Review of
Saskatchewan Government Insurance
Saskatchewan Auto Fund
2026 Proposal for Rate Adjustments
Effective June 1, 2026 & June 1, 2027

Prepared by

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for the

Saskatchewan Rate Review Panel

July 15, 2026

List of Tables

List of Figures

EXECUTIVE SUMMARY

The Application

The Saskatchewan Auto Fund (SAF) filed a Rate Application on January 2, 2026, requesting an overall 3.75% rate increase, effective June 1, 2026, and a further 3.75% rate increase, effective June 1, 2027. The Panel engaged Cathcart Advisors Inc. (CAI) and Risk Consulting Services, Inc. (RCS) (the Consultants) to review the Application and submit this Report.

> **The proposed increases move in the right direction. SAF's own indicated rate need is 33.5% on an overall basis, while the proposed increase is 3.75% in each test year, a combined 7.6% over two years. The proposed increases therefore recover only a fraction of that need. The evidentiary record does not provide a sufficient basis to assess the 2027/28 increase, for the reasons set out below.**

Scope Limitation

The Consultants' review covers both years of the Application. SAF requested a two-year rate adjustment effective June 1, 2026, and June 1, 2027. The Consultants have reviewed SAF's confidential financial forecast through 2030/31 but cannot disclose that information in this Report due to the confidentiality designation applied to SAF's forecast.

The evidentiary record (the non-confidential information disclosed to the Public through this Application process) does not provide a sufficient basis for the Panel to assess the reasonableness and quantum of the 2027/28 proposed rate increase, or to articulate and demonstrate that assessment to the Public. SAF has deferred rate changes for motorcycles and urban taxis to 2027/28 pending the outcome of planned consultations in 2026. Further non-rate actions not yet announced may affect 2027/28 and cannot be assessed on the current record. The 2026/27 rate increase of 3.75% took effect on an interim basis on June 1, 2026, and has been collected since that date. There is a requirement to address capital adequacy. We note that in this Application, SAF did not apply its own Capital Build and Release Policy which initially indicated a 6.5% build provision, which was later revised to 9.2%. Addressing the capital requirement is paramount and should be a priority.

> **Recommendation: The Panel should limit its rate action to 2026/27 including addressing the capital requirement. The 2027/28 rate year should be the subject of a separate application.**

On the Importance of Financial Forecast Disclosure

SAF provides compulsory insurance to every driver in Saskatchewan. Policyholders have no alternative source of coverage, and rate changes are binding. The obligation of public accountability that follows from this arrangement weighs in favour of financial disclosure.

A multi-year financial forecast, of the type disclosed by comparable public insurers in other Canadian jurisdictions, is not the kind of information that typically attracts commercial confidentiality protection. SAF does not appear to face competitive harm from disclosing its forecast. The decline in its reserves is already evident on the public record, and disclosure would allow the full trajectory to be tested.

The Consultants have reviewed the confidential forecast and are not permitted to report its contents. The confidentiality designation does not change the underlying financial position. It limits the information available to the Panel for its review. Deferring disclosure may also mean that a future application addresses a more difficult position than disclosure at this stage would allow.

In other jurisdictions in Canada with public auto insurance, financial trajectory forecasts are generally disclosed, with Commercially Sensitive Information (CSI) protocols in place for narrower exceptions that may compromise certain elements of the insurer's business.

Because the forecast is confidential, the Consultants cannot demonstrate to the Public that the proposed rates, or any alternative rates the Panel might set, are adequate to restore and maintain the Auto Fund's target capital position over the planning horizon. This is a limitation on what can be shown on the public record, not on the Consultants' own review.

> **Recommendation: The case for a rate increase should be demonstrated on the public record. The Panel should request that SAF make its financial forecast publicly available, with summary results and key conclusions from the annual Financial Condition Testing included in each rate application. Narrowly defined commercially sensitive elements can be protected through established confidentiality protocols.**

SAF's Financial Reserves Are at Risk

The financial reserves are nonetheless a central concern of this review. As noted above, the proposed increases recover only a fraction of SAF's own indicated rate need. SAF's own filed figures show the capital position weakening across the rating period, as set out in Table ES.1 below.

SAF does not receive government funding. It depends entirely on its Rate Stabilization Reserve (RSR) to absorb bad years and protect drivers from emergency rate increases. Five years ago, the RSR stood at $1,090 million. It now stands at $727 million, and under the proposed rate increases it falls to $328 million by the end of 2026/27, less than 30 cents for every dollar it held in 2020/21.

SAF measures the adequacy of its reserves using the Minimum Capital Test (MCT), which compares capital held to capital required. SAF's policy target is 125%. Its internal floor is 90%, below which SAF considers its capital position deficient. The RSR and the capital measures used to assess its adequacy are discussed in full in Section 9.0 of this Report.

Table ES.1: RSR Balance and MCT Ratios - 2020/21 to 2027/28

Fiscal Year	RSR Balance	MCT at Year End	12-Month Average MCT
2020/21	$1,090.1M	168.0%	179.1%
2021/22	$1,051.3M	149.0%	175.8%
2022/23	$995.2M	**119.0%**	**134.6%**
2023/24	$924.9M	142.5%	148.8%
2024/25	$726.9M	**111.8%**	**133.3%**
2025/26 (forecast*)	$553.3M*	**82.7%**	**97.2%**
2026/27 (forecast)	$327.9M	**49.4%**	**66.0%**
2027/28 (forecast)	$171.1M	**24.4%**	**36.9%**

Source: SGI Auto Fund Annual Reports 2020/21 to 2024/25; SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet. MCT values below 125% policy target shown in amber; values below 90% internal minimum shown in red.

Red = below 90% internal minimum

Amber = below 125% policy target

Grey rows = Forecast Rating Period.

* The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised the variance is largely one-time and did not provide an updated forecast. The Consultants have not been provided with the analysis supporting that flow through and the impact on the rating years. See section 9.6.

The trajectory is as follows:

- RSR in 2020/21: $1,090 million - MCT: 168%
- **RSR at March 31, 2025: $727 million - MCT: 111.8% (below SAF's 125% policy target)**
- **RSR forecast at end of 2025/26: approximately $553 million - MCT: 82.7% (below SAF's 90% internal floor)**
- **RSR forecast at end of 2026/27: $328 million - MCT: 49.4% (less than half the capital required)**
- **RSR forecast at end of 2027/28: $171 million - MCT: 24.4%**

SAF's filed figures show the MCT falling to 82.7% by the end of 2025/26, to 49.4% by the end of 2026/27, and to 24.4% by the end of 2027/28. **An MCT ratio of 24.4% means SAF would hold roughly a quarter of the capital required by its 90% internal MCT target. At that level, a single adverse year could require emergency action to restore the capital position.** This outcome is drawn from SAF's own filed figures rather than an external projection**.**

The capital margin currently built into rates is 0.06%, against a required margin of 9.2%, based on SAF's own analysis. SAF modelling shows that including a 9% capital margin in the rate program would raise the projected MCT from 49.4% to 57.9% by 2026/27 and from 24.4% to 50% by 2027/28; still well below SAF's 90% internal minimum, but the difference represents $165.2 millions of reserve capacity that protects every driver in Saskatchewan.

The Province has announced non-rate actions, a deductible increase and higher service fees, improving the RSR by approximately $51 million over the forecast period. These are welcome but insufficient to change the trajectory, and the proposed rate increases do not address this shortfall.

> **Recommendation: The Panel should direct SAF to adopt a capital margin of at least 6.5% immediately with a commitment to reach the full required 9.2%. SAF should present a multi-year capital restoration plan with the objective of restoring the RSR to the 125% MCT policy target, modelled on the approaches taken by Manitoba Public Insurance and ICBC in comparable circumstances.**

What It Would Take to Fix the Problem

The pure loss ratio for 2024/25 is 1.211 which means for every $1 in premium collected SAF is incurring $1.21 in claims costs. As part of this review the Consultants asked SAF to model eight alternative rate scenarios, each designed to answer one question: what rate increases would be required to stop the capital deterioration, keep the RSR from falling below zero, and restore the MCT to an acceptable level within a defined timeframe? We requested that SAF model looked at 5- to 10-year time frames to restore the MCT to target levels and maintain the RSR above zero.

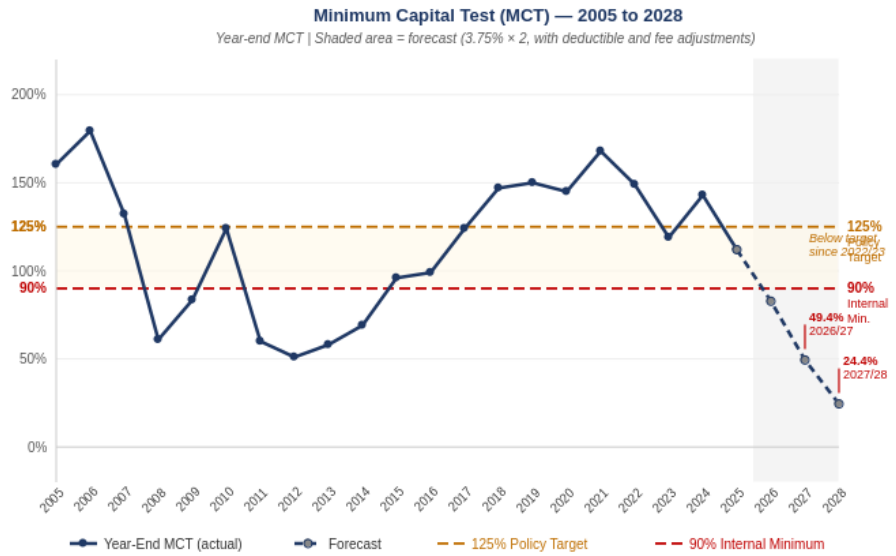
Table ES.2: Alternative Rate Scenarios Requested - IR 1-10

Scenario	Starting Rate	Recovery Target	Timeframe
(a)	5.0% in each of 2026/27 and 2027/28	MCT to 90%	5 years
(b)	5.0% in each of 2026/27 and 2027/28	MCT to 90%	10 years
(c)	6.0% in each of 2026/27 and 2027/28	MCT to 90%	5 years
(d)	6.0% in each of 2026/27 and 2027/28	MCT to 90%	10 years
(e)	Equal annual increases	MCT to 90%	5 years
(f)	Equal annual increases	MCT to 125%	5 years
(g)	Equal annual increases	MCT to 90%	10 years
(h)	Equal annual increases	MCT to 125%	10 years

Source: SAF (SRRP) 1-10. Full financial forecasts and required rate increases for each scenario designated confidential by SAF.

SAF provided responses to all eight scenarios. The full results were designated confidential and cannot be disclosed.

Figure ES.1: SAF Minimum Capital Test (MCT) - 2005 to 2028



Source: SAF (SRRP) 2-16 (scenario c); SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet. Reference lines: 125% policy target (amber dashed) and 90% internal minimum (red dashed). Shaded area = forecast period.

The Structural Cost Deficit

The deterioration in SAF's capital position did not appear suddenly. Since 2006, CPI inflation has cumulatively risen by approximately 55%. SAF's cumulative rate adjustments over that same twenty-year period total approximately 5%. The divergence between cost growth and rate adjustments is substantial and has compounded over two decades.

COVID-19 added to an already rising cost trend. Supply chain disruption, parts scarcity, and broad inflation increased most of the inputs that determine the cost of settling an auto claim. These higher cost levels have persisted rather than reversed.

Private insurers adjust their pricing annually. SAF does not. Every year without a rate adjustment is another year of under-recovery reflected in the books. The five-year gap between this Application and the last one is itself a contributing factor in the deterioration. Annual rate reviews would have allowed the Panel to address cost pressures incrementally, reducing the magnitude of the adjustment now required.

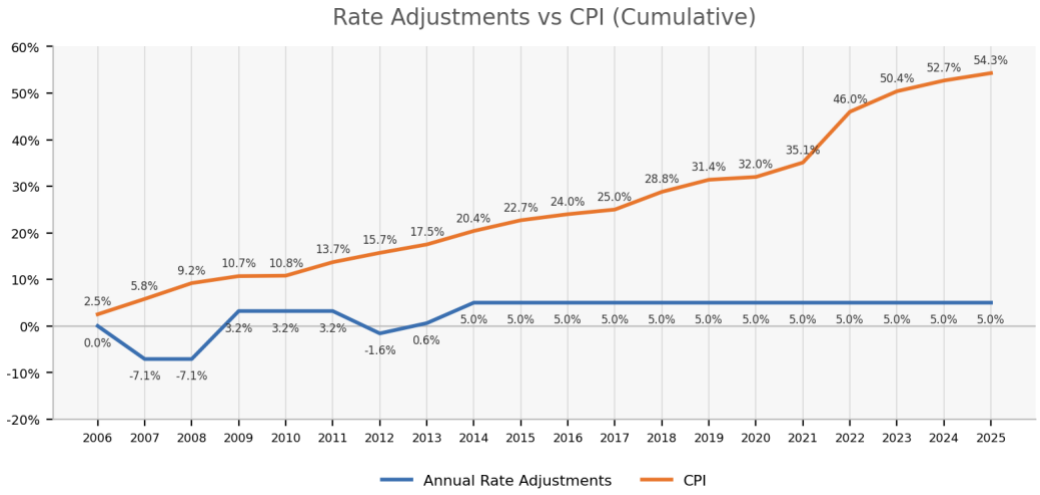


Figure ES.2: SAF Cumulative Rate Changes vs. CPI Inflation

The above graph illustrates the divergence between CPI growth and cumulative SAF rate changes over the period. Since the mid-2010s, rates have remained effectively unchanged in real terms, while the cost base has consistently increased. The 2026 Application addresses some of the shortfall. But no matter how well-founded, one application cannot rectify twenty years of deviation. The Panel consider recommending that SAF to adopt a rate-setting approach that consistently tracks cost changes, rather than one that responds to accumulated

deficits at multi-year intervals where accumulated imbalances require large and disruptive corrections. The need for annual rate applications is discussed further in Section 9.0 of this Report.

> **Recommendation: The Panel should direct SAF to pursue a rate-setting approach that consistently follows costs, not just implemented when imbalances are escalating towards capital inadequate levels. The Panel recommend the Minister approve SAF to include at minimum, the capital maintenance provision of 1.7% in the current rate request, together with a capital build provision.**

Rate Capping and Rebalancing

SAF proposes rate-capping to manage the impact of the indicated rate on individual policyholders. For vehicles with current premiums of $1,000 or higher, the cap is 3.6%. For lower-premium vehicles, fixed dollar caps apply. The design produces a 3.75% overall change with 98% of vehicles receiving the 3.6% increase. The indicated rate for most vehicle classes is substantially higher than 3.75%, meaning capping produces significant cross-subsidization between classes.

The Panel has four options:

- No Capping – Substantial increases for some classes but adequate rates and no cross-subsidization.
- Lower Cap – Limits near-term shock at the risk of a larger rate indication in the next application.
- Higher Cap – Reduces future rate indication risk at the cost of higher near-term increases.
- Variable Cap – Higher cap for classes with higher indications, reducing cross-subsidization.

Equal percentage increases achieve equality but not equity. Classes with larger rate indications receive a relatively smaller increase relative to their total rate need.

> **Recommendation: The Panel should assess whether the proposed cap level and the resulting premium increases for each class are just and reasonable.**

Expense Provision and Interest Rate Assumptions

SAF's net expense provision is $157.00 per vehicle, up from $136.67 in 2021. Most of the increase is in administrative expenses, which rose from $92.70 to $158.18 per vehicle, driven primarily by the CT project costs treated as operating expense rather than capital. If the CT project delivers its projected savings, this provision should decline materially in the next application. The Panel should require SAF to report on the realization of projected CT savings on a defined cadence, with confirmation that savings have been achieved as projected before rates are set in subsequent applications. The Panel should recommend that SGI provide a post-implementation benefits-realization review once new systems are in service, measuring actual savings against the business case on a defined reporting cadence.

SAF's interest rate forecast was based on data more than three months old at the time of submission. SAF should use current economic and interest rate assumptions in future applications and update through the review process if inputs are materially stale.

Recommendation: The Panel should direct SAF to the CT project savings, and the Panel should direct SAF to use current economic assumptions in future applications and update through the review process if inputs are materially stale.

The Case for Annual Applications

This Application is the first full Panel review since 2021. The five-year gap is a structural problem, not an administrative one. Annual rate applications would:

- Align rates with costs on a regular and timely basis;
- Minimize the degree of rate rebalancing required in each application;
- Allow the Panel to understand operational changes (including the CT project) as they unfold; and
- Ensure Panel recommendations are addressed in a timely fashion.

Recommendation: The Panel should recommend to Government that SAF submit annual rate applications going forward. The Panel commends SAF staff for providing a comprehensive Application and responding promptly to information requests. Annual applications would build on this foundation.

2025/26 Financial Update

Based on the recent release of the Annual Report, SAF provided an explanation for the variance between the audited 2025/26 results and the projection. The Rate Stabilization Reserve decreased by $93.3 million against a projected decrease of $173.6 million, a favourable variance of $80.4 million, leaving an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised the variance does not reflect a structural improvement in the Auto Fund's financial position, and reflects one-time items, favourable timing, and an investment result above the long-term expectation.

SAF did not provide an updated forecast reflecting these changes. It continues to consider the review projections relevant for 2026/27 and 2027/28, on the basis that the variance is largely one-time, and it expects the reserve to keep declining until further rate or non-rate initiatives are developed and announced. SAF also noted early 2026/27 catastrophe experience running ahead of budget. The Consultants have not been provided with the analysis supporting that flow-through. Sections 9.6 and 9.7 discuss the results and the catastrophe experience in detail.

The Terms of Reference permit, but do not require, a mid-application update when a business factor changes materially. The 2025/26 improvement came to light through the audited results in the recently released Annual Report and a follow-up request to SAF from the General Consultant, which SAF answered.

> **Recommendation: The Panel should recommend to the Government that future Terms of Reference require the Auto Fund to report by the update date, either by filing an update or by confirming that none is required.**

Summary of Key Recommendations

The following recommendations are set out in full in the body of this Report. This summary is for the Panel's convenience.

1. **Rate Year:** Limit rate action to 2026/27. Outstanding rate matters deferred to 2027/28 do not support a Panel recommendation for that year. That year should be the subject of a separate application.
2. **Confidentiality:** Request that Government and SAF reconsider its confidentiality position on its financial forecast. At minimum, summary Financial Condition Testing results should be publicly available in each rate application, and confidentiality appeals should apply narrowly to specific commercially sensitive information.
3. **Capital Margin:** Direct SAF to adopt a capital margin of at least 6.5% immediately, with a commitment to reach the full required 9.2%. SAF should present a multi-year capital restoration plan with the objective of restoring the RSR to the 125% MCT policy target, modelled on the approaches taken by Manitoba Public Insurance and ICBC.
4. **Rate-Setting Approach:** Direct SAF to adopt a rate-setting approach that consistently tracks costs, and to include at least the 1.7% capital maintenance provision together with a capital build provision, rather than correcting large, accumulated imbalances at multi-year intervals.
5. **Rate Level:** The 2026/27 increase of 3.75% took effect on an interim basis on June 1, 2026, and is being collected. The Consultants do not recommend further rate action for 2026/27. The proposed increases recover only a fraction of SAF's own 33.5% indicated rate need, but the evidentiary record does not support a recommendation on the 2027/28 rate at this time. The 2027/28 rate year should be addressed in a separate application with a full public record, accompanied by a credible multi-year capital restoration plan.
6. **Rate Capping and Rebalancing:** The Panel should assess whether the proposed cap level and the resulting premium increases for each class are just and reasonable.
7. **Interest Rates:** Direct SAF to use the current interest rate and economic assumptions in future applications, updated at the time of submission if inputs are more than three months old.
8. **CT Project Savings:** The Panel should require SAF to report on the realization of projected CT savings on a defined cadence, with confirmation that savings have been achieved as projected before rates are set in subsequent applications. If those savings are not achieved, the rate increases required in future applications will be correspondingly greater. The Panel should direct SGI to conduct a post-implementation benefits realization review once the systems are in service, measuring actual savings against the business case on a defined reporting cadence.
9. **Regulatory Process:** Recommend to the Minister that future Terms of Reference change "may" to "shall," requiring the Auto Fund to report by the mid-application update date in either case, either to file an update where a business factor has materially affected the Auto Fund's financial condition relative to the application, or to confirm that none is required.

10. **Annual Applications:** Direct SAF to submit annual rate applications going forward to prevent the recurrence of the structural gap that now confronts this review.

A full list of Consultant recommendations is found in Section 4 of this Report.

1. BACKGROUND AND APPLICATION OVERVIEW

In 1944, the province of Saskatchewan passed The Automobile Accident Insurance Act that provided Saskatchewan motorists with compulsory government-controlled automobile insurance. The legislation addressed an extreme shortage of private insurers willing to provide adequate automobile insurance coverage for Saskatchewan motorists. It began offering Basic compulsory automobile insurance coverage in 1946. The Saskatchewan Auto Fund (SAF) was established in 1984. Saskatchewan Government Insurance (SGI) was given the responsibility for administering this program on behalf of the province of Saskatchewan.

The SAF provides Basic, universal insurance coverage to Saskatchewan residents, and provides vehicle registrations, driver's licences, basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. Liability insurance provides for a specific amount to cover property damage and/or injuries caused to another person. The compulsory insurance package also includes injury coverage that provides an option to choose between No-Fault Coverage and Tort Coverage.

The SAF's business operation is restricted to the Province of Saskatchewan and is operated from SGI's head office located in Regina, Saskatchewan. The SAF operates 19 claims centres and six salvage centres in 13 communities across the province.

SAF also provides services to ensure that drivers and vehicles are properly licensed. These services include licensing for around 865,000 drivers, registration services for more than 1.2 million vehicles and trailers, driver examinations, driver and vehicle safety fitness programs, and safety and audit programs for carriers who transport goods or passengers. Services are provided through nearly 350 independent motor license issuer offices throughout Saskatchewan. The SAF also invests in traffic safety initiatives to reduce the human, social and economic costs of vehicle collisions.

SAF's current corporate focus is on the completion of the corporate transformation (CT) project, which includes transforming technology, operations, and culture. In launching its CT initiative, SAF is focused on:

- Maintaining low, stable auto insurance rates;
- Maintaining a positive customer experience;
- Preventing deaths, injuries and property damage caused by traffic collisions;
- Improving long-term efficiency; and,
- Improving change management and leadership effectiveness.

The CT project and its impact on this rate application are discussed in section 13.4 of this Report.

1.1. SAF Coverages

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

- Personal Injury coverage provides Saskatchewan residents with benefits if they are injured or killed in an automobile accident. Residents have a choice between No-Fault Coverage and Tort Coverage.
- Third Party Liability coverage provides vehicle owners with up to $200,000 to pay for damages that their vehicles may cause to other people or their property.
- Physical Damage coverage includes both collision and comprehensive coverage and pays for damages due to an accident or other occurrences such as hail, fire, theft, or vandalism. Such claims are subject to a deductible, which is currently $700 for most vehicles. Based on Government of Saskatchewan announcement on March 13, 2026, the deductible is to increase to $950, effective January 1, 2027.[1]

1.2. SAF Rate Determination Principles

The Auto Fund is operated on a self-sustaining basis viewed over a long-term time frame. Any annual financial excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and cannot be used for any other purpose by the government or the administrator.

As described in our 2021 Report, SAF typically determines adequate premium rates, SAF embodies major operating philosophies of providing: Basic insurance coverage that is universal and fair; fairly rating insurance premiums for vehicle classes based on their claim loss experience and cost of repair; and keeping rates as low as possible.

The three required components to be consistent with this stated rate determination principle for adequate premium rates are to ensure:

- Premium rates are sufficient to enable SAF to operate on a break-even basis over the long-term. SAF neither receives funds from nor pays dividends to the Province. Premium revenue along with investment income must cover all claim obligations and operating expenses.
- Fairness in rating by rebalancing rates to account for accident frequency and severity, including damage, injury, and liability costs for each class of vehicle. A key component of the Auto Fund's strategy to meet and exceed customer expectations is promoting fairness in rating by ensuring each class of vehicle is paying sufficient premium to cover its claim costs. To achieve that goal, rates must be rebalanced regularly. This involves assessment of the actual risk each vehicle represents for being involved in a claim and the actual costs of paying that claim. Customer rate shock is also considered by capping rates at a reasonable level; and
- Adequate capital is maintained by keeping the RSR at appropriate levels as determined by the Minimum Capital Test, and SAF Capital Management Policy (CMP). A key operating principle for the

[1] https://sgi.sk.ca/deductible-changes-2027

Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. To provide stability, an adequate balance in the RSR is required to provide a financial resource to draw on when adverse financial events occur, such as higher-than-expected claim costs or material decreases in capital markets for investments. This will involve building into rates a capital maintenance provision combined with either a capital build or a capital release provision. The CMP and MCT is discussed in section 9.0 of the Report.

The proposed rate increase of 3.75% falls materially short of the indicated rate level, and the Application does not include a capital build provision. The gap between the proposed and indicated rates, and the absence of a capital build component, are central concerns of this review.

1.3. 2026 Application and Rate Impacts

1.3.1. Application Summary

SAF requests the SRRP recommend an overall +3.75% rate change for SAF to be effective June 1, 2026, and June 1, 2027, subject to a +3.6% overall rate cap. The rate increase request is comprised of:

- an overall average +7.60% rate increases;
- no change in the Capital Margin for all vehicles.

The rate request is to generate additional premium revenue to cover a small portion of the forecasted additional claim obligations and operating expenses, offset by investment income, for the proposed rating years (June 1, 2026, to May 31, 2027).

The primary reasons for the proposed increase are increasing damage claim costs, inflation and higher expenses. In order to align with the government's Crown Sector Strategic Priorities and ensure vehicle insurance rates remain affordable for Saskatchewan residents, SGI is proposing increases totaling +7.6% implemented over two years. SGI is also recommending no rate changes for motorcycles and urban taxis in 2026/27 the first year of this rate program. SGI plans to hold stakeholder consultations in 2026 to better understand challenges and look for viable solutions to address the rate need for these vehicles. The rate holds and consultations apply only to urban taxis operating in communities with a population of 5,000 or more.[2]

The Capital Margin required by SAF was 6.5% based on the 2025 rate indication work. SAF updated its analysis and now indicates that a 9.2% rate is needed to maintain the balance in the RSR. The current embedded Capital Margin is 0.06%. SAF is not requesting a Capital Margin provision change given the current inadequate rates, notwithstanding their own Capital Management Policy indicates action is required. SAF did not propose to include the required Capital Margin along with the requested rate proposed increases to in their view limit customer impact. SAF has suspended applying the required capital margin rate change in this application as a result. The current proposed rate increases are, in our view, inadequate to the required need.

[2] SGI noted *rural taxis that operate in communities of fewer than 5,000 are rated differently and do not face the same rating challenges as urban taxis.*

The pure loss ratio for 2024/25 is 1.211, meaning that for every $1 in premium collected, SAF incurs $1.21 in claims costs. This situation, in our view, is not sustainable. SAF will need to put forward a multi-year plan to achieve rate sufficiency and stave off the risk of insolvency.

1.3.2. Indicated and Proposed Rates by Vehicle Type

The following table presents the 2026 average indicated and proposed rate changes, including the Capital Margin adjustment, for each vehicle class:

Table 1.1: 2026 Average Rate Change (Indicated and Proposed)

Vehicle Class	Indicated Rate Change	Proposed Rate Change	Vehicle Class	Indicated Rate Change	Proposed Rate Change
CLEAR			Conventionally-Rated		
A - Commercial Light Trucks	46.8%	3.5%	LV - Buses	28.9%	5.1%
F - Farm Light Trucks (1994 -2003)	-15.1%	3.8%	LV - Buses (Restricted)	67.5%	5.7%
F – Farm Light Truck – (2004 & Newer)	34.8%	3.5%	LV - Motorcycles	58.8%	0.0%
LV - Private Passenger Vehicles (PPV)	30.3%	3.6%	LV - Motorhomes	286.9%	4.2%
LV - PPV - Farm Cars, SUVs & Vans	55.4%	3.6%	MT - Snowmobiles	21.3%	15.3%
LV - Police Cars	-30.8%	3.5%	PB - Passenger Inter-City Buses	87.2%	3.5%
LV - Police Trucks, Vans & SUVs	108.1%	3.5%	PC - Passenger City Buses	99.9%	3.5%
LV - U Drives	25.4%	3.5%	PS - Passenger School Buses	68.0%	4.1%
PT - Taxis (Rural)	39.7%	3.5%	PT - Taxis	82.6%	0.0%
Conventionally-Rated			Trailers		
Ambulances	91.4%	3.5%	F - Trailers	66.4%	17.4%
A - Commercial Vehicles:			LT - Trailer Dealers / Movers	104.7%	0.1%
Heavy Truck & Van IRP	27.6%	4.0%	T - Personal Trailers	113.6%	6.9%
Heavy Truck & Van IRP $15K Ded.	59.4%	5.3%	T - Utility	73.1%	13.9%
Heavy Trucks & Vans Non-IRP	52.6%	3.6%	TS - Commercial Trailers	18.2%	5.7%
Power Units IRP	65.4%	3.5%			
Power Units IRP $15K Ded.	131.8%	3.5%	Miscellaneous Classes		
Power Units Non-IRP	64.0%	3.5%	A - Excess Value	3.3%	0.0%
C&D - Commercial Vehicles:			C&D - Non-Resident	134.0%	14.7%
Heavy Trucks & Vans	35.9%	4.3%	C&D - Excess Value	-16.8%	0.0%
Power Units	22.4%	3.5%	Industrial Tracked Vehicles	41.7%	8.4%
F - Farm Vehicles:			LV - Motorized Bicycle	60.0%	18.0%
Heavy Trucks & Vans	28.0%	7.4%	PV - Converted Vehicles	20.8%	4.2%
Light Trucks (1993 & Older)	60.0%	9.8%	PV - Heavy Trucks & Vans	15.5%	4.2%
Power Units	26.6%	4.6%	PV - Power Units	26.5%	3.7%
Hearses	63.2%	5.3%	TS - Excess Value	-31.5%	0.0%
L - Dealer Plates	70.2%	3.8%	Permit		
L - Snowmobile Dealers	50.7%	18.3%	24-Hour	43.0%	45.5%
LV - Antiques	61.6%	12.0%	8-Day	93.1%	10.2%
			In-transit	93.2%	16.7%
			TIC	36.0%	17.9%
			Total All Vehicles Including Trailers		3.75%
			All Vehicles Excluding Trailers & Misc.		3.63%

This Application forecasts a total vehicle population of 1,281,861 vehicles, of which 903,211 are CLEAR rated and the remaining 378,650 are conventionally rated. Over 70.5% of the total vehicle population (87.9% of all non-trailer vehicles) are CLEAR rated.

After accounting for capping, private passenger rates will be increasing by 3.6% (no change in the Capital Margin).

Summing the damage, injury, liability, and flat fee premiums on a per vehicle basis produces the total premium for that vehicle. The adequate premium is then compared to the vehicle's current premium to determine the extent of dislocation. Capping then takes place to minimize rate shock on individual vehicle premiums. As SAF continues to adjust premiums for each rate program, all vehicles will be moved closer to their adequate premiums, which results in fewer vehicles hitting the caps.

The issue of Capping and the impact on CLEAR vehicles is discussed in Section 6.5 of the Report.

The minimum adequate premium that any CLEAR Private Passenger Vehicle (PPV) should pay, before the capital margin and any recognition program discount, is $717. This compares with a minimum adequate premium of $520 per policy at the 2022 Rate Review, an increase of $197 per policy or 38%. The components of the minimum adequate premium, compared with the prior rate application, are as follows:

Table 1.2: Minimum Adequate Premium for CLEAR-Rated Private Passenger Vehicles 2022 vs. 2026 Rate Review

Component	Minimum Premium 2026	Minimum Premium 2022	$ Change	% Change
Damage	$48	$32	$16	50%
Injury	90	88	2	2%
Liability	274	223	51	19%
Flat Fees	306	178	128	72%
Total Adequate Premium	$717	$520	$197	38%

The changes proposed in this Application will result in:

- Premium increases for about 883,000 CLEAR-rated vehicles or 99.8% receiving a capped rate increase (with no change in Capital Margin). The average rate increase will be $47 with a maximum increase of $140 per year;
- Premium decreased for about 1,900 vehicles, or 0.2% will have an average decrease of $27 with a maximum reduction in rates $112 per year; and
- No premium change for all motorcycles 6,236 vehicles (**while an indicated rate increase of 58.8% is warranted)**, pending the outcome of consultations with stakeholders.

- No premium increase for urban taxis 665 vehicles (**while an 82.6% rate increase is warranted)**, pending the outcome of consultations with stakeholders.

After accounting for this capping (and including the existing capital margin of 0.06%), SAF is recommending an increase to CLEAR-rated vehicle rates of 3.6%, including capital margin. Private passenger rates will increase by 3.6%. The same dollar and percent caps for all rating classes will be applied to the following classes since there are no proposed changes to the class discounts and surcharges:

The distribution of CLEAR-rated vehicles that are within +/-10% of adequate rates before and after the proposed 2026 rate program changes are shown in the following table:

Table 1.3: CLEAR-Rated Vehicles within +/-10% of Adequate Rates*

Difference between Current Rate and Adequate Rate (Excluding Capital Margin)	Before 2026/27 Rate Program		After 2026/27 Rate Program	
	# of Vehicles	% of Vehicles	# of Vehicles	% of Vehicles
Less than -10%	3,185	0%	5,740	1%
Between +/-10%	84,491	10%	156,927	18%
Greater than +10%	797,082	90%	722,091	82%

Over 90% of CLEAR rated vehicles require a rate increase of over 10%, currently. With the proposed rate increases in this application, 82% of clear vehicles will still require rate increases above 10%. Further rate action is required than what is proposed by SAF.

1.4. 2026 Rate Capping and Rebalancing

New for the 2026 rate program, the proposed caps are calculated to target the desired overall rate change. The table below outlines the ranges and caps that are proposed in this rate program:

Table 1.4: Rate Capping Parameters, 2022 vs. 2026 Rate Review

Rate Ranges and Capping Limits	2022 Rate Review Maximum Annual Cap	2026 Rate Review Maximum Annual Cap	Maximum Monthly Cap
$1-50	$25	$6	$1
$51-100	$50	$12	$1
$101-250	$75	$18	$2
$251-500	$100	$24	$2
$501-750	$125	$30	$3
$751-1,000	$150	$36	$3
$1,001 or greater	15%	3.6%	3.6%

A more fulsome discussion of rate capping and rebalancing the impact of capping to achieve a revenue neutral impact is discussed in section 6.5.

1.5. Rate Stabilization Reserve and Minimum Capital Test

SAF operates on a self-sustaining basis and neither receives money from nor pays dividends to the Government of Saskatchewan. SAF's financial resilience depends on maintaining adequate capital in its Rate Stabilization Reserve (RSR) and sustaining a sound Minimum Capital Test (MCT) ratio.

Rate Stabilization Reserve

The RSR is SAF's capital buffer. It accumulates surpluses in profitable years and absorbs losses in adverse years, allowing SAF to stabilize rates over time rather than passing the full impact of any single bad year to policyholders. A healthy RSR gives SAF the capacity to absorb a significant weather event, a spike in bodily injury claims, or investment losses without an immediate, disruptive rate adjustment. A declining RSR signals that capacity to address these material risks is eroding. A declining RSR also signals a decline in investable assets and leads to lower investment income, weakening the capital capacity of SAF.

Minimum Capital Test

The MCT is the standard capital adequacy measure for Canadian property and casualty insurers. It expresses available capital as a percentage of required capital under the framework of the Canadian Council of Insurance Regulators (CCIR). SAF has established two MCT benchmarks:

125% — Policy target. This higher target provides a buffer to absorb at least a one-in-10-year adverse event without dropping below the internal target. The level SAF considers appropriate for sound ongoing operations.

90% — Internal minimum. This is the minimum level of capital SAF aims to maintain to remain solvent under plausible maximum loss events. The floor below which SAF considers its capital position deficient, requiring corrective action.

An MCT of 125% indicates SAF is meeting its policy target. An MCT between 90% and 125% signals a capital shortfall requiring a corrective plan. An MCT below 90% indicates a critical capital deficiency. SAF's MCT has been below 125% since 2022/23 and is forecast to fall below 90% within the forecast period.

RSR and MCT: Five-Year Actuals and Forecast

Table 1 presents SAF's RSR balance and MCT ratios for fiscal years 2020/21 to 2024/25 (actual results) and three forecast years under the 3.75% × 2 rate increase scenario, including the announced non-rate actions (deductible increase from $700 to $950 and higher service fees effective January 1, 2027). MCT values below the 125% policy target are shown in amber. Values below the 90% internal minimum are shown in red and bolded.

Table 1.5: RSR Balance and MCT Ratios — 2020/21 to 2027/28

Fiscal Year	RSR Balance	MCT at Year End	12-Month Average MCT
2020/21	$1,090.1M	168.0%	179.1%
2021/22	$1,051.3M	149.0%	175.8%
2022/23	$995.2M	119.0%	134.6%
2023/24	$924.9M	142.5%	149.2%
2024/25	$726.9M	111.8%	133.3%
2025/26 (forecast*)	$553.3M*	**82.7%**	97.2%
2026/27 (forecast)	$327.9M	**49.4%**	**66.0%**
2027/28 (forecast)	$171.1M	**24.4%**	**36.9%**

Colour coding: Red/bold = below 90% internal minimum; Amber = below 125% policy target; Source*: SGI Auto Fund Annual Reports, 2020/21 to 2024/25; SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet (3.75%×2 rate increases with deductible and fee adjustments).*

* The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised the variance is largely one-time and did not provide an updated forecast. The Consultants have not been provided with the analysis supporting that flow through and the impact on the rating years. See section 9.6.

Capital Trend Analysis

Figures 1 and 2 below summarise the RSR and MCT trends. The complete capital analysis, including Table 9.1 (RSR and MCT ratios), Figure 9.1 (RSR balance bar chart), Figure 9.2 (MCT ratio history and forecast), the detailed financial results tables, and the Consultants' full observations and recommendations, is presented in Section 9.0 of this Report.

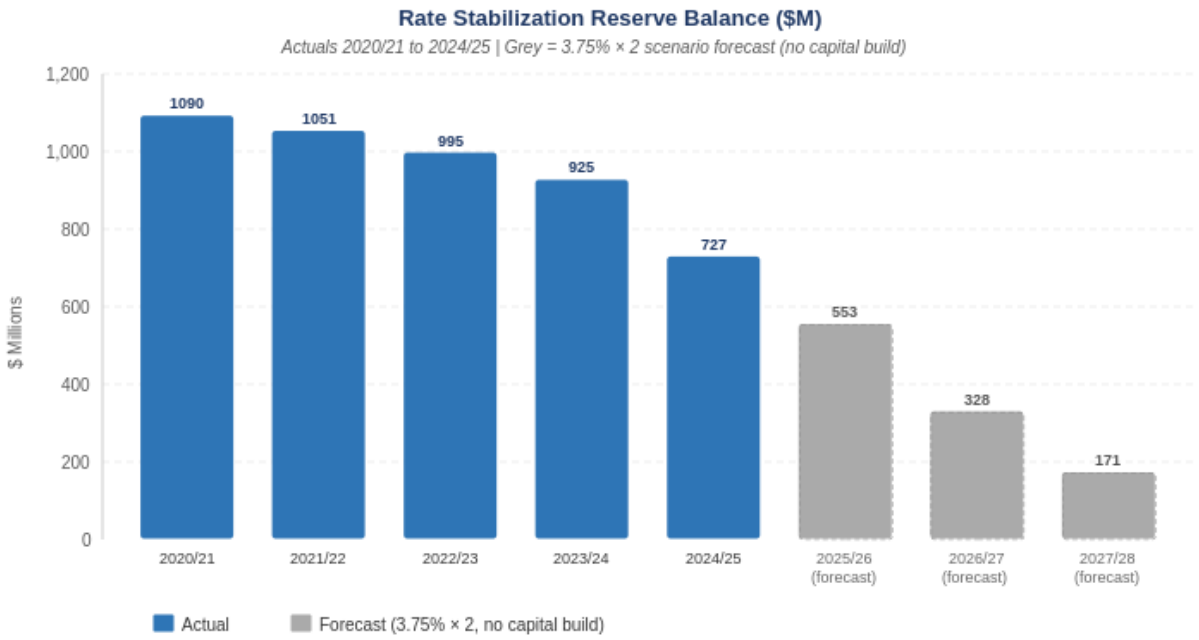


Figure 1.1: Rate Stabilization Reserve Balance ($M) — 2020/21 to 2027/28

Source: SGI Auto Fund Annual Reports, 2020/21 to 2024/25; SAF Application Sensitivities to 2027/28.xlsx. Grey bars = forecast period.

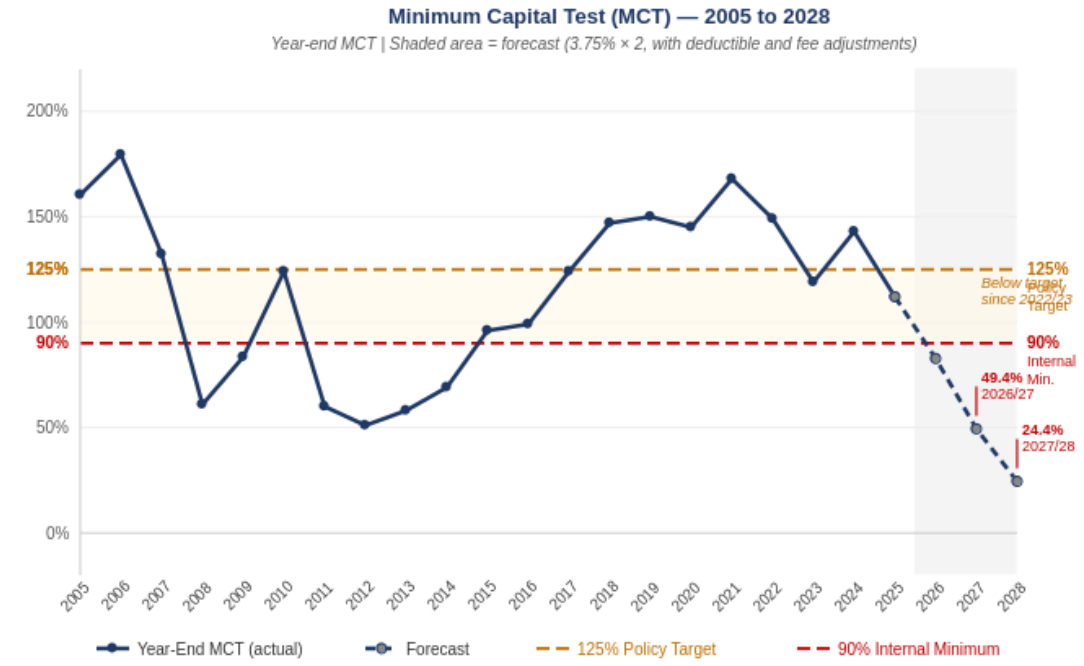


Figure 1.2: Minimum Capital Test Ratio (%) — Year-End MCT, 2005 to 2028

Source: IR 2-16 (scenario c); SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet. Reference lines: 125% policy target (amber dashed) and 90% internal minimum (red dashed).

Observations on Capital Management Policy

The RSR peaked at $1,090 million in 2020/21. By 2024/25 it had fallen to $727 million, a reduction of $363 million (33%) in four years. The decline was not linear: the RSR fell to $995 million in 2022/23, declined further to $925 million in 2023/24, then fell sharply to $727 million in 2024/25. Under the 3.75% × 2 forecast, the RSR continues declining to $553 million in 2025/26 and $328 million in 2026/27. This negative trend continues unabated without corrective rate action.

A reserve of $328 million represents less than 30% of the 2020/21 peak. At that level, SAF's capacity to absorb a single adverse year without a disruptive rate response would be materially constrained.

SAF's year-end MCT has declined every year since 2020/21, falling from 168% to 111.8% in 2024/25. This is a sustained, uninterrupted decline over four consecutive years that has already pushed SAF 13 points below its 125% policy target. The 12-month average MCT has followed the same path, falling from 179% to 133% over the same period. By 2025/26, *SAF's filed figures show its MCT falling to 82.7%*, below the 90% internal minimum, with the 12-month rolling average at 97%.

The forecast trajectory under the 3.75% × 2 scenario deteriorates further through the rate program:

- **2026/27:** year-end MCT is projected at 49.4%, less than half the capital required under the regulatory framework. The 12-month rolling average falls to 66.0%.
- **2027/28:** after giving effect to the announced non-rate actions (deductible increase to $950 and higher service fees effective January 1, 2027), the RSR is forecast to fall to $171.1 million. The year-end MCT is projected at 24.4% and the 12-month rolling average at 36.9%.

An MCT of 49.4% means SAF would hold less than half the capital the regulatory framework requires. At that level, the capital position requires corrective action, not merely monitoring.[3]

From the 2020/21 post-rebate RSR balance of $1,090 million, the reserve has declined by $363 million, approximately 33% through to the 2024/25 actual result. Including the 2025/26 forecast under the proposed rate program, the cumulative decline from the 2020/21 peak reaches approximately $537 million, representing a reduction of nearly 49% of the opening reserve in five years. This is not a short-term fluctuation. It is a sustained, multi-year erosion of SAF's capital base. *The recommendations in this Report would have been better supported by a complete public evidentiary record.*

[3] SRRP(SAF) 1-14(c)

The 3.75% × 2 rate increase scenario with no capital build does not stabilize SAF's capital position. This situation is exacerbated by the absence of an adequate rate increase and the decision to make no change to the capital margin. Each year corrective action is deferred, the gap between SAF's available and required capital widens and the cost of restoration increases. Restoring the MCT to its policy target would require rate action, a directed capital build, or a combination of both, of the kind SAF's own Capital Management Policy contemplates.

The capital margin required under the capital management policy was 6.5% based on the 2025 rate indication and has increased to 9.2% based on the 2026 indication. The Consultants recommend the Panel direct the Board to adopt a capital margin of at least 6.5% as an immediate step, with a commitment to reach the full 9.2% required under the capital management policy. More needs to be done: SAF should present a multi-year capital restoration plan to return the MCT to the 125% policy target over the next five to seven years.

The detailed financial analysis, the financial condition testing results, and the Consultants' full assessment of the capital management policy are presented in Sections 9.4 and 9.5 of this Report.

2. SASKATCHEWAN RATE REVIEW PANEL MANDATE

In the Minister's Order executed January 2, 2026, pursuant to Section 15 of The Executive Government Administration Act, the Minister of Crown Investments Corporation of Saskatchewan appointed a Ministerial Advisory Committee known as the Saskatchewan Rate Review Panel.

In accordance with Schedule A to the above noted Minister's Order (Schedule A: Saskatchewan Auto Fund Rate Changes and Rebalancing Proposal - Terms of Reference), the Panel is requested to conduct a review of the Saskatchewan Auto Fund (Auto Fund) proposal for a multi-year adjustment and rebalancing of vehicle insurance rates, targeted to be effective on June 1, 2026, and June 1, 2027. The Panel is to review the fairness and reasonableness of SAF's proposed rate changes while considering the interests of the Auto Fund, its customers, and the public.

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

2.1. Minister's Order and Terms of Reference

The Minister's Order and Terms of Reference dated January 2, 2026, state that the Panel is to conduct a review of the Saskatchewan Auto Fund (Auto Fund) proposal for a multi-year adjustment and rebalancing of vehicle insurance rates, targeted to be effective on June 1, 2026, and June 1, 2027. The Panel shall provide an opinion of the fairness and reasonableness of the proposed Auto Fund rate changes and rebalancing, having consideration for the following:

- The interests of the Auto Fund its customers and the public;
- Consistency with the Auto Fund's mandate, objectives and methodologies;
- Relevant industry practices and principles; and
- The effect of the proposed rate changes and rebalancing on the competitiveness of the Auto Fund relative to other jurisdictions.

In conducting the Auto Fund rate review, the Panel will consider the reasonableness of the proposed rate change(s) and rebalancing in the context of:

- The Auto Fund's mandate to operate on a self-sustaining basis over time;
- The total forecasted premium revenue requirement by vehicle risk group including the assumptions, estimates and methodology used in forecasting premiums, investment income, claims and expenses for the basic (non-capital portion) rate indication being considered; and
- The objective of ensuring stability and fairness in vehicle insurance rating such that each vehicle class pays sufficient premiums to cover its anticipated claim costs and minimize cross-subsidization.

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

- The compulsory insurance coverage provided by the Auto Fund through its legislative mandate;
- The Auto Fund is a public fund for motorists with no profit component required in pricing of the product;
- SGI CANADA and SGI CANADA Insurance Services Ltd. are separate commercial entities from the Saskatchewan Auto Fund and shall not be considered part of the Auto Fund rate review;
- The existing program parameters of the International Registration Plan, Safe Driver Recognition Program and the Business Recognition Program;
- The terms of the approved Capital Management Policy and approved target capital levels;
- The vehicle risk groups used by the Auto Fund; and
- The accounting and operating policies and procedures used by the Auto Fund.

The Auto Fund will provide the Panel with its application package immediately. The Auto Fund will also provide the Panel with any supplementary information as the Panel may require fulfilling its mandate and these Terms of Reference.

The Auto Fund may provide the Panel with a mid-application financial update if a business factor(s) informing the rate application has changed materially from those of the initial application. Should it be deemed necessary, any material updates to the application shall be provided by no later than Tuesday, March 3rd, 2026.

The Panel shall determine a public consultation process for this rate change and rebalancing application that is appropriate and cost effective under the circumstances and within the timeline for the review as established by the Minister of Crown Investments Corporation.

The Panel shall provide members of the public with the opportunity to review and comment on the Auto Fund rate change and rebalancing submission outside any public meeting, to the extent reasonable and within the timeline for the review as established by the Minister of Crown Investments Corporation.

The Panel shall provide an opportunity to the Auto Fund to make a presentation to it and to the public as the Panel considers appropriate to discuss noteworthy rate application issues.

The Panel shall, in a timely and efficient manner, forward to the Auto Fund for response, questions that the Panel receives from the public, individual Panel members and its technical consultant.

The Panel shall provide the Auto Fund with the opportunity and reasonable time to review the Panel's technical consultant's preliminary report prior to its finalization to ensure there are no errors in data or in the interpretation of data. The preliminary report shall include the consultant's observations (i.e., outstanding issues and questions) but will not include the consultant's recommendations to the Panel.

The Panel must include in its report an explanation of how, in its opinion, implementation of the Panel's recommendations will allow the Auto Fund to achieve the performance inherent in the parameters outlined in section (A), where the Panel's recommendations are different from the Auto Fund's proposed rate change and rebalancing.

Consistent with the "Confidentiality Guidelines" for the Panel, the Panel will not publicly release or require the Auto Fund to publicly release Confidential Information it has supplied to the Panel during the rate change and rebalancing application review.

The Panel is to release, as part of its final report, the results of the review of the Auto Fund rate change and rebalancing proposal as conducted by an independent third party. By doing so the Panel shall ensure there has been no indirect release of any confidential Auto Fund information. The Panel will present its report to the Minister of Crown Investments Corporation no later than June 30, 2026.

Prior to the implementation of a rate change in 2027, the Auto Fund will provide current financial statements and an update on any business plan forecasts for the Panel's review by November 30, 2026.

The Panel shall provide the Auto Fund with the opportunity and reasonable time to review the Panel's updated recommendation on the 2027 rate change prior to its finalization to ensure there are no errors in the data or the interpretation of data.

The Panel will provide a recommendation to confirm or revise the 2027 rate change to the Minister of Crown Investments Corporation no later than February 1, 2027.

3. REVIEW PROCESS

The Panel retained the services of Cathcart Advisors Inc (CAI), and Risk Consulting Services, Inc. (RCS) (referred to as the Consultants) to advise the Panel on the SAF 2026 Application. The Consultants received all documents related to the Application on January 2, 2026, and immediately commenced a detailed review. During the review process, substantial information was examined and tested. This included SAF's responses to 65 first round Consultant Information Requests (IRs) and 33 second round Consultant IRs. Various other information from SAF, the Panel, organizations and individuals was also taken into consideration in the preparation of this report. The main activities undertaken by the Consultants as part of their independent review are shown in the following table:

Table 3.1: Review Process Activity Log

Dates	Activity
Jan 2, 2026	Application, including MFRs, received and review commenced.
Jan 20, 2026	Consultants and SRRP Meeting with SAF to review Application.
Feb 10, 2026	Consultants submit First Round IRs to Panel.
Feb 18, 2026	Consultants submit First Round IRs to SAF.
Mar 3, 2026	SAF responds to First Round IRs and review commenced.
Mar 10, 2026	SAF & Consultants meet to review round First Round IR responses
Mar 11, 2026	Consultants meeting with Panel to discuss First Round IR responses.
Mar 19, 2026	Consultants submit Second Round IRs to Panel.
Mar 20, 2026	Consultants submit Second Round IRs to SAF
Mar 26, 2026	SAF Public Meeting (Doubletree Regina)
Apr 7, 2026	SAF responds to Second Round IRs Consultant review of responses commenced.
Apr 10, 2026	Teams meeting with SAF to clarify any outstanding issues.
April 16, 2026	Teams meeting with Panel to review Second Round IRs.
May 28, 2026	Teams meeting with Panel to discuss final position.
June 6, 2026	Consultants submit draft report to Panel
June 10, 2026	Consultants meet with Panel to review Draft Report
June 16, 2026	Consultants submit and abridged report to SAF for accuracy of data
June 22, 2026	SAF provides comments on abridged report.
July 17, 2026	Consultants submit final report to Panel.

3.1. Study Objectives

The Consultants' study objectives included:

- Reviewed SAF's Application and clarifications, to allow the Panel to fulfill its mandate;
- Identifying and evaluating feasible and appropriate alternatives to SAF's rate proposal;
- Assessing the reasonableness of the proposed overall rate increases given the nature of the industry, the insurance environment, the economic environment, and the interests of SAF's customers, the Crown Corporation, and the general public;
- Assessing the reasonableness and fairness of the proposed rate rebalancing across the various rating classes of vehicles, and within those classes, across the underlying rating classifications;
- Assessing the consistency of the Application with SAF's mandate, objectives, and methodologies as well as with general insurance industry practices; and
- Assessing the reasonableness of SAF's cross-Canada rate comparison.

3.2. Scope Limitation

A material scope limitation applies to this report. At the direction of SAF, the detailed multi-year financial projections for the 2028/29, 2029/30, and 2030/31 outlook period remain confidential. Those projections would show the impact of the SAF proposed or alternative rate increases on the financial position of the Auto Fund. They cannot be disclosed. As a result, this report does not present the projected effects on the Rate Stabilization Reserve or other key financial metrics for those later years. The Panel must account for this constraint when reviewing the analysis and any conclusions based on the available data.

Publicly available information for the test period indicates that the capital position has declined. A comprehensive multi-year plan addressing the capital position was not presented in the Application or filed in response to information requests. The conclusions in this Report are subject to this scope limitation and should be read accordingly.

4. CONSULTANT RECOMMENDATIONS

21 recommendations. Green = in the Executive Summary. Red = body section only.

Table 4.1: Consultant Recommendations and Report Location

#	Recommendation	Report Section	In Executive Summary
RATE YEAR AND SCOPE			
1	Limit rate action to 2026/27. The evidentiary record does not provide a sufficient basis to assess the 2027/28 rate increase. The 2027/28 rate year should be the subject of a separate application.	Section 9.5 Observations on Capital Management Policy	**Yes**
RATE LEVEL AND CAPITAL MANAGEMENT			
2	Direct SAF to adopt a capital margin of at least 6.5% immediately, including a capital maintenance provision of 1.7% and a capital build provision. SAF should present a multi-year capital restoration plan with the objective of restoring the RSR to the 125% MCT policy target, modelled on the approaches taken by Manitoba Public Insurance and ICBC.	Sections 9.5, 18 Capital Management Policy / Sensitivity Analysis	**Yes**
3	The Panel should direct SAF to pursue a rate-setting approach that consistently follows costs.	Section 9.5 Observations on Capital Management Policy	**Yes**
4	The Panel should assess whether the proposed cap level and the resulting premium increases for each class are just and reasonable.	Section 6.5 Rate Capping and Rebalancing	**Yes**
5	Hold SAF to the projected CT savings. Direct SGI to provide a post-implementation benefits-realization review once DRIVE is in service on a defined reporting cadence. Direct SAF to use current economic assumptions in future applications.	Sections 9.6.2, 13.4.1 Non-Rate Changes Observations / CT Project Costs	**Yes**
6	Direct SAF to submit annual rate applications going forward.	Sections 9, 19 Capital Management Policy / Next Steps	**Yes**

#	Recommendation	Report Section	In Executive Summary
7	The Panel should formally request that Government direct SAF to disclose Financial Condition Testing summary results as part of each rate application and recommend to the Minister that financial forecast information be treated as a public document in all future proceedings.	Sections 9, 16 Capital Management Policy / Five Year Financial Forecast	Yes
ACTUARIAL ANALYSIS			
8	SAF should use a CPI-based inflation parameter allowing the inflation effect to vary by year and coverage.	Section 7.1 Loss Amounts including Claims Handling Expenses	No
9	In future rate applications SAF should place more weight on more recent years of experience to be more responsive to changes in claims experience.	Section 7.9 Experience Period Weights	No
NON-RATE CHANGES			
10	SAF must articulate the specific non-rate measures under consideration and demonstrate how each is expected to improve the financial outlook of the Auto Fund. *The Panel should require SAF to report on the realization of projected CT savings on a defined cadence, with confirmation that savings have been achieved as projected before rates are set in subsequent applications.*	Section 9.6.2 Non-Rate Changes Observations	Yes
RECOGNITION PROGRAMS			
11	SAF should undertake a review of the actuarial soundness of the SDR program as part of its preparation for the next rate application.	Section 10.3 Observations on Bonus/Malus System	No
TAXI AND TRANSPORTATION NETWORK COMPANIES			
12	SAF should consider overcoming the two-decimal constraint in establishing TNC rates and whether taxicab companies could access a per-kilometre rate structure.	Section 10.6 Observations on Taxi and TNC Rate	No
SAF OPERATING EXPENSES - CT PROJECT			

#	Recommendation	Report Section	In Executive Summary
13	SGI should provide a post-implementation benefits-realization review once DRIVE is in service, reported on a defined cadence.	Section 13.4.1 Observations on CT Project Costs	**Yes**
14	The classification and amortization of CT transformation costs should be confirmed, distinguishing one-time from ongoing costs.	Section 13.4.1 Observations on CT Project Costs	**No**
ISSUER FEES			
15	SAF should renegotiate issuer fees before the current Accord expires in 2029 to reflect the true cost of service delivery.	Section 13.6 Issuer Fees	**No**
COST ALLOCATION			
16	SAF should undertake an external independent review of the ICAM cost allocation methodology.	Section 14.1 Observations on Cost Allocation	**No**
PERFORMANCE MANAGEMENT			
17	SAF should report on productivity and efficiency savings realized and to be realized, given the implementation of new computer systems and processes.	Section 17.2.1 Observations on Productivity and Efficiency	**No**
TRAFFIC SAFETY			
18	The Panel should note the declining share of premiums allocated to Traffic Safety programs and the absence of performance benchmarks linking program spend to outcomes.	Section 13.5.1 Traffic Safety Program Performance Monitoring	**No**
NEXT STEPS			
19	The Panel should meet with SAF to review the application process and discuss process improvements for future rate applications.	Section 19 Next Steps	**No**
2022 RECOMMENDATIONS - COMPLIANCE			
20	The Panel should review compliance with this and all prior recommendations at the next rate application.	Section 21.3 Observations on Compliance with 2021 Panel Recommendations	**No**

#	Recommendation	Report Section	In Executive Summary
REGULATORY PROCESS			
21	Recommend to the Minister that future Terms of Reference change "may" to "shall," requiring SAF to report by the mid-application update date in either case: file an update where a business factor materially affects the Auto Fund's financial condition relative to the application, or confirm none is required.	Section 9 – 2025/26 Financial Update	**Yes**

5. Program Changes

5.1. Driver Licence

During the January 2023 to December 2025 period, limited program changes were reported. With respect to driver's licences, SAF introduced a seven-day driver license suspension for stunting and excessive speed, which exceeded 50 kilometers an hour over the posted limit, more than double posted speed, effective March 1, 2024. Along with that change, SAF revised the impoundments for stunting in excessive speed to be a 30-day impoundment term applicable on every offense. Previously, impoundments varied in terms of length. Some offenses only impounded on a second offense in prior 12 months.

SAF also piloted a revised motorcycle training school and instructor certification process with a new training school and instructor in July 2024. SAF noted that final revisions to the program are underway. In addition, SAF reduced the cost of the class 5 driver education instructor course from five weeks to three weeks and reduced the cost of the training program from $2,500 to $1,500 to make it more affordable and accessible. This change was made in 2023.

5.2. Traffic Safety

SGI provided funding towards the purchase of three motorcycles used by Combined Traffic Services, Saskatchewan, in 2023 and 2024. In 2023, Traffic Safety supported Regina Police Services in funding towards the purchase of a camera system used in Regina Police Service plane for speed enforcement. Safety also supported Regina Police Service with funding towards the purchase of a mobile testing unit intended to enhance the impaired driving investigations on roadside tests. In 2024 SGI introduced a Speakers Program. Apart from the Community Grant Program, funding for speaking fees will no longer be eligible for a Community Grant.

SGI eliminated funding for MADD Canada, which supported the Smart Wheels Education Program Campaign on Impaired Driving. SGI has eliminated dedicated funding towards the Holiday Ride for Free Program. SGI Traffic Safety Community Engagement is working with the municipalities to deploy alternative transit options, such as Operation Red Nose or revised transit campaigns. Traffic Safety is discussed in Section 13.5.

5.3. Registration

In the spring of 2025, following a two-year pilot project, SAF introduced golf carts (May 2025) and e-scooters (April 2025) to operate within municipalities.

5.4. Transportation Network Company (TNC)

Regulations allowing ridesharing in Saskatchewan took effect December 14, 2018. Rideshare drivers can use private passenger vehicles to transport passengers for compensation. The transportation network company (TNC) must purchase insurance covering its affiliated drivers and vehicles while ridesharing. Rideshare drivers are not required to purchase additional insurance.

The TNC’s insurance premium is calculated based on the number of kilometres (km) travelled while drivers are engaged in ridesharing using the TNC’s mobile application. The per kilometres rate starts when a driver is

matched with a customer and is on the way to pick the customer up and continues until the customer exits the vehicle. The current rate of 11 ¢/km has been established based on the insurance costs and kilometres driven of passenger-for-hire vehicles in Saskatchewan and Alberta.

SAF has proposed increasing the rate from 11¢/km to 12¢/km in this based on program experience. Changes to the rate are required by regulation. Any changes to the proposed rate will be made after the proposed implementation of rates in 2026/27, once regulation has been revised.

5.4.1. Permit Indication Changes

SAF offers permits for light passenger vehicles and motorcycles that allow individuals to drive an unregistered qualifying vehicle for short periods. The types of permits available are 24-hour, 8-day, 7-day in-transit permits and 7-day Temporary Insurance Cards (TIC).

SAF proposed changes to the permit rates this rate application as follows.

Table 5.1: Proposed Permit Rate Changes

Permit Type	Current Rate ($)	Proposed Rate ($)	Change ($)	% Proposed Rate Change
24-Hour	11	16	5	45.5%
8-Day	49	54	5	10.2%
In-transit	30	35	5	16.7%
TIC	27	33	5	17.9%

Permit indication changes are discussed in section 5.4.1 of this Report.

SAF Administrative Fees

SAF administrative fees had remained unchanged since the 2022 Rate Review. However,

During the Rate Review process, the Province announced that effective January 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.

5.5. Historical Rate Changes

From 2006 to 2025, SAF had a compounded rate adjustment change of 5.03%, while the Saskatchewan Consumer Price Index (CPI) cumulative percent change for the same period was 54.9%. The following is a summary table of rate and CPI adjustments over the last 19 years along with notable points through this period:

Table 5.2: Summary of Rate Adjustments vs. CPI

Year	Annual Rate Adjustment	CPI Year-Over-Year Change	Comments
2006	0%	2.52%	Refunded $44 million in excess RSR funds to 520,000 customers, an average $84 rebate.
2007	(7.10) %	3.19%	Refunded $100 million in excess RSR funds to 540,000 customers, an average $185 rebate. Rate decrease included rate rebalancing.
2008	0%	3.18%	
2009	4.20%	0.94%	Rate increase included rate rebalancing.
2010	0%	0.42%	
2011	0%	2.78%	
2012	1.60%	1.72%	Rate increase included rate rebalancing.
2013	2.27%	1.61%	Rate change included 1.03% rate increase with rate rebalancing and a 1.23% RSR surcharge.
2014	4.42%	2.46%	
2015	-	1.86%	
2016	-	1.07%	
2017	-	0.83%	
2018	-	3.06%	
2019	-	1.96%	
2020	-	0.50%	
2021	-	2.33%	
2022	-	8.09%	
2023	-	3.01%	
2024	-	1.55%	
2025	-	1.41%	
Compound Change	5.03%	54.9%	

5.6. Cross-Canada Rate Comparison

SAF provides a cross-Canada rate comparison. The comparison is to determine how much a driver would pay for auto insurance in each Canadian jurisdiction, given their current vehicle, driving record and claim history. The comparison obtains rates for 30 vehicle and driver profiles in 18 cities across Canada to represent a cross-section of major centers, rural communities, and northern communities to get a geographic representation within each province.

In 2022, SGI partnered with the Insurance Corporation of British Columbia and Manitoba Public Insurance to commission Ernst & Young (EY) to provide a cross-Canada auto rate comparison report. The EY report increased the geographical range from the previous, internally produced version by four additional provinces: New Brunswick, Newfoundland, Nova Scotia and Prince Edward Island.

Rates in Ontario and Alberta were projected from the EY September 2022 results by estimating provincial average rate changes from September 2022 to April 2025. Newfoundland, Nova Scotia and PEI updated rates could not be determined due to a lack of availability of approved rate changes in those regions, so rates from September 2022 have been used.

Comparing auto insurance rates across different jurisdictions is always a challenge due to differing population and traffic density, road infrastructure, vehicle mix, insurance coverage and weather. SAF has attempted to minimize these variables by standardizing the vehicles, profiles and coverage levels used for liability and physical damage coverage. However, the jurisdictions are still fundamentally different in some ways making meaningful comparisons difficult. For example, companies in provinces with competitive insurance are not required to insure all drivers or may not have limitations on the rates that can be quoted. Competitive insurers provide insurance in all provinces except Manitoba and British Columbia.

Based on updates to the 2022 EY survey, Saskatchewan has the second lowest average personal auto insurance rates in Canada. Both Manitoba Public Insurance (MPI) and the Insurance Corporation of British Columbia (ICBC) are Crown-owned insurers like SGI. They offer similar Basic, compulsory insurance programs supplemented by competitive optional coverage, similar to Saskatchewan's program.

As seen in the graph below, consistent with previous years, Manitoba continues to be Saskatchewan's closest competition for lowest average personal auto insurance rates, and they have now surpassed Saskatchewan with the lowest rates in Canada. Now that British Columbia has shifted to a no-fault system, its insurance rates have decreased dramatically from previous rate comparisons.

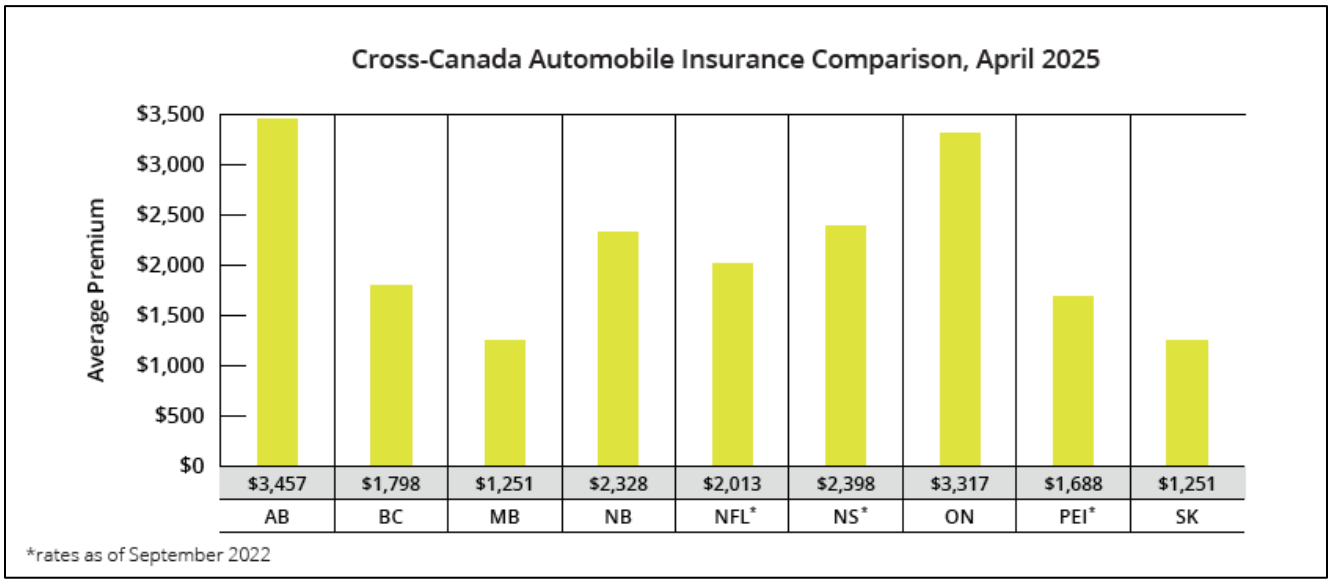


Figure 5.1: Cross-Canada Average Premium Comparison

5.6.1. Observations on Cross-Canada Rate Comparison

Comparing premiums between the Crown Corporation provinces and non-Crown Corporations provinces is challenging for a multitude of reasons – key of which are differences in the level of benefits included in the coverages, driving environment (weather, road conditions and traffic density), and operational expense/profit structure. Most notably, the Crown Corporations operate under a not-for-profit basis with a lower operating expense structure. Comparison to the average premium for private passenger vehicle risks may be more meaningful amongst the Crown Corporation with similar coverage benefit levels and expense/profit structures. On this basis, as provided by the SAF comparison, the SAF average premium is marginally less than that for MPI.

However, the degree to which either MPI or ICBC include a build-up or draw down of their MCT level will influence their average rate level. Specifically, if MPI and ICBC have materially higher or lower MCT levels – this affects both the current rates and potentially future rate level changes. MPI's MCT was 107% for 2024/25 with a target MCT of 100% while ICBC reported an MCT of 221% and had suspended its 100% MCT target.

A large driver of the premium cost is the expenses. Metrics on the operational costs and efficiency amongst the Crown Corporations would be meaningful: average expense costs per vehicle – with and without traffic safety and government medical fees, the number of employees per $100,000 of premium, etc.

SAF's rate comparison to non-Crown Corporation provinces includes Alberta and Ontario; and presents notably higher average premiums in those provinces than the Crown Corporations. In Alberta and Ontario, operating under a competitive environment with several insurers, there is a wide range of rates between insurers; however, the comparison does not reflect this. As Ontario and Alberta include a margin for profit and higher operating expenses (e.g., broker commissions at 12.5%, plus contingent commissions), this adds to the

average premium cost in those provinces. While the profile comparison approach used by SAF can be meaningful, it does not give a fulsome picture.

The average premium for private passenger vehicles differs between the provinces for many reasons, some of which include:

- Benefit and coverage levels differences
- No-fault versus tort product
- Allowable level of profit provision, if any
- Inclusion or exclusion of investment income on capital
- Capital build vs release impact
- Operating expenses, including acquisition costs and premium tax level
- Driving environment – traffic density, weather, road conditions
- Driver Characteristics – age, experience, vehicle type and usage

Readers of rate comparisons between provinces should consider that there are many reasons why the average premium varies amongst the provinces.

6. RATEMAKING OVERVIEW

6.1. Governance

SGI's Governance and Policy statement is, "The Saskatchewan Auto Fund is the province's compulsory auto insurance program, operating the driver licensing and vehicle registration system. The Auto Fund is financially self-sustaining, operating on a break-even basis over time. It does not receive money from, nor pay dividends to, the government."

The Actuary is tasked with determining the rate level need for the Auto Fund that is consistent with both the SGI Governance and Policy statement, as well as the Canadian Institute of Actuaries (CIA) Standards of Practice (SOP) for ratemaking. Section 2610.06 of the CIA SOP[4] specifically states the SOP for ratemaking applies to quasi-insurers, such as Crown Corporations: "Federal or provincial crown corporations or agencies acting in a capacity similar to a property and casualty insurer."

In Section 2620.01 and 2620.02 of the CIA SOP, the Method for the actuary is outlined:

"The best estimate present value of cash flows relating to the revenue at the indicated rate should equal the best estimate present value of cash flows relating to the corresponding claim costs and expense costs, plus the present value of a provision for profit, over a specified period of time."

"The actuary should select appropriate methods, techniques, and assumptions recognizing that such elements depend on the circumstances affecting the work and that a variety of actuarial methods may be appropriate to derive an indicated rate."

The CIA SOP is not prescriptive as to methods or assumptions for the actuary to determine the "best estimate."

In preparing work for external users, the actuary is required to provide a signed and dated report that states the work is consistent with accepted actuarial practice (AAP), or if not, explain any exceptions.

6.2. Attestation and Opinion of the Actuary

SAF's pricing actuary provides a certification with the Application and attests that the ratemaking process is consistent with AAP. Specifically, the certification includes the following:

1. This filing is in respect of all classes/categories of automobile insurance, to be effective as of **June 1, 2026, and June 1, 2027,** for both new and renewal business. {Emphasis added}

2. I have reviewed the data underlying this rate application for reasonableness and consistency, and I believe the data is reliable and sufficient for the determination of the **indicated rate** changes. {Emphasis added}

3. I have derived the indicated rate(s) in accordance with Accepted Actuarial Practice in Canada.

[4] CIA Standards of Practice published June 2025 and effective October 1, 2025.

In my opinion, the **indicated risk** classification system is just and reasonable, reasonably predictive of risk and distinguishes fairly between the classes." {Emphasis added}

— *Certificate of the Actuary included as item 2 of Saskatchewan Auto Fund Rate Change Proposal*

SAF originally calculated the indicated rates assuming an earlier effective date of August 15, 2025 (hereafter referred to as the 2025 rate indication). SAF later prepared a revised indication analysis with an updated effective date of June 1, 2026 (hereafter referred to as the 2026 rate indication). Unless otherwise indicated, the values and information presented in our actuarial rate indication review will correspond to the 2026 rate indication.

The actuary's opinion applies to the "indicated" rates, not the proposed rates. If the management team applies other rules, such as capping or rebalancing, that result in the proposed rates being different than the indicated rates, the actuary's opinion of the rates being "just and reasonable" does not apply to those proposed rates.

6.3. Ratemaking Process

Ratemaking can be described as the process of determining the required average rate level for a portfolio of risks in aggregate, as well as the rate level need for the individual classes within that portfolio of risks.

Typically, to calculate the rate level for an insurance company, the actuary estimates (i) expected claims costs and associated claims handling expenses for the proposed period of time the rate program will be in effect, (ii) non-claim related expected expenses, (iii) expected investment income on the cash flows associated with the timing between when premiums are collected, and claims are paid, and (iv) a provision for profit.

SAF's ratemaking methodology:

- Is based on the objective that the indicated rate level for each vehicle class is just sufficient to meet its expected claims, expenses, offset by investment income and the break-even provision.
- Determines rate indications for each class of automobile, such as private passenger vehicles, ambulances, etc.
- Analyzes the expected claims costs for each coverage for each class separately.
- Includes both a variable and fixed expense costs for each class; with some differences in the fixed provision amongst the classes.
- Includes a break-even provision of -2.0% of premiums.
- Includes a capital management plan provision adjustment of +0.06% of premiums that is applied after the separate rate capping and rebalancing step described in Section 1.5 below.

A complete list of vehicle classes within each of the four major categories, along with the rate indication metrics, before and after capping, is presented in Appendix A of the Application.

As the Auto Fund operates on a break-even basis and does not set rates to produce a profit, there is no provision for profit included in the rates. Instead, the Auto Fund includes two other components: a capital management plan provision and a break-even provision.

- The Auto Fund's **capital management plan provision** includes two parts that are associated with the MCT:5 (i) maintenance of the MCT level as the number of risks insured with SAF is expected to change over time and (ii) an adjustment to either build or release capital to achieve the target MCT level that has been set by the Auto Fund's management team.

  The Capital Management Policy applies a percentage amount on premiums to move towards a target MCT of 125%. The goal is to move to the MCT target in small increments with each rate program, rather than applying more significant one-time surcharges or rebates. This approach reduces the likelihood of rate swings for customers, if a significant financial event occurs, impacting the balance in the RSR. The target capital level of the MCT is set as a result of evaluating the Auto Fund's risks through Financial Condition Testing, as well as guidance from the Office of the Superintendent of Financial Institutions.

  The policy determines the amount of capital adjustment needed with each rate program by applying an amount to either recover 1/5 of the capital below 125% MCT or release 1/5 of the capital above 125% MCT into the basic insurance rate every year. As such, the rate always includes a portion designed to move the RSR towards an adequate level and avoids the volatility a surcharge might create, assuming rate programs are annual or close to annual. A similar method is followed by competitive insurers that build cost of capital requirements into each rate filing.

  In this Application, SAF calculates the capital management plan provision to be 6.5% of premiums based on the 2025 rate indication but proposes to maintain the current provision of 0.06% due to concerns around affordability. In response to SRRP (SAF) 1-14, SAF further notes that the capital management provision is 9.2% based on the 2026 indication, a 2.7 percentage point increase, and is expected to increase beyond 10% in the future if the current 0.06% capital management provision is maintained.
- The **break-even provision** accounts for the investment income on the Rate Stabilization Reserve (RSR), that is integral to the MCT, as well as other costs and revenues such as surplus premiums from retained amounts for cancellations. In this Application, SAF calculates the break-even provision at −2.0%.

The indicated rate level change, before the capital management plan provision, is calculated as the percentage difference between the indicated average premiums and the average premiums at the current rate level forecasted for the rating period. SAF calculates an indication of +33.5% on an overall basis.

[5] The MCT is discussed more fully in section 8.0 of this report. The MCT is a measurement of the level of capital held by the entity to the required capital for that entity. SAF's capital is held in a Rate Stabilization Reserve Fund (RSR).

In Section 7.0 we discuss the ratemaking analysis (data, assumptions, and methods) of SAF to calculate the rate indication.

6.4. Classes of Risks and Coverages

SAF has four major classes of risks:

1. **CLEAR**[6] includes private passenger vehicles, commercial light trucks, and farm light trucks, amongst others. These vehicles are rated based on the Insurance Bureau of Canada's (IBC) system of rating specific vehicles known as CLEAR. This is the largest category with 88% of all non-trailer vehicles. The CLEAR classes are the focus of this report. We provide limited commentary on changes affecting the other classes listed below.
2. **Conventionally-Rated** vehicles include heavy trucks, farm vehicles, buses, motorcycles, amongst other vehicle types that are not rated like those under CLEAR.
3. **Trailers** is self-explanatory, with separate subcategories aligned to other vehicle classes.
4. **Miscellaneous** vehicles are vehicles that do not align with any of the above categories and include special non-vehicle classes, such as 24-hour and 8-day permits.

For each class of vehicle, the same coverages and benefits[7] are included in the annual premium that is determined for each vehicle. There are several sub-coverages analyzed by SAF that can be categorized into three groups: (i) damage to the vehicle or other property, (ii) injury (care benefits, medical expenses, permanent impairment, income replacement, appeal, and death benefits, and (iii) liability/tort.[8]

6.5. Rate Capping and Rebalancing

The purpose of rate capping is to reduce (the shock of) large percentage change and/or dollar amount increases to policyholders. In prior years, the SAF rebalancing program offset the reduction in premium revenue as a result of the cap by increasing the CLEAR class of vehicles. This resulted in a revenue-neutral impact overall, while the CLEAR class had higher average premiums than indicated by the actuarial analysis. For the 2026 rate program, SAF has removed the rebalancing of premiums onto CLEAR vehicles, so all rating classes will participate in the rate capping consistently.

Rate capping is applied after the indicated rate level change is calculated. SAF's management team decides the proposed cap level, manner of capping, and rebalancing program.

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[6] Canadian Loss Experience Automobile Rating.

[7] Exceptions apply to some classes such as snowmobiles and trailers.

[8] SAF offers insureds a choice between a no-fault and tort product. Less than 0.5% of policyholders opt for the tort-based policy, with the majority of policyholders choosing no-fault coverage. "Tort" covers at-fault collisions with a tort insured. "Liability" covers the limited situations where an insured may be sued, including out-of-province exposure.

SAF proposes a capping program of up to $36 for premiums up to $1,000 and 3.6% for premiums of $1,001 or higher. This tempers the impact of large percentage rate changes.

SAF proposes that the dollar cap be scaled as follows for premiums less than $1,001:

- cap of $6 for annual premium between $1 and $50
- cap of $12 for annual premium between $51 and $100
- cap of $18 for annual premium between $101 and $250
- cap of $24 for annual premium between $251 and $500
- cap of $30 for annual premium between $501 and $750
- cap of $36 for annual premium between $751 and $1,000

For those risks with lower premium levels, the dollar cap implies higher percentage increases than +3.6% for premiums greater than $1,000. For example, a risk with a current premium of $101 could experience an increase of up to $18, or +18%.

6.5.1. Rate Capping and Rebalancing

The Panel can consider the SAF management's proposed capping in the context of alternative capping options:

- No capping: This option may result in very large increases for some classes but ensure adequate rates and no cross-subsidization between classes of vehicles.
- A lower cap limit relative to the rate indication, as proposed in this rate application: This option results in the majority of risks being capped and a risk of further deterioration in the indicated rate change.
- A higher cap limit: This option would reduce some of the risk of further deterioration in the indicated rate change.
- A cap that varies by the indicated rate change level; the higher the indication, the higher the percentage cap. This would reduce the cross-subsidization. In the prior rate application, SAF had indicated it could facilitate a variable cap, however SAF indicates that this may not be possible under their new Guidewire system.

In response to interrogatories, SRRP (SAF) 2-32, SAF notes under the proposed cap scheme, 98% of the risks would have their rates capped. At a +10% cap, SAF estimates that roughly 81% of the risks would have their rates capped.

The Consultants recommend the Panel assess whether the proposed cap level and the resulting premium increases for each class are just and reasonable. Under the proposed capping scheme, 98% of risks are capped, meaning 98% of vehicle classes receive a rate increase materially below their indicated need. Equal percentage increases achieve equality but not equity - classes with larger rate indications receive a smaller increase relative to their total rate need, and the shortfall accumulates into the next application. The Panel

should satisfy itself that the distribution of rate increases across classes is fair to all policyholders, not only those in capped classes.

6.6. International Registration, Safe Driver and Business Recognition Programs

SAF proposes no changes to the International Registration Plan (IRP), the Safe Driver Recognition (SDR) and Business Recognition (BR) programs. Additionally, these programs are outside of the scope of review of the Panel's Consultants. Unlike the overall rate level indication, these programs provide a *relative* adjustment (i.e., surcharge or discount) to the rates.

We note that the discounts and surcharges of these programs are not actuarially indicated and are selected based on external business decisions. The SAF and Panel may consider recommending actuarially indicated discounts to reduce cross-subsidization between risks for more equitable rates.

6.7. Significant Changes

The following is a list of significant changes since the prior 2022 Application that affect the calculated rate indication.

Complement of Credibility

In the 2022 Application, the complement of credibility for all classes was the projected on-leveled average premium. In this 2026 Application, expenses are assumed to be 100% credible, and SAF determines the appropriate complement based on availability and whether the complement is suitable, considering the following options ranked by preference.

1. Pure premium used directly from a separate, similar class, or a larger group of similar classes.
2. Discounted pure premium used in the previous rate program with indicated rate changes applied from another similar class/classes to determine the final pure premium.
3. Discounted pure premium used in the previous rate program of the same class, adjusted for known changes since the last rate program. These adjustments include:
    - Current rate program loss trends applied to bring the loss costs into the projected rating year
    - Future labour rate factors
4. The latest average on-level written premium after discounts in the last rate program. This premium is further adjusted for known changes since the previous rate program. These adjustments include:
    - Current rate program loss trends applied to bring the loss costs into the projected rating year
    - Pure premium adjustments, except for large loss
    - Future labour rate factors

SAF explains the change largely impacts smaller classes with low credibility and generally increased indicated rates. The prior method provided more stability between rate indication analyses.

Increasing Cost of Collision Claims

SAF adjusted historical claims, assuming a one-time shift from 2022 – 2024 to reflect the increases in the cost of parts and repairs, and value of used and new vehicles. SAF estimates the increases in projected collision pure premium represent 19% of the overall rate need.

Ridesharing

Effective December 14, 2018, ridesharing regulations allowed drivers to use their private passenger vehicles to transport passengers for compensation without requiring additional insurance beyond their basic plate coverage within the light vehicle class. The Transportation Network Company (TNC) must purchase insurance that covers its affiliated drivers and vehicles *while* providing ridesharing services, with the premium based on the kilometres driven. The insurance rate was initially set at $0.11/km, given the limited data at the time.

In addition to the Basic insurance coverage, TNCs must also purchase a minimum of $1 million in additional third-party liability insurance to cover all their affiliated drivers and vehicles.

Any shift in usage to TNCs away from taxis may reduce the usage of taxi vehicles by the public. Many jurisdictions across North America have experienced notable declines in taxi usage with the introduction of rideshare services. SAF's modelling considers this shift in usage.

SAF proposed to increase the insurance rate to $0.12/km as part of this rate application. However, on May 20, 2026, SAF disclosed their discovery that the rate per km is specified in regulations, and they would be unable to amend the regulation in time for the effective date. SAF will abide by the regulation and maintain the current $0.11/km rate until they receive cabinet approval to increase the rideshare rates.

COVID-19

"Stay-at-home" orders and other directives beginning mid-March 2020 led to a decline in vehicle traffic and a resulting decline in claim frequency. Many businesses transitioned to work from home, if possible, leading many insureds to cancel or adjust vehicle registration and insurance coverages.

In May 2023, the World Health Organization determined that COVID−19 no longer constitutes a public health emergency. We find the start of the "new−normal" (or post pandemic period) likely began prior to this announcement. In general, there has been a gradual increase in traffic levels since the early days of the pandemic as more individuals returned to the workplace, oftentimes under a hybrid working arrangement. At this point in time, it appears that the current hybrid work environment and reduced commuting traffic are likely to continue.

In response to interrogatories, SRRP (SAF) 1-15, SAF states:

> *For most coverages, there was an observable return to the trended pre-pandemic data starting in the fiscal year ending March 31, 2023. SAF believes that the experience during or following the 2022-2023 fiscal year can be considered as post-pandemic.*

For most coverages, there was an observable return to the trended pre-pandemic data starting in the fiscal year ending March 31, 2023. SAF believes that the experience during or following the 2022-2023 fiscal year can be considered as post-pandemic.

SAF assumes the effect of COVID-19 will largely be concluded by the proposed rating year and does not include a new normal adjustment, which implicitly assumes the loss experience beginning the proposed rating year will return to pre-pandemic levels. We reviewed the need for a new normal adjustment in our analysis of loss trends presented in Section 7.2.

Catastrophe Losses

Historically, SAF treated catastrophe losses as a separate coverage. Catastrophe losses, net of reinsurance, were developed to ultimate, then frequency and severity loss trends were selected, and the projected pure premiums for the rating year were calculated with seven years of developed and trended catastrophe losses for each class.

SAF has opted for a new approach in this Application by grouping the catastrophe losses by class groups (light, heavy, trailers, permits, and then separately, motorcycles, antiques, and utility trailers). Catastrophe losses are compared with non-catastrophe losses to determine the catastrophe loading. This catastrophe loading is a multiplicative factor applied to each vehicle class's comprehensive premium.

SAF estimates that the change in methodology represents a 1% increase in the overall rate indication for CLEAR-rated vehicles.

We have no issues with this method of recognizing catastrophe losses and its impacts to the rate indication as we find it common amongst rate applications we review across jurisdictions. This approach allows SAF to consider a longer-term view of catastrophe losses to smooth the volatility inherent in both the frequency and severity of catastrophe claims.

Increased Deductibles

On March 13, 2026, it was announced that the SAF basic deductible would be increased by $250. The common $700 deductible would be increased to $950. Vehicle classes with deductibles that differ from the common $700 will increase by about 20%. Additionally, antique vehicles will maintain a $500 deductible and the optional deductible for International Registration Plan (IRP) vehicles will remain at $15,000. We present the proposed deductibles by class in the table below.

Table 6.1: Current and Proposed Deductibles by Class

Class	Current Deductible	Proposed Deductible
"Heavy" truck, van, or power unit (larger than one ton) (Class A)	$2,500	$3,000
Semi-trailers (Class F)	500	600
Utility trailers & transport trailers (Class F – Farm)	400	500
Motorized bicycles/pedal cycles (Class L & LV)	350	400
Trailers (Class LT)	500	600
All eligible vehicles, regardless of seating capacity (Class PB & PC)	800	1,000
All trailers, except Cabin Trailers (Class PT)	400	500
Cabin trailers, declared <= $1,000 (Class PT)	400	500
Cabin trailers, declared > $1,000 (Class PT)	500	600
Trailers or semi-trailers (Class TS)	500	600
All other classes	700	950

New Administrative Fees

In addition to the increased deductibles discussed above, SAF also announced on March 13, 2026, that effective January 1, 2027, new administrative fees would apply to the following:

Table 6.2: New Administrative Fees and Amounts

Fee Type	Amount
New Vehicle Registration	$15
New Driver's Licenses	15
Renewed Driver's Licenses	15
Vehicle Registration Renewals	5
Driver's License Payment Transactions	2

Due to the proposed fees being announced after the 2026 rate application had been submitted, SAF's rate indication did not include this change in the overall rate indication calculation. In response to interrogatories, SRRP (SAF) 2-5, SAF calculates that the combination of increase in deductibles (described above) and new administrative fees would reduce the overall rate indication by 3.6 percentage points.

7. ACTUARIAL ANALYSIS

Scope of RCS Review

In this section, we discuss SAF's methods and assumptions to determine the loss amounts, expenses, investment income, break-even provision, and capital management plan provisions that are the basis for the average premium for each class of risk for the proposed rate programs effective June 1, 2026, and June 1, 2027.

Given the discrepancy between the rate indication and the proposal, we focused our review on the reasonableness of SAF's actuarial methodology and assumptions. We did not develop alternatives for all SAF's assumptions, and we did not test/replicate SAF's calculations.

As noted in Section 6.4, the CLEAR-rated vehicle class represents 88% of exposures. As a result, we principally reviewed the SAF's methodology and assumptions for that class. For CLEAR-rated vehicles, SAF uses a 5-year experience period for the rate indication. We therefore focused on actuarial assumptions affecting fiscal years 2020/2021 through 2024/2025.

SAF Actuarial Approach

The steps by SAF to determine the proposed average rate change for each class are as follows:

1. For each class, SAF calculates an indicated average premium based on the projected historical loss amounts, an expense provision, an investment income provision, and a break-even provision.
2. SAF determines the credibility of the historical loss data for the class and assigns this as the weight to the indicated average premium from step 1 above.

   To the extent the historical data is not fully credible, SAF uses a complement of credibility based on one of (i) premium of a similar class or larger group of similar class, (ii) premium of the previous rate program adjusted for rate changes, (iii) premium of previous rate program adjusted for rate changes and trend or (iv) the current average premium adjusted for trend.
3. SAF calculates the indicated percentage change for that class based on the credibility-weighted indicated average premium from step 2 above and the current average premium.
4. SAF applies an iterative rate capping and rebalancing procedure to ensure (i) all classes participate in rate capping equally, and (ii) the desired rate change is achieved.
5. SAF proposes no change to the capital management plan provision adjustment (0.06%) applied to the capped rate change from step 4, which represents the proposed rate change for each class, even though a +9.2% adjustment is required according to the plan.

We discuss these steps more fully in the sections that follow.

7.1. Loss Amounts including Claims Handling Expenses

Loss Development

The historical claim costs are grouped by class and coverage, by accident year, as of March 31st, 2025. These historical claim costs include the amounts paid on each individual claim and the claim adjuster's estimate of the amounts yet to be paid to close and settle the file, along with any claim-specific claim processing and handling costs. We refer to these amounts as the reported incurred loss. SAF presents historical data for each class and coverage for the eleven consecutive accident years between 2014/2015 and 2024/2025. The COVID-19 pandemic affects the claims experience of several of these accident years.

We refer to the loss when all claims are closed and settled as the ultimate incurred loss. Typically, it takes several years to settle and close claim files, and the initial (and interim) estimates can change over time as new information emerges. The actuary determines factors, referred to as loss development factors, that adjust the reported incurred loss to the ultimate incurred loss. SAF uses loss development factors implied from its 2024–25 actuarial valuation to develop the incurred losses by accident year to ultimate for each coverage.

The use of loss development for ultimate losses has differing objectives between actuarial valuations and pricing. Actuarial valuations are used to determine the outstanding claims obligations of a company but lack the forward-looking perspective that Pricing Actuaries require to estimate claims development patterns and claim obligations of future rating years. We suggest SAF consider performing an independent pricing analysis on loss development to ensure the loss development factors and resulting ultimate losses for each coverage are appropriate and reasonable.

In addition to adjustments to the reported incurred loss amounts for loss development and loss trend (which we discuss in Section 7.2 the historical accident year data must be adjusted for any changes to the product benefit level that have occurred, so that all historical accident year loss amounts reflect the current benefit levels expected to be in force in Saskatchewan when the proposed rate program will be in effect.

Large Loss Claim Carveout

SAF implemented a large loss policy with the prior rate application, which caps losses at various limits by coverage. The adjustment smooths the effects of large losses in the loss development and loss trend selection. SAF applies a load factor to account for the large losses removed from the rate indication, using a long-term estimate of the expected proportion of large-loss amounts. This implicitly assumes that the proportion of large losses, while volatile year-to-year, is relatively stable over a longer period.

Incurred Loss Adjustment

SAF includes several loss adjustments to bring all historical losses to the current level before selecting loss trend rates. SAF develops incurred loss adjustments for the following:

- **Injury Coverage Review Adjustment (effective Jan 1, 2017):** An injury coverage review process expanded medical, rehabilitation, permanent impairment, and death benefits in addition to expanding access to tort in situations where the at-fault driver was impaired and improved benefits under no-fault coverage.

- Program Years with Adjustment: 2015-17
- Coverages Affected: Liability/Tort; Injury; All Other
- Vehicle Classes Affected: All vehicle classes

Conclusion: This adjustment is reasonable.

- **Pre/Post Scanning (Effective Apr 1, 2019; Transition period effective Oct 1, 2018):** This adjustment is due to new autobody shop requirements that increased the cost of vehicle repairs for newer model year light vehicles.
  - Program Years with Adjustment: 2015-20
  - Coverages Affected: Damage
  - Vehicle Classes Affected: class A light, class F light (newer models only), class L excluding motorcycles, all class PT, all hearses, all PPV, all police makes, all rentals

  Conclusion: This adjustment is reasonable.

- **6% PST Increase (Effective April 1, 2017):** The Government of Saskatchewan increased the PST rate from 5% to 6% effective March 23, 2017.
  - Program Years with Adjustment: 2015-17
  - Coverages Affected: Damage and Injury: Medical
  - Vehicle Classes Affected: All vehicle classes

  Conclusion: This adjustment is reasonable.

- **Conventional and CLEAR - Used Vehicle PST Increase (Effective April 11, 2018):** The Government discontinued the PST exemption on light used vehicles. This change affects total loss claims in which SGI pays the PST for the replacement vehicle.
  - Program Years with Adjustment: 2015-18
  - Coverages Affected: Automobile damage claims
  - Vehicle Classes Affected: Conventional (class F (HTV, power units, trailers), class LV HTV, all class PV excl. industrial tracked, all class T, all LV bus, motorcycles, motor bikes, all motorhomes, all MC rentals) and CLEAR (all class F (farm) light, class PT, all PPV excl. Udrives, all rentals)

  Conclusion: This adjustment is reasonable.

- **Reduced No-Fault Motorcycle Option Adjustment:** SGI introduced a reduced no-fault coverage for 2016, which provided lower insurance premiums for motorcyclists willing to accept reduced injury benefits in the event they were at fault for a collision.

- Program Years with Adjustment: 2015-16
- Coverages Affected: Injury coverages other than appeal
- Vehicle Classes Affected: Motorcycles

Conclusion: This adjustment is reasonable.

- **Enhanced Injury Benefits (Living Assistance and CPPD):** In 2021, SGI implemented enhancements to injury benefits for living assistance and no longer reduced income benefits for amounts paid by Canada Pension Plan Disability.
  - Program Years with Adjustment: 2015-21
  - Coverages Affected: Injury care and injury income replacement)
  - Vehicle Classes Affected: All vehicle classes

  Conclusion: This adjustment is reasonable.

- **COVID Adjustment (Non-Heavy and Heavy):** SAF adjusted the incurred losses and claim counts to unwind the effects of the COVID-19 pandemic. We agree that the COVID-19 pandemic affected incurred losses and claims frequency. SAF indicated that they estimated the effect based on internal loss data in their response to interrogatory SRRP (SAF) 1-15. They provided details of loss experience and the resulting COVID adjustments however did not provide sufficient support for us to evaluate the justifications of their selections. The methodology notwithstanding, we find the magnitude of the factors, with minimal effect on 2019/2020, a significant effect in 2020/2021, and a moderate effect for 2021/22, is consistent with our expectations.
  - Program Years with Adjustment: 2020-22
  - Coverages Affected: All moving coverages
  - Vehicle Classes Affected: All vehicle classes (Separate adjustments for Heavy and Non-Heavy)

  Conclusion: This adjustment is reasonable.

- **Paint Material ILA:** SAF expects increases in paint materials experienced in recent years to continue.
  - Program Years with Adjustment: 2015-24
  - Coverages Affected: Automobile damage claims, excluding glass
  - Vehicle Classes Affected: All vehicle classes

  Conclusion: This adjustment is reasonable.

- **COVID Allowance:** This temporary COVID allowance was brought into effect in the response to health concerns over the COVID-19 pandemic and the State of Emergency declared by the Government of Saskatchewan. This 0.5-hour labour allowance was intended to cover sanitizing vehicles when they're

first brought in for repair and right before they are returned to the customer.

The allowance was only to remain in effect for 14 calendar days after the State of Emergency, but that temporary allowance continued long after Saskatchewan's State of Emergency ended on July 7, 2021. In fact, SGI decided to extend the temporary allowance for an additional 15 months. The temporary COVID allowance started on March 29, 2020, and continued until October 1, 2022. As a result, losses during that period are adjusted down to reflect that this policy is no longer in place.

- Program Years with Adjustment: 2020-23
- Coverages Affected: Automobile damage claims
- Vehicle Classes Affected: All vehicle classes

Conclusion: This adjustment is reasonable.

- **Repair Planning:** The Repair Planning Allowance of 0.8 labour hours came into effect on July 1, 2022. SGI implemented a 0.8 hr Repair Planning Allowance so technicians can properly research and integrate original equipment manufacturer (OEM) procedures into the initial repair plan.

  The Repair Planning Allowance helps ensure estimators and technicians have time to properly research and plan for the repair of items such as Advanced Driver Assistance Systems (ADAS) calibrations and sectioning locations/procedures.

  - Program Years with Adjustment: 2015-23
  - Coverages Affected: Automobile damage claims
  - Vehicle Classes Affected: class A light, class F light (newer models only), all class PT, all hearses, all rentals, all PPV, all police makes, class L excl motorcycles

  Conclusion: This adjustment is reasonable.

- **Inflation Adjustment:** This adjustment accounts for the higher-than-average inflation after the COVID-19 pandemic (SAF refers to this higher inflation as the "inflation surge") applicable to auto damage claims. SAF applied an incurred loss adjustment to the pre-inflation surge losses. SAF indicates that it selected the adjustment factors, based on an analysis of average severity data aggregated across all rate groups. SAF attributes any excess inflation above pre-COVID level to the inflation surge.

  - Program Years with Adjustment: 2015-21/22/23
  - Coverages Affected: Automobile damage claims
  - Vehicle Classes Affected: all vehicle classes

  This adjustment factor reflects the period of excess inflation experienced after the pandemic. SAF isolates this adjustment using empirical loss data to avoid reflecting the increase in inflation in the loss trend selections.

In response to interrogatories, SRRP (SAF) 1-17, SAF states,

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

We agree with SAF that this period of temporarily higher inflation should be considered in the analysis. SAF's approach to considering this inflation is reasonable, although we generally prefer to include an excess inflation variable within the trend model. Actuaries may use the following approaches with a trend model to consider the temporary impacts:

- The use of a scalar parameter in the loss trend models aligns with the view that the inflation surge effect is temporary.
- The inclusion of a trend change parameter in the model, rather than a scalar may better align with the compounding effect of inflation, however, as discussed, assuming the high inflationary environment (and implied higher severity trend) will persist into the future period may not be reasonable.
- The use of an excess inflation variable based on external data such as CPI data. This approach allows for the uneven year-over-year effects of inflation to be reflected while aligning with the view that the inflation surge effect is temporary.

We recommend SAF consider the use of an inflation parameter based on verifiable external data such as CPI data, which allows for the inflation effect to vary by year and coverage, the consideration of the compounding effect of inflation, and recognition of the temporary nature of the inflation surge. We find this to be the preferred method for recognizing the impacts of inflation while maintaining independence of the adjustment parameter and reducing the risk of overfitting by selecting adjustment factors based on the empirical loss data.

SAF provides adjustment factors for six coverage in Table 8 and Table 9 of the rate application. SAF also applies an adjustment to a seventh coverage (Coverage 23, Loss of Use). The basis of the adjustment for this coverage is not documented. However, given the materiality of this coverage, we do not discuss further.

Conclusion: This adjustment is reasonable.

On-Level Labour Rate Change Factor

This factor considers the 3% increase in body shop labour rates in each of 2023, 2024, and 2025. This adjustment considers *future* changes in labour rates. The adjustments by coverage consider the portion of loss for each coverage that is affected by labour rates.

In response to interrogatory SRRP (SAF) 2-33 regarding potential double counting of these effects on trend, SAF states,

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.

We find this to be reasonable.

Inflation Adjustment

SGI adjusts the losses for three coverage lines, income replacement, care benefits and death benefits, for inflation prior to trend selection. This is a separate adjustment from the inflation incurred loss adjustment SAF applies to damage claims as discussed above.

On the anniversary date of a claim, the amount of payment increases by an indexed rate based on the Saskatchewan Consumer Price Index table to compensate for inflation. Since benefits for these coverages fluctuate with the level of inflation, claim amounts from the different loss years need to be adjusted to bring them to the current level of inflation.

Once income replacement and care benefit ultimate losses have been adjusted for inflation, past and future severity trends can be selected. The selected severity and frequency trend factors, as well as a future index rate of 2.5% that accounts for inflation before and during the rating year, are used to bring the pure premium values for these lines forward to the rating period level.

We find this to be reasonable.

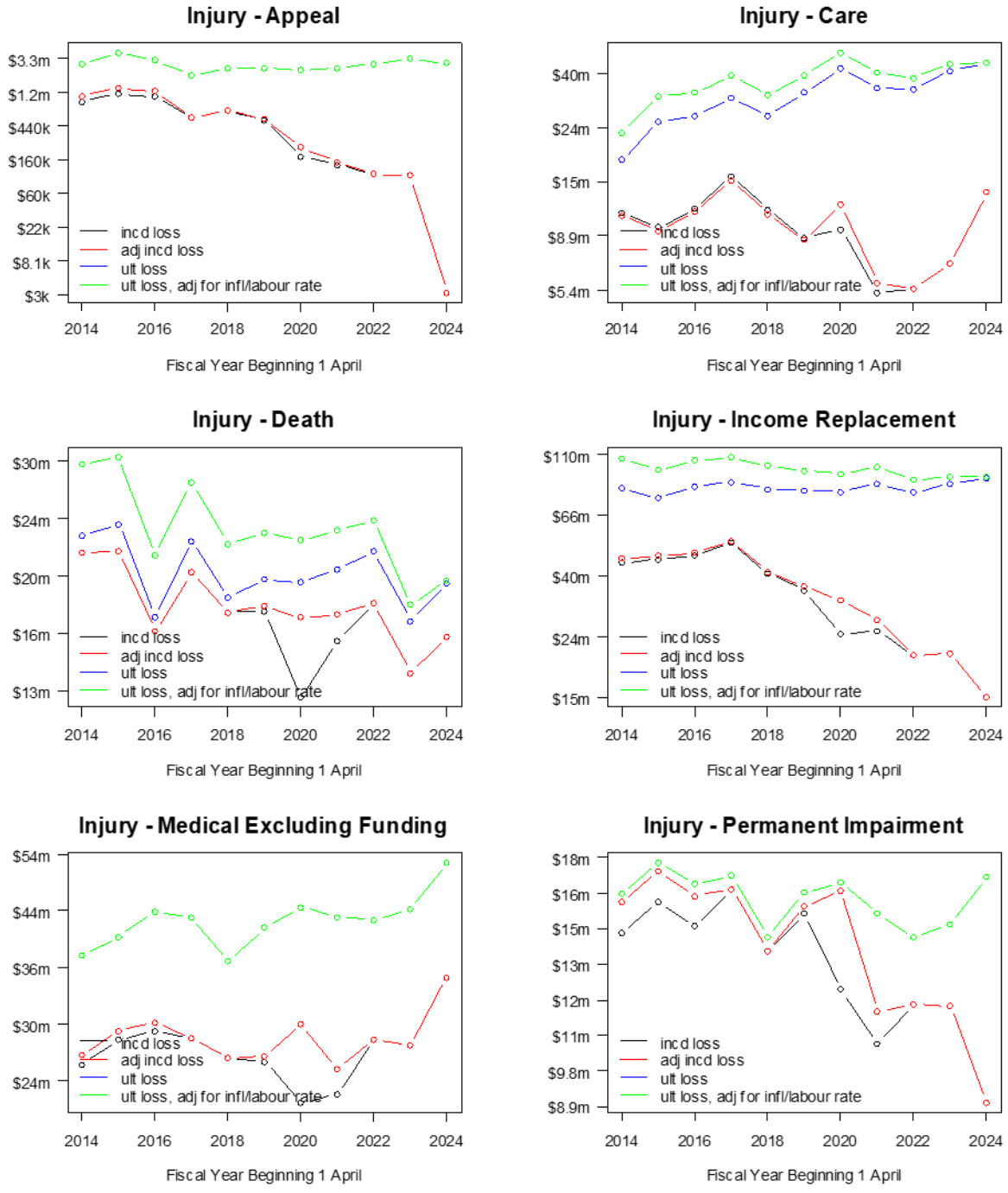


Figure 7.1: Loss Adjustments, Injury Coverages

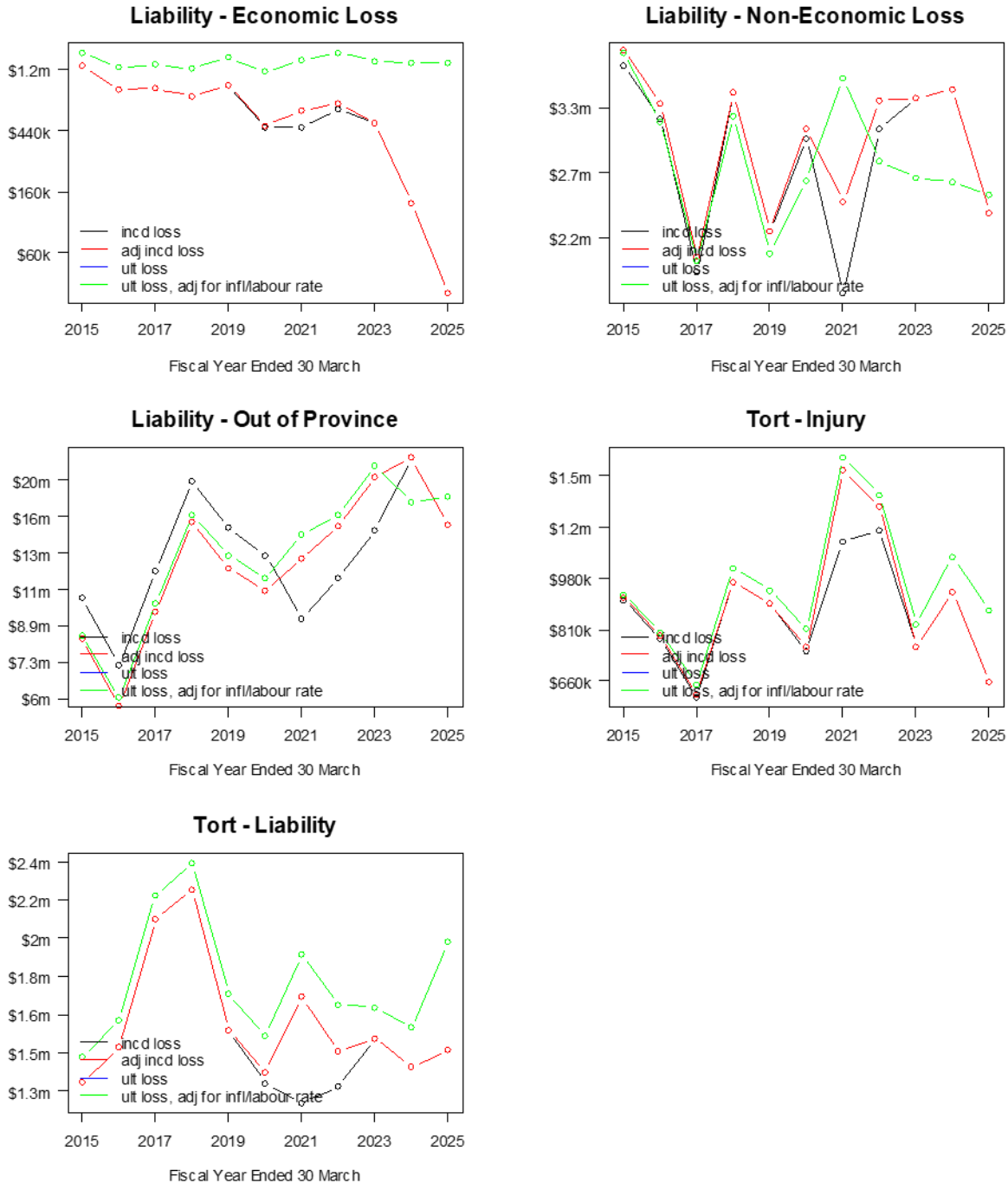


Figure 7.2: Loss Adjustments, Liability and Tort Coverages

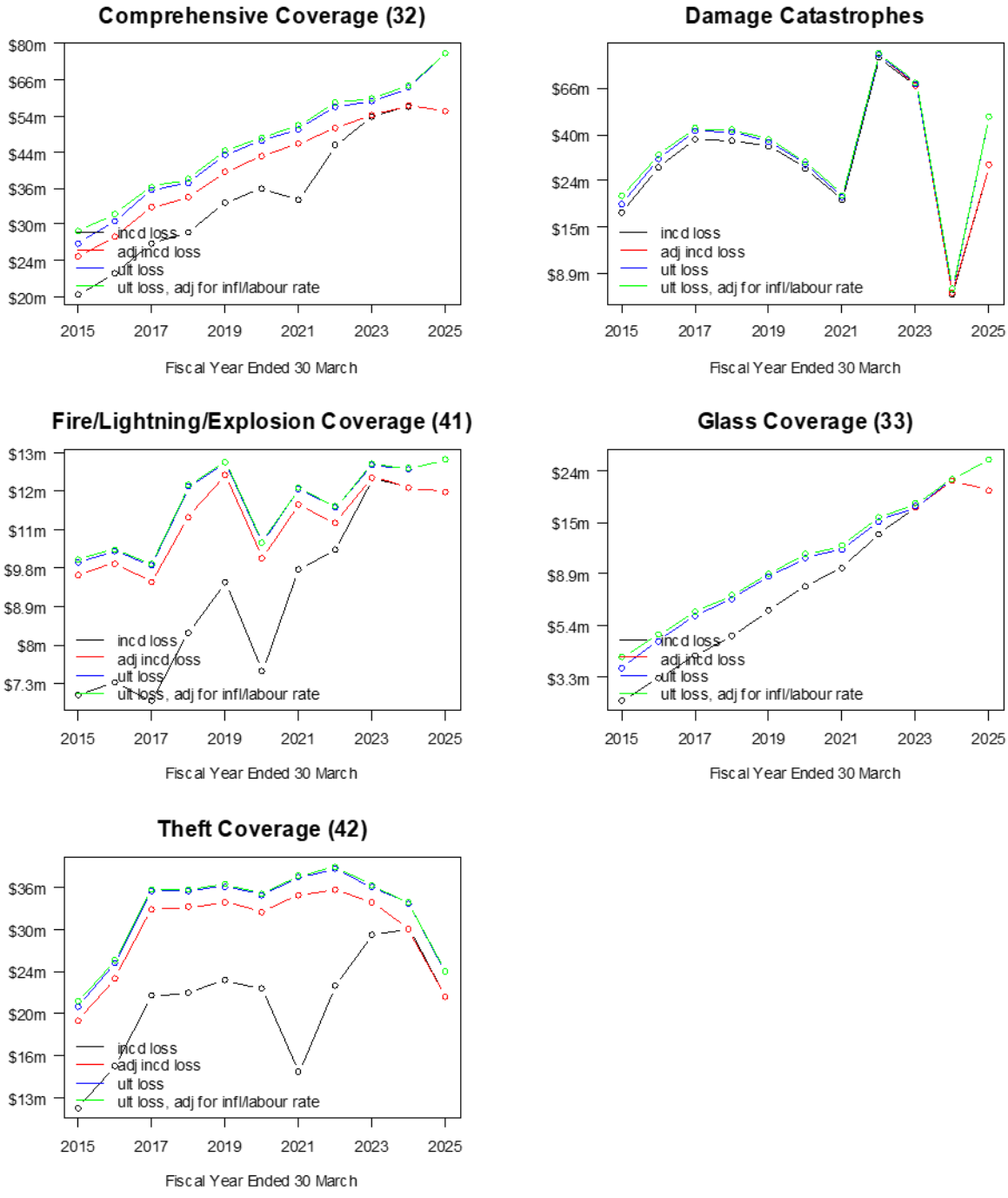


Figure 7.3: Loss Adjustments, Damage Coverages

7.2. Loss Trend Rates

In addition to adjusting the reported incurred loss amount to an ultimate basis, the ultimate incurred loss amounts for each accident year must be projected to the claim cost level of the proposed rate program. For example, the cost to repair a car fender in 2019 would not be the same as the cost to repair the fender in 2026, when the new rates will be in effect. The loss trend factor adjusts the ultimate incurred loss for each historical accident year to the appropriate future cost level.

The application of trend rates is a two-step process. The data in the experience period under consideration is adjusted to reflect observed changes in cost conditions that have taken place (i.e., "past trend"), and then the data is further adjusted to reflect future changes in cost conditions expected to occur between the end of the experience period and the period the new premiums will be in effect (i.e., "future trend").

Therefore, past trend rates should reflect the changes in cost levels that occurred during the experience period. Future trend rates should consider those changes and the likelihood that those patterns may change.

There are two options when selecting a loss trend:

- Use the implied trend from the combined frequency and severity model; or
- Select a trend based on the direct loss cost model.

We prefer to use the implied trend from the frequency and severity models. Certain phenomena affect only frequency or severity. By modelling frequency and severity separately, we can more accurately distinguish the impact of each. In the direct loss cost model, some of these effects may not be apparent if they have offsetting frequency and severity effects or may be masked by volatility in the data. In certain situations, the statistical results of the direct loss cost model may be slightly better, but if the frequency and severity models appear to fit the data well, we prefer to use the combined frequency and severity model. This is consistent with SAF's approach to trend modelling.

When modelling frequency and severity trends, we prefer to align experience periods for both models, absent a compelling reason to use different periods.

SAF develops trend models by coverage and vehicle class, as presented in Table 7.1. Trends reflect modeled trends prior to credibility weighting.

Table 7.1: SAF Trend Models

Coverage	Vehicle Classification	Past Pure Premium	Future Pure Premium
Damage Liability to Others Auto (21)	**Light Vehicles**	**+0.31%**	**+0.31%**
	Heavy Vehicles	+2.34%	+2.34%
	Ambulance and Bus	+3.78%	+3.78%

Coverage	Vehicle Classification	Past Pure Premium	Future Pure Premium
	Licenced Auto & Motorcycle Dealers	+5.45%	+5.45%
Damage Liability to Others Property (22)	**Light Vehicles**	**-3.24%**	**-3.24%**
	Heavy Vehicles	+2.55%	+2.55%
Damage Liability Loss of Use (23)	**Light Vehicles**	**+2.73%**	**+2.73%**
	Heavy Vehicles	+0.00%	+0.00%
	Ambulance and Bus	+4.70%	+4.70%
Damage to Own Vehicle (31)	**Light Vehicles excluding Motorcycles**	**+1.76%**	**+1.76%**
	Light Vehicles - Motorcycles	+3.89%	+3.89%
	Heavy Vehicles	+0.00%	+0.00%
	Ambulance and Bus	+4.81%	+4.81%
	Trailers	-1.44%	-1.44%
	Licenced Auto & Motorcycle Dealers	+2.78%	+2.78%
	Heavy Excess Coverage	-9.13%	-9.13%
Comprehensive Coverage (32)	All Vehicles Including Trailers	+8.75%	+8.75%
	Light Vehicles	**+9.99%**	**+9.99%**
	Heavy Vehicles	+0.00%	+0.00%
	Trailers	+7.91%	+7.91%
	Heavy Excess Coverage	+0.00%	+0.00%
Glass Coverage (33)	All Vehicles Including Trailers	+19.18%	+19.18%
	Light Vehicles	**+19.14%**	**+19.14%**
	Heavy Vehicles excluding TS - Commercial Trailers	+22.45%	+22.45%
	Motorhomes	+0.00%	+0.00%
Fire/Lightning/Explosion Coverage (41)	All Vehicles Including Trailers	+2.37%	+2.37%
	Light Vehicles	**+1.58%**	**+1.58%**
	Heavy Vehicles	+1.39%	+1.39%

Coverage	Vehicle Classification	Past Pure Premium	Future Pure Premium
	Heavy Excess Coverage	-14.18%	-14.18%
Theft Coverage (42)	All Vehicles Including Trailers	-13.09%	-5.00%
	Light Vehicles	**-13.09%**	**-5.00%**
	Heavy Vehicles	+0.00%	+0.00%
	Trailers	+0.00%	+0.00%
	Heavy Excess Coverage	-2.47%	-0.94%
Damage Catastrophes	All Vehicles Including Trailers	+4.22%	+4.22%
Injury - Appeal	**All Vehicles Excluding Trailers**	**+5.57%**	**+5.57%**
Injury - Care	**All Vehicles Excluding Trailers and Motorcycles**	**+4.12%**	**+0.00%**
	Motorcycles	+7.11%	+7.11%
Injury - Death	**All Vehicles Excluding Trailers**	**+0.00%**	**+0.00%**
Injury - Income Replacement	**All Vehicles Excluding Trailers and Motorcycles**	**-2.93%**	**+0.00%**
	Motorcycles	+0.00%	+0.00%
Injury - Medical Excluding Funding	**All Vehicles Excluding Trailers and Motorcycles**	**+3.54%**	**+3.54%**
	Motorcycles	+6.87%	+6.87%
Injury - Permanent Impairment	**All Vehicles Excluding Trailers and Motorcycles**	**-1.39%**	**-1.39%**
	Motorcycles	+11.43%	+11.43%
Liability - Economic Loss	**All Vehicles Excluding Trailers**	**+0.00%**	**+0.00%**
Liability - Non-Economic Loss	**All Vehicles Excluding Trailers**	**-0.90%**	**-0.90%**
Liability - Out of Province	**All Vehicles Excluding Trailers**	**+7.62%**	**+7.62%**
Tort - Injury	**All Vehicles Excluding Trailers**	**-0.06%**	**-0.06%**
Tort - Liability	**All Vehicles Excluding Trailers**	**-0.66%**	**-0.66%**

Table Note:

- Models that SAF applies to CLEAR-rated vehicles are denoted in red bold.
- Trends reflect modeled trends prior to credibility weighting.

We present the trend models that SAF applies to CLEAR-rated vehicles in Figure 7.4 through Figure 7.21. Following each model, we provide our findings on its reasonableness.

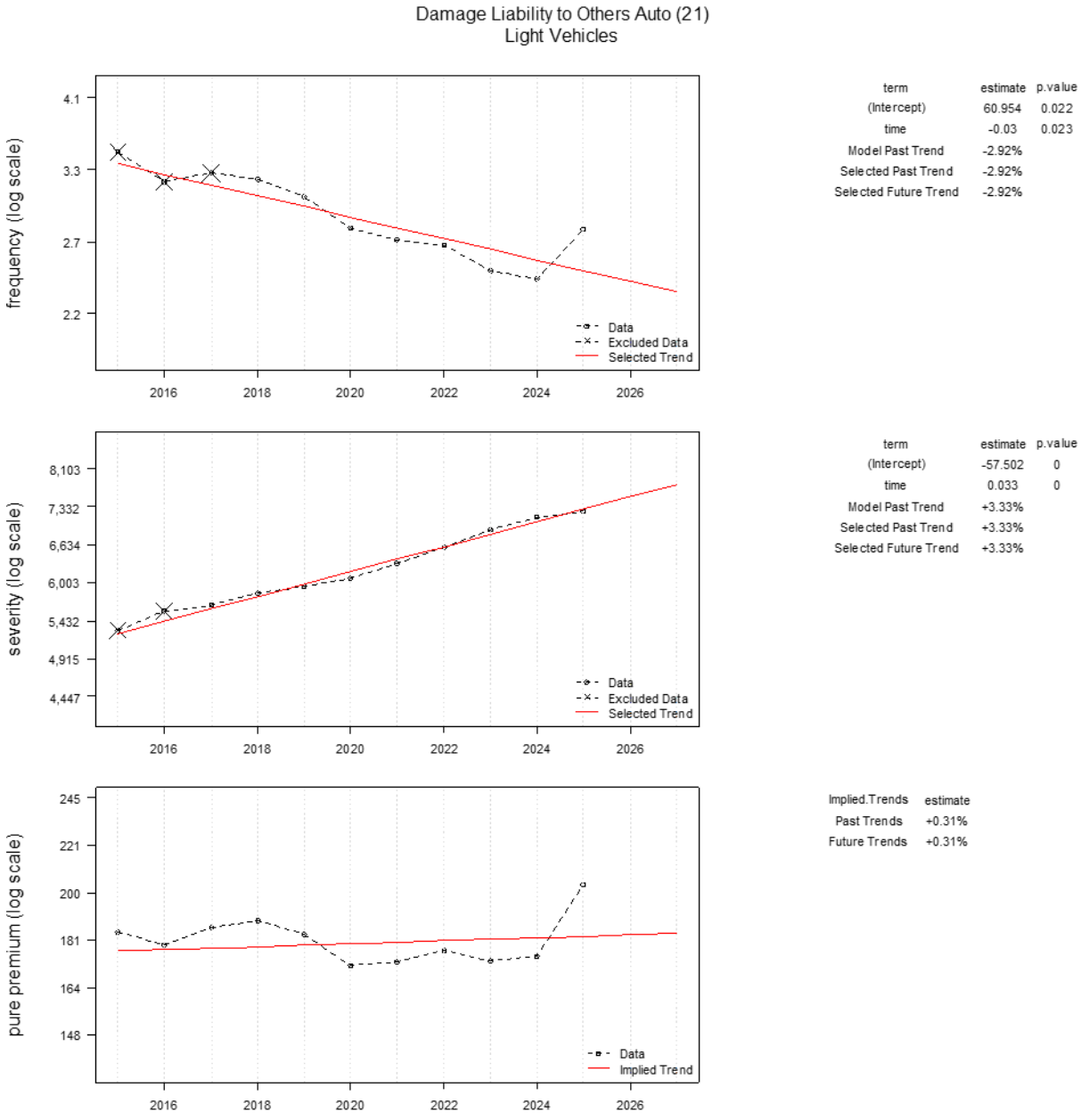


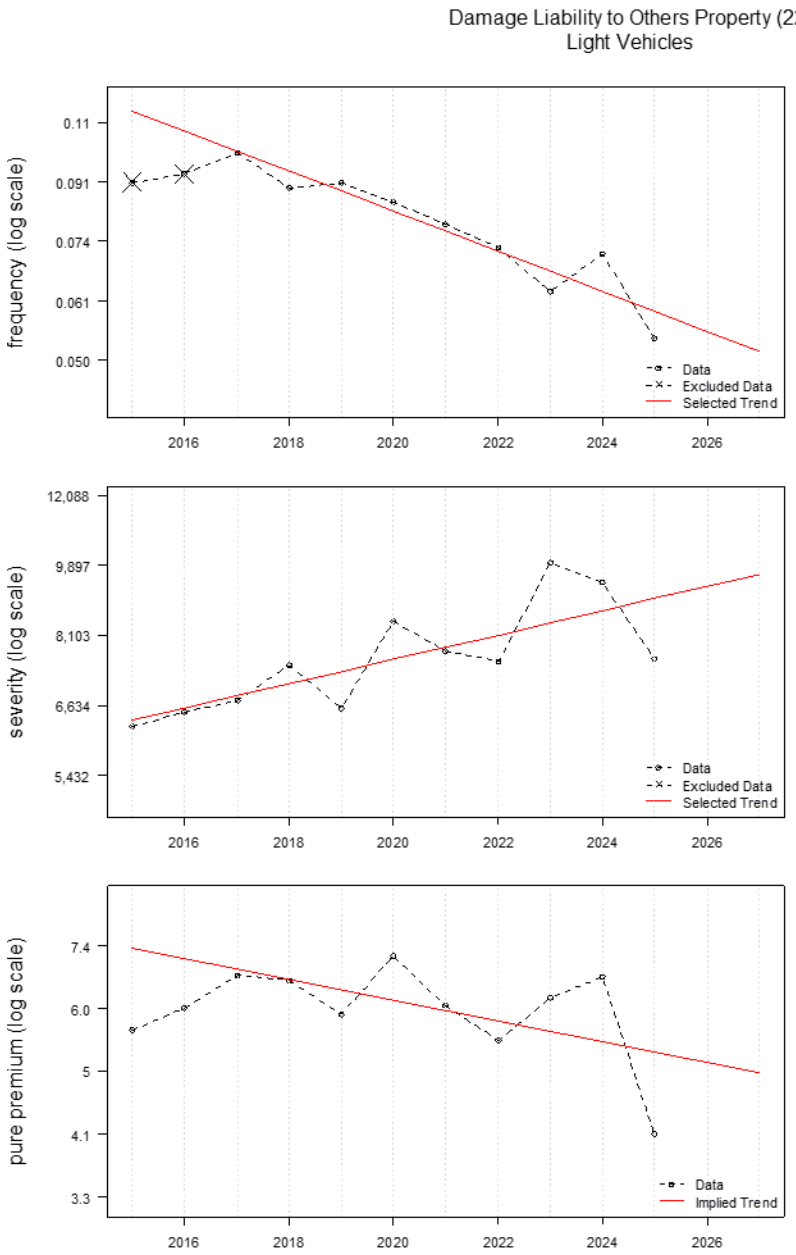
Figure 7.4: Damage Liability to Others Auto (21) (Light Vehicles)

RCS Findings

We consider the 2024/25 frequency data point an immature outlier. We believe that it would be more reasonable to exclude that data point. The resulting frequency trend is -4.49%.

We consider the severity model reasonable.

The resulting alternative pure premium trend is −1.31%.



term	estimate	p.value
(Intercept)	134.057	0
time	-0.068	0
Model Past Trend	-6.54%	
Selected Past Trend	-6.54%	
Selected Future Trend	-6.54%	

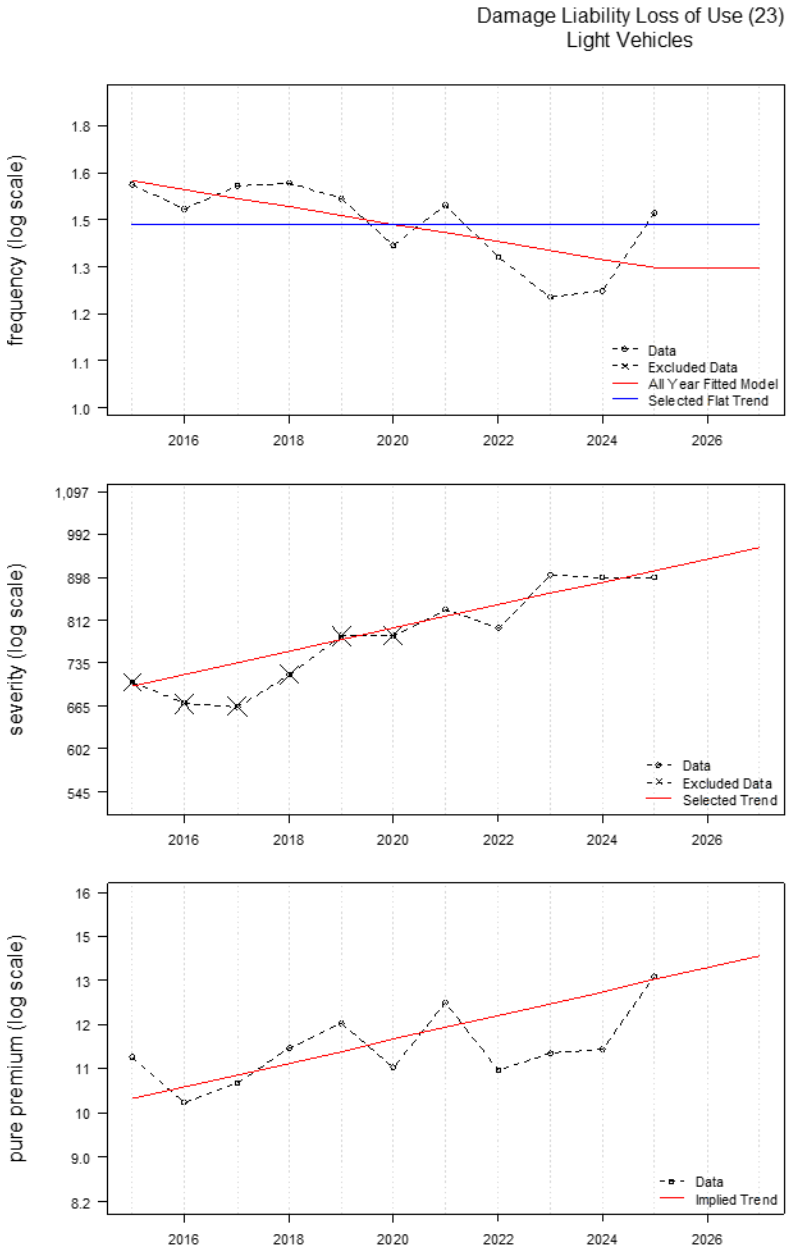
term	estimate	p.value
(Intercept)	-61.061	0.014
time	0.035	0.007
Model Past Trend	+3.53%	
Selected Past Trend	+3.53%	
Selected Future Trend	+3.53%	

Implied.Trends	estimate
Past Trends	-3.24%
Future Trends	-3.24%

Figure 7.5: Damage Liability to Others Property (22) (Light Vehicles)

RCS Findings

We consider the SAF frequency, severity, and pure premium trends to be reasonable.



term	estimate	p.value
(Intercept)	37.872	0.018
time	-0.019	0.019
Model Past Trend	-1.84%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-47.793	0.182
time	0.027	0.142
Model Past Trend	+2.73%	
Selected Past Trend	+2.73%	
Selected Future Trend	+2.73%	

Implied.Trends	estimate
Past Trends	+2.73%
Future Trends	+2.73%

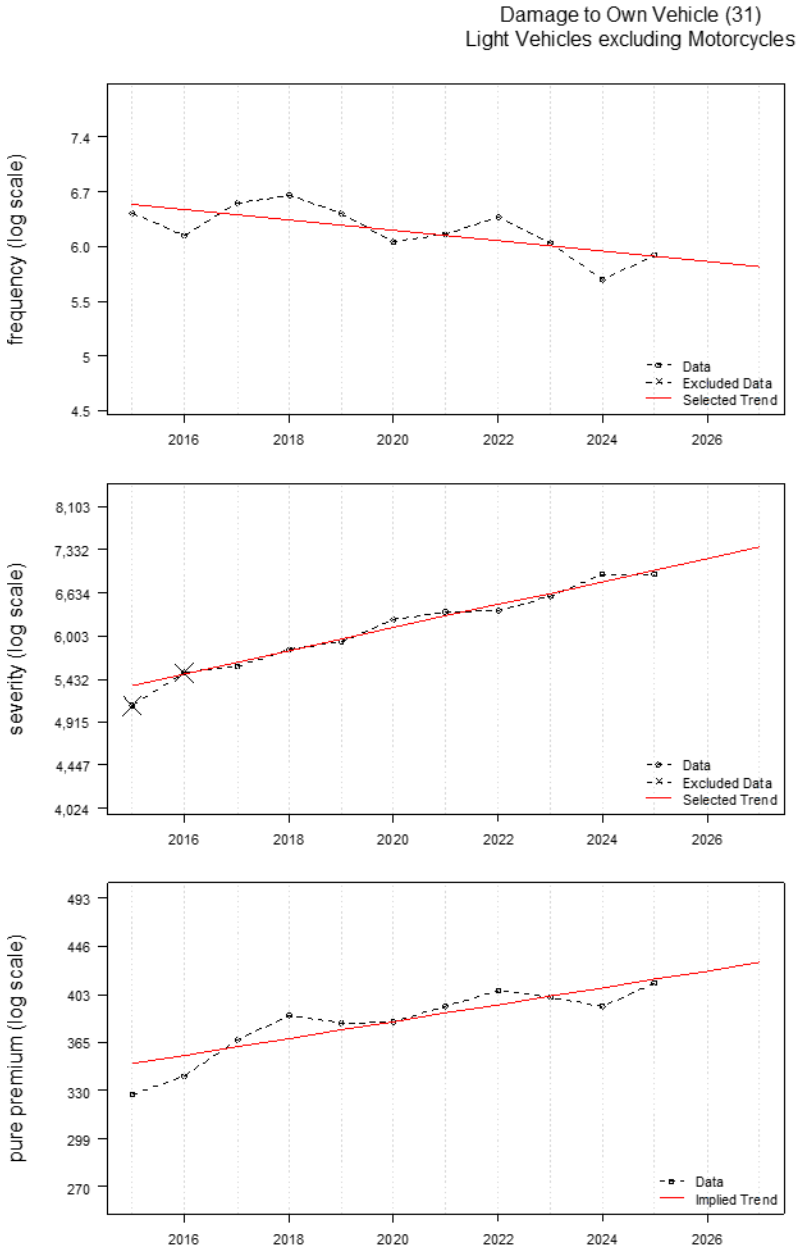
Figure 7.6: Damage Liability Loss of Use (23) (Light Vehicles)

RCS Findings

Given the significant *p*-value, we consider the all-year trend model a more reasonable estimate of past and future frequency trends. The indicated trend is -1.84%

As noted, we prefer alignment of experience periods for frequency and severity trend models. The all-year severity trend is +3.32%.

The resulting past and future pure premium trend is +1.42%.



term	estimate	p.value
(Intercept)	20.88	0.012
time	-0.009	0.018
Model Past Trend	-0.94%	
Selected Past Trend	-0.94%	
Selected Future Trend	-0.94%	

term	estimate	p.value
(Intercept)	-45.544	0
time	0.027	0
Model Past Trend	+2.72%	
Selected Past Trend	+2.72%	
Selected Future Trend	+2.72%	

Implied.Trends	estimate
Past Trends	+1.76%
Future Trends	+1.76%

Figure 7.7: Damage to Own Vehicle (31) (Light Vehicles excluding Motorcycles)

RCS Findings

As noted, we prefer alignment of experience periods for frequency and severity trend models. We consider a 10-year experience period for both frequency and severity to be more reasonable. The resulting pure premium trend rate is +1.63%.

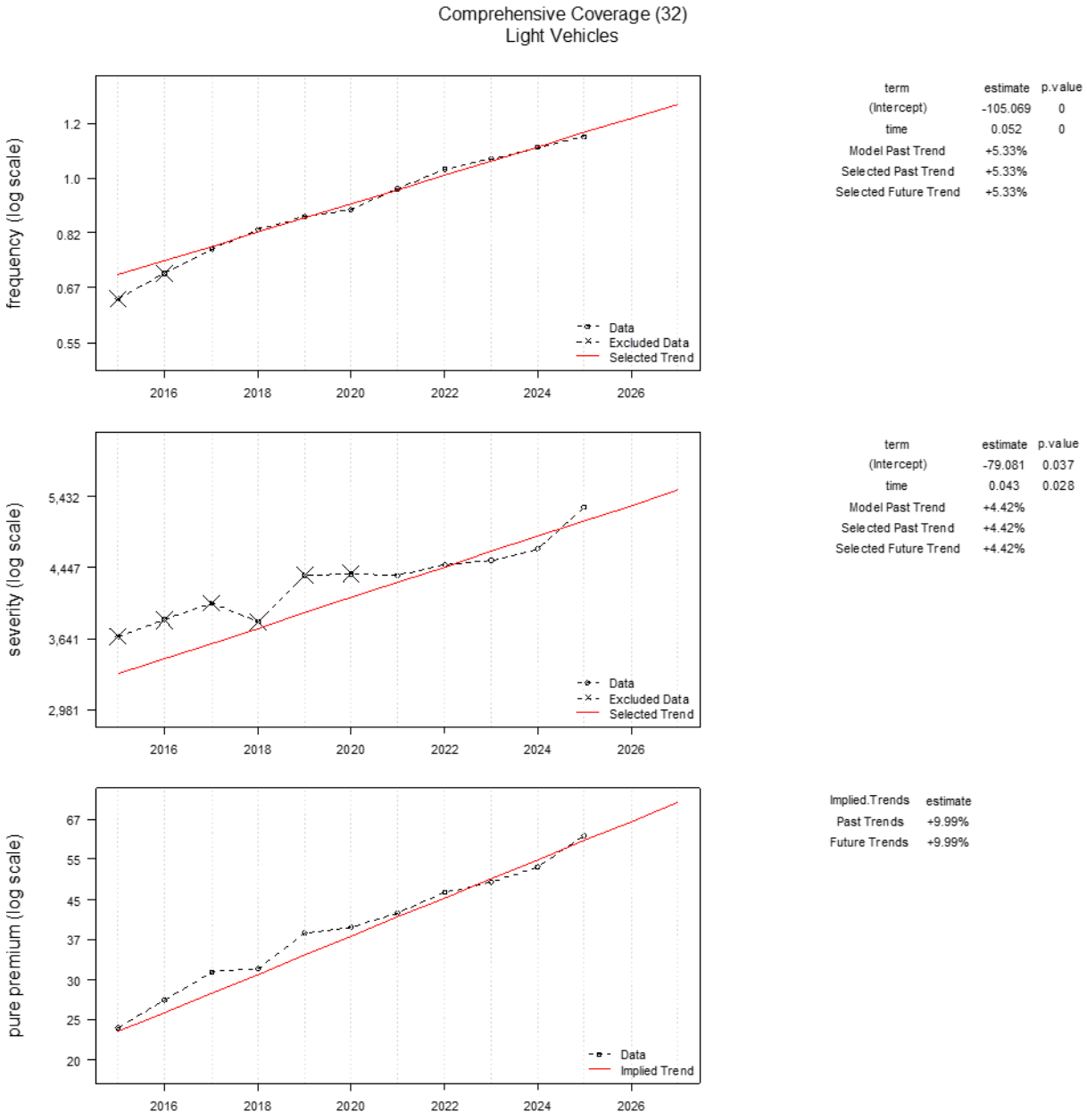


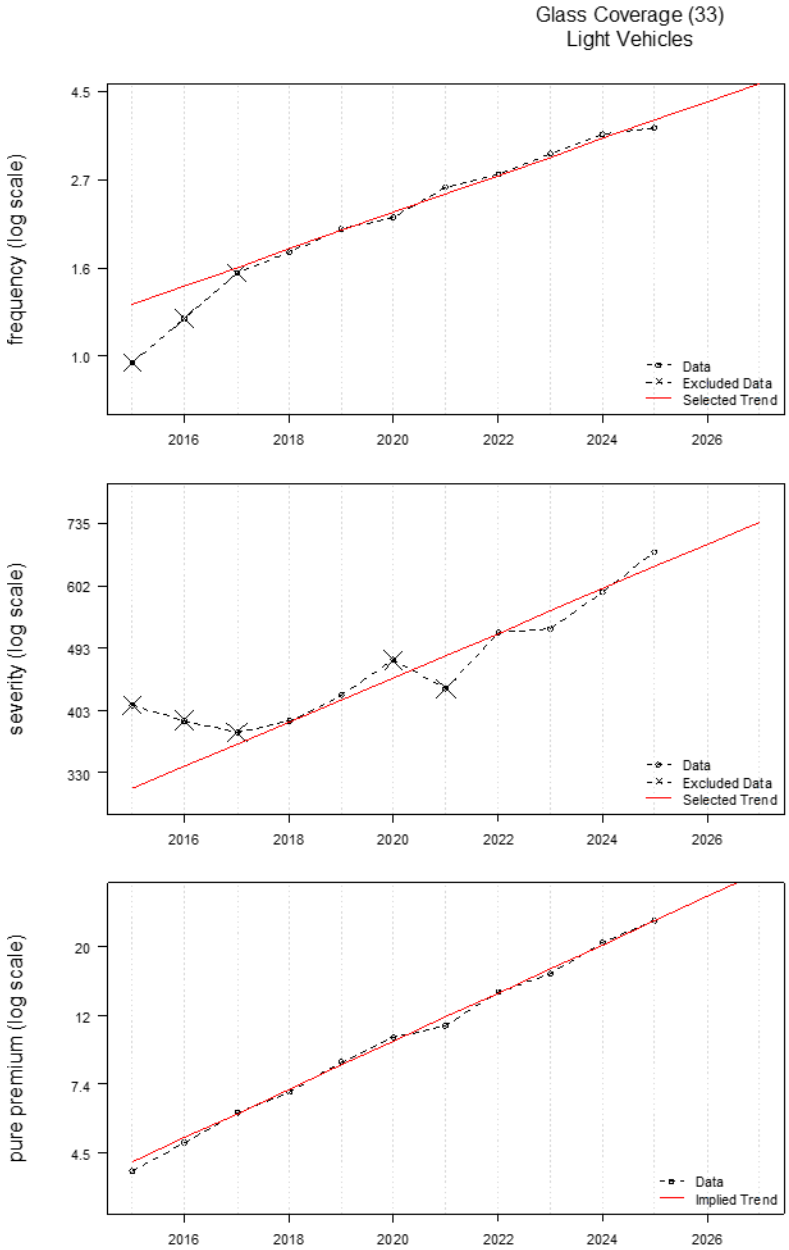
Figure 7.8: Comprehensive Coverage (32) (Light Vehicles)

RCS Findings

We consider the frequency model reasonable.

A model fit to the same data points for severity, excluding 2024, which appears to be an immature outlier, yields a trend rate of +2.44%.

The resulting pure premium trend is +7.90%.



term	estimate	p.value
(Intercept)	-209.63	0
time	0.104	0
Model Past Trend	+10.98%	
Selected Past Trend	+10.98%	
Selected Future Trend	+10.98%	

term	estimate	p.value
(Intercept)	-137.132	0
time	0.071	0
Model Past Trend	+7.35%	
Selected Past Trend	+7.35%	
Selected Future Trend	+7.35%	

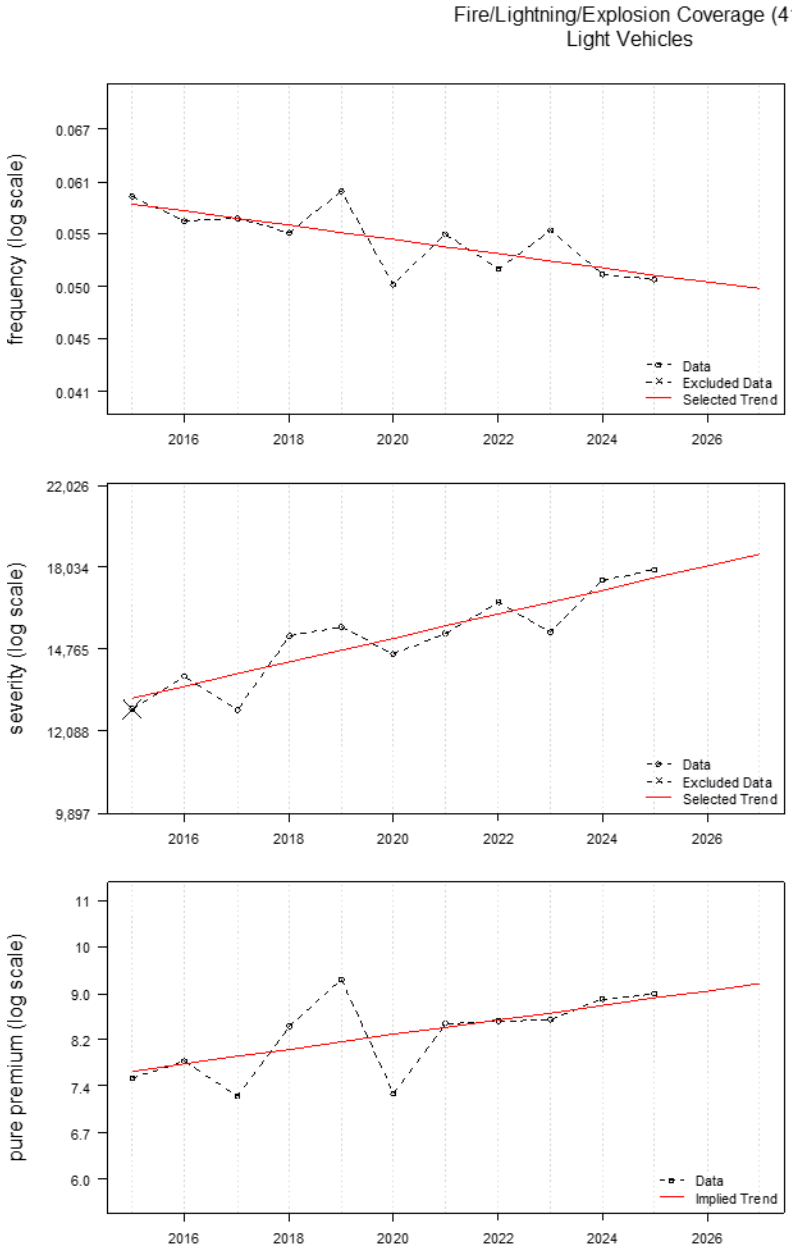
Implied.Trends	estimate
Past Trends	+19.14%
Future Trends	+19.14%

Figure 7.9: Glass Coverage (33) (Light Vehicles)

RCS Findings

We consider the frequency model reasonable.

We consider it more reasonable to include 2019 and 2020 in the severity model to align the data underlying both models. However, the resulting severity trend of +7.27% is not materially different from the SAF trend. Therefore, we do not discuss this further.



term	estimate	p.value
(Intercept)	24.461	0.023
time	-0.014	0.014
Model Past Trend	-1.35%	
Selected Past Trend	-1.35%	
Selected Future Trend	-1.35%	

term	estimate	p.value
(Intercept)	-49.455	0.004
time	0.029	0.001
Model Past Trend	+2.97%	
Selected Past Trend	+2.97%	
Selected Future Trend	+2.97%	

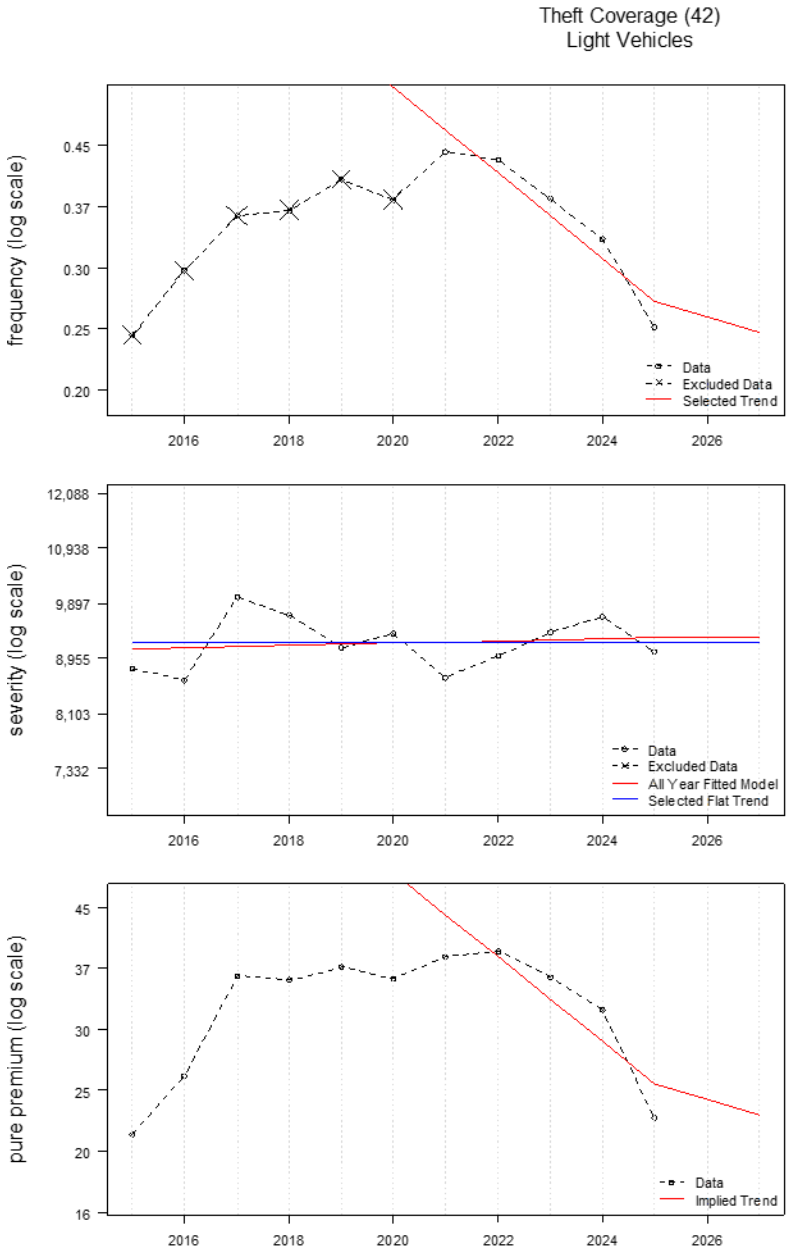
Implied.Trends	estimate
Past Trends	+1.58%
Future Trends	+1.58%

Figure 7.10: Fire/Lightning/Explosion Coverage (41) (Light Vehicles)

RCS Findings

We consider it more reasonable to align the data points underlying the frequency and severity models. However, the exclusion of 2014 in the frequency model or the inclusion of 2014 in the severity does not result

in a material change in the pure premium trend, considering the materiality of this coverage. We therefore do not discuss this further.



term	estimate	p.value
(Intercept)	282.859	0.014
time	-0.14	0.014
Model Past Trend	-13.09%	
Selected Past Trend	-13.09%	
Selected Future Trend	-5.00%	

term	estimate	p.value
(Intercept)	4.971	0.623
time	0.002	0.68
Model Past Trend	+0.21%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	-13.09%
Future Trends	-5.00%

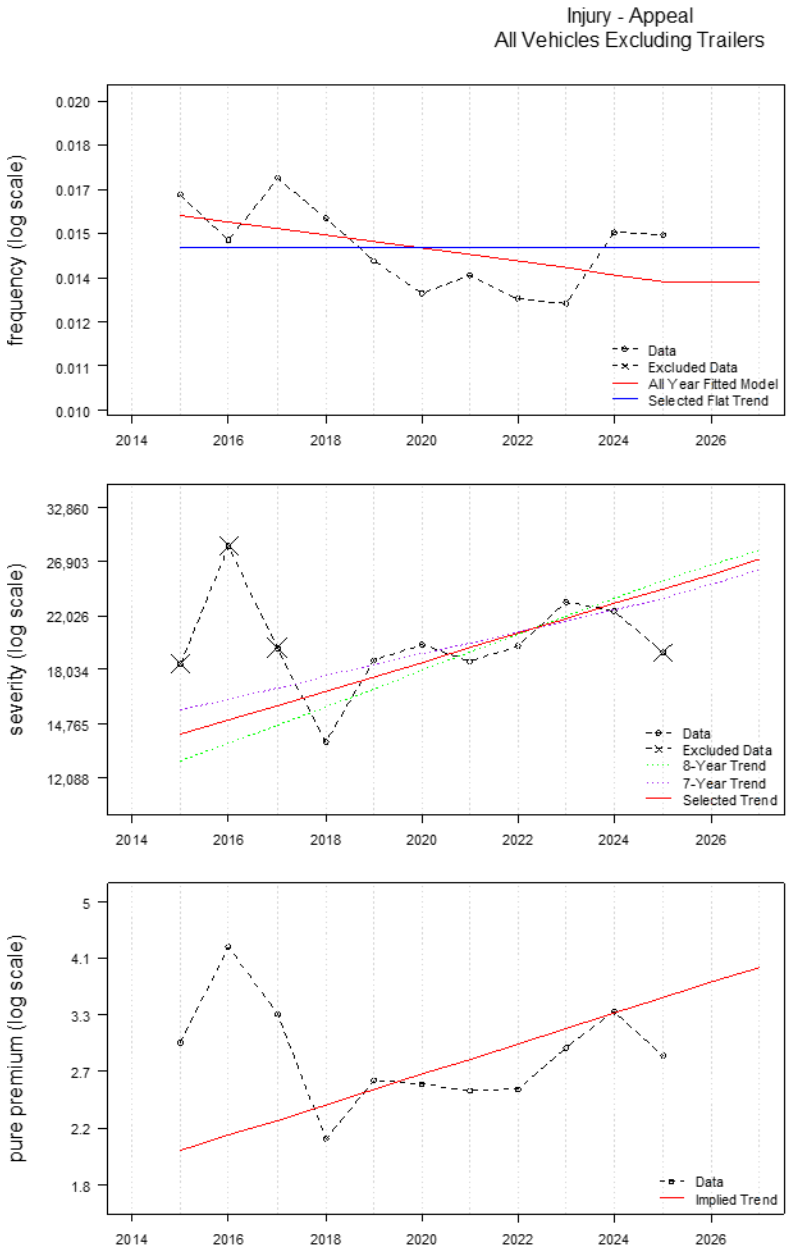
Figure 7.11: Theft Coverage (42) (Light Vehicles)

RCS Findings

We have noted the cyclical frequency in other provinces. Given the experience period underlying the rate indication (2020/21 to 2024/25), we consider the past frequency trend model reasonable. Given the uncertainty in future trends, we consider a flat future frequency trend more reasonable.

We consider the SAF severity trend to be reasonable.

The resulting past and future pure premium trends that we consider to be more reasonable are −13.09% and +0.00%, respectively.



term	estimate	p.value
(Intercept)	26.015	0.151
time	-0.015	0.102
Model Past Trend	-1.49%	
Selected Past Trend)	0.00%	
Selected Future Trend	0.00%	

model	term	estimate	p.val
8-Year	(Intercept)	-125.667	0.01
8-Year	time	0.067	0.01
7-Year	(Intercept)	-73.265	0.05
7-Year	time	0.041	0.04
8-Yr	Model Past Trend	+6.94%	
7-Yr	Model Past Trend	+4.20%	
7/8-Yr Avg	Model Past Trend	+5.57%	
	Slctd Past Trend	+5.57%	
	Slctd Future Trend	+5.57%	

Implied.Trends	estimate
Past Trends	+5.57%
Future Trends	+5.57%

Figure 7.12: Injury - Appeal (All Vehicles Excluding Trailers)

RCS Findings

Given the volatility in the data and given the non-significant *p*-value for frequency results from the 2023 and 2024 data points, we consider it more reasonable to also include the 2024 data point in the severity model. We also consider it more reasonable to exclude 2014 and 2015 from both models.

The resulting indicated pure premium trend is +1.65%.

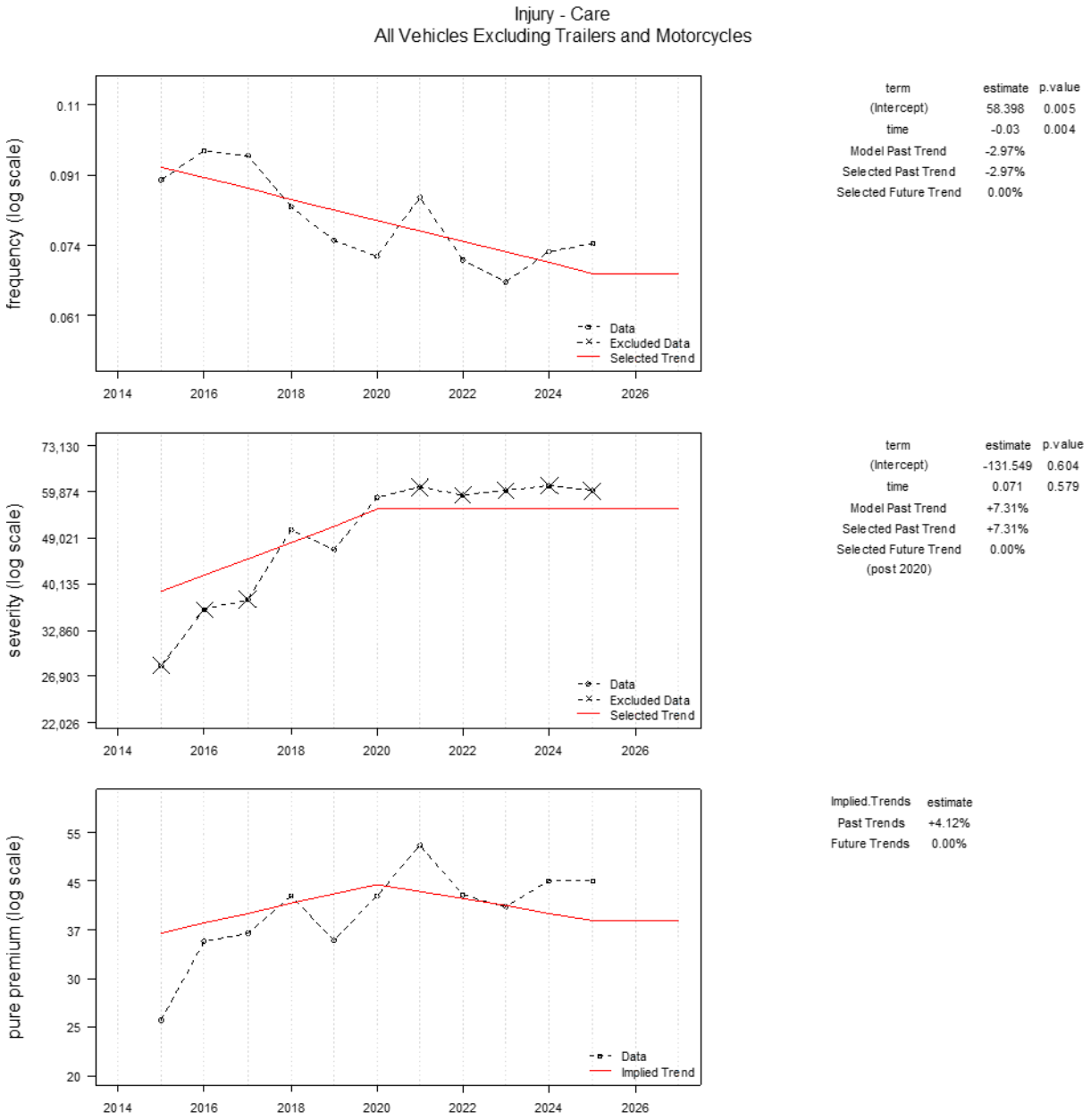
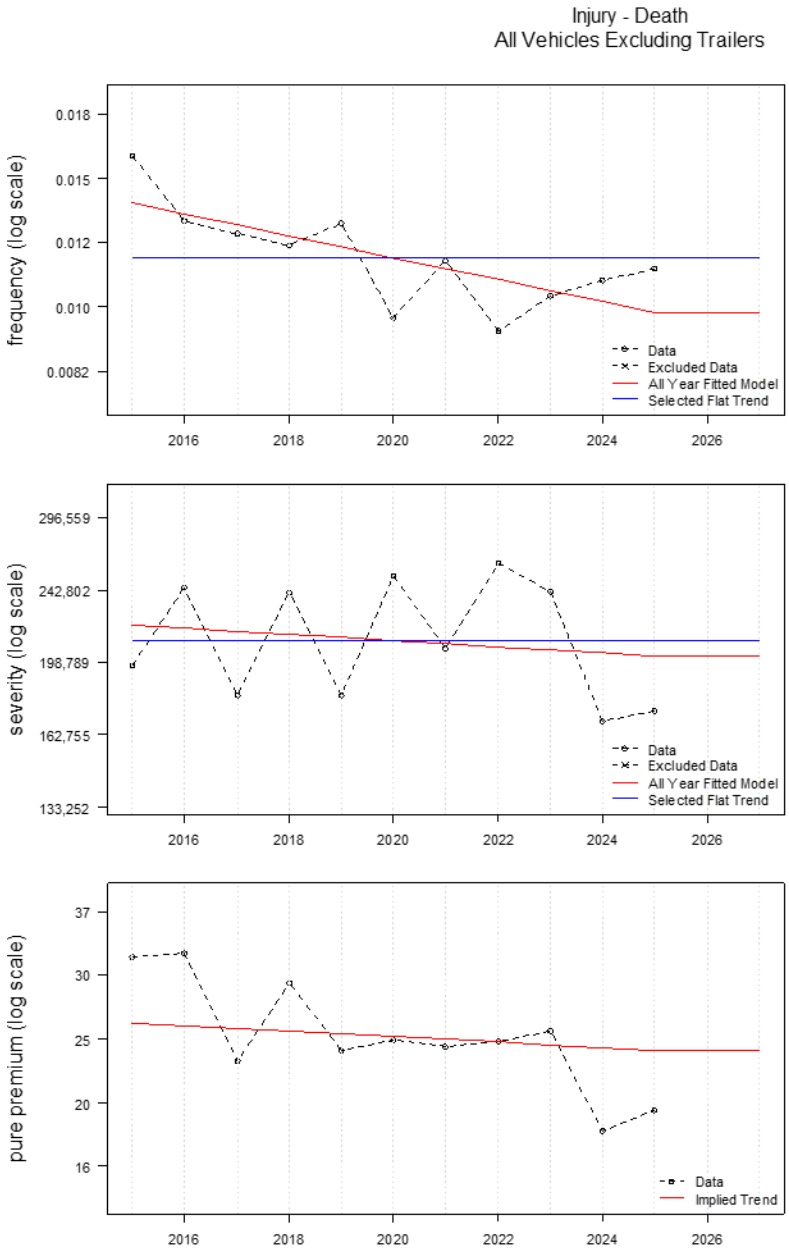


Figure 7.13: Injury - Care (All Vehicles Excluding Trailers and Motorcycles)

RCS Findings

We consider a 6-year experience period (2019-24) for both frequency and severity to be more reasonable. The resulting past pure premium trend is −0.49%, with a *p*-value that is not significant.

Therefore, we consider a +0.00% past and future pure premium trend reasonable.



term	estimate	p.value
(Intercept)	64.451	0.016
time	-0.034	0.011
Model Past Trend	-3.35%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	29.423	0.396
time	-0.008	0.616
Model Past Trend	-0.85%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

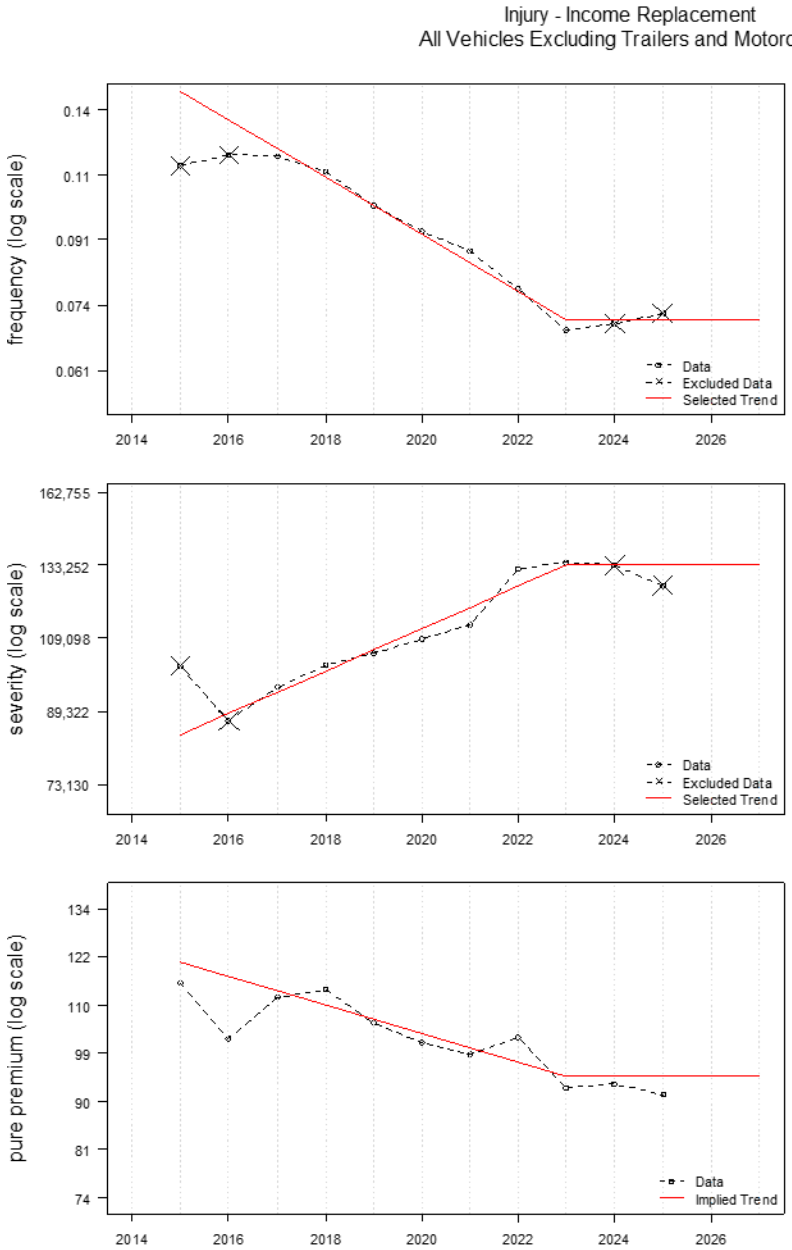
Figure 7.14: Injury - Death (All Vehicles Excluding Trailers)

RCS Findings

Although we find alternative models better describe changes in claims frequency, we consider the resulting frequency trend to be reasonable.

We consider the severity model reasonable.

We therefore consider the pure premium trend reasonable.



term	estimate	p.value
(Intercept)	175.038	0
time	-0.088	0
Model Past Trend	-8.41%	
Selected Past Trend	-8.41%	
Selected Future Trend (post 2023)	0.00%	

term	estimate	p.value
(Intercept)	-105.82	0
time	0.058	0
Model Past Trend	+5.99%	
Selected Past Trend	+5.99%	
Selected Future Trend (post 2020)	0.00%	

Implied.Trends	estimate
Past Trends	-2.93%
Future Trends	0.00%

Figure 7.15: Injury - Income Replacement (All Vehicles Excluding Trailers and Motorcycles)

RCS Findings

We consider the SAF frequency, severity and pure premium trends to be reasonable.

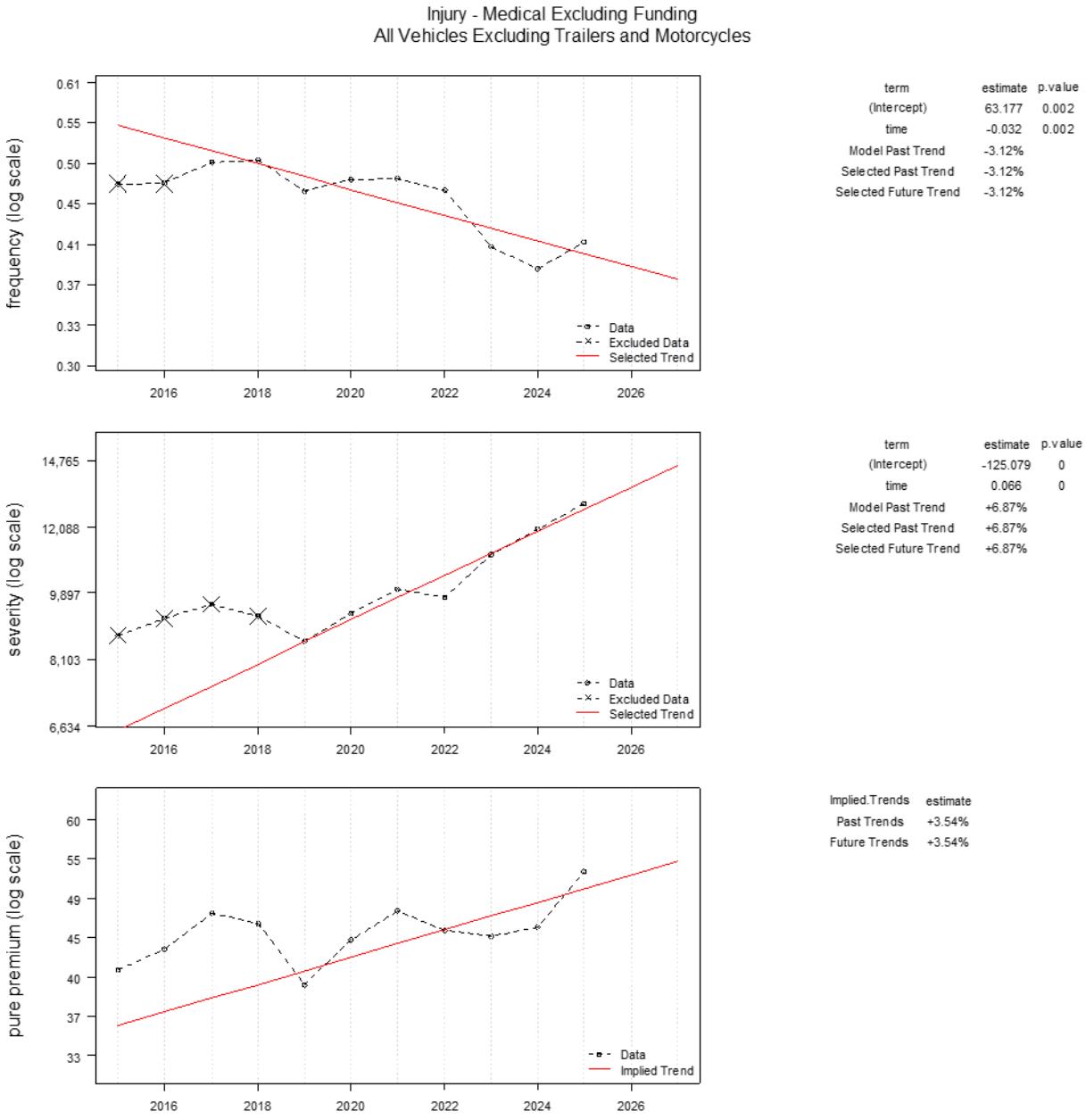
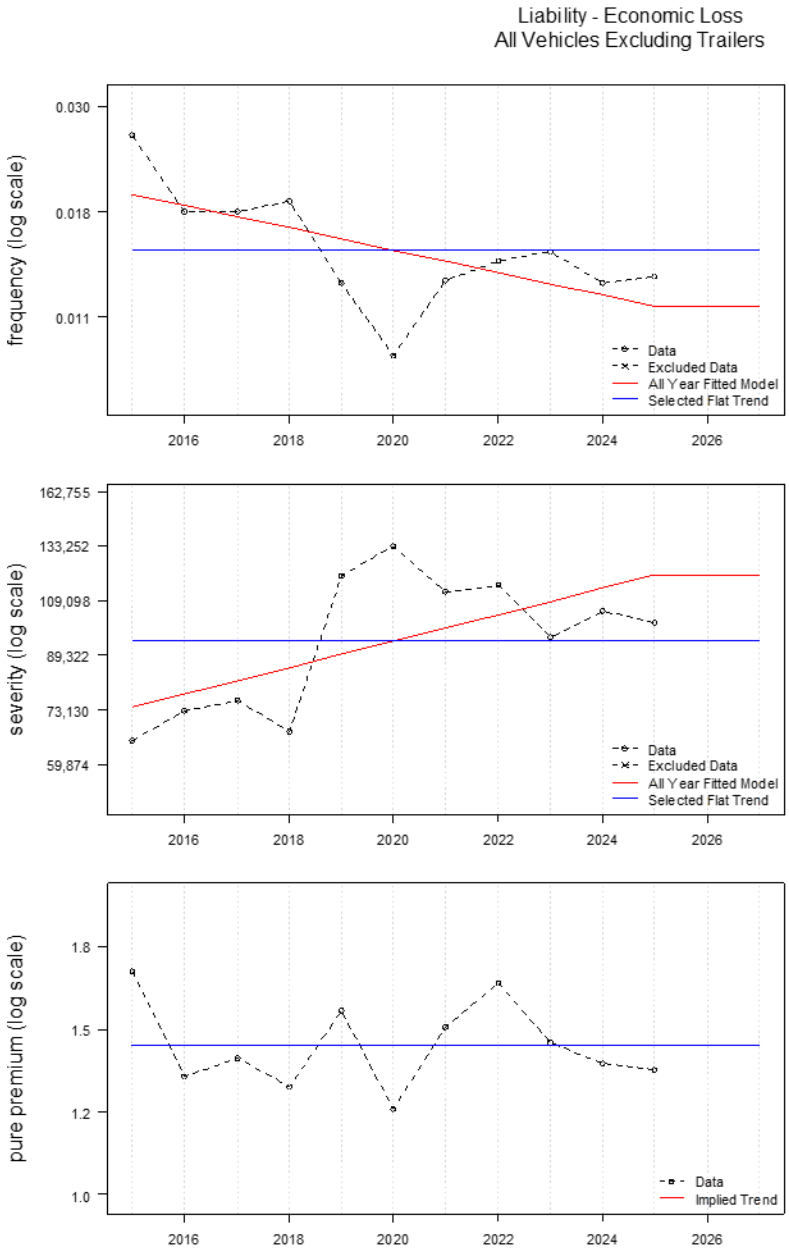


Figure 7.16: Injury - Medical Excluding Funding (All Vehicles Excluding Trailers and Motorcycles)

RCS Findings

We consider it more reasonable to align the data points underlying the frequency and severity models. Given the change in the severity pattern, we consider a 7-year experience period (2018 to 2024) more reasonable. The resulting pure premium trend is +3.14%.



term	estimate	p.value
(Intercept)	102.982	0.04
time	-0.053	0.034
Model Past Trend	-5.17%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

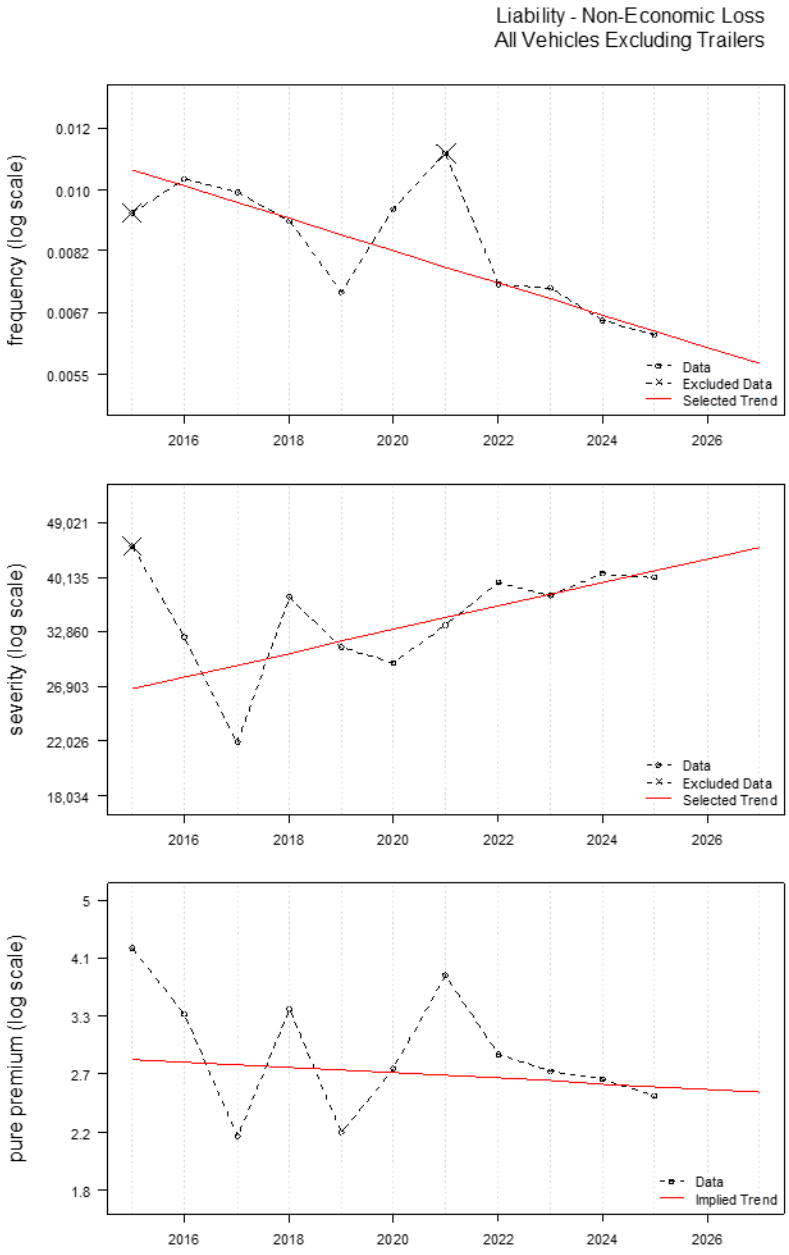
term	estimate	p.value
(Intercept)	-86.468	0.053
time	0.048	0.033
Model Past Trend	+4.97%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure 7.17: Liability - Economic Loss (All Vehicles Excluding Trailers)

RCS Findings

Although we consider alternative models for frequency and severity to be more reasonable, we consider the flat pure-premium trend reasonable. Given the materiality of this coverage, we do not discuss this further.



term	estimate	p.value
(Intercept)	101.092	0.002
time	-0.052	0.001
Model Past Trend	-5.11%	
Selected Past Trend	-5.11%	
Selected Future Trend	-5.11%	

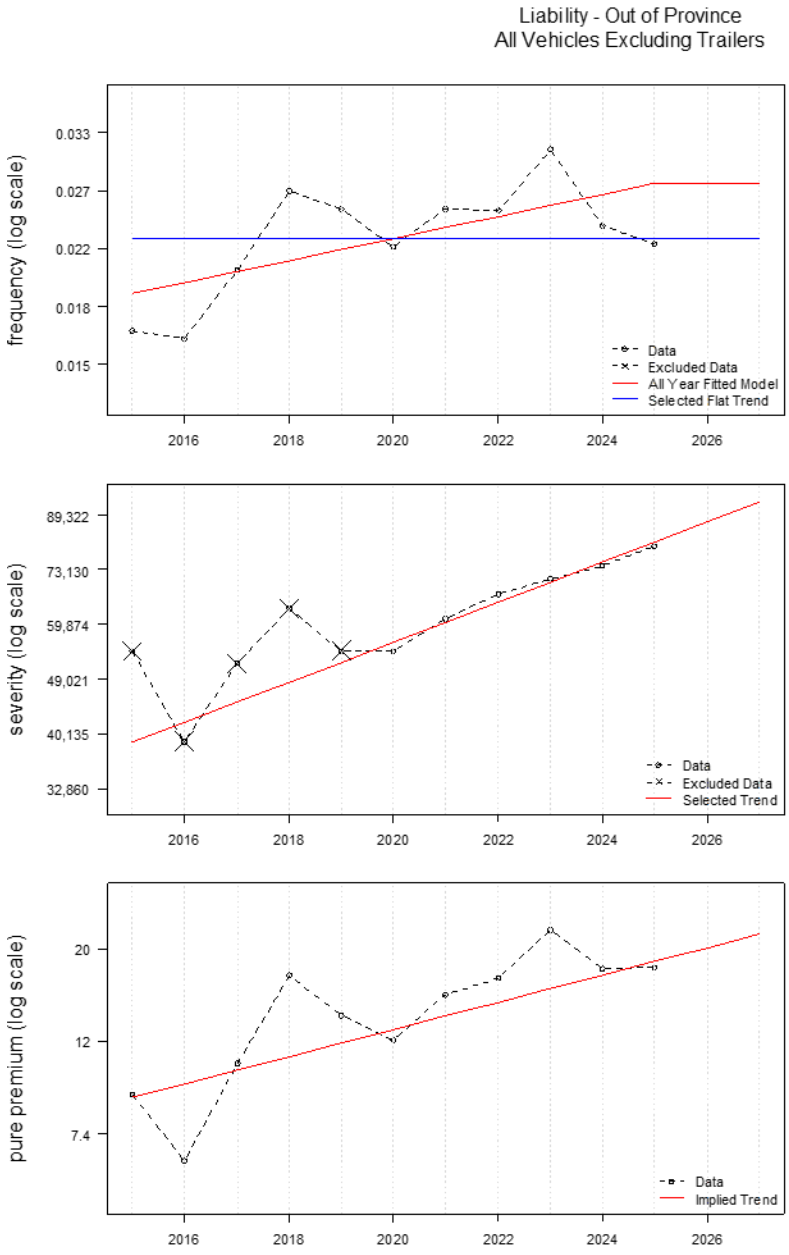
term	estimate	p.value
(Intercept)	-77.143	0.044
time	0.043	0.027
Model Past Trend	+4.43%	
Selected Past Trend	+4.43%	
Selected Future Trend	+4.43%	

Implied.Trends	estimate
Past Trends	-0.90%
Future Trends	-0.90%

Figure 7.18: Liability - Non-Economic Loss (All Vehicles Excluding Trailers)

RCS Findings

We consider the SAF frequency, severity, and pure premium trends to be reasonable.



term	estimate	p.value
(Intercept)	-80.285	0.028
time	0.038	0.035
Model Past Trend	+3.86%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

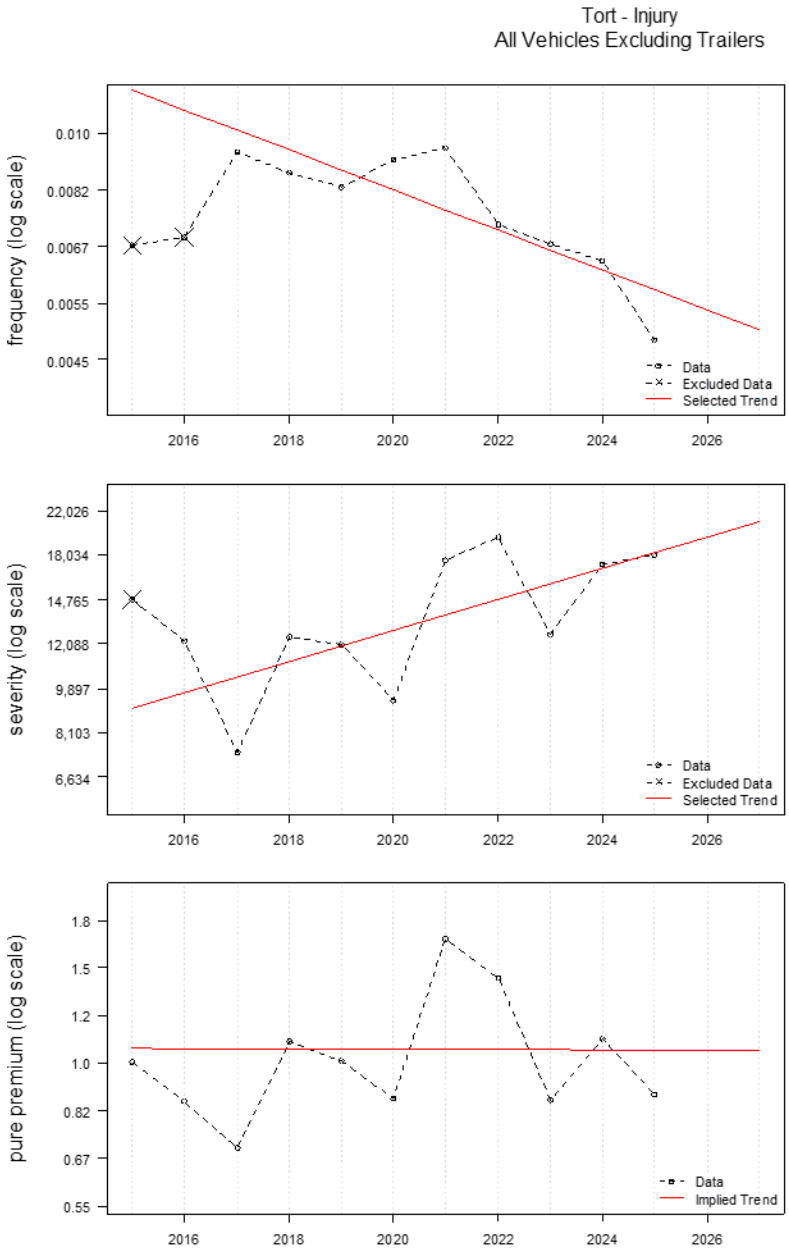
term	estimate	p.value
(Intercept)	-137.444	0
time	0.073	0
Model Past Trend	+7.62%	
Selected Past Trend	+7.62%	
Selected Future Trend	+7.62%	

Implied.Trends	estimate
Past Trends	+7.62%
Future Trends	+7.62%

Figure 7.19: Liability - Out of Province (All Vehicles Excluding Trailers)

RCS Findings

We consider the SAF frequency, severity, and pure premium trends to be reasonable.



term	estimate	p.value
(Intercept)	138.095	0.004
time	-0.071	0.003
Model Past Trend	-6.83%	
Selected Past Trend	-6.83%	
Selected Future Trend	-6.83%	

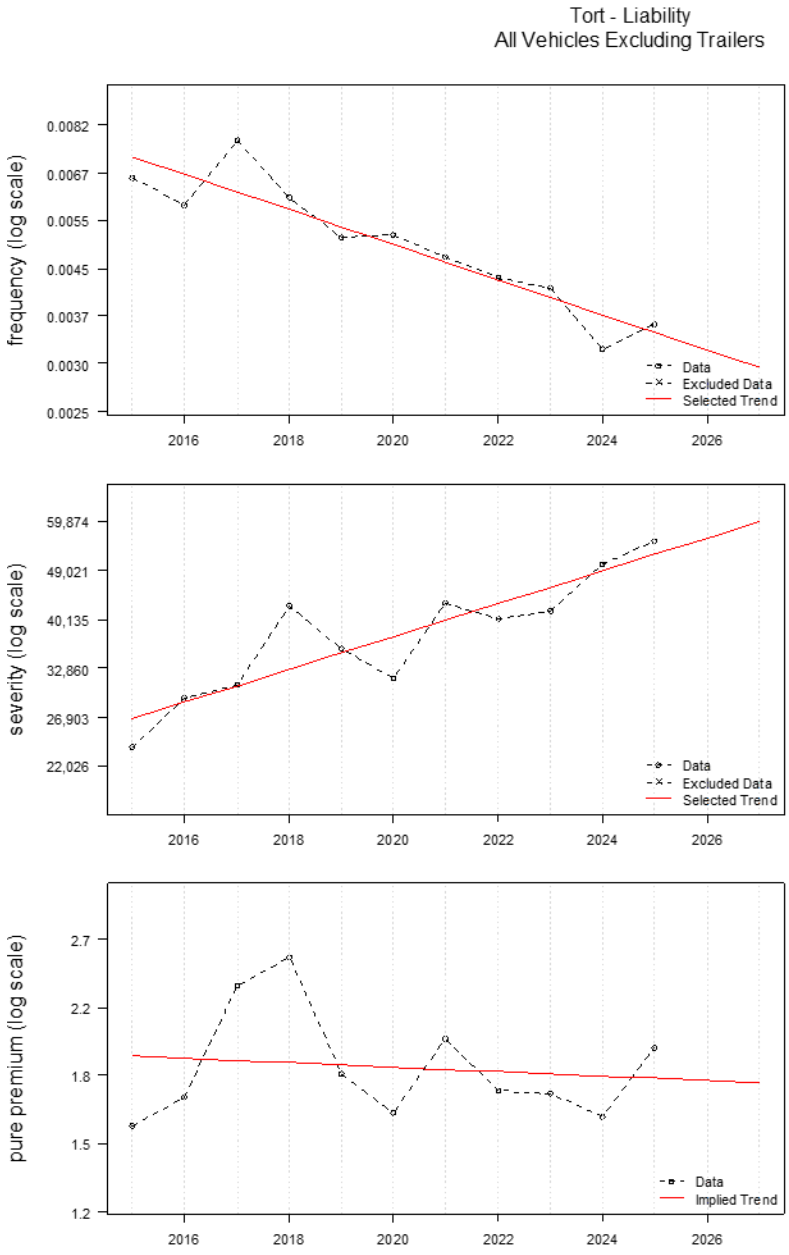
term	estimate	p.value
(Intercept)	-132.127	0.041
time	0.07	0.031
Model Past Trend	+7.26%	
Selected Past Trend	+7.26%	
Selected Future Trend	+7.26%	

Implied.Trends	estimate
Past Trends	-0.06%
Future Trends	-0.06%

Figure 7.20: Tort - Injury (All Vehicles Excluding Trailers)

RCS Findings

We consider the SAF frequency, severity, and pure premium trends to be reasonable.



term	estimate	p.value
(Intercept)	143.671	0
time	-0.074	0
Model Past Trend	-7.11%	
Selected Past Trend	-7.11%	
Selected Future Trend	-7.11%	

term	estimate	p.value
(Intercept)	-125.119	0
time	0.067	0
Model Past Trend	+6.95%	
Selected Past Trend	+6.95%	
Selected Future Trend	+6.95%	

Implied.Trends	estimate
Past Trends	-0.66%
Future Trends	-0.66%

Figure 7.21: Tort - Liability (All Vehicles Excluding Trailers)

RCS Findings

We consider the SAF frequency, severity, and pure premium trends to be reasonable.

7.3. Catastrophe Losses

As discussed in Section 6.7, SAF includes a catastrophe load similar to the large loss load. SAF removes catastrophe losses to reduce volatility in the loss data and includes the catastrophe loading factor to reintroduce a provision for catastrophe losses into the indicated rates. This assumes that catastrophe losses are volatile year-to-year but remain stable over the long term.

We consider this approach to be reasonable.

7.4. Premium

Premium Trends

SAF uses the pure premium method, rather than the loss ratio method, to determine the rate level indication. This method determines the expected costs per exposure rather than per dollar of premium. This avoids the need to perform premium trend analysis. However, SAF performs a premium trend analysis to project the average on level premium to the expected rating year level. These projections are used to calculate the implied rate change. SAF's selections appear to be reasonable.

On-level Factors

To adjust historical premiums to the current rate level in the calculation of the RSR, SAF uses the parallelogram method.

While we prefer the use of the extension of exposures method, we consider this approach to be reasonable.

7.5. Expenses

Loss Adjustment Expenses

SAF includes ALAE (allocated loss adjustment expenses), which are costs directly attributable to the adjusting and settling of individual claims, with its losses in all components of the rate level indication.

Unallocated loss adjustment expenses (ULAE) are "overhead" costs related to the adjusting and settling of claims. These costs are not attributable to individual claims. SAF includes a provision for ULAE are determined based on the expected claims experience and the forecasted exposure counts by class.

Expense Provision

SAF includes expense provisions for costs associated with operating the auto fund and providing insurance for Saskatchewan drivers. SAF includes both a fixed and variable expense provision.

- The fixed portion includes administrative expenses associated with staff salaries, real estate occupancy costs, building maintenance and supplies etc.
- Within the variable expense provision, short term registrations represent additional revenue associated with vehicle registrations issued for periods of less than one year and AutoPay represents finance fee revenue associated with monthly payment plans.

SAF includes a fixed expense provision excluding ULAE of $157 per vehicle. We present the variable expenses in Table 7.2.

Table 7.2: Variable Expenses

Expense	% of Premium
Premium Taxes	5.14%
Traffic Safety Programs	2.19%
Issuer Commissions	5.32%
Short Term Registrations	-1.57%
AutoPay	-2.06%
Total	9.02%

We find the fixed and variable expense provisions reasonable.

7.6. Investment Income

SAF uses an investment yield curve to discount cash flows based on the expected yield rates on invested assets supporting claims liabilities. The yield curve ranges from 2.42% to 6.01%, depending on the timing of cash flows and corresponds to an average investment income rate of 4.00%.

We find this assumption to be reasonable.

7.7. Break-Even Provision

As a public automobile insurance program providing compulsory auto insurance to all Saskatchewan drivers, the SAF does not include a provision for profit in its rates and operates on a break-even basis; instead, SAF includes a break-even provision to offset any expected surplus in rates due to commercial permit premiums, cancellation retention amounts and investment income on the forecasted RSR net of the increase in risk provisions required when setting reserves.

We find this provision to be reasonable.

7.8. Credibility

Full Credibility Claim Count Standards

SAF selects full credibility claim count standards based on the volume of claims used to forecast expected claims for the rating period and the Herfindahl-Hirschman Index (HHI).

The HHI ranges from 0 to 1 and is used to determine the concentration of claims; a low HHI indicates more heterogeneous loss experience while a high HHI indicates a concentration of large claims that dominate the total claim amounts of a class.

In Table 7.3, we present the full credibility claim count standards as determined by the SAF.

Table 7.3: Full Credibility Standards by Claim Type

Full Credibility Claim Count	Injury Claims	Damage Claims
3,246	HHI > 0.4	HHI > 0.4
2,164	0.2 < HHI ≤ 0.4; or Claim Count < 50	0.2 < HHI ≤ 0.4
1,082	HHI ≤ 0.2	HHI ≤ 0.2

Complement of Credibility

To the extent that SAF determines its own loss experience is not statistically credible, SAF assigns the balance of credibility for each class to (in order of preference):

1. The pure premium used directly from a separate, similar class, or a larger group of similar classes.
2. The discounted pure premium used in the previous rate program with indicated rate changes applied from another similar class/classes to determine the final pure premium.
3. The discounted pure premium used in the previous rate program of the same class, adjusted for known changes since the last rate program. These adjustments include:
   - Current rate program loss trends applied to bring the loss costs into the projected rating year
   - Future labour rate factors
4. The latest average on-level written premium after discounts in the last rate program. This premium is further adjusted for known changes since the previous rate program. These adjustments include:
   - Current rate program loss trends applied to bring the loss costs into the projected rating year
   - Pure premium adjustments, except for large loss
   - Future labour rate factors

We consider this approach to be reasonable.

7.9. Experience Period Weights

For the CLEAR-rated classes, SAF assigns equal weights of 20% to the most recent five years of experience. for all damage, economic loss and non-economic loss coverages. The remaining injury, liability and tort coverages are assigned equal weights of 10% to the most recent ten years of experience.

We have no issues with this but recommend that in future rate applications SAF place more weight on more recent years, where appropriate, to be more responsive to changes in claims experience, especially for shorter-tail lines, where ultimate losses are more certain.

7.10. Capital Management Plan Provision

After the separate rate capping and rebalancing step described in section 6.5, the final step to determine the proposed percentage rate change for each class is to include a provision for the capital management plan to the capped and rebalanced percentage changes for each class.

SAF's management team in past applications established a capital management plan whereby a provision is included in the rates to (i) maintain the same level of capital per risk as the volume of risks grows over time and (ii) build or release capital to maintain a target capital level of 12-month rolling average MCT of 125%. The build-release timing operates over a five-year period. For example, if the MCT was 95, the 30-point gap between the target of 125 and the actual of 95 would require a 6-point (30/5) build requirement.[9]

To maintain rate stability in the Auto Fund a capital margin is applied to all rates. The change in capital margin applies equally to all rate classes once the indicated and proposed rates have been finalized for each class. The capital margin protects the Auto Fund from the volatility inherent in investment and underwriting operations to maintain an adequate level of capital in order to mitigate excessive rate increases for customers.

The current rates include a capital management plan provision of 0.06%. Based on the 2026 rate indication, the provision required to bring rates to the level contemplated by the policy is calculated to be 9.2%, an increase of 9.14 percentage points. SAF has nonetheless determined not to adjust the capital margin in this rate proposal. SAF stated:

> *"The current capital margin provision in the rates today is 0.06%, the calculated capital margin provision for a 2025-26 rating year is 6.5%. Despite this large capital need, the Auto Fund is proposing not to change the capital margin provision in the 2026 Rate Program for the same reason that it is limiting the proposed basic rate increase, due to considerations around affordability."*

The 6.5% figure cited by SAF reflects the 2025 rate indication; it was subsequently updated to 9.2% based on the 2026 rate indication analysis. SAF indicated that future rate applications will re-evaluate and re-adjust the capital build/release provision in light of the prevailing capital level, and that deferring the adjustment extends the timeline for returning the MCT to its target, all else being equal.

Ultimate responsibility for the establishment of the Target MCT rests with SGI's Board of Directors. Consequently, the Board is expected to oversee the process for determining the Target MCT and confirm its appropriateness. The process is expected to include the identification and assessment of all material risks faced by the insurer. For SAF, risk identification and assessment is conducted in conjunction with the FCT process. Management is required to provide a formal report to the Board detailing how the Internal Target was determined. It must be presented in the context of the insurer's risk appetite, strategic and business plans and capital management policy, and is to be updated at the completion of each FCT report and more frequently if warranted.

[9] The actual calculations are more complex than inferred.

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

> *To maintain rate stability in the Auto Fund a capital margin is applied to all rates. The change in capital margin applies equally to all rate classes once the indicated and proposed rates have been finalized for each class. The capital margin protects the Auto Fund from the volatility inherent in investment and underwriting operations to maintain an adequate level of capital in order to mitigate excessive rate increases for customers. The current capital margin provision in the rates today is 0.06%, the calculated capital margin provision for a 2025-26 rating year is 6.5%. (adjusted to 9.2% based on 2026 rate indication analysis)/roger Despite this large capital need, the Auto Fund is proposing not to change the capital margin provision in the 2026 Rate Program for the same reason that it is limiting the proposed basic rate increase, due to considerations around affordability.*
>
> *Future rate applications will re-evaluate and re-adjust the capital build/release provision given the new capital level, extending the timeline until the MCT is returned to its target, all else being equal.*

7.11. Rate Level Change Summary

We reviewed the overall rate level indications developed by SAF and in doing so examined all aspects of the ratemaking procedure. In Table 7.4, we present SAF's indicated and proposed rate change.

Table 7.4: SAF Indicated and Proposed Rate Change

Vehicle Class	Indicated Rate Change	Proposed Rate Change
CLEAR-Rated Vehicles	+30.6%	+3.57%
Conventionally Rated Vehicles		
Ambulances	+91.4%	+3.47%
A - Commercial Vehicles:		
Heavy Trucks & Vans IRP	+27.6%	+4.01%
Heavy Trucks & Vans IRP $15K Ded.	+59.4%	+5.31%
Heavy Trucks and Vans Non-IRP	+52.6%	+3.58%
Power Units IRP	+65.4%	+3.52%
Power Units IRP $15K Ded.	+131.8%	+3.49%
Power Units Non-IRP	+64.0%	+3.49%
C & D - Commercial Vehicles:		
Heavy Trucks and Vans	+35.9%	+4.25%
Power Units	+22.4%	+3.53%
F - Farm Vehicles:		
Heavy Trucks and Vans	+28.0%	+7.47%

Vehicle Class	Indicated Rate Change	Proposed Rate Change
Light Trucks - 1993 & Older	+60.0%	+9.77%
Power Units	+26.6%	+4.60%
Hearses	+63.2%	+5.25%
L - Dealer Plates	+70.2%	+3.83%
L - Snowmobile Dealers	+50.7%	+18.33%
LV - Antiques	+61.6%	+11.96%
LV - Buses	+28.9%	+5.09%
LV - Buses (Restricted)	+67.5%	+5.68%
LV - Motorcycles	+58.8%	+0.00%
LV - Motorhomes	+286.9%	+4.24%
MT - Snowmobiles	+21.3%	+15.27%
PB - Passenger Inter-city Buses	+87.2%	+3.52%
PC - Passenger City Buses	+99.9%	+3.55%
PS - Passenger School Buses	+68.0%	+4.13%
PT - Taxis	+82.6%	+0.00%
TNC	+5.4%	+5.25%
Trailers		
F - Trailers	+66.4%	+17.38%
LT - Trailer Dealers/Movers	+104.7%	+0.17%
T - Personal Trailers	+113.6%	+6.75%
T - Utility	+73.1%	+13.89%
TS - Commercial Trailers	+18.2%	+5.66%
Miscellaneous Classes		
A - Excess Value	+3.3%	+0.00%
C&D - Non-Resident	+134.0%	+14.67%
C&D - Excess Value	-16.8%	+0.00%
Industrial Tracked Vehicles	+41.7%	+8.36%
LV - Motorized Bicycle	+60.0%	+18.03%
PV - Converted Vehicles	+20.8%	+4.24%
PV - Heavy Trucks and Vans	+15.5%	+4.16%
PV - Power Units	+26.5%	+3.69%
TS - Excess Value	-31.5%	+0.00%

Vehicle Class	Indicated Rate Change	Proposed Rate Change
24 Hour Permit	+43.0%	+45.45%
8 Day Permit	+93.0%	+10.20%
In-transit Permit	+93.1%	+16.67%
TIC	+36.0%	+17.86%
All Vehicles	+33.5%	+3.75%

Findings and Conclusions

As discussed in Section 7.0, we reviewed the general methodology and assumptions used by SAF for their rate indication. We identified several recommendations and issues where we believe an alternative assumption may be more appropriate. We provide our commentary on these items in the sections above to document our review and for the Panel and SAF's consideration in future rate applications. However, given the discrepancy between the indicated rate and the proposed rate, we do not believe these alternative assumptions and recommendations would result in an indicated rate lower than proposed. As such, we find the proposed rate change to be supported.

- The lapse in time since the prior 2022 Application has resulted in large, indicated percentage changes for many classes. Instituting annual reviews in the future would minimize the application of caps to a large percentage of vehicles and reduce the rate shock from large rate indications and deteriorating RSR by allowing the SAF and the Panel to implement corrective actions earlier.

8. RETURN ON INVESTMENT (ROI)

8.1. Discount Rate Forecasting

With the implementation of IFRS 17 Insurance Contracts in 2022/23, the methodology for determining the discount rate has changed from what was previously used under IFRS 4. *The calculation of the yield curve has been simplified to use projections of invested spot yield curves at future points in time to estimate yields from asset investments using premium collected.*

Payment patterns are used as a basis for discounting, which are the payments to date divided by the ultimate losses. These are calculated assuming one year of claims and are discounting to the average written date of the policies. Therefore, weights of 1.5/12 and 10.5/12 are assigned to the next year's spot rate, and the spot rates for two years in advance, respectively.

The intention of the methodology is to maintain the same discounting method used under IFRS 4, using the average return on the assets backing the claims, instead of adopting the curves used for IFRS 17 which do not necessarily reflect the same return.

Yield curves must exclude credit risk and consider illiquidity of claim liabilities. In practice this would equate to the risk-free curve + illiquidity premium. The Canadian Institute of Actuaries has contracted "Fiera Capital" to provide reference curves.

The updated 2026 rate indication decreases from 36.1% to 33.5% when using this single rate of return as the discount rate in the indication. The final 2026/27 rating year discount rate used in the Application is based on a yield curve provided by Fiera Capital is as follows:

Table 8.1: Updated 2026 Discount Rate

	2026/27 Rating Year		2026/27
Select Periods 20 + Year Continuum	**March 2025**	**Update March 2026**	**Change**
1 Year	2.43%	2.42%	0.02%
2 Years	2.57%	2.87%	(0.30%)
5 Years	2.84%	3.26%	0.42%
10 Years	3.40%	3.85%	0.45%
15 Years	3.61%	4.03%	0.43%
Greater Than 20 Years	6.01%	6.01%	-
Overall Average Discount Rate	3.39%	3.77%	0.38%

[SRRP(SAF) 1-43a attachment]

Each of these yields is net of an investment expense component of 0.30%.

The overall average discount rate was determined from an internal rate of return (IRR) calculation and the chart above is for illustration purposes only.[10] *The updated 2026 rate indication decreases from 36.1% to 33.5% when using this single rate of return as the discount rate in the indication*

The following graph reflects the change in forecast over the time frame from March 31, 2025, through the March 2026 update, which saw a 38-basis point average upward swing in discount yields.

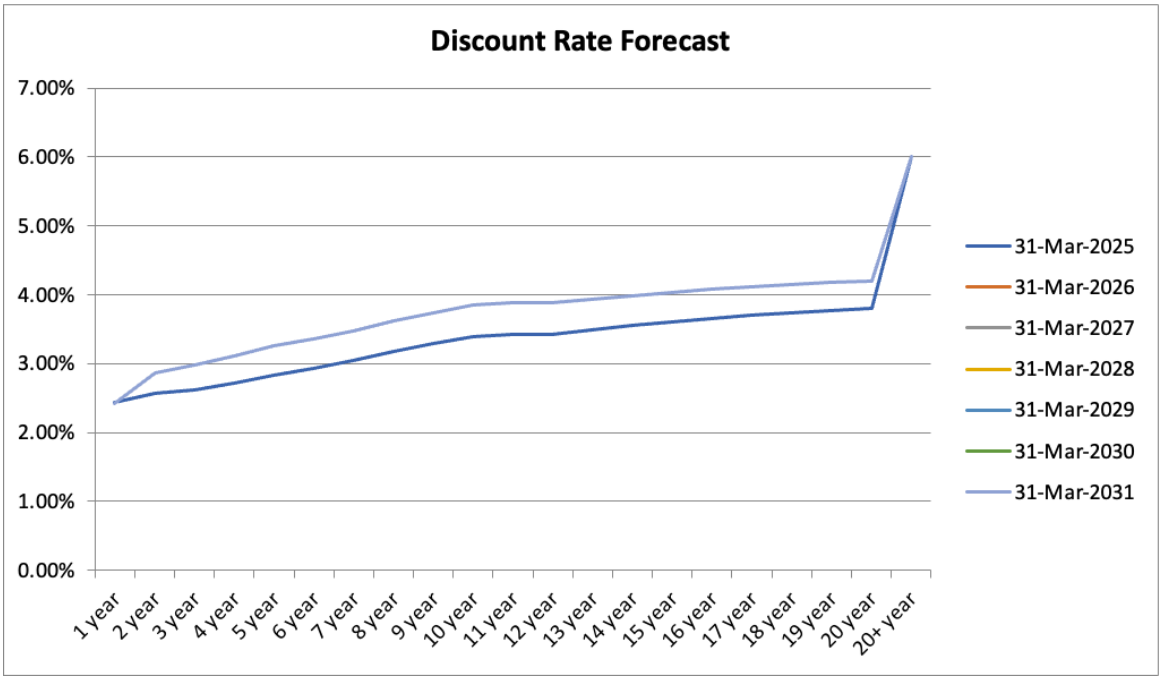


Figure 8.1: Change in Forecast Discount Rate

8.2. Observations Interest Rate Forecasting

The interest rate forecast used by SAF in this rate Application for 2027 rates is based on a yield curve provided by Fiera Capital based on 2026 indication work completed in February 2026.

The interest rate forecast and other economic variables are essential in the determination of the discount rate used to calculate the present value of its claims liabilities and estimate the investment income on its assets.

[10] The overall discount rate is calculated as the IRR such that the total discounted cash flows for all coverage and vehicles classes combined (calculated using the bucket yields in each case) equals the discounted cash flows using the overall discount rate and payment patterns.

The discount rate impacts the determination of the indicated rate, revisions to the discount rate based on the 2026 indication saw a decrease from 36.1% to 33.5%.

Forecasting future interest rates is challenging, and forecasts can vary materially from the actual rate that is realized.

SAF should implement a practice to use the most current available information in preparing its rate application as practical to do so such as no earlier than 3 months prior to the submission date.

If the information is greater than three months, SAF should consider implementing a process in future Applications to update its Application through the Panel review process, if there are material changes in economic assumptions such as interest rates.

9. CAPITAL MANAGEMENT POLICY AND MINIMUM CAPITAL TEST

SAF's CMP, which has been in effect since January 1, 2010, is designed to maintain an adequate level of SAF's capital in the RSR. The policy aims to ensure sufficient SAF capital to cushion the corporation from the volatility inherent in investment and underwriting operations without requiring excessive rate increases.

9.1. Target MCT

Although not subject to regulation by the Office of the Superintendent of Financial Institutions Canada (OSFI), SAF's Board-approved CMP is prepared using OSFI's January 2014 guidance. The policy measures capital adequacy using the MCT, a standard industry regulatory solvency measurement prescribed by OSFI and used by the Property and Casualty Insurance industry.

The MCT ratio is determined by dividing the capital available, primarily the excess of assets over liabilities, by the capital required, mostly comprised of various margins applied to unpaid claims, unearned premiums, and investments. OSFI requires federally regulated insurers to maintain a minimum MCT ratio above 100% and a minimum supervisory MCT ratio of 150%. The supervisory ratio is intended to provide a cushion above the minimum requirement for risk factors that are not easily quantifiable (e.g. Operational, strategic, economic risks). *OSFI's stated Minimum and Supervisory Target MCT requirements are 100% and 150%. If a federally regulated insurer's MCT approached 150% OSFI would intervene, and it would take all action necessary to prevent the MCT falling below 100%, including assumption of control. SAF noted, that as long as the MCT is positive, the insurer is solvent as its assets exceed its liabilities. As such, with OSFI's stated minimum and target MCTs of 100% and 150%, the regulator has built in an excess capital buffer to protect consumers should an insurer encounter financial difficulty. The determination of SAF's excess capital buffer should consider its monopoly position.*

SAF's operating target changed from 100% to 140% in the 2018/19 CMP. The policy target ratio of 140% MCT was calculated under the policy of 125% MCT plus an additional buffer of 15% to reflect the risk tolerance of the shareholder. In 2022 the policy was changed to include both a 90% internal target and 125% operational target. By adopting an MCT 125% target for its RSR below the minimum 150% MCT supervisory level, SAF recognizes its distinction as a monopoly and Crown corporation insurer.

The internal target of 90% MCT adopted by SAF represents that level required to remains solvent in all plausible maximum loss events. [14. Capital Management 2.c iii]

SAF's filed figures show the MCT falling significantly below the 90% target within the test period, such that certain adverse scenarios, if they materialized, could require emergency capital action.

MPI and the ICBC both have minimum targets a 100% MCT for their Basic programs.

9.2. Capital Management Policy

In addition to collecting sufficient premium to cover anticipated claim costs, the Auto Fund needs to maintain an appropriate level of capital in the Rate Stabilization Reserve (RSR). The RSR is like a savings account to

cover emergencies. It ensures customers are protected in the event of higher-than-expected claim costs or lower-than-expected investment income in any one year.

The capital contribution included in rates to move capital toward the policy level set in the CMP comprises two components a capital build / (release) provision and a capital maintenance provision.

The first component, the capital build / (release) provision, adjusts capital through rates in a measured way, thereby reducing rate volatility. This provision is modified for each rate application to move the current MCT 1/5th of the way toward the 125% MCT target. This approach to the determination of the capital build / (release) exists to strike a balance between steadily pushing the capital available toward SAF's target while smoothing the effect on its customers.

The second component, the capital maintenance provision, accounts for the natural erosion of the MCT over time. Specifically, the denominator in the MCT calculation (capital required) is increased by higher claims costs and the growth in investments. Correspondingly, the capital available must also grow to maintain the same level of relative capital adequacy.

Analysis for the 2025-2026 policy year indicates that a capital margin of 6.5%, applied to all vehicles, is required to help increase capital to move the RSR toward the target level over the next five years. Based on the policy, a capital maintenance provision amount required of $21.3 million, and by the 1/5th capital build provision requirement of $48.2 million. Combining these two provisions results in a total amount of premium needed of over $69.5 million[11] or 6.5% for the rating period for a capital contribution. This is a 6.4% increase from the 0.06% capital margin reflected in current rates. Because of the delay in rate change beyond 2025/26, SAF has now revised the required capital margin to be 9.2% which would equate to an approximate premium need of $98.4 million[12].

To reduce impact on customers, there is no proposed change to the capital margin as part of this rate program.[13] SAF's rationale for not updating its capital maintenance provision is to minimize rate impacts on customers while rates move towards their adequate level.

SAF's position is that the significant rate need across virtually all vehicle classes makes it more appropriate to direct any additional rate capacity toward closing the gap between premiums and claims and expenses, rather than toward a capital build provision. SAF argues that a basic rate increase is preferable to a capital margin because it allocates the additional cost to the vehicles responsible for the rate need, whereas a capital margin is applied uniformly across all classes regardless of their individual rate adequacy. SAF further states that it will evaluate its capital position in future rate applications and may propose a capital build provision once the rate need gap has closed, if one is still required at that time. With respect to the capital margin provision specifically, SAF confirms it increased by 2.7 percentage points in the 2026 rate indication to +9.2% and is expected to increase beyond +10% under the current capital management plan but is not being proposed for the same reasons.

[11] The total capital needed is $69.5 million based on an estimate from the 2025 actuarial analysis. SRRP(SAF) 1-29.
[12] scaling of 9.2% over 6.5% capital requirement [$69.5 M @9.2%/6.5%= $98.4M]
[13] Saskatchewan Auto Fund 2026 Rate Proposal Pg. 2– Capital Adequacy

9.3. Financial Condition Testing

OSFI mandates all federally regulated P&C insurers to maintain a minimum MCT ratio of 100%, with an industry-wide supervisory target ratio of 150%. OSFI requires the use of Financial Condition Testing (FCT) to establish capital targets. Although not subject to OSFI regulation, SAF prepares an FCT report annually to inform the Corporation of its capital requirements. The FCT analysis involves subjecting SAF's financial forecast to stress testing with various plausible adverse scenarios to assess the impact on the financial strength and solvency status.

SAF set an internal MCT target of 90% in undertaking its testing. SAF's FCT analysis supported an operating target of 125% MCT above the 90% MCT internal target. This 125% operating target MCT provides a cushion above the 90% internal target to absorb at least the impact of a relatively likely, 1-in-10-year occurrence. SAF noted that establishing an operating MCT 35 percentage points above the internal target provides a reasonable operating buffer. SAF has deemed its 2024/25 FCT as confidential information and has been reviewed.

As reported in our 2022 Rate Review Report, SAF's 2020/21 FCT performed included experience to March 31, 2020, and forecast for fiscal years 2020/21 through 2025/26. SAF selected plausible adverse scenarios that are at the 99th percentile level (or 1-in-100-year event). SAF identified four scenarios to pose the most significant risk, including:

1. Investment market deterioration,
2. Misestimation of policy liabilities,
3. A scenario including additional funding requests, additional premium rebates in conjunction with a market crash; and
4. General inflation risk.

According to CIA Standards of Practice, the insurer's financial condition is satisfactory if throughout the forecast period,

> *1) under the solvency scenarios, the statement value of its assets is greater than the statement value of its liabilities;*
>
> *2) under the going concern scenarios, it meets the regulatory minimum capital ratio; and*
>
> *3) under the base scenario, it meets its internal target capital ratio.*

Based on the analysis undertaken in the 202/21 FCT, SAF was found to meet the relevant conditions for satisfactory financial condition. The significance of the 2020/21 FCT results in the context of SAF's current capital position is discussed in Section 9.5.

9.4. Rate Stabilization Reserve

In addition to collecting sufficient premiums to cover anticipated claim costs, SAF needs to maintain an adequate level of capital in the RSR. SAF operates on a self-sustaining basis viewed over a long-term time frame. Any annual financial excess or deficiencies are recorded in the RSR. It serves as a savings account to cover emergencies. The RSR ensures customers are protected in the event of much higher-than-expected

claim costs or much lower than expected investment income in any one year. A proper RSR balance is necessary for the financial stability of the Auto Fund. It acts as a buffer for customers to avoid significant rate shock.

In 2020/21, SAF's RSR grew to $1,375 million and an MCT of over 190% before declaring a rebate in the year. The buildup in the RSR was due to lower than forecast claims costs due to the Covid-19 pandemic and higher than forecast investment income in the year. To provide relief to ratepayers due to Covid-19, SAF declared and paid a rebate of $285 million to SAF policyholders. The rebate effectively reduced capital to $1,090 million and an MCT of 168%.

Table 9.1 below presents SAF's RSR balance and MCT ratios for fiscal years 2020/21 to 2024/25 (actual results) and three forecast years under the 3.75% × 2 rate increase scenario, including the announced non-rate actions (deductible increase from $700 to $950 and higher service fees effective January 1, 2027). MCT values below the 125% policy target are shown in amber. Values below the 90% internal minimum are shown in red and bolded.

Table 9.1: RSR Balance and MCT Ratios — 2020/21 to 2027/28

Fiscal Year	RSR Balance	MCT at Year End	12-Month Average MCT
2020/21	$1,090.1M	168.0%	179.1%
2021/22	$1,051.3M	149.0%	175.8%
2022/23	$995.2M	119.0%	134.6%
2023/24	$924.9M	142.5%	149.2%
2024/25	$726.9M	111.8%	133.3%
2025/26 (forecast*)	$553.3M*	**82.7%**	97.2%
2026/27 (forecast)	$327.9M	**49.4%**	**66.0%**
2027/28 (forecast)	$171.1M	**24.4%**	**36.9%**

Red/Bold = below 90% internal minimum

Amber = below 125% policy target

Grey rows = Forecast Rating Period.

Source: SGI Auto Fund Annual Reports, 2020/21 to 2024/25; SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet (3.75%×2 rate increases with deductible and fee adjustments).

* The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised the variance is largely one-time and did not provide an updated forecast. The Consultants have not been provided with the analysis supporting that flow through and the impact on the rating years. See section 9.6.

Tables 9.2 and 9.3 present SAF's financial results over the historical and forecast period. SAF reports on two accounting bases across these years because it adopted IFRS 17 in 2022/23. Table 9.2 shows the results under IFRS 4 for 2020/21 to 2022/23.

Table 9.2: Financial Results 2020/21 to 2022/23 (IFRS 4)

Fiscal Year ($M)	2020/21	2021/22	2022/23
Premiums Earned	961.2	982.2	1,007.5
Total Expenses	981.8	1,161.4	1,450.0
Underwriting Loss	(20.7)	(179.2)	(452.4)
Investment Earnings	508.5	108.7	75.4
Other Income	80.6	120.8	106.6
Change in RSR	568.4	504.4	(270.4)
Rebate	(285.0)	(89.3)	0.3
Prior Period Adjustment IFRS 17			214.7
Year End RSR Balance	1,090.1	1,051.3	995.2
Year End MCT Ratio	168.0%	149.0%	119.0%

The above table reflects a Rebate of RSR, which totaled $374.3 million in 2020/21 and 2021/22. As a result of the conversion from IFRS 4 to IFRS 17, SAF offset a $270.4 million loss in 2022/23 with a $214.7 million increase in RSR adjustment reflecting the cumulative difference of the accounting changes, which had a net effect of restating the year-end RSR balance in 2022/23 at 995.2 million

Table 9.3 below shows the results and forecast under IFRS 17 from 2022/23 to 2027/28, with 2022/23 shown based on the restated basis. SAF recorded large cumulative underwriting losses from 2022/23 through 2024/25. Insurance service results totalled more than 350.4 million in losses over those three years. Gross claims incurred rose sharply in that period.

Claims costs continued to outstrip revenue growth even before the proposed rate increases. Gross claims incurred jumped more than 23% in 2023/24 and have kept rising. This trend produced deeply negative insurance service results each year and directly reduced the reserve. The same drivers persist into the forecast as set out in following forecast:

Table 9.3: Financial Forecast 2022/23 to 2027/28 (IFRS 17)

Fiscal Year ($M)	2022/23 Actual	2023/24 Actual	2024/25 Actual	2025/26 Forecast*	2026/27 [14]Forecast	2027/28 Forecast
Insurance Revenue	1,059.8	1,100.4	1,146.0	1,189.1	1,246.9	1,332.0
Insurance Service Expenses	1,118.5	1,156.2	1,356.5	1,386.3	1,434.1	1,454.4
Net revenue (expenses) from reinsurance contracts	(11.2)	(15.7)	(4.4)	(21.3)	(20.3)	(21.3)
Insurance Service Result	(63.9)	(71.6)	(214.9)	(218.5)	(207.4)	(143.7)
Investments Result	27.1	105.7	118.9	155.0	88.9	71.2
Other Revenue	117.7	126.6	126.0	128.8	136.9	155.5
Traffic safety	20.2	17.8	21.7	25.8	26.5	26.6
Other Expenses	194.8	213.1	206.4	213.2	216.8	213.6
Increase (decrease) to RSR	(134.1)	(70.3)	(198.0)	(173.6)	(225.3)	(156.9)
Rate Stabilization Reserve, beginning of the year	1,129.6	995.2	924.9	726.9	553.3	327.9
Rate Stabilization Reserve, end of the year	995.2	924.9	726.9	553.3	327.9	171.1
MCT	119.0%	142.5%	111.8%	82.7%	49.4%	24.4%
MCT- Rolling 12month avg.	134.6%	148.8%	133.3%	97.2%	66.0%	36.9%

* The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised the variance is largely one-time and did not provide an updated forecast. The Consultants have not been provided with the analysis supporting that flow-through and the impact on the rating years. See section 9.6.

Claims and expenses keep growing faster than the proposed two 3.75% rate increases can offset. Annual losses are forecast at $173.6 million in 2025/26, $225.3 million in 2026/27 and $156.9 million in 2027/28 for a cumulative reduction in the RSR of $555.8 million by the end of 2027/28. Since 2022/23, the SAF stands to

[14] SRRP (SAF) 2-8b reflecting deductible and fee changes

deplete the RSR by $918.9 million from $1,090 million to a forecast balance of only $171.1 million at the end of 2027/28.

As of March 31, 2025, the MCT was 111.8%, while the 12-month rolling average MCT was 133.3%. The RSR balance was $726.9 million. SAF's filed figures show the RSR declining to $553.3 million by the end of 2025/26, with the MCT at 82.7% and the 12-month rolling average at 97.2%. The RSR falls to $327.9 million and the MCT to 49.4% at the end of 2026/27, and to $171.1 million and 24.4% by the end of 2027/28. These levels are well below SAF's 90% internal MCT target, leaving little capital to absorb an adverse event.

The Consultants have reviewed SAF's confidential financial forecast. Its contents cannot be disclosed in this Report.

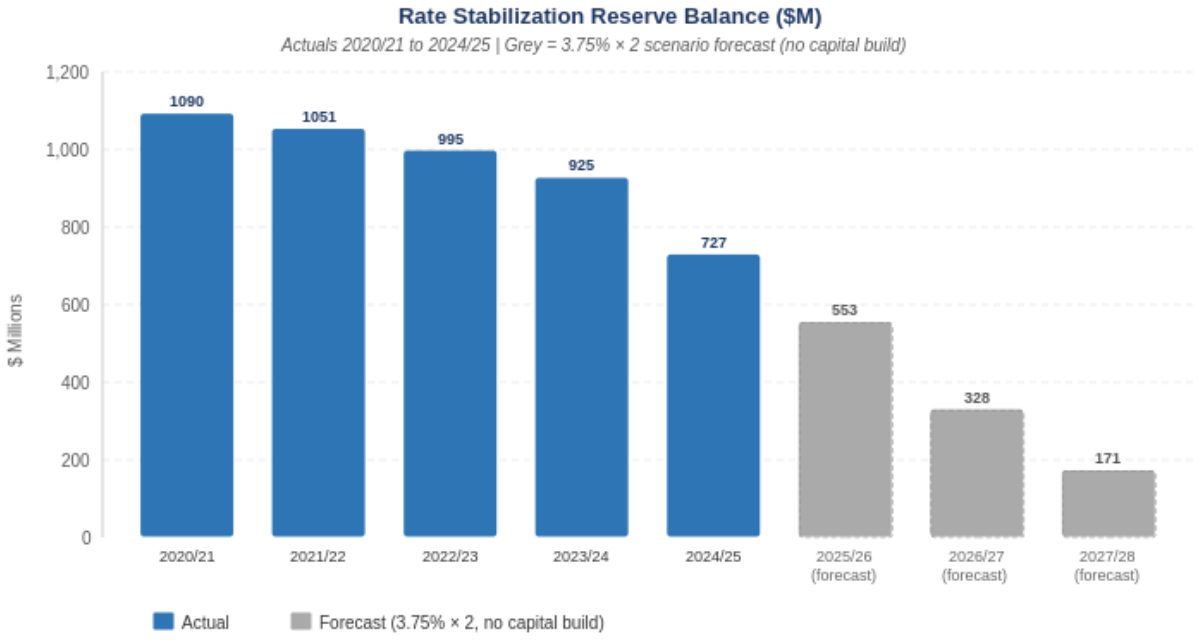


Figure 9.1: Rate Stabilization Reserve Balance ($M) — 2020/21 to 2027/28

Source: SGI Auto Fund Annual Reports, 2020/21 to 2024/25; SAF Application Sensitivities to 2027/28.xlsx. Grey bars = forecast period.

> * The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised the variance is largely one-time and did not provide an updated forecast. The Consultants have not been provided with the analysis supporting that flow through and the impact on the rating years. See section 9.6.

Figure9.2 below shows both MCT measures plotted against the 125% policy target and the 90% internal floor. The chart shows the full history from 2005, providing context for the current decline.

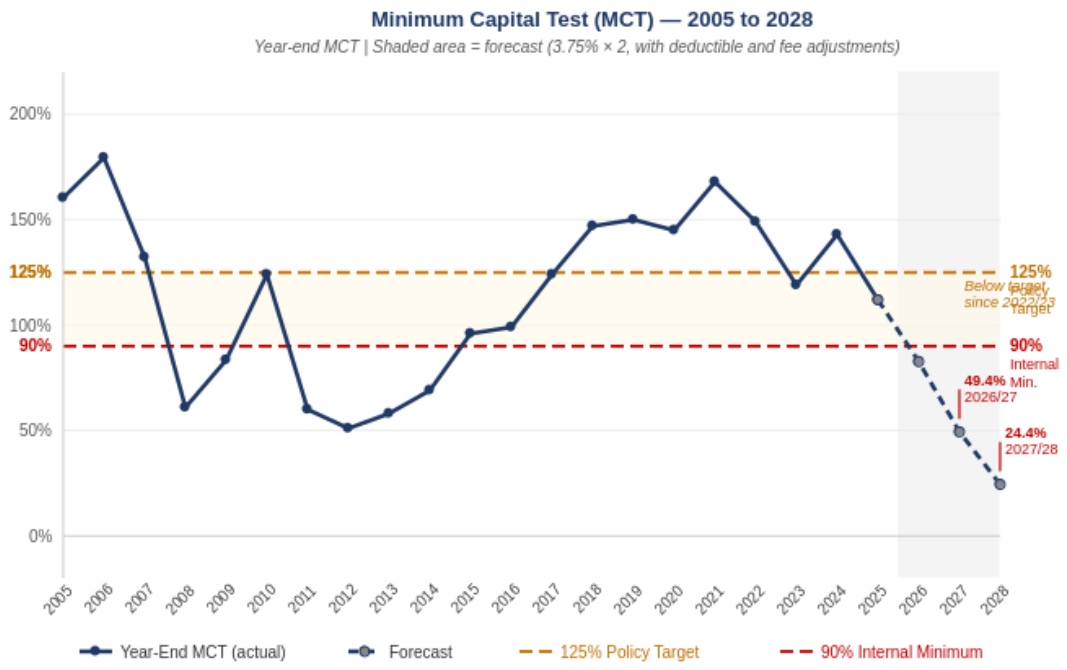


Figure 9.2: SAF Minimum Capital Test -Year-End and 12-Month Average, 2004/05 to 2027/28

Source: IR 2-16 (scenario c); SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet. Reference lines: 125% policy target (amber dashed) and 90% internal minimum (red dashed). Shaded area = forecast period.

The MCT deteriorates in parallel because capital available shrinks while required capital for claims liabilities remains high. **The sustained capital erosion is acute.** Cumulative losses since 2022/23 have already cut the reserve by more than one quarter by the end of 2024/25 and the current trajectory leaves the fund with minimal buffer against further adverse claims development.

The Province has responded announcing non-rate action including raising the deductible from $700 to $950 and increasing service fees. The effect of these changes takes effect January 1, 2027, and improve the RSR by almost $6 million in 2026/27. This impact only in effect for the last three months of the 2026/27 fiscal year. The improvement to the RSR is $45 million in 2027/28, for an overall improvement in RSR of over $51 million as reflected in the next table and the MCT is higher as a result.[15]

[15] The forecast RSR balance forecast after the change is $171 million after the change and forecast to be $119.9 million before the change, an increase of $51. 2 million. The forecast MCT is improved by 8% 24% MCT versus only 16% MCT before the change.

The capital margin consistent with the capital management policy if rates had been implemented in 2025 was 6.5%. The updated 2026 rate indication work has determined that the capital margin consistent with the capital management policy for rate changes in 2026 would be 9.2%. While the 2027 rate increase would increase the forecasted premium earned, it is expected that the capital margin consistent with the capital management policy would exceed 10% for the 2028 year. [16]In light of this bleak financial situation, SAF has recommended that there be no capital build provision citing affordability and the significant rate indication required. The decision to not seek an increase of the capital build provision in the rate proposal, is reflected in the top table contrasting with a required change in the capital provision in the bottom table.

Table 9.4: Projected RSR Balance - Capital Margin Scenario

Projected RSR Changes – Indicated Rate without Capital Margin Change						
Fiscal Year ($M)	**2022/23**	**2023/24**	**2024/25**	**2025/26F**	**2026/27F**	**2027/28F**
Insurance Rev.	1,059.8	1,100.4	1,146.0	1,189.1	1,246.9	1,332.0
Insurance Expenses	1,112.5	1,156.2	1,356.5	1,386.3	1,434.1	1,454.4
Reinsurance	(11.2)	(15.7)	(4.4)	(21.3)	(20.3)	(21.3)
Insurance Results	(63.9)	(71.6)	(214.9)	(218.5)	(207.4)	(143.7)
Investment Results	27.1	105.7	118.9	155.0	88.8	71.5
Other Revenue	117.7	126.6	126.0	128.8	136.5	155.5
Traffic Safety	20.2	17.8	21.7	25.8	26.5	26.6
Other Expenses	194.8	213.1	206.4	213.2	216.8	213.6
Change in RSR	(134.1)	(70.3)	(198.0)	(173.6)	(225.3)	(156.9)
Rebate	(0.3)	-	-	-	-	-
Year End RSR Balance	**995.2**	**924.9**	**726.9**	**553.3**	**327.9**	**171.1**
Year End MCT Ratio	**119.0%**	**142.5%**	**111.8%**	**82.6%**	**49.4%**	**24.4%**
Projected RSR Changes – Indicated Rate with 9.1% Capital Margin Change						
Fiscal Year ($M)	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Insurance Rev.	1,059.8	1,100.4	1,146.0	1,189.1	1,293.4	1,450.6
Insurance Expenses	1,112.5	1,156.2	1,356.5	1,386.3	1,421.9	1,476.2
Reinsurance	(11.2)	(15.7)	(4.4)	(21.3)	(20.3)	(21.3)
Insurance Results	(63.9)	(71.6)	(214.9)	(218.5)	(148.8)	(46.8)
Investment Results	27.1	105.7	118.9	155.0	88.8	76.1
Other Reven	117.7	126.6	126.0	128.8	139.0	158.8
Traffic Safety	20.2	17.8	21.7	25.8	26.5	26.6
Other Expenses	194.8	213.1	206.4	213.2	217.0	213.9
Change in RSR	(134.1)	(70.3)	(198.0)	(173.6)	(164.5)	(52.5)
Rebate	(0.3)	-	-	-	-	-
Year End RSR Balance	**995.2**	**924.9**	**726.9**	**553.3**	**388.7**	**336.3**
Year-end MCT	**119%**	**142.5%**	**111.8%**	**82.6%**	**57.9%**	**50.0%**

The top table where the full 0.06% capital margin remains, forecasts the RSR to fall to $327.9 million in 2026/27 and further decline to $171.1 million in 2027/28. The MCT falls to 49.4% in 2026/27 and 24.4% in 2027/28 which is materially below its minimum internal operating target of 90% MCT. This scenario reflects the non-rate actions announced by the government, including increasing the deductible from $700 to $950 and increasing transaction fees. Without addressing the 9.2% capital margin required under SAF's own Capital Management Policy, the MCT remains well below the 90% internal minimum across the test period. At that level, a plausible adverse event could require emergency action to restore the capital position.

The bottom table reflects the imposition of a 9% capital build provision along with the 3.75% proposed rate in 2026/27.

With the required capital build provision, the RSR in 2026/27 drops to $388.7 million and the MCT is 57.9%, an 11% increase if no capital build provision were included. The RSR is forecast to be to $336.3 million in 2027/28 and MCT to fall to 50% which is 26% higher than the MCT if no capital build were included in rates. Even with the capital build, SAF's position remains below its 90% internal MCT target, and a plausible adverse event could require emergency action to restore the capital position.

Further non-rate and rate actions are required to improve SAF's financial strength. The Consultants have reviewed SAF's confidential financial forecast. Its contents cannot be disclosed in this Report.

The 12-month rolling average MCT is expected to decline throughout the 2025-26 fiscal year primarily as a result of declining capital available. Capital required for insurance risk is also expected to increase from rising Liability for Incurred Claims, further pushing down the MCT ratio. Capital available is expected to fall as claim cost and expense levels continue to be significantly above the level of premiums collected. The increasing repair costs and complexity of technology, materials and repair procedures continue to push up damage claims. This results in an ongoing expected decrease to the balance of the RSR, which is the main component of the capital available in the MCT. The MCT without a capital build and the proposed rate path is expected to drop to 24% in 2027/28.

This reflects continued pressure on the capital metrics within the test period, with both sides of the ratio moving unfavourably: capital available down and capital required up. Without corrective action of the kind SAF's own Capital Management Policy contemplates, the gap shown in the public figures does not close.

9.5. Observations on Capital Management Policy

The Minister's guidance expressly indicates that the Panel should take as given the terms of the approved Capital Management Policy and approved target capital levels. The comments made here are taken in acknowledgment of this scope requirement. However, we note that this is an area of concern from a financial basis which has a direct bearing on rates. SAF's decision to not seek a change in the capital build provision is an acknowledgment of the affordability considerations and the inadequacy of existing rates.

[16] SRRP(SAF) 1-14

SAF's rationale is understandable in the narrow sense that directing limited rate capacity toward claims and expense coverage rather than capital accumulation has a surface logic when rates are materially inadequate. However, the Consultants do not find it to be a satisfactory explanation in the context of this Application, for several reasons.

The capital maintenance provision is not discretionary. The argument conflates two distinct obligations. The capital maintenance provision is not discretionary capital building it is the minimum provision required to prevent the MCT from eroding further as the book of business grows. SAF's own calculations confirm this provision at +1.7%. Declining to include even the maintenance component means the MCT continues to deteriorate within the test period on the public figures, even if the proposed rate increases are approved.

A policy that defers both the build and the maintenance provisions simultaneously means the plan is not being applied this cycle.

The Consultants note a circularity in the rationale for deferral. SAF states it will propose a capital build provision once the rate need gap has closed, but at 3.75% per year the proposed increases recover only a fraction of SAF's own 33.5% indicated need, so the gap does not close within the test period. Without a capital build provision in rates, the RSR continues to decline, which in turn increases the capital need at each successive application, making the gap progressively harder to close.

The Panel should note that this dynamic is not theoretical. It is precisely what occurred between 2021 and 2026, when the absence of annual rate reviews allowed the rate need to compound to the point where the indicated rate change is now 33.5%.

The capital buffer has deteriorated materially since the last FCT. The significance of SAF's current capital position becomes clear when assessed against the results of its own 2020/21 FCT. The 2020/21 FCT results were filed as attachment IR 1-49 in the 2022 Rate Review. That analysis was conducted with a base scenario MCT well above the then-applicable 140% operating target and the 90% internal minimum target.

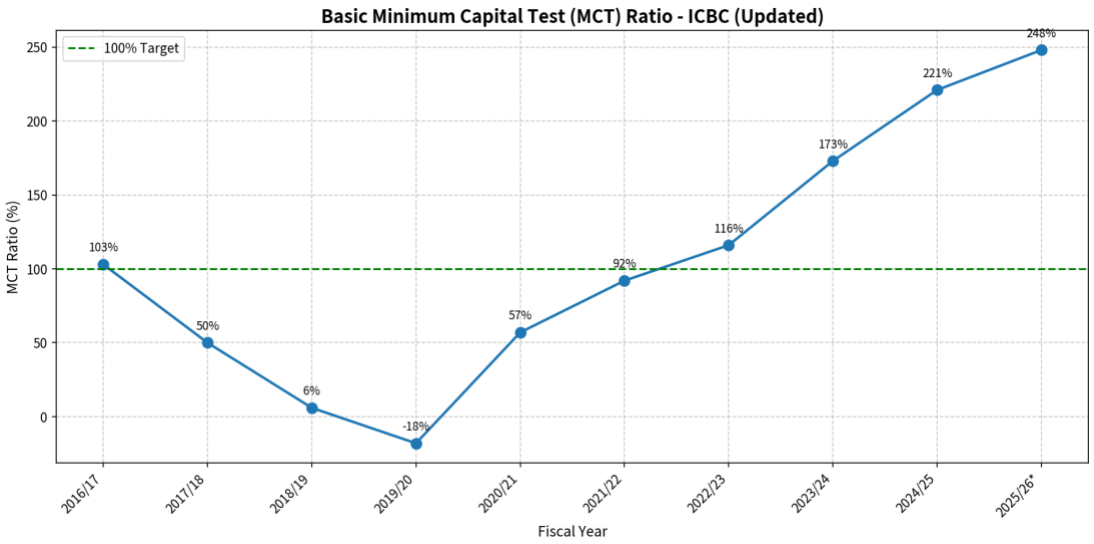
SAF prepares a Financial Condition Test annually to assess its capital adequacy against plausible adverse scenarios. SAF's 2020/21 FCT tested four scenarios at the 99th percentile, a 1-in-100-year level: investment market deterioration, misestimation of policy liabilities, a combined market crash with additional rebates and funding requests, and general inflation risk. [2022 Review Report, s. 8.3] SAF maintains a 90% internal MCT target and a 125% policy target, the latter revised from the 140% operating target in place at the time of the 2021 FCT. [s. 8.3] Following the COVID-19 rebate, SAF's MCT was 168% at the end of 2020/21, above its target. [s. 8.4] SAF's current MCT of 111.8% is materially below that level, and the proposed rate program forecasts further decline, which reduces the capital buffer available to absorb an adverse scenario of the kind the FCT is designed to test.

SAF continues to defer capital restoration. The Consultants have reviewed SAF's confidential financial forecast. Its contents cannot be disclosed in this Report. The observations in this section are informed by the Consultants' full review, including information they are not permitted to report.

The Consultants recommend the Panel direct SAF to include at minimum the capital maintenance provision of 1.7% in the current rate request, together with a capital build provision. The Panel should approve a one-year

rate for 2026/27 that includes both provisions. Given the interim approval of a 3.75% rate effective June 1, 2026, it may be administratively difficult to make that change now, and it may, in the Consultants' view, raise fairness concerns about adjusting rates twice in 2026/27. SAF should present a multi-year capital restoration plan with the objective of restoring the RSR to the 125% MCT policy target, with annual progress reporting on the RSR balance, MCT trajectory, and capital build amounts for each year of the plan, modelled on the approaches taken by Manitoba Public Insurance and ICBC in comparable circumstances. In the absence of such a plan and adequate rates to fund it, the capital position shown in the public figures does not recover, a result the Panel should address through formal direction, based on a credible program put forth by SAF.

The situation SAF now faces has precedent among Canadian Crown insurers. In both cases below, capital deficiency was ultimately resolved through directed rate action combined with a formal multi-year rebuilding plan approved by the regulator. The Consultants consider both instructive for what this Panel should require of SAF. In the case of ICBC, the MCT fell to -18% in 2019/20.



The Province managed ICBC's capital deficit through Orders in Council. It issued OIC No. 067/18. This suspended the requirement for ICBC to maintain 100 percent MCT until the end of Policy Year 2021. The BCUC imposed a 7% capital charge in 2023 [17]which currently remains in rates with a floor of % rate change.

[17] On December 15, 2022, the Insurance Corporation of British Columbia (ICBC) filed its 2023 Revenue Requirements Application (RRA) for Universal Compulsory Automobile Insurance (Basic insurance) with the British Columbia Utilities Commission (BCUC) seeking a Basic insurance rate change of zero percent for the 24-month period beginning on April 1, 2023 and ending on March 31, 2025 (Policy Year 2023 or PY 2023), among other requests (Application). ICBC submitted the Application in accordance with *Special Direction IC2 to the BCUC, BC Regulation 307/2004*, as amended (Special Direction IC2), which sets out the regulatory framework and requirements for the regulation of Basic insurance. As required by Special Direction IC2, ICBC states that the proposed rate change is consistent with accepted actuarial practice (AAP), subject to legislative requirements, and it includes a capital provision equal to 7 percent of the required premium. ICBC submits that the proposed rate change will allow ICBC to continue building Basic insurance capital levels while also promoting rate stability in the long term. On January 10, 2023, the BCUC approved the proposed rate change on an interim basis pending the review of the Application. https://norma.lexum.com/bcuc/decisions/en/item/521909/index.do

In 1996, MPI had a deficit of over $49 million in its Basic RSR. The Corporation proposed and the PUB approved a multi-year rebuilding plan which included a planned 2% in a special rate in four successive years to total 8%. Ultimately the RSR recovered such that only 4% of the special rate was put into rates. It was subsequently removed in 2001.

In the case of MPI, there was a deficit in 1995 of over $49.9 million, which resulted in MPI proposing a multi-year capital rebuilding plan.

In 1995 the Board of Directors of the Corporation approved a Rate Stabilization Reserve ("RSR") Plan to rebuild the Corporation's retained earnings for Basic insurance from a deficit balance of $49.9 million. The goal was to achieve an RSR balance equal to 15% of direct premiums written through a multi-year plan consisting of increasing annual dedicated RSR contributions of 2% until a cumulative total of 8% RSR contribution was included in rates. The Board approved a 2% RSR contribution to be effective in fiscal 1997, an additional 2% in fiscal 1998, and an additional 1% in fiscal 1999. The Board then decreased the RSR contribution in fiscal 2000 by 1% and eliminated the remaining 4% RSR adjustment in fiscal 2001, as requested by the Corporation.[18]

A summary of the MPI RSR balance with the special RSR adjustment: Basic Insurance Rate Stabilization Reserve ($Millions)

Years ending February 28/29 | 1997 to 2001

Category	1997	1998	1999	2000	2001
RSR Opening Balance	(49.9)	(24.4)	22.5	64.4	104.9
Net Income (loss)	21.8	36.3	25.5	23.4	36.5
Contribution to RSR	3.7	10.6	16.4	17.1	7.2
Cumulative Balance	(24.4)	22.5	64.4	104.9	148.6
Surplus Dividend	-	-	-	-	-
Total Basic RSR	**(24.4)**	**22.5**	**64.4**	**104.9**	**148.6**

SAF sets its capital targets based on the MCT, which is consistent with industry best practice. Unlike federally regulated insurers, SAF is not subject to OSFI oversight, but it has voluntarily adopted the OSFI MCT framework and established its own internal targets. That discipline is appropriate. 'The framework itself is appropriate; the concern is the degree to which it is being applied. On the public figures, the MCT falls to

[18] Manitoba Public Utilities Board Order 151/00 page 14

24.4% by the end of 2027/28 and the RSR to $171.1 million under the proposed rate program. Because there is no alternative to compulsory Auto Fund coverage, there is no risk of premium flight. But the absence of competitive pressure cuts both ways it removes the market discipline that would otherwise force corrective action. This Panel must provide that discipline.

The capital margin required under the capital management policy was 6.5% based on the 2025 rate indication and has increased to 9.2% under the 2026 indication. [19] SAF has proposed no change to the capital margin, citing affordability and the significance of the existing rate need. The Consultants understand the affordability concern. It does not change the arithmetic. A capital margin of at least 6.5% should be included in the current rate program as the minimum step consistent with SAF's own policy. SAF should commit to reaching the full 9.2% required under the policy. Even with that provision in rates, the MCT remains well below the 90% internal minimum through the rating years and beyond. A capital build provision is necessary but not sufficient. SAF needs to put forward a credible plan to return its financial position to an acceptable level over the next five to seven years, with defined milestones and explicit capital build provisions for each year of that plan.

The Consultants recommend that the Panel approve the one-year 2026/27 interim rate and recommend to the Minister that SAF additionally begin building capital immediately through a capital margin provision. The 2026/27 3.75% increase took effect on an interim basis on June 1, 2026, and has been collected since then. Reopening that rate now would raise fairness concerns for ratepayers who have been paying it and would add administrative complexity. Even so, addressing the capital deficiency is paramount. The capital margin should be implemented immediately. The Panel should recommend that the SAF prepare a multi-year capital restoration plan modelled on the MPI approach, with annual progress reporting on the RSR balance, the MCT trajectory, and the amount being directed toward capital rebuilding through each rate program, and the 2027/28 rate should be set through a separate application supported by a full public record. To ensure that plan is executed, an annual rate process should be put in place. This is not an administrative preference. It is a structural necessity given where SAF's capital position is headed.

The Consultants recommend no further rate action for 2027/28 currently. There remains outstanding rate and potential non-rate action for the Panel to assess the reasonableness of the 2027/28 proposed rate increase. SAF has deferred rate changes for Motorcycles and Urban Taxis to 2027/28, pending the outcome of planned consultations, the results of which are not yet known. There may be further non-rate actions not yet announced whose impact on 2027/28 cannot be assessed. The 2027/28 rate year should be the subject of a separate full application, with a full evidentiary record available for Panel review and the recommended multi-year Capital Management plan to return SAF to an improved financial standpoint

The Consultants recommend the Panel direct SAF to submit annual rate applications going forward. ***The absence of annual rate applications between 2021 and 2026 is a material contributing factor in the deterioration of the capital position now before this Panel. Rates that should have been adjusted incrementally over five years have led to a significant rate gap that now must be addressed.*** [Emphasis Added] Annual applications would align rates with costs on a regular and timely basis, minimize the degree of rebalancing required in each application, allow the Panel to monitor the Corporate Transformation project

[19] SRRP(SAF) 1-14(c)

savings as they are realized, and ensure Panel recommendations are addressed in a timely fashion. This is particularly important during the capital rebuild period that now lies ahead.

The Consultants have reviewed SAF's confidential financial forecast. Its contents cannot be disclosed in this Report. The observations in this section are informed by the Consultants' full review, including information they are not permitted to report.

Disclosure of the summary results would allow the Panel to assess future rate applications on the full record. The Panel should formally request the Government of Saskatchewan direct SAF to disclose the summary results and key conclusions of its annual Financial Condition Testing as part of each future rate application. SAF's rationale for confidentiality was not examined in this proceeding. The Consultants further recommend that the Panel formally recommend to the Minister that financial forecast information used as the basis for a rate application be treated as a Public document in all future proceedings. The Panel should consider making Public disclosure of the financial forecast a standing condition of its future recommendations.

9.6. 2025/26 Financial Update

In response to queries from the General Consultant, SAF provided an update on the Auto Fund's 2025/26 results, drawing on its recently released audited financial statements. The audited results show a decrease to the Rate Stabilization Reserve of $93.3 million, compared to the forecast decrease of $173.6 million presented during the review. The reserve fell by $80.4 million less than forecast, producing an audited year-end Rate Stabilization Reserve of $633.6 million and an MCT of 98.0%. SAF advised that the favourable variance does not reflect a structural improvement in the Auto Fund's financial position. It reflects one-time items, favourable timing, and an investment result above the long-term expectation.

The largest variance was in the Insurance Service Result, which SAF attributed to four items: about $10 million from rising interest rates and their effect on the risk adjustment balance, which SAF described as a one-time effect, about $5 million from a net prior year redundancy on a discounted basis, about $16 million from a smaller than forecast increase to the loss component, and about $20 million from claims and expenses, primarily damage claims, emerging below forecast. SAF noted the loss component still increased over the year, signalling a worsening outlook on the Auto Fund's policies, but by less than forecast.

The Investment Result of $167.8 million came in $12.8 million above forecast, driven by a further surge in the final quarter, and SAF noted the forecast was already elevated from strong returns earlier in the year. SAF expects future years to return to long-term expectations.

Other expenses were lower than forecast, including both traffic safety and non-insurance support expenses, reflecting an internal focus on expenses given the Auto Fund's financial situation. SAF cautioned this may not translate to a permanent reduction, as some expenses may have been deferred, and stated it will know more once its budget work is complete in the fall.

9.7. Forward-Looking Outlook

SAF did not provide an updated forecast reflecting these changes. SAF advised that the stronger 2025/26 result does not change its forecast outlook, and that the projected decreases to the Rate Stabilization Reserve

in 2026/27 and beyond do not change significantly, because most of the 2025/26 improvement reflects one-time effects. SAF expects the reserve to keep declining until further rate or non-rate initiatives are developed and announced and advised it will finalize its assessment of whether the favourable experience carries into future years in its fall budget work.

SAF also reported that the 2026/27 year has already seen two catastrophe events, a hail event on June 9, 2026, and a further rain and hail event on June 28, 2026. SAF advised the June 9 event may exceed $100 million on a combined company basis, with reinsurance capping SGI's retention at around $60 million, and that the June 28 event is too recent to estimate. These figures are preliminary and are on an SGI company-wide basis rather than specific to the Auto Fund. SAF noted that catastrophe losses to date have exceeded the budgeted expectation.

SAF concluded that the projections in the review remain relevant to assessing the Auto Fund's financial situation for both 2026/27 and 2027/28. [20]The Consultants have not been provided with the analysis supporting that flow-through.

9.8. Mid-Application Update and Terms of Reference

The Terms of Reference for this review gave the Auto Fund the option to bring forward a mid-application financial update. The provision reads:

> *"The Auto Fund may provide the Panel with a mid-application financial update if a business factor(s) informing the rate application has changed materially from those of the initial application. Should it be deemed necessary, any material updates to the application shall be provided by no later than Tuesday, March 3rd, 2026."*

The 2025/26 improvement described above that a favourable variance of $80.4 million, with the year-end Minimum Capital Test improving to 98% at March 31, 2026, from the forecast 82.7%. The change came to the Consultants' attention following the release of the SAF 2025/26 Annual Report on June 23, 2026. SAF did not revise its financial forecast for 2026/27 and 2027/28.

9.8.1. Observations Mid-Application Update and Terms of Reference

SAF under the Terms of Reference the decision of whether or not to provide a mid-application update is optional. The improved financial state for 2025/26 was not brought forward as a mid-application update. It became apparent to the review upon the release of the Auto Fund's financial statements accompanying the provincial budget. Following that release, the General Consultant asked the Auto Fund about the implications of the results for its forecast, and the Auto Fund responded on July 3, 2026. The Consultants note that an $80.3 million improvement in financial position compared to the forecast is a material change in financial circumstances.

[20] July 3, 2026, email from SAF VP Corporate Actuary.

The Consultants further note that the provision to provide a financial update is permissive. Because it provides that the Auto Fund "may" provide an update, there was no obligation to bring the improvement forward, notwithstanding its materiality. As a result, information relevant to the Panel's consideration reached the review through another channel, and later than a mid-application update would have allowed.

Recommendation: The Consultants recommend that the Panel consider recommending to the Minister that the Terms of Reference for future rate applications be amended to replace "may" with "shall" in the provision governing mid-application financial updates, so that the Auto Fund is required to report to the Panel by the update date in either case: to provide a financial update where a business factor has materially affected the financial condition of the Auto Fund relative to the application was filed, or to confirm that no material change has occurred and that no update is required. A requirement to report either way would support a more efficient and transparent review process and would give the Panel timely confirmation of the Auto Fund's financial position, whether it has changed.

9.9. Non-Rate Changes

9.9.1. Non-Rate Changes

On March 13, 2026, the Government of Saskatchewan announced two changes effective January 1, 2027: an increase to the standard deductible on basic plate insurance from $700 to $950, with most other vehicle deductibles increasing by approximately 20%, and the introduction of new administrative fees applicable to new vehicle registrations ($15), new and renewed driver's licences ($15), vehicle registration renewals ($5), and driver's licence payment transactions ($2). SAF has confirmed that the combined effect of these changes is expected to reduce the overall rate indication by 3.6 percentage points. (SAF (SRRP) 2-1(a); SAF (SRRP) 2-5)

SAF has also indicated that it is evaluating a range of additional non-rate measures, including product changes for damage and injury, claim processing efficiencies, administrative expense reductions, and FTE savings. SAF has assigned dedicated resources to this work effective April 2026. The specific measures under consideration have not been identified in this application, and no anticipated savings from those measures have been reflected in the financial forecast presented to the Panel.

9.9.2. Non-Rate Changes Observations

SAF has made a significant investment in becoming a digital insurer, with the promise of improved customer service and future efficiencies. Given the current state of SAF's finances, it is vital that SAF articulate the specific non-rate measures under consideration and demonstrate how each is expected to improve the financial outlook of the Auto Fund. The Panel should urge SAF to achieve the promise of the CT program as it approaches completion and full implementation, and to the projected savings. If those savings are not achieved, the rate increases required in future applications will be correspondingly greater.

9.10. Alternative Rate Scenarios

The Panel asked SAF to model eight alternative rate scenarios to determine what rate increases would be required to stop the deterioration in the Auto Fund's capital position, prevent the RSR from falling below zero, and restore the MCT to an acceptable level within a defined timeframe. We requested that SAF model looked at 5-to-ten-year time frames. Table 9.6 sets out the scenarios requested.

SAF provided responses to all eight scenarios. The full results including RSR balance, capital available, capital required, MCT projections, and required rate increases for each year of the forecast period were designated confidential by SAF and cannot be disclosed in this Report. We note these scenarios and projections of their financial position are based on the known quantities going forward and do not consider any new external influences in the economy or any new or changing trends that may emerge (for example adverse development of loss experience or increasing loss trends).

Table 9.6: Alternative Rate Scenarios Requested SAF (SRRP) 1-10

Scenario	Rate Increase of:	Recovery Target	Timeframe
(a)	5% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero and achieve the MCT at the minimum target of 90% within the five-year period.	MCT to 90%	5 years
(b)	5% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero, and achieve the MCT at target of 90% within a ten-year period	MCT to 90%	10 years
(c)	6% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero and achieve the MCT at the minimum target of 90% within the five-year period.	MCT to 90%	5 years
(d)	6% in each of 2026/27 and 2027/28 followed by equal annual increases to maintain the RSR above zero, and achieve the MCT at target of 90% within a ten-year period	MCT to 90%	10 years
(e)	Equal annual rate increases in the next five years to maintain the RSR above zero, achieve the MCT at a minimum target of 90% within a five-year period.	MCT to 90%	5 years
(f)	Equal annual rate increases in the next five years to maintain the RSR above zero, achieve the MCT at target of 125% within a five-year period.	MCT to 125%	5 years
(g)	Equal annual rate increases over the next ten years to maintain the RSR above zero and achieve a minimum MCT level of 90% at the end of that period.	MCT to 90%	10 years
(h)	Equal annual rate increases over the next ten years to maintain the RSR above zero and achieve a minimum MCT level of 125% at the end of that period.	MCT to 125%	10 years

Source: IR 1-10. Full financial forecasts and required rate increases for each scenario designated confidential by SAF.

The current rate need is 33.5% or an additional $401 million [21]while the 3.75% increase in 2026/27 generates approximately $46 million, a fraction of the indicated need. Closing the gap between SAF's indicated need and the proposed increase would require corrective action through rate increases, expense reductions, or both.

The Consultants asked SAF to model eight alternative rate scenarios, set out in Table 9.6 above. SAF designated the results confidential, and they are not reproduced in this Report. The Consultants have reviewed SAF's confidential financial forecast through 2030/31. Its contents cannot be disclosed in this Report. The observations in this section are informed by the Consultants' full review, including information they are not permitted to report.

[21] 2026 RP Summary of Indicated and Selected Rate Change.xlsx

10. RECOGNITION PROGRAMS AND PROGRAM REVIEWS

10.1. Safe Driver Recognition

The Safe Driver Recognition (SDR) program established in 2002 is an incentive program to promote safe driving. The SDR program provides discounts to SAF customers (excluding businesses) with safe driving records. The program also assesses penalties on drivers with a history of unsafe driving (at-fault collisions, traffic tickets, licence suspensions), assessing financial penalties for drivers in the penalty zone on the SDR scale.

Under the SDR program, drivers can earn up to a 25% discount on their vehicle insurance premiums by maintaining a safe driving record. Conversely, drivers who accumulate traffic convictions or are found at fault in collisions may see their safety rating decrease, resulting in reduced discounts or even penalty surcharges. These penalties are collected as part of the program and must be paid before a driver can renew their licence or vehicle registration. The program operates on a sliding scale, where each customer starts at a neutral position and can earn points for each year of incident-free driving. Conversely, points are lost for at-fault collisions or traffic convictions.

The driving record determines a customers' position on a sliding scale. Each customer starts in a neutral position on the scale and gains 1 point for each year of incident-free driving. Points are lost for driving incidents, such as collisions a driver is deemed responsible for causing (at-fault) or traffic convictions. Each point in the scale's positive Safety Zone earns the customer a 2% discount off their vehicle insurance premium, up to a 20% discount at 10 points. Above 20 points, a customer can earn an additional 1% discount per point up to a maximum of 25% at 25 points.

The following chart outlines the number of drivers, safety points and corresponding vehicle premiums discounts:

Table 10.1: Safe Driver Recognition Merit Scale: Drivers by Zone[22]

Zone	Drivers	Points	Discount
Neutral Zone	196,644	0	Base Insurance Premium
Good Driver	66,151	1	2%
	56,260	2	4%
	48,182	3	6%
	43,394	4	8%
	36,391	5	10%
	34,083	6	12%
	31,643	7	14%
	30,895	8	16%
	30,282	9	18%
	27,518	10	20%
Great Driver	257,774	11-20	20%
Safest Driver	113,681	21	21%
	17,435	22	22%
	15,403	23	23%
	32,606	24	24%
	141,502	25	25%
Total Merit	1,179,844		

Events that move a customer into the scale's negative Penalty Zone cause the driver to be assessed a financial penalty. Drivers with at-fault collisions where the cost of the claim is less than $700 result in a loss of four points on the SDR scale, while at-fault collisions where the cost to SAF of $700 or more will result in a loss of six points.

Minor speeding infractions incur a penalty of four demerit points on the scale. At the same time, major speeding or driving violations will result in an assessment of demerit points.

Financial penalties in the penalty zone of the scale are currently $50 per point in penalty zone, up to a maximum penalty of $1,000, except for specific Criminal Code conviction penalties. The criminal code convictions can result in penalties as high as $2,500. The penalties through the SDR program are on top of the fines issued by law enforcement for traffic convictions.

In 2024/25, of the 1,297,274 customers, 959,959 customers (74%) were eligible for SDR discounts, while 138,020 (11%) fell within the penalty zone and 199,295 (15%) were in the neutral zone.

[22] SRRP(SAF) 2-13 a

SDR discounts were $156.9 million in 2024/25 and are forecast to be $164.7 million in 2025/26.

The SDR penalty revenue was $29.6 million in 2023/24 and fell to $27.3 million in 2024/25. SDR penalty revenue is forecast to be $29.4 million in 2025/26, 29.6 million in 2026/27 and $29.7 million in 2027/28. [23]

10.2. Business Recognition

SAF's Business Recognition Program is designed to reward businesses with good claims history (with insurance discounts of up to 15%). This program is for heavy vehicles in the Commercial and Farm classes and any vehicle registered to a company. The program assesses businesses for adjustments to the Basic vehicle insurance rates based on the company claim history based on a calculated loss ratio. The business will either be eligible for a discount, be subject to a surcharge or pay the base insurance premium with no discount or surcharge on its Basic vehicle insurance.

Losses are capped in determining the loss ratio to ensure that the impact of a single claim bears a reasonable and fair relationship to the size of the vehicle fleet. The claims cost included in the loss ratio determination is capped at the lower of three times the annual premium or $50,000.

The BR discount or surcharge is pro-rated based on how many years you had vehicles registered in the 5-year assessment period. Only businesses that have vehicles registered for the full 5-year assessment period are eligible to get the full BR discount or surcharge.

SAF has extended the program to TNCs. SAF will gather ridesharing premium and claims data to calculate a loss ratio for the determination of the discount rate or surcharge which will be applied to the per kilometre insurance rate the TNC pays for all its affiliated vehicles.

SAF has determined that the break-even level on the scale relates to a 61-70% loss ratio. Companies with a capped loss ratio of less than 60% are eligible for a premium discount ranging from 3% to as high as a 15% discount with a loss ratio of 15% or less.

Companies with capped loss ratio above 70% are subject to surcharges up to a maximum of 25% when the loss ratio exceeds 200%. International Registration Plan (IRP) customers are also eligible for the BR program. The IRP customers with 6 or more registered vehicles and a loss ratio greater than 70% and multiple collisions, are reviewed individually, and the surcharge can be increased at the discretion of SAF to a maximum of 200%.

The following table represents the current BR program discounts/surcharges used:

[23] SRRP(SAF) 1-13

Table 10.2: Business Recognition Discount and Surcharge by Loss Ratio

Loss Ratio	Discount /Surcharge
0% - 15%	-15%
16% - 30%	-12%
31% - 40%	-9%
41% - 50%	-6%
51% - 60%	-3%
61% - 70%	0%
71% - 80%	3%
81% - 90%	8%
91% - 100%	10%
101% - 125%	13%
126% - 175%	15%
176% - 200%	20%
201% +	25%

Business recognition bonuses paid out $23.1 million in 2023/24 and are forecast to grow to $25.1 million in 2025/26, $26.8 million in 2026/27, and $28.8 million in 2027/28. The BR program is also considered a given factor by the Panel in its review.

10.3. Observations on Bonus /Malus System

The SDR and Business Recognition programs are parameters the Panel is directed to take as given in this review. No change to either program is recommended here. The Consultants note, however, that the current SDR system has been identified as not actuarially sound. Given the significant rate increases required to restore SAF's financial strength, this observation belongs on the record.

The purpose of a bonus/malus system is to price risk accurately. Drivers who represent less risk to the insured pool should pay less; those who represent more risk should pay more. A system that achieves this is not just fairer to individual drivers, it is more financially sustainable for the insurer, because premiums are better aligned with the losses each risk group actually generates. Cross-subsidization between high-risk and low-risk drivers is reduced. When rates are already inadequate and the RSR is under pressure, that cross-subsidization has a direct cost.

The SAF SDR system awards discounts based on point accumulation over time. One point is added per year of incident-free driving. A driver who has held the maximum of 25 points for twenty years receives the same 25% vehicle discount as a driver who recently re-entered the safe zone after a penalty period. The system does not distinguish between these two risk profiles. That is the core actuarial problem the discount structure reflects tenure more than risk.

The experience of Manitoba Public Insurance is directly relevant. MPI operates a Driver Safety Rating system on a 41-level scale, running from +20 at the top to −20 at the bottom. Safe driving moves a driver up one level per year. Drivers at the top levels of +19 and +20 receive a 53% vehicle premium discount, while the highest-risk drivers at −20 pay a $3,010 driver's licence premium with no vehicle discount whatsoever[24]. The spread between best and worst outcome is substantial and is explicitly calibrated to reflect underlying risk differences between driver cohorts.

Critically, the MPI DSR system has moved over a number of years toward an actuarially grounded basis. Beginning with its 2022/23 general rate application, MPI began a structured, incremental process of aligning discount levels with actuarially indicated vehicle premium discounts. The top of the scale was extended from +15 to +16 in 2022/23 as the first step in a multi-year plan to gradually introduce higher DSR levels, allowing the safest drivers to receive the greatest benefit. [25]Each successive rate application has extended the scale further; for the 2026/27 insurance year MPI applied to expand the scale to include level +20, the current maximum[26]. MPI acknowledged in its 2022 GRA that a complete one-year transition to actuarially indicated discounts would have required a 21.7% increase in the base rate and would have been unacceptable to ratepayers, which is precisely why the transition was structured as a series of incremental steps rather than a single correction[27]. That is instructive for Saskatchewan: actuarial reform of a bonus/malus system is achievable without rate shock, provided it is approached incrementally.

The Saskatchewan SDR system has not undergone a comparable actuarial review, and the question of whether the current discount and penalty structure accurately reflects the risk each driver represents has not been publicly tested. The Manitoba PUB canvassed the actuarial soundness of its DSR system over three consecutive general rate applications before directing MPI to take steps toward a more actuarially sound model. [28]A comparable review in Saskatchewan would be a reasonable and proportionate step. Given the rate pressure now facing the Auto Fund, a system that more directly prices driving risk one that rewards genuine low-risk driving and more accurately reflects the cost that high-risk driving imposes on the pool would reduce cross-subsidization, improve the actuarial soundness of the rate base, and be fairer to drivers who have genuinely earned their position on the scale.

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[24] Manitoba Public Insurance, Driver Safety Rating scale effective April 1, 2026. Manitoba Public Insurance, mpi.mb.ca/driver-safety-rating/.

[25] Manitoba Public Insurance, 2021/22 General Rate Application; Manitoba Public Utilities Board Order 151/21, December 2021. The PUB approved the first extension of the DSR scale from +15 to +16 as the first step in a multi-year plan toward actuarially indicated discounts.

[26] Manitoba Public Insurance, 2026/27 General Rate Application, filed June 2025. Manitoba Public Insurance, mpi.mb.ca, June 25, 2025.

[27] Manitoba Public Insurance, 2022/23 General Rate Application, Response to CAC (MPI) 2-33. MPI confirmed the Primary Driver model is more actuarially sound and proposed moving toward actuarially indicated vehicle premium discounts as an incremental step. Manitoba Public Utilities Board proceedings, pubmanitoba.ca.

[28] Manitoba Public Utilities Board, Order re: 2022/23 General Rate Application, December 2021, and subsequent orders. The PUB's directive for MPI to develop a plan toward a more actuarially sound DSR model was upheld by the Manitoba Court of Appeal in Manitoba Public Insurance Corp. v. Manitoba (Public Utilities Board), 2022 MBCA 86.https://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/mpi-reviewandvary-134-21/mpicvmbpubetal-2022mbca86.pdf

Given the required premium increases to narrow the indicated rate gap and to rebuild the RSR. Such a rebuilding should not be shared equally by all rate payers. Those with an exemplary driving record should not bear the full burden of what is required versus those that have caused costs on the program.

The Panel may wish to recommend that SAF undertake a review of the actuarial soundness of the SDR program as part of its preparation for the next rate application, with a view to reporting on whether the current discount and penalty structure accurately reflects the risk profile of drivers at each point level on the scale, and whether a phased transition toward actuarially grounded discounts modelled on MPI's incremental approach would be appropriate for Saskatchewan.

10.4. Taxi and Transportation Network Companies (TNC) Rate

10.4.1. Background

The Transportation Network Company (TNC) rate was introduced in December 2018 alongside new ridesharing legislation in Saskatchewan. The rate applies to the period during which a rideshare driver has accepted a fare through the app (phase 2) and while the passenger is in the vehicle (phase 3). The Auto Fund set the initial rate at 11 cents per kilometre.

The existing $0.11¢/km rate was not based on TNC-specific loss experience, which did not yet exist at the time, but was anchored to the taxi rate class as a credibility complement. [SAF (SRRP) 1-12]

SGI held consultations with stakeholders in 2017 and 2018 before the legislation was enacted. Stakeholders were broadly supportive of the Basic insurance model adopted: vehicle owners pay the Basic rate for their private passenger vehicle, and the TNC company pays an additional per-kilometre rate for all ridesharing kilometres. The minimum liability insurance required is $1 million, consistent with the requirement for taxis and limousines. Annual vehicle inspections are required for all vehicles for hire, and criminal record checks are required annually for all rideshare, taxi, and limousine drivers.

10.4.2. Rate Indication and Proposed Rate Change

For the 2026 rate application, SAF indicates that the TNC class requires a rate increase of 5.39%. However, because the Auto Fund's billing system can only accommodate rates rounded to two decimal places, the calculated indicated rate of $0.1159/km rounds to $0.12/km an effective increase of 9.1% over the current 11¢/km rate. SAF is recommending the $0.12/km rate.

SAF attributes the indicated increase primarily to rising auto damage claims costs affecting all rate classes, which flow through the taxi credibility complement used to supplement limited TNC-specific experience. SAF acknowledges that the class continues to carry low credibility, meaning the rate indication remains heavily anchored to taxi experience rather than TNC data. [SAF (SRRP) 1-12]

10.4.3. Claims Experience Since Introduction (2019–2025)

SAF provided a schedule of written premiums and ultimate losses for the TNC class for each fiscal year since the rate was introduced. The loss ratio column is calculated from figures provided in the interrogatory response and is not included in the original.

Table 10.3: TNC Written Premium, Ultimate Loss, and Loss Ratio by Fiscal Year

Fiscal Year	Written Premium (After Discounts)	Ultimate Loss	Loss Ratio*
2019	$51,781	$24,188	46.7%
2020	$780,069	$574,598	73.7%
2021	$503,077	$286,666	57.0%
2022	$921,567	**$1,072,456**	**116.3%**
2023	$1,513,006	$532,186	35.2%
2024	$2,022,604	$489,454	24.2%
2025	$2,281,200	$745,112	32.7%
Total	**$8,073,304**	**$3,724,658**	**46.1%**

*Source: IR 1-12. * Loss ratios calculated (Ultimate Loss ÷ Written Premium after discounts). 2019–2025 actuals.*

Over the seven years since the TNC rate was introduced, the class has collected $8.1 million in written premiums against $3.7 million in ultimate losses, producing an aggregate loss ratio of approximately 46%. SAF notes in SAF (SRRP) 1-12 that expenses, including premium tax, issuer commissions, and other items outside the Auto Fund's control, are approximately 30% of required premium for this class. Even applying that expense load, the implied combined ratio over the full seven-year period is approximately 60%, well below breakeven. On the face of the data, the class appears to have been profitable in aggregate. This is relevant context for assessing whether the proposed rate increase is warranted on the basis of TNC experience alone.

The principal anomaly in the data is fiscal year 2022, where ultimate losses of $1,072,456 exceeded written premiums of $921,567, producing a loss ratio of approximately 116%. No other year in the series approaches this result. SAF's response in SAF (SRRP) 1-12 does not explain the cause of the 2022 spike. For a low-volume class where a single large claim can materially affect results, the nature and size of individual losses in 2022 is important context for evaluating the credibility of the overall rate indication.

Volume has grown substantially since inception. Written premiums have increased from $51,781 in 2019 to $2,281,200 in 2025, a forty-four-fold increase over six years. This growth reflects the expansion of ridesharing activity in Saskatchewan rather than rate changes, as the per-kilometre rate remained constant at $0.11/km throughout the period. Increasing volume will gradually improve the statistical credibility of TNC-specific experience and may, over time, reduce the weight placed on the taxi credibility complement.

10.5. Urban Taxis

10.5.1. Background

Urban taxis are a separate rate class within the Saskatchewan Auto Fund. Like motorcycles, they have been specifically excluded from the 2026 rate increase. SAF is proposing no rate change for urban taxis effective June 1, 2026, citing the need to conduct stakeholder consultations with the taxi industry before implementing any change. Rate changes are possible for June 1, 2027, and any capping structure would apply at that time. [Application, MFR 5; SAF (SRRP) 1-11a]

This is not the first time taxis have been held out of a rate cycle. When the previous rate change was implemented on April 1, 2022, urban taxis were also excluded, alongside motorcycles, from that revenue-neutral rate change. [SAF (SRRP) 1-11a]

SAF provides a history of Urban Taxi rate indication and rates since 2014.

Table 10.4: Taxi Historical Rate Indication

Rate Filing	Rate Required	Rate Taken
2012	42.80%	15.60%
2013	38.40%	16.40%
2014	36.30%	11.10%
2021	37.90%	0.00%
2025	86.60%	0.00%
2026	82.60%	0.00%

The taxi indication increased over the same period that indications increased for other light vehicles, such as private passenger vehicles, and by a similar amount. The 2025 indication of 86.6% compares with the 2021 indication of 37.9%, an increase of 35.3% (1.866 / 1.379 − 1). SAF attribute this growing gap to the rising cost of damage claims over the 2022 to 2024 period.

The 2026 by-class indication for urban taxis is to be provided during the review. SAF (SRRP) 2-20 (Round 2 of the 2026 proceeding) provides the underlying loss cost data that forms the basis for the taxi indication, and that data is examined below. [SAF (SRRP) 2-20; SAF (SRRP) 1-11a]

10.5.2. Collision Claim Severity: Urban Taxi vs. Private Passenger Vehicles

SAF provides the average severity of urban taxi collision claims compared to private passenger vehicles (PPV) from 2015 to 2025. SAF notes in its response that in recent years, taxi claim severity is rising above PPV claim severity, and that the data is consistent with the rate indication work and accounts for at-fault claim assignments, loss development, and other rating adjustments. [SAF (SRRP) 2-20 a)]

Table 10.5: Collision Claim Severity: Urban Taxi vs. Private Passenger Vehicles

Year	Urban Taxi – Avg Severity	PPV – Avg Severity	Taxi vs. PPV
2015	**$5,458**	$5,072	+7.6%
2016	$4,960	$5,459	−9.1%
2017	$5,347	$5,565	−3.9%
2018	$5,370	$5,740	−6.4%
2019	**$5,959**	$5,876	+1.4%
2020	**$6,361**	$6,162	+3.2%
2021	**$6,872**	$6,288	+9.3%
2022	**$7,222**	$6,289	+14.8%
2023	**$7,081**	$6,546	+8.2%
2024	**$7,733**	$6,882	+12.4%
2025	**$7,659**	$6,882	+11.3%

Source: IR 2-20, Sheet a. Figures are on-level, loss development and rating adjusted. Taxi vs. PPV column calculated; bolded figures indicate years where taxi severity exceeds PPV severity.

Taxi average severity was below PPV average severity in 2016, 2017, and 2018. From 2019 onward, taxi average severity exceeded PPV average severity in every year. The gap was largest in 2022, when taxi severity of $7,222 exceeded PPV severity of $6,289 by 14.8%. In 2024 and 2025, the gap remained above 11%.

Table 10.6: Urban Taxi Collision and Medical Costs (2017–2025)

Year	Collision Costs ($)	Medical Costs ($)	Total ($)
2017	$995,656	$104,272	$1,099,928
2018	$871,183	$156,804	$1,027,987
2019	$1,092,243	$138,885	$1,231,128
2020	$1,000,374	$293,288	$1,293,662
2021	$872,956	$38,924	$911,880
2022	$1,067,845	$245,029	$1,312,874
2023	$975,766	$59,336	$1,035,102
2024	$1,200,315	$112,688	$1,313,003
2025	**$1,758,450**	$92,250	**$1,850,700**

Collision costs ranged from a low of $873,000 in 2021 to a high of $1,758,000 in 2025. Medical costs are more variable, ranging from $39,000 in 2021 to $293,000 in 2020.

The pattern is similar for urban taxis:

Table 10.7: Urban Taxi Premium Shortfall 2022 vs 2026 Review

Urban taxi class ($M)	2022 Rate Program	2026 Indication
Required premium	2.3	4.6
Premium collected	1.7	2.5
Annual shortfall	**0.6**	**2.1**

The annual under-recovery for the urban taxi class has more than tripled over the period, from about $0.6 million to now about $2.1 million. With no rate change proposed for urban taxis in 2026/27, this shortfall is carried into the next program year. A 1% increase in premium to this class would generate approximately $25,000 from the 722 annual policies in this class.

10.6. Observations Taxi and Transportation Network Companies (TNC) Rate

The following observations are offered for the Panel's consideration.

Urban Taxi Rate Freeze. SAF proposes no change to Urban Taxi rates, pending consultation with the Industry, scheduled for later this year. The Panel may wish to understand what specific industry concerns have been raised, what the status of the consultations is, and what the timeline is for resolving those concerns before the 2027 rate change. The Panel may also wish to understand the cross-subsidy implications of an extended rate freeze for this class while the overall Auto Fund operates at a significant deficit. The Panel should consider whether it remains appropriate to freeze Urban Taxi rates and whether the class should be assessed an appropriate rate change in 2027/28.

Two consecutive rate freezes. Urban taxis were excluded from the April 2022 rate change and are now proposed to be excluded from the June 2026 rate change. The cumulative financial impact of two consecutive exclusions on rate adequacy for this class is not addressed in the materials provided. The Panel may wish to request that SAF quantify the cumulative rate deficiency, if any, for the urban taxi class since the last rate change applicable to that class.

Two consecutive rate freezes raise a rate adequacy question. With taxis excluded from both the 2022 and 2026 rate changes, and with collision severity and total collision costs both trending upward, the Panel should request confirmation of the cumulative rate deficiency for the urban taxi class since the last rate adjustment, and whether this deficiency is being tracked and quantified by SAF.

Aggregate profitability of the TNC class. The seven-year aggregate loss ratio of approximately 46%, combined with SAF's stated expense load of 30%, implies a combined ratio of approximately 60% over the period. The rate indication of 5.39% is driven by the taxi credibility complement rather than by TNC-specific results. The Panel may wish to understand the weight currently assigned to TNC-specific experience in the credibility blending, and whether that weight has been adjusted upward as written premium volumes have grown.

The 2022 claims spike is unexplained. Fiscal year 2022 produced a loss ratio of approximately 116%, materially above all other years in the series. For a small class, a single large claim can have a disproportionate effect on the indicated rate, particularly where credibility is low and the complement is anchored to an external source. The Panel should request that SAF explain the 2022 experience, specifically whether it reflects one or more large individual claims, and whether those claims have been capped, excluded, or otherwise treated in the credibility calculation.

Rounding creates a 3.7 percentage point gap between the rate indication and the proposed rate. The indicated rate of $0.1159/km rounds up to $0.12/km due to a system constraint that limits rates to two decimal places. The proposed rate of $0.12/km therefore represents a 9.1% increase against a 5.39% indication. As TNC volumes grow, rate precision will become increasingly material to adequacy in either direction. The Panel

may wish to request that SAF confirm whether it has plans to address this system limitation and the expected timeline for doing so. SAF is leaving the$ 0.11/km rate in effect until legislative changes are made required to change the rate.

Transition from taxi complement to TNC-specific experience. The TNC rate has been anchored to taxi experience since inception because TNC-specific data was insufficient to support a credible independent indication. Seven years of data are now available and written premium volumes are growing. The Panel may wish to ask SAF whether it has a plan for transitioning the credibility weighting toward TNC-specific experience, and at what volume or credibility threshold it expects the taxi complement to be materially reduced.

Per-kilometre rate access for taxicabs. The taxi industry expressed interest at the time of the original consultations in accessing a per-kilometre rate structure, estimating that it could result in lower premiums than the current annual rate for their class. SAF clarified at the time that the TNC rate, when combined with the private passenger vehicle premium, was higher than the taxi equivalent on the basis of 2018 rates and distance assumptions. The Panel may wish to recommend that SAF assess, at the next rate application, whether a per-kilometre option is technically and actuarially feasible for the taxi class, taking into account developments in telematics and usage-based insurance since 2018. ICBC has reportedly introduced comparable optionality for that class.

SAF should also consider, if technology allows for it, with its new systems to overcome the two decimal constraint in establishing TNC rates. It would also be good to consider whether Taxicab companies should be granted access to a per kilometre rate scheme option. We recommend the Panel request SAF consider whether a similar rating scheme could be appropriate in Saskatchewan.

11. MOTORCYCLE CLAIMS COSTS AND CLAIM COUNTS

11.1. Rate Indication and Proposed Rate

The motorcycle class presents the most striking gap between the indicated and proposed rate of any vehicle class in this application. SAF's actuarial analysis indicates a required rate increase of 58.8% for LV – Motorcycles, including the capital margin provision. Despite this, SAF is proposing no rate change for motorcycles in the first year of the program. The rationale offered is that SAF intends to hold stakeholder consultations with the motorcycle community in 2026, with a view to better understanding the affordability challenges facing riders and identifying viable solutions to close the gap between premiums and costs. SAF has been clear that no particular outcome from those consultations is guaranteed, and the design of any structural change, including whether seasonal rating or other program modifications would be implemented, has not yet been determined. The class comprises approximately 6,282 vehicles with an expected 6,668 vehicles during the projected rating year. [Section 1.3.2 – 2026 Average Rate Change (Indicated and Proposed)]

11.2. Injury Costs as the Primary Driver

The core of the motorcycle rate problem is injury costs. At approximately **82 cents of every dollar** of required adequate premium, injury benefits dominate the motorcycle rate indication in a way that has no parallel elsewhere in the Auto Fund. The required adequate gross premium for the class is $2,612.04, of which $2,144.71 is attributable to injury compared to roughly 18% for private passenger vehicles and 18% for the Auto Fund as a whole[29].

The discounted pure premium for injury, in total $1,517.30, breaks down across the injury coverages as follows:

[29] RAGE IR A3 – SGI Response

Table 11.1: Discounted Pure Premium by Coverage, Motorcycles

Coverage	Discounted Pure Premium ($)
Income Replacement Benefits	$513.62
Medical Expenses without Funding	$393.18
Permanent Impairment	$314.08
Death Benefits	$127.22
Care Benefits	$112.66
Tort – Injury	$47.04
Appeal	$9.50
Total Injury	**$1,517.30**

Income replacement alone at $513.62 accounts for more than a third of the total injury pure premium, a reflection of the severity and long-tail nature of motorcycle injury claims. Medical expenses ($393.18) and permanent impairment ($314.08) are the next largest contributors. [Exhibit 1 – Page 2]

11.3. Claim Counts

Over the most recent ten accident years, the motorcycle class was assigned 1,276 collision claims under SAF's fault allocation method. These are at-fault claims only; where another vehicle was responsible, the injury cost is charged to that vehicle's class, not to motorcycles. Future development on older years is also excluded. Of the 1,276 claims, 273 (21 %) involved income replacement benefits, 295 (23%) involved care benefits, and 616 (48 %) involved medical benefits; some claims involve more than one. [30]

The following table shows earned exposures, ultimate claim counts and frequency over the decade.

[30] RAGE IR A4

Table 11.2: Motorcycle Earned Exposures, Ultimate Claims, and Frequency by Fiscal Year

Fiscal Year	Earned Exposures	Ultimate Claims	Frequency (%)
2014/15	8,851	37	0.41
2015/16	8,114	27	0.34
2016/17	7,259	22	0.31
2017/18	6,612	24	0.37
2018/19	5,920	22	0.38
2019/20	5,561	23	0.41
2020/21	5,448	19	0.36
2021/22	5,914	12	0.20
2022/23	5,853	17	0.30
2023/24	6,180	20	0.32
2024/25	6,282	18	0.28

Source: RAGE IR, Exhibit 3 Page 2.

Two points stand out. Earned exposures have fallen about 29 % over the decade, from 8,851 in 2014/15 to 6,282 in 2024/25, so the class is shrinking. SAF measures exposure in annualized units, not unique vehicles, so a motorcycle registered for six months counts as half an exposure. Despite the decline, claim frequency has held relatively steady, so cost per unit of exposure has not fallen in proportion to the smaller class.

Part of the decline reflects a shift toward short-term permits over annual registration. SAF noted a roughly 600 % increase in permits issued over the past decade, which suggests the class is losing volume not because there are fewer motorcycles in Saskatchewan but because fewer are insured on an annual basis.

11.4. Claim Severity and Cost Concentration

Beyond its credibility, what makes the class hard to rate is the severity of a small number of claims. Over fiscal years 2014/15 to 2024/25, the top 1% of motorcycle claims account for about 24 % of all costs, the top 5% for about 54%, and the top 10% for about 69%. The distribution of claim costs per occurrence is as follows[31].

[31] RAGE IR E3

Table 11.3: All Claims by Incurred Loss Band, 2014/15 to 2024/25

Incurred Loss Band	Claim Count
Less than $10,000	272
$10,000 to $20,000	72
$20,000 to $50,000	132
$50,000 to $100,000	99
$100,000 to $200,000	61
$200,000 to $1,000,000	54
Over $1,000,000	14

For income replacement claims, the distribution for 2015 to 2025 is as follows.

Table 11.4: Income Replacement Claims by Incurred Loss Band, 2015 to 2025

Incurred Loss Band	Claim Count
Less than $10,000	119
$10,000 to $20,000	44
$20,000 to $50,000	57
$50,000 to $100,000	33
$100,000 to $200,000	17
$200,000 to $1,000,000	21
Over $1,000,000	4

Source: RAGE IR B2 and IR E3.

Of the 295 income replacement claims between 2015 and 2025, 25 exceeded $200,000 and four exceeded $1 million. It is this tail, a handful of large, long-duration claims, that drives much of the rate need and makes the class so sensitive to year-to-year swings. These figures are incurred losses without development and do not reflect the large-loss carve-out used in the indication. The indication smooths these large losses by capping their values in the development and trending analysis used to project future claims.

11.5. Comparison to Private Passenger Vehicles

The contrast with private passenger vehicles is stark. Motorcycle injury claim frequency runs about four to five times higher, and average injury severity about 50 to 100% higher. These are structural differences in risk that persist across years, despite the safety improvements made since the 2013 Motorcycle Review.

Income replacement and care benefits are indexed annually to CPI and average wages, so the cost base grows even in years with little change in claims activity. SAF's long-term CPI assumption is 2.5 %. A one-point increase lifts the indicated need from 58.77% to about 59.73%; a one-point decrease lowers it to about 57.82 %.[32]

11.6. Large Loss Treatment

SAF applies a smoothing method to limit the effect of unusually large individual claims on the indication. Over a 15-year span, 27 large-loss instances were excluded at the coverage-code level: five income replacement, seven care benefit, eleven permanent impairment, two medical, one death and one tort-injury. On a trended but undeveloped basis, the incurred loss from these excluded claims was $10,588,317. The method replaces volatile large-loss experience with a long-run loading, stabilizing the indication against the distortion a single catastrophic year would cause. No reinsurance adjustment or hard cap is applied[33].

11.7. Fault Attribution and Single vs. Multi-Vehicle Accidents

How injury costs reach the motorcycle class depends on fault. SAF assigns claims by collision responsibility: if a rider is not at fault, the injury cost falls on the other vehicle's class. The evidence shows riders bear full or majority responsibility for a large share of the collisions they are in. For 2010 to 2019, SAF compiled the following fault data.

Table 11.5: Multi-Vehicle Collisions (3,393 total)

Collision Responsibility	Claims	%
Rider Not at Fault	1,842	54%
Rider 50% or More at Fault	1,517	45%
Rider Less than 50% at Fault	34	1%

Table 11.6: Single-Vehicle Collisions (2,666 total)

Collision Responsibility	Claims	%
Rider Not at Fault	508	19%
Rider 50% or More at Fault	2,140	80%
Rider Less than 50% at Fault	18	1%

Source: 2022 Rate Review Report, Page 56.

[32] RAGE IR B3 and IR B4 SGI Responses

[33] RAGE IR D5 – SGI Response

In multi-vehicle collisions, riders were not at fault in 54% of cases, so nearly half those injury costs are assigned away from the class. In single-vehicle collisions, which are 44 % of motorcycle accidents, the rider was at fault 80 % of the time, and all of that cost stays with the class. The result is that the indication is heavily influenced by single-vehicle accidents, including those involving wildlife, where the rider bears full responsibility under SAF's rules.

11.8. Premium Adequacy

Injury costs are the core of the motorcycle rate problem. At approximately **84 cents of every dollar** of required adequate premium, injury benefits dominate the motorcycle rate indication in a way that has no parallel elsewhere in the Auto Fund. The required adequate gross premium for the class is $2,612.04, of which $2,144.71 is attributable to injury, against roughly 18 % for private passenger vehicles and the Auto Fund as a whole.

Table 11.7: Projected Discounted Pure Premium by Coverage, 2026 Rating Year

Coverage	Pure Premium ($)	% of Total
Injury - Income Replacement Benefits	513.62	28.4%
Injury - Medical Expenses without Funding	393.18	21.7%
Injury - Permanent Impairment	314.08	17.3%
Injury - Death Benefits	127.22	7.0%
Injury - Care Benefits	112.66	6.2%
Tort - Injury	47.04	2.6%
Injury - Appeal	9.50	0.5%
Injury subtotal	**1,517.30**	**83.8%**
Damage coverages	248.82	13.7%
Liability coverages	44.60	2.5%
Total pure premium	**1,810.73**	**100.0%**

Source: RAGE IR L1 Response, Exhibit 1 Pages 2 and 3 (2026 Discounted Pure Premium). % is share of total pure premium. Subtotals are as filed; nil coverages are omitted, so lines may not foot to the total.

Applied to the 6,668 policies projected for the rating year, that pure premium is about $12.07 million in claims for the period June 1, 2026, to May 31, 2027. The largest single non-injury cost is Damage to Own Vehicle, at $201.24.

The class does not collect enough to cover even those claims. At present rates, the projected premium is $1,640.98 per policy, before capital amounts. That is $169.75 below the claims cost per policy, and expenses are not yet in the picture. Across 6,668 policies, the roughly $10.94 million collected is about $1.13 million short of projected claims.

Adding expenses widens the gap. The required premium, which covers claims, operating expenses and the break-even margin, is $2,605.37 per policy. That is $964.39 more than the class pays today. Over 6,668 policies, motorcycles under-recover by about $6.4 million a year. Closing that gap is what SAF's indicated increase of 58.77 % represents. This shortfall has widened materially since the last rate program:

Table 11.8: Motorcycle Premium Shortfall 2022 vs 2026 Review

Motorcycle class ($M)	2022 Rate Program	2026 Indication
Required premium	9.6	17.3
Premium collected	7.3	10.9
Annual shortfall	**2.3**	**6.4**

The annual under-recovery for the motorcycle class has nearly tripled over the period, from about $2.3 million to about $6.4 million. The required premium is the credibility-weighted figure and differs from the class adequate gross premium of $2,612.04 by $6.67 per policy, which is not material to this analysis.

Table 11.9: Premium Collected vs Cost per Policy, 2026 Rating Year

Item	Per Policy	Aggregate (6,668 exposures)
Premium collected per policy (on-level, present rates, excl. capital)	$1,640.98	$10,942,055
Projected claims cost per policy (discounted pure premium)	$1,810.73	$12,073,948
Difference: premium less claims cost	**($169.75)**	**($1,131,893)**
Indicated required premium per policy	$2,605.37	$17,372,607
Difference: premium less required premium	**($964.39)**	**($6,430,553)**

Premium collected is the projected on-level average premium at present rates, before capital amounts. Claims cost is the class discounted pure premium. The aggregate column applies the projected rating-year exposures of 6,668.

One caution on the figure. SAF weights the class's own experience at 85% and draws the rest from a broader complement, because the class produced only 790 claims against a full-credibility standard of 1,082. A book this small moves sharply from year to year, so the indication carries more uncertainty than it would for a larger class.[34] A 1% increase to this rating class would generate approximately $109,000 in additional premium.

[34]The figures in this subsection are from the RAGE IR L1 Response, SGI Class LV - Motorcycles, Exhibit 1 (Pages 1, 2 and 3) and the Projected Exposures exhibit.

11.9. Summary

The motorcycle class presents a real but analytically incomplete picture. The cost differential behind the indication is structural and persistent: injury claims are far more frequent and more severe than for private passenger vehicles, and a small number of catastrophic claims drive a disproportionate share of cost. At the same time the class has been shrinking for a decade, the consultation SAF has committed to has not yet produced any analysis of alternatives, and gaps in the record limit the Panel's ability to test the underlying drivers.

In our 2022 Rate Review report, SAF committed to exploring options to close the gap between motorcycle premiums and claims cost, including seasonal rating, daily rating, changes to the Safe Driver Recognition program and changes to injury coverage. Those options were constrained at the time by system limitations. In this Application SAF reports that it has built the system capability for seasonal rating, minimum premiums and short rates, but has completed no formal analysis of a seasonal rating scheme, has made no implementation decision, and would not proceed without consultation. SAF has not modelled the effect on revenue or claims cost. [SRRP(SAF) 2-2]

What the Panel does not yet have before it is a clear picture of what the consultations will examine, the criteria for evaluating options, or the timeline for any implementation.

11.10. Observations Motorcycles

Motorcyclists have raised affordability in their written submissions and proposed alternative rate options. The Consultants note that, in response to motorcycle stakeholder interrogatories, SAF has confirmed the motorcycle class rate increase is necessary. SAF has nonetheless proposed no rate increase in 2026/27, pending consultation. SAF has indicated its new system may allow rate optionality that needs to be discussed with stakeholders. The Consultants recommend that SAF host a technical conference with interested parties so that options to address the rate inadequacy can be explored in an open and transparent process, and that the results be filed with the Panel as part of the next rate application recommended in this Report.

The record also leaves two analytically material gaps unaddressed. SAF does not track the average duration of income replacement and care benefits, and it could not provide a single versus multi-vehicle cost split for the current rate period. Both bear on whether the indication reflects a structural trend or short-term volatility, and both should be addressed through the consultation and filed with the next application. [RAGE IR B1, A4, D3 and D4]

12. FINANCIAL FORECAST

In this section we provide more in-depth discussion of the financial forecast information[35] provided by SAF. In part, SAF's rate indication is based on the operating results forecast for 2025/26 and 2026/27 and 2027/28, the years impacted by this rate review. At December 31, 2025, the end of the third quarter of fiscal 2025/26 SAF indicates that the RSR was $673.2 million and reported an MCT of 100% with a 12-month rolling average of 111%. [36]SAF has not finalized the 2025/26 financial results during the Application review process, but has forecast that the RSR will be $553.3 million with an MCT of 82.7% and 12-month average of 97%. [37]

Without additional rate action and assuming a 3.75% rate increase in 2026/27 and June 1, 2027/28, is as follows:

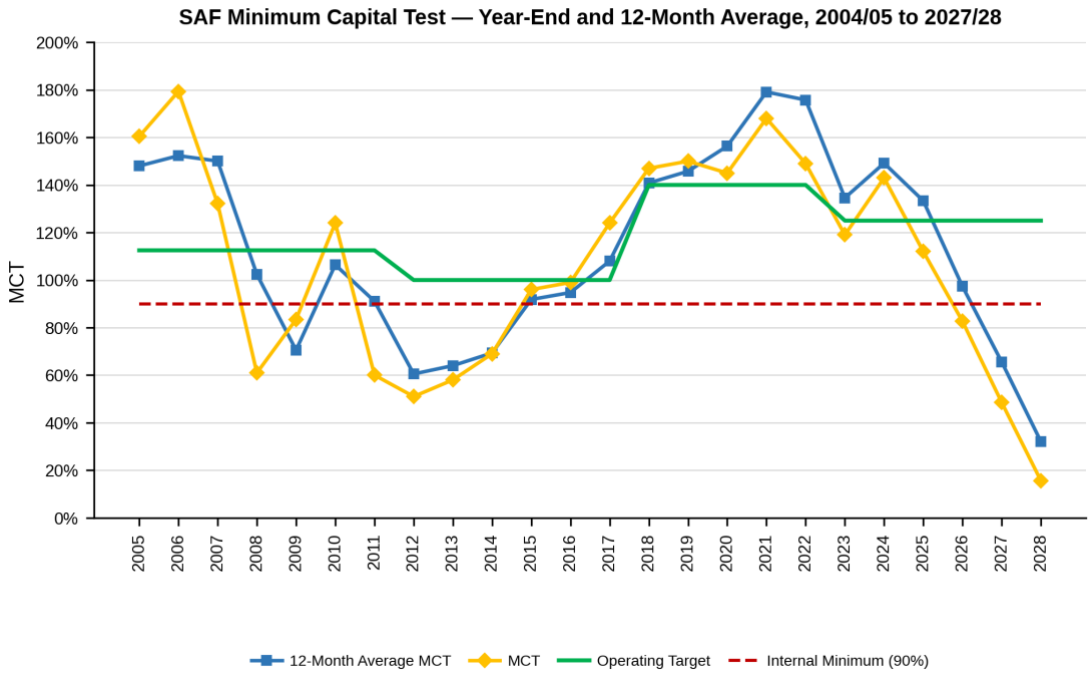

Figure 12.1: Forecast MCT 2004/05 to 2027/28

* The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised

[35] The financial forecast information is on a fiscal year basis, separate and distinct from the accident year data used in the rate indication calculations discussed in section 6.
[36] SRRP(SAF) 2-7
[37] SRRP(SAF) 2- 4 b

the variance is largely one-time and did not provide an updated forecast. The Consultants have not been provided with the analysis supporting that flow through and the impact on the rating years. See section 9.6.

On the Public figures, SAF's capital position declines across 2026/27 and 2027/28, continuing the pattern shown since 2021 in the graph above. This supports SAF moving to annual rate applications so rates track costs as they change. The recently announced non-rate actions including changes in deductible from $700 to $950 and additional fees are reflected in the following Graph which reflects a marginal improvement in the RSR in 2026/27.

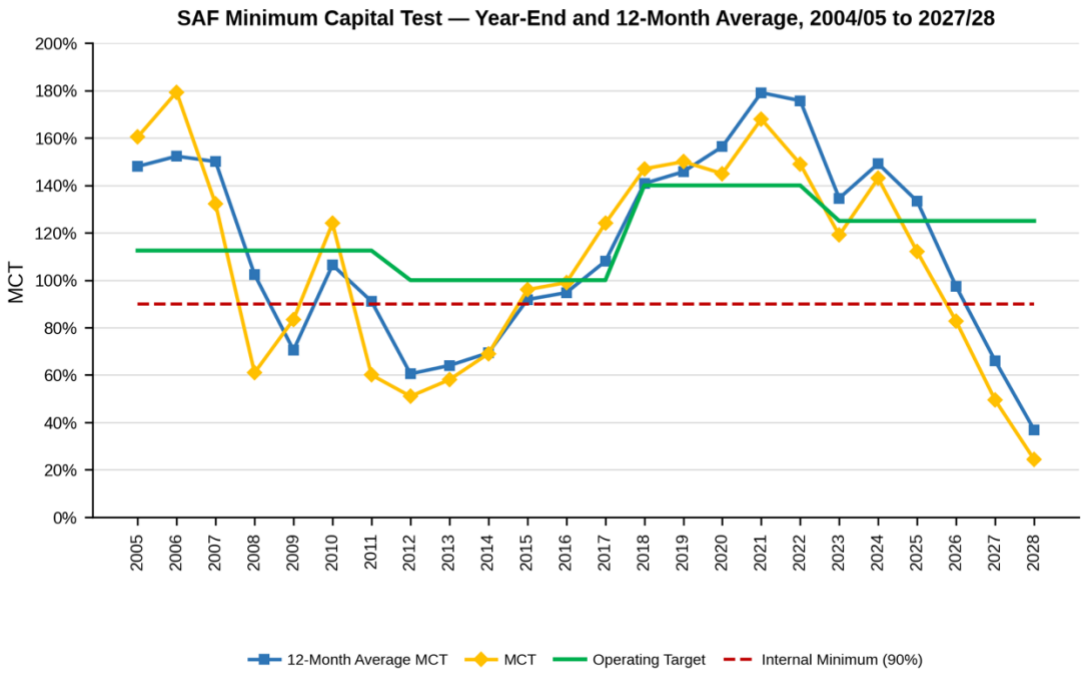

Figure 12.2: Forecast MCT after Announced Changes

The change in the trend in financial deterioration is negligible.

12.1. Claims Incurred

Claims Incurred represent the costs paid or forecast to be paid to claimants for the various benefits provided under the SAF insurance program. The financial forecast of Claims Incurred and the expenses to adjust claims (Loss Adjustment Expenses discussed in section 12.2 of this report) represent the most significant expense for SAF, representing about 80 to 85% of the total cost.

The financial forecast of claims costs are based on actuarial analysis that considers many factors, including the historical trends of claim payments, economic conditions, inflation, and the characteristics of the vehicle class. The actuary estimates the total ultimate cost for all claims that have occurred and were reported during the current accident year, along with those that have occurred but have not yet been reported to SAF, as well as prior accident year claim amounts to determine if the cost estimates are still appropriate. More specifically, if the estimates were too high, a redundancy exists, resulting in a decrease in claim costs. If the estimates were too low, then a deficiency exists, increasing claim costs. If an adjustment is required, the impact of that adjustment is recorded in the fiscal year results.

SAF separates its claims incurred into three categories:

- Physical damage coverage (collision and comprehensive) for damage to the vehicle due to collision or other incidents such as hail, fire or theft. Claims for damages to a vehicle are subject to a deductible ($700 for most vehicles);
- Personal injury coverage for both No-fault and Tort coverage; and
- Third-party liability coverage of up to $200,000 to pay the cost of damages that a driver's vehicle causes in a motor collision, including the damage to other cars, damage to any property and costs resulting from injuries caused to others. Liability costs are accumulated and allocated to damage or injury claims for reporting purposes.

SAF’s claims costs from 2015/16 through 2027/28 are as follows:

Table 12.1: Net Claims Incurred (2015/16 - 2027/28)

Fiscal Year	Net Claims Incurred ($000s)	YoY Growth %
2015/16	734,977	-
2016/17	798,005	8.6
2017/18	787,868	-1.3
2018/19	894,882	13.6
2019/20	889,303	-0.6
2020/21	785,454	-11.7
2021/22	926,250	17.9
2022/23	1,084,459	17.1
2023/24	1,017,993	-6.1
2024/25	1,169,754	15.0
2025/26	1,215,257	3.9
2026/27	1,293,808	6.5
2027/28	1,331,890	2.9

Key Observations:

Net claims incurred have grown substantially over the 12-year period from 2015/16 to the 2027/28 forecast, rising from $735.0 million to $1,331.9 million, a cumulative increase of approximately 81%. Growth over this period has been uneven, with years of sharp acceleration interspersed with occasional modest declines

The years with the highest growth were 2021/22 (+17.9%), 2022/23 (+17.1%), 2018/19 (+13.6%) and 2024/25 (+15.0%), all characterised by periods of high claims activity due to factors such as the recovery of claims volume post-pandemic, vehicle repair cost inflation and increased claims frequency. The absolute level of net claims incurred shows a clear and sustained step-up from 2022/23 when claims first exceeded $1.0 billion, and this higher level has continued and grown through the forecast period.

There have been slight year-on-year decreases over the past two years (2017/18: -1.3%; 2019/20: -0.6%; 2023/24: -6.1%) but these were only short-lived as claims increased again in the following years. Over the forecast period 2025/26 to 2027/28, the forecast for claims cost growth moderates to between 2.9% and 6.5% per year. This suggests that SAF expects a return to a more normal pace of growth in claims costs relative to the recent historical period of elevated claims costs, although absolute claim levels continue to rise.

Net Claims Incurred Trend

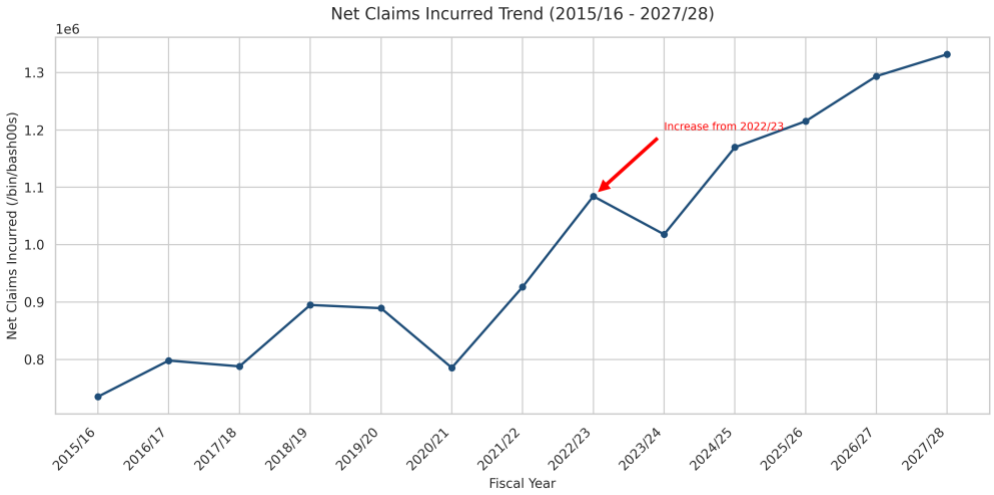

Figure 12.3: Net Claims Incurred Trend

The chart highlights the upward shift in net claims incurred levels from 2022/23.

Table 12.2: Claims Incurred 2021/22 - 2027/28 ($000s)

Category	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	CAGR 2021/22-2027/28
Damage Claims	**508,636**	**643,025**	**878,756**	**829,951**	**900,605**	**990,478**	**1,060,139**	**1,094,322**	**9.3%**
Accident Benefits including prior year deficiency/(redundancy)	472,521	416,398	380,779	301,395	453,295	339,363	346,894	352,681	-2.7%
Change in discounting	-195,703	-133,173	-170,909	-114,694	-199,677	-118,028	-119,440	-121,892	-1.5%
Accident Benefits	**276,818**	**283,005**	**209,870**	**186,701**	**253,618**	**221,335**	**227,454**	**230,789**	**-3.3%**
Risk Adjustment	-	-	-4,167	1,341	15,531	3,444	6,215	6,779	N/A
Net Claims Incurred	**785,454**	**926,250**	**1,084,569**	**1,017,993**	**1,169,754**	**1,215,257**	**1,293,808**	**1,331,890**	**6.2%**

Note: CAGR calculated from 2021/22 to 2027/28 (6 years) Post COVID 19 period.

12.2. Damage Claims & Liability

Damage claims, including damage liability represent approximately 60% to 70% of total claim costs in a loss year and are resolved and paid quickly. About 81% of damage claims are resolved within the year of the accident occurring. Within 12 months of the end of the loss year, nearly 99% of all damage claims are settled. SAF identifies these claims as short-tail claims because they are settled quickly. There is a very low risk that the estimate by the actuary of the unpaid claims will create a redundancy or deficiency that will materially impact the current year's financial results.

Damage claim costs for vehicles and property increase each year due to several factors, including:

- Insuring newer vehicles that incorporate technological advances, which costs more to repair and replace;
- An increase in both body shop labour rates; and
- Costs of replacement parts.

SAF has indicated that damage loss year costs have increased by 5.7% per year over the last ten years. SAF develops its Damage loss cost estimates using historical trends. Damage costs were $643 million in 2021/22 and increased to $900.6 million in 2024/25. The damage costs increased in this period as post COVID-19 pandemic activity returned, compounded with an inflation surge and economic instability. This is borne out by the increase in the number of claims. Claims costs, claims counts and severity per claim are provided below

SAF estimates the province began to return to normal driving conditions in 2022/23, Damage claims to increase to $643 million or 28.5% from the 2020/21 level.

12.3. Bodily Injury & Liability

Injury and Liability claims (excluding damage liability) represent the remaining 30% to 35% of total claim costs and take much longer to resolve than damage claims. SAF estimates that only 14% of injury claims and 3% of liability claims are paid in the year the loss occurs. Due to the long-term nature of these claims, SAF identifies these as long-tail claims. The no-fault program provides lifetime coverage for traffic accident-related injuries. A claim file could remain dormant for many years with no payments and then be re-opened because the injured party required further medical treatment associated with the accident-related injuries. The time for ultimate settlement, combined with inflation, medical innovations, and rehabilitation programs, leads to uncertainty in estimating ultimate total costs for settlement.

SAF has over 25 years of historical data and experience available for its injury programs. The claim durations and reoccurrence rates are challenging to estimate as far as 40 years into the future, making changes in estimates inevitable as the claims mature. Accident year costs can change significantly from year to year and typically increase with the passage of time.

Injury claims generally increase annually because the benefits are inflation-indexed. Over the last ten years, injury costs have grown by 0.8% annually. SAF has noted significant variances compared to damage claims due to the lower volume of injury claims and the higher average cost per claim. An increase in the number of injury claims in any given year can significantly impact the total ultimate cost for a loss year.

The obligation for unpaid claims is carried on a discounted basis to reflect the time value of money. The changes in the value of unpaid claims due to changes in the discount rate are reflected in the claims incurred expense. Discount rate is based on a yield curve provided by Fiera Capital. SAF determines the discount rate by using the yield curve and adjusting the liquidity premium calculated by Fiera Capital for the curve downward.

Bodily injury & liability claims costs were $276.8 million in 2020/21 and increased to $283.2 million in 2021/22 post COVID 19. Bodily injury & liability claims costs were $276.8 million in 2024/25 and were projected to be $221.3 million in 2025/26 and forecast to increase to $227.5 million in 2026/27 and $230.8 million in 2027-28. SAF's filed figures reflect changes in discount rates over 2026/27 and 2027/28, reducing bodily injury and liability claims cost by $119.4 million in 2026/27 and $121.9 million in 2027/28.

Financial Claims Count

The number of accident events will dictate the amount of Claims Incurred that SAF will incur in any given year. In 2020/21 SAF experienced a marked decline in the number of accident events as there were fewer drivers on the road as result of the COVID-19 pandemic. The 2020/21 accident claims declined by over 13% from the prior year. SAF estimates the province began a return to normal levels in 2021/22 reflecting a 34% increase in claims over 2020/21. The claims counts are as follows:

Table 12.3: Financial Claims Count by Cover 2021/22 - 2027/28

Source: IR 1-30 Part (b)

Category	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Damage Excluding Catastrophes	97,616	115,810	122,032	123,519	134,361	138,904	139,648	143,884
Damage Catastrophes	3,276	14,285	9,496	1,053	6,915	7,246	7,335	7,429
Damage Total	100,892	130,095	131,528	124,572	141,276	146,150	146,983	151,313
No-Fault Injury	3,308	4,301	3,930	3,770	4,031	3,922	3,843	3,770
Total	**104,200**	**134,396**	**135,458**	**128,342**	**145,307**	**150,072**	**150,826**	**155,083**
Year over Year Change (%)	-13%	29.0%	0.8%	-5.3%	13.2%	3.3%	0.5%	2.8%

Table 12.4: Net Ultimate Loss, Claims Count, and Severity Analysis - 2020/21 - 2027/28

Net Ultimate Loss ($000s)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	CAGR
Damage Excluding Catastrophes	446,528	598,656	681,111	726,185	806,394	863,943	908,513	939,639	11.2%
Damage Catastrophes	19,090	27,192	66,045	7,474	31,501	54,182	58,223	60,728	18.0%
Damage Total	465,618	625,848	747,155	733,659	837,895	918,125	966,736	1,000,367	11.5%
No-Fault Injury	163,725	188,202	209,245	217,449	231,124	235,599	239,914	244,849	5.9%
Claims Count									
Damage Excluding Catastrophes	97,616	115,810	122,032	123,519	134,361	138,904	139,648	143,884	5.7%
Damage Catastrophes	3,276	14,285	9,496	1,053	6,915	7,246	7,335	7,429	12.4%
Damage Total	100,892	130,095	131,528	124,572	141,276	146,150	146,983	151,313	6.0%
No-Fault Injury	3,308	4,301	3,930	3,770	4,031	3,922	3,843	3,770	1.9%
Average Claim Severity ($)									
Damage Excluding Catastrophes	$4,574	$5,169	$5,581	$5,879	$6,002	$6,220	$6,506	$6,531	5.2%
Damage Catastrophes	$5,827	$1,904	$6,955	$7,101	$4,555	$7,477	$7,938	$8,174	5.0%
Damage Total	$4,615	$4,811	$5,681	$5,889	$5,931	$6,282	$6,577	$6,611	5.3%
No-Fault Injury	$49,495	$43,762	$53,244	$57,679	$57,339	$60,072	$62,424	$64,942	4.0%

From 2021/22 to 2027/28, post COVID 19 pandemic, both claims count (frequency) and severity increased for Damage categories, driving higher Net Ultimate Loss. No-Fault Injury counts were stable while severity rose. The step-up from 2021/22 is evident across all metrics.

SAF noted that the number of vehicles insured in these fleets have historically been correlated to the health of the economy. Various economic indicators have been used to aid in predicting the potential increase in exposures for the forecast period.

12.3.1. Observations on Claims Incurred

Claims Incurred for 2020/21 was $785.8 million and increased in 2021/22 to $926.3 million post COVID-19, an increase of $140.5 million $17.8 %. Claims Incurred has increased to $1,170 million in 2024/25 and are projected to be $1,215.3 million in 2025/26 and forecast to increase to almost $1,294 million in 2026/27 and $1,332 million in 2027/28 an increase of $405.6 million or 43.8% from 2021/22. The significant increase was due to an increase in the number of claims as normal driving activity resumed post COVID-19 pandemic slowdown.

SAF should monitor the continued development of claims incurred and address any unexpected increase in capital at its next rate application.

12.4. Collision Repair Costs

Total collision repair costs were $430.9 million in 2025, an increase of $159.5 million or 58.7% compared to 2021. SAF is forecasting total collision repair costs to increase to $446.8 million in 2026, a further increase of 3.7% from the prior year and $462.7 million for 2027 a 3.5% increase. Over the six-year period repair costs have been growing at a compound annual growth rate of 9.3%. The overall repair costs (excluding taxes) for parts, labour, paint & material from 2021 to 2027 are shown below:

Table 12.5: Total Repair Cost by Component - 2021-2027

Component ($M)	2021	2022	2023	2024	2025	2026	2027	CAGR (%)
Parts	113.0	150.2	172.6	180.6	190.8	200.4	210.6	**10.9**
Labour	129.9	173.3	172.9	172.5	190.4	193.3	196.2	**7.1**
Body Shop Materials	5.2	5.4	5.9	6.1	6.3	7.1	7.2	**5.6**
Paint Materials	23.4	31.0	38.0	41.6	43.4	46.0	48.8	**13.0**
Total	**271.4**	**359.8**	**389.4**	**400.8**	**430.9**	**446.8**	**462.7**	**9.3**

Notes:
1. CAGR = Compound Annual Growth Rate from 2021 to 2027.
2. Values exclude deductibles. Sublet included in Parts and Labour.

Total Repair Cost by Component (2014-2027)

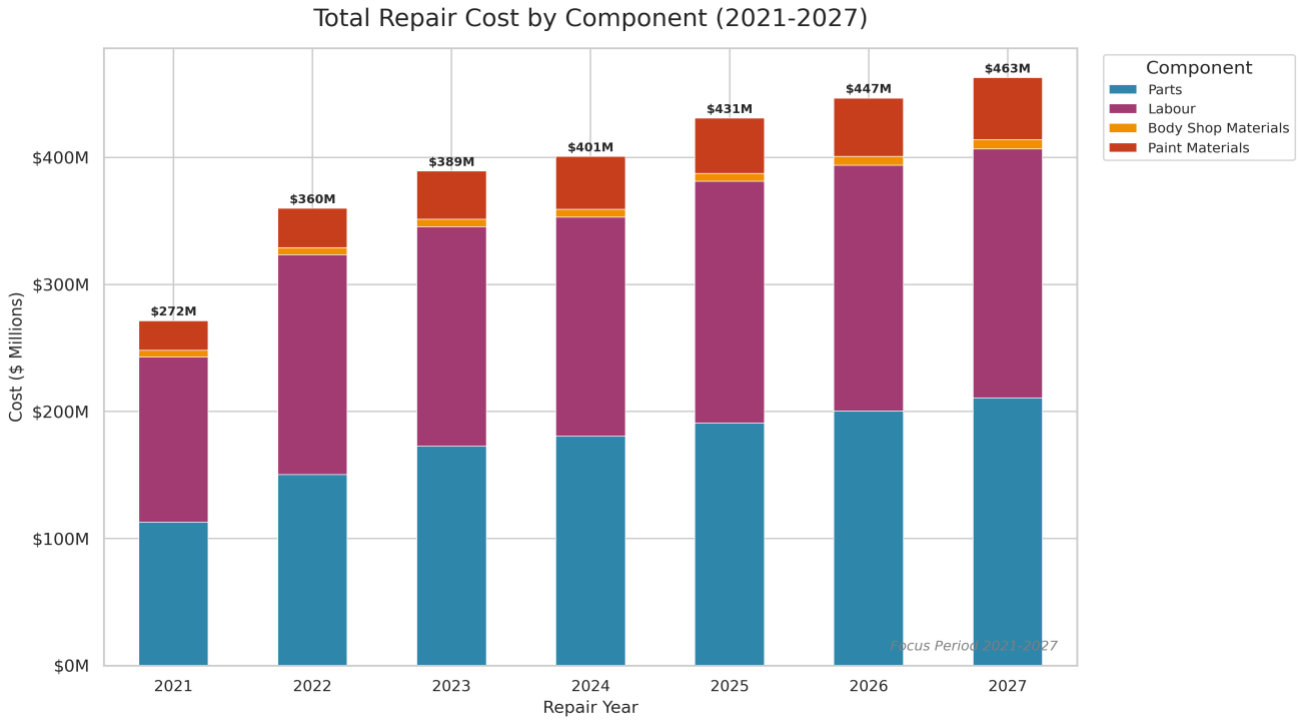

Figure 12.4: Total Repair Cost by Component, 2014 to 2027

Total spending on repairs will climb from $271.4 million in 2021 to $462.7 million in 2027, a compound annual growth rate (CAGR) of 9.3% over the six-year period.

Parts cost grew at a CAGR of 10.9%. Parts are the largest and fastest-growing collision repair cost category. Paint Materials registered the highest CAGR of 13.0%. Their share rose sharply after 2021. Labour grew at a steady but lower 7.1% CAGR, more than double the high end of the Bank of Canada's targeted inflation rate at 3%. Body shop material growth was 5.6% CAGR, the lowest in the group.

It soared in 2022. Expenses increased year over year towards the 2027 forecast.

Most of the increase in costs over the period was due to components and paint supplies. The pattern suggests that the magnitude of repair claims is increasing, and the trend continues, where costs are far outstripping current revenue levels, indicating the need for a significant upward adjustment in rates to meet ever growing repair costs.

The trend of repair costs since 2014 relative to inflation is as follows:

Total Repair Cost Growth 2014-2027

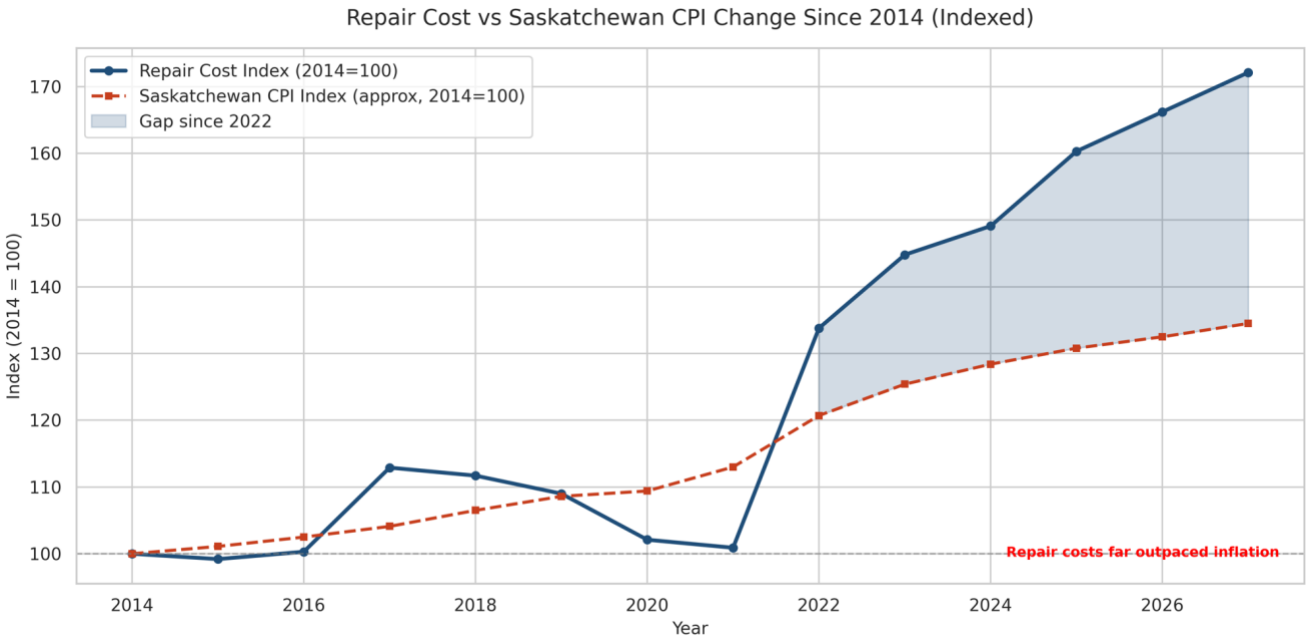

Figure 12.5: Total Repair Cost Growth, 2014 to 2027

Repair costs tracked closely with Saskatchewan CPI through to 2020, with both indices moving in a narrow band around 100–110. From 2021 onward, repair costs broke sharply higher while CPI continued its gradual climb. By 2027, the repair cost index reaches approximately 168 against a CPI index of roughly 135, a gap of over 30 index points that has widened every year since 2022. The shaded area between the two lines illustrates the growing structural divergence; repair cost inflation is not a temporary spike, but a sustained trend running well above general price levels.

Repair Parts Cost Growth 2014-2027

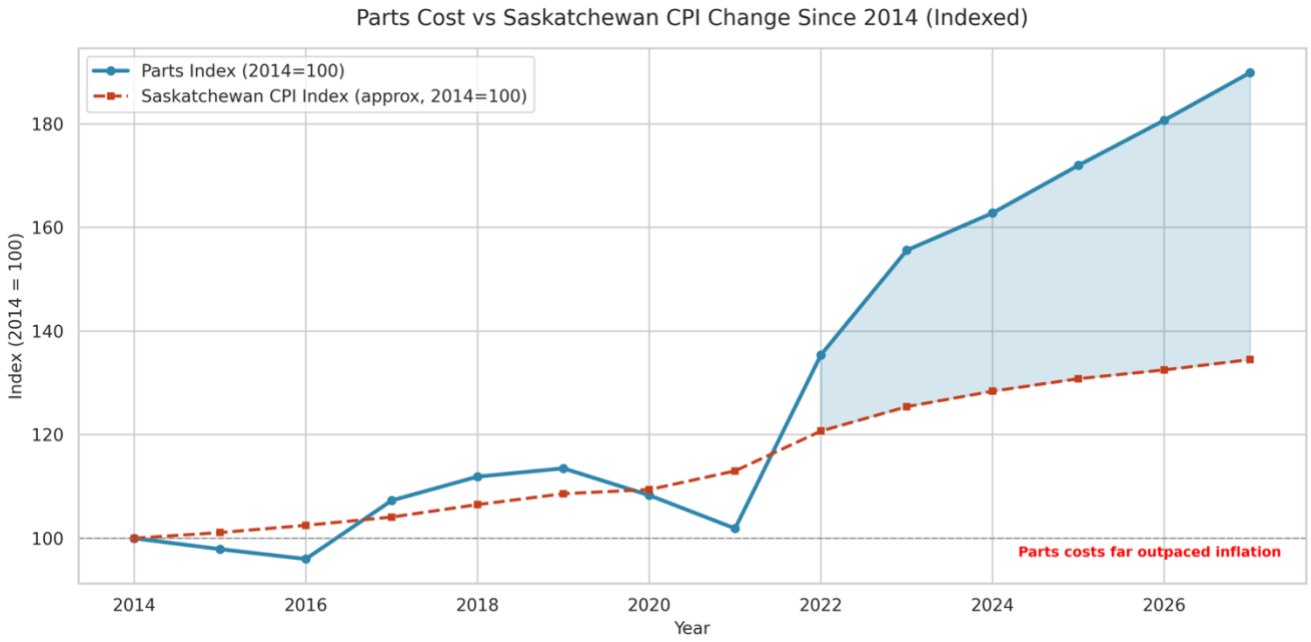

Figure 12.6: Repair Parts Cost Growth, 2014 to 2027

The parts cost index mirrors the overall repair cost pattern but with greater intensity. Parts costs were essentially flat from 2014 to 2020, then accelerated sharply through 2021–2022 and continue rising through the forecast period to an index of approximately 190 by 2027. The gap between parts cost growth and CPI is wider than for total repair costs, reflecting the 10.9% CAGR in parts over the period. OEM parts remain the dominant category at approximately 64–65% of total parts cost, though their share has edged down modestly as aftermarket parts grow faster (14.2% CAGR).

Repair Paint Cost Growth 2014 - 2027

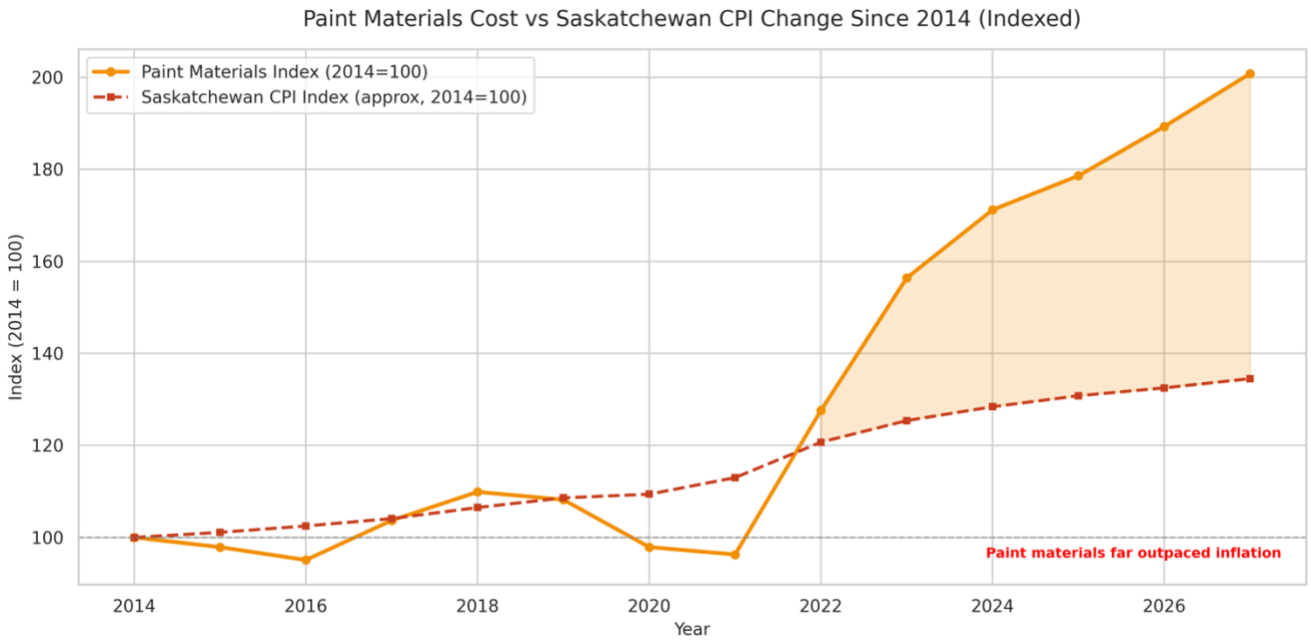

Figure 12.7: Repair Paint Cost Growth, 2014 to 2027

Paint materials show the steepest trajectory of the three charts, reaching an index of approximately 200 by 2027, double the 2014 base. The pattern is similar to parts: flat to slightly declining through 2020, then a sharp step-up beginning in 2021 that has not moderated. At a 13.0% CAGR, paint materials are the fastest-growing cost component in collision repair. The shaded gap against CPI is proportionally the largest of the three charts and continues to widen through the entire forecast period.

12.4.1. Collision Repair Parts Cost

SAF makes use of alternate parts on collision repairs for cost savings purposes. Alternate and remanufactured parts are commonly used by the collision repair industry and are subject to established SAF guidelines. Where no suitable alternative (used, remanufactured or aftermarket) replacement parts available, the vehicle is current model year (including replacement cost coverage) or has less than 20,000 km, then the use of new Original Equipment Manufacturer (OEM) parts is permitted. The following table shows the costs of parts used in auto repairs from 2021 to 2025 as well as projection for 2026 and 2027 as follows:

Table 12.6: Collision Repair Parts Cost 2021-2027 ($000s)

Category	2021	2022	2023	2024	2025	2026 (Projected)	2027 (Projected)	CAGR
OEM	77808	106,915	117,526	124,516	125,125	130,130	135,335	9.7%
% of Total	68.9%	71.2%	68.1%	68.9%	65.6%	64.9%	64.3%	
Aftermarket	26,970	33,338	43,215	42,762	52,037	55,680	59,577	14.2%
% of Total	23.9%	22.2%	25.0%	23.7%	27.3%	27.8%	28.3%	
Recycled	5,393	6,010	7,140	8,385	8,430	8,851	9,294	9.5%
% of Total	4.8%	4.0%	4.1%	4.6%	4.4%	4.4%	4.4%	
Other	2,783	3,898	4,694	4,951	5,245	5,770	6,347	14.8%
% of Total	2.5%	2.6%	2.7%	2.7%	2.7%	2.9%	3.0%	
Total Parts	112,954	150,161	172,576	180,614	190,837	200,431	210,553	10.9%

*Calendar Year

12.5. Collision Repair Parts Cost

12.5.1. Collision Repair Parts — Cost Mix Over Time

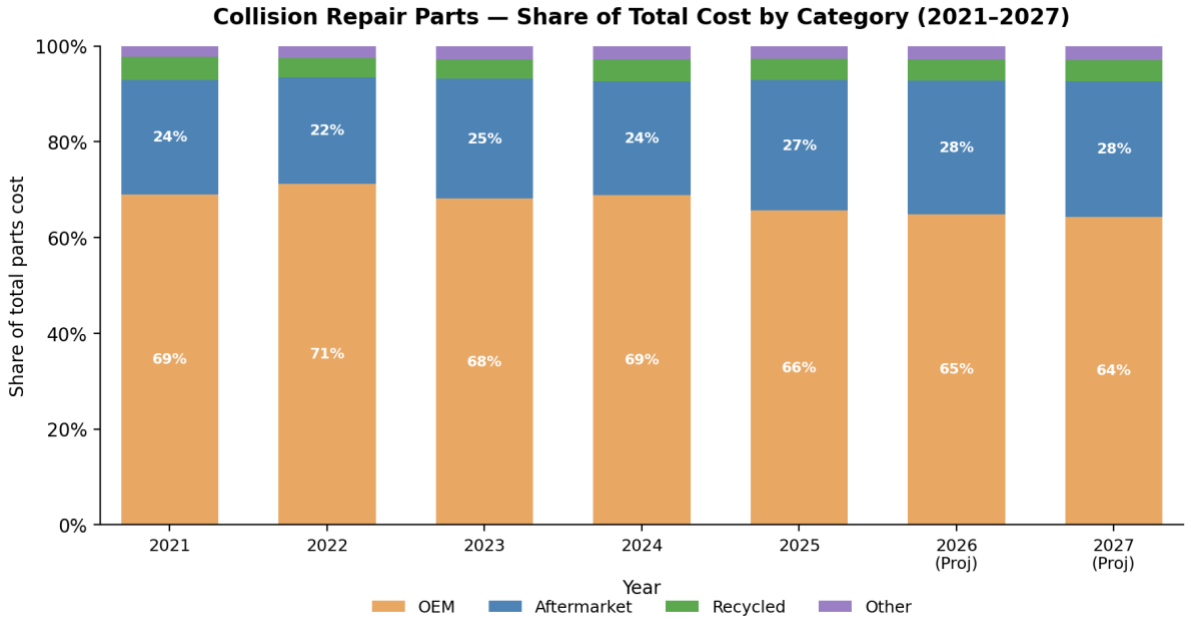

Figure 12.8: Collision Repair Parts: Cost Mix Over Time

Share of total collision repair parts cost by category, 2021–2027 (2026–2027 projected). Figures from the parts cost table above.

While total parts costs have risen across every category, the composition has shifted gradually: the OEM share has eased from roughly 69% of total parts cost in 2021 to a projected 64% in 2027, while the aftermarket share has grown from about 24% to a projected 28% over the same period. The recycled and other (alternative) parts shares have remained relatively stable at roughly 4–5% and 3% respectively.

SAF provides an estimate of savings from using remanufactured, recycled, and aftermarket parts instead of new (OEM) parts for repairs:

Table 12.7: Auto Fund Collision Parts Cost and Estimated APU Savings, Calendar Year ($000s)[38]

Category ($000s)	2021	2022	2023	2024	2025
New (OEM)	77,808	106,915	117,526	124,516	125,125
Aftermarket	26,970	33,338	43,215	42,762	52,037
Used (Recycled)	5,393	6,010	7,140	8,385	8,430
Other	2,783	3,898	4,694	4,951	5,245
Total Parts Cost	112,954	150,161	172,576	180,614	190,837
Estimated Savings over OEM	15,154	18,295	23,281	23,917	27,921

Estimated savings are the combined aftermarket and recycled savings over OEM as filed in 1-36(b); the filing reports a single savings total and does not split it by part category. Aftermarket savings are based on supplier pricing at 70 percent of new OEM cost and recycled at 60 percent. Components may not sum to totals due to rounding. Other parts include parts supplied through sublet operations (box liners, graphics, aftermarket accessories).

12.6. Observations on Collision Repair Costs

Repair costs and vehicle values are expected to continue to rise over the proposed rating period. The increases are largely due to increased complexity of technology, materials and repair procedures used in newer vehicles. These costs have been exacerbated by inflation in recent years and are factored into the analysis. Also impacting damage costs are contracted autobody repair labour rates, which included 3% increases on April 1 in 2023, 2024 and 2025. [Rate Proposal Pg. 1]

[38] SRRP(SAF) 1-36(a) and (b). Calendar-year actuals.

SAF is forecasting annual increases in the level of damage claims in forecasting the level of collision repair expenses in 2026/27 and 2027/28. Total repair costs are forecast to increase from $271.4 million in 2020/21 to $446.8 million in 2024/25, an overall increase $175.4 million or almost 65%.

At the last rate application, SAF forecast labour costs to represent over 40% of total costs in 2021. Labour costs share of repair costs has decreased from 44% of repair costs in 2025/26 to just over 42% forecast for 2026/27. Labour rates are discussed below.

SAF makes extensive use of aftermarket and recycled parts and has established guidelines with auto body shops on when those parts, if available, should be utilized. SAF has increased the use of aftermarket and used parts in the four years from 2020/21 through 2024/25. The use of aftermarket and used parts has grown by 92% while the use of new OEM parts has increased by over 60%. Overall, the total cost of parts has increased from $113 million in 2021 to $210.6 million in 2027, a year over year increase of 10.99% per year or 86% increase in the six years. The increases attributed to more sophisticated electronic and diagnostic accessories in newer vehicles and supply chain inflation.

SAF has estimated that the savings from using aftermarket, remanufactured and recycled parts of $15.1 million in 2021/22 and saw a growth in savings to $27.9 million in 2025/26. The growth in savings is attributed to higher cost of new and aftermarket parts in 2022/23.

12.6.1. Labour Rates

SAF consults on labour rates annually with the Saskatchewan Automobile Dealers Association (SADA) and the Saskatchewan Association of Automobile Repairers (SAAR). From 2014 through 2016 labour rates were subject to a negotiated 10% year over year increase. In determining the rate increases, consideration was given to the joint study undertaken for SAF, SAAR and SADA and prepared by MNP in September 2012. This study looked at the health of the Saskatchewan Collision Repair Industry; pressures the auto body industry faced due to more advanced technology in vehicles; shops being required to acquire sophisticated equipment; and additional training costs for employees being incurred. Labour rates were established to support SAF having a broad network of repairers.

The following table shows the labour rates paid and forecast from 2020/21 to 2027/28:

Table 12.8: Auto Body Labour Rates, 2021/22 to 2027/28

Fiscal Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Hourly Rate	92.68	92.68	95.46	98.32	101.27	TBD	TBD
% Increase	10%	10%	3.0%	3.0%	3.0%	Under Negotiation	Under Negotiation

SAF notes overall labour cost or expected to continue to increase because of advancements in vehicle safety technologies and construction, adding additional labour and parts to repair estimates, such as safety system

calibrations and more repair /replace operations. SAF continues to have the highest blended auto body repair labour rate in Canada, by a significant margin (typically over 20% when compared to other carriers) SAF's labour rates are higher than those of comparable Crown Insurers. SAF's current blended rate of $101.27 for 2025/26 while the blended labour rates paid by MPI to auto repair shops range from $90.86 in Southern Region and as high as $116.05 in far North [39]while ICBC blended rate is $89.46 [40]for body and paint repairs. As modern vehicles make up a larger portion of repair claims in the coming years, SAF forecasts at least a 2% effective increase in labour costs. The projected labour cost increases forecast in this Application may not be accomplished solely through the labour rate increase, but instead through compensation for additional new labour operations associated with new vehicle technologies and construction.

Autobody Repair Shop Monitoring

SAF monitors accredited repair partners' performance under the terms of the Master Service Agreement (MSA) using Key Performance Indicators (KPIs) that track behaviours indicative of a healthy, sustainable collision repair network, including customer satisfaction/experience, repair-versus-replace decisions, cost-effective parts usage, efficiency and cycle-time (including median repair cycle time, in days, being the time taken for shops to complete repairs after a claim is made), and repair quality.

Accredited shop partners are providing a monthly "balanced scorecard" indicating how they performed against the minimum acceptable performance target/threshold and their peers (provincial industry average). Each of the KPIs is weighted equally, and each shop must meet the minimum acceptable level of performance for each KPI to maintain their accredited status. Shops that fall below minimum performance targets in any of the key performance areas are subject to a formal performance improvement/management process designed to provide additional support and coaching to the shop. If shops fail to meet the goals/targets identified during the collaborative performance improvement planning process, they are subject to a system of progressive sanctions/loss of access to the programming provided under the MSA

The program changes have resulted in some industry consolidation. In November 2022 SAF reported it had 206 accredited body shops, currently as of January 2026, the number dropped to 199 accredited shops. SAF attributed the reduction to industry consolidation and performance monitoring.

12.7. Observations on Labour Rates

Labour costs for 2026/27 represent about 42% of total repair costs. The relative share has dropped from 44.8% of the total in 2022. This change is due to increased labour costs being outpaced by the increase in parts costs as newer vehicle repairs are using more parts and technology than previous models.

[39] https://mpipartners.ca/documents/Notices%20to%20trade/Misc/NTT-2025-LVAA-Compensation-Schedule.pdf

[40] https://partners.icbc.com/assets/6NfDiT9ams7GNcJNZcx77G/collision-multi-year-rate-framework-june2025.pdf

Labour rates were established to be sufficient to assist in sustaining the autobody industry in Saskatchewan. SAF has acknowledged that Autobody repair shop labour rates are higher than its peer Crown insurance companies ICBC and MPI.

SAF has successfully increased the number of appraisals by repair shops to 35% of all claims. This process has led to efficiencies and cost savings. SAF's efforts to continually monitor autobody shop performance are commendable. Continuous monitoring will ensure that repair standards and repair costs are maintained at normal levels. SAF should continue to monitor the autobody shop-generated cost estimates and report to the Panel on the program at the next rate application.

The Corporate Transformation program is anticipated to impact the management of repair claims. SAF announces it is the inaugural insurer globally to implement Guidewire's "Claims Autopilot," which automates straightforward claims, such as those involving wildlife and glass, thereby eliminating the need for an adjuster's intervention and facilitating the claim's progression through the system while linking the customer with the necessary partners for resolution. SAF expects that contemporary technology will enhance estimating and scheduling, provide shops with real-time online access to SAF information without the need for phone calls, and decrease claim settlement durations as the system becomes fully operational. This speaks to the need for further investments by autobody shops to integrate with SAF's digital insurer capabilities. SAF has indicated that it continues to focus on rural body shop's ability to stay accredited.

We believe there should be continued focus on supporting the viability of rural body shops in the repair network, given the technological changes SAF is deploying. We remain concerned that industry consolidation may reduce access to autobody shops in rural communities. We continue to believe that the new required investment will affect the viability of smaller repair shops that cannot make the required investments even with the targeted efforts. This could lead to a reduction in the number of rural and smaller repair shops. SAF should report back on the status of the SQARP, and the health of the autobody industry, in particular access to rural-based repair shops in its next Rate Application.

12.8. Loss Adjustment Expenses (LAE)

Loss adjustment expenses (LAE) are the costs associated with settling claims, including internal legal fees, adjusters, and operating costs of claims centres. It also includes direct claims file expenses such as towing and appraising claims paid to external parties.

Before 2018/19, SAF separately accounted for internal LAE while external LAE was included in Claims Incurred. To improve transparency, SAF now reports both internal and external LAE.

The detail of LAE is as follows from 2022/23 to through the 2026/27 forecast test year are as follows:

Table 12.9: Loss Adjustment Expenses from 2022/23 to 2026/27

Fiscal Year	2022/23	2023/24	2024/25	2025/26F	2026/27F	2022/23-2026/27 Change	
Cost Category ($000s)						$	%
Internal LAE	79,275	90,352	115,984	119,122	121,342	42,067	53.1%
External LAE	80,566	84,733	87,095	92,529	95,327	14,761	18.3%
	159,841	175,085	203,079	211,651	216,669[41]	56,828	35.6%
LAE Unpaid & Unreported*	25,771	(17,732)	65,991	10,335	10,307		
Total LAE	**185,612**	**157,353**	**269,070**	**221,986**	**226,976**	**41,394**	**22.3%**
Total Claims Count [42]	135,458	128,342	145,307	150,072	150,826		
LAE per Claim	$1,370	1,226	1,851	1,479	1,505	135	9.9%

* estimated [SRRP(SAF) 2-11]

The LAE was $185.6 million in 2022/23 and declined to $157.4 million in 2023/24 and increased materially to $269.1 million in 2024/25 an increase of $111.7 million or 70.9% for the year. Both internal and external LAE increased in the year primarily due to increases in information technology costs, management fees and a $65.9 million actuarial valuation adjustment to claims reserves to reflect benefits. The Information Technology increase is primarily the Guidewire operating costs coming online and its related annual licensing fees.

SAF forecasts LAE to be $221.9 million in 2025/26 and $227 million in 2026/27. SAF forecasts an increase in LAE by $5.0 million or 2.2%.

Internal LAE, it is forecast to increase from $79.3 million in 2022/23 to $121.3 million, in 2026/27 a compound annual growth rate of 11.2% for the four years. This increase is influenced by IT licensing costs, higher management fees and higher allocation of occupancy costs. Comparing internal LAE to that forecast at the 2022 Rate Review, the increase is material, reflecting a higher operating cost environment.

At the 2022 review SAF had forecast a 2.2% annual growth over the 2022/23 to 2025/26 period. In contrast, the annual growth rate for salaries wages and benefits was 9.6%, information technology expenses grew by 59.6%, and occupancy cost grew by 23.4%, for the same period. The increase in internal LAE over the three-year period is due primarily to increases in salaries and benefits, information technology expenses and occupancy costs.

[41] SRRP(SAF) 1-48 b
[42] SRRP(SAF) 1-30 b

Table 12.10: Internal Loss Adjustment Expenses by Cost Element ($000s)

Cost Element ($000s)	2022/23 (restated)	2023/24	2024/25	2025/26 (projected)	2026/27 (budget)	CAGR
Salaries and employee benefits	65,350	74,929	87,675	86,051	88,415	7.8%
Broker costs (excluding commissions)	12	17	19	38	25	20.1%
Management fees	178	195	1,741	2,063	1,903	80.8%
Professional fees (other than legal)	832	881	2,309	2,722	1,995	24.4%
Legal fees	88	123	87	330	330	39.2%
Depreciation	2,693	2,660	3,712	3,751	3,984	10.3%
Amortization of Intangible Assets	26	25	82	157	197	65.9%
Occupancy expenses	4,532	5,413	6,304	8,518	8,130	15.7%
Information technology	3,105	3,850	12,265	12,614	13,286	43.8%
Bad debt expense	9	3	-	-	-	n/a
Interest expense	36	23	19	25	19	-14.8%
Finance costs	43	45	51	57	57	7.3%
Other general expenses	2,371	2,188	1,720	2,796	3,001	6.1%
LAE Total*	**79,275**	**90,352**	**115,984**	**119,122**	**121,342**	**11.2%**

***** CAGR is the compound annual growth rate from 2022/23 to 2026/27, calculated as the 2026/27 value over the 2022/23 value to the one-quarter power, less one. Bad debt expense has no meaningful CAGR because the 2026/27 value is nil. Line items sum to the LAE Total in each year.

Internal costs for salaries and employee benefits rose from 65.3 million in 2022-23 to 88.4 million in 2026/27, with a CAGR of 7.8%. Overall, costs increased by 35.3% over this period. Year-over-year growth was 14.7% and then 17.0% through 2024/25, with a slight decline of 1.9% projected for 2025/26. In 2026/27, the budget grows by 2.7%. The growth was initially rapid, then slowed, indicating a possible shift toward efficiency following earlier expansion.

Management fees grew from under 0.2 million to 1.9 million. CAGR reached 80.8%. Total growth exceeded 969%. Spend remained low until 2024/25, when it jumped by over 790%. Projections add 18.5%, then ease by

7.8% in the budget. This trajectory reflects a structural shift, such as new contracts or outsourcing arrangements. SAF indicates that management fees paid are for externally managed services, such as collection agency costs, platform hosting, and assistance with system modernization.

Information technology spend advanced from 3.1 million to 13.3 million. CAGR reached 43.8%. Total growth over the years was 328%. Steady 24% growth was followed by a 218.6% surge in 2024/25 when new CT project systems went into service. Projections then show only 2.8% and 5.3% increases. The pattern indicates the movement of CT project software as a service (SAAS) maintenance fees from deployment of new computer systems.

These three categories fueled the sharp 28.4% rise in overall internal LAE during 2024-25. Salaries provided volume. Management fees and IT introduced the volatility through large resets. Costs now sit at elevated levels with contained growth in projections and the budget. When one compares to what was forecast at the 2022 Rate Review costs appear elevated.

Table 12.11: Internal Loss Adjustment Expenses Comparison 2026 Review versus 2022 Review

Fiscal Year	2022/23	2023/24	2024/25	2025/26	2022/23- 2025/26 Change	
Cost Category ($000s)					$	%
Internal LAE (2026 Rate Review)	79,275	90,352	115,984	119,122	$39,847	50.3%
Internal LAE (2022 Rate Review)	70,710	72,321	77,474	75,462	$4,752	6.7%
Difference	8,565	18,031	38,510	43,660	$35,095	
% Difference	12.1%	24.9%	49.7%	57.8%		

SAF external LAE (amounts paid to third parties to process claims) for 2022/23 was 80.6 million. SAF forecast the external LAE to increase to $94.3 million in 2026/27 a 4.3% annual growth rate since 2022/23.

12.8.1. Observations on Loss Adjustment Expenses

The LAE were provided for the outlook period through 2029/30 on a confidential basis and cannot be disclosed in our report.

LAE is influenced by claims paid and reserve levels. It is also impacted by general inflation increases which have resulted in a material increase in salaries and benefits and the deployment of new claims processing software as a service arrangements which come with licensing costs. The promise of improved efficiency has not yet been realized by the recently deployed new systems. The promise is that such systems will lead to future cost efficiencies. It is not clear whether SAF's LAE assumptions fully reflect the efficiencies the new systems are intended to deliver.

The growth in internal LAE over the period 2022/23 to 2025/26 reflects a higher operating environment than what was forecast during the 2022 Rate Review. This reflects the reality of higher operating costs driven by post Covid 19 inflation which have escalated costs as well as the deployment of a new operating environment. Although LAE costs are dictated by the level of claims, we would expect there to be efficiencies with the new technology which would lower the internal LAE cost per claim.

The external LAE paid to third parties is forecast to increase from $80.6 million in 2022/23 to $95.3 million forecast in 2026/27, increasing 4.3% annually over the four years. External LAE costs will be dependent to some degree on the level of claims. Given that external loss adjustment expenses depend on the level of claims, the extent the claims growth will result in an overall higher external LAE.

13. SAF OPERATING EXPENSES

13.1. SAF Allocated Operating Expenses

SAF's allocated operating expenses include Administrative Expenses, internal Loss Adjusting Expenses (ILAE), underwriting administration and Traffic Safety program expenses. A description of the cost allocation methodology is found in section 14.0. Total allocated operating expenses were $161.8 million in 2022/23 and grew to $197.3 million in 2026/27. An increase of $35.5 million, or 22%. The total operating expenses allocated to SAF are as follows:

Table 13.1: SAF Allocated Operating Expenses 2022/23 to 2026/27*

Allocated Expenses ($000s)	2022/23	2023/24	2024/25	2025/26	2026/27	2022/23-2026/27 Change	
Administrative[43]	100,719	101,845	95,909	87,445	88,170	(12,549)	(12%)
Admin-Underwriting[44]	14,113	10,848	29,785	32,129	35,375	21,262	150%
Registrar	20,975	25,591	26,180	32,460	32,795	11,820	56%
Regulator	12,877	14,921	15,679	22,185	23,396	10,519	82%
Driver Education	13,016	14,315	17,313	17,020	17,421	4,405	34%
Other Admin	83	201	198	159	170	97	34%
Total Operating Expenses	**161,783**	**167,721**	**185,064**	**191,398**	**197,326**	**35,544**	**22%**
Traffic Safety Programs[45]	24,894	23,215	21,714	25,762	26,506	1,612	6%
ILAE[46]	79,275	90,352	115,984	119,122	121,342	42,067	53%
Salvage	48,849	51,058	51,284	54,063	54,966	6,117	13%
Total	314,801	332,345	374,046	390,344	400,141	85,340	27%

Administrative expenses are the expenses required to manage the company and provide staff support for its operations. Administrative Expenses consist of operating expenses such as salaries, infrastructure, and system support costs. They include all operating costs not related directly to the settlement of claims. Administrative expenses were $100.7 million in 2022/23 (including $31.5 million in IT system modernization

[43] SRRP(SAF) 2-4b
[44] SRRP(SAF) 2-15 b
[45] SRRP(SAF) 2-4d
[46] SRRP(SAF) 2-11

spending) and $101.8 million in 2023/24 and declined to $95.9 million in 2024/25 and are forecast to decline to $88.1 million in 2026/27.

The decrease attributable to the substantial completion of one-time system modernization costs spending. Implementation spending on software as a service cloud computing arrangements cannot be capitalized under IFRS and must be expensed as incurred. This has led to an inflated level of administrative expenses in the last several years. SAF operates two technology systems simultaneously during the transition, leading to temporary increases in IT and staffing costs. Once modernization is completed expected after 2027, SAF states, expense growth is expected to moderate and align more closely with inflation. [47]

System modernization spending included in administrative expenses are as follows:

Table 13.2: SAF System Modernization Spending ($000s)

Year	Amount
2017/18 to 2021/22	$9,135
2022/23	31,481
2023/24	31,951
2024/25	29,023
2025/26 Projection	16,739
2026/27	7,452
2027/28	502
Total	$126,283

Underwriting expenditures represent the cost incurred internally by SAF in writing insurance policies and related overhead expenses. Administrative Underwriting expense has increased from $14.1 million in 2022/23 to $35.4 million forecast in 2026/27, an increase of 21.3 million or 150%. Underwriting Administrative expenses are at an elevated level and now represents 9% of allocated expenses.

SAF explained that up until 2023/24, Underwriting expenses primarily consisted of the maintenance of insurance contracts at an annual cost of approximately $10.8 million in that year. In 2024/25, cost allocation methods were updated to allocate a portion of internal issuing offices and call centre costs to Underwriting.

As well as new systems stemming from the Corporate Transformation project became operational, cost related to these systems such as licensing fees began to be partially allocated to underwriting expenses. During the project stage, all costs are being allocated to administration expenses. With these changes in place, SAF has forecast $35.4 million for 2026/27. *As previously mentioned, SAF is running two systems in parallel and*

[47] SRRP(SAF) 1-31 d

continues to have an elevated level of administrative underwriting expenses. This is expected to continue through 2027 when the new system will be fully deployed and the legacy system is de-commissioned.

Administrative expenses are discussed in section 13.2.

Registrar & Regulator Expenses

Registrar Expenses cover costs SGI incurs while administering vehicle registration and driver licensing of drivers in Saskatchewan as defined in provincial legislation. The full cost is borne by SAF which tracks these items separately from core insurance service costs as other expenses. Registrar expenses have grown from $20.9 million in 2022/23 to $32.8 million forecast for 2026/27, an increase of $11.8 or 56%. Registrar expenses represent about 8% of allocated expenses.

Regulator includes expenses incurred in the process to ensure safety of all drivers and vehicles operating on Saskatchewan roadways as prescribed by legislation, including setting, maintaining and ensuring safety standards. The full cost is borne by SAF. Regulator expenses have grown from $12.9 million in 2022/23 to $23.4 million forecast for 2026/27, an increase of $10.5 million or 82% of allocated expenses. Regulator expenses represent 6% of allocated expenses. SAF has noted a shift of costs from administrative expenses to Registrar and Regulator expenses as the software developed in the Corporate Transformation program is put into use to enhance the Registrar and Regulator functions.

Traffic Safety Expenses

Traffic Safety program costs consist of programs, sponsorship and advertising associated with promoting traffic safety. SAF is directly assigned these costs. The cost of the traffic safety programs was $ 24.9 million in 2022/23, $23.2 million in 2023/24 and $21.7 million in 2024/25. SAF forecasts increases in traffic spending to $25.8 million in 2025/26 and 26.5 million in 2026/27. Traffic safety expense represent about 7% of overall budgeted operating expenses. Traffic Safety Programs are discussed in section 13.5.

Internal Loss Adjustment Expenses

Internal Loss Adjustment Expenses (ILAE) are the internal costs directly related to the evaluation, processing and settlement of claims. ILAE includes the wages and benefits of internal legal and claims staff and operating cost of claims centers and other costs to support administering claims. ILAE costs were $79.3 million in 2022/23 and was $90.4 million in 2023/24 and increase to almost $116 million in 2024/25 an increase of 25.6 million or 28% over the prior year. The increase was attributable to higher management fees, non-legal professional fees, and information technology cost licenses. LAE is discussed in section 12.6

The CT project spending is included in the SAF operating expenses. The SAF operating costs and the impact on SAF on a per insured vehicle are provided in the following table:

Table 13.3: Operating Expense and Impact of the CT Project

Category ($000s)	2022/23	2023/24	2024/25	2025/26	2026/27F	2027-2023 Change	
Operating Expenses	$161,783	$167,721	$185,064	$191,398	$197,326	35,543	22.0%
Corporate Transformation Expenses	(31,403)	($31,951)	($29,023)	($16,739)	($7,452)	$23,951	76.3%
Total Expenses excluding Corporate Transformation	$130,380	$135,770	$156,041	$174,659	$189,874	$59,494	45.6%
Number of Vehicles*	962,639	985,163	1,010,419	1,011,324	1,023,566	60,927	6.3%
Total Cost per Ins Vehicle	$168	$170	$183	$189	$193	$25	14.9%
Total Cost per Ins Vehicle excluding Digital Transformation	$136	$138	$154	$173	$186	$50	36.8%

* Excludes Trailers

13.1.1. Observations on Allocated Operating Expenses

The CT project costs were a key reason for the increase in actual and forecasted expense costs. The CT project is substantially complete and the remaining expenditures have a modest increase in Administration costs for the 2026/27 year. However, it remains unclear whether there will be additional unbudgeted change management costs that may further increase Administration costs above what has been forecast for the 2026/27. Although the CT project appears to have limited impact in the establishment of rates in this application. It has resulted in costs that were not covered in rates. As the expenditures were expensed in each year to the tune of $126.3 million, which has reduced retained earnings accordingly.

Administrative costs are forecast to increase by 35 million or 22% from 2022/23 levels.

The SAF Administration expenses in terms of insured vehicle have increased from $168 per vehicle in 2022/23 to a forecast of $193 per insured vehicle in 2026/27. Excluding the CT project expenditures, the administration expense per insured vehicle drops to $186 per insured vehicle in 2026/27. The CT project represents $7 million or 0.5% of a rate increase in 2026/27. Further discussion on the CT project and its impact on the rate application is found in section 13.4 of this Report.

Underwriting administration expenses have gone up materially from 2022/23. The changes in the cost allocation methodology in 2024/25 and the commissioning of the CT project has resulted in these costs increasing from under $11 million annually to now over $35 million in 2026/27. The changes to the cost allocation methodology in 2024/25 have allocated departmental costs from call centers. SAF has not undertaken an independent study or analysis to support this change in methodology. Discussion on the ICAM is provided in Section 14.0 of this report.

13.2. Administrative Expenses

The following table provides SAF's Administrative expenses allocated to SAF:

Table 13.4: Administrative Expenses 2022/23 to 2026/27 ($000s)

Cost element	2022/23	2023/24	2024/25	2025/26	2026/27
Salaries and employee benefits	29,435	34,885	35,140	31,949	37,119
Information technology	41,461	43,316	41,314	32,527	26,204
Occupancy	9,203	8,815	4,086	4,858	5,426
Depreciation and amortization	4,665	5,229	4,023	4,138	4,321
All other administrative expenses (note 1)	15,955	9,600	11,346	13,973	15,100
Total Administration Expenses	**100,719**	**101,845**	**95,909**	**87,445**	**88,170**

Note 1: groups the remaining smaller line items (Board of Directors, non-insurance issuer fees, broker costs, management fees, professional and legal fees, bad debt, interest, finance costs, and other general expenses).
Source: [SRRP(SAF) 2-4 (d)]

Information technology declining over the period is due to the system modernization project's winding down. These costs incurred to implement the system modernization program are not factored into this rate application as rates only take into account costs for future years. However, retained earnings has been reduced in the last five years by over $126.3 million in funding the development of the new systems.

SAF expects to achieve benefits from system modernization over time, it should help offset the need to increase Auto Fund insurance rates in future rates. The current outlook reflects SAF running in parallel its legacy and new systems, which are necessary, but come at higher costs of operation until 2027. SAF has mentioned that the new systems will result in savings and have prepared an estimate of forecast savings that are confidential. Although SAF has requested a 2027/28 rate increase, it did not have the detail of administrative expenses for that year as it is not prepared on the same basis as the 2026/27 budget year.

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We note that the growth in other expenses, (where Administrative Expenses are grouped) is forecast to grow at under 2% annually through 2030/31. We do not have an opinion on the reasonableness of administrative expenses for the 2027/28 rate year. We recommend the Board undertake a detailed review of publicly available information for 2027/28 and the outlook period ending in 2030/31 before it recommends a rate change in 2027/28. SAF should be presenting a credible plan to the SRRP on cost savings and a rate trajectory to improve the challenged finances of SAF.

13.2.1. Wages & Salaries, Benefits, and Pensions

The administrative salaries and benefits have grown from $183.1 million in 2024/25 to $192.4 million in 2025/26 and forecasts $207.1 million in 2026/27. The growth was partly attributed to an allocation of internal resources on CT projects in the year. Staffing levels are elevated due to the CT project implementation.

A significant portion of staff (over 69%) are under collective bargaining agreements, with negotiated wage and benefit increases contributing to higher costs.[48] The Canadian Office of Professional Employees' Union Local 397 three-year agreement ends December 31, 2026. A schedule detailing the wage settlement changes by year was provided in confidence.

Staffing at SAF has grown materially since the last Application.

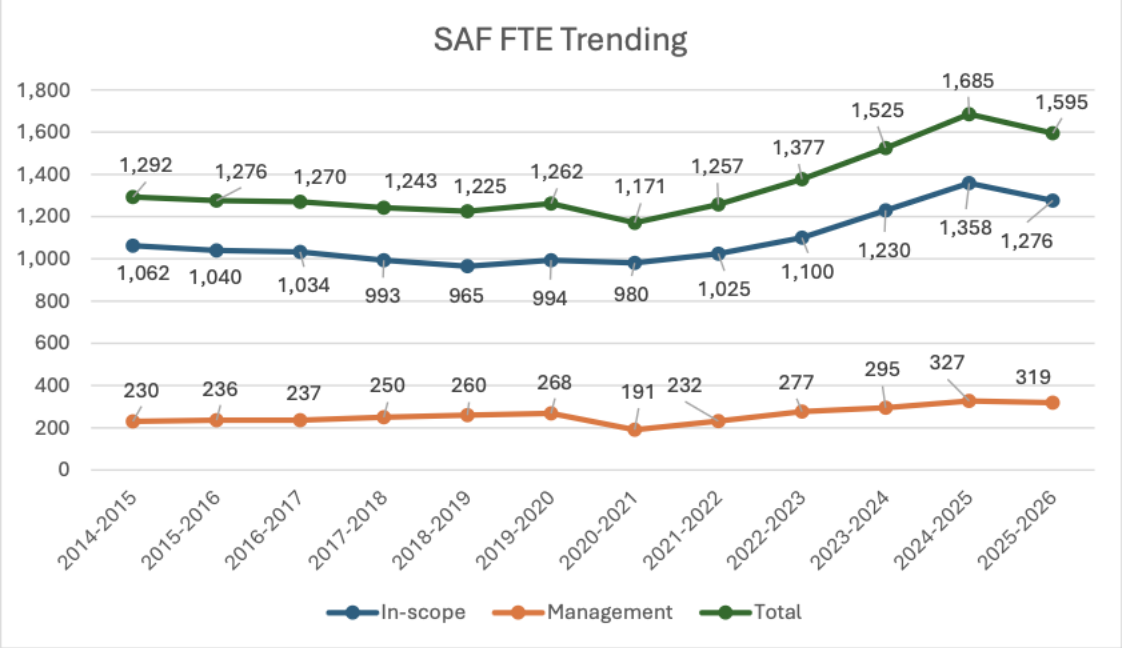


Figure 13.1: SAF Staffing Trend 2014/15 to 2025/26

SAF staff has grown annually by 9.5% from 1,171 FTE in 202/21, (the time of the last rate review) to 1,685 in 2024/25, a growth of 514 FTE. SAF attributed the increase to the inclusion in 2023, of the Salvage division FTEs in SAF reporting, regular business growth and temporary IT system modernization support. Digital

[48] SRRP(SAF) 1-1 a

transformation employees increased from 59 FTE in 2020/21 to 181 FTE in 2026/27 an increase of 122 FTE. This estimate was updated with confidential information detailing the actual staff working on the CT project. [49]

SAF has employees that are directly allocated to SAF while supporting functions are determined by cost allocation estimates. 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 lines of business such as the SAF.

Allocated Salaries and Benefits since the 2022 Rate Review is as follows:

Table 13.5: SAF Wages and Benefits 2020/21 to 2027/28

YEAR	Wages & Benefits to SAF ($000s)	FTEs	Cost per FTE ($)
2020/21	$108,592	1,171	$92,734
2021/22	$127,490	1,257	$101,424
2022/23	$138,892	1,377	$100,865
2023/24	$162,104	1,525	$106,298
2024/25	$183,060	1,685	$108,641
2025/26	$192,454	1,595	$120,661
2026/27	$207,048	1,614	$128,283
2027/28	$208,463	1,561	$133,545
Growth 2021-2028	$99,871	390	40,811
Annual Growth Rate%	9.8%	4.2%	5.4%

Overall, SAF views the upward trending in the employee cost per FTE that is reflective of anticipated average annual merit, economic, and negotiated/step increases. SAF begins transitioning out of the system

[49] SRRP(SAF) 1-64 h - Confidential

modernization project in 2025/26. The FTE declined from 1,685 FTE in 2024/25 to 1, 595 FTE in 2025/25 a reduction of 90 FTE. [SRRP(SAF) 2-21] SAF forecast 1,561 FTE in 2027/28 [MFR 18].

Vacancy management is crucial for the SAF's strategy to control administrative and compensation costs. It involves reviewing open staff positions to fill only critical roles, while nonessential vacancies may be left open or eliminated to cut salary and benefit expenses. SAF aligns vacancy management with succession planning to maintain operational effectiveness and assigns resources to explore non-rate cost control options, such as FTE savings.

Oversight is provided by operational committees, and the process includes regular reviews of staffing needs, prioritization of essential hires, and monitoring the impact of vacancies on service delivery. This strategy has helped SAF manage expense growth during periods of financial pressure, such as IT modernization and collective bargaining increases, while ensuring that critical leadership and technical roles are not left unfilled. Detailed vacancy rates and financial impacts are confidential, but the overall approach is publicly disclosed as part of SAF's financial sustainability efforts. Vacancy rate information was provided on a confidential basis. [50]

Observations on Wages & Salaries, Benefits and Pensions*

The salaries and benefits are forecast to increase by 9.8% annually from 2021/22 to the 2027/28 forecast year at a rate which is more than inflation. The magnitude of the increase in part to CT project initiative spending. SAF is allocating internal resources to the transformation project which is behind this increase. SAF should monitor and control the level of resources allocated to Administration related to the CT Project. A discussion on CT project spending is discussed in section 13.4 of this Report. SAF's efforts to use vacancy management is a good practice. SAF should identify surplus staff position when the CT project is completed and manage the staffing at a lower level similar to 2020/21. SAF should look to its new systems to drive efficiency gains. The Union agreement is up for renewal. SAF should strive to reach a reasonable wage settlement in line with inflation if possible.

13.2.2. Information Technology Expense

Information technology expenditures were $3.1 million in 2022/23 and increased to $12.3 million in 2024/25. The increase is due to the commissioning of CT project and the related Guidewire system. SAF attributed the increase to SaaS subscriptions for the new systems. Information technology expenditures are forecast to increase to $13.3 million in 2026/27, being an ongoing elevated level of expenditure.

13.3. Capital Expenditures

SAF incurs capital spending to maintain its Corporate facilities, IT infrastructure and systems hardware and software. SAF's capital plan also includes building renewals. SAF's building renewal strategy sets goals for renewal in the short-, medium- and long-term, as well as ongoing sustainability for each location. Planned spending is aligned with this strategy and is necessary to meet SAF's business needs, as well as to maintain its buildings.

[50] SRRP(SAF) 1-39 e – Confidential.

13.3.1. Capital Expenditure Forecast

Capital expenditures were $7.4 million in 2022/23, increased to $16.8 million in 2023/24, and were $14.8 million in 2024/25. The elevated level of capital expenditures was primarily related to the completion of the CT project. SAF forecasts the CT project to be substantially complete in 2025/26. SAF forecasts substantial investments in new facilities in 2025/26, with spending of $24.6 million in the year. Capital spending is forecast to drop to $14 million in 2026/27 and $8.1 million in 2027/28.

Building spending is forecast to be almost $37 million over the 2025/26 to 2027/28 three-year period. The increases in building capital spending include over $10.8 million for the Regina Fleet Street location, $7.8 million for Prince Albert Salvage, and $7 million for the Regina Driver Testing building. The actual and forecast capital spending is as follows:

Table 13.6: Capital Expenditures 2022/23 to 2027/28

Description ($000s)	2022/23	2023/24	2024/25	2025/26B	2026/27F	2027/28F
Building	$1,465	2,631	2,705	16,350	12,540	8,100
Information Technology	4,228	11,113	8,228	2,095	-	-
Other Equipment & Vehicles	1,744	3,064	3,804	6,127	1,550	1,700
Total	$7,437	16,808	14,798	24,572	14,090	9,800

13.4. Corporate Transformation (CT) Project Update

SGI's Corporate Transformation (CT) program is the multi-year replacement of two aging core systems GIS (insurance and claims) and SAM (the Auto Fund's application that covers licensing, registration and regulatory functions) with modern technology, positioning SGI as a digital insurer. It runs on two platforms: Guidewire, the industry-standard system for insurance, billing, and claims; and DRIVE, SGI's custom front-end for the Auto Fund's registration, licensing, and regulatory functions. The SGI Canada side is complete; the Auto Fund side is roughly two-thirds done, with DRIVE now handling many personal vehicle registrations. Remaining work is concentrated through 2026 and 2027 integrating SAM into DRIVE, driver licensing, commercial and permit classes, and AutoPay conversion with full completion and legacy decommissioning targeted for 2027.

The cost-benefit picture carries a large one-time implementation cost and a permanent ongoing run cost, recorded across loss adjusting, insurance, and other expenses. Forecasted benefits, driven mainly by fraud detection, claims-cycle-time gains, internal loss-adjusting efficiencies, and IT and system savings, ramp up over the forecast period. SAF states these benefits are reflected in its financial forecast. The supporting business case is confidential and has not been tested on the Public record, so the savings are not demonstrated to the Panel.

We have reviewed the updated business case provided in the confidential IR response. The benefits relevant to the Auto Fund are expected to be realized over the forecast period, though later than originally modelled deferred in line with DRIVE implementation timing. The supporting figures and metrics are confidential and are not reproduced here. A related point: fraud savings, through the FRISS screening platform now live for calibration, are staged to scale from operationalization in Q3 2026 and grow as workflows mature.

Operationally, the focus is shifting from delivery to integration and stabilization. Benefits and operational KPIs are still being refined and are not yet materially realized, with reporting to date centered on data integrity and process refinement and formal measurement against targets expected once DRIVE is implemented. In the near term, the priorities are to complete DRIVE, stabilize the platform and exit the coexistence period as policies renew into the new system.

SAF states that the CT project will lead to improved efficiency, once new systems are operational. SAF will be able to support new programs and service offerings (e.g., mandatory entry-level training for commercial drivers, Class 5 driver education review, safe and quality auto repair). SAF expects to achieve future operational efficiencies in the following areas:

- **Fraud detection and denial**; via the FRISS platform, including claim flagging, investigation throughput and denial activity.
- **Claims cycle time**; faster intake, triage, and resolution as automation matures, including straight-through processing of simpler claims such as wildlife and glass.
- **IT and system savings**: lower run costs and faster, cheaper change delivery once legacy systems are decommissioned, and the organization moves to continuous delivery.
- **24/7 Billing and collections**: more automated payment plans, new payment options, and improved collection effectiveness.
- **Self-service and digital channels**: more transactions shifted online through MySGI, reducing manual processing.
- **Rating agility**: Guidewire's advanced rating engine enabling faster rate-change implementation and more refined rating.

The intended end state is continuous delivery, expanded online self-service, AI-assisted fraud screening, and a scalable cloud-native architecture, with enhancement continuing well beyond initial implementation.

The CT project will be substantially complete in 2026/27. Operational benefits are expected to scale up as the system becomes operational and benefits will materialize over time.

As reported in our 2022 Rate Review Report SAF was forecasting to spend $101.2 million [51]in capital expenditures on information Technology (IT) between 2021/22 and 2025/26. Most of the proposed spending is on the CT project. The forecast IT capital expenditures were as follows:

[51] *Review of Saskatchewan Government Insurance Saskatchewan Auto Fund 2021 Proposal for Rate Adjustment*

Table 13.7: IT Project Expenditure 2022 Rate Review Forecast

Expenditure Type ($000s)	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2022 to 2026
Infrastructure	2,985	1,635	1,785	3,865	1,895	12,165
Hardware	1,080	1,700	1,500	2,000	2,300	8,580
Software	765	800	800	300	300	2,965
Transformation	20,000	20,000	37,500	-	-	77,500
Total	**24,830**	**24,135**	**41,585**	**6,165**	**4,495**	**101,210**

An estimate was made to capitalize only a portion of the costs of the CT project. The estimate tried to encompass multiple different directions that transformation could take including developing applications internally, which would result in significant capitalization of cost to a SaaS implementation, which will result in very minimal amounts being capitalized. A SaaS solution is SAF's current budget does not consider the capitalization of any internal staff working on the CT project.

SAF has provided a comparison of actual versus forecast SAF capital spending on the CT project but has deemed that information confidential.

Table 13.8: CT Expenditure 2017/18 to 2027/28

Year	Expense to Auto Fund ($000s)	Capital to Auto Fund ($000s)	Total Spend ($000s)
2017/18	110	-	110
2018/19	497	-	497
2019/20	3,209	-	3,209
2020/21	2,182	-	2,182
2021/22	3,137	-	3,137
2022/23	31,481	4,228	35,709
2023/24	31,951	11,113	43,064
2024/25	29,023	8,289	37,312

Effective January 21, 2022 - Consultants Report dated September 28, 2021 pg. 76.

Year	Expense to Auto Fund ($000s)	Capital to Auto Fund ($000s)	Total Spend ($000s)
2025/26 (projected)	16,739	8,414	25,153
2026/27 (budget)	7,452	3,997	11,449
2027/28 (forecast)	502	-	502
Total	**126,283**	**36,041**	**162,324**

In total SAF spent $162.3 million on the CT Project of which $36.0 million is to be capitalized. This contrasts with the preliminary $101.2 IT budget (of which $77.5 million was identified as transformation related) provided at the 2022 Rate Review. The vast majority of the project's costs have been expensed, with only $36 million or 22% of the projects costs being capitalized.

13.4.1. Observations on CT Project Costs

The project will lead to future benefits for SAF and its costs are forecast to be significant. so as to allow the Panel to understand the full implications of the CT project on future rates.

The forecast expense of CT project cost has a material impact has increased the revenue requirement of SAF and, in turn, rate indication in this rate application. The costs of the transformation are being borne by ratepayers now, while the related efficiencies are deferred and not yet demonstrated. The recommendations below are intended to ensure the rate treatment reflects realized experience rather than projection, and to give the Panel the means to verify that the forecast benefits are achieved. They build on the prior Panel recommendations concerning the transformation business case and the treatment of project costs.

1. **That transformation savings reflected in rates be treated as provisional** supported by demonstrated results rather than projection, with the extent of reliance on unrealized savings disclosed so the Panel can assess the execution risk embedded in the indication.
2. **That SGI provide a post-implementation benefits-realization review** measuring actual savings against the business case once DRIVE is in service, reported on a defined cadence, consistent with prior Panel direction on the transformation business case.
3. **That a consistent set of operational KPIs be reported against targets each filing** including claims cycle time, FTEs per dollar of premium, the internal loss-adjusting expense ratio, the administrative expense ratio, and fraud detection and denial activity.
4. **That fraud-related savings serve as the first realization checkpoint** reporting realized fraud benefits against forecast at the first review point, given the FRISS platform is live for calibration with operationalization staged for Q3 2026.

5. **That SAF report on progress exiting the coexistence period** including migration completion and legacy system decommissioning, as this milestone marks when the ongoing run-cost picture normalizes and is directly relevant to future rate need.
6. **That the classification and amortization of transformation costs be confirmed** distinguishing one-time from ongoing costs in the indication, consistent with the prior recommendation that long-term project costs be treated appropriately rather than loaded into a single rating period.
7. **That SAF provide a post implementation Close Out Report t**hat provides a final cost versus budget analysis and an evaluation of the project implementation and any process improvements or efficiencies flowing from the project at the next rate application

13.5. Traffic Safety Programs

SAF is responsible for traffic safety in Saskatchewan, guided by the Auto Traffic Safety Act. Reducing injuries and fatalities on Saskatchewan roads continue to be a top priority for the organization. Traffic safety includes expenses incurred in the process of research, analysis, policy, strategy, and program development and delivery related to the Auto Fund's mandate of reducing collisions, injuries and fatalities on Saskatchewan roads. It also includes creating and maintaining a traffic accident information system, public education and awareness campaigns, creation of traffic safety strategy and associated programming.

The following table summarizes actual and projected SAF administered external spending on Traffic Safety & Driver Training Program costs for 2022/23 to 2026/27:

Table 13.9: SAF-Administered External Traffic Safety Program Spending, 2022/23 to 2026/27

Category ($000s)	2022/23 Actual	2023/24 Actual	2024/25 Actual	2025/26 Projected	2026/27 Budget	$ Increase	% Increase
TRAFFIC SAFETY PROGRAMS							
Community Engagement	12,829	12,371	13,222	13,568	13,979	411	3.0%
Program Evaluation	135	115	106	360	417	282	208.9%
Marketing	4,737	5,403	3,231	4,545	3,964	-773	-16.3%
Subtotal: Traffic Safety Programs	**17,701**	**17,889**	**16,558**	**18,473**	**18,361**	**660**	**3.7%**
DRIVER TRAINING & DEVELOPMENT							
Driver Programs (impaired driving, driver improvement)	1,208	1,182	1,187	1,206	1,213	5	0.4%
Driver Development (Driver Education & Examination Services)	9,609	9,894	11,529	11,757	12,183	2,574	26.8%
Carrier & Vehicle Safety Services	306	307	0	7	7	-299	-97.7%
Subtotal: Driver Training & Development	**11,123**	**11,383**	**12,716**	**12,970**	**13,403**	**2,280**	**20.5%**
Total Traffic Safety & Training Program Spending	**28,824**	**29,273**	**29,274**	**31,443**	**31,763**	**2,939**	**10.2%**

Does not include any program administration costs. Driver training and development expenditures are included in Regulator, Register and Driver Education expense categories.

The table above presents Traffic Safety costs as allocated through SAF's Integrated Cost Allocation Methodology (ICAM), organized by program category. The table below presents the derivation of Traffic Safety expense reported in the forecast which includes program administration

Table 13.10: Traffic Safety Program Spending ($000s)

Category	2022/23	2023/24	2024/25	2025/26	2026/27	Increase	% change
Community Engagement	12,829	12,371	13,222	13,568	13,979	1,150	9.0%
Program Evaluation	135	115	106	360	417	282	208.9%
Marketing	4,737	5,403	3,231	4,545	3,964	-773	-16.3%
Subtotal: Traffic Safety Programs	**17,701**	**17,889**	**16,558**	**18,473**	**18,361**	**660**	**3.7%**
Program Administration (derived)	**7,193**	**5,327**	**5,156**	**7,289**	**8,145**	**952**	**13.2%**
Traffic Safety Expenses (IR 2-4c)	**24,894**	**23,215**	**21,714**	**25,762**	**26,506**	**1,612**	**6.5%**

The detail of Traffic Safety expense was provided on a cost element basis, including salaries and benefits and program administration costs and was deemed confidential. The program administration costs derived in the above table to were to reconcile with the reported Traffic Safety Expense in the forecast. SAF noted that Highway Traffic Safety Board (HTSB) administrative expenses are allocated to Traffic Safety, and SAF attributed the increase in administrative costs in part to work undertaken by HTSB related to recent announcements on administrative penalties for impaired driving.

SAF has acknowledged that it was unable to reconcile total spending on traffic safety programs as reported in MFR 13 with the amounts reflected in the financial forecast, as the two sources take different views of what constitutes a traffic safety cost. [52] The Consultants' observations on this discrepancy are set out in Section 13.5.3

Total Traffic Safety

Total Traffic Safety Program costs were $28.8 million in 2022/23. SAF's traffic safety program costs were $29.3 million in 2023/24 and $ 2024/25 and are forecast to increase to 31.4 million in 2025/26 and almost $31.8 million in 2026/27. When one considers the program administration, SAF forecasts to spend more than $40 million in 2026/27

Traffic Safety Program spending consists of external funding of traffic safety enforcement and other community outreach safety initiatives. In 2015, SAF implemented the Combined Traffic Safety Services Saskatchewan (CTSS). The CTSS involved deploying 60 additional traffic safety enforcement officers on central and southeast Saskatchewan roads. Half of the positions are funded by the SAF. This dedicated traffic safety unit

[52] SAF explained that 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 falls within 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.

focuses on high-risk behaviour such as impaired driving, distracted driving, and aggressive driving. Over the past few years, the agreements between SGI and police on traffic safety initiatives have been nearly the same.

In addition to CTSS, SGI also invests in specialized traffic enforcement equipment such as automatic licence plate scanners and sobriety testing devices, as well as on a case-by-case basis. SGI also covers the overtime costs of officers conducting check stops, enabling high-visibility enforcement operations. SGI provides funding to the Selective Traffic Enforcement Program (STEP) that is held in six locations per year.

Key funding figures in Traffic Safety Programs include SGI's annual law enforcement expenditure of $9.1 million in 2021/22 which was increased to $10.8 million in 2022/23 and is forecast to remain at that level through 2025/26. The increase in 2022/23 was primarily due, salary increases for the RCMP and additional equipment purchases.

SAF invests in various traffic safety advertising campaigns to promote safe driving. SAF incurred $4.7 million on advertising programs in 2022/23, increasing to $5.4 million in 2023/24. SAF spent $3.2 million in 2024/25 and budgeted $4.5 million for advertising in 2025/26.

Driver programs are dedicated funding on impaired driving and driver improvement focused initiatives. Funding around $1.2 million annually.

SAF delivers driver education programs in Saskatchewan. SAF spent $9.6 million in 2022/23 and has forecast it to increase to $11.1 million in 2025/26 and further increase to $12. 2 million. Driver training has increased by 26.8% since 2022/23.

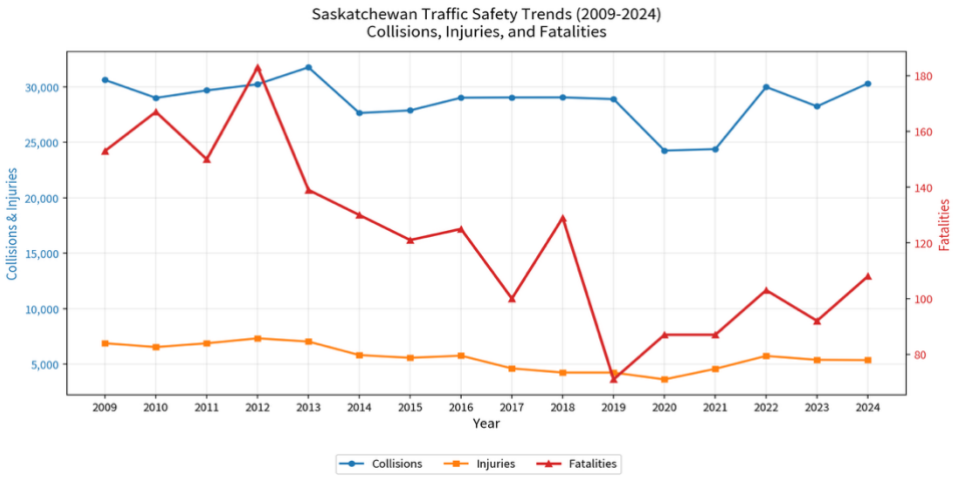
13.5.1. Traffic Safety Program Performance Monitoring

SAF collects traffic safety data to monitor the effectiveness of Traffic Safety spending. SAF provided traffic safety data from 2009 to 2024 as follows:

Table 13.11: Traffic Safety Accident Data 2009-2024

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

Figure 13.2: Traffic Safety Program Data



Traffic accident data shows clear patterns.

- Injuries fell 27% from the 2012 peak and stay well below earlier levels in 2024.
- Fatalities dropped 41% from 2012 to 2024. They hit a low in 2019 before recent higher levels.
- Collisions peaked in 2013. They fell 5 % by 2024 overall. They dropped 16% in 2020.
- The pandemic year produced sharp declines in every category. Reduced driving explains the change.
- Collision volumes returned near prior highs in 2024.

Measuring the campaign's effectiveness in changing driver behaviour was a vital component of the plan; SAF reported a significant reduction in injuries and fatalities was achieved from the execution of its strategy.

Table 13.12: Impact of SAF Traffic Safety Program Initiatives on Collisions

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%

The data demonstrates clear and sustained improvements in road safety outcomes following SGI traffic safety programs.

Fatalities fell nearly 40% from baseline in both post-implementation periods. Injuries dropped 42% initially and remained 24% lower. Total collisions declined 7-9%.

The 2021-2024 period shows continued positive results despite some rebound in collisions after 2020 lows, likely influenced by pandemic effects. Overall trend supports program effectiveness.

Long-term Trends in Collision and Injuries

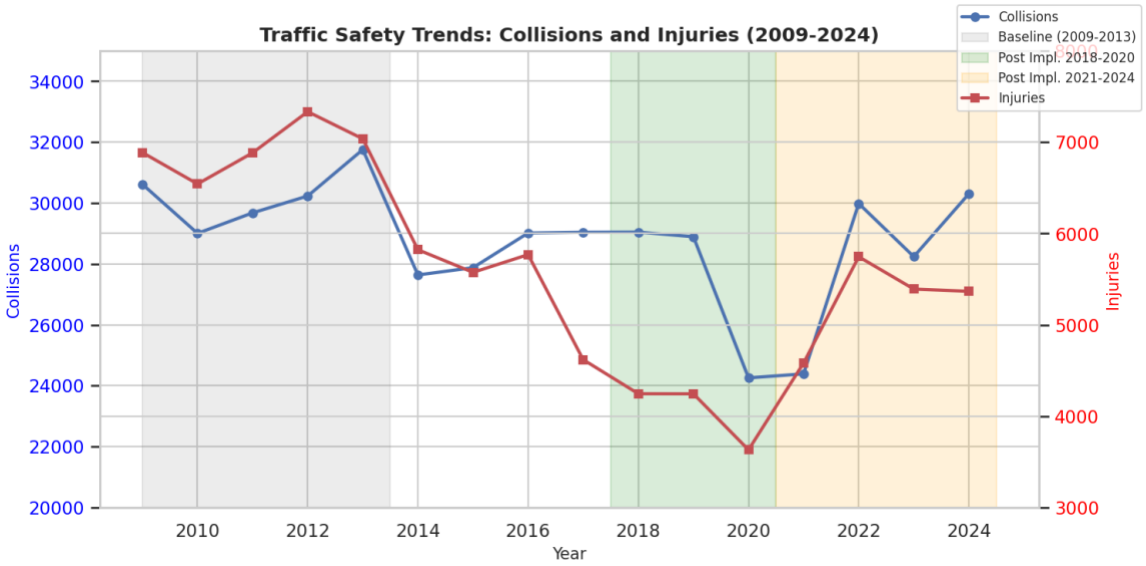


Figure 13.3: Long-Term Trends in Collisions and Injuries

Shaded regions highlight baseline and post-implementation periods. Both collisions and injuries show downward trends after 2013 with notable drops post-2017.

Fatalities Trend

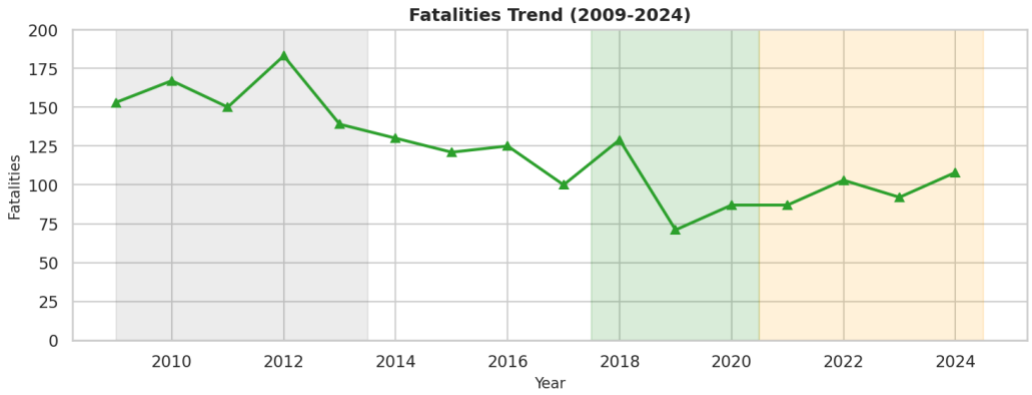


Figure 13.4: Fatalities Trend

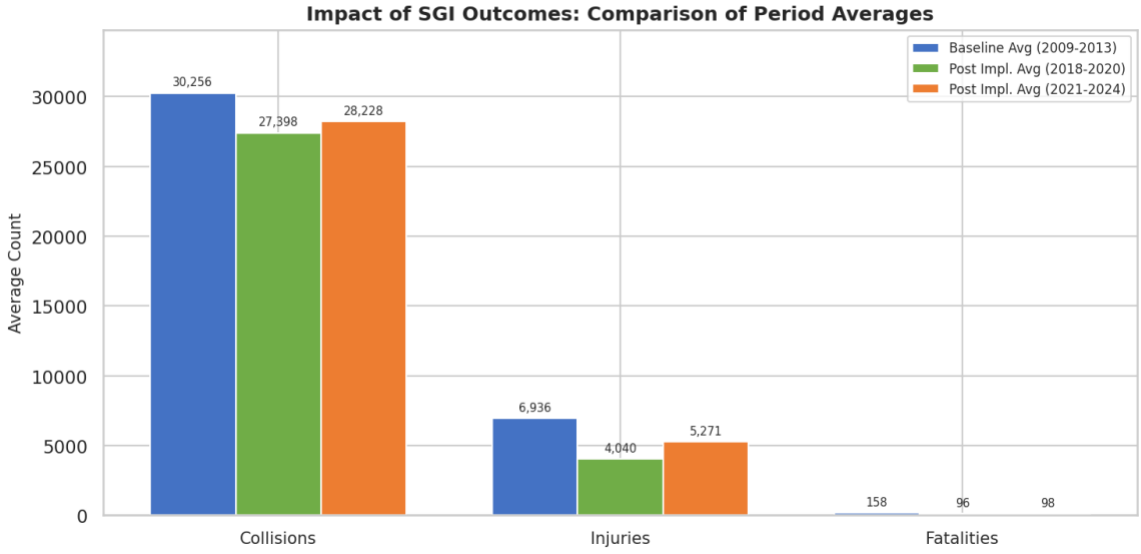


Figure 13.5: Impact of SGI Safety Outcome

Statistics Observations

After the adoption, there was a reduction of roughly 38-39% in fatalities. There was a 24–42% decrease in injuries, which may be indicative of successful injury prevention goals. The statistics show a slight but continuous reduction of 7–9% seen in collisions. The results provide evidence that traffic safety programs should continue to receive funding; however, the level of funding should be evaluated and cut where programs are not found to be effective. We recommend continuous monitoring of program spending.

13.5.2. Traffic Safety Programs

Traffic safety budgets are prepared for initiatives based on recommendations from the Traffic Safety Review Committee. Budgets for near-term initiatives are for program maintenance and ongoing programming. Initiatives requiring legislative changes are considered mid-term, while initiatives requiring implementation over many months or years are considered long-term. Amounts budgeted for each of these initiatives are based on previous budget experience and cost estimates.

SAF's areas of focus on traffic safety for the next five years are on:

1. Impaired driving – alcohol/drugs
2. Distracted driving
3. Occupant restraints
4. Commercial vehicles
5. Speed
6. Wildlife
7. Intersections
8. Road conditions

Each of the areas of focus have specific programs. SAF conducts an annual review of its various programs monitoring the success of programs using long-term collision outcomes.

Traffic safety primary focus for the five years through 2025/26 is on impaired (alcohol and drug) driving, which results in between 30 to 35% of current fatalities. Distracted driving is another focus where it is the second-highest cause of fatalities behind impaired driving and figures into between 20% to 27% of injury crashes.

SAF has established a long-term target to reduce injuries to 350 per 100,000 population by 2025/26.

SAF has established a long-term target to reduce traffic fatalities to 5.0 per 100,000 population by 2025/26. This is a targeted reduction of 50% from the ten deaths per 100,000 experienced nationally.

13.5.3. Observations on Traffic Safety Program Costs

SAF should be commended for the impact its programs have had on preventing, injuries and fatalities.

Traffic Safety expenses have grown materially in 2025/26 and 2026/5 27 from historical levels. SAF is forecasting overall traffic safety program costs to increase from $28. million in 2022/23 to $31.5 million in 2026/27, an increase of $2.8 million or 9.8% over the 2022/23 levels, while program administration costs are forecast to increase from $7.3 million in 2022/23 to $8.7 million in 2026/27 an increase of 18.1%.

Concerning program monitoring, SAF appears to be monitoring the performance of its many programs. We understand that program monitoring is essential and allows SAF to understand its program delivery effectiveness. Evaluation of initiatives will ensure that program spending is focused. The level of forecast spending on monitoring is materially higher than what SAF had spent historically. The level of monitoring spending has doubled from 2022/23 levels.

There is also an issue related to traffic safety transparency. SAF was unable to reconcile the total spending on traffic safety programs reflected in its financial statements in several places. This is due to the classification of Traffic Safety expenditures. We were unable to reconcile the total Traffic Safety expenditures. Our analysis above is our best estimate of expenditures and may not be fully representative.

SAF noted that the Traffic Safety expenses included in its financial forecasts are those allocated to traffic safety through the cost allocation method. These differ from the costs provided in MFR 13, which are the direct costs of traffic safety programming before cost allocation.

SAF explained that 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 falls within 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.

SAF noted that, given the significant differences in reporting, it was unable to easily reconcile the program expenses within MFR 13 with the Traffic Safety expense item in the SAF financial forecasts. It was also unable to reconcile the level of overhead applied to Traffic Safety expenses.

SAF has indicated that it may have identified potential budget cuts to traffic safety spending, as an area being considered to achieve future cost savings. Given the issues with transparency, it would be helpful for SAF to report, account for, and reconcile all Traffic Safety expenses incurred and their impact on the financial forecast. Such a reconciliation would help identify whether any meaningful savings can be made to Traffic Safety expenditures.

13.6. Issuers Fees & Premium Taxes

SAF for financial reporting purposes groups issuer and premium taxes.

Issuer Fees and Premium Taxes, 2022/23 to 2027/28 ($ Thousands)

(thousands of dollars)

Table 13.13: Issuer Fees and Premium Taxes, 2022/23 to 2027/28

($000s)	2022/23*	2023/24	2024/25	2025/26 P	2026/27 B	2027/28 F
Issuer Fees	49,113	49,641	59,926	60,862	63,556	67,987
Premium Taxes	51,087	53,894	56,398	58,250	61,361	65,639
Total	**100,200**	**103,535**	**116,324**	**119,112**	**124,917**	**133,626**

Source: SRRP(SAF) 1-31 c). 2022/23 to 2024/25 actuals; 2025/26 projection (P); 2026/27 budget (B); 2027/28 forecast (F).

** 2022/23 figures are restated for IFRS 17, consistent with the basis reported in IR 1-31 c).*

13.7. Issuer Fees

Issuer fees are the compensation paid to auto fund motor license issuers for driver's license issuance and vehicle insurance transactions. SGI and the Insurance Brokers Association of Saskatchewan (IBAS) signed a negotiated renewal of the Auto Fund Strategic Accord, effective May 1, 2022, with an expiry date of December 31, 2029. The Accord does not address the remuneration for issuing activities which is separate from the Accord.

There were no SAF fee changes to the fee schedule for issuing SAF insurance from the previous Accord. Under the agreement, Brokers are compensated on a 4.75% commission basis for in-person transactions and 3.75% for on-line transactions related to new and renewal vehicle registrations, Change Registration Terms, and Registration Eligibility Declaration transactions. All other transactions related to Customers, Driver Licenses, and other vehicle types continue to be based on a flat fee.

In 2024/25, SAF made a lump sum payment of $7.8 million to issuers to assist in bridging the gap between costs issuers faced today and the last time issuers' fee amounts were negotiated. SAF noted there was another similar payment made for 2025/26, with the understanding that a new agreement will be negotiated in the coming years on the fees to be paid for issuing activities.

SAF recognizes that issuers, continue to be the sole providers of SAF products and those transactions delivered online via MySGI.

Actual issuer fees for 2022/23 to 2026/27 are shown below:

Table 13.14: Issuer Fees 2022/23 to 2026/27

	Actual			Budget	Forecast
Fiscal Year ($000s)	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Premiums Written – Net	1,059,832	1,100,386	1,146,033	1,189,100	1,246,912
Total Insurance Expenses	1,112,520	1,156,191	1,356,540	1,386,263	1,434,060
Issuer Fees	49,113	49,641	59,925	60,862	63,556
% of Premiums Written - Net	4.6%	4.5%	5.2%	5.1%	5.1%
% of Total Expenses	4.4%	4.2%	4.4%	4.4%	4.4%

Forecast issuer fees after 2022/23 range from 4.2% to 4.4% of total SAF insurance expense and range from 4.5% to 5.2% of Premiums written. SAF provided the detail of the split between in-office and online transactions on a confidential basis. SAF did not reflect any possible impact of the full deployment of the CT project on the issuer fees forecast in this Application. SAF noted that the fee accord will be re-negotiated in future years.

13.8. Observations on Issuers Fees

The current Accord is in place until 2029. However, SAF has acknowledged that the current Issuers fees paid are not sufficient and has made lump sum payments of almost $15 million in the last two years. Payments of $7 million are about ½ % of the rate indication. SAF should be recommended to negotiate an updated fee structure and forego any future lump sum payments and incorporate envisioned efficiencies to processing such policies online with the new CT project's substantial completion.

We have been provided a financial forecast which shows a deterioration in SAF's financial position. It would be important to have cost certainty within that forecast, and to strike and reflect a future agreement on a reasonable fee structure in the forecast. Currently, we do not have any indication of what that might look like as negotiations have not yet commenced. There is uncertainty related to both revenue and costs in the current financial forecast, with purported future cost savings initiatives yet to be announced, and fee arrangements for issuers along with other unresolved financial issues such as insurance rates for motorcycles and urban taxis which have yet to be proposed.

13.9. Premium Taxes

Insurance issuance costs include a 5.0% premium tax on insurance premiums, which is collected and remitted to the provincial government for deposit into the General Revenue Fund. This is a statutory charge that the Auto Fund does not control. It moves in direct proportion to premium, so the increase from $51.1 million in 2022/23 to $65.6 million in 2027/28 shown in Table 13.13 reflects premium growth at a fixed rate rather than any change in SAF's operations. The charge is recovered from policyholders and is revenue-neutral to SAF.

14. COST ALLOCATION

On a confidential basis, SAF filed the SGI Integrated Cost Allocation Methodology (ICAM) and the assignment/allocation of inter and intra common costs to related companies.

The SGI group of companies, including the SAF, SGI CANADA, SGI CANADA Insurance Services Ltd. (SCISL), and Coachman Insurance Company (Coachman), incurs administrative, internal loss adjusting and traffic safety expenses that are first incurred within SGI CANADA and then allocated appropriately among the four companies. Many costs incurred by SGI CANADA relate to shared common services for the companies, which takes advantage of economies of scale and scope to minimize duplication of effort and expenses. When IFRS 17 Insurance Contracts (IFRS 17) was adopted in 2023/24 the cost allocation methodology was changed significantly to adhere to the reporting requirements of the new standard.

SGI allocates two types of expenses: administrative and loss adjustment expenses. Administrative and loss adjustment expenses have different cost drivers.

Administrative expenses are required to manage the company and provide staff support for its operations. They include all operating costs not related directly to the settlement of claims. Administrative expenses are assigned to the product lines within the company. Certain administrative expenses can be traced directly to a specific product line, while indirect administrative costs must be allocated.

LAE are costs directly related to the evaluation, processing and settlement of claims. They include costs to operate a claim centre, salaries and benefits for claims staff, travel and system expenses, etc. Some examples of departments allocated to LAE include Claims Centres (staff and buildings), Salvage, Injury and General Claims, Technical Research, Appraisal Services, Legal.

SGI allocates costs using a three-step cost allocation methodology. The three steps are direct cost allocation, step down allocation and indirect costs.

During Step 1, Direct Costs: certain Operating and support department costs are allocated directly to companies and products. Approximately 85% of expenses are directly allocated cost to a specific company/product.

The remaining 15% represent indirect costs are then allocated based on the remaining two steps.

During Step 2: Step-down allocation, indirect costs from support departments that provide services to all departments are allocated using the step-down method.

In Step 3: The remaining department costs are allocated based on an appropriate cost driver or allocation basis.

In 2022/23 SAF changed its basis of accounting to comply with IFRS 17 Insurance Contracts. This change results in changes in presentation and grouping of financial information to comply with the Standard.

SGI adopted IFRS 17 Insurance Contracts (IFRS17) in 2023/24 which replaced IFRS 4 Insurance Contracts (IFRS 4). SAF restated 2022/23 financial results and used the new standard of accounting for 2023/24 onward.

The old method (IFRS 4) allocated expenses into direct admin costs, indirect admin costs, loss adjustment expenses, and traffic safety among SGI's lines of business.

The new method for complying with IFRS 17 reporting requirements changed this significantly. It separated insurance and reinsurance cash flows from non-insurance cash flows to meet IFRS 17 requirements. It also broke Auto Fund costs into finer categories.

New expense groups are:

- Insurance-related expenses cover acquisition activities like underwriting new policies, sales, commissions, and training. Policy maintenance covers customer service, ongoing underwriting, and billing after issuance. Loss adjusting covers claims investigation and adjustment. Overheads apply to acquisition, maintenance, and loss adjusting for pricing, systems, finance, HR, facilities, and claims support.
- Reinsurance-related expenses cover purchasing and administering reinsurance contracts plus related overhead.
- Auto Fund non-insurance costs cover registrar work for vehicle registration and driver licensing, regulator work for safety standards and testing, education and training for drivers and partners, traffic safety programs for collision reduction, and overhead on these programs.
- Non-insurance covers Board, executive, and other costs not tied to insurance operations.

SGI updated the cost drivers and percentages for each department. Examples include premiums written for underwriting, claims incurred for claims teams, full-time equivalents for HR and IT, square footage for facilities, and direct allocation for Auto Fund non-insurance.

Cost Allocation Methodology Maintenance

SAF's cost allocation governance is anchored in an annual review process led by the finance department, with input from relevant departments. As part of this process, the Director of Financial Reporting and other Finance representatives meet with department management to review allocations and cost drivers. These meetings cover current cost drivers, operational changes since the last review, budget to actual variances, and allocation trends. The outcome of these meetings is a recommendation to maintain or change the allocation, which must be documented, in writing, and approved by the VP corporate controller, before implementation. While most changes occur during the annual review, ad hoc adjustments can be made in response to organizational restructuring new business lines or executive decisions following a formal approval process.

SAF's share of the allocated costs through the ICAM for 2025/26 and forecast for 2026/27 and 2027/28 are forecast to increase by four percentage points. SAF's share of the SGI expenses has been deemed confidential and are not disclosed in this report.[53]

Although there were extensive changes to the cost allocation methodology with the adoption of IFRS 17, there have been no external consultant memos or analyses that support the changes made to the allocation of costs in accordance with IFRS 17. [SRRP(SAF) 2-15]

SGI did not engage an external consultant to assist in the conversion nor to assess whether there was a need to change the basis of cost allocation or assess whether it remained reasonable.

SGI has not undertaken a Panel recommended independent Cost Allocation Study as recommended at the 2022 Rate Review. SAF notes that the cost allocation methodology is audited annually as part of the Auto Fund's audit engagement. An independent cost allocation review would also be an additional expense, which SGI is trying to limit given the gap between the premiums collected and the level of claims and expenses.

14.1. Observations on Cost Allocation

SAF made changes to its ICAM in 2023/24, where the cost allocation process migrated from spreadsheets to an accounting application. We understand this change has led to the implementation of cost drivers that could be updated monthly. This has allowed SAF to exert greater control over the assessment of costs allocated through the ICA.

From the last review to this review the share of the cost allocated to SAF has increased by 4 %. This has trended upward in the current application. SAF did not provide the allocation for 2027/28. Overall, both the magnitude of the spending and a greater share of that spending are being allocated to SAF. SAF has seen a marked increase in costs allocated, due to the CT project, with elevated staffing levels, operating two systems in parallel, and increased software licensing and support costs for the new systems. Intuitively, it should be more expensive to deliver services in the competitive market than in the compulsory SAF. There is a need for an independent cost allocation study to assess the reasonableness of the costs allocated to SAF. The Consultants recommend the Panel to recommend an independent cost allocation study on the methodology and the results.

Traffic safety costs are 100 % directly assigned to SAF. The budget for traffic safety continues to increase.

There is talk of future cost savings measures and efficiencies from CT program deployment.

We recommended in our 2022 Rate Review that SGI undertake an independent ICAM study. We strongly believe that, given the changes since 2021 and the need for significant rate increases, it is paramount to ensure that the allocation of costs to SAF customers is fair and equitable.

SGI is a parent company providing competitive insurance services, while SAF is a compulsory monopoly service. In our view, it is important that the ICAM appropriately allocate costs to SAF to ensure that there has

[53] This is a departure from past practice where information on SAF's share of SGI's expenses was publicly disclosed in our 2022 Rate Review report.

been no cross-subsidization. SAF management has reviewed the allocations made through the ICAM in prior years and undertakes an annual internal review process. SAF has confirmed that it has not had an independent external review of the ICAM. This has not been undertaken, given cost consideration and the current financial position of SAF.

In justifying not undertaking an independent study of ICAM, SGI relies on an external audit of SAF's financial statements, which is prepared for a different purpose, the preparation of a financial statements. The Auditor's objective is to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion to that effect. SGI's management is responsible for the preparation of the financial statements, which are underpinned by the ICAM.

Although its external auditors do opine on the fairness of the presentation of SAF's financial statements, the external auditor have not undertaken a specific audit report on the ICAM, nor would they consider regulatory principles in its review.

We continue to believe an external third-party independent review would allow for an assessment of whether the methodology is fair and reasonable. It could also determine whether the method is flexible and adaptable given the proposed changes in the CT project. It would be important that the methodology be stable can remain in place for an extended period. An external review also assesses whether the allocators are consistent with industry practices and are practical and fair to utilize.

An external review could provide a general validation of the methodology and suggest improvements to the ICAM process. We recommend that the Panel recommend that SAF undertake an external review of the ICAM and report back at the next rate application.

We again reiterate that the Panel recommend that SAF undertake an external review of the ICAM. An external financial audit is not sufficient in assessing whether the allocation of expenses to SAF produces a fair and equitable allocation of costs, and to identify any areas that could improve the cost allocation based on best regulatory practices. The changes in costs and processes flowing from IFRS 17 and the CT project now warrant this review.

15. PROGRAM REVENUE

15.1. Net Premium Revenue

SAF's net premium revenue was $1,232.5 million in 2023/24 and is forecast to grow to $1,415.8 million in 2026/27, an increase of $183.3 million and is forecast to grow to 1,514.7 million in 2027/28. SAF has requested 3.75% in 2026/27 and 3.75% in 2027/28 or 7.64% change in the overall premium revenue in this Application.

Three factors materially impact the premium revenues forecast; the assumed growth in the number of insured vehicles, the mix of the fleet, and discounts and surcharges under driver recognition programs. As a monopoly insurance provider, SAF insures all vehicles in the province and its projected premium revenue changes based on the number of vehicles insured. SAF indicates that overall growth for vehicles excluding trailers has been close to 3% per year over the past ten years.

Vehicle owners upgrading to newer models impacts the mix of vehicles in the province, increasing premium revenue. As newer vehicles enter the fleet mix, they cost more to insure because they are more expensive to repair or replace. SAF has indicated that in recent years the premium mix has generated, on average, an annual premium increase of 1% to 2%. SAF indicates that for the rating year, excluding any changes in rates, the impact of mix changes and volume growth on a year over year premiums increases 3.1% to 3.2% as the forecast for volume increases.

The Safe Driver Recognition program provided $149.9 million in discounts in 2023/24 and is forecast to provide $162.6 million in 2025/26, $172.7 million in 2026/27 and $184.7 million in 2027/28.

A Minister's Order governs the rating rules and discounts. They are considered a given factor for the Panel when analyzing the request for a rate application.

The Business Recognition bonuses were $23.1 million in 2023/24 and are forecast to grow to $25.1 million in 2025/26, $26.8 million in 2026/27 and $28.8 million in 2027/28. The BR program is also considered as given factors by the Panel in its review.

Table 15.1: Net Premium Revenue, 2023/24 to 2027/28

Item	2023/24 (Actual)	2024/25 (Actual)	2025/26 (Forecast)	2026/27 (Forecast)	2027/28 (Forecast)
Net premiums written before discounts	1,232,546	1,282,848	1,331,919	1,415,834	1,514,744
Safe Driver Recognition	(149,960)	(156,864)	(162,621)	(172,689)	(184,746)
Business Recognition	(23,100)	(24,272)	(25,185)	(26,853)	(28,844)
Net Premiums Written	**1,059,487**	**1,101,712**	**1,144,113**	**1,216,292**	**1,301,154**
Exposure Change %	1.7%	2.6%	1.7%	1.2%	1.3%
Impact of Rate Increase %	0.0%	0.0%	0.0%	3.0%	3.8%
Drift %	2.4%	1.4%	2.1%	1.9%	1.8%
Overall Change in net premiums written before discounts	**4.2%**	**4.1%**	**3.8%**	**6.3%**	**7.0%**

15.2. Reinsurance Ceded Program

Before 2014, the Auto Fund maintained two reinsurance programs designed to mitigate adverse effects on the RSR due to catastrophic losses caused by either a severe weather event such as hail or an automobile collision resulting in multiple serious injuries. As of April 2014, it was determined that the injury reinsurance program was no longer needed. SAF has maintained only a damage reinsurance program since then.

SAF remains covered by a catastrophe excess treaty for auto physical damage. Prior to January 1, 2015, the Auto Fund was covered independently under its own catastrophe excess treaty. As of that date, the reinsurance arrangements changed such that the catastrophe excess treaty now covers SAF and SGI Canada, including its subsidiaries, for auto physical damage and property on a combined basis. Because coverage applies to combined losses and is priced as a single program, losses from both companies are aggregated to determine whether reinsurance recoveries apply. Recoveries are then allocated between SAF and SGI Canada based on each company's respective proportion of losses, and the cost of the combined program is allocated between the two entities based on the reinsurance broker's catastrophe modelling and expected loss analysis.

Reinsurance premiums and recoveries related to this program are as follows:

Table 15.2: Reinsurance Premiums and Recoveries ($000s)

Calendar Year	Reinsurance Premiums Paid	Recoveries Received	Reinstatement Premiums Paid
2026	17,289	N/A	N/A
2025	19,363	—	—
2024	18,499	22,819	8,172
2023	18,779	—	—
2022	13,131	2,167	652
2021	10,275	63,970	10,758
Total	**97,336**	**88,956**	**19,583**

Source: SRRP(SAF) 1-32. 2021 to 2025 actuals; 2026 premiums paid, recoveries not yet determined.

From 2021 to 2026, SAF paid total reinsurance premiums of $97.3 million and received recoveries of $89.0 million, with an additional $19.6 million paid in reinstatement premiums, for a net six-year program cost of approximately $28 million. The program provided meaningful value in 2021, when a recovery of $64.0 million was received following the August Saskatchewan hail event, and again in 2024, when a recovery of $22.8 million was received in connection with the June Saskatchewan flood, hail and windstorm event that generated $52.9 million in direct losses and triggered $8.2 million in reinstatement premiums. No recoveries were recorded in 2023 or 2025, and only minor recoveries in 2022, reflecting that individual event losses in those years did not exceed or materially breach the applicable retention threshold. The 2025 event log records eleven discrete weather-related events with aggregate direct losses not yet resulting in any recovery as of January 31, 2026.

15.3. Investment Income

SAF's investment portfolio at March 31, 2025, is approximately $3,133 million, of which approximately $726.9 million relates to the Rate Stabilization Reserve and approximately $2,209 million is set aside to meet future claims. The investment portfolio is held to pay future claims, while income earned on these investments helps keep insurance rates low for vehicle owners.

Section 92 of *The Automobile Accident Insurance Act* authorizes the investment of money by the SAF subject to the restrictions and limitations contained in the *Insurance Companies Act* (Canada). [The Automobile Accident Insurance Act, s. 92] This legislation establishes the framework for SAF investment policy, which is reviewed and approved annually by the Board of Directors. [Application]

The asset mix strategy is documented in the Statement of Investment Policies and Goals (SIPG). In addition to capturing the asset mix strategy, this document guides permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions, and investment performance expectations.

SAF's investment portfolio operates as two distinct portfolios – the Matching Portfolio and the Return Seeking Portfolio. The portfolio is managed by external investment managers. The Matching Portfolio consists of short-term investments, bonds and debentures and mortgage investment funds. The target is to maintain an 80% duration hedge ratio, which may drift between 70% and 90% based on market operational needs. While the Return Seeking Portfolio holds Canadian equities, global equity, global low volatility equity, global small-cap equity, real estate investment fund and infrastructure limited partnerships. This portfolio is designed to enhance long-term returns and diversify risk.

The investment strategy relies on the Matching Portfolio to cover expected liability payments out to 20 years, with the remaining long-tail liabilities covered by the Return Seeking Portfolio.

The portfolio's asset mix strategy is set by the Board of Directors annually through a detailed assessment of SAF's risk tolerance. At March 31, 2025, SAF held 53.3% of its portfolio in fixed income matching portfolio and 46.7% in its return seeking portfolio[54]. [

The following table illustrates the asset investment allocation percentage for the Return Seeking Portfolio:

[54] SRRP(SAF) 1-45 a-c

Table 15.3: Return-Seeking Portfolio – Asset Mix 2025/26

Return Seeking Portfolio	Minimum %	Target %	Maximum%	Actual%[55]
Canadian Equities	3.0	5.0	7.0	4.5%
Global Equities	25.0	35.0	45	27.0
Global Low Volatility Equity	0.0	0.0	0.0	13.5
Global Small Cap Equities	7.5	12.5	17.5	12.0
Real Estate	7.5	12.5	17.5	11.0
Infrastructure	15.0	25.0	35.0	25.0
Sask - based Opportunistic	0.0	0.0	4.0	2.0
Return Seeking Bonds	2.5	10.0	15.0	5.0
Total		100		**100**

Source: *Application, SIPG*

The SIPG was updated twice during the Application period. Under the June 1, 2025, SIPG, the Global Low Volatility Equity mandate was terminated effective March 2025, with the allocation redistributed to Global Equities (target increased from 30% to 35%), Infrastructure (target increased from 20% to 25%), and Return Seeking Bonds (new target of 10%). The Canadian Equities mandate was subsequently terminated in December 2025 under the revised December 1, 2025, SIPG. [56]

SAF engages professional investment managers who are monitored and measured against a benchmark portfolio, weighted with investment returns from various market indices consistent with the SAF portfolio. The Return Seeking Portfolio is rebalanced monthly, with flexibility for less liquid assets like real estate and infrastructure.

Investment earnings are derived from two primary sources: cash flow from investment assets, such as interest and dividends; and realized and unrealized gains on investments. Investment income returns versus forecast for the last five years were as follows:

[55] SRRP(SAF) 1-45c
[56] SRRP(SAF) 1-45d

Table 15.4: Investment Portfolio Income & Returns Actual vs. Forecast ($M)

Fiscal Year	Forecast Portfolio $	Forecast Income	Actual Portfolio	Actual Income	Variance $	Forecast %	Actual %
2021/22	3,008	123.4	3,237	108.7	(14.7)	4.0%	3.4%
2022/23	3,083	71.1	3,127	75.4	4.3	2.3%	2.4%
2023/24	3,093	130.8	3,182	183.5	52.7	4.2%	2.6%
2024/25	3,166	138.4	3,151	257.7	119.3	4.3%	8.1%
2025/26	3,263[57]	149.0	2,869	102.8	(46.2)	4.6%	3.5%
Total	**—**	**612.7**		**728.1**	**115.5**		

Source: *SRRP(SAF) 1-45a*

SAF experienced a material variance in forecast investment income in 2024/25 with higher overall returns on its return seeking portfolio. Of note, the total portfolio in 2025/26 declined from a forecast level of 3,263 million to $2869 million a decline of 394 million. That represents a decline of about $18 million in forecast investment income based on the 4.6% return projected at the 2022 Rate Review.

[57] SRRP(SAF) 1-58 2022 Rate Review

The following table summarizes the expected asset mix of the investment portfolios for the 2020/21 to 2025/26 period:

Table 15.5: Investment Portfolio 2020/21 to 2029/30

Asset Class ($M)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual					Forecast				
Matching Portfolio										
Short-term Investments	286	26	26	35	32	33	34	35	36	37
Bonds and Debentures	1,102	1,163	1,313	1,285	1,354	1,335	1,378	1,421	1,466	1,513
Mortgages	225	230	238	254	294	280	289	298	308	317
Total Matching Portfolio	1,614	1,418	1,576	1,574	1,680	1,648	1,701	1,754	1,810	1,867
Return Seeking Portfolio										
Canadian Equities	127	98	61	61	67	55	49	43	38	32
Global Equities	769	534	390	362	464	330	301	265	230	189
Global Low Vol. Equities	—	267	194	180	—	165	150	130	115	95
Global Small Cap Equity	268	252	189	181	181	146	125	110	96	79
Real Estate	245	320	328	329	230	134	104	90	77	63
Infrastructure	296	349	384	432	452	305	229	189	153	126
Sask-Based Opportunistic	—	—	5	10	15	24	31	27	23	19
Return Seeking Bonds	—	—	—	—	64	61	52	45	34	28
Total Return Seeking	1,705	1,819	1,551	1,554	1,472	1,221	1,041	899	766	631
Total Portfolio	**3,318**	**3,237**	**3,127**	**3,128**	**3,152**	**2,869**	**2,742**	**2,653**	**2,576**	**2,498**

The total portfolio is forecast to decline from $3,152 million at March 31, 2025, to $2,869 million in 2025-26 and $2,498 million by 2029-30. [This reflects the drawdown of the RSR to fund operating deficits over the forecast period, which reduces investable assets. The Matching Portfolio is forecast to remain relatively stable, while the Return Seeking Portfolio contracts from $1,472 million to $631 million over the same period. [58]

The following table presents investment income by asset class and income type for 2020/21 to 2029/30:

Table 15.6: Investment Income by Portfolio ($000s)

Income ($000s)	2020/21	2021/22	2022/23	2023/24	2024-25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual					Forecast				
Matching Portfolio	25,809	(41,577)	1,246	24,547	115,655	21,464	63,913	67,027	67,954	70,099
Return Seeking Portfolio	494,306	164,407	86,816	173,093	155,498	91,248	77,505	66,026	57,001	48,493
Investment Expenses	(11,636)	(14,087)	(12,673)	(14,188)	(13,650)	(9,866)	(9,179)	(8,773)	(8,491)	(8,243)
Total Portfolio	508,479	108,743	75,389	183,452	257,503	102,846	132,239	124,280	116,464	110,349

Source: SRRP(SAF) 1-45 e). 2020/21 to 2024/25 actual; 2025/26 to 2029/30 forecast.

Total portfolio investment income was $508.5 million in 2020/21, $108.7 million in 2021/22, $75.4 million in 2022/23, $183.5 million in 2023/24 and $257.5 million in 2024/25. The big swings from year to year are a result of the impact that unrealized and realized gains and losses on equity and fixed income assets have.

The return seeking portfolio saw $494 million of returns in 2020/21 due to the equity market recoveries from COVID. Material losses on bonds in the matching portfolio in 2021/22 and 2022/23 were created by rising interest rates and partially offset gains elsewhere. Investment income is projected at $102.8 million in 2025/26, rising to $132.2 million in 2026/27 and then tapering to $110.3 million by 2029/30 due to the declining portfolio value over the forecast.

The 2025-26 forecast incorporates a $(41.7) million bond gain reversal in the Matching Portfolio as yields increase and normalize. As the return seeking portfolio contracts, income from equities and real assets progressively declines over the forecast period. [SRRP(SAF) 1-45 (e)]

[58] SRRP(SAF) 1-45 a), b)

Table 15.7: SAF Investment Return Forecast

Fiscal Year	2025/26	2026/27	2027/28	2028/29	2029/30
Forecast Investment Income ($M)	$102.8	$132.2	$124.4	$116.4	$110.4
Expected Return (Gross of Fees)	3.9%	5.2%	5.0%	4.9%	4.7%
Expected Return Net	3.6%	4.8%	4.7%	4.5%	4.4%

Source: *Application, Tab 23*

The forecast investment income in 2025/26 in 102.8 million is significantly lower due to forecast changes in interest rates generating significant capital losses in the fixed income portfolio totalling $41.7 million. The bond portfolio is forecast to have $21.5 million in investment income (only a 1.8% return) in 2025/26. The return seeking portfolio returns remain relatively constant over the forecast period, is under 5% and trending downward.

15.3.1. Observations on Investment Income

SAF appears to have strong controls over the management of its investment portfolio. We are satisfied that SAF has adhered to the approved Investment Policy that dictates the parameters of investments for each of the Matching and Return Seeking Portfolios. There appear to be changes in the portfolio mix which should increase exposure to global equities.

The total investment portfolio is forecast to decline from $3,318 million at March 31, 2021 to $2,498 million by 2029/30, driven by the drawdown of the Return Seeking Portfolio from $1,705 million to $631 million over the same period As a direct consequence, total portfolio investment income is forecast to fall from $257.5 million in 2024-25 to $102.8 million in 2025-26 a reduction of $154.7 million in a single year and to continue declining to $110.3 million by 2029/30, as the shrinking asset base generates progressively less income. This compounds the pressure on capital: the same operating deficits that draw down the RSR also shrink the asset base, which reduces the investment income that has historically helped offset those deficits. The following situation supports the Consultants' recommendation that the 2027/28 rate is not recommended on the current record, and that the 2027/28 rate year be addressed in a separate application where the relevant financial information can be brought forward and tested.

15.4. Other Revenue

The table below lists the elements of Other Revenue from 2022/23 to 2026/27 as follows:

Table 15.8: Other Revenue 2022/23 to 2026/27

	2022/23	2023/24	2024/25	2025/26B	2026-27F
Salvage Sales	75,922	75,835	75,928	77,179	77,909
Safe Driver Recognition program penalties	30,562	31,329	30,348	31,962	33,672
Program and service fees	17,543	19,396	19,713	19,633	24,687
Other revenue (Total)	**124,027**	**126,560**	**125,989**	**128,774**	**136,268***

Other revenue was $124.0 million in 2022/23, $126.6 million in 2023/24, and $126.0 million in 2024/25. The 2025/26 projection for other revenue is $128.8 million, an increase of $2.8 million or 2.2% from the 2024/25 actual. Other revenue is forecast to grow to $133.3 million in 2026/27.

Salvage Sales result from salvage operations, including salvage recovery from total loss vehicles through sales of whole vehicles and vehicle parts. Salvage Sales are projected at $77.2 million in 2025/26, a $1.3 million or 1.6% increase from the 2024/25 actual of $75.9 million. Salvage Sales are budgeted at $77.9 million in 2026/27.

Safe Driver Recognition program penalties are surcharges levied on at-fault drivers and are applied to reduce the cost of auto insurance for safe drivers. SDR penalties are projected at $32.0 million in 2025/26, a $1.6 million or 5.3% increase from the 2024/25 actual of $30.3 million. SDR penalties are budgeted at $33.7 million in 2026/27.

Program and service fees include charges for administration and processing across various SAF programs and services. Program and service fees are projected at $19.6 million in 2025/26, broadly in line with the 2024/25 actual of $19.7 million. For 2026/27, program and service fees are budgeted at $24.7 million, a $5.0 million or 25.7% increase from 2025/26, reflecting the administrative fee increases that came into effect January 1, 2026. These fee increases are forecast to raise approximately $5.0 million in 2026/27, representing a partial-year impact, with an estimated annualized impact of approximately $20.0 million. [SRRP(SAF) 2-5 b)]

Prior to the implementation of IFRS 17 in 2022/23, SAF reported Salvage operations on a net basis. Salvage net profit results from salvage operations, including salvage recovery from total loss vehicles through sales of whole vehicles and vehicle parts. The actual operating results for Salvage Operations for the last five years and forecast for 2021/22 are as follows:

Table 15.9: Salvage Operations 2019/20 to 2026-27

Fiscal Year ($000s)	2022/23	2023/24	2024/25	2025-26F	2026/27B
	Actuals			Projected	Budget
Sales	74,648	74,489	74,557	75,807	76,505
Costs	42,436	41,898	42,260	44,469	45,358
Admin Expenses	6,451	9,133	9,024	9,594	9,608
Net Sales	25,761	23,458	23,273	21,744	21,539
Other Income	1,312	1,329	1,370	1,372	1,404
Net Profit	**27,073**	**24,788**	**24,643**	**23,116**	**22,943**

Source: SRRP(SAF) 1-28. 2019-20 to 2024-25 actuals; 2025-26 projected; 2026-27 budget.

The net profit from salvage operations decreased by approximately $0.1 million from 2023-24 to 2024-25, from $24.8 million to $24.6 million. For 2025-26, salvage net profit is projected to be $23.1 million, a $1.5 million or 6.2% decrease from 2024/25[59]. SAF forecasts salvage operations to earn a net profit of $22.9 million in 2026/27

15.4.1. Observations on Salvage Operations

SAF's salvage operations have been profitable and have realized savings of $27 million in 2022/23, but there has been a decline in profitability. SAF is forecasting a reduction of salvage income in 2026/27 to $22.9 million, a reduction of over $4.1 million from 2022/23. The reduced forecast profitability is due to a forecast increase in administrative costs since 2023/24.

[59] SRRP(SAF) 1-28

16. FINANCIAL FORECAST OUTLOOK

The following reflects the forecast operating results for 2024/25, and the forecast operating results for the next three years based on 3.75% increase in each of 2026/27 and 2027/28 The 7.65% rate change does not include any change to the capital margin currently in rates. The revenue requirement proposed in this Application, 3.75% took effect June 1, 2026:

Table 16.1: Financial Forecast, 2024/25 to 2027/28

Year ended March 31	2024/25	2025/26B*	2026/27F	2027/28F
Gross premiums written	1,128.0	1,165.0	1,237.0	1,323.3
Change in gross unearned premiums	(21.7)	(17.0)	(33.8)	(38.0)
Short-term Registration and AutoPay Revenue	39.7	41.1	43.7	46.7
Insurance Revenue	1,146.0	1,189.1	1,246.9	1,332.0
Insurance Service Expenses				
Gross claims incurred	896.6	1,014.0	1,066.1	1,083.5
Prior year claims (Net of Disc/Risk Margin)	25.6	(20.7)		
Loss adjusting expense (LAE)	269.1	222.0	227.0	231.3
Issuer fees and premium taxes	116.3	119.1	125.9	134.6
Change in Loss Component	19.2	19.8	(20.3)	(30.6)
Insurance expenses	29.8	32.1	35.4	35.6
Insurance Service Expenses	1,356.5	1,386.3	1,434.1	1,454.4
Net revenue (expenses) from reinsurance contracts				
Premiums ceded to reinsurers	(26.2)	(20.9)	(20.7)	(22.1)
Change in unearned reinsurance premiums	0.6	(0.3)	0.6	1.0
Ceded claims incurred	21.5			
Ceded admin expenses	(0.2)	(0.2)	(0.2)	(0.2)
Net revenue (expenses) reinsurance contracts	(4.4)	(21.3)	(20.3)	(21.2)
Insurance Service Result	(214.9)	(218.5)	(207.4)	(143.7)
Investments Result				
Investment earnings (losses)	257.7	218.7	152.5	150.9

Year ended March 31	2024/25	2025/26B*	2026/27F	2027/28F
Insurance finance income (expense)	(139.1)	(64.1)	(63.7)	(79.4)
Reinsurance finance income (expense)	0.3	0.3	0.1	(0.0)
Investments Result	118.9	155.0	88.8	71.5
Other Revenue	126.0	128.8	136.5	155.5
Traffic Safety	21.7	25.8	26.5	26.6
Other Expenses	206.4	213.2	216.8	213.6
Increase (decrease) to Rate Stabilization Reserve	(198.0)	(173.6)	(225.3)	(156.9)
Rate Stabilization Reserve, beginning of year	924.9	726.9	553.3	327.9
Rate Stabilization Reserve, end of year	726.9	553.3	327.9	171.1
Minimum Capital Test (MCT)	111.8%	82.7%	49.4%	24.4%
MCT — Rolling 12-month avg.	133.3%	97.2%	66.0%	36.9%

* The 2025/26 figures shown are forecasts prepared during the review. Based on the recently released Annual Report, the audited 2025/26 Rate Stabilization Reserve decreased by $93.3 million against the projected decrease of $173.6 million, a favourable variance of $80.4 million, for an audited year-end Reserve of $633.6 million and an MCT of 98.0%. SAF advised that the variance is largely one-time and did not provide an updated forecast The Consultants have not been provided with the analysis supporting that flow through and the impact on the rating years. See section 9.6.

SAF has deemed its financial forecast beyond the test years (for 2028/29 to 2030/31) confidential information that cannot be disclosed. This is a departure from the 2022 Rate Review, where we were able to disclose the five-year forecast period beyond the rating year. We have been limited to disclosing the financial forecast that impacts the 2026/27 and 2027/28 test years. There remain unresolved issues on rates for motorcycles and urban taxis, and the full standing up of the CT project. As a result, the record of the proceeding related to the second test year, 2027/28, is not fully determined, and we have limited our comments and rationale for a rate increase to 2026/27 and do not recommend a rate increase for 2027/28 until noted matters are resolved. We note that even on the public test-period figures, retained earnings decline to $171.1 million and the MCT to 24.4% by the end of 2027/28, well below the 90% internal target and the 125% long-term capital target. The Consultants have limited their comments and rationale to 2026/27 and do not recommend a rate increase for 2027/28 until the noted matters are resolved.

16.1. Observations on Financial Forecasts in Recommending Rate Approval

Disclosure of Financial Forecast Information

SAF provided its multi-year financial forecast to the Consultants on a confidential basis as part of the interrogatory process. The Consultants have reviewed that information in its entirety, including the outlook period through 2030/31. The Terms of Reference and confidentiality guidelines governing this proceeding prohibit its public disclosure or reporting in this Report. The observations and recommendations that follow are therefore informed by that confidential review but cannot be attributed to specific figures or projections from the forecast itself.

The Consultants are not permitted to report the contents of the confidential forecast or any conclusion drawn from it. This limitation is disclosed to ensure the Panel is fully aware of the constraints on the analysis. Publicly available information for the test period indicates that the capital position has declined. A comprehensive multi-year plan addressing the capital position was not presented in the Application or filed in response to information requests. The conclusions in this Report are subject to this scope limitation and should be read accordingly.

Because the multi-year financial forecast is confidential, the Consultants are not able to demonstrate to the Public that the proposed rates, or any alternative rates the Panel might set, are adequate to restore and maintain the Auto Fund's target capital position over the planning horizon. This is a limitation on what can be shown on the public record, not on the Consultants' own review.

Because material information bearing on the 2027/28 rate is confidential and cannot be tested on the public record, the Consultants are not in a position to provide an unqualified opinion on the sufficiency of the 2027/28 proposed rate. A separate forum in which that information can be disclosed and tested is required to assess it.

The Regulatory Norm

Transparency of financial forecasts is a foundational principle of effective Public rate regulation. When a Crown insurer seeks regulatory approval for a rate change, the financial forecast underpinning that request is not merely internal management information it is the evidentiary basis upon which the Panel must assess whether the proposed rates are fair, reasonable, and sufficient. Withholding that foundation from Public scrutiny is inconsistent with the purpose of the regulatory process itself.

Both of SAF's closest Crown Corporation peers operate transparently in this regard. Manitoba Public Insurance submits detailed multi-year financial forecasts as part of its Public rate filings before the Public Utilities Board, (PUB) including projected RSR balances, MCT trajectories, and scenario analyses. To the extent that specific aspects of an application may be commercially sensitive, the PUB has Commercially Sensitive Information (CSI) protocols to address related concerns[60]. The Insurance Corporation of British Columbia does the same before the British Columbia Utilities Commission (BCUC). For instance, for its 2023 Revenue Requirement Application, ICBC requested that "public disclosure of the redacted information in the 2022/23 Annual Information Technology Capital Expenditure Plan could influence negotiations on current and future IT capital

[60] Order No. 156/25, December 19, 2025, pp. 20-21.

projects and may result in economic harm to ICBC and its customers"[61] The BCUC accepted ICBC's logic, and intervenors had no issues with respect to the confidentiality request.

In both cases, the forecast is a Public document subject to interrogatories, cross-examination, and Public comment. This transparency is not incidental; it is what gives the regulatory process its credibility and allows the reviewing body to discharge its mandate with full information.

The Problem Created by Confidentiality in This Application

SAF's decision to designate its financial forecast as confidential creates a material asymmetry of information in this proceeding. SAF's management has a complete picture of the Auto Fund's financial trajectory through 2030/31, and the Panel has reviewed that forecast, but it is not available to the Public or to policyholders and cannot be placed on the Public record. The Panel is therefore asked to assess the fairness and reasonableness of a multi-year rate request on a Public record that does not contain the information needed to evaluate whether those rates are adequate over the full rate program period, the impacts of which extend beyond 2027/28.

This asymmetry also affects ratepayers directly. SAF seeks an increase from policyholders who have no alternative source of coverage, while withholding from them the forecast that bears on whether the request is justified. The Panel has seen that forecast but cannot report it, leaving the Public record incomplete.

The Panel cannot fully discharge its mandate, which includes opining on the fairness and reasonableness of the proposed rates, when the financial foundation of those rates is shielded from Public scrutiny. The presence of a scope limitation in this Report should itself signal to the Panel that the conclusions presented herein are necessarily constrained.

Recommendation

The Consultants recommend that the Panel formally recommend to the Minister and to SAF that financial forecast information used as the basis for a rate application be treated as a Public document in all future proceedings. The following principles reflect best practice in Crown insurer rate regulation. Without Public disclosure, the Panel assesses the application on a partial record. In the Consultants' view, a partial record constrains the Panel's ability to assess the full rate program.

The financial forecast submitted in support of a rate application should be disclosed publicly in its entirety, including multi-year projections of the RSR balance, MCT ratio, net premiums, claims incurred, operating expenses, investment income, and the insurance finance result under IFRS 17. Selective disclosure publishing only the near-term forecast while withholding the outlook period is insufficient where the rate request itself covers multiple years and the adequacy of rates must be assessed in the forecast period.

[61] ICBC reference Order G-266-23, October 11, 2023, Section 5.3 p. 35

Stress testing and alternate rate scenario analysis should similarly be disclosed. The Financial Condition Testing report, or a meaningful Public summary of its key findings, should accompany the rate application. The Panel and policyholders cannot assess capital adequacy without understanding the range of adverse scenarios the Auto Fund is capable of withstanding.

Where SAF believes specific elements of its forecast contain genuinely commercially sensitive information, a targeted confidentiality designation for those elements is appropriate. A blanket designation applied to the entire forecast is inconsistent with the practice of MPI and ICBC, both of which navigate commercial sensitivities while maintaining substantive Public transparency in their rate proceedings.

Finally, the Panel should consider making Public disclosure of the financial forecast a standing condition of its future recommendations. The case for a rate increase must be demonstrated to the Public on the record, not established on information withheld from it. Ratepayers are compelled to pay the rates SAF charges, and the evidence justifying those rates should be open to them and to the Panel. If SAF returns for a rate application in 2027 without a publicly available forecast, the Panel should make clear that it cannot recommend the proposed rates as fair and reasonable, because the basis for them has not been demonstrated on the Public record. Transparency here is not a matter of good governance alone. It is essential to Public confidence in the Auto Fund and in the integrity of the regulatory process that oversees it. Accordingly, the Panel should limit its recommendation to the first test year and should not recommend a rate increase for the second year.

17. PERFORMANCE MANAGEMENT AND MEASURES

SAF filed its 2021/22 Performance Management Plan and Balanced Scorecard in confidence. SAF's Performance Management plan serves as its strategic plan for the year consistent with the long term Corporate strategic plan, which spans the years 2020/21 through 2025/26.

In the 2021/22 strategic plan, the Corporation has embarked on a new three-year strategy. Its objective is corporate transformation which includes transforming its technology, operations and culture. SAF is focused on:

- Maintaining low, stable auto insurance rates;
- Maintaining a positive customer experience;
- Preventing deaths, injuries and property damage caused by traffic collisions;
- Improving long-term efficiency;
- Reducing technical debt and reliance on external expertise;
- Maturing the capabilities required to be a digital insurer;
- Improving change management and leadership effectiveness; and
- Investing in its people.

SAF uses a balanced scorecard to monitor performance towards these corporate goals and provide an evaluation of key financial and operational results.

17.1. Performance Measures

The following table sets out SAF's key operational performance metrics for the three years ended March 31, 2025. The data is drawn from IR 2-28a and reflects basic insurance operations only. The notes to the table are provided below it.

Table 17.1: SAF Key Operational Performance Measures

Measurement Trends SAF Auto Fund			
Metric	**2022/23**	**2023/24**	**2024/25**
Headcount Analysis			
1. FTEs per $100M Gross Premiums Written	134.04	139.72	137.51
2. Mgmt. FTEs per $100M Gross Premiums Written	16.69	16.70	15.34
3. Staff FTEs per $100M Gross Premiums Written	117.35	123.02	122.17
Span of Control Analysis			
4. Ratio of Staff to Management	7.03	7.37	7.97
Premium Metrics			
5. Total Gross Expenses as % of Gross Premiums Written	25.06%	25.67%	26.72%
6. Average Gross Premiums Written ($000s)	1,036,243	1,077,880	1,127,954
7. Gross Premiums Written per FTE	$746,035	$715,724	$727,243
9. Net Premiums Written as % of Gross Premiums Written	98.18%	98.29%	97.67%
10. Total Net Expenses as % of Net Premiums Written	25.52%	26.12%	27.36%
Policy Metrics			
11. Adjusted Policies In Force per FTE	690.14	646.23	648.21
12. Total Gross Expenses per Adjusted Policy In Force	$270.87	$284.30	$299.78
Traffic Safety Measurements			
13. Total Traffic Safety Expenses ($000s)	$24,894	$23,215	$21,714
14. Traffic Safety Expenses as % of Gross Premiums Written	2.40%	2.15%	1.93%
Other Performance Measurements			
15. Pure Loss Ratio	**1.028**	**1.051**	**1.211**
16. Loss Adjustment Expense Ratio	0.159	0.168	0.188
17. Total Gross Expenses per FTE	$186,937	$183,724	$194,319

Notes: The Loss Adjustment Expense Ratio serves as an indicator of costs spent on loss adjusting, both internal and external. FTEs exclude Salvage operations and are measured at a specific point in time (March 31 of each year) and are not consistent with annualized figures in other responses. Management FTEs quoted here differ from out-of-scope FTEs in other responses as they exclude individuals without direct reports.

Headcount Analysis

Metric 1 — FTEs per $100 million of Gross Premiums Written.

Put simply, this measures how labour-intensive the organization is relative to the size of its book of business. The more employees required to generate each $100 million of premium, the less efficiently the workforce is deployed.

SAF's ratio increased from 134.04 in 2022/23 to 139.72 in 2023/24 the peak of CT project staffing before pulling back to 137.51 in 2024/25. The slight improvement in the most recent year is welcome, but it does not change the three-year direction: SAF is using more staff per dollar of premium today than it was in 2022/23. Given that average premiums written grew from $1.04 billion to $1.13 billion over the same period, the rising intensity tells us that headcount growth has simply outrun revenue growth. That is a concern, and it will need to reverse meaningfully once the CT project is wound down.

Metric 2 — Management FTEs per $100 Million of Gross Premiums Written.

This narrows the lens to the management layer specifically. It answers the question of whether SAF's supervisory and leadership complement is proportionate to the scale of the business.

After holding virtually flat at 16.69 and 16.70 in the first two years, this ratio fell to 15.34 in 2024/25. That is a move in the right direction. Whether it reflects deliberate organizational restructuring or simply the timing of management departures and the CT project cycle is not entirely clear from the data alone, but the direction is appropriate and worth monitoring.

Metric 3 — Staff FTEs per $100 Million of Gross Premiums Written.

The counterpart to Metric 2, this captures the non-management portion of the workforce relative to premiums. The two together give a complete picture of how the overall headcount is composed.

Staff FTEs per $100 million rose from 117.35 to 123.02 between 2022/23 and 2023/24, then eased slightly to 122.17 in 2024/25. The pattern follows the total FTE metric closely. The marginal decline in the most recent year suggests the front-line staffing build-up associated with the CT project may be past its peak, but the level remains elevated relative to where it started.

Span of Control Analysis

Metric 4 — Ratio of Staff to Management.

The span of control ratio answers a straightforward question: how many staff does each manager oversee? A wider ratio generally means a leaner, more efficient management structure. A narrowing ratio suggests management layers are thickening relative to the front line.

This is the one headcount metric moving consistently in the right direction. The ratio improved from 7.03 in 2022/23 to 7.37 in 2023/24 and then to 7.97 in 2024/25. Each manager is now overseeing more staff than two years ago, which is a sign of a flatter and more efficient structure. If this trend continues as transformation-related management positions are not backfilled when they turn over, it will become a genuinely meaningful efficiency gain.

Premium Metrics

Metric 5 — Total Gross Expenses as a Percentage of Gross Premiums Written.

Before a single claim is paid, how much of every premium dollar is consumed by operating costs? That is what this metric answers. It is perhaps the broadest single indicator of expense efficiency across the organization.

The ratio moved from 25.06% in 2022/23 to 25.67% in 2023/24 and 26.72% in 2024/25. Cumulatively, that is a 1.66 percentage point increase over three years. More concerning than the level is the pace: the step up between 2023/24 and 2024/25 was larger than the step up in the prior year, which suggests cost pressures are not easing as the CT project nears completion they are accelerating. That is not the trajectory one would hope to see.

Metric 6 — Average Gross Premiums Written ($000s).

This is the size of the premium base, expressed as an average for the year. On its own it is simply a scale indicator, but it provides the denominator for most of the other efficiency metrics and is therefore essential context for interpreting them.

Premiums grew steadily from $1.04 billion in 2022/23 to $1.13 billion in 2024/25, an increase of roughly 8.8% over three years. That growth is driven primarily by a larger vehicle fleet and the mix effect of newer, more expensive vehicles requiring higher coverage. The premium base is growing which makes the deterioration in the expense and loss ratios all the more telling, since favourable revenue growth has not been sufficient to offset the cost pressures working against it.

Metric 7 — Gross Premiums Written per FTE.

This is Metric 1 viewed from the other direction: rather than employees per unit of premium, it is premium per employee. A rising number means the workforce is becoming more productive; a falling number means staffing is growing faster than the book of business.

The metric dropped from $746,035 in 2022/23 to $715,724 in 2023/24 a decline of about 4.1% before partially recovering to $727,243 in 2024/25. The recovery is welcome but incomplete. SAF is still generating less premium per employee today than it was two years ago, and the gap has not closed fully. This metric will be a useful barometer of whether the efficiency gains that SAF expects from the completed CT project actually materialise in future years.

Metric 9 — Net Premiums Written as a Percentage of Gross Premiums Written.

This ratio reflects how much of gross premium is retained after ceding reinsurance. A stable ratio confirms that reinsurance costs are not consuming a growing share of revenues.

At 98.18%, 98.29%, and 97.67% across the three years, this metric has been essentially flat. The reinsurance program has not been a meaningful driver of the changes in net expense ratios over this period. That stability simplifies the interpretation of the net metrics below.

Metric 10 — Total Net Expenses as a Percentage of Net Premiums Written.

This is the net version of Metric 5 total expenses as a share of premiums after reinsurance. It gives a cleaner view of operating cost efficiency from the perspective of what SAF actually retains.

The ratio rose from 25.52% to 26.12% to 27.36% over the three years. With the reinsurance ratio essentially stable, this net metric tells the same story as the gross metric: expenses are taking up a growing share of each retained premium dollar. The acceleration in 2024/25 is, again, the more worrying feature of the trend.

Policy Metrics

Metric 11 — Adjusted Policies In Force per FTE.

Where Metric 7 uses premiums as the productivity yardstick, this metric uses policies. It captures how many active policies each employee is effectively supporting at any given time. A declining ratio means the workforce has grown faster than the policy count it serves.

Policies per FTE fell sharply from 690.14 in 2022/23 to 646.23 in 2023/24 a drop of nearly 6.4% in a single year before stabilising at 648.21 in 2024/25. The drop in 2023/24 maps directly onto the CT project staffing peak. The near-flat result in 2024/25 suggests the situation has stopped getting worse, but it has not meaningfully improved. SAF is running a workforce that is larger relative to its policy count than it was two years ago and closing that gap will depend on whether future staffing reductions keep pace with or outrun any growth in the policy base.

Metric 12 —Total Gross Expenses per Adjusted Policy In Force.

This measures what it costs to administer each policy in the portfolio total gross expenses divided by the number of active policies. It combines headcount efficiency and unit cost into a single per-policy figure.

The metric has risen in a straight line: $270.87 in 2022/23, $284.30 in 2023/24, and $299.78 in 2024/25. That is a $28.91 increase or 10.7% over three years a compound annual growth rate of around 5.2%. To put that in context, SAF's own premium base grew at roughly 4.5% annually over the same period, and the Bank of Canada's inflation target is 2%. Costs per policy are growing faster than both. At $299.78 in 2024/25, SAF is essentially at the $300 threshold, and on current trends it will pass through that level in 2025/26.

Traffic Safety Measurements

Metric 13 —Total Traffic Safety Expenses ($000s).

SAF has a statutory responsibility for traffic safety in Saskatchewan, and this metric tracks the absolute dollar level of spending on those programs enforcement funding, Public awareness campaigns, driver education, and related initiatives. A decade of evidence shows these programs have had a tangible impact on collision and fatality rates in the province.

Spending fell from $24.9 million in 2022/23 to $23.2 million in 2023/24 and $21.7 million in 2024/25, a reduction of $3.2 million or 12.8% across the period. That is a substantial decline in absolute terms. Whether it reflects considered program rationalization or simply budget pressure flowing through from the broader cost environment is not entirely clear. Either way, the downward trend deserves scrutiny to confirm that program effectiveness is not being quietly sacrificed.

Metric 14 — Total Traffic Safety Expenses as a Percentage of Gross Premiums Written

Expressing traffic safety spending as a share of premiums adjusts for the growth of the Auto Fund and provides a normalized view of how much of each premium dollar is being directed toward road safety.

The ratio fell from 2.40% in 2022/23 to 2.15% in 2023/24 and 1.93% in 2024/25. The decline is not just in dollar terms; it is also proportional. Traffic safety is taking up a smaller share of each premium dollar than it did two years ago. Given SAF's legislated mandate in this area and the documented link between program funding and safety outcomes, the Panel should ask SAF to confirm that the reduction is deliberate, and that program performance is being maintained.

Other Performance Measurements

Metric 15 — Pure Loss Ratio.

The Pure Loss Ratio divides net claims incurred by net premiums written. When the ratio is above 1.0, SAF is paying out more in claims than it is taking in as premium before operating expenses, investment income, or any other adjustment. It is the single most direct measure of whether premiums are covering claims.

The ratio was 1.028 in 2022/23, meaning claims were already exceeding premiums. By 2023/24 it had risen to 1.051. In 2024/25 it jumped to 1.211. That increase of 0.160 in a single year is striking. It means that in 2024/25, for every dollar of premium SAF collected, $1.21 went out the door in claims alone before a cent was spent on staff, systems, or traffic safety. The cumulative increase of 0.183 over the three-year period, representing growth of 17.8%, is not a drift it is a structural deterioration in the relationship between premiums and claims. This number, more than any other in this table, explains why the RSR is declining, why the MCT is falling, and why the proposed 3.75% rate increase is insufficient to stabilise the Auto Fund's financial position.

Metric 16 — Loss Adjustment Expense Ratio.

This ratio captures the cost of actually handling and settling claims for both the internal claims staff and external adjusters, legal costs, and related expenses expressed as a proportion of net premiums. A rising ratio means claim administration costs are growing faster than the premium base supporting them.

The ratio moved from 0.159 in 2022/23 to 0.168 in 2023/24 and 0.188 in 2024/25, an increase of 0.029 or about 18.2% over the period. The drivers are consistent with what has been described elsewhere in this Report: higher salaries and benefits, CT project-related system costs, and the elevated cost of running legacy and new claims platforms in parallel during the transition. An 18% increase in LAE relative to premiums in three years is material and will need to be monitored closely as the transformation completes.

Metric 17 —Total Gross Expenses per FTE.

This metric complements the headcount ratios by capturing the cost side of the workforce equation. Rather than measuring how many employees there are per unit of premium, it asks how much each employee costs on average across all gross operating expenses.

The metric was $186,937 in 2022/23, dipped to $183,724 in 2023/24, and then rose to $194,319 in 2024/25, the highest point in the three-year period. The 2023/24 dip is likely a function of the timing of CT project expenditures rather than any genuine reduction in the cost per employee. The 2024/25 result is consistent with the broader expense picture: costs per head are rising, and the combination of more employees at higher average cost per employee is compounding the pressure on expense ratios.

Summary of Observations

Taken across all seventeen metrics, the three-year trend is one of consistent deterioration on the measures that matter most. Expense ratios are up. Productivity per employee is down. Policy administration costs are growing well above inflation. And the Pure Loss Ratio has moved from a level that was barely manageable to one that is deeply problematic. The one area of genuine encouragement is the span of control ratio, which has improved in each of the three years and suggests some structural efficiency gains may be emerging as the CT project matures. But a widening span of control does not offset a Pure Loss Ratio of 1.211. SAF's rate levels are not keeping pace with its claims costs, and the operational metrics in this table document the financial consequences of that gap in granular detail.

17.2. Productivity and Efficiencies

SAF provided information related to savings from productivity and efficiency initiatives implemented and to be implemented in 2025/26 2021. A list of those initiatives including savings amounts was provided on a confidential basis. This contrasts with the 2022 Rate Review where we were provided a table of initiative savings for our report.

17.2.1. Observations on productivity and efficiency initiatives savings

We would expect SAF to report productivity and efficiencies realized and to be realized. Given the implementation of new computer systems and processes, we recommend the panel request the Minister to have SAF provide a fulsome level of productivity and efficiency savings that can be publicly disclosed

17.3. Internal Operating Measures[62]

SAF calculates internal operating measures to measure and gauge operational efficiencies. The following measures since the last rate review are as follows:

[62] MFR 20

Table 17.2: Internal Operating Measures and Ratios, 2019/20 to 2027/28

Ratio / Metric	Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23 (IFRS4)	Actual 2022/23 (IFRS17)	Actual 2023/24	Actual 2024/25	Budget 2025/26	Budget 2026/27	5 yr Hist CAGR	2 yr Outlook CAGR
Operating Expense Ratio	7.44	7.2	9.28	12.76	15.89	16.61	17.12	16.82	15.75	24.2%	-6.3%
% Yearly Change		-3.2	28.9	37.5		4.54	3.08	-1.79	-6.33		
Claims Expense Ratio	15.65	18.38	17.98	18.14	18.42	15.1	24.9	19.57	19.21	7.9%	-1.8%
% Yearly Change		17.4	-2.2	0.9		-18.04	64.92	-21.4	-1.86		
Loss Ratio	77.42	63.34	76.33	93.09	79.57	82.57	83.34	90.52	90.99	7.1%	0.5%
% Yearly Change		-18.2	20.5	22		3.77	0.93	8.61	0.52		
Combined Ratio (OpEx+Claims+Loss+Comm)	110.52	98.87	113.65	133.93	123.77	124.22	136.13	137.43	135.99	8.3%	-1.0%
% Yearly Change		-10.5	15	17.8		0.37	9.59	0.95	-1.05		
Operating Expense per Policy ($)	57.62	57.28	59.54	13.36	16.63	17.58	18.32	18.71	17.99	25.9%	-3.8%
% Yearly Change		-0.6	3.9	-77.6		5.67	4.21	2.14	-3.84		
Claims Expense per Claim ($)	124.92	169.05	145.37	138.26	140.44	120.37	188.66	151.16	149.88	2.8%	-0.4%
% Yearly Change		35.3	-14	-4.9		-14.29	56.73	-19.88	-0.85		
Premiums per Written Exposure ($)	1.03	1.04	1.05	1.08	1.08	1.09	1.12	1.15	1.2	1.8%	4.1%
% Yearly Change		1	1	2.9		1.64	2.03	2.87	4.07		
Insurance Costs per Capita ($)	815.63	838.6	834.82	840.6	840.6	849.04	869.57	916.97	964.59	0.9%	5.2%
% Yearly Change		2.8	-0.5	0.7		1	2.42	5.45	5.19		
All-items CPI (index)	140.73	144.4	153.94	159.95	159.95	162.27	165.24	168.91	172.29	3.4%	2.0%
% Yearly Change		2.6	6.6	3.9		1.45	1.83	2.23	2		

Colour legend (year columns only): Green = good (lower costs or losses). Yellow = moderate. Orange = elevated. Red = high, requires attention. No colours on CAGR columns.

17.4. Observations on Internal Operating Measures

Operating Expense Ratio (OER)

Operating expense ratio is operating expenses divided by earned premiums. It demonstrates how efficiently the organization operates relative to premium revenue to cover administrative and operational costs.

The OER rose from 7.44% in 2019/20 to 17.12% in 2024/25. Over the past 5 years, the historical CAGR was 24.2%. This implies that premium growth is lagging behind operating costs. The two-year outlook CAGR of negative 6.3 percent improves to 15.75 percent in the rate increase model. The increase in 2022/23 is due to IFRS transition effects. Higher rates help to stabilize this ratio.

Claims expense ratio Claims

The ratio of claims handling and adjustment expenses to premiums earned. It measures the cost efficiency of claim processing and claim settlement.

The ratio rose to a high of 24.9 percent in 2024/25 from 15.65 percent before easing back to 19.21 percent in the 2026/27 budget. The 5-year CAGR is 7.9%. The 64.92 percent year-on-year increase in 2024/25 indicates recent volatility. The outlook CAGR of -1.8 percent is a minor improvement. Higher costs on claims are eroding overall profitability.

Loss Ratios

Loss Ratio = (Claims Incurred & Loss Adjustments Expenses) / Earned Premiums It's the percent of premium dollars that go to claims. Lower numbers are good for underwriting results.

The loss ratio has moved from 77.42 % in 2019/20 to 90.99 % in the 2026/27 budget. It dropped to 63.34 % in 2020/21 and then rose steadily. 5-year CAGR is 7.1%. The pressure from underwriting has been above 80 % in recent years. SAF expects a slight increase to 90.99% The rate increases are meant to offset rising loss costs.

Combined Ratio

The combined ratio is the sum of the operating expense ratio, claims expense ratio, loss ratio, and commission costs. A ratio less than 100 percent shows underwriting profit. >100 percent means an underwriting loss, not counting investment income.

The combined ratio improved from 110.52 percent in 2019/20 to 135.99 percent in the 2026/27 budget. It dipped to a low of 98.87 percent in 2020/21. The five-year CAGR was 8.3 percent. Values above 120% always indicate persistent underwriting losses. The two-year outlook CAGR of negative 1.0 percent is not reassuring. The rate increase model has been constructed to fill this gap.

Policy Operation Expenses

Operating Expense per Policy Total operating expense divided by number of policies. Provides a per unit cost view of administration per customer.

The cost per policy decreased significantly from$ 59.54 in 2021/22 to $13.36 in 2022/23 IFRS4. This decline relates to IFRS reclassifications. Values then rose modestly to $17.99 in the 2026/27 budget. Base effect

makes five-year CAGR 25.9%. The outlook is grim. Users should consider the effect of IFRS when making period comparisons.

Claims Cost Per Claims

Claims Expense per Claim is the cost of handling claims divided by the number of claims. It looks at the average cost of processing a claim.

Cost per claim varied from $124.92 in 2019/20 to $188.66 in 2024/25. The five-year CAGR is 2.8%. “2024/25 saw a 56.73 percent increase. The outlook is for a small decline to $149.88. Per claim costs are under greater expense pressure. it would help if claims were processed efficiently.

Cumulative Premiums per Written Exposure

Premiums per Written Exposure means the average premium per unit of exposure. It reflects the pricing levels and risk mix of the Portfolio.

In the 2026/27 budget the premiums per exposure have been phased up from $1.03 to $1.20. The five-year CAGR stands at 1.8%. The two-year outlook is a 4.1% accelerating CAGR. “This helps revenue and offsets higher costs. The rate hikes are powering the uptrend.

Insurance Cost Per Person

The per capita insurance costs are the total costs of the insurance system divided by the population. It shows average burden per capita.

The per capita cost has risen from $815.63 in 2019/20 to $964.59 in the 2026/27 budget. 0.9 percent CAGR over five years The next two years are expected to grow faster with a forecast CAGR of 5.2 percent. This metric measures affordability in the population. The rise includes rate increases.

CPI - all items

The Consumer Price Index measures general inflation using the all-items CPI. This is a benchmark of cost and premium changes over time.

The CPI has increased from 140.73 in 2019/20 to 172.29 in the budget for 2026/27. It has a 5-year CAGR of 3.4%. The last year changes are 1.45 percent to 2.23 percent. Premium growth outpaced CPI during the forecast period. This does support real revenue increases if rate increases are greater than inflation.

18. SENSITIVITY ANALYSIS

SAF assessed the impact of four positive and four negative scenarios on the overall rate requirement, RSR levels, and MCT ratios. The tables below show the financial impact of each scenario on 2026/27 and 2027/28 under the proposed rate program of two 3.75% increases, including the announced non-rate actions. SAF provided the following scenarios:

a) 10% increase or decrease in investment income

b) 0.5% increase or decrease in vehicle volume

c) 0.5% increase or decrease in vehicle drift

d) 10% increase or decrease in traffic safety costs

Table 18.1: Scenarios and Impact on 2026/27 Forecast

Scenario ($000s)	Impact on 2026/27			
	Net Insurance Revenue	Insurance Service Expenses	Year End RSR Balance	MCT Ratio
2024/25 Actual	1,146,033	1,356,540	726,884	111.8%
2025/26 Forecast	1,189,100	1,386,263	553,255	82.7%
2026/27 Base Case Forecast †	**1,246,912**	**1,434,060**	**327,922**	**49.4%**
Positive (Favourable) Scenarios				
10% increase to investment income	1,246,912	1,434,060	344,107	51.9%
0.5% decrease to vehicle volume	1,242,914	1,426,410	331,421	50.1%
0.5% increase to vehicle drift	1,250,910	1,432,819	333,315	50.2%
10% decrease to traffic safety costs	1,246,912	1,434,060	330,572	49.8%
Negative (Adverse) Scenarios				
10% decrease to investment income	1,246,912	1,434,060	311,738	46.9%
0.5% increase to vehicle volume	1,250,910	1,441,713	324,420	48.8%
0.5% decrease to vehicle drift	1,242,914	1,435,295	322,535	48.6%
10% increase to traffic safety costs	1,246,912	1,434,060	325,271	49.0%

† Base case forecast: 3.75% × 2 rate increases including deductible increase from $700 to $950 and additional fee revenue, effective January 1, 2027. Source: SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet.

Table 18.2: Scenarios and Impact on 2027/28 Forecast

Scenario ($000s)	Impact on 2027/28			
	Net Insurance Revenue	Insurance Service Expenses	Year End RSR Balance	MCT Ratio
2024/25 Actual	1,146,033	1,356,540	726,884	111.8%
2025/26 Forecast	1,189,100	1,386,263	553,255	82.7%
2026/27 Forecast	1,246,912	1,434,060	327,922	49.4%
2027/28 Base Case Forecast †	**1,331,990**	**1,454,402**	**171,067**	**24.4%**
Positive (Favourable) Scenarios				
10% increase to investment income	1,331,990	1,454,402	188,337	27.3%
0.5% decrease to vehicle volume	1,325,330	1,448,913	173,248	24.8%
0.5% increase to vehicle drift	1,338,650	1,453,888	184,116	26.6%
10% decrease to traffic safety costs	1,331,990	1,454,402	173,865	24.9%
Negative (Adverse) Scenarios				
10% decrease to investment income	1,331,990	1,454,402	153,802	21.5%
0.5% increase to vehicle volume	1,338,650	1,459,888	168,887	24.0%
0.5% decrease to vehicle drift	1,325,330	1,454,923	158,023	22.2%
10% increase to traffic safety costs	1,331,990	1,454,402	168,275	23.9%

† Base case forecast: 3.75% × 2 rate increases including deductible increase from $700 to $950 and additional fee revenue, effective January 1, 2027. Source: SAF Application Sensitivities to 2027/28.xlsx, Baseline sheet.

18.1 Observations on Sensitivity Analysis

The base case itself confirms the core finding of this Report. Under the proposed 3.75% rate increases, the year-end MCT falls to 49.4% in 2026/27 and to 24.4% in 2027/28. Both are well below the 90% internal minimum. The sensitivity scenarios show what happens around that already-deficient base, and none of them changes the fundamental picture.

Investment income is the variable that matters most in the near term. A 10% decrease moves the 2026/27 year-end RSR balance down by $16.2 million and the MCT by 2.5 percentage points, from 49.4% to 46.9%. That impact compounds into 2027/28: a lower RSR in 2026/27 generates less investment income the following year, reducing the 2027/28 RSR by a further $17.3 million and the MCT to 21.5%. A 10% increase in investment income produces the mirror improvement, lifting the

2027/28 MCT to 27.3%, but even the best investment income scenario leaves the MCT more than 60 percentage points below the 90% internal minimum.

Premium drift is the variable to watch over the two-year period. Because each year's premium base builds on the prior year, a small drift change compounds. A 0.5% decrease in vehicle drift reduces the 2026/27 MCT by 0.8 percentage points. By 2027/28 that effect grows to 2.2 percentage points, with the RSR $13.0 million below the base case. The spread between the favourable and adverse drift scenarios reaches $26.2 million by 2027/28, the difference between an RSR of $184 million and one of $158 million. Neither figure is adequate. But the range illustrates how quickly drift assumptions can erode an already thin reserve.

Vehicle volume has a modest and counterintuitive effect. A 0.5% volume increase slightly reduces the MCT in 2026/27 because the additional vehicles raise capital required faster than the associated premiums offset higher service expenses. The effect diminishes in 2027/28 to less than half a percentage point in either direction. Volume growth is not a path to capital adequacy.

Traffic safety costs have the smallest effect of the four variables. A 10% swing in either direction moves the year-end RSR by approximately $2.7 million in 2026/27, with a carry-forward impact of $2.8 million in 2027/28. These amounts are immaterial relative to the scale of the capital shortfall.

Across all eight scenarios, the year-end MCT remains deeply below the 90% internal minimum in both 2026/27 and 2027/28. **There is no combination of favourable outcomes that brings SAF close to an acceptable capital level within the forecast period under the proposed rate program.** The capital deficiency is structural. Individual variable improvements provide marginal relief but do not address the underlying problem, which requires higher rates, a capital margin, and a sustained multi-year restoration plan.

These results reinforce the Consultants' recommendation that the Panel direct SAF to include at minimum the capital maintenance provision in the current rate request and to present a credible multi-year capital restoration plan at its next application. The sensitivity analysis confirms that deferring that action does not reduce the risk; it compounds the risk.

19. NEXT STEPS

We commend the effort put forward by SAF staff to provide a vast amount of information in its Application and clarification of matters promptly. We would also like to thank the Panel for its diligence in reviewing the Application and identifying areas for our exploration. It has been five years since the last SRRP rate review, and we understand that the filing process is new to some personnel due to the staff changes and lapse time. Despite these challenges, SAF staff and Panel have adapted well to bridging the information gap since the previous Application.

We believe the best way to build upon this review process and leverage future regulatory efficiencies is for SAF to submit annual rate applications. An annual process would:

- Align rates with costs on a regular and timelier basis;
- Minimize the degree of rate rebalancing compared to this Application;
- Allow the Panel to understand and appreciate the need for operational changes that impact rates; and
- Assist in ensuring Panel recommendations are addressed in a timely fashion.

An annual review is vitally important during the capital rebuild requirements and the successful deployment of the CT project.

We recommend the Panel meet with SAF to review this past application process and discuss process improvements for future rate Applications.

20. PUBLIC COMMENTS AND SUBMISSIONS

Virtual Public meetings were held in Regina on March 26, 2026.

The meeting started with an introduction by SRRP including a description of their role in the review of the 2026 SAF Application. The SRRP mandate was to review the Application and provide a report with recommendations to the government that balanced the interests of SAF, the customers and the Public. After the SRRP introduction, a formal presentation was made at each Public meeting by SAF on the 2026 Application.

SAF was represented by Drew Kendel, Executive Vice-President and Chief Financial Officer. SAF presented its 2026 Rate Application requesting a two-year rate program consisting of a net average increase of 3.75% effective June 1, 2026, on an interim basis, followed by a further 3.75% effective June 1, 2027, for a combined impact of approximately 7.6% over two years.

SAF described the central driver of the request as sustained growth in physical damage claim costs, which have risen approximately 25% over the past five years, driven by inflation in parts and labour and the increasing complexity of repairing modern vehicles. SAF stated that premium revenue has not kept pace with these cost pressures, resulting in ongoing draws on the RSR, and that the proposed increases are necessary to stabilize the RSR and maintain the Auto Fund's break-even mandate over time.

SAF indicated that rate capping would be applied so that approximately 98% of vehicle owners would see an average annual increase of roughly $38, with the remainder seeing little or no change or a modest decrease.

SAF proposed no rate increase for motorcycles or urban taxis in Year 1, with a commitment to conduct consultations with those groups before implementing any changes in Year 2. Rate rebalancing by vehicle make and model was presented as a fairness measure to reduce cross-subsidization between vehicle classes.

The Panel invited Public comment as part of its review of the SGI Auto Fund 2026 and 2027 Rate Application. The Public consultation process included written submissions received by mail, online messages submitted through the Panel's website, messages received by email and through the Panel's toll-free voice mailbox, and messages posted to the Panel's social media accounts. All methods for Public input were advertised through major Saskatchewan news outlets and the Panel's website and social media channels.

Formal written submissions were received from the Saskatchewan Association of Automotive Repairers (SAAR), the Canadian Federation of Independent Business (CFIB), the Insurance Brokers Association of Saskatchewan (IBAS), and Riders Against Government Exploitation (RAGE). All submissions, Public comments, and supporting materials are posted on the Panel's website at www.saskratereview.ca.

20.1. Themes Emerging from Submissions

The submissions received reflect a range of perspectives on the proposed rate increases and on the broader state of Saskatchewan's auto insurance system. Four principal themes emerged:

- The structural drivers of rising claims costs, including increasing vehicle complexity and parts prices, which have outpaced premium growth since 2014;
- The cumulative affordability pressures facing Saskatchewan's small businesses, farms, and commercial fleet operators, particularly in the context of concurrent cost increases across Crown utilities;
- The sustainability of the Auto Fund's mandatory product and distribution network, including product design questions that have remained unaddressed since 1998 and the chronic underfunding of the broker Issuer channel; and
- Concerns specific to the motorcycle class, where RAGE argued that successive rate increases have produced a self-defeating feedback loop and that a fundamental change in pricing methodology is required.

20.2. Summary of Positions

The table below summarises each submitter's position, primary concern, and specific requests to the Panel.

Table 20.1: Summary of Intervener Submissions and Positions

Submitted	Position on Increases	Primary Concern	Specific Request to Panel
SAAR	Supports in full	Repair costs have doubled since 2014 due to vehicle complexity and parts price inflation	Approve the full proposed increases as the minimum necessary adjustment
CFIB	Acknowledges cost pressures; urges caution on cumulative impact	Affordability for small businesses, farms, and commercial fleets amid concurrent Crown utility increases	Weigh cumulative impact; moderate burden on work vehicles; keep affordability and competitiveness central
IBAS	Presents data showing an unsustainable trajectory; seeks concurrent product and distribution reform	Claims costs rose 49.3% while premiums rose 22.8% (F17–F25); Issuer compensation lags inflation; mandatory product unchanged since 1998	Improve Issuer compensation framework; review high-claims coverages in mandatory product; consider shifting physical damage to optional coverage
RAGE	Opposes increases for motorcycle class	Pricing model is misaligned with rider behaviour, creating a self-defeating feedback loop; safety record has improved by over 50% since 2014	Introduce seasonal pricing aligned with actual riding patterns; develop usage-limited permits; prioritise safety initiatives over rate increases

20.3. Summary of Submissions

20.4. Saskatchewan Association of Automotive Repairers (SAAR)

SAAR, representing auto body shops and the paintless dent repair, auto glass, and (prospectively) towing industries across the province, submitted comments in January 2026 in support of the proposed rate increases. SAAR's submission argued that the proposed increases are not only warranted but represent the minimum necessary adjustment, given the pace at which repair costs have escalated since SGI last adjusted rates in 2014.

SAAR reported that the average repair order has approximately doubled over that period, rising from roughly $3,000 to $6,000. SAAR attributed this to fuel economy mandates dating to the 1970s, accelerated under Corporate Average Fuel Economy (CAFE) standards, which incentivized lighter vehicle construction using advanced materials and drove the integration of Advanced Driver Assistance

Systems (ADAS). These changes have made repair work more intricate and resource intensive. Parts, once secondary to labour as a cost component, now frequently represent the largest single element of a repair order. Headlamps commonly exceed $2,000, and windshields with rain-sensing or heads-up display technology routinely reach $1,500.

The principal grounds cited by SAAR in support of the application were:

- Increasing vehicle complexity requiring more intricate, time-consuming, and resource-intensive repairs;
- Rising parts costs that now routinely exceed labour as the largest component of repair orders;
- Insufficient compensation for administrative tasks that are essential to repair management but generate no direct revenue;
- A growing lag between SGI's rate adaptation and the industry's pace of change; and
- The absence of any rate adjustment since 2014, leaving premiums materially misaligned with the current cost of safe, quality repairs.

SAAR observed that private insurers across North America have in some cases implemented premium increases of 25 % or more in recent years and concluded that SGI's application represents a conservative response to market conditions that the Panel should support in full.

20.5. Canadian Federation of Independent Business (CFIB)

On behalf of more than 4,100 small business members across Saskatchewan, CFIB submitted written comments on January 28, 2026. While acknowledging that SGI faces genuine cost pressures from inflation, higher repair costs, and increasingly complex vehicles, CFIB urged the Panel to carefully weigh the cumulative impact of the proposed increases on small businesses and farms already under significant financial strain.

CFIB noted that insurance costs are consistently identified by its members as among their top cost concerns, and that auto insurance is not discretionary for businesses that rely on work vehicles to operate. CFIB expressed particular concern about the impact on fleet operators, for whom per-vehicle rate increases compound quickly across multiple trucks or service vehicles. Rural and agricultural operations were identified as especially exposed, given that vehicles are a necessity in much of Saskatchewan, and there is limited ability to reduce usage or pass cost increases to customers.

CFIB also placed the proposed increases in the context of concurrent cost pressures: rising energy costs, labour shortages, higher insurance premiums across all lines, input price volatility, and a simultaneous SaskPower rate application. CFIB noted that many members remain uncertain about how substantial rate increases follow so closely after the significant customer rebates SGI issued in recent years and indicated that this context shapes how ratepayers receive news of further increases regardless of SGI's explanation for the different circumstances.

CFIB respectfully requested that the Panel:

- Carefully weigh the cumulative impact of the proposed increases on individuals, businesses, and the broader Saskatchewan economy;
- Consider whether the burden on work vehicles and commercial fleets can be moderated; and
- Ensure that affordability and Saskatchewan's economic competitiveness remain central to the Panel's final recommendation.

20.6. Insurance Brokers Association of Saskatchewan (IBAS)

IBAS, whose membership comprises 99 % of all property and casualty insurance brokerages in Saskatchewan, the vast majority of which also serve as Auto Fund motor licence issuers ("Issuers"), submitted comments on February 6, 2026. IBAS framed its submission through the principle of customer centricity, consistent with the IBAS/SGI Auto Fund Strategic Accord and provided the Panel with detailed context on three interconnected matters: the financial trajectory of the Auto Fund, the stagnation of the mandatory auto insurance product, and the sustainability of the Issuer distribution network.

20.6.1. Premiums and Claims Trajectory

IBAS presented data demonstrating that between fiscal years 2016–17 (F17) and 2024–25 (F25), Saskatchewan's Consumer Price Index rose by 23.2 % and Auto Fund premiums grew by a comparable 22.8 %. Over the same period, however, claims costs increased by 49.3 %. The result is that total claims costs alone have exceeded premium and insurance revenue in two of the past three fiscal years (F23 and F25), and the claims ratio has surpassed 90 % in six of the last seven years. IBAS described this trajectory as unsustainable in any facet of insurance, and the annual claims data submitted by IBAS is reproduced below.

Table 20.2: Claims Incurred as a Share of Premium (IBAS Analysis)

Auto Fund Fiscal Year	Total Claims Incurred ($CAD × 1,000)	Claims as % of Premium / Insurance Revenue
F17 (2016–17)	$798,005	85.48%
F18 (2017–18)	$787,866	85.48%
F19 (2018–19)	$894,882	93.56%
F20 (2019–20)	$889,301	92.38%
F21 (2020–21)	$785,454	79.44%
F22 (2021–22)	$926,250	91.95%
F23 (2022–23)	$1,120,638	105.74%
F24 (2023–24)	$1,020,905	92.78%
F25 (2024–25)	$1,191,217	103.94%

The data above illustrate two further points IBAS raised: first, that F25 claims of $1.19 billion represent the highest recorded level in the nine-year series, and second, that claims costs have risen by approximately 49 % since F17 while total premiums grew by less than 23 % over the same period. IBAS further noted that the Auto Fund has not implemented an incremental rate program in more than a decade, while the Saskatchewan Consumer Price Index for passenger vehicle parts, maintenance, and repairs increased by 31.2 % over that span, including more than 6.8 % between December 2024 and December 2025 alone. IBAS observed that the absence of gradual rate adjustments forces the Auto Fund to eventually subject consumers to larger, more disruptive rate corrections.

20.6.2. Product Stagnation

IBAS observed that Saskatchewan's mandatory auto insurance product has not undergone a significant change since 1998, when the basic coverage deductible was raised from $500 to $700. Consumer behaviour, meanwhile, has evolved substantially, vehicles are held longer, ridesharing has become mainstream, and the mixed farm and personal use of vehicles is more prevalent in Saskatchewan than in other jurisdictions. IBAS raised questions it considers worthy of the Panel's reflection:

- Whether certain high-claims coverages, such as road hazard glass and rodent damage, are appropriately priced within the current mandatory product, and whether their continued inclusion in mandatory coverage is warranted; and
- Whether physical damage coverage, given changing vehicle retention and usage patterns, should be shifted to the optional extension product, consistent with the model in British Columbia.

20.6.3. Distribution Network and Issuer Compensation

IBAS highlighted the distinctive characteristics of Saskatchewan's auto insurance distribution model. Saskatchewan Issuers provide consumers with in-person access to Auto Fund products in twice as many communities as the Manitoba equivalent, with 15 % more service locations, at a distribution cost of less than five percent of Auto Fund revenue, the lowest of any public or private sector auto insurance model in Canada.

Despite this record, the compensatory framework for Issuers has not been comprehensively reviewed since F17. IBAS reported that permanent compensation rates as of January 1, 2026, represent only a 6.7 % increase in the average Issuer fee per transaction compared to the F17 baseline, approximately 3.5 times below the Consumer Price Index and more than 3.7 percentage points below total cash remuneration relative to inflation. Key data points from the IBAS submission included:

- Seven out of ten IBAS member Issuers report that their operating costs relative to inflation have worsened since F17;
- 91.5 % of Issuers report that the complexity and average time required to complete in-person transactions have worsened, with three-quarters describing the deterioration as significant; and
- Private sector Issuers provide staffing capacity valued at up to $104 million, compared to just $63 million in Issuer fees collected in F25, before any operational overhead is factored in.

IBAS cautioned the Panel that, without meaningful improvements to the compensation framework, the viability of existing service levels and the overall customer experience in communities across the province could deteriorate rapidly.

20.7. Riders Against Government Exploitation (RAGE)

RAGE submitted a counter-proposal on April 21, 2026, opposing the proposed rate increases as they apply to the motorcycle class of vehicle. RAGE's central argument was that SGI's reliance on successive rate increases to address revenue shortfalls in the motorcycle class reflects a fundamental misdiagnosis of the problem. RAGE contended that the issue is not claim risk or severity but a pricing model that is poorly aligned with actual rider behaviour, and that the model itself is the source of the instability it purports to address.

20.7.1. The Rate-Behaviour Feedback Loop

RAGE documented a pattern of rate increases occurring in 2009, 2012, 2013, 2014, and 2021 that each produced the same outcome: higher rates prompted riders to shift from annual or full-season plates to short-term permits used only when weather permits riding. The result was lower total registration revenue from the motorcycle class, the opposite of the intended effect. RAGE characterised this as a self-defeating feedback loop: higher rates reduce registrations, lower registrations reduce revenue, and lower revenue then becomes the justification for further rate increases.

RAGE also drew the Panel's attention to an error in SGI's 2013 rate justification, in which costs were misallocated to the motorcycle class through errors in at-fault and loss transfer accounting. Once corrected, motorcycle claim costs dropped by approximately 40 %, from roughly $9.8 million to $5.9 million. RAGE argued that this episode demonstrates the importance of accurate cost attribution and the risk of compound rate decisions built on flawed foundations.

20.7.2. Safety Record

RAGE presented data showing that motorcycle collisions and injuries in Saskatchewan have declined by more than 50 % since 2014, while overall motorcycle presence on roads has remained relatively stable. RAGE argued that this sustained safety improvement directly contradicts a risk-based rationale for further rate increases, and that SGI's rating model fails to reflect the demonstrated performance of the class.

20.7.3. Structural and Economic Concerns

RAGE raised a structural concern about the isolation of the motorcycle class within the Auto Fund: motorcycles represent only 1.7 % of total Auto Fund exposure yet are rated as a separate pool, removed from the broader risk distribution that absorbs volatility for other vehicle classes. RAGE argued that this structure creates disproportionate pricing pressure on a very small segment of policyholders and amplifies rate volatility rather than stabilizing it. RAGE estimated the cumulative economic impact of SGI's motorcycle pricing approach at approximately $80 million across the broader Saskatchewan powersports industry.

20.7.4. Counter-Proposal

RAGE proposed the following as a sustainable alternative to further rate increases:

- Introduction of seasonal pricing for motorcycles, aligned with actual riding patterns and comparable to the model successfully implemented in Manitoba for more than a decade;
- Development of motorcycle-specific permits with defined usage limits; and
- Continued prioritisation of safety behaviour initiatives as the primary tool for managing long-term claims costs within the class.

RAGE noted that SGI itself identified a seasonal pricing model as early as 2014 that it estimated could reduce motorcycle rates by more than 40 %, comparable to pre-2009 levels, and expressed concern that this option has not been pursued in the more than a decade since. RAGE urged the Panel to direct

SGI to move beyond a rate-increase-only approach and develop a structurally different methodology for pricing the motorcycle class, one that aligns premiums with usage, reflects the class's safety record, and provides predictability for riders and revenue stability for the Auto Fund.

Lenore Swystun submitted that while she welcomed SGI's decision to pause motorcycle rate increases, the pause highlighted a broader concern about how the current rate-setting model treats seasonal vehicles. She argued that motorcycles, snowmobiles, and ATVs are used for limited portions of the year with lower overall exposure, and that a fair model must fully reflect these differences relative to year-round vehicles such as passenger cars and commercial trucks, which account for the majority of system costs.

Ms. Swystun further submitted that seasonal vehicles represent smaller classification groups that are more vulnerable to volatility during rebalancing, and that without appropriate safeguards, smaller user groups can absorb disproportionately large percentage increases relative to their contribution to total claims costs. She cited the recent snowmobile and motorcycle experience as evidence that this concern is not theoretical.

She encouraged SGI to extend its review to all seasonal vehicle classes, with particular focus on how exposure and seasonality are weighted in the rate model, and on introducing stabilizing measures to limit sharp year-over-year increases for smaller categories. She noted that for many Saskatchewan residents, particularly in rural and northern communities, these vehicles are not discretionary, they are essential to daily life.

21. 2022 PANEL RECOMMENDATIONS – STATUS UPDATE

The Panel made several recommendations in its report to the Minister pursuant to SAF's 2021 Rate Adjustment Application. As part of the 2026 Application Minimum Filing Requirements (MFRs), SGI provided the status of these recommendations. The following tables summarize each recommendation, SAF's response, and our assessment of the current status as reflected in the 2026 Application.

21.1. Rate Indication, Capital Margin and Rate Capping Recommendations

The following five recommendations related directly to the Panel's rate indication and capping decisions for the 2021/22 rate year:

Table 21.1: 2022 Panel Recommendations Related to Rates: Status Update

Rec.	2022 Panel Recommendation	SAF Response / 2026 Status	Status
R1	**Rate Indication:** Increase the rate indication from 1.7% to 2.2%. The Panel recommended adjusting the original rate indication calculation upward by 0.5 percentage points to reflect the actual effective date of the rate change.	SAF updated its rate indication to reflect the actual effective date, increasing the overall rate level indication by 0.5 ppt consistent with the Panel's direction.	**Implemented**

Rec.	2022 Panel Recommendation	SAF Response / 2026 Status	Status
R2	**Capital Margin:** Reduce the capital margin from −1.6% to −3.4%, resulting in an overall estimated net rate reduction of 1.3%. The Panel recommended a further reduction to the capital margin, producing an overall estimated rate reduction of 1.3% when combined with the revised rate indication.	SAF applied a capital margin reduction of 2.1% rather than the 3.4% directed by the Panel. SAF states this was done to satisfy the Government's direction to implement a revenue-neutral rate program. The Panel's direction was not fully implemented, the 1.3 percentage point shortfall between the directed 3.4% reduction and the implemented 2.1% reduction was not released as directed. The Panel's direction was premised on the most recent financial update at the time, which showed the RSR at $1.243 billion and the MCT at 181.8%. The Government's revenue-neutral override effectively captured that capital surplus for ratepayers rather than retaining it in the RSR.	Partially Implemented
R3	**Rate Cap, Premiums over $1,000:** Reduce the proposed 15% cap on rate changes for base premiums over $1,000 to a maximum of 10%.	SAF implemented a 10% rate cap for base premiums above $1,000 as directed. For base premiums at or below $1,000, SAF implemented scaled dollar caps ranging from $17 to $100. The Panel directed a minimum floor of $25; the $17 lower bound falls below that threshold. SAF did not offset the financial impact of rate capping to the RSR as directed, see R5 below. In the 2026 Application, capping levels are calibrated to achieve the proposed overall rate change, which SAF states addresses the underlying fairness concern without an RSR adjustment.	Partially Implemented

Rec.	2022 Panel Recommendation	SAF Response / 2026 Status	Status
R4	**Scaled Dollar Caps — Premiums up to $1,000:** Implement scaled caps with maximum reductions ranging from $25 to $100 for base premiums at or below $1,000.	SAF implemented a scaled dollar-cap structure for base premiums at or below $1,000. The range applied was $17 to $100. The Panel directed a range of $25 to $100; the lower bound of $17 falls below the directed minimum. In the 2026 Application, SAF states the capping framework has been further refined with updated dollar cap tiers calibrated to achieve the targeted overall rate change of 3.75%.	Partially Implemented
R5	**Rate Stabilization Reserve:** Charge the financial impact of rate capping to the Rate Stabilization Reserve (RSR).	SAF did not offset the financial impact of rate capping to the RSR. SAF states that at the Government's direction, the capping shortfall was offset to CLEAR-rated vehicles, not the RSR. SAF further argues that charging the RSR for expected shortfalls from capping is inconsistent with its capital management policy, as the RSR is intended to buffer against unexpected events rather than expected revenue shortfalls. In the 2026 Application, SAF has revised its capping methodology so that caps are set to achieve the proposed overall rate change, which it argues eliminates the need for an RSR offset going forward.	Not Implemented

21.2. Additional Directives to SAF

The following five recommendations directed SAF to undertake specific actions between rate applications. These are assessed against SAF's performance in the five-year period through to the 2026 Application:

Table 21.2: 2022 Panel Recommendations Directing SAF Action: Status Update

Rec.	2021 Panel Recommendation	SAF Response / 2026 Status	Status
R6	**Taxi Community Engagement:** Develop a meaningful formal engagement process with the provincial taxi community to resolve industry-specific insurance issues.	SGI is committed to engaging with the taxi community and will commence discussions in 2025 and 2026.' No formal engagement process has been established. The commitment is entirely prospective. The Panel's 2021 direction called for a meaningful, formal engagement process to resolve industry-specific issues. Five years later, SAF is proposing to begin discussions. In the 2026 Application, SAF proposes a rate hold for urban taxis in 2026/27 while consultations are planned for 2026. The underlying rate inadequacy for taxis has not been resolved.	Not Addressed
R7	**Motorcycle Stakeholder Committee:** Re-engage the motorcycle review stakeholder committee process with the motorcycle community to resolve industry-specific issues.	SGI is committed to engaging with the motorcycle community and will commence discussions in 2025 and 2026.' No completed stakeholder committee process has been established or reported. The Panel's 2021 direction called for re-engagement with the motorcycle community to resolve industry-specific issues. Five years later, SAF is again proposing to begin discussions. In the 2026 Application, SAF proposes a rate hold for motorcycles while consultations are planned for 2026. The indicated rate change for motorcycles is 72.4% the rate need has compounded materially since 2021 without resolution.	Not Addressed

Rec.	2021 Panel Recommendation	SAF Response / 2026 Status	Status
R8	**Corporate Transformation Business Case:** Provide the completed business case and project plan for the Corporate Transformation (CT) project with the next rate application.	SAF filed the original February 2022 business case with the 2026 Application, together with high-level updates to timelines, costs, and benefits. The Panel's 2022 direction asked for the 'completed business case and project plan' so that the 'full implications of the project on rates is apparent.' The business case will need to be further updated with a post implementation report.	Partially Addressed
R9	**External ICAM Review:** Undertake an external review of the Integrated Cost Allocation Methodology (ICAM) and report findings at the next rate application.	SAF's MFR 25 response states: 'SGI's cost allocation methodologies are audited annually as part of the Auto Fund's annual audit engagement. No additional review has been performed.' No independent external review of the ICAM has been commissioned. SAF relies on the annual financial statement audit as a proxy for ICAM validation. An annual financial audit is not a substitute for an independent review of cost allocation methodology, the audit attests to the accuracy of the financial statements, not to whether the allocation basis is fair and reasonable. Material changes to the ICAM were made in 2024/25, including reallocation of call centre costs and CT project costs, without independent validation. This recommendation has now been outstanding for five years.	Not Addressed

R10	**Filing Standards Enhancements:** Consider several enhancements to filing standards for inclusion in the next rate application.	Compliance with the eight sub-items is mixed, based on SAF's MFR 25 responses: A. Loss Development (granular data), Not addressed. SAF cites current system limitations; work is in progress under the CT project. B. Loss Trends (model sophistication, p-values, committee) — Addressed. P-values, residuals, and Adjusted R-squared are now included. Loss trend committee members contributed but did not select trends. More sophisticated model design remains in progress. C. Accident Year Weights — Not addressed. SAF continues to apply equal 20% weights to each of the five historical accident years, citing catastrophe volatility as justification. D. Taxi Usage Adjustment — Not addressed. SAF states that post-COVID and post-TNC frequency has normalized and a usage adjustment was not warranted for the 2026 program. E. Discount Rate Forecasting — Partially addressed. SAF acknowledges the 3-month rule is not feasible given its approval timeline but confirms it will update key assumptions during the SRRP review process if material changes occur. F. ICAM Cost Element Tracking — Not addressed. SAF defers to its Recommendation 7 response. G. Motorcycle System Flexibility — Partially addressed. Seasonal rating features (weighting, short-term rates, minimum premium, cancellation logic) have been developed. SDR changes and injury benefit changes have not yet been	**Partially Addressed**

Rec.	2021 Panel Recommendation	SAF Response / 2026 Status	Status
		built into the new system. H. TNC Reporting — Addressed. A separate indication has been created for TNC vehicles; claims experience and loss ratio are reported in the 2026 Application. I. Autobody Repair Monitoring — Addressed. SAF reports 201 active accredited collision repair partners as of January 2025 (down from 206 in November 2022). SGI launched Progi Sync and a digital self-service photo estimating workflow in 2024. Rural access is described as stable. J. Complement of Credibility — Addressed. A class-by-class approach has been implemented with updated expenses and break-even provisions reflected in the complement.	

21.3. Observations on Compliance with 2022 Panel Recommendations

Of the ten 2022 Panel recommendations, five rate and capping directives (R1–R5) were implemented. Of the five additional directives (R6–R10), two were partially addressed, two were not addressed, and one was partially addressed with further improvement required.

The R9 (External ICAM Review) is of particular concern. The ICAM has undergone material changes since 2021 without independent validation. SAF files a CT Business Case prepared four years ago. The CT project has consumed $162.3 million to date, compared to the $99.2 million budget disclosed in 2021. A post-implementation review should be prepared and provided to the Panel. The CT project has a direct and material bearing on the rate level presented in this Application. We reiterate both recommendations in Section 4.0 of this Report.

Had annual rate applications been made following the 2022 Panel review, the accumulated rate need could have been addressed incrementally, with materially less disruption to policyholders than the adjustment now required. The Panel's 2022 recommendation on annual applications (R3b) was not implemented, and the consequences are evident in this Application.

22. GLOSSARY OF TERMS

Catastrophe reinsurance	A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.
Claims incurred	The total for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in the provision for unpaid claims for the same period of time.
Combined ratio	The ratio of insurance service expenses to insurance revenue, expressed as a percentage. Under IFRS 17, SAF reports it on two bases, partially discounted and fully discounted, reflecting the treatment of discounting on claims liabilities. A ratio below 100 % indicates an insurance service profit and above 100% a loss, before investment and finance results.
Gross premiums written (GPW)	Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.
IBNR reserve	Abbreviation for 'incurred but not reported'. A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.
IFRS	International Financial Reporting Standards. These are global accounting standards issued by the International Accounting Standards Board (IASB), including interpretations of the International Financial Reporting Interpretations Committee (IFRIC).
Insurance Revenue	Gross premiums written, adjusted for the change in gross unearned premiums, plus short-term registration and AutoPay revenue.
Insurance Service Expenses	Under IFRS 17, the costs of insurance operations: gross claims incurred, prior-year claims development net of discounting and risk margin, loss adjusting expense, issuer fees and premium taxes, the change in loss component, and insurance expenses.
Net revenue (expenses) from reinsurance contracts	Under IFRS 17, ceded premiums, ceded claims, and ceded administration shown together as a single net line, rather than netted into premiums and claims as under IFRS 4.
Insurance finance income (expense)	Under IFRS 17, the unwinding of discounting as claims are paid, together with the effect of changes in risk-free interest rates on claims liabilities. Under IFRS 4 these effects were included within claims incurred.
Loss ratio (Claims ratio)	Claims incurred expressed as a percentage of insurance revenue. Under IFRS 17, SAF reports it on a partially discounted and a fully discounted basis.
Motor license issuer	A person who negotiates driver's licenses and vehicle license/insurance on behalf of the Auto Fund and who receives a fee from the Auto Fund for licenses placed and other services rendered.
Net premiums earned (NPE)	The portion of net premiums written recognized as revenue during a period. An IFRS 4 presentation term, retained for comparability; under IFRS 17 the top-line revenue measure is Insurance Revenue.

Net premiums written (NPW)	Gross premiums written for a given period less premiums ceded to reinsurers. An IFRS 4 presentation term, retained for comparability; under IFRS 17 reinsurance ceded is shown in the net reinsurance result, not netted into the revenue line.
Premium	The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims.
Premium tax	A tax collected from policyholders and paid to the Province. It is calculated as a percentage of gross premiums written.
Redundancy & deficiency	Claim reserves are constantly re-evaluated. An increase in a reserve from the original estimate is a deficiency while a decrease to the original reserve is called a redundancy.
Unearned premiums	The difference between net premiums written and net premiums earned. It reflects the net premiums written for that portion of the term of its insurance policies that are deferred to subsequent accounting periods.

23. USE CONSIDERATIONS, AND LIMITATIONS

23.1. Risk Consulting Services Inc.

Usage and Responsibility of Client – All sections of this report include important considerations, assumptions, and limitations and, as a result, are intended to be read and used only as a whole. This report does not represent investment advice nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialized advice. The report sections may not be separated into, or distributed, in parts. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the Panel. We have relied on SAF to ensure that the information included in this report is for Public consumption. Accordingly, we do not take any responsibility for inadvertent disclosure of confidential information in this report.

Data Verification – For our analysis, we relied on data and information provided by SAF without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. Our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions might therefore be unreliable.

Rounding and Accuracy – Our models may retain more digits than those displayed. Also, the results of certain calculations may be presented in the exhibits with more or fewer digits than would be considered significant. As a result, there may be rounding differences between the results of calculations presented in the exhibits and replications of those calculations based on displayed underlying amounts. Also, calculation results may not have been adjusted to reflect the precision of the calculation.

Internal / External Changes – The sources of uncertainty affecting estimates are numerous and include factors internal and external to SAF. Internal factors include items such as changes in claim reserving or settlement practices. The most significant external influences include, but are not limited to, changes in the legal, social, or regulatory environment surrounding the claims process. Uncontrollable factors such as general economic conditions also contribute to the variability.

Uncertainty Inherent in Projections – While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that projections involve estimates of future events and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, we do not guarantee that the emergence of actual losses will correspond to the projections in this analysis.

23.2. Cathcart Advisors Inc.

Standard of Care – We provided the services set out in the scope with reasonable skill and care, following the professional standard expected of us, and in a timely manner. Our analysis, observations and conclusions are based on information made available to us and discussions with and representations made by SAF. Although we reviewed the information for reasonableness, we have not audited or otherwise verified this information for our Report. We do not express any view on its compliance with International Financial Reporting Standards and the standards related to future-oriented financial information. We accept no responsibility or liability for any losses occasioned by any party due to our reliance on information provided to us or that we have obtained from external sources.

Limitations of Financial Forecasts – Our observations and conclusions are based on SAF's current financial forecast. For the Outlook period of 2028/29 to 2030/31, that forecast was deemed confidential, and our analysis of it was subject to a scope limitation. Our analysis has considered the assumptions SAF made about future events and its operations. Those assumptions cannot be substantiated by their nature, and although SAF currently considers them reasonable, actual results will differ from the forecast and the differences may be material. Readers should therefore review this Report in light of this limitation..

Confidential Information – We have prepared this Report having access to both Public and information deemed confidential by SAF. This Report has been prepared for Public release. The Report was provided to SAF in draft form to vet in advance of its finalization to ensure that the information included in this Report is accurate and can be publicly disclosed. We have relied on SAF to ensure that the information included in this Report is for Public consumption. Accordingly, we do not take any responsibility for inadvertent disclosure of confidential information in this Report.

APPENDIX A – RATE CHANGES BY CUSTOMER CLASS

Table A.1: Rate Changes by Customer Class, Indicated and Proposed

Appendix A — Summary of Indicated and Proposed Rate Changes
By Class Indicated and Proposed Rate Changes with Dollar Impact

Vehicle Class	Required Rate Change	Proposed Change	Proposed Rate Change Incl CM and Rounding	Weighted Average Current Premium	Weighted Average Proposed Premium Incl CM	Average $ Change	Max $ Increase	Max $ Decrease	Average $ Increase	Average $ Decrease
CLEAR-Rated Vehicles	30.6%	3.6%	3.6%	$1313	$1,359	$47	$140	-$112	$47	-$27
A — Commercial Light Trucks	46.8%	3.5%	3.5%	$2,714	$2,810	$96	$140	$0	$96	$0
F — Farm Light Truck - 1994-2003	-15.1%	3.8%	3.8%	$645	$670	$24	$36	$0	$24	$0
F — Farm Light Truck - 2004 & Newer	34.8%	3.5%	3.5%	$1,106	$1,145	$39	$68	-$49	$39	-$22
LV — Private Passenger Vehicles (PPV)	30.3%	3.6%	3.6%	$1,333	$1,381	$48	$137	-$112	$48	-$27
LV — PPV — Farm Cars, SUVs and Vans	55.4%	3.6%	3.6%	$1,150	$1,192	$41	$87	-$81	$41	-$28
LV — Police Cars	-30.4%	3.5%	3.5%	$2,079	$2,153	$74	$110	$0	$74	$0
LV — Police Trucks, Vans & SUVs	108.1%	3.5%	3.5%	$1,448	$1,500	$51	$67	$0	$51	$0
LV — Udrives	25.4%	3.5%	3.5%	$1,949	$2,018	$69	$103	-$29	$69	-$29
PT — Taxis (Rural)	39.7%	46.8%	3.5%	$2,146	$2,222	$76	$108	$0	$76	$0

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Conventionally Rated Vehicles										
Ambulances	91.4%	34.8%	3.5%	$1,095	$1,133	$38	$38	$0	$38	$0
A — Commercial Vehicles:										
Heavy Trucks & Vans IRP	27.6%	55.4%	4.0%	$882	$917	$35	$46	$0	$35	$0
Heavy Trucks & Vans IRP $15K Ded.	59.4%	30.8%	5.3%	$430	$453	$23	$23	$0	$23	$0
Heavy Trucks and Vans Non-IRP	52.6%	108.1%	3.6%	$1,078	$1,117	$38	$52	$0	$38	$0
Power Units IRP	65.4%	25.4%	3.5%	$2,777	$2,875	$98	$108	$0	$98	$0
Power Units IRP $15K Ded.	131.8%	39.7%	3.5%	$1,314	$1,360	$46	$47	$0	$46	$0
Power Units Non-IRP	64.%	3.5%	3.5%	$1,576	$1,631	$55	$66	$0	$55	$0
C & D — Commercial Vehicles:										
Heavy Trucks and Vans	35.9%	4.3%	4.3%	$725	$756	$31	$42	$0	$31	$0
Power Units	22.4%	3.5%	3.5%	$1,394	$1,443	$49	$67	$0	$49	$0

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Vehicle Class	Required Rate Change	Proposed Change	Proposed Rate Change Incl CM and Rounding	Weighted Average Current Premium	Weighted Average Proposed Premium Incl CM	Average $ Change	Max $ Increase	Max $ Decrease	Average $ Increase	Average $ Decrease
F—Farm Vehicles:										
Heavy Trucks and Vans	28.0%	7.4%	7.5%	$267	$287	$20	$29	$0	$20	$0
Light Trucks - 1993 & Older	60.0%	9.8%	9.8%	$174	$191	$17	$17	$0	$17	$0
Power Units	26.6%	4.6%	4.6%	$601	$629	$28	$41	$0	$28	$0
Hearses	63.2%	5.3%	5.3%	$438	$461	$23	$23	$0	$23	$0
L—Dealer Plates	70.2%	3.9%	3.8%	$746	$775	$29	$29	$0	$29	$0
L—Snowmobile Dealers	50.7%	18.3%	18.3%	$60	$71	$11	$11	$0	$11	$0
LV—Antiques	61.6%	12.0%	12.0%	$92	$103	$11	$11	$0	$11	$0
LV—Buses	28.9%	5.1%	5.1%	$570	$599	$29	$29	$0	$29	$0
LV—Buses (Restricted)	67.5%	5.7%	5.7%	$405	$428	$23	$23	$0	$23	$0
LV—Motorcycles	58.8%	0.0%	0.0%	$1,806	$1,806	$0	$0	$0	$0	$0
LV—Motorhomes	286.9%	4.3%	4.2%	$682	$711	$29	$51	$0	$29	$0
MT, Snowmobiles	21.3%	15.3%	15.3%	$72	$83	$11	$11	$0	$11	$0

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By Class Indicated and Proposed Rate Changes with Dollar Impact

Vehicle Class	Required Rate Change	Proposed Change	Proposed Rate Change Incl CM and Rounding	Weighted Average Current Premium	Weighted Average Proposed Premium Incl CM	Average $ Change	Max $ Increase	Max $ Decrease	Average $ Increase	Average $ Decrease
PB—Passenger Inter-city Buses	87.2%	3.5%	3.5%	$2,265	$2,345	$80	$148	$0	$80	$0
PC—Passenger City Buses	99.9%	3.5%	3.5%	$2,029	$2,101	$71	$96	$0	$71	$0
PS—Passenger School Buses	68.0%	4.1%	4.1%	$704	$733	$29	$29	$0	$29	$0
PT—Taxis	82.6%	0.0%	0.0%	$3,760	$3,760	$0	$0	$0	$0	$0
Rideshares	5.4%	5.3%	9.1%	$1,760	$1,920	$160	$160	$0	$160	$0
Trailers										
F — Trailers	66.4%	16.8%	17.4%	$77	$90	$13	$17	$0	$13	$0
LT — Trailer Dealers/Movers	104.7%	0.1%	0.2%	$549	$550	$1	$35	-$24	$32	-$24
T — Personal Trailers	113.6%	6.9%	6.7%	$272	$290	$19	$38	$0	$19	$0
T — Utility	73.1%	13.9%	13.9%	$36	$41	$5	$5	$0	$5	$0
TS — Commercial Trailers	18.2%	5.4%	5.7%	$129	$136	$7	$17	-$5	$11	-$5
Miscellaneous Classes										
A—Excess Value	3.3%	0.0%	0.0%	$17	$17	$0	$0	$0	$0	$0

Appendix A — Summary of Indicated and Proposed Rate Changes
By Class Indicated and Proposed Rate Changes with Dollar Impact

Vehicle Class	Required Rate Change	Proposed Change	Proposed Rate Change Incl CM and Rounding	Weighted Average Current Premium	Weighted Average Proposed Premium Incl CM	Average $ Change	Max $ Increase	Max $ Decrease	Average $ Increase	Average $ Decrease
C & D—Non-Resident	134.0%	14.7%	14.7%	$75	$86	$11	$11	$0	$11	$0
C & D — Excess Value	-16.8%	0.0%	0.0%	$17	$17	$0	$0	$0	$0	$0
Industrial Tracked Vehicles	41.7%	8.4%	8.4%	$275	$298	$23	$23	$0	$23	$0
LV — Motorized Bicycle	60.0%	18.0%	18.0%	$61	$72	$11	$11	$0	$11	$0
PV — Converted Vehicles	20.8%	4.2%	4.2%	$799	$833	$33	$36	$0	$33	$0
PV — Heavy Trucks and Vans	15.5%	4.1%	4.2%	$733	$763	$30	$39	-$9	$31	-$9
PV — Power Units	26.5%	3.7%	3.7%	$1,089	$1,129	$40	$70	$0	$40	$0
TS — Excess Value	-31.5%	0.0%	0.0%	$17	$17	$0	$0	$0	$0	$0
24-Hour Permit	43.0%	45.5%	45.5%	$11	$16	$5	$5	$0	$5	$0
8-Day Permit	93.1%	10.2%	10.2%	$49	$54	$5	$5	$0	$5	$0
In-transit Permit	93.2%	16.7%	16.7%	$30	$35	$5	$5	$0	$5	$0
Temporary Insurance Card	36.0%	17.9%	17.9%	$28	$33	$5	$5	$0	$5	$0

APPENDIX B – SAF Internal Operation Measures

Table B.1: Key Internal Operations Data ($000s except where noted)

Metric / Line ($000s except where noted)	Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23 (IFRS 4)	Actual 2022/23 (IFRS 17)	Actual 2023/24	Actual 2024/25	Budget 2025/26	Budget 2026/27	5 yr Hist CAGR	2 yr Outlook CAGR
(1) Premiums Earned	955,609	961,172	982,205	1,007,583	1,007,583	1,042,254	1,080,674	1,124,943	1,168,753	3.0%	3.9%
(2) Operating Expenses (total)	71,068	69,189	91,183	128,588	14,113*	173,152*	185,064*	189,192*	184,125*	N/A	-2.7%
Insurance Service Admin Expenses	—	—	—	—	14,113	10,848	29,785	35,568	35,022		
Reinsurance Admin Expenses - Ceded	—	—	—	—	83	210	199	252	280		
SAF Non-Insurance Commission	—	—	—	—	1,875	2,878	3,121	3,367	3,546		
Other Expenses	—	—	—	—	144,045	159,216	151,959	150,005	145,277		
(3) Claims Expenses	143,766	135,806	151,020	156,909	159,840	175,085	203,079	211,910	216,888	10.6%	2.3%
LAE - Change in Unpaid & Unreported	5,740	40,841	25,548	25,820	25,771	-17,732	66,991	8,252	7,597		
(4) Net Claims Incurred	739,796	608,807	749,682	937,909	801,779	860,641	900,684	1,018,264	1,063,446	10.3%	4.4%
(5) Commissions & Premium Taxes	95,791	95,628	98,806	100,200	99,539	103,535	116,324	118,351	117,290	5.0%	-0.9%
(6) Investment Income	2,450	508,482	108,746	75,391	75,391	183,452	257,701	121,147	132,735	N/A	N/A
(7) Number of Claims	119,677	104,495	121,465	132,160	132,160	130,721	142,618	145,646	149,778	8.1%	2.8%
(8) Written Exposures (excl. trailers)	932,895	950,569	955,550	962,639	962,639	985,163	1,010,419	1,011,324	1,023,566	1.5%	1.2%
(9) Full-Time Equivalents (FTEs)	1,262	1,171	1,257	1,377	1,377	1,525	1,685	1,595	1,614	9.5%	-2.1%
(10) Gross Premiums Written	962,705	988,696	1,007,336	1,036,243	1,036,243	1,077,880	1,127,954	1,161,310	1,223,243	3.3%	5.3%
(11) Net Premiums Written	952,156	979,246	984,078	1,017,336	1,017,336	1,059,487	1,101,712	1,137,865	1,197,824	3.0%	5.3%
(12) Provincial Population (000s)	1,167.4	1,167.7	1,178.8	1,210.3	1,210.3	1,247.9	1,267.0	1,240.9	1,241.8	2.1%	0.1%

Table B.2: Internal Operations Ratios and Metrics

Ratio / Metric	Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23 (IFRS 4)	Actual 2022/23 (IFRS 17)	Actual 2023/24	Actual 2024/25	Budget 2025/26	Budget 2026/27	5 yr Hist CAGR	2 yr Outlook CAGR
Operating Expense Ratio	7.44	7.20	9.28	12.76	15.89	16.61	17.12	16.82	15.75	24.2%	-6.3%
% Yearly Change	—	-3.2%	28.9%	37.5%	—	4.54%	3.08%	-1.79%	-6.33%	—	—
Claims Expense Ratio	15.65	18.38	17.98	18.14	18.42	15.10	24.90	19.57	19.21	7.9%	-1.8%
% Yearly Change	—	17.4%	-2.2%	0.9%	—	-18.04%	64.92%	-21.40%	-1.86%	—	—
Loss Ratio	77.42	63.34	76.33	93.09	79.57	82.57	83.34	90.52	90.99	7.1%	0.5%
% Yearly Change	—	-18.2%	20.5%	22.0%	—	3.77%	0.93%	8.61%	0.52%	—	—
Combined Ratio (OpEx+Claims+Loss+Comm)	110.52	98.87	113.65	133.93	123.77	124.22	136.13	137.43	135.99	8.3%	-1.0%
% Yearly Change	—	-10.5%	15.0%	17.8%	—	0.37%	9.59%	0.95%	-1.05%	—	—
Operating Expense per Policy ($)	57.62	57.28	59.54	13.36	16.63	17.58	18.32	18.71	17.99	25.9%	-3.8%
% Yearly Change	—	-0.6%	3.9%	-77.6%	—	5.67%	4.21%	2.14%	-3.84%	—	—
Claims Expense per Claim ($)	124.92	169.05	145.37	138.26	140.44	120.37	188.66	151.16	149.88	2.8%	-0.4%
% Yearly Change	—	35.3%	-14.0%	-4.9%	—	-14.29%	56.73%	-19.88%	-0.85%	—	—
Premiums per Written Exposure ($)	1.03	1.04	1.05	1.08	1.08	1.09	1.12	1.15	1.20	1.8%	4.1%
% Yearly Change	—	1.0%	1.0%	2.9%	—	1.64%	2.03%	2.87%	4.07%	—	—
Insurance Costs per Capita ($)	815.63	838.60	834.82	840.60	840.60	849.04	869.57	916.97	964.59	0.9%	5.2%
% Yearly Change	—	2.8%	-0.5%	0.7%	—	1.00%	2.42%	5.45%	5.19%	—	—
All-items CPI (index)	140.73	144.40	153.94	159.95	159.95	162.27	165.24	168.91	172.29	3.4%	2.0%
% Yearly Change	—	2.6%	6.6%	3.9%	—	1.45%	1.83%	2.23%	2.00%	—	—

Notes:

(1) In 2024/25, transformation-related costs were shifted from LAE to insurance expense as those costs move from the project stage into production.

(2) LAE – Change in Unpaid & Unreported reflects changes in the reserve for future loss adjustment expenses needed to settle claims.

(3) FTEs for SAF are estimated based on total SGI employees and an allocation percentage.

(4) Revenues and costs exclude salvage, traffic safety, SDR malus penalties, short-term/auto pay fees, program/service fees, IFRS 17 insurance/reinsurance finance income, and change in loss component.

(5) The IFRS 4 to IFRS 17 transition in 2022/23 affects year-over-year comparability for several metrics, particularly the operating expense ratio and related per-policy measures. Care should be taken when comparing pre- and post-transition periods.

APPENDIX C – CONSULTANT INFORMATION REQUEST INDEX

SAF 2026 Rate Review – Consultant IR Reference Table

Source: Round 1 IRs (SAF (SRRP) 1-1 to 1-65, February 18, 2026) and Round 2 IRs (SAF (SRRP) 2-1 to 2-33, March 20, 2026). Conf. = Confidential.

Table C.1: Consultant Information Request Index

Category / Topic	Round 1 Public	Round 1 Conf.	Round 1 Attachments	Round 2 Public	Round 2 Conf.
GENERAL / STRATEGIC					
Collective Agreements	1-1		1-1b		
Strategic Initiatives	1-2				
Balanced Scorecard	1-3				
Cross-Jurisdictional Comparison	1-4				
Non-Rate Actions / Rate Increases	1-5			2-1a	
Rate Increases – Historical CPI	1-6			2-2	
Ratepayer Stakeholder Consultations – Motorcycles / Taxi	1-7			2-3	
Rate Presentation		1-11			
RATES AND REVENUES					
Indicated and Requested Rates – Financial Forecast		1-8	1-8b, 1-8c	2-4 b, c 2-5a, b,h i 2-6 a, b 2-7	2-4a 2-5c, d,e,f, g 2-6c
Breakdown of Written Premium	1-9				
Alternative Rate Scenarios		1-10		2-8 b, c	2-8a, b,c, d
TNC Rates	1-12				
SDR & BR Incentive Programs	1-13			2-13a, c	

Category / Topic	Round 1 Public	Round 1 Conf.	Round 1 Attachments	Round 2 Public	Round 2 Conf.
Rate Adjustments vs CPI by Class	1-25				
Capping				2-32	
MCT RATIOS AND CAPITAL MANAGEMENT POLICY					
RSR Balance and MCT Forecast – Capital Margin	1-14				
RSR Balance and MCT Forecast – Continuity Schedule		1-28 a-g		2-7	
RSR and MCT – Q4 2025/26 Update					
RSR and MCT – Graph with Non-Rate Actions	1-29 a, b,c,d	1-29 b, f, g		2-16 b, c	2-16a
RSR and MCT – Capital Build Scenarios	1-29 a, b,c,d			2-6a, b 2-17a, c,d	2-6c 2-17b
Financial Condition Testing (FCT)				2-8e	2-8a, b,c
ACTUARIAL ANALYSIS – LOSS ADJUSTMENTS AND TRENDS					
COVID Adjustment	1-15				
Paint Materials Adjustment	1-16			2-33	
Adjusted Ultimates – Excel Exhibit	1-17,1-18				
Catastrophe Trends	1-21				
Injury – Appeal Severity	1-22				
Injury – Care Severity	1-23				
Injury – Income Replacement Severity	1-24				
Discount Rate / Return on Investment	1-26, 1-43				

Category / Topic	Round 1 Public	Round 1 Conf.	Round 1 Attachments	Round 2 Public	Round 2 Conf.
Tariff Adjustment	1-27,1-28, (Loss Adj.)				
Large Loss Loading	1-20				
Loss Adjustment – Inflation Adjustment				2-31	
CLAIMS INCURRED					
Claims Incurred	1-30			2-18	
Loss Adjustment Expenses	1-31			2-11	
Damage Reinsurance	1-32				
Motorcycle Claims – Seasonal Rating	1-33				
Motorcycle Claims – Large Loss Capping	1-34 c, e			2-26b, c,d	
Motorcycle Claims – MPI Loss Attribution Rules				2-27	
Motorcycle Collisions Claims	1-35			2-26c	
Taxi Claims	1-34 b, d,f			2-26a	
Taxi / TNC – Severity vs PPV				2-20a	
Taxi / TNC – Collision and Medical Costs				2-20b, c	
Wildlife Claims				2-19	
Non-Controllable Expenses	1-34				
After Market Part Usage	, a-36				
Rehabilitation / Medical Costs	1-36				
OPERATING AND ADMINISTRATIVE EXPENSES					

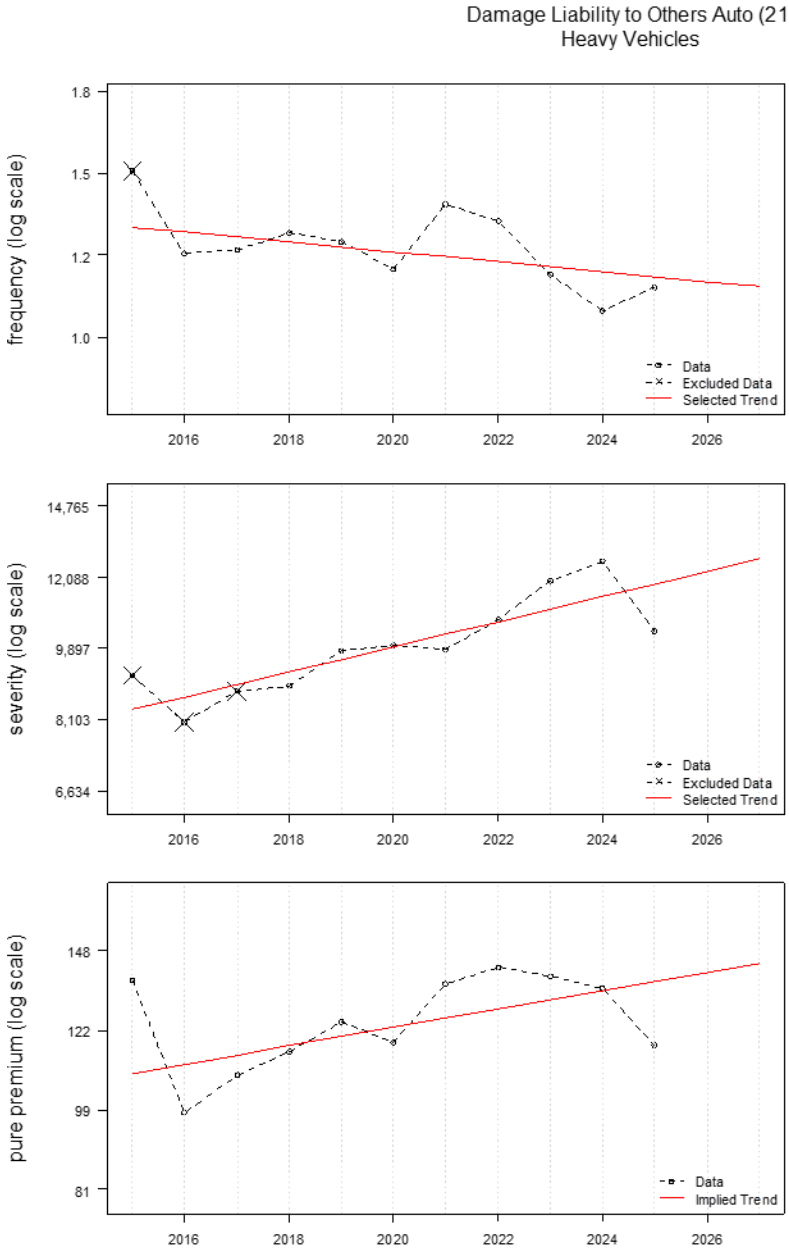
Category / Topic	Round 1 Public	Round 1 Conf.	Round 1 Attachments	Round 2 Public	Round 2 Conf.
Historical Expenses – Rate Indication	1-19			2-9, 2-14	
Payments to Government					
SAF Staff Level Changes		1-39, 1-40		2-21	
Issuer Fees – Broker Accord	1-42	1-41		2-22a	2-22b, c
Issuer Fees – Updated Schedule					
Payments to Government / Taxes	1-37, 1-38				
INVESTMENT STRATEGY AND INCOME					
Economic & Interest Rate Forecast	1-43				
Investment Portfolio Management /Performance		1-44,1-46	1-43a	2-24	
Investment Income – Portfolio Detail					
Investment Policy Changes	1-45, 1-47			2-23	
Investment Income – Budget vs Actual					
Investment Returns – Annual and Peer Comparison				2-12	
Investment Income – 2025/26 Actual vs Forecast					
Investment Management – Portfolio Optimization				2-24	
COST ALLOCATION					
Cost Allocation Results					2-15

Category / Topic	Round 1 Public	Round 1 Conf.	Round 1 Attachments	Round 2 Public	Round 2 Conf.
Cost Allocation Methodology	, 1-49	1-48		2-15a, c,d,g,h	2-15 b,e
TRAFFIC SAFETY					
Traffic Safety Expenditures – Reconciliation		1-50		2-9b,d,e	2-9c
Traffic Safety – Program Performance Monitoring/ Cost Benefit Analysis	,1-51, 1-52			2-25	
Traffic Safety – PSE Cost-Benefit Analysis					
Traffic Safety – MELT Program	1-53				
Traffic Safety – Alcohol-Impaired Driving	,1-54,			2-26, 2-27	
Traffic Safety – Wildlife Initiatives	1-55				
Traffic Safety – Law Enforcement Funding				2-9f	
Traffic Safety – Collision / Injury / Fatality Data					
Other Income – Salvage Operations	1-27 (Other Inc.)			2-10	
PRODUCTIVITY, BENCHMARKING AND EFFICIENCIES					
Cost Containment Measures					
Benchmarking – Canada Personal Lines		1-56, 1-57			
Key Performance Metrics				2-28a	2-28b,c,d
CAPITAL IMPROVEMENT SPENDING PLANS					

Category / Topic	Round 1 Public	Round 1 Conf.	Round 1 Attachments	Round 2 Public	Round 2 Conf.
2025/26 to 2029/30 Capital Plans				2-29	2-29c
Capital Expenditures & Major Projects		1-59			
CT Project – Status and Roadmap		1-60			
CT Project – KPIs and Operational Results		1-58, 1-61		2-28	
CT Project – Post-Implementation Costs		1-62		2-30f,g	2-30h
CT Project – Business Case and Costs	1-63			2-30 b, c,d,e	2-30b
Sensitivity Analysis		1-64, 1-65			

APPENDIX D – INVENTORY OF TREND MODELS

In Section 7.2, we presented the trend models used by SAF to determine indicated discounted pure premiums for CLEAR-rated vehicle classes. Below, we present all other SAF trend models. We did not evaluate these models; however, we confirmed SAF's indicated trend calculations. We further note that these are the class specific modelled trends and not the final credibility-weighted selected loss trends.

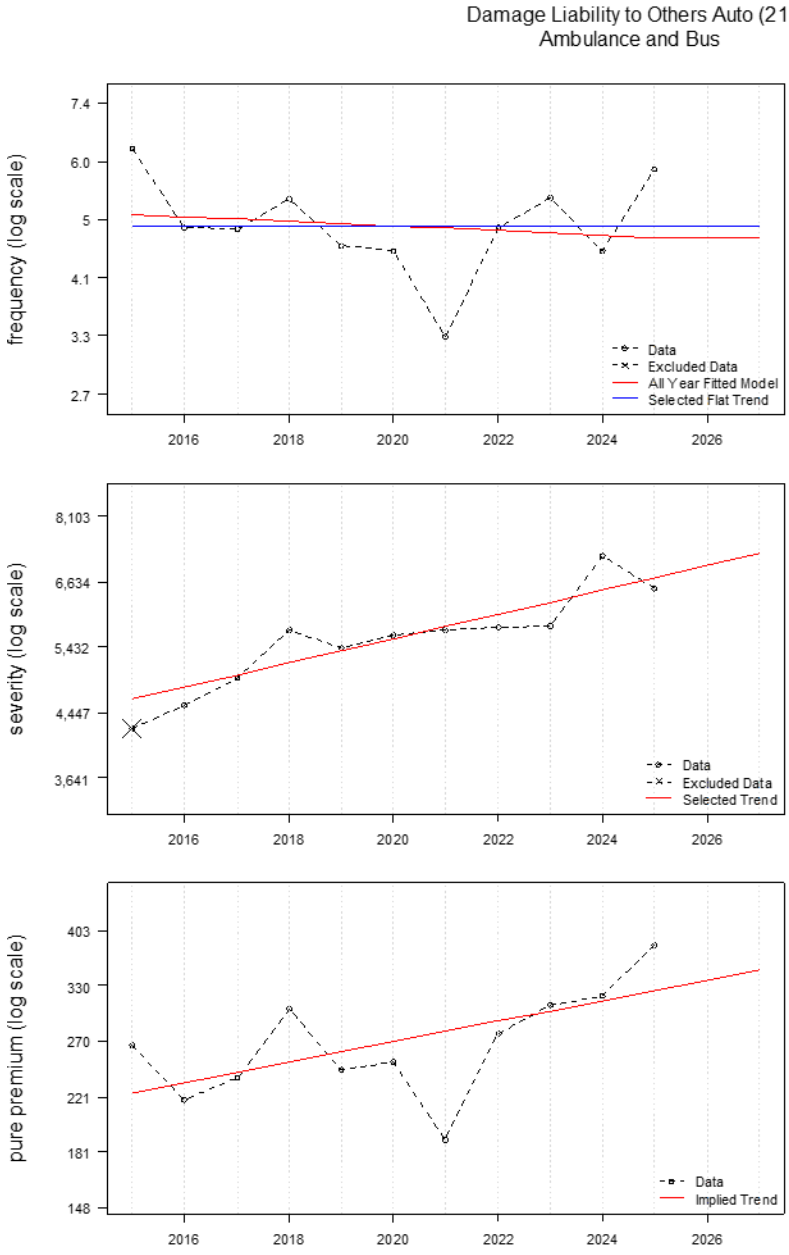


term	estimate	p.value
(Intercept)	24.535	0.166
time	-0.012	0.169
Model Past Trend	-1.20%	
Selected Past Trend	-1.20%	
Selected Future Trend	-1.20%	

term	estimate	p.value
(Intercept)	-61.882	0.047
time	0.035	0.029
Model Past Trend	+3.58%	
Selected Past Trend	+3.58%	
Selected Future Trend	+3.58%	

Implied.Trends	estimate
Past Trends	+2.34%
Future Trends	+2.34%

Figure D.1: Damage Liability to Others Auto (21) (Heavy Vehicles)



term	estimate	p.value
(Intercept)	17.402	0.623
time	-0.008	0.654
Model Past Trend	-0.78%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-66.232	0.002
time	0.037	0.001
Model Past Trend	+3.78%	
Selected Past Trend	+3.78%	
Selected Future Trend	+3.78%	

Implied.Trends	estimate
Past Trends	+3.78%
Future Trends	+3.78%

Figure D.2: Damage Liability to Others Auto (21) (Ambulance and Bus)

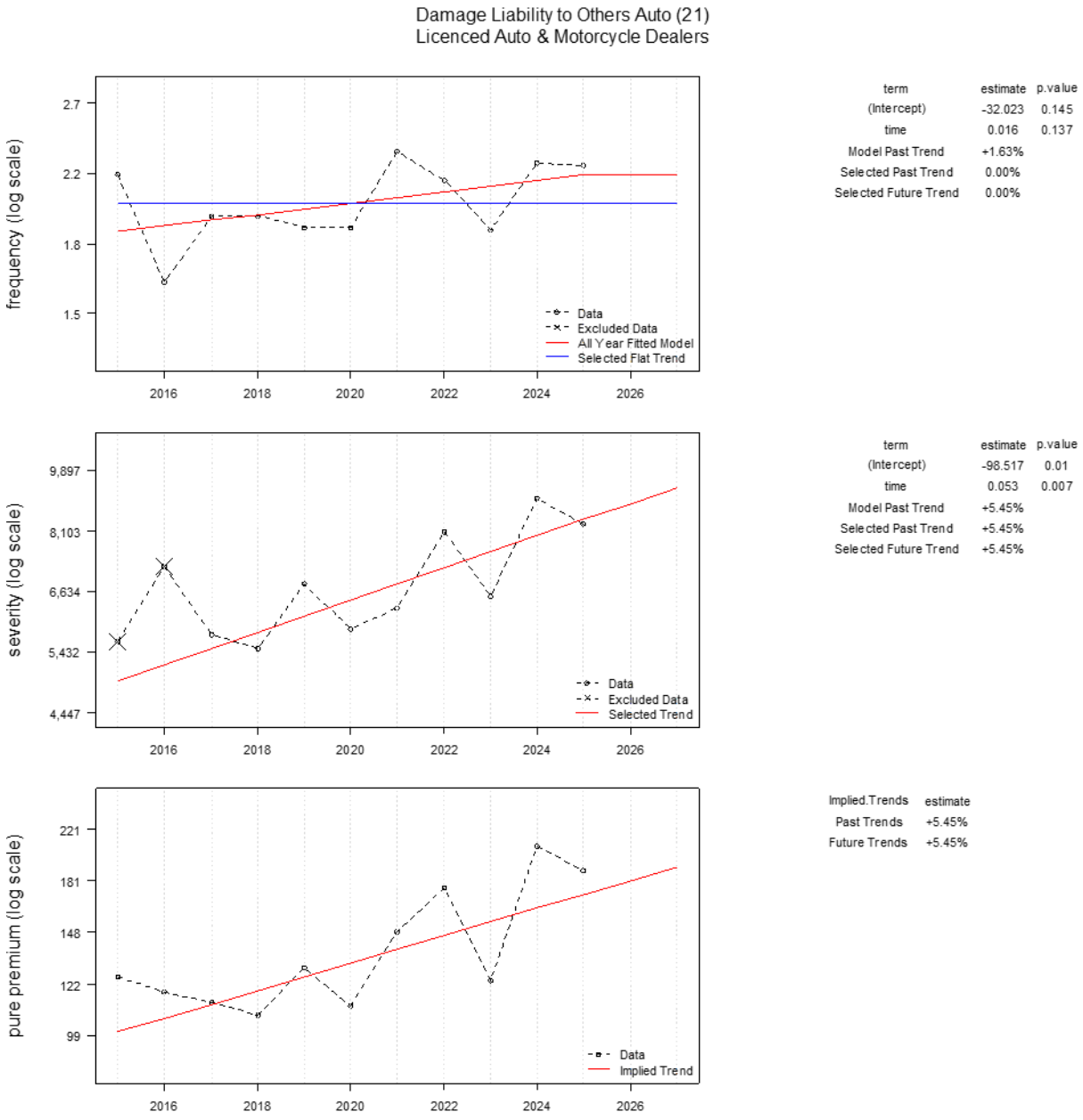
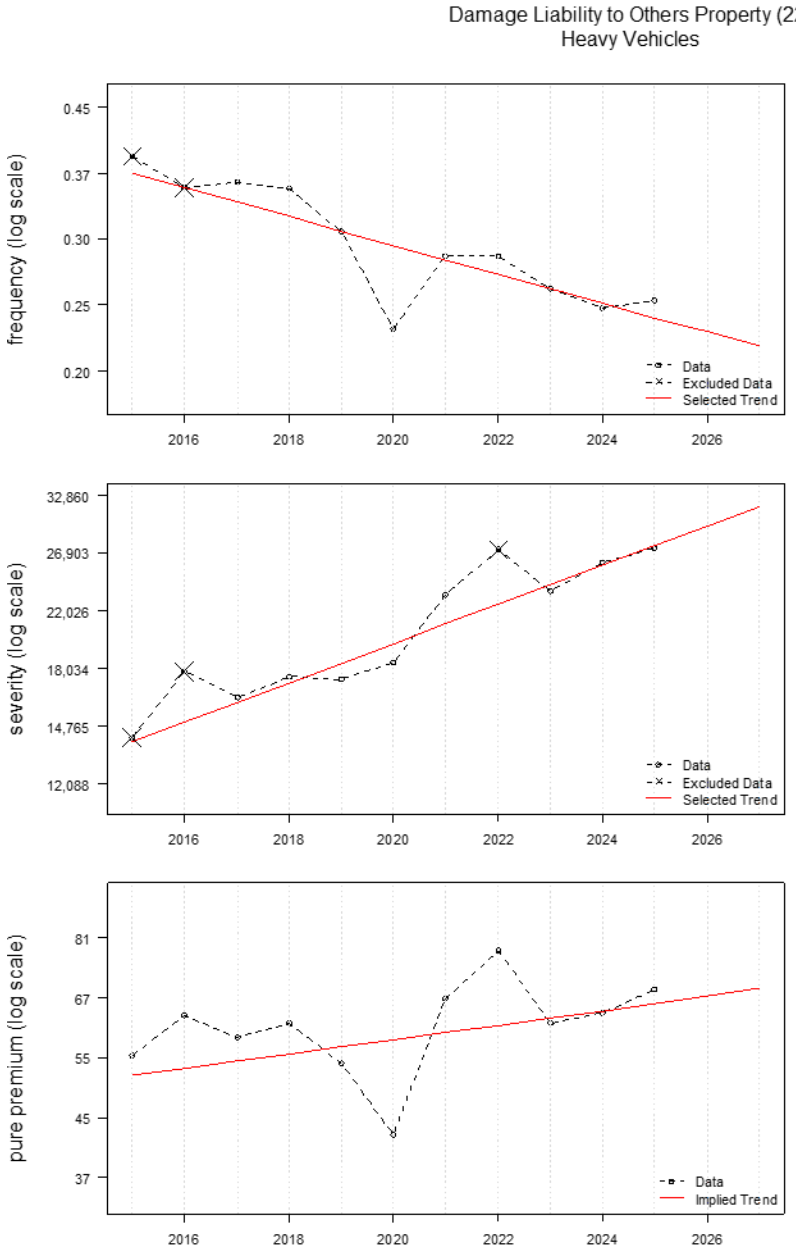


Figure D.3: Damage Liability to Others Auto (21) (Licenced Auto & Motorcycle Dealers)

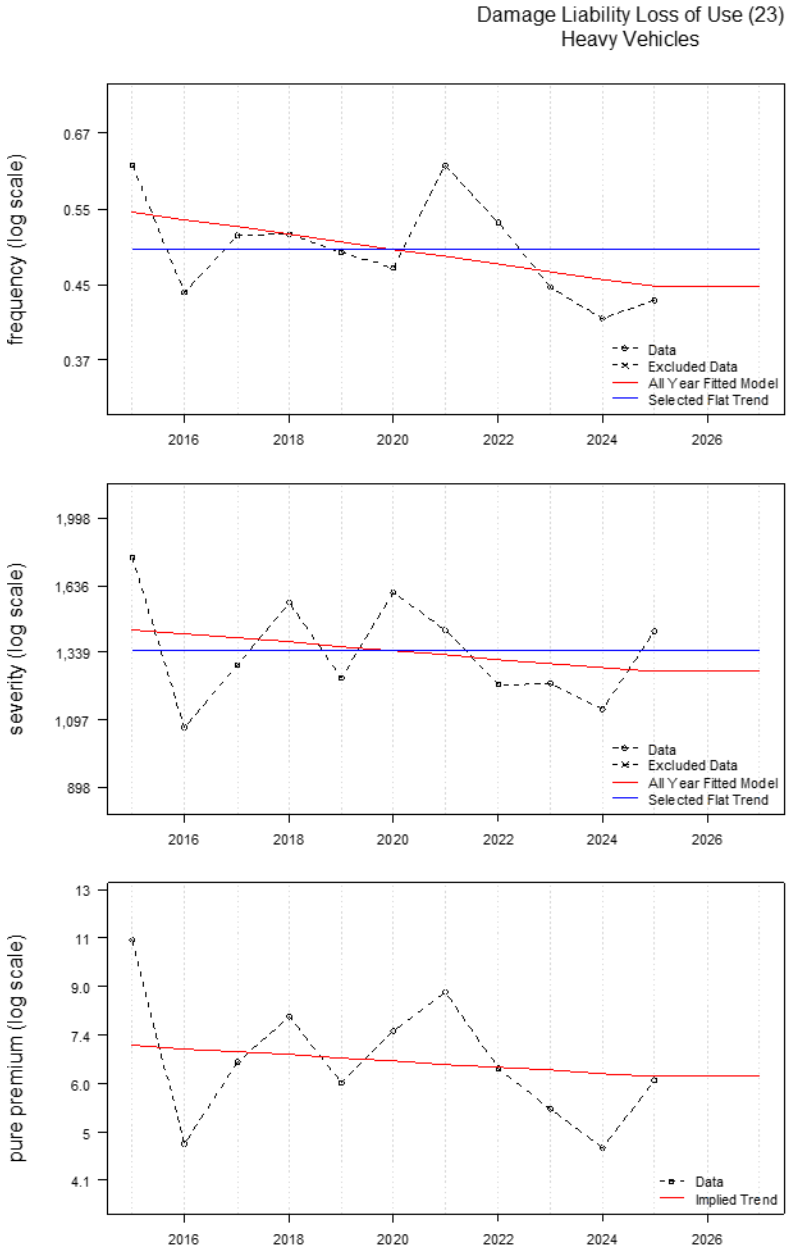


term	estimate	p.value
(Intercept)	87.896	0.017
time	-0.044	0.016
Model Past Trend	-4.32%	
Selected Past Trend	-4.32%	
Selected Future Trend	-4.18%	

term	estimate	p.value
(Intercept)	-127.301	0
time	0.068	0
Model Past Trend	+7.03%	
Selected Past Trend	+7.03%	
Selected Future Trend	+7.03%	

Implied.Trends	estimate
Past Trends	+2.55%
Future Trends	+2.55%

Figure D.4: Damage Liability to Others Property (22) (Heavy Vehicles)

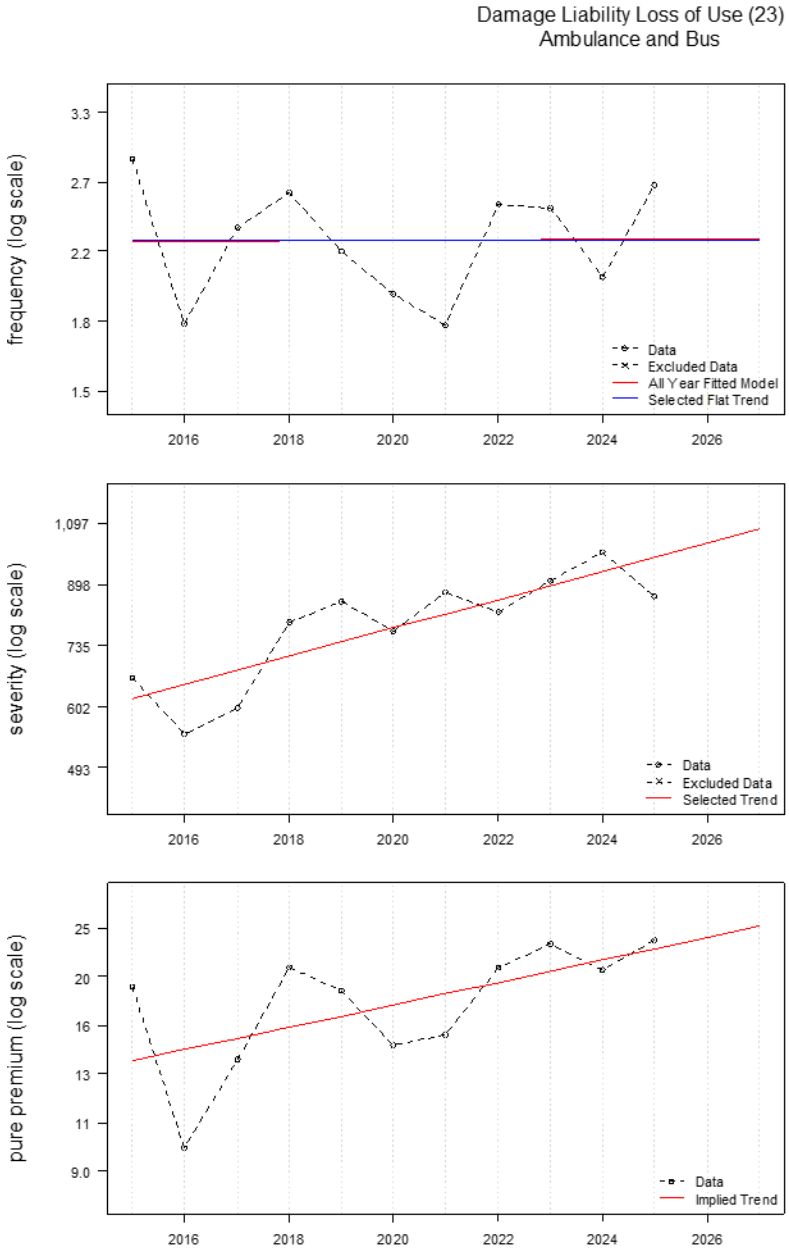


term	estimate	p.value
(Intercept)	39.254	0.138
time	-0.02	0.132
Model Past Trend	-1.96%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	32.86	0.311
time	-0.013	0.424
Model Past Trend	-1.26%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.5: Damage Liability Loss of Use (23) (Heavy Vehicles)

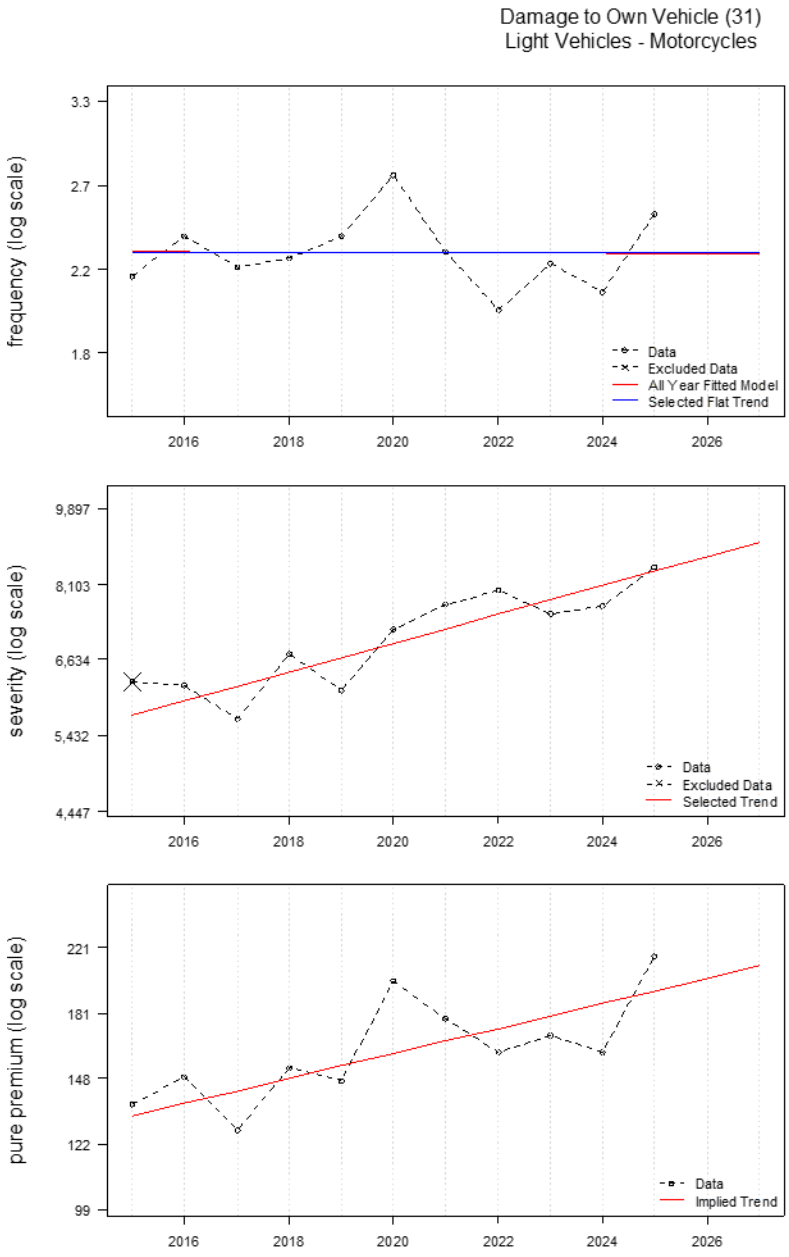


term	estimate	p.value
(Intercept)	-0.603	0.986
time	0.001	0.967
Model Past Trend	+0.07%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-86.18	0.002
time	0.046	0.001
Model Past Trend	+4.70%	
Selected Past Trend	+4.70%	
Selected Future Trend	+4.70%	

Implied.Trends	estimate
Past Trends	+4.70%
Future Trends	+4.70%

Figure D.6: Damage Liability Loss of Use (23) (Ambulance and Bus)

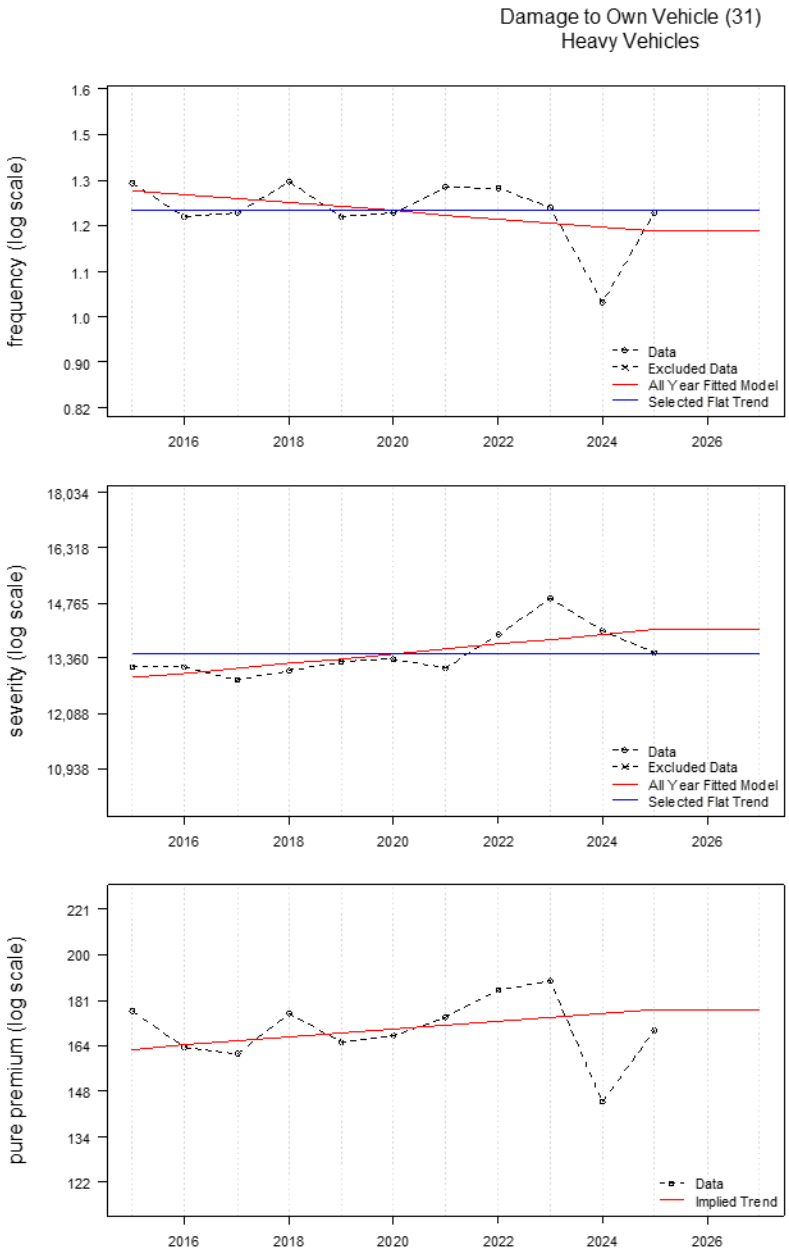


term	estimate	p.value
(Intercept)	1.634	0.93
time	0	0.966
Model Past Trend	-0.04%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-68.26	0.001
time	0.038	0.001
Model Past Trend	+3.89%	
Selected Past Trend	+3.89%	
Selected Future Trend	+3.89%	

Implied.Trends	estimate
Past Trends	+3.89%
Future Trends	+3.89%

Figure D.7: Damage to Own Vehicle (31) (Light Vehicles - Motorcycles)

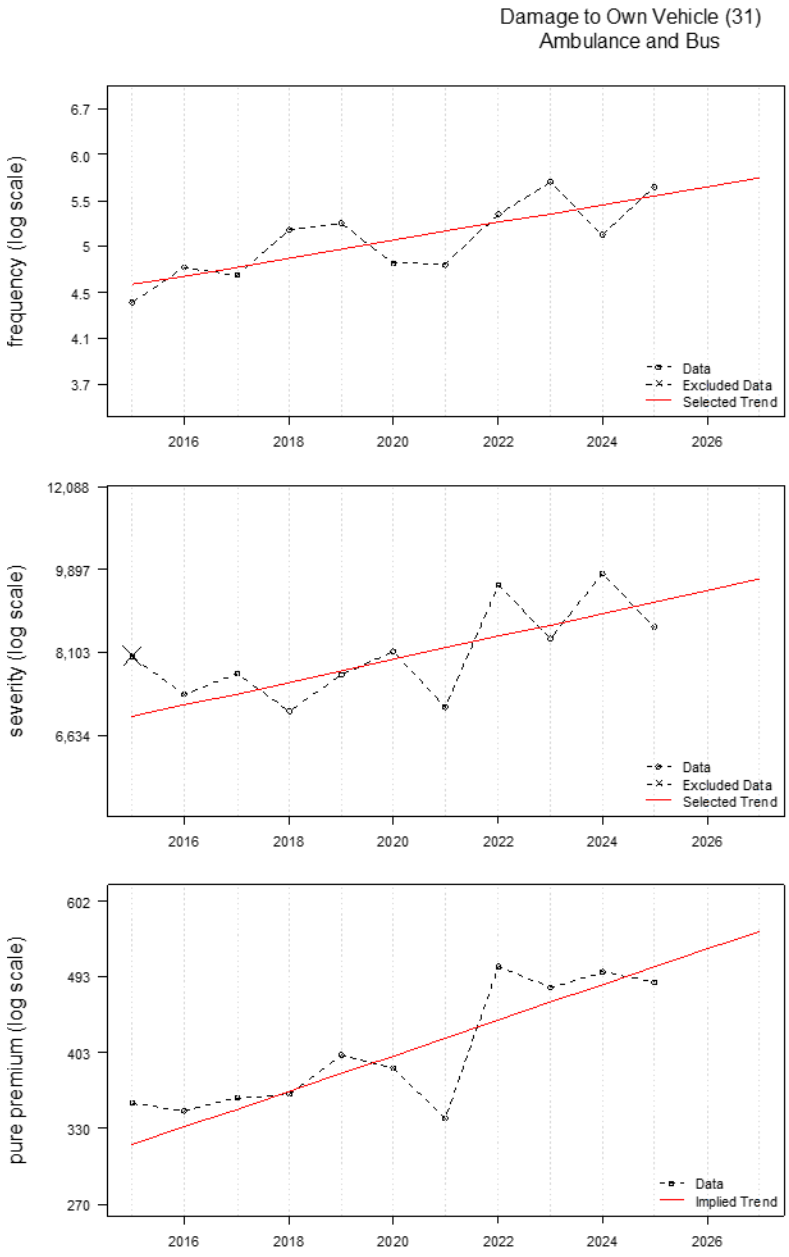


term	estimate	p.value
(Intercept)	18.58	0.207
time	-0.009	0.212
Model Past Trend	-0.90%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-7.95	0.25
time	0.009	0.024
Model Past Trend	+0.87%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.8: Damage to Own Vehicle (31) (Heavy Vehicles)

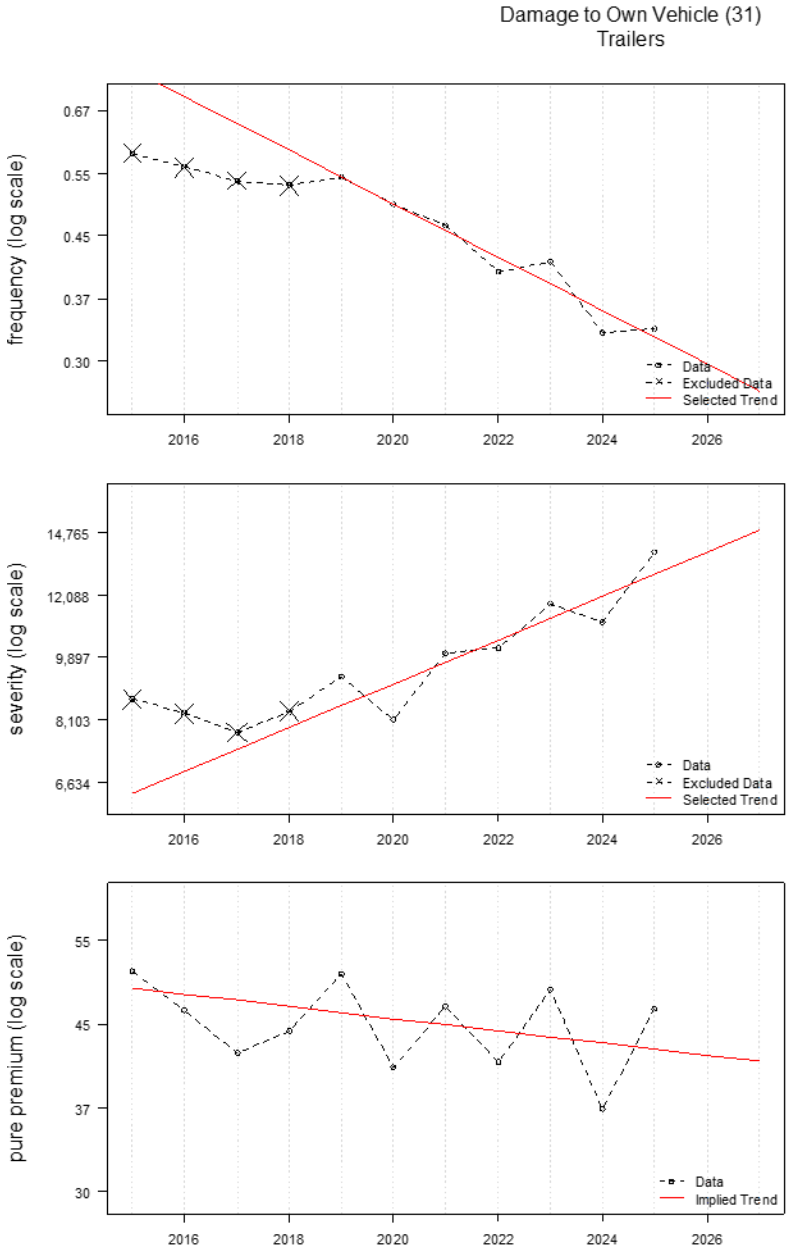


term	estimate	p.value
(Intercept)	-37.597	0.006
time	0.019	0.005
Model Past Trend	+1.96%	
Selected Past Trend	+1.96%	
Selected Future Trend	+1.96%	

term	estimate	p.value
(Intercept)	-46.783	0.038
time	0.028	0.018
Model Past Trend	+2.80%	
Selected Past Trend	+2.80%	
Selected Future Trend	+2.80%	

Implied.Trends	estimate
Past Trends	+4.81%
Future Trends	+4.81%

Figure D.9: Damage to Own Vehicle (31) (Ambulance and Bus)

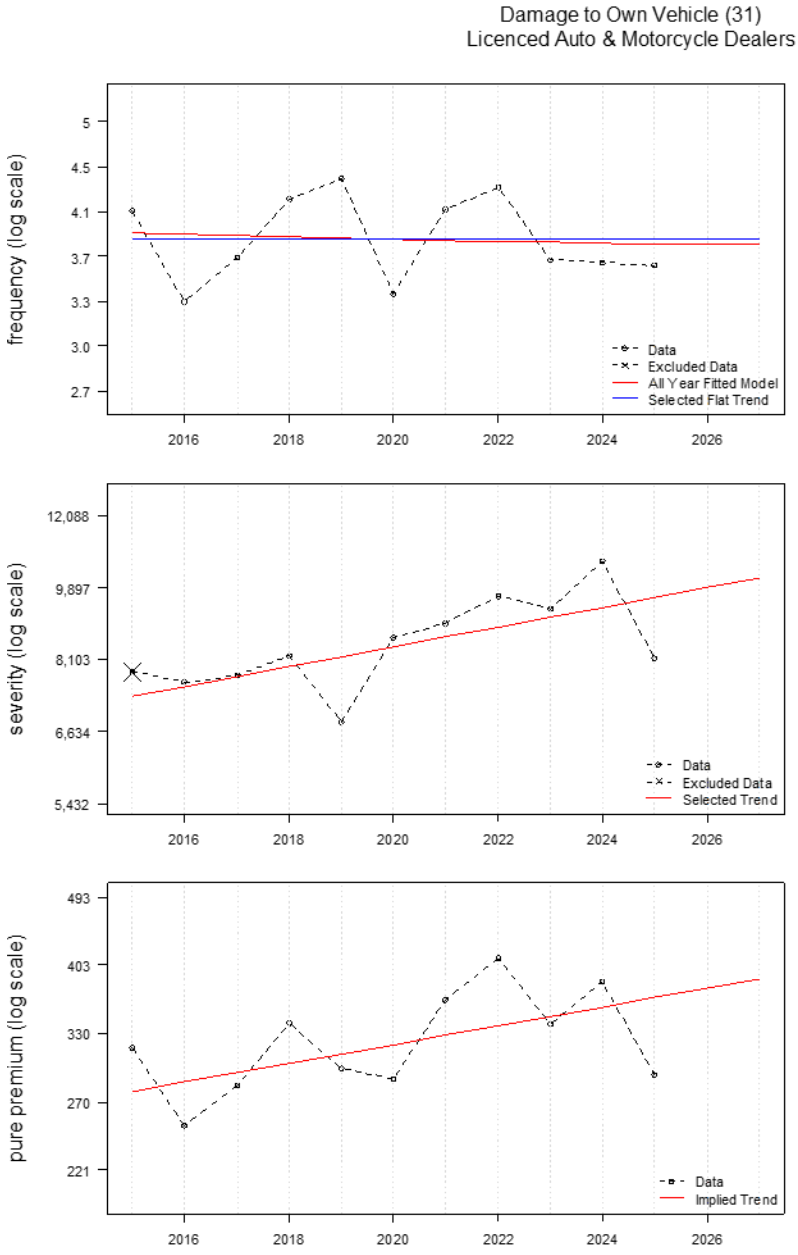


term	estimate	p.value
(Intercept)	171.485	0
time	-0.085	0
Model Past Trend	-8.17%	
Selected Past Trend	-8.17%	
Selected Future Trend	-8.17%	

term	estimate	p.value
(Intercept)	-133.667	0.01
time	0.071	0.008
Model Past Trend	+7.32%	
Selected Past Trend	+7.32%	
Selected Future Trend	+7.32%	

Implied.Trends	estimate
Past Trends	-1.44%
Future Trends	-1.44%

Figure D.10: Damage to Own Vehicle (31) (Trailers)

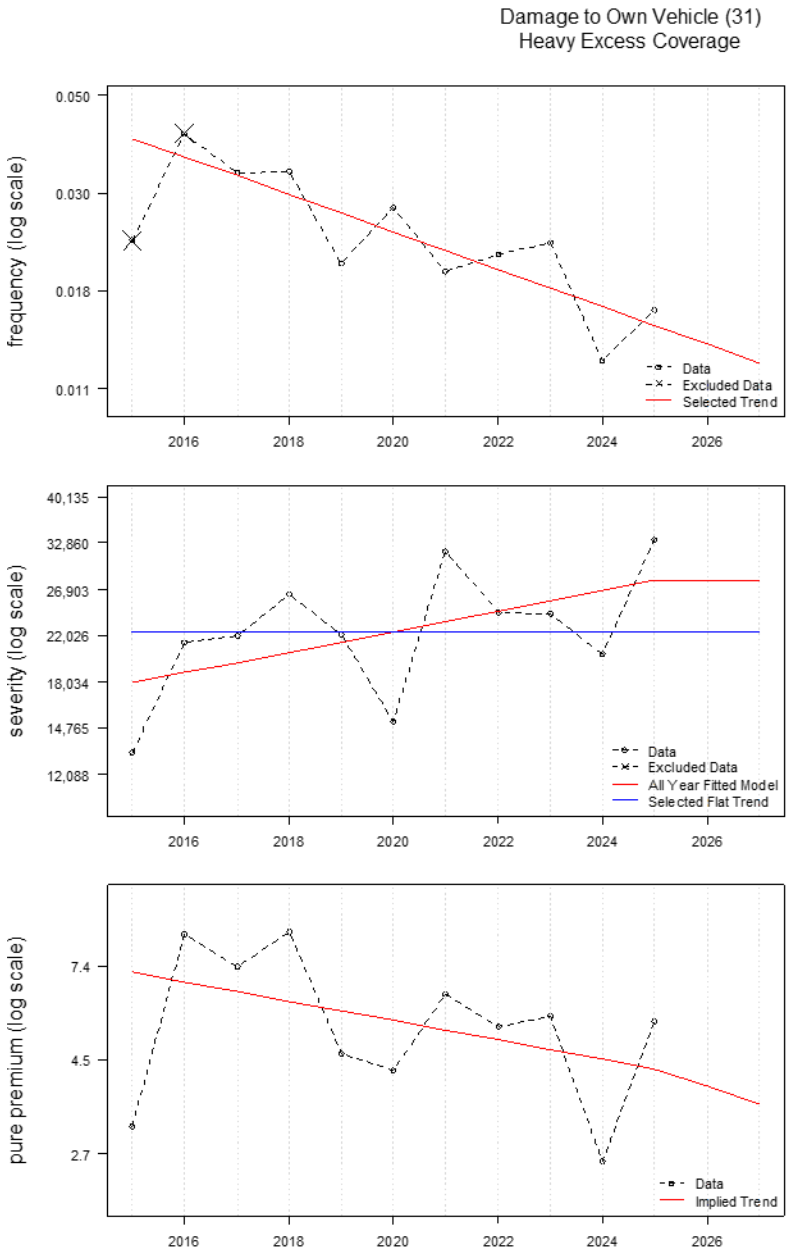


term	estimate	p.value
(Intercept)	6.52	0.746
time	-0.003	0.797
Model Past Trend	-0.26%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-46.421	0.081
time	0.027	0.044
Model Past Trend	+2.78%	
Selected Past Trend	+2.78%	
Selected Future Trend	+2.78%	

Implied.Trends	estimate
Past Trends	+2.78%
Future Trends	+2.78%

Figure D.11: Damage to Own Vehicle (31) (Licenced Auto & Motorcycle Dealers)

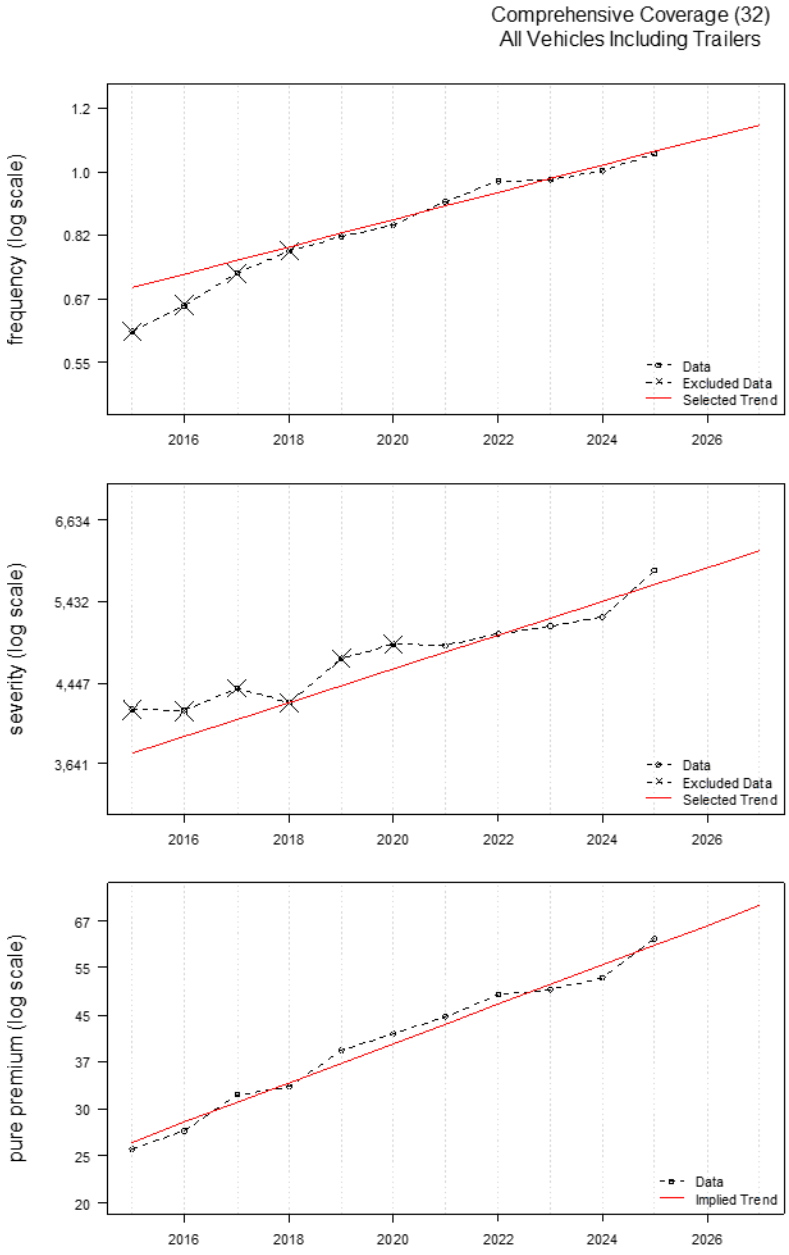


term	estimate	p.value
(Intercept)	189.612	0.006
time	-0.096	0.006
Model Past Trend	-9.13%	
Selected Past Trend	-9.13%	
Selected Future Trend	-9.13%	

term	estimate	p.value
(Intercept)	-79.665	0.124
time	0.044	0.089
Model Past Trend	+4.54%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	-9.13%
Future Trends	-9.13%

Figure D.12: Damage to Own Vehicle (31) (Heavy Excess Coverage)

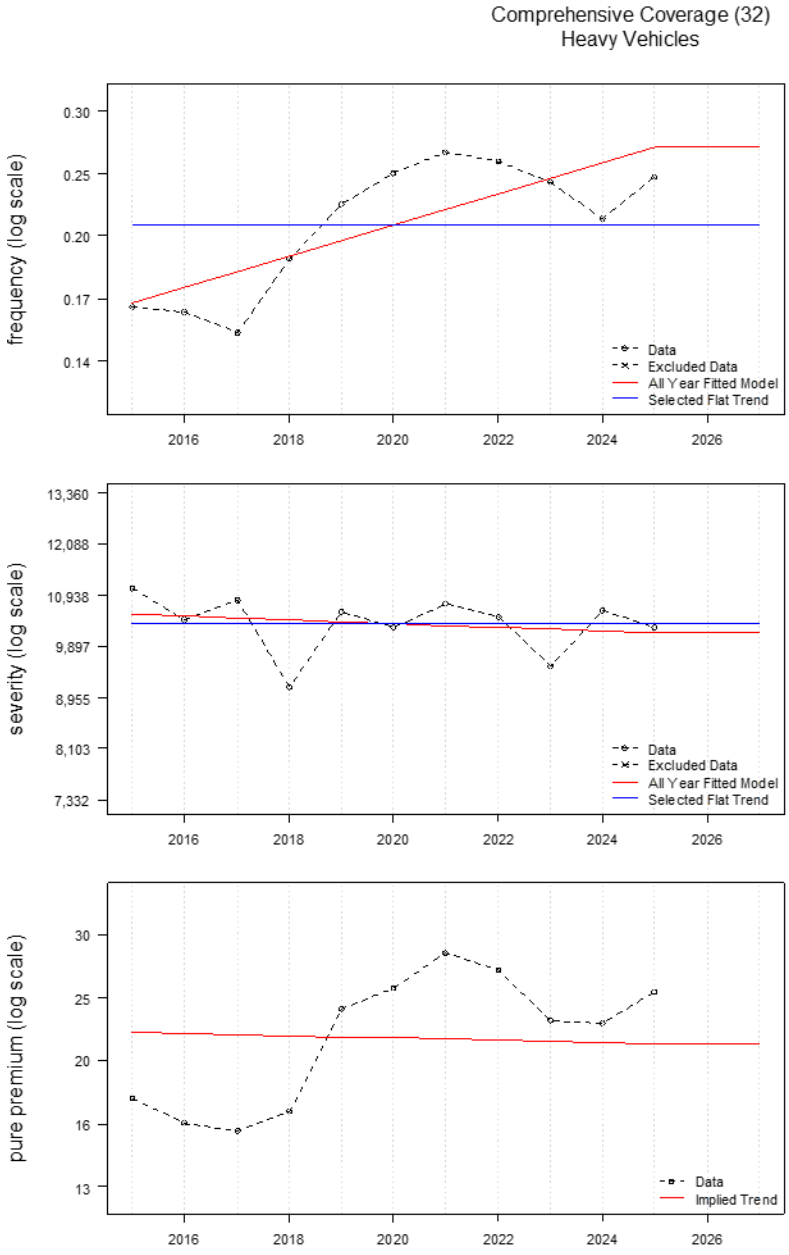


term	estimate	p.value
(Intercept)	-86.145	0
time	0.043	0
Model Past Trend	+4.35%	
Selected Past Trend	+4.35%	
Selected Future Trend	+4.35%	

term	estimate	p.value
(Intercept)	-75.023	0.04
time	0.041	0.03
Model Past Trend	+4.22%	
Selected Past Trend	+4.22%	
Selected Future Trend	+4.22%	

Implied.Trends	estimate
Past Trends	+8.75%
Future Trends	+8.75%

Figure D.13: Comprehensive Coverage (32) (All Vehicles Including Trailers)

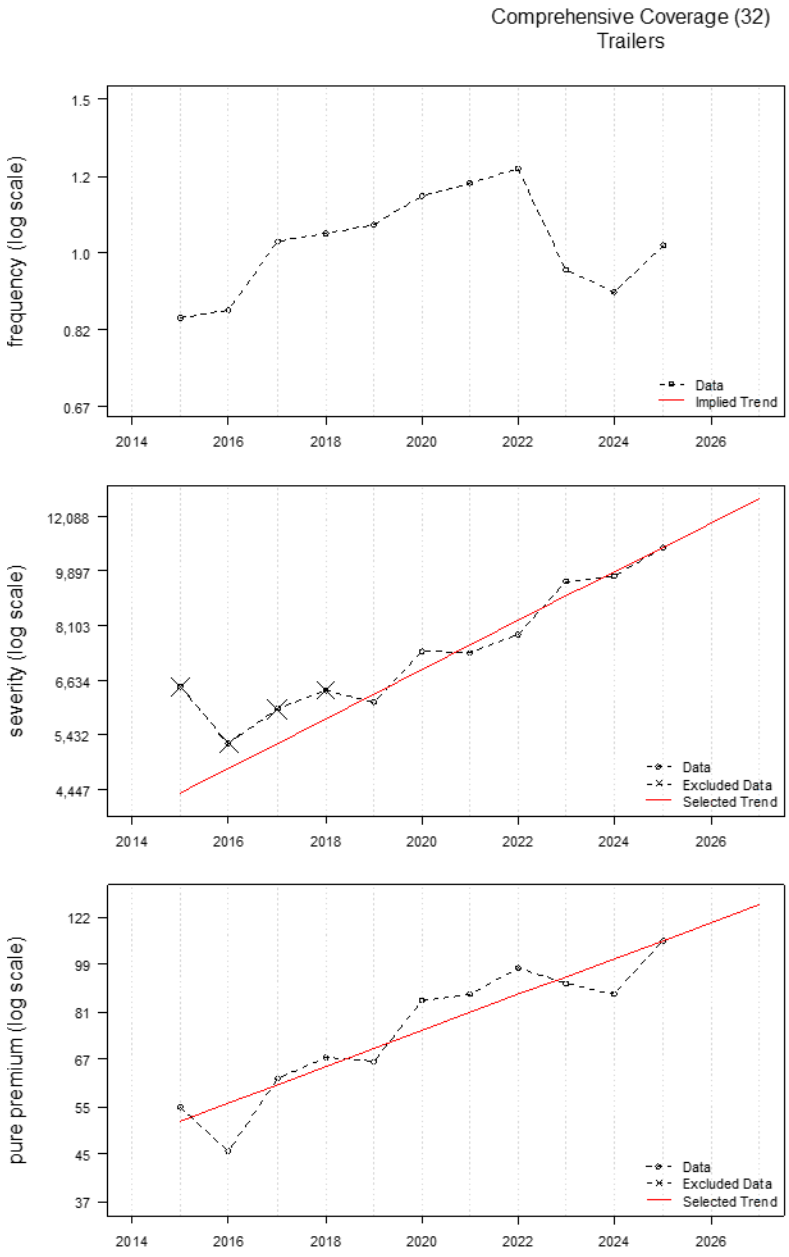


term	estimate	p.value
(Intercept)	-102.353	0.004
time	0.05	0.004
Model Past Trend	+5.12%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	16.605	0.174
time	-0.004	0.53
Model Past Trend	-0.36%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.14: Comprehensive Coverage (32) (Heavy Vehicles)

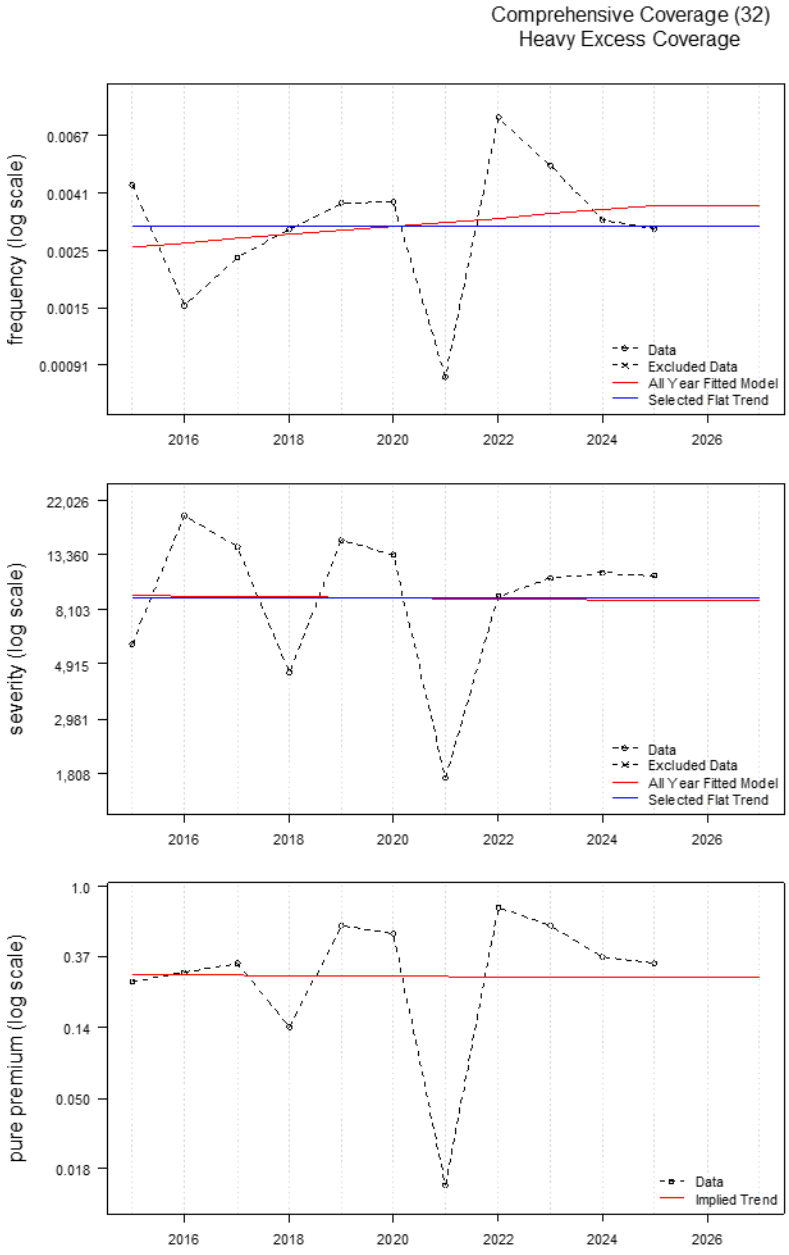


Implied.Trends	estimate
Past Trends	-1.40%
Future Trends	-1.40%

term	estimate	p.value
(Intercept)	-173.501	0
time	0.09	0
Model Past Trend	+9.45%	
Selected Past Trend	+9.45%	
Selected Future Trend	+9.45%	

term	estimate	p.value
(Intercept)	-149.529	0
time	0.076	0
Model Past Trend	+7.91%	
Selected Past Trend	+7.91%	
Selected Future Trend	+7.91%	

Figure D.15: Comprehensive Coverage (32) (Trailers)

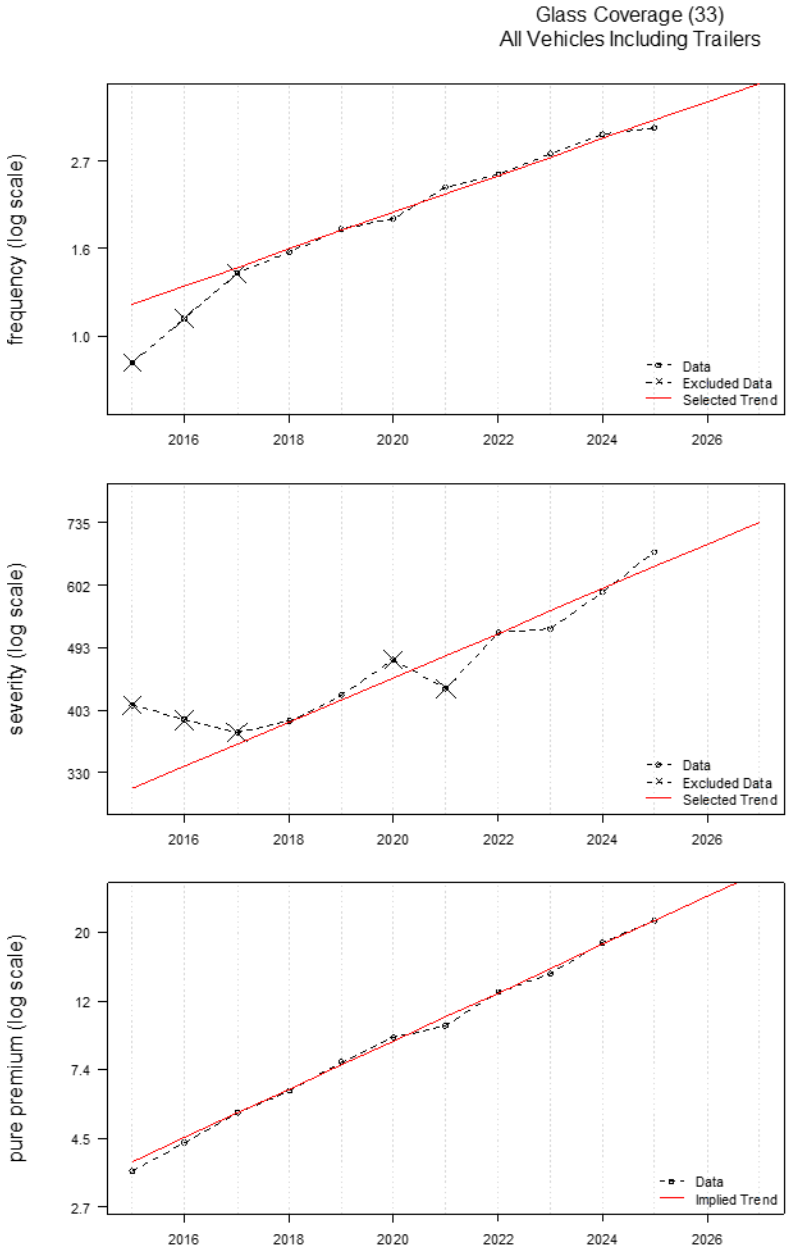


term	estimate	p.value
(Intercept)	-77.765	0.536
time	0.036	0.566
Model Past Trend	+3.63%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	19.015	0.894
time	-0.005	0.945
Model Past Trend	-0.49%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.16: Comprehensive Coverage (32) (Heavy Excess Coverage)

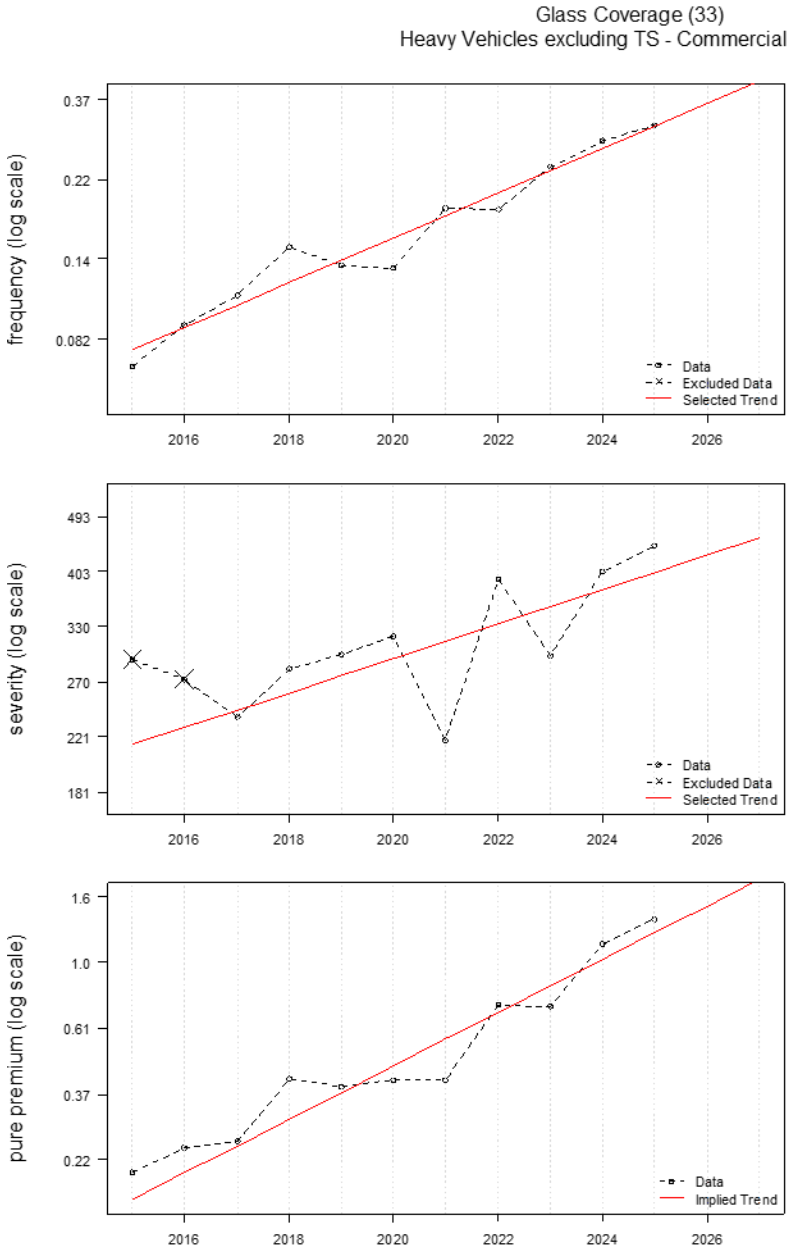


term	estimate	p.value
(Intercept)	-210.684	0
time	0.105	0
Model Past Trend	+11.03%	
Selected Past Trend	+11.03%	
Selected Future Trend	+11.03%	

term	estimate	p.value
(Intercept)	-136.981	0
time	0.071	0
Model Past Trend	+7.34%	
Selected Past Trend	+7.34%	
Selected Future Trend	+7.34%	

Implied.Trends	estimate
Past Trends	+19.18%
Future Trends	+19.18%

Figure D.17: Glass Coverage (33) (All Vehicles Including Trailers)

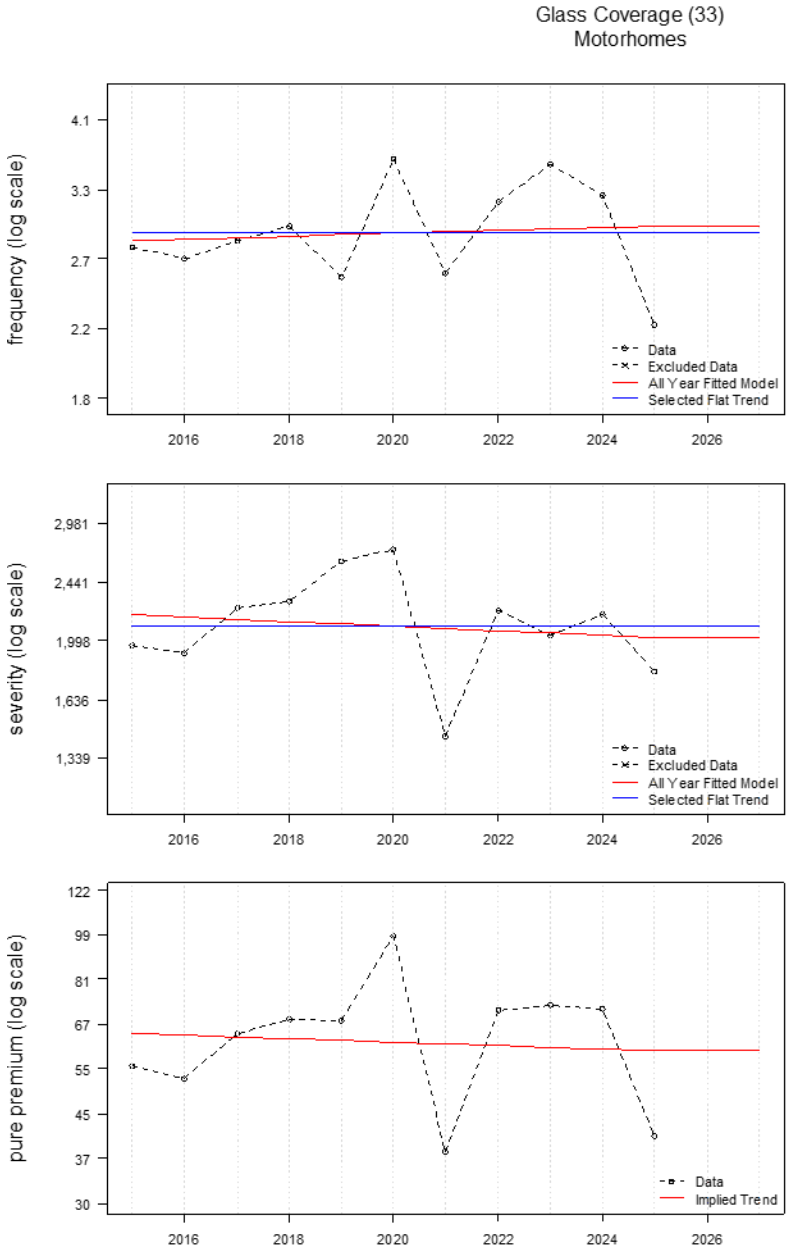


term	estimate	p.value
(Intercept)	-284.457	0
time	0.14	0
Model Past Trend	+15.02%	
Selected Past Trend	+15.02%	
Selected Future Trend	+15.02%	

term	estimate	p.value
(Intercept)	-120.9	0.035
time	0.063	0.029
Model Past Trend	+6.47%	
Selected Past Trend	+6.47%	
Selected Future Trend	+6.47%	

Implied.Trends	estimate
Past Trends	+22.45%
Future Trends	+22.45%

Figure D.18: Glass Coverage (33) (Heavy Vehicles excluding TS - Commercial Trailers)

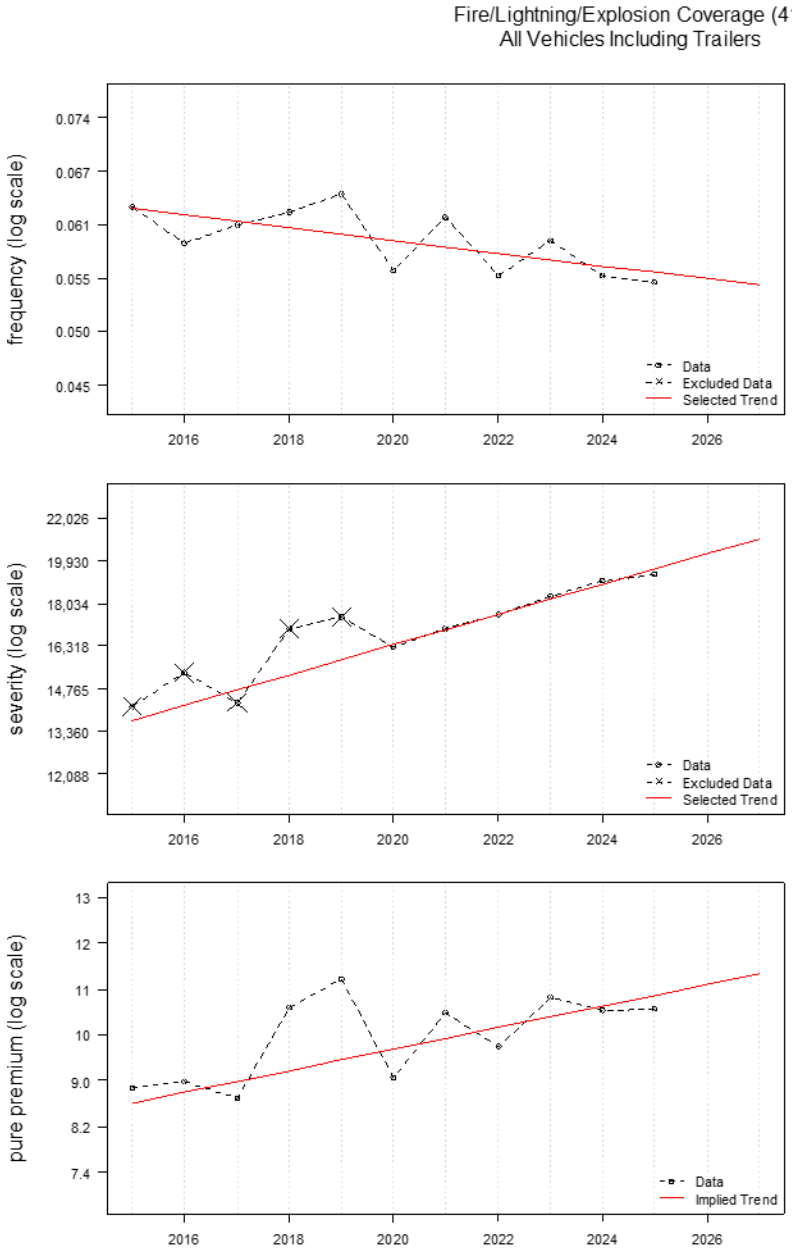


term	estimate	p.value
(Intercept)	-6.958	0.817
time	0.004	0.79
Model Past Trend	+0.40%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	23.287	0.527
time	-0.008	0.669
Model Past Trend	-0.77%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.19: Glass Coverage (33) (Motorhomes)

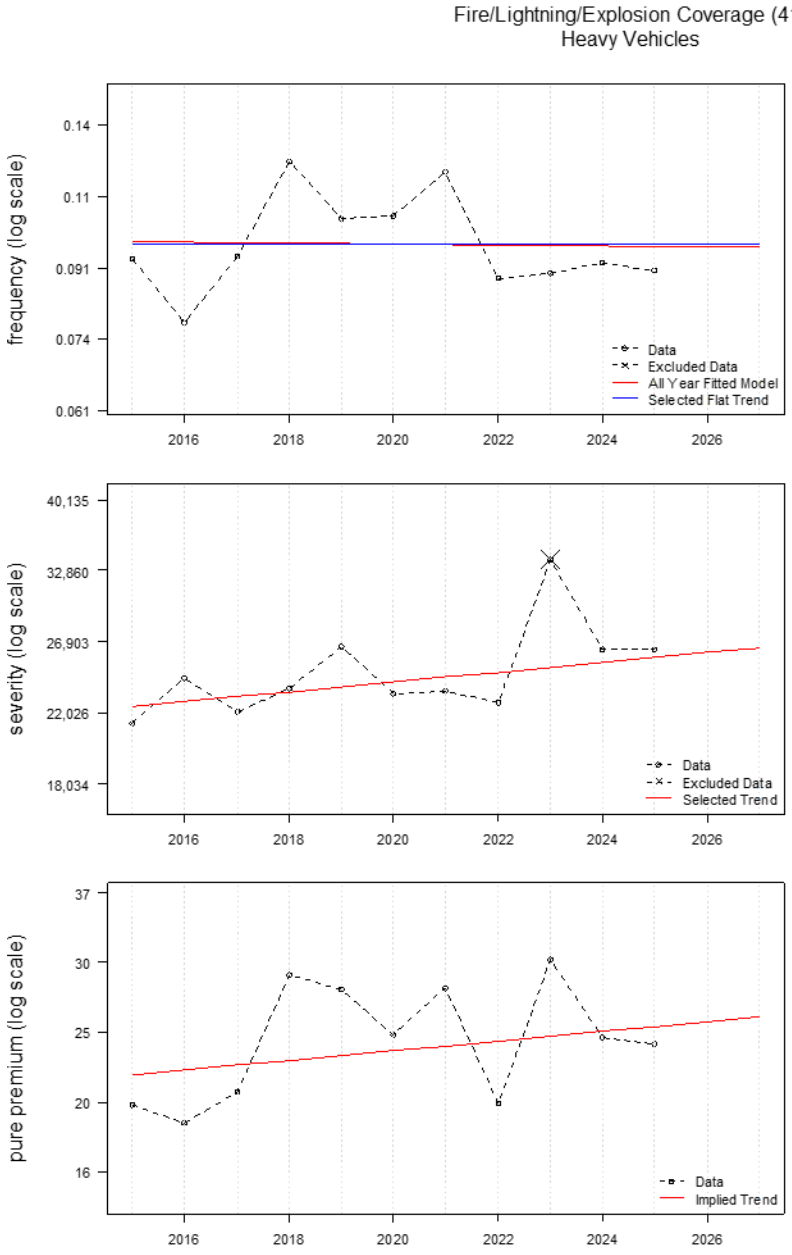


term	estimate	p.value
(Intercept)	21.366	0.041
time	-0.012	0.024
Model Past Trend	-1.19%	
Selected Past Trend	-1.19%	
Selected Future Trend	-1.19%	

term	estimate	p.value
(Intercept)	-61.828	0
time	0.035	0
Model Past Trend	+3.60%	
Selected Past Trend	+3.60%	
Selected Future Trend	+3.60%	

Implied.Trends	estimate
Past Trends	+2.37%
Future Trends	+2.37%

Figure D.20: Fire/Lightning/Explosion Coverage (41) (All Vehicles Including Trailers)

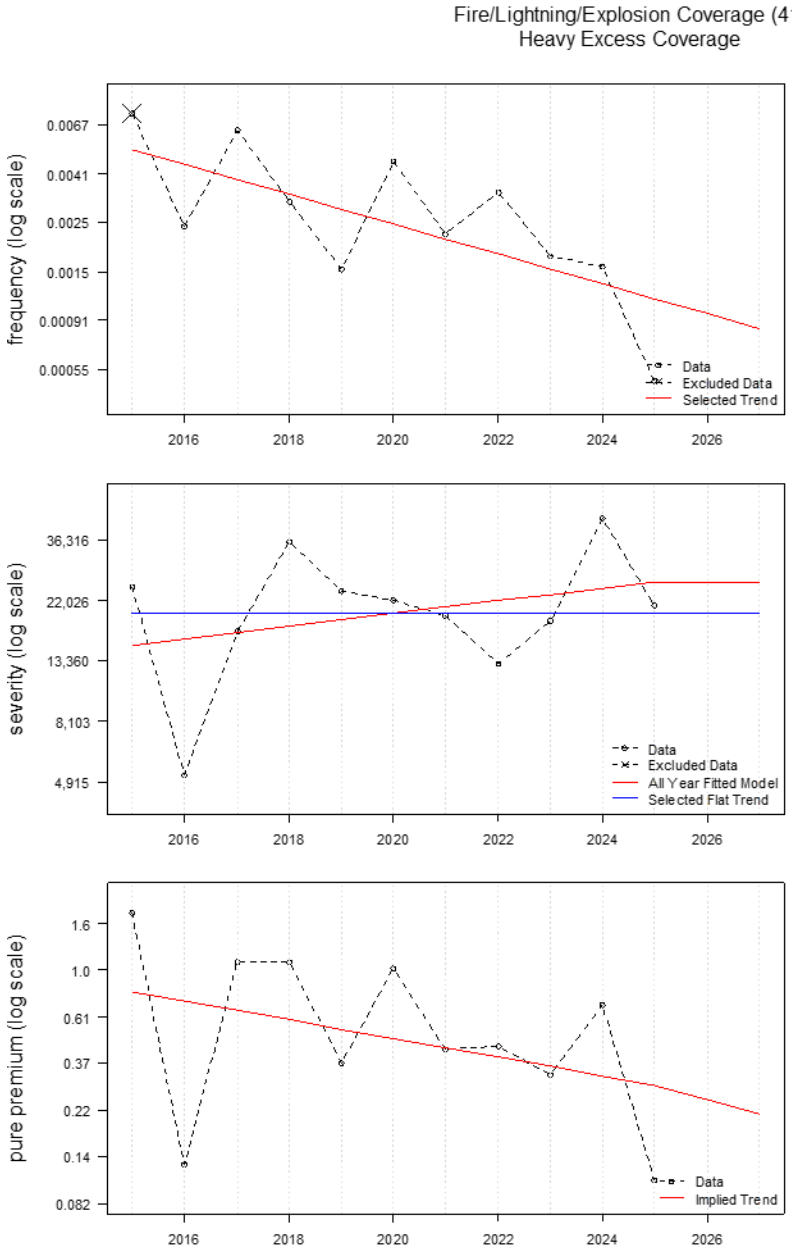


term	estimate	p.value
(Intercept)	0.388	0.989
time	-0.001	0.923
Model Past Trend	-0.13%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-17.833	0.206
time	0.014	0.063
Model Past Trend	+1.39%	
Selected Past Trend	+1.39%	
Selected Future Trend	+1.39%	

Implied.Trends	estimate
Past Trends	+1.39%
Future Trends	+1.39%

Figure D.21: Fire/Lightning/Explosion Coverage (41) (Heavy Vehicles)

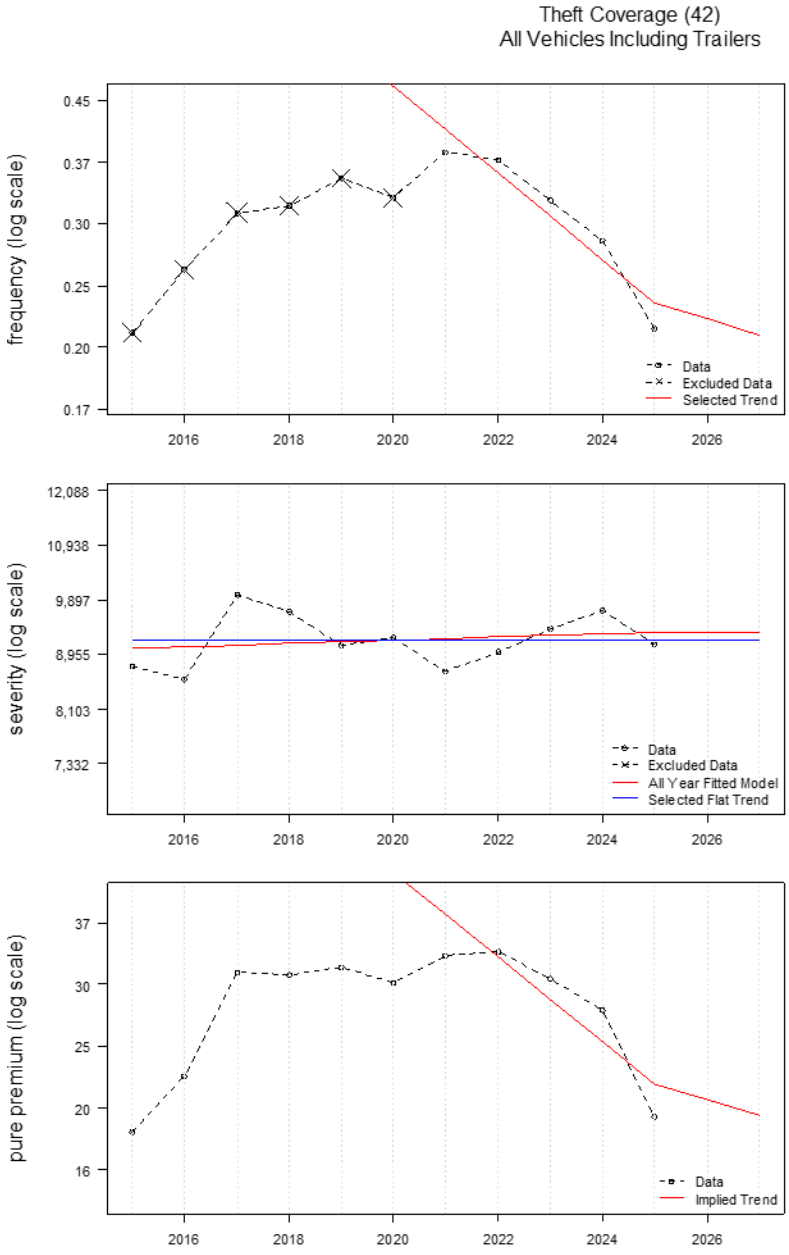


term	estimate	p.value
(Intercept)	302.783	0.044
time	-0.153	0.04
Model Past Trend	-14.18%	
Selected Past Trend	-14.18%	
Selected Future Trend	-14.18%	

term	estimate	p.value
(Intercept)	-96.044	0.391
time	0.052	0.346
Model Past Trend	+5.38%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	-14.18%
Future Trends	-14.18%

Figure D.22: Fire/Lightning/Explosion Coverage (41) (Heavy Excess Coverage)

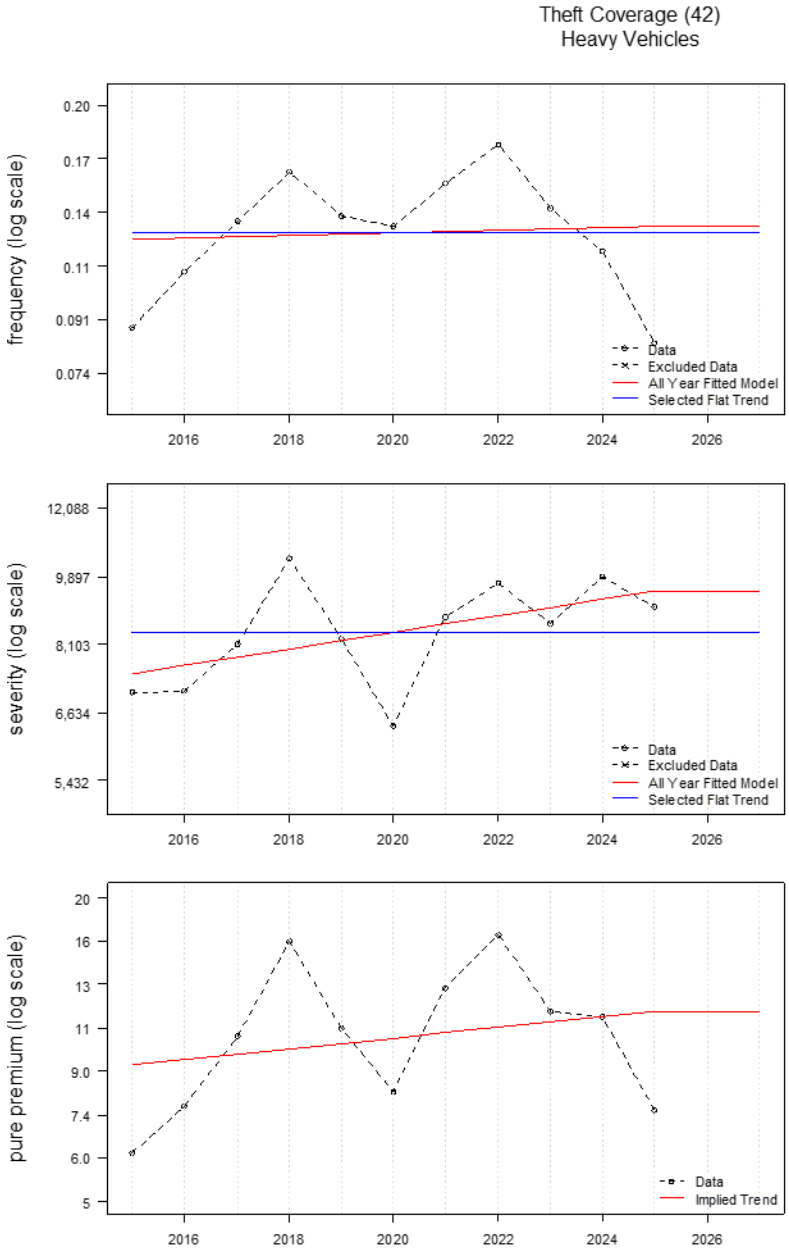


term	estimate	p.value
(Intercept)	282.598	0.013
time	-0.14	0.013
Model Past Trend	-13.09%	
Selected Past Trend	-13.09%	
Selected Future Trend	-5.00%	

term	estimate	p.value
(Intercept)	3.143	0.755
time	0.003	0.555
Model Past Trend	+0.30%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	-13.09%
Future Trends	-5.00%

Figure D.23: Theft Coverage (42) (All Vehicles Including Trailers)

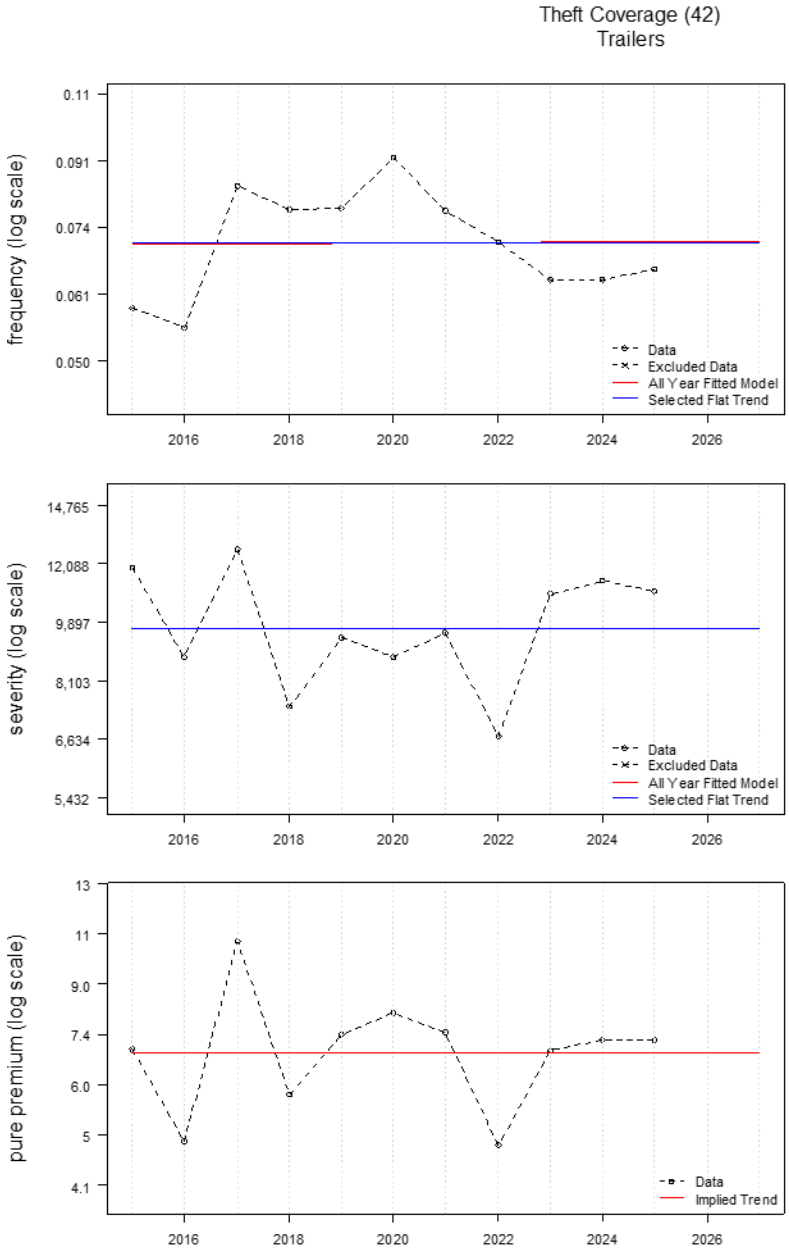


term	estimate	p.value
(Intercept)	-11.608	0.809
time	0.005	0.843
Model Past Trend	+0.47%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-40.288	0.167
time	0.024	0.099
Model Past Trend	+2.47%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.24: Theft Coverage (42) (Heavy Vehicles)

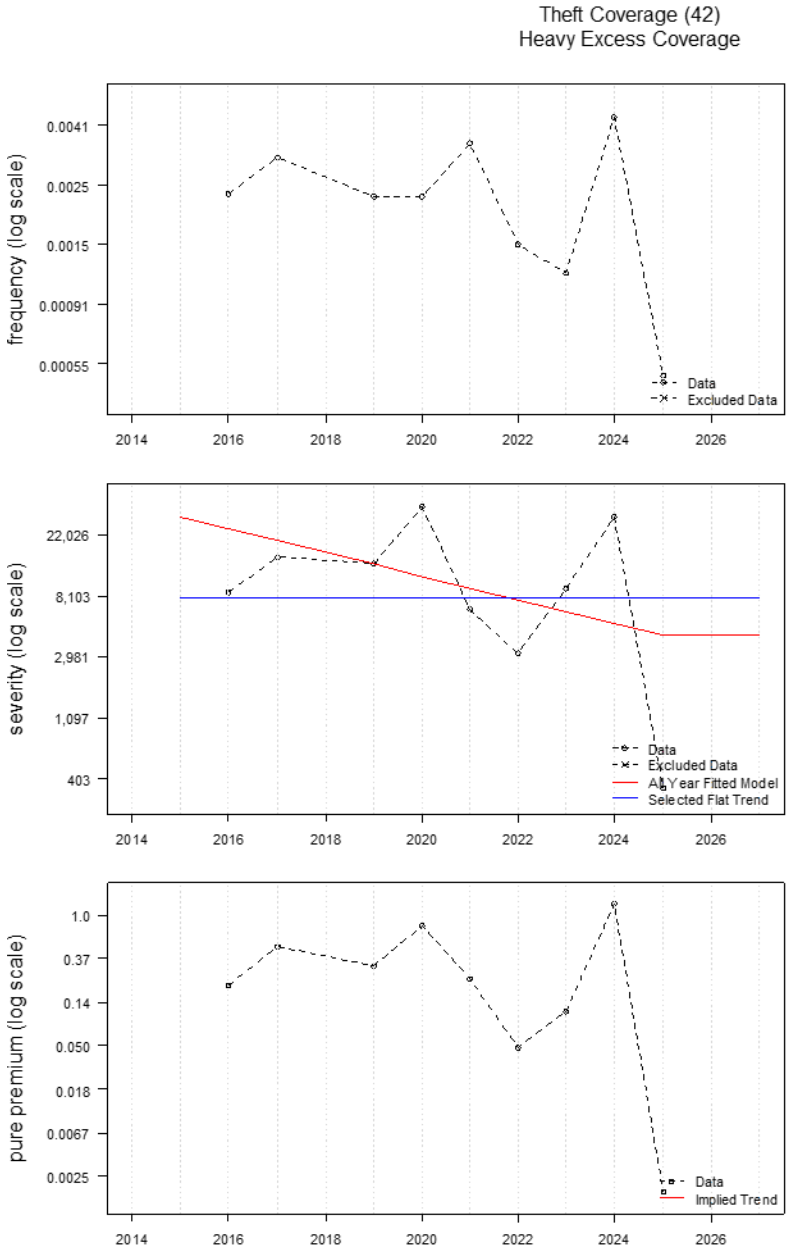


term	estimate	p.value
(Intercept)	-4.299	0.898
time	0.001	0.961
Model Past Trend	+0.08%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	9.133	0.828
time	0	0.999
Model Past Trend	0.00%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.25: Theft Coverage (42) (Trailers)



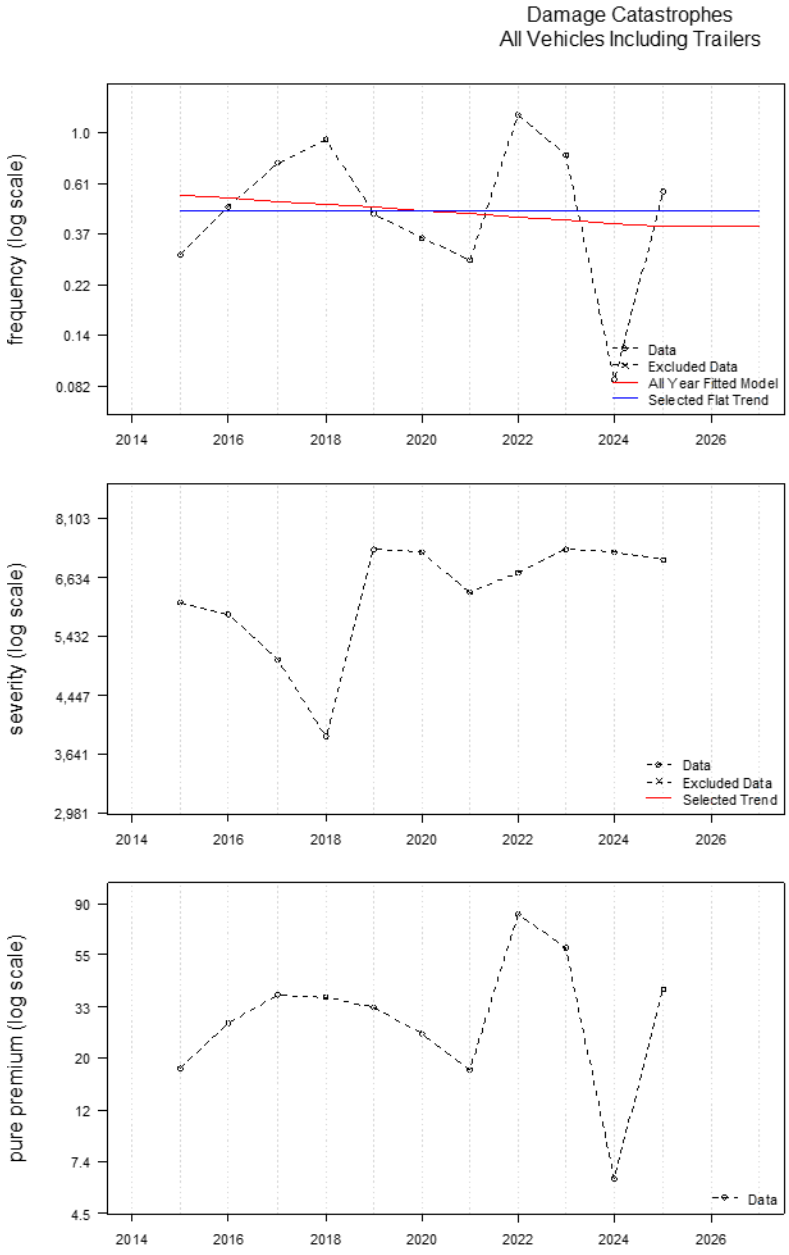
term	estimate
Selected Past Trend	-2.47%
Selected Future Trend	-0.94%

Not enough data to make a credible selection.
Use the Heavy selection.

term	estimate	p.value
(Intercept)	404.12	0.235
time	-0.196	0.244
Model Past Trend	-17.76%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	-2.47%
Future Trends	-0.94%

Figure D.26: Theft Coverage (42) (Heavy Excess Coverage)



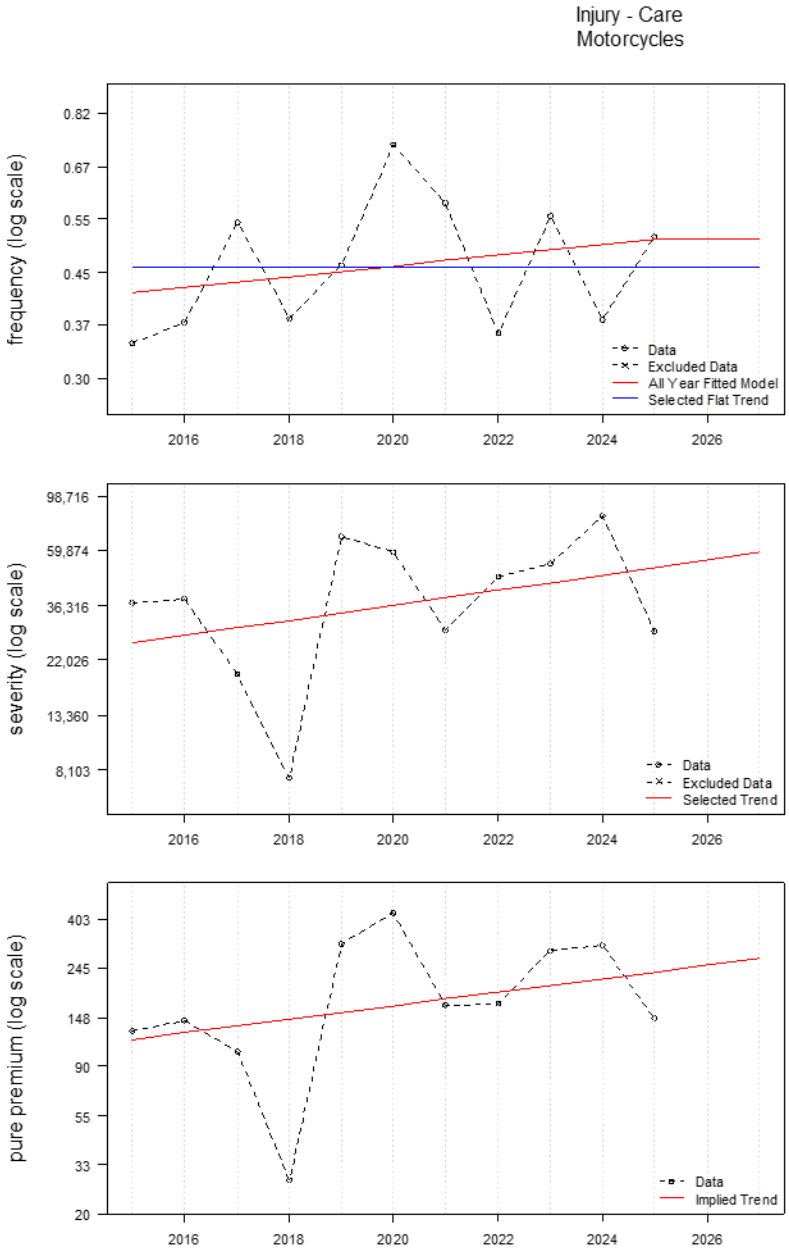
term	estimate	p.value
(Intercept)	62.299	0.68
time	-0.031	0.676
Model Past Trend	-3.07%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate
Selected Past Trend	+4.22%
Selected Future Trend	+4.22%

Setting trend equal to the Cover 32 trend which is expected to reflect the real trend, incurred by storm-related costs.

Implied.Trends	estimate
Past Trends	+4.22%
Future Trends	+4.22%

Figure D.27: Damage Catastrophes (All Vehicles Including Trailers)

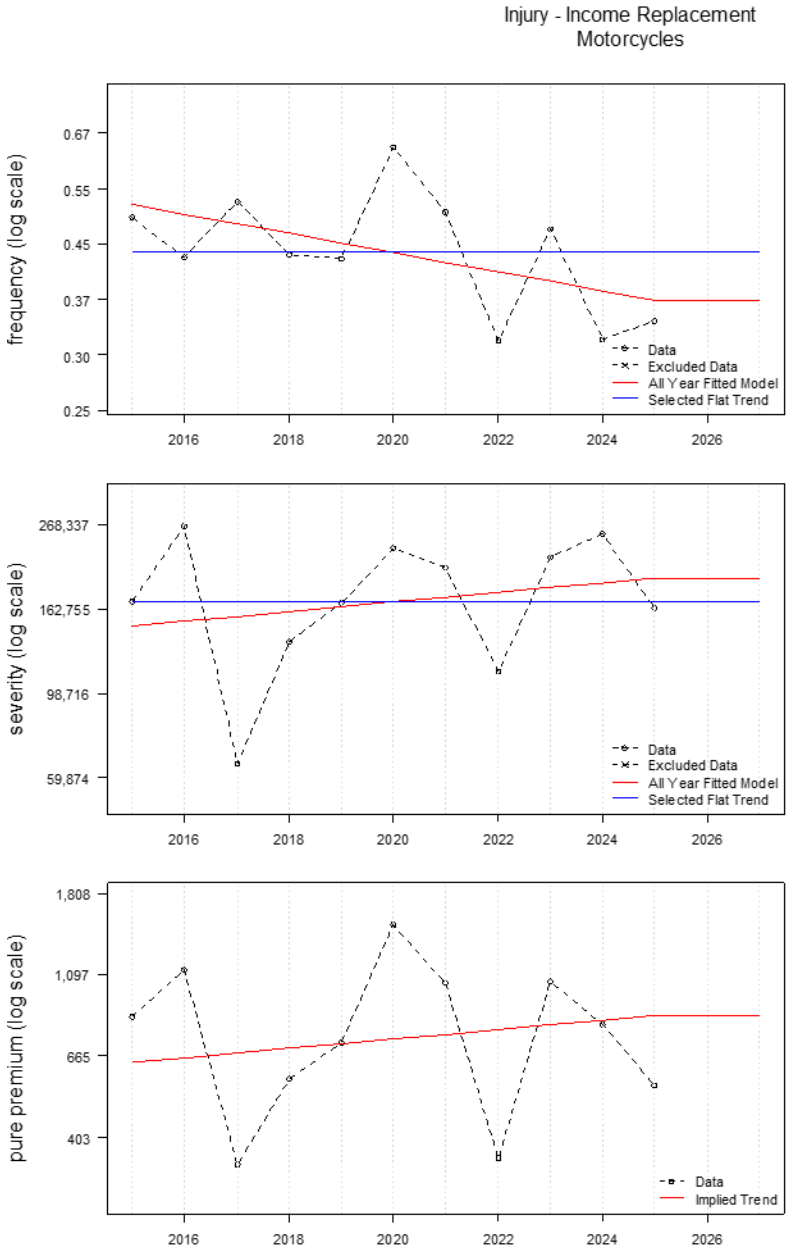


term	estimate	p.value
(Intercept)	-42.135	0.408
time	0.02	0.416
Model Past Trend	+2.07%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-128.299	0.341
time	0.069	0.305
Model Past Trend	+7.11%	
Selected Past Trend	+7.11%	
Selected Future Trend	+7.11%	

Implied.Trends	estimate
Past Trends	+7.11%
Future Trends	+7.11%

Figure D.28: Injury - Care (Motorcycles)

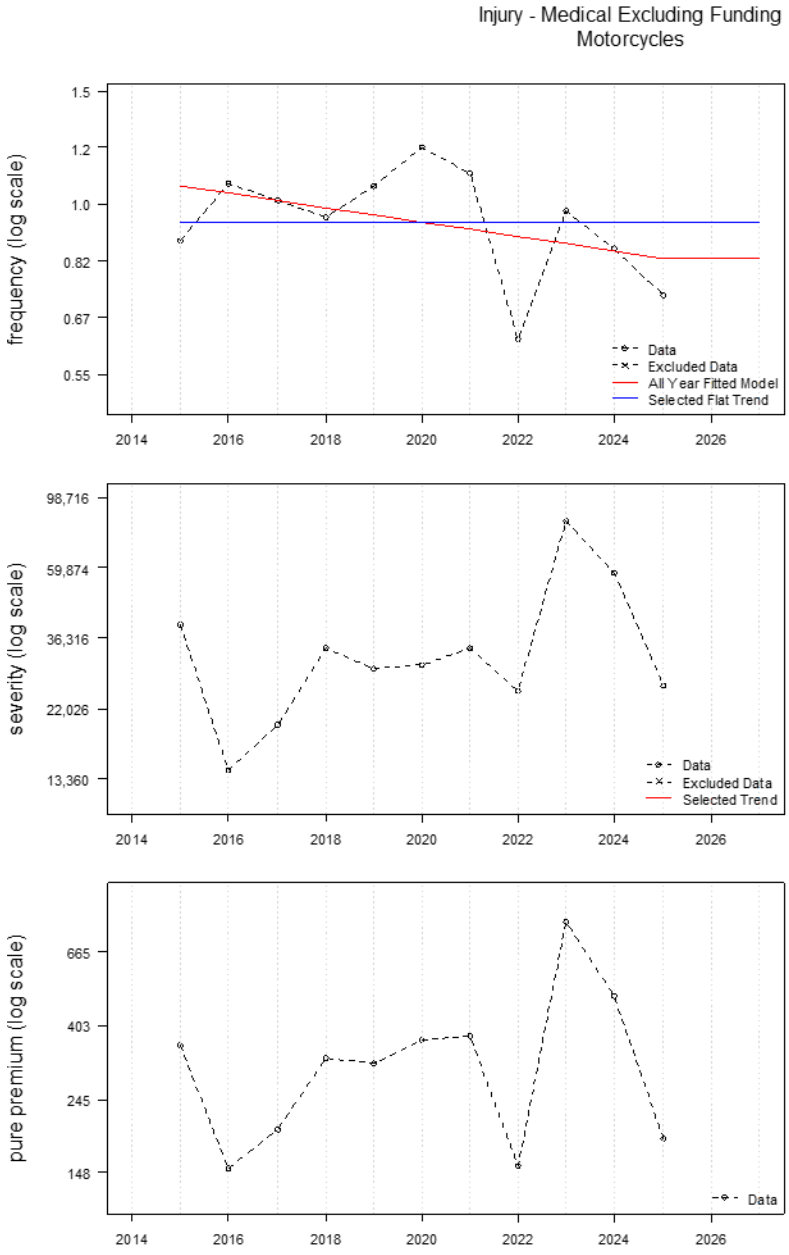


term	estimate	p.value
(Intercept)	68.869	0.105
time	-0.035	0.102
Model Past Trend	-3.39%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-45.912	0.589
time	0.029	0.497
Model Past Trend	+2.91%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

Implied.Trends	estimate
Past Trends	0.00%
Future Trends	0.00%

Figure D.29: Injury - Income Replacement (Motorcycles)



term	estimate	p.value
(Intercept)	51.678	0.191
time	-0.026	0.191
Model Past Trend	-2.53%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate
Selected Past Trend	+6.87%
Selected Future Trend	+6.87%

elect the All vehicles excl T and MC Medical trend as it also fits the trend very well here.

Implied.Trends	estimate
Past Trends	+6.87%
Future Trends	+6.87%

Figure D.30: Injury - Medical Excluding Funding (Motorcycles)

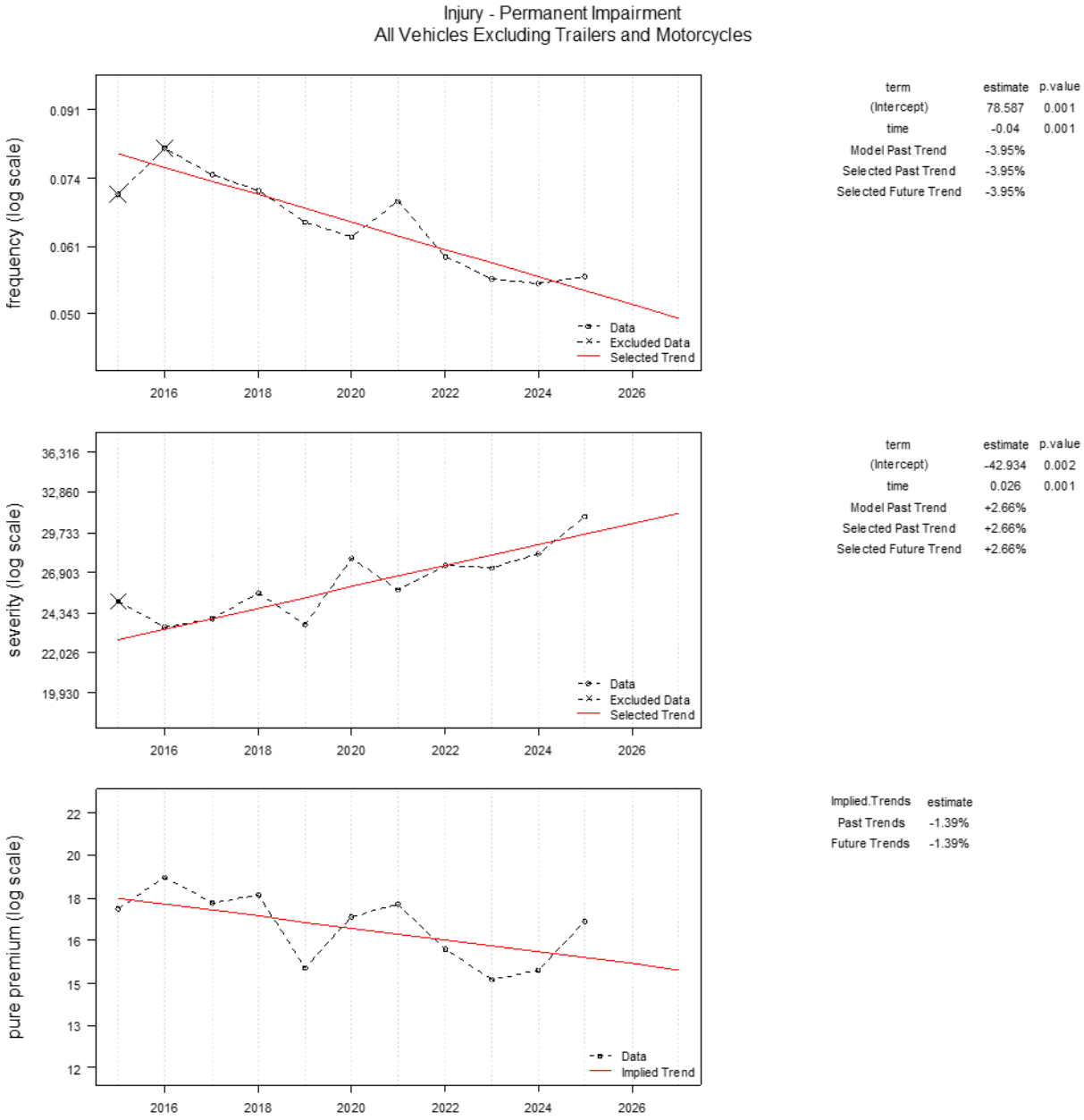
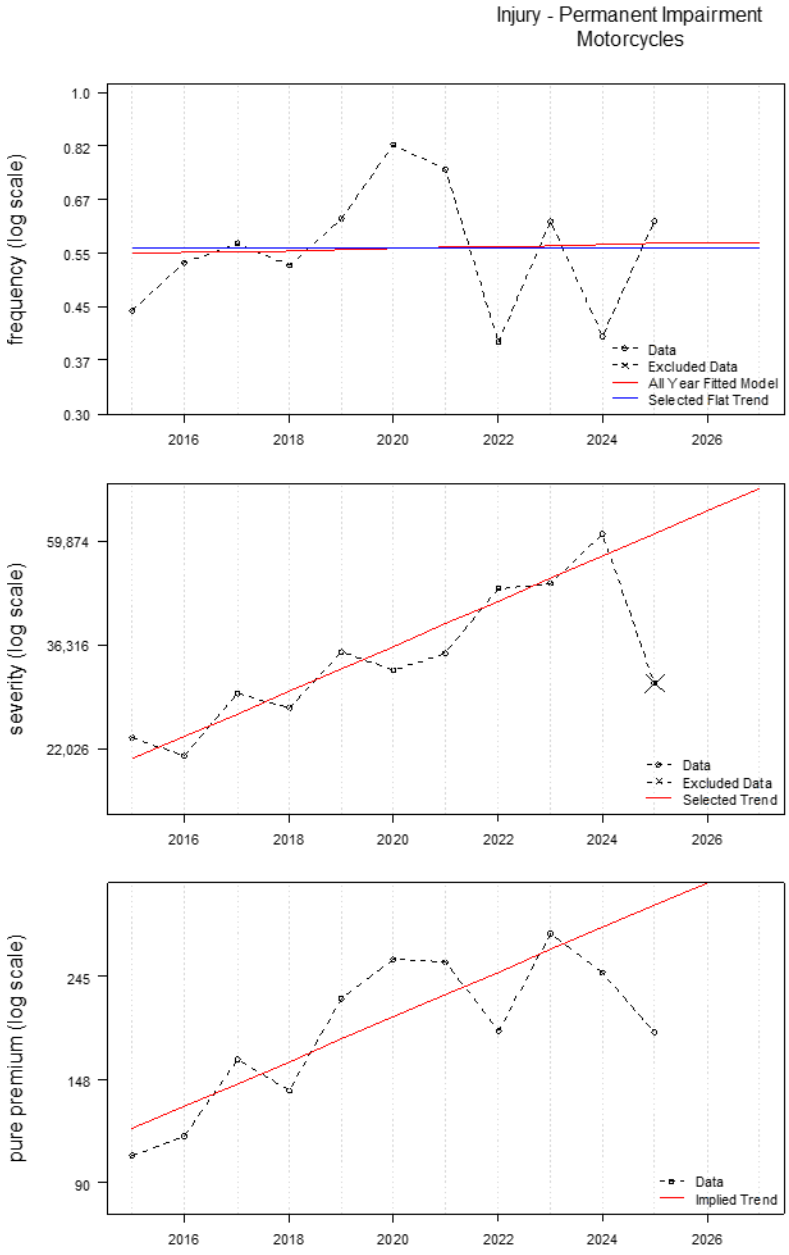


Figure D.31: Injury - Permanent Impairment (All Vehicles Excluding Trailers and Motorcycles)



term	estimate	p.value
(Intercept)	-8.239	0.868
time	0.004	0.877
Model Past Trend	+0.38%	
Selected Past Trend	0.00%	
Selected Future Trend	0.00%	

term	estimate	p.value
(Intercept)	-208.161	0
time	0.108	0
Model Past Trend	+11.43%	
Selected Past Trend	+11.43%	
Selected Future Trend	+11.43%	

Implied.Trends	estimate
Past Trends	+11.43%
Future Trends	+11.43%

Figure D.32: Injury - Permanent Impairment (Motorcycles)