**Documenation for Information Request #4**

| | 2009 | 2010 | 2011 | 2012 | 2013 | % of 2013 Expenses* | Estimated % of Rating Year Required Rate*** |
|---|---|---|---|---|---|---|---|
| Traffic Safety Functions | $ 14,840,172 | $ 14,509,136 | $ 15,105,972 | $ 12,602,045 | $ 13,689,337 | 5.10% | 2.29% |
| Driver Education Funding | 215,215 | 226,557 | 2,649,029 | 6,368,769 | 6,768,741 | 2.52% | 1.13% |
| Snowmobile Trail Funding | 100,000 | - | - | - | - | 0.00% | 0.00% |
| Registration and Licensing | 3,274,752 | 4,172,325 | 4,451,195 | 4,414,754 | 4,309,800 | 1.61% | 0.55% |
| Enhanced Drivers Licence Project | 1,199,000 | | - | - | - | 0.00% | 0.00% |
| One-Part Drivers Licence | 41,414 | 722,737 | 2,664,154 | 630,511 | 719,810 | 0.27% | 0.09% |
| Medical Funding | 19,624,222 | 20,690,563 | 25,588,510 | 27,437,662 | 28,113,668 | 10.48% | 3.32% |
| STARS Funding Commitment ** | - | - | - | - | 400,000 | 0.15% | 0.04% |
| | 39,294,775 | 40,321,318 | 50,458,859 | 51,453,741 | 54,001,356 | 20.13% | 7.42% |
| Premium Taxes | 31,640,000 | 34,376,000 | 36,513,000 | 38,555,000 | 41,587,000 | 15.50% | 4.84% |
| Cost to the Auto Fund | **70,934,775** | **74,697,318** | **86,971,859** | **90,008,741** | **95,588,356** | **35.62%** | **12.26%** |

*Percentage of 2013 combined administrative, traffic safety, loss adjusting expenses, issuer fees, premium taxes, medical funding, & STARS net of salvage profit, auto pay & short term registration fees

** $2 million commitment over 5 years, beginning in 2013.

***Because these projects were not included in the rate application separately, their rate impact is estimated using the 2013 proportion of their actual expense category.

**Saskatchewan Government Insurance**
**2014 Rate Program**
**SRRP IR#1 Question 13**

| | | | Written Exposures | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Vehicle Class** | **2014 Indicated Required Rate Change** | **2014 Proposed Change** | **Eligible for Dollar Caps[1]** | **Eligible for Per cent Caps[2]** | **Total Vehicles** | **Received Dollar Caps[3]** | **Received Per cent Caps[3]** | **Total Vehicles Capped** | **Total Premium Capped Away[4]** | **Notes** |
| **CLEAR-Rated Vehicles** | 2.3% | 2.4% | 327,938 | 456,460 | 784,398 | 10,929 | 7,146 | 18,075 | -$417,382 | Break even revenue |
| | | | | | | | | | | |
| **Conventionally Rated Vehicles** | | | | | | | | | | |
| Ambulances | 2.9% | 2.9% | 306 | 0 | 306 | 0 | 0 | 0 | $96 | Rounding |
| A - Commercial Vehicles: | | | | | | | | | | |
| Heavy Trucks and Vans IRP Reg. Ded. | 2.8% | 2.8% | 507 | 10 | 517 | 3 | 0 | 3 | $0 | Capping |
| Heavy Trucks and Vans IRP $15K Ded. | -11.8% | -9.5% | 52 | 0 | 52 | 7 | 0 | 7 | -$540 | Capping |
| Heavy Trucks and Vans Non-IRP | 3.2% | 2.9% | 906 | 148 | 1,054 | 5 | 0 | 5 | $3,225 | Capping |
| Power Units IRP Reg. Ded. | 1.8% | 1.6% | 3 | 3,642 | 3,645 | 3 | 119 | 122 | $15,761 | Capping |
| Power Units IRP $15K Ded. | -4.5% | -4.6% | 17 | 1,272 | 1,289 | 17 | 0 | 17 | $2,327 | Capping |
| Power Units Non-IRP | -2.5% | -2.5% | 47 | 1,264 | 1,311 | 1 | 44 | 45 | $1,047 | Capping |
| C & D - Commercial Vehicles: | | | | | | | | | | |
| Heavy Trucks and Vans | 11.9% | 9.5% | 12,673 | 101 | 12,774 | 0 | 0 | 0 | $204,594 | Decrease in BR |
| Power Units | 3.3% | 1.6% | 1,948 | 5,417 | 7,366 | 572 | 0 | 572 | $203,022 | Capping |
| F - Farm Vehicles: | | | | | | | | | | |
| Heavy Trucks and Vans | -10.4% | -3.6% | 24,756 | 0 | 24,756 | 2,636 | 0 | 2,636 | -$264,813 | Capping |
| Light Trucks - 1993 & Older | -12.0% | -12.0% | 13,037 | 0 | 13,037 | 0 | 0 | 0 | $797 | Rounding |
| Power Units | 7.5% | 7.8% | 10,870 | 0 | 10,870 | 0 | 0 | 0 | -$18,300 | Increase in BR |
| Hearses | 0.2% | 0.2% | 137 | 0 | 137 | 0 | 0 | 0 | -$4 | Rounding |
| L - Dealer Plates: | -3.9% | -3.9% | 3,981 | 0 | 3,981 | 0 | 0 | 0 | -$49 | Rounding |
| L - Snowmobile Dealers | 0.0% | 0.0% | 60 | 0 | 60 | 0 | 0 | 0 | $0 | |
| LV - Antiques | 4.4% | 3.8% | 12,687 | 0 | 12,687 | 0 | 0 | 0 | $6,132 | Rounding |
| LV - Buses | 10.6% | 10.0% | 364 | 0 | 364 | 0 | 0 | 0 | $1,259 | Rounding |
| LV - Buses (Restricted) | -0.8% | -0.9% | 32 | 0 | 32 | 0 | 0 | 0 | $6 | Rounding |
| LV - Motorcycles: | 46.8% | 2.7% | 2,086 | 9,625 | 11,711 | 0 | 0 | 0 | $6,771,148 | Flat 2.7% increase |
| LV - Motorhomes | 8.7% | 7.6% | 4,958 | 192 | 5,150 | 530 | 60 | 590 | $21,308 | Capping |
| MT - Snowmobiles | -4.1% | -3.8% | 8,050 | 0 | 8,050 | 0 | 0 | 0 | -$2,353 | Rounding |
| PB - Passenger Inter-city Buses | 3.7% | 3.4% | 0 | 491 | 491 | 0 | 75 | 75 | $3,356 | Capping |
| PC - Passenger City Buses | 30.7% | 10.2% | 47 | 513 | 559 | 47 | 292 | 339 | $218,045 | Capping |
| PS - Passenger School Buses | 11.3% | 11.6% | 3,312 | 0 | 3,312 | 3 | 0 | 3 | -$5,154 | Capping |
| PT - Taxis | 36.3% | 14.5% | 0 | 598 | 598 | 0 | 546 | 546 | $502,412 | Capping |
| | | | | | | | | | | |
| **Trailers** | | | | | | | | | | |
| F - Trailers | 4.2% | 3.9% | 31,528 | 0 | 31,528 | 0 | 0 | 0 | $6,960 | BR set to 0 |
| LT - Trailer Dealers/Movers: | 0.1% | 0.1% | 494 | 0 | 494 | 0 | 0 | 0 | $88 | Rounding |
| T - Personal Trailers: | 15.7% | 14.3% | 44,493 | 0 | 44,493 | 3,449 | 0 | 3,449 | $179,730 | Capping |
| T - Utility | 13.3% | 14.7% | 79,665 | 0 | 79,665 | 0 | 0 | 0 | -$41,078 | Rounding |
| TS - Commercial Trailers | 10.8% | 10.8% | 49,434 | 0 | 49,434 | 0 | 0 | 0 | $2,619 | BR set to 0 |
| | | | | | | | | | | |
| **Miscellaneous Classes** | | | | | | | | | | |
| A - Excess Value | -22.6% | 0.0% | 279 | 0 | 279 | 0 | 0 | 0 | -$34,071 | No rate change at this time |
| C&D - Non-Resident | 0.0% | 0.0% | 34 | 0 | 34 | 0 | 0 | 0 | $0 | |
| C&D - Excess Value | -45.6% | 0.0% | 3,027 | 0 | 3,027 | 0 | 0 | 0 | -$735,505 | No rate change at this time |
| Industrial Tracked Vehicles | -0.2% | 0.0% | 0 | 0 | 0 | 0 | 0 | 0 | $0 | Rounding |
| LV - Motorized Bicycle | 87.4% | 56.8% | 14 | 0 | 14 | 14 | 0 | 14 | $151 | Capping |
| PV - Converted Vehicles | -1.5% | -1.9% | 7 | 0 | 7 | 0 | 0 | 0 | $20 | Rounding |
| PV - Heavy Trucks and Vans | -4.5% | -3.2% | 488 | 37 | 525 | 3 | 37 | 40 | -$4,610 | Capping |
| PV - Power Units | 0.0% | 0.8% | 27 | 25 | 52 | 0 | 0 | 0 | -$522 | Rounding |
| TS - Excess Value | -25.3% | 0.0% | 2,267 | 0 | 2,267 | 0 | 0 | 0 | -$244,011 | No rate change at this time |
| | | | | | | | | | | |
| **Total** | | | | | | | | | | |
| All Vehicles Excluding Trailers & Misc | 3.3% | 2.5% | 428,637 | 479,733 | 908,370 | 14,753 | 8,284 | 23,037 | $7,245,939 | |
| All Vehicles | 3.4% | 2.7% | 640,393 | 479,795 | 1,120,188 | 18,219 | 8,320 | 26,539 | $6,375,710 | |

Notes
(1) Exposures that are eligible for dollar caps are those that have a current premium of less than $1,000.
(2) Exposures that are eligible for per cent caps are those that have a current premium of at least $1,000.
(3) Exposures that receive dollar or per cent caps are those for which the indicated premium exceeds the current premium by more than the cap amount.
(4) Total premium capped away may be as a result of
a) The percent and dollar capping structure currently in place
b) Rounding to the nearest whole dollar
c) Excess classes will not receive a rate change in the 2014 rate program
d) Increase or decrease to BR surcharge in the 2014 Rate Program
(5) Additional revenue required to offset capping in all other vehicle classes (excluding motorcycles) in order to break even. Applies to CLEAR-rated vehicles only.

Saskatchewan Government Insurance
2014 Rate Program
Motorcycles Capped with Rebalancing
SRRP IR #1 Question 14

| | | ORIGINAL APPLICATION | | | | | | MOTORCYCLES CAPPED WITH REBALANCING | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Vehicle Class** | **2014 Indicated Required Rate Change** | **2014 Proposed Change** | **Maximum $ Increase** | **Maximum $ Decrease** | **# of Vehicles Increasing** | **# of Vehicles Decreasing** | **# of Vehicles Unchanged** | **2014 Proposed Change** | **Maximum $ Increase** | **Maximum $ Decrease** | **# of Vehicles Increasing** | **# of Vehicles Decreasing** | **# of Vehicles Unchanged** |
| **CLEAR-Rated Vehicles** | 2.3% | 2.4% | $515 | -$262 | 632,741 | 149,386 | 2,271 | 3.0% | $515 | -$262 | 645,326 | 134,170 | 4,902 |
| A - Commercial Light Trucks | | 15.4% | $465 | $0 | 150 | 0 | 0 | 16.0% | $477 | $0 | 150 | 0 | 0 |
| F - Farm Light Truck - 1994 & Newer | | -0.3% | $173 | -$158 | 33,934 | 17,389 | 345 | 0.3% | $173 | -$158 | 34,740 | 16,505 | 422 |
| LV - Private Passenger Vehicles (PPV) | | 2.5% | $515 | -$258 | 576,419 | 127,264 | 1,832 | 3.1% | $515 | -$257 | 587,794 | 113,659 | 4,062 |
| LV - PPV - Farm Cars, SUVs and Vans | | 2.0% | $182 | -$170 | 17,233 | 3,856 | 89 | 2.6% | $182 | -$167 | 17,616 | 3,188 | 375 |
| LV - Police Cars | | 16.9% | $451 | $0 | 235 | 0 | 0 | 17.5% | $451 | $0 | 235 | 0 | 0 |
| LV - Police Trucks, Vans & SUVs | | -8.7% | $38 | -$247 | 24 | 301 | 2 | -8.1% | $42 | -$240 | 30 | 297 | 0 |
| LV - Udrives | | 4.3% | $246 | -$262 | 4,592 | 564 | 2 | 4.9% | $251 | -$262 | 4,603 | 512 | 43 |
| PT - Taxis (Rural) | | 5.7% | $270 | -$212 | 154 | 13 | 0 | 6.3% | $280 | -$199 | 157 | 9 | 0 |
| | | | | | | | | | | | | | |
| **Conventionally Rated Vehicles** | | | | | | | | | | | | | |
| Ambulances | 2.9% | 2.9% | $53 | $0 | 306 | 0 | 0 | 2.9% | $53 | $0 | 306 | 0 | 0 |
| A - Commercial Vehicles: | | | | | | | | | | | | | |
| Heavy Trucks & Vans IRP $2500 Ded. | 2.8% | 2.8% | $76 | -$134 | 510 | 7 | 0 | 2.8% | $76 | -$134 | 510 | 7 | 0 |
| Heavy Trucks & Vans IRP $15K Ded. | -11.8% | -9.5% | $32 | -$117 | 18 | 34 | 0 | -9.5% | $32 | -$117 | 18 | 34 | 0 |
| Heavy Trucks and Vans Non-IRP | 3.2% | 2.9% | $144 | $0 | 1,052 | 0 | 3 | 2.9% | $144 | $0 | 1,052 | 0 | 3 |
| Power Units IRP $2500 Ded. | 1.8% | 1.6% | $290 | -$59 | 3,305 | 340 | 0 | 1.6% | $290 | -$59 | 3,305 | 340 | 0 |
| Power Units IRP $15K Ded. | -4.5% | -4.6% | $179 | -$144 | 622 | 667 | 0 | -4.6% | $179 | -$144 | 622 | 667 | 0 |
| Power Units Non-IRP | -2.5% | -2.5% | $142 | -$198 | 787 | 524 | 0 | -2.5% | $142 | -$198 | 787 | 524 | 0 |
| C & D - Commercial Vehicles: | | | | | | | | | | | | | |
| Heavy Trucks and Vans | 11.9% | 9.5% | $135 | -$35 | 12,722 | 52 | 0 | 9.5% | $135 | -$35 | 12,722 | 52 | 0 |
| Power Units | 3.3% | 1.6% | $147 | -$56 | 6,514 | 852 | 0 | 1.6% | $147 | -$56 | 6,514 | 852 | 0 |
| F - Farm Vehicles: | | | | | | | | | | | | | |
| Heavy Trucks and Vans | -10.4% | -3.6% | $20 | -$137 | 20,937 | 3,819 | 0 | -3.6% | $20 | -$137 | 20,937 | 3,819 | 0 |
| Light Trucks - 1993 & Older | -12.0% | -12.0% | $4 | -$76 | 2,563 | 10,064 | 411 | -12.0% | $4 | -$76 | 2,563 | 10,064 | 411 |
| Power Units | 7.5% | 7.8% | $67 | -$26 | 9,474 | 1,395 | 0 | 7.8% | $67 | -$26 | 9,474 | 1,395 | 0 |
| Hearses | 0.2% | 0.2% | $11 | $0 | 137 | 0 | 0 | 0.2% | $11 | $0 | 137 | 0 | 0 |
| L - Dealer Plates | -3.9% | -3.9% | $0 | -$15 | 0 | 3,981 | 0 | -3.9% | $0 | -$15 | 0 | 3,981 | 0 |
| L - Snowmobile Dealers | 0.0% | 0.0% | $1 | $0 | 60 | 0 | 0 | 0.0% | $1 | $0 | 60 | 0 | 0 |
| LV - Antiques | 4.4% | 3.8% | $5 | $0 | 12,687 | 0 | 0 | 3.8% | $5 | $0 | 12,687 | 0 | 0 |
| LV - Buses | 10.6% | 10.0% | $72 | $0 | 364 | 0 | 0 | 10.0% | $72 | $0 | 364 | 0 | 0 |
| LV - Buses (Restricted) | -0.8% | -0.9% | $6 | $0 | 32 | 0 | 0 | -0.9% | $6 | $0 | 32 | 0 | 0 |
| LV - Motorcycles | 46.8% | 2.7% | $141 | $0 | 11,711 | 0 | 0 | 14.9% | $482 | $0 | 11,711 | 0 | 0 |
| LV - Motorhomes | 8.7% | 7.6% | $216 | $0 | 5,150 | 0 | 0 | 7.6% | $216 | $0 | 5,150 | 0 | 0 |
| MT - Snowmobiles | -4.1% | -3.8% | $0 | -$1 | 0 | 8,050 | 0 | -3.8% | $0 | -$1 | 0 | 8,050 | 0 |
| PB - Passenger Inter-city Buses | 3.7% | 3.4% | $544 | -$87 | 344 | 147 | 0 | 3.4% | $544 | -$87 | 344 | 147 | 0 |
| PC - Passenger City Buses | 30.7% | 10.2% | $312 | $0 | 559 | 0 | 0 | 10.2% | $312 | $0 | 559 | 0 | 0 |
| PS - Passenger School Buses | 11.3% | 11.6% | $111 | $0 | 3,312 | 0 | 0 | 11.6% | $111 | $0 | 3,312 | 0 | 0 |
| PT - Taxis | 36.3% | 14.5% | $709 | $0 | 598 | 0 | 0 | 14.5% | $709 | $0 | 598 | 0 | 0 |
| | | | | | | | | | | | | | |
| **Trailers** | | | | | | | | | | | | | |
| F - Trailers | 4.2% | 3.9% | $5 | $0 | 31,528 | 0 | 0 | 3.9% | $5 | $0 | 31,528 | 0 | 0 |
| LT - Trailer Dealers/Movers | 0.1% | 0.1% | $24 | $0 | 370 | 0 | 124 | 0.1% | $24 | $0 | 370 | 0 | 124 |
| T - Personal Trailers | 15.7% | 14.3% | $145 | -$95 | 44,199 | 294 | 0 | 14.3% | $145 | -$95 | 44,199 | 294 | 0 |
| T - Utility | 13.3% | 14.7% | $6 | $0 | 79,665 | 0 | 0 | 14.7% | $6 | $0 | 79,665 | 0 | 0 |
| TS - Commercial Trailers | 10.8% | 10.8% | $28 | $0 | 49,434 | 0 | 0 | 10.8% | $28 | $0 | 49,434 | 0 | 0 |

| Vehicle Class | 2014 Indicated Required Rate Change | ORIGINAL APPLICATION | | | | | | MOTORCYCLES CAPPED WITH REBALANCING | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2014 Proposed Change | Maximum $ Increase | Maximum $ Decrease | # of Vehicles Increasing | # of Vehicles Decreasing | # of Vehicles Unchanged | 2014 Proposed Change | Maximum $ Increase | Maximum $ Decrease | # of Vehicles Increasing | # of Vehicles Decreasing | # of Vehicles Unchanged |
| | | | | | | | | | | | | | |
| **Miscellaneous Classes** | | | | | | | | | | | | | |
| A - Excess Value | -22.6% | 0.0% | $1 | $0 | 279 | 0 | 0 | 0.0% | $1 | $0 | 279 | 0 | 0 |
| C&D - Non-Resident | 0.0% | 0.0% | $2 | $0 | 34 | 0 | 0 | 0.0% | $2 | $0 | 34 | 0 | 0 |
| C&D - Excess Value | -45.6% | 0.0% | $1 | $0 | 3,027 | 0 | 0 | 0.0% | $1 | $0 | 3,027 | 0 | 0 |
| Industrial Tracked Vehicles | -0.2% | 0.0% | $7 | $0 | 0 | 0 | 0 | 0.0% | $7 | $0 | 0 | 0 | 0 |
| LV - Motorized Bicycle | 87.4% | 56.8% | $27 | $0 | 14 | 0 | 0 | 56.8% | $27 | $0 | 14 | 0 | 0 |
| PV - Converted Vehicles | -1.5% | -1.9% | $47 | -$65 | 3 | 3 | 1 | -1.9% | $47 | -$65 | 3 | 3 | 1 |
| PV - Heavy Trucks and Vans | -4.5% | -3.2% | $56 | -$174 | 311 | 214 | 0 | -3.2% | $56 | -$174 | 311 | 214 | 0 |
| PV - Power Units | 0.0% | 0.8% | $104 | -$76 | 42 | 10 | 0 | 0.8% | $104 | -$76 | 42 | 10 | 0 |
| TS - Excess Value | -25.3% | 0.0% | $1 | $0 | 2,267 | 0 | 0 | 0.0% | $1 | $0 | 2,267 | 0 | 0 |
| **All Vehicles Including Trailers** | 3.4% | 2.7% | $709 | -$262 | 932,105 | 179,839 | 2,809 | 3.4% | $709 | -$262 | 944,690 | 164,622 | 5,441 |

**Documentation for Information Request #18a - part 1**

| Category | Option | Question | SGI Opinion | MRC Opinion | Legislative or Regulatory Amendment | Implementation Schedule |
|---|---|---|---|---|---|---|
| **Safety** | Increase Requirements for New Motorcycle Licences | New riders must demonstrate their ability to handle motorcycle | Require a new motorcycle rider to demonstrate ability to operate and control a motorcycle, through either a practical test or proof of training, prior to being issued authority to operate a motorcycle as a learner. | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding season |
| | | Require anyone applying for a motorcycle endorsement to hold a Class 5 or higher driver's licence. | | | Regulatory | 2014 riding season |
| | | Limited to 3 attempts at test before being referred to training | | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding season |
| | Provide Incentives for Riders to Take Training | Riders with no training:<br>- additional fees<br>- restricted engine size based on what they tested on<br>- not eligible for SDR discounts until Novice 2 | That SGI implement the following incentives for riders in the MGDL program to take an approved motorcycle training course:<br>• A $500 per year fee for each year the rider is in the MDGL program if they haven't taken a course.<br>• The ability to obtain a motorcycle learner's permit without taking a basic skills and ability test.<br>• The ability to ride any size of bike if they have taken a course.<br>• The ability to receive any earned Safe Driver Discounts in the Novice 2 stage of MGDL if they have taken a course.<br>• A refund of the course fee, if they proceed all the way through the MGDL program with no at fault accidents or traffic convictions. | In favour with suggestion as SGI presented it to the public. | Legislative and Regulatory | 2016 riding season |
| | | New riders who passed training entitled to several benefits | | | | 2016 riding season |
| | Supervision for New Riders | Learner riders can only ride when supervised by experienced driver | Not require a new rider to be supervised by an experienced driver or rider during any stage of the Motorcycle Graduated Driver Licence program. | Do not proceed at this time, consider if desired behaviour change does not take place (timeframe to revisit: 1 to 2 years). | --N/A | --N/A |
| | Limit Engine Size for Riders in MGDL | Learner drivers restricted to engine size used on skill and ability or road test | Restrict the engine size of the motorcycle a new rider is permitted to operate to the size of motorcycle used by the individual during pre-test or road test, whichever is greater. | In favour with suggestion as SGI presented it to the public. | Regulatory | 2015 riding season |
| | Zero blood alcohol content for all new riders | Zero blood alcohol content for all MGDL riders | Implementation of a zero blood alcohol content and drug or substance impairment requirement for all riders in the Motorcycle Graduated Driver Licence program. | In favour with suggestion as SGI presented it to the public. | Legislative | 2014 riding season |

## Documentation for Information Request #18a - part 1

| Category | Option | Question | SGI Opinion | MRC Opinion | Legislative or Regulatory Amendment | Implementation Schedule |
|---|---|---|---|---|---|---|
| **Safety** | Stiffer Penalties in SGI's Driver Improvement Programs | Changing lanes when not safe to do so | Increase the consequences for some driving offenses that are particularly dangerous to operators of motorcycles. The four offenses include:<br>- Changing lanes when not safe to do so (e.g. cutting in on another motorist);<br>- Failing to obey a licence restriction or endorsement (e.g. carrying passengers in either a passenger vehicle or on a motorcycle when not permitted to);<br>- Following too closely (e.g. tailgating); and<br>- Improperly equipped motorcycle passenger or operator (operator or passenger on a motorcycle not wearing a helmet). | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding Season |
| | | Failing to obey restriction or endorsement | | | | 2014 riding Season |
| | | Following too closely | | | | 2014 riding Season |
| | | Improperly equipped operator or passenger | | | | 2014 riding Season |
| | Mandatory Gear for New MGDL Riders | | Require any motorcycle rider included in the Motorcycle Graduated Driver Licence program and their passengers to wear gloves, ankle-covering boots and a full face helmet. | Minimum of 3/4 helmet, gloves, boots, arms and legs covered, includes passengers of riders | Regulatory | 2014 riding season |
| | Mandatory Gear for New MGDL Riders | | Require all motorcycle riders to wear eye protection. | Eye protection (windshield does not count), includes passengers of riders | Legislative | 2016 riding Season |
| | Mandatory Gear for All Riders | | Not require all riders and their passengers to wear clothing that covers legs and arms or wear gloves and ankle-covering boots. | Do not implement any changes for non-MGDL riders at this time. It will be parked and analyzed after MGDL gear change impact is realized. Review in 3 years.<br>MRC also recommended mandatory eye protection for all riders and passengers. | Legislative | 2016 riding Season |
| | Inspection Program for Motorcycles | Inspection after total loss | Implement a motorcycle inspection requirement for any motorcycle that has been deemed a total loss by the insurer of the motorcycle or a registrar of motor vehicles. | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding season |
| | | Inspection if previously registered in another jurisdiction | | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding season |

## Documentation for Information Request #18a - part 1

| Category | Option | Question | SGI Opinion | MRC Opinion | Legislative or Regulatory Amendment | Implementation Schedule |
|---|---|---|---|---|---|---|
| **Safety** | Set Expiry Date for Grandfathered Motorcycle Learner's Licences | Remove exemption for learners who got their licence before June 18, 2009 and require road test within 4 years | Require any holder of a driver's licence with an endorsement that authorizes them to operate a motorcycle as a learner to complete a road test within 4 years or this authority would be cancelled. | Become MGDL riders immediately, follow all newly proposed MGDL requirements (it is essentially not grandfathering, just moving everyone into MGDL - 2 years to test out). | Regulatory | (1) Notification - 2014 riding season;<br>(2) Testing Phased - 2015/2016 riding Seasons |
| | Plate decal | Placed on plate for those in MGDL | Issue placards for riders in the Motorcycle Graduated Driver's Licensing (MGDL) program to place on their licence plate to indicate they're a new rider. | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding season |
| | Night riding | Cannot ride between 1/2 hour before sunset and 1/2 after sunrise | To amend the definition of night that prohibits the holder of a motorcycle learner's (6) endorsement to operate during a defined time of day. This will prohibit the MGDL rider in the learner's stage from operating a motorcycle between ½ hour before sunset and ½ hour after sunrise. | In favour with suggestion as SGI presented it to the public. | Regulatory | 2014 riding season |
| | *Additional Motorcycle Safety Suggestions* | | | | | |
| | Improve driver training material | Create new material and enhance existing material to build awareness among all drivers about safely sharing the road, particularly with motorcycles. | | | None | 2014 riding season |
| **Rating Structure** | Changes to Safe Driver Recognition Specific to Motorcycles | 4 new offences worth 3 points each | Include customer feedback on additional offences, and changes to discount and surcharge levels in the ongoing SDR review. | Support with SGI's adjustment as discussed: people can register a motorcycle without having a class 6 licence but will not receive any SDR discounts based on their personal driving record. | Regulatory | 2014 riding season |
| | | No discounts until completed MGDL | Remove SDR discounts for riders in the MGDL program, with the exception of those in the Novice 2 stage who have taken the training course. | | Regulatory | 2015 riding season |
| | | Only customers with motorcycle endorsement can register a motorcycle | Still allow customers without a motorcycle licence endorsement to register a motorcycle, but only allow SDR discounts to apply to motorcycle registrations if the registrant has a motorcycle licence. | | N/A | N/A |
| | Changes to Safe Driver Recognition for All Vehicles | Max discount of 20% is adequate | Include customer feedback on additional offences, and changes to discount and surcharge levels in the ongoing SDR review. | Should be increased. | Regulatory | 2015 riding season or beyond |

**Documentation for Information Request #18a - part 1**

| Category | Option | Question | SGI Opinion | MRC Opinion | Legislative or Regulatory Amendment | Implementation Schedule |
|---|---|---|---|---|---|---|
| **Rating Structure** | | Max penalty of $500 and $2500 is adequate | Include customer feedback on additional offences, and changes to discount and surcharge levels in the ongoing SDR review. | Should be increased. | Regulatory | 2015 riding season or beyond |
| | Changes to Safe Driver Recognition for All Vehicles continued | Penalty ($25) for each demerit is appropriate | Include customer feedback on additional offences, and changes to discount and surcharge levels in the ongoing SDR review. | Should be increased. | Regulatory | 2015 riding season or beyond |
| | Changes to Rating | Align with IBC VINLink | Increase the number of body style groupings from the current three to five using the Insurance Bureau of Canada's (IBC) VINLink program – sport, cruiser, dual purpose/scooter, naked sport and touring. | In favour with suggestion as SGI presented it to the public. | None | 2015 riding season or beyond |
| | | Change rate groupings currently used for model year and engine size | Change the rate groupings currently used for model year to larger groups for older models and smaller groups for newer models.<br><br>Expand the rate groupings currently used for engine size. | In favour with suggestion as SGI presented it to the public. | None | 2015 riding season or beyond |
| | | Rate based on horsepower | Do not rate by horsepower or by make and model. Unable to find reliable, consistent source to supply horsepower ratings for use. | | --N/A-- | --N/A-- |
| | *Additional Rating Structure Suggestions* | | | | | |
| | Antique changes (must have another bike) | Antique changes (must have another bike) | Require an owner who wants to register a motorcycle as an antique to have another non-antique motorcycle registered | Vote not required as SGI will investigate this further | | 2015 riding season or beyond |
| | Limit 24 hour / 8 day permits to a max. of 2-3 permits per year ratings based on seasonal table | Change to prorated for all vehicles | Limit the number of 24-hour and 8-day permits that can be issued for any one vehicle | In favour with changes as presented to committee by SGI. | | 2015 riding season or beyond |
| **Injury** | Choosing Tort Coverage for Motorcycles Only | Allow motorcycle owner to choose registration separate from their personal Tort or No Fault election | It is recommended that SGI not allow customers to elect Tort coverage when they are registering their motorcycle as a different election than the one they choose as a Saskatchewan resident. A different price for motorcycle registrations for Tort customers could still be given, but the customer would be a Tort customer for all injuries they incur in motor vehicle collisions. | MRC supported SGI's position to not allow separate election of injury coverage for motorcycles. | Legislative and Regulatory | --N/A-- |

## Documentation for Information Request #18a - part 1

| Category | Option | Question | SGI Opinion | MRC Opinion | Legislative or Regulatory Amendment | Implementation Schedule |
|---|---|---|---|---|---|---|
| **Injury** | Opting Out of Some No Fault Coverage Injury Benefits | Death Benefit | Review of these options as part of SGI's Auto Fund review of its injury programs starting in 2014. | Committee supports choices being offered AND to proceed with recommending these for legislative changes NOW rather than wait until Injury review process is complete (estimated to be within the next 9 months). Committee feels these changes will have the biggest impact on minimizing the rate increases and this is the primary task of the committee. | Legislative and Regulatory | 2015 riding season or beyond |
| | | Scarring | Review of these options as part of SGI's Auto Fund review of its injury programs starting in 2014. | | Legislative and Regulatory | 2015 riding season or beyond |
| | | Permanent Impairment | Review of these options as part of SGI's Auto Fund review of its injury programs starting in 2014. | | Legislative and Regulatory | 2015 riding season or beyond |
| | Options for Income Benefits Under No Fault Coverage | Income benefits at Tort coverage level | Review of these options as part of SGI's Auto Fund review of its injury programs starting in 2014. | | Legislative and Regulatory | 2015 riding season or beyond |
| | | Income benefits at 50% of current No Fault level | Review of these options as part of SGI's Auto Fund review of its injury programs starting in 2014. | | Legislative and Regulatory | 2015 riding season or beyond |

IR #37 - Renewal notice accompaning mailed insert for rate change and RSR notification

SGI

# Rate Changes

## SGI rate changes effective Aug. 31, 2013

SGI is implementing rate changes for its basic licence plate insurance rates – some rates will go up, some will go down and some will stay the same. In addition, SGI is applying a rate surcharge of 1.23% on every vehicle insurance rate in order to replenish the Rate Stabilization Reserve (RSR). The RSR is like a savings account to cover emergencies. The surcharge is applied equally to every vehicle rate; however, the 1.23% will be applied to the vehicle rate after any increase or decrease resulting from the rate change.

Rates are determined based on the claim costs for each vehicle make and model. As a result:

- 63% of Saskatchewan vehicle owners are receiving a rate increase.
- 35% are receiving a rate decrease.
- 2% won't have any change to their rates.

basic auto insurance

IR #37 - Renewal notice accompaning mailed insert for rate change and RSR notification

## How does this affect you?

The effective date of the new rates is Aug. 31, 2013. Rate increases are applied the next time a vehicle transaction takes place on or after that date (usually the next time you renew your plates). Rate decreases, on the other hand, apply immediately on Aug. 31 and eligible vehicle owners automatically receive a refund for the difference between their old rate and new rate for the remainder of their registration term after Aug. 31.

The rates in the attached notice may differ from the rates you paid for your last renewal. If you want to see how vehicles you own are affected, please visit www.sgi.sk.ca/rates.

## Why did SGI change rates?

SGI is seeing rising claim costs for both injuries and vehicle damage, combined with declining investment income. A rate change was needed to ensure SGI is financially positioned to cover all of its operating expenses and claim obligations on a break-even basis.

## Have questions?

Please visit the SGI website at www.sgi.sk.ca or call our Customer Service Centre toll free at 1-800-667-9868 or 306-775-6900 in Regina.

slb294 07/2013 100m – 0825

www.sgi.sk.ca

IR #37 - Renewal notice accompaning email for rate change and RSR notification

2013 Auto Fund Rate Changes

**SGI rate changes effective Aug. 31, 2013**

SGI is implementing rate changes for its basic licence plate insurance rates – some rates will go up, some will go down and some will stay the same. Rate changes (both increases and decreases) will be capped based on the following table, however please note that many increases and decreases will be less than the maximum:

| Current annual rate | Maximum rate increase/decrease |
|---|---|
| $1 – 50 | $25 |
| $51 – 100 | $50 |
| $101 – 250 | $75 |
| $251 – 500 | $100 |
| $501 – 750 | $125 |
| $751 – 1,000 | $150 |
| $1,001 or greater | 15% |

In addition to the rate changes, SGI is applying a rate surcharge of 1.23% on every vehicle insurance rate in order to replenish the Rate Stabilization Reserve (RSR). The RSR is like a savings account to cover emergencies. It ensures customers are protected in the event of much higher than expected claims costs or much lower than expected investment income. The surcharge is applied equally to every vehicle rate; however, the 1.23% will be applied to the vehicle rate **after** any increase or decrease resulting from the rate change.

Rates are determined based on the claim costs for each vehicle make and model. As a result:

- 63% of Saskatchewan vehicle owners are receiving a rate increase.
- 35% are receiving a rate decrease.
- 2% won't have any change to their rates.

**How does this affect you?**

The effective date of the new rates is Aug. 31, 2013. Rate increases are applied the next time a vehicle transaction takes place on or after that date (usually the next time you renew your plates). Rate decreases, on the other hand, apply immediately on Aug. 31 and eligible vehicle owners automatically receive a refund for the difference between their old rate and new rate for the remainder of their registration term after Aug. 31.

The rates in the attached notice may differ from the rates you paid for your last renewal. If you want to see how vehicles you own are affected, please visit www.sgi.sk.ca/individuals/registration/rates.

**Why did SGI change rates?**

Rates are determined based on the actual risk each vehicle represents for being involved in a claim, and the actual costs of paying that claim. We're seeing rising claim costs for both injuries and vehicle damage, combined with declining investment income. A rate change was needed to ensure SGI is financially positioned to cover all of its operating expenses and claim obligations on a break-even basis.

**Why does SGI need a rate surcharge?**

Currently, the RSR balance is below the minimum required level and a 1.23% surcharge is required to get the balance back up to the minimum required level.

**What's the difference between the rate change and the surcharge?**

The rate change is needed to cover expected claim costs and other expenses for the one-year period (Aug. 31, 2013 to Aug. 30, 2014) and is not intended to contribute to the balance of the RSR.

The surcharge is needed to increase the balance in the RSR. The RSR acts as a cushion to protect customers in case of unexpected events such as much higher than expected claims costs or much lower than expected investment income.

**Older model years**

Owners of older model vehicles often wonder why their insurance rate seems high compared to how much their vehicle is actually worth. This is because your plate insurance covers you for much more than just damage to your vehicle.  Basic licence plate insurance provides coverage for damage you cause to someone else's property (liability), injury coverage should you be injured in a collision or cause injuries to someone else, as well as damages to your own vehicle. While the value of your vehicle may not be significant, the cost of providing injury and liability insurance has been increasing year-over-year. The following chart shows the rate for injury, liability and expense costs required from private passenger vehicles in order to break even, by body style:

| **Body Style** | **Required Rate*** |
|---|---|
| Four-door car | $636 |
| Two-door car | $801 |
| Convertible car | $734 |
| Station wagon | $668 |
| Sport utility vehicle | $711 |
| Van | $672 |
| Truck | $677 |

So as you can see from this table, even if your vehicle is worth very little you still need to pay, at minimum, these amounts to cover these types of claim costs.

*This does not include the rates for damage coverage.

**Have questions?**

Please visit the SGI website at www.sgi.sk.ca or call our Customer Service Centre toll free at 1-800-667-9868 or 306-775-6900 in Regina.

# Saskatchewan Auto Fund
## Statement of Operations
## 2014 Budget - With Rate Change and Capital Margin

| | Forecast with 2.7% Rate Change and 3.7% Capital Margin | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct written premium excl RSR Surcharge and Maintenance Margins | 830,880 | 904,745 | 978,792 | 1,037,004 | 1,098,679 | 1,164,023 |
| 1.23 % RSR Surcharge | 3,384 | 7,865 | - | - | - | - |
| Capital Maintenance Provision | - | 2,654 | 9,331 | 9,886 | 10,474 | 11,097 |
| Capital Build/(Release) Provision | - | 7,630 | 26,829 | 28,425 | 30,114 | 31,903 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| Direct earned premium excl RSR Surcharge and Maintenance Margins | 809,799 | 870,859 | 947,235 | 1,010,347 | 1,070,454 | 1,134,118 |
| 1.23 % RSR Surcharge Earned | 834 | 7,823 | 2,592 | - | - | - |
| Capital Maintenance Provision Earned | - | 651 | 7,132 | 9,621 | 10,205 | 10,812 |
| Capital Build/(Release) Provision Earned | - | 1,873 | 20,504 | 27,661 | 29,340 | 31,085 |
| Ceded earned premium | (6,522) | (8,220) | (10,349) | (10,880) | (11,382) | (11,927) |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes excl effect of RSR Surcharge and Maintenance Margins | 79,322 | 85,563 | 92,777 | 98,500 | 104,367 | 110,581 |
| Issuer fees and premium taxes generated by 1.23 % RSR Surcharge | 200 | 759 | - | - | - | - |
| Issuer fees and premium taxes generated by Capital Maintenance Provision | - | 157 | 793 | 944 | 1,000 | 1,060 |
| Issuer fees and premium taxes generated by Capital Build/(Release) Provision | - | 451 | 2,281 | 2,713 | 2,876 | 3,047 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **977,828** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(104,842)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 26,966 | 61,843 | 95,623 | 107,594 |
| Other income excl effect of RSR Surcharge and Maintenance Margins | 39,042 | 44,010 | 46,668 | 49,764 | 53,066 | 56,593 |
| Other income generated by 1.23 % RSR Surcharge | 98 | 235 | - | - | - | - |
| Other income generated by Capital Maintenance Provision | - | 78 | 271 | 287 | 304 | 323 |
| Other income generated by Capital Build/(Release) Provision | - | 226 | 780 | 826 | 875 | 927 |
| **Increase (decrease) to RSR** | 43,164 | (13,506) | 29,935 | 39,663 | 45,753 | 49,740 |
| **Year-End MCT** | **66%** | **57%** | **65%** | **73%** | **81%** | **89%** |

***Saskatchewan Auto Fund*** 
Insurer

2013
Year

*CONSOLIDATED FINANCIAL STATEMENTS*

## ASSETS
**($'000)**

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (03) | Opening Prior Year Restated (05) |
|---|---|---|---|---|---|---|
| | | Cash and Cash Equivalents | 01 | 2,482 | 24,634 | |
| | | Investment Income due and accrued | 02 | 5,507 | 4,976 | |
| | | Assets held for sale | 50 | | 0 | |
| | | Investments: | | | | |
| 40.12 | | Short Term Investments | 04 | 232,900 | 209,528 | |
| 40.22 | | Bonds and Debentures | 05 | 834,480 | 790,415 | |
| 40.32 | | Mortgage Loans | 06 | 82,115 | 83,596 | |
| 40.42 | | Preferred Shares | 07 | 0 | 0 | |
| 40.52 | | Common Shares | 08 | 418,839 | 349,473 | |
| 40.70 | | Investment Properties | 09 | 101,112 | 87,682 | |
| 40.80 | | Other Loans and Invested Assets | 10 | 0 | 0 | |
| 40.07 | | **Total Investments (lines 04 to 10)** | 19 | 1,669,446 | 1,520,694 | 0 |
| | | Receivables: | | | | |
| 50.20 | | Unaffiliated Agents and Brokers | 20 | 1,223 | 2,129 | |
| | | Policyholders | 21 | 4,954 | 4,615 | |
| | | Instalment Premiums | 22 | 178,695 | 168,920 | |
| 50.30 | | Other Insurers | 23 | 4,399 | 793 | |
| | | Facility Association and the "P.R.R." | 24 | | 0 | |
| 50.40 | | Subsidiaries, Associates & Joint Ventures | 25 | 6,308 | 8,580 | |
| 50.20 | | Other Receivables | 27 | 3,849 | 3,371 | |
| | | Recoverable from Reinsurers: | | | | |
| 60.10 | | Unearned Premiums | 30 | 2,344 | 1,359 | |
| 60.30 | | Unpaid Claims and Adjustment Expenses | 31 | 31,003 | 6,558 | |
| | | Other Recoverables on Unpaid Claims | 37 | | 0 | |
| 50.40 | | Interests in Subsidiaries, Associates & Joint Ventures | 40 | 0 | 0 | |
| 40.70 | | Property and Equipment | 41 | 44,613 | 37,191 | |
| | | Deferred Policy Acquisition Expenses | 43 | 27,528 | 28,049 | |
| | | Current Tax Assets ` | 52 | | 0 | |
| | | Deferred Tax Assets | 44 | | 0 | |
| | | Goodwill | 54 | | 0 | |
| | | Intangible Assets | 56 | | 0 | |
| | | Defined Benefit Pension Plan Assets | 58 | | | |
| | | Other Assets | 88 | 5,019 | 14,488 | |
| | | **TOTAL ASSETS** | 89 | 1,987,370 | 1,826,357 | 0 |
| | | | | 0 | 0 | |

***Saskatchewan Auto Fund*** 2013
Insurer Year

*CONSOLIDATED FINANCIAL STATEMENTS*

**LIABILITIES AND EQUITY**
**($'000)**

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (03) | Opening Prior Year Restated (05) |
|---|---|---|---|---|---|---|
| | | **LIABILITIES** | | | | |
| | | Overdrafts | 01 | 0 | 0 | |
| | | Borrowed Money and Accrued Interest | 02 | | 0 | |
| | | Payables: | | | | |
| 50.20 | | Agents and Brokers | 03 | 0 | 0 | |
| | | Policyholders | 04 | 7,446 | 6,804 | |
| 50.30 | | Other Insurers | 05 | 3,728 | 1,374 | |
| 50.40 | | Subsidiaries, Associates & Joint Ventures | 06 | 0 | 0 | |
| | | Expenses due and accrued | 07 | 14,442 | 13,715 | |
| | | Other Taxes due and accrued | 09 | 41,587 | 39,284 | |
| | | Policyholder Dividends and Rating Adjustments | 10 | | 0 | |
| 40.70 | | Encumbrances on Real Estate | 11 | 0 | 0 | |
| 60.10 | | Unearned Premiums | 12 | 371,222 | 352,689 | |
| 60.30 | | Unpaid Claims and Adjustment Expenses | 13 | 1,384,591 | 1,280,402 | |
| 80.10 | | Unearned Commissions | 14 | 0 | 0 | |
| | | Premium Deficiency | 15 | 0 | 0 | |
| | | Liabilities held for sale | 17 | | 0 | |
| | | Current Tax Liabilities | 18 | | 0 | |
| | | Deferred Tax Liabilities | 21 | | 0 | |
| | | Self-Insured Retention (SIR) portion of unpaid claims | 22 | | 0 | |
| | | Defined Benefit Pension Plan Obligation | 23 | | | |
| | | Employment Benefits (not including amounts on line 23 above) | 24 | | | |
| | | Subordinated Debt | 25 | | 0 | |
| | | Preferred Shares - Debt | 26 | | 0 | |
| | | Provisions and Other Liabilities | 28 | | 0 | |
| | | **Total Liabilities** | 29 | 1,823,016 | 1,694,268 | 0 |
| | | **EQUITY** | | | | |
| | | Shares issued and paid | 41 | 0 | 0 | |
| | | Contributed Surplus | 42 | | 0 | |
| | | (Specify) | 43 | | 0 | |
| 20.40 | | Retained Earnings | 44 | 164,354 | 132,089 | |
| 20.40 | | Reserves | 45 | 0 | 0 | |
| 20.42 | | Accumulated Other Comprehensive Income (Loss) | 47 | 0 | 0 | |
| | | **Total Policyholders/Shareholders' Equity** | 59 | 164,354 | 132,089 | 0 |
| | | Non-controlling Interests | 48 | | 0 | |
| | | **Total Equity** | 49 | 164,354 | 132,089 | 0 |
| | | **TOTAL LIABILITIES AND EQUITY** | 89 | 1,987,370 | 1,826,357 | 0 |
| | | | | 0 | 0 | |

***Saskatchewan Auto Fund*** — Insurer | 2013 — Year

*CONSOLIDATED FINANCIAL STATEMENTS*

## STATEMENT OF INCOME
**($'000)**

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (03) |
|---|---|---|---|---|---|
| | | **UNDERWRITING OPERATIONS** | | | |
| | | **Premiums Written** | | | |
| | | Direct | 01 | 831,731 | 785,679 |
| 70.21 | | Reinsurance Assumed | 02 | 0 | 0 |
| 70.21 | | Reinsurance Ceded | 03 | 7,218 | 4,512 |
| 60.20 | | **Net Premiums Written** | 04 | 824,513 | 781,167 |
| | | Decrease (increase) in Net Unearned Premiums | 05 | -17,548 | -13,941 |
| 60.20 | | **Net Premiums Earned** | 06 | 806,965 | 767,226 |
| | | Service Charges | 07 | | 0 |
| | | Other | 08 | | 0 |
| | | **Total Underwriting Revenue** | 09 | 806,965 | 767,226 |
| | | Gross Claims and Adjustment Expenses | 62 | 773,155 | 742,871 |
| | | Reinsurers' share of claims and adjustment expenses | 64 | 34,052 | 2,343 |
| 60.20 | | **Net Claims and Adjustment Expenses** | 10 | 739,103 | 740,528 |
| | | Acquisition Expenses | | | |
| 80.10 | | Gross Commissions | 66 | 42,629 | 37,795 |
| 80.10 | | Ceded Commissions | 68 | 0 | 0 |
| | | Taxes | 12 | 40,664 | 38,555 |
| 80.20 | | Other | 14 | 0 | 0 |
| 80.20 | | General Expenses | 16 | 77,766 | 74,172 |
| | | **Total Claims and Expenses** | 19 | 900,162 | 891,050 |
| | | Premium Deficiency Adjustments | 20 | | 0 |
| | | **Underwriting Income (Loss)** | 29 | -93,197 | -123,824 |
| 40.07 | | **INVESTMENT OPERATIONS** | | | |
| | | Income | 32 | 57,187 | 58,204 |
| | | Realized Gains (Losses) | 33 | 31,996 | 18,651 |
| | | Expenses | 34 | 2,470 | 2,017 |
| | | **Net Investment Income** | 39 | 86,713 | 74,838 |
| | | **OTHER REVENUE AND EXPENSES** | | | |
| | | Income (Loss) from Ancillary Operations (net of Expenses of $'000 ) | 40 | 38,749 | 37,490 |
| | | Share of Net Income (Loss) of Subsidiaries, Associates & Joint Ventures | 41 | | 0 |
| | | Gain (Losses) from fluctuations in Foreign Exchange Rates | 42 | | 0 |
| | | Other Revenues | 44 | | 0 |
| | | Finance costs | 45 | | 0 |
| | | Other Expenses | 46 | | 0 |
| | | **Net Income (Loss) before Income Taxes** | 49 | 32,265 | -11,496 |
| | | **INCOME TAXES** | | | |
| | | Current | 50 | | 0 |
| | | Deferred | 51 | | 0 |
| | | **Total Income Taxes** | 59 | 0 | 0 |
| | | **NET INCOME (LOSS) FOR THE YEAR** | 89 | 32,265 | -11,496 |
| | | **ATTRIBUTABLE TO:** | | | |
| | | Non-controlling Interests | 80 | | 0 |
| | | Equity Holders | 82 | 32,265 | -11,496 |
| | | | | 0 | 0 |

***Saskatchewan Auto Fund*** — Insurer

2013 — Year

*CONSOLIDATED FINANCIAL STATEMENTS*

## STATEMENT OF RETAINED EARNINGS
**($'000)**

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (02) |
|---|---|---|---|---|---|
| | | **Balance at beginning of year** | 01 | 132,089 | 143,585 |
| | | Prior period adjustments: | 02 | | 0 |
| | | (Specify) | 04 | | 0 |
| | | Adjusted balance at beginning of year | 09 | 132,089 | 143,585 |
| 20.30 | | Net income (loss) for the year | 10 | 32,265 | -11,496 |
| | | Dividends declared to shareholders | 11 | | 0 |
| | | Decrease (increase) in Reserves | 12 | 0 | 0 |
| | | (Specify) | 16 | | 0 |
| | | Net increase (decrease) in Retained Earnings during the year | 15 | 32,265 | -11,496 |
| | | **Balance at end of Year** | 89 | 164,354 | 132,089 |

## RESERVES
**($'000)**

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (02) |
|---|---|---|---|---|---|
| | | Earthquake Reserves | | | |
| | | Reserve Complement | 90 | | 0 |
| | | Premium Reserve | 91 | | 0 |
| | | Mortgage Reserve | 95 | | 0 |
| | | Nuclear Reserve | 96 | | 0 |
| | | General and Contingency Reserves | 98 | | 0 |
| | | **Total Reserves** | 99 | 0 | 0 |

***Saskatchewan Auto Fund*** — Insurer

2013 — Year

*CONSOLIDATED FINANCIAL STATEMENTS*
**COMPREHENSIVE INCOME (LOSS)**
**and**
**ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**
**($'000)**

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (03) |
|---|---|---|---|---|---|
| | | **Comprehensive Income (Loss)** | | | |
| 20.30 | | Net Income | 01 | 32,265 | -11,496 |
| | | Other Comprehensive Income (Loss): | | | |
| | | **Items that may be reclassified subsequently to Net Income:** | | | |
| | | **Available for Sale:** | | | |
| | | Change in Unrealized Gains and Losses: | | | |
| | | - Loans | 02 | | 0 |
| | | - Bonds and Debentures | 03 | | 0 |
| | | - Equities | 04 | | 0 |
| | | Reclassification of (Gains) Losses to Net Income | 05 | | 0 |
| | | **Derivatives Designated as Cash Flow Hedges** | | | |
| | | Change in Unrealized Gains and Losses | 06 | | 0 |
| | | Reclassification of (Gains) Losses to Net Income | 07 | | 0 |
| | | **Foreign Currency Translation** | | | |
| | | Change in Unrealized Gains and Losses | 08 | | 0 |
| | | Impact of Hedging | 09 | | 0 |
| | | **Other** | 18 | | |
| | | **Subtotal of items that may be reclassified subsequently to Net Income** | 19 | 0 | 0 |
| | | **Items that will not be reclassified subsequently to Net Income:** | | | |
| | | **Revaluation Surplus** | 31 | | 0 |
| | | **Share of Other Comprehensive Income of Subsidiaries, Associates & Joint Ventures** | 11 | | 0 |
| | | **Remeasurements of Defined Benefit Plans** | 34 | | |
| | | **Other** | 12 | | |
| | | **Subtotal of items that will not be reclassified subsequently to Net Income** | 29 | 0 | 0 |
| | | Total Other Comprehensive Income (Loss) | 21 | 0 | 0 |
| | | **Total Comprehensive Income (Loss)** | 39 | 32,265 | -11,496 |
| | | **Attributable to:** | | | |
| | | Non-controlling Interests | 60 | | 0 |
| | | Equity Holders | 62 | 32,265 | -11,496 |

| Page | FS Notes Reference | | | Current Year (01) | Prior Year (03) |
|---|---|---|---|---|---|
| | | **Accumulated Other Comprehensive Income (Loss)** | | | |
| | | Accumulated Gains (Losses) on: | | | |
| | | **Items that may be reclassified subsequently to Net Income:** | | | |
| | | **Available for Sale:** | | | |
| | | - Loans | 42 | | 0 |
| | | - Bonds and Debentures | 43 | | 0 |
| | | - Equities | 44 | | 0 |
| | | **Derivatives Designated as Cash Flow Hedges** | 45 | | 0 |
| | | **Foreign Currency (net of hedging activities)** | 46 | | 0 |
| | | **Other** | 68 | | |
| | | **Subtotal of items that may be reclassified subsequently to Net Income** | 69 | 0 | 0 |
| | | **Items that will not be reclassified subsequently to Net Income:** | | | |
| | | **Revaluation Surplus** | 71 | | 0 |
| | | **Share of Other Comprehensive Income of Subsidiaries, Associates & Joint Ventures** | 51 | | 0 |
| | | **Remeasurements of Defined Benefit Plans** | 74 | | |
| | | **Other** | 49 | | |
| | | **Subtotal of items that will not be reclassified subsequently to Net Income** | 79 | 0 | 0 |
| 20.20 | | Balance at end of Year | 59 | 0 | 0 |

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*CONSOLIDATED FINANCIAL STATEMENTS*

**STATEMENT OF CHANGES IN EQUITY**
**($'000)**

| | | | | | | | Accumulated Other Comprehensive Income (Loss) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Share Capital (01)** | **Other Capital (13)** | **Contributed Surplus (21)** | **Retained Earnings (03)** | **Reserves (23)** | **Available-for-Sale Financial Assets (07)** | **Cash Flow Hedges (09)** | **Translation of Foreign Operations (05)** | **Revaluation Surplus (11)** | **Share of OCI of Associates & Joint Ventures (25)** | **Remeasurements of Defined Benefit Plans (27)** | **Other AOCI (31)** | **Total Policyholders/ Shareholder's Equity (15)** | **Non-controlling Interests (17)** | **Total Equity (19)** |
| **Balance at Beginning of Prior Year** | 01 | 0 | 0 | 0 | 143,585 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 143,585 | 0 | 143,585 |
| Total Comprehensive Income for the year | 09 | 0 | 0 | 0 | -11,496 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | -11,496 | 0 | -11,496 |
| Issue of Share Capital | 02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Transfer from/(to) Retained Earnings | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Decrease/(increase) in Reserves | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Dividends | | | | | | | | | | | | | | | | |
| Preferred | 17 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Common | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Other | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| **Balance at End of Prior Year** | 19 | 0 | 0 | 0 | 132,089 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 132,089 | 0 | 132,089 |
| **Changes in Equity for Current Year** | | | | | | | | | | | | | | | | |
| Total Comprehensive Income for the year | 29 | | | | 32,265 | | | | | | | | | 32,265 | | 32,265 |
| Issue of Share Capital | 22 | | | | | | | | | | | | | 0 | | 0 |
| Transfer from/(to) Retained Earnings | 35 | | | | | | | | | | | | | 0 | | 0 |
| Decrease/(increase) in Reserves | 33 | | | | | | | | | | | | | 0 | | 0 |
| Dividends | | | | | | | | | | | | | | | | |
| Preferred | 37 | | | | | | | | | | | | | 0 | | 0 |
| Common | 38 | | | | | | | | | | | | | 0 | | 0 |
| Other | 36 | | | | | | | | | | | | | 0 | | 0 |
| **Balance at End of Current Year** | 39 | 0 | 0 | 0 | 164,354 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 164,354 | 0 | 164,354 |

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**MINIMUM CAPITAL TEST**
**($'000)**

| | | Current Year (01) | Prior Year (02) |
|---|---|---|---|
| **Capital Available** | | | |
| Total Equity less Accumulated Other Comprehensive Income | 02 | 164,354 | 132,089 |
| Add: | | | |
| Subordinated Indebtedness and Redeemable Preferred Shares | 03 | | 0 |
| Accumulated Other Comprehensive Income (Loss) on: | | | |
| Available for Sale Equity Securities | 04 | 0 | 0 |
| Available for Sale Debt Securities | 06 | 0 | 0 |
| Foreign Currency (Net of Hedging Activities) | 08 | 0 | 0 |
| Share of Other Comprehensive Income of non-qualifying Subsidiaries, Associates & Joint Ventures | 36 | 0 | 0 |
| Remeasurements of Defined Benefit Plans | 42 | | |
| Revaluation Losses in Excess of Gains on Own Use Properties | 32 | | 0 |
| (Specify) | 30 | | 0 |
| Less: | | | |
| Accumulated net after-tax fair value gains (losses) arising from changes in the company's own credit risk | 12 | | 0 |
| Unrealized Fair Value Gains (Losses) from Own Use Properties at Conversion | 15 | | 0 |
| Shadow Accounting Impact | 16 | | 0 |
| Assets with a Capital Requirement of 100% | 17 | 205 | 4 |
| (Specify) | 13 | 1,539 | 4,967 |
| Accumulated Other Comprehensive Income (Loss) on Remeasurements of Defined Benefit Pension Plans (Phase-in) | 44 | | |
| **Total Capital Available** | 19 | 162,610 | 127,118 |
| **Minimum Capital Required** | | | |
| Balance Sheet Assets | 20 | 101,196 | 85,686 |
| Unearned Premiums/Unpaid Claims/Premium Deficiencies | 22 | 146,069 | 139,518 |
| Catastrophes | 24 | 0 | 0 |
| Reinsurance Ceded to Unregistered Insurers | 26 | 22 | 2 |
| Interest Rate Risk | 38 | 33,927 | 19,175 |
| Foreign Exchange Risk (for future use only) | 40 | | |
| Structured Settlements, Letters of Credit, Derivatives and Other Exposures | 28 | 54 | 58 |
| (Specify) | 34 | | 0 |
| **Minimum Capital Required** | 29 | 281,268 | 244,439 |
| **Excess Capital Available over Minimum Capital Required** (line 19 minus line 29) | 89 | -118,658 | -117,321 |
| **Line 19 as a % of line 29** | 90 | 57.81% | 52.00% |
| **Minimum Gross Capital Level** | 96 | 36,930 | 35,003 |

Note: See Section VI of the P&C-1 instructions and the MCT Guideline.

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**MINIMUM CAPITAL TEST**
**CAPITAL REQUIRED FOR BALANCE SHEET ASSETS**
**($'000)**

| | | Factor (%) (01) | Balance Sheet Value (02) | Capital Required (03) |
|---|---|---|---|---|
| Cash | 01 | 0.00% | 2,482 | |
| Investment Income Due and Accrued | 02 | 2.00% | 5,507 | 110 |
| Investments: | | | | |
| Long-Term Obligations including Term Deposits, Bonds and Debentures | 06 | | 834,480 | 5,292 |
| Short-Term Obligations including Commercial Paper | 07 | | 232,900 | 236 |
| Loans (at amortized cost): | | | | |
| Government Grade | 13 | 0.00% | 0 | |
| Loans rated A- and higher, and Residential Mortgages | 14 | 4.00% | 12,153 | 486 |
| Commercial Mortgages | 15 | 8.00% | 69,962 | 5,597 |
| Other | 18 | 10.00% | 0 | 0 |
| Subsidiaries, Associates & Joint Ventures (not considered capital) | 23 | 35.00% | 0 | 0 |
| Adjustment to reflect difference between amortized cost and Balance Sheet value of loans | 19 | | 0 | |
| Preferred Shares | 25 | | 0 | 0 |
| Common Shares | 27 | 15.00% | 418,839 | 62,826 |
| Investment Properties | 30 | 15.00% | 101,112 | 15,167 |
| Interests in/Loans considered as capital to Subsidiaries, Associates & Joint Ventures | 34 | Note | 0 | |
| Other Investments | 35 | Note | 0 | 0 |
| Receivables: | | | | |
| Government Grade | 50 | 0.00% | 3,849 | |
| Facility Association and the "P.R.R." | 51 | 0.50% | 0 | 0 |
| Agents, Brokers, Policyholders, Associates, Joint Ventures, Non-qualifying Subsidiaries and Other Receivables: | | | | |
| - Instalment Premiums (not yet due) | 54 | 0.00% | 178,695 | |
| - Outstanding less than 60 days | 55 | 4.00% | 12,485 | 499 |
| - Outstanding 60 days or more | 56 | 8.00% | 0 | 0 |
| Insurers - Registered Associated | 42 | 0.00% | 0 | |
| - Registered Non-associated | 57 | 0.50% | 4,399 | 22 |
| - Unregistered | 58 | | 0 | |
| Recoverable from Reinsurers: | | | | |
| - Registered Associated - Unearned Premiums | 45 | 0.00% | 0 | |
| - Unpaid Claims | 46 | 0.00% | 0 | |
| - Registered Non-associated - Unearned Premiums | 60 | 0.50% | 2,324 | 12 |
| - Unpaid Claims | 61 | 2.00% | 30,800 | 616 |
| - Unregistered | 63 | | 223 | |
| Other Recoverables on Unpaid Claims including SIRs not deducted from capital | 65 | 15.00% | 0 | 0 |
| Own Use Properties (valued using cost model) | 75 | 8.00% | 37,629 | 3,010 |
| Adjustment to reflect difference between cost model and Balance Sheet value of Own use Properties | 70 | | 0 | |
| Deferred Policy Acquisition Expenses: | | | | |
| Premium Taxes | 76 | 0.00% | 18,609 | |
| Commissions | 77 | Note | 8,919 | 3,122 |
| Other | 78 | Note | 0 | |
| Deferred Tax Assets: | | | | |
| Discounted Reserves and Unrealized Gains | 80 | 0.00% | 0 | |
| Other | 81 | Note | 0 | |
| Other Assets: | | | | |
| Goodwill and Other Intangibles | 85 | Note | 0 | |
| Computer Software | 84 | 35.00% | 0 | 0 |
| Other Assets (net of lines 85 and 84) and Equipment | 86 | Note | 12,003 | 4,201 |
| (Specify) | 88 | Note | 0 | 0 |
| TOTAL | 89 | | 1,987,370 | 101,196 |

Note: See Section VI of the P&C-1 instructions and the MCT Guideline.

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**CAPITAL REQUIRED FOR BALANCE SHEET ASSETS BASED ON EXTERNAL CREDIT RATINGS**
**($000)**

| Long-Term Obligations including Term Deposits, Bonds and Debentures | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Term to Maturity | | | | | | |
| | | 1 year or less | | Greater than 1 year up to and including 5 years | | Greater than 5 years | | |
| **Rating** | | **Balance Sheet Value** (01) | **Factor** (02) | **Balance Sheet Value** (03) | **Factor** (04) | **Balance Sheet Value** (05) | **Factor** (06) | **Capital Required** Col.(01x02)+(03x04)+(05x06) (09) |
| Government Grade | 01 | 37,205 | 0.00% | 117,043 | 0.00% | 369,652 | 0.00% | 0 |
| AAA | 02 | | 0.25% | | 0.50% | 85,498 | 1.25% | 1,069 |
| AA+ to AA- | 03 | 30,948 | 0.25% | 52,091 | 1.00% | 26,651 | 1.75% | 1,065 |
| A+ to A- | 04 | 19,103 | 0.75% | 25,689 | 1.75% | 27,123 | 3.00% | 1,407 |
| BBB+ to BBB- | 05 | | 1.50% | 31,369 | 3.75% | 12,108 | 4.75% | 1,751 |
| BB+ to BB- | 06 | | 3.75% | | 7.75% | | 8.00% | 0 |
| B+ to B- | 07 | | 7.50% | | 10.50% | | 10.50% | 0 |
| Other | 08 | | 15.50% | | 18.00% | | 18.00% | 0 |
| **Total** | **09** | 87,256 | | 226,192 | | 521,032 | | 5,292 |

| Short-Term Obligations including Commercial Paper | | | | |
|---|---|---|---|---|
| **Rating** | | **Balance Sheet Value** (01) | **Factor** (02) | **Capital Required** Col.(01x02) (09) |
| Government Grade | 18 | 138,533 | 0.00% | 0 |
| A-1, F1, P-1, R-1 or equivalent | 20 | 94,367 | 0.25% | 236 |
| A-2, F2, P-2, R-2 or equivalent | 21 | | 0.50% | 0 |
| A-3, F3, P-3, R-3 or equivalent | 22 | | 2.00% | 0 |
| All other ratings, including non-prime and B or C ratings | 23 | | 8.00% | 0 |
| **Total** | **29** | 232,900 | | 236 |

| Preferred Shares | | | | |
|---|---|---|---|---|
| **Rating** | | **Balance Sheet Value** (01) | **Factor** (02) | **Capital Required Col.(01x02)** (09) |
| AAA, AA+ to AA-, Pfd-1, P-1 or equivalent | 40 | | 3.00% | 0 |
| A+ to A-, Pfd-2, P-2 or equivalent | 41 | | 5.00% | 0 |
| BBB+ to BBB-, Pfd-3, P-3 or equivalent | 42 | | 10.00% | 0 |
| BB+ to BB-, Pfd-4, P-4 or equivalent | 43 | | 20.00% | 0 |
| B+ or lower, Pfd-5, P-5 or equivalent or unrated | 44 | | 30.00% | 0 |
| **Total** | **49** | 0 | | 0 |

Note: See Section VI of the P&C-1 instructions and the MCT Guideline.

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**SUMMARY OF INVESTMENTS**
**($'000)**

| | | Fair Value | | | | Amortized Cost | Balance Sheet (01+03+05+07+09) | Realized Gains(Losses) | Income excluding gains/losses on FV Option | Gain/(Loss) From FV Option |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Held for Trading | Available for Sale | Hedges | FV Option/ Investment Properties Fair Value | | | | | |
| | | (01) | (03) | (05) | (07) | (09) | (12) | (15) | (16) | (19) |
| **Aggregate Holdings:** | | | | | | | | | | |
| Short Term Investments (1 year or less) | 01 | 232,900 | 0 | 0 | 0 | 0 | 232,900 | | 2,632 | |
| Bonds and Debentures (1 year or less) | 06 | 87,256 | | | | | 87,256 | 554 | 2,226 | |
| Bonds and Debentures > 1 year and ≤ 5 years | 02 | 226,192 | | | | | 226,192 | 582 | 6,917 | |
| Bonds and Debentures > 5 years | 05 | 521,032 | | | | | 521,032 | 4,291 | -34,517 | |
| Mortgage Loans - ≤ 80% Loan to Value Ratio | 03 | 82,115 | | | | | 82,115 | 279 | 2,021 | |
| - Other | 04 | | | | | | 0 | | | |
| Preferred Shares - Debt | 10 | | | | | | 0 | | | |
| - Equity | 11 | | | | | | 0 | | | |
| Common Shares | 15 | 418,839 | 0 | 0 | 0 | | 418,839 | 26,290 | 67,470 | |
| Investment Properties | 20 | | | | 101,112 | | 101,112 | | 10,247 | |
| Other Loans and Invested Assets | 30 | | | | | | 0 | | 191 | |
| Total Investments | 39 | 1,568,334 | 0 | 0 | 101,112 | 0 | 1,669,446 | 31,996 | 57,187 | 0 |
| | | | | | | | | | | |
| Out of Canada | 40 | | | | | | | | | |
| Foreign Pay Securities | 41 | | | | | | | | | |
| | | | | | | | | | | |
| **Individual Holdings:** | | | | | | | | | | |
| Largest Exposure to an Entity or Connected Group | 50 | | | | | | 57,462 | | | |
| 2nd Largest Exposure to an Entity or Connected Group | 51 | | | | | | 53,240 | | | |
| Largest Pooled Holding | 60 | | | | | | 97,929 | | | |
| 2nd Largest Pooled Holding | 61 | | | | | | 82,115 | | | |

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## OWN USE PROPERTY AND EQUIPMENT
**($'000)**

| Description of Property (01) | Year Acquired (02) | Amount of Encumbrances (03) | Value Using Cost Model (04) | Market Value (05) | Balance Sheet Value (06) |
|---|---|---|---|---|---|
| **Own use property** | | | | | |
| Buildings and Improvements | | | 37,629 | | 37,629 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| **Total Own Use Properties** | **79** | 0 | 37,629 | 0 | 37,629 |
| **Equipment** | **80** | | | | 6,984 |
| **Total Own Use Property and Equipment** | **69** | | | | 44,613 |

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## PREMIUMS AND CLAIMS

**($'000)**

| Class of Insurance | | Number of Policies in force (21) | Number of Direct Claims (23) | Premiums written less return premiums: Direct (01) | Reinsurance assumed (02) | Reinsurance ceded (03) | Net written (01+02-03) (04) | Net unearned premiums at beginning of year (05) | Net unearned premiums resulting from a portfolio acquisition/ disposition (25) | Net unearned premiums at period end (06) | Net premiums earned (04+05+25-06) (07) | Claims incurred including adjustment expenses: Direct (08) | Reinsurance assumed (09) | Reinsurance ceded (10) | Net incurred (08+09-10) (11) | Claims ratio (11/07) % (12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Property - Personal excluding Home and Product Warranty | 03 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Home Warranty | 04 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Product Warranty | 05 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Commercial | 07 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| **Property - total** | 09 | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Aircraft | 10 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Automobile: | | | | | | | | | | | | | | | | |
| Private Passenger - Liability | 11 | | | 18,010 | | | 18,010 | 4,232 | | 10,886 | 11,356 | 17,816 | | | 17,816 | 156.88% |
| - Personal Accident | 12 | | | 381,306 | | 735 | 380,571 | 143,371 | | 124,312 | 399,630 | 235,620 | | | 235,620 | 58.96% |
| - Other | 13 | | | 432,415 | | 6,483 | 425,932 | 203,726 | | 233,680 | 395,978 | 519,719 | | 34,052 | 485,667 | 122.65% |
| Subtotal - Private Passenger | 14 | | | 831,731 | 0 | 7,218 | 824,513 | 351,330 | 0 | 368,878 | 806,965 | 773,155 | 0 | 34,052 | 739,103 | 91.59% |
| Other than Private Passenger - Liability | 15 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Personal Accident | 16 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Other | 17 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Subtotal - Other than Private Passenger | 18 | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Facility Assoc. Residual Market - Liability | 22 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Personal Accident | 23 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Other | 24 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Subtotal - Facility Assoc. Residual Market | 25 | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| Automobile - Subtotal - Liability | 19 | | | 18,010 | 0 | 0 | 18,010 | 4,232 | 0 | 10,886 | 11,356 | 17,816 | 0 | 0 | 17,816 | 156.88% |
| - Personal Accident | 20 | | | 381,306 | 0 | 735 | 380,571 | 143,371 | 0 | 124,312 | 399,630 | 235,620 | 0 | 0 | 235,620 | 58.96% |
| - Other | 21 | | | 432,415 | 0 | 6,483 | 425,932 | 203,726 | 0 | 233,680 | 395,978 | 519,719 | 0 | 34,052 | 485,667 | 122.65% |
| **Automobile - total** | 29 | | | 831,731 | 0 | 7,218 | 824,513 | 351,330 | 0 | 368,878 | 806,965 | 773,155 | 0 | 34,052 | 739,103 | 91.59% |
| Boiler and Machinery excluding Equipment Warranty | 32 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| - Equipment Warranty | 33 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Credit | 34 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Credit Protection | 35 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Fidelity | 36 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Hail | 38 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Legal Expense | 40 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Liability | 59 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Mortgage | 62 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Other Approved Products | 63 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Surety | 64 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Title | 66 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Marine | 68 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| Accident and Sickness | 70 | | | 0 | | | 0 | 0 | | 0 | 0 | 0 | | | 0 | 0.00% |
| **TOTAL** | 89 | | | 831,731 | 0 | 7,218 | 824,513 | 351,330 | 0 | 368,878 | 806,965 | 773,155 | 0 | 34,052 | 739,103 | 91.59% |

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**CLAIMS INCURRED - UNDISCOUNTED**
**($'000)**

| Class of Insurance | | | Claims incurred undiscounted Direct (08) | Reinsurance assumed (09) | Reinsurance ceded (10) | Net incurred (08+09-10) (11) |
|---|---|---|---|---|---|---|
| Property | - Personal excluding Home and Product Warranty | 03 | 0 | | | 0 |
| | - Home Warranty | 04 | 0 | | | 0 |
| | - Product Warranty | 05 | 0 | | | 0 |
| | - Commercial | 07 | 0 | | | 0 |
| **Property - total** | | 09 | 0 | 0 | 0 | 0 |
| Aircraft | | 10 | 0 | | | 0 |
| Automobile: | | | | | | |
| Private Passenger | - Liability | 11 | 19,304 | | | 19,304 |
| | - Personal Accident | 12 | 322,943 | | | 322,943 |
| | - Other | 13 | 515,166 | | 32,492 | 482,674 |
| Subtotal - Private Passenger | | 14 | 857,413 | 0 | 32,492 | 824,921 |
| Other than Private Passenger | - Liability | 15 | 0 | | | 0 |
| | - Personal Accident | 16 | 0 | | | 0 |
| | - Other | 17 | 0 | | | 0 |
| Subtotal - Other than Private Passenger | | 18 | 0 | 0 | 0 | 0 |
| Facility Assoc. Residual Market | - Liability | 22 | 0 | | | 0 |
| | - Personal Accident | 23 | 0 | | | 0 |
| | - Other | 24 | 0 | | | 0 |
| Subtotal - Facility Assoc. Residual Market | | 25 | 0 | 0 | 0 | 0 |
| Automobile - Subtotal | - Liability | 19 | 19,304 | 0 | 0 | 19,304 |
| | - Personal Accident | 20 | 322,943 | 0 | 0 | 322,943 |
| | - Other | 21 | 515,166 | 0 | 32,492 | 482,674 |
| **Automobile - total** | | 29 | 857,413 | 0 | 32,492 | 824,921 |
| Boiler and Machinery excluding Equipment Warranty | | 32 | 0 | | | 0 |
| - Equipment Warranty | | 33 | 0 | | | 0 |
| Credit | | 34 | 0 | | | 0 |
| Credit Protection | | 35 | 0 | | | 0 |
| Fidelity | | 36 | 0 | | | 0 |
| Hail | | 38 | 0 | | | 0 |
| Legal Expense | | 40 | 0 | | | 0 |
| Liability | | 59 | 0 | | | 0 |
| Mortgage | | 62 | 0 | | | 0 |
| Other Approved Products | | 63 | 0 | | | 0 |
| Surety | | 64 | 0 | | | 0 |
| Title | | 66 | 0 | | | 0 |
| Marine | | 68 | 0 | | | 0 |
| Accident and Sickness | | 70 | 0 | | | 0 |
| **TOTAL** | | 89 | 857,413 | 0 | 32,492 | 824,921 |

**DISCOUNTED AMOUNTS AND FOREIGN EXCHANGE**
**($'000)**

| **Performance Analysis** | | Current Year (01) | Prior Year (03) |
|---|---|---|---|
| Underwriting Income (Loss) | 90 | -93,197 | -123,824 |
| Impact of Change in Claims Net Discount Rate | 91 | | 0 |
| Impact of Unrealized Foreign Exchange Gains/ Losses | 92 | | 0 |
| Underwriting Income (Loss) Before Changes | 93 | -93,197 | -123,824 |

**GAINS AND LOSSES ON INVESTMENTS**
**($'000)**

| **Gains and Losses on Investments** | | Current Year (01) | Prior Year (03) |
|---|---|---|---|
| Realized Gains (Losses) on Held for Trading Financial Instruments | 94 | | 0 |
| Realized Gains (Losses) on Other Financials Instruments | 95 | | 0 |
| Unrealized Gains (Losses) on Held for Trading Financial Instruments | 96 | | 0 |
| **Total Gains and Losses on Investments** | 99 | 0 | 0 |

*Saskatchewan Auto Fund* — Insurer

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*CONSOLIDATED*

## CLAIMS AND ADJUSTMENT EXPENSES - PAID, CURRENT YEAR AND UNPAID, CURRENT AND PRIOR YEAR

**($'000)**

| Class of Insurance | | Claims and adjustment expenses paid - current year | | | | Provision for unpaid claims (including unreported) and adjustment expenses - current year | | | | Margin or deficiency for unpaid claims at prior year | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Direct (01) | Reinsurance assumed (02) | Reinsurance ceded (03) | Net (01+02-03) (04) | Direct (05) | Reinsurance assumed (06) | Reinsurance ceded (07) | Net (05+06-07) (08) | Net provision at prior year end (09) | Net amount paid during the year for claims of prior years (10) | Investment income on unpaid claims of prior years (13) | Net provision for claims of prior years (15) | Margin or (Deficiency) (09-10+13-15) (19) |
| Property - Personal excluding Home and Product Warranty | 03 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Home Warranty | 04 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Product Warranty | 05 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Commercial | 07 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| **Property - total** | 09 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Aircraft | 10 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Automobile: | | | | | | | | | | | | | | |
| Private Passenger - Liability | 11 | 14,478 | | | 14,478 | 75,363 | | | 75,363 | 72,025 | 13,590 | 3,481 | 54,083 | 7,833 |
| - Personal Accident | 12 | 165,901 | | | 165,901 | 1,184,931 | | | 1,184,931 | 1,115,212 | 103,485 | 59,093 | 1,025,827 | 44,993 |
| - Other | 13 | 488,587 | | 9,607 | 478,980 | 124,297 | | 31,003 | 93,294 | 86,607 | 116,556 | 1,633 | -27,446 | -870 |
| Subtotal - Private Passenger | 14 | 668,966 | 0 | 9,607 | 659,359 | 1,384,591 | 0 | 31,003 | 1,353,588 | 1,273,844 | 233,631 | 64,207 | 1,052,464 | 51,956 |
| Other than Private Passenger - Liability | 15 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Personal Accident | 16 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Other | 17 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Subtotal - Other than Private Passenger | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facility Assoc. Residual Market - Liability | 22 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Personal Accident | 23 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Other | 24 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Subtotal - Facility Assoc. Residual Market | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Automobile - Subtotal - Liability | 19 | 14,478 | 0 | 0 | 14,478 | 75,363 | 0 | 0 | 75,363 | 72,025 | 13,590 | 3,481 | 54,083 | 7,833 |
| - Personal Accident | 20 | 165,901 | 0 | 0 | 165,901 | 1,184,931 | 0 | 0 | 1,184,931 | 1,115,212 | 103,485 | 59,093 | 1,025,827 | 44,993 |
| - Other | 21 | 488,587 | 0 | 9,607 | 478,980 | 124,297 | 0 | 31,003 | 93,294 | 86,607 | 116,556 | 1,633 | -27,446 | -870 |
| **Automobile - total** | 29 | 668,966 | 0 | 9,607 | 659,359 | 1,384,591 | 0 | 31,003 | 1,353,588 | 1,273,844 | 233,631 | 64,207 | 1,052,464 | 51,956 |
| Boiler and Machinery excluding Equipment Warranty | 32 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| - Equipment Warranty | 33 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Credit | 34 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Credit Protection | 35 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Fidelity | 36 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Hail | 38 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Legal Expense | 40 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Liability | 59 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Mortgage | 62 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Other Approved Products | 63 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Surety | 64 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Title | 66 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Marine | 68 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| Accident and Sickness | 70 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |
| **TOTAL** | 89 | 668,966 | 0 | 9,607 | 659,359 | 1,384,591 | 0 | 31,003 | 1,353,588 | 1,273,844 | 233,631 | 64,207 | 1,052,464 | 51,956 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Out of Canada Liabilities | 80 | | | | 0 | | | | 0 | 0 | | 0 | | 0 |

***Saskatchewan Auto Fund*** — Insurer | 2013 — Year

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## REINSURANCE CEDED TO UNREGISTERED INSURERS
**($'000)**

| Name of assuming insurer | Premiums ceded to assuming insurer (02) | Claims incurred by assuming insurer (03) | Unearned premiums ceded to assuming insurer (04) | Outstanding losses recoverable from assuming insurer (05) | 10% margin on unearned premiums and outstanding losses recoverable (06) | Receivable from assuming insurer (07) | Payable to assuming insurer (08) | Non-owned deposits held as security from assuming insurer (12) | Letters of credit (LOCs) held as security from assuming insurer (16) | Recoverables in excess of Non-owned Deposits and LOCs (04+05+07-08-12-16) where positive (14) | Non-owned deposits and LOCs in excess of recoverables (12+16-(04+05+07-08)) where positive (15) | Margin required (06-15/1.5) where positive (17) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Associated & non-qualifying subsidiary** | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | 0 | | | | | 0 | 0 | 0 |
| Total associated and non-qualifying subsidiary 49 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 |

***Saskatchewan Auto Fund***
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## REINSURANCE CEDED TO UNREGISTERED INSURERS
**($'000)**

| Name of assuming insurer | | Premiums ceded to assuming insurer (02) | Claims incurred by assuming insurer (03) | Unearned premiums ceded to assuming insurer (04) | Outstanding losses recoverable from assuming insurer (05) | 10% margin on unearned premiums and outstanding losses recoverable (06) | Receivable from assuming insurer (07) | Payable to assuming insurer (08) | Non-owned deposits held as security from assuming insurer (12) | Letters of credit (LOCs) held as security from assuming insurer (16) | Recoverables in excess of Non-owned Deposits and LOCs (04+05+07-08-12-16) where positive (14) | Non-owned deposits and LOCs in excess of recoverables (12+16-(04+05+07-08)) where positive (15) | Margin required (06-15/1.5) where positive (17) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-associated and Non-subsidiary** | | | | | | | | | | | | | |
| R&V Versicherungs | | 60 | 185 | 20 | 203 | 22 | | 18 | | | 205 | 0 | 22 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| | | | | | | 0 | | | | | 0 | 0 | 0 |
| Total Non-associated and Non-subsidiary | 69 | 60 | 185 | 20 | 203 | 22 | 0 | 18 | 0 | 0 | 205 | 0 | 22 |
| **TOTAL BUSINESS** | 89 | 60 | 185 | 20 | 203 | 22 | 0 | 18 | 0 | 0 | 205 | 0 | 22 |

Note: See Section VI of the P&C-1 instructions and the MCT Guideline.

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# COMMISSIONS

($'000)

| Class of Insurance (01) | | Deferred Commissions at beginning of year (02) | Unearned Commissions at beginning of year (03) | Commissions in respect of premiums written: Direct (04) | Reinsurance assumed (05) | Reinsurance ceded (06) | Net (07) | Deferred Commissions end of year (08) | Unearned Commissions end of year (09) | Net Commissions attributable to the period (02+07+09) -(03+08) (10) |
|---|---|---|---|---|---|---|---|---|---|---|
| Property - total | 09 | 0 | 0 | | | | 0 | | | 0 |
| Automobile - total | 29 | 10,363 | 0 | 41,185 | | | 41,185 | 8,919 | | 42,629 |
| Liability | 59 | 0 | 0 | | | | 0 | | | 0 |
| Marine | 68 | 0 | 0 | | | | 0 | | | 0 |
| Other | 75 | 0 | 0 | | | | 0 | | | 0 |
| **TOTAL** | 79 | 10,363 | 0 | 41,185 | 0 | 0 | 41,185 | 8,919 | 0 | 42,629 |

| Summary of Commissions | | |
|---|---|---|
| Gross: | | |
| Commission Expense (line 79, column 02+04+05-08) | 30 | 42,629 |
| Contingent Commissions | 33 | |
| Other Non-Deferrable Commissions | 35 | |
| Total Gross (line 30+33+35) | 39 | 42,629 |
| Ceded: | | |
| Commission Income (line 79, column 03+06-09) | 40 | 0 |
| Contingent Commissions | 43 | |
| Other Non-Deferrable Commissions | 45 | |
| Total Ceded (line 40+43+45) | 49 | 0 |
| **TOTAL NET COMMISSIONS (line 39-49)** | 89 | 42,629 |

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***Saskatchewan Auto Fund*** — Insurer

31/12/2013 — Date

**Worksheet - Assets with a Capital Requirement of 100%**

**MCT Guideline - Chapter 2 - Appendix 2A**

| Assets | | Amount | Page Link |
|---|---|---|---|
| Receivables and recoverables from unregistered insurers not covered by non-owned deposits or letters of credit | 01 | 205 | 70.38 |
| Interest in non-qualifying subsidiaries | 02 | | |
| Interest in associates | 03 | | |
| Interest in joint ventures > 10% ownership | 04 | | |
| Loans considered capital to non-qualifying subsidiaries | 05 | | |
| Loans considered capital to associates | 06 | | |
| Loans considered capital to joint ventures > 10% ownership | 07 | | |
| DPAE other than premium taxes (0% capital factor) and commissions (35% capital factor) | 08 | 0 | MCT 20.10 |
| Deferred tax assets other than those arising from discounting of claims reserves for tax purposes, or from unrealized capital gains, that are recoverable from income taxes paid in the three immediately preceding fiscal years (0% capital factor) | 09 | 0 | 30.71 |
| Goodwill and other intangible assets | 10 | 0 | 30.71 |
| Other assets > 1% of total assets (other assets <= 1%, 35% capital factor) | 11 | 0 | see below |
| Self-insured retentions, included in other recoverables on unpaid claims, where OSFI requires collateral and no collateral has been received | 12 | 0 | 20.10 |
| Net defined benefit pension plan surplus asset, net of any associated deferred tax liability, and net of any amount of available refunds of defined benefit pension plan surplus assets | 16 | 0 | |
| Other assets (as deemed required by OSFI) | 13 | | |
| | 14 | | |
| **TOTAL** | 15 | 205 | |
| | | | |
| **Page 30.71, Line 86 – Other Assets (net of Goodwill, Other Intangible Assets and Computer Software), and Equipment** | | | |
| **Capital Required is equal to: 35% of the lesser of:** | | | |
| Other Assets (net of Goodwill, Other Intangible Assets and Computer Software) PLUS | 20 | 5,019 | MCT 20.10 |
| Equipment | 21 | 6,984 | MCT 20.10 |
| ***AND*** 1% of Total Assets | 22 | 19,874 | MCT 20.10 |
| Lesser of the foregoing | 23 | 12,003 | |
| Capital Required - 35% of row 23 | 24 | 4,201 | |

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***Saskatchewan Auto Fund***
Insurer

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**WORKSHEET - CALCULATION OF REQUIRED MARGIN ON UNEARNED PREMIUMS AND UNPAID CLAIMS**

**Ensure that all columns are completed**

**MCT Guideline - Chapter 4 - Policy Liabilities Risks - 4.2 -4.3**

| Class of Insurance | | Margin on Unpaid Claims | Net Unearned Premiums - Page 60.20 | Net Premiums Written Current Period (P 6020) | Greater of Net UEPR and half NPW preceding 12 months | Capital Required Net UEPR/NPW | Net Unpaid Claims - Page 60.30 | Provision for Adverse Deviations | Capital Required Net Unpaid Claims | Total Net Capital Required |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **Property - Personal** | 03 | 5.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Property - Commercial** | 07 | 5.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Aircraft** | 10 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Automobile:- Liability** | 19 | 10.00% | 10,886 | 18,010 | 10,886 | 871 | 75,363 | 5,655 | 6,971 | 7,842 |
| **Automobile:- Personal Accident** | 20 | 10.00% | 124,312 | 380,571 | 190,286 | 15,223 | 1,184,931 | 186,664 | 99,827 | 115,050 |
| **Automobile:- Other** | 21 | 5.00% | 233,680 | 425,932 | 233,680 | 18,694 | 93,294 | 3,628 | 4,483 | 23,177 |
| **Boiler and Machinery excluding Equipment Warranty** | 32 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Credit** | 34 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Credit Protection** | 35 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Fidelity** | 36 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Hail** | 38 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Legal Expense** | 40 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Liability** | 59 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Mortgage** | 62 | 15.00% | 0 | 0 | 0 | | 0 | | 0 | 0 |
| **Other Approved Products** | 63 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Surety** | 64 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Title** | 66 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Marine** | 68 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Accident and Sickness** | 70 | *Schedule A1* | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| TOTAL | 89 | | 368,878 | 824,513 | 434,852 | 34,788 | 1,353,588 | 195,947 | 111,281 | 146,069 |
| **Premium Deficiency** | 90 | 8.00% | 0 | | | | | | 0 | |

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***Saskatchewan Auto Fund*** 31/12/2013
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**WORKSHEET - CAPITAL REQUIRED: STRUCTURED SETTLEMENTS, LETTERS OF CREDIT, DERIVATIVES AND OTHER EXPOSURES**

**MCT Guideline - Chapter 7 - Appendix 7A**

| | | Possible Credit Exposure (01) | Collateral and Guarantees (02) | Credit Conversion Factor (03) | Capital Factor (04) | Capital Required (05)= (01-02)x03x04 (05) | |
|---|---|---|---|---|---|---|---|
| Structured Settlements: | | | | | | | |
| Government Grade | 01 | | | 50% | 0.0% | 0 | |
| Rated A- and higher | 02 | 21,574 | | 50% | 0.5% | 54 | |
| Rate BBB+ and lower | 03 | | | 50% | 4.0% | 0 | |
| Derivatives: | | | | | | | |
| Government Grade | 20 | | | 100% | 0.0% | 0 | |
| Rated A- and higher | 21 | | | 100% | 0.5% | 0 | |
| Rate BBB+ and lower | 22 | | | 100% | 4.0% | 0 | |
| Other Exposures | | | | | | | |
| Government Grade | 30 | 219,471 | 230,445 | Note | 0.0% | 0 | |
| Rated A- and higher | 31 | | | Note | 2.0% | 0 | |
| Rate BBB+ and lower | 32 | | | Note | 8.0% | 0 | |
| **Letters of credit** | | **Face Value** (01) | | **Credit Conversion Factor** (03) | **Capital Factor** (04) | **Capital Required** **(05)= (01)x(04)** (05) | |
| Unregistered reinsurers | 33 | 0 | | 100% | 0.5% | 0 | 70.38 |
| Policyholders (self-insured retentions) | 34 | | | 100% | 0.5% | 0 | |
| Collateral other than letters of credit [1] | 35 | | | | | 0 | 30.73.34 |
| Less: reduction in capital required for excess collateral (reference chapter 4) | 36 | | | | | 0 | Excess Coll |
| Total Capital Required | 99 | | | | | 54 | |

Note: For other exposures, the weighted average of the credit conversion factors for all of these instruments held by the P&C insurer, should be entered in the appropriate cell.

1 Collateral other than letters of credit are subject to the same capital factors as those applied to similar assets owned by the P&C insurer (reference chapter 3).

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**Appendix 5-A: Worksheet – Capital Required: Interest Rate Risk**
**MCT Guideline - Chapter 5 - Appendix 5A**

Effective January 1, 2013 the Δy interest rate shock factor is 0.75% (Δy = 0.0075).

| | | | | | Interest rate shock factor 0.00750 | | (0.00750) |
|---|---|---|---|---|---|---|---|
| | | Fair Value (000) (01) | Modified or Effective Duration (02) | | Dollar Fair Value Change (000) (03)=(01)x(02)xΔy | | Dollar Fair Value Change (000) (04)=(01)x(02)x(-Δy) |
| **Interest rate sensitive assets** | | | | | | | |
| Term deposits | 01 | 232,900 | 0.0900 | | 157 | | -157 |
| Bonds and debentures | 02 | 834,480 | 7.5141 | | 47,028 | | -47,028 |
| Commercial paper | 03 | | | | 0 | | 0 |
| Loans | 04 | | | | 0 | | 0 |
| Mortgages | 05 | 82,115 | 3.6359 | | 2,239 | | -2,239 |
| MBS and ABS | 06 | | | | 0 | | 0 |
| Preferred shares | 07 | 0 | | | 0 | | 0 |
| Other | 08 | | | | 0 | | 0 |
| **Total** | 09 | 1,149,495 | | **A** | 49,424 | **A** | -49,424 |
| **Interest rate sensitive liabilities** | | | | | | | |
| Net unpaid claims and adjustment expenses | 10 | 1,353,588 | 7.7796 | | 78,978 | | -78,978 |
| Net premium liabilities | 11 | 341,351 | 1.7080 | | 4,373 | | -4,373 |
| **Total** | 19 | 1,694,939 | | **B** | 83,351 | **B** | -83,351 |
| **Allowable interest rate derivatives** | | **Notional Value** (01) | **Effective Duration** (02) | | Dollar Fair Value Change (Δy) (03) | | Dollar Fair Value Change(-Δy) (04) |
| Long Positions | 20 | | | | | | |
| Short Positions | 21 | | | | | | |
| **Total** | 22 | | | **C** | 0 | **C** | 0 |
| **Capital Requirement for Δy shock increase** *D=Maximum (0,A-B+C)* | 23 | | | **D** | **0** | | |
| **Capital Requirement for -Δy shock decrease** *E=Maximum (0,A-B+C)* | 24 | | | | | **E** | **33,927** |
| **Interest Rate Risk Margin** *F= Maximum (D,E)* | 25 | | | **F** | | | **33,927** |

where Δy = interest rate shock factor

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***Saskatchewan Auto Fund***
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**WORKSHEET - CALCULATION OF REQUIRED MARGIN ON UNEARNED PREMIUMS AND UNPAID CLAIMS**

Insurers are required to calculate their "Margins for Unearned Premiums, Unpaid Claims and Premium Deficiencies" as if none of the liabilities had been ceded (i.e. on a gross basis) and multiply the resulting gross margins by 25%. The greater of the 25% gross margins and the insurer's net margins have to be reported as the capital required for "Unearned Premiums/Unpaid Claims/Premium Deficiencies".

**MCT Guideline - Chapter 4 - Policy Liabilities Risks - 4.2 -4.3**

| Class of Insurance | | Margin on Unpaid Claims | Gross Unearned Premiums | Gross Premiums Written Current Period _ Page 60.20 | Greater of Gross UEPR and half GPW preceding 12 months | Margin Required Gross UEPR/ GPW | Gross unpaid claims | Provision for Adverse Deviations | Margin Required Gross Unpaid Claims | Total Gross Margin Required |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Quebec companies -Ignore these columns - not required to compute Margin on a Gross Basis | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **Property - Personal** | 03 | 5.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Property - Commercial** | 07 | 5.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Aircraft** | 10 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Automobile:- Liability** | 19 | 10.00% | 10,886 | 18,010 | 10,886 | 871 | 75,363 | 5,655 | 6,971 | 7,842 |
| **Automobile:- Personal Accident** | 20 | 10.00% | 124,484 | 381,306 | 190,653 | 15,252 | 1,184,931 | 186,664 | 99,827 | 115,079 |
| **Automobile:- Other** | 21 | 5.00% | 235,852 | 432,415 | 235,852 | 18,868 | 124,297 | 5,682 | 5,931 | 24,799 |
| **Boiler and Machinery** | 32 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Credit** | 34 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Credit Protection** | 35 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Fidelity** | 36 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Hail** | 38 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Legal Expense** | 40 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Liability** | 59 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Mortgage** | 62 | 15.00% | 0 | 0 | 0 | | 0 | | 0 | 0 |
| **Other Approved Products** | 63 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Surety** | 64 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Title** | 66 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Marine** | 68 | 15.00% | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| **Accident and Sickness** | 70 | *Schedule A1* | 0 | 0 | 0 | 0 | 0 | | 0 | 0 |
| TOTAL | 89 | | 371,222 | 831,731 | 437,391 | 34,991 | 1,384,591 | 198,001 | 112,729 | 147,720 |
| Premium Deficiency | 90 | 8.00% | 0 | 0 | | | | | | |
| **Minimum Gross Capital Level** | 99 | 36,930 | | | | | | | | |

**Saskatchewan Auto Fund**
**Impact of Currently Proposed Changes to OSFI's MCT Ratio**

OSFI's proposed MCT changes will take effect in 2015. We have estimated the impact based on the 2013 year-end results.

| | 2013 Actual ($'000) | 2015 Framework ($'000) | Change ($'000) | Effect of Change in Capital Required on MCT* | Note Reference |
|---|---|---|---|---|---|
| **CAPITAL AVAILABLE** | | | | | |
| Capital Available | 162,610 | 162,610 | 0 | | |
| | | | | | |
| **MINIMUM CAPITAL REQUIRED** | | | | | |
| **Insurance Risk** | | | | | |
| Premium liabilities and unpaid claims | 146,069 | 120,922 | -25,147 | 5.0% | A |
| Catastrophes | 0 | 0 | 0 | 0.0% | |
| Reinsurance ceded to unregistered insurers | 22 | 22 | 0 | 0.0% | |
| Total Insurance Risk Margin | 146,091 | 120,944 | -25,147 | 5.0% | |
| **Market Risk** | | | | | |
| Interest rate risk | 33,927 | 37,696 | 3,769 | -0.7% | B |
| Foreign exchange risk | 0 | 15,333 | 15,333 | -3.0% | C |
| Equity risk | 62,826 | 83,768 | 20,942 | -4.1% | D |
| Real estate risk | 18,177 | 15,990 | -2,187 | 0.4% | E |
| Other market risk exposures | 2,444 | 466 | -1,979 | 0.4% | F |
| Total Market Risk Margin | 117,374 | 153,253 | 35,878 | -7.1% | |
| **Credit Risk** | | | | | |
| Counterparty default risk: | | | | | |
| balance sheet assets | 17,749 | 10,092 | -7,656 | 1.5% | G |
| off-balance sheet exposures | 54 | 144 | 90 | 0.0% | H |
| unregistered reinsurance collateral and SIRs | 0 | 0 | 0 | 0.0% | |
| Total Credit Risk Margin | 17,803 | 10,236 | -7,566 | 1.5% | |
| **Operational Risk Margin** | 0 | 45,222 | 45,222 | -8.9% | I |
| **Diversification Credit** | 0 | -37,190 | -37,190 | 7.4% | J |
| **Total Minimum Capital Required** | 281,268 | 292,465 | 11,197 | -2.2% | |
| | | | | | |
| **CAPITAL AVAILABLE TO CAPITAL REQUIRED** | | | | | |
| **Excess Capital Available over Minimum Capital Required** | -118,658 | -129,855 | -11,197 | | |
| **Ratio of Capital Available to Minimum Capital Required** | 57.8% | 55.6% | -2.2% | | |

* Measures the incremental share that each change had on the overall change to the MCT ratio. For example, the Interest rate risk increase of $3,769,000 is 34% of the total $11,197,000 increase, so its impact corresponds to 34% * 2.2% = 0.7%.

**NOTES**

(A) The decrease in capital required for premium liabilities and unpaid claims is being driven by a decrease in the risk margins applied for Auto Liability and Auto Personal Accident Benefits unpaid claims.

(B) The increase is due to an increase in the interest rate shock factor applied in the calculation.

(C) Foreign exchange risk is introduced in the 2015 MCT calculation. This was not included anywhere in the 2013 version.

(D) The risk factor applied to Common Shares is being increased significantly.

(E) The risk factors applied to Investment Properties and Insurers' Own Use Properties are both coming down.

(F) The risk factor applied to other asset risks, such as Equipment, is coming down.

(G) The main drivers for the decrease to the capital required for balance sheet assets are as follows:
(1) A decrease to the risk margin applied to the value of Long-Term Obligations including Term Deposits, Bonds, Debentures and Loans.
(2) A decrease to the risk margin applied to the values of both Residential and Commercial Mortgages.
(3) There is no longer a capital requirement related to deferred commissions.

(H) The increase stems from an increase to the capital factor applied to the value of structure settlements.

(I) An explicit capital requirement for operational risk is being introduced. This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but not strategic or reputational risk.

(J) The diversification credit was introduced to account for the fact that it is unlikely that a company would incur such a high level of loss from each type of risk simultaneously.

Appendix 1

## Saskatchewan Auto Fund 2012 DCAT MCT Summary

| | MCT (%) | | | |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| **Scenario** | | | | |
| ***Base*** | ***54.61%*** | ***43.68%*** | ***49.00%*** | ***64.36%*** |
| ***1 in 100 Scenarios*** | | | | |
| 1 - Misestimation of Policy Liabilities | | -39.81% | -39.46% | -18.91% |
| 2 - Occurrence of a Single Catastrophic Event | | 40.97% | 46.49% | 61.83% |
| 3 - Occurrence of Multiple Catastrophic Events | | 35.34% | 41.58% | 61.13% |
| 4 - General Inflation Risk | | 46.48% | 43.99% | 38.01% |
| 5 - Increased Losses Due to Frequency | | 5.67% | 12.85% | 38.65% |
| 6 - Investment Market Deterioration | | -28.23% | -19.34% | 4.51% |
| 7 - Interest Rates Decrease | | 39.59% | 41.77% | 55.95% |
| 8 - Interest Rates Increase | | 60.70% | 74.56% | 97.64% |
| 9 - Government and Political Risk | | 39.87% | 35.87% | 39.75% |
| 10 - Frequency, Inflation and Multiple Catastrophes | | 27.40% | 29.83% | 43.30% |
| 11 - Denied Rate Programs, Partial Misestimation of Policy Liabilities | | 5.14% | 1.91% | 6.05% |
| ***1 in 10 Scenarios*** | | | | |
| 1 - Misestimation of Policy Liabilities | | 3.50% | 5.74% | 26.81% |
| 6 - Investment Market Deterioration | | 8.27% | 15.73% | 38.51% |
| 11 - Denied Rate Programs, Partial Misestimation of Policy Liabilities | | 38.62% | 39.17% | 48.68% |
| Change | | | | |
| ***1 in 100 Scenarios*** | | | | |
| Average Drawdown | | -33.42% | -30.06% | -15.71% |
| Maximum Drawdown | | -94.42% | -94.07% | -73.52% |
| Average Drawdown (3 worst) | | -75.58% | -73.57% | -57.39% |
| ***1 in 10 Scenarios*** | | | | |
| 1 - Misestimation of Policy Liabilities | | -51.11% | -48.87% | -27.80% |
| 6 - Investment Market Deterioration | | -46.34% | -38.88% | -16.10% |
| 11 - Denied Rate Programs, Partial Misestimation of Policy Liabilities | | -15.99% | -15.44% | -5.93% |
| Average Drawdown (3 worst) | | -37.81% | -34.40% | -16.61% |
| Maximum Drawdown | | -51.11% | -48.87% | -27.80% |
| Average Drawdown (2 worst) | | -48.73% | -43.88% | -21.95% |

Documentation for Information Request #47

# Capital Management Policy
# Saskatchewan Auto Fund Rate Stabilization Reserve
# November 28, 2013 – DRAFT

## 1. Purpose

This document constitutes the Capital Management Policy for the Saskatchewan Auto Fund (SAF). It has been prepared using guidance from Guideline A-4, *Internal Target Capital Ratio for Insurance Companies*, which the Office of the Superintendent of Financial Institutions ("OSFI") issued in June 2011.

The primary objective of the Capital Management Policy is to maintain a level of capital in the Rate Stabilization Reserve (RSR) sufficient to cushion the Auto Fund from the volatility inherent in investment and underwriting operations and ensure a positive RSR without the need for excessive rate increases for Auto Fund customers.

## 2. Context

The context for the guideline is OSFI's *Supervisory Framework*, a document it first introduced in 1999 and last updated in 2010, in which it sets out its approach to assessing the safety and soundness of a financial institution. Capital is a cornerstone of this assessment process. While SAF is not regulated by OSFI, the guideline provides a useful reference as evidence of industry best practices.

The guideline provides OSFI's views and requirements with respect to capital and capital management before then setting out its framework for the capital management policy. This section summarizes OSFI's views and requirements. SAF's capital management policy follows in the next section.

### a) Overview

The guideline states that the level and quality of an insurer's capital and its capital management is expected to be appropriate to its circumstances, including its risk profile, tolerance for risk, and operating environment. It also notes that past and emerging trends, including the outlook for capital, earnings and liquidity, as well as the insurer's preparedness to deal with potential capital deficiencies, are also relevant in assessing the adequacy of the insurer's current capital position.

### b) Capital Management

The guideline defines capital management as the ongoing process of determining and maintaining the quantity and quality of capital appropriate for an insurer to support planned operations. It notes that capital management should be integrated with both the insurer's enterprise risk management program and its regular planning cycle, with capital being managed to withstand adverse economic conditions, maintain financial strength, allow for growth opportunities, and meet other risk management and business objectives.

## c) Required Capital

i) Minimum capital requirements

OSFI has established minimum capital requirements for all federally regulated property and casualty insurance companies. These requirements are expressed as a ratio, with the numerator comprising risk-adjusted capital and the denominator comprising various risk-factor charges against assets, loss provisions, unearned premiums, and exposure to unlicensed reinsurers. This ratio is known as the Minimum Capital Test (MCT)

OSFI's stated Minimum and Supervisory Target MCT requirements are 100% and 150%. If a federally regulated insurer's MCT approached 150% OSFI would intervene, and it would take all action necessary to prevent the MCT falling below 100%, including assumption of control.

It is important to note that as long as the MCT is positive, the insurer is solvent as its assets exceed its liabilities. As such, with OSFI's stated minimum and target MCTs of 100% and 150%, the regulator has built in an excess capital buffer to protect consumers should an insurer encounter financial difficulty. As a monopoly, an excess capital buffer is not required for SAF, nor is it desirable.

ii) Target MCT

OSFI recognizes that the risks specific to a particular insurer cannot be addressed by industry-wide tests alone. It therefore requires each insurer to establish a Target MCT by considering its own risk appetite and risk profile. Two factors override SAF's risk analysis: its monopoly position; and, that it generates positive cash flow.

iii) Establishing the Target MCT

The Target MCT is to be established by applying rigorous stress testing using scenarios incorporating plausible adverse events against the insurer's base case financial projections. The plausible events would range from relatively likely, one-in-10 year occurrences to exceptional, one-in-100 year situations. OSFI recommends using the Dynamic Capital Adequacy Testing 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 capital target should represent that level required to remain solvent in all plausible maximum loss events, without the establishment of any excess capital buffers.

iv) Operating target

Although not specifically stipulated by OSFI, insurance industry practice establishes an operating target MCT that provides a cushion above the Target MCT to at least absorb the impact of a relatively likely, one-in-10 year occurrence. Given SAF's monopoly position, establishing an additional capital buffer, through a separate operating target, is not required.

### d) Board Involvement

Ultimate responsibility for the establishment of the Target MCT rests with SGI's Board of Directors. Consequently, the Board is expected to oversee the process for determining the Target MCT and confirm its appropriateness. The process is expected to include the identification and assessment of all material risks faced by the insurer. For SAF, risk identification and assessment is conducted in conjunction with the DCAT process.

Management is required to provide a formal report to the Board detailing how the Internal Target was determined. It must be presented in the context of the insurer's risk appetite, strategic and business plans, and capital management policy, and is to be updated at least annually and more frequently if warranted.

## 3. Capital Management Policy

### a) Target MCT

Based on the work performed in accordance with the procedures set out in this policy, SAF's Target MCT has been set at 100%. This ratio is subject to at least annual review to confirm its continuing appropriateness. More frequent reviews will be conducted if circumstances warrant.

There are two components of a process designed to move capital towards the policy level, a Capital Build and Release Provision and a Capital Maintenance Provision. These are outlined below:

i. Capital Build and Release Provision
The capital build and release provisions are intended to build or release capital through rates in a measured way by reducing rate volatility that would arise if the full amount of any shortfall or excess were accounted for in the rates in a single rate change. The capital build provision requires that SAF recover 1/5 of the deficiency in capital below 100% MCT every year in the base insurance rate. Similarly, for the capital release provision, SAF would release 1/5 of the surplus above 100% MCT into the basic insurance rate every year. SAF will include a capital build or release provision as part of the ongoing rate indication.

ii. Capital Maintenance Provision
As SAF's business volume grows through inflationary pressures and vehicle population, an additional amount of capital is required in order to maintain the MCT at its current level. Specifically, the denominator in the MCT calculation (capital required) is increased by factors such as higher claim costs and growth in investments. Correspondingly the numerator (capital available) must grow by the same percentage as the denominator in order to maintain the same MCT ratio. Put another way, even if SAF were able to break even on rates every year, MCT would erode over time as the growth in capital required outpaced the growth in capital available.

To address this, a Capital Maintenance Provision will be added to the base rate, designed to offset the decline in MCT arising from the overall growth in SAF's business.

### b) Identification and assessment of material risks

The identification and assessment of material risks to which SAF is exposed, and which factor into the determination of its Target Capital Ratio, will take place in the course of conducting the Dynamic Capital Adequacy Testing (DCAT).

### c) Capital adequacy

The scenarios resulting from the preceding material risks will be used to stress test SAF's capital, both at its current level and at the level selected as its Target. This stress testing will be done as part of the DCAT, using SAF's base case five-year financial projections. These financial projections will be based on SAF's strategic and business plans for the period covered.

SAF's chief financial officer will be responsible for ensuring the risks and scenarios identified and selected are adequately documented and reviewed by other members of senior management for confirmation. This documentation, along with the results of the DCAT, will be presented to the Board at least annually for its approval.

### d) Board role and responsibility

Annually, or more frequently if warranted by the circumstances, management will present the Board with a formal report documenting the analysis used to support the determination of SAF's Target MCT, along with the supporting assumptions and context. The information provided will be sufficient to enable the Board to assess the work performed, the overall result, and the appropriateness of the Target.

Notwithstanding the specific procedures set out above, final authority as to what, if any, rate action is to be taken, is reserved to the Board and the Board may in its discretion decide to deviate from the specified actions because of the circumstances prevailing at the time.

The Board will review and approve this policy at least annually.

**Saskatchewan Government Insurance**
**2014 Rate Program**
**Breakdown of Written Premium**

Breakdown of net written premium from 2008 to 2018 showing each year’s increment due to: rate changes, vehicle mix drift and vehicle fleet growth

Safe Driver Recognition program penalties and permit premiums have been excluded from all numbers.

| Policy Year | Written Exposures | Written Premium After Incentives Incl RSR Surch | Actual Change | Change in Written Exposures | Drift | Rate Change | Changes in Incentives | Calculated Change | Budgeted Written Premium Incl RSR Surch* | Variance |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 995,724 | $ 599,117,624 | | | | -3.55% | | | $ 587,480,658 | 1.98% |
| 2009 | 1,024,518 | $ 638,512,353 | 6.58% | 2.89% | 3.26% | 0.70% | 0.27% | 6.70% | $ 662,300,112 | -3.59% |
| 2010 | 1,044,670 | $ 697,439,111 | 9.23% | 1.97% | 3.48% | 3.50% | 0.11% | 9.09% | $ 706,606,911 | -1.30% |
| 2011 | 1,063,700 | $ 731,220,179 | 4.84% | 1.82% | 3.02% | 0.00% | 0.05% | 4.84% | $ 751,093,660 | -2.65% |
| 2012 | 1,110,009 | $ 772,606,844 | 5.66% | 4.35% | 0.52% | 0.67% | -0.10% | 5.70% | $ 791,529,992 | -2.39% |
| 2013 | 1,117,994 | $ 812,059,256 | 5.11% | 0.72% | 2.46% | 1.70% | -0.16% | 5.11% | $ 821,003,429 | -1.09% |
| Projected | | | | | | | | | | |
| 2014 | 1,161,607 | $ 909,182,077 | 11.96% | 3.90% | 2.68% | 3.27% | 0.39% | 9.74% | (1) | |
| 2015 | 1,198,588 | $ 999,903,960 | 9.98% | 3.18% | 2.68% | 3.47% | -0.03% | 9.65% | (2) | |
| 2016 | 1,236,748 | $1,059,371,977 | 5.95% | 3.18% | 2.68% | 0.00% | 0.00% | 5.95% | | |
| 2017 | 1,276,122 | $1,122,376,777 | 5.95% | 3.18% | 2.68% | 0.00% | 0.00% | 5.95% | | |
| 2018 | 1,316,750 | $1,189,128,708 | 5.95% | 3.18% | 2.68% | 0.00% | 0.00% | 5.95% | | |

*Budget numbers based on proposed rate change and capital margin of 2.7% and 3.7% respectively.
(1) The variance between the calculated change and actual change in 2014 can be explained by the following:
- The difference between the 2014 and 2013 Written Premium After Incentives appears to be significant. This is partially the result of the 2013 premiums having been reduced by $6.7M from the mid-term refund at the time of the rate change, whereas the 2014 mid-term refund is estimated at only $2M. Another factor in this difference is the fact that 2013 had a lower than expected written premium amount due to a long winter which impacted both the exposures and premium written for summer vehicles.
- The number of written exposures in 2013 were impacted by the long winter, late summer. The 2014 values are based on the distribution of exposures for a normal year.

(2) The variance between the calculated change and the actual change can be explained by the fact that there is an adjustment to the 2014 written premium for the mid-term refund.

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2013 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2013 CY Budgeted Ultimate Loss | 2013 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Excl Catastrophes | 424,552,985 | 437,525,664 |
| Total Damage Catastrophes | 16,853,181 | 12,902,852 |
| Salvage Purchases - Net | -15,894,064 | -16,182,910 |
| **Total Damage** | **425,512,102** | **434,245,607** |
| | | |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **1,243,409** |
| | | |
| **No Fault Injury** | | |
| Care Benefits (Undiscounted) | 25,664,121 | 26,785,014 |
| Income Replacement (Undiscounted) | 127,908,409 | 114,554,913 |
| Defined Contribution (Undiscounted) | 11,616,308 | 8,883,635 |
| Death Benefits (Undiscounted) | 31,553,064 | 26,172,581 |
| Medical Expenses | 55,416,916 | 54,134,113 |
| Permanent Impairment | 18,489,780 | 15,995,144 |
| Appeals | 2,228,087 | 1,677,173 |
| **Total No Fault Injury** | **272,876,685** | **248,202,573** |
| | | |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **9,591,649** |
| | | |
| **No Fault Liability** | | |
| Economic Loss | 8,473,835 | 6,791,015 |
| Out-of-Province Liability | 7,570,608 | 11,603,064 |
| **Total No Fault Liability** | **16,044,443** | **18,394,080** |
| | | |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **-571,032** |
| | | |
| **Tort** | | |
| Tort Injury | 709,558 | 533,557 |
| Tort Liability | 3,998,509 | 2,976,135 |
| **Total Tort** | **4,708,067** | **3,509,692** |
| | | |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **-2,810,699** |
| | | |
| **Total Medical Funding** | **28,550,886** | **28,548,205** |
| | | |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **54,865** |
| | | |
| **Other Reconciling Items** | | |
| Manual Adjustments | | 2,328,578 |
| Reconciling Items | | 9,417 |
| **Total Other Reconciling Items** | **0** | **2,337,994** |
| | | |
| **Loss Adjusting Expenses** | **67,039,061** | **82,174,927** |
| | | |
| **PfAD and Impact of Discounting** | **-56,640,510** | **-85,818,050** |
| | | |
| **Total Claims Incurred** | **758,090,733** | **739,103,220** |

**Frequency & Severity Comparison:**

| | 2013 CY Budgeted Claim Counts | 2013 CY Budgeted Frequency per 1000 Exposures | 2013 CY Budgeted Incurred Loss | 2013 CY Budgeted Claim Severity | 2013 CY Actual Claim Counts | 2013 CY Actual Frequency per 1000 Exposures | 2013 CY Actual Incurred Loss | 2013 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Damage** | | | | | | | | |
| Total Damage Excl Catastrophes | 113,959 | 100.92424 | 408,658,921 | 3,586.02 | 105,115 | 94.24216 | 421,342,755 | 4,008.41 |
| Total Damage Catastrophes | 6,611 | 5.85485 | 16,853,181 | 2,549.25 | 9,160 | 8.21254 | 12,902,852 | 1,408.61 |
| **Total Damage** | 120,570 | 106.77909 | 425,512,102 | 3,529.17 | 114,275 | 102.45470 | 434,245,607 | 3,800.02 |
| | | | | | | | | |
| **No Fault Injury Benefits** | 5,483 | 4.85613 | 272,876,685 | 49,764.95 | 5,056 | 4.53326 | 248,202,573 | 49,088.27 |
| **No Fault Liability** | 73 | 0.06437 | 8,473,835 | 116,587.82 | 112 | 0.10042 | 6,791,015 | 60,634.07 |
| **No Fault Out-of-Province** | 143 | 0.12638 | 7,570,608 | 53,052.54 | 195 | 0.17483 | 11,603,064 | 59,502.89 |
| **Tort Accident Benefits** | 86 | 0.07612 | 709,558 | 8,255.15 | 80 | 0.07173 | 533,557 | 6,669.46 |
| **Tort Liability** | 99 | 0.08792 | 3,998,509 | 40,275.91 | 86 | 0.07710 | 2,976,135 | 34,606.23 |
| | | | | | | | | |
| **Total** | 126,454 | 111.99001 | 719,141,296 | 5,686.99 | 119,804 | 107.41203 | 704,351,951 | 5,879.21 |

| | |
|---|---|
| **2013 Budgeted Exposures** | 1,129,153 |
| **2013 Actual Exposures** | 1,115,367 |
| (Earned Vehicles incl trailers) | |

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2012 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2012 CY Budgeted Ultimate Loss | 2012 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Excl Catastrophes | 393,554,759 | 401,525,714 |
| Total Damage Catastrophes | 12,714,564 | 12,199,467 |
| Salvage Purchases - Net | -12,765,538 | -14,683,409 |
| **Total Damage** | **393,503,785** | **399,041,771** |
| | | |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **9,971,583** |
| | | |
| **No Fault Injury** | | |
| Care Benefits (Undiscounted) | 33,396,044 | 26,828,760 |
| Income Replacement (Undiscounted) | 115,712,393 | 106,840,114 |
| Defined Contribution (Undiscounted) | 10,061,947 | 8,746,138 |
| Death Benefits (Undiscounted) | 31,430,771 | 23,244,400 |
| Medical Expenses | 46,460,960 | 50,990,410 |
| Permanent Impairment | 19,256,896 | 18,767,350 |
| Appeals | 1,990,097 | 1,899,184 |
| **Total No Fault Injury** | **258,309,107** | **237,316,356** |
| | | |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **20,831,568** |
| | | |
| **No Fault Liability** | | |
| Economic Loss | 6,696,753 | 8,928,328 |
| Out-of-Province Liability | 7,604,407 | 9,545,833 |
| **Total No Fault Liability** | **14,301,160** | **18,474,161** |
| | | |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **-2,326,407** |
| | | |
| **Tort** | | |
| Tort Injury | 630,775 | 580,584 |
| Tort Liability | 3,313,962 | 3,314,116 |
| **Total Tort** | **3,944,737** | **3,894,700** |
| | | |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **-1,396,779** |
| | | |
| **Total Medical Funding** | **27,095,343** | **27,382,796** |
| | | |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **456,442** |
| | | |
| **Other Reconciling Items** | | |
| Manual Adjustments | | 1,414,686 |
| Reconciling Items | | -80,817 |
| **Total Other Reconciling Items** | **0** | **1,333,869** |
| | | |
| **Loss Adjusting Expenses** | **62,567,552** | **63,333,614** |
| | | |
| **PfAD and Impact of Discounting** | **-54,809,548** | **-37,786,064** |
| | | |
| **Total Claims Incurred** | **704,912,136** | **740,527,612** |

**Frequency & Severity Comparison:**

| | 2012 CY Budgeted Claim Counts | 2012 CY Budgeted Frequency per 1000 Exposures | 2012 CY Budgeted Incurred Loss | 2012 CY Budgeted Claim Severity | 2012 CY Actual Claim Counts | 2012 CY Actual Frequency per 1000 Exposures | 2012 CY Actual Incurred Loss | 2012 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Damage** | | | | | | | | |
| Total Damage Excl Catastrophes | 101,218 | 93.09551 | 380,789,221 | 3,762.08 | 96,529 | 88.08806 | 386,842,304 | 4,007.51 |
| Total Damage Catastrophes | 3,912 | 3.59844 | 12,714,564 | 3,249.82 | 4,350 | 3.96960 | 12,199,467 | 2,804.48 |
| **Total Damage** | 105,130 | 96.69395 | 393,503,785 | 3,743.02 | 100,879 | 92.05767 | 399,041,771 | 3,955.64 |
| | | | | | | | | |
| **No Fault Injury Benefits** | 5,372 | 4.94097 | 258,309,107 | 48,083.96 | 5,245 | 4.78588 | 237,316,356 | 45,250.52 |
| **No Fault Liability** | 67 | 0.06183 | 6,696,753 | 99,616.59 | 94 | 0.08578 | 8,928,328 | 94,982.21 |
| **No Fault Out-of-Province** | 149 | 0.13697 | 7,604,407 | 51,063.32 | 180 | 0.16426 | 9,545,833 | 53,032.41 |
| **Tort Accident Benefits** | 75 | 0.06924 | 630,775 | 8,378.52 | 72 | 0.06570 | 580,584 | 8,063.66 |
| **Tort Liability** | 67 | 0.06133 | 3,313,962 | 49,699.88 | 85 | 0.07757 | 3,314,116 | 38,989.61 |
| | | | | | | | | |
| **Total** | 110,860 | 101.96430 | 670,058,789 | 6,044.18 | 106,555 | 97.23686 | 658,726,988 | 6,182.05 |

| | |
|---|---|
| **2012 Budgeted Exposures** | 1,087,245 |
| **2012 Actual Exposures** | 1,095,827 |
| (Earned Vehicles incl trailers) | |

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2011 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2011 CY Budgeted Ultimate Loss | 2011 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Excl Catastrophes | 387,215,973 | 362,554,432 |
| Total Damage Catastrophes | 10,756,712 | 32,409,362 |
| Salvage Purchases - Net | -11,951,032 | -10,388,612 |
| **Total Damage** | **386,021,653** | **384,575,183** |
| | | |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **7,361,382** |
| | | |
| **No Fault Injury** | | |
| Care, Income Replacement Benefits, Defined Contribution, and Death Benefits Combined (Discounted) | 74,885,875 | 100,489,779 |
| Medical Expenses | 48,053,338 | 49,541,267 |
| Permanent Impairment | 16,471,616 | 16,776,157 |
| Appeals | 1,862,183 | 1,932,765 |
| **Total No Fault Injury** | **141,273,011** | **168,739,967** |
| | | |
| Discounted Impact of Tail Factor Change | | 10,125,000 |
| Other No Fault Injury (Redundancy)/ Deficiency | | 6,936,053 |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **17,061,053** |
| | | |
| **No Fault Liability** | | |
| Economic Loss | 7,522,680 | 5,644,824 |
| Out-of-Province Liability | 9,462,973 | 7,658,347 |
| **Total No Fault Liability** | **16,985,653** | **13,303,171** |
| | | |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **-1,173,956** |
| | | |
| **Tort** | | |
| Tort Injury | 1,064,146 | 586,727 |
| Tort Liability | 2,837,650 | 3,550,161 |
| **Total Tort** | **3,901,796** | **4,136,888** |
| | | |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **1,595,621** |
| | | |
| **Total Medical Funding** | **20,632,067** | **25,132,067** |
| | | |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **-192,779** |
| | | |
| **Other Reconciling Items** | | |
| Allowance for Doubtful Accounts | 2,000,000 | 0 |
| Manual Adjustments | | 1,419,040 |
| Reconciling Items | | 93,487 |
| **Total Other Reconciling Items** | **2,000,000** | **1,512,528** |
| | | |
| **Loss Adjusting Expenses (Discounted)** | **56,867,153** | **56,435,652** |
| | | |
| **PfAD and Impact of Discounting** | **17,190,558** | **128,437,911** |
| | | |
| **Total Claims Incurred** | **644,871,891** | **806,924,688** |

**Frequency & Severity Comparison:**

| | 2011 CY Budgeted Claim Counts | 2011 CY Budgeted Frequency per 1000 Exposures | 2011 CY Budgeted Incurred Loss | 2011 CY Budgeted Claim Severity | 2011 CY Actual Claim Counts | 2011 CY Actual Frequency per 1000 Exposures | 2011 CY Actual Incurred Loss | 2011 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Damage** | | | | | | | | |
| Total Damage Excl Catastrophes | 96,089 | 90.23707 | 375,264,941 | 3,905.39 | 96,788 | 91.81642 | 352,165,821 | 3,638.53 |
| Total Damage Catastrophes | 3,156 | 2.96406 | 10,756,712 | 3,408.04 | 12,137 | 11.51357 | 32,409,362 | 2,670.29 |
| **Total Damage** | 99,245 | 93.20113 | 386,021,653 | 3,889.58 | 108,925 | 103.32999 | 384,575,183 | 3,530.64 |
| | | | | | | | | |
| **No Fault Injury Benefits** | 5,472 | 5.13865 | 141,273,011 | 25,817.99 | 5,658 | 5.36737 | 168,739,967 | 29,823.25 |
| **No Fault Liability** | 105 | 0.09845 | 7,522,680 | 71,754.44 | 51 | 0.04838 | 5,644,824 | 110,682.82 |
| **No Fault Out-of-Province** | 230 | 0.21630 | 9,462,973 | 41,085.15 | 144 | 0.13660 | 7,658,347 | 53,182.97 |
| **Tort Accident Benefits** | 90 | 0.08469 | 1,064,146 | 11,800.05 | 87 | 0.08253 | 586,727 | 6,743.98 |
| | | | | | | | | |
| **Tort Liability** | 79 | 0.07378 | 2,837,650 | 36,121.06 | 90 | 0.08538 | 3,550,161 | 39,446.24 |
| | | | | | | | | |
| **Total** | 105,221 | 98.81299 | 548,182,113 | 5,209.82 | 114,955 | 109.05026 | 570,755,209 | 4,965.03 |

| | |
|---|---|
| **2011 Budgeted Exposures** | 1,064,849 |
| **2011 Actual Exposures** | 1,054,147 |
| (Earned Vehicles incl trailers) | |

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2010 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2010 CY Budgeted Ultimate Loss | 2010 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Excl Catastrophes | 364,792,456 | 348,370,745 |
| Total Damage Catastrophes | 10,893,263 | 22,249,327 |
| Salvage Purchases - Net | -9,500,000 | -11,551,461 |
| **Total Damage** | **366,185,719** | **359,068,611** |
| | | |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **-10,644,659** |
| | | |
| **No Fault Injury** | | |
| Care, Income Replacement Benefits, Defined Contribution, and Death Benefits Combined (Discounted) | 63,263,180 | 76,879,318 |
| Medical Expenses | 43,965,638 | 44,331,050 |
| Permanent Impairment | 15,476,423 | 16,546,245 |
| Appeals | 1,799,493 | 1,872,973 |
| **Total No Fault Injury** | **124,504,734** | **139,629,585** |
| | | |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **43,848,769** |
| | | |
| **No Fault Liability** | | |
| Economic Loss | 8,155,562 | 6,534,636 |
| Out-of-Province Liability | 17,047,367 | 6,538,689 |
| **Total No Fault Liability** | **25,202,928** | **13,073,325** |
| | | |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **-5,013,576** |
| | | |
| **Tort** | | |
| Tort Injury | 874,580 | 456,673 |
| Tort Liability | 3,230,724 | 2,400,020 |
| **Total Tort** | **4,105,304** | **2,856,693** |
| | | |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **-187,800** |
| | | |
| **Total Medical Funding** | **20,828,000** | **20,828,004** |
| | | |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **-192,779** |
| | | |
| **Other Reconciling Items** | | |
| Allowance for Doubtful Accounts | 1,000,000 | -44,109,318 |
| Manual Adjustments | | 1,358,274 |
| Reconciling Items | | 2,408 |
| **Total Other Reconciling Items** | **1,000,000** | **-42,748,636** |
| | | |
| **Loss Adjusting Expenses** | **50,744,340** | **55,185,138** |
| | | |
| **PfAD and Unwinding of Discount** | **23,994,688** | **33,970,202** |
| | | |
| **Total Claims Incurred** | **616,565,714** | **609,672,877** |

**Frequency & Severity Comparison:**

| | 2010 CY Budgeted Claim Counts | 2010 CY Budgeted Frequency per 1000 Exposures | 2010 CY Budgeted Incurred Loss | 2010 CY Budgeted Claim Severity | 2010 CY Actual Claim Counts | 2010 CY Actual Frequency per 1000 Exposures | 2010 CY Actual Incurred Loss | 2010 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Damage** | | | | | | | | |
| Total Damage Excl Catastrophes | 97,710 | 92.60314 | 355,292,456 | 3,636.18 | 91,433 | 88.16556 | 336,819,284 | 3,683.78 |
| Total Damage Catastrophes | 2,314 | 2.19283 | 10,893,263 | 4,708.02 | 7,494 | 7.22620 | 22,249,327 | 2,968.95 |
| **Total Damage** | 100,024 | 94.79597 | 366,185,719 | 3,660.97 | 98,927 | 95.39176 | 359,068,611 | 3,629.63 |
| | | | | | | | | |
| **No Fault Injury Benefits** | 5,612 | 5.31867 | 124,504,734 | 22,185.45 | 5,411 | 5.21763 | 139,629,585 | 25,804.77 |
| | | | | | | | | |
| **No Fault Liability** | 109 | 0.10330 | 8,155,562 | 74,821.67 | 80 | 0.07714 | 6,534,636 | 81,682.95 |
| **No Fault Out-of-Province** | 261 | 0.24736 | 17,047,367 | 65,315.58 | 164 | 0.15814 | 6,538,689 | 39,870.06 |
| | | | | | | | | |
| **Tort Accident Benefits** | 101 | 0.09572 | 874,580 | 8,659.21 | 75 | 0.07232 | 456,673 | 6,088.97 |
| **Tort Liability** | 87 | 0.08245 | 3,230,724 | 37,134.75 | 64 | 0.06171 | 2,400,020 | 37,500.31 |
| | | | | | | | | |
| **Total** | 106,194 | 100.64347 | 519,998,685 | 4,896.68 | 104,721 | 100.97870 | 514,628,214 | 4,914.28 |

| | |
|---|---|
| **2010 Budgeted Exposures** | 1,055,152 |
| **2010 Actual Exposures** | 1,037,060 |
| (Earned Vehicles incl trailers) | |

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2009 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2009 CY Budgeted Ultimate Loss | 2009 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Incl Catastrophes | 354,313,218 | 349,828,388 |
| Salvage Purchases - Net | -9,250,000 | -10,455,339 |
| **Total Damage** | **345,063,218** | **339,373,048** |
| | | |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **3,431,878** |
| | | |
| **No Fault Injury** | | |
| Care, Income Replacement Benefits, Defined Contribution, and Death Benefits Combined (Discounted) | 75,805,713 | 65,545,333 |
| Medical Expenses | 40,451,415 | 43,026,172 |
| Permanent Impairment | 16,447,238 | 15,713,612 |
| Appeals | 657,581 | 1,681,422 |
| **Total No Fault Injury** | **133,361,947** | **125,966,538** |
| | | |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **8,877,686** |
| | | |
| **No Fault Liability** | | |
| Economic Loss | 9,920,539 | 7,131,986 |
| Out-of-Province Liability | 11,161,989 | 8,972,680 |
| **Total No Fault Liability** | **21,082,528** | **16,104,666** |
| | | |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **-32,188,701** |
| | | |
| **Tort** | | |
| Tort Injury | 974,836 | 427,319 |
| Tort Liability | 2,009,329 | 2,336,044 |
| **Total Tort** | **2,984,165** | **2,763,363** |
| | | |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **1,455,982** |
| | | |
| **Total Medical Funding** | **19,817,000** | **19,817,000** |
| | | |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **-139,698** |
| | | |
| **Other Reconciling Items** | | |
| Allowance for Doubtful Accounts | 1,000,000 | 7,101,576 |
| Manual Adjustments | | 1,645,332 |
| Change in amount recoverable accrual | | 4,008,989 |
| Reconciling Items | | 4,407 |
| **Total Other Reconciling Items** | **1,000,000** | **12,760,304** |
| | | |
| **Loss Adjusting Expenses** | **52,237,198** | **53,482,483** |
| | | |
| **PfAD and Unwinding of Discount** | **26,314,553** | **48,727,807** |
| | | |
| **Total Claims Incurred** | **601,860,609** | **600,432,357** |

**Frequency & Severity Comparison:**

| | 2009 CY Budgeted Claim Counts | 2009 CY Budgeted Frequency per 1000 Exposures | 2009 CY Budgeted Incurred Loss | 2009 CY Budgeted Claim Severity | 2009 CY Actual Claim Counts | 2009 CY Actual Frequency per 1000 Exposures | 2009 CY Actual Incurred Loss | 2009 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Total Damage** | 92,877 | 94.32235 | 345,063,218 | 3,715.26 | 94,496 | 93.39514 | 339,373,048 | 3,591.40 |
| | | | | | | | | |
| **No Fault Injury Benefits** | 5,889 | 5.98063 | 133,361,947 | 22,645.94 | 5,427 | 5.36378 | 125,966,538 | 23,211.08 |
| **No Fault Liability** | 218 | 0.22139 | 9,920,539 | 45,507.06 | 68 | 0.06721 | 7,131,986 | 104,882.15 |
| **No Fault Out-of-Province** | 234 | 0.23764 | 11,161,989 | 47,700.81 | 212 | 0.20953 | 8,972,680 | 42,323.96 |
| **Tort Accident Benefits** | 93 | 0.09445 | 974,836 | 10,482.11 | 90 | 0.08895 | 427,319 | 4,747.99 |
| | | | | | | | | |
| **Tort Liability** | 84 | 0.08531 | 2,009,329 | 23,920.58 | 77 | 0.07610 | 2,336,044 | 30,338.23 |
| | | | | | | | | |
| **Total** | 99,395 | 100.94176 | 502,491,858 | 5,055.49 | 100,370 | 99.20071 | 484,207,616 | 4,824.23 |

| | |
|---|---|
| **2009 Budgeted Exposures** | 984,679 |
| **2009 Actual Exposures** | 1,011,787 |
| (Earned Vehicles incl trailers) | |

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2008 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2008 CY Budgeted Ultimate Loss | 2008 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Incl Catastrophes | 317,093,899 | 326,540,433 |
| Salvage Purchases - Net | -8,850,000 | -9,606,028 |
| **Total Damage** | **308,243,899** | **316,934,405** |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **6,752,530** |
| **No Fault Injury** | | |
| Care, Income Replacement Benefits, Defined Contribution, and Death Benefits Combined (Discounted) | 57,870,486 | 63,761,010 |
| Medical Expenses | 40,172,496 | 39,986,202 |
| Permanent Impairment | 15,082,312 | 20,399,456 |
| Appeals | 671,904 | 1,593,053 |
| **Total No Fault Injury** | **113,797,199** | **125,739,721** |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **-152,014** |
| **No Fault Liability** | | |
| Economic Loss | 10,214,521 | 8,772,399 |
| Out-of-Province Liability | 13,597,946 | 11,641,584 |
| **Total No Fault Liability** | **23,812,466** | **20,413,983** |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **-8,249,064** |
| **Tort** | | |
| Tort Injury | 725,775 | 815,945 |
| Tort Liability | 1,761,473 | 3,348,157 |
| **Total Tort** | **2,487,247** | **4,164,102** |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **-2,590,191** |
| **Total Medical Funding** | **19,712,000** | **19,717,733** |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **3,263,006** |
| **Other Reconciling Items** | | |
| Allowance for Doubtful Accounts | 1,200,000 | 4,263,286 |
| Manual Adjustments | | 1,892,924 |
| Change in amount recoverable accrual | | -4,008,989 |
| Reconciling Items | | 282,789 |
| **Total Other Reconciling Items** | **1,200,000** | **2,430,010** |
| **Loss Adjusting Expenses** | **51,051,902** | **54,664,671** |
| **PfAD and Unwinding of Discount** | **20,218,180** | **20,876,638** |
| **Total Claims Incurred** | **540,522,894** | **563,965,530** |

**Frequency & Severity Comparison:**

| | 2008 CY Budgeted Claim Counts | 2008 CY Budgeted Frequency per 1000 Exposures | 2008 CY Budgeted Incurred Loss | 2008 CY Budgeted Claim Severity | 2008 CY Actual Claim Counts | 2008 CY Actual Frequency per 1000 Exposures | 2008 CY Actual Incurred Loss | 2008 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Total Damage** | 83,887 | 91.03754 | 308,243,899 | 3,674.52 | 91,913 | 94.04258 | 316,934,405 | 3,448.20 |
| **No Fault Injury Benefits** | 5,625 | 6.10449 | 113,797,199 | 20,230.61 | 5,631 | 5.76147 | 125,739,721 | 22,329.91 |
| **No Fault Liability** | 141 | 0.15302 | 10,214,521 | 72,443.41 | 96 | 0.09822 | 8,772,399 | 91,379.16 |
| **No Fault Out-of-Province** | 306 | 0.33208 | 13,597,946 | 44,437.73 | 265 | 0.27114 | 11,641,584 | 43,930.51 |
| **Tort Accident Benefits** | 93 | 0.10093 | 725,775 | 7,804.03 | 90 | 0.09209 | 815,945 | 9,066.05 |
| **Tort Liability** | 69 | 0.07488 | 1,761,473 | 25,528.59 | 87 | 0.08902 | 3,348,157 | 38,484.57 |
| **Total** | 90,121 | 97.80295 | 448,340,812 | 4,974.89 | 98,082 | 100.35452 | 467,252,211 | 4,763.89 |

| | |
|---|---|
| **2008 Budgeted Exposures*** | 921,453 |
| **2008 Actual Exposures** | 977,355 |
| (Earned Vehicles incl trailers) | |

*Note: In 2008 a different exposure basis was used for budgeting exposures.

**Saskatchewan Auto Fund**
**Budgeted vs. Actual Losses**
**2007 Calendar Year**
**Information Request #76**

**Loss Comparison:**

| | 2007 CY Budgeted Ultimate Loss | 2007 CY Actual Loss |
|---|---|---|
| **Damage** | | |
| Total Damage Incl Catastrophes | 288,454,188 | 318,830,449 |
| Salvage Purchases - Net | -8,850,000 | -9,375,359 |
| **Total Damage** | **279,604,188** | **309,455,090** |
| | | |
| **Total Damage (Redundancy)/ Deficiency** | **0** | **8,674,626** |
| | | |
| **No Fault Injury** | | |
| Care, Income Replacement Benefits, Defined Contribution, and Death Benefits Combined (Discounted) | 54,085,532 | 60,472,119 |
| Medical Expenses | 37,444,851 | 34,065,332 |
| Permanent Impairment | 15,750,549 | 16,032,897 |
| Appeals | 558,087 | 965,829 |
| **Total No Fault Injury** | **107,839,018** | **111,536,177** |
| | | |
| **Total No Fault Injury (Redundancy)/ Deficiency** | **0** | **-15,649,349** |
| | | |
| **No Fault Liability** | | |
| Economic Loss | 9,340,020 | 9,782,849 |
| Out-of-Province Liability | 17,200,164 | 14,813,405 |
| **Total No Fault Liability** | **26,540,183** | **24,596,254** |
| | | |
| **Total No Fault Liability (Redundancy)/ Deficiency** | **0** | **2,034,024** |
| | | |
| **Tort** | | |
| Tort Injury | 807,167 | 1,072,364 |
| Tort Liability | 1,542,730 | 2,721,522 |
| **Total Tort** | **2,349,897** | **3,793,886** |
| | | |
| **Total Tort (Redundancy)/ Deficiency** | **0** | **875,612** |
| | | |
| **Total Medical Funding** | **19,969,000** | **16,160,263** |
| | | |
| **Total Medical Funding (Redundancy)/ Deficiency** | **0** | **0** |
| | | |
| **Other Reconciling Items** | | |
| Allowance for Doubtful Accounts | 1,200,000 | 1,775,184 |
| Manual Adjustments | | 1,073,633 |
| Amount Recoverable on Paid Claims | | -5,571,744 |
| Reconciling Items | | -142,123 |
| **Total Other Reconciling Items** | **1,200,000** | **-2,865,050** |
| | | |
| **Loss Adjusting Expenses** | **46,530,499** | **55,391,716** |
| | | |
| **PfAD and Unwinding of Discount** | **22,596,441** | **18,213,730** |
| | | |
| **Total Claims Incurred** | **506,629,226** | **532,216,979** |

**Frequency & Severity Comparison:**

| | 2007 CY Budgeted Claim Counts | 2007 CY Budgeted Frequency per 1000 Exposures | 2007 CY Budgeted Incurred Loss | 2007 CY Budgeted Claim Severity | 2007 CY Actual Claim Counts | 2007 CY Actual Frequency per 1000 Exposures | 2007 CY Actual Incurred Loss | 2007 CY Actual Claim Severity |
|---|---|---|---|---|---|---|---|---|
| **Total Damage** | 82,271 | 94.53753 | 279,604,188 | 3,398.58 | 90,804 | 98.07490 | 309,455,090 | 3,407.95 |
| | | | | | | | | |
| **No Fault Injury Benefits** | 5,549 | 6.37622 | 107,839,018 | 19,434.34 | 5,362 | 5.79135 | 111,536,177 | 20,801.23 |
| **No Fault Liability** | 110 | 0.12602 | 9,340,020 | 85,163.31 | 123 | 0.13285 | 9,782,849 | 79,535.36 |
| **No Fault Out-of-Province** | 271 | 0.31190 | 17,200,164 | 63,369.36 | 207 | 0.22357 | 14,813,405 | 71,562.34 |
| **Tort Accident Benefits** | 183 | 0.21023 | 807,167 | 4,411.88 | 82 | 0.08857 | 1,072,364 | 13,077.61 |
| | | | | | | | | |
| **Tort Liability** | 103 | 0.11864 | 1,542,730 | 14,942.39 | 78 | 0.08425 | 2,721,522 | 34,891.31 |
| | | | | | | | | |
| **Total** | 88,487 | 101.68054 | 416,333,285 | 4,705.01 | 96,656 | 104.39548 | 449,381,407 | 4,649.29 |

| | |
|---|---|
| **2007 Budgeted Exposures*** | 870,247 |
| **2007 Actual Exposures** | 925,864 |
| (Earned Vehicles incl trailers) | |

*Note: In 2007 a different exposure basis was used for budgeting exposures.

**Saskatchewan Auto Fund**
**Budgeted Losses**
**2014-2018 Forecasts**
**Information Request #76**

**Loss Comparison:**

| | 2014 CY Budgeted Ultimate Loss | 2015 CY Budgeted Ultimate Loss | 2016 CY Budgeted Ultimate Loss | 2017 CY Budgeted Ultimate Loss | 2018 CY Budgeted Ultimate Loss |
|---|---|---|---|---|---|
| **Damage** | | | | | |
| Total Damage Excl Catastrophes | 462,619,725 | 497,054,350 | 534,070,828 | 564,285,247 | 598,700,895 |
| Total Damage Catastrophes | 18,375,380 | 20,115,274 | 22,010,315 | 24,083,844 | 26,352,667 |
| Salvage Purchases - Net | -16,764,482 | -18,608,653 | -20,734,719 | -22,786,524 | -24,936,365 |
| **Total Damage** | **464,230,623** | **498,560,971** | **535,346,424** | **565,582,567** | **600,117,198** |
| | | | | | |
| **No Fault Injury** | | | | | |
| Care Benefits (Undiscounted) | 30,047,699 | 31,119,111 | 32,794,359 | 34,560,524 | 36,467,259 |
| Income Replacement (Undiscounted) | 134,360,275 | 144,170,774 | 157,412,630 | 171,874,378 | 187,898,942 |
| Defined Contribution (Undiscounted) | 9,814,587 | 10,531,213 | 11,498,488 | 12,554,872 | 13,725,415 |
| Death Benefits (Undiscounted) | 32,143,983 | 32,816,136 | 34,800,835 | 36,874,449 | 39,208,217 |
| Medical Expenses | 58,934,075 | 61,232,335 | 64,736,793 | 68,443,271 | 72,452,264 |
| Permanent Impairment | 18,796,867 | 18,827,209 | 19,188,562 | 19,557,265 | 19,957,928 |
| Appeals | 1,118,156 | 1,173,098 | 1,252,339 | 1,336,961 | 1,429,083 |
| Appeal Commissions | 1,008,198 | 1,038,444 | 1,069,597 | 1,101,685 | 1,134,736 |
| **Total No Fault Injury** | **286,223,841** | **300,908,320** | **322,753,602** | **346,303,406** | **372,273,845** |
| | | | | | |
| **No Fault Liability** | | | | | |
| Economic Loss | 7,623,597 | 8,411,861 | 9,462,626 | 10,667,007 | 12,066,766 |
| Out-of-Province Liability | 9,411,804 | 10,311,686 | 11,289,164 | 12,353,207 | 13,510,397 |
| **Total No Fault Liability** | **17,035,401** | **18,723,547** | **20,751,790** | **23,020,214** | **25,577,162** |
| | | | | | |
| **Tort** | | | | | |
| Tort Injury | 616,141 | 596,131 | 586,893 | 577,811 | 569,579 |
| Tort Liability | 4,164,514 | 4,560,354 | 5,081,515 | 5,662,405 | 6,317,632 |
| **Total Tort** | **4,780,655** | **5,156,485** | **5,668,408** | **6,240,215** | **6,887,210** |
| | | | | | |
| **Total Medical Funding** | **30,085,933** | **31,485,203** | **32,869,736** | **34,243,256** | **35,846,783** |
| | | | | | |
| **Loss Adjusting Expenses (Undisc)** | **70,349,742** | **75,877,681** | **81,757,549** | **86,810,338** | **92,797,756** |
| | | | | | |
| **PfAD and Impact of Discounting** | **-75,650,398** | **-114,346,567** | **-98,683,942** | **-82,611,017** | **-86,803,878** |
| | | | | | |
| **Total Claims Incurred** | **797,055,798** | **816,365,640** | **900,463,566** | **979,588,979** | **1,046,696,076** |

**Saskatchewan Auto Fund**
**Budgeted Losses**
**2014-2018 Forecasts**
**Information Request #76**

**Frequency & Severity Comparison:**

| | 2014 CY Budgeted Claim Counts | 2015 CY Budgeted Claim Counts | 2016 CY Budgeted Claim Counts | 2017 CY Budgeted Claim Counts | 2018 CY Budgeted Claim Counts | 2014 CY Budgeted Frequency per 1000 Exposures | 2015 CY Budgeted Frequency per 1000 Exposures | 2016 CY Budgeted Frequency per 1000 Exposures | 2017 CY Budgeted Frequency per 1000 Exposures | 2018 CY Budgeted Frequency per 1000 Exposures | 2014 CY Budgeted Claim Severity | 2015 CY Budgeted Claim Severity | 2016 CY Budgeted Claim Severity | 2017 CY Budgeted Claim Severity | 2018 CY Budgeted Claim Severity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Damage** | | | | | | | | | | | | | | | |
| Total Damage Excl Catastrophes | 112,580 | 115,814 | 119,290 | 122,994 | 127,348 | 98.05692 | 97.71935 | 97.54647 | 97.47287 | 97.80891 | 3,960.36 | 4,131.16 | 4,303.28 | 4,402.63 | 4,505.49 |
| Total Damage Catastrophes | 6,213 | 6,637 | 7,087 | 7,568 | 8,082 | 5.41128 | 5.60014 | 5.79557 | 5.99781 | 6.20710 | 2,957.71 | 3,030.73 | 3,105.56 | 3,182.23 | 3,260.79 |
| **Total Damage** | 118,792 | 122,451 | 126,377 | 130,563 | 135,429 | 103.46820 | 103.31949 | 103.34204 | 103.47068 | 104.01600 | 3,907.92 | 4,071.52 | 4,236.11 | 4,331.88 | 4,431.22 |
| | | | | | | | | | | | | | | | |
| **No Fault Injury Benefits** | 5,304 | 5,169 | 5,138 | 5,107 | 5,084 | 4.61999 | 4.36173 | 4.20170 | 4.04730 | 3.90442 | 53,961.46 | 58,209.76 | 62,813.83 | 67,809.31 | 73,230.64 |
| **No Fault Liability** | 96 | 100 | 105 | 111 | 117 | 0.08377 | 0.08406 | 0.08586 | 0.08770 | 0.08970 | 79,263.27 | 84,438.93 | 90,124.00 | 96,391.00 | 103,324.71 |
| **No Fault Out-of-Province** | 151 | 155 | 158 | 162 | 165 | 0.13176 | 0.13062 | 0.12945 | 0.12823 | 0.12695 | 62,217.10 | 66,609.63 | 71,312.27 | 76,346.91 | 81,737.00 |
| **Tort Accident Benefits** | 77 | 74 | 73 | 72 | 71 | 0.06675 | 0.06256 | 0.05969 | 0.05695 | 0.05441 | 8,040.34 | 8,040.34 | 8,040.34 | 8,040.34 | 8,040.34 |
| **Tort Liability** | 108 | 113 | 119 | 127 | 135 | 0.09403 | 0.09500 | 0.09770 | 0.10049 | 0.10348 | 38,575.60 | 40,504.38 | 42,529.60 | 44,656.08 | 46,888.88 |
| | | | | | | | | | | | | | | | |
| **Total** | 124,529 | 128,061 | 131,971 | 136,141 | 141,001 | 108.46450 | 108.05345 | 107.91644 | 107.89136 | 108.29496 | 6,201.56 | 6,429.33 | 6,702.38 | 6,913.03 | 7,126.60 |

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Budgeted Exposures** | 1,148,104 | 1,185,168 | 1,222,900 | 1,261,833 | 1,302,006 |
| (Earned Vehicles incl trailers) | | | | | |

# SASKATCHEWAN AUTO FUND

## STATEMENT OF FINANCIAL POSITION

| | December 31 2013 | December 31 2012 |
|---|---|---|
| | (thousands of $) | |
| **Assets** | | |
| Cash and cash equivalents (note 4) | $ 60,215 | $ 24,634 |
| Accounts receivable (note 5) | 204,934 | 193,384 |
| Investments under securities lending program (note 6) | 219,471 | 302,823 |
| Investments (note 6) | 1,392,243 | 1,217,871 |
| Unpaid claims recoverable from reinsurers (note 9) | 31,004 | 6,558 |
| Deferred policy acquisition costs (note 7) | 27,528 | 28,049 |
| Property and equipment (note 10) | 42,358 | 41,008 |
| Other assets (note 8) | 7,274 | 10,671 |
| | **$ 1,985,027** | $ 1,824,998 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 25,616 | $ 21,893 |
| Premium taxes payable | 41,587 | 39,284 |
| Unearned premiums (note 11) | 368,878 | 351,330 |
| Provision for unpaid claims (note 9) | 1,384,592 | 1,280,402 |
| | **1,820,673** | 1,692,909 |
| **Equity** | | |
| Rate Stabilization Reserve | 162,814 | 127,122 |
| Redevelopment Reserve | 1,540 | 4,967 |
| **Total Equity** | 164,354 | 132,089 |
| | **$ 1,985,027** | $ 1,824,998 |

Contingencies (note 18)

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors and signed on their behalf on February 27, 2014

| | |
|---|---|
| Arlene Wiks<br>Director | Howard Crofts<br>Director |

# SASKATCHEWAN AUTO FUND

## STATEMENT OF OPERATIONS

| For the years ended December 31 | 2013 | 2012 |
|---|---|---|
| | (thousands of $) | |
| Gross premiums written | $ 831,731 | $ 785,679 |
| Premiums ceded to reinsurers | (7,218) | (4,512) |
| Net premiums written | 824,513 | 781,167 |
| Change in net unearned premiums (note 11) | (17,548) | (13,941) |
| **Net premiums earned** | **806,965** | 767,226 |
| Net claims incurred (note 9) | 739,103 | 740,528 |
| Issuer fees | 42,629 | 37,795 |
| Administrative expenses | 53,146 | 51,546 |
| Premium taxes | 40,664 | 38,555 |
| Traffic safety programs | 24,620 | 22,626 |
| **Total claims and expenses** | **900,162** | 891,050 |
| **Underwriting loss** | (93,197) | (123,824) |
| Investment earnings (note 12) | 86,713 | 74,838 |
| Other income (note 13) | 38,749 | 37,490 |
| **Increase (Decrease) to Rate Stabilization Reserve and Comprehensive Income (Loss)** | **$ 32,265** | $ (11,496) |

The accompanying notes are an integral part of these financial statements.

**SASKATCHEWAN AUTO FUND**

**STATEMENT OF CHANGES IN EQUITY**

| For the years ended December 31 | **2013** | 2012 |
|---|---|---|
| | (thousands of $) | |
| **Rate Stabilization Reserve** | | |
| Balance, beginning of year | $ 127,122 | $ 134,261 |
| Increase (Decrease) to Rate Stabilization Reserve | 32,265 | (11,496) |
| Appropriation from Redevelopment Reserve | 3,427 | 4,357 |
| **Balance, end of year** | **$ 162,814** | $ 127,122 |
| **Redevelopment Reserve** | | |
| Balance, beginning of year | $ 4,967 | $ 9,324 |
| Appropriation to Rate Stabilization Reserve | (3,427) | (4,357) |
| **Balance, end of year** | **$ 1,540** | $ 4,967 |
| **Total Equity** | **$ 164,354** | $ 132,089 |

The accompanying notes are an integral part of these financial statements.

# SASKATCHEWAN AUTO FUND

## STATEMENT OF CASH FLOWS

| For the years ended December 31 | 2013 | 2012 |
|---|---|---|
| | (thousands of $) | |
| **Cash provided by (used for):** | | |
| **Operating activities** | | |
| Increase (Decrease) to Rate Stabilization Reserve and Comprehensive Income (Loss) | $ 32,265 | $ (11,496) |
| Non-cash items: | | |
| Bond amortization | (737) | 106 |
| Depreciation | 7,961 | 8,434 |
| Net realized gain on sale of investments | (31,996) | (18,651) |
| Net unrealized gain on change in market value of investments | (12,090) | (21,008) |
| Loss on disposal of property and equipment | 82 | 49 |
| Change in non-cash operating items (note 16) | 92,259 | 117,995 |
| | **87,744** | 75,429 |
| **Investing activities** | | |
| Purchases of investments | (1,300,713) | (1,141,569) |
| Proceeds on sale of investments | 1,254,516 | 1,060,315 |
| Purchases of property and equipment | (5,966) | (3,607) |
| | **(52,163)** | (84,861) |
| **Increase (Decrease) in cash and cash equivalents** | 35,581 | (9,432) |
| Cash and cash equivalents, beginning of year | 24,634 | 34,066 |
| **Cash and cash equivalents, end of year** | **$ 60,215** | $ 24,634 |
| **Supplemental cash flow information:** | | |
| Interest received | $ 25,514 | $ 25,826 |
| Dividends received | $ 6,044 | $ 5,212 |

The accompanying notes are an integral part of these financial statements.

**Notes to the Financial Statements**

December 31, 2013

## 1. STATUS OF THE AUTO FUND

The Saskatchewan Auto Fund was established effective January 1, 1984, by an amendment to *The Automobile Accident Insurance Act*. The address of the Auto Fund's registered office is 2260-11th Avenue, Regina, Sask., Canada. The Auto Fund is a compulsory vehicle insurance program providing vehicle registrations, driver's licences and related services for Saskatchewan drivers and vehicle owners. In addition to vehicle damage and property liability coverage, the Auto Fund also includes injury coverage that provides a choice between No Fault Coverage or Tort Coverage.

The Auto Fund is a self-sustaining fund, administered by Saskatchewan Government Insurance (SGI). The role of SGI, as administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan. Any annual excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from catastrophic events.

Substantially all of the Auto Fund's premium revenue is subject to review by the Saskatchewan Rate Review Panel (SRRP). The Auto Fund is required to submit vehicle insurance rate changes to the SRRP, whose mandate is to evaluate the rate change and to provide an opinion on the fairness and reasonableness of the requested change. SRRP does not have the authority to implement any of its recommendations; the final decision to approve, change, or reject rate changes is at the discretion of the government of the Province of Saskatchewan.

Being a fund of the Province of Saskatchewan, the Auto Fund is exempt from federal and provincial income taxes. The financial results of the Auto Fund are included in the Province of Saskatchewan's summary financial statements and not in SGI's financial statements.

## 2. BASIS OF PREPARATION

### Statement of compliance

The financial statements for the year ended December 31, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS). References to IFRS are based on Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises as set out in Part 1 of the CPA Canada Handbook. Part 1 of the CPA Canada Handbook incorporates IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

**Basis of measurement**

The financial statements have been prepared using the historical cost basis, except for financial instruments and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The provision for unpaid claims and unpaid claims recoverable from reinsurers are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

**Statement of Financial Position classification**

The Statement of Financial Position has been prepared on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet date (non-current), presented in the notes.

**Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Auto Fund's functional and presentation currency.

**Use of estimates and judgment**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims (note 9) and the valuation of accounts receivable (note 5).

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Financial assets and liabilities**

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized as an increase or decrease to the Rate Stabilization Reserve. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income; however, unrealized losses on investments that show objective evidence of impairment are recognized as a decrease to the Rate Stabilization Reserve. Financial assets designated as held to maturity or loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Auto Fund has no financial assets or liabilities designated as available for sale or held to maturity.

The Auto Fund has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities and premium taxes payable are designated as other financial liabilities. Unpaid claims recoverable from reinsurers, and the provision for unpaid claims are exempt from the above requirement.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Income and expenses are not offset in the Statement of Operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Auto Fund. There are no financial assets or financial liabilities reported as offset in these financial statements.

**Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All fair value measurements relate to recurring measurements. Fair value measurements for investments are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3).

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

The Auto Fund defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying investment and trading volumes. Assets measured at fair value and classified as Level 1 include Canadian and U.S. common shares, and pooled equity funds. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Auto Fund does not adjust the quoted price for such investments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments, bonds and debentures, and the pooled mortgage and real estate funds. Fair value of short-term investments and bonds and debentures is based on or derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets. Fair value for the pooled mortgage fund is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages, subject to adjustments for liquidity and credit risk. Fair value of the real estate pooled fund is determined based on the most recent appraisals of the underlying properties.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

Level 3 assets and liabilities include financial instruments whose values are determined using internal pricing models, discounted cash flows methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Assets classified as Level 3 include the pooled infrastructure fund. The fair value of the pooled infrastructure fund is determined using separate valuation techniques for each underlying asset as appropriate, including, but not limited to, discounted cash flow models, recent comparable sales and purchase transactions, and valuation multiples of similar assets.

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the investment's interest rate approximates current observable market rates. Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and premium taxes payable approximate their carrying values due to their short-term nature.

**Investments**

The Auto Fund records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Auto Fund has transferred substantially all risks and rewards of ownership.

**Investments under securities lending program**

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Auto Fund to the counterparties in the course of such transactions. The securities are reported separately on the Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Auto Fund in the course of such transactions.

**Investment earnings**

The Auto Fund recognizes interest revenue as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in market value of the investments held at the year end date.

Interest revenue includes amortization of any premium or discount recognized at date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current year. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

**Premiums written**

The Auto Fund's vehicle registrations have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of vehicle registrations generates premiums written and are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of the policy premiums relating to the unexpired term of each policy is recorded as an unearned premium liability on the Statement of Financial Position.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred policy acquisition costs to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, a liability is accrued for the excess deficiency.

**Provision for unpaid claims**

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. The estimate includes the cost of reported claims, and claims incurred but not reported, and an estimate of adjusting expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as laims incurred in the current year.

**Deferred policy acquisition costs**

Premium taxes, commissions and certain underwriting and policy issuance costs are deferred, to the extent they are recoverable, and charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months.

**Reinsurance ceded**

The Auto Fund uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect of insurance contract liabilities and their share of unearned premiums are recorded as reinsurance assets on a gross basis in the Statement of Financial Position. Unpaid claims recoverable from reinsurers are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively. Insurance ceded does not relieve the Auto Fund of its primary obligation to policyholders.

**Cash and cash equivalents**

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand less outstanding cheques.

**Property and equipment**

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The Auto Fund has not incurred any borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalized. Subsequent costs are included in the assets' carrying value when it is probable that future economic benefits associated with the item will flow to the Auto Fund and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Statement of Operations in the period in which they have been incurred.

The depreciation method being used, the useful lives of the assets and residual values of the assets are reviewed at each reporting period.

Depreciation is recorded on a straight-line basis, commencing in the year in which the asset is available to be placed in service, over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 20-40 years |
| Building components | 15-30 years |
| Leasehold improvements | 5 years |
| Computer hardware | 3-5 years |

Building components consists of heating and cooling systems, elevators, roofs and parking lots. Land is not subject to amortization and is carried at cost.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

**Redevelopment Reserve**

The Redevelopment Reserve was established, through an appropriation from the Rate Stabilization Reserve, to meet the Auto Fund's commitment to redevelop its information system. As redevelopment expenses are incurred and charged against operations, funds are appropriated back to the Rate Stabilization Reserve.

**Intangible assets**

Development expenditures incurred are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Auto Fund intends to and has sufficient resources to complete development and to use the asset. The expenditures capitalized include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the Statement of Operations as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the Statement of Operations on a straight-line basis over the estimated useful life of between three to five years.

The capitalized system costs are tested for impairment annually during the period before the system is ready to operate to ensure that the cost does not exceed the expected benefit. Intangible assets are tested for impairment when events or circumstances indicate the carrying value may not be recoverable.

**Leased assets**

Leases where the Auto Fund does not assume substantially all of the risks and rewards of ownership are classified as operating leases. The payments are expensed as they are incurred.

**Provisions and contingent liabilities**

Provisions are recognized when the Auto fund has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

**Structured settlements**

In the normal course of claims adjudication, the Auto Fund settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Auto Fund does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Statement of Operations at the date of purchase and the related claims liabilities are derecognized. However, the Auto Fund remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

**Adoption of new and amended accounting standards**

*IFRS 7 – Financial Instruments: Disclosures*

IFRS 7 was amended in December 2011 to require additional disclosures related to netting arrangements, including rights to off-set associated with an entity's financial assets and financial liabilities. These disclosures are intended to help financial statement users evaluate the impact or potential impacts of these arrangements on an entity's financial position. The Auto Fund has adopted this amendment on January 1, 2013 and has determined that these additional disclosures do not impact the financial statements.

*IFRS 13 – Fair Value Measurement*

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. The Auto Fund adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the

Auto Fund to measure fair value and did not result in any measurement adjustments as at January 1, 2013, however the definition of fair value has been updated.

*IAS 1 – Presentation of Financial Statements*

IAS 1 was amended in 2011 to require net income and OCI to be presented together either as a single statement of comprehensive income or separate income statement and statement of comprehensive income. The amendment also requires presentation of OCI to segregate comprehensive income items reclassified to net income and the comprehensive income items not reclassified to net income. The Auto Fund has adopted the amendments to IAS 1 effective January 1, 2013 and has determined that these additional disclosures do not impact the financial statements.

*Annual Improvements 2009-2011 Cycle*

Annual Improvements 2009-2011 Cycle was issued in May 2012 by the IASB, and included minor amendments to five IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The Auto Fund has adopted Annual Improvements 2009-2011 Cycle on January 1, 2013 and has determined that there is no impact to the financial statements.

**Future accounting policy changes**

The following future changes to accounting standards will have applicability to the Auto Fund:

*IFRS 4 – Insurance Contracts*

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2018.

*IFRS 9 – Financial Instruments*

In November 2009, the IASB issued an exposure draft of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity’s business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

In November 2012, the IASB issued limited amendments to the exposure draft. The amendments include introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

In July 2013, the mandatory effective date for this standard was deferred and is pending the finalization of the impairment and classification and measurement requirements. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Auto Fund is not federally regulated, it generally follows OSFI's guidance in such matters.

The Auto Fund is in the process of assessing the impact of the new standard.

*IAS 36 – Impairment of Assets – Recoverable Amounts Disclosures for Non-Financial Assets*
In May 2013, the IASB issued limited scope amendments to IAS 36. The amendment clarified the requirement to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit for which a material impairment loss was recognized or reversed during the reporting period. In addition, the amendment requires an entity to disclose the discount rate used in a present value technique that has been used in determining the recoverable amount of an impaired asset on the basis of fair value less costs of disposal. These amendments are effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The Auto Fund does not expect these amendments to impact the consolidated financial statements.

*Annual Improvements Cycles*

In 2012, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvements process is used to make necesssary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning January 1, 2014. Early application is permitted, however OSFI has indicated that it will not allow early adoption of these changes for federally regulated financial institutions. While the Auto Fund is not federally regulated, it generally follows OSFI's guidance in such matters. The Auto Fund does not expect these amendments to significantly impact the consolidated financial statements.

## 4. CASH AND CASH EQUIVALENTS

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Money market investments | $ 57,732 | $ 18,980 |
| Cash on hand, net of outstanding cheques | 2,483 | 5,654 |
| Total cash and cash equivalents | $ 60,215 | $ 24,634 |

The average effective interest rate on money market investments is 1.0% (2012 – 1.0%).

## 5. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Due from insureds | $ 192,357 | $ 181,652 |
| Due from SGI (note 17) | 6,308 | 8,580 |
| Accrued investment income | 5,507 | 4,976 |
| Amounts due from reinsurers | 4,398 | 793 |
| Salvage operation customers | 1,748 | 1,686 |
| Licence issuers | 1,238 | 2,129 |
| Other | 2,130 | 1,700 |
| Subtotal | 213,686 | 201,516 |
| Less: Allowance for doubtful accounts (note 14) | (8,752) | (8,132) |
| Total accounts receivable | $ 204,934 | $ 193,384 |

Included in due from insureds is $178,695,000 (2012 - $168,920,000) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment income that would have been earned on such premium, had the total amount been collected at the beginning of the policy period (note 13).

All accounts receivable are current.

## 6. INVESTMENTS

The carrying and fair values of the Auto Fund's investments are as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Short-term investments | $ 175,168 | $ 209,528 |
| Bonds and debentures | 648,152 | 546,590 |
| Canadian common shares | 166,165 | 115,803 |
| U.S. common shares | 79,050 | 65,826 |
| Pooled funds: | | |
| Non-North American equity | 68,744 | 57,759 |
| Global small cap equity | 71,737 | 51,087 |
| Mortgage | 82,115 | 83,596 |
| Real estate | 97,929 | 87,682 |
| Infrastructure | 3,183 | - |
| | 1,392,243 | 1,217,871 |
| Investments under securities lending program | | |
| Bonds and debentures | 186,328 | 243,825 |
| Canadian common shares | 24,351 | 57,177 |
| U.S. common shares | 8,792 | 1,821 |
| | 219,471 | 302,823 |
| Total investments | $ 1,611,714 | $ 1,520,694 |

Details of significant terms and conditions, exposures to interest rate, credit risks of investments and counter party risk are as follows:

**Short-term investments**

Short-term investments are comprised of money market investments with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average

effective interest rate of 1.1% (2012 – 1.1%) and an average remaining term to maturity of 42 days (2012 - 90 days). The Auto Fund's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.
Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

**Bonds and debentures**

The Auto Fund's investment policy states that the minimum quality standard for purchase of bonds and debentures is BBB, as rated by a recognized credit rating service. In addition, it limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. No more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

| | (thousands of $) | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| Term to maturity (years) | Carrying Value | Average Effective Rates | Carrying Value | Average Effective Rates |
| Government of Canada: | | | | |
| One or less | $ 37,205 | 1.0% | $ 10,954 | 1.4% |
| After one through five | 45,283 | 1.4% | 52,977 | 1.2% |
| After five | 129,411 | 3.0% | 226,599 | 2.1% |
| Canadian provincial and municipal: | | | | |
| One or less | - | - | 11,367 | 1.5% |
| After one through five | 71,761 | 1.7% | 59,786 | 1.6% |
| After five | 240,241 | 3.9% | 231,949 | 3.1% |
| Canadian corporate: | | | | |
| One or less | 50,051 | 1.3% | 28,348 | 1.5% |
| After one through five | 109,148 | 2.1% | 92,083 | 2.0% |
| After five | 151,380 | 3.6% | 76,352 | 2.9% |
| Total bonds and debentures | $ 834,480 | | $ 790,415 | |

**Common shares**

On the basis of its analysis of the nature, characteristics and risks of its common share investments, the Auto Fund has determined presenting them by geography is appropriate. Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 2.0% (2012 – 2.4%).

The Auto Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Auto Fund's common shares portfolio. As well, no one holding may represent more than 10% of the voting shares of any corporation.

**Pooled funds**

The Auto Fund owns units in a non-North American pooled equity fund, a global small cap pooled equity fund, a pooled mortgage fund, a pooled real estate fund and a pooled infrastructure fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

**Securities lending program**

Through its custodian, the Auto Fund participates in a securities lending program for the purpose of generating fee income. When securities are loaned, the Auto Fund is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities, or if the collateral is liquidated, it may be for less than the value of the loan. The Auto Fund mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 102% of the market value of the loaned securities is retained by the Auto Fund until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At December 31, 2013, the Auto Fund held collateral of $230,445,000 (2012 - $317,962,000) for the loaned securities.

**Fair value hierarchy**

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

| | (thousands of $) | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2013 | | | | 2012 | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Total |
| Short-term investments | $ - | $ 175,168 | $ - | $ 175,168 | $ - | $ 209,528 | $ 209,528 |
| Bonds and debentures | - | 834,480 | - | 834,480 | - | 790,415 | 790,415 |
| Canadian common shares | 190,516 | - | - | 190,516 | 172,980 | - | 172,980 |
| U.S. common shares | 87,842 | - | - | 87,842 | 67,647 | - | 67,647 |
| Pooled funds: | | | | | | | |
| Non-North American equity | 68,744 | - | - | 68,744 | 57,759 | - | 57,759 |
| Global small cap equity | 71,737 | - | - | 71,737 | 51,087 | - | 51,087 |
| Mortgage | - | 82,115 | - | 82,115 | - | 83,596 | 83,596 |
| Real estate | - | 97,929 | - | 97,929 | - | 87,682 | 87,682 |
| Infrastructure | - | - | 3,183 | 3,183 | - | - | - |
| | $ 418,839 | $ 1,189,692 | $ 3,183 | $ 1,611,714 | $ 349,473 | $ 1,171,221 | $ 1,520,694 |

The Auto Fund's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year, no investments were transferred between levels.

## 7. DEFERRED POLICY ACQUISITION COSTS

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Deferred policy acquisition costs, at January 1 | $ 28,049 | $ 26,071 |
| Acquisition costs deferred during the year | 42,108 | 39,773 |
| Amortization of deferred acquisition costs | (40,838) | (37,795) |
| Premium deficiency | (1,791) | - |
| Deferred policy acquisition costs, at December 31 | $ 27,528 | $ 28,049 |

## 8. OTHER ASSETS

Other assets are comprised of the following:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Inventories | $ 3,470 | $ 3,446 |
| Intangible assets | 2,255 | 5,682 |
| Prepaid expenses | 1,549 | 1,543 |
| Total | $ 7,274 | $ 10,671 |

**Intangible assets**

Intangible assets consist of system development costs and are comprised of the following**:**

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Cost | $ 25,293 | $ 25,293 |
| Accumulated amortization: | | |
| At January 1 | 19,611 | 15,458 |
| Amortization | 3,427 | 4,153 |
| At December 31 | 23,038 | 19,611 |
| Net book value at December 31 | $ 2,255 | $ 5,682 |

Amortization provided in the year is included in administrative expenses on the Statement of Operations. No impairments were recognized during the year (2012 – nil).

## 9. CLAIMS INCURRED AND PROVISION FOR UNPAID CLAIMS

### Net claims incurred

(thousands of $)

| | 2013 Current year | 2013 Prior years | 2013 Total | 2012 Current year | 2012 Prior years | 2012 Total |
|---|---|---|---|---|---|---|
| Gross claims incurred | $ 767,412 | $ 5,743 | $ 773,155 | $ 712,514 | $ 30,357 | $ 742,871 |
| Ceded claims incurred | (35,817) | 1,765 | (34,052) | 478 | (2,821) | (2,343) |
| Net claims incurred | $ 731,595 | $ 7,508 | $ 739,103 | $ 712,992 | $ 27,536 | $ 740,528 |

Current year claims relate to events that occurred in the current financial year. Prior year claims incurred relate to adjustments for the reassessment of the estimated cost for claim events that occurred in all previous financial periods.

Ceded claims incurred represent an estimate of the recoverable costs of those claims transferred to the Auto Fund's various reinsurers pursuant to reinsurance contracts.

### Net provision for unpaid claims

(thousands of $)

| | 2013 | 2012 |
|---|---|---|
| Net unpaid claims, beginning of year - discounted | $ 1,273,844 | $ 1,150,923 |
| PFAD and discount, beginning of the year | 698,202 | 660,416 |
| Net unpaid claims, beginning of year - undiscounted | 1,972,046 | 1,811,339 |
| Payments made during the year relating to: | | |
| Prior year claims | (219,695) | (225,362) |
| Deficiency relating to: | | |
| Prior year estimated unpaid claims | 7,508 | 27,536 |
| Net unpaid claims, prior years - undiscounted | 1,759,859 | 1,613,513 |
| Claims incurred during the current year | 377,749 | 358,533 |
| Net unpaid claims, end of year - undiscounted | 2,137,608 | 1,972,046 |
| PFAD and discount, end of year | (784,020) | (698,202) |
| Net unpaid claims, end of year - discounted | $ 1,353,588 | $ 1,273,844 |

The net provision for unpaid claims of $1,353,588,000 (2012 - $1,280,402,000 ... 

Management believes that the unpaid claims provision is appropriately established in the aggregate and is adequate to cover the ultimate net cost on a discounted basis. The determination of this provision, which includes unpaid claims, adjustment expenses and expected salvage and subrogation, requires an assessment of future claims development. This assessment takes into account the consistency of the Auto Fund's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claims arise and the delay inherent in claims reporting. This provision is an estimate and as such is subject to variability that may arise from future events, such as the receipt of additional claims information, changes in judicial interpretation of contracts or significant changes in frequency and severity of claims. This estimate is principally based on the Auto Fund's historical experience and may be revised as additional experience becomes available. Any such changes would be reflected in the Statement of Operations for the period in which the change occurred.

Included in the above amount is a provision for adverse development (PFAD) in the amount of $195,947,000 (2012 – $150,155,000). The incorporation of a PFAD within the provision for unpaid claims is in accordance with accepted actuarial practice and the selected PFAD is within the ranges recommended by the Canadian Institute of Actuaries. The PFAD considers the Auto Fund's assumptions concerning claims development, reinsurance recoveries and future investment earnings.

The provision for unpaid claims and unpaid claims recoverable from reinsurers are carried on a discounted basis to reflect the time value of money. In that respect, The Auto Fund determines the discount rate based upon the expected return of the bond investments that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 4.9% (2012 – 4.4%). The resulting carrying amount is considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

**Type of unpaid claims**

The net provision for unpaid claims is summarized by type of claim as follows:

| | (thousands of $) | | | | | |
|---|---|---|---|---|---|---|
| | Gross Unpaid Claims | | Reinsurance Recoverable | | Net Unpaid Claims | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Injury accident benefits | $1,982,893 | $1,825,850 | $ - | $ - | $1,982,893 | $1,825,850 |
| Injury liability | 77,050 | 72,224 | - | - | 77,050 | 72,224 |
| Damage | 106,825 | 80,246 | 29,160 | 6,274 | 77,665 | 73,972 |
| PFAD | 198,001 | 150,474 | 2,054 | 319 | 195,947 | 150,155 |
| Effect of discounting | (980,177) | (848,392) | (210) | (35) | (979,967) | (848,357) |
| Total | $1,384,592 | $1,280,402 | $ 31,004 | $ 6,558 | $1,353,588 | $1,273,844 |

**Structured settlements**

The Auto Fund settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Auto Fund from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Statement of Financial Position. However, as part of the settlement, the Auto Fund provides a financial guarantee to the claimants in the event the life insurers default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at December 31, 2013, no information has come to the Auto Fund's attention that would suggest any weakness or failure in the life insurers from which it has purchased the annuities. The net present value of the scheduled payments as of the year-end date is $21,574,000 (2012 - $23,004,000). The net risk to the Auto Fund is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Auto Fund considers the possibility of default to be remote.

## 10. PROPERTY AND EQUIPMENT

The components of the Auto Fund's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

(thousands of $)

| | Land | Buildings | Buildings Components | Leasehold Improvements | Computer Hardware | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At January 1, 2013 | $ 6,643 | $ 43,919 | $ 11,417 | $ 572 | $ 33,523 | $ 96,074 |
| Additions | - | 2,532 | 31 | 222 | 3,181 | 5,966 |
| Disposals | - | - | - | - | (1,337) | (1,337) |
| At December 31, 2013 | 6,643 | 46,451 | 11,448 | 794 | 35,367 | 100,703 |
| Accumulated depreciation: | | | | | | |
| At January 1, 2013 | - | 18,594 | 6,766 | - | 29,706 | 55,066 |
| Depreciation | - | 1,734 | 469 | 144 | 2,187 | 4,534 |
| Disposals | - | - | - | - | (1,255) | (1,255) |
| At December 31, 2013 | - | 20,328 | 7,235 | 144 | 30,638 | 58,345 |
| Net book value at December 31, 2013 | $ 6,643 | $ 26,123 | $ 4,213 | $ 650 | $ 4,729 | $ 42,358 |

(thousands of $)

| | Land | Buildings | Buildings Components | Leasehold Improvements | Computer Hardware | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At January 1, 2012 | $ 6,643 | $ 43,245 | $ 11,254 | $ - | $ 33,262 | $ 94,404 |
| Additions | - | 674 | 163 | 572 | 2,198 | 3,607 |
| Disposals | - | - | - | - | (1,937) | (1,937) |
| At December 31, 2012 | 6,643 | 43,919 | 11,417 | 572 | 33,523 | 96,074 |
| Accumulated depreciation: | | | | | | |
| At January 1, 2012 | - | 16,984 | 6,285 | - | 29,404 | 52,673 |
| Depreciation | - | 1,610 | 481 | - | 2,190 | 4,281 |
| Disposals | - | - | - | - | (1,888) | (1,888) |
| At December 31, 2012 | - | 18,594 | 6,766 | - | 29,706 | 55,066 |
| Net book value at December 31, 2012 | $ 6,643 | $ 25,325 | $ 4,651 | $ 572 | $ 3,817 | $ 41,008 |

Depreciation provided in the year is included in administrative expenses on the Statement of Operations. When an asset has been disposed, its original cost is removed from the financial statements along with any accumulated depreciation related to that asset.

## 11. UNEARNED PREMIUMS

(thousands of $)

| | Gross Unearned Premiums | | Reinsurer's Share of Unearned Premiums | | Net Unearned Premiums | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Unearned premiums, at January 1 | $ 352,687 | $ 338,546 | $ 1,357 | $ 1,157 | $ 351,330 | $ 337,389 |
| Premiums written | 831,731 | 785,679 | 7,218 | 4,512 | 824,513 | 781,167 |
| Premiums earned | (813,197) | (771,538) | (6,232) | (4,312) | (806,965) | (767,226) |
| Change in net unearned premiums | 18,534 | 14,141 | 986 | 200 | 17,548 | 13,941 |
| Unearned premiums, at December 31 | $ 371,221 | $ 352,687 | $ 2,343 | $ 1,357 | $ 368,878 | $ 351,330 |

## 12. INVESTMENT EARNINGS

The components of investment earnings are as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Net realized gain on sale of investments | $ 31,996 | $ 18,651 |
| Interest | 26,945 | 26,073 |
| Pooled fund distributions | 12,218 | 5,890 |
| Net unrealized gains on change in market value of investments | 12,090 | 21,008 |
| Dividends | 5,935 | 5,233 |
| Total investment earnings | 89,184 | 76,855 |
| Investment expenses | (2,471) | (2,017) |
| Net investment earnings | $ 86,713 | $ 74,838 |

Details of the net unrealized gain on change in market value of investments is as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Bonds and debentures | $ (49,495) | $ (7,215) |
| Canadian common shares | 10,664 | 9,816 |
| U.S. common shares | 16,301 | 765 |
| Pooled funds: | | |
| Non-North American equity | 12,626 | 6,722 |
| Global small cap equity | 13,484 | 2,496 |
| Mortgage | (1,737) | (1,332) |
| Real estate | 10,247 | 9,756 |
| | $ 12,090 | $ 21,008 |

## 13. OTHER INCOME

The components of other income are as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Payment option fees | $ 25,087 | $ 23,877 |
| Net earnings on salvage sales | 13,662 | 13,613 |
| Total other income | $ 38,749 | $ 37,490 |

The Auto Fund offers a Short-Term Vehicle Registration and Insurance Plan that allows customers to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows customers to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance.

The Auto Fund administers a salvage operation in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claim settlement process.

Net earnings on salvage sales is comprised of:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Salvage sales | $ 42,493 | $ 40,812 |
| Cost of sales | (24,279) | (22,831) |
| Gross profit | 18,214 | 17,981 |
| Administrative expenses | (4,904) | (4,694) |
| Other income | 352 | 326 |
| Net earnings on salvage sales | $ 13,662 | $ 13,613 |

## 14. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Auto Fund, through its administrator SGI, has established an enterprise risk management policy. The Board of Directors approved this policy, and management is responsible for ensuring it is properly maintained and implemented. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting from management.

Insurance risk arises with respect to the adequacy of the Auto Fund's policy premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also results in significant financial risks, as the Auto Fund's Statement of Financial Position consists primarily of financial instruments. The financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

### Insurance Risk

**Underwriting risk**

The Auto Fund manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends.

*Reinsurance*

The Auto Fund also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The policy of underwriting and reinsuring contracts of insurance limits the liability of the Auto Fund to a maximum amount on any one loss as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Automobile physical damage catastrophe | $ 5,000 | $ 5,000 |
| (subject to filling an annual aggregate deductible of) | 5,000 | 5,000 |
| Personal automobile injury | 20,000 | 20,000 |

While the Auto Fund utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Auto Fund evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

**Actuarial Risk**

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Auto Fund at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the year-end date.

The significant assumptions used to estimate the provision include: the Auto Fund's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

The following tables show the development of the estimated net provision for unpaid claims relative to the current estimate of ultimate claims costs for the seven most recent accident years as estimated at each reporting date.

(thousands of $)

| Accident Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Net Ultimate Loss | | | | | | | |
| At end of accident year | $ 448,227 | $ 483,870 | $ 503,379 | $ 538,979 | $ 592,874 | $ 619,414 | $ 662,547 |
| One year later | 475,268 | 478,854 | 514,421 | 558,884 | 610,914 | 611,519 | |
| Two years later | 472,198 | 488,578 | 526,834 | 566,213 | 609,827 | | |
| Three years later | 481,492 | 501,237 | 526,286 | 566,573 | | | |
| Four years later | 492,254 | 502,878 | 528,573 | | | | |
| Five years later | 492,677 | 502,449 | | | | | |
| Six years later | 492,133 | | | | | | |
| Cumulative loss development | $ 43,906 | $ 18,579 | $ 25,194 | $ 27,594 | $ 16,953 | $ (7,895) | n/a |
| Cumulative loss development as a % of original ultimate loss | 9.8% | 3.8% | 5.0% | 5.1% | 2.9% | -1.3% | n/a |

(thousands of $)

| Accident Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|---|---|---|
| Current estimate of net ultimate loss | $ 492,133 | $ 502,449 | $ 528,573 | $ 566,573 | $ 609,827 | $ 611,519 | $ 662,547 | $ 3,973,621 |
| Cumulative paid | (438,228) | (441,065) | (455,330) | (485,576) | (512,453) | (482,322) | (384,679) | (3,199,653) |
| Net provision for unpaid claims for the seven most recent accident years | $ 53,905 | $ 61,384 | $ 73,243 | $ 80,997 | $ 97,374 | $ 129,197 | $ 277,868 | $ 773,968 |
| Net discounted claims outstanding for accident years 2006 and prior | | | | | | | | 492,328 |
| Loss adjusting expense reserve | | | | | | | | 81,029 |
| Other reconciling items | | | | | | | | 6,263 |
| Net provision for unpaid claims | | | | | | | | $ 1,353,588 |

The Auto Fund's estimated sensitivity of its provision for unpaid claims and net income to changes in best estimate assumptions in the insurance contract liabilities is as follows:

| (thousands of $) | | Change to Net Provision for Unpaid Claims | | Change to RSR | |
|---|---|---|---|---|---|
| Assumption | Sensitivity | 2013 | 2012 | 2013 | 2012 |
| Discount rate | + 100 bps | $ (68,965) | $ (70,889) | $ 6,909 | $ 9,302 |
| Discount rate | - 100 bps | 77,885 | 80,367 | (8,236) | (11,169) |
| Net loss ratio | + 10% | 72,023 | 66,762 | (72,023) | (66,762) |
| Misestimate | 1% deficiency | 13,586 | 12,823 | (13,586) | (12,823) |

The net provision for unpaid claims refers to the provision for unpaid claims net of unpaid claims recoverable from reinsurers. The method used for deriving this sensitivity information did not change from the prior period.

**Financial Risk**

The nature of the Auto Fund's operations results in a Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Auto Fund's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by SGI's Board of Directors. The SIP&G provides guidelines for the Auto Fund's investment managers for the asset mix of the portfolio regarding quality and quantity of fixed income, real estate and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. SGI receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on the goals stated in the SIP&G.

The Auto Fund investment portfolio operates as two distinct portfolios – the Matching portfolio and the Return Seeking portfolio. The Matching portfolio consists of the Auto Fund's investments in short-term investments, bonds and debentures, and the mortgage pooled fund, while the Return Seeking portfolio holds the Canadian common shares, U.S. common shares, the non-North American equity, the global small cap equity, the real estate and the infrastructure pooled funds. The investment strategy relies on the Matching portfolio to cover expected liability payments out to 20 years, with the remaining long-tail liabilities covered by the Return Seeking portfolio.

**Credit risk**

The Auto Fund's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which the Auto Fund is exposed is limited to the carrying value of those financial assets summarized as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Cash and cash equivalents | $ 60,215 | $ 24,634 |
| Accounts receivable | 204,934 | 193,384 |
| Fixed income investments [1] | 1,091,763 | 1,083,539 |

1 Includes short-term investments, bonds and debentures, and the mortgage pooled fund

In addition, the Auto Fund is exposed to credit risk associated with its structured settlements as described separately in the notes to the financial statements.

Cash and cash equivalents include money market investments of $57,732,000 (December 31, 2012 - $18,980,000) that mature within 90 days from the date of acquisition. All short-term investments have a credit rating of R-1.

Accounts receivable relate primarily to financed premiums receivable and amounts recoverable on paid claims. Balances are outstanding from customers, along with motor licence issuers within Saskatchewan. Accounts receivable consist of balances outstanding for one year or less.

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Current | $ 201,653 | $ 189,225 |
| 30 - 59 days | 1,273 | 2,030 |
| 60 - 90 days | 1,051 | 1,656 |
| Greater than 90 days | 9,709 | 8,605 |
| Subtotal | 213,686 | 201,516 |
| Allowance for doubtful accounts | (8,752) | (8,132) |
| Total | $ 204,934 | $ 193,384 |

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Auto Fund. Amounts are written off once reasonable collection efforts have been exhausted. An Auto Fund customer cannot complete a driver's licence or vehicle transaction without making arrangements for payment of outstanding balances, including balances previously written off.

Details of the allowance account are as follows:

| | (thousands of $) 2013 | (thousands of $) 2012 |
|---|---|---|
| Allowance for doubtful accounts, at January 1 | $ 8,132 | $ 8,249 |
| Accounts written off | (1,731) | (1,026) |
| Current period provision | 2,351 | 909 |
| Allowance for doubtful accounts, at December 31 | $ 8,752 | $ 8,132 |

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Auto Fund of its primary obligation to the policyholder. Reinsurers are typically all required to have a minimum financial strength rating of A- at the inception of the treaty; rating agencies used are A.M. Best and Standard & Poor's. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage pooled fund. It is managed through an investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bond and debenture investments are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| Credit Rating | Carrying Value (thousands of $) | Makeup of Portfolio (%) | Carrying Value (thousands of $) | Makeup of Portfolio (%) |
| AAA | $ 307,344 | 36.8 | $ 300,755 | 38.1 |
| AA | 334,574 | 40.1 | 289,200 | 36.6 |
| A | 149,085 | 17.9 | 153,506 | 19.4 |
| BBB | 43,477 | 5.2 | 46,954 | 5.9 |
| Total | $ 834,480 | 100.0 | $ 790,415 | 100.0 |

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The Auto Fund's investment in a mortgage pooled fund is subject to credit risk as its value is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its investment policy, which include single loan limits, and diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

**Market risk**

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk impacts the value of the Auto Fund's investments.

Interest rate risk

The Auto Fund is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures, and the mortgage pooled fund. Changes in interest rates also impact the amount of discounting included in the provision for unpaid claims. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impacts:

| | (thousands of $) | | | |
|---|---|---|---|---|
| | 100 basis point increase | | 100 basis point decrease | |
| | 2013 | 2012 | 2013 | 2012 |
| Investment earnings | $ (62,056) | $ (61,587) | $ 69,649 | $ 69,198 |
| Claims incurred | (68,965) | (70,889) | 77,885 | 80,367 |
| Net increase (decrease) to RSR | 6,909 | 9,302 | (8,236) | (11,169) |

Foreign exchange risk

The Auto Fund is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. equity investment portfolio and non-North American currencies through its investment in the non-North American and global small cap equity pooled funds, as well as the infrastructure fund. Exposure to segregated U.S. equities is limited to a maximum of 20.5% of the market value of the Auto Fund's Return Seeking portfolio. Non-North American equities and global small cap equities are limited to a maximum 19.0% each of the market value of the Auto Fund's Return Seeking portfolio. Infrastructure is limited to 10% of the market value of the Auto Fund's Return Seeking portfolio. At December 31, 2013, the Auto Fund in in compliance with the above noted limits.

At December 31, 2013, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $11.3 million (2012 - $8.3 million) decrease/increase in the Rate Stabilization Reserve. A 10% appreciation/depreciation in the Canadian dollar versus non-North American currencies would result in approximately a $11.9 million (2012 - $9.4 million) decrease/increase in the Rate Stabilization Reserve. As the U.S. equity, non-North American pooled fund, global small cap equity pooled fund and infrastructure fund investments are classified as fair value through profit and loss, unrealized changes due to foreign currency are recorded in the Statement of Operations.

There is no exposure to foreign exchange risk within the Auto Fund’s bond and debenture portfolio. As well, no more than 10% of the market value of the bond and debenture portfolio shall be invested in bonds or debentures of foreign issuers.

The Auto Fund’s exposure to exchange rate risk resulting from the purchase of goods and services is not considered material to the operations of the Auto Fund.

Equity prices

The Auto Fund is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australasia and Far East) markets. At December 31, 2013, equities comprise 26.0% (2012 – 23.0%) of the carrying value of the Auto Fund’s total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Auto Fund’s common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Auto Fund’s equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in value of an asset class. It is calculated over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

| | (thousands of $) | | | | | |
|---|---|---|---|---|---|---|
| Asset Class | | 2013 | | | 2012 | |
| Canadian equities | $ | +/- | 54,107 | $ | +/- | 60,543 |
| U.S. equities | | +/- | 24,596 | | +/- | 16,100 |
| Non-North American equities | | +/- | 20,486 | | +/- | 19,060 |
| Global small cap equities | | +/- | 18,436 | | +/- | 17,227 |

The Auto Fund's equity investments are classified as fair value through profit and loss and as such, any unrealized changes in their fair value are recorded in the Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

**Liquidity risk**

Liquidity risk is the risk that the Auto Fund is unable to meet its financial obligations as they fall due. Cash resources of the Auto Fund are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Auto Fund generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities.

The following tables summarize the estimated contractual timing of cash flows on an undiscounted basis arising from the Auto Fund's financial assets and liabilities at December 31. The Auto Fund has contractual commitments to provide funding to Saskatchewan health organizations for costs associated with rehabilitation for those involved in automobile accidents.

| (thousands of $) | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | No stated maturity | 0 - 1 Years | 1 - 2 Years | 3 - 5 Years | 5-10 Years | More than 10 Years |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | $ 2,483 | $ 57,732 | $ - | $ - | $ - | $ - |
| Accounts receivable | - | 174,977 | 29,957 | - | - | - |
| Investments | 602,066 | 262,424 | 122,128 | 104,063 | 166,560 | 354,473 |
| Unpaid claims recoverable from reinsurers | - | 24,728 | 4,402 | 30 | - | - |
| | $ 604,549 | $ 519,861 | $ 156,487 | $ 104,093 | $ 166,560 | $ 354,473 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | $ 16,040 | $ 9,576 | $ - | $ - | $ - | $ - |
| Premium taxes payable | - | 41,587 | - | - | - | - |
| Provision for unpaid claims | - | 281,424 | 190,502 | 131,453 | 270,565 | 1,292,824 |
| | 16,040 | 332,587 | 190,502 | 131,453 | 270,565 | 1,292,824 |
| Financial commitments | - | 29,404 | 31,186 | 68,686 | - | - |
| | $ 16,040 | $ 361,991 | $ 221,688 | $ 200,139 | $ 270,565 | $ 1,292,824 |

| (thousands of $) | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | No stated maturity | 0 - 1 Years | 1 - 2 Years | 3 - 5 Years | 5 - 10 Years | More than 10 Years |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | $ 5,654 | $ 18,980 | $ - | $ - | $ - | $ - |
| Accounts receivable | - | 156,727 | 36,657 | - | - | - |
| Investments | 520,751 | 260,197 | 115,294 | 89,552 | 165,516 | 369,384 |
| Unpaid claims recoverable from reinsurers | - | 5,662 | 610 | 2 | - | - |
| | $ 526,405 | $ 441,566 | $ 152,561 | $ 89,554 | $ 165,516 | $ 369,384 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | $ 14,941 | $ 6,952 | $ - | $ - | $ - | $ - |
| Premium taxes payable | | 39,284 | - | - | - | - |
| Provision for unpaid claims | - | 245,598 | 176,289 | 123,129 | 251,883 | 1,181,421 |
| | 14,941 | 291,834 | 176,289 | 123,129 | 251,883 | 1,181,421 |
| Financial commitments | - | 22,856 | 18,900 | 52,717 | - | - |
| | $ 14,941 | $ 314,690 | $ 195,189 | $ 175,846 | $ 251,883 | $ 1,181,421 |

The estimated contractual maturities related to the unpaid claims recoverable from reinsurers excludes the net effect of discounting and PFAD of $1,844,000 (2012- $284,000) (note 9). The estimated contractual maturities related to the provision for unpaid claims excludes the net effect of discounting and PFAD of $782,176,000 (2012- $697,918,000) (note 9).

## 15. CAPITAL MANAGEMENT

The Auto Fund has a capital management policy, approved by the SGI Board of Directors. The primary objective of capital management for the Auto Fund is to maintain a level of capital in the Rate Stabilization Reserve sufficient to cushion the Auto Fund from the volatility inherent in investment and underwriting operations and ensure a positive Rate Stabilization Reserve without the need for excessive rate increases for Auto Fund customers.

The Auto Fund uses a common industry measurement called the Minimum Capital Test (MCT) to establish a target for the Rate Stabilization Reserve. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required. The Auto Fund has established an internal target capital ratio. The Auto Fund is currently below its internal target capital ratio, and is addressing this in accordance with its capital management policy.

The Auto Fund's legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not receive money from the province nor from SGI, the administrator of the Auto Fund, and it does not pay dividends to the province or its administrator. The Auto Fund cannot go to public capital markets to issue debt or common shares. It uses premiums and fees from its operations, along with income generated from its investment portfolio, to fund future operations.

## 16. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Accounts receivable | $ (11,550) | $ (18,672) |
| Unpaid claims recoverable from reinsurers | (24,446) | 13,206 |
| Deferred policy acquisition costs | 521 | (1,978) |
| Other assets | (30) | 308 |
| Accounts payable and accrued liabilities | 3,723 | (360) |
| Premium taxes payable | 2,303 | 1,835 |
| Unearned premiums | 17,548 | 13,941 |
| Provision for unpaid claims | 104,190 | 109,715 |
| | $ 92,259 | $ 117,995 |

## 17. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Auto Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). All transactions are settled at prevailing market prices under normal trade terms. The Auto Fund has elected to take a partial exemption under IAS 24 *Related Party*

*Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

SGI acts as administrator of the Auto Fund. Administrative and loss adjustment expenses incurred by SGI are allocated to the Auto Fund directly or on the basis of a cost allocation formula. These are operating transactions incurred in the normal course of operations. Amounts incurred by SGI and charged to the Auto Fund were $138,232,000 (2012 - $130,775,000) and accounts receivable are $6,308,000 (2012 - $8,580,000).

Certain board members are partners in organizations that provided $nil (2012 – $50,000) of professional services to the Auto Fund. These services were recorded in claims incurred and administrative expenses in the Statement of Operations. In addition, one board member owns an organization that provides insurance services on behalf of the Auto Fund. Premiums written during the year through this organization amounted to $1,945,000 (2012 – $1,907,000) and the associated accounts receivable at December 31, 2013, was $25,000 (2012 – $7,000). Issuer fees related to these premiums were $169,000 (2012 - $159,000). The above noted transactions are routine operating transactions in the normal course of business.

Other related party transactions are described separately in the notes.

## 18. CONTINGENCIES

In common with the insurance industry in general, the Auto Fund is subject to litigation arising in the normal course of conducting its insurance business. The Auto Fund is of the opinion that this litigation will not have a significant effect on its financial position or results of operation of the Auto Fund.

**SGI CANADA**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | December 31 2013 | December 31 2012 (restated note 4) |
|---|---|---|
| | (thousands of $) | |
| **Assets** | | |
| Cash and cash equivalents (note 5) | $ 42,608 | $ 13,854 |
| Accounts receivable (note 6) | 159,361 | 146,265 |
| Investments under security lending program (note 7) | 142,460 | 75,750 |
| Investments (note 7) | 621,456 | 675,346 |
| Unpaid claims recoverable from reinsurers (note 10) | 35,624 | 45,501 |
| Reinsurers' share of unearned premiums (note 12) | 13,279 | 12,561 |
| Deferred policy acquisition costs (note 11) | 68,811 | 65,357 |
| Property and equipment (note 8) | 32,835 | 32,353 |
| Other assets (note 9) | 1,358 | 1,905 |
| Deferred income tax asset (note 15) | 2,963 | 4,706 |
| | **$ 1,120,755** | $ 1,073,598 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 63,523 | $ 69,600 |
| Dividend payable | 9,925 | 41,993 |
| Premium taxes payable | 21,886 | 20,505 |
| Amounts due to reinsurers | 9,702 | 9,250 |
| Unearned reinsurance commissions | 4,339 | 4,014 |
| Unearned premiums (note 12) | 291,087 | 275,410 |
| Provision for unpaid claims (note 10) | 420,753 | 369,137 |
| Deferred income tax liability (note 15) | 1,092 | 1,014 |
| | **822,307** | 790,923 |
| **Equity** | | |
| Equity advances (note 13) | 80,000 | 80,000 |
| Retained earnings | 214,954 | 199,521 |
| **Province of Saskatchewan's equity** | **294,954** | 279,521 |
| Non-controlling interest | 3,494 | 3,154 |
| **Total equity** | **298,448** | 282,675 |
| | **$ 1,120,755** | $ 1,073,598 |

Contingencies (note 23)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors and signed on their behalf on February 27, 2014

Arlene Wiks
Director

Howard Crofts
Director

**SGI CANADA**

**CONSOLIDATED STATEMENT OF OPERATIONS**

| For the years ended December 31 | **2013** | 2012 (restated note 4) |
|---|---|---|
| | (thousands of $) | |
| Gross premiums written | $ 559,395 | $ 531,115 |
| Premiums ceded to reinsurers | (41,768) | (39,297) |
| Net premiums written | 517,627 | 491,818 |
| Change in net unearned premiums (note 12) | (14,959) | (9,002) |
| **Net premiums earned** | **502,668** | 482,816 |
| Net claims incurred (note 10) | 322,632 | 245,986 |
| Commissions | 106,722 | 100,063 |
| Administrative expenses | 64,703 | 58,579 |
| Premium taxes | 23,281 | 22,307 |
| Facility Association participation (note 21) | (307) | 127 |
| **Total claims and expenses** | **517,031** | 427,062 |
| **Underwriting profit (loss)** | **(14,363)** | 55,754 |
| Investment earnings (note 14) | 58,672 | 33,055 |
| **Income before income taxes** | **44,309** | 88,809 |
| Income tax expense (note 15) | 5,077 | 6,572 |
| **Net income** | **39,232** | 82,237 |
| Other comprehensive gain (loss) | 2,133 | (1,561) |
| **Comprehensive income** | **$ 41,365** | $ 80,676 |
| **Attributable to:** | | |
| The Province of Saskatchewan | 41,025 | 79,872 |
| Non-controlling interest | 340 | 804 |
| | **$ 41,365** | $ 80,676 |

The accompanying notes are an integral part of these consolidated financial statements.

## SGI CANADA

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| For the years ended December 31 | 2013 | 2012 (restated note 4) |
|---|---|---|
| | (thousands of $) | |
| **Equity advances** | | |
| **Balance, end of year** | **$ 80,000** | $ 80,000 |
| **Retained earnings** | | |
| Balance, beginning of year | $ 199,521 | $ 171,649 |
| Net income | 38,892 | 81,433 |
| Other comprehensive income (loss) | 2,133 | (1,561) |
| Dividends | (25,592) | (52,000) |
| **Balance, end of year** | **$ 214,954** | $ 199,521 |
| **Total Province of Saskatchewan's equity** | **$ 294,954** | $ 279,521 |
| **Non-controlling interest** | | |
| Balance, beginning of year | $ 3,154 | $ 2,350 |
| Comprehensive income | 340 | 804 |
| **Balance, end of year** | **$ 3,494** | $ 3,154 |
| **Total equity** | **$ 298,448** | $ 282,675 |

The accompanying notes are an integral part of these consolidated financial statements.

SGI CANADA

## CONSOLIDATED STATEMENT OF CASH FLOWS

| For the years ended December 31 | | 2013 | | 2012 (restated note 4) |
|---|---|---|---|---|
| | | (thousands of $) | | |
| **Cash provided by (used for):** | | | | |
| **Operating activities** | | | | |
| Net income | $ | 39,232 | $ | 82,237 |
| Non-cash items: | | | | |
| Bond amortization | | 2,929 | | 3,322 |
| Depreciation | | 5,427 | | 4,655 |
| Goodwill impairment | | 481 | | - |
| Net realized gain on sale of investments | | (20,604) | | (2,143) |
| Net unrealized gain on change in market value of investments | | (15,498) | | (10,005) |
| Actuarial gain (loss) on employee benefit plans | | 2,133 | | (1,561) |
| Deferred income taxes | | 1,821 | | (606) |
| Change in non-cash operating items (note 18) | | 56,049 | | 23,456 |
| | | **71,970** | | 99,355 |
| **Investing activities** | | | | |
| Purchases of investments | | (1,189,930) | | (702,939) |
| Proceeds on sale of investments | | 1,210,283 | | 593,001 |
| Purchases of property and equipment, net of proceeds from disposals | | (5,909) | | (4,921) |
| | | **14,444** | | (114,859) |
| **Financing activities** | | | | |
| Dividends paid | | **(57,660)** | | (10,007) |
| **Increase (decrease) in cash and cash equivalents** | | **28,754** | | (25,511) |
| Cash and cash equivalents, beginning of year | | 13,854 | | 39,365 |
| **Cash and cash equivalents, end of year** | **$** | **42,608** | $ | 13,854 |
| **Supplemental cash flow information:** | | | | |
| Interest received | $ | 12,589 | $ | 13,616 |
| Dividends received | $ | 2,512 | $ | 2,309 |
| Income taxes paid | $ | 6,712 | $ | 2,697 |

The accompanying notes are an integral part of these consolidated financial statements.

December 31, 2013

## 1. NATURE OF OPERATIONS

Saskatchewan Government Insurance (the Corporation or SGI), which operates under the trade name of SGI CANADA is incorporated, registered and conducts a property and casualty insurance business in the province of Saskatchewan and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. SGI CANADA Insurance Services Ltd. operates directly in Alberta and Manitoba, in Ontario through its wholly owned subsidiary Coachman Insurance Company (Coachman) and in Prince Edward Island, New Brunswick and Nova Scotia through its 75%-owned subsidiary, The Insurance Company of Prince Edward Island (ICPEI). The address of the Corporation's registered head office is 2260-11$^{th}$ Avenue, Regina, Sask., Canada.

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia and represent approximately 17.5% (December 31, 2012 – 18.1%) of the Corporation's consolidated net premiums earned.

SGI was established as a branch of the Public Service by *The Government of Saskatchewan Act, 1944*, reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act*. As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SGI CANADA Insurance Services Ltd., Coachman and ICPEI are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

## 2. BASIS OF PREPARATION

### Statement of compliance

The consolidated financial statements for the year-ended December 31, 2013, have been prepared in accordance with International Financial Reporting Standards (IFRS). References to IFRS are based on Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises as set out in Part 1 of the CPA Canada Handbook. Part 1 of the CPA Canada Handbook incorporates IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

### Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis, except for financial instruments and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The provision for unpaid claims and unpaid claims recoverable from reinsurers are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

### Statement of Financial Position classification

The Consolidated Statement of Financial Position has been prepared on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet (non-current), presented in the notes.

### Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

### Use of estimates and judgment

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims (note 10) and employee future benefits (note 19).

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of consolidation**

The consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman and its 75%-owned subsidiary, ICPEI. All inter-company accounts and transactions have been eliminated on consolidation. The financial accounting records of the subsidiaries are prepared for the same reporting year as the Corporation, using consistent accounting policies.

**Financial assets and liabilities**

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized in net income. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income (OCI); however, unrealized losses on investments that show objective evidence of impairment are recognized as a decrease to net income. Financial assets designated as held to maturity or loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Corporation has no financial assets and liabilities designated as available for sale or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as other financial liabilities. Unpaid claims recoverable from reinsurers, amounts due to reinsurers, and the provision for unpaid claims are exempt from the above requirement.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Income and expenses are not offset in the Consolidated Statement of Operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. There are no financial assets and financial liabilities reported as offset in these consolidated financial statements.

**Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All fair value measurements relate to recurring measurements. Fair value measurements for investments are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3).

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset’s or liability’s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

The Corporation defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying investment and trading volumes. Assets measured at fair value and classified as Level 1 include Canadian and U.S. common shares, and pooled equity funds. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Corporation does not adjust the quoted price for such investments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments, bonds and debentures, and the pooled mortgage fund. Fair value for short-term investments and bonds and debentures is based on or derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets. Fair value for the pooled mortgage fund is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages, subject to adjustments for liquidity and credit risk.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flows methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. The Corporation has no financial assets or liabilities considered level 3.

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the investment's interest rate approximates current observable market rates. Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividend payable and premium taxes payable approximate their carrying values due to their short-term nature.

**Investments**

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Corporation has transferred substantially all risks and rewards of ownership.

**Investments under securities lending program**

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

**Investment earnings**

The Corporation recognizes interest and premium financing as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in market value of the investments held at the year-end date.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current year. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

**Premiums written**

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written and are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of the policy premiums relating to the unexpired term of each policy is recorded as an unearned premium liability on the Consolidated Statement of Financial Position.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred policy acquisition costs to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, a liability is accrued for the excess deficiency.

**Provision for unpaid claims**

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. The estimate includes the cost of reported claims, and claims incurred but not reported, and an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current year.

**Deferred policy acquisition costs**

Premium taxes, commissions and certain underwriting and policy issuance costs are deferred, to the extent they are recoverable, and charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months.

**Reinsurance ceded**

The Corporation uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect of insurance contract liabilities and their share of unearned premiums are recorded as reinsurance assets on a gross basis in the Consolidated Statement of Financial Position. Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively. Insurance ceded does not relieve the Corporation of its primary obligation to policyholders.

**Income taxes**

The Corporation uses the asset and liability method of accounting for income taxes. Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Consolidated Statement of Operations.

Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized, probable being defined as more likely than not.

**Employees' future benefits**

The Corporation provides a defined contribution pension plan, a defined benefit pension plan and defined benefit service recognition plans that provide retirement benefits for its employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The Corporation's defined benefit pension plan is available to certain of its employees and it has been closed to new membership since 1980. The plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. The plan may be indexed at the discretion of the Board of Directors. The plan is pre-funded by payments from employee and employer contributions which are made to a separately administered fund and are determined by periodic actuarial calculations taking into account the recommendations of a qualified actuary.

Responsibility for governance of the plan lies with the Corporation. The Corporation has a pension committee to assist in the management of the plan and has also appointed experienced, independent professional experts such as investment managers, an actuary, and a custodian.

Plan assets consist primarily of fixed income and equity pooled funds and are carried at fair value. Plan assets are not available to creditors of the Corporation nor can they be paid directly to the Corporation.

For the defined benefit plan:

(i) Net interest on the accrued pension liability is recognized in net income.

(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.

(iii) The discount rate used to determine the accrued benefit obligation and the expected return on plan assets was determined by reference to market interest rates at the measurement date of high-quality debt instruments that are denominated in the currency in which the benefits will be paid with cash flows that match the timing and amount of expected benefit payments.

(iv) Past service costs are expensed immediately.

(v) Actuarial gains and losses are recognized in OCI in the period in which they arise.

The accrued benefit asset (liability) is the fair value of plan assets out of which the obligation is to be settled directly, less the present value of the defined benefit obligation. It is restricted to the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

By design, the plan exposes the Corporation to the typical risks faced by defined benefit pension plans such as investment performance, changes to the discount rate used to value the obligation, longevity of plan members, and future price inflation. Pension risk is managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

The Corporation provides defined benefit service recognition plans for certain management and in-scope (union) employees for the purpose of providing retirement benefits. Employees in the plans are eligible for benefits at the earlier of; age plus service equal to or greater than 75, or age 50. Upon retirement, employees meeting the eligibility criteria receive a lump sum payment of five days for management and three days for in-scope (union) employees for each year of continuous service less ineligible time and ineligible partial service time. A participant who dies while a member of either plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation. Effective December 31, 2011, the defined benefit service recognition plan for the unionized employees was frozen for current employees and closed to new employees. Effective December 31, 2011, the defined benefit service recognition plan for the management employees was closed to new employees, and the current employees were provided the option to elect to remain in the plan or to receive an annual payout, commencing in 2012.

The accrued benefit obligation of the service recognition plans is funded by the Corporation as eligible employees terminate employment. The cost of the plans is determined using the projected unit credit method prorated on service. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

By design, the service recognition plans expose the Corporation to risks such as changes to the discount rate used to value the obligation, expected salary increases, and duration of employee service. These risks are managed by established policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

**Cash and cash equivalents**

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand, less outstanding cheques.

**Property and equipment**

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, building and building components, fair value upon transition to IFRS has been used as the deemed cost.

The Corporation has not incurred any borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalized. Subsequent costs are included in the assets' carrying value when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Consolidated Statement of Operations in the period in which they have been incurred.

The depreciation method being used, the useful lives of the assets and the residual values of the assets are reviewed at each reporting date.

Depreciation is recorded in operations on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

| | |
|---|---|
| Building | 40 years |
| Building components | 15-30 years |
| Computer hardware and other equipment | 3-5 years |

Building components consists of heating and cooling systems, elevators, roofs and parking lots.

Land is not subject to amortization and is carried at cost.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

**Goodwill**

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Corporation's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. If the carrying value of the reporting unit, including the allocated goodwill, exceeds its recoverable amount, the amount of goodwill impairment is measured as the excess of the carrying amount of the reporting unit over its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell or its value in use. Should the carrying value exceed the recoverable amount, an impairment loss is recognized. Previously recorded impairment losses for goodwill are not reversed in future periods. Goodwill is included in other assets on the Consolidated Statement of Financial Position.

**Leased assets**

Leases where the Corporation does not assume substantially all of the risks and reward of ownership are classified as operating leases. The payments are expensed as they are incurred.

**Provisions and contingent liabilities**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

**Structured settlements**

In the normal course of claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Operations at the date of the purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies my fail to fulfil their obligations.

**Comprehensive income**

Comprehensive income consists of net income and OCI. OCI includes net actuarial gains (losses) on the employee defined benefit pension plan and service recognition plans. These items of OCI are not reclassified subsequently to net income.

**Adoption of new and amended accounting standards**

*IFRS 7 – Financial instruments: Disclosures*

IFRS 7 was amended in December 2011 to require additional disclosures related to netting arrangements, including rights to off-set associated with an entity's financial assets and financial liabilities. These disclosures are intended to help financial statement users evaluate the impact or potential impacts of these arrangements on an entity's financial position. The Corporation has adopted this amendment on January 1, 2013 and has determined that these additional disclosures do not impact the financial statements.

*IFRS 10 – Consolidated Financial Statements*

IFRS 10 builds on existing principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaced the guidance on the concept of control and consolidation in IAS 27 *Consolidated and Separate Financial Statements*. In June 2012, the IASB issued amendments to the transition guidance, which reiterated that the standard is to be applied retrospectively, however relief is provided from retrospective adjustments where consolidation conclusions are unaffected by the adoption. The Corporation assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

*IFRS 12 – Disclosure of Interests in Other Entities*

IFRS 12 is a new standard on disclosure requirements and applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. In June 2012, the IASB issued amendments to the transition guidance and clarified that IFRS 12, including these amendments, is effective for annual periods beginning on or after January 1, 2013. The Corporation has adopted IFRS 12 on January 1, 2013 and included the disclosures required by IFRS 12 in the notes to the financial statements.

*IFRS 13 – Fair Value Measurement*

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013, however the definition of fair value has been updated.

*IAS 1 – Presentation of Financial Statements*

IAS 1 was amended in 2011 to require net income and OCI to be presented together either as a single statement of comprehensive income or separate income statement and statement of comprehensive income. The amendment also requires presentation of OCI to segregate comprehensive income items reclassified to net income and the comprehensive income items not reclassified to net income. The Corporation has adopted the amendments to IAS 1 effective January 1, 2013 and has determined that these additional disclosures do not impact the financial statements.

*IAS 19R – Employee Benefits*

IAS 19 was amended in June 2011. The amendments require all past service costs to be recognized immediately in net income, regardless of vesting requirements. The Corporation has adopted IAS 19 on January 1, 2013 and reconciliations on the quantification of the effect of adopting the IAS 19 amendments on equity as at January 1, 2012 and December 31, 2012 and net income and comprehensive income for the period ended December 31, 2012 are disclosed in note 4.

*Annual Improvements 2009-2011 Cycle*

Annual improvements 2009-2011 Cycle was issued in May 2012 by the IASB, and included minor amendments to five IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The Corporation has adopted Annual Improvements 2009-2011 Cycle on January 1, 2013 and has determined that there is no impact to the financial statements.

**Future accounting policy changes**

The following future changes to accounting standards will have applicability to the Corporation:

*IFRS 4 – Insurance Contracts*

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2018.

*IFRS 9 – Financial Instruments*

In November 2009, the IASB issued an exposure draft of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Consolidated Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

In November 2012, the IASB issued limited amendments to the exposure draft. The amendments include introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Consolidated Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Consolidated Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

In July 2013, the mandatory effective date for this standard was deferred and is pending the finalization of the impairment and classification and measurement requirements. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

*IAS 36 – Impairment of Assets - Recoverable Amounts Disclosures for Non-Financial Assets*
In May 2013, the IASB issued limited scope amendments to IAS 36. The amendment clarified the requirement to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit for which a material impairment loss was recognized or reversed during the reporting period. In addition, the amendment requires an entity to disclose the discount rate used in a present value technique that has been used in determining the recoverable amount of an impaired asset on the basis of fair value less costs of disposal. These amendments are effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The Corporation does not expect these amendments to impact the consolidated financial statements.

*Annual Improvements Cycles*

In 2012, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning January 1, 2014. The Corporation is in the process of assessing the impact of the amendments.

## 4. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2013, the Corporation adopted the amendments to IAS 19, *Employee Benefits*. The amendments require all past service costs to be recognized immediately in net income, regardless of vesting requirements. In addition, remeasurements (actuarial gains and losses and the difference between the actual return on plan assets and the return implied by the interest cost calculation) are recognized immediately in other comprehensive income and all current service costs and interest income (expense) are recognized immediately in net income. Interest income (expense) is calculated by applying the discount rate to the net defined benefit asset (liability). Prior to adopting the amendment the Corporation had $1,470,000 of unamortized past service costs associated with its two defined benefit service recognition plans, of which $591,000 had been expensed in 2012. In addition, in 2012 there were remeasurements of $456,000 related to the difference between the actual return on plan assets and the return implied by the interest cost calculation.

The impact of the amendment is as follows:

| | (thousands of $) | | |
|---|---|---|---|
| | As previously reported | Increase (decrease) due to adjustment | Restated |
| **Statement of Operations** | | | |
| For the year ended December 31, 2012 | | | |
| Net claims incurred | $ 246,236 | $ (250) | $ 245,986 |
| Administrative expenses | 58,464 | 115 | 58,579 |
| Net income | 82,102 | 135 | 82,237 |
| Other comprehensive loss | (2,017) | 456 | (1,561) |
| Comprehensive income | 80,085 | 591 | 80,676 |
| **Statement of Financial Position** | | | |
| As at January 1, 2012 | | | |
| Accounts payable and accrued liabilities | 52,671 | 2,061 | 54,732 |
| Retained earnings | 173,710 | (2,061) | 171,649 |
| As at December 31, 2012 | | | |
| Accounts payable and accrued liabilities | $ 68,130 | $ 1,470 | $ 69,600 |
| Retained earnings | $ 200,991 | $ (1,470) | $ 199,521 |

There is no tax impact associated with this change in accounting policy as the Corporation is not subject to federal or provincial income tax, and the change does not impact the subsidiary companies.

## 5. CASH AND CASH EQUIVALENTS

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Money market investments | $ 52,105 | $ 19,578 |
| Cash on hand, net of outstanding cheques (bank overdraft) | (9,497) | (5,724) |
| Total cash and cash equivalents | $ 42,608 | $ 13,854 |

The average effective interest rate on money market investments is 1.0% (2012 – 1.0%).

## 6. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Due from insureds | $ 97,895 | $ 91,218 |
| Due from brokers | 46,679 | 43,387 |
| Amounts recoverable on claims paid | 7,673 | 7,256 |
| Facility Association (note 21) | 4,377 | 4,168 |
| Income tax receivable | 3,338 | - |
| Accrued investment income | 3,009 | 2,830 |
| Due from reinsurers | 1,511 | 2,635 |
| Other | 601 | 404 |
| | 165,083 | 151,898 |
| Less: Allowance for doubtful accounts (note 16) | (5,722) | (5,633) |
| Total accounts receivable | $ 159,361 | $ 146,265 |
| Current | 151,775 | 140,269 |
| Non-current | 7,586 | 5,996 |
| | $ 159,361 | $ 146,265 |

Included in due from insureds is $91,953,000 (2012 - $85,012,000) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment earnings that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized in investment earnings using the effective interest method. The effective interest rate is 8.0% (2012 – 8.0%).

Due from brokers includes loans receivable with a carrying value of $7,894,000 (2012 - $5,953,000). The loans require annual repayments with terms ranging between one to 10 years. The loans accrue interest at rates ranging from 2.25% to 5.25% (2012 – 2.25% to 5.75%) and are secured by general security agreements. The loans are recorded at their amortized cost, which is considered to be equal to their fair value.

## 7. INVESTMENTS

The carrying and fair values of the Corporation's investments are as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Short-term investments | $ 90,737 | $ 79,632 |
| Bonds and debentures | 277,030 | 411,386 |
| Canadian common shares | 47,176 | 58,751 |
| U.S. common shares | 50,645 | 25,845 |
| Pooled funds: | | |
| Canadian equity | 19,168 | 23,595 |
| United States equity | 19,509 | 10,447 |
| Non-North American equity | 51,113 | 37,584 |
| Mortgage | 66,078 | 28,106 |
| | 621,456 | 675,346 |
| Investments under securities lending program | | |
| Bonds and debentures | 131,683 | 53,878 |
| Canadian common shares | 5,282 | 21,423 |
| U.S. common shares | 5,495 | 449 |
| | 142,460 | 75,750 |
| Total investments | $ 763,916 | $ 751,096 |

Details of significant terms and conditions, exposures to interest rate, credit risks of investments and counter party risk are as follows:

**Short-term investments**

Short-term investments are comprised of money market investments with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 1.0% (2012 – 1.1%) and an average remaining term to maturity of 59 days

(2012 – 75 days). The Corporation's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

**Bonds and debentures**

The Corporation's investment policy states that the minimum quality standard for purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Corporation's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. No more than 10% of the market value of the bond portfolio shall be invested in securities of foreign issuers.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

| | (thousands of $) | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| Term to maturity (years) | Carrying Value | Average Effective Rates | Carrying Value | Average Effective Rates |
| Government of Canada: | | | | |
| One or less | $ - | - | $ 32,952 | 1.1% |
| After one through five | 131,141 | 1.8% | 165,337 | 1.4% |
| Canadian provincial and municipal: | | | | |
| One or less | 5,108 | 1.0% | 5,759 | 1.3% |
| After one through five | 79,441 | 1.9% | 95,548 | 1.6% |
| Canadian corporate: | | | | |
| After one through five | 20,639 | 1.4% | 146,936 | 2.0% |
| After five | 172,384 | 2.0% | 18,732 | 3.7% |
| Total bonds and debentures | $ 408,713 | | $ 465,264 | |

**Common shares**

On the basis of its analysis of the nature, characteristics and risks of its common share investments, the Corporation has determined presenting them by geography is appropriate. Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 1.9% (2012 – 2.4%).

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Corporation's common shares portfolio. As well, no one holding may represent more than 10% of the voting shares of any corporation.

**Pooled funds**

The Corporation owns units in Canadian, United States and non-North American pooled equity funds and a pooled mortgage fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

**Securities lending program**

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities, or if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian. Non-cash collateral of at least 102% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At December 31, 2013, the Corporation held collateral of $149,582,000 (2012 – $79,543,000) for the loaned securities.

**Fair value hierarchy**

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

| | 2013 Level 1 | 2013 Level 2 | 2013 Total | 2012 Level 1 | 2012 Level 2 | 2012 Total |
|---|---|---|---|---|---|---|
| | (thousands of $) | | | | | |
| Short-term investments | $ - | $ 90,737 | $ 90,737 | $ - | $ 79,632 | $ 79,632 |
| Bonds and debentures | - | 408,713 | 408,713 | - | 465,264 | 465,264 |
| Canadian common shares | 52,458 | - | 52,458 | 80,174 | - | 80,174 |
| U.S. common shares | 56,140 | - | 56,140 | 26,294 | - | 26,294 |
| Pooled funds: | | | | | | |
| Canadian equity | 19,168 | - | 19,168 | 23,595 | - | 23,595 |
| United States equity | 19,509 | - | 19,509 | 10,447 | - | 10,447 |
| Non-North American equity | 51,113 | - | 51,113 | 37,584 | - | 37,584 |
| Mortgage | - | 66,078 | 66,078 | - | 28,106 | 28,106 |
| | $ 198,388 | $ 565,528 | $ 763,916 | $ 178,094 | $ 573,002 | $ 751,096 |

The Corporation's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year, no investments were transferred between levels and the Corporation did not hold any investments classified as level 3.

## 8. PROPERTY AND EQUIPMENT

The components of the Corporation's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

| | Land | Buildings | Building Components | Computer Hardware & Other Equipment | Total |
|---|---|---|---|---|---|
| Cost: | | | (thousands of $) | | |
| At January 1, 2013 | $ 3,000 | $ 23,502 | $ 7,163 | $ 25,534 | $ 59,199 |
| Additions | - | 271 | 1,168 | 4,470 | 5,909 |
| Disposals | - | - | - | (30) | (30) |
| At December 31, 2013 | 3,000 | 23,773 | 8,331 | 29,974 | 65,078 |
| Accumulated depreciation: | | | | | |
| At January 1, 2013 | - | 6,934 | 1,644 | 18,268 | 26,846 |
| Depreciation | - | 2,368 | 645 | 2,414 | 5,427 |
| Disposals | - | - | - | (30) | (30) |
| At December 31, 2013 | - | 9,302 | 2,289 | 20,652 | 32,243 |
| Net book value at December 31, 2013 | $ 3,000 | $ 14,471 | $ 6,042 | $ 9,322 | $ 32,835 |

| | Land | Buildings | Building Components | Computer Hardware & Other Equipment | Total |
|---|---|---|---|---|---|
| Cost: | | | (thousands of $) | | |
| At January 1, 2012 | $ 3,000 | $ 23,448 | $ 6,030 | $ 21,880 | $ 54,358 |
| Additions | - | 54 | 1,133 | 3,734 | 4,921 |
| Disposals | - | - | - | (80) | (80) |
| at December 31, 2012 | 3,000 | 23,502 | 7,163 | 25,534 | 59,199 |
| Accumulated depreciation: | | | | | |
| At January 1, 2012 | - | 4,564 | 1,055 | 16,652 | 22,271 |
| Depreciation | - | 2,370 | 589 | 1,696 | 4,655 |
| Disposals | - | - | - | (80) | (80) |
| At December 31, 2012 | - | 6,934 | 1,644 | 18,268 | 26,846 |
| Net book value at December 31, 2012 | $ 3,000 | $ 16,568 | $ 5,519 | $ 7,266 | $ 32,353 |

Depreciation for the year is $5,427,000 (2012 - $4,655,000), of which $1,403,000 (2012 - $1,437,000) is charged to the Saskatchewan Auto Fund for related space usage. Depreciation is included in administrative expenses on the Consolidated Statement of Operations. When an asset has been disposed, its original cost is removed from the consolidated financial statements along with any accumulated depreciation related to that asset.

## 9. OTHER ASSETS

Other assets are comprised of the following:

| | 2013 | 2012 |
|---|---|---|
| | (thousands of $) | |
| Prepaid expenses | $ 1,358 | $ 1,424 |
| Goodwill | - | 481 |
| Total | $ 1,358 | $ 1,905 |

The Corporation performs an annual test for impairment of goodwill. In the current year, the Corporation recognized an impairment loss of $481,000 (2012 – nil) related to the Maritime cash generating unit. The Corporation recorded a write-down of the entire amount of goodwill associated with this reporting unit and recorded this expense in administrative expenses on the Consolidated Statement of Operations.

## 10. CLAIMS INCURRED AND PROVISION FOR UNPAID CLAIMS

### Net claims incurred

(thousands of $)

| | 2013 | | | 2012 (restated note 4) | | |
|---|---|---|---|---|---|---|
| | Current year | Prior years | Total | Current year | Prior years | Total |
| Gross claims incurred | $ 361,898 | $ (16,534) | $ 345,364 | $ 282,557 | $ (13,636) | $ 268,921 |
| Ceded claims incurred | (25,631) | 2,899 | (22,732) | (20,224) | (2,711) | (22,935) |
| Net claims incurred | $ 336,267 | $ (13,635) | $ 322,632 | $ 262,333 | $ (16,347) | $ 245,986 |

Current year claims relate to events that occurred in the current financial year. Prior year claims incurred relate to adjustments for the reassessment of the estimated cost for claim events that occurred in all previous financial periods.

Ceded claims incurred represent an estimate of the recoverable cost of those claims transferred to the Corporation's various reinsurers pursuant to reinsurance contracts (note 16).

**Net provision for unpaid claims**

| | 2013 | 2012 |
|---|---|---|
| | (thousands of $) | |
| Net unpaid claims, beginning of year - discounted | $ 323,636 | $ 319,459 |
| PFAD and discount, beginning of the year | (12,378) | (11,636) |
| Net unpaid claims, beginning of year - undiscounted | 311,258 | 307,823 |
| Payments made during the year relating to: | | |
| Prior year claims | (100,517) | (105,140) |
| Prior year Facility Association claims | (1,591) | (1,120) |
| Excess relating to: | | |
| Prior year estimated unpaid claims | (13,635) | (16,347) |
| Prior year estimated unpaid Facility Association claims | (198) | (82) |
| Net unpaid claims, prior years - undiscounted | 195,317 | 185,134 |
| Claims incurred during the current year | 176,316 | 124,021 |
| Provision for Facility Association claims occurring in the current year | 1,954 | 2,103 |
| Net unpaid claims, end of year - undiscounted | 373,587 | 311,258 |
| PFAD and discount, end of year | 11,542 | 12,378 |
| Net unpaid claims, end of year - discounted | $ 385,129 | $ 323,636 |

The net provision for unpaid claims of $385,129,000 (2012 - $323,636,000) consists of the gross provision for unpaid claims of $420,753,000 (2012 - $369,137,000) less unpaid claims recoverable from reinsurers of $35,624,000 (2012 - $45,501,000).

Management believes that the unpaid claims provision is appropriately established in the aggregate and is adequate to cover the ultimate net cost on a discounted basis. The determination of this provision, which includes unpaid claims, adjustment expenses and expected salvage and subrogation, requires an assessment of future claims development. This assessment takes into account the consistency of the Corporation’s claim handling procedures, the amount of information available, the characteristics of the line of business from which the claims arise and the delay inherent in claims reporting. This provision is an estimate and as such is subject to variability that may arise from future events, such as the receipt of additional claims information, changes in judicial interpretation of contracts or significant changes in frequency and severity of claims. This estimate is principally based on the Corporation’s historical experience and may be revised as additional experience becomes available. Any such changes would be reflected in the Consolidated Statement of Operations for the period in which the change occurred.

The provision for unpaid claims and unpaid claims recoverable from reinsurers are carried on a discounted basis to reflect the time value of money. In that respect, the Corporation determines the discount rate based upon the expected return of the bond investments that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 2.27% (2012 – 1.97%). The resulting carrying amount is considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

**Net unpaid claims**

| | (thousands of $) | | | | | |
|---|---|---|---|---|---|---|
| | Gross Unpaid Claims | | Reinsurance Recoverable | | Net Unpaid Claims | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Provision for reported claims, undiscounted | $ 262,796 | $ 224,326 | $ 30,835 | $ 36,108 | $ 231,961 | $ 188,218 |
| Provision for claims incurred but not reported | 144,816 | 130,516 | 3,190 | 7,476 | 141,626 | 123,040 |
| PFAD | 34,802 | 32,475 | 3,285 | 3,542 | 31,517 | 28,933 |
| Effects of discounting | (21,661) | (18,180) | (1,686) | (1,625) | (19,975) | (16,555) |
| | $ 420,753 | $ 369,137 | $ 35,624 | $ 45,501 | $ 385,129 | $ 323,636 |

**Structured settlements**

The Corporation settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the life insurers default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at December 31, 2013, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurers from which it has purchased annuities. The net present value of the scheduled payments as of the year-end date is $58,186,000 (2012 - $57,896,000). The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Corporation considers the possibility of default to be remote.

## 11. DEFERRED POLICY ACQUISITION COSTS

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Deferred policy acquisition costs, at January 1 | $ 65,357 | $ 61,325 |
| Decrease to premium deficiency | 63 | 1,344 |
| Acquisition costs deferred during the year | 121,438 | 115,586 |
| Amortization of deferred acquisition costs | (118,047) | (112,898) |
| Deferred policy acquisition costs, at December 31 | $ 68,811 | $ 65,357 |

## 12. UNEARNED PREMIUMS

(thousands of $)

| | Gross Unearned Premiums | | Reinsurer's Share of Unearned Premiums | | Net Unearned Premiums | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Unearned premiums, at January 1 | $ 275,410 | $ 264,926 | $ 12,561 | $ 11,079 | $ 262,849 | $ 253,847 |
| Premiums written | 559,395 | 531,115 | 41,768 | 39,297 | 517,627 | 491,818 |
| Premiums earned | (543,718) | (520,631) | (41,050) | (37,815) | (502,668) | (482,816) |
| Change in net unearned premiums | 15,677 | 10,484 | 718 | 1,482 | 14,959 | 9,002 |
| Unearned premiums, at December 31 | $ 291,087 | $ 275,410 | $ 13,279 | $ 12,561 | $ 277,808 | $ 262,849 |

## 13. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received equity advances from its parent, CIC, to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

**14. INVESTMENT EARNINGS**

The components of investment earnings are as follows:

| | (thousands of $) 2013 | (thousands of $) 2012 |
|---|---|---|
| Net realized gain on sale of investments | $ 20,604 | $ 2,143 |
| Net unrealized gain on change in market value of investments | 15,498 | 10,005 |
| Interest | 10,178 | 10,978 |
| Premium financing | 5,663 | 5,534 |
| Pooled fund distributions | 5,468 | 3,083 |
| Dividends | 2,437 | 2,318 |
| Total investment earnings | 59,848 | 34,061 |
| Investment expenses | (1,176) | (1,006) |
| Net investment earnings | $ 58,672 | $ 33,055 |

Details of the net unrealized gain on change in market value of investments is as follows:

| | (thousands of $) 2013 | (thousands of $) 2012 |
|---|---|---|
| Bonds and debentures | $ (3,213) | $ (2,565) |
| Canadian common shares | (1,389) | 5,706 |
| U.S. common shares | 7,340 | 180 |
| Pooled funds: | | |
| Canadian equity | 3,033 | 969 |
| United States equity | 2,426 | 904 |
| Non-North American equity | 9,008 | 5,151 |
| Mortgage | (1,707) | (340) |
| | $ 15,498 | $ 10,005 |

## 15. INCOME TAXES

The Corporation's provision (recovery) for income taxes is as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Current | $ 3,256 | $ 7,178 |
| Deferred | 1,821 | (606) |
| Income tax expense | $ 5,077 | $ 6,572 |

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes and non-controlling interest.

The reasons for the differences are as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | (restated note 4) 2012 |
| Income before income taxes and non-controlling interest | $ 44,309 | $ 88,809 |
| Combined federal and provincial tax rate | 26.74% | 26.57% |
| Computed tax expense based on combined rate | $ 11,848 | $ 23,597 |
| Increase (decrease) resulting from: | | |
| Changes to enacted tax rates | (8) | (12) |
| Non-deductible expenses for tax purposes | 29 | 31 |
| Investment earnings not subject to taxation | (6,776) | (16,956) |
| Other | (16) | (88) |
| Total income taxes | $ 5,077 | $ 6,572 |

The combined federal and provincial tax rate is calculated by taking the federal tax rate added to the tax rate of the individual provinces on a pro-rata basis. During 2013 there has been an increase in the combined tax rates to 26.74% from 26.57%, primarily as a result of an increase in the provincial rate for New Brunswick from 10% to 12% effective July 1, 2013.

All income taxes payable and/or receivable are due within one year.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

**Deferred tax asset** (thousands of $)

| | Provision for unpaid claims | Other | Total |
|---|---|---|---|
| At January 1, 2012 | $ 4,125 | $ 23 | $ 4,148 |
| Credit (charge) reflected in income tax expense | 561 | (3) | 558 |
| At December 31, 2012 | 4,686 | 20 | 4,706 |
| Charge reflected in income tax expense | (1,734) | (9) | (1,743) |
| At December 31, 2013 | $ 2,952 | $ 11 | $ 2,963 |

**Deferred tax liability** (thousands of $)

| | Unpaid claims recoverable from reinsurers | Investments | Total |
|---|---|---|---|
| At January 1, 2012 | $ 219 | $ 843 | $ 1,062 |
| Charge (credit) reflected in income tax expense | (73) | 25 | (48) |
| At December 31, 2012 | 146 | 868 | 1,014 |
| Charge (credit) reflected in income tax expense | (54) | 132 | 78 |
| At December 31, 2013 | $ 92 | $ 1,000 | $ 1,092 |

The Corporation expects that the deferred tax asset will be realized in the normal course of operations.

## 16. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Corporation has established an enterprise risk management policy. The Board of Directors approved this policy, and management is responsible for ensuring it is properly maintained and implemented. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting from management.

Insurance risk arises with respect to the adequacy of the Corporation’s insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also result in significant financial risks, as the Corporation's Statement of Financial Position consists primarily of financial instruments. The financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

## Insurance risk

### Underwriting risk

The Corporation manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

*Diversification*

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written:

| | | | (thousands of $) | | |
|---|---|---|---|---|---|
| December 31, 2013 | Automobile | Personal Property | Commercial Property | Liability | Total |
| Saskatchewan | $ 145,303 | $ 174,699 | $ 44,187 | $ 35,606 | $ 399,795 |
| Manitoba | - | 10,318 | 4,079 | 2,659 | 17,056 |
| Alberta | 36,983 | 13,006 | 4,255 | 4,790 | 59,034 |
| Ontario | 44,160 | 6,695 | 3,925 | 2,669 | 57,449 |
| Maritimes | 17,129 | 3,883 | 3,090 | 1,959 | 26,061 |
| Total | $ 243,575 | $ 208,601 | $ 59,536 | $ 47,683 | $ 559,395 |

| | (thousands of $) | | | | |
|---|---|---|---|---|---|
| December 31, 2012 | Automobile | Personal Property | Commercial Property | Liability | Total |
| Saskatchewan | $ 135,235 | $ 164,827 | $ 43,029 | $ 35,980 | $ 379,071 |
| Manitoba | - | 10,888 | 3,822 | 2,561 | 17,271 |
| Alberta | 29,797 | 10,070 | 3,438 | 4,232 | 47,537 |
| Ontario | 48,217 | 7,892 | 3,398 | 2,568 | 62,075 |
| Maritimes | 16,506 | 4,062 | 2,819 | 1,774 | 25,161 |
| Total | $ 229,755 | $ 197,739 | $ 56,506 | $ 47,115 | $ 531,115 |

The concentration of insurance risk by line of business is summarized below by reference to unpaid claims liabilities:

| | (thousands of $) | | | | | |
|---|---|---|---|---|---|---|
| | Gross | | Reinsurance Recoverable | | Net | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Automobile | $ 209,811 | $193,784 | $ 10,849 | $ 20,357 | $ 198,962 | $ 173,427 |
| Personal property | 101,787 | 70,843 | 10,917 | 14,078 | 90,870 | 56,765 |
| Commercial property | 27,229 | 17,197 | 8,818 | 5,239 | 18,411 | 11,958 |
| Liability | 54,720 | 59,274 | 3,441 | 3,910 | 51,279 | 55,364 |
| Assumed | 7,689 | 7,740 | - | - | 7,689 | 7,740 |
| PFAD and discounting | 13,141 | 14,295 | 1,599 | 1,917 | 11,542 | 12,378 |
| Facility Association | 6,376 | 6,004 | - | - | 6,376 | 6,004 |
| Total | $ 420,753 | $369,137 | $ 35,624 | $ 45,501 | $ 385,129 | $ 323,636 |

The concentration of insurance risk by region is summarized below by reference to unpaid claims liabilities:

(thousands of $)

| | Gross | | Reinsurance Recoverable | | Net | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Alberta | $ 49,002 | $ 31,906 | $ 5,946 | $ 4,341 | $ 43,056 | $ 27,565 |
| Saskatchewan | 221,117 | 191,040 | 14,577 | 20,365 | 206,540 | 170,675 |
| Manitoba | 6,130 | 6,830 | 814 | 582 | 5,316 | 6,248 |
| Ontario | 122,939 | 120,549 | 13,687 | 19,923 | 109,252 | 100,626 |
| Maritimes | 21,565 | 18,812 | 600 | 290 | 20,965 | 18,522 |
| Total | $ 420,753 | $ 369,137 | $ 35,624 | $ 45,501 | $ 385,129 | $ 323,636 |

*Reinsurance*

The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss as follows:

(thousands of $)

| | 2013 | 2012 |
|---|---|---|
| Dwelling and farm property | $ 750 | $ 750 |
| Unlicensed vehicles | 750 | 750 |
| Commercial property | 1,000 | 1,000 |
| Automobile and general liability | 1,500 | 1,500 |
| (subject to filling an annual aggregate deductible of) | 1,500 | 1,500 |
| Property catastrophe (health care) | 7,500 | 7,500 |
| Property catastrophe (non-health care) | 12,500 | 10,000 |

While the Corporation utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

The following table sets out the amount by which reinsurance ceded has reduced (increased) the premiums earned, claims incurred, commissions, premium taxes and administrative expenses:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Premiums earned | $ 48,312 | $ 37,815 |
| Claims incurred | 22,732 | 22,935 |
| Commissions and premium taxes | 5,752 | 5,176 |
| Administrative expenses | (1,079) | (999) |

**Actuarial risk**

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the year-end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

The following table shows the development of the estimated net provision for unpaid claims relative to the current estimate of ultimate claim costs for the seven most recent accident years as estimated at each reporting date.

(thousands of $)

| Accident Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Net ultimate loss | | | | | | | |
| At end of accident year | $ 177,379 | $ 184,394 | $ 197,049 | $ 241,557 | $ 272,800 | $ 239,569 | $ 306,483 |
| One year later | 176,137 | 178,233 | 188,851 | 237,473 | 265,460 | 233,007 | |
| Two years later | 171,591 | 175,654 | 185,368 | 234,864 | 259,579 | | |
| Three years later | 169,744 | 173,824 | 181,901 | 234,631 | | | |
| Four years later | 168,734 | 171,653 | 181,065 | | | | |
| Five years later | 166,942 | 171,837 | | | | | |
| Six years later | 166,950 | | | | | | |
| Cumulative loss development | $ (10,429) | $ (12,557) | $ (15,984) | $ (6,926) | $ (13,221) | $ (6,562) | n/a |
| Cumulative loss development as a % of original ultimate loss | -5.9% | -6.8% | -8.1% | -2.9% | -4.8% | -2.7% | n/a |

(thousands of $)

| Accident Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|---|---|---|
| Current estimate of net ultimate loss | 166,950 | 171,837 | 181,065 | 234,631 | 259,579 | 233,007 | 306,483 | 1,553,552 |
| Cumulative paid | (160,514) | (164,873) | (167,959) | (215,778) | (230,966) | (187,461) | (145,539) | (1,273,090) |
| Net provision for unpaid claims for the seven most recent accident years | $ 6,436 | $ 6,964 | $ 13,106 | $ 18,853 | $ 28,613 | $ 45,546 | $ 160,944 | $ 280,462 |
| Net undiscounted claims outstanding for accident years 2006 and prior | | | | | | | | 37,208 |
| Internal reinsurance to subsidiaries | | | | | | | | 28,741 |
| Provision for adverse deviation and discounting | | | | | | | | 11,542 |
| Loss adjusting expense reserve | | | | | | | | 10,441 |
| Gross subrogation recoveries | | | | | | | | 7,622 |
| Unpaid Facility Association claims | | | | | | | | 6,376 |
| Other reconciling items | | | | | | | | 1,889 |
| Health levies | | | | | | | | 848 |
| Net provision for unpaid claims | | | | | | | | $ 385,129 |

The Corporation’s estimated sensitivity of its provision for unpaid claims and net income to changes in best estimate assumptions in the insurance contract liabilities is as follows:

| (thousands of $) | | Change to Net Provision for Unpaid Claims | | Change to Net Income | |
|---|---|---|---|---|---|
| Assumption | Sensitivity | 2013 | 2012 | 2013 | 2012 |
| Discount rate | +100 bps | $ (9,172) | $ (8,840) | $ (5,174) | $ (3,015) |
| Discount rate | - 100 bps | 9,172 | 8,840 | 5,174 | 3,015 |
| Net loss ratio | + 10% | 52,544 | 50,623 | (52,544) | (50,623) |
| Misestimate | 1% deficiency | 3,675 | 3,058 | (3,675) | (3,058) |

The net provision for unpaid claims refers to the provision for unpaid claims net of unpaid claims recoverable from reinsurers. The method used for deriving this sensitivity information did not change from the prior period.

**Financial risk**

The nature of the Corporation's operations result in a Consolidated Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Corporation’s investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation’s Board of Directors. The SIP&G provides guidelines to the investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers’ performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in the SIP&G.

**Credit risk**

The Corporation’s credit risk arises primarily from two distinct sources: accounts receivable (from its customers, brokers and reinsurers) and certain investments.

The maximum credit risk to which the Corporation is exposed is limited to the carrying value of the financial assets summarized as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Cash and cash equivalents | $ 42,608 | $ 13,854 |
| Accounts receivable | 159,361 | 146,265 |
| Fixed income investments [1] | 565,528 | 573,002 |
| Unpaid claims recoverable from reinsurers | 35,624 | 45,501 |

1 Includes short-term investments, bonds and debentures, and the mortgage pooled fund

In addition, the Corporation is exposed to credit risk associated with its structured settlements as described separately in the notes to the consolidated financial statements.

Cash and cash equivalents include money market investments of $52,105,000 less bank overdraft, net of outstanding cheques of $9,497,000 (2012 – money market investments of $19,578,000 less bank overdraft, net of outstanding cheques of $5,724,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable consist of balances outstanding for one year or less.

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Current | $ 158,365 | $ 144,440 |
| 30 - 59 days | 553 | 834 |
| 60 - 90 days | 307 | 188 |
| Greater than 90 days | 5,858 | 6,436 |
| Subtotal | 165,083 | 151,898 |
| Allowance for doubtful accounts | (5,722) | (5,633) |
| Total | $ 159,361 | $ 146,265 |

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| Allowance for doubtful accounts, at January 1 | $ 5,633 | $ 5,126 |
| Accounts written off | (1,698) | (1,814) |
| Current period provision | 1,787 | 2,321 |
| Allowance for doubtful accounts, at December 31 | $ 5,722 | $ 5,633 |

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Corporation of its primary obligation to the policyholder. Reinsurers are typically all required to have a minimum financial strength rating of A- at the inception of the treaty; rating agencies used are A.M.Best and Standard & Poor's. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage pooled fund. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bond and debenture investments are as follows:

| | (thousands of $) 2013 | | 2012 | |
|---|---|---|---|---|
| Credit Rating | Fair Value | Makeup of Portfolio | Fair Value | Makeup of Portfolio |
| AAA | $ 137,268 | 33.6% | $ 214,126 | 46.0% |
| AA | 131,020 | 32.0% | 137,751 | 29.6% |
| A | 100,830 | 24.7% | 91,048 | 19.6% |
| BBB | 39,595 | 9.7% | 22,339 | 4.8% |
| Total | $ 408,713 | 100.0% | $ 465,264 | 100.0% |

Within bond and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The unit value of the mortgage pooled fund is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

**Market risk**

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the mortgage pooled fund. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

| | (thousands of $) | | | |
|---|---|---|---|---|
| | 100 basis point increase | | 100 basis point decrease | |
| | 2013 | 2012 | 2013 | 2012 |
| Investment earnings | $ (14,346) | $ (11,855) | $ 14,346 | $ 11,855 |
| Claims incurred | (9,172) | (8,840) | 9,172 | 8,840 |
| Net income | (5,174) | (3,015) | 5,174 | 3,015 |

Foreign exchange risk

The Corporation is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. equity investments, purchases of goods and services that are denominated in U.S. dollars, and a portion of claims and reinsurance receivables and payables denominated in U.S. dollars. Also, the Corporation is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in the non-North American pooled fund. Exposure to U.S. equities and non-North American equities is limited to a maximum of 14% and 9%, respectively, of the market value of the total investment portfolio. At December 31, 2013, the Corporation’s exposure to U.S. equities was 9.9% (2012 – 4.9%) and its exposure to non-North American equities was 6.7% (2012 – 5.0%).

At December 31, 2013, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $7,600,000 (2012 - $3,700,000) decrease/increase in net income and retained earnings. A 10% appreciation/depreciation in the Canadian dollar versus the EAFE currencies would result in approximately a $5,100,000 (2012 - $3,800,000) decrease/increase in net income and retained earnings. As U.S. common shares, the U.S. equity pooled fund and the non-North American equity pooled fund are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income.

There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 26.0% (2012 – 23.7%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

| Asset class | 2013 | 2012 |
|---|---|---|
| Canadian equities | $ +/- 20,199 | $ +/- 36,319 |
| U.S. equities | +/- 21,182 | +/- 8,891 |
| Non-North American equities | +/- 15,232 | +/- 12,252 |

The Corporation's equity investments are classified as fair value through profit and loss and as such, any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

**Liquidity risk**

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from its investing activities.

The following tables summarize the estimated contractual timings of cash flows on an undiscounted basis arising from the Corporation's financial assets and liabilities at December 31:

| (thousands of $) | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | No stated maturity | 0 - 6 months | 7 - 12 months | 1 - 2 years | 3 - 5 years | More than 5 years |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | $ - | $ 42,608 | $ - | $ - | $ - | $ - |
| Accounts receivable | - | 99,742 | 52,033 | 2,087 | 3,023 | 2,476 |
| Investments | 264,466 | 95,518 | 20,966 | 83,747 | 299,219 | - |
| Unpaid claims recoverable from reinsurers | - | 11,389 | 5,997 | 5,887 | 7,476 | 3,276 |
| | $ 264,466 | $ 249,257 | $ 78,996 | $ 91,721 | $ 309,718 | $ 5,752 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | $ 53,108 | $ 10,415 | $ - | $ - | $ - | $ - |
| Dividend payable | - | 9,925 | - | - | - | - |
| Premium taxes payable | - | 21,886 | - | - | - | - |
| Amounts due to reinsurers | - | 9,672 | 30 | - | - | - |
| Provision for unpaid claims | - | 126,648 | 62,676 | 60,745 | 93,797 | 63,746 |
| | 53,108 | 178,546 | 62,706 | 60,745 | 93,797 | 63,746 |
| Finance lease commitment | - | 410 | 479 | 946 | 2,112 | - |
| | $ 53,108 | $ 178,956 | $ 63,185 | $ 61,691 | $ 95,909 | $ 63,746 |

| (thousands of $) | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | No stated maturity | 0 - 6 months | 7 - 12 months | 1 - 2 years | 3 - 5 years | More than 5 years |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | $ - | $ 13,854 | $ - | $ - | $ - | $ - |
| Accounts receivable | - | 95,072 | 45,197 | 1,516 | 2,266 | 2,214 |
| Investments | 206,200 | 114,351 | 3,991 | 47,831 | 359,991 | 18,732 |
| Unpaid claims recoverable from reinsurers | - | 14,660 | 7,386 | 7,255 | 9,929 | 4,354 |
| | $ 206,200 | $ 224,083 | $ 56,574 | $ 56,602 | $ 372,186 | $ 25,300 |
| **Financial liabilities** | | | | | | |
| Accounts payable and accrued liabilities | $ 42,339 | $ 27,261 | $ - | $ - | $ - | $ - |
| Dividends payable | - | 41,993 | | | | |
| Premium taxes payable | - | 20,505 | - | - | - | - |
| Amounts due to reinsurers | - | 9,193 | 57 | - | - | - |
| Provision for unpaid claims | - | 95,410 | 50,109 | 54,845 | 91,172 | 63,306 |
| | 42,339 | 194,362 | 50,166 | 54,845 | 91,172 | 63,306 |
| Finance lease commitment | - | 1,284 | 1,284 | 388 | 883 | - |
| | $ 42,339 | $ 195,646 | $ 51,450 | $ 55,233 | $ 92,055 | $ 63,306 |

The estimated contractual maturities related to the unpaid claims recoverable from reinsurers excludes the net effect of discounting and PFAD of $1,599,000 (2012- $1,917,000) (note 10). The estimated contractual maturities related to the provision for unpaid claims excludes the net effect of discounting and PFAD of $13,141,000 (2012- $14,295,000) (note 10).

## 17. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the period.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

SGI CANADA is not a regulated insurer; however, its subsidiaries, SGI CANADA Insurance Services Ltd., Coachman Insurance Company and The Insurance Company of Prince Edward Island, are subject to rate regulation related to their automobile premiums. Regulators require insurers to maintain a level of capital sufficient to achieve an MCT of 150% or higher based on the risk profile of the insurer and its business. There have been no changes to the Corporation's capital management processes and measures since the prior year-end. SGI CANADA and each of its subsidiaries, maintain MCT's greater than 150%.

## 18. CHANGE IN NON-CASH OPERATING ITEMS

The change in non-cash operating items is comprised of the following:

| | (thousands of $) | |
|---|---|---|
| | 2013 | (restated note 4) 2012 |
| Accounts receivable | $ (13,096) | $ (1,015) |
| Unpaid claims recoverable from reinsurers | 9,877 | 9,099 |
| Reinsurers' share of unearned premiums | (718) | (1,482) |
| Deferred policy acquisition costs | (3,454) | (4,032) |
| Other assets | 66 | (243) |
| Accounts payable and accrued liabilities | (6,077) | 14,868 |
| Premium taxes payable | 1,381 | 444 |
| Amounts due to reinsurers | 452 | (227) |
| Unearned reinsurance commissions | 325 | 482 |
| Unearned premiums | 15,677 | 10,484 |
| Provision for unpaid claims | 51,616 | (4,922) |
| | $ 56,049 | $ 23,456 |

## 19. EMPLOYEE SALARIES AND BENEFITS

The Corporation incurs salaries costs, retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefits costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the Consolidated Statement of Operations.

The total salary and benefits expenses incurred during the year are as follows:

| | (thousands of $) | |
|---|---|---|
| | | (restated note 4) |
| | 2013 | 2012 |
| Salaries | $ 122,587 | $ 115,192 |
| Defined contribution pension plan | 6,795 | 6,552 |
| Defined benefit pension plan | 227 | 238 |
| Defined benefit service recognition plans | 1,130 | 1,002 |
| Other benefits | 17,285 | 16,338 |
| Total salaries and benefits | 148,024 | 139,322 |
| Less: Allocation to Saskatchewan Auto Fund | (91,420) | (85,766) |
| Salaries and benefits incurred in SGI CANADA | $ 56,604 | $ 53,556 |

**Defined contribution pension plan**

The Corporation has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan.

**Defined benefit pension plan**

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2010. The next valuation is anticipated to have a valuation date of December 31, 2013.

Results from the latest valuation have been projected to December 31, 2013. The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

The major assumptions used in the valuation, are as follows:

| Economic assumptions: | 2013 | 2012 |
|---|---|---|
| Discount rate - beginning of period | 3.60% | 4.20% |
| Discount rate - end of period | 4.30% | 3.60% |
| Inflation rate | 2.50% | 2.50% |
| Expected salary increase | 2.50% | 2.50% |
| Remaining service life of active members in years (EARSL) | 2 | 2 |
| Last actuarial valuation | Dec. 31/10 | Dec. 31/10 |

Changes in the assumptions would impact the accrued benefit obligation as follows:

| | 1% Increase | 1% Decrease |
|---|---|---|
| Discount rate | (2,886) | 3,453 |
| Inflation rate | (21) | 28 |
| Post-retirement indexing | 814 | n/a |

The weighted average duration of the accrued benefit obligation is 8.9 years.

The asset allocation of the defined benefit pension plan assets is as follows:

| | | Per cent of Plan Assets at December 31 | |
|---|---|---|---|
| Asset Category | Target Range | 2013 | 2012 |
| Short-term investments | 0 - 8% | 1% | 1% |
| Bonds and debentures | 55 - 65% | 58% | 60% |
| Canadian equities | 10 - 20% | 17% | 16% |
| U.S. equities | Total foreign | 12% | 11% |
| Non-North American equities | 17 - 27% | 12% | 12% |

The movements in the defined benefit obligation are as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| **Accrued benefit obligation** | | |
| Accrued benefit obligation, at January 1 | $ 37,719 | $ 37,307 |
| Current service cost | 67 | 98 |
| Interest cost | 1,309 | 1,503 |
| Benefits paid | (2,747) | (3,050) |
| Actuarial loss (gain) on discount rate assumption changes | (2,110) | 1,841 |
| Actuarial loss on mortality assumption changes | 1,440 | - |
| Actuarial loss arising from plan member experience | - | 20 |
| Accrued benefit obligation, at December 31 | $ 35,678 | $ 37,719 |

The movements in the fair value of pension plan assets are as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| **Plan assets** | | |
| Fair value of plan assets, at January 1 | $ 33,536 | $ 34,067 |
| Interest income | 1,132 | 1,336 |
| Return on plan assets, excluding interest income | 1,096 | 1,062 |
| Employer contributions | 36 | 70 |
| Employee contributions | 17 | 27 |
| Benefits paid | (2,747) | (3,026) |
| Fair value of plan assets, at December 31 | $ 33,070 | $ 33,536 |
| Accrued pension liability | $ 2,608 | $ 4,183 |

**Pension expense**

Defined Benefit

| | (thousands of $) | |
|---|---|---|
| | | (restated note 4) |
| | 2013 | 2012 |
| Current service cost | $ 50 | $ 71 |
| Interest cost | 177 | 167 |
| Pension expense | $ 227 | $ 238 |

During the year, $140,000 of the pension expense (2012 - $134,000 of pension expense) was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $87,000 of pension expense (2012 - $84,000 of pension expense) in administrative expenses on the Consolidated Statement of Operations.

The Corporation expects $19,000 in contributions to be paid to its defined benefit plans in 2014.

**Defined benefit service recognition plans**

Current service costs of the service recognition plans are charged to operations on the basis of actuarial valuations performed annually. The actuarial valuations are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimates, therefore, involve risks that the actual amount may differ materially from the estimate. Significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at December 31 are:

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 3.8 - 4.0% | 3.2 - 3.3% |
| Expected salary increase | 3.50% | 3.50% |
| Inflation rate | 2.50% | 2.50% |
| Termination rate | 2.50% | 2.50% |
| EARSL - management | 9 | 9 |
| EARSL - in-scope | 9 | 9 |

Changes in the assumptions would impact the accrued benefit obligation as follows:

| | 1% Increase | 1% Decrease |
|---|---|---|
| Discount rate | (965) | 1,097 |
| Expected salary increase | 1,094 | (978) |
| Inflation rate | 3 | (3) |
| Termination rate | (368) | 410 |

The weighted average duration of the accrued benefit obligation is 5.1 years.

Information about the defined benefit service recognition plans is as follows:

| | (thousands of $) 2013 | 2012 |
|---|---|---|
| **Accrued benefit obligation** | | |
| Accrued benefit obligation, at January 1 | $ 21,765 | $ 21,238 |
| Current service cost | 241 | 226 |
| Interest cost | 662 | 776 |
| Benefits paid | (2,089) | (1,237) |
| Experience loss (gain) | (367) | 762 |
| Accrued benefit obligation, at December 31 | $ 20,212 | $ 21,765 |

Pension expense for the defined benefit service recognition plan is as follows:

| | | |
|---|---|---|
| Current service cost | $ 241 | $ 226 |
| Interest cost | 662 | 776 |
| Pension expense | $ 903 | $ 1,002 |

During the year, $558,000 of the pension expense (2012 - $616,000) was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $345,000 of pension expense (2012 - $386,000) in administrative expenses on the Consolidated Statement of Operations.

The Corporation incurs retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it. These amounts are recovered by the Corporation as part of its cost allocation process.

Measurement uncertainty exists in valuing the components of both the defined benefit pension plan and service recognition plans. Each assumption is determined by management based on current market conditions and plan experience information available at the time, however, the long-term nature of the exposure and future fluctuations in the actual results makes the valuations uncertain.

The accrued benefit obligation of $22,820,000 is included in accounts payable and accrued liabilities.

## 20. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). All transactions are settled at prevailing market prices under normal trade terms. The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures,* which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

The Corporation acts as administrator of the Saskatchewan Auto Fund. Administrative and loss adjustment expenses incurred by the Corporation are allocated to the Saskatchewan Auto Fund directly or on the basis of specific allocations. Amounts incurred by the Corporation and charged to the Saskatchewan Auto Fund were $138,232,000 (2012 - $130,775,000) and accounts payable were $6,308,000 (2012 –$8,580,000).

All transactions with the defined benefit pension plan, the defined contribution pension plan and the defined benefit service recognition plans are related party transactions by virtue of the plans being created for the benefit of the Corporation’s employees.

**Key management personnel**

Key management personnel are those persons having authority over the planning, directing and controlling activities of the company, and include Board members, President and Chief Executive Officer, and Vice Presidents of the Corporation. Key management personnel compensation is comprised of:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Salaries and benefits | $ 3,725 | $ 3,263 |
| Post-employment benefits | 39 | 39 |
| Contributions to defined contribution plan | 223 | 213 |
| | $ 3,987 | $ 3,515 |

During the year, $2,536,000 of the key management personnel expenses (2012 - $2,162,000) was allocated to the Saskatchewan Auto Fund.

Certain Board members are partners in organizations that provided $nil (2012 – $11,000) of professional services to the Corporation. These services were recorded in claims incurred and administrative expenses in the Consolidated Statement of Operations. In addition, one board member owns an organization that sells insurance policies of the Corporation. Premiums written during the year from this organization amounted to $5,381,000 (2012 – $4,976,000) and the associated accounts receivable at December 31, 2013, was $825,000 (2012 – $819,000). Commissions paid were $1,066,000 (2012 – $1,028,000). The above noted transactions are routine operating transactions in the normal course of business.

The Corporation is committed to a related party until 2015 for telecommunications contracts. At December 31, 2013, the remaining commitment is $4,227,000 (2012 - $2,096,000).

Other related party transactions are described separately in the notes to the consolidated financial statements.

## 21. FACILITY ASSOCIATION PARTICIPATION

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

Facility Association transactions recorded in the Corporation's financial results are as follows:

| | (thousands of $) | |
|---|---|---|
| | 2013 | 2012 |
| Gross premiums written | $ 4,544 | $ 4,889 |
| Net premiums earned | $ 4,583 | $ 4,671 |
| Claims incurred | 3,184 | 3,385 |
| Commissions | 154 | 301 |
| Premium taxes | 143 | 146 |
| Administrative expenses | 953 | 1,076 |
| Total claims and expenses | 4,434 | 4,908 |
| Underwriting income (loss) | 149 | (237) |
| Investment earnings | 158 | 110 |
| Net incme (loss) | $ 307 | $ (127) |
| Facility Association receivable | $ 4,377 | $ 4,168 |
| Unearned premiums | 1,987 | 2,016 |
| Facility Association payable | 3,504 | 3,504 |
| Provision for unpaid claims | 6,376 | 6,004 |

## 22. SELECT OPERATING INFORMATION

The Corporation provides property and casualty insurance directly in Saskatchewan, and through subsidiaries operating in Manitoba and Alberta, Ontario and the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). The performance of each subsidiary is reported separately to the Corporation's Board of Directors.

The product offerings vary across the jurisdictions, but all products offered are considered property and casualty insurance.

(thousands of $)

| 2013 | Saskatchewan | Manitoba and Alberta | Ontario | Maritimes | Consolidation Adjustments | Total |
|---|---|---|---|---|---|---|
| Net premiums written | $ 371,963 | $ 70,606 | $ 50,923 | $ 24,135 | $ - | $ 517,627 |
| Net premiums earned | 361,655 | 64,391 | 52,879 | 23,743 | - | 502,668 |
| Claims incurred | 228,441 | 49,245 | 30,194 | 14,752 | - | 322,632 |
| Other expenses | 149,237 | 21,488 | 15,216 | 8,458 | - | 194,399 |
| Underwriting profit (loss) | (16,023) | (6,342) | 7,469 | 533 | - | (14,363) |
| Investment earnings | 41,132 | 6,368 | 9,736 | 1,436 | - | 58,672 |
| Income before income taxes | 25,109 | 26 | 17,205 | 1,969 | - | 44,309 |
| Income tax expense | - | 35 | 4,475 | 567 | - | 5,077 |
| Net income (loss) | $ 25,109 | $ (9) | $ 12,730 | $ 1,402 | $ - | $ 39,232 |
| Total assets | $ 845,826 | $ 252,231 | $ 215,097 | $ 55,527 | $ (247,926) | $ 1,120,755 |
| Total liabilities | $ 550,392 | $ 129,759 | $ 158,949 | $ 40,371 | $ (57,164) | $ 822,307 |
| Shareholder's equity | $ 295,434 | $ 122,472 | $ 56,148 | $ 15,156 | $ (190,762) | $ 298,448 |

(thousands of $)

| (restated note 4) 2012 | Saskatchewan | Manitoba and Alberta | Ontario | Maritimes | Consolidation Adjustments | Total |
|---|---|---|---|---|---|---|
| Net premiums written | $ 352,462 | $ 60,418 | $ 55,715 | $ 23,223 | $ - | $ 491,818 |
| Net premiums earned | 345,839 | 55,624 | 58,880 | 22,473 | - | 482,816 |
| Claims incurred | 167,572 | 31,002 | 36,707 | 10,705 | - | 245,986 |
| Other expenses | 137,367 | 19,592 | 15,969 | 8,148 | - | 181,076 |
| Underwriting profit | 40,900 | 5,030 | 6,204 | 3,620 | - | 55,754 |
| Investment earnings | 22,661 | 3,235 | 6,202 | 957 | - | 33,055 |
| Income before income taxes | 63,561 | 8,265 | 12,406 | 4,577 | - | 88,809 |
| Income tax expense | - | 2,113 | 3,152 | 1,307 | - | 6,572 |
| Net income | $ 63,561 | $ 6,152 | $ 9,254 | $ 3,270 | $ - | $ 82,237 |
| Total assets | $ 814,475 | $ 210,217 | $ 213,910 | $ 51,926 | $ (216,930) | $1,073,598 |
| Total liabilities | $ 534,955 | $ 102,007 | $ 160,492 | $ 37,860 | $ (44,391) | $ 790,923 |
| Shareholder's equity | $ 279,519 | $ 108,210 | $ 53,418 | $ 14,066 | $ (172,538) | $ 282,675 |

## 23. CONTINGENCIES

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operations of the Corporation.

**Auto Fund Administrative Expenses, LAE & Traffic Safety**

| | 2011 | 2012 | 2013 | Budget 2014 | 2014-2013 Change | Note |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | |
| Wages & Salaries | 66,843,104 | 69,162,436 | 74,207,098 | 76,970,295 | 2,763,197 | 1) |
| Benefits | 11,547,233 | 12,555,672 | 12,891,641 | 13,183,042 | 291,401 | |
| Pensions | 3,857,454 | 4,073,722 | 4,224,413 | 4,422,656 | 198,243 | |
| Advertising | 158,092 | 407,492 | 533,004 | 619,952 | 86,948 | |
| Amortization Costs | 2,265,714 | 2,606,450 | 2,841,241 | 3,146,264 | 305,023 | |
| Building Rehabilitation | 2,005,364 | 2,304,669 | 2,265,069 | 2,320,976 | 55,907 | |
| Data Processing | 12,398,531 | 11,630,189 | 11,238,238 | 10,096,235 | -1,142,003 | 2) |
| Drinking and Driving Awareness | 2,654,809 | 2,658,717 | 2,833,010 | 2,814,143 | -18,867 | |
| Driver Education | 2,495,022 | 6,368,769 | 6,768,741 | 8,862,216 | 2,093,475 | 3) |
| Employee Training | 1,570,799 | 1,733,093 | 1,709,384 | 2,366,534 | 657,150 | 4) |
| External Services | 3,790,369 | 3,594,804 | 4,241,111 | 13,732,628 | 9,491,517 | 5) |
| Insurance | 404,965 | 432,266 | 406,921 | 427,835 | 20,914 | |
| Issuer Bank Charges | 4,009,517 | 4,203,255 | 4,845,196 | 5,779,014 | 933,818 | 6) |
| License Plates | 832,712 | 867,050 | 686,126 | 770,508 | 84,382 | |
| Material and Supplies | 707,277 | 708,424 | 780,603 | 827,936 | 47,333 | |
| Postage | 2,684,147 | 3,590,800 | 3,464,536 | 3,974,642 | 510,106 | 7) |
| Safety Awareness | 3,411,208 | 861,168 | 476,445 | 2,618,654 | 2,142,209 | 8) |
| Tools and Equipment | 164,547 | 178,377 | 186,244 | 202,327 | 16,083 | |
| Travel (including vehicle costs) | 1,969,159 | 2,054,103 | 2,143,871 | 2,066,532 | -77,339 | |
| Other Expenses | 346,826 | 752,535 | 1,456,211 | 459,285 | -996,926 | |
| | 124,116,849 | 130,743,991 | 138,199,105 | 155,661,674 | 17,462,569 | |

**Notes:**

1) Wages and Salaries increased due to economic increases, step unionized increments, merit (management)
2) In 2013, Data Processing included one time upgrades to computers at issuing offices across the province.
3) Driver Education has increased due to additional First Nations Funding, and increased costs in High School funding.
4) Employee Training increases due to timing of training programs deferred to 2014 combined with new customer communication and service training.
5) The increase in External Services is due to the Policing Pilot, and Government Traffic Safety recommendations.
6) The increase in issuer bank charges is related to a continued increase in credit card usage by the Auto Fund's customers, specifically as the use of MySGI increases.
7) Postage increased due to anticipated volume in rate increases for 2014.
8) Safety Awareness has increased for new motorcycle advertising, expanding photo radar, driver distraction and multi media campaign and reinstatement of the Report Impaired Driving (RID) funding.

Documentation for Information Request #88

## Saskatchewan Auto Fund Capital Improvements Spending - 2013 Actual vs Budget

| Building | Actual Capital Purchases 2013 | Budget Capital Purchases 2013 | $ Variance |
|---|---|---|---|
| North Battleford Claims | $ 16,067 | $ - | $ 16,067 |
| Regina NW Claims | 4,161 | - | 4,161 |
| Regina Operations Centre (ROC) | 30,995 | - | 30,995 |
| Prince Albert Claims | - | - | - |
| Swift Current Claims | 805,278 | 1,100,000 | (294,722) |
| Weyburn Claims | - | - | - |
| Lloydminster Claims | - | - | - |
| Saskatoon Salvage | - | - | - |
| Yorkton Claims | - | - | - |
| Saskatoon East Claims | 819,642 | 1,600,000 | (780,358) |
| Saskatoon West Claims | 836,791 | 1,400,000 | (563,209) |
| Tisdale Claims | 24,982 | - | 24,982 |
| Regina East Claims | - | - | - |
| Weyburn Claims | - | - | - |
| Meadow Lake Claims | - | - | - |
| Saskatoon Central Claims | - | - | - |
| Estevan Claims Centre | 26,395 | 1,000,000 | (973,605) |
| Fleet Street Salvage | (3,250) | - | (3,250) |
| Saskatoon Salvage | - | - | - |
| North Battleford Salvage | - | - | - |
| Yorkton Salvage | - | - | - |
| Regina South Claims | - | 60,000 | (60,000) |
| Saskatoon North | 224,380 | - | 224,380 |
| | 2,785,441 | 5,160,000 | (2,374,559) |
| Information Technology | 1,696,835 | 2,153,400 | (456,565) |
| Other Equipment & Vehicles | 1,484,011 | 721,000 | 763,011 |
| **Total** | **$ 5,966,287** | **$ 8,034,400** | **$ (2,068,113)** |

**Question #89**
**Impact of Capital Spending on 2014 Depreciation**

| Building | Auto Fund 2013 Actual Dep'n | Auto Fund 2014 Budget Dep'n | Change 2014 Budget vs. 2013 Actual |
|---|---|---|---|
| Saskatoon North - Bldg | $ 144,057 | $ 173,321 | $ 29,264 |
| Regina North West Claims -Bldg | 64,442 | 64,449 | 7 |
| Regina East Claims -Bldg | 75,010 | 75,010 | - |
| Regina South Claims -Bldg | 46,955 | 46,955 | - |
| Regina Fleet St Centre - Bldg | 238,412 | 241,896 | 3,483 |
| Regina Operations Centre - Bldg | 44,636 | 49,003 | 4,366 |
| Saskatoon Central Claims -Bldg | 79,441 | 81,444 | 2,004 |
| Saskatoon East Claims -Bldg | 34,857 | 72,250 | 37,392 |
| Saskatoon West Claims -Bldg | 46,197 | 75,594 | 29,398 |
| Moose Jaw Claims -Bldg | 31,599 | 31,636 | 37 |
| Swift Current Claims -Bldg | 149,684 | 246,603 | 96,919 |
| North Battleford Claims -Bldg | 200,969 | 199,899 | (1,070) |
| Prince Albert Claims -Bldg | 23,409 | 23,409 | (0) |
| Tisdale Claims -Bldg | 132,447 | 131,790 | (657) |
| Weyburn Claims -Bldg | 55,723 | 55,723 | - |
| Estevan Claims -Bldg | 11,291 | 10,703 | (588) |
| Lloydminster Claims -Bldg | 44,846 | 44,846 | - |
| Kindersley Claims -Bldg | 11,910 | 11,910 | (0) |
| Meadow Lake Claims -Bldg | 73,932 | 73,932 | - |
| Yorkton Salvage -Bldg | 67,613 | 63,071 | (4,542) |
| **Total** | **$ 1,577,430** | **$ 1,773,443** | **$ 196,013** |

This list includes all Auto Fund branch and salvage buildings as opposed to the information provided on Tab 24.

Tab 24 was only showing buildings that had recent capital spending. The impact of 2013 capital purchases contributes an additional $196,000 to 2014 depreciation.

**Question #89**
**Capital Spending - 2015-2018 Forecast**

| | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Buildings: | | | | |
| Estevan Claims Branch (Phase 2) | $ 2,750,000 | $ - | $ - | $ - |
| Yorkton Salvage (Phase 2) | 1,300,000 | - | - | - |
| Regina South Claims Renewal | - | - | 5,000,000 | - |
| Saskatoon Salvage Branch Renewal | - | - | 400,000 | - |
| | 4,050,000 | - | 5,400,000 | - |
| Information Technology & Other | 1,270,000 | 525,000 | 750,000 | 900,000 |
| **Total** | **$ 5,320,000** | **$ 525,000** | **$ 6,150,000** | **$ 900,000** |

Note: As Estevan and Yorkton buildings are scheduled for late 2015 into use dates, there is no impact on depreciation expense in the 2014-2015 rating year.

Response to Information Request 92

**SGI**
**Buildings**
**2014 Budget**

| **Facility:** | **2014 Budget** $ | |
|---|---|---|
| Estevan Claims Centre | 2,000,000 | New building - Land and design. Total cost est. $5,750,000, 2015 completion (See Note 1) |
| Yorkton Salvage | 1,000,000 | Move Yorkton Claims to Yorkton Salvage location. Total estimated cost est. $2,300,000, 2015 completion. (See Note 2) |
| North Battleford Salvage | 460,000 | HVAC replacement and renewal (See Note 3) |
| Saskatoon Central | 300,000 | Renovations to appraisal area (See Note 4) |
| Regina Operations Centre | 90,000 | Replace 3 A/C Units (Note 5) |
| **Total** | **3,850,000** | |

**NOTES:**

1. Project is on hold since October 2013. The Estevan building is too small and therefore will not undergo building renewal. Land is required first to fit any conceptual design. Balance of cost is construction and fit up. This will be a 2 to 3 year project.

2. Yorkton Salvage currently leases space to the Ministry of Highways. The lease expires in Sept 2014. However a new lease is currently being negotiated with the Ministry of Highways. Yorkton Claims has insufficient space and the plan is to relocate to the space occupied by the Ministry of Highways, consolidate operations and sell the existing building.
This expense will be deferred to 2016 at the earliest. Yorkton Claims will then be 48 years old.

3. The radiant heaters in the warehouse and dismantling area and off ice air conditioning need to be replaced. Renewal has been deferred.

4. Claims requires a larger appraisal area close to the drive in lanes. This will include an expansion of the existing area with room for more appraisers. The area will require NEW - walls, windows, ceiling, flooring, cabling, lighting, air conditioning , heating and power distribution

5. One unit had to be replaced in late 2013 (budget already submitted) The remaining 2 AC units in the computer room need to be replaced.

# MAJOR SAFETY INITIATIVES

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (Budget) |
|---|---|---|---|---|---|---|---|---|
| **TRAFFIC SAFETY PROMOTION**<br>(education, public awareness, community involvement, partnership building, enforcement programs, infrastructure | | | | | | | | |
| In School Road Safety Resources | $ 1,785 | $ 1,004 | | | | | | |
| Rollover Simulator | $ 2,042 | | | | | | | |
| Child Passenger Safety Training Program | $ 3,292 | $ 1,304 | $ 1,217 | $ 1,126 | $ 632 | $ - | $ 4,818 | $ 6,000 |
| 1. Ride's On Us | $ 55,000 | $ 77,430 | $ 95,703 | $ 55,000 | $ 81,881 | $ 76,879 | $ 112,651 | $ 55,000 |
| SADD | $ 88,100 | $ 102,064 | $ 102,069 | $ 102,069 | $ 102,069 | $ 102,069 | $ 102,069 | $ 102,069 |
| Saskatchewan Safety Council | $ 199,913 | $ 201,810 | $ 155,989 | $ 142,718 | $ 142,718 | $ 133,000 | $ 55,000 | $ 55,000 |
| Saskatchewan Wildlife Federation | $ 20,000 | $ 21,700 | $ 20,000 | $ 20,000 | $ 39,900 | $ 20,000 | $ 20,000 | $ 20,000 |
| Server Intervention | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 | $ 5,000 |
| Community Grants | $ 164,053 | $ 86,932 | $ 50,000 | $ 57,406 | $ 61,944 | $ 40,256 | $ 28,830 | $ 25,000 |
| First Nation School Contest/SBC | $ 7,464 | | | | | | $ 159,573 | $ 165,000 |
| 2. Enforcement Overdrive | $ 199,250 | $ 288,086 | $ 417,071 | $ 419,100 | $ 450,400 | $ 483,500 | $ 375,887 | $ 461,000 |
| No Regrets Program | $ 74,650 | $ 16,500 | $ 16,500 | $ 16,500 | $ 20,000 | $ 20,000 | $ 20,000 | $ 16,500 |
| Police Partnership – Training | $ 4,071 | | | $ 474 | $ 7,391 | $ 1,499 | $ 8,127 | $ 10,000 |
| Police Partnership – Vehicles | $ 18,669 | $ 16,800 | $ 19,200 | $ 18,000 | $ 19,800 | $ 20,400 | $ 20,400 | $ 19,200 |
| Safe Saskatchewan | $ 50,000 | $ 50,000 | $ 50,000 | $ 50,000 | $ 45,000 | | | |
| Road Safety Youth Conference | $ 2,652 | | | | | | | |
| Report Impaired Drivers | | | | | $ 100,000 | $ 125,000 | $ 122,080 | $ 125,000 |
| Winter Road Maintenance | $ 48,330 | $ 217,384 | | | $ - | $ - | $ - | $ 25,000 |
| 55 Alive | | $ 30,000 | $ 60,000 | $ 60,000 | $ 30,000 | $ 52,500 | $ 52,500 | $ 70,000 |
| First Nation Role Model Tour | | $ 30,223 | $ 31,923 | | | | $ 50,000 | $ 50,000 |
| 3. Infrastructure Improvements | $ 459,127 | $ 222,000 | $ 139,850 | $ 354,000 | $ 150,000 | $ 18,400 | $ 305,998 | $ 238,500 |
| Traffic Safety Scholarship | | $ 25,000 | $ 25,000 | $ 25,000 | $ 25,000 | | | |
| Seat Belt Challenge | | $ 66,306 | $ 61,752 | $ 170,272 | $ 64,160 | $ 146,977 | | |
| Pedestrian Safety Project | | | $ 5,000 | $ 7,500 | $ - | $ - | $ - | $ 10,000 |
| Impaired Driving Projects (MADD, Operation Red Nose, Designated Driver) | | | | $ 35,000 | $ 24,202 | $ 56,339 | $ 50,879 | $ 37,996 |
| Red light cameras | | | | | | | $ - | $ - |
| First Nations Traffic Safety Positions | | | | $ 43,500 | $ 83,635 | $ 167,000 | $ 277,000 | $ 279,000 |
| Child Traffic Safety Position | | | $ 72,000 | $ 72,720 | $ 76,811 | $ 78,040 | $ 85,250 | $ 84,500 |
| Atoskata Youth Camp | | $ 10,000 | $ 10,000 | $ 10,000 | $ 10,000 | | | |
| Red Feather Spirit Lodge | | $ 9,480 | $ 9,480 | $ 9,480 | $ 9,480 | | | |
| PA Intersection Enforcement | | | | | $ 50,000 | | | |
| 4. Enhanced enforcement - intersections - includes PA | | | | | | | $ 166,834 | $ 230,000 |
| Multi-Agency Seat Belt Team/Monthly blitzes | | | | | $ 30,000 | $ 30,000 | | |
| 5. Automatic Licence Plate Recognition | | | | | $ 129,491 | $ 100,000 | $ 48,970 | $ 225,000 |
| Selective Traffic Enforcement Program | | | | | $ 33,785 | $ 33,000 | $ 74,660 | $ 83,785 |
| Safety Awareness - Corporate Relations | | | | $ 65,149 | $ 58,778 | $ 53,021 | $ 68,850 | $ 66,000 |
| 6. Highway Safety signs (Photo Radar) | | | | $ 50,645 | $ - | $ - | $ 12,193 | $ 120,000 |
| 7. Wildlife Solutions | | | | | $ - | $ - | $ - | $ 500,000 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 8. DDCATS | | | | | | | $ 34,000 | |
| 9. Distracted Driving Simulator | | | | | | | $ 14,830 | |
| 10. Saskatchewan Snomobile Association | | | | | | | $ 25,000 | |
| Programs that may come out of the traffic safety all party committee | | | | | | | | $ 232,400 |
| Funding for policing pilot coming out of Provincial TS Committee | | | | | | | | $ 4,000,000 |
| 11. Work Zone Photo Radar | | | | | | | $ 216,417 | $ 800,000 |
| Road Side Alcohol Screening Devices | | | | | | | | $ 75,000 |
| **TOTAL** | **$ 1,403,398** | **$ 1,479,023** | **$ 1,347,754** | **$ 1,790,659** | **$ 1,852,077** | **$ 1,762,880** | **$ 2,517,816** | **$ 8,191,950** |
| **TRAFFIC SAFETY PROGRAM EVALUATION** (program evaluation, program development, research) | | | | | | | | |
| 12. Motorcycle Safety | | | $ 225,000 | $ 23,893 | $ 45,423 | $ 20,000 | $ - | $ 60,000 |
| 13. GIS Development | | | | | $ 18,336 | $ 1,512 | $ - | $ 30,000 |
| **TOTAL** | **$ -** | **$ -** | **$ 225,000** | **$ 23,893** | **$ 63,759** | **$ 21,512** | **$ -** | **$ 90,000** |
| **DRIVER PROGRAMS** (impaired driving, driver improvement) | | | | | | | | |
| Medical Payments | $ 176,631 | $ 284,380 | $ 347,823 | $ 350,000 | $ 402,776 | $ 404,427 | $ 427,456 | $ 437,103 |
| District Health Funding | $ 1,442,478 | $ 1,185,599 | $ 1,291,889 | $ 1,366,136 | $ 1,309,660 | $ 1,287,042 | $ 1,433,544 | $ 1,433,543 |
| Rehabilitation Assessment | $ 600,000 | $ 600,000 | $ 600,000 | $ 600,000 | $ 600,000 | $ 600,000 | $ 600,000 | $ 600,000 |
| **TOTAL** | **$ 2,219,109** | **$ 2,069,979** | **$ 2,239,712** | **$ 2,316,136** | **$ 2,312,436** | **$ 2,291,469** | **$ 2,461,000** | **$ 2,470,646** |
| **DRIVER DEVELOPMENT** (driver education) | | | | | | | | |
| Aboriginal Driver Education | $ 104,644 | $ 112,638 | $ 93,115 | $ 125,000 | $ 50,000 | | | |
| Immigrant Driver Education | | | $ 122,100 | $ 100,000 | $ 100,000 | | | |
| 14. Translation services for driver testing | | | | | | | $ 190 | $ 70,000 |
| 15. High School Driver Education | | | | | $ 1,700,000 | $ 7,375,000 | $ 6,768,741 | $ 8,862,216 |
| Annual Driver Educator Seminar | | | | | $ 40,000 | $ 40,000 | $ 34,919 | $ 45,000 |
| **TOTAL** | **$ 104,644** | **$ 112,638** | **$ 215,215** | **$ 225,000** | **$ 1,890,000** | **$ 7,415,000** | **$ 6,803,850** | **$ 8,977,216** |
| **CARRIER SAFETY SERVICES** (carrier safety audits, services) | | | | | | | | |
| Safety Seminars | | $ 7,000 | $ 9,407 | $ 21,000 | | | $ 11,979 | $ 18,000 |
| **TOTAL** | **$ -** | **$ 7,000** | **$ 9,407** | **$ 21,000** | **$ -** | **$ -** | **$ 11,979** | **$ 18,000** |
| **TRAFFIC SAFETY ADVERTISING** | | | | | | | | |
| Bike Helmet | $ 167,000 | | | | | | | |
| Booster Seats | $ 167,000 | $ 167,000 | $ 167,000 | $ 167,000 | $ 167,000 | | | |
| Child Restraint | $ 86,380 | $ 86,380 | $ 86,380 | $ 86,380 | $ 86,380 | $ 165,000 | $ 101,769 | $ 165,000 |
| Designated Driver | | | | | | | | |
| Drinking & Driving | $ 715,000 | $ 715,000 | $ 790,000 | $ 790,000 | $ 790,000 | $ 250,000 | $ 117,858 | $ 790,000 |
| Driver Distraction | $ 276,537 | $ 276,537 | $ 276,537 | $ 276,537 | $ 276,537 | $ 10,000 | $ 10,000 | $ 276,000 |
| Road Safety – Y.L. | $ 544,000 | $ 544,000 | $ 544,000 | $ 544,000 | $ 544,000 | | | |
| Rural Seatbelts | $ 163,000 | $ 163,000 | $ 263,000 | $ 263,000 | $ 263,000 | | | |
| Aboriginal Media | | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | | | |
| Aging Driver | | $ 60,000 | $ 60,000 | | | | | |
| Drive Right | | $ 250,000 | $ 250,000 | $ 250,000 | $ 250,000 | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cell phones | | | | $ 800,000 | $ 450,000 | | | |
| Speed Issues | | | $ 50,000 | $ 50,000 | $ 50,000 | | | |
| Miscellaneous | | $ 50,000 | $ 50,000 | $ 50,000 | $ 59,430 | | | |
| Slow to 60 | | | | | | | | |
| SADD Advertising | $ 275,000 | $ 125,000 | | | | | | |
| Wildlife | | | | | | $ 100,000 | $ 96,680 | $ 100,000 |
| Long Weekend | | | | | | | $ 89,224 | |
| 16. Motorcycle | | | | | | $ 75,000 | $ 230,868 | $ 500,000 |
| RID Advertising | | | | | | | $ - | |
| Expansion of Photo Radar | | | | | | | | $ 500,000 |
| Safety Awareness - Brochures | | | | | $ 301,705 | | $ 154,906 | $ 240,000 |
| **TOTAL** | **$ 2,393,917** | **$ 2,536,917** | **$ 2,636,917** | **$ 3,376,917** | **$ 3,338,052** | **$ 600,000** | **$ 801,305** | **$ 2,571,000** |

## Variance Discussion

1. Rides on Us (charter bus service on New Years Eve - budgeted $55,000, spent $112,651.  Cost of fuel, wages are rising.
2. Enforcement Overdrive (overtime funding for impaired driving enforcement) - budgeted $469,000, spent $375,987.  Police arrange the overtime and we pay the bills.  Not as much overtime used as budgeted for.
3. Infrastructure Improvements (safety improvements to roadways working with Ministry of Highway and municipal engineering departments) - budgeted $238,500, spent $305,998.  More project opportunities were identified.
4. Enhanced Enforcement - intersections (overtime funding for intersection enforcement) - budgeted $250,000, spent $166, 834.  Police arrange the overtime, we pay the bills.  Not as much overtime planned as was budgeted.
5. Automatic Licence Plate Recognition (equipment to identify unregistered vehicles and suspended drivers) - budgeted $207,000, spent $48970.  We had planned to by 9 cameras and only purchased two.
6. Highway Safety Signs (signs with safety messages that we work with Highways to place at the side of the roads) - budgeted $120,000, spent $12,193.  Only erected signs about speed photo enforced in work zones.
7. Wildlife Solutions (working with Ministry of Highways on solutions to reduce cillisions with wildlife) - budgeted $500,000, spent $0.  No opportunities came up.
8. DDACTS (research project with U of Sask, Regina Police Service and SGI) - budgeted $0, spent $34,000.  Good research project opportunity to get involved with.
9. Distracted Driving Simulator (tool to raise awarenedd of distracted driving used at presentations and trade shows) - budgeted $0, spent $14,830.  Distracted driving became one of the leading causes of collisions so a tool was needed to raise awareness.
10. Saskatchewan Snowmobile Association (administration and promotion of the classroom option of the snowmobile training course) - budgeted $0, spent $25,000.  The Snowmobile Association took this over from the Safety Council and we have historically provided this funding tothe Council.
11. Work Zone Photo Radar (SGI is pay this cost) - budgeted $950,000, spent $216,417. The budget amount was a very rough estimate.
12. Motorcycle Safety (increase the number of motorcyles safety schools) - budgeted$60,000, spent $0. This funding was set aside for additional motorcycle training facilities and was not needed in 2013.
13. GIS Development (evaluation surveys) - budgeted $30,000, spent $0. The surveys planned for 2013 were not completed and will be deferred to 2014.
14. Translation Service for driver testing (translating the drivers test into languages of new Canadians) - budgeted $120,000, spent $190.  Budgeted to hire a person to do this translation and ended up buying a Google app to do it.
15. High School Driver Education (driver education in the high schools around the province, including FN schools) - budgeted $8,251,074, spent $6,768,741. First Nation schools were added mid year and initially, participation was limited.
16. Motorcycle Advertising (radio and billboards ads on motorcycle safety) - budgeted $0, spent $230,868. This is in response to the Motorcycle Review Committee's comments.

**Question #113 - Round #1**
**HTB Annual Budget**

| | 2014 Budget | 2013 Actual | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|
| **Salaries & Benefits** | 498,199 | 456,433 | 443,029 | 433,796 | 426,844 | 440,831 | 423,133 | 411,270 | 368,870 |
| Provincial HTB matters: | | | | | | | | | |
| Hearing Officer Honorariums | 84,000 | 55,820 | 54,592 | 55,067 | 58,174 | 63,063 | 56,719 | 63,121 | 49,708 |
| Hearing Officer Expenses | 93,300 | 65,518 | 54,215 | 62,941 | 66,135 | 57,700 | 60,466 | 61,206 | 45,319 |
| SGI Appeals: | | | | | | | | | |
| Hearing Officer Honorariums | 325,000 | 307,690 | 326,250 | 296,659 | 244,680 | 214,457 | 169,574 | 137,539 | 141,296 |
| Hearing Officer Expenses | 60,000 | 76,478 | 55,428 | 61,990 | 52,109 | 52,398 | 52,149 | 46,062 | 59,685 |
| Other Expenses * | 53,675 | 73,236 | 46,831 | 33,966 | 35,053 | 36,511 | 36,310 | 43,700 | 41,780 |
| | 615,975 | 578,742 | 537,316 | 510,623 | 456,151 | 424,129 | 375,218 | 351,628 | 337,788 |
| **Revenue **** | (2,580) | (2,676) | (4,810) | (3,775) | (3,595) | (4,465) | (2,716) | (69,405) | (111,928) |
| **Grand Total** | **1,111,594** | **1,032,499** | **975,535** | **940,644** | **879,400** | **860,495** | **795,635** | **693,493** | **594,730** |

* Key categories in other expenses include:

| | 2014 Budget | 2013 Actual | 2012 |
|---|---|---|---|
| Legal costs related to provincial HTB matters | 15,000 | 22,280 | 13,261 |
| Travel, meals and related expenditures | 11,150 | 3,488 | 13,333 |
| Telephone/communications | 19,400 | 19,558 | 19,173 |
| Other | 8,125 | 27,910 | 1,064 |
| | 53,675 | 73,236 | 46,831 |

** Revenue relates to business application fees received to transport passengers for compensation.

The increase in the 2013 Actual "Other" of $18,768 is due to a lag in new regulation being passed and the police being informed. In the lag time the police were still impounding vehicles that they were no longer entitled to so impound fees were refunded to the customers.

## Response to SRRP 2014 SAF 1st Round IRs, question 122

*Please provide an update of costs that are borne by SAF in respect of Issuer operations for which there is no cost recovery, on an annual and on a per issuer basis, from 2007 to 2013, as well as any changes in the structure or amount of Issuer fees over that period of time.*

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| Issuer Relations | $ 1,138,934 | $ 1,115,551 | $ 1,023,891 | $ 868,625 | $ 794,108 | $ 774,849 | $ 742,857 |
| Call centre | $ 938,617 | $ 921,617 | $ 1,116,456 | $ 1,250,899 | $ 1,010,325 | $ 1,083,553 | $ 949,661 |
| Systems | $ 900,863 | $ 679,609 | $ 721,014 | $ 1,748,099 | $ 1,896,310 | $ 1,641,584 | $ 1,469,170 |
| Finance | $ 97,415 | $ 78,470 | $ 73,363 | $ 68,275 | $ 66,182 | $ 63,638 | $ 62,621 |
| Total | **$ 3,075,829** | **$ 2,795,247** | **$ 2,934,725** | **$ 3,935,898** | **$ 3,766,925** | **$ 3,563,623** | **$ 3,224,309** |
| # of Issuers | 397 | 399 | 402 | 397 | 404 | 411 | 415 |
| Cost per Issuer | **$ 7,748** | **$ 7,006** | **$ 7,300** | **$ 9,914** | **$ 9,324** | **$ 8,671** | **$ 7,769** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Call centre total | 2,595,320 | 2,490,856 | 2,427,085 | 2,333,193 | 2,213,232 | 1,984,227 | 1,961,971 |
| % issuer calls | 36% | 37% | 46% | 54% | 46% | 55% | 48% |

In 2010, SGI adopted a commission based issuer remuneration model, whereby vehicle renewal transactions are remunerated at 4.75% of vehicle premiums paid. Online vehicle renewal transactions are remunerated at 3.75% of vehicle premiums paid. All other transactions are remunerated at a flat fee per transaction. On August 19, 2010, a minimum commission of $3.50 for in-office transactions was established. There is no minimum commission for online transactions.

A series of remuneration changes were implemented in 2007 through 2009 to ease the transition to the commission model. In each year, driver licence renewal and photo transaction fees were reduced while vehicle registration and renewal fees were increased to transition to the agreed 2010 remuneration structure. In order to further transition to the 2010 remuneration model , lump sum payments were distributed among issuers, with total payments as follows:

**2007** $2.465M
**2008** $3.370M
**2009** $4.275M

**SASKATCHEWAN AUTO FUND**
**STATEMENT OF OPERATIONS**
**THOUSANDS OF CANADIAN $**

| | 2008 | | | | 2009 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Actual** | **Budget** | **Variance** | **Note** | **Actual** | **Budget** | **Variance** | **Note** | **Actual** | **Budget** | **Variance** | **Note** |
| Premiums written | 610,492 | 585,134 | 25,358 | | 651,418 | 660,049 | (8,631) | | 708,350 | 715,105 | (6,755) | |
| Premiums earned | 587,918 | 569,545 | 18,373 | | 630,559 | 635,916 | (5,357) | | 684,821 | 685,343 | (522) | |
| Claims incurred | 563,965 | 540,523 | 23,442 | **16** | 600,432 | 601,860 | (1,428) | **13** | 604,686 | 616,565 | (11,879) | **9** |
| Issuer fees | 29,145 | 27,608 | 1,537 | **17** | 31,355 | 31,917 | (562) | | 34,813 | 33,172 | 1,641 | **10** |
| Premium taxes | 29,510 | 28,594 | 916 | | 31,640 | 31,908 | (268) | | 34,376 | 34,382 | (6) | |
| Administrative expenses | 42,333 | 39,286 | 3,047 | **18** | 46,346 | 50,569 | (4,223) | **14** | 51,763 | 50,031 | 1,732 | **11** |
| Traffic safety programs | 16,344 | 17,891 | (1,547) | | 17,405 | 17,798 | (393) | | 17,285 | 18,519 | (1,234) | |
| Total claims and expenses | 681,297 | 653,902 | 27,395 | | 727,178 | 734,052 | (6,874) | | 742,923 | 752,669 | (9,746) | |
| Underwriting profit (loss) | (93,379) | (84,357) | (9,022) | | (96,619) | (98,136) | 1,517 | | (58,102) | (67,326) | 9,224 | |
| Investment earnings | 29,404 | 62,733 | (33,329) | **19** | 31,050 | 50,603 | (19,553) | **15** | 119,367 | 42,546 | 76,821 | **12** |
| Other revenue | 21,352 | 20,561 | 791 | | 24,834 | 22,733 | 2,101 | | 31,489 | 25,109 | 6,380 | |
| Increase (decrease) to RSR before rebate | (42,623) | (1,063) | (41,560) | | (40,735) | (24,800) | (15,935) | | 92,754 | 329 | 92,425 | |
| Rebate to policyholders | (68) | (50,000) | 49,932 | | (19) | (610) | 591 | | (7) | - | (7) | |
| Increase (decrease) to RSR after rebate | (42,691) | (51,063) | 8,372 | | (40,754) | (25,410) | (15,344) | | 92,747 | 329 | 92,418 | |
| RSR balance, beginning of year | 140,975 | 140,975 | - | | 102,535 | 102,535 | - | | 67,211 | 67,211 | - | |
| IFRS Conversion - Jan 1, 2010 | - | - | - | | - | - | - | | 105,205 | - | - | |
| Appropriated from redevelopment reserve | 4,251 | - | 4,251 | | 5,430 | 6,329 | (899) | | 6,691 | 6,186 | 505 | |
| RSR Balance, Year to Date | 102,535 | 89,912 | 12,623 | | 67,211 | 83,454 | (16,243) | | 271,854 | 73,726 | 198,128 | |

**SASKATCHEWAN AUTO FUND**
**STATEMENT OF OPERATIONS**
**THOUSANDS OF CANADIAN $**

| | 2011 | | | | 2012 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Actual** | **Budget** | **Variance** | **Note** | **Actual** | **Budget** | **Variance** | **Note** | **Actual** | **Budget** | **Variance** | **Note** |
| Premiums written | 744,743 | 764,576 | (19,833) | | 781,167 | 804,403 | (23,236) | | 824,513 | 858,360 | (33,847) | |
| Premiums earned | 726,282 | 741,814 | (15,532) | | 767,226 | 773,456 | (6,230) | | 806,965 | 828,452 | (21,487) | |
| Claims incurred | 806,924 | 644,872 | 162,052 | **6** | 740,528 | 704,915 | 35,613 | **1** | 739,103 | 758,091 | (18,988) | **20** |
| Issuer fees | 38,200 | 37,760 | 440 | | 37,795 | 31,931 | 5,864 | **2** | 42,629 | 43,643 | (1,014) | |
| Premium taxes | 36,513 | 37,233 | (720) | | 38,555 | 38,888 | (333) | | 40,664 | 41,647 | (983) | |
| Administrative expenses | 52,778 | 56,823 | (4,045) | **7** | 51,546 | 54,504 | (2,958) | **3** | 53,146 | 55,434 | (2,288) | **21** |
| Traffic safety programs | 20,547 | 20,736 | (189) | | 22,626 | 28,525 | (5,899) | **4** | 24,620 | 28,722 | (4,102) | **22** |
| Total claims and expenses | 954,962 | 797,424 | 157,538 | | 891,050 | 858,763 | 32,287 | | 900,162 | 927,537 | (27,375) | |
| Underwriting profit (loss) | (228,680) | (55,610) | (173,070) | | (123,824) | (85,307) | (38,517) | | (93,197) | (99,085) | 5,888 | |
| Investment earnings | 51,668 | 26,610 | 25,058 | **8** | 74,838 | 44,274 | 30,564 | **5** | 86,713 | 44,087 | 42,626 | **23** |
| Other revenue | 34,088 | 26,752 | 7,336 | | 37,490 | 32,142 | 5,348 | | 38,749 | 38,159 | 590 | |
| Increase (decrease) to RSR before rebate | (142,924) | (2,248) | (140,676) | | (11,496) | (8,891) | (2,605) | | 32,265 | (16,839) | 49,104 | |
| Rebate to policyholders | - | - | - | | - | - | - | | - | - | - | |
| Increase (decrease) to RSR after rebate | (142,924) | (2,248) | (140,676) | | (11,496) | (8,891) | (2,605) | | 32,265 | (16,839) | 49,104 | |
| RSR balance, beginning of year | 271,857 | 271,857 | - | | 134,261 | 134,261 | - | | 127,122 | 127,122 | - | |
| IFRS Conversion - Jan 1, 2010 | - | - | - | | - | - | - | | - | - | - | |
| Appropriated from redevelopment reserve | 5,328 | 5,745 | (417) | | 4,357 | 4,357 | - | | 3,427 | 3,447 | (20) | |
| RSR Balance, Year to Date | 134,261 | 275,354 | (141,093) | | 127,122 | 129,727 | (2,605) | | 162,814 | 113,730 | 49,084 | |

Question #123 – Note References

1. 2012 Claims Incurred

| ($000s) | Actual | Budget | Variance $ | Variance % |
|---|---|---|---|---|
| Current year claims | | | | |
| Damage | 429,707 | 419,644 | 10,063 | 2.4% |
| Storm costs | 12,199 | 12,715 | (516) | -4.1% |
| Total damage | 441,906 | 432,359 | 9,547 | 2.2% |
| Injury | 308,871 | 327,365 | (18,494) | -5.6% |
| | 750,777 | 759,724 | (8,947) | -1.2% |
| Prior-year deficiency | | | | |
| Damage claims | 9,972 | - | 9,972 | - |
| Injury claims | 17,565 | - | 17,565 | - |
| | 27,537 | - | 27,537 | - |
| Change in discounting | (37,786) | (54,809) | 17,023 | -31.1% |
| Total claims incurred | 740,528 | 704,915 | 35,613 | 5.1% |
| Current year loss ratio before prior-year deficiency and change in discounting | 97.9% | 98.2% | | |
| Total loss ratio | 96.5% | 91.1% | | |

Current year damage claims were $9.6 million over budget. Despite favourable results in the first three quarters, poor winter driving conditions in the fourth quarter contributed to a high number of damage claims. The average cost per claim was 1.5% higher than expected, while the number of damage claims were 0.7% higher than budget in the year.

Current year injury claims were $18.5 million under budget. The number of injury claims was 0.4% lower than planned, while the average cost per claim was 5.3% lower than expected.

The actuarial valuation indicated a prior-year deficiency of $10.0 million on unpaid damage claims. This reflects the fact that there were a significantly higher number of 2011 collisions reported in the first quarter of 2012 than had been expected in the 2011 year-end valuation.

The deficiency related to prior-year injury claims was primarily related to care benefits and medical expenses. These deficiencies were due to changes in actuarial assumptions and methods to be more adequately reserved on these lines; there is significant uncertainty as to the future costs of care benefits and medical expenses and this takes into consideration deficiencies experienced in previous years.

2. 2012 Issuer Fees

The budget for 2012 reflected an $8.5 million recovery of a premium deficiency that was budgeted in 2011. However, the premium deficiency did not materialize in 2011, and as such there was no recovery in 2012.

3. 2012 Administrative Expenses

The favourable administrative expense variance in 2012 was largely a function of lower expenditures related to credit card fees and lower corporate support costs.

4. 2012 Traffic Safety Programs

Traffic safety program spending was lower than planned in 2012 due to less than budgeted expenditures on initiatives related to wildlife solutions, enhanced enforcement at high risk locations/intersections, infrastructure safety programs, red light cameras, and highway safety signs.

5. 2012 Investment Earnings

| | ($000s) | | | Return | Budget |
|---|---|---|---|---|---|
| **Asset Class** | Actual | Budget | Variance | % | % |
| Matching Portfolio | | | | | |
| Short-Term | $ 2,513 | $ 2,374 | $ 139 | 1.0% | 1.2% |
| Bonds | 29,380 | 8,366 | 21,014 | 4.0% | 1.3% |
| Mortgages | 2,787 | 2,867 | (80) | 3.4% | 3.5% |
| | 34,680 | 13,607 | 21,073 | 3.3% | 1.4% |
| Return Seeking Portfolio | | | | | |
| Canadian Equities | 13,036 | 15,948 | (2,912) | 7.8% | 7.0% |
| U.S. Equities | 6,865 | 5,793 | 1,072 | 12.7% | 7.2% |
| Non-North American Equities | 9,432 | 5,880 | 3,552 | 18.2% | 7.9% |
| Global Small Cap Equities | 3,087 | - | 3,087 | 6.4% | 0.0% |
| Real Estate | 9,755 | 4,689 | 5,066 | 12.5% | 6.4% |
| | 42,175 | 32,310 | 9,865 | 10.6% | 7.2% |
| Investment expenses | (2,017) | (1,643) | (374) | | |
| Total Investment Earnings | 74,838 | 44,274 | 30,564 | 5.3% | 3.1% |

6. 2011 Claims Incurred

| (000s) | Actual | Budget | Variance |
|---|---|---|---|
| Current year claims | | | |
| Damage | $ 391,237 | $ 414,553 | $ (23,316) |
| Storm costs | 32,409 | 10,757 | 21,652 |
| Total damage | 423,646 | 425,310 | (1,664) |
| Injury | 285,707 | 250,695 | 35,012 |
| | 709,353 | 676,005 | 33,348 |
| Prior year deficiency | | | |
| Injury | | | |
| - extending long-term payout period | 252,064 | - | 252,064 |
| - discounting impact | (241,939) | - | (241,939) |
| Net impact of extending payout period | 10,125 | - | 10,125 |
| Injury - other | 7,165 | - | 7,165 |
| Total injury deficiency | 17,290 | - | 17,290 |
| Damage | 7,361 | - | 7,361 |
| | 24,651 | - | 24,651 |
| Change in discounting | | | |
| Effect of portfolio restructuring | 35,562 | - | 35,562 |
| Change in the discount | 37,358 | (31,133) | 68,491 |
| | 72,920 | (31,133) | 104,053 |
| Total claims incurred | $ 806,924 | $ 644,872 | $ 162,052 |

Current year damage claims - Impacted by 16.4% decrease in the number of accidents in the fourth quarter of 2011 compared to budget. Partially offset by the summer storm activity and bad winter driving conditions in the first quarter.

Current year injury claims - The increase is due to a higher average cost per injury claim, partially due to current year impact of change in termination rates, as discussed below. Also reflective of higher income replacement benefit costs and medical expense payments. The injury frequency for 2011 was 6.5 injury accidents per 1,000 insured years, compared to 6.3 in 2010.

Prior year deficiency - The $10.1 million net adjustment to extend the long-term injury payout period results from an actuarial review that found, on average, severely injured claimants are expected to collect benefits for longer than previously projected. The total prior year deficiency represents 2.6% of December 31, 2010 claim liabilities.

Change in discounting - In the first quarter there was a $35.6 million adjustment resulting from a rebalancing of the investment portfolio that changed the rate at which unpaid claims are discounted. Rebalancing was required to better match the bond portfolio with anticipated future claim payments. The remaining variance is attributable primarily to declines in the discount rate, corresponding to the decrease in bond yields experienced.

7. 2011 Administrative Expenses

Administrative expenses were 7.1% lower than budgeted. The primary contributor to the favourable variance was lower than planned credit card expenses, as the budget anticipated a higher cost related to customers using the Internet to do business with SGI. In 2011, costs related to customers using this payment option at issuing offices and on the Internet totalled $3.6 million. The 2011 budget was $6.7 million.

8. 2011 Investment earnings

| **(000s)**<br>**Asset Class** | Actual<br>$ | Budget<br>$ | Variance<br>$ | Return<br>% | Budget<br>% |
|---|---|---|---|---|---|
| Matching Portfolio | | | | | |
| Short Term | $ 2,474 | $ 283 | $ 2,191 | 1.0% | 0.7% |
| Bonds | 79,619 | (5,286) | 84,905 | 12.7% | -0.6% |
| Mortgages | 6,058 | 2,559 | 3,499 | 8.0% | 3.9% |
| | 88,150 | (2,444) | 90,594 | 9.4% | |
| Return Seeking Portfolio | | | | | |
| Canadian Equities | (34,494) | 15,771 | (50,264) | -15.5% | 7.9% |
| U.S. Equities | (107) | 4,992 | (5,098) | 0.7% | 7.5% |
| Non-North American Equities | (9,879) | 5,191 | (15,070) | -14.7% | 7.8% |
| Real Estate | 9,637 | 4,791 | 4,846 | 13.7% | 7.2% |
| | (34,842) | 30,744 | (65,586) | -7.8% | |
| Investment expenses & other | (1,641) | (1,690) | 49 | | |
| Total Investment Earnings | 51,668 | 26,610 | 25,058 | 3.9% | 2.0% |

9. 2010 Claims Incurred

| ($000s) | Actual | Budget | Variance ($) | % |
|---|---|---|---|---|
| | 12 months to December 31 | | | |
| Damage claims (current year) | 395,310 | 402,370 | (7,060) | (1.8%) |
| Injury claims (current year) | 206,133 | 192,595 | 13,538 | 7.0% |
| Current year claims | 601,443 | 594,965 | 6,478 | 1.1% |
| Damage - prior year redundancy | (44,508) | - | (44,508) | 100.0% |
| Injury - prior year deficiency | 30,875 | - | 30,875 | 100.0% |
| Indexing of prior year injury claims | 21,863 | 21,600 | 263 | 1.2% |
| Total claims incurred | 609,673 | 616,565 | (6,892) | (1.1%) |
| Loss ratio (current year) | 87.8% | 86.8% | | |
| Total loss ratio | 89.0% | 90.0% | | |

Nine large storms throughout the second and third quarters resulted in $22.2 million of claims incurred on approximately 7,500 claims. Despite these severe storms, current year damage claims were $7.1 million or 1.8% under budget, a result of generally very good winter driving conditions in the first quarter of 2010. The number of damage claims of 98,927 was 2.0% lower than the budgeted number of damage claims of 100,915. Damage frequency to the end of December 2010 was 115.0 accidents per 1,000 insured years, higher than the 111.8 to the end of December 2009, as the prior year had no significant summer storms.

Current year injury claims were $13.5 million higher than budgeted. Although the number of injury claims was lower than expected, this was more than offset by a higher than expected average cost per injury claim (14.0% higher than expected), primarily related to increasing income replacement benefit costs. Emerging experience suggests increasing severity of income replacement benefit claims. The number of injury claims of 5,794 was 6.1% lower than the budgeted number of injury claims of 6,170.

The prior year redundancy for damage claims of $44.5 million related primarily to a change in the estimate for subrogation recoveries. This analysis indicated a significantly higher collection rate than previously estimated. In prior years, the data used for this analysis was not available and as such, the estimate for subrogation recoveries had been recorded very conservatively.

The prior year deficiency for injury claims of $30.9 million related partially to unfavourable development on income replacement benefits as well as reserve increases to long-term injury claims incurred before 1995, resulting from adjusting expected mortality rates. In addition, the rate used to discount certain injury benefits dropped from 6.0% to 5.5%, causing a $22.0 million increase to the provision for prior year claims.

10. 2010 Issuer Fees

The increase in issuer fees was commensurate with the increase in insured vehicles.

11. 2010 Administrative Expenses

The increase in administrative expenses was the result of $1.6 million in additional consultant costs for post-implementation assistance with the redevelopment system, $1.0 million loss of the cost recovery for driver's licence administration from the General Revenue Fund, and issuer credit card charges that were $415,000 over budget.

12. 2010 Investment earnings

Investment earnings in 2010 were $77.6 million higher than expected due primarily to the following factors:

| | Actual ($000s) | Budget ($000s) | Variance ($000s) |
|---|---|---|---|
| Gains on the sale of bonds | 37,575 | 1,928 | 35,647 |
| Unrealized losses on bonds | (8,023) | - | (8,023) |
| Unrealized gains on mortgages | 2,695 | - | 2,695 |
| Long-term bond interest | 27,471 | 20,926 | 6,545 |
| Gains on sale of common shares | 25,152 | 11,629 | 13,523 |
| Unrealized gains on common shares | 19,266 | - | 19,266 |
| Unrealized gains on real estate | 5,384 | - | 5,384 |
| Dividend income | 6,110 | 5,011 | 1,099 |
| Pooled fund revenue | 5,874 | 3,093 | 2,781 |
| Investment write-downs | (1,318) | - | (1,318) |

The bond portfolio's book value annualized return of 10.2% was higher than the budgeted return of 3.2% due to the restructuring of the bond portfolio that resulted in significant gains on sale of bonds. Increasing interest rates in the last four months of 2010 generated unrealized losses on bonds of $8.0 million while mortgages increased by $2.7 million during the year.

The book value annualized return on common shares was 13.9%, higher than the budgeted return of 7.7%. This was due primarily to gains on common shares, although offset slightly by $1.3 million in unbudgeted investment write-downs. Strong equity markets generated unrealized gains on common shares of $19.3 million while increasing real estate values added $5.4 million in unrealized gains during 2010.

13. 2009 Claims incurred

The year-to-date loss ratio was slightly higher than budgeted (95.2% compared to a budget of 94.6%). As detailed in the following table, current year claim costs were $2.2 million or 0.4% lower than planned:

| | 12 months to December 31 | | | |
|---|---|---|---|---|
| ($000's) | Actual | Budget | Variance ($) | % |
| Damage claims (current year) | 385,197 | 380,230 | 4,967 | 1.3% |
| Injury claims (current year) | 193,130 | 200,316 | (7,186) | (3.6%) |
| Damage - prior year deficiency | 3,432 | - | 3,432 | 100.0% |
| Injury - prior year redundancy | (790) | - | (790) | 100.0% |
| Discounting of prior year injury claims | 19,463 | 21,314 | (1,851) | (8.7%) |
| Total claims incurred | 600,432 | 601,860 | (1,428) | (0.2%) |
| Loss ratio (current year) | 91.7% | 91.3% | | |
| Total loss ratio | 95.2% | 94.6% | | |

Current-year damage claims were $5.0 million or 1.3% over budget, as the number of damage claim counts (94,496) were 1.7% higher than the budgeted number of damage claim counts (92,877).

Current year injury claims were $7.2 million or 3.6% below budget, primarily due to lower than expected claim counts. The number of injury claims (5,874) was 9.9% lower than budgeted (6,518). Partially offsetting the lower than expected claim counts is a higher than expected average cost per claim, primarily in the average income replacement benefit.

Claim counts for injury claims (5,874) were lower than last year (2008 – 6,169). The injury frequency for the year was 6.4 injury accidents per 1,000 insured years, compared to 6.8 in 2008.

14. 2009 Administrative expenses

Administrative expenses of $46.4 million were $4.2 million (8.4%) lower than planned. The favourable variance was largely a combination of the cancellation of the Enhanced Driver’s Licence project and lower depreciation costs. Combined, these two items were $2.6 million lower than planned. The remaining variance was mainly a function of lower support costs and lower Auto Fund specific workloads carried by various SGI departments.

15. 2009 Investment earnings

| | Actual | Budget | Variance $ | Variance % | Prior Year |
|---|---|---|---|---|---|
| Investment earnings ($000's) | 31,050 | 50,603 | (19,553) | (38.6%) | 29,404 |
| Investment return | 2.7% | 4.5% | - | (1.8%) | 2.7% |

Investment earnings were $19.6 million lower than expected, largely a result of realized losses on common shares of $13.0 million. These losses were $23.5 million lower than budget while unbudgeted investment write-downs were $10.2 million for 2009. Interest income was $4.0 million less than budget due to lower bond yields in 2009. These unfavourable variances were partially offset by gains on the sale of bonds ($9.0 million) and real estate ($5.9 million) that were not anticipated in the budget. Dividend income and pooled mortgage revenue were also higher than planned by $2.3 million and $1.0 million.

16. 2008 Claims Incurred

The year-to-date loss ratio of 95.9% was slightly higher than the budget of 94.9%. The actuarial valuation produced a net redundancy on the provision for prior year claims of $976,000. Excluding the impact of the redundancy and the indexing of prior year injury claims ($17.9 million), the loss ratio was 93.0%, slightly higher than budgeted. As detailed in the following table, current year claim costs were $24.1 million or 4.6% higher than planned in 2008:

| | Twelve months to December 31 | | | |
|---|---|---|---|---|
| ($000's) | Actual | Budget | Variance ($) | % |
| Damage claims (current year) | 351,668 | 342,837 | 8,831 | 2.6% |
| Injury claims (current year) | 195,369 | 180,130 | 15,239 | 8.5% |
| Damage - prior year deficiency | 7,038 | - | 7,038 | 100.0% |
| Injury - prior year redundancy | (8,014) | - | (8,014) | 100.0% |
| Indexing of prior year injury claims | 17,904 | 17,556 | 348 | 2.0% |
| Total claims incurred | 563,965 | 540,523 | 23,442 | 4.3% |
| Loss ratio (current year) | 93.0% | 91.8% | | |
| Total loss ratio | 95.9% | 94.9% | | |

While injury claim counts were slightly lower than planned, the severity was higher contributing to the 8.5% unfavourable injury claim variance.

Although damage claim counts of 91,913 were 9.6% higher than budgeted, it is a result of more vehicles on the road as the accident frequency has actually decreased from the same time last year. The accident frequency for collisions was 111.4 accidents per 1,000 insured years, compared to 114.8 at this point in 2007.

17. 2008 Issuer fees

Issuer fees were higher than planned, primarily a result of increased transaction volumes experienced in 2008.

18. 2008 Administrative expenses

Administrative expenses of $42.3 million were $3.0 million higher than planned. The variance was largely a combination of higher salary and benefit costs and a higher allocation of expenses to administrative versus loss adjusting than was budgeted.

19. 2008 Investment earnings

| | | | Variance | | Prior |
|---|---|---|---|---|---|
| | Actual | Budget | $ | % | Year |
| Investment earnings ($000's) | 29,404 | 62,733 | (33,329) | (53.1%) | 91,349 |
| Investment return | 2.7% | 6.1% | - | (3.4%) | 5.2% |

Investment earnings were $33.3 million lower than expected, largely a result of the intense pressure on capital markets over the last six months. This contributed to realized gains on common shares being $18.2 million lower than budget for the year and unbudgeted investment write-downs of $22.7 million. Also, Non-North American pooled equity fund income was $2.7 million lower than budget. These unfavourable variances were partially offset by gains on the sale of bonds ($10.1 million) that were not anticipated in the budget.

20. Claims incurred:

| | ($000s) Actual | Budget | Variance $ | % |
|---|---|---|---|---|
| Current year claims | | | | |
| Damage | 468,785 | 450,255 | 18,530 | 4.1% |
| Storm costs | 12,903 | 16,853 | (3,950) | -23.4% |
| Total damage | 481,688 | 467,108 | 14,580 | 3.1% |
| Injury | 335,725 | 347,623 | (11,898) | -3.4% |
| | 817,413 | 814,731 | 2,682 | 0.3% |
| Prior-year deficiency | | | | |
| Damage claims | 1,243 | - | 1,243 | - |
| Injury claims | 6,265 | - | 6,265 | - |
| | 7,508 | - | 7,508 | - |
| Change in discounting | (85,818) | (56,640) | (29,178) | 51.5% |
| Total claims incurred | 739,103 | 758,091 | (18,988) | (2.5%) |
| Current year loss ratio before prior-year deficiency and change in discounting | 101.3% | 98.3% | | |
| Total loss ratio | 91.6% | 91.5% | | |

Current year damage claims (excluding storms) were $18.5 million over budget due to a higher than anticipated claims severity, as the number of damage claims were 2.5% lower than planned. The higher severity was a result of the nature of the claims experienced, as there were fewer glass claims but more collision claims, due primarily to poor winter driving conditions experienced in the first half of the year.

While net summer storm claim costs of $12.9 million were 23.4% lower than budget, the Auto Fund did incur a significant summer hail storm in Regina. A summary of 2013 storms is as follows:

| Event | Direct Claims | Reinsurance Recoverable | Net Claims Incurred | # of Claims |
|---|---|---|---|---|
| Regina and area hail storm | $ 42,812 | $ 34,257 | $ 8,555 | 8,500 |
| Other summer storms | 4,348 | - | 4,348 | 660 |
| | 47,160 | 34,257 | 12,903 | 9,160 |

The Regina and area hail storm was the largest catastrophe in the Auto Fund's history.

Current year injury claims were $11.9 million under budget. The number of injury claims were 5.6% lower than planned, while the average cost per claim was 2.3% higher than expected.

The actuarial valuation indicated an overall deficiency of $7.5 million. There was a deficiency of $1.2 million related to prior-year damage claims. The $6.3 million deficiency related to prior-year injury claims was due primarily to updated actuarial data that suggests that long-term injury costs, specifically income replacement benefits, continue to increase.

21. Administrative Expenses

The favourable administrative expense variance was primarily a result of lower credit card charges and advertising campaign costs.

22. Traffic Safety Expenses

Traffic safety spending was lower than planned due primarily to lower driver education funding, advertising and enforcement expenditures.

23. Investment earnings

| | ($000s) | | | % | % |
|---|---|---|---|---|---|
| **Asset Class** | Actual | Budget | Variance | Return | Budget |
| Matching Portfolio | | | | | |
| Short-Term | $ 2,632 | $ 3,699 | $ (1,067) | 1.1% | 1.8% |
| Bonds | (19,756) | 11,126 | (30,882) | -2.0% | 1.4% |
| Mortgages | 2,300 | 2,026 | 274 | 2.9% | 2.5% |
| | (14,824) | 16,851 | (31,675) | -1.3% | 1.5% |
| Return Seeking Portfolio | | | | | |
| Canadian Equities | 30,514 | 11,191 | 19,323 | 18.7% | 7.4% |
| U.S. Equities | 27,458 | 4,604 | 22,854 | 42.1% | 7.5% |
| Non-North American Equities | 15,139 | 3,720 | 11,419 | 28.4% | 8.0% |
| Global Small Cap Equities | 20,650 | 3,767 | 16,883 | 40.4% | 8.3% |
| Real Estate | 10,247 | 5,640 | 4,607 | 11.7% | 6.7% |
| | 104,007 | 28,922 | 75,085 | 24.4% | 7.4% |
| Investment expenses | (2,470) | (1,686) | (784) | | |
| | 86,713 | 44,087 | 42,626 | 5.7% | 2.9% |

Documentation for Information Request #123

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (a) - Forecasts with a 10% Decrease in Claims Incurred Costs**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 655,826 | 741,032 | 818,443 | 892,284 | 953,383 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 63,315 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **899,913** | **1,012,409** | **1,109,543** | **1,202,238** | **1,279,270** |
| **Underwriting loss** | **(73,222)** | **(26,927)** | **(45,294)** | **(72,794)** | **(103,621)** | **(115,182)** |
| Investment earnings | 77,246 | 46,787 | 28,191 | 64,515 | 99,586 | 111,912 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | 64,409 | 30,616 | 42,598 | 50,211 | 54,573 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 239,662 | 270,278 | 312,876 | 363,087 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **239,662** | **270,278** | **312,876** | **363,087** | **417,660** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 75.1% | 76.6% | 78.9% | 81.2% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 82.4% | 84.5% | 86.8% | 89.1% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **103.1%** | **104.7%** | **107.0%** | **109.5%** | **110.0%** |
| **MCT** | **66%** | **84%** | **89%** | **97%** | **105%** | **112%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (a) - Forecasts with a 10% Increase in Claims Incurred Costs**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 797,586 | 739,944 | 818,969 | 893,273 | 954,414 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 77,385 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **1,055,743** | **1,011,321** | **1,110,069** | **1,203,227** | **1,280,301** |
| **Underwriting loss** | **(73,222)** | **(182,757)** | **(44,206)** | **(73,320)** | **(104,610)** | **(116,213)** |
| Investment earnings | 77,246 | 46,787 | 25,741 | 59,171 | 91,659 | 103,280 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (91,421) | 29,254 | 36,728 | 41,295 | 44,910 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 83,832 | 113,086 | 149,814 | 191,109 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **83,832** | **113,086** | **149,814** | **191,109** | **236,019** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 91.4% | 76.5% | 79.0% | 81.3% | 82.0% |
| Loss ratio (incl LAE) | 89.2% | 100.2% | 84.4% | 86.9% | 89.2% | 90.0% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **120.9%** | **104.6%** | **107.1%** | **109.6%** | **110.1%** |
| **MCT** | **66%** | **30%** | **39%** | **48%** | **57%** | **65%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (b) - Forecasts with a 0.5% Decrease in Vehicle Drift**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 918,390 | 1,010,008 | 1,070,078 | 1,133,720 | 1,201,146 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **908,346** | **999,484** | **1,059,051** | **1,122,165** | **1,189,037** |
| **Net premiums earned** | **804,111** | **870,417** | **962,351** | **1,031,647** | **1,093,212** | **1,158,361** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,591 | 95,382 | 101,657 | 107,714 | 114,127 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **977,489** | **1,011,396** | **1,109,306** | **1,202,203** | **1,279,224** |
| **Underwriting loss** | **(73,222)** | **(107,072)** | **(49,045)** | **(77,659)** | **(108,991)** | **(120,863)** |
| Investment earnings | 77,246 | 46,787 | 26,918 | 61,577 | 94,995 | 106,664 |
| Other income | 39,140 | 44,414 | 47,576 | 50,724 | 54,085 | 57,672 |
| **Increase (decrease) to RSR** | 43,164 | (15,871) | 25,449 | 34,642 | 40,089 | 43,473 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 159,382 | 184,831 | 219,473 | 259,562 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **159,382** | **184,831** | **219,473** | **259,562** | **303,035** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.5% | 76.9% | 79.4% | 81.7% | 82.3% |
| Loss ratio (incl LAE) | 89.2% | 91.6% | 84.8% | 87.3% | 89.6% | 90.4% |
| Issuer fee and premium tax ratio | 9.9% | 9.9% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.2%** | **105.0%** | **107.5%** | **110.0%** | **110.5%** |
| **MCT** | **66%** | **57%** | **62%** | **70%** | **76%** | **83%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (b) - Forecasts with a 0.5% Increase in Vehicle Drift**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 927,398 | 1,019,893 | 1,080,550 | 1,144,817 | 1,212,900 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **917,354** | **1,009,369** | **1,069,523** | **1,133,262** | **1,200,791** |
| **Net premiums earned** | **804,111** | **875,556** | **971,879** | **1,041,850** | **1,104,022** | **1,169,814** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 87,270 | 96,321 | 102,658 | 108,774 | 115,250 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **978,168** | **1,012,335** | **1,110,307** | **1,203,263** | **1,280,347** |
| **Underwriting loss** | **(73,222)** | **(102,612)** | **(40,456)** | **(68,457)** | **(99,241)** | **(110,533)** |
| Investment earnings | 77,246 | 46,787 | 27,017 | 62,107 | 96,246 | 108,532 |
| Other income | 39,140 | 44,683 | 47,863 | 51,029 | 54,408 | 58,014 |
| **Increase (decrease) to RSR** | 43,164 | (11,142) | 34,424 | 44,679 | 51,413 | 56,013 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 164,111 | 198,535 | 243,214 | 294,627 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **164,111** | **198,535** | **243,214** | **294,627** | **350,640** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.0% | 76.2% | 78.6% | 80.9% | 81.5% |
| Loss ratio (incl LAE) | 89.2% | 91.0% | 84.0% | 86.4% | 88.7% | 89.5% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.1% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.5% | 4.4% |
| **Combined ratio** | **109.1%** | **111.7%** | **104.1%** | **106.6%** | **109.0%** | **109.6%** |
| **MCT** | **66%** | **58%** | **67%** | **77%** | **86%** | **95%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

## Saskatchewan Auto Fund
## Statement of Operations
## IR #126 (c) - Forecasts with a 0.5% Decrease in Vehicle Volume
## Forecast with 2.7% Rate Change and 3.7% Capital Margin

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 918,413 | 1,010,033 | 1,070,104 | 1,133,745 | 1,201,174 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **908,369** | **999,509** | **1,059,077** | **1,122,190** | **1,189,065** |
| **Net premiums earned** | **804,111** | **870,430** | **962,375** | **1,031,672** | **1,093,238** | **1,158,389** |
| Claims incurred | 626,818 | 724,597 | 736,839 | 814,803 | 888,605 | 949,427 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,080 | 75,445 | 81,331 | 86,365 | 92,325 |
| Issuer fees and premium taxes | 79,522 | 86,592 | 95,384 | 101,660 | 107,717 | 114,129 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **975,111** | **1,007,316** | **1,104,979** | **1,197,587** | **1,274,282** |
| **Underwriting loss** | **(73,222)** | **(104,681)** | **(44,941)** | **(73,307)** | **(104,349)** | **(115,893)** |
| Investment earnings | 77,246 | 46,787 | 26,955 | 61,800 | 95,537 | 107,481 |
| Other income | 39,140 | 44,415 | 47,576 | 50,725 | 54,086 | 57,673 |
| **Increase (decrease) to RSR** | 43,164 | (13,479) | 29,590 | 39,218 | 45,274 | 49,261 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 161,774 | 191,364 | 230,582 | 275,856 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **161,774** | **191,364** | **230,582** | **275,856** | **325,117** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 82.0% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 9.9% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **111.9%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **58%** | **65%** | **73%** | **81%** | **89%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

## Saskatchewan Auto Fund
## Statement of Operations
## IR #126 (c) - Forecasts with a 0.5% Increase in Vehicle Volume
## Forecast with 2.7% Rate Change and 3.7% Capital Margin

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 927,375 | 1,019,870 | 1,080,525 | 1,144,788 | 1,212,871 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **917,331** | **1,009,346** | **1,069,498** | **1,133,233** | **1,200,762** |
| **Net premiums earned** | **804,111** | **875,543** | **971,856** | **1,041,825** | **1,103,996** | **1,169,786** |
| Claims incurred | 626,818 | 728,815 | 744,136 | 822,609 | 896,953 | 958,370 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,619 | 76,311 | 82,184 | 87,256 | 93,271 |
| Issuer fees and premium taxes | 79,522 | 87,268 | 96,319 | 102,655 | 108,771 | 115,246 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **980,544** | **1,016,414** | **1,114,633** | **1,207,880** | **1,285,288** |
| **Underwriting loss** | **(73,222)** | **(105,001)** | **(44,558)** | **(72,808)** | **(103,884)** | **(115,502)** |
| Investment earnings | 77,246 | 46,787 | 26,978 | 61,886 | 95,706 | 107,712 |
| Other income | 39,140 | 44,682 | 47,862 | 51,028 | 54,407 | 58,013 |
| **Increase (decrease) to RSR** | 43,164 | (13,532) | 30,282 | 40,106 | 46,229 | 50,223 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 161,721 | 192,003 | 232,109 | 278,338 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **161,721** | **192,003** | **232,109** | **278,338** | **328,561** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.2% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.8% | 89.1% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.1% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.5% | 4.4% |
| **Combined ratio** | **109.1%** | **112.0%** | **104.5%** | **107.0%** | **109.4%** | **110.0%** |
| **MCT** | **66%** | **57%** | **65%** | **73%** | **82%** | **89%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (d) - Forecasts with a 10%   Decrease in Investment Income in 2014**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **977,828** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(104,842)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 40,432 | 26,866 | 61,622 | 95,299 | 107,243 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (19,861) | 29,835 | 39,442 | 45,429 | 49,389 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 155,392 | 185,227 | 224,669 | 270,098 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **155,392** | **185,227** | **224,669** | **270,098** | **319,487** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.0%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **55%** | **62%** | **71%** | **79%** | **87%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (d) - Forecasts with a 10% Increase in Investment Income in 2014**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **977,828** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(104,842)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 53,142 | 27,068 | 62,063 | 95,946 | 107,948 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (7,151) | 30,037 | 39,883 | 46,076 | 50,094 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 168,102 | 198,139 | 238,022 | 284,098 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **168,102** | **198,139** | **238,022** | **284,098** | **334,192** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.0%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **60%** | **67%** | **75%** | **83%** | **91%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

## Saskatchewan Auto Fund
## Statement of Operations
## IR #126 (e) - Forecasts with 10% Lower LAE in 2014
## Forecast with 2.7% Rate Change and 3.7% Capital Margin

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 63,315 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **970,793** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(97,807)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 27,077 | 62,084 | 95,981 | 107,984 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (6,471) | 30,046 | 39,904 | 46,111 | 50,130 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 168,782 | 198,828 | 238,732 | 284,843 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **168,782** | **198,828** | **238,732** | **284,843** | **334,973** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 90.5% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **111.2%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **60%** | **67%** | **75%** | **83%** | **91%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (e) - Forecasts with 10% Higher LAE in 2014**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 77,385 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **984,863** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(111,877)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 26,856 | 61,598 | 95,263 | 107,208 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (20,541) | 29,825 | 39,418 | 45,393 | 49,354 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 154,712 | 184,537 | 223,955 | 269,348 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **154,712** | **184,537** | **223,955** | **269,348** | **318,702** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 92.1% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.8%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **55%** | **62%** | **71%** | **79%** | **87%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

## Saskatchewan Auto Fund
## Statement of Operations
## IR #126 (f) - Forecasts with 10% Lower Administration Expenses in 2014
## Forecast with 2.7% Rate Change and 3.7% Capital Margin

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 52,750 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **971,967** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(98,981)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 27,031 | 62,041 | 95,921 | 107,917 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (7,645) | 30,000 | 39,861 | 46,051 | 50,063 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 167,608 | 197,608 | 237,469 | 283,520 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **167,608** | **197,608** | **237,469** | **283,520** | **333,583** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.0% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **111.3%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **60%** | **66%** | **75%** | **83%** | **91%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (f) - Forecasts with 10% Higher Administration Expenses in 2014**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 64,472 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **983,689** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(110,703)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 26,901 | 61,642 | 95,322 | 107,274 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (19,367) | 29,870 | 39,462 | 45,452 | 49,420 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 155,886 | 185,756 | 225,218 | 270,670 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **155,886** | **185,756** | **225,218** | **270,670** | **320,090** |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 7.4% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.7%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **55%** | **63%** | **71%** | **80%** | **87%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (g) - Forecasts with 10% Decrease to Traffic Safety Expenses in 2014**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 31,708 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **974,305** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(101,319)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 27,005 | 61,963 | 95,802 | 107,791 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (9,983) | 29,974 | 39,783 | 45,932 | 49,937 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 165,270 | 195,244 | 235,027 | 280,959 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **165,270** | **195,244** | **235,027** | **280,959** | **330,896** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 3.6% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **111.6%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **59%** | **66%** | **74%** | **82%** | **90%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

## Saskatchewan Auto Fund
## Statement of Operations
## IR #126 (g) - Forecasts with 10% Increase to Traffic Safety Expenses in 2014
## Forecast with 2.7% Rate Change and 3.7% Capital Margin

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 38,754 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **981,351** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(108,365)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 26,929 | 61,720 | 95,444 | 107,402 |
| Other income | 39,140 | 44,549 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (17,029) | 29,898 | 39,540 | 45,574 | 49,548 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 158,224 | 188,122 | 227,662 | 273,236 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **158,224** | **188,122** | **227,662** | **273,236** | **322,784** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.4% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.4%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **56%** | **63%** | **72%** | **80%** | **88%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**
**Statement of Operations**
**IR #126 (h) - Forecasts with 10% Lower Other Income in 2014**
**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **977,828** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(104,842)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 26,895 | 61,689 | 95,395 | 107,349 |
| Other income | 39,140 | 40,094 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (17,961) | 29,864 | 39,509 | 45,525 | 49,495 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 157,292 | 187,156 | 226,665 | 272,190 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **157,292** | **187,156** | **226,665** | **272,190** | **321,685** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.0%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **56%** | **63%** | **72%** | **80%** | **88%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.

**Saskatchewan Auto Fund**

**Statement of Operations**

**IR #126 (h) - Forecasts with 10% Higher Other Income in 2014**

**Forecast with 2.7% Rate Change and 3.7% Capital Margin**

| | Forecast | | | | | |
|---|---|---|---|---|---|---|
| year ended December 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| ($000's) | $ | $ | $ | $ | $ | $ |
| Direct premium | 834,264 | 922,894 | 1,014,952 | 1,075,315 | 1,139,267 | 1,207,023 |
| Ceded premium | (7,183) | (10,044) | (10,524) | (11,027) | (11,555) | (12,109) |
| **Net premiums written** | **827,081** | **912,850** | **1,004,428** | **1,064,288** | **1,127,712** | **1,194,914** |
| **Net premiums earned** | **804,111** | **872,986** | **967,115** | **1,036,749** | **1,098,617** | **1,164,088** |
| Claims incurred | 626,818 | 726,706 | 740,488 | 818,706 | 892,779 | 953,898 |
| Prior year claims (Net of Disc/PFAD) | 14,035 | - | - | - | - | - |
| Loss adjusting expense (LAE) | 76,134 | 70,350 | 75,878 | 81,758 | 86,810 | 92,798 |
| Issuer fees and premium taxes | 79,522 | 86,930 | 95,851 | 102,157 | 108,244 | 114,688 |
| Administrative expenses | 52,588 | 58,611 | 59,712 | 62,331 | 64,909 | 67,410 |
| Traffic safety | 28,236 | 35,231 | 39,936 | 44,854 | 49,991 | 50,991 |
| **Total claims and expenses** | **877,333** | **977,828** | **1,011,865** | **1,109,806** | **1,202,733** | **1,279,785** |
| **Underwriting loss** | **(73,222)** | **(104,842)** | **(44,750)** | **(73,057)** | **(104,116)** | **(115,697)** |
| Investment earnings | 77,246 | 46,787 | 27,035 | 61,995 | 95,850 | 107,842 |
| Other income | 39,140 | 49,004 | 47,719 | 50,877 | 54,246 | 57,843 |
| **Increase (decrease) to RSR** | 43,164 | (9,051) | 30,004 | 39,815 | 45,980 | 49,988 |
| **RSR:** | | | | | | |
| Balance Beginning of Year | 127,122 | 173,733 | 166,202 | 196,206 | 236,021 | 282,001 |
| Appropriation from Redevelopment Reserve | 3,447 | 1,520 | - | - | - | - |
| **Balance, End of Year** | **173,733** | **166,202** | **196,206** | **236,021** | **282,001** | **331,989** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current year loss ratio (excl LAE) | 78.0% | 83.2% | 76.6% | 79.0% | 81.3% | 81.9% |
| Loss ratio (incl LAE) | 89.2% | 91.3% | 84.4% | 86.9% | 89.2% | 89.9% |
| Issuer fee and premium tax ratio | 9.9% | 10.0% | 9.9% | 9.9% | 9.9% | 9.9% |
| Administrative expense ratio | 6.5% | 6.7% | 6.2% | 6.0% | 5.9% | 5.8% |
| Traffic safety ratio | 3.5% | 4.0% | 4.1% | 4.3% | 4.6% | 4.4% |
| **Combined ratio** | **109.1%** | **112.0%** | **104.6%** | **107.1%** | **109.6%** | **110.0%** |
| **MCT** | **66%** | **59%** | **66%** | **75%** | **83%** | **90%** |

Note: A 1.23% RSR surcharge went into effect August 31, 2013.
A rate increase of 2.7% and a capital margin of 3.7% is assumed to go into effect August 31, 2014.
The total 1.23% RSR surcharge is assumed to be removed August 31, 2014.