

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.