



Public Auto Insurance in Quebec A presentation on SAAQ

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Overview

- Implementation of no fault in Québec's auto insurance
- SAAQ: a quick history
- SAAQ: now
- Rate approval process
- Premium structure
- Challenges

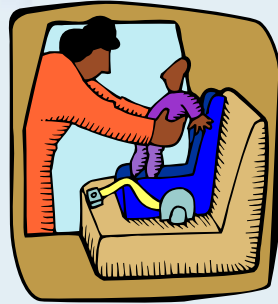


1978 implementation of no fault

Before 1978, in the province of Québec: tort law for property damage (PD) and bodily injury (BI)

- **28% of victims were not compensated;**
- **Payment delay : 2 to 10 years;**
- **High legal fees;**
- **Rising premiums.**

1978 implementation of no fault



SAAQ

- no fault for Bodily injuries (BI)
- Compulsory coverage
- Benefits defined by law
 - Salary replacement
 - Death benefits
 - Rehabilitation
 - Health costs
 - ...



Private insurers

- Tort system for collision and Property damage
- Minimum compulsory coverage

SAAQ - a quick history 1978-2004



- Premiums needed to be approved by government
- Funds for investment managed by "*Caisse de dépôt et placements du Québec*" according to SAAQ's governance



SAAQ - a quick history

- 1978-2000
- Surplus accumulation:
 - 25% decrease in # accidents
 - returns above expectations
 - ⇒ premiums kept at 1980's levels
 - ⇒ gvt took 2 billion \$
 - ⇒ subsidy from insurance to vehicle registration activities



SAAQ - a quick history

- 2001-2004
- Surplus melts down:
 - increase in # accidents
 - 2 bad investment years
- ⇒ annual operational losses of 500 million \$
- ⇒ surplus disappeared
- ⇒ first underfunding position in 2004

SAAQ - now 2004: creation of trust



- SAAQ has the authority to set premiums in order to cover 100% of insurance costs by 2015
- maximum 15 years to recover any unfunded liability
- 2008: 1st rate increase in 20 years.

SAAQ - now Statement of income

1.1 billion \$

**cost of
2007
accidents**

- 30 000 victims compensated

0.9 billion \$

premiums

- 4.9 million drivers
- 5.5 million vehicles

**annual deficit
of 0.2 billion \$**

**net combined
stop loss = 68%**

 **gain realized on previous
years business**





SAAQ - now

Assets/liabilities

As of dec 31st 2007: (billion \$)

● **Assets:** **8,2**

● **Liabilities:**

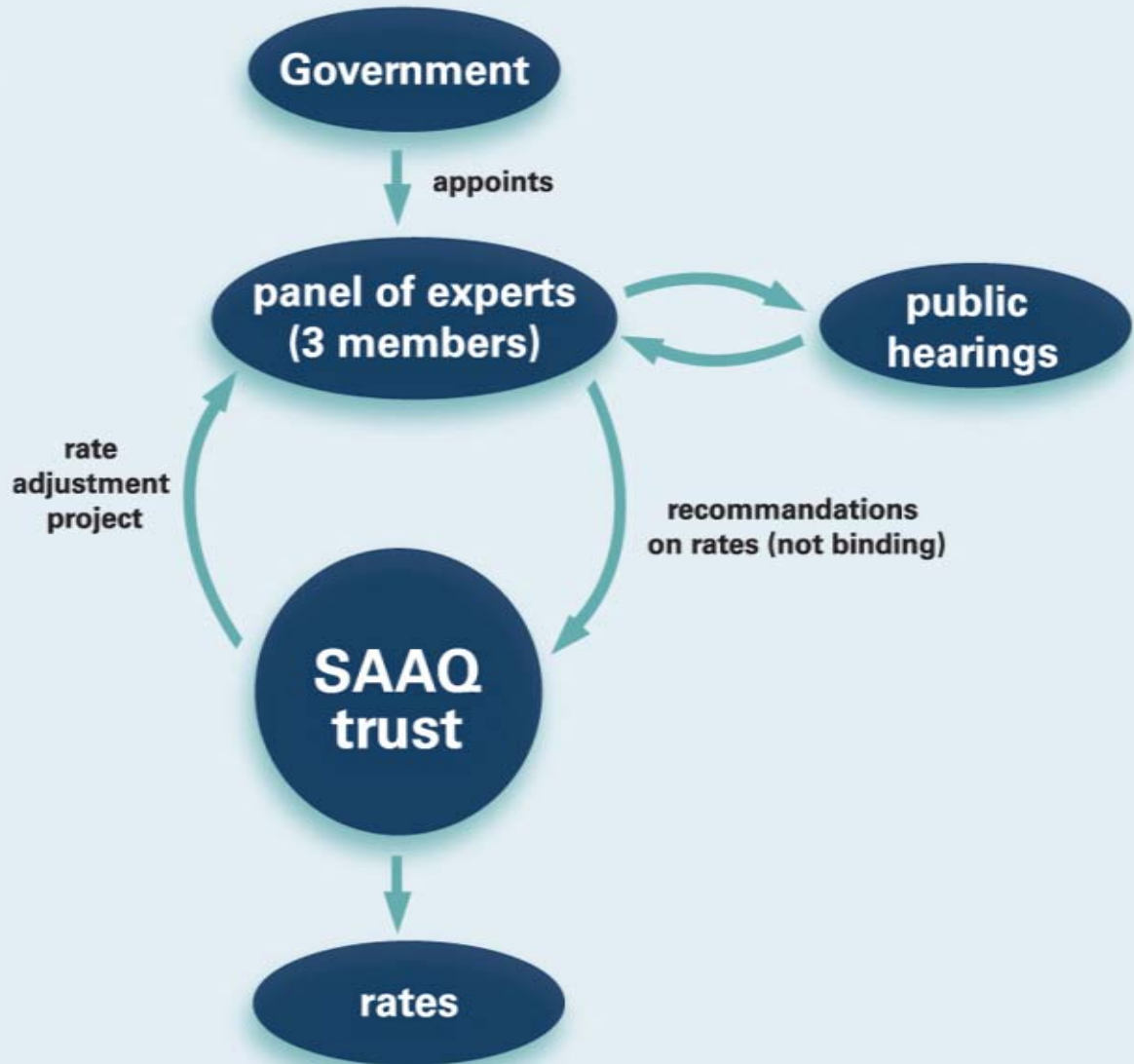
actuarial liabilities: **8,1**

other: **0,4**

total **8,5**

Unfunded liabilities: **0,3**

SAAQ - now Rate approval process



Premium structure - vehicles

vehicles	rating classes	rating subclasses	number of vehicles (000)	insurance premiums	
				2007	2010
private passenger	S/O		4 000	107 \$	114 \$
motorcycles	sport	401cc and over	16	253 \$	1 253 \$
		other			
		Less than 50cc	1	74 \$	181 \$
		51cc - 125cc	2	120 \$	181 \$
		126cc - 400cc	7	189 \$	302 \$
		401cc and over	116	253 \$	534 \$
	total		140		
others	commercial passenger		453	123 \$	162 \$
	trucks	2 axles	49	147 \$	179 \$
		3-4 axles	25	207 \$	262 \$
		5 or more axles	39	349 \$	527 \$
	public buses	10 001 kg and over	4	528 \$	1 448 \$
	private buses	3 001 - 8 000 kg	10	183 \$	255 \$
	taxis		9	337 \$	676 \$
	others		174		
total		764			

Premium structure - drivers

driving classes	demerit points	Insurance premiums	
		2007	2010
private passenger vehicle	0	23 \$	60 \$
	1 to 3	23 \$	91 \$
	4 to 6	46 \$	132 \$
	7	46 \$	171 \$
	8 to 9	80 \$	171 \$
	10 to 11	80 \$	230 \$
	12 to 14	131 \$	230 \$
	15+	183 \$	345 \$
private passenger vehicle and motorcycles	0	23 \$	121 \$
	1 to 3	23 \$	151 \$
	4 to 6	46 \$	193 \$
	7	46 \$	231 \$
	8 to 9	80 \$	231 \$
	10 to 11	80 \$	290 \$
	12 to 14	131 \$	290 \$
	15+	183 \$	406 \$



Challenges - rating

- **Actual rating structure is simple (result of vehicle registration needs)**
 - **Target is on better recognition of risks**
 - **Implementation of experience rating/fleet factor?**
- **Data collection systems are old**
 - **Money/time consuming to implement changes**



Challenges - funding policy

- Currently being designed
- Legal obligation to aim at full funding
- Goal: automatically finance /refund/ any rate deficiency /surplus/ by adjusting future premiums
- Trade off between:
 - Rate stability
 - Financial health of Fund
 - Fairness amongst insured



Challenges - enterprise risk mgt

- With “market value” financial statements, the need for info on risk will grow
- Financial risks: models have to be built
- What about operating/legal/political risks?
- Risks aspects should be considered in all decision making process
 - Organization culture to implement
 - education