

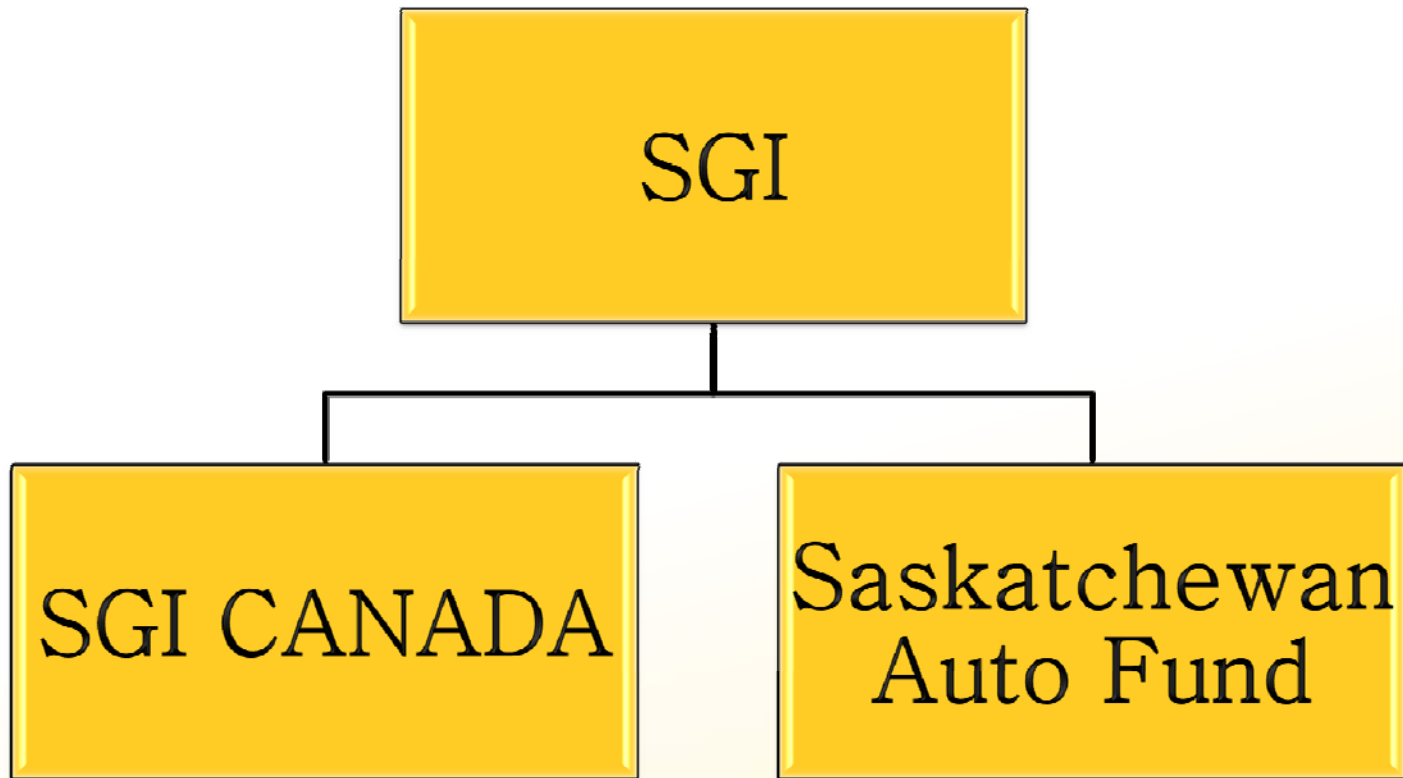
# **Saskatchewan Auto Fund Proposal for Rate Adjustment 2014**

# Presentation Outline

- Auto Fund & Financial Overview
  - Andrew Cartmell – President and CEO
  
- Auto Fund Rating Overview
  - Don Thompson – VP Product Management

# **Auto Fund Overview**

# SGI Corporate Structure



# Saskatchewan Auto Fund Mandate

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

# Current Initiatives

- Implement traffic safety and motorcycle review initiatives
- Injury coverage review
- Taxi consultation
- Safe Driver Recognition Program review
- Business Recognition Program review

# Traffic Safety Initiatives

- Special Committee on Traffic Safety initiatives:
  - Impaired driving
  - Excessive speed
  - Passenger safety
  - Traffic safety awareness
- Total of 25 recommendations being implemented - 14 immediately

# Motorcycle Review Committee

- Motorcycle review focused on three areas:
  - Motorcycle safety programming
  - Rating structure
  - Injury benefit levels
  
- Committee included members from RAGE, the Saskatchewan Dual Sport Club, a motorcycle enthusiast, motorcycle trainers, motorcycle dealers, an insurance broker and a doctor



# Motorcycle Review Committee Initiatives

- Increased requirements for acquiring a motorcycle learner's licence
- Incentives for new riders to take training
- Additional mandatory gear for new riders and their passengers
- Changes to the Safe Driver Recognition program
- Stiffer penalties in SGI's driver improvement programs for all drivers and riders

# Injury Coverage Review

- Injury Coverage Review Committee is being formed
- Items being discussed include:
  - Current benefit coverage and limits
  - Enhancements to coverage, as well as exclusions
  - Gaps in current coverage
  - Allowing customers to opt out of certain benefits
- Online survey to gather public feedback

# Taxi Consultation

- SGI is working with taxi companies, owners/operators, cities and other stakeholders on a comprehensive strategy to address issues
- Consulting with the taxi industry about insurance rates, the Business Recognition program and other options to improve safety, and bring down claim costs

# Taxi Consultation

- Some of the changes coming out of this consultation process include:
  - Surcharging individuals under the Business Recognition program
  - Registration changes requiring taxis to be registered in name of vehicle owner, not city licence holder
  - Proxy access to driver's abstracts through MySGI

## **Safe Driver Recognition (SDR) and Business Recognition (BR) Programs Review**

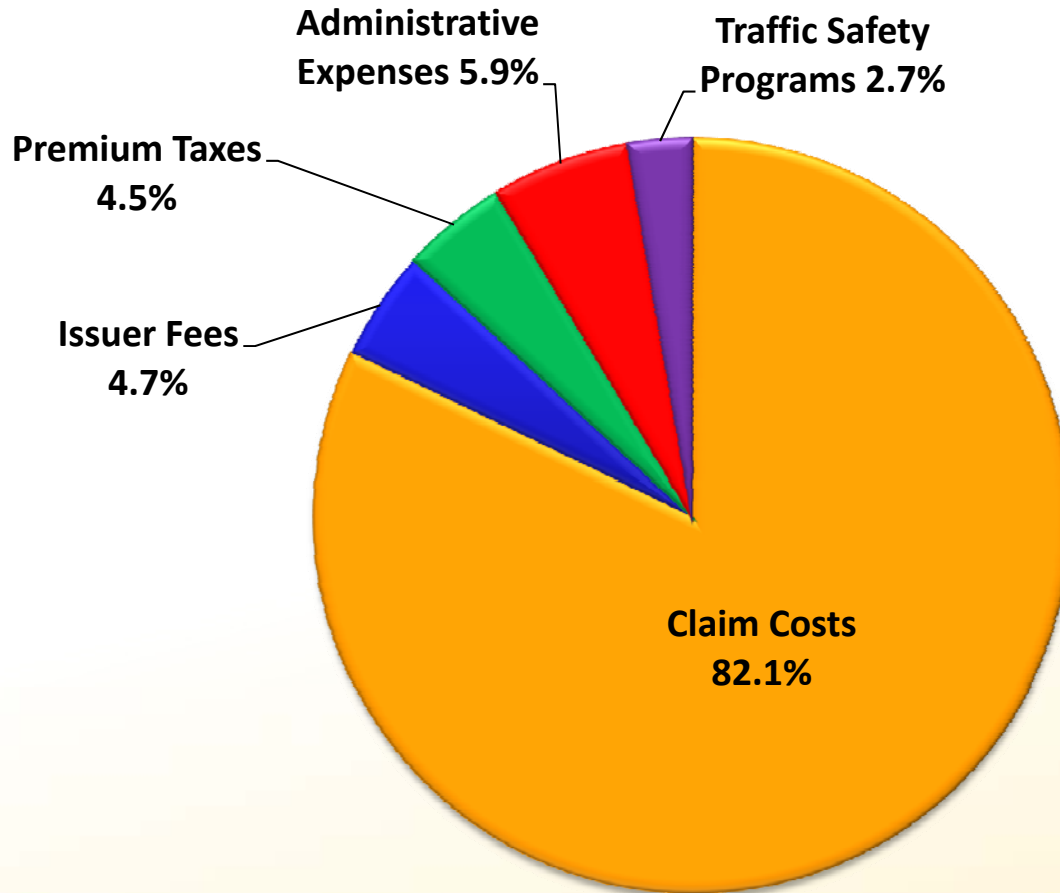
- Potential enhancements to programs include:
  - Increased discounts
  - Increased penalties for customers in the negative SDR zone
  - Charging financial penalties each year customer is in the negative SDR zone
  - Changes to the SDR scale

# Financial Overview

# Financial Overview

	2013	2012	2011	2010	2009
	(thousands of Canadian \$)				
Net premiums earned	806,965	767,226	726,282	684,821	630,559
Total claims and expenses	<u>900,162</u>	<u>891,050</u>	<u>954,962</u>	<u>742,930</u>	<u>727,178</u>
Underwriting loss	-93,197	-123,824	-228,680	-58,109	-96,619
Investment income	86,713	74,838	51,668	119,367	31,050
Other income	<u>38,749</u>	<u>37,490</u>	<u>34,088</u>	<u>31,489</u>	<u>24,834</u>
Increase/(Decrease) to RSR	32,265	-11,496	-142,924	92,747	-40,754
RSR Balance, end of year	162,814	127,122	134,261	271,856	67,211

# Auto Fund Cost Breakdown





# **Auto Fund Rate Program**

# Rate Proposal

- Overall net revenue increase of 5.2% to the Auto Fund effective Aug. 31, 2014
  - 2.7% overall rate increase
    - Required to cover expected claim costs and expenses
    - Rate rebalancing, some rates will go up, some will go down and some will stay the same
  - 3.7% capital amount
    - Will bring the capital amount from 1.23% to 3.7%
    - The capital amount is applied on top of everyone's rebalanced rate

# Rate Proposal

The proposed revenue increase and rebalancing effective Aug. 31, 2014 includes:

- Increases for about 84% of Saskatchewan vehicles with an average annual increase of \$49;
- Decreases for about 16% of Saskatchewan vehicles with an average annual reduction of \$12; and,
- No premium change for about 3,000 Saskatchewan vehicles.

# Why the Auto Fund requires a 2.7% increase

- This year, the primary reason for the increase is the 2014-2016 year-over-year 10% increase to auto body labour rates.

# Rate Rebalancing

- Rate groups based on similar risk characteristics – e.g. ambulances, private passenger vehicles, buses
- Expenses and claims charged to each rate group
- With each rate program we rebalance the groups rate to move toward their required rate

# Rate Capping

- Most rate changes will be capped to reduce rate shock

Current Annual Rate	Maximum Cap
\$1 – 50	\$25
\$51 – 100	\$50
\$101 – 250	\$75
\$251 – 500	\$100
\$501 – 750	\$125
\$751 – 1,000	\$150
\$1,001 or greater	15%

# Impact of Incidents

Event	Ticket	If in Penalty Zone*	If in Safety Zone
Texting while Driving (-4 points)	\$280 to the Ministry of Justice	Immediate financial penalty: \$100 or \$500	8% reduction to insurance discount
Failing to Obey a Stop Sign and Causing a Collision (-10 points)	\$230 to the Ministry of Justice	Immediate financial penalty: \$150 or \$500; plus \$700 deductible	12% reduction to insurance discount; plus \$700 deductible
Criminal Code Conviction (move to -20)	Minimum \$1,000 to the Ministry of Justice	Immediate \$500 financial penalty	Immediate \$500 financial penalty
Criminal Code Conviction causing an Injury or Death (move to -20)	Minimum \$1,000 to the Ministry of Justice	Immediate \$2,500 financial penalty	Immediate \$2,500 financial penalty

\*Invoice is immediate and against the driver of the vehicle

# Bad Driver Examples

## ➤ Example 1:

- Starting SDR rating -4
- 1 at-fault accident with ticket for failing to obey a stop sign
- Total cost to driver = \$1,180

## ➤ Example 2:

- Starting SDR rating -15
- Two at-fault accidents and a texting ticket
- Total cost to driver = \$3,180



# Motorcycles

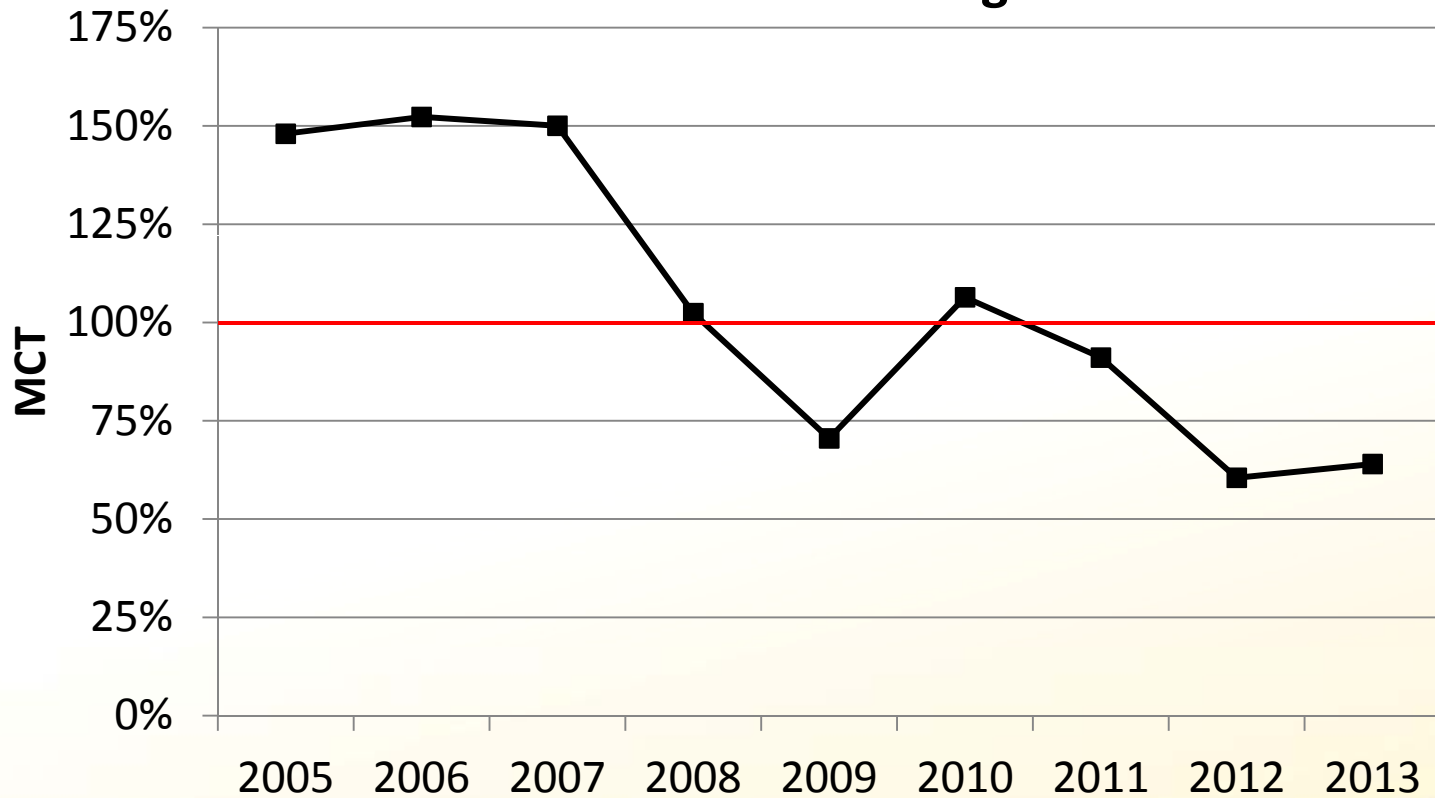
- Review recommendations will take time to have an impact on claim costs
- All motorcycle rates will be increased by a flat 2.7% rate change with no rebalancing
  - Based on the average required rate change for all vehicles excluding motorcycles
  - 3.7% capital amount will also apply to motorcycles

# Rate Stabilization Reserve

- The Rate Stabilization Reserve (RSR) acts like a savings account for emergencies
  - Protects customers from large rate increases
  - Ensures the Auto Fund can cover claim obligations
- RSR balance remains below required levels
- 3.7% capital amount recommended (currently 1.23%)

# Available Capital

**Auto Fund 12-Month Average MCT**



# Summary

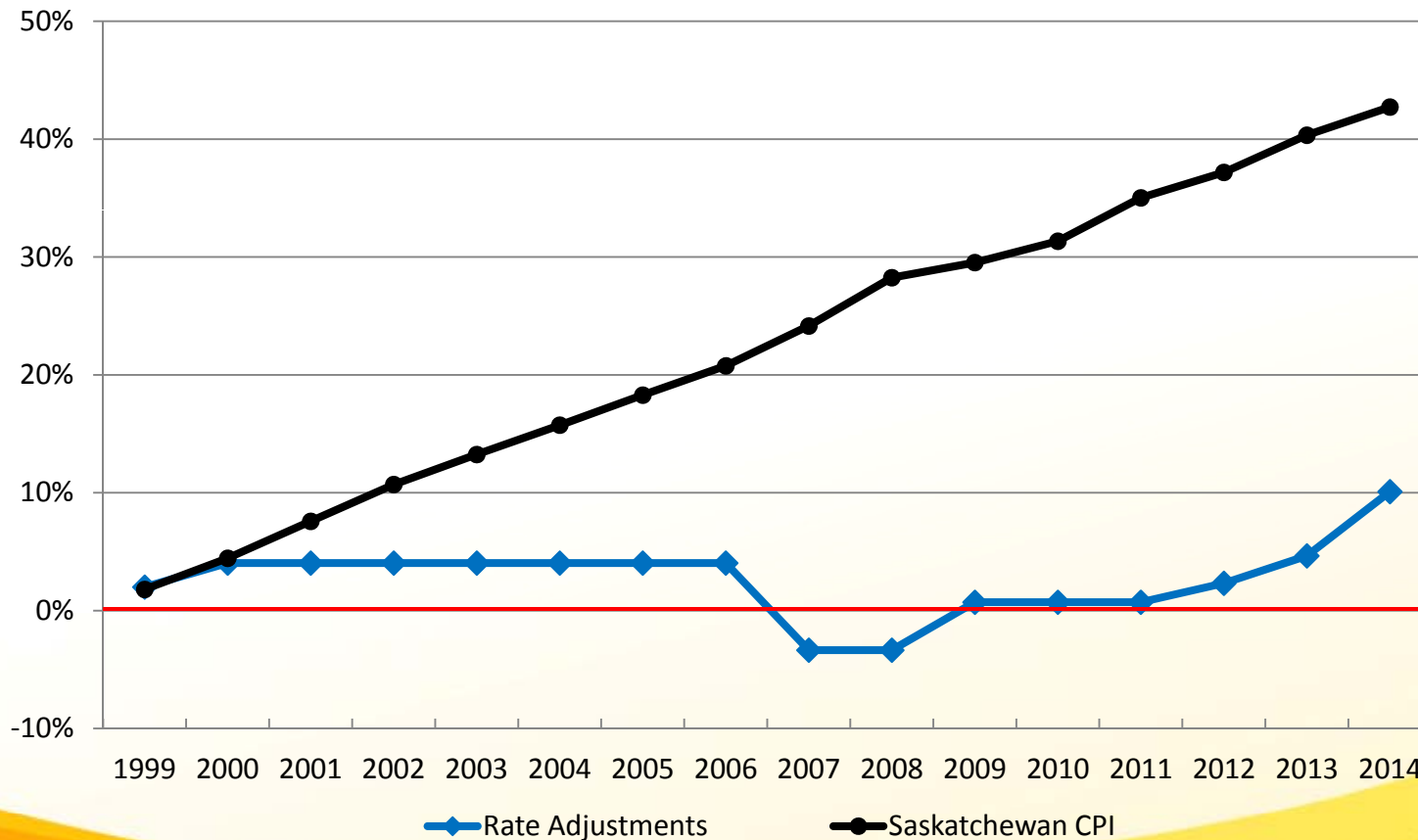
- 5.2% overall increase, resulting from:
  - A 2.7% revenue increase,
  - A 3.7% capital amount applied on top of the rate changes to replenish the Rate Stabilization Reserve so that financial cushion is there when we need it,
  - Which is offset by the current 1.23% capital amount.

# Summary

- 84% of vehicle owners will see an increase averaging about \$49 per year.
- Everyone else stays the same or goes down, with decreases averaging about \$12 per year.

# Commitment to Low Rates

Rate Increases versus Saskatchewan CPI



**For more information go  
to [www.sgi.sk.ca](http://www.sgi.sk.ca)**