Saskatchewan Auto Fund Proposal for Rate Adjustment

February 2012

Table of contents

1. Synopsis and Overall Summary

SGI is requesting that the Saskatchewan Rate Review Panel (SRRP) recommend a 3.7% overall rate increase and rebalancing for Saskatchewan Auto Fund rates, effective Aug. 4, 2012.

The Saskatchewan Auto Fund, administered by SGI, provides basic, universal auto insurance coverage to Saskatchewan residents. It operates on a self-sustaining basis and neither receives money from, nor pays dividends to, the Government of Saskatchewan.

The Auto Fund provides services to ensure that drivers and vehicles are properly licensed, and also invests in traffic safety activities to reduce the human, social and economic costs of vehicle collisions.

Why the Auto Fund requires an increase

The Auto Fund needs to increase rates to ensure it generates enough premium revenue to cover all operating expenses and claim obligations. There are three main trends driving the need for an increase:

- Injury costs are being impacted by rising wages in the province resulting in higher income replacement benefits for vehicle collision victims.
- Lower investment income is anticipated from declining bond yields.
- There is a trend in higher collision repair costs for both parts and labour.

Fairness in rating

SGI is committed to fairness in vehicle rating. Rate rebalancing means that while SGI's rate proposal is for a net increase of 3.7%, individual customers' rates may change by more or less than this amount.

Rebalancing takes into account collision frequency and severity, including damage, injury and liability costs, for each class of vehicle.

Rates are determined based on the actual risk each vehicle make, model and year represents for being involved in a claim, and the actual costs of paying that claim. To reduce rate shock for customers, increases and decreases will be capped.

Customer impact

The proposed net increase of 3.7% and rebalancing effective Aug. 4, 2012 includes:

- Premium increases for about 551,000 Saskatchewan vehicles (53%) with an average monthly increase of $7;
- Premium decreases for about 304,000 Saskatchewan vehicles (29%) with an average monthly reduction of $5; and,
- No premium change for about 189,000 vehicles (18%).

Customers whose rates are going down will automatically receive a refund for the difference between their old rate and new rate for the period from Aug. 4, 2012 to the expiry of their registration term. Customers whose rates are increasing will not pay the new rate until their next renewal on or after Aug. 4.

While rebalancing is important to ensure fairness, rates will be capped to reduce rate shock. A dollar cap will be applied when the annual premium is less than or equal to $1,000 and a percentage cap when it is over $1,000. The table below outlines the ranges and caps that will be applied:

Current Annual Rate Range	Maximum Cap
$1 – 50	$25
$51 – 100	$50
$101 – 250	$75
$251 – 500	$100
$501 – 750	$125
$751 – 1000	$150
$1,001 or greater	15%

For some classes of vehicles their annual rate is calculated using the base rate of the same private passenger vehicle (PPV) plus a surcharge or discount based on the experience of that particular class of vehicle. For these types of vehicles, the PPV rate will receive the caps identified above as well as any changes to the discount/surcharge that is required for that class. The surcharge/discount is capped at 15%.

In certain circumstances it may be appropriate to deviate from the ranges and caps set out above. For example, it may be appropriate when a vehicle class has a small number of vehicles within it or a vehicle class has been excessively inadequate for numerous rate programs.

The table below shows the proposed rate change for each vehicle class:

CLEAR-Rated Vehicles	Proposed Rate Change
LV - Private Passenger Vehicles	3.7%
A - Commercial Light Trucks	22.4%
F - Farm Light Truck - 1994 & Newer	0.4%
LV - PPV - Farm Cars, SUVs and Vans	-6.3%
LV - Police Cars	10.9%
LV - Police Trucks, Vans & SUVs	-7.2%
LV - UDrives	-0.6%
PV - Heavy Trucks and Vans	0.0%
PV - Converted Vehicles	0.0%
PV - Power Units	0.0%
PT - Taxis (Rural)	-0.5%

Conventionally-Rated Vehicles	Proposed Rate Change
Ambulances	18.0%
A - Commercial Vehicles:	
Heavy Trucks and Vans IRP	-12.0%
Heavy Trucks and Vans Non-IRP	14.7%
Power Units IRP	13.6%
Power Units Non-IRP	-13.5%
C & D - Commercial Vehicles:	
Heavy Trucks and Vans	22.5%
Power Units	16.0%
F - Farm Vehicles:	
Heavy Trucks and Vans	-6.0%
Light Trucks - 1993 & Older	-8.2%
Power Units	-16.3%
Hearses	-8.4%
L - Dealer Plates:	16.4%
Automobile	16.2%
Motorcycles	28.1%
L - Snowmobile Dealers	-40.8%
LV - Antiques	0.0%
LV - Buses	33.0%
LV - Buses (Restricted)	33.1%
LV - Motorcycles:	18.3%
Cruiser/Touring	15.5%
Dual Purpose/Other	21.0%
Sport	29.2%
LV - Motorhomes	11.9%
MT - Snowmobiles	0.0%
PB - Passenger Inter-city Buses	15.2%
PC - Passenger City Buses	14.9%
PS - Passenger School Buses	27.3%
PT - Taxis	16.1%

Trailers	Proposed Rate Change
F - Trailers	0.0%
LT - Trailer Dealers/Movers:	9.3%
Utility	10.9%
Tent	10.6%
Semi	9.6%
Transport	9.5%
Cabin	9.2%
T - Personal Trailers:	10.7%
Fiberglass Cabin	0.0%
Metal Cabin	30.0%
Semi & Transport	0.0%
Tent	0.0%
T - Utility	0.0%
TS - Commercial Trailers	0.0%

Miscellaneous Classes	Proposed Rate Change
A - Excess Value	-15.0%
C&D - Non-Resident	0.0%
C&D - Excess Value	-10.5%
Industrial Tracked Vehicles	37.5%
LV - Motorized Bicycle	0.0%
TS - Excess Value	-10.5%

Total	Proposed Rate Change
All Vehicles Excluding Trailers & Misc	3.7%
All Vehicles	3.7%

2. Background

2.1 Auto Fund Overview

The Saskatchewan Auto Fund provides basic, universal insurance coverage to Saskatchewan residents. It operates on a self-sustaining basis with the goal of maintaining an adequate balance in the Rate Stabilization Reserve (RSR) to pay future claims and to protect customers against rate shock for years in which claim costs are higher than average. The Auto Fund neither receives money from, nor pays dividends to, the Government of Saskatchewan.

The Auto Fund also provides services to ensure that drivers and vehicles are properly licensed. These services include licensing for over 722,000 drivers, registration services for over one million vehicles, driver examinations, driver and vehicle fitness programs, and safety and audit programs for carriers who transport goods or passengers. These services are provided through over 400 independent motor licence issuer offices throughout Saskatchewan. The Auto Fund also invests in traffic safety activities to reduce the human, social and economic costs of vehicle collisions.

The coverage provided by the Auto Fund is legislated in *The Automobile Accident Insurance Act* (AAIA), and can be divided into three components:

- **Personal injury coverage** provides Saskatchewan residents with benefits if they are injured or killed in an automobile collision. All Saskatchewan residents have a choice between No Fault Coverage and Tort Coverage.
- **Third-party liability coverage** provides vehicle owners with up to $200,000 to pay the cost of damages that their vehicles cause in a motor vehicle collision, including the damage to the other driver's vehicle, damage to any property and costs resulting from injuries caused to others.
- **Physical damage coverage** (collision and comprehensive) pays for damages to the vehicle due to a collision or other occurrence such as hail, fire or theft. Claims for damages to a vehicle are subject to a deductible (which is $700 for most vehicles).

The major operating philosophies of the Auto Fund include:

- provide basic automobile insurance coverage that is universal and fair
- fairly rate insurance premiums for vehicle classes based on their claims loss experience and cost of repair
- keep rates as low as possible

In determining premium rates for the Auto Fund there are three components to consider:

1. Adequate premium rates to break even

2. Fairness in rating

3. Maintaining adequate capital

2.1.1 Adequate premium rates to break even

The first requirement in analyzing the Auto Fund's rates is performing an actuarial analysis on the rating year to determine if expected premiums at current rates will be sufficient to cover expected claims and expenses. For the rating year being considered (Aug. 4, 2012 to Aug. 3, 2013) the Auto Fund anticipates claim and expense growth will outpace growth in premium and investment income, resulting in an overall 3.7% increase in revenue being required.

The rate-making process is a very detailed and complex actuarial process to determine the expected revenue and expenses for the rating period. A great deal of time and effort goes into this part of the rate program, however it's still an estimate of the amount of required premium. There are three components in this rate program that create the most uncertainty in the estimate - premium revenue, claim costs and the impact of investment income. While alone each component may be difficult to forecast, it is even more challenging to forecast these revenues and expenses for 12 to 26 months into the future from the time that the process is started. Actuaries use historical trends to help predict these categories, along with other relevant information available that may have an impact on the future.

See Section 3 – Overview of Ratemaking Methodology for further details.

2.1.2 Fairness in rating

A key component of the Auto Fund's strategy to meet and exceed customer expectations is ensuring fairness in rating by ensuring each class of vehicle is paying sufficient premium to cover its claim costs. To achieve that goal, rates must be regularly rebalanced.

Over the past 13 years, the Auto Fund has rebalanced rates three times (2001, 2007 and 2009). While the 2009 rate change and rebalancing corrected some rate class deficiencies, the cap increases that were put in place to reduce rate shock resulted in some classes still requiring significant rate rebalancing. However, a balanced approach to achieving rate adequacy must be considered to reduce rate shock, and therefore this program also proposes capping rate changes as outlined above. Appendix A provides details of proposed rate changes by vehicle class. Appendix C provides vehicle classification descriptions and the rating criteria for each.

2.1.3 Maintaining adequate capital

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. In order to provide this stability, an adequate balance in the RSR is required to provide a financial resource to draw on when adverse financial events occur, such as higher than expected claim costs or material decreases in capital markets for investments. To ensure the RSR is adequate, the Auto Fund uses a common industry measurement called the Minimum Capital Test (MCT).

SGI's Board of Directors approved a new Capital Management Policy for the Auto Fund that became effective January 2010. The policy establishes a target MCT range of 75% to 150%. At the time of the rate adequacy analysis, if the MCT, on a 12-month moving average basis, falls below the 75% minimum, the policy requires that "Management shall bring to the 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 moving 12-month basis, a rebate would be considered.

At Nov. 30, 2011 the MCT was 67% with the 12-month moving average at 96%. It is likely, however, that the moving average MCT will fall below the minimum range while the rate proposal is under consideration. If the actual MCT stays at its current level, the moving 12-month MCT will drop below 75% in March 2012 as stronger months are dropped off.

However, given that the Capital Management Policy criteria was not met at the time of the rate adequacy analysis, no additional rate is requested to replenish the RSR. See Appendix B for a copy of the five-year financial forecasts.

2.2 Historical rate changes

In 1997, the Auto Fund presented customers with options for a three-year rate program and introduced the one that most customers supported. In addition to rate increases of 5% in 1998, 2% in 1999 and 2% in 2000, the basic deductible was increased from $500 to $700.

The Auto Fund implemented the Safe Driver Recognition (SDR) program in 2002, which rewards safe drivers with discounts as high as 20% off their base insurance premium based on driving history. In 2011, the SDR program provided discounts totaling $97 million which is equivalent to a 13% reduction in rates.

In 2004, the Auto Fund introduced the Business Recognition (BR) program, which rewards businesses with discounts of up to 10% on their base vehicle insurance cost for maintaining a good loss experience.

Even with the introduction of the SDR and BR programs, the Auto Fund was still collecting more premiums than required to pay claims and expenses, and was carrying excess capital in the RSR. To return premiums to shareholders, the Auto Fund provided a $44 million rebate in 2006 on 2005 insurance premiums to 520,000 customers who received an average rebate of $84.

In 2007, the Auto Fund provided a $100 million rebate on 2006 insurance premiums to 540,000 customers who received an average rebate of $185. In addition to the rebate, the Auto Fund implemented a 7.1% general rate decrease effective July 1, 2007 to reduce premium revenue collected from customers on a go-forward basis, coupled with rate rebalancing to address the Auto Fund's objective of increasing fairness in rates.

In the 2009 rate program, overall rates were increased an average of 4.2%, with rebalancing.

The following table highlights compounded rate adjustments in comparison to the Saskatchewan Consumer Price Index (CPI) in the last 14 years.

History of Rate Adjustments in Saskatchewan in Comparison to CPI

Year	Annual Rate Adjustments	CPI year-over-year per cent change
1998	5.00%	1.30%
1999	2.00%	1.80%
2000	2.00%	2.60%
2001	–	3.00%
2002	–	2.90%
2003	–	2.30%
2004	–	2.20%
2005	–	2.20%
2006	–	2.10%
2007	(7.10%)	2.80%
2008	–	3.30%
2009	4.20%	1.00%
2010	–	1.40%
2011*	–	2.90%
Compound Change	**5.75%**	**36.91%**

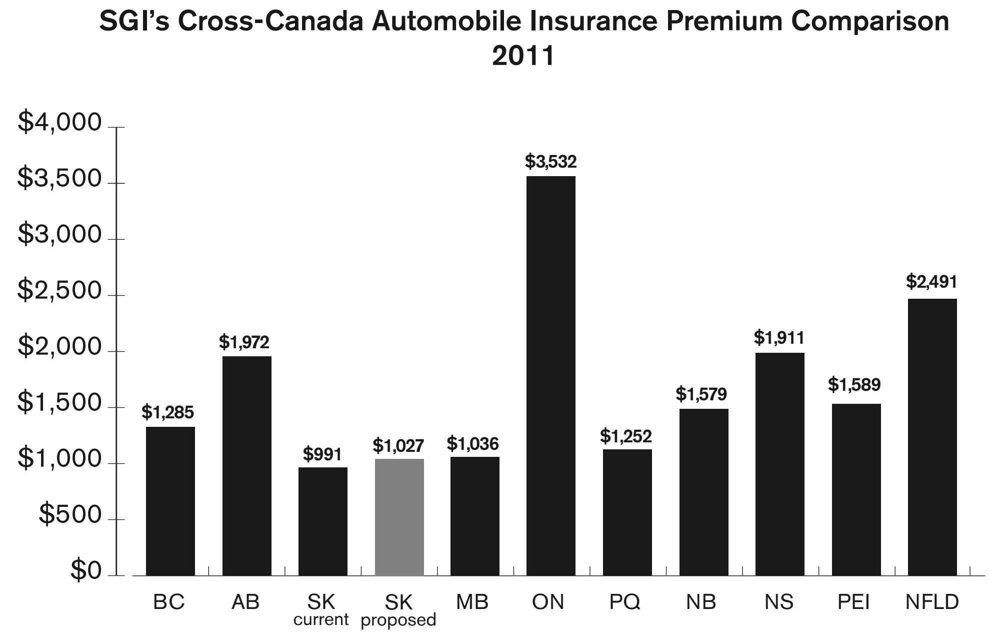
*As of November 2011

2.3 Cross-Canada rate comparison

The purpose of the cross-Canada rate comparison is to determine how much a driver would pay for auto insurance across Canada given their current vehicle, driving record and claims history. The comparison obtains rates for 34 vehicle and driver profiles in 22 cities across Canada. Vehicles selected each year are those with the highest number of registrations in Saskatchewan for the previous year. For the 2011 comparison, the most popular vehicles registered in 2010 were used. The cities used were selected in 2005 by the utility Crowns and Crown Investments Corporation, and were chosen to represent major centres, rural communities and northern communities in order to obtain a geographic representation within each province. The same liability limits and physical damage deductibles are used in each province, each year.

Based on the survey, Saskatchewan has had the lowest average personal auto insurance rates in Canada since SGI began doing the survey in 2005. Insurance is provided by private insurers in all provinces with the exception of Manitoba, British Columbia and Quebec. In Quebec only injury coverage is provided through a government plan; the remaining coverage is provided by private insurance companies.

The following graph illustrates the results of the comparison for the year 2011.



Consistent with previous years, Manitoba continues to be Saskatchewan's closest competition for the lowest average personal auto insurance rates in Canada.

3. Overview of Ratemaking Methodology

The following describes, at a high level, the process used in determining the premium rates that should be charged for the upcoming rating year.

Classification

The Auto Fund assigns vehicles into different classes based on characteristics and exposure to risk based on their use. The largest class of vehicles is private passenger vehicles, which make up 71% of all vehicles. Examples of other classes are farm vehicles, heavy trucks, motorcycles, taxis and ambulances. The complete list of vehicle classes is described in Appendix C.

To determine the required rate for each class of vehicle, the estimated premium, claim costs and expenses are grouped together with all vehicles within the class to determine if the premium is sufficient to cover costs. Each vehicle class should pay its portion of the costs. The following sections describe how this information is allocated to each class. A discussion on these three components of the rate program follows:

Premiums

The major factors in forecasting premiums are drift and volume, both of which relate to attempting to predict the number and types of vehicles that the Auto Fund will be insuring during the rating period.

- Drift estimates the change in premium as motorists upgrade from older vehicles with a lower premium to newer vehicles with a higher premium. For the 2012 rate program, the drift assumption was refined by assessing drift on a class-by-class basis based on historical trends. Former rate programs assessed drift using a flat rate across all classes.
- Volume looks at the overall number of vehicles that will be insured in the rating period. As with drift, the 2012 rate program has used a more refined analysis that estimates the number of vehicles on a class-by-class basis based on historical trends. In former programs, a flat volume growth assumption was used for all classes.

Claims

In completing the actuarial analysis, the largest and most difficult cost to predict is claims, which represents approximately 80% to 85% of the total costs annually for the Auto Fund. Damage claims represent about 60% of total claim costs, while injury and liability costs represent the remaining 40%. For the actuarial rate analysis, claims are assigned to vehicle classes based on vehicle collision responsibility (at fault).

The major factors impacting claims are summer storms and winter driving conditions, both of which are largely unpredictable for any given year. Other factors impacting claims include the labour rate paid to body shops, and the average wage of injured people (which impacts income replacement benefits), both of which are inflation-sensitive. Also, in order to determine the costs for injury claims, factors such as the impact of re-occurrence rates, medical innovations and rehabilitation programs must be assessed but are difficult to anticipate.

Expenses

There are two types of expenses that are charged to vehicles: variable expenses and fixed expenses. Variable expenses include expenses and credits that are dependent upon premiums written. These include expenses such as premium taxes paid to the General Revenue Fund, traffic safety program costs, issuer commissions and credits for short-term registrations and AutoPay programs. Fixed expenses include administrative costs and expenses associated with adjusting losses.

Indicated rate change

Once all the premium, claims and expenses are grouped in the appropriate vehicle class, an overall rate indication for the class is done by comparing total premiums to the total claim and expense costs for the class. If the premium is not enough to cover the costs then a rate increase is required, and if the premium is in excess of the costs then a rate decrease is required. Importantly, the average of six years worth of damage and liability claims data and nine years worth of injury claims data is used to smooth the effect that one or two years of poor loss experience would have on a class's rate indication.

Relativities within rate groups

The rates for individual vehicles within a rate group will vary depending on attributes specific to the vehicle. The process used to determine the amount of this variance is called a relativity analysis. In short, relativities are used to differentiate vehicle rates based on factors such as usage, seating capacity, value and model year. As an example, motorhomes of different values have different rates.

4. Actuarial Analysis

4.1 Pure premium calculation

Pure premium is the average loss amount per unit of exposure. For the Auto Fund rate indication, non-catastrophe damage and liability data from accident years 2006 to May 31, 2011 and injury and catastrophe data from accident years 2003 to May 31, 2011 are used to calculate average pure premium per coverage. Loss development factors calculated using the ultimate claim costs from the May 31, 2011 actuarial valuation are used to bring the yearly incurred losses by coverage to their ultimate value. These ultimate losses are then divided by the number of exposures to get the ultimate pure premium.

Trend factors are chosen by coverage and class based on a comparison of several exponential regressions. Trends for claim frequency (the number of claims per vehicle exposure) and severity (the average cost of a claim) were selected for both the past and future trend periods. If the data for a class was too thin to produce credible frequency and/or severity trends on its own, then it was grouped with the data from other similar classes before selecting the trends. The selected trend factors, along with a developmental trend, are used to bring the pure premium values forward to an appropriate level for the rating period.

Two coverage lines, income replacement and care benefits, have their losses adjusted for inflation prior to trend selection. Because benefits for these coverages fluctuate with the level of inflation, claim amounts from the different loss years need to be adjusted to bring them all to the current level of inflation. On the anniversary date of a claim the amount of payment increases by an index rate determined annually by the Auto Fund. The purpose of this index rate is to ensure that the payments are increased to compensate for inflation.

Once the ultimate losses have been adjusted for inflation, past and future severity trends can be selected. The selected severity and frequency trend factors, as well as a future index rate of 3% that accounts for inflation during the rating year, are used to bring the pure premium values for these lines forward to the rating period level.

The final projected pure premium for each coverage line is based on a weighted average of estimates from historical loss years using the trended pure premiums described above.

4.2 Adequate gross premium calculation

The pure premiums have to be adjusted for the time value of money, loss adjusting expenses, administrative expenses, salvage amounts, reinsurance costs, medical funding, appeal costs, the Safe Driver Recognition (SDR) malus program (financial penalties collected under SDR), variable expenses, a contingency margin and investment income on the Rate Stabilization Reserve (RSR). These are discussed in turn below.

4.2.1 Annual discount factor

Because the projected losses will be paid over time, the current value of these projected losses is less than their nominal value. In the time between when an insurance company receives the premium on a policy, to the time it actually pays out the full value of a claim on that policy, the company makes investment income on the premium collected. The amount that a policyholder pays should be offset by the expected amount of this investment income. The losses that a policyholder is expected to claim are reduced by a discount factor to account for the expected investment income.

The investment rate of return used to determine the investment income comes from the expected yields on the investment assets that will be supporting those claim payments. These assets are a mix of bonds, mortgage securities, real estate and equities. The overall rate used to discount the expected losses in this rate application is 4.3%.

Expected future claim payment patterns for different coverages were determined in the May 31, 2011 actuarial valuation using historical experience.

4.2.2 Loss adjusting expenses

Loss adjusting expenses (LAE) are expenses associated with settling claims but are not claim-specific such as internal legal fees, adjusters and operating cost of claim branches. These expenses are assigned to vehicle classes based on claim counts by coverage. The total assigned LAE amount for the class is then divided by the forecasted number of vehicles within that class for the rating period to determine the average LAE per vehicle. Each vehicle within the class will pay the same amount. This will be the first rate program where LAE is allocated to trailers, snowmobiles and antique vehicles.

4.2.3 Administrative expenses

Administrative expenses, including staff salaries, building maintenance and supplies, are charged as a fixed amount to every vehicle exposure, excluding trailers, antique vehicles and snowmobiles. Auto Fund computer system redevelopment costs are not included in administrative expenses since the cost of the redevelopment project was appropriated from the RSR a number of years ago.

The administrative expense charged to each exposure is calculated by taking 5/12ths of the 2012 budgeted administrative expense amount and 7/12ths of the 2013 budgeted amount and dividing by the number of exposures. The calculated amount is $59.23 per exposure.

4.2.4 Credit for salvage

The Auto Fund produces profits from the sale of salvaged vehicles and their parts. These profits are applied as discounts to the damage and liability portions of the pure premium for each class of vehicle. Every class, excluding trailers and snowmobiles, is awarded the same credit to its damage and liability pure premiums. The credit applied is $12.25 per exposure.

4.2.5 Reinsurance

The Auto Fund maintains two reinsurance programs designed to mitigate adverse effects to the RSR as a result of catastrophic losses caused by either a severe weather event or an automobile collision resulting in multiple serious injuries. The cost of these reinsurance programs is applied as a fixed amount to every class of vehicle, excluding trailers and snowmobiles. The cost per exposure for reinsurance coverage is $5.59.

4.2.6 Medical funding

To offset costs incurred by the provincial health care system as a result of bodily injuries sustained while either operating a motor vehicle or as a result of a motor vehicle, the Auto Fund reimburses the Ministry of Health for a portion of the costs. Medical funding costs are allocated to vehicle classes based on the amount of actual medical expenses for each class. The total assigned medical funding cost is then divided by the forecasted number of vehicles for the rating period within that class to determine the average medical funding cost per vehicle. Each vehicle within the class will pay the same amount.

4.2.7 Appeal commission costs

Appeal commission costs represent the costs associated with the operation of the Automobile Injury Appeal Commission. This includes such things as Board salaries, administrative expenses and legal fees. Appeal commission costs are allocated to vehicle classes based on appeal claim costs for each class. The total assigned appeal commission cost is then divided by the forecasted number of vehicles for the rating period within that class to determine the average appeal commission cost per vehicle. Each vehicle within the class will pay the same amount.

4.2.8 Credit for Safe Driver Recognition malus

The SDR program provides credits to vehicle insurance premiums for drivers in the discount zone for those classes of vehicles that qualify and financial penalties (malus) for drivers who are in the penalty zone. The financial penalties collected cannot be specifically attributed to a specific vehicle class since they're based on the driver. For rating purposes, the credit for the SDR malus is applied to only those vehicles classes that qualify for discounts under the SDR program. The forecasted SDR malus amount is divided by the total number of forecasted number of vehicles for the rating period from those classes of vehicles that qualify for the discount. Every vehicle within these classes will receive the same discount for SDR malus.

4.2.9 Variable expenses

Variable expenses include premium taxes paid to the General Revenue Fund, traffic safety program costs, issuer commissions and credits for short-term registrations and AutoPay programs. The variable expenses and their percentages of premiums are as follows:

Premium taxes	5.00%
Traffic safety	2.93%
Issuer commissions	5.14%
Short-term registrations	-1.01%
AutoPay	-1.74%
Total variable expense	10.32%

Starting in 2010, remuneration for issuers has been changed from a fixed amount per transaction to a commission fee based on insured premium. Due to this change, issuer fees have been moved from fixed expenses to variable expenses.

4.2.10 Contingency margin

A contingency margin of 3.5% is loaded into the rates. The contingency margin accounts for adverse events which may impact the underwriting results, such as higher than forecasted weather-related claims (e.g. bad winter driving conditions and/or hail claims in the summer), lower premium drift than expected, less investment income realized due to investment market volatility or increases to inflation greater than expected. This is the first rate program that a contingency margin has been applied to.

4.2.11 Investment income on forecasted RSR

A credit for the forecasted investment income on the forecasted RSR amount for the rating year is calculated by dividing by the investment income by the number of forecasted vehicles for the rating year, excluding trailers and snowmobiles. The credit is calculated based on a forecasted investment yield of 3.13% for 5/12ths of the 2012 projected RSR and 2.11% applied to 7/12ths of the 2013 projected RSR. The credit calculated is $2.59.

4.3 Indicated rate change

The indicated rate change is the adequate gross premium divided by the projected on-level average premium minus one.

4.3.1 Projected on-level average premium

The projected on-level average premium is calculated on a class by class basis using exposure and premium information on a policy year basis. Historical written premiums are brought up to the current rate level (on-leveled). In order to do this, past rate changes are applied to premiums that were written prior to the rate change being implemented. For example, if rates for the class changed effective Aug. 4, 2012, any premium written prior to Aug. 4, 2012 would have the rate change applied.

Once premiums are on-leveled, the average on-level written premium is calculated by dividing the on-level written premium by the number of written exposures in that policy year. Applying exponential trend regression against the average on-level written premium produces multi-year trends. From these trends, a past trend and a future growth trend, are able to be selected. The past trend selected should be representative of what has happened to the premium historically; the future trend should be reflective of what is expected going forward.

Once selected, the rating year average premium then needs to be reduced by the expected SDR and BR discount amounts so that the projected average amount of premium that will be collected per exposure can be determined.

4.3.2 Direct required premium

The direct required premium, or adequate gross premium, is the sum of the discounted pure premium including loss adjusting expenses, administrative expenses, the credit for salvage, reinsurance, medical funding, appeal commission costs, SDR financial penalty credit, variable expenses, contingency margin and the credit for investment income on the RSR applied last.

4.4 Base rates and relativities

The base rate is the rate that is applicable to the base group for a class of vehicle. The base group is typically chosen to be the group with the largest number of vehicles because the larger the numbers, the more credible the data. For example, motorhomes with declared value of $10,001 to $20,000 is the base group for the motorhome class.

For the Auto Fund, there are typically three base rates: damage, injury and liability, which comprise the base premium for any given class of vehicle. If a vehicle has only certain coverages, then the base rates for those coverages are combined to produce the base premium. For example, snowmobiles have only liability coverage, and as such, their base premium equals the base liability rate.

If rates within a vehicle class vary by rating attribute(s) or rate group, such as number of seats, declared value or model year, then the base premium needs to be adjusted by a factor that reflects the variance in loss experience for each of the attributes relative to the base premium. This adjustment factor is known as the relativity factor. Following the motorhome example, the premium for a motorhome with a declared value between $30,001 and $50,000 is determined by multiplying the base premium ($10,001 to $20,000) by the relativity factor for the rate group $30,001 to $50,000.

Typically, as the loss experience deteriorates, the corresponding relativity factor and consequent premium also increases. For motorhomes, as the amount of declared value increases, the chance of a higher value claim also increases and the premium that is charged needs to reflect this.

For CLEAR-rated (see 4.5 for definition) vehicles and motorcycles, the premium charged to a vehicle is calculated as:
Premium = Damage Base Rate x Damage Relativity + Injury Base Rate x Injury Relativity + Liability Base Rate

For all other classes of vehicles where rating groups exist the premium formula is:
Premium = Damage Base Rate x Damage Relativity + Injury Base Rate + Liability Base Rate

For classes where there are no rate groups the premium is:
Premium = Damage Base Rate + Injury Base Rate + Liability Base Rate

Once indicated rates have been determined, dollar and percentage caps are applied to limit the amount that an individual's rate may change in a rate program. This is to ensure fair and reasonable rate changes, and reduce rate shock for vehicle owners. A dollar cap will be applied when the annual premium is less than or equal to $1,000 and a percentage cap will be applied when it is over $1,000. The table below outlines the ranges and caps that will be applied:

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

For some classes of vehicles their annual rate is calculated using the base rate of the same private passenger vehicle (PPV) plus a surcharge or discount based on the experience of that particular class of vehicle. For these types of vehicles, the PPV rate will receive the caps identified above as well as any changes to the discount/surcharge that is required for that class. The surcharge/discount is capped at 15%.

In certain circumstances it may be appropriate to deviate from the ranges and caps set out above.

With this rate program, there is one exception to the caps identified above. While the indication for motorcycles as a group is a 76% increase, the increase required for sport motorcycles is 159%. Sport bikes experience twice the injury costs of any other type of motorcycle body style. Because of the significant additional revenue required from the sport bike body style, a higher cap is proposed to make up for its excessive inadequacy. Sport motorcycles with annual rates greater than $1,000 will be capped at a maximum 30% or $45/month.

Due to the practice of capping individual vehicle rate changes, very few classes within the Auto Fund have current relativity factors. For the relativity analysis within this rate program, the current vehicle distribution by class was used to derive the weighted average current rate group relativity factors. These derived current relativities were used in the analysis that produced the proposed relativities which were then used in the premium calculations shown above. Once the premiums were calculated, then an individual vehicle's current premium was compared to the calculated proposed premium. If the change in premium was outside of the set cap amounts, then the vehicle's proposed premium was capped and therefore the proposed relativity factor is no longer being used.

4.5 Vehicle rating classes

Vehicles in the Auto Fund fall into two major rating groups:

i) CLEAR-Rated Vehicles

Within the Auto Fund only light 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
- UDrive (rental) vehicles
- rural taxis
- private vehicles

CLEAR is produced by the Insurance Bureau of Canada (IBC), which captures Canada-wide loss experience for light passenger vehicles with model years between 1977 and the present. CLEAR was designed to provide insurers with a more equitable rating system for vehicles. It is based on the premise that the vehicle-specific portion of insurance rates should be based on only two principal factors, namely, the likelihood of vehicles being involved in claims, and the costs involved in settling those claims.

IBC analyzes historical records of collision frequency and repair costs of each vehicle make, model and model year in order to predict future losses. Through statistical analysis, relationships are established between vehicle characteristics and insurance claims. These relationships are then adjusted according to the actual claim history of individual models, in order to predict future losses for each. Factors such as a person's driving record, or where they live, do not affect CLEAR. As part of its analysis, IBC considers several factors, including vehicle construction, loss-prevention features and susceptibility to damage. IBC also works closely with vehicle manufacturers to monitor new developments. CLEAR is used by insurance companies Canada-wide to rate damage and injury coverage for light passenger vehicles.

There are two components to the CLEAR system: rate group assignments and associated relativity factors. Under the CLEAR system, vehicles are assigned to one of 99 damage rate groups. Since rate groups correspond to expected claim costs, the higher the rate group number, the greater the relativity factor and therefore the higher the premium charged. Insurance companies can choose to use CLEAR rate group assignments with company-specific relativity factors rather than using the CLEAR relativity factors.

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.

In past rate programs, injury rates were assigned to vehicles using CLEAR assignments. However, it was determined that the CLEAR assignments were not a good fit for Auto Fund injury results. As a result, injury rates are now 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

For vehicles older than 1997, the Auto Fund uses the following method to assign damage rate groups. For every year that a vehicle model is older than 1997, the 1997 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, 2011, 17% of the vehicles have model years 1996 and older and 6% are in rate group 0.

The rate group tables are published annually. With each publication year, new model year rate groups are added and existing model year rate groups are updated to reflect vehicle depreciation and additional claims information. When IBC develops a new CLEAR rate group table, it is revenue-neutral given the existing vehicle distribution.

The Auto Fund can implement the use of a new table only upon the approval of a rate proposal and, as such, SGI will strive to bring forward rate adjustments on an annual basis to keep rates as close to CLEAR as possible, even if the adjustments are revenue-neutral.

ii) Conventionally-rated vehicles

Conventional rating is used for all vehicles that are not rated using CLEAR. This includes, but not limited to:

- heavy trucks and power units
- farm vehicles (excluding light trucks with model years 1994 and newer)
- urban taxis
- buses
- snowmobiles
- motorcycles
- vehicle dealers
- special use vehicles (ambulance, hearse and antique)
- trailers
- motorhomes

The criteria used for conventional vehicle classes are based on the significant rating attributes such as model year, engine size, value, etc. For example, buses are rated by seating capacity and model year. Motorcycles are rated by body style, engine size and model year. Motorhomes and trailers are rated by declared value. A complete list of vehicle classes and the rating criteria for each is included in Appendix C.

5. Rate Indications by Class

Caps have been applied consistent with the ranges set out above unless otherwise stated.

CLEAR-rated vehicles

The CLEAR-rated vehicle class represents 71% of the number of vehicles insured by the Auto Fund (87% of vehicles excluding trailers). The actuarial analysis indicates that a 1.5% increase in premium is warranted for the CLEAR-rated vehicle class.

The indicated rate for these vehicles is based on the loss experience and premiums for the entire group. Rates for the individual classes are then determined based on the loss experience of each class in relation to private passenger vehicles. All other class rates are either surcharged or discounted from the private passenger vehicle rates.

Recommendation: Although the indication shows that a 1.5% increase for the CLEAR-rated vehicle class, the proposed change is for an increase of 3.2%. This is required as capping of rate changes in other classes of vehicles does not generate enough revenue to attain the overall required rate increase.

For some classes of vehicles their annual rate is calculated using the base rate of the same private passenger vehicle (PPV) plus a surcharge or discount based on the experience of that particular class of vehicle. The current and proposed discounts and surcharges on PPV rates for the remaining CLEAR-rated vehicle classes are as follows:

Vehicle Class	Current Discount/ Surcharge	Proposed Discount/ Surcharge	Effect of CLEAR and Discount/ Surcharge Changes
Farm cars, SUVs and vans	-10%	-20%	-10%
Farm light trucks (1994 & newer)	-15%	-25%	-10%
Class A – commercial light trucks	20%	35%	15%
Police cars	35%	50%	15%
Police trucks, vans and SUVs	20%	5%	-15%
Rural taxis	60%	60%	0%
UDrive (rental) vehicles	15%	15%	0%
Class PV – heavy trucks and vans, power units and converted vehicles	0%	0%	0%

The recommended changes to CLEAR-rated vehicles based on current exposures are:

- Premium increases for about 468,000 Saskatchewan vehicles (62%) with an average monthly increase of $7;
- Premium decreases for about 275,000 Saskatchewan vehicles (37%) with an average monthly reduction of $5; and,
- No premium change for about 2,000 vehicles (1%).

The rate group relativity analysis for all CLEAR-rated vehicles analyzes pure premium costs per rate group. Current company rate group relativities, which had been based on CLEAR relativities, are credibility weighted to the calculated relativities that are based on the actual pure premiums per rate group. The proposed relativity factors cap changes to be within 10% of the current relativity factors.

The proposed rate group relativities are used to determine a vehicle's physical damage premium. The Auto Fund uses its own injury relativities to calculate the injury portion of the premium. Totaling the damage, injury and liability premiums on a per vehicle basis produces the adequate premium for that vehicle. The adequate premium is then compared to the vehicle's current premium to determine the extent of dislocation. Capping, as described previously, then takes place to ensure that rate shock on individual vehicle premiums is minimized.

The minimum adequate premium that any private passenger vehicle should pay is:

Damage	$27
Injury	229
Liability – including damage liability	414
Total adequate premium	670

Due to the capping of rate changes in this rate program and previous programs, there are some vehicles that will be paying only $429. With continued rate rebalancing, vehicles will be moved closer to their adequate premiums.

Conventionally-rated vehicles

5.1 Ambulances

The rate indication shows that an 18% increase is required for ambulance rates to be adequate. Currently, damage costs account for 71% of the total claim costs associated with ambulances, which is to be expected considering the nature of their use as an emergency vehicle.

Ambulances are currently charged a flat fee of $823 regardless of which class they are registered in (Class C&D or LV).

Recommendation: SGI recommends that ambulance rates receive the indicated 18% increase and that the flat fee becomes $971.

Class A – Provincial, Interprovincial and International Trucks

Within this class of vehicle, there are two types of trucks: International Registration Plan (IRP) vehicles and non-IRP vehicles. In previous rate analysis done by the Auto Fund, both IRP and non-IRP premium and losses were combined. This year's analysis has split IRP and non-IRP into separate indications in order to account for differences in risks that these two groups represent. As an example, IRP power unit vehicles have a much greater exposure to liability risk when compared to non-IRP power unit vehicles, which primarily operate within Saskatchewan.

5.2 Class A – Heavy Trucks and Vans – IRP

A reduction of 20.1% is warranted for this class of vehicle. Rates are calculated based on gross vehicle weight (GVW) and model year for these vehicles.

Recommendation: SGI recommends an overall average rate decrease of 12% for this class. Ninety-six per cent of the current vehicle population will receive an average decrease of $11/month, with the remaining vehicles receiving an average increase of $5/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$252	$468	$532	$544	$558	$570	$589	$607	$626	$645
5,001-11,000	$252	$468	$532	$544	$558	$570	$589	$607	$626	$645
11,001-13,000	$304	$578	$657	$672	$689	$704	$726	$749	$773	$797
13,001-22,001	$347	$659	$749	$767	$786	$803	$829	$855	$882	$909
22,001-34,000	$383	$737	$829	$848	$869	$888	$917	$946	$976	$1,006
34,001-40,000	$423	$851	$945	$966	$991	$1,013	$1,045	$1,078	$1,112	$1,146
40,001-50,000	$423	$915	$1,005	$1,028	$1,054	$1,077	$1,111	$1,146	$1,183	$1,220
50,001-63,500	$423	$1,035	$1,176	$1,203	$1,234	$1,261	$1,301	$1,342	$1,401	$1,460

Proposed Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$352	$461	$461	$461	$461	$492	$503	$513	$644	$661
5,001-11,000	$352	$479	$479	$479	$479	$514	$525	$537	$682	$701
11,001-13,000	$404	$498	$532	$547	$564	$579	$601	$624	$725	$746
13,001-22,001	$447	$534	$624	$617	$636	$653	$679	$705	$772	$795
22,001-34,000	$483	$612	$679	$698	$719	$738	$767	$796	$918	$949
34,001-40,000	$523	$701	$795	$816	$841	$862	$889	$917	$999	$1,033
40,001-50,000	$523	$765	$855	$874	$896	$916	$945	$975	$1,079	$1,118
50,001-63,500	$523	$880	$1,000	$1,023	$1,049	$1,072	$1,106	$1,141	$1,191	$1,241

% Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	40%	-1%	-13%	-15%	-17%	-14%	-15%	-15%	3%	2%
5,001-11,000	40%	2%	-10%	-12%	-14%	-10%	-11%	-12%	9%	9%
11,001-13,000	33%	-14%	-19%	-19%	-18%	-18%	-17%	-17%	-6%	-6%
13,001-22,001	29%	-19%	-17%	-20%	-19%	-19%	-18%	-18%	-12%	-13%
22,001-34,000	26%	-17%	-18%	-18%	-17%	-17%	-16%	-16%	-6%	-6%
34,001-40,000	24%	-18%	-16%	-16%	-15%	-15%	-15%	-15%	-10%	-10%
40,001-50,000	24%	-16%	-15%	-15%	-15%	-15%	-15%	-15%	-9%	-8%
50,001-63,500	24%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%

$ Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$100	-$7	-$71	-$83	-$97	-$78	-$86	-$94	$18	$16
5,001-11,000	$100	$11	-$53	-$65	-$79	-$56	-$64	-$70	$56	$56
11,001-13,000	$100	-$80	-$125	-$125	-$125	-$125	-$125	-$125	-$48	-$51
13,001-22,001	$100	-$125	-$125	-$150	-$150	-$150	-$150	-$150	-$110	-$114
22,001-34,000	$100	-$125	-$150	-$150	-$150	-$150	-$150	-$150	-$58	-$57
34,001-40,000	$100	-$150	-$150	-$150	-$150	-$151	-$156	-$161	-$113	-$113
40,001-50,000	$100	-$150	-$150	-$154	-$158	-$161	-$166	-$171	-$104	-$102
50,001-63,500	$100	-$155	-$176	-$180	-$185	-$189	-$195	-$201	-$210	-$219

$ Change / Month	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$8	-$1	-$6	-$7	-$8	-$7	-$7	-$8	$2	$1
5,001-11,000	$8	$1	-$4	-$5	-$7	-$5	-$5	-$6	$5	$5
11,001-13,000	$8	-$7	-$10	-$10	-$10	-$10	-$10	-$10	-$4	-$4
13,001-22,001	$8	-$10	-$10	-$13	-$13	-$13	-$13	-$13	-$9	-$10
22,001-34,000	$8	-$10	-$13	-$13	-$13	-$13	-$13	-$13	-$5	-$5
34,001-40,000	$8	-$13	-$13	-$13	-$13	-$13	-$13	-$13	-$9	-$9
40,001-50,000	$8	-$13	-$13	-$13	-$13	-$13	-$14	-$14	-$9	-$9
50,001-63,500	$8	-$13	-$15	-$15	-$15	-$16	-$16	-$17	-$18	-$18

5.2.1 Class A – Heavy Trucks and Vans – IRP $15,000 Deductible

The regular deductible for Class A – Heavy Trucks and Vans is $2,500. There is an optional $15,000 deductible. If this option is chosen then the vehicle will not have any damage coverage. They will continue to have coverage for damages caused to other people's property to a limit of $200,000. This $15,000 deductible option is available only to IRP vehicles.

Recommendation: Currently the $15,000 deductible option is provided at a 40% discount from regular deductible rates. Based on a relativity analysis comparing regular deductible pure premiums to $15,000 deductible pure premiums, the current discount is adequate. No change is being proposed for the discount amount.

5.3 Class A – Heavy Trucks and Vans – non-IRP

In order for this class to have adequate rates, an increase of 21.9% is required. As with Class A – Heavy Trucks and Vans–IRP vehicles, these rates are calculated based on GVW and model year.

Recommendation: SGI recommends an overall average rate increase of 14.7% for this class. Ninety-seven per cent of the current vehicle population will receive average increases of approximately $11/month, with the remaining vehicles receiving an average decrease of $8/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate	**Model Year**									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$252	$468	$532	$544	$558	$570	$589	$607	$626	$645
5,001-11,000	$252	$468	$532	$544	$558	$570	$589	$607	$626	$645
11,001-13,000	$304	$578	$657	$672	$689	$704	$726	$749	$773	$797
13,001-22,001	$347	$659	$749	$767	$786	$803	$829	$855	$882	$909
22,001-34,000	$383	$737	$829	$848	$869	$888	$917	$946	$976	$1,006
34,001-40,000	$423	$851	$945	$966	$991	$1,013	$1,045	$1,078	$1,112	$1,146
40,001-50,000	$423	$915	$1,005	$1,028	$1,054	$1,077	$1,111	$1,146	$1,183	$1,220
50,001-63,500	$423	$1,035	$1,176	$1,203	$1,234	$1,261	$1,301	$1,342	$1,401	$1,460

Proposed Rate	**Model Year**									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$352	$568	$657	$669	$683	$695	$714	$732	$751	$770
5,001-11,000	$352	$568	$657	$669	$683	$695	$714	$732	$751	$770
11,001-13,000	$404	$703	$782	$797	$814	$829	$851	$874	$923	$947
13,001-22,001	$447	$784	$854	$854	$854	$953	$979	$1,005	$1,032	$1,059
22,001-34,000	$483	$862	$887	$887	$887	$1,038	$1,067	$1,081	$1,126	$1,156
34,001-40,000	$523	$920	$920	$920	$920	$1,122	$1,142	$1,148	$1,211	$1,236
40,001-50,000	$523	$941	$941	$941	$941	$1,162	$1,184	$1,190	$1,259	$1,287
50,001-63,500	$523	$962	$1,000	$1,023	$1,049	$1,202	$1,226	$1,232	$1,307	$1,337

% Change	**Model Year**									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	40%	21%	23%	23%	22%	22%	21%	21%	20%	19%
5,001-11,000	40%	21%	23%	23%	22%	22%	21%	21%	20%	19%
11,001-13,000	33%	22%	19%	19%	18%	18%	17%	17%	19%	19%
13,001-22,001	29%	19%	14%	11%	9%	19%	18%	18%	17%	17%
22,001-34,000	26%	17%	7%	5%	2%	17%	16%	14%	15%	15%
34,001-40,000	24%	8%	-3%	-5%	-7%	11%	9%	6%	9%	8%
40,001-50,000	24%	3%	-6%	-8%	-11%	8%	7%	4%	6%	5%
50,001-63,500	24%	-7%	-15%	-15%	-15%	-5%	-6%	-8%	-7%	-8%

$ Change	**Model Year**									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$100	$100	$125	$125	$125	$125	$125	$125	$125	$125
5,001-11,000	$100	$100	$125	$125	$125	$125	$125	$125	$125	$125
11,001-13,000	$100	$125	$125	$125	$125	$125	$125	$125	$150	$150
13,001-22,001	$100	$125	$105	$87	$68	$150	$150	$150	$150	$150
22,001-34,000	$100	$125	$58	$39	$18	$150	$150	$135	$150	$150
34,001-40,000	$100	$69	-$25	-$46	-$71	$109	$97	$70	$99	$90
40,001-50,000	$100	$26	-$64	-$87	-$113	$85	$73	$44	$76	$67
50,001-63,500	$100	-$73	-$176	-$180	-$185	-$59	-$75	-$110	-$94	-$123

$ Change / Month	**Model Year**									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
no GVW	$8	$8	$10	$10	$10	$10	$10	$10	$10	$10
5,001-11,000	$8	$8	$10	$10	$10	$10	$10	$10	$10	$10
11,001-13,000	$8	$10	$10	$10	$10	$10	$10	$10	$13	$13
13,001-22,001	$8	$10	$9	$7	$6	$13	$13	$13	$13	$13
22,001-34,000	$8	$10	$5	$3	$2	$13	$13	$11	$13	$13
34,001-40,000	$8	$6	-$2	-$4	-$6	$9	$8	$6	$8	$8
40,001-50,000	$8	$2	-$5	-$7	-$9	$7	$6	$4	$6	$6
50,001-63,500	$8	-$6	-$15	-$15	-$15	-$5	-$6	-$9	-$8	-$10

5.4 Class A – Power Units – IRP

Due to the nature of the use this class of vehicle represents, it has the greatest exposure to large liability claims compared to any other vehicle class within the Auto Fund. The rate indication shows that a 23.8% increase is required for this class to be rate adequate. A relativity analysis was done on model year and GVW.

Recommendation: SGI recommends an overall average rate increase of 13.6% for this class. Almost all of the current vehicle population will receive average increases of approximately $23/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$252	$468	$552	$581	$608	$622	$638	$643	$660	$677
11,001-13,000	$294	$639	$737	$775	$810	$830	$850	$872	$894	$916
13,001-22,000	$308	$844	$870	$916	$957	$981	$1,005	$1,029	$1,056	$1,083
22,001-34,000	$308	$958	$1,039	$1,057	$1,086	$1,113	$1,140	$1,169	$1,197	$1,225
34,001-40,000	$423	$1,287	$1,436	$1,512	$1,580	$1,619	$1,658	$1,700	$1,742	$1,784
40,001-55,000	$423	$1,556	$1,713	$1,789	$1,866	$1,911	$1,958	$2,002	$2,053	$2,104
55,001-63,500	$423	$1,729	$1,875	$1,959	$2,043	$2,093	$2,144	$2,193	$2,248	$2,303

Proposed Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$352	$568	$677	$706	$733	$747	$763	$768	$785	$802
11,001-13,000	$394	$764	$862	$925	$960	$980	$1,000	$1,022	$1,044	$1,066
13,001-22,000	$408	$994	$1,020	$1,066	$1,107	$1,131	$1,155	$1,183	$1,214	$1,245
22,001-34,000	$408	$1,108	$1,194	$1,215	$1,248	$1,279	$1,311	$1,344	$1,376	$1,408
34,001-40,000	$523	$1,480	$1,593	$1,593	$1,593	$1,861	$1,906	$1,955	$2,003	$2,051
40,001-55,000	$523	$1,700	$1,700	$1,700	$1,700	$2,197	$2,251	$2,302	$2,360	$2,419
55,001-63,500	$523	$1,783	$1,783	$1,783	$1,783	$2,392	$2,465	$2,521	$2,585	$2,648

% Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	40%	21%	23%	22%	21%	20%	20%	19%	19%	18%
11,001-13,000	34%	20%	17%	19%	19%	18%	18%	17%	17%	16%
13,001-22,000	32%	18%	17%	16%	16%	15%	15%	15%	15%	15%
22,001-34,000	32%	16%	15%	15%	15%	15%	15%	15%	15%	15%
34,001-40,000	24%	15%	11%	5%	1%	15%	15%	15%	15%	15%
40,001-55,000	24%	9%	-1%	-5%	-9%	15%	15%	15%	15%	15%
55,001-63,500	24%	3%	-5%	-9%	-13%	14%	15%	15%	15%	15%

$ Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$100	$100	$125	$125	$125	$125	$125	$125	$125	$125
11,001-13,000	$100	$125	$125	$150	$150	$150	$150	$150	$150	$150
13,001-22,000	$100	$150	$150	$150	$150	$150	$150	$154	$158	$162
22,001-34,000	$100	$150	$155	$158	$162	$166	$171	$175	$179	$183
34,001-40,000	$100	$193	$157	$81	$13	$242	$248	$255	$261	$267
40,001-55,000	$100	$144	-$13	-$89	-$166	$286	$293	$300	$307	$315
55,001-63,500	$100	$54	-$92	-$176	-$260	$299	$321	$328	$337	$345

$ Change / Month	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$8	$8	$10	$10	$10	$10	$10	$10	$10	$10
11,001-13,000	$8	$10	$10	$13	$13	$13	$13	$13	$13	$13
13,001-22,000	$8	$13	$13	$13	$13	$13	$13	$13	$13	$14
22,001-34,000	$8	$13	$13	$13	$14	$14	$14	$15	$15	$15
34,001-40,000	$8	$16	$13	$7	$1	$20	$21	$21	$22	$22
40,001-55,000	$8	$12	-$1	-$7	-$14	$24	$24	$25	$26	$26
55,001-63,500	$8	$5	-$8	-$15	-$22	$25	$27	$27	$28	$29

5.4.1 Class A – Power Units – IRP $15,000 Deductible

The regular deductible for Class A – Power Units is $2,500. There is an optional $15,000 deductible. If this option is chosen then the vehicle will not have any damage coverage. They will continue to have coverage for damages caused to other people's property to a limit of $200,000. This $15,000 deductible option is available only to IRP vehicles.

Recommendation: Currently the $15,000 deductible option is provided at a 40% discount from regular deductible rates. Based on a relativity analysis comparing regular deductible pure premiums to $15,000 deductible pure premiums, the current discount is adequate. No change is being proposed for the discount amount.

5.5 Class A – Power Units – non-IRP

The rate indication shows that a decrease of 28.2% is warranted for this class. A relativity analysis was done on model year and GVW.

Recommendation: SGI recommends an overall average rate decrease of 13.5% for this class. Eighty-eight per cent of the current vehicle population will receive decreases of approximately $25/month, with the remaining vehicles receiving an average increase of $7/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate					Model Year					
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$252	$468	$552	$581	$608	$622	$638	$643	$660	$677
11,001-13,000	$294	$639	$737	$775	$810	$830	$850	$872	$894	$916
13,001-22,000	$308	$844	$870	$916	$957	$981	$1,005	$1,029	$1,056	$1,083
22,001-34,000	$308	$958	$1,039	$1,057	$1,086	$1,113	$1,140	$1,169	$1,197	$1,225
34,001-40,000	$423	$1,287	$1,436	$1,512	$1,580	$1,619	$1,658	$1,700	$1,742	$1,784
40,001-55,000	$423	$1,556	$1,713	$1,789	$1,866	$1,911	$1,958	$2,002	$2,053	$2,104
55,001-63,500	$423	$1,729	$1,875	$1,959	$2,043	$2,093	$2,144	$2,193	$2,248	$2,303

Proposed Rate					Model Year					
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$352	$568	$677	$706	$733	$747	$763	$768	$785	$802
11,001-13,000	$394	$764	$862	$881	$881	$980	$1,000	$1,022	$1,044	$1,066
13,001-22,000	$408	$904	$904	$904	$904	$1,070	$1,133	$1,183	$1,214	$1,245
22,001-34,000	$408	$929	$929	$929	$929	$1,114	$1,184	$1,253	$1,282	$1,312
34,001-40,000	$523	$1,094	$1,221	$1,286	$1,343	$1,377	$1,410	$1,445	$1,481	$1,517
40,001-55,000	$523	$1,323	$1,457	$1,521	$1,587	$1,625	$1,665	$1,702	$1,746	$1,789
55,001-63,500	$523	$1,470	$1,594	$1,666	$1,737	$1,780	$1,823	$1,865	$1,911	$1,958

% Change					Model Year					
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	40%	21%	23%	22%	21%	20%	20%	19%	19%	18%
11,001-13,000	34%	20%	17%	14%	9%	18%	18%	17%	17%	16%
13,001-22,000	32%	7%	4%	-1%	-6%	9%	13%	15%	15%	15%
22,001-34,000	32%	-3%	-11%	-12%	-14%	0%	4%	7%	7%	7%
34,001-40,000	24%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%
40,001-55,000	24%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%
55,001-63,500	24%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%

$ Change					Model Year					
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$100	$100	$125	$125	$125	$125	$125	$125	$125	$125
11,001-13,000	$100	$125	$125	$106	$71	$150	$150	$150	$150	$150
13,001-22,000	$100	$60	$34	-$12	-$53	$89	$128	$154	$158	$162
22,001-34,000	$100	-$29	-$110	-$128	-$157	$1	$44	$84	$85	$87
34,001-40,000	$100	-$193	-$215	-$226	-$237	-$242	-$248	-$255	-$261	-$267
40,001-55,000	$100	-$233	-$256	-$268	-$279	-$286	-$293	-$300	-$307	-$315
55,001-63,500	$100	-$259	-$281	-$293	-$306	-$313	-$321	-$328	-$337	-$345

$ Change / Month					Model Year					
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
5,001-11,000	$8	$8	$10	$10	$10	$10	$10	$10	$10	$10
11,001-13,000	$8	$10	$10	$9	$6	$13	$13	$13	$13	$13
13,001-22,000	$8	$5	$3	-$1	-$4	$7	$11	$13	$13	$14
22,001-34,000	$8	-$2	-$9	-$11	-$13	$0	$4	$7	$7	$7
34,001-40,000	$8	-$16	-$18	-$19	-$20	-$20	-$21	-$21	-$22	-$22
40,001-55,000	$8	-$19	-$21	-$22	-$23	-$24	-$24	-$25	-$26	-$26
55,001-63,500	$8	-$22	-$23	-$24	-$26	-$26	-$27	-$27	-$28	-$29

Classes C and D

The rates for these classes are currently the same. Because the risk is similar for these two classes the indication and relativity analysis were done with combined experience. The reason that they are kept as two separate classes is because classes C and D are defined differently for registration purposes.

5.6 Classes C and D – Heavy Trucks and Vans

The rate indication shows that a 59.8% increase is required to obtain adequate rates. A relativity analysis was performed on both GVW and model year.

Recommendation: SGI recommends an overall average rate increase of 22.5% for this class. All of the current vehicle population will receive average increases of approximately $9/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$297	$336	$346	$356	$365	$375	$385	$399	$406	$413
20,001-30,000	$297	$471	$484	$497	$511	$524	$538	$550	$564	$578
30,001-40,000	$297	$498	$501	$514	$529	$542	$556	$570	$585	$600
40,001-50,000	$306	$578	$594	$610	$627	$643	$659	$676	$693	$710
50,001-63,500	$363	$731	$752	$773	$793	$814	$835	$856	$878	$900

Proposed Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$397	$436	$446	$456	$465	$475	$485	$499	$506	$513
20,001-30,000	$397	$563	$584	$597	$636	$649	$663	$675	$689	$703
30,001-40,000	$397	$576	$621	$639	$654	$667	$681	$695	$710	$725
40,001-50,000	$406	$614	$674	$705	$752	$768	$784	$801	$818	$835
50,001-63,500	$463	$684	$772	$817	$943	$964	$985	$1,006	$1,028	$1,050

% Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	34%	30%	29%	28%	27%	27%	26%	25%	25%	24%
20,001-30,000	34%	20%	21%	20%	24%	24%	23%	23%	22%	22%
30,001-40,000	34%	16%	24%	24%	24%	23%	22%	22%	21%	21%
40,001-50,000	33%	6%	13%	16%	20%	19%	19%	18%	18%	18%
50,001-63,500	28%	-6%	3%	6%	19%	18%	18%	18%	17%	17%

$ Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100
20,001-30,000	$100	$92	$100	$100	$125	$125	$125	$125	$125	$125
30,001-40,000	$100	$78	$120	$125	$125	$125	$125	$125	$125	$125
40,001-50,000	$100	$36	$80	$95	$125	$125	$125	$125	$125	$125
50,001-63,500	$100	-$47	$20	$44	$150	$150	$150	$150	$150	$150

$ Change / Month	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$8	$8	$8	$8	$8	$8	$8	$8	$8	$8
20,001-30,000	$8	$8	$8	$8	$10	$10	$10	$10	$10	$10
30,001-40,000	$8	$7	$10	$10	$10	$10	$10	$10	$10	$10
40,001-50,000	$8	$3	$7	$8	$10	$10	$10	$10	$10	$10
50,001-63,500	$8	-$4	$2	$4	$13	$13	$13	$13	$13	$13

5.7 Classes C and D – Power Units

The rate indication shows that the premium for these vehicles requires a 49.4% increase overall to become adequate. A relativity analysis was performed on both GVW and model year.

Recommendation: SGI recommends an overall average rate increase of 16% for this class. All of the current vehicle population will receive an average increase of $14/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$297	$356	$347	$350	$384	$431	$458	$470	$481	$492
20,001-30,000	$297	$471	$471	$471	$502	$540	$605	$620	$636	$652
30,001-35,000	$297	$576	$596	$602	$662	$668	$749	$767	$786	$805
35,001-36,000	$325	$720	$745	$751	$827	$835	$933	$956	$980	$1,004
36,001-40,000	$346	$852	$895	$903	$994	$1,004	$1,057	$1,083	$1,110	$1,137
40,001-50,000	$346	$967	$1,017	$1,026	$1,131	$1,167	$1,315	$1,347	$1,381	$1,415
50,001-63,500	$346	$1,053	$1,059	$1,069	$1,177	$1,188	$1,316	$1,348	$1,381	$1,415

Proposed Rate	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$397	$456	$447	$450	$484	$531	$558	$570	$581	$592
20,001-30,000	$397	$571	$571	$571	$627	$665	$730	$745	$761	$777
30,001-35,000	$397	$701	$721	$727	$787	$793	$874	$917	$936	$955
35,001-36,000	$425	$845	$870	$901	$977	$985	$1,083	$1,106	$1,130	$1,154
36,001-40,000	$446	$1,002	$1,045	$1,053	$1,144	$1,154	$1,215	$1,245	$1,276	$1,307
40,001-50,000	$446	$1,117	$1,168	$1,179	$1,276	$1,342	$1,512	$1,549	$1,588	$1,627
50,001-63,500	$446	$1,160	$1,174	$1,188	$1,284	$1,366	$1,513	$1,550	$1,588	$1,627

% Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	34%	28%	29%	29%	26%	23%	22%	21%	21%	20%
20,001-30,000	34%	21%	21%	21%	25%	23%	21%	20%	20%	19%
30,001-35,000	34%	22%	21%	21%	19%	19%	17%	20%	19%	19%
35,001-36,000	31%	17%	17%	20%	18%	18%	16%	16%	15%	15%
36,001-40,000	29%	18%	17%	17%	15%	15%	15%	15%	15%	15%
40,001-50,000	29%	16%	15%	15%	13%	15%	15%	15%	15%	15%
50,001-63,500	29%	10%	11%	11%	9%	15%	15%	15%	15%	15%

$ Change	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100
20,001-30,000	$100	$100	$100	$100	$125	$125	$125	$125	$125	$125
30,001-35,000	$100	$125	$125	$125	$125	$125	$125	$150	$150	$150
35,001-36,000	$100	$125	$125	$150	$150	$150	$150	$150	$150	$150
36,001-40,000	$100	$150	$150	$150	$150	$150	$158	$162	$166	$170
40,001-50,000	$100	$150	$151	$153	$145	$175	$197	$202	$207	$212
50,001-63,500	$100	$107	$115	$119	$107	$178	$197	$202	$207	$212

$ Change / Month	Model Year									
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011	2012-2016
0-20,000	$8	$8	$8	$8	$8	$8	$8	$8	$8	$8
20,001-30,000	$8	$8	$8	$8	$10	$10	$10	$10	$10	$10
30,001-35,000	$8	$10	$10	$10	$10	$10	$10	$13	$13	$13
35,001-36,000	$8	$10	$10	$13	$13	$13	$13	$13	$13	$13
36,001-40,000	$8	$13	$13	$13	$13	$13	$13	$14	$14	$14
40,001-50,000	$8	$13	$13	$13	$12	$15	$16	$17	$17	$18
50,001-63,500	$8	$9	$10	$10	$9	$15	$16	$17	$17	$18

5.8 Class F – Farm Vehicles – Heavy Trucks and Vans

The rate indication for this subclass shows a 26.6% required rate decrease. Relativity analysis was performed on the model year of the vehicle.

Recommendation: SGI recommends an overall average rate decrease of 6% for this class. Sixty-nine per cent of the current vehicle population will receive an average increase of $3/month, with the remaining 31% of vehicles receiving an average decrease of $8/month. The impact on the rates for these vehicles is shown in the table below.

Model Year	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change/ Month
1979 & Prior	$83	$116	40%	$33	$3
1980	$117	$136	16%	$19	$2
1981	$142	$150	6%	$8	$1
1982	$178	$153	-14%	-$25	-$2
1983	$203	$155	-24%	-$48	-$4
1984	$245	$170	-31%	-$75	-$6
1985	$282	$182	-35%	-$100	-$8
1986	$308	$208	-32%	-$100	-$8
1987	$343	$243	-29%	-$100	-$8
1988	$371	$271	-27%	-$100	-$8
1989	$379	$279	-26%	-$100	-$8
1990	$387	$287	-26%	-$100	-$8
1991	$410	$310	-24%	-$100	-$8
1992	$425	$325	-24%	-$100	-$8
1993	$448	$348	-22%	-$100	-$8
1994	$483	$383	-21%	-$100	-$8
1995	$503	$378	-25%	-$125	-$10
1996	$574	$449	-22%	-$125	-$10
1997	$598	$473	-21%	-$125	-$10
1998	$610	$485	-20%	-$125	-$10
1999	$621	$496	-20%	-$125	-$10
2000	$724	$599	-17%	-$125	-$10
2001	$767	$617	-20%	-$150	-$13
2002	$775	$625	-19%	-$150	-$13
2003	$784	$634	-19%	-$150	-$13
2004	$808	$658	-19%	-$150	-$13
2005	$847	$697	-18%	-$150	-$13
2006	$898	$748	-17%	-$150	-$13
2007	$952	$802	-16%	-$150	-$13
2008	$1,009	$858	-15%	-$151	-$13
2009	$1,059	$901	-15%	-$158	-$13
2010	$1,104	$939	-15%	-$165	-$14
2011	$1,149	$977	-15%	-$172	-$14
2012	$1,192	$1,014	-15%	-$178	-$15

5.9 Class F – Light Trucks with Model Years 1993 and Older

The rate indication for farm trucks with model years 1993 and older shows that a 9% decrease is warranted. A relativity analysis was performed on model year and on vehicle size (e.g. full-size, compact).

The number of vehicles within this class has been decreasing over time, which isn't surprising given the fact that the class represents a specified vehicle age range that gets older every year. If vehicles within this class are replaced, they are likely to be replaced with a vehicle newer than model year 1993. Fifteen per cent of the vehicles within this class are model year 1976 or older.

Recommendation: SGI recommends an overall average rate decrease of 8.2% for this class. Fifty-nine per cent of the current vehicle population will receive an average decrease of $7/month, with the remaining 41% of vehicles receiving an average increase of $5/month. The impact on the rates for these vehicles is shown in the table below.

Model	Current Premium		Proposed Premium		% Change		$ Change		$ Change/Month	
Year	Full-Sized	Compact	Full-Sized	Compact	Full-Sized	Compact	Full-Sized	Compact	Full-Sized	Compact
1976 & Older	$111	$111	$186	$186	68%	68%	$75	$75	$6	$6
1977	$150	$144	$225	$219	50%	52%	$75	$75	$6	$6
1978	$150	$144	$225	$219	50%	52%	$75	$75	$6	$6
1979	$184	$177	$241	$241	31%	36%	$57	$64	$5	$5
1980	$184	$177	$241	$241	31%	36%	$57	$64	$5	$5
1981	$203	$194	$244	$244	20%	26%	$41	$50	$3	$4
1982	$203	$196	$243	$243	20%	24%	$40	$47	$3	$4
1983	$223	$211	$247	$247	11%	17%	$24	$36	$2	$3
1984	$243	$231	$247	$247	2%	7%	$4	$16	$0	$1
1985	$265	$249	$251	$251	-5%	1%	-$14	$2	-$1	$0
1986	$286	$269	$254	$254	-11%	-6%	-$32	-$15	-$3	-$1
1987	$316	$291	$256	$256	-19%	-12%	-$60	-$35	-$5	-$3
1988	$343	$303	$273	$273	-20%	-10%	-$70	-$30	-$6	-$3
1989	$370	$320	$279	$279	-25%	-13%	-$91	-$41	-$8	-$3
1990	$399	$348	$299	$289	-25%	-17%	-$100	-$59	-$8	-$5
1991	$429	$369	$329	$306	-23%	-17%	-$100	-$63	-$8	-$5
1992	$460	$393	$360	$316	-22%	-20%	-$100	-$77	-$8	-$6
1993	$482	$428	$382	$328	-21%	-23%	-$100	-$100	-$8	-$8

5.10 Class F – Farm Vehicles – Power Units

The rate indication shows that a 19.7% decrease is warranted for this class. A relativity analysis based on model year was performed.

As mentioned previously, the number of vehicles within this class has been growing while the number of farm heavy trucks has been decreasing. Over the past three years, the average growth in number of vehicles for this class has been around 10% per year.

Recommendation: SGI recommends an overall average rate decrease of 16.3% for this class. Seventy-seven per cent of the current vehicle population will receive an average decrease of $9/month, with the remaining 23% of vehicles receiving an average increase of $2/month. The impact on the rates for these vehicles is shown in the table below.

Model Year	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change/ Month
1981 & Prior	$149	$224	50%	$75	$6
1982 - 1985	$251	$296	18%	$45	$4
1986 - 1990	$313	$323	3%	$10	$1
1991 - 1994	$389	$376	-3%	-$13	-$1
1995 - 1998	$546	$421	-23%	-$125	-$10
1999	$653	$528	-19%	-$125	-$10
2000	$667	$542	-19%	-$125	-$10
2001	$669	$553	-17%	-$116	-$10
2002	$670	$567	-15%	-$103	-$9
2003	$694	$580	-16%	-$114	-$10
2004	$762	$612	-20%	-$150	-$13
2005	$831	$681	-18%	-$150	-$13
2006	$909	$759	-17%	-$150	-$13
2007	$920	$770	-16%	-$150	-$13
2008	$930	$780	-16%	-$150	-$13
2009	$940	$790	-16%	-$150	-$13
2010	$950	$800	-16%	-$150	-$13
2011	$960	$810	-16%	-$150	-$13
2012	$970	$820	-15%	-$150	-$13

5.11 Hearses – Cars

These vehicles are currently charged the private passenger make and model vehicle rate with a cap of $400. The rate indication shows that an 8.4% decrease is warranted for this class.

Recommendation: SGI recommends an overall average rate decrease of 8.4% for this class. The cap will be adjusted to $366.

5.12 Class L – Automobile and Motorcycle Dealers

With this year's dealer rate indication, snowmobile dealers have been excluded. Since these dealers have only liability coverage, it was appropriate to exclude their premium and losses from automobile and motorcycle dealers that have full coverage. The rate indication for snowmobile dealers is discussed in section 5.13 of this document.

The rate indication shows that a 16.9% increase is warranted for this class. A relativity analysis based on dealer type was performed.

Recommendation: SGI recommends an overall average rate increase of 16.4% for this class. The impact on the rates for these vehicles is shown in the table below.

Dealer Type	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change / Month
Automobile	$625	$726	16%	$101	$8
Motorcycle	$356	$456	28%	$100	$8

5.13 Class L – Snowmobile Dealers

Snowmobile dealers are currently charged a flat fee of $103. As mentioned above, these dealers have only liability coverage. The rate indication shows that a 40.6% decrease is warranted for this class.

Recommendation: SGI recommends that snowmobile dealers receive a 40.8% decrease and that the flat fee becomes $61.

5.14 Class LV – Antiques

These vehicles are currently charged a flat rate of $66. Antique vehicles have full injury and liability coverage, but are limited to $300 damage coverage ($800 damage limit with a $500 deductible). The rate indication suggests that this class requires a 29.7% rate decrease.

Recommendation: SGI recommends no changes to the rates for this class. Currently, this class is not allocated any administrative expenses. A review of how administrative expenses are allocated will be conducted prior to the next rate program and, therefore, no change to their rates is being recommended.

5.15 Class LV – Buses

In order for this class to have adequate rates, an increase of 107.9% is required. Bus rates differ based on seating capacity and as such, a relativity analysis was performed.

Recommendation: SGI recommends an overall average rate increase of 33% for this class. The average increase for vehicles in this class is $8/month. The impact on the rates for these vehicles is shown in the table below.

Seating Capacity	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change / Month
15 or less	$263	$363	38%	$100	$8
16 - 24	$336	$436	30%	$100	$8
25 or more	$359	$459	28%	$100	$8

5.16 Class LV – Restricted Buses

The rate indication shows that a 35.2% increase is required for this class to be rate adequate. Restricted bus rates differ based on seating capacity and as such, a relativity analysis was performed.

Recommendation: SGI recommends an overall average rate increase of 33.1% for this class. The average increase for vehicles in this class is $6/month. The impact on the rates for these vehicles is shown in the table below.

Seating Capacity	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change/ Month
15 or less	$226	$301	33%	$75	$6
16 - 24	$229	$304	33%	$75	$6
25 or more	$263	$316	20%	$53	$4

5.17 Class LV – Motorcycle

As in previous rate programs, motorcycles continue to be the class with one of the largest indicated rate increases. This year's rate indication shows that a 76.1% rate increase is required to break even as a class. Due to the lack of occupant protection, whether in a single vehicle crash or otherwise, injury claim costs for this class are extremely high given the likelihood of a motorcycle rider sustaining severe injuries. Unlike CLEAR-rated vehicles where injury makes up approximately 32% of the total required premium, motorcycle injury costs account for 84% of the $1,894 required motorcycle premium.

Motorcycle rates within the class are split into by three body types: cruiser/touring, sport and dual purpose/other. Those three categories are further divided by model year and engine size.

While the indication for motorcycles as a group is a 76.1% increase, the increase required for sport motorcycles is 159%. Sport bikes experience twice the injury costs of any other type of motorcycle body style. Because of the significant additional revenue required from the sport bike body style, a higher cap is proposed to make up for their excessive inadequacy. Sport motorcycles with annual rates greater than $1,000 will be capped at a maximum 30% or $45/month.

Recommendation: SGI recommends an overall average rate increase of 15.5% for cruiser/touring, 21% for dual purpose/other and 29.2% for sport. Almost all cruiser/touring bikes will receive an average increase of $15/month. Ninety-six per cent of dual purpose/other bikes will receive an average increase of $8/month with the remaining 4% of the bikes receiving an average decrease of $1/month. Sport bikes will see an average increase of $29/month. The impact on the rates for these vehicles is shown in the tables below.

Cruiser/Touring

Current Rate

	Engine Size				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$155	$155	$542	$708	$813
1983 - 1986	$184	$189	$695	$807	$918
1987 - 1992	$206	$215	$801	$928	$1,027
1993 - 1996	$225	$235	$873	$1,011	$1,123
1997 - 2000	$249	$268	$997	$1,163	$1,298
2001 - 2004	$256	$276	$1,049	$1,222	$1,339
2005 - 2007	$280	$301	$1,112	$1,293	$1,461
2008 - 2010	$287	$300	$1,177	$1,377	$1,452
2011 - 2013	$294	$325	$1,242	$1,461	$1,536

Proposed Rate

Model Year	Engine Size: 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$230	$230	$667	$833	$963
1983 - 1986	$254	$264	$820	$957	$1,068
1987 - 1992	$260	$290	$951	$1,078	$1,181
1993 - 1996	$263	$310	$1,023	$1,162	$1,291
1997 - 2000	$266	$368	$1,147	$1,337	$1,492
2001 - 2004	$273	$376	$1,206	$1,405	$1,539
2005 - 2007	$274	$401	$1,278	$1,486	$1,680
2008 - 2010	$274	$400	$1,353	$1,583	$1,669
2011 - 2013	$277	$425	$1,428	$1,680	$1,766

% Change

Model Year	Engine Size: 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	48%	48%	23%	18%	18%
1983 - 1986	38%	40%	18%	19%	16%
1987 - 1992	26%	35%	19%	16%	15%
1993 - 1996	17%	32%	17%	15%	15%
1997 - 2000	7%	37%	15%	15%	15%
2001 - 2004	7%	36%	15%	15%	15%
2005 - 2007	-2%	33%	15%	15%	15%
2008 - 2010	-5%	33%	15%	15%	15%
2011 - 2013	-6%	31%	15%	15%	15%

$ Change

Model Year	Engine Size: 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$75	$75	$125	$125	$150
1983 - 1986	$70	$75	$125	$150	$150
1987 - 1992	$54	$75	$150	$150	$154
1993 - 1996	$38	$75	$150	$151	$168
1997 - 2000	$17	$100	$150	$174	$194
2001 - 2004	$17	$100	$157	$183	$200
2005 - 2007	-$6	$100	$166	$193	$219
2008 - 2010	-$13	$100	$176	$206	$217
2011 - 2013	-$17	$100	$186	$219	$230

$ Change/Month		Engine Size			
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$6	$6	$10	$10	$13
1983 - 1986	$6	$6	$10	$13	$13
1987 - 1992	$5	$6	$13	$13	$13
1993 - 1996	$3	$6	$13	$13	$14
1997 - 2000	$1	$8	$13	$15	$16
2001 - 2004	$1	$8	$13	$15	$17
2005 - 2007	-$1	$8	$14	$16	$18
2008 - 2010	-$1	$8	$15	$17	$18
2011 - 2013	-$1	$8	$16	$18	$19

Dual Purpose

Current Rate		Engine Size			
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$141	$141	$493	$644	$740
1983 - 1986	$173	$173	$598	$782	$877
1987 - 1992	$198	$198	$726	$835	$953
1993 - 1996	$219	$219	$812	$914	$1,028
1997 - 2000	$240	$240	$922	$1,058	$1,117
2001 - 2004	$254	$254	$951	$1,102	$1,162
2005 - 2007	$268	$268	$1,037	$1,176	$1,257
2008 - 2010	$284	$284	$1,055	$1,195	$1,304
2011 - 2013	$300	$300	$1,073	$1,214	$1,351

Proposed Rate		Engine Size			
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$216	$216	$593	$769	$865
1983 - 1986	$248	$248	$723	$932	$1,027
1987 - 1992	$260	$273	$851	$985	$1,103
1993 - 1996	$263	$294	$962	$1,064	$1,182
1997 - 2000	$267	$315	$1,072	$1,216	$1,284
2001 - 2004	$274	$354	$1,101	$1,267	$1,336
2005 - 2007	$274	$368	$1,192	$1,352	$1,445
2008 - 2010	$274	$384	$1,213	$1,374	$1,499
2011 - 2013	$277	$400	$1,233	$1,396	$1,553

% Change

Model Year	Engine Size 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	53%	53%	20%	19%	17%
1983 - 1986	43%	43%	21%	19%	17%
1987 - 1992	31%	38%	17%	18%	16%
1993 - 1996	20%	34%	18%	16%	15%
1997 - 2000	11%	31%	16%	15%	15%
2001 - 2004	8%	39%	16%	15%	15%
2005 - 2007	2%	37%	15%	15%	15%
2008 - 2010	-4%	35%	15%	15%	15%
2011 - 2013	-8%	33%	15%	15%	15%

$ Change

Model Year	Engine Size 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$75	$75	$100	$125	$125
1983 - 1986	$75	$75	$125	$150	$150
1987 - 1992	$62	$75	$125	$150	$150
1993 - 1996	$44	$75	$150	$150	$154
1997 - 2000	$27	$75	$150	$158	$167
2001 - 2004	$20	$100	$150	$165	$174
2005 - 2007	$6	$100	$155	$176	$188
2008 - 2010	-$10	$100	$158	$179	$195
2011 - 2013	-$23	$100	$160	$182	$202

$ Change/Month

Model Year	Engine Size 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$6	$6	$8	$10	$10
1983 - 1986	$6	$6	$10	$13	$13
1987 - 1992	$5	$6	$10	$13	$13
1993 - 1996	$4	$6	$13	$13	$13
1997 - 2000	$2	$6	$13	$13	$14
2001 - 2004	$2	$8	$13	$14	$15
2005 - 2007	$1	$8	$13	$15	$16
2008 - 2010	-$1	$8	$13	$15	$16
2011 - 2013	-$2	$8	$13	$15	$17

Sport

Current Rate

Model Year	Engine Size: 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$162	$173	$616	$801	$851
1983 - 1986	$199	$208	$796	$965	$1,010
1987 - 1992	$227	$240	$960	$1,112	$1,163
1993 - 1996	$251	$262	$1,046	$1,212	$1,268
1997 - 2000	$298	$321	$1,226	$1,322	$1,512
2001 - 2004	$307	$331	$1,286	$1,388	$1,590
2005 - 2007	$335	$361	$1,362	$1,470	$1,685
2008 - 2010	$333	$359	$1,436	$1,557	$1,741
2011 - 2013	$359	$389	$1,510	$1,644	$1,797

Proposed Rate

Model Year	Engine Size: 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$237	$248	$741	$951	$1,001
1983 - 1986	$274	$283	$946	$1,115	$1,313
1987 - 1992	$302	$315	$1,110	$1,445	$1,511
1993 - 1996	$344	$362	$1,359	$1,575	$1,648
1997 - 2000	$365	$421	$1,593	$1,718	$1,965
2001 - 2004	$402	$431	$1,671	$1,804	$2,067
2005 - 2007	$403	$461	$1,770	$1,911	$2,190
2008 - 2010	$405	$459	$1,866	$2,024	$2,263
2011 - 2013	$423	$489	$1,963	$2,137	$2,336

% Change

Model Year	Engine Size: 100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	46%	43%	20%	19%	18%
1983 - 1986	38%	36%	19%	16%	30%
1987 - 1992	33%	31%	16%	30%	30%
1993 - 1996	37%	38%	30%	30%	30%
1997 - 2000	22%	31%	30%	30%	30%
2001 - 2004	31%	30%	30%	30%	30%
2005 - 2007	20%	28%	30%	30%	30%
2008 - 2010	22%	28%	30%	30%	30%
2011 - 2013	18%	26%	30%	30%	30%

$ Change	Engine Size				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$75	$75	$125	$150	$150
1983 - 1986	$75	$75	$150	$150	$303
1987 - 1992	$75	$75	$150	$333	$348
1993 - 1996	$93	$100	$313	$363	$380
1997 - 2000	$67	$100	$367	$396	$453
2001 - 2004	$95	$100	$385	$416	$477
2005 - 2007	$68	$100	$408	$441	$505
2008 - 2010	$72	$100	$430	$467	$522
2011 - 2013	$64	$100	$453	$493	$539

$ Change/Month	Engine Size				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$6	$6	$10	$13	$13
1983 - 1986	$6	$6	$13	$13	$25
1987 - 1992	$6	$6	$13	$28	$29
1993 - 1996	$8	$8	$26	$30	$32
1997 - 2000	$6	$8	$31	$33	$38
2001 - 2004	$8	$8	$32	$35	$40
2005 - 2007	$6	$8	$34	$37	$42
2008 - 2010	$6	$8	$36	$39	$44
2011 - 2013	$5	$8	$38	$41	$45

5.1.8 Class LV – Motorhomes

The rate indication shows that the premiums for these vehicles require a 25.9% rate increase. A relativity analysis was done based on declared value.

Recommendation: SGI recommends an overall average rate increase of 11.9% for this class. Seventy per cent of the current vehicle population will receive an average increase of $5/month, with the remaining 30% of vehicles receiving an average decrease of less than a dollar per month. The impact on the rates for these vehicles is shown in the tables below.

Value	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change / Month
$10,000 & Less	$249	$245	-2%	-$4	-$0.33
$10,001 to $20,000	$310	$326	5%	$16	$1
$20,001 to $30,000	$393	$493	25%	$100	$8
$30,001 to $50,000	$438	$510	16%	$72	$6
$50,001 to $75,000	$520	$645	24%	$125	$10
$75,001 to $100,000	$529	$654	24%	$125	$10
$100,001 to $125,000	$667	$792	19%	$125	$10
$125,001 to $150,000	$700	$825	18%	$125	$10
$150,001 to $200,000	$777	$927	19%	$150	$13
$200,001 to $250,000	$788	$938	19%	$150	$13
$250,001 to $300,000	$826	$976	18%	$150	$13
$300,001 to $400,000	$847	$997	18%	$150	$13
$400,001 to $500,000	$874	$1,024	17%	$150	$13
$500,001 & More	$896	$1,046	17%	$150	$13

5.18.1 Class LV – Motorhomes – UDrive

The current surcharge for UDrive motorhome use is 15% above the motorhome premiums listed above.

Recommendation: Based on a pure premium relativity analysis, the current surcharge is adequate. SGI recommends no change to the current surcharge amount.

5.19 Class MT – Snowmobiles

Snowmobiles have only liability coverage under the Auto Fund; this includes third-party damage liability. Due to the fact that snowmobiles have such limited coverage, they are not charged fixed expenses nor are they awarded discounts for salvage or investment income. They are, however, charged for variable expenses. The rate indication shows that a 34.3% rate decrease is warranted for this class. Currently, snowmobiles are charged a flat rate of $81.

Recommendation: SGI recommends no changes to the rates for this class. Currently, this class is not allocated any administrative expenses. A review of how administrative expenses are allocated will be conducted prior to the next rate program and, therefore, no change to their rates is being recommended.

5.19.1 Class MT – Snowmobiles – UDrive

Snowmobile UDrive vehicles are currently surcharged 20% above the snowmobile rates. Within the past 10 years, these types of vehicles have incurred no claims and, on average, only about seven snowmobiles with the UDrive option are insured each year.

Recommendation: SGI recommends that the surcharge for these vehicles remains at 20% above the snowmobile rate.

5.20 Class PB – Passenger Inter-city Buses

The indicated rate change for passenger inter-city buses shows that an increase of 53.3% is required. A relativity analysis was performed on model year and seating capacity.

Recommendation: SGI recommends an overall average rate increase of 15.2% for this class. The average increase for vehicles in this class is $18/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	$726	$665	$753	$1,350
1982 - 1986	$805	$726	$831	$1,490
1987 - 1992	$1,001	$936	$1,028	$1,841
1993 - 1998	$1,066	$996	$1,064	$1,973
1999 - 2004	$1,166	$1,090	$1,204	$2,158
2005 - 2008	$1,236	$1,155	$1,276	$2,288
2009 - 2012	$1,313	$1,228	$1,356	$2,431

Proposed Rate

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	$851	$790	$903	$1,552
1982 - 1986	$955	$851	$981	$1,713
1987 - 1992	$1,151	$1,086	$1,182	$1,923
1993 - 1998	$1,225	$1,146	$1,223	$2,268
1999 - 2004	$1,340	$1,253	$1,384	$2,481
2005 - 2008	$1,421	$1,328	$1,467	$2,631
2009 - 2012	$1,509	$1,412	$1,559	$2,795

% Change

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	17%	19%	20%	15%
1982 - 1986	19%	17%	18%	15%
1987 - 1992	15%	16%	15%	4%
1993 - 1998	15%	15%	15%	15%
1999 - 2004	15%	15%	15%	15%
2005 - 2008	15%	15%	15%	15%
2009 - 2012	15%	15%	15%	15%

$ Change

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	$125	$125	$150	$202
1982 - 1986	$150	$125	$150	$223
1987 - 1992	$150	$150	$154	$82
1993 - 1998	$159	$150	$159	$295
1999 - 2004	$174	$163	$180	$323
2005 - 2008	$185	$173	$191	$343
2009 - 2012	$196	$184	$203	$364

% Change / Month

Model Year	Seating Capacity 9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	$10	$10	$13	$17
1982 - 1986	$13	$10	$13	$19
1987 - 1992	$13	$13	$13	$7
1993 - 1998	$13	$13	$13	$25
1999 - 2004	$15	$14	$15	$27
2005 - 2008	$15	$14	$16	$29
2009 - 2012	$16	$15	$17	$30

5.21 Class PC – Passenger City Buses

The indicated rate change for passenger city buses is an 80.4% increase. A relativity analysis was performed on model year and seating capacity.

Recommendation: SGI recommends an overall average rate increase of 14.9% for this class. The average increase for vehicles in this class is $16/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate

Model Year	Seating Capacity 9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	$431	$599	$713	$1,189
1985 - 1992	$477	$663	$789	$1,315
1993 - 2000	$572	$795	$946	$1,575
2001 - 2004	$613	$853	$1,016	$1,691
2005 - 2008	$634	$882	$1,050	$1,749
2009 - 2012	$666	$926	$1,103	$1,837

Proposed Rate

Model Year	Seating Capacity 9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	$531	$724	$838	$1,367
1985 - 1992	$577	$788	$939	$1,512
1993 - 2000	$697	$945	$1,096	$1,811
2001 - 2004	$738	$1,003	$1,168	$1,944
2005 - 2008	$759	$1,032	$1,207	$2,011
2009 - 2012	$791	$1,076	$1,268	$2,112

% Change

Model Year	Seating Capacity 9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	23%	21%	18%	15%
1985 - 1992	21%	19%	19%	15%
1993 - 2000	22%	19%	16%	15%
2001 - 2004	20%	18%	15%	15%
2005 - 2008	20%	17%	15%	15%
2009 - 2012	19%	16%	15%	15%

$ Change

Model Year	Seating Capacity 9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	$100	$125	$125	$178
1985 - 1992	$100	$125	$150	$197
1993 - 2000	$125	$150	$150	$236
2001 - 2004	$125	$150	$152	$253
2005 - 2008	$125	$150	$157	$262
2009 - 2012	$125	$150	$165	$275

% Change / Month

Model Year	Seating Capacity 9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	$8	$10	$10	$15
1985 - 1992	$8	$10	$13	$16
1993 - 2000	$10	$13	$13	$20
2001 - 2004	$10	$13	$13	$21
2005 - 2008	$10	$13	$13	$22
2009 - 2012	$10	$13	$14	$23

5.22 Class PS – Passenger School Buses

The passenger school bus rate indication is for a 74.7% rate increase. A relativity analysis was performed on model year and number of seats.

Recommendation: SGI recommends an overall average rate increase of 27.3% for this class. The average increase for vehicles in this class is $8/month. The impact on the rates for these vehicles is shown in the tables below.

Current Rate

Model Year	Seating Capacity 24 & Less	25 or More
1986 & Prior	$166	$165
1987 - 1990	$238	$234
1991 - 1994	$238	$234
1995 - 1998	$266	$262
1999 - 2002	$297	$293
2003 - 2006	$294	$290
2007 - 2010	$315	$311
2011 - 2014	$336	$332

Proposed Rate

Model Year	Seating Capacity 24 & Less	25 or More
1986 & Prior	$241	$240
1987 - 1990	$313	$309
1991 - 1994	$313	$309
1995 - 1998	$366	$362
1999 - 2002	$397	$393
2003 - 2006	$394	$390
2007 - 2010	$415	$411
2011 - 2014	$436	$432

% Change

Model Year	Seating Capacity 24 & Less	25 or More
1986 & Prior	45%	45%
1987 - 1990	32%	32%
1991 - 1994	32%	32%
1995 - 1998	38%	38%
1999 - 2002	34%	34%
2003 - 2006	34%	34%
2007 - 2010	32%	32%
2011 - 2014	30%	30%

$ Change

Model Year	Seating Capacity 24 & Less	25 or More
1986 & Prior	$75	$75
1987 - 1990	$75	$75
1991 - 1994	$75	$75
1995 - 1998	$100	$100
1999 - 2002	$100	$100
2003 - 2006	$100	$100
2007 - 2010	$100	$100
2011 - 2014	$100	$100

$ Change / Month

	Seating Capacity	
Model Year	24 & Less	25 or More
1986 & Prior	$6	$6
1987 - 1990	$6	$6
1991 - 1994	$6	$6
1995 - 1998	$8	$8
1999 - 2002	$8	$8
2003 - 2006	$8	$8
2007 - 2010	$8	$8
2011 - 2014	$8	$8

5.23 Class PT – Urban Taxis

This year, rural taxis have been excluded from the Class PT analysis. Since rural taxis rates are based upon private passenger rates, they have been included in the CLEAR-rated vehicle analysis. Thus, only urban taxis' premium and losses are included in the Class PT analysis.

The rate indication for this class shows that a 42.8% rate increase overall is required. A relativity analysis was performed based on location.

Recommendation: SGI recommends an overall average rate increase of 16.1% for this class. The average increase each taxi would receive is $31/month. The impact on the rates for these vehicles is shown in the table below.

	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change/ Month
A - Small Cities	$1,414	$1,626	15%	$212	$18
B - Large Cities	$2,513	$2,889	15%	$376	$31
C - Regina & Saskatoon	$2,985	$3,432	15%	$447	$37

Trailers

The only coverage available to trailers is first-party damage with all other coverages being provided under the towing vehicle. As such, fixed expenses and credits are not applied to trailers when determining their adequate premium, although variable expenses are still applied.

5.24 Class F – Trailers

The rate indication shows that a 37.5% decrease is warranted for this class. A relativity analysis based on body type was performed.

Recommendation: SGI recommends no changes to the rates for this class. Currently, this class is not allocated any administrative expenses. A review of how administrative expenses are allocated will be conducted prior to the next rate program and, therefore, no change to their rates is being recommended.

5.25 Class LT – Trailer Dealers/Movers

The indicated rate change is an increase of 9.3%. A relativity analysis was performed by body type.

Recommendation: SGI recommends an overall average rate increase of 9.3% for this class. The impact on the rates for these vehicles is shown in the tables below.

Trailer Type	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change/ Month
Utility Trailer	$119	$132	11%	$13	$1
Tent Trailer	$113	$125	11%	$12	$1
Semi Trailer	$376	$412	10%	$36	$3
Transport Trailer	$401	$439	9%	$38	$3
Cabin Trailer	$785	$857	9%	$72	$6

5.26 Class T – Personal Trailers

The rate indication suggests that an increase of 10.4% is warranted on the premiums for this class. A relativity analysis was performed on value and body style.

Recommendation: SGI recommends an overall average rate increase of 10.7% for this class. Metal cabin trailers will receive an overall average rate increase of 30% with an average monthly increase of $10/month. SGI recommends no changes to the fibreglass cabin, semi and transport, and tent trailer rate. Currently, these trailers are not allocated any administrative expenses. A review of how administrative expenses are allocated will be conducted prior to the next rate program and, therefore, no change to their rates is being recommended. The impact on the metal cabin trailer rates is shown in the table below.

Metal Cabin

Value	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium	$ Change/ Month
$1,000 & Less	$23	$19	-17%	-$4	-$0.33
$1,001 to 3,000	$48	$48	0%	$0	$0
$3,001 to 5,000	$90	$106	18%	$16	$1
$5,001 to 10,000	$187	$262	40%	$75	$6
$10,001 to 15,000	$218	$293	34%	$75	$6
$15,001 to 20,000	$255	$355	39%	$100	$8
$20,001 to 25,000	$352	$452	28%	$100	$8
$25,001 to 40,000	$422	$522	24%	$100	$8
$40,001 to 60,000	$470	$570	21%	$100	$8
$60,001 to 80,000	$518	$643	24%	$125	$10
$80,001 to 100,000	$559	$684	22%	$125	$10
$100,001 & More	$684	$809	18%	$125	$10

5.27 Class T – Utility Trailers

In this year's rate program, utility trailers have been analyzed independently from other private trailers. The indication shows that utility trailers require a 92.2% decrease to their rate. Currently utility trailers are charged a flat rate of $20 per trailer.

Recommendation: SGI recommends no changes to the rates for this class. Currently, this class is not allocated any administrative expenses. A review of how administrative expenses are allocated will be conducted prior to the next rate program and, therefore, no change to their rates is being recommended.

5.28 Class TS – Commercial Trailers

The rate indication for this class is for a 7.9% rate decrease. These trailers are rated by value up to a limit of $15,000. The analysis for excess value is detailed in section 5.34. A relativity analysis was completed for the declared value bands up to $15,000.

Recommendation: SGI recommends no changes to the rates for this class. Currently, this class is not allocated any administrative expenses. A review of how administrative expenses are allocated will be conducted prior to the next rate program and, therefore, no change to their rates is being recommended.

Miscellaneous Classes

5.29 Class A – HTV and PU non-IRP Excess Value

The Auto Fund provides only first-party damage coverage up to a limit of $15,000. A customer has the option of purchasing excess value coverage either through the Auto Fund or a competitive insurer. The current charge for excess value through the Auto Fund is $20 per $1,000 of excess value. The rate indication shows that a 71.6% decrease is warranted for this class.

Recommendation: SGI recommends an overall average rate decrease of 15% for this class. The fee will change to $17 per $1,000 of excess value.

5.30 Class C and D – HTV and PU Excess Value

The Auto Fund provides only first-party damage coverage up to a limit of $15,000. A customer has the option of purchasing excess value coverage either through the Auto Fund or a competitive insurer. The current charge for excess value through the Auto Fund is $19 per $1,000 of excess value. The rate indication shows that a 49.7% decrease is warranted for this class.

Recommendation: SGI recommends an overall average rate decrease of 10.5% for this class. The fee will change to $17 per $1,000 of excess value.

5.31 Class C and D – Non-Resident

Vehicles fully registered and insured in another jurisdiction, operating in Saskatchewan for less than one year with the following vehicle industry types are charged a flat fee of $80 annually and are only provided with injury coverage: mineral exploration or transportation of passengers, dangerous goods, general merchandise or other. As these vehicles are fully registered and insured in another jurisdiction they are referred to as “non-resident” vehicles. The rate indication shows that a 3.3% decrease is warranted for this class.

Recommendation: SGI recommends no change to the current flat fee.

5.32 Industrial Tracked Vehicles

These vehicles run on tracks rather than wheels, such as a Bombardier or snow-groomer. The data for this class is very thin. Industrial tracked vehicles from all classes have been pooled together in the loss ratio analysis. The current flat fee for this type of vehicle is $200. In order for this class to have adequate rates, an increase of 100.2% is required.

Recommendation: SGI recommends an increase of 37.5% to bring the flat fee to $275.

5.33 Class LV – Motorized Bicycle

Pedal bikes are currently charged a flat rate of $44. The rate indication shows that a 4,462.2% increase is warranted for this class. This is the result of one injury claim in 2004.

Recommendation: SGI recommends no change to the current flat fee.

5.34 Class TS – Excess Value

The Auto Fund provides only first-party damage coverage up to a limit of $15,000. A customer has the option of purchasing excess value coverage either through the Auto Fund or a competitive insurer. The current charge for excess value through the Auto Fund is $19 per $1,000 of excess value. The rate indication shows that a 64.1% decrease is warranted for this class.

Recommendation: SGI recommends an overall average rate decrease of 10.5% for this class. The fee will change to $17 per $1,000 of excess value.

6. Proposed Timelines

The Auto Fund will be in a position to implement rate changes Aug. 4, 2012. Time is required to test new rate tables and ensure system integrity.

Tentative implementation dates are as follows:

Submission to SRRP	February 2012
Recommendations from SRRP	May 2012
Final Cabinet approval	June 2012
Rate changes and system testing complete	June 2012
Aug. 4 renewals mailed	July 2012
Rate changes implemented	Aug. 4, 2012
Re-rate registrations/process refunds	Aug. 4, 2012
Mail refunds	August 2012

7. Summary and Conclusion

The Auto Fund requires a 3.7% increase in revenue to ensure it is financially prepared to pay all of its claim obligations.

SGI is committed to fairness in vehicle rating. Customers will not see an across the board increase. While the net result is a 3.7% increase with rebalancing, some customers will see increases and some will see decreases. In fact, nearly half (47%) of SGI customers will see either a decrease or no change to their rates.

Rebalancing takes into account collision frequency and severity, including damage, injury and liability costs. With this rate program many vehicles will be moved closer to paying their adequate rate.

Rates are determined based on the actual risk each vehicle make, model and year represents for being involved in a claim, and the actual costs of paying that claim. To reduce rate shock for customers, increases will be capped.

One of SGI's key operating philosophies is to keep rates as low as possible. Over the last 14 years, the Saskatchewan Consumer Price Index has increased by 37%, while the Auto Fund's rates increased only 6% over the same period.

Appendix A

2012 Rate Program Summary of Indiated and Proposed Rate Changes

Vehicle Class	2012 Indicated Average Rate Change	2012 Proposed Average Rate Change*	# of Vehicles** Increasing	# of Vehicles** Decreasing	# of Vehicles** Unchanged	Monthly Maximum $ Increase	Monthly Maximum $ Decrease	Monthly Average $ Increase	Monthly Average $ Decrease
CLEAR-Rated Vehicles	1.5%	3.2%	468,422	274,639	1,869	$35	-$50	$7	-$5
A – Commercial Light Trucks		22.4%	169	0	0	$35	$0	$23	$0
F – Farm Light Truck - 1994 & Newer		0.4%	26,865	21,487	21	$13	-$18	$5	-$6
LV – Private Passenger Vehicles (PPV)		3.7%	432,660	231,749	1,244	$31	-$50	$7	-$5
LV – PPV - Farm Cars, SUVs and Vans		-6.3%	6,175	18,477	67	$4	-$46	$4	-$8
LV – Police Cars		10.9%	440	0	0	$24	$0	$13	$0
LV – Police Trucks, Vans & SUVs		-7.2%	67	213	0	$6	-$27	$1	-$11
LV – UDrives		-0.6%	1,971	2,624	5	$20	-$24	$7	-$6
PV – Heavy Trucks and Vans		0.0%	0	0	488	$0	$0	$0	$0
PV – Converted Vehicles		0.0%	0	0	5	$0	$0	$0	$0
PV – Power Units		0.0%	0	0	37	$0	$0	$0	$0
PT – Taxis (Rural)		-0.5%	74	89	0	$23	-$23	$9	-$9
Conventionally-Rated Vehicles									
Ambulances	18.0%	18.0%	291	0	0	$12	$0	$12	$0
A – Commercial Vehicles:									
Heavy Trucks and Vans IRP	-20.1%	-12.0%	18	481	0	$8	-$18	$5	-$11
Heavy Trucks and Vans Non-IRP	21.9%	14.7%	737	21	0	$13	-$15	$11	-$8
Power Units IRP	23.8%	13.6%	4,793	26	0	$29	-$22	$23	-$10
Power Units Non-IRP	-28.2%	-13.5%	112	810	0	$14	-$29	$7	-$25
C & D – Commercial Vehicles:									
Heavy Trucks and Vans	59.8%	22.5%	9,851	0	0	$13	-$4	$9	$0
Power Units	49.4%	16.0%	4,464	0	0	$18	$0	$14	$0
F – Farm Vehicles:									
Heavy Trucks and Vans	-26.6%	-6.0%	18,722	8,322	0	$3	-$15	$3	-$8
Light Trucks - 1993 & Older	-9.0%	-8.2%	6,869	9,950	0	$6	-$8	$5	-$7
Power Units	-19.7%	-16.3%	1,949	6,617	0	$6	-$13	$2	-$9
Hearses	-8.4%	-8.4%	0	135	0	$0	-$3	$0	-$3
L – Dealer Plates:	16.9%	16.4%	3,801	0	0	$8	$0	$8	$0
Automobile		16.2%	3,696	0	0	$8	$0	$8	$0
Motorcycles		28.1%	105	0	0	$8	$0	$8	$0
L – Snowmobile Dealers	-40.6%	-40.8%	0	52	0	$0	-$4	$0	-$4
LV – Antiques	-29.7%	0.0%	0	0	10,781	$0	$0	$0	$0
LV – Buses	107.9%	33.0%	328	0	0	$8	$0	$8	$0
LV – Buses (Restricted)	35.2%	33.1%	38	0	0	$6	$0	$6	$0
LV – Motorcycles:	76.1%	18.3%	11,258	62	0	$45	-$2	$17	-$1
Cruiser/Touring		15.5%	8,308	6	0	$19	-$1	$15	-$1
Dual Purpose/Other		21.0%	1,221	56	0	$17	-$2	$8	-$1
Sport		29.2%	1,729	0	0	$45	$0	$29	$0
LV – Motorhomes	25.9%	11.9%	3,714	1,584	0	$13	$0	$5	$0

MT – Snowmobiles	-34.3%	0.0%	0	0	7,174	$0	$0	$0	$0
PB – Passenger Inter-city Buses	53.3%	15.2%	408	0	0	$30	$0	$18	$0
PC – Passenger City Buses	80.4%	14.9%	519	0	0	$23	$0	$16	$0
PS – Passenger School Buses	74.7%	27.3%	3,188	0	0	$8	$0	$8	$0
PT – Taxis	42.8%	16.1%	562	0	0	$37	$0	$31	$0
Trailers									
F – Trailers	-37.5%	0.0%	0	0	27,736	$0	$0	$0	$0
LT – Trailer Dealers/Movers:	9.3%	9.3%	462	0	0	$6	$0	$0	$0
Utility		10.9%	116	0	0	$1	$0	$1	$0
Tent		10.6%	0	0	0	$1	$0	$1	$0
Semi		9.6%	60	0	0	$3	$0	$3	$0
Transport		9.5%	75	0	0	$3	$0	$3	$0
Cabin		9.2%	211	0	0	$6	$0	$6	$0
T – Personal Trailers:	10.4%	10.7%	9,982	870	26,406	$10	$0	$6	$0
Fiberglass Cabin		0.0%	0	0	11,793	$0	$0	$0	$0
Metal Cabin		30.0%	9,982	870	2,179	$10	$0	$10	$0
Semi & Transport		0.0%	0	0	10,366	$0	$0	$0	$0
Tent		0.0%	0	0	2,069	$0	$0	$0	$0
T – Utility	-92.2%	0.0%	0	0	75,056	$0	$0	$0	$0
TS – Commercial Trailers	-7.9%	0.0%	0	0	40,429	$0	$0	$0	$0
Miscellaneous Classes									
A – Excess Value	-71.6%	-15.0%	0	141	0	$0	$0	$0	$0
C&D – Non-Resident	-3.3%	0.0%	0	94	0	$0	$0	$0	$0
C&D – Excess Value	-49.7%	-10.5%	0	1,526	0	$0	$0	$0	$0
Industrial Tracked Vehicles	100.2%	37.5%	8	0	0	$6	$0	$6	$0
LV – Motorized Bicycle	4462.2%	0.0%	18	0	0	$0	$0	$0	$0
TS – Excess Value	-64.1%	-10.5%	0	916	0	$0	$0	$0	$0
Total									
All Vehicles Excluding Trailers & Misc	4.1%	3.7%	540,043	302,699	19,824			$7	-$5
All Vehicles	3.7%	3.7%	550,513	303,664	189,450	$45	-$50	$7	-$5

* The proposed rate change for the vehicle classes within the CLEAR-rated vehicle group is based on the change to LV - PPV rates plus the applicable surcharge/discount amount as shown below.
** Counts are based on calendar year 2010 written exposures.

CLEAR-Rated Vehicles	2012 Indicated Discount / Surcharge	2012 Current Discount / Surcharge	2012 Proposed Discount / Surcharge	2012 Proposed Average Rate Change
A - Commercial Light Trucks	122.0%	20.0%	35.0%	22.4%
F - Farm Light Truck - 1994 & Newer	-28.5%	-15.0%	-25.0%	0.4%
LV - Private Passenger Vehicles (PPV)	0.0%	0.0%	0.0%	3.7%
LV - PPV - Farm Cars, SUVs and Vans	-22.3%	-10.0%	-20.0%	-6.3%
LV - Police Cars	63.3%	35.0%	50.0%	10.9%
LV - Police Trucks, Vans & SUVs	-61.6%	20.0%	5.0%	-7.2%
LV - UDrives	3.8%	15.0%	15.0%	-0.6%
PV - Heavy Trucks and Vans	-38.4%	0.0%	0.0%	0.0%
PV - Converted Vehicles	-77.7%	0.0%	0.0%	0.0%
PV - Power Units	-88.7%	0.0%	0.0%	0.0%
PT - Taxis (Rural)	50.2%	60.0%	60.0%	-0.5%

Appendix B

Five-Year Financial Forecast

The following tables illustrate the five-year projection of the Statement of Operations from the 2012 budget both without and with a 3.7% rate increase.

Forecast Without Rate Increase

year ended December 31 ($000's)	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $
Direct premium	747,886	794,973	845,026	898,228	954,780	1,014,894
Ceded premium	(3,316)	(4,917)	(5,163)	(5,421)	(5,692)	(5,977)
Net premiums written	**744,570**	**790,056**	**839,863**	**892,807**	**949,088**	**1,008,917**
Net premiums earned	**726,059**	**769,196**	**817,680**	**869,220**	**924,007**	**982,247**
Claims incurred	700,396	642,345	674,205	697,983	771,444	828,713
Prior year claims (Net of Disc/PFAD)	35,267	–	–	–	–	–
Loss adjusting expense (LAE)	61,455	62,570	67,540	72,854	78,113	83,989
Issuer fees and premium taxes	82,398	69,889	83,361	88,610	94,189	100,120
Administrative expenses	54,003	54,504	58,321	59,499	61,746	64,583
Traffic safety	21,013	28,525	29,124	29,736	30,301	30,907
Total claims and expenses	**954,532**	**857,833**	**912,551**	**948,682**	**1,035,793**	**1,108,312**
Underwriting loss	**(228,473)**	**(88,637)**	**(94,871)**	**(79,462)**	**(111,786)**	**(126,065)**
Investment earnings	52,761	44,157	30,992	39,416	74,773	86,125
Other income	30,345	31,764	34,098	35,760	37,518	39,375
Increase (decrease) to RSR	**(145,367)**	**(12,716)**	**(29,781)**	**(4,286)**	**505**	**(565)**
MCT	**50%**	**42%**	**31%**	**29%**	**27%**	**25%**

Forecast With 3.7% Rate Increase

year ended December 31 ($000's)	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $
Direct premium	747,886	806,464	876,291	931,462	990,106	1,052,443
Ceded premium	(3,316)	(4,917)	(5,163)	(5,421)	(5,692)	(5,977)
Net premiums written	**744,570**	**801,547**	**871,128**	**926,041**	**984,414**	**1,046,466**
Net premiums earned	**726,059**	**772,608**	**843,311**	**901,547**	**958,380**	**1,018,796**
Claims incurred	700,396	642,345	674,205	697,983	771,444	828,713
Prior year claims (Net of Disc/PFAD)	35,267	–	–	–	–	–
Loss adjusting expense (LAE)	61,455	62,570	67,540	72,854	78,113	83,989
Issuer fees and premium taxes	82,398	70,634	86,207	91,888	97,674	103,824
Administrative expenses	54,003	54,504	58,321	59,499	61,746	64,583
Traffic safety	21,013	26,275	23,724	24,336	24,901	25,507
Total claims and expenses	**954,532**	**856,328**	**909,997**	**946,560**	**1,033,878**	**1,106,616**
Underwriting loss	**(228,473)**	**(83,720)**	**(66,686)**	**(45,013)**	**(75,498)**	**(87,820)**
Investment earnings	52,761	44,274	31,272	40,510	78,468	92,150
Other income	30,345	32,066	34,943	36,658	38,471	40,389
Increase (decrease) to RSR	**(145,367)**	**(7,380)**	**(471)**	**32,155**	**41,441**	**44,719**
MCT	**52%**	**46%**	**46%**	**56%**	**66%**	**75%**

Appendix C

Summary of Auto Fund Vehicle Classifications

Class	Sub-Class	Definition	Rating Criteria
LV – Light Vehicle		A vehicle (one ton model and smaller) with various uses as defined below.	
	Ambulance	A vehicle used as an ambulance.	Type of use; every vehicle with this use pays the same rate.
	Antique	A vehicle that has a model year that is 30 years or older.	Type of use; every vehicle with this use pays the same 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 and year to a maximum $400
	Police Vehicles	A vehicle used by the police force for police purposes.	Surcharge on the LV rate
	Private Passenger Vehicles (PPV)	A vehicle (one ton model and smaller) used primarily for private or personal purposes.	Make, model and year
	PPV with Farm Discount	Farm located cars; light SUVs and vans with farm use	Discount on LV rate
	Motorcycles	A sport, touring/cruiser or dual purpose motorcycle.	Body type, year and engine size
	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.	Type of use; every vehicle with this use pays the same 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 recreation centers.	Seating capacity
	U Drive	A vehicle that is rented or leased for a period of 30 days or less.	Surcharge on the LV rate

Class	Sub-Class	Definition	Rating Criteria
A – Commercial	Light Vehicles	An unrestricted commercial trucking vehicle used provincially, inter-provincially and internationally	Surcharge on the LV rate
	Heavy Trucks and Vans		Gross vehicle weight, model year and excess value
	Power Units		Gross vehicle weight, model year and excess value
C – Commercial	Heavy Trucks and Vans	A vehicle that is used primarily for commercial or business purposes with radius restrictions	Gross vehicle weight, model year and excess value
	Power Units		Gross vehicle weight, model year and excess value
	All Others		Flat and excess value
D – Commercial	Heavy Trucks and Vans	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.	Gross vehicle weight, model year and excess value
	Power Units		Gross vehicle weight, model year and excess value
	All Others		Flat and excess value
F – Farm	Light Trucks	A vehicle used in operation of a farm	Make, model and year
	Heavy Trucks		Model year
	Power Units		Model year
	All Others		Type
L – Dealer		A plate used by a dealer to move vehicles owned by or under consignment to the dealer	Type of use; every vehicle with this use pays the same rate.
LT – Trailer Dealer		A plate used by a trailer dealer, manufacturer or mover	Type
MT – Snowmobile		A recreational off-road snow machine	Type of use; every vehicle with this use pays the same rate.
MT – Snowmobile – UDrive		A recreational off-road snow machine that is rented or leased for a period of 30 days or less	Surcharge on MT – Snowmobile rate
PT – Taxi	Rural Taxis	A vehicle used to transport the public for compensation	Surcharge on LV rate
	All Others		Geographical location

Class	Sub-Class	Definition	Rating Criteria
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 as public transportation in major cities	Model year and seating capacity
PS – Passenger School Bus		A school bus used for transport of children to and from school	Model year and seating capacity
PV – Private Vehicle	Heavy Trucks and Vans	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 of the vehicle is not eligible for Class F.	Make, model and year
	Power Units		Make, model and year
	Motorhomes		Declared value
	Buses		Model year and seating capacity
T – Private Trailer	Utility	A privately owned trailer	Type of use; every vehicle with this use pays the same rate.
	All Others		Type of trailer and declared value
TS – Commercial Trailer		A trailer or semi-trailer used within a commercial operation	Declared value and excess value

Appendix D

Glossary of Terms – Auto Fund Rating Terminology

Administrative expenses – Operating expenses such as salaries, infrastructure costs, system support costs and traffic safety program costs. Administrative expenses in relation to total revenue are approximately 7%. Traffic safety program costs consist of programs, sponsorship and advertising associated with promoting traffic safety. The goal of this investment is to provide social and economic benefits through the promotion of safe driving to reduce collisions. Traffic safety program costs in relation to total revenue are approximately 3%.

Base rates – The base rate is the premium for the base group. The base group is typically chosen to be the group with the largest number of registrations because the larger the numbers, the more credible the data. As an example, for the LV – Motorhomes class, the base group is motorhomes valued between $10,001 to $20,000. Premiums for groups, other than the base group, are derived by adjusting the base rate by a per cent that reflects the variance in loss experience between the group (*see Relativities definition*).

Business Recognition (BR) program – A program to reward businesses with safe driving records. Companies that own and operate commercial vehicles and have a loss ratio of less than 70% in the past five years are eligible for a discount, to a maximum of 10%, on their vehicle insurance premiums. A loss ratio between 70% – 80% is SGI's approximate break-even range. The break-even range is calculated by subtracting administrative costs, premium taxes, issuer fees and traffic safety program costs from the total premiums paid for all vehicles. Therefore, for every $1 of premium collected, between 70 - 80 cents can be paid out in claim costs to break even.

Under the BR program, any operator with a loss ratio greater than 80% is subject to financial penalties. However, relative to the size of the vehicle fleet, losses are capped to ensure premium increases are fair and reasonable. A capped five-year loss ratio determines how much customers save or are surcharged on their vehicle insurance.

Claim frequency – The number of occurrences (or claims) per exposure (registration).

Claim severity – Average amount of loss per claim (or per occurrence).

CLEAR – An acronym for the industry-wide Canadian Loss Experience Automobile Rating system. The Insurance Bureau of Canada through the Vehicle Information Centre of Canada (VICC), captures Canada-wide loss experience for light passenger vehicles 33 years of age or newer. CLEAR analyzes historical records of collision frequency and repair costs of each vehicle make and model in order to predict future losses. Through statistical analysis, relationships are established between vehicle characteristics and insurance claims. These relationships are then adjusted according to the actual claim history of individual models, in order to predict future losses for each model. Other rating factors such as a person's driving record, or where they live, are not affected by CLEAR. As part of its analysis, VICC considers several factors, including vehicle construction, safety equipment and susceptibility to damage. VICC also works closely with vehicle manufacturers to monitor new developments. CLEAR is used by insurance companies Canada-wide to rate damage and injury coverage for light passenger vehicles. Under the CLEAR system, vehicles are assigned to one of 99 damage rate groups and five injury rate groups.

Credibility – The actual (experience) and expected (exposure) components of the experience rating calculation are weighted to produce the costs the entity under consideration will pay. The weight assigned to the experience component is called credibility and commonly denoted by Z. The weight assigned to the exposure component is 1-Z. Credibility follows the Law of Large Numbers, where the larger the numbers, the more credible the data. As an example, the Auto Fund experience for a specific light vehicle would be Z and the corresponding light vehicle experience using CLEAR would be 1-Z.

Deductible – An agreed specified sum to be deducted from the amount of loss and assumed by the insured. It is the amount the insured must pay before their insurance benefits begin to cover remaining costs.

Exposures – Rating units on which insurance premium is based, or units by which the probability and size of loss are measured. For the purposes of this report, an exposure is equivalent to a vehicle written on a policy. For example, one motorcycle = one exposure.

Loss ratio – Losses divided by premiums expressed as a percentage.

Relativities – The per cent difference between rating groups that reflect the variance in loss experience. For example, when looking at the LV – Motorhome class, the base group is motorhomes with a value between $10,001 and $20,001. To determine the premium for other values of vehicles, the base group rate is multiplied by the calculated relativity for the specified group. If the specified group's experience is worse than the base group's, then the premium charged will be higher than the base group's. The converse is also true.

Safe Driver Recognition (SDR) program – A program designed to reward safe drivers with a discount on their vehicle insurance. The program also ensures drivers who demonstrate risky behavior pay their share, as drivers with at-fault collisions and/or more serious traffic convictions are assessed a financial penalty for each incident they are involved in. These financial penalties are assessed immediately after an incident and help offset the cost of discounts for safe drivers.