

Saskatchewan Rate Review Panel (SRRP)

**2026 Saskatchewan Auto Fund (SAF) Rate Review
Round 2 Information Requests
March 20, 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) 2-1

| | | | |
|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-5 SRRP(SAF) 1-39 | Page No.: | |
| Issue: | Rates and Revenues | | |
| Topic: | Rate Increases | | |
| MFR: | 5. Indicated and Requested Rates | | |

Preamble to IR (If Any):

SRRP (SAF) 1-5 SAF indicates:

“

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. .”

Question:

- a) Please provide a list of each non rate measure being considered and the impact on revenue and or cost savings, indicating potential rate impact on rates, resulting from implementation of the measure and whether the measure has one-time or ongoing forecast implications.
- b) Considering the announced measures, what additional measures are expected to be implemented in the next two years. Provide a range estimate and the potential impact on the RSR and MCT.
- c) Please provide a table, supplementing that provided in SRRP(SAF) 1-39 e of the estimated actual and forecast dollar amount of lower wages and benefits represented by the vacancy allowance,

and confirm to what extent that allowance has been included in the actual and forecast result for SAF Wages and Benefits.

- d) Provide details of SAF gross wages and benefits, less SAF vacancy allowance that agree with the total SAF wages and benefits actual and forecast in this application for the years 2020/21 to 2027/28. Provide the information for SAF only and on a non-confidential basis.
- e) Please provide a schedule detailing total SAF employee expenses by year from 2020/21 to 2027/28, including benefits and related employee expenses, the number of SAF FTEs per MFR 18, and the employee cost per FTE for each year on that basis. Please comment on the trend.

RESPONSE:

- a) Please see IR 2-5 for revenue and cost savings related to deductible and administrative fee changes. These initiatives are expected to have the equivalent of a 3.6% impact on rates.
- b) SGI is currently evaluating several proposals that, if they appear to be worth pursuing, will be put forward for required approvals. SGI is committed to exploring a range of options to address the financial situation.
- c) The requested information is not available.
- d) The actual and forecast SAF wages and benefits previously provided in 1 39-c) includes the actual vacancy experience until 2025/26 where a projected vacancy allowance is utilized. The inclusion of vacancy experience occurs as part of the budgeting process and therefore the requested information is not available.

e) The information provided is based upon SGI's FTE allocation process. Overall, we see upward trending in the employee cost per FTE that is reflective of anticipated averaged annual merit, economic, and negotiated/step increases.

| YEAR | Allocated Wages & Benefits to SAF (\$) | FTEs from MFR 18 | Cost per FTEs |
|-----------|--|------------------|---------------|
| 2020-2021 | 108,592,000 | 1,171 | \$ 92,734 |
| 2021-2022 | 127,490,000 | 1,257 | \$ 101,424 |
| 2022-2023 | 138,891,740 | 1,377 | \$ 100,865 |
| 2023-2024 | 162,104,245 | 1,525 | \$ 106,298 |
| 2024-2025 | 183,060,117 | 1,685 | \$ 108,641 |
| 2025-2026 | 192,453,718 | 1,595 | \$ 120,661 |
| 2026-2027 | 207,048,276 | 1,614 | \$ 128,283 |
| 2027-2028 | 208,463,108 | 1,561 | \$ 133,545 |

SRRP (SAF) 2-2

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|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-6 | Page No.: | |
| Issue: | Rate and Revenue | | |
| Topic: | Rate Increases | | |
| MFR: | 5. Indicated and Requested Rates | | |

Preamble to IR (If Any):

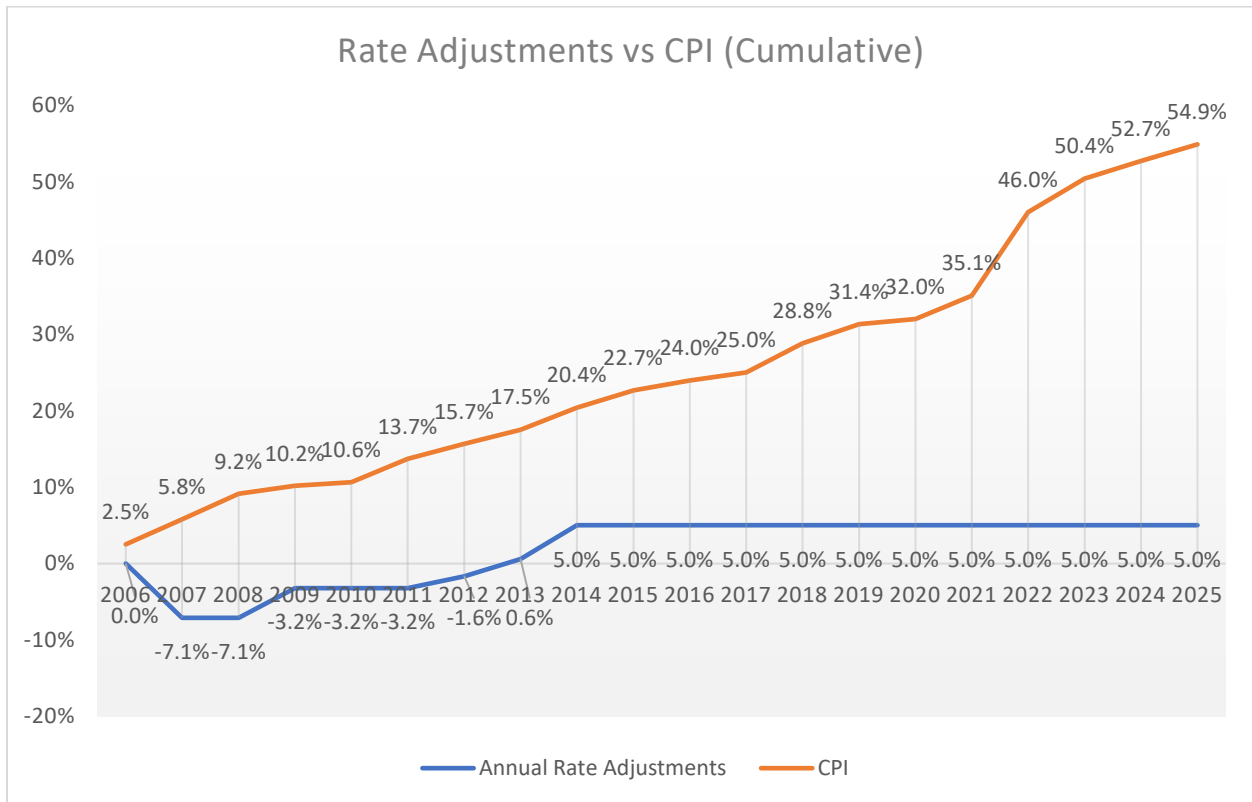
Question:

- a) Please update the table, excluding the confidential columns. Provide the information in PDF and Excel.

- b) Provide a line graph that tracks the increase in CPI and the increase in rate.

RESPONSE:

- a) This information was provided in the version of the first round of responses that have been provided for the Panel’s website. Please see the response to SRRP (SAF) 1-6.
- b) This information has been provided in the 2026 Rate Proposal document (MFR 5.1) under section 2.2 back to 2006. The table is reproduced here:



SRRP (SAF) 2-3

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|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-7 | Page No.: | |
| Issue: | Rates and Revenues | | |
| Topic: | Ratepayer Stakeholder Consultation | | |
| MFR: | 5. Indicated and Requested Rates | | |

Preamble to IR (If Any):

SAF states in response to (SRRP) SAF 1- 7

“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.”

Question:

- a) Please provide any analysis or further description of seasonal rating schemes that SAF has reviewed and confirm that each of the schemes is achievable given system changes made.
- b) Please explain when SAF intends on making changes to Motorcycle rates and what would be the range of intended impacts on revenues and claims costs based on the modelling in (a).

RESPONSE:

- a) Seasonal rating lets SAF adjust premiums based on the months registered – higher premium during peak risk periods and lower premium when risks are reduced. Currently, for short-term policies, premium proration is determined solely by the duration of the policy term. With the

introduction of seasonal rating, the premium can be based on the specific months and days when a vehicle is registered. SAF has developed these capabilities in the new system.

Minimum premium lets SAF charge a set minimum regardless of registration term length.

Currently, pro-rated premiums depend only on policy term length, with no minimum amount.

SAF has created a system table showing the minimum percentage to apply if the calculated pro-ration falls below this threshold, including any seasonal rating.

Short rates let SAF apply a surcharge to the pro-rated premium based on the registration term length. Currently, for short-term policies, premium is equal to the linearly pro-rated annual premium. With short rates, an additional surcharge may be applied based on the length of the policy term - shorter term might lead to a higher surcharge. SAF has created a system table that lists durations alongside inputs for respective surcharges.

As mentioned in the response to IR 1-7, discussions around seasonality have largely revolved around the capabilities for options around the premium to charge depending on the registration term of a vehicle. Therefore, no formal analysis currently exists.

- b) SAF does not want to implement changes to the rating scheme for motorcycles without proper consultation. There is no guarantee that seasonal rating will be implemented, and even if it is, the final implementation design and format have yet to be determined.

A range of intended impacts on revenue and claim costs has not been determined or modeled.

Such a range would depend on several factors:

- Intent
 - Whether the solution is designed to change the overall premium level collected and if so, to what extent? Alternatively, it could be implemented on a revenue-neutral basis.
- Components of a seasonal rating solution
 - Which of the above components (short rates, minimum premium) will be included?
- Parameters
 - For the components that are implemented, what are the parameters that will be implemented for each? (i.e. Changing the weights for each month in

seasonality will affect the impact. Similarly, having a higher minimum will also change the impact.)

- Registration behaviour
 - The impact cannot be determined through a single implementation; it is an iterative process.
 - The components of the rating solution and the parameters chosen will dictate registration behaviour (customers may register earlier in the spring or during the fall if these months are charged a lower premium), which in turn dictates the parameters of the solution.

SRRP (SAF) 2-4

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|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-8 (a) Autofund Income Statement with Announcements Impact | Page No.: | |
| Issue: | Indicated and Requested Rates | | |
| Topic: | IFRS – 17 Accounting Policies | | |
| MFR: | 17. Detailed Financial Information, 26. Scenario Testing | | |

Preamble to IR (If Any):

SAF provided the impact of announced non-rate impacts on the income statement

Question:

- a) Please file an update to SRRP(SAF) 1-8 including balance sheet and the determination of capital required. Provide the answer in excel for the full forecast period.
- b) Please file an update to (a) in non-confidential format by the end of 2027/28 test year.
- c) Provide detail schedule other expenses for the years 2019/20 to 2024/25 and forecast for 2025/26 to 2027/28. Provide the compound annual growth for the years 2019/20 to 2024/25 and forecast for 2024/25 to 2027/28. Provide on non-confidential basis. Provide in PDF and Excel with formulas intact.
- d) Please provide details of SAF Administrative expenses by cost element on consistent basis as part (c) and explain any material changes in cost elements.

RESPONSE:

A confidential response was provided to the SRRP and consultants for part a and b. Please see the attached exhibits for parts b to d. For parts c and d, the historical years start at 2022-23 when the accounting standard changed to the IFRS 17 basis. Prior to that, under IFRS 4, expenses were not captured at the same level of detail.

SRRP (SAF) 2-5

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|--------------------------------------|---|----------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-8 March 13, 2026 Saskatchewan Government Announcement | Page No.: | |
| Issue: | Rates and Revenue | | |
| Topic: | Indicated and Requested Rates | | |
| MFR: | 17. Detailed Financial Information, 26. Scenario Testing | | |

Preamble to IR (If Any):

The Government of Saskatchewan announced on March 13, 2026:

Increased deductibles on basic plate insurance and new administrative fees

Effective January 1, 2027, deductibles on SGI’s basic plate insurance are increasing. The typical \$700 deductible will increase to \$950. Most other vehicle deductibles will increase by about 20 per cent.

Also effective January 1, 2027, new administrative fees will apply to new vehicle registrations and new or renewed driver’s licences (\$15); vehicle registration renewals (\$5); and driver’s licence payment transactions (\$2).

These changes will offset costs to support the long-term sustainability of the Auto Fund, which is facing challenges due to inflation and rising vehicle repair costs.

The changes result in higher other revenues for the forecast period.

Question:

- a) Provide a detailed schedule of other income for each of the years 2019/20 to 2025/26 and forecast for 2026/27 through 2027/28 on a non-confidential basis based on the application before the announced changes. Provide in PDF and Excel

- b) Provide (a) reflecting the announced changes.
- c) Provide the summary detail of each component of other revenue in both (a) and (b). Please indicate to what extent any of the announced changes result in revenue not retained by SAF.
- d) Please file an updated version of (b) through the full outlook period. Provide in PDF and Excel.
- e) Please provide a schedule for the determination of the reduction in Gross Claims Incurred as a result of the change in deductible. Provide the information for both the full outlook period and on a non-confidential basis for the period subject to the requested rate changes.
- f) Please provide a schedule detailing the change in the loss component resulting from the change in the deductible.
- g) Please provide the determination of the increase in investment income.
- h) Please indicate how SAF plans to implement the change in deductible for ratepayers renewing their coverage and explain why the change is not resulting in a change in issuers' fees when driver opt for lower deductible limits.
- i) Please provide the assumptions around the number of drivers who are expected to opt to retain the current deductible level coverage through non-regulated product offerings and the impact of this shift on issuers' fees, if any.
- j) Please explain how the change in deductible will impact current drivers who's renewals are before the effective date of the change. For instance, how is the change expected to affect drivers who renew in the next six months? Please model how the change is to impact revenues and costs. Provide all assumptions and modeling on this matter.

RESPONSE:

- a) See attached IR 2-5a.

- b) See attached IR 2-5b.
- c) See attached IR 2-5c. A confidential version was provided to the SRRP and consultants.
- d) See attached IR 2-5d. A confidential version was provided to the SRRP and consultants.
- e) See attached IR 2-5e. A confidential version was provided to the SRRP and consultants.
- f) See attached IR 2-5f. A confidential version was provided to the SRRP and consultants.
- g) See attached IR 2-5g. A confidential version was provided to the SRRP and consultants.
- h) In most cases, the Auto Fund offers one deductible for each body style within a vehicle and trailer plate class. Customers do not have the option of choosing a lower deductible with the Auto Fund; therefore, this change will not result in a change to issuer fees. Customers have the option to purchase auto extension insurance to maintain the current deductible or further reduce it.
- i) Today, about 50% of customers purchase extension insurance. It is hard to estimate how many customers will opt to retain the current deductible level through extension insurance as SGI is not privy to this information. It is possible that more customers may purchase an extension policy to lower their deductible.

Issuer fees from the Auto Fund will not be impacted. Broker commission provided by competitive insurers could be impacted; however, the Auto Fund does not have access to information on how commission is determined by all competing insurers.
- j) Vehicle owners who have a renewal prior to the Jan. 1 effective date will not be impacted until their next renewal after Jan. 1, 2027 (and even then would not be impacted unless/until they have an incident for which they have to pay the deductible).

SRRP (SAF) 2-6

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|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-8 (a), I-29g | Page No.: | |
| Issue: | 18. Detailed Financial Information | | |
| Topic: | Financial Forecast RSR | | |
| MFR: | 17. Detailed Financial Information, 26. Scenario Testing | | |

Preamble to IR (If Any):

Question:

- a) Please provide a table in the format of Appendix A (update to SRRP(SAF) 1-8 that illustrates the project evolution of the RSR and MCT for the years 2022/23 to 2027/28, continuing with the addition of the indicated required capital build amount in rates on a non-confidential basis. Provide commentary on the results and the financial condition under this scenario. Provide both PDF and Excel.
- b) Please provide an update to SRRP(SAF) 1-29(g) up to the end of 2027/28 on a non-confidential basis. Provided both PDF and Excel.
- c) Please extend the tables requested in (a) and (b), including the outlook period through 2030/31.

RESPONSE:

- a) Please see attachment IR 2-6a. The financial condition improves with the addition of the capital build provision, with the 2026/27 MCT increasing 8% over the version with only the two 3.75% rate increases. The use of a capital build to recover capital instead of additional basic rate results in some customers being overcharged while other customers are undercharged. To achieve appropriate rebalancing and fairness, rates should be driven through basic rate adjustments (while a rate need exists) instead of a flat capital build.
- b) See attachment IR 2-6b.
- c) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 2-7

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|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-8(a) 1-29(a) | Page No.: | |
| Issue: | MCT Ratios and Capital Management Policy | | |
| Topic: | RSR Balance and MCT Forecast | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

Question:

Please indicate the RSR, and MCT ratio at the end of Q4, 2025/26 and comment relative to the forecast for the year.

RESPONSE:

The Q4 results are not currently available. On Dec. 31, 2025, the RSR balance was \$673.2 million and the MCT ratio was 100% (12-month rolling average MCT ratio of 111%).

SRRP (SAF) 2-8

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-10 | Page No.: | |
| Issue: | Rates and Revenues | | |
| Topic: | Indicated and Requested Rates – Alternative Rates | | |
| MFR: | 17. Detailed Financial Information, 26. Scenario Testing | | |

Preamble to IR (If Any):

The Government of Saskatchewan announced on March 13, 2026:

Increased deductibles on basic plate insurance and new administrative fees

Effective January 1, 2027, deductibles on SGI’s basic plate insurance are increasing. The typical \$700 deductible will increase to \$950. Most other vehicle deductibles will increase by about 20 per cent.

Also effective January 1, 2027, new administrative fees will apply to new vehicle registrations and new or renewed driver’s licences (\$15); vehicle registration renewals (\$5); and driver’s licence payment transactions (\$2).

These changes will offset costs to support the long-term sustainability of the Auto Fund, which is facing challenges due to inflation and rising vehicle repair costs.

It’s not clear how the change in deductible will impact customers buydown actions to retain the current deductible level.

The changes result in Lower claims costs and higher investment income for the forecast period. We would like to understand the relationship to the proposed changes in deductible on the claims costs, investment income and issuers fees.

Question:

- a) Please file a copy of the current FCT and any accompanying actuarial opinion.
- b) Please indicate whether SAF has engaged a third-party Actuary for its FCT and DCAT
- c) Please file any Dynamic Capital Adequacy Testing Results.
- d) Please provide an update to SRRP(SAF) 1-10 (b), (d), (e) (over 7 years), (g), (h) reflecting the above changes.
- e) Please provide an update to SRRP(SAF) 1-10 on a non-confidential basis to the end of the test years addressed in this rate application, and comment on the financial condition of SAF related to the FCT.
- f) Provide line graphs of the MCT of each of the scenario including the base case based on the original application for the test years (non, confidential) and for the outlook period.
- g) Provide line graphs of the MCT on each of the scenarios including the based case in (a)
- h) Provide a graph of the MCT on each of the scenarios including the base case in (b)
- i) Provide graphs of the RSR from 2014/15 through the Test years including all scenarios based on original application
- j) Provide line graphs of the RSR from 2014/15 through the test years including all scenarios based on the updated application reflecting announced changes.

RESPONSE:

- a) Confidential response was provided to the SRRP and consultants.
- b) The Financial Condition Testing report is conducted internally for the Saskatchewan Auto Fund. No third-party Actuary was engaged.
- c) In January 2020, Dynamic Capital Adequacy Testing (DCAT) was renamed and updated to Financial Condition Testing (FCT). Please see the response to part (a) for the FCT results.
- d) Confidential response was provided to the SRRP and consultants.
- e) See attachment IR 2-8e.
- f) Items (f) through (j): All information required to produce graphs illustrating the MCT and RSR across the various scenarios has been provided. As SGI is not certain of the SRRP's preferred format for these graphs, SGI will defer to the SRRP to prepare the graphs in the format it deems most appropriate.

SRRP (SAF) 2-9

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| Application Part and Chapter: | SRRP (SAF) 1-19, I-50 MFR 13 | Page No.: | |
| Issue: | Traffic Safety | | |
| Topic: | Traffic Safety Programs | | |
| MFR: | 14 | | |

Preamble to IR (If Any):

SGI established a committee to develop a new Traffic Safety Strategy to replace the one ending in 2025.

Question:

- a) Please provide any preliminary results on changes in strategy for traffic safety strategy and spending and comment on how the changes will impact the current forecast for 2026/27 and 2027/28.
- b) Provide a schedule detailing at a summary level traffic safety expenditures for the years reflected in MFR 13 on a non-confidential basis through the test years included in this application. Please include a line for administrative expenses related to SAF allocated program expenses.
- c) Provide a confidential version of (b) through the outlook period.
- d) Please provide a reconciliation of the forecast traffic safety spending per SRNFR 13 with the actual traffic safety spending for 2022/23, 2023/24, 2024/25 and forecast for 2025/26, 2026/27 and 2027/28 included in SRRP(SAF) 1-19 and SRRP(SAF) 1-8 and indicate what percentage of spending in MFR 13 is allocated to SAF, versus SGI and on what basis. Please provide in Excel.
- e) Please explain how SAF is forecasting to change its Traffic Safety expenditures in the test years.
- f) Please provide a description of the funding arrangements for police enforcement targeting traffic safety included in (a) and how it has changed over the last five years and is expected to be over the forecast period

RESPONSE:

- a) As discussed in IR 1-55b, a draft strategy on a page has been developed. As it has not been formally approved, the details cannot be shared; however, the strategic direction focuses on:
- Making Saskatchewan roads safer for all users, demonstrated through a reduction in collisions; and,
 - Supporting the Auto Fund's long-term financial sustainability, demonstrated through lower claim costs.

The focus areas will continue to align with the most prominent factors contributing to collision frequency and severity. Work is still underway to determine the priority initiatives that will be selected and funded to deliver on the strategic direction. As such, there has been no change yet to the planned spending as a result of the strategy work and no impact on the forecasted expenses for 2026-27. Budgeting for 2027-2028 is yet to be done. We believe the strategy initiatives will impact the projections for 2026-27 and the budget for 2027-28.

- b) Please see attachment IR 2-9b.

For administrative expenses related to SAF allocated program expenses, refer to IR 2-4 and IR 2-15.

- c) Confidential response was provided to the SRRP and consultants.
- d) Consistent with the response to IR 1-50a, the traffic safety expenses included in the IR 1-19 and IR 1-8 are the expenses that are allocated to traffic safety through the cost allocation method. These are different than costs submitted as part of MFR 13, which are direct costs of the traffic safety programming prior to cost allocation.

The cost allocation noted is not an allocation between the Auto Fund and SGI CANADA, as no traffic safety expenses are allocated to SGI CANADA. Instead, it is an allocation within the Auto Fund. MFR 13 takes a broader view of traffic safety programming, including some expenses that are allocated to registrar, regulator, and driver education and training in the Auto Fund's statement of operations. For example, Driver Programs is primarily

registrar and regulator activities, Driver Education and Training lands in the non-insurance category called “education and training”, and Carrier and Vehicle Services is primarily regulator and registrar.

Another notable difference is that MFR 13 does not include staffing or other overhead costs, which are part of the Traffic Safety Expense allocation within the statement of operations.

Given the significant differences in reporting, we are unable to easily reconcile the traffic safety expenses within MFR 13 and IR 1-19 and IR 1-8.

- e) As noted, work is still underway to determine the priority initiatives that will be selected and funded to deliver on the strategic direction. As such, there has been no change to the planned spending and no impact on the forecasted expenses for 2026-27. Budgeting for 2027-28 is yet to be done.
- f) SGI has a long history of providing funding to law enforcement agencies to support traffic safety on Saskatchewan roads. Spending has been relatively consistent over the last five years. The increase between 2021-22 and 2022-23 is driven by increased costs to support Combined Traffic Services Saskatchewan (CTSS), which is discussed below. Expenses over the forecast period are expected to be similar to previous years, with actual spend influenced by the traffic safety strategy.

| | 2021-22 Actual | 2022-23 Actual | 2023-24 Actual | 2024-25 Actual | 2025-26 Projection |
|----------|-------------------|-------------------|-------------------|-------------------|-----------------------|
| Millions | \$9.1 | \$10.8 | \$10.8 | \$10.8 | \$10.8* |

*Updated projection as of March 30, 2026.

SGI’s notable funding arrangements with law enforcement include:

- Combined Traffic Services Saskatchewan (CTSS) – SGI partners with the RCMP and six Saskatchewan municipal police agencies to deliver CTSS. CTSS was developed based on recommendations made by the Special Committee on Traffic Safety formed in March 2013 by the provincial government to address various traffic safety concerns and the unacceptable number of lives lost on Saskatchewan roads each year. It accounts for roughly 90% of SGI’s law enforcement funding. Through the funding arrangement,

SGI provides funding for 60 of the 120 CTSS positions, as well as other operating expenses related to the program. In 2022-23, funding for this program increased due to fewer position vacancies, RCMP salary increases resulting from their collective bargaining process, and the purchase of additional equipment. Since then, there have been no notable changes to the funding agreement.

- Equipment and devices required to enforce traffic laws – SGI partners with enforcement agencies throughout Saskatchewan to support the purchase, maintenance and upgrading of specialized equipment used in traffic enforcement, such as automatic licence plate readers, roadside sobriety testing tools and speed enforcement equipment. Requests for equipment and devices are reviewed on a case-by-case basis.
- High visibility enforcement activities – SGI has multiple memorandums of understanding with police agencies to fund overtime costs for officers to conduct high visibility enforcement check stops to help reduce collisions, injuries and fatalities caused by impaired driving.
- Selective Traffic Enforcement Program (STEP) – SGI collaborates with provincial law enforcement to conduct STEP in six different communities every year. The objective is to promote compliance with traffic laws through a combination of law enforcement, visibility and education. The enforcement priorities are aligned with the leading causes of collisions, injuries and fatalities on Saskatchewan roads. SGI allocates budget towards STEP and meets with law enforcement agencies at the start of the year to establish a schedule.

SRRP (SAF) 2-10

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| Application Part and Chapter: | SRRP (SAF) 1-28 (a) | Page No.: | |
| Issue: | Rates and Revenue | | |
| Topic: | Other Income- Salvage Operations | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

Question:

Please provide an update of SRRP(SAF) 1-28 schedule including an update to 2025/26 (to reflect actual experience) and 2026/27 (if changed)

RESPONSE:

IR 1-28 is consistent with the filed rating and financial projection information updates. No further update can be provided.

SRRP (SAF) 2-11

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| Application Part and Chapter: | SRRP (SAF) 1-31 (a) | Page No.: | |
| Issue: | Claims Incurred | | |
| Topic: | Loss Adjustment Expenses | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

Question:

Please provide a schedule detailing loss adjustment expense by cost element for both internal and external expenses and total expenses for the years 2018/19 through 2027/28, and explain the reasons for the variances.

RESPONSE:

See attachment IR 2-11. The professional fees (other than legal) are increasing due to improved coding into the proper provider categories starting in 2023-24 alongside the other general expenses category decreases.

The Information Technology increase is primarily the Guidewire operating costs coming online (e.g. annual licensing fees).

The occupancy increases can mostly be explained by two items:

- If there are extra costs that occur in a year for claims-related building locations, LAE occupancy costs increase. This can be from situations such as a lease getting renewed, some minor non-capitalized maintenance being completed, etc.
- With LAE costs increasing as new financial systems come online, occupancy allocation costs will also increase, particularly in relation to IT. As the software costs of the IT departments are now starting to flow to insurance operations, the occupancy (square footage) costs of the IT departments that support that software will also start to partially flow to those insurance operations.

SRRP (SAF) 2-12

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|--------------------------------------|---------------------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-47 | Page No.: | |
| Issue: | Investment Strategy and Income | | |
| Topic: | Investment Income | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

Question:

- a) Please provide the gross annual returns on the SAF investment portfolio and provide a comparison with the returns of ICBC and SGI. Provide the annualized returns over the last five years and comment on the relative performance to peers.

RESPONSE:

- a) The annual and four-year annualized returns for the SAF investment portfolio are provided in the table below.

Please note that ICBC's returns are publicly available on their website. SGI is not comfortable commenting on the relative performance to ICBC, as while there may be some similarities in the investment programs, the overall structure and rationale may differ substantially. As such, SGI believes it would be inappropriate to make inferences regarding ICBC's underlying data or performance.

| Auto Fund Return | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Annual Return | 8.8% | 6.3% | 2.7% | 3.5% | 18.4% |
| 4-Year Annualized Return | 5.4% | 7.6% | 6.1% | 6.9% | 7.7% |

SRRP (SAF) 2-13

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|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-13 | Page No.: | |
| Issue: | Rates and Revenues | | |
| Topic: | SDR & BR Incentive Programs | | |
| MFR: | 12,17 | | |

Preamble to IR (If Any):

The following information was provided in the 2022 Rate Review related to the SDR system:

| Zone | Drivers | Points | Discount |
|--------------------|----------------|---------------|------------------------|
| Neutral Zone | 182,671 | 0 | Base Insurance Premium |
| Good Driver | 50,083 | 1 | 2% |
| | 44,176 | 2 | 4% |
| | 40,497 | 3 | 6% |
| | 39,579 | 4 | 8% |
| | 33,944 | 5 | 10% |
| | 33,053 | 6 | 12% |
| | 30,806 | 7 | 14% |
| | 29,028 | 8 | 16% |
| | 28,781 | 9 | 18% |
| | 26,770 | 10 | 20% |
| Great Driver | 273,856 | 11-20 | 20% |
| Safest Driver | 110,286 | 21 | 21% |
| | 19,111 | 22 | 22% |
| | 14,708 | 23 | 23% |
| | 5,881 | 24 | 24% |
| | 105,684 | 25 | 25% |
| Total Merit | 886,243 | | |

Question:

- a) Please file an updated to this table based on the current Driver Compliment. Provide in PDF and Excel
- b) Provide a similar Table including a column for the actuarial indicated discount at each merit level.
- c) Provide the table provided in response to SRRP(SAF) 1-13 (b) in Excel.

RESPONSE:

- a) See attachment IR 2-13a.

Note: The numbers include active and inactive drivers.

- b) See IR 1-13 pre-amble or MFR 12 for a similar table. All information on actuarial indicated relativities are provided in those sections.
- c) See attachment IR 2-13c.

SRRP (SAF) 2-14

| | | | |
|--------------------------------------|----------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-19 | Page No.: | |
| Issue: | Historical Expenses | | |
| Topic: | Expenses | | |
| MFR: | 5.2 | | |

Preamble to IR (If Any):

SAF states:

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.

Question:

- a) Please explain the change in the cost allocation methodology in which Non-Insurance Admin was moved to Overhead on Loss Adjusting. Provide detailed calculations on the change
- b) Please provide an updated schedule in SRRP(SAF) 1- 19, including the forecast expense detail for 2025/26, 2026/27 and 2027/28.
- c) Please provide the administrative expense in (b) broken down by cost element and comment on the changes.
- d) Please provide an analysis of the growth in administrative expenses excluding one-time initiative expenditures and comment on the trend relative to inflation on this basis.
- e) Please provide a linear graph of the growth in administrative expenses, administrative expenses excluding initiative expenditures and CPI and comment on the trends since 2014/15.

- f) *Provide a trend analysis for the last five years through the outlook period, including growth in Loss Adjustment Expenses, Administrative Expenses relative to CPI and comment on the trend relative to inflation to 2027/28 on a non-confidential basis.*
- g) Include the years 2019/20 to 2024/25, for administrative expense and the compounded growth for the five-year historical and three-year outlook through 2027/28.
- h) Please provide a columnar table of Administrative Expenses including the amounts included in insurance, non-insurance and re-insurance expense for each of the years

RESPONSE:

- a) The quoted statement in the pre-amble was included in error in the response to IR 1-19. The comment relates to the conversion to IFRS 17, which does not impact the years shown in that response.

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 Transformation 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 IT system modernization project. Starting in 2024-2025, operational costs of the new IT-systems (e.g. annual licensing fees) would have come online and would allocate to insurance related expenses (loss adjusting, underwriting) now that the systems are in use.

- b-h) The costs included in IR 1-19 are the same costs as detailed elsewhere but grouped differently for the purposes of pricing.

| | |
|-------------------------------|---|
| IR 1-19 | Maps to: |
| Loss Adjusting Expense | LAE – External |
| | Loss Adjustment Expense |
| | OH on Loss Adjusting |
| Change in LAE Reserve | LAE – Unpaid & Unreported Direct |
| Administrative Expense | Administrative Expenses |
| | Administrative Expenses - Ceded |
| | Non-Insurance Commission |
| | Auto Fund Programs |
| Salvage | Salvage Expenses (net of Salvage Revenue) |
| Reinsurance | Premiums Written - Ceded |
| Medical Funding | Medical Funding |
| Appeal Commissions | Appeal Commissions Paid Losses (net of change in Appeal Commissions Case Reserve) |
| Safe Driver Recognition Malus | SDR Penalty Revenue |
| Premium Taxes | Premium Taxes |
| Traffic Safety Programs | Traffic Safety Expense |
| Issuer Commissions | Commissions Expense - Direct |
| Short Term Registrations | Short Term Registration |
| Auto Pay | Auto Pay |

The requested information exists in detail previously provided for these mapped expense components. Responses to IRs 1-31, 1-48, 1-50, and others show the extent of what can be provided in terms of cost allocation, history and forecast of expense components, as well as trend analysis.

SRRP (SAF) 2-15

| | | | |
|--------------------------------------|----------------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-20, 1-48e,g | Page No.: | |
| Issue: | Cost Allocation | | |
| Topic: | Cost Allocation Results | | |
| MFR: | 20. Shared Services Costs | | |

Preamble to IR (If Any):

Question:

- a) Please explain how much of traffic safety expense is allocated to SAF in (a) for 2021/22, 2022/23, 2023/24 , 2024/25 and 2025/26. Provide the response to SRRP(SAF) 1-20 in Excel.
- b) Please aggregate the level of spending of each of the insurance expense of SGI competitive lines with SAF. Provide a table of each of total insurance, Total reinsurance, traffic safety and non-insurance expenses on this basis. This is for non-confidential basis.
- c) Please file any accounting external consultant memos or analysis that supports the changes made to the allocation of costs in accordance with IFRS 17.
- d) Please file any analysis prepared by the external consultant or internally on the impact of transition to IFRS 17, including the transitional adjustments to retained earning. Provide the accounting entries.
- e) Please provide an updated SRRP(SAF) 1-48e including all spending on transformation prior to IFRS 17 by year. Add a column for total Transformation Capital Spending and % of total Transformation Capital Spending. Provide in PDF and Excel.
- f) Provide an update table SRRP(SAF) 1-48e including total SAF spending on Transformation by year and in total, the amount allocated to operations and Capital. For public disclosure, please exclude SGI information or percentages.

- g) Please provide the supporting information that supports the allocation account percentages in SRRP(SAF) 1-48g in the 2026/27 summary.
- h) Please review SRRP(SAF) 1-48 g Specific Allocation accounts and correct if REF# error as required. Provide a narrative description of this sheet.

RESPONSE:

- a) All traffic safety expenses are kept with the Auto Fund. Please see the response to IR 2-4c for traffic safety expense amounts for the requested years.
- b) Confidential response was provided to the SRRP and consultants.
- c) There have been no external consultant memos or analysis that support the changes made to the allocation of costs in accordance with IFRS 17.
- d) Please see attached IR 2-15d.
- e) Confidential response was provided to the SRRP and consultants.
- f) Please see attached IR 2-15f.
- g) The annual meetings with every corporate group to review and discuss the 2026/27 cost allocations are currently partially completed. Meeting dates are set based on availability of the Director, Financial Reporting and the VP, Senior Directors and Directors of the applicable group. The following is a list of dates and groups that have had or will have meetings on each date.
 - 1) March 9 - Operational Audit, Risk Compliance, Facilities & Corporate Services
 - 2) March 11 - Manitoba Operations
 - 3) March 13 - Finance Actuary
 - 4) March 20 - Auto Fund Corporate
 - 5) March 23 - Traffic Safety, IT Security, Corporate Claims, Auto Fund Legal
 - 6) March 24 - Business Relationship Management, Experience, Marketing & Communications, Auto Fund Operations
 - 7) March 25 - Corporate Legal
 - 8) March 26 - IT Infrastructure & Operations
 - 9) March 27 - Auto Fund Claims

- 10) March 30 - Product Management, Executive, Board & Stakeholder Relations, Ontario/Coachman Operations
- 11) April 6 - SGI CANADA Legal
- 12) April 7 - Alberta/BC Operations, Finance
- 13) April 8 – Human Resources
- 14) April 10 - Solution Delivery, Data & Pricing
- 15) April 13 - Corporate Strategy
- 16) April 20 - Corporate Business Development
- 17) April 21 - Saskatchewan Operations (SGI)

Once these meetings are complete, any changes to the cost allocations will be put forward to the VP/Corporate Controller for review and approval. Once approved, the allocations will be updated for use starting with the end of April cost allocation process.

- h) The sheet submitted as 1-48 g) is the sheet that is used to conduct and keep information for the annual cost allocation meetings listed above. During each meeting, the Financial Reporting group walks through the allocations that are specific to that group. Discussion occurs and it is decided whether changes to allocations proposed for the upcoming fiscal year. If so, those changes go forward for approval to the VP/Corporate Controller. Only the “2026-27 Summary” sheet was meant to be provided as the response in the current cost allocation methods attachment file for 1-48g, please disregard the Specific Accounts Allocation sheet.

SRRP (SAF) 2-16

| | | | |
|--------------------------------------|-------------------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-29 (f) | Page No.: | |
| Issue: | Capital Management | | |
| Topic: | RSR Balance and MCT Forecast | | |
| MFR: | 15. RSR Balance | | |

Preamble to IR (If Any):

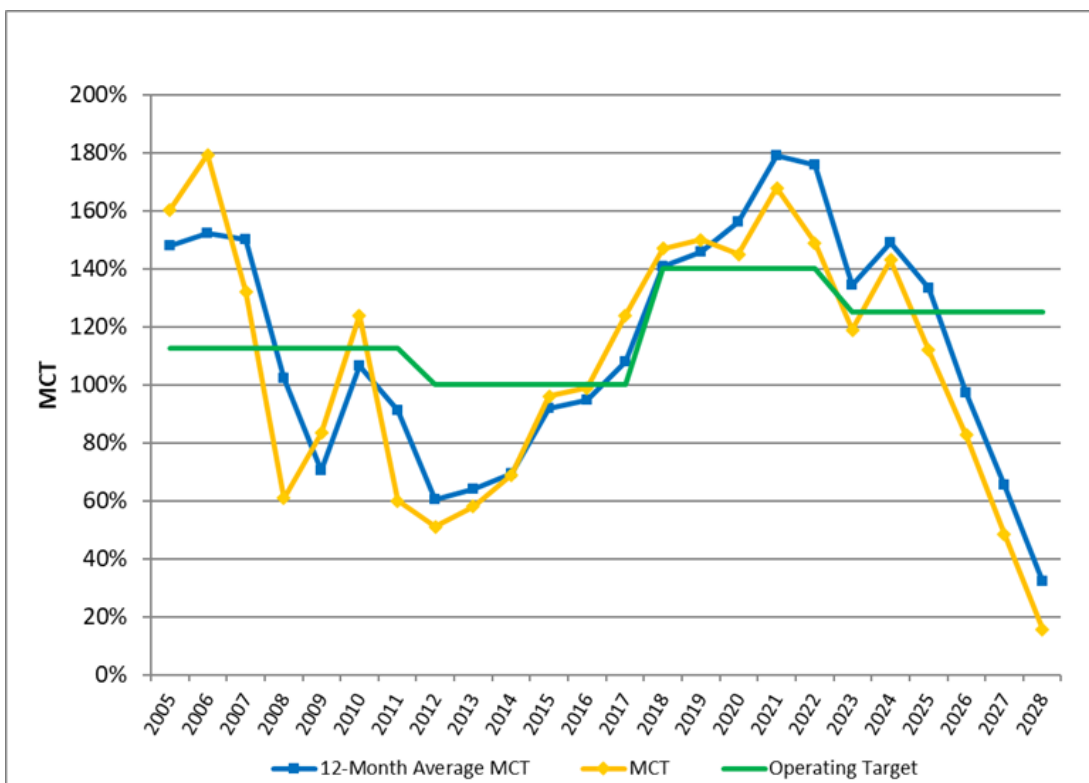
Question:

- a) Please file an updated graph with a new plot including the impact of announced non-rate actions through 2030. Provide in PDF and Excel.
- b) Provide a similar non-confidential version of the graph until the end of 2028 based on the original application. Include a linear trend line. Provide in PDF and Excel.
- c) Provide a similar non-confidential version of the graph with the additional plot in (a) till the end of 2028. Include a linear trend line. Provide in PDF and Excel.

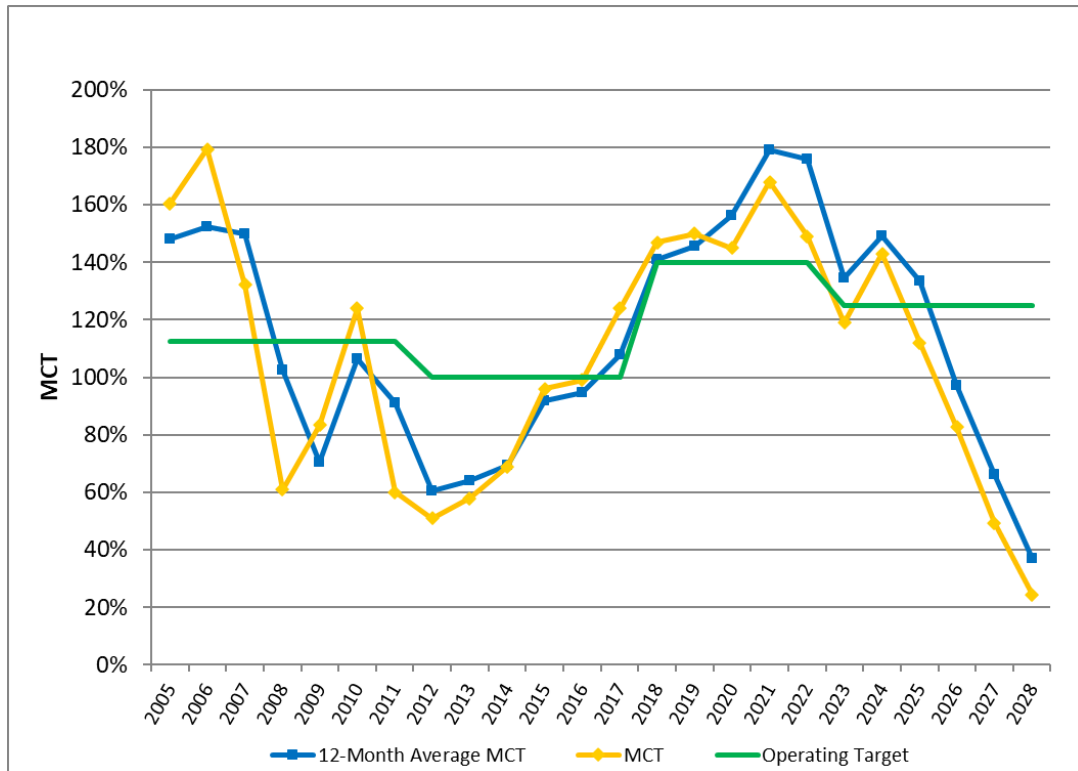
RESPONSE:

Trend lines were not added to the graphs. Because the trend line can vary depending on the selected start and end points, SGI will allow the SRRP to add the trend line as it deems appropriate.

- a) Confidential response was provided to the SRRP and consultants.
- b) The below forecast is based on 2026-27 budget, except assuming rate increases of 3.75% in June 2026, 3.75% in June 2027, and 0% afterwards.



- c) The below forecast is based on 2026-27 budget, except assuming rate increases of 3.75% in June 2026, 3.75% in June 2027, and 0% afterwards. It also includes the impact of deductible increases and additional fee revenues.



SRRP (SAF) 2-17

| | | | |
|--------------------------------------|------------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-29, | Page No.: | |
| Issue: | Capital Management | | |
| Topic: | RSR Balance and MCT Forecast | | |
| MFR: | 15. RSR Balance | | |

Preamble to IR (If Any):

SAF States:

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.

Question:

- a) Please provide a financial forecast scenario that includes a capital build provision in 2026/27 and the 3.75% rate increase in 2027/28. Please provide the financial forecast on that basis until the end of 2027/28, including MCT.
- b) Provide a financial forecast similar to (a) but extend it through the outlook period.
- c) Please provide a financial forecast scenario that includes a capital build provision in 2026/27 and the 3.75% rate increase in 2026/27 and 2027/28. Please provide the financial forecast on that basis until the end of 2027/28 including MCT. Please provide PDF and Excel.
- d) Provide the line graph on SRRP(SAF) 1-29 (f) MCT reflecting the scenario in a) and b) to the end of 2027/28 on a non-confidential basis. Provide a linear trend line. Please provide PDF and Excel.

RESPONSE:

- a) The attached IR 2-17a forecast includes non-rate items (deductible increases and new fee revenues). It assumes a 9.1% capital build increase in 2026/27 and a 3.75% rate increase in 2027/28.
- b) Confidential response was provided to the SRRP and consultants.
- c) The attached IR 2-17c forecast includes non-rate items (deductible increases and new fee revenues). It assumed a 3.75% rate increase as well as a 9.1% capital build increase in 2026/27 and a 3.75% rate increase in 2027/28.
- d) All information to create graphs for MCT has been provided. SGI created a line graph in its original filing and has updated it in IR 2-16. Due to the multiple possible additional line graphs that could be desired, SGI will leave it to the SRRP to create graphs in its ideal format.

SRRP (SAF) 2-18

| | | | |
|--------------------------------------|----------------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) (a) MFR-17 | Page No.: | |
| Issue: | Claims Incurred | | |
| Topic: | Claims Incurred Trend | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

The following information was provided in the 2022 Rate Review

Claims Costs 2016/17 to 2021/22

| Fiscal Year | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22F | 2022 – 2021 | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|--------------------|------|
| <i>(C\$000s)</i> | | | | | | | \$ | % |
| Damage Claims & Liability | 501,240 | 554,860 | 534,092 | 536,983 | 447,904 | 600,414 | 152,510 | 34% |
| Bodily Injury & Liability | 225,969 | 157,416 | 231,312 | 202,813 | 160,904 | 166,591 | 5,687 | 3% |
| Total Claims Incurred | 727,209 | 712,276 | 765,404 | 739,796 | 608,807 | 767,005 | 158,198 | 25% |
| Loss Adjusting Expenses | 70,795 | 75,591 | 129,478 | 149,505 | 176,647 | 163,057 | (13,590) | (7%) |
| Total Claims Costs | 798,005 | 787,866 | 894,882 | 889,301 | 785,454 | 930,062 | 144,608 | 18% |

Question:

- a) Please provide an update to SRRP(SAF) 1-30 (a) based on a financial reporting and forecasting basis. Please provide in PDF and Excel.
- b) Provide a stacked bar graph of claims incurred consistent with fiscal year reported claims in (a) for each of the years 2014/15 through 2024/25, actual and forecast for 2025/26, 2026/27 and 2027/28, consistent with what is reported in the financial forecast in MFR 17. Provide a table of accompanying data. Please also provide in Excel.
- c) Please populate the following table for the years 2019/20 through 2025/26 and provide the results in PDF and Excel.
- d) Provide a narrative description of the trend in claims incurred over the period.

RESPONSE:

- a) See attachment IR 2-18.
- b) See attachment IR 2-18.
- c) See attachment IR 2-18.
- d) There is an increasing trend in claims incurred in the last five years that is expected to continue into the forecast period.

SRRP (SAF) 2-19

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-30 b 2022 Rate Review | Page No.: | |
| Issue: | Claims Incurred | | |
| Topic: | Wildlife Claims | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

The following information was provided in 2022 Rate Review related to wildlife claims.

| Vehicle Class | PPV Four Door | PPV Two Door | PPV All Body Styles | Taxis All Body Styles | Motorcycles Cruiser/Touring | Motorcycles Dual Purpose | Motorcycles Sport | Total |
|------------------------------|------------------|-----------------|---------------------------|-----------------------------|--------------------------------|--------------------------------|----------------------|-----------|
| Claims Incurred (C\$000s) | \$68,796 | 9,437 | 359,062 | 722 | 688 | 32 | 55 | \$438,791 |
| Claim Count | 17,451 | 2,848 | 75,241 | 178 | 96 | 7 | 15 | 95,866 |
| 5 Year Average Severity | \$3,942 | \$3,314 | \$4,772 | \$4,053 | \$7,163 | \$4,601 | \$3,670 | |

Wildlife Claims Average Severity 2016/17 to 2020/21

| Fiscal Year (C\$) | PPV Four Door | PPV Two Door | PPV All Body Styles | Taxis All Body Styles | Motorcycles Cruiser/Touring | Motorcycles Dual Purpose | Motorcycles Sport |
|-------------------|------------------|-----------------|---------------------------|-----------------------------|--------------------------------|-----------------------------|----------------------|
| 2016/17 | 3,639 | 3,129 | 4,412 | 3,680 | 7,078 | - | 2,794 |
| 2017/18 | 3,863 | 3,290 | 4,606 | 4,408 | 6,617 | - | 2,100 |
| 2018/19 | 4,145 | 3,236 | 4,943 | 5,210 | 7,024 | 4,962 | 5,828 |
| 2019/20 | 4,123 | 3,492 | 5,157 | 3,651 | 9,082 | 3,895 | 4,090 |
| 2020/21 | 3,923 | 3,268 | 4,691 | 3,200 | 6,190 | 4,571 | 200 |

Question:

- a) Please supplement the information provided in SRRP(SAF) 1-30 b by determining the severity of wildlife claims by vehicle type and comment on the differences in severity relative to overall claims severity.
- b) Please provide the following above information in tabular format

RESPONSE:

- a) Wildlife claim severity appears to be higher than the overall severity, though wildlife vs. non-wildlife severity has not been specifically studied.
- b) The tables are below. Note that this data excludes any development or loss adjustments that occur as part of the rate indication process:

| Vehicle Class | PPV Four Door | PPV Two Door | PPV - All Other Body Styles | Taxis - All Body Styles | Motorcycles Cruiser/Touring | Motorcycles Dual Purpose | Motorcycles Sport | Total |
|-------------------------|---------------|--------------|-----------------------------|-------------------------|-----------------------------|--------------------------|-------------------|-----------|
| Claims Incurred (000s) | \$72,461 | \$8,351 | \$368,691 | \$1,321 | \$647 | \$41 | \$34 | \$451,546 |
| Claim Count | 14,846 | 2,065 | 59,421 | 202 | 87 | 10 | 8 | 76,639 |
| 5 Year Average Severity | \$4,881 | \$4,044 | \$6,205 | \$6,538 | \$7,439 | \$4,117 | \$4,272 | \$5,892 |

| Fiscal Year | PPV Four Door | PPV Two Door | PPV - All Other Body Styles | Taxis - All Body Styles | Motorcycles Cruiser/Touring | Motorcycles Dual Purpose | Motorcycles Sport | Total |
|-------------|---------------|--------------|-----------------------------|-------------------------|-----------------------------|--------------------------|-------------------|---------|
| 2020/21 | \$4,090 | \$3,570 | \$5,522 | \$4,117 | \$6,661 | \$4,571 | \$200 | \$5,153 |
| 2021/22 | \$4,409 | \$3,604 | \$5,986 | \$5,594 | \$7,368 | \$2,778 | \$4,022 | \$5,584 |
| 2022/23 | \$5,234 | \$4,303 | \$6,718 | \$6,724 | \$7,439 | \$2,732 | \$2,399 | \$6,373 |
| 2023/24 | \$5,812 | \$4,799 | \$7,138 | \$8,000 | \$7,771 | \$8,561 | \$6,358 | \$6,833 |
| 2024/25 | \$5,089 | \$4,322 | \$5,675 | \$7,611 | \$8,209 | \$3,044 | \$5,409 | \$5,556 |

SRRP (SAF) 2-20

| | | | |
|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-35 | Page No.: | |
| Issue: | General | | |
| Topic: | Ratepayer Stakeholder Consultations – Taxicab | | |
| MFR: | 5 | | |

Preamble to IR (If Any):

Question:

- a) Please update the table in response to (b) including the Collision Damage for Urban Taxi and the average damage per claim and compare that with PPV average damage per claim in eaf of the years.
- b) Please provide graphs and tables of supporting data for Collision, Damage and Medical, costs incurred each year for Urban Taxis for 2017 to 2025
- c) Please provide graphs and tables of supporting data for Collision, Damage and Medical, costs incurred each year for Motorcycles for 2017 to 2025

RESPONSE:

- a) Please see attached exhibit IR 2-20a. The average severity of Urban Taxi and PPV collision claims is presented. In recent years, taxi claim severity is rising above PPV claim severity. Note that the data provided here is consistent with the rate indication work and accounts for at-fault claim assignments to vehicle class, loss development and other rating adjustments.

- b) The table of collision and medical costs is provided in the attached exhibit IR 2-20b.

- c) The table of collision, medical, permanent impairment, care, and income replacement benefit costs is provided in the attached exhibit IR 2-20c. Notably, the collision costs are relatively low, whereas the injury costs are significant in this class, which demonstrates why injury costs are on average 75-80% of the indicated pure premium for this class.

SRRP (SAF) 2-21

| | | | |
|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-40 a,b | Page No.: | |
| Issue: | Operating and Administrative Expenses | | |
| Topic: | SAF staff level changes | | |
| MFR: | 18. | | |

Preamble to IR (If Any):

Question:

- a) Please confirm that there has been no change in how FTE is determined from the 2022 Rate Review. If possible, please disclose the methodology on a non-confidential basis.
- b) Please explain why SAF FTE staffing levels are considered confidential information.
- c) Please provide a line graph and table of data points for SAF FTE in-scope and out of scope for each of the years 2014/15 through 2025/26 and explain the changes. Provide the compound growth rate from 2014/15 to 2025/26 (ten years) and the compound growth from 2024/25 to 2027/28 (forecast)

RESPONSE:

- a) There have been no changes in how the FTEs have been determined since the 2022 rate review; however, since 2023, Salvage is part of the FTE calculation for SAF.

Auto Fund FTEs are calculated as follows:

- Auto Fund Division: 100% of FTEs are attributed to the Auto Fund.
- All other divisions (support areas): FTEs supporting the Auto Fund are determined based on Actual FTEs and cost allocation percentages, as established by Finance at the departmental level.

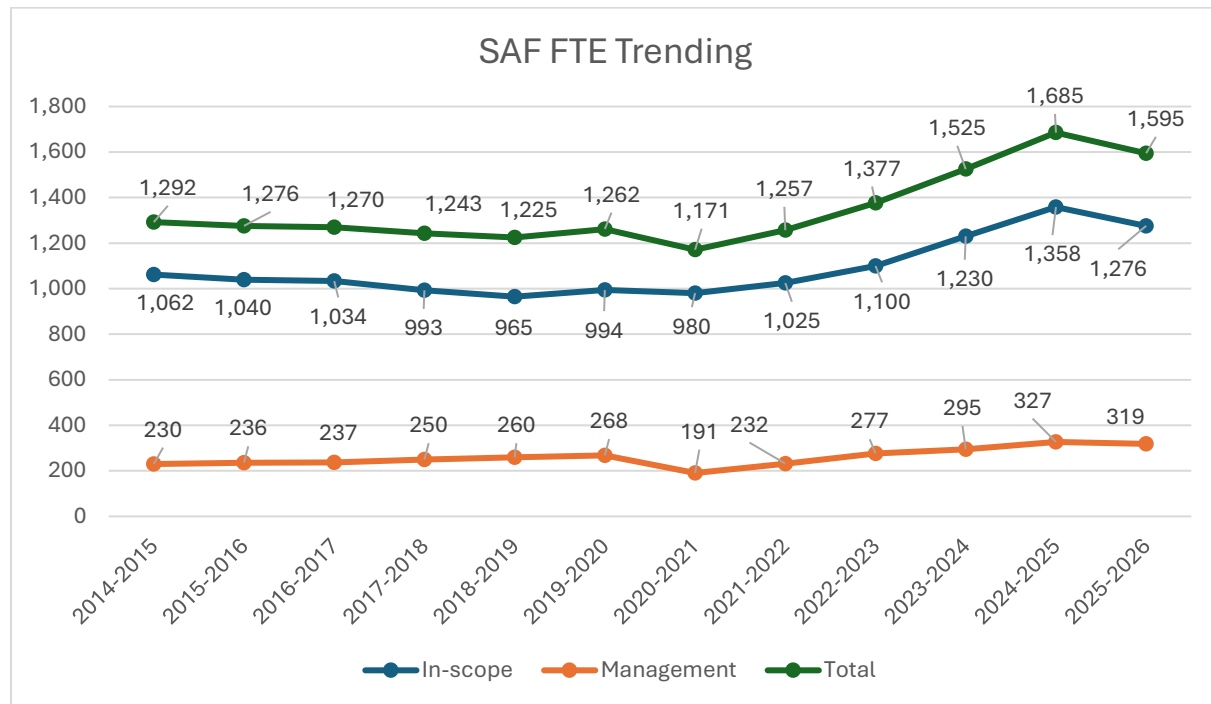
The determination of in-scope versus out-of-scope FTEs for budgeting and projection purposes was calculated by applying the overall company percentages to the Auto Fund FTEs. We have updated this calculation in the response to part b) to more accurately apply the SAF in-scope versus out-of-scope percentage to the Auto Fund FTEs.

Cost allocation is the process of distributing shared or indirect costs across different business areas based on their level of usage or benefit. It ensures that each division is assigned a fair and proportionate share of costs that support the broader organization but are not directly tied to a single function.

Finance establishes allocation percentages using defined drivers (such as time spent, volume of work, or level of service provided). These percentages are then applied to determine how much of a shared resource—such as FTEs in support functions—is attributed to a specific area, such as the Auto Fund.

- b) The response for 1-40 included FTE counts for both SAF and SGIC combined and was considered confidential for that reason. The SAF-specific FTEs are not confidential and have been provided in Minimum Filing Requirement (MFR) 18, which contained the same SAF information as 1-40 and the answer to question c) below.

c)



| | | | | | | | | | | | | Budget |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fiscal Year | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 |
| In-scope | 1,062 | 1,040 | 1,034 | 993 | 965 | 994 | 980 | 1,025 | 1,100 | 1,230 | 1,358 | 1,276 |
| Management | 230 | 236 | 237 | 250 | 260 | 268 | 191 | 232 | 277 | 295 | 327 | 319 |
| Total | 1,292 | 1,276 | 1,270 | 1,243 | 1,225 | 1,262 | 1,171 | 1,257 | 1,377 | 1,525 | 1,685 | 1,595 |

- Note that out-of-scope and in-scope FTEs quoted here differ from the FTEs quoted in the response to IR 2-28. See the footnote in IR 2-28 for details.

- Explanation of the FTE changes:
 - In 2023, existing Salvage division FTEs were included in SAF reporting.
 - 2023-2026 FTE growth is attributable to regular business growth and temporary IT system modernization support. SAF begins transitioning out of the system modernization project in 2025/26.
 - 2023-2026 FTE growth is attributable to regular business growth and temporary IT system modernization support. SAF begins transitioning out of the system modernization project in 2025/26.
- The compound growth rate from 2014/15 to 2025/26 is 1.93%.
- The forecasted compound growth rate from 2024/25 to 2027/28 is -2.53%.

SRRP (SAF) 2-22

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-41c | Page No.: | |
| Issue: | Capital, Operating and Administrative Expenses | | |
| Topic: | Issuer Fees | | |
| MFR: | 17. Financial Information | | |

Preamble to IR (If Any):

Question:

- a) Provide an updated Issuers fee schedule at an aggregate level for non-confidential disclosure through the test years addressed in this rate review.
- b) Please indicate the actual and assumed number of online versus in-office transactions in each year of the table provided in SRRP (SAF) 1-41c and the relative mix of transactions and explain the trend and how it may be factored into the forecast for 2025/26 and 2026/27 and 2027/28.
- c) Please discuss how SAF’s digital transformation is expected to influence the mix in the number of online versus in-office transactions. Please indicate whether the forecast in (b) reflects the post-CT project environment trend.
- d) Please confirm that all fees collected or paid to Brokers related to SAF services remain in SAF.

RESPONSE:

- a) Remuneration rates at an aggregate level for in-office and online transactions:

| | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 |
|-----------------------|------------|------------|-------------|-------------|-------------|
| Customer Transactions | \$0 to \$2 | \$0 to \$2 | \$0 to \$15 | \$0 to \$15 | \$0 to \$15 |
| Driver Transactions | \$0 to \$9 | \$0 to \$9 | \$0 to \$15 | \$0 to \$15 | \$0 to \$15 |
| Vehicle Transactions* | \$0 to \$5 | \$0 to \$5 | \$0 to \$10 | \$0 to \$10 | \$0 to \$10 |

* Registration commission is a percentage of the insurance premium

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

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

- d) All issuer fees (i.e. remuneration and commissions) are paid to motor licence issuers (who may also be a broker), out of the SAF.

All fees collected by issuers in relation to Auto Fund products and services are retained within the Auto Fund. The only exception is where fees are collected on behalf of the Government of Saskatchewan, such as tax, registration and licensing fees, in which case those amounts are remitted accordingly.

None of the fees or costs are allocated to SGI CANADA or its subsidiaries.

SRRP (SAF) 2-23

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-45, | Page No.: | |
| 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) If available, please provide the comparison of 2025/26 actual vs forecast detail of overall net investment income by component including the detail of investment expenses.
- b) Please provide a breakdown of the net investment earnings for Q4 2026 by component and compare with that budgeted for the Quarter and comment on the variance.
- c) Please comment if there has been any change in investment outlook for 2026/27 as a result of current events and result set out in (b).

RESPONSE:

- a) The comparison of actual vs. forecast investment income by component for the 2025/26 period up to Dec. 31, 2025, is as follows:

| Asset Class | Actual | Budget | Variance |
|---------------------------------|----------|---------|----------|
| <u>Matching Portfolio</u> | | | |
| Short-term | \$ 1,477 | \$ 635 | \$ 842 |
| Bonds | (5,007) | 6,597 | (11,604) |
| Mortgages | 11,150 | 9,303 | 1,847 |
| Long-term Private debt | 104 | - | 104 |
| | 7,723 | 16,535 | (8,812) |
| <u>Return Seeking Portfolio</u> | | | |
| Canadian equities | 20,108 | 2,519 | 17,589 |
| Global equities | 79,358 | 17,199 | 62,159 |
| Global low vol equities | - | 6,913 | (6,913) |
| Global small cap equities | 28,486 | 8,568 | 19,918 |
| Real estate | (3,000) | 9,315 | (12,315) |
| Infrastructure | 28,866 | 20,096 | 8,770 |
| Sask-based Opportunistic | 703 | 824 | (121) |
| Return Seeking Bonds | 1,414 | 2,952 | (1,538) |
| | 155,936 | 68,386 | 87,550 |
| Requested income | - | 13,500 | (13,500) |
| Investment expenses | (9,584) | (7,837) | (1,747) |
| Total Investment Earnings | 154,076 | 90,584 | 63,492 |

Investment expenses consist primarily of investment management fees (investment services), with relatively small balances for custodial fees and investment consultant services.

- b) The Q4 2026 investment earnings are not expected to be finalized until the financial statements are completed in May 2026. The quarter-to-date return on the target benchmark asset mix as at March 20, 2026, is estimated at -0.4%, translating to an estimated \$13 million loss for the quarter. Actual returns may deviate from this estimate based on individual manager performance and allocations that differ from the benchmark portfolio.
- c) There has been no change in the investment outlook for 2026/27, but management is carefully monitoring volatility in investment markets and will evaluate whether adjustments to estimates are warranted.

SRRP (SAF) 2-24

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-46 | Page No.: | |
| Issue: | Investment Strategy and Income | | |
| Topic: | Investment Management | | |
| MFR: | 16. Statement of Investment Polices and Goals & Asset Return Summary | | |

Preamble to IR (If Any):

SAF indicate changes to its portfolio composition for its return seeking portfolio.

| 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> |

Question:

- a) Please describe the optimization process followed by SAF behind the changing asset mix to get its portfolio on the efficient frontier.
- b) Please discuss how the target percentage of investments would have to change to achieve the efficient frontier.
- c) Please explain what asset classes provide inflation protection and provide any analysis on inflation risk that is prepared by SAF or on its behalf.
- d) Please discuss the merits of investing in Real Return Bonds to provide investment protection.
- e) Please provide a table that demonstrates the change in fair value of its investment portfolio relative to changes in claims liabilities and indicate the impact on net income in each of the last five fiscal years, and forecast for 2025/26 based on actual changes for the year and forecast for 2026/27 and 2027/28.

RESPONSE:

- a) SAF's asset mix changes are informed by the forward-looking portfolio optimization. The analysis simulates 5,000 capital market scenarios over a 10-year horizon, generates thousands of candidate portfolios, and plots each portfolio's risk/reward using downside risk versus the 10-year annualized expected return. An efficient frontier is then identified and used to highlight portfolios with the highest expected return for a given downside risk (or lowest downside risk for a given return). Management then interprets the results with implementation, liquidity, governance and fund-specific constraints in mind, recognizing that many near-frontier portfolios may be more actionable than the mathematically "most efficient" point, to guide target policy asset mix updates.

It is important to note that management does not intend to adopt portfolios that sit precisely on the efficient frontier at a single point in time. Instead, the approach is to guide the portfolio toward greater efficiency and improved outcomes over time, acknowledging that significant shifts in portfolio composition are typically not feasible in the short term due to liquidity, governance and implementation constraints. The preference is to pursue a gradual, long-term strategy that aligns the portfolio with the desired strategic objectives, balancing practical considerations with the goal of enhanced long-term performance.

- b) Based on the optimization results, moving the Auto Fund toward the efficient frontier generally requires shifting target weights away from less-favoured or higher-volatility exposures (notably Canadian equities and, more broadly, total equities and Canadian real estate) and reallocating toward diversifying return-seeking asset classes that the model consistently prefers (infrastructure, return-seeking bonds, and private credit), while also considering the total portfolio liability driven investing (LDI) allocation.

Illustratively, increasing the LDI allocation from approximately 52.5% to 55.0% (funded by a corresponding reduction in return-seeking assets), while also rebalancing within the return seeking sleeve to improve efficiency. Relative to current target weights, the LDI 55 portfolio reduces total public equities (eliminating Canadian equities and lowering global equity weights overall), increases liquid return-seeking bonds (from 4.5% to about 7.5%), introduces an allocation to private credit (staged from ~2.5% in the interim portfolio to 6.0% in the final portfolio), modestly increases infrastructure (from ~12% to ~14%), and reduces Canadian real estate (from ~6% to ~3% interim and 0% in the final portfolio).

- c) Inflation poses a risk to the long-term purchasing power of portfolio assets, and no single asset class provides complete protection across all inflationary environments. Asset classes providing inflation protection in a diversified portfolio include:
- Real Return Bonds – Principal and interest payments adjust with inflation, providing direct and contractual protection against rising price levels.
 - Real Estate – Rental income and property values tend to increase with inflation over time, supported by rising replacement costs and lease resets.
 - Infrastructure – Revenues are often contractually or regulatorily linked to inflation, supporting stable, inflation-indexed cash flows.
 - Equities (Public and Private) – Companies can adjust pricing and earnings over time, allowing long-term returns to partially offset inflation.
 - Commodities – Commodity prices often rise during inflationary periods but are volatile and typically used as a complementary hedge.
 - Floating-Rate and Short-Duration Fixed Income – Coupons reset with interest rates, reducing sensitivity to inflation-driven increases in yields.

The Auto Fund helps hedge inflation risk primarily through a diversified mix of asset classes whose values and cash flows tend to adjust as prices rise. Real assets such as infrastructure and real estate help preserve purchasing power through inflation-sensitive income streams. In addition, growth-oriented public and private equities can pass through higher costs over time, supporting real returns, while the Auto Fund's fixed income positioning, particularly floating-rate and short-term corporate bonds held within the LDI matching portfolio, can help reduce sensitivity to inflation-driven increases in interest rates and support near-term reinvestment at higher yields. Together, these exposures reduce reliance on any single inflation outcome and improve the likelihood that portfolio returns keep pace with inflation over the long term.

A specific, asset-side inflation sensitivity analysis for the Auto Fund has not been produced. Inflation is only one of several key risks managed within the Auto Fund's broader diversification framework, alongside risks such as interest rates, credit, equity, liquidity, and liability-related exposures.

- d) Real Return Bonds (RRBs) have historically been a direct and effective inflation-hedging tool because both principal and coupon payments are indexed to the Consumer Price Index (CPI), allowing investors to lock in a real (inflation-adjusted) yield if held to maturity. As Government of Canada obligations, they also provide high credit quality and can diversify nominal fixed income by reducing exposure to unexpected inflation and can improve alignment where liabilities are explicitly inflation-sensitive.

The practical merits of RRBs for Canadian investors have diminished because the federal government effectively discontinued the Canadian RRB program in 2022. As a result, investors can generally only access RRBs through the secondary market, where reduced new supply can contribute to thinner liquidity, wider bid-ask spreads, and higher transaction costs, particularly for larger allocations.

The Auto Fund could examine the use of U.S. Treasury Inflation-Protected Securities (TIPS) which could potentially provide an inflation linkage, but they introduce material basis risk for a Canadian denominated liability profile. TIPS are indexed to U.S. CPI, which may not move in line with Canadian CPI, and the inflation sensitivity of Auto Fund liabilities may differ from broad CPI measures due to the specific drivers of claims costs over time. In addition, because TIPS are USD-denominated, using them as an inflation hedge would typically require foreign exchange hedging back to CAD to avoid adding uncompensated currency volatility and a foreign exchange overlay adds cost and complexity that could dilute the effectiveness of the intended inflation hedge.

- e) The table below demonstrates how the fair value of the Auto Fund's fixed income (matching portfolio) has changed relative to claims liabilities over the past five fiscal years and the forecast period. Note that the investment portfolio was adjusted to its new key rate duration matching approach starting in December 2023 to achieve a better interest rate hedge post-IFRS 17.

| Matching Result | Actual (\$m) | | | | | Forecast (\$m) | | |
|-----------------|--------------|----------|----------|----------|---------|----------------|---------|---------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Liabilities | 5,832 | 83,554 | 77,701 | 12,017 | 58,003 | 8,737 | 12,516 | - |
| Assets | - 12,241 | - 77,048 | - 46,661 | - 44,552 | 40,812 | - 7,346 | - 9,333 | 1,761 |
| Difference | - 6,409 | 6,505 | 31,040 | 32,535 | 17,190 | 1,391 | 3,183 | 1,761 |

SRRP (SAF) 2-25

| | | | |
|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-52 SRRP (SAF) 2-38 (2022 Review) | Page No.: | |
| Issue: | Traffic Safety | | |
| Topic: | Traffic Safety Programs | | |
| MFR: | 14 | | |

Preamble to IR (If Any):

Question:

- a) Please provide an update to tables in SRRP(SAF) 2-38 from the 2022 Rate Review , adding data for years 2021 to 2025. File the information on a non confidential basis.

- b) File an update to table Impact of SGI outcomes including an additional column for 2020 to 2025. File the information on a non confidential basis.

RESPONSE:

a)

| Year | Collisions | Injuries | Fatalities |
|------|------------|----------|------------|
| 2009 | 30,615 | 6,886 | 153 |
| 2010 | 29,004 | 6,542 | 167 |
| 2011 | 29,677 | 6,883 | 150 |
| 2012 | 30,231 | 7,333 | 183 |
| 2013 | 31,755 | 7,036 | 139 |
| 2014 | 27,637 | 5,822 | 130 |
| 2015 | 27,876 | 5,574 | 121 |
| 2016 | 29,015 | 5,768 | 125 |
| 2017 | 29,040 | 4,618 | 100 |
| 2018 | 29,045 | 4,245 | 129 |
| 2019 | 28,893 | 4,244 | 71 |
| 2020 | 24,256 | 3,631 | 87 |
| 2021 | 24,387 | 4,582 | 87 |
| 2022 | 29,984 | 5,745 | 103 |
| 2023 | 28,238 | 5,391 | 92 |
| 2024 | 30,304 | 5,366 | 108 |

b)

| Collisions and Victims | Baseline Average (2009-2013) | Average Following Implementation (2018 - 2020) | Change | Percent Change | Average Following Implementation (2021 - 2024) | Change | Percent Change |
|-------------------------|------------------------------|--|--------|----------------|--|--------|----------------|
| Total Collisions | 30,256 | 27,398 | -2,858 | -9% | 28,228 | -2,028 | -7% |
| Fatalities | 158 | 96 | -62 | -39% | 98 | -60 | -38% |
| Injuries | 6,936 | 4,040 | -2,896 | -42% | 5,271 | -1,665 | -24% |

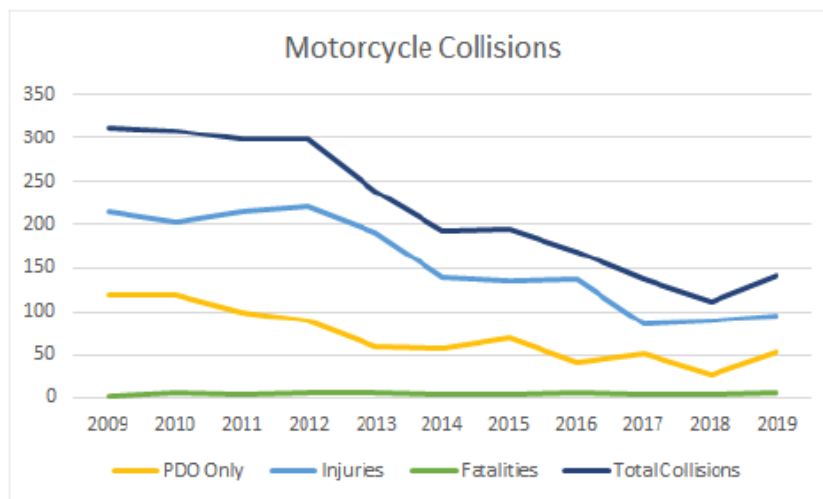
SRRP (SAF) 2-26

| | | | |
|--------------------------------------|---------------------------------|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-54 (c) (d) (e) | Page No.: | |
| Issue: | Claims Incurred | | |
| Topic: | Motorcycle Claims & Taxi Claims | | |
| MFR: | | | |

Preamble to IR (If Any):

At the 2022 Review motorcycle collision information was provided.

Motorcycle Collisions 2009 to 2019



Question:

- a) Provide a separate table in (b) for total taxi claims.
- b) Please provide separate tables in (c) for claims under \$1 million and for all claims.
- c) Please recreate the graph provided in the preamble adding years 2021 to 2026 and comment on the trend. Provide in PDF and Excel
- d) Please provide a table of motorcycle collisions multi-vehicle and single vehicle for the years 2020 to 2025 include the number of claims, relative percentage collision responsibility of Rider not at fault, rider 50% or more at fault, rider less than 50% at fault and total.
- e) Provide a similar table for urban taxis.

RESPONSE:

- a) The data is provided below. Please note that this is on an incurred basis, not ultimate. It is also worth noting that because of the requested categorization the data is fundamentally different from the indication work even though the source of the data is the same. Our indication work includes at-fault logic, claim development, and other rating factors and without bringing through single vehicle fields through the same process it is difficult to reconcile the two perspectives.

| Fiscal Year | Total Claims | Single Vehicle Collisions |
|-------------|--------------|---------------------------|
| 2015 | \$1,574,972 | \$196,969 |
| 2016 | \$2,206,508 | \$808,785 |
| 2017 | \$2,075,091 | \$341,875 |
| 2018 | \$1,904,639 | \$658,229 |
| 2019 | \$2,236,963 | \$374,865 |
| 2020 | \$2,272,259 | \$558,705 |
| 2021 | \$1,147,299 | \$292,417 |
| 2022 | \$2,009,692 | \$504,995 |
| 2023 | \$2,039,999 | \$708,155 |
| 2024 | \$2,367,058 | \$760,630 |
| 2025 | \$2,379,320 | \$677,848 |

b) For claims under \$1 million, the data is as follows:

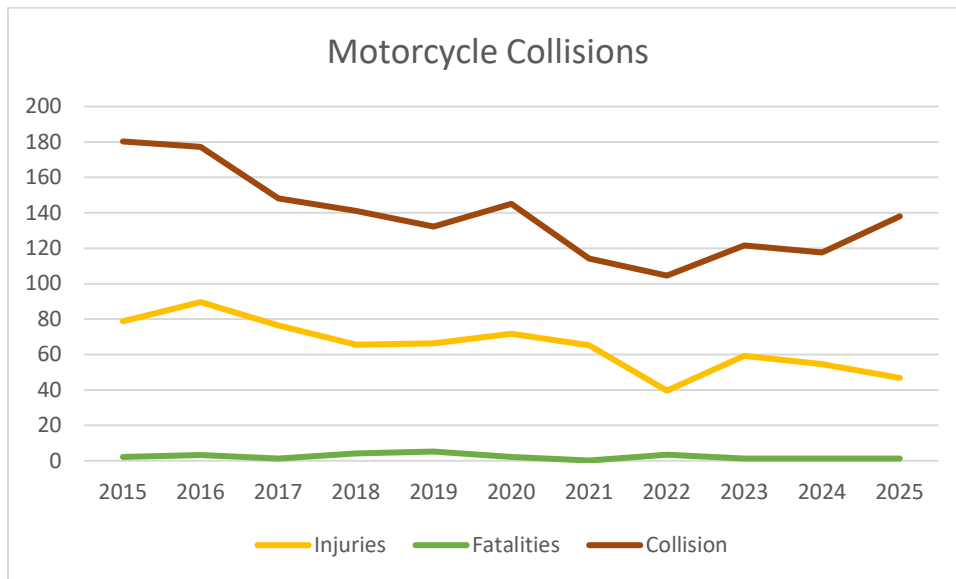
| Year | Incurred | | Trended/Adjusted | |
|------|----------|-----------------|------------------|-----------------|
| | Claims | Incurred Amount | Claims | Adjusted Amount |
| 2017 | 83 | \$3,431,446 | 83 | \$5,425,219 |
| 2018 | 68 | \$3,606,970 | 68 | \$4,890,314 |
| 2019 | 72 | \$5,438,837 | 71 | \$5,835,339 |
| 2020 | 79 | \$4,555,519 | 79 | \$5,961,680 |
| 2021 | 55 | \$2,817,976 | 55 | \$3,519,200 |
| 2022 | 48 | \$3,251,181 | 48 | \$3,672,296 |
| 2023 | 62 | \$4,259,051 | 62 | \$4,670,131 |
| 2024 | 66 | \$3,298,144 | 66 | \$3,484,716 |
| 2025 | 47 | \$4,082,964 | 47 | \$4,093,047 |

For total claims, the data is as follows:

| Year | Incurred | | Trended/Adjusted | |
|------|----------|-------------|------------------|-----------------|
| | Claims | Amount | Claims | Adjusted Amount |
| 2017 | 83 | \$3,431,446 | 83 | \$5,425,219 |
| 2018 | 71 | \$5,668,500 | 71 | \$7,510,213 |
| 2019 | 74 | \$6,768,263 | 74 | \$9,008,959 |
| 2020 | 81 | \$7,196,394 | 81 | \$9,582,357 |
| 2021 | 56 | \$4,290,451 | 56 | \$5,341,222 |
| 2022 | 48 | \$3,251,181 | 48 | \$3,672,296 |
| 2023 | 65 | \$6,543,730 | 65 | \$7,181,128 |
| 2024 | 68 | \$5,538,467 | 68 | \$5,815,018 |
| 2025 | 47 | \$4,082,964 | 47 | \$4,093,047 |

c) The chart is provided below. For this chart, the data generated through the Actuarial indication for claims assigned to the motorcycle class was utilized, as opposed to the traffic safety data that was presented in the past. As a result, there is no proxy for property damage only (PDO), as this is not something that the indication utilizes. Presenting the information utilizing the indication data allows it to match what is being presented in the rate proposal.

Due to the change in data used, the numbers on this chart are different than what was previously provided; however, the pattern and trends remain the same. In addition, only 11 years of data are provided, as this is what is utilized in indication work.



d) This data is available separately (provided in IR 1-35 and MFR 12), but as this data comes from two differently queried datasets, SAF is unable to provide the combined data as requested.

e) Please see answer to part d.

SRRP (SAF) 2-27

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-54 | Page No.: | |
| Issue: | Claims Incurred | | |
| Topic: | Motorcycle Claims/ Capping of large losses | | |
| MFR: | | | |

Preamble to IR (If Any):

Manitoba Public Insurance Corporation (MPI) has implemented the following rules in the allocation of claims incurred.

“a) In any accident involving only MPI-insured vehicles (one or more) and no other injured party, total PIPP costs are to be allocated equally (per vehicle) across the rating categories to which those vehicles belong;

and

(b) In any accident involving one or more MPI-insured vehicles and (i) one or more unidentified hit-and-run offenders, or (ii) another injured party or parties (including cyclists, pedestrians, and occupant (of out-of-province vehicles), 50% of total PIPP costs are to be allocated equally (per MPI-insured vehicle) across the rating categories to which the MPI- insured vehicles belong, and the remaining 50% of total PIPP costs are to be effectively allocated across all vehicle rating categories. “

[Order 97/05 pg. 56]

In the Manitoba Public Utilities Board (PUB) Order 122/10, the PUB approved a modification of the above rule.

“The loss attribution rules provided in Board Order 97/05 for single vehicle accidents involving pedestrians and cyclists are hereby amended to include wildlife/livestock related Accidents”.

Question:

Please indicate whether SAF has considered such an approach for its upcoming consultation.

RESPONSE:

For the actuarial rate analysis, claims are assigned to vehicle classes based on vehicle collision responsibility (fault). If a vehicle was involved in a collision (single or multi-vehicle) and there is no other vehicle deemed at fault to allocate costs to, then all claim costs remain with the vehicle for rating purposes. This includes wildlife collisions.

SGL is open to discussing options or alternatives as part of the upcoming consultations.

SRRP (SAF) 2-28

| | | | |
|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-58 | 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):

This information was presented in comparison with MPI and ICBC. They represent internal measures or KPIs typically tracked by Insurance companies.

| Line | | SGI |
|------|--|-----------|
| No. | Performance Measurement | Auto Fund |
| 1 | Headcount Analysis | |
| 2 | 1. FTEs per \$100 Million of Gross Premiums Written | |
| 3 | 2. Mgmt FTEs per \$100 Million of Gross Premiums Written | |
| 4 | 3. Staff FTEs per \$100 Million of Gross Premiums Written | |
| 5 | Span of Control Analysis | |
| 6 | 4. Ratio of Staff to Management | |
| 7 | Premium Metrics | |
| 8 | 5. Total Gross Expenses as a % of Gross Premiums Written | % |
| 9 | 6. Average Gross Premiums Written (000's) | |
| 10 | 7. Gross Premiums Written per FTE | |
| 11 | 8. Gross Premiums Written Growth | |
| 12 | 9. Net Premiums Written as a % of Gross Premiums Written | |
| 13 | 10. Total Net Expenses as a % of Net Premiums Written | |
| 14 | Policy Metrics | |
| 15 | 11. Adjusted Policies In Force per FTE | |
| 16 | 12. Total Gross Expenses per Adjusted Policy In Force | |
| 17 | Traffic Safety Measurements | |
| 18 | 13. Total Traffic Safety Expenses (000's) | |
| 19 | 14. Total Traffic Safety Expenses as a % of Gross Premiums Written | |
| 20 | Other Performance Measurements | |

| | |
|----|--|
| 21 | 15. Pure Loss Ratio |
| 22 | 16. Loss Adjustment Expense Ratio |
| 23 | 17. Total Gross Expenses per FTE |

Question:

- a) Please provide a five-year history of the above SAF specific operating metrics as set out above and comment on any trends. Please also include the Claims Cost per claims employee.
- b) Please provide a dashboard of operating statistics used by SAF, for the last five years and forecast for 2025/26 to 2027/28; key metrics on operations, including the compound annual growth for the historical period and for the 2025/26 to 2027/28 period.
- c) For each of the measures please comment on the measure , what It represents and how to interpret the trend.
- d) Please provide a detailed discussion of other operational KPI's under development or used currently to track performance.

RESPONSE:

- a) See attachment IR 2-28a.
- b) Confidential response was provided to the SRRP and consultants.
- c) Confidential response was provided to the SRRP and consultants.
- d) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 2-29

| | | | |
|--------------------------------------|---|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-59,1-60, | Page No.: | |
| Issue: | Capital Improvement Spending Plans | | |
| Topic: | 2025/26 to 2029/30 Capital Plans | | |
| MFR: | 4. Corporate Strategy ,23. Capital Improvement Spending Plans | | |

Preamble to IR (If Any):

Question:

- a) Please indicate what the policy is for SAF related to the preparation and approval of business cases for capital projects.
- b) Please explain why Capital Projects are considered confidential.
- c) Please explain the status of each project, including reasons for the change in status if any.

RESPONSE:

- a) The budget for capital projects is reviewed and approved as part of the annual budget process. The following criteria and guidance are shared with business areas to assist in determining when a business case is required:
 - Any new building construction (include land costs in the business case)
 - Any projects over \$1M
 - Office renovations more than \$500,000
 - Similar projects in multiple locations that are above the threshold in total (e.g. solar panel installation)
 - Items that are part of an annual refresh (e.g., furniture, laptops) do not require a business case

- b) Capital budgets including projects that have not been approved and announced through Government's formal budget process are considered confidential. Releasing capital project budgets prior to official budget approval may create false expectations among vendors or potentially impact prices and negotiations.
- c) Confidential response was provided to the SRRP and consultants.

SRRP (SAF) 2-30

| | | | |
|--------------------------------------|--|------------------|--|
| Application Part and Chapter: | SRRP (SAF) 1-61, 1-63 (c) SRRP (SAF) 1-83(c) & (d) 2021 Rate Review SRRP (SAF) I-63 | Page No.: | |
| Issue: | Capital Expenditures and Major Projects | | |
| Topic: | SGI Transformation Business Case | | |
| MFR: | 25. SGI Transformation Business Case | | |

Preamble to IR (If Any):

Question:

- a) Please update SRRP(SAF) 1-83(c) from the 2021 Rate Review
- b) Provide a comparison of SRRP(SAF) 1-83(c) from the 2022 Rate review with actual and updated forecast in (a) and comment on changes.
- c) Provide a comparison on non-confidential basis of the SAF allocated transformation spending forecast at the 2021 review and that currently forecast.
- d) Provide a breakdown of the totals in (c) of the SAF allocated expenditures capitalized versus expenses, in each of the years.
- e) Please update SRRP(SAF) 1-83 (d), including the number of FTE working on integration efforts since the inception of the project.
- f) Please provide the total post implementation SAF expenses for the years 2025/26 to 2027/28 on a non-confidential basis and indicate to what extent they are included in LAE, Insurance expense and other expense.
- g) Provide the details of the post implementation expense by cost element for the outlook period.

- h) Provide the detail of post implementation expense at an aggregate detail level consistent with (f)
- i) Please provide a comparison of the net present value of the business transformation project currently from what was presented in response to SRRP(SAF) 1-63(c).
- j) Please file copies of any third-party reports on post implementation of Guidewire?
- k) Please explain whether SAF will be undertaking a post implementation report of MySGI deployment.
- l) Please indicate whether SAF has identified additional systems requiring replacement. If so , please provide details of what is being planned and a high-level estimate, if available for the timing and cost of replacement.

RESPONSE:

- a) The updated information for 1-83 (c) was provided in IR 1-64 (c). It has been included below in part b) as well.
- b) Confidential response was provided to the SRRP and consultants.
- c) Please see attachment IR 2-30c, d. Starting in 2024-25, the projects that related to the Corporation as a whole (e.g. Guidewire) neared completion and the work related directly to the Auto Fund (e.g. DRIVE) implementation will be ongoing through 2026-27. This accounts for the higher percentage being allocated to the Auto Fund through the later years of the project.
- d) Please see attachment IR 2-30c, d.

- e) Please see attachment IR 2-30e. System modernization FTE information was provided in IR 1-64 h). This information was taken from our time tracking system for internal staff that reported hours working on the program and converted to FTEs. Within the time tracking system, there is a category called Insurance Integrations, of which the number of FTEs per year is listed above. However, there are additional internal resources that worked on integrations that simply categorized their time to other categories, so the numbers listed above are not accurate. It would be difficult to get an accurate estimate for this information. In addition, there have been a number of external resources that also worked on integrations that are not included in these FTE numbers.
- f) Please see attachment IR 2-30f.
- g) Please see attachment IR 2-30g.
- h) Confidential response was provided to the SRRP and consultants.
- i) The net present value provided in the response to SRRP(SAF) 1-63(c) is the most up-to-date estimate available.
- j) The only third-party reports that were provided on the post implementation of Guidewire are the reports that our risk advisor, PWC, provided. We do not believe the information in these reports is within the scope of this rate application and are therefore not being filed.
- k) The system modernization implementation work for MySGI is still ongoing and will not be completed until the end of September 2026. We currently have no plans to conduct a post implementation report for MySGI.
- l) SGI is currently completing the delivery of the DRIVE platform as outlined in the business case, which is targeted at delivering the core functionality for the Auto Fund. Additional functionality and enhancements will continue to be deployed into the future.

The original business case did include some pieces of functionality that were deemed lower in priority and removed from the system modernization program scope but will be implemented in the future. These items, along with their estimated implementation costs and timelines, are listed below. For those items with no estimated timelines, they will be prioritized with the Auto Fund business after the Transformation program is completed.

| System/Application | Estimated Implementation Cost | Estimated Delivery Date |
|--|-------------------------------|-------------------------|
| Permit Mapping system | \$487,600 | November 2026 |
| International Registration Plan (IRP) system | \$2,025,693 | April 2027 |
| Online Driver Training | \$1,400,000 | TBD |
| Driver Exams | \$1,410,000 | TBD |

SRRP (SAF) 2-31

| | | | |
|--------------------------------------|-----------------------------|------------------|----------|
| Application Part and Chapter: | Loss Adjustments | Page No.: | 8 |
| Issue: | Inflation Adjustment | | |
| Topic: | Loss Adjustments | | |
| MFR: | 5.6 | | |

Preamble to IR (If Any):

SGL presents inflation adjustment factors applied to losses to reduce the impact of inflation when selecting trends. In Tables 8 and 9, SGL presents an inflation surge percentage based on the year-over-year increase on average paid loss.

Question:

- a) Explain whether the average paid losses presented include trend, or any other adjustments like the paint material adjustment. If so, provide the derivation of the average paid losses that includes all adjustments made.
- b) Explain whether SGL is concerned that the inflation adjustment may be double-counting trend, the tariff adjustment, or any other adjustment SGL selects.

RESPONSE:

- a) The average paid losses include the following incurred loss adjustments (ILAs) and on-level factors: Labour rate on-level factor, Pre/Post Diagnostic Scanning, 6% PST Increase, Used Vehicle PST, Paint Material, COVID Allowance. The derivation is just the product of the average paid losses from reserving work and the ILAs. The product of the ILAs applied can be seen in Table 8 and Table 9. No trend is applied but the trend for prior years is noted and considered for the selection of the inflation adjustment factors in excess of the expected trend. See IR 2-31 attachment for full calculation.

- b) There is no impact of tariffs in the data given that the tables referenced are data as of March 31, 2024. The data is adjusted for the various other ILA impacts, and the inflation spike is selected as the excess above the historical trend. The inflation spike being captured in the ILA is considered to be a one-time event. Capturing this in a trend would say that this spike could happen again in the future.

The inflation (and other) adjustments occur before any trend selection for rate indication work, ensuring that selected trends do not double-count the impact. In fact, excluding these one-time impacts from the data reduces the loss trends selected (as compared to making no adjustment at all). There is no double-counting of any effect as a result of this process.

SRRP (SAF) 2-32

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| Application Part and Chapter: | Base Rates and Relativities | Page No.: | 19 |
| Issue: | Capping | | |
| Topic: | Capping | | |
| MFR: | 5.4.4 | | |

Preamble to IR (If Any):

SGI proposes dollar-based capping for annual premiums of \$1,000 or less and a percentage-based cap for annual premiums above \$1,000.

Question:

- a) Given the proposed overall 3.75% increase in each of the next 2 years, why does SGI propose a 3.6% cap for premiums greater than \$1,000, which is lower than the proposed overall 3.75% increase?
- b) Does the cap vary by class similar to the proposed rate change by class? If so please provide the proposed rate cap by class.
- c) Provide the exposure count for each of the premium bands proposed for capping.
- d) For only those risks subject to the percent cap, please provide dollar and percentage-based dislocation charts for both the capped and uncapped premiums of the proposed overall 3.75% increase and no other changes in assumptions for each class.
- e) Please provide the proposed rate if the rate cap were removed.
- f) Please file a rate impact by class of applying a 10% cap.

- g) Explain how the rate cap would have to change if a rate greater than 3.75% was granted. I.E. , 5%, or 6% rate change.

RESPONSE:

- a) As a result of the Panel's recommendations from the last review, there is no longer any off-balancing only applied to Canadian Loss Experience Automobile Rating (CLEAR) vehicles to achieve a target overall rate change. Instead, the caps are set to target the desired overall rate change. This ensures that all classes implicitly participate in the off-balancing required to achieve the rate change. The cap is less than 3.75% due to the lack of decreasing vehicles as well as the impact of dollar caps on premiums less than \$1,000 that correspond to percentage changes that exceed the 3.75%. Note that the cap and the overall rate change will be close to each other for this upcoming rate change given the high percentage of vehicles that require a rate increase.
- b) No, the cap is identical for all vehicle classes that have proposed rate changes. Note that the proposed rate change by class is the fallout from applying the cap to the required rate changes for the vehicles within that class.
- c) Please find attachment IR 2-32c.
- d) Please find attachment IR 2-32d.
- e) The proposed rate would be 35.3%, proposing no changes to excess, motorcycle, or taxi classes.
- f) Please find attachment IR 2-32f.
- g) The percentage cap for a 5% rate change would be approximately 4.7%, and for a 6% rate change, it would be approximately 5.7%.

SRRP (SAF) 2-33

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

Preamble to IR (If Any):

In response to SRRP(SAF) 1 – 16, SGI provides the analysis underlying the paint material adjustment factors.

Question:

- a) Please confirm whether the source of the paint costs in the analysis has been adjusted or represents the actual unadjusted paint cost experience of SGI.
- b) Given paint costs are likely tied to inflation, how does SGI ensure this adjustment is only capturing the necessary adjustment excess of the underlying long-term inflation trend.

RESPONSE:

- a) The file demonstrates the hourly rate for paint. It is also annually negotiated, so while there is analysis of data from paint suppliers and distributors to support annual rate adjustments, the actual increase in rate every year may not perfectly track to the actual experience of SGI. The trend selected is for what the anticipated annual increase in the negotiated rate will be into the future.
- b) The rate is not designed to only adjust for paint costs more than inflation. All incurred loss adjustments are used to adjust losses before trend selection to specifically adjust for and forecast cost components that are measurable. This is especially important for components that have varied significantly in the Auto Fund’s history.

We measure and estimate impacts for these components, and on-level historical losses for those impacts. We then select trends on these adjusted losses, so the trend excludes the influence of all adjustment sources (paint materials, inflation, labour rate shifts, etc.). Our approach does not double count, and results in projected losses that are more accurate than allowing the selected loss trends to attempt to forecast through the noise from the spiky historical effects of labour rate changes, inflation surges and variances in paint material costs.