

THE SASKATCHEWAN RATE REVIEW PANEL

Transcript of Proceedings
of
A PUBLIC MEETING
held by the
Saskatchewan Rate Review Panel
at the Hilton Garden Inn Hotel
Saskatoon, Saskatchewan
on Wednesday, March 28, 2012

Kathy Weber	- Chairperson
Bill Barzeele	- Panel member
Daryl Hasein	- Panel member
Burl Adams	- Panel member

Brittany Evans-Davies, CSR - Official Queen's Bench
Court Reporter

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1 (COMMENCED AT 7:35 P.M.)

2 CHAIRPERSON: Well, good evening,
3 everyone. Welcome. We're gathered here this
4 evening to review the application and hear
5 presentations regarding SGI's Auto Fund rate
6 application.

7 I'm so -- I'm very pleased
8 that so many of you found the time in your
9 busy lives to participate in tonight's
10 process.

11 And I -- and I will be
12 following my notes fairly carefully, as I like
13 to ensure that the same message is given to
14 everyone at different meetings that we do
15 hold.

16 I think I've met almost
17 everyone here this evening, but I would like
18 to introduce myself again. My name is Kathy
19 Weber, and I'm the chair of the Saskatchewan
20 Rate Review Panel. If I did not introduce
21 myself to you, I apologize.

22 I'd also like to introduce
23 some other members of the panel that are in
24 attendance with us this evening. On my far
25 left is Daryl Hasein. He's from Biggar. On

1 my right is Burl Adams from Kelvington. And
2 on my immediate left is Bill Barzeele, who is
3 vice-chair of the panel, and he hails from
4 Little Bear Lake. Our panel actually has a
5 fairly good distrubution across the province.

6 I think all of you had the
7 opportunity to meet our administrator at the
8 door, Karina Seidle, and she typically keeps
9 us fairly organized, so that's good.

10 One other person that's
11 integral to our process this evening that I'd
12 like to introduce is Brittany Evans-Davies,
13 and Brittany is joining us from Royal
14 Reporting Services, and she will be taking a
15 verbatim transcript of our meeting tonight,
16 and that transcript will be available to the
17 public upon request by the panel, and we'll
18 also be posting it on our website.

19 I would like to speak
20 briefly about the public consultation process
21 of the panel's review. In addition to this
22 public meeting, we're also going to be holding
23 a public meeting in Regina next week, Monday
24 night.

25 Members of the public may

1 also communicate with us via e-mail, phone,
2 and by mail. And the deadline for submissions
3 is April the 12th.

4 The panel's mandate is to
5 review this rate application and provide a
6 report to the government that balances the
7 interests of SGI, its customers, and the
8 general public.

9 Your participation and
10 feedback at meetings such as this are
11 extremely important, and they're integral to
12 our review process.

13 You can be confident that
14 the members of this panel, whether they're
15 here tonight or not, they will be following up
16 on what is covered this evening.

17 They all take their
18 responsibilities very, very seriously and
19 respect the process in terms of its importance
20 to the people of the Province of Saskatchewan.

21 I'd also like to ensure that
22 everyone is aware that the panel is attempting
23 as much as possible during this review process
24 to ensure that it's as open as possible. You
25 can always check our website. It has

1 information on it that's -- it's updated
2 regularly as more information is made
3 available as to the panel. Currently, if
4 you're interested, you can always find a copy
5 of SGI's application, and there's lots of
6 other information there as well.

7 In terms of the process that
8 we're going to follow tonight, soon I will be
9 introducing representatives from SGI to make a
10 brief presentation. I will then call upon
11 individuals that have identified themselves as
12 wishing to make a presentation to the panel,
13 and that will be followed by anyone who wishes
14 to ask general questions.

15 I would ask anyone that's
16 either making a presentation or asking a
17 general question to step to the podium here in
18 the centre and to use the microphone. Please
19 identify yourself, and if you're representing
20 an organization, also, please, identify that
21 organization. And I would also ask that you
22 spell your name, and even if it's Smith, we
23 would ask that you spell it. And that's for
24 the benefit of our transcript on Royal
25 Reporting.

1 a net increase of 3.7 percent, which includes
2 rate rebalancing. And our proposal has an
3 effective date of August the 4th, 2012.

4 At a very high level, there
5 are essentially three groups of impacted
6 drivers. About half or 53 percent of
7 Saskatchewan vehicles will see an average
8 increase -- average monthly increase of
9 approximately \$7. In addition to that, there
10 will be about 29 percent of Saskatchewan
11 vehicles that will actually see a decrease on
12 average of \$5 per month. The remaining 18
13 percent of Saskatchewan vehicle operators will
14 see no premium change whatsoever.

15 In terms of a bit of an
16 overview of the Auto Fund, just for everyone's
17 information, SGI actually runs two distinct
18 operations. We run a competitive property
19 casualty insurance company known as SGI
20 Canada. That company competes with the
21 private sector for automobile extension,
22 business, home insurance, agro business, and
23 commercial insurance.

24 We also are the administer
25 on behalf of the government for the

1 Saskatchewan Auto Fund. And in that part of
2 our operation not only are we responsible for
3 pricing and providing mandatory plate
4 insurance, but we also look after driver's
5 licenses, plates, permits, driver testing, and
6 training.

7 And, of course, the purpose
8 of this evening's discussion is our rate
9 application on the mandatory plate insurance.

10 The mandate of the Auto Fund
11 is to provide universal, fair, and affordable
12 automobile insurance. I'll come back and
13 touch on that on a slide in a minute or two.

14 The Auto Fund operates as a
15 public fund for the benefit of Saskatchewan
16 motorists. So what does that mean? That
17 means that, in essence, it is self-sustaining.
18 The premiums that we collect from the drivers
19 in the province plus the investment income
20 that we earn from those funds while we hold
21 them has to be enough money to cover the
22 claims and expenses to run the Auto Fund
23 itself. There is no government subsidy, and
24 there's no government -- there's no government
25 capital invested in the Auto Fund.

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Because it is a public fund for the benefit of drivers, we try to operate the Auto Fund on a break-even basis. Every year we try to make a zero profit. We try not to lose money. We try not to make any money.

There is no profit component in our rate structure as a result of that. And because it is a break-even public fund, we pay no dividend to the government if, in fact, there is a year where we collect more revenue than we pay out in claims.

Some statistics on how big the Auto Fund is, we have vehicle registrations of about 1.1 million vehicles and trailers. That's up 16 percent from 2007.

In addition to that, there are 735,000 licensed drivers in the province, and that's increased 6.7 percent since -- 6.3 percent since 2007.

Each year we look after about 100,000 vehicle damage claims and about 5,500 injury claims.

Interestingly the damage claims have grown at about the same rate as vehicle registrations in the province, so

1 about 16 percent, almost 17 percent, since
2 2007. However, injury claims, thankfully,
3 haven't grown quite so fast. So injury claims
4 are only up 3.6 percent through -- since 2007.

5 And I believe at least some
6 of that is due to -- in part to our traffic
7 safety initiatives where we try to encourage
8 drivers in the province to drive more
9 carefully, to use their seatbelts, to not
10 drink and drive, to not use cellphones while
11 driving. Those sorts of things hopefully are
12 having a bit of an impact in terms of the
13 number of injury claims that we are seeing in
14 the province.

15 The operating philosophies
16 go back to the mandate behind the Auto Fund.
17 Our philosophy is to provide basic plate
18 insurance that is universal and fair. So
19 universal means it's available to every
20 licensed driver in the province who owns a
21 vehicle, and fair reflects the fact that what
22 we'd like to have is fair premiums for each
23 vehicle class based on the experience of each
24 class.

25 So each class of vehicles,

1 such as private passenger or farm vehicles or
2 commercial vehicles or taxis or ambulances or
3 trucks, we look at the loss experience on each
4 class of business over a number of years, and
5 we're trying to match the premium that we
6 collect with the actual claims and loss
7 experience on each class. That's our goal
8 when we come before the rate panel.

9 In addition to that, we try
10 to keep rates as low as possible while
11 providing the best possible coverage available
12 to the residents and drivers in Saskatchewan.

13 The insurance coverage is
14 defined by an Act, *The Automobile Accident*
15 *Insurance Act*. Under that Act, we do provide
16 three different areas of coverage for the
17 people of the province.

18 We provide personal injury
19 benefits if you're injured in an auto
20 accident. Within that, you actually have a
21 choice of opting for no-fault benefits, which
22 means you give up the right to sue in return
23 for an extremely high level or an enhanced
24 level of benefits available to you regardless
25 of whether you're at fault in an accident or

1 not, or you can choose a tort product which
2 provides a lower level of benefits to all
3 injured people, but also provides you the
4 opportunity, if you're not at fault in an
5 accident, to sue for pain and suffering and
6 other benefits to which you think you're
7 entitled to.

8 We also provide third party
9 liability coverage, and this basically
10 protects your responsibility if you injure
11 other people or damage their property either
12 in the province or outside of the province.

13 The third area of coverage
14 is vehicle damage coverage or physical damage
15 coverage, and that essentially protects your
16 vehicle from damage in an accident, and we'll
17 repair your vehicle.

18 A couple of programs that we
19 have in place that are intended to promote
20 safe driving behaviour amongst drivers that I
21 will just talk about very briefly.

22 On this slide, we have a
23 program that's for basically private passenger
24 vehicle owners. This is called the Safe
25 Driving Recognition Program. It's basically a

1 scale that provides incentive. For each year
2 that you have no accidents, essentially you
3 move up the scale, and ultimately you can be
4 eligible for upwards of a 20-percent discount
5 if you hadn't had any at-fault accidents for a
6 number of years.

7 On the opposite side, if you
8 do have at-fault accidents -- and there is a
9 point where you hit what's called the -- a
10 penalty point system on the negative side of
11 the scale where we actually charge you more
12 for your insurance because you're exhibiting,
13 I guess, riskier driver behaviour.

14 Based on that program, in
15 2010, we actually provided discounts of
16 approximately \$91 million or about 11 percent
17 of our premium to those drivers who hadn't had
18 any accidents and who had a number of years of
19 continuously good driving experience. We also
20 charged \$11 million in addition to those
21 drivers who, as a result of a number of
22 accidents, were in the penalty side of the
23 system.

24 The next slide. We have a
25 similar program on the business side called

1 the Business Recognition Program, and this
2 rewards certain businesses, again, for safe
3 driving behaviour of their company fleets of
4 vehicles. In this particular program, there
5 are discounts of up to 10 percent. The
6 experience on this program is based on
7 essentially a five-year history of that
8 business' experience within the Auto Fund. In
9 2010, we provided \$6.8 million of discounts
10 through that program and surcharges of \$1.5
11 million.

12 And just for everyone's
13 information, it is our intention to have a
14 separate formal review of both the Safe
15 Driving Recognition Program and the Business
16 Recognition Program later this year as part of
17 an overall Auto Fund coverage review which
18 we'd like to undertake, again, later this
19 year.

20 That's the end of my
21 section, and I'll hand over the next section
22 to Kwei Quaye to talk about traffic safety.

23 MR. QUAYE: Thank you very much, Andrew.

24 SGI has, as one of the high
25 priority areas, initiatives to manage traffic

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safety in this province. The key rationale for this is to ensure that we are able to undertake those programs that will reduce the number of accidents out there both in severity and in number and ultimately to reduce and keep our rates low.

The current strategy that we have on traffic safety is, I will say, very driven. It's very driven. And we also have something that we call a safe systems approach to looking at traffic safety. That is one initiative that we can use to build safer drivers, safer roads, and safer vehicles to reduce the (inaudible) in this province.

There are seven main areas of focus right now for us. And these areas were selected or were chosen by looking at databases with respect to crashes in this province, looking at the areas that contribute to the most fatal accidents, areas that contribute to the most injury accidents, areas that contribute overall to the most property damage accidents, and look at opportunities for reducing these types of accidents.

I will sequentially go

1 through these very briefly and mention some
2 initiatives that we -- we have in place right
3 now to manage some of these areas.

4 Impaired driving is an area
5 that contributes most to fatal crashes in this
6 province. Close to between 40, 45 percent of
7 fatal crashes and fatalities that we see on
8 our roads are the result of impaired driving
9 crashes. And we constantly look at
10 opportunities to try to manage this area and
11 this type of problem.

12 Some of the initiatives you
13 might have heard of,
14 initiatives -- initiatives such as the Report
15 Impaired Drivers program. It's known as RID.
16 We have signs in most of the major
17 jurisdictions. We've expanded this program
18 all over the province.

19 We have initiatives to help
20 manage -- help the police to identify drivers
21 who are -- who are disqualified or who may be
22 driving unregistered vehicles, known as ALPR,
23 Automatic License-Plate Recognition Program.

24 We have a program that,
25 again, in conjunction with police that helps

1 us identify impaired drivers, again, by
2 funding overtime hours with police so that
3 they can identify these types of drivers.

4 We also are constantly
5 scanning across Canada and various
6 jurisdictions in North America to identify
7 initiatives that, whether legislative or
8 educational, again, to help manage these types
9 of programs -- these types of problems.

10 Occupant restraints,
11 otherwise known as seatbelt use, features very
12 heavily, again, in the fatal crashes,
13 especially on our rural roads and the First
14 Nations roads. It's not very uncommon each
15 year to see statistics that about 60 percent
16 of people who die on rural roads were ejected
17 as a result of a rollover. About 100 percent
18 of people who die on First Nation roads
19 typically are as a result of people who are
20 unbuckled as well.

21 Intersection safety is a
22 more engineering approach. Like I mentioned,
23 it's a safe roads approach to try to manage
24 traffic crashes in this province. And we work
25 with the Department of Highways. We work with

1 the various municipalities and municipal
2 engineers on initiatives to improve
3 intersections, initiatives to improve road
4 sections, again, using engineering principles
5 to reduce the amount of crashes in these types
6 of locations.

7 Speed management, speed
8 features about 20 to 30 percent in traffic
9 fatalities and significantly as well in
10 serious injuries in this province. And we
11 are, again, working very closely with our
12 police agencies and engineering departments on
13 initiatives to try to reduce speed.

14 For instance, we work with
15 the police who cost shared the buying of speed
16 reader polls in various municipalities, which
17 the police use to educate people, encourage
18 people to reduce the -- reduce the speed.

19 In Regina, we work with the
20 City of Regina to install a number speed bumps
21 and variable message sign boards on the -- one
22 of the principal roads in Regina, of the Ring
23 Road, again, providing messaging to people
24 with regards to speeding and conditions of the
25 road so that they can reduce the speed

1 accordingly.

2 In Saskatoon, we have
3 partnered with Saskatoon Police Services to
4 install various markers on the -- on Circle
5 Drive, which they use in conjunction with
6 helicopters to try to, again, manage speed.

7 Wildlife collisions features
8 predominantly in property damage collisions in
9 this province. It's caused approximately 40
10 to \$47 million a year. It's a very
11 significant cost when it comes to property
12 damage resulting from traffic crashes, and
13 these -- this type of problem unfortunately is
14 spread widely across the province.

15 What we do is to examine
16 that area very carefully and identify areas
17 where there are huge concentrations of these
18 types of crashes and work with the
19 Saskatchewan Wildlife Federation, work with
20 the Minister of Environment to discuss
21 initiatives and ideas to try to manage this
22 type of problem.

23 New drivers, both class five
24 drivers or new motorcycle drivers, are highly
25 over-represented in the -- in traffic crashes.

1 And we have a graduated licensing program for
2 class five drivers right now in this province.
3 And recently, last year, we introduced a new
4 program for new motorcycle -- new motorcycle
5 drivers, a GDL program or graduated driver's
6 licensing program for motorcycle drivers,
7 which I will describe in a bit more detail in
8 the next slide.

9 Distracted driving, the
10 poster child is the use of cell phones.
11 (Inaudible), texting, reaching out for
12 something in your vehicle, looking
13 at the -- not paying attention, observing
14 something outside of your vehicle while
15 driving all contributes significantly to
16 traffic crashes in this -- in this province.

17 If we look at, in total
18 overall, traffic crashes distracted driving is
19 the most dominant cause when we look at all
20 crashes in total.

21 As you may all be aware,
22 last year we introduced a new law in this
23 province to deal with cellphone use. The
24 problem still assists -- it's quite -- it's
25 still common to see people using their

1 cellphones when they're driving. And we
2 constantly are looking at initiatives for
3 educational and what we can enforce to try to
4 manage this problem.

5 Motorcycle GDL is a program
6 we introduced in June of 2011 to help manage
7 the crashes associated with new motorcycle
8 riders. It's based on the -- you know, the
9 principle of graduated driver's licensing
10 where we have -- in this particular case, we
11 have three stages. We have a learner stage,
12 what we call a novice I stage, and a novice II
13 stage. And each of these stages last for at
14 least one year.

15 What we do in each of these
16 stages is to impose a number of different
17 restrictions on new motorcycle drivers. And
18 as they graduate through each of the stages,
19 the number of restrictions are lifted until
20 they go out the other end of the motorcycle
21 driver's GDL program and become a
22 fully-licensed motorcycle rider.

23 The program is still very
24 new, and we still collecting data on the -- on
25 crashes associated with these different types

1 of stages that we have in this program. Our
2 intention is to learn from this program that
3 we've introduced and review and revise the
4 program by adding additional features.

5 At this stage, I'll pass it
6 onto Jeff. Thank you.

7 MR. STEPAN: All right. I'm going to
8 spend about five minutes just giving a quick
9 financial overview of the Auto Fund.

10 We're showing here the
11 financial results for about the last five
12 years. 2011 numbers are to September, but
13 we're going to be releasing our final full
14 year results in a couple of weeks. And while
15 we're showing the September numbers here, the
16 December numbers aren't all that far off.

17 As Andrew said, we try to
18 price to break even every year. And as this
19 chart shows, it doesn't work. There are some
20 years that are good. Like, 2010 was a good
21 year. 2007 was a good year. 2008 and 2009
22 weren't very good years. And 2011 is a
23 particularly bad year.

24 We had very poor winter
25 driving. We had other issues with respect to

1 injury claims. And we've determined that
2 injury claimants -- we were paying them
3 longer, and we were paying them more partly
4 due to income replacement benefits. And all
5 of that culminated to showing very poor
6 results in 2011.

7 Now, when we're pricing, we
8 are pricing for the next year forward, so the
9 fact that we had a bad year in 2011 won't
10 impact what we price for going forward.

11 On the next slide, we show a
12 typical -- a breakdown of our costs for a
13 typical year. And about 80 percent of our
14 expenses, the amount that we pay out, is due
15 to claims. The rest of the costs, premium
16 taxes, medical funding issuer fees, those are
17 amounts affixed and don't have a lot of
18 control over that.

19 The admin expense is
20 an -- and traffic safety -- traffic safety,
21 Kwei talked about the initiatives there, and
22 that costs about 2.6 percent of our expenses.

23 Admin expenses represent
24 about 7.1 percent of the total that we pay
25 out. When we look at our admin expenses

1 relative to industry, our expenses, when you
2 calculate it as a percentage of premium, we're
3 at about 5.7 percent. The industry is 7
4 percent. So we are very efficient when it
5 comes to how we spend our money from an admin
6 perspective.

7 The -- another big part of
8 the financial picture is the investment
9 income. We take in premium dollars, but we
10 don't pay out claims sometimes for several
11 years. For injured people who are severally
12 injured, we might be paying out for the rest
13 of their lives, so that can be 30 or 40 years
14 down the road.

15 What we do with the money in
16 the meantime is we invest it, and the money
17 that we earn on our investment dollars serves
18 to reduce the premiums that we actually have
19 to pay out.

20 On the next slide, we show a
21 big part of our investments are in bonds, and
22 the market rates for bonds have dropped
23 significantly.

24 And, again, since we price
25 for the year going forward, the amount that

1 we're going to be earning on our investment
2 portfolio is lower, and that means that as a
3 result, the premiums that we have to collect
4 are going to be slightly higher.

5 On the next slide, we're
6 talking about our capital management policy.
7 We hold a certain amount of capital in reserve
8 to cushion against some big losses or other
9 unexpected events.

10 Our capital management
11 policy is defined here, and it really just
12 governs the amount of capital that we have to
13 hold in our rate stabilization reserve. The
14 bottom line is -- the primary objective is
15 that we're looking to provide stability in
16 rates.

17 On the next slide, we detail
18 what the actual policy is, and I'm not going
19 to get into that. It's -- suffice it say that
20 we use a common industry measure called the
21 minimum capital test to determine what is the
22 amount of capital that's required.

23 And how we manage that is
24 best shown in this next -- in this next graph.
25 What we're trying to do is keep our minimum

1 capital test within a range of between 75 and
2 150. The numbers really don't -- the relative
3 numbers are important, not the absolute
4 numbers.

5 The -- we look at it on a
6 rolling 12-month average. So the green line,
7 that's the line that we want to make sure is
8 within the range, and despite that the weak
9 results that we've had so far in 2011, you can
10 see that our capital -- the amount that we've
11 got in our rate stabilization reserve is still
12 adequate.

13 The next slide just kind of
14 summarizes where we're at. As I said, the
15 rolling 12-month number is within our
16 acceptable range. It has been reduced. The
17 actual number has been reduced because of the
18 claim losses and some weak equity returns.

19 But I guess the bottom line
20 is that the rate stabilization reserve is
21 working. We don't need to add any amount to
22 rate to recapitalize the Auto Fund.

23 So that's it for me. I'll
24 turn it over to Don to talk about the whole
25 rate making process.

1 MR. THOMPSON: Thanks, Jeff.

2 Yeah. As Jeff said, I'm
3 going to talk a little bit about how we
4 determine the vehicle rates within the Auto
5 Fund. And there's three main components we
6 look at when we're doing a rate program for
7 the Auto Fund.

8 The first is determining
9 whether we're charging adequate rates to break
10 even. And as Andrew talked about, the Auto
11 Fund is a public trust. We're trying to set
12 our rates, premium rates, to break even.

13 The second component is
14 rebalancing our rates or the fairness in
15 rating that Andrew talked about. We expect
16 each vehicle class should pay for the cost
17 that they're incurring in terms of claims,
18 losses, and expenses.

19 And the final component of
20 the rate program is maintaining adequate
21 capital. Jeff talked about that.

22 In this rate program that
23 we're putting forward, we're not charging
24 anything extra to build up our capital.

25 So it's -- I'm just going to

1 talk about the first two components, and I
2 just want to make sure everyone understands.
3 So the first component is determining whether
4 we have enough rate to break even, and then
5 the second component is making sure each
6 vehicle class is paying enough premium.

7 So the overall rate we're
8 asking for is 3.7 percent, and then we go and
9 rebalance the rates within all of our vehicle
10 classes to try and get an overall 3.7 percent.
11 Some vehicle classes will pay more. Some will
12 pay less. It's not one and two added
13 together.

14 It's -- when we go to the
15 second step, which is rebalancing rates, we're
16 trying to generate an overall of 3.7 percent.
17 And within that rebalancing that we do, we do
18 have capping to make sure that some of these
19 rate increases aren't too excessive based on
20 what the need is of that vehicle class. And
21 I'll talk about a bit about that.

22 So I'm going to talk about
23 the first step that I talked about,
24 determining adequate premium. So what we do
25 when we're going through that process is we

1 look at -- during that rating year -- and for
2 this rate program, it's starting August 4th,
3 2012 for the next 12 months. What type of
4 premium income do we think we're going to get
5 from the vehicles that we think we'll have
6 during that rating year? We add in other
7 sources of income like financing fee income,
8 investment income, and then we subtract off
9 our expenses, like our claim costs; our fixed
10 costs, which are our administrative expenses;
11 our variable costs, which change based on --
12 they're a percentage of what our premiums are,
13 the premium taxes, the issuer fees.

14 And then the final component
15 of our costs that we subtract out is a
16 contingency margin. I'm going to talk a bit
17 about that in a bit about the uncertainty in
18 our estimates because of our industry. We
19 have that on contingency margin as well in our
20 estimates. And then we come out to a bottom
21 number. If we think we have too much premium
22 revenue, it's a -- we would need a decrease.
23 And if we don't have enough, it's an increase.

24 In this case, we are not
25 expected to generate enough revenue to break

1 even, so we are forecasting we need 3.7
2 percent more revenue.

3 So our industry is a little
4 bit unique from some other industries in that
5 we need to set the price of our product before
6 we really have a good idea of what our costs
7 are going to be. We're not going out and
8 buying raw materials and producing some
9 product, and we kind of know what our expenses
10 are going to be.

11 Our expenses generally, as
12 you saw from Jeff's slide, are claims costs,
13 and based on what -- you know, what causes a
14 lot of our claims cost, it can be really
15 difficult to assess what those are going to
16 be. Storm-related costs, winter driving
17 conditions, investment markets, things like
18 that make our industry a little bit unique
19 from other industries on really nailing down
20 what our costs are going to be for that rate
21 period.

22 So just a few graphs here to
23 show you our historical costs for our major
24 components, which is claims. You can see here
25 the blue -- the blue bars are frequency of

1 claims or the number of claims we have per
2 thousand vehicles in the province. And the
3 dotted line going across the top is the
4 severity or the average cost for a damage
5 claim. And this is excluding our catastrophes
6 or our storm-related costs.

7 You can see the severity,
8 the black line, generally rises each year, and
9 that's because that's the average cost for a
10 damage claim. And the components that make
11 that up are the labour rate that we pay to
12 auto body shops. We -- that generally
13 increases every year based on negotiations
14 with auto body shops. The cost of vehicle
15 parts would generally rise each year. So
16 severity is pretty consistent, and it rises
17 every year at or -- at or near the rate of
18 inflation.

19 The bars go -- the frequency
20 can move up and down. Generally what makes
21 these bars move up or down, the biggest impact
22 is the winter driving conditions for these
23 costs. And every five-point change in that
24 frequency equals about 2 or 3 percent on your
25 premium rates. So that's damage.

1 The next one is our injury
2 frequency and severity, and this one has
3 really changed a lot, you can see, and there's
4 a few things going on here. You can see that
5 the frequency or the number of injury claims
6 that we have has continually been coming down,
7 which is good news for our premium rates. And
8 each point five increase in that frequency is
9 equal to about 2 or 3 percent on premium
10 rates.

11 So if we were back at the
12 2003 level of frequency, which is 8.1,
13 compared to what we're projecting at 5.6 -- if
14 we were back at that level, we would need
15 about 10 points more on our premium rates. So
16 that has been really good news for us, that
17 declining frequency of injury claims.

18 Now, the severity, though,
19 is going the other direction. I'm going to
20 talk a bit more about that. A big drive of
21 that is income replacement benefits.

22 For people that are injured
23 and are off work, we pay their lost income,
24 and the rising wages in the province have been
25 impacting that. You've probably heard a lot

1 about Saskatchewan's -- wages in this province
2 have been increasing about the last five
3 years. And we now have the second-highest
4 average wages, Saskatchewan does, in Canada
5 after Alberta. So that's been impacting us
6 negatively the other way, the opposite of the
7 frequency.

8 The next slide I'll show you
9 is our damage -- we call them catastrophe or
10 the summer storm claims, is what this is. And
11 this is really the difficult -- one of
12 difficult ones to predict for us is what level
13 of summer storms are we going to have and
14 what's the cost going to be?

15 And these percentages that
16 you see up here are the percentage that those
17 storms have been in relation to our premium.
18 And so you can see back in 2009, we
19 essentially had no summer storms. It didn't
20 impact -- wouldn't have impacted our premium
21 rates at all. But this past year, there's
22 nearly 5 percent of our premium.

23 And so we have to estimate
24 in our -- for the rating year what we think
25 those costs are going to be. And we're

1 estimating around 1.7 percent, which is a
2 little bit above our ten-year average. But
3 you can see the last five years have been
4 quite a bit higher.

5 So just -- these three
6 graphs, I really just wanted to talk about the
7 volatility that we see in our claims cost in
8 the Auto Fund.

9 So I've talked a bit about
10 the overall -- how we come up with our rates
11 overall, the 3.7 percent, what some of the
12 things are that go into it.

13 Next I'm going to talk about
14 the fairness in rating or the rate rebalancing
15 where we -- where we talk about each vehicle
16 class should pay for their costs that they're
17 incurring.

18 We really have two main
19 vehicle classes in the Auto Fund. We have,
20 what we call, CLEAR-rated vehicles. CLEAR is
21 an acronym for a national database that
22 insurance companies use to group together
23 private -- similar private passenger vehicles.
24 All insurance companies in Canada use that
25 system. So all the private passenger vehicles

1 are in that group. They represent about 70
2 percent of our vehicle population.

3 And then these other groups
4 that are here, the farm light, police cars,
5 trucks, Udrive, and rural taxis get a
6 surcharge or discount off of their similar
7 private passenger vehicle.

8 The other group is
9 conventional vehicles, and there's about 25
10 different conventional-type vehicles. The
11 examples here are ambulances, motorcycles,
12 buses. And you can see in that -- in the
13 handout, it lists all the conventional
14 vehicles in that booklet that you probably
15 picked up.

16 And then within each
17 conventional vehicle class, and even within
18 the CLEAR-rated vehicles, there's relativities
19 or various rate differentials that vehicles
20 will pay within their class based on different
21 characteristics.

22 Examples that I have here
23 are -- they could be for buses. As an
24 example, there's the number of passengers they
25 carry. The more passengers you carry, the

1 more susceptible you are to injuries. And so
2 that's an example of how we have relativities
3 for buses.

4 So as we said, premiums are
5 determined based on the loss experience by
6 that rate class. And within those rate
7 classes, we have relativities based on the
8 loss experience of that characteristic within
9 that group.

10 We also wanted to point out
11 that for all the claims cost, they're assigned
12 to the rate classes based on the fault of the
13 driver of that type of vehicle.

14 So if an ambulance was at
15 fault for an accident and they caused injuries
16 or damage to another vehicle, all the costs
17 for the people and the damages to the
18 ambulance and the vehicle that they caused the
19 accident to go to the ambulance class.

20 So the costs all go back
21 to -- of the accident go back to the class
22 that caused the accident.

23 So the next -- and, you
24 know, one of the more difficult parts, I
25 guess, of a rate program is determining the

1 capping that we should be putting in place to
2 not, I guess, harm any group too much, too
3 quickly try and shock them back to what they
4 need to be.

5 As you can see from the
6 document that you may have picked up, some
7 rate groups need significant rate increases,
8 some as much as 160 percent, some, you know,
9 in the 50 to 60 percent range.

10 So that would be very
11 difficult to shock a -- have a group pay that
12 much more in one year. So we're proposing
13 these caps that you see up here.

14 So if your annual premium,
15 as an example, is between \$250 and \$500, the
16 maximum increase you could get is \$100. Even
17 if you needed 2 or \$300 annual increase, we
18 would cap that at 100. For vehicles over
19 \$1,000, we've set a cap of 15 percent.

20 The reason that there's
21 different caps is for some of those smaller
22 groups, they need some bigger rate increases,
23 and if you kept the cap at 15 percent, it
24 would take them forever to get there. So
25 we're proposing in some cases maybe a little

1 bit more progressive caps because the dollar
2 amount isn't that significant. So these are
3 the caps that we're putting in place for this
4 rate program.

5 I'll quickly walk you
6 through a couple of examples of how this
7 works. So you can see here we have a 2000
8 Nissan Xterra, four-wheel drive vehicle. The
9 current annual premium is \$816. The premium
10 they should be paying is 1,005, which is a
11 23-percent increase. Because their annual
12 premium of \$816 falls between a range of 750
13 to \$1,000 cap, they would be getting \$150
14 maximum increase, which is 18 percent, even
15 though they need \$189 increase.

16 The next one is a power unit
17 semi-trailer. In this example, their current
18 annual premium is \$1,347. Their required
19 premium is 1,997, which is a 48-percent
20 increase. We put the 15-percent cap in place,
21 and they'd get an increase of \$202 compared to
22 the required increase for that vehicle of
23 \$650.

24 And I should point out that
25 these caps are in place on the -- for vehicles

1 going up and for vehicles that are going down.

2 In this example, it's a
3 vehicle that needs to go down. So their
4 current premium is \$308. Their premium they
5 should be paying is 182. They fall in the
6 range of 250 to 500. So they would be
7 receiving \$100 decrease even though they need
8 a decrease of \$126.

9 There's one exception to the
10 caps, and that is sport motorcycles. They
11 require an average increase of 159 percent.
12 Some of the stats on sports motorcycles,
13 they're at fault for two-thirds of their
14 collisions. They experience twice the injury
15 costs than any other type of motorcycle body
16 style.

17 Without this rate increase,
18 claims exceed -- would be exceeding premiums
19 by \$3.3 million just for that small class.
20 And even with the rate increase that we're
21 proposing, which is a maximum increase of 30
22 percent, they would still be short, we're
23 expecting based on our projections, of \$2.7
24 million for their class.

25 So we're recommending for

1 sports motorcycles where their annual premium
2 is greater than \$1,000 -- we're recommending a
3 maximum cap of 30 percent or \$45 a month.

4 And so here quickly is an
5 example of a sport motorcycle. The current
6 premium on this one is \$1,470. They need to
7 pay 3,826. That's their adequate premium,
8 which is a 160-percent increase. We're
9 capping that at 30 percent and raising
10 their -- recommending their premium be raised
11 to \$1,911.

12 We have just a quick
13 comparison here to Manitoba Public Insurance.
14 We tried to get ICBC's from British Columbia.
15 We couldn't get theirs in time. But this is a
16 comparison, and you can see that the rates in
17 Saskatchewan are still -- for these three that
18 we selected here are still over \$1,000 less
19 than what a Manitoba motorcycle owner would
20 pay.

21 Just quickly, I'll talk
22 about some increasing trends in the indication
23 from the last program. Injury costs are being
24 impacted by the rising wages in the province,
25 and I'll show you a slide on that in a minute.

1 Declining bond yields, when
2 we collect premium dollars, as Jeff talked
3 about, we invest -- mostly get invested in
4 bonds. Because bonds have been coming
5 down -- bond yields have been coming down so
6 much, that's having a negative impact on your
7 insurance rates.

8 So for each one-point
9 decline in a bond yield that we're expecting,
10 it's equivalent to 1.6 percent on your premium
11 rates. So that is having a negative impact on
12 the rates that you need to pay because bond
13 yields keep getting lower. It helps you on
14 your mortgage, I guess, but hurts you on your
15 vehicle insurance.

16 And the other -- the other
17 rising trend is vehicle damage costs. And
18 I'll just show you quickly two graphs on that.

19 This is the income
20 replacement benefits for the Auto Fund for
21 people that are injured and can't go back to
22 work from an automobile accident. You can see
23 since 2007, they've been rising significantly,
24 and that is an average annual compound rate
25 from 2007 of 10 percent in the amount of

1 average costs we're paying for an income
2 replacement claim.

3 The next slide here is
4 collision claims. And you can see they have
5 been increasing since 2008, and they've been
6 increasing at an annual average compound rate
7 of just over 3 percent.

8 Lastly, a couple things,
9 midterm refunds, as with past rate programs,
10 if someone's rate is going down, that is
11 receiving a decrease, we will refund the
12 unused portion of their current term, and
13 we'll refund that money to them. They don't
14 need to come in and cancel and, you know, buy
15 a new policy to get the lower rate. We will
16 actually just send out refund cheque shortly
17 after August 1st. People whose rates are
18 going down for the unexpired portion of their
19 policy, we will refund that difference. And
20 they don't need to come in and do anything.
21 We will just send that out.

22 Finally, the last slide
23 is -- the blue graph is Saskatchewan CPI, and
24 the green line is the rate increases we've had
25 since 1998 in the Auto Fund.

1 your name for the benefit of Royal Reporting
2 and indicate your organization as well.

3 Thanks.

4 MS. BUCHMANN-GERBER: My name is Annemarie,
5 A-N-N-E-M-A-R-I-E, Buchmann-Gerber,
6 B-U-C-H-M-A-N-N-G-E-R-B-E-R.

7 And I present this
8 presentation on behalf of our president,
9 Audrey Findlay, who -- her husband had a heart
10 attack this morning, and she cannot attend
11 tonight. So she sends her regrets.

12 The Consumer Association of
13 Saskatchewan is a voluntary, non-profit,
14 non-partisan association with the objectives
15 to provide consumer information and education
16 on marketplace issues and to represent the
17 consumer interest to government and industry.

18 Traditionally, CASK has
19 taken a special interest in vulnerable
20 consumers and those with fixed incomes.

21 In the past, we were
22 fortunate to have expertise on our board as
23 well as access to funding which allowed the
24 Consumer Association to present comprehensive
25 and technical submissions on rate applications

1 by SaskEnergy, SGI, SaskPower, and SaskTel.
2 We no longer have the volunteer expertise, nor
3 the financial resources for research support.

4 However, I did want to come
5 here tonight as president of the Consumer
6 Association of Saskatchewan to show our
7 interest and to provide a few comments about
8 this application.

9 In reviewing the
10 presentation by SGI in the sections regarding
11 fairness in rating, section 2.1.2, and
12 maintaining adequate capital, section 2.1.3,
13 as well as historical rate changes, section
14 2.2, it appears that SGI is to be commended
15 for ensuring consistency and stability in
16 rates so that consumers are not subjected to
17 large rate increases and dramatic price
18 fluctuations.

19 However, the Consumer
20 Association would like to see SGI ensure that
21 each customer pays a rate fair and appropriate
22 for that individual so that no consumer is
23 either overcharged or undercharged.

24 Also of benefit to consumers
25 in Saskatchewan is the availability of rebates

1 to various driver groups through such programs
2 as Safe Driver Recognition.

3 Based on your survey, SGI
4 has had the lowest average personal auto
5 insurance rates in Canada since SGI began
6 conducting the survey in 2005. Good news for
7 consumers in Saskatchewan who are enjoying
8 lower insurance rates.

9 One issue, however, we wish
10 to bring to the attention of the panel is the
11 fact that in reviewing the information
12 provided by SGI to the public regarding rate
13 increases, it became quickly apparent that the
14 sections discussing rate making methodology is
15 indeed a very detailed and complex actuarial
16 process, one that is, I believe, safe to say
17 beyond the scope of expertise of the board of
18 the Consumer Association, in all likelihood
19 that of many consumers in the province.

20 In conclusion, the Consumer
21 Association of Saskatchewan applauds SGI for
22 having the lowest rates in Canada, and we wish
23 to see a continuance of low rates to
24 Saskatchewan motorists.

25 Also, the Consumer

1 Association would like to suggest to SGI that
2 they adopt a means of communicating to the
3 public that is less complex and perhaps
4 somewhat more transparent. We wish to suggest
5 that SGI, for instance, provide consumers with
6 simplified information describing criteria
7 used by SGI in determining how a vehicle is
8 classified as totaled and what other criteria
9 are used in determining claim costs and
10 reimbursements.

11 In addition, the Consumer
12 Association of Saskatchewan urges SGI to take
13 an active role in increasing awareness and
14 understanding by consumers on insurance rates
15 prior to their purchasing a vehicle in order
16 to promote sound decision making.

17 Thank you.

18 CHAIRPERSON: Thanks very much for your
19 presentation, Annemarie.

20 I have two comments. One is
21 please pass along our very best wishes to
22 Audrey and to her husband for a speedy
23 recovery.

24 And the other was with
25 respect to your comment with respect to the

1 complex actuarial process. You're right, it
2 is very complicated, and one of the things
3 that the panel does do is we hire technical
4 consultants that have that level of expertise
5 so that we obtain that information on behalf
6 of yourselves and the other people in
7 Saskatchewan.

8 The next person who has
9 indicated they would like to make a
10 presentation is Troy Larmer from The United
11 Group.

12 MR. LARMER: Good evening, panel members.
13 My name is Troy Larmer, T-R-O-Y, L-A-R-M-E-R.
14 And I'm here as a general manager of The
15 United Group of Companies.

16 Under one of our companies,
17 we have United Cabs, which is under the PT
18 class.

19 So I thank you for giving me
20 this opportunity to talk to you to discuss the
21 proposed increase in insurance rates for
22 vehicles in the Province of Saskatchewan, but
23 more specifically to the rate increases being
24 requested for our class, PT, passenger taxi
25 under the urban -- the urban setting.

1 I'm sure that it's no
2 surprise that we find the proposed 16.1
3 percent increase an extremely heavy financial
4 cross to bear, especially when taken into
5 consideration with the other cost increases
6 that this industry has incurred over this
7 year. We've incurred a 300-percent increase
8 to our business licenses and, of course, the
9 lovely ever increasing cost of fuel. We're
10 looking at approximately -- they're estimating
11 \$1.50 per litre come the summertime. As well
12 as obviously the increasing cost to our
13 vehicles and the equipment we use for them.

14 We appreciate the fact that
15 SGI will put a 15-percent cap not only on our
16 class, but also on many other classes of
17 vehicles to prevent the rate -- the rate
18 shock.

19 But when you take into
20 consideration that we pay the largest premiums
21 of any other group, you should appreciate just
22 how large our 15 percent is going to be.

23 While other classes will be
24 seeing increases in the range from \$25 to 100,
25 150, we will be asked to pay an additional

1 \$447 in Saskatoon and Regina. The taxi cabs
2 in Prince Albert, North Battleford, and
3 Yorkton will see -- face an increase of \$376
4 per year, and smaller towns, 212.

5 These are not small
6 increases to independent owners and operators
7 in a business that has already experienced or
8 will be experiencing significant increases and
9 other business-associated costs.

10 At previous rate review
11 panels, we've outlined the steps that we've
12 been taking to do our part to minimize our
13 claims. And we, as well as other companies in
14 Saskatchewan, have continued to follow this
15 path to keep our claims -- our number of
16 accidents as low as they possibly can.

17 Many of us have improved our
18 hiring practices or instituted more stringent
19 hiring protocols. We've become more proactive
20 when it comes to individuals and their driving
21 skills or lack thereof and increased our
22 discipline procedures as it relates to drivers
23 that have continued to have a significant
24 number of accidents.

25 We specifically at United

1 Cabs are currently the only fleet in
2 Saskatchewan to employ in-car surveillance
3 cameras to monitor not only the driver's
4 safety, but also the driver's driving habits.
5 This is done by employing cameras that are
6 programmed to start recording whenever G force
7 limits have been exceeded, such as when
8 they're sharp braking or excessive vehicle
9 maneuvering.

10 This comes at a cost to us,
11 which helps speed up the overall claim process
12 in determining fault. This saves SGI money.

13 We have been also fortunate
14 enough to have used these recordings to prove
15 innocence of our drivers in collisions where
16 the responsibility for the accident was not
17 that clear, again, speeding up the process of
18 determining fault.

19 Many other companies will be
20 employing these cameras in the -- in the next
21 two years, some because of municipal
22 regulations mandating their installation of
23 the use of these -- this type of equipment,
24 but others also realize the value that we have
25 come to realize, and it's such an important

1 tool for their disposal.

2 So we continue to be one of
3 the only companies that requires our vehicles
4 to be safety checked to SGI standards twice a
5 year. We thoroughly believe that having all
6 our vehicles in good mechanical shape goes a
7 long way to prevent those accidents caused by
8 mechanical failure.

9 We've all been working very
10 hard at keeping our claim history as low as
11 possible, but I believe that we are facing
12 larger increases forever not because we are
13 terrible drivers, but because, most of all,
14 we're too small of a group class. 572 taxis
15 in the Province of Saskatchewan under the PT.
16 And to properly generate enough moneys and
17 premiums to avoid higher premium costs, it
18 is -- it's impossible.

19 When you look at the
20 thousands of other vehicles in other classes
21 and then compare the combined total of 572
22 taxis in all, we can see why our premium
23 levels are high.

24 However, the taxi industry
25 saves other classes substantial amounts of

1 claims because the public expects us to be on
2 the road 24/7, 365 days a year. And we feel
3 as an industry that this sometimes does get
4 overlooked. No matter what time it is or what
5 the weather conditions are, we are expected to
6 be there. We feel that this does save SGI
7 money by continuing to transport passengers
8 during times of extreme weather conditions,
9 flooding, heavy snow, fog, icy conditions, all
10 of which every one of us are afraid to be on
11 the road, but we still need to get somewhere,
12 we call a taxi. All of these conditions
13 increase our risk for accident.

14 However, we're not a public
15 service, but we provide the public a service.

16 Providing, of course,
17 transportation for intoxicated individuals who
18 may choose to drive if getting a taxi is
19 difficult, thus adding more risk to the public
20 and increasing the likelihood of accident and
21 injury claims.

22 We know that SGI recognizes
23 this point as a very valuable point. They've
24 indicated that they are starting to put some
25 more funding into impaired driving programs.

1 For example, one of the ones
2 that they employ here in Saskatoon, and I'm
3 sure over the province, they provide free bus
4 services on New Year's Eve, at the
5 understanding that there is -- there is people
6 drinking. And this is to offset obviously
7 potential claims.

8 I do commend you for that.
9 Those are wonderful programs to do this.

10 However, our industry does
11 this daily. We are -- we are providing this
12 type of service on a daily basis. And we
13 don't receive any funding for this daily. All
14 we're presenting with is huge increases.

15 I ask why not look at -- a
16 zero percent increase, of course, is what I
17 would love to see, but -- or a decrease or
18 even not to the extent that we're looking at.
19 And maybe put some of that funding that you're
20 putting into the programs, put it back into
21 the taxi -- into the PT class and not increase
22 our rates so much and look at that as a way of
23 funding the impaired driving programs because
24 we really do provide a good service to the
25 public both here and throughout the Province

1 of Saskatchewan.

2 And, of course, a final area
3 of concern that we have at United Group and, I
4 guess, from hearing a little bit in the
5 industry -- and you brought reference to it,
6 and I appreciate you bringing that, is our
7 lovely Business Recognition Program. I
8 appreciate the fact that you are going to
9 address this because on several occasions
10 we've brought this up with SGI, and I guess in
11 our opinion, it's sometimes -- the feeling
12 that we get -- I'm not saying it does, but the
13 feeling that we get it truly has gone on deaf
14 ears.

15 But with you alluding to the
16 fact that we are going to recognize it, we do
17 appreciate that.

18 But this program does not
19 work for our industry. If they feel it's a
20 value to the business owner, there should be a
21 clause to possibly allow us to opt out because
22 there are some business owners that, frankly,
23 don't feel that there is any value to that.

24 Actually even at one of our
25 SGI meetings, one of the employees had

1 indicated that they pay out more money than
2 they bring in in this program, so there was a
3 quick question by us in the room as to, well,
4 if that's the case, if you're losing money,
5 why even have the program? There wasn't
6 obviously a response to that.

7 But -- and, frankly, I guess
8 we can get into that maybe in more detail with
9 SGI as we -- as we relate to that, but,
10 really, they're hitting the wrong people.

11 In closing, I would like to
12 thank you again for the opportunity to address
13 my concerns to the panel and please take them
14 in consideration when looking at the increase
15 request before you.

16 Whether you choose to
17 approve all of it or any of it or none of it
18 at all, the public needs the taxi industry.
19 SGI needs the taxi industry. And if the costs
20 continue to increase for this industry, there
21 basically will be no taxi industry anymore.

22 Thank you.

23 CHAIRPERSON: Thanks very much, Troy.

24 Would you be able to provide
25 me with a soft copy of your report that I can

1 post on our website?

2 MR. LARMER: Absolutely, yes.

3 CHAIRPERSON: I will give you my e-mail
4 address.

5 MR. LARMER: I'll take the chicken
6 scratch off.

7 CHAIRPERSON: Okay. Thank you very much
8 for your presentation.

9 And the final presentation
10 this evening that I'm aware of is Kent
11 Smith-Windsor from Greater Saskatoon Chamber
12 of Commerce.

13 MR. SMITH-WINDSOR: Kent Smith-Windsor, K-E-N-T,
14 S-M-I-T-H, hyphen, W-I-N-D-S-O-R.

15 I have to say I was a little
16 surprised that your Power Point and the
17 printed material aren't exactly the same as
18 the presentation that was in the rate review
19 piece. There were modest differences there,
20 and it became a little difficult relating to
21 the review that I undertook there to follow
22 from your presentation here and the written
23 material.

24 But I would want to draw
25 attention to -- there was a slide that related

1 to the rate of return in 2011 and accident
2 claims. And I think with the presenter -- and
3 it was numeric presentation. I think that's
4 the one, yeah.

5 And I think the presenter,
6 if I heard him correctly, said that there was
7 a dramatic increase in claims in 2011 compared
8 to previous years. And I just looked at those
9 numbers, and I was seeing something a little
10 bit different. It's certainly true that the
11 investment income had declined.

12 And I'm just wondering if I
13 missed something on a presentation or how it
14 was articulated.

15 MR. STEPAN: May I respond?

16 The numbers that are there
17 are to September, so that's -- we have for
18 2011. So that's only three quarters. And so
19 the \$721 million there, that's only to the end
20 of September. We still have another three
21 quarters of the -- or, sorry, another quarter
22 of the year. So by the time you add in the
23 extra claims, we are going to be about \$200
24 million more in claims in 2011 than we were in
25 2010.

1 MR. SMITH-WINDSOR: Okay. I just would observe
2 that if you're going to do calendar year to
3 calendar year comparison, it might be helpful.

4 MR. STEPAN: Yeah. We --

5 MR. SMITH-WINDSOR: And I understand you're
6 making these presentations at certain times,
7 but it's -- what you said and what the numbers
8 were telling me were two different things.

9 It's also not particularly
10 clear to me -- and I did go through this a few
11 times on your Power Point, and it alludes to
12 it -- or not the Power Point, but the website
13 presentation and the one here relating to the
14 CLEAR program as to how -- keep it simple for
15 my little brain. A commercial operator,
16 contractor, electrician, plumber, whatever,
17 that might be operating a half-ton or a
18 quarter-ton, was that included in the CLEAR
19 analysis or not included in the CLEAR
20 analysis? Because I think at one point, it
21 talks about class A commercial light trucks,
22 and I kind of get lost on that because a lot
23 of the descriptors are now starting to move
24 into large trucks.

25 MR. THOMPSON: The smaller type vehicles

1 would be in the -- in the private passenger
2 class. Yeah, those would be in the private
3 passenger, the smaller -- you know, just a
4 plumber using a half-ton truck.

5 MR. SMITH-WINDSOR: Okay. So they would pay the
6 same rate as an individual who happens to own
7 a half-ton?

8 MR. THOMPSON: We'll double check and get
9 back to you.

10 MR. SMITH-WINDSOR: Okay, thanks. That probably
11 deals with the second question.

12 The last one was -- is that
13 there was no comment around all the
14 productivity work that was annotated in your
15 presentation on the web.

16 And the panel will know that
17 our chamber has been quite pressing and
18 persistent in this area relating to it, and we
19 acknowledged both in the past and last evening
20 relating to our appreciation for your
21 requirement as part of the rate analysis that
22 that be included. And I would really
23 encourage you in terms of future presentations
24 that you talk about that as part of the
25 analysis.

1 dollars a year in terms of additional costs,
2 and that has actually been achieved.

3 So we certainly in the
4 future can include lots of information around
5 our efficiency and productivity measurements.

6 Part of our commitment to
7 Crown Investment Corporations on our balance
8 score card is a measurement where we look at
9 our productivity based on our staff counts,
10 and we're exceeding our targets in terms of
11 the number of policies and drivers that we
12 have that we're managing in terms of our
13 business versus the staff counts that we have
14 that are supporting it. That number is going
15 up, so we're becoming much more efficient.

16 In addition to that, there's
17 a company out of the United States called the
18 Ward Group that specializes in measuring
19 metrics in insurance companies. And we've
20 been participating in that as well.

21 Again, I don't have the
22 numbers at my fingertips, but on the basis of
23 sort of management to staff ratios, our
24 expense ratio, policies per FTE count, those
25 sorts of things, we measure ourselves against

1 similar insurance companies in the United
2 States or Canada. We appear very favourable.

3 We're working in the process
4 of getting the exact same information from
5 ICBC and MPI because they're better
6 comparators for us because of the monopoly
7 situation.

8 We have ICBC's. We compare
9 favourably against theirs. We're waiting on
10 Manitoba Public Insurance's as well.

11 So I can absolutely assure
12 you it's a high priority in our corporation
13 that we manage our expense numbers extremely
14 well, and we're looking for every opportunity
15 we can to cut costs and yet not impair the
16 service that we provide to our customers.

17 MR. SMITH-WINDSOR: And I guess that would leave
18 to a panel -- a comment to panel that I'd ask
19 that it just be re-enforced with each of the
20 presenters in the future that they clearly
21 articulare this work.

22 Because of the nature of
23 monopolies, confidence in the operating
24 efficiency and effectiveness of these
25 organizations is pretty important because

1 they -- customers don't have a choice.

2 And in many cases, these are
3 very good news stories. There's nothing for
4 the entities to be concerned about. And, in
5 fact, it can help build momentum relating to
6 operating efficiencies across government.

7 So I was pleased to see it
8 in your submission, a little disappointed this
9 evening, but thank you very much for those
10 comments. And I think those illustrations
11 indicated that there's lots to celebrate and
12 nothing to hide relating to your operating
13 efficiency.

14 Thank you.

15 CHAIRPERSON: Thanks very much, Kent.

16 I will re-enforce that it
17 part of our mandate to review things of that
18 nature, competitiveness and productivity, and
19 it's certainly high on our list.

20 Thank you for your comments.

21 Is there anyone else that
22 would like to make a formal presentation to
23 the panel?

24 Okay, sir. Just please
25 provide your name and spell your name, please.

1 MR. FRIE: I'm Jim Frie. I own a fleet
2 of 24 taxis in Saskatoon.
3 Did you want anything else?
4 What are you asking me?
5 CHAIRPERSON: Could you just spell your
6 name, please?
7 MR. FRIE: Oh. My last name is spelled
8 F-R-I-E.
9 CHAIRPERSON: Thank you.
10 MR. FRIE: Okay. I'm presently working
11 on my 50th year of being in the taxi business.
12 During the 50 years of business, I've been
13 surcharged twice. The interval of surcharges
14 based on the 50 years of operation should be
15 really a consideration.
16 I don't have all the data of
17 my company's accident records, but the length
18 of time being in the business with the length
19 of interval between surcharges should -- over
20 my 50 years should indicate that there must be
21 years that I've left money on the table, that
22 we get no credit for being good, not to -- you
23 know, not quite that way, but we get no
24 credit. If we leave the money on the table,
25 but we have one big bad accident, that will

1 just blow us over the top.

2 It was about 25 years
3 between the surcharges based on the length of
4 time that I've been in the business. I feel
5 the accident records should be averaged over a
6 longer period of time, say, a ten-year period
7 instead of the three or four years or whatever
8 is in force now.

9 If this would be the case of
10 ten years, I would never have had a surcharge
11 in my whole career.

12 The surcharges I have paid
13 during the years of business amounted to about
14 \$100,000. The surcharges, I feel, are
15 unfairly charged if you own more than four
16 taxis.

17 I don't think owning a fleet
18 in my case is totally -- I feel it's totally
19 irrelevant because I don't think I've had
20 anymore accidents per car than an individual.

21 Like, it stands if you go up
22 to three cars, you're okay. You don't -- you
23 don't qualify for the surcharge, but if you
24 have more, then you qualify.

25 Like, in my case, if you

1 review my accident records over those years,
2 that shouldn't -- that doesn't work out. It
3 doesn't fit the equation.

4 I maybe sound like a stuck
5 record.

6 But I presented this idea to
7 SGI a couple of times in the past, and I just
8 feel strongly about if that interval would be
9 a ten-year period instead of, what is it,
10 three or four years, if you go over, then
11 you're qualified for the surcharge. But if it
12 was over a ten-year period, the years where I
13 have not had any amount of accidents, I'm sure
14 that I've left a quite a substantial amount of
15 money on the table.

16 The premium is -- goes
17 somewhere else, but then if you have that one
18 big bad accident, which has happened enough to
19 bring it over, then you got to pay the
20 premium. I think it set up in that way is
21 unfair.

22 Thanks for listening to my
23 critique.

24 CHAIRPERSON: Thank you very much.

25 Was there anyone else who

1 wished to make a presentation, or was it
2 general questions?

3 MR. JERONE: A presentation and a few
4 questions.

5 CHAIRPERSON: A presentation?

6 MR. JERONE: Yeah.

7 CHAIRPERSON: Okay.

8 MR. JERONE: I just need one more second.

9 CHAIRPERSON: Sure.

10 MR. JERONE: Good evening. Thank you,
11 you guys, for having us, as I really
12 appreciate the opportunity to at least have
13 some answers or at least understand your side
14 of it rather than just being told when I go to
15 register my bike that the cost will be
16 significantly more.

17 Sorry. My name is Stuart
18 Jerone, S-T-U-A-R-T, J-E-R-O-N-E.

19 Basically I'm just -- I'm
20 here to ask a few questions regarding
21 motorcycle rate increases because with this
22 proposal, my insurance will have increased
23 approximately 60 percent since 2009.

24 According to stats provided
25 by SGI, the 11,706 -- or, sorry, the 11,767

1 motorcycles registered in 2010, they actually
2 represent .026 percent of all claims in
3 Saskatchewan. And this number has been
4 steadily decreasing since 2006.

5 Unfortunately, I don't have access -- or I
6 didn't have time to research further back.

7 Given that the majority of
8 these claims within -- or occur within the
9 urban setting at a greater than three to one
10 ratio compared to highway and rurals, I
11 question how often drivers of other classes of
12 vehicles are involved.

13 As stated earlier in your
14 presentation, they are more -- cost is
15 attributed to the vehicle that caused it.

16 But personally I'm sure if
17 you've hung around with motorcyclists for any
18 length of time you've heard, well, I
19 would have -- you know, this guy would have
20 run into me, so I had to lay it down to avoid
21 an accident. I know that this doesn't make
22 any sense because once you've laid it down,
23 you've already entered into an accident,
24 except you're doing so unassisted. And at
25 that point in time, who decides who's at all

1 fault, right?

2 Driving in heavy traffic is
3 an uncomfortable experience based upon my time
4 on the back of a bike. I've personally
5 witnessed many unpredictable driving errors.
6 And as I do not desire to become another
7 statistic in presentations such as these,
8 which, despite my best efforts, I failed to do
9 so as of May last year.

10 While SGI has championed the
11 banning of cellphone use while driving, along
12 with other safety campaigns such safety belts,
13 DUI, and wildlife awareness, try as they
14 might, people still continue to practice these
15 activities while driving. Personally I have
16 even witnessed an individual reading a book
17 while driving a car down the street.

18 Though not absolute in their
19 success, these programs, as noted by Mr. Quaye
20 in the presentation, have had an impact on the
21 statistics provided.

22 My experience in motorcycles
23 began with a motorcycle handbook, which
24 informed me that motorcycles are less visible,
25 more agile, and harder to predict.

1 This information was briefly
2 passed over in my driver education program.

3 Awareness of motorcycles on
4 the road was reiterated in my SGI-endorsed
5 motorcycle safety program, which I voluntarily
6 took.

7 According to this stat,
8 there are 11,000 registered motorcycles in the
9 province. This means that there's an
10 extremely small portion of the 735,000
11 licensed drivers in the province that have
12 little to no experience with motorcycles,
13 which I think they have limited to no
14 experience or no understanding of the
15 visibility issues that motorcycles face on the
16 road.

17 Like I said, I've been cut
18 off a number of times, and I just -- I can't
19 even stress enough how much these
20 accidents -- maybe I wouldn't have been at
21 fault, but at the same time, I don't want to
22 just -- I've had issue with SGI in fault
23 before in the past.

24 So I guess my question is,
25 has SGI considered awareness campaigns such as

1 they've done in Europe, basically just
2 alerting people to the fact that motorcycles
3 are less visible? Any response?

4 MR. QUAYE: Yeah. I will speak to that.
5 The answer is yes. Obviously from what you
6 say, probably we need to do more. We've done
7 something called drive right programs, which
8 is television advertising, radio tips, which
9 are targeted not at motorcyclists, but
10 targeted at other drivers to watch out for
11 motorcyclists.

12 But your point is well
13 taken. I think we probably should do more for
14 awareness in this area.

15 MR. JERONE: Okay. Thank you.
16 The other thing is kind of
17 actually the rate adjustment itself. I'm just
18 curious if SGI has considered any sort of
19 financial incentive for riders that wear
20 consistently full gear or ride in
21 full -- like, full motorcycle gear.

22 I know myself I get a number
23 of looks when I walk into grocery stores in my
24 leather jacket, full pants, boots, gloves,
25 carrying a helmet when it's plus 30 outside,

1 but as my mantra has been for many years, I'd
2 rather sweat than bleed.

3 And, you know, I think that
4 that is growing in the province because you
5 see a lot more people enforcing or preaching
6 the all-the-gear-all-the-time mentality
7 amongst motorcyclists.

8 MR. QUAYE: No. We haven't considered
9 the option of providing discount to people who
10 wear full gear, but we've had (inaudible) from
11 motorcyclists' associations and other
12 motorcycle dealerships that explain the
13 importance of gear.

14 And one of the things that
15 we're doing as part of our awareness campaign
16 is to educate people as to the need to always
17 dress appropriately and have the right gear
18 while riding.

19 MR. JERONE: Okay. That makes sense. I
20 just thought I would mention that based on my
21 accident, I was -- I was actually struck
22 broadside by a van that ran a red light. It
23 was doing approximately about 70 kilometres an
24 hour, and as I previously stated, I do wear
25 full gear. I was on the bike the very next

1 day. I walked away from that accident.

2 I mean, I did have -- I got
3 hit by a van. I didn't feel good, but the
4 bottom line is I still was able to return to
5 work, and SGI didn't actually wind up spending
6 anything in that regard.

7 I mean, as has been stated,
8 wage loss is a significant portion of the
9 claims contribution.

10 And then the other question
11 is, because, as I mentioned already, I've
12 taken a safety course that was actually, I
13 believe, endorsed by SGI a number of years ago
14 or at least supposedly claimed to be
15 recognized by SGI.

16 And actually one of the
17 instructors was an adjuster for SGI, a guy by
18 the name of Barry Muir out of Regina.

19 Anyway, my questions is, has
20 SGI considered any sort of financial incentive
21 for taking a safety course for motorcyclists?

22 As you've stated, many
23 motorcyclists are new riders that are involved
24 in these accidents.

25 MR. QUAYE: Again, the answer is no.

1 However, we are currently
2 looking at options and ways in which we can
3 provide an incentive for people to take the
4 motorcycle training programs. We promote the
5 programs. We suggest that people, especially
6 the new riders, go out and take the course.

7 Barry is -- wasn't an SGI
8 employee, but he was a teacher. But Barry
9 works for the Safety Council, works very
10 closely with my colleagues in traffic safety
11 area to ensure that the instructors are well
12 trained.

13 And we work with Barry and
14 other schools to expand the ability of schools
15 and programs to provide answers to new
16 motorcyclists, (inaudible) new motorcyclists
17 to attend these programs.

18 We are in the process of
19 working with schools and also coming up with
20 ways in which we can provide more incentives.
21 And possibly it could be a combination of
22 incentive as well (inaudible).

23 MR. JERONE: Thank you.

24 I guess just another couple
25 questions that came to mind off the top.

1 In that regard, would you be
2 willing to consider, like, separating a
3 driving record between motorcycling and other
4 vehicles, in such that new riders who may have
5 been riding -- or, sorry, may have, like, 20
6 years of experience driving a car, get on a
7 motorcycle because maybe they're having a
8 midlife crisis, I don't know, and often, I'm
9 sure, they probably contribute to those
10 statistics, many of which, I believe, tend to
11 drive Harleys, which tend to be a little on
12 the expensive side as well. I'm guessing
13 there's some truth to that.

14 So I guess would there be
15 any possibility of isolating driving records
16 based on the class of vehicles in terms of
17 incentive? Because, I mean, you're presenting
18 these rates in accordance with driving
19 history.

20 So would that be possible?

21 MR. QUAYE: Well, in terms of
22 possibility, yes, it's possible.

23 The only thing we have right
24 now as part of the graduated driver's license
25 program is that we monitor the events,

1 crashes, or convictions that are incurred
2 by -- or, you know, somebody who owns a
3 motorcycle as compared to a vehicle, and then
4 we have a number of, we call them, high risk
5 type of convictions.

6 But if they are the
7 motorcycle rider, the individual could face
8 the loss of his license for a year. So we
9 build that piece into the current GDL program.

10 And to your question, it's
11 something that we think about to see if there
12 are possibilities and practicalities to do
13 that, but we are aware of the -- of the
14 importance to ensure that that message goes
15 out to riders that if you ride recklessly, you
16 could lose your license for a while.

17 MR. JERONE: Thank you.

18 Just one more. Sorry, I got
19 lots of questions here. I'm sure I could come
20 up with them all night.

21 In terms of, like, actual
22 road maintenance, one thing that we've heard a
23 number of times, I'm sure, is that pothole
24 season is here early. And based on the
25 condition of Saskatchewan roads, I mean, those

1 are a concern when you only have two wheels.

2 Many of the roads that I've
3 lived on haven't been cleaned, like, street
4 cleaned for the gravel and the sand, well into
5 August -- late July, August. That's a pretty
6 significant portion of the season in which
7 almost all corners are questionable for
8 traction.

9 And just I'm curious as to
10 how much that factors into your accident
11 statistics or how often that --

12 MR. QUAYE: I don't know off the top of
13 my head.

14 MR. JERONE: Okay, all right. Well,
15 thank you very much.

16 MR. CARTMELL: I do like your idea of
17 separating motorcycle licenses. I don't know
18 how practical it is for us to do it, but I
19 think it's worth us taking a look at it
20 because when we look at the experience on
21 motorcycles, we need to find a few different
22 ways that we can really bring down the
23 accident statistics. And if that looks like
24 it's a way that would work, we'll do it.

25 But, you know, at this point

1 in time, I don't know. I don't know what the
2 logistics are, but it's -- ideas like that are
3 great because it gives us something else to
4 take another look at to see if it might work.

5 MR. JERONE: I guess one thing that I
6 would like to express is just that with the
7 proposed rate, I've heard a number of senior
8 riders complain that they're strongly
9 considering just selling their motorcycle and
10 no longer riding.

11 And I think that this would
12 be a great loss because it's that experience
13 that really keeps the young riders from
14 getting in accidents. It's what helps this
15 hobby grow in a safe fashion rather than a new
16 kid who's just got his license and goes to
17 dealership and buys a very aggressive bike and
18 helps himself to an accident.

19 So thank you very much.

20 MR. CARTMELL: Thank you.

21 CHAIRPERSON: Thanks, Stuart. You had
22 some good suggestions. Thanks.

23 Is there anyone else that
24 would like to make a presentation?

25 We'll now open the floor to

1 anyone that would just like to ask some
2 general questions either of the panel or SGI.

3 MR. HEIN: My name is Kurt, K-U-R-T, Hein,
4 H-E-I-N.

5 I'm just a citizen of
6 Saskatchewan. I was born five kilometres away
7 from here at St. Paul's.

8 I certainly appreciate the
9 work these executives for SGI are doing.
10 They're working within a very tight framework,
11 and I think it's pretty tough for them to kind
12 of come up with a formula to make this work.

13 Those numbers are
14 astronomical. I can't -- I can't say enough
15 of what they're doing.

16 I'd like to draw attention
17 maybe to a different perspective that has
18 maybe to do with what SGI has at its core,
19 which is -- it's an insurance scheme.

20 It's built on the idea that
21 people pay into it their whole lifetime. And
22 when you've got a group of people coming into
23 the province that are fairly transient, that
24 aren't staying in the province, I think it's a
25 serious issue.

1 So according to Statistics
2 Canada, 60 percent of the new residents that
3 are coming to the province are not staying
4 here. They're leaving for places like Calgary
5 and BC and stuff like that.

6 So my question to the
7 executive, the Rate Review Panel is, how much
8 is that figuring into the -- into the
9 calculations that are going on here in terms
10 of where the costs are coming from for this
11 debt, which is, really, what it is, it's debt.

12 So what -- I guess what
13 it -- what it boils down to is our citizens
14 are being asked to pay the extra costs for
15 what is really a group of people that are not
16 staying more than two years. They're using
17 our insurance system, but then they're going
18 to places like Calgary or Vancouver, places
19 like that.

20 So it's important, I think,
21 that if that's the case, maybe we need to
22 start considering an initial fee when they
23 first come into that insurance scheme, unless
24 they're staying more than a couple of years,
25 you know, to offset the extra cost that's

1 coming into our system because I think that's
2 where the cost is coming from.

3 I don't think it's coming
4 from motorcycle drivers necessarily because
5 they've been here all along. I mean, they've
6 been in our province since, you know, it was
7 created here, I think as far as most people
8 recognize.

9 So, yeah, I guess my
10 question then is, how much -- how much is that
11 figured into the calculations when it's really
12 basically a group of people that are not
13 staying more than a couple of years?

14 MR. THOMPSON: It's really not something
15 we've analyzed, is the people that come to the
16 province and are leaving quickly. It's not a
17 stat that I have heard, that people aren't
18 staying here.

19 MR. HEIN: Yeah.

20 MR. THOMPSON: So we really don't know what
21 the impact of that is. I can't say with any
22 certainty what it is.

23 It's something we could
24 analyze to see if there is a -- if they -- you
25 know, I have no idea whether they are coming

1 in and their loss experience in their class is
2 higher than the other people in their class.
3 I don't know the answer to that. I don't
4 think we do. So it's something that we could
5 look at.

6 MR. HEIN: Yeah. I think that's
7 obviously for the future. I think that's the
8 key to this, is that it's something that does
9 need to be added in at some point and
10 considered because it's -- it's a massive debt
11 that I'm looking at in front of me here.

12 And, I mean,
13 it's -- according to the additional quarter
14 that one of the vice-presidents indicated is
15 coming, it's \$200 million once it's all added
16 in there. It's -- you know, that's getting up
17 there with, you know, sort of what this
18 province can handle.

19 And I think it's important
20 then going forward that we start to assess
21 what impact that transient use of our
22 insurance program is having on the overall
23 need to make increases like this.

24 So it's 3.7 percent increase
25 you're asking for. Yeah. Whether or not, you

1 know, that's coming strictly just from, again,
2 a group of people that are using the insurance
3 system on a transient basis and then moving to
4 another part of the country -- whether there's
5 some way to look at rewarding, you know, sort
6 of staying and stuff and whether or not
7 there's something to do with that, so yeah.

8 And thanks. I appreciate
9 your guys' work and all you're doing. I know
10 it's a tough framework. And, yeah, it's
11 definitely nice that the public can come out
12 and say something like this. So hopefully our
13 government won't just let it fall into
14 tokenism. Yeah. I think that's the key to
15 this. Yeah. Great. Thanks.

16 CHAIRPERSON: Thank you very much.

17 MR. STEPAN: Can I just make one quick
18 clarification?

19 Kurt talked about the debt.
20 We still have a positive balance in the rate
21 stabilization reserve.

22 So, yes, we did have a poor
23 year in 2011, but we still have over \$100
24 million sitting in our rate stabilization
25 reserve. So there is no net debt sitting in

1 the Auto Fund.

2 But your point about
3 transient drivers is well taken.

4 CHAIRPERSON: Thanks for the
5 clarification.

6 Are there any other
7 questions or comments from anyone?

8 MR. TRISCHUK: Good evening. My name is
9 Nathan Trischuk, T-R-I-S-C-H-U-K.

10 Basically the question that
11 I had was I've had my motorcycle license for
12 almost ten years. And in those ten years, I
13 have never had one claim in that, and it would
14 make more sense for me if it was a possibility
15 to only have liability insurance and not have
16 to pay for the insurance on my bike as well.
17 Have you thought about doing something like
18 that?

19 MR. CARTMELL: I can start on that if you
20 want.

21 The short answer is, yes, we
22 have thought about that.

23 I mentioned earlier we're
24 going to be opening up a review of certain
25 coverage and the safe driving programs that we

1 have and the Business Recognition Program.

2 And so we certainly would
3 appreciate your comments with respect to
4 options within the coverage itself.

5 Currently I would say we're
6 not necessarily looking at that partly because
7 in the rate structure that we have, the
8 premium base isn't aligned properly between
9 the different types of coverage.

10 So what we would like to do
11 is get in a regular routine of filing rates
12 and get the structure in behind the rates set
13 up appropriately so that when -- if and when
14 there's an opportunity to have optional
15 physical damage coverage, as an example, that
16 you wouldn't get an unpleasant surprise.

17 If we did it today, there's
18 a possibility that even if we -- if you had an
19 old vehicle, even if we took away the physical
20 damage coverage, your premium might not change
21 because the rating structuring behind isn't
22 properly aligned.

23 And maybe all ask Don just
24 to comment if I got any of that wrong, but I
25 think that's essentially right.

1 MR. THOMPSON: No. I mean, that's it. The
2 reason that -- just so you understand the
3 reason that -- maybe an example, an older
4 vehicle even if you didn't want damage
5 coverage anymore, your rate could even go up.

6 A big component of the cost
7 of insuring the vehicle is the liability
8 portion and the injury that you cause to
9 yourself or others.

10 So that forms a big
11 component of the cost, and some vehicles
12 aren't even paying enough to pay for those two
13 components. So even if you said, I don't want
14 damage coverage anymore, you still might not
15 be paying enough rate. So that's what we want
16 to get aligned first, keep coming back with
17 regular rate programs, and then maybe then at
18 that time, that's something that we could look
19 at.

20 MR. TRISCHUK: Okay.

21 CHAIRPERSON: Thanks, Nathan.

22 Are there any other
23 questions?

24 Hearing none, I would like
25 to thank everyone for attending tonight. I

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think we've had a lively discussion.

And thank you to our representatives from SGI for making that dangerous trip all the way from Regina to Saskatoon and participating in our process this evening. We do appreciate your time.

And, again, thank you to the members of the public that took the time to come and present to us.

We're -- I just want to reiterate that if you have additional thoughts or questions, please feel free to contact the panel. We're taking submissions up until April the 12th. And you can find our contact information on our website, which is Saskratereview.ca. So we look forward to receiving further submissions should you come up with something that you forgot about tonight.

Again, thank you to everyone. And if there's nothing further, I will adjourn this meeting.

(ADJOURNED AT 9:15 P.M.)

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