Saskatchewan Rate Review Panel

Report to the Minister of the Crown Investment Corporation of Saskatchewan

Concerning the

November 1, 2009
Saskatchewan Auto Fund Rate Rebalancing and Rate Adjustment

Report submitted August 24, 2009

Table of Contents

Executive Summary

On May 1, 2009 the Saskatchewan Rate Review Panel (the "Panel") received notice of SGI's Application for a general average rate increase of 4.2% for the Saskatchewan Auto Fund. Related Minister's Orders are attached as **Appendix A**.

SGI's rate request for the Saskatchewan Auto Fund, which includes rate rebalancing, is to be effective November 1, 2009. In addition to rate rebalancing, the rate application proposes capped increases to minimize rate shock. More details are provided in Section 3 of this report and in SGI's application, which is attached as **Appendix B**.

The Panel retained the services of Eckler Ltd. and Kostelnyk Holdings Corp. to act as technical consultants for reviewing the application and supporting documentation. As part of their analysis on the Panel's behalf, the consultants submitted two sets of Information Requests to SGI to gather additional information or to clarify specific points. The Panel and the consultants held conference calls as needed, and met with Saskatchewan Auto Fund officials on June 11 for a technical discussion. The consultants' report is attached as **Appendix C**.

The Panel conducted an extensive public consultation process through several mediums, including three public meetings. More details about the review process are provided in Section 4 of this report.

The Panel wishes to emphasize that the Saskatchewan Auto Fund operates on a self-sustaining basis over time, and neither receives money from, nor pays dividends to, the Government of Saskatchewan. There is no profit component factored into the premiums that Saskatchewan Auto Fund customers pay for basic insurance coverage in Saskatchewan.

Having reviewed the Saskatchewan Auto Fund application as well as supplementary information provided by SGI, public input, and the analysis provided by the technical consultants, the Panel makes the following four recommendations:

> **Recommendation One: That the average rate increase of 4.2% for the Saskatchewan Auto Fund be implemented, effective November 1, 2009.**
>
> **Recommendation Two: That the Saskatchewan Auto Fund test the appropriateness of the currently prescribed Minimum Capital Test target range for the Rate Stabilization Reserve. Once the target range is determined, the Panel recommends that a formal policy on an action plan be developed to address situations where the Minimum Capital Test for the Rate Stabilization Reserve falls significantly above or below the target range. The Panel expects the policy and any required action plan will be filed with the next Saskatchewan Auto Fund rate application.**
>
> **Recommendation Three: That the Saskatchewan Auto Fund examine all aspects of its operation with the goal of achieving productivity gains and efficiencies that will produce savings that benefit the Rate Stabilization Reserve, and ultimately**

Saskatchewan Auto Fund customers, and that these productivity gains and efficiencies be reported in future rate applications.

Recommendation Four: The Panel repeats the recommendation it made in its report on the 2007 rate application: that the Saskatchewan Auto Fund submit rate adjustment applications, with rate rebalancing, on an annual basis.

Detailed analysis related to the recommendations is provided in Section 8 under Panel Recommendations and Analysis.

In the course of their report the consultants raised other issues for the Panel to consider, and offered suggestions for technical improvements in the preparation of future applications. These issues and suggestions from the consultants are addressed under Section 9, Panel Observations.

1 Role of the Saskatchewan Rate Review Panel

1.1 Authority

Through Order-in-Council 941/2006, dated December 21, 2006, the Minister of the Crown Investments Corporation (the Minister) received continued authority to appoint the Saskatchewan Rate Review Panel (the Panel) as a Ministerial Advisory Committee. The Panel's mandate states that the Panel shall:

(a) *conduct a review and provide an opinion of the fairness and reasonableness of proposed Crown corporation rate changes, referred to the Panel by the Minister of Crown Investments Corporation; and*

(b) *incorporate as part of its mandate specific terms of reference for particular Crown corporation rate change reviews that may be attached by further Minister's Order.*

Whether in the original Order-in-Council establishing the Panel (437/2000 dated July 27, 2000), or in the Terms of Reference for particular reviews, the Panel has always been instructed to consider:

…the interests of the customer, the Crown corporation, and the public.

The mandate of the Panel extends to three Crown corporations in Saskatchewan – SaskEnergy, SaskPower and SGI's Saskatchewan Auto Fund. Serving as an advisory body to the Minister of Crown Investments Corporation, the Panel provides independent advice on rate proposals from the above-noted corporations. The final decision about these proposals continues to rest with the Saskatchewan government.

1.2 Members of the Panel

Through the November 26, 2008 Minister's Order (Appendix A) the following members were appointed to serve on the Saskatchewan Rate Review Panel:

Chair	Alison Renny	Saskatoon
Vice-Chair	Kathy Weber	Saskatoon
Members	Bill Barzeele	Little Bear Lake
	Robert Bundon	Prince Albert
	Louis Gardiner	Île à la Crosse
	Steve Kemp	Regina
	Linda Thauberger-Smith	Regina

The term of appointment for all members will expire on December 31, 2009.

2 Panel Responsibilities and Terms of Reference

On May 1, 2009 the Minister issued an Order establishing the Terms of Reference guiding the Panel's review of the Saskatchewan Auto Fund rate application. The Minister's Order is provided as Appendix A of this report.

In common with other reviews, the Panel is to provide an opinion on the fairness and reasonableness of the Saskatchewan Auto Fund's proposed overall average rate increase, considering the interests of the customer, the Saskatchewan Auto Fund and the public. In addition, the Minister's Order identified the Terms of Reference specific to this application that the Panel is to consider in its review:

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

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

(ii) the objective to maintain adequate capital 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 enough 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 trust account for motorists with no profit component required in pricing of the product;

(iii) the Minimum Capital Test target range of 100 percent to 125 percent;

(iv) the existing program parameters of the Safe Driver Recognition Program and the Business Recognition Program;

(v) the Saskatchewan Auto Fund's forecasted revenues and expenses;

(vi) the vehicle risk groups used by the Saskatchewan Auto Fund; and,

(vii) the accounting and operating policies and procedures used by the Saskatchewan Auto Fund.

The Panel's Terms of Reference also include a requirement to include in its report:

… an explanation of how, in its opinion, implementation of the Panel's rate 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 the Saskatchewan Auto Fund's proposed rate changes.

The Panel is to present its report to the Minister no later than August 28, 2009.

3 Rationale for the Saskatchewan Auto Fund Application

The Saskatchewan Auto Fund provides basic, universal insurance coverage to Saskatchewan drivers and vehicle owners. It operates on a self-sustaining basis over time and neither receives money from, nor pays dividends to, the Government of Saskatchewan. The Saskatchewan Auto Fund is administered by SGI, providing services to ensure that drivers and vehicles are properly licensed, and investing in traffic safety programming. In determining the premium rates it charges its customers, the Saskatchewan Auto Fund has three main components to consider:

- Adequate premium rates to break even
- Fairness in rating
- Maintaining adequate capital

While the application proposes an overall average 4.2% rate increase, the proposal also includes rate rebalancing. As a result, the Saskatchewan Auto Fund says 45% of its 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. While acknowledging that some customers are paying too much for their vehicle insurance and others are paying too little, the Saskatchewan Auto Fund states that the proposed rate increase and rebalancing will increase the number of customers paying the proper rate from 72% to a more equitable 87%. The Saskatchewan Auto Fund also states that rate rebalancing will continue in future rate applications.

The proposed rate increase and rebalancing, to take effect November 1, 2009 includes:

- increases for about 553,000 Saskatchewan vehicles (55%) with an average increase of $55
- decreases for about 126,000 Saskatchewan vehicles (13%) with an average reduction of $21
- no change for about 321,000 Saskatchewan vehicles (32%)

In addition to rate rebalancing, the rate application proposes capped increases to minimize rate shock, as follows:

- Maximum increases of 12.5% for private passenger vehicles to a limit of $125 annually.
- Maximum increases of 10% for other vehicle classes, with the exception of:
    - Up to 25% for sport motorcycles and 15 per cent for other motorcycle types
    - Up to 22.5% for light commercial trucks that travel out of province

- Up to 17.5% for taxis in rural areas
- Up to 17.5% for U drive rental vehicles.

In 2007 the Saskatchewan Auto Fund provided rebates averaging $185 to 540,000 customers on their 2006 premiums. In addition to the rebate, the Saskatchewan Auto Fund implemented a 7.1% general rate reduction effective July 1, 2007, combined with rate rebalancing. While the Saskatchewan Auto Fund at that time was collecting more premium revenue than it required to cover claims and other costs, in its current application it states that the cost of claims and expenses is outpacing growth in premium and investment income, primarily due to:

- More vehicles being registered in the province, and residents being on the road more often, leading to more vehicle collisions;
- The likelihood that the cost of auto injury claims will grow due to the increase in collisions, combined with higher income replacement benefits as wages increase in the province; and
- Higher vehicle repair costs due to increasing labour rates in repair shops and higher costs for replacement parts.

In its application the Saskatchewan Auto Fund notes that this is the first proposed rate increase since 2000.

4 Review Process for the Saskatchewan Auto Fund Application

The Panel found that this review progressed smoothly, largely due to the efficient work of its consultants, and the prompt and thorough assistance provided by SGI. After an initial briefing by SGI, the Panel and its consultants met to identify key issues in the review and to prepare a first round of Information Requests.

The Panel and its consultants held conference calls as needed to discuss responses to the first round of Information Requests, and met with Saskatchewan Auto Fund officials on June 11 to discuss technical aspects of the application. The consultants also submitted a second round of Information Requests on behalf of the Panel before submitting a draft report on July 17. After meeting with the Panel to discuss the draft, the consultants submitted their final report on July 24, 2009.

During the review process the Panel conducted extensive public consultations to gather input from Saskatchewan citizens and organizations regarding the application.

4.1 Technical Consultants

The Panel engaged Eckler Ltd. and Kostelnyk Holdings Corporation (collectively, the consultants) to review the fairness and reasonableness of the Saskatchewan Auto Fund's proposed rate increase, and to provide recommendations regarding the proposed increase in the context of the Saskatchewan Auto Fund's mandate to be self-sustaining over time, to maintain adequate capital in the Rate Stabilization Reserve, the impact of rising claims costs and the objective of ensuring rate stability and fairness.

The consultants served as independent technical advisors to the Panel to assist it in providing recommendations to government with respect to the requested rate increase, consistent with the Terms of Reference given to the Panel. The consultants' report is attached as Appendix C of this report.

4.2 Public Consultations and Input

In reviewing the Saskatchewan Auto Fund application, the Panel invited public comment. The public consultation process included:

- three public meetings;
- email submissions;
- online messaging to the Panel's website;
- submissions by mail; and
- use of a toll-free message line.

All methods for public discussion and comment were advertised in daily and weekly newspapers. The Saskatchewan Auto Fund rate application received news coverage immediately after the application was announced.

Copies of the Saskatchewan Auto Fund rate application were available through SGI's customer service centre and at the Panel's website. Two sets of Information Requests made by the Panel and responses from the Saskatchewan Auto Fund were also posted at the Panel's website, saskratereview.ca/index.php.

Responding to the recommendation made by the Panel in its report on the 2007 rate application, SGI provided the public with online access to information about rates for specific vehicle classes at: www.sgi.sk.ca/feature_articles/Archive/rate_proposal.html.

Public meetings were held in Prince Albert on June 8, Saskatoon on June 9 and Regina on June 11. These meetings included:

- an introduction provided by the Panel Chair, with an explanation of the Panel's purpose and mandate for the review;
- an overview by SGI of the rate request;
- opportunities for presentations by individuals or organizations that indicated an interest in addressing the Panel; and
- opportunities for questions or comments from the floor.

The Panel received three presentations from organizations and comments or questions from three individuals during the public meetings in Regina and Saskatoon. Royal Reporting transcribed the proceedings at each meeting. Transcripts of the proceedings are available from the Panel, on request.

5 Summary of Public Input

The following table summarizes communications received by the Panel from individuals and organizations concerning the Saskatchewan Auto Fund rate application.

Email from individuals	7
Messages through Panel's website, saskratereview.ca/index.php	13
Presentations by individuals	3
Letters and presentations on behalf of organizations	3
1-800 telephone calls	9
Total number of communications with the Panel	**35**

As this application requests an overall average increase in rates, most of the feedback that the Panel received was opposed to the proposal. Taxi companies in Regina and Saskatoon, and the Saskatchewan Trucking Association, opposed the increases proposed for their specific rate classes. Other issues raised by individuals included:

- Concerns about rate increases to specific vehicle classes;
- Difficulty for those on fixed incomes to afford rising rates;
- A need for stricter enforcement of traffic laws, and regular driver retesting;
- Poorly defined motorcycle classifications, inadequately communicated to dealers and consumers;
- Concerns that “illegal” after-market equipment may be contributing to accidents and excessive repair costs to the Saskatchewan Auto Fund; and
- The use of the Saskatchewan Auto Fund as a source of financing for government programs such as the Green Vehicle Initiative.

We express our appreciation to the individuals and organizations that took the time to communicate with the Panel.

6 Summary of Consultants' Report

The consultants' report, entitled *Review of Saskatchewan Government Insurance Saskatchewan Auto Fund May 2009 Proposal for Rate Adjustment*, was filed on July 24, 2009. It is attached as Appendix C of this report.

The consultants' report constitutes a thorough overview of the Saskatchewan Auto Fund's recent rate history, current financial situation and future outlook. As part of their assessment of the rate request the consultants conducted a detailed examination of each of the revenue and expenditure categories provided by the Saskatchewan Auto Fund in support of the application. Each category was analyzed together with responses to the Information Requests submitted to SGI, along with other data.

The consultants set out five objectives for their analysis of the rate application. These objectives included:

- Gathering sufficient information to allow the Panel to fulfill its mandate;
- Identifying and evaluating possible alternatives to the rate proposal;
- Reviewing the practicality of the proposal;
- Assessing the reasonableness of the proposed overall rate increase; and
- Assessing the reasonableness and fairness of the proposed rate rebalancing.

The following summary provides analysis and commentary of key points covered in the consultants' report, many of which are included in the following Section 7, where the Panel offers its recommendations and analysis, and in Section 8, Panel Observations. To avoid redundancy, the following narrative addresses in brief the key contents of the consultants' report.

In their analysis the consultants point to the forecasts prepared by the Saskatchewan Auto Fund indicating that claims costs and expenses, for a combination of reasons, will outpace growth in its main revenue sources; premium and investment income. They observe that:

> *It is expected that the 4.2% requested increase will only cover increased claims costs and related expenses, i.e., a "break-even" position.* (p. 12)

Regarding rate rebalancing, the consultants state that they found *"… no evidence of counter-intuitive or clearly unreasonable responses to the actuarial indications"* (p. 49-50) in the two-stage process used to achieve rebalancing. They also urge the Saskatchewan Auto Fund to submit rate applications, with rate rebalancing, on an annual basis.

With regard to the Rate Stabilization Reserve, the consultants point out that the level of the Rate Stabilization Reserve is well below the target range expressed as the Minimum

Capital Test ratio, and will remain so throughout the five-year forecast provided in the application. The Saskatchewan Auto Fund acknowledges this situation, and the consultants note that the Saskatchewan Auto Fund chose not to propose a surcharge to help rebuild the Rate Stabilization Reserve, but to allow more time:

> *… to assess the recent decline in investment markets (the main driver of the depressed Minimum Capital Test ratios) and out of concern for the impact on policyholders, the Saskatchewan Auto Fund recommends that no such surcharge be included at this time*. (p. 13)

Based on their concerns, the consultants recommend some level of surcharge to provide a modest boost to the process of rebuilding the Rate Stabilization Reserve. They also recommend that the Saskatchewan Auto Fund establish a formal policy and an action plan to address situations where the Minimum Capital Test falls above or below the prescribed target range. Further, the consultants recommend the Saskatchewan Auto Fund analyze the risk exposure of the Rate Stabilization Reserve, testing the appropriateness of the current prescribed target range.

The consultants observe that Saskatchewan Auto Fund staff has increased in recent years, particularly in 2007 and 2008, to accommodate business growth and to ensure compliance with policy and/or regulatory changes. They also note that costs for salaries, wages and benefits have increased due to economic increases, cost of living adjustments, union and management increases, retirement allowances and flex spending. Nevertheless, the consultants recommend that the Panel encourage the Saskatchewan Auto Fund to continue to pursue internal efficiencies.

Regarding the Safe Driver Recognition Program and Business Recognition Program, the consultants note that the current discounts and penalties under these programs are not actuarially based, and recommend that the Saskatchewan Auto Fund include in its next application:

> *… an analysis of experience in support of proposed discounts and penalties under the Safe Driver Recognition and Business Recognition Programs, with appropriate consideration given to public policy issues and other practical constraints.* (p. 50)

With regard to traffic safety programs, the consultants recommend that the Panel accept the expenditures submitted with the application as filed. They also recommend that the Panel encourage the Saskatchewan Auto Fund to continue its research and monitoring activities and provide updates, including most recent cost savings resulting from its traffic safety initiatives.

More detailed analysis and commentary from the consultants' report follows in Section 7 of this report.

7 Panel Recommendations and Analysis

Recommendation One: That the average rate increase of 4.2% for the Saskatchewan Auto Fund be implemented, effective November 1, 2009.

Recommendation Two: That the Saskatchewan Auto Fund test the appropriateness of the currently prescribed Minimum Capital Test target range for the Rate Stabilization Reserve. Once the target range is determined, the Panel recommends that a formal policy on an action plan be developed to address situations where the Minimum Capital Test for the Rate Stabilization Reserve falls significantly above or below the target range. The Panel expects the policy and any required action plan will be filed with the next Saskatchewan Auto Fund rate application.

Recommendation Three: That the Saskatchewan Auto Fund examine all aspects of its operation with the goal of achieving productivity gains and efficiencies that will produce savings that benefit the Rate Stabilization Reserve, and ultimately Saskatchewan Auto Fund customers, and that these productivity gains and efficiencies be reported in future rate applications.

Recommendation Four: The Panel repeats the recommendation it made in its report on the 2007 rate application: that the Saskatchewan Auto Fund submit rate adjustment applications, with rate rebalancing, on an annual basis.

7.1 Recommendation One: That the average rate increase of 4.2% for the Saskatchewan Auto Fund be implemented, effective November 1, 2009.

It is the Panel’s view that the rate change recommended is reasonable, based on the conclusions reached by the technical consultants of their review of the two analyses of Saskatchewan Auto Fund experience provided in the application. The Panel concurs with the consultants’ statement (page 48 of their report), based on their analysis of the application, as well as supplementary information and data, that:

> *… the key fundamental elements for developing a rate indication are in place, and the methodology and assumptions employed are reasonable in the circumstances.*

In their report the consultants note on page 40 that the original basis for the application was an actuarial analysis of experience reported at the end of 2007, which indicated that an overall average 4.2% rate increase was required to meet expected claims and other costs. Before filing the application the Saskatchewan Auto Fund conducted an updated analysis using experience to the end of 2008. The updated analysis produced an indicated increase of 4.3%, which the consultants describe as closely consistent with the original analysis.

The Panel acknowledges the consultants’ recommendation for an across-the-board surcharge to advance the process of rebuilding the Rate Stabilization Reserve. After conferring with its consultants and discussing at length possible options, the Panel makes the following recommendation, which it views as being closely linked to Recommendation One:

7.2 Recommendation Two: That the Saskatchewan Auto Fund test the appropriateness of the currently prescribed Minimum Capital Test target range for the Rate Stabilization Reserve. Once the target range is determined, the Panel recommends that a formal policy on an action plan be developed to address situations where the Minimum Capital Test for the Rate Stabilization Reserve falls significantly above or below the target range. The Panel expects the policy and any required action plan will be filed with the next Saskatchewan Auto Fund rate application.

The Panel shares the deep concern expressed by its consultants that the Minimum Capital Test ratio for the Rate Stabilization Reserve is forecast to fall to 49% before recovering slightly to 59% by 2013. This is well below the Minimum Capital Test ratio of 100% to 125% that the Saskatchewan Auto Fund itself has defined as adequate to ensure consistency and stability in rates.

The Panel notes that investment earnings on the Rate Stabilization Reserve are factored into rates, and that the downturn in investment markets played a large role in the shortfall in the Rate Stabilization Reserve expressed by the Minimum Capital Test ratio. In this regard the Rate Stabilization Reserve has served its purpose in cushioning Saskatchewan Auto Fund customers from large rate increases. As noted in the rate application, improvements in capital markets in the next 12 to 24 months might enhance the health of the Rate Stabilization Reserve. However, this is not a certainty, and the Panel is concerned about the possible effect that a catastrophic event – such as a hailstorm that damages hundreds of vehicles, for example – might have on the state of the Rate Stabilization Reserve.

After conferring with its consultants the Panel determined that rather than recommend a surcharge, it would adopt the recommendation from the consultants' report (p. 49) that the Saskatchewan Auto Fund test whether the current 100% to 125% target range for the Rate Stabilization Reserve is appropriate. When the appropriate target range is determined, the Panel believes a formal policy on an action plan is needed to address situations where the level of funding in the Rate Stabilization Reserve is significantly above or below the target range. The Panel looks forward to seeing the policy and any required action plan in the next rate application.

7.3 Recommendation Three: That the Saskatchewan Auto Fund examine all aspects of its operation with the goal of achieving productivity gains and efficiencies that will produce savings that benefit the Rate Stabilization Reserve, and ultimately Saskatchewan Auto Fund customers, and that these productivity gains and efficiencies be reported in future rate applications.

The Panel notes that the Saskatchewan Auto Fund's aging main computer system makes it difficult to undertake productivity initiatives. However, it is currently in the midst of a five-year Auto Fund Redevelopment Project to replace this system with new, more efficient technology, which will also deliver better service to customers, along with more product choices.

The Panel also observes that the number of staff allocated to operate the Saskatchewan Auto Fund has increased in recent years to accommodate business growth and increased regulatory and legislative requirements. The Panel acknowledges that salary, benefit and pension costs all show significant projected increases over the 2005-2009 period, largely linked to negotiated labour agreements, merit increases and cost of living adjustments.

The Panel accepts its consultants' observation (p. 52) that the increase in staffing is justifiable and reasonable, and that increases to other administrative expenses – including road safety and drinking and driving awareness – are reasonable. The Panel also concurs with the consultants' recommendation that the Saskatchewan Auto Fund continue to pursue internal efficiencies, and that it review its staff complement and average compensation when the Auto Fund Redevelopment Project is fully implemented and operational. The Panel asks Saskatchewan Auto Fund staff to seek out productivity improvements and efficiencies, as any savings achieved will contribute directly to the recovery of the Rate Stabilization Reserve.

7.4 Recommendation Four: The Panel repeats the recommendation it made in its report on the 2007 application: that the Saskatchewan Auto Fund submit rate adjustment applications, with rate rebalancing, on an annual basis.

Recognizing that rate rebalancing involves a constantly moving target due to the ever-changing population of drivers and vehicles covered by the Saskatchewan Auto Fund, along with changes to injury and property claims experience, the Panel welcomes the advances made in achieving rate fairness in the current rate application. The proposed rate increase, with rate rebalancing, will bring the number of private passenger vehicles within the proper rate category from 72% to 87%.

While this is a marked improvement, the Saskatchewan Auto Fund states in its application that there is more work to be done to rebalance rates, and the Panel agrees. As the consultants observe on page 50 of their report:

> *The need for rate rebalancing exists because, with a given application, the response to experience is often limited, deferring further response to a later date, and because the target indicated rate will change with time as experience unfolds and circumstances change. This illustrates the importance of routine, regular rate rebalancing.*

8 Panel Observations

8.1 Safe Driver and Business Recognition Programs

In their report the consultants note that the discounts and penalties administered under the Safe Driver Recognition Program and Business Recognition Program are not actuarially-based, although such an analysis is likely possible. The Panel recognizes that there are public policy issues associated with these programs, and that providing incentives to encourage safe driving is a commendable goal. In the interest of rate fairness, the Panel believes it would be helpful for the Saskatchewan Auto Fund to submit an analysis of its experience with the two programs with its next application.

8.2 Injury Coverage Initiative

The Saskatchewan Auto Fund uses the Canadian Loss Experience Automobile Rating (CLEAR) system to supplement its own experience in developing a more statistically reliable basis for rating light vehicle classes, which covers the great majority of vehicles in the province. The consultants note that injury coverage under the CLEAR system is currently being reviewed, with the intent of enhancing injury claims for CLEAR-rated vehicles. In the consultants' words:

> *,,, the pending VICC CLEAR injury coverage initiative to enhance the recognition of injury claims in CLEAR could be of great significance to SAF going forward, both in terms of fairness in rating and as a source of potential rate shock as it is phased in.* (p. 50)

The Panel welcomes this advance warning from its consultants. Because it is unclear at this time what cost implications the injury coverage initiative might have in Saskatchewan, the Panel thinks it would be beneficial for the Saskatchewan Auto Fund to undertake a detailed study of the CLEAR injury coverage review, and submit a proposal for implementing any changes when the financial impact of the CLEAR review is evident.

8.3 Technical Improvements

The Panel notes the suggestions for technical improvements to future applications, made by the consultants on pages 50-51 of their report. These suggestions include:

- Consider expanding the use of credibility (an actuarial tool) to enhance the comparability of results between classes and vehicles and to better address the limitations posed by small numbers in rate groupings.

- Continue exploring the need to develop distinct rate levels for tort vs. no-fault coverage, and if justified, the practical challenges of implementing such a change. The Panel understands the limitations within the current computer system prevent making the distinction between tort and no-fault. The Panel will be interested to learn if this capability will be one of the benefits of the Auto Fund Redevelopment Project.

- Consider developing more rigorous trend analysis models using longer experience histories to promote stability from one application to the next, and to enhance the forecasting process.
- Consider introducing a process to mitigate the impact of a small number of extraordinary claims in analyzing experience by class of vehicle and/or rating classification within a class of vehicle.
- Consider submitting future applications at times when the most current experience is available.

9 Impacts

9.1 Customer Impact

Although the recommended overall average rate increase is 4.2%, because the Saskatchewan Auto Fund application includes rate rebalancing to improve fairness in rating, different groups of customers will experience different rate impacts. In addition, the application proposes capping increases in some rate groups to mitigate rate shock for some customers.

As is referenced in the Executive Summary and the Panel Recommendations and Analysis, the net result of the proposed increase, rate rebalancing and capping will mean about 45% of customers will experience a decrease or no change in the premiums they pay. The other 55% will see increases averaging $55.

Customers can find information on the impact of the proposed changes to specific vehicles at: www.sgi.sk.ca/feature_articles/Archive/rate_proposal.html. A table at the end of Section 9 shows the impact of the proposed changes by vehicle class.

9.2 Impact on the Saskatchewan Auto Fund

The Saskatchewan Auto Fund operates on a self-sustaining basis over time, neither receiving money from, nor paying dividends to, the Government of Saskatchewan. The additional revenues generated by the proposed increase will be used to pay for damage, liability and injury claims, and to support other programming, such as traffic safety. There is no profit component in the rates that the Saskatchewan Auto Fund charges its customers.

As mentioned elsewhere in this report, even with the proposed increase, the level of funding in the Saskatchewan Auto Fund's Rate Stabilization Reserve, as expressed by the Minimum Capital Test ratio, is forecast to decline in 2010 before beginning to recover slightly in future years. While this is a concern, it is counterbalanced by concerns over possible rate shock. The current situation facing the Saskatchewan Auto Fund emphasizes the importance of filing regular annual rate applications, which to Panel recommended in its report on the 2007 rate application, and reiterates in this report.

9.3 Impact on the Public

It is difficult to separate public and customer impacts in relation to the Saskatchewan Auto Fund, since it provides basic, universal vehicle insurance coverage to Saskatchewan residents. The public, as the shareholder for the Saskatchewan Auto Fund, may be satisfied that the proposed overall rate increase will help it fulfill its mandate to be self-sustaining over time, and to provide fair and affordable vehicle insurance. However, some individual customers may have difficulty appreciating the merit of this public policy goal, since they face the prospect of higher premiums with this recommended increase and rate rebalancing.

The following table prepared by the Panel's technical consultants illustrates the proposed rate change for each vehicle class.

Proposed Changes in Average Rate Level by Vehicle Class			
Vehicle Class	**Proposed Rate Change**	**Vehicle Class**	**Proposed Rate Change**
LV - Private Passenger Vehicles	+4.8%	A - Commercial Trucks:	
LV - Motorhomes	+9.8%	Light Trucks	+10.0%
LV - Motorcycles	+13.4%	Heavy Trucks	-4.1%
LV - U Drive	+5.0%	Power Units	+7.7%
LV - Police Vehicles	-10.0%	C and D - Commercial Vehicles:	
LV - Antiques	+10.0%	Heavy Trucks	-9.8%
PT - Taxis - Cities & Rural	+9.1% & +5.0%	Power Units	-4.0%
F - Farm Vehicles:		LV - Restricted Buses	-5.0%
Light Trucks - 1993 and older	-6.9%	LV - Bus	+5.1%
Light Trucks - 1994 and newer	+0.2%	LV - Hearse	0.0%
Heavy Trucks	-8.5%	LV - Ambulance	0.0%
Power Units	-5.2%	LV - Private Vehicles:	
Trailers	+5.7%	Heavy Trucks	0.0%
PB - Passenger Inter-City Buses	+9.3%	Power Units	0.0%
PC - Passenger City Buses	+10.0%	All Other Classes	+10%/-10%
PS - Passenger School Buses	+9.8%		
L - Dealer Plates	-1.9%		
LT - Trailer Dealers/Movers	+3.4%		
MT - Snowmobiles	-10.0%	**TOTALS**	
T - Personal Trailers	+7.5%	All Vehicles Excluding Trailers	+4.2%
TS - Commercial Trailers	+1.1%	All Vehicles	+4.2%

Table of vehicle class impacts provided by Eckler Ltd., and Kostelnyk Holdings Corporation

10 In Appreciation

The Panel wishes to thank SGI for the timely and helpful assistance it provided throughout the review of the Saskatchewan Auto Fund application. The Panel greatly appreciates the cooperation it received during the review process.

The Panel extends its thanks and appreciation to Eckler Ltd. and Kostelnyk Holdings Corporation, for their thorough and thoughtful analysis of the application.

The Panel thanks Bill Armstrong for providing his professional writing services in the preparation of this report.

The Panel also wishes to thank members of the public who expressed their views about the proposed rate adjustments through the various means provided.

Appendix A

Minister's Order

May 1, 2009

Minister of
Crown Corporations

SASKATCHEWAN

Legislative Building
Regina, Saskatchewan S4S 0B3

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

WHEREAS by an Order dated December 21, 2006, issued pursuant to Section 16 of *The Government Organization Act*, the Minister of Crown Investments Corporation of Saskatchewan appointed a Ministerial Advisory Committee known as the Saskatchewan Rate Review Panel;

AND WHEREAS the Minister of Crown Corporations is the successor in office to the Minister of Crown Investments Corporation;

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 premium rate change 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 E: Saskatchewan Auto Fund Rate Change Proposal Terms of Reference"** to the said Minister's Order.

Dated at Regina, Saskatchewan this 1 day of May, 2009.

Ken Cheveldayoff

Minister of Crown Corporations

Appendix A

Schedule E: Saskatchewan Auto Fund Rate Change 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 November 1, 2009.

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 December 21, 2006. The Panel shall provide an opinion of the fairness and reasonableness of the Saskatchewan Auto Fund's proposed rate changes, considering the interests of the customer, the Crown Corporation, and the public.

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

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

- (i) the Saskatchewan Auto Fund's mandate to operate on a self-sustaining basis over time;
- (ii) the objective to maintain adequate capital 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 enough 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 trust account for motorists with no profit component required in pricing of the product;
- (iii) the Minimum Capital Test target range of 100 percent to 125 percent;
- (iv) the existing program parameters of the Safe Driver Recognition Program and the Business Recognition Program;
- (v) the vehicle risk groups used by the Saskatchewan Auto Fund; and,
- (vi) the accounting and operating policies and procedures used by the Saskatchewan Auto Fund.

The Panel must include in its report an explanation of how, in its opinion, implementation of the Panel's rate 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 the Saskatchewan Auto Fund'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.

The Panel will release, as part of its final report, the results of the review of the Saskatchewan Auto Fund's rate request as conducted by an independent third party technical expert. The Panel shall not include in its report information that could be refused disclosure by a government institution pursuant to Section 18 or 19 of *The Freedom of Information and Protection of Privacy Act*.

Conduct of the Review

The Panel will present its report to the Minister of Crown Corporations no later than August 28, 2009.

Appendix B

Saskatchewan Government Insurance
and
Saskatchewan Auto Fund
Proposal for Rate Adjustment

To be effective November 1, 2009

Saskatchewan Auto Fund
Proposal for Rate Adjustment

May 2009

Table of Contents

Appendices

1. Synopsis and Overall Summary

SGI is requesting that the Saskatchewan Rate Review Panel (SRRP) approve a 4.2 per cent rate increase to Saskatchewan Auto Fund rates, with rate rebalancing, effective Nov. 1, 2009.

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

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.

Fairness in Rating

SGI's focus is on fairness in vehicle rating. While SGI's proposal will result in a 4.2 per cent increase in the Auto Fund's revenue, it does not impose an across the board rate increase for all customers. In fact, nearly half (45%) 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. Currently, some customers are paying too much for their vehicle insurance and others are paying too little.

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 minimize rate shock for customers, increases will be capped.

This will be the first Auto Fund rate increase since 2000. Even with an increase in 2009, SGI customers will continue to have the lowest average private auto insurance rates in the country.

Why the Auto Fund Requires a Rate Increase

The cost of Auto Fund claims and expenses is outpacing growth in premium and investment income, resulting in the need for a 4.2 per cent increase in revenue in 2009.

Claim costs are rising for a number of reasons:

- With the growth in Saskatchewan's economy, more vehicles are being registered in the province and residents tend to be on the road more often. This means the number of auto collisions in the province is growing, and is expected to continue growing.
- The cost of auto injury claims is likely to continue growing due to the increase in the number of collisions, as well as because Saskatchewan wages are increasing at a higher rate, which impacts income replacement benefits.
- Vehicle repair costs are expected to increase as the labour rate for repair shops is rising as well as the cost of replacement parts.

Customer Impact

The proposed rate increase and rebalancing effective Nov. 1, 2009 includes:

- increases for about 553,000 Saskatchewan vehicles (55%) with an average increase of $55
- decreases for about 126,000 Saskatchewan vehicles (13%) with an average reduction of $21
- no change for about 321,000 Saskatchewan vehicles (32%)

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 Nov. 1, 2009 to the expiry of their registration term. Customers whose rates are increasing won't have to pay the new rate until their next renewal on or after Nov. 1.

While rebalancing is important to ensure fairness, increases have been capped to minimize rate shock. This is important to SGI, which focuses on being a customer-driven insurance organization. Increases are capped as follows:

- Maximum increases of 12.5 per cent for private passenger vehicles to a limit of $125 (average increase $64 annually)
- Maximum increases of 10 per cent for other vehicle classes, with the exception of:
  - Up to 25 per cent (average increase $230 annually) for sport motorcycles and 15 per cent for other motorcycle types (average increases of $23 and $110 annually for dual purpose/other and cruiser/touring motorcycles respectively)
  - Up to 22.5 per cent (average increase $186 annually) for light commercial trucks that travel out of province
  - Up to 17.5 per cent (average increase $89 annually) for taxis in rural areas
  - Up to 17.5 per cent (average $129 annually) for U drive rental vehicles

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

Vehicle Class	Proposed Rate Change
LV - Private Passenger Vehicles	4.8%
LV - Motorhomes	9.8%
LV - Motorcycles	13.4%
LV - U Drive	5.0%
LV - Police Vehicles	-10.0%
LV – Antiques	10.0%
PT - Taxis	9.1%
F - Farm Vehicles:	
Light Trucks - 1993 and older	-6.9%
Light Trucks - 1994 and newer	0.2%
Heavy Trucks	-8.5%
Power Units	-5.2%
Trailers	5.7%
PB - Passenger Inter-City Buses	9.3%
PC - Passenger City Buses	10.0%
PS - Passenger School Buses	9.8%
L - Dealer Plates	-1.9%
LT - Trailer Dealers/Movers	3.4%
MT - Snowmobiles	-10.0%
T - Personal Trailers	7.5%
TS - Commercial Trailers	1.1%
A - Commercial Vehicles:	
Light Trucks	10.0%
Heavy Trucks	-4.1%
Power Units	7.7%

Vehicle Class	Proposed Rate Change
C and D - Commercial Vehicles:	
Heavy Trucks	-9.8%
Power Units	-4.0%
LV – Restricted Buses	-5.0%
LV – Bus	5.1%
LV – Hearse	0.0%
LV – Ambulance	0.0%
PV – Private Vehicles:	
Heavy Trucks	0.0%
Power Units	0.0%
All Other Classes	+10% / -10%
TOTALS	
All Vehicles Excluding Trailers	4.2%
All Vehicles	4.2%

2. Background

2.1 Auto Fund Overview

The Saskatchewan Auto Fund provides basic, universal insurance coverage to Saskatchewan drivers and vehicle owners. It operates on a self-sustaining basis over time 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 provides services to ensure that drivers and vehicles are properly licensed. These services include licensing for over 704,000 drivers, registration services for about 931,000 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 420 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*, 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 for damages that their vehicles may cause to the property of others, or 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:

- providing basic automobile insurance coverage that is universal and fair
- fairly rating insurance premiums for vehicle classes based on their claims loss experience and cost of repair
- keeping 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. Because the Auto Fund is a trust account for motorists, there is no profit component required when pricing the product. For the rating year being considered (Nov. 1, 2009 to Oct. 31, 2010) the Auto Fund anticipates claim and expense growth will outpace growth in premium and investment income, resulting in an overall 4.2 per cent increase in revenue being required.

In completing the actuarial analysis, the largest and most difficult cost to predict is claims, which represent about 83 per cent of the total costs annually for the Auto Fund. Damage claims represent about 66 per cent of total claim costs, while injury and liability costs represent the remaining 34 per cent.

In the rating year being considered, damage costs are expected to increase due to a higher average claim cost combined with increased claim frequency. The average claim cost is affected by expected increases in labour rates paid to autobody shops along with the rising cost of vehicle parts. The increased frequency of collisions is consistent with a strong Saskatchewan economy as more vehicles are on the road, resulting in more collisions.

Injury costs are also forecast to continue to increase due to a higher average claim cost. For instance, due to a strong Saskatchewan economy, wages are increasing at a higher rate than in the past, resulting in rising costs for income replacement benefits.

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 rates by ensuring each vehicle class is paying sufficient premium to cover its claim costs. Regular rate rebalancing is required to minimize levels of cross-subsidization. Rebalancing takes into account collision frequency and severity, including damage, injury and liability costs. Rates are determined to more accurately reflect the actual risk each vehicle make, model and year represents for being involved in a claim, and the actual costs of paying that claim.

The Auto Fund last rebalanced rates in 2007, and more rebalancing is required. Regular rebalancing ensures that vehicle owners pay the premium that best reflects the costs associated with their specific rate group. A balanced approach to achieving rate adequacy must be considered to avoid rate shock for customers, therefore this program proposes capping rate increases. As a result of capping rate increases, decreases must also be capped to ensure the overall 4.2 per cent premium increase is obtained. Appendix A provides details of proposed rate changes by vehicle class.

2.1.3 Maintaining Adequate Capital

One of the operating principles 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 Rate Stabilization Reserve (RSR) is required to provide a financial resource to draw on when adverse financial events occur, such as higher than expected claim costs or a decline in investment income. This reserve protects customers from large rate increases.

In order to determine the appropriate level of operating capital and a target level for the RSR, the Auto Fund uses a common industry measurement, the Minimum Capital Test (MCT). Insurance regulators require a MCT score for regulated companies to be 150 per cent or higher. However, because the Auto Fund is a compulsory program it does not face the same premium risks as a competitive insurers, and has established a MCT target range of between 100 per cent and 125 per cent. The expected investment earnings on the RSR are factored into the proposed rates.

The analysis for 2009, prepared using Dec. 31, 2007 information, indicated that with a 4.2 per cent rate increase the Auto Fund would be able to maintain the RSR within the target MCT range of 100 per cent to 125 per cent throughout the five-year forecast period. However, since that time, investment markets have declined significantly and the MCT has declined from 113 per cent at the end of July to 61 per cent at the end of 2008. Please refer to Appendix B – Five-Year Financial Forecast.

Because the Auto Fund is below its MCT target capital range, a surcharge in addition to premium rates was considered to help return capital to the target level over a reasonable period of time. However, due to the fact that the Auto Fund is recommending a higher than inflationary rate increase to ensure rates are adequate to cover costs, and because the long-term impact on investment markets is unclear at this time, it is recommended that no additional charge be included in the proposed rate program to replenish capital. The downturn in the capital markets may reverse over the next 12 to 24 months, making the capital replenishment requirement much less than it would be today.

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 five per cent in 1998, two per cent in 1999 and two per cent in 2000, the basic deductible was increased from $500 to $700. Rates were rebalanced in 2001 with no general rate increase and there were no changes to vehicle insurance rates until 2007.

Many customers paid less for their insurance over that six-year period with the introduction of the Safe Driver Recognition (SDR) program in 2002, which rewards safe drivers with discounts as high as 20 per cent off the base insurance premium, based on driving history.

In 2004, the Auto Fund introduced the Business Recognition (BR) program, which rewards businesses with discounts of up to 10 per cent 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 per cent 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.

The following table highlights compounded rate adjustments in comparison to the Saskatchewan Consumer Price Index (CPI) in the last 10 years.

History of Rate Adjustments in Saskatchewan in Comparison to CPI

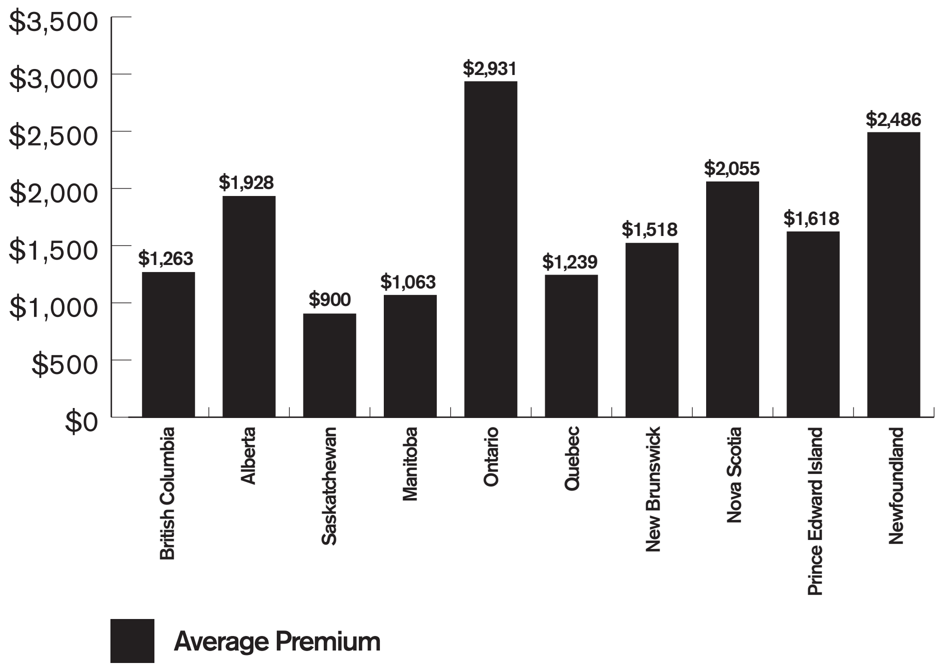
	Rate Adjustments	CPI
Total Change	**1.5%**	**25.8%**
2007	-7.1%	2.8%
2006	0	2.1%
2005	0	2.2%
2004	0	2.2%
2003	0	2.3%
2002	0	2.9%
2001	0	3.0%
2000	2.0%	2.6%
1999	2.0%	1.8%
1998	5.0%	1.3%

2.3 Cross-Canada Rate Comparison

Saskatchewan's auto insurance rates have been among the lowest in Canada based on a comparison of vehicle insurance costs for Saskatchewan's most popular vehicles and a standard package of coverage. Insurance is provided by private insurers in all provinces with the exception of Manitoba and British Columbia. In Quebec injury coverage is provided through a government plan.

The following graph illustrates average rate comparisons for Saskatchewan's 34 most popular vehicles for the year 2008.

SGI's 2008 cross-Canada automobile insurance survey (unaudited)



3. Overview of Ratemaking Methodology

3.1 Vehicle Rating Classes

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

i) CLEAR-Rated Vehicles

In the Auto Fund, only light passenger vehicles are rated using the Canadian Loss Experience Automobile Rating (CLEAR) system. The Insurance Bureau of Canada, through the Vehicle Information Centre of Canada (VICC), captures Canada-wide loss experience for light passenger vehicles 15 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 do not affect 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.

Light passenger vehicle types include:

- private passenger vehicles
- police vehicles
- commercial class A – light vehicles
- U drives
- rural taxis
- light farm trucks, model years 1994 and newer

Rates for these vehicles are determined based on the loss experience of each class. The Auto Fund uses the CLEAR system to supplement Saskatchewan data when the number of vehicles in a risk group is not large enough to produce credible numbers.

Under the CLEAR system, vehicles are assigned to one of 99 damage rate groups and five injury rate groups. This year a damage rate group 0 has been added to the analysis. The rate group 0 for damage has been implemented to account for vehicles that are older than 15 years of age and that were rated as rate group 1 last year. CLEAR only assigns rate groups to vehicles 15 years of age or newer, stating that vehicles older than this should have their rate group decreased by one for each year older than that listed to a minimum rate group of 1. Since the vehicle population in Saskatchewan contains numerous older vehicles, under the CLEAR system they were all being rated as rate group 1, which was causing the rate group 1 results to become skewed. Essentially, the current rate group 1 has been split into two rate groups: rate group 1 for vehicles that are actually assigned to this group, and rate group 0 for vehicles that were rate group 1 previously but have aged past this point. An analysis was performed to validate the decision to split rate group 1. It was found that rate group 0's losses were half of rate group 1's.

CLEAR rates for light passenger vehicles affect 72 per cent of the Saskatchewan vehicle population (85 per cent of vehicles if trailers are excluded). The cross-subsidization that currently exists between rating classes will decrease over time through the use of CLEAR and regular rebalancing of rates.

ii) Conventionally-Rated Vehicles

Conventional rating is used for all vehicles that do not qualify as light vehicles. This includes:

- heavy trucks and power units
- farm vehicles (excluding vehicles less than one ton)
- taxis (excluding rural taxis)
- buses
- snowmobiles
- motorcycles
- vehicle dealers
- special use vehicles (ambulance, hearse and antique)
- trailers
- motorhomes

The criteria used for conventional vehicle classes is based on the significant rating attributes of each vehicle class. For example, buses are rated by seating capacity and model year. Motorcycles are rated by body style, engine size and model year. Recreational motorhomes and trailers are rated by declared value.

Rate changes are determined by comparing the claims experience in each class to current premiums. Capping then limits the total change introduced within the current year rate program. A complete list of vehicle classes and the rating criteria for each is included in Appendix D.

3.2 Pure Premium Calculation

Pure premium, also known as loss cost, is the average loss amount per unit of exposure. For the purposes of the Auto Fund rate indication, data for accident years 2000 – 2007 is used to calculate average loss costs per coverage. Loss development factors calculated using the ultimate claim costs from the May 2008 actuarial valuation are used to bring the incurred (paid for income replacement and care benefits) losses to their ultimate value. These ultimate losses are then divided by the number of exposures to get the ultimate loss cost or pure premium. Trend factors are chosen by coverage, and class or subclass, based on exponential regressions. These trend factors bring the loss cost values to the rating period level.

One additional adjustment is made to the ultimate loss costs on three coverages: income replacement, care and death. These coverages are discounted to the date of valuation in the actuarial valuation. They are also indexed coverages. This means that 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. A future index rate of 3.4 per cent was chosen. This index rate was applied to the ultimate losses for these coverages.

3.3 Adequate Gross Premium Calculation

The pure premiums now have to be adjusted for the time value of money, expenses, investment income on the Rate Stabilization Reserve (RSR) and the financial penalty component of the Safe Driver Recognition (SDR) program. These are discussed in turn below.

3.3.1 Annual Discount Factor

Because the projected losses will be paid over time, the current value of these projected losses is less than their ultimate value. In the time between when an insurance company knows about a claim and can reserve for it, to the time it actually pays out the full value of the claim, the company makes investment income on this reserve. The amount that a policyholder pays should be offset by the amount of this investment income.

Payment patterns for each coverage were determined using the paid development factors chosen in the May 2008 actuarial valuation.

The discount rate chosen was 5.18 per cent, which is the rate of return on the Auto Fund's entire investment portfolio that was expected when the rate indication analysis was performed.

The three coverages that are discounted in the May actuarial valuation – care benefits, income replacement benefits and death benefits – are not discounted as described above. The discounting in the May actuarial valuation for these three coverages takes into account the time value of money and inflation. Therefore, for rate indication purposes, the discount factor is set to 1.000.

3.3.2 Expenses and Other Income

Expenses are an average of those projected for the 2009 and 2010 Auto Fund budgets. Fixed expenses were allocated to the coverages to which they apply as shown in the following table.

Fixed expenses: (Net)	Amount (000's) ($)	Coverage(s) to which the expense applies
Issuer fees	32,334	Damage, injury and liability
Administrative expenses	44,345	Damage, injury and liability
Loss adjusting expenses	53,246	Damage, injury and liability
Salvage recovery	(14,998)	Damage
Reinsurance premiums	2,276	Damage and injury
Total	117,203	

Those expenses that apply to more than one coverage were allocated based on the discounted loss costs of the coverages with the exception of loss adjusting expenses. Loss adjusting expenses were allocated based on the proportion of ultimate claim counts by class and coverage. The total fixed expenses by coverage were divided by the number of written exposures forecasted for 2009 to get a fixed expense per exposure charge.

The variable expenses and their percentages of premiums are as follows:

Premium taxes	5.00%
Traffic safety programs	3.13%
Short Term and AutoPay	-2.71%
Total variable expense	5.42%

3.3.3 Investment Income on Required RSR

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. Therefore, the forecasted RSR is taken into consideration when calculating the adequate gross premium for each class. The investment income on required RSR is an average of the 2009 and 2010 forecast RSR including the chosen 5.18 per cent rate of return per written vehicle, excluding trailers.

3.3.4 Financial Penalty Component of SDR

Also included in the adequate gross premium calculation, for vehicle types that qualify, is the financial penalty component of SDR. Unlike the SDR discount, which is a percentage amount that depends on your safety rating and reduces your insurance premium, the financial penalty is a flat $25 per demerit point which is collected at the time of the incident. Due to the nature of the collection process, the financial penalty component needs to be accounted for independently.

3.4 Indicated Required Rate Change

The indicated required rate change is simply the indicated required premium divided by the current on-level average written premium minus one.

3.4.1 Current On-Level Average Written Premium

Auto Fund registration history at the transaction level was the basis for measuring exposure and premiums written. The number of insured days (exposure) was calculated from the effective and expiry dates on each transaction, applying prorated exposure to the transaction's yearly base premium yielded premiums written before incentives (SDR and Business Recognition (BR)). To the limits of available database history (at least calendar year 2000), aggregate yearly measures of each were calculated and studied, leading to forecasts of drift and change in exposure (increase in number of vehicles).

The last rate change (July 1, 2007) was accompanied by automatic refunds on unearned premiums for vehicles with declining base premiums. Average premiums (per exposure) were determined for the one-year period ending June 30, 2008, excluding the July 1, 2007 midterm refunds, leading to average premiums, at July 1, 2007 rate levels, for transactions effective in the year. Together with the above forecasts of drift and change in exposure, average premiums for this recent, one-year period became the basis of rate indications for a number of component fleet results.

As with premiums written before incentives (above), so too were yearly bonus premiums (discounts) related to SDR determined. Expressed as proportions of premiums written before incentives on qualifying registrations, these results were regression-fitted and extrapolated.

Finally, registrations qualifying for BR may indicate surcharge or discount components, and yearly measures of each were calculated from transaction history. Introduced only May 2004, and with program eligibility changed January 2005, the basis for forecasting for this incentive program is limited. For purposes of this actuarial indication, forecasts were made by extrapolating relative changes in discount and surcharge premiums (expressed in proportionate terms, against qualifying registrations) measured from recent history.

3.4.2 Indicated Direct Required Premium

The indicated direct required premium is the sum of the individual adequate gross premiums by coverage, the pure premium for investment income on required RSR and the financial penalty component on SDR (if applicable) by vehicle type.

4. Rate Indications by Class

4.1 Class LV – Private Passenger Vehicles

The private passenger vehicle class represents 68 per cent of insured vehicles (80 per cent of vehicles excluding trailers). The recommendation is to increase rates for this class by 4.8 per cent, consistent with the actuarial indication. The recommended capping for this rate class is a 12.5 per cent increase to a maximum of $125 and no decreases, which will produce the 4.8 per cent revenue increase requirement. With these caps, the following range of increases will be implemented:

Premium increase	Per cent of private vehicles impacted
$100 to $125 annually	17%
$50 to $100 annually	17%
$1 to $50 annually	29%
No increase	37%

Private passenger vehicles that are model year 1993 or older account for 21 per cent of the total private passenger exposures. Sixty-seven per cent of these older model year vehicles will receive no premium increase.

The liability, physical damage and injury premiums calculated on an overall basis in this manner can only be looked at as an average premium. The premium for each individual make and model has to be determined based on a further rate group relativity analysis.

This rate group relativity analysis is based on eight years of Auto Fund data by make and model code. CLEAR rate groups were assigned to each Auto Fund code, one rate group for physical damage and another for injury. A relativity analysis was then performed. The Auto Fund relativities were credibility weighted with the CLEAR recommended rate group factors to determine calculated rate group factors for physical damage and the CLEAR recommended relativities were used for injury.

One of the balanced scorecard objectives for the Auto Fund is fairness in rating which is measured as the percentage of private passenger vehicles within 10 per cent of CLEAR. With the current rate program, 72 per cent of private passenger vehicles are within 10 per cent of CLEAR. The proposed program would increase this to 87 per cent of private passenger vehicles being within 10 per cent of the correct CLEAR rate and thus improve fairness in rating within this class. The following table shows the dislocation of private passenger vehicles from CLEAR.

Per cent dislocation from CLEAR suggested premiums	Current rate program	Proposed rate program
X < -20%	0.11%	0.11%
-20% <= X < -18%	0.36%	0.36%
-18% <= X < -16%	0.14%	0.14%
-16% <= X < -14%	1.02%	1.02%
-14% <= X < -12%	0.74%	0.74%
-12% <= X < -10%	3.92%	3.92%
-10% <= X < -8%	2.08%	2.08%
-8% <= X < -6%	4.93%	4.93%
-6% <= X < -4%	5.96%	5.96%
-4% <= X < -2%	6.73%	6.73%
-2 % <= X < 0%	8.89%	8.89%

Per cent dislocation from CLEAR suggested premiums	Current rate program	Proposed rate program
X = 0%	1.48%	47.56%
0% < X <= 2%	9.74%	4.31%
2% < X <= 4%	8.96%	2.24%
4% < X <= 6%	10.86%	1.62%
6% < X <= 8%	7.70%	1.16%
8% < X <= 10%	5.03%	1.21%
10% < X <= 12%	4.75%	1.64%
12% < X <= 14%	3.34%	1.70%
14% < X <= 16%	1.83%	1.00%
16% < X <= 18%	1.46%	0.87%
18% < X <= 20%	1.38%	0.24%
X > 20%	8.61%	1.58%
Total	100%	100%

The calculated rate group factors are used to determine a make and model's physical damage premium and injury premium, to which a flat fee is added, giving a final calculated actuarially sound premium by make and model. These actuarially sound premiums are then compared to current premiums to determine the extent of dislocation. Capping then takes place to ensure that rate shock on individual vehicle premiums is minimized.

The flat fee is the sum of the premiums for the liability coverages, the investment income on the Rate Stabilization Reserve (RSR) and an amount for the financial penalty component of the Safe Driver Recognition (SDR) program. These component amounts are shown in the table below.

Liability coverages	$160.46
Investment income on RSR	$(8.52)
SDR financial penalties	$(12.82)
Total flat fee	$139.12

The rate indication for this class of business is for 4.8 per cent change in the current premiums overall.

Recommendation: SGI proposes moving to CLEAR with caps of +12.5 per cent and -0 per cent and +$125. This will have a positive 4.758 per cent impact on the premium for this class of vehicles as a whole. The dislocation that would result with the implementation of this proposal is shown below.

All LV PPV Vehicle Types (+12.5%, -0%, +$125 caps)

	LV- PPV			LV - Farm Discount			LV - Farm Rate			All LV		
Dollar Change in Premium Interval	Exposures (Years)	Exposure Distribution	Cumulative Distribution	Exposures (Years)	Exposure Distribution	Cumulative Distribution	Exposures (Years)	Exposure Distribution	Cumulative Distribution	Exposures (Years)	Exposure Distribution	Cumulative Distribution
X = $0	242,616	37.36%	37.36%	5,756	37.31%	37.31%	5,266	35.56%	35.56%	253,638	37.32%	37.32%
$0 < X <= $25	96,024	14.79%	52.15%	3,377	21.89%	59.20%	2,838	19.16%	54.72%	102,239	15.04%	52.36%
$25 < X <= $50	88,740	13.67%	65.81%	2,978	19.30%	78.50%	2,605	17.59%	72.31%	94,323	13.88%	66.24%
$50 < X <= $75	58,519	9.01%	74.83%	1,448	9.38%	87.88%	2,032	13.72%	86.03%	61,998	9.12%	75.37%
$75 < X <= $100	50,205	7.73%	82.56%	877	5.69%	93.57%	987	6.66%	92.69%	52,069	7.66%	83.03%
$100 < X <= $125	113,276	17.44%	100.00%	992	6.43%	100.00%	1,083	7.31%	100.00%	115,351	16.97%	100.00%
Total	649,380	100.00%	100.00%	15,428	100.00%	100.00%	14,810	100.00%	100.00%	679,618	100.00%	100.00%

All LV PPV Vehicle Types (+12.5%, -0%, +$125 caps)

	LV- PPV			LV - Farm Discount			LV - Farm Rate			All LV		
% Change in Premium Interval	Exposures (Years)	Exposure Distribution	Cumulative Distribution	Exposures (Years)	Exposure Distribution	Cumulative Distribution	Exposures (Years)	Exposure Distribution	Cumulative Distribution	Exposures (Years)	Exposure Distribution	Cumulative Distribution
X = 0%	242,616	37.36%	37.36%	5,756	37.31%	37.31%	5,266	35.56%	35.56%	253,638	37.32%	37.32%
0% < X <= 2%	55,903	8.61%	45.97%	1,747	11.32%	48.63%	1,925	13.00%	48.55%	59,575	8.77%	46.09%
2% < X <= 4%	57,763	8.90%	54.87%	1,858	12.04%	60.68%	1,252	8.46%	57.01%	60,873	8.96%	55.04%
4% < X <= 6%	69,871	10.76%	65.62%	2,171	14.07%	74.75%	1,742	11.76%	68.77%	73,785	10.86%	65.90%
6% < X <= 8%	49,678	7.65%	73.27%	1,103	7.15%	81.90%	1,638	11.06%	79.84%	52,420	7.71%	73.61%
8% < X <= 10%	33,235	5.12%	78.39%	925	5.99%	87.90%	657	4.43%	84.27%	34,817	5.12%	78.74%
10% < X <= 12%	57,815	8.90%	87.30%	718	4.66%	92.55%	1,257	8.48%	92.76%	59,790	8.80%	87.53%
12% < X <= 14%	82,498	12.70%	100.00%	1,149	7.45%	100.00%	1,073	7.24%	100.00%	84,720	12.47%	100.00%
Total	649,380	100.00%	100.00%	15,428	100.00%	100.00%	14,810	100.00%	100.00%	679,618	100.00%	100.00%

4.1.1 Farm Car Dislocation from LV

In Class LV – Private Passenger, there are two types of farm vehicles. The first is LV with special feature 'F'. These are farm cars and receive a 10 per cent discount on LV rates. The second type is LV with use '20'. These are farm light vans and SUVs that access their own rate table independent of the LV rate table. It would improve equity in rates if the vehicles with use '20' moved to the standard 10 per cent discount that the vehicles with special feature 'F' receive.

Recommendation: SGI recommends allowing these vehicles to migrate to the 10 per cent discount with the use of caps over the next few years. This will prevent rate shock.

4.2 Class LV – Motorhomes

The rate indication shows that the premiums for these vehicles require a 27.9 per cent rate increase. A pure premium relativity analysis was done on value.

Recommendation: SGI suggests an increase of 10 per cent to the base rate and no changes to the relativities. This was due to lack of credibility in the high end of the table leading to inconsistencies in the relativities. The relativity analysis results are shown below.

Value	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Loss ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
$10,000 & Less	2,753	4,977,757	3,624,397	72.81%	1.0000	1.0000	1.0000	1.0000
$10,001-20,000	970	2,458,828	1,571,969	63.93%	1.1035	1.2423	1.1500	1.2423
$20,001-30,000	391	1,165,931	1,037,569	88.99%	1.8806	1.5771	1.7243	1.5771
$30,001-50,000	443	1,241,786	930,141	74.90%	1.7534	1.7577	1.7553	1.7577
$50,001-75,000	206	678,873	1,279,767	188.51%	5.2281	2.0837	3.5035	2.0837
$75,001-100,000	188	457,205	425,526	93.07%	2.7749	2.1189	2.3646	2.1189
$100,001-125,000	63	214,191	115,211	53.79%	2.0891	2.6740	2.5254	2.6740
$125,001-150,000	68	204,512	104,931	51.31%	2.0439	2.8062	2.6239	2.8062
$150,001-200,000	68	224,809	219,432	97.61%	3.9214	3.1145	3.3268	3.1145
$200,001-250,000	32	107,860	85,307	79.09%	3.3036	3.1586	3.1827	3.1586
$250,001-300,000	15	44,233	50,858	114.98%	5.0165	3.3084	3.5285	3.3084
$300,001-400,000	12	38,683	7,400	19.13%	0.8299	3.3921	3.1460	3.3921
$400,001-500,000	2	7,096	10,790	152.06%	6.8345	3.5022	3.6453	3.5022
> $500,000	2	5,416	0	0.00%	0.0000	3.5903	3.5903	3.5903

With the changes to the relativities as proposed above, and the change to the base rate, the following changes would result:

Value	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
$10,000 & Less	$227	$249	9.69%	$22
$10,001-20,000	$282	$310	9.93%	$28
$20,001-30,000	$358	$393	9.78%	$35
$30,001-50,000	$399	$438	9.77%	$39
$50,001-75,000	$473	$520	9.94%	$47
$75,001-100,000	$481	$529	9.98%	$48
$100,001-125,000	$607	$667	9.88%	$60
$125,001-150,000	$637	$700	9.89%	$63
$150,001-200,000	$707	$777	9.90%	$70
$200,001-250,000	$717	$788	9.90%	$71
$250,001-300,000	$751	$826	9.99%	$75
$300,001-400,000	$770	$847	10.00%	$77
$400,001-500,000	$795	$874	9.94%	$79
> $500,000	$815	$896	9.94%	$81

An overall increase of 9.77 per cent in premiums would result in an estimated increase of $104,674 to this class's expected rating year written premium.

4.3 Class LV – Motorhomes – U Drive

Currently these vehicles are surcharged 15 per cent above the motorhome premium. The data is so thin on this subclass that the rate indication is not credible. A loss ratio analysis was performed and the results are shown below.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	11,459	3,031	26.45%
2001	10,031	11,264	112.30%
2002	9,706	9,968	102.70%
2003	12,161	4,180	34.38%
2004	10,484	13,000	123.99%
2005	10,040	5,765	57.42%
2006	12,235	3,653	29.86%
2007	12,016	4,386	36.50%
Total	88,131	55,248	62.69%

Recommendation: It is recommended that the surcharge on these vehicles not be changed. They will, however, receive the same 10 per cent increase to the base rate as the vehicles in LV – Motorhome.

4.4 Class LV – Motorcycle

The rate indication for this class shows that it requires a 139.9 per cent increase in rates to be break even as a class. Relativity analyses were performed based on engine capacity, model year and body style.

Recommendation: The results of the relativity analysis and the proposed relativities are shown in the table below.

Model Type	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
Cruiser/Touring	6,288	16,552,251	29,881,555	180.53%	1.0000	1.0000	1.0000	1.0000
Sport	1,451	3,778,774	14,591,220	386.14%	2.1695	1.0896	2.1695	1.1986
Dual Purpose/Other	938	861,629	1,538,681	178.58%	0.3867	0.9565	0.8017	0.8609
Model Year								
1982 & Older	1,414	2,366,142	3,679,469	155.50%	0.2882	0.5801	0.4730	0.5221
1983 - 1986	907	2,012,517	2,973,414	147.75%	0.3807	0.6993	0.5942	0.6294
1987 - 1992	427	1,171,411	1,080,608	92.25%	0.3003	0.8056	0.6439	0.7250
1993 - 1996	469	1,436,757	2,354,143	163.85%	0.6063	0.8780	0.7843	0.7902
1997 - 2000	960	3,267,478	8,054,174	246.50%	0.9834	0.9510	0.9692	0.9692
2001 - 2004	2,090	7,109,347	17,606,068	247.65%	1.0000	1.0000	1.0000	1.0000
2005 - 2007	2,367	3,781,672	10,254,986	271.18%	1.1082	1.0603	1.0910	1.0910
2008 - 2010	43	47,329	8,594	18.16%	0.0917	1.1294	1.0848	1.0848
Engine Capacity								
100 CC & Less	307	172,326	141,183	81.93%	0.0829	0.2066	0.1916	0.1916
101 - 400 CC	788	420,083	938,994	223.53%	0.2021	0.2078	0.2064	0.2064
401 - 750 CC	2,264	5,061,721	12,569,643	248.33%	0.8615	0.7500	0.8520	0.8250
751 - 1100 CC	1,919	5,272,932	12,395,603	235.08%	1.0021	0.8691	0.9613	0.9560
1101 CC & Greater	3,400	10,265,591	19,966,034	194.49%	1.0000	1.0000	1.0000	1.0000

The rates are calculated using a base rate and then multiplying out by the relativities shown on the previous page. A 25 per cent cap was put on the increase for sport motorcycles; a 15 per cent cap was put on the increase for cruiser motorcycles and dual-purpose motorcycles. All vehicles in this class will receive at least a five per cent increase. The current and proposed rates are shown in the tables below.

Current Rate

Cruiser/Touring			**Engine Size**		
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$147	$147	$472	$674	$774
1983 - 1986	$175	$180	$609	$768	$874
1987 - 1992	$196	$204	$734	$858	$978
1993 - 1996	$214	$223	$802	$939	$1,069
1997 - 2000	$231	$241	$867	$1,012	$1,156
2001 - 2004	$243	$254	$913	$1,063	$1,217
2005 - 2007	$258	$268	$967	$1,125	$1,288
2008 - 2010	$273	$284	$1,024	$1,198	$1,364

Sport			**Engine Size**		
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$154	$154	$493	$705	$810
1983 - 1986	$189	$189	$637	$856	$960
1987 - 1992	$216	$216	$795	$914	$1,043
1993 - 1996	$239	$239	$889	$1,001	$1,126
1997 - 2000	$262	$262	$981	$1,058	$1,210
2001 - 2004	$277	$277	$1,029	$1,111	$1,272
2005 - 2007	$293	$293	$1,090	$1,176	$1,348
2008 - 2010	$311	$311	$1,155	$1,246	$1,427

Dual Purpose/Other			**Engine Size**		
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$134	$134	$429	$613	$704
1983 - 1986	$164	$164	$554	$744	$835
1987 - 1992	$188	$188	$691	$795	$907
1993 - 1996	$208	$208	$773	$870	$979
1997 - 2000	$228	$228	$853	$920	$1,052
2001 - 2004	$241	$241	$895	$966	$1,106
2005 - 2007	$255	$255	$948	$1,023	$1,172
2008 - 2010	$270	$270	$1,004	$1,083	$1,241

Proposed Rate

Cruiser/Touring	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

Sport	Engine Size				
Model Year	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

Dual Purpose/Other	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

The dollar change and the per cent change are shown below.

Dollar Change

Cruiser/Touring	**Engine Size**				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$8	$8	$70	$34	$39
1983 - 1986	$9	$9	$86	$39	$44
1987 - 1992	$10	$11	$67	$70	$49
1993 - 1996	$11	$12	$71	$72	$54
1997 - 2000	$18	$27	$130	$151	$142
2001 - 2004	$13	$22	$136	$159	$122
2005 - 2007	$22	$33	$145	$168	$173
2008 - 2010	$14	$16	$153	$179	$88

Sport	**Engine Size**				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$8	$19	$123	$96	$41
1983 - 1986	$10	$19	$159	$109	$50
1987 - 1992	$11	$24	$165	$198	$120
1993 - 1996	$12	$23	$157	$211	$142
1997 - 2000	$36	$59	$245	$264	$302
2001 - 2004	$30	$54	$257	$277	$318
2005 - 2007	$42	$68	$272	$294	$337
2008 - 2010	$22	$48	$281	$311	$314

Dual Purpose/Other	**Engine Size**				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	$7	$7	$64	$31	$36
1983 - 1986	$9	$9	$44	$38	$42
1987 - 1992	$10	$10	$35	$40	$46
1993 - 1996	$11	$11	$39	$44	$49
1997 - 2000	$12	$12	$69	$138	$65
2001 - 2004	$13	$13	$56	$136	$56
2005 - 2007	$13	$13	$89	$153	$85
2008 - 2010	$14	$14	$51	$112	$63

Per cent Change

Cruiser/Touring	Engine Size				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	5.44%	5.44%	14.83%	5.04%	5.04%
1983 - 1986	5.14%	5.00%	14.12%	5.08%	5.03%
1987 - 1992	5.10%	5.39%	9.13%	8.16%	5.01%
1993 - 1996	5.14%	5.38%	8.85%	7.67%	5.05%
1997 - 2000	7.79%	11.20%	14.99%	14.92%	12.28%
2001 - 2004	5.35%	8.66%	14.90%	14.96%	10.02%
2005 - 2007	8.53%	12.31%	14.99%	14.93%	13.43%
2008 - 2010	5.13%	5.63%	14.94%	14.94%	6.45%

Sport	Engine Size				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	5.19%	12.34%	24.95%	13.62%	5.06%
1983 - 1986	5.29%	10.05%	24.96%	12.73%	5.21%
1987 - 1992	5.09%	11.11%	20.75%	21.66%	11.51%
1993 - 1996	5.02%	9.62%	17.66%	21.08%	12.61%
1997 - 2000	13.74%	22.52%	24.97%	24.95%	24.96%
2001 - 2004	10.83%	19.49%	24.98%	24.93%	25.00%
2005 - 2007	14.33%	23.21%	24.95%	25.00%	25.00%
2008 - 2010	7.07%	15.43%	24.33%	24.96%	22.00%

Dual Purpose/Other	Engine Size				
Model Year	100 CC & Less	101 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 CC & Greater
1982 & Older	5.22%	5.22%	14.92%	5.06%	5.11%
1983 - 1986	5.49%	5.49%	7.94%	5.11%	5.03%
1987 - 1992	5.32%	5.32%	5.07%	5.03%	5.07%
1993 - 1996	5.29%	5.29%	5.05%	5.06%	5.01%
1997 - 2000	5.26%	5.26%	8.09%	15.00%	6.18%
2001 - 2004	5.39%	5.39%	6.26%	14.08%	5.06%
2005 - 2007	5.10%	5.10%	9.39%	14.96%	7.25%
2008 - 2010	5.19%	5.19%	5.08%	10.34%	5.08%

All of the proposed changes result in an overall increase in motorcycle premiums of 13.37 per cent, which will have an expected written premium impact of $1,076,753. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

2007 Written Exposures			
% Change	Cruiser	Sport	Dual Purpose
0% < x =< 5%	30	0	0
5% < x =< 10%	1,803	11	927
10% < x =< 15%	4,623	107	46
15% < x =< 20%	0	62	0
20% < x =< 25%	0	1,317	0

2007 Written Exposures			
$ Change	Cruiser	Sport	Dual Purpose
$0 < x =< $10	226	0	256
$10 < x =< $20	10	19	502
$20 < x =< $30	39	11	0
$30 < x =< $40	680	0	18
$40 < x =< $50	448	11	15
$50 < x =< $60	237	11	71
$60 < x =< $70	549	25	51
$70 < x =< $80	114	0	0
$80 < x =< $90	355	0	52
$90 < x =< $100	0	35	0
$100 < x =< $110	0	22	0
$110 < x =< $120	0	2	0
$120 < x =< $130	1,028	79	0
$130 < x =< $140	176	0	3
$140 < x =< $150	605	19	0
$150 < x =< $160	523	95	5
$160 < x =< $170	363	48	0
$170 < x =< $190	1,105	0	0
$190 < x =< $190	0	0	0
x > $190	0	1,121	0

4.5 Class LV – U Drive

The rate indication shows that the premium for these vehicles should increase by 33.5 per cent to remain adequate.

Recommendation: SGI recommends increasing the current surcharge of 10 per cent by five per cent to 15 per cent. The premium for these vehicles will also be affected by any change to the LV – Private Passenger rates.

4.6 Class LV – Police Vehicles

These vehicles are currently surcharged 45 per cent on top of the LV - Private Passenger vehicle premium. The rate indication shows that this vehicle type's premium could go down 29.5 per cent and remain adequate.

Recommendation: SGI recommends that the current surcharge of 45 per cent be reduced by 10 per cent to 35 per cent. The premium for these vehicles will also be affected by any change to the LV – Private Passenger rates.

4.7 Class LV – Antiques

These vehicles are currently charged a flat rate of $60. The rate indication suggests that they require a 40.3 per cent rate increase.

Recommendation: SGI recommends an increase of 10 per cent to $66 for the premium for this class.

4.8 Class PT – Taxis

The rate indication for this class shows that a 41.5 per cent rate increase overall is required. The rates for this class vary by location. A pure premium relativity analysis was performed based on location.

Recommendation: SGI recommends changes to the relativities for the locations as shown in the tables below.

Location Table	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
A - Small Cities	223	1,450,405	1,595,898	110.03%	0.5047	0.4735	0.4920	0.4735
B - Large Cities	94	1,507,129	1,443,849	95.80%	0.8115	0.8843	0.8419	0.8419
C - Regina & Saskatoon	309	6,202,521	6,218,180	100.25%	1.0000	1.0000	1.0000	1.0000
Special Feature "T"	88	1,273,048	2,320,975	182.32%	0.7971			

The impact of these changes is a 9.09 per cent increase in premium. This will increase the rating year written premium by approximately $134,804.

Location Table	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
A - Small Cities	$1,285	$1,414	10.04%	$129
B - Large Cities	$2,400	$2,513	4.71%	$113
C - Regina & Saskatoon	$2,714	$2,985	9.99%	$271

The dislocation of the 2007 written exposures based on the proposed changes is as follows:

% Change	2007 Written Exposures
x = 0%	0
0% < x =< 5%	106
5% < x =< 10%	339
10% < x =< 15%	240

$ Change	2007 Written Exposures
$110 < x =< $120	106
$180 < x =< $190	240
x > $190	339

The loss ratios for all of the location tables are shown below.

	Accident Year								
Location Table	2000	2001	2002	2003	2004	2005	2006	2007	Total
A - Small Cities	67.31%	82.36%	81.22%	267.83%	86.10%	84.09%	96.35%	110.56%	110.03%
B - Large Cities	48.88%	150.71%	76.46%	124.92%	81.66%	91.65%	116.37%	72.80%	95.80%
C - Regina & Saskatoon	110.90%	146.21%	125.25%	100.06%	69.75%	78.40%	67.87%	105.02%	100.25%
Special Feature "T"	77.90%	536.03%	193.88%	75.98%	149.45%	98.99%	100.51%	97.22%	182.32%

Location code "T" applies to all taxis that are outside the locations listed in Tables A, B or C. Currently these vehicles are charged the LV – Private Passenger rate with a 55 per cent surcharge. The loss ratio for these vehicles is fairly high. SGI recommends an increase of five per cent to this surcharge, bringing it to 60 per cent.

4.9 Class F – Light Trucks

A unique rating table rates this class of vehicles.

1993 and Older Model Years: The rate indication for model years 1993 and older in this class shows that a 30.5 per cent decrease is warranted. A relativity analysis was performed on model year groupings as well as on full-size and compact groupings.

Recommendation: For the model years 1993 and older, SGI recommends decreasing the base rate of $123, which is the full-size, 1976 and prior model year rate, by 15 per cent. The changes have been capped at -10 per cent. The steps in the selection of the relativities are shown in the tables below.

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
1976 & Prior	3,734	4,347,025	606,669	13.96%	1.0000	1.0000	1.0000	1.0000
1977 - 1978	1,269	2,325,561	526,970	22.66%	2.2557	1.3042	1.6400	1.4346
1979 - 1980	1,884	4,551,784	699,846	15.38%	1.9125	1.6085	1.7602	1.7602
1981 - 1982	1,977	5,317,745	2,405,069	45.23%	6.1893	1.7633	4.5314	1.9397
1983	823	2,526,045	744,628	29.48%	4.4593	1.9400	3.1155	2.1340
1984	1,155	3,739,215	2,050,591	54.84%	8.9449	2.1133	5.7666	2.3246
1985	1,234	4,113,138	1,325,953	32.24%	5.7063	2.3002	4.3036	2.5302
1986	1,702	5,952,771	1,807,113	30.36%	5.7872	2.4836	4.8918	2.7320
1987	1,059	4,130,612	1,192,417	28.87%	6.0456	2.7435	4.8473	3.0178
1988	1,604	6,660,559	2,544,368	38.20%	8.6958	2.9835	8.2001	3.2819
1989	1,688	7,069,503	3,939,749	55.73%	13.5929	3.2156	13.3850	3.5372
1990	1,806	7,803,447	4,976,621	63.77%	16.7818	3.4672	16.7818	3.8140
1991	1,872	8,499,868	5,049,478	59.41%	16.7498	3.7288	16.7498	4.1016
1992	2,118	10,055,691	5,477,199	54.47%	16.4486	3.9980	16.4486	4.3978
1993	2,289	10,870,523	7,092,415	65.24%	20.5799	4.1878	20.5799	4.6066
Body Type	**2007 Earned Exposures**	**2000 - 2007 Earned Premium ($)**	**2000 - 2007 Ultimate Losses ($)**	**2000 - 2007 Loss Ratio**	**8-Year Relativity**	**Current Relativity**	**Credibility Weighted Relativity**	**Selected Relativity**
Compact	2,648	8,313,575	3,608,034	43.40%	0.7802	0.8689	0.7802	0.7820
Full	23,567	79,644,404	36,830,326	46.24%	1.0000	1.0000	1.0000	1.0000

The impact of these changes is a 6.86 per cent decrease in premium. This will decrease the rating year written premium by approximately $565,273.

1994 and Newer Model Years: The rate indication for model years 1994 and newer in this class shows that a 15.2 per cent increase is warranted.

Recommendation: SGI recommends a change in the way these vehicles are rated. For these model years, it would be best to rate them at a 15 per cent discount of LV so they would be in line with the farm light trucks that are in the LV class.

The impact of these changes is a 0.19 per cent increase in premium. This will increase the rating year written premium by approximately $43,678.

4.10 Class F – Farm Vehicles – Heavy Trucks

The rate indication for this subclass shows a 34.8 per cent required rate decrease. Relativity analysis was performed on the model year of the vehicle.

Recommendation: SGI recommends a 15 per cent decrease to the base rate, which is the 1979 and prior model year rate. The relativity analysis and the proposed relativities are shown in the table below.

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
1979 & Prior	19,484	18,225,372	5,077,791	27.86%	1.0000	1.0000	1.0000	1.0000
1980	1,419	1,774,789	679,609	38.29%	2.0132	1.3587	1.5746	1.4946
1981	1,396	2,006,483	909,737	45.34%	2.7999	1.6522	2.0791	1.8174
1982	777	1,377,422	513,465	37.28%	2.8440	2.0652	2.2794	2.2717
1983	517	1,086,206	231,590	21.32%	1.9293	2.4457	2.3326	2.4457
1984	557	1,285,080	388,936	30.27%	3.1592	2.9565	3.0065	3.0065
1985	541	1,557,401	550,150	35.32%	4.1711	3.3913	3.6109	3.6109
1986	630	1,916,834	618,782	32.28%	4.1989	3.7174	3.8637	3.8637
1987	537	1,662,733	512,338	30.81%	4.4143	4.1413	4.2200	4.2200
1988	440	1,541,004	625,630	40.60%	6.1495	4.3152	4.8197	4.7467
1989	343	1,281,433	479,898	37.45%	5.9086	4.5109	4.8478	4.8478
1990	330	1,292,776	413,093	31.95%	5.2952	4.6739	4.8489	4.8489
1991	237	996,027	432,069	43.38%	7.6407	4.7609	5.5133	5.2370
1992	195	844,295	282,345	33.44%	6.2116	5.1304	5.3783	5.3783
1993	210	859,637	287,661	33.46%	6.4632	5.4130	5.6559	5.6559
1994	319	1,235,358	693,181	56.11%	11.1522	5.6196	7.1132	6.1816
1995	408	1,461,803	694,709	47.52%	9.7829	5.8478	7.1070	6.4326
1996	223	883,570	472,075	53.43%	11.5022	6.6739	7.9183	7.3413
1997	203	971,885	688,651	70.86%	16.1862	6.9565	10.0017	7.6522
1998	176	634,621	312,519	49.24%	11.6882	7.0870	8.1605	7.7957
1999	143	517,781	270,739	52.29%	13.5125	7.2174	8.5421	7.9391
2000	87	418,025	505,529	120.93%	33.9162	8.4130	15.1658	9.2543
2001	64	314,147	223,945	71.29%	21.2262	8.9130	11.9282	9.8043
2002	33	300,450	226,918	75.53%	24.0019	9.0109	11.9617	9.9120
2003	40	201,347	147,880	73.45%	23.8994	9.1087	11.8413	10.0196
2004	30	87,299	3,944	4.52%	1.5298	9.6522	9.4055	10.3324
2005	27	64,929	29,667	45.69%	15.8332	10.2283	10.6453	10.6453
2006	28	52,530	18,548	35.31%	13.0620	10.8370	10.9722	10.9722
2007	21	24,926	0	0.00%	0.0000	11.4891	11.4891	11.4891
2008	4	4,184	0	0.00%	0.0000	12.1739	12.1739	12.1739
2009	0	0	0			12.7826		12.7826

The current and proposed premiums are shown in the table below.

Model Year	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
1979 & Prior	$92	$83	-9.78%	-$9
1980	$125	$117	-6.40%	-$8
1981	$152	$142	-6.58%	-$10
1982	$190	$178	-6.32%	-$12
1983	$225	$203	-9.78%	-$22
1984	$272	$245	-9.93%	-$27
1985	$312	$282	-9.62%	-$30
1986	$342	$308	-9.94%	-$34
1987	$381	$343	-9.97%	-$38
1988	$397	$371	-6.55%	-$26
1989	$415	$379	-8.67%	-$36
1990	$430	$387	-10.00%	-$43
1991	$438	$410	-6.39%	-$28
1992	$472	$425	-9.96%	-$47
1993	$498	$448	-10.04%	-$50
1994	$517	$483	-6.58%	-$34
1995	$538	$503	-6.51%	-$35
1996	$614	$574	-6.51%	-$40
1997	$640	$598	-6.56%	-$42
1998	$652	$610	-6.44%	-$42
1999	$664	$621	-6.48%	-$43
2000	$774	$724	-6.46%	-$50
2001	$820	$767	-6.46%	-$53
2002	$829	$775	-6.51%	-$54
2003	$838	$784	-6.44%	-$54
2004	$888	$808	-9.01%	-$80
2005	$941	$847	-9.99%	-$94
2006	$997	$898	-9.93%	-$99
2007	$1,057	$952	-9.93%	-$105
2008	$1,120	$1,009	-9.91%	-$111
2009	$1,176	$1,059	-9.95%	-$117

The changes to the base rate and the relativities result in an approximate 8.54 per cent decrease in premiums which is expected to decrease rating year written premium by $449,867.

The dislocation of the 2007 written exposures due to the proposed changes above are as follows:

% Change	2007 Written Exposures
-15% =< x < -10%	218
-10% =< x < -5%	29,487
-5.0% =< x < -0%	0
x = 0%	0

$ Change	2007 Written Exposures
$120 =< x < -$110	9
$110 =< x < -$100	31
$100 =< x < -$90	57
$80 =< x < -$70	31
-$60 =< x < -$50	166
-$50 =< x < -$40	1,440
-$40 =< x < -$30	2,545
-$30 =< x < -$20	2,398
-$20 =< x < -$10	796
-$10 =< x < $0	22,232

4.11 Class F – Farm Vehicles – Power Units

The rate indication shows that a 26.3 per cent decrease is warranted for this class. A relativity analysis based on model year was performed.

Recommendation: SGI recommends a 10 per cent reduction in the base rate, the 1986-1990 model year rate, for this type of vehicle. The results of the relativity analysis and the proposed relativities are shown below.

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
1981 & Prior	577	1,116,004	1,070,437	95.92%	0.8140	0.4310	0.5351	0.4741
1982 - 1985	373	1,016,125	655,089	64.47%	0.8699	0.7816	0.8009	0.8009
1986 - 1990	1,221	3,930,099	2,078,098	52.88%	1.0000	1.0000	1.0000	1.0000
1991 - 1994	986	3,115,799	1,405,214	45.10%	1.0474	1.2414	1.1574	1.1574
1995 - 1998	1,565	4,019,512	3,043,086	75.71%	1.9604	1.5862	1.7866	1.7448
1999	290	627,329	578,661	92.24%	2.8343	1.8966	2.1019	2.0862
2000	250	432,615	354,826	82.02%	2.6657	2.0086	2.1300	2.1300
2001	109	188,297	132,515	70.38%	2.3577	2.1034	2.1371	2.1371
2002	31	51,376	25,931	50.47%	1.8702	2.1580	2.1385	2.1385
2003	36	66,832	27,997	41.89%	1.6321	2.2155	2.1624	2.1624
2004	35	72,292	22,844	31.60%	1.2952	2.4339	2.3492	2.3492
2005	22	50,681	18,344	36.19%	1.6406	2.6523	2.5770	2.5770
2006	25	52,674	57,144	108.49%	5.3519	2.6897	2.9036	2.9036
2007	19	28,011	25,456	90.88%	4.4789	2.7557	2.8839	2.9360
2008	3	2,783	0	0.00%	0.0000	2.8247	2.8247	2.9680
2009	0	0	0			2.8822		3.0000

The results of the base rate change and the changes to the relativities are shown in the table below.

Model Year	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
1981 & Prior	$150	$149	-0.67%	-$1
1982 - 1985	$272	$251	-7.72%	-$21
1986 - 1990	$348	$313	-10.06%	-$35
1991 - 1994	$432	$389	-9.95%	-$43
1995 - 1998	$552	$546	-1.09%	-$6
1999	$660	$653	-1.06%	-$7
2000	$699	$667	-4.58%	-$32
2001	$732	$669	-8.61%	-$63
2002	$751	$670	-10.79%	-$81
2003	$771	$694	-9.99%	-$77
2004	$847	$762	-10.04%	-$85
2005	$923	$831	-9.97%	-$92
2006	$936	$909	-2.88%	-$27
2007	$959	$920	-4.07%	-$39
2008	$983	$930	-5.39%	-$53
2009	$1,003	$940	-6.28%	-$63

Changes to these rates were capped at −10 per cent. The changes to the base rate and the relativities result in an approximate 5.2 per cent decrease in premiums which is expected to decrease rating year written premium by $153,127. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
-15% =< x < -10%	1,432
-10% =< x < -5%	1,732
-5.0% =< x < -0%	3,200
x = 0%	0

$ Change	2007 Written Exposures
-$100 =< x < -$90	34
-$90 =< x < -$80	87
-$80 =< x < -$70	57
-$70 =< x < -$60	146
-$60 =< x < -$50	6
-$50 =< x < -$40	1,089
-$40 =< x < -$30	1,700
-$30 =< x < -$20	431
-$10 =< x < $0	2,813
x = $0	0

4.12 Class F – Trailers

The rate indication shows that a 12.5 per cent increase is warranted for this class. A relativity analysis based on body type was performed.

Recommendation: SGI recommends a five per cent increase to the base premium for semi-trailers as well as changes to the relativities for the other body types. The results of the relativity analysis and the proposed relativities are shown below.

Trailer Type	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
Utility Trailer	2,450	528,932	345,287	65.28%	0.3819	0.2222	0.2667	0.2289
Semi-Trailer	19,070	4,977,364	2,707,077	54.39%	1.0000	1.0000	1.0000	1.0000
Transport Trailer	585	1,442,809	595,915	41.30%	0.4084	0.3111	0.3473	0.3204

The results of the base rate change and the changes to the relativities are shown in the table below.

Trailer Type	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
Utility Trailer	$20	$22	10.00%	$2
Semi-Trailer	$90	$95	5.56%	$5
Transport Trailer	$28	$30	7.14%	$2

The changes to relativities result in an approximate 5.68 per cent increase in premiums, which is expected to increase rating year written premium by $114,093. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
x = 0%	0
0% < x =< 5%	0
5% < x =< 10%	24,692

$ Change	2007 Written Exposures
x = $0	0
$0 < x =< $10	24,692

4.13 Class PB – Passenger Inter-City Buses

The rate indication shows a required 42.6 per cent rate increase for this class. Pure premium relativity analysis was performed on model year and seating capacity.

Recommendation: SGI recommends a 10 per cent increase to the base rate, which is the 1999-2004 model year, 25 and greater seating capacity rate, with no changes to the relativities between rates. The results of the relativity analysis and the proposed relativities are in the two tables below.

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
1981 & Prior	8	150,321	35,835	23.84%	0.2075	0.6257	0.5799	0.6257
1982 - 1986	14	229,677	62,593	27.25%	0.2578	0.6905	0.6197	0.6905
1987 - 1992	60	582,634	485,311	83.30%	0.8155	0.8587	0.8461	0.8587
1993 - 1998	74	801,002	1,324,786	165.39%	1.6375	0.9142	1.2303	0.9142
1999 - 2004	105	778,032	779,711	100.22%	1.0000	1.0000	1.0000	1.0000
2005 - 2008	33	72,574	53,231	73.35%	0.8071	1.0600	1.0256	1.0600
2009 - 2012	0	0	0			1.1264		1.1264
Seating Capacity	**2007 Earned Exposures**	**2000 - 2007 Earned Premium ($)**	**2000 - 2007 Ultimate Losses ($)**	**2000 - 2007 Loss Ratio**	**8-Year Relativity**	**Current Relativity Credibility**	**Weighted Relativity**	**Selected Relativity**
9 & Less	96	679,511	718,348	105.72%	0.5572	0.5401	0.5475	0.5401
10 - 15	47	329,751	273,373	82.90%	0.4334	0.5050	0.4854	0.5050
16 - 24	20	93,390	55,973	59.93%	0.3393	0.5576	0.5245	0.5576
25 or More	131	1,511,587	1,693,774	112.05%	1.0000	1.0000	1.0000	1.0000

The current rates and the proposed rates with these changes are shown below.

Current Rate

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	$660	$605	$709	$1,249
1982 - 1986	$743	$660	$779	$1,372
1987 - 1992	$920	$872	$935	$1,674
1993 - 1998	$984	$932	$968	$1,816
1999 - 2004	$1,063	$1,007	$1,100	$1,962
2005 - 2008	$1,126	$1,068	$1,166	$2,080
2009 - 2012	$1,194	$1,132	$1,236	$2,226

Proposed 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

% Change

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	10.00%	9.92%	6.21%	8.09%
1982 - 1986	8.34%	10.00%	6.68%	8.60%
1987 - 1992	8.80%	7.34%	9.95%	9.98%
1993 - 1998	8.33%	6.87%	9.92%	8.65%
1999 - 2004	9.69%	8.24%	9.45%	9.99%
2005 - 2008	9.77%	8.15%	9.43%	10.00%
2009 - 2012	9.97%	8.48%	9.71%	9.21%

$ Change

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1981 & Prior	$66	$60	$44	$101
1982 - 1986	$62	$66	$52	$118
1987 - 1992	$81	$64	$93	$167
1993 - 1998	$82	$64	$96	$157
1999 - 2004	$103	$83	$104	$196
2005 - 2008	$110	$87	$110	$208
2009 - 2012	$119	$96	$120	$205

The changes proposed to the base rate and the relativities result in an approximate 9.3 per cent increase in premiums or $39,190.

4.14 Class PC – Passenger City Buses

The rate indication shows a 34.4 per cent rate increase for this class. Pure premium relativity analysis was performed on model year and seating capacity.

Recommendation: SGI recommends a 10 per cent increase to the base rate and no changes to the relativities. The results of the relativity analysis and the proposed relativities are in the two tables below.

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
1984 & Prior	59	774,314	455,306	58.80%	0.7959	0.9037	0.8603	0.9037
1985 - 1992	128	1,171,238	869,317	74.22%	1.0000	1.0000	1.0000	1.0000
1993 - 2000	99	845,740	1,057,612	125.05%	1.4633	1.1981	1.3357	1.1981
2001 - 2004	101	443,737	646,127	145.61%	1.6371	1.2864	1.4088	1.2864
2005 - 2008	77	174,713	130,509	74.70%	1.2833	1.3298	1.3203	1.3298
2009 - 2012	0	0	0			1.3965		1.3965
Seating Capacity	**2007 Earned Exposures**	**2000 - 2007 Earned Premium ($)**	**2000 - 2007 Ultimate Losses ($)**	**2000 - 2007 Loss Ratio**	**8-Year Relativity**	**Current Relativity Credibility**	**Weighted Relativity**	**Selected Relativity**
9 & Less	49	231,392	521,046	225.18%	0.9183	0.3629	0.5247	0.3629
10 - 15	148	624,974	430,966	68.96%	0.4423	0.5044	0.4786	0.5044
16 - 24	25	144,527	166,932	115.50%	0.8565	0.6005	0.6527	0.6005
25 or More	242	2,408,849	2,039,927	84.68%	1.0000	1.0000	1.0000	1.0000

The impacts of these changes on the rates are shown below.

Current Rate

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	$392	$545	$649	$1,081
1985 - 1992	$434	$603	$718	$1,196
1993 - 2000	$520	$723	$860	$1,432
2001 - 2004	$558	$776	$924	$1,538
2005 - 2008	$577	$802	$955	$1,590
2009 - 2012	$606	$842	$1,003	$1,670

Proposed Rate

	Seating Capacity			
Model Year	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

% Change

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	9.95%	9.91%	9.86%	9.99%
1985 - 1992	9.91%	9.95%	9.89%	9.95%
1993 - 2000	10.00%	9.96%	10.00%	9.99%
2001 - 2004	9.86%	9.92%	9.96%	9.95%
2005 - 2008	9.88%	9.98%	9.95%	10.00%
2009 - 2012	9.90%	9.98%	9.97%	10.00%

$ Change

	Seating Capacity			
Model Year	9 & Less	10 - 15	16 - 24	25 or More
1984 & Prior	$39	$54	$64	$108
1985 - 1992	$43	$60	$71	$119
1993 - 2000	$52	$72	$86	$143
2001 - 2004	$55	$77	$92	$153
2005 - 2008	$57	$80	$95	$159
2009 - 2012	$60	$84	$100	$167

These changes will result in a 9.97 per cent increase in written premium or an estimated increase in rating year written premium of $48,538. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
x = 0%	0
0% < x =< 5%	0
5% < x =< 10%	472

$ Change	2007 Written Exposures
$30 < x =< $40	3
$40 < x =< $50	8
$50 < x =< $60	60
$70 < x =< $80	134
$80 < x =< $90	4
$90 < x =< $100	11
$100 < x =< $110	55
$110 < x =< $120	88
$140 < x =< $150	43
$150 < x =< $160	67

4.15 Class PS – Passenger School Buses

The rate indication is for a 55.2 per cent rate increase for this class. A relativity analysis was performed on model year and number of seats.

Recommendation: SGI recommends a 10 per cent increase to the base rate, which is the 1999-2002 model year, 25 and greater seating capacity rate, with no changes to the relativities between rates. The results of the relativity analysis and the proposed relativities are in the two tables below.

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
1986 & Prior	37	399,049	238,966	59.88%	0.2806	0.5614	0.4842	0.5614
1987 - 1990	234	1,083,827	545,169	50.30%	0.2942	0.7992	0.5621	0.7992
1991 - 1994	415	945,785	507,330	53.64%	0.3246	0.7992	0.6107	0.7992
1995 - 1998	579	968,987	804,738	83.05%	0.5445	0.8941	0.7497	0.8941
1999 - 2002	821	1,361,671	1,798,913	132.11%	1.0000	1.0000	1.0000	1.0000
2003 - 2006	627	530,985	445,345	83.87%	0.6212	0.9888	0.8712	0.9888
2007 - 2010	355	115,374	424,209	367.68%	2.8822	1.0595	1.4309	1.0595
Seating Capacity	**2007 Earned Exposures**	**2000 - 2007 Earned Premium ($)**	**2000 - 2007 Ultimate Losses ($)**	**2000 - 2007 Loss Ratio**	**8-Year Relativity**	**Current Relativity Credibility**	**Weighted Relativity**	**Selected Relativity**
24 & Less	401	931,830	578,780	62.11%	0.6936	1.0135	0.8707	1.0135
25 or More	2,667	4,473,847	4,185,892	93.56%	1.0000	1.0000	1.0000	1.0000

The impacts of these changes on the rates are shown below.

Current Rate

	Seating Capacity	
Model Year	24 & Less	25 or More
1986 & Prior	$151	$151
1987 - 1990	$217	$213
1991 - 1994	$217	$213
1995 - 1998	$242	$239
1999 - 2002	$271	$267
2003 - 2006	$268	$264
2007 - 2010	$287	$283

Proposed Rate

	Seating Capacity	
Model Year	9 & 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

% Change

	Seating Capacity	
Model Year	9 & Less	25 or More
1986 & Prior	9.93%	9.27%
1987 - 1990	9.68%	9.86%
1991 - 1994	9.68%	9.86%
1995 - 1998	9.92%	9.62%
1999 - 2002	9.59%	9.74%
2003 - 2006	9.70%	9.85%
2007 - 2010	9.76%	9.89%

$ Change

	Seating Capacity	
Model Year	9 & Less	25 or More
1986 & Prior	$15	$14
1987 - 1990	$21	$21
1991 - 1994	$21	$21
1995 - 1998	$24	$23
1999 - 2002	$26	$26
2003 - 2006	$26	$26
2007 - 2010	$28	$28

These changes will result in a 9.77 per cent increase in written premium or an estimated increase in rating year written premium of $73,763. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
x = 0%	0
0% < x =< 5%	0
5% < x =< 10%	2,990

$ Change	2007 Written Exposures
x = $0	0
$0 < x =< $10	0
$10 < x =< $20	34
$20 < x =< $30	2,956

4.16 Class L –Dealer Plates

The rate indication suggests that a 5.3 per cent rate decrease on this class is warranted. A relativity analysis was performed on type of dealer.

Recommendation: SGI recommends a two per cent decrease to the base rate, which is the automobile dealer. The results of the relativity analysis and the proposed relativities are in the two tables below.

Dealer Type	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
Automobile	3,344	18,273,268	10,001,348	54.73%	1.0000	1.0000	1.0000	1.0000
Motorcycle	78	153,635	181,728	118.29%	1.0283	0.5172	0.5753	0.5690
Snowmobile	41	40,299	0	0.00%	0.0000	0.1646	0.1646	0.1646

Dealer Type	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
Automobile	$638	$625	-2.04%	-$13
Motorcycle	$330	$356	7.88%	$26
Snowmobile	$105	$103	-1.90%	-$2

The changes made to the base rate and the motorcycle dealer relativity is expected to decrease rating year written premium by $48,431 or 1.93 per cent.

4.17 Class LT – Trailer Dealers/Movers

The rate indication shows that a 32.7 per cent rate increase is required for these vehicles. A relativity analysis was performed by body type.

Recommendation: SGI recommends a 10 per cent increase to the base rate as well as changes to the relativities as shown in the table below.

Trailer Type	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
Utility Trailer	121	98,395	133,991	136.18%	0.1401	0.1527	0.1513	0.1513
Tent Trailer	1	464	4,612	993.12%	0.9785	0.1443	0.1696	0.1443
Semi-Trailer	55	137,022	7,213	5.26%	0.0210	0.5266	0.5000	0.5000
Transport Trailer	61	67,361	3,664	5.44%	0.0222	0.5616	0.5332	0.5332
Metal Cabin Trailer	116	294,686	543,599	184.47%	1.2259	1.0000	1.0665	1.0000
Fiberglass/Other Cabin Trailer	163	644,410	931,282	144.52%	1.0000	1.0000	1.0000	1.0000

The following shows the effect of these changes on the rates.

Trailer Type	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
Utility Trailer	$109	$119	9.17%	$10
Tent Trailer	$103	$113	9.71%	$10
Semi-Trailer	$376	$376	0.00%	$0
Transport Trailer	$401	$401	0.00%	$0
Metal Cabin Trailer	$714	$785	9.94%	$71
Fiberglass/Other Cabin Trailer	$714	$785	9.94%	$71

These changes will increase expected rating year written premium by 3.36 per cent or $1,273. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
x = 0%	132
0% < x =< 5%	0
5% < x =< 10%	426

$ Change	2007 Written Exposures
x = $0	132
$0 < x =< $10	127
$70 < x =< $80	299

4.18 Class MT – Snowmobiles

The rate indication indicates a 63.1 per cent rate decrease is required for this class.

Recommendation: SGI recommends that the rate be lowered by 10 per cent. The table below shows the proposed change.

Engine Size	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
All	$90	$81	-10%	-$9

These changes will decrease expected 2009 rating year written premium by 10 per cent or $51,226.

4.19 Class MT – Snowmobiles – U Drive

These vehicles are currently surcharged 30 per cent above the snowmobile rates. These types of vehicles have incurred no claims.

Recommendation: SGI recommends reducing the surcharge on these vehicles by 10 per cent to 20 per cent.

4.20 Class T – Private Trailers

The rate indication suggests that an increase of 14.7 per cent is warranted for the premiums for this class. A relativity analysis was performed on value and body style.

Recommendation: SGI recommends a 10 per cent increase in the base rate as well as changes to relativities. The results of the relativity analyses are shown below.

Value	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
$1,000 & Less	2,012	324,006	93,038	28.71%	0.2810	0.5346	0.4572	0.4811
$1,001 to 3,000	5,055	1,473,939	781,926	53.05%	1.0000	1.0000	1.0000	1.0000
$3,001 to 5,000	3,245	1,712,111	1,336,118	78.04%	2.5537	1.8774	2.3498	2.0652
$5,001 to 10,000	3,517	3,549,109	3,744,749	105.51%	7.0573	3.8774	7.0573	4.2652
$10,001 to 15,000	2,877	3,484,472	5,388,504	154.64%	12.1755	4.5399	12.1755	4.9939
$15,001 to 20,000	2,671	4,027,167	5,266,760	130.78%	12.0434	5.3002	12.0434	5.8302
$20,001 to 25,000	1,794	3,015,943	3,118,285	103.39%	13.1340	7.3002	12.4417	8.0302
$25,001 to 40,000	3,117	5,052,105	3,506,057	69.40%	10.5371	8.7753	10.5224	9.6528
$40,001 to 60,001	905	1,430,228	993,382	69.46%	11.6717	9.7682	10.7111	10.7111
$60,001 to 80,000	257	380,244	259,540	68.26%	12.5726	10.7559	11.2432	11.2432
$80,001 to 100,000	34	53,173	119,891	225.47%	45.6380	11.6194	15.7524	12.7814
$100,001 & More	8	21,528	24,610	114.31%	27.5782	14.2049	15.2795	15.2795
Trailer Type	**2007 Earned Exposures**	**2000 - 2007 Earned Premium ($)**	**2000 - 2007 Ultimate Losses ($)**	**2000 - 2007 Loss Ratio**	**8-Year Relativity**	**Current Relativity**	**Credibility Weighted Relativity**	**Selected Relativity**
55 (Tent)	1,941	748,493	438,219	58.55%	0.2109	0.8093	0.5422	0.7284
57 (Semi) & 58 (Transport)	4,660	1,106,465	296,185	26.77%	0.1315	0.8533	0.6319	0.7680
62 (Metal Cabin)	11,528	14,439,123	18,045,467	124.98%	1.0000	1.0000	1.0000	1.0000
63 (Fiberglass)	7,362	8,229,945	5,852,990	71.12%	0.9311	0.8694	0.9311	0.9311

Utility trailers were handled separately because of the large volume of exposures. The five-year ultimate loss ratio was calculated as shown below.

	2007 Earned Exposures	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Earned Premium ($)	8-Year Ultimate Loss Ratio
Utility	59,415	1,473,518	8,093,282	18.21%

The loss ratio is very low for utility trailers so SGI recommends that their premium remains at $20.

The current and proposed rates are shown below.

Current Rate

	Trailer Type				
Value	50 (Utility)	55 (Tent)	57 (Semi) & 58 (Transport)	62 (Metal Cabin)	63 (Fiberglass)
$1,000 & Less	$20	$20	$20	$22	$20
$1,001 to 3,000	$20	$35	$37	$44	$38
$3,001 to 5,000	$20	$66	$70	$82	$71
$5,001 to 10,000	$20	$136	$144	$170	$147
$10,001 to 15,000	$20	$159	$169	$199	$172
$15,001 to 20,000	$20	$186	$197	$232	$201
$20,001 to 25,000	$20	$256	$271	$320	$277
$25,001 to 40,000	$20	$308	$326	$384	$333
$40,001 to 60,001	$20	$342	$363	$428	$371
$60,001 to 80,000	$20	$377	$400	$471	$408
$80,001 to 100,000	$20	$407	$432	$509	$441
$100,001 & More	$20	$498	$528	$622	$539

Proposed Rate

	Trailer Type				
Value	50 (Utility)	55 (Tent)	57 (Semi) & 58 (Transport)	62 (Metal Cabin)	63 (Fiberglass)
$1,000 & Less	$20	$18	$18	$23	$22
$1,001 to 3,000	$20	$35	$37	$48	$41
$3,001 to 5,000	$20	$72	$77	$90	$78
$5,001 to 10,000	$20	$149	$158	$187	$161
$10,001 to 15,000	$20	$174	$185	$218	$189
$15,001 to 20,000	$20	$204	$216	$255	$221
$20,001 to 25,000	$20	$281	$298	$352	$304
$25,001 to 40,000	$20	$338	$358	$422	$366
$40,001 to 60,001	$20	$376	$398	$470	$408
$60,001 to 80,000	$20	$396	$418	$518	$448
$80,001 to 100,000	$20	$447	$475	$559	$485
$100,001 & More	$20	$539	$568	$684	$592

% Change

Value	Trailer Type				
	50 (Utility)	55 (Tent)	57 (Semi) & 58 (Transport)	62 (Metal Cabin)	63 (Fiberglass)
$1,000 & Less	0.00%	-10.00%	-10.00%	4.55%	10.00%
$1,001 to 3,000	0.00%	0.00%	0.00%	9.09%	7.89%
$3,001 to 5,000	0.00%	9.09%	10.00%	9.76%	9.86%
$5,001 to 10,000	0.00%	9.56%	9.72%	10.00%	9.52%
$10,001 to 15,000	0.00%	9.43%	9.47%	9.55%	9.88%
$15,001 to 20,000	0.00%	9.68%	9.64%	9.91%	9.95%
$20,001 to 25,000	0.00%	9.77%	9.96%	10.00%	9.75%
$25,001 to 40,000	0.00%	9.74%	9.82%	9.90%	9.91%
$40,001 to 60,001	0.00%	9.94%	9.64%	9.81%	9.97%
$60,001 to 80,000	0.00%	5.04%	4.50%	9.98%	9.80%
$80,001 to 100,000	0.00%	9.83%	9.95%	9.82%	9.98%
$100,001 & More	0.00%	8.23%	7.58%	9.97%	9.83%

$ Change

Value	Trailer Type				
	50 (Utility)	55 (Tent)	57 (Semi) & 58 (Transport)	62 (Metal Cabin)	63 (Fiberglass)
$1,000 & Less	$0	-$2	-$2	$1	$2
$1,001 to 3,000	$0	$0	$0	$4	$3
$3,001 to 5,000	$0	$6	$7	$8	$7
$5,001 to 10,000	$0	$13	$14	$17	$14
$10,001 to 15,000	$0	$15	$16	$19	$17
$15,001 to 20,000	$0	$18	$19	$23	$20
$20,001 to 25,000	$0	$25	$27	$32	$27
$25,001 to 40,000	$0	$30	$32	$38	$33
$40,001 to 60,001	$0	$34	$35	$42	$37
$60,001 to 80,000	$0	$19	$18	$47	$40
$80,001 to 100,000	$0	$40	$43	$50	$44
$100,001 & More	$0	$41	$40	$62	$53

For those body styles, excluding utility, the changes will result in an approximate increase of 7.47 per cent or $443,593 in rating year written premium. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
-10% =< x < -5%	1,155
-5.0% =< x < -0%	0
x = 0%	66,067
0% < x =< 5%	840
5% < x =< 10%	23,349

$ Change	2007 Written Exposures
-$10 =< x < $0	1,155
x = $0	66,067
$0 < x =< $10	7,459
$10 < x =< $20	8,412
$20 < x =< $30	2,605
$30 < x =< $40	5,525
$40 < x =< $50	178
$50 < x =< $60	8
$60 < x =< $70	1

4.21 Class TS – Commercial Trailers

The rate indication for this class is for a 5.3 per cent rate increase. These trailers are rated by value up to $15,000 and are then charged $19 per $1,000 of value above $15,000. A relativity analysis was completed for the value bands up to $15,000 and a loss ratio analysis was done for those trailers with values above $15,000.

Recommendation: SGI proposes an increase to the base rate of 4.5 per cent, as well as changes to the relativities. Due to rounding to a whole number and the minimal monetary value of the base rate, the actual effect of the 4.5 per cent rate increase is only 3.64 per cent. The analysis and results are shown below.

Value	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity Credibility	Weighted Relativity	Selected Relativity
$2,000 & Less	7,521	2,205,967	983,115	44.57%	0.2104	0.4545	0.2911	0.4091
$2,001 - 5,000	14,403	5,684,308	6,348,962	111.69%	1.0000	1.0000	1.0000	1.0000
$5,001 - 7,000	2,277	1,646,180	617,372	37.50%	0.5356	1.3636	1.0281	1.2273
$7,001 - 10,000	2,755	2,753,981	1,247,696	45.31%	0.9097	1.9273	1.4166	1.7345
$10,001 - 12,000	1,279	1,354,137	785,340	58.00%	1.4245	2.3818	2.0465	2.1436
$12,001 - 15,000	2,842	13,133,887	8,739,871	66.54%	3.1402	4.6727	3.1402	4.2055
More Than 15,000	1,385	5,539,729	2,314,628	41.78%	3.2823			

Value	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
$2000 & Less	$25	$24	-4.00%	-$1
$2,001 - 5,000	$55	$57	3.64%	$2
$5,001 - 7,000	$75	$71	-5.33%	-$4
$7,001 - 10,000	$106	$100	-5.66%	-$6
$10,001 - 12,000	$131	$123	-6.11%	-$8
$12,001 - 15,000	$257	$242	-5.84%	-$15

The changes to the relativities for those trailers valued at less than $15,000 is expected to increase rating year written premium by 1.1 per cent or $14,696.

Commercial Vehicles

Classes A, C and D make up the commercial vehicles that are part of the Auto Fund's fleet.

Private insurance companies generally rate these types of vehicles based on the use of the vehicle. Various uses include artisan trucks, petroleum trucks, gravel trucks, etc. The data required for an actuarial analysis of the use of the truck as a rating variable is not available on the Auto Fund's system at this time. With the Auto Fund system redevelopment project, this data will be collected and analyzed over time.

Class A – Public Service – Interprovincial Trucks

This class is comprised of three subclasses – one-ton models and smaller, heavy trucks and vans, and power units. Each of the subclasses was analyzed individually and the results of these are discussed below.

4.22 Class A – Light – One-Ton Models and Smaller

The rate indication for this subclass shows that a 192.7 per cent rate increase is warranted. Currently these vehicles run off of the LV – Private Passenger rate table.

Recommendation: Currently these rates are surcharged 10 per cent. SGI recommends increasing this surcharge by 10 per cent to 20 per cent.

4.23 Class A – Heavy Trucks

The rate indication shows that a decrease of 18.4 per cent is warranted for this class of vehicles.

A relativity analysis was performed on gross vehicle weight (GVW) and model year for these vehicles.

Recommendation: SGI also recommends a five per cent reduction to the base rate for this class. A relativity analysis was done on model year and GVW. The results of these analyses are shown below.

GVW	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
no GVW	15	204,481	243,983	119.32%	1.4728	0.7101	0.9107	0.7101
5,001-11,000	232	941,083	916,481	97.39%	1.0557	0.7101	0.8764	0.7101
11,001-13,000	66	382,164	354,773	92.83%	1.3081	0.8762	1.0067	0.8762
13,001-22,000	365	2,295,803	1,340,155	58.37%	1.0000	1.0000	1.0000	1.0000
22,001-34,000	297	1,622,127	620,954	38.28%	0.7051	1.1060	0.9911	1.1060
34,001-40,000	46	301,802	117,798	39.03%	0.8648	1.2607	1.2006	1.2607
40,001-50,000	79	432,864	157,880	36.47%	0.9474	1.3407	1.2860	1.3407
50,001-62,500	27	315,384	165,773	52.56%	1.4463	1.5696	1.5546	1.5696
Model Year	**2007 Earned Exposures**	**2000 - 2007 Earned Premium ($)**	**2000 - 2007 Ultimate Losses ($)**	**2000 - 2007 Loss Ratio**	**8-Year Relativity**	**Current Relativity**	**Credibility Weighted Relativity**	**Selected Relativity**
<1976	12	40,371	10,933	27.08%	0.1504	0.3807	0.3650	0.4187
1976	0	12,402	2,272	18.32%	0.2525	0.7954	0.7789	0.7954
1977-1981	24	330,895	70,692	21.36%	0.3272	0.9041	0.8114	0.9041
1982-1986	38	350,691	106,987	30.51%	0.3979	0.9248	0.8151	0.9248
1987-1991	87	807,784	347,386	43.00%	0.5649	0.9481	0.8185	0.9481
1992-1996	151	1,408,861	917,163	65.10%	0.9356	0.9690	0.9543	0.9690
1997-2001	271	2,113,027	1,421,449	67.27%	1.0000	1.0000	1.0000	1.0000
2002-2006	423	1,286,666	1,018,476	79.16%	1.1856	1.0315	1.0934	1.0315
2007-2011	122	145,011	22,438	15.47%	0.2714	1.0642	1.0052	1.0642

The rate change for any particular model year/GVW combination was capped at +10 per cent and –10 per cent. 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
no GVW	$280	$426	$585	$585	$585	$585	$585	$585	$585
5,001-11,000	$280	$426	$585	$585	$585	$585	$585	$585	$585
11,001-13,000	$301	$542	$702	$730	$745	$745	$745	$745	$745
13,001-22,000	$318	$698	$742	$771	$800	$829	$873	$917	$962
22,001-34,000	$349	$818	$818	$846	$878	$910	$957	$1,005	$1,056
34,001-40,000	$385	$945	$945	$965	$1,001	$1,038	$1,092	$1,147	$1,204
40,001-50,000	$385	$1,016	$1,016	$1,032	$1,071	$1,110	$1,168	$1,227	$1,288
50,001-62,500	$385	$1,114	$1,200	$1,247	$1,294	$1,341	$1,411	$1,482	$1,556

Proposed Rate

	Model Year								
GVW	**<1976**	**1976**	**1977-1981**	**1982-1986**	**1987-1991**	**1992-1996**	**1997-2001**	**2002-2006**	**2007-2011**
no GVW	$252	$468	$532	$544	$558	$570	$589	$607	$626
5,001-11,000	$252	$468	$532	$544	$558	$570	$589	$607	$626
11,001-13,000	$304	$578	$657	$672	$689	$704	$726	$749	$773
13,001-22,000	$347	$659	$749	$767	$786	$803	$829	$855	$882
22,001-34,000	$383	$737	$829	$848	$869	$888	$917	$946	$976
34,001-40,000	$423	$851	$945	$966	$991	$1,013	$1,045	$1,078	$1,112
40,001-50,000	$423	$915	$1,005	$1,028	$1,054	$1,077	$1,111	$1,146	$1,183
50,001-62,500	$423	$1,035	$1,176	$1,203	$1,234	$1,261	$1,301	$1,342	$1,401

% Change

	Model Year								
GVW	**<1976**	**1976**	**1977-1981**	**1982-1986**	**1987-1991**	**1992-1996**	**1997-2001**	**2002-2006**	**2007-2011**
no GVW	-10.00%	9.86%	-9.06%	-7.01%	-4.62%	-2.56%	0.68%	3.76%	7.01%
5,001-11,000	-10.00%	9.86%	-9.06%	-7.01%	-4.62%	-2.56%	0.68%	3.76%	7.01%
11,001-13,000	1.00%	6.64%	-6.41%	-7.95%	-7.52%	-5.50%	-2.55%	0.54%	3.76%
13,001-22,000	9.12%	-5.59%	0.94%	-0.52%	-1.75%	-3.14%	-5.04%	-6.76%	-8.32%
22,001-34,000	9.74%	-9.90%	1.34%	0.24%	-1.03%	-2.42%	-4.18%	-5.87%	-7.58%
34,001-40,000	9.87%	-9.95%	0.00%	0.10%	-1.00%	-2.41%	-4.30%	-6.02%	-7.64%
40,001-50,000	9.87%	-9.94%	-1.08%	-0.39%	-1.59%	-2.97%	-4.88%	-6.60%	-8.15%
50,001-62,500	9.87%	-7.09%	-2.00%	-3.53%	-4.64%	-5.97%	-7.80%	-9.45%	-9.96%

$ Change

	Model Year								
GVW	**<1976**	**1976**	**1977-1981**	**1982-1986**	**1987-1991**	**1992-1996**	**1997-2001**	**2002-2006**	**2007-2011**
no GVW	-$28	$42	-$53	-$41	-$27	-$15	$4	$22	$41
5,001-11,000	-$28	$42	-$53	-$41	-$27	-$15	$4	$22	$41
11,001-13,000	$3	$36	-$45	-$58	-$56	-$41	-$19	$4	$28
13,001-22,000	$29	-$39	$7	-$4	-$14	-$26	-$44	-$62	-$80
22,001-34,000	$34	-$81	$11	$2	-$9	-$22	-$40	-$59	-$80
34,001-40,000	$38	-$94	$0	$1	-$10	-$25	-$47	-$69	-$92
40,001-50,000	$38	-$101	-$11	-$4	-$17	-$33	-$57	-$81	-$105
50,001-62,500	$38	-$79	-$24	-$44	-$60	-$80	-$110	-$140	-$155

The impact of the changes to this subclass would reduce premiums by approximately 4.10 per cent or $44,196 in written premium.

The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
-15% =< x < -10%	5
-10% =< x < -5%	595
-5.0% =< x < -0%	374
x = 0%	0
0% < x =< 5%	220
5% < x =< 10%	56

$ Change	2007 Written Exposures
-$160 =< x < -$150	5
-$140 =< x < -$130	10
-$110 =< x < -$100	24
-$100 =< x < -$90	8
-$90 =< x < -$80	32
-$80 =< x < -$70	104
-$70 =< x < -$60	132
-$60 =< x < -$50	185
-$50 =< x < -$40	135
-$40 =< x < -$30	94
-$30 =< x < -$20	133
-$20 =< x < -$10	81
-$10 =< x < $0	33
x = $0	0
$0 < x =< $10	86
$10 < x =< $20	7
$20 < x =< $30	133
$30 < x =< $40	3
$40 < x =< $50	48

4.24 Class A – Power Units

The rate indication shows that an increase of eight per cent is warranted for this class of vehicles.

A relativity analysis was performed on GVW and model year for these vehicles.

Recommendation: SGI also recommends an eight per cent increase to the base rate for this class. A relativity analysis was done on model year and gross vehicle weight. The results of these analyses are shown below.

GVW	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
5,001-11,000	5	14,650	3,843	26.23%	0.0553	0.3620	0.3488	0.3620
11,001-13,000	14	20,556	0	0.00%	0.0000	0.4583	0.4583	0.4583
13,001-22,000	57	288,204	114,807	39.84%	0.1716	0.5343	0.4701	0.5343
22,001-34,000	142	1,164,461	1,155,911	99.27%	0.5115	0.6066	0.5714	0.6066
34,001-40,000	1,203	16,043,852	26,371,026	164.37%	1.0230	0.8500	1.0230	0.8500
40,001-55,000	2,456	25,566,125	33,407,436	130.67%	1.0000	1.0000	1.0000	1.0000
55,001-62,500	1,874	25,402,363	25,170,721	99.09%	0.8629	1.0949	0.8629	1.0949

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
<1976	7	29,442	6,341	21.54%	0.0497	0.2974	0.2824	0.3272
1976	2	33,279	0	0.00%	0.0000	0.8066	0.8066	0.8066
1977-1981	26	507,373	97,533	19.22%	0.1482	0.8746	0.7760	0.8746
1982-1986	40	1,030,828	295,078	28.63%	0.2255	0.9139	0.7589	0.9139
1987-1991	118	3,511,201	2,285,502	65.09%	0.5217	0.9528	0.7227	0.9528
1992-1996	551	14,162,675	12,412,354	87.64%	0.7243	0.9762	0.7243	0.9762
1997-2001	1,968	35,207,204	43,694,297	124.11%	1.0000	1.0000	1.0000	1.0000
2002-2006	2,193	12,194,338	14,956,353	122.65%	0.8571	1.0227	0.8571	1.0227
2007-2011	845	1,823,872	12,476,286	684.05%	5.7918	1.0484	3.0237	1.0484

The rate change for any particular model year/GVW combination was capped at +10 per cent and −10. 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
5,001-11,000	$280	$426	$502	$529	$553	$566	$580	$585	$600
11,001-13,000	$280	$581	$670	$705	$737	$755	$773	$793	$813
13,001-22,000	$280	$784	$791	$833	$870	$892	$914	$936	$960
22,001-34,000	$280	$961	$961	$961	$988	$1,012	$1,037	$1,063	$1,089
34,001-40,000	$385	$1,170	$1,306	$1,375	$1,437	$1,472	$1,508	$1,546	$1,584
40,001-55,000	$385	$1,415	$1,570	$1,653	$1,727	$1,770	$1,813	$1,858	$1,905
55,001-62,500	$385	$1,634	$1,727	$1,818	$1,900	$1,947	$1,994	$2,044	$2,095

Proposed Rate

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-11,000	$252	$468	$552	$581	$608	$622	$638	$643	$660
11,001-13,000	$294	$639	$737	$775	$810	$830	$850	$872	$894
13,001-22,000	$308	$844	$870	$916	$957	$981	$1,005	$1,029	$1,056
22,001-34,000	$308	$958	$1,039	$1,057	$1,086	$1,113	$1,140	$1,169	$1,197
34,001-40,000	$423	$1,287	$1,436	$1,512	$1,580	$1,619	$1,658	$1,700	$1,742
40,001-55,000	$423	$1,556	$1,713	$1,789	$1,866	$1,911	$1,958	$2,002	$2,053
55,001-62,500	$423	$1,729	$1,875	$1,959	$2,043	$2,093	$2,144	$2,193	$2,248

% Change

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-11,000	-10.00%	9.86%	9.96%	9.83%	9.95%	9.89%	10.00%	9.91%	10.00%
11,001-13,000	5.00%	9.98%	10.00%	9.93%	9.91%	9.93%	9.96%	9.96%	9.96%
13,001-22,000	10.00%	7.65%	9.99%	9.96%	10.00%	9.98%	9.96%	9.94%	10.00%
22,001-34,000	10.00%	-0.31%	8.12%	9.99%	9.92%	9.98%	9.93%	9.97%	9.92%
34,001-40,000	9.87%	10.00%	9.95%	9.96%	9.95%	9.99%	9.95%	9.96%	9.97%
40,001-55,000	9.87%	9.96%	9.11%	8.23%	8.05%	7.97%	8.00%	7.75%	7.77%
55,001-62,500	9.87%	5.81%	8.57%	7.76%	7.53%	7.50%	7.52%	7.29%	7.30%

$ Change

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-11,000	-$28	$42	$50	$52	$55	$56	$58	$58	$60
11,001-13,000	$14	$58	$67	$70	$73	$75	$77	$79	$81
13,001-22,000	$28	$60	$79	$83	$87	$89	$91	$93	$96
22,001-34,000	$28	-$3	$78	$96	$98	$101	$103	$106	$108
34,001-40,000	$38	$117	$130	$137	$143	$147	$150	$154	$158
40,001-55,000	$38	$141	$143	$136	$139	$141	$145	$144	$148
55,001-62,500	$38	$95	$148	$141	$143	$146	$150	$149	$153

The impact of these changes to the base rate and relativities would increase premiums by approximately 8.09 per cent or $914,432 in written premium. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below:

% Change	2007 Written Exposures
-10% =< x < -5%	1
-5.0% =< x < -0%	1
x = 0%	0
0% < x =< 5%	0
5% < x =< 10%	6,260

$ Change	2007 Written Exposures
-$30 =< x < -$20	1
-$10 =< x < $0	1
x = $0	0
$20 < x =< $30	3
$30 < x =< $40	2
$40 < x =< $50	0
$50 < x =< $60	5
$60 < x =< $70	0
$70 < x =< $80	12
$80 < x =< $90	28
$90 < x =< $100	51
$100 < x =< $110	139
$110 < x =< $120	0
$120 < x =< $130	3
$130 < x =< $140	81
$140 < x =< $150	4,731
$150 < x =< $160	1,205

4.25 Class A – $15,000 Deductible

There is a $15,000 deductible option for both Heavy Trucks and Power Units. A relativity analysis was performed on the regular deductible and the $15,000 deductible. The results are shown below.

Regular Deductible:	1.000
$15,000 Deductible	0.585

Recommendation: Currently the rate for the $15,000 deductible option is a 38 per cent discount off the regular deductible rate. SGI proposes changing to a 40 per cent discount.

4.26 Class A – Excess Coverage

Currently a policyholder insuring a vehicle valued at more than $15,000 is charged $19 per $1,000 of coverage. A loss ratio approach was used to analyze the excess claims and premiums. The results are shown below.

Accident Year	Excess Earned Premium ($)	Ultimate Claims Incurred on Excess Coverage ($)	Loss Ratio	Weight
2000	238,964	130,416	55%	5%
2001	62,313	127,104	204%	5%
2002	64,448	105,429	164%	5%
2003	78,655	58,927	75%	15%
2004	40,126	7,723	19%	15%
2005	47,572	114,641	241%	15%
2006	62,870	62,579	100%	20%
2007	72,383	27,959	39%	20%
Weighted Ultimate Loss Ratio on Excess Coverage			99%	

Although the 2005 and 2006 accident years' loss ratios are very high, accident years 2003, 2004 and 2007 were very good.

Recommendation: SGI recommends an increase of $1 to the current charge of $19, to $20 per $1,000 of value.

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 of the registration system. Classes C and D are defined differently for registration purposes. Before the classes can be combined totally the registration system would have to be updated.

The subclasses heavy trucks and vans, and power units were looked at individually.

4.27 Classes C and D – Heavy Trucks and Vans

The rate indication shows that these vehicles' premiums could sustain a 19.1 per cent decrease overall and remain adequate. A relativity analysis was performed on both GVW and model year. The 1976 model year was grouped with model years 1975 and older when performing the relativity analysis.

Recommendation: SGI recommends a reduction to the base rate of 10 per cent. The results of the relativity analysis are shown below.

GVW	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
5,001-20,000	6,045	32,776,593	18,671,663	56.97%	1.0000	1.0000	1.0000	1.0000
20,001-30,000	3,009	16,186,983	7,041,256	43.50%	1.0894	1.3545	1.0894	1.2191
30,001-40,000	793	4,423,539	1,940,579	43.87%	1.2223	1.4016	1.3033	1.3033
40,001-50,000	273	1,515,090	789,739	52.12%	1.7132	1.6375	1.6605	1.6605
50,001-62,500	75	480,834	274,146	57.01%	2.2684	2.0439	2.0907	2.0907

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
<1976	489	1,986,987	656,012	33.02%	0.2160	0.5335	0.4027	0.4801
1976	121	850,129	190,512	22.41%	0.2460	0.8798	0.7450	0.7918
1977-1981	965	7,200,659	2,466,203	34.25%	0.4218	0.9002	0.5943	0.8102
1982-1986	880	6,673,717	1,861,534	27.89%	0.3486	0.9251	0.5190	0.8326
1987-1991	1,615	10,824,654	4,574,218	42.26%	0.5707	0.9502	0.5740	0.8551
1992-1996	1,689	10,850,568	7,465,731	68.80%	0.9513	0.9751	0.9513	0.9513
1997-2001	2,090	11,889,633	7,973,339	67.06%	1.0000	1.0000	1.0000	1.0000
2002-2006	1,849	4,714,857	3,245,922	68.84%	1.0433	1.0249	1.0392	1.0392
2007-2011	497	391,836	283,912	72.46%	1.0781	1.0507	1.0567	1.0567

The final premium change was capped at -10 per cent and +10 per cent. The results on the premiums are 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
5,001-20,000	$330	$373	$384	$395	$405	$416	$427	$437	$448
20,001-30,000	$330	$523	$537	$552	$567	$582	$597	$611	$626
30,001-40,000	$330	$553	$556	$571	$587	$602	$617	$633	$649
40,001-50,000	$330	$642	$659	$677	$696	$714	$732	$751	$770
50,001-62,500	$330	$812	$835	$858	$881	$904	$927	$951	$975

Proposed Rate

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-20,000	$297	$336	$346	$356	$365	$375	$385	$399	$406
20,001-30,000	$297	$471	$484	$497	$511	$524	$538	$550	$564
30,001-40,000	$297	$498	$501	$514	$529	$542	$556	$570	$585
40,001-50,000	$306	$578	$594	$610	$627	$643	$659	$676	$693
50,001-62,500	$363	$731	$752	$773	$793	$814	$835	$856	$878

% Change

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-20,000	-10.00%	-9.92%	-9.90%	-9.87%	-9.88%	-9.86%	-9.84%	-8.70%	-9.38%
20,001-30,000	-10.00%	-9.94%	-9.87%	-9.96%	-9.88%	-9.97%	-9.88%	-9.98%	-9.90%
30,001-40,000	-10.00%	-9.95%	-9.89%	-9.98%	-9.88%	-9.97%	-9.89%	-9.95%	-9.86%
40,001-50,000	-7.27%	-9.97%	-9.86%	-9.90%	-9.91%	-9.94%	-9.97%	-9.99%	-10.00%
50,001-62,500	10.00%	-9.98%	-9.94%	-9.91%	-9.99%	-9.96%	-9.92%	-9.99%	-9.95%

$ Change

GVW	Model Year <1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-20,000	-$33	-$37	-$38	-$39	-$40	-$41	-$42	-$38	-$42
20,001-30,000	-$33	-$52	-$53	-$55	-$56	-$58	-$59	-$61	-$62
30,001-40,000	-$33	-$55	-$55	-$57	-$58	-$60	-$61	-$63	-$64
40,001-50,000	-$24	-$64	-$65	-$67	-$69	-$71	-$73	-$75	-$77
50,001-62,500	$33	-$81	-$83	-$85	-$88	-$90	-$92	-$95	-$97

The result of these changes is a 9.77 per cent reduction in expected written premium for heavy trucks and vans, which is an approximate reduction in rating year written premium of $548,235.

The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below.

% Change	2007 Written Exposures
-10% =< x < -5%	11,499

$ Change	2007 Written Exposures
-$100 =< x < -$90	68
-$90 =< x < -$80	16
-$80 =< x < -$70	279
-$70 =< x < -$60	1,273
-$60 =< x < -$50	2,952
-$50 =< x < -$40	2,737
$40 =< x < -$30	4,173
$30 =< x < -$20	1

4.28 Classes C and D – Power Units

The rate indication shows that these vehicles' premiums could sustain a 5.2 per cent decrease overall and remain adequate. A relativity analysis was performed on both GVW and model year. The 1976 model year was grouped with model years 1975 and older when performing the relativity analysis.

Recommendation: SGI recommends no change to the base rate. The results of the relativity analysis are shown below.

GVW	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
5,000-20,000	324	1,130,301	474,803	42.01%	0.1998	0.4101	0.3407	0.3691
20,001-30,000	377	1,808,943	817,171	45.17%	0.3205	0.5142	0.4355	0.4628
30,001-35,000	298	2,732,772	1,584,830	57.99%	0.4933	0.6324	0.5600	0.5692
35,001-36,000	22	211,825	80,957	38.22%	0.3728	0.7626	0.7096	0.7096
36,001-40,000	994	11,236,713	6,519,014	58.02%	0.7105	0.8929	0.7227	0.8036
40,001-50,000	1,540	14,561,744	10,326,527	70.92%	1.0000	1.0000	1.0000	1.0000
50,001-62,500	645	7,457,060	4,625,098	62.02%	0.9882	1.0417	1.0004	1.0004

Model Year	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
<1976	36	168,113	98,480	58.58%	0.2076	0.4237	0.3929	0.3929
1976	7	121,351	20,832	17.17%	0.1975	0.8685	0.8277	0.8277
1977-1981	76	1,416,655	314,026	22.17%	0.2622	0.8967	0.7378	0.8070
1982-1986	146	2,628,636	907,679	34.53%	0.4482	0.9037	0.7424	0.8133
1987-1991	472	7,633,607	2,957,762	38.75%	0.5512	0.9899	0.6896	0.8909
1992-1996	1,007	11,711,431	7,665,498	65.45%	1.0000	1.0000	1.0000	1.0000
1997-2001	1,466	11,473,898	8,497,938	74.06%	1.1568	1.0250	1.1568	1.1275
2002-2006	733	3,546,773	3,360,258	94.74%	1.4667	1.0500	1.3059	1.1550
2007-2011	257	438,893	605,925	138.06%	2.1162	1.0761	1.2995	1.1837

The final premium change was capped at +5 per cent and -10 per cent. The results on the premiums are 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
5,001-20,000	$330	$361	$380	$384	$422	$427	$437	$448	$459
20,001-30,000	$330	$523	$523	$523	$557	$563	$577	$591	$606
30,001-35,000	$330	$639	$662	$668	$735	$742	$761	$779	$798
35,001-36,000	$330	$799	$827	$834	$918	$927	$951	$974	$998
36,001-40,000	$330	$946	$994	$1,003	$1,104	$1,115	$1,143	$1,171	$1,200
40,001-50,000	$330	$1,074	$1,130	$1,140	$1,256	$1,268	$1,300	$1,332	$1,365
50,001-62,500	$330	$1,170	$1,176	$1,187	$1,307	$1,320	$1,353	$1,386	$1,421

Proposed Rate

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-20,000	$297	$356	$347	$350	$384	$431	$458	$470	$481
20,001-30,000	$297	$471	$471	$471	$502	$540	$605	$620	$636
30,001-35,000	$297	$576	$596	$602	$662	$668	$749	$767	$786
35,001-36,000	$325	$720	$745	$751	$827	$835	$933	$956	$980
36,001-40,000	$346	$852	$895	$903	$994	$1,004	$1,057	$1,083	$1,110
40,001-50,000	$346	$967	$1,017	$1,026	$1,131	$1,167	$1,315	$1,347	$1,381
50,001-62,500	$346	$1,053	$1,059	$1,069	$1,177	$1,188	$1,316	$1,348	$1,381

% Change

	Model Year								
GVW	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-20,000	-10.0%	-1.4%	-8.7%	-8.9%	-9.0%	0.9%	4.8%	4.9%	4.8%
20,001-30,000	-10.0%	-9.9%	-9.9%	-9.9%	-9.9%	-4.1%	4.9%	4.9%	5.0%
30,001-35,000	-10.0%	-9.9%	-10.0%	-9.9%	-9.9%	-10.0%	-1.6%	-1.5%	-1.5%
35,001-36,000	-1.5%	-9.9%	-9.9%	-10.0%	-9.9%	-9.9%	-1.9%	-1.8%	-1.8%
36,001-40,000	4.8%	-9.9%	-10.0%	-10.0%	-10.0%	-10.0%	-7.5%	-7.5%	-7.5%
40,001-50,000	4.8%	-10.0%	-10.0%	-10.0%	-10.0%	-8.0%	1.2%	1.1%	1.2%
50,001-62,500	4.8%	-10.0%	-9.9%	-9.9%	-9.9%	-10.0%	-2.7%	-2.7%	-2.8%

$ Change

GVW	Model Year <1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006	2007-2011
5,001-20,000	-$33	-$5	-$33	-$34	-$38	$4	$21	$22	$22
20,001-30,000	-$33	-$52	-$52	-$52	-$55	-$23	$28	$29	$30
30,001-35,000	-$33	-$63	-$66	-$66	-$73	-$74	-$12	-$12	-$12
35,001-36,000	-$5	-$79	-$82	-$83	-$91	-$92	-$18	-$18	-$18
36,001-40,000	$16	-$94	-$99	-$100	-$110	-$111	-$86	-$88	-$90
40,001-50,000	$16	-$107	-$113	-$114	-$125	-$101	$15	$15	$16
50,001-62,500	$16	-$117	-$117	-$118	-$130	-$132	-$37	-$38	-$40

The result of these changes is a 3.99 per cent decrease in expected written premium for power units which is an approximate decrease in rating year written premium of $211,431. The dislocation of the 2007 written exposures by per cent change to the base rates and dollar change to the base rates is shown below.

% Change	2007 Written Exposures
-10% =< x < -5%	2,265
-5.0% =< x < -0%	827
x = 0%	0
0% < x =< 5%	1,755

$ Change	2007 Written Exposures
-$140 =< x < -$130	152
-$130 =< x < -$120	167
-$120 =< x < -$110	328
-$110 =< x < -$100	541
-$100 =< x < -$90	84
-$90 =< x < -$80	592
-$80 =< x < -$70	127
-$70 =< x < -$60	39
-$60 =< x < -$50	94
-$50 =< x < -$40	0
-$40 =< x < -$32	707
-$32 =< x < -$20	107
-$20 =< x < -$10	152
-$10 =< x < $0	2
x = $0	0
$0 < x =< $10	87
$10 < x =< $20	1,271
$20 < x =< $32	397

4.29 Classes C and D – Excess Coverage

Currently a policyholder insuring a vehicle valued more than $15,000 is charged $19 per $1,000 of coverage. A loss ratio approach was used to analyze the excess claims and premiums. The results are shown below.

Accident Year	Excess Earned Premium ($)	Ultimate Claims Incurred on Excess Coverage ($)	Loss Ratio	Weight
2000	347,698	115,102	33%	5%
2001	339,852	441,129	130%	5%
2002	314,298	204,554	65%	5%
2003	327,177	103,110	32%	15%
2004	364,422	379,716	104%	15%
2005	416,260	193,910	47%	15%
2006	516,340	343,264	66%	20%
2007	600,344	256,198	43%	20%
Weighted Ultimate Loss Ratio on Excess Coverage			61%	

Recommendation: SGI recommends no change to the current charge of $19 per $1,000 of value.

4.30 Classes C and D – Industrial Tracked Vehicle

A loss ratio analysis was done for these vehicles based on combined Class C and D data. As shown in the table below the data is very thin for this vehicle type.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	458	-	0%
2001	583	-	0%
2002	635	-	0%
2003	484	-	0%
2004	389	11,837	3,046%
2005	422	6,440	1,527%
2006	372	-	0%
2007	360	-	0%
Total	3,703	18,278	494%

Recommendation: SGI recommends no change to the current premium of $200 for this vehicle type.

4.31 Class C - Tractor

There were no losses incurred by this type of vehicle in the analysis period.

Recommendation: SGI recommends that the premium remain at its current level of $65.

4.32 Class LV – Restricted Buses

Because of the thinness of the data, simple pure premium relativity and loss ratio analyses were performed.

Recommendation: SGI recommends a decrease of five per cent to the base rate and no change to the relativities. The results of the relativity and loss ratio analyses are shown in the tables below.

Seating Capacity	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
15 or Less Capacity	39	101,660	52,837	51.97%	1.0000	1.0000	1.0000	1.0000
16 to 24 Capacity	5	16,509	3,085	18.69%	0.3716	1.0126	0.9789	1.0126
25 and More Capacity	11	40,850	10,994	26.91%	0.6435	1.1639	1.1285	1.1639

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	22,176	8,900	40.13%
2001	24,279	11,038	45.46%
2002	24,682	5,744	23.27%
2003	22,667	14,158	62.46%
2004	19,387	1,558	8.04%
2005	17,550	13,077	74.51%
2006	15,880	9,104	57.33%
2007	12,396	5,698	45.97%
Total	159,018	69,277	43.57%

The impact on the rates is shown below.

Seating Capacity	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
15 or Less Capacity	$238	$226	-5.04%	-$12
16 to 24 Capacity	$241	$229	-4.98%	-$12
25 and More Capacity	$277	$263	-5.05%	-$14

An overall decrease of 5.04 per cent in premiums would result in an estimated decrease of $653 to this class's expected rating year written premium.

4.33 Class LV – Buses

The data for this class is very thin as well. Loss ratio and relativity analyses were performed.

Recommendation: SGI recommends a five per cent increase to the base rate and no changes to the relativities. The results of the relativity and loss ratio analyses are shown in the tables below.

Seating Capacity	2007 Earned Exposures	2000 - 2007 Earned Premium ($)	2000 - 2007 Ultimate Losses ($)	2000 - 2007 Loss Ratio	8-Year Relativity	Current Relativity	Credibility Weighted Relativity	Selected Relativity
15 or Less Capacity	111	132,187	100,469	76.01%	0.8103	0.7310	0.7415	0.7310
16 to 24 Capacity	67	115,882	278,341	240.19%	2.9483	0.9357	1.2591	0.9357
25 and More Capacity	113	267,523	185,339	69.28%	1.0000	1.0000	1.0000	1.0000

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	50,637	6,171	12.19%
2001	48,215	6,346	13.16%
2002	53,584	13,072	24.40%
2003	61,466	23,410	38.09%
2004	69,022	30,585	44.31%
2005	71,699	197,893	276.01%
2006	77,733	366,893	471.99%
2007	83,235	64,943	78.02%
Total	515,591	709,313	137.57%

A table outlining the proposed change is below.

Seating Capacity	Current Premium	Proposed Premium	% Change in Premium	$ Change in Premium
15 or Less Capacity	$250	$263	5.20%	$13
16 to 24 Capacity	$320	$336	5.00%	$16
25 and More Capacity	$342	$359	4.97%	$17

The expected impact on the rating year written premium is an increase of 5.05 per cent or $4,694.

4.34 Class LV – Hearses

These vehicles are currently charged the LV – Private Passenger rate with a cap of $400. The data for this class is very thin. A loss ratio analysis was performed and the results are shown below.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	38,196	3,721	9.74%
2001	43,256	56,601	130.85%
2002	41,910	9,074	21.65%
2003	42,418	6,159	14.52%
2004	41,434	16,905	40.80%
2005	40,139	21,873	54.49%
2006	40,072	31,649	78.98%
2007	42,349	41,321	97.57%
Total	329,774	187,302	56.80%

Recommendation: SGI recommends no change to the capped rate for this class.

4.35 Class LV – Ambulances

These vehicles are currently charged an insurance premium of $823. The data for this class is very thin. A loss ratio analysis was performed and the results are shown below.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	193,233	74,834	38.73%
2001	192,168	267,700	139.31%
2002	198,467	188,467	94.96%
2003	202,501	215,210	106.28%
2004	202,096	163,912	81.11%
2005	198,964	160,404	80.62%
2006	195,906	119,518	61.01%
2007	198,450	70,721	35.64%
Total	1,581,783	1,260,765	79.71%

Recommendation: SGI recommends no change to the rates for this class

4.36 Class LV – Pedal Bikes

These vehicles are currently charged $40. A loss ratio analysis was performed.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	1,197	0	0.00%
2001	1,541	0	0.00%
2002	1,728	0	0.00%
2003	1,497	500	33.42%
2004	1,075	161,067	14,978.79%
2005	1,164	0	0.00%
2006	1,751	0	0.00%
2007	603	0	0.00%
Total	10,557	161,567	1,530.45%

Recommendation: SGI recommends an increase of 10 per cent to $44 for the premium for this class.

4.37 Class PV – Heavy Trucks and Vans

A loss ratio analysis was performed for this class.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	1,237,390	627,191	50.69%
2001	1,221,289	470,102	38.49%
2002	1,306,726	990,674	75.81%
2003	965,433	465,377	48.20%
2004	470,457	227,363	48.33%
2005	165,510	108,963	65.83%
2006	128,371	28,295	22.04%
2007	154,552	26,538	17.17%
Total	5,649,730	2,944,504	52.12%

Recommendation: Since the data for this class is thin SGI recommends no changes to rates for this class.

4.38 Class PV – Power Units

A loss ratio analysis was performed for this class.

Accident Year	Earned Premium ($)	Ultimate Losses ($)	Loss Ratio
2000	3,916	0	0.00%
2001	10,013	0	0.00%
2002	10,140	0	0.00%
2003	11,013	1,182	10.73%
2004	9,663	0	0.00%
2005	6,790	1,508	22.20%
2006	5,797	3,030	52.26%
2007	9,471	19,231	203.07%
Total	66,804	24,950	37.35%

Recommendation: Since the data for this class is thin SGI recommends no changes to rates for this class.

5. Verification of Indicated Increase with 2008 Data

Since the time that this rate indication was first completed, 2008 loss year data has become available. To verify the 4.2 per cent indicated and proposed rate change for all vehicles, excluding trailers, an updated analysis was completed using 2008 loss year data.

Listed below are other changes made from the original rate indications. For the updated indication, the projected rating year used was Nov. 1, 2009 to Oct. 31, 2010.

- The investment income on the Rate Stabilization Reserve (RSR) amount has been updated based on forecasted expected RSR values in 2009 and 2010, rather than the required RSR amount to meet the 100 per cent to 125 per cent MCT target.
- The discount rate has been updated to reflect the current economic forecast for the Auto Fund. It has been decreased from 5.18 per cent to 3.99 per cent.
- Payment patterns have been updated based on the Dec. 31, 2008 actuarial valuation. Payment patterns are used to determine the annual discount factor by coverage line.
- Both fixed and variable expenses have been updated based on the final approved budgeted forecast for 2009 and 2010, and the weighting between the two years has been adjusted to account for the new rating year.
- Allocation weighting of the fixed and variable expenses based on claim counts has been updated to include the additional loss years' data.
- The financial penalty component of the Safe Driver Recognition program has changed slightly as a result of the updated projected rating year.
- The loss development and claim development factors have been updated based on the Dec. 31, 2008 actuarial valuation selections.
- New past and future trends have been selected by coverage where required.
- The future index rate for care benefits, income replacement benefits and death benefits has been lowered from 3.4 per cent to 3.0 per cent. The 3.4 per cent was initially set based on what inflation was expected to be for Saskatchewan during 2009 and 2010; however, since the initial analysis was completed the provincial forecast has diminished slightly.

With the above changes made, the updated indication verifies that an increase is still required and justified, even with the addition of another loss year of data.

6. Proposed Timelines

To implement rate changes by Nov. 1, 2009, the Auto Fund requires time to test new rate tables and to ensure system integrity. It is important that vehicle renewal notices are produced and mailed to customers prior to the expiry of their current insurance contract. The Auto Fund normally mails renewals four to six weeks prior to expiry. Further, the Auto Fund requires time to print and produce rate manuals to provide to motor licence issuers with information on vehicle rates. It will also be important to ensure that customers have access to information about rate changes, which requires time to update all vehicle rate information on SGI's website. Therefore, approval is required by Sept. 4, 2009 if rate changes are to be effective Nov. 1, 2009.

Task	Timeline	Comments
Submission of rate proposal to the SRRP	May 1, 2009	SRRP has 120 days to review rate applications.
Recommendations from SRRP	Aug. 28, 2009	
Final Cabinet approval	Sept. 4, 2009	Cabinet approval is required at the beginning of September so rate changes can be implemented and tested before the end of October.
Mail Nov. 1, 2009 vehicle insurance renewals	Oct. 1, 2009	Insurance renewals will be mailed Oct. 1, 2009 so that customers have them prior to expiry.
Process refunds	Oct. 31, 2009	Mid-term refund processing requires an extended period of time to complete.
Mail refunds	November 2009	Refund cheques will be mailed mid-November.

7. Summary and Conclusion

The Saskatchewan Auto Fund requires a 4.2 per cent increase in revenue, as the cost of claims and expenses is outpacing growth in premium and investment income.

SGI's focus is on fairness in vehicle rating. Customers will not see an across the board increase. While the net result is a 4.2 per cent increase in revenue, some customers will see increases and some will see decreases. In fact, nearly half (45%) 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. Currently, some customers are paying too much for their vehicle insurance and others are paying too little.

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 minimize rate shock for customers, increases will be capped.

This will be the first Auto Fund rate increase since 2000. Even with an increase in 2009, SGI customers will continue to have among the lowest auto insurance rates in the country.

Appendix A

Proposed Rate Changes by Vehicle Class

Vehicle Class	Indicated Rate Change	Proposed Rate Change	Maximum $ Increase	Maximum $ Decrease	Average $ Increase	Average $ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged	Maximum Increase/ Decrease
LV - Private Passenger Vehicles	4.8%	4.8%	$125	$0	$64	$0	425,980	0	253,638	+12.5%
LV - Motorhomes	27.9%	9.8%	$81	$0	$30	$0	5,421	0	0	+10%
LV - Motorcycles:	139.9%	13.4%	$337	$0	$121	$0	8,927	0	0	
Cruiser/Touring			$179	$0	$110	$0	6,457	0	0	+15%
Dual Purpose/Other			$153	$0	$23	$0	973	0	0	+15%
Sport			$337	$0	$230	$0	1,497	0	0	+25%
LV - U Drive	33.5%	5%[1]	$217	$0	$129	$0	5,635	0	0	+17.5%
LV - Police Vehicles	-29.5%	-10%[2]	$68	-$129	$44	-$69	148	333	0	+2.5%
LV - Antiques	40.3%	10.0%	$6	$0	$6	$0	8,701	0	0	+10%
PT - Taxis:	41.5%	9.1%	$271	$0	$197	$0	775	0	0	
Taxis (Small City)			$129	$0	$129	$0	240	0	0	+10%
Taxis (Large City)			$113	$0	$113	$0	106	0	0	+5%
Taxis (Regina/Saskatoon)			$271	$0	$271	$0	339	0	0	+10%
Taxis (Rural)	*	5%[3]	$254	$0	$89	$0	90	0	0	+17.5%
F - Farm Vehicles:										
Light Trucks - 1993 & Older	-30.5%	-6.9%	$0	-$47	$0	-$21	0	27,536	0	-10%
Light Trucks - 1994 & Newer	15.2%	0.2%	$30	-$100	$23	-$23	18,944	16,731	30	+6%/-10%
Heavy Trucks	-34.8%	-8.5%	$0	-$117	$0	-$15	0	29,704	0	-10%
Power Units	-26.3%	-5.2%	$0	-$92	$0	-$24	0	6,364	0	-10%
Trailers	12.5%	5.7%	$5	$0	$5	$0	24,692	0	0	+10%
PB - Passenger Inter City Buses	42.6%	9.3%	$208	$0	$125	$0	313	0	0	+10%
PC - Passenger City Buses	34.4%	10.0%	$167	$0	$103	$0	472	0	0	+10%
PS - Passenger School Buses	55.2%	9.8%	$28	$0	$25	$0	2,990	0	0	+10%
L - Dealer Plates:	-5.3%	-1.9%	$26	-$13	$26	-$13	81	3,926	0	
Automobile			$0	-$13	$0	-$13	0	3,880	0	-2%
Motorcycle			$26	$0	$26	$0	81	0	0	+8%
Snowmobile			$0	-$2	$0	-$2	0	46	0	-2%
LT - Trailer Dealers/Movers:	32.7%	3.4%	$71	$0	$53	$0	426	0	132	
Utility			$10	$0	$10	$0	126	0	0	+10%
Tent			$10	$0	$10	$0	1	0	0	+10%
Semi			$0	$0	$0	$0	0	0	64	No Change
Transport			$0	$0	$0	$0	0	0	68	No Change
Metal Cabin			$71	$0	$71	$0	117	0	0	+10%
Fiberglass Cabin			$71	$0	$71	$0	182	0	0	+10%
MT - Snowmobile	-63.1%	-10.0%	$0	-$9	$0	-$9	0	5,692	0	-10%
T - Private Trailers:	14.7%	7.5%	$62	-$2	$18	-$2	24,189	1,155	66,067	
Utility			$0	$0	$0	$0	0	0	63,317	No Change
Tent			$41	-$2	$11	-$2	834	558	689	+10%/-10%
Semi & Transport			$43	-$2	$12	-$2	3,165	596	2,060	+10%/-10%
Metal Cabin			$62	$0	$16	$0	12,029	0	0	+10%
Fiberglass Cabin			$53	$0	$25	$0	8,161	0	0	+10%
TS - Commercial Trailers	5.3%	1.1%	$2	-$15	$2	-$5	16,889	18,947	0	+10%/-10%
A - Commercial Vehicles										
Light Trucks	192.7%	10%[4]	$270	$0	$186	$0	317	0	0	+22.5%
Heavy Trucks	-18.4%	-4.1%	$42	-$155	$20	-$51	276	974	0	+10%/-10%
Power Units	8.0%	7.7%	$158	-$28	$132	-$15	6,260	2	0	+10%/-10%

Vehicle Class	Indicated Rate Change	Proposed Rate Change	Maximum $ Increase	Maximum $ Decrease	Average $ Increase	Average $ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged	Maximum Increase/ Decrease
C & D - Commercial Vehicles										
Heavy Trucks	-19.1%	-9.8%	$33	-$97	$0	-$48	0	11,499	0	-10%
Power Units	-5.2%	-4.0%	$30	-$132	$17	-$78	1,755	3,093	0	+5%/-10%
LV - Restricted Buses	*	-5.0%	$0	-$14	$0	-$12	0	53	0	-5%
LV - Buses	*	-5.1%	$17	$0	$15	$0	308	0	0	+5%
LV - Hearse	*	0.0%	$0	$0	$0	$0	0	0	130	No Change
LV - Ambulance	*	0.0%	$0	$0	$0	$0	0	0	275	No Change
PV - Private Vehicles:										
Heavy Trucks	*	0.0%	$0	$0	$0	$0	0	0	447	No Change
Power Units	*	0.0%	$0	$0	$0	$0	0	0	16	No Change
Other Classes	*	+10%/-10%	$48	-$10			45	10	6	+10%/-10%
TOTALS	4.2%	4.2%	$337	-$155	$55	-$21	553,544	126,018	320,742	

* No rate indicated due to insufficient premium or claims data. Therefore, the proposed rate change is selected based upon review of the eight-year ultimate accident year loss ratios for the specific class.

[1] Increase surcharge on LV rates from 10% to 15%

[2] Decrease surcharge on LV rates from 45% to 35%

[3] Increase surcharge on LV rates from 55% to 60%

[4] Increase surcharge on LV rates from 10% to 20%

Appendix B

2009 Budget – 4.2% rate increase effective Nov. 1, 2009

Saskatchewan Auto Fund
Statement of Operations
(000,s)

			Forecast		
year ended December 31	2009	2010	2011	2012	2013
	$	$	$	$	$
Direct premium	652,897	716,021	756,744	799,154	844,275
Claims incurred	(2,251)	(2,300)	(2,300)	(2,300)	(2,300)
Net premiums written	**650,646**	**713,721**	**754,444**	**796,854**	**841,975**
Net premiums earned	**632,326**	**681,363**	**734,436**	**776,017**	**819,806**
Claims incurred	549,623	584,267	624,719	662,478	701,540
Loss adjusting expense (LAE)	52,237	54,255	55,826	57,449	59,119
Issuer fees and premium taxes	63,825	67,232	73,571	76,973	79,142
Administrative expenses	50,569	49,560	50,907	51,427	53,497
Traffic safety	17,798	20,620	22,033	23,281	24,594
Total claims and expenses	**734,052**	**775,934**	**827,058**	**871,608**	**917,892**
Underwriting loss	**(101,726)**	**(94,571)**	**(92,622)**	**(95,591)**	**(98,086)**
Investment earnings	50,603	60,256	64,438	68,116	70,854
Other income	22,733	24,544	25,798	26,985	28,239
Increase (decrease) to RSR before rebate	(28,390)	(9,771)	(2,386)	(490)	1,007
Rebate to policyholders *	(610)	(659)	(696)	-	-
Increase (decrease) to RSR	**(29,000)**	**(10,430)**	**(3,082)**	**(490)**	**1,007**
RSR:					
Balance beginning of year	102,535	79,864	74,544	76,364	79,455
Appropriation from Redevelopment Reserve	6,329	5,110	4,902	3,581	3,140
Balance, End of year	**79,864**	**74,544**	**76,364**	**79,455**	**83,602**

* The rebate in 2008 is the Green Rebate initative net of 2007 general rebate cheques that were staledated in 2008. From 2009 through 2011, the rebate relates to the Green Rebate initiative.

Appendix C - Glossary

Terminology	Definition
Administrative expenses	Operating expenses such as salaries, infrastructure costs, system support costs and traffic safety program costs. Administrative expenses are approximately seven per cent in relation to total revenue. 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 by reducing the number of collisions. Traffic safety program costs are approximately three per cent in relation to total revenue.
Average accident date	Assuming that policies are written uniformly throughout the policy year and that policies are written on an annual basis (12-month term), the average accident date of a policy is six months after the written date. For example, if a vehicle's policy is written on Jan. 1, 2009, its average accident date would be July 1, 2009.
Base rates	The base rate is the premium for the base group. The base group is typically the group with the largest number of exposures, because the larger the numbers, the more credible the data. As an example, for the LV – Motorhomes class, the base group is motorhomes valued at $10,000 or less. 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 per cent in the past five years are eligible for a discount, to a maximum of 10 per cent, on their vehicle insurance premiums. A loss ratio between 70-80 per cent 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 per cent 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.
Claims frequency	The number of claims (or occurrences) per exposure.
Claims severity	Average amount of loss per claim (or per occurrence).

Terminology	Definition
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 15 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, do not affect 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.
Insurance issuance costs	Premium taxes and issuer fees. They include a five per cent premium tax charge on insurance premiums, which is collected and remitted to the provincial government. The other component of issuance costs is issuer fees, which is compensation paid to Auto Fund motor licence issuers for driver's licence issuance and vehicle insurance transactions.
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 of $10,000 or less. To determine the premium for vehicles valued at more than $10,000, 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 reverse is also true.

Terminology	Definition
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 behaviour 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.

Appendix D

Summary of Auto Fund Rate Classes

Vehicle Class	Definition	Rating Criteria
LV (Light Vehicle)	A vehicle (one ton and smaller) with various uses as defined below	
Private Passenger Vehicles (PPV)	A vehicle (one ton and smaller) used primarily for private or personal purposes	Make, model and year
PPV with special feature "F"	Light farm located cars	Discount on LV rate
PPV with type of use "20"	Light SUVs and vans with farm use	Make, model and year
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
Motorcycles	A sport, touring/cruiser or dual purpose motorcycle	Model, year and engine size
U Drive	A vehicle that is rented or leased for a period of 30 days or less	Surcharge on the LV rate
Police Vehicles	A vehicle used by the police force for police purposes	Surcharge on the LV rate
Antique	A vehicle that has a model year that is 30 years or older	Flat
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
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
Ambulance	A vehicle used as an ambulance	Flat
Pedal Bike	A motorized pedal bike	Flat

Vehicle Class	Definition	Subclass	Rating Criteria
PT - Taxi	A vehicle used to transport the public for compensation	Special feature “T” All others	Surcharge on LV rate Geographical location
F - Farm	A vehicle used in operation of a farm	Light Trucks Heavy Trucks Power Units Trailers	Make, model and year Model year Model year Type
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 transportiation 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
L - Dealer	A plate used by a dealer to move vehicles owned by or under consignment to the dealer		Flat
LT - Trailer Dealer	A plate used by a trailer dealer, manufacturer or mover		Type
MT - Snowmobile	A recreational off-road snow machine		Flat
MT - Snowmobile - U Drive	A recreational off-road snow machine that is rented or leased for a period of 30 days or less		Surcharge on MT - Snowmobile rate
T - Private Trailer	A privately owned trailer	Utility All others	Flat Type of trailer and declared value
TS - Commercial Trailer	A trailer or semi-trailer used within a commercial operation		Declared value and excess value
A - Commercial	An unrestricted commercial trucking vehicle used provincially, interprovincially and internationally	Light Vehicles Heavy Trucks and Vans Power Units	Surcharge on the LV rate Gross vehicle weight, model year and excess value Gross vehicle weight, model year and excess value
C - Commercial	A vehicle that is used primarily for commercial or business purposes	Heavy Trucks and Vans Power Units All others	Gross vehicle weight, model year and excess value Gross vehicle weight, model year and excess value Flat and excess value
D - Commerical	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 class C vehicles	Heavy Trucks and Vans Power Units All others	Gross vehicle weight, model year and excess value Gross vehicle weight, model year and excess value Flat and excess value

Appendix C

Consultant's Report:
Review Of
Saskatchewan Government Insurance
Saskatchewan Auto Fund
May 2009 Proposal for Rate Adjustment
Effective 1 November 2009

By

Eckler Ltd. and Kostelnyk Holdings Corp.

Kostelnyk
Holdings Corp.

24 JULY 2009

REVIEW OF

SASKATCHEWAN GOVERNMENT INSURANCE

SASKATCHEWAN AUTO FUND

MAY 2009 PROPOSAL FOR RATE ADJUSTMENT

EFFECTIVE 1 NOVEMBER 2009

PREPARED BY

ECKLER LTD. AND KOSTELNYK HOLDINGS CORP.

FOR THE

SASKATCHEWAN RATE REVIEW PANEL

TABLE OF CONTENTS

SECTION 1 BACKGROUND

Saskatchewan Government Insurance ("SGI") was established by legislation in 1944 to address an extreme shortage of private insurers willing to provide adequate automobile insurance coverage for Saskatchewan motorists. It began offering basic compulsory automobile insurance coverage in 1946. The Saskatchewan Auto Fund ("SAF") was established in 1984 and is administered by, and wholly independent of, SGI, and continues to provide basic insurance coverage to drivers and vehicle owners in Saskatchewan. It operates on a self sustaining basis over time. SAF does not receive money from, nor pay dividends to the Government of Saskatchewan. SAF's operational goal is to maintain an adequate balance in its Rate Stabilization Reserve ("RSR") which is the operating trust fund account used as a buffer to protect their customers from rate shock following years with higher than average claim costs.

SGI is headquartered in Regina, Saskatchewan. In 2008, SAF licensed over 704,000 drivers and issued approximately 931,000 vehicle registrations. Additionally, SAF provides driver examination services along with numerous driver and vehicle fitness programs. SAF services extend to providing safety programs that aim to reduce the costs and damage to humans and property through motor vehicle use, as well as audit programs for vehicle operators who are carriers of passengers or who transport goods. All of the aforementioned services are provided all across the province at 415 independent motor license and vehicle insurance issuing offices in 311 communities in Saskatchewan. SAF also operates 7 branch offices, 21 claims centers and 5 salvage centers in 13 communities.

In addition to administering SAF on behalf of the provincial government, SGI provides competitive insurance products through SGI CANADA ("SGIC") within Saskatchewan, and its subsidiary SGI CANADA Insurance Services Ltd. ("SCISL") outside of Saskatchewan. SCISL also owns Coachman Insurance Company ("Coachman"), 75% of Insurance Company of Prince Edward Island ("ICPEI"), and holds minority equity positions in Maritime Finance & Acceptance Corporation, Atlantic Adjusting & Appraisal Ltd., and Charlie Cooke Insurance Agency Ltd. SGIC and SCISL are separate entities from SAF and therefore are not to be considered part of this Rate Adjustment Application review.

1.1 Coverages

Compulsory coverage provided by SAF is legislated in *The Automobile Accident Insurance Act* by the Province of Saskatchewan, and is divided into 3 components:

- **Personal Injury** coverage provides Saskatchewan residents with benefits if they are injured or killed in an automobile accident. 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

for damages that their vehicles may cause to other people or their property.

- **Physical Damage** coverage includes both collision and comprehensive coverage and pays for damages due to an accident or other occurrences such as hail, fire, theft or vandalism. Such claims are subject to a deductible, which is currently $700 for most vehicles.

1.2 SAF Operating Philosophies

The major operating philosophies of SAF are to provide basic insurance coverage that is universal and fair by charging insurance premiums for vehicle classes that are reflective of their claims experience, while keeping rates as low as possible.

SECTION 2 SASKATCHEWAN RATE REVIEW PANEL MANDATE

In the Minister's Order dated December 21, 2006, pursuant to Section 16 of *The Government Organization Act*, the Minister of Crown Investment Corporation of Saskatchewan appointed a Ministerial Advisory Committee know as the Saskatchewan Rate Review Panel.

The Panel is tasked with conducting a review of SAF's request for an overall average rate increase and rate rebalancing for vehicle insurance rates effective November 1, 2009. The Panel is to review the fairness and reasonableness of SAF's proposed rate changes while considering the interests of the customers, the Crown Corporation, and the public.

In conducting its review, the Panel can engage suitably qualified technical consultants to assist and advise in the review of SAF's Application. The Panel's final report is not to include any information that could be refused disclosure by a government institution pursuant to Section 18 or 19 of *The Freedom of Information and Protection of Privacy Act*.

The Panel's report is to be presented to the Minister of Crown Corporations no later than August 28, 2009.

2.1 Minister's Terms of Reference

The Minister's Order and attached Terms of Reference, dated May 1, 2009, stated that, in reviewing SAF's proposed 2009 Rate Adjustment Application, the Panel was to consider the following factors:

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

- the Saskatchewan Auto Fund's mandate to operate on a self-sustaining basis over time;
- the objective to maintain adequate capital within a Rate Stabilization Reserve to serve as a cushion to protect customers from large rate increases;
- the impact of rising claims costs; and
- the object of ensuring stability and fairness in vehicle insurance rating such that each vehicle class pays enough premiums to cover its anticipated claim costs so as to minimize cross subsidization.

(B) As well, the Panel shall consider the following parameters as given:

- the compulsory insurance coverage provided by the Saskatchewan Auto Fund through its legislative mandate;

- the Saskatchewan Auto Fund is a trust account for motorists with no profit component required in the pricing of the product;
- the Minimum Capital Test target range of 100 percent to 125 percent;
- the existing program parameters of the Safe Driver Recognition Program and the Business Recognition Program;
- the vehicle risk groups used by the Saskatchewan Auto Fund; and
- the accounting and operating policies and procedures used by the Saskatchewan Auto Fund.

Should the Panel's report differ from SAF's proposed rate changes, it must explain in detail how, in its opinion, the implementation of the Panel's rate recommendation will allow SAF to achieve the performance inherent in the parameters outlined in (A) above.

SECTION 3 REVIEW PROCESS

In accordance with the Minister's Order, the Panel retained the services of Eckler Ltd. and Kostelnyk Holdings Corporation (jointly, the "Consultants") to advise the Panel on this Application.

Upon appointment, the Consultants requested all documents related to the Application be forwarded for review, and requested a meeting with the Panel. In this initial briefing, the Consultants and the Panel identified key issues and gathered initial Panel interrogatories.

The Consultants then performed a thorough review of the Application and supporting information, and composed a number of interrogatories requesting supplementary information on the Application's content. This was submitted to SAF on May 29, 2009 with a response deadline of June 5, 2009.

Conference calls were held as needed between the Panel and the Consultants to discuss any issues that arose from the interrogatories.

Public meetings were held in Prince Albert, Saskatoon and Regina to allow Saskatchewan residents and associations to have an opportunity to make their inquiries and voice their opinions. Although, the Consultants were not required to attend, the Panel held a meeting with the Consultants, to brief them on the public meetings held to date, and to identify core issues that required further clarification in the development of a second round of interrogatories.

On June 11, 2009 the Consultants and the Panel also met with SAF in Regina, Saskatchewan for a technical discussion of the Application and responses to the first round of interrogatories, and a general discussion of the public meetings already held. Following this meeting, the final public meeting was held in the evening, which was also attended by the Consultants.

Based on the information received in the first round of interrogatories, the public meetings and the discussions between the Panel, the Consultants and SAF, a second round of interrogatories was prepared and submitted to SAF on June 18, 2009. SAF provided responses to these interrogatories on June 30, 2009.

After reviewing and analyzing the responses provided by SAF, the Consultants prepared a draft report and submitted it for review by the Panel on July 17, 2009. On July 21, 2009, the Consultants met with the Panel to review the Consultant's draft report and outline the scope of the recommendations. The Consultant's final report was submitted July 24, 2009.

3.1 Study Objectives

The Consultant's study objectives included:

- Gathering sufficient information to allow the Panel to fulfill its mandate;
- Identifying and evaluating feasible and appropriate alternatives to SAF's proposal;
- Reviewing the practicality of SAF's proposal;
- Assessing the reasonableness of the proposed overall rate increase given the nature of the industry, the insurance environment, the economic environment, and the interests of SAF's customers, the Crown Corporation, and the general public; and
- Assessing the reasonableness and fairness of the proposed rate rebalancing across the various rating classes of vehicles, and within those classes, across the underlying rating classifications.

SECTION 4 APPLICATION SUMMARY

SAF is requesting that the Panel approve a 4.2% overall average rate increase over existing rates, to be effective November 1, 2009. This increase is not uniform across all vehicle classes, but rather is intended to have premiums appropriately respond to the expected claims costs for each class. SAF states that nearly 45% of its customers will experience decreases or no change in their rates. SAF indicates it will still provide the lowest average private auto insurance rates in the Canada for 2009 following this increase.

Under this proposal, the five year financial forecast provided in response to an information request, primarily showing forecast investment income updated to be based on investment asset values as at December 31, 2008, indicates expected underwriting losses of $102.7 million in 2009 and $92.8 million in 2010. After accounting for investment earnings, other income and rebates, the RSR is projected to be $74.4 million at year end 2009 and $65.1 million at year end 2010, with Minimum Capital Test (“MCT”) ratios of 48.9% and 48.5%, well below SAF’s target range.

In addition to the rate increase proposed by SAF, rate rebalancing results in rates as follows, with the proposed SAF caps to limit rate shock:

- Private passenger vehicles will experience a maximum increase of 12.5%, or $125 annually;
- Maximum increase of 10% for other vehicle classes with the exception of:
  - Maximum increase of 25% for sport motorcycles and 15% for other motorcycle types;
  - Maximum increase of 22.5% for light commercial trucks that travel out of province;
  - Maximum increase of 17.5% for taxis in rural areas;
  - Maximum increase of 17.5% for U Drive rental vehicles.

4.1 Rate Impacts

The proposed 4.2% average rate increase and rebalancing effective November 1, 2009 will:

- Increase rates for approximately 553,000 Saskatchewan vehicles (55% of total vehicles) by an average increase of $55;
- Decrease rates for approximately 126,000 Saskatchewan vehicles (13% of total vehicles) by an average of reduction of $21; and
- Have no change on approximately 321,000 Saskatchewan vehicles (32% of total

vehicles).

4.2 Individual Vehicle Class Impacts

The following table shows the rate impacts for each vehicle class as a result of the average overall rate increase of 4.2%:

Proposed Changes in Average Rate Level by Vehicle Class			
Vehicle Class	**Proposed Rate Change**	**Vehicle Class**	**Proposed Rate Change**
LV - Private Passenger Vehicles	+4.8%	A - Commercial Trucks:	
LV - Motorhomes	+9.8%	Light Trucks	+10.0%
LV - Motorcycles	+13.4%	Heavy Trucks	-4.1%
LV - U Drive	+5.0%	Power Units	+7.7%
LV - Police Vehicles	-10.0%	C and D - Commercial Vehicles:	
LV - Antiques	+10.0%	Heavy Trucks	-9.8%
PT - Taxis - Cities & Rural	+9.1% & +5.0%	Power Units	-4.0%
F - Farm Vehicles:		LV - Restricted Buses	-5.0%
Light Trucks - 1993 and older	-6.9%	LV - Bus	+5.1%
Light Trucks - 1994 and newer	+0.2%	LV - Hearse	0.0%
Heavy Trucks	-8.5%	LV - Ambulance	0.0%
Power Units	-5.2%	LV - Private Vehicles:	
Trailers	+5.7%	Heavy Trucks	0.0%
PB - Passenger Inter-City Buses	+9.3%	Power Units	0.0%
PC - Passenger City Buses	+10.0%	All Other Classes	+10%/-10%
PS - Passenger School Buses	+9.8%		
L - Dealer Plates	-1.9%		
LT - Trailer Dealers/Movers	+3.4%		
MT - Snowmobiles	-10.0%	**TOTALS**	
T - Personal Trailers	+7.5%	All Vehicles Excluding Trailers	+4.2%
TS - Commercial Trailers	+1.1%	All Vehicles	+4.2%

4.3 2007 Panel Recommendations

The Panel made several recommendations in its Report to the Minister on SAF's 2007 Rate Adjustment Application. SAF provided the current status of these recommendations in conjunction with the 2009 Application, as follows:

- The actuarially indicated average 7.1% rate reduction, with specifications for certain vehicle classes or sub-groups and with various capping modifications, was implemented on July 1, 2007.

- The Panel recommended that SAF file annual rate submissions for the next 3 to 4 years to more fully align rates with the actuarial indications. SAF stated that because the 2008 analysis indicated that no overall rate change was required, and because other matters had higher priorities, a Rate Adjustment Application to the Panel was not filed until 2009.

- The MCT ratio range of 100% to 125% as the target range for the RSR, and the overall break-even objective continue as benchmarks for SAF.

- SAF continues to implement CLEAR, as recommended. At December 31, 2007, 72% of all Private Passenger Vehicles were within 10% of the indicated CLEAR rating, and this will increase to 87% if the 2009 Application is approved, as filed.

- In response to Minimum Filing Requirements recommendations, SAF has included greater actuarial support detail, has met all party's schedules, and has attempted to include greater detail in the electronic filing.

- As recommended, the 2009 Application includes a "reader friendly" table showing rate level changes by vehicle class, as well as on SAF's website.

- The recommendation that SAF develop constructive initiatives to address stakeholder's specific concerns has seen progress since 2007 with respect to motorcyclists, taxi associations and commercial carriers, and further discussions are planned for the near future.

SECTION 5 FIVE YEAR FINANCIAL FORECAST

In response to an information request, SAF amended the original Application financial forecast of expected operating results and surplus levels for 2009 and beyond to 2013. This update incorporated more recent historical data which takes into consideration the current economic downturn, resulting in a more timely representation of the outlook for SAF and a better basis for evaluating the fairness and reasonableness of the Application. The following table shows this information, actual for 2008 and forecast for 2009 to 2013.

Updated Five Year Financial Forecast (+4.2% Rate Change Effective November 1, 2009)
(Amounts in $000's)

Year Ended December 31	Actual	Forecast				
	2008	2009	2010	2011	2012	2013
Premiums Written						
Net Premiums Written before Discounts	681,775	731,678	803,327	850,655	899,687	951,542
Safe Driver Recognition Bonus	(76,110)	(84,660)	(92,779)	(99,039)	(105,304)	(111,660)
Safe Drive Recognition Malus	10,314	9,037	9,037	9,037	9,037	9,037
Business Recognition Bonus	(5,487)	(5,409)	(5,864)	(6,209)	(6,566)	(6,944)
Premiums Written - Net	**610,492**	**650,646**	**713,721**	**754,444**	**796,854**	**841,975**
Premiums Earned	**587,918**	**631,135**	**682,725**	**734,436**	**776,017**	**819,806**
Claims Incurred	509,301	549,623	584,267	624,719	662,478	701,540
Loss Adjustment Expense ("LAE")	54,664	52,237	54,255	55,828	57,449	59,119
Premium Taxes	29,510	31,669	34,250	36,837	38,916	41,105
Issuer Fees	29,145	31,917	32,751	36,734	38,057	38,037
Administrative Expenses	42,332	50,569	49,560	50,907	51,427	53,497
Traffic Safety Programs	16,345	17,798	20,482	22,033	23,281	24,594
Total Expenses	**681,297**	**733,813**	**775,565**	**827,058**	**871,608**	**917,892**
Underwriting Loss	**(93,379)**	**(102,678)**	**(92,840)**	**(92,622)**	**(95,591)**	**(98,086)**
Investment Earnings *	29,405	46,047	54,625	62,895	70,915	74,171
Other Income	21,351	22,733	24,544	25,798	26,985	28,239
Increase (Decrease) to RSR Before Rebate	**(42,623)**	**(33,898)**	**(13,671)**	**(3,929)**	**2,309**	**4,324**
Rebate to Policyholders **	(68)	(610)	(659)	(696)	-	-
Increase (Decrease) to RSR	**(42,691)**	**(34,508)**	**(14,330)**	**(4,625)**	**2,309**	**4,324**

* Forecast investment earnings are based on the actual portfolio value as of December 31, 2008.

** The rebate in 2008 is the Green Rebate initiative net of 2007 general rebate cheques that were stale dated in 2008. From 2009 through 2011, the rebate relates only to the Green Rebate initiative.

Updated Five Year Financial Forecast (+4.2% Rate Change Effective November 1, 2009) (Amounts in $000's)						
Year Ended December 31	**Actual**	**Forecast**				
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
RSR Balance, Beginning of Year	140,975	102,535	74,356	65,136	65,413	71,303
Appropriated from (to) RDR	4,251	6,329	5,110	4,902	3,581	3,140
RSR Balance, End of Year	**102,535**	**74,356**	**65,136**	**65,413**	**71,303**	**78,767**
Redevelopment Reserve (RDR):						
Balance, Beginning of Year	31,025	26,774	20,445	15,335	10,433	6,852
Appropriated from (to) RSR	(4,251)	(6,329)	(5,110)	(4,902)	(3,581)	(3,140)
RDR Balance, End of Year	**26,774**	**20,445**	**15,335**	**10,433**	**6,852**	**3,712**
Pure Loss Ratio (excluding LAE)	86.6%	87.1%	85.6%	85.1%	85.4%	85.6%
Loss Ratio (including LAE)	95.9%	95.4%	93.5%	92.7%	92.8%	92.8%
Issuer Fee and Premium Tax Ratio	10.0%	10.1%	9.8%	10.0%	9.9%	9.7%
Administrative Expense Ratio	7.2%	8.0%	7.3%	6.9%	6.6%	6.5%
Traffic Safety Ratio	2.8%	2.8%	3.0%	3.0%	3.0%	3.0%
Combined Ratio	**115.9%**	**116.3%**	**113.6%**	**112.6%**	**112.3%**	**112.0%**
Minimum Capital Test	**60.9%**	**48.9%**	**48.5%**	**51.2%**	**54.7%**	**58.6%**

SECTION 6 PROGRAM REVENUE

SAF revenues are generated from three sources: premiums, investment earnings and other income. Each is discussed in detail in the following sections.

6.1 Premium Revenues

SAF considers the following when determining its premiums:

Adequate Premium Rates Required to Break-Even

SAF conducts an actuarial study to determine if the expected premiums at current rates for a future rating period will be sufficient to cover expected claims and expenses. SAF operates as a trust fund for motorists and does not factor in a profit component when pricing its product. For the current rating year being considered (November 1, 2009 to October 31, 2010), SAF states that it anticipates claims and expense growth will outpace growth in premium and investment income. SAF expects damage costs to increase because of anticipated higher average claim costs and increased claim frequency. SAF attributes the expected increases in claim costs, in part, to auto body shop labour costs and the price of new car parts. Additionally, Saskatchewan's continued economic growth is expected to result in a greater population base. This will likely result in more collisions because more vehicles will be on the road, likely with more inexperienced operators. It is expected that the 4.2% requested increase will only cover increased claims costs and related expenses, i.e., a "break-even" position.

The results of SAF's internal actuarial study indicated that claim costs are about 83% of the total costs incurred annually by SAF. Damage claims represent approximately 66% of the total claim costs, while the remaining 34% represent injury and liability claims.

Fairness in Rating

To ensure fairness in rating, SAF calculates required average premiums for each vehicle class and for all classes of vehicles combined, using historical costs of claims incurred to estimate expected future costs. The indicated premiums are calculated such that the premium, recognizing the time value of money, covers the expected claims and other costs. Average rate adjustments by vehicle class are then proposed in response to this analysis of indications, rebalancing to minimize cross subsidization while considering ratepayer impact.

SAF last rebalanced its rates in 2007 and submits that additional rate rebalancing is still required. SAF proposes to limit the maximum and minimum rate change for vehicle classes in order to mitigate rate shock that a particular customer within any vehicle class will experience.

<u>Maintaining Adequate Capital</u>

SAF submits that maintaining adequate capital ensures its ability to provide stability and consistency in its rates. SAF seeks to maintain an adequate balance in its Rate Stabilization Reserve to be used as a financial resource to offset costly financial events such as higher than anticipated claims costs, or declines in investment values or income, thereby avoiding unduly large rate increases.

For this Application, SAF acknowledged its current and forecast RSR is well below its target range, and considered the need for an RSR rebuilding surcharge, which could be built in by requesting a rate increase that is higher than indicated. To allow more time to assess the recent decline in investment markets (the main driver of the depressed MCT ratios) and out of concern for the impact on policyholders, SAF recommends that no such surcharge be included at this time.

6.1.1 Reinsurance Ceded Program

SAF maintains two catastrophic excess of loss programs designed to mitigate adverse effects arising from catastrophic losses resulting from auto physical damage or auto personal injury.

The auto physical damage catastrophe reinsurance program provides coverage for physical damage, excluding collision, upset, theft, fire, lightning, explosion and road hazard glass in the amount of $55 million, with a $5 million retention and an additional $5 million annual aggregate deductible. It is primarily intended to provide protection for weather related events, such as hail storms. In 2005/06 the coverage was changed to include the annual aggregate deductible to prevent further rate increases that had been occurring because of previous two years loss experience. As well, the amount of protection was increased from $35 million to the current $55 million.

Auto Physical Damage Catastrophe Reinsurance Program (Amounts in $'s)		
Treaty Term	**Premiums Paid**	**Claims Recovery Made**
2000-2001	1,401,250	-
2001-2002	1,471,650	-
2002-2003	2,086,137	1,706,851
2003-2004	1,921,288	882,025
2004-2005	1,977,064	-
2005-2006	1,348,000	-
2006-2007	1,628,000	-
2007-2008	1,551,000	-
2008-2009	1,552,600	-

The auto personal injury catastrophe reinsurance program provides protection of $30 million in excess of a $20 million dollar retention (similar to a deductible). The program was terminated in 2001 as premiums increased drastically subsequent to the 9/11 event in 2001. The current program was re-instituted in 2005, changing the retention from $5 million to $20 million to mitigate premium increases. There have been no claims made to this program since its inception. The treaty terms and premiums paid for this program since 2000 are:

Auto Personal Injury Catastrophe Reinsurance Program (Amounts in $'s)	
Treaty Term	**Premiums Paid**
July 1, 2000 to June 30, 2001	100,000
July 1, 2001 to June 30, 2002	100,000
October 15, 2005 to March 31, 2007 *	984,375
April 1, 2007 to March 31, 2008	705,360
April 1, 2008 to March 31, 2009	700,000
April 1, 2009 to March 31, 2010	700,000
* Note that the October 15, 2005 to March 31, 2007 premium is for 17.5 months.	

6.2 Investment Income

SAF controls an investment fund valued at approximately $1.1 billion as of the 2008 year end. This portfolio has two main components:

- The accumulation of profits and losses over time in the RSR, which is approximately $100 million; and

- Money set aside and invested to meet future liabilities, primarily unpaid claims of about $900 million.

SAF allocates its investment funds in accordance with Section 92 of the *Automobile Accident Insurance Act* which authorizes the investment of monies as outlined by the restrictions and limitations contained in the *Insurance Companies Act* (Canada). This provides the framework for SAF's investment policy which is reviewed annually by its directors. Guidelines for this framework include detailed requirements for permissible investments, quality and quantity of investments, and the asset mix parameters.

SAF operates like a private insurer, but with a goal to break-even. To achieve this objective, SAF uses the investment portfolio to generate income for the organization. In the past 10 years ending December 31, 2008, SAF's investment portfolio has generated investment income equal to 11% of annual premiums, resulting in lower rates for vehicle owners.

The following table illustrates the asset allocation policy parameters for SAF's investment portfolio:

Asset Allocation Policy Parameters			
Asset Category	**Minimum %**	**Benchmark % ***	**Maximum %**
Canadian Equities	9	15	20
U.S. Equities	0	5	7
Non-North American Equities	0	5	7
Foreign Equities	4	10	14
Total Equities	13	25	29
Real Estate	0	5	7
Total Equities and Real Estate	**13**	**30**	**35**
Canadian Issuer Bonds	50	62	85
Mortgages	0	5	7
Total Bonds and Mortgages	**55**	**67**	**85**
Short-Term Investments and Cash	0	3	20
* Effective December 1, 2008			

The benchmark column is used to evaluate the investment portfolio manager's performance. The various equities are weighted against related market indices that are consistent with SAF's portfolio. In the 10 year period ending December 31, 2008, the investment manager has generated a return of 0.7% over the benchmark portfolio return.

The benchmark portfolio return is calculated by applying the benchmark portfolio weights to capital market index returns. SAF stated that the portfolio's rate of return is compared to the benchmark rate of return on a quarterly basis. The performance measurement is expected to be met over a full market cycle, which is considered to be four years. SAF indicated that using this longer period of measurement for performance is more appropriate to better evaluate the various investment management styles and the varying market environment conditions.

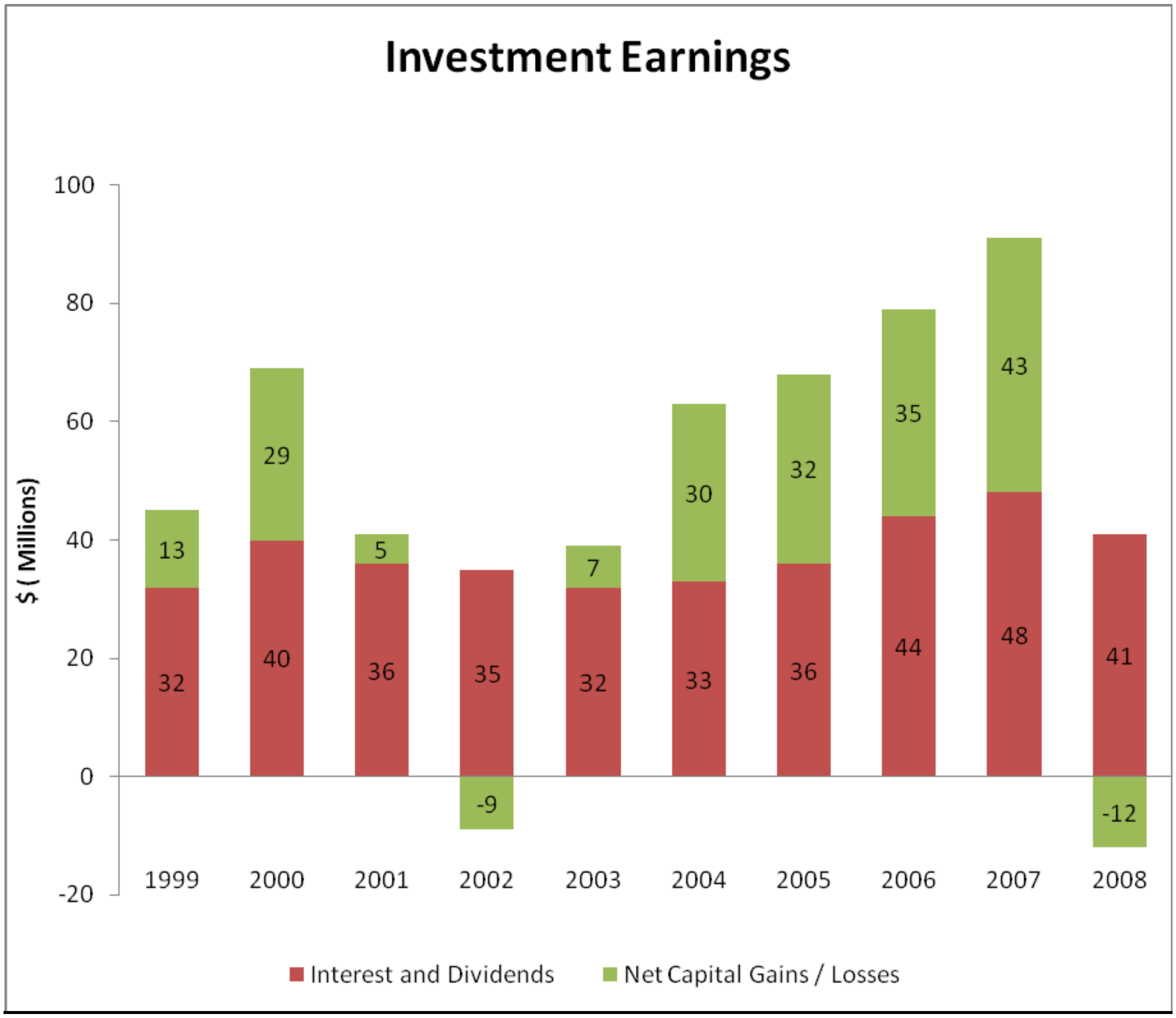
SAF's two main sources of Investment earnings are:

- Cash flow from invested assets, such as interest and dividends.
- Gains realized on the sale of investments.

While investment assets may increase or decrease in value, SAF does not realize gains or losses until an investment is sold. Because SAF has its investments mostly categorized as Available for Sale, changes in unrealized gains or losses mostly flow into Accumulated Other Comprehensive Income without affecting Net Income.

The initial asset return forecasts prepared as of March 31, 2008 had the 2009-2010 investment return forecast for SAF's portfolio at 5.18%. The revised estimate, using data as of March 31, 2009, projects a forecast return of 3.99% for the portfolio.

The following graph illustrates the major components of investment earnings over the past 10 years:

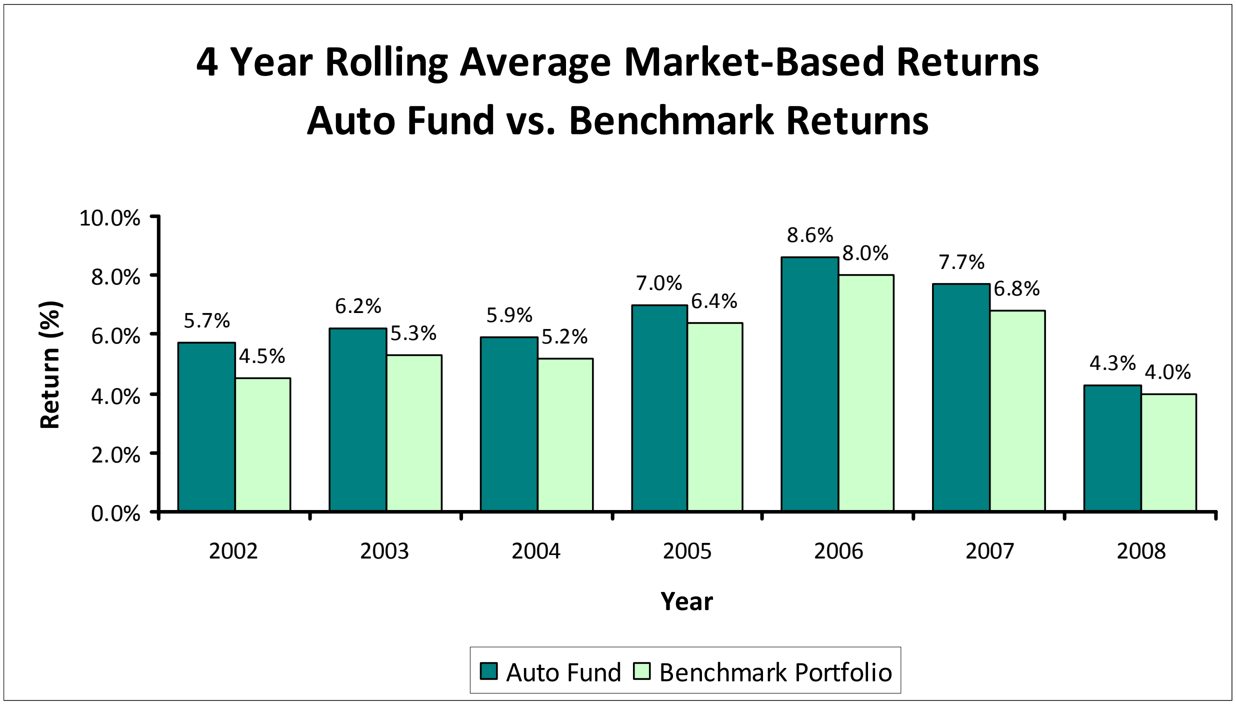


These investment earnings are calculated using cost-based accounting principles and include interest, dividends, net realized capital gains and losses, and investment write-downs.

For purposes of portfolio management, a market-based rate of return is calculated which captures all interest and dividend income, including the impact of the change in the market value of securities, both realized and unrealized.

The primary goal of the investment performance objective for SAF is to earn a market based rate of return in excess of the benchmarked portfolio return. The mix of SAF's investment portfolio is set by the Board of Directors and is consistent with SAF's risk profile. This portfolio is reviewed on an annual basis. This being said, the investment manager is permitted to adjust the actual asset class weights around the benchmark portfolio within the policy asset mix guidelines.

The following table illustrates SAF's performance when compared to their targeted benchmark returns:



SAF provided a revised projection of investment income for 2009 and 2010 using results to May 31, 2009. SAF's anticipated revised investment income for 2009 is a loss of $3.4 million based on a forecast investment return of 2.83% (before capital gains/losses, including investments write-downs), down from forecast investment earnings of $46.0 million based on 2008 year end data. In 2010, SAF's revised projection for total investment income is $35.5 million, down $19.1 million, from $54.6 million forecast based on 2008 year end data.

6.3 Other Income

SAF's other income flows from premium payment options consisting of charges for administration and lost investment income for short-term financing and for monthly payment financing. Additionally, salvage operations generate recovery from total loss vehicles through sales of whole vehicles and vehicle parts.

The following table provides a breakdown of other income by category, with actual results for 2005 to 2008 and forecast amounts for 2009 and 2010:

Other Income (Amounts in $000's)					
Source	**Actual**				**Forecast**
	2005	**2006**	**2007**	**2008**	**2009**
Short Term Registration	6,291	6,093	5,962	6,165	6,568
Auto-Pay	7,868	8,504	9,156	9,841	10,570
Total Payment Options	**14,159**	**14,597**	**15,118**	**16,006**	**17,138**
Salvage Net Income	6,017	5,632	5,651	5,345	5,594
Total Other Income	**20,176**	**20,229**	**20,769**	**21,351**	**22,732**

The composition of the salvage net profit is summarized below:

Salvage Net Income (Amount in $000's)					
Source	**Actual**				**Forecast**
	2005	**2006**	**2007**	**2008**	**2009**
Sales	23,607	23,523	25,027	25,949	27,064
Cost of Sales	(14,048)	(14,273)	(15,547)	(16,505)	(17,579)
Administrative Expense	(3,478)	(3,586)	(3,770)	(4,094)	(3,912)
Other (Net)	(64)	(33)	(59)	(5)	21
Salvage Net Income	**6,017**	**5,631**	**5,651**	**5,345**	**5,594**

SAF administers the *Vehicle Inspection Regulations* that require written-off vehicles to pass mechanical and/or structural integrity inspections prior to allowing subsequent registration. If the inspection is passed, the vehicle is branded as a rebuilt total loss vehicle as a consumer protection service. If the vehicle does not pass inspection, it is deemed non-reparable and is not eligible for further registration. Similar protection is provided for out-of-province total loss vehicles by checking these vehicles prior to registration. Motorcycles, snowmobiles and trailers not equipped with air brakes are not subject to these regulations. As well, *The Traffic Safety Act* prohibits anyone from operating a vehicle on a highway that is not equipped in accordance with the Act and its regulations. Since 1997, SAF has supported law enforcement's efforts to make deficient and unsafe vehicles compliant or safe through the unsafe vehicle program. Identified unsafe vehicles can have existing registrations terminated.

SECTION 7 PROGRAM COSTS

In addition to claims incurred and loss adjustment expenses (“LAE”), SAF incurs other expenditures required to deliver the compulsory program. These expenditures include administrative expenses, traffic safety costs, issuer fees and premium taxes. These are discussed in detail in the following sections.

7.1 Claims Incurred

SAF estimates that on average claims incurred represents 80% of total costs, representing the largest expense category. Projections for 2009 are slightly higher at 82.8%. In this category, costs are separated into current year incurred claims and runoff of prior year incurred claims, with the impact of changes in the estimated ultimate cost of prior year claims arising from successive actuarial valuations.

SAF’s valuation actuary routinely undertakes a valuation of its claims liabilities, which involves making estimates of the expected ultimate costs of claims incurred on or before a certain date. The latest such valuation referenced in the Application was based on experience reported to May 31, 2008. Claims costs are organized into accident years. Specifically, claims are slotted into the year in which each claim occurred and then tracked through time. The ultimate cost of claims for a given accident year cannot be known with certainty until all claims are settled and closed within that year. With Saskatchewan’s benefit structure, this can take many, many years. With each valuation, changes in the estimates for prior years are quantified and identified as a charge (deficiency) or credit (redundancy) to current operations as “prior years claims incurred”. Forecasts for 2009 and beyond assume current valuation estimates will hold and no prior years claims incurred will arise.

SAF separates claim costs into three distinct categories:

- **Damage Claims** including damage to vehicles due to collisions or other occurrences such as hail, fire or theft;
- **Liability Claims** including damage to property of others or injury caused to others; and
- **Personal Injury Claims** including injury or death benefits related to automobile accidents, arising as either no-fault injury or tort injury claims.

SAF states that generally damage claims represent 66% of total claims in an accident year, and liability and personal injury claims account for the remaining 34%.

SAF indicates approximately 76% of an accident year’s total damage claims costs are paid in the year the loss is reported. SAF further states that of this total damage claims costs in a year, 99% are paid within 12 months of the end of the loss year. With such a high rate of resolution, SAF believes there is minimal risk that an estimate conducted by an actuary of unpaid damage claims will create a material redundancy or deficiency.

By comparison, personal injury claims take much longer to resolve than damage claims. SAF estimates that only 17% of an accident year's total estimated injury claims costs are paid in the year the loss is reported, and that 4% of liability claims are paid in the year the loss is reported. These low percentages are due to the fact that some no fault injuries could require claim payments for the remainder of an injured person's life. As the no-fault program coverage provides lifetime benefits, claims can be reopened after many years of dormancy, should original injuries reemerge. This uncertainty limits the actuary's ability to accurately estimate the injury claim costs. SAF stated that its objective is to keep such estimates as accurate as possible with minimal changes to prior year claim estimates. However, given the nature of this type of coverage, SAF states changes are inevitable.

7.1.1 Managing Collision Repair Costs

SAF monitors and conducts research related to collision repair costs to ensure fair compensation is provided to repairers on behalf of customers.

Cost containment examples include:

- Paint material study resulted in $5/hour decrease in paint material allowance in 2004.
- "Used Parts First" policy for all repairable vehicles 2 years old and over, and where used or recycled parts are not available, SAF attempts to obtain aftermarket parts (for 5 year and older vehicles), before using new parts. SAF submits that used parts represent a 40% saving over new parts, while aftermarket parts are approximately 25% less than new parts.

SAF states that only aftermarket parts certified by the Certified Aftermarket Parts Association ("CAPA") are used, and the customer is informed where these are used. A Technical Committee, consisting of SGI and repair industry representatives, has developed procedures and guidelines to specify use of aftermarket parts, and any issues are dealt with by SGI's Claims Technical Services department.

The following table illustrates auto repair parts costs, by type, from 2005 to 2008 (actual) and forecast for 2009:

Auto Repair Parts Costs (Amounts in $000's)					
Type	Actual				Forecast
	2005	2006	2007	2008	2009
Recycled	25,102	25,887	26,826	27,549	28,440
Aftermarket	6,973	7,191	7,452	7,652	7,900
OEM	37,653	38,830	40,239	41,323	42,660
Total	**69,727**	**71,907**	**74,516**	**76,524**	**79,000**
% Recycled	36.0%	36.0%	36.0%	36.0%	36.0%
% Aftermarket	10.0%	10.0%	10.0%	10.0%	10.0%
% OEM	54.0%	54.0%	54.0%	54.0%	54.0%

SAF estimates the savings from the use of recycled and aftermarket parts as follows:

Recycled and Aftermarket Parts Savings (Amounts in $000's)				
Type	Actual			
	2005	2006	2007	2008
Recycled	11,432	11,686	12,566	13,088
Aftermarket	4,194	7,322	9,477	10,310
Total	**15,626**	**19,007**	**22,043**	**23,398**

Total auto repair costs for 2005 to 2008 are as follows:

Total Auto Repair Costs (Amounts in $000's)						
Type	Actual				2005-08 Change	
	2005	2006	2007	2008	$	%
Parts	69,727	71,907	74,516	76,524	+6,797	+9.7
Labour	64,761	67,584	73,873	73,893	+9,132	+14.1
Paint Allowance	13,664	14,187	15,091	15,341	+1,677	+12.3
Shop Material	3,668	3,958	4,194	4,668	+1,000	+27.3
Glass Repair	313	339	347	469	+156	+49.8
Total	**152,133**	**157,975**	**168,021**	**170,895**	**+18,783**	**+12.3**

7.1.2 Labour Rates

SGI negotiates labour rates for car and light truck repair with representatives of the Saskatchewan Automobile Dealers Association (“SADA”) and the Saskatchewan Association of Automobile Repairers (“SAAR”) on an annual basis, unless a longer term agreement is reached. Considerations for negotiations include industry profitability, the ability to attract and retain employees, and techniques and requirements that constantly change with the repair of new vehicles.

Heavy vehicle repair rates are negotiated with the Commercial Vehicle Repairers Association of Saskatchewan on an annual basis.

Until 2008, SGI compensated repairers at rates that varied according to type of repair and differentiated between car/light truck and large truck, the latter defined as a frame greater than 12,000 lbs. Gross Vehicle Weight ("GVW"). As well, the non-accredited shop rates were lower than the accredited shop rates. Effective March 1, 2009, the agreement stipulated payment would be made at a blended rate of $67.00 per hour for body, paint, frame, and mechanical work for car/light trucks and large trucks. Effective May 1, 2008, an additional category of rates for trucks greater than 19,500 lbs. GVW frame was implemented. The hourly rates are $89.36 for body/refinish work, $92.70 for frame work, and a mechanical rate of $105.58.

Prior to these agreements, the labour rates for cars/light trucks and trucks greater than 12,000 lbs. GVW frame varied from $57.76 to $85.70, while heavy truck rates ranged from $77.50 to $91.57.

7.1.3 Medical Services Rates

SGI reimburses the Ministry of Health for physician services provided to injured individuals by way of contract which includes the insured portion of chiropractic treatments. For the uninsured portion of chiropractic services, SGI pays at rates determined by Saskatchewan Health. For other services for which Saskatchewan Health does not provide coverage, SGI negotiates rates with the health care provider associations. Rates for these services since 2005 are summarized below:

Medical Services Rates (per visit, except as noted otherwise)
(Amounts in $'s)

Treatment	2005	2006	2007	2008	2009
Chiropractic – Initial	20	22	22	23	23
Chiropractic – Subsequent	14	16	16	17	17
Massage – Initial	25	25	25	25	31
Massage – Subsequent	25	25	25	25	30
Physiotherapy – Initial	75	75	75	75	76.88
Physiotherapy – Subsequent	31.75	31.75	33.75	33.75	34.60
Acupuncture – Initial	55	55	55	55	55
Acupuncture – Subsequent	40	40	40	40	40
Vocational Rehabilitation	90/Hr	90/Hr	90/Hr	90/Hr	90/Hr
Occupational Therapy	90/Hr	90/Hr	90/Hr	90/Hr	90/Hr

7.2 Administrative Expenses

7.2.1 Budgeting

SAF's annual budgeting process commences in May when corporate guidelines are established. Following the initial preparation by departments, senior management reviews the initial budgets and makes adjustments as deemed necessary. Budgets are updated in August to incorporate any necessary new revisions to the previously approved draft. Reviews are again undertaken by senior management in September, followed by a review by the Audit and Finance Committee of SGI's Board. The final budget receives SGI Board approval in October. Proposed new projects or initiatives are budgeted and reviewed separately.

Preparation of the 2009 administrative expenses budget required a detailed explanation and justification for any staff additions, and non-staff expenses, with the exception of special projects, were not to exceed 2008 levels plus a Consumer Price Index ("CPI") allowance of 2.6%.

7.2.2 Overall Administrative Expenses

The following table displays actual administrative expenses from 2005 to 2008 and projections for 2009, as amended in second round Information Requests:

Administrative Expenses (Amounts in $000's)

Category	Actual				Forecast
	2005	2006	2007	2008	2009
Salaries & Wages	48,104	51,202	58,430	63,370	67,823
Benefits	6,009	7,245	8,892	9,336	10,750
Pension	1,911	2,057	3,045	2,430	3,640
External Services	3,821	1,963	2,719	2,583	4,197
Materials and Supplies	599	501	643	769	681
Travel (including Vehicle Costs)	1,625	1,704	1,794	1,829	1,830
Insurance	251	258	228	348	387
Tools and Equipment	130	132	116	167	151
Building Rehabilitation	1,638	1,205	1,074	1,733	1,675
Data Processing	4,101	4,444	6,652	7,107	9,113
Safety Awareness	3,394	3,213	3,773	3,454	4,210
Issuer Bank Charges	392	1,566	2,037	2,406	2,595
Drinking/Driving Awareness	2,378	2,413	2,571	2,354	2,670
Postage	1,458	1,688	2,168	1,791	2,414
License Plates	859	805	872	998	1,093
Other	2,071	2,789	1,547	3,982	5,438
Total Allocated Expenses	**78,740**	**83,185**	**96,563**	**104,657**	**118,665**

7.2.3 Salaries, Wages and Benefits

The following table indicates SGI staffing levels, stated in full-time equivalents ("FTE"), from 2005 to 2008 as well as projections for 2009:

Staffing Levels					
Category	Actual				Forecast
	2005	2006	2007	2008	2009
In-Scope	1,174	1,187	1,238	1,282	1,293
Management	192	201	220	228	228
Total *	1,366	1,388	1,458	1,510	1,521
Ratio In-Scope / Management	6.1	5.9	5.6	5.6	5.7
* All FTEs are employees of SGI. Positions cited are those that are fully or partially allocated to SAF.					

SGI submits that it has been responding to an aging demographic in its staff, as well as improving work force diversity. In support of this statement, SAF provided the following statistics:

Staff Composition			
Category	2005	2008	2005-08 Change
Employees Under 30	9.0%	14.0%	+5.0%
Aboriginal	10.1%	11.3%	+1.2%
Disabilities	6.5%	8.4%	+1.9%
Visible Minorities	3.5%	4.6%	+1.1%

SAF contends that the growth in Saskatchewan's economy has impacted all SGI operations. Staff increases were necessary to accommodate business growth and compliance with policy and/or legislative changes. Business growth is reflected by an increase of 24,570 in licensed drivers, and 101,200 in registered vehicles, from 2005 to 2008. This growth requires more driver testing, involves greater numbers accessing SGI regulatory programs, and more vehicles causing an increase in number of claims adjusted. The overwhelming majority of growth in these areas occurred in 2007 and 2008. This growth, combined with required administration of regulatory programs on behalf of the province and adapting to legislative changes, necessitated larger than normal increases in staffing levels in those years. Examples of regulatory requirement administration include the creation of a privacy and ethics department, Chief Executive Officer/Chief Financial Officer certification, International Financial Reporting Standards, and Enterprise Risk Management.

In addition to staff level increases, expenditures for salaries, wages and benefits have increased because of economic increases, cost of living adjustments, union and management increases, retirement allowances, and flex spending.

7.2.4 External Services

The external services category captures expenditures for goods or services obtained by SGI through either the tendering process or by responses to requests for proposals ("RFP"). Tenders are opened in a public forum, while RFPs are opened privately, as selection criteria goes beyond lowest price, which is normally the only selection criterion for tender bidders (assuming capability to carry out the tendered work). RFP's are evaluated based on criteria included in the RFP, and may include negotiations to determine and finalize the best options available. External services costs can and do vary from year to year as the type and volume of necessary annual contracted goods and services dictate. As can be seen in the table in Section 7.2.2, external services costs decreased fairly significantly in 2006 from 2005, followed by sizeable increases in each of 2007, 2008 and projected for 2009. These variations are likely attributable to start up costs and subsequent expense amortization related to the Auto Fund Redevelopment Project.

7.2.5 Capital Projects and Building Rehabilitation

SAF capitalizes certain costs related to land and improvements, building, office and computer equipment, salvage equipment and vehicles. All capital assets, except for those used mainly by underwriting (owned by SGI CANADA), are owned by SAF. The capitalization policy stipulates that the original cost of land and permanent improvements are capitalized. Original acquisition or construction costs and associated costs required to place a facility in use are capitalized. Buildings and property betterments that meet the $100,000 threshold are capitalized, as is equipment that can be physically tagged and identified, costing more than $5,000 and having a useful life in excess of one year. Equipment and software purchased, as part of a project exceeding a total project cost of $250,000, and items that cannot be tagged but exceed $12,000 for one location are also capitalized. Capitalized systems development projects (including leased equipment) include hardware and associated software costs and external resource costs. All corporate vehicle purchases are capitalized.

Aside from the Auto Fund Redevelopment Project, the only capital project from 2005 to 2008 was the acquisition of the Regina Operations Centre for $2,150,000 in late 2007 and renovation costs of $3,094,000 for a total of $5,244,000. Capital projects for 2009 are associated with SGI's Building Renewal Strategy and those exceeding $500,000 are: Swift Current garage upgrades - $1.3 million; Lloydminster Office - $0.775 million, and North Battleford office - $0.6 million. SAF's Building Renewal Strategy states that costs associated with the renewal of buildings will be capitalized if costs exceed $100,000 and if the building service potential is enhanced (increase in output or service capacity, improved output quality, reduced operating costs, or extended useful life). Projects under $100,000 will be expensed.

All capital assets are amortized on a straight line basis over the estimated life of the asset, commencing once an asset becomes used and useful. A change in acquired value triggers a change in the amortization method from straight line to remaining value of the asset over the remaining useful life. SAF uses the following amortization periods for its various categories of assets:

Amortization Periods	
Category	**Period**
Vehicles	5 Years
Buildings	40 Years
Office / Data Processing Equipment	3 or 5 Years
Leasehold Improvements	5 Years
Auto Fund Redevelopment Project:	
IT Resources	5 Years
Software	3 Years
Hardware	3 Years

7.2.6 Data Processing

In addition to on-going data processing costs, the Auto Fund Redevelopment Project was started to be expensed in 2006, and will continue in this fashion until completed. This expense accounts for the increase in this category from 2007 and beyond. The related amortization was $2,679,000 in 2007 and $4,251,000 in 2008, with the corresponding 2009 amount currently estimated at $6,329,000.

7.2.7 Issuer Bank Charges

In 2006, SAF began to offer credit cards as a payment option, leading to increased expenses. SAF shows this cost at $1,345,000 in 2006, increasing to $2,218,000 in 2008, and projected to be $2,444,000 in 2009.

7.2.8 Other Administrative Expenses

With the exception of those matters discussed above, the other administrative expense categories shown in the above table display year to year variability, to be expected as, to a certain degree, all are dependent on external costs (such as postage) and volume of the various necessary business transactions. Salaries, wages and benefits continue to account for the majority of administrative expenses, consistently approximating 70%.

7.3 Traffic Safety Programs

In 2006, SAF developed a long term road safety strategy structured to save lives, reduce injuries and lower claims costs, and increased its target investment from 2% to 3% of earned premiums.

The strategy focused on six main areas:

1) Occupant Protection (seatbelts, child restraints and head restraints)

2) Human Factor Issues (pertaining to new drivers, aging drivers, distracted drivers, motorcycle and bicycle safety)

3) Impaired Driving

4) Roadway Intersection Safety

5) Speed Management

6) Safe Design and Operation of Road System

Traffic safety initiatives are developed for each major strategic area, supported by a strong program evaluation element that includes statistical analysis of the cause of deaths, injuries and collisions. Each program is monitored and evaluated to determine its effectiveness in achieving the strategic objectives by SAF's Traffic Safety Program Evaluation group.

SAF cites the following examples of 2008 evaluation results of current programs previously instituted.

Intersection Safety Improvements

Eight intersection improvements were carried out in Regina, Saskatoon and Prince Albert between 1996 and 1998. The evaluations carried out two years after the improvements indicated 8.5% to 13% reductions in collisions at these intersections, representing an overall saving in excess of $1 million, or a positive return of $1.80 to $11.80 for each dollar expenditure. The returns have been demonstrated to be sustainable five years following the improvements.

Graduated Driver Licensing ("GDL") Program

Introduced in 2005, the evaluation shows that there was an overall 15% to 21% reduction in crashes involving GDL drivers versus pre-GDL drivers, most noticeably at the Learner (first) level. Relative to pre-GDL Learners, post-GDL Learners experienced a 48% reduction in crashes. Novice 1 (second) level drivers showed only a 3% reduction, while the Novice 2 level drivers demonstrated an 11% reduction.

Vehicle Impoundment Program

Commenced in 1996, under this program drivers who are caught driving while disqualified could have vehicles impounded for 30 to 60 days. Drivers whose vehicles had been impounded once within this two year evaluation period had a 25% lower risk of subsequent driving while disqualified and a 17% lower risk of committing traffic violations relative to similar drivers whose vehicles were not impounded, as well as experiencing a reduction in collision risk.

Ignition Interlock Device ("IID")

Certain drinking and driving offenders convicted under the Criminal Code are required to install these devices as a pre-condition to reinstatement of drivers' licenses. SGI's evaluation of the effects on recidivism and alcohol related collisions indicated that offenders with the device installed experienced a reduction in alcohol related convictions between initial conviction and IID removal that was 81% lower than offenders without the IID. As well, drivers with the IID showed an 84% reduction in alcohol-related collisions compared to 74% for drivers without the IID.

Deer Fence

In 2007, in partnership with the Ministry of Highways, SGI installed 5 km of fencing on both side of Highway 7 in the game preserve just west of the Town of Harris. Preliminary results on claims costs associated with animal/vehicle collisions pre and post fence installation are summarized below:

Animal / Vehicle Collision Claim Costs (Amounts in $'s)	
Year	**Claims Costs**
2004	148,353
2005	166,953
2006	170,744
2008	76,524

SAF evaluates existing programs and continues research for possible new initiatives, and programs often change or new programs are added on an annual basis. All traffic safety costs are absorbed by SAF within SGI. The following table shows the actual 2005 to 2008 results and budgeted 2009 expenditures for traffic safety:

Traffic Safety Costs (Amounts in $'s)					
Category	**Actual**				**Budget**
	2005	**2006**	**2007**	**2008**	**2009**
Driver Programs	3,017,127	2,957,916	3,479,303	3,294,270	3,806,408
Driver Development Safety Services	1,452,716	1,651,019	2,118,412	2,407,584	2,413,905
Driving Without Impairment	(47,167)	(23,559)	(36,256)	(55,299)	32,510
Carrier Safety Programs	276,115	75,447	236,493	360,418	389,184
AVP - Driver & Vehicle Safety Services	1,019,473	1,059,660	1,200,653	1,557,915	1,160,089
Vehicles Standards & Inspection	284,214	251,716	347,640	305,466	434,959
Highway Traffic Board	610,813	594,730	693,493	795,636	945,431
Traffic Safety Program Evaluation	779,536	713,745	2,653,020	736,709	1,046,801
Traffic Safety Promotions - A/F	-	-	-	2,051,061	2,580,817
AVP - Traffic Safety Services	-	-	-	659,241	-
Traffic Safety Services – Campaigns	3,737,219	3,487,388	2,961,910	2,519,743	3,002,610
Regina Driver Testing – Building	14,366	21,672	19,333	25,269	23,875
Total	**11,144,410**	**10,789,734**	**13,674,001**	**14,658,013**	**15,836,589**
Indirect Costs as Allocated	-	-	-	1,686,395	1,961,663
Total	**11,144,410**	**10,789,734**	**13,674,001**	**16,344,408**	**17,798,252**

7.4 Appeal Costs

SAF procedures encompass appeals to the Highway Traffic Board ("HTB") and appeals to the Automobile Injury Appeal Commission ("AIAC"). All HTB appeal costs are charged to the SAF traffic safety programs and all AIAC costs are allocated to claims incurred.

Since its inception in 2002, AIAC appeal costs have increased from $391,599 (155 appeals) to $1,396,071 (139 appeals) in 2008. AIAC appeal costs include the cost of the Commission, Court of Queen's Bench, costs of mediation, cost of external counsel and costs awarded by AIAC.

HTB appeals related to various matters have increased from approximately 1,200 in 2000, to 1,475 in 2008. Costs have increased from $610,813 in 2005 to $795,636 in 2008, with a budget of $945,431 in 2009.

7.5 Premium Taxes

Premium taxes are calculated as 5% of gross premiums (premiums earned less premiums ceded) and are remitted to the province. In 2009, premium taxes are projected to be $31,908,000. The total premium tax is comprised of 4% (increased from

3% on April 1, 2000) levied under the *Insurance Premiums Tax Act* and 1% (unchanged since 1979) levied under *The Motor Vehicle Insurance Premium Tax Act*.

7.6 Issuer Fees

In 2006, SGI and the Insurance Brokers of Saskatchewan ("IBAS") signed the Issuer Accord which, among other matters, set out that IBAS officially represents all issuers, issuer onlies, and non-IBAS broker/issuers. The Accord also stipulated that issuer compensation would be negotiated. In March 2006, SGI and IBAS agreed to establish a new compensation model. Issuers will be paid a 4.75% commission on all vehicle transactions instead of a flat fee, effective January 2010, to coincide with the implementation of the final phase of the Auto Fund Redevelopment Project. The 4.75% commission would be paid to cover all transactions related to new vehicle registrations, vehicle renewals and vehicle renewals with change restrictions. Other transactions, including driver's licenses, certain vehicle transactions that change an existing term, such as a transfer, plate replacement, etc., permits, and driver improvement program fees will be paid through a schedule of fees ranging from $1 to $6. Offsetting the increase in vehicle transaction fees, driver transaction fees will be reduced.

SGI currently has two issuer fee payment schedules: regular and reduced. SGI has criteria that an issuer must meet in order to qualify for the regular remuneration rates. Depending on the number and/or frequency of contraventions of SGI's issuer manual procedures, an issuer will be paid at the reduced rate. Contravention of the procedures results in reduced fee payments and required probationary periods during which performance is monitored. There is an Issuer Performance Management Program available to issuers in order to move from the reduced to the regular fee schedules. Severe misconduct or gross negligence may result in accelerated disciplinary action that can include termination. The commission fee of 4.75% is to be the remuneration for the regular issuer, but there has been no determination of the level of compensation for the reduced issuer at this time.

Following is a tabulation of issuer fee expenditures showing 2008 actual results and forecast amounts for 2009 to 2013:

Issuer Fee Expenditures
(Amounts in $000's)

Category	Actual	Forecast				
	2008	2009	2010	2011	2012	2013
Net Premiums Written	610,492	650,646	713,721	754,444	796,854	841,975
Issuer Fees	29,145	31,917	32,751	36,734	38,057	38,037
% of Premiums	4.8%	4.9%	4.6%	4.9%	4.8%	4.5%

The projected increase in premiums written from 2008 to 2013 is $269.8 Million (39.6%), while the projected increase in issuer fees is $8.892 million (30.5%).

7.7 2009 Administrative Productivity Initiatives

SGI's internal operating costs consist of two components: administering the insurance and regulatory programs, and insurance program claims adjusting costs.

SAF submits that productivity initiatives for administering the insurance and regulatory programs are difficult to achieve due to the age of the main computer systems. In this regard, SAF is replacing systems under the Auto Fund Redevelopment Program, at a budgeted cost of $35 million, expected to be fully operational by June 2010.

With respect to insurance claims adjusting costs, SAF's computer systems are newer, developed in the mid 90's. This has allowed for improved productivity by implementing the following initiatives:

- The movement to paperless claims files in addition to eliminating six positions has provided quicker response time and more efficient use of adjusters' time.
- Implementation of an internet solution for glass claims, where about 24,000 annual glass claims now require no SGI employee involvement, has eliminated three positions.
- Implementation of an internet application for reporting auto claims (currently 13,000 claims annually) including customers booking damage appraisal on-line.
- Electronic processing over 56,000 damage claim payments to repair shops annually.
- Cascading approximately 680 SGI computers to issuer offices where computing capability is less than at SGI.
- SAF believes that implementation and continued operation of Microsoft Office 97 in 1999 has saved between $1 and $2 million rather than upgrading operating systems every 3 to 4 years.

SECTION 8 COST ALLOCATION

The SGI group of companies consists of SGIC that administers SAF, SCISL, Coachman and ICPEI. In addition, SGIC has minority interest in two other companies, but these are outside the cost allocation process. SGI's current cost allocation methodology was introduced in 2007, a detailed description of which was provided to the Panel in confidence, due to its impact on SGI's competitive operations.

The first priority in the cost allocation process is to ensure that the expenses are being charged to the appropriate company, with the second priority being to properly charge the expenses within a company to each product line. SAF submits that proper allocation accurately determines product cost and, where applicable, profitability of each product line. SGIC is expected to account for about 95% of allocated costs of over $118 million for 2009. Nearly 70% of associated costs are direct costs of a specific company and are assigned directly to that company, with the remaining 30% being allocated monthly using formulas based on various cost drivers. Formulas are reviewed, usually on a semi-annual or annual basis. SGI allocates two types of expenses: administrative expenses, and loss adjustment expenses. In addition, expenses are classified as being either direct or indirect.

Administrative expenses are expenditures required to manage the company and provide staff support for its operations, and are classified as being either direct or indirect. Both direct and indirect costs are assigned and/or allocated to the appropriate companies, based on various cost drivers.

Loss adjustment expenses are costs directly related to the evaluation, processing and settlement of claims, and include costs to operate claims centres, salaries and benefits for claims staff, and travel and system costs, and are allocated to either General claims or Auto Fund claims. Once the LAE has been determined for SAF, a further allocation is made between damage, injury, tort and pre-Personal Injury Protection Plan ("PIPP") claims

The following tables summarize the cost allocation results for 2007 and 2008, and those forecast for 2009:

Overall Cost Allocation (Amounts in $000's)								
Company	2007		2008		2009		2007-09 Dollar Change	2007-09 % Change
	$	%	$	%	$	%		
SAF	96,563	64.2	104,657	65.3	118,665	65.9	+22,102	+22.9
SGIC	43,855	29.2	43,219	27.0	46,584	25.9	+2,729	+6.2
SCISL	3,848	2.6	5,017	3.1	6,324	3.5	+2,476	+64.4
Coachman	4,205	2.8	4,638	2.9	5,346	3.0	+1,141	+27.1
ICPEI	1,886	1.3	2,784	1.7	3,198	1.8	+1,312	+69.6
Total	150,356	100.0	160,315	100.0	180,118	100.0	+29,762	+19.8

SAF Cost Allocation (Amounts in $000's)								
Expense	2007		2008		2009		2007-09 Dollar Change	2007-09 % Change
	$	%	$	%	$	%		
Admin. Direct	12,962	13.4	16,161	15.4	23,300	19.6	+10,338	+79.8
Admin. Indirect	23,219	24.0	26,172	25.0	27,269	23.0	+4,050	+17.4
LAE	46,708	48.4	45,980	43.9	50,298	42.4	+3,590	+7.7
Traffic Safety	13,674	14.2	16,344	15.6	17,798	15.0	+4,124	+30.2
Total	96,563	100.0	104,657	100.0	118,655	100.0	+22,102	+22.9

SECTION 9 RECOGNITION PROGRAMS

9.1 Safe Driver Recognition Program

SAF's Safe Driver Recognition Program ("SDR") is designed to reward safe drivers who own or lease a vehicle in the LV, PV or F (light) vehicle class by providing discounts on their vehicle premiums. The program also ensures drivers who demonstrate risky behaviour and who are involved in at-fault accidents pay their share through a financial penalty being assessed on an incident by incident basis. For every year of accident free driving, one safety rating point is awarded. Each safety rating point in the Safety Zone (safety rating greater than 0) corresponds to a 2% discount on basic insurance, to a maximum discount of 20%. Effective January 1, 2009 drivers are able to earn up to 14 points and the points in excess of 10 provide protection against the financial penalties of future incidents.

Under the SDR, drivers lose points for unsafe driving behaviour, such as at-fault accidents (-6 points), or certain convictions and roadside suspensions (-3 or -4 points). As well, driving disqualifications, for example, arising from Criminal Code offences, move drivers to at least -20 points. Each point in the Penalty Zone (safety rating less than 0) attracts a $25 penalty. A rating of -20 attracts the maximum financial penalty of $500, except for Criminal Code offences resulting in injury or death, when the penalty is $2,500. In 2008, SAF provided $76,110,000 in discounted vehicle premiums and billed customers $10,314,000 for penalties under the SDR.

9.2 Business Recognition Program

SAF's Business Recognition Program includes heavy vehicles in the commercial and farm classes, and any vehicle registered to a company. The program is designed to reward businesses with safe driving records. SAF has determined that a capped loss ratio between 70.1% to 80% is their approximate break-even range. The break-even range is calculated by subtracting all administrative costs, premium taxes, issuer fees and traffic safety program costs from the total premiums paid for all vehicles. Losses are capped in this calculation to ensure the impact of a single claim bears a reasonable and fair relationship to the size of the vehicle fleet.

Companies with a capped loss ratio of less than 70% in the past five years are eligible for a discount, to a maximum of 10% for a capped loss ratio of 0%. Companies with a capped five year loss ratio greater than 80% are subject to financial penalties, to a maximum of 200% for a capped five year loss ratio of 350.1% or greater.

SECTION 10 INTERNATIONAL FINANCIAL REPORTING STANDARDS

Pursuant to confirmation by the Canadian Institute of Chartered Accountants (“CICA”) Accounting Standard Board that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) in place of Canadian Generally Accepted Accounting Principles (“GAAP”), SGI commenced the conversion project in early 2009.

The conversion project includes the development of a high-level IFRS implementation plan consisting of stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. The project is managed by a senior management internal Steering Committee and is assisted by an external advisor.

The project consists of four phases: project initiation and initial assessment, detailed assessment, design, and implementation. SGI has completed the project initiation and initial assessment phase. This latter phase involved a preliminary assessment of differences between IFRS and Canadian GAAP, potential effects of IFRS on accounting and reporting processes, approval of project charter and a high-level development plan, and an IFRS training plan.

The initial assessment was carried out during the first quarter of 2009 and identified the most significant differences applicable to SAF: IFRS 1 - first time adoption, financial instruments, property, plant and equipment, employee future benefits, insurance contract classification and measurement, joint ventures, provisions and leases, and more extensive presentation and disclosure requirements.

SGI is currently in the detailed assessment phase related to detailed analyses of IFRS accounting policies, selecting IFRS accounting policies and IFRS elections, communication plan, and IT system requirements identification. It is expected this phase will be completed by December 31, 2009. SGI states that the impact of IFRS on the various activities and operations are not yet reasonably determinable. Draft impacts on some of these are anticipated in 2009.

SGI submits that the most significant areas associated with IFRS implementation will be:

- **Re-designation of Investments from “Available for Sale” to “Fair Value”.** If implemented as at December 31, 2008, the RSR would be reduced by over $21 million, with an offsetting increase to Accumulated Other Comprehensive Income, and hence no impact on the MCT ratio. Were this to happen, SAF would likely change to fully discounted unpaid claims provisions, which if done as at December 31, 2008 would increase the RSR by over $40 million.

- **Property, Plant and Equipment – Deemed Cost.** Under IFRS, SGI can elect to change the cost base of its property, plant and equipment to its fair value, which would be offset by change in the RSR. This is still under assessment, and the financial impact is unavailable.

- **Employee Future Benefits.** There are accounting differences between IFRS and Canadian GAAP related to unamortized actuarial gains and losses and past service costs. This is still under assessment, and the financial impact is unavailable.

SECTION 11 MINIMUM CAPITAL TEST

To determine the appropriate level of funds in the RSR, SAF uses an industry regulatory solvency measurement called the Minimum Capital Test. Insurance regulators require an MCT ratio for regulated companies to be 150% or higher. By adopting a target range for its RSR below this level (100% to 125%), SAF is recognizing its distinct situation as a monopoly and Crown corporation insurer.

SAF's analysis for this Application was initially prepared using information from December 31, 2007. At that time, with a 4.2% rate increase in overall average rate, the MCT ratio was forecast to be within the 100% to 125% range. Since then, investment markets have declined significantly and the forecast MCT ratio has also declined to 61% at the end of 2008. These sub-target forecast MCT ratios continue throughout the updated five year financial forecast, falling as low as 49% at year end 2009 and year end 2010, and recovering to 59% by year end 2013, primarily from forecast gradual growth in investment income and investment market values.

SECTION 12 RATE STABILIZATION RESERVE

The RSR represents the accumulation of all profits and losses in SAF since its inception, net of any policyholder rebates paid. The Government of Saskatchewan has injected no capital into SAF, and neither does it receive any dividends from SAF.

In response to an interrogatory, SAF stated the purpose of the RSR is "*to provide a financial resource to draw on when adverse financial events occur*". By this means, the RSR protects SAF customers from sudden large rate increases.

In the past, when RSR balances have significantly exceeded SAF's target range as defined by the MCT ratio, SAF has managed its RSR balance through a process of policyholder rebates. In 2006 and 2007, a total of over $145 million was rebated from the RSR to SAF ratepayers.

As previously noted, the RSR balance is currently below its target range, and is expected to remain so through to at least 2013. In response to an interrogatory, SAF indicated it currently has no formal policy on what actions should be taken when the MCT is outside of its target range, either above or below, but that such a policy is expected to be available by the time of SAF's next Application. Although no action is proposed in this Application to address the current situation, SAF indicated that its next Application will address any MCT shortfall being experienced at that time.

SECTION 13 INFORMATION SYSTEM FUNDING

In the 2007 Application, SAF provided its plan for a new information system, referred to as the Auto Fund Redevelopment Project. The estimated cost was $35 million with a final completion date in 2010. The project was funded by a $35 million appropriation from the RSR in 2005. The rationale for using the RSR as the funding vehicle is that this was deemed to be more transparent to the public that the significant commitment had been made in 2005, and that no future rate increases would be necessary to take the cost of the long term project into account. SAF states that the project remains on budget, with completion set for June 2010. The following table indicates the Auto Fund Redevelopment Project total costs to March 31, 2009. The majority of the $35 million will be fully amortized through expense by 2014. The annual appropriation back to the RSR is an offset of the amortization of the project costs flowing through administrative expenses.

Auto Fund Redevelopment Project
Total Costs to the End of March 2009
(Amounts in $'s)

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Jan to Mar Actual & Committed	Total 2005 to March 31, 2009
External Contract Resources	418,074	4,405,096	5,357,447	5,948,394	1,474,546	17,603,557
Infrastructure (Hardware and Software)	3,092	532,242	21,048	44,857	126,101	727,340
SGI Internal Staff	80,664	1,296,390	1,588,977	2,503,471	459,887	5,929,389
Total Project Costs	**501,830**	**6,233,728**	**6,967,472**	**8,496,722**	**2,060,534**	**24,260,286**
Appropriation to the RSR	0	1,296,000	2,679,000	4,251,000	1,193,000	

SAF estimates that when completed, the project will save between $750,000 and $1 million per year in staffing costs, and a further $200,000 to $300,000 in reduced software maintenance costs.

SECTION 14 OVERALL PROPOSED AVERAGE RATE INCREASE

The original basis for the Application was an actuarial analysis of experience reported to December 31, 2007, which indicated a required 4.2% overall average rate increase to meet expected claims and other costs, while recognizing the time value of money. Detailed disclosure of this analysis was provided with the Application, and SAF's actuary also provided the Panel with an interactive discussion of the essential elements of this analysis.

Since its 2007 Application, SAF has introduced some changes to its actuarial methodology in this regard. In 2007, traffic safety program costs were included in the total fixed expense by coverage, whereas now these costs are treated as premium-variable. Also new with this analysis is the separation of LAE for separate treatment from fixed expenses by coverage. SAF indicated that its resources to explore and develop other methodological refinements have been limited by its commitment to the Auto Fund Redevelopment Project.

The methodology begins with the estimation of projected average pure premiums (i.e., cost of claims per vehicle) by coverage or sub-coverage, considering recent historical accident year experience with provisions for development to estimated ultimate levels, and patterns of change in that experience (i.e., frequency and severity trends). Trend is applied to project the pure premiums to be relevant for a future rating year, which in the original analysis was twelve months starting July 1, 2009. The projected pure premiums are discounted for the time value of money, recognizing that claim payments may be made over many years in some instances, and loaded for fixed and variable expenses, including LAE. Once aggregated, offsetting provisions are made for the expected contributions to revenue arising from investment earnings on the RSR, and the malus component of the Safe Driver Recognition Program. This result represents an estimate of the average required rate, which is then compared with an estimate of the current average rate adjusted for any premium trend expected up to the average date of policy issue in the proposed rating year. The ratio of these two average rates represents the estimate of the indicated or required change in average rate.

Recognizing the staleness of the data underlying its indication by the time the Application was about to be filed, SAF undertook a comparable updated analysis for all classes of vehicles combined, using experience reported to year end 2008. A number of adjustments were incorporated into the updated analysis, including recognition of the economic downturn, updated valuation results and budget forecasts, and a delayed rating year commencing November 1, 2009. The updated analysis produced an indicated increase of 4.3% in average rate level overall, closely consistent with the original analysis.

SAF's Application proposes a change in overall average rate of 4.2%, based directly on the original analysis, without tempering.

SECTION 15 RATE REBALANCING

An equally important objective of this Application, in addition to an overall 4.2% increase in average rate, is a proposed rebalancing of the average rates by class of vehicle and by rating classification within those classes, in response to experience. In conjunction with its original analysis of experience reported to December 31, 2007, SAF undertook a similar analysis for most classes of vehicles. Those classes of vehicles without sufficient volume or stability to support that level of analysis was instead subjected to a less detailed examination of loss ratios to assess rate level need. In addition, as appropriate to each class of vehicle, an analysis of experience broken down by applicable rating classifications was undertaken to address rate rebalancing within each class of vehicle.

Across all classes of vehicles, SAF estimates the weighted average indicated change in overall average rate to be +7.3%, representing an imbalance in the analysis by class of vehicle relative to the +4.2% overall indication based on the analysis of all vehicles combined. Rate rebalancing also addresses the correction of this imbalance.

Finally, rate rebalancing includes overriding limitations on the size of individual rate increases as judgmentally selected by SAF to vary by class of vehicle, as previously described.

SAF separates classes of vehicles into two groupings: those using the Canadian Loss Experience Automobile Rating (“CLEAR”) system, and other conventionally-rated classes.

15.1 CLEAR-Rated Vehicles

SAF uses an adaptation of the CLEAR system to rate its light passenger vehicles. The CLEAR system is promulgated by the Insurance Bureau of Canada, through the Vehicle Information Centre of Canada (“VICC”) and captures Canada-wide loss experience for light passenger vehicles. CLEAR analyzes historical damage and injury claims experience for each vehicle make, model and model year, in order to establish groupings of these vehicles with reasonably close expected average claim levels (i.e., rate groups), and to establish corresponding rate relativities for appropriately distinguishing rates by rate group. CLEAR is used by insurance companies nationwide to rate damage and injury coverages for light passenger vehicles. SAF undertakes its own analysis of experience by rate group, but uses CLEAR to supplement its provincial data with national data to provide a more statistically reliable basis for rating.

Vehicles that are included by SAF in the CLEAR system’s light passenger vehicles include:

- Private Passenger Vehicles;
- Police Vehicles;

- Commercial Class A – Light Vehicles;
- U Drives;
- Rural Taxis; and
- Light Farm Trucks, Model Years 1994 and Newer.

In the CLEAR system, vehicles are assigned to one of 99 damage rate groups and one of 5 injury rate groups. The rate groups are only assigned to vehicles 15 years old or newer under CLEAR. Because of the significance of Saskatchewan's older vehicles in the insured fleet, SAF added a Rate Group 0 for vehicles over 15 years old. This is to avoid CLEAR ratings becoming skewed when used to evaluate areas that have a large portion of their registered vehicles that are 15 years or older.

VICC has recently announced a major redesign of its CLEAR system, to significantly expand its treatment of the injury coverage. This Application does not reflect any of this new VICC CLEAR injury coverage initiative.

Before consideration of this Application, SAF estimates that about 72% of CLEAR-rated vehicles are within 10% of their indicated CLEAR rating. With this Application, SAF estimates this to rise to almost 87%. SAF states that the level of cross-subsidization that currently exists will continue to decrease over time with regular rate rebalancing as the CLEAR system continues to evolve.

15.2 Conventionally-Rated Vehicles

Premiums for conventionally-rated vehicle classes are based on the significant rating attributes of each vehicle class. These attributes include but are not limited to: registered seating capacity, model years, body size, engine size, and functionality (i.e., motor homes are classified as recreational).

SAF includes the following classes of vehicles as conventionally-rated:

- Heavy Trucks and Power Units
- Farm Vehicles (Excluding Vehicles Less Than One Ton)
- Taxis (Excluding Rural Taxis)
- Buses
- Snowmobiles
- Motorcycles

- Vehicle Dealers
- Special Use Vehicles (Ambulances, Hearses, Antiques)
- Trailers
- Motorhomes

For most conventionally-rated vehicle classes, SAF proposes a change in average rate for a given class that is a tempered response to a rather more extreme indication. This reflects subjective consideration of the credibility of the underlying experience. The indicated and proposed changes in average rate by class of vehicle are summarized in Appendix A of the Application.

Sections 4.2 to 4.38 of the Application summarize the results of the analysis of experience for each conventionally-rated class of vehicle, and the proposed changes in average rate and rate relativities in response to that analysis.

SECTION 16 PUBLIC PARTICIPATION

16.1 Group Presentations

The Saskatchewan Trucking Association – A. Rosseker – Executive Director

Mr. Rosseker made the following points in his presentation. The Saskatchewan Trucking Association represents 80% of the rolling stock in the Province of Saskatchewan, and is a not-for-profit organization.

The trucking industry is highly competitive with slim profit margins. Regulatory oversight requires safety inspections twice yearly (trailers once a year), resulting in large repair bills.

With economic growth forecasts having been reduced from a 2.8% GDP increase to a 0.7% increase, profit margins are under increasing pressure. Truckers have many hardships in the economic down swing already; possibly putting small operators out of business.

Currently the same power units, but identified in the farm vehicles class, have no annual safety inspections required. SGI imposed a reduced rate of 5.2% for farm-plated power units. These are the same tractor-trailer trucks that are classified as highway power units except they operate on Saskatchewan's secondary roads, which seems unfair. The proposed rate changes for commercial and farm power units amounts to a disparity of about 12.9%.

The panel was requested to reject any increase in rates for commercial highway power units and any decrease in rates for farm power units.

Regina Cabs/Premiere Taxi – S. Archibald – Operations Manager

Regina Cabs Premiere Taxi is the largest taxi fleet, with about half the taxis in Regina. These 50 plus taxis are operated by owner/operators and independent contracted operators.

The SGI proposal sets out a 10% rate increase in premiums for taxis in Regina and Saskatoon. Taxis are in a highly competitive business and are heavily regulated.

With a possible 200% penalty under the Business Recognition Program, Ms. Archibald indicated that their taxis could face a premium as big as $8,142. This policy could cause the entrepreneur and small business person to have second thoughts about operating their business here.

Ms. Archibald suggested that the Business Recognition program doesn't so much protect, as penalize, the industry. It is the Association's opinion that only part of the Business Recognition Program applies to taxis that are registered to corporations. She indicated that the Business Recognition Program applies an additional premium surcharge to the corporations for poor driving and not to individual owners. This is unfair as corporations don't drive the vehicles, individuals do.

The discount part of the Business Recognition applies both to taxis registered to corporations and to individuals, but the surcharge portion doesn't apply to taxis registered to the individual, even an individual who has multiple vehicles registered and has had accidents.

SGI's program treats taxi businesses (corporations) differently than individual taxi owners based on being incorporated versus their claims history.

The PT class is a very small class with only 339 vehicles in Regina/Saskatoon. Registered owners are not being treated the same. SGI wants to achieve fairness in rating and set premiums based on claims loss experience by rate class, but that's not the situation because incorporated taxis are subject to the Business Recognition surcharge and individuals are not.

Ms. Archibald Indicated that inadequate funds are in the pool because only corporations are being surcharged and the individuals with accidents histories that operate taxis are not being surcharged and not contributing to the pool to pay claims costs. She believes this is part of the reason for this 10% increase and supports their claim of unequal treatment within the same class.

She reminded the Panel that their fleet has a comprehensive driver screening program that includes reviewing driver's licenses, abstracts, driving convictions, and accident claims annually. If the abstract shows a history of convictions and accidents, the driver is not hired.

The taxi class had a 5% increase in premiums in 2007. The data that SGI used to develop the proposed premium increase in this Application ends with 2007. Although told that data was refreshed for 2008, the 2008 data for this class isn't yet available for review. SGI has proposed that a higher premium be paid for 2009, with no indication of how the 2007 premium increase has impacted the results. She believes this issue needs to be disclosed and reviewed prior to SGI requesting an additional increase.

Ms. Archibald requested that the Panel not approve any increase regarding the PT class until SGI reviews the Business Recognition Program for fairness within the class and takes into consideration the public service that taxis provide. Further, it is difficult to quantify the dollar value of a non accident when someone uses a taxi instead of driving under inappropriate conditions such as bad weather or after consuming alcohol.

United Blue Line Taxi & the United Group of Companies - Tony Rosina

Mr. Rosina stated the he was speaking indirectly for the Saskatchewan Taxi Association as well as United Blue Line Taxi & the United Group of Companies.

This group operates 114 cars, the largest taxi fleet in Saskatchewan, and one of the most progressive fleets in western Canada. The proposal by SGI in the taxi category for Regina and Saskatoon is for a 10% increase to insurance rates. The taxi classification is already paying higher than most other categories.

SGI indicates that this increase is due to taxis having "high exposure" and "larger risk", but contended that their organization works very hard at keeping accident rates down.

Specifically, according to SGI figures in 2000, the taxi industry as a whole was involved in 464 collisions. In 2001 that dropped to 436, in 2002 it was 438, in 2003 it was 340, in 2004 it was 285, in 2005 it was 292, and in 2006 it was 241 collisions. SGI clarified that the basis of counting claims was changed in 2002, in part explaining the observed decline.

Mr. Rosina contended that this was due to the taxi industry being involved in initiatives such as full driver interviews, previous work experience checks and reviewing drivers' abstracts. As well, taxis install security cameras to ensure the security of the driver and the occupants, as well as a forward-looking camera. This latter camera is used to monitor drivers and their driving habits (hard acceleration, hard braking, swerving, etc). They have not asked for compensation or subsidization for the expense purchasing a system that allows monitoring drivers on a more consistent basis, and feel this contributes to decreasing the high exposure and large risk associated with their class and should be considered when determining rates.

The entire taxi group is small, consisting of about 800 vehicles in total. In the Saskatoon and Regina classification there are around 300 units. For 300 vehicles, subsidizing their own group is difficult. Mr. Rosina contended that the taxi class contributes a cross-subsidy because they transport people who shouldn't be driving, due to an impairment, weather, or age.

Following the advice of SGI, if you drink, don't drink and drive, phone a taxi. Based on this, if one of the 800 in the taxi class prevents 1 accident a year, this would compensate more than any rate increase would for their category. If there was no taxi service, many of these people that shouldn’t drive would be on the road increasing collisions, claims and the vulnerability of their rate categories to larger rate increases.

Mr. Rosina stated that they are not asking for subsidization, and reiterated that SGI enjoys the benefits of the commitment of the taxi class to lower its number of collisions and improve driver quality. He indicated that they do not ask for compensation but request that their current rates remain unchanged. He inquired with respect to last year's Business Recognition which paid out $5.5 million in discounts, and he requested what number of that was applicable to the taxi industry.

16.2 Individual Views

A number of individual members of the public expressed through own views at the public meetings, or through e-mail or telephone communications. The issues raised included:

- Concerns about increasing rates generally, or increases targeted to specific classes of vehicles or individual vehicles;
- The consequences of increasing rates for those on fixed incomes or those struggling during the current economic turmoil;
- A need for stricter enforcement of traffic laws, with harsher penalties, and regular driver license retesting;
- Motorcycle classifications being too broadly defined, and poorly communicated to dealers and consumers;
- The use of SAF as a source of financing for government initiatives, such as the Green Vehicle Initiative; and
- The role of illegal vehicle equipment in accidents, and related repair costs incurred by SAF.

SECTION 17 CORE ISSUES AND RECOMMENDATIONS

17.1 Overall Increase in Average Rate

SAF provided two analyses of experience, one more current than the other, in support of the proposed 4.2% increase in overall average rate. We have reviewed these analyses, and while there is always room for technical improvement, the key fundamental elements for developing a rate indication are in place, and the methodology and assumptions employed are reasonable to the circumstances.

The need for at least this level of increase is also evidenced by SAF's updated five year financial forecast. This Application proposes rates to take effect for one year commencing November 1, 2009, which will flow into earnings over 2009, 2010 and 2011. From the updated financial forecast, SAF is falling short of its break-even objective, showing forecast net losses on operations of $34.5 million, $14.3 million and $4.6 million in 2009, 2010 and 2011, respectively.

Accordingly, we recommend an overall increase in average rate of at least 4.2%, which represents SAF's best estimate of its rate level need. This does not address, in any meaningful way, the seriously diminished state of the Rate Stabilization Reserve.

17.1.1 Rate Stabilization Reserve

SAF's updated five year financial forecast projects MCT ratios falling to 49% at year end 2009 and year end 2010, before slightly recovering to 59% by year end 2013. Throughout this forecast period, SAF's RSR balance results in an MCT ratio that is significantly below its target range of 100% to 125%.

Other than through some type of capital injection or by virtue of good fortune (e.g., rising investment market values or declining claims costs), the naturally intuitive approach to address the diminished state of the RSR is through a temporary surcharge on rates. While many choices are available as to how this might be distributed across ratepayers, a practical choice is to use a uniform percentage of premium. This fairly makes each individual's contribution to the rebuilding of the RSR commensurate with the risk they bring to the insurance process. To the extent the insured population is fluid over time, there is some intergenerational inequity created by this approach, but the prospect of reaching back to former policyholders to address this seems simply impractical.

Accordingly, we recommend some level of RSR surcharge, to at least start the process of rebuilding the RSR and responding to what is, for the Panel, a given parameter for its review of SAF's Application, i.e., the target RSR range. The size of the surcharge ought to be small, to avoid causing exactly what the RSR is intended to mitigate, i.e., rate shock.

Guidance in this regard may be garnered from the response to the first round Interrogatory #3, in which SAF modeled the impact of a 1% RSR surcharge taking effect with the proposed 4.2% increase in overall average rate through its five year financial forecast. This modeling shows modest improvement in forecast MCT ratios at year end 2009 and year end 2010, but if kept in place, the surcharge accumulates over time to make a meaningful improvement to the forecast MCT ratio at year end 2013.

Should SAF's circumstances happen to quickly reverse themselves for other reasons, a reversal of some or all of the initial RSR surcharge at that time could be undertaken. On the other hand, should SAF's circumstances deteriorate further, this will be an important first step to mitigate that risk.

Should the Panel adopt this recommendation, we further recommend that SAF be instructed to segregate the RSR surcharge in its accounting and its communications with policyholders, to enhance transparency.

Furthermore, we recommend that SAF be required to establish formal policy on an action plan to be followed in the event the MCT ratio falls significantly outside (above or below) its prescribed target range.

Finally, we recommend that SAF undertake further analysis of the exposure of the RSR to volatility from sources of risk facing SAF, with the objective of testing the appropriateness of its currently prescribed target range.

17.2 Rate Rebalancing

Rate rebalancing arises in two stages. The first stage relates to the selection of proposed changes in overall average rate for each class of vehicle, in response to the analysis of experience by class of vehicle, but with the objective of achieving a 4.2% increase in average rate for all classes of vehicles combined. This is a judgmental process, with consideration given to the credibility and persistency of the underlying experience, and issues of policyholder rate shock and fairness in rating. To the extent one class of vehicle is relatively underpriced, other classes of vehicles must overpay to make up the difference. Appendix A in the original Application, as well as the response to the second round Interrogatory #29, are helpful in assessing the proposed changes in this regard. We have reviewed these analyses and the proposed responses, and found no evidence of counter-intuitive or clearly unreasonable responses to the actuarial indications.

The second stage of rate rebalancing relates to the proposed changes in the rate relationships between rating classifications within a vehicle class, as a response to an analysis of underlying classification experience. The choice of proposed classification relativities necessarily involves judgment, both to ensure reasonable outcomes and to respond to the analysis indications in a reasonable fashion. We have reviewed these analyses and the proposed responses, and found no evidence of counter-intuitive or clearly unreasonable responses to the actuarial indications.

With respect to CLEAR-rated vehicles, the pending VICC CLEAR injury coverage initiative to enhance the recognition of injury claims in CLEAR could be of great significance to SAF going forward, both in terms of fairness in rating and as a source of potential rate shock as it is phased in. **Accordingly, we recommend that SAF undertake a thorough study of the VICC CLEAR injury coverage initiative and bring forward a proposal for implementation in Saskatchewan with its next Application.**

The need for rate rebalancing exists because, with a given Application, the response to experience is often limited, deferring further response to a later date, and because the target indicated rate will change with time as experience unfolds and circumstances change. This illustrates the importance of routine, regular rate rebalancing. **Accordingly, we recommend that an annual cycle of Rate Adjustment Applications including rate rebalancing be encouraged.**

Fairness in rating is a core operating philosophy for SAF and an objective for the Panel under the Minister's Terms of Reference. In this regard, one seeks to charge insurance premiums that are reflective of claims experience. SAF acknowledged that current discounts and penalties under the Safe Driver Recognition and Business Recognition Programs were not actuarially based, although such an analysis is likely possible. **Accordingly, we recommend that SAF bring forward, with its next Application, an analysis of experience in support of proposed discounts and penalties under the Safe Driver Recognition and Business Recognition Programs, with appropriate consideration given to public policy issues and other practical constraints.**

17.3 Technical Improvements

As previously noted, the opportunity for making technical improvement in the actuarial analysis will always be present. In response to interrogatories, SAF noted several areas where future such improvements are expected. In addition to these, we offer the following, in no particular order, for consideration in the preparation of future Applications:

- **Credibility.** Consider expanding the use of credibility in the derivation of indicated changes in average rates by class of vehicle, to enhance the comparability of results between classes of vehicles and to better address the limitations of small volumes.

- **Tort vs. No-Fault.** Continue to explore the need for developing distinct rate levels for tort vs. no-fault coverage, and the practical challenges of implementing such a change should it be justified by the experience.

- **Trend Analysis.** Consider developing more rigorous trend models using longer experience histories in conjunction with commonly available modeling tools to promote stability between successive Applications and enhance the strength of the forecasting process. Also, consider mitigating the variability in selected trend assumptions by class of vehicle.
- **Large Losses.** Consider introducing a process to mitigate the impact of a small number of extraordinary claims in the analysis of experience by class of vehicle and/or rating classification within class of vehicle.
- **Timing.** Consider timing the submission of future Applications to optimize the availability and use of the most current experience available.

17.4 Administrative Expenses

17.4.1 Wages, Salaries and Benefits

Between 2005 and 2008, SGI has increased FTE positions that are fully or partially allocated to SAF through the cost allocation process by 144, from 1,366 to 1,510, and projects a further increase of 11 FTEs in 2009 for a total of 1,521. This represents a total increase of 155 (11.3%) over three years Of the 155 positions added, 36 are in management. We note that in 2005 the ratio of non-management to management was approximately 6.1, decreased to 5.9 in 2006, 5.6 for 2007 and 2008 and is forecast to be 5.7 in 2009. SAF's contention that these staff increases were necessary to accommodate business growth and to comply with increased regulatory and legislative requirements is supported by a number of factors.

Currently SAF registers approximately 931,000 vehicles and provides driver licenses and related services to approximately 704,000 drivers. SAF states that since 2006, there has been an increase in vehicle registrations of 101,200 and there are 24,570 more drivers in the province. These represent approximate increases of 12% in vehicle registrations and 3.6% in drivers. While there is no direct correlation between the % growth in business and the % increase in staff, the demonstrated growth, combined with increased staffing requirement related to IFRS, CEO/CFO certification, creation of a privacy and ethics department, and enterprise risk management activities, lead us to conclude that the increase in FTEs is justifiable and reasonable.

With respect to expenditures for wages, salaries and benefits, we note SAF's response to an information request that amended the original Application. In this response, SAF submitted that, based on the current cost allocation methodology, salaries and wages had increased 31.7% from 2005 to 2008, benefits by 55.4%, and pensions by 27.2%. In

2005, the average per employee cost for these three components was approximately $43,590, while for 2008 this was $49,760. Based on the 2009 budget and staff projections, the average cost per employee will be $54,050. The total four year increase is projected to be $26,189,000 (46.7%). Of this total, approximately $8,380,000 is related to increased staff. The other sources for the increase include the revised cost allocation methodology, negotiated labour agreements, merit increases, and cost of living adjustments. We note that in 2005, wages, salaries and benefits accounted for 71.1% of all administrative costs. This increased slightly to 71.8% in 2008 and is projected to represent 69.3% of all administrative costs in 2009. We note that SAF has indicated that the 2009 budgeted FTEs will be filled only if business is such that these are required. **We recommend that the Panel encourage SAF to continue to pursue internal efficiencies, and that the staff complement, as well as average compensation, be reviewed when the Auto Fund Redevelopment Project has been fully implemented and is totally operational.**

17.4.2 Other Administrative Expenses

Of the $118,665,000 budgeted for 2009 administrative expenses, $82,313,000 relate to wages, salaries and benefits. The remaining $36,452,000 is all for various activities performed in support of SAF business. 2009 data processing costs are expected to account for $9,113,000 of this remainder. Historically, data processing expenditures have been around $4 to $6 million annually. The Auto Fund Redevelopment Project has effectively doubled this amount. With the completion of the Auto Fund Redevelopment Project in 2010, we would expect data processing expenditures to return to normal historical levels.

Issuer bank charges are forecast to be $2,595,000 in 2009. In 2005, these fees were $392,000. With the introduction of the credit card payment option in 2006, issuer bank charges increased to $1,566,000 in 2006 and $2,037,000 in 2007. These charges increased by approximately 18% in 2008 and an 8% increase is forecast for 2009.

The other categories of administrative expense have exhibited some decreases on a year to year basis, but the majority have increased. The projected 2009 budgets for various administrative expense categories, relative to 2005 expenditures are expected to increase by the following percentages: external services 9.8%, materials and supplies 23.7%, travel 12.6%, insurance 54.1%, tools and equipment 16.2%, building rehabilitation 2.3%, safety awareness 24.0%, drinking/driving awareness 12.3%, postage 65.6%, and license plates 27.2%. **Given SAF's added emphasis on safety and driver awareness, the growth of the business, and inflationary pressures since 2005 (average annual increase in CPI has been 2.58% to 2007), we consider these other administrative expenses to be reasonable and recommend the Panel accept them as filed.**

17.4.3 Traffic Safety Programs

In 2005, SAF's expenditure for all traffic safety initiatives was $11,144,410. In 2006, this decreased to $10,789,734, and then increased to $13,674,001 in 2007, which represents SAF's current target expenditure of 3% of premiums earned. The 2009 budget is $17,798,252, which represents a 30% three year increase. In 2008, the cost allocation methodology, revised in 2007, allocated indirect costs to this program - $1.7 million in 2008, which is expected to increase to $2.0 million in 2009. SAF provided a comprehensive list of the various initiatives implemented, refined and new annual program elements introduced annually since 2005. SAF also explained the monitoring and research roles related to these initiatives and cited examples of realized savings to date. We consider SAF's emphasis on safety, as reflected in the various initiatives to be commendable and consider the long term potential for reducing costs, injuries and deaths to be significant. **We thus recommend the Panel accept the expenditures, including the recent change in cost allocation that assigns some indirect costs to this program, as filed by SAF. Further, we recommend the Panel encourage SAF to continue with the research and monitoring activities and include updates, including most recent estimated cost savings flowing from the initiatives.**

17.4.4 Premium Taxes

SAF remits premium taxes to the province. The premium tax totals 5% of gross premiums, and the rate has remained unchanged since 2000. Since volume of business has increased, so have premium taxes. In 2005, premium taxes were $26,083,000 and are expected to be $31,669,000 in 2009. During this period, premiums earned increased from $519,954,000 to a projected $631,135,000.

17.4.5 Issuer Fees

As with premium taxes, issuer fees are dependent on the annual volume of business transactions. Issuer fees are negotiated with the IBAS, and in 2006, agreement was reached whereby Issuer compensation would be a 4.75% commission for vehicle transactions effective January, 2010. Driver and other transactions would continue to be compensated on a flat fee negotiated basis. Issuer fees increased from $20,931,000 in 2005 to $29,145,000 in 2008, a three year increase of 39.2%. It is expected that the fees will further increase by 9.5% in 2009. The financial impact on issuer fees paid by SAF by virtue of the newly negotiated 4.75% commission will not be known until 2011, at the earliest. **We recommend the Panel accept the issuer fees as filed for the 2009 Application, and require SAF to update the financial impact of the change to the commission basis for vehicle transactions when available.**

17.4.6 Cost Allocation

In the 2009 Application, SAF included a confidential report on Cost Allocation Methodology employed by SGI. As well, the Minister's Terms of Reference stipulate, among other matters, that *"…the accounting and operating policies and procedures used by the Saskatchewan Auto Fund*" are to be considered by the Panel as a given. None the less, we have reviewed the document and provided a high level summary in the body of this report. We are satisfied that, within the context of cost allocation judgments and use of cost drivers, SAF's current methodology is reasonable and acceptable. It reasonably assures that the regulated business in SAF will not unduly subsidize the other non-regulated companies owned by SGI.

SECTION 18 GLOSSARY OF ACRONYMS

AIAC	Automobile Injury Appeal Commission
CAPA	Certified Aftermarket Parts Association
CICA	Canadian Institute of Chartered Accountants
CLEAR	Canadian Loss Experience Automobile Rating
CPI	Consumer Price Index
FTE	Full Time Equivalents
GAAP	Generally Accepted Accounting Principles
GDL	Graduated Driver Licensing
GVW	Gross Vehicle Weight
HTB	Highway Traffic Board
IBAS	Insurance Brokers Association of Saskatchewan
ICPEI	Insurance Company of Prince Edward Island
IFRS	International Financial Reporting Standards
IID	Ignition Interlock Device
LAE	Loss Adjustment Expenses
MCT	Minimum Capital Test
PIPP	Personal Injury Protection Plan
RFP	Request for Proposal
RSR	Rate Stabilization Reserve
SAAR	Saskatchewan Association of Automobile Repairers
SADA	Saskatchewan Automotive Dealers Association
SAF	Saskatchewan Auto Fund
SCISL	SGI CANADA Insurance Services Ltd.
SDR	Safe Driver Recognition Program
SGI	Saskatchewan Government Insurance
SGIC	SGI CANADA
VICC	Vehicle Information Centre of Canada