

Saskatchewan Auto Fund Proposal for Rate Adjustment

January 2007

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1. Synopsis

The Saskatchewan Auto Fund (Auto Fund) is in the strongest financial position in its history after nine consecutive years of surpluses. The strong results are due to a combination of favourable weather, reduced accident frequency, increased premium revenues, strong investment performance, solid management of claims, and the gradual release of injury claim reserves as experience with the no-fault program is gained.

The Auto Fund is currently collecting more premium than required to pay claim costs and other expenses. In other words, on average, customers are currently paying too much to insure their vehicles. Therefore, the Auto Fund recommends a five per cent reduction in rates, effective July 1, 2007, to ensure its customers are paying fair rates for their vehicle premiums in 2007.

Any change to Auto Fund rates must be considered in the context of the financial realities the insurance industry operates in. Financial results are difficult to accurately predict for all insurance companies because prices must be set before the ultimate cost of claims is known. The Auto Fund's financial results can vary significantly from year to year due to claim costs, which are volatile and can be influenced by factors such as weather and vehicle repair costs which are beyond the Auto Fund's control. Injury claims are long term in nature and, as the no-fault injury program matures, actuarial estimates of the reserves required to pay those claims could change.

While a rate reduction is recommended, a key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premiums for their auto insurance.

It is because of the difficulty in predicting financial results that the Auto Fund recommends a five per cent reduction in 2007. The latest actuarial rate indication shows that the Fund could reduce rates by up to seven per cent for policies sold for the year starting July 1, 2007. However, adverse conditions, such as a severe winter storm season, could have a major impact on the Fund's financial health. A more conservative reduction of five per cent in 2007 will assist the Auto Fund in keeping its commitment to customers of maintaining financial stability and consistency in rates. Having said that, if current premium and claim trends continue and the Auto Fund's RSR balance at year-end 2007 remains within the acceptable Minimum Capital Test (MCT) target range, the Auto Fund may be in a position to further reduce rates in 2008.

A five per cent general rate decrease will result in an estimated RSR of \$134.4 million at the end of 2007, which represents an MCT ratio of 120 per cent (within the Auto Fund's capital target range).

To enhance fairness in rating the reduction will include rebalancing of rates, as some customers are currently paying too much for their vehicle insurance and others are paying too little. Rebalancing takes into account accident frequency and repair costs. Rates are determined based on the risk a particular vehicle represents for being involved in a claim, as well as the cost to repair or replace the vehicle.

While rebalancing is important to ensure fairness, increases and decreases have been capped to avoid 'rate shock' which is important to a customer-driven insurance company. The capping parameters can be summarized as follows:

- Maximum increases of 2.5 per cent for light passenger vehicles;
- Maximum increases of 10 per cent for all other vehicle classes, with the exception of sport motorcycles and commercial trucks that travel out of province, for which the maximum increase is 15 per cent;
- Maximum decreases of 20 per cent per cent for all vehicle classes, with the exception of snowmobiles, which are decreasing by 27 per cent, and police and rental vehicles, for which the maximum decrease is 25 per cent.

The following table summarizes the impact of rate rebalancing (increases and decreases) as put forward in this recommendation:

	Vehicles (#)	Percentage of All Vehicles (%)	Average Premium Change (+/-)
Decrease	448,000	53%	-\$68
Increase	278,000	33%	+\$16
No Change	112,000	14%	\$0

Appendix A provides a detailed breakdown of changes by class.

Appendix B provides a projection of the financial implications of the proposed recommendation.

Appendix C defines the insurance terminology used throughout this rate application document.

2. Background

The Saskatchewan Auto Fund provides basic insurance coverage to all Saskatchewan drivers and vehicle owners. It operates on a self-sustaining basis with the goal of maintaining an adequate balance in the Rate Stabilization Reserve (RSR) to pay claims and protect customers against rate shock for years in which claim costs are higher than average. It is essentially a trust fund for motorists that neither receives money from, nor pays dividends to, the Government of Saskatchewan.

The Auto Fund provides services to ensure that drivers and vehicles are properly licensed. These services include licensing for over 670,000 drivers, registration services for approximately 880,000 vehicles, driver examinations, driver and vehicle fitness, and carrier safety and audit programs. These services are provided by over 420 independent motor licence issuing offices throughout Saskatchewan. The Auto Fund also invests in prevention and traffic safety initiatives to reduce the human, social and economic costs of vehicle crashes.

The coverage provided by the Auto Fund is legislated in *The Automobile Accident Insurance Act (AAIA)* and can be divided into three components:

- **Personal injury coverage** provides Saskatchewan residents with benefits if they are injured or killed in an automobile accident. All Saskatchewan residents have a choice between No Fault Coverage and Tort Coverage.
- **Third-party liability coverage** provides vehicle owners with up to \$200,000 to pay for damages their vehicles may cause to the property of others, or injuries caused to others.
- **Physical damage coverage** (collision and comprehensive) pays for damages to the vehicle due to a collision or other occurrence such as hail, fire or theft. Claims for damages to a vehicle are subject to a deductible (which is \$700 for most vehicles).

The major operating philosophies of the Auto Fund include:

- provide basic automobile insurance coverage that is universal and fair;
- fairly rate insurance premiums for vehicle groups based on their claims loss experience and cost of repair; and,
- keep rates as low as possible.

The Auto Fund has two objectives that govern how rates are established.

1. Stability

The Auto Fund operates on a self-sustaining basis while maintaining an adequate balance in the RSR. The target RSR level allows the Auto Fund to provide stability in the program and avoid rate shock, while ensuring that the Fund is able to meet its financial obligations to policyholders and stakeholders.

The Auto Fund's customers expect stability in their insurance rates and want to avoid large rate increases. The most financially prudent way to address this objective is to operate the Auto Fund with an appropriate balance in its RSR to ensure adverse financial results can be absorbed without jeopardizing the financial integrity of the Fund. For this reason, the Auto Fund has a target capital level based on a common industry measurement of capital adequacy, known as the Minimum Capital Test (MCT).

2. User Pay

Customers want fairness in their insurance rates. The "user pay" objective requires that each risk group contribute sufficient premium to offset its claim costs and thus avoid cross subsidization. While the program is universal, a different premium must be charged relative to the cost of replacing or repairing the vehicle being insured. As an example, a 2005 Lexus should be charged a higher premium than a 1992 Cavalier because the cost to repair or replace the Lexus is much higher. Because the Auto Fund has not rebalanced rates since 2001, the proposed rate program reduces cross subsidization by introducing fair and reasonable rate adjustments that limit rate shock for customers.

2.1 Historical Rate Changes

The Auto Fund has not increased auto insurance premiums for six years. In its last rate strategy, the Auto Fund presented customers with options for a three-year rate program and implemented the option most customers supported. In addition to rate increases of five per cent in 1998, two per cent in 1999 and two per cent in 2000, the basic deductible was increased from \$500 to \$700. Rates were rebalanced in 2001 with no general rate increase and there have been no changes to vehicle insurance rates since that time. The following table highlights compounded rate adjustments in comparison to Saskatchewan Consumer Price Index (CPI) in the last 10 years.

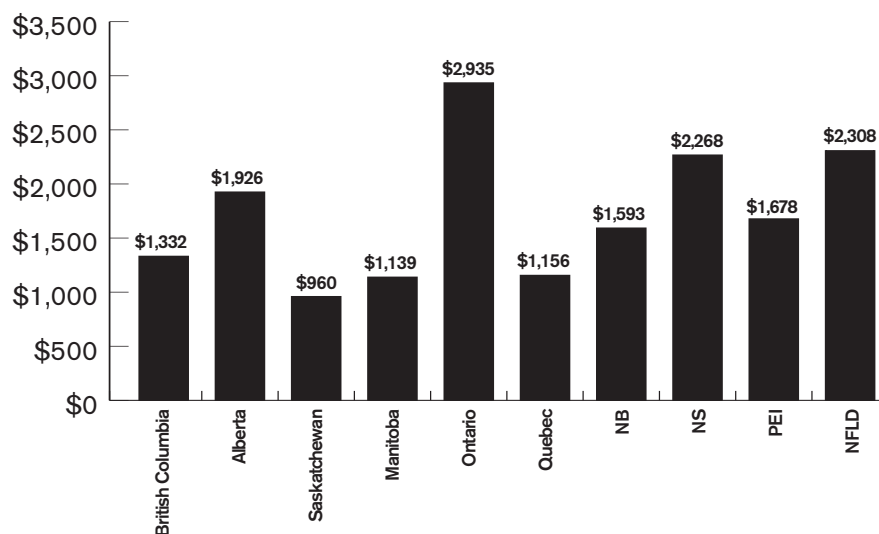
**History of Rate Adjustments in Saskatchewan
in Comparison to CPI**

	Rate Adjustments	CPI
Total Change	9.2%	26.4%
2006	0	2.2%
2005	0	2.2%
2004	0	2.2%
2003	0	2.3%
2002	0	2.8%
2001	0	3.1%
2000	2.0%	2.6%
1999	2.0%	1.7%
1998	5.0%	1.4%
1997	0	1.3%
1996	0	1.9%

2.2 Cross-Canada Rate Comparison

Saskatchewan's auto insurance rates are currently the lowest in Canada based on a comparison of vehicle insurance costs for Saskatchewan's 34 most popular vehicles based on similar coverages. Insurance is provided by private insurers in all provinces with the exception of Manitoba, British Columbia and Quebec where injury coverage is provided through a government plan. The following graph illustrates rate comparisons for Saskatchewan's 34 most popular vehicles.

SGI's 2006 cross-Canada automobile insurance survey (unaudited)



3. Auto Fund Financial Requirements

The following section provides a detailed explanation of financial components that impact the Statement of Operations and five-year forecast in Appendix B.

3.1 Revenues

3.1.1 Premiums

As demonstrated in the financial forecast in Appendix B, net Auto Fund premiums will increase from approximately \$558 million in 2006 to \$563 million in 2007, even with the proposed five per cent rate reduction. This is due to other factors that have a significant impact on Auto Fund premiums:

- volume of vehicles;
- mix of vehicles; and,
- discounts under driver recognition programs.

Volume of Vehicles

Because the Auto Fund is a monopoly, it insures all vehicles in the province and its projected premium revenue changes based on the number of vehicles insured in the province. Over the past 10 years, overall growth has been minimal (an average of less than one per cent on an annual basis).

Vehicle Mix

Vehicle owners upgrading to newer models impacts the mix of vehicles in the province. As an example, a Saskatchewan resident upgrades to a 2005 model vehicle and sells their 1998 vehicle. The 2005 model will cost more to insure because it is more expensive to repair. In recent years the premium mix has generated, on average, an annual premium increase of over six per cent for the Auto Fund. The combined growth in premiums for mix and volume is projected to be 6.1 per cent in 2007, assuming no changes in rates. However, the mix is expected to decrease to 4.5 per cent in 2008 due to the impact of the rate reduction and rate rebalancing proposed in this application.

Safe Driver Recognition

The Safe Driver Recognition program was implemented in 2002 to reward good driving behaviour with lower insurance premiums. The majority of customers in Saskatchewan qualify for Safe Driver Recognition (84 per cent). By the end of 2005, the program provided over \$124 million in discounts to vehicle owners and will provide an estimated \$73 million in discounts in 2006 (\$78 million in 2007). The program also collects revenue from drivers who are in the penalty zone of the program at the time of the incident.

While rating rules and discount levels under Safe Driver Recognition are to be accepted by the panel as given, more details about this program are provided in the information binders.

Business Recognition

Approximately 13 per cent of Saskatchewan vehicle owners qualify for the Business Recognition program, which was implemented on May 1, 2004. The program applies to customers who own heavy vehicles in commercial or farm classes, and any vehicles registered under a business name. The program is designed to reward businesses with favourable claim histories by providing them discounts on vehicle insurance premiums, while assessing surcharges to companies with poor claim histories.

To the end of 2005, the Auto Fund will have provided \$7 million in discounts to Saskatchewan businesses, and will provide an additional estimated \$4 million in discounts in 2006 and 2007.

While rating rules and discount levels under Business Recognition are to be accepted by the panel as given, more details about this program are provided in the information binders.

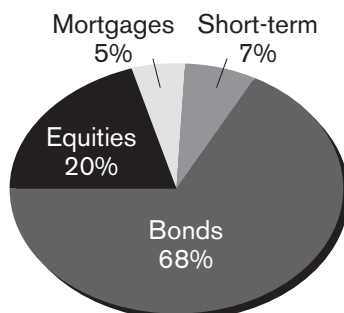
3.1.2 Investment Income

The Auto Fund has an investment portfolio of approximately \$1 billion. The portfolio is derived from two main sources: (1) the accumulation of profits and losses over time in the RSR (nearly \$200 million); and, (2) money set aside and invested to meet future liabilities (primarily claim liabilities of nearly \$800 million).

For private insurers whose goal at minimum is to break even on their insurance operations, the investment portfolio in large part is used to provide the profit for the company. However, because the Auto Fund operates on a break-even basis over time, its portfolio is used to reduce rates for vehicle owners. Over the past 10 years the Auto Fund's portfolio has provided investment income equal to 13 per cent of premiums annually, resulting in lower rates for its customers.

Section 92 of *The Automobile Accident Insurance Act* authorizes the investment of monies by the Auto Fund subject to the restrictions and limitations contained in the Insurance Companies Act (Canada). This legislation provides the framework for the Auto Fund's investment policy which is reviewed and approved annually by the Board of Directors. Among other considerations the policy provides detailed requirements for permissible investments, quality and quantity guidelines and asset mix parameters.

Because a large portion of insurance companies' portfolios are monies set aside to meet future claim obligations, the legislation requires a substantial amount of the portfolio to be invested in fixed income investments. The graph below is the allocation of the Auto Fund's portfolio at December 31, 2005.



The Auto Fund uses the services of a professional investment manager who has been successful in providing above average investment returns for the Auto Fund. The investment manager's performance is measured against a benchmark portfolio, which is weighted with investment returns from various market indices, consistent with the Auto Fund's portfolio. Over the 10-year period ended September 30, 2006, the investment manager has returned on an annualized basis an additional 0.9 per cent over the benchmark return.

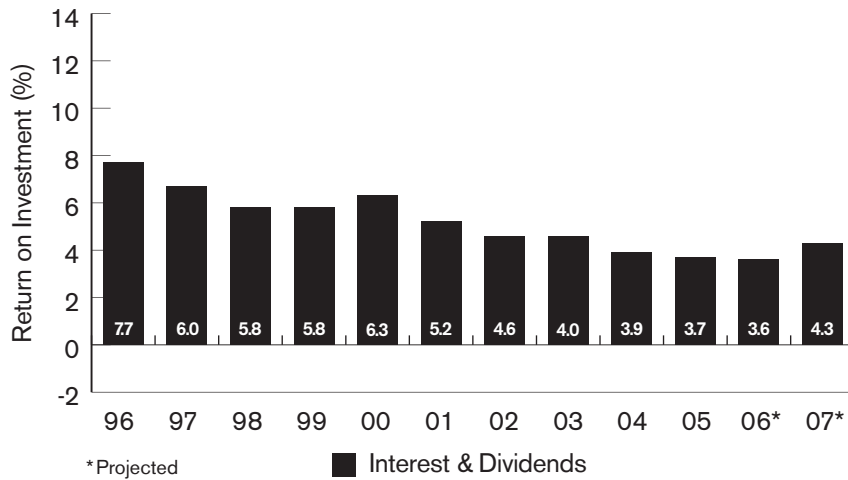
Investment earnings for the Auto Fund are derived from two main sources: 1) cash flow from the investment asset, such as interest and dividends; and, 2) gains realized on the sale of an investment. While investment assets may increase in value, the Auto Fund does not realize this appreciation until the investment is sold.

For 2006 the Auto Fund is projecting a 6.6 per cent return on its investments, consisting of a return from interest and dividends of 3.6 per cent and gains on sale of investments of 3.0 per cent. This estimate is based on the August 31, 2006 year-to-date annualized actual rate of return for each asset class.

For 2007, a decline in investment returns is forecasted with a budgeted 5.9 per cent return. The 5.9 per cent forecast consists of a return from interest and dividends of 4.3 per cent and gains on sale of investments of 1.6 per cent.

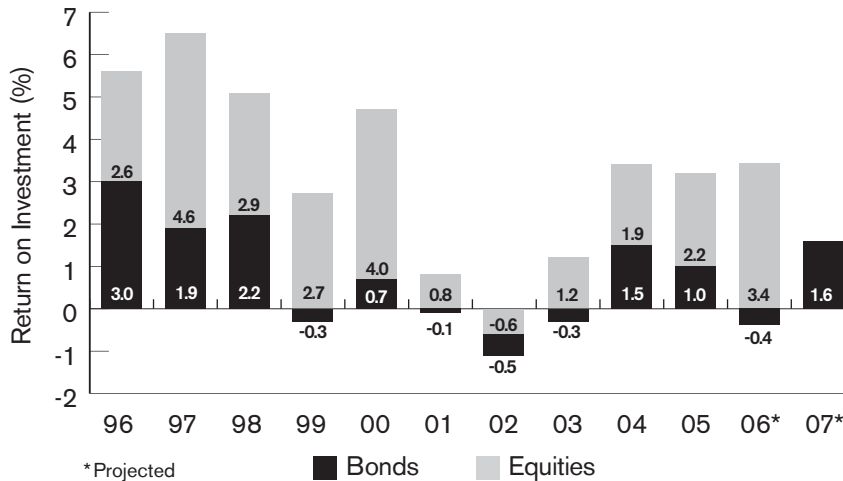
The interest return from short-term investments and bonds is based on a Conference Board of Canada forecast, with the Board forecasting rising interest rates in 2007. The dividend component is based on historical yields realized by the Auto Fund. The following graph illustrates the decline in interest rates that has occurred in North America over the past 10 years, resulting in lower returns. The five-year period from 1996 to 2000 provided an average return of 6.3 per cent, compared to 2001 to 2005 which had a return of 4.3 per cent, a decline in returns of two per cent.

Auto Fund Investment Returns



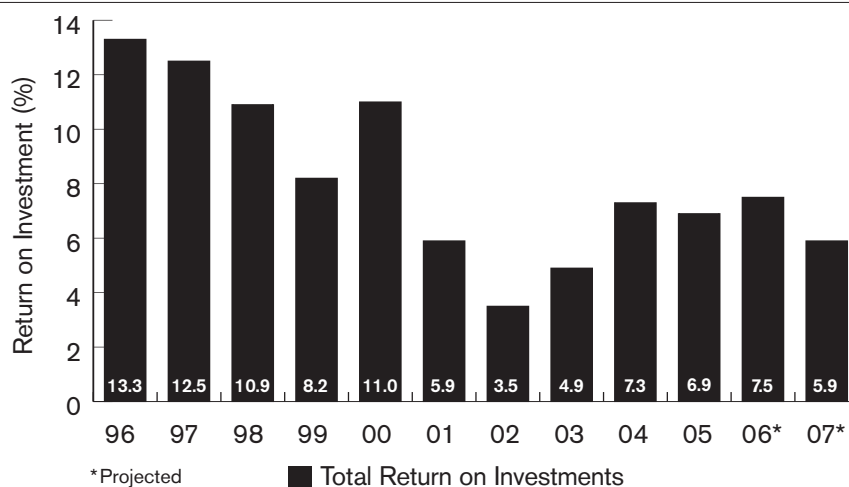
The realized gains on investments have been forecasted to provide a 1.6 per cent return in 2007 and are derived from historical returns provided by equity markets. Because of the expectation of rising interest rates and limited unrealized gains in the Auto Fund's bond portfolio, no gains are forecasted in 2007 from the bond portfolio. The chart below provides a 10-year comparison of gains on bonds and equities, showing how gains can fluctuate, from a combined high of 6.5 per cent in 1997 to a low of negative 1.1 per cent in 2002.

Auto Fund Gains on Sales



With the combination of the two categories, historical and projected investment returns are as follows:

Auto Fund Investment Returns



3.1.3 Other Income

The Auto Fund's other income includes income from premium payment options, which consists of charges for administration and lost investment income for short-term financing (insurance terms of three months to 11 months) and for monthly payment financing. Also included in other income is profit from salvage operations, which consists of salvage recovery from total loss vehicles through sales of whole vehicles and vehicle parts. The following table provides a breakdown of other income by category for 2006 to 2011.

	2006 (000's)	2007 (000's)	2008 (000's)	2009 (000's)	2010 (000's)	2011 (000's)
Payment Options:						
Short-Term Registration	\$6,120	\$5,950	\$5,871	\$5,948	\$6,009	\$6,051
AutoPay	\$8,459	\$8,512	\$9,229	\$9,255	\$9,691	\$10,128
Salvage Income	\$6,333	\$5,831	\$5,919	\$6,008	\$6,098	\$6,189
Total Other Income	\$20,912	\$20,293	\$21,019	\$21,211	\$21,798	\$22,368

3.2 Expenses

3.2.1 Claim Costs

Actuarial Estimation

For insurance companies, claim costs represent the largest expense and for the Auto Fund on average they represent 85 per cent of total costs. To determine claim costs, insurance companies utilize the services of professional actuaries. Actuaries consider many different factors to estimate claim costs, including historical trends involving claim payments, economic conditions, inflation and the characteristics of the class of business.

Claim costs are grouped into accident years, which is the year in which the claim occurred. At the end of each accident year, the actuary estimates the total ultimate costs for all claims that have occurred and that are reported during the current accident year along with those that have occurred but have not yet been reported to the insurance company. As well, at the end of the fiscal year, the actuary reviews prior accident years to determine if the estimates are still appropriate. If an adjustment is required on prior accident years, it is included in the current year's financial statements. It is a reduction to claim costs if the estimate was too high, which is commonly referred to as a redundancy and an increase to claim costs if the estimate was too low, which is described as a deficiency.

For the Auto Fund, claim costs are separated into two categories:

- Damage claims – includes vehicle and property damage; and,
- Personal injury – includes no-fault injury, tort injury and liability coverage.

Generally, damage claims represent 60 per cent of total claim costs in a loss year, with the injury component accounting for 40 per cent. Damage claims are typically resolved and paid fairly quickly with 80 per cent of total claim costs paid in the year the loss is reported. Within 12 months of the end of the loss year, 99 per cent of damage claim costs are paid. Because these claims (referred to as short-tail claims) are settled fairly quickly, there is minimal risk that the estimate by the actuary of the unpaid claims will create a redundancy or deficiency that will materially impact the current year financial results.

Injury claims, however, take much longer to resolve than damage claims. For the injury program, only 17 per cent of total estimated costs are paid in the year the loss is reported, compared to 80 per cent for damage. As an example of the long-term nature of these claims (referred to as long-tail claims), for some catastrophic injuries the no-fault injury program will make claim payments for the remainder of the person's life. As well, the no-fault program provides lifetime coverage for traffic accident-related injuries. Therefore, a claim file could be dormant with no payments for 10 to 20 years and then be reopened because the injured party had a reoccurrence of the injury requiring medical treatment. These examples illustrate the uncertainty inherent in estimates for these types of claims. Other factors will also have an impact on the estimate for these claims, such as inflation (no-fault benefits are indexed to inflation), medical innovations and rehabilitation programs.

At implementation of the no-fault injury program in 1995, the actuary had limited information to rely on in determining claim costs and it was prudent to estimate claims conservatively. The actuary now has over 10 years of historical data and experience with the injury program. In the last several years, actuarial estimates have been revised resulting in material redundancies, which have positively impacted the financial results. As an example, the redundancy was \$44 million in 2005 and \$79 million in 2004 on a total unpaid claims estimate of approximately \$700 million. While 10 years of data certainly provides some comfort that the Auto Fund is in a better position to estimate injury costs, factors such as reoccurrence rates are very difficult to anticipate 10 to 20 years into the future. While the Auto Fund's objective is to keep estimates as accurate as possible with minimal changes to prior-year claim estimates, given the nature of this program, changes are inevitable in the future.

No costs are included in the financial results for a change in estimates of prior-year claims.

Accident Year Costs

Accident year costs can change significantly from year to year for the Auto Fund, but generally on average will increase each year.

Damage claim costs typically increase annually as the cost to repair or replace vehicles and property rises each year as a result of several factors, including:

- insuring newer vehicles which cost more to replace and repair;
- technological advances in vehicles are more expensive to replace and repair; and
- increases in vehicle parts prices and labour rates to repair vehicles.

Since 1983, damage loss year costs have increased on average by 5.1 per cent per year, with the largest growth in 1995 at 16.6 per cent, primarily due to significant summer storm activity. During that 22-year period, claims have only declined in three years: 4.3 per cent in 1992; 4.2 per cent in 1998 due to the \$200 increase to the basic deductible; and 0.1 per cent in 2001. In developing damage loss cost estimates, historical trends are utilized to assist in developing the budget. For 2007, damage claims are forecasted to increase by 3.8 per cent.

Injury claims will also generally increase each year as no-fault injury and tort accident benefits are indexed to inflation. Since the introduction of the no-fault injury program in 1995, injury costs have increased on average by 3.1 per cent each year. However, there is a larger variance from year to year than for damage claims due to a lower volume of claims and a higher average cost per claim. With a smaller volume of claims and a large average cost per claim, increases in the number of claims can significantly impact the total ultimate costs for the loss year. Since 1995, the

largest increase was 12.2 per cent in 2003 and the largest decrease was 6.6 per cent in 2000. The 2007 forecast assumes a 2.3 per cent increase in loss costs over 2006.

3.2.2 Insurance Issuance Costs

Insurance issuance costs include a five per cent premium tax charge on insurance premiums, which is collected and remitted to the provincial government. The other component of issuance costs is issuer fees, which is compensation paid to Auto Fund motor licence issuers for driver's licence issuance and vehicle insurance transactions.

3.2.3 Administrative Expenses

Administrative expenses consist of operating expenses such as salaries, infrastructure and system support costs. Operating expenses in relation to revenue generated is approximately six per cent. The other component of administrative expenses is traffic safety costs. These costs consist of programs, sponsorship and advertising associated with promoting traffic safety. The goal of this investment is to provide social and economic benefits through the promotion of safe driving, which reduces accidents. The cost in relation to revenue generated is approximately 2.5 per cent.

3.3 Rate Stabilization Reserve

Competitive insurance companies are required to operate with a prescribed amount of capital, which will vary depending on the size of the company. It is required in order for the insurance company to be able to withstand adverse financial results and still pay its liabilities, with the primary one being claim liabilities. Insurance regulators closely monitor insurance companies' capital to ensure that adequate levels are maintained. This capital requirement provides the policyholder with comfort that the insurance company will be there if needed to pay a claim.

While the Auto Fund is not a private insurance company it operates with a similar philosophy, which is to manage the Fund with a prudent level of capital in order to avoid requiring large and erratic rate changes for its customers. The Auto Fund's capital is the Rate Stabilization Reserve (RSR), which is the accumulation of profits and losses in the Auto Fund since its inception. The Province of Saskatchewan has injected no capital into the Auto Fund.

The insurance industry measurement developed by insurance regulators for capital adequacy is the Minimum Capital Test (MCT). The MCT is a risk-based capital adequacy test that determines the amount of capital an insurance company should carry based on the types of risks that it faces. Insurance regulators require insurance companies to operate with capital of at least 1.5 times the capital required in the test. However, insurance companies typically operate with much more capital to ensure they have a buffer over the minimum requirement. At the end of 2005 the industry as a whole had capital levels 2.4 times what its requirement was.

The Auto Fund has adopted an MCT target range of 1.0 to 1.25 times its required capital, which has been approved by SGI and the Crown Investments Corporation Board of Directors. The Auto Fund's MCT target is lower than the industry requirement of 1.5 because as a compulsory program it does not face the same premium risks as private insurers. This capital level is consistent with that recommended by Manitoba Public Insurance (MPI) and the Insurance Corporation of British Columbia (ICBC), which have established MCT targets of 1.0.

As discussed, it is important to maintain an adequate RSR so the Auto Fund can absorb adverse financial results without requiring significant rate changes from its customers. This cushion allows time for regular and reasonable rate changes to move back the RSR into the target range. It is important to remember that the Auto Fund sets premium levels to break even. Therefore, if revenues or expenses are materially different than expected, it immediately impacts the capital of the company. For private insurers that set their prices to earn a profit, these types of variances will generally just reduce profit and not impact capital.

As described in this report, there are several factors that could lead to adverse financial results for the Auto Fund, with the most likely causes as follows:

- Investment earnings are budgeted using long-term averages along with expectations for the coming year. However, each year's earnings can be significantly different than forecast. A one per cent change in returns represents \$10 million, or about 1.5 per cent, of rates. Over the last 10 years, the investment portfolio has produced returns as high as 13.3 per cent and as low as 3.5 per cent.

- Accident year claim costs can also be significantly different than forecast with many factors influencing them including summer storms, winter driving conditions, severity of accidents, new safety features of vehicles and changes in vehicle mix. A two per cent change in accident-year costs represents 1.5 per cent on insurance rates. Over the last 10 years, claim costs have increased by as much as 10 per cent and have declined by as much as 1.2 per cent.
- Changes in prior year estimates of claim liabilities can also have a significant impact on the financial results. While the last several years have provided redundancies which have positively impacted financial results, this will not always be the case and with claim liabilities of \$700 million, a material deficiency could have a major impact on the RSR. The largest change in the last five years was in 2004 with an \$80 million redundancy.

As a result of these factors, it is financially prudent for the Auto Fund to operate with a reasonable level of capital, especially considering the volatility inherent with insurance operations. The target RSR range also takes into account the monopoly position of the Auto Fund and the capital requirement is reduced accordingly.

At the end of 2006, the Auto Fund had capital above its maximum requirement of an MCT of 1.25. Therefore, in 2007 it will be returning \$100 million to customers based on their 2006 insurance coverage. This, combined with approval from the Saskatchewan Rate Review Panel for the requested general rate reduction of five per cent in 2007, is projected to put the RSR into the target range with an MCT of 1.20 by the end of 2007.

In 2005, the Auto Fund embarked on an important project to replace the Auto Fund information system. The estimated cost of \$35 million was appropriated from the RSR to establish a Redevelopment Reserve that ensures adequate funding is available to meet the Auto Fund's commitment to this project, which is expected to be complete by 2010. As expenses are charged against income, the Redevelopment Reserve is decreased. The appropriated reserve is excluded from capital available in the MCT calculation.

While the targeted MCT ratio and adequate capital levels are to be accepted as given, this discussion provides an understanding of how capital targets were derived and the importance in maintaining an adequate RSR balance.

3.4 Summary of Financial Requirements and Rationale for Recommendation

The actuarial rate indication showed that premium revenue could decrease by as much as seven per cent and still allow the Auto Fund to break even for policies sold between July 1, 2007 and June 30, 2008. However, the inherent difficulty that all insurance companies face (including the Auto Fund) is pricing insurance products in advance of knowing what claim costs are.

Volatility in claim costs is caused by many factors the Auto Fund has no control over. These include winter driving conditions and summer storm activity that cause fluctuations in accident frequency (number of claims) and severity (average cost per claim) where small variations can have a significant impact on financial results in any year. Increases in parts prices and labour rates and insuring newer vehicles also increase the cost to repair or replace vehicles. In addition, there is complexity associated with determining the cost of injury claims today when benefits for some customers are provided for life. The following table illustrates the potential financial impact in 2007 for differences in claim results as discussed above.

	Largest Historical Change (%)	Impact on Financial Results (millions of \$)	Equivalent Percentage Effect on Rates	Average Historical Change (%)	Impact on Financial Results (millions of \$)	Equivalent Percentage Effect on Rates
Damage Claims	16.6%	\$45	7%	4.2%	\$11	2%
Injury Claims	12.2%	\$19	3%	3.1%	\$5	1%

Other factors, such as investment returns and vehicle mix also impact financial results. The following illustrates how a one per cent change in the following can affect rates.

	Dollar Impact of 1% Change (millions of \$)	Equivalent Percentage Effect on Rates
Vehicle Mix	\$6	1%
Investment Earnings	\$10	1.5%

The uncertainty of the above factors requires the Auto Fund to proceed prudently in reducing rates. The recommendation ensures stability in rates by proposing a reduction that is more conservative than seven per cent. Introducing a five per cent rate decrease protects customers from future rate increases should claims experience deteriorate, given the uncertainty and difficulty associated with predicting these costs. The recommendation also proposes reasonable rate adjustments to ensure customers are not subject to rate shock. With a five per cent general rate decrease, the Auto Fund maintains its target capital structure, which is an MCT ratio of 1.0 to 1.25. If premium and claim trends continue as expected, the Auto Fund will be in a position to further reduce and rebalance rates in 2008.

4. Rate Reduction Application

4.1 Application Overview

The recommended rate application has three components:

- a general rate reduction of five per cent;
- rate rebalancing to enhance fairness; and
- capping of rate adjustments to mitigate rate shock.

The proposed five per cent rate decrease is recommended because the Auto Fund is currently collecting more premium than required to cover claims and other expenses. To enhance fairness in rates, vehicle premiums will be rebalanced based on a detailed actuarial rating analysis that determines the appropriate premium for each vehicle or vehicle group.

However, charging appropriate premium may require an extreme shift from what the customer is currently paying. Therefore, to ensure consistency and stability in rates, increases and decreases are capped so customers do not experience rate shock. Decreases will be capped at 20 per cent for most vehicle classes, but increases will be capped at 2.5 per cent for light passenger vehicles and 10 per cent for most other vehicle classes.

4.2 Vehicle Rating Groups

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

i) CLEAR-Rated Vehicles

The Insurance Bureau of Canada, through the Vehicle Information Centre of Canada (VICC), captures Canada-wide loss experience for light passenger vehicles 15 years of age or newer. This industry-wide rating database, known as Canadian Loss Experience Automobile Rating (CLEAR), is used by insurance companies Canada-wide to set premiums for light passenger vehicles.

The CLEAR system assigns rates to vehicles (by make and model) according to their historical record of accident frequency and repair costs. As part of its analysis, VICC considers several factors, including vehicle construction, safety equipment and susceptibility to damage. VICC also works closely with vehicle manufacturers to monitor new developments. This provides SGI with valuable information that may not be apparent looking solely at Saskatchewan loss data. Vehicles are assigned to one of 99 damage rate groups and five injury rate groups.

The CLEAR system supplements Saskatchewan data when the number of vehicles in a risk group is not large enough to underwrite effectively. In these cases, CLEAR uses national data to provide a larger and more statistically accurate pool of data.

CLEAR rates for light passenger vehicles affect 66 per cent of the Saskatchewan vehicle population. The cross subsidization that currently exists between rating groups will decrease over time through the use of CLEAR and regular rebalancing of rates.

ii) Conventionally-Rated Vehicles

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

- heavy commercial trucks;
- power units;
- farm trucks;
- taxis;
- buses;
- motorcycles;
- special use vehicles (police, ambulance, hearse and antique);
- trailers; and,
- motorhomes.

The criteria used for conventional vehicle groups are based on the significant rating attributes of each vehicle group. For example, buses are rated by seating capacity and model year. Motorcycles are rated by engine size, body style and model year. Recreational motorhomes and trailers are rated by declared value. Rate changes are determined by comparing the claims experience in each class to current premiums. Capping then limits the total change introduced within the current year rate program. A complete list of vehicle rate classes and the rating criteria for each is included in Appendix D.

5. Basic Rate Setting Framework

The following section describes the process the actuary followed to determine overall premium requirements for the Auto Fund, as well as the detailed premium required by the various vehicle groups.

5.1 Rate Indication for Overall Premium Requirements

A general rate indication assesses overall current premium revenue in relation to premium required to cover claim costs and expenses. Each coverage (damage, injury and liability) is evaluated on its own merit and different rating considerations factor into each coverage price. The rate indication takes into account the following:

Premiums

Current premiums before discounts are trended forward to the rating year of July 1, 2007 to June 30, 2008. Safe Driver Recognition and Business Recognition discounts are then factored in to estimate premiums after discounts for the rating year based on current vehicle rates.

Other Sources of Income

A return on funds held in trust for the required RSR balance and invested on behalf of Saskatchewan motorists is calculated and allocated on a per vehicle exposure basis for projected exposures in the rating period. It is allocated to all coverages based on claims experience. This results in a decrease in vehicle insurance costs of \$9.4 million or \$11.97 per vehicle.

A reduction in vehicle insurance costs is also factored in for surcharges the Auto Fund receives associated with the Safe Driver Recognition program. These surcharges represent money received from drivers who fall into the penalty zone and who are billed following an incident. Because this revenue is not related to vehicle insurance premiums, it is allocated to vehicles that qualify for the Safe Driver Recognition program on a per exposure basis for projected exposures in the rating period. It is allocated based on claims experience at a coverage level. This results in a decrease in vehicle insurance cost of \$8.5 million or \$10.91 per vehicle.

Claims

Claims from accident years 2001 to 2005 are the basis for estimating claims for the rating period. Claims are brought to ultimate value for the rate indication based on loss development factors from the May 31, 2006 actuarial valuation of claim costs for 2006. For the rate indication, claims are then trended forward to project claim costs for the rating year. Because premiums are collected in advance of claim payouts, claims are also discounted to take into account the time value of money. The discount rate is the overall average rate of return expected on the Auto Fund's investment portfolio in 2007 and 2008. In addition, injury benefits are indexed annually to ensure that payments are increased to compensate for inflation. An inflationary index rate of three per cent is factored into the claims estimate.

Net Expenses

The following are considered fixed net expenses and are estimated for the rating year based on the average forecasted expenses for 2007 and 2008. Overall fixed costs are allocated on a per vehicle exposure basis to coverages.

Net Expenses	Amount (000's)	Applicable Coverage(s)	Per Exposure Charge
Internal Loss Adjustment Expenses	\$47,222	All	\$61.05
Administrative Expenses	\$33,331	All	\$43.09
Issuer Fees	\$25,699	All	\$28.47
Traffic Safety Programs	\$14,570	All	\$18.84
Reinsurance Costs	\$2,304	Damage & Injury	\$2.10 / \$0.88
Claim Cost Reduction through Salvage Purchases	-\$7,000	Damage	-\$9.05
Net Salvage Income	-\$5,831	Damage	-\$7.54
Total Fixed Net Expenses	\$110,295		

The following expenses vary in direct relation to premium revenue and are allocated based on premiums:

Expense	Variable Cost Percentage
Premium Taxes	5.00% of premiums
Short Term and AutoPay Financing Income	-2.55% of premiums

Summary of Overall Premium Requirements

The above process provides an overall general rate indication for all vehicles. Once the overall indication is completed, this same process is undertaken for individual vehicle classes. Essentially, the rate indication is a comparison of the premium that the Auto Fund would collect per exposure if no rate changes were made. The required premium is the sum of the projected claim costs, the fixed and variable expenses, reduced by an amount to account for other sources of income.

The process can be summarized with the following equation:

For the Rating Period July 1, 2007 to June 30, 2008

	Current Premium Income
Plus (+)	Other Sources of Income
Minus (-)	Claim Costs
Minus (-)	Fixed Costs
Minus (-)	Variable Costs
Equals (=)	Excess = Required Rate Decrease, Deficiency = Required Rate Increase

The rate development process and the factors included in developing rates for vehicles include the following components:

Coverage	Pure Discounted Loss Cost	Fixed Expense	Variable Expense (2.45%)	Other Income (RSR & SDR Malus)	Premium Required By Coverage
Physical Damage	\$288	\$63	\$9		\$360
Injury	\$173	\$45	\$6		\$224
Liability	\$136	\$29	\$4		\$169
No Specific Coverage				-\$23	-\$23
Total	\$597	\$138	\$19	-\$23	\$731

The actuarial rate indication for the rating period July 1, 2006 to July 1, 2007 showed that the Auto Fund could decrease revenue overall by seven per cent and essentially break even for the rating period. However, the recommendation to reduce overall revenue by five per cent in 2007 is because of the volatility of claim costs and possible future increases customers may face if claims deteriorate. As well, a five per cent general rate decrease limits rate shock for customers. If the Auto Fund remains within its targeted RSR range at the end of 2007, a further rate reduction and opportunity to rebalance rates will be pursued in 2008.

5.2 Rate Indication for CLEAR-Rated Vehicles

Light passenger vehicles, which are CLEAR-rated, are defined as vehicles that are one ton and smaller, and used primarily for private or personal purposes (i.e., cars, sport-utility vehicles or SUVs, light trucks and vans).

Base Rates

The initial step in determining light passenger vehicle premiums for each make, model and year is establishing a CLEAR base rate group for physical damage and injury coverage. The base rate group typically includes the largest number of exposures because the larger the numbers, the more credible the data.

Relativities

The rates of every other rate group are then compared to the base rate. This is known as a rate group relativity analysis, where rates are assessed relative to one another and based on five years of Auto Fund data by make, model and year.

Determining the Required Premium

Fixed and variable expenses are allocated to appropriate coverages to determine the required component premiums for damage, injury and liability. The liability charge is a flat charge for all light passenger vehicles while premiums for damage and injury vary by rate group. Income from investment returns on the RSR and from Safe Driver Recognition malus revenue is allocated to each vehicle on a per exposure basis to reduce the required premium.

The analysis is used to determine required premium for each make, model and year of vehicle. These premiums are then compared to current premiums to determine the extent of dislocation (difference between current rate and required rate). Capping then takes place to ensure there is no rate shock on individual vehicle premiums.

For vehicles older than 15 years of age, the CLEAR rate group for the oldest make, model and year of a particular vehicle is used. As the vehicle ages, the damage rate group is reduced by one each year until the vehicle pays the minimum damage premium assigned for the lowest rate group. The injury rate group and premium remains unchanged from the latest CLEAR make, model and year.

For example, the cost of insurance for a Pontiac Trans Am would be as follows:

Year of Vehicle	Damage Rate Group	Damage Premium
1992 Pontiac Trans Am	Rate Group 10	\$312
1991 Pontiac Trans Am	Rate Group 9	\$289
1990 Pontiac Trans Am	Rate Group 8	\$278

Light passenger vehicles for farm use receive discounts off the light vehicle (LV) rates due to predominately rural use (low traffic areas), which results in a lower incident of accidents. Farm cars receive a discount of 10 per cent off the LV rate while for the majority of sport utility vehicles and vans, proposed rates will be within nine to 13 per cent of the LV rate.

Proposed Change

Ideally, all light vehicles would pay the premiums proposed by CLEAR. While the rate indication for this class of business is a seven per cent reduction, caps of +2.5 per cent and -20 per cent were put in place to prevent rate shock. As a result, premiums for this class of vehicles as a whole will be reduced by 5.1 per cent. Currently, only three per cent of vehicles require no rate changes. After the proposed rate changes, over 64 per cent of vehicles will be properly priced.

The recommended changes to light passenger vehicles based on 2005 vehicle exposures are:

- Percentage of Vehicles with Rate Increases: 41.8
- Percentage of Vehicles with Rate Decreases: 55.2
- Percentage of Vehicles with Rate Unchanged: 3.0

5.2.1. Rate Rebalancing for CLEAR-Rated Vehicles

As the Auto Fund has not rebalanced rates since 2001, steps were taken to introduce reasonable and fair rate adjustments, and caps were chosen to mitigate rate shock. Currently only three per cent of CLEAR-rated vehicles are paying the appropriate premium – the remaining 97 per cent require rate increases or decreases.

For light passenger vehicles, which make up 66 per cent of the vehicle population, maximum increases are 2.5 per cent and maximum decreases are 20 per cent. These caps result in an overall decrease in the class of 5.1 per cent, which is close to the overall rate change required. Since this class makes up the majority of vehicles and a significant

portion of overall premium revenue (over 80 per cent), rate changes in this class affect the overall change in Auto Fund revenue to a large extent. Therefore, it is important to note that changes to caps for this vehicle class will directly impact the proposed overall general rate decrease of five per cent.

5.2.2. Customer Impact Summary for CLEAR-Rated Vehicles

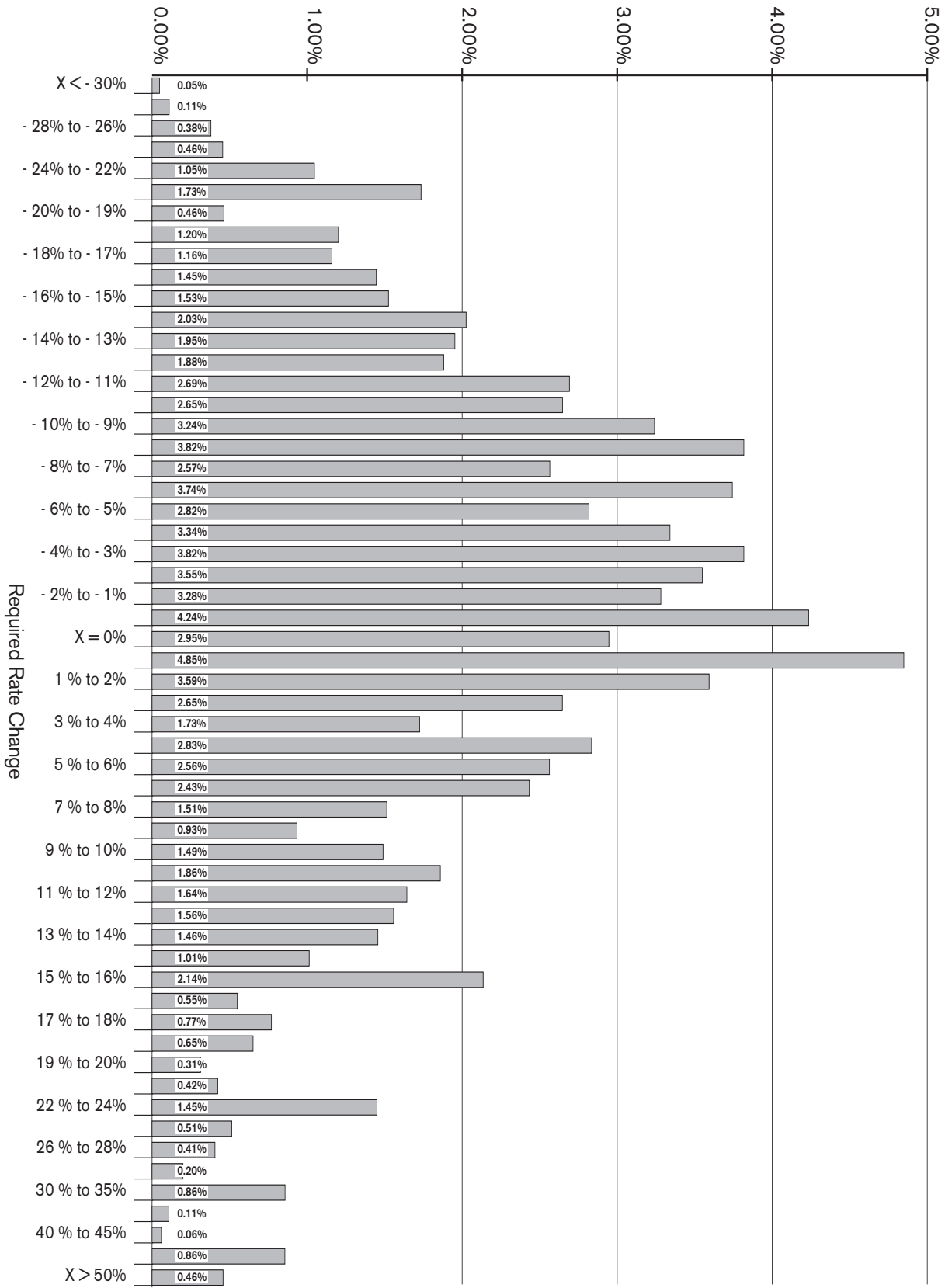
A summary of changes for light passenger vehicles is as follows:

	Light Passenger Vehicles		Farm Cars		Farm Rates - SUVs and Vans		Total	
	Premium	Earned Exposures	Premium	Earned Exposures	Premium	Earned Exposures	Premium	Earned Exposures
Total Premium Before Changes:	\$443,419,356	558,632	\$13,657,670	18,909	\$10,724,754	14,424	\$467,801,780	591,965
Total Premium After Changes:	\$420,695,179	558,632	\$12,506,884	18,909	\$10,628,679	14,424	\$443,830,742	591,965
Effect of Change:	-5.125%		-8.426%		-0.896%		-5.124%	
Average Premium Before Changes	\$793.76		\$722.27		\$743.54		\$790.25	
Average Premium After Changes	\$753.06		\$661.41		\$736.87		\$749.76	
Overall Change	-5.125%		-8.426%		-0.896%		-5.124%	

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Light cars, vans, trucks and SUVs (one ton and smaller)	-7.0%	-5.1%	\$68	-\$491	\$14	-\$84	232,755	307,042	16,568

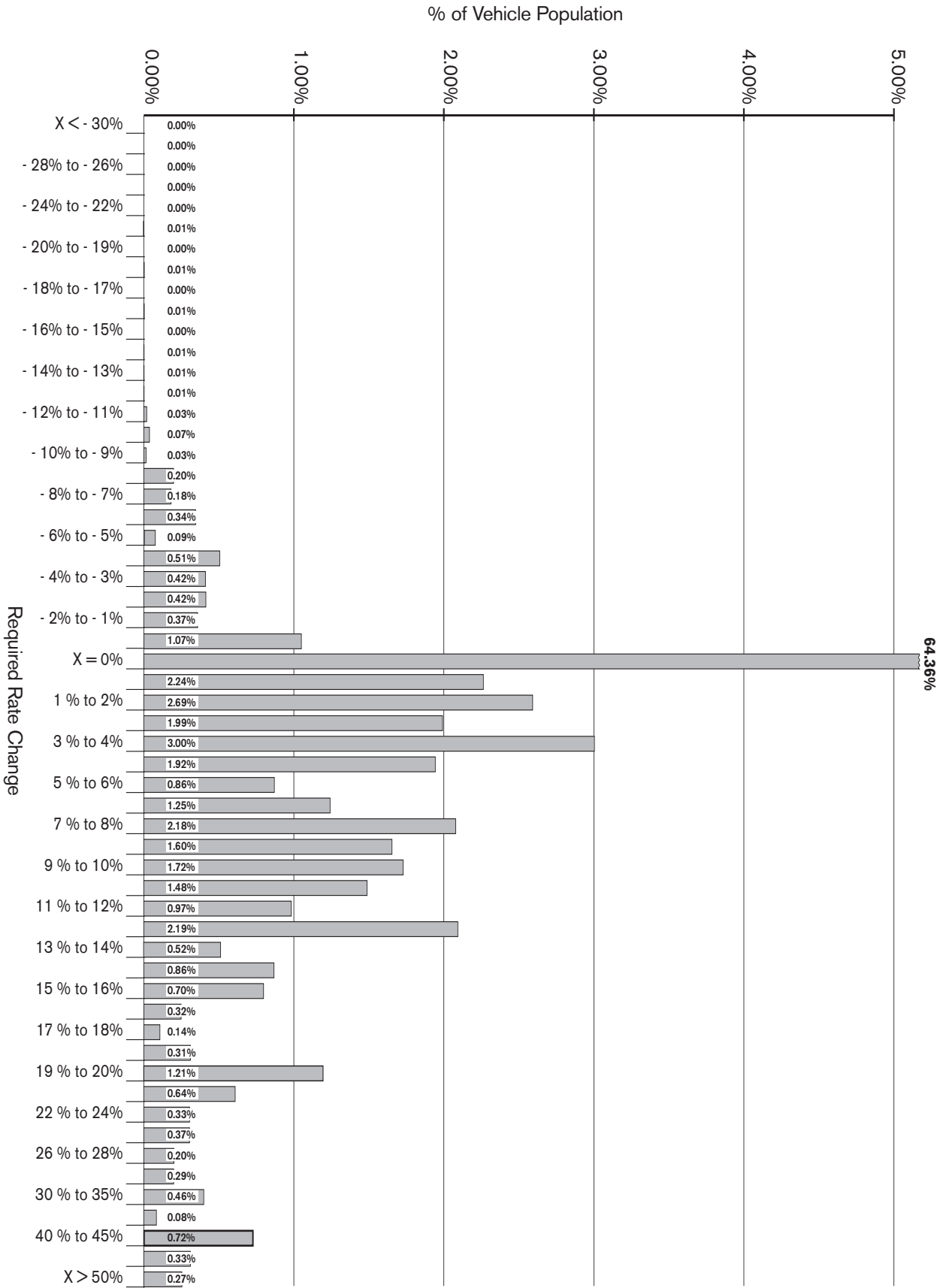
The graphs on pages 19 and 20 indicate the current price dislocation for light passenger vehicles. Sixty-four per cent of vehicles will be adequately priced once proposed capped rate changes are applied, compared to only three per cent of vehicles that are currently priced where they should be.

% of Vehicle Population



Light Private Passenger Vehicles – Required Versus Current Rates

Light Private Passenger Vehicles – Required Versus Proposed Rates



5.3 Rate Indication for Conventionally-Rated Vehicles

Similar to CLEAR rating, base rate groups are developed for conventionally-rated vehicles and a relativity analysis is performed within each vehicle class. In many instances, the actuarial rate indication requires larger rate increases or decreases than those proposed. Capping and smoothing of rates within vehicle classes often results in much smaller proposed changes than those indicated. However, the caps placed on adjustments are essential to ensure customers receive fair and reasonable rate adjustments.

Credibility is considered when assessing overall rate changes within a vehicle class. In some instances, conventionally-rated vehicle classes contain minimal exposures and consequently the loss experience is not credible. Therefore, in these instances, large rate adjustments are not introduced (even if indicated) because with limited exposures and credibility, loss experience may change significantly from year to year, which could result in large rate swings.

In addition to credibility or size of vehicle classes, the caps (as defined in the rebalancing section below) typically result in a much smaller proposed rate change than the indicated rate change. Often a smoothing of relativities must occur and this may also affect rate changes. Smoothing relativities consists of ensuring there are logical rate differences within rate groups in a vehicle class. For example, motorhomes are rated on value. The rate for a motorhome valued at \$300,000 to \$400,000 would be higher than the rate for a motorhome valued at \$250,000 to \$300,000. The rates relative to each other for the various value levels may have to be adjusted or “smoothed” to ensure adequate rates based on rating criteria within vehicle classes.

Details of the rate changes for conventionally-rated vehicle classes and supporting analysis is included in Appendix E.

5.3.1 Rate Rebalancing for Conventionally-Rated Vehicles

For conventionally-rated vehicles, reasonable overall caps were determined with maximum increases of 10 per cent and maximum decreases of 20 per cent to limit rate shock. Although the Auto Fund strives to achieve rate stability, there are a few exceptions where the caps moved outside these ranges as a result of loss experience. For example, loss experience for sport motorcycles and commercial trucks that travel out of province dictated a larger increase. As a result, customers in these classes will see maximum increases of 15 per cent. Conversely, favourable loss experience in some classes called for reductions in excess of 20 per cent. For police and rental vehicles, decreases of 25 per cent are proposed. For snowmobiles (for which only liability coverage is offered by the Auto Fund), decreases of 27 per cent are recommended.

5.3.2 Customer Impact Summary for Conventionally-Rated Vehicles

A summary of the indicated and proposed rate changes and customer impacts for conventionally-rated vehicles is as follows:

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Farm Vehicles:									
Heavy Truck	4.3%	0.3%	\$74	-\$19	\$55	-\$7	602	2,818	27,977
Light Truck	-5.6%	-5.6%	\$38	-\$78	\$3	-\$31	697	67,774	0
Power Units	-23.7%	-3.0%	\$39	-\$57	\$22	-\$44	2,115	2,823	0
Trailers	-22.9%	-9.5%	\$0	-\$10	\$0	-\$9	0	17,481	2,867
Motorcycles:									
Cruiser/Touring	96.1%	9.0%	\$176	-\$11	\$75	\$0	6,241	0	636
Dual Purpose/Other		6.1%	\$116	-\$11	\$73	\$0	5,120	0	0
Sport		0.0%	\$0	\$0	\$0	\$0	0	0	636
		13.2%	\$176	\$0	\$122	\$0	1,121	0	0
A - Commercial Vehicles:									
Heavy Truck	-4.2%	-1.3%	\$90	-\$278	\$54	-\$61	416	459	90
Power Unit	5.6%	0.7%	\$89	-\$409	\$45	-\$77	4,051	1,479	0
C&D-Commercial Vehicles:									
Heavy Truck	-41.8%	-9.9%	\$30	-\$197	\$30	-\$69	577	9,195	0
Power Units	-37.1%	-9.0%	\$30	-\$306	\$30	-\$127	48	3,990	0
L - Dealer Plates:									
Automobile	-39.3%	-9.9%	\$0	-\$80	\$0	-\$78	0	3,295	0
Motorcycles		-10.0%	\$0	-\$80	\$0	-\$80	0	3,220	0
Snowmobile		0.0%	\$0	\$0	\$0	\$0	0	66	0
		-10.0%	\$0	-\$13	\$0	-\$13	0	9	0
LT - Trailer Dealer/Mover:									
Utility	37.4%	-0.6%	\$6	-\$25	\$6	-\$25	105	82	287
Tent		5.8%	\$6	\$0	\$6	\$0	105	0	0
Semi		0.0%	\$0	\$0	\$0	\$0	0	0	0
Transport		-6.2%	\$0	-\$25	\$0	-\$25	0	82	0
Metal Cabin		0.0%	\$0	\$0	\$0	\$0	0	0	6
Fibreglass Cabin		0.0%	\$0	\$0	\$0	\$0	0	0	67
		0.0%	\$0	\$0	\$0	\$0	0	0	213
Ambulance	6.6%	5.0%	\$63	\$0	\$63	\$0	242	0	0
Antique	-17.8%	0.0%	\$0	\$0	\$0	\$0	0	0	7,611
Buses	62.7%	1.8%	\$24	\$0	\$24	\$0	62	0	208
Buses (Restricted)	1.3%	-0.6%	\$3	-\$9	\$3	-\$9	9	16	49
Hearse	-25.4%	0.0%	\$0	\$0	\$0	\$0	0	0	118
Motorhomes	30.6%	5.4%	\$20	\$0	\$12	\$0	5,362	0	0
MT - Snowmobile	-79.7%	-27.3%	\$0	-\$41	\$0	-\$17	0	2,358	0
PB - Passenger Public Service Bus									
	21.4%	6.5%	\$189	-\$79	\$92	-\$49	271	28	0
PC - Passenger City Bus									
	-3.0%	-2.4%	\$79	-\$145	\$31	-\$62	179	260	0
PS - Passenger School Bus									
	43.2%	3.9%	\$22	-\$24	\$12	-\$16	2,768	332	0
PT - Taxis:									
Taxis (Small City)	16.0%	6.5%	\$200	\$0	\$146	\$0	642	0	0
Taxis (Large City)		10.0%	\$117	\$0	\$117	\$0	189	0	0
Taxis (Regina/Saskatoon)		9.1%	\$200	\$0	\$200	\$0	100	0	0
		5.0%	\$129	\$0	\$129	\$0	353	0	0
T - Personal Trailers:									
Utility	-12.4%	-0.4%	\$46	-\$99	\$26	-\$10	8,116	10,200	56,419
Tent		0.0%	\$0	\$0	\$0	\$0	0	0	53,401
Semi & Transport		-14.5%	\$0	-\$99	\$0	-\$10	0	1,827	0
Metal Cabin		-9.7%	\$0	-\$74	\$0	-\$9	0	2,859	0
Fibreglass Cabin		7.5%	\$46	\$0	\$19	\$0	8,116	0	3,018
		-6.6%	\$0	-\$65	\$0	-\$16	0	5,514	0
TS - Commercial Trailers	-30.4%	-5.3%	\$3	-\$34	\$0	-\$12	12,849	17,873	0

The following vehicles have surcharges applied to the LV private passenger rate:

A - Commercial Interprovincial Light Truck	187.4%	4.4%	Apply 10% surcharge to LV rates
PT - Taxis (Other Locations)	16%	5%	Increase surcharge on LV rates from 50% to 55%
Police Work	-19.4%	-9.9%	Decrease surcharge on LV rates from 50% to 45%
U-Drive	-18.6%	-9.9%	Decrease surcharge on LV rates from 15% to 10%

6. Proposed Timeline

To implement rate changes by July 1, 2007, the Auto Fund requires time to test new rate tables and to ensure system integrity. It is important to ensure that vehicle renewals are produced and mailed to customers prior to the expiry of their current insurance contract. SGI normally mails renewals four to six weeks prior to expiry. Further, SGI requires time to print and produce rate manuals to provide motor licence issuers with information on vehicle rates. It will also be important to ensure that customers have access to information about rate changes, which requires time to update all vehicle rate information on SGI's website. Therefore, as a result of the above, approval by the SRRP is required by April 30, 2007 if the rate changes are to be effective July 1, 2007.

7. Summary and Conclusion

The Auto Fund is in a healthy financial position. The proposed reduction in rates of five per cent will ensure customers are not being overcharged for their vehicle insurance in 2007. However, there are three important objectives achieved within the recommended rate reduction:

1) Prudent Financial Management

The proposed general rate decrease of five per cent protects customers from future potential increases given the volatility of claim costs and the inherent difficulty in pricing insurance products in advance of knowing the ultimate cost of claims. The more conservative approach has many advantages:

- i) it provides some leeway to protect against uncertainty in claims results;
- ii) it maintains a healthy capital structure for the Auto Fund going forward; and
- iii) it provides stability and consistency in rates for customers.

2) Enhanced Fairness in Rates

The rate reduction includes rate rebalancing to ensure premiums paid by customers are commensurate with the risk presented. Some customers are currently paying too little for insurance, others are paying too much. As demonstrated on pages 19 and 20 for light passenger vehicles that represent over 80 per cent of premiums and 66 per cent of vehicles, only three per cent of customers are currently paying the appropriate premium. This translates to:

- 42 per cent require increases and 17 per cent require increases of more than 10 per cent
- Three per cent require no change
- 55 per cent require decreases and 21 per cent require decreases of more than 10 per cent

After the recommended general rate reduction of five per cent with proposed capped increases of 2.5 per cent and decreases of 20 per cent, the dislocation in vehicle premiums improves to:

- 32 per cent require increases and 12 per cent require increases of more than 10 per cent
- 64 per cent require no change
- Four per cent require decreases and less than one per cent require decreases of more than 10 per cent

3) Capping to Mitigate Rate Shock

The proposed rate program increases fairness in rating, while ensuring stability for customers by introducing reasonable rate increases and decreases. The average increase for light passenger vehicles, which make up the majority of the vehicle population, is \$14. The largest increase is \$200 for taxis. With the recommended five per cent general rate decrease, customers will see rate decreases as large as 20 per cent with the largest decrease being \$491 for high-end light passenger vehicles. Increases larger than this would be required if rates were to be reduced more than five per cent. The proposed five per cent general rate decrease and rate rebalancing improves fairness in pricing and focuses on rate stability.

A complete summary of the projected changes for customers within each vehicle class is included in Appendix A.

Appendix A

Schedule of Customer Impacts Detailed Breakdown of Rate Adjustments by Dollar Amount and Number of Vehicles

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Light cars, vans, trucks and SUVs (one ton and smaller)	-7.0%	-5.1%	\$68	-\$491	\$14	-\$84	232,755	307,042	16,568
Farm Vehicles:									
Heavy Trucks	4.3%	0.3%	\$74	-\$19	\$55	-\$7	602	2,818	27,977
Light Trucks	-5.6%	-5.6%	\$38	-\$78	\$3	-\$31	697	67,774	0
Power Units	-23.7%	-3.0%	\$39	-\$57	\$22	-\$44	2,115	2,823	0
Trailers	-22.9%	-9.5%	\$0	-\$10	\$0	-\$9	0	17,481	2,867
Motorcycles:	96.1%	9.0%	\$176	-\$11	\$75	\$0	6,241	0	636
Cruiser/Touring		6.1%	\$116	-\$11	\$73	\$0	5,120	0	0
Dual Purpose/Other		0.0%	\$0	\$0	\$0	\$0	0	0	636
Sport		13.2%	\$176	\$0	\$122	\$0	1,121	0	0
A - Commercial Vehicles:									
Heavy Trucks	-4.2%	-1.3%	\$90	-\$278	\$54	-\$61	416	459	90
Power Units	5.6%	0.7%	\$89	-\$409	\$45	-\$77	4,051	1,479	0
C&D - Commercial Vehicles:									
Heavy Trucks	-41.8%	-9.9%	\$30	-\$197	\$30	-\$69	577	9,195	0
Power Units	-37.1%	-9.0%	\$30	-\$306	\$30	-\$127	48	3,990	0
L - Dealer Plates:	-39.3%	-9.9%	\$0	-\$80	\$0	-\$78	0	3,295	0
Automobiles		-10.0%	\$0	-\$80	\$0	-\$80	0	3,220	0
Motorcycles		0.0%	\$0	\$0	\$0	\$0	0	66	0
Snowmobiles		-10.0%	\$0	-\$13	\$0	-\$13	0	9	0
LT - Trailer Dealer/Mover:	37.4%	-0.6%	\$6	-\$25	\$6	-\$25	105	82	287
Utility		5.8%	\$6	\$0	\$6	\$0	105	0	0
Tent		0.0%	\$0	\$0	\$0	\$0	0	0	0
Semi		-6.2%	\$0	-\$25	\$0	-\$25	0	82	0
Transport		0.0%	\$0	\$0	\$0	\$0	0	0	6
Metal Cabin		0.0%	\$0	\$0	\$0	\$0	0	0	67
Fibreglass Cabin		0.0%	\$0	\$0	\$0	\$0	0	0	213
Ambulance	6.6%	5.0%	\$63	\$0	\$63	\$0	242	0	0
Antique	-17.8%	0.0%	\$0	\$0	\$0	\$0	0	0	7,611
Buses	62.7%	1.8%	\$24	\$0	\$24	\$0	62	0	208
Buses (Restricted)	1.3%	-0.6%	\$3	-\$9	\$3	-\$9	9	16	49
Hearse	-25.4%	0.0%	\$0	\$0	\$0	\$0	0	0	118
Motorhomes	30.6%	5.4%	\$20	\$0	\$12	\$0	5,362	0	0
MT - Snowmobile	-79.7%	-27.3%	\$0	-\$41	\$0	-\$17	0	2,358	0
PB - Passenger Public Service Bus	21.4%	6.5%	\$189	-\$79	\$92	-\$49	271	28	0
PC - Passenger City Bus	-3.0%	-2.4%	\$79	-\$145	\$31	-\$62	179	260	0
PS - Passenger School Bus	43.2%	3.9%	\$22	-\$24	\$12	-\$16	2,768	332	0
PT - Taxis:	16.0%	6.5%	\$200	\$0	\$146	\$0	642	0	0
Taxis (Small City)		10.0%	\$117	\$0	\$117	\$0	189	0	0
Taxis (Large City)		9.1%	\$200	\$0	\$200	\$0	100	0	0
Taxis (Regina/Saskatoon)		5.0%	\$129	\$0	\$129	\$0	353	0	0
T - Personal Trailers:	-12.4%	-0.4%	\$46	-\$99	\$26	-\$10	8,116	10,200	56,419
Utility		0.0%	\$0	\$0	\$0	\$0	0	0	53,401
Tent		-14.5%	\$0	-\$99	\$0	-\$10	0	1,827	0
Semi & Transport		-9.7%	\$0	-\$74	\$0	-\$9	0	2,859	0
Metal Cabin		7.5%	\$46	\$0	\$19	\$0	8,116	0	3,018
Fibreglass Cabin		-6.6%	\$0	-\$65	\$0	-\$16	0	5,514	0
TS - Commercial Trailers	-30.4%	-5.3%	\$3	-\$34	\$0	-\$12	12,849	17,873	0
TOTALS	-7.1%	-5.0%	\$210	-\$491	\$16	-\$68	278,107	447,503	112,830

The following vehicles have surcharges applied to the LV private passenger rate:

A - Commercial Interprovincial Light Truck	187.4%	4.4%	Apply 10% surcharge to LV rates
PT - Taxis (Other Locations)	16%	5%	Increase surcharge on LV rates from 50% to 55%
Police Work	-19.4%	-9.9%	Decrease surcharge on LV rates from 50% to 45%
U Drive	-18.6%	-9.9%	Decrease surcharge on LV rates from 15% to 10%

Appendix B

Five-Year Financial Forecast

5% General Rate Decrease Effective July 1, 2007 SASKATCHEWAN AUTO FUND Statement of Operations (000's)

year ended December 31	Forecast					
	2006	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$	\$
Premiums Written						
Net Premiums Written before Discounts	635,159	645,651	667,076	692,987	716,522	737,344
Safe Driver Recognition Bonus	(72,931)	(78,010)	(85,541)	(95,141)	(105,931)	(117,963)
Business Recognition Bonus	(4,239)	(4,341)	(4,554)	(4,736)	(5,044)	(5,196)
Premiums Written - Net	557,989	563,300	576,981	593,110	605,547	614,185
Premiums Earned	542,239	560,791	569,588	585,854	599,953	610,300
Claims Incurred	483,866	506,629	536,196	558,505	581,738	605,997
Prior Year Claims	(32,784)	-	-	-	-	-
Premium Taxes	27,223	28,158	28,595	29,404	30,111	30,631
Issuer Fees	22,687	24,732	26,882	27,303	30,780	33,578
Administrative Expenses	29,667	33,885	34,175	35,151	35,997	36,618
Traffic Safety Programs	11,914	14,542	14,809	15,232	15,599	15,868
Total Expenses	542,573	607,946	640,658	665,596	694,225	722,692
Underwriting Loss	(334)	(47,155)	(71,070)	(79,742)	(94,273)	(112,392)
Investment Earnings	70,501	62,776	66,826	70,354	73,016	74,585
Other Income	20,912	20,293	21,019	21,211	21,798	22,368
Increase to RSR before Rebate	91,079	35,914	16,775	11,823	541	(15,438)
Rebate to Policyholders	(44,101)	(100,000)	-	-	-	-
Increase (decrease) to RSR	46,978	(64,086)	16,775	11,823	541	(15,438)
RSR Balance, Beginning of Year	163,323	195,556	134,361	154,937	171,267	177,673
Prior Period Adjustment	(16,059)					
Appropriated (to) from Redevelopment Reserve	1,314	2,891	3,800	4,507	5,865	4,656
RSR Balance, End of Year	195,556	134,361	154,937	171,267	177,673	166,891
Redevelopment Reserve (RDR) :						
Balance, Beginning of Year	35,000	33,686	30,795	26,995	22,488	16,623
Appropriated (to) from Rate Stabilization Reserve	(1,314)	(2,891)	(3,800)	(4,507)	(5,865)	(4,656)
RDR Balance, End of Year	33,686	30,795	26,995	22,488	16,623	11,967
Loss Ratio	83.2%	90.3%	94.1%	95.3%	97.0%	99.3%
Loss Ratio (excl. prior year claims)	89.2%	-	-	-	-	-
Issuer Fee and Tax Ratio	9.2%	9.4%	9.7%	9.7%	10.1%	10.5%
Administrative Expense Ratio	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Traffic Safety Program Expense Ratio	2.2%	2.6%	2.6%	2.6%	2.6%	2.6%
Combined Ratio	100.1%	108.4%	112.4%	114.0%	115.7%	118.4%
Minimum Capital Test	164%	120%	128%	132%	131%	122%

Appendix C

Glossary of Terms - Auto Fund Insurance Terminology

Terminology	Definition
Actuarial Analysis	A statistical science that quantifies risks an entity is subject to in the future to determine pricing and claim reserving.
Base Rate	The initial step in determining vehicle premiums is to establish a base rate group. The base rate group typically represents the largest number of exposures to ensure credibility.
Business Recognition Discount	Commercial customers who have a five-year loss experience that is below break even benefit from discounts ranging from four to 10 per cent. The discount is applied to all vehicles registered to the company.
Business Recognition	Reward program for commercial vehicle owners. Dependent upon their loss experience over a period of five years, they may be eligible for discounts or pay an additional surcharge.
Claim Frequency	Refers to the number of claims.
Claim Severity	Refers to the average cost per claim.
CLEAR	CLEAR is an acronym for the Canadian Loss Experience Automobile Rating system. CLEAR analyzes the past claims of each vehicle model in order to predict future losses. Through statistical analysis, relationships are established between vehicle characteristics and insurance claims. These relationships are then adjusted according to the actual claim history of individual models, in order to predict future losses for each model. Other rating factors such as a person's driving record, or where they live, are not affected by CLEAR.
Conventional Vehicle Groups	Vehicle groups that do not qualify as light vehicles, such as large trucks, buses and motorcycles.
Credibility	Refers to the law of large numbers, where the larger the numbers, the more credible the data is.
Credibility Weighted Relativity	Weighting of internal relativities and industry relativities based on credibility.
Deductible	An agreed specified sum to be deducted from the amount of loss and assumed by the customer.
Earned Exposures	Portion of a year for which a vehicle insurance policy is effective.
Exposure Weighted Relativity	A calculated relativity using company specific data, such as exposures.
Gross Vehicle Weight (GVW)	The total weight of a vehicle or combination of weight of vehicle and the load.
Leased	A vehicle that is purchased under a leasing agreement or rented for 30 days or more.
Loss Ratio	An indication of profitability derived from dividing claims dollars by premium dollars. A lower ratio translates into higher profitability.
Minimum Capital Test (MCT)	A risk-based capital adequacy formula that determines the amount of capital an insurance company should carry in order to meet financial obligations to policyholders and stakeholders.
Power Unit	A vehicle designed with a fifth wheel to draw a trailer and built to carry part of the trailer weight and load. Also referred to as "semi" or "tractor."
Rate Dislocation	The difference between actuarially determined premiums and current premiums representing the amount the customer is under, or overcharged.
Rate Indication	Determines adequate premium levels to cover costs.

Terminology	Definition
Rate Stabilization Reserve (RSR)	A fund to protect vehicle owners from significant rate increases due to sudden or substantial increases in claims.
Relativity	A factor applied to the base rate such that the price for each rate group is appropriate. In relativity analysis, rates are assessed relative to each other, based on five years of Auto Fund data.
Restricted Use	Defines the specific uses allowed for specific classes/vehicles.
Safe Driver Recognition Discount	Safety zone customers are eligible for discounts ranging from two to 20 per cent on their vehicle insurance premium.
Safe Driver Recognition	Dependent upon their driving record, customers earn discounts on their vehicle insurance premium or pay financial penalties for incidents.
Safe Driver Recognition Malus	When an incident moves a driver's safety rating into the penalty zone, they receive an invoice from SGI. The invoice is based on the driver's new safety rating. Each step in the penalty zone is worth \$25. Dependent upon the new safety rating, drivers can pay financial penalties ranging from \$25 to \$500 per incident.
U-drive	A vehicle that is normally rented for fewer than 30 days.
Vehicle Mix	Measures the impact on total revenue due to the change in the mix of vehicles as a result, for example, of customers upgrading to newer vehicles.

Appendix D

Summary of Auto Fund Rate Classes

Vehicle Class	Definition	Proposed Rating Criteria
A (Commercial)	Unrestricted commercial trucking vehicles used provincially, interprovincially and internationally.	Heavy trucks, vans and power units: Gross vehicle weight, model year and excess value. Light vehicles: Make, model and year.
C (Commercial)	A vehicle that is used primarily for commercial or business purposes.	Heavy trucks, vans and power units: Gross vehicle weight, model year and excess value. All other vehicles (except ambulance): Flat and excess value.
D (Commercial)	A vehicle that is used primarily for commercial or business purposes. Class D vehicles are allowed to transport a greater number of goods over a greater distance than are class C vehicles.	Heavy trucks, vans and power units: Gross vehicle weight and model year. All other vehicles (except ambulance): Flat and excess value.
F (Farm)	A vehicle used in the operation of a farm.	Light trucks: Make, model and year. Heavy trucks and power units: Model year. Trailers: Type of trailer.
L (Auto Dealer)	A plate used by a dealer to move automobiles owned by or under consignment to the dealer.	Flat.
L (Motorcycle Dealer)	A plate used by a dealer to move motorcycles owned by or under consignment to the dealer.	Flat.
L (Motor Toboggan Dealer)	A plate used by a dealer to move motor toboggans (snowmobiles) owned by or under consignment to the dealer.	Flat.
LT (Trailer Dealer)	A plate used by a trailer dealer, manufacturer or mover.	Type of trailer.
LV (Light Vehicle)	A vehicle (one ton and smaller) used primarily for private or personal purposes.	Light passenger vehicles: Make, model and year. Light farm located cars: 10 per cent discount on LV rate. Light SUVs and vans with farm use: Majority of rates nine to 13 per cent lower than LV rate.
LV (Ambulance)	A vehicle used as an ambulance.	Flat.
LV (Antique)	A vehicle that has a model year that is 30 years or older.	Flat.
LV (Bus)	A bus not used for commercial purposes and operated without compensation.	Seating capacity.

Vehicle Class	Definition	Proposed Rating Criteria
LV (Hearse)	A vehicle used for transporting persons during funeral processions.	Make model and year to a maximum \$400.
LV (Police Work)	A vehicle used by the provincial police force for police purposes.	Make, model and year and receive a 45 per cent surcharge on the LV rate.
LV (Motorcycle)	A sport, touring/cruiser or dual purpose motorcycle.	Model year and engine size.
LV (Motorhome)	Recreational vehicle designed for personal habitation and equipped with at least one attached bed together with at least two of the following: a refrigerator wired permanently into the vehicle's electrical system; a permanently attached stove; a permanently attached washing/toilet facility.	Declared value.
LV (U-Drive)	A vehicle that is rented or leased for a period of 30 days or less.	Make, model and year receive a 10 per cent surcharge on the LV rate
MT (Motor Toboggan)	A recreational off-road machine commonly referred to as a snowmobile.	Flat.
PB (Inter-City Bus)	A bus that provides provincial/interprovincial transportation for the public, such as STC and P.A. Northern Bus Lines.	Model year and seating capacity.
PC (City Bus)	A city transit bus used as public transportation in major cities such as Regina and Saskatoon.	Model year and seating capacity.
PS (School Bus)	A school bus used for transport of children to and from school.	Model year and seating capacity.
PT (Taxi)	A vehicle used as a taxi to transport the public for compensation.	Geographical location.
T (Private Trailer)	Privately owned utility and recreational trailers.	Utility trailers: Flat. Others: Type of trailer/declared value.
TS (Commercial Trailer)	A trailer or semi trailer used within a commercial operation.	Declared value and excess value.

Appendix E

Detailed Information on Conventional Vehicle Classes

As previously mentioned, several factors contribute to rate changes within conventional vehicle classes being substantially different than the indicated rate change. These factors include:

1. Capping – Reasonable caps on rates within vehicle classes often result in much smaller proposed changes than those indicated.
2. Credibility – Conventionally-rated vehicle classes may contain minimal exposures and consequently the loss experience is not credible. Large rate adjustments are not introduced in these classes (even if required) because with limited exposures and credibility, loss experience may change significantly from year to year, which could result in large rate swings.
3. Smoothing – Often relativities need to be “smoothed” to ensure there are logical rate differences within rate groups in a vehicle class. The rates relative to each other for the various rate levels may have to be adjusted or smoothed to ensure adequate rates based on rating criteria within vehicle classes.

The following is the detailed analysis and exhibits for the conventionally-rated vehicle classes:

Farm Vehicles

Farm vehicles are defined as vehicles used in the operation of a farm, and are categorized as follows:

- Farm Heavy Trucks – Proposed rates are based on model year. The overall increase for farm heavy trucks is 0.3 per cent.
- Farm Light Trucks – Proposed rates are based on make and model year. The overall decrease for farm light trucks is 5.6 per cent.
- Farm Power Units – Proposed rates are based on model year. The overall decrease for farm power units is three per cent.
- Farm Trailers – Proposed rates are based on type of trailer. The overall decrease for farm trailers is 9.5 per cent.

Farm Heavy Trucks

Rate Indication

The rate indication for this subclass shows a 4.3 per cent increase. Relativity analysis was performed on the model year of the vehicle.

Proposed Change

The recommendation is no increase to the base rate, which is the 1979 and prior year rate. The relativity analysis and the proposed relativities are shown in the table below. The changes result in an approximate 0.3 per cent increase in premiums which is expected to decrease 2007 written premium by \$16,546.

Farm Heavy Trucks

Model Year	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
1979 & Prior	22,221	\$12,011,319	\$3,279,083	27.30%	1.0000	79.78%	1.0000	1.0000	1.0000
1980	1,518	\$1,133,632	\$462,015	40.76%	2.2640	27.34%	1.3587	1.6062	1.3587
1981	1,482	\$1,281,312	\$518,956	40.50%	2.4827	30.07%	1.6522	1.9019	1.6522
1982	821	\$880,324	\$223,109	25.34%	1.9665	21.69%	2.0870	2.0608	2.0608
1983	548	\$700,893	\$162,598	23.20%	2.0755	17.97%	2.5217	2.4416	2.4416
1984	577	\$823,214	\$258,414	31.39%	3.4411	20.15%	2.9565	3.0541	2.9565
1985	562	\$1,019,218	\$291,781	28.63%	3.7122	22.93%	3.3913	3.4649	3.3913
1986	630	\$1,249,715	\$300,863	24.07%	3.5404	23.72%	3.7717	3.7169	3.7169
1987	516	\$1,066,196	\$324,891	30.47%	4.5826	23.92%	4.1413	4.2468	4.1413
1988	437	\$1,004,330	\$269,998	26.88%	4.1223	21.48%	4.3696	4.3165	4.3165
1989	333	\$841,789	\$266,223	31.63%	5.1817	17.71%	4.5109	4.6297	4.5109
1990	311	\$842,221	\$316,661	37.60%	6.5940	24.11%	4.6739	5.1368	4.6739
1991	239	\$663,119	\$148,970	22.47%	3.9565	20.15%	4.9674	4.7637	4.7637
1992	187	\$560,919	\$147,841	26.36%	4.8301	18.22%	5.1957	5.1290	5.1290
1993	193	\$573,095	\$190,243	33.20%	6.6425	19.45%	5.4130	5.6521	5.4130
1994	302	\$811,570	\$659,598	81.27%	18.2808	23.92%	5.6196	8.6476	5.6196
1995	363	\$938,391	\$465,722	49.63%	11.7157	26.65%	5.8478	7.4117	5.8478
1996	202	\$571,239	\$293,764	51.43%	11.0040	21.48%	6.0761	7.1345	6.6776
1997	170	\$643,528	\$456,630	70.96%	18.1940	26.82%	6.3261	9.5096	6.9587
1998	127	\$383,333	\$262,859	68.57%	15.6912	17.97%	6.6413	8.2675	7.0880
1999	97	\$312,292	\$146,586	46.94%	14.8435	17.45%	7.2174	8.5480	7.2174
2000	49	\$279,094	\$479,477	171.80%	52.3129	24.11%	7.6522	18.4189	8.4174
2001	25	\$232,796	\$198,749	85.37%	24.5882	22.93%	8.1087	11.8876	8.9115
2002	23	\$260,486	\$135,060	51.85%	15.5156	18.22%	8.5978	9.8585	9.0101
2003	29	\$6,398,203	\$2,487,571	38.88%	30.6779	71.10%	9.1087	24.4446	9.1087
2004	25	\$6,388,835	\$2,072,024	32.43%	0.0000	65.99%	9.6522	3.2830	9.6522
2005	17	\$6,224,085	\$2,354,428	37.83%	11.4955	64.07%	10.2283	11.0402	10.2283
2006	5	\$5,709,791	\$1,988,395	34.82%	0.0000	54.42%	10.8370	4.9398	10.8370

Farm Heavy Trucks

Premium and Customer Impact Summary

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

Model Year	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
1979 & Prior	22,221	\$92	\$92	0.00%	\$0
1980	1,518	\$125	\$125	0.00%	\$0
1981	1,482	\$152	\$152	0.00%	\$0
1982	821	\$192	\$190	-1.04%	-\$2
1983	548	\$232	\$225	-3.02%	-\$7
1984	577	\$272	\$272	0.00%	\$0
1985	562	\$312	\$312	0.00%	\$0
1986	630	\$347	\$342	-1.44%	-\$5
1987	516	\$381	\$381	0.00%	\$0
1988	437	\$402	\$397	-1.24%	-\$5
1989	333	\$415	\$415	0.00%	\$0
1990	311	\$430	\$430	0.00%	\$0
1991	239	\$457	\$438	-4.16%	-\$19
1992	187	\$478	\$472	-1.26%	-\$6
1993	193	\$498	\$498	0.00%	\$0
1994	302	\$517	\$517	0.00%	\$0
1995	363	\$538	\$538	0.00%	\$0
1996	202	\$559	\$614	9.84%	\$55
1997	170	\$582	\$640	9.97%	\$58
1998	127	\$611	\$652	6.71%	\$41
1999	97	\$664	\$664	0.00%	\$0
2000	49	\$704	\$774	9.94%	\$70
2001	25	\$746	\$820	9.92%	\$74
2002	23	\$791	\$829	4.80%	\$38
2003	29	\$838	\$838	0.00%	\$0
2004	25	\$888	\$888	0.00%	\$0
2005	17	\$941	\$941	0.00%	\$0
2006	5	\$997	\$997	0.00%	\$0

Farm Light Trucks

Rate Indication

This class of vehicles is rated using a unique rating table. The rate indication for this class shows that a 5.6 per cent decrease is warranted.

Proposed Change

A 23 per cent decrease to the base rate is recommended, which is the Full Size, 1976 & Prior rate. Rating is based on model year and full/compact body style. A relativity analysis was performed on model year groupings as well as on full size and compact groupings. Currently, the relativities are not always consistent between the groupings. Therefore the current average relativity shown in the table below would not be the relativity for every vehicle in the group currently. To make the relativities consistent, some vehicles will move up and some will move down by varying amounts. To limit this movement, the changes are capped at -5.75 per cent and +10 per cent. The steps in the selection of the relativities are shown in the tables below.

Model Year	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
Up to 1976	4,564	\$2,139,441	\$301,413	14.09%	1.0000	11.25%	1.0000	1.0000	1.0000
1977 - 1978	1,600	\$1,159,373	\$307,434	26.52%	2.5552	9.87%	1.3338	1.4543	1.2671
1979 - 1980	2,474	\$2,301,734	\$428,460	18.61%	2.2188	13.95%	1.6581	1.7364	1.5752
1981 - 1982	2,614	\$2,693,669	\$1,144,582	42.49%	5.9826	16.96%	1.8153	2.5222	1.7246
1983	1,071	\$1,278,411	\$450,411	35.23%	4.9705	13.28%	2.0075	2.4009	1.9071
1984	1,492	\$1,908,461	\$1,815,104	95.11%	13.9766	14.22%	2.1824	3.8598	2.1824
1985	1,584	\$2,110,719	\$752,671	35.66%	5.9731	16.15%	2.3741	2.9552	2.2554
1986	2,140	\$3,072,202	\$962,272	31.32%	6.0124	20.19%	2.5731	3.2677	2.4445
1987	1,350	\$2,143,470	\$745,984	34.80%	7.1849	17.43%	2.8329	3.5917	2.6913
1988	2,025	\$3,451,655	\$1,716,347	49.73%	11.1242	25.43%	3.0943	5.1366	2.9396
1989	2,087	\$3,661,155	\$2,480,311	67.75%	16.5798	27.52%	3.3249	6.9723	3.3249
1990	2,179	\$4,053,074	\$2,371,422	58.51%	15.7437	28.88%	3.5875	7.0981	3.4081
1991	2,213	\$4,404,884	\$3,024,590	68.66%	20.2309	31.75%	3.8551	9.0547	4.0479
1992	2,447	\$5,182,240	\$3,490,970	67.36%	21.0229	34.05%	4.1347	9.8857	4.3414
1993	2,549	\$5,584,513	\$4,259,602	76.28%	25.4761	37.01%	4.3331	12.1574	4.7664
1994	3,455	\$7,979,976	\$7,187,432	90.07%	31.1765	45.55%	4.5577	16.6825	5.0134
1995	3,303	\$7,823,106	\$7,739,270	98.93%	37.1614	45.00%	4.7618	19.3417	5.2380
1996	2,944	\$7,326,063	\$6,249,102	85.30%	34.1501	43.99%	4.9777	17.8110	5.4755
1997	3,860	\$9,865,295	\$9,332,438	94.60%	38.6040	53.10%	5.2088	22.9432	5.7296
1998	3,938	\$10,699,065	\$9,394,700	87.81%	39.2410	56.46%	5.5323	24.5647	6.0855
1999	2,293	\$6,570,832	\$7,272,595	110.68%	53.7325	47.25%	5.8709	28.4864	6.4580
2000	2,474	\$7,438,059	\$7,265,907	97.69%	49.0201	46.94%	6.1985	26.2996	6.8184
2001	2,891	\$8,326,814	\$8,675,208	104.18%	54.6185	51.53%	6.6041	31.3475	7.2645
2002	2,677	\$6,682,841	\$9,377,667	140.32%	83.7202	44.47%	7.0043	41.1186	7.7047
2003	3,663	\$8,371,451	\$8,422,896	100.61%	87.6758	95.00%	7.4484	83.6644	8.1933
2004	3,038	\$4,372,744	\$3,330,313	76.16%	85.3047	86.54%	7.9026	74.8853	8.6928
2005	1,478	\$1,375,533	\$998,235	72.57%	90.3701	83.41%	8.0608	76.7124	8.8669
2006	65	\$58,940	\$19,628	33.30%	41.9880	80.54%	8.1521	35.4046	8.9673

Farm Light Trucks

Vehicle Size	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Year Relativity	Credibility	Current Average Relativity	Credibility Weighted Relativity	Selected Relativity
Full Size	64,416	\$124,532,109	\$102,951,256	82.67%	1.0000	100.00%	1.0000	1.0000	1.0000
Compact	4,054	\$7,503,610	\$6,565,708	87.50%	0.9258	100.00%	0.8792	0.9258	0.9500

The exposure distribution of the changes on both a dollar and a percentage basis are shown below.

Number of Earned Exposures Affected by Proposed Rate Change

Percent Analysis	Percent Analysis		
	Overall	Full	Compact
5 % < X <= 10%	0	0	0
0 < X <= 5%	697	13	684
X = 0	0	0	0
-5 % <= X < 0	1,240	6	1,233
-10 <= X < -5%	66,534	64,402	2,132

Number of Earned Exposures Affected by Proposed Rate Change

Dollar Impact	Dollar Impact		
	Overall	Full	Compact
125 < X <= 150	0	0	0
100 < X <= 125	0	0	0
75 < X <= 100	0	0	0
50 < X <= 75	0	0	0
25 < X <= 50	6	2	5
0 < X <= 25	691	11	680
X = 0	0	0	0
-25 <= X < 0	24,423	21,544	2,879
-50 <= X < -25	35,547	35,062	485
-75 <= X < -50	7,803	7,802	1
-100 <= X < -75	1	1	0
-125 <= X < -100	0	0	0
-150 <= X < -125	0	0	0

The overall results of the changes are shown below.

Effect Change on Written Premium	Effect Change on Written Premium		
	Overall	Full	Compact
Percentage	-5.6%	-5.7%	-2.3%
Dollar	(\$2,095,156)	(\$2,048,943)	(\$46,214)

Farm Power Units

Rate Indication

The rate indication shows that a 23.7 per cent decrease is warranted for this class. A relativity analysis based on model year was performed.

Proposed Change

A 10 per cent reduction in the base rate is recommended, which is the 1986-1990 model year rate. The changes to the base rate and the relativities result in an approximate three per cent decrease in premiums which is expected to decrease 2007 written premium by \$77,505. The results of the relativity analysis and the proposed relativities are shown below.

Model Year	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
1981 & Prior	649	\$719,669	\$826,512	114.85%	1.3197	21.90%	0.4310	0.6257	0.4310
1982 - 1985	402	\$647,201	\$555,641	85.85%	1.4513	18.72%	0.6789	0.8235	0.7807
1986 - 1990	1,200	\$2,539,093	\$1,361,034	53.60%	1.0000	37.45%	1.0000	1.0000	1.0000
1991 - 1994	866	\$1,968,063	\$865,990	44.00%	1.2797	34.90%	1.2414	1.2548	1.2414
1995 - 1998	1,152	\$2,252,833	\$2,160,890	95.92%	3.2361	43.38%	1.3793	2.1848	1.5862
1999	153	\$267,767	\$320,121	119.55%	5.4959	17.18%	1.6487	2.3097	1.8960
2000	87	\$133,611	\$176,710	132.26%	6.1111	11.36%	1.7478	2.2437	2.0100
2001	31	\$61,449	\$99,440	161.82%	8.5311	11.36%	1.8297	2.5913	2.1042
2002	6	\$1,279,086	\$1,217,165	95.16%	2.0255	4.30%	1.9375	1.9413	2.1594
2003	8	\$22,281	\$16,225	72.82%	4.2152	7.44%	2.0539	2.2147	2.2147
2004	12	\$25,629	\$809	3.16%	0.2064	3.04%	2.1767	2.1169	2.4333
2005	11	\$15,874	\$18,508	116.59%	7.8882	6.79%	2.3060	2.6852	2.6519
2006	2	\$2,095	\$3,569	170.40%	10.4924	3.04%	2.4440	2.6884	2.6884

Premium and Customer Impact Summary

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

Model Year	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
1981 & Prior	649	\$200	\$180	-10.00%	-\$20
1982 - 1985	402	\$315	\$326	3.49%	\$11
1986 - 1990	1,200	\$464	\$418	-9.91%	-\$46
1991 - 1994	866	\$576	\$519	-9.90%	-\$57
1995 - 1998	1,152	\$640	\$663	3.59%	\$23
1999	153	\$765	\$793	3.66%	\$28
2000	87	\$811	\$840	3.58%	\$29
2001	31	\$849	\$880	3.65%	\$31
2002	6	\$899	\$903	0.44%	\$4
2003	8	\$953	\$926	-2.83%	-\$27
2004	12	\$1,010	\$1,017	0.69%	\$7
2005	11	\$1,070	\$1,109	3.64%	\$39
2006	2	\$1,134	\$1,124	-0.88%	-\$10
2007	0	\$1,202	\$1,152	-4.16%	-\$50

Farm Rate Trailers

Rate Indication

The rate indication shows that a 22.9 per cent decrease is warranted for this class.

Proposed Changes

A 10 per cent decrease to the base premium for semi-trailers as well as changes to the relativities for the other body types are recommended. The results of the relativity analysis and the proposed relativities are shown below. The changes to relativities result in an approximate 9.5 per cent decrease in premiums, which is expected to decrease 2007 written premium by \$152,486.

Vehicle Size	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Year Relativity	Credibility	Current Average Relativity	Credibility Weighted Relativity	Selected Relativity
Utility Trailer	3,027	\$347,893	\$288,331	82.88%	0.3634	23.13%	0.2000	0.2378	0.2222
Semi Trailer	12,051	\$2,741,795	\$1,551,011	56.57%	1.0000	46.46%	1.0000	1.0000	1.0000
Transport Trailer	4,117	\$951,297	\$360,646	37.91%	0.2609	29.76%	0.3000	0.2884	0.3111

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

Model Year	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
Utility Trailer	3,027	\$20	\$20	0.00%	\$0
Semi Trailer	12,050	\$100	\$90	-10.00%	-\$10
Transport Trailer	4,116	\$30	\$28	-6.67%	-\$2

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Farm Vehicles:									
Heavy Truck	4.3%	0.3%	\$74	-\$19	\$55	-\$7	602	2,818	27,977
Light Truck	-5.6%	-5.6%	\$38	-\$78	\$3	-\$31	697	67,774	0
Power Units	-23.7%	-3.0%	\$39	-\$57	\$22	-\$44	2,115	2,823	0
Trailers	-22.9%	-9.5%	\$0	-\$10	\$0	-\$9	0	17,481	2,867

Motorcycles

The Auto Fund is moving to a new rating structure for motorcycles. At present, this vehicle group is rated based on engine size and model year. This type of rating has created inequities within the motorcycle group itself because recent claim statistics show a correlation between style of motorcycle and loss experience. In particular, sport motorcycles are more frequently involved in collisions and incur higher claim costs.

As such, the recommendation includes changing the rate criteria for motorcycles to include style as a rating factor. Currently, motorcycles are rated based on engine capacity and model year. When rates were adjusted in the past, changes were applied to all motorcycles irrespective of the style driven (i.e., Sport, Cruiser/Touring and Dual Purpose/Other). In other words, adjustments were applied across the board to this rate group. The recommendation is that when rates are adjusted for the motorcycle rate group in the future, the extent of the adjustment will differ based on the loss experience of that particular style of motorcycle. This will enhance fairness in rating for motorcycles, as rates will no longer be adjusted across the board for this rate group.

Motorcycles

Styles of motorcycles are identified below:

Sport: A motorcycle that has a streamlined styling, including factory-installed streamlined windshield and fairing. The rider position is forward leaning with upper body and arms directly over the front wheel steering radius.

Cruiser: Retro-style motorcycles with a long chopper look and chrome.

Touring: A motorcycle with factory installed luggage, weather protective windshield and fairing. The rider position is generally upright.

Dual Purpose and Other: Conventional type of motorcycle design and factory equipped for both pavement and off-road use. These motorcycles include factory-installed high fenders and tires suitable for dual-purpose use and meeting street-safety requirements such as mirrors and turn signal indicators.

Rate Indication

The rate indication for this class shows a 96.1 per cent increase to be break-even as a class.

Proposed Changes

Rates will be based on three body styles – Cruiser/Touring, Sport and Dual Purpose/Other, in addition to the current rating variables of engine capacity and model year. Relativity analysis was performed based on engine capacity, model year and body style. The proposed changes result in an overall increase in motorcycle premiums of nine per cent, which will have an expected written premium impact of \$512,025 in 2007. The results of the relativity analysis and the proposed relativities are shown in the table below.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio	2005 Relativity	2004 Relativity	Current Average Relativity	Selected
Cruiser/Touring	5,014	\$3,778,783	\$3,562,157	94.27%	1.0000	1.0000		1.0000
Sport	1,095	\$838,435	\$2,265,773	270.24%	2.9133	1.7824		1.7500
Dual Purpose/Other	612	\$179,114	\$80,040	44.69%	0.1841	0.0723		0.9500

Engine Size

100 CC & Less	200	\$35,767	\$2,480	6.93%	0.0132	0.0509	0.2084	0.2000
101 - 400 CC	572	\$90,096	\$132,755	147.35%	0.2474	0.0439	0.2084	0.2084
401 - 750 CC	1,864	\$1,147,284	\$1,592,015	138.76%	0.9109	0.6871	0.7505	0.7505
751 - 1100 CC	1,592	\$1,215,444	\$1,844,793	151.78%	1.2357	1.1395	0.8782	0.8782
1101 CC & Over	2,492	\$2,307,740	\$2,335,927	101.22%	1.0000	1.0000	1.0000	1.0000

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio	2005 Relativity	2004 Relativity	Current Average Relativity	Selected
1982 & Older	1,498	\$597,384	\$1,405,705	235.31%	1.0026	0.0775	0.5957	0.7000
1983 - 1986	883	\$492,999	\$122,528	24.85%	0.1483	0.3216	0.7184	0.7184
1987 - 1992	405	\$285,929	\$170,099	59.49%	0.4488	0.1648	0.8035	0.8035
1993 - 1996	435	\$348,749	\$948,947	272.10%	2.3291	0.3948	0.8786	0.8786
1997 - 2000	930	\$799,672	\$773,611	96.74%	0.8891	0.5594	0.9501	0.9501
2001 - 2004	2,049	\$1,786,770	\$1,918,279	107.36%	1.0000	1.0000	1.0000	1.0000
2005 - 2007	521	\$484,828	\$568,801	117.32%	1.1664	n/a	1.0590	1.0590

Motorcycles

The rates are calculated using a base rate and then multiplying out by the relativities shown above. A 10 per cent cap was put on the increase for cruiser/touring and all purpose/other. The cap was 15 per cent for sport motorcycles. The cap is higher for sport motorcycles because of the poor loss experience for this body type. The current and proposed rates are shown in the tables below.

Current Rate							
	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$134	\$134	\$429	\$613	\$704	\$735	\$763
1983 - 1986	\$164	\$164	\$554	\$744	\$835	\$860	\$885
1987 - 1992	\$188	\$188	\$691	\$795	\$907	\$932	\$957
1993 - 1996	\$208	\$208	\$773	\$870	\$979	\$1,004	\$1,029
1997 - 2000	\$228	\$228	\$853	\$920	\$1,052	\$1,077	\$1,102
2001 - 2004	\$241	\$241	\$895	\$966	\$1,106	\$1,132	\$1,159
2005 - 2007	\$255	\$255	\$948	\$1,023	\$1,172	\$1,199	\$1,228

Proposed Rates							
Cruiser/Touring	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$147	\$147	\$472	\$674	\$774	\$774	\$774
1983 - 1986	\$175	\$180	\$609	\$768	\$874	\$874	\$874
1987 - 1992	\$196	\$204	\$734	\$858	\$978	\$978	\$978
1993 - 1996	\$214	\$223	\$802	\$939	\$1,069	\$1,069	\$1,069
1997 - 2000	\$231	\$241	\$867	\$1,012	\$1,156	\$1,156	\$1,156
2001 - 2004	\$243	\$254	\$913	\$1,063	\$1,217	\$1,217	\$1,217
2005 - 2007	\$258	\$268	\$967	\$1,125	\$1,288	\$1,288	\$1,288

Sport	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$154	\$154	\$493	\$705	\$810	\$810	\$810
1983 - 1986	\$189	\$189	\$637	\$856	\$960	\$960	\$960
1987 - 1992	\$216	\$216	\$795	\$914	\$1,043	\$1,043	\$1,043
1993 - 1996	\$239	\$239	\$889	\$1,001	\$1,126	\$1,126	\$1,126
1997 - 2000	\$262	\$262	\$981	\$1,058	\$1,210	\$1,210	\$1,210
2001 - 2004	\$277	\$277	\$1,029	\$1,111	\$1,272	\$1,272	\$1,272
2005 - 2007	\$293	\$293	\$1,090	\$1,176	\$1,348	\$1,348	\$1,348

Dual Purpose/Other	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$134	\$134	\$429	\$613	\$704	\$735	\$763
1983 - 1986	\$164	\$164	\$554	\$744	\$835	\$860	\$885
1987 - 1992	\$188	\$188	\$691	\$795	\$907	\$932	\$957
1993 - 1996	\$208	\$208	\$773	\$870	\$979	\$1,004	\$1,029
1997 - 2000	\$228	\$228	\$853	\$920	\$1,052	\$1,077	\$1,102
2001 - 2004	\$241	\$241	\$895	\$966	\$1,106	\$1,132	\$1,159
2005 - 2007	\$255	\$255	\$948	\$1,023	\$1,172	\$1,199	\$1,228

Motorcycles

The dollar change and the percentage change are shown below.

\$ Change							
Cruiser/Touring	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$13	\$13	\$43	\$61	\$70	\$39	\$11
1983 - 1986	\$11	\$16	\$55	\$24	\$39	\$14	-\$11
1987 - 1992	\$8	\$16	\$43	\$63	\$71	\$46	\$21
1993 - 1996	\$6	\$15	\$29	\$69	\$90	\$65	\$40
1997 - 2000	\$3	\$13	\$14	\$92	\$104	\$79	\$54
2001 - 2004	\$2	\$13	\$18	\$97	\$111	\$85	\$58
2005 - 2007	\$3	\$13	\$19	\$102	\$116	\$89	\$60

Sport	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$20	\$20	\$64	\$92	\$106	\$75	\$47
1983 - 1986	\$25	\$25	\$83	\$112	\$125	\$100	\$75
1987 - 1992	\$28	\$28	\$104	\$119	\$136	\$111	\$86
1993 - 1996	\$31	\$31	\$116	\$131	\$147	\$122	\$97
1997 - 2000	\$34	\$34	\$128	\$138	\$158	\$133	\$108
2001 - 2004	\$36	\$36	\$134	\$145	\$166	\$140	\$113
2005 - 2007	\$38	\$38	\$142	\$153	\$176	\$149	\$120

Dual Purpose/Other	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1983 - 1986	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1987 - 1992	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1993 - 1996	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1997 - 2000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2001 - 2004	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2005 - 2007	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Motorcycles

% Change							
Cruiser/Touring	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	10.00%	10.00%	10.00%	10.00%	10.00%	5.36%	1.49%
1983 - 1986	6.58%	10.00%	10.00%	3.16%	4.66%	1.62%	-1.25%
1987 - 1992	3.99%	8.35%	6.16%	7.99%	7.77%	4.88%	2.14%
1993 - 1996	2.78%	7.09%	3.78%	7.91%	9.19%	6.47%	3.88%
1997 - 2000	1.40%	5.65%	1.70%	10.00%	9.88%	7.33%	4.89%
2001 - 2004	0.96%	5.20%	2.01%	10.00%	10.00%	7.47%	4.97%
2005 - 2007	1.05%	5.28%	1.99%	10.00%	9.93%	7.45%	4.91%

Sport	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	15.00%	15.00%	15.00%	15.00%	15.00%	10.15%	6.11%
1983 - 1986	15.00%	15.00%	15.00%	15.00%	15.00%	11.66%	8.50%
1987 - 1992	15.00%	15.00%	15.00%	15.00%	15.00%	11.92%	8.99%
1993 - 1996	15.00%	15.00%	15.00%	15.00%	15.00%	12.14%	9.41%
1997 - 2000	15.00%	15.00%	15.00%	15.00%	15.00%	12.33%	9.78%
2001 - 2004	15.00%	15.00%	15.00%	15.00%	15.00%	12.36%	9.74%
2005 - 2007	15.00%	15.00%	15.00%	15.00%	15.00%	12.41%	9.76%

Dual Purpose/Other	100 CC & Less	100 - 400 CC	401 - 750 CC	751 - 1,100 CC	1,101 - 2,000 CC	2,001 - 5,000 CC	5,001 CC & Greater
1982 & Older	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1983 - 1986	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1987 - 1992	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1993 - 1996	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1997 - 2000	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2001 - 2004	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2005 - 2007	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Motorcycles:	96.1%	9.0%	\$176	-\$11	\$75	\$0	6,241	0	636
Cruiser/Touring		6.1%	\$116	-\$11	\$73	\$0	5,120	0	0
Dual Purpose/Other		0.0%	\$0	\$0	\$0	\$0	0	0	636
Sport		13.2%	\$176	\$0	\$122	\$0	1,121	0	0

Commercial Vehicles/Trailers

Commercial vehicles include two general categories. Commercial A allows for the transport of commodities throughout North America. Classes C and D are restricted commercial use vehicles.

- Class A Heavy Truck/Van – Proposed rates are based on model year and gross vehicle weight. The overall decrease for class A heavy trucks/vans is 1.3 per cent.
- Class A Power Unit – Proposed rates are based on model year and gross vehicle weight. The overall increase for class A power units is 0.7 per cent.
- Class C and D Heavy Truck/Van – Proposed rates are based on model year and gross vehicle weight. The overall decrease for class C heavy trucks is 9.9 per cent.
- Class C and D Power Unit – Proposed rates are based on model year and gross vehicle weight. The overall decrease for class C power units is nine per cent.
- Class TS Commercial Trailer – Proposed rates are based on value. The overall decrease for commercial trailers is 5.3 per cent.

Class A – Heavy Trucks

Rate Indication

The rate indication for this class shows that a 4.2 per cent decrease is required.

Proposed Changes

The recommendation is to rate by model year as well as gross vehicle weight (GVW) for these vehicles. A five per cent reduction to the base rate for this class is also recommended. A relativity analysis was performed on GVW and model year for these vehicles. The rate change for any particular model year/GVW combination was capped at +10 per cent and –20 per cent. The impact of changes to this sub-class would reduce premiums by approximately -1.33 per cent or \$10,915 in written premium. The results of the relativity analysis are shown below.

Gross Vehicle Weight:	no GVW	5,001-10,000	10,001-13,000	13,001-22,000	22,001-34,000	34,001-40,000	40,001-50,000	50,001-62,500
Relativities:	1.3472	0.8505	1.3022	1.0000	0.8720	0.6080	0.4272	2.0661
Credibility	22.29%	34.24%	30.82%	42.61%	22.63%	11.39%	9.14%	10.79%
Current Average Relativity	0.6306	0.6306	0.7876	1.0000	1.1625	1.3337	1.4301	1.5623
Credibility Weighted	0.7903	0.7059	0.9462	1.0000	1.0968	1.2511	1.3384	1.6166
Selected	0.7903	0.8000	0.9462	1.0000	1.0968	1.2511	1.3384	1.6166

Model Year:	<=1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
Relativities:	0.1903	0.3780	0.4224	0.5224	1.0132	1.0000	1.2710
Credibility	5.26%	3.04%	14.29%	17.74%	27.26%	37.40%	42.47%
Current Average Relativity	0.3743	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Credibility Weighted	0.3646	0.9811	0.9175	0.9153	1.0036	1.0000	1.1151
Selected	0.3646	0.8500	0.8833	0.9167	0.9500	1.0000	1.0500

Class A - Heavy Trucks

The 2005 earned exposures by model year in the following tables show the effect of the proposed changes.

Earned Exposures	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
no GVW	13	0	20	20	77	19	75	22
5,001-10,000	25	2	24	38	85	223	305	167
10,001-13,000	13	1	32	50	83	116	155	64
13,001-22,000	14	4	63	113	297	380	495	191
22,001-34,000		5	26	31	90	249	389	151
34,001-40,000	5		23	15	24	33	38	4
40,001-50,000			3	5	19	38	71	19
50,001-62,500	10		40	9	5	31	37	10

The impact on rates for these vehicles is shown in the tables below.

Current Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
no GVW	\$350	\$532	\$532	\$532	\$532	\$532	\$532	\$532
5,001-10,000	\$350	\$532	\$532	\$532	\$532	\$532	\$532	\$532
10,001-13,000	\$350	\$677	\$677	\$677	\$677	\$677	\$677	\$677
13,001-22,000	\$350	\$873	\$873	\$873	\$873	\$873	\$873	\$873
22,001-34,000	\$350	\$1,023	\$1,023	\$1,023	\$1,023	\$1,023	\$1,023	\$1,023
34,001-40,000	\$350	\$1,181	\$1,181	\$1,181	\$1,181	\$1,181	\$1,181	\$1,181
40,001-50,000	\$350	\$1,270	\$1,270	\$1,270	\$1,270	\$1,270	\$1,270	\$1,270
50,001-62,500	\$350	\$1,392	\$1,392	\$1,392	\$1,392	\$1,392	\$1,392	\$1,392

Proposed Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
no GVW	\$280	\$426	\$585	\$585	\$585	\$585	\$585	\$585
5,001-10,000	\$280	\$426	\$585	\$585	\$585	\$585	\$585	\$585
10,001-13,000	\$301	\$542	\$702	\$730	\$745	\$745	\$745	\$745
13,001-22,000	\$318	\$698	\$742	\$771	\$800	\$829	\$873	\$917
22,001-34,000	\$349	\$818	\$818	\$846	\$878	\$910	\$957	\$1,005
34,001-40,000	\$385	\$945	\$945	\$965	\$1,001	\$1,038	\$1,092	\$1,147
40,001-50,000	\$385	\$1,016	\$1,016	\$1,032	\$1,071	\$1,110	\$1,168	\$1,227
50,001-62,500	\$385	\$1,114	\$1,200	\$1,247	\$1,294	\$1,341	\$1,411	\$1,482

% Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
no GVW	-20.00%	-20.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5,001-10,000	-20.00%	-20.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
10,001-13,000	-13.90%	-20.00%	3.70%	7.80%	10.00%	10.00%	10.00%	10.00%
13,001-22,000	-9.00%	-20.00%	-15.00%	-11.70%	-8.30%	-5.00%	0.00%	5.00%
22,001-34,000	-0.20%	-20.00%	-20.00%	-17.30%	-14.20%	-11.10%	-6.40%	-1.70%
34,001-40,000	10.00%	-20.00%	-20.00%	-18.30%	-15.20%	-12.10%	-7.50%	-2.90%
40,001-50,000	10.00%	-20.00%	-20.00%	-18.70%	-15.70%	-12.60%	-8.00%	-3.40%
50,001-62,500	10.00%	-20.00%	-13.80%	-10.40%	-7.10%	-3.70%	1.40%	6.50%

Class A - Heavy Trucks

\$ Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
no GVW	-\$70	-\$106	\$53	\$53	\$53	\$53	\$53	\$53
5,001-10,000	-\$70	-\$106	\$53	\$53	\$53	\$53	\$53	\$53
10,001-13,000	-\$49	-\$135	\$25	\$53	\$68	\$68	\$68	\$68
13,001-22,000	-\$32	-\$175	-\$131	-\$102	-\$73	-\$44	\$0	\$44
22,001-34,000	-\$1	-\$205	-\$205	-\$177	-\$145	-\$113	-\$66	-\$18
34,001-40,000	\$35	-\$236	-\$236	-\$216	-\$180	-\$143	-\$89	-\$34
40,001-50,000	\$35	-\$254	-\$254	-\$238	-\$199	-\$160	-\$102	-\$43
50,001-62,500	\$35	-\$278	-\$192	-\$145	-\$98	-\$51	\$19	\$90

Class A – Power Units

Rate Indication

The rate indication for this class shows that a 5.6 per cent increase is required.

Proposed Changes

The recommendation is to move to rating by model year as well as GVW for these vehicles. The recommendation is a 2.5 per cent increase to the base rate for this class. A relativity analysis was performed on GVW and model year for these vehicles. The rate change for any particular model year/GVW combination was capped at +10 per cent and –20 per cent. The impact of changes to this sub-class would increase premiums by approximately 0.71 per cent or \$69,218 in written premium. The results of the relativity analysis are shown below.

Gross Vehicle Weight:	5,001-10,000	10,001-13,000	13,001-22,000	22,001-34,000	34,001-40,000	40,001-50,000	50,001-62,500
Relativities:	0.0000	0.0000	0.0719	0.2733	1.0402	1.0000	0.7032
Credibility	0.00%	0.00%	12.61%	27.97%	100.00%	100.00%	100.00%
Current Average Relativity	0.3200	0.4266	0.5662	0.6877	0.8318	1.0000	1.1506
Credibility Weighted	0.3200	0.4266	0.5039	0.5718	1.0402	1.0000	0.7032
Selected	0.3200	0.4266	0.5039	0.5718	0.8318	1.0000	1.1000

Model Year:	<=1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
Relativities:	0.0244	1.0252	0.0831	0.6898	1.1830	1.0000	0.0841
Credibility	4.30%	0.00%	9.63%	15.24%	42.33%	100.00%	100.00%
Current Average Relativity	0.2812	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Credibility Weighted	0.2701	1.0000	0.9117	0.9527	1.0775	1.0000	0.0841
Selected	0.2701	0.8661	0.9117	0.9527	0.9764	1.0000	1.0250

The 2005 earned exposures by model year shown below reflect the proposed changes:

Earned Exposures	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-10,000	4		0		1	5	8	1
10,001-13,000				2	0	0	1	0
13,001-22,000	2		13	31	36	53	20	7
22,001-34,000	18	6	20	16	118	145	264	37
34,001-40,000	4	1	54	114	340	1,475	4,606	1,189
40,001-55,000	4	7	85	155	469	2,036	5,017	1,471
55,001-62,500	2	1	17	85	401	1,848	4,478	1,391

Class A – Power Units

The impact on the rates for these vehicles is shown in the following tables.

Current Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-10,000	\$350	\$532	\$532	\$532	\$532	\$532	\$532	\$532
10,001-13,000	\$350	\$726	\$726	\$726	\$726	\$726	\$726	\$726
13,001-22,000	\$350	\$980	\$980	\$980	\$980	\$980	\$980	\$980
22,001-34,000	\$350	\$1,201	\$1,201	\$1,201	\$1,201	\$1,201	\$1,201	\$1,201
34,001-40,000	\$350	\$1,463	\$1,463	\$1,463	\$1,463	\$1,463	\$1,463	\$1,463
40,001-55,000	\$350	\$1,769	\$1,769	\$1,769	\$1,769	\$1,769	\$1,769	\$1,769
55,001-62,500	\$350	\$2,043	\$2,043	\$2,043	\$2,043	\$2,043	\$2,043	\$2,043

Proposed Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-10,000	\$280	\$426	\$502	\$529	\$553	\$566	\$580	\$585
10,001-13,000	\$280	\$581	\$670	\$705	\$737	\$755	\$773	\$793
13,001-22,000	\$280	\$784	\$791	\$833	\$870	\$892	\$914	\$936
22,001-34,000	\$280	\$961	\$961	\$961	\$988	\$1,012	\$1,037	\$1,063
34,001-40,000	\$385	\$1,170	\$1,306	\$1,375	\$1,437	\$1,472	\$1,508	\$1,546
40,001-55,000	\$385	\$1,415	\$1,570	\$1,653	\$1,727	\$1,770	\$1,813	\$1,858
55,001-62,500	\$385	\$1,634	\$1,727	\$1,818	\$1,900	\$1,947	\$1,994	\$2,044

% Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-10,000	-20.00%	-20.00%	-5.60%	-0.60%	3.90%	6.50%	9.00%	10.00%
10,001-13,000	-20.00%	-20.00%	-7.70%	-2.90%	1.50%	4.00%	6.50%	9.20%
13,001-22,000	-20.00%	-20.00%	-19.30%	-15.00%	-11.20%	-9.00%	-6.80%	-4.40%
22,001-34,000	-20.00%	-20.00%	-20.00%	-20.00%	-17.80%	-15.70%	-13.70%	-11.50%
34,001-40,000	10.00%	-20.00%	-10.70%	-6.00%	-1.80%	0.60%	3.10%	5.70%
40,001-55,000	10.00%	-20.00%	-11.20%	-6.60%	-2.40%	0.10%	2.50%	5.00%
55,001-62,500	10.00%	-20.00%	-15.50%	-11.00%	-7.00%	-4.70%	-2.40%	0.10%

\$ Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-10,000	-\$70	-\$106	-\$30	-\$3	\$21	\$34	\$48	\$53
10,001-13,000	-\$70	-\$145	-\$56	-\$21	\$11	\$29	\$47	\$67
13,001-22,000	-\$70	-\$196	-\$189	-\$147	-\$110	-\$88	-\$66	-\$44
22,001-34,000	-\$70	-\$240	-\$240	-\$240	-\$213	-\$189	-\$164	-\$138
34,001-40,000	\$35	-\$293	-\$157	-\$88	-\$26	\$9	\$45	\$83
40,001-55,000	\$35	-\$354	-\$199	-\$116	-\$42	\$1	\$44	\$89
55,001-62,500	\$35	-\$409	-\$316	-\$225	-\$143	-\$96	-\$49	\$1

Class A – \$15,000 Deductible

Rate Indication

There is a \$15,000 deductible option for both heavy trucks and power units. A relativity analysis was performed on the regular deductible and the \$15,000 deductible, which is an option for customers. The results are shown below.

Regular Deductible:	1.0000
\$15,000 Deductible:	0.6188

Proposed Changes

A 38 per cent discount off the regular deductible rates for the \$15,000 deductible option is proposed for both heavy trucks and vans and power units.

Class A – Excess Coverage

Rate Indication

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

Class A - Excess Coverage Claims				
Accident Year	Excess Earned Premiums	Claims Paid & Outstanding Reserves	Loss Ratio	Weight
2001	\$62,313	\$122,689	196.89%	20.00%
2002	\$64,448	\$98,594	152.98%	20.00%
2003	\$78,655	\$46,495	59.11%	20.00%
2004	\$40,126	\$7,503	18.70%	20.00%
2005	\$47,572	\$80,828	169.91%	20.00%
Weighted Ultimate Loss Ratio on Excess Coverage			119.52%	

Proposed Changes

Although the 2005 accident year loss ratio is very high, 2003 and 2004 loss ratios were very good; therefore, no change to the current charge of \$19 per \$1,000 of value is recommended.

Classes C and D – Heavy Trucks and Vans

Rate Indication

The rate indication shows that these vehicles' premiums could sustain a 41.8 per cent decrease overall and remain adequate.

Proposed Changes

The recommendation is to move to rating by engine capacity and model year. A relativity analysis was performed on both GVW and model year. The 1976 model year was grouped with model years 1975 and older when performing the relativity analysis. The base rate of \$547 was reduced by five per cent for a GVW of 5,000 to 20,000, model years 1977-1981. The final premium change was capped at –20 per cent and +10 per cent. The result of these changes is a 9.9 per cent reduction in expected written premium for heavy trucks and vans which is an approximate reduction in 2007 written premium of \$619,885. The results of the relativity analysis are shown below.

Gross Vehicle Weight	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio
5,001-20,000	2,572	\$22,244,120	\$10,505,663	47.23%
20,001-30,000	1,782	\$10,188,353	\$4,193,239	41.16%
30,001-40,000	890	\$2,672,019	\$1,221,456	45.71%
40,001-50,000	499	\$912,618	\$453,701	49.71%
50,001-62,500	182	\$275,998	\$186,742	67.66%

Classes C and D – Heavy Trucks and Vans

Model Year	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
Current	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Calced Rels	0.2006	0.3327	0.3555	0.3527	0.5252	0.6581	1.0000	0.9587
Credibility	34.33%	18.81%	50.51%	0.3527	79.23%	88.78%	105.55%	56.26%
Credibility Wtd	0.7256	0.8745	0.6744	0.6251	0.6238	0.6965	1.0000	0.9767
Smoothed	0.8500	0.8750	0.9000	0.9250	0.9500	0.9750	1.0000	1.0250

Gross Vehicle Weight:	5,001-20,000	20,001-30,000	30,001-40,000	40,001-50,000	50,001-62,500
Current	1.0000	1.4717	1.5539	1.8044	2.1645
Calced Rels	1.0000	1.1566	1.3114	1.4346	2.2201
Credibility	161.77%	83.32%	44.08%	23.84%	16.72%
Credibility Wtd	1.0000	1.2091	1.4470	1.7162	2.1738
Smoothed	1.0000	1.3981	1.4470	1.7162	2.1738

As shown in the above table, the relativities for model year were not as smooth as expected. Intuitively, the rates should go up the newer the model year. Because of this some of the relativities were smoothed.

The results on the premiums are shown in the tables below.

Current Rate	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	\$300	\$547	\$547	\$547	\$547	\$547	\$547	\$547
20,001-30,000	\$300	\$805	\$805	\$805	\$805	\$805	\$805	\$805
30,001-40,000	\$300	\$850	\$850	\$850	\$850	\$850	\$850	\$850
40,001-50,000	\$300	\$987	\$987	\$987	\$987	\$987	\$987	\$987
50,001-62,500	\$300	\$1,184	\$1,184	\$1,184	\$1,184	\$1,184	\$1,184	\$1,184

Proposed Rate	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	\$330	\$455	\$468	\$481	\$494	\$507	\$520	\$533
20,001-30,000	\$330	\$644	\$654	\$672	\$690	\$708	\$727	\$745
30,001-40,000	\$330	\$680	\$680	\$696	\$714	\$733	\$752	\$771
40,001-50,000	\$330	\$790	\$803	\$825	\$847	\$870	\$892	\$914
50,001-62,500	\$330	\$988	\$1,017	\$1,045	\$1,073	\$1,101	\$1,130	\$1,158

% Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	10.00%	-16.88%	-14.50%	-12.13%	-9.75%	-7.38%	-5.00%	-2.63%
20,001-30,000	10.00%	-20.00%	-18.78%	-16.52%	-14.26%	-12.01%	-9.75%	-7.49%
30,001-40,000	10.00%	-20.00%	-20.00%	-18.17%	-15.96%	-13.75%	-11.54%	-9.33%
40,001-50,000	10.00%	-20.00%	-18.68%	-16.42%	-14.16%	-11.90%	-9.64%	-7.38%
50,001-62,500	10.00%	-16.52%	-14.13%	-11.75%	-9.36%	-6.98%	-4.59%	-2.21%

\$ Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	\$30	-\$92	-\$79	-\$66	-\$53	-\$40	-\$27	-\$14
20,001-30,000	\$30	-\$161	-\$151	-\$133	-\$115	-\$97	-\$78	-\$60
30,001-40,000	\$30	-\$170	-\$170	-\$154	-\$136	-\$117	-\$98	-\$79
40,001-50,000	\$30	-\$197	-\$184	-\$162	-\$140	-\$117	-\$95	-\$73
50,001-62,500	\$30	-\$196	-\$167	-\$139	-\$111	-\$83	-\$54	-\$26

Classes C and D – Power Units

Rate Indication

The rate indication shows that these vehicles could sustain a 37.1 per cent decrease overall and remain adequate.

Proposed Changes

The recommendation is to move to rating by GVW and model year. The base rate of \$1,626 for a GVW of 40,001 to 50,000, model years 1992-1996, was decreased by eight per cent. The final premium change was capped at -20 per cent and +10 per cent. A relativity analysis was performed on both GVW and model year. The 1976 model year was grouped with model years 1975 and older when performing the relativity analysis. The result of these changes is a nine per cent decrease in expected written premium for heavy trucks and vans which is an approximate reduction in 2007 written premium of \$504,774. The results of the relativity analysis are shown below.

Gross Vehicle Weight	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio
5,001-20,000	3,888	\$694,184	\$361,306	52.05%
20,001-30,000	1,258	\$1,088,575	\$417,826	38.38%
30,001-35,000	365	\$1,811,838	\$938,904	51.82%
35,001-36,000	11	\$141,149	\$62,647	44.38%
36,001-40,000	796	\$7,335,854	\$4,142,353	56.47%
40,001-50,000	908	\$8,870,528	\$5,614,612	63.30%
50,001-62,500	450	\$4,497,768	\$2,720,383	60.48%

Model Year	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
Current	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Calced Rels	0.2969	0.7351	0.4416	0.6690	0.6004	1.0000	1.1049	1.6931
Credibility	11.38%	5.27%	19.50%	30.45%	55.70%	80.92%	95.28%	43.37%
Credibility Wtd	0.9200	0.9860	0.8911	0.8992	0.7774	1.0000	1.0999	1.3006
Smoothed	0.9500	0.9600	0.9700	0.9800	0.9900	1.0000	1.0250	1.0500

Gross Vehicle Weight:	5,001-20,000	20,001-30,000	30,001-35,000	35,001-36,000	36,001-40,000	40,001-50,000	50,001-62,500
Current	0.3364	0.4951	0.6046	0.7558	0.8954	1.0000	1.1070
Calced Rels	0.3542	0.3324	0.5577	0.5233	0.8736	1.0000	1.0207
Credibility	27.44%	31.59%	41.03%	10.55%	74.78%	83.71%	77.01%
Credibility Wtd	0.3413	0.4437	0.5853	0.7313	0.8791	1.0000	1.0405
Smoothed	0.3413	0.4437	0.5853	0.7313	0.8791	1.0000	1.0405

Classes C and D – Power Units

As with heavy trucks and vans, the model year credibility relativities had to be smoothed. The results on the premiums are shown in the tables below.

Current Rate	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	\$300	\$547	\$547	\$547	\$547	\$547	\$547	\$547
20,001-30,000	\$300	\$805	\$805	\$805	\$805	\$805	\$805	\$805
30,001-35,000	\$300	\$983	\$983	\$983	\$983	\$983	\$983	\$983
35,001-36,000	\$300	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229	\$1,229
36,001-40,000	\$300	\$1,456	\$1,456	\$1,456	\$1,456	\$1,456	\$1,456	\$1,456
40,001-50,000	\$300	\$1,626	\$1,626	\$1,626	\$1,626	\$1,626	\$1,626	\$1,626
50,001-62,500	\$300	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800

Proposed Rate	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	\$330	\$490	\$495	\$500	\$505	\$511	\$523	\$536
20,001-30,000	\$330	\$644	\$644	\$650	\$657	\$664	\$680	\$697
30,001-35,000	\$330	\$841	\$849	\$858	\$867	\$876	\$898	\$919
35,001-36,000	\$330	\$1,050	\$1,061	\$1,072	\$1,083	\$1,094	\$1,121	\$1,149
36,001-40,000	\$330	\$1,262	\$1,276	\$1,289	\$1,302	\$1,315	\$1,348	\$1,381
40,001-50,000	\$330	\$1,436	\$1,451	\$1,466	\$1,481	\$1,496	\$1,533	\$1,571
50,001-62,500	\$330	\$1,494	\$1,510	\$1,525	\$1,541	\$1,557	\$1,595	\$1,634

% Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	10.00%	-10.40%	-9.46%	-8.53%	-7.60%	-6.66%	-4.33%	-2.00%
20,001-30,000	10.00%	-20.00%	-20.00%	-19.20%	-18.37%	-17.55%	-15.49%	-13.43%
30,001-35,000	10.00%	-14.49%	-13.60%	-12.71%	-11.81%	-10.92%	-8.70%	-6.47%
35,001-36,000	10.00%	-14.55%	-13.66%	-12.77%	-11.88%	-10.99%	-8.76%	-6.54%
36,001-40,000	10.00%	-13.29%	-12.39%	-11.48%	-10.58%	-9.68%	-7.42%	-5.16%
40,001-50,000	10.00%	-11.68%	-10.76%	-9.84%	-8.92%	-8.00%	-5.70%	-3.40%
50,001-62,500	10.00%	-16.98%	-16.12%	-15.25%	-14.39%	-13.52%	-11.36%	-9.20%

\$ Change in Premiums	<1976	1976	1977-1981	1982-1986	1987-1991	1992-1996	1997-2001	2002-2006
5,001-20,000	\$30	-\$57	-\$52	-\$47	-\$42	-\$36	-\$24	-\$11
20,001-30,000	\$30	-\$161	-\$161	-\$155	-\$148	-\$141	-\$125	-\$108
30,001-35,000	\$30	-\$142	-\$134	-\$125	-\$116	-\$107	-\$85	-\$64
35,001-36,000	\$30	-\$179	-\$168	-\$157	-\$146	-\$135	-\$108	-\$80
36,001-40,000	\$30	-\$194	-\$180	-\$167	-\$154	-\$141	-\$108	-\$75
40,001-50,000	\$30	-\$190	-\$175	-\$160	-\$145	-\$130	-\$93	-\$55
50,001-62,500	\$30	-\$306	-\$290	-\$275	-\$259	-\$243	-\$205	-\$166

Classes C and D – Excess Coverage

Rate Indication

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

Accident Year	Excess Earned Premiums	Claims Paid & Outstanding Reserves	Loss Ratio	Weight
2001	\$365,487	\$291,084	79.64%	20.00%
2002	\$339,417	\$144,501	42.57%	20.00%
2003	\$331,510	\$75,594	22.80%	20.00%
2004	\$364,348	\$137,102	37.63%	20.00%
2005	\$414,789	\$167,756	40.44%	20.00%
Weighted Ultimate Loss Ratio on Excess Coverage			44.62%	

Proposed Changes

The recommendation is no change to the current charge of \$19 per \$1,000 of value.

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
A - Commercial Vehicles:									
Heavy Truck	-4.2%	-1.3%	\$90	-\$278	\$54	-\$61	416	459	90
Power Unit	5.6%	0.7%	\$89	-\$409	\$45	-\$77	4,051	1,479	0
C & D - Commercial Vehicles:									
Heavy Truck	-41.8%	-9.9%	\$30	-\$197	\$30	-\$69	577	9,195	0
Power Units	-37.1%	-9.0%	\$30	-\$306	\$30	-\$127	48	3,990	0

Class L – Private Vehicle Dealer

Auto dealer plates are defined as plates used by a dealer to move automobiles owned by, or under consignment to, the dealer.

Rate Indication

The rate indication suggests that a 39.3 per cent decrease on this class is warranted.

Proposed Changes

The data was sparse for motorcycle and snowmobile dealers. A 10 per cent reduction in the base rate is recommended, which is expected to decrease 2007 written premium by \$255,698 or 9.9 per cent. A relativity analysis was performed on type of dealer. Due to credibility within the class, no changes to the relativities are proposed as shown in the following table.

Dealer Type	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
Automobile	3,115	\$11,738,605	\$5,523,514	47.05%	1.0000	100.00%	1.0000	1.0000	1.0000
Motorcycle	65	\$91,415	\$95,335	104.29%	0.9415	6.79%	0.4649	0.4973	0.5166
Snowmobile	29	\$24,457	\$0	0.00%	0.0000	0.00%	0.1642	0.1642	0.1642

Class L – Private Vehicle Dealer

This would result in the changes below:

Dealer Type	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
Automobile	3,115	\$798	\$718	-10.03%	-80
Motorcycle	65	\$371	\$371	-0.03%	0
Snowmobile	29	\$131	\$118	-10.03%	-13

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
L - Dealer Plates:	-39.3%	-9.9%	\$0	-\$80	\$0	-\$78	0	3,295	0
Automobile		-10.0%	\$0	-\$80	\$0	-\$80	0	3,220	0
Motorcycle		0.0%	\$0	\$0	\$0	\$0	0	66	0
Snowmobile		-10.0%	\$0	-\$13	\$0	-\$13	0	9	0

Class LT – Trailer Dealer

Trailer dealer plates are defined as plates used by a dealer, manufacturer or trailer mover to transport trailers.

Rate Indication

The rate indication shows that a 37.4 per cent increase is required for these vehicles.

Proposed Changes

Due to limited exposures and credibility within this class, the recommendation is no change to the base rate. A relativity analysis was performed by body type, but no relativity changes are proposed as shown in the table below. These changes will decrease expected 2007 written premium by 0.6 per cent or \$1,409.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
Utility	108	\$59,234	\$132,440	223.59%	0.2280	10.52%	0.1443	0.1531	0.1531
Tent	0	\$138	\$0	0.00%	0.0000	0.00%	0.1443	0.1443	0.1443
Semi	69	\$87,996	\$13,686	15.55%	0.0403	6.79%	0.5616	0.5262	0.5262
Transport	6	\$12,852	\$0	0.00%	0.0000	0.00%	0.5616	0.5616	0.5616
Metal Cabin	71	\$96,599	\$173,163	179.26%	0.7385	18.22%	1.0000	0.9523	1.0000
Fibreglass/ Other Cabin	182	\$286,590	\$601,851	210.00%	1.0000	26.30%	1.0000	1.0000	1.0000

Class LT - Trailer Dealer

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

	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
Utility	108	\$103	\$109	5.83%	\$6
Tent	0	\$103	\$103	0.00%	\$0
Semi	69	\$401	\$376	-6.23%	-\$25
Transport	6	\$401	\$401	0.00%	\$0
Metal Cabin	71	\$714	\$714	0.00%	\$0
Fibreglass/ Other Cabin	182	\$714	\$714	0.00%	\$0

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
LT - Trailer Dealer/Mover:	37.4%	-0.6%	\$6	-\$25	\$6	-\$25	105	82	287
Utility		5.8%	\$6	\$0	\$6	\$0	105	0	0
Tent		0.0%	\$0	\$0	\$0	\$0	0	0	0
Semi		-6.2%	\$0	-\$25	\$0	-\$25	0	82	0
Transport		0.0%	\$0	\$0	\$0	\$0	0	0	6
Metal Cabin		0.0%	\$0	\$0	\$0	\$0	0	0	67
Fibreglass Cabin		0.0%	\$0	\$0	\$0	\$0	0	0	213

LV - Ambulance

Rate Indication

These vehicles are currently charged an insurance premium of \$628. The rate indication suggests that a 6.6 per cent increase is necessary.

Proposed Changes

The recommendation is a five per cent increase to this class's premium, bringing it to \$659. This will have an estimated impact on 2007 written premium of \$10,005.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio
LV Ambulance	229	\$914,396	\$898,299	98.24%

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Ambulance	6.6%	5.0%	\$63	\$0	\$63	\$0	242	0	0

LV – Antique

Antique vehicles are defined as those 30 years or older. Antiques pay a flat \$60 rate, receive physical damage coverage limited to \$800, and are subject to a \$500 deductible.

Rate Indication

The rate indication suggests that antique vehicles require a 17.8 per cent decrease.

Proposed Changes

The recommendation is no change to the premium because of minimal exposures within this class and the current flat premium charge of \$60.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio
LV Antique	7,310	\$1,879,526	\$1,512,228	80.46%

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Antique	-17.8%	0.0%	\$0	\$0	\$0	\$0	0	0	7,611

LV – Bus

There are two types of buses: ordinary use and restricted use. Proposed rates for buses are based on seating capacity.

Bus – Ordinary Use (1.8 per cent increase)

These buses are not used for commercial purposes. For example, a company may use a bus to transport employees from one job site to the next.

Bus - Restricted Use (0.6 per cent reduction)

These buses are used to transport passengers without compensation. For example, a charitable organization may have a bus to transport disabled individuals to different facilities.

Bus – Ordinary Use

Rate Indication

The data for this class is sparse. In 2005 there were 11 damage claims and one non-economic loss claim. A rate indication was performed and shows a required 62.7 per cent increase for this class.

Proposed Changes

Due to minimal claim activity and the resulting low credibility of the data for this class, the only recommended change is an increase to the relativity for seating capacity 16 to 24 based on a simple pure premium relativity analysis performed on seating capacity. The expected impact on 2007 written premium is \$1,487. The results of the relativity analysis and the proposed relativities are shown in the table below.

Seating Capacity	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
15 or Fewer	85	\$73,662	\$48,999	66.52%	0.7806	8.59%	0.7310	0.7353	0.7310
16 to 24	59	\$68,571	\$49,090	71.59%	1.8201	10.95%	0.8655	0.9700	0.9357
25 and More	102	\$160,887	\$148,117	92.06%	1.0000	12.89%	1.0000	1.0000	1.0000

Bus – Ordinary Use

A table outlining the proposed change is below.

Seating Capacity	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
15 or Fewer	85	\$250	\$250	0.00%	\$0
16 to 24	59	\$296	\$320	8.11%	\$24
25 and More	102	\$342	\$342	0.00%	\$0

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Buses	62.7%	1.8%	\$24	\$0	\$24	\$0	62	0	208

Bus - Restricted Use

Rate Indication

The data for this class is sparse. In 2005 there were only four claims. A rate indication was performed and shows a required 1.3 per cent increase for this class.

Proposed Changes

The recommendation is that the base rate remain unchanged, the relativity for a 16 to 24 person capacity vehicle be increased and the relativity for a 25 or more person capacity be decreased. The expected impact on 2007 written premium is a decrease of \$119 or 0.63 per cent.

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

Seating Capacity	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
15 or Fewer	50	\$68,780	\$34,532	50.21%	1.0000	16.64%	1.0000	1.0000	1.0000
16 to 24	8	\$10,859	\$2,684	24.71%	1.3392	4.30%	1.0000	1.0146	1.0126
25 and More	16	\$28,927	\$5,097	17.62%	0.3215	4.30%	1.2017	1.1639	1.1639

The proposed changes to rates for greater than 15 person seating capacities are outlined in the table below.

Seating Capacity	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
15 or Fewer	50	\$238	\$238	0.00%	\$0.00
16 to 24	8	\$238	\$241	1.26%	\$3.00
25 and More	16	\$286	\$277	-3.15%	-\$9.00

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Buses(Restricted)	1.3%	-0.6%	\$3	-\$9	\$3	-\$9	9	16	49

LV – Hearse

These are vehicles used for transporting persons during funeral processions. The proposed rate is based on the make, model and year of vehicle and the premium is capped at \$400.

Rate Indication

These vehicles are currently charged the LV – Passenger Vehicle rate with a cap of \$400. The rate indication shows a 25.4 per cent reduction would be prudent.

Proposed Changes

Because of the limited exposures and credibility within this class and the current capped LV rate, the recommendation is no change in rates.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio
LV Hearse	114	\$209,157	\$111,531	53.32%

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Hearse	-25.4%	0.0%	\$0	\$0	\$0	\$0	0	0	118

LV – Motorhomes

A motorhome is defined as a vehicle designed for personal habitation and equipped with one or more permanently attached beds, together with two or more of the following: refrigerator, stove or washing/toilet facility. The proposed rates for motorhomes are based on value.

Rate Indication

The rate indication shows that the premiums for these vehicles require a 30.6 per cent increase.

Proposed Changes

Using the \$10,000 and less value rate as the base, a 4.5 per cent increase to the base rate is recommended. A pure premium relativity analysis was done on value and changes to the relativities are recommended. The changes result in an overall 5.4 per cent increase in premiums and an estimated increase of \$82,118 to expected 2007 written premium. The relativity analysis results are shown below.

LV – Motorhomes

Value	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
\$10,000 & Less	2,846	\$3,174,530	\$2,006,074	63.19%	1.0000	70.45%	1.0000	1.0000	1.0000
\$10,001-\$20,000	1,026	\$1,562,847	\$1,005,483	64.34%	1.2213	54.25%	1.2627	1.2402	1.2402
\$20,001-\$30,000	412	\$743,962	\$505,984	68.01%	1.6563	39.60%	1.5253	1.5772	1.5772
\$30,001-\$50,000	425	\$774,054	\$599,871	77.50%	2.0471	43.49%	1.6728	1.8356	1.7565
\$50,001-\$75,000	202	\$418,069	\$903,475	216.11%	5.4414	33.41%	1.9862	3.1406	2.0855
\$75,001-\$100,000	136	\$264,181	\$150,238	56.87%	1.9722	28.49%	2.1751	2.1173	2.1173
\$100,001-\$125,000	51	\$122,114	\$58,305	47.75%	2.2363	20.15%	2.7834	2.6732	2.6732
\$125,001-\$150,000	41	\$114,007	\$61,370	53.83%	2.4782	17.71%	2.8756	2.8052	2.8052
\$150,001-\$200,000	59	\$135,938	\$162,458	119.51%	6.0171	20.15%	2.9677	3.5821	3.1161
\$200,001-\$250,000	23	\$59,149	\$43,995	74.38%	3.7822	13.92%	3.0599	3.1604	3.1604
\$250,001-\$300,000	7	\$26,660	\$33,566	125.90%	6.9768	10.52%	3.1521	3.5545	3.3097
\$300,001-\$400,000	13	\$22,373	\$3,898	17.42%	0.9698	6.07%	3.2442	3.1061	3.3924
\$400,001-\$500,000	1	\$4,518	\$10,673	236.23%	15.5472	4.30%	3.3364	3.8609	3.5032
> \$500,000	2	\$2,735	\$0	0.00%	0.0000	0.00%	3.4286	3.4286	3.5908

With the increase in the base rate and the changes to the relativities, the following changes would result.

	2005 Earned Exposures	Current Premium	Proposed Relativities	Proposed Premium	% Change in Premium	\$ Change in Premium
\$10,000 & Less	2,846	\$217	1.0000	\$227	4.6%	\$10
\$10,001-\$20,000	1,026	\$274	1.2402	\$282	2.7%	\$8
\$20,001-\$30,000	412	\$331	1.5772	\$358	8.2%	\$27
\$30,001-\$50,000	425	\$363	1.7565	\$399	9.8%	\$36
\$50,001-\$75,000	202	\$431	2.0855	\$473	9.8%	\$42
\$75,001-\$100,000	136	\$472	2.1173	\$481	1.8%	\$9
\$100,001-\$125,000	51	\$604	2.6732	\$607	0.5%	\$3
\$125,001-\$150,000	41	\$624	2.8052	\$637	2.0%	\$13
\$150,001-\$200,000	59	\$644	3.1161	\$707	9.8%	\$63
\$200,001-\$250,000	23	\$664	3.1604	\$717	8.0%	\$53
\$250,001-\$300,000	7	\$684	3.3097	\$751	9.8%	\$67
\$300,001-\$400,000	13	\$704	3.3924	\$770	9.4%	\$66
\$400,001-\$500,000	1	\$724	3.5032	\$795	9.8%	\$71
> \$500,000	2	\$744	3.5908	\$815	9.6%	\$71

LV – Motorhomes – U-Drive

Rate Indication

Currently these vehicles are surcharged 15 per cent above the motorhome premium.

Proposed Changes

The recommendation is that the surcharge on these vehicles be left at its current level. The data is sparse on this subclass and the rate indication is not credible. A loss ratio analysis was performed and the results are shown below.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding Reserves	2001 - 2005 Loss Ratio
U-Drive	28	\$52,511	\$26,571	50.60%

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
Motorhomes	30.6%	5.4%	\$20	\$0	\$12	\$0	5,362	0	0

Class MT – Snowmobile

A snowmobile is a recreational off-road machine. Snowmobiles receive liability-only coverage through the Auto Fund.

Rate Indication

The rate indication is a 79.7 per cent rate decrease for this class.

Proposed Changes

The recommendation is that the base rate be lowered by 31.3 per cent and that rates for all engine sizes are equal. The proposed rate is flat regardless of engine capacity. A relativity analysis was performed on engine capacity. These changes will decrease expected 2007 written premium by 27 per cent or \$79,747. The relativity analysis and the current and proposed rates are show in the tables below.

Engine Size	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
450 cc and less	774	\$507,673	\$69,805	13.75%	2.1417	0.23%	0.7252	0.7284	1.0000
> 450 cc	3,438	\$2,541,914	\$216,984	8.54%	1.0000	0.73%	1.0000	1.0000	1.0000

Engine Size	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
450 cc and less	774	\$95	\$90	-5.26%	-\$5
> 450 cc	3,438	\$131	\$90	-31.30%	-\$41

Class MT – Snowmobile – U-Drive

Rate Indication

These vehicles are currently surcharged 30 per cent above the snowmobile rates.

Proposed Changes

Due to the small number of exposures, the recommendation is to leave the surcharge at its current level of 30 per cent since even one claim will have a significant impact on loss experience for such a small vehicle class.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
MT U-Drive	7	\$7,507	\$0	0.00%	0.0000	0.00%	1.0000	0.0000	1.0000

	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
MT U-Drive	7	\$139	\$139	0.00%	\$0

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
MT - Snowmobile	-79.7%	-27.3%	\$0	-\$41	\$0	-\$17	0	2,358	0

Public Service Vehicles

Public service vehicles include buses and taxis. For buses, proposed rates are based on model year and seating capacity. They are categorized as follows:

- Class PB (Inter-City Bus) - An inter-city bus is one that provides provincial/interprovincial transportation for the public.
- Class PC (City Transit Bus) - A city transit bus is used for public transportation in major cities such as Regina and Saskatoon.
- Class PS (School Bus) - A school bus is used for transportation of children to and from school.

Class PB – Inter-City Bus

Rate Indication

The rate indication shows a required 21.4 per cent increase for this class.

Proposed Changes

The recommendation is a 10 per cent increase to the base rate, which is the 1999-2004 model year, 25 & greater seating capacity rate. A pure premium relativity analysis was performed on model year and seating capacity, with changes to the relativities between rates. The changes proposed to the base rate and the relativities result in an approximate 6.5 per cent increase in premiums or \$24,047. The results of the relativity analysis and the proposed relativities are in the two tables below.

Class PB – Inter-City Bus

Model Year	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
1981 & Prior	13	\$105,130	\$26,149	24.87%	0.5521	9.11%	0.6452	0.6367	0.6367
1982 - 1986	23	\$161,541	\$49,204	30.46%	0.4232	13.58%	0.7358	0.6934	0.6990
1987 - 1992	67	\$397,711	\$356,975	89.76%	1.3363	24.68%	0.8445	0.9659	0.8656
1993 - 1998	82	\$544,001	\$1,153,332	212.01%	3.0698	37.32%	0.9030	1.7117	0.9256
1999 - 2004	115	\$516,561	\$526,290	101.88%	1.0000	37.69%	1.0000	1.0000	1.0000
2005 - 2008	7	\$12,100	\$8,232	68.04%	1.3901	5.26%	1.0600	1.0774	1.0600

Number of Seats	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
9 & Fewer	113	\$501,461	\$425,269	84.81%	0.5897	35.29%	0.5416	0.5586	0.5416
10 - 15	46	\$217,350	\$267,007	122.85%	1.1474	23.53%	0.5008	0.6529	0.5133
16 - 24	14	\$53,152	\$34,285	64.50%	0.6227	12.52%	0.5539	0.5626	0.5678
25 or More	134	\$965,080	\$1,393,622	144.40%	1.0000	41.98%	1.0000	1.0000	1.0000

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

Current Rates

Year	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 or More Seats
1981 & Prior	\$600	\$550	\$730	\$1,250
1982 - 1986	\$750	\$600	\$780	\$1,451
1987 - 1992	\$875	\$800	\$850	\$1,522
1993 - 1998	\$938	\$850	\$880	\$1,684
1999 - 2004	\$1,000	\$1,000	\$1,000	\$1,784
2005 - 2008	\$1,060	\$1,060	\$1,060	\$1,891

Proposed Rates

Year	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 or More Seats
1981 & Prior	\$660	\$605	\$709	\$1,249
1982 - 1986	\$743	\$660	\$779	\$1,372
1987 - 1992	\$920	\$872	\$935	\$1,674
1993 - 1998	\$984	\$932	\$968	\$1,816
1999 - 2004	\$1,063	\$1,007	\$1,100	\$1,962
2005 - 2008	\$1,126	\$1,068	\$1,166	\$2,080

% Change

Year	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 or More Seats
1981 & Prior	10.00%	10.00%	-2.88%	-0.08%
1982 - 1986	-0.93%	10.00%	-0.13%	-5.44%
1987 - 1992	5.14%	9.00%	10.00%	10.00%
1993 - 1998	4.90%	9.65%	10.00%	7.84%
1999 - 2004	6.30%	0.70%	10.00%	9.98%
2005 - 2008	6.23%	0.75%	10.00%	9.99%

Class PB – Inter-City Bus

\$ Change

Year	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 or More Seats
1981 & Prior	\$60	\$55	-\$21	-\$1
1982 - 1986	-\$7	\$60	-\$1	-\$79
1987 - 1992	\$45	\$72	\$85	\$152
1993 - 1998	\$46	\$82	\$88	\$132
1999 - 2004	\$63	\$7	\$100	\$178
2005 - 2008	\$66	\$8	\$106	\$189

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
PB - Passenger Public Service Bus	21.4%	6.5%	\$189	-\$79	\$92	-\$49	271	28	0

Class PC – City Bus

Rate Indication

The rate indication shows a three per cent rate decrease for this class.

Proposed Changes

The recommendation is a four per cent reduction to the base rate, which is the 1985-1992 model year, 25 & greater seating capacity rate, as well as changes to the relativities between rates. A pure premium relativity analysis was performed on model year and seating capacity. These changes will result in a 2.4 per cent decrease in written premium or an estimated reduction in 2007 of \$10,427. The results of the relativity analysis and the proposed relativities are in the two tables below

Model Year	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
1984 & Prior	76	\$523,647	\$304,611	58.17%	0.9154	32.85%	0.8978	0.9036	0.9036
1985 - 1992	136	\$767,411	\$452,860	59.01%	1.0000	39.72%	1.0000	1.0000	1.0000
1993 - 2000	108	\$553,756	\$547,486	98.87%	1.4839	40.18%	1.1684	1.2952	1.1976
2001 - 2004	106	\$276,279	\$414,672	150.09%	1.9543	28.17%	1.2549	1.4519	1.2863
2005 - 2008	15	\$18,918	\$7,271	38.43%	0.8731	6.07%	1.3295	1.3018	1.3295

Number of Seats	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
9 or Fewer	55	\$156,839	\$384,814	245.36%	1.1987	23.72%	0.3298	0.3870	0.3628
10 - 15	130	\$374,258	\$244,259	65.26%	0.5060	32.43%	0.4586	0.5709	0.5045
16 - 24	22	\$96,568	\$110,610	114.54%	1.1837	15.49%	0.5460	0.8047	0.6005
25 or More	232	\$1,512,347	\$987,217	65.28%	1.0000	56.98%	1.0000	1.0000	1.0000

Class PC – City Bus

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

Current Rates

Model years	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 & More Seats
1984 & Prior	\$365	\$507	\$666	\$1,180
1985 - 1992	\$406	\$607	\$732	\$1,246
1993 - 2000	\$513	\$696	\$798	\$1,462
2001 - 2004	\$543	\$737	\$845	\$1,637
2005 - 2008	\$575	\$781	\$895	\$1,735

Proposed Rates

Model years	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 & More Seats
1984 & Prior	\$392	\$545	\$649	\$1,081
1985 - 1992	\$434	\$603	\$718	\$1,196
1993 - 2000	\$520	\$723	\$860	\$1,432
2001 - 2004	\$558	\$776	\$924	\$1,538
2005 - 2008	\$577	\$802	\$955	\$1,590

% Change

Model years	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 & More Seats
1984 & Prior	7.40%	7.50%	-2.55%	-8.39%
1985 - 1992	6.90%	-0.66%	-1.91%	-4.01%
1993 - 2000	1.36%	3.88%	7.77%	-2.05%
2001 - 2004	2.76%	5.29%	9.35%	-6.05%
2005 - 2008	0.35%	2.69%	6.70%	-8.36%

\$ Change

Model years	9 & Fewer Seats	10 - 15 Seats	16 - 24 Seats	25 & More Seats
1984 & Prior	\$27	\$38	-\$17	-\$99
1985 - 1992	\$28	-\$4	-\$14	-\$50
1993 - 2000	\$7	\$27	\$62	-\$30
2001 - 2004	\$15	\$39	\$79	-\$99
2005 - 2008	\$2	\$21	\$60	-\$145

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
PC - Passenger City Bus	-3.0%	-2.4%	\$79	-\$145	\$31	-\$62	179	260	0

Class PS – School Bus

Rate Indication

The rate indication is for a 43.2 per cent increase for this class.

Proposed Changes

The recommendation is a four per cent increase to the base rate, which is the 1999-2002 model year, 25 & greater seating capacity rate, as well as changes to the relativities between rates. A relativity analysis was performed on model year and number of seats. The increase in rates is limited due to poor loss experience in the base rate category only and the small number of exposures and limited credibility within each model year. These changes will result in a 3.92 per cent increase in written premium or an estimated increase in 2007 of \$27,938. The results of the relativity analysis and proposed relativities are in the tables below.

Model Year	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
1986 & Prior	1,647	\$269,856	\$133,474	49.46%	0.3744	22.53%	0.6128	0.5591	0.5669
1987 - 1990	3,855	\$782,573	\$394,887	50.46%	0.4346	38.78%	0.8405	0.6831	0.7984
1991 - 1994	3,090	\$638,084	\$351,088	55.02%	0.5773	32.29%	0.8405	0.7555	0.7984
1995 - 1998	2,745	\$606,711	\$407,463	67.16%	0.8340	32.14%	0.9222	0.8938	0.8938
1999 - 2002	3,490	\$888,403	\$1,329,846	149.69%	1.0000	45.86%	1.0000	1.0000	1.0000
2003 - 2006	958	\$233,541	\$174,487	74.71%	0.9431	22.11%	1.0000	0.9874	0.9874
2007 - 2010	1	\$139	\$0	0.00%		0.00%	1.0584	1.0584	1.0584

Number of Seats	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
24 Seats or Fewer	2,630	\$615,169	\$358,647	58.30%	0.9043	36.45%	1.0344	1.0156	1.0156
25 Seats or More	12,981	\$2,804,136	\$2,432,597	86.75%	1.0087	73.15%	1.0000	1.0000	1.0000

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

Current Rates		
Model Years	24 Seats or Fewer	25 Seats or More
1986 & Prior	\$140	\$175
1987 - 1990	\$229	\$203
1991 - 1994	\$229	\$203
1995 - 1998	\$257	\$217
1999 - 2002	\$257	\$257
2003 - 2006	\$257	\$257
2007 - 2010	\$272	\$272

Class PB – School Bus

Proposed Rates

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

% Change

Model Years	24 Seats or Fewer	25 Seats or More
1986 & Prior	8.11%	-13.51%
1987 - 1990	-5.45%	5.02%
1991 - 1994	-5.45%	5.02%
1995 - 1998	-5.69%	9.98%
1999 - 2002	5.51%	3.89%
2003 - 2006	4.19%	2.58%
2007 - 2010	5.51%	3.89%

\$ Change

Model Years	24 Seats or Fewer	25 Seats or More
1986 & Prior	\$11	-\$24
1987 - 1990	-\$12	\$10
1991 - 1994	-\$12	\$10
1995 - 1998	-\$15	\$22
1999 - 2002	\$14	\$10
2003 - 2006	\$11	\$7
2007 - 2010	\$15	\$11

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
PS - Passenger School Bus	43.2%	3.9%	\$22	-\$24	\$12	-\$16	2,768	332	0

Class PT – Taxis

A taxi is a vehicle used as a taxi to transport the public for compensation. The rate is based on location of vehicle use, and each location is flat-rated.

Rate Indication

The rates for this class vary by location. The rate indication for this class shows that a 16 per cent increase overall is required.

Proposed Changes

A pure premium relativity analysis was performed based on location. Changes are recommended to the relativities for the locations. The impact of these changes is a 6.48 per cent increase in premium. This will increase 2007 written premium by approximately \$87,719. Analysis of loss experience indicated that all locations required a rate increase as follows:

- Small City – The flat fee will increase by 10 per cent, which is a \$117 increase for all taxis in this location.
- Large City – The flat fee will increase by 9.1 per cent, which is a \$200 increase for all taxis in this location.
- Regina/Saskatoon – The flat fee will increase by five per cent, which is a \$129 increase for all taxis in this location.
- Other Locations – These are taxis that are not included in the previous locations. They receive a surcharge on the base rate. The surcharge of 50 per cent is increasing by five per cent to 55 per cent due to loss experience.

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

Loss Ratio Analysis	Accident Year					Total
	2001	2002	2003	2004	2005	
Location Table						
Small City	65.75%	73.60%	219.94%	77.31%	79.96%	103.17%
Large City	115.48%	69.58%	122.77%	73.51%	100.09%	96.23%
Regina/Saskatoon	114.70%	115.61%	98.51%	62.37%	71.46%	92.34%
Other Locations	365.68%	178.89%	74.75%	136.53%	93.31%	180.50%

Changes recommended to the relativities for the locations are as follows:

Location Table	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
Small City	165	\$852,357	\$929,727	109.08%	0.5489	47.25%	0.4518	0.4977	0.4734
Large City	88	\$949,711	\$968,576	101.99%	0.9213	47.05%	0.8511	0.8841	0.8841
Regina/Saskatoon	307	\$3,916,136	\$3,815,020	97.42%	1.0000	100.00%	1.0000	1.0000	1.0000
Other Locations	121	\$855,196	\$1,616,402	189.01%					

Location Table	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
Small City	165	\$1,168	\$1,285	10.00%	\$117
Large City	88	\$2,200	\$2,400	9.08%	\$200
Regina/Saskatoon	307	\$2,585	\$2,714	5.00%	\$129
Other Locations	121	\$1,172	55% surcharge on LV rate		

Class PT – Taxis

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
PT - Taxis	16.0%	6.5%	\$200	\$0	\$146	\$0	642	0	0
Small City		10.0%	\$117	\$0	\$117	\$0	189	0	0
Large City		9.1%	\$200	\$0	\$200	\$0	100	0	0
Regina/Saskatoon		5.0%	\$129	\$0	\$129	\$0	353	0	0
Other Locations		5.0%	\$210	\$0	\$210	\$0	117	0	0

Class T – Private Trailer

Rate Indication

The rate indication suggests that a decrease of 12.4 per cent is warranted on premiums for this class.

Proposed Changes

The recommendation is the indicated relativities based on a relativity analysis performed on value and body style, capped at a 10 per cent increase. The results of the relativity analysis are shown below.

Value	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
\$1,000 or Less	1,784	\$193,575	\$54,775	28.30%	0.3350	24.30%	0.5000	0.4599	0.5000
\$1,001 to 3,000	4,244	\$878,038	\$439,518	50.06%	1.0000	50.82%	1.0000	1.0000	1.0000
\$3,001 to 5,000	2,790	\$1,029,251	\$822,884	79.95%	2.8014	55.34%	1.7273	2.3217	1.8655
\$5,001 to 10,000	2,768	\$2,061,983	\$2,076,756	100.72%	7.3662	78.68%	3.5682	6.5563	3.8536
\$10,001 to 15,000	2,422	\$2,095,868	\$3,219,316	153.60%	13.0276	88.13%	4.1818	11.9779	4.5164
\$15,001 to 20,000	2,303	\$2,429,141	\$3,262,771	134.32%	12.9826	93.91%	4.8864	12.4895	5.2773
\$20,001 to 25,000	1,362	\$1,729,798	\$1,703,574	98.48%	13.3824	68.39%	6.7273	11.2787	7.2655
\$25,001 to 40,000	2,048	\$2,657,068	\$1,701,875	64.05%	10.8184	73.27%	8.0909	10.0894	8.7382
\$40,001 to 60,000	568	\$725,410	\$491,985	67.82%	13.9645	35.03%	9.0000	10.7389	9.7200
\$60,001 to 80,000	133	\$175,252	\$170,481	97.28%	17.9024	18.22%	9.9091	11.3658	10.7018
\$80,001 to 100,000	13	\$27,170	\$14,618	53.80%	12.3749	8.04%	11.5000	11.5703	11.5703
\$100,001 or More	4	\$12,310	\$16,941	137.62%	46.1301	6.07%	13.0909	15.0979	14.1382

Body Style	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
Tent	1,752	\$462,593	\$239,886	51.86%	0.2135	34.76%	1.0000	0.7266	0.8000
Semi & Transport	2,236	\$391,919	\$101,340	25.86%	0.1797	18.48%	1.0000	0.8485	0.8485
Metal Cabin	11,142	\$8,375,860	\$10,469,774	125.00%	1.0000	100.00%	1.0000	1.0000	1.0000
Fibreglass	5,309	\$4,784,591	\$3,164,495	66.14%	0.8669	100.00%	1.0000	0.8669	0.8669

Class T – Private Trailer

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

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio
Utility	51,710	\$4,898,252	\$983,075	20.10%

The loss ratio is very low for utility trailers so the recommendation is for the premium to remain at \$20. The current and proposed rates are shown below.

Current

	Utility	Tent	Semi & Transport	Metal Cabin	Fibreglass
\$1,000 or Less	\$20	\$22	\$22	\$22	\$22
\$1,001 to 3,000	\$20	\$44	\$44	\$44	\$44
\$3,001 to 5,000	\$20	\$76	\$76	\$76	\$76
\$5,001 to 10,000	\$20	\$157	\$157	\$157	\$157
\$10,001 to 15,000	\$20	\$184	\$184	\$184	\$184
\$15,001 to 20,000	\$20	\$215	\$215	\$215	\$215
\$20,001 to 25,000	\$20	\$296	\$296	\$296	\$296
\$25,001 to 40,000	\$20	\$356	\$356	\$356	\$356
\$40,001 to 60,000	\$20	\$396	\$396	\$396	\$396
\$60,001 to 80,000	\$20	\$436	\$436	\$436	\$436
\$80,001 to 100,000	\$20	\$506	\$506	\$506	\$506
\$100,001 or More	\$20	\$576	\$576	\$576	\$576

Proposed

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

Class T – Private Trailer

% Change

	Utility	Tent	Semi & Transport	Metal Cabin	Fibreglass
\$1,000 or Less	0.00%	-9.09%	-9.09%	0.00%	-9.09%
\$1,001 to 3,000	0.00%	-20.45%	-15.91%	0.00%	-13.64%
\$3,001 to 5,000	0.00%	-13.16%	-7.89%	7.89%	-6.58%
\$5,001 to 10,000	0.00%	-13.38%	-8.28%	8.28%	-6.37%
\$10,001 to 15,000	0.00%	-13.59%	-8.15%	8.15%	-6.52%
\$15,001 to 20,000	0.00%	-13.49%	-8.37%	7.91%	-6.51%
\$20,001 to 25,000	0.00%	-13.51%	-8.45%	8.11%	-6.42%
\$25,001 to 40,000	0.00%	-13.48%	-8.43%	7.87%	-6.46%
\$40,001 to 60,000	0.00%	-13.64%	-8.33%	8.08%	-6.31%
\$60,001 to 80,000	0.00%	-13.53%	-8.26%	8.03%	-6.42%
\$80,001 to 100,000	0.00%	-19.57%	-14.62%	0.59%	-12.85%
\$100,001 or More	0.00%	-13.54%	-8.33%	7.99%	-6.42%

\$ Change

	Utility	Tent	Semi & Transport	Metal Cabin	Fibreglass
\$1,000 or Less	\$0	-\$2	-\$2	\$0	-\$2
\$1,001 to 3,000	\$0	-\$9	-\$7	\$0	-\$6
\$3,001 to 5,000	\$0	-\$10	-\$6	\$6	-\$5
\$5,001 to 10,000	\$0	-\$21	-\$13	\$13	-\$10
\$10,001 to 15,000	\$0	-\$25	-\$15	\$15	-\$12
\$15,001 to 20,000	\$0	-\$29	-\$18	\$17	-\$14
\$20,001 to 25,000	\$0	-\$40	-\$25	\$24	-\$19
\$25,001 to 40,000	\$0	-\$48	-\$30	\$28	-\$23
\$40,001 to 60,000	\$0	-\$54	-\$33	\$32	-\$25
\$60,001 to 80,000	\$0	-\$59	-\$36	\$35	-\$28
\$80,001 to 100,000	\$0	-\$99	-\$74	\$3	-\$65
\$100,001 or More	\$0	-\$78	-\$48	\$46	-\$37

Class T – Private Trailer

For all body styles but utility, the changes will result in an approximate decrease of 0.4 per cent or \$12,589 in 2007 written premium. The 2005 earned exposures by model year are shown below to show the scope of the effect of the proposed changes.

Earned Exposures

	Utility	Tent	Semi & Transport	Metal Cabin	Fibreglass
\$1,000 or Less	51,710	520	276	781	207
\$1,001 to 3,000		596	839	2,233	575
\$3,001 to 5,000		223	484	1,807	276
\$5,001 to 10,000		283	389	1,792	304
\$10,001 to 15,000		106	145	1,694	477
\$15,001 to 20,000		24	55	1,463	761
\$20,001 to 25,000			20	701	641
\$25,001 to 40,000			18	603	1,427
\$40,001 to 60,000			8	53	507
\$60,001 to 80,000			2	14	118
\$80,001 to 100,000					13
\$100,001 or More			1	1	2

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
T - Personal Trailers:	-12.4%	-0.4%	\$46	-\$99	\$26	-\$10	8,116	10,200	56,419
Utility		0.0%	\$0	\$0	\$0	\$0			53,401
Tent		-14.5%	\$0	-\$99	\$0	-\$10		1,827	
Semi & Transport		-9.7%	\$0	-\$74	\$0	-\$9		2,859	
Metal Cabin		7.5%	\$46	\$0	\$19	\$0	8,116		3,018
Fibreglass Cabin		-6.6%	\$0	-\$65	\$0	-\$16		5,514	

Class TS – Commercial Trailer

Rate Indication

The rate indication for this class is for a 30.4 per cent decrease. These trailers are rated by value up to \$15,000 and are then charged \$19 per \$1,000 of value above \$15,000.

Proposed Changes

A five per cent increase to the base rate is proposed, which is the \$2,001 - \$5,000 value rate, and changes to the relativities for those vehicles with values below \$15,000. A relativity analysis was completed for the value bands up to \$15,000 and a loss ratio analysis was done for those trailers with values above \$15,000. The loss experience does not warrant a rate increase for vehicles over \$15,000, particularly for the last three years. Therefore, the recommendation is to leave the charge at \$19 for every \$1,000 over \$15,000 in value. The changes to the relativities for those trailers valued at less than \$15,000 is expected to decrease 2007 written premium by 5.3 per cent or \$171,677. The analysis and results are shown on the next page.

Class TS – Commercial Trailer

Value	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio	Exposure Weighted Relativity	Credibility	Current Relativity	Credibility Weighted Relativity	Selected Relativity
\$2,000 or Less	9,359	\$1,460,493	\$848,885	58.12%	0.2568	58.03%	0.5217	0.3680	0.4513
\$2,001 - 5,000	12,146	\$3,506,289	\$4,193,592	119.60%	1.0000	97.57%	1.0000	1.0000	1.0000
\$5,001 - 7,000	1,993	\$1,003,113	\$374,565	37.34%	0.4915	31.27%	1.5797	1.2394	1.3664
\$7,001 - 10,000	2,308	\$1,621,248	\$681,108	42.01%	0.7785	37.07%	2.2174	1.6839	1.9180
\$10,001 - 12,000	994	\$792,602	\$392,574	49.53%	1.1428	24.49%	2.7391	2.3482	2.3693
\$12,001 - 15,000	3,317	\$8,249,919	\$4,907,138	59.48%	2.6647	77.85%	5.3768	3.2654	4.6509
More Than \$15,000	1,137	\$3,169,700	\$1,454,721	45.89%	3.2908	36.45%			

Value	2005 Earned Exposures	Current Rate	Proposed Rate	% Change in Premium	\$ Change in Premium
\$2,000 or Less	9,359	\$36	\$33	-8.33%	-\$3
\$2,001 - 5,000	12,146	\$69	\$72	4.35%	\$3
\$5,001 - 7,000	1,993	\$109	\$99	-9.17%	-\$10
\$7,001 - 10,000	2,308	\$153	\$139	-9.15%	-\$14
\$10,001 - 12,000	994	\$189	\$172	-8.99%	-\$17
\$12,001 - 15,000	3,317	\$371	\$337	-9.16%	-\$34

The ultimate loss ratios for the past five accident years for those trailers valued at over \$15,000 are shown below.

Accident Year	Ultimate Loss Ratios
2001	63.36%
2002	68.09%
2003	34.70%
2004	42.35%
2005	24.40%
Average	46.58%

Premium and Customer Impact Summary

	Indicated Rate Change	Proposed Rate Change	Maximum \$ Increase	Maximum \$ Decrease	Average \$ Increase	Average \$ Decrease	# of Vehicles Increased	# of Vehicles Decreased	# of Vehicles Unchanged
TS - Commercial Trailers	-30.4%	-5.3%	\$3	-\$34	\$0	-\$12	12,849	17,873	0

Class A – One-Ton Models and Smaller

Rate Indication

The rate indication for this sub-class shows that a 187.4 per cent increase is warranted. Currently these vehicles are based on the LV – private passenger rate table.

Proposed Changes

Exposures and credibility within this class are minimal. A 10 per cent surcharge on the rates for these vehicles is recommended. This would result in an increase in 2007 written premiums of approximately \$39,952.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio
LV Commercial One-Ton and Smaller	271	762,331	1,668,515	218.87%

LV – Police Work

Rate Indication

These vehicles are currently surcharged 50 per cent on the LV - private passenger vehicle premium. The rate indication shows that a 19.4 per cent decrease is warranted.

Proposed Changes

The recommendation is that the surcharge be reduced to 45 per cent. Because of the limited exposures in this vehicle class, the five per cent decrease in the surcharge is expected to reduce 2007 written premium by \$31,558. The premium for these vehicles will also be affected by any change to the LV – private passenger vehicle rates.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio
LV Police	459	\$2,693,406	\$1,575,036	58.48%

LV – U-Drive

U-Drive (Rental Vehicles) - These are vehicles that are rented or leased for a period of 30 days or fewer. The proposed rate is based on make, model and year of vehicle plus an additional surcharge.

Rate Indication

The rate indication shows that this class requires an 18.6 per cent decrease.

Proposed Change

The recommendation is to reduce the current surcharge of 15 to 10 per cent. This would result in an approximate \$262,339 decrease in the expected written premium in 2007. The premium for these vehicles will also be affected by any change to the LV – private passenger vehicle rates, resulting in an overall rate reduction of 9.9 per cent.

	2005 Earned Exposures	2001 - 2005 Earned Premium	2001 - 2005 Claims Paid & Outstanding	Reserves 2001 - 2005 Loss Ratio
LV U-Drive	3,411	\$17,882,309	\$15,246,912	85.26%