



# Saskatchewan Auto Fund

2021 Proposal for Rate Adjustment

# Presentation Outline

- Auto Fund & Financial Overview
  - Jeff Stepan - Executive VP & CFO
- Auto Fund Rating Overview
  - Chris McCulloch - VP, Corporate Actuary

# Saskatchewan Auto Fund Mandate

- Universal, fair and affordable automobile insurance.
- Operates as public fund for Saskatchewan motorists.
- Self-sustaining and operates on a break-even basis.

## Rate Proposal Overview

The proposed revenue increase and rebalancing effective Jan. 21, 2022 includes:

- Overall 0% rate change to the Auto Fund
- Increases for 48% of Saskatchewan vehicles with an average annual increase of \$96;
- Decreases for 52% of Saskatchewan vehicles with an average annual reduction of \$102; and,
- No premium change for around 900 Saskatchewan vehicles.

# Rate Proposal Overview

Overall 0% rate change to the Auto Fund effective Jan 21, 2022:

- 1.7% overall rate increase

Required to cover expected claim costs and expenses.

Due to rebalancing, some rates will go up, some will go down and some will stay the same.

- 1.6% decrease to the capital amount

Will bring the capital amount from 2.2% to 0.6%.

The capital amount is applied on top of everyone's rebalanced rate.

# Operating Philosophies

- Provide basic auto insurance that is universal and fair
- Fairly rate vehicle classes based on their loss experience
  - Loss experience is driven by the number of claims and their cost
- Keep rates as low as possible

# Insurance Coverage

- Defined in *The Automobile Accident Insurance Act (AAIA)*
  - Personal Injury Benefits
    - Choice of No-Fault or Tort (or Reduced No-Fault for motorcycles)
  - Third Party Liability
  - Physical Damage to the vehicle

# Financial Overview







# Financial Overview

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
	(thousands of Canadian \$)				
Net premiums earned	922,526	930,352	935,287	955,609	961,172
Total claims and expenses	<u>976,043</u>	<u>962,207</u>	<u>1,077,107</u>	<u>1,090,206</u>	<u>981,825</u>
Underwriting loss	-53,516	-31,856	-141,820	-134,597	-20,653
Investment income	173,811	162,762	135,849	2,450	508,482
Other income	<u>68,428</u>	<u>79,188</u>	<u>83,429</u>	<u>85,442</u>	<u>80,562</u>
Increase/(Decrease) to RSR	188,723	210,095	77,458	-46,706	283,391
RSR Balance, Beginning of Year	<u>377,177</u>	<u>565,900</u>	<u>775,995</u>	<u>853,453</u>	<u>806,747</u>
RSR Balance, end of year	565,900	775,995	853,453	806,747	1,090,138

# Significant Changes

- Enhancements to Injury Benefits effective May 1, 2021
  - Increased amounts available for Living Assistance benefits
  - No longer reducing income benefits by the amount a customer receives through Canada Pension Plan (CPP) disability
- \$285 million rebate issued to policyholders

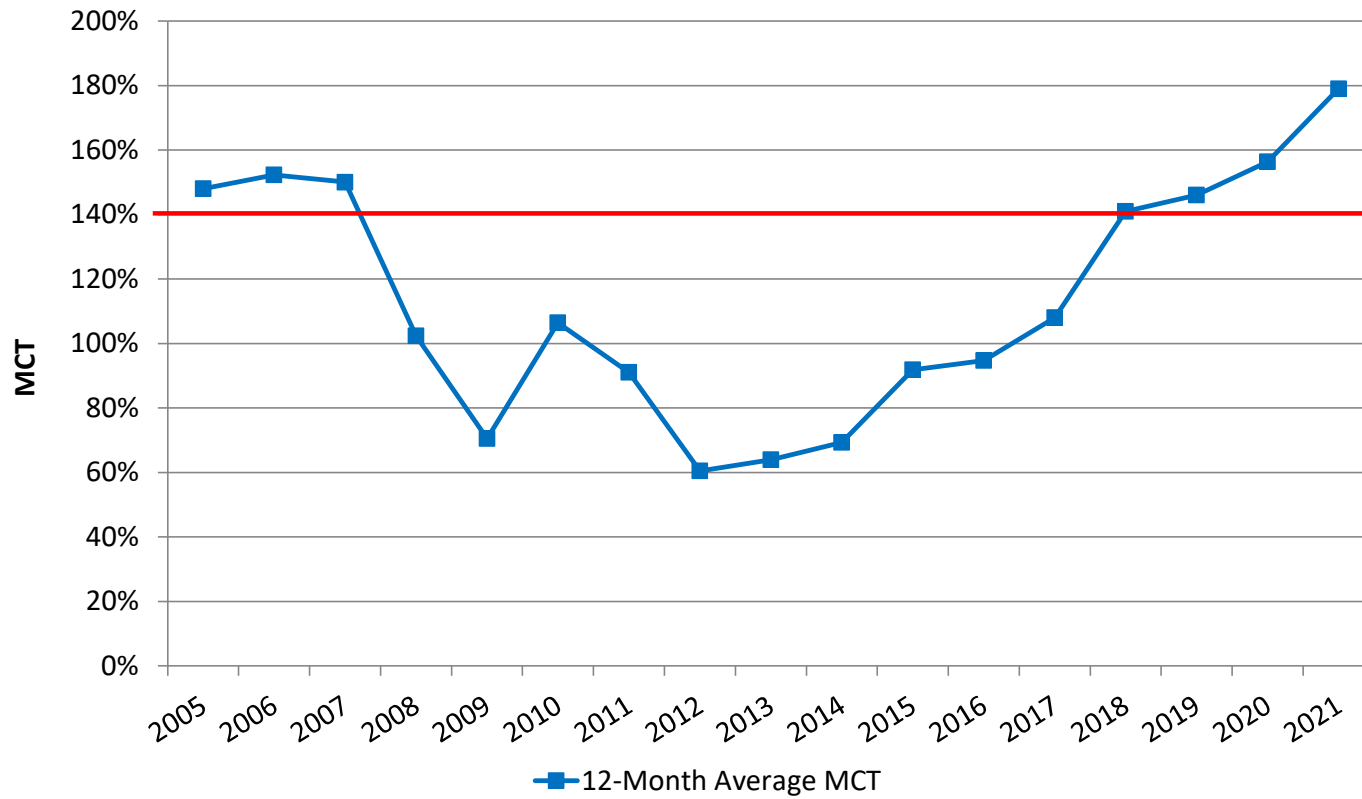
# Why the Auto Fund requires a 0.6% Capital Margin

- The Rate Stabilization Reserve (RSR)
  - Protects customers from large rate increases.
  - Ensures the Auto Fund can cover claim obligations.
- 2.2% Capital Margin decreased to 0.6%.

# Capital Management Policy

- Target – Minimum Capital Test of 140%
- Not determined solely by SGI
- Capital Margin included in rates:
  - Move toward target capital level
  - Decrease current amount from 2.2% down to 0.6%

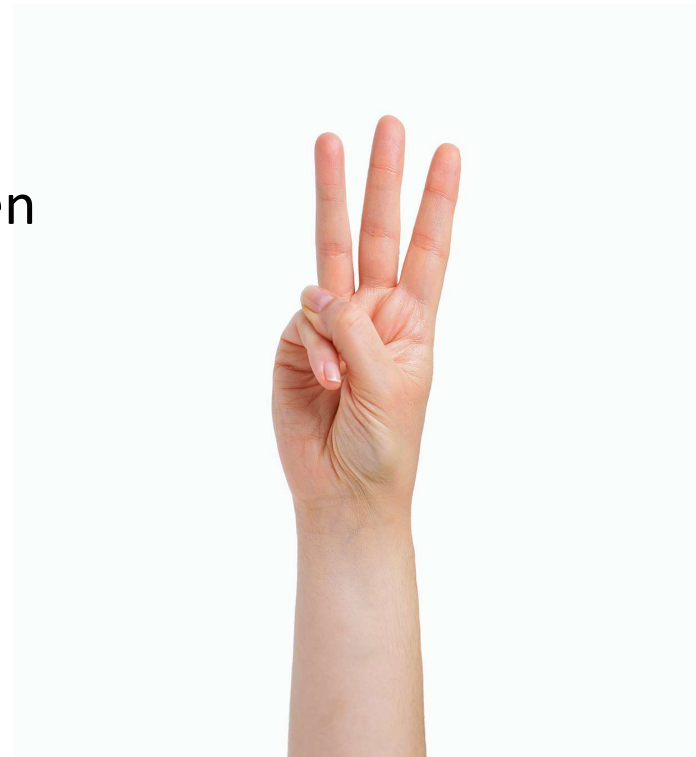
# Available Capital



# Auto Fund Rating Overview

Three components to consider:

1. Adequate premiums to break even
2. Fairness in rating
3. Maintain adequate capital



## Indicated Rate Change

The overall indicated rate increase to break even is 1.7%

1. Improving injury claim experience
2. Rising overall damage costs
3. Increase to expenses

Decrease to the capital margin results in a net 0% change overall

# Loss Trends 2014 vs. 2021

- Medical Benefits
  - 3.6% to 0.5%
- Income Replacement Benefits
  - 4.2% to -4.3%
- Care (Living Assistance)
  - 0.3% to -1.7%
- Death Benefits
  - 4.5% to -4.8%



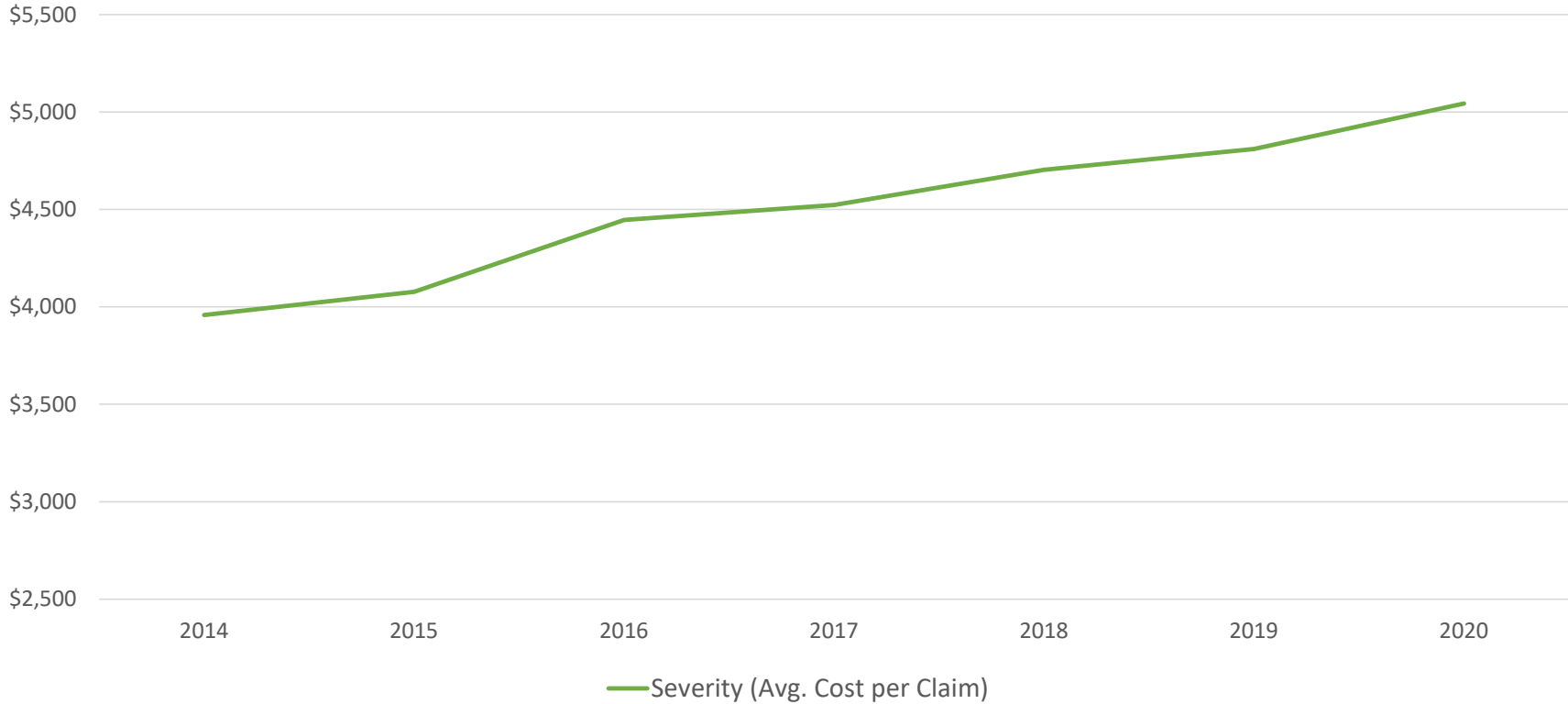


# Damage

- Worsening damage claims experience offsets the improved injury experience
- Rising repair costs due to increased complexity of technology, procedures and materials used in newer vehicles



### Light Vehicles Collision Severity



## COVID-19 Effect

- Noticeable reduction in claims in 2020 & 2021
- Effect fading as restrictions removed
- Commercial Vehicle Classes
  - Assumed 5% exposure reduction due to economic conditions following the pandemic.

## Rate Rebalancing

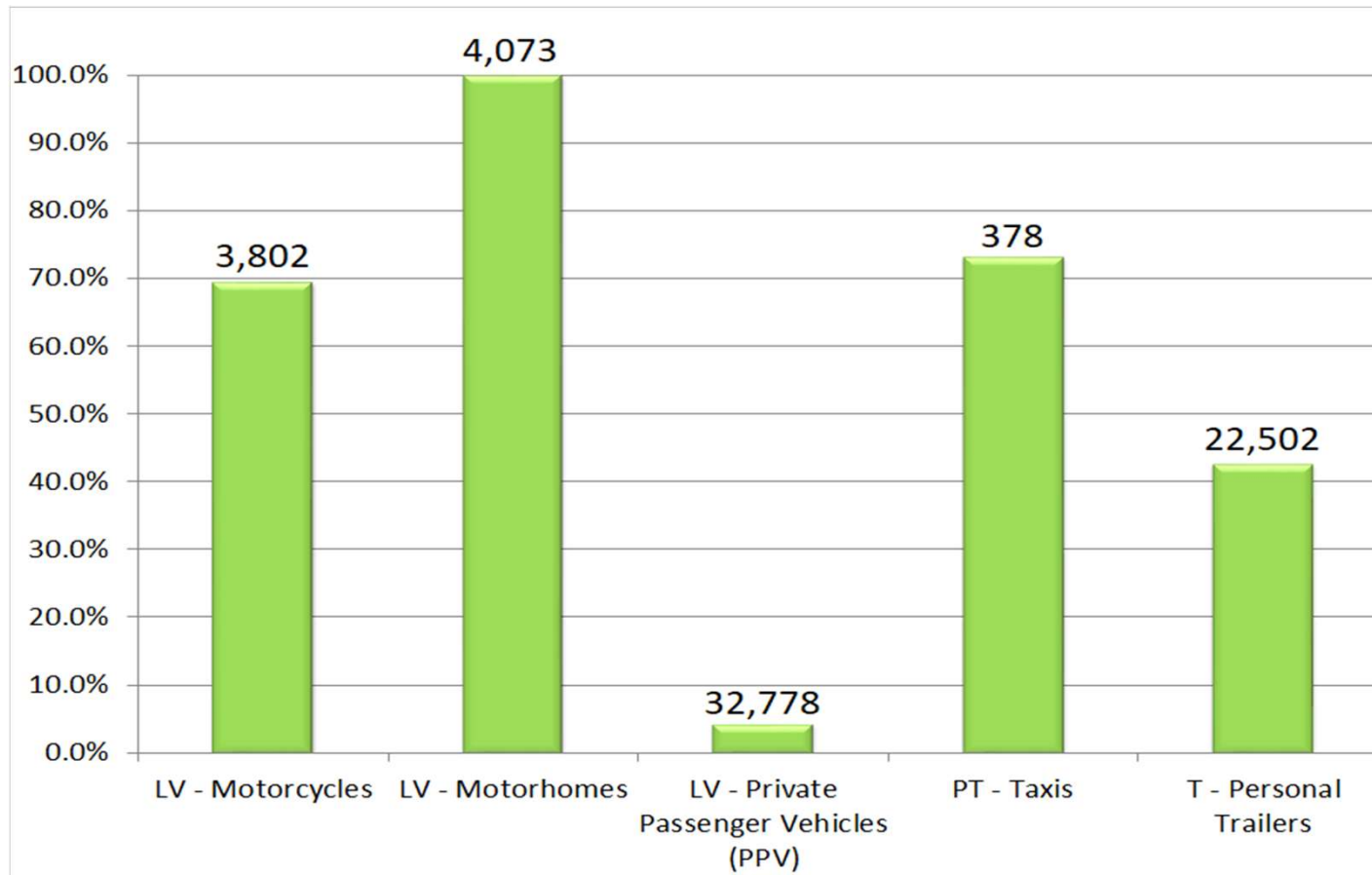
- More than 30 vehicle classes
- Rebalancing: rates for vehicles within each class
- Rate changes are capped to reduce rate stock

# Rate Capping

This capping table is proposed for individual rate increases and decreases.

<b>Current Annual Rate</b>	<b>Maximum Cap</b>
\$1 – 50	\$25
\$51 – 100	\$50
\$101 – 250	\$75
\$251 – 500	\$100
\$501 – 750	\$125
\$751 – 1000	\$150
\$1001 or greater	15%

## Proportion of Class Still Outside of 5% Adequate Target Range After 2021 Rate Program



# Motorcycles

The indication shows motorcycles require a 34% increase in rate. SGI is proposing an increase of 10% after capping, resulting in:

- increases for 88% of motorcycles
- decreases for 12% of motorcycles

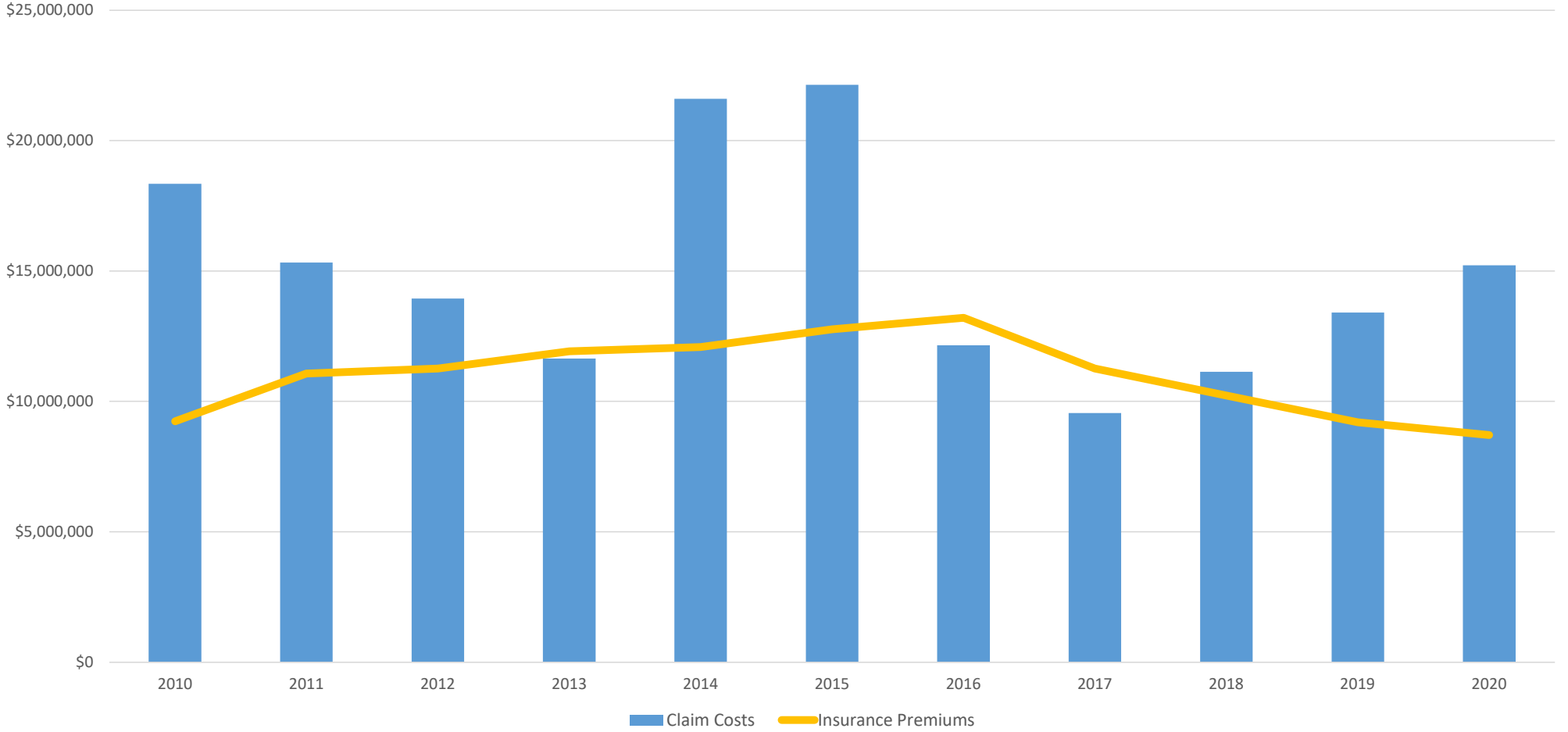
Changes to coverage and pricing:

- option to elect Reduced No Fault coverage
- refined engine size and model year categories





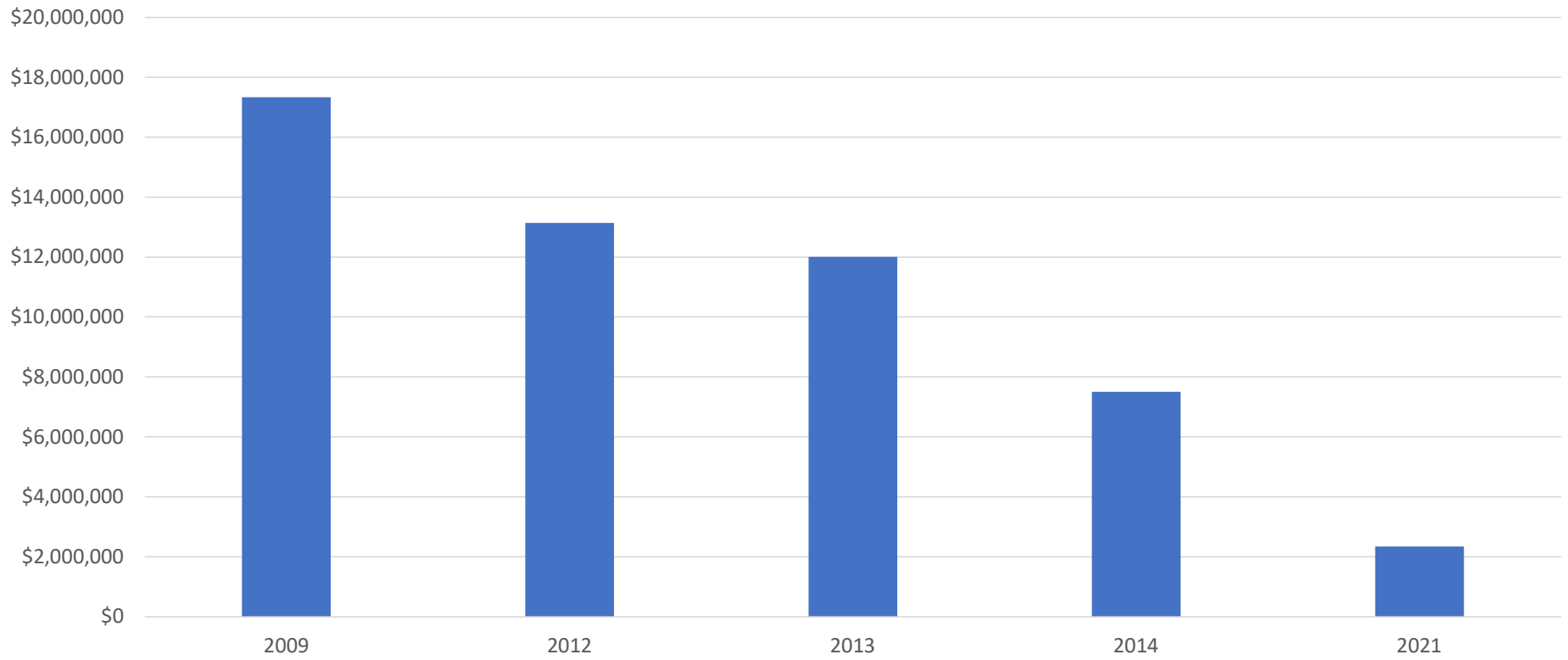
### Motorcycle Claims & Premium Paid (Including Permits)







## Motorcycle Shortfall



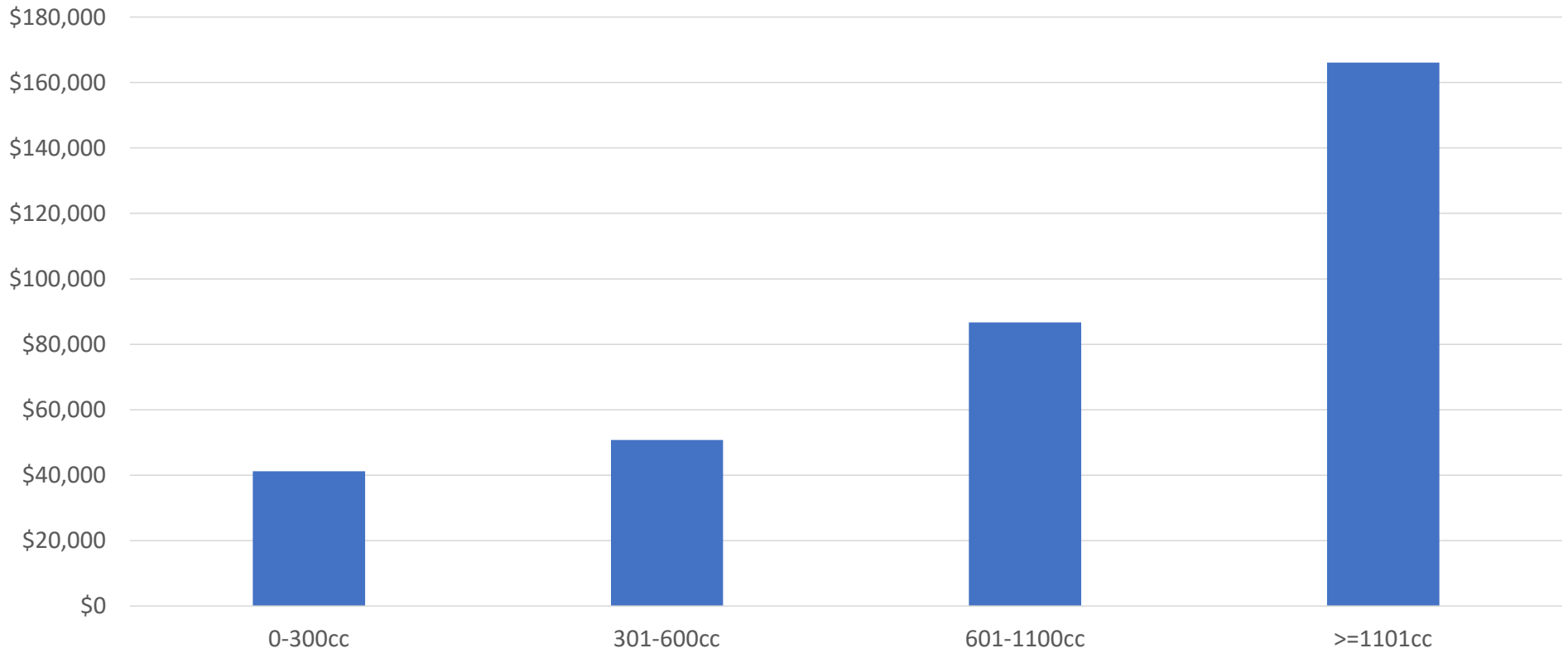
## Fault Allocation

**Loss Transfer** : Claim costs assigned to the class of at-fault vehicle

- Damage and injury costs both charged
- Changed in 2012 Rate Program
- \$30 million reallocation of incurred losses
- Upholds SGI's mandate of Fairness in Rating



## Motorcycle Average Cost per Injury Claim by Engine Size





# Provincial Benefits Comparison

Maximum Benefit Covered		Saskatchewan	Manitoba	British Columbia	Alberta	Ontario
Income Replacement	Duration	Age 65	Age 65	Age 65	2 Years	2 Years*
	Maximum Insurable Earnings	\$102,673	\$103,500	\$100,000	\$39,000	\$29,714
Medical Costs & Care Benefits		\$7,259,646	Unlimited	Unlimited	\$50,000	\$1,000,000

\*Lifetime coverage at reduced amount if permanently disabled

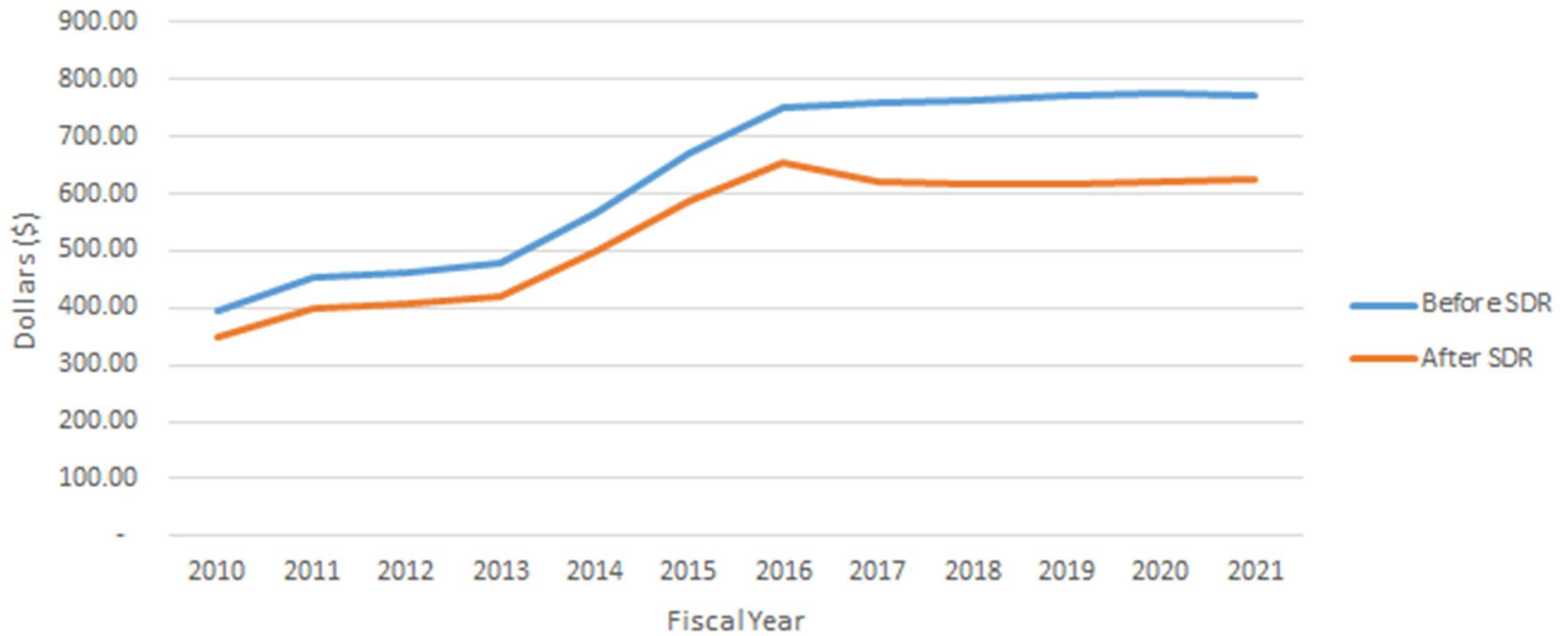


### Distribution of Motorcycle Earned Exposures by Term Length

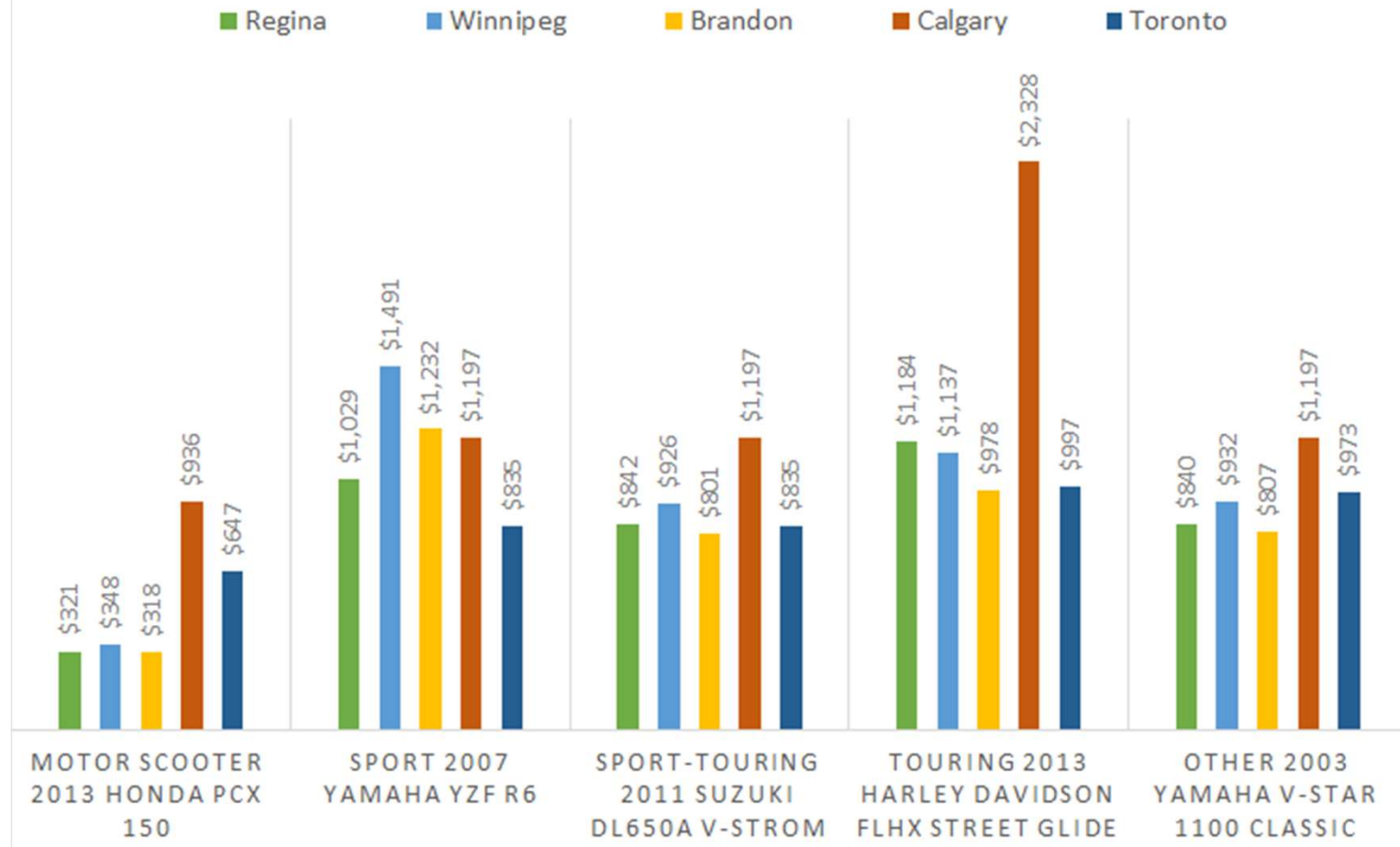
Term Length (Months)	2013	2014	2015	2016	2017	2018	2019	2020
1	7%	6%	5%	5%	5%	6%	5%	1%
2	3%	3%	4%	4%	5%	5%	6%	6%
3	5%	5%	6%	6%	7%	8%	8%	10%
4	10%	11%	11%	11%	12%	13%	14%	14%
5	16%	17%	15%	15%	16%	20%	18%	18%
6	25%	21%	19%	21%	20%	22%	18%	23%
7	21%	19%	22%	20%	18%	16%	17%	17%
8	4%	6%	9%	8%	8%	3%	6%	4%
9	1%	2%	2%	3%	2%	1%	1%	1%
10	1%	1%	1%	1%	1%	1%	1%	0%
11	0%	1%	0%	0%	0%	0%	0%	0%
12	1%	1%	1%	1%	0%	0%	0%	0%
Annual	8%	7%	5%	5%	5%	5%	5%	6%



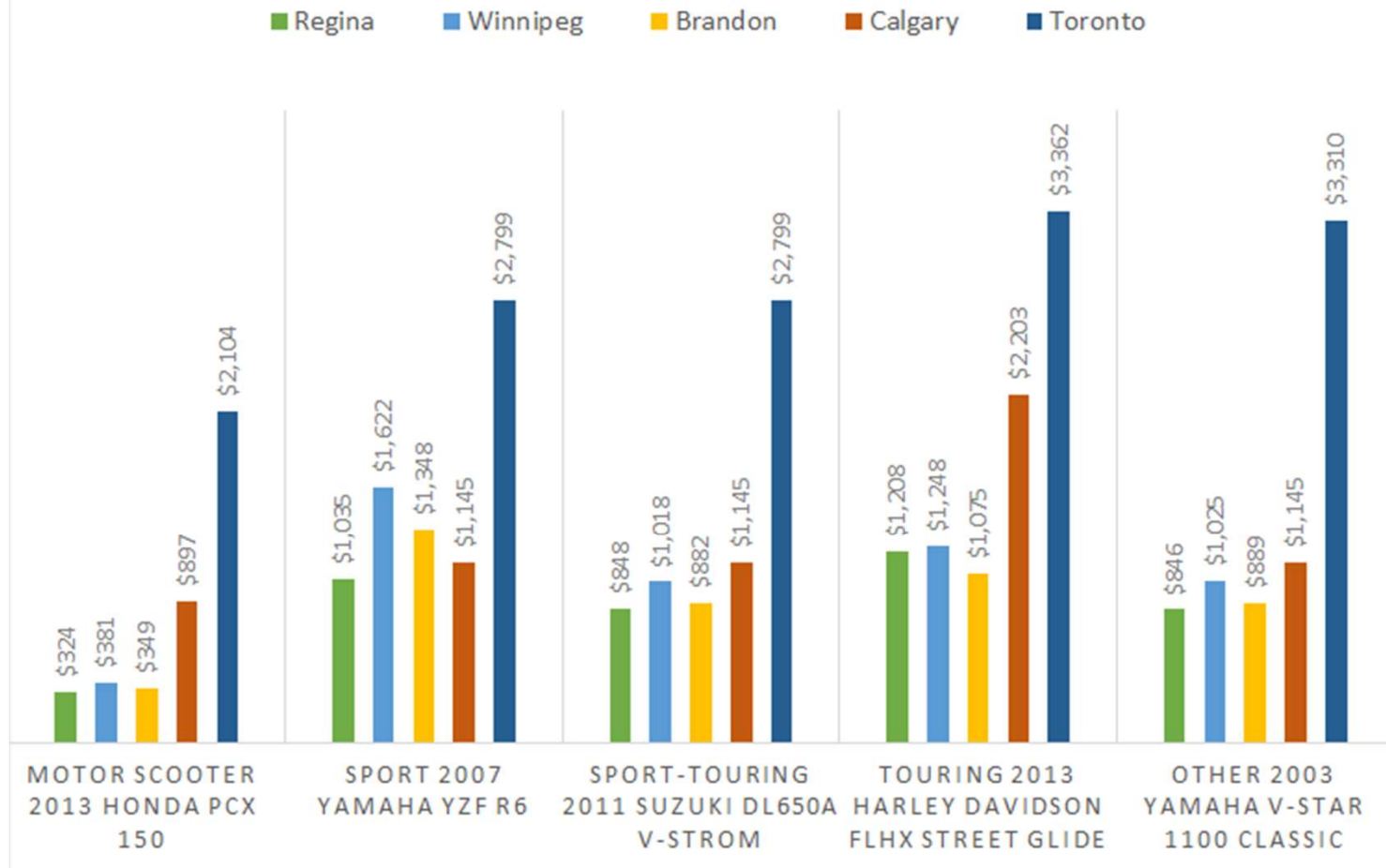
### Average Earned Premium by Fiscal Year (5 month Term)



## DRIVER PROFILE 1: 35 YEAR-OLD MALE; CLAIMS AND CONVICTIONS FREE

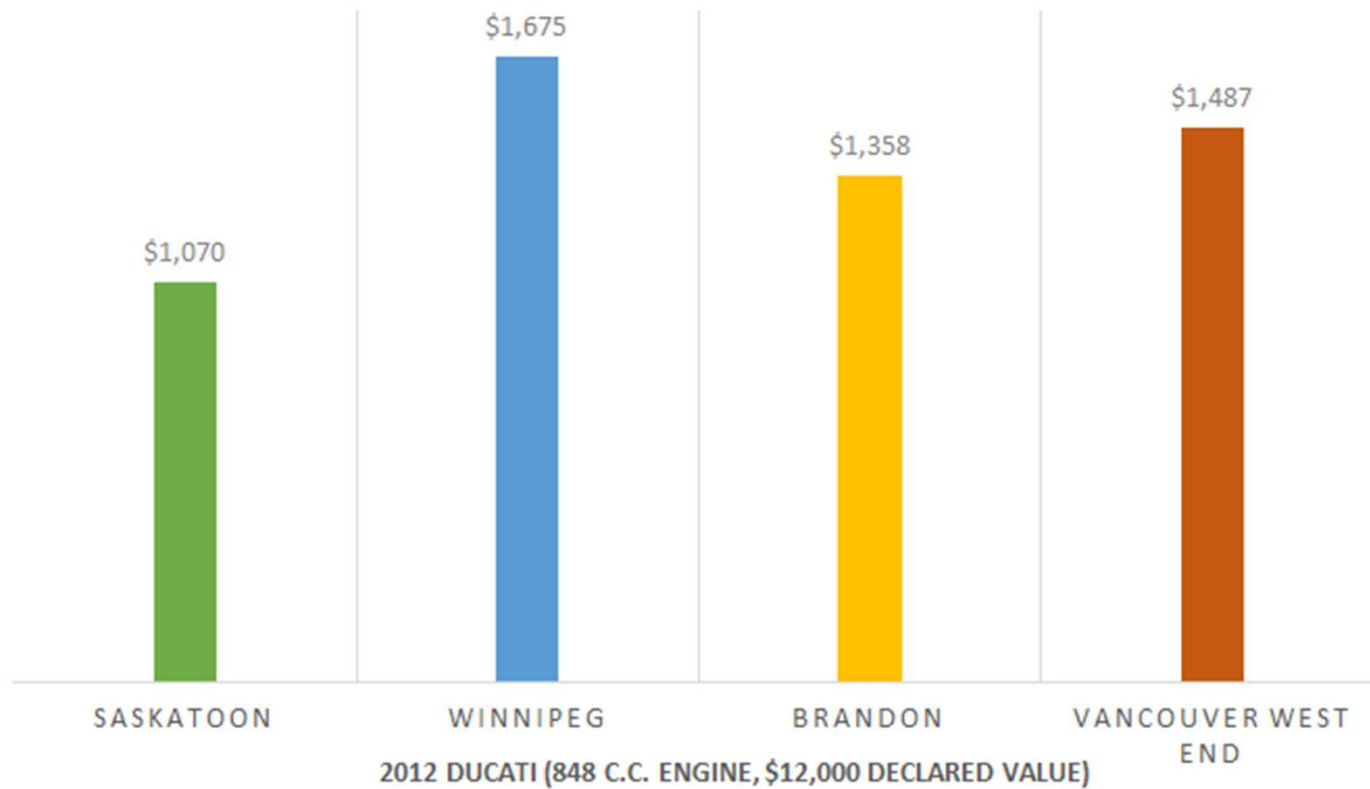


**DRIVER PROFILE 2: 50 YEAR-OLD MALE; 1 AT-FAULT CLAIM IN THE LAST YEAR, CONVICTIONS FREE PRIOR TO THAT**





**DRIVER PROFILE: 45 YEAR OLD FEMALE; CLAIMS AND  
CONVICTIONS FREE**



# Permits

- A new permit indication has been produced for this rate program.
- Permit fees have not changed in more than 20 years.
- Increases are proposed to more accurately reflect the risks:
  - 24-hour permits from \$20 to \$26
  - 8-day permits from \$48 to \$73

# Taxis

## Require rate increase of 38%

- Proposing to increase rates by 13%.
- In 2013, SGI worked with taxi companies, operators, cities and other stakeholders on a comprehensive strategy to address fairness of the Business Recognition (BR) program.
- Performed BR program reviews to address some issues brought forward. Some changes included:
  - maximum discount increased from 10% to 15%
  - maximum surcharge reduced from 200% to 25%
  - BR rules apply equally to both individuals and companies

# Transportation Network Companies

- Rideshare companies required a new rating structure.
- Initial rate = 11 cents per km.
  - Basic plate insurance for drivers and vehicles while ridesharing.
  - Charged to ridesharing company.
  - Based on taxi adequate rates.



# Motorhomes

- The indication shows that motorhomes require a 135% increase in rate. SGI is proposing an increase of 20% after capping.
- Rodent Infestation claims are driving up claim costs.



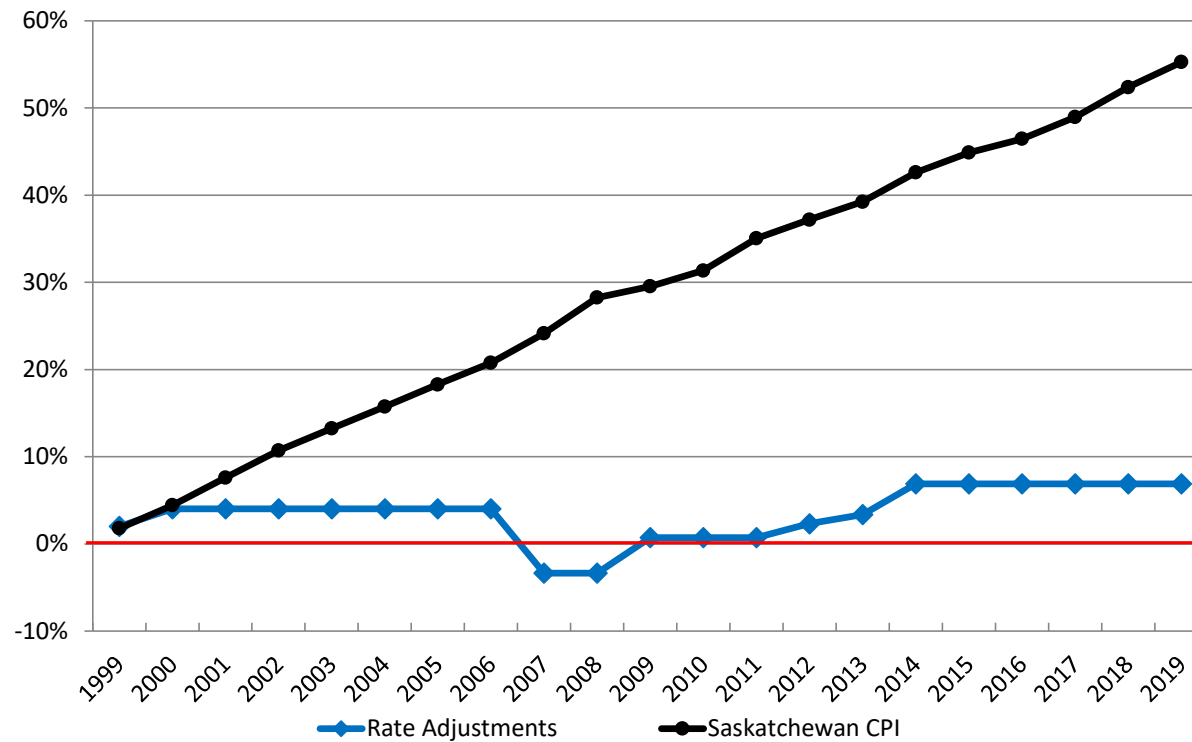


## Light Vehicle Examples

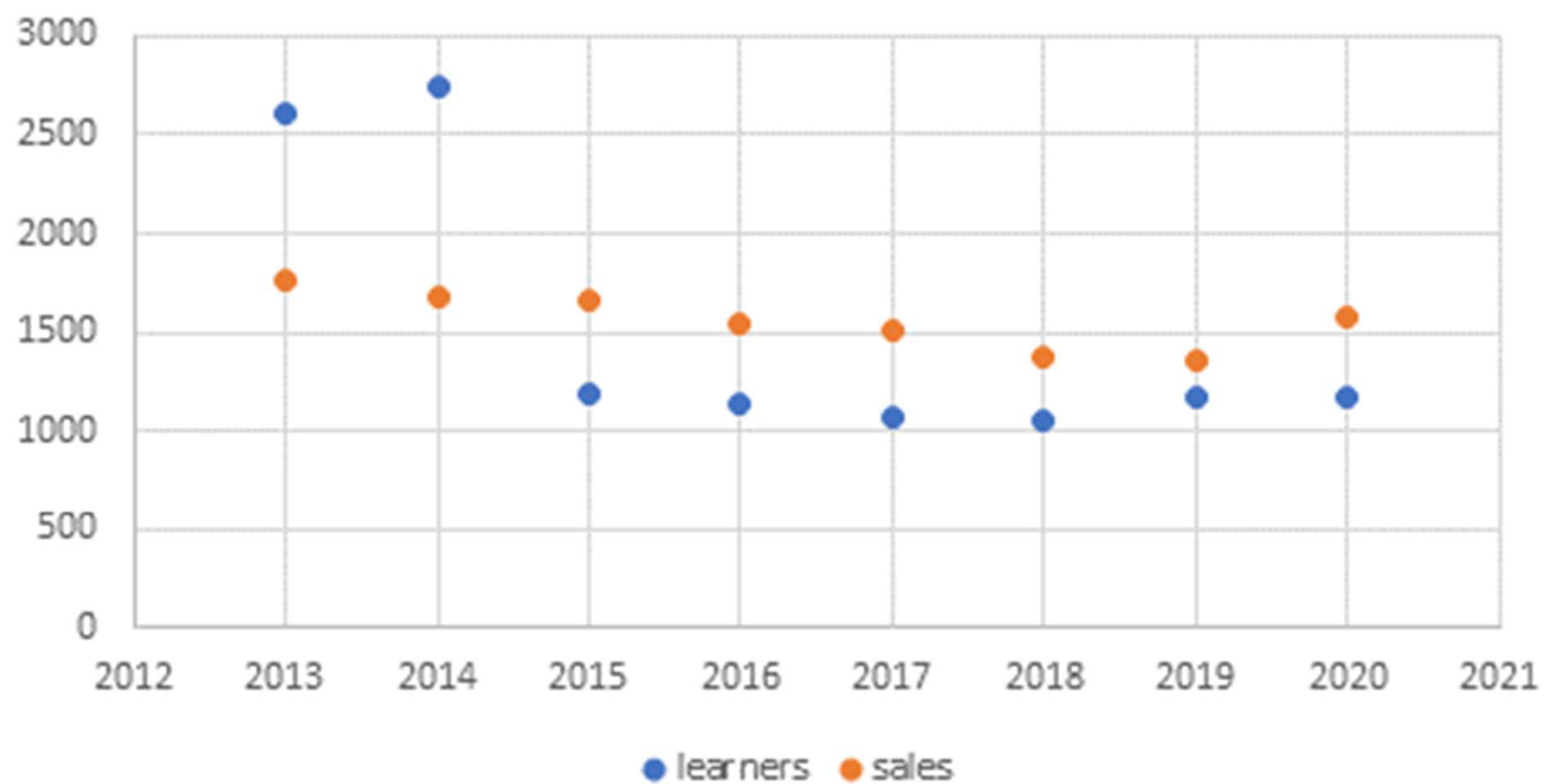
Model Year	Vehicle	Current Rate	New Rate	\$ Change
2018	FORD F150 SUPERCREW 4W	\$1,554	\$1,630	\$76
2018	CHEVROLET SILVERADO 1500	\$1,506	\$1,702	\$196
2010	DODGE GRAND CARAVAN SE	\$1,142	\$974	-\$168
2007	TOYOTA CAMRY 4DR	\$1,119	\$1,037	-\$82
2008	HONDA CIVIC 2DR	\$1,339	\$1,153	-\$186

# Commitment to Low Rates

## Rate Increases versus Saskatchewan CPI



## Learner licences and new motorcycle sales -- SK





SGI