

Saskatchewan Auto Fund

2021 Rate Proposal SRRP

Presentation Outline

- Auto Fund mandate
- rate proposal overview
- financial overview
- investment income
- efficiencies
- Auto Fund rate proposal
- timeline

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

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 2.23% to 0.56%.
 - The capital amount is applied on top of everyone's rebalanced rate.

Rate Proposal Overview

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

- Increases for about 48% of Saskatchewan vehicles with an average annual increase of \$96;
- Decreases for about 52% of Saskatchewan vehicles with an average annual reduction of \$102; and,
- No premium change for about 900 Saskatchewan vehicles.

Financial Overview



Financial Overview

	2016-17	2017-18	2018-19	2019-20
	(thousands of Canadian \$)			
Net premiums earned	922,526	930,352	935,287	955,609
Total claims and expenses	<u>976,043</u>	<u>962,207</u>	<u>1,077,107</u>	<u>1,090,206</u>
Underwriting loss	-53,516	-31,856	-141,820	-134,597
Investment income	173,811	162,762	135,849	2,450
Other income	<u>68,428</u>	<u>79,188</u>	<u>83,429</u>	<u>85,442</u>
Increase/(Decrease) to RSR	188,723	210,095	77,458	-46,706
RSR Balance, Beginning of Year	<u>377,177</u>	<u>565,900</u>	<u>775,995</u>	<u>853,453</u>
RSR Balance, end of year	565,900	775,995	853,453	806,747



Financial Actuals vs Budget in Prior Years

(thousands of \$)	2018-19 Actual	2018-19 Budget	Variance	2019-20 Actual	2019-20 Budget	Variance
Net Earned Premiums	<u>935,287</u>	<u>953,880</u>	<u>(18,593)</u>	<u>955,610</u>	<u>957,324</u>	<u>(1,714)</u>
Claims Incurred and LAE	894,882	766,398	128,484	889,301	857,214	32,087
Issuer Fees and Prem Taxes	94,513	96,141	(1,628)	95,791	96,423	(632)
Administrative Expenses	58,244	60,256	(2,012)	71,068	61,542	9,526
Traffic Safety Programs	<u>29,468</u>	<u>39,222</u>	<u>(9,754)</u>	<u>34,047</u>	<u>38,959</u>	<u>(4,912)</u>
Total Claims and Expenses	1,077,107	962,017	115,090	1,090,207	1,054,138	36,069
Underwriting Loss	(141,820)	(8,137)	(133,683)	(134,597)	(96,814)	(37,783)
Investment Earnings	135,849	40,490	95,359	2,450	76,596	(74,146)
Other Income	<u>83,429</u>	<u>85,672</u>	<u>(2,243)</u>	<u>85,441</u>	<u>87,206</u>	<u>(1,765)</u>
Increase (Decrease) to RSR	<u>77,458</u>	<u>118,025</u>	<u>(40,567)</u>	<u>(46,706)</u>	<u>66,988</u>	<u>(113,694)</u>



Forecast including Living Assistance Enhancements, CPP change, 0% rate change and \$285M rebate

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Net Premiums Earned	964,891	992,802	1,011,571	1,029,688	1,048,170	1,067,059
Claims Incurred and LAE	814,931	840,707	890,927	974,241	1,005,551	1,039,810
Issuer Fees and Prem Taxes	96,998	99,700	104,052	108,058	106,790	111,068
Administrative Expenses	66,714	90,886	93,792	102,920	89,957	81,929
Traffic Safety Programs	33,326	40,479	41,289	42,114	42,957	43,816
Total Claims and Expenses	1,011,969	1,071,772	1,130,060	1,227,333	1,245,255	1,276,623
Underwriting Loss	-47,078	-78,970	-118,489	-197,645	-197,085	-209,564
Investment Earnings	466,210	34,935	68,839	128,890	138,372	148,539
Other Income	78,896	86,168	89,493	92,687	95,777	98,760
Increase (Decrease) to RSR	498,028	42,133	39,843	23,932	37,064	37,735
Rebate to Policyholders	-285,000	0	0	0	0	0
Total Increase (Decrease to RSR)	213,028	42,133	39,843	23,932	37,064	37,735
RSR Balance, Beginning of Year	806,747	1,019,775	1,061,907	1,101,750	1,125,682	1,162,746
RSR Balance, End of Year	1,019,775	1,061,907	1,101,750	1,125,682	1,162,746	1,200,481
MCT	158%	157%	158%	152%	155%	156%

Investment Income



Investment Approach

Two Portfolios:

- Matching portfolio used to back first 20 years of future claim payments.
 - Bonds, short-term investments & mortgages.
- Return seeking portfolio used to back 21+ years of future claim payments and RSR.
 - Equities, real-estate and Infrastructure.

Approach designed to mitigate interest rate risk.

Results of Matching

	2018-19	2019-20	2020-21
	(\$000)	(\$000)	(\$000)
Impact on claims from change in discount rate	28,993	27,638	-5,832
Matching portfolio capital gain	27,536	18,202	-12,241
Difference	1,458	9,436	6,409

Investment Assumptions

- Matching portfolio using actual portfolio yield.
- Return seeking portfolio using assumed long-term yield.
- Return on RSR using overall investment yield.

SGI

Auto Fund Rate Proposal

2021 RP SRRP Technical Briefing

Auto Fund Rate Program

Three components to consider:

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



Indicated vs. Proposed 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 result in a net 0% change overall

1.7% Basic Rate Increase

- rising damage costs
 - PPV collision severity \$5,000 vs \$3,400
- reduced claim frequency
- increased premium from “drift” or “mix”
- changes to coverage
- additional costs

Significant Changes from 2014 program

Rate Program Change	Impact on Overall Rates	Dollar Impact
Injury Coverage Review: Full Impact	+1.3%	\$13.0 M
Health Levy Increase	+1.1%	\$11.1 M
Used Vehicle PST Adjustment	+1.2%	\$12.1 M
Pre/Post Scanning	+1.3%	\$12.8 M
Transformation Admin Costs	+1.6%	\$15.7 M

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%



COVID-19 Adjustments

- Assume that all effects on driving largely concluded by 2022 rating year.
- Commercial Vehicle Classes
 - Assumed 5% exposure reduction due to economic conditions following the pandemic.
 - Number of vehicles insured has historically been correlated to the health of the economy.

Rate Rebalancing

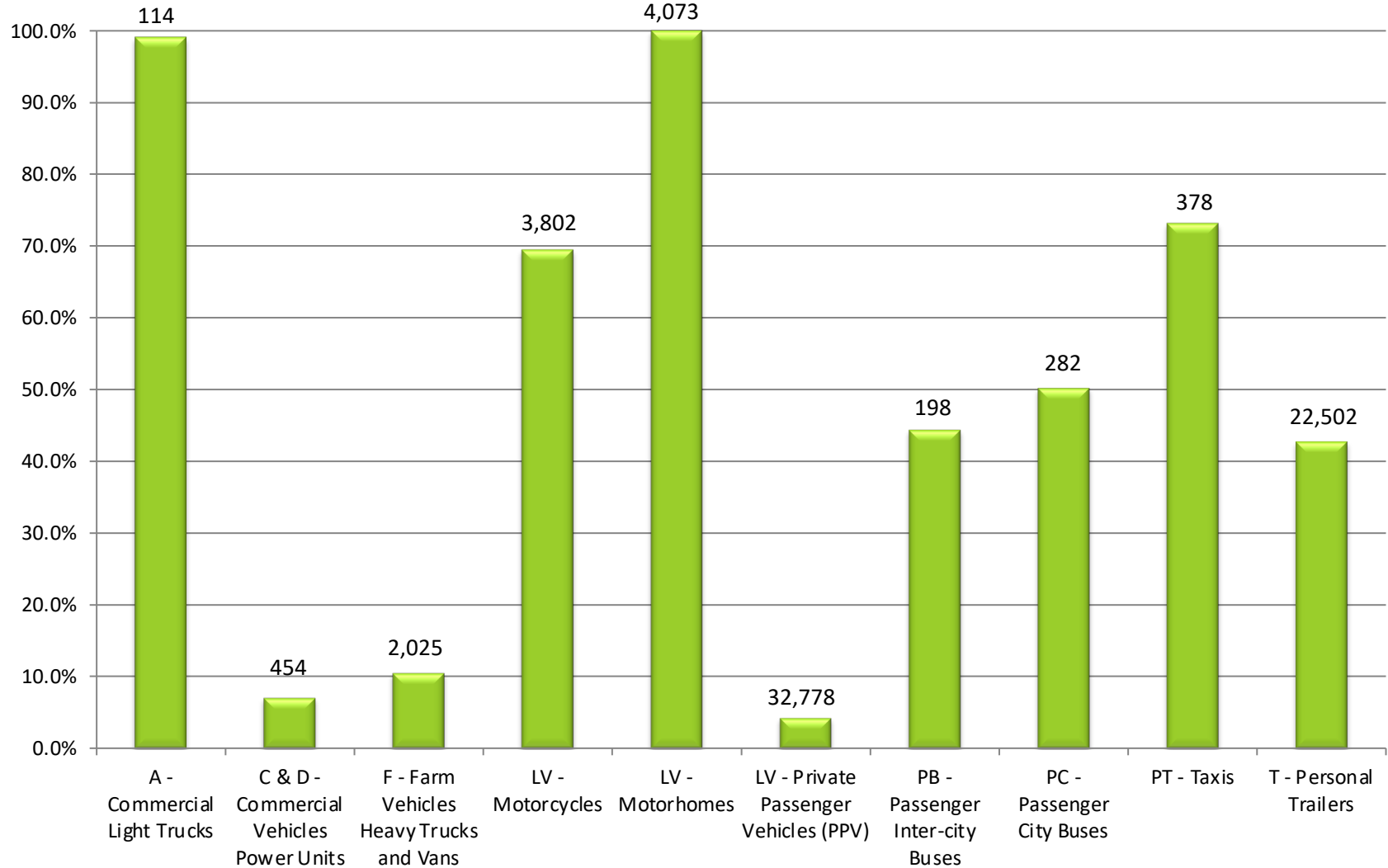
- over 30 vehicle classes
- rebalancing: rates for vehicles within each class
- rate changes are capped to reduce rate stock

Rate Rebalancing

The following capping table is proposed for individual rate increases and decreases.

Current Annual Rate	Maximum Cap
\$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 RP



Motorcycles

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

- 88% of motorcycles will increase
- 12% of motorcycles will decrease

Changes to coverage and pricing:

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



Motorcycle Claim Costs & Insurance Premiums



Reduced No Fault

- April 1, 2016 - reduced injury benefits package option for motorcycle registrants
- Reduced premium through discount:
 - 5% for all motorcycles 100cc and less
 - 20% for all motorcycles 101cc-400cc
 - 30% for all motorcycles 401cc and more

Permits

- A new permit indication has been produced for this rate program
- Permit fees have not changed in over 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 is 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 individual and companies

Transportation Network Companies

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



Motor Homes

- 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.



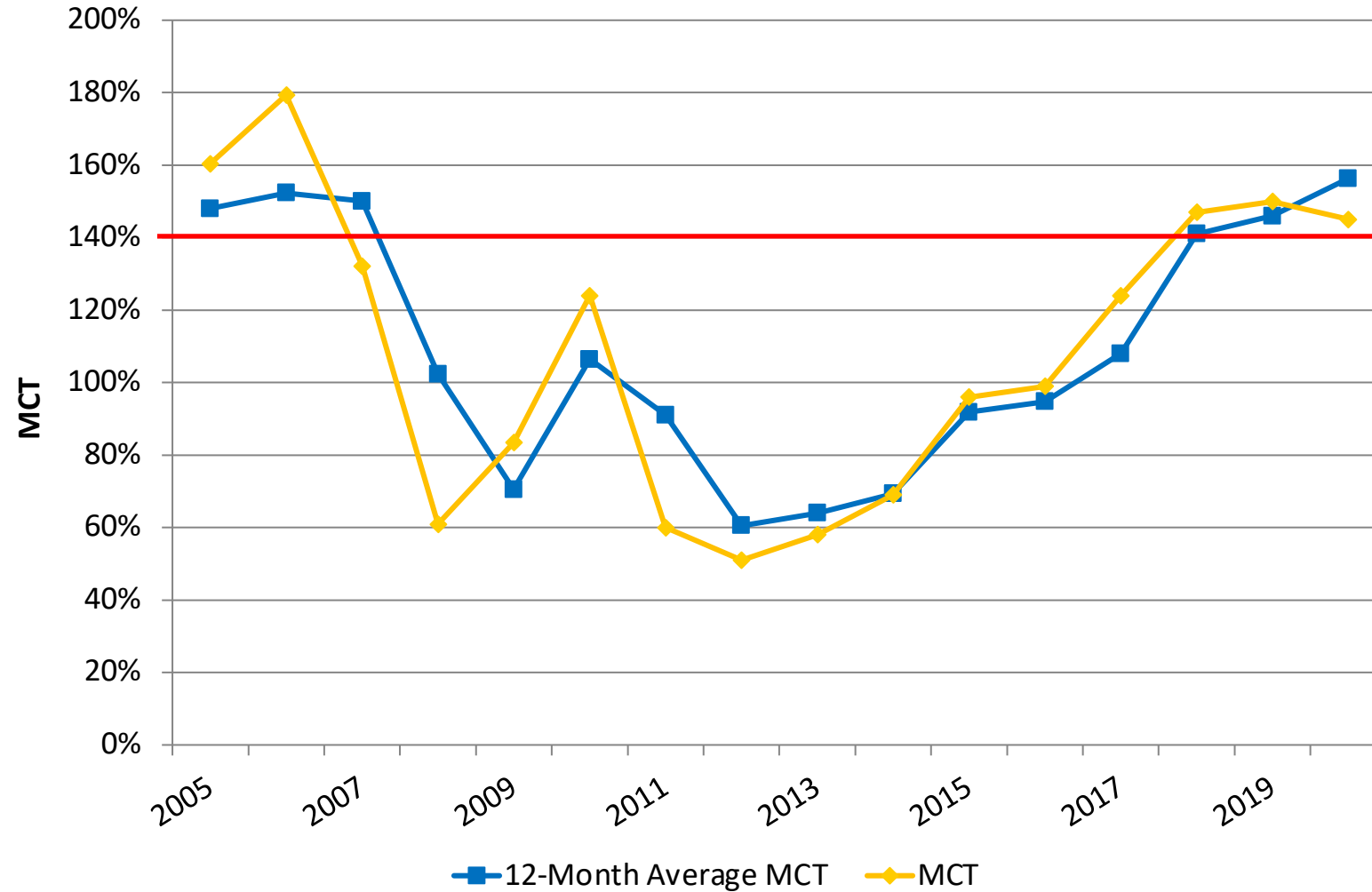
Why the Auto Fund requires a 0.6% Capital Margin

- 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%.

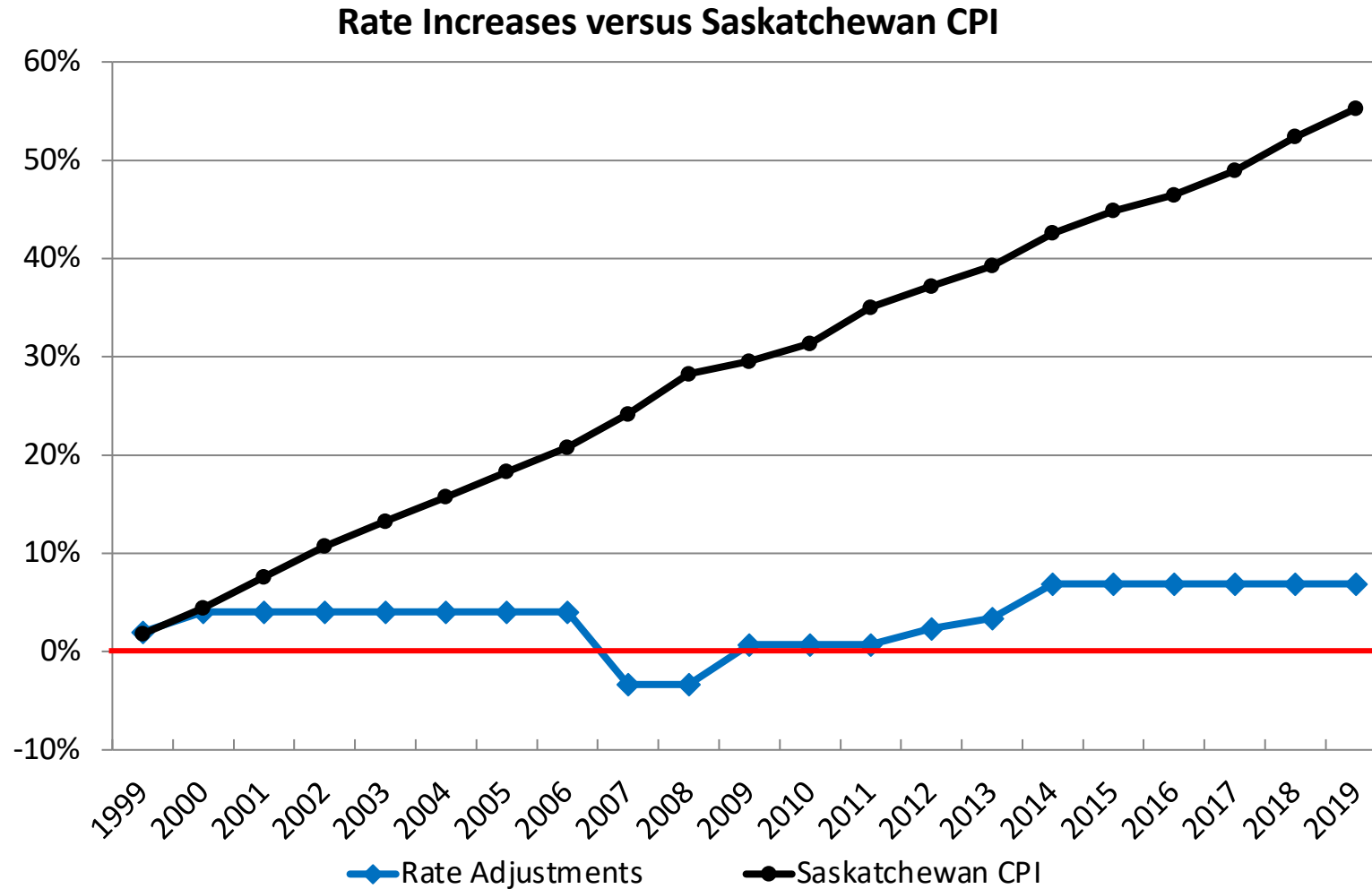
Capital Management Policy

- Target – Minimum Capital Test of 140%.
- Capital Margin has two parts:
 - Capital Maintenance – amount to grow capital to offset Auto Fund growth.
 - Capital Build/Release – move the RSR 20% closer to target; plus.
- Overall 0.6% capital amount:
 - 2.9% Release + 3.4% Maintenance + rounding.

Available Capital



Commitment to Low Rates



Questions?



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The logo features the letters 'S', 'G', and 'I' in a bold, italicized, sans-serif font. The 'S' and 'G' are a vibrant green, while the 'I' is a bright yellow. To the right of the 'I' is a graphic element consisting of five parallel, slanted yellow bars of varying lengths, creating a sense of motion or a stylized 'IIII'.

Stakeholder Meetings

Saskatchewan Auto Fund Mandate

- Universal, fair, and affordable automobile insurance.
- Operates as public fund for Saskatchewan motorists
- Self-sustaining.
- Operates on a break-even basis (is not a revenue-generator for government).

Determining Adequate Premium

**Premium required >
Premium expected**

- rate increase

**Premium required <
Premium expected**

- rate decrease

**Premium required =
Premium expected**

- no rate change

U-drive (rental) Class

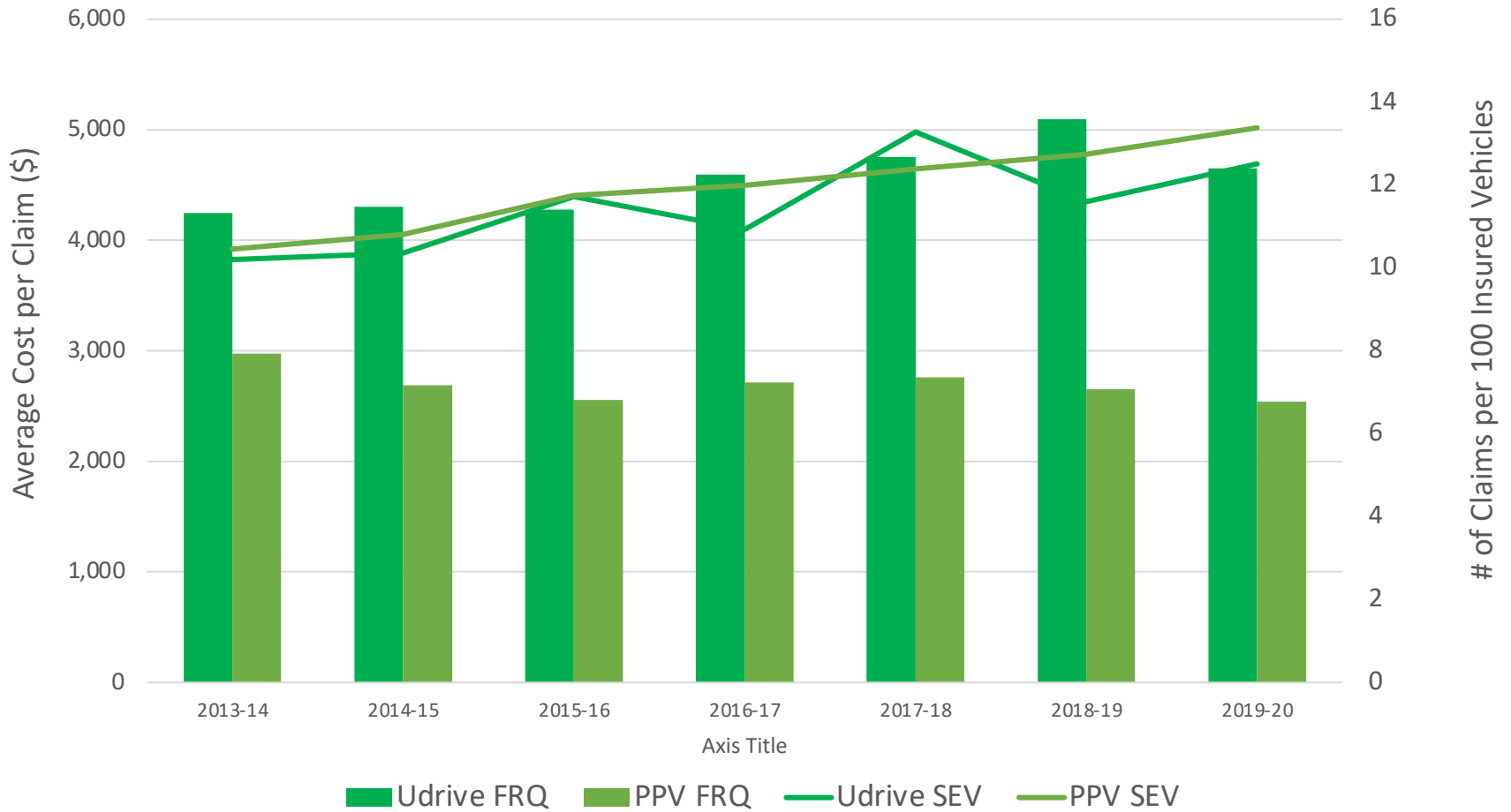
Collision

- Own vehicle damage from an at-fault collision.
- Accounts for 48% of U-drive claim costs.



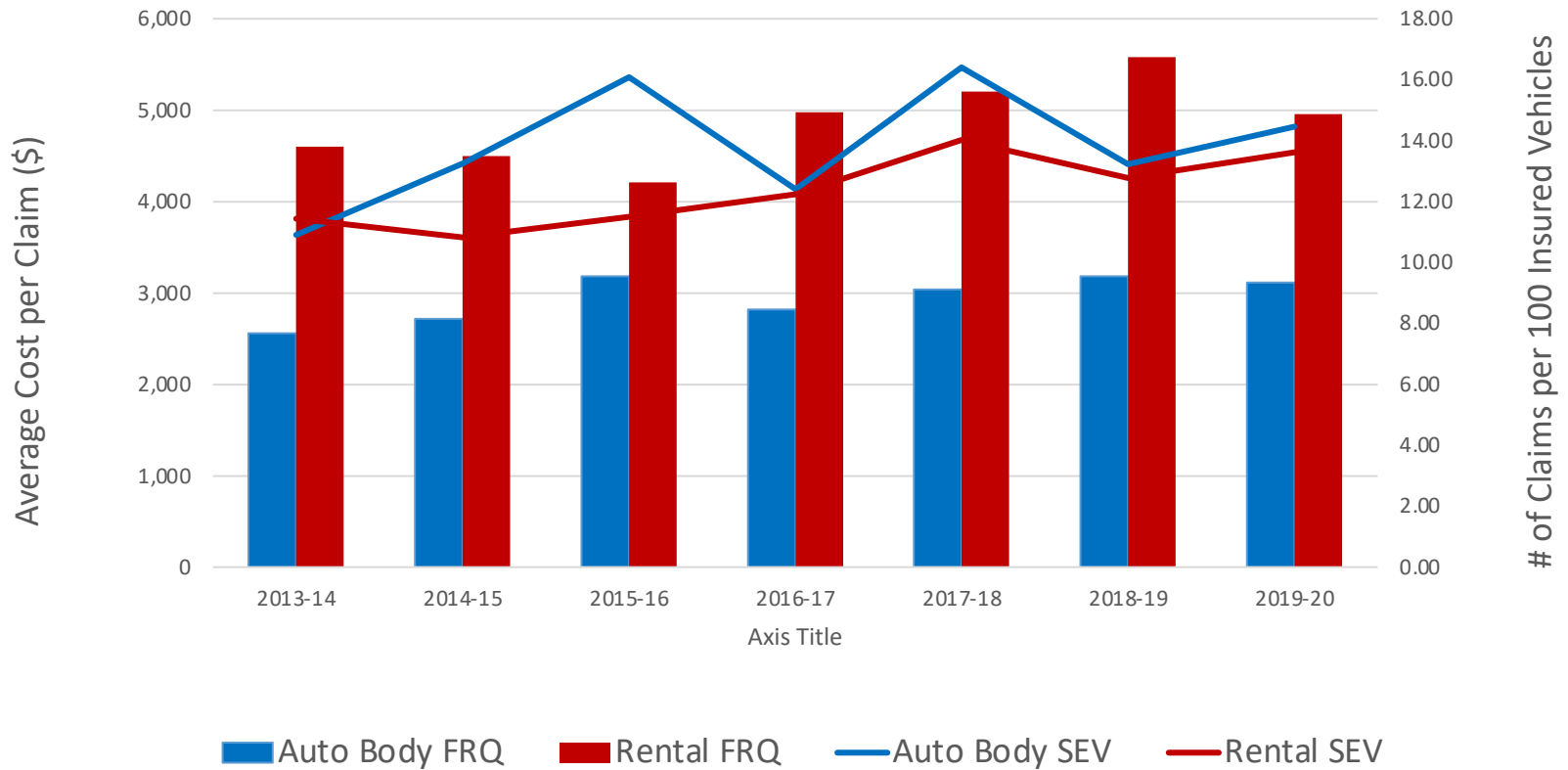
Collision

U-Drive vs. PPV

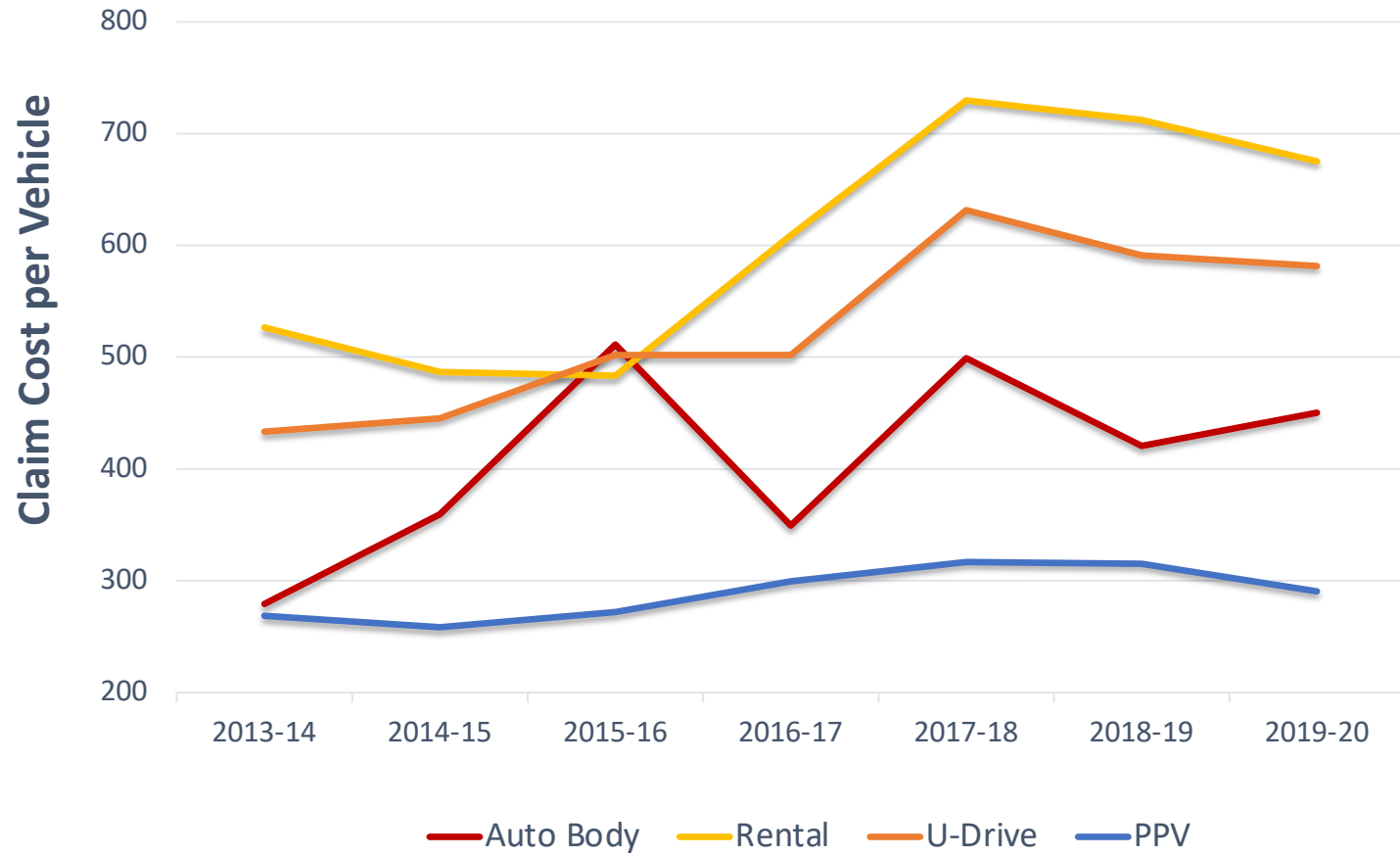


Collision

Auto Body vs. Rental



Collision Damage



Indicated and capped rates

- 4% increase with rate capping.
- No proposed change to current 25% surcharge over PPV.

Commercial Classes

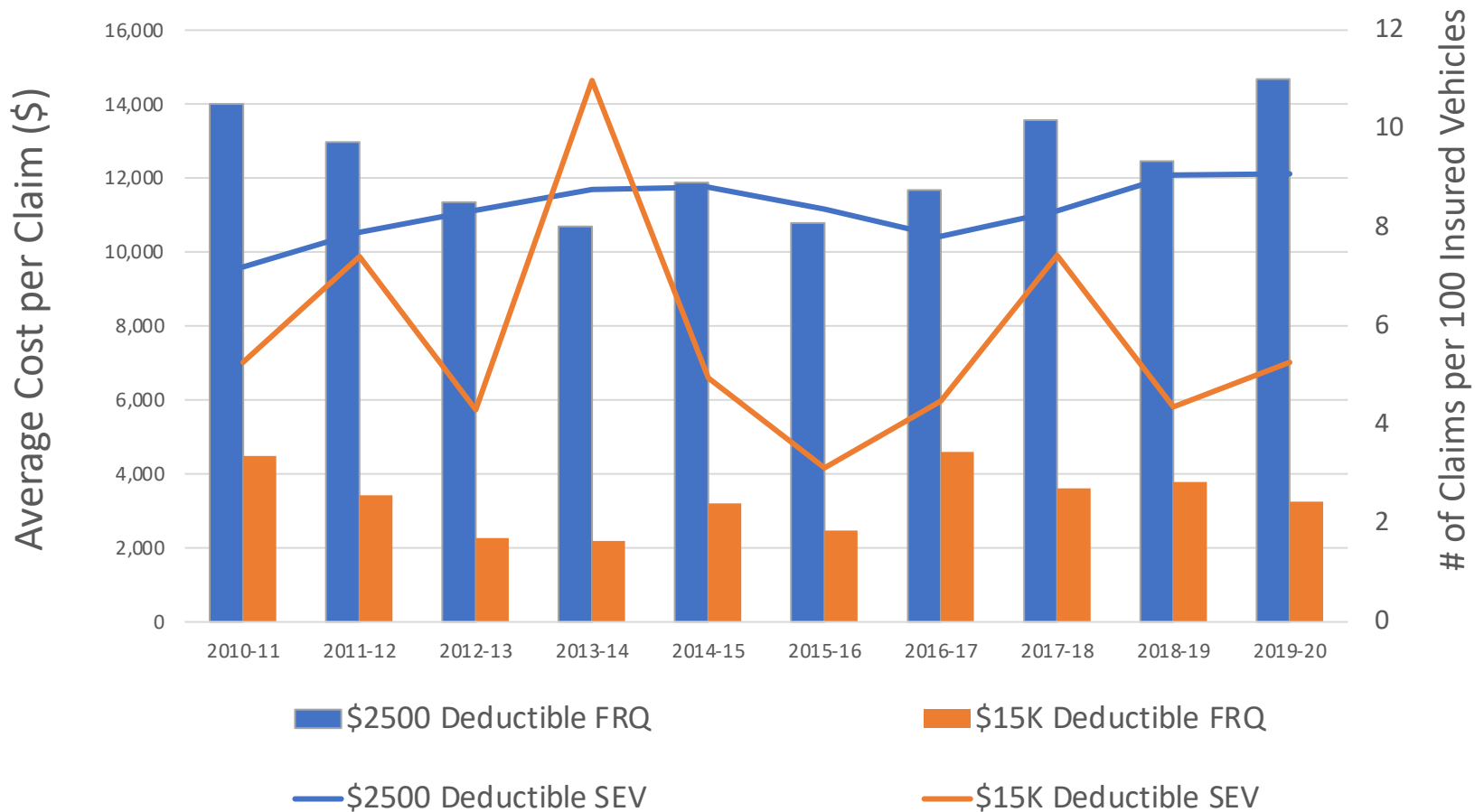
First Party Damage

- Damage caused to your own vehicle or damage caused to your vehicle without a responsible party, to which the claim could be assigned (e.g. hail, hit and run, fire, theft, etc.).

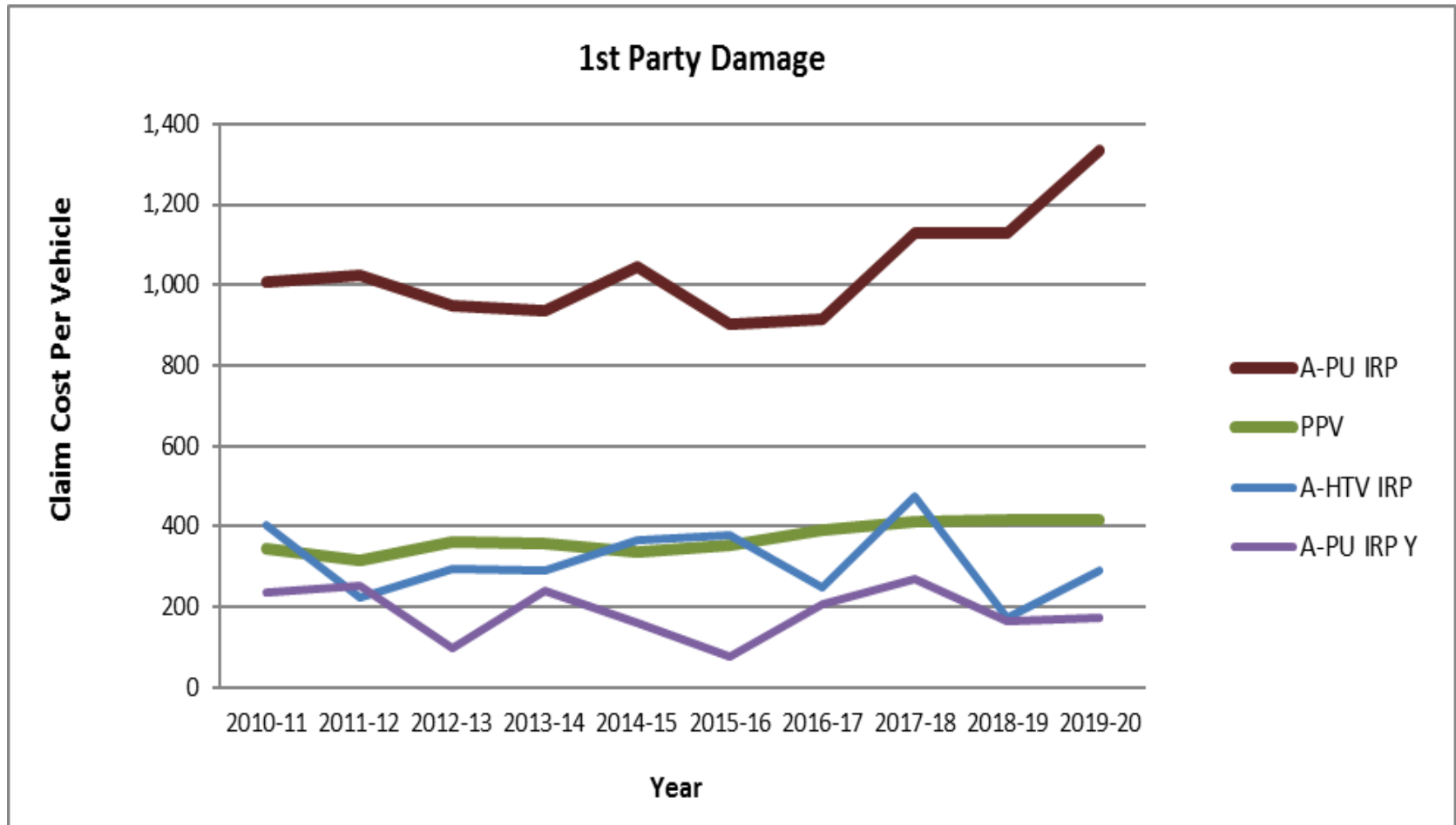


A-PU IRP

\$2,500 vs \$15,000 Deductible



IRP and PPV





Indicated and Proposed Changes

Class	Current Premium	Indicated Premium	% Change Indicated vs Current	Proposed Premium	% Change Proposed vs Current	\$ Change per Year
A-HTV IRP \$2500 Ded.	\$826	\$881	7%	\$871	5%	\$44
A-HTV IRP \$15K Ded.	\$401	\$429	7%	\$429	7%	\$28
A-HTV NIRP	\$1,003	\$1,105	10%	\$1,088	9%	\$86
A-PU IRP \$2500 Ded.	\$2,487	\$3,342	34%	\$2,813	13%	\$326
A-PU IRP \$15K Ded.	\$1,223	\$2,085	70%	\$1,383	13%	\$160
A-PU NIRP	\$1,454	\$1,582	9%	\$1,558	7%	\$104
CD-HTV	\$757	\$696	-8%	\$696	-8%	(\$61)
CD-PU	\$1,431	\$1,291	-10%	\$1,293	-10%	(\$138)



Indicated Premium by Coverage

Class	Damage	Injury	Liability	Expense	Total
A-HTV IRP \$2500 Deductible	\$452	\$67	\$198	\$164	\$881
A-HTV IRP \$15K Deductible	\$0	\$67	\$198	\$164	\$429
A-HTV NIRP	\$277	\$71	\$546	\$211	\$1,105
A-PU IRP \$2500 Deductible	\$1,490	\$137	\$1,457	\$258	\$3,342
A-PU IRP \$15K Deductible	\$233	\$137	\$1,457	\$258	\$2,084
A-PU NIRP	\$678	\$120	\$548	\$235	\$1,582
CD-HTV	\$261	\$51	\$214	\$170	\$696
CD-PU	\$702	\$98	\$301	\$191	\$1,291

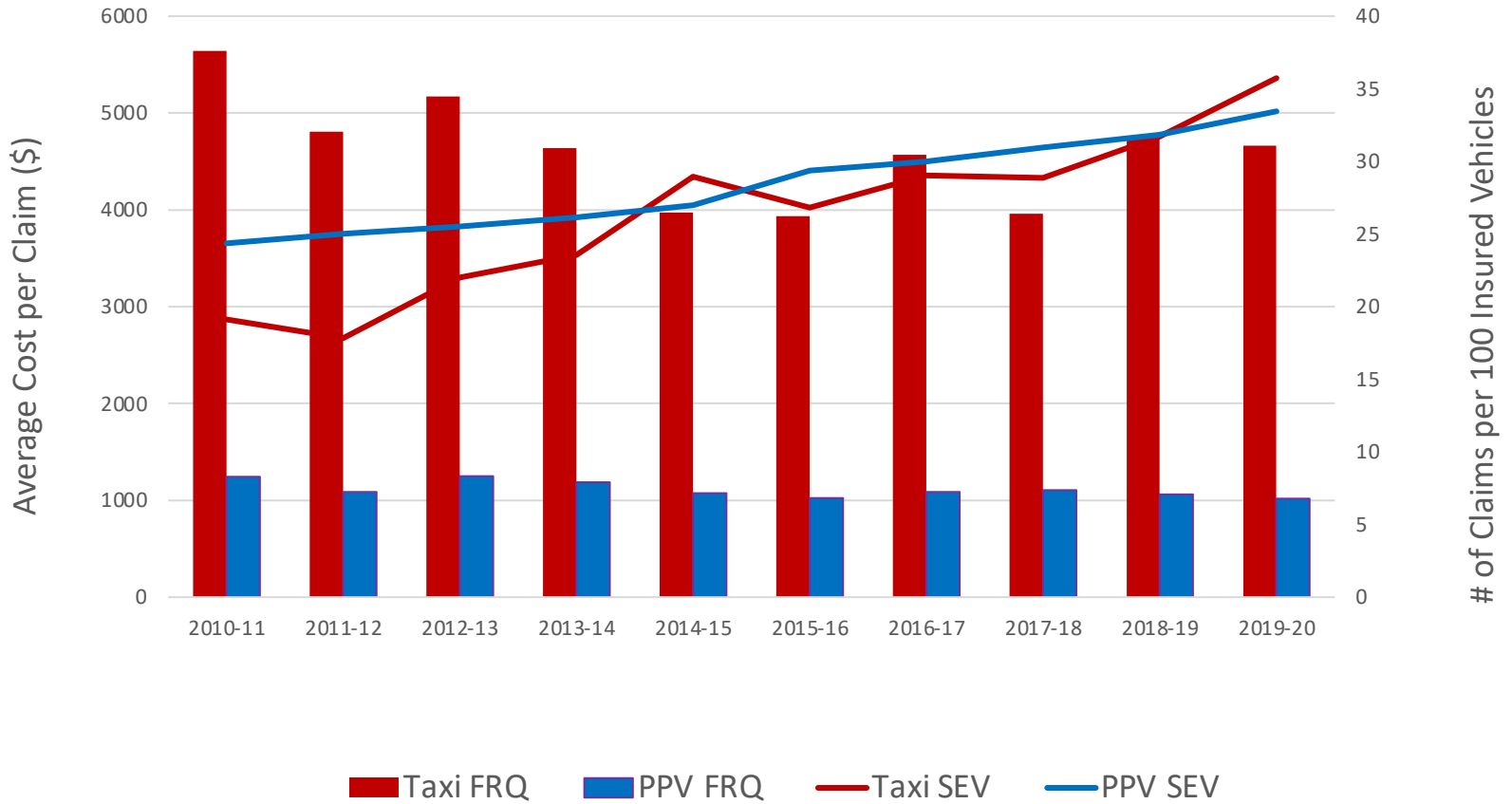
Proposed Premium by Coverage

Class	Damage	Injury	Liability	Expense	Total
A-HTV IRP \$2500 Ded.	\$447	\$67	\$196	\$162	\$871
A-HTV IRP \$15K Ded.	\$0	\$67	\$198	\$164	\$429
A-HTV NIRP	\$273	\$70	\$538	\$208	\$1,088
A-PU IRP \$2500 Ded.	\$1,254	\$115	\$1,226	\$217	\$2,813
A-PU IRP \$15K Ded.	\$155	\$91	\$967	\$171	\$1,383
A-PU NIRP	\$668	\$118	\$540	\$232	\$1,558
CD-HTV	\$261	\$51	\$214	\$170	\$696
CD-PU	\$703	\$98	\$301	\$191	\$1,293

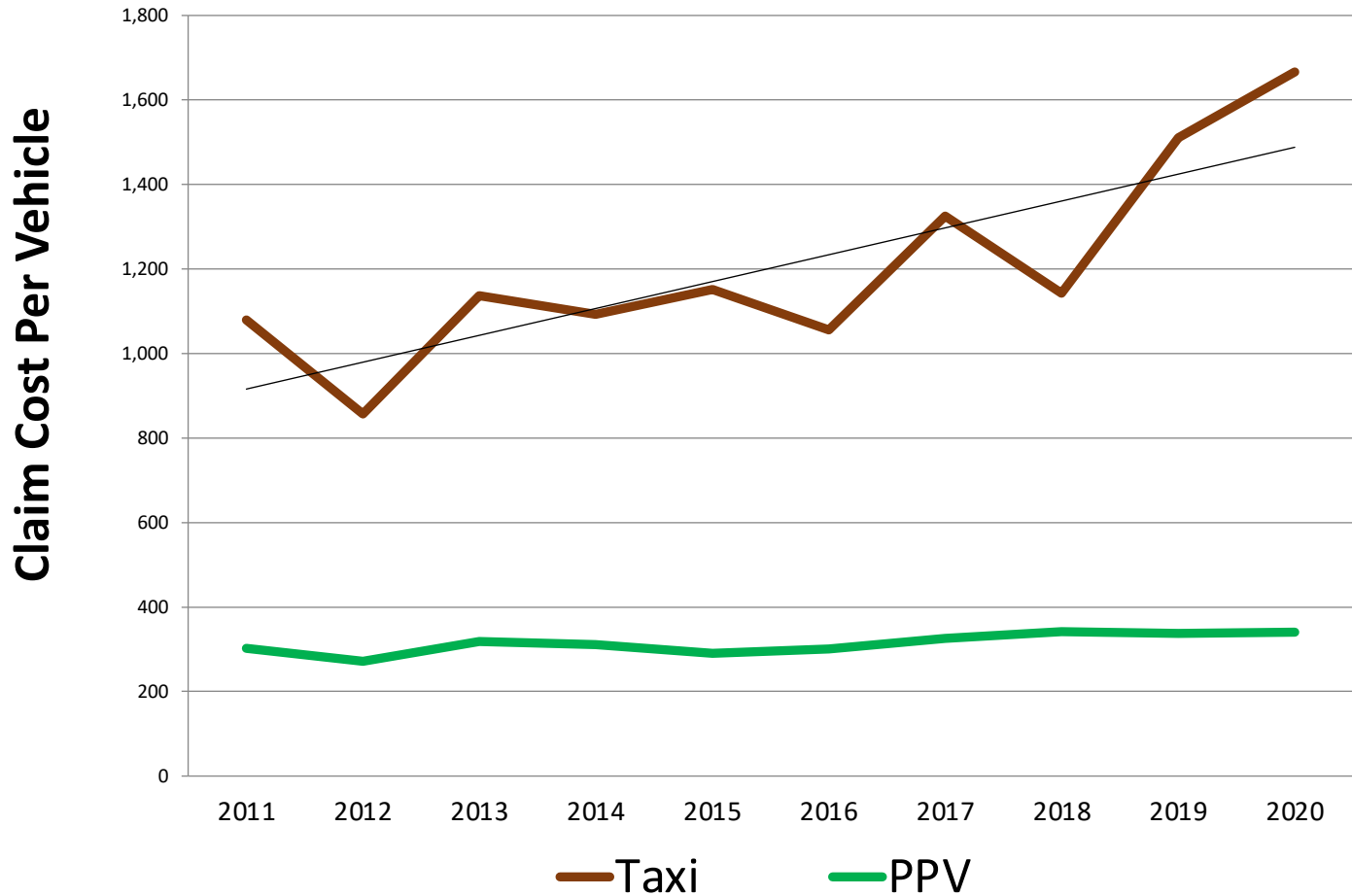
Taxi Class

Collision

Taxi vs. PPV



Collision Damage



Indicated and Proposed Changes

Location Table	Current Premium	Indicated Premium	% Change Indicated vs Current	Proposed Premium	% Change Proposed vs Current	\$ Change per Year
A - Small Cities	\$2,101	\$4,439	111%	\$2,376	13%	\$275
B - Large Cities	\$3,728	\$4,562	22%	\$4,218	13%	\$490
Prince Albert	\$3,735	\$5,390	44%	\$4,226	13%	\$491
Regina	\$4,437	\$5,147	16%	\$5,019	13%	\$582
Saskatoon	\$4,437	\$5,514	24%	\$5,019	13%	\$582
Total	\$3,727	\$5,055	36%	\$4,216	13%	\$489



Indicated Premium by Coverage

Location Table	Damage	Injury	Liability	Expenses	Total
A - Small Cities	\$1,145	\$950	\$1,531	\$812	\$4,439
B - Large Cities	\$1,145	\$1,073	\$1,531	\$812	\$4,562
Prince Albert	\$1,974	\$1,073	\$1,531	\$812	\$5,390
Regina	\$1,853	\$950	\$1,531	\$812	\$5,147
Saskatoon	\$2,220	\$950	\$1,531	\$812	\$5,514

Proposed Premium by Coverage

Location Table	Damage	Injury	Liability	Expenses	Total
A - Small Cities	\$613	\$509	\$819	\$435	\$2,376
B - Large Cities	\$1,059	\$992	\$1,415	\$751	\$4,218
Prince Albert	\$1,548	\$841	\$1,200	\$637	\$4,226
Regina	\$1,807	\$927	\$1,493	\$792	\$5,019
Saskatoon	\$2,021	\$865	\$1,394	\$740	\$5,019

Auto Fund Partnerships

Questions?



SGI

The logo features the letters 'S', 'G', and 'I' in a bold, italicized, sans-serif font. The 'S' and 'G' are bright green, while the 'I' is a lighter shade of green. To the right of the 'I' are five vertical bars of varying heights, colored in a gradient from light green to bright yellow. The entire logo is centered on a dark gray background.

Ridesharing Consultations

2021 SRRP

Consultation Approach

Stakeholder groups

- The Saskatchewan Taxi Cab Association (Saskatoon taxi companies)
- All Regina Taxi companies (Co-op Taxi, Regina Cabs, Capital Cabs)
- Taxi drivers in Regina and Saskatoon
- Rideshare companies – Uber, Lyft, Tappcar, Cowboy Taxi, Instaryde, Riide

Stakeholder groups

- Cities of Regina & Saskatoon
- SUMA & SARM
- Regina & Saskatoon Airport Authorities
- Law enforcement
- Other jurisdictions – Alberta & Manitoba

Consultation Topics

- Vehicle Requirements:
 - Registration/Insurance
 - Inspections
 - Vehicle Identification
 - In-car cameras

Consultation Topics

- Driver Requirements:
 - Driver's licence
 - Criminal record checks

Taxi Industry

Questions?



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Motorcycle Consultations

May 31, 2021

- RAGE – 2 representatives
- Saskatchewan Motorcycle Club – 3 representatives
- Regina Motorcycle Club – 1 representative
- Motorcycle dealerships – 4 representatives
- Insurance brokers – 1 representative

Current rate table

Motorcycle - Cruiser / Touring

Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1100 CC	1101 CC & Greater
1982 & Older	\$380	\$380	\$912	\$1,107	\$1,251
1983 - 1986	\$398	\$441	\$1,094	\$1,244	\$1,380
1987 - 1992	\$409	\$467	\$1,238	\$1,392	\$1,526
1993 - 1996	\$411	\$488	\$1,322	\$1,502	\$1,668
1997 - 2000	\$415	\$547	\$1,482	\$1,728	\$1,928
2001 - 2004	\$421	\$555	\$1,558	\$1,816	\$1,988
2005 - 2007	\$421	\$580	\$1,651	\$1,920	\$2,157
2008 - 2010	\$421	\$580	\$1,748	\$2,000	\$2,157
2011 - 2013	\$424	\$622	\$1,820	\$2,009	\$2,283
2014 - 2016	\$460	\$676	\$1,827	\$2,017	\$2,511
2017 - 2019	\$499	\$735	\$1,834	\$2,025	\$2,762
2020 - 2022	\$541	\$799	\$1,841	\$2,033	\$3,038

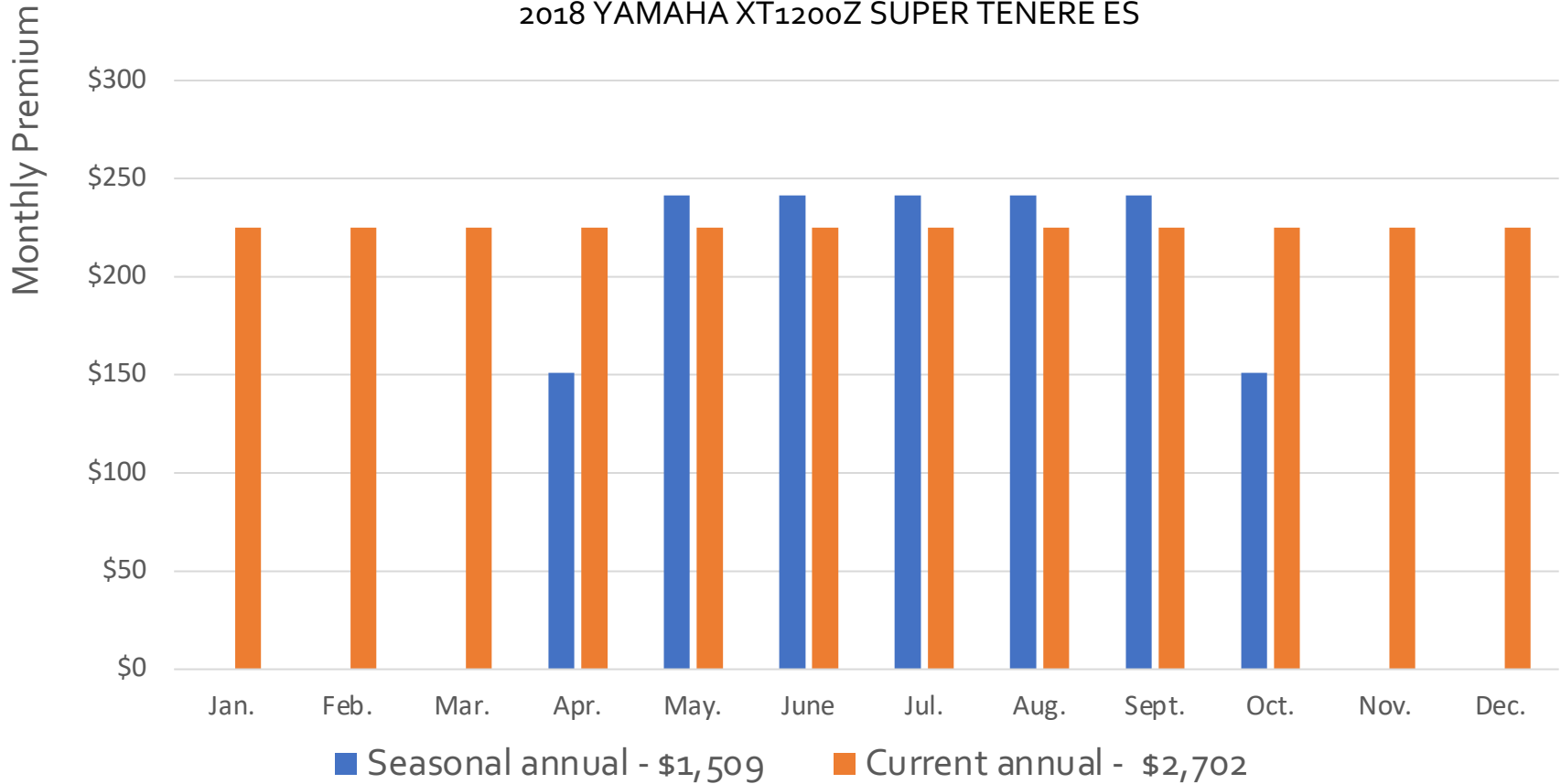
Proposed rate structure

Motorcycle engine size (cc)	
0-100	701-800
101-200	801-900
201-300	901-1000
301-400	1001-1100
401-500	1101-1200
501-600	1201-1300
601-700	1301 and greater

Seasonal rating

Comparison of current vs. seasonal premium

2018 YAMAHA XT1200Z SUPER TENERE ES



Daily registration

Single Variable-Term Policy

- Select from 1 to 365 days
- Premium prorated with possible surcharge/discount

Consolidates / Eliminates

- Permits
- Short-Term Policies
- Annual Policies

Permit rates and fees

Permit type	Current insurance rate	Registration and admin fee	Total current cost
24-hour	5	15	20
8-day	24	24	48
In-transit (7-day)	17	13	30
Temporary Insurance Card (TIC) (7-day without plate)	11	0	11
TIC (7-day with plate)	0	2	2



- Input to date
- Next Steps

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