

Saskatchewan Rate Review Panel (SRRP)

**2026 Saskatchewan Auto Fund (SAF) Rate Review
Round 1 Information Requests
February 18, 2026**

The following questions may require a response that will be deemed confidential by SAF. The Corporation is to identify those questions and file responses in confidence.

SRRP(SAF) 1 - 1

Application Part and Chapter:	3, 4, 18.	Page No.:	26, 153, 1523-1524 of 1691
Issue:	General/Strategic		
Topic:	Agreements		
MFR:			

Preamble to IR (If Any):

SGI and the Canadian Office of Professional Employees’ Union, Local 397 are within a three-year Collective Bargaining Agreement, running from January 1, 2024 to December 31, 2026.

To understand the changes in wages and benefits we require information on negotiated labour agreements with unionized employee groups.

Question:

- a) Please indicate the number and percentage of SGI staff subject to collective agreements.
- b) Please provide an update respecting collective agreement(s) and the key terms of existing agreements
- c) Provide a table of negotiated rates in collective agreements in 2013/14 through forecast 2027/28.

RESPONSE:

- a) As of December 31, 2025 – Headcount (active employees) 1,879 or 69.31%

- b) See attachment IR 1-1b identifying key terms that changed within the existing agreement.

- c) Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 2

Application Part and Chapter:	4	Page No.:	23, 24 149 of 1691
Issue:	General/Strategic		
Topic:	Strategic Initiatives		
MFR:	4. Corporate Strategy and Balanced Scorecard		

Preamble to IR (If Any):

Corporate Transformation – a multi-year program to transform key business processes and technology – is at the heart of the Auto Fund’s current strategy. As the Auto Fund navigated its transformation journey throughout 2024-25, it focused on:

- *maintaining low, stable auto insurance rates;*
- *maintaining a positive customer experience;*
- *preventing deaths, injuries and property damage caused by traffic collisions;*
- *improving long-term efficiency; and,*
- *attracting, developing and retaining its people.*

With respect to Road Safety,

The Auto Fund would ultimately like Saskatchewan’s roads to be the safest in Canada. The targets were 359.3 injuries and 5.7 fatalities per 100,000 population. With 362.2 injuries and 8.7 fatalities per 100,000 population, both targets were missed. While Saskatchewan experienced a continued and consistent decline in injuries and fatalities from 2012 to 2019, these trends reversed following the pandemic, a phenomenon observed in other jurisdictions to varying degrees. To account for

shifting trends, data from the last 10 years was used to establish targets for 2025-26, along with consideration for planned traffic safety initiatives and population growth.

In SGI's Confidential Corporate Strategic Plan outlines several strategies for the public auto insurance program. We would like to gain an understanding of each of the specific efforts to address the above-stated goals.

Question:

Please discuss, elaborate and provide a status update on strategic initiatives (specific to SAF) is proposing or has currently undertaken to enable the Corporation to accomplish the identified strategic areas of focus in its current three-year plan.

Including:

- The Corporate Digital Transformation as stated in its Annual Report, and any others that can be publicly disclosed.
- Any Strategies or initiatives that are deemed confidential to be filed under the confidentiality protocol.

RESPONSE:

As noted within the cover item for MFR #4 – Corporate Strategy and Balanced Scorecard, focus areas identified in the current strategy include finalizing implementation of transformation, transformation stabilization and financial sustainability.

Transformation implementation: Guidewire (insurance platform) has been implemented. An update on DRIVE (Auto Fund platform) is provided within SRRP(SAF) 1-61.

Transformation stabilization: A committee has been established to support the stabilization of new technologies and processes introduced through the Transformation Program.

Financial sustainability: The primary focus is on addressing the gap between revenues and expenses through a balance of rate and non-rate options.

Rate options: A rate program has been submitted to the Saskatchewan Rate Review Panel for consideration.

Non-rate options: In 2024, a senior oversight committee was established to identify potential non-rate options to increase revenue or reduce expenses. In late 2025, this work transition to a more operationally embedded committee, closer to day-to-day impacts and informed by operational-level data. The new committee will ensure dedicated attention to addressing these challenges and preventing recurrence in the future. Recognizing the importance of this work, SGI will assign additional resources in April 2026 focused exclusively on evaluating non-rate options to further advance financial sustainability efforts. SGI is presently assessing modifications to product and administrative fees through a data-driven approach, considering financial opportunities, trends, claim volumes and transaction counts. This is active analysis; no final decisions have been made at this time. More detail on non-rate activities underway to support financial sustainability can be found in SRRP(SAF) 1-5 and 1-56.

SRRP(SAF) 1 - 3

Application Part and Chapter:	Application 4	Page No.:	9 182 of 1691
Issue:	General/Strategic		
Topic:	Balanced Scorecard		
MFR:	4. Corporate Strategy and Balanced Scorecard		

Preamble to IR (If Any):**Question:**

- a) Please provide a comparison of the balanced scorecard presented at the 2021 Rate Application with the 2025-2026 balanced scorecard and comment on changes.
- b) File the balance scorecards prepared since the 2021 Rate Application.
- c) Provide the full last assessment made of the maturity of digital insurer capabilities and include a colour-coded Appendix 2 indicating the relative progress in achieving each sub-capability
- d) Please provide an update to SRRP(SAF) 1-8 (2022 Application) that explains how the current initiatives have addressed the technical debt as forecast at the time.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 4

Application Part and Chapter:	MFR 5. Sec. 2.3	Page No.:	198 of 1691
Issue:	General/Strategic		
Topic:	Cross-Jurisdictional Comparison		
MFR:	5. Performance Management Plan and Balanced Scorecard		

Preamble to IR (If Any):**Question:**

- a) Please indicate the 30 vehicle and driver profiles and the cities used in the cross-Canada rate comparison. Please describe the methods to prepare and analyze the underlying data.
- b) Please file a copy of any internal or external report prepared that assisted in preparing the 2025 cross-Canada comparison.
- c) Please file a copy of the EY 2022 Report.

RESPONSE:

- a) The vehicle and driver profiles are provided in attachment IR 1-4. The intent of the auto insurance comparison is to determine a provincial average based on specific profiles of vehicles, drivers, claim history, deductibles and limits. The average annual cost was based on an index of rates for locations across Canada, using the top insurers in each province. Vehicles included in the index are primarily those with the highest number of registrations in Saskatchewan, Manitoba or British Columbia, in collaboration with Manitoba Public Insurance and the Insurance Corporation of British Columbia (ICBC). For Saskatchewan, British Columbia and Manitoba, the actual quotes for the 30 profiles are as at March 31, 2025 and were provided by SGI, ICBC and Manitoba Public Insurance (MPI) respectively. There are provinces with their original average as determined by an external provider using quotes as of September 2022. For Alberta, Ontario and New Brunswick, provincial averages from 2022 to 2025 were determined using publicly available rate change approvals. These were weighted averages based on the market share of each company and their approved rate changes.
- b) Ontario publicly released rates can be found here: <https://www.fsrao.ca/consumers/auto-insurance/understanding-auto-insurance-rates/auto-insurance-rate-approvals>
- Alberta publicly released rates can be found here: <https://airbfilings-app.alberta.ca/reportapp/quarterlyRateFilingDetails>
- New Brunswick publicly released rates can be found here: <https://www.nbib-canb.org/industry/search>
- c) The third-party provider of the report has declined to grant SGI permission to distribute it for this purpose.

SRRP(SAF) 1 - 5

Application Part and Chapter:	Application	Page No.:	191 of 1691
Issue:	Rates and Revenues		
Topic:	Rate Increases		
MFR:	5. Indicated and Requested Rates		

Preamble to IR (If Any):

SAF states:

The Auto Fund aims to determine the appropriate premium revenue to cover all claim obligations and operating expenses for the proposed rating period. The primary reasons for the proposed increase are increasing damage claim costs, inflation and higher expenses. In order to align with the government's Crown Sector Strategic Priorities and ensure vehicle insurance rates remain affordable for Saskatchewan residents, SGI is proposing a modest increase totalling 7.6% implemented over two years.

SAF indicates that the rate increase needed exceeds 36%; however, SAF is proposing rate increases totaling only 7.6% over the next two years.

Question:

- a) Please detail all the non-rate actions SAF has taken or is planning to take to meet this deficit.
- b) Please discuss any proposed product changes to Basic insurance coverage or changes to the Basic deductible.

- c) Please discuss non rate scenarios being considered to meet the revenue/cost gap and the amount that could be achieved in either increasing revenues or reducing expenditures for each.
- d) Provide a range of targeted savings from measures described in c) and the implications on the financial forecast, and the change to the indicated rates from the above scenarios to achieve MCT targets expressed in part I.

RESPONSE:

- a) SGI is evaluating and investigating all avenues such as administrative fees, product changes for damage and injury, claim processing, administrative expenses, full-time equivalent position (FTE) savings, etc. SGI is committed to addressing immediate financial challenges while also exploring long-term approaches to prevent similar challenges in the future. As part of the review there is specific focus on administrative expense management. The goal of expense management for the Auto Fund is to ensure that administrative costs are carefully reviewed and controlled.

In April 2026, additional resources will be assigned exclusively to assess non-rate options to further advance this important work.

- b) SGI is currently evaluating several proposals that require formal approval. SGI is committed to exploring a range of options to address the financial situation.
- c) SGI is currently evaluating several proposals that require formal approval. Examples of cost savings SGI has achieved to date include:

Reinsurance savings – Reinsurance is essentially insurance for insurance companies. SGI recently refined its reinsurance program, in part to contribute to financial benefits. The Auto Fund is expected to see \$2.3 million in savings in 2026 as a result.

Traffic safety programs – SGI reviewed traffic safety programming to ensure resources are allocated to critical areas and focused on the most effective and impactful initiatives. Funding for programs that provided little to no return on investment or did not align to strategic goals were discontinued, resulting in one-time savings of \$450,000 and annual savings of \$65,000.

Traffic safety awareness – Due to concerns about diminishing effectiveness, SGI moved away from mass market awareness campaigns to a targeted approach, resulting in annual savings of \$800,000 that, if successful, will more effectively encourage safer driving behaviours, reducing collisions and related claim costs.

SGI has other initiatives aimed at additional cost savings that are already in flight or in preparation for implementation. Examples include:

- Implementing a comprehensive fraud detection and prevention system with an initial focus on claim fraud. Preliminary estimates suggest that the Auto Fund could save about \$36 million between now and the end of 2029.
 - Increasing the use of recycled auto parts to further reduce claim costs.
- d) Preliminary financial estimates are included above. These detailed savings have already been included in the 2026-27 budget work that underlies the 2026 rate indication. Further proposals that still require formal approval may change these forecasts.

SRRP(SAF) 1 - 6

Application Part and Chapter:	Indicated Rate Change	Page No.:	
Issue:	Rates and Revenues		
Topic:	Rate Increases		
MFR:	5. Indicated and Requested Rates		

Preamble to IR (If Any):

One of SGI’s key operating philosophies is to keep rates as low as possible. Over the last 20 years, the Saskatchewan Consumer Price Index has increased by 57.7%, while the Auto Fund’s rates, including capital amounts, increased by only 5.0%.

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

Question:

Please provide a table indicating the required rate increase in each of the last 20 years, the additional revenue that would have been required, the rate increase granted through this rate review process, the revenue generated, and the cumulative rate increase for the 20-year period. Provide that, in comparison with the consumer price index increase of 57.7%, there is a composite of specific annual inflation factors affecting insurance operations on that basis.

RESPONSE:

SGI is committed to keeping rates as low as possible. Over a 14-year period, there has been a cumulative base rate change of 8.4% on base premium collected by SGI, compared to a Saskatchewan Consumer Price Index increase of 36.2%, and a Saskatchewan Passenger Vehicle Parts, Maintenance & Repairs Index increase of 36.9%. In this period, the price of used vehicles soared, including a major surge between 2021 and 2022.

Rate Program	Rate Increase Granted	Projected Premium Without Rate Change	Cumulative Rate Change	CPI Index	Parts Index	Used Vehicle Index
2012	1.60%	\$814,548,813	1.60%	1.70%	4.70%	8.30%
2013	1.00%	\$876,608,918	2.60%	3.40%	4.00%	10.00%
2014	3.40%	\$899,787,954	6.10%	5.90%	5.90%	15.70%
2015	0.00%	\$953,215,497	6.10%	7.90%	7.70%	15.50%
2016	No indication performed		6.10%	9.00%	7.90%	21.40%
2017	0.00%	\$996,461,268	6.10%	9.90%	11.60%	21.70%
2018	0.00%	\$980,042,511	6.10%	13.30%	12.90%	25.50%
2019	0.00%	\$993,245,706	6.10%	15.50%	14.40%	28.00%
2020	0.00%	\$984,344,160	6.10%	16.10%	15.20%	30.70%
2021	2.20%	\$994,014,187	8.40%	18.80%	17.80%	44.50%
2022	0.00%	\$1,030,179,191	8.40%	28.40%	25.90%	101.00%
2023	0.00%	\$1,057,549,383	8.40%	32.30%	30.80%	92.40%
2024	0.00%	\$1,090,300,188	8.40%	34.30%	31.30%	74.50%
2025	0.00%	\$1,141,268,842	8.40%	36.20%	36.90%	70.30%

SRRP(SAF) 1 - 7

Application Part and Chapter:	2025 Rate Proposal	Page No.:	54,75
Issue:	Rates and Revenues		
Topic:	Ratepayer Stakeholder Consultation		
MFR:	5. Indicated and Requested Rates		

Preamble to IR (If Any):

SGI indicated in 2021 that the potential options SGI will explore to address the shortfall between motorcycle premiums and motorcycle claim costs all require significant analysis and consultation. We are initiating a corporate project to undertake the work. The project will require resources from various areas of the company, many of whom are also required on the major systems transformation that is in progress. Therefore, this work will need to be coordinated around other priorities. All potential solutions identified to date would not, if they prove viable, be able to be implemented until systems transformation takes place. It is likely to be several years before any solutions that prove viable could be put in place. [SRRP (SAF) 1-4, July 9, 2021]

As set out in the Previous Panel Recommendations in 2021.

Motorcycles and urban taxis will be excluded from year one of the rate program while SGI consults with these groups to address industry-specific concerns.

In this Application, SAF indicates that the Motorcycle rates indicate a 72.4% rate increase being warranted. SAF indicates that Urban taxis' warrant an 86.6% rate increase.

SAF proposes to exclude Motorcycles and urban taxis from the first year of this two-year rate application pending the outcome of consultations.

Question:

- a) Please provide a summary of all stakeholder consultations conducted after 2021 to date with motorcycle and urban taxi groups.
- b) Please provide an update on the options under consideration to address the shortfall for both Urban Taxis and Motorcycles.
- c) Please provide a summary of the current status of systems and their capabilities to undertake the motorcycle analysis.
- d) Please file any analysis that has been undertaken since July 2021. Provide any analysis that has been prepared that addresses the shortfalls.

RESPONSE:

- a) No formal consultations have occurred since 2021. SGI will commence consultations with motorcycle and taxi stakeholders in 2026.
- b) Options will be considered in consultation with motorcycle and taxi stakeholders.
- c) and d) In 2022, in the midst of the transformation project and with the implementation of a new system SAF performed internal planning for seasonal rating ability for vehicle classes.

SAF did not want to implement seasonal rating without proper consultation with the stakeholder groups so instead the discussion revolved around the capabilities SAF wanted the system to have that could help form a solution for various options around the registration term of a vehicle.

The capabilities discussed to be incorporated into the rating engine were the following:

- Seasonal rating – the ability to charge more or less premium depending on the specific months registered
- Minimum premium – the ability to charge a minimum premium regardless of the length of the registration term
- Short rates – the ability to apply a surcharge to the pro-rated premium based on the length of the term

All three have since been incorporated into the rating engine in the new Guidewire system. The capabilities exist in the system but will not be used until consultations have happened and decisions are finalized for any class’s rating scheme, including motorcycles.

It’s important to note that implementation any of the above options could be designed to change the overall premium level collected from a particular class of vehicle, or could be implemented on a revenue-neutral basis.

SRRP(SAF) 1 - 8

Application Part and Chapter:	17, Appendix A1520 of	Page No.:	1520 of 1691
Issue:	Rates and Revenues		
Topic:	Indicated and Requested Rates		
MFR:	17. Detailed Financial Information, 26. Scenario Testing		

Preamble to IR (If Any):

SGI requests that the Saskatchewan Rate Review Panel (SRRP) recommend a two-year rate program with net increases of 3.75% in each year, with rebalancing, for Saskatchewan Auto Fund rates. The changes would be effective June 1, 2026 and June 1, 2027 and have a combined impact of 7.6%.

The financial forecast in Appendix A indicates 6% increases in the respective test years. SAF is applying for 3.75%

Question:

- a) Please provide an update to Appendix A reflecting an update to the 2025/26 year, the requested 3.75% rate based on the 2026/27 (yet to be approved budget) forecast. Please explain any changes in the forecast provided.
- b) Please provide a separate line item in Revenues breaking out the additional revenue from the requested rate increases. Provide the answer in excel with formulas intact.
- c) Please filed the respective balance sheet for a) including the determination of capital required at the bottom of the schedule. Provide the answer in excel with formulas intact

RESPONSE:

- a) Confidential response was provided to the SRRP and consultants.
- b) Please see attached exhibit (IR 1-8b).
- c) Please see attached exhibit (IR 1-8c).

SRRP(SAF) 1 - 9

Application Part and Chapter:	MFR 17 Sec 1.1.1	Page No.:	1507 of 1691
Issue:	Revenue		
Topic:	Breakdown of Written Premium		
MFR:	17. Financial Information		

Preamble to IR (If Any):

Question:

Please provide an update of the breakdown of net premiums written showing each year's increment due to the proposed rate changes, vehicle drift, and fleet growth, including budgeted amounts, for the years 2014/15 through 2024/25 and forecast for 2025/26 to 2029/30.

RESPONSE:

Please see attached exhibit IR 1-9. Note that the forecast years align to the 2026/27 budget forecast with the exception that rate changes are updated to align to the new proposed June 2026 and June 2027 dates instead of August 2026 and August 2027 that were assumed in the 2026/27 budget.

SRRP(SAF) 1 - 10

Application Part and Chapter:	17, Appendix A	Page No.:	1520 of 1691
Issue:	Rates and Revenues		
Topic:	Indicated and Requested Rates- Alternative Rate		
MFR:	17. Detailed Financial Information, 26. Scenario Testing		

Preamble to IR (If Any):

Question:

Please provide each of the following scenarios and financial forecasts including RSR balance, Capital and required capital, MCT and MCT rolling 12-month average.

For each of the scenarios requested please show separately the revenue contribution of requested revenue increase.

- a) Rate increases of 5% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero, and achieve the MCT at the minimum target of 90% within the five-year period.
- b) Rate increases of 5% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero, and achieve the MCT at target of 90% within a ten-year period.
- c) Rate increases of 6% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero, and achieve the MCT at the minimum target of 90% within the five-year period.

- d) Rate increases of 6% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero, and achieve the MCT at target of 90% within a ten-year period.
- e) Equal annual rate increases in the next five years to maintain the RSR above zero, achieve the MCT at a minimum target of 90% within a five-year period.
- f) Equal annual rate increases in the next five years to maintain the RSR above zero, achieve the MCT at target of 125% within a five-year period.
- g) Equal annual rate increases over the next ten years to maintain the RSR above zero and achieve a minimum MCT level of 90% at the end of that period.
- h) Equal annual rate increases over the next ten years to maintain the RSR above zero and achieve a minimum MCT level of 125% at the end of that period.
- i) Provide a summary chart of each of the above scenarios of the required rate increases.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 11

Application Part and Chapter:		Page No.:	
Issue:	Rates and Revenues		
Topic:	Rate Indication Presentation		
MFR:	5. Indicated and Requested Rates		

Preamble to IR (If Any):

A detailed presentation was provided on the SAF application on January 20, 2026

Question:

- a) Please file a copy of the presentation in PDF and PowerPoints.
- b) With respect to the tables and graphs included in the presentation, please file tables of supporting data points in excel with formulas intact.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 12

Application Part and Chapter:	MFR 5, 6.26	Page No.:	76
Issue:	Rates and Revenues		
Topic:	TNC Rates		
MFR:	5. Indicated and Requested Rates		

Preamble to IR (If Any):

The current rate of 11 cents per kilometer was established Dec. 14, 2018 along with the new ridesharing regulations. The rate indication for this class shows that a 5.3% rate increase is required.

Recommendation: As a part of this rate program, SGI recommends a rate increase of 9.1%. This results in a rate of 12 cents per kilometer.

- a) Question: Please provide the analysis that supports the determination of the change in the per km rate established for TNC companies.
- b) Provide a schedule comparing the premiums collected in each of the years since the regulation was enacted and the claims made in each of the years by rideshare class.
- c) Please indicate the change in the per-km rate required to meet the rate indication.

RESPONSE:

- a) In terms of the analysis to determine the required change in the per km rate established for TNC companies, please refer to the attachment IR 1-12. The per km rate for TNC companies was based off the indicated annual premium for taxis at the time of \$1760. Given the annual average distance travelled in phase 2 (when fare is accepted) and phase 3 (when passengers are in the vehicle) is 16,000 km, an \$0.11 per km was derived by dividing the annual indicated premium by the average annual distance travelled.
- b) Please see the following table:

Fiscal Year	Written Premium after discounts	Ultimate Loss
2019	51,781	24,188
2020	780,069	574,598
2021	503,077	286,666
2022	921,567	1,072,456
2023	1,513,006	532,186
2024	2,022,604	489,454
2025	2,281,200	745,112
Total	8,073,304	3,724,658

When comparing premiums and claims one must also account for expenses for a more complete picture of the experience of a given rate class. Expenses, including premium tax, issuer commissions and others outside the Auto Fund's control, are approximately 30% of its overall required premium for the class.

Low credibility for this class is another contributor as to why an increase is indicated for this rate class (The lack of sufficient experience in this class requires us to anchor to a more stable credibility complement). The rising costs of auto damage claims that is affecting all classes in the Auto Fund push up the complement, which is likely to also underly the TNC claims as well.

- c) The current per km rate is \$0.11. With the indicated rate change of 5.39%, the indicated per km rate would be \$0.115929 (unrounded). However, due to system limitations, the rates can only be rounded to 2 decimal places. Hence, this places the indicated per km rate at \$0.12. The \$0.12 per km rate will correspond to 9.1% indicated rate change.

SRRP(SAF) 1 - 13

Application Part and Chapter:	12	Page No.:	1412 of 1691
Issue:	Rates and Revenues		
Topic:	SDR & BR Incentive Programs		
MFR:	12,17		

Preamble to IR (If Any):

Based on the analysis of MFR 12, the following has been determined from the SDR. SAF has stated its discount system is not based on actuarially indicated discounts and surcharges. MFR 12 presents the current and indicated relativities for each safety rating level to be applied to base premiums. Please provide the same exhibit presenting the surcharge or discount percentage for each safety rating level.

Safe Driver Discount Relativity

Safety Rating Unit	Current Relativity	Indicated Relativity (Selected Smoothed)	Current Discount/Surcharges	Indicated Discount/Surcharges
-25	1.3058	1.647	30.6%	64.7%
-24	1.2908	1.6213	29.1%	62.1%
-23	1.2843	1.5956	26.4%	59.6%
-22	1.2735	1.5699	27.4%	57.0%
-21	1.2656	1.5442	26.6%	54.4%
-20	1.2007	1.5185	20.1%	51.9%
-19	1.2119	1.4928	21.2%	49.3%
-18	1.1986	1.4671	19.9%	46.7%
-17	1.2276	1.4414	22.8%	44.1%
-16	1.224	1.4157	22.4%	41.6%
-15	1.198	1.39	19.8%	39.0%
-14	1.1867	1.3643	18.7%	36.4%
-13	1.1675	1.3386	16.8%	33.9%
-12	1.1529	1.3129	15.3%	31.3%
-11	1.1419	1.2872	14.2%	28.7%
-10	1.127	1.2615	12.7%	26.2%
-9	1.112	1.2358	11.2%	23.6%
-8	1.0952	1.2101	9.5%	21.0%
-7	1.0823	1.1844	8.2%	18.4%
-6	1.0724	1.1587	7.2%	15.9%
-5	1.0588	1.133	5.9%	13.3%
-4	1.0453	1.1073	4.5%	10.7%
-3	1.0522	1.0816	5.2%	8.2%
-2	1.0209	1.0559	2.1%	5.6%
-1	1.01	1.0302	1.0%	3.0%
0	1	1	0.0%	0.0%
1	0.98	0.9579	-2.0%	-4.2%
2	0.96	0.9158	-4.0%	-8.4%
3	0.94	0.8736	-6.0%	-12.6%
4	0.92	0.8315	-8.0%	-16.9%
5	0.9	0.7894	-10.0%	-21.1%
6	0.88	0.7473	-12.0%	-25.3%
7	0.86	0.7051	-14.0%	-29.5%
8	0.84	0.663	-16.0%	-33.7%
9	0.82	0.6209	-18.0%	-37.9%
10	0.8	0.5788	-20.0%	-42.1%
11	0.8	0.5788	-20.0%	-42.1%
12	0.8	0.5667	-20.0%	-43.3%
13	0.8	0.5426	-20.0%	-45.7%
14	0.8	0.5185	-20.0%	-48.2%
15	0.8	0.4944	-20.0%	-50.6%
16	0.8	0.4944	-20.0%	-50.6%
17	0.8	0.4944	-20.0%	-50.6%
18	0.8	0.4873	-20.0%	-51.3%
19	0.8	0.4763	-20.0%	-52.4%
20	0.8	0.4652	-20.0%	-53.5%
21	0.79	0.4223	-21.0%	-57.8%
22	0.78	0.4006	-22.0%	-59.9%
23	0.77	0.3789	-23.0%	-62.1%
24	0.76	0.3572	-24.0%	-64.3%
25	0.75	0.3355	-25.0%	-66.5%

Question:

- a) Please confirm the relative accuracy of the information presented and provide a narrative interpretation of drivers at DSR levels 1 to 25.
- b) Provide a similar analysis for the BR programs.
- c) Please provide a schedule of the assumed number of drivers at each demerit level of the DSR scale, and the revenue derived per demerit level and total demerit revenue for 2024/25, and forecast in each year through 2029/30.

- d) Please provide a comparison of the Safe Driver Recognition Program and Business Recognition Program with similar programs provided by MPI and ICBC. Please include a description of the programs, scales, discounts, and demerit surcharges.
- e) Please provide a table that compares the total amount of discounts provided by each program and demerit revenue generated in total and on a per vehicle basis.
- f) If the decision were made to provide an actuarially indicated discount, how would such a process be accomplished? Assume additions in the top of the scale and achievement of actuarial indicated rates over ten-year period.

RESPONSE:

- a) Generally, the table above is correct. However, we do not currently apply a surcharge to negative SDR drivers, contrary to what the table indicates. Drivers in the Penalty Zone are assessed financial penalty following a driving incident such as an at-fault collision or a conviction, not based on the premium of a vehicle at the time of registration. The current discount/surcharge column is accurate for SDR 0–25, but all negative SDRs should list a 0% discount or surcharge. Further information is available here: <https://sgi.sk.ca/sdr>
- Drivers who are above 0 on the Safety Rating Scale are in the Safety Zone and earn discounts. Each year someone drives without incident they move further into the Safety Zone, which gives increasing discounts on their basic vehicle insurance.
 - Drivers who have from +1 to +10 points are in the Good Drivers Zone - they've earned enough safety rating points to get a discount on their basic vehicle insurance. For each year they drive incident-free, they earn a safety rating point that gives 2% off their basic vehicle insurance.
 - Drivers who have from +11 to +20 points are in the Great Drivers Zone - they've earned enough safety rating points to get a 20% discount on their basic vehicle insurance. They also earn a cushion to protect them from losing some or all of their discount if they're responsible for a collision or get traffic convictions in the future.
 - Drivers who have from +21 to +25 points are in the Safest Drivers Zone. They've driven incident-free for more than 20% and will earn an extra 1% discount for each additional year they drive incident-free up to a maximum discount of 25%.

- b) A similar table to one created above can be found below. More information can be found here: <https://sgi.sk.ca/business-recognition-program>

BR Loss Ratio	Current Relativities	Current Discount/Surcharge	Selected Smoothed Relativities	Indicated Discount/Surcharge
0%	0.85	-15%	0.54	-46%
0.01-15.99%	0.85	-15%	0.54	-46%
16.00-30.99%	0.88	-12%	0.70	-30%
31.00-40.99%	0.91	-9%	0.70	-30%
41.00-50.99%	0.94	-6%	0.77	-23%
51.00-60.99%	0.97	-3%	0.87	-13%
61.00-70.99%	1	0%	1.00	0%
71.00-80.99%	1.03	3%	1.03	3%
81.00-90.99%	1.08	8%	1.07	7%
91.00-100.99%	1.1	10%	1.14	14%
101.00-125.99%	1.13	13%	1.21	21%
126.00-150.99%	1.15	15%	1.28	28%
151.00-175.99%	1.15	15%	1.75	75%
176.00-200.99%	1.2	20%	1.75	75%
201.00%+	1.25	25%	1.80	80%

- c) Note: Drivers may progress through multiple demerit levels within a single year, so the table found below is a general view of the number of customers in each demerit level (Snapshot at the end of the 2024/2025 fiscal year). Further, the total demerit revenue generated, as well as the linearly forecasted figures through 2030, can be found in the second table below. Revenue derived per level is unavailable.

SDR	Number of Customers
-101 or Lower	571
-100 to -81	578
-80 to -61	1,438
-60 to -41	4,101
-40 to -21	16,421
-20	8,611
-19	2,755
-18	2,474
-17	1,337
-16	1,563
-15	1,788
-14	2,038
-13	2,219
-12	2,658
-11	2,976
-10	3,913
-9	4,210
-8	4,948
-7	5,146
-6	8,724
-5	9,155
-4	12,457
-3	11,628
-2	13,494
-1	12,817

Fiscal Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Demerit Revenue (\$000s)	24,029	34,644	29,398	29,617	27,267	29,426	29,571	29,716	29,861	30,005

Please note that the orange highlighted values are forecasted numbers.

d) MPI's DSR program can be found here:

Driver Safety Rating: <https://www.mpi.mb.ca/driver-safety-rating/>

The publicly available information on the ICBC program can be found here:

Discounts and Savings: <https://www.icbc.com/insurance/costs/Discounts-and-savings>

Driver Factor: <https://www.icbc.com/insurance/costs/drivers-experience-crash-history/driver-factor>

Driver Penalty Point Premium: <https://www.icbc.com/driver-licensing/tickets/DriverPenalty-Points>

Driver Risk Premium: <https://www.icbc.com/driver-licensing/tickets/Driver-Risk-Premium>

e) This table can be found below for each SAF program for the 2025 fiscal year:

Program	Total Discount	Per Exposure Discount	Total Demerit Revenue	Demerit Revenue Per Exposure
SDR	-\$ 153,646,029.35	-\$ 192.00	\$ 27,267,125.00	\$ 34.07
BR	-\$ 23,801,989.25	-\$ 136.08	N/A	N/A

- f) Please note that the existing parameters of the International Registration Plan, Safe Driver Recognition Program, and the Business Recognition Program are to be taken as given according to the Terms of Reference of this review, and are outside its scope.

In order to proceed with a change as significant as a shift to use actuarially indicated rates for the parameters of these programs, the following steps would need to be taken:

- Evaluation of current regulatory and legislative frameworks to determine where changes would need to be made.
- Additional actuarial modeling to evaluate the structure of the various convictions and at-fault claim level adjustments, as well as the size and structure of the relevant scales.
- Internal evaluation of system changes that would need to be made, including any required changes to the scales.
- A formal consultation process with major stakeholders, including engagement strategy and synthesis of feedback.
- Transition planning would involve feedback from major stakeholders to determine the appropriate time period over which to adjust rate and a major communication and education strategy.

Note that stakeholder considerations are especially important since using actuarially indicated surcharges for the drivers at the most negative positions in the scale would result in indicated rate increases exceeding 100% from current levels for some individuals. Affordability concerns would be expected to push more individuals to drive uninsured.

There are several ways that a system-wide change like this could be accomplished, but any implementation would require a comprehensive review before determining how to proceed. Proceeding in this direction is not something that SGI is considering.

SRRP(SAF) 1 - 14

Application Part and Chapter:	Synopsis and Overall Summary – Adequate Capital	Page No.:	2
Issue:	MCT Deterioration		
Topic:	Rate Stabilization Reserve (RSR)		
MFR:	5.1		

Preamble to IR (If Any):

The target RSR as disclosed by SGI is a 12-month rolling average MCT of 125%. As of 3/31/2025, the 12-month rolling average is 133% and projected to decrease by 36 percentage points to 97% over the next 12 months. SGI has proposed to maintain a capital margin of 0.1% in favour of the required 6.5% to reduce customer impact.

Question:

- a) What is the cause for the sharp decline projected in the 3/31/2026 12-month rolling average MCT?
- b) What would be the required capital margin to maintain RSR target of 125% at 3/31/2026?
- c) What would be the required capital margin to return to RSR target at 6/1/2028 if the 0.1% capital margin is maintained over this 2-year application?

RESPONSE:

- a) The 12-month rolling average Minimum Capital Test (MCT) is expected to decline throughout the 2025-26 fiscal year primarily as a result of declining capital available. Capital required for insurance risk is also expected to increase from rising Liability for Incurred Claims, further pushing down the MCT ratio. Capital available is expected to fall as claim cost and expense levels continue to be significantly above the level of premiums collected. The increasing repair costs and complexity of technology, materials and repair procedures continue to push up damage claims. This results in an ongoing expected decrease to the balance of the Rate Stabilization Reserve, which is the main component of the capital available in the MCT.

- b) Due to the delay between when a rate is implemented and when its effect emerges in the earned premiums, a capital margin cannot quickly restore the MCT to its 125% target. It is also not possible to affect the MCT at March 31, 2026 through rate changes in June 2026 and June 2027.

- c) The capital margin consistent with the capital management policy if rates had been implemented in 2025 is 6.5%. The updated 2026 rate indication work has determined that the capital margin consistent with the capital management policy for rate changes in 2026 would be 9.2%. While the 2027 rate increase would increase the forecasted premium earned, it is expected that the capital margin consistent with the capital management policy would exceed 10% for the 2028 year.

SRRP(SAF) 1 - 15

Application Part and Chapter:	Loss Adjustments	Page No.:	5
Issue:	COVID Adjustment		
Topic:	Loss Adjustments		
MFR:	5.2		

Preamble to IR (If Any):

SGI presents COVID adjustment factors applied to losses to reduce the impact of COVID when selecting trends

Question:

- a) Please provide the analysis to support the COVID adjustments by coverage and fiscal year.
- b) It is generally accepted that COVID affected frequency but had less of an impact on severity. Why does SGI propose a COVID adjustment to both incurred losses and claim counts? Include a discussion on the potential double-counting effect from applying a COVID adjustment to both.
- c) Did SGI consider the use of external data, such as the Google Mobility Reports, in its analysis and determination of COVID adjustment factors?
- d) Why does SGI continue to include a COVID adjustment in 2023 and 2024 for liability – out of province losses?
- e) In SGI’s opinion, when would be a reasonable starting point to be considered the post-pandemic experience?

RESPONSE:

- a) Please see attached exhibit IR 1-15a. This provides an example of the adjustment for Coverage 31, first-party damage for collision claims, for the 2021-2022 fiscal year. Complete analysis for all other coverages has been provided to the SRRP consultants.
- b) Both incurred losses and claim counts are affected by the reduction to claim frequency as a result of reduced driving during the pandemic. Adjustments are made to both measures independently. There is no double-counting effect from applying a COVID adjustment to both amounts as they are projected separately.
- c) SAF did not use any external data in the analysis and determination of COVID adjustment factors. The impacts of COVID are now observable in data.
- d) Actuarial assumptions consider the conditions present during the exposure to loss, in this case, claims that occurred during the periods January 1, 2023 – December 31, 2023 and January 1, 2024 – December 31, 2024. During these periods there was an observed reduction in ongoing out of province claim frequency when compared to trended forecasts from pre-pandemic years. This effect is unique to out of province claims; no such ongoing reduction is observed for other coverages. As a result, there are COVID-adjustments that remain in place.
- e) This starting point varies by coverage, with out of province continuing to show an ongoing suppressed level of claims. For most coverages, there was an observable return to the trended pre-pandemic data starting in the fiscal year ending March 31, 2023. SAF believes that the experience during or following the 2022-2023 fiscal year can be considered as post-pandemic.

SRRP(SAF) 1 - 16

Application Part and Chapter:	Loss Adjustments	Page No.:	6
Issue:	Paint Materials		
Topic:	Loss Adjustments		
MFR:	5.2		

Preamble to IR (If Any):

SGI notes paint material costs have increased by about 7.4% annually between 2020 and 2024, and includes a paint material adjustment.

Question:

Pleaser explain how SGI determined the paint material adjustments for each coverage and provide the supporting data or analysis if available.

RESPONSE:

SGI, as part of the SGI/Saskatchewan Auto Dealers Association (SADA)/Saskatchewan Association of Auto Repairers (SAAR) Joint Industry Technical Committee, requests data from national/regional paint suppliers and distributors to support annual rate adjustments. Suppliers surveyed include BASF, PPG, Axalta, AkzoNobel/Sikkens and Sherwin Williams, that typically provide broad averages and include both paint and paint supplies. SGI uses simple averages to determine the annual paint increase.

The high increase experienced in fiscal years 2023 and 2024 was due to a bump in the costs being passed on to shops and insurers by paint manufacturers. This was explained as being due to logistical issues associated with the pandemic; however, these increases were not reversed once the supply chain stabilized.

Paint material rates for commercial vehicles are indexed based on the light vehicle paint rate changes. The assumption used in the indication is that paint material costs will continue to rise by 6.5% annually throughout the rating period. The 6.5% projected increase is still valid (supported by market projections) and will continue due to innovations in paint technologies and large amounts of vehicle colour/refinish options being made available to consumers by vehicle manufacturers.

An assumption on the paint materials as a percentage of estimates is used, based on previous fiscal years, while accounting for new trends. In the last two fiscal years, the Saskatchewan Auto Fund has seen this percentage increase by over 1% over the prior years. Based on current information, it is expected that the relativity will continue to maintain the current 9.5% and stabilize at current levels.

The paint adjustment is applied only to damage coverages. The on-levelled labour rate, provided as part of the application (see MFR 5.2), is used in conjunction with the percentage of estimates that paint materials are responsible for.

Please see attachment IR 1-16.

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Application Part and Chapter:	Loss Trend Summary and Exhibits	Page No.:	79
Issue:	Adjusted Ultimates		
Topic:	Loss Trends		
MFR:	5.2		

Preamble to IR (If Any):

To reduce the impact on trends, SGI applies various adjustments to the loss trend data, such as a COVID adjustment and an inflation adjustment.

Question:

Provide a discussion on why SGI chose to adjust ultimate estimates rather than model the effects of these external factors through the use of additional parameters in the trend models.

RESPONSE:

When it comes to on-levelling claim experience using incurred loss adjustments (ILAs) as opposed to using additional parameters in the trend models, SGI acknowledges that in general, this is also a valid method to capture changes in claim experience while preserving the underlying trend. However, SGI is of the opinion that on-levelling claim experience is more appropriate in most of the instances that ILAs are applied.

The ILAs largely reflect changes in vehicle repair procedures/costs, regulation changes and coverage changes (PST increase, changes in the injury coverage offered, paint material cost changes, etc.). These impacts are externally identifiable, measurable and well understood, and therefore can be incorporated through stable, explicit adjustments to historical claims.

For COVID and inflation, SGI recognizes that the impacts of these external factors are less well known and that there is validity in allowing a linear model to derive the effects of these factors from the data itself. However, because of the temporary nature of these impacts and because the effects vary by year and by coverage, fitting additional parameters runs the risk of creating an unstable result or overfitting. The result can capture the noise instead of the signal and reduce its model value in predicting future values.

SRRP(SAF) 1 - 18

Application Part and Chapter:	Loss Trend Summary and Exhibits	Page No.:	80
Issue:	Adjusted Ultimates		
Topic:	Loss Trends		
MFR:	5		

Preamble to IR (If Any):

SGI discusses the various adjustments applied to ultimate loss estimates prior to performing its trend analysis.

Question:

For each coverage, provide an exhibit in Excel format to show the unadjusted ultimate loss estimates, each of the applicable loss adjustment factors separately, and the resulting adjusted ultimate losses. Provide one for frequency and one for severity.

RESPONSE:

Please see the IR 1-18 attachment which shows light vehicle claim counts and incurred losses for collision coverage before and after adjustments to match the ultimate claims and losses submitted in the rate application. Note that claim count and loss adjustment factors differ by rating class and coverage, and a comprehensive view of each combination would require well over 100 tables. Therefore, a sample has been provided to demonstrate the multiplicative calculations. The combinations of rating classes and adjustment tables from the rate application are repeated in the attachment.

To produce any of the desired tables, the originally filed losses and development factors can be combined with the adjustment factors provided in this response to produce the resulting adjusted ultimate losses.

SRRP(SAF) 1 - 19

Application Part and Chapter:	Expenses	Page No.:	33
Issue:	Historical Expenses		
Topic:	Expenses		
MFR:	5.2		

Preamble to IR (If Any):

SGI provides an exhibit for projected expenses used in the rate level indication in *2026 Rate Program Expenses.xlsx*.

Question:

For each expense line item in 2026 RP Exhibit 1.xlsx Pg2, provide the historical actual expenses incurred in each of the last 3 years.

RESPONSE:

Please refer to the following table for the historical actual expenses incurred in each of the last 3 years:

	2024/2025	2023/2024	2022/2023
Fixed Expenses			
Loss Adjusting Expense*	203,079,042	175,084,686	159,840,422
Change in LAE Reserve **	65,991,117	- 17,732,053	25,771,318
Administrative Expense***	185,064,496	173,152,814	160,116,277
Salvage	- 24,643,189	- 24,787,583	- 27,073,482
Reinsurance	26,241,917	18,393,786	18,906,633
Medical Funding	39,094,818	37,886,367	39,662,148
Appeal Commissions	1,240,967	1,253,400	1,064,476
Safe Driver Recognition Malus	30,348,532	31,329,193	30,110,781
Variable Expenses			
Premium Taxes	56,398,441	53,894,015	51,812,132
Traffic Safety Programs	21,713,749	17,793,216	20,241,919
Issuer Commissions	59,925,577	49,641,318	47,726,463
Short Term Registrations	17,537,774	18,435,759	17,509,841
Auto Pay	22,199,769	21,248,394	20,572,237

* The main reason for the increase in Loss Adjusting Expenses is due to a change in cost allocation methodology, in which costs are moved from Non-insurance Admin to Overhead on Loss Adjusting.

** This Change in LAE Reserve balance will fluctuate from one year to the next as a result of actuarial reserve adjustments and the selection of the ratio of paid LAE / paid losses to expect for reserve runoff.

*** Administrative Expense includes insurance expenses, non-insurance expenses, reinsurance expenses and the cost of Auto Fund programs.

SRRP(SAF) 1 - 20

Application Part and Chapter:	Large Loss Pooling	Page No.:	71
Issue:	Large Loss Loading Factors		
Topic:	Large Loss		
MFR:	5.2		

Preamble to IR (If Any):

SGI implemented a large loss pooling policy since 2022 to smooth out rate volatility caused by abnormally large claims not related to catastrophes.

Question:

- a) Provide SGI's cap limit for large losses.
- b) Provide an exhibit similar to the catastrophe exhibit on Page 74 of MFR 5 for actual experience large losses by Vehicle Group for the most recent 10, 15, and 20-year period for each coverage.

RESPONSE:

- a) Please see attached exhibit IR 1-20a.
- b) The Saskatchewan Auto Fund does not use data older than 15 years for large losses. Large losses are determined on an occurrence level, not on individual claims. Partial claims are carved out as a result of the thresholds determined.

Please see attached exhibit IR 1-20b.

SRRP(SAF) 1 - 21

Application Part and Chapter:	Loss Trend Summary and Exhibits	Page No.:	80
Issue:	Damage Catastrophes Trends		
Topic:	Loss Trends		
MFR:	5.2		

Preamble to IR (If Any):

For damage catastrophe trend, SGI selects a 0.00% frequency trend and 4.22% severity trend based on the comprehensive coverage (32) severity trend, resulting in an implied loss cost trend of 4.22%.

Question:

- a) Provide an explanation on why SGI believes this to be reasonable, given all the loss cost trends presented are negative (except for the 11-year trend of 0.20%) and SGI has determined this coverage is fully credible.
- b) Given SGI has determined damage catastrophe to be fully credible, why does SGI select a trend based on a different coverage?

RESPONSE:

- a) Catastrophe (CAT) claim experience is extremely volatile year over year. For coverages exhibiting this level of volatility, focusing on longer-term trends provides more stability than short-term trends. When viewed over a longer horizon, catastrophe frequency does not show a sustained decreasing pattern, and none of the trends are statistically significant based on the adjusted R^2 and p-values.

Severity trends observed in the trend analysis are generally all positive, and nearly statistically significant at longer periods with potential trends to select that are even larger than the selection taken from the comprehensive claim trend severity. These CAT-specific trends were not used due to the volatility in the severity of individual catastrophe events driving the claims summarized in this exhibit. Each claim is not a unique pull from an independent distribution of severity values. Instead, each catastrophe event in the Auto Fund's history has its own separate severity dependent on the weather event. Over the past 10 years, over half of all the claims in this exhibit have been from seven high-volume events.

As a result, trends selected directly from the catastrophe data do not provide a good fit to the historical experience and offer limited predictive value. To illustrate this effect fully, excluding the potentially outlier 2023/24 year (a minor or lucky catastrophe year) from the overall pure premium trend selection exhibit results in trends that vary from +5% to 15% depending on the period observed.

While credibility addresses the volume of data and full credibility indicates that there are sufficient claims for analysis, high credibility does not imply stability or statistical significance of trend patterns. Catastrophic trends remain difficult to estimate reliably due to structural noise and abnormal weather patterns.

- b) As noted above, high credibility does not eliminate structural noise and reliable catastrophe-specific trends are inherently difficult to estimate. Catastrophe claims originate as comprehensive claims and are essentially larger and more severe weather events. Claims meeting the catastrophe definition are flagged and separated from regular comprehensive claims.

Comprehensive claim experience is substantially larger than catastrophe-only experience, providing a more statistically reliable and stable basis for estimating severity trends. In addition, comprehensive trends are expected to better reflect changes in underlying storm-related repair costs and are in line with the longer-term severity trends for catastrophe claims.

The increase in the number of severe weather events is also anticipated to result in higher frequency and severity of severe convective storms, causing additional severe catastrophe claims and driving up overall claim dollars.

For these reasons, the comprehensive severity trend is considered a more appropriate basis for catastrophe severity trend selection, and we believe that selecting a negative trend for catastrophe pure premiums would be inappropriate.

SRRP(SAF) 1 - 22

Application Part and Chapter:	Loss Trend Summary and Exhibits	Page No.:	80
Issue:	Injury – Appeal Severity		
Topic:	Loss Trends		
MFR:	5.2		

Preamble to IR (If Any):

For Injury – Appeal, SGI selects a severity trend based on the average of the 7-year and 8-year trends, excluding 2024/25.

Question:

- a) Why did SGI find it reasonable to give the 8-year trend 50% weight, prior to credibility weighting, given the 8-year trend starts at a low point in the data?
- b) Provide an explanation on why SGI selects a future severity trend equal to the past trend when the most recent 3 years have been in decline, and the recent 7-year experience, including 2024/25, has been relatively flat.
- c) Why does SGI view 2024/25 as an outlier and exclude it rather than a continuation of a trend beginning 2018/19 or a potential change in trend beginning 2023?

RESPONSE:

- a) SGI assigns equal weight to 7-year and 8-year trend to balance responsiveness to recent experience with stability for the coverage exhibiting volatile claim experience. When reviewing post-2018 claim experience, excluding 2024/25, severity has generally hovered around a stable growth rate despite year-to-year volatility. Selecting the average of 7-year and 8-year trend places the trend at the middle of the high 2019 and low 2018 and captures the steady growth well.

The 7-year trend places greater emphasis on the more recent experience; if selected on its own, it might be overly reactive to recent decreases on undeveloped years. In contrast, the 8-year trend reflects a longer post-2018 pattern and provides additional smoothing of short-term noise. Combining 7-year and 8-year trend with equal weights avoids anchoring selection solely on short-term movements, while also limiting the influence of a longer trend that could otherwise be excessive.

- b) Appeal has a low credibility and high volatility in its claim experience, which introduces uncertainty and makes the continuation of the recent decreasing pattern uncertain. Capturing the most recent decline in observed severity in 2023/24 and 2024/25 would place undue influence on undeveloped years. Note that the Cumulative Development Factors (CDFs) on 2023/24 and 2024/25 are 32.1 and 892.0 respectively. Appeal takes years before we can start to see actual indications of an accident year's true severity.

When viewed over a longer post-2018 window, severity growth has been relatively stable. Accordingly, selecting either a flat or a negative future trend would be inconsistent with the long-term growth trend that is likely still underlying the newer years.

In the absence of clear evidence of a sustained change in the underlying severity drivers, consistency between past and future is preferred.

- c) The 2024/25 ultimate severity is highly leveraged with an incurred loss development factor of nearly 900 being applied to losses of 3,200. This means the latest year is very immature and there is a lot of uncertainty around its use for trend estimation. There have only been three claims in that year.

Including the low 2024/25 amount in the trend calculation would disproportionately influence the derived trends based on the influence of only those three claims. Consequently, the observed decline in the newest year's severity is not considered reliable evidence of negative trend.

SRRP(SAF) 1 - 23

Application Part and Chapter:	Loss Trend Summary and Exhibits	Page No.:	80
Issue:	Injury – Care Severity		
Topic:	Loss Trends		
MFR:	5.2		

Preamble to IR (If Any):

For Injury – Care, SGI’s severity trend selections are based on trends excluding years 2020 through to 2025.

Question:

The data from years 2019/20 through to 2024/25 is fairly stable. Why does SGI view this period as an outlier and exclude the points from the severity trend selection process?

RESPONSE:

There are two distinct severity trends before and after 2019/20, so past trends apply up to the 2019/20 year and a future trend of 0% applies to the 2020/21 and later years. In order to select a past trend, the 2020/21 and later years were excluded to focus on the relevant period. Trending periods were adjusted accordingly in the Exhibit 3 files for each rating class that were submitted as a part of the rate application.

SRRP(SAF) 1 - 24

Application Part and Chapter:	Loss Trend Summary and Exhibits	Page No.:	80
Issue:	Injury – Income Replacement Severity		
Topic:	Loss Trends		
MFR:	5.2		

Preamble to IR (If Any):

For Injury – Income Replacement, SGI selects severity trends based on trends excluding years 2023/24 and 2024/25.

Question:

Did SGI consider a trend change in year 2022/23? Provide a response including why SGI did not consider a trend change, or why SGI believes excluding the points is more reasonable than a trend change parameter.

RESPONSE:

Yes, the change in trend in year 2022/23 is assumed on both frequency and severity. In order to select the past trend, the later years were excluded from its selection to focus on the relevant period for the past. The selected past trends apply up to that point and the future trend of 0% applies beyond. See comments provided in the trend selection notes of the loss trend committee or Exhibit 3s files for full details.

SRRP(SAF) 1 - 25

Application Part and Chapter:	5.1 Section 2.2	Page No.:	8
Issue:	Rate Adjustments by Class		
Topic:	Rate Adjustments vs SK CPI		
MFR:	5.1		

Preamble to IR (If Any):

SGI presents a table of historical rate changes since 2006 compared to annual Saskatchewan CPI changes, including the overall 20-year total.

Question:

Please provide this table separated by each vehicle class.

RESPONSE:

Please see attached exhibit IR 1-25 to view historical rate changes by class, which alongside the table below can be used to produce any desired CPI comparisons.

Year	Annual Rate Adjustments	CPI year-over-year percent change
2004	-	N/A
2005	-	1.81%
2006	-	2.52%
2007	(7.10%)	3.19%
2008	-	3.18%
2009	4.20%	0.94%
2010	-	0.42%
2011	-	2.78%
2012	1.60%	1.72%
2013	2.27%	1.61%
2014	4.42%	2.46%
2015	-	1.86%
2016	-	1.07%
2017	-	0.83%
2018	-	3.06%
2019	-	1.96%
2020	-	0.50%
2021	-	2.33%
2022	-	8.09%
2023	-	3.01%
2024	-	1.55%
2025	-	1.41%
Compound Change	5.03%	54.90%

SRRP(SAF) 1 - 26

Application Part and Chapter:	Discount Rate Exhibit	Page No.:	45
Issue:	Return on Investment Rate		
Topic:	Discount Rates		
MFR:	5.2		

Preamble to IR (If Any):

As a result of the transition to IFRS-17, SGI uses a discount rate curve based on projected SGI investment spot rates.

Question:

- a) Please provide SGI’s actual return on investment rate for each of the last 5 years.
- b) As a sensitivity test, please provide an alternate rate indication using the 5-year average from part a, and no other changes in assumptions.

RESPONSE:

- a) Please see MFR 16, Liability Matching portfolio rate of return. This is the portfolio dedicated to covering the payment of future claims, which had an average 0.9% rate of return over the past five years.
- b) The updated 2026 rate indication increases from 33.6% to 35.6% when using this single rate of return as the discount rate in the indication. Note that selecting a discount rate based purely on the past five years of investment returns improperly focuses on especially turbulent market and economic conditions that do not reflect the yield rates expected to be available in the projected rating year.

SRRP(SAF) 1 - 27

Application Part and Chapter:	Loss Adjustments	Page No.:	RP Exhibit Factors.xlsx
Issue:	Tariff Adjustment		
Topic:	Loss Adjustments		
MFR:	5.2		

Preamble to IR (If Any):

SGI includes a tariff adjustment that varies by coverage.

Question:

- a) Provide the supporting analysis for these adjustments including how the adjustment factors were derived.
- b) Provide support (statistics, research, or an explanation) for each assumption or selection used in determining the adjustment factor in the analysis provided in response to part a.

RESPONSE:

Please see attached exhibit IR 1-27 for the response to both parts.

SRRP(SAF) 1 - 28

Application Part and Chapter:	17. Section 1.3.1	Page No.:	1510 of 1691
Issue:	Rates and Revenue		
Topic:	Other Income - Salvage Operations		
MFR:	17. Financial Information		

Preamble to IR (If Any):

Salvage operations include the recovery of total loss vehicles and the subsequent sales of whole vehicles and vehicle parts. During 2024/2025, salvage sales were \$75.9 million and are estimated to be \$74.8 million in 2025/2026 and \$76.3 million in 2026/2027.

Salvage expenses Includes both the administrative expenses and costs of good sold (costs of recovering and getting total loss vehicle and associated parts ready for sale) related to the salvage operations.

Question:

Please provide a schedule detailing the operating statement for salvage operations for each of the years 2020/21 through 2024/25 and forecast for 2025/26 to 2027/28 and discuss the trends on profitability.

RESPONSE:

Please see attachment IR 1-28. Note that all projections are consistent with the 2026-27 budget work as well as the expense components underlying the 2026 rate indication.

Revenue for salvage vehicle sales is heavily influenced by both vehicle market values and the demographics of vehicles sold. Newer vehicles disposed of through the bid site will drive higher revenue, with the inverse for older vehicles. Coming out of the pandemic, where supply chain issues suppressed the inventory of new vehicles, the price of used vehicles increased, as did salvage sales values. While supply chain issues have mostly stabilized, followed by a slight increase in the age of the average vehicle sold, the age and values have generally stabilized since the start of 2023.

SRRP(SAF) 1 - 29

Application Part and Chapter:	15	Page No.:	1468 of 1691
Issue:	Capital Management		
Topic:	RSR Balance and MCT Forecast		
MFR:	15. RSR Balances		

Preamble to IR (If Any):

SAF's Capital Management Policy envisions both a Capital Build and Release Provision and a Capital Maintenance Provision. The Capital Maintenance Provision is included to deal with the growth in Capital to deal with inflationary pressures as SAF's book of business grows.

The Capital Build and Release Provision is determined to build up or release capital (over a five-year period) to meet the approved Operating Target MCT of 140% at that time.

SAF has chosen not to adjust the capital margin in this rate proposal. SAF stated:

To maintain rate stability in the Auto Fund a capital margin is applied to all rates. The change in capital margin applies equally to all rate classes once the indicated and proposed rates have been finalized for each class. The capital margin protects the Auto Fund from the volatility inherent in investment and underwriting operations to maintain an adequate level of capital in order to mitigate excessive rate increases for customers. The current capital margin provision in the rates today is 0.06%, the calculated capital margin provision for a 2025-26 rating year is 6.5%. Despite this large capital need, the Auto Fund is proposing not to change the capital margin provision in the 2026 Rate Program for the same reason that it is limiting the proposed basic rate increase, due to considerations around affordability.

SAF has indicated that

here are two components that factor into the amount of capital required: the capital maintenance provision and the amount of capital build/release provision that will move the RSR 1/5th of the way towards the 125% MCT target. The capital maintenance provision amount required is \$21.3 million, the 1/5th capital build provision required is \$48.2 million. The combination of these two amounts results in a total required capital amount of \$69.5 million for the rating period. Note that no capital margin change is proposed.

With respect to the MCT:

In November 2018, the SGI Board first approved the current Auto Fund Capital Management policy format with Minimum Capital Test (Test) target levels set as:

- Internal Target MCT of 90%; and,*
- Operating Target MCT of 140%.*

These levels were reaffirmed annually by the Board in conjunction with the Auto Fund's Financial Condition Testing up to 2022 when the following the target levels were approved:

- Internal Target MCT of 90%; and,*
- Operating Target MCT of 125%.*

Question:

- a) Please confirm that under the policy, the MCT should be forecast to be at the Operating Target MCT level at the end of the five-year forecast, all things being equal.
- b) Please provide an explanation of why SAF changed (lowered) its MCT targets, provide the analysis that supported the decision, and when the Board approved the change.

- c) Please explain what conditions have arisen to not consider a capital build provision.

- d) Did the Corporation consider proposing the capital maintenance provision in this application. Confirm that would equate to an increase in order of 2% for that component of the capital build provision.

- e) When would the Corporation propose commencing its Capital build provision?

- f) Consistent with the graph provided in MFR 14, please extend the graph to 2029/30 based on the proposed rate request. Please provide an additional a table of supporting datapoints.

- g) Please provide an RSR continuity schedule table, including the RSR opening, change capital build (release) and closing balance for the each of the years 2004/05 to 2024/25 and forecast through 2029/30 based on the proposed rate increase. Include rows including the Capital available, capital required, and MCT ratio for each year, consistent with the information provided in part (f).

RESPONSE:

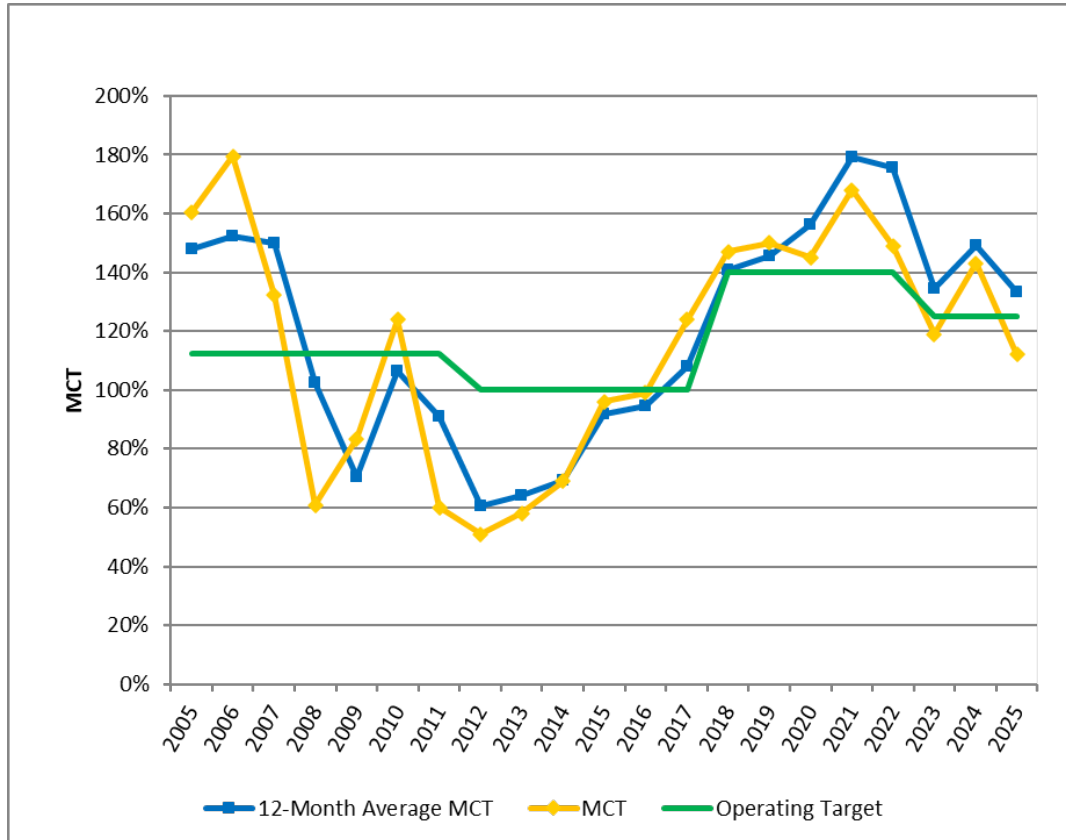
- a) As described in the response to this question from the 2021 Rate Application Review, the Auto Fund’s capital management policy does not require that the MCT be forecast to be at the operating target MCT level at the end of the five-year forecast. To be clear, the capital management policy **does not** state a fixed timeline to recover the MCT to either its internal or operating target levels.

The capital management policy expects that the Auto Fund will establish a capital build/release provision in its rates to recover or release 1/5th of the deficiency/surplus in its next forecast year. This is not the same thing as requiring a given MCT by the end of a five-year period for the following reasons:

- Establishing a provision in the rates is done on a policy year basis, not a calendar year basis. Once a rate change is effective, there is a delay until all policies are written under its new rates (that include the build/release) and a further delay until all premiums are being earned based on that new rate level. This delays the effectiveness of a capital build/release when evaluating a forecast of multiple future calendar years.
- The capital management policy tracks a 12-month rolling MCT measure, which further delays the effect of rate changes influencing the measure.
- The capital management policy’s focus on the capital build/release for the next policy year does not incorporate the effect of trends influencing years 3-5. The five-year forecast incorporates changing expectations in claims, expenses and premium, all of which become increasingly uncertain further into the future. Incorporating the expectations of years 3-5 into the determination of today’s capital build/release (by setting it based on an MCT forecast at year 5) would result in much more volatile year-over-year adjustments to the capital build/release (in addition to being inconsistent with the capital management policy itself).

- Future rate applications will re-evaluate and re-adjust the capital build/release provision given the new capital level, extending the timeline until the MCT is returned to its target, all else being equal. For example, if a capital build provision of 5% is established in one year, once it successfully begins to restore capital levels, it may be reduced to 4% or 3% in a following rate application. This occurs because the following year will re-calculate the new provision to move the MCT 1/5th of the way toward its target in this following year given its new current position. This produces a smooth progression of adjustments that continuously cause the MCT to shift toward its target, but will require longer than five years to attain the target.
- b) The Saskatchewan Auto Fund's MCT targets were adjusted as a result of the scenario and stress testing work used to produce its Financial Condition Testing (FCT) report, consistent with the relevant sections of its capital management policy. This was approved by the Risk Committee of the Board on November 23, 2022. The summarized result is provided to the Panel confidentially.
- c) The Auto Fund has a significant rate need for virtually all classes of vehicles.
- If additional rate were to be taken above the levels proposed, it would be best applied as a basic rate change to close the gap between premiums and claims/expenses instead of a capital margin because then it would be charged to the vehicles that are responsible for the rate need instead of being applied excessively to vehicles that are not.
- d) The capital maintenance provision is calculated at +1.7% in the 2026 rate indication update. It is not proposed for the same reasons as detailed above in c).
- e) SGI will evaluate its rate need and capital position as part of future rate applications and may propose a capital build provision once its rate need gap has closed if it is still required.

f) Confidential response was provided to the SRRP and consultants. Below is the graph provided in MFR 14.



g) Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 30

Application Part and Chapter:	17, Sec 2.1	Page No.:	1511-1512 of 1691
Issue:	Claims and Related Expenses		
Topic:	Claims Incurred Trend		
MFR:	17. Financial Information		

Preamble to IR (If Any):

For insurance companies, claim costs and the expenses to adjust claims represent the largest expense; for the Auto Fund they represent an average of about 80%-85% of total costs. To determine claim costs, insurance companies utilize the services of professional actuaries. Actuaries consider many different factors to estimate claim costs, including historical trends involving claim payments, economic conditions, inflation, and the characteristics of the class of business. Claim costs are grouped into accident years, which is the year in which the claim occurred. At the end of each accident year, the actuary estimates the total ultimate costs for all claims that have occurred and that are reported during the current accident year along with those that have occurred but have not yet been reported to the insurance company.

Question:

- a) Please provide a table detailing claims incurred by category for each of the years 2013/14 through 2024/25 and forecast for 2026/27 to 2029/30 to include the compound annual growth rate over the period.
- b) Please provide two tables, one for the number of claims and the other for claims severity by category consistent with (a).

RESPONSE:

- a) The below table details the net ultimate losses by category. Actuals for 2013/14 to 2024/25 are as of June 30, 2025. The forecast for 2025/26 to 2030/31 is consistent with the 2026/27 budget work.

Fiscal Year	Net Ultimate Loss (thousands)				Year-over-year Change				
	Damage Excluding Catastrophes	Damage Catastrophes	Damage Total	No-Fault Injury	Damage Excluding Catastrophes	Damage Catastrophes	Damage Total	No-Fault Injury	
2013/14	Actual	\$ 419,922	\$ 13,151	\$ 433,073	\$ 209,940				
2014/15	Actual	\$ 418,995	\$ 17,085	\$ 436,080	\$ 201,760	-0.22%	29.91%	0.69%	-3.90%
2015/16	Actual	\$ 443,838	\$ 26,673	\$ 470,511	\$ 203,407	5.93%	56.12%	7.90%	0.82%
2016/17	Actual	\$ 488,323	\$ 25,683	\$ 514,006	\$ 200,244	10.02%	-3.71%	9.24%	-1.56%
2017/18	Actual	\$ 517,594	\$ 32,763	\$ 550,357	\$ 210,094	5.99%	27.57%	7.07%	4.92%
2018/19	Actual	\$ 526,885	\$ 25,158	\$ 552,043	\$ 205,031	1.79%	-23.21%	0.31%	-2.41%
2019/20	Actual	\$ 517,653	\$ 27,632	\$ 545,285	\$ 204,498	-1.75%	9.83%	-1.22%	-0.26%
2020/21	Actual	\$ 446,528	\$ 19,090	\$ 465,618	\$ 163,725	-13.74%	-30.91%	-14.61%	-19.94%
2021/22	Actual	\$ 598,656	\$ 27,192	\$ 625,848	\$ 188,202	34.07%	42.44%	34.41%	14.95%
2022/23	Actual	\$ 681,111	\$ 66,045	\$ 747,155	\$ 209,245	13.77%	142.88%	19.38%	11.18%
2023/24	Actual	\$ 726,185	\$ 7,474	\$ 733,659	\$ 217,449	6.62%	-88.68%	-1.81%	3.92%
2024/25	Actual	\$ 806,394	\$ 31,501	\$ 837,895	\$ 231,124	11.05%	321.46%	14.21%	6.29%
2025/26	Forecast	\$ 863,943	\$ 54,182	\$ 918,125	\$ 235,599	7.14%	72.00%	9.58%	1.94%
2026/27	Forecast	\$ 908,513	\$ 58,223	\$ 966,736	\$ 239,914	5.16%	7.46%	5.29%	1.83%
2027/28	Forecast	\$ 939,639	\$ 60,728	\$ 1,000,367	\$ 244,849	3.43%	4.30%	3.48%	2.06%
2028/29	Forecast	\$ 970,294	\$ 63,409	\$ 1,033,702	\$ 250,103	3.26%	4.41%	3.33%	2.15%
2029/30	Forecast	\$ 1,002,742	\$ 66,201	\$ 1,068,943	\$ 255,599	3.34%	4.40%	3.41%	2.20%
2030/31	Forecast	\$ 1,042,966	\$ 69,113	\$ 1,112,078	\$ 262,468	4.01%	4.40%	4.04%	2.69%
Compound annual growth rates to 2024/25:									
All years					6.11%	8.26%	6.18%	0.88%	
7 years					6.54%	-0.56%	6.19%	1.37%	
5 years					9.27%	2.66%	8.97%	2.48%	
3 years					10.44%	5.02%	10.21%	7.09%	

b) The below tables detail the number of claims and average claim severity, consistent with the table provided in (a).

Fiscal Year		Financial Claim Counts				Year-over-year Change			
		Damage Excluding Catastrophes	Damage Catastrophes	Damage Total	No-Fault Injury	Damage Excluding Catastrophes	Damage Catastrophes	Damage Total	No-Fault Injury
2013/14	Actual	102,989	9,313	112,302	4,797				
2014/15	Actual	97,959	3,360	101,319	4,436	-4.88%	-63.92%	-9.78%	-7.52%
2015/16	Actual	99,200	5,496	104,696	4,501	1.27%	63.57%	3.33%	1.45%
2016/17	Actual	107,843	8,473	116,316	4,707	8.71%	54.17%	11.10%	4.59%
2017/18	Actual	111,789	10,837	122,626	4,744	3.66%	27.90%	5.42%	0.79%
2018/19	Actual	112,159	5,196	117,355	4,420	0.33%	-52.05%	-4.30%	-6.84%
2019/20	Actual	107,649	4,087	111,736	4,443	-4.02%	-21.34%	-4.79%	0.52%
2020/21	Actual	97,616	3,276	100,892	3,308	-9.32%	-19.84%	-9.71%	-25.55%
2021/22	Actual	115,810	14,285	130,095	4,301	18.64%	336.05%	28.95%	30.01%
2022/23	Actual	122,032	9,496	131,528	3,930	5.37%	-33.52%	1.10%	-8.62%
2023/24	Actual	123,519	1,053	124,572	3,770	1.22%	-88.92%	-5.29%	-4.07%
2024/25	Actual	134,361	6,915	141,276	4,031	8.78%	556.99%	13.41%	6.92%
2025/26	Forecast	138,904	7,246	146,150	3,922	3.38%	4.79%	3.45%	-2.70%
2026/27	Forecast	139,648	7,335	146,983	3,843	0.54%	1.23%	0.57%	-2.00%
2027/28	Forecast	143,884	7,429	151,313	3,770	3.03%	1.28%	2.95%	-1.90%
2028/29	Forecast	147,225	7,524	154,749	3,698	2.32%	1.28%	2.27%	-1.91%
2029/30	Forecast	150,641	7,620	158,261	3,628	2.32%	1.28%	2.27%	-1.91%
2030/31	Forecast	154,141	7,718	161,859	3,558	2.32%	1.28%	2.27%	-1.92%

Compound annual growth rates to 2024/25:

All years	2.45%	-2.67%	2.11%	-1.57%
7 years	2.66%	-6.22%	2.04%	-2.30%
5 years	4.53%	11.09%	4.80%	-1.93%
3 years	5.08%	-21.48%	2.79%	-2.14%

Fiscal Year		Average Claim Severity				Year-over-year Change			
		Damage Excluding Catastrophes	Damage Catastrophes	Damage Total	No-Fault Injury	Damage Excluding Catastrophes	Damage Catastrophes	Damage Total	No-Fault Injury
2013/14	Actual	\$ 4,077	\$ 1,412	\$ 3,856	\$ 43,764				
2014/15	Actual	\$ 4,277	\$ 5,085	\$ 4,304	\$ 45,480	4.90%	260.09%	11.61%	3.92%
2015/16	Actual	\$ 4,474	\$ 4,853	\$ 4,494	\$ 45,195	4.60%	-4.56%	4.42%	-0.63%
2016/17	Actual	\$ 4,528	\$ 3,031	\$ 4,419	\$ 42,538	1.21%	-37.54%	-1.67%	-5.88%
2017/18	Actual	\$ 4,630	\$ 3,023	\$ 4,488	\$ 44,282	2.25%	-0.26%	1.56%	4.10%
2018/19	Actual	\$ 4,698	\$ 4,842	\$ 4,704	\$ 46,385	1.46%	60.15%	4.81%	4.75%
2019/20	Actual	\$ 4,809	\$ 6,761	\$ 4,880	\$ 46,025	2.36%	39.64%	3.74%	-0.78%
2020/21	Actual	\$ 4,574	\$ 5,827	\$ 4,615	\$ 49,495	-4.87%	-13.81%	-5.43%	7.54%
2021/22	Actual	\$ 5,169	\$ 1,904	\$ 4,811	\$ 43,762	13.01%	-67.33%	4.24%	-11.58%
2022/23	Actual	\$ 5,581	\$ 6,955	\$ 5,681	\$ 53,244	7.97%	265.37%	18.08%	21.67%
2023/24	Actual	\$ 5,879	\$ 7,101	\$ 5,889	\$ 57,679	5.33%	2.10%	3.68%	8.33%
2024/25	Actual	\$ 6,002	\$ 4,555	\$ 5,931	\$ 57,339	2.09%	-35.85%	0.70%	-0.59%
2025/26	Forecast	\$ 6,220	\$ 7,477	\$ 6,282	\$ 60,072	3.63%	64.14%	5.92%	4.77%
2026/27	Forecast	\$ 6,506	\$ 7,938	\$ 6,577	\$ 62,424	4.60%	6.15%	4.70%	3.92%
2027/28	Forecast	\$ 6,531	\$ 8,174	\$ 6,611	\$ 64,942	0.38%	2.98%	0.52%	4.03%
2028/29	Forecast	\$ 6,591	\$ 8,428	\$ 6,680	\$ 67,626	0.92%	3.10%	1.04%	4.13%
2029/30	Forecast	\$ 6,656	\$ 8,688	\$ 6,754	\$ 70,461	1.00%	3.09%	1.11%	4.19%
2030/31	Forecast	\$ 6,766	\$ 8,955	\$ 6,871	\$ 73,768	1.65%	3.08%	1.72%	4.69%

Compound annual growth rates to 2024/25:

All years	3.58%	11.24%	3.99%	2.49%
7 years	3.78%	6.03%	4.06%	3.76%
5 years	4.53%	-7.59%	3.98%	4.49%
3 years	5.10%	33.76%	7.23%	9.43%

SRRP(SAF) 1 - 31

Application Part and Chapter:	17, Sec 2.12	Page No.:	1511,1514 ,1520 of 1691
Issue:	Claims and Related Expenses		
Topic:	Loss Adjustment Expenses		
MFR:	17. Financial Information		

Preamble to IR (If Any):

Loss adjustment expenses are expenses associated with settling claims, including both internal and external legal fees, adjusters, towing, appraisal, and operating costs of claim branches. They also include an allocation of overhead from corporate divisions.

Question:

- a) Please provide a, schedule detailing a breakdown of Loss Adjustment Expenses by cost element, between internal and external costs for each of the years for 2013/14 through 2024/25 and forecast for 2025/26, 2026/27 and 2027/28. Please indicate in each year what percentage LAE represent of total insurance expenses. Provide a column including the compound annual growth for 2013/14 to 2024/25 and that forecast from 2024/25 through 2027/28
- b) Please explain whether external loss adjustment expenses are allocated to SAF from SGI or are incurred directly. If allocated, please describe the basis of allocation.
- c) Please provide an update to the schedules of SAF expenses (from SRRP (SAF) 2-5 dated August 18, 2021) for the years 2016/17 through 2024/25 and budgeted for 2025/26, 20256/27 and 2027/28 and provide a narrative description of changes in costs and trends reflected in that information.

- d) Provide a trend analysis for the last ten fiscal years through the outlook period, including growth in Loss Adjustment Expenses, Administrative Expenses relative to CPI and comment on the trend relative to inflation.

RESPONSE:

- a) Please see attached exhibit IR 1-31a.
- b) External loss adjusting expenses are not allocated. They are incurred directly by claims departments and coded directly to the applicable company. To note, the coding of external loss adjusting expense only began in 2018-19. Prior to that, expenses that, today, would be considered external loss adjusting were coded to claims incurred. The exhibit in a) is entirely comprised of Auto Fund specific expenses.
- c) Forecasts for 2024-25 and beyond assume a tariff impact of 7% on Damage losses. SGI is seeing some decline in injury frequency; however, injury severity is rising. The increase in severity is mostly related to medical and care benefits. For damage claims SGI is expecting that repairable claims and total loss severity will rise. Claim volumes (frequency) have increased over the past few years.
Please see attached exhibit IR 1-31c.
- d) Loss adjusting expenses and administrative costs outpaced inflation from 2022-23 to 2026-27. This is a result of additional salaries and IT costs associated with the IT systems modernization project and working in two technology systems simultaneously. From 2027-28 onward loss adjusting expenses and administrative expenses are more in line with inflation. The drop in administrative expenses from 2026-27 to 2027-28 relates to the planned completion of the systems modernization project.
Please see attached exhibit IR 1-31d.

SRRP(SAF) 1 - 32

Application Part and Chapter:	MFR 5 Section 4.2.4	Page No.:	15
Issue:	Claims and Related Expenses		
Topic:	Damage Reinsurance		
MFR:	5. Rate Indication		

Preamble to IR (If Any):

Previously, the Auto Fund maintained two reinsurance programs designed to mitigate adverse effects on the RSR from catastrophic losses caused by either a severe weather event, or an automobile collision resulting in multiple serious injuries. As of April 2014, it was determined that the injury reinsurance program was no longer needed. The Auto Fund has maintained only a damage reinsurance program since then. Due to recent catastrophic weather losses in Saskatchewan and in the Canadian industry in general, the cost to purchase reinsurance has increased.

Question:

- a) Please provide details on the layers of protection for the damage reinsurance program and provide a comparison with that provided at the 2021 Rate Review and explain any changes in coverage.
- b) Please provide a table summarizing the reinsurance premiums paid and recoveries received on the physical damage reinsurance program.
- c) Please provide the number of hail/weather-related events, from calendar year 2021 to 2025, the cost per each event and recoveries under reinsurance and the amount of premiums paid to re-establish coverage after a claim.

RESPONSE:

a) Confidential response was provided to the SRRP and consultants.

b)

Year	Reinsurance Premiums Paid	Recoveries Received	Reinsurance Reinstatement Premium Paid
2026	\$17,288,587	N/A	N/A
2025	\$19,362,718	\$0	\$0
2024	\$18,499,451	\$22,818,778	\$8,172,476
2023	\$18,779,095	\$0	\$0
2022	\$13,131,341	\$2,167,167	\$652,133
2021	\$10,274,941	\$63,969,647	\$10,757,990
TOTAL	\$97,336,133	\$88,955,592	\$19,582,599

c)

Year	Number of events	Hail/weather-related events (including wildfires)	As of January 31, 2026		
			Cost per each event (Direct Ultimate Loss)	Recoveries Received per each event	Premiums paid to re-establish coverage per each event
2025	1	Cat 2025 01 - May 26th - 31st - Shoe Fire 1 (East Trout Lake Fires)	\$ 460,551	\$ -	\$ -
	2	Cat 2025 02 - May 27th-June 2nd - Wolf Fire 1 (Denare Beach, Creighton & Flin Flon)	\$ 3,300,245	\$ -	\$ -
	3	Cat 2025 03 - June 2nd- June 9th – Pisew Fire 1 (Lac Laronge, Air Ronge)	\$ 481,796	\$ -	\$ -
	4	Cat 2025 04 - June 3rd – June 9th - Wolf Fire 2 (Denare Beach, Creighton & Flin Flon)	\$ 254,664	\$ -	\$ -
	5	Cat 2025 05 - June 9th – June 15th – Pisew Fire 2 (Lac Laronge, Air Ronge)	\$ 44,988	\$ -	\$ -
	6	Cat 2025 06 - June 26, 2025 - Lumsden Hailstorm	\$ 9,444,667	\$ -	\$ -
	7	Cat 2025 07 - July 27-28 - Cardston, AB/Pincher Creek, AB/ Aetna, AB	\$ 72,557	\$ -	\$ -
	8	Cat 2025 08 - Aug 8-9 - Saskatoon Flood & Rainfall	\$ 2,107,158	\$ -	\$ -
	9	Cat 2025 09 - Aug 20-22 - Brook, AB - Hail	\$ 80,891	\$ -	\$ -
	10	Cat 2025 11 - Aug 19-22 - Prairie Storm - North Sask	\$ 17,873,765	\$ -	\$ -
	11	Cat 2025 12 - Sept 12-13 - Southern Saskatchewan and Manitoba Hail and Flooding	\$ 18,182,910	\$ -	\$ -
2024	12	Cat 2024 01 -Saskatchewan flood, hail & windstorm Jun 21-24, 2024	\$ 52,877,189	\$ 22,818,778	\$ 8,172,476
	13	Cat 2024 05 - Oct 5, 2024, Prairie Windstorm	\$ 837,715	\$ -	\$ -
2023	14	Cat 2023 01 -Saskatchewan flood, hail & windstorm May 27-28 2023	\$ 1,850,096	\$ -	\$ -
	15	Cat 2023 03 - Regina and Saskatoon Thunderstorm June 2-3 2023	\$ 1,213,459	\$ -	\$ -
	16	Cat 2023 04 - Saskatchewan storm occurred between June 30 - July 2, 2023	\$ 4,391,585	\$ -	\$ -
2022	17	Cat 2022 01 - MB and NW ON flooding (Apr 22 – 25, 2022)	\$ 141,018	\$ -	\$ -
	18	Cat 2022 04 - Saskatoon and surrounding area Rain and Flash floods between June 20 – 21, 2022	\$ 3,684,578	\$ -	\$ -
	19	Cat 2022 05 - Saskatchewan Hail storm between June 23-24, 2022	\$ 16,401,769	\$ 678,256	\$ 192,626
	20	Cat 2022 06 - Saskatchewan & Alberta Wind and Hail storms between July 15-17, 2022	\$ 6,840,983	\$ -	\$ -
	21	Cat 202207- Saskatchewan Wind and Hail storms between June 18-19, 2022	\$ 3,975,101	\$ -	\$ -
	22	Cat 202208 – SK Saskatoon & area Hail storm between July 8-10, 2022	\$ 10,282,871	\$ -	\$ -
	23	Cat 202209 – SK & AB Wind, Hail, and Heavy Rain Storms between July 18-21, 2022	\$ 1,516,922	\$ -	\$ -
	24	Cat 202210 – Late July Severe Storms in AB & SK between July 29-31, 2022	\$ 5,685,339	\$ -	\$ -
	25	Cat 202211 – AB & SK Wind, Hail, and Heavy Rain Storms between Aug 1-2, 2022	\$ 779,845	\$ -	\$ -
	26	Cat 202212 – SK Severe Thunderstorms between Aug 13-15, 2022	\$ 17,894,756	\$ 1,488,911	\$ 459,507
2021	27	Cat 2021 01 - Winter windstorm in BC, AB, SK & MB (Jan 13-14)	\$ 3,435,476	\$ 264,799	\$ 119,858
	28	Cat 2021 02 - Severe storms with localized heavy rain and strong winds in southern SK/MB (Jun 10-12)	\$ 1,471,356	\$ -	\$ -
	29	Cat 2021 04 - Series of severe storms with heavy rain, hail, power outages in SK (Jul 11-12)	\$ 3,639,785	\$ -	\$ -
	30	Cat 2021 05 - Summer storm with thundering, heavy rain, strong wind and hail (Jul 22 - 23)	\$ 10,668,109	\$ 4,452,791	\$ 680,391
	31	Cat 2021 06 - Heavy wind, rain and hail through SK (Aug 31 - Sep 1)	\$ 75,566,174	\$ 59,252,057	\$ 9,957,742
31 events between 2021 - 2025			\$ 275,458,318	\$ 88,955,592	\$ 19,582,599

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Application Part and Chapter:	25.	Page No.:	1623 of 1691
Issue:	Claims and Related Expenses		
Topic:	Motorcycle Claims		
MFR:	25. Implementation of Previous Panel Recommendations		

Preamble to IR (If Any):

At the 2021 Rate Application SAF stated:

In response to Pre-Ask 4 SAF Stated:

Seasonal rating for motorcycles, where premium collected would no longer be divided evenly between each month insured but instead be weighted toward the months motorcycles are actually ridden and at risk of collision, significantly lowering the cost of a full year of motorcycle insurance....

The group was made aware that daily rating and seasonal rating options require significant computer system changes and would not be possible to implement until SGI completes replacement of its systems.”

In response to SRRP(SAF) 2 -4 (b)

Systems changes would be required to allow for seasonal rating, otherwise short-term registrations and cancellation refunds for seasonally rated vehicles would need to be calculated, billed and entered into the system manually, resulting in a significant administrative burden and a poor customer, issuer and employee experience. Manual work also increases the risk that the rates charged are inaccurate.

When the seasonal rating option was explored following the Motorcycle Review in 2013, estimates were provided to update the current system and add the ability to store or calculate monthly premiums that varied. These estimates ranged from two to four years with additional downstream implications for continuous or AutoPay customers who pay monthly premiums, and the Safe Driver Recognition and Business Recognition programs. Given that the system transformation is occurring, no updates are being made to the current system slated to be replaced.

The SRRP recommended

The Panel suggest SAF consider adopting system architecture sufficiently flexible to accommodate future changes to motorcycle rates including seasonal rating, potential SDR changes and other potential injury benefit changes. We would recommend the Panel recommend SAF report back at the next rate application on its efforts related to the progress on these measures.

SAF states,

SGI is currently working to adopt sufficiently flexible system architecture to accommodate future changes to motorcycle rates. Features of a seasonal rating structure have been developed in the new rating system including seasonal weighting, short term rates, minimum premium, and cancellation logic. Potential SDR changes and injury benefit changes have not been developed in the new system yet.

Question:

- a) Please explain why SAF has not yet developed SDR changes and injury benefit changes.
- b) Please indicate the barriers for SAF to issue seasonal rates.
- c) Please file any analysis or reports prepared internally or externally related to seasonal rating.

RESPONSE:

- a) To clarify, Safe Driver Recognition (SDR) has not yet been included in any releases of the new Auto Fund system. Injury benefits are in the new Guidewire system already. It is difficult to predict whether any changes will need to be made to SDR and injury benefits until consultations with stakeholders have concluded. The updated system architecture is designed to provide enhanced flexibility compared to previous technologies, enabling SGI to implement modifications with increased efficiency.
- b) and c) Previously the barriers for the Saskatchewan Auto Fund (SAF) to issue seasonal rates were IT system limitations. Since then, SAF has developed different capabilities in its new system, Guidewire, to accommodate different components that could make up a seasonality solution. These capabilities include:
- Seasonal rating – the ability to charge different premium amounts based on the months registered
 - Minimum premium – the ability to charge a minimum premium regardless of the length of the registration term
 - Short rates – the ability to apply a surcharge to the pro-rated premium based on the length of the term

All three have since been incorporated into the rating engine in Guidewire but are functionally turned off. In other words, the capabilities exist in the system but will not be used until consultations have happened, which will dictate what portions of the solution may be used, if any.

Please see the response to IR 1-7 parts c and d on analysis conducted on seasonal rating.

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Application Part and Chapter:	17. Section 4	Page No.:	1517 of 1691
Issue:	Claims and Related Expenses		
Topic:	Non-Controllable Expenses		
MFR:	17. Financial Information		

Preamble to IR (If Any):

SAF states:

Volatility in claim costs is caused by many factors the Auto Fund has no control over. These include winter driving conditions and summer storm activity that cause fluctuations in accident frequency (number of claims) and severity (average cost per claim) where small variations can have a significant impact on financial results in any year. Increases in parts prices and labour rates and insuring newer vehicles also increase the cost to repair or replace vehicles. In addition, there is complexity associated with determining the cost of injury claims today when benefits for some customers are provided for life.

Question:

- a) Please provide, in tabular form, for each year from 2020/21 to 2024/25 and forecast for 2025/26, 2026/27 and 2027/28 for expenses over which SAF has no control, specifically taxes, components of legislated programs that SAF is required to fund and other such payments, indicating the annual dollar amounts, percentage of total expenses, and the portion of rates these expenditures represent. Please also provide similar information for auto body repair and medical costs, including STARS.
- b) Please expand the table in (a) to provide forecast amounts and percentages for 2026/27 and identify where the costs are reflected in the forecast.

- c) Please summarize the terms of current agreements on autobody, medical and Stars on the claims incurred and expenses of the Corporation.
- d) Please file a table for 2026/27 forecast in the format of the financial forecast in Tab 17 Appendix separating the amount of each line item under the control of SAF, outside SAF's control and the percentage of the line item not within the Corporation's control consistent with the cost classification in (b).

RESPONSE:

- a) See attachment IR 1-34.
- b) See attachment IR 1-34.
- c) The current auto body Master Services Agreement (MSA) sets out the obligations of each party including compensation and performance management. The detailed requirements for each element of the agreement are laid out in individual schedules, a list of which are attached below. Specific schedules can be provided if required:

Schedule 1 Application Request and Contractor Number – application and renewal forms;

Schedule 2 Rates – prescribes the labour/material rates paid;

Schedule 3 Training Requirements – lists the minimum training requirements for accreditation;

Schedule 4 Equipment Requirements - lists the minimum tools and equipment for accreditation;

Schedule 5 Proper Work – commitment to repair claims in accordance with manufacturers recommendations and industry best practices (safe and proper repair);

Schedule 6 Key Performance Indicators and Customer Satisfaction Index – minimum performance requirements to maintain accreditation (costs and customer experience targets)

Schedule 7 Performance Management – outlines steps used to manage partner performance

Schedule 8 Disciplinary Action – outlines the progress disciplinary actions available to SGI when managing accredited partners (up to and including removal from the program)

- Schedule 9 Dispute Resolution* – outlines the dispute resolution process (including arbitration for performance management actions)
- Schedule 10 Insurance and Bond* – minimum insurance requirements for accreditation
- Schedule 11 Advertising Guidelines* – guidelines for the use of SGI branding for promotions
- Schedule 12 Billing Procedures* – payment procedures
- Schedule 13 Professional Conduct* – professional conduct standards
- Schedule 14 Privacy* – privacy and security requirements
- Schedule 15 Notice* – process for providing notice of changes or termination
- Schedule 16 SGI Technical Material* – reference to SGI Technical Policy and Procedures

d) See attachment IR 1-34.

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Application Part and Chapter:	Rate Proposal pg. 54	Page No.:	244 of 1691
Issue:	Claims and Claims Related Expenses		
Topic:	Motorcycle Claims & Taxi Claims		
MFR:			

Preamble to IR (If Any):

SAF proposes no changes to the Motorcycle or Urban Taxi rate classes in the first year of the application. SAF indicates that motorcycle injury costs account for approximately 75–80% of the required average motorcycle premium (including medical funding), while Urban Taxi has indicated a rate increase of 86.6%.

Question:

- a) Please provide a table indicating the number of motorcycle claims in each year and the number of claims which are single vehicle accidents.
- b) Please provide a table indicating the number of Taxi claims in each year and the number of claims which are single vehicle accidents.
- c) Please provide a table that indicates the number and total amount of claims that exceed \$1 million in aggregate by year of loss and provide the incurred loss amounts by sub-coverage for the motorcycle class. Please provide the listing on both an incurred and ultimate basis from 2017 to 2025.
- d) Please provide a table that indicates the number and total amount of claims that exceed \$1 million in aggregate by year of loss and provide the incurred loss amounts by sub-

coverage for the Taxi classes. Please provide the listing on both an incurred and ultimate basis from 2017 to 2025.

- e) Please provide a table that indicates the number of claims and the total amount of Motorcycle claims where the large loss capping was applied in aggregate and on sub-coverage basis.
- f) Please provide a table that indicates the number of claims and the total amount of Taxi claims where the large loss capping was applied in aggregate and on sub-coverage basis.
- g) Please provide a similar analysis in (c) and (d) for the CLEAR rated vehicles and Other classes and comment on the differences with the Motorcycle and Taxi classes.

RESPONSE:

- a) The requested table can be found below. Data is as at March 31, 2025, consistent with the 2026 rate indication:

Motorcycle Claims and Single Vehicle Accidents		
Fiscal Year	Number of Claims	Single Vehicle Accidents
2015	272	183
2016	268	174
2017	237	168
2018	219	153
2019	201	137
2020	194	147
2021	150	115
2022	174	139
2023	193	137
2024	174	121
2025	160	124

- b) The requested table can be found below. Data is as at March 31, 2025, consistent with the 2026 rate indication:

Taxi Claims and Single Vehicle Accidents		
Fiscal Year	Number of Claims	Single Vehicle Accidents
2015	300	50
2016	275	55
2017	316	70
2018	295	83
2019	298	75
2020	283	101
2021	200	83
2022	283	120
2023	307	143
2024	300	156
2025	314	133

- c) The totals for motorcycle occurrences over \$1 million are as follows. Data is as at March 31, 2025, consistent with the 2026 rate indication:

Motorcycle Occurrences over \$1 Million				
Year	Incurred Claims	Incurred Amount	Ultimate Claims	Ultimate Amount
2017	0	\$0	0	\$0
2018	3	\$2,061,530	3	\$2,619,899
2019	2	\$1,329,426	3	\$3,173,620
2020	2	\$2,640,876	2	\$3,620,676
2021	1	\$1,472,476	1	\$1,822,022
2022	0	\$0	0	\$0
2023	3	\$2,284,679	3	\$2,510,996
2024	2	\$2,240,323	2	\$2,330,302
2025	0	\$0	0	\$0
Total	13	\$12,029,310	14	\$16,077,516

- d) The totals for Taxi occurrences over \$1 million are as follows. Data is as at March 31, 2025, consistent with the 2026 rate indication:

Taxi Occurrences over \$1 Million				
Year	Incurred Claims	Incurred Amount	Ultimate Claims	Ultimate Amount
2017	0	\$0	0	\$0
2018	0	\$0	0	\$0
2019	0	\$0	0	\$0
2020	0	\$0	0	\$0
2021	0	\$0	0	\$0
2022	0	\$0	0	\$0
2023	0	\$0	0	\$0
2024	0	\$0	0	\$0
2025	0	\$0	0	\$0
Total	0	\$0	0	\$0

- e) The totals for motorcycle occurrence coverages exceeding the large loss threshold are as follows. Data is as at March 31, 2025, consistent with the 2026 rate indication:

Motorcycle Claims Exceeding Large Loss Threshold		
Coverage	Large Loss Count	Large Loss Amount
Appeal	0	\$0
Care	0	\$0
Death	1	\$1,049,644
Income Replacement Benefits	0	\$0
Medical	0	\$0
Permanent Impairment	2	\$605,836
Tort Injury	1	\$770,431
Total (2017-2025)	4	\$2,425,911

- f) The totals for taxi occurrence coverages exceeding the large loss threshold are as follows.
Data is as at March 31, 2025, consistent with the 2026 rate indication:

Taxi Claims Exceeding Large Loss Threshold		
Coverage	Large Loss Count	Large Loss Amount
Appeal	0	\$0
Care	0	\$0
Death	0	\$0
Income Replacement Benefits	0	\$0
Medical	0	\$0
Permanent Impairment	0	\$0
Tort Injury	0	\$0
Total (2017-2025)	0	\$0

- g) The totals for CLEAR (including rural taxis) occurrences exceeding \$1 million are as follows.
Data is as at March 31, 2025, consistent with the 2026 rate indication:

CLEAR Occurrences over \$1 Million				
Year	Incurred Claims	Incurred Amount	Ultimate Claims	Ultimate Amount
2017	27	\$33,218,777	48	\$83,468,709
2018	32	\$42,381,052	60	\$98,386,139
2019	27	\$26,829,755	44	\$59,915,572
2020	30	\$25,991,509	38	\$44,960,103
2021	24	\$23,081,300	50	\$44,241,920
2022	16	\$9,685,447	25	\$20,019,667
2023	13	\$11,034,913	18	\$15,741,690
2024	4	\$3,108,473	4	\$3,357,012
2025	0	\$0	0	\$0
Total	173	\$175,331,228	287	\$370,090,812

The totals for non-CLEAR (excluding motorcycle and urban taxi) occurrences exceeding \$1 million are as follows:

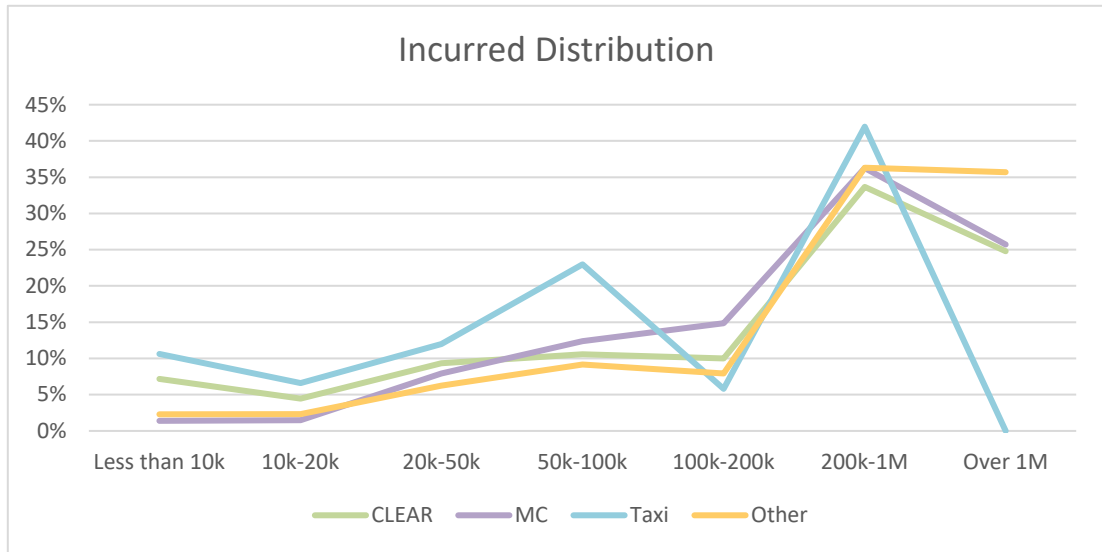
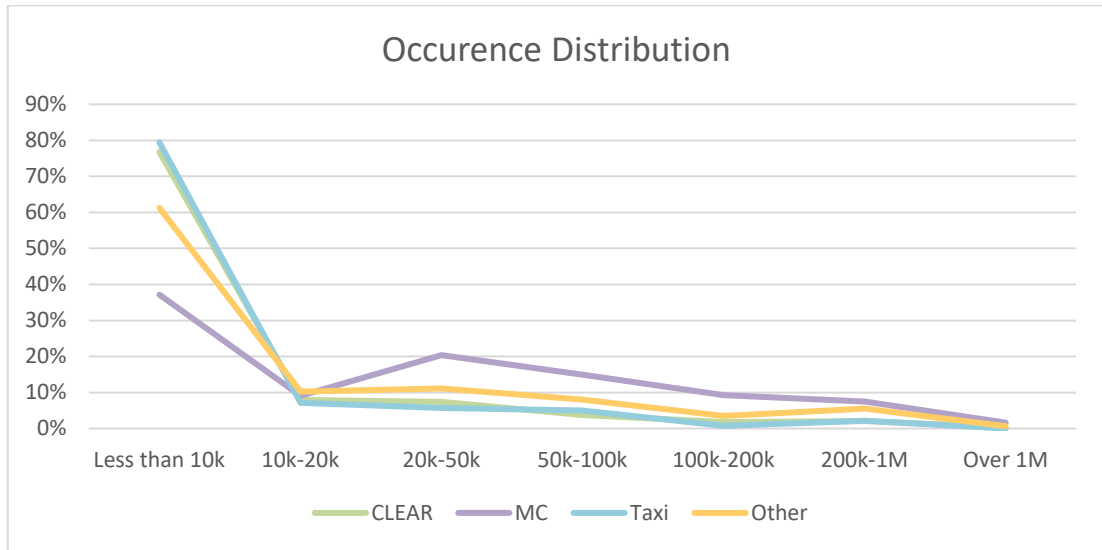
Non-CLEAR Occurrences over \$1 Million				
Year	Incurred Claims	Incurred Amount	Ultimate Claims	Ultimate Amount
2017	2	\$2,507,840	4	\$5,625,084
2018	3	\$2,061,530	3	\$2,619,899
2019	2	\$1,329,426	3	\$3,173,620
2020	2	\$2,640,876	2	\$3,620,676
2021	1	\$1,472,476	1	\$1,822,022
2022	0	\$0	0	\$0
2023	3	\$2,284,679	3	\$2,510,996
2024	2	\$2,240,323	2	\$2,330,302
2025	0	\$0	0	\$0
Total	15	\$14,537,150	18	\$21,702,600

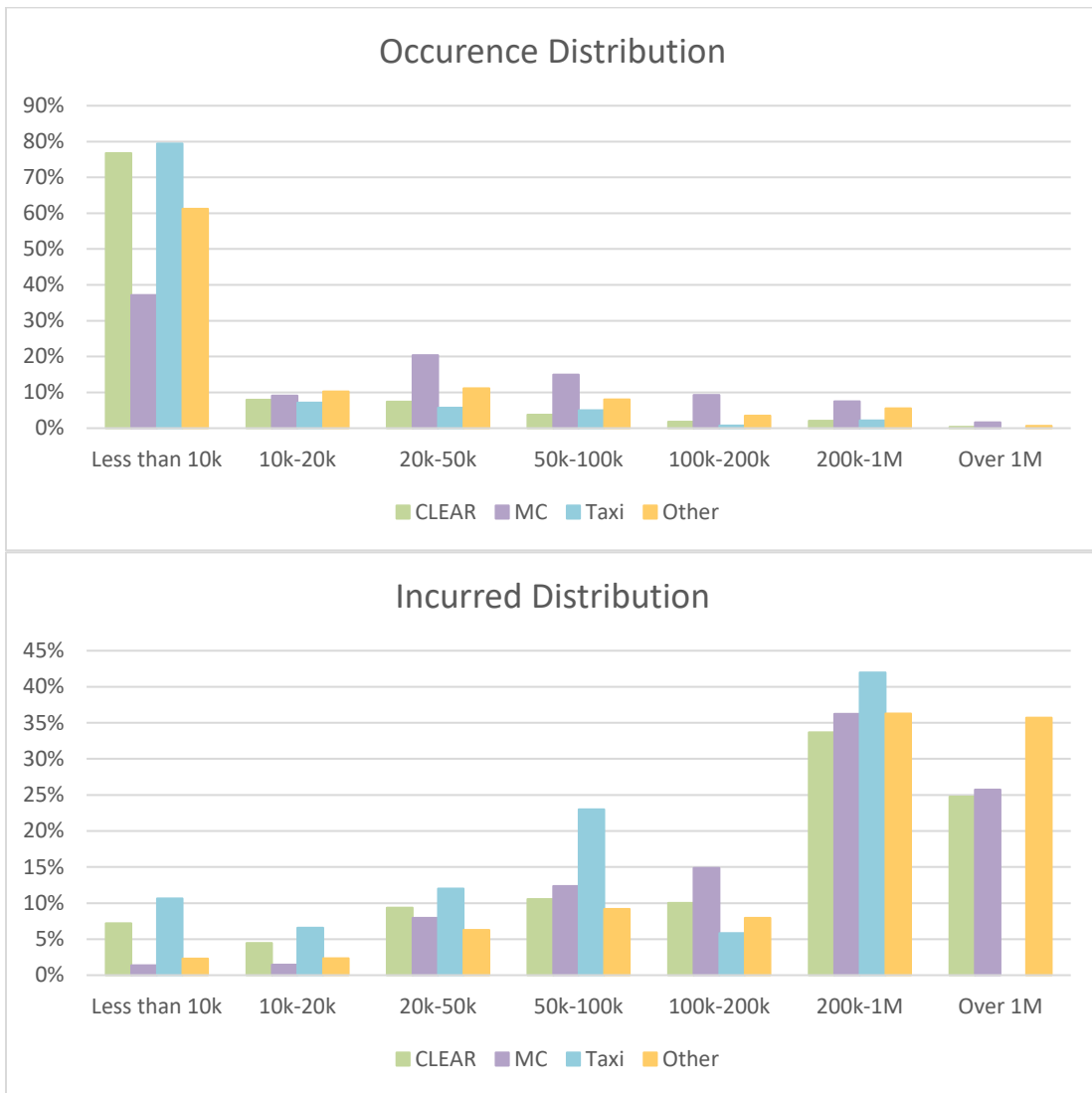
Large claims are approximately 38% of the CLEAR vehicles' ultimate incurred, and 24% of non-CLEAR vehicles' (excluding motorcycles and taxis); for motorcycles and taxis, this is

28% and 0% respectively. Note that different class groups will have different thresholds for what is considered a large loss given their volume of data and volatility.

For the proportion of ultimate occurrence counts that occurrences over \$1 million represent, the percentages are 0.8% for CLEAR vehicles compared to 2.4% for motorcycles. Taxis have no large claims that qualify, but non-CLEAR vehicles are in the middle, at 1.4%.

In addition to having a higher proportion of occurrences over \$1 million, Motorcycles also have consistently higher proportions of claim occurrences in the 20,000-50,000, 50,000-100,000, 100,000-200,000 and 200,000-1,000,000 ranges whereas other vehicle classes will have more in the lower occurrence ranges.





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Application Part and Chapter:	MFR 17 Sec 2.1.1	Page No.:	1513 of 1691
Issue:	Claims and Related Expenses		
Topic:	After Market Part Usage		
MFR:	17. Financial Information		

Preamble to IR (If Any):

Question:

- a) Please provide a table of the cost of parts used in auto repairs (new OEM, remanufactured, recycled (used) and aftermarket parts) for each of the years 2014/15 through 2024/25 and forecast for 2025/26 to 2027/28
- b) Please provide the table demonstrating the estimated savings from APU (remanufactured, recycled, aftermarket) part in (a) instead of OEM parts for repairs.
- c) Please provide a table detailing overall repair costs (parts, labour, Paint & Material, Windshield etc.) in each of the years 2014/15 to 2024/25 actual and forecast for 2025/26 to 2027/28.

RESPONSE:

- a) See table below. Note all projected values are from the 2026/27 budget work, consistent with the 2026 rate indication.

Repair Year ¹	OEM	Aftermarket	Recycled	Other ²	Total Parts
2014	\$84,289,333	\$19,129,457	\$5,692,109	\$1,801,682	\$110,912,581
2015	\$80,559,657	\$20,748,196	\$5,406,121	\$1,885,870	\$108,599,843
2016	\$78,902,582	\$21,298,650	\$4,479,106	\$1,855,375	\$106,535,713
2017	\$85,680,098	\$26,381,729	\$4,745,614	\$2,241,013	\$119,048,454
2018	\$88,978,848	\$28,013,042	\$4,766,620	\$2,356,492	\$124,115,002
2019	\$89,309,862	\$28,272,623	\$5,566,615	\$2,726,978	\$125,876,078
2020	\$83,969,822	\$27,433,600	\$5,935,091	\$2,749,027	\$120,087,540
2021	\$77,807,916	\$26,970,302	\$5,392,589	\$2,783,338	\$112,954,145
2022	\$106,914,631	\$33,338,073	\$6,010,162	\$3,897,720	\$150,160,586
2023	\$117,526,100	\$43,215,220	\$7,140,396	\$4,694,166	\$172,575,882
2024	\$124,515,511	\$42,762,434	\$8,385,061	\$4,950,902	\$180,613,908
2025	\$125,125,115	\$52,036,968	\$8,429,771	\$5,245,084	\$190,836,939
2026 (Projected)	\$130,130,120	\$55,679,556	\$8,851,260	\$5,769,593	\$200,430,529
2027 (Projected)	\$135,335,325	\$59,577,125	\$9,293,823	\$6,346,552	\$210,552,825

¹ Calendar Year Actuals

² Other parts includes parts supplied through sublet operations (box liners, graphics, aftermarket accessories)

b) See table below.

Repair Year ¹	Alternative Parts ¹ (Aftermarket & Recycled)	Estimated Savings over OEM ^{2,3}
2014	\$24,821,565	\$11,993,078
2015	\$26,154,317	\$12,496,165
2016	\$25,777,756	\$12,114,063
2017	\$31,127,343	\$14,470,198
2018	\$32,779,662	\$15,183,336
2019	\$33,839,238	\$15,827,915
2020	\$33,368,691	\$15,713,985
2021	\$32,362,891	\$15,153,760
2022	\$39,348,235	\$18,294,520
2023	\$50,355,616	\$23,281,073
2024	\$51,147,495	\$23,916,798
2025	\$60,466,739	\$27,921,405

¹ Calendar Year Actuals

² Estimated savings associated with Aftermarket parts based on supplier pricing at 70% of new OEM cost

³ Estimated savings associated with Recycled parts based on supplier pricing at 60% of new OEM cost

- c) See tables below. Note all projected values are from the 2026/27 budget work, consistent with the 2026 rate indication.

Auto Fund Collision

Repair Year ¹	Parts ²	Labour ²	Body Shop Materials	Paint Materials	Total Repair Costs ³
2014	\$110,912,581	\$127,684,567	\$5,972,919	\$24,334,996	\$268,905,064
2015	\$108,599,843	\$128,625,690	\$5,629,330	\$23,844,719	\$266,699,582
2016	\$106,535,713	\$134,934,966	\$4,973,837	\$23,111,730	\$269,556,246
2017	\$119,048,454	\$154,248,452	\$5,115,388	\$25,231,159	\$303,643,454
2018	\$124,115,002	\$144,397,089	\$5,088,042	\$26,717,298	\$300,317,430
2019	\$125,876,078	\$136,142,515	\$4,868,142	\$26,286,455	\$293,173,190
2020	\$120,087,540	\$125,031,823	\$5,662,348	\$23,771,730	\$274,553,442
2021	\$112,954,145	\$129,925,716	\$5,176,079	\$23,385,666	\$271,441,606
2022	\$150,160,586	\$173,291,473	\$5,441,576	\$30,950,089	\$359,843,724
2023	\$172,575,882	\$172,858,614	\$5,923,608	\$38,043,947	\$389,402,050
2024	\$180,613,908	\$172,545,662	\$6,092,578	\$41,551,499	\$400,803,647
2025	\$190,836,939	\$190,420,661	\$6,299,795	\$43,394,656	\$430,952,051
2026 (Projected)	\$200,430,529	\$193,276,971	\$7,074,669	\$45,998,335	\$446,780,504
2027 (Projected)	\$210,552,825	\$196,176,126	\$7,216,163	\$48,758,235	\$462,703,348

¹ Calendar Year Actuals

² Sublet included in Parts and Labour totals

³ Excludes deductible

Auto Fund Glass

Repair Year¹	Auto Fund ²
2015	\$2,948,044.63
2016	\$3,759,669.63
2017	\$4,569,482.05
2018	\$5,504,881.10
2019	\$7,451,454.91
2020	\$8,926,475.56
2021	\$12,390,305.44
2022	\$16,216,890.06
2023	\$20,572,869.91
2024	\$25,410,502.78
2025	\$30,560,795.72

¹ Calendar Year Actuals

²Auto Fund losses paid net deductible and private/extension coverage

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Application Part and Chapter:	5,17,20	Page No.:	206 of 1691
Issue:	Claims and Related Expenses		
Topic:	Rehabilitation Costs		
MFR:	17. Financial Information		

Preamble to IR (If Any):

Question:

- a) Please discuss any changes in medical/rehabilitation rates since the last Application.
- b) Please summarize the terms of the current agreements with the Minister of Health and medical providers.
- c) Please provide a table of medical service rates for 2020/21 through 2024/25.
- d) Please provide a schedule detailing the reimbursements made to the Minister of Health and medical providers for the years 2020/21 through 2024/25.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

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Application Part and Chapter:	2.1.3	Page No.:	1514 of 1691
Issue:	Claims and Related Expenses		
Topic:	Payments to Government		
MFR:	7, 14, 17,19		

Preamble to IR (If Any):

Insurance issuance costs include a 5.0% premium tax charge on insurance premiums, which is collected and remitted to the provincial government into the General Revenue Fund.

Question:

- a) Please provide a table indicating all payments made by SAF, to the Province for the years 2025/26 and forecast to 2029/30.
- b) Please describe each of the fees charged, and how determined (exclude vehicle and driver registration).
- c) Please indicate the year the fee/charges were established and last changed.
- d) Services provided for the Province without receiving compensation.

RESPONSE:

- a) The table below is an estimate of the payments made to the Province of Saskatchewan. Please note that these fees are not part of SAF's annual budget. They are collected and remitted to the Province.

Saskatchewan Auto Fund					
Funds transferred to the GRF for the year ended March 31					
	2030 - Forecast	2029 - Forecast	2028 - Forecast	2027 - Forecast	2026 - Forecast
Registration Vehicle					
Full Payment	80,277,048	77,854,252	75,504,577	73,225,816	71,015,829
Short Term	28,573,713	27,711,346	26,875,005	26,063,906	25,277,286
AutoPay	54,978,403	53,319,131	51,709,937	50,149,309	48,635,781
Permits	2,197,206	2,130,894	2,066,582	2,004,212	1,943,724
Perpetual	175,101	169,817	164,691	159,721	154,901
Trail Fees	2,676,976	2,596,184	2,517,830	2,441,841	2,368,145
Driver Licence	24,324,819	23,590,685	22,878,708	22,188,219	21,518,569
Permit Office	10,970,351	10,639,261	10,318,164	10,006,757	9,704,749
Fuel Tax	363,277	352,313	341,680	331,368	321,367
EV Road Use Charge	466,624	452,541	438,883	425,637	412,791
PST New Vehicles	23,858,852	23,138,782	22,440,443	21,763,181	21,106,359
Prev Registered Vehicles	40,289,569	39,073,612	37,894,354	36,750,686	35,641,534
OOP PST	0	0	0	0	0
Short Term Admin Fee	4,334,712	4,203,888	4,077,013	3,953,967	3,834,635
Short Term Finance Fee	562,540	545,563	529,097	513,129	497,643
AutoPay Finance Fee	2,204,594	2,138,059	2,073,531	2,010,951	1,950,260
Prorated Vehicle Tax	10,089,106	9,784,612	9,489,308	9,202,917	8,925,169
OOP Registration	0	0	0	0	0
PST Remuneration	0	0	0	0	0
Other	(7,643)	(7,412)	(7,188)	(6,971)	(6,761)
	286,335,248	277,693,527	269,312,617	261,184,646	253,301,980
Clearinghouse					
Sr Photo Costs	(21,416)	(20,769)	(20,142)	(19,534)	(18,945)
Trail Fees (paid to SK Trail Assoc)	(2,676,976)	(2,596,184)	(2,517,830)	(2,441,841)	(2,368,145)
Total to the GRF	326,688,669	316,829,064	307,267,026	297,993,575	289,000,000

The SAF also pays a 5 per cent premium taxes to the Province. The forecasted amount of premium tax to 2029/30 is shown in the table below.

2025-26 Projection	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
\$58,250,000	\$61,361,000	\$65,639,000	\$68,733,000	\$72,486,000

- b) All fees listed in the table in part (a) are related to vehicle and/or driver registration.
- c) It is assumed that vehicle and driver registration fees are excluded from this response, consistent with the exclusion specified in part (b). See attachment 1-38c.
- d) The Saskatchewan Auto Fund delivers, supports and administers a range of public-interest services on behalf of the Province without receiving direct funding from government. These services include, but are not limited to, the delivery and ongoing administration of vehicle registration and driver licensing programs; monitoring and enforcement of driver, carrier and vehicle fitness; administration and maintenance of driver and carrier records and profiles; delivery of mandatory driver education and training programs; provision of driver examination and testing services; and the administration and support of traffic safety initiatives.

SRRP(SAF) 1 - 39

Application Part and Chapter:	17	Page No.:	1524 of 1691
Issue:	Operating and Administrative Expenses		
Topic:	OM&A Expenses		
MFR:	17. Financial Information 18. Past, Current and Proposed Staff Levels		

Question:

- a) Please provide SGI's definition of an FTE, including whether overtime is included in the definition.
- b) Please provide details of the total corporate compensation wages, benefits and pension by year for the years 2020/21 through 2024/25 (actual) and forecast for 2025/26 and 2026/27 through 2029/30. Please include columns for total FTE staff and the average cost of compensation per FTE.
- c) Please supplement the schedule in (b), indicating the wages and benefits allocated to SAF for each year and the percentage of total corporate wages.
- d) Please provide SGI's average compensation per employee for both salaried and hourly personnel.
- e) Please provide a table providing a breakdown of the increases in 2024/25 Wages and Salaries, increase in FTE, Merit/Economic OS and Negotiated / Step (in Scope) and the vacancy allowance in each of the years 2020/21 through 2024/25 and forecast for 2025/26 and 2026/27.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 40

Application Part and Chapter:	18.	Page No.:	1524 of 1691
Issue:	Operating and Administrative Expenses		
Topic:	SAF staff level changes		
MFR:	18.		

Preamble to IR (If Any):

Question:

- a) Please update the staff continuity schedule including columns for year over year changes and explain the increases since 2020.
- b) Please provide in Excel. Please extend the budget out to include 2027-28 and the outlook to 2029/30.
- c) Provide a schedule of FTE for the SAF by level, (Manager, technical, clerical etc) for each of the years 2014 through 2026/27.
- d) Please indicate the number of internal staff working on information technology in each year and identify which portion of those staff are working the transformation project.
- e) Please explain the variation in digital employees 59 in 2020/21 to 181 FTE in 2026/27
- f) Please discuss how SAF is managing open vacancies to control costs.
- g) Please provide a summary of SAF's succession planning efforts and any analysis on this issue.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 41

Application Part and Chapter:	MFR 17, 2.1.4 Issuers Fees	Page No.:	1514 of 1691
Issue:	Operating and Administrative Expenses		
Topic:	Issuer Fees		
MFR:	17. Financial Information		

Preamble to IR (If Any):

At the 2021 Rate Application on November 1, 2016, SGI and the Insurance Brokers Association of Saskatchewan (IBAS) signed a negotiated renewal of the Auto Fund Strategic Accord effective November 1, 2016 with an expiry date of November 1, 2021.

SAF indicates: *Issuer fees are the compensation paid to Auto Fund motor licence issuers for driver's licence issuance and vehicle insurance transactions. Most in-person issuers are paid out a remuneration of 4.75% of the premium transaction. On-line issuers are paid out remunerations of 3.75% of the premium transaction.*

In 2024/2025, the Auto Fund made a lump sum payment of \$7.8 million to issuers to assist in bridging the gap between costs issuers face today compared to the last time issuer fee amounts were negotiated.

There is another similar payment budgeted for 2025/26 with the understanding that a new agreement will be negotiated in the coming years.

Question:

- a) Please provide a summary of the current terms of the Broker Accord including changes to the fee schedule for issuing SAF insurance from the previous Accord, which expired in 2021. Please indicate whether the fee structure has changed.
- b) Please file a copy of the current Broker Accord.
- c) Please provide a summary table of Broker Issuer fees and transaction fees paid by SAF by transaction type (online/ in-office/transaction fees) for 2021/22 through 2024/25 and that forecast to be spent annually through 2027/28 and the overall relative percentage of the premium earned in each year.
- d) Please explain how the lump sum payments were determined. File any correspondence related to it supporting the amount.
- e) Please provide a summary of how negotiations related to a new agreement may impact the rate application and financial forecast.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 42

Application Part and Chapter:	MFR 17, 2.1.4 Issuers Fees	Page No.:	1514 of 1691
Issue:	Operating and Administrative Expenses		
Topic:	Issuer Fees		
MFR:	17. Financial Information		

Preamble to IR (If Any):

The IBAS has issued a letter dated February 6, 2026 as part of the 2026-2027 Rate Review. IBAS has made observations and stated

“The compensatory framework for Issuers, however, was last revisited on a full scale in F17. Due to its variable correlation with premiums, the absence of rate — paired with inflation, changes to transaction modality, and other rising business costs — has translated into chronic underfunding of the customer-facing Issuer channel. “

Question:

- a) Please provide SAF’s understanding of this issue and how it plans to address the Broker model.
- b) Please provide SAF’s response to each of the issues raised by IBAS in the letter
- c) Please provide SAF’s response / rebuttal to each of the recommendations made by IBAS and describe how SAF will address each.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 43

Application Part and Chapter:	MFR 5, 4.1.2	Page No.:	5, pg.14 17. pg. 9
Issue:	Investment Strategy and Income		
Topic:	Economic & Interest Rate Forecast		
MFR:	5,17		

Preamble to IR (If Any):

2.3 Nate Insurance Finance Result SAF states

If there is a large enough increase in the risk-free rates, the result may be in a revenue position. Within the Auto Fund, the impact of the change in risk-free rates and the investment earnings related to the fixed income matching portfolio generally net against each other. In 2024/2025, the risk-free rates decreased during the year resulting in a net insurance finance loss of \$138.8 million. For 2025/2026, the risk-free rates are estimated to stay more consistent throughout the year, thus only a loss of \$22.6 million is budgeted.

Question:

- a) Please provide the risk free rate for the 2025 indication and that based on the 2026 indication.
- b) Please file a copy of the economic outlook and third-party interest rate forecast used in determining the risk-free rate and the discounting of claims liabilities. Provide in excel.

RESPONSE:

- a) Please see attachment IR 1-43a to see the files used to determine the discount rates for the 2025 indication and 2026 indication.

- b) Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 44

Application Part and Chapter:	16.	Page No.:	1483 of 1691
Issue:	Investment Strategy and Income		
Topic:	Investment Portfolio Management		
MFR:	16. Statement of Investment Policies and Goals & Asset Return Summary		

Preamble to IR (If Any):

For the Return Seeking Portfolio, the assets allocated to each manager will be reviewed subsequent to each month end. Should any manager's range be breached, SGI Management will initiate a rebalancing and advise the Investment Committee of the rebalancing at its next meeting.

Question:

- a) Please describe the lead investment structure used to manage the Investment Portfolios indicating who is the external lead managing the portfolios.
- b) Please provide the current composition of the Investment Committee.
- c) Please file the most recent Report on investment portfolio returns and any related commentary or analysis.

RESPONSE:**a) Lead Investment Structure**

There is no external lead manager responsible for managing the Investment Portfolios. The investment structure is led internally by SGI Management, which retains responsibility for portfolio construction, manager oversight, rebalancing decisions, and overall investment governance. SGI Management is supported by the expertise and advice of an external investment consultant, who provides independent strategic guidance, asset allocation advice, and manager research, but does not exercise discretionary authority over the portfolios.

b) Investment Committee Composition

The Investment Committee is a standing committee of the SGI Board of Directors. Its membership is comprised of directors appointed by the Board in accordance with SGI's governance framework, consisting of the following members:

Foster Weisgerber, K.C. (chair)

Gary Vidal (ex officio)

Leonard Kehrig

Trent Fraser

Mike Levine

c) Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 45

Application Part and Chapter:	17 Section 1.2 Investment Earnings	Page No.:	1509 of 1691
Issue:	Investment Strategy and Income		
Topic:	Investment Income		
MFR:	16. Statement of Investment Polices and Goals & Asset Return Summary		

Preamble to IR (If Any):**Question:**

- a) Please provide a schedule detailing the composition of the Matching portfolio by investment type for each of the years 2020/21 to 2024/25 actual and forecast for each of the years 2025/26 to 2029/30.
- b) Please provide a schedule detailing the composition of the Return portfolio by investment type for each of the years 2020/21 to 2024/25 actual and forecast for each of the years 2025/26 to 2029/30.
- c) Please provide a separate schedule in (b) adding columns for relative weighting of each investment of the total portfolio.
- d) Please provide a comparison of the 2025/26 forecast Return portfolio composition and compare with the target range in the Investment Policy and explain any variances from the policy.

- e) Please provide the detail of Investment income by income type for each of the matching portfolio and return seeking portfolio and overall total investment income for each of the years 2020/21 through 2024/25 and forecast for each of the years 2025/26 to 2029/30.

- f) Please provide a similar analysis in (c) for 2025/26 based on current year-to-date including results to December 31, 2025.

RESPONSE:

Please see attached file IR 1-45 for answers to questions a) through f) above.

SRRP(SAF) 1 - 46

Application Part and Chapter:	16.	Page No.:	1474 of 1691
Issue:	Investment Strategy and Income		
Topic:	Investment Management		
MFR:	16. Statement of Investment Polices and Goals & Asset Return Summary		

Preamble to IR (If Any):

The investment policy and goals have evolved since the review in 2021 with changes to the asset matching strategy, revisions to asset mixes in both the matching portfolio and return portfolio and permitted investments etc.

Question:

- a) Please summarize the changes made in investment policy and goals, since the 2021 review. If possible, please provide a blackline version of the current investment policy and goals with that previously presented.
- b) Please provide a comparative table of the current versus prior asset mixes for the portfolios.
- c) Provide any analysis or ALM studies or similar interior and exteriorly prepared reports that support the changes made to the investment portfolio composition and investment management.
- d) Please provide the prior and current asset portfolios on the efficient frontier.

RESPONSE:**a) Investment Policy Changes Since 2021**

Between 2021 and 2025, the Auto Fund investment policy evolved from a cashflow-based liability matching framework with a traditional return seeking portfolio toward a more formalized liability driven investment (LDI) structure, supported by key rate duration (KRD) matching, expanded return seeking diversification, and clearer governance and rebalancing disciplines. The changes were incremental and deliberate, reflecting updated ALM analysis, IFRS 17 considerations, and an increased emphasis on long dated, inflation sensitive liabilities.

1. Liability Matching and Fixed Income Strategy**2021 Policy Baseline**

- Liability management relied on partial cashflow matching of projected claim payments out to approximately 20 years.
- Fixed income assets consisted primarily of Canadian bonds, short term investments, and mortgages, with mortgages capped at ~20% of the Matching Portfolio.
- Duration management was implicit and less formally defined.

Evolution Through 2025

- The Matching Portfolio framework transitioned to an explicit key rate duration (KRD) matching approach, with defined buckets (2, 5, 10, 15, 20, and 30 years).
- A formal duration hedge ratio was introduced and documented (target ~80%, with defined tolerance ranges).
- Private debt was added as a permitted Matching Portfolio asset (subject to limits), expanding the opportunity set while maintaining liability alignment.
- The mortgage allocation limit was modestly increased (to ~25%), reflecting experience and risk tolerance.

The policy moved from cashflow matching toward a more precise, duration based LDI framework, improving alignment with long tailed Auto Fund liabilities and interest rate sensitivity.

2. Return Seeking Portfolio Structure

2021 Policy Baseline

- The Return Seeking Portfolio consisted primarily of:
 - o Canadian equities
 - o Global equities (including low volatility and small cap strategies)
 - o Real estate
 - o Infrastructure
- No explicit allocation to return seeking credit or higher yield fixed income strategies.
- Asset ranges were defined but less clearly tied to long term strategic targets.

Evolution Through 2025

- A distinct Return Seeking Bonds allocation was introduced, formally recognizing credit and spread based return sources separate from the Matching Portfolio.
- The equity structure was simplified over time:
 - o Reduced emphasis on low volatility equity sleeves.
 - o Clearer articulation of global equity and global small cap roles.
- Infrastructure allocations increased over the period, reflecting its long duration, inflation linked characteristics and diversification benefits.
- Longterm benchmark weights and transition paths were more clearly documented.

The Return Seeking Portfolio became more diversified, more intentional, and more clearly structured, with explicit recognition of credit, infrastructure, and long horizon real assets as complements to equities.

3. Risk Philosophy and Investment Beliefs

2021 Policy Baseline

- Risk tolerance described as “moderate,” with diversification across asset classes.
- Liability awareness was present but less formally embedded in portfolio construction language.

Evolution Through 2025

- Stronger articulation of liability aware investing, including:
 - o Explicit linkage between liability duration, asset duration, and asset mix.
 - o Clear differentiation between liability hedging assets and return seeking assets.
- Greater emphasis on inflation sensitivity, real return generation, and long term stability of investment income.
- Continued acceptance of controlled mismatch risk where compensated.

Risk philosophy shifted from general diversification toward a more explicitly liability driven and capital efficient framework.

4. Governance, Rebalancing, and Monitoring

2021 Policy Baseline

- Rebalancing occurred primarily on a quarterly basis, with flexibility for illiquid assets.
- Monitoring and reporting requirements were broadly defined.

Evolution Through 2025

- Rebalancing rules became more structured:
 - o Defined monitoring frequency by portfolio and asset class.
 - o Clear escalation and reporting requirements for range breaches.

- Stronger documentation of roles and responsibilities between the Board, committees, management, and investment managers.
- Enhanced compliance reporting expectations, particularly for investment funds and alternative assets.

Governance and oversight evolved toward greater formality, transparency, and auditability, consistent with a more complex portfolio structure.

5. Overall Character of the Change (2021 → 2025)

Dimension	Direction of Change
Liability Management	Cashflow matching → Key rate duration LDI
Fixed Income	Traditional bonds → Bonds + private debt + KRD
Return Sources	Equity centric → Equity + credit + infrastructure
Real Assets	Important → Strategically emphasized
Risk Framework	Qualitative → Explicit, quantified, liability linked
Governance	Adequate → More structured and formal

From 2021 to 2025, the Auto Fund investment policy did not change abruptly, but matured materially. The evolution reflects:

- Increased sophistication in liability measurement and interest rate risk management.
- Broader, more deliberate diversification of return seeking assets.
- Stronger governance, rebalancing discipline, and documentation.

These changes collectively support greater alignment between assets and long dated Auto Fund liabilities, while preserving flexibility to earn incremental return consistent with the Fund's risk tolerance.

Blacklined versions of the investment policies from December 2021 to June 2025 are included as attachment IR 1-46a for reference.

b) **Comparative table of target asset mixes 2021-2025**

The investment policy allocations have shifted from 2021 to 2025 as follows:

Asset Class	Nov 2021	Dec 2024	June 2025
Canadian equities	5	5	5
Global equities	30	30	35
Global low volatility equities	15	15	
Global SC equities	15	12.5	12.5
Return Seeking Bonds		5	10
Private Credit			
Real estate	15	12.5	12.5
Infrastructure	20	20	25
Opportunistic Private Equity			
	<u>100</u>	<u>100</u>	<u>100</u>

c) Confidential response was provided to the SRRP and consultants.

d) Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 47

Application Part and Chapter:	17 App A& B SRRP(SAF) 1-66 (2021 Rate Application)	Page No.:	
Issue:	Investment Strategy and Income		
Topic:	Investment Income		
MFR:	17. Financial Information		

Preamble to IR (If Any):

Question:

- a) Please provide a schedule comparing the budget to actual detail of investment income and total investment return for each of the years 2021/22 to 2024/25 to actual and forecast for 2025/26 from what was forecast at the 2021 Rate Application. Provide commentary on the reasons for changes.
- b) Provide the details of investment income forecast for the years 2025/26 to 2029/30 reconciled to the amounts shown in MFR 20.
- c) Please provide a table comparing the actual vs forecast return assumptions for 2021/22 through 2025/26 by asset class for each portfolio, including the average assets, percentage return and dollar return and explain any changes.

RESPONSE:

- a) See attachment IR 1-47.

The Auto Fund takes a long-term stance with respect to equity return forecasts in a range of 6-8% and expects variation year-to-year, especially in periods of strong positive or negative performance. Fixed income returns were cash flow matched and then duration matched to the liabilities translating to reduced variability to the Auto Fund as a whole.

- b) Please refer to the response to IR 1-45 e) that provides full detail of the investment income forecast for the years 2025/26 to 2029/30
- c) Please refer to the attachment IR 1-47 that provides full detail of the investment income vs. budget for the years 2021/22 to 2025/26. Please reference IR 1-45 a) and IR 1-45 b) responses for year-end assets for periods 2021/22 to 2025/26.

SRRP(SAF) 1 - 48

Application Part and Chapter:	20.	Page No.:	1535 of 1691
Issue:	Cost Allocation		
Topic:	Cost Allocation Results		
MFR:	20 Shared Services Costs		

Preamble to IR (If Any):

Question:

- a) For 2021/22 to 2024/25 actual, and 2025/26 and 2026/27 projected please provide a summary of the results of SGI's cost allocation to SGI, SAF, SGIC, SCISL, Coachman, and ICPEI in terms of total being allocated in dollars and percentage of the total for the following:
 - i. Admin direct costs,
 - ii. Admin indirect costs,
 - iii. Loss adjustment expenses, and
 - iv. Total expenses

To allow for a public disclosure of information, provide in addition the aggregate for competitive lines and SAF.

- b) Please update the table provided in MFR 20, Autofund Allocated Administrative Expenses to include columns to SGI total expenses and % allocated for both the budget and actual

columns for 2024/25 and 2025/26 and extend to include 2026/27. Please provide the information in excel.

- c) Please provide the detail of expenses that were directly assigned versus allocated to each entity through the step down approach and the relative percentage of the total amount.
- d) Please explain any changes in the direct cost allocation basis since the 2021 Rate Application.
- e) Please provide a table indicating the total annual IT transformation operating and capital project costs incurred in each of the years 2021/22 through 2027/28 and the amount allocated to SAF and the basis of allocation under the cost allocation methodology.
- f) Please indicate the total transformation-related costs shifted from Loss Adjustment Expenses (LAE) to insurance expenses as these costs transitioned from the project stage to production.
- g) Provide a full listing of Cost Allocators utilized, describe how each is determined and what cost centres the allocators are applied.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 49

Application Part and Chapter:	25.	Page No.:	1620 of 1691
Issue:	Cost Allocation		
Topic:	Cost Allocation Results		
MFR:	20 Shared Services Costs		

Preamble to IR (If Any):

The SRRP recommended that SAF undertake an external review of the Integrated Cost Allocation Methodology (ICAM)

SAF indicated noted that It has not undertaken an external review and had relied on the external auditors work. SAF has indicated since the last rate application they have improved the tracking of cost allocation and have made some changes in reporting and mapping, allowing for better tracking and follow through on cost allocations. Furthermore, SAF indicated that they meet annually with each business group to validate and check assumptions and ensure the allocations are correct, and that this remains both part of their internal and external audit processes.

At the 2021 Rate Application SAF indicated that its first formal annual review process of its cost allocation occurred in advance of the 2020-21 fiscal year.

Question:

- a) Please confirm that there have been no material changes since the to the cost allocation methodology since the last 2021 Rate Application. If changes have been made, please provide a description of the changes and the impact on the amount of costs that are allocated to SAF .

- b) Please indicate any changes to the chart of accounts since the 2021 Rate Application and or changes in allocators utilized. Provide any analysis or working papers supporting changes made to implement IFRS 17 Insurance Contract
- c) Please explain why the corporation did not accept the recommendation to undertake an independent cost allocation review.
- d) Please indicate the last time an independent cost allocation review was undertaken by the corporation to ensure a fair allocation to SAF.
- e) Please elaborate on what audit procedures, analysis, or work were undertaken to ensure a fair allocation of costs between SGI and SAF. File a copy of any analysis or reports undertaken to support the 2025/26 and 2026/27 allocation of costs to SAF.
- f) Please file any memos, analysis, or working papers that were provided to the auditors for 24/25 in support of the cost allocation and any correspondence that deals with the ICAM for that year.
- g) Please elaborate on all policy changes and process changes. Tracking, and mapping that have improved the fairness and accuracy of cost allocation.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 50

Application Part and Chapter:		Page No.:	1452 of 1691
Issue:	Traffic Safety		
Topic:	Traffic Safety Expenditures		
MFR:	13. Traffic Safety Programs, 17. Detailed Financial Information Appendix A		

Preamble to IR (If Any):

SAF provides a schedule of Traffic Safety expenditures in MFR 13. The total of the spending does not appear to agree with the forecast spending in MFR17 Appendix A

Question:

- a) Please provide an updated schedule of traffic safety expenses that reconcile with that reflected in the forecast.
- b) Provide the detailed list on an aggregate summary basis to be put on the public record.
- c) Please file the Road Safety spending analysis in Excel.

RESPONSE:

- a) Confidential response was provided to the SRRP and consultants.
- b) Confidential response was provided to the SRRP and consultants.
- c) See attachment 1-50c.

SRRP(SAF) 1 - 51

Application Part and Chapter:	13	Page No.:	1453-1461 of 1691
Issue:	Traffic Safety		
Topic:	Traffic Safety Expenditures		
MFR:	13. Traffic Safety Programs		

Preamble to IR (If Any):**Question:**

- a) Please indicate what specific metrics are used to measure the success of each traffic safety program.
- b) Please describe the benchmarks or targets set for each initiative and how they align with the overall traffic safety goals.
- c) Please discuss how the budget allocations for each program were determined.
- d) Please describe the factors that influenced significant variations in spending across years for certain programs (e.g., Enforcement Overdrive, Infrastructure Improvements).

RESPONSE:

- a) Please see the attachment IR 1-51 for an idea of metrics used in the generic framework we developed for program monitoring.
- b) Please see the attachment IR 1-51.

- c) Once focus areas have been determined, the traffic safety team goes through the exercise of identifying new or already proven traffic safety countermeasures that would most appropriately help address focus areas.

The next step involves the conversion of these countermeasures into programs, e.g., an enforcement program like the annual funding of 60 enforcement officers dedicated to traffic enforcement; a vehicle impoundment program for people caught with two or more distracted driving offences; an intersection engineering improvement program to reduce crashes at an urban intersection; a photo speed enforcement installation to address speeding issues. These programs are then planned, designed and allocated to the appropriate annual budgets for implementation.

- d) The Saskatchewan Auto Fund (SAF) constantly monitors the programs in place to address traffic safety issues in Saskatchewan. This includes intentionally researching new opportunities to enhance existing programs and introducing new programs where appropriate and affordable.

SGI's approach entails keeping and enhancing the programs that are working well, discontinuing those that are not working well and implementing new programs when there is a demonstrated need. As a result, program expenditures tend to change.

Programs are also implemented in conjunction with other agencies, and SAF works with these agencies to re-align their priorities so they can provide resources to support safety initiatives of mutual interest.

For example, fluctuations in spending for infrastructure programs result from planned improvements not moving ahead because some partner municipalities end up having other priorities that demand reallocation of resources that the SAF had counted on.

SRRP(SAF) 1 - 52

Application Part and Chapter:	13	Page No.:	1455 of 1691
Issue:	Traffic Safety		
Topic:	Traffic Safety Expenditures – Cost Benefit Analysis		
MFR:	13		

Preamble to IR (If Any):

SAF states that the Photo Speed Enforcement program delivered a net benefit of \$18.6 million over 10 years, with \$2.09 returned for every dollar invested. From a societal perspective, the benefit-cost ratio was 5.2:1, with an \$85.4 million net present value

The PSE program significantly improved traffic safety by reducing speeds, collision severity, and injuries. With strong public support, economic viability, and measurable safety benefits, the program is well-positioned for continued expansion.

Question:

- a) Please describe how the economic benefits of programs like PSE were calculated.
- b) Please discuss whether societal benefits (e.g., reduced injuries and fatalities) were factored into the cost-benefit analysis.
- c) Please file an updated analysis if available on program spending and net benefit through 2025/26.
- d) Please indicate to what extent costs of running the PSE program is recovered.
- e) Please describe how public feedback is incorporated into PSE program adjustments.
- f) Please describe how public feedback is incorporated into other program adjustments.

RESPONSE:

- a) The below information is excerpted from the Photo Speed Enforcement (PSE) Program Evaluation Report.

Cost-Benefit Analysis of the PSE

This section presents an economic analysis of the PSE program based on safety outcomes (i.e., collisions, fatalities, and injuries) and the net revenues allocated to traffic safety improvements. The measures of effectiveness used in this section are the Cost-Benefit (B/C) ratio and Net Present Value (NPV).

The B/C ratio is defined as:

$$\text{B/C Ratio} = \text{Present value of all safety benefits} / \text{Present value of Implementation Costs}$$

The net present value is determined as:

$$\text{NPV of Benefits} = \text{Accumulated annualized benefits} \times \text{Accumulated discount factor}$$

$$\text{NPV of Costs} = \text{Accumulated annualized costs} \times \text{Accumulated discount factor}$$

Benefits

The benefits of the PSE program are two-fold:

1. The safety effect in terms of reductions in collisions converted dollar values and
2. The return on investments expected from additional traffic safety improvements from net revenue allocated to the municipalities.

At a minimum, each dollar invested by the municipalities in improving traffic safety is expected to realize a return of one dollar.

This section presents the number of crashes prevented, the average collision costs, and revenues assigned to the traffic safety fund.

Number of Crashes Prevented

The analysis of the impact of PSE indicates that the PSE, overall, prevented 48 injury collisions and one fatal collision annually in all high-speed locations combined between 2015 and 2019.

However, 24 more PDO collisions were registered annually in high-speed locations after the implementation of the cameras. In school zones, the PSE contributed to 24 fewer PDO collisions and 11 fewer injury collisions. To get a complete picture of the safety benefits associated with the PSE, we calculated the dollar value of the savings using two scenarios:

- Scenario 1: We estimated the benefits based on direct insurance claim costs in this scenario.
- Scenario 2: We estimated the benefits based on the societal costs per collision. Societal costs include costs related to start-up, operation and maintenance, advertising, court process, etc.

Average Collision Costs

In 2018, SGI developed the direct insurance costs of traffic collisions involving Saskatchewan drivers and vehicles licensed in the province. Costs were developed for many collision configurations, including rural versus urban and crash configurations at intersections. Collisions from the Traffic Accident Information System (TAIS) database for 2015-2018 were extracted by severity and merged with several SGI claims data tables to calculate the corresponding insurance costs for that same period.

Table 1 presents the average costs per collision severity for rural/highways and urban areas of Saskatchewan. Since the PSE covers both rural/highways and urban roads, we used the unit costs for rural/highways from the Table for high-speed locations and unit costs for urban roads for school zones.

Table 1: Collision Costs in Saskatchewan: Rural/Highways vs. Urban

Collision Type	Rural/Highways	Urban	All Saskatchewan
Fatal	\$ 352,347	\$ 268,888	\$ 304,975
Injury	\$ 16,672	\$ 22,980	\$ 34,631
PDO	\$ 15,090	\$ 17,592	\$ 17,407
Average Collision	\$ 21,641	\$ 19,036	\$ 20,434

* Based on cost estimates developed using SGI TAIS and claims data and expressed in 2018-dollar values

Benefits from Traffic Safety Improvements

It is assumed that the revenue invested in traffic safety improvements would yield a B/C ratio greater than one. At the minimum, the reinvestment should generate a dollar equivalent of \$23,764,083 (\$3,394,869 annually), the net revenue allocated for traffic safety improvements between 2015 and 2021.

Calculation of Annual Crash Cost Savings

Using the average collision costs presented in Table 1, the annual crash cost savings of the PSE project were calculated for the two scenarios and presented in Tables 2 and 3.

Scenario 1:**Table 2: PSE Benefits from SGI's Insurance Costs Perspective**

PSE Locations	Collision Type	Annual Reductions in Collisions	Cost per Collision	Annual Savings
High-Speed Locations	Fatal	-1	\$ 352,347	\$ 352,347
	Injury	-48	\$ 16,672	\$ 800,256
	PDO	24	\$ 15,090	-\$ 362,160
	Total			\$ 790,443
School Zones	Fatal	0	\$ 268,888	0
	Injury	-11	\$ 22,980	\$ 252,780
	PDO	-24	\$ 17,592	\$ 422,208
	Total			\$ 674,988
All PSE Locations	Grand Total			\$ 1,465,431

*High-speed locations registered 24 more PDO collisions annually after the PSE program introduction

Scenario 2:

Table 3: PSE Benefits from Societal Costs Perspective

PSE Locations	Collision Type	Annual Reductions in Collisions	Cost per Collision	Annual Savings
High-Speed Locations	Fatal	-1	\$ 5,360,000	\$ 5,360,000
	Injury	-48	\$ 95,000	\$ 4,560,000
	PDO	24	\$ 15,090	-\$ 362,160
	Total			\$ 9,557,840
School Zones	Fatal	0	\$ 5,360,000	0
	Injury	-11	\$ 95,000	\$ 1,045,000
	PDO	-24	\$ 15,090	\$ 362,160
	Total			\$ 1,407,160
All PSE Locations	Grand Total			\$10,965,000

PSE Program Costs

The PSE program was associated with four components of costs: 1) start-up/capital costs, 2) operation and maintenance (O&M) costs, 3) media costs, and 4) court costs—tables 14 and 15 present the estimated costs for scenarios 1 and 2, respectively. Start-up costs, O&M costs, and media costs are estimated based on SGI's direct expenses reported in the budget. Court costs are estimated based on the assumption that at least 5% of tickets issued would go to court as first appearances and 3% will be resolved at trial (discussions with law enforcement stakeholders). It is assumed that a docket per case would take 10 minutes, and a trial would be approximately 45 minutes. The resolution of a ticket in court would usually involve the standard hours of a provincial judge, a Crown prosecutor, a deputy sheriff, and a court clerk. A detailed estimation of court costs is presented in Table A-1 of Appendix A.

Scenario 1:

Table 4: PSE Program Expenses from SGI's Insurance Costs Perspective 2014 - 2021

PSE Stage	Start-Up Capital Costs	Operation and Maintenance (O&M) Costs	Advertising Costs
2014	\$ 158,683	\$ 140,538	\$ 301,370
2015	\$ 199,856	\$ 2,175,068	\$ 160,724
2016		\$ 2,337,706	
2017		\$ 2,390,164	
2018		\$ 2,508,432	
2019		\$ 2,662,084	
2020		\$ 1,872,431	
2021*		\$ 1,561,655	
Total	\$ 358,539	\$ 15,648,077	\$ 705,697

*Known expenses as of Feb 1, 2022

Scenario 2:

Table 5: PSE Program Expenses from Societal Costs Perspective

PSE Stage	Start-Up Capital Costs	Operation and Maintenance (O&M) Costs	Advertising Costs	Court Costs (2015 to 2021)**
2014	\$ 158,683	\$ 140,538	\$ 301,370	
2015	\$ 199,856	\$ 2,175,068	\$ 160,724	
2016		\$ 2,337,706		
2017		\$ 2,390,164		
2018		\$ 2,508,432		
2019		\$ 2,662,084		
2020		\$ 1,872,431		
2021*		\$ 1,561,655		
Total	\$ 358,539	\$ 15,648,077	\$ 705,697	\$ 3,050,208

*Known expenses as of Feb 1, 2022

**See Appendix A for court costs

To set up the cash flow for the Benefit-Cost analysis, it was assumed that the start-up/capital costs would be recovered over 10 years (the assumed program life). We used the Capital Cost

recovery approach to annualize the capital costs as well as the media costs over the useful life of the project:

Annualized start-up cost = Capital Cost Recovery Factor (CRF) X start-up/capital cost.

Annualized media cost = Capital Cost Recovery Factor (CRF) X media cost.

The CRF is determined using the following equation:

$$CRF = (1+i)^n i / ((1+i)^n - 1) \quad (1)$$

Where n= useful life of the project, and i is the interest rate. The following assumptions were made in computing the CRF:

- Useful life of the program is ten years,
- Interest rate is 6%
- Salvage life of equipment is 0.

Using these assumptions, the CRF was calculated as 0.135867958. Thus,

Annualized start-up cost = 0.135867958 X \$358,539 = \$48,714

Annualized media cost = 0.135867958 X \$462,094 = \$62,784

The annualized start-up/ capital cost and media cost could be recovered annually till the end of the assumed program life, which is ten years. Annual operation maintenance and court costs were estimated at \$2,215,363 and \$435,744 until the end of the projected program life.

PSE Cash Flow and Cost-Benefit (B/C) Calculations

Tables 6 and 7 indicate the cash flow over 10 years (assumed) for estimating the Net Present Value (NPV) and Cost-Benefit (B/C) ratio from SGI's insurance costs perspective (Scenario 1) and societal costs perspective (Scenario 2), respectively. The NPV of costs, savings, and net benefits were calculated using a discount rate of 6% (the Saskatchewan Government rate in 2021).

Table 6 indicates that should PSE continue to generate net annual benefits as presented, it will return a net present value of \$18.6 million (net benefit) and a benefit-cost ratio of 2.09:1. This is from SGI's perspective.

Table 6: Cash Flow for Estimating NPV and B/C Ratio from SGI's Insurance Costs Perspective

Year	Start-up/Capital Costs (\$'000)	Operation and Maintenance Costs (\$'000)	Media Costs (\$'000)	Total Costs (\$'000)	Benefits (PSE Safety Outcomes) (\$'000)	Return on Investment on Safety Improvements (\$'000)	Total Annual Benefits (\$'000)	Net Benefits (\$'000)
1	-49	-2215	-63	-2327	1465	3395	4860	2533
2	-49	-2215	-63	-2327	1465	3395	4860	2533
3	-49	-2215	-63	-2327	1465	3395	4860	2533
4	-49	-2215	-63	-2327	1465	3395	4860	2533
5	-49	-2215	-63	-2327	1465	3395	4860	2533
6	-49	-2215	-63	-2327	1465	3395	4860	2533
7	-49	-2215	-63	-2327	1465	3395	4860	2533
8	-49	-2215	-63	-2327	1465	3395	4860	2533
9	-49	-2215	-63	-2327	1465	3395	4860	2533
10	-49	-2215	-63	-2327	1465	3395	4860	2533
NPV								18,646
B/C Ratio								2.09

The cash flow analysis in Table 7 shows that when costs are included from a societal perspective, the PSE program will generate a net present value of \$85.4 million (net benefit) and return 5.20 dollars to society for each dollar invested by SGI (B/C ratio).

Table 7: Cash Flow for Estimating NPV and B/C Ratio from Societal Costs Perspective

Year	Start-up/Capital Costs (\$'000)	Operation and Maintenance Costs (\$'000)	Media Costs (\$'000)	Court Costs (\$'000)	Total Costs (\$'000)	Benefits (PSE Safety Outcomes) (\$'000)	Return on Investment on Safety Improvements (\$'000)	Total Annual Benefits (\$'000)	Net Benefits (\$'000)
1	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
2	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
3	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
4	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
5	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
6	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
7	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
8	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
9	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
10	-49	-2215	-63	-436	-2763	10965	3395	14360	11597
NPV								85,357	
					B/C Ratio	5.20			

Summary of Benefit-Cost Analysis

Overall, the PSE program would generate net present values from \$18.6 million to \$85.4 million at the end of its assumed project life if all costs and benefits remain as presented in Tables 2 through 7. This is equivalent to the project returning between \$2.09 and \$5.20 for each \$1 invested in the PSE program. Thus, the PSE project can be described as effective in improving safety with a positive return on investment.

APPENDIX A

Estimation of Court Costs Associated with the PSE

It is assumed that at least 5% of tickets issued will go to court dockets, and 3% will be resolved by a trial. A case in a docket would take 10 minutes, and a trial would take approximately 45 minutes. Resolving a ticket in court would usually involve the standard hours of a provincial judge, a Crown prosecutor, a deputy sheriff, and a court clerk.

Hourly Salary

Table A-1 shows the approximate hourly salaries of a provincial judge, a Crown prosecutor, a deputy sheriff, and a court clerk. It also provides the links used to collect the hourly salary information.

Table A-1: Average Hourly Salary of a Provincial Judge, a Crown Prosecutor, a Deputy Sheriff, and a Court Clerk in Saskatchewan

Items	Average Hourly Salary	Source of Information
Provincial Judge	\$156	https://www.jobbank.gc.ca/marketreport/wages-occupation/4600/SK
Crown Prosecutor	\$57	https://www.jobbank.gc.ca/marketreport/wages-occupation/15829/SK
Deputy Sheriff	\$30	https://www.jobbank.gc.ca/marketreport/wages-occupation/16469/ca
Court Clerk	\$29	https://www.jobbank.gc.ca/marketreport/wages-occupation/2309/ca

Estimation of Court Costs

Table A-2 presents court costs that would be incurred for resolving all tickets issued that ended up being in a provincial court. Between 2015 and 2021, PSE issued a total of 363,652 speeding tickets; of which 29,092 tickets would end up being in a court (approximately 18,183 tickets would go to court dockets and 10,910 tickets would go to trials). Court costs are estimated based on the hourly salary presented in Table A-1, and assumed hours (i.e., 10 minutes for a docket, and 45 minutes for a trial) that would require for resolving all 29,092 cases in court. The Table indicates that \$3,050,208 converted dollar value of court hours was lost in resolving the cases. To set up a cash flow, the annualized court costs were estimated as \$435,744 for each of assumed 10 years of program life.

Table A-2: Court Costs Associated with the PSE

	Total Speeding Tickets Issued (2015 - 2021)	Docket (5% of Tickets Issued)	Trial (3% of Tickets Issued)	Total
Tickets	363,652	18,183	10,910	
Court Hours		3,031	8183	
Court Costs		\$824,432	\$2,225,776	\$3,050,208
Annualize Court Costs				\$435,744

- b) Yes. Please see tables 2 and 3 that are provided in the above section. The economic analysis done using SGI-only costs (unit costs are shown in Table 2) and societal costs (unit costs are shown in Table 3). In both cases injuries and fatality costs are included.
- c) The most current data goes to 24/25. Fiscal 25/26 data is not available as that year is not completed yet.

Fiscal Year	Tickets & Charges*	Municipal/SGI Portion of Tickets Paid	SGI Program Expenses	Net Amount
2014-15	\$ 15,497	\$ 8,139	-\$ 875,415	-\$ 867,275
2015-16	\$ 11,047,792	\$ 5,931,602	-\$ 2,380,163	\$ 3,551,439
2016-17	\$ 9,602,106	\$ 4,781,527	-\$ 2,379,294	\$ 2,402,233
2017-18	\$ 8,659,955	\$ 4,354,668	-\$ 2,429,403	\$ 1,925,265
2018-19	\$ 12,008,215	\$ 6,342,282	-\$ 2,547,211	\$ 3,795,071
2019-20	\$ 12,350,544	\$ 6,681,038	-\$ 2,518,580	\$ 4,162,458
2020-21	\$ 14,099,186	\$ 7,687,408	-\$ 1,695,277	\$ 5,992,131
2021-22	\$ 15,960,054	\$ 8,534,610	-\$ 1,544,564	\$ 6,990,046
2022-23	\$ 10,976,218	\$ 5,761,298	-\$ 1,545,184	\$ 4,216,114
2023-24	\$ 13,367,392	\$ 7,313,276	-\$ 1,635,752	\$ 5,677,524
2024-25	\$ 19,084,522	\$ 10,373,654	-\$ 1,676,843	\$ 8,696,811
Totals	\$ 127,171,481	\$ 67,769,501	(\$ 21,227,686)	\$ 46,541,815

* Includes the fine amount and any additional fees and charges (i.e. Attorney General, Victims of Crime Fund, etc.)

- d) The costs to run the PSE program are fully recovered (see above table).
- e) Public feedback is incorporated into program policies, e.g., if there is a delay in the issuing of tickets due to events such as postal strikes, or there are public complaints of excessive speeding in monitored school zones, etc.

For example, where delays result in the issuing of tickets, we have changed the policy so that people who get multiple tickets during that time would have to pay for only the first ticket and have rest cancelled. In the example of complaints of excessive speed, we explore the possibility of improving signage, working with the city to introduce more physical engineering solutions, working with the police to do more manual enforcement etc.

- f) We use feedback and public inquiries to assess and refine our programs where warranted.

For example, feedback about cellphone use, lack of seatbelt use, impaired driving, etc. come to us through surveys, letters, advocacy groups who petition the Minister Responsible for SGI, and other means. Once we get this feedback, the SGI's safety teams

discuss, collect more data on the issue and adapt our safety programs, if necessary, in response to the information received.

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Application Part and Chapter:		Page No.:	1457 of 1691
Issue:	Traffic Safety		
Topic:	Traffic Safety Expenditures – Mandatory Entry-Level Training (MELT) Program		
MFR:	13		

Preamble to IR (If Any):

The 2023 findings indicate mixed outcomes for the MELT program. While it achieved reductions in certain traffic violations and improved driver awareness, the increased at-fault collision rates among MELT-trained drivers highlight areas needing improvement. The data suggest that overconfidence or gaps in the curriculum may contribute to these trends. Enhancements in training modules on situational awareness, defensive driving, and lane-changing techniques are recommended.

The MELT program demonstrates potential in addressing specific traffic safety concerns, such as distracted driving, but requires refinements to achieve its broader safety objectives. Future curriculum updates should address the identified gaps, particularly regarding collision avoidance and proper lane use. Continued longitudinal studies and further evaluation of demographic and environmental factors are essential to maximize the program's effectiveness and ensure its alignment with road safety goals.

Question:

- a) Please describe the specific gaps in the MELT curriculum that have been identified and the steps being taken to address them.

- b) Please indicate the cost per driver for MELT training and discuss how this compares to the program's benefits.

RESPONSE:

- a) The following is an excerpt from the MELT evaluation report:

The updated report's data suggests that the Mandatory Entry-Level Training (MELT) program has had a mixed impact on collision configurations. The increase in 'object-on-roadway' collisions indicates a need for the MELT curriculum to place greater emphasis on obstacle detection and evasion techniques. This trend suggests that while drivers may be receiving foundational training, there is room for improvement in their ability to react to unexpected road hazards. The rise in 'rear-end' collisions post-MELT implementation points to a potential gap in training related to following distances and speed management. To prevent such collisions, the MELT program must reinforce the importance of maintaining safe distances and adjusting speed according to traffic conditions.

Conversely, the decrease in 'Lost Control Right Ditch' collisions suggests that the MELT program may effectively teach drivers how to maintain control of their vehicles under certain conditions. This positive outcome should be analyzed further to identify the successful components of the training that could be applied to other areas. The increase in collisions categorized as 'Other' could indicate either a broadening in the types of incidents being reported or an improvement in the reporting and identification process. It is essential to investigate these incidents further to understand their nature and whether they can be addressed through training.

The findings underscore the importance of evidence-based approaches to driver training and the need for ongoing assessment to ensure such programs are continually enhanced to achieve their intended safety outcomes.

Discussions with SGI's operations area responsible for the MELT program indicate that these conclusions have been shared with them and that they subsequently reviewed the current curriculum to identify opportunities for improvement. They found that the curriculum has content that adequately deals with these safety issues; however, there is a need for training schools to more effectively emphasize and deliver on these elements in the curriculum. They have tightened up the oversight they have over the training schools to ensure this happens on a consistent basis.

- b) MELT training costs \$12,000 - \$14,500 per driver. Each training school sets their own fees. The Government of Saskatchewan has established a program that provides rebates of up to \$5,000 per driver for the MELT program.

MELT is an entry-level program that equips drivers with the basic competencies associated with operating a semi such as securing of loads, checking of breaks, circle checks, maneuvering of articulated units, sharing the road with other road users, knowing and following rules of the road with particular consideration to the size of these vehicles, etc. Becoming a safe semi driver requires several more years of post-MELT on-the-job training that is more than provided by MELT. It is difficult for us to quantify the benefit of MELT enabling someone to go from knowing nothing about semis to being able to operate such units in a road environment.

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Application Part and Chapter:	13.	Page No.:	1461 of 1691
Issue:	Traffic Safety		
Topic:	Traffic Safety Expenditures – Alcohol-Impaired Driving Initiatives		
MFR:	13, 21		

Preamble to IR (If Any):

The 2014 initiatives have significantly reduced alcohol-related collisions and injuries in Saskatchewan from 2015-2017. However, the lack of statistically significant reductions in fatalities and observed variations across years suggest room for further improvement. As data from 2015–2024 matures, a comprehensive long-term evaluation will provide clearer insights into the sustained impacts of these measures.

SAF has indicated it has made the following program changes:

SGI eliminated funding to MADD Canada which was used to support the Smart Wheels educational Program campaign on Impaired Driving. In the past SGI Provided funding towards the program capital costs and ongoing funding annually.

- In 2024-25 and onward SGI has eliminated dedicated funding towards the holiday Ride for Free program. SGI Traffic Safety Community Engagement is working with the municipalities to deploy alternative transit options such as Operation Red Nose or revised Transit campaigns.

Question:

- a) Please describe any additional measures being considered to address the lack of statistically significant reductions in fatalities.

- b) Please describe the two programs noted above that were eliminated, the annual cost of funding both programs, and the reason why these programs were eliminated.

RESPONSE:

- a) Confidential response was provided to the SRRP and consultants.
- b) MADD SmartWheels was a unique and interactive mobile classroom that used technology to engage and educate students in grades 4 through 6 about the risks of alcohol and drug use and impaired driving. The 42-foot recreational vehicle (RV) was outfitted with a large projection screen, tablets and virtual reality goggles. SGI contributed \$500,000 in 2018/19 towards the purchase of the bus for the SmartWheels school program and provided operational funding of \$120,000 for the program in Saskatchewan schools. MADD unilaterally decided to cancel the SmartWheels school program in 2023.

SGI had Memorandum of Understandings with the City of Prince Albert, Saskatoon, Moose Jaw and City of Regina for transit services on New Year's Eve as part of the *Ride for Free on NYE* campaign. The program provides rides to party goers as an alternative to impaired driving. The source of funding for this program out of the Saskatchewan Auto Fund's budget has been terminated because SGI anticipates funding for this program can be provided through the Provincial Traffic Safety Fund Grant, which is funded through net revenue from photo speed enforcement fines. The total funding for this program is \$75,000 per year.

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Application Part and Chapter:		Page No.:	1613 of 1691
Issue:	Traffic Safety		
Topic:	Traffic Safety Expenditures – Wildlife Initiatives/ New Initiative		
MFR:			

Preamble to IR (If Any):

The committee examined dominant factors that contributed to traffic collisions in the province: impaired driving, distracted driving, excessive speed, intersection safety and wildlife collisions. The committee made a number of recommendations, including stricter penalties for impaired driving, photo speed enforcement, expanding and enhancing traffic enforcement, and introducing new measures to deal with distracted driving and speeding.

Since 2014, SGI, in collaboration with other government agencies, acted on these recommendations and launched several new initiatives including the funding of a new dedicated traffic enforcement unit, 60-day driver's licence suspensions and three-day vehicle seizures for new drivers caught driving under the influence of alcohol or drugs. These efforts resulted in significant reductions in injuries and fatalities.

Since the pandemic, results have shown increases in injuries and fatalities. A new traffic safety strategy is in development to refocus efforts and improve outcomes.

At the 2021 Rate Application SAF was considering a number of wildlife prevention measures

Question:

- a) Please file an update on the status of each of the listed measures provided in response to SRRP(SAF) 1-43 (2021 Rate Application)

- b) Please elaborate on the new traffic safety strategy in development.

RESPONSE:

- a) The wildlife solutions that were identified for consideration and implementation in the 2021 Rate Application were as follows:

Temporary Non-standard Highway Signs

Temporary signs are portable signs that can be moved frequently and strategically placed in wildlife habitat areas during migration periods or when risk is higher based on collision experience. These signs can be installed adjacent to the highways in corridors that have been identified as the hotspots, which would be 29 locations around the province. It is estimated the cost of the signs, installing, and removing (or masking) them twice a year would be about \$400,000.

Hunt 4 Hunger

Hunt 4 Hunger is a program where more antlerless deer are targeted during hunting season to better manage the herd population. Hunters then turn the deer carcasses over to be processed and donated to the local food bank or Salvation Army to feed the communities' hungry.

Reducing wildlife population is best done either by rural municipality or wildlife-management zone, as defined by the Ministry of Environment. The analysis done to determine wildlife-collision problem areas show there are three parts of the province where this program could be piloted – Regina, Saskatoon, and Meadow Lake. The Chapters of the Saskatchewan Wildlife Federation (SWF) in these areas would be the coordinating agencies for the local hunters. Hunters interested in participating would acquire the appropriate antlerless license from the Ministry of Environment. Once the deer have been hunted, they would be turned over to the SWF chapter for processing and distribution. Total cost is estimated to be about \$500,000.

Fencing and Underpasses/Overpasses or Crosswalks

Long-term solutions involve physically separating animals from the roadway. The analysis done to find collision hotspots has identified many corridors where fencing, wildlife underpasses or

overpasses and/or crosswalks may be cost beneficial. More analysis and planning are required before specific recommendations can be made. The highway corridors that have been identified as hotspots total less than 1,000 kilometers. However, not all sections would be conducive to fencing because of the requirement to have gaps in the fence for grid roads, driveways, etc. The top five sections total about 240 km. It is estimated that fencing costs about \$30,000/km so the total cost estimate would be \$7.2 million.

Wildlife Detection Systems

The technology used in wildlife-detection systems is relatively new and is being perfected regularly. As more concrete evidence is gained on the effectiveness of wildlife-detection systems, this could be an option that is considered as a long-term solution in Saskatchewan. Costs associated with these types of systems are estimated between \$40,000 - \$96,000/km. The costs could be higher if the road sections concerned have curves or slopes or if the line of sight in the right of way is blocked in any way.

Wildlife Culling

There is much debate about whether this would be a viable solution to the wildlife-vehicle collision problem.

None of the wildlife-based initiatives were implemented. SGI was not able to get the agencies necessary for making these projects a success to realign their priorities to invest their resources to enable the implementation of the identified countermeasures to address wildlife-related collisions.

- b) SGI established a committee to develop a new Traffic Safety Strategy to replace the one ending in 2025 and provide guidance for traffic safety work at SGI through 2030. The committee has been taken through extensive data discovery to understand trends and drivers of the various types of crashes occurring in Saskatchewan. Apart from looking at issues relating to traffic fatalities and injuries, the direction provided to the committee is to look at ways in which SGI's traffic safety efforts can contribute to the financial sustainability of the Auto Fund. The committee has developed a draft strategy on a page that identifies guiding principles for the new strategy and a number of key outcomes. The

committee is now discussing and prioritizing what the major focus areas would be for a new strategy to enable the identification of appropriate programs and initiatives. One of the key guiding principles in this strategy is to assess ROIs for any programs that are selected for consideration for Traffic Safety investment over the next five years.

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Application Part and Chapter:		Page No.:	1547 of 1691
Issue:	Productivity, Benchmarking and Efficiencies		
Topic:	Cost Containment Measures		
MFR:	22. Productivity and Efficiencies		

Preamble to IR (If Any):

At the 2021 Rate Application: SAF indicated that the Saskatchewan Government has filed a Crown Corporation cost savings in response to Covid-19.

As a sector, crown corporations have been tasked with achieving \$50 million in savings in 2021-22 through crown collaboration. The allocation of the amount among crowns has not been established at that time.

Question:

- a) Please indicate whether the Corporation has received direction from Government for cost containment (collaboration and red tape reduction), an allocation of mandated savings; if so, please file the information and SAF's actions to address, targets to measure against and savings realized against the target(s).
- b) Please provide any analysis or evaluation of current and proposed cost-containment measures.
- c) Please discuss how SAF is investing in modern data office and in artificial intelligence tools to achieve efficiency gains.

- d) Please provide details on how savings are determined related to MySGI and comment on the trend through 2024/25; please indicate the number of transactions in each of the years and the percentage of total renewals made through the online portal.
- e) Provide the estimate of savings to be realized in 2025/26 and forecast for 2026/27 and 2027/28.
- f) Given the recorded savings of Receivable Collections Program, please provide the bad debt write-offs for each of the years 2017/18 to 2024/25

RESPONSE:

- a) The Crown Investments Corporation Board of Directors sets a target for savings through collaboration efforts each year, but there is no mandated amount for any Crown, ministry or agency. The overall target for 2025-26 is \$50 million.

In the third quarter of 2025-26, SGI reported collaboration savings of \$786,900 to date, with projected savings of \$1.08 million by year end. All of the collaboration initiatives providing savings in 2025-26 are corporate initiatives, not specific to either the Auto Fund or SGI CANADA.

The collaboration initiatives were a combination of either:

- Leveraging existing government contracts to benefit from reduced fees; or,
- Joint procurement efforts that provided the opportunity for volume discounts.

- b) SGI is putting significant effort into expense reduction, with a particular focus on strong financial management given the financial challenges the company currently faces.

Examples of cost savings SGI has achieved to date include:

Reinsurance savings – Reinsurance is essentially insurance for insurance companies. SGI recently refined its reinsurance program, in part to contribute to financial benefits. The Auto Fund is expected to see \$2.3 million in savings in 2026 as a result.

Traffic safety programs – SGI reviewed traffic safety programming to ensure resources are allocated to critical areas and focused on the most effective and impactful initiatives. Funding for programs that provided little to no return on investment or did not align to strategic goals were discontinued, resulting in one-time savings of \$450,000 and annual savings of \$65,000.

Traffic safety awareness – Due to concerns about diminishing effectiveness, SGI moved away from mass market awareness campaigns to a targeted approach, resulting in annual savings of \$800,000 that, if successful, will more effectively encourage safer driving behaviours, reducing collisions and related claim costs.

SGI has other initiatives aimed at additional cost savings that are already in flight or in preparation for implementation. Examples include:

- Implementing a comprehensive fraud detection and prevention system with an initial focus on claim fraud. Preliminary estimates suggest that the Auto Fund could save about \$36 million between now and the end of 2029.
- Increasing the use of recycled auto parts to further reduce claim costs.

Other savings/cost containment measures include:

Initiative	Initiative Description	Original 2025-2026 Projections per the Rate Application	2025-2026 Updated Projected Savings	2026-2027 Projected Savings
Inspection certificates (ordering)	No longer ordering certificates as a result of the inspection Project.	(48,365)	(48,365)	(48,365)
Mailing (Inspections)	No longer mailing out inspection certificates and decal booklets to stations as a result of the inspection Project. Will only mail out sheets of decals as opposed to booklets. Tyvek envelopes no longer required.	(32,978)	(32,978)	(32,978)
Receivables Collection Program	<p>In May 2022, SGI introduced a collections program in an effort to increase the collection of outstanding receivables owed by customers.</p> <p>In 2021-22, the year prior to the introduction of this program, SGI collected \$41,431,441.03 in receivables from customers which will be used as the base line to determine the additional receivables recovered in subsequent years.</p> <p>Baseline used to calculate difference: 2021-2022 \$41,431,441.03 2022-2023: \$47,612,514.96 (difference of \$6,181,073.93) [\$9,147,242 through Collections] 2023-2024: \$50,558,233.68 (difference of \$9,126,792.65) [\$10,804,385 through Collections] 2024-2025: \$50,945,528.13 (difference of \$9,514,087.10) [\$11,063,937 through Collections]</p> <p>As of February 26, 2026, \$52.8M was collected. April 2024 to February 2025 accounted for 90.8% (\$46.2M) of the year. Using that logic, we expect to collect \$54.2M for a projected savings of \$11.4M.</p> <p>Projections for 2026-2027 were based on a 2% increase over 2025-2026 savings.</p> <p>NOTE: The dollars shown above for 2022-2023 onwards include both the dollars collected through standard means of SGI offices and MySGI as well as through the collections agency. It should also be noted that once a file is sent to collections, customers can still visit a motor licence issuer to make payment. These cannot be tracked but are an additional benefit of the collections process.</p>	(12,787,907)	(11,356,453)	(12,412,211)

Items are removed after five years as the efficiency has become a part of daily business.

- c) SGI has been investing in a modern cloud-based data platform and data team to drive forward future analytics and artificial intelligence to realize efficiency gains. The benefits of this have not yet been fully realized as SGI’s system modernization is not fully complete, with further upcoming releases in DRIVE throughout the next year. Internally, proof of concept and pilot projects are being undertaken with artificial intelligence tools focused on increasing efficiency. An example of this is work undertaken to increase the speed with which injury claims staff can find relevant reference documents.
- d) Savings are determined by recalculating the MySGI transaction remuneration using the In-Office rates and subtracting the differences between those two values to determine how much was saved. Since 2016-2017, customers have increased usage of MySGI and approximately 1/3 of all renewals are now done through MySGI.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
# Online renewals	232,979	294,667	364,770	434,927	634,522	655,116	714,770	771,508	760,905
Total # of renewals	1,856,099	1,894,241	1,972,838	2,015,198	2,098,177	2,125,169	2,156,051	2,194,330	2,256,090
% of Renewals Online	12.6%	15.6%	18.5%	21.6%	30.2%	30.8%	33.2%	35.2%	33.7%

e) Please see answer to b).

f)

	(thousands of dollars)								
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2022-23*	2023-24	2024-25
Allowance for doubtful accounts, beg of year	16,641	23,853	28,273	28,781	24,436	22,883	17,856	18,034	14,088
Accounts written off	- 5,751	- 5,943	- 8,675	- 6,552	- 3,275	- 8,667	- 7,961	- 6,963	- 2,393
Current period provision	12,963	10,363	9,183	2,207	1,722	11,628	8,139	3,017	1,846
Allowance for doubtful accounts, end of year	23,853	28,273	28,781	24,436	22,883	25,844	18,034	14,088	13,541

*IFRS restatement

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Application Part and Chapter:	Benchmarking	Page No.:	1564 of 1691
Issue:	Productivity, Benchmarking and Efficiencies		
Topic:	SAF Benchmarking Performance - Canada Personal Lines		
MFR:	24. External Studies		

Preamble to IR (If Any):

From a review of the AON benchmarking report, SAF information was provided on its performance. In particular

Total Gross Expenses as a % of Gross Premiums Written:
 Acquisition Expense as a % of Gross Premiums Written:
 Claims Expense as a % of Gross Premiums Written:
 FTEs per \$100M of Gross Premiums Written
 Information Technology Expense as a % of GPW:

Question:

- a) Please file any analysis, narrative or reporting prepared by AON or internally on SAF's performance relative to Benchmarks.
- b) Provide a narrative description of each measure, what it represents and an interpretation of the results for SAF on each measure and how SAF is addressing any of this information.
- c) Please explain why benchmarking was not done for MPI rather than inclusion in Canada Personal Lines Benchmark along with public companies.

RESPONSE:

- a) There are no additional analyses or narratives to provide.
- b) AON consultants facilitated review sessions of this benchmark report with leadership at SGI. In these sessions with leadership, measures and interpretation of results were discussed. There are no additional narratives or action plans available.

Benchmark comparisons of the above expense metrics are useful on SGI's competitive side, as the benchmark levels are appropriate for jurisdictions where insurance is delivered competitively. Providing these comparisons for SGI CANADA was the primary purpose of this report. The comparisons have limited usefulness when comparing to the Auto Fund's compulsory insurance product delivery.

In addition, SGI's expense levels during system modernization activities are expected to be different from their expected long-term expense level, further limiting the appropriateness of these comparisons.

- c) The AON benchmark report is intended to compare against a group of similar companies rather than just one company. Each public insurer in Canada is unique, and direct comparison with Manitoba Public Insurance or ICBC was not the intent of this exercise.

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Application Part and Chapter:		Page No.:	
Issue:	Productivity, Benchmarking and Efficiencies		
Topic:	Key Performance Metrics		
MFR:	4. Corporate Strategy 22. Productivity and Efficiencies 24. External Studies		

Preamble to IR (If Any):

The Auto Fund manages Saskatchewan’s mandatory auto insurance program. It is one of three full public auto insurance plans in Canada. The other two are operated by Manitoba Public Insurance (MPI) and the Insurance Corporation of British Columbia (ICBC).

SGI and MPI have historically held the position of lowest two rates in the country, often trading places for lowest rates. However, with ICBC’s transition to a no-fault program, the three public auto insurers are likely to find themselves closely matched for lowest rates in Canada.

Question:

If SAF participated in the Crown Corporation benchmarking initiative, please file a copy of the study if available, and provide a description of the metrics measured and SAF's interpretation of the results.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

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Application Part and Chapter:	23	Page No.:	1550-1553 of 1691
Issue:	Capital Expenditures and Major Projects		
Topic:	2025/26 2to 2029/30 Capital Plans		
MFR:	4. Corporate Strategy ,23. Capital Improvement Spending Plans		

Preamble to IR (If Any):**Question:**

- a) Please provide a description of the project, including the business case and net present value analysis supporting. The four project have been identified from a confidential filing and will be pursued as a confidential interrogatory.
- b) Please file a summary detail of Intangible Assets for 2024/25 and 2025/26.
- c) Please explain why SAF is not forecasting any spending on intangible assets beyond 2025/26.
- d) Please refile the schedule in Excel including a column for the total project cost by Project for 2024/25 through 2029/30.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

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Application Part and Chapter:	23.	Page No.:	1553 of 1691
Issue:	Capital Expenditures and Major Projects		
Topic:	Capital Spending - Depreciation		
MFR:	23. Capital Improvement Spending Plans		

Preamble to IR (If Any):

Question:

Please provide an update to capital spending plans and depreciation schedule with depreciation expense by project for the years 2024/25 through 2029/30 in a similar format to SRRP(SAF) 1-90 (2021 Rate Application).

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 61

Application Part and Chapter:	25	Page No.:	12
Issue:	Capital Expenditures and Major Projects		
Topic:	SGI Transformation Business Case		
MFR:	25. SGI Transformation Business Case		

Preamble to IR (If Any):

Question:

- a) What is the current status of the transformation program compared to the Delivery Roadmap and Timeline?
- b) Have all planned milestones been achieved as per the updated delivery roadmap? If not, what are the reasons for delays?
- c) Are there any additional changes to the scope of the program since the last update in November 2024?

RESPONSE:

Confidential response was provided to the SRRP and consultants.

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Application Part and Chapter:	25. SGI Transformation Business Case	Page No.:	13
Issue:	Capital Expenditures and Major Projects		
Topic:	SGI Transformation Business Case		
MFR:	25. SGI Transformation Business Case		

Preamble to IR (If Any):

Key Performance Indicators (KPI)

Question:

- a) Please provide commentary and analysis of the Key performance indicators for the in-service portions of the program.
- b) Please provide any reports and analysis on the operational KPI's on the success of the in-service portions of the program
- c) Have the direct loss ratio, administrative expense ratio, and combined ratio improved for the Auto Fund?
- d) What are the latest fraud detection results and savings? Are the projected savings being realized?

RESPONSE:

- a) Confidential response was provided to the SRRP and consultants.
- b) Reporting on operational KPIs is still being refined, with data validation and process improvements continuing over the next several quarters as transformation stabilization and DRIVE implementation efforts progress. There are no results to report currently.
- c) As noted above, benefits have not yet begun to be materially realized, as transformation stabilization and DRIVE implementation efforts remain ongoing.
- d) SGI has successfully implemented FRISS Screening Centre (FSC), its fraud detection and risk-scoring platform, and is currently screening live claims in Saskatchewan as part of model calibration efforts. This phase of implementation is intentionally focused on building operational understanding of the Corporation's fraud risk appetite, validating model outputs, and refining fraud detection, investigation, and denial workflows in preparation for full operational launch.

The Corporation expects to initiate operationalization with enhanced fraud detection and denial workflows in Q3 2026, at which point increased claim flagging, investigation throughput, and denial activity are expected to accelerate benefit realization.

While full financial benefits were originally anticipated earlier, escalated benefits have been deliberately staged to align with system integration timelines and operational readiness. As a result, the Corporation expects to begin realizing measurable financial benefits in the next fiscal year, with projected savings of approximately \$4.5M by fiscal year-end 2027, increasing to approximately \$17.0M in savings in subsequent years, as workflows mature and denial activity scales.

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Application Part and Chapter:		Page No.:	23-24
Issue:	Capital Expenditures and Major Projects		
Topic:	SGI Transformation Business Case		
MFR:	25. SGI Transformation Business Case		

Preamble to IR (If Any):

SGI will incur a cumulative ongoing post-implementation from FY 26 to FY 31 expenditures

SGI indicates that the program will provide significant financial returns over the next ten years.

Question:

- a) Please provide a detailed schedule of ongoing post implementation expenditures for each of the years 2026 to 2031 and indicate what portion of these costs are allocated to SAF and where they are included in the financial forecast. Provide the amount of annual spending included in the forecast.
- b) Please provide the forecasted benefits to SAF in the same period. Provide a detailed explanation of how determined.
- c) Please provide a schedule updating the cost benefit analysis reflecting any changes in cost estimates, timing and projected savings.
- d) Please provide updated combined business case metrics based on information in (a)

- e) Discuss whether inflation and market conditions have impacted the financial projections and benefits realization?

- f) Please discuss the potential changes in benefits from the incorporation of artificial intelligence elements and whether it has resulted in any changes in the forecast FTE savings.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

SRRP(SAF) 1 - 64

Application Part and Chapter:	25.	Page No.:	38-39 1662 of 1691
Issue:	Capital Expenditures and Major Projects		
Topic:	Transformation Project Costs and Benefits		
MFR:	25. SGI Transformation Business Case		

Preamble to IR (If Any):

The capital cost of SGI's transformation program for the replacement of the legacy applications for both SGI CANADA and the Auto Fund is significant. These capital costs cover development, implementation, advisory, and change management costs to support business transformation.

SGI provided as part of this process, confidential information and estimates of FTE savings that would be realized because of the program's implementation.

Question:

- a) Explain why the cost estimate for the transformation project, or more particularly that portion that is applicable to SAF is confidential.
- b) Provide an update to the response to SRRP(SAF) 1-88 b, c, d (2021 Rate Application) including the portion of costs annually allocated to SAF related to the projects.
- c) Provide a comparison of the cost estimate prepared in 2021 with that included in this Application and explain any changes.
- d) Please summarize the terms of all third-party agreements related to the transformation projects

- e) Please provide the annual spend actual and forecast per third party agreement.
- f) Please provide a to date schedule Comparing the actual spending by component for implementation costs compared to the maximum estimated budget with contingency.
- g) Please update the schedule of estimated cost of the total project and the portion of those costs which are going to be allocated by line of business.
- h) Please indicate the number of internal resources FTE and the detail of internal costs incurred by year on this project and provide a comparison of the actual resources employed versus that included in Appendix 7.
- i) Please indicate the number of external consultants and annual costs for consultants on this project by year.
- j) Please indicate to what extent project implementation costs are being capitalized versus expensed in each of the years since the inception of the project.
- k) Please provide a comparison of the estimated FTE savings to be realized with actual FTE savings to date and forecast future savings.
- l) Please indicate whether there has been an update to the business case for Digital Transformation.

RESPONSE:

Confidential response was provided to the SRRP and consultants.

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Application Part and Chapter:	26.	Page No.:	1682 of 1691
Issue:			
Topic:	Sensitivity Analysis		
MFR:	26. Scenario Testing		

Preamble to IR (If Any):

Question:

- a) Provide a financial forecast, income statement and balance sheet reflecting the requested rate increase in the application where interest rates increase or decrease by 100 basis points from that forecast.
- b) Provide a financial forecast, income statement and balance sheet reflecting the requested rate increase in the application where inflation is 100 basis points higher than what is forecast.
- c) Provide a financial forecast, income statement and balance sheet reflecting the requested rate increase in the application where spending on digital transformation is 25 % higher than what is forecast.

RESPONSE:

The forecasts provided are consistent with the forecast provided for IR 1-8, reflecting an update to the 2025/26 year, the requested rate increases of 3.75% and 3.75%, and the 2026/27 budget forecast. Note that similar to IR 1-8, the rate change is modelled for June instead of August, which was the initial assumption used in the 2026/27 budget work. This baseline forecast is included at the beginning of the attached exhibit for convenience and comparison purposes.

- a) Please see attachment IR 1-65a.
- b) Please see attachment IR 1-65b.
- c) Please see attachment IR 1-65c.