

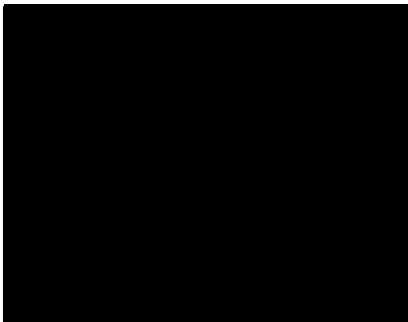
SGI RATE REVIEW PANEL

April 22nd, 2013

Commentary on minister's orders and alternative means to counter motorcycle insurance deficit

For:

**Saskatchewan Rate Review Panel,
Saskatchewan Government Insurance**



The following document, on the rate review boards stipulates things that the review board must consider in regards to SGI's proposal and some ideas I have on it.

<http://saskratereview.ca/images/docs/sgi-2013/signed-mo-and-t-of-r-.pdf>

"The Panel shall provide and opinion of the fairness and reasonableness of SGI's proposed Auto Fund rate change having considered the following"

-The interests of the crown corporation, its customers and the public.

This falls into many statements that have been brought up about reducing cost, etc.

The shock of insurance plate increases will affect people who have purchased motorcycles then affected by a sudden rate increase that could result in owners of bikes who are making payments, no longer able to insure. (This has been remedied with the 15% rate cap, but retained for reference purposes)

-Consistency with Crown Corporation's mandate, objective and methodologies.

The rate increases do not meet SGI's mandate

<http://www.sgi.sk.ca/about/responsibility/index.html>

Traffic safety. In 2008, there was an interview with Saskatoon city police chief, and other bike riders asked for safety legislation, it was not implemented. The need for a rate increase does not fall within SGI's stated corporate responsibility. If SGI implemented these safety issues 5 years ago when the issue was brought up in response to multiple motorcycle fatalities, the deficit quite possibly never existed.

-Relevant industry practices and principles

As above. Worldwide there is legislation to protect motorists and other riders from the irresponsibility of a select few. Numerous documents substantiate the needs for this.

Because SGI is the legislative body for Sask motorist safety, the dramatic rate increases are not a relevant practice. In other areas, specific risk riders pay more. A blanket rate increase is not.

Also as above is the relevant practice. Mandate safety, not rate.

-The effect of proposed change of vehicle insurance on competitiveness of the Crown Corporation related to other jurisdictions.

It is difficult to compare the competitiveness of SGI insurance with other jurisdictions because we are unique in a flat rated insurance approach. For many long time riders, a reduced coverage plus the lack of old subsidizing new can result in considerable savings, but at the expense of new or riders who might have had an accident.

In conducting its review, the panel will consider the following factors:

A) The reasonableness of the proposed rate changes in context of:

(i) The Saskatchewan Auto Fund's mandate to operate on a self-sustaining basis over time;

I feel these changes are not self-sustaining. The first affected would be low risk riders who will need to stop riding simply due to cost. We will not see a significant reduction in claims due to the fact, according to SGI's own numbers, almost 80% of the cost is injury.

High risk riders, who can afford the fast bikes, would still be willing to pay the insurance, will still cause injury. Potential is a chain reaction of reduction in premiums without equally proportional reduction in claims cost. This would result in an exponential rate increase that is neither sustainable nor favorable to those affected by the proposed rates.

(ii) The objective to maintain adequate capital in a Rate Stabilization Reserve to serve as a cushion to protect customers from large rate increases within the terms of the SGI Board approved Capital Management Policy:

As of current, I have not read this policy, but obviously there is a large increase from this cushion not being sufficient. Current information though leads me to believe this is not a core issue since the injury costs are stated to be chronic expenditure problem.

(iii) The impact of rising claims cost

see A)(i) commentary

(iv) The objective of ensuring stability and fairness in vehicle insurance rating such that each vehicle class pays sufficient premiums to cover its anticipated costs to minimize cross subsidization.

This is met by SGI in only the most basic sense. Increase rates to cover costs. However, there is such a small proportion of riders causing rates majority based on injury. As result, there is dramatic in class subsidization with safe riders subsidizing high risk riders.

In addition, there is a serious issue of fairness in truest sense. As stated by SGI, 90% of riders only insure for a partial year. In regards to other competitive rates; the other private sectors, as stated by SGI, rate for a full year in order to account for seasonality. SGI does not, resulting in 10% of riders who will be paying double the required premiums solely to have their vehicle insured while in storage. Already some rates are presenting a gross oversight in fairness.

B) The panel shall consider the following parameters as given:

(i) The compulsory insurance coverage provided by the Saskatchewan Auto Fund through its legislative mandate.

Mandate will require reviewing before comment

(ii) The mandate is a public fund for motorists with no profit component required in pricing of the product

Review of detailed cost report required

(iii) The Saskatchewan Auto Fund capital management policy, which requires a Minimum Capital Test of between 75% and 150%.

I am unfamiliar with this, no comment

(iv) The existing program parameters of the safe Driver Recognition Program and the Business Recognition Program.

Need to compare neutral record cost rates, and bad record cost rates to other provinces, not just somebody with full rate reduction for the existing parameters.

Recommend contact with dealers to get effect of last major rate increase

(v) The vehicle risk groups used by Saskatchewan Auto Fund; and.

The risk groups are far too general. While bike type can have an effect, they only differentiate by appearance, not performance which is the true issue. Experience being the other major risk which outside of graduated system, has no controls.

(vi) The accounting and operating policies and procedures used by the Saskatchewan Auto Fund

more review required.

Recommended deficit reduction through safety

1. Separate injury and motorcycle coverage.

Reason: Injuries are most of the rate cost. Therefore, if we have them separate, it would allow more control and focus to the rider more than the vehicle. Bikes are pretty straight forward. When you crash, it is what your body is hitting causing the injury, rarely the bike itself. When you insure, you would have a choice. The SGI rate, or covered through your package policy. When you plate your bike, you must have this and they would be linked. If you cancel your policy, you cancel your plates. No way around having the injury coverage.

2. Mandatory training

Reason: To ensure full licensed riders have experience. I cannot support requirement to get your learners at this time. This is due to difficulty for out of town people to get training. Exception would be if it was offered to high schools etc., but this could cause a worse problem. Instead, the training should be required to leave probationary phase, as well as other effects, listed below.

3. Power limitations.

Reason: Smaller bike is easier to control. Now I will only state CC when it comes to what I recommend, but a proper system will allow exception for larger CC if the bike's power/weight is registered through SGI by submitting factory specifications, via manufacturers and dealers. These bikes cannot have power modifications done to it in these special cases. Purpose is there are many rider friendly bikes on the market. These rider friendly bikes often have larger engines that run lower compression and RPMs. Them as an option should not be excluded. My numbers are arbitrary and for example purposes only, based on what the market has available.

Example limitations:

Learners and probationary with no course (100hp/1000lb limit for larger)

300cc maximum for sport style bike

500cc maximum for cruiser/touring, etc.

Probationary with training course (150hp/1000lb limit for larger)

500cc maximum sport style

750cc max cruiser/touring etc.

To have full bike access, it would require being off probationary. To enter probationary II, a certified training program is required.

4. Increased mandatory safety gear

Reason: Some major injuries are preventable with some basic protective gear. I am not talking road rash (superficial dermal injury), it looks bad but as far as I can tell, not the big expense items. Head injuries have been somewhat covered with helmets. Next major one is the leg injuries. Mandatory cycle boots I feel is necessary. These help reduce serious foot and ankle injuries. No reason not to wear them. The same can be applied for gloves.

5. Insurance rebate for optional gear.

Reason: Offset cost of being extra protective. This means if you have armor jackets and pants, or a full faced helmet purchased since your last registration, a portion of it, up to value of your insurance can be reduced off renewal cost. Purchaser must be the one insuring the bike. This is applicable one time only per purchase. Possibility for reimbursement for those already insured is a maybe as well. What you bought and the date gets entered into your bike information to prevent exploitation.

6. Insurance cost reduction on bikes with safety equipment

Reason: Some bikes have equipment that helps prevent injuries. Be it guards, which can protect your leg if the bike falls, or airbags. If you buy a bike with this equipment, a percentage of your insurance is reduced. A code is added to registration when this is claimed. (A) For airbags or (C) for cage added after the bike name. If you have these designations on your registration, but it is not fitted to your bike if stop checked, HUGE fines. You would be defrauding SGI after all. Also, registration already contains an area for deductions.

Conclusion:

Upon reviewing current facts, SGI's rate already violates much of the criteria placed by the minister's office. Applying automotive policy and insurance tactics to vehicles which are quite distinct from cars is inappropriate. Proof can be presented that the rate increases are quite probable to be resultant from SGI's failure to follow its mandate and recommendations from the affected public.

Recommendation at current:

Any rate not be permitted to include injury costs and must only contain the rates resultant from increased vehicle repair and replacement cost. Before January of 2014, SGI be required to, in consultation with motorcycle organizations and lobbyists, a new system of insurance either holding more accountability on irresponsible riders, and/or an improved safety mandate combined with better vehicle classification system.

After two years from implementation, a review on the effects of improved safety mandates on rates for submission for rate increase. This delay period would be required to allow for any changes to have an effect.



Home / About us / Corporate responsibility

Corporate responsibility

As a corporation that serves Saskatchewan, we recognize our responsibility to give back to communities across the province.

By focusing on the social and environmental impacts in our province, we can work towards strengthening our communities and providing future environmental support.

Community relations

We give back to the province by supporting non-profit organizations and events with our corporate donations program. We also contribute to Saskatchewan communities with active participation in events that are directly related to safety, youth excellence and diversity.

Education scholarships

We value higher education and recognize that post-secondary education is important and often essential for today's youth. To help Saskatchewan students accomplish their education goals, we partner with universities and organizations to offer a variety of scholarships.

Environmental commitment

Our focus is on finding new and innovative ways to help create a cleaner and healthier environment. We are a leader in automotive recycling in Canada and work hard to minimize pollution, maximize recycling and promote environmental awareness.

Traffic safety

For over 60 years, we have been proactive in the area of traffic safety programs, education and legislation. Our goal is to prevent deaths, serious injuries and property damage due to traffic collisions.

Rev: 1.0

Saskatchewan driver's licensing and vehicle registration
© 2013 SGI. All rights reserved.



Minister's Order

WHEREAS by an Order dated January 1, 2013, issued pursuant to Section 16 of *The Government Organization Act*, the Minister of Crown Investments appointed a Ministerial Advisory Committee known as the Saskatchewan Rate Review Panel;

AND WHEREAS that Order provides for specific terms of reference for particular Crown Corporation rate change reviews to be attached by further Minister's Order;

AND WHEREAS it is desirable to establish terms of reference for a Saskatchewan Auto Fund vehicle insurance rate change and rebalancing review and to attach the terms of reference to the previously mentioned Minister's Order;

NOW THEREFORE, I hereby amend the said Minister's Order by attaching Appendix A affixed hereto as "**Schedule A: Saskatchewan Auto Fund Rate Increase and Rebalancing Proposal Terms of Reference**" to the said Minister's Order.

Dated at Regina, Saskatchewan this 6 day of February, 2013



Minister of Crown Investments

Schedule A
Saskatchewan Auto Fund Rate Increase and Rebalancing Proposal Terms of Reference

The Saskatchewan Rate Review Panel is requested to conduct a review of the Saskatchewan Auto Fund's request for a general increase and rebalancing of vehicle insurance rates targeted for implementation on August 31, 2013.

Cabinet may implement any rate change adjustment on an interim basis pending receipt of the Panel's recommendation(s).

The Panel shall function within its mandate and operational terms of reference as specified in the Minister's Order dated January 1, 2013. The Panel shall provide an opinion of the fairness and reasonableness of SGI's proposed Auto Fund rate change having consideration for the following:

- The interests of the Crown Corporation, its customers and the public;
- Consistency with the Crown Corporation's mandate, objectives and methodologies;
- Relevant industry practices and principles; and
- The effect of the proposed change of vehicle insurance rates on the competitiveness of the Crown Corporation related to other jurisdictions.

In conducting its review, the Panel will consider the following factors:

- A) The reasonableness of the proposed rate changes in the context of:
- (i) the Saskatchewan Auto Fund's mandate to operate on a self-sustaining basis over time;
 - (ii) the objective to maintain adequate capital in a Rate Stabilization Reserve to serve as a cushion to protect customers from large rate increases within the terms of the SGI Board approved Capital Management Policy;
 - (iii) the impact of rising claims costs; and
 - (iv) the objective of ensuring stability and fairness in vehicle insurance rating such that each vehicle class pays sufficient premiums to cover its anticipated claim costs to minimize cross subsidization.
- B) The Panel shall consider the following parameters as given:
- (i) the compulsory insurance coverage provided by the Saskatchewan Auto Fund through its legislative mandate;
 - (ii) the Saskatchewan Auto Fund is a public fund for motorists with no profit component required in pricing of the product;
 - (iii) the Saskatchewan Auto Fund capital management policy, which requires a Minimum Capital Test of between 75% and 150%;
 - (iv) the existing program parameters of the Safe Driver Recognition Program and the Business Recognition Program;
 - (v) the vehicle risk groups used by the Saskatchewan Auto Fund; and,
 - (vi) the accounting and operating policies and procedures used by the Saskatchewan Auto Fund.

SGI will provide the Panel with its application package immediately. SGI will also provide the Panel with any supplementary information as the Panel may require fulfilling its mandate and these Terms of Reference.

The Panel shall determine a public consultation process for this rate change application appropriate and cost effective under the circumstances and within the timeline for the review as established by the Minister of Crown Investments.

The Panel shall provide members of the public with the opportunity to review and comment on SGI's rate change submission outside any public meeting, to the extent reasonable and within the timeline for the review as established by the Minister of Crown Investments.

The Panel shall provide an opportunity to SGI to make a presentation to it and to the public as the Panel considers appropriate to discuss noteworthy rate application issues.

The Panel shall, in a timely and efficient manner, forward to SGI for response questions that the Panel receives from the public, individual Panel members and its technical consultant.

The Panel shall provide SGI with the opportunity and reasonable time to review the Panel's technical consultant's preliminary report prior to its finalization to ensure there is no error in data or in the interpretation of data. The preliminary report shall include the consultant's observations (e.g. outstanding issues and questions), but will not include the consultant's recommendations to the Panel.

The Panel must include in its report an explanation of how, in its opinion, implementation of the Panel's recommendations will allow the Saskatchewan Auto Fund to achieve the performance inherent in the parameters outlined in section (A), where the Panel's recommendations are different from SGI's proposed rate changes.

SGI CANADA and SGI CANADA Insurance Services Ltd. are separate entities from the Saskatchewan Auto Fund and therefore are not to be considered part of the Saskatchewan Auto Fund rate application review.

Consistent with the "Confidentiality Guidelines" for the Panel (March 11, 2010), the Panel will not publicly release or require SGI to publicly release Confidential Information supplied by the Crown Corporation to the Panel during the course of the rate change application review.

The Panel will release, as part of its final report, the results of the review of SGI's Saskatchewan Auto Fund rate change request as conducted by an independent third party. By doing so the Panel shall ensure there has been no indirect release of any of SGI's Confidential Information.

Conduct of the Review

The Panel will present its report to the Minister of Crown Investments no later than June 12, 2013.