

Letter of Transmittal

Regina, Saskatchewan
July, 2017

To Her Honour,
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan

Your Honour,

I am pleased to submit herewith the annual report of the Saskatchewan Auto Fund for the 12-month period ended March 31, 2017, including the financial statements in the form required by the Treasury Board and in accordance with *The Automobile Accident Insurance Act*.

Respectfully submitted,



Joe Hargrave
Minister Responsible for Saskatchewan Government Insurance

Minister's Message

I became Minister Responsible for Saskatchewan Government Insurance (SGI) in August 2016. I've discovered a company that is passionate about providing value to customers and about its role in promoting traffic safety in this province. Its efforts in both areas fit well with the priorities of this government.

In the fall of 2016, the Government of Saskatchewan passed strengthened legislation to combat impaired driving, building on the tough laws implemented in 2014. On January 1, 2017, we introduced vehicle seizures for experienced drivers with a blood alcohol content between .04 - .08 on a first offence; stricter laws for alcohol or drug use by new and young drivers; and, Canada's toughest ignition interlock laws, to reinforce the message that impaired driving is always the wrong decision.

In support of these new laws, SGI invested \$800,000 to fund 32 automated licence plate readers for enforcement vehicles in the Combined Traffic Services Saskatchewan pilot. These devices help police identify high-risk drivers and remove them from our roads.

Steps were also taken to address another key traffic safety concern in Saskatchewan – distracted driving. Expanded cellphone laws will help curb this dangerous behaviour, a leading factor in both collisions overall and those causing fatalities.

A full evaluation of the photo speed enforcement program is underway, but there is no doubt that the second year of the program saw a drop in speeding tickets and fewer collisions in the high risk zones. It is reassuring that drivers appear to be making the choice to slow down.

Once again, the Auto Fund had strong investment earnings in 2016-17, the result of a well-managed, diversified investment portfolio. Its sound financial position allowed SGI to focus on promoting traffic safety, offering affordable insurance and comprehensive injury benefits.

My thanks to the Board of Directors for your oversight this past year. My thanks as well to employees and motor licence issuers for delivering quality services to the people of Saskatchewan.

I am pleased to present the 2016-17 Saskatchewan Auto Fund Annual Report.



Joe Hargrave
Minister Responsible for Saskatchewan Government Insurance

Chair's Message

In 2016-17 the Saskatchewan Auto Fund continued to demonstrate its commitment to caring for customers while also maintaining among the lowest automobile insurance rates in Canada.

Over the past several years, the Auto Fund has helped to implement a number of safety initiatives, including the photo speed enforcement pilot, the Combined Traffic Services Saskatchewan pilot and programs to improve motorcycle safety. It has also run comprehensive education and awareness programming to ensure Saskatchewan people are aware of new laws and enforcement tools, and to keep road safety top of mind for Saskatchewan motorists.

Continuing to focus on the people we serve, in 2016-17 the Auto Fund implemented the government-approved, customer-requested changes to the Safe Driver Recognition program. The changes put the emphasis on safety by increasing discounts for Saskatchewan's safest drivers while handing out steeper penalties for drivers with unsafe behaviours.

Thanks to a well-diversified investment portfolio, leading to strong investment income, the Auto Fund achieved positive financial results in 2016-17.

The Board of Directors experienced significant change in 2016-17, with several departures and new appointees. I am sincerely thankful for the contributions of the outgoing members, David McKeague, Jeff Sterzuk, Rick Kennedy, Rick Orr and Rick Smith. I would also like to welcome our newest members: Mark Borgares, Ngee Cau, Patricia Cook, Pina Melchionna, Ron Waldman and Janice Wallace. I look forward to the expertise and guidance you will provide the Auto Fund in the years to come, building on the efforts of your predecessors.

The Auto Fund has put in another year of hard work that, in return, led to real progress. On behalf of the Board, I extend my gratitude to the motor licence issuers, employees and management who contributed to the Auto Fund's achievements in 2016-17. Thank you for all you do to take care of our customers while working to make our roads and highways safer.



Arlene Wiks
Chair, SGI Board of Directors

President's Message

In 2016-17 the Saskatchewan Auto Fund's commitment to traffic safety helped to save lives, prevent injuries and keep rates for automobile insurance among the lowest in Canada. The Auto Fund continually works towards turning around Saskatchewan's traffic fatality and injury numbers, and 2016-17 was no different. There are still far too many losing their lives or suffering injuries in vehicle collisions, but strengthened traffic safety initiatives give us a solid foundation from which to work to achieve the safest roads in Canada.

A well-diversified and well-managed investment plan led to strong investment earnings of \$173.8 million in the past 12 months, contributing to an increase in the Rate Stabilization Reserve (RSR) of \$188.7 million. This stability is reassuring and good news for Saskatchewan drivers. A stable RSR ensures we are prepared for future claims or downturns in investment markets.

Two years after sweeping legislative changes, bolstered impaired driving laws were introduced in 2016-17. These tougher laws send the message that the province, our partners, law enforcement and the Auto Fund are serious about changing the attitude around impaired driving. Effective January 1, 2017, three-day vehicle seizures apply to experienced drivers charged for the first time with a blood alcohol content between .04 and .08. Stronger zero tolerance laws for drugs and alcohol apply to all new drivers and drivers 21 and under. Saskatchewan's ignition interlock laws are now the toughest in Canada. Bringing down the number of impaired driving collisions is going to take time. But now, more than ever – with effective laws and increased awareness and education efforts – we are in position to help make Saskatchewan's roads the safest in Canada.

Along with changes to impaired driving, distracted driving legislation was also strengthened. Its expansion from "using" a cellphone while driving to "holding, viewing, using or manipulating" a cellphone when driving means people need to get serious about putting the phone down while behind the wheel or else face fines, demerits and even vehicle seizures for repeat offences. We are confident this change will help in the fight against distracted driving, a top factor in Saskatchewan's overall collisions, as well as in fatal collisions.

As we look ahead to cannabis legalization in 2018, we are studying the proposed federal impaired driving laws and preparing for the impact on traffic safety and impaired driving here in Saskatchewan. We are taking a proactive approach, funding increased training for drug recognition evaluators and standard field sobriety testing. Our role on the provincial task force, along with representatives from several government ministries, demonstrates the province's commitment to ensure Saskatchewan roads are safe.

The second year of the photo speed enforcement pilot program, though not fully evaluated, shows drivers are choosing to slow down in photo enforced speed zones (high speed corridors and select school zones in the province). Fewer speeders reduce collisions, resulting in fewer injuries and fatalities in the province. In 2015 there were 31 fewer crashes in photo speed enforced zones than the five-year average of 97 from 2010-2014. For the first time over the course of the pilot, in January 2017 less than 1% of vehicles driving in these zones were in violation of the speed limit. This success is a step in the right, and safer, direction.

Responding to feedback from customers, the Auto Fund rolled out changes to the Safe Driver Recognition program in 2016. Saskatchewan's safest drivers can now work towards a 25% discount on their insurance premium. For those with high risk driving behaviours, financial penalties are doubled, an incentive for people to change their habits.

At the core of the Auto Fund's mandate is customer care. In recent years, we've reached out to customers to learn more about what they need from us. In 2016-17 we undertook a number of actions to deliver on these requests. Our partnerships with autobody repair shops to handle vehicle appraisals gave customers choice and convenience that reduced the duration of their vehicle repair. We also implemented changes to the auto injury program, resulting from the review in 2016, better meeting the needs of people injured in collisions and helping to keep coverage affordable.

The new fee and safety incentive for new motorcyclists is another example of the Auto Fund responding to customer needs and requests. The change encourages new riders – who are more likely to be involved in collisions – to take a motorcycle training course. This change, along with other improvements made to motorcycle safety in 2014 and 2015, are contributing to a downward trend in the number of motorcycle collisions in the province.

There are always challenges in our day-to-day work, but our staff work to give top priority to customers. In July 2016 our Estevan Claims Centre handled thousands of flood claims, despite the centre itself being underwater, sustaining considerable damages. Keeping customers top of mind, employees worked around the clock to move to a temporary location. It's gratifying to see our customer experience scores going up, indicating customers are noticing differences as we adapt processes and work to better coordinate services for the people of the province.

Storm claim losses totalled \$26.7 million in 2016-17, primarily due to a July hailstorm in Moose Jaw and surrounding area. Overall, Auto Fund claim costs year-over-year were up, because of an increase in the number of damage claims and the increased severity of those claims – vehicle repairs are getting more complex. Claim costs were the primary driver behind the Auto Fund's underwriting loss of \$53.5 million.

Overall, the Auto Fund made solid progress in 2016-17, and had a very positive financial year. I thank our employees, motor licence issuers, management and Board of Directors for a year of good progress.



Andrew R. Cartmell
President and Chief Executive Officer
Saskatchewan Government Insurance
As Administrator of the Saskatchewan Auto Fund