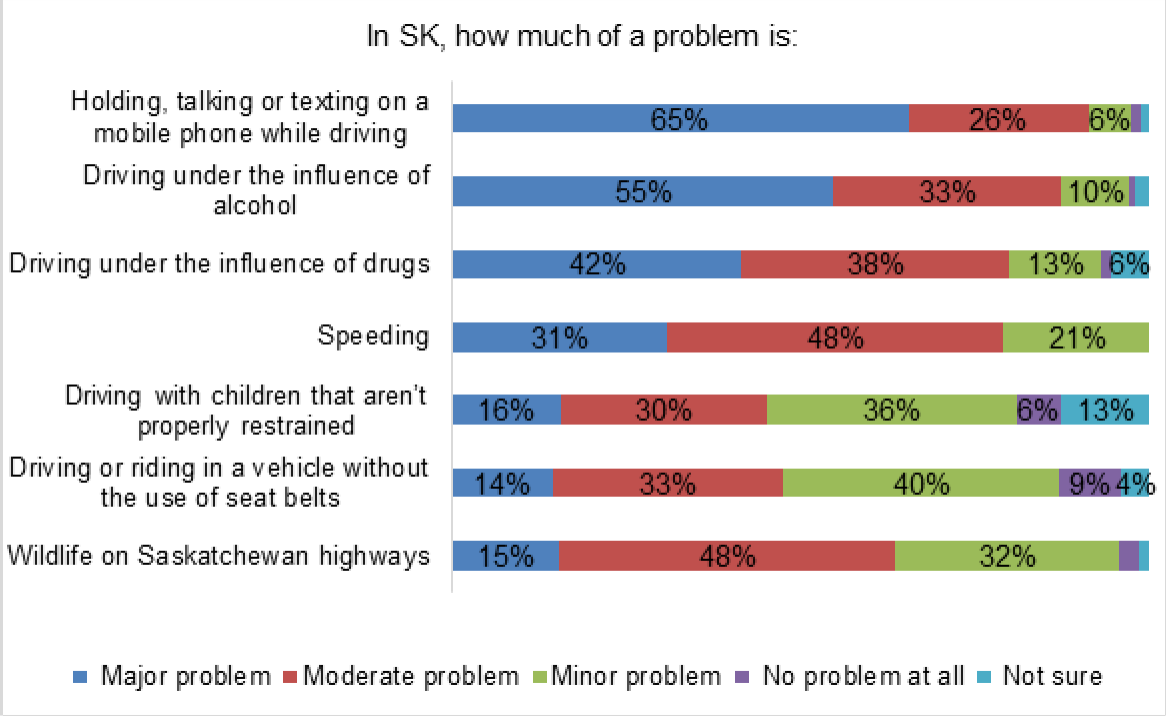
Table 1-45: Analysis and Results on Distracted Driving and Safety from Canadian Naturalistic Driving Study Data: High-risk secondary tasks while driving

Secondary Task	ODD	Lower CL	Upper CL
Moving object in vehicle, interact	58.3981	7.6696	444.6581
Combing/brushing/fixing hair	3.8932	0.9655	15.6985
Lighting cigar/cigarette	3.8932	0.2425	62.5061
Reaching for object, other (leave a note)	3.8932	0.7801	19.4305
Cellphone Browsing	**2.9199**	**1.0020**	**8.5085**
Cellphone Texting	**2.5955**	**0.9135**	**7.3746**
Cellphone, locating/reaching/answering	2.3359	0.5537	9.8545
Object in vehicle, other (leave a note)	2.1899	1.2050	3.9800
Other personal hygiene	1.5140	0.8015	2.8599
Cellphone, holding	**1.2977**	**0.2600**	**6.4768**
Child in rear seat - interaction	1.1680	0.3185	4.2824
Adjusting/monitoring radio	1.0618	0.4250	2.6526
Talking/singing, audience unknown	1.0382	0.6453	1.6704

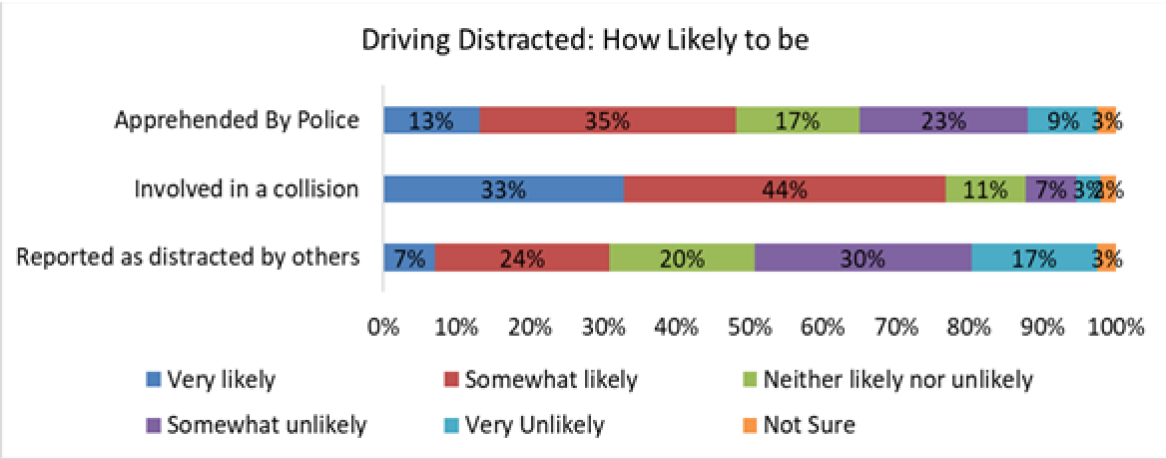
Notes: **ODDS** – odds ratio of being involved in a crash or near crash when engaging in a secondary task while driving as compared to people not engaged in any secondary task (i.e., attentive driving). An ODDS ratio of 1 means there is no difference in risk posed by the secondary task as compared to attentive drivers. **LOWER CL** and **UPPER CL** are low and high end limits of the ODDS at a 95% confidence level.

b) The following tables represent the data presented in the 2014 Traffic Safety Monitor report; The data is from the Fall 2020 study with 1024 respondents.

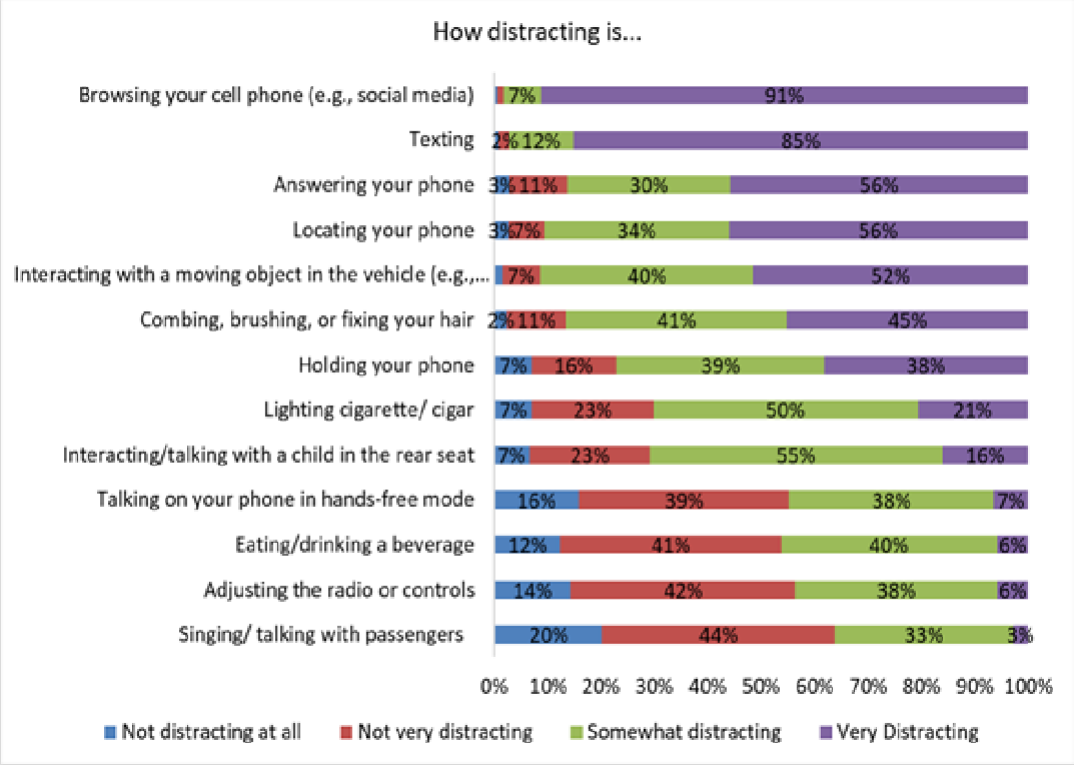
- Cellphone distraction is by far the largest concern for traffic safety, followed by alcohol and drugs.



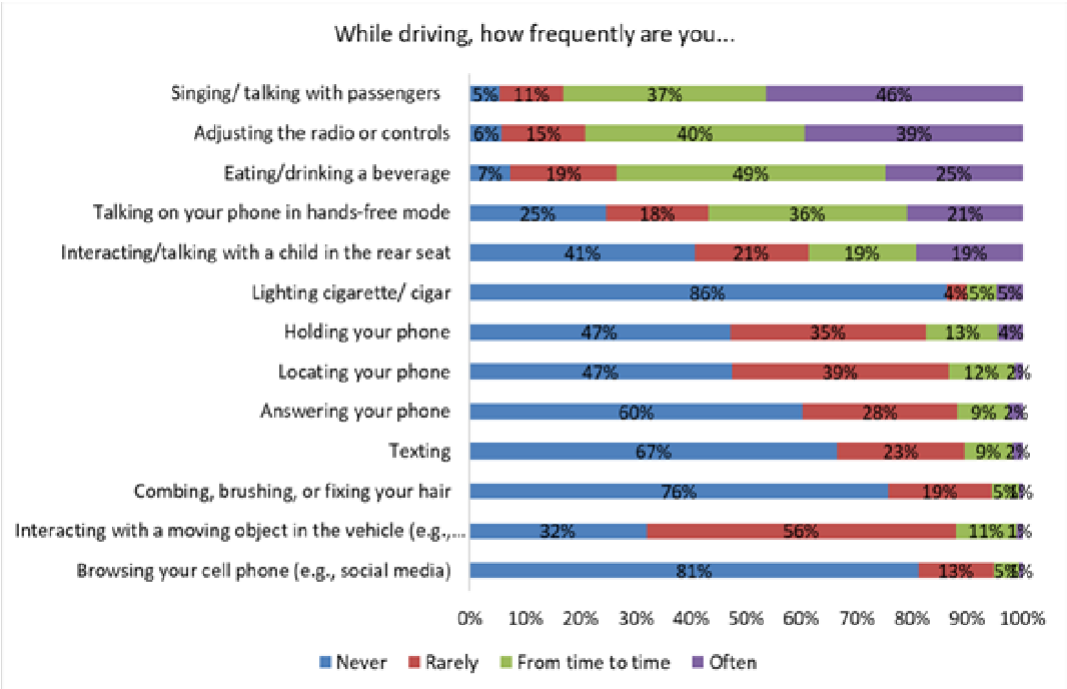
- About 4 in 5 believe a collision is likely with distracted driving.



- Nearly all respondents find browsing the phone and texting the most distracting behaviors while driving, followed by answering and locating a phone. One in fifteen report browsing their phone and 1 in 9 report texting and answering the phone sometimes too often.



- Talking with passengers, adjusting the radio, and eating/ drinking were the most often occurring distractions.



SRRP (SAF) 1-46

Application Part and Chapter:	**14**	**Page No.:**	**6,190 (MFR 14, Pg. 2)**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety- 2014 New Initiative Evaluation Report 2020**		
MFR:	**14**		

Preamble to IR (If Any):

Question:

a) Please provide updated statistics on the participation in the DWI program and re-offense rates for program participants.

b) Please file a table summarizing the survey results cited for Alcohol and Drug usage.

RESPONSE:

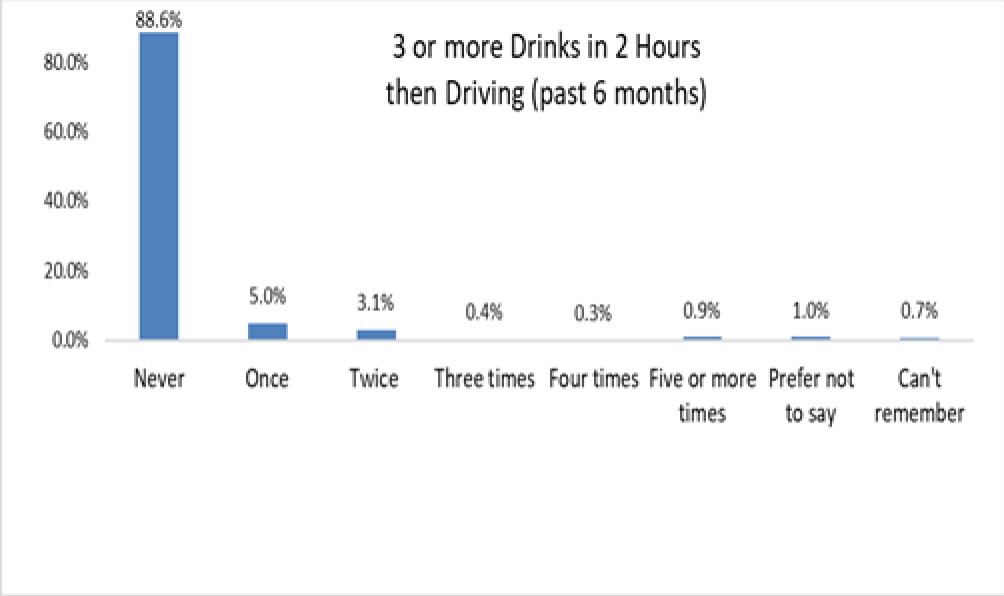
a) DWI participants

2016	3018
2017	2518
2018	2333
2019	2120

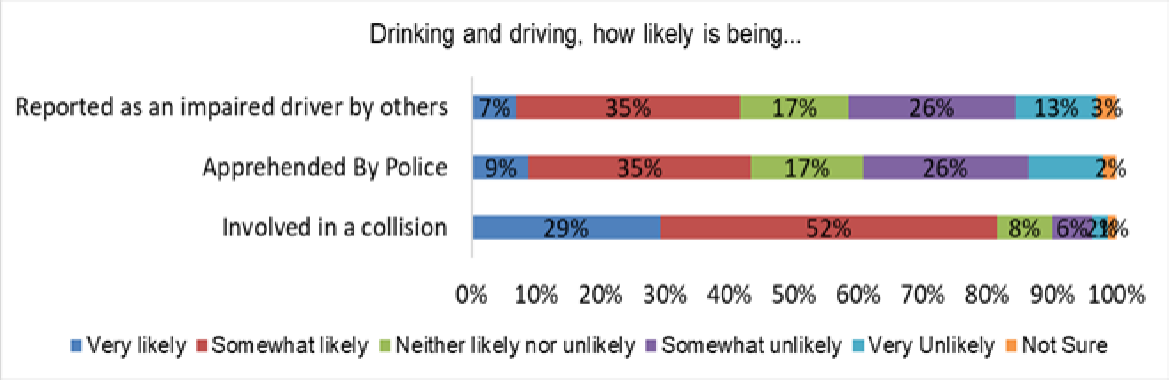
Recidivism rates for program participants have been in the range of 2% to 3%.

b) The survey results are presented below:

- About eight percent report driving within two hours of consuming three or more drinks of alcohol in the last six months, though more than 20 percent believe a collision is likely with impaired driving

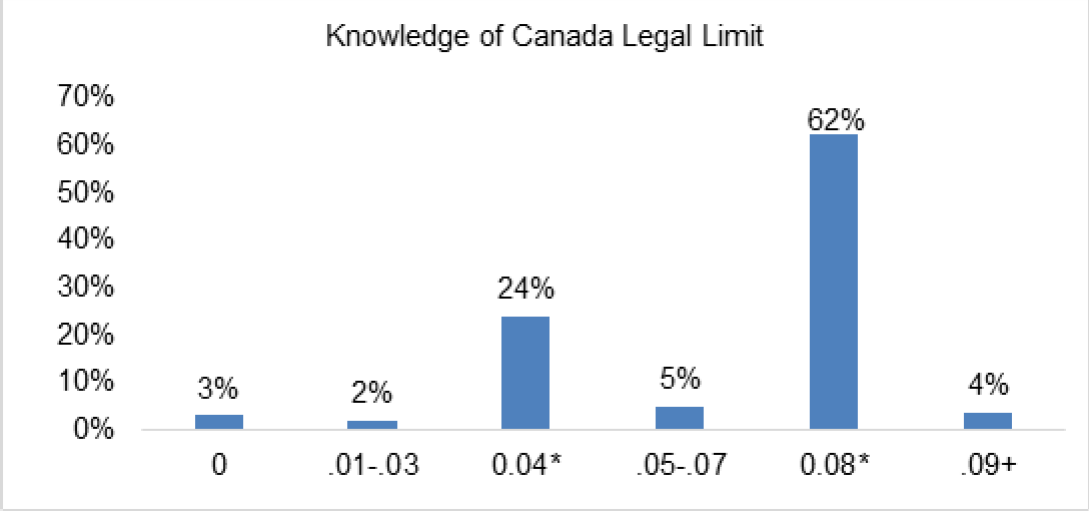


How many times within the past six months did you drive after having **3 or more drinks? within two hours** before driving?



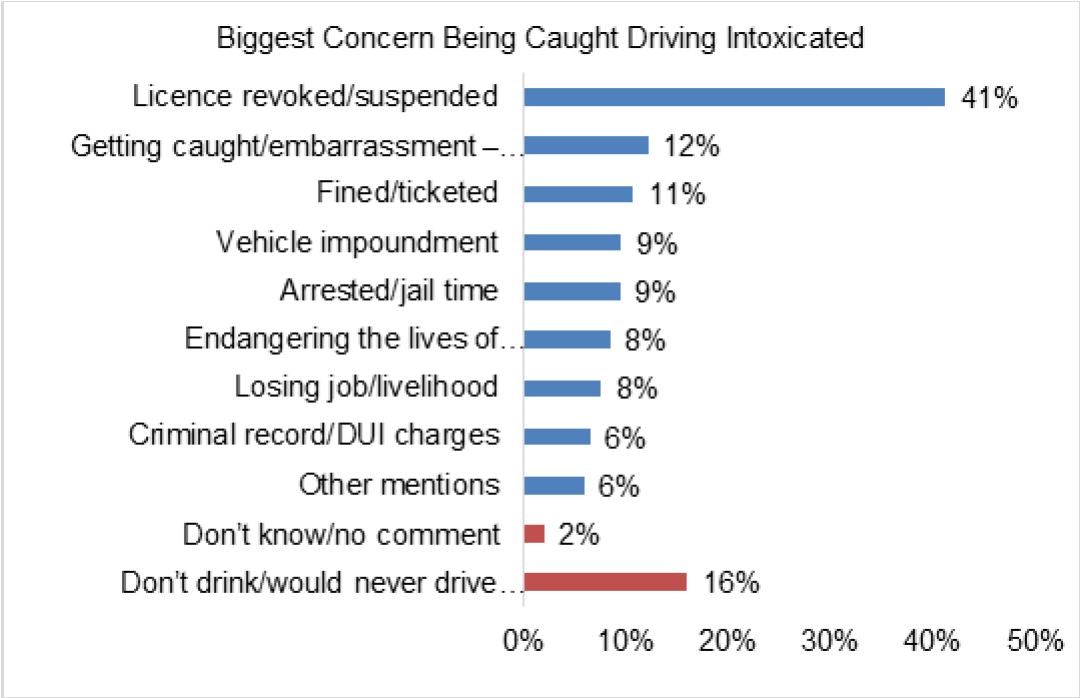
How likely do you think people on the road who drive while impaired by alcohol will be: (*n* =1014)?

- About 62% know of the federal limit of .08, but 24% confuse the Saskatchewan lower limitof .04 for the federal limit

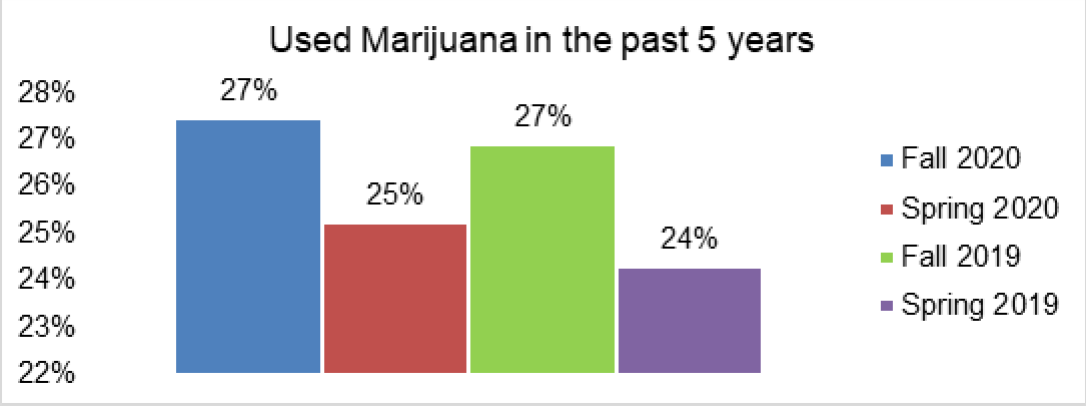


To the best of your knowledge, what is the legal blood alcohol limit when driving in Canada?

- Fines, license suspension, and vehicle impoundment were the three biggest concerns associated with impaired driving.

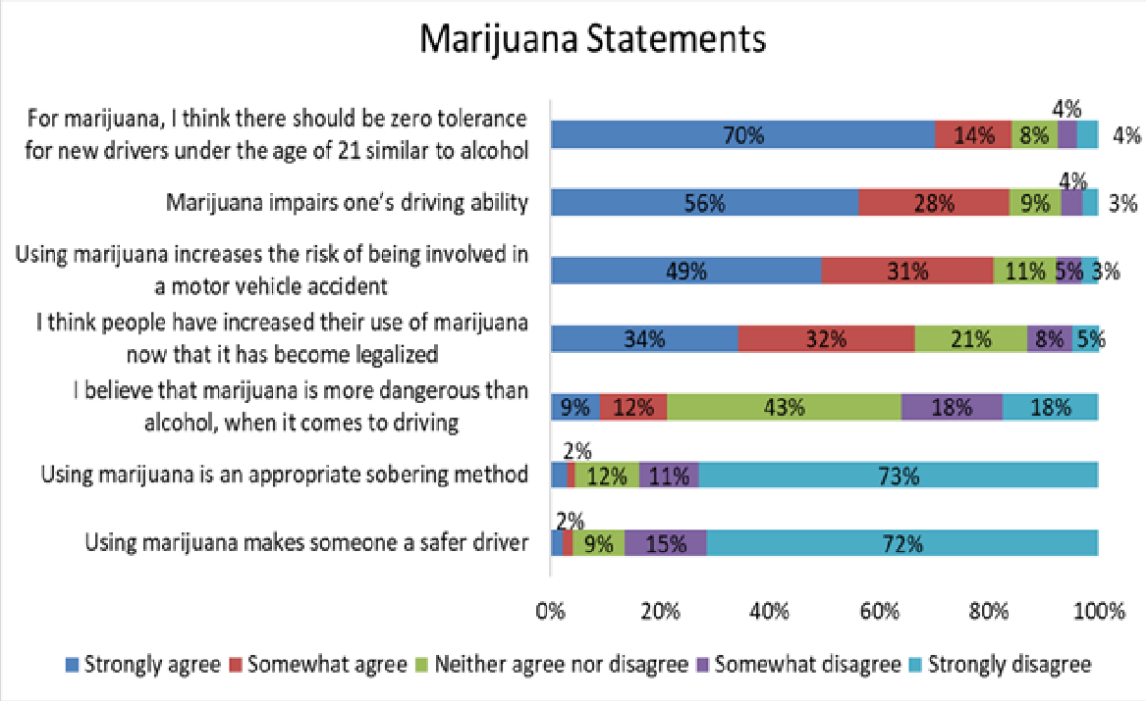


- Marijuana use has increased since legalization. About 27% of respondents reported using marijuana within the last 5 years, up 3% since Spring 2019.



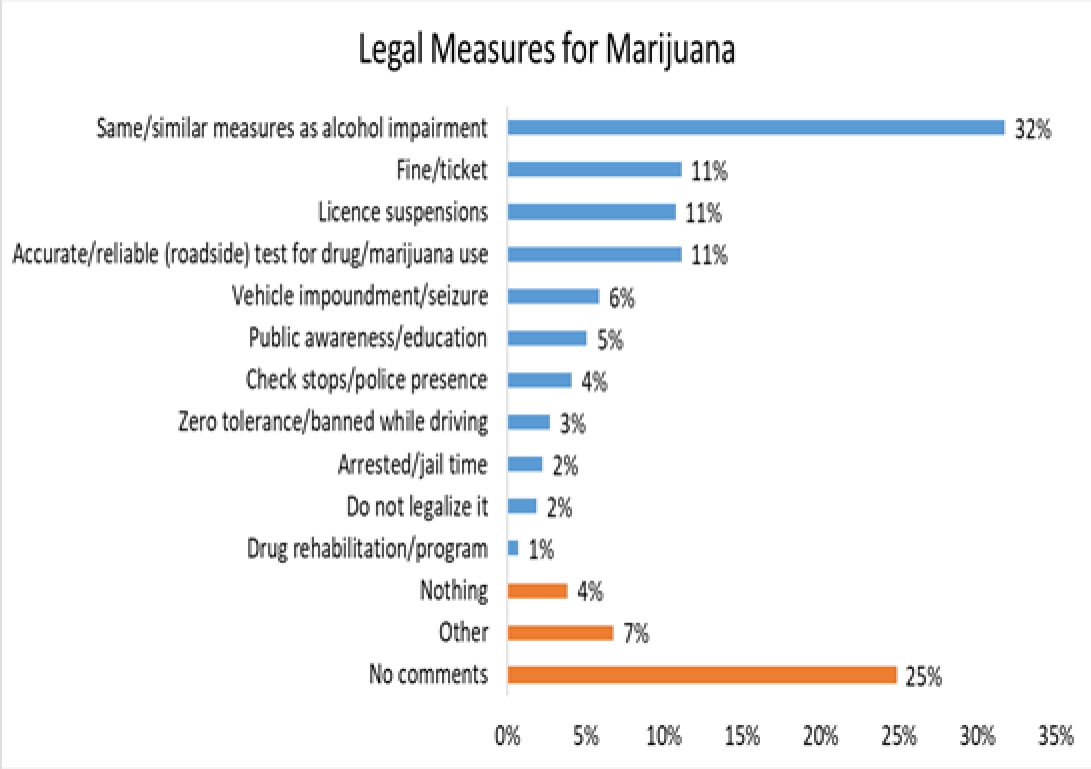
Have you used marijuana in the past 5 years? (*n* = 1,024).

- While about a quarter report driving within two hours of consuming marijuana, about half of the respondents believe a collision is likely with marijuana use.



How much do you agree or disagree with the following statements? (*n* = 1,024)

- About 1 in 3 respondents felt the same penalties should apply to marijuana impairment as alcohol impairment, although the perceived likelihood of a collision is greater for marijuana use than alcohol use.


Legal Measures for Marijuana
Same/similar measures as alcohol impairment
32%
Fine/ticket
11%
Licence suspensions
11%
Accurate/reliable (roadside) test for drug/marijuana use
11%
Vehicle impoundment/seizure
6%
Public awareness/education
5%
Check stops/police presence
4%
Zero tolerance/banned while driving
3%
Arrested/jail time
2%
Do not legalize it
2%
Drug rehabilitation/program
1%
Nothing
4%
Other
7%
No comments
25%
0%
5%
10%
15%
20%
25%
30%
35%

SRRP (SAF) 1-47

Application Part and Chapter:	**15**	**Page No.:**	**6,201**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**RSR Balance and MCT Forecast**		
MFR:	**15**		

Preamble to IR (If Any):

SAF's Capital Management Policy envisions both a Capital Build and Release Provision and a Capital Maintenance Provision. The Capital Maintenance Provision is included to deal with the growth in Capital to deal with inflationary pressures as SAF's book of business grows.

The Capital Build and Release Provision is determined to build up or release capital (over a five-year period) to meet the approved Operating Target MCT of 140% at that time.

Question:

a) Please discuss what would be the necessary RSR release (dollar and percentage), and MCT would be on an annual basis for the four years beyond 2021/22, all else being equal.

b) Please describe the process of determining the size of the Capital Build and Release provision needed in 2022/23 to the rates that would already include the approved provision.

c) Please confirm that under the policy, the MCT should be forecast to be at the Operating Target MCT level at the end of the five-year forecast, all things being equal.

RESPONSE:

a)

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Capital Margin	2.2%	0.6%	0.7%	1.1%	1.2%	0.7%
Capital Maintenance	N/A	3.4%	3.5%	3.4%	3.5%	3.5%
Capital Release	N/A	-2.9%	-2.8%	-2.4%	-2.3%	-2.8%
Approx Annual $ Release	N/A	-28,272,020	-28,230,685	-24,560,604	-24,154,936	-29,640,473
MCT	158%	157%	158%	153%	156%	158%

The underlying budget uses Conference Board of Canada forecast interest rates, which are projected to increase substantially by the later years above. This causes the observed improvement in later MCT ratios. If these projections are accurate, all else remaining equal, we would expect later rate applications to reduce basic rates, resulting in MCT ratios declining further toward the target level.

b) The process for determining both the calculated Capital Maintenance and Capital Build/(Release) Provisions in future rate programs will involve:

1. Determination of the overall indicated basic rate change from the actuarial indication.
2. Projecting a version of the five-year forecast that includes only the overall indicated basic rate change in the premium projection for the following rating year.
3. Calculation of Capital Margin according to growth in capital required projected, and Capital Build/(Release) required to determine 1/5th of the build/(release) required to move 1/5th of the way toward the target MCT.
4. Measurement of the change in Capital Margin required by comparing the result in #3 with the current Capital Margin in the rates.

Please note that the authority for the proposed rate action to be taken to support the Auto Fund's Capital Management Policy rests with the SGI Board, which may deviate from the calculated change above.

c) While the targeted adjustment in a given year is to build/release 1/5th of the shortfall/excess in capital available, this does not strictly result in a five-year forecast ending at the operating target MCT. Two major factors that explain this:

1. The five-year forecast incorporates assumptions beyond the rating year. The Capital Build/(Release) focuses on the capital available over the rating year to determine the adjustment. Future years' capital available are considered in future years' adjustments to the Capital Build/(Release).

2. As the Auto Fund moves toward its target, the amount of Capital Build/(Release) will shrink over time, all else being equal. This provides additional stability in the overall rates, helping to smooth the effect for customers. For example, if there is a $50 million shortfall in the capital available, an initial calculation may determine that the required Capital Build/(Release) should be 1% to accumulate $10 million. One year later, if that $10 million has been collected, the remaining shortfall (all things being equal) is $40 million. The calculation in year 2 will then determine that a Capital Build (Release) of only 0.8% is required, resulting in a capital margin decrease of 0.2%. Over the following years, the Capital Margin would steadily decrease.

It's also important to keep in mind that both the Rate Stabilization Reserve (RSR) and Capital Margin exist because of how reality differs from expectations. Actual annual results will swing the shortfall/excess amount each year, limiting the usefulness of "all things being equal" calculations. This approach to the determination of the Capital Build/(Release) exists to strike the balance between steadily pushing the capital available toward the Auto Fund's target while smoothing the effect on its customers.

SRRP (SAF) 1-48

Application Part and Chapter:	**15**	**Page No.:**	**6,201**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**MCT Target Scenario**		
MFR:	**15**		

Preamble to IR (If Any):

Question:

a) Please file a financial forecast scenario including the MCT for each year and the capital build release and overall indicated rate for 2022 for the following scenario: based on meeting a target of 125% MCT.

b) Please discuss what would be the necessary RSR release (dollar and percentage), and MCT would be on an annual basis for the four years beyond 2021/22, all else being equal.

RESPONSE:

a) See attached five-year forecast scenario. Using a target MCT of 125%, the Capital Margin decreases to -2.2%. Combined with the 1.7% basic rate increase, this is an overall rate change of -2.75%.

b)

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Capital Margin	2.2%	-2.2%	-1.8%	-0.9%	-0.5%	-0.7%
Capital Maintenance	N/A	3.1%	3.1%	3.1%	3.1%	3.1%
Capital Release	N/A	-5.3%	-4.9%	-4.0%	-3.6%	-3.8%
Approx Annual $ Release	N/A	-52,315,954	-48,616,613	-40,393,543	-37,057,173	-40,025,271
MCT	158%	157%	154%	146%	148%	149%

The underlying budget uses Conference Board of Canada forecast interest rates, which are projected to increase substantially by the later years above. This causes the observed improvement in later MCT ratios. If these projections are accurate, all else remaining equal, we would expect later rate applications to reduce basic rates, resulting in MCT ratios declining further toward the target level.

SRRP (SAF) 1-49

Application Part and Chapter:	**15**	**Page No.:**	**6,201**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**Financial Condition Testing**		
MFR:	**15**		

Preamble to IR (If Any):

Question:

Please provide a copy of the Financial Condition Testing (FCT) report and the related internal target capital analysis report underlying the new target MCT ratio of 140%.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-50

Application Part and Chapter:	**15**	**Page No.:**	**6,201**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**Financial Forecast RSR**		
MFR:	**15**		

Preamble to IR (If Any):

OSFI recommends using the Financial Condition Test (FCT) process and reverse stress testing (using the Minimum and Supervisory MCT ratios as the applicable bases) for this purpose, along with any other approaches management considers appropriate. As a monopoly, SAF's Internal capital target should represent that level required to remain solvent in all plausible maximum loss events. In its May 21's Briefing, SAF provided a summary of its FCT testing.

Question:

Please file the summary of the FCT scenario testing results that supports the current MCT operating target level and provide commentary on the results of the testing relative to the target in both terms of dollar and MCT %.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-51

Application Part and Chapter:	**15**	**Page No.:**	**6,201**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**FCT Modelling and Testing**		
MFR:	**15**		

Preamble to IR (If Any):

Question:

a) Please confirm that the financial model used in the FCT and the related internal target capital analysis was created internally by SAF and identify the principal authors of this model, including their respective qualifications for this work.

b) Please summarize the testing done of this financial model, and identify the principal parties responsible for this testing, including their respective qualifications for this work.

RESPONSE:

a) The financial model used in the FCT and the related internal target capital analysis was created internally by SAF. The principal authors of this model were:
    a. Chris McCulloch, FCAS, FCIA – Vice President, Corporate Actuary. Has worked in an Actuarial role at SGI for 14 years.
    b. Janette Klug, ACAS – Director, Forecasting & Capital Monitoring. Has worked in an Actuarial role at SGI for 13 years.

b) The model has been tested and improved over the years by both Chris McCulloch and Janette Klug. It has also been tested, used and improved by the internal reserving team, which includes another certified ACAS. The testing done on this model includes (but is not limited to):
    a. Retrospective checks on the validity of the model. The 2020/21 FCT Report includes a table comparing key 2019/20 base scenario forecasted values from the prior FCT report with the actual 2019/20 values (see page 15 of the report).
    b. The base scenario forecast is compared to the business plan and any differences, which are usually very minor, are explained. A discussion on the base scenario vs business plan begins on page 12 of the 2020/21 FCT Report.
    c. Differences between the results of each adverse scenario are compared to the results of the base scenario to assess the reasonableness of the model for all adverse scenarios. For each adverse scenario, we verify that the magnitude and direction of change in key model output is consistent with the change in assumptions.

SRRP (SAF) 1-52

Application Part and Chapter:	**15**	**Page No.:**	**6,200**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**MCT Changes**		
MFR:	**15**		

Preamble to IR (If Any):

The Capital Management Policy (CMP) (A-4) was updated effective January 2018.
OSFI had an MCT update effective January 2019 - how to measure the MCT.

Question:

a) Please confirm that SAF's CMP is intended to use the MCT ratio as periodically revised by OSFI and describe SAF's process for assessing the need for changes to its Capital Management Policy in response to changes in the MCT.

b) Please indicate whether SAF's determination of MCT reflects the changes in the Capital Management Policy 2018 update and guidance on measuring MCT effective 2019.

c) Please discuss the implications of the changes on the MCT in (b).

d) Please describe the peer review process for the Actuarial Analysis and MCT, including when last undertaken and the interval between reviews.

RESPONSE:

a) That is correct, the policy uses the MCT definitions provided by OSFI. The Capital Management Policy is not expected to be adjusted with changes in the MCT. In the event of significant adjustments to the MCT that do not reflect the risks inherent in the Auto Fund, that may be factored into the Board's decision on the target and operating MCT levels.

b) Yes, they do.

c) The 2019 changes to the MCT calculation had very little effect on the SAF MCT calculation as those changes primarily related to how premiums ceded to unregistered reinsurers were included in the calculation. Given SAF has a very minor amount of premiums ceded to these reinsurers, the effect the changes had on SAF's MCT were negligible.

d) As SAF is not a regulated insurer, there has been no peer review process completed.

SRRP (SAF) 1-53

Application Part and Chapter:	**16**	**Page No.:**	**6,205**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**RSR & MCT Ratio**		
MFR:	**15, 16**		

Preamble to IR (If Any):

Question:

Please provide an update to both the chart of the MCT ratio and the underlying table of actual month-end MCT and RSR provided in Tab 16, extended to June 2021, and estimate the impact of this most recent MCT information of the Application's Capital provision.

RESPONSE:

See attachment provided. Please note that June 2021 MCT and RSR values will not be available until end of July.

For an updated Capital Margin calculation, please see the response to 1-25.

SRRP (SAF) 1-54

Application Part and Chapter:	**15**	**Page No.:**	**6,203**
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**MCT Ratios**		
MFR:	**15**		

Preamble to IR (If Any):

Question:

Please provide the derivation of the March 31, 2021, MCT ratio, including supporting schedules.

RESPONSE:

Please see attachment provided.

SRRP (SAF) 1-55

Application Part and Chapter:	**17**	**Page No.:**	**6,208**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Policy Changes**		
MFR:	**17**		

Preamble to IR (If Any):

AON made recommendations in how the portfolio is managed, asset mix and policy changes in its 2020 Investment Policy Review based on its 2020 SGI Asset Mix Review.

In its May 20 -21, SAF Update Investment Policy Section Slide 2, the Corporation indicated that it had made changes to the composition of the return-seeking investment portfolio. The current rate application does not appear to reflect these changes.

Question:

a) Please confirm that the suggested asset mix has been adopted and indicate the status of implementation.

b) Please provide a table that summarizes the recommendations made by AON in its 2020 SGI Investment Policy Review and indicate the Corporations response to the recommendation and the status.

c) Please file SAF's internal 2020 Investment Policy Review.

d) Please file an updated Statement of Investment Policies and Goals from the December 2019 version if available with tracked changes if possible. Please summarize and explain any changes.

RESPONSE:

CONFIDENTIAL PART B, C, and D

a) Yes, the most recent asset mix has been adopted:

A change in Canadian equities managers took place in May 2021 bringing the allocation near its long-term target.

The implementation of the global low volatility equity allocation is currently delayed, awaiting further information from the investment consultant although is expected to be implemented by December 31, 2021. On transition, the funds for this mandate will be sourced from the existing global equity managers.

b,c,d) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-56

Application Part and Chapter:	**17, Sec. 1.05**	**Page No.:**	**6,214**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Risk Management**		
MFR:	**17**		

Preamble to IR (If Any):

In its 2019 Return Seeking Portfolio Risk Analysis, Aon described the current currency risk profile of SAF and provided a discussion on the merits of implementing a currency hedging program for the Return Seeking Portfolio. SAF prepared a Risk Management review in response to the AON Report.

Question:

a) Please file a copy of Aon's 2020 Return Seeking Portfolio Risk Analysis if available.

b) Please explain SAF's current exposure to currency risk and whether the SGI Investment Committee has incorporated a currency hedging strategy to address this risk. If not, please explain.

c) Please explain how the investment managers are managing currency risk.

RESPONSE:

a) A 2020 Return Seeking Portfolio Risk Analysis was not completed. The 2019 review is conducted periodically and not something completed annually. The 2019 analysis reviewing downside risk, currency hedging and potential risk management options helped inform the modelling and optimization work conducted in the 2019 and 2020 investment policy reviews.

b) The SGI Investment Committee has received periodic information on currency hedging but has not incorporated a currency hedging strategy.

The Auto Fund's direct foreign currency exposure is through its investments in its global equities and infrastructure assets. The 2019 Aon currency analysis identifies the following:

- No long-term trends are detectable for exchange rate movements of both U.S. dollar and Euro currencies versus the Canadian dollar;
- While short-term impacts can be volatile, over long periods (30 & 40 years), currency impacts are much less significant;
- Currency has generally been negatively correlated to equity market performance, which offers some diversification benefits; and,
- Over past 10 years, hedging would have decreased volatility and returns.

Historical foreign currency data indicates it is beneficial to have currency exposure as a means of reducing risk over the medium to longer term, supporting not hedging currency from a static, long-term perspective. Under Aon's forward-looking capital market assumptions, it expects hedging foreign currency exposure to have little impact on expected return but increased volatility for hedged portfolios.

From an implementation perspective, currency hedging programs may necessitate large cash flows with investors requiring some tolerance for unplanned cash flows. Hedging costs include management fees, transaction costs, legal and administrative costs for monitoring and reporting.

A hedging program will not be able to hedge all assets perfectly and may be counter-productive to currency decisions made by our asset managers. Finally, Aon's preference

is for tactical hedging for a medium time-frame (3-5 years), which does not help rectify current concerns with short-term volatility or the long-term nature of the Return Seeking Portfolio assets (20+ years).

Management's perspective is that hedging currency in the equity portfolio is not appealing given the costs, governance, administrative and cash flow considerations.

c) The Auto Fund's foreign currency exposure is contained within the two global equity managers, the global small cap equity manager, and the infrastructure managers. The equity managers evaluate currency as one of many factors within the securities analysis with opinions ultimately reflected in the relative weights and exposures at the individual security holding level. The managers employ risk management techniques in arriving at portfolio holding decisions.

The Return Seeking Portfolio's quantitative global equity manager does employ a direct currency hedge at the fund level based on its security level exposures and its opinion on relative value between currencies. The infrastructure managers generally employ some currency hedging on known cash flows in their respective portfolio's, including incoming cash flows or through the underlying debt employed at the individual asset level holding.

Management does not believe currency hedging has merit for the equity/infrastructure assets due to the diversification achieved through currency exposures over long-time horizons. As well, management believes it to be a blunt tool that may be counter-productive to currency decisions employed by asset managers at the individual security holding level. Management could consider currency hedging in the context of a foreign fixed income allocation, should a strategy be considered in future reviews

SRRP (SAF) 1-57

Application Part and Chapter:	**17, Secs. 4.0, 4.03**	**Page No.:**	**6,225**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Portfolio Management**		
MFR:	**17**		

Preamble to IR (If Any):

Question:

a) Please describe the lead investment structure used to manage the Investment Portfolios indicating who is the external lead managing the portfolios.

b) Please provide the current composition of the Investment Committee.

c) Please file the most recent Report on investment portfolio returns.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-58

Application Part and Chapter:	**18 Sec. 1.4 18.1 App. A & B**	**Page No.:**	**6,244**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Portfolio**		
MFR:	**17**		

Preamble to IR (If Any):

Question:

a) Please provide a schedule detailing the composition of the Matching portfolio by investment type for each of the years 2019 to 2021 actual and forecast for 2022 through 2026.

b) Please provide a schedule detailing the composition of the Return portfolio by investment type for each of the years 2019 to 2021 actual and forecast for 2022 through 2026.

c) Please provide a separate schedule in (b) adding columns for relative weighting of each investment of the total portfolio.

d) Please provide a comparison of the 2021 forecast Return portfolio composition and compare with the target range in the Investment Policy and explain any variances from the policy.

RESPONSE:

a) The actual and forecast composition of the Matching portfolio for the 2019 through 2026 period are as follows:

	Actual			Forecast				
Matching ($M)	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**
Short-term inv/cash	14	38	300	69	68	69	71	72
Matching bonds	994	1,035	1,102	1,049	1,038	1,057	1,078	1,101
Mortgages	204	212	225	218	217	220	225	230
Total Matching	1,212	1,285	1,627	1,335	1,323	1,347	1,374	1,404
Matching (%)	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**
Short-term inv/cash	1%	3%	18%	5%	5%	5%	5%	5%
Matching bonds	82%	81%	68%	79%	78%	78%	78%	78%
Mortgages	17%	17%	14%	16%	16%	16%	16%	16%
Total Matching	100%	100%	100%	100%	100%	100%	100%	100%

b) The actual and forecast composition of the Return Seeking portfolio for the 2019 through 2026 period are as follows:

	Actual			Forecast				
Return Seeking ($M)	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**
Canadian equities	258	144	128	91	83	85	87	91
Global equities	647	583	769	818	834	851	873	906
Global small cap equities	219	186	268	248	253	258	265	275
Real estate	228	248	245	227	232	205	194	201
Infrastructure	115	232	296	288	309	347	372	386
Total Return Seeking	1,467	1,394	1,706	1,673	1,710	1,746	1,791	1,859
Return Seeking (%)	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**
Canadian equities	18%	10%	8%	5%	5%	5%	5%	5%
Global equities	44%	42%	45%	49%	49%	49%	49%	49%
Global small cap equities	15%	13%	16%	15%	15%	15%	15%	15%
Real estate	16%	18%	14%	14%	14%	12%	11%	11%
Infrastructure	8%	17%	17%	17%	18%	20%	21%	21%
Total Return Seeking	100%	100%	100%	100%	100%	100%	100%	100%

c) The actual and forecast composition of the total portfolio for the 2019 through 2026 period is shown below. Notably, the global low volatility mandate was not under consideration at the time of the original rate filing.

	Actual			Forecast				
Total Portfolio ($M)	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**
Short-term inv/cash	14	38	300	69	68	69	71	72
Matching bonds	994	1,035	1,102	1,049	1,038	1,057	1,078	1,101
Mortgages	204	212	225	218	217	220	225	230
Canadian equities	258	144	128	91	83	85	87	91
Global equities	647	583	769	818	834	851	873	906
Global small cap equities	219	186	268	248	253	258	265	275
Real estate	228	248	245	227	232	205	194	201
Infrastructure	115	232	296	288	309	347	372	386
Total Portfolio	2,679	2,679	3,333	3,008	3,033	3,093	3,166	3,263
Total Portfolio (%)	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**
Short-term inv/cash	1%	1%	9%	2%	2%	2%	2%	2%
Matching bonds	37%	39%	33%	35%	34%	34%	34%	34%
Mortgages	8%	8%	7%	7%	7%	7%	7%	7%
Canadian equities	10%	5%	4%	3%	3%	3%	3%	3%
Global equities	24%	22%	23%	27%	27%	28%	28%	28%
Global small cap equities	8%	7%	8%	8%	8%	8%	8%	8%
Real estate	8%	9%	7%	8%	8%	7%	6%	6%
Infrastructure	4%	9%	9%	10%	10%	11%	12%	12%
Total Portfolio	100%	100%	100%	100%	100%	100%	100%	100%

d) The Return Seeking portfolio in comparison to the target asset mix as at March 31, 2021 is as follows:

Return Seeking	Min	Target	Max	31-Mar-21	Comments
Canadian Equities	9/3	13/5	17/7	8%	Canadian equity change implemented May 2021
Global Equities	32/20	42/30	52/40	45%	In progress, awating information prior to implementation
Global Low Volatility	0/10	0/15	20		In progress, awating information prior to implementation
Global Small Cap	10	15	20	16%	In range, near target
Total Foreign	42/45	57/60	72/75	61%	In range, near target
Total Equities	60/50	70/65	80/75	68%	In range, near target
Real Estate	10	15	20	14%	In range, awaiting capital calls on an existing commitment
Infrastructure	10	15/20	30	17%	In range, awaiting capital calls on existing commitments
Total Return Seeking		100		100%	

SRRP (SAF) 1-59

Application Part and Chapter:	**18 Sec. 1.4 18.1 App. A & B**	**Page No.:**	**6,245**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Portfolio Target Composition**		
MFR:	**17, 18**		

Preamble to IR (If Any):

In its May 20 -21, SAF Update Investment Policy Section Slide 2, the Corporation indicated that it had made changes to the composition of the return-seeking investment portfolio. The current rate application does not appear to reflect these changes.

Question:

a) Please provide an update to the table (adding additional columns) for the asset allocation.

b) Provide the parameters for the return-seeking portfolio currently in effect and explain the reason for the changes.

RESPONSE:

a) Please see responses to questions 55 and 58 above. Please note that changes to the composition of the return-seeking investment portfolio are designed to reduce volatility, and are not expected to materially impact its overall forecasted returns.

b) Please see responses to question 55 above. The portfolio's benchmarks are adjusted as any approved policy changes are implemented.

A 15% global low volatility allocation was added during the 2020 investment policy review to help reduce volatility and downside risk on the portfolio's investment earnings. The allocation is to be sourced from reductions in both Canadian and global equities, with implementation expected by December 31, 2021. The infrastructure allocation was also increased by 5% due to its lower volatility and income generation, with existing commitments of $145 million expected to fund within the next 36 months to bring the allocation to its 20% target.

SRRP (SAF) 1-60

Application Part and Chapter:	**18 Sec. 2.4**		**6,249**
Issue:	**Issuer Fees**		
Topic:	**Broker Agreement**		
MFR:	**18**		

Preamble to IR (If Any):

At the 2014 GRA SAF indicated SGI and the Insurance Brokers Association of Saskatchewan (IBAS) signed a negotiated Auto Fund Strategic Accord effective July 1, 2011, with an expiry date of July 1, 2016, which binds both parties to the agreed to fees until the Accord expires.

Question:

Please provide a summary of the current terms of the Broker Accord including changes to the fee schedule for issuing SAF insurance from the previous Accord, which expired in 2016.

RESPONSE:

On November 1, 2016, SGI and the Insurance Brokers Association of Saskatchewan (IBAS) signed a negotiated renewal of the Auto Fund Strategic Accord effective November 1, 2016 with an expiry date of November 1, 2021. A copy of the accord is provided as an attachment.

There were no SAF fee changes to the fee schedule for issuing SAF insurance from the previous Accord. The Ministry of Finance stopped remunerating issuers for PST collection effective April 1, 2017. A copy of the fee schedule is attached.

SRRP (SAF) 1-61

Application Part and Chapter:	**14** **18 App. A**	**Page No.:**	**6,252**
Issue:	**Traffic Safety**		
Topic:	**Traffic Safety Expenditures**		
MFR:	**14, 18**		

Preamble to IR (If Any):

Question:

Please provide a schedule detailing the Traffic Safety expenditure by category, including administrative expense to agree that reflected in 18.1 App. An (updated to reflect actual 2020/21) for each of the years 2016/17 through 2002/21 and the forecast for 2021/22 through 2025/26 and comment on forecast changes.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-62

Application Part and Chapter:	**18.1 App. A (Updated)**	**Page No.:**	
Issue:	**MCT Ratios and Capital Management Policy**		
Topic:	**Financial Forecast RSR**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

Please provide an alternate version of Appendix A (Updated reflecting 2020/21 actual) showing separately the revenue contribution of the 2.23% RSR surcharge in place for the years ending March 31, 2016, through 2021 and the actual and proposed loadings for Capital Build and Release provision and Capital Maintenance provision (separately) starting January 21, 2022.

RESPONSE:

The attached table provides details of the impact on revenue (net earned premiums) by year. Please see the response to question 1-71 for the full exhibit of Appendix A reflecting 2020/21 actual operating results.

SRRP (SAF) 1-63

Application Part and Chapter:	**6, 18**	**Page No.:**	**6,243**
Issue:	**Revenue**		
Topic:	**Breakdown of Written Premium**		
MFR:	**18. Financial Information**		

Preamble to IR (If Any):

Question:

Please provide an update of the breakdown of net premiums written showing each year's increment due to the proposed rate changes, vehicle drift, and fleet growth, including budgeted amounts, compared to actual results and compare 2020/21 with that forecast for that year.

RESPONSE:

Please see the attachment provided.

SRRP (SAF) 1-64

Application Part and Chapter:	**6, 18**	**Page No.:**	**6,244**
Issue:	**Revenue**		
Topic:	**Other Income - SDR**		
MFR:	**18. Financial Information**		

Preamble to IR (If Any):

Question:

Please provide a schedule of the assumed number of drivers at each demerit level of the DSR scale, and the revenue derived per demerit level and total demerit revenue for 2019/20, 2020/21 and forecast in each year through 2025/26.

RESPONSE:

Please see the attachment provided.

SRRP (SAF) 1-65

Application Part and Chapter:	**Tab 18 App. C**	**Page No.:**	**6,254**
Issue:	**Revenue**		
Topic:	**Other Income - Salvage Operations**		
MFR:	**18. Financial Information**		

Preamble to IR (If Any):

Question:

Please provide a schedule detailing the operating statement for salvage operations for each of the years 2016/17 through 2020/21.

RESPONSE:

Please see the attachments provided.

SRRP (SAF) 1-66

Application Part and Chapter:	**18 Sec. 1.4 18.1 App. A & B**	**Page No.:**	**6,244**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Income**		
MFR:	**18**		

Preamble to IR (If Any):

Investment income has varied materially in 2019/20 and 2020/21 and is forecast to be materially lower in 2021/22 and 2022/23 than what is forecast in the outlook period through 2025/26.

Question:

a) Please provide the detail of Investment income by income type for each of the matching portfolio and return seeking portfolio and overall total investment income for each of the years 2016/17 through 2020/21 and forecast through 2025/26.

b) Please provide a comparison of the detail of the forecast $76.6 million vs actual $2.5 Million investment income for 2019/20 and explain the variances.

c) Please provide a similar analysis in (c) for 2020/21.

d) Referring to (a), please explain the reasons for the variation of forecast investment income in 2021/22 and 2022/23.

RESPONSE:

a) The following tables review the actual and forecast investment earnings for the 2016-17 through 2025-26 period:

	Actual ($M)				
Asset Class	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Matching					
Short-term	$ 0.8	$ 1.0	$ 1.6	$ 1.6	$ 0.2
Bonds	$ 13.6	$ 17.4	$ 53.1	$ 46.6	$ 12.5
Mortgages	$ 5.5	$ 7.2	$ 10.4	$ 8.2	$ 13.1
	19.9	25.5	65.0	56.3	25.8
Return Seeking					
Canadian equities	$ 40.7	$ 12.4	$ 4.1	$ (34.7)	$ 69.2
Global equities	$ 81.3	$ 77.8	$ 63.2	$ (7.6)	$ 265.7
Global small cap equities	$ 22.3	$ 30.0	$ (8.1)	$ (42.4)	$ 141.8
Real estate	$ 11.9	$ 21.1	$ 16.2	$ 20.6	$ (3.3)
Infrastructure	$ 5.2	$ 5.0	$ 5.4	$ 20.4	$ 20.9
	161.3	146.3	80.7	(43.7)	494.3
Investment expenses	(7.4)	(9.1)	(9.9)	(10.2)	(11.6)
Total investment earnings	173.8	162.8	135.8	2.4	508.5

	Forecast ($M)				
Asset Class	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Matching					
Short-term	$ 0.2	$ 0.4	$ 0.7	$ 1.1	$ 1.1
Bonds	$ (70.9)	$ (38.4)	$ 17.8	$ 23.8	$ 30.3
Mortgages	$ 9.1	$ 7.5	$ 8.6	$ 8.8	$ 9.4
	(61.6)	(30.6)	27.0	33.7	40.8
Return Seeking					
Canadian equities	$ 12.7	$ 6.0	$ 5.5	$ 5.6	$ 5.7
Global equities	$ 49.4	$ 56.1	$ 57.2	$ 58.4	$ 59.9
Global small cap equities	$ 18.0	$ 18.2	$ 18.6	$ 18.9	$ 19.4
Real estate	$ 12.1	$ 10.8	$ 11.0	$ 9.8	$ 9.3
Infrastructure	$ 15.7	$ 19.7	$ 21.1	$ 23.7	$ 25.5
	107.9	110.8	113.4	116.4	119.8
Investment expenses	(11.4)	(11.4)	(11.5)	(11.8)	(12.0)
Total investment earnings	34.9	68.8	128.9	138.4	148.5

b) The following table reviews the investment income and variance explanations for the 2019-20 period:

Asset Class	Actual	Budget	Variance	Return	Budget	Comments
Matching Portfolio						
Short-Term	$ 1.6	$ 1.7	$ (0.2)	1.2%	2.9%	
Bonds	$ 46.6	$ (13.3)	$ 59.9	4.7%	-1.4%	Decreases in interest rates generated significant capital gains as opposed to losses expected on interest rate increases in the budget forecast
Mortgages	$ 8.2	$ 5.8	$ 2.4	4.0%	3.0%	Decreases in interest rates generated capital gains in excess of expectations in the budget forecast
	$ 56.3	$ (5.8)	$ 62.1	4.4%	-0.4%	
Return Seeking Portfolio						
Canadian equities	$ (34.7)	$ 18.3	$ (53.0)	-18.4%	6.7%	The pandemic induced market crash drove equity prices to decrease in the final three months to March 31, 2020, generating losses in Canadian, global and global small cap equities.
Global equities	$ (7.6)	$ 42.2	$ (49.8)	-1.8%	6.9%	
Global small cap equities	$ (42.4)	$ 15.3	$ (57.7)	-18.3%	7.4%	
Real Estate	$ 20.6	$ 11.2	$ 9.3	9.0%	5.2%	Real estate and infrastructure asset classes held onto gains generated in previous periods and did not experience significant corrections as compared to equities
Infrastructure	$ 20.4	$ 6.2	$ 14.2	14.0%	6.8%	
	$ (43.7)	$ 93.3	$ (136.9)	-2.8%	6.7%	
Investment expenses	$ (10.2)	$ (10.8)	$ 0.7			
Investment Earnings	$ 2.4	$ 76.6	$ (74.1)	0.4%	2.9%	

c) The following table reviews the investment income and variance explanations for the 2020-21 period:

Auto Fund

Asset Class	Actual	Budget	Variance	Return	Budget	Comments
Matching Portfolio						
Short-Term	$ 227	$ 151	$ 76	0.3%	0.3%	
Bonds	12,468	53,268	(40,800)	2.1%	5.8%	Interest rate increases in longer maturities in the January to March 2021 period generated some capital losses as opposed to the capital gains that were assumed in the budget forecast
Mortgages	13,115	6,918	6,197	6.2%	3.3%	Short-term interest rates remained relatively low and constant, while spread compression generated gains for the year and higher than in the budget forecast
	25,810	60,337	(34,527)	2.1%	4.9%	
Return Seeking Portfolio						
Canadian equities	69,183	14,765	54,418	48.7%	8.9%	The market recovery drove equity prices
Global equities	265,718	57,331	208,387	45.7%	9.3%	significantly higher in the period, generating
Global small cap equities	141,808	20,795	121,013	73.9%	9.9%	significant gains in Canadian, global and global small cap equities.
Real Estate	(3,265)	4,367	(7,632)	-1.3%	2.0%	Real estate experienced some losses as commercial property values were impacted by the pandemic
Infrastructure	20,865	5,919	14,946	4.3%	3.0%	Infrastructure returns were comparable to budget although increased allocations to infrastructure drove earnings higher for the period
	494,309	103,177	391,132	34.0%	7.3%	
Investment expenses	(11,636)	(10,259)	(1,377)			
Investment Earnings	508,482	153,255	355,227	18.4%	5.9%	

d) The forecast investment income in 2021-22 and 2022-23 periods are significantly lower due to increases in interest rates generating significant capital losses in the fixed income portfolio. For the Auto Fund as a whole, these forecasted losses are offset by the discounting of claims liabilities using higher interest rates. The return seeking portfolio returns remain constant over the forecast period, varying between approximately 5-7% depending on the asset class.

SRRP (SAF) 1-67

Application Part and Chapter:	**18 Sec. 1.4 18.1 App. A & B**	**Page No.:**	**6,246**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment returns**		
MFR:	**17, 18**		

Preamble to IR (If Any):

In tab 18, section 1.4 of the Application SAF provides a forecast of the overall Auto fund returns for 2021/22 to 2024/25.

In its May 20-21, SAF Update Investment Policy Section (Slide 5), SAF provided detail of forecast investment returns for 2020/21 by asset class.

SAF also provided in its Financial Highlights (Slide 11) the two portfolios' contribution to the overall return of the portfolio for 2020/21.

Question:

a) Please update the table of the forecast expected overall return (net of fees) through 2025/26 and reconcile it with the forecast investment income in 2021/22 and 2022/23.

b) Please provide a table indicating the return assumptions for 2021/22 by asset class for each portfolio, including the average assets, percentage return and dollar return and explain any changes.

c) Provide a similar analysis in (b) for 2022/23.

RESPONSE:

a) The return table in tab 18, section 1.4 of the Application SAF provided a forecast of the overall Auto fund returns for 2021/22 to 2024/25 but removed of the effects of discounting on the fixed income portfolio returns. The complete investment earnings and rates of return for the entire forecast period (without any effects of discounting) are as follows:

Asset Mix ($M)	Forecast 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26
Short-term investments	67	69	68	69	71	
Bonds	1,067	1,049	1,038	1,057	1,078	
Canadian equities	193	91	83	85	87	
Global equities	720	818	834	851	873	
Global small cap equities	245	248	253	258	265	
Mortgages	212	218	217	220	225	
Real estate	254	227	232	205	194	
Infrastructure	230	288	309	347	372	
Total Portfolio	2,988	3,008	3,033	3,093	3,166	

Rate of Return (%)	2021-22	2022-23	2023-24	2024-25	2025-26
Short-term investments	0.3%	0.5%	1.1%	1.6%	1.6%
Bonds	-6.6%	-3.7%	1.7%	2.3%	2.8%
Canadian equities	6.6%	6.6%	6.6%	6.6%	6.6%
Global equities	6.9%	6.9%	6.9%	6.9%	6.9%
Global small cap equities	7.3%	7.3%	7.3%	7.3%	7.3%
Mortgages	4.3%	3.4%	3.9%	4.0%	4.2%
Real estate	4.8%	4.8%	4.8%	4.8%	4.8%
Infrastructure	6.8%	6.8%	6.8%	6.8%	6.8%
Investment expenses	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Total return	0.8%	1.7%	4.0%	4.3%	4.6%

Investment Earnings ($)	2021-22	2022-23	2023-24	2024-25	2025-26
Short-term investments	0.2	0.4	0.7	1.1	1.1
Bonds	-70.9	-38.4	17.8	23.8	30.3
Canadian equities	12.7	6.0	5.5	5.6	5.7
Global equities	49.4	56.1	57.2	58.4	59.9
Global small cap equities	18.0	18.2	18.6	18.9	19.4
Mortgages	9.1	7.5	8.6	8.8	9.4
Real estate	12.1	10.8	11.0	9.8	9.3
Infrastructure	15.7	19.7	21.1	23.7	25.5
Investment expenses	-11.4	-11.4	-11.5	-11.8	-12.0
Total earnings	34.9	68.8	128.9	138.4	148.5

b) Please see response to 67(a) above. The bond returns are negative for 2021-22 and 2022-23 due to the expected increase in interest rates generating capital losses before recovering to low single digit returns for the remainder of the forecast period. The equity returns are constant over the forecast period.

c) Please see the table in response to 67(a) and 67(b) above.

SRRP (SAF) 1-68

Application Part and Chapter:	**18 Sec. 1.4 18.1 App. A & B**	**Page No.:**	**6,244**
Issue:	**Investment Strategy and Income**		
Topic:	**Investment Income**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

Please provide a schedule comparing the budget to actual detail of investment income and total investment return for each of the years 2016/17 to 2020/21 actual and forecast for 2021/22.

RESPONSE:

Please review the attachment IR 68 detailing the earnings and percentage returns for the 2016-17 through 2021-22 period.

SRRP (SAF) 1-69

Application Part and Chapter:	**18 App. A 21**	**Page No.:**	**6,252**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**Expense Trends**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

Provide a trend analysis for the last five years through the outlook period, including growth in Loss Adjustment Expenses, Administrative Expenses relative to CPI and comment on the trend relative to inflation.

RESPONSE:

Please see the attachment provided.

SRRP (SAF) 1-70

Application Part and Chapter:	**18 Sec. 2.4** **19.1 App. A**	**Page No.:**	**Pdf. 6,249** **Pdf. 6,252**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**Issuer Fees**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

Please provide a summary table of Broker Issuer fees and transaction fees paid by SAF by transaction type (online/ in-office/transaction fees) for 2018/19 through 2021/22 and that forecast to be spent annually through 2025/26 and the overall relative percentage of the premium earned in each year.

RESPONSE:

See attachment IR 70 Issuer Fees.

SRRP (SAF) 1-71

Application Part and Chapter:	**18, App. A&B**	**Page No.:**	**6,252**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**SAF Operating Expenses**		
MFR:	**18. Financial Information**		

Preamble to IR (If Any):

Question:

a) Please provide an update to Appendix A reflecting 2020/21 actual operating results. Please explain any changes in the forecast provided.

b) Please provide a budget versus actual comparison for 2020/21 with explanations for material variances.

c) With respect to the administrative expense budget variance of 2019/20, please provide details on the amount and nature of the IT expenditures that were expensed and contrast with the $11.9 million in expenditures which were capitalized as intangible assets for the year.

RESPONSE:

CONFIDENTIAL PART C

a) Changes in the forecast period compared to the original Appendix A forecast include the following:

- Minor adjustments to premium to reflect experience in the final quarter of 2020/21.

- Increases to claims incurred through the forecast period, mainly due to increases in Care Benefits and Income Replacement Benefits losses compared to the previous forecast. When the March 2021 valuation was completed, the prior year ultimate losses on these lines were found to be deficient The CPP impact also increased slightly when we updated and refined the forecast.

- The large increase in claims incurred for 2021/22 is mainly coming from a less significant adjustment to discounted claims incurred for increasing yield rates versus the prior forecast. This is offset by less significant losses on bonds compared to the prior forecast. The following table shows how the original projected 2020/21 and actual 2020/21 discount rates compare to the projected 2021/22 discount rates.

	2020/2021 Projected Discount Rate (Original)	2020/2021 Actual Discount Rate (New version)	2021/2022 Projected Discount Rate (Both versions)
0-24	0.85%	0.69%	1.25%
25-60	1.15%	1.60%	1.70%
61-120	1.51%	2.00%	2.12%
121-180	1.43%	2.12%	2.38%
181-240	1.63%	2.32%	2.56%
240+	6.23%	6.23%	6.23%

- Investment rates of return are assumed to be the same as in the prior budget, except for bond gains/losses, which were updated for 2021/22 to reflect the change in yields from 2020/21 (actual) to 2021/22 (projected). Investment income is slightly higher in the forecast period as more investment income can be generated from the higher RSR balance at the end of 2020/21.

- Changes in issuer and premium taxes reflect updates to the deferred policy acquisition cost write-down given the higher expected loss ratios in the updated forecast.

- All other minor changes are proportional to changes in premiums and losses.

See IR 71a Updated Appendix A.

b) See IR 71b Budget vs Actuals.

c) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-72

Application Part and Chapter:	**18, Sec 2.1**	**Page No.:**	**6,247**
Issue:	**Claims Incurred**		
Topic:	**Claims Incurred Trend**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

a) Please provide a table detailing claims incurred by category for each of the years 2016/17 through 2020/21 and forecast for 2021/22 to include the compound annual growth rate over the period.

b) Please provide two tables, one for the number of claims and the other for claims severity by category consistent with (a).

RESPONSE:

See attachment IR 72.

SRRP (SAF) 1-73

Application Part and Chapter:	**18, MFR 21**	**Page No.:**	**6,252 (MFR 18 – App. A)** **6,272 (MFR 21 – Pg. 9)**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**OM&A Expenses**		
MFR:	**18. Financial Information**		

Preamble to IR (If Any):

Question:

a) Please provide SAF's definition of an FTE, including whether overtime is included in the definition.

b) Please provide details of the total corporate compensation wages, benefits and pension by year for the years 2016/17 through 2020/21 (actual). Please include columns for total FTE staff and the average cost of compensation per FTE.

c) Please supplement the schedule in (b), indicating the wages and benefits allocated to SAF for each year and the percentage of total corporate wages.

d) Please provide SAF's average compensation per employee for both salaried and hourly personnel.

e) Please provide a table providing a breakdown of the increases in 2020/21 Wages and Salaries relative to 2019/20 and increase in 2021/22 forecast wages and salaries relative to 2020/21 into Inflation, Increased Numbers of FTEs, Merit and Other, for in-scope and salaried employees, and vacancy allowance.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-74

Application Part and Chapter:	**18, MFR 21**	**Page No.:**	**6,252 (MFR 18 – App. A)** **6,272 (MFR 21 – Pg. 9)**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**Repair and Rehabilitation Costs**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

a) Please discuss any changes in medical/rehabilitation rates since the last Application.

b) Please summarize the terms of current agreements with the Minister of Health and medical providers.

c) Please provide a table of medical service rates for 2016/17 through 2020/21.

d) Please provide a schedule detailing the reimbursements made to the Minister of Health and medical providers for the years 2016/17 through 2020/21.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-75

Application Part and Chapter:	**18**	**Page No.:**	**6,249**
Issue:	**Claims Incurred**		
Topic:	**Loss Adjustment Expenses**		
MFR:	**18. Financial Information**		

Preamble to IR (If Any):

SAF has indicated that Loss Adjustment Expenses had increased from 7% of total costs to 13.3% of total costs. External Loss Adjusting Expenses were reclassified from losses and include them in this category along with internal Loss adjustment expenses. The change appears to have been made in 2018/19.

Question:

a) Please provide a breakdown of Loss Adjustment Expenses between internal and external costs for each of the years for 2018/19 through 2020/21 and forecast for 2021/22.

b) Please explain whether external loss adjustment expenses are allocated to SAF from SGI or are incurred directly. If allocated, please describe the basis of allocation.

RESPONSE:

a) The below table provides a breakdown of paid Loss Adjusting Expenses. It does not include LAE unpaid and unreported.

Loss Adjustment Expenses				
	2018/19	2019/20	2020/21	2021/22 Budget
Internal Loss Adjusting Expenses	61,137,968	67,111,502	64,009,921	69,157,679
External Loss Adjusting Expenses	71,066,249	76,654,187	71,796,031	86,967,119
Total	132,204,217	143,765,689	135,805,952	156,124,798

b) External loss adjustment expenses (LAE) are incurred directly by SAF. If a claim includes external LAE they are paid directly and attributed directly to that claim as external LAE.

SRRP (SAF) 1-76

Application Part and Chapter:	**18 Sec. 2.5**	**Page No.:**	**6,250**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**Covid-19 – Cost Containment**		
MFR:	**18**		

Preamble to IR (If Any):

The Saskatchewan Government has mandated Crown Corporation cost savings in response to COVID-19.

Question:

a) Please elaborate on achieved cost savings by measure and overall savings on 2020/21 and savings forecast for 2021/22.

b) Please indicate whether the Corporation has received and further direction from Government for cost containment (collaboration and red tape reduction); if so, please file the information and SAF's actions to address, targets to measure against and savings realized against the target(s).

RESPONSE:

CONFIDENTIAL PART B

a) The Auto Fund was not mandated to achieve cost savings as a result of the pandemic. We were, however, requested to provide relief to our customers by way of waiving fees and other penalties. In total, the Auto Fund waived Licence and Registration fees for 291 customers for savings of $105,705 to those customers, and NSF fees were waived for 17,876 customers for savings of $286,140 to those customers.

b) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-77

Application Part and Chapter:	**18**		**6,247**
Issue:	**Claims Incurred**		
Topic:	**After Market Part Usage**		
MFR:	**18**		

Preamble to IR (If Any):

Question:

a) Please provide a table of the cost of parts used in auto repairs (new OEM, remanufactured, recycled (used) and aftermarket parts) for each of the years 2017 through 2021 and forecast for 2022.

b) Please provide the table demonstrating the estimated savings from APU (remanufactured, recycled, aftermarket) part in (a) instead of OEM parts for repairs.

c) Please provide a table detailing overall repair costs (parts, labour, Paint & Material, Windshield etc.) in each of the years 2016-17 to 2020-21 actual and forecast for 2021-22.

RESPONSE:

See IR 77 Attachment.

SRRP (SAF) 1-78

Application Part and Chapter:	**20**	**Page No.:**	**Pdf. 6,258**
Issue:	**Taxes**		
Topic:	**Taxes remitted to Government**		
MFR:	**20**		

Preamble to IR (If Any):

Question:

a) Please confirm that, outside of normal routine business operations, SAF continues to collect and remit to the Province all registration fees and GFR's portion of short-term financing fees, provincial sales tax, prorated vehicle fuel tax, and snowmobile trail fees. Please confirm SAF does not receive any commissions or administrative rebate for the collection and remission of these fees.

b) Please confirm that there has been no change in the rate of premium tax since the last Application.

c) Please provide a record of premium taxes (and other payments, if applicable) made by SAF or SGI on behalf of SAF from 2016/17 to 202/21 and forecasted for 2021/22.

RESPONSE:

a) Yes.

b) No change.

c) See attached IR 78c. Included are premium taxes and all other payments, but we do not budget for other payments as these are collected on the governments behalf and does not appear on our statements.

SRRP (SAF) 1-79

Application Part and Chapter:	**21**	**Page No.:**	**6,264**
Issue:	**Cost Allocation**		
Topic:	**Cost Allocation Methodology Changes**		
MFR:	**21**		

Preamble to IR (If Any):

Question:

a) Please confirm that there have been no material changes to the cost allocation methodology since the last Application. If changes have been made, please provide a description of the changes and the impact on the amount of costs that are allocated to SAF.

b) Please indicate any changes to the chart of accounts since the 2014 Rate Application.

c) Please indicate whether the Corporation has undertaken a cost allocation review project (other than the ongoing maintenance reviews) since the last GRA. If so, please provide details of the review.

RESPONSE:

a) At the start of fiscal year 2017-18, the cost allocation process moved from allocating expenses within spreadsheets, to completing it within the accounting application (PeopleSoft). This change led to the ability to allocate costs based on cost drivers (e.g., premiums written, work completed, claims processed, etc.) that could be updated each month and allocated using the actual expenses and drivers for that month. Prior to that, costs were allocated at a higher level and based on cost driver calculations once year, often based on prior year actuals.

The method did not cause a material shift in the allocation amounts. The actual percentages allocated for the 2016-17 year were similar to those in 2017-18. That being said, as SGI CANADA and the regions have continued to grow, cost allocation percentages have gradually moved away from SAF and into SGI CANADA. In the 2017-18 year, 62.7% of costs were allocated to SAF; in 2020-21 that percentage is down to 55.2%. This does not mean that less costs are being allocated to SAF, only that less of the overall administration costs, given the growth in the company, particularly on the SGI CANADA side.

b) The following are the major updates to the SAF chart of accounts since 2014:
   i. With the formation of intangible assets related to the digital transformation project, accounts related to those have been created (cost, amortization expense, accumulated amortization).
   ii. With the digital transformation project including the use of more outside contractors and distinct services being provided, three new accounts were created: external development resources, external consultant resources, and external managed services. Previously, these types of services would all be mixed into one account, called special services. An account for the potential capitalization of internal salaries was also created, if deemed applicable on future projects.
   iii. Prior to the 2021-22 fiscal year, SAF contained several contra expense accounts that were used to code the collection of non-insurance type fees, sales, etc. directly against related expenses. For 2021-22, those accounts were converted from contra expense accounts to revenue accounts and, thus, those amounts will

now show as other revenue within the SAF financials, rather than netted against expenses. For the 2021-22 SAF budget, $8.4 million from administrative expenses and $9.1 million from traffic safety programs was moved to other income.

iv. Expense accounts were created to account for expense reimbursements for employees that were asked to work at home during the pandemic.

v. With the announcement of a $285.0 million customer rebate in late 2020-21, accounts were created to account for it.

c) The first formal annual review process (as outlined in section 5.1 of tab 21) occurred in advance of the 2020-21 fiscal year. The review was completed in the manner discussed in 5.1, but, as it had not been completed formally in the past, it did bring up some changes in cost drivers and percentages that were somewhat out of date. The changes were more than what would regularly occur in an annual review process. Generally, the results of the review were that allocations had a minor shift from SAF to SGI CANADA, in particular, to the out-of-province operations, where the cost allocation process had not necessarily caught up with growth. The tables included in the answer for question 80, part a) show this small shift.

SRRP (SAF) 1-80

Application Part and Chapter:	**21**	**Page No.:**	**6,264**
Issue:	**Cost Allocation**		
Topic:	**Cost Allocation Results**		
MFR:	**21**		

Preamble to IR (If Any):

Question:

a) For 2019/20 and 2021/22 actual, and 2021/22 projected, please provide a summary of the results of SGI's cost allocation to SGI, SAF, SGIC, SCISL, Coachman, and ICPEI in terms of dollars and percentage of the total for the following:

   i. Admin direct costs,

   ii. Admin indirect costs,

   iii. Loss adjustment expenses, and

   iv. Total expenses

b) Please provide the total expenses that were directly assigned versus allocated to each entity and the relative percentage of the total amount.

c) Please indicate how IT transformation operating and capital project costs are being allocated under the cost allocation methodology.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-81

Application Part and Chapter:	**21**	**Page No.:**	**6,272**
Issue:	**Cost Allocation**		
Topic:	**Allocated Expenses**		
MFR:	**21, 18**		

Preamble to IR (If Any):

Allocated expenses by cost element in Tab 21 relate to forecast amounts in Tab 18 Appendix A. It is not clear what the composition of allocated cost elements relates to the forecast amounts in Tab 18 Appendix A.

Question:

a) Please update the schedule to provide the detail of total administrative expenses listed in Tab 21 for the years 2018/19 through 2021/22, incorporating the actual results for 2020/21 and the variance with that forecast for 2021/22.

b) Please provide a schedule reconciled with (a) that provides the detail by cost element of the following expense items forecast in Tab 18.1 Appendix A (updated to reflect actual 2020/21) for each of the years 2016/17 through 2021/22:

   i. Claims Incurred

   ii. Loss Adjustment Expenses,

   iii. Administrative Expenses, and

   iv. Traffic Safety Expenses.

c) Please update the table in (b) providing the compound annual growth for the years 2016/17 through 2020/21 and forecast from 2020/21 through 2025/26 and comment on material changes.

d) Please indicate the relative cost of Administrative Expenses per Vehicle for each of the years and comment on the trend.

e) Please provide the Administrative Expense ratio for each year and comment on the measure and the trend.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-82

Application Part and Chapter:	**21**	**Page No.:**	**6,272**
Issue:	**Cost Allocation**		
Topic:	**Autofund Administrative Expenses**		
MFR:	**21**		

Preamble to IR (If Any):

Question:

a) Please provide an update to the Autofund Administrative Expense schedule based on 2020/21 actual expenditures:

b) Please provide a detailed comparison of External services costs forecast for 2021/22 versus actual spending in (a) for 2020/21 and explain material differences

c) Please provide an explanation for the variances in the 2021/22 forecast versus 2020/21 for the following cost elements.

   i. Building Rehabilitation

   ii. Travel

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-83

Application Part and Chapter:	**21**	**Page No.:**	**6,272**
Issue:	**Capital, Operating and Administrative Expenses**		
Topic:	**Capital versus expense**		
MFR:	**21**		

Preamble to IR (If Any):

SAF has indicated that a purchased solution drastically reduces the amount that SGI may be able to capitalize as part of the project (digital transformation project). The determination of capital versus expense will only become clear as each contract is reviewed.

SAF has indicated in Tab 21 that there were approximately $10 million in expenses related to the Corporate Transformation project that was previously budgeted to be capitalized.

Question:

a) Please explain the accounting for intangible assets related to the digital transformation project and whether the costs being amortized relate to software providing service to customers.

b) Please provide detail on the nature of the external service expenditures and the total amount that relate to digital transformation and explain the accounting treatment in the years 2019/20, 2020/21 and forecast for 2021/22.

c) Please indicate the amount of internal versus external costs for 2020/21, 2021/22 and 2022/23 on the CT project and explain any difference in the accounting treatment of the respective costs.

d) Please provide a schedule of the internal FTE and external FTE in 2020/21 and forecast in 2021/22 and 2022/23 related to the CT project.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-84

Application Part and Chapter:	**22**	**Page No.:**	**6,273**
Issue:	**Autofund Program Changes**		
Topic:	**Photo speed enforcement project**		
MFR:	**22**		

Preamble to IR (If Any):

Question:

a) Please provide details on the photo speed enforcement project, including the revenues collected, costs of administering the program and distribution revenues collected in 2018/19, 2019/20 and 2020/21.

b) Please provide the Corporation's assessment of the program's effectiveness.

RESPONSE:

a) See below Table 84a

The table with the thick outline below shows the total revenue disbursement (after expenses are paid and the settle-up process is completed) for the last three years. The details can be found in the tables that follow it.

PTSF = Provincial Traffic Safety Fund

Total Net Revenue Received (Ticket revenue from Ministry of Justice + Settle-Up Amounts)

	2018-19	2019-20	2020-21	3-Year Total
Regina	$ 1,468,822.09	$ 1,002,935.60	$ 1,434,632.27	$ 3,906,389.96
Saskatoon	$ 1,375,939.96	$ 509,831.51	$ 792,468.48	$ 2,678,239.95
Moose Jaw	$ 1,442,911.69	$ 583,678.78	$ 808,842.79	$ 2,835,433.26
SGI Highways	$ 38,397.94	($ 5,484.67)	$ 15,310.81	$ 48,224.08
Provincial Traffic Safety Fund	$ 45,153.45	$ 1,652,985.41	$ 2,881,311.26	$ 4,579,450.12
Construction Zones (after expenses)	$ 89,610.58	($ 49,755.95)	$ 9,108.49	$ 48,963.12

Ticket revenue received from the Ministry of Justice (10% of total ticket revenue)

	2018-19	2019-20	2020-21	3-Year Total
Regina	$ 2,157,460.13	$ 543,088.34	$ 500,323.79	$ 3,200,872.26
Saskatoon	$ 1,741,462.68	$ 331,245.67	$ 304,082.40	$ 2,376,790.75
Moose Jaw	$ 2,117,859.86	$ 438,475.90	$ 305,199.96	$ 2,861,535.72
SGI Highways	$ 38,397.94	$ 9,324.21	$ 207,362.42	$ 255,084.57
Provincial Traffic Safety Fund	$ 45,153.45	$ 848,142.80	$ 1,014,539.06	$ 1,907,835.31
Construction Zones	$ 641,303.19	$ 556,661.24	$ 664,854.63	$ 1,862,819.06

Expenses Incurred

	2018-19 (April 2018 to December 2018)	2019-20 (January 2019 to March 2020)	2020-21	3-Year Total
Regina	($ 688,638.04)	($ 1,223,942.11)	($ 615,259.33)	($ 2,527,839.48)

Saskatoon	($ 365,522.72)	($ 840,022.44)	($ 465,204.30)	($ 1,670,749.46)
Moose Jaw	($ 674,948.17)	($ 1,066,079.78)	($ 422,761.88)	($ 2,163,789.83)
SGI Highways	$ -	($ 14,808.88)	($ 192,051.61)	($ 206,860.49)
Provincial Traffic Safety Fund	$ -	($ 34,186.12)	($ 59,565.10)	($ 93,751.22)
Construction Zones	($ 551,692.61)	($ 606,417.19)	($ 655,746.14)	($ 1,813,855.94)

Cost Recovery received by SGI from the Ministry of Finance (Used to pay expenses)

	2018-19	2019-20	2020-21	3-Year Total
Regina	$ 102,886.20	$ 2,059,214.68	$ 2,483,876.26	$ 4,645,977.14
Saskatoon	$ 72,554.61	$ 1,143,103.76	$ 1,441,976.43	$ 2,657,634.80
Moose Jaw	$ 66,507.26	$ 1,308,442.53	$ 1,430,047.51	$ 2,804,997.30
SGI Highways	$ -	$ -	$ -	$ -
Provincial Traffic Safety Fund	$ -	$ -	$ -	$ -
Construction Zones	$ -	$ -	$ -	$ -

Cost Recovery Surplus/(Deficit) after expenses

	2018-19	2019-20 (also includes 2018-19 Cost Recovery)	2020-21	3-Year Total
Regina	$ -	$ 938,158.77	$ 1,868,616.93	$ 2,806,775.70
Saskatoon	$ -	$ 375,635.93	$ 976,772.13	$ 1,352,408.06
Moose Jaw	$ -	$ 308,870.01	$ 1,007,285.63	$ 1,316,155.64
SGI Highways	$ -	$ -	$ -	$ -
Provincial Traffic Safety Fund	$ -	$ -	$ -	$ -
Construction Zones	$ -	$ -	$ -	$ -

Cost Recovery Surplus/(Deficit) Settle-Up Amounts (Surplus split between municipalities and PTSF)

	2018-19	2019-20	2020-21	3-Year Total
Regina	$ -	$ 459,847.26	$ 934,308.48	$ 1,394,155.74
Saskatoon	$ -	$ 178,585.84	$ 488,386.08	$ 666,971.92
Moose Jaw	$ -	$ 145,202.88	$ 503,642.83	$ 648,845.71

SGI Highways	$ -	$ -	$ -	$ -
Provincial Traffic Safety Fund	$ -	$ 839,028.73	$ 1,926,337.30	$ 2,765,366.03
Construction Zones	$ -	$ -	$ -	$ -

b) Table I-84b below presents data on the Photo Speed Enforcement program and shows the reduction in number of collisions at high-speed and school zone camera locations corridors before and after implementation of photo speed enforcement.

Camera Location	Baseline Average Annual Collisions (2010-2014)	Average Annual Collisions After Program (2015-2019)	Per Cent Change in Average Annual Collisions from Baseline to 2019
High-Speed Locations—Speed Related Collisions	97	73	-25%
School Zones—All Collisions	99	53	-46%

There are indications that speed related collisions have reduced at all high-speed location five years following installation of the camera. Similarly, collisions in school zones are significantly lower than expected before installation of the cameras.

Another important goal of the program is to have less than 1% of vehicles in violation of the speed threshold set for the various PSE locations/corridors. Information on violation rates are provided below:

SGI Photo Speed Enforcement Results – Speeding Violations for May 2021
High speed locations

Camera location	Number of violations* in May	Percentage of vehicles in violation in May	Posted speed limit, hours of operation	Highest speed recorded in May
Highway 1 and 9th Ave. intersection in Moose Jaw	1,837	1.14%	80 km/h 24/7	153 km/h**
Ring Road in Regina	416	0.11%	100 km/h 24/7	178 km/h**
Circle Drive in Saskatoon	999	0.14%	90 km/h 24/7	146 km/h
Wakaw	287	0.84%	80 km/h 24/7	140 km/h**

*****A violation occurs when a vehicle is speeding above the threshold amount (as determined by law enforcement).
A violation may or may not result in the issuance of a ticket.
**Highest speed at 2 or more locations.

School zones

Camera location	Number of violations* in May	Percentage of vehicles in violation in May	Posted speed limit, hours of operation	Highest speed recorded in May
Moose Jaw school zones[1]	53	0.20%	40 km/h, 7 days a week, from 8 a.m. to 6 p.m. year-round	69 km/h
Regina school zones[2]	1,359	0.58%	30 km/h, 7 days a week, from 7 a.m. to 7 p.m. year - round	66 km/h**
Saskatoon school zones[3]	956	0.63%	30 km/h, from 8 a.m. to 5 p.m., Monday-Friday, only while school is in session	76 km/h

*A violation occurs when a vehicle is speeding above the threshold amount (as determined by law enforcement).
A violation may or may not result in the issuance of a ticket.
**Highest speed at 2 or more locations.

1. Moose Jaw school zones include: Palliser Heights School and William Grayson School
2. Regina school zones include: Thom Collegiate/O'Neill High School, Winston Knoll Collegiate/Riffel High School, Campbell Collegiate/Massey School, Imperial School, and Judge Bryant School
3. Saskatoon school zones include: St. Michael Community School, École Henry Kelsey School, Brownell School, École Canadienne-Française, and Mother Teresa School/Silverspring School

2020 Violation Rates in Percentage

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Average
Highway 1 and 9th Ave. intersection in Moose Jaw	0.74	0.97	1.35	1.34	1.42	1.31	2.46	3.16	1.76	1.23	0.98	0.96	**1.47**
Ring Road in Regina	0.08	0.16	0.15	0.29	0.2	0.1	0.28	0.28	0.33	0.21	0.15	0.16	**0.20**
Circle Drive in Saskatoon	0.07	0.58	0.49	0.33	0.25	0.16	0.14	0.62	0.42	0.13	0.05	0.27	**0.29**
Wakaw	1.04	1.28	1.13	1.51	0.44	0.57	1.1	1.27	0.88	1.31	0.91	0.73	**1.01**
Moose Jaw school zones	0.23	0.22	0.19	0.28	0.53	0.24	0.36	0.35	0.18	0.19	0.17	0.1	**0.25**
Regina school zones	0.86	1.44	0.82	1.31	1.47	2.03	1.06	1.49	0.8	0.77	0.48	0.9	**1.12**
Saskatoon school zones	0.29	0.47	0.36						0.75	3.51	1.25	0.93	**1.08**

2021 Violation Rates in Percentage

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Average
Highway 1 and 9th Ave. intersection in Moose Jaw	0.98	1.05	1.15	1.27	1.14								**1.12**
Ring Road in Regina	0.1	0.1	0.08	0.16	0.11								**0.11**
Circle Drive in Saskatoon	0.12	0.05	0.26	0.10	0.14								**0.13**
Wakaw	1.01	1.05	0.77	0.68	0.84								**0.87**
Moose Jaw school zones	0.08	0.06	0.12	0.09	0.2								**0.11**
Regina school zones	0.77	0.69	0.61	0.68	0.58								**0.67**
Saskatoon school zones	1.02	0.6	2.14	0.26	0.63								**0.93**

SRRP (SAF) 1-85

Application Part and Chapter:	**22**	**Page No.:**	**6,274**
Issue:	**Autofund Program Changes**		
Topic:	**Traffic Service Saskatchewan**		
MFR:	**22**		

Preamble to IR (If Any):

Question:

a) Please provide details of the funding of the Combined Traffic Service Saskatchewan, including a description of the activities being funded.

b) Please provide details on the annual funding provided for the Protection and Response for the years 2017/18 through 2020/21.

RESPONSE:

a)
CTSS was started in 2015 and deployed in two phases. Phase 1 included central and southeast regions of the province - RCMP, Saskatoon Police Service, Weyburn Police Service, and Estevan Police Service. In January 2018 Phase 2 was implemented in the north and southwest of the province – Regina Police Service, Prince Albert Police Service, and Moose Jaw Police Service. CTSS funding is composed of provincially funded officers with SGI matching funding for each position for a total of 120 members.

CTSS mandate is to reduce collisions, injury and fatalities through road safety plans, public awareness, education, and interventions. Also plays a secondary role in crime prevention and crime reduction efforts by providing increased visibility, emergency back-up, intelligence, and interdiction support.
Strategic efforts are ongoing to address impaired driving, distracted driving, occupant restraints, speeding and other traffic safety concerns. Existing efforts include high visibility enforcement check stops, mandatory alcohol screening, positive ticketing.
Start-up costs for Phase 1 & 2 totalled $3.5M. Costs included equipment for roadside enforcement -vehicles, radios, laptops, as well as office equipment. Additional equipment has been purchased AED, speed monitoring devices, and high visibility tools totalling $231,919.

Automated Licence Plate Readers (ALPR)
RCMP – 65 units - $1.6 M

CTSS costs including salaries, benefits, and maintenance are billed quarterly. Year-end totals since 2015:
2015-16 - $3,657,769
2016-17 - $4, 326,441
2017-18 - $4,352,608
2018-19 - $7,460,921
2019-20 - $8,623,111
2020 - $8,051,817

b)

Response for the years 2017/18 through 2020/21.

- 2017-18 - $2,365,782 TOTAL

Alcohol Screening Devices (ASD) - $211,067 / ITD Services - $15,902

Automatic Licence Plate Readers (ALPR)
Ministry of Highway 31 units - $800,369
Ministry of Environment 38 units including CF33 laptop - $1,338,444

- 2018-19 - $48,486 TOTAL

ASD $8032 / ITD $7314 / ALPR Data Services $21,758

ALPR Relocations - $11,382

- 2019-20 – $48,743 TOTAL

ALPR Data services - $24,886

ALPR Relocations - $23,276

ALPR IT Training - $581

- 2020-21 – $41,931 TOTAL

ALPR Data Services - $21,870

ALPR Relocations - $19,480

ALPR IT Training - $581

SRRP (SAF) 1-86

Application Part and Chapter:	**23**	**Page No.:**	**6,279**
Issue:	**Productivity and Efficiencies**		
Topic:	**MySGI**		
MFR:	**23**		

Preamble to IR (If Any):

Question:

Please provide details on how savings are determined related to MySGI and comment on the trend through 2020/21; please indicate the number of transactions in each of the years and the percentage of total renewals made through the online portal.

RESPONSE:

Motor Licence Issuers are remunerated at 4.75% of the vehicle insurance premium collected at the time of an in-office transaction for Vehicle Renewal and Registration Eligibility Declarations ((REDs), AutoPay Renewals)). Issuers are remunerated at 3.75% for MySGI insurance premiums collected.

There are transactions where issuers are paid a reduced remuneration or no remuneration at all when the transaction is completed on MySGI. Please refer to question 1-60 for specific remuneration rates.

The remuneration for Vehicle Renewal and Registration Eligibility Declarations ((REDs), AutoPay Renewals) for transactions completed in-office are calculated and then subtracted from the MySGI remuneration amount to determine the dollar savings.

SGI saw an unprecedented increase in the volume of online transactions through MySGI during the pandemic. There was an average increase of 33% in April and May dropping to approximately 25% in the months following. We have maintained the 25% volume of renewal transactions through MySGI.

2020/2021 YTD	Totals	Reds & Renewals
SGI	2,460,238	1,511,737
Internet	856,724	634,473
Total	3,316,962	2,146,210
Internet %	25.83%	29.56%

2019/2020 YTD	Totals	Reds & Renewals
SGI	2,573,381	1,644,616
Internet	602,142	434,864
Total	3,175,523	2,079,480
Internet %	18.96%	20.91%

SRRP (SAF) 1-87

Application Part and Chapter:	**23**	**Page No.:**	**6,279**
Issue:	**Productivity & Efficiencies**		
Topic:	**Key Performance Metrics**		
MFR:	**23**		

Preamble to IR (If Any):

We understand that SGI may have participated in a benchmarking exercise comparing key metrics with MPI and ICBC.

Question:

If SAF participated in the Crown Corporation benchmarking, please file a copy of the study if available, and provide a description of the metrics measured and SAF's interpretation of the results.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-88

Application Part and Chapter:	**24**	**Page No.:**	**6,282**
Issue:	**Capital Improvement Spending Plans**		
Topic:	**Information Technology Capital Spending**		
MFR:	**24**		

Preamble to IR (If Any):

SGI is undertaking major Corporate Transformation (CT) projects and have indicated that there is a new completion target.

Assumptions have been made related to the cost of the CT project, the accounting treatment related to the cost, the expected timing of benefits and the amount of the benefits of the program.

Question:

a) Please provide a copy of the current CT business case, including a net present value analysis of the CT project, including assumptions. Please provide an Excel worksheet for the analysis if available.

b) Please provide the detail of Capital Spending on Information technology by major project for the years 2018/19 through 2020/21 and forecast through 2025/26, indicating the amounts attributed to SAF.

c) Please provide a forecast budget of the anticipated spending on the CT project, both capital and operating through completion of the project.

d) Please explain the basis of the IT transformation spending is being allocated to SAF and other subsidiaries.

e) Please provide commentary on the approach that SAF proposes in recovering the CT costs to the benefit of ratepayers.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-89

Application Part and Chapter:	**24**	**Page No.:**	**6,282**
Issue:	**Capital Improvement Spending Plans**		
Topic:	**Information Technology Capital Planning**		
MFR:	**24**		

Preamble to IR (If Any):

SGI is undertaking major IT transformation projects and has indicated that there is a new completion target.

Question:

a) Please summarize the status of the CT project proposal process and comment on any impact on the amount and timing of capital spending plans.

b) Please file a Gant chart or similar analysis reflecting the forecasted steps from initiation through completion for the major IT transformation projects by major milestone and provide any commentary on the project's progress.

RESPONSE:

a) A business case has been developed for the transformation of SGI's core systems. An RFP for core system replacement was posted and evaluated, with decisions around next steps pending. As additional due diligence on how to transform the core systems was carried out, other system transformation efforts continued to move ahead. Foundational systems like Workday, Office 365 (including Outlook, OneDrive and Teams), the Azure platform (which enabled our transition to remote work in the wake of COVID-19), a new Human Resources Management System (Workday) and the Legal File Management system were successfully rolled out within the organization, supported by robust internal communication and change management activities.

b) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-90

Application Part and Chapter:	**24**	**Page No.:**	**6,282**
Issue:	**Capital Improvement Spending Plans**		
Topic:	**Information Technology Capital Spending**		
MFR:	**24**		

Preamble to IR (If Any):

Question:

Please provide an update to capital spending plans and depreciation schedule based on actual 2020/21 expenditures and incorporating actual 2020/21 and forecast 2021/22 depreciation expense by project.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 1-91

Application Part and Chapter:	**26**	**Page No.:**	**6,293**
Issue:	**Claims Incurred**		
Topic:	**Repair Costs**		
MFR:	**26**		

Preamble to IR (If Any):

Since the implementation of the Appraisal Transition Project, the collision repair industry has fundamentally changed due to an increased focus on fuel economy and vehicle safety features. These changes are driving up claim costs and have highlighted gaps in industry knowledge and capabilities. In response, SGI launched the Safe and Quality Auto Repair Project (SQARP), set to "go-live" in July 2021.

To recognize the level of investment required by autobody repair shops to meet the new minimum training and tooling requirements and to advance repair safety, SGI implemented procedural allowances and shop incentives which are factored into rating through LAE. These initiatives from the Safe and Quality Auto Repair Project took effect Oct. 1, 2019.

Question:

a) Please elaborate on procedural allowances and shop incentives introduced in the Safe and Quality Auto Repair Project and its impact on LAE for 2019/20, 2020/21 and 2021/22.

b) Please summarize the terms of the agreement(s) SAF has with body shops.

RESPONSE:

a) As part of the Safe and Quality Auto Repair project (SQARP), SGI provided repair shops up to $15,000 in incentives to help them make the necessary investments in training, tools and equipment to meet the updated accreditation requirements. A $6,000 incentive was offered to all shops meeting the minimum training and tooling requirements (I-CAR Gold Class certification and resistance spot welding and silicon-bronze MIG brazing capabilities). An additional $9,000 was offered to shops that exceeded the minimum requirements and are accredited through an approved third-party industry certification program, such as those offered by vehicle manufacturers. It projected that by the end of July 2021, SGI will have paid industry approximately $1.66 million in SQARP incentives. Approximately $500,000 was paid out to shops 2019-2020, with the remainder paid in 2020-2021.

b) The new Master Services (Accreditation) Agreement (MSA) came into effect on July 1, 2021. The new MSA outlines the roles and responsibilities of both SGI and its shop partners and includes minimum training, tools, and equipment requirements. The current Saskatchewan Auto Collision Repair Accreditation agreement term expires March 1, 2022. As part of the agreement, body shops partners are required to submit a self-declaration/annual renewal.

Schedule 1 Application Request and Contractor Number – Accreditation application.

Schedule 2 Rates - The current labour rate ($92.68/hr) is set in Schedule 2 of the Master Service Agreement and may be modified by SGI (with proper notice), without affecting the terms and conditions of the Master Services Agreement.

Schedule 3 Training Requirements – Prescribes the minimum base training required for accreditation (I-CAR Gold Class) and on-going profession development maintenance requirements.

Schedule 4 Equipment Requirements – Updated minimum tool and equipment requirements as part of the Safe and Quality Auto Repair Project (SQARP), including: Original Equipment

Manufacturer (OEM) Procedure Subscription, Squeeze Type Resistance Spot Welder, Silicon Bronze MIG Brazing equipment and diagnostic scanning capabilities.

Schedule 5 Proper Work – commitment by the collision repair partner to follow the vehicle manufacturers repair procedures and adherence with SGI appraisal policy and procedures.

Schedule 6 Key Performance Indicators and Customer Satisfaction Index – Prescribes Key-Performance Indicators (KPIs) designed to track behaviours indicative of healthy, sustainable collision repair network, including: customer satisfaction/experience, repair vs. replace decisions, cost-effective parts usage, efficiency/cycle-time and repair quality (adherence to SGI and OEM repair procedures and recommendations).

Schedule 7 Performance Management – Sets out how SGI will conduct performance management activities, including in-progress repair file reviews and post-repair audits. Shops that drop below the minimum performance targets in any of the key-performance areas are moved into a formal Performance Improvement/Management Process designed to provide additional support and coaching to the shop.

Schedule 8 Disciplinary Action - If shops fail to meet the goals/targets identified during the collaborative performance improvement planning process, they may be subject to a system of progressive penalties and sanctions, ranging from informal guidance/advisory notices up to suspension /termination.

Schedule 9 Dispute Resolution – Provides accredited repair partners a channel to appeal any performance management or disciplinary actions taken by SGI, similar to the arbitration process customers offered to customers through the AAIA (example, disagreement on a total-loss settlement).

Schedule 10 Insurance and Bond – Prescribes minimum liability/errors and omissions insurance requirements.

Schedule 11 Advertising Guidelines – Permits accredited repair partners to utilize SGI branding for signage and marketing purposes.

Schedule 12 Billing Procedures – Provides accredited repair partners access to the SGI self-serve electronic payment portal (ePay).

Schedule 13 Professional Conduct – Requires both SGI and our accredited repair partners to ensure that relationship remains safe and free of harassment and discrimination.

Schedule 14 Privacy – Requires accredited repair partners to adhere to all applicable Privacy legislation (including CASL) when handling customer information.

Schedule 15 Notice – Specifies the process to advise SGI/partners of any changes to the terms of the agreement (or notice of withdrawal/cancellation).

Schedule 16 SGI Technical Materials – Defines what technical information an accredited body shop must comply with when completing a repair (OEM procedures and SGI Appraisal Policy).

SRRP (SAF) 1-92

Application Part and Chapter:	**26**	**Page No.:**	**6,293**
Issue:	**Claims Incurred**		
Topic:	**Repair Costs**		
MFR:	**26**		

Preamble to IR (If Any):

No cost savings were anticipated to arise due to the 2014 to 2016 year-over-year 10% increase in auto body labour rates. A portion of this shop compensation strategy was intended to help repair shops staff and tool-up in preparation for the Appraisal Transition Project (ATP). The ATP launched in 2014 and was operationalized in 2017. It provided for remote approval of shop-generated supplements and resulted in approximately 35% of estimates being done by shops and remotely approved by SGI.

At the onset of the ATP, there were 283 accredited body shops operating throughout the Province. When the project wrapped up, 255 shops successfully made the transition and 28 dropped out of the accreditation program.

SAF has provided a schedule of body shop labour rates on page 293 of the Application

Question:

a) Please indicate when the current agreement expires and whether the forecast labour rates are governed by the existing agreement.

b) Please comment on how SAF monitors body shop performance relative to its accreditation standards.

c) Please discuss the measures SAF has taken to ensure adequate access to body shop repair services for rural-based customers, given the change in accredited shops.

RESPONSE:

a) The new Saskatchewan Auto Collision Repair Accreditation comes into effect on July 1, 2021 and is renewed annually through an accredited repair partner self-declaration/annual renewal process. SGI does not project any significant edits/revisions to the terms of Master Services Agreement in 2021/2022.

SGI consults with the provincial collision industry associations as part of an annual compensation review, in fiscal Q4 of each year. The projected labour rates on page 293 of the application are not prescribed or forecasted in the current accreditation agreement. The current labour rate ($92.68/hr) is set in Schedule 2 of the Master Service Agreement and may be modified by SGI (with proper notice), without affecting the terms and conditions of the Master Services Agreement.

b) Body shop performance within the Saskatchewan accredited repair network is managed through the terms of the Master Services (Accreditation) Agreements. Accredited repair partner performance is monitored through Key-Performance Indicators (KPIs) designed to track behaviours indicative of healthy, sustainable collision repair network, including: customer satisfaction/experience, repair vs. replace decisions, cost-effective parts usage, efficiency/cycle-time and repair quality (adherence to SGI and OEM repair procedures and recommendations).

Balanced Scorecards/Key-Performance Indicators – Accredited shop partners are provided a monthly “balanced scorecard” indicating how they are performing against a minimum acceptable performance target/threshold and their peers (provincial industry average). Each of the KPIs are be weighted equally and shops that meet a minimum acceptable level of performance for each KPI will maintain their accredited status.

Performance Management Program – Shops that drop below the minimum performance targets in any of the key-performance areas are moved into a formal Performance Improvement/Management Process designed to provide additional support and coaching to the shop. Performance improvement plans target one or more of the key performance areas: repair quality/compliance; customer experience; and financial/productivity measures. If shops fail to meet the goals/targets identified during the collaborative performance improvement planning process, they are subject to a system of progressive sanctions/loss of access to the programming provided as part of the accreditation agreement (for example, no longer dispatch customers directly to the shop for estimate/repair).

High-Performance Partner Program – Shops that meet the minimum acceptable level of performance in each of the KPIs are eligible to participate in the High-Performance Partner Program. The program monitors shop performance at time of image review (what the shop submits for image review/ask versus what is accepted) and rewards shops that demonstrate a high degree of compliance with appraisal policy and procedure (example, ability to bypass review speeding up the repair process).

c) The main goal of the Safe and Quality Auto Repair Project (SQARP) initiated in 2018 was to ensure that customers continued to have access to collision repair services that are capable of safely and properly repairing their claims. At the onset of the project, it was determined that less than half of accredited body shops had the necessary training, tools and equipment to properly repair a significant number of customer vehicles. These tooling and training requirements were most challenging for low volume, primarily rural repairers.

To help shop partners make the transition to the new accreditation model, SGI provided shops up to $15,000 in incentives to help them make the necessary investments in training, tools and equipment.

To ensure that rural repairers were not disproportionally affected by the new requirements, SGI also funded remote training opportunities at various locations throughout the province, through partnership with Sask Polytechnic and I-CAR Canada (welding certification classes typically only available through their main campuses, were offered in Swift Current, Tisdale, Meadow Lake and Estevan regions).

As part of SQARP, SGI created north and south regional (technical) shop relations positions, tasked with working directly with accredited shop partners to provide technical assistance/advice and to support individual shops' efforts to transition into the new program.

Similar to the technical shop relations support positions, SGI has also created a dedicated (claims admin) shop relations position to help identify issues/pain-points in the claims workflow and work directly with shop partners to help them access information quickly and effectively.

As part of our shop compensation strategy, SGI has been looking for opportunities to better support smaller (mainly rural) lower-volume shops. In 2021, in lieu of a labour increase that favours high volume shops, SGI instead took over accredited repair partners' fixed monthly subscription costs for estimating and OEM procedure software (effective labour rate increase of 1.9%).

SGI is working directly with tow and storage partners in communities that are being affected by shop consolidation, ensuring that customers continue to have uninterrupted access to estimating and repair services.

In 2019, SGI launched a new sublet travel policy, specifically targeting rural service providers. The new policy created new compensation opportunities for rural repair partners when transporting customers' vehicles between communities for repair operations they are unable to complete within their own facility.

SGI has negotiated rental car terms that are designed to ensure rural customers have access to the same level of loss of use benefits as customers located in larger urban centers (working with rental car firms to transport rentals to customers located up to 100 km from the nearest rental locations at no additional cost to SGI).