

# **SASKATCHEWAN POWER SPORT DEALER ASSOCIATION**

Good Evening Ladies and Gentlemen.

My name is Rick Dobson. I am a retired motorcycle dealer of some 21 years from Saskatoon currently representing the over 35 Powersport Dealers in Saskatchewan , approximately 20 who deal solely in motorcycles. Our livelihood is being threatened by SGI and their pursuit of increased premiums year over year.

Our dealers are all directly family-owned and operated, or part of a larger family-owned enterprise. Together they represent in excess of 825 business-years in Saskatchewan. They provide employment for more than 525 people, with a payroll of over 21 million dollars. Together they collect annually over 10 million dollars in Saskatchewan sales tax for the province.

## **ECONOMIC IMPACT:**

SGI's initial proposal for an increase on the average of some 74% to motorcycle insurance premiums would have had an immediate catastrophic affect on our member businesses, doubtless resulting in the closure of many of those who depend primarily on motorcycle sales. Capping the increases to 15% per year (plus surcharges) only prolongs the agony and slows the death. Every insurance increase reduces our family's business income. Every insurance increase reduces the number of motorcycles on the road and thus makes it more dangerous for those left, as automobile driver's awareness decreases. In this age of growing urban congestion, pollution and fossil fuel shortages, motorcycles offer a viable alternative to automobiles for at least some of each year. Let there be no misunderstanding here. **These increases will end our businesses.**

On the global front again, let there be no mistake. SGI attempts to compete with the private sector in many areas of insurance in Saskatchewan. Rest assured the majority of the 25,000-odd riders in Saskatchewan, and the dealers who support them **WILL** take their insurance business elsewhere when and where they can should this unfair and unfounded increase be approved, not to mention the reflection on all the other Crowns that have to compete for business.

I'd like to speak to a few factors that SGI has not spoken to in their publications:

## **1: ADMINISTRATION:**

We have all been through the global financial pull-back and are painfully aware of lower investment returns. Successful businesses have made significant reductions on the expense side of the ledger to return to profitability. SGI has not told us what reductions in their administration costs they have made since 2009.

In their reply to the panels questions they state they are considering several ways to save through their “lean” program and various team initiatives, but let’s be realistic here. To only be considering potential savings now is about four years too late, and after four years of increases granted by this panel.

We ask what administration charges are assigned the Auto Fund for shared personnel and facility? Where one side of the company is “for profit” and the other a “break-even” proposition, can we be confident it is a fair and equitable amount?

## **2: CAUSATION:**

They offer no statistics on causation. As an example, if a large percentage of these accidents involve alcohol, then clearly it is not a motorcycle “problem” but a societal one. If a large percentage of accidents were a result of equipment failure, then it is a maintenance and inspection issue, not an inherent problem with motorcyclists. Higher rates will not solve the problem, just exacerbate them by reducing the number of bikes AND ultimately dealers available to maintain these machines.

## **3: CLASSIFICATION:**

SGL uses an archaic and unfair classification system for motorcycles. Insurance standards dictate some 19 different models, whereas SGL uses four large groupings, and unrelated engine-displacement breaks instead of horsepower. The result is two virtually identical motorcycles with a 10 horsepower difference can have a drastic difference in insurance premiums – as much as three times as much. “Cruiser” motorcycles are grouped with Touring motorcycles. The first, primarily used for city riding, the second for long distance – two totally different usages, and different risk –exposure factors.

Many touring bikes have been wrongly classified as dual sport bikes, because of their looks rather than their usage. Many small low-horsepower beginner bikes have been classed as “Sport” motorcycles because their looks.

Engine displacement unfairly penalizes big engine/low horsepower over small engine/high horsepower. A modern 399cc motorcycle can have as much horsepower as a 1200cc bike of older design. We believe weight and horsepower are bigger contributors to risk factors than style and engine displacement.

SGL has been aware of this problem, and our organization’s offer to assist in reclassification ( although this information is readily available) for several years. This year, the response our Association member was given was that SGL had decided to “go in a different direction” and the reclassification was “on hold” for the time being.

Again, this is an issue that should have been dealt with four years ago.

## **4: SETTLEMENT:**

It is completely true that SGL’s settlements are generous – too generous. As an ex-dealer, we know far, far too many parts that could be repaired or painted are replaced. Scratched frames usually result in the bikes being written off. Presumably this is because SGL is unable to conclude the frame is not damaged

beyond the scratch and perhaps unsafe to ride. What is outrageous is they then sell the bike through the salvage division, and allow it to be re-licensed without any certification whatsoever. This happens more often than you might realize. Damaged riding gear is replaced at current replacement value regardless of age.

SGI routinely pays for injuries and income replacement for riders who did not take proper steps to mitigate the injuries by wearing proper safety gear. Again, this proposal could have been made several years ago when SGI mandated approved helmets.

Similarly, SGI is aware of many proven safety-related solutions that could reduce accidents and/or mitigate injury, and are endorsed by our organization. These include:

- Required certification for re-built total loss bikes as they have for automobiles.
- Required safety inspections on regular basis, especially if the motorcycle hasn't been continuously licensed
- Required safety garments – properly fastened DOT or SNELL approved helmets, gloves, boots, long pants and jacket.
- Weight and horsepower limits on motorcycles to coincide with graduated riders license program
- More stringent and consistent testing of riders, by licensed riders. Currently it is our understanding some testers are not, in fact motorcyclists.
- Secondary testing before a full license is granted. As it is currently designed the GDL program can simply be waited out - proof of skills improvement is more critical than a simple time factor.

## **5. ASSIGNMENT OF RESPONSIBILITY**

SGI will tell us they take steps to assign responsibility, however, human nature being what it is, and given the fact that SGI typically pays both sides of the accidents in Saskatchewan, we question how diligent they are in determining fault. When an accident is determined to be equal responsibility, SGI collect two deductibles – when responsibility is assigned to one or the other, only one deductible is collected. How much time would an adjuster take to reconstruct an accident to lose one deductible?

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In private business, prices are controlled by competition. Businesses are forced to improve the way they do business, how they control efficiencies, and how they package their product, thus in jurisdictions where there are private insurers, we see the results of that with significantly lower premiums, and various insurance packages to meet the consumer's needs. In Saskatchewan there is no such incentive other than the rate review panel.

The question we pose to the panel is this – What has SGI done in the past four years to mitigate their expenses and exposure to warrant the four years of continuous increases granted by this panel? And will this current initiative of a committee of “stake holders” be sufficient to convince the panel they are finally making an effort and deserve this current increase? We hope not.

We urge the Panel to recognize that our monopoly insurer, SGI has been either unwilling or unable to offer a competitive product or pricing to what is privately available. To grant yet another increase in rates to SGI will be a negative incentive to implement change, and have a disasterous effect on many small business. We can't be asked to continuously tighten our belts or lose our businesses so SGI doesn't have to. WE ask the panel to deny ANY increase to SGI in motorcycle insurance rates.