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The Board finds the Corporation's approach, in excluding the expected return on investment assets supporting Basic Total Equity, to be inconsistent with the break-even objective that has been a foundation of Basic rate-setting. The Corporation estimated that including this source of revenue in estimating the Basic overall rate indication reduces its estimate of the Basic overall rate indication from a 2.7% increase to a 1.6% increase, a decline of 1.1 percentage points, based on an assumed Basic capital level in line with the Application's financial forecast.

While the Board does consider this approach to be inconsistent with the break-even objective, the Board appreciates the need to protect Basic's capital position against depletion due to the natural growth in Basic's risk profile, i.e., the expectation for Basic claim liabilities (and investment portfolio) to grow over time since the addition of new claims is expected to outpace the settlement and closing of old claims. The Board believes a properly constituted Capital Maintenance Provision, loosely based on that developed by Saskatchewan Auto Fund, can legitimately be considered as a necessary Basic expense cash flow for rate-setting purposes while remaining consistent with the break-even objective.

Since the estimation of a Capital Maintenance Provision was not a focus of these proceedings and has not been fully considered by the Corporation, the Board believes it is premature to base its decision on inclusion of a Capital Maintenance Provision. Accordingly, and for this Application only, the Board accepts the Corporation's approach to estimating the Basic overall rate indication, excluding consideration of the expected return on investment assets supporting Basic Total Equity, which the Board considers to conceptually overlap with the Capital Maintenance Provision, as evidenced by the Corporation's early estimates of the longer term Capital Maintenance Provisions.

The Board therefore approves a Basic overall rate indication of a 2.6% rate increase as estimated above, reflecting adjustment of the Corporation's estimate to reflect the September 30, 2017 50/50 forecast for interest rates and use of an estimated new money rate for cash flow discounting purposes.