



Minister's Order and Terms of Reference for Saskatchewan Auto Fund Rate Change and Rebalancing Request

Minister's Order Saskatchewan Rate Review Panel Saskatchewan Auto Fund Terms of Reference

WHEREAS by an Order dated January 1, 2010, issued pursuant to Section 16 of *The Government Organization Act*, the Minister Responsible for Crown Investments Corporation appointed a Ministerial Advisory Committee known as the Saskatchewan Rate Review Panel;

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

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

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

Dated at Regina, Saskatchewan this 1 day of February, 2012.

A handwritten signature in black ink, appearing to be 'J. B. ...', written over a horizontal line.

Minister Responsible for Crown Investments Corporation

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

Terms of Reference

The Saskatchewan Rate Review Panel is requested to conduct a review of the Saskatchewan Auto Fund's request for a general increase and rebalancing of vehicle insurance rates targeted for implementation on August 4, 2012.

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

The Panel shall function within its mandate and operational terms of reference as specified in the Minister's Order dated January 1, 2010. The Panel shall provide an opinion of the fairness and reasonableness of SGI's proposed Auto Fund rebalancing having consideration for the following:

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

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

- A) The reasonableness of the proposed rebalancing changes in the context of:
 - (i) the Saskatchewan Auto Fund's mandate to operate on a self-sustaining basis over time;
 - (ii) the objective to maintain adequate capital within a Rate Stabilization Reserve to serve as a cushion to protect customers from large rate increases;
 - (iii) the impact of rising claims costs; and
 - (iv) the objective of ensuring stability and fairness in vehicle insurance rating such that each vehicle class pays sufficient premiums to cover its anticipated claim costs to minimize cross subsidization.

- B) The Panel shall consider the following parameters as given:
 - (i) the compulsory insurance coverage provided by the Saskatchewan Auto Fund through its legislative mandate;
 - (ii) the Saskatchewan Auto Fund is a public account for motorists with no profit component required in pricing of the product;
 - (iii) the Saskatchewan Auto Fund capital management policy, which requires a Minimum Capital Test of between 75% and 150%;
 - (iv) the existing program parameters of the Safe Driver Recognition Program and the Business Recognition Program;
 - (v) the vehicle risk groups used by the Saskatchewan Auto Fund; and,
 - (vi) the operating policies and procedures used by the Saskatchewan Auto Fund.

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

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

The Saskatchewan Auto Fund will provide the Panel with its application package immediately. The Saskatchewan Auto Fund will provide the Panel with any supplementary information as the Panel may require to fulfill its mandate and these terms of reference.

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

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

Conduct of the Review

The Panel will present its report to the Minister Responsible for Crown Investments Corporation no later than May 29, 2012.