

# Saskatchewan Auto Fund

## Proposal for Rate Adjustment – February 2013

### Second Round Information Requests

#### Prepared on Behalf of the Saskatchewan Rate Review Panel

**1. Reference IR #1 – First Round**

Please discuss whether the specific 34 vehicle and driver profiles used in this comparison remain the same year to year, or alternatively how frequently they are re-evaluated and revised, if necessary.

**2. Reference IR #2 – First Round**

- a) Please provide an estimate of the level of human resources required and total costs incurred to prepare this comparative analysis, on an annual basis.
- b) Is it a fundamental business requirement to have this information assembled on a monthly basis?

**3. Reference IR #4 – First Round**

Please provide another premium comparison showing rates for a 4-month riding season.

**4. Reference IR #7 – First Round**

- a) For each year from 2006 to 2012, please provide a table showing the actual number of motorcycle registrations for each of Regina, Saskatoon, Small Cities, and Rural, as opposed to the number of exposures.
- b) For each year from 2006 to 2012, please provide a table showing the actual number of motorcycle registrations in total, and the actual number of motorcycles registered on their own, with no accompanying vehicle.
- c) Please provide data respecting motorcyclists related to the SDR program in terms of number receiving premium discounts vs. surcharges, for the last five years.
- d) Please clarify why the totals in Part C of this First Round response do not reconcile with the totals in the other parts of the response.
- e) Please discuss the merits of using horsepower rating rather than engine capacity as a rating dimension for Motorcycles, and if available, provide a comparable history of Motorcycle claims data stratified by engine capacity and horsepower rating.

**5. Reference IR #8 – First Round**

Please provide the ages of the 25 Motorcyclists appearing before the Motorcyclists Graduated Driver's Review Panel, including location and nature of the incidents leading to each review.

**6. Reference IR #11 – First Round**

Please provide a revised table that will show the appropriate numbers under the original Application parameters as well as for the revised Application.

**7. Reference IR #14 – First Round**

What underlying claims data is used to establish population limits in designating centres as being either “small cities” or “large cities”?

**8. Reference IR #20 – First Round**

Please re-file the tables shown in this response to reflect the original as well as the revised Application.

**9. Reference IR #22 – First Round**

Please re-file the tables shown in this response to reflect the original as well as the revised Application.

**10. Reference IR #23 – First Round**

Please re-file the tables shown in this response to reflect the original as well as the revised Application.

**11. Reference IR #27 & #28 – First Round**

Please document the derivation of each of the assigned credibilities used to combine estimates of fitted frequency or severity annual trends.

**12. Reference IR #36 – First Round**

- a) With respect to the implementation of the surcharge, please indicate when the amendment to SAF’s Capital Management Policy was proposed by SGI and approved by SGI’s Board.
- b) Please discuss the practical and philosophical considerations relating to making transfers of “excess” retained earnings from the competitive operations of SGI Canada to the Auto Fund.

**13. Reference IR #41 – First Round**

Please provide an updated response showing information to the end of March 2013.

**14. Reference IR #48 – First Round**

- a) Please provide the number of management positions as defined by the The Ward Group and by SGI in calculating the performance metrics for the staff to management ratios for the last five years.
- b) Please indicate whether the calculation of SAF’s average compensation per employee for both salaried and hourly personnel uses the Ward Group or SGI’s definition of Salaried (Management) positions.

**15. Reference IR #52 – First Round**

This response indicates that traffic fatalities and injuries are tracked through a separate mechanism and SGI does not consider this to be an appropriate measure of corporate performance.

- a) Please elaborate on the rationale, indicate where these results are tracked, and provide a historic record for injuries and fatalities since 2005 for SGI and other comparable jurisdictions.
- b) Please discuss SGI's view of its role and its responsibility in promoting traffic safety in general and safe driving practices, and why any change in related metrics should not be a measure of corporate performance.

**16. Reference IR #54 – First Round**

Please provide a copy of the report prepared by a consulting company in respect of the PEP initiatives, and provide the cost for the consultant report.

**17. Reference IR #55 – First Round**

Please provide supporting detail for the Auto Fund budgeted rates of return by calendar year.

**18. Reference IR #65 – First Round**

Please provide the number of motorcycles (instead of earned exposures) from 2006 to 2012 broken down by term of coverage (1 year, # months, 8 days, 24 hours).

**19. Reference IR #69 – First Round**

Please indicate whether the estimated percent reduction in claims (2.2% for \$800 and 4.3% for \$900) is for total claims costs, or only for physical damage costs, and generally describe the basis of these estimates.

**20. Reference IR #71 – First Round**

- a) Please augment the current response to show the corresponding number of drivers choosing the No Fault option, the total number of drivers, the % of drivers choosing the Tort option and the % of drivers choosing the No Fault option.
- b) Please confirm that once a driver chooses either the Tort or No Fault coverage, the choice remains the same regardless of vehicle type operated, and that the option can only be exercised once per year.

**21. Reference IR #73 – First Round**

- a) Please provide a summary of the results of the 2012 annual cost driver review respecting allocation of costs.
- b) Please discuss what changes could be implemented to maintain the integrity of the system in a more efficient manner, including periodic "checks and balances" to ensure that there is no cross-subsidization between the companies.

**22. Reference IR #76 – First Round**

- a) Please provide the 5 year capital program commencing with the 2013 program.
- b) Please indicate whether the various claims centre projects involve building additions, or strictly building renovations, and provide further detail as to major renewal costs: Windows & Doors, Room Reconfiguration, Electrical, Mechanical, etc.

**23. Reference IR #81 – First Round**

Please provide further disaggregated details of specific program expenditures for Driver Education costs, External Services costs and Advertising costs by expenditure type, including identification of which of these programs apply to Motorcycles.

**24. Reference IR #83 – First Round**

- a) Please reconcile the expenditures for safety shown in this response with those shown in Appendix B of the Application.
- b) Please indicate which of the past and proposed initiatives were or are targeted specifically towards motorcyclists.
- c) Please discuss how all of the initiatives in any given year are evaluated against each other with the view of optimizing annual expenditures.

**25. Reference IR #85 – First Round**

Please provide a schedule of SGI's labour repair rates for 2011, 2012 and proposed for 2013.

**26. Reference IR #87 – First Round**

Please provide the total number of vehicles registered and indicate what percentage TLV represents of the total registered vehicles.

**27. Reference IR #92 – First Round**

Please indicate when SGI anticipates the submission of recommendations respecting the SDR/BR review to SGI's Board, and indicate if there is a preliminary schedule for any legislative changes.

**28. Reference IR #97 – First Round**

- a) Please provide the 2013 budgeted amounts for each of SAF's major safety initiatives in a format similar to that used in this response.
- b) Please provide any available statistics assembled by SGI that measure the success of its safety programs since 2007.

**29. Reference IR #101 – First Round**

Please provide details showing the make-up for "Other Expenditures" and "Revenue", and explain significant variances.

**30. Reference IR #104 – First Round**

Please describe where the savings attributed to an increase in PST collections are reflected in this Application, particularly Appendix B.

**31. Reference IR #80 & #105 – First Round**

- a) Please confirm that the total estimated savings from these initiatives for 2013 is approximately \$854,000 and the same initiatives are projected to “save” about \$817,000 in each of the next 5 years, not cumulatively, but as onetime savings repeated.
- b) Please explain and demonstrate how these savings are reflected in the 2013 OM&A expenses, and indicate if these savings are in addition to, or a part of, the savings discussed in the response to First Round IR #104.
- c) Please provide a more concise summary of actual realized savings from the Auto Fund initiatives for 2012 and projected for 2013.

**32. Reference IR #113 – First Round**

- a) Please provide a summary table showing the budgeted and actual investment income and annual return rate(s) since 2004 (as well as any commentary deemed appropriate), and also please calculate year over year variability.
- b) Please discuss market changes since work on the Application filing commenced in August 2012 and whether current market forecasts are expected to significantly change SGI’s forecast of investment income in 2013 and future years.
- c) Please discuss what, if any, actions have been or can be taken or are currently planned by SGI or its Board to increase the investment return, given the current market projections, including asset mix, and general portfolio management.

**33. Reference IR #116 – First Round**

- a) Please provide the estimated 2013 SAF costs in respect of Issuer operations for which there is no cost recovery.
- b) Please describe what criteria SAF requires to be met in order to “qualify” as an Issuer, and discuss whether SAF has ever reviewed the optimal number of Issuers for its needs.

**34. Reference IR #118 – First Round**

Respecting net salvage profits, please provide the revenues realized as well as the associated costs, by type, to generate the net values. Also, please describe how and where the net salvage profits are reflected in Appendix B of the Application.

**35. Reference IR #119 – First Round**

Please provide estimates of the impact on the overall rate requirement, RSR levels and MCT ratios for each of the following additional shifts in 2013 (in each case all else being equal):

- a) a 10% decrease in Claims Incurred costs;
- b) a 0.5% increase in vehicle drift;
- c) a 0.5% increase in vehicle volume;
- d) a 10% increase in investment income;
- e) a 10% decrease in Loss Adjustment Expenses;
- f) a 10% decrease in Administrative expenses;
- g) a 10% decrease in Traffic Safety costs;
- h) a 10% increase in Other Income.

**36. Reference IR #122 – First Round**

For the record, please file the revised response to this IR recently provided to the Consultants.

**37. Reference IR #124 – First Round**

Please provide an additional row in the table in this response that shows the dollar amounts that would be realized under this capping scenario.

**Accident Fault**

**38.** Please describe the protocol used to determine at fault responsibility for accidents (not for benefits), and describe the circumstances when accident fault is not determined.

**39.** Please summarize any requirements that a police report be filed following a vehicle accident, and describe how accident fault is determined in the absence of a police report.

**40.** Please discuss how videos of an accident scene are used to assess accident fault.

**41.** Please provide a copy of the Causation Studies referenced at the Saskatoon Public Meeting.

**Motorcycles**

**42.** Please describe the upcoming Motorcycle review that was recently announced including, in particular, the scope of what is to be considered, the tentative schedule (including expected completion and reporting dates), Committee makeup and processes during and post committee reviews. Please also confirm that the Panel will be considered as an interested observer and will observe stakeholder meetings and other communications and be copied with all relevant documentation.

- 43.** Please describe the process involved in implementation of the loss transfer mechanism, including the specific data respecting the Motorcycle class, where a motorcyclist is found to be 50% or more at fault, 50% at fault, and less than 50% at fault.
- 44.** Please prepare an exhibit like that provided in response to First Round IR #122, but now providing:
- a) The estimated annual written premium at current approved rates.
  - b) The estimated annual written premium (after RSR surcharge) assuming the 2012 capping rules were again applied.
  - c) The estimated number of vehicles within 5% of adequate rates assuming the 2012 capping rules were again applied.
  - d) The estimated annual written premium (after RSR surcharge) now proposed as revised except Motorcycles capped at 0% before RSR surcharge.
  - e) The estimated number of vehicles within 5% of adequate rates now proposed as revised except Motorcycles capped at 0% before RSR surcharge.
- 45.** Please confirm that new legislation would need to be enacted or regulations passed in order to make changes in the existing injury benefits payable.
- 46.** With respect to the motorcycle rate comparisons, please discuss the comparison of actual annual premium between SAF, MPI and ICBC, and also quantify the major differences in benefits offered by each jurisdiction under their legislated plans.
- 47.** Please confirm that the nature of SAF's legislated mandate is that all drivers, regardless of driving record, are eligible for coverage, and that such may not be the case for private insurance companies.

### **Business Recognition Program**

- 48.** With respect to the Business Recognition program, please discuss the process that would be required to implement any changes to this program and the impacts of such changes on SAF and/or other vehicle classes, if made prior to or after the completion of the current review.
- 49.** Please discuss the expected consequences (including rate level and financial impacts on Taxis and all other vehicle classes) of removing Taxis from participation in the BR program.
- 50.** Please discuss the expected consequences (including rate level and financial impacts on Taxis and all other vehicle classes) of making participation in the BR program optional for Taxis.
- 51.** Please confirm that the implementation of any revised rate caps, all else being equal, will not change the overall 2013/14 revenue required by SAF, but will change the financial requirements or premiums for various vehicle classes.

52. Please provide a five accident year history of earned premiums, estimated ultimate losses and loss adjustment expenses, and estimated ultimate loss and loss adjustment expense ratios for the Auto Fund in total, and broken down between the Safe Driver Recognition program, the Business Recognition program, and other business.

### **Rate Stabilization Reserve**

53. Please confirm that if the current RSR replenishment proposal for 1.23% for each of the next 3 years were to be approved, then any required change to either the level or term of the RSR replenishment or any other rate change would require an Application to be filed with the Panel.
54. If a three year Application for the RSR surcharge were to be implemented, please discuss whether, in SGI's view, the surcharge would automatically be eliminated after three years, assuming no further rate Applications were file during this period.
55. Please provide the specifics as to when such an Application would commence internally, and describe the specifics and time lines, including implementation date of any requested changes.
56. Please discuss the barriers (system, financial, governance) that would prevent a customer from seeing a separate and discrete line showing the percentage and actual amount attributable to the RSR replenishment load on their renewal notice.
57. Please provide a mockup of a sample renewal notice.

### **2012 Annual Report**

58. With respect to the 2012 Annual Report:
- a) Please discuss whether the mobile Safe Ride app constitutes a part of the Traffic Safety Budget, and indicate the incremental expenditure if any, related to this initiative.
  - b) Please re-file Appendix B of the Application to replace the 2012 budget with the actual results as shown in the 2012 Annual Report, and discuss any variations in the two sets of numbers.
  - c) Please discuss whether the final 2012 results display any significant changes or trends related to claims costs, Loss Adjustment Expenses, Administrative expenses or investment income and indicate if these are such that 2013 or future year forecasts should be amended.