Saskatchewan Auto Fund Rate Change Proposal
Minimum Filing Requirements

1. Certificate of the Officer
2. Certificate of the Actuary
3. Latest annual report
4. Current organization structure(s)
5. CONFIDENTIAL
6. Details of indicated and requested rates supported by rate setting methodology details, actuarial and other support documents, including claim liabilities valuation used in the analysis
7. Detailed explanations of rationale for differences between indicated and requested rates
8. Detailed explanation of all rate rebalancing measures proposed, including implementation schedules, anticipated future plans for and impacts of rebalancing
9. Changes to CLEAR-rated vehicle categories
10. Changes to conventionally-rated vehicle categories
11. Details and narrative related to any changes to vehicle classifications systems
12. Most recent parameters of all incentive programs, including SDR and BR
13. Details of any changes in the basis for setting the provisions for adverse deviations (e.g., changes in margins, methods of estimation, etc.)
14. Descriptions of traffic safety programs, including specific cost/benefit analyses justifying new programs implemented or proposed, and quantified benefits flowing from prior and current initiatives
15. The current Capital Management Policy together with the relevant history of MCT ratios, and any recent changes in Capital Management Policy
16. RSR balances, and needs for replenishment or refund
17. Statement of Investment Policies and Goals
18. CONFIDENTIAL
19. Past, current and proposed future staff levels by Division for SAF and support staffing from other SGI entities
20. Taxes and Grants-in-lieu of taxes, as applicable
21. CONFIDENTIAL
22. Any new SAF programs introduced or eliminated, by type
23. Details of specific internal productivity or efficiency improvement goals or targets, the efficiencies gained and cost control measures implemented, by improvement type, including measurement parameters used
24. Capital improvements spending plans, as well as impact on indicated and requested rates
25. CONFIDENTIAL
26. Report on implementation of previous Panel recommendations

Note - Confidential material should be clearly identified. The Applicant may provide such additional information as deemed appropriate to assist the efficiency of the review process.

1. Certificate of the Officer

CERTIFICATE OF THE OFFICER

I, Don Thompson, Vice President of Product Management, of Saskatchewan Government Insurance certify that:

1. The rate application has been prepared for the Saskatchewan Auto Fund to be effective as of August 31, 2013 for new and renewal business.

2. I have knowledge of the matters that are the subject of this certificate.

3. The information and each document contained in the rate application accompanying this certificate are complete and accurate in all material respects.

4. I have satisfied myself that the proposed rates are just and reasonable, do not impair the solvency of the Insurer, and are not excessive in relation to the financial circumstances of the Insurer.

5. If the rate application is approved, all premiums (including all fees, discounts, surcharges and other components comprising such premiums) quoted and charged by the Insurer will at all times and in all material respects accurately reflect and conform to the rate application as approved, whether such premiums are calculated manually or otherwise.

6. I have informed myself as to the Insurer's business systems and processes and confirm that any system or process changes that may be required to enable the Insurer to comply with paragraph 6 above will be adequately tested in advance and fully communicated to staff and intermediaries and implemented by the Insurer in a timely manner.

Don Thompson

Signature of Officer

Feb 14/13

Date, Location

2. Certificate of the Actuary

CERTIFICATE OF THE ACTUARY

I, Christopher McCulloch, a Fellow of the Canadian Institute of Actuaries, certify that:

1. I have derived the indicated rate(s) in accordance with accepted actuarial practice in Canada, on behalf of Saskatchewan Government Insurance, for the following insurance categories: all categories of automobile insurance, to be effective August 3, 2013 for new and renewal business. Although the indicated rates were originally calculated to be effective August 3, 2013, the effective date of the rates on new and renewal business will be August 31, 2013.

2. I have reviewed the data underlying this rate application for reasonableness and consistency, and I believe the data is reliable and sufficient for the determination of the indicated rate changes.

In my opinion, the risk classification system is just and reasonable, reasonably predictive of risk and distinguishes fairly between the classes.

Feb 14, 2013 Winnipeg

Signature of Actuary

Date, Location

3. 2011 Annual Report

2011

SASKATCHEWAN AUTO FUND

ANNUAL REPORT

CHANGING LANDSCAPES

MISSION

We're your insurance company, offering protection that benefits you, your family and your community.

VISION

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

VALUES

INTEGRITY

- Leading by example and being accountable for our actions.
- Following through on commitments.
- Providing honest, timely feedback.
- Explaining why a decision is taken.
- Giving credit to those who contribute to our success.
- Providing information openly without breaching confidentiality.
- Maintaining the privacy of personal data.

CARING

- Leading by example and being accountable for our actions.
- Acting in a manner that preserves the dignity of others.
- Valuing and actively supporting diversity.
- Acknowledging and validating the feelings of others.
- Actively seeking and listening to differing points of view.
- Responding to individual differences.

INNOVATION

- Leading by example and being accountable for our actions.
- Seeking solutions that recognize individual circumstances.
- Challenging the status quo for positive change.
- Pursuing alternatives which lead to business improvements.
- Continuously working to revitalize products and services.
- Preparing for the needs of the future.

ABOUT THE SASKATCHEWAN AUTO FUND

The Saskatchewan Auto Fund is the province's compulsory auto insurance program, operating the driver's licensing and vehicle registration system. The Auto Fund is designed to be financially self-sustaining over time. It does not receive money from, nor pay dividends to, the government.

TABLE OF CONTENTS

LETTER OF TRANSMITTAL 1
MINISTER'S MESSAGE 2
CHAIR'S MESSAGE 3
PRESIDENT'S MESSAGE 4
SUSTAINABILITY 6
MANAGEMENT'S DISCUSSION AND ANALYSIS 9
RESPONSIBILITY FOR FINANCIAL STATEMENTS 35
ACTUARY'S REPORT 36
INDEPENDENT AUDITORS' REPORT 37
STATEMENT OF FINANCIAL POSITION 38
STATEMENT OF OPERATIONS 39
STATEMENT OF CHANGES IN EQUITY 40
STATEMENT OF CASH FLOWS 41
NOTES TO THE FINANCIAL STATEMENTS 42
CORPORATE GOVERNANCE 67
BOARD OF DIRECTORS 75
TERMS OF REFERENCE 80
SGI EXECUTIVE 83
GLOSSARY OF TERMS 86
IN MEMORIAM 87

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March, 2012

To Her Honour,
The Honourable Vaughn Solomon Schofield, S.O.M, S.V.M.
Lieutenant Governor of Saskatchewan

Your Honour,

I am pleased to submit herewith the annual report of the Saskatchewan Auto Fund for the year ended December 31, 2011, including the financial statements in the form required by the Treasury Board and in accordance with *The Saskatchewan Government Insurance Act.*

Respectfully submitted,

Honourable Tim McMillian
Minister Responsible for Saskatchewan Government Insurance

MINISTER'S MESSAGE

There is no doubt that 2011 was a challenging year for the Saskatchewan Auto Fund. However, it's how you respond to challenges that matters. Despite a year of treacherous driving conditions in the winter and hail storms during the warmer months, the Auto Fund is continuing on a path of efficient operations and excellent customer service.

Part of that involved breaking through red tape and increasing customer convenience. The New West Partnership agreement provided the opportunity for the Auto Fund to harmonize transport weight allowances with Alberta and British Columbia, making trade easier and more productive.

The Auto Fund responded to the increasing number of tech-savvy consumers with a solid first year for its online services. It also began a social media presence as a means of connecting and communicating with customers and engaging them in traffic safety.

At the same time, SGI continues to support the diversity of our province by attracting and hiring new talent who reflect the province's shifting population demographic.

It's embracing changes in the insurance industry with employee training and skill development. All of this will ensure a quality employee base into the future.

In 2011 the Auto Fund demonstrated its value to the province today, and into the future.

I am pleased to present the 2011 Saskatchewan Auto Fund Annual Report.

Honourable Tim McMillan
Minister Responsible for Saskatchewan Government Insurance

CHAIR'S MESSAGE

The Saskatchewan Auto Fund remained focused on the customer in 2011 as it continued to tailor its products and services to meet changing consumer needs.

Technology is changing consumer behaviour and expectations. More people are doing more transactions online. Past strategic decisions, such as the vast computer systems platform upgrade completed in 2010, positioned the Auto Fund to handle these service demands with a successful first year offering online services through MySGI and expanding its features. Plans are in place to expand it further by including more transactions and leveraging it for other uses.

Social media is creating new opportunities for the Auto Fund to connect with customers and share insurance and safety tips.

The need for customer services on these fronts has become part of the Board of Director's considerations as it continues its work to guide the Auto Fund to future success. Part of this process will be a comprehensive Auto Fund coverage review in 2012 to ensure high-quality and sustainable products and services continue to be provided.

The Board also saw some changes this past year. We bid farewell to our Vice Chair, Anne M. Lavack, when her term ended in January 2011. I thank her for her contributions over the past three years. The Board also welcomed a new member, Denis Perrault, CEO of Paradise Consulting in Swift Current.

None of the Auto Fund's 2011 accomplishments would have been possible without its employees, motor licence issuers and its management team. On behalf of all of the Board, I thank the staff and issuers for their hard work and commitment to supporting our vision.

Warren Sproule, Q.C.
Chair, SGI Board of Directors

PRESIDENT'S MESSAGE

Last summer I explored much of Saskatchewan and marveled at how the landscape varies. What appears as flat prairie from a distance, up close offers rolling hills, bluffs of trees and sand dunes. The province's landscape is full of the unexpected, and so was the Auto Fund's horizon in 2011.

A lot can happen over the course of one year. Global financial markets remained unstable. Saskatchewan's population and economy continued on a path of record growth, which means more drivers on our roads, and more customers with high service expectations.

Change also came from within as the Auto Fund delivered the first year of its five-year strategic plan. We had a successful year offering online services through MySGI, attracting and retaining talented and diverse employees, and using innovation to be more efficient and productive, improving SGI's operations.

These changes and our readiness for them helped the Auto Fund stay reliable, responsible and customer driven, while providing the platform to build for the future. These achievements were possible because of our employees, and I thank them for their hard work and dedication to the Auto Fund's vision of being an organization that everyone is proud to do business with.

Traffic safety remains an area of focus for the Auto Fund. The number of fatal collisions and injuries in the province remains far too high. We're working on bringing those numbers down by reviewing our approach to prevention. Not only will this benefit the public, but also the Auto Fund's own bottom line since every claim has a financial cost associated with it.

As anyone familiar with Saskatchewan's landscape knows, bad weather can blow in out of nowhere. Unfortunately, a perfect storm of costs added up this year and the Auto Fund is posting a record loss. This is due to several factors.

Poor winter driving conditions in early 2011 and summer hail storms significantly increased claim costs.

Long-tail injury claim cost estimates also increased as trends showed that the Auto Fund will be paying more on these claims and for a longer period of time.

Global financial market instability was tough on the Auto Fund with investment earnings lower than forecasted. They also had an impact on claim discounting, causing an increase in claim expenses. This is explained in detail in the Management's Discussion and Analysis section.

The Auto Fund's rocky financial landscape was cushioned by the Rate Stabilization Reserve (RSR). Designed for a year like 2011, it absorbs the impact of a poor year. The Auto Fund uses a common industry standard called the Minimum Capital Test (MCT) to make sure it has enough reserves to pay future claims. Our capital management policy looks for the 12-month average MCT to be in a range of 75 to 150%. At 91%, the year-end average was within the range.

In times of change like these, it helps to control what we can. As such, an independent benchmarking survey in 2011 by the Ward Group showed that SGI operates very efficiently when compared to the rest of the industry.

We've capitalized on existing resources by controlling administrative expenses and increasing productivity with initiatives like the Productivity, Efficiencies and Processes (PEP) Squad. The squad supports and encourages staff to find ways to make SGI a more efficient and competitive corporation that exceeds customer expectations.

At the same time, we're keeping our commitment to being there for customers. The Auto Fund's redesigned website is easier to navigate, tablet-friendly and has new social media and user-interface tools.

SGI has joined social media, where its presence offers another customer communication channel and increases awareness of insurance coverage and traffic safety.

We've responded to what customers want with a successful first year for MySGI and expanding its services by adding registration cancellations and driver's licence payments. MySGI will be a primary focus in 2012, with plans to enhance it to offer more services and enable farmers, commercial and group customers to use it.

One thing that hasn't changed is how the Auto Fund continues giving back to customers with programs and support for organizations and activities that benefit Saskatchewan communities and traffic safety. We're making roads safer by working with partners to expand the Report Impaired Drivers (RID) program across the province and the Auto Fund contributed $10,000 worth of children's books to the Saskatchewan Foster Families Association.

As you can see, there was plenty of change on SGI's landscape over the past year, but we still have an eye on where we want to be in the future and how we get there. Recognizing traffic safety's continuing impact on claim costs, we're focusing on collision and injury reduction strategies. SGI will further leverage MySGI and its social media presence. We're also be looking at how we serve customers with a review of the coverage the Auto Fund provides and the rates it charges to ensure they are both fair and sustainable.

Part of a changing landscape is having the capacity to adjust with it. By identifying both the challenges and opportunities 2011 brought, and having a long-term plan for them, SGI remains a part of Saskatchewan's landscape that is reliable, well managed and committed to customers and communities.

Andrew R. Cartmell

SUSTAINABILITY

Corporate Social Responsibility (CSR) is a broader way of assessing a corporation's bottom line. Instead of focusing on financials, CSR examines what kind of corporate citizen a company is; whether it operates in an economically, socially and environmentally sustainable way as it fulfills the interests of its shareholders.

SGI focuses its CSR framework into four main areas: community, employees, corporate governance and environment.

COMMUNITY

Traffic safety is a big part of SGI's community involvement. Its five-year traffic safety strategy was created with a focus on making things safer in seven main areas of concern: preventing impaired driving, wildlife collisions and distracted driving; seatbelt use; intersection safety; speed management and new drivers.

Driver impairment continues to be the number one contributing factor in fatal collisions in Saskatchewan. Driver distraction is also a growing concern.

The following examples are new and continued activities from SGI's Traffic Safety Strategy:

- The Report Impaired Drivers (RID) program is now province-wide. After a successful pilot in Saskatoon, it was expanded to other cities and is now available everywhere.
- A two-year pilot program established traffic safety liaison positions in the File Hills Qu'Appelle Tribal Council and the Saskatoon Tribal Council. Working with elders and youth within the First Nations communities in each tribal council, these two liaisons will identify traffic safety issues in their communities and help come up with solutions.
- The second half of SGI's two-part, youth-targeted, movie-trailer style ad campaign, The Decision, was revealed in April 2011. It showed a possible ending to a story designed to get teens thinking about the issue of drinking and driving. The campaign was a success with 3,500 entries and millions of viewers across Canada and in other countries.
- SGI had continued success with the rural Seatbelt Challenge, a community-driven project designed to improve seatbelt use in rural Saskatchewan. In 2011 the communities of Keeseekoose First Nation and Whitewood came out on top.
- SGI launched the Booster Bear car seat campaign. It features a bright, friendly cartoon bear demonstrating the weight requirements for a booster seat and encouraging children and their parents to use them.
- To help prevent vehicle collisions with moose, SGI partnered with the Saskatchewan Wildlife Federation in a *Moose On The Loose* public awareness campaign. The campaign includes highway billboards, radio and television public service announcements, reflective road-side signs and posters warning the public to watch for moose.

RID encourages the public to report suspected impaired drivers by dialing 911. It's a partnership between SGI, Saskatchewan Liquor and Gaming Authority (SLGA) and the RCMP with support from Students Against Drinking and Driving (SADD) and Mothers Against Drunk Driving (MADD). Police say RID led to over 300 impaired driving charges in 2011.

- SGI implemented the Motorcycle Graduated Driver's Licensing (MGDL) program. MGDL moves new motorcycle drivers through incremental levels of risk as they gain motorcycle driving experience, helping them develop safe skills and reduce collisions.
- SGI worked with municipalities and the Ministry of Highways and Infrastructure to make safety improvements to intersections and roadway corridors.
- SGI is now responsible for driver education funding and administration in Saskatchewan.

SGI also give back to our community in other ways:

- SGI's employee Community Action Team (CAT) donated $10,000 worth of books for children and youth to the Saskatchewan Foster Families Association. CAT also collected more than 2,700 book donations from employees across the province. The books were given to Saskatchewan children and youth in foster care.
- SGI continues its support for local and national events. Employees raised money for the victims of the Japanese tsunami and collected money for Telemiracle, United Way, the Multiple Sclerosis Society of Canada, Movember and the Juvenile Diabetes Research Foundation (JDRF) Ride for Diabetes Research. Staff also participated in the Canadian Blood Services Crown Challenge blood donation drives.

There were a lot of moustaches around SGI during Movember 2011. The month-long prostate cancer awareness drive in November encourages men to collect donations for Prostate Cancer Canada in exchange for growing a moustache. In 2011, SGI held a series of fundraising events and raised more than $14,000.

EMPLOYEES

- SGI is committed to diversity, work-life balance, wellness and community involvement for our employees. We're proud to be recognized across the country.
  - For the fifth straight year SGI was named one of Canada's Top 100 Employers;
  - For the fifth straight year SGI was named one of Canada's Best Diversity Employers;
  - For the third time SGI was named one of Canada's Top Family Friendly Employers; and,
  - For the second time SGI was named a Top Employer for Workers Over 40.
- SGI has a President's Youth Advisory Council made up of 12 members who operate a support network for employees 30 years old and under, and work to increase engagement for all staff.
- Staff were asked for input on corporate direction, whether plans address what SGI is facing and if the corporation is headed down the correct path.
- Several lunch n' learn sessions were held on health and wellness to encourage healthy living and provide those employees with support.
- SGI continues to offer training and development opportunities, classes and support for work-related educational opportunities.
- SGI conducted an employee engagement survey in 2011 and saw increased participation. Engagement scores dropped, consistent with an organization going through change, as we are.

Tweets, status updates, likes and uploading videos are now part of the average day at SGI. By having a presence on websites such as Facebook, Twitter, Flickr and LinkedIn, SGI can reach customers through additional communication channels, increase awareness about the Auto Fund's coverage and traffic safety, and even recruit new employees.

CORPORATE GOVERNANCE

- SGI provides frequent and transparent financial reporting.
- A risk committee of the Board of Directors oversees risk management practices. Work has included developing a policy setting out how SGI manages key business risks on an enterprise basis, and objectives, governance structure and definitions required to support risk management.
- SGI has a risk register that identifies the key financial, operational and strategic risks the Corporation faces (see pg. 32).
- SGI has a detailed code of conduct and ethics that all employees must comply with. It protects the Corporation's reputation by ensuring decision making is in the best interest of all employees and customers.
- SGI adopted a new mandatory Privacy Impact Assessment (PIA) procedure for all new corporate projects and enhancements to existing programs, services and systems. The PIA procedure makes it fast and easy to determine potential impact on privacy data.
- The Board approved SGI's Records Management Policy, which holds all employees accountable for ensuring records are properly classified, useable, complete, accurate, authentic and protected and that they follow the correct archiving practices.
- An ad hoc strategic planning committee of the Board was added in late 2011 to allow enhanced focus on SGI's strategic response to major changes in the business environment.

ENVIRONMENT

- SGI Salvage is a leading automobile recycler. More than 7 million pounds of steel, 82,000 pounds of aluminum and 100,000 parts and assemblies are recycled or reused every year. Salvage also prevents soil and water pollution by collecting various fluids and materials from salvage vehicles.
- The final year of the government's four-year Green Rebate program was 2011. The program rewarded owners of eligible hybrid and fuel efficient vehicles with a rebate of 20% on their 2010 insurance and registration costs. More than 14,000 customers received an average rebate of $210.
- SGI employees had idle-free zone signs installed at head office and all Regina branch drop-off and visitor parking spots. These signs encourage customers and employees not to pollute by idling their vehicle.
- Many SGI employees participated in the Commuter Challenge. Its goal is to encourage the use of environmentally friendly commuting and educate the public about the impact simple changes can make to reduce greenhouse gas emissions. In 2011 SGI employees helped Regina win for most participants in its population category.
- Buildings and offices are regularly renewed, and SGI is committed to green building renovations, upgrading and options chosen for its offices. This year offices in Meadow Lake, Weyburn, Tisdale and the Regina East Claims Centre all underwent building renewal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) is the responsibility of Saskatchewan Government Insurance (SGI) as the administrator of the Saskatchewan Auto Fund and reflects events known to SGI to February 29, 2012. The Board of Directors carries out its responsibility for review of this disclosure principally through its Audit and Finance Committee, comprised exclusively of independent directors. The Audit and Finance Committee's mandate can be found on SGI's website at www.sgi.sk.ca. The Board of Directors approved this MD&A at its meeting on March 1, 2012, after a recommendation to approve was put forth by the Audit and Finance Committee.

OVERVIEW

The MD&A is structured to provide users of the Saskatchewan Auto Fund (the Auto Fund) financial statements with insight into the Auto Fund and the environment in which it operates. This section outlines strategies and the capability to execute the strategies, key performance drivers, capital and liquidity, 2011 results, risk management and an outlook for 2012. Information contained in the MD&A should be read in conjunction with the financial statements and notes to the financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements include, among others, statements regarding the Saskatchewan Auto Fund objectives, strategies and capabilities to achieve them. Forward-looking statements are based on estimates and assumptions made by SGI, as the administrator of the Auto Fund, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. SGI, as the administrator of the Auto Fund, deems that the assumptions built into the forward-looking statements are plausible; however, all factors should be considered carefully when making decisions with respect to the Auto Fund. Undue reliance should not be placed on the Auto Fund's forward-looking statements, which apply only as of the date of this MD&A document. The Auto Fund does not undertake to update any of the forward-looking statements that may be made from time to time by or on the Auto Fund's or the administrator's behalf.

TABLE OF CONTENTS

THE SASKATCHEWAN AUTO FUND 10

THE ENVIRONMENT THE AUTO FUND OPERATES IN 10

STRATEGIC DIRECTION 12

CORPORATE STRATEGIES 12

CAPABILITY TO EXECUTE STRATEGIES 16

2011 FINANCIAL RESULTS 18

IMPACT OF NEW ACCOUNTING STANDARDS 30

RELATED PARTY TRANSACTIONS 31

OFF BALANCE SHEET ARRANGEMENTS 31

CRITICAL ACCOUNTING ESTIMATES 31

RISK MANAGEMENT 32

OUTLOOK FOR 2012 34

THE SASKATCHEWAN AUTO FUND

In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act,* creating the provincial Crown corporation that is known today as SGI. SGI was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many insurers out of the province. Less than 10% of Saskatchewan licensed vehicles carried any insurance and there was a need for a compensation plan for persons injured in collisions.

In 1946, the government established basic compulsory automobile coverage for Saskatchewan residents under *The Automobile Accident Insurance Act* (AAIA). The Saskatchewan Auto Fund was established effective January 1, 1984, by an amendment to the AAIA, which separated the property and casualty insurance operations of SGI and the compulsory Auto Fund. The administrator of the Saskatchewan Auto Fund is SGI. The role of SGI, as the administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan based on the legislative requirements contained in the AAIA.

The Auto Fund, as the compulsory automobile insurance program for Saskatchewan residents, provides vehicle registrations, driver's licences, basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. Liability insurance coverage provides for a specific amount to cover property damage and/or injuries caused to another person. The compulsory insurance also includes injury coverage that provides an option to choose between No Fault Coverage and Tort Coverage. This basic insurance package allows a currently registered vehicle to operate legally anywhere in Canada or the United States of America.

The Auto Fund is governed by legislation contained in the AAIA, *The Traffic Safety Act, The All Terrain Vehicles Act* and *The Snowmobile Act* (the Acts) along with related regulations created by these Acts. The Auto Fund is also subject to legislation contained in *The Crown Corporations Act*, *1993* and Part IX of The Insurance Companies Act (Canada) regarding the investments of the Auto Fund. It is subject to provincial privacy and access to information legislation contained in *The Freedom of Information and Protection of Privacy Act* and *The Health Information Protection Act.* It also has administrative, enforcement and other related duties under other provincial acts and regulations, and under the federal Criminal Code.

The Auto Fund does not receive money from, nor pay dividends to, the Province of Saskatchewan, SGI or Crown Investments Corporation of Saskatchewan (CIC). CIC is SGI's parent corporation. The Auto Fund is operated on a self-sustaining basis viewed over a long-term time frame. Any annual financial 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 cannot be used for any other purpose by the government or the administrator.

Financial results for the Auto Fund are not included in the consolidated financial statements of SGI nor CIC's consolidated financial statements, as the Auto Fund is a fund of the Province of Saskatchewan. Financial results for the Auto Fund are included in the Province of Saskatchewan's summary financial statements using the modified equity accounting method as permitted by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The Auto Fund, at December 31, 2011, had 400 motor licence issuers[1] in 300 communities across Saskatchewan. It also operates 21 claims centres and five salvage centres in 13 communities across the province along with seven branch licence issuing offices. The Auto Fund's business operation is restricted to the Province of Saskatchewan and is operated from SGI's head office located in Regina, Sask.

The Auto Fund's quarterly and annual reports are available on SGI's website at www.sgi.sk.ca. Navigate to About and then click on Quarterly Reports or Annual Reports.

THE ENVIRONMENT THE AUTO FUND OPERATES IN

The Auto Fund's customers are Saskatchewan residents. It provides all residents with automobile injury coverage and a choice between a no fault or tort product. As the sole provider of vehicle and driver's licensing in Saskatchewan, the Auto Fund operates based on legislative powers granted in the Acts. The Auto Fund is required to submit vehicle insurance rate changes to the Saskatchewan Rate Review Panel (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 provincial government.

[1] This and other terms are defined in the Glossary of Terms beginning on page 86.

The Auto Fund provides vehicle registrations, driver's licences and related services to approximately 736,000 drivers and approximately one million vehicles and trailers in Saskatchewan. Business partners range from independent motor licence issuers, autobody shops, driver educators and law enforcement agencies, to health-care providers. These business partners are involved in different aspects of the Auto Fund's operations from licensing, road safety and repair of damaged vehicles, to provision of medical care and rehabilitative services for those injured in motor vehicle collisions.

The Auto Fund's philosophy is that all drivers are treated equally unless their driving record shows they are a greater risk for causing a collision. It does not use a driver's age, gender or where they live to determine a vehicle insurance premium or the fee for a driver's licence. It has successfully maintained this philosophy while offering Saskatchewan customers low rates, proving its merit.

While it has been successful at offering residents of Saskatchewan low rates, the Auto Fund does face challenges. Claim costs represented approximately 84.5% of the Auto Fund's costs in 2011. Over the last 10 years, damage claim costs have increased at an average annual rate of 6.1%, while personal injury costs have grown at approximately 4.4% annually.

New and advanced technology means vehicles are more expensive to repair. New vehicles also cost more to repair than older vehicles and part prices, along with labour rates, continue to rise. As a result, claim costs continue to climb as repair costs outpace inflation.

Injury costs also continue to rise annually. Income replacement benefits have been increasing significantly due to increased wages in the province, and other injury benefits under No Fault Coverage are indexed to inflation each year. Tort and out-of-province liability claims, which are generally based on court awards, increase at a rate significantly higher than inflation.

The Auto Fund was able to maintain its rates throughout 2011 and Auto Fund customers continued to benefit from the lowest average personal vehicle insurance rates in Canada, despite the above noted challenges. However, the rising claim costs, compounded by below average investment earnings, has resulted in the Auto Fund submitting an application to the Saskatchewan Rate Review Panel for a 3.7% increase in rates, with rate rebalancing, for the rating year beginning in August 2012.

The Auto Fund continues to offer its Safe Driver Recognition (SDR) and Business Recognition programs. These programs have been in place since 2002 and 2004 respectively. The SDR program places all drivers on a safety rating scale based on their driving history. The Business Recognition program rewards businesses that maintain good loss experience with discounts on their vehicle insurance. The initial maximum discount of 7% under the SDR program has steadily increased and is currently at 20%. The maximum discount available from the Business Recognition program is 10%. The cost to the Auto Fund in 2011 in terms of lower premium revenue was $104,515,000 (2010 – $97,570,000).

In 2011, the Auto Fund delivered the fourth and final year of the Green Rebate program on behalf of the Province of Saskatchewan that returned just under $3.0 million to customers in the form of a green vehicle rebate. Saskatchewan customers that registered an eligible eco-friendly vehicle were granted a 20% rebate on insurance premiums and registration fees paid for 2010.

STRATEGIC DIRECTION

The Auto Fund's mission, vision and values are as follows:

MISSION

We're your insurance company, offering protection that benefits you, your family and your community.

VISION

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

VALUES

Integrity Conducting ourselves with honesty, trust and fairness.

Caring Acting with empathy, courtesy and respect.

Innovation Implementing creative solutions to achieve our vision.

CORPORATE STRATEGIES

To meet its vision, the Auto Fund's main areas of focus in 2011 were:

- We work with customers to understand and provide the protection they need;
- We make every service experience excellent for everyone doing business with SGI;
- We operate to benefit customers, owners and their communities; and,
- We continually improve how SGI operates.

Within these areas, specific strategies were adopted to help instil a sense of pride in the Auto Fund's customers, employees, owners and business partners. The Auto Fund uses a balanced scorecard approach to monitor performance and results. The objective of a balanced scorecard is to provide a balanced evaluation of key operational and financial results, activities and achievements with both short– and long-term focus.

The following sections discuss strategies in each of the four areas of strategic focus, as well as related key performance indicators from the balanced scorecard. The balanced scorecard is reviewed annually to ensure its continued alignment with the Auto Fund's corporate strategies. Key performance targets are also reviewed and either updated or removed along with new performance targets being added.

WE WORK WITH CUSTOMERS TO UNDERSTAND AND PROVIDE THE PROTECTION THEY NEED

The Auto Fund's focus on understanding and providing the protection customers need concentrated on two strategies: working with customers, so they understand their insurance needs and the company understands their insurance needs, and providing products that are right for customers.

Key performance indicators in the balanced scorecard to monitor the Auto Fund's success with respect to understanding and providing the protection customers need were:

Legend: ● achieved ○ not achieved

Measure	2011 Target	2011 Result	2012 Target
Educating and informing the public	73%	○ 69.2%	n/a
Auto Fund customer satisfaction with rates	72%	○ 60.2%	n/a

EDUCATING AND INFORMING THE PUBLIC

The understanding of insurance among consumers is generally low, leaving some unprepared for the impact of a loss or claim. An improved understanding will help ensure customers know their basic auto coverage, their option to purchase extension auto coverage and the claim process – all of which will better prepare customers to deal with the effects of a loss.

The Auto Fund conducts an annual survey containing a question related to educating and informing the public. In 2011, the Auto Fund aimed to achieve a score of 73% on this question – it was shy of this target with a score of 69.2%. While educating and informing the public continues to be important to the Auto Fund, this measure will not continue on the 2012 balanced scorecard, but will be encompassed within an Auto Fund value index as discussed below.

AUTO FUND CUSTOMER SATISFACTION WITH RATES

Due to the mandatory nature of Auto Fund products, customer acquisition, customer retention and profitability measures can't be used to assess success with respect to understanding customer needs and providing the products they need. Instead, the Auto Fund must ask customers. In 2011, customers were asked to rate their satisfaction with rates. The Auto Fund was under target with a score of 60.2% of customers indicating they were satisfied with rates.

In 2012, a new measure will be used – the Auto Fund value index. This index assesses whether customers believe the Auto Fund provides products that focus on what's best for them and that are a good value for the price. It's a more robust measure that better addresses the intent of 'working with customers to understand and provide the protection they need.' A target of 74% has been established.

WE MAKE EVERY SERVICE EXPERIENCE EXCELLENT FOR EVERYONE DOING BUSINESS WITH SGI

The Auto Fund's success depends on its ability to provide quality service to its customers and business partners. It has developed key strategies to understand and deliver on customer expectations, as well as to empower front-line employees to respond to customer needs when service levels are not being met.

The following table summarizes the key performance indicators in the balanced scorecard to monitor the Auto Fund's service experience:

Legend: ● achieved ○ not achieved

Measure	2011 Target	2011 Result	2012 Target
Claim service satisfaction survey results (consolidated)	90%	● 90%	90%
Auto Fund service satisfaction	72%	○ 61%	56%

CLAIM SERVICE SATISFACTION SURVEY RESULTS (CONSOLIDATED)

When a consumer purchases an insurance policy, they are purchasing security that the insurance company will be there for them in the event of a loss. An important point of contact with policyholders is at the time of a claim, and the claim experience is a key part of customers' perceptions of the company. Therefore, it is essential to know whether the company is providing a positive claim experience. SGI's key measure for claim service is its semi-annual claim customer service surveys. The Auto Fund targets a claim customer satisfaction rating of 90%, which was met in 2011.

AUTO FUND SERVICE SATISFACTION

The Auto Fund has various touch-points with its customers, and these interactions impact customers' overall perception of the company. Therefore, it is critical that customers have a favourable service experience when dealing with the Auto Fund. The Auto Fund's service satisfaction reflects the degree to which customers feel the Auto Fund provides high standards of customer service. This is assessed using an annual survey.

In 2011, the Auto Fund started moving its predominantly telephone–based survey online. The online result for service satisfaction was 55% and the telephone result was 73% for a consolidated score of 61% – below the target of 72%. The Auto Fund is considering moving the survey entirely online in 2012. Since online survey results tend to be less favourable, a target of 56% was established, based on the 2011 online result.

WE OPERATE TO BENEFIT CUSTOMERS, OWNERS AND THEIR COMMUNITIES

SGI was created in 1944 to rectify problems in the Saskatchewan insurance industry. At that time, poor economic conditions had driven many insurers out of the province. Less than 10% of Saskatchewan's licensed vehicles carried any insurance and there was a need for a compensation plan for persons injured in collisions. True to its roots, the Auto Fund continues to operate to benefit the people of Saskatchewan – its customers, owners and their communities. The Auto Fund does this by focusing on three strategies: protecting the future health of the company; helping customers reduce their risk of suffering a loss; and, helping enable vibrant, thriving, safe communities.

The Auto Fund's success with respect to benefiting the people of Saskatchewan is assessed using the following measures:

Legend: ● achieved ○ not achieved

Measure	2011 Target	2011 Result	2012 Target
Capital adequacy (Minimum Capital Test)	75 to 150%	● 91%	75 to 150%
Traffic fatalities and injuries per 100,000 Saskatchewan residents (F – Fatalities; I – Injuries)	F-13.6	● 13.4	F-14.4
	I-671.0	● 552	I-636.9
Green initiatives implemented	Salvage recycling actuals	● Antifreeze 9,252 litres Fuel 78,710 litres	Salvage actuals 2% reduction in CO_2e

CAPITAL ADEQUACY (MINIMUM CAPITAL TEST)

Capital adequacy speaks to the company's financial strength, which is critical to its future health. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premiums for their auto insurance. The Auto Fund uses a common property and casualty industry measurement called the Minimum Capital Test (MCT) to monitor the adequacy of the RSR. 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's target range for the MCT is between 75% and 150% on a rolling 12-month basis. While the MCT at December 31, 2011, declined to 60%, on a rolling 12-month basis the MCT was 91%, remaining within the target range. The Auto Fund uses a 12-month rolling basis for its MCT to provide stability to the measure, as short-term events can cause significant volatility to the MCT on a month-to-month basis. The Auto Fund continues to have a target range for 2012 of 75% to 150%.

TRAFFIC FATALITIES AND INJURIES PER 100,000 SASKATCHEWAN RESIDENTS

A key way the Auto Fund gives back to the community is through its traffic safety efforts. Customers have come to value the Auto Fund for its role in promoting traffic safety in the province. Over the years, the Auto Fund has evolved into a national leader in the area of road safety programs. The Auto Fund's traffic safety goals are clear – prevent deaths and injuries due to traffic collisions by addressing driver, vehicle and road safety issues. However, fewer collisions also mean lower claim costs, so work in this area also helps protect the future health of the company.

The targets for this measure reflect the Auto Fund's long-term traffic safety strategy, which aims to reduce traffic fatalities and injuries per 100,000 Saskatchewan residents. In 2011, there were 13.4 fatalities per 100,000 Saskatchewan residents and 552 injuries per 100,000 Saskatchewan residents – meeting the Auto Fund's targets of 13.6 fatalities and 671 injuries respectively.

New targets were established for 2012 using four-year fatality and injury averages – 14.4 fatalities per 100,000 Saskatchewan residents and 636.9 injuries per 100,000 Saskatchewan residents.

GREEN INITIATIVES IMPLEMENTED

Environmental stewardship is another way the Auto Fund gives back to its communities. Through its salvage department, the Auto Fund has been a leader in environmental initiatives since shortly after its inception. In the past decade, the Auto Fund has spread its environmental focus to other areas. As initiatives vary widely and do not lend themselves to an overall numerical measure, the Auto Fund has historically tracked actual salvage recovery, and will continue to measure this. In 2011, the company's salvage operations recovered 9,252 litres of antifreeze and 78,710 litres of fuel.

In 2012, the Auto Fund will also track its production of greenhouse gases as a balanced scorecard measure – the goal is a 2% reduction.

WE CONTINUALLY IMPROVE HOW SGI OPERATES

The Auto Fund understands that to be able to meet customer needs and expectations, it must continually improve its operations – from being more efficient to ensuring employees have the tools to be effective in their jobs. To continuously improve, the Auto Fund strives to achieve the following strategies: building an information savvy business; attracting and retaining employees who help achieve goals; creating an environment that encourages employees to be innovative, creative, accountable and strategic; and, improving processes, productivity and efficiency.

For 2011, the Corporation used internally developed balanced scorecard measures related to employee value, leadership and strategic clarity that couldn't be used to benchmark against other companies. For 2012, SGI has adopted a third-party developed measure, an engagement and enablement score, which allows SGI to benchmark against North American corporate and public sector organizations. Research suggests that engagement alone is not sufficient for employees to perform at their best – they must also have an enabling environment. While employee engagement speaks to commitment and discretionary effort, enablement speaks to appropriate roles for employees and a supportive work environment. As leadership and strategic clarity are key drivers of the engagement and enablement score, they will no longer be separately reported balanced scorecard measures in 2012.

The balanced scorecard measures used to monitor the Auto Fund's success with respect to continually improving how the company operates were:

Legend: ● achieved ○ not achieved

Measure	2011 Target	2011 Results	2012 Target
Employee value index result	65%	○ 59.7%	Engagement & enablement score
External diversity hiring	25%	● 35.7%	25%
Training investment compared to financial services industry	+/- 5% of average	● at industry average	+/- 5% of average
Leadership index result	57%	○ 54%	n/a
Strategic clarity index result	75%	○ 70.7%	n/a
Administrative expense ratio	7.7%	● 7.3%	7.0%

EMPLOYEE VALUE INDEX RESULT

Employees derive value from their overall work experience. Maximizing this value is critical to engaging and retaining employees and optimizing both employee and organization performance. The Auto Fund's employee value index measures how involved and committed people feel toward the organization. The 2011 target of 65% was not met, with a score of 59.7%.

In 2012, the Auto Fund is replacing the employee value index with the engagement and enablement score, as discussed above. The target is to be at or above a third-party developed, aggregate, average engagement and enablement score, based on participating North American corporate and public sector organizations.

EXTERNAL DIVERSITY HIRING

Provincial and corporate demographics demonstrate the need to recruit a workforce that is representative of the population. The Auto Fund targeted 25% of new hires to be from designated groups and exceeded this target with 35.7%. The Auto Fund continues to target the recruitment of designated group members in 2012.

TRAINING INVESTMENT COMPARED TO FINANCIAL SERVICES INDUSTRY

Investing in learning and development for employees is critical to maintaining a high-performing, engaged workforce. In 2010, the Auto Fund began measuring corporate training investment against the financial services industry average, based on the Conference Board of Canada's training investment metrics. The Auto Fund's 2011 target was to achieve a training investment within 5% of the financial services industry average and it met this target. The 2012 target continues to be within 5% of the Conference Board of Canada average.

LEADERSHIP INDEX RESULT

Leadership is critical to attracting and retaining employees who help achieve goals, as well as creating an innovative, creative, accountable and strategic environment. The Auto Fund recognizes the importance of leadership and developed an index to measure the extent employees believe the management team is delivering on important attributes such as integrity and empowerment. The 2011 target of 57% was narrowly missed with a score of 54%.

While leadership is critical to the Auto Fund's long-term success, it will no longer appear separately on the balanced scorecard. Instead, leadership is encompassed as a component within the Auto Fund's engagement and enablement score.

STRATEGIC CLARITY INDEX RESULT

Strategic clarity is achieved when employees understand the strategic direction of the Auto Fund, how their work contributes to achieving strategic goals and the progress the Auto Fund is making towards its strategic goals. The strategic clarity index measures how well employees believe the Auto Fund is achieving those goals. At 70.7%, the 2011 score is below the 75% target. While the result is below target, the score remains strong, demonstrating that employees' perceptions of how well they understand the Auto Fund's direction and their alignment to it are high.

The Auto Fund recognizes that a genuine understanding of the corporate direction by employees is important so that everyone is working toward a common outcome. That said, the strategic clarity index will not appear on the Auto Fund's 2012 balanced scorecard, as it is encompassed as a component of the Auto Fund's engagement and enablement score.

ADMINISTRATIVE EXPENSE RATIO

To ensure effective use of resources, all aspects of the business are expected to manage their allocated administrative expense budget such that the Auto Fund remains within its administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. The actual administrative expense ratio is compared to budgeted ratios within the specified time period. For 2011, the Auto Fund achieved its target with a 7.3% administrative expense ratio. Analysis of the administrative expense ratio is provided in more detail in the following 2011 Financial Results section. The target for 2012 is 7.0%.

CAPABILITY TO EXECUTE STRATEGIES

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are employees, motor licence issuers, technology and systems, and capital and liquidity. They are discussed further below:

Employees

Auto Fund employees are experienced and knowledgeable about the Saskatchewan automobile insurance market. Many employees have been with the Saskatchewan Auto Fund for a long time, on average approximately 15 years, and the staff turnover rate for the last five years has averaged 6%. Due to this long tenure and low turnover, employees have significant expertise in the core areas of the Auto Fund including licensing and registration, driver and vehicle safety services and claim handling, as well as within the support areas.

SGI, as the administrator of the Auto Fund, is projecting a significant level of retirements in the near future as a large portion of its workforce reaches retirement age. In fact, over 35% of employees are expected to retire or be eligible for retirement by 2020. The challenge is to recruit and retain the best people to ensure the longevity, growth and maintenance of operations. SGI utilizes a workforce-planning model that includes Aboriginal employment, youth employment, management development and expanded performance management strategies. This model assists in transitioning expertise as retirements occur.

On December 31, 2009, the three-year Collective Bargaining Agreement between SGI and SGI CANADA Insurance Services Ltd., and the Canadian Office and Professional Employees' Union, Local 397 expired. A new four-year agreement was ratified in August 2011. This agreement applies to all in-scope employees at SGI and expires December 31, 2013.

Motor licence issuers

The Auto Fund provides accessibility for its customers by distributing products through a network of 400 independent motor licence issuers in 300 communities across Saskatchewan and seven branch offices throughout the province. Motor licence issuers' interests are represented by the Insurance Brokers' Association of Saskatchewan. The relationship between the Auto Fund and motor licence issuers is governed by an Issuer Accord. The accord is intended to enhance the working relationship resulting in improved service to customers. Included in the accord are 15 agreed upon principles, ranging from fostering better communication between both groups, recognizing the value of each other's roles to provide service to Saskatchewan people, along with partnering on traffic safety programs. The accord was renewed in 2011 for another five years.

Technology and systems

The Auto Fund relies on its technology and information system to deliver products and services to the motoring public. A new system was implemented in 2010 that offers more choices for customers, provides better and more accessible information, allows the Auto Fund to respond more quickly to customers and better positions the Auto Fund for future demands.

Capital and liquidity

As the Auto Fund belongs to the Province of Saskatchewan, its legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not pay dividends to or receive money from the province nor from SGI, the administrator of the Auto Fund. The Auto Fund cannot go to public capital markets to issue debt or common shares. Since these traditional avenues for capital are not available to sustain the Auto Fund, it uses premiums and fees from its operations, along with income generated from its investment portfolio, to fund future operations. If premiums, fees and investment income are not sufficient to sustain operations, it must increase rates. The Saskatchewan Rate Review Panel reviews rate changes and then passes on its recommendations to the provincial government, which has the final authority to approve, modify or reject rate changes.

A key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims or a decrease in capital markets occur, thereby protecting customers against unpredictable premiums for their auto insurance. The Auto Fund uses a common industry measurement called the Minimum Capital Test (MCT) to establish a target for the RSR. 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's capital management policy establishes a target MCT range of 75% to 150%. If the MCT on a 12-month rolling average basis falls below the 75% minimum, the policy requires the Auto Fund to bring to the SGI Board of Directors a proposal to address the shortfall, including consideration of obtaining additional revenue to replenish the RSR. Similarly, if the MCT is above 150% on a rolling 12-month basis, a rebate would be considered.

The MCT at December 31, 2011, was 60%, compared to 124% at December 31, 2010. However, on a rolling 12-month basis, the MCT was 91%, remaining within the target range. The decline in the MCT score during 2011 was due primarily to the reduction to the RSR caused by high claim costs and poor investment returns as discussed in the following section, 2011 Financial Results.

2011 FINANCIAL RESULTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Overview

The Auto Fund experienced a decrease to the Rate Stabilization Reserve (RSR) of $142.9 million in 2011, compared to a $92.7 million increase in 2010, a decrease of $235.6 million year over year. The deterioration in the RSR is primarily a result of considerable claim costs, which increased $202.2 million over the prior year. Essentially, three unrelated events combined to result in the higher claim costs – summer storms, actuarial analysis indicating worsening long-tail injury claim costs, and financial market instability impacting claim discounting.

Investment earnings declined $67.7 million from 2010, consistent with the global investment market declines being experienced. Investment markets experienced significant volatility during the year. Although bond investments performed well in 2011, this is offset largely by the negative impact that lower bond yields had on discounting of unpaid claims. At the same time capital market volatility resulted in negative investment returns on equities, leading to lower investment earnings overall compared to 2010.

After the $142.9 million loss, the RSR at December 31, 2011 is $134.3 million, the Minimum Capital Test (MCT) is 60% and the 12-month rolling average MCT is 91%.

STATEMENT OF OPERATIONS

Premiums written

Overview

Net premiums written for 2011 totalled $744.7 million, representing an increase of 5.1% or $36.4 million, from 2010. The number of vehicle and trailer written exposures in Saskatchewan increased 1.9% to 1,100,261 from 1,080,007 in 2010. This growth in exposures, combined with a mix of newer model year vehicles that cost more to insure, accounts for the increase in vehicle premiums written.

Discount programs

The Safe Driver Recognition and Business Recognition programs continue to return more dollars to Auto Fund customers each year. In 2011, these programs returned $104.5 million to customers through safe driving discounts, compared to $97.6 million in 2010. Expressed as a percentage of vehicle premiums, this equates to an average discount of 12.4% for 2011 (2010 – 12.3%). The maximum discounts available under each program are 20% for the Safe Driver Recognition program and 10% for the Business Recognition program.

Claims incurred

Claims incurred in 2011 were $806.9 million, $202.2 million or 33.4% higher than 2010. The following table details the claim costs by categories:

(thousands of $)	2011	2010	Change
Current year			
Damage claims – current year	$ 391,237	$ 373,329	$ 17,908
Storm claims	32,409	22,249	10,160
Total damage claims	423,646	395,578	28,068
Injury claims – current year	285,707	215,249	70,458
	709,353	610,827	98,526
Development on prior year claims			
Injury claims			
– 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 claims – other	7,165	30,875	(23,710)
	17,290	30,875	(13,585)
Damage claims	7,361	(44,507)	51,868
	24,651	(13,632)	38,283
Impact of discounting			
Effect of portfolio restructuring	35,562	–	35,562
Change in the discount rate	37,358	7,491	29,867
	72,920	7,491	65,429
Total claims incurred	$ 806,924	$ 604,686	$ 202,238

Current year claims

Current year damage claims are $28.1 million, or 7.1% higher than the prior year. Contributing to this increase was a high number of damage claims in the first quarter resulting from poor winter driving conditions, while the winter driving conditions in the first quarter of 2010 were particularly good. In addition, damage costs related to summer storms compared to 2010 were $10.2 million higher. The storm claim costs experienced in 2011 are significantly higher than typical and represent the highest storm claims over the past 10 years. The five-year average for storm claims is $10.6 million. The volume of damage claims is 108,928, an increase of 10.1% from the prior year, and the damage frequency was 125.2 collisions per 1,000 insured years in 2011, an increase of 8.9% (2010 – 115.0).

Current year injury claim costs have increased by $70.5 million, or 32.7%. The increase is due in large part to certain injury benefits costing more, as claimants are expected to stay on benefits longer than previously thought. As discussed below, a review of the payout period for injury benefits was performed during 2011, and as such has been taken into consideration in costing 2011 injury claims. In addition, there have been significant inflationary increases on income replacement benefits and medical expenses. The average cost per claim has increased 27.5% during 2011, while injury frequency has increased from 6.3 injury claims per 1,000 insured years in 2010 to 6.5 in 2011.

Development on prior year claims

With the assistance of its actuary, the Auto Fund makes provisions for future payments on existing claims and an estimate for claims that have occurred but have not yet been reported. At the end of each year, the actuary recalculates the estimate of the ultimate costs for prior years (along with an estimate for the current year). If the actuary reduces the estimate for prior years, a redundancy exists, resulting in a reduction in claim costs for the year. If the reverse is true and the actuary increases the estimate for prior years, a deficiency exists, resulting in an increase in claim costs for the year.

During 2011, the Auto Fund increased its estimate for prior year injury claims by $17.3 million. The most significant contributing factor to the deficiency was a $10.1 million adjustment to long-term injury reserves resulting from extending the payout period for severely injured claimants. This adjustment resulted from an actuarial review performed in the second quarter that found, on average, these claimants are expected to collect benefits for longer than previously projected. On an undiscounted basis, the impact is $259.2 million, however, because this adjustment is for extending the payout period beyond 40 years, the discounting impact is significant as well, resulting in the net deficiency of $10.1 million. The remaining $7.2 million injury claim deficiency relates primarily to changing assumptions regarding death benefits.

There was also a deficiency related to prior year damage claims of $7.4 million. This reflects the fact that there was a significantly higher number of 2010 collisions reported in the first quarter of 2011 than had been expected in the 2010 year-end valuation.

The Auto Fund has over 16 years of experience since the no-fault injury program was implemented in 1995 to estimate the cost of injuries. However, factors impacting future costs such as inflation, re-occurrence rates, medical innovations and rehabilitation programs are difficult to anticipate. The Auto Fund's objective is to keep the estimate as accurate as possible with minimal changes to prior-year claim estimates; however, given the nature of this program, changes will inevitably occur in the future. The 2011 total prior year deficiency of $24.7 million represented approximately 2.6% of the provision for unpaid claims estimate at December 31, 2010, of $963.9 million.

Impact of discounting

The increase to claims incurred of $72.9 million due to changes in discounting has resulted from two items. The first is a one-time rebalancing of the investment portfolio in the first quarter that changed the rate at which unpaid claims are discounted. This 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. A lower discount rate results in an increase in the provision for unpaid claims and an increase to claims incurred.

EXPENSES EXCLUDING CLAIMS INCURRED

Expenses excluding claims incurred were $148.0 million (2010 – $138.2 million) for the year, $9.8 million higher than 2010.

Issuer fees of $38.2 million in 2011 represented an increase of $3.4 million compared to 2010. This increase reflects growth in the number of transactions by issuers, combined with growth in the premium base, as issuer remuneration is largely commission based and correspondingly increases with the growth in the vehicle premiums. The issuer fee expense ratio was 5.3% in 2011 (2010 – 5.1%).

Premium taxes of $36.5 million were $2.1 million, or 6.2%, higher than the previous year, consistent with the growth in earned premiums. Premium taxes are 5% of direct premiums earned.

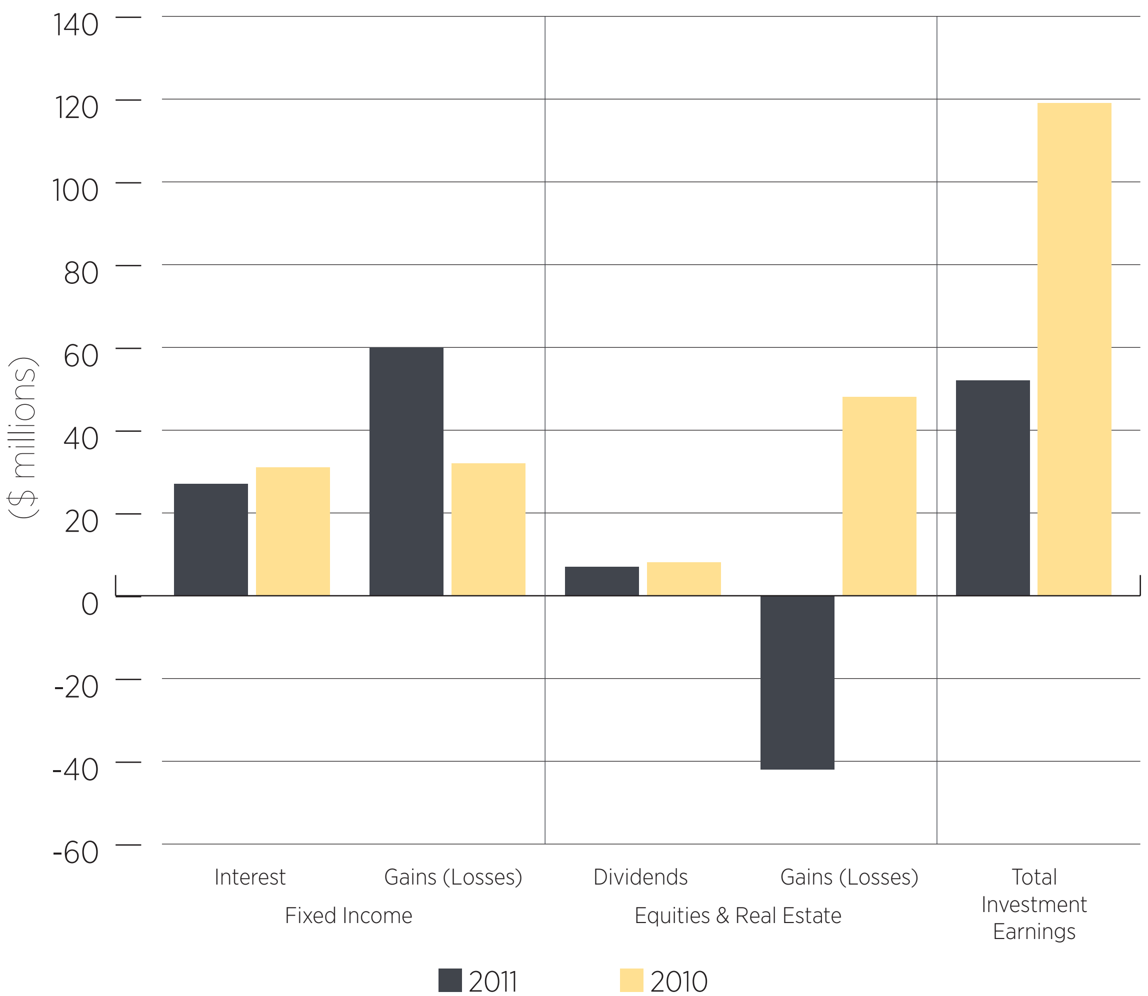
Administrative expenses increased to $52.8 million in 2011, an increase of $1.0 million from 2010. The major contributors to the growth were increases in information technology costs for implementation of the one-part driver's licence and higher issuer credit card charges resulting from increasing customer use of credit cards. Partially offsetting these expenditures were lower salary and benefit costs in the year.

Traffic safety program spending totalled $20.5 million, representing a traffic safety spending ratio of 2.8% of net premiums earned. This was an increase of $3.3 million from 2010, which had a traffic safety spending ratio of 2.5%. The major contributors to the growth were new driver education funding, and salary and benefit costs in the year.

INVESTMENT EARNINGS

As the Auto Fund operates on a self-sustaining basis over time, investment earnings are used to help keep rates stable for vehicle owners. In 2011, investment earnings were $51.7 million and represented 6.4% of total revenues (2010 – $119.4 million or 14.3% of total revenues). Investment earnings are calculated using market-based accounting principles, the components of which are disclosed in note 13 to the financial statements, and include interest, dividends, and both realized and unrealized capital gains and losses on investments. The following chart shows the breakdown of investment earnings between interest and dividends, and capital gains (losses) over the prior two years:

Auto Fund Investment Earnings



Investment markets in 2011 became concerned with economic growth and increasing debt loads in developed economies, causing decreases in equity prices and a flight to the safety of bonds. Central banks continued with easy monetary policy resulting in historically low interest rates generating significant capital gains from the portfolio's fixed income investments.

Asset Class	Benchmark Index	Annual index returns ending December 31 (%) 2011	2010
Canadian equities	S&P/TSX Composite	-8.7	17.6
U.S. equities	S&P 500 ($C)	4.6	9.1
Non-North American equities	MSCI EAFE ($C)	-10.0	2.1
Bonds	DEX Universe Bond	9.7	6.7
Short-term bonds	DEX Short-term Bond	4.7	3.6

Equity markets experienced increased volatility during 2011, beginning the year with positive returns that turned negative during the second quarter. The resource dependent TSX Composite Index finished the year falling 8.7%. The S&P 500 index rose solidly in the fourth quarter resulting in a 2.1% return for the year (4.6% in Canadian dollar terms) while non-North American equities, the EAFE Index, fell 12.1% in aggregate local currency terms (-10.0% in Canadian dollar terms). While foreign equities produced low or negative results during 2011, the corresponding decrease in the Canadian dollar partially limited losses for Canadian investors.

For purposes of portfolio management, a market-based result is calculated that captures all interest and dividend income, as well as the impact of the change in market value of investments, both realized and unrealized. In 2011, the portfolio's market-based return was 3.9% compared to a 9.7% return in 2010. The 2011 return was lower than experienced in 2010 due to poor performance from Canadian and non-North American equities, which detracted from the strong returns generated from the fixed income portfolio.

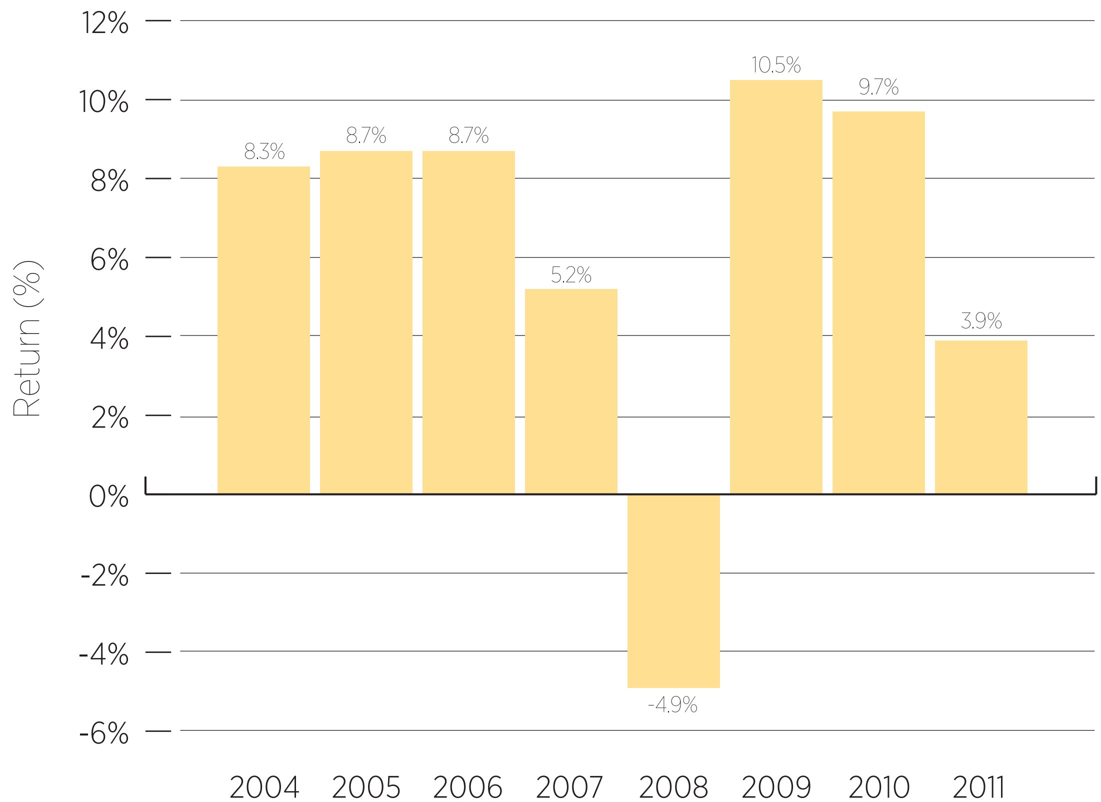
The Auto Fund investment assets are managed as two distinct portfolios – the Matching portfolio and the Return Seeking portfolio. This serves to distinguish between those investment assets that are held to match to the expected unpaid claims liability cash flows and assist in reducing interest rate risk, and those surplus investments assets that are held for growth to provide for longer dated (20+ years) liabilities.

The Matching portfolio holds fixed income investments and a mortgage pooled fund. This portfolio was rebalanced four times during 2011, to keep it properly matched to the expected unpaid claims liability payments from 0 to 20 years. The Matching portfolio is judged on its effectiveness in matching the incoming cash flows from the fixed income assets to the Auto Fund's unpaid claims liabilities.

Any investments not required by the Matching portfolio are held in the Return Seeking portfolio. The Return Seeking portfolio is comprised of equities and real estate. The primary investment performance objective for the Return Seeking portfolio is to earn a market-based return in excess of a benchmark portfolio return. The asset mix for the benchmark portfolio is set by SGI's Board of Directors to be consistent with the Auto Fund's overall risk profile when combined with the Matching Portfolio and is reviewed on an annual basis. The investment manager is permitted to vary the actual asset class weights around the benchmark portfolio, within the policy asset mix guidelines. The benchmark portfolio return is calculated by applying the benchmark portfolio weights to capital market index returns. While the portfolio's rate of return is compared to the benchmark portfolio return on a quarterly basis, the performance measure is expected to be met over four years, a long enough period to capture a full market cycle. This long-term measure is appropriate as it recognizes that the effectiveness of investment management styles varies depending on the market environment.

Due to increased volatility and the growth-oriented style of the investment manager being out of favour, the Return Seeking portfolio has suffered recent periods of significant under-performance. This has translated into returns that, over the rolling four-year period ended December 2011, are below its objectives. An overall total return for the Auto Fund is shown below.

Annual Market Based Total Fund Return



More information regarding the Auto Fund's Matching and Return Seeking portfolios is provided within the following section related to the Statement of Financial Position, Investments.

OTHER INCOME

Other income consists of fees charged to insureds for utilizing the AutoPay and Short-Term payment option programs, as well as salvage operations income. In 2011, other income of $34.1 million was $2.6 million higher than 2010. Fees earned for using payment option plans totalled $21.8 million, an increase of $1.8 million (2010 – $20.0 million). The increase is due primarily to increases in premiums overall. The overall proportion of premiums financed through the payment option programs remained at 61%, consistent with 2010 (60%). Salvage operations income of $12.3 million (2010 – $9.8 million) is $2.5 million higher than the prior year, a result of higher sales volumes and improved margins due to higher pricing, strong steel prices and improved salvage dismantling processes.

STATEMENT OF OPERATIONS – ACTUAL VERSUS BUDGET

The Auto Fund prepares an annual budget each fall for the upcoming fiscal year. The plan is developed using long-term averages combined with known and expected information for the upcoming year. The Auto Fund's 2011 budget, developed in the fall of 2010, anticipated a decrease to the RSR of $2.2 million. The actual 2011 decrease to the RSR was $142.9 million, an unfavourable variance of $140.7 million. The significant deterioration to the RSR compared to budget was primarily a result of higher than anticipated claim costs and lower than expected equity investment returns.

Claim costs were $162.1 million (25.1%) higher than budgeted. The overall loss ratio was 111.1%, significantly higher than the budgeted loss ratio of 86.9%. Claim costs were higher than expected due to summer storms, the actuarial analysis indicating worsening long-tail injury claim costs, financial market instability impacting claim discounting and generally higher than anticipated medical and income replacement benefits.

Overall investment earnings were $51.7 million, $25.1 million higher than planned. This was due to strong fixed income returns from the Matching portfolio, which were $90.6 million higher than budgeted. However, the strong fixed income returns are offset by the related, negative impact to discounting of unpaid claims. The Return Seeking portfolio, consisting of equities and real estate, experienced a $34.8 million loss compared to a budget of $30.7 million profit, an unfavourable variance of $65.5 million.

STATEMENT OF CASH FLOWS

(thousands of $)	2011	2010	Change
Total operating activities	$ 30,693	$ 84,515	$ (53,822)
Investing activities	(76,913)	(9,962)	(66,951)
Net cash flow	$ (46,220)	$ 74,553	$ (120,773)

Positive operating cash flows of $30.7 million were generated, significantly lower than the $84.5 million positive cash flow generated in 2010. This variance is explained primarily by higher paid claim activity in the current year. The positive cash flow experienced in 2011 was despite a $142.9 million decrease to the RSR during the year, as a large portion of the decrease to the RSR was a result of the non-cash unpaid claim reserve adjustments and claim discounting.

Cash and cash equivalents decreased $46.2 million in 2011, as excess cash and cash flow generated from operating activities of $30.7 million was used to fund investing activities. Investing activities included net investment purchases of $70.1 million and $6.8 million of property and equipment purchases primarily related to building renewal, and furniture and equipment.

The decrease in cash and cash equivalents of $46.2 million during the year resulted in cash and cash equivalents of $34.1 million at the end of 2011. Of this balance, $32.7 million (2010 – $73.5 million) was invested in money market investments with a maturity of 90 days or fewer from the date of acquisition. Money market investments decreased significantly during the year as a result of the investment manager investing the Matching portfolio in longer term liabilities in accordance with the asset liability matching strategy.

STATEMENT OF FINANCIAL POSITION

(thousands of $)	2011	2010	Change
TOTAL ASSETS	**$ 1,711,363**	**$ 1,644,549**	**$ 66,814**
Key asset account changes:			
Investments	1,399,887	1,311,231	88,656
Accounts receivable	174,712	163,573	11,139
Cash and cash equivalents	34,066	80,286	(46,220)
Unpaid claims recoverable from reinsurers	19,764	5,170	14,594
Other assets	14,980	19,939	(4,959)

INVESTMENTS

The carrying value of investments increased by $88.7 million during the year, primarily a result of investing net operating cash flows of $30.7 million in addition to investing $46.2 million in excess cash during the year.

The investment portfolio is held to pay future claims, while the income earned on these investments helps reduce insurance rates for vehicle owners. The portfolio's asset mix strategy is set by the Board of Directors through a detailed assessment of the Auto Fund's risk tolerance. In summary, the Auto Fund's positive cash flows and the presence of the RSR, which serves to buffer the fund from short-term unfavourable investment performance, permits the Auto Fund to maintain a long term investment horizon. The asset mix strategy takes into consideration the current and expected conditions of the capital markets and the historic return and risk profile of various asset classes. In order to achieve the long-term investment goals, the Auto Fund must invest in asset classes that provide an attractive risk-return profile over the medium to long term. Over shorter periods, however, performance of these asset classes can be volatile. In 2011, volatility again increased and investment earnings retraced some of the positive gains experienced during the recovery of 2009 and 2010. The Auto Fund investment portfolios will continue to hold a diversified asset mix and a longer-term focus, balancing the need for capital preservation in the short term with the desire for portfolio growth over the longer term.

The asset mix strategy is formally documented in the Statement of Investment Policies and Goals. In addition to capturing the asset mix strategy, this document provides guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions and investment performance expectations, among others. Management monitors and enforces compliance with the investment policy. No material compliance deviations were noted in 2011.

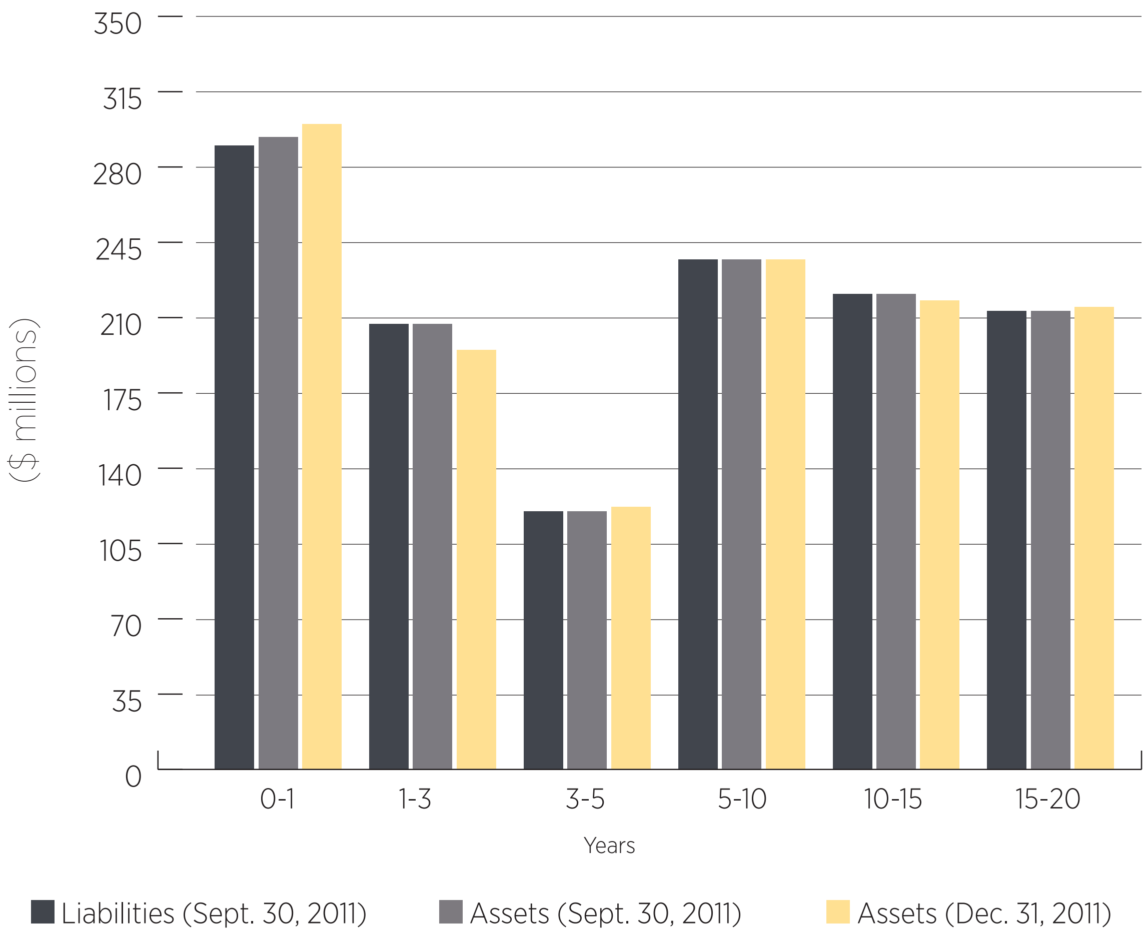
The Auto Fund's investment portfolio is managed by external investment managers. The portfolio is comprised of short-term investments, bonds and debentures, equities, mortgages and real estate. Equities include investments in Canadian and United States common shares as well as an investment in a non-North American pooled equity fund. The Auto Fund's investments in real estate and mortgages are through pooled funds as well. More detail on the investment portfolio categories is provided in note 7 to the financial statements.

The Auto Fund investment portfolio operates as two distinct portfolios – the Matching portfolio and the Return Seeking portfolio. The Matching portfolio holds the fixed income investments including mortgage securities, while the Return Seeking portfolio is comprised of equities and real estate. The investment strategy relies on the Matching portfolio to cover expected liability payments out to 20 years with any remaining long-tail liabilities covered by the Return Seeking portfolio.

The objective of the Matching portfolio is to group claim payments into six buckets based on the expected payment date, and then match the coupon and principal payments from the fixed income assets to each bucket. At initiation, the expected future liability stream and asset stream will demonstrate a close match. However, as bonds mature and actual claim payments vary from projection, the asset liability match will change. In conjunction with the Auto Fund's actuarial valuations, the asset cash flows are realigned to the revised liability cash flows to ensure a close match is maintained. From time to time, the allocation between the Matching portfolio and Return Seeking portfolio may also require rebalancing to maintain the overall risk-return objectives of the combined portfolio.

The liability cash flows for September 30, 2011, and the Matching portfolio asset position as of September 30, 2011, and December 31, 2011, are shown below:

Matching Portfolio Asset Liability Cash Flows

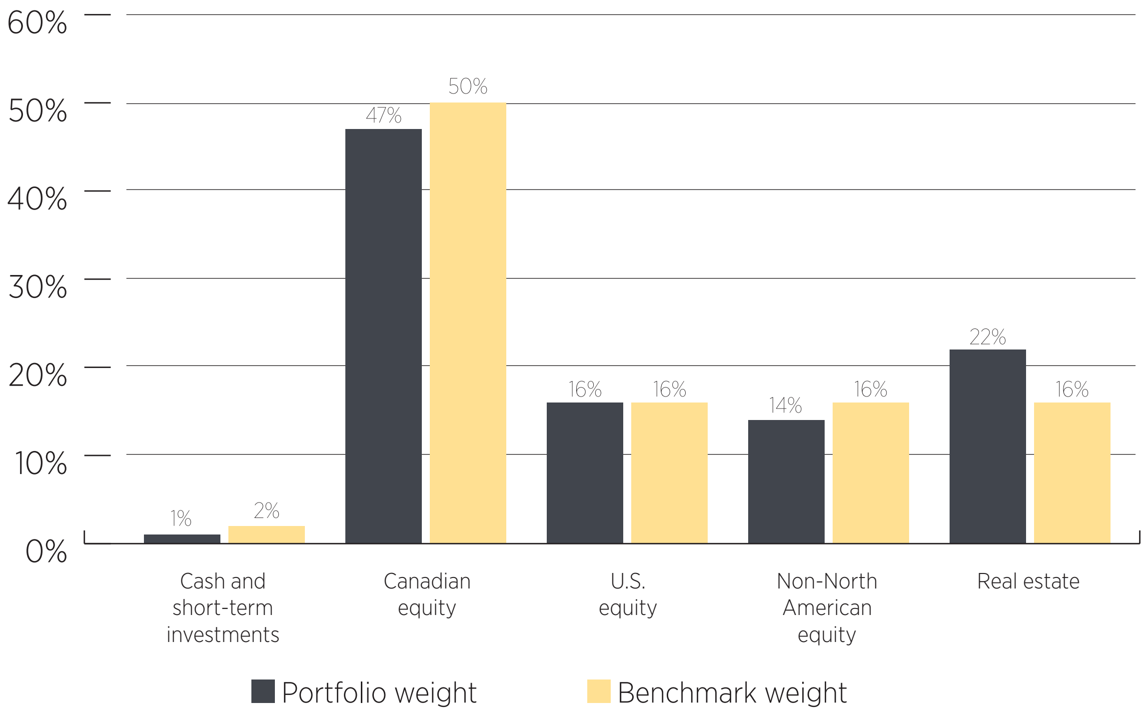


After significant changes were introduced in 2010 creating the Matching portfolio, the asset mix review conducted during 2011 focused on the Return Seeking portfolio. The review identified new optimal portfolios that improve the risk return profile by reducing Canadian equity exposure and introducing two new asset classes. The addition of infrastructure and global small cap equities, which when combined with the other assets in the Return Seeking portfolio, showed a significant reduction in volatility and potential downside for the portfolio without sacrificing returns.

The current portfolio weights within the Return Seeking portfolio are not in line with the long-term benchmark portfolio weights due to the expected transition to the new asset classes during 2012. As the new mandates are funded, the investment managers will be provided new benchmark guidelines to adhere to.

The portfolio asset mix and benchmark weights at December 31, 2011, are shown below:

Return Seeking Portfolio Asset Mix at December 31, 2011



ACCOUNTS RECEIVABLE

Accounts receivable increased $11.1 million, largely a result of the AutoPay financed premiums receivable growing by $10.9 million, or 7.3%, to $160.2 million. The increase is commensurate with the growth in premiums written.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2011, were $34.1 million (2010 – $80.3 million), a decrease of $46.2 million. The sources of the change in cash and cash equivalents for the year are discussed in the above section, Statement of Cash Flows. Cash equivalents consist of money market investments such as treasury bills, banker's acceptances, discount notes or other liquid short-term investments that have a maturity of 90 days or fewer from the date of acquisition.

UNPAID CLAIMS RECOVERABLE FROM REINSURERS

Unpaid claims recoverable from reinsurers increased $14.6 million, due primarily to severe hailstorms in 2011 breaching catastrophe reinsurance coverages.

OTHER ASSETS

Other assets decreased by $5.0 million during the year, due primarily to amortization of the capitalized value of the Auto Fund's redeveloped information system, which is included within intangible assets.

(thousands of $)	2011	2010	Change
TOTAL LIABILITIES	**$ 1,567,778**	**$ 1,358,040**	**$ 209,738**
Key liability account changes:			
Provision for unpaid claims	1,170,687	963,926	206,761
Unearned premium	337,389	318,928	18,461
Accounts payable and accrued liabilities	22,253	39,622	(17,369)

PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims reflects the estimated ultimate cost of claims reported but not settled, along with claims incurred but not reported. The process for determining the provision requires management judgment and estimation as discussed in the following section, Critical Accounting Estimates.

The provision for unpaid claims grew by $206.8 million during 2011 to $1.2 billion (2010 – $963.9 million). This represents an increase of 21.4% from last year. Key components of the change in the provision for unpaid claims are discussed in the preceding section, Claims Incurred. The majority of the increase is in unpaid injury collision benefits and is due to the continuing growth of the no-fault program as an additional year of losses is included in the provision, in addition to the impact of discounting. As the overall discount rate declined in 2011, the provision for unpaid claims increased accordingly.

UNEARNED PREMIUMS

Unearned premiums increased $18.5 million, commensurate with the growth in premiums written.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities decreased $17.4 million during 2011 to $22.3 million (2010 – $39.6 million). The decrease is due to the timing of year end payments to the Auto Fund's administrator, SGI CANADA, related to the allocation of administrative expenses and to the General Revenue Fund related primarily to interprovincial registrations.

(thousands of $)	2011	2010	Change
EQUITY	**$ 143,585**	**$ 286,509**	**$ (142,924)**
Key equity account changes:			
Rate Stabilization Reserve	134,261	271,856	(137,595)
Redevelopment Reserve	9,324	14,653	(5,329)

Overall, equity decreased $142.9 million during the year, a result of the decrease to the RSR from operations.

RATE STABILIZATION RESERVE (RSR)

The decrease to the RSR was a result of the $142.9 million decrease from operations, combined with a $5.3 million appropriation from the Redevelopment Reserve. The appropriation from the Redevelopment Reserve offsets the redevelopment amortization charged through current year operations.

REDEVELOPMENT RESERVE

The Redevelopment Reserve was established to ensure that adequate funding was available to meet the Auto Fund's commitment to redevelop its information system. During 2011, amortization of capitalized project costs were $5.3 million (2010 – $6.7 million), therefore, the reserve was reduced accordingly with $5.3 million (2010 – $6.7 million) appropriated back to the RSR.

The Redevelopment Reserve was originally established at $35.0 million, as the project cost was not to exceed this amount. The project was completed at the end of 2010. It addressed the antiquity of the previous systems, makes improvements in delivering changes, offers more choices for customers, provides better and more accessible information, and better positions the Auto Fund for future demands. The remaining balance in the Redevelopment Reserve will be reduced and appropriated back to the RSR as the capitalized cost of the project is amortized in the future.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2011

The Auto Fund prepares public quarterly financial reports for the first three quarters of each year. These reports are available on SGI's website at www.sgi.sk.ca. Click on the About link and then click on Quarterly Reports. The following analyzes the fourth quarter of 2011.

The Auto Fund recorded a fourth quarter increase to the RSR of $17.9 million, relatively consistent with the increase of $20.8 million in the fourth quarter of 2010.

The Auto Fund experienced a loss from underwriting in the fourth quarter of 2011, primarily the result of higher claims incurred. Claims incurred for the quarter of $169.2 million were $19.0 million higher than the fourth quarter in 2010 ($150.2 million), a result of 2010 claims incurred being deficient, increasing costs of injury claims and the impact of changes in the discount rate, partially offset by better results in the quarter from damage claims due to improved driving conditions.

Fourth quarter investment earnings of $33.9 million were $9.4 million higher than the fourth quarter of 2010. The increase in investment earnings is due primarily to significant capital gains from investments during the fourth quarter of 2011.

QUARTERLY FINANCIAL HIGHLIGHTS

The following table highlights quarter over quarter results of the Auto Fund:

Quarterly Financial Highlights

(thousands of $)

	2011					2010				
	Q4	Q3	Q2	Q1	**Year**	Q4	Q3	Q2	Q1	Year
Net premiums earned	$184,540	$191,610	$181,262	$168,870	**$726,282**	$176,367	$177,570	$173,499	$157,385	**$684,821**
Claims incurred	169,229	246,749	203,817	187,129	**806,924**	150,191	174,118	147,447	132,930	**604,686**
Increase (decrease) to RSR	17,881	(93,724)	(40,108)	(26,973)	**(142,924)**	20,793	45,985	731	25,238	**92,747**
Cash flow from (used in) operations	11,112	36,294	44,776	(61,489)	**30,693**	18,504	35,770	75,153	(44,912)	**84,515**
Investments	1,399,887	1,305,922	1,323,713	1,293,769		1,311,231	1,322,477	1,220,479	1,182,221	
Provision for unpaid claims	1,170,687	1,150,927	1,038,794	984,854		963,926	973,584	933,541	900,556	
Rate Stabilization Reserve	134,261	115,052	207,442	246,216		271,856	249,923	202,381	200,018	

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2011:

- Premium earnings generally rise in the spring and summer months, largely a factor of increased premiums related to seasonal vehicles.
- Except for the first quarter, the Auto Fund typically generates positive cash flows from operations each quarter. Cash is usually low in the first quarter as annual premium taxes are paid to the province in March. Premium taxes are based on premiums written and were $36.5 million in 2011.

IMPACT OF NEW ACCOUNTING STANDARDS

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the Auto Fund's first year producing financial statements using International Financial Reporting Standards (IFRS), and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied. Upon transition, the two main impacts include the accounting for unrealized gains and losses on investments and discounting of unpaid claims. All investments are now designated as fair value through profit and loss rather than designated as available for sale. This results in changes in unrealized gains and losses on investments being recognized in the statement of operations, rather than through other comprehensive income. Previously, the Auto Fund did not discount its provision for unpaid claims for all lines of business. In transitioning to IFRS, the Auto Fund is changing this policy to discount the provision for unpaid claims for all lines of business. These two accounting changes were necessary as part of the Auto Fund's asset liability matching strategy to mitigate interest rate risk.

Financial implications and other impacts of the transition to IFRS are described in detail in note 4 of the notes to the financial statements.

FUTURE ACCOUNTING POLICY CHANGES

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

INSURANCE CONTRACTS

International Accounting Standards Board (IASB) issued exposure draft ED/2010/8 Insurance Contracts (the ED) on July 30, 2010. The ED proposes a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. The ED does not propose an effective date for the new standard since the IASB plans additional deliberation on the effective dates of these proposals. The final standard is expected in 2012, with implementation not expected before 2015.

FINANCIAL INSTRUMENTS

IFRS 9, *Financial Instruments*, was issued in November 2009 and modifies previous standard IAS 39, *Financial Instruments: Recognition and Measurement.* The new standard requires financial instruments to be measured at either fair value or amortized cost. Under the new standard, the existing categories for available for sale, held to maturity, and loans and receivables will be eliminated.

Equities will have the option to be designated as fair value through other comprehensive income, similar to the current available for sale designation, except that realized gains or losses would remain in accumulated other comprehensive income and impairment decisions would not be required. A fair value option (fair value through income, same as held for trading) will continue to be available on the condition that accounting mismatches are reduced.

The current standard requires adoption by January 2015, which has been deferred from the original adoption date of January 2013. 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 Auto Fund is not federally regulated, it generally follows OSFI's guidance in such matters.

FAIR VALUE MEASUREMENT

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*. IFRS 13 replaces the fair value measurement guidance contained in various standards with a single source of fair value measurement guidance. This standard may impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted with disclosure of that fact. The Auto Fund is in the process of assessing the impact of IFRS 13 on its financial statements.

RELATED PARTY TRANSACTIONS

The Saskatchewan Auto Fund is related in terms of common ownership to all Government of Saskatchewan ministries, agencies, boards, commissions, Crown corporations, and jointly controlled and significantly influenced corporations and enterprises. Transactions with these entities are entered into in the normal course of business and are settled at prevailing market prices under normal trade terms. Details of significant related party transactions disclosed in the financial statements follow.

SGI is the administrator of the Saskatchewan Auto Fund on behalf of the Province of Saskatchewan. Administrative and loss adjustment expenses incurred by SGI are allocated to the Auto Fund directly or on the basis of specific allocations. Amounts incurred by SGI and charged to the Auto Fund were $124.1 million (2010 – $119.4 million).

Certain Board members are partners in organizations that provided $99,000 (2010 – $36,000) of professional services to the Auto Fund. In addition, an SGI Board member owns an organization that provides insurance services on behalf of the Auto Fund. Premiums written during the year from this organization amounted to $1.8 million (2010 – $1.8 million) and the associated accounts receivable at December 31, 2011, were $22,000 (2010 – $23,000). Issuer fees related to these premiums were $145,000 (2010 – $148,000). The above noted transactions are routine operating transactions in the normal course of business.

OFF BALANCE SHEET ARRANGEMENTS

The Auto Fund, in its normal course of operations, enters into certain transactions that are not required to be recorded on its statement of financial position – commonly referred to as the balance sheet. These items include litigation, structured settlements and rehabilitation funding commitments. These items are discussed below and in the notes to the financial statements.

The Auto Fund, as is common to other entities that operate in the insurance industry, is subject to litigation arising in the normal course of insurance operations. The Auto Fund is of the opinion that current litigation will not have a material impact on operations, the financial position or cash flows of the Auto Fund.

In the normal course of settling claims, the Auto Fund settles some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the property and casualty industry. The net present value of the scheduled payments at December 31, 2011, was $22.9 million (2010 – $21.5 million). The Auto Fund has no recourse to these funds. The Auto Fund provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the likelihood of such default is considered extremely remote.

The Auto Fund has contractual obligations to provide funding to Saskatchewan health organizations to provide for rehabilitative services for those injured in automobile collisions. Funding commitments, which are detailed further in note 19 to the financial statements, range between $16.5 million and $26.3 million per year over the next five years.

CRITICAL ACCOUNTING ESTIMATES

This discussion and analysis of financial condition and results of operations is based upon financial statements as presented in this annual report. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Reporting Interpretations Committee. Significant accounting policies are described in note 3 to the financial statements. Some of these policies involve critical accounting estimates because they require SGI, as the administrator, to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The development, selection and application of key accounting policies, and the critical accounting estimates and assumptions they involve, have been discussed with the Audit and Finance Committee of the Board of Directors, and the Audit and Finance Committee has reviewed the disclosures described in this section. The most significant critical accounting estimates involve the provision for unpaid claims and unpaid claims recoverable from reinsurers.

PROVISION FOR UNPAID CLAIMS

A provision for unpaid claims is maintained to cover the estimated ultimate liability for losses and loss adjustment expenses for reported claims and claims incurred but not yet reported at the end of each accounting period. The initial provision is determined on the reported facts filed with the claim, and then revised regularly as more information on the claim becomes known. The provision does not represent the exact calculation of the liability owing to claimants, but is an estimate developed using Canadian accepted actuarial practices and Canadian insurance regulatory requirements. The estimate reflects an expectation of the ultimate cost of settlement and administration of claims. It involves an assessment based on the facts and circumstances of the events reported in the claim, experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the time frame anticipated to settle and pay the claim.

This provision is refined on a continual basis as prior fiscal year claims are settled and additional claims are reported and settled. There may be significant time delays from the occurrence of the insured event and when it is reported. If this occurs near the year-end date, estimates are made as to the value of these claims based on information known at that time. As well, uncertainty exists for reported claims that are not settled, as all necessary information may not be available. Thus, with the level of uncertainty involved in the claim process, until the final settlement occurs, current reserves may not be sufficient. The provision for unpaid claims has been calculated including the impact of discounting. Any adjustments to these estimates, both positive (a redundancy or excess) and negative (a deficiency) are included in the provision for unpaid claims and are reflected as claims incurred in the current year's Statement of Operations.

UNPAID CLAIMS RECOVERABLE FROM REINSURERS

Unpaid claims recoverable from reinsurers includes amounts for expected recoveries related to unpaid claims liabilities, as well as the portion of the reinsurance premium that has not yet been earned. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and claim adjustment expense reserves, and are reported in the Statement of Financial Position. The ceding of insurance does not discharge the Auto Fund's primary liability to its insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions. At December 31, 2011, and 2010, there is no allowance for doubtful accounts recorded related to unpaid claims recoverable from reinsurers.

RISK MANAGEMENT

Risk management is a process for recognizing and addressing risks that could affect the achievement of corporate objectives. On an annual basis, management reviews the key risks faced by the Auto Fund by identifying specific risk events and their potential impact on operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations.

The above process results in a risk profile for the Auto Fund, which is reviewed by the Risk Committee of the Board of Directors. SGI's Audit Services department also uses the risk profile in developing its annual work plan, which provides an assurance component to the Auto Fund's risk management process.

The following risks represent the most serious threat to the Auto Fund. Failure to manage any of these risks could lead to significant operational, financial or reputational damage. The nature of these risks, along with efforts to mitigate them, is summarized below.

Significant Privacy Breach

Risk: Personal information held by the Auto Fund for a large number of customers is lost, accessed or disclosed to an unauthorized party, resulting in adverse legal, regulatory and financial consequences, as well as a loss in confidence by customers and the shareholder.

Mitigation: Specific guidelines on how to handle personal information have been developed and, to improve employees' awareness of corporate privacy obligations, online privacy training and an annual sign-off of the Code of Ethics and Conduct and the Confidentiality and Non-Disclosure Agreement is required by all staff. SGI has also implemented payment card standards that do not allow the retention of electronic customer credit card information and minimizes the exposure to paper-based sources. In 2009, the Auto Fund began conducting privacy audits in areas that handle customer information, and continues to work on the development of administrative, physical and technical safeguards to reduce the likelihood and magnitude of a privacy breach.

Catastrophic Claims Loss

Risk: An event loss in excess of reinsurance limits, an aggregation of large losses within the corporate net retention or the failure of a reinsurer could result in major financial losses for the Auto Fund.

Mitigation: SGI's reinsurance limits were determined based on independent catastrophe modeling, using a 1-in-250-year event assumption to calculate probable maximum loss. To mitigate the risk of reinsurer failure, SGI and its reinsurance brokers monitor the reinsurer rating provided by AM Best, and Standard and Poor's.

Leadership

Risk: Poor strategic planning, poor communication, or a lack of integrity or ethical behaviour lead to low morale and staff engagement, as well as declining revenue and profitability.

Mitigation: SGI's purpose and ideals are defined clearly in the corporate mission, vision and values statements, and the Auto Fund promotes leadership and customer service in its training programs. The corporate commitment to privacy and ethical behaviour is reinforced through the annual review and sign-off by all employees of the Code of Ethics and Conduct. The 2011-15 strategic plan was developed with the feedback of employees and other stakeholders, and provides a detailed plan for the future of the Auto Fund.

Market Value Losses

Risk: Significant fluctuations in market values or a failure to apply the Investment Policy leads to losses on investment portfolios, reducing investment earnings and capital bases.

Mitigation: Investment portfolio management is governed by the Statement of Investment Policies and Goals (SIP&G), which sets out specific investment quality and quantity guidelines that are in line with industry standards defined by the Insurance Companies Act (Canada). The SIP&G is reviewed annually by the Investment Committee of SGI's Board of Directors, to ensure portfolio risk is acceptable based on both historical and forward-looking volatility. Portfolios are monitored externally by an investment consultant and custodian to ensure compliance with policy guidelines and investment performance standards.

Responsiveness to Business Needs

Risk: SGI is unable to meet the internal demand for new systems and major enhancements to existing systems, due to increased business expectations, increased compliance requirements and resource limitations.

Mitigation: To meet the business needs of the Auto Fund, the Information Services department has a prioritization and resource allocation process, and continues to work with business units to define and deliver support services. Focus has been given to appropriate training for staff, and the development of common platforms for the internal systems environment, which allows shared resources between services.

Transfer and Acquisition of Expertise

Risk: SGI is unable to build and maintain the knowledge, skill and experience within the organization's workforce needed to thrive now and in the future, resulting in lower productivity, higher operating costs, and higher health and safety concerns from overworked employees. Challenges include retirements, recruitment of qualified personnel in a tight labour market and the need to support an analytical culture.

Mitigation: SGI has implemented a number of programs in this area, including competency-based recruitment, mentoring programs, and monitoring of workplace engagement and strategic clarity through employee surveys. A corporate learning strategy was created in 2008 to grow people talent in support of a high-performing organization, and SGI has devoted additional resources to training and development. SGI's succession planning process focuses on ensuring current senior management positions have backups; and, identifying high-performing staff who have potential for more senior roles.

Systems Security

Risk: The security of SGI's systems is compromised by a virus attack, system breach, or unauthorized access to confidential or sensitive information by internal or external parties, resulting in significant financial and reputational damage.

Mitigation: SGI created an IT Security Policy in 2009 which includes corporate standards for user access (including remote and external vendor access), passwords, physical security and wireless networks. Antivirus, email filtering, firewalls and intrusion monitoring are used, and the Auto Fund has a formal disposal process for all systems hardware. SGI has also developed incident response procedures to decrease the severity of a breach, should one occur.

OUTLOOK FOR 2012

The significant loss experienced in 2011 resulted in a decline in the Auto Fund's capital base and, as a result, the 12-month average Minimum Capital Test (MCT) is expected to drop below its target range during 2012. While portions of the loss have been a result of one-time claim reserving events and the current unstable investment markets, the Auto Fund is also experiencing a general trend towards higher claim costs.

The strong Saskatchewan economy is expected to continue to result in premium growth attributable to a newer vehicle population and growth in vehicle counts. However, claim costs continue to escalate as well. With more vehicles on the roads, the number of claims continues to rise, and newer vehicles generally cost more to repair. In addition, rising wages in the province contribute to increasing labour rates paid to autobody shops and higher income replacement benefits for injured persons. Significant weather events, such as hailstorms, are also occurring more regularly leading to higher damage claim costs in recent years.

It is expected that challenging investment markets will continue until investors regain confidence and measures to improve economic growth and limit debt take hold. The unfavourable investment markets present challenges for the Auto Fund, impacting both investment returns and the long-term cost of claims. With the Auto Fund's change to IFRS, unrealized investment gains/losses are recorded in net income and have resulted in higher investment earnings volatility. While investment earnings are expected to continue to fluctuate, volatility caused by interest rate changes is expected to be offset by the impact on the discounting of claim liabilities.

Management monitors financial results closely with a long-term perspective to maintaining fair rates while ensuring the adequate capitalization of the Auto Fund. However, with the expected cost of Auto Fund claims and expenses outpacing growth in premium and investment income, the Auto Fund has submitted an application to the Saskatchewan Rate Review Panel for a 3.7% increase in rates, with rate rebalancing, for the rating year beginning in August 2012. Even with this rate increase, the Auto Fund continues to provide among the lowest average personal vehicle rates in Canada and remains focused to deliver on its vision to be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with it.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of Management and have been prepared in conformity with International Financial Reporting Standards. In the opinion of Management, the financial statements fairly reflect the financial position, results of operations and cash flows of the Saskatchewan Auto Fund (the Auto Fund) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Auto Fund to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Auto Fund and the nature of the insurance policies. The actuary also makes use of Management information provided by the Auto Fund and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance, administrator of the Auto Fund. An Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with financial officers of Saskatchewan Government Insurance and the external auditors. These external auditors have free access to this committee, without Management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Auto Fund's financial position and results of operations as shown in the financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and her report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Andrew R. Cartmell
President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

Jeff Stepan
Chief Financial Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

March 1, 2012

ACTUARY'S REPORT

To the Board of Directors of
Saskatchewan Government Insurance

I have valued the policy liabilities of the Saskatchewan Auto Fund for its statement of financial position at December 31, 2011, and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

I am satisified that the data utilized for the valuation of these liabilities is reliable and sufficient. I verified the consistency of the valuation data with the company's financial records.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.

Barb Addie
Baron Insurance Services Inc.
Fellow, Canadian Institute of Actuaries
Fellow, Casualty Actuarial Society

March 1, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Auto Fund ("the Entity"), which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of operations, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Auto Fund as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Regina, Canada

March 1, 2012

STATEMENT OF FINANCIAL POSITION

	December 31 2011	December 31 2010	January 1 2010
	(thousands of Canadian $)		
Assets			
Cash and cash equivalents (note 5)	$ 34,066	$ 80,286	$ 5,733
Accounts receivable (note 6)	174,712	163,573	164,400
Investments under securities lending program (note 7)	309,293	202,729	99,495
Investments (note 7)	1,090,594	1,108,502	1,126,012
Unpaid claims recoverable from reinsurers (note 10)	19,764	5,170	–
Property and equipment (note 8)	41,883	38,748	38,327
Other assets (note 9)	14,980	19,939	23,360
Deferred policy acquisition costs (note 11)	26,071	25,602	23,471
	$ 1,711,363	$ 1,644,549	$ 1,480,798
Liabilities			
Accounts payable and accrued liabilities	$ 22,253	$ 39,622	$ 44,777
Premium taxes payable	37,449	35,564	32,683
Unearned premiums (note 12)	337,389	318,928	295,399
Provision for unpaid claims (note 10)	1,170,687	963,926	914,177
	1,567,778	1,358,040	1,287,036
Equity			
Rate Stabilization Reserve	134,261	271,856	172,418
Redevelopment Reserve	9,324	14,653	21,344
Total equity	143,585	286,509	193,762
	$ 1,711,363	$ 1,644,549	$ 1,480,798

Commitments and contingencies (note 19)

(see accompanying notes)

Approved by the Board of Directors and signed on their behalf on March 1, 2012

Warren Sproule
Chairperson, Board of Directors

Howard Crofts
Director

STATEMENT OF OPERATIONS

year ended December 31	2011	2010
	(thousands of Canadian $)	
Gross premiums written	$ 748,961	$ 711,277
Premiums written ceded to reinsurers	(4,218)	(2,927)
Net premiums written	744,743	708,350
Change in net unearned premiums (note 12)	(18,461)	(23,529)
Net premiums earned	**726,282**	684,821
Claims incurred (note 10)	806,924	604,686
Issuer fees	38,200	34,813
Administrative expenses	52,778	51,770
Premium taxes	36,513	34,376
Traffic safety programs	20,547	17,285
Total claims and expenses	**954,962**	742,930
Underwriting loss	**(228,680)**	(58,109)
Investment earnings (note 13)	51,668	119,367
Other income (note 14)	34,088	31,489
Increase (decrease) to Rate Stabilization Reserve and comprehensive income (loss)	**$ (142,924)**	$ 92,747

(see accompanying notes)

STATEMENT OF CHANGES IN EQUITY

(thousands of Canadian $)	Rate Stabilization Reserve	Redevelopment Reserve	Accumulated Other Comprehensive Income	Total Equity
Balance as at December 31, 2009 (Canadian GAAP)	$ 67,211	$ 21,344	$ 66,505	$ 155,060
First–time adoption of IFRS (note 4)	105,207	–	(66,505)	38,702
Balance as at January 1, 2010 (IFRS)	172,418	21,344	–	193,762
Increase to Rate Stabilization Reserve for the year ended December 31, 2010	92,747	–	–	92,747
Appropriation to Rate Stabilization Reserve (from Redevelopment Reserve)	6,691	(6,691)	–	–
Balance as at December 31, 2010	271,856	14,653	–	286,509
Decrease to Rate Stabilization Reserve for the year ended December 31, 2011	(142,924)	–	–	(142,924)
Appropriation to Rate Stabilization Reserve (from Redevelopment Reserve)	5,329	(5,329)	–	–
Balance as at December 31, 2011	$ 134,261	$ 9,324	$ –	$ 143,585

(see accompanying notes)

STATEMENT OF CASH FLOWS

year ended December 31	2011	2010
	(thousands of Canadian $)	
Cash provided by (used for):		
Operating activities		
Increase (decrease) to Rate Stabilization Reserve and comprehensive income (loss)	$ (142,924)	$ 92,747
Non-cash items:		
Bond amortization	(735)	1,647
Depreciation	8,683	7,799
Net realized gain on sale of investments	(3,525)	(62,727)
Net unrealized gain on change in market value of investments	(14,050)	(18,002)
Loss (gain) on sale of property and equipment	70	(1,704)
Change in non-cash operating items (note 17)	183,174	64,755
	30,693	84,515
Investing activities		
Purchases of investments	(1,201,954)	(1,323,018)
Proceeds on sale of investments	1,131,608	1,316,376
Repayment of capital lease	242	920
Purchases of property and equipment	(6,809)	(4,443)
Purchases of intangible assets	–	(2,527)
Proceeds on sale of property and equipment	–	2,730
	(76,913)	(9,962)
Increase (decrease) in cash and cash equivalents	(46,220)	74,553
Cash and cash equivalents, beginning of year	80,286	5,733
Cash and cash equivalents, end of year	$ **34,066**	$ 80,286
Supplemental cash flow information:		
Interest received	$ 23,811	$ 31,500
Dividends received	$ 4,919	$ 5,681

(see accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

1. STATUS OF THE AUTO FUND

The Saskatchewan Auto Fund (the Auto Fund – 2260–11th Avenue, Regina, Saskatchewan, Canada) was established effective January 1, 1984, by an amendment to *The Automobile Accident Insurance Act*. 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. The Rate Stabilization Reserve 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. Being a fund of the Province of Saskatchewan, it 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, 2011, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These are the Auto Fund's first annual audited financial statements using IFRS, and IFRS 1, *First-time adoption of International Financial Reporting Standards* has been applied.

The Auto Fund's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (GAAP). Canadian GAAP differs in some areas from IFRS. In preparing the financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 have been restated to reflect these adjustments. Any adjustments as a result of differences between Canadian GAAP and IFRS have been reflected in the Auto Fund's opening statement of financial position as of January 1, 2010, the transition date. Certain information that is considered material to the understanding of the Auto Fund's financial statements along with reconciliations and descriptions of how the transition from Canadian GAAP to IFRS has affected the reported financial position, financial performance and cash flows are provided in note 4.

BASIS OF MEASUREMENT

The financial statements have been prepared using the historical cost basis except for financial instruments. The methods used to measure the values of financial instruments are discussed further in note 3.

STATEMENT OF FINANCIAL POSITION CLASSIFICATION

The statement of financial position has been prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current and non-current amounts.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Canadian dollars, which is the Auto Fund's functional currency and are rounded to the nearest thousand unless otherwise noted.

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 10), and the valuation of accounts receivable (note 6) and investments (note 7).

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 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 considered other than temporary are recognized as a decrease to the Rate Stabilization Reserve. Financial assets designated as held to maturity, loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Auto Fund has no financial assets and 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 premium taxes payable are designated as other financial liabilities. The unpaid claims recoverable from reinsurers, amounts due to reinsurers, and the provision for unpaid claims are exempt from the above requirement.

INVESTMENTS

All investments are carried at fair value. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The common shares are level 1 financial assets and the fair value is determined based on quoted market values, based on the latest bid prices. The pooled equity funds are level 1 financial assets, and the fair value is based on the quoted market values of the underlying investments, based on the latest bid prices. Bonds and debentures are level 2 financial assets and the fair value is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity. The pooled mortgage fund is a level 2 financial asset and the fair value 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 mortgage. The pooled real estate fund is a level 2 financial asset and the fair value is determined based on the most recent appraisals of the underlying properties.

The Auto Fund records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into.

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.

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.

Transaction costs are included in the acquisition cost of individual investments. 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, which are taken into income over the terms of the related policies, no longer than 12 months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

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 in accordance with Canadian Institute of Actuaries standards. The provision has been calculated including the impact of discounting using a discount rate of 4.5% (December 31, 2010 – 5.3%). 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 period.

DEFERRED POLICY ACQUISITION COSTS

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

REINSURANCE CEDED

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.

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. 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.

The depreciation method being used, the useful lives of the assets and residual values of the assets are reviewed at each reporting period. Repairs and maintenance are charged to the statement of operations in the period in which they have been incurred.

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 and improvements	20-40 years
Buildings 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.

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 profit or loss 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.

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.

FUTURE ACCOUNTING POLICY CHANGES

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

Insurance Contracts

IASB issued exposure draft ED/2010/8 Insurance Contracts (the ED) on July 30, 2010. The ED proposes a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. The ED does not propose an effective date for the new standard since the IASB plans additional deliberation on the effective dates of these proposals. The final standard is expected in 2012, with implementation not expected before 2015.

Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and modifies previous standard IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard requires financial instruments to be measured at either fair value or amortized cost. Under the new standard, the existing categories for available for sale, held to maturity, and loans and receivables will be eliminated.

Equities will have the option to be designated as fair value through other comprehensive income, similar to the current available for sale designation, except that realized gains or losses would remain in accumulated other comprehensive income and impairment decisions would not be required. A fair value option (fair value through income, same as held for trading) will continue to be available on the condition that accounting mismatches are reduced.

The current standard requires adoption by January 2015, which has been deferred from the original adoption date of January 2013. 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 Auto Fund is not federally regulated, it generally follows OSFI's guidance in such matters.

Fair Value Measurement

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*. IFRS 13 replaces the fair value measurement guidance contained in various standards with a single source of fair value measurement guidance. This standard may impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted with disclosure of that fact. The Auto Fund is in the process of assessing the impact of IFRS 13 on its financial statements.

4. FIRST-TIME ADOPTION OF IFRS

Consistent with other Canadian publicly accountable enterprises, the Auto Fund is required to prepare its financial statements for the year ending December 31, 2011, in accordance with IFRS. The Auto Fund has accordingly restated its previously reported 2010 results and financial position.

IFRS 1, *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS*–EXEMPTIONS

The Auto Fund is required to determine its IFRS accounting policies and apply them retrospectively to establish its opening statement of financial position under IFRS. However, IFRS 1, *First-time Adoption of International Financial Reporting Standards,* provides a number of exemptions upon first-time adoption of IFRS. The Auto Fund has used the following exemptions in preparing the January 1, 2010, statement of financial position and December 31, 2011, financial statements:

DESIGNATION OF PREVIOUSLY RECOGNIZED FINANCIAL INSTRUMENTS

The Auto Fund has elected to use the IFRS 1 exemption available and change the classification of cash and cash equivalents and all investments from available for sale to fair value through profit and loss.

INSURANCE CONTRACTS

The Auto Fund has elected to disclose only five years of data in its loss development tables, consistent with the transitional provision of IFRS 4, *Insurance Contracts*. This will be increased in each subsequent year, until a full 10 years of information is included.

LEASES

The Auto Fund has the option to apply the transitional provisions in IFRIC 4, *Determining whether an Arrangement contains a Lease.* The Auto Fund has applied this option and therefore determined whether arrangements existing at the transition date contain a lease on the basis of facts and circumstances existing at the transition date.

RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

TOTAL EQUITY AS AT JANUARY 1, 2010

(thousands of Canadian $)	Note	Rate Stabilization Reserve	Redevelopment Reserve	Accumulated Other Comprehensive Income	Total Equity
Balance as at December 31, 2009 (Canadian GAAP)		$ 67,211	$ 21,344	$ 66,505	$ 155,060
Auto Fund constructive obligation to SGI CANADA	i)	(5,868)	–	–	(5,868)
Property and equipment	ii)	(2,489)	–	–	(2,489)
Investments – reclassification	iii)	66,505	–	(66,505)	–
Provision for unpaid claims – discounting	iv)	47,059	–	–	47,059
Total adjustments		105,207	–	(66,505)	38,702
Balance as at January 1, 2010 (IFRS)		$ 172,418	$ 21,344	$ –	$ 193,762

TOTAL EQUITY AS AT DECEMBER 31, 2010

(thousands of Canadian $)	Note	Rate Stabilization Reserve	Redevelopment Reserve	Accumulated Other Comprehensive Income	Total Equity
Balance as at December 31, 2010 (Canadian GAAP)		$ 142,254	$ 14,653	$ 85,825	$ 242,732
Auto Fund constructive obligation to SGI CANADA	i)	(5,153)	–	–	(5,153)
Property and equipment	ii)	(3,384)	–	–	(3,384)
Investments – reclassification	iii)	85,825	–	(85,825)	–
Provision for unpaid claims – discounting	iv)	52,314	–	–	52,314
Total adjustments		129,602	–	(85,825)	43,777
Balance as at December 31, 2010 (IFRS)		$ 271,856	$ 14,653	$ –	$ 286,509

COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Canadian GAAP December 31, 2010	Note	IFRS Adjustments	IFRS December 31, 2010
			(thousands of Canadian $)	
Gross premiums written	$ 711,277		$ –	$ 711,277
Premiums written ceded to reinsurers	(2,927)		–	(2,927)
Net premiums written	708,350		–	708,350
Change in net unearned premiums	(23,529)		–	(23,529)
Net premiums earned	**684,821**		**–**	**684,821**
		(ii)	268	
Claims incurred	609,673	(iv)	(5,255)	604,686
Issuer fees	34,813		–	34,813
		(i)	(715)	
Administrative expenses	51,721	(ii)	764	51,770
Premium taxes	34,376		–	34,376
Traffic safety programs	17,285		–	17,285
Total claims and expenses	**747,868**		(4,938)	**742,930**
Underwriting loss	**(63,047)**		4,938	**(58,109)**
Investment earnings	100,047	(iii)	19,320	119,367
Other income	31,352	(ii)	137	31,489
Increase to Rate Stabilization Reserve	**68,352**		24,395	**92,747**
Other comprehensive income:				
Net unrealized gain on available for sale financial assets arising during the year	80,729	(iii)	(80,729)	–
	80,729		(80,729)	–
Reclassification of net realized gains on sale of investments included in operations	(62,727)	(iii)	62,727	–
Reclassification for investment write-downs included in operations	1,318	(iii)	(1,318)	–
Other comprehensive income	**19,320**		(19,320)	–
Comprehensive income	**$ 87,672**		$ 5,075	**$ 92,747**

i. AUTO FUND CONSTRUCTIVE OBLIGATION TO SGI CANADA

SGI CANADA allocates a portion of its retirement benefit costs associated with its defined benefit pension plan and defined benefit service recognition plans to the Auto Fund for those employees of SGI CANADA who provide service to the Auto Fund. The employee benefit adjustments required in SGI CANADA results in the Auto Fund having a constructive obligation to SGI CANADA. The constructive obligation arises from events and transactions before the date of transition to IFRS and accordingly has been recognized directly in the Rate Stabilization Reserve. The impact to the Auto Fund at January 1, 2010, as a result of revising the allocation due to the employee benefit adjustments, is a decrease to the Rate Stabilization Reserve of $5,868,000 and an increase to accounts payable of $5,868,000.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to administrative expenses of $715,000. The total adjustment to the Rate Stabilization Reserve between Canadian GAAP and IFRS at December 31, 2010, was a decrease of $5,153,000.

ii. PROPERTY AND EQUIPMENT

Upon transition to IFRS, the Auto Fund is measuring its property and equipment using cost less depreciation, as if the requirements of IFRS had always been applied.

The cost less depreciation method under IFRS requires that each component of an item of property and equipment, with a cost that is significant compared to the total cost of the item, should be depreciated separately. Under Canadian GAAP, the Auto Fund had capitalized the cost of acquiring its buildings, including all its components, and depreciated them over their useful lives of either 20 or 40 years. Depreciating the significant components of the building separately over their estimated useful lives, as required under IFRS, resulted in a decrease in the Rate Stabilization Reserve and property and equipment of $2,489,000 as at January 1, 2010.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to depreciation expense of $24,000. The total adjustment to the Rate Stabilization Reserve at December 31, 2010, was a decrease of $2,465,000.

The Auto Fund has also incurred additional expenses related to the use of the deemed cost exemption in SGI CANADA. The additional depreciation incurred in SGI CANADA is allocated to the Auto Fund based on related space usage of the Auto Fund.

For the year ended December 31, 2010, this accounting policy difference resulted in an increase to administrative expenses of $788,000 and an increase to claims incurred of $268,000. The total adjustment to the Rate Stabilization Reserve at December 31, 2010, was a decrease of $1,056,000.

As a result of IFRS adjustments made at January 1, 2010, which increased the accumulated depreciation of a number of buildings and components in the Auto Fund, the gain or loss on sale was adjusted in accordance with IFRS. For the year ended December 31, 2010, there is an increase in the gain on sale of property and equipment of $137,000 and a corresponding increase in the Rate Stabilization Reserve.

iii. RECLASSIFICATION OF UNREALIZED GAINS ON INVESTMENTS

Upon adoption of IFRS, the Auto Fund has elected to use the IFRS 1 exemption available and change the designation of investments from available for sale to fair value through profit and loss. At January 1, 2010, this reclassification of net unrealized gains resulted in a decrease in accumulated other comprehensive income of $66,505,000 and a corresponding increase in the Rate Stabilization Reserve.

For the period ended December 31, 2010, this accounting policy difference resulted in an increase to investment earnings of $19,320,000 and a decrease to other comprehensive income of $19,320,000. The total adjustment was a decrease to accumulated other comprehensive income of $85,825,000 and a corresponding increase in the Rate Stabilization Reserve.

iv. DISCOUNTING OF PROVISION FOR UNPAID CLAIMS

Under Canadian GAAP, the Auto Fund did not discount its provision for unpaid claims for all lines of business. In transitioning to IFRS, the Auto Fund is changing this policy to discount the provision for unpaid claims, for all lines of business. At January 1, 2010, this change in accounting policy results in a decrease in the provision for unpaid claims of $47,059,000 and an increase in the Rate Stabilization Reserve of $47,059,000.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease in the provision for unpaid claims of $5,255,000 and a decrease in claims incurred of $5,255,000. The cumulative impact on the Rate Stabilization Reserve was an increase of $52,314,000.

5. CASH AND CASH EQUIVALENTS

	2011	2010
	(thousands of Canadian $)	
Money market investments	$ 32,667	$ 73,520
Cash on hand, net of outstanding cheques	1,399	6,766
Total cash and cash equivalents	$ 34,066	$ 80,286

The average effective interest rate on money market investments is 1.0% (2010 – 1.1%).

6. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2011	2010
	(thousands of Canadian $)	
Due from insureds	$ 172,718	$ 162,390
Accrued investment income	4,619	4,336
Licence issuers	3,565	3,332
Salvage operations	1,553	1,747
Other	506	1,031
Subtotal	182,961	172,836
Less: Allowance for doubtful accounts (note 15)	(8,249)	(9,263)
Total accounts receivable	$ 174,712	$ 163,573

Included in due from insureds are $160,178,000 (2010 – $149,317,000) 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 14).

7. INVESTMENTS

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

	2011	2010
	(thousands of Canadian $)	
Short-term investments	$ 210,199	$ 157,783
Bonds and debentures	493,404	466,446
Canadian common shares	119,270	190,916
U.S. common shares	54,942	67,443
Pooled funds:		
Non-North American equity	50,310	75,002
Mortgage	84,542	82,369
Real estate	77,927	68,543
	1,090,594	1,108,502
Investments under securities lending program		
Bonds and debentures	256,085	146,256
Canadian common shares	49,523	50,153
U.S. common shares	3,685	6,320
	309,293	202,729
Total investments	$ 1,399,887	$ 1,311,231

Details of significant terms and conditions, exposures to interest rate and credit risks of investments 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% (2010 – 1.0%) and an average remaining term to maturity of 79 days (2010 – 70 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.

The Auto Fund'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 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.

	2011			2010		
Term to maturity (years)	Carrying Value		Average Effective Rates	Carrying Value		Average Effective Rates
	(thousands of Canadian $)					
Government of Canada:						
After one through five	$	90,244	1.2%	$	139,789	1.8%
After five		193,430	2.3%		81,481	3.5%
Canadian provincial and municipal:						
After one through five		55,297	1.6%		16,249	2.4%
After five		218,882	3.1%		207,224	3.9%
Canadian corporate:						
One or less		7,296	1.8%		–	–
After one through five		88,231	2.0%		75,420	2.7%
After five		96,109	3.3%		92,539	4.1%
Total bonds and debentures	$	749,489		$	612,702	

COMMON SHARES

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 2.3% (2010 – 1.8%).

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 pooled mortgage fund and a pooled real estate fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

SECURITY LENDING PROGRAM

Through its custodian, the Auto Fund participates in an investment security lending program for the purpose of generating fee income. 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, 2011, the Auto Fund held collateral of $324,758,000 (2010 – $212,904,000) 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.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

	2011			2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(thousands of Canadian $)					
Short-term investments	$ –	$ 210,199	$ 210,199	$ –	$ 157,783	$ 157,783
Bonds and debentures	–	749,499	749,499	–	612,702	612,702
Canadian common shares	168,793	–	168,793	241,069	–	241,069
U.S. common shares	58,627	–	58,627	73,763	–	73,763
Pooled funds:						
Non-North American equity	50,310	–	50,310	75,002	–	75,002
Mortgage	–	84,542	84,542	–	82,369	82,369
Real estate	–	77,927	77,927	–	68,543	68,543
	$ 277,730	$ 1,122,167	$ 1,399,897	$ 389,834	$ 921,397	$ 1,311,231

During the year, no investments were transferred between levels.

8. 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:

	Land	Buildings	Buildings Components	Computer Hardware	Total
	(thousands of Canadian $)				
Cost:					
At January 1, 2011	$ 6,643	$ 38,618	$ 11,190	$ 32,591	$ 89,042
Additions	–	4,627	64	2,118	6,809
Disposals	–	–	–	(1,295)	(1,295)
At December 31, 2011	6,643	43,245	11,254	33,414	94,556
Depreciation:					
At January 1, 2011	–	16,329	5,147	28,818	50,294
Provided in the year	–	1,274	491	1,839	3,604
Disposals	–	(619)	647	(1,253)	(1,225)
At December 31, 2011	–	16,984	6,285	29,404	52,673
Net book value at December 31, 2011	$ 6,643	$ 26,261	$ 4,969	$ 4,010	$ 41,883

	Land		Buildings		Buildings Components		Computer Hardware		Total
	(thousands of Canadian $)								
Cost:									
At January 1, 2010	$	6,979	$	37,863	$	10,578	$	31,582	$ 87,002
Additions		–		2,079		1,355		1,009	4,443
Disposals		(336)		(1,324)		(743)		–	(2,403)
At December 31, 2010		6,643		38,618		11,190		32,591	89,042
Depreciation:									
At January 1, 2010		–		15,592		5,057		28,026	48,675
Provided in the year		–		1,770		434		792	2,996
Disposals		–		(1,033)		(344)		–	(1,377)
At December 31, 2010		–		16,329		5,147		28,818	50,294
Net book value at December 31, 2010	$	6,643	$	22,289	$	6,043	$	3,773	$ 38,748

Depreciation provided in the year is included in administrative expenses on the Statement of Operations. During 2011, the Auto Fund recognized a gain of $nil (2010 – $1,704,000) on the sale of assets (note 14). When an asset has been disposed its original cost is removed from the financial statements along with any accumulated depreciation related to that asset.

9. OTHER ASSETS

Other assets are comprised of the following:

	2011	2010
	(thousands of Canadian $)	
Intangible assets	$ 9,683	$ 14,762
Inventories	3,459	3,336
Prepaid expenses	1,838	1,599
Net investment in capital lease	–	242
Total	$ 14,980	$ 19,939

INTANGIBLE ASSETS

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

	2011	2010
	(thousands of Canadian $)	
Cost:		
At January 1	$ 25,141	$ 22,614
Additions	–	2,527
At December 31	25,141	25,141
Depreciation:		
At January 1	10,379	5,576
Provided in the year	5,079	4,803
At December 31	15,458	10,379
Net book value at December 31	$ 9,683	$ 14,762

Depreciation provided in the year is included in administrative expenses on the Statement of Operations.

10. CLAIMS INCURRED AND PROVISION FOR UNPAID CLAIMS

CLAIMS INCURRED

	2011	2010
	(thousands of Canadian $)	
Gross claims incurred	$ 824,441	$ 611,225
Ceded claims incurred	(17,517)	(6,539)
Net claims incurred	$ 806,924	$ 604,686

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

The change in the estimate for the provision for unpaid claims is as follows:

	2011	2010
	(thousands of Canadian $)	
Net unpaid claims, beginning of year - discounted	$ 958,756	$ 914,177
Discount, beginning of the year	491,396	498,888
Net unpaid claims, beginning of year - undiscounted	1,450,152	1,413,065
Payments made during the year relating to:		
Prior year claims	(223,441)	(192,895)
Deficiency (excess) relating to:		
Prior year estimated unpaid claims	14,526	(13,632)
Extending long-term payout period injury accident benefits	252,064	–
Net unpaid claims, prior years - undiscounted	1,493,301	1,206,538
Provision for claims occurring in the current year	318,038	243,614
Net unpaid claims, end of year - undiscounted	1,811,339	1,450,152
Discount, end of year	(660,416)	(491,396)
Net unpaid claims, end of year - discounted	$ 1,150,923	$ 958,756

The net provision for unpaid claims of $1,150,923,000 (2010 – $958,756,000) consists of the gross provision for unpaid claims of $1,170,687,000 (2010 – $963,926,000) less unpaid claims recoverable from reinsurers of $19,764,000 (2010 – $5,170,000).

Included in the above amount is a provision for adverse development (PFAD) in the amount of $135,080,000 (2010 – $77,818,000). 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. 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:

	Gross		Reinsurance Recoverable		Net	
	2011	2010	2011	2010	2011	2010
	(thousands of Canadian $)					
Injury accident benefits	$ 1,687,182	$ 1,319,928	$ –	$ –	$ 1,687,182	$ 1,319,928
Injury liability	68,232	68,132	–	–	68,232	68,132
Damage	74,928	67,151	19,003	5,059	55,925	62,092
Discount	(659,655)	(491,285)	761	111	(660,416)	(491,396)
Total	$ 1,170,687	$ 963,926	$ 19,764	$ 5,170	$ 1,150,923	$ 958,756

STRUCTURED SETTLEMENTS

The Auto Fund settles some long-term disability claims by purchasing annuities from various financial institutions for its claimants. 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 financial institutions default on the scheduled payments. As at December 31, 2011, no information has come to the Auto Fund's attention that would suggest any weakness or failure in the financial institutions from which it has purchased the annuities. The net present value of the scheduled payments as of the year-end date is $22,879,000 (2010 – $21,505,000).

11. DEFERRED POLICY ACQUISITION COSTS

	2011	2010
	(thousands of Canadian $)	
Deferred policy acquisition costs, beginning of year	$ 25,602	$ 23,471
Acquisition costs deferred during the year	38,665	35,478
Previously deferred acquisition costs charged to operations during the year	(38,196)	(33,347)
Deferred policy acquisition costs, end of year	$ 26,071	$ 25,602

12. UNEARNED PREMIUMS

	Gross Unearned Premiums		Reinsurer's share of Unearned Premiums		Net Unearned Premiums	
	2011	2010	2011	2010	2011	2010
	(thousands of Canadian $)					
Unearned premiums, beginning of the year	$ 319,832	$ 296,082	$ 904	$ 683	$ 318,928	$ 295,399
Premiums written during the year	748,961	711,277	4,218	2,927	744,743	708,350
Premiums earned	(730,247)	(687,527)	(3,965)	(2,706)	(726,282)	(684,821)
Change in net unearned premiums	18,714	23,750	253	221	18,461	23,529
Unearned premiums, end of the year	$ 338,546	$ 319,832	$ 1,157	$ 904	$ 337,389	$ 318,928

13. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	2011	2010
	(thousands of Canadian $)	
Interest	$ 24,766	$ 28,156
Net unrealized gains on change in market value of investments	14,050	18,002
Pooled funds distributions	5,607	5,873
Dividends	5,359	6,110
Net realized gain on sale of investments	3,525	62,727
Interest on net investment in capital lease	87	75
Total investment earnings	53,394	120,943
Investment expenses	(1,726)	(1,576)
Net investment earnings	$ 51,668	$ 119,367

14. OTHER INCOME

The components of other income are as follows:

	2011	2010
	(thousands of Canadian $)	
Payment option fees	$ 21,833	$ 19,961
Net earnings on salvage sales	12,255	9,824
Gain on disposal of property and equipment	–	1,704
Total other income	$ 34,088	$ 31,489

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 operates a salvage department 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:

	2011	2010
	(thousands of Canadian $)	
Salvage sales	$ 38,339	$ 32,538
Cost of sales	(21,845)	(18,640)
Gross profit	16,494	13,898
Administrative expenses	(4,547)	(4,378)
Other income	308	304
Net earnings on salvage sales	$ 12,255	$ 9,824

15. INSURANCE AND FINANCIAL RISK 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 result 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 unfavorable 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:

	2011	2010
	(thousands of Canadian $)	
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

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

	2007	2008	2009	2010	2011	Total
	(thousands of Canadian $)					
Net Ultimate Loss						
At end of accident year	$ 448,227	$ 483,870	$ 503,379	$ 538,979	$ 592,874	
One year later	475,268	478,854	514,421	558,884		
Two years later	472,198	488,578	526,834			
Three years later	481,492	501,237				
Four years later	492,254					
Cumulative loss development	44,027	17,367	23,455	19,905	n/a	
Cumulative loss development as a % of original ultimate loss	9.8%	3.6%	4.7%	3.7%	n/a	
Current estimate of net ultimate loss	$ 492,254	501,237	526,834	558,884	592,874	$ 2,672,083
Cumulative paid	(428,373)	(427,199)	(434,777)	(449,461)	(361,748)	(2,101,558)
Net provision for unpaid claims for the five most recent accident years	$ 63,881	74,038	92,057	109,423	231,126	$ 570,525
Net discounted claims outstanding for accident years 2006 and prior						508,207
Loss adjusting expense reserve						64,746
Other reconciling items						7,445
Net provision for unpaid claims						$ 1,150,923

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, based on a recommendation from the Board's Investment Committee. The SIP&G provides guidelines for the Auto Fund's investment manager 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 manager and custodian regarding compliance with the SIP&G. The investment manager's performance is evaluated based on the goals stated in the SIP&G.

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 as at December 31, 2011, is limited to the carrying value of those financial assets summarized as follows:

	2011		2010	
	(thousands of Canadian $)			
	Carrying Value		Carrying Value	
Cash and cash equivalents	$	34,066	$	80,286
Accounts receivable		174,712		163,573
Fixed income investments [1]		1,044,230		852,854

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

Cash and cash equivalents include money market investments of $32,667,000 (December 31, 2010 – $73,520,000) 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, diversified among residential, farm and commercial customers, along with motor licence issuers within Saskatchewan. Accounts receivable consist of balances outstanding for one year or less.

	2011		2010	
	(thousands of Canadian $)			
Current	$	171,236	$	160,422
30–59 days		2,391		2,199
60–89 days		1,036		1,073
Greater than 90 days		8,298		9,141
Subtotal		182,961		172,835
Allowance for doubtful accounts		(8,249)		(9,263)
Total	$	174,712	$	163,572

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:

	2011		2010	
	(thousands of Canadian $)			
Allowance for doubtful accounts, opening balance	$	9,263	$	9,751
Accounts written off		(2,122)		(1,518)
Current period provision		1,108		1,030
Allowance for doubtful accounts, closing balance	$	8,249	$	9,263

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:

	2011		2010	
Credit Rating	Carrying Value (thousands of $)	Makeup of Portfolio (%)	Carrying Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 294,215	39.3	$ 295,888	48.3
AA	296,870	39.6	158,761	25.9
A	111,084	14.8	123,295	20.1
BBB	47,320	6.3	34,758	5.7
Total	$ 749,489	100.0	$ 612,702	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.

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. Any 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:

	2011	2010	2011	2010
	100 basis point increase		100 basis point decrease	
	(thousands of Canadian $)			
Investment earnings	$ (58,414)	$ (42,307)	$ 65,560	$ 42,307
Claims incurred	(66,667)	(39,906)	75,834	44,103
Net increase (decrease) to RSR	8,253	(2,401)	(10,274)	(1,796)

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 its EAFE (Europe, Australasia and Far East) currencies through its investment in the non-North American pooled fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 21% each of the market value of the Auto Fund's Return Seeking portfolio. At December 31, 2011, the Auto Fund's exposure to U.S. equities was 4.2% (2010 – 5.6%) and its exposure to non-North American equities was 3.6% (2010 – 5.7%). The Auto Fund has no foreign exchange exposure within its bonds and debentures.

At December 31, 2011, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $5.9 million (2010 – $7.4 million) decrease/increase in the Rate Stabilization Reserve. A 10% appreciation/depreciation in the Canadian dollar versus EAFE currencies would result in approximately a $5.0 million (2010 – $7.5 million) decrease/increase in the Rate Stabilization Reserve. As the U.S. equity and non-North American pooled 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 portfolio shall be invested in bonds 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 markets. At December 31, 2011, equities comprise 19.8% (2010 – 29.7%) 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).

Asset Class	2011	2010
	(thousands of Canadian $)	
Canadian equities	$ +/- 68,192	$ +/- 94,499
U.S. equities	+/- 15,829	+/- 19,236
Non-North American equities	+/- 17,910	+/- 25,950

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 arising from the Auto Fund's financial assets and liabilities at December 31.

2011

	Carrying amount	No stated maturity	0-1 Years	1-3 Years	3-5 Years	5-10 Years	More than 10 Years
	(thousands of Canadian $)						
Financial assets							
Accounts receivable	$ 174,712	$ –	$ 174,712	$ –	$ –	$ –	$ –
Investments	1,399,887	440,199	217,495	152,666	81,106	173,336	335,085
Unpaid claims recoverable from reinsurers	19,764	–	16,683	3,077	4	–	–
	$ 1,594,363	$ 440,199	$ 408,890	$ 155,743	$ 81,110	$ 173,336	$ 335,085
Financial liabilities							
Accounts payable and accrued liabilities	$ 22,253	$ –	$ 22,253	$ –	$ –	$ –	$ –
Premium taxes payable	37,449	–	37,449	–	–	–	–
Provision for unpaid claims	1,170,687	–	145,689	100,453	68,957	139,556	716,032
	$ 1,230,389	$ –	$ 205,391	$ 100,453	$ 68,957	$ 139,556	$ 716,032

2010

	Carrying amount	No stated maturity	0-1 Years	1-3 Years	3-5 Years	5-10 Years	More than 10 Years
	(thousands of Canadian $)						
Financial assets							
Accounts receivable	$ 163,573	$ –	$ 163,573	$ –	$ –	$ –	$ –
Investments	1,311,231	540,746	157,782	174,776	56,682	227,963	153,282
Unpaid claims recoverable from reinsurers	5,170	–	4,111	1,059	–	–	–
	$ 1,479,974	$ 540,746	$ 325,466	$ 175,835	$ 56,682	$ 227,963	$ 153,282
Financial liabilities							
Accounts payable and accrued liabilities	$ 39,622	$ –	$ 39,622	$ –	$ –	$ –	$ –
Premium taxes payable	35,564	–	35,564	–	–	–	–
Provision for unpaid claims	963,926	–	144,664	104,834	72,682	141,986	499,760
	$ 1,039,112	$ –	$ 219,850	$ 104,834	$ 72,682	$ 141,986	$ 499,760

16. CAPITAL MANAGEMENT

The primary objectives of capital management for the Auto Fund is to maintain an adequate balance in its Rate Stabilization Reserve to assist in achieving consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. 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. At December 31, 2011, the MCT was 60% (2010 – 124%).

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.

17. CHANGE IN NON-CASH OPERATING ITEMS

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

	2011	2010
	(thousands of Canadian $)	
Accounts receivable	$ (11,139)	$ 827
Deferred policy acquisition costs	(469)	(2,131)
Unpaid claims recoverable from reinsurers	(14,594)	(5,170)
Other assets	(362)	225
Accounts payable and accrued liabilities	(17,369)	(5,155)
Premium taxes payable	1,885	2,881
Unearned premiums	18,461	23,529
Provision for unpaid claims	206,761	49,749
	$ 183,174	$ 64,755

18. 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 $124,147,000 (2010 – $119,421,000) and accounts payable are $202,000 (2010 – $11,048,000).

Certain board members are partners in organizations that provided $99,000 (2010 – $36,000) 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 $1,773,000 (2010 – $1,758,000) and the associated accounts receivable at December 31, 2011, was $22,000 (2010 – $23,000). Issuer fees related to these premiums were $145,000 (2010 – $148,000). The above noted transactions are routine operating transactions in the normal course of business.

Other related party transactions are described separately in the notes.

19. COMMITMENTS AND CONTINGENCIES

The Auto Fund has contractual obligations to provide funding to Saskatchewan health organizations for costs associated with rehabilitation for those involved in automobile accidents.

The following is the funding anticipated to be provided over the next five years:

	2011
	(thousands of Canadian $)
2012	$ 26,251
2013	18,918
2014	16,500
2015	16,500
2016	16,500

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.

20. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2010 balances have been reclassified to conform to 2011 financial statement presentation.

CORPORATE GOVERNANCE

The Canadian Securities Administrators and securities regulators across Canada have implemented governance policies for publicly traded companies. National Policy 58-201 and National Instrument 58-101 came into effect on June 30, 2005. While Saskatchewan Government Insurance is not publicly traded and therefore not required to comply with these guidelines, they provide an excellent benchmark to measure good governance practices.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
Composition of the Board 1. The board should have a majority of independent directors.	Yes. The Board of Directors is constituted of a majority of independent directors.
2. The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director." However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.	Yes. The Chair of the Board is an independent director. He is a partner in a law firm that performs legal services for the corporation, but is subject to a protocol restricting him to a limited, indirect relationship.
Meetings of Independent Directors 3. The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	Yes. The Board of Directors has meetings in-camera, during which no management is in attendance, at every Board and committee meeting, as well as on an as-required basis. There are no non-independent directors on the current Board.
Board Mandate 4. The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	Yes. The Board has approved Terms of Reference (mandate), which explicitly acknowledge responsibility for the stewardship of the Corporation.
(a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers, and that the CEO and other executive officers, create a culture of integrity throughout the organization.	Yes. The Board has approved the corporate values under which all employees, including the CEO and senior management, are expected to operate.
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	Yes. The Board of Directors holds an annual strategic planning session. This session provides the basis of the Corporation's strategic plan and initiatives, as well as direction to management in the formation of the Corporation's operating budget and goals. Further, the Board is provided with quarterly updates during the year on the progress of the corporate strategic initiatives.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	Yes. The Board of Directors undertakes a process to identify the principal risks of the business, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Board of Directors has established a Risk Committee with responsibility for this function and it reports to the Board on those risks on at least an annual basis.
(d) succession planning (including appointing, training and monitoring senior management);	Yes. The Board of Directors has charged the Human Resources Committee with responsibility for reviewing the Corporation's succession plan, which includes assessments and development for senior management. The committee reviews the plan on an annual basis and reports its findings to the Board.
(e) adopting a communication policy for the issuer;	Yes. The Corporation has a formal communications policy that has been approved by the Board of Directors.
(f) the issuer's internal control and management information systems; and	Yes.
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.	Yes.
The written mandate of the board should also set out:	
(i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and	Yes. The Corporation also undertakes research annually on behalf of the Board.
(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Yes. Position descriptions for directors were developed and approved.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
Position Descriptions 5. The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	Yes. Position descriptions for directors were developed and approved. A position description for the CEO has been developed and approved. The Board has developed and approved corporate goals and objectives.
Orientation and Continuing Education 6. The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	Yes. The Terms of Reference for the Board specify the responsibility for director training, which has been delegated to the Governance Committee. New directors receive an orientation that provides an overview of the Corporation, its operations and its industry. Further, directors are educated on the role of the Board, its committees and the expectation of directors. The director position description describes a director's responsibilities.
7. The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	Yes. The Board provides opportunities for all directors to increase their knowledge of issues and subjects facing the Corporation. Further, Crown Investments Corporation provides annual director training opportunities to all Crown corporation directors.
Code of Business Conduct and Ethics 8. The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	Yes. The Board has adopted a written Code of Conduct for Directors and a Corporate Code of Ethics and Conduct that is applicible to directors, officers and employees.
(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;	Yes. Conflicts of interest are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(b) protection and proper use of corporate assets and opportunities;	Yes. The protection and proper use of corporate assets and opportunities are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
(c) confidentiality of corporate information;	Yes. The confidentiality of corporate information is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Yes. The fair dealing with customers, suppliers, competitors and employees is addressed in the Corporate Code of Ethics and Conduct.
(e) compliance with laws, rules and regulations; and,	Yes. The compliance with laws, rules and regulations is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(f) reporting of any illegal or unethical behaviour.	Yes. The reporting of any illegal or unethical behaviour is addressed in the Corporate Code of Ethics and Conduct, and more specifically in the Whistleblower Policy and under *The Public Interest Disclosure Act.*
9. The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.	Yes. The Human Resources Committee receives an annual report concerning compliance with the code. On an as-required basis, the Human Resources Committee may grant a waiver from the code.
Although issuers must exercise their own judgment in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the board has or has not sanctioned the departure(s), and • any measures the board has taken to address or remedy the departure(s).	Not applicable.
Nomination of Directors 10. The board should appoint a nominating committee composed entirely of independent directors.	Yes. The Board has charged the Governance Committee with the responsibility of the nomination of directors. The committee is comprised entirely of independent directors.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
11. The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	Yes. The Governance Committee's charter is contained within the Terms of Reference.
12. Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:	
(a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	Yes. The Governance Committee undertakes a skills assessment on an annual basis.
(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.	Yes. The Governance Committee undertakes a needs assessment on an annual basis.
The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.	Yes. The Governance Committee reviews and recommends the size of the Board.
In carrying out each of these functions, the board should consider the advice and input of the nominating committee.	Yes. The Governance Committee reports regularly to the Board and when required makes recommendations. It should be noted that director appointments are made by Order-in-Council.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
13. The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.	Yes. The Governance Committee has a recruitment and selection process that it undertakes prior to making recommendations for appointments to the Board and Crown Investments Corporation.
14. In making its recommendations, the nominating committee should consider:	
(a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;	Yes. The Governance Committee reviews the competencies and skills required for the Board as a whole.
(b) the competencies and skills that the board considers each existing director to possess; and,	Yes. The Governance Committee reviews the competencies and skills of each of the directors.
(c) the competencies and skills each new nominee will bring to the boardroom.	Yes. The Governance Committee reviews the competencies and skills of nominee directors.
(d) The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.	Yes. During the recruitment and selection process, the Governance Committee ensures that potential nominees understand the requirements and have sufficient time and resources to devote to the Board member responsibilities.
Compensation 15. The board should appoint a compensation committee composed entirely of independent directors.	Yes. The Board has delegated the responsibilities for compensation to the Human Resources Committee. The committee is comprised entirely of the independent directors.
16. The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	Yes. The Human Resources Committee's charter is contained within the Terms of Reference. The committee has the authority to engage and compensate any outside advisor it may determine is necessary to carry out its duties.

NATIONAL POLICY 58-201 CORPORATE GOVERNANCE GUIDELINES

Guideline	Saskatchewan Government Insurance
17. The compensation committee should be responsible for:	
(a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;	Yes. The Human Resources Committee undertakes a detailed CEO evaluation on an annual basis. As part of that evaluation, the committee reviews corporate goals and objectives, and evaluates the CEO's performance against those goals and objectives. The findings of the evaluation and any compensation changes resulting from the review are recommended to the Board.
(b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and,	Yes. The Human Resources Committee reviews and recommends to the Board and Crown Investments Corporation any changes to compensation.
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	Not applicable. Individuals reporting to the CEO, which includes all executive members, are required by legislation to file and report any changes in their compensation to the Clerk of the Saskatchewan Legislature within a 14-day period of time. Further, by policy of the Crown and Central Agencies committee of the Legislature, the Corporation is required to file an annual payee list which also contains the compensation of all members of the executive.
Regular Board Assessments 18. The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	Yes. The Board conducts, on a rotational basis, peer assessments and reviews of the Board and the Chair.
(a) in the case of the board or a board committee, its mandate or charter; and,	Yes. The Board and its committees review their terms of reference on an as-needed basis and at least every three years.
(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.	Yes. The Board has a position description for directors; further, individual director's skills and competencies are reviewed as part of the regular assessments.

National Policy 58-201 Corporate Governance Guidelines

Independence

The matter of “independence from management” is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for the Corporation, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. However, two members of the Board of Directors are partners in law firms that performed legal services for the Corporation in 2011, and are thereby deemed to have a material indirect relationship with the Corporation under the above standard. The Corporation’s owner has managed this issue through the development of a protocol regarding lawyers serving on Crown Investments Corporation subsidiary Crown corporation Boards of Directors. Although not in strict compliance with the CSA standards, this protocol adopts the principle that directors must be free from any material relationship that may interfere with the director’s ability to exercise independent judgment in the best interests of the Corporation or to influence the choice of law firms. Given the smaller local market in Saskatchewan for legal services, the protocol restricts directors from any direct material relationship, but allows a limited indirect relationship subject to the qualifications of the protocol, such as pre-approval of legal services by an independent Board committee, declarations of conflict, no direct benefit to the director and restriction of information to that director. The Corporation’s General Counsel reviews all charges related to the provision of legal services by external counsel. The General Counsel in turn reports to the Governance committee of the Board on any new matters undertaken by the director’s law firm, other than those that are substantially similar to matters previously performed by the law firm in question. The Board Chair, Warren Sproule, Q.C., and Board member Douglas Richardson, Q.C., are lawyers who are subject to this protocol. All other directors, including the Vice Chair of the Board, are independent of management. At each Board and committee meeting, the directors meet in-camera without the presence of management.

BOARD OF DIRECTORS

WARREN SPROULE, QC

Partner, Kanuka Thuringer LLP

Mr. Sproule has served as Chair of the SGI Board of Directors since 2008. He is a lawyer with the firm of Kanuka Thuringer LLP in Regina, where he carries on a corporate-commercial practice with a significant concentration of work in the field of banking, insurance and other financial services law. He began his legal career in 1981, has been a partner in his firm since 1986 and was managing partner from 1994-2008. In 2009 he was appointed Queen's Counsel.

Mr. Sproule holds a Bachelor of Commerce (Finance) and Juris Doctorate from the University of Saskatchewan. He is currently a member of the Canadian IT Law Association, the Canadian Petroleum Law Foundation and the Insolvency Institute of Canada. Mr. Sproule also currently serves as a member of the Board of Directors of Access Communications Co-operative and recently completed his term on the board of the South Saskatchewan Community Foundation.

RICHARD M. (RICK) WATSON

President, Watson Tractor & Equipment Ltd.

Mr. Watson has been a member of the SGI Board of Directors since 2008. He has been a member of the Investment committee and presently sits on the Audit and Finance, Governance and Human Resources, and the Ad Hoc Strategic Planning committees. He was appointed Vice Chair of the Board in 2011.

Mr. Watson has been involved in the John Deere Ag and Turf Equipment business since 1965. This family business first opened in Weyburn, followed by Regina in 1978. In 2006 both locations merged into a larger partnership and Mr. Watson passed the "hands on" responsibilities to family and other partner managers. The partnership operates as South Country Equipment Ltd., and with further acquisitions, now has eight locations in southern Saskatchewan. Mr. Watson continues to manage the assets of Watson Tractor & Equipment Ltd., now primarily a holder of commercial real estate, as well as family farmland and other investments.

Mr. Watson also serves on the Board of Security Resource Group Inc. and is a member of the Independent Advisory Committee to the Assiniboia Farmland Corporation. He participates in the CEO Advisory Circle at the University of Regina's Paul J. Hill School of Business, and is a member of both the Regina and Saskatchewan Chambers of Commerce. Mr. Watson is based in Regina.

MERIN D. COUTTS

Independent Management Consultant

Mrs. Coutts joined the SGI Board of Directors in 2004. She has served on the Audit and Finance committee and the Investment committee. Since 2007 she has chaired the Governance and Human Resources committee and was appointed Chair of the Ad Hoc Strategic Planning committee in 2011.

Mrs. Coutts is a Certified Management Accountant and a Chartered Director. She holds a Bachelor of Commerce (honours) from the University of Saskatchewan. Mrs. Coutts has held senior positions in the broadcast and telecommunications industries in Saskatchewan for the past decade. She was Director of Marketing and Community Relations for CTV, followed by Sales Manager and most recently Regional Manager for Shaw Communications Inc. She is now an Independent Management Consultant specializing in transition, operations and talent management strategies. Mrs. Coutts is based in Saskatoon.

HOWARD CROFTS, FCA

Senior Vice President, Assurance Services, MNP LLP

Mr. Crofts was appointed to the SGI Board of Directors in 2008, has served on the Governance and Human Resources committee and currently serves as the Chair of the Audit and Finance committee, a member of the Risk Committee and Ad Hoc Strategic Planning Committee. Mr. Crofts is a Chartered Accountant and holds a Bachelor of Administration from the University of Saskatchewan. He has spent his professional career providing assurance, tax and business advisory services to clients in a variety of industries including insurance, telecommunications, transportation, real estate and construction, aviation, professional services, manufacturing, oil and gas, health care and retail.

Mr. Crofts joined MNP LLP in 2002, and assumed the position of Regional Managing Partner for the firm's South Saskatchewan Region in 2004 before assuming his current role as national Assurance Services leader in 2009. Mr. Crofts has served on numerous community and not-for-profit boards, he currently is Chair of the Board of Group Medical Services and is a member of the boards of directors of Latitude AeroMedical Works Inc., Raven Oil Corporation and Regina Inner City Family Foundation. Mr. Crofts is based in Regina.

G. DWIGHT DUNN

President and Co-Owner, Dunn Realty & Insurance

Mr. Dunn was appointed to the SGI Board of Directors in 2008, has served on the Governance and Human Resources Committee and is currently a member of the Investment Committee. He holds a Bachelor of Education from the University of Saskatchewan, and Canadian Accredited Insurance Broker and Canadian Certified Insurance Broker designations.

Mr. Dunn was a school teacher with CUSO for two years in Zambia, taught school in Saskatchewan for a number of years, and owned and operated the family farm prior to becoming president and co-owner of Dunn Realty and Insurance with his wife, Madeline. Mr. Dunn is a past-president of the Insurance Brokers' Association of Saskatchewan, past chairman of the General Insurance Council and was recipient in 2005 of the Jack Byers award for service to the Insurance Brokers' Association of Saskatchewan.

Mr. Dunn has served on numerous community associations and as a director of the Saskatchewan Chamber of Commerce. He is based in Wolseley.

J. RICHARD KENNEDY

Partner, Brian Mallard and Associates

Mr. Kennedy was appointed to the SGI Board of Directors in 2008 and serves on the Investment Committee. He holds a Chartered Life Underwriter (CLU) and Chartered Financial Consultant (CH.F.C.) designation from Advocis. He has been a licensed insurance and investment professional for 32 years.

Mr. Kennedy is a board member of the Pentecostal Assemblies of Canada Pension Plan. He is also Past President of the Central Saskatchewan Association of Insurance and Investment Advisors. Mr. Kennedy has also served for many other local not-for-profit entities, such as the United Way, Red Cross and his local church board.

Mr. Kennedy joined Brian Mallard and Associates as an insurance and investment advisor in 2010 after building a large Resource Centre for the preceding 20 years as the Regional Director at Great-West Life. He is based in Saskatoon.

TYRONE KLEWCHUK

President, TIK Enterprises and Quatra Holdings

Mr. Klewchuk was appointed to the SGI Board of Directors in 2008 and serves on the Governance and Human Resources committee. Mr. Klewchuk is a University of North Dakota graduate with a Bachelor of Science degree and also a graduate from Oklahoma State University with a Master of Science degree in trade and technology.

Mr. Klewchuk has taught high school and middle years technical, math and science. He also has extensive experience in the building trades. Mr. Klewchuk is currently the president of TIK Enterprises, a business that inspects homes, multi-residential and commercial buildings, along with real estate for Quatra Holdings.

Mr. Klewchuk has volunteered his services to the Multiple Sclerosis Association and Yorkton Housing Authority. He has served on many other local boards in varying capacities of president to treasurer and other positions. In addition, he is past president of a venture capital corporation. Mr. Klewchuk is based in Yorkton.

RICK ORR, AMP

Mortgage Broker

Mr. Orr was appointed to the SGI Board of Directors in 2008. Currently he serves as a member of the Risk Committee. He is a past member of the Governance and Human Resources Committee. Mr. Orr has completed all five modules of the Chartered Director program.

Mr. Orr has worked for the last 12 years as a mortgage broker in Prince Albert, with his wife, Kathy. He is member of the Canadian Association of Accredited Mortgage Professionals (CAAMP) and has worked within the mortgage industry on government regulations and was a founding member of CIMBL (later changed to CAAMP), the only professional mortgage industry association in Canada. He is currently a sitting member of CAAMP's Saskatchewan Brokers Council. Mr. Orr has attained the designation of Accredited Mortgage Professional.

Mr. Orr has been involved in the Prince Albert community for 20 years and has been an active member of local Chamber of Commerce boards, committees and executive. He is past president of Prince Albert Crime Stoppers, Prince Albert Lion's Club and has worked on the Saskatchewan Penitentiary Citizens Advisory Board, Fire Services Committee. Mr. Orr has been an active community volunteer including working for various provincial activities such as visits of the Royal Family, Briars, Tournaments of Hearts, Saskatoon Sports Hall of Fame and many other provincial and local events.

DENIS PERRAULT

President, Paradise Business Consulting and Paradise Properties

Mr. Perrault was appointed to the SGI Board in 2011 and serves on the Audit and Finance Committee. He is a University of Saskatchewan graduate with a Bachelor of Commerce degree, a Chartered Accountant and, in 2011, obtained his Chartered Director designation.

Mr. Perrault is President of his companies, Paradise Business Consulting and Paradise Properties. He has extensive experience in management and corporate financial affairs including audits, budgeting, strategic planning and human resource management. As a Chartered Accountant and business professional he has had the opportunity to work throughout the City of Swift Current, the Province of Saskatchewan and for four years in Bermuda. He has been a part of many organizations through both audit and advisory roles and has gained significant business knowledge. This has included working with not-for-profit organizations, rural municipalities, Aboriginal bands, small businesses, corporate farms and, in Bermuda, publicly traded companies. While in Bermuda, Mr. Perrault worked with many reinsurance/insurance companies as an auditor and for two years as a reinsurance accountant with Aspen Re, a publicly traded reinsurer.

Currently, Mr. Perrault is an elected City of Swift Current Councillor and he serves on many local boards. He is also an Ambassador and active member of the Juvenile Diabetes Research Foundation and the SW Type 1 Sharps.

DOUG RICHARDSON, QC

Senior Partner, McKercher LLP

Mr. Richardson was appointed to the SGI Board of Directors in 2010 and has served on the Investment Committee, and the Governance and Human Resources Committee. He is a senior partner with McKercher law firm in Saskatoon where his practice focuses on small business, corporate governance, land development and commercial and financial issues.

Mr. Richardson earned his law degree from the University of Saskatchewan in 1975. He began his legal career in 1976, has been a partner in his firm since 1979 and was managing partner from 1994 to 2008. In 2009 he was appointed Queen's Counsel. During his career he has been active in professional associations locally and nationally, and has served on many boards including SaskTel, CanadianFund, Historia Board and Trustee as well as the National Chamber of Commerce.

RICHARD H. SMITH

Senior Vice President, Henderson Insurance Inc.

Mr. Smith was appointed to the Board of Directors in 2008. He sits on the Audit and Finance Committee, the Ad Hoc Strategic Planning Committee and chairs the Risk Committee. Mr. Smith holds a Certificate in Risk Management from the University of Toronto and is currently enrolled in the RIMS Fellow Program through the Risk Management Society. He has obtained his Canadian Certified Insurance Broker and Canadian Accredited Insurance Broker designations, and has been a licensed broker for 33 years. Mr. Smith also recently obtained his Chartered Director designation.

Mr. Smith is a Director of Western Agricultural Insurance Corporation and is the Chairman of the Canadian Home Builders Association (Saskatchewan). He is Past President of the Saskatoon & Region Home Builders Association and Past Vice President of the Insurance Brokers' Association of Saskatchewan. Mr. Smith is an Associate Member of the Saskatchewan Risk and Insurance Management Society and an Associate Member of the Risk Management Society, New York.

Mr. Smith joined Henderson Insurance in 1990 and is Senior Vice President and part owner of the business. Prior to joining Henderson Insurance, he worked for a large national insurance company in a variety of roles, including Marketing Representative, Senior Marketing Representative and Marketing Manager. Mr. Smith is based in Moose Jaw.

JEFF A. STERZUK

Vice President, Development & External Relations, Impact Society

Mr. Sterzuk was appointed to the Board of SGI in 2008. He is Chair of the Investment Committee. Mr. Sterzuk has completed the Chartered Director program through the Directors College. He completed the Securities Course and Conducts and Practices program in 2000, and the Certified Financial Planner designation in 1998. Mr. Sterzuk holds a Bachelor of Arts (Public Administration) from the University of Saskatchewan, which he completed in 1989.

Mr. Sterzuk has served on several not-for-profit boards throughout his career, including the Regina and Abbotsford Symphony Orchestras, the Regina and Abbotsford Executive Associations and many church and other charity governance and fundraising committees.

Mr. Sterzuk joined Impact Society in 2007 and is currently Vice President, Development & External Relations. Prior to Impact Society he spent 15 years working in the financial services industry with Investors Group and RBC Dominion Securities where he most recently served as Regional Director for the Calgary-Lethbridge Region for Investors Group until 2007. Mr. Sterzuk is based in Calgary.

COMITTEE MEMBERS AND MEETING FREQUENCY

AUDIT & FINANCE COMMITTEE
- Met five times in 2011
- Howard Crofts, Chair
- Denis Perrault
- Rick Smith
- Rick Watson
- Warren Sproule, ex officio

GOVERNANCE & HUMAN RESOURCES COMMITTEE
- Met four times in 2011
- Merin Coutts, Chair
- Tyrone Klewchuk
- Doug Richardson
- Rick Watson
- Warren Sproule, ex officio

INVESTMENT COMMITTEE
- Met four times in 2011
- Jeff Sterzuk, Chair
- Dwight Dunn
- Rick Kennedy
- Doug Richardson
- Warren Sproule, ex officio

RISK COMMITTEE
- Met four times in 2011
- Rick Smith, Chair
- Howard Crofts
- Rick Orr
- Warren Sproule, ex officio

TERMS OF REFERENCE

AUDIT COMMITTEE

The Audit Committee provides general stewardship and oversight to the Corporation's audit functions and activity, and recommends audit issues to be discussed by the Board, to ensure appropriate internal controls and information systems are in place, and that timely and complete auditing of the Corporation's activities and records is undertaken.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to **audit:**

1. Review the annual audited financial statements with management and the external auditor prior to their submission to the Board for approval.
2. Review, prior to issue or review by the Board, all continuous disclosure and other documents of the Corporation that include financial statements specifically, without limitation, management discussion and analysis, and annual reports.
3. Review annually the results of the external auditors' audit of the Corporation's financial records, including the management letter, and report to the Board any matter remaining unresolved.
4. Review the work plans and summary reports of the Corporation's internal auditor and report to the Board the nature of any unresolved matter from audit reports.
5. Approve the annual audit work plan of the external auditor. Review the Provincial Auditor's audit involvement letter.
6. Review annually reports of the internal auditor, external auditors and Provincial Auditor with respect to the state of the Corporation's internal control and management information systems, and report to the Board results of the review.
7. Review annually the Corporation's CEO and CFO Certification and assessment of the effectiveness of internal controls and financial reporting.
8. Review quarterly the statement of defalcations.
9. Review and approve the published quarterly reports including unaudited financial statements and management discussion and analysis, and report to the Board.
10. Approve the expense claims of the President and CEO on an annual basis. The committee Chair will approve the specific expense claims of the President and CEO as required, as well as vacation time utilized by the President and CEO.
11. Recommend to the Board the appointment or reappointment of an external auditor.
12. Recommend to the Board the appointed actuary.
13. Review annually external audit fees.
14. Review annually the report of non-audit fees paid to the external auditors.
15. Review quarterly and report to the Board all directors' expenses, retainers and per diems, and refer any concerns or questions to the Chair of the Board for resolution.
16. Review annually the corporate donations report.
17. At least every three years review and recommend to the Board for approval any amendments to the SGI Superannuation Plan based on a three-year actuarial review. Recommend to the Board ad hoc increases as they occur.
18. Review any report from the Provincial Auditor, external auditors or the internal auditor when the Corporation has acted outside of its legislative authority, and make recommendations to the Board as required.
19. Recommend to the Board appointments and terminations of the Chief Financial Officer and Chief Internal Auditor.
20. Review and recommend amendments to the Ex Gratia Payment Policy.
21. Review as required reports to the Whistleblower Hotline involving a financial irregularity.
22. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

FINANCE COMMITTEE

The Finance Committee provides general stewardship and oversight to the Corporation's financial activity, functions and performance, and recommends financial issues to be discussed by the Board.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to **finance:**

1. Review and recommend to the Board the Corporation's financial strategy and capital structure and their consistency with the overall strategy of the Corporation.
2. Review and recommend to the Board major investments or divestitures by the Corporation including capital expenditures and major acquisitions or dispositions of significant assets.
3. Review and recommend to the Board management spending authorities.
4. Review and recommend to the Board the dividend policy.
5. Recommend to the Board approval of dividend payments.
6. Review and recommend for approval to the Board the Corporation's annual operating, capital and staffing budget.
7. Review at least every three years and make recommendations to the Board on the corporate donations policy.
8. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

GOVERNANCE COMMITTEE

The Governance Committee monitors the governance of the Board and committees of the Board, and recommends governance issues to be discussed by the Board and its committees to ensure timely and complete information and decision making at the Board and committee levels.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to **governance:**

1. Review as required and at least annually the duties and responsibilities of the Board, and recommend to the Board any amendments as deemed necessary or advisable, including identification of committees to whom management should report on specific issues.
2. Review as required and at least every three years the terms of reference of the Board and its committees, and recommend to the Board any amendments as deemed necessary or advisable.
3. Recommend to the Board the size and composition of the Board of Directors, and the expertise of its members to meet the needs of the Corporation.
4. Review, in conjunction with Crown Investments Corporation, the provincial government and the CEO, skills and experience represented on the Board in light of the strategic direction of the Corporation.
5. Review the qualifications of potential candidates for appointment to the Board. During this review, the committee must include in its attendance the Chair of the Board.
6. Recommend to the Board the size, composition, membership and chairs of board committees.
7. Recommend to the Board a process that supplements Crown Investments Corporation's process for evaluating the performance of the Board and its members, and implement the evaluation process approved by the Board.
8. Implement an orientation program for new Board members and an ongoing education program for existing Board members that supplements the Crown Investments Corporation's program, particularly with respect to industry-specific topics.
9. Monitor the effectiveness and group dynamics of the Board and its committees, and assist in the development and implementation of processes to enhance effectiveness and dynamics as required.
10. Assess the adequacy and form of director compensation and make recommendations to Crown Investments Corporation and the provincial government from time to time.
11. Provide counseling support to individual directors on governance issues.
12. Review and report to the Board on conflict of interest matters involving directors as required.
13. Vet situations, where a director's employer or company is engaged in business with the Corporation, any new matters or transactions, other than matters or transactions substantially similar to the existing matters or transactions.
14. Monitor involvement of directors on boards of directors outside the Corporation, to ensure duty of confidentiality and duty of disclosure is observed.
15. Appoint, in consultation with Crown Investments Corporation, the secretary to the Board.
16. Monitor governance of the Boards of Directors and committees of the Boards for subsidiary companies as required.
17. Review at least every three years the adequacy of the committee's terms of reference.

HUMAN RESOURCES

The Human Resources Committee provides general stewardship and oversight to the Corporation's human resources activities, and recommends human resources issues to be discussed by the Board.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to **human resources:**

1. Review and recommend to the Board the compensation and benefit mandates for management and unionized employees as required, including Collective Bargaining Agreement settlement.
2. At least every three years review and recommend to the Board the compensation philosophy for management.
3. As required, recruit and recommend to the Board appointment or termination of the President and CEO, or establish an ad hoc committee of the Board to recruit and recommend.
4. Annually review and recommend to the Board the compensation package for the President and CEO, and his or her performance objectives.
5. In conjunction with the Chair of the Board, annually conduct and report to the Board the results of a performance appraisal of the President and CEO.
6. With the Risk Committee, and to the extent feasible, ensure the integrity of the CEO and other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the Corporation.
7. Receive regular reports from management on union and other human resource issues.
8. At least every three years or as amended, review and recommend to the Board the Corporation's Code of Ethics and Conduct Policy, Harassment Policy, Information Technology Policy, Whistleblower Policy, Privacy Policy and any other corporate policy that includes the Board of Directors in its scope.
9. Annually receive a compliance report on the Corporation's Code of Ethics and Conduct and Harassment Policy. Quarterly receive a compliance report on the Whistleblower Policy.
10. At least every three years or as amended, review and recommend to the Board the Corporation's health and safety management program. As required, receive reports on identified breaches of related policies or laws.

11. Review the President and CEO's senior management succession plan annually and report to the Board.

12. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

INVESTMENT COMMITTEE

The Investment Committee provides general stewardship and oversight to the Corporation's investment activity, functions and performance, and recommends investment issues to be discussed by the Board.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to **investment:**

1. Review and recommend to the Board the Statement of Investment Policies and Goals.

2. Review and recommend to the Board the appointment of investment managers and investment consultants.

3. Review the performance of the corporate investment portfolio.

4. Monitor the performance of the investment manager and investment consultants of the funds.

5. Monitor compliance with the Statement of Investment Policies and Goals, and governing legislation.

6. Review investment portfolio benchmark comparisons.

7. Review, in conjunction with the Risk Committee, and report to the Board on any proposed hedging and derivatives plan for the Corporation.

8. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

RISK COMMITTEE

The Risk Committee provides general stewardship and oversight of the Corporation's risks and risk management functions and activity, and recommends risk issues to be discussed by the Board, to ensure that timely and complete risk management is undertaken.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to **risk:**

1. Review annually and recommend to the Board the Corporate Risk Management Policy.

2. Define risk management accountabilities.

3. Review the Corporate Risk Register annually and report to the Board. As part of this process, (i) review processes established by management to identify, assess and manage risk; and, (ii) review the completeness of the list of corporate risks and actively seek new risks that may materially impact the Corporation.

4. Review the status of key corporate risks at every meeting and report to the Board.

5. Review risk assessments of major corporate strategies and report to the Board.

6. Provide direction to the risk manager on risk-related issues, and support the development and continuous improvement of risk management practices.

7. With the Human Resources Committee, and to the extent feasible, ensure the integrity of the CEO and other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the Corporation.

8. Work with the Audit Committee on shared risk issues.

9. Review and report to the Board on the adequacy of the reinsurance protection of the Corporation.

10. Review the Corporation's business continuity plan.

11. Review, in conjunction with the Investment Committee, any proposed hedging and derivatives plan for the Corporation.

12. Review the Corporation's report of outstanding litigation, excluding claims litigation, and report to the Board as appropriate.

13. At least every three years review the Corporation's environmental issues and compliance with applicable laws. Receive any reports of non-compliance as they may occur.

14. Review and report to the Board on corporate liability protection programs for directors and officers. As required, recommend to the Board changes to the programs.

15. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

SGI EXECUTIVE

ANDREW R. CARTMELL

President and CEO

Mr. Cartmell joined SGI as President and CEO in August 2009. Before joining SGI, he worked for a number of Canadian property and casualty insurance companies in a variety of roles, including underwriting, actuarial, product management and regional/branch operations.

Mr. Cartmell holds a Bachelor of Mathematics (honours) and is a Fellow of the Casualty Actuarial Society (FCAS), Fellow of the Canadian Institute of Actuaries (FCIA), Chartered Insurance Professional (CIP) and LIMRA Leadership Institute Fellow (LLIF). He is a member of the Board of Directors of the Facility Association (previously Chair and Past Chair), and Board Chair for SGI CANADA Insurance Services Ltd., Coachman Insurance Company and the Insurance Company of Prince Edward Island.

EARL G. CAMERON

Vice President, Claims & Salvage

Mr. Cameron began his career with SGI in 1973 as a Clerk in the Underwriting Division, then held various positions as an adjuster in the Claims Division. He became a Senior Marketing Representative in Major Accounts in 1981, returning to Claims in 1984 as a Supervisor, Commercial Claims. He became the Manager of Head Office and Regina Northwest Claims in 1989 and the Assistant Vice President of Urban Claims in 1993. Mr. Cameron was appointed to the position of Vice President of Claims and Salvage in April 1997. From late 2008 to mid-2009, Mr. Cameron also served as Acting President.

Mr. Cameron is a member of the Board of Directors for the Insurance Company of Prince Edward Island, Coachman Insurance Company and SGI CANADA Insurance Services Ltd. Mr. Cameron is a member of the Saskatchewan Adjusters Association, member of the Honourable Order of the Blue Goose, Past President of Regina Crime Stoppers, Past Director of I-CAR Canada and Past Appointed Member of the Regina Crime Prevention Commission.

JOHN DOBIE

Vice President, Canadian Operations

Mr. Dobie began his career at SGI in 1975 in the Finance department, and since then has worked in various divisions. Mr. Dobie was appointed Vice President of Systems in February 1996, Vice President of Finance and Administration in April 1997, Vice President of Finance in March 2001, and to the position of Vice President of Canadian Operations in August 2004.

Mr. Dobie is a Certified Management Accountant (CMA). He is currently on the Board of Directors of Coachman Insurance Company and SGI CANADA Insurance Services Ltd. In the past Mr. Dobie has served on the Board of Directors of Greystone Managed Investments, Palliser Insurance Company, the Insurance Company of Prince Edward Island, Charlie Cooke Insurance Agency Ltd., Atlantic Adjusting & Appraisals Ltd. and the Maritime Finance and Acceptance Corporation.

TAMARA C. ERHARDT

Vice President, Human Resources and Corporate Services

Ms. Erhardt joined SGI in 1995 as the Supervisor, Job Evaluation and Classification. In 1996, she became the Supervisor of Industrial Relations, and then the Manager of Employee Relations in 2000. She was appointed to the position of Assistant Vice President, Human Resources and Corporate Services in 2006. In 2009, she was appointed to her current position of Vice President, Human Resources and Corporate Services.

Ms. Erhardt holds a Bachelor of Commerce, a Masters of Business Administration, is a Certified Human Resources Professional (CHRP) and has a Certificate in Mediation Services and a Certificate in Industrial Relations. She is a member of the Saskatchewan Association of Human Resources Professionals and the Conference Board of Canada's Council for Human Resource Executives, West.

RANDY HEISE

Vice President, Underwriting

Mr. Heise began his career at SGI in 1972 and worked his way through the ranks of the Finance department, becoming an Assistant Vice President in 1985 and the Vice President of Finance and Administration in 1991. Mr. Heise was appointed to his current position in April 1997.

Mr. Heise is a Certified Management Accountant (CMA) and is a member of the Society of Management Accountants. He currently sits on the Board of Directors of Coachman Insurance Company, the Insurance Company of Prince Edward Island and SGI CANADA Insurance Services Ltd.

JEFF STEPAN

Chief Financial Officer

Mr. Stepan joined SGI in August 2008 as Treasurer, and became the Chief Financial Officer in November 2010. Prior to joining SGI, Mr. Stepan spent 17 years as an institutional investment consultant with Hewitt Associates and its predecessor company James P. Marshall, Inc. where he consulted to clients in the pension, endowment and insurance sectors. In addition to his duties as a Senior Consultant, Mr. Stepan managed the Regina office.

Mr. Stepan is a Chartered Accountant (CA) and Chartered Financial Analyst (CFA). He's currently Chair of the Investment Committee for the Capital Pension Plan and is Treasurer of the Financial Executives International Regina Chapter. Mr. Stepan is a member of the Institute of Chartered Accountants of Saskatchewan, the CFA Institute and the Risk and Insurance Management Society, and is an avid volunteer with the Juvenile Diabetes Research Foundation.

DON THOMPSON

Vice President, Product Management

Mr. Thompson joined the Finance department of SGI in August 1989. Mr. Thompson became a Manager in 1995, Corporate Controller in 1999 and Assistant Vice President in 2001. He was appointed Vice President of Finance in 2004, and moved into his current position in 2011.

Mr. Thompson is a Certified Management Accountant (CMA) and is a member of the Society of Management Accountants. He currently sits on the Board of Directors of Coachman Insurance Company, the Insurance Company of Prince Edward Island and SGI CANADA Insurance Services Ltd.

DWAIN WELLS

Vice President, Systems & Facilities

Mr. Wells joined SGI in April 1992. He became the Manager of Systems in 1994, the Assistant Vice President of Systems in 2001, and was appointed Vice President of Systems in 2004.

Mr. Wells holds a Diploma in Applied Arts in Data Processing. Prior to joining SGI, he worked in systems roles with Esso Chemical Canada in Alberta and Ontario, Digital Equipment Canada in Regina, and was a partner in a systems consulting company in Regina.

SHERRY WOLF

Vice President, Auto Fund

Ms. Wolf began her career at SGI in 1982 in the Human Resources department where she held a number of supervisor positions. From 1988 through 1991 Ms. Wolf performed various manager roles in the Auto Fund. In 1991 she became the Assistant Vice President of Communications, then returned to the Auto Fund as Assistant Vice President, Licensing and Registration in September 1993. In 1999, she moved to Claims as Assistant Vice President, Injury Claims and Rehabilitation. Ms. Wolf was appointed to her position as Vice President of the Auto Fund in 2004.

Ms. Wolf has a Bachelor of Administration and a Masters in Public Administration. She is on the Board of Directors of the Canadian Council of Motor Transport Administrators and is a member of the Regina Planning Commission.

GLOSSARY OF TERMS

Catastrophe reinsurance — A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.

Claims incurred — The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in the provision for unpaid claims for the same period of time.

Combined ratio — A measure of total expenses (claims and administration) in relation to net premiums earned as determined in accordance with GAAP. If this ratio is below 100% there was a profit from underwriting activities, while over 100% represents a loss from underwriting.

GAAP — Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.

Gross premiums written (GPW) — Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.

IBNR reserve — Abbreviation for 'incurred but not reported'. A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.

IFRS — International Financial Reporting Standards. These are defined in the handbook as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Loss ratio (Claims ratio) — Claims incurred net of reinsurance expressed as a percentage of net premiums earned for a specified period of time.

Motor licence issuer — A person who negotiates driver's licences and vehicle licence/insurance on behalf of the Auto Fund and who receives a fee from the Auto Fund for licences placed and other services rendered.

Net premiums earned (NPE) — The portion of net premiums written that is recognized for accounting purposes as revenue during a period.

Net premiums written (NPW) — Gross premiums written for a given period of time less premiums ceded to reinsurers during such period.

Premium — The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims.

Premium tax — A tax collected from policyholders and paid to the province. It is calculated as a percentage of gross premiums written.

Prudent person — A common law standard against which those investing the money of others are judged against.

Redundancy & deficiency — Claim reserves are constantly re-evaluated. An increase in a reserve from the original estimate is a deficiency while a decrease to the original reserve is called a redundancy.

Underwriting profit/loss — The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and all general and administrative expenses.

Unearned premiums — The difference between net premiums written and net premiums earned. It reflects the net premiums written for that portion of the term of its insurance policies that are deferred to subsequent accounting periods.

IN MEMORIAM

Tim Beach, Partsperson 3 at Regina Salvage, was a dedicated, hard-working and versatile employee who seemed to get along with everybody and provided his co-workers with leadership and guidance.

Tim was a dedicated family man, devoted to his wife and daughters. He was very involved in their sports, dancing and other activities, never missing a practice, game or rehearsal.

Tim passed away on March 19, 2011.

Len Borbely, an Adjuster 2 at the Regina Northwest Claims Centre, was extraordinarily clever, great with people and had a wonderful sense of humour, part of why he excelled at handling difficult claims and calming upset clients.

Len never let his quadriplegia slow him down. His enthusiasm for life and love of his friends was an inspiration to everyone around him. Len's favourite activities were spending time with friends and family and cheering on the Riders.

Len passed away on Dec. 17, 2011.

Marie Toro, Executive Assistant in the Executive Offices, was an upbeat and dedicated employee who will be fondly remembered after working at SGI for 20 years.

Marie was cheerful with an infectious smile. She shared her fun-loving enthusiasm with friends and family alike. Her husband, nephews and nieces were an important part of her life.

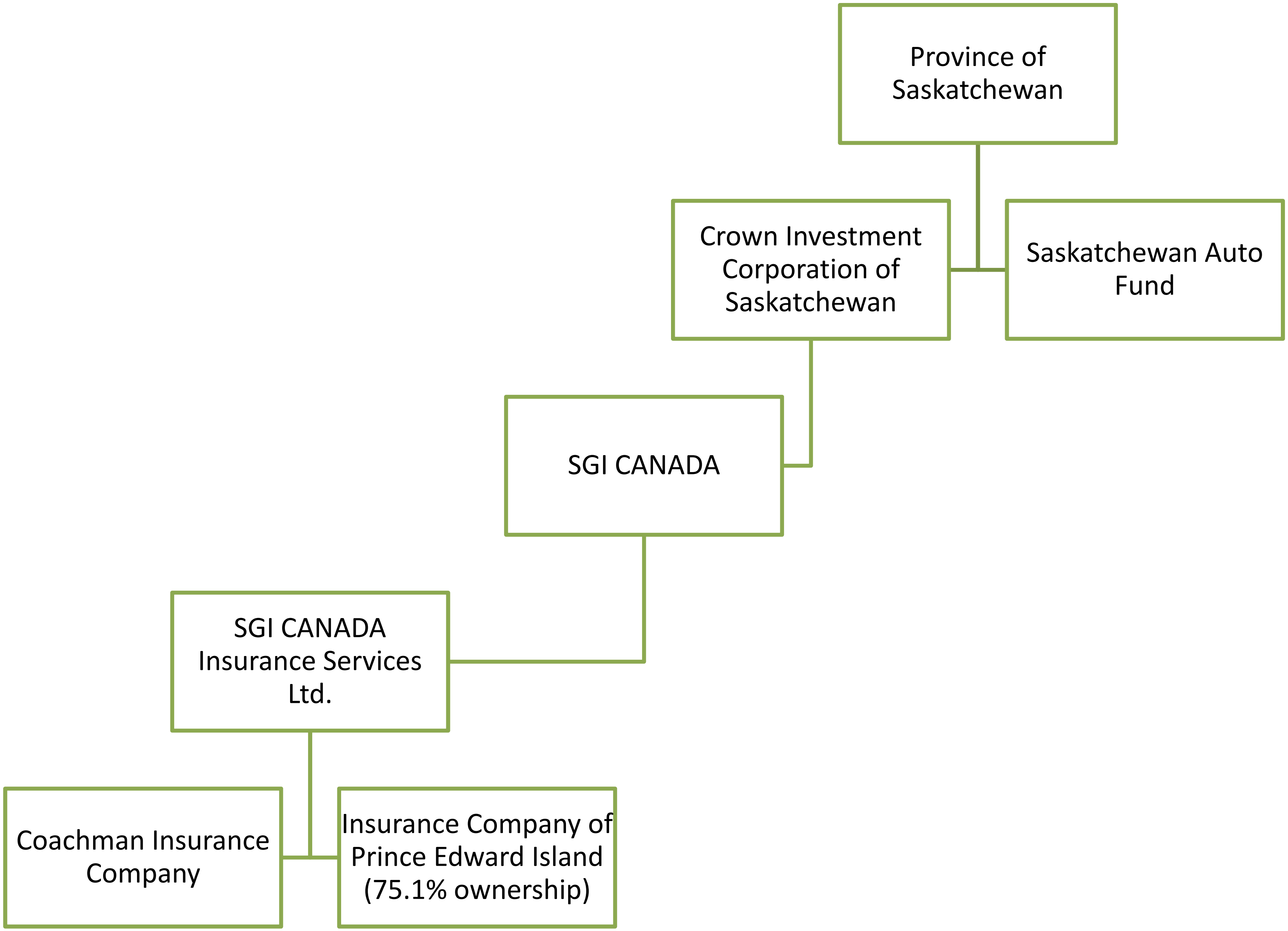
Marie passed away on Jan. 20, 2011.

SGI Head Office 2260 - 11th Ave., Regina, Saskatchewan, Canada S4P 0J9

www.sgi.sk.ca

4. Current Organizational Structure

Organizational Structure



6. Indicated and Requested Rates

There are four parts to this section:

1. The 2013 Auto Fund rate proposal
2. Actuarial support documents
3. Indication exhibits
4. Valuation of policy liabilities

Electronic copies of parts 3 and 4 have been provided only to the Saskatchewan Rate Review Panel (SRRP) consultants. A portion of part 2 has been provided to the SRRP with the remainder being sent to the consultants.

6. Indicated and Requested Rates
Part 1 - Saskatchewan Auto Fund 2013 Rate Proposal

Section 6 – Part 2

Table of Contents

Written Premium Breakdown 2007 -2017 1

Summary of Dollar and Percent Caps 5

Claims by Fault 9

Historical Rate Changes by Class 13

Written Premium Breakdown

Saskatchewan Government Insurance
2013 Rate Program
Breakdown of Written Premium

Breakdown of net written premium from 2007 to 2017 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	Actual Change	Change in Written Exposures	Drift	Rate Change	Changes in Incentives	Calculated Change	Budgeted Written Premium*	Variance
2007	945,442	$ 552,579,521				-3.55%			$ 566,966,278	-2.54%
2008	996,044	$ 599,116,561	8.42%	5.35%	3.03%	-3.55%	0.11%	4.57%	$ 587,480,658	1.98%
2009	1,024,496	$ 638,494,454	6.57%	2.86%	3.90%	0.70%	0.27%	7.32%	$ 662,300,112	-3.59%
2010	1,044,605	$ 697,069,168	9.17%	1.96%	7.24%	3.50%	0.16%	12.99%	$ 706,606,911	-1.35%
2011	1,063,509	$ 730,849,186	4.85%	1.81%	3.03%	0.00%	0.05%	4.85%	$ 751,093,660	-2.70%
2012	1,143,415	$ 801,481,429	9.66%	7.51%	1.80%	0.67%	-0.20%	10.40%	$ 792,159,945	1.18%
Projected										
2013**	1,139,863	$ 848,523,168	5.87%	-0.31%	3.42%	1.89%	0.42%	4.62%		
2014	1,174,912	$ 927,711,084	9.33%	3.07%	3.42%	1.64%	-0.15%	8.51%		
2015	1,211,039	$ 988,982,724	6.60%	3.07%	3.42%	0.00%	0.00%	6.60%		
2016	1,248,276	$1,049,249,491	6.09%	3.07%	3.42%	0.00%	0.00%	6.60%		
2017	1,286,659	$1,110,277,116	5.82%	3.07%	3.42%	0.00%	0.00%	6.60%		

*Budget numbers based on proposed rate change and RSR surcharge of 1.03% and 1.23% respectively.
**The 2013 Written Premium After Incentives has been reduced by $10M as an estimate of the mid-term refund relating to the proposed rate changes.

Summary of Dollar and Percent Caps

Saskatchewan Government Insurance
2013 Rate Program
Number of Dollar and Per cent Caps by Class
Excluding RSR

	Written Expsoures					
Vehicle Class	**Eligible for Dollar Caps(1)**	**Eligible for Per cent Caps(2)**	**Received Dollar Caps(3)**	**Received Per cent Caps(3)**	**No Caps Applied(4)**	**Total**
CLEAR-Rated Vehicles	355,010	415,269	30,316	3,745	736,217	770,279
A - Commercial Light Trucks	0	140	0	4	136	140
F - Farm Light Truck - 1994 & Newer	47,461	3,077	2,971	456	47,110	50,538
LV - Private Passenger Vehicles (PPV)	289,386	401,561	26,810	3,271	660,865	690,947
LV - PPV - Farm Cars	8,855	407	239	2	9,021	9,262
LV - PPV - Farm SUVs and Vans	9,059	4,719	281	4	13,493	13,777
LV - Police Cars	0	246	0	0	246	246
LV - Police Trucks, Vans & SUVs	28	260	1	1	286	288
LV - UDrives	221	4,689	15	7	4,888	4,910
PT - Taxis (Rural)	0	171	0	0	171	171
Conventionally Rated Vehicles						
Ambulances	300	0	0	0	300	300
A - Commercial Vehicles:						0
Heavy Trucks and Vans IRP Reg. Ded.	412	53	2	25	437	465
Heavy Trucks and Vans IRP $15K Ded.	36	0	18	0	17	36
Heavy Trucks and Vans Non-IRP	680	280	20	0	941	961
Power Units IRP Reg. Ded.	1	3,508	1	541	2,967	3,509
Power Units IRP $15K Ded.	18	1,199	18	942	257	1,217
Power Units Non-IRP	19	1,161	1	921	259	1,180
C & D - Commercial Vehicles:						0
Heavy Trucks and Vans	12,287	68	6,503	0	5,852	12,355
Power Units	1,838	4,673	1,835	400	4,275	6,511
F - Farm Vehicles:						
Heavy Trucks and Vans	25,893	17	4,061	17	21,832	25,910
Light Trucks - 1993 & Older	14,684	0	1,387	0	13,297	14,684
Power Units	9,351	0	1,438	0	7,913	9,351
Hearses	140	0	0	0	140	140
L - Dealer Plates:	3,905	0	0	0	3,905	3,905
Automobile	3,811	0	0	0	3,811	3,811
Motorcycles	94	0	0	0	94	94
L - Snowmobile Dealers	33	0	0	0	33	33
LV - Antiques	11,538	0	0	0	11,538	11,538
LV - Buses	366	0	366	0	0	366
LV - Buses (Restricted)	33	0	0	0	33	33
LV - Motorcycles:	2,560	8,631	2,335	8,631	225	11,192
Cruiser/Touring	1,228	7,013	1,223	7,013	5	8,242
Dual Purpose/Other	983	303	765	303	218	1,285
Sport	349	1,315	347	1,315	2	1,665
LV - Motorhomes	5,073	11	933	11	4,140	5,084
MT - Snowmobiles	4,908	0	0	0	4,908	4,908
PB - Passenger Inter-city Buses	2	462	2	365	97	464
PC - Passenger City Buses	75	424	75	424	0	499
PS - Passenger School Buses	3,185	0	2,503	0	682	3,185
PT - Taxis	0	555	0	555	0	555
Trailers						
F - Trailers	29,464	0	0	0	29,464	29,464
LT - Trailer Dealers/Movers:	478	0	0	0	478	478
Utility	120	0	0	0	120	120
Tent	0	0	0	0	0	0
Semi	62	0	0	0	62	62
Transport	78	0	0	0	78	78
Cabin	218	0	0	0	218	218

	Written Expsoures					
Vehicle Class	**Eligible for Dollar Caps(1)**	**Eligible for Per cent Caps(2)**	**Received Dollar Caps(3)**	**Received Per cent Caps(3)**	**No Caps Applied(4)**	**Total**
T - Personal Trailers:	40,001	0	9,468	0	30,532	40,001
Fiberglass Cabin	13,040	0	1,463	0	11,578	13,040
Metal Cabin	12,895	0	7,588	0	5,307	12,895
Semi & Transport	12,185	0	254	0	11,931	12,185
Tent	1,881	0	164	0	1,717	1,881
T - Utility	76,201	0	0	0	76,201	76,201
TS - Commercial Trailers	45,531	0	0	0	45,531	45,531
Miscellaneous Classes						
A - Excess Value	281	0	0	0	281	281
C&D - Non-Resident	153	0	0	0	153	153
C&D - Excess Value	3,046	0	0	0	3,046	3,046
Industrial Tracked Vehicles	0	0	0	0	0	0
LV - Motorized Bicycle	11	0	0	0	11	11
PV - Converted Vehicles	6	1	0	0	7	7
PV - Heavy Trucks and Vans	443	83	69	63	393	526
PV - Power Units	33	28	8	5	48	61
TS - Excess Value	2,124	0	0	0	2,124	2,124
Total						
All Vehicles Excluding Trailers & Misc	452,208	436,312	51,816	16,578	820,126	888,660
All Vehicles	649,981	436,425	61,362	16,646	1,008,398	1,081,094

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) Exposures that did not have any caps applied:

(a) Had an indicated premium that was within the cap amount, or

(b) Belong to a class where the proposed rate was set equal to the current rate.

Claims by Fault

Saskatchewan Government Insurance
2013 Rate Program
Claims Assigned by Fault

The breakdown of the number of Private Passenger Vehicle, Motorcycle and Taxi collision claims for 2007-2012 by fault assigned to the vehicle follows. When reviewing this information, please note that the most recent years may not be fully developed yet. The number of claims reported, and the final determination of fault for the claims, may change.

PPV - All Body Styles

	2007	2008	2009	2010	2011	2012	Total
Not at Fault	46,347	47,782	49,233	48,933	51,433	50,710	294,438
Less than 50% at Fault	548	530	481	507	528	495	3,089
50% or More at Fault	49,953	52,079	54,072	51,755	54,688	51,638	314,185
Total	96,848	100,391	103,786	101,195	106,649	102,843	611,712

PPV - Two-Door Cars

	2007	2008	2009	2010	2011	2012	Total
Not at Fault	8,431	8,030	7,407	6,661	6,447	5,426	42,402
Less than 50% at Fault	87	81	70	59	65	51	413
50% or More at Fault	7,637	7,473	6,940	6,029	5,750	4,895	38,724
Total	16,155	15,584	14,417	12,749	12,262	10,372	81,539

PPV - Four-Door Cars

	2007	2008	2009	2010	2011	2012	Total
Not at Fault	19,363	19,686	20,195	19,541	20,245	19,377	118,407
Less than 50% at Fault	186	193	173	168	174	163	1,057
50% or More at Fault	18,084	18,366	18,808	17,639	18,497	17,089	108,483
Total	37,633	38,245	39,176	37,348	38,916	36,629	227,947

Motorcycle - Cruiser/Touring

	2007	2008	2009	2010	2011	2012	Total
Not at Fault	114	123	156	149	185	153	880
Less than 50% at Fault	3	5	4	4	2	1	19
50% or More at Fault	113	138	145	154	146	143	839
Total	230	266	305	307	333	297	1738

Motorcycle - Sport

	2007	2008	2009	2010	2011	2012	Total
Not at Fault	89	84	86	79	95	73	506
Less than 50% at Fault	4	0	3	0	1	0	8
50% or More at Fault	168	157	110	108	85	87	715
Total	261	241	199	187	181	160	1229

Motorcycle - Dual Purpose/ Other

	2007	2008	2009	2010	2011	2012	Total
Not at Fault	10	17	11	16	17	8	79
Less than 50% at Fault	0	0	1	0	0	1	2
50% or More at Fault	10	13	10	15	16	17	81
Total	20	30	22	31	33	26	162

Taxis - All Body Styles

	2007	2008	2009	2010	2011	2012	Grand Total
Not at Fault	304	361	371	349	389	392	2,166
Less than 50% at Fault	4	4	5	3	7	4	27
50% or More at Fault	221	223	258	278	285	274	1,539
Grand Total	529	588	634	630	681	670	3,732

Historical Rate Changes by Class

Historical Rate Changes by Class

Vehicle Class	July 1, 2007	November 1, 2009	August 4, 2012
CLEAR Rated Vehicles			
A - Commercial Light Trucks	2.3%	14.3%	19.5%
F - Farm Light Truck - 1994 & Newer	-5.6%	0.2%	-2.0%
LV - Private Passenger Vehicles (PPV)	-7.0%	4.8%	1.4%
LV - PPV - Farm Cars, SUVs and Vans	-7.0%	4.8%	-8.5%
LV - Police Cars	-10.1%	-2.5%	8.0%
LV - Police Trucks, Vans & SUVs	-7.0%	4.8%	-9.2%
LV - U Drives	-11.0%	9.5%	-3.1%
PT - Taxis (Rural)	-3.9%	8.1%	-2.8%
Conventionally Rated Vehicles			
Ambulances	5.0%	0.0%	15.1%
A - Commercial Vehicles:			
Heavy Trucks and Vans IRP $2500 Ded.	-1.3%	-4.1%	-12.9%
Heavy Trucks and Vans IRP $15K Ded.	-1.3%	-4.1%	-12.9%
Heavy Trucks and Vans Non-IRP	-1.3%	-4.1%	13.6%
Power Units IRP $2500 Ded.	0.7%	7.7%	13.7%
Power Units IRP $15K Ded.	0.7%	7.7%	13.7%
Power Units Non-IRP	0.7%	7.7%	-13.6%
C & D - Commercial Vehicles:			
Heavy Trucks and Vans	-25.5%	-9.8%	22.8%
Power Units	-23.3%	-4.0%	15.9%
F - Farm Vehicles:			
Heavy Trucks and Vans	0.3%	-8.5%	-7.3%
Light Trucks - 1993 & Older	-5.6%	-6.9%	-9.3%
Power Units	-19.3%	-5.2%	-16.9%
Hearses	0.0%	0.0%	-10.8%
L - Dealer Plates:	-20.0%	-1.9%	13.5%
L - Snowmobile Dealers	-20.0%	-1.9%	-41.7%
LV - Antiques	0.0%	10.0%	0.0%
LV - Buses	1.8%	5.1%	33.1%
LV - Buses (Restricted)	-0.6%	-5.0%	31.8%
LV - Motorcycles	9.0%	13.4%	18.2%
LV - Motorhomes	5.4%	9.8%	10.3%
MT - Snowmobiles			
MT excl Udrive	-27.3%	-10.0%	0.0%
MT Udrive	-27.3%	-16.9%	0.0%
PB - Passenger Inter-City Buses	6.5%	9.3%	15.0%
PC - Passenger City Buses	-2.4%	10.0%	14.8%
PS - Passenger School Buses	3.9%	9.8%	26.0%
PT - Taxis	6.5%	9.1%	15.6%
Trailers			
F - Trailers	-9.5%	5.7%	0.0%
LT - Trailer Dealers/Movers:	-0.6%	3.4%	6.6%
T - Personal Trailers:	-0.4%	7.5%	10.5%
T - Utility	0.0%	0.0%	0.0%
TS - Commercial Trailers	-27.9%	1.1%	0.0%
Miscellaneous Classes			
A - Excess Value	0.0%	5.3%	-15.0%
C&D - Non-Resident	0.0%	0.0%	-6.3%
C&D - Excess Value	0.0%	0.0%	-10.5%
C&D - Industrial Tracked Vehicles	0.0%	0.0%	37.5%
PV - Industrial Tracked Vehicles	0.0%	0.0%	37.5%
LV - Motorized Bicycle	0.0%	10.0%	0.0%
PV - Heavy Trucks and Vans	-7.0%	4.8%	0.0%
PV - Converted Vehicles	0.0%	0.0%	0.0%
PV - Power Units	-7.0%	4.8%	0.0%
TS - Excess Value	0.0%	0.0%	-10.5%
Total			
All Vehicles Excluding Trailers & Misc	-7.0%	4.2%	1.5%
All Vehicles	-7.1%	4.2%	1.6%

7. Rationale for Differences between Indicated and Requested Rates

The Capping Guideline has been amended to add the following clarification.

> If the indicated rate change for a class or subclass is in excess of 100%, and has been so historically, then the percentage cap applied, where the annual premium is $1,000 or greater, will be 30%. An example of a class would be motorcycles, with sport motorcycles the subclass which have consistently had indicated historical rate changes over 100%. Following this method will ensure that the target of rate adequacy within five rate programs starting with the 2012 rate program will still be met.

Small city taxis under Class PT fall under this guideline, and as such, SGI is recommending that their rates be increased by 30%.

There are five reasons that proposed rates differ from indicated rates, and they are:

1. Transition from CLEAR-rated to Conventionally-rated;
2. Lack of credibility;
3. Truncating of older model year rates;
4. Auto Fund coverage review; and,
5. Removal of subsidization of recreational vehicles.

Transition from CLEAR-Rated to Conventionally-Rated

With the 2013 rate application, class PV (private vehicles) has been removed from the CLEAR indication and analysis. Class PV heavy trucks, heavy vans, power units and converted vehicles are those that are greater than 'one-ton' and are not being used for conducting a business or commercial undertaking, and vehicles that are used to conduct a primary farming activity if the registered owner of the vehicle is not eligible for class F.

Historically, the rates for class PV heavy trucks, heavy vans, power units and converted vehicles were based off of the private passenger vehicle rate for a Ford F350, which was this highest premium for a one-ton truck at the time. This was done even though these vehicles do not have CLEAR rate group assignments; IBC does not provide information on them. Class PV heavy trucks, heavy vans, power units and converted vehicles are not comparable to CLEAR vehicles but are comparable to class A, C and D vehicles. Therefore, with this rate application, SGI is proposing to move class PV rates to their own tables based on the vehicle's gross vehicle weight and model year, consistent with class A, C and D rating.

Because SGI is proposing the movement of PV heavy trucks, heavy vans, power units and converted vehicle rates from private passenger rates to their own rate table and a dislocation results from this change, no additional base rate change is being proposed at this time. For details on how this change impacts class PV customers please refer to the 2013 Saskatchewan Auto Fund Proposal for Rate Adjustment document (minimum filing requirement 6).

Lack of Credibility

With the next rate program, SGI expects to incorporate credibility weighting into the calculated indicated rate change by class. For this rate program, where a class had a small number of exposures and claims, the indicated rate change was not selected. This impacted hearses, industrial tracked vehicles, snowmobile dealers, class C &D non-resident coverage and motorized bicycles. All of the listed classes, with the exception of hearses, have their proposed rates (prior to the RSR surcharge) set equal to their current rates. For hearses, SGI recommends increasing the hearse cap by 15%, rather than the indicated 35%, as the indication is estimated to be partially credible.

Truncating of Older Model Year Rates

The current rates for classes A, C, D and PB are based, in part, on model year. Currently the older model year groupings in each class have fewer and fewer vehicles being registered in them, and as such, it doesn't make sense to continue to rate them separately. SGI's goal is to group model years 1986 and older together.

Wherever there were no exposures, based on the class' 2011 vehicle distribution, the model years were truncated together. As a result of this change, there are some model year rates that are increasing by more than the stated cap but there are no vehicles insured within these model years. However, the possibility does exist that between the time that the analysis was completed and the implementation of the proposed rates, a vehicle may be registered in the affected model year grouping. For details on how this change impacts class A, C, D and PB customers please refer to the 2013 Saskatchewan Auto Fund Proposal for Rate Adjustment document (minimum filing requirement 6).

Auto Fund Coverage Review

For class A non-IRP, C, D and TS commercial vehicles/trailers, the Auto Fund provides damage coverage up to a limit of $15,000 for damage to a customer's own vehicle. A customer has the option of purchasing excess value coverage either through the Auto Fund or a competitive insurer. The rate indication for this excess coverage shows that a large decrease is warranted for all of these classes.

SGI is recommending no rate change for class A, C or D excess value at this time. As part of the Auto Fund coverage review, SGI is considering not providing excess coverage in the future and, as such, does not want to lower the rate only to tell customers that they cannot purchase the coverage any more. The fee will remain the same for each class with this coverage.

Removal of Subsidization of Recreational Vehicles

Motorcycles in Saskatchewan are recreational vehicles. SGI feels that customers with necessary, non-recreational vehicles should not be subsidizing recreational vehicles. SGI is recommending that motorcycle rates be moved to adequate. For details on how this change impacts motorcyclist please refer to the 2013 Saskatchewan Auto Fund Proposal for Rate Adjustment document (minimum filing requirement 6).

8. Rate Rebalancing Measures Proposed

The following information measures the number of rate programs to attain the required rates in the 2013 rate indication. Future changes in these estimates may lead to increases or decreases in the required time to achieve adequate rates.

Saskatchewan Government Insurance
2013 Rate Program
Adequacy Summary

Vehicle Class	2013 Indicated Average Rate Change	2013 Proposed Average Rate Change	2013 Proposed Average Rate Change with RSR Surcharge	% of Class Currently within +/-5% of Adequate	% of Class That Will Be within +/-5% of Adequate with 2013 Proposed Rates	# of Rate Programs Until 95% of Vehicles are Adequate	# of Rate Programs Until All Vehicles are Adequate	# of Rate Programs Until Class is Adequate
CLEAR Rated Vehicles	-0.8%	-0.8%	0.4%					
A - Commercial Light Trucks		18.9%	20.4%	0.0%	0.0%	6	6	6
F - Farm Light Truck - 1994 & Newer		1.1%	2.4%	70.4%	97.1%	1	2	2
LV - Private Passenger Vehicles (PPV)		0.5%	0.3%	63.5%	97.5%	1	4	1
LV - PPV - Farm Cars, SUVs and Vans		-3.2%	-2.0%	73.4%	97.9%	1	2	1
LV - Police Cars		8.0%	9.4%	0.0%	0.0%	3	3	3
LV - Police Trucks, Vans & SUVs		-15.1%	-14.0%	0.0%	0.0%	4	4	4
LV - U Drives		7.6%	8.9%	31.5%	99.8%	1	2	2
PT - Taxis (Rural)		-7.5%	-6.4%	25.0%	100.0%	1	2	1
Conventionally Rated Vehicles								
Ambulances	2.0%	2.0%	3.3%	0.0%	100.0%	1	1	1
A - Commercial Vehicles:								
Heavy Trucks and Vans IRP Reg. Ded.	-7.8%	-7.4%	-6.3%	8.4%	96.5%	1	3	2
Heavy Trucks and Vans IRP $15K Ded.	-26.3%	-17.8%	-16.8%	0.0%	45.9%	3	3	2
Heavy Trucks and Vans Non-IRP	2.9%	2.0%	3.2%	48.7%	99.5%	1	4	2
Power Units IRP Reg. Ded.	-1.2%	-1.9%	-0.7%	36.8%	96.5%	1	4	1
Power Units IRP $15K Ded.	-18.1%	-13.3%	-12.3%	8.6%	46.6%	2	7	2
Power Units Non-IRP	-24.1%	-14.3%	-13.3%	0.3%	22.5%	3	4	2
C & D - Commercial Vehicles:								
Heavy Trucks and Vans	17.9%	13.9%	15.2%	11.0%	67.5%	2	2	2
Power Units	7.3%	4.1%	5.4%	54.3%	72.5%	3	5	2
F - Farm Vehicles:								
Heavy Trucks and Vans	-21.3%	-8.8%	-7.6%	9.3%	84.3%	4	6	3
Light Trucks - 1993 & Older	-15.9%	-15.4%	-14.3%	0.0%	100.0%	1	2	2
Power Units	-10.9%	-9.3%	-8.2%	24.7%	84.6%	2	2	2
Hearses	34.9%	15.1%	16.5%	0.0%	0.0%	2	2	2
L - Automobile & Motorcycle Dealer Plates	3.3%	3.5%	4.8%	97.6%	100.0%	1	1	1
L - Snowmobile Dealers	-50.6%	0.0%	1.7%	0.0%	0.0%	2	2	2
LV - Antiques	21.4%	21.2%	22.7%	0.0%	100.0%	1	2	2
LV - Buses	70.7%	24.0%	25.6%	0.0%	0.0%	4	4	3
LV - Buses (Restricted)	20.9%	21.1%	22.5%	0.0%	100.0%	1	1	1
LV - Motorcycles:	70.4%	70.5%	72.6%	0.0%	100.0%	1	1	1
Cruiser/Touring		57.6%	59.5%	0.0%	100.0%	1	1	1
Dual Purpose/Other		73.6%	75.8%	0.0%	100.0%	1	1	1
Sport		128.7%	131.5%	0.0%	100.0%	1	1	1
LV - Motorhomes	21.4%	14.4%	15.7%	0.0%	81.4%	3	4	2
MT - Snowmobiles	-1.4%	-1.2%	0.0%	0.0%	100.0%	1	2	2
PB - Passenger Inter-city Buses	25.0%	12.8%	14.2%	1.2%	52.9%	3	3	2
PC - Passenger City Buses	69.3%	15.2%	16.6%	0.0%	0.0%	8	8	6
PS - Passenger School Buses	33.3%	25.2%	26.7%	0.0%	38.1%	2	2	2
PT - Taxis	38.4%	17.2%	18.6%	0.0%	0.0%	5	5	4

Vehicle Class	2013 Indicated Average Rate Change	2013 Proposed Average Rate Change	2013 Proposed Average Rate Change with RSR Surcharge	% of Class Currently within +/-5% of Adequate	% of Class That Will Be within +/-5% of Adequate with 2013 Proposed Rates	# of Rate Programs Until 95% of Vehicles are Adequate	# of Rate Programs Until All Vehicles are Adequate	# of Rate Programs Until Class is Adequate
Trailers								
F - Trailers	15.8%	16.0%	17.9%	36.3%	100.0%	1	1	1
LT - Trailer Dealers/Movers	1.3%	1.4%	2.6%	61.9%	100.0%	1	1	1
T - Personal Trailers	13.0%	8.6%	10.0%	7.5%	83.1%	2	4	2
T - Utility	69.8%	70.0%	70.0%	0.0%	100.0%	1	1	1
TS - Commercial Trailers	11.6%	11.7%	13.1%	0.0%	100.0%	1	1	1
Miscellaneous Classes								
A - Excess Value	-61.2%	0.0%	0.0%	0.0%	0.0%	20	20	20
C&D - Non-Resident	-12.0%	0.0%	1.3%	0.0%	0.0%	2	2	2
C&D - Excess Value	-65.1%	0.0%	0.0%	0.0%	0.0%	22	22	22
Industrial Tracked Vehicles	-18.8%	0.0%	1.1%	0.0%	0.0%	2	2	2
LV - Motorized Bicycle	6857.2%	0.0%	2.3%	0.0%	0.0%	20	20	20
PV - Converted Vehicles	-54.2%	4.1%	5.3%	0.0%	0.0%	5	5	5
PV - Heavy Trucks and Vans	-3.0%	-0.6%	0.6%	7.9%	90.1%	2	3	2
PV - Power Units	-92.7%	-2.4%	-1.2%	12.5%	78.1%	2	3	1
TS - Excess Value	-74.3%	0.0%	0.0%	0.0%	0.0%	28	28	28
Total								
All Vehicles Excluding Trailers & Misc.	0.8%	0.7%	1.9%	57.2%	95.8%	1	8	6
All Vehicles	1.0%	1.0%	2.3%	48.3%	95.9%	1	28	28

February 14, 2013 2:48 PM

9. Changes to CLEAR-Rated Vehicle Categories

Within the Auto Fund, only light passenger vehicles are rated using the Canadian Loss Experience Automobile Rating (CLEAR) system. The classes of vehicles that are rated using CLEAR are:

- private passenger vehicles
- farm cars, sport utility vehicles (SUVs) and vans
- farm light trucks with model years 1994 and newer
- international and inter-provincial commercial light trucks
- police cars, trucks, SUVs and vans
- U Drive (rental) vehicles
- rural taxis

The Auto Fund uses internal data to produce damage relativities by rate group, which are supplemented with CLEAR relativity factors when the number of vehicles within a rate group is not large enough to produce credible numbers.

For vehicles older than 1998, the Auto Fund uses the following method to assign damage rate groups. For every year that a vehicle model is older than 1998, the 1998 damage rate group is reduced by one until rate group 0 is reached where it will stay. Rate group 0 is an Auto Fund derived rate group. Based on the distribution of CLEAR-rated vehicles as at May 31, 2012, 17% of the vehicles have model years 1997 and older and 4% are in rate group 0.

Although CLEAR provides injury rate groups and relativities, it has been determined that the CLEAR assignments are not a good fit for Auto Fund injury results. As a result, injury rates are based solely off of Auto Fund injury claims data. Injury rates for CLEAR-rated vehicles vary by vehicle body style. The body style groupings are:

- two-door cars
- four-door cars
- convertible cars
- station wagons
- vans
- sport utility vehicles (SUVs)
- trucks

The injury rate group relativity analysis for all CLEAR-rated vehicles uses a Poisson/Gamma method to determine injury costs per exposure by body style. The calculated relativity factors are credibility weighted against the current relativities to select the proposed relativity factors.

Changes since Last Rate Application

With the 2013 rate application, class PV (private vehicles) has been removed from the CLEAR indication and analysis. Class PV heavy trucks, heavy vans, power units and converted vehicles are those that are greater than 'one-ton' and are not being used for conducting a business or commercial undertaking and vehicles that are used to conduct a primary farming activity, if the registered owner of the vehicle is not eligible for class F.

Historically, the rates for class PV heavy trucks, heavy vans, power units and converted vehicles were based off of the private passenger vehicle rate for a Ford F350, which at the time, was this highest premium for a one-ton truck, even though these vehicles do not have CLEAR rate group assignments since IBC does not provide information on them. Class PV heavy trucks, heavy vans, power units and converted vehicles are not comparable to CLEAR vehicles but are comparable to class A, C and D vehicles. Therefore, with this rate application, SGI is proposing to move class PV rates to their own tables based on the vehicle's gross vehicle weight and model year, consistent with class A, C and D rating.

10. Changes to Conventionally-Rated Vehicle Categories

Auto Fund conventionally-rated vehicles are those that are not rated based on the Insurance Bureau of Canada's (IBC) Canadian Automobile Loss Experience Rating (CLEAR) program. The following table describes each conventionally-rated vehicle category, along with their corresponding rating criteria, and highlights any changes made in the categorization of these vehicles since the last rate application.

Class	Sub-Class	Definition	Rating Criteria/Classification
A - Commercial	Heavy Trucks	An unrestricted commercial trucking vehicle used provincially, inter-provincially and internationally.	Gross vehicle weight, model year and excess value
	Heavy Vans		Gross vehicle weight, model year and excess value
	Industrial Tracked		Flat rate
	Non-Resident		Flat rate
	Power Units		Gross vehicle weight, model year and excess value
C - Commercial	Ambulance	A vehicle that is used primarily for commercial or business purposes with radius restrictions.	Flat rate
	Hearse		Flat rate
	Heavy Trucks		Gross vehicle weight, model year and excess value
	Heavy Vans		Gross vehicle weight, model year and excess value
	Industrial Tracked		Flat rate
	Non-Resident		Flat rate
	Power Units		Gross vehicle weight, model year and excess value
D - Commercial	Ambulance	A vehicle that is used primarily for commercial or business purposes. Class D vehicles are allowed to transport a greater number of goods over a greater distance than are class C vehicles.	Flat rate
	Hearse		Flat rate
	Heavy Trucks		Gross vehicle weight, model year and excess value
	Heavy Vans		Gross vehicle weight, model year and excess value
	Power Units		Gross vehicle weight, model year and excess value
	Non-Resident		Flat rate and excess value

Class	Sub-Class	Definition	Rating Criteria/Classification
F - Farm	Light Trucks (1993 & older)	A vehicle used in operation of a farm.	Model year and size (compact or full)
	Heavy Trucks		Model year
	Non-Resident		Flat rate
	Power Units		Model year
	Trailer		Trailer body style
L - Dealer		A plate used by a dealer to move vehicles owned by or under consignment to the dealer.	Type of use (motor vehicle, motorcycle or snowmobile)
LT – Trailer Dealer		A plate used by a trailer dealer, manufacturer or mover.	Trailer body style
LV – Light Vehicle (one ton model and smaller)	Ambulance	A vehicle used as an ambulance.	Flat rate
	Antique	A vehicle that has a model year that is 30 years or older.	Flat rate
	Bus	A bus not used for commercial purposes and operated without compensation.	Seating capacity
	Hearse	A vehicle used for transporting persons during funeral processions.	Make, model, year and body style to a maximum
	Motorcycles	A sport, touring/cruising or dual purpose motorcycle.	Body style, engine size and year
	Motorhomes	Recreational vehicles designed for personal habitation and equipped with at least one attached bed together with at least two of the following: a refrigerator wired permanently into the vehicle's electrical system; a permanently attached stove; a permanently attached washing/toilet facility.	Declared value
	Motorhomes – U Drive	A motorhome that is rented or leased for a period of 30 days or less.	Surcharge on the LV – Motorhome rate
	Motorized Bicycle	A motorized pedal bike.	Flat rate
	Restricted Bus	A van or a bus that is used exclusively to transport Sunday school students and teachers to and from Sunday school and church, or to transport patients or persons with special needs to and from hospitals, care homes or recreational centers.	Seating capacity

Class	Sub-Class	Definition	Rating Criteria/Classification
MT - Snowmobile		A recreational off-road snow machine.	Flat rate
MT – Snowmobile – U Drive		A recreational off-road snow machine that is rented or leases for a period of 30 days or less.	Surcharge on MT – Snowmobile rate
PB – Passenger Inter-city Bus		A bus that provides provincial/interprovincial transportation for the public.	Model year and seating capacity
PC – Passenger City Bus		A city transit bus used a public transportation in major cities.	Model year and seating capacity
PS – School Bus		A school bus used for transport of children to and from school.	Model year and seating capacity
PT - Taxi	Urban	A vehicle used to transport the public for compensation.	Geographical location
PV – Private Vehicle	Antique	Vehicles that are greater than 'one-ton' can be registered in class PV as long as they are not being used for conducting a business or commercial undertaking. They can also be registered in class PV when being used to conduct a primary farming activity, if the registered owner is not eligible for class F.	Flat rate
	Buses		Model year and seating capacity
	Converted Vehicles[1]		Gross vehicle weight and model year[1]
	Heavy Trucks[1]		Gross vehicle weight and model year[1]
	Heavy Vans[1]		Gross vehicle weight and model year[1]
	Motorhomes		Declared value
	Power Units[1]		Gross vehicle weight and model year[1]
T – Private Trailer	Utility	A privately owned trailer.	Flat rate
	All Others		Trailer body style
TS – Commercial Trailer		A trailer or semi-trailer used within a commercial operation.	Declared value and excess value

[1]Heavy trucks, heavy vans, power units and converted private vehicle rates used to be based on the CLEAR rate for a Ford F350. The rates for these vehicles in class PV were based on the CLEAR Ford F350 rate because, at the time, the F350 had the highest premium for one-ton trucks. However, these private vehicles are not comparable to CLEAR vehicles but are comparable to class A, C and D vehicles. Therefore, with this rate application, SGI is proposing that the rates for class PV be based on the vehicle's gross vehicle weight and model year, such as class A, C and D vehicles.

11. Changes to Vehicle Classification Systems

The following table lists the rating classification for each vehicle class/sub-class, with changes identified by footnotes.

Class	Sub-Class	Definition	Rating Criteria/Classification
A - Commercial	Light Trucks	An unrestricted commercial trucking vehicle used provincially, inter-provincially and internationally.	Surcharge on the LV – PPV rate
	Heavy Trucks		Gross vehicle weight, model year and excess value
	Heavy Vans		Gross vehicle weight, model year and excess value
	Industrial Tracked		Flat rate
	Non-Resident		Flat rate
	Power Units		Gross vehicle weight, model year and excess value
C - Commercial	Ambulance	A vehicle that is used primarily for commercial or business purposes with radius restrictions.	Flat rate
	Hearse		Flat rate
	Heavy Trucks		Gross vehicle weight, model year and excess value
	Heavy Vans		Gross vehicle weight, model year and excess value
	Industrial Tracked		Flat rate
	Non-Resident		Flat rate
	Power Units		Gross vehicle weight, model year and excess value
D - Commercial	Ambulance	A vehicle that is used primarily for commercial or business purposes. Class D vehicles are allowed to transport a greater number of goods over a greater distance than are class C vehicles.	Flat rate
	Hearse		Flat rate
	Heavy Trucks		Gross vehicle weight, model year and excess value
	Heavy Vans		Gross vehicle weight, model year and excess value
	Power Units		Gross vehicle weight, model year and excess value
	Non-Resident		Flat rate

Class	Sub-Class	Definition	Rating Criteria/Classification
F - Farm	Light Trucks (1993 & older)	A vehicle used in operation of a farm.	Model year and size (compact or full)
	Light Trucks (1994 & newer)		Discount off the LV – PPV rate
	Heavy Trucks		Model year
	Non-Resident		Flat rate
	Power Units		Model year
	Trailer		Trailer body style
L - Dealer		A plate used by a dealer to move vehicles owned by or under consignment to the dealer.	Type of use (motor vehicle, motorcycle or snowmobile)
LT – Trailer Dealer		A plate used by a trailer dealer, manufacturer or mover.	Trailer body style
LV – Light Vehicle (one ton model and smaller)	Ambulance	A vehicle used as an ambulance.	Flat rate
	Antique	A vehicle that has a model year that is 30 years or older.	Flat rate
	Bus	A bus not used for commercial purposes and operated without compensation.	Seating capacity
	Hearse	A vehicle used for transporting persons during funeral processions.	Make, model, year and body style to a maximum
	Motorcycles	A sport, touring/cruising or dual purpose motorcycle.	Body style, engine size and year
	Motorhomes	Recreational vehicles designed for personal habitation and equipped with at least one attached bed together with at least two of the following: a refrigerator wired permanently into the vehicle's electrical system; a permanently attached stove; a permanently attached washing/toilet facility.	Declared value
	Motorhomes – U Drive	A motorhome that is rented or leased for a period of 30 days or less.	Surcharge on the LV – Motorhome rate
	Motorized Bicycle	A motorized pedal bike.	Flat rate
	Police Cars	A vehicle used by the police force for police purposes.	Surcharge on the LV – PPV rate
	Police Trucks	A vehicle used by the police force for police purposes.	Discount off the LV – PPV rate

Class	Sub-Class	Definition	Rating Criteria/Classification
LV – Light Vehicle (one ton model and smaller) continued	Private Passenger Vehicles (PPV)	A vehicle (one ton model and smaller) used primarily for private or personal purposes.	Make, model, year and body style
	PPV with Farm Discount	Farm located cars; light SUVs and vans with farm use.	Discount off the LV – PPV rate
	Restricted Bus	A van or a bus that is used exclusively to transport Sunday school students and teachers to and from Sunday school and church, or to transport patients or persons with special needs to and from hospitals, care homes or recreational centers.	Seating capacity
	U Drive	A vehicle that is rented or leased for a period of 30 days or less.	Surcharge on the LV – PPV rate
MT - Snowmobile		A recreational off-road snow machine.	Flat rate
MT – Snowmobile – U Drive		A recreational off-road snow machine that is rented or leases for a period of 30 days or less.	Surcharge on MT – Snowmobile rate
PB – Passenger Inter-city Bus		A bus that provides provincial/interprovincial transportation for the public.	Model year and seating capacity
PC – Passenger City Bus		A city transit bus used a public transportation in major cities.	Model year and seating capacity
PS – School Bus		A school bus used for transport of children to and from school.	Model year and seating capacity
PT - Taxi	Rural	A vehicle used to transport the public for compensation.	Surcharge on the LV – PPV rate
	Urban		Geographical location
PV – Private Vehicle	Antique	Vehicles that are greater than 'one-ton' can be registered in class PV as long as they are not being used for conducting a business or commercial undertaking. They can also be registered in class PV when being used to conduct a primary farming activity, if the registered owner is not eligible for class F.	Flat rate
	Buses		Model year and seating capacity
	Converted Vehicles[1]		Gross vehicle weight and model year[1]
	Heavy Trucks[1]		Gross vehicle weight and model year[1]
	Heavy Vans[1]		Gross vehicle weight and model year[1]
	Motorhomes		Declared value
	Power Units[1]		Gross vehicle weight and model year[1]

Class	Sub-Class	Definition	Rating Criteria/Classification
T – Private Trailer	Utility	A privately owned trailer.	Flat rate
	All Others		Trailer body style
TS – Commercial Trailer		A trailer or semi-trailer used within a commercial operation.	Declared value and excess value

[1]Heavy trucks, heavy vans, power units and converted private vehicle rates used to be based on the CLEAR rate for a Ford F350. The rates for these vehicles in class PV were based on the CLEAR Ford F350 rate because, at the time, the F350 had the highest premium for one-ton trucks. However, these private vehicles are not comparable to CLEAR vehicles but are comparable to class A, C and D vehicles. Therefore, with this rate application, SGI is proposing that the rates for class PV be based on the vehicle's gross vehicle weight and model year, such as class A, C and D vehicles.

Premium Assignments based on Rating Classifications

In the past, SGI determined which rating classifications to use based on a minimum biased analysis of losses by class/sub-class rating attributes. With the exception of the private vehicle changes listed above, all classifications have remained the same with this rate application from the last.

CLEAR-Rated Vehicles

- Damage premiums for private passenger vehicles vary based on the assigned modified Insurance Bureau of Canada's Canadian Loss Experience Automobile Rating (CLEAR) program rate groups (0 to 99). (To learn more about the modification please refer to minimum filing requirement 9.)
- Injury premiums vary based on the following seven vehicle body styles:
    - Two-door cars;
    - Four-door cars;
    - Convertible cars;
    - Station wagons;
    - Vans;
    - Sport Utility Vehicles (SUVs); and,
    - Trucks.
- Liability premiums are the same for every private passenger vehicle.

CLEAR-rated vehicles that are discounted or surcharged based on PPV rates have the discount/surcharge applied to the total premium (damage, injury and liability) for the vehicle.

Conventionally-Rated Vehicles

- Damage premiums for conventionally-rated vehicles are based on the class/sub-class' rating attributes. For example, damage premiums for public buses vary by seating capacity and model year, motorcycle damage premiums vary by body style, engine capacity and model year, damage premiums for farm heavy trucks vary by model year, etcetera.
- Every vehicle within a class/sub-class pays the same injury premium, with the exception of motorcycles. For motorcycles, injury premiums vary by body style.
- Liability premiums are the same for every vehicle within a class/sub-class.

Every vehicle within a class/sub-class will pay the same premium (damage, injury and liability will be the same for each vehicle) if rating classifications do not exist.

12. Most Recent Parameters of SDR and BR Incentive Programs

SAFE DRIVER RECOGNITION

Safe Driver Recognition is an incentive program for safe driving. Offering discounts on basic vehicle insurance is our way of thanking motorists for driving safely.

If you own or lease a vehicle registered in Class LV, PV or F (light), you may qualify for a discount on your insurance depending on your driving history. That discount will apply to every qualifying vehicle you insure.

At the same time, drivers with a history of at-fault crashes, for example, may have to pay a financial penalty for each incident they are responsible for.

Discounts

Every year you drive incident-free, you earn a safety rating point. Each step in the Safety Zone corresponds to a two per cent discount on basic insurance, to a maximum of 20 per cent.

Safe Driver Recognition considers driving history since 1995. Effective Jan. 1, 2013, drivers will be able to earn up to 18 safety rating points.

Even if you do not own or lease a vehicle, a safety rating in the Safety Zone is beneficial. It protects you from financial penalties if you are involved in future incidents.

Financial penalties

Drivers lose points for unsafe driving – such as being at fault for a collision (-6 points) or certain traffic convictions and roadside suspensions (-3 or -4 points). Driving disqualifications (arising from Criminal Code offences, for example) automatically move drivers to at least -20 on the scale, regardless of their position before the incident.

Financial penalties are assessed for incidents that result in a safety rating of less than zero. Each step in the Penalty Zone means a $25 penalty, so the more incidents drivers have, the larger the penalty.

When incidents result in a safety rating of at least -20, the maximum financial penalty is charged. This is $500, except for Criminal Code offences resulting in injury or death, when the penalty is $2,500.

Motorists are assessed penalties immediately and have 90 days to pay. After 90 days, payment must be made before new transactions with SGI can occur.

Please note: Financial penalties in Safe Driver Recognition are in addition to fines required by law enforcement for traffic convictions. Those at fault for collisions also pay the insurance deductibles.

Platinum customers

Drivers with a safety rating of at least 11 are known as Platinum customers. Their discount remains 20 per cent, but points they earn beyond 10 help shield them in the event of a driving incident.

How motorists move on the scale

The Safety Rating Scale is based on points and works like a slide-ruler – your safety rating moves from side to side (zone to zone) based on your driving record.

If you are at 10, you receive a 20 per cent discount on the base premium of every private-use passenger vehicle you insure.

If you're a Platinum customer at 11 and lose three points for failing to yield, you move to 8 and lose four per cent of your discount. If you didn't have the one-point cushion, you would have moved to 7 and lost six per cent of your discount.

If you're a new driver, you are placed at zero (neutral) on the scale. On any vehicles you insure, you pay the base premium.

If you are at 7 and lose three points for insufficient signaling, you move to 4. However, you still qualify for a discount (eight per cent) on your vehicle insurance.

If you are at 4 and are found at fault for a collision, you lose six points. This moves you to -2 in the Penalty Zone, resulting in a financial penalty of $50. You pay the base premium upon renewal. If you have another incident that causes you to lose more points, you pay another financial penalty that corresponds to your new position on the scale.

If you are at -5 and drive with no incidents over the next year, you will move one point towards the Safety Zone, to -4. You do not pay another financial penalty at this position. Upon renewal of your vehicle insurance, you continue to pay the base insurance premium.

Leaving the Penalty Zone

Each year of incident-free driving moves you one step towards the Safety Zone. As long as you are moving towards the Safety Zone, you do not pay another financial penalty – you pay only the base premium on your vehicle insurance.

After three consecutive years of safe driving, drivers still in the Penalty Zone automatically return to neutral (the starting point) and begin earning points towards a discount.

Appeals

The following explains the appeal process for Safe Driver Recognition.

SGI has found me at fault for a collision and reduced my safety rating. I feel this is unfair. What can I do?

Drivers can appeal SGI's assessment of demerit points for a collision. Appeals are decided by the Highway Traffic Board, which is independent of SGI. There is a $25 fee for each appeal.

A safety rating appeal deals with the safety rating movement as a result of a motor vehicle collision. It does not address fault, recovery of a deductible, other insured loss or traffic convictions.

If your appeal is successful, your safety rating will be amended, and provided you are not indebted to SGI, the $25 appeal fee and any financial penalty you paid as a result of the collision will be reimbursed to you.

Can I appeal traffic tickets to the Highway Traffic Board?

No. Drivers who wish to contest traffic tickets or convictions must do so through the court system.

What is the effect of a safety rating appeal?

This appeal deals strictly with safety rating movement; it does not change collision responsibility. For that reason, your driver's abstract will continue to indicate a collision for which you were at least 50 per cent responsible.

What if I want to appeal collision responsibility?

Drivers involved in a collision with another vehicle where damage has been sustained and wish to contest fault must do so through the court system.

How do I initiate a safety rating appeal?

To initiate a safety rating appeal, please contact an SGI motor licence issuer. For information on what to expect at an appeal hearing, visit www.highwaytrafficboard.sk.ca. Remember that there is a $25 fee for each appeal.

How much time do I have to initiate a safety rating appeal?

Safety rating appeals must be made within 90 days of receiving your safety rating change notice. If you are facing a financial penalty as a result of the safety rating change, appealing may mean avoiding the penalty altogether if your appeal is successful.

How does the appeal process work?

The hearings are informal, take place during the day, and last 15 to 20 minutes. Participation is by telephone. You will be asked to explain the collision circumstances and why you feel your safety rating should not be affected by the collision. You will not require a lawyer.

Hearings are usually scheduled within a few weeks of the date the appeal is filed. You will be contacted by telephone regarding the date and time of your hearing.

Members of the Highway Traffic Board will deliberate over the collision circumstances and provide you a decision shortly after the hearing.

What should I do if I am unable to participate at the scheduled time and date of my appeal hearing?

If you are unable to participate at the scheduled date and time, please call the Highway Traffic Board in Regina at (306) 775-6674 and ask to reschedule.

If you do not reschedule and you do not participate, your appeal will be heard in your absence and a decision will be made from the information provided in the claim file.

What if I disagree with the decision made by the independent board?

The decision made by the Highway Traffic Board is final and cannot be appealed.

What happens if my appeal is successful?

Once SGI receives a decision from the Highway Traffic Board, your safety rating will be adjusted accordingly. Provided you are not indebted to SGI, you will also be reimbursed the $25 appeal fee and any financial penalty you paid for being at fault for the collision.

Please note: Traffic convictions related to the collision may still affect your safety rating.

If my appeal is successful and I am in a second collision, what will happen to my safety rating?

Although the first collision remains on your driving record, it does not affect your safety rating. Any impact on your safety rating from the second collision will be solely due to that second incident.

Frequently asked questions

What if I own more than one vehicle – are they all eligible for my discount?

Yes. Each vehicle you insure in classes LV, PV or F (light) qualifies for your discount.

If someone else is at fault for a collision while driving my vehicle, do I lose my discount?

No. The discount applied to your vehicle is based on your driving record. The driver at fault for the collision will lose safety rating points and may be subject to a financial penalty.

Can I appeal movement on the Safety Rating Scale?

Drivers can appeal SGI's assessment of demerit points for a collision. For more information, please read the earlier section titled “Appeals”.

What's the maximum penalty?

When incidents result in a safety rating of at least -20, the maximum financial penalty is charged. This is $500, except for Criminal Code offences resulting in injury or death, when the penalty is $2,500.

When are financial penalties payable?

Financial penalties are assessed immediately following an incident, but motorists have 90 days to pay. After 90 days, payment must be made before new transactions with SGI can occur.

Why am I being assessed a (higher) financial penalty for a driving incident SGI assessed previously?

Financial penalties are assessed immediately following an incident, based on the driver's history to date. Later if we become aware of a new incident that occurred before another in the driver's history, it may result in a reassessment of the more recent incident.

After a driving incident, when can I expect to earn a new safety rating point?

One year (365 days) from the date the incident occurred, your safety rating will automatically increase by one point. This is your clear-year date. For at-fault collisions, this is one year from the date of loss. For roadside suspensions, it's one year from the suspension effective date. For convictions applied to driving history on or after April 1, 2009, it's one year from the date of the offence.

Are co-owners of vehicles eligible for a discount in Safe Driver Recognition?

Yes. The discount for a co-owned vehicle is based on the average safety rating of the individual owners' safety ratings.

Co-owners continue to have the option of registering their vehicles in the name of one individual, if they prefer.

What happens when an at-fault collision and traffic conviction(s) occur at the same time?

As of Nov. 8, 2008, the answer depends on where the collision places you on the Safety Rating Scale.

Safety Zone

If you remain at zero or above after the collision is applied, you will not be penalized (lose additional safety points) for the traffic conviction(s).

Penalty Zone

If you fall below zero after the collision is applied, you will receive a financial penalty for the collision (based on your safety rating at this point). Then your safety rating will be reduced for the traffic conviction(s). You will not be charged financial penalties for the traffic conviction(s).

Please note: This does not pertain to offences assessed -10 points (for example, Criminal Code offences).

Demerit points

The number of points assessed for each driving incident depends on how likely the behaviour is to cause a crash. The exception is failing to wear a seatbelt, which is assessed points because of the increased chance of injury.

The most common incidents in each point category are listed first.

- 3 points

- driver fail to wear seatbelt
- exceed speed limit in school zone

- drive while passenger unrestrained
- turn left across traffic
- fail to yield or proceed before safe
- proceed contrary to signage
- exceed 60 km/h when passing emergency vehicle
- disobey amber light
- exceed 60 km/h when passing highway worker or flag person
- fail to yield to driver on the right
- insufficient signaling
- fail to yield to pedestrian
- fail to yield when entering highway
- fail to yield when leaving lane or alley
- allow rider on vehicle exterior
- fail to yield to pedestrian on amber light
- fail to yield on green arrow
- fail to stop for peace officer
- disobey directions of flag person or peace officer
- impede traffic
- drive unsafely on being overtaken
- radar warning device in commercial vehicle
- overcrowded steering compartment
- exceed 60 km/h when passing tow truck
- turn left on red light when prohibited by sign
- proceed contrary to green arrow

– 4 points

- operating a vehicle while using a cellular telephone
- fail to stop or proceed before safe
- 24-hour roadside suspension (experienced driver)
- without due care or reasonable consideration
- disobey red light
- drive while licence suspended or cancelled, or refused issue
- 30-day roadside suspension (new driver)
- stunting
- exceed a safe, reasonable speed
- fail to report collision
- exceed speed limit by more than 50 km/h
- disobey traffic control device
- contest of speed
- pass to the right
- fail to stop for railway crossing signal
- disobey school bus signal
- disobey flashing red light
- drive while on 24-hour suspension

- false statement
- drive left of median
- fail to yield to emergency vehicle
- fail to stop for level railway crossing
- drive over median
- enter or leave controlled access highway unlawfully
- racing
- insecure load
- fail to activate school bus signal

– 6 points

- At-fault motor vehicle collisions (where SGI pays $305 or more)

For the following incidents, drivers will automatically move to -20 on the Safety Rating Scale, regardless of their position on the scale before the incident. In cases where drivers are already at -20 or less on the scale before the incident, drivers will move an additional -10 points. They will have to pay the maximum financial penalty of $500, or $2,500 if the incident results in injury or death.

- over 80 mg alcohol
- drive while disqualified (provincial offence)
- impaired driving
- drive while disqualified (federal offence)
- fail to comply with demand
- dangerous driving
- flight
- leave scene of accident
- impaired driving (injury)
- dangerous driving (injury)
- impaired driving (death)
- criminal negligence (injury)
- dangerous driving (death)
- criminal negligence (death)
- manslaughter
- criminal negligence
- flight (injury)
- flight (death)
- over 80 mg alcohol (injury)
- over 80 mg alcohol (death)
- fail to comply with demand (injury)
- fail to comply with demand (death)
- leave scene of accident (injury)
- leave scene of accident (death)
- criminal negligence while street racing (death)
- criminal negligence while street racing (injury)

- dangerous driving while street racing
- dangerous driving while street racing (injury)
- dangerous driving while street racing (death)

In the event of a discrepancy between the above wording and the governing legislation, the legislation will prevail.

Business Recognition rewards safe driving Saskatchewan businesses with basic insurance discounts of up to 10 per cent.

If your business owns and operates vehicles and its claims history has been clear the last five calendar years, you'll receive a maximum discount of 10 per cent. This discount will apply to every qualifying vehicle your business insures.

If your business has claims for which you or your drivers are considered responsible, you may receive a lesser discount or pay a surcharge.

The level of discount or surcharge applied to your business's vehicles is called your Business Recognition "assessment."

Who qualifies for this program?

Business Recognition includes heavy vehicles in the commercial and farm classes, and any vehicles registered to a company. Specifically, this includes:

- Vehicles in classes A, C and D (commercial)
- Heavy vehicles in Class F (farm plate)
- Vehicles in Class L (dealer plate)
- Vehicles in classes PB, PC and PS (bus)
- Vehicles in Class PT (taxi)
- International Registration Plan (IRP) vehicles
- Police vehicles, ambulances, hearses and restricted buses
- Rental vehicles
- Vehicles registered to a limited or incorporated company

How does the program work?

If your business has a loss ratio over the last five calendar years of 70 per cent or less, it's eligible for a basic insurance discount of up to 10 per cent. Businesses with a loss ratio of more than 80 per cent are subject to surcharges.

A loss ratio of 70.1 to 80 per cent is SGI's break-even range. SGI calculates this break-even range by subtracting administrative costs, premium taxes, issuer fees and traffic safety programming costs from premiums collected for all vehicles.

For every dollar of premium collected, 70 to 80 cents can be paid out in claims costs and the Saskatchewan Auto Fund will still break even financially. For this reason, businesses with a loss ratio of 70.1 to 80 per cent receive neither a surcharge nor a discount.

When determining your business's loss ratio, no single loss can exceed two times the business's premium for the year in which the loss occurred. This is to protect small businesses, for which even a single, excessive loss could dramatically affect their loss ratios.

SGI reviews IRP customers with six or more registered vehicles and a loss ratio greater than 80 per cent on an individual basis. These carriers are subject to varying financial penalties and the cap on losses may not apply.

SGI does not consider traffic convictions when determining your Business Recognition assessment.

What is a loss ratio?

Your loss ratio is calculated by dividing the amount SGI has paid out in claims where your company was at fault in a collision in the last five calendar years by the amount you've paid in premiums to SGI in the last five calendar years.

For example: If, in the last five years, SGI has paid $1,000 in claims where your company was held responsible and for the same time period you've paid $4,000 in premiums to SGI, divide $1,000 by $4,000 to determine your loss ratio of 25 per cent. You qualify for a discount.

What is a "capped" loss ratio?

For businesses with a small premium base, one claim could take the customer from the largest discount to the largest penalty. To avoid this situation, SGI "caps" each claim at no more than twice the premium paid by the customer for the year the loss occurred.

For example: For the past five years you've paid $5,000 in insurance premiums – $1,000 per year. In those five years, you were claims-free in every year except one, when you were responsible for one major collision where SGI paid $15,000.

Instead of having a loss ratio of 300 per cent for that year and a large surcharge as a result, SGI caps that one large claim at a value of $2,000, or twice the premium paid for that year, and your resulting "capped" loss ratio for that year is 200 per cent.

When you factor in your other four years of claims-free driving, your five-year loss ratio is 40 per cent and you are still entitled to a discount.

What kind of assessment will I receive?

Depending on your business's five-year loss ratio, the following chart outlines the discount or surcharge you can expect.

Loss Ratio	Discount/Surcharge
0%	-10%
0.1 – 10%	-8%
10.1 – 20%	-6%
20.1 – 30%	-6%
30.1 – 40%	-6%
40.1 – 50%	-4%
50.1 – 60%	-4%

60.1 – 70%	-4%
70.1 – 80%	0
80.1 – 90%	+10%
90.1 – 100%	+20%
100.1 – 110%	+35%
110.1 – 120%	+50%
120.1 – 130%	+65%
130.1 – 140%	+80%
140.1 – 150%	+95%
150.1 – 160%	+105%
160.1 – 170%	+115%
170.1 – 180%	+130%
180.1 – 190%	+145%
190.1 – 200%	+160%
200.1 – 250%	+175%
250.1 – 300%	+185%
300.1 – 350%	+195%
350.1 – 400%	+200%
400.1 & higher	+200%

Each January, your business's assessment is calculated on the five-year period ending last December 31. You will be notified of your assessment by mail each March.

The assessment will apply to vehicles registered on or after May 1 of that year. The assessment will remain in place until the following May 1, by which time an updated assessment will be available.

International Registration Plan (IRP) carriers are assessed separately from other commercial vehicles due to risks associated with inter-provincial travel. As a result, surcharges for IRP vehicles may differ from those charged for non-IRP vehicles. Companies that register both IRP and non-IRP vehicles will receive separate assessments for each group.

SGI periodically monitors your business's loss history, and if you experience a significant change in your loss ratio, you may be contacted. SGI will explain any consequences and may encourage you to improve your loss performance. One outcome may be an immediate adjustment of your assessment.

If I own a new business

If you have never registered a commercial vehicle in Saskatchewan, your business may be required to submit its claims history, as well as that of the vehicles to be insured.

If at least 50 per cent of your new business's vehicles or drivers were previously registered with another company, the claims history of the previous company will be considered when assessing your business's risk.

For new IRP carriers, an inexperience adjustment may apply to the insurance premium.

Can I appeal my assessment?

Yes. If you believe claims in your assessment should be excluded because of the circumstances surrounding the incidents, you may appeal to the Highway Traffic Board (HTB).

The HTB is independent of SGI. Appeals are conducted over the telephone.

A fee of $25 will be charged for each claim you appeal. SGI will refund this fee if your appeal is successful.

To appeal your non-IRP assessment, simply identify the claims you believe should not be included and visit any SGI motor licence issuer. To appeal an IRP assessment, call Branch and IRP Issuing Services in Regina at 751-1250, or toll free at 1-800-667-8015 (ext. 1250).

For information on what to expect at an appeal hearing, please visit www.highwaytrafficboard.sk.ca.

If one of my drivers wins his appeal under Safe Driver Recognition, will it still be included on my Business Recognition assessment?

It may. If your driver wins an appeal under Safe Driver Recognition, the Highway Traffic Board will determine whether it will appear on your business's assessment.

What happens if my business's vehicles are registered to an individual?

Heavy vehicles in the commercial and farm classes registered to individuals are eligible for discounts under Business Recognition. However, since individuals responsible for collisions are assessed financial penalties under SGI's Safe Driver Recognition program, they will not face surcharges under Business Recognition.

IRP vehicles registered to individuals can be subject to surcharges.

I'm the sole operator of a business vehicle. Why can't I benefit from my 20 per cent discount under Safe Driver Recognition?

Even though some business vehicles are registered to individuals, SGI cannot determine if a sole operator or other employees of the business operate the vehicles. Therefore, using an employee's personal driving record, which is how Safe Driver Recognition discounts and penalties are determined, is not an accurate way to determine if a discount or surcharge should be applied to a business.

For these reasons, commercial vehicles are excluded from Safe Driver Recognition. Business Recognition uses the at-fault claims recorded against the company to determine the assessment, which we believe is a more appropriate way to measure the insurance risk posed by the business.

I just moved my business to Saskatchewan from another jurisdiction. If I provide my previous claims history, will it be considered so I can receive a discount?

New businesses from outside Saskatchewan pay the base premium until December 31. In January the business's assessment will be calculated based on the loss history accumulated in Saskatchewan. If the claims performance is not favourable, a surcharge may apply the following May 1. If the claims performance is and continues to be favourable, a discount will apply one year later.

Where appropriate, SGI may consider your claims experience from other jurisdictions.

SDR AND BR REVIEW

SGI is currently undertaking a review of the SDR and BR programs to ensure they continue to meet the needs of our customers. SDR was implemented in 2002 and BR followed in 2004. These programs have not been reviewed since their inception. The programs will be reviewed to ensure fairness to customers and to ensure discounts and penalties/surcharges are appropriate. Any proposed changes would not likely be implemented until the 2014 Rate Program.

13. Provisions for Adverse Deviations

The following table provides the historically selected margins for adverse deviation (MfADs) for claims, reinsurance and interest rates by year.

Saskatchewan Auto Fund
Historically Selected MfADs
As of May 31, 2012

Claims Development MfADs

Line of Business	2005	2006	2007	2008	2009	2010	2011	2012
Damage Excluding Liability	2.50%	2.50%	3.50%	3.50%	3.50%	3.50%	3.50%	4.00%[1]
Damage Liability	2.50%	2.50%	3.50%	3.50%	3.50%	3.50%	3.50%	4.00%
Damage Catastrophes	4.50%	4.50%	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Appeal	2.50%	2.50%	2.50%	2.50%	2.50%	3.50%	3.50%	3.50%
Care Benefits	8.75%	8.75%	8.75%	8.75%	8.75%	11.00%	9.00%	9.00%
Income Replacement Benefits Excluding Lump Sum	8.75%	8.75%	8.75%	8.75%	8.75%	11.00%	9.00%	9.00%
Death Benefits	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.50%	8.50%
Medical	8.75%	8.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Permanent Impairment	8.75%	8.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Lump Sum	8.75%	8.75%	8.75%	8.75%	8.75%	11.00%	11.00%	11.00%
Economic Loss Excluding WCB Master Claim File	5.00%	5.00%	5.00%	5.00%	5.00%	4.00%	4.00%	4.50%
Non-Economic Loss Excluding WCB Master Claim File	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
WCB Master Claim File	5.00%	5.00%	5.00%	5.00%	5.00%	8.75%	7.50%	7.50%
Out of Province	8.75%	8.75%	5.00%	8.75%	8.75%	5.00%	5.00%	5.00%
Tort Injury	8.75%	8.75%	8.75%	8.75%	8.75%	5.00%[3]	5.00%	4.50%
Tort Liability	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.00%
Pre-95 Injury Cover 07	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%

Reinsurance Recovery MfADs

Line of Business	2005	2006	2007	2008	2009	2010	2011	2012
All Valuation Lines	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%[2]	1.00%

Interest Rate MfADs

All Lines of Business	2005	2006	2007	2008	2009	2010[4]	2011	2012
Care, IRB, Death Lines	0.75%	0.75%	0.75%	0.90%	0.80%	-	-	-
Other Lines	0.75%	0.75%	0.75%	0.90%	0.60%	-	-	-
Bond-Backed CFs	-	-	-	-	-	0.50%	0.50%	0.50%
Equity-Backed CFs	-	-	-	-	-	1.00%	1.00%	1.00%

(1) Damage Excluding Catastrophe margins have increased in 2012 due to delayed incurred loss development pattern (changes in case reserving proce

(2) Reinsurance Recovery MfAD had always been 0% since there was never any recoveries to speak of. A non-zero margin was added in 2011, but the PfAD resulting from it is insignificant.

(3) Tort MfADs have decreased as the Auto Fund now has more development history to use in estimates.

(4) In 2010, the interest rate MfADs changed from being evaluated by coverage to being evaluated by the asset class backing the cash flow.

14. Traffic Safety Programs

There are two sections to this minimum filing requirement: a cost benefit analysis of planned projects and an evaluation of implemented initiatives.

FRAMEWORK FOR DECISION MAKING: COST BENEFIT ANALYSIS OF PLANNED PROJECTS

BY THE TRAFFIC SAFETY PROGRAM EVALUATION GROUP

A Framework for Decision Making for SGI's Traffic Safety Strategy[1]

1.0 Introduction

In 2010, SGI's Board of Directors approved a new Traffic Safety Strategy (TSS) for the organization. The overarching goal of this strategy is to assist in reducing the number and severity of traffic crashes to reduce the claims costs incurred by SGI due to these incidents.

This document proposes a decision-making framework for the assessment of safety measures that are developed as part of the TSS. The steps outlined in this framework is used to: prioritize initiatives and decide which will produce the best results for SGI's investment dollars; identify the timing of initiatives; identify opportunities for partnering with other agencies for mutual benefit; discover efficiencies for delivering existing programs; and, terminate programs that do not work.

The framework proposed here is based on well-established research in the field of traffic safety program evaluation (1,2,3,4,5,6,7,8,9,10,11,12,13). The approach presented in this framework belongs to a group of tools collectively described as Efficiency Assessment Tools (EATs). These tools are based on the welfare economic principles of rationale-choice and getting the most out of limited and scarce resources (5). These EATs are applicable to the variety of road safety measures that we anticipate from SGI's safety strategy.

The primary EAT that is normally employed for assessing the safety measures from the TSS is Cost Benefit Analyses (CBA). The CBA is used to find the cheapest way to reach policy objectives by weighing costs against monetized benefits. The CBA helps uncover the measure or combination of measures that provides the most benefits in excess of costs.

This document provides some more detail on the CBA as an efficiency assessment tool and its application within the context of the TSS.

Section 2 provides a description of some foundation elements of this efficiency assessment tool. Section 3 describes the steps involved in using the CBA for traffic safety assessment. In Section 4, some considerations for adapting the CBA tool for the assessment of innovative safety measures are discussed. The importance of performance monitoring and program evaluation is discussed in Section 5 and this is followed with an overall summary in Section 6.

2.0 General Framework for Efficiency Assessment

The primary reason for investing in the traffic safety measures identified in the TSS is that they will help create a new environment in which the number of traffic collisions (and associated severities) is lower than what would have occurred in the absence of the implementation of the measures. Understanding the size of the impact of a safety measure is an important point of departure. However, for the efficiency assessment that is proposed in this framework, a

[1] A number of initiatives in the traffic safety package for 2013 have been subjected to the analyses defined in this report; however that are only prospective projects pending approval. Once they are approved, the information will be shared at a later date.

broader viewpoint is adopted. The effects of any traffic safety measure will be construed as any change in social welfare (positive, negative, intended or unintended) that the results from the measure.

To estimate the overall impact of a measure in the CBA, it is necessary to determine the duration of the effectiveness of the measure and any variations in the magnitude of its effectiveness over this period. Additionally, it is important that the geographical scope of the impact of the measure be clearly established as well as an enumeration of various actors (people, organizations etc.) that the measure affects.
The specific steps involved in the CBA process are presented in the following sections.

2.1 Comparing Alternative Measures
To ensure a good estimation of the economic efficiencies gained from an investment in a specific traffic safety measure, the safety and other associated impacts are compared to what would have happened in a scenario without the measure in place (i.e., the "do nothing" alternative). This approach assumes that all independent developments such as population growth, demographic, economic and transportation changes in the environment for which the efficiency analysis is being performed apply equally to the alternative with the measure, as it would have to the "do nothing" alternative. To account for these changes, specialized forecasting techniques that have been developed for traffic safety program evaluation will be used to estimate the crash impacts of various road safety measures.

2.2 Accounting for Time
Where there are a number of alternative measures with different durations under consideration, the analysis period that is used in the CBA is that of the measure with the longest duration. This allows comparisons of costs and benefits associated with the different alternatives to be done on an equal footing. If the duration of a measure is shorter than the analysis period, the investment in the measure is refreshed as many times as necessary to ensure that its time horizon matches the analysis period. For example, suppose the two solutions are under consideration for managing a wildlife-vehicle solution in a 5km road corridor – i) large warning signs that have a design life of 5 years and a total cost of $60,000 and ii) a fence with a design life of 10 years and an initial cost of $200,000. The analysis period in a CBA for this example will be 10 years. The warning sign solution, because of its shorter design life, is repeated after the first 5 years for a second five-year period for comparison purposes.

Since costs and benefits that are associated with a safety measure occurs over a period of time, the time value of money is accounted for through the use of a discount rate. This means that effects and costs that occur at a later time are weighted less heavily than those closer to the implementation date of the measure. Through discounting, the stream of benefits and costs associated with the safety measure will be converted into present-value (i.e., implementation or base year) dollars or annualized values to facilitate the comparing of alternatives.

2.3 Geographical Scope of the Efficiency Analysis

The measures contemplated in the TSS have differing degrees of geographical range of impact. For instance, while the scale of impact of an intersection improvement would be limited to a specific location and its immediate surrounding, an enforcement initiative could affect a broader region of the province. Additionally, positive impacts in one region could produce negative effects in another or for another subset of the population. To account for this potential for redistribution of impacts, the efficiency analysis is approached from a "whole" Saskatchewan perspective and narrowed down as required to a specific geographic area. For example, suppose a safety measure under consideration is the introduction of legislation to ban riding in the backs of pickup trucks in Saskatchewan to manage injuries resulting from occupant ejection as a result of this practice. Such a law has an impact on all Saskatchewan residents. Thus, the CBA will be approached from this perspective as a "whole" Saskatchewan viewpoint. Although there will be expected safety benefits across all regions of Saskatchewan, there will be more severe mobility/transportation impacts in northern Saskatchewan, where the practice of riding in the backs of pickup trucks is a common mode of mass transportation.

2.4 Societal viewpoint

The CBA uses a societal approach to assess the costs and benefits of any measures that are contemplated or implemented for TSS. All relevant societal effects of a safety measure, no matter whom it applies to are examined. Therefore in instances where the cost to one party is the equivalent benefit of another party, these effects will cancel each other in the cost-benefit analysis. For example, traffic fines that are collected as a result of a newly implemented program are costs to the (offending) road user, which are transferred to government as benefits. These types of transfers will not be part of the CBA.

In the next section, specific details of the CBA are discussed as well as the information and data requirements for this analysis.

3.0 Cost Benefit Analysis

CBA is used to estimate the economic welfare effects of our safety measures i.e., an assessment of whether the benefits that accrue from the investment exceed the costs. We normally adopt two metrics of efficiency for our CBA -- the net present value of a safety measure, and the cost-benefit ratio.

The net present value is defined as:

Net present value = Present value of all benefits – Present value of all costs

Benefits refer to all monetized effects resulting from the implementation of the safety measure. Negative benefits are subtracted. Costs include all aspects of the resources, time and effort required to implement and run the safety measure.

The cost-benefit ratio is defined as:

Cost-benefit ratio = (Present value of all benefits)/ (Present value of implementation costs)

When project benefits exceed costs, the net present value is positive and the cost-benefit ratio is greater than 1. The net present value however communicates, in dollar terms, the magnitude of the positive impacts of the safety measure.

The steps employed in the CBA are as follows:

1. Estimate effectiveness of relevant safety measure in terms of number of target crashes/casualties it can be expected to prevent per unit of implementation of the measure.

2. Estimate other indirect effects of the measures e.g., an intersection safety improvement that leads to increased delays at a location.

3. Estimate the cost of implementing the measure.

4. Estimate the benefits of the relevant effects of the measure, including the monetary value of a reduction in the number of crashes and their severity, and all other identifiable indirect effects.

5. Convert all costs of implementation and benefits to present or annual values using the appropriate project life and discount rate.

An illustration of the CBA and two examples of the application of the CBA to road safety measures are provided in Appendix A of this document.

3.2 Estimating Effectiveness of Safety Measures

A basic input for the CBA is an estimate of the effectiveness of the safety measure in terms of the number of crashes and casualties it can be expected to prevent. Two pieces of input are required for this estimation – the safety effect of the measure and the number of target crashes affected by the measure. The most common way of quantifying the safety effect of a measure is through a crash reduction factor i.e., the percentage of crash reduction following the implementation of the measure?

An initial source for this information on estimates of the effects of various traffic safety measures is current research and literature on traffic safety. The applicability of available values to the particular circumstances in Saskatchewan depends on:

i) availability of relevant values (e.g., are results based on analysis from places comparable to the sites of interest in Saskatchewan?);

ii) validity of the data used to develop the estimate (e.g., was sufficient data used to develop the estimates);

iii) variability of the reported effects (e.g., is there a large variability in the estimates reported from available studies);

iv) whether the reported values are local or general (i.e., are the available estimates based results from a small localized safety initiative?); and

v) the temporal characteristics of the effects reported (i.e., do the estimated effects change over time?).

The information obtained from research reports are rigorously vetted prior to using them in the CBA since the quality of these inputs directly affects the quality of the efficiency assessment. Generally, the safety measures that are employed for the assessment of programs/measures that are anticipated from the strategy fall into one of the following areas:

1. Road user related measures (impact of training and education, sanctions, legislation, enforcement and incentives etc.)

2. Vehicle-related measures (active safety e.g., Day time running lights, passive safety e.g., use of seat belts etc.)

3. Infrastructure-related measures (road design, maintenance etc.)

3.3 Valuation of Road Safety Effects of Measures in the CBA

In the CBA, the reduction in costs associated with the effect of a safety measure on the number of crashes and casualties is used as the primary means of estimating benefits that accrue from the implementation of the measure. This requires an assignment of costs (i.e., monetize) to crashes and fatalities or injuries that could result from them. Generally there are five major items that make up crash costs:

- Medical costs
- Costs of lost productive capacity
- Valuation of lost quality of life (loss of welfare due to involvement in a traffic crash)
- Costs of property damage
- Administrative costs, police costs, fire department costs, court costs etc.

There is a substantial body of published research on values recommended for monetizing crash costs (14, 15, and 16). Published values for casualty collisions are usually based on techniques that seek to find how much people willing to pay to avoid a traffic fatality or an injury. These values are broadly classified as social costs of traffic crashes and tend to be substantially higher than the costs obtained from SGI's Claims cost data. This is mainly because of large differences in estimates of lost productive capacity and valuation of lost quality of life.

For example, estimates of the social cost of a fatality, based on the willingness to pay approach, could be as high as $7.5 million, while SGI's average claim cost for a fatality is about $120,000. Low-end estimates for the social cost of an injury resulting in partial disability are about $240,000 and about $480,000 for total disability. SGI's average injury claim cost for a major loss (i.e. injuries that require long-term treatment or rehabilitation) is about $170,000.

These disparities between SGI's Claims crash costs and published data on social costs that reflect people's willingness to pay have implications for the estimated benefits associated with a safety measure. Due to the relatively high social cost of fatalities and injuries, a cost-benefit analysis of safety measure, based on social costs, would typically report a high cost-benefit ratio. Therefore, for the purposes of our efficiency assessments, we usually calculate two cost-benefit ratios – one using SGI Claims costs and the other based on social costs of crashes. The former serves as a screening tool to find out which of the measure would at least provide a return on investment that covers associated Claims costs. Both of these cost-benefit ratios will be used as inputs in the decision making process.

3.4 Side-effects

Road safety measures generally produce three kinds of effects – safety, mobility and environmental. Mobility effects are manifested in changes in travel time and vehicle maintenance expenses associated with the implementation of the measure. The impact of the safety measure on speed distribution or traffic volumes can also have environmental implications due to changes in fuel consumption, pollution and green house gas emissions. While it may be difficult to fully quantify all these effects, an attempt is made to account for them at a qualitative level as much as possible in the CBA.

3.5 Costs of a Safety Measure

Another important element required for the CBA is the cost associated with implementing the safety measure. The costs to be considered can be categorized as (i) direct costs (ii) political capital and (iii) resource allocation (14).

<u>Direct costs</u>

This is the most quantifiable of the costs mentioned above and is also the most common costs included in typical efficiency assessments of road safety measures. The costs of a safety measure primarily refer to the social costs of all means of production (labor and capital) that are employed in implementing the measure i.e., the implementation costs (5). Transfers (flows of money from one group to another that are not paid in exchange for goods or services) would not be taken into account because they have no social welfare effect.

For the TSS, costs incurred in designing a program such as construction costs for intersection improvements, impaired driving advertising, promotion and awareness costs for seatbelt use, costs of police personnel for road side enforcement associated with the measure, police equipment costs, extra costs incurred by other parts of the justice system etc. are examples of direct costs. These costs are being estimated over the design life of the measure so that both the initial investment costs and the annual costs of operation and maintenance are captured. The appropriate discount rate is then used to determine the present value of the costs or its annualized values.

Political capital

An assessment political capital (willingness) involves gauging the appetite for the existing government to accept the risk of introducing a contemplated road safety measure. Political capital also includes an assessment of what and how many of the measures in the annual timetable for the TSS can realistically be accomplished. In the event that the measure gains political acceptance and goes forward, an assessment of the costs associated with passing and implementing relevant legislation will be done.

Some of the safety measures in the TSS could introduce restrictions on people's choice on how, when and where they can drive. For instance a photo radar initiative could persuade drivers to choose speeds lower than what they would normally select and may be seen by some as a cash grab by government; aging drivers may have to satisfy more conditions before they hold a drivers' licence with full privileges; red light cameras may deter some drivers who would have taken the risk to run a red light; extending the learner's period for qualifying for a new licence may be seen as restrictive, discriminatory and unfair by new drivers; the cost and difficulty of a high risk driver to assess the required programs to get back their drivers licence could be viewed as unfair and unjustified; the hospitality industry may see a tough law on drinking and driving as a hindrance to business etc.

These issues could generate political discomfort and could lead to customer dissatisfaction with SGI. Although these issues are not easily quantifiable, they are identified, assessed (e.g., through polling), discussed and considered as part of our decision-making framework.

Resource allocation issues

Many of the resources available for the successful development, implementation and operation of some of the measures under consideration in the TSS are fixed. That is once they are deployed and used for one measure, they are not simultaneously available for use in another effort. For example, resources available to undertake intersection improvements during any particular period are limited and dependent on the availability such resources from partner agencies such as the City of Regina. Thus the readiness of SGI to partner in such safety initiatives is not necessarily the determining factor as to whether they will be implemented. Similarly, there are limited enforcement resources available to generate the relevant deterrence effect for all the safety measures under consideration. The cost of deploying resources in pursuit of one goal is thus the opportunity cost of foregoing another goal. Although these costs are also difficult to quantify, these are explicitly addressed in the efficiency assessment.

4.0 Decision Making for Innovative Countermeasures

For measures that are innovative in nature or for which no previous evaluation studies are available, the estimate of the expected safety effect of the measure is unknown. Thus an important component of the efficiency assessment we have described above is not available. In these cases, the efficiency analyses uses estimates of the safety effect of the measure based on expert judgement and crash statistics. Sensitivity analyses of the implications of various practical assumptions of the magnitude of the safety effect on the cost-benefit ratio of the measure are also conducted. Additionally, attributes of the proposed measure are assessed to see if it possesses the appropriate "winning features" for successfully impacting the existing safety problem. This will be done by comparing the features of the proposed measures to those of some proven safety measures (17, 18).

5.0 Monitoring and Program Evaluation

The decision-making process proposed here for the assessment of new programs or for the continuation of existing programs will rely heavily on data, research and the use of cost-effectiveness and/or cost-benefit analyses as outlined above. This information will be used to: prioritize initiatives and decide which would produce the best results for SGI's investment dollars; identify the timing of initiatives; identify opportunities for partnering with other agencies for mutual benefit; discover efficiencies for delivering existing programs; and, terminate programs that do not work.

While individual crashes cannot be predicted, traffic safety research, similar to the analysis that SGI undertook in developing the TSS, has identified various factors that make a crash (and its consequences) more or less likely to occur. It is on this basis that predictions are made about how the existing pattern of crashes could change if a measure were introduced. It is nonetheless important that the new pattern of crashes after the introduction of the measure be monitored to assess if its expected impact is being realized or not. Each initiative selected for implementation is therefore be associated with an evaluation framework and timetable to monitor, evaluate, and provide opportunities for program improvements or termination.

6.0 Summary

This document provides the framework for efficiency assessment of measures that emanate from the TSS and SGI's current road safety programs. The tool suggested for this is cost-benefit analysis.

This framework is based on existing research in the field of traffic safety program evaluation and economic analysis. In summary, the decision making process considers:

i) the nature of particular road safety problem as identified in the TSS

ii) the range of potential measures that can be applied to the problem

iii) the resources available

iv) potential physical, corporate, partner, or political constraints

Each of the measures under consideration is assessed by examining:

i) its predicted effects including both intended and unintended effects

ii) temporal variation of the effects

iii) the scale of its impacts e.g., an intersection, city, region of the province etc.

iv) the costs of implementation (both direct and indirect)

The framework outlined above provides a structured decision making process that is transparent, comprehensive, incorporates the best knowledge about the effects of the measures under consideration, injects a societal perspective into the decision making process and ultimately assists SGI in making the best use of its road safety investment dollars.

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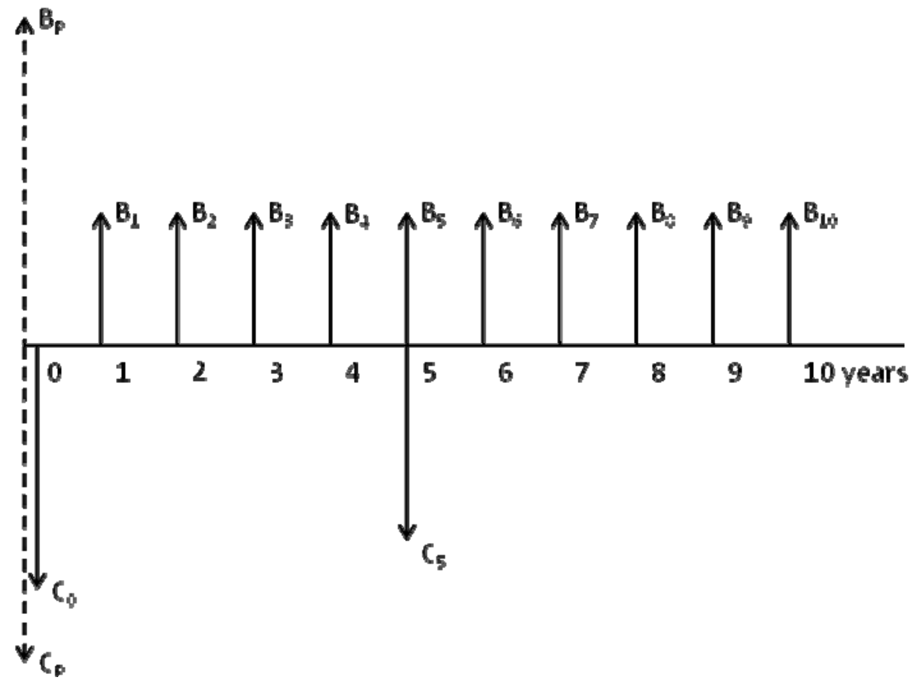
APPENDIX A

Cost-benefit Analysis Illustration

Suppose we have a program with an initial implementation cost of C_0, an additional investment of C_5 in year five, and annual benefits of B starting in year one and lasting 10 years.



C_0 = Initial cost of measure

C_5 = Additional future cost

C_P = Conversion of known costs into a value at the present time using a discount rate

B = Annual program benefits

B_P = Conversion of annual benefits into a value at the present time using a discount rate

—— Known variables

– – Converted variables

B_P = Present value ($B_1 + B_2 + B_3 + B_4 + B_5 + B_6 + B_7 + B_8 + B_9 + B_{10}$)
C_P = Present value ($C_0 + C_5$)
Net present value = $B_P - C_P$
Benefit cost ratio = $B_P \div C_P$

Internal Rate of Return

The internal rate of return is the discount rate at which the NPV equals zero. In this illustration, Net present value = $B_P - C_P = 0$. We will first we find NPV at two different interest rates; at the lower rate the NPV will be positive and the upper rate the NPV will be negative. We then use the method of linear interpolation to derive the actual IRR.

NUMERICAL EXAMPLES

EXAMPLE 1

PROBLEM: Examining whether it is worth investing in an intersection safety improvement

As part of SGI's partnership with the City of Regina to share the cost of investing in road safety improvements in the city, an investment is contemplated at a high accident location. Countermeasures to reduce the number of accidents at this location have been identified through an engineering study. A cost-benefit analysis is used to find out if and how much SGI could invest in this initiative.

Cost analysis

i) Determine the construction costs associated with the improvement. In this example, suppose the total construction cost of project = $234,000. In this example, annual maintenance costs are not included since that will be the responsibility of the City of Regina.

ii) Establish the design life of the project for the CBA. In this example, assume the project life for improvement is determined by engineers to be 10 years.

iii) Annualize the construction costs over the 10-year period. A capital cost recovery method is used to convert the initial into annualized costs. In this example, we assume a discount rate of 7.2% translates the initial construction cost of $234,000 amounts to an annualized amount of $33,960 in each of years 1 through 10.

Since this project is a cost share, we investigate the return on investment if SGI contributed 50% of the costs of improvement. This amounts to $16,980.

Benefit analysis

i) The primary benefit for such an investment is the anticipated reduction in traffic collisions, at the location of interest, and associated claims costs.
ii) To estimate this, it is necessary to have an estimate of the safety impact i.e., percentage crash reduction associated with the safety improvement, and the total cost of accidents at that location.
iii) The total claims costs are determined using information from SGI's Claims database and Traffic Accident Information System. Depending on the crash type, unit crash costs are determined and applied to estimate total costs.
iv) In this example, let's assume the total claims cost per year for the crashes that are impacted by the safety improvement is $337,000 associated with an average of 7 casualty and 27 Property Damage Only (PDO) collisions.
v) The effectiveness of the countermeasure is determined from experience with similar projects within Saskatchewan or other jurisdictions, as well as published sources. In this

example, assume it is found from available information that the improvements are expected to reduce collisions at the intersection by 20% - 30%.

vi) Apply this reduction factor to the number of collisions and costs at the intersection to obtain the annual claims savings. Thus, the expected claims cost reduction per year as a result of the improvements = $67,400 (20%) - $101,000 (30%).

Benefit-cost ratio

The benefit cost ratio is then calculated as the ratio of the annualized benefit to annual cost. In this example, the Benefit Cost Ratio will range between 3.97 and 5.95

EXAMPLE 2

PROBLEM: Economic assessment of investing in photo radar as a speed management solution

This involves conducting a cost-benefit analysis to assess the program's economic impacts and any other side effects. This cost-benefit analysis is approached from both a societal as well as SGI perspective. From the societal perspective, the impacts of the program on all residents of Saskatchewan are considered. From SGI's perspective, the program's impact on Claims cost is the primary concern. A 7.2% discount rate is used in this example as well. The costs and benefits will be annualized for the calculation of net benefit per year.

Cost analysis

i) Determine all the costs associated with the implementation of the program. Classify the costs of the program into appropriate categories – in this case, start-up (capital) and operating costs. The operating costs are then broken down into police costs, photo/tickets processing and processing serving costs, maintenance costs, and court costs. The following values are used as hypothetical values for this example:

Cost Element	Annualized Cost ($'000)
Capital	4,745
Ticket/photo processing	7,141
Equipment maintenance	147
Process serving	1,557
Police	11,746
Court	1,954
Total cost	27,290

ii) Indirect costs are also assessed. From society's perspective, time loss due to slower traffic speeds, and time loss of private citizens who opt to dispute photo radar tickets will be additional costs. Let's assume the following annualized costs for these two impacts of the program.

Cost Element	Annualized Cost ($'000)
Time lost—travel	371,643
Time lost—dispute tickets	1,041

Benefit analysis

The main benefit of the program is determined primarily from reductions in speed-related collisions resulting from the photo radar program. As mentioned earlier, two perspectives will be examined – an SGI-based analysis, and a societal-based analysis. Unit costs from SGI's claims system will be used for the SGI-based analysis, while published values for societal costs of accidents are used to compute the societal benefits accruing from crash/casualty reductions as result of the photo radar program. The societal benefits are usually greater due to the many variables that are used in its computation, whereas the SGI costs are only direct insurance costs. The following figures are used for illustrative purposes:

Benefit Element	Annualized Benefit ($'000)
Safety improvement (SGI)	65,554
Safety Improvement (Societal)	$513,930

Summary from SGI's Perspective

Present Value of Initial Cost ('000) = $4,754
Annual Operations Cost ('000) = $22,542
Safey Improvement Benefit ('000) = $65,554

Cash Flow ('000)											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial Costs - Equipment	-$4,745										
Operating Costs		-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542
Annual Benefit		$65,554	$65,554	$65,554	$65,554	$65,554	$65,554	$65,554	$65,554	$65,554	$65,554
Free Cast Flows	-$4,745	$43,012	$43,012	$43,012	$43,012	$43,012	$43,012	$43,012	$43,012	$43,012	$43,012
Net Present Value	**$294,580**										

From Societal Perspective
Present Value of Initial Cost ('000) = $4,754
Annual Operations Cost ('000) = $22,542
Safey Improvement Benefit ('000) = $513,930

Time lost—travel ('000) = $371,643
Time lost—dispute tickets ('000) = $1,041

Cash Flow ('000)											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Initial Costs - Equipment	-$4,745										
Operating Costs		-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542	-$22,542
Cost of Time Lost		-$371,643	-$371,643	-$371,643	-$371,643	-$371,643	-$371,643	-$371,643	-$371,643	-$371,643	-$371,643
Cost of Time to Dispute Tickets		-$1,041	-$1,041	-$1,041	-$1,041	-$1,041	-$1,041	-$1,041	-$1,041	-$1,041	-$1,041
Annual Benefit		$513,930	$513,930	$513,930	$513,930	$513,930	$513,930	$513,930	$513,930	$513,930	$513,930
Free Cast Flows	-$4,745	$118,704	$118,704	$118,704	$118,704	$118,704	$118,704	$118,704	$118,704	$118,704	$118,704
Net Present Value	**$821,329**										

The net present value for the project is then calculated for SGI and Society. Using the assumed values in the example, the net annual benefits are established as follows:

	Net Annual Benefit $('000)
SGI	$294,580
Society	$821,329

Sensitivity analysis

This example concludes that SGI and its policyholders will gain substantially from this hypothetical photo radar program since the net present value is positive for both scenarios. To account for uncertainties in the financial market, a sensitivity analysis is normally conducted using different discount rates.

EVALUATED INITIATIVES FROM SGI BY THE TRAFFIC SAFETY PROGRAM EVALUATION GROUP

Monitoring Reports on Initiatives:
Distracted Driving
Seatbelt Challenge

Background:

SGI has developed an overall evaluation framework that is used to evaluate its programs. Programs are evaluated for both short-term and long-term outcomes when sufficient time series data have been collected-usually over a three year period. A number of recent initiatives, by the above criteria, will be up for evaluation in 2013. These include speed enforcement, impaired driving, and driver distraction initiatives. In the medium term, however, SGI has monitored some these programs as a way of tracking the program's effectiveness. Two of such monitoring reports are presented the next sections, particularly for: distracted driving legislation, which came into effect in January 2010, and the Seatbelt Challenge initiatives designed to improve seatbelt use among First Nations.

DISTRACTED DRIVING: MONITORING REPORT ON SASKATCHEWAN LEGISLATION BANNING CELL PHONES

The Cell Phone Legislation in Saskatchewan was implemented in January, 2010, and the law makes it illegal to drive while using a handheld cell phone device, and carries a penalty of $280 dollar fine associated with 4 demerit points. The legislation, along with other program elements, is intended to mitigate the risk of drivers crashing while using the cell phone and help reduce the number of injuries and deaths that result from driver distraction. To reach these goals, the following program objectives have been formulated:

- Increase awareness of the risks associated with driver cell phone use and the role it plays in driver distraction;
- Change driver behavior with respect to driver cell phone use as a form of distraction by increasing the consequences associated with driving while using a cell phone; and
- Increase the perception of the risk of apprehension

A comprehensive Program Evaluation Framework has been developed to be initiated in 2013 that will from the basis for assessing the impact of the Saskatchewan's cell phone ban on traffic safety since implementation. Until the full evaluation is conducted, we have investigated initial program effects on deterring cell phone use while driving – measured by observing the proportion of drivers using cell phones while driving.

In the fall of 2012, the Traffic Safety Program Evaluation Department, in collaboration with the Student Against Drinking and Driving Program (SADD), conducted a baseline observational survey in eight Saskatchewan communities (Regina, Assiniboia, Canora*, Estevan, Nipawin, North Battleford, Saskatoon and Swift Current). The purpose of this survey was to observe the hand-held cell phone usage while driving, and to investigate whether there has been any change (increase/decrease) in the use of cell phones while driving.

Survey Method

The requirements for the survey were for two observations on the same day - one in the morning and one in the afternoon - at the same intersection with four students at each location. One student was responsible for counting the number of vehicles passing through the intersection during the time of the observations with a count clicker; one student recorded the type of vehicle, estimated age range and gender of the driver. One of the observers recorded the number of drivers using cell phones, while another recorded the number of improperly used head restraints.

Results

Table 1 shows the summary of cell phone usage in eight Saskatchewan communities based on the observational survey conducted during the Fall 2012. Note that there is no observation for Canora, because we have not received any survey data from Canora.

Table 1: Summary of cell phone usage in eight Saskatchewan communities, 2012

Observational Survey on Cell Phone Usage, Fall 2012									
Community Name	**Regina**	**Assiniboia**	**Canora***	**Estevan**	**Nipawin**	**North Battleford**	**Saskatoon**	**Swift Current**	**Totals**
Morning									
Total Cars Obs	338	70		323	123	217	355	235	1661
Cell Phone Uses Obs	22	2		4	0	1	27	6	62
2012 Fall Morning Cell Phone %	6.51%	2.86%		1.24%	0.00%	0.46%	7.61%	2.55%	3.73%
Afternoon									
Total Cars Obs	445	43		240	138	177	525	283	1851
Cell Phone Uses Obs	22	2		23	1	7	12	4	71
2012 Fall Afternoon Cell Phone %	4.94%	4.65%		9.58%	0.72%	3.95%	2.29%	1.41%	3.84%
Totals									
Total Sample Size (Morning+Afternoon)	783	113		563	261	394	880	518	3512
Total Cell Phone Use	44	4		27	1	8	39	10	133
Total Cell Phone %	5.62%	3.54%		4.80%	0.38%	2.03%	4.43%	1.93%	3.79%
***Note: To date we have not received any survey data from Canora**									

As shown in Table 1, drivers in Regina and Saskatoon were found to have higher tendency of using cell phones while driving in morning (i.e., 6.51%, and 7.61%, respectively). During the afternoon hours, however, the percent of cell phone usage was very high in Estevan (9.58%). Overall, Regina, Estevan, Saskatoon, and Assiniboia are the top four risky communities in terms of high percentage of cell phone usage (i.e., 5.62%, 4.8%, 4.43%, and 3.54%, respectively).

Cellphone Use Trends

Table 2 summarizes the cell phone usage rates while driving and the difference in the rates from Pre-Law (2009) to Post-Law (2010-2012). In 2009, prior to the introduction of the Cell Phone Legislation, Canora shows an unusually high rate of cell phone usage (12.58%) compared with the use rate observed in seven other Saskatchewan communities. In 2010, the cell phone usage rate decreased in five of the eight communities, except Saskatoon, which showed a 130.83% increase in cell phone usage compared with the observation in 2009. Observations in 2011 show that Nipawin recorded an abnormally high increase in cell phone usage (300.65%) compared with the pre-law observation in 2009.

Assiniboia, Saskatoon, and Regina also showed significant increases in cell phone usage in 2011, whereas the use rate decreased in Canora, North Battleford, Swift Current, and Estevan. Compared with pre-law observations in 2009, 2012 observations in Assiniboia showed the highest level of increase in cell phone use rate (293.33%) followed by Saskatoon (233.08%), Estevan (207.69%), Regina (125.70%), and North Battleford (50.37%). When the cell phone usage rate in 2012 is compared with the rate in 2011, a significant increase in use rate can be observed in Estevan, North Battleford, Assiniboia, Saskatoon, and Regina. The Appendix provides the specific use rates for the communities surveyed.

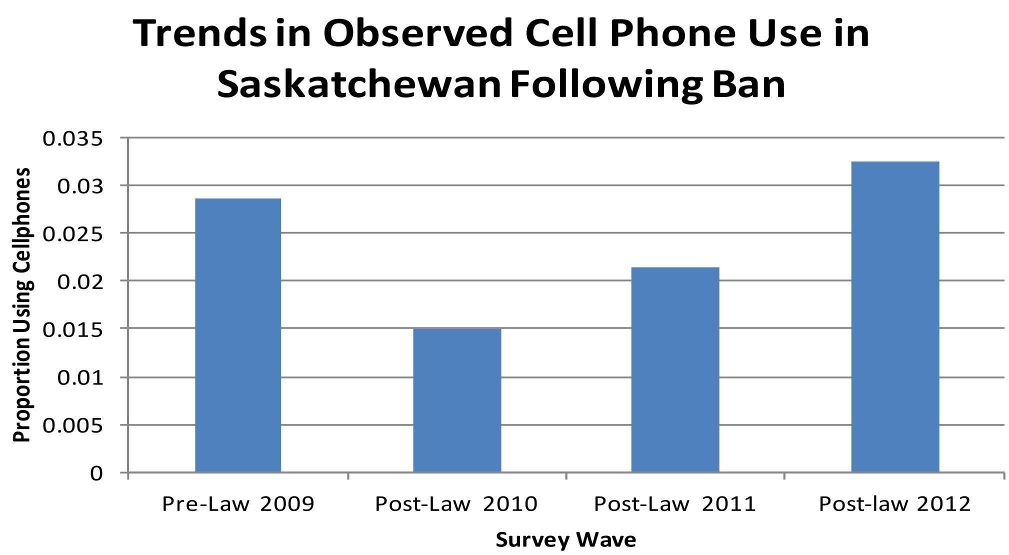
Table 2: Rates of cell phone usage while driving and differences in use rates in eight Saskatchewan communities, 2009-2012

Community Name	Percent cell phone use				Percent Difference is Use Rates			
	Pre-Law 2009	Post-Law 2010	Post-Law 2011	Post-law 2012	Post-Law 2010 vs. Pre-Law 2009	Post-Law 2011 vs. Pre-Law 2009	Post law 2012 vs. Pre-Law 2009	2011 vs. 2012
Regina	2.49%	1.09%	3.72%	5.62%	-56.22%	49.40%	125.70%	51.08%
Assinibioa	0.90%	0.68%	1.71%	3.54%	-24.44%	89.59%	293.33%	107.47%
Canora	12.58%	3.16%	2.80%	-	-74.88%	-77.74%	-	-
Estevan	1.56%	0.37%	1.47%	4.80%	-76.28%	-5.77%	207.69%	226.53%
Nipawin	0.67%	-	2.68%	0.38%	-	300.65%	-43.28%	-85.84%
North Battleford	1.35%	0.65%	0.74%	2.03%	-51.85%	-44.96%	50.37%	173.20%
Saskatoon	1.33%	3.07%	2.27%	4.43%	130.83%	70.54%	233.08%	95.31%
Swift Current	1.95%	-	1.75%	1.93%	-	-10.48%	-1.03%	10.56%

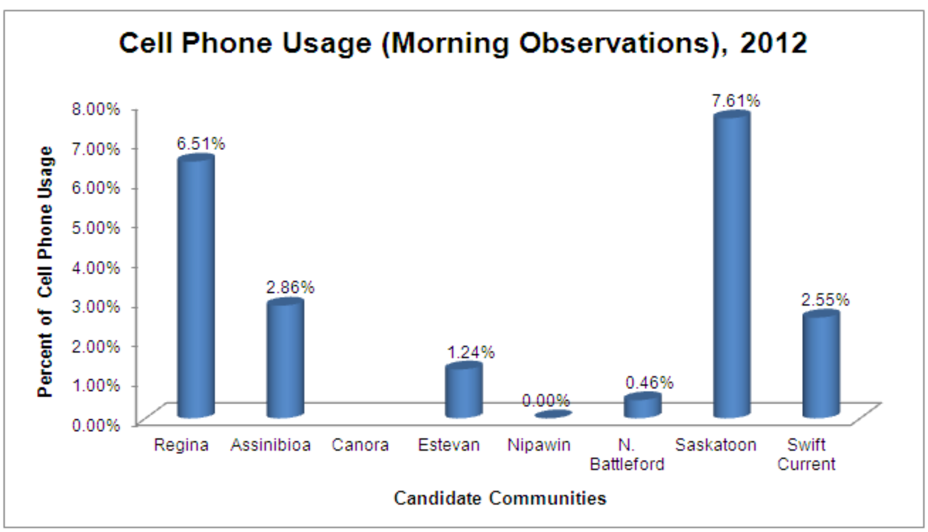
*No observations were received from Nipawin and Swift Current in 2010, and from Canora in 2012.

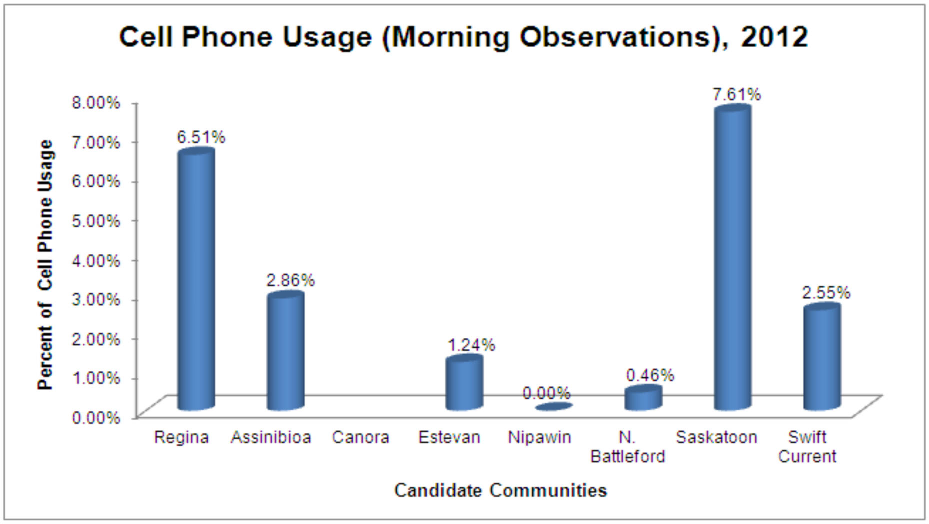
Overall Trends

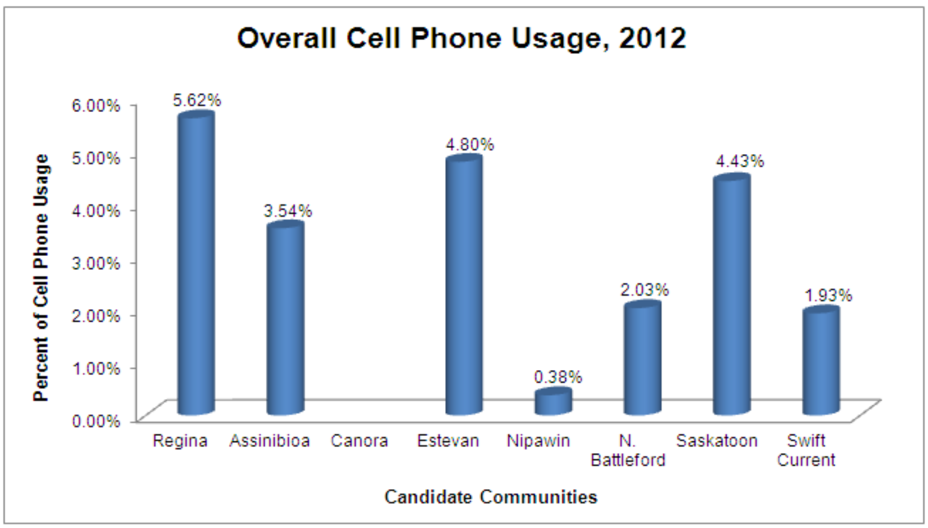
The Chart below shows the trend in observed cellphone use in the 8 Communities survey pre- and post-legislation. The data indicates that since the initial drop in cellphone usage immediately following the coming into effect of the legislation banning the use of the device, there has been a reversal in the use pattern—from an average of 2.85% to 3.25%, an increase of 14% in cellphone use. In 2012, cell phone use increased beyond the baseline use point, an indication that the level of enforcement needs to be stepped up.

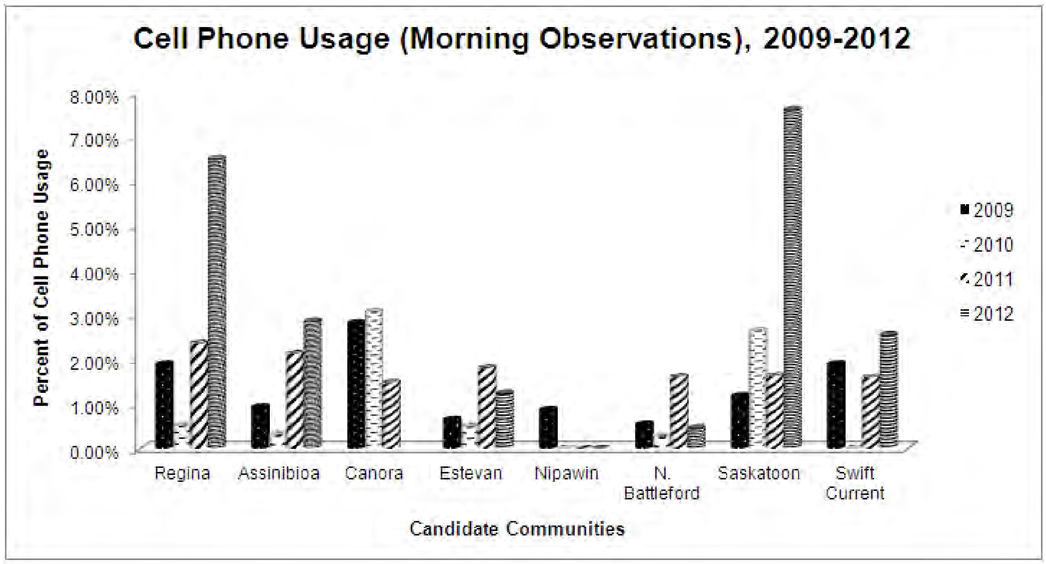

Trends in Observed Cell Phone Use in Saskatchewan Following Ban
Proportion Using Cellphones
0.035
0.03
0.025
0.02
0.015
0.01
0.005
0
Pre-Law 2009
Post-Law 2010
Post-Law 2011
Post-law 2012
Survey Wave

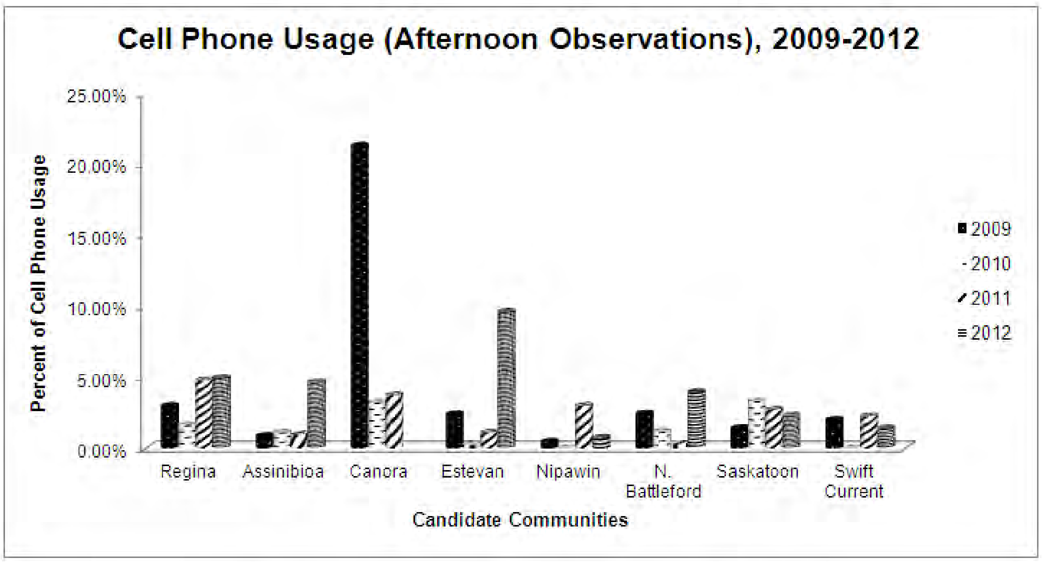
Appendix

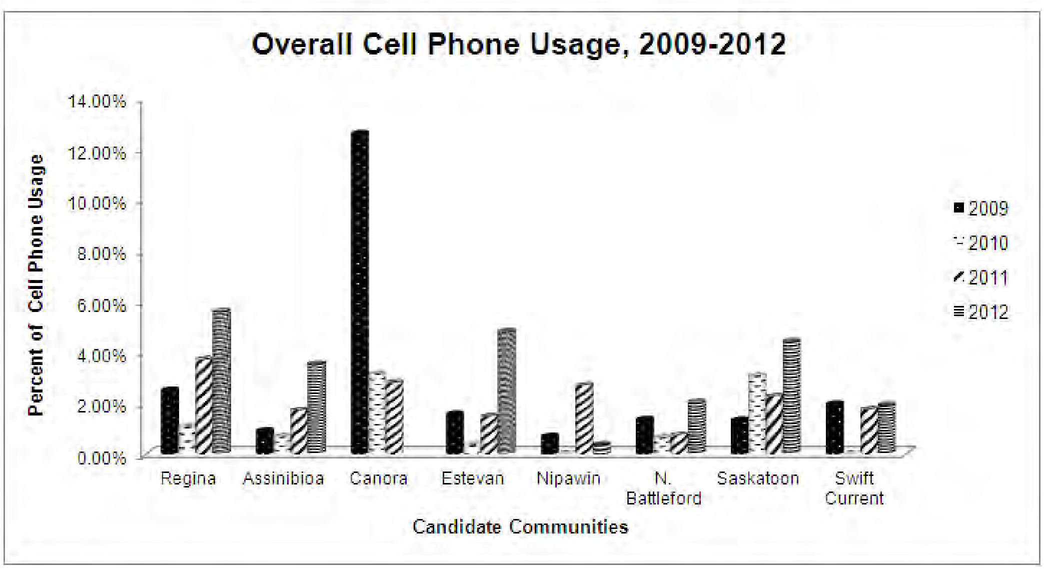

Cell Phone Usage (Morning Observations), 2012
Percent of Cell Phone Usage
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
6.51%
2.86%
1.24%
0.00%
0.46%
7.61%
2.55%
Regina
Assinibioa
Canora
Estevan
Nipawin
N. Battleford
Saskatoon
Swift Current
Candidate Communities


Cell Phone Usage (Morning Observations), 2012
Percent of Cell Phone Usage
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
6.51%
2.86%
1.24%
0.00%
0.46%
7.61%
2.55%
Regina
Assinibioa
Canora
Estevan
Nipawin
N. Battleford
Saskatoon
Swift Current
Candidate Communities


Overall Cell Phone Usage, 2012
Percent of Cell Phone Usage
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
5.62%
3.54%
4.80%
0.38%
2.03%
4.43%
1.93%
Regina
Assinibioa
Canora
Estevan
Nipawin
N. Battleford
Saskatoon
Swift Current
Candidate Communities


Cell Phone Usage (Morning Observations), 2009-2012
Percent of Cell Phone Usage
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Regina
Assinibioa
Canora
Estevan
Nipawin
N. Battleford
Saskatoon
Swift Current
Candidate Communities
2009
2010
2011
2012


Cell Phone Usage (Afternoon Observations), 2009-2012
Percent of Cell Phone Usage
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
Regina
Assinibioa
Canora
Estevan
Nipawin
N. Battleford
Saskatoon
Swift Current
Candidate Communities
2009
2010
2011
2012


Overall Cell Phone Usage, 2009-2012
Percent of Cell Phone Usage
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
Regina
Assinibioa
Canora
Estevan
Nipawin
N. Battleford
Saskatoon
Swift Current
Candidate Communities
2009
2010
2011
2012

MONITORING OF SEATBELT USE INITIATIVE

Seatbelt Challenge

Even though Saskatchewan has one of the highest seatbelt use rates in the country at 96.8 Percent, 60 per cent of fatalities on rural roads, and almost all fatalities on roads in First Nation Communities, involve unbelted (and often ejected) occupants. One of the initiatives developed as part of the traffic safety strategy is the Seatbelt Challenge.

The Seatbelt Challenge is a community-driven project designed to improve seatbelt use in the Province. By partnering with communities across Saskatchewan, SGI intends to raise awareness about buckling up through roadside activities and community-based events. The seat belt challenge started in 2008 with a good number of the communities participating. In 2011 we had two separate challenges with three communities participating in each. The community in each challenge with the highest increase in seatbelt usage won a cash prize of up to $50,000 to be used for local road safety improvements.

Prior to implementing the initiatives in the participating communities, a baseline seatbelt use rate is normally measured by observation in March/April. A post-program implementation survey is then conducted six months following implementation. For the communities presented I this report, a recent follow up survey was conducted—at least one-and-a half years following program implementation to determine whether the initial observed impact has been sustained. The various waves of the survey are presented in Table 1.

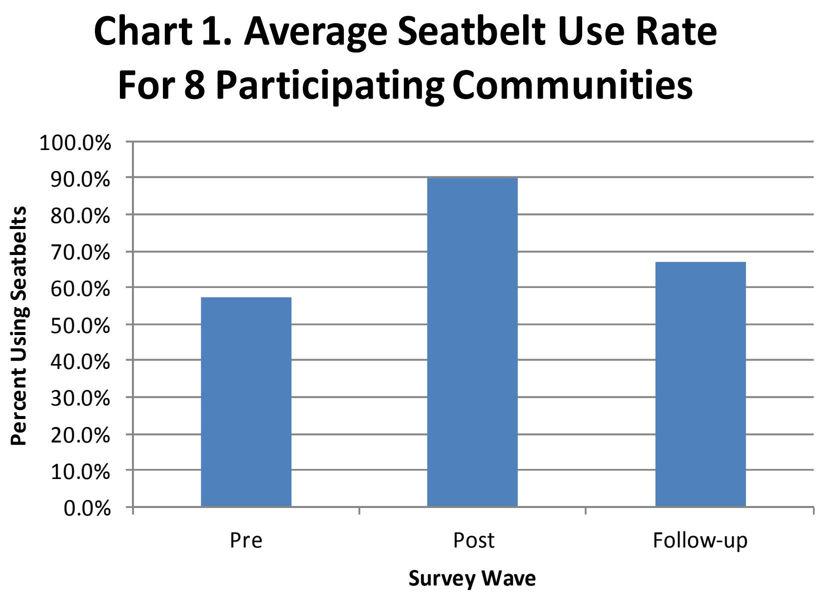
Table 1. Follow-Up Survey of Seat Belt Use in Selected Participating Communities

	Seatbelt Use		
	Pre	**Post**	**Follow-up**
Island Lake	44.9%	98.0%	33.1%
Keeseekoose	66.2%	93.2%	76.3%
Mistawasis	63.1%	97.4%	44.4%
Muskopetung	40.0%	92.9%	57.2%
Onion Lake	37.0%	65.2%	57.1%
Wadena	60.8%	96.4%	91.8%
Whitewood	74.2%	93.0%	83.6%
Kindersley	71.6%	85.3%	93.1%

The data presented in Table One indicate that for the selected set of communities that participated in the Seatbelt challenge, the sustainability of the increased belt use immediately following their participation in the challenge has been mixed. The general pattern is a significant increase in belt use rates immediately following the initiative, and a dissipation of the use rate in the subsequent year. Of the 8 communities surveyed in 2012, only Kindersey could be described as having sustained its initial use rate momentum. In five communities, however—Keeseekoose, Muskopetung, Onion Lake, Wadena, and Whitewood—the follow up results were nevertheless still higher than the baseline use rates.   Only in Island Lake, and Mistawasis, did we observed a seat belt use rate that was lower than the baseline measure, an indication that more needs to be done to improve upon the belt use rates in these two communities.

Overall Finding

Chart 1. Indicates the trend in seatbelt use for all the 8 communities evaluated in 2012. The chart shows that the initiative has succeed in increasing the average belt use in these communities from 57% to 67%, which, although is still significantly below the Provincial average of 91%, can still be described as a modest increase.



Conclusion

Although the initial increase in seatbelt use for the participating communities cannot be sustained at the highest levels, our follow up measurement indicate that the seatbelt challenge program positively impacts the seatbelt use rates within such communities.

There are indications that more needs to be done to bring the seatbelt use rates in these communities to the Provincial average.

15. Capital Management Policy and Historical MCT Ratios

An appendix detailing the principles upon which the rate stabilization reserve (RSR) surcharge will be applied has been added to the Capital Management Policy.

Saskatchewan Auto Fund
Rate Stabilization Reserve
Capital Management Policy

The overriding principle of this policy is prudent management of the capital of the Saskatchewan Auto Fund and any action with respect to this policy should be governed by that principle.

Objective:
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.

Policy:
The Minimum Capital Test (MCT) will be used to determine capital adequacy. A target MCT has been established at 112.5% with a minimum threshold of 75% and a maximum limit of 150%. If, at the time of the rate adequacy analysis, the MCT calculation is above 150% or below 75%, the following actions shall be taken:

MCT below 75% minimum:

- Calculate the 12-month moving average MCT score. If the 12-month average MCT is below 75%, then Management shall bring to the Board of Directors a proposal to address the shortfall, including consideration of obtaining additional revenue to replenish the RSR.
- Any additional rate would be obtained as a percentage surcharge to the total vehicle premium before incentives, and would be identified as such to the customer.
- The surcharge would be removed when projections in the current rate program indicate the MCT target would be achieved without the surcharge.
- The surcharge would be set as the lower of:
  - The amount required to return the MCT score to target within three years; or
  - 5%.

MCT above 150 per cent maximum:

- Calculate the 12-month moving average MCT score. If the 12-month average MCT is above 150%, then Management shall bring to the Board of Directors a proposal to address the excess, including consideration of providing a rebate to customers.
- The rebate would be calculated as the amount required to return the RSR, after payment of the rebate, to a point where the MCT score would be below the upper limit, but no less than the target MCT during the rating period being considered.

Process:
In this policy, MCT means the Minimum Capital Test prescribed by the Office of the Superintendent of Financial Institutions (OSFI) from time to time, subject to any alterations thereto approved by the Board.

While monitoring of the MCT will take place monthly, determining the actions necessary to apply the policy is to be done annually in conjunction with the Auto Fund rate adequacy analysis.

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

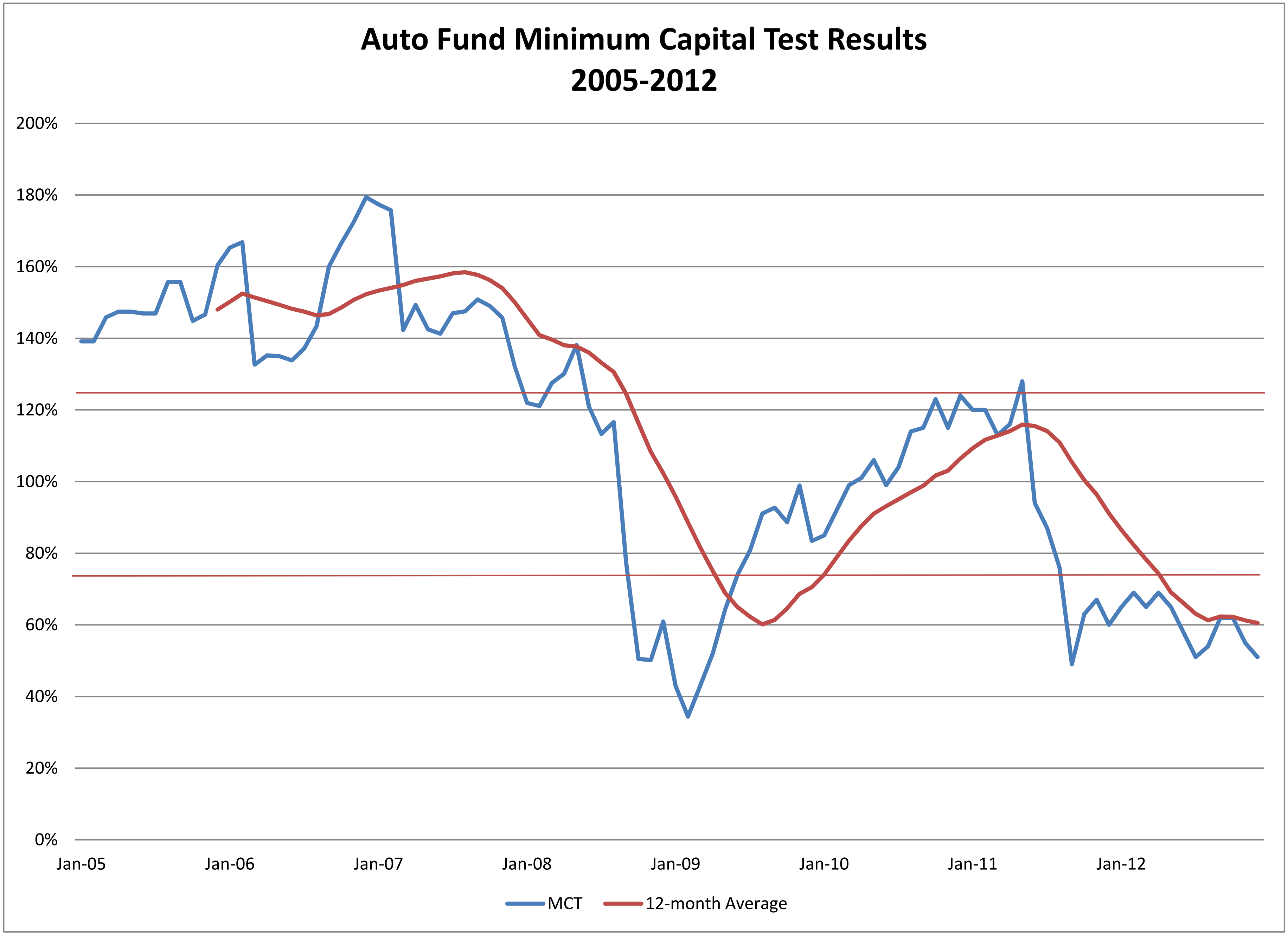
Following are the principles upon which the surcharge will be applied:

- The surcharge will be identified as a percentage to be applied to the base insurance premium. Actuarial Services will incorporate the surcharge in the base rates after application of any capping of rate changes;

- The surcharge will be included in the base insurance dollar amount and will not be split out separately on the vehicle registration certificate. Rather, the generic insert sent to all customers will include wording identifying the surcharge percentage included in the base insurance amount;

- To ensure equity among all customers, the surcharge will be applied over full-year periods. That is, once the MCT of the RSR reaches a level where the surcharge is no longer required, it will continue to be applied until all customers have been charged the surcharge for their full annual renewal cycle; and,

- With the surcharge being incorporated in to the base premium, it will be accounted for as premiums written. That is, the surcharge revenue will not flow directly into the Rate Stabilization Reserve but instead will be included in the earned premium process.


Auto Fund Minimum Capital Test Results
2005-2012
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
MCT
12-month Average

16. RSR Balances

The historical rate stabilization reserve (RSR) balances from February 2010 to December 2012 follow.

As determined by actuarial analysis, the RSR needs to be replenished by a total of $31,986,000 in order to reach the Capital Management Policy minimum required level (MCT of 75%).

Month/Year	MCT	12-month Average MCT	RSR Balance
Jan-10	85%	74%	
Feb-10	92%	79%	189,123,342
Mar-10	99%	83%	200,018,670
Apr-10	101%	88%	205,621,418
May-10	106%	91%	213,144,263
Jun-10	99%	93%	202,387,106
Jul-10	104%	95%	218,420,051
Aug-10	114%	97%	240,183,606
Sep-10	115%	99%	249,728,969
Oct-10	123%	102%	264,699,313
Nov-10	115%	103%	248,964,325
Dec-10	124%	106%	271,856,958
Jan-11	120%	109%	268,980,914
Feb-11	120%	112%	269,197,787
Mar-11	113%	113%	246,216,801
Apr-11	116%	114%	256,951,553
May-11	128%	116%	274,903,144
Jun-11	94%	116%	207,442,140
Jul-11	87%	114%	199,356,996
Aug-11	76%	111%	176,714,148
Sep-11	49%	105%	115,051,304
Oct-11	63%	100%	140,977,366
Nov-11	67%	96%	147,871,487
Dec-11	60%	91%	134,261,151
Jan-12	65%	87%	149,726,482
Feb-12	69%	82%	157,460,109
Mar-12	65%	78%	151,318,916
Apr-12	69%	74%	156,661,715
May-12	65%	69%	145,710,316
Jun-12	58%	66%	134,720,722
Jul-12	51%	63%	122,015,722
Aug-12	54%	61%	129,950,603
Sep-12	62%	62%	150,853,633
Oct-12	62%	62%	151,023,793
Nov-12	55%	61%	135,612,199
Dec-12	51%	61%	127,121,624

17. Statement of Investment Policies and Goals

Statement of Investment Policies and Goals

Saskatchewan Auto Fund

November 2012

Contents

Section 1—Overview		**1**
1.01	Purpose of Statement	1
1.02	General	1
1.03	Nature of the Auto Fund	2
1.04	Liability Characteristics	2
1.05	Investment and Risk Philosophy	3
Section 2—Asset Mix Policy		**5**
2.01	Asset Mix	5
Section 3—Permitted and Prohibited Investments		**8**
3.01	General Investment Guidelines	8
3.02	Permitted Investments	8
3.03	Minimum Quality and Quantity Guidelines	10
3.04	Prior Permission Required	13
3.05	Prohibited Investments	13
3.06	Securities Lending	15
Section 4—Monitoring and Control		**16**
4.01	Responsibility of an Investment Manager	16
4.02	Compliance Reporting	16
4.03	Performance Measurement	16
4.04	Soft Dollars	18
4.05	Dismissal of an Investment Manager	18
4.06	Standard of Professional Conduct	19
4.07	Suppression of Terrorism Regulations	19
Section 5—Administration		**20**
5.01	Conflicts of Interest	20
5.02	Related Party Transactions	21
5.03	Selecting an Investment Manager	21
5.04	Monitoring of an Investment Manager	21
5.05	Voting Rights	21
5.06	Valuation of Investments not Regularly Traded	22
5.07	Annual Review	22

Appendix A – Compliance Report

Appendix B – Return Seeking Portfolio Benchmark Portfolio Weights

Section 1—Overview

1.01 Purpose of Statement

The purpose of this policy statement is to provide a framework for the prudent investment and administration of the Saskatchewan Auto Fund investment portfolio (the Fund). This policy provides an investment manager with a written statement of specific quality, quantity, and rate of return standards for the corporation's investment portfolio.

A major goal of this policy is to establish ongoing communication between Saskatchewan Government Insurance ("SGI" or the "Company") and an investment manager. Effective communication will contribute to management of the portfolio in a manner that is consistent with market conditions and with the objectives of the Company. Consultation between the parties will take the form of regular meetings supplemented, from time to time, by informal contact requested by any of the parties.

1.02 General

The Saskatchewan Auto Fund was established to provide compulsory automobile insurance to Saskatchewan people. The Fund is self-sustaining with the objective of breaking even over the long term.

Section 87(3) of *The Automobile Accident Insurance Act* (Act) authorizes the Fund to hold property of every nature and kind.

Section 92(1) of the Act authorizes investment of monies in the Fund subject to the restrictions and limitations contained in:

- The *Insurance Companies Act (Canada)*; and
- Any securities authorized for investment by *The Crown Corporations Act* which takes into consideration the *Pension Benefits Standards Act and Regulations*.

The overall standard guiding investment of the portfolio is the "prudent person rule" which is set out in section 492 of the *Insurance Companies Act (Canada).* This standard requires that investments be made in a manner that "a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return."

Both the *Insurance Companies Act (Canada)* and the *Pension Benefits Standards Act and Regulations* follow this "prudent person portfolio approach."

Quantitative guidelines established by the *Insurance Companies Act (Canada)* are:

- Real estate – maximum 10% of total assets
- Equities – maximum 25% of total assets
- Real estate and equities – maximum 35% of total assets

Quantitative guidelines established by the *Pension Benefits Standards Act and Regulations* are:

- Maximum 10% of the book value of total assets in any one corporation or two or more affiliated corporations
- Maximum 30% of the voting shares of any one corporation

Responsibility for the investment policy rests with the Board of Directors. The Board has delegated day to day implementation and monitoring to management.

SGI has delegated its investment authority to professional investment managers to invest in accordance with this policy. In addition, a trust company has been appointed as custodian with responsibilities for safekeeping of investments, income collection, and settlement of investment transactions. The Investment Committee (Committee) of the Board makes recommendations on policy matters contained in this document and monitors the performance of the investment assets.

1.03 Nature of the Auto Fund

The Auto Fund, as the compulsory automobile insurance program for Saskatchewan residents, provides vehicle registrations, driver's licenses, the basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. Uncertain claim levels due to driving conditions, storm activity and court awards leads to cyclical profits from underwriting activities. Due to this instability of profits from underwriting, stability from investment income is an important objective along with safety of capital. Investment capital is used to cover policyholder liabilities.

1.04 Liability Characteristics

The most significant characteristics of the Auto Fund's assets and liabilities, which impact on the investment strategy, are:

- Unpaid claims and unearned premiums account for 96% of total liabilities. At December 31, 2011, the liability for these two items was $1.5 billion, up from $1.3 billion one year prior.

- A significant majority of unpaid claims are paid within three years of the date of loss. Currently, unpaid claims account for approximately 75% of the liabilities. The duration of the unpaid claims liability increased slightly to approximately 8.2 years as at December 31, 2011 from 7.6 years at December 31,2010. With the addition of expected losses in unearned premiums the duration on the total unpaid liabilities is 6.9 years (2010– 6.4 years).

- At December 31, 2011, the market value of investments was $1,400 million, up from $1,311 million last year. The market value of investments increased again in2011, recovering from weak investment markets of 2008 and early 2009. As measured by the Minimum Capital Test at December 31, 2011, assets were 60% of required capital and below the target range of 75% - 150%.

- At December 31, 2011 the Rate Stabilization Reserve balance was at $134 million, down from $272 million in2010.

Projected liability cash flows up to 20 years are matched off with fixed income securities. A partial cash flow matching approach has been adopted for the portfolio which allows some diversification into equities, real estate and infrastructure in order to match longer-dated liabilities. This diversification into other asset classes serves to increase the long-term return on investment potential while controlling overall portfolio risk. Measures to shore up the rate stabilization reserve and improve the MCT are currently in progress.

1.05 Investment and Risk Philosophy

(a) Investment Beliefs

The Policy sets out the parameters under which the Fund is managed, which are influenced by several basic assumptions about the characteristics and trends in capital markets. The key investment beliefs that shape the Policy are:

(i) Asset allocation is the most important determining factor in the investment performance of the Fund.

(ii) In the long term, equities will outperform bonds to compensate for their higher risk.

(iii) Accepting mismatch risk between portfolio assets and liabilities provides an opportunity to enhance long term returns but introduces specific risks like interest rate risk, credit risk and equity market risk. A liability sensitive approach to investing reduces these risks somewhat by matching both the size and duration of claims liabilities with fixed income securities. Investing the remaining assets in asset classes with long term return expectations greater than fixed income investments provides the potential to improve overall returns.

(iv) Market movements between asset classes are not perfectly correlated as equity, bond and other asset class portfolios respond differently to economic factors. In addition, Canadian and foreign asset classes are not perfectly correlated due to different economic environments and the underlying composition of the capital markets. As a result, diversification across different asset classes and markets offers the opportunity to improve risk-adjusted returns.

(v) Exposure to foreign currencies as a result of moderate levels of foreign investments has provided diversification benefits. However, as foreign exposure is increased, eliminating some foreign currency exposure through choice of a target hedge ratio is seen as appropriate risk management where cost effective.

(vi) The success of active management varies based on efficiency of capital markets. Where markets are efficient, the quick dissemination of information limits the ability of investment professionals to consistently add value to the broad market indices.

(b) Investment Philosophy

Fund assets should be prudently managed to assist in avoiding excessive volatility in annual rates of return.

The prudent management of investment portfolios requires that the Company adhere to investment and lending policies that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return.

Assessment of the risk tolerance of the Fund considers the nature of the industry and liability characteristics as outlined above. Based on these factors, the Fund can assume a low level of investment risk (defined as the volatility of returns). Accordingly, a diversified long-term asset mix strategy with a bias to fixed income is warranted. Further, the fixed income allocation and target benchmark indices are set with regard to the structure of the claims liabilities.

(c) Risk Philosophy

In order to achieve the long-term investment goals, the Fund must invest in assets that have uncertain returns, such as Canadian equities, foreign equities, bonds, real estate and infrastructure (when added in the future). Interest rate risk, one of the primary risks faced by the portfolio, is addressed by matching the size and duration of the claims liabilities with fixed income securities. Equity market risk is partially managed through diversification by sector and country. Credit risk is addressed by ensuring broad diversification by sector in a high quality (investment grade) portfolio.

The Fund accepts foreign currency exposure to a limited degree, in its equity portfolios and potential future infrastructure portfolio. This limited foreign currency exposure provides some diversification benefits without accepting undue risk.

The Fund is invested relative to a Benchmark Portfolio. The return from the benchmark portfolio represents an achievable return for the Fund given the capital market conditions in which it is invested. The specific weights for each asset class are set based on the risk tolerance of the Fund. Risk tolerance is assessed through a detailed review of the Fund and the investment markets that considers:

- Liability structure
- Investment time horizon
- Liquidity needs
- Regulatory environment
- Other unique factors
- Historical and prospective risk (volatility) and return of various asset classes and benchmark portfolios.

Section 2—Asset Mix Policy

2.01 Asset Mix

The following guidelines are based on the total market value of each of the investment portfolios. The Committee may consider and approve temporary deviations from these guidelines, or other policy constraints, based on changing market conditions and/or investment manager requests. Should an investment manager wish to deviate from these guidelines or the quantity and quality guidelines, or revise them, a written request will be forwarded to the Company.

(a) Matching Portfolio

The Matching Portfolio will be constructed to match the anticipated liability cash flows as provided by SGI to an investment manager from time to time. Annual estimated liability cash flows will be supplied from 0 through 20 years. (Liability cash flows beyond the Matching Portfolio will be backed by the Return Seeking Portfolio which is outlined next). The Matching Portfolio will be constructed to match the liability cash flows in the following term groupings (buckets):

Liability Cash Flow Buckets*
Up to 1 year (short-term investments)**
Over 1 year to 3 years
Over 3 years to 5 years
Over 5 years to 10 years
Over 10 years to 15 years
Over 15 years to 20 years (or as far out as assets allow)

* *For Liability Cash Flow Buckets with terms over 1 year, asset cash flows are to be matched to within +/- 5% of the estimated liability cash flow for each bucket. The Up to 1 year Liability Cash Flow Bucket, is to be matched to within +/- 10% of the estimated liability cash flow for the bucket.*

** *A minimum of $5 million is to be held in cash and overnight deposits.*

The Matching Portfolio will be comprised of:

- Short-term investments and cash;
- Bonds of Canadian issuers; and
- Mortgages, to a maximum of 12% of the Matching Portfolio (distributions from the Mortgage Pooled Fund are to be received as cash in the Matching Portfolio).

(b) Return Seeking Portfolio

	Minimum %	Benchmark[2] %	Maximum %
Canadian equities	27.5	37.5	47.5
U.S. equities	10.0	15.0	20.0
Non-North American equities	7.0	12.5	18.0
Global small cap equities	7.0	12.5	18.0
Foreign equities	19.0	40.0	50.0
Total Equities[1]	37.0	77.5	80.0
Real estate	15.0	20.0	25.0
Infrastructure	0.0	0	15.0
Total Equities, Real Estate and Infrastructure	80.0	97.5	100.0
Short-term investments and cash	0	2.5	20
		100	

(1) Convertible securities and preferred shares are considered to be equities in the asset mix guidelines.

(2) The current benchmark was effective April 1, 2012. .

(c) Return Seeking Portfolio—Multi-Asset Class Manager(

	Minimum %	Benchmark[2] %	Maximum %
Canadian equities	33	43	53
U.S. equities	10	17	25
Non-North American equities	7	14	20
Foreign equities	18	31	45
Total Equities[1]	50	74	83
Real estate	20	23	34
Total Equities and Real Estate	70	97	100
Short-term investments and cash	0	3	20
		100	

(1) Convertible securities and preferred shares are considered to be equities in the asset mix guidelines.

(2) The current benchmark was effective April 1, 2012.

(d)

Return Seeking Portfolio—Specialty Managers

	% of Return Seeking Portfolio	% of Mandate
Global small cap equities	12.5 %	100%
Infrastructure[1]	10.0%	100%

(1) This mandate has not been funded yet

(e) Cash Flow and Rebalancing

Cash generated in each of the Matching and Return Seeking Portfolios will typically be reinvested in those portfolios, while net external cash flows will typically be drawn from or invested in the Matching Portfolio. SGI shall, however, exercise judgment in allocating and drawing cash flows based on:

i) the magnitude of the cash flow;
ii) liquidity considerations;
iii) transaction cost considerations;
iv) the necessity to rebalance assets between the Matching Portfolio and the Return Seeking Portfolio;
v) the necessity to rebalance assets within the Return Seeking Portfolio; and
vi) in order to meet cash commitments related to investment in any new asset class that may be introduced to the benchmark.

Unless otherwise instructed, external cash flows in the Matching Portfolio will be invested in, or drawn from, the short-term investment (up to one year) bucket. External cash flows to or from the Return Seeking Portfolio are to be managed in line with the asset mix guidelines for that portfolio.

The Matching Portfolio will be rebalanced, as necessary, in conjunction with the Auto Fund's tri-annual actuarial valuations, to align the asset cash flows with the revised liability cash flows and to allocate assets between the Matching and Return Seeking Portfolios.

Section 3—Permitted and Prohibited Investments

3.01 General Investment Guidelines

The investments must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to, the Insurance Companies Act (Canada) and The Crown Corporations Act.

3.02 Permitted Investments

Provisions respecting permitted investments as may be applicable for each of the Matching and Return Seeking Portfolios are outlined in this section. In general, and subject to Section 3.04 and the restrictions in Section 2 and 3, an investment manager may, within its mandate, invest the investment assets in the following asset classes and any of the investment instruments listed below.

(a) Canadian and Foreign Equities

(i) Common and preferred stock, listed on a recognized exchange.

(ii) Debentures convertible into common or convertible preferred stock.

(iii) Rights, warrants and special warrants for common or preferred stock.

(iv) Installment receipts, American Depository Receipts and Global Depository Receipts.

(v) Exchange traded index participation units (i.e., iUnits and Standard and Poor's Depository Receipts).

(vi) Income trusts registered as reporting issuers under the Securities Act, domiciled in jurisdictions that provide limited liability protection to unitholders.

(vii) TSX exchange-traded limited partnerships.

(viii) Private placement equity where an Investment Manager determines the security will become eligible for trading on a listed exchange within a reasonable and defined time frame, not to exceed six months, and the issuing company is publicly listed on a recognized exchange.

(ix) Private Placement equities (subject to section 3.04(a)).

(b) Bonds, Mortgages and Real Estate

(i) Bonds, debentures, notes, and other evidence of indebtedness denominated and payable in Canadian dollars. Issuers may be Canadian, supranational or foreign if domiciled in developed markets.

(ii) Mortgages secured against Canadian real estate subject to Section 3.03 below.

(iii) Mortgage-backed securities of Canadian issuers.

(iv) Asset-backed securities of Canadian issuers.

(v) Term deposits and guaranteed investment certificates.

(vi) Private placements of bonds subject to Section 3.03.

(vii) Real Estate subject to 3.03(e) below.

(c) Cash and Short-Term Investments

(i) Cash on hand and demand deposits.

(ii) Treasury bills issued by the federal and provincial governments and their agencies.

(iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances.

(iv) Commercial paper and term deposits.

(v) Non-bank asset backed commercial paper is not permitted.

(d) Infrastructure

(i) Indirect infrastructure investment via independently managed pooled funds, limited partnerships or specialist corporate structures (eg. LLCs). The mandate of each fund, partnership or corporate structure will vary with the long-term goal of assembling a diversified portfolio.

(ii) Permitted and prohibited investments in infrastructure will be governed by the terms and conditions set out in the respective pooled fund contract, Offering Memorandum, Trust Agreement or similar document that is applicable to each Investment Manager.

(e) Other Investments

(i) Investments in open-or closed-ended pooled funds provided that the assets of such funds are permissible investments under the Policy.

(ii) Deposit accounts of the custodian can be used to invest surplus cash holdings.

(f) Derivatives

The use of derivatives (such as options, futures and forward contracts) is permitted with prior approval by the Committee to protect against losses from changes in exchange rates, interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions. No derivatives can be used for speculative trading or to create a portfolio with leverage. Derivative use in pooled funds is subject to the pooled fund guidelines.

(g) Pooled Funds

Investment in pooled funds is permissible. Pooled funds are governed by the policies for each fund. The Committee shall review the guidelines for any pooled fund investment to determine if they are appropriate. Any change to the pooled fund policy shall be communicated to the Company at least 30 days prior to the change. However, the managers will endeavor to provide 90 days notice of material change to the policy.

3.03 Minimum Quality and Quantity Guidelines

Provisions respecting quality and quantity guidelines as may be applicable for each of the Matching and Return Seeking Portfolios are outlined in this section.

Investments of any kind (stocks, bonds, real estate, mortgages, short term investments) of any one issuer in the aggregate (other than the Government of Canada or a Canadian province) should not exceed 10% of the market value of the related Matching or Return Seeking portfolio.

(a) Capital Stock

(i) An investment manager is expected to maintain a relatively high quality portfolio. In general, investments should be limited to stocks that are publicly traded on a recognized securities market.

(ii) No single issuer's equities, private or public, shall represent more than 10% of the market value of each of the Canadian and U.S. equity portfolios.

(iii) No one holding can represent more than 10% of the voting shares of any corporation, except for substantial investments, as defined by the Insurance Companies Act (no substantial investments can be made without prior approval).

(iv) Total private placement equities shall not exceed 10% of the equity portfolio market value at the time of purchase.

(v) As well, in accordance with subsection 9(3) of Schedule III of the regulations of the Pension Benefits Standards Act, the 10% limit referred to in the preceding paragraph does not apply to investments in an investment corporation, real estate corporation or resource corporation.

(vi) Industry weightings of the equity portfolio should not exceed the greater of 10% of the market value of the equity portfolio or 2.0 times the relevant industry weights of the group indexes on the S&P/TSX Capped Composite for Canadian equities and the S&P 500 for U.S. equities.

(vii) Investments in non-North American equities are held in a pooled fund vehicle, subject to 3.02(d)(i) and 3.02(f). The investment guidelines of the pooled fund, as updated from time to time, shall be disclosed to SGI.

(viii) The minimum quality standard for individual preferred shares is P-1 or equivalent, as rated by a recognized credit rating service at the time of purchase.

(b) Bonds

(i) The minimum quality standard for purchase of bonds and debentures is “BBB” or equivalent rating, as rated by a recognized credit rating service (includes all sub-rating levels within the overall “BBB” rating). If a bond issue receives different ratings, the rating that is most common will generally prevail. When a majority does not exist on a bond issue, the most conservative rating shall prevail. In the event that split ratings straddle the minimum quality standard of “BBB” or equivalent, then the most conservative rating will be used irrespective of majority.

(ii) “BBB” bonds may not be purchased if it would result in raising holdings rated “BBB” or lower to more than 15% of the market value of the bond portfolio.

(iii) An investment manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 3.03(b)(i):

(A) The Company will be notified of the downgrade at the earliest possible opportunity;

(B) Within five business days of the downgrade, an investment manager will advise the Company in writing of the course of action taken or to be taken by the investment manager, and its rationale; and

(C) An investment manager will provide regular reporting on the status of the asset until such time as it matures, is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.

(iv) An investment manager shall report to the Company, along with the recommended strategy for bringing the portfolio into line with the policy restrictions, should the total exposure to “BBB” or lower bonds move above 15% of the market value of the bond portfolio.

(v) The minimum quality rating for mortgage backed and asset backed securities is “AA” or equivalent.

(vi) Unrated bonds should be assigned a rating by an investment manager before purchase.

(vii) No more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

(viii) Holdings for any one province should not exceed 20% of the market value of the bond portfolio.

(ix) Private bond placements should not exceed 15% of the market value of the bond portfolio and are subject to the following conditions.

(A) The issues acquired must be minimum ‘A’ or equivalent rated (prior approval of the Committee is required before purchasing private bond placements with credit ratings lower than “A”).

(B) The investment portfolio may not hold more than 5% of the market value of any one private placement.

(C) An investment manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price.

(c) Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be ‘recognized bond rating agencies’:

(i) DBRS;
(ii) Standard and Poor’s;
(iii) Moody’s Investors Services; and
(iv) Fitch Ratings (for foreign issuers only).

(d) Mortgages

(i) Investments in mortgages are held in a pooled fund vehicle subject to 3.02 (d)(i) and 3.02 (f). The investment guidelines of the pooled fund, as updated from time to time, shall be disclosed to SGI.

(e) Real Estate

When considering real estate purchases or investment in real estate pooled funds, the following are attributes favoured by the Company:

(i) Canadian real estate capable of yielding overall rates of return in excess of current and projected levels of inflation in the long term.

(ii) A portfolio capable of providing a stable long term income flow.

(iii) Land held for future development is allowable but should be limited in amount.

(f) Short Term Investments

(i) Short-term investments for the purpose of this Statement are defined as securities purchased with a maturity of one year or less.

(ii) It is anticipated that an investment manager will invest only in instruments of the highest quality. Securities with an "R-1" or equivalent rating, as rated by a recognized credit rating service, are permissible investments (includes all sub-rating levels within the overall "R-1" rating).

(iii) Holdings for any one issuer, other than the Government of Canada or a Canadian province, should not exceed 10% of the market value of the combined short-term investment and bond portfolios in the Matching Portfolio and 10% of the market value of the short-term investment portfolio in the Return Seeking Portfolio.

(g) Exceptions

When applying the Quality and Quantity Guidelines, it is recognized that there may be occasions during which these guidelines are not met temporarily for valid investment reasons. It is the responsibility of an investment manager to report any violations to the Company immediately, and to recommend an appropriate course of action.

3.04 Prior Permission Required

The following investments are permitted provided that prior permission for such investments has been obtained from the Committee:

(a) Investments in private placement equities, other than those permitted in Section 3.02 (a)(viii);

(b) Investments in private placement bonds with credit ratings lower than "A";

(c) Derivatives, as per Section 3.02(e) above;

(d) Any other investments not expressly permitted by this policy statement.

3.05 Prohibited Investments

An investment manager shall not:

(a) Directly invest in companies for the purpose of managing them;

(b) Purchase securities on margin or engage in short sales, except as allowed in 3.02(e); or,

(c) Make any investment not specifically permitted by this Policy.

3.06 Securities Lending

The investments of the assets may be loaned, for the purpose of generating revenue for the Fund assets, subject to the provisions of the applicable legislation.

Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 102% of the market value of the securities lent. This market relationship must be calculated at least daily.

If the assets are invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract. The pooled fund manager shall disclose whether the fund uses securities lending.

Section 4—Monitoring and Control

4.01 Responsibility of an Investment Manager

The overall responsibility of an investment manager is to provide competitive returns over time, measured against specified market-oriented standards.

An investment manager will have full discretion in managing the portfolio subject to the general guidelines presented in this policy statement, and any amendments, that may be made from time to time, by SGI's Board of Directors.

An investment manager will report to SGI as requested by the Company. The meetings will allow the managers to report on investment performance, and to advise the Company of the investment strategy that is being followed, and any changes in the strategy.

An investment manager should, within 30 business days of each quarter-end, forward a written report to the Company each quarter on the performance of the assets under management and on the firm's investment outlook.

An investment manager will notify the Board immediately, in writing, of any legal or regulatory proceedings or charges of which the manager may be aware, against the manager’s firm or investment personnel, or against any sub-advisor or that firm’s investment personnel.

The investment standards outlined in this policy statement provide a framework for management of the portfolio within levels of risk acceptable to the Company. If a manager believes the Asset Mix Guidelines are inappropriate for anticipated economic conditions, the manager is responsible for advising the Company that a change in guidelines is desirable, and the reasons therefore.

4.02 Compliance Reporting

A report on compliance with the investment policy, directed to Management, will be completed quarterly. The report format is included as part of this policy. The Company must be notified immediately of any deviation from the investment policy.

4.03 Performance Measurement

Investment results will be monitored on a quarterly basis. Performance will be evaluated over moving four-year periods.

Return objectives include realized and unrealized capital gains and losses plus income from all sources. Investment returns are measured on a time-weighted basis.

(a) Matching Portfolio Benchmark

The primary objective is to exceed the return of the least risk portfolio (LRP). The LRP is a portfolio of investable federal government bonds, meeting the quality and quantity guidelines set out in this policy, structured to match the annual liability cash flows as calculated by SGI and provided to an investment manager from time to time. A hurdle rate will be added to the return of the LRP based on the average yield spread for a portfolio constructed with an approximate weight of 1/3 in each of the federal, provincial and corporate sectors. It is expected that the structure of the LRP will change up to three times per year as updated cash flows are provided based on tri-annual actuarial valuations.

(b) Return Seeking Portfolio Benchmark

The primary objective is to outperform a benchmark portfolio consisting of the following market index total returns weighted as follows:

Asset Class	Representative Index	Weight [1] %
Canadian equities	S&P/TSX Capped Composite	37.5
U.S. equities	S&P 500 ($C)	15.0
Non-North American equities	MSCI EAFE ($C)	12.5
Global small cap equities	MSCI World Small Cap Index ($C)	12.5
Real estate	Investment Property Databank	20.0
Infrastructure	Canadian CPI + 5%	0.0
Short-term investments	DEX 91-Day T-Bills	2.5
		100

1. The current benchmark was effective April 1, 2012. Historical benchmark portfolio weights are shown in Appendix B.

(c) Return Seeking Portfolio—Multi-Asset Class Manager Benchmark

The primary objective of the multi-asset class managers is to outperform a benchmark portfolio consisting of the following market index total returns weighted as follows:

Asset Class	Representative Index	Weight [1] %
Canadian equities	S&P/TSX Capped Composite	43
U.S. equities	S&P 500 ($C)	17
Non-North American equities	MSCI EAFE ($C)	14
Real estate	Investment Property Databank	23
Short-term investments	DEX 91-Day T-Bills	3
		100

1. The current benchmark was effective April 1, 2012. Historical benchmark portfolio weights are shown in Appendix B.

(d) Asset Class Benchmarks

A secondary objective is to earn asset class returns that exceed the benchmark index for each of the asset classes in which an investment manager invests. In addition, the following value added objectives have been set, which will be monitored over rolling four-year periods.

Asset Class	Representative Index	Value added target (basis points)[1]
Canadian equities	S&P/TSX Capped Composite	125
U.S. equities	S&P 500 ($C)	50
Non-North American equities	MSCI EAFE ($C)	150
Global small cap equities	MSCI World Small Cap Index ($C)	150

[1] *Asset class value added targets are before fees.*

The market indices referred to in this section may be changed by the Committee to match the specific investment mandates for an investment manager selected to manage the portfolio, recognizing that at all times the Fund must be managed in accordance with the asset mix guidelines set out in Section 2 and permitted and prohibited investments set out in Section 3 above.

4.04 Soft Dollars

The Fund does not use soft dollars (directed commissions) to pay for any goods or services. An investment manager may use soft dollars to pay for research and other investment-related services with disclosure to the Company, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute.

4.05 Dismissal of an Investment Manager

Reasons for reviewing and considering the termination of the services of an investment manager include, but are not limited to, the following factors:

(a) Performance results, which over a reasonable period of time, are below the stated performance benchmarks;

(b) Changes in the overall structure of the Fund such that an investment manager's services are no longer required;

(c) Change in personnel, firm structure and investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio;

(d) Legal or regulatory proceedings against an investment manager or its investment personnel, or any sub-advisor firm or that firm's investment personnel;

(e) Failure to adhere to this Policy; and/or

(f) Performance consistently falling below the median of an investment manager peer group.

4.06 Standard of Professional Conduct

An investment manager is expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute or such other internal code of conduct as considered acceptable by SGI. An investment manager will manage the assets with the care, diligence and skill that a prudent person skilled as a professional investment manager would use in dealing with an investment portfolio. An investment manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

4.07 Suppression of Terrorism Regulations

An investment manager must comply at all times and in all respects with the federal Suppression of Terrorism Regulations, or such similar standards or regulations as applicable in the managers' country of residence.

Section 5—Administration

5.01 Conflicts of Interest

(a) Fiduciary Responsibilities

This standard applies to Board members, members of the Committee, management advisors and all agents employed by the Company.

An agent is defined to mean a company, organization, association or individual retained by the Committee to provide services to the Company.

In carrying out their fiduciary responsibilities, these parties must act at all times in the best interest of the Company.

(b) Disclosure

In execution of their duties, Board members, Committee members, management advisors and agents shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased decisions as it relates to administration of the Fund.

Parties affected by this Statement shall not make any personal financial gain (direct or indirect) because of their fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Committee.

Any party affected by this Statement who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, must notify the Chair of the Committee. Disclosure should be made promptly after the affected person becomes aware of the conflict. The Chair will decide what action is appropriate under the circumstances, but at a minimum, will table the matter at the next regularly scheduled meeting of the Committee.

No affected person who has or is required to make a disclosure which is determined to be in conflict as contemplated by this policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

No affected person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from an individual or entity that the person deals with in performing responsibilities for the Company.

5.02 Related Party Transactions

The Fund may not enter into a transaction with a related party unless:

(a) The transaction is required for the operation or administration of the Fund and the terms and conditions of the transaction are not less favourable to the Fund than market terms and conditions; or

(b) The securities of the related party are acquired at a public exchange.

Related party includes any officer, director or employee of the Company. It also includes the investment managers and their employees, a union representing employees of the Company, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others.

Under the preceding conflict of interest guidelines, it is incumbent on any person to notify the Committee Chair if a conflict arises. Such conflict includes related party transactions.

5.03 Selecting an Investment Manager

If a new investment manager is to be selected or additional investment manager(s) added to the existing investment managers, the Committee will undertake an investment manager search. The criteria used for selecting an investment manager will be consistent with the investment and risk philosophy set out in Section 1.05 (Investment and Risk Philosophy).

5.04 Monitoring of an Investment Manager

To enable the Committee to fulfill its responsibility of monitoring and reviewing an investment manager, the investment consultant will assist the Committee, on an ongoing basis, in considering:

(a) Investment manager’s staff turnover, consistency of style and record of service;

(b) Investment manager’s current economic outlook and investment strategies;

(c) Investment manager’s compliance with this Policy, where a manager is required to complete and sign a compliance report; and,

(d) Investment performance of the assets of the Fund in relation to the rate of return expectations outlined in this Policy.

5.05 Voting Rights

The Company has delegated voting rights acquired through investments to the custodian of the securities to be exercised in accordance with investment manager instructions.

An investment manager is expected to exercise all voting rights related to investments held by the Fund in the best interests of the Fund.

The Company reserves the right to direct the custodian to vote in a specified manner.

An investment manager should disclose their proxy voting policies and report annually on (1) whether all eligible proxies were voted on the Fund's behalf and (2) if the proxy voting guidelines were followed and report on any deviations.

5.06 Valuation of Investments not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

(a) Equities

Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.

(b) Bonds

Same as for equities.

(c) Mortgages

Unless in arrears, at the outstanding principal.

(d) Infrastructure

Value based on the manager(s) internal appraisal process, with ultimate values determined upon sale of assets.

(e) Others

Securities that are not publicly traded and for which no external transaction or other evidence of market value exists, will be valued at cost.

5.07 Annual Review

This policy is open to review at any time, but must be reviewed annually.

Appendix A – Compliance Report

Saskatchewan Auto Fund
Matching Portfolio and Return Seeking Portfolio Multi Asset Class Management
Compliance Report for the Period from ____________ to ____________
(date) (date)

		Guidelines	Policy Complied With Yes/No*
		%	
Asset Mix (at Market Value)			
Matching Portfolio	Asset cash flows matched in term buckets greater than 1 year within +/- 5% of liability cash flows and +/-10% of liability cash flows for the less than 1 year term bucket		
Return Seeking Portfolio—Multi-Asset Class			
Equities	Canadian	33 – 53	
	U.S.	10 – 25	
	Non-North American	7 – 20	
	Foreign	18 – 45	
	Total	50 – 83	
Real Estate		20 – 34	
Equities and Real Estate	Total	70 – 100	
Short Term & Cash		0 – 20	
Constraints			
Total Fund	- Diversification	Max 10% of the market value in any one issuer	
Equities	- Private placements	Compliant with policy	
	- Public traded on recognized securities market		
	- Diversification	Max 10% of the market value in Cdn. or U.S. equities in any single issue	
	- Concentration	Max 10% of the equity of a single company	
	- Single Industry	Max greater of 10% the Cdn. or U.S. equity portfolio or 2.0 times the TSX or S&P industry weighting	
Bonds	- Private placements	Prior approval required unless min "A" rating. Max 15% of market value of bond portfolio	
	- Quality	Min "BBB" for bonds; "AA" for asset-backed and mortgage-backed	
		"BBB" ineligible for purchase if it would raise "BBB" or lower holdings above 15% of the market value of the bond portfolio	
	- Diversification	Max 10% of the bond and short-term portfolio market value in single issuer other than the Government of Canada or a province	
	- Concentration	Max 20% of total bond portfolio market value in any one province	
	- Foreign Issuer	Max 10% of bond portfolio market value	
	- Foreign Currency	Not permissible	

**If policy not complied with, comment on specifics.*

Saskatchewan Auto Fund
Matching Portfolio and Return Seeking Portfolio Multi Asset Class Management
Compliance Report for the Period from ____________ to ____________
(date) (date)

Short Term Investments	- Minimum Quality	"R-1"	
	- Single Issuer	For Matching Portfolio, max 10% of short-term and bond portfolio market value other than Government of Canada or a province (max 10% of short-term portfolio for Return Seeking Portfolio)	
Real Estate	- Permitted in accordance with the policy		
Derivatives	- Permitted in accordance with the policy		
Other Investments	- Prior Approval Required		
Pooled Funds	- Compliance	Compliance with all pooled fund investment policies	
Other	- Statutory Requirements	Compliance with the Insurance Companies Act (Canada) and The Crown Corporations Act	
	- Concentration	Max 10% of the total portfolio market value in any single issuer other than the Government of Canada or a Canadian province for each of the related Matching or Return Seeking portfolios	
	- Proxy Voting	All eligible voting rights voted in best interest of Fund	
	- Soft Dollars	Manager uses Soft Dollars (yes/no)?	
		If yes, manager complies with CFA Institute Soft Dollar Standards	
Conflicts of Interest	- Disclosure	Conflicts of interest (if any) disclosed to the Chair of the Committee of the Board.	
Suppression of Terrorism	- Compliance	Compliance with Federal Suppression of Terrorism Regulations	

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Goals throughout the reporting period.

Greystone Managed Investments Inc.

Signature and Title

Company Name

Saskatchewan Auto Fund
Global Small Cap Specialty Equity Management
Compliance Report for the Period from ____________ to ____________
(date) (date)

		Guidelines	Yes/No*
		%	
Asset Mix (at Market Value)			
Equities	Global Small Cap	100†	
Constraints			
Pooled Fund	- Concentration	Max 10% of the market value of the pooled fund	
Compliance		The pooled fund has been managed as outlined in its investment policy. If "No" please specify variations	
Other	- Form ADV	Any material changes to the investment policy since the prior quarter have been reported to SGI	
Firm Proceedings	Disclosure	Change in personnel, firm structure and investment philosophy, style or approach that might adversely affect the potential return and/or risk level of the portfolio have been communicated to SGI	
		Legal or regulatory proceedings against the manager or its investment personnel, or any sub-advisor firm or that firms' investment personnel have been communicated to SGI	
Conflicts of Interest	- Disclosure	Conflicts of interest disclosed to SGI	
Code of Ethics	- Compliance	The manager has adhered to their internal Code of Ethics and has disclosed any material Code of Ethics changes made since the prior quarter	
Suppression of Terrorism	- Compliance	Compliance with Federal Suppression of Terrorism Regulations or similar U.S. regulations	

* *Provide actual weight or range where appropriate.* *If policy not complied with, comment on specifics.*

† *A pooled fund is deemed fully invested in global small cap equities notwithstanding cash and short-term investments held in the fund.*

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Procedures throughout the reporting period.

____

Signature and Title

____

Company Name

Compliance Report

A letter confirming compliance with the investment policies and procedures as set out in the Limited Partnership Agreement and related documents shall be periodically completed when requested by SGI. Deviations, if any, from the investment policies and procedures and explanation for such deviations, along with any changes to the investment policies and procedures shall be provided to SGI.

Appendix B – Return Seeking Portfolio Benchmark Portfolio Weights

Return Seeking Portfolio Benchmark Portfolio Weights

Current Benchmark Portfolio Weights**

Asset Class	Representative Index	Weight* %
Canadian equities	S&P/TSX Capped Composite	37.5
U.S. equities	S&P 500 ($C)	15.0
Non-North American equities	MSCI EAFE ($C)	12.5
Global small cap equities	MSCI World Small Cap Index ($C)	12.5
Real estate	Investment Property Databank	20.0
Infrastructure	CPI + 5%	0.0
Short-term investments	DEX 91-Day T-Bills	2.5
		100

Convertible securities and preferred shares are considered to be equities in the asset mix guidelines.

* *Effective April 1, 2012*

*** Return Seeking Portfolio*

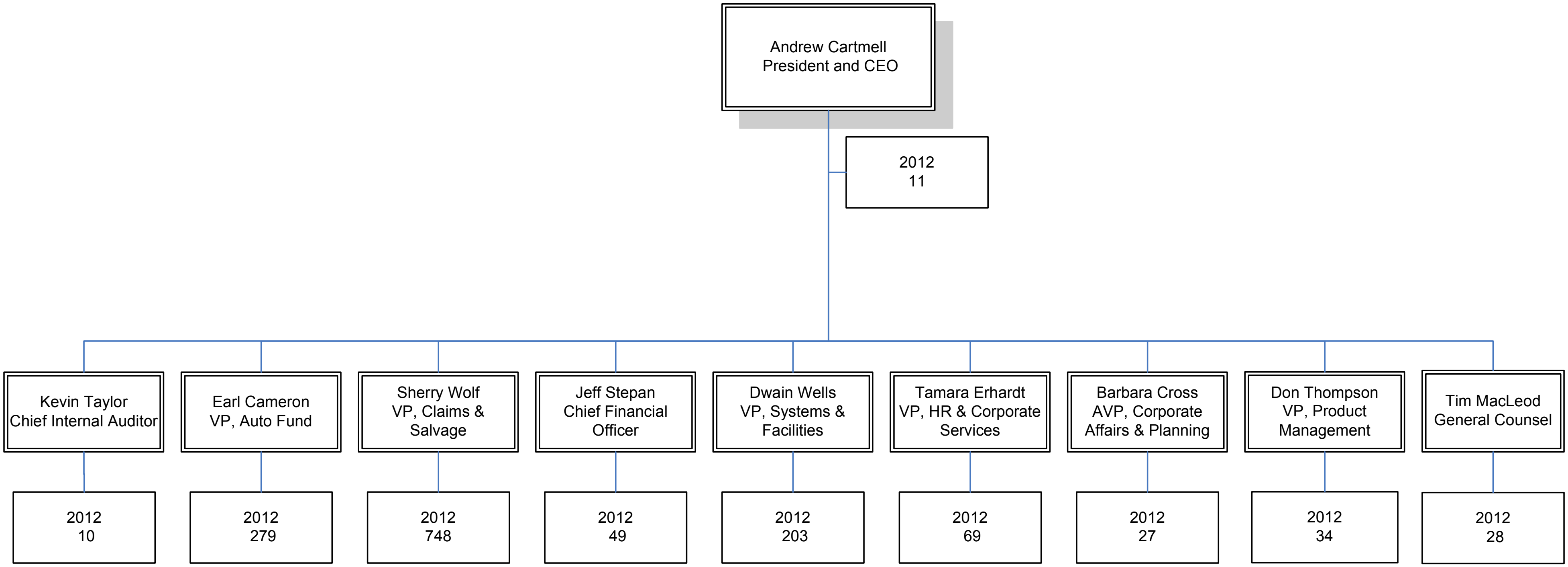
Historical Benchmark Portfolio Weights

Asset Class	Prior to Oct 1, 1991	Oct 1, 1991	Jan 1, 1995	Aug 1, 1996	Jan 1, 1999	Feb 1, 2003	Feb 1, 2004	Jan 1, 2006	Apr 1, 2006	Oct 1, 2006	Dec 1, 2008	Oct 1, 2010
Canadian equities	22	20	15	15	15	15	15	15	15	15	15	50
U.S. equities	5	5	5	5	5	5	5	5	5	5	5	16
NNA equities	-	-	5	5	5	5	5	5	5	5	5	16
Real estate	-	-	-	2	2	2	1	1	3	5	5	16
“Universe” bonds	58	55	55	58	63	32	38	69	67	65	62	-
Short-term bonds	-	-	-	-	-	31	31	-	-	-	-	-
Mortgages	-	5	5	5	-	-	-	-	-	-	5	-
Short-term investments	15	15	15	10	10	10	5	5	5	5	3	2
	100	100	100	100	100	100	100	100	100	100	100	100

Total Fund historical benchmark weights to September 30, 2010 and Return Seeking historical benchmark weights thereafter.

19. Past, Current and Future Staffing Levels

SGI
Organizational Summary



2012 numbers represent actual number of full-time equivalents

Out-of-Scope vs Inscope

	2010	2011	2012	Budget 2013
In-scope	1,244	1,233	1,286	1,313
Management	219	226	243	258
Total	**1,463**	**1,459**	**1,529**	1,571

20) Staffing Levels	**2010**	**2011**	**2012**	**2013**
Andrew Cartmell - President & CEO	14	15	11	10
Kevin Taylor - Chief Internal Auditor	8	9	10	9
Barbara Cross - AVP Corporate Affairs & Planning	15	15	27	28
Tim McLeod - General Counsel			28	32
Earl Cameron - VP Auto Fund	298	277	279	284
Don Thompson - VP Product Management	2	25	34	36
Penny McCune - VP Customer & Distribution Strategy	0	0	71	80
Sherry Wolf - VP Claims & Salvage	773	778	748	742
Marketing & Communications (discontinued in 2012)	20	22		0
Jeff Stepan - Chief Financial Officer	65	47	49	53
Tamara Erhardt - VP HR & Corporate Services	69	70	69	84
Dwain Wells - VP Systems & Facilities	199	201	203	212
Total	**1,463**	**1,459**	**1,529**	**1,571**

Notes:

Highway Traffic Board positions reported under Barbara Cross.

Fair Practices positions reported under Marketing & Communications (2009 & 2010); under Barbara Cross in 2011

Legal positions now reported separately under Tim MacLeod (formerly were in Claims)

Marketing Communications positions split in 2012 between Corporate Affairs and Customer & Distribution Strategy.

Note: Executive Offices of 15 Positions comprised of (See Breakdown below)

Executive:	
Barbara Cross	1
Secretaries	1
Executive	8
CEO	1
Total	**11**

Executive Breakdown:	
AutoFund	1
Claims/Salvage	1
Operations	1
Other	5
Total	**8**

Note: FTE values exclude Operations

20. Taxes

As part of the Reciprocal Tax Agreement, expenses for Crown corporations such as SGI are exempt from paying GST.

The Auto Fund pays a 5% premium (income) tax into the general revenue fund (GRF).

In terms of claim payments, if the claimant is subject to GST or PST and incurs this cost, then the Auto Fund will indemnify the customer/claimant. If the claimant is not subject to taxes or can claim an Input Tax Credit (ITC) for GST, then the customer/claimant's net loss is indemnified and the Auto Fund would not pay the GST as they are eligible for the ITC.

If the vehicle is deemed to be a total loss, then the Auto Fund will indemnify the GST and PST if it has been incurred originally and if incurred again upon replacement. Various rules and guidelines exist for late model vehicles (vehicle is 2 years old or newer) and for the different arrangements.

22. Auto Fund Programs Introduced or Eliminated, by Type

During 2012 the Saskatchewan Auto Fund introduced the following programs:

- Small veteran and Saskatchewan Rough Rider licence plates, and
- Delivery of International Registration Plan (IRP) transactions through issuer offices.

During that same time the following program was eliminated:

- Licence plate stickers

23. Productivity and Efficiencies

Crown Sector Efficiency Reporting – "Enhancing the Efficiency and Effectiveness of Operations"

Crown Corporation Reporting Outline

Operational Efficiency Gains

- Auto Fund Redevelopment Project
  - This was a 5 year project to redesign and develop the Auto Fund computer system within SGI. This new system enhanced customer experience with a more intuitive and robust product. It also automated many administrative tasks therefore eliminating 15 positions from the Auto Fund division. This was an estimated savings of $635,000 in salary annually.
- Automated Underwriting
  - SGI CANADA has been moving towards an automated underwriting environment to reduce the number of policies that need to be managed by an underwriter. In 2011, nearly 53% of all new or revised policies are being submitted electronically, and 38% of those are being done directly by the broker. This automation has saved 5.5 positions from the underwriting areas, an estimated savings of $220,000 in salary annually.
- Highway Traffic Board (HTB) Process Re-engineering
  - HTB is an arms'-length department of SGI that manages traffic appeal hearings. The number of hearings were increasing year over year and new ways of doing things needed to be investigated. As part of the LEAN implementation, HTB was the first Kaizen event for The PEP Squad to test out their new skillsets. After a two-week process review and a number of changes made, the Highway Traffic Board can now manage 40% more hearings a week, improving turnaround time for customers.

Partner Leverage

- SGI's licence plate printing was tendered in 2010 and the new contract was $250,000 less per year than what SGI had been paying. This contract has been extended to 2012. It is expected that SGI will see savings again of $250,000 in 2011.

Company/Customer/Employee Benefits

- SGI's goal to efficiency is to change its culture. A team of efficiency analysts, branded The PEP Squad, was created (Process, Efficiency, Productivity) to promote the concept that everyone has the ability to make change. To make this team visible, a number of initiatives were implemented:
  - An intranet launch introducing the PEP Squad and its mandate
  - A PEP Rally – Free PEPsi and PEPcorn were handed out to all employees at head office. Games to showcase efficiencies were played as well as highlight videos of some of the teams' successes in 2011. The IDEA OF THE YEAR contest was also launched. An online

Idea Snapshot form was created so any employee could submit their idea for efficiency. The person submitting the idea implemented in 2012 that has the biggest savings will win a $100 gift certificate to the SGI CANADA Promo and Advertising shop. From the idea snapshot bank, The PEP Squad is targeting to implement 10 efficiency initiatives.

SGI Efficiency Strategy

- In order to change corporate culture, awareness of the need to change and the desire to change must be instilled. The PEP Squad and the PEP Rally were the two key stepping stones to starting that process.

  SGI's goal is not to make "big bang" changes throughout the organization. Our focus is to re-engineer one large corporate project per year and work on 10 smaller, department efficiency ideas that are submitted by the employee. This strategy is aimed at getting people involved in the efficiency program and to combat the fear of change. We believe this approach will be sustainable throughout the corporation.

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund	**Crown Collaboration**	Replace CVA (Corporate Vehicle Agency) vehicles with SGI vehicles. Corporate vehicles are less expensive to lease then CVA vehicles.	$4,800/yr	Actual dollars saved annually	
Autofund	**Operational Efficiency Gains**	Pursue changes to the Auto Fund system for record retention (large customer files), to improve system response to customer searches.	Will reduce staff time spent processing customer payments and completing searches due to delayed system response time and time outs.	Time savings	
Autofund	**Operational Efficiency Gains**	Eliminate Licence Plate Stickers. Effective November 2012, SGI will eliminate the issuing of licence plate expiry, continuous, perpetual, class, and day stickers.	$100,000 in sticker costs, issuer and issuing staff in time and effort required to issue a licence plate.	Actual dollars saved annually	Operational Efficiency Gain - administrative
Autofund	**Operational Efficiency Gains**	The CSC (Customer Service Centre) hired a permanent full-time Clerk 2 as backup at the switchboard, rather than using CIR I (Customer Inquiry Rep I) from the Call Centre. Clerk 2's also assist with registered mail duties in PR.	Reduced cost to operate switchboard and improved customer service (decreased wait time) in Call Centre.	Improved customer service	
Autofund	**Company/Customer/ Employee Benefits**	Release 7.5 - MySGI - customers can choose email as their preferred method of communication. This is available for the Auto Fund's largest volume letters (Auto Pay renewals, Vehicle renewals and driver installment payment letters). This will reduce the amount of money spent on postage, paper, envelopes and print supplies for the Auto Fund.	The Auto Fund is projecting slow growth for this service. Less than 10% of customers have provided SGI with their email addresses and a small portion of those people have chosen email as their preferred method of communication.	Actual dollars saved annually, improved customer service	
Autofund	**Company/Customer/ Employee Benefits**	Implement administrative efficiencies. Internal policy/process change with a focus on items that do not require permit system changes. Potential opportunities include: 1. Permit Office section on SGI website 2. Converting nil fee term single vehicle term permits to fleet term permits 3. Better co-ordination of highway information (bans, closures, construction, etc) 4. Permit exemption for vehicles weighing less than 11, 794kg 5. Increase term permit dimension allowance from 3.7m to 3.85m 6. Convert the term permit manual to electronic format 7. Implementation of HCC phone queue system in order to support better utilization of resources and reduce off-phone time.	Improve access to information for customers and permit reps which will help to reduce call volumes/call processing times.	Improved customer service	
Autofund	**Operational Efficiency Gains**	Automated Term Permits. 8,500 of 11,300 term permits are renewals. This projects seeks to have renewals done automatically, resulting in a reduction to permit office admin time and allowing resources to be directed to the phone queue.	$13,276.50/yr	Actual dollars saved annually, improved customer service	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund	**Company/Customer/ Employee Benefits**	Change bridge application procedures. Bridge duties require the resources of one full-time permit rep. Changing the application procedure to allow for direct communication and information sharing between the customer and MHI Bridge Services would reduce the rep's time spent to approximately 8% and reduce delays for customers.	92% of a Permit Rep 1 salary = $41,070.72	Time savings, improved customer service, actual dollars saved	
Autofund	**Operational Efficiency Gains**	Summer Student Hirings. Summer students replaced full-time employees providing written test assistance.	Summer student costs are offset by customer service enhancement and issuing clerk savings.	Improved customer service	
Autofund	**Operational Efficiency Gains**	Review requests for medical/vision reports. A review was completed in March, 2011. This review involved monitoring the results of vision requests resulting from failed driver test office vision tests. The review discovered that the 50 vision request all came back normal and therefore were not necessary.	50 vision reports x $40.00 each = $2,000.00. Approx saving could be 24,000.00/year	Actual dollars saved annually	
Autofund	**Crown Collaboration**	Vehicle Sharing. Cooperate with another division to share corporate vehicles versus ordering a second vehicle or paying personal mileage.	Estimated at $500 per year in reduced personal mileage.	Actual dollars saved annually	
Autofund	**Crown Collaboration**	Staff Sharing. Allowed 2 areas to share the same staff member to complete 2 objectives simultaneously. Driver programs & Safety Promotion.	Total $8,000 savings. $6,000 deferred driver program costs plus $2,000 savings to Traffic Safety Promo.	Time saved, actual dollars saved annually.	
Autofund	**Company/Customer/ Employee Benefits**	Additional test stations in Regina and Saskatoon. More customers can be tested at the same time saving clerks time in providing service and additional time.	25% increase in customer testing in high volume locations.	Improved customer service	
Autofund	**Company/Customer/ Employee Benefits**	Communication devices. Supervisors issued Blackberries to allow multi tasking away from office.	Intangible saving, more effective use of supervisor time.	More efficient use of time	
Autofund	**Operational Efficiency Gains**	Information messaging. Phone messaging amended to prompt customer to have information ready ahead of time.	Intangible estimated at fraction of second per transaction.	Time saved	
Autofund	**Operational Efficiency Gains**	Translation Services on Web site. Customers can study for driver licence tests in native language and succeed sooner reducing number of times a customer must be served.	Intangible saving as customer volumes continue to offset efficiency gains.	Improved customer service, time saved	
Autofund	**Operational Efficiency Gains**	Added 'written appointments' to the list of appointment types issuers can book. This alleviates the pressure on Driver Development scheduling clerks reducing the volume of calls to book appointments.		Time saved	
Autofund	**Company/Customer/ Employee Benefits**	Traffic safety workshop effectiveness. Through ESL (english as a second language) handouts result in more effective workshops and less repeat customers anticipated.	Intangible, reduced claims.	Improved customer service	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund	**Company/Customer/ Employee Benefits**	Scheduling test appointments. Underutilized staff assigned alternate duties in remote location versus hiring a replacement.	YTD (7 months) - $17,500 staff savings.	Actual dollars saved annually	
Autofund	**Operational Efficiency Gains**	Translation services at test offices. More efficient use of staff time as less time allocated to helping customers understand questions in English.	Intangible Saving through more effective use of issuing clerk time.	Time saved	
Autofund	**Operational Efficiency Gains**	Passport verification via the Internet. Staff more efficient because they are able to confirm that a customer presented passports through an Internet browser.	Slightly more efficient verification process for customers.	Time saved, improved customer service	
Autofund	**Operational Efficiency Gains**	ACD (Automatic Call Distribution) queue system. SGI is able to get to calls immediately and customer/call centre staff/issuers do not get voicemail, instead they are able to wait on a queue. Also able to have everyone in the dept on the queue at once and it bounces from phone to phone as opposed to before with a zero out line.	Difficult to quantify.	Time saved, improved customer service	
Autofund	**Operational Efficiency Gains**	Carrier/driver search screen. Driver Records staff are now able to search for a summery offence ticket that shows up as duplicate. This search screen allows us to enter the ticket number, find the ticket on the database and apply it to the driver's file. Before we would have to enter the ticket number again and skew the number once we found out it was a duplicate.	Data is more accurate, reduces duplicate work.	Time saved	
Autofund	**Partner Leverage**	Ignition interlock reciprocity with Alberta. Alberta implemented a mandatory ignition interlock program and no longer wanted to lift the suspension to accommodate those coming from AB to SK. SGI worked with them to use the SGI manual work around so customers who are not on a criminal code conviction can have II (Ignition interlock) if coming from AB due to mandatory II in their province.	Process efficiency.	Improved customer service	
Autofund	**Operational Efficiency Gains**	Change to 709 process. Ability to make a suspension from a 709 Criminal Code conviction future dated. Now a 709 CC conviction added to a licenced driver goes into effect 10 days after the entry date of the conviction instead of imediately. Correcting prohibition expiry dates to calculate correctly.	Process is more automated.	Efficiency for the customers, law enforcement and SGI	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Operational Efficiency Gains**	SGI & IRP (International Registration Plan) companies will save time and money transferring funds. IRP accounts transfer large $ amounts. There is a $10,000 dollar limit on Credit Card transactions so carriers have to wire funds and or maintain separate accounts for IRP transactions. This initiative will allow SGI to cancel bank accounts and not pay bank fees. We can also promote the use of these accounts and not credit cards so we can consider lowering the $10,000 limit.	Will allow SGI to cancel 2 bank accounts. Will stop paying for wire transfers. Promote the use of the accounts not Credit cards. Now we can consider lowering the $10,000 Credit Card limit. $1,200/ year for bank accounts and wire fees.	Actual dollars saved annually	
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Company/Customer/ Employee Benefits**	Stopped sending approval correspondence on PLP (Personalized Licence Plates) applications. Used to send letters to customers to let them know their plate had been approved. Now plates come so soon that no correspondence required. Postage cost savings.	55 cents x 6000 = $3,300	Actual dollars saved annually	
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Company/Customer/ Employee Benefits**	Eliminating IRP (International Registration Plan) paper files. SGI will save offsite storage costs. Purchasing & maintaining cabinets. Facilities consider the average life span of a cabinet to be 10 years. Branch and IRP issuing will reduce 10 filing cabinets. Not handling files allowed IRP issuing to transfer one position to branch offices to remain open over lunch. Eliminate, files, paper, copies	Staffing: $25,000 Files : $1,400 Paper: 72 boxes x$48 = $3,456 Storage: $720 Filing cabinets:$500	Actual dollars saved annually	
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Operational Efficiency Gains**	Email IRP (International Registration Plan) renewals instead of mailing. No longer need to spend money on postage, envelopes and forms for each renewal.	The average cost to send an IRP renewal is $6 per renewal. We send approximately 900 renewals per year. Cost saving approximately $5400 per year	Actual dollars saved annually	Operational Efficiency
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Operational Efficiency Gains**	Accepting Email IRP (International Registration Plan) applications. Will reduce paper faxes we receive. Instead these will be emailed to us. Paper savings.	6 boxes of paper/month = approx. $2,592/yr	Actual dollars saved annually	
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Operational Efficiency Gains**	IRP (International Registration Plan) Payments and Balancing in Branches. A phone call had to be made to process the transaction now the branch can just process the application and balances without calling. The customer is not waiting 5 to 10 mins.	Branch staff time so they can help other customers. An increase in staff for S'toon.	Time saved, improved customer service	
Autofund - Lisencing & Customer Service - Branch & IRP issuing	**Company/Customer/ Employee Benefits**	Dual Monitors for Call Centre. Auto Fund inquiries often require review/comparison of several screens, resulting in staff printing multiple pages. Dual monitors reduces need to print screens & time spent on inquiry.	Reduced copier paper usage and reduced time spent on inquiries.	Time saved	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Lisencing & Customer Service - Carrier Safety Programs	**Company/Customer/ Employee Benefits**	Conference Calls for Compliance Review Meetings. Conduct Compliance Review Meeting with the carrier over the phone instead of the Compliance Review Officer & Manager travelling to carrier's place of business or the carrier travelling to Saskatoon or Regina for the meeting.	Depending on how far we have to travel to meet with a carrier we could be saving $800 to $1000 for SGI staff to travel per meeting (this includes wages, meals, auto expense, hotels etc.). So far this year we have done 10 conference call meetings. So, we could be saving approximately $8,000 to $10,000 so far.	Time saved, actual dollars saved annually.	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Company/Customer/ Employee Benefits**	E-rate manuals for Issuers versus paper manuals. We no longer need to order binders and will save on paper and printing costs for updates and additional manuals.	Binders - $2,490 Paper/Printing - $3,696 Postage - $3,000 Staff time compiling manuals	Time saved, actual dollars saved annually.	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Operational Efficiency Gains**	Changed Miscellaneous paper to new card stock and changed quantity of packaging to reduce waste. New card stock is a lot cheaper. The new paper also enhances security.	$35,000/year in paper costs	Actual dollars Saved annually	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Company/Customer/ Employee Benefits**	Reduced the period of time for training seminars. Reps no longer have to be off the road 8-10 weeks each per year since we condensed the time between seminars. Reps can now be on the road doing more issuer visits. Seminars should only take 6 weeks per year.	More visits can be done so we can better stay on top of any issues.	Improved customer service	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Partner Leverage**	Renegotiated prices with hotel venues for seminars. Seminars will now cost us less money to hold.	$1,500-$2,000	Actual dollars saved annually	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Operational Efficiency Gains**	Cross train clerks in Info Services. Implement alternating work schedule so clerks become proficient in all aspects of department. This will improve our area's customer service and allow us to respond faster to customer requests and provide adequate coverage when employees are absent. Staff have cross trained each other and will continue to alternate duties going forward.	Improved customer service.	Improved customer service.	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Partner Leverage**	Implement Consumer Info Pkg by Dec 2011. Amalgamating Claims History, Cross Canada VIN search and Lien Search into one product for all issuers to provide service. Will improve customer service. DR has been approved. Waiting for resources to be assigned .	Difficult to quantify.	Improved customer service	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Operational Efficiency Gains**	Pursue changes to system for record retention (large customer files) to improve system response to customer searches. Will reduce staff time spent processing customer payments and completing searches due to delayed system response time and time outs. This is Ongoing. Systems works on this with each release. Each release adds some time savings.	Difficult to quantify.	Time saved	
Autofund - Lisencing & Customer Service - Issuer & Customer Support	**Company/Customer/ Employee Benefits**	Relocated Saskatoon Salvage plate recycle bins and installed cardboard recycle bin. Bins and trailer using less space, new bin height and location eliminates loading hazard, recycling process at Salvage now easier, safer and more secure for staff, and plates taken from TLV's (Total Loss Vehicles) more secure. This will save staff time as the bins are now located outside of the compound so staff do not need to be let in and walk across the compound to recycle. Also, a trailer used to be used to move the bins. Trailer will no longer be required.	$56/year trailer registration fees. Staff time hard to quantify.	Time saved	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Clarification of residency document requirements. Customers and issuers have access to what documents are acceptable and a new guarantor form, which will reduce return office visits and calls for assistance.	Customer service enhancement, innovative value. Intangible saving because service efforts directed to other customers.	Improved customer service	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Operational Efficiency Gains**	Removal of TSE (Traffic Safety Education) from DIP (Driver Improvement Programs) sanctions. Less TSE sessions reduces required staff resources.	1400 Hours per yr at $21./ hr = $29,400		
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Operational Efficiency Gains**	New west partnership-CAODC (Canadian Association of Oilwell Drilling Contractors) -self road testing. Fewer examiner resources required to complete testing.	Save up to 100 hours /year and $2,100 per year	Time saved, actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Relocate South Supervisor to Regina. Less travel time between Moose Jaw and Head Office and reduced travel expenses.	52 trips per year, 2 hours lost productivity / trip at $40 / hour; fuel at 5 gallons per round trip at $5.68 per gallon x 40 trips. Total value of saving approx $5000.	Time saved, actual dollars saved annually.	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Operational Efficiency Gains**	Lap Top Computers - 1. we salvaged 12 laptops that were destined for the garbage to use for presenting TSE's (Traffic Safety Education) (instead of using a paper binder for 3-5 attendees each time) 2. Systems found 2 laptops for us with internet access to the Autofund Application. With these, driver examiners can do their computer work from rural locations. Less paper distribution on policy revisions (replaces TSE binders) and automated access to examiner info. Exam results can be entered immediately which saves time when examiners return to the office. Includes examiner shared drive. TSE's - Complete Driver Examiners Pilot began Sept 1, 2011. Not fully implemented for each examiner yet.	Consistent information, approximately $500 in production and mailing service cost savings	Time saved, actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Operational Efficiency Gains**	Implemented HCC (Hosted Call Centre) phone system. Response time to booking customer appointments reducted from average of 3 mintues per call to 1 minute per call. Greater capacity and customer service enhanced.	Anticipated savings of 1 person day per month or approximately $2000 / yr.	Improved customer service, Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Call Processing Menu. In an attempt to reduce the number of phone calls made to our office that were actually for another SGI dept, in April 2011 Driver Development implemented a Call Processing Menu requiring telephone callers to select from 4 menu options to choose which dept they were wanting to speak with. This was successful in reducing the number of calls to our office that were for other departments.	We received an average of 25 calls per day which were for other departments…so savings of 30 hours per year	Time saved	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Promotion of self service. Encourages public to book examination appointments independently.	Long term savings anticipated.		
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Crown Collaboration**	Revised appointment scheduling for Yorkton territory. Reduced examiner assignment to Moosomin location. Savings of 2 days per month ($400) in salary cost alone.	$4800 annually.	Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Elimination of redundant reports/activities completed by Scheduling Clerk. Scheduling clerk will no longer have to dedicate 32 hours per month to generating an activity report and duplicating time cards.	$160 / month or $2000 annually.	Time saved	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Operational Efficiency Gains**	Utililize e-learning module for Motorcycle GDL (Graduated Drivers Licence) for Driver Examiner training. To support the new Motorcycle GDL implementation..training of all examiners was delivered via ONLINE LEARNING MODULE vs the more traditional training of sending a trainer to each branch location. The inefficient alternative would have taken 2 weeks, facilitating on average 2 -2 hour training sessions per day at the following costs: trainer and examiner wages 4880.00, trainer 'on the road' costs 1494.00 (hotels and meals) and 1098.44 (vehicle) for a total cost of $7752. 44 and 280 lost appointments.	$7,752.44	Time saved, Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Paperless written examination process in northern branches. Changed the traditional method of filling out paper DECs for customers in favour of just using the system to record written exam results. Regina and Saskatoon started first (2010) and the remaining branches have been coaxed to follow suit. 12175 written exams taken in branches x $0.145 per DEC.	$1762 x 50% annually	Improved customer service, Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Coffee Service discontinuation at the Regina Test Office. Discontinued customer coffee service at the Regina Test office. It was observed that more local people and friends of applicants were helping themselves to coffee/hot chocolate vs our direct customers: frees up more space for customers, additional chairs in waiting room, looks much tidier, staff have more time to dedicate to customers vs..cleaning the area, refilling the sugar, getting more cups, handling complaints of weak hot chocolate, etc. Saves about $4000 annually on supplies	$4000 annually	Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Development & Safety Services	**Company/Customer/ Employee Benefits**	Driver Appointments. New types of appointments were moved out to issuers in 2011. These transactions are done in one transaction versus 2 transactions. Customers used to have to buy a receipt and then call Driver Development. Now issuers can do the whole process in 1 transaction. Issuers are now booking 24% of appointments in 2011 vs 12% in 2010. Branch issuers also have the ability to book all written exams as well.	Improved customer service.	Improved customer service.	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Traffic Safety & Driver Services - Driver Programs	**Operational Efficiency Gains**	Review requests for medical/vision reports. A review was completed in March, 2011. This review involved monitoring the results of vision requests as a result of failed Driver Test office visions. The review discovered that the 50 vision request all came back normal and therefore were not necessary. Review will be ongoing for the different medical conditions.	50 vision reports x $40.00 each = $2000.00. Approx saving could be 24,000.00/year	Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Programs	**Company/Customer/ Employee Benefits**	Implement process of faxed documents coming to e-mail . Will reduce wear and tear on scanners, reduce amount of paper, improve processes, and provide privacy for medical documents received	Cost of purchasing new scanners ($1500.00) and reduced cost in maintaining old scanners.		
Autofund - Traffic Safety & Driver Services - Driver Programs	**Partner Leverage**	Implemented changes to the residency requirement to make it easier for issuers and the call centre. Issuers were restricted to the type of documents they could accept from customers. To accept other documents they are required to call the Customer Service Center. Expanded the types of documents and posted it on the SGI website, sent bulletin to issuers and informed CSC (Customer Service Centre).	$5720 per year (1hr/day x $22/hr x 260 days/yr) Less calls to the CSC . Customers can see full list on website and are not being turned away at issuiing office as often.	Improved customer service, Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver ProgramsPossible Records Management Issue	**Company/Customer/ Employee Benefits**	No longer storing imaged documents on the 19th floor for a year. Will be sending them to shredding after one month. Staff will no longer have to physically move boxes to 19th floor or inventory boxes of scanned documents. This will be a time saver for staff.	$1000/year		
Autofund - Traffic Safety & Driver Services - Driver Programs	**Company/Customer/ Employee Benefits**	Reduced the number of brochures ordered for the MGDL (Motorcycle Graduated Drivers Licence) program. In the letter sent to all motorcycle riders informing them of the program, they were referred to the SGI website rather than inserting a brochure. Ordered 40,000 less brochures.	Approximately $3000 in savings for the printing of the brochures as well as postage savings for not including a brochure.	Actual dollars saved annually	Operational Efficiency Gain - Commercial printing cost
Autofund - Traffic Safety & Driver Services - Driver Programs	**Company/Customer/ Employee Benefits**	Implement new initiatives in driver programs. Encourage staff initiatives and efficiences in the area through staff meetings and EASE discussions. Stay on top of issue logs that are most important to driver programs and the ones that will create more efficiences			

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Traffic Safety & Driver Services - Driver Programs	**Company/Customer/ Employee Benefits**	Vehicle Impoundment Program. The vehicle impoundment program has been significantly improved by both Candace and Cecilia. In February and March we caught up on all of our outstanding payments from 2010 and as of today we are totally current. Current means that we are now processing impoundments as they come in and processing payments to garage keepers right after the vehicle has been sold. This has been a big time saver in the Vehicle Impoundment Area.	staff time	Time saved	
Autofund - Traffic Safety & Driver Services - Driver Programs	**Company/Customer/ Employee Benefits**	HTB Appeal Process (DIP/GDL)(Driver Improvement Program/Graduated Drivers Licence). All of our appeal packages used to consist of a print out of the driver history, all letters that were sent to the customer, a written summary (put together by Sheila and Irene by reviewing the driver history) and any other previous HTB appeals. These packages has about 15-30 pages and were all faxed to the Highway Traffic Board.	As of Sept. 1 Driver Programs no longer sends appeal packages to HTB for DIP and GDL hearings as HTB staff now has access to SAM and can print off all documentation needed. Time savings. Paper savings, toner savings. 1 hour per day of a clerk 6 time, pay band 6, step 5. Savings = $22.19 per day x 260 days per year = $5,769.40	Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Driver Programs	**Crown Collaboration**	Call Centre Staff Access. We have allowed call centre staff to view all Driver correspondence and full access to IRE Driver Profile Inquiry. This reduces the number of phone calls Driver Programs receives from the call centre and CSC staff can answer inquiries faster and easier without making the customer wait.	1 hour per day of a Vehicle Impoundment Administrator's time, pay band 6, step 3. Savings = $19.24 per day x 260 days per year = $5,002.40	Actual dollars saved annually, improved customer service	
Autofund - Traffic Safety & Driver Services - Driver Programs	**Partner Leverage**	HTB Appeal Process (Vehicle Impoundment). All appeals are now emailed to the highway traffic board and the appeal decisions are emailed back to us. This process has eliminated all paperwork as this is done solely through email.	staff time	Time saved	
Autofund - Traffic Safety & Driver Services - Driver Programs	**Operational Efficiency Gains**	On September 19th our dept will start to pilot paperless faxes. Driver Programs will save on paper and time because all faxes will be going straight to email. This will also reduce wear and tear on our new fax/printer machine and reduce the amount of toner used.	~ 300 hours per year	Time saved	
Autofund - Traffic Safety & Driver Services - Driver Programs	**Operational Efficiency Gains**	Unpaid Fines - Automation process. We used to manually enter approximately 1,000 non-renewal suspensions per month and lift them daily (totalling approx. 800 lifts per month) as customers pay all fines with justice. This is now completely automated and saves approx. $6,000 in staff time/year.	approx. $6,000 in staff time/year.	Actual dollars saved, Time saved	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Traffic Safety & Driver Services - Traffic Safety Program Evaluation	**Partner Leverage**	Collision location reporting using GPS co-ordinates. Testing a process whereby the RCMP can send SGI GPS co-ordinates for location reporting. TAIS (Traffic Accident Information System) Clerks then use software to convert the co-ordinates into a location description (control section or rural road location) to be entered into TAIS.	Approximately one hour per day for one TAIS Clerk = $18.86*5*52 = $4,903.60	Actual dollars saved annually	
Autofund - Traffic Safety & Driver Services - Traffic Safety Promotion	**Company/Customer/ Employee Benefits**	Make the car seat checking process more efficient by offering appointments once a month rather than on demand. Eliminates interruptions during the workday and allows for better productivity; provides an opportunity to assist trained technicians from other branches to better utilize the 4 days of training they have taken	Currently we do an average of 11 car seat checks a month for an annual cost of about $3500. This efficiency would allow us to do about 16 car seat checks a month for about $1275 annually, a savings of about $2200 a year.	Actual dollars saved annually	
Autofund - Vehicle & Support Services	**Company/Customer/ Employee Benefits**	Corporate business analyst training program. The benefit of standardized training provided across the corporation and cost savings if programs can be offered to large groups in-house as opposed to sending individuals to separate training programs.	$6,500 per student per year (four courses, based on class sizes of 20 and 40, this is corporate-wide) = $130,000 to $260,000/yr	Actual dollars saved annually	
Autofund - Vehicle & Support Services	**Company/Customer/ Employee Benefits and Crown Collaboration**	Rachel Jones coordinated in house training for Audit software that SGI uses. There were two courses offered ACL 105 and ACL 201. The cost to send each employee to this training would have been $3,400 ($1,700 each) plus expenses. Rachel brought the trainer to SGI and extended invitations to other crowns and ministries @ a reduced price. In the end, the training ended up @$200 per employee for the training. If my math is correct that's ~ 94% savings! And that doesn't account for travel, hotel and meal expenses and that doesn't account for reduced travel time (time away from the office). This training also resulted in reduced costs for other crowns and ministries (training and expenses). The savings for SGI ends up being about $9,600 (excluding travel expenses).	~ 94% savings		
Autofund - Vehicle & Support Services - Autofund E-business	**Company/Customer/ Employee Benefits**	Expand Internet Transactions offered on MySGI as well as customer types eligible to register and set up an account		In progress	

	Category	Initiative Description	Efficiency Results/Savings	Savings Reflected	Location in Report
Autofund - Vehicle & Support Services - Autofund E-business	**Company/Customer/ Employee Benefits**	Sending monthly emails to customers (who have emails on file) with $25 driver licence payment due, RED due, or vehicle registration due to remind them they can do it online. Significant increase in the number of transactions on MySGI in the week following the email notifications. Getting more people on-line and therefore saving some remuneration on renewals and REDs. Speeding up collection of AR.	200-300% increase in the # of accounts created & # of transactions completed on-line.	Time saved	

Catergory Options

Operational Efficiency Gains

- **examples of significant achievements with dollar savings to date**
  - **e.g. regional consolidation**
  - **e.g. using technology to streamline service delivery**
  - **e.g. preventative maintenance**
  - **e.g. smart approaches to staff training, meeting management, etc.**
  - **e.g. other administrative efficiency improvements**

Crown Collaboration

- **Examples of joint efforts and dollar savings to date**

Partner Leverage

- **Examples of private sector partnerships and dollar savings to date**

Company/Customer/Employee Benefits

- **operational optimization/rationalization**
- **customer attention grabbers (e.g. efficiency gains are being passed on to customers in the following ways…)**
- **employee optimization and satisfaction**

24. Capital Improvements Spending Plans

The impact of deprecation on all capital expenditure projects was an increase to the overall indicated rates of 0.3%. Information technology accounted for approximately half of this amount, with all other projects combined accounting for the other half.

The following table provides the capital expenditure projects, with their depreciation, by year.

Saskatchewan Auto Fund Capital Improvements Spending Plans with Depreciation

	Capital Purchases 2011	Capital Purchases 2012	Capital Purchases 2013	Depreciation in: 2011	2012	2013
Buildings						
North Battleford Claims	$ 10,170	$ 72,606	$ -	210,512	211,452	221,666
Regina NW Claims	27,959	-	-	48,661	49,850	49,850
Regina Operations Centre (ROC)	(8,300)	30,558	-	5,157	5,157	5,992
Prince Albert Claims	29,115	-	-	1,286	3,101	3,101
Swift Current Claims	-	532,211	1,100,000	2,531	2,531	82,844
Weyburn Claims	-	-	-	2,417	2,417	2,417
Lloydminster Claims	709	9,053	-	2,642	2,642	3,243
Saskatoon Salvage	67,229	-	-	6,705	8,957	8,957
Yorkton Claims	-	19,247	-	2,479	2,479	3,492
Saskatoon East Claims	-	-	1,600,000	711	711	91,723
Saskatoon West Claims	-	5,000	1,400,000	677	762	76,708
Tisdale Claims	1,362,167	52,103	-	45,729	138,572	144,473
Regina East Claims	793,009	25,447	-	16,700	50,607	52,341
Weyburn Claims	856,278	13,006	-	17,941	54,367	55,249
Meadow Lake Claims	953,707	(23,136)	-	18,982	57,522	56,037
Saskatoon Central Claims	336,365	93,763	-	7,746	23,473	30,507
Estevan Claims Centre	-	-	1,000,000		-	-
Fleet Street Salvage	-	6,276	-		66	274
Saskatoon Salvage	-	892	-		15	62
North Battleford Salvage	-	-	-		-	-
Regina South Claims			60,000			3,494
Saskatoon North	-	571,528	-		-	-
	4,428,408	1,408,554	5,160,000	390,877	614,681	892,429
Information Technology	1,519,764	1,252,718	2,153,400	643,410	1,105,491	1,283,061
Other Equipment & Vehicles	598,260	945,834	721,000	126,738	281,147	447,831
Total	**$ 6,546,433**	**$ 3,607,106**	**$ 8,034,400**	**$ 1,161,025**	**$ 2,001,319**	**$ 2,623,321**

26. Implementation of Previous Panel Recommendations

Recommendation 1

That the Saskatchewan Auto Fund implement an overall average increase of 0.6%, effective August 4, 2012, calculated as follows:

- **1.1% for the inclusion of an additional expense provision of 1.25% of premium on an undiscounted basis, perhaps called a Break Even Margin, to allow for the natural growth in the provision for adverse deviations; and,**
- **a judgmental reduction of 0.5% to account for residual conservatism in Saskatchewan Auto Fund's rate indication.**

Response:

Upon Cabinet approval, SGI implemented a 1.6% overall rate increase effective August 4, 2012. SGI accepted the Panel's recommendation for a 0.6% overall average increase and added the Panel's recommended RSR surcharge of 1% to the rebalanced rates.

Recommendation 2

That the Saskatchewan Auto Fund implement an overall average rate surcharge of 1%, effective August 4, 2012, to replenish the Rate Stabilization Reserve, to be charged annually over a two-year period, and to be identified separately on customer billings and in Saskatchewan Auto Fund's internal accounting.

Response:

SGI implemented the 1% to the general rate increase for a total 1.6% increase effective August 4, 2012. According to the capital management policy, the Rate Stabilization Reserve did not require a surcharge on premium rates.

We didn't take the rate increase because according to the Policy it didn't trigger the need for a surcharge. SGI Board and management put considerable thought into a governing policy to keep the balance in the RSR at an adequate level to better protect customers from large rate swings resulting from significant and unpredictable financial events.

Recommendation 3

That in future applications, the Saskatchewan Auto Fund focus on development of best estimate rate indications, and enhance the level of support and documentation for judgmental overrides of experience-driven assumptions.

Response:

SGI believes it is sensible and advantageous to use the judgment of its corporate experts when determining rates, rather than rely solely on the data. That said, SGI agrees to provide more documentation supporting how the judgments were made with future rate applications, starting with the current application.

Recommendation 4

That the capping levels proposed by the Saskatchewan Auto Fund be accepted, and that to achieve fairness through Rate Rebalancing, the Saskatchewan Auto Fund be required to submit applications annually for each of the next two years following the period covered by this Application, regardless of whether an overall average rate change is indicated, and that the Saskatchewan Auto Fund file a fully developed implementation plan with yearly transition milestones/targets for clear-rated vehicles and conventionally-rated vehicles, together with the detailed financial impacts for each class, at the next rate application.

Response:

SGI agrees with the Panel regarding proposed capping levels.

SGI will continue to submit rate adjustment applications, with rate rebalancing, on an annual basis dependent upon corporate priorities at the time.

Recommendation 5

That the Saskatchewan Auto Fund augment the Capital Management Policy by including an officially defined and stated purpose for the Rate Stabilization Reserve, and that such purpose specifically exclude use of the Rate Stabilization Reserve to fund capital projects, and that the Capital Management Policy be included in the Panel's Terms of Reference for future applications.

Response:

The Panel's terms of reference state that the Auto Fund's capital management policy is a given parameter within which the SRRP should make its recommendations. Recommending changes to the policy are outside the Panel's mandate. Auto Fund management and board have the experience and expertise required to make decisions related to the policy.

Recommendation 6

That the Saskatchewan Auto Fund provide the Panel with an assessment from its external auditor with respect to the Saskatchewan Auto Fund assuming responsibility for the Driver Education program from the Province, confirming the consequences, if any, under International Financial Reporting Standards to the Rate Stabilization Reserve, for the next rate application.

Response:

SGI and their external auditors are of the opinion that the driver education program is accounted for correctly.

Recommendation 7

That the Saskatchewan Auto Fund review the Future Minimum Filing Requirements proposed by the Consultants and provide the Panel with its comments in a timely manner.

Response:

SGI, working with the Crown Investments Corporation (CIC) and the Panel, have developed mutually agreed to Minimum Filing Requirements.

Recommendation 8

That the Saskatchewan Auto Fund, in its upcoming Stakeholder Insurance Product Offering Review, include consideration of at least the following topics for review:

- **motorcycle safety and driver training**
- **physical damage deductible levels**
- **premiums for seasonal use vehicles, including short duration permitting options**
- **proper use for vehicles licensed as farm vehicles**
- **the Safe Driver Recognition and Business Recognition programs**
- **review of risk classifications for all vehicles, in particular, urban and rural taxis.**

Response:

SGI appreciates the Panel's interest and shall consider the Panel a stakeholder who will be consulted when a review takes place.