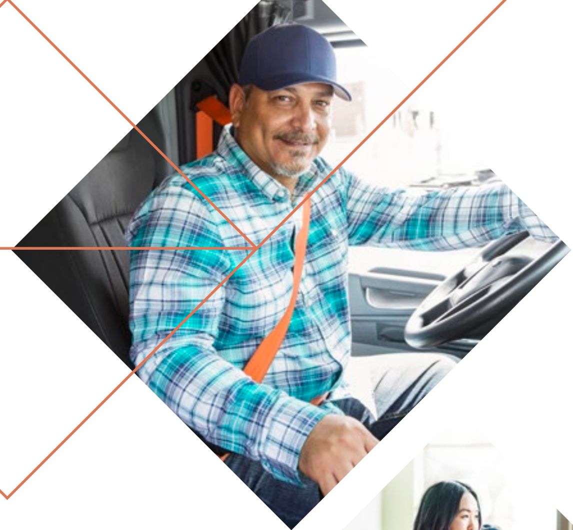


2020-21 SGI CANADA

ANNUAL REPORT

sgicanada.ca

Vision

Transforming the insurance experience to promote peace of mind and safer communities.

Mission

Auto Fund

We are Saskatchewan's insurance company: providing exceptional value and traffic safety leadership.

SGI CANADA

We deliver profit and growth through exceptional customer and partner experiences.

Values

Integrity: We do the right thing by being accountable, honest, trustworthy and fair.

Caring: We make an impact through empathy, respect and staying true to our roots.

Innovation: We transform our business through creativity, collaboration and continuous improvement.

Passion: We are energized, engaged and inspired in the work we do.

About SGI CANADA

SGI offers competitive property and casualty insurance products under the trade name SGI CANADA in Saskatchewan, Alberta, Manitoba and British Columbia, and under SGI CANADA and Coachman Insurance Company in Ontario. Operations outside Saskatchewan are held by the subsidiary company, SGI CANADA Insurance Services Ltd.

Visit www.sgicanada.ca for more information.

2020-21 SGI CANADA Annual Report

Contents

Letter of Transmittal

Regina, July 2021

To His Honour
The Honourable Russ Mirasty, S.O.M., M.S.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Dear Sir:

I have the honour to submit herewith the Annual Report of SGI CANADA for the fiscal year ending March 31, 2021, in accordance with *The Saskatchewan Government Insurance Act*.

The Financial Statements included in this annual report are in the form approved by Crown Investments Corporation of Saskatchewan as required by *The Financial Administration Act, 1993* and have been reported on by the auditors.

Respectfully submitted,

Don Morgan

Honourable Don Morgan, Q.C.
Minister Responsible for
Saskatchewan Government Insurance

President’s and Chair’s Message

SGI CANADA remained resilient throughout the 2020-21 fiscal year despite turmoil in the global economy due to the COVID-19 pandemic, realizing robust underwriting profits and investment returns that resulted in a net income of $172 million, and a dividend of $87 million returned to the people of Saskatchewan.

The pandemic had wide-ranging impacts on people and industries across the globe, and the insurance sector was no exception. At SGI CANADA, the safety and security of our customers, employees and partners was our first priority, as provinces across the country declared states of emergency, and lockdowns and restrictions came into effect. We quickly implemented a stream of initiatives designed to provide support, options and flexibility for customers, staff and brokers in B.C., Alberta, Saskatchewan, Manitoba, and Ontario.

Through the first four months of the pandemic, customers’ policies were not cancelled for non-payment, under our Declaration of Emergency endorsement. We offered multiple, flexible payment options, removed NSF fees, made coverage amendments to relax requirements for both personal and commercial customers, and extended time limits to complete repairs on claims. In Ontario, we also offered a five per cent COVID-relief rate reduction for standard auto insurance.

We were able to successfully transition 92 per cent of our employees to work from home in a matter of weeks after the first lockdowns were implemented at the start of the pandemic, and we’ve provided work-from-home arrangements for staff in response to climbing infection rates in regions across the country.

Despite the challenges, SGI CANADA’s financial performance was solid through 2020-21. Strong returns in all provinces in which we operate provided a total underwriting profit of $71 million, and a combined ratio (claims losses and expenses, divided by earned premiums) of 93 per cent.

This past year demonstrated how our focus on geographic diversification – growth outside of Saskatchewan and spreading risk across five provinces – has long-term strategic benefits. For instance, within the province, a fierce January windstorm and other major weather events resulted in $64 million in claims costs, which meant lower-than-average profits in Saskatchewan. At the same time, with fewer vehicles on the roads due to the pandemic, we saw a marked decrease in collision claims costs in Alberta and Ontario, and this was one of the factors that caused profits to rise in those provinces. In 2020-21, SGI CANADA saw overall premium growth of 7 per cent, with 42 per cent of all premium currently being written outside of Saskatchewan. Across Canada, total premium grew to $1.1 billion.

In terms of our market segments, both personal property and auto lines of business have been profitable across the country in 2020-21. Although challenging market conditions persisted in commercial lines, our appetite and capacity for this business remained consistent. We also had a challenging year with our farm book of business, with claims losses driven by a hot and dry harvest season, leading to higher-than-average large machinery fires, storm events damaging farm property, and some large losses. However, this remains an important segment for SGI CANADA, and we’re committed to improving our products and processes, and continuing to serve these customers with a long-term view on profitability.

In terms of investment income, we started off the fiscal year at the bottom of a market downturn, but recovered steadily since. By the end of March 2021, SGI CANADA had investment earnings of $129 million.

SGI CANADA worked with insurance brokers to develop new technology throughout 2020-21, to provide faster, better service to customers. We were proud to launch a new commercial portal in December 2020 that was enthusiastically adopted by our broker partners across Canada. The portal provides fast quotes, instant pricing, and binding of policies for small business customers – improving their customer experience at the brokerage level. We continued to bring brokers on board to exchange data with us in real-time using their broker management systems to quote, submit and issue SGI CANADA policies. This is a fast and efficient way for brokers to serve customers. Our strategy for continued growth includes a long-term plan to modernize our IT infrastructure and service offerings. As always, the customer experience is driving our decision making.

Improving how our 980,000 customers felt about their experience with SGI CANADA was more important than ever this past year, and nowhere is that experience more evident than when a customer has a claim. We carefully track how customers feel about their claims experience through a digital feedback platform, and over the past fiscal year, we saw improvements across the board in every category – including an overall 3 per cent improvement in the emotion score (how the customer felt about their interaction with SGI CANADA), moving from 68 per cent to 71 per cent. This is significant, considering the negative impacts COVID-19 had on people's daily lives. In addition, our annual overall customer survey, which measures effectiveness, ease, and emotion, showed results holding steady at 71 per cent – higher than the industry average.

Finally, we acknowledge our broker partners, who've worked tirelessly to serve customers in a very difficult year. SGI CANADA partners with 360 brokers in more than 1,500 locations across the country. The relationship between SGI CANADA and the brokers who exclusively distribute our products is extremely important to us. We work hard to make sure we're meeting or exceeding their needs. In 2020 and 2021, SGI CANADA was rated as a Five-Star Carrier in multiple categories by brokers in Insurance Business Canada Magazine's annual survey. Our own 2020 annual broker survey revealed an 18 per cent increase in broker satisfaction from 2019 – an across-the-board improvement in every service driver we measure. This is significant and a credit to our staff across all divisions, who've been working to take care of brokers, and help them take care of customers, in these unprecedented times.

We sincerely thank our partners, staff, customers and Board of Directors, and encourage everyone to continue to take care out there.

Andrew R. Cartmell
President and Chief Executive Officer
Saskatchewan Government Insurance

Arlene Wiks
Chair, SGI Board of Directors

Management’s Discussion and Analysis

The following management’s discussion and analysis (MD&A) is the responsibility of management and reflects events known to management to May 26, 2021. The Board of Directors carries out its responsibility for review of this disclosure principally through its Audit, Finance and Conduct Review Committee, comprised exclusively of independent directors. The Audit, Finance and Conduct Review Committee’s mandate can be found on the Corporation’s website at www.sgi.sk.ca. The Board of Directors approved this MD&A at its meeting on May 27, 2021, after a recommendation to approve was put forth by the Audit, Finance and Conduct Review Committee.

Overview

The MD&A is structured to provide users of SGI CANADA’s financial statements with insight into SGI CANADA (denoted as the “Corporation”) and the industry in which it operates. This section contains discussion on its strategies and its capability to execute the strategies, key performance drivers, financial capital, March 31, 2021 financial results, risk management and an outlook for 2021-22. Information contained in the MD&A should be read in conjunction with the consolidated financial statements and the notes to the consolidated financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars. SGI CANADA’s annual and quarterly reports are available on its website at www.sgicanada.ca.

Caution Regarding Forward-Looking Statements

Forward-looking statements include, among others, statements regarding the Corporation’s objectives, strategies and capabilities to achieve them. Forward-looking statements are based on estimates and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Corporation deems that the assumptions built into the forward-looking statements are plausible. However, all factors should be considered carefully when making decisions with respect to the Corporation. Undue reliance should not be placed on the Corporation’s forward-looking statements, which only apply as of the date of this MD&A document. The Corporation does not undertake to update any forward-looking statements that may be made from time to time by or on its behalf.

The SGI CANADA Story

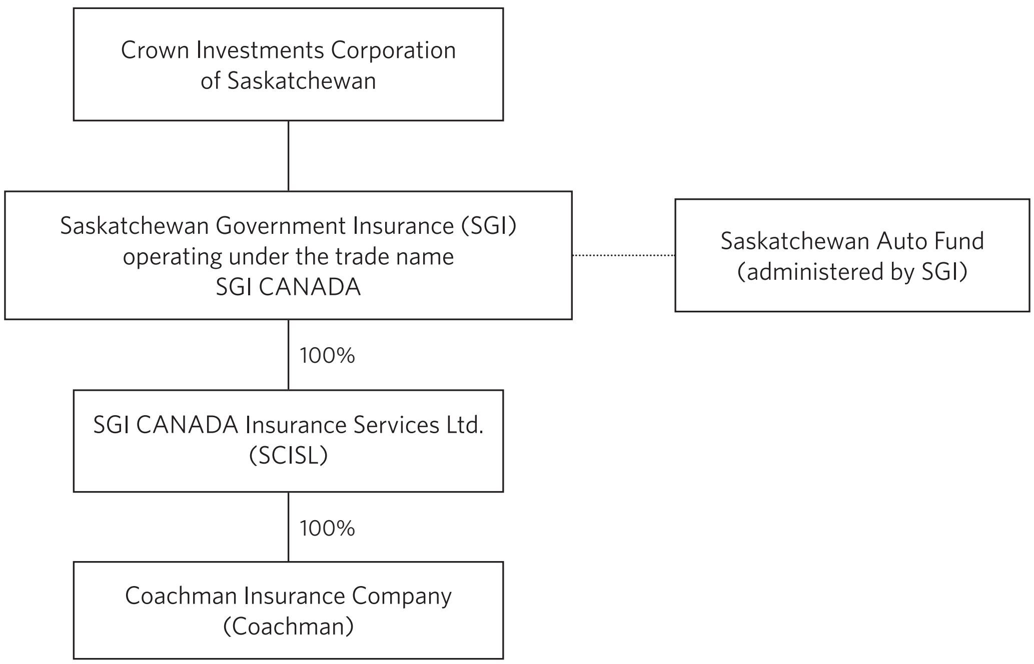
In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. It was created to rectify problems in the Saskatchewan insurance industry. At that time, poor economic conditions had driven many insurers out of the province.

The Corporation’s mandate, since its inception, has been to provide comprehensive, affordable insurance protection to the people of Saskatchewan. In 1980, legislative changes to *The Saskatchewan Government Insurance Act, 1980*, and *The Automobile Accident Insurance Act* distinguished between the compulsory vehicle insurance program for the province (the Saskatchewan Auto Fund) and the competitive insurer offering additional property and casualty products (SGI).

SGI CANADA is the trade name that the Corporation operates under to provide competitive property and casualty (P&C) insurance products in Saskatchewan. P&C product offerings include policies for automobiles, homes, farms and commercial enterprises. In addition, SGI CANADA, through its subsidiary SGI CANADA Insurance Services Ltd. (SCISL), offers similar products in four other provinces across Canada (BC, Alberta, Manitoba and Ontario).

The operations in provinces outside Saskatchewan are important to the Corporation to spread risk and increase economic returns for the Corporation's shareholder, Crown Investments Corporation of Saskatchewan (CIC). In1993, SCISL began offering P&C insurance in Manitoba. In 2001, SCISL purchased 100% of the shares of Coachman Insurance Company (Coachman) operating in Ontario. SCISL has been operating in Alberta since 2006 and began writing commercial property products in British Columbia in July 2015 and personal property in January 2016. SCISL entered the Ontario market in July 2017, offering personal property, personal auto and commercial property products.

The Corporation is a provincial Crown corporation, wholly owned by CIC. The following organizational chart illustrates the Corporation's ownership structure:



As a provincial Crown corporation, SGI CANADA is not subject to federal or provincial income taxes. Its subsidiaries are not provincial Crown corporations, thus they are subject to federal and provincial income taxes. The consolidated financial results of the Corporation are included in CIC's consolidated financial statements.

The Corporation employs more than 2,000 people in Saskatchewan and approximately 175 people outside the province, including employees who work directly for the Saskatchewan Auto Fund (Auto Fund). The Corporation operates with a network of 158 independent brokers throughout Saskatchewan, as well as 202 brokers operating in Manitoba, Alberta, British Columbia and Ontario. The Corporation's head office is located in Regina, Saskatchewan.

The Property and Casualty Insurance Business Environment

Canada's highly-competitive P&C industry consists of more than 130 private and government-owned insurers. The P&C industry covers all types of insurance except life and health insurance. The automobile insurance sector continues to be the largest contributor to gross premium volume, with half of all premiums. Property insurance ranks second, followed by liability and other insurance.

Insurance is a mechanism for spreading risk – for sharing the losses of the few among the many. It makes the life of an individual or business enterprise more stable by allowing people and businesses to engage in many ventures without having to set aside reserves to meet the financial requirements that may arise from certain types of losses. Insurance also facilitates the granting of credit by protecting the investments of both lenders and borrowers.

Insurance can be considered a large pool into which policyholders place their premiums. This pool provides for payment of losses suffered by those who have claims and for the cost of running the insurance company. Sometimes, total premiums are insufficient to pay claims and operating expenses. However, insurers also use investment earnings to pay claims and keep premiums lower than they might otherwise be.

P&C insurance companies are supervised and regulated at both the federal and provincial levels. The federal regulator, the Office of the Superintendent of Financial Institutions (OSFI), is responsible for the solvency and stability of P&C insurance companies registered federally. Provincial authorities supervise the terms and conditions of insurance contracts and licensing of companies, agents, brokers and adjusters, along with monitoring the solvency and stability of provincially registered companies. The Corporation's subsidiaries are provincially regulated insurance companies.

Since automobile insurance is compulsory in Canada – unlike home and business insurance – it is the most regulated product for P&C companies. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario, which represent approximately 18.1% of consolidated gross premiums written.

The industry is a major part of the social and economic fabric of Canada. P&C insurers invest in a variety of securities across global markets. Government regulations are in place for the P&C industry that require these investments to be made using a prudent person's viewpoint.

The P&C industry also utilizes reinsurance. Reinsurers, most of which are international organizations, spread risk by writing business with insurers in several countries and in many regions around the world. Insurance companies pay premiums to reinsurers in exchange for an agreement to have a proportion of their claims paid for them, particularly in the event of a major loss or catastrophe. Reinsurance is one of many tools used by insurers to guarantee that they will meet every obligation to pay legitimate claims.

The Property and Casualty Insurance Compensation Corporation (PACICC), a non-profit entity, was formed in 1988 to provide a reasonable level of recovery for policyholders and claimants under most policies issued by P&C companies in Canada in the unlikely event a Canadian P&C company fails. The maximum amount a policyholder could recover from PACICC is $400,000 for auto and commercial policies and $500,000 for home policies with respect to all claims arising from each policy issued by the insolvent insurer and arising from a single occurrence. Policyholders may also claim 70% of unearned premiums that have been paid in advance, to a maximum of $1,750 per policy.

Membership in PACICC is compulsory for most P&C insurers in Canada. At present, SGI CANADA, SCISL and Coachman are members of PACICC. Members have contributed funds to PACICC so there is money available to pay claims immediately in the event of an insolvency occurring in the industry. Member insurers provide additional funds, as required, to maintain PACICC. For more information on PACICC, visit www.pacicc.com.

Strategic Direction

SGI CANADA's vision, mission and values are:

Vision

Transforming the insurance experience to promote peace of mind and safer communities.

Mission

We deliver profit and growth through exceptional customer and partner experiences.

Values

Integrity	We do the right thing by being accountable, honest, trustworthy and fair.
Caring	We make an impact through empathy, respect and staying true to our roots.
Innovation	We transform our business through creativity, collaboration and continuous improvement.
Passion	We are energized, engaged and inspired in the work we do.

Corporate Goals and Measures

Corporate transformation is at the heart of SGI CANADA's current strategy. As SGI CANADA navigated its transformation journey throughout 2020-21, it focused on:

- improving profitability and growth;
- maintaining a positive customer experience;
- improving long-term efficiency;
- maintaining broker satisfaction; and,
- improving change management and leadership effectiveness.

The Corporation uses a balanced scorecard approach to monitor performance towards these corporate goals and provide a balanced evaluation of key financial and operational results. The Corporation's balanced scorecard uses four perspectives: financial, customer, internal processes and organizational capacity. The balanced scorecard is reviewed annually to ensure continued alignment with the Corporation's objectives.

Financial

The Corporation measures financial results in terms of profitability, growth and capital adequacy:

Measure	2020-21 Target	2020-21 Result	2021-22 Target
Profitability and growth			
Combined ratio	94.6%	● 92.7%	97.4%
Pre-tax return on equity	20.8%	● 43.1%	13.6%
Direct premium written	$1,046M	● $1,069M	$1,128M
Minimum Capital Test	242%	● 242%	242%

Legend: ● achieved ○ not achieved

Profitability and growth

SGI CANADA operates to provide a return to the Province of Saskatchewan and seeks to maximize this return through improved profitability and growth.

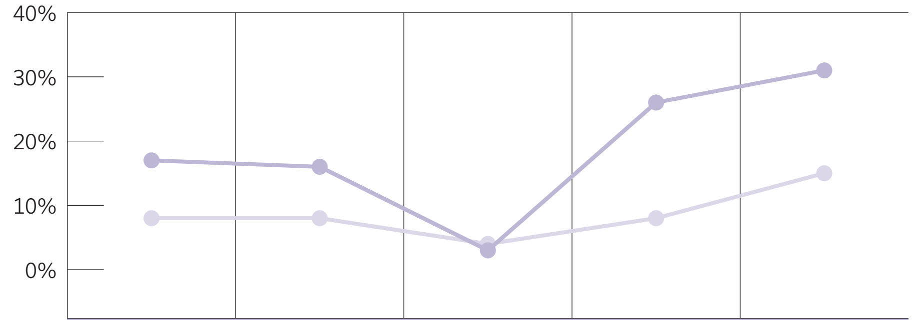
The Corporation measures profitability through its combined ratio and pre-tax return on equity (ROE). The pandemic created a unique environment in the Canadian insurance industry. With fewer motorists on the road and shorter distances being travelled, automobile insurance profitability improved. Based on these trends, SGI CANADA targeted stronger than usual profitability in 2020-21.

A combined ratio below 100% indicates that the company is making an underwriting profit, while a ratio above 100% means that it is paying out more money in claims and expenses than it is receiving from premiums. To ensure growth is sustainable and reasonably profitable, the company's long-term goal is to operate at a combined ratio of 98.0% or less. The Corporation had an underwriting profit and performed better than both its annual and long-term target with a 92.7% combined ratio. The unusually strong annual target and result are reflective of the unique insurance environment created by the pandemic.

The ROE compares profit to the investment in the Corporation. SGI CANADA's target was to achieve a minimum pre-tax ROE of 20.8%. The Corporation exceeded this target, earning a pre-tax ROE of 43.1%. The Corporation's underwriting income was $45.3 million higher than last year and its investment earnings were $106.0 million above the previous year. The unusually strong pre-tax ROE target and result are reflective of the unique insurance environment created by the pandemic, as well as the recovery of investment markets following the pandemic-related shock in the last quarter of 2020.

SGI CANADA's ROE has been favourable compared to the rest of the Canadian insurance industry in four of the last five years. Based on December 31, 2020 industry data, the Canadian P&C industry earned a 14.6% result for the year, whereas SGI CANADA earned a 30.7% result for the same period. From 2016 to 2020, the Corporation's five-year average, pre-tax ROE is 19.1%, while the industry averaged 8.9% for the same period.

P&C Industry vs SGI CANADA Consolidated Pre-Tax ROE



	2016	2017	2018	2019	2020
SGI CANADA	17%	16%	3%	26%	31%
Industry Average	8%	8%	4%	8%	15%

Source: SGI CANADA and MSA Research

The Corporation measures growth through its consolidated direct premium written. With $1,069 million in direct premium written, SGI CANADA met its target of $1,046 million in direct premium written and posted a year-over-year increase of 6.8%.

The Corporation also monitors capital adequacy. While not a direct measure of profitability or growth, it speaks to the Corporation's ability to honour its financial obligations, which is a critical financial metric. The industry measurement developed by insurance regulators for capital adequacy is the Minimum Capital Test (MCT). The MCT is a risk-based capital adequacy framework that assesses the risk associated with company assets, policy liabilities and off-balance sheet exposures by applying varying factors. From these calculations comes a ratio of capital available to capital required. As discussed in the "Capability to Execute Strategies, Financial Capital" section that follows, the Corporation has established internal MCT targets that provincial regulators have adopted as minimum targets for regulatory purposes. SGI CANADA's consolidated MCT of 242% met the 2020-21 target and long-term goal of 242%.

Customer

The Corporation assesses success with customers by its ability to provide them with a positive customer experience.

Measure	2020-21 Target	2020-21 Result	2021-22 Target
Customer experience			
Customer experience index	76%	○ 71%	71%

Legend: ● achieved ○ not achieved

Customer experience

With a focus on enhancing the overall experience being provided to customers, the company uses a customer experience index to assess what customers think of their interactions and relationship with the company. A combined SGI CANADA and Auto Fund score is used, as Saskatchewan customers do not differentiate between the two companies. A score of 71% was achieved, falling short of the 2020-21 target of 76%.

Internal Processes

Efficiency and broker satisfaction are key to assessing the success of the Corporation's internal processes:

Measure	2020-21 Target	2020-21 Result	2021-22 Target
Efficiency			
Administrative expense ratio	10.8%	● 10.7%	12.2%
Broker satisfaction			
Broker service satisfaction	50%	● 59%	59%

Legend: ● achieved ○ not achieved

Efficiency

Efficiency is assessed based on SGI CANADA's administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. SGI CANADA achieved its target, realizing a 10.7% administrative expense ratio, which is lower than the target of 10.8%. Analysis of administrative expenses and the administrative expense ratio is provided in the Financial Results section of this report.

In 2021-22, SGI CANADA will be adding a second measure to assess efficiency that will evaluate savings achieved within the Crown sector and for the public through collaboration and red tape reduction. The Crowns, as a sector, are targeting savings of $50 million in 2021-22.

Broker satisfaction

SGI CANADA conducts an annual survey with brokers in every jurisdiction in which it operates to determine the level of satisfaction with the service provided to them. SGI CANADA's broker service satisfaction is reported based on a top two box score. In 2020-21, the Corporation exceeded its 50% target with a score of 59%.

Organizational Capacity

SGI CANADA's success depends on its employees and their ability to deliver on its corporate strategy:

Measure	2020-21 Target	2020-21 Result	2021-22 Target
Change management and leadership effectiveness			
Employee engagement	58%	● 64%	64%
Change management index	60%	● 60%	61%
Leadership effectiveness index	65%	● 71%	72%

Legend: ● achieved ○ not achieved

Change management and leadership effectiveness

While SGI CANADA undertakes major corporate transformation, its ability to manage change and lead people effectively is critical to success. Progress in these areas is assessed using two dimensions from the employee survey – change management and leadership effectiveness. Overall employee engagement is also assessed through the employee survey. The survey includes employees performing work for both SGI CANADA and the Auto Fund. SGI exceeded the employee engagement and leadership effectiveness targets and met the change management target.

Capability to Execute Strategies

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are the Corporation's employees, brokers, technology and financial capital. They are discussed further below.

Employees

The Corporation continues to develop the capabilities of the workforce through customized and targeted training and development, and is in the process of significant cultural transformation. An extensive leadership development program was delivered at all levels of the organization and supported through a comprehensive change management approach. A reinforcement plan has been developed to maintain momentum and ensure the new cultural behaviours become common practice.

The Corporation has moved to a new human resources management system that enables the delivery of more robust talent management programming. The new tool will better support the development and maintenance of career and talent profiles, as well as purposeful learning and development plans. The ability to consolidate and streamline this data will strengthen the Corporation's succession planning process, which focuses on: (i) outlining options for filling executive or management positions in the event the incumbent is no longer available, to ensure leadership continuity; (ii) identifying high performing managers and senior staff who have the potential for a higher level role within management and to create a talent pool of candidates to be considered for executive, senior management or management roles; (iii) providing significant leadership development for existing EVPs, Chief Officers and VPs to develop our desired leadership culture; (iv) working with existing EVPs, Chief Officers and VPs to develop SGI's leadership team; (v) working with divisions on workforce planning to identify and develop strategies to eliminate gaps in knowledge transfer and to create workforce plans at the branch, department, and division levels; and (vi) providing enhanced leadership development for existing managers and senior staff to develop strong mid-level leadership bench strength.

SGI and the Canadian Office and Professional Employees' Union, Local 397 (COPE 397), are within a five-year Collective Bargaining Agreement, running from January 1, 2018, to December 22, 2022.

Brokers

The Corporation sells products through a network of 158 independent Saskatchewan brokers who conduct business from 337 locations throughout the province, and 202 brokers who operate in 1,169 locations throughout the rest of Canada. To continue delivering insurance products that customers desire, the Corporation works closely with brokers to obtain input and advice on the changing needs of customers. With their assistance, the Corporation is able to take a lead in delivering innovative insurance products to customers.

The Corporation's brokers are well-known in the communities in which they operate and they actively promote the Corporation's products and services. The Corporation is committed to providing brokers with a stable, sophisticated market that they can feel confident placing their business with, and to be a leader in enabling broker technology that supports ease of doing business for both brokers and their clients.

The Corporation's success is built on long-standing and successful relationships with broker partners. It has a reputation for excellent service to brokers and, if it is to keep that reputation in the rapidly evolving insurance marketplace, it needs to remain innovative in its approaches to support brokers' success. Broker digital services have been a corporate focus for a number of years, and will continue to be expanded.

Technology

SGI CANADA maintains an in-house insurance system that hosts a large database of valuable information in assessing insurable risks. Reporting systems are used to ensure that management receives timely information regarding operations and to provide complete and accurate reporting to stakeholders and regulators. Over the years, the Corporation has monitored and responded to changes in technology to ensure key areas are upgraded in a timely manner. The Corporation's current legacy system has served it well, but SGI CANADA is now looking to replace it with a modernized system that will better equip the Corporation to compete in the digital world and leverage other modern technologies.

The Corporation continues to build business intelligence capabilities to leverage the data in the system to produce timely, sophisticated and consistent information to support the decision-making required to succeed in a competitive environment. SGI CANADA has also implemented cloud-computing software providing the ability to leverage machine learning capabilities within its rating models.

SGI CANADA is a technology leader when it comes to dealing with broker partners, and recognizes that continued technological integration with brokers is key to ongoing success. The Corporation continually works to understand and leverage the technologies preferred by brokers, and has developed application programming interfaces (APIs) to connect in real-time to broker partner's online platforms.

Corporately, SGI has implemented cloud-based productivity technology which better supports collaboration and provides efficiencies. This technology enables employees to work effectively and securely from the office, their home or wherever else they may be, and it allows employees to virtually interact with customers, business partners and each other with ease. These technologies have and will continue to afford the Corporation flexibility in how it operates and how it responds to business challenges, such as COVID-19.

Financial Capital

Adequate capitalization is crucial for insurers competing in the P&C insurance market in Canada. Not only is it important to ensure adequate funding is available to pay policyholder claims, but it allows a company to be flexible in its product offerings in a competitive marketplace. In addition, regulators have certain capital requirements that must be met in order to sell P&C insurance in each province. Without adequate capitalization, the Corporation would not be capable of meeting its significant five-year growth targets.

The Corporation's main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. These advances form the Corporation's equity capitalization. There were no new equity advances to the Corporation from its parent during the year. During the year, SGI CANADA injected $7.0 million of equity into its wholly-owned subsidiary SCISL. This equity will support ongoing growth initiatives outside of Saskatchewan.

In Canada, either the Office of the Superintendent of Financial Institutions (OSFI) or provincial regulators regulate P&C insurers. Regulators require insurers to operate with a level of capital above their internal MCT target. The Corporation's Board of Directors has approved capital management policies for the Corporation and each of its subsidiaries, prepared in accordance with Guideline A-4, *Regulatory Capital and Internal Capital Targets*, which OSFI issued in January 2014. The policies establish internal MCT targets that are used as minimum targets for regulatory purposes. The internal targets require that capital available be significantly more than capital required. The cushion provides the ability for insurers to cope with volatility in markets and economic conditions, innovations in the industry, consolidation trends and international developments, and to provide for risks not explicitly addressed, including those related to systems, data, fraud and legal matters. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets.

The Corporation and its subsidiaries maintain MCTs in excess of their internal and operating targets as follows:

Company	March 31, 2021	March 31, 2020	Internal Target	Operating Target
SGI CANADA (consolidated)	242%	242%	213%	242%
SGI CANADA Insurance Services Ltd. (consolidated)	335%	265%	215%	260%
Coachman Insurance Company	543%	451%	215%	249%

In April 2021, The SGI Board of Directors approved the increase of Coachman's internal target to 243% and operating target to 278%.

Financial liquidity represents the ability of the Corporation's companies to fund future operations, pay claims in a timely manner and grow. A main indicator of liquidity is the cash flow generated from operating activities, as reported on the Consolidated Statement of Cash Flows.

The Corporation generated consolidated operating cash flows of $139.7 million during the year. This cash flow is invested so that it is available to pay claims as they come due and to meet dividend requirements to its parent, CIC.

For the cash flow the Corporation retains, its enabling legislation requires it to follow the same investment criterion that federally regulated P&C companies must follow. This means the majority of the Corporation's investments are in highly liquid securities that can be sold in a timely manner in order to satisfy financial commitments. As at March 31, 2021, 39.7% (March 31, 2020 – 35.0%) of the investment portfolio was in treasury bills and highly liquid bonds and debentures issued by the federal and provincial governments.

2020-21 Financial Results

For the year ended March 31, 2021

Overview of operations

The Corporation's operating results for the year were strong, achieving a consolidated net income of $172.1 million, and an annualized return on equity of 37.2%.

The Corporation's investment earnings were $128.7 million for the year, driven by strong equity returns.

Statement of Operations

Premium revenue

	(thousands of $)		
	2021	2020	Change
Saskatchewan	623,049	581,517	41,532
Alberta	192,292	189,179	3,113
Ontario	132,536	131,054	1,482
British Columbia	71,387	55,492	15,895
Manitoba	49,359	42,093	7,266
Gross premiums written	1,068,623	999,335	69,288
Premiums ceded to reinsurers	(58,091)	(58,927)	836
Change in unearned premiums	(35,933)	(33,079)	(2,854)
Net premiums earned	974,599	907,329	67,270

Consolidated gross premiums written grew $69.3 million, or 6.9%, with growth occurring in all jurisdictions. The Corporation's split of business in 2021 was 64.4% property and 35.6% auto, consistent with 2020. Geographically, 41.7% (2020 – 41.8%) of gross premiums written were outside of Saskatchewan.

Gross premiums written in Saskatchewan increased 7.1% year-over-year, with all lines of business contributing to the growth.

Alberta operations experienced growth of 1.6% year-over-year. Property lines continue to grow in Alberta with the exception of commercial. Commercial lines and commercial auto premiums have declined year-over-year.

The increase in Ontario premiums written of 1.1% relates to growth in all property lines, which is partially offset by declines in personal and commercial auto lines.

In British Columbia, the 28.6% increase in gross premiums written is driven by growth in all lines due to the continued additional broker partnerships in that jurisdiction.

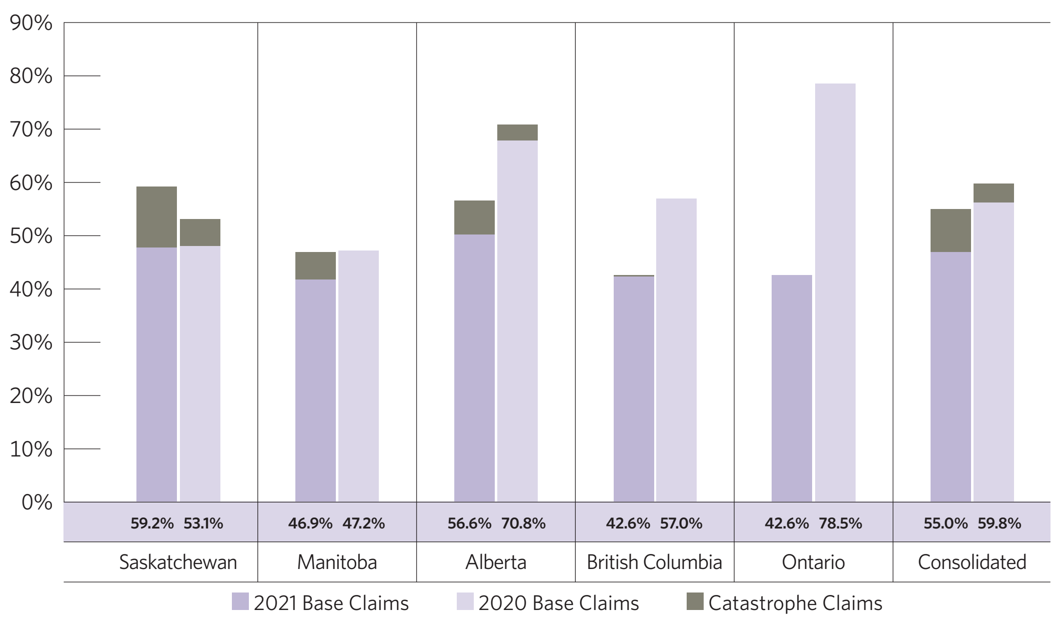
Gross premiums written in Manitoba increased 17.2% year-over-year, with all lines of business contributing to the growth.

Claims incurred

	(thousands of $)		
	2021	2020	Change
Net claims incurred	535,870	542,738	(6,868)
Consolidated loss ratio	55.0%	59.8%	−4.8%

Net claims incurred decreased by 1.3% in the year while the consolidated loss ratio decreased by 4.8 percentage points compared to the prior year. Improvement in the loss ratio was achieved in all jurisdictions except Saskatchewan, due to an increase in summer storms as compared to last year and a rare winter wind storm that occurred in January 2021. The following chart summarizes year to date loss ratios by jurisdiction:

Loss Ratios



Saskatchewan's loss ratio of 59.2% is an increase from the prior year loss ratio of 53.1%. Catastrophes resulted in $64.2 million in claims, including $23.7 million incurred for the January 2021 wind storm, compared to a total of $27.2 million in the previous year.

Manitoba's loss ratio decreased to 46.9% from 47.2% in the previous year due to fewer large losses. There were $2.2 million catastrophe claims in the year, compared to none last year.

The Alberta loss ratio decreased from 70.8% in 2020 to 56.6% in 2021 primarily due to lower auto claim costs with less drivers being on the road during the COVID-19 economic slowdown. Catastrophic activity in the year amounted to $11.8 million compared to $5.3 million in 2020.

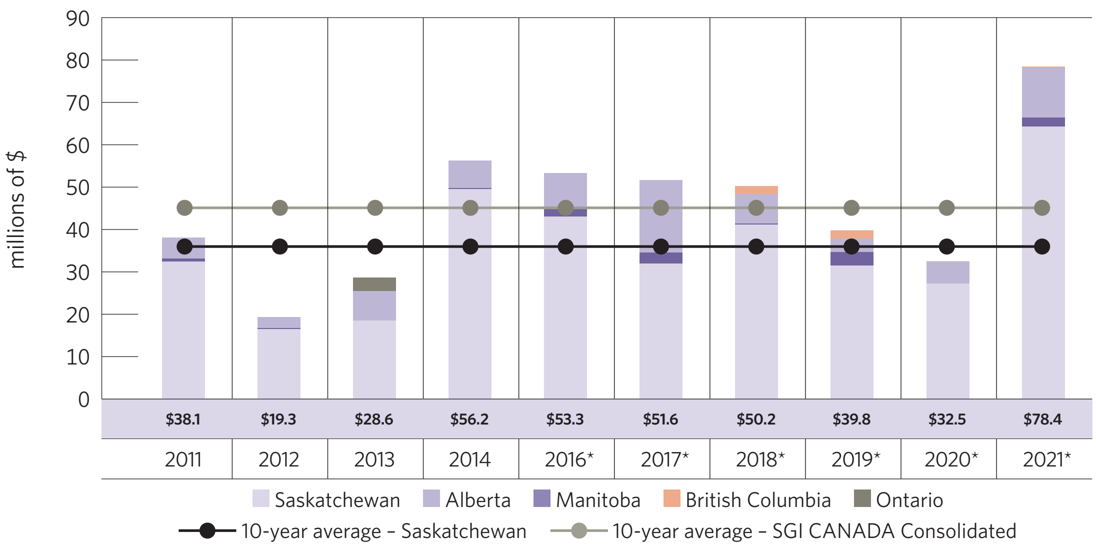
The loss ratio for British Columbia dropped from 57.0% in 2020 to 42.6% in 2021 due to continued premium growth and further diversification. There were $0.2 million catastrophe claims in the year, compared to none last year.

Ontario's loss ratio of 42.6% is lower than last year's ratio of 78.5%, largely due to lower auto claim costs with less drivers being on the road during the COVID-19 economic slowdown.

Catastrophic claim costs

The following graph shows the significance of catastrophic (primarily storm) claims over the past 10 years, demonstrating their unpredictability and the impact they can have on the Corporation's financial results. Catastrophic losses for the year were $78.4 million, compared to the 10-year average of $44.8 million. Costs are highest in Saskatchewan, due to the Corporation's significant exposure in the province; however, as can be seen over the past ten years, the Corporation has been subject to more significant and catastrophic events in the other provinces, as it continues to grow its book of business outside of Saskatchewan.

Catastrophic Claims (Net)



* Year ended March 31

Expenses excluding claims incurred

	(thousands of $)		
	2021	2020	Change
Other expenses	368,008	339,183	28,825
Income tax expense (recovery)	27,271	(1,784)	29,055

Other expenses

Expenses excluding claims incurred were $368.0 million (2020 – $339.2 million) for the year, an increase of $28.8 million or 8.5%. This increase was largely due to a $21.0 million increase in commissions from the prior year. Administrative expenses increased $4.8 million, or 4.8%, in 2021, while the administrative expense ratio decreased to 10.7% from 11.0% in 2020.

Income taxes

The Corporation's out-of-province legal entities, SCISL and Coachman, are subject to corporate income tax, while SGI CANADA is not. On a consolidated basis, the Corporation recorded an income tax expense of $27.3 million in 2021 compared to an income tax recovery of $1.8 million in 2020. The variance relates to the increased profitability in jurisdictions outside of Saskatchewan this year. As well, during the year, the Corporation used up all loss carryforward balances. Excluding Saskatchewan operations, which are non-taxable, this results in a tax rate of 26.2% (compared to 27.1% in 2020).

Investment earnings

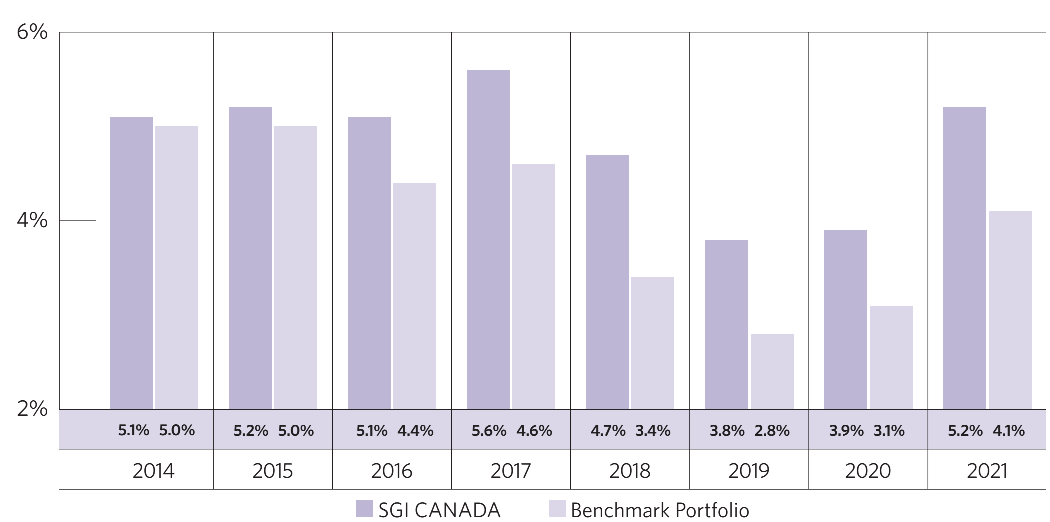
	(thousands of $)		
	2021	2020	Change
Net investment earnings	128,678	22,686	105,992

For the year, investment earnings were $128.7 million and represented 11.7% of total revenues (2020 – $22.7 million or 2.4% of total revenues). The components of investment earnings are disclosed in note 14 to the consolidated financial statements, and include interest, dividends, investment fund distributions, realized gains and losses on sales of investments, and unrealized gains and losses on the change in market value of investments.

For purposes of portfolio management, market-based returns are calculated by capturing all interest, dividends and investment fund distributions, as well as the impact of the change in market value of investments, both realized and unrealized. While these returns are compared to the benchmark returns on a quarterly basis, the performance measures are expected to be met over four years; a long enough period to capture a full market cycle. This long-term measure is appropriate as it recognizes that the effectiveness of investment management styles varies depending on the market environment.

Performance relative to the benchmark portfolio varies from year-to-year but, as illustrated in the following graph, over rolling four-year periods investment performance remains satisfactory with all periods exceeding the benchmark in the last eight four-year periods.

Four-Year Market-Based Returns to March 31



For the 12 months ended March 31, 2021, the SGI CANADA portfolio's market-based return was 11.5%, compared to a 1.3% return in 2020. The 2021 returns were driven by exceptionally strong equity returns following the negative returns experienced due to the pandemic the prior year.

The following table illustrates the investment portfolio's actual performance by asset class for 2021 compared to the index and 2020 returns.

		Annual Returns (%)		
		Actual	Index	Actual
Asset Class	Benchmark Index	2021		2020
Short-term bonds	FTSE TMX Short-term Bond	3.6	2.8	2.9
Mortgages	FTSE TMX Short & Mid-term Bonds	6.2	2.9	4.0
Canadian equities	S&P/TSX Composite	46.6	44.2	−18.4
Global equities	MSCI ACWI ($C)	45.7	36.5	−1.8
Global small cap equities	MSCI ACWSCI ($C)	73.9	60.7	−18.3
Real estate	Investment Property Databank	−1.3	−0.2	9.0

Consolidated Statement of Cash Flows

	(thousands of $)		
	2021	2020	Change
Operating activities	139,693	107,483	32,210
Investing activities	(110,702)	(48,810)	(61,892)
Financing activities	(65,197)	(42,671)	(22,526)
Net cash flow	(36,206)	16,002	(52,208)

Operating activities

Operating cash flow was consistent year-over-year, with the Corporation's positive cash flow used to fund investment purchases and dividend payments.

Investing activities

Each legal entity's excess cash from operating activities is invested in its own investment portfolio. The investment managers actively trade each investment portfolio in the capital markets following the restrictions set out in each legal entity's Statement of Investment Policies and Goals. Over the 12 months ended March 31, 2021, the investment managers, on a consolidated basis, generated cash through proceeds from the sale of investments of $997.6 million and reinvested $1,123.2 million. The additional funds for reinvestment during the year were from cash generated from operations.

Financing activities

Financing activities relate to dividend payments made to the Corporation's parent and payments made on building leases.

Consolidated Statement of Financial Position

	(thousands of $)		
	March 31 2021	March 31 2020	Change
Total assets	**$ 1,845,118**	**$ 1,664,645**	**$ 180,473**
Key asset account changes:			
Investments	1,290,217	1,082,517	207,700

Investments

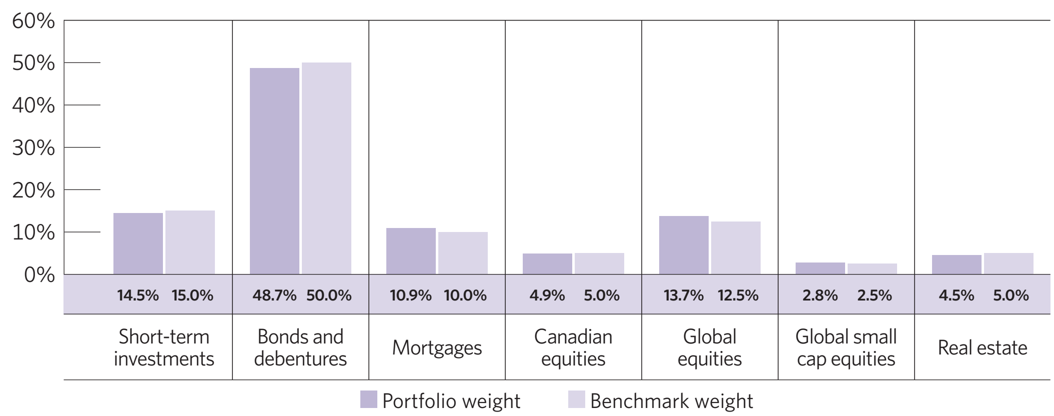
The carrying value of investments increased by $207.7 million during the year, due to the investment of operating cash flows and strong investment returns.

The Corporation's investment strategy is based on prudence, regulatory guidelines and claim settlement patterns, with a view to maximizing long-term returns by utilizing a conservative investment portfolio. The Board of Directors reviews SGI CANADA's and each subsidiary's asset mix strategy annually through a detailed assessment of each portfolio's risk tolerance. The asset mix strategy takes into consideration the current and expected condition of the capital markets, and the historic return and risk profile of various asset classes. To achieve the long-term investment goals, the portfolio must invest in asset classes that provide an attractive risk-return profile over the medium to long term. Over shorter periods, however, performance of these asset classes can be volatile. The Corporation believes a diversified asset mix and longer-term focus remains appropriate, balancing the need for capital preservation in the short term with the desire for portfolio growth over the longer term.

The asset mix strategy is formally documented in the Statement of Investment Policies and Goals. In addition to capturing the asset mix strategy, this document provides guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions and investment performance expectations, among others. Management monitors and enforces compliance with the investment policy. No material compliance deviations were noted during 2020-21.

The Corporation's investment portfolio is managed by external investment managers. The portfolio is invested in short-term investments, bonds, mortgages, equities and Canadian commercial real estate. Equities consist of Canadian, global and global small capitalization mandates. Except for segregated equity mandates in the SGI CANADA portfolio, all other equity and real estate investments are held through investment funds.

SGI CANADA Consolidated Asset Mix as at March 31, 2021



There were no significant changes to the investment policy during the annual review. The Corporation continues to monitor its fixed income investments to ensure they remain relatively well matched to their associated liabilities.

	(thousands of $)		
	March 31 2021	March 31 2020	Change
Total liabilities	**$ 1,340,553**	**$ 1,244,460**	**$ 96,093**
Key liability account changes:			
Provision for unpaid claims	646,473	620,719	25,754

Provision for unpaid claims

The provision for unpaid claims reflects the estimated ultimate cost of claims reported but not settled, along with claims incurred but not reported. The process for determining the provision requires management judgment and estimation as discussed in the following section, Critical Accounting Estimates.

The provision for unpaid claims increased $25.8 million, or 4.1%, from the end of the previous year. Key components of the change in the provision for unpaid claims are discussed in the preceding section, Claims Incurred. The majority of the increase is due to additional exposure related to growth.

	(thousands of $)		
	March 31 2021	March 31 2020	Change
Total equity	**$ 504,565**	**$ 420,185**	**$ 84,380**
Key equity account changes:			
Retained earnings	424,565	340,185	84,380

Retained earnings

The $84.4 million increase in retained earnings is attributable to the $172.1 million consolidated net income less $0.7 million other comprehensive loss and dividends declared of $87.0 million. The other comprehensive income/loss represents actuarial gains/losses associated with the Corporation's defined benefit pension and service recognition plans.

Quarterly Consolidated Financial Highlights

The following table highlights quarter-over-quarter results for the Corporation:

	(thousands of $)									
	2020-21					2019-20				
	Q 4	Q 3	Q 2	Q 1	**2021**	Q 4	Q 3	Q 2	Q 1	**2020**
Net premiums written	182,747	264,260	286,464	277,061	**1,010,532**	169,177	247,328	265,650	258,253	**940,408**
Net premiums earned	246,443	244,790	248,818	234,548	**974,599**	231,326	231,347	227,157	217,499	**907,329**
Net claims incurred	120,062	111,238	182,789	121,781	**535,870**	124,799	138,866	165,298	113,775	**542,738**
Net income (loss)	43,110	64,360	(4,392)	69,050	**172,128**	(4,361)	25,124	(10,109)	37,440	**48,094**
Cash flow (used in) from operating activities	(1,240)	37,055	59,360	44,518	**139,693**	(27,153)	43,701	51,868	39,067	**107,483**
Investments	1,290,217	1,316,370	1,235,433	1,188,411		1,082,517	1,146,373	1,115,341	1,087,624	
Provision for unpaid claims	646,473	649,229	699,696	640,748		620,719	621,609	629,811	594,413	
Minimum Capital Test	242%	245%	231%	256%		242%	233%	236%	256%	

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights:

- Claims incurred typically peak in the second quarter due to catastrophe claims for events such as hail storms, flooding and forest fires that can occur.
- With the exception of the fourth quarter, the Corporation typically generates positive cash flow from operations. Cash is typically low during that quarter as the Corporation pays its annual premium taxes to the provincial jurisdictions in March. Operating cash flows are generally strong throughout the remaining nine months of the year and during these months excess cash generated is directed to investments.

Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Saskatchewan ministries, agencies, boards, commissions, Crown corporations and jointly controlled and significantly influenced corporations and enterprises. Routine operating transactions with related parties are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Further details regarding these related party transactions are disclosed in note 20 of the consolidated financial statements. Details of other significant related party transactions are disclosed in the consolidated financial statements.

The Corporation acts as the administrator of the Auto Fund on behalf of the Province of Saskatchewan. The Corporation incurs administrative and claim adjustment expenses on behalf of the Auto Fund, which are charged to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by the Corporation and charged to the Auto Fund were $164.8 million (2020 – $172.3 million).

Off Balance Sheet Arrangements

The Corporation, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Consolidated Statement of Financial Position – commonly referred to as the balance sheet. These items include litigation, structured settlements and long-term contracts. These items are discussed below and in note 23 to the consolidated financial statements.

The Corporation, as is common in the P&C insurance industry, is subject to litigation arising in the normal course of its operations, primarily in claim settlements. The Corporation is of the opinion that current litigation will not have a material impact on its operations, financial position or cash flows.

In addition, the effects of the COVID-19 pandemic related to emerging coverage issues and claims (class action lawsuits related to business interruption coverage) could negatively impact the Corporation's provision for unpaid claims liabilities. The Corporation's commercial insurance policies do not provide business interruption coverage in the context of a closure due to COVID-19 as direct physical loss or damage is required to trigger this coverage. In the event that these cases result in a significant judgment against the Corporation, the resulting liability could be material. Based on information currently known, the Corporation does not believe that the outcome of these cases will have a material impact on the consolidated financial statements.

Also, the Corporation and its subsidiaries, in the normal course of settling claims, settle some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the P&C industry. The net present value of the scheduled payments was $65.4 million (2020 – $66.4 million). The Corporation provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the Corporation considers the likelihood of such default remote.

Critical Accounting Estimates

This discussion and analysis of the Corporation's financial condition and results of operations is based upon its consolidated financial statements as presented in this annual report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. Significant accounting policies are contained in note 3 to the consolidated financial statements. Some of these policies involve critical accounting estimates because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or by using different assumptions.

The Corporation has discussed the development, selection and application of its key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit, Finance and Conduct Review Committee of the Board of Directors. The Audit, Finance and Conduct Review Committee has reviewed the disclosures described in this section. The most significant critical accounting estimates involve the provision for unpaid claims, unpaid claims recoverable from reinsurers, income taxes and employee future benefits.

Provision for unpaid claims

A provision for unpaid claims is maintained to cover the estimated ultimate liability for losses and loss adjustment expenses for reported claims and claims incurred but not yet reported as at the end of each accounting period. The initial provision is determined on the reported facts filed with the claim and then revised regularly, as more information on the claim becomes known. The provision does not represent the exact calculation of the liability owing to claimants, but is an estimate developed using Canadian accepted actuarial practices and Canadian insurance regulatory requirements. The estimate reflects an expectation of the ultimate cost of settlement and administration of claims. It involves an assessment based on the facts and circumstances of the events reported in the claim, the Corporation's experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the timeframe anticipated to settle and pay the claim.

This provision is refined on a continual basis as prior fiscal year claims are settled and additional claims are reported and settled. There may be significant time delays from the occurrence of the insured event and when it is reported. If this occurs near the year-end date, estimates are made as to the value of these claims based on information known to the Corporation. As well, uncertainty exists for reported claims that are not settled, as all necessary information may not be available. Thus, with the level of uncertainty involved in the claim process until the final settlement occurs, current reserves may not be sufficient. The provision has been calculated including the impact of discounting. Any adjustments to these estimates, both positive (a redundancy or excess) and negative (a deficiency) are included in the provision for unpaid claims and are reflected as claims incurred in the current year's Consolidated Statement of Operations.

Unpaid claims recoverable from reinsurers

Unpaid claims recoverable from reinsurers include amounts for expected recoveries related to unpaid claim liabilities, as well as the portion of the reinsurance premium that has not yet been earned. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and claim adjustment expense reserves, and are reported in the Consolidated Statement of Financial Position. The ceding of insurance does not discharge the Corporation's primary liability to its insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions.

Income taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in the consolidated financial statements. In determining the provision for income taxes, the Corporation interprets tax legislation in a variety of jurisdictions and makes assumptions about the expected timing of the reversal of deferred tax assets and liabilities and the valuation of deferred income tax assets.

Management makes assumptions regarding the value of deferred tax assets using a valuation allowance. This allowance is based on management's assessment of whether it is more likely than not that the Corporation will utilize tax assets before they expire. This assessment is based on expected future earnings, tax rates, the amount of taxable income in future years and the timing of the reversal of deferred tax liabilities. No valuation allowance has been recorded in the current or prior year.

Employee future benefits

The Corporation's benefit expense for its defined benefit pension plan and defined benefit service recognition plan is calculated by the Corporation's external benefits actuary utilizing management's best estimate of critical assumptions. These critical assumptions consist of: expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing. Management reviews and adjusts these assumptions as required on an annual basis. Actuarial gains and losses regarding the pension obligation or the investment returns are recorded as other comprehensive income on the Consolidated Statement of Operations.

The end-of-period discount rate is determined at each year end using market rates of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Further details of the Corporation's defined benefit plans are contained in note 19 to the consolidated financial statements.

Risk Management

Risk management is a process for recognizing and addressing risks that could affect the achievement of corporate objectives. On an annual basis, management reviews the key risks faced by the Corporation by identifying specific risk events and their potential impact on the Corporation's operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of current mitigations.

The above process results in a risk profile for the Corporation, which is reviewed by the Risk Committee of the Board of Directors annually. The Corporation's Audit Services department also uses the risk profile in developing its annual work plan, which provides an assurance component to the Corporation's risk management process.

The following risks represent the most serious threats to the Corporation. Failure to manage any of these risks could lead to significant operational, financial or reputational damage. The nature of these risks, along with efforts to mitigate them, is summarized below.

Corporate Transformation

Risk: The Corporation fails to change its people, process and technology to become a digital insurer.

Mitigation: Digital insurance transformation uses technology and data to improve business processes and procedures, customer experience, and partner relations. The Corporation intends to use technology to empower its employees and business partners to add value with each customer interaction, and to this end has committed significant business and IT resources to imagine future states of its people, processes and technologies using a disciplined framework. The Corporation has also stopped all non-critical business enhancements to its current systems.

Organizational Change Agility

Risk: The Corporation's business strategy involves significant corporate transformation efforts. Evolving to be a digital, customer-centric insurer is required for the Corporation to meet customer demands and compete with other insurers across the country. The Corporation requires employees who have the willingness to embrace and adapt within a rapidly changing environment. This is a climate where the Corporation expects disruption to established processes and roles and where ambiguity and managing through disruptive change will be the norm.

Mitigation: The Corporation has a large number of initiatives dedicated to assisting employees in understanding and adapting to change, including significant efforts in Leadership Culture Development (LCD). The goal of developing a "growth mindset" can be observed in many initiatives – including the introduction of standardized education levels within career streams, expectations incorporated into new job descriptions/evaluations, coaching training and the introduction of a tiered leadership framework that offers structured learning at all levels.

Responsiveness to Business Needs

Risk: The Corporation is unable to meet the speed-to-market targets for products and services due to its complex internal system architecture. Increased business expectations and limited information technology resources have contributed to less responsiveness to business needs.

Mitigation: To better meet its current and future business needs, including speed to market, the Corporation is implementing a digital transformation strategy which includes building a modern technology platform and acquiring and adopting modern technology skills and practices. Under this strategy, the Corporation will move to a cloud-based platform, accelerate software development, and simplify integration with partners and service providers. To ensure quality and accelerate the delivery of these technologies, the Corporation has established a unit of IT specialists to lead the adoption of best practices for software development and is continuing to execute on the in-depth education and training program to reskill IT employees on the new tools and techniques.

Competition

Risk: Large competitors pursue market share through aggressive pricing or the purchase of independent brokers, leading to reduced margins and/or loss of market share for the Corporation. The broker distribution channel shrinks as more insurers transition to selling products directly to consumers.

Mitigation: The Corporation continues to provide superior service and support to brokers to attract new business and retain the existing book of business, and has enhanced pricing with more sophisticated use of data. The Corporation monitors market developments closely, particularly in Saskatchewan, and has expanded its broker network in areas outside Saskatchewan to include areas where competitors have acquired brokers who sell SGI CANADA policies. The Corporation is developing online services to improve the speed, accuracy and ease with which brokers and consumers do business with the Corporation.

System Availability and Recovery

Risk: Systems are not available when the business needs them or cannot be recovered in a timely manner when an incident occurs.

Mitigation: To better meet the availability and system recovery needs for the business, the Corporation has initiated several major initiatives that are focused on developing new skills for staff, leveraging modern technology, and adopting new processes. The systems transformation initiative will result in the modernization of the Corporation's core systems along with the migration of other core corporate systems to Software as a Service (SaaS) platforms. Progress on some of these initiatives has been made over the past 12 months with the introduction of several new platforms, notably, new HRMS and Legal Matter Management SaaS platforms. In addition, significant improvements to the IT Service Management processes and structure were made that have resulted in the ability to monitor our systems more proactively and respond faster leading to a lower mean time to repair and a higher mean time between failures.

Information Security

Risk: The potential harm to the Corporation from threats (e.g., system breach, unauthorized access) that can have adverse effects on organizational operations, and result in significant financial and reputational damage.

Mitigation: There is an industry-wide shift in security methodology from perimeter-based security to identity-based protections. The Corporation has embarked on a transition from traditional perimeter-based security to a more holistic approach that includes identity protection.

The Corporation has developed a modern cyber security strategy and roadmap. The initiatives on the roadmap will include shifting the cyber security culture, leveraging modern technology, developing new skills in the workforce and adopting new practices. The Corporation continues to maintain a security policy that includes corporate standards for user access (including remote and external vendor access), passwords, mobile devices, wireless networks, information sensitivity classification and protection and acceptable use of Corporation systems. The Corporation has implemented many mechanisms to protect its data environment and continually monitors systems for potential threat activity. Should an event occur, the Corporation has developed incident response procedures and has placed an industry-leading firm on retainer for incident response services to assist the Corporation in responding effectively and efficiently.

Acquisition and Development of Expertise

Risk: SGI's business strategy involves significant corporate transformation efforts. Evolving to be a digital, customer-centric insurer is required for the Corporation to meet customer demands, maintain strong public support in Saskatchewan, and compete with other insurers across the country. The Corporation must acquire and develop employees who have the knowledge, skills, and the willingness to continue learning for the new roles and responsibilities required to deliver the work the way it will be designed.

Mitigation: The Corporation has initiated programs including expanded competency-based recruitment, movement towards modernized recruitment/staffing processes, expanded knowledge management solutions, succession planning, and monitoring engagement and enablement through employee surveys. A corporate learning strategy was loosely established through the Workday Learning Management System work and forms part of HR's overall strategy. SGI's succession planning process focused on ensuring current senior management positions have succession plans with targeted development to ensure readiness for potential opportunities. The work completed on succession and workforce planning at senior levels supports readiness for current and future movement. The culture reinforcement plan and the approved tiered leadership and corporate technical training frameworks have been introduced to support consistent development and approaches at all levels with a focus on technical/job specific training, strategic leadership, business acumen and leading a culture of change. This work is instrumental for transformation.

Product Design and Pricing

Risk: Products priced inaccurately, not designed to meet customers' needs, or wording ambiguity may result in a loss in market share, profitable business and the confidence of our brokers and customers.

Mitigation: To ensure its products are designed and priced appropriately, the Corporation monitors rate adequacy, competitor pricing and product offerings, as well as insurance market developments, legal decisions and societal trends. Product pricing and design are reviewed in detail annually, and all products are competitively driven, with variation by product and jurisdiction. The Corporation has built actuarial data marts so timelier, more reliable and more varied types of data are available to improve the pricing and structure of products.

Distribution Channel

Risk: The Corporation's commitment to selling products solely via the independent broker channel leads to vulnerability to direct distributors and non-traditional competitors disrupting segments of the insurance industry.

Mitigation: The Corporation believes that distributing its policies through independent brokers provides the best value to its policyholders and is aligned with a community-based approach to business. SGI supports its broker partners through continuous communication, product and technology training, and competitive compensation programs. Broker relationships are actively managed by dedicated local staff utilizing various tools and resources for all brokers, while the largest brokerage relationships are managed nationally with regular strategic meetings and additional support to achieve mutually beneficial goals.

The Corporation also consults with the broker community when developing new products or services, including working with brokers to provide online services to consumers. The Corporation has developed application programming interfaces (APIs) to connect into broker partners' in-office and online platforms, enabling the digital consumer. As well, the Corporation has established a direct connection for personal lines products into two of the four major broker management systems, with plans to add a third by the end of the 2021 calendar year. This enables efficiencies for both the broker and the Corporation. The Corporation is also represented on various industry groups that establish data exchange standards and connectivity between carriers and brokers.

Outlook for 2021-22

The Canadian property and casualty (P&C) industry is highly competitive and continues to experience rapid change driven by technology and other innovations. Technology is leading the way for new and innovative production channels, mobile services, and data-driven processes that can better assess and respond to continuously changing customer expectations.

SGI CANADA embarked on a new strategy in 2020-21 with its sight set on becoming a digital insurer. To achieve this, the Corporation is transforming its technology, operations and culture, placing corporate transformation at the heart of the strategy. To go along with the transformation activities, the Corporation recognizes the need to continue to grow and SGI CANADA aims to achieve this growth through great customer experiences, in partnership with brokers.

The Corporation's goal is to achieve $1.1 billion in direct premium written by the end of the 2021-22 year while continuing with transformation activities. To achieve this, the Corporation will continue to focus on four key areas in 2021-22:

- empower employees;
- engage customers;
- optimize operations; and,
- transform products.

Empower employees – this is about promoting continuous learning and working effectively together to improve the experience of employees, partners and customers. In 2021-22, the Corporation will continue to focus on developing leadership culture, maintaining a disciplined approach to change management, transitioning the workforce to support corporate transformation activities and by implementing broker engagement strategies and ensuring service levels are maintained.

Engage customers – this is about providing customers with personalized experiences and delivery options, enabling them to make more informed decisions and positively influencing their behavior. In 2021-22, the Corporation will focus on customer service to ensure service levels are maintained, implementing the corporate brand platform to ensure a consistent brand identity and continued development and implementation of the claims handling strategy.

Optimize operations – this is about optimizing our business processes and improving our responsiveness through automation and digitization. In 2021-22, the Corporation will continue to focus on maintaining profitability and improving long-term efficiency of the company through process redesign, and modern technology implementations.

Transform products – this is about using data, analytics and artificial intelligence to develop innovative products and services that deliver a tangible advantage. In 2021-22, the Corporation will continue to focus on product structure redesign, coverage and flexibility, establishing a framework for data governance, and continuing to mature the capabilities of SGI as a digital insurer.

Impact of COVID-19

The COVID-19 pandemic continues to linger with much of Canada experiencing a third wave of infections. Provinces are deploying vaccines as quickly as possible, but in many areas of Canada the number of infections continue to climb as more contagious variants have taken hold. In response, Governments in multiple provinces have reintroduced measures to slow the transmission rate and prevent the health care system from being overwhelmed. These measures include working from home if possible, limiting restaurants to take out and delivery service, limiting capacity in retail stores and halting non-essential construction. With these measures in place, there is an expectation of slowed economic activity which may last until vaccines have been distributed and immunity built up within the population.

The insurance industry has proven to be quite resilient throughout the pandemic but is not isolated from the impact the pandemic is having on people and the economy. The Corporation is positioned to support customers, brokers and employees as the COVID-19 pandemic moves through the third wave.

- The health of SGI's employees is of utmost importance. Employees have been primarily working from home since March 2020. In cases where employees are unable to work from home or are required on-site, appropriate measures have been put in place, including physical distancing and additional cleaning.
- Continuing to serve customers is extremely important during the pandemic. Customers are encouraged to contact either SGI or their broker by phone, via email and through online self-service options.
- The decrease in economic activity has resulted in fewer vehicles on the roads and insurance companies have had fewer auto claims throughout the pandemic. This trend is expected to continue until economic activity has fully resumed.
- Investment markets have recovered from the pandemic-related shock in 2020 with global economic growth expected to be above levels experienced during previous recoveries. Governments across the globe have provided extraordinary levels of monetary and fiscal policy support through the pandemic. These supports remain in place and are expected to further drive strong housing markets, labour market growth and provide increasing confidence in the economic recovery. Although yields are projected to increase marginally, they are advancing from historically low levels.

Responsibility for Financial Statements

The consolidated financial statements are the responsibility of Management and have been prepared in conformity with International Financial Reporting Standards. In the opinion of Management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of Saskatchewan Government Insurance (the Corporation) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. In this regard, an annual statement of management responsibility is provided on the following page. In addition, the adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Corporation to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies. The actuary also makes use of Management information provided by the Corporation and the work of the external auditors in verifying the data used in the valuation.

The consolidated financial statements have been examined and approved by the Board of Directors. An Audit, Finance and Conduct Review Committee, composed of members of the Board of Directors, meets periodically with financial officers of the Corporation and the external auditors. These external auditors have free access to this Committee, without Management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG LLP have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position and results of operations as shown in the consolidated financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditor's Report outlines the scope of their examination and their opinion.

Andrew R. Cartmell
President and Chief Executive Officer

Jeff Stepan
Chief Financial Officer

May 27, 2021

Annual Statement of Management Responsibility

I, Andrew Cartmell, President and Chief Executive Officer, and I, Jeff Stepan, Chief Financial Officer, certify the following:

(a) That we have reviewed the consolidated financial statements included herein. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows, as of March 31, 2021.

(b) That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

(c) That SGI CANADA (the Corporation) is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and, the Corporation has designed internal controls over financial reporting that are appropriate to its circumstances.

(d) That the Corporation conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as of March 31, 2021, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Andrew R. Cartmell
President and Chief Executive Officer

Jeff Stepan
Chief Financial Officer

May 27, 2021

Actuary’s Report

To the Board of Directors of Saskatchewan Government Insurance

I have valued the policy liabilities and reinsurance recoverables of SGI CANADA for its consolidated statement of financial position at March 31, 2021 and their changes in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation.

Chris McCulloch

Chris McCulloch
SGI CANADA
Fellow, Canadian Institute of Actuaries
Fellow, Casualty Actuarial Society

Winnipeg, Manitoba
May 27, 2021

Independent Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

Opinion

We have audited the consolidated financial statements of Saskatchewan Government Insurance (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Regina, Canada
May 27, 2021

Consolidated Statement of Financial Position

	(thousands of $)	
	March 31 2021	March 31 2020
Assets		
Cash and cash equivalents (note 4)	$ 49,491	$ 85,697
Accounts receivable (note 5)	281,239	266,698
Investments under securities lending program (note 6)	339,912	–
Investments (note 6)	950,305	1,082,517
Unpaid claims recoverable from reinsurers (note 10)	22,043	26,735
Reinsurers' share of unearned premiums (note 12)	38,869	39,309
Deferred policy acquisition costs (note 11)	122,875	113,038
Right-of-use assets (note 7)	11,604	10,924
Property and equipment (note 8)	15,391	16,152
Intangible assets (note 9)	4,708	1,240
Prepaid expenses	4,006	4,927
Deferred income tax asset (note 15)	4,675	17,408
	$ 1,845,118	$ 1,664,645
Liabilities		
Accounts payable and accrued liabilities	$ 63,599	$ 55,361
Income taxes payable	6,258	2,685
Dividend payable	36,750	13,000
Premium taxes payable	8,954	8,258
Amounts due to reinsurers	31,880	34,342
Unearned reinsurance commissions	4,864	4,624
Unearned premiums (note 12)	515,646	480,153
Accrued pension liabilities (note 19)	13,502	13,539
Provision for unpaid claims (note 10)	646,473	620,719
Lease liability (note 7)	12,169	11,189
Deferred income tax liability (note 15)	458	590
	1,340,553	1,244,460
Equity		
Equity advances (note 13)	80,000	80,000
Retained earnings	424,565	340,185
Total equity	**504,565**	420,185
	$ 1,845,118	$ 1,664,645

Commitments and contingencies (note 23).
The accompanying notes are an integral part of these consolidated financial statements.
Approved by the Board of Directors and signed on their behalf on May 27, 2021.

Arlene Wiks
Director

Denis Perrault
Director

Consolidated Statement of Operations

For the years ended March 31	2021 (thousands of $)	2020 (thousands of $)
Gross premiums written	$ 1,068,623	$ 999,335
Premiums ceded to reinsurers	(58,091)	(58,927)
Net premiums written	1,010,532	940,408
Change in net unearned premiums (note 12)	(35,933)	(33,079)
Net premiums earned	**974,599**	907,329
Gross claims incurred	548,480	550,050
Ceded claims incurred	(12,610)	(7,312)
Net claims incurred (note 10)	535,870	542,738
Commissions	218,748	197,775
Administrative expenses	104,259	99,477
Premium taxes	45,001	41,931
Total claims and expenses	**903,878**	881,921
Underwriting income	**70,721**	25,408
Net investment earnings (note 14)	128,678	22,686
Income before income taxes	**199,399**	48,094
Income tax expense (recovery) (note 15)	27,271	(1,784)
Net income	**172,128**	49,878
Other comprehensive (loss) income	(748)	640
Comprehensive income	**$ 171,380**	$ 50,518

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31	(thousands of $) 2021	2020
Equity advances		
Balance, end of the year	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of the year	$ 340,185	$ 343,917
Net income	172,128	49,878
Other comprehensive (loss) income	(748)	640
Dividends	(87,000)	(54,250)
Balance, end of the year	**$ 424,565**	$ 340,185
Total equity	**$ 504,565**	$ 420,185

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31	2021 (thousands of $)	2020 (thousands of $)
Cash provided by (used for):		
Operating activities		
Comprehensive income	$ 171,380	$ 50,518
Non-cash items:		
Bond amortization	5,303	2,589
Amortization and depreciation	5,840	7,019
Net realized gains on sale of investments	(14,779)	(14,568)
Net unrealized (gains) losses on change in market value of investments	(72,641)	29,548
Interest revenue from investments	(17,223)	(19,781)
Interest expense from right-of-use assets (note 7)	205	186
Dividend revenue from investments	(822)	(875)
Income tax expense (recovery) (note 15)	27,271	(1,784)
Change in non-cash operating items (note 18)	46,258	55,091
Income taxes paid	(11,099)	(460)
	139,693	107,483
Investing activities		
Interest received	17,881	19,065
Dividends received	822	903
Purchases of investments	(1,123,192)	(1,184,638)
Proceeds on sale of investments	997,609	1,120,235
Purchases of property and equipment	(2,748)	(3,135)
Purchases of intangible assets	(1,074)	(1,240)
	(110,702)	(48,810)
Financing activities		
Dividends paid	(63,250)	(41,250)
Interest paid (note 7)	(205)	(186)
Lease liability payments (note 7)	(1,742)	(1,235)
	(65,197)	(42,671)
(Decrease) increase in cash and cash equivalents	**(36,206)**	16,002
Cash and cash equivalents, beginning of the year	85,697	69,695
Cash and cash equivalents, end of the year	**$ 49,491**	$ 85,697

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

March 31, 2021

1. Nature of Operations

Saskatchewan Government Insurance (SGI), which operates under the trade name of SGI CANADA (the Corporation), is incorporated, registered and conducts a property and casualty insurance business in the Province of Saskatchewan and in other provinces of Canada through its wholly-owned subsidiary SGI CANADA Insurance Services Ltd. (SCISL). SCISL operates directly in Alberta, Manitoba, British Columbia and Ontario. SCISL also has a wholly-owned subsidiary, Coachman Insurance Company (Coachman), that operates in Ontario. The address of the Corporation's registered head office is 2260 - 11th Avenue, Regina, SK, Canada.

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario and represent approximately 18.1% (2020 – 19.8%) of the Corporation's consolidated gross premiums written.

SGI was established as a branch of the public service by *The Government of Saskatchewan Act, 1944*, reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act*. As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SCISL and Coachman are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

2. Basis of Preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). References to IFRS are based on Canadian generally accepted accounting principles for publicly accountable enterprises as set out in Part 1 of the CPA Canada handbook. Part 1 of the CPA Canada handbook incorporates IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee.

Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis, except for financial instruments and the provision for unpaid claims and unpaid claims recoverable from reinsurers. The methods used to measure the values of financial instruments are discussed further in note 3. The provision for unpaid claims and unpaid claims recoverable from reinsurers is measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of Financial Position classification

The Consolidated Statement of Financial Position has been prepared on a non-classified basis broadly in order of liquidity.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Use of estimates and judgment

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims and unpaid claims recoverable from reinsurers (note 10), the valuation of accounts receivable (note 5), employee future benefits (note 19), deferred income taxes (note 15), investments classified as Level 3 (note 6) and the determination of length of lease terms (note 7).

The Corporation uses the simplified approach of the expected credit loss model for trade receivables with no significant financing component, which requires measuring the loss allowance at an amount equal to the lifetime expected credit losses at initial recognition and throughout its life.

COVID-19 pandemic

On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization, followed closely by state of emergency declarations in all provinces where the Corporation sells insurance. Governments at all levels reacted with stimulus to support businesses and the economy, triggering a rebound in the financial markets.

As the pandemic evolves, the extent of the continued impact on the Corporation's operating results is dependent on the effectiveness of measures being taken to contain the third wave of infections and the speed of the vaccine roll out. As a result, the Corporation's financial results will be subject to continued volatility. This additional volatility and economic uncertainty has impacted the valuation of the Corporation's accounts receivable (note 5), investments (note 6), provision for unpaid claims liabilities (note 10), unpaid claims recoverable from reinsurers (note 10) and accrued pension liabilities (note 19).

3. Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SCISL and Coachman. All inter-company accounts and transactions have been eliminated on consolidation. While Coachman and SCISL's year-ends are both December 31, their financial accounting records have been consolidated using the same fiscal period as the Corporation. The financial accounting records of the Corporation and its subsidiaries are prepared using consistent accounting policies.

Financial assets and liabilities

The measurement basis for financial assets depends on whether the financial assets have been classified as amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification requirements for financial asset debt and equity instruments are described as follows:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Financial assets that are held for collection of cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are classified as FVOCI. Financial assets classified as FVOCI are measured at fair value with changes in fair value recorded in other comprehensive income (OCI); except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument's amortized cost, which are recognized in net income. Financial assets not measured at amortized cost, or at FVOCI must be classified as FVPL. Financial assets classified as FVPL are measured at fair value and changes in fair value are recognized in net income.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, such as common shares. All equity investments are classified as FVPL, except where the Corporation has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, changes in fair value are recorded in OCI and are not subsequently reclassified to net income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, are recognized in net income when declared.

The measurement basis for financial liabilities depends on whether the financial liabilities have been classified as amortized cost or FVPL. Financial liabilities are classified as FVPL when they meet the definition of held for trading or when they are designated as such at initial recognition. Financial liabilities classified as FVPL are measured at fair value and changes in fair value are presented partially in OCI (the amount attributable to changes in credit risk of the liability) and partially in net income (the remaining amount of change in fair value of the liability). Financial liabilities not classified as FVPL are measured at amortized cost using the effective interest method, less provision for impairment losses, if any.

The Corporation has designated cash and cash equivalents and investments as FVPL. Accounts receivable are designated as amortized cost. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as amortized cost. Unpaid claims recoverable from reinsurers, amounts due to reinsurers and the provision for unpaid claims are exempt from the above requirement.

Financial assets and financial liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Income and expenses are not offset in the Consolidated Statement of Operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. There are no financial assets and financial liabilities reported as offset in these consolidated financial statements.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All fair value measurements relate to recurring measurements. Fair value measurements for investments are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3).

The three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

<u>Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities</u>

The Corporation defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of the underlying investment and trading volumes. Assets measured at fair value and classified as Level 1 include Canadian common shares and equity investment funds. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Corporation does not adjust the quoted price for such investments.

<u>Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)</u>

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments and bonds and debentures. Fair value for short-term investments and bonds and debentures is based on, or derived from, market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

Level 3 assets and liabilities include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Assets classified as Level 3 include the mortgage investment fund and real estate investment fund. The fair value of these investments is based on the Corporation's shares of the net asset value of the respective fund, as determined by its investment manager, and used to value purchases and sales of units in the investments.

The primary valuation methods used by the investment managers are as follows:

- The fair value for the mortgage investment fund is determined based on market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages (using spread-based pricing over Government of Canada bonds with a similar term to maturity), subject to adjustments for liquidity and credit risk.
- The fair value of the real estate investment fund is determined based on the most recent appraisals of the underlying properties. Real estate properties are appraised semi-annually by external, independent professional real estate appraisers who are accredited through the Appraisal Institute of Canada. Real estate appraisals are performed in accordance with generally accepted appraisal standards and procedures, and are based primarily on the discounted cash flow and income capitalization methods.
- The fair value of unquoted equity securities is determined by the income approach, through the use of discounted cash flows.

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the investment's interest rate approximates current observable market rates. Where other financial assets and financial liabilities are of longer duration, fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividend payable and premium taxes payable approximate their carrying values due to their short-term nature.

Impairment of financial assets

The Corporation's trade receivables are subject to the expected credit loss model under IFRS 9. For trade receivables, the Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Corporation considered historical default rates of past customers based on the data available at March 31, 2021.

Investments

The Corporation records investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are de-recognized when the rights to receive cash flows from them have expired, or when the Corporation has transferred substantially all risks and rewards of ownership.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not de-recognized on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the Consolidated Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the Consolidated Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Investment earnings

The Corporation recognizes interest and premium financing as earned, dividends when declared, investment fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold, and unrealized gains and losses based on changes in market value of the investments held at the year-end date. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Interest is generally receivable on a semi-annual basis.

Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non-monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current year. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

Premiums written

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract transfers significant risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written that are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of premiums relating to the unexpired term of each policy is recorded as an unearned premium liability on the Consolidated Statement of Financial Position.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs (DPAC). A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of DPAC to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all DPAC and related insurance claims and expenses. If the premium deficiency is greater than the unamortized DPAC, a liability is accrued for the excess deficiency.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the year-end date. The estimate includes the cost of reported claims, claims incurred but not reported, and an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation (PFAD) in accordance with Canadian Institute of Actuaries standards. The estimates are subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current year.

In accordance with IFRS 4, the Corporation is required to disclose actual claims experience with previous estimates for the past 10 years as at the reporting date. Historically, the Corporation's accident year for valuation purposes was on a calendar year basis as it was aligned with the Corporation's fiscal reporting year end. When the Corporation moved from a December 31 to March 31 fiscal year-end it decided to continue to complete actuarial evaluations using a January 1 to December 31 accident year.

As a result, the Corporation has elected to continue to disclose for financial reporting purposes the development of its estimated net provision for unpaid claims on the same basis of the Corporation's valuation period, being a calendar year-end, as at December 31 of each prior year. The current year loss development is shown on a 15-month basis for financial reporting purposes.

The Corporation believes that while this disclosure is not aligned with the Corporation's financial reporting period, it does provide the user of the consolidated financial statements adequate information to assess the Corporation's development of the estimated net provision for unpaid claims.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are deferred, to the extent they are recoverable, and charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months.

Reinsurance ceded

The Corporation uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect of insurance contract liabilities and their share of unearned premiums are recorded as reinsurance assets on a gross basis in the Consolidated Statement of Financial Position. Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and DPAC respectively. Insurance ceded does not relieve the Corporation of its primary obligation to policyholders.

Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Consolidated Statement of Operations.

Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting basis of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized, probable being defined as more likely than not.

Employees' future benefits

The Corporation provides a defined contribution pension plan, a defined benefit pension plan and defined benefit service recognition plans that provide retirement benefits for employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The Corporation's defined benefit pension plan is available to certain of its employees and has been closed to new membership since 1980. The plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. The plan may be indexed at the discretion of the Board of Directors. The plan is pre-funded by payments from employee and employer contributions that are made to a separately administered fund and are determined by periodic actuarial calculations taking into account the recommendations of a qualified actuary.

Responsibility for governance of the plan lies with the Corporation. The Corporation has appointed an administrator to assist with the management of the plan and experienced, independent professional experts such as investment managers, an actuary and a custodian.

Plan assets consist primarily of fixed income and equity funds and are carried at fair value. Plan assets are not available to creditors of the Corporation nor can they be paid directly to the Corporation.

For the defined benefit plan:

(i) Net interest on the accrued pension liability is recognized in net income.

(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service, and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.

(iii) The discount rate used to determine the accrued benefit obligation and the expected return on plan assets was determined by reference to market interest rates at the measurement date of high-quality debt instruments that are denominated in the currency in which the benefits will be paid, with cash flows that match the timing and amount of expected benefit payments.

(iv) Past service costs are expensed immediately.

(v) Actuarial gains and losses are recognized in OCI in the period in which they arise.

The accrued benefit asset (liability) is the fair value of plan assets out of which the obligation is to be settled directly, less the present value of the defined benefit obligation. It is restricted to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

By design, the plan exposes the Corporation to typical risks faced by defined benefit pension plans such as investment performance, changes to the discount rate used to value the obligation, longevity of plan members and future price inflation. Pension risk is managed by established policies, regular monitoring, re-evaluation and potential adjustments of policies as future events unfold.

The Corporation provides defined benefit service recognition plans for certain management and in-scope (union) employees for the purpose of providing retirement benefits. Employees in the plans are eligible for benefits at the earlier of age plus service equal to or greater than 75, or age 50. Upon retirement, employees meeting eligibility criteria receive a lump sum payment of five days for management and three days for in-scope (union) employees for each year of continuous service, less ineligible time and ineligible partial service time. A participant who dies while a member of either plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation. Effective December 31, 2011, the defined benefit service recognition plan for unionized employees was frozen for current employees and closed to new employees. Effective December 31, 2011, the defined benefit service recognition plan for management employees was closed to new employees, and current employees were provided the option to elect to remain in the plan or to receive an annual payout, commencing in 2012.

The accrued benefit obligation of the service recognition plans is funded by the Corporation as eligible employees terminate employment. The cost of the plans is determined using the projected unit credit method prorated on service. Expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

By design, the service recognition plans expose the Corporation to risks such as changes to the discount rate used to value the obligation, expected salary increases and duration of employee service. These risks are managed by established policies, regular monitoring, re-evaluation and potential adjustments of policies as future events unfold.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand, less outstanding cheques.

Property and equipment

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The Corporation has not incurred any borrowing costs attributable to property and equipment, and therefore no borrowing costs have been capitalized. Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Corporation, and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Consolidated Statement of Operations in the period in which they have been incurred.

The depreciation method being used, the useful lives of the assets and the residual values of the assets are reviewed at each reporting date.

Depreciation is recorded in operations on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Buildings and improvements	15-40 years
Building components	15-30 years
Leasehold improvements	lease term
Furniture and equipment	3-5 years

Building components consist of heating and cooling systems, elevators, roofs and parking lots. Land is not subject to depreciation and is carried at cost.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the intangible asset.

The Corporation has not incurred any borrowing costs attributable to intangible assets, and therefore no borrowing costs have been capitalized. Subsequent costs are included in the intangible asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Corporation, and the cost of the item can be reliably measured.

The amortization method being used, the useful lives of the intangible assets and residual values of the intangible assets are reviewed at each reporting period.

The intangible assets have finite useful lives and are being amortized on a straight-line basis, commencing in the year in which the asset is available to be placed in service, over their estimated useful lives of 5-10 years.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Leases

The Corporation recognizes all leases to which it is a lessee in the Consolidated Statement of Financial Position as a lease liability with a corresponding right-of-use asset, subject to recognition exemptions for certain short-term and low value leases.

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses its incremental borrowing rate for similar terms at the start date of the lease term. The lease term includes the non-cancellable period of the lease along with any periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and any periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentives receivable, and exclude operational costs and variable lease payments. The lease liability is subsequently measured at amortized cost using the effective interest method.

The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payments made or initial direct costs incurred at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The Corporation does not recognize right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Provisions and contingent liabilities

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Structured settlements

In the normal course of claim adjudication, the Corporation settles certain long-term claim losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Consolidated Statement of Operations at the date of the purchase and the related claim liabilities are de-recognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes net actuarial gains (losses) on the employee defined benefit pension plan and service recognition plans. These items of OCI are not reclassified subsequently to net income.

Future accounting policy change

The following future change to accounting standards will have applicability to the Corporation:

IFRS 17 – Insurance Contracts

IFRS 17 was issued in May 2017 and will replace IFRS 4. The intent of the standard is to establish consistent recognition, measurement, presentation and disclosure principles to provide relevant and comparable reporting of insurance contracts across jurisdictions.

The standard requires entities to measure insurance contract liabilities as the risk-adjusted present value of the cash flows plus the contractual service margin, which represents the unearned profit the entity will recognize as future service is provided. This is referred to as the general model. Expedients are specified, provided the insurance contracts meet certain conditions. If, at initial recognition or subsequently, the contractual service margin becomes negative, the contract is considered onerous and the excess is recognized immediately in the Consolidated Statement of Operations. The standard also includes significant changes to the presentation and disclosure of insurance contracts within entities' financial statements.

IFRS 17 applies to annual periods beginning on or after January 1, 2023. The standard is to be applied retrospectively unless impracticable, in which case a modified retrospective approach or fair value approach is to be used for transition. The standard represents a comprehensive IFRS accounting model for insurance contracts and is expected to have a significant impact on financial reporting of insurers. The Corporation is evaluating the impact this standard will have on the consolidated financial statements.

4. Cash and Cash Equivalents

	(thousands of $)	
	2021	2020
Money market investments	$ 26,984	$ 84,954
Cash, net of outstanding cheques	22,507	743
Total cash and cash equivalents	$ 49,491	$ 85,697

The average effective interest rate on money market investments is 0.2% (2020 – 1.5%).

5. Accounts Receivable

Accounts receivable is comprised of the following:

	(thousands of $)	
	2021	2020
Due from insureds	$ 191,381	$ 180,769
Due from brokers	69,087	58,820
Amounts recoverable on claims paid	37,140	30,188
Other	7,208	5,279
Accrued investment income	3,599	4,344
Due from reinsurers	3,580	3,656
Facility Association (note 21)	3,425	3,355
Due from Saskatchewan Auto Fund (note 20)	–	4,233
	315,420	290,644
Less: Allowance for doubtful accounts (note 16)	(34,181)	(23,946)
Total accounts receivable	$ 281,239	$ 266,698
Current	$ 254,469	$ 248,700
Non-current	26,770	17,998
	$ 281,239	$ 266,698

Included in due from insureds is $178.1 million (2020 – $168.4 million) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment earnings that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized in investment earnings using the effective interest method. The effective interest rate for Ontario automobile policies is 3.5% (2020 – 3.5%), all other premiums have an effective interest rate of 8.0% (2020 – 8.0%).

Due from brokers includes loans receivable with a carrying value of $28.9 million (2020 – $19.4 million). The loans require monthly, semi-annual, or annual repayments with terms ranging between one to 15 years. The loans accrue interest at rates ranging from 0.0% to 6.5% (2020 – 0.0% to 6.5%) and are secured by general security agreements. The loans are recorded at their amortized cost, which is considered to be equal to their fair value.

The Corporation applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The impact of COVID-19 was considered when determining the expected credit losses and the provision for the allowance for doubtful accounts has increased as a result.

6. Investments

The carrying and fair values of the Corporation's investments are as follows:

	(thousands of $)	
	2021	2020
Short-term investments	$ 163,153	$ 64,268
Bonds and debentures	305,732	640,752
Canadian common shares	32,055	26,175
Investment funds:		
Canadian equity	30,132	15,666
Global equity	179,959	122,617
Global small cap equity	36,425	20,589
Mortgage	143,630	132,612
Real estate	59,219	59,838
	950,305	1,082,517
Investments under securities lending program		
Bonds and debentures	334,289	–
Canadian common shares	5,623	–
	339,912	–
Total investments	$ 1,290,217	$ 1,082,517

Details of significant terms and conditions are as follows:

Short-term investments

Short-term investments are comprised of money market investments with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 0.1% (2020 – 1.4%) and an average remaining term to maturity of 91 days (2020 – 124 days).

Bonds and debentures

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	(thousands of $)					
	2021			2020		
Term to maturity (years)		Carrying Value	Average Effective Rates (%)		Carrying Value	Average Effective Rates (%)
Government of Canada:						
After one through five	$	177,721	0.7	$	206,836	0.9
Canadian provincial and municipal:						
One or less		76,856	0.2		–	–
After one through five		92,809	1.1		104,400	1.0
Canadian corporate:						
One or less		29,735	0.8		63,667	2.1
After one through five		205,356	1.0		227,241	2.7
After five		57,544	2.1		38,608	2.7
Total bonds and debentures	$	640,021		$	640,752	

Canadian common shares

Common shares have no fixed maturity dates. The average effective dividend rate is 2.4% (2020 – 3.6%).

Investment funds

The Corporation owns units in equity funds, a mortgage investment fund and a real estate investment fund. These investment funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At March 31, 2021, the Corporation held collateral of $356.9 million (2020 – nil) for the loaned securities.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

	(thousands of $)			
	2021			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 163,153	$ –	$ 163,153
Bonds and debentures	–	640,021	–	640,021
Canadian common shares	34,678	–	3,000	37,678
Investment funds:				
Canadian equity	30,132	–	–	30,132
Global equity	179,959	–	–	179,959
Global small cap equity	36,425	–	–	36,425
Mortgage	–	–	143,630	143,630
Real estate	–	–	59,219	59,219
Total investments	$ 281,194	$ 803,174	$ 205,849	$ 1,290,217

	(thousands of $)			
	2020			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 64,268	$ –	$ 64,268
Bonds and debentures	–	640,752	–	640,752
Canadian common shares	23,175	–	3,000	26,175
Investment funds:				
Canadian equity	15,666	–	–	15,666
Global equity	122,617	–	–	122,617
Global small cap equity	20,589	–	–	20,589
Mortgage	–	–	132,612	132,612
Real estate	–	–	59,838	59,838
Total investments	$ 182,047	$ 705,020	$ 195,450	$ 1,082,517

The Corporation's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

A reconciliation of Level 3 investments is as follows:

	(thousands of $)	
	2021	2020
Level 3 investments, beginning of the year	$ 195,450	$ 176,184
Add: Additions during the year		
Mortgage investment fund	14,056	30,444
Real estate investment fund	7,164	2,000
Less: Disposals during the year		
Mortgage investment fund	(3,492)	(14,175)
Real estate investment fund	(5,710)	(1,835)
Net unrealized (losses) gains	(1,619)	2,832
Level 3 investments, end of the year	$ 205,849	$ 195,450

Investment in the mortgage investment fund and the real estate investment fund are valued using the Corporation's share of the net asset value of the respective fund as at March 31, 2021.

During the year ended March 31, 2021, no investments were transferred between levels.

The continued impact of COVID-19 has been reflected in the valuation of Level 3 investments through adjustments to the discount rate and expected cash flows.

7. Leases

At March 31, 2021, the Corporation held 18 real estate leases, including 14 in Saskatchewan, one in Edmonton, one in Winnipeg, and two in Toronto. The leases have various expiry dates ranging from October 2021 to January 2031.

Information about the leases is presented below:

Right-of-use assets

	(thousands of $)	
	2021	2020
Balance, beginning of the year	$ 10,924	$ –
Right-of-use assets:		
Additions	2,856	12,424
Disposals	(264)	–
Accumulated depreciation:		
Depreciation	(2,044)	(1,500)
Disposals	132	–
Balance, end of the year	$ 11,604	$ 10,924

Lease liabilities

	(thousands of $)	
	2021	2020
Contractual undiscounted cash flows		
One year or less	$ 2,260	$ 1,776
Between one and five years	6,892	7,346
Greater than five years	3,982	3,074
Total undiscounted lease liabilities	$ 13,134	$ 12,196
Discounted lease liabilities included in the Consolidated Statement of Financial Position	$ 12,169	$ 11,189

Amounts recognized in profit or loss

	(thousands of $)	
	2021	2020
Interest on lease liabilities	$ 205	$ 186
Variable lease payment expenses	1,955	934
Expenses related to low value leases	185	153
Expenses related to leases with less than a year remaining at transition	–	396
	$ 2,345	$ 1,669

Amounts recognized in the statement of cash flows

	(thousands of $)	
	2021	2020
Interest paid on lease liabilities	$ 205	$ 186
Lease liability principal payments	1,742	1,235
Total cash outflow for leases	$ 1,947	$ 1,421

The Corporation's leases contain extension options exercisable by the Corporation. Where practicable, the Corporation seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Corporation and not by the lessors. The Corporation assesses at lease commencement date whether it is reasonably certain to exercise extension options. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in the circumstances within its control.

8. Property and Equipment

The components of the Corporation's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

	(thousands of $)				
	2021				
	Land	Buildings & Improvements	Building Components	Furniture & Equipment	Total
Cost:					
Beginning of the year	$ 3,000	$ 25,789	$ 13,071	$ 44,613	$ 86,473
Additions	–	1,549	(16)	1,298	2,831
Disposals	–	–	–	(11,651)	(11,651)
Transfers in (out)	–	2,718	–	(4,454)	(1,736)
End of the year	3,000	30,056	13,055	29,806	75,917
Accumulated depreciation:					
Beginning of the year	–	24,042	9,028	37,251	70,321
Depreciation	–	521	672	2,347	3,540
Disposals	–	–	–	(11,568)	(11,568)
Transfers in (out)	–	37	–	(1,804)	(1,767)
End of the year	–	24,600	9,700	26,226	60,526
Net book value, end of the year	$ 3,000	$ 5,456	$ 3,355	$ 3,580	$ 15,391

	(thousands of $)				
	2020				
	Land	Buildings & Improvements	Building Components	Furniture & Equipment	Total
Cost:					
Beginning of the year	$ 3,000	$ 25,036	$ 13,103	$ 42,265	$ 83,404
Additions	–	753	(32)	2,414	3,135
Disposals	–	–	–	(66)	(66)
Transfers in (out)	–	–	–	–	–
End of the year	3,000	25,789	13,071	44,613	86,473
Accumulated depreciation:					
Beginning of the year	–	22,101	7,886	34,881	64,868
Depreciation	–	1,941	1,142	2,436	5,519
Disposals	–	–	–	(66)	(66)
Transfers in (out)	–	–	–	–	–
End of the year	–	24,042	9,028	37,251	70,321
Net book value, end of the year	$ 3,000	$ 1,747	$ 4,043	$ 7,362	$ 16,152

On April 1, 2020, leasehold improvements of $2.7 million, and the related accumulated amortization, were transferred from the Saskatchewan Auto Fund to SGI CANADA.

During the year the Corporation transferred an asset originally classified as equipment to intangible assets.

Depreciation for the year is $3.5 million (2020 – $5.5 million), of which $0.6 million (2020 – $1.8 million) is charged to the Saskatchewan Auto Fund for related space usage. Depreciation is included in administrative expenses on the Consolidated Statement of Operations. When an asset has been disposed, its original cost is removed from the consolidated financial statements along with any accumulated depreciation related to that asset.

9. Intangible Assets

The Corporation's intangible assets consist of software applications that have been externally developed for sole use by the Corporation. The components of those intangible assets, as well as the related accumulated amortization, are as follows:

	(thousands of $)	
	2021	2020
Cost:		
Beginning of the year	$ 1,240	$ –
Additions	1,074	1,240
Transfers in	4,454	–
End of the year	6,768	1,240
Accumulated amortization:		
Beginning of the year	–	–
Amortization	256	–
Transfers in	1,804	–
End of the year	2,060	–
Net book value, end of the year	$ 4,708	$ 1,240

10. Claims Incurred and Provision for Unpaid Claims

Net claims incurred

	(thousands of $)					
	2021			2020		
	Current year	Prior years	Total	Current year	Prior years	Total
Gross claims incurred	$ 548,869	$ (389)	$ 548,480	$ 574,371	$ (24,321)	$ 550,050
Ceded claims incurred	(10,038)	(2,572)	(12,610)	(8,020)	708	(7,312)
Net claims incurred	$ 538,831	$ (2,961)	$ 535,870	$ 566,351	$ (23,613)	$ 542,738

Current year claims relate to events that occurred in the current financial year. Prior year claims incurred relate to adjustments for the reassessment of the estimated cost for claim events that occurred in all previous financial periods.

Ceded claims incurred represent an estimate of the recoverable cost of those claims transferred to the Corporation's various reinsurers pursuant to reinsurance contracts (note 16).

Net provision for unpaid claims

	(thousands of $) 2021	2020
Beginning of the year:		
Net unpaid claims – discounted	$ 593,984	$ 559,040
PFAD and discount	(38,531)	(20,181)
Net unpaid claims – undiscounted	555,453	538,859
Net unpaid claims, preceding accident year – undiscounted	(82,954)	(88,943)
Net unpaid claims, prior years, beginning of the year – undiscounted	472,499	449,916
Payments made during the year relating to prior year claims	(166,282)	(164,011)
Excess relating to prior year estimated unpaid claims	(2,961)	(23,613)
Net unpaid claims, prior years – undiscounted	303,256	262,292
Net unpaid claims, current year		
Preceding accident year	185,724	210,207
Current accident year	97,769	82,954
Net unpaid claims, end of the year – undiscounted	586,749	555,453
PFAD and discount, end of the year	37,681	38,531
Net unpaid claims, end of the year – discounted	$ 624,430	$ 593,984

The net provision for unpaid claims is summarized as follows:

Net unpaid claims

	(thousands of $) Gross Unpaid Claims		Reinsurance Recoverable		Net Unpaid Claims	
	2021	2020	2021	2020	2021	2020
Provision for reported claims, undiscounted	$ 431,097	$ 404,408	$ 19,139	$ 21,638	$ 411,958	$ 382,770
Provision for claims incurred but not reported	176,825	175,324	2,034	2,641	174,791	172,683
PFAD	55,740	52,189	(318)	2,468	56,058	49,721
Effects of discounting	(17,189)	(11,202)	1,188	(12)	(18,377)	(11,190)
	$ 646,473	$ 620,719	$ 22,043	$ 26,735	$ 624,430	$ 593,984

Management believes that the unpaid claims provision is appropriately established in the aggregate and is adequate to cover the ultimate net cost on a discounted basis. The determination of this provision, which includes unpaid claims, adjustment expenses and expected salvage and subrogation, requires an assessment of future claims development. This assessment takes into account the consistency of the Corporation's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claims arise and the delay inherent in claims reporting. This provision is an estimate and as such is subject to variability that may arise from future events, such as the receipt of additional claims information, changes in judicial interpretation of contracts or significant changes in frequency and severity of claims. This estimate is principally based on the Corporation's historical experience and may be revised as additional experience becomes available. Any such changes would be reflected in the Consolidated Statement of Operations for the period in which the change occurred.

The provision for unpaid claims and unpaid claims recoverable from reinsurers are carried on a discounted basis to reflect the time value of money. In that respect, the Corporation determines the discount rate based upon the expected return of the bond investments that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 1.13% (2020 – 1.54%). The resulting carrying amounts are considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

In relation to COVID-19, the Corporation collected data currently available to estimate the potential impact. A set of assumptions were selected and applied to the actuarial methods in the determination of the claims liabilities reserve.

Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the life insurers' default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at March 31, 2021, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurers from which it has purchased annuities. The net present value of the scheduled payments as of the year-end date is $65.4 million (2020 – $66.4 million). The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Corporation considers the possibility of default to be remote.

11. Deferred Policy Acquisition Costs (DPAC)

	(thousands of $)	
	2021	2020
DPAC, beginning of the year	$ 113,038	$ 104,140
Acquisition costs deferred during the year	225,329	210,986
Amortization of deferred acquisition costs	(215,811)	(202,076)
Change in premium deficiency	319	(12)
DPAC, end of the year	$ 122,875	$ 113,038

12. Unearned Premiums

	(thousands of $)					
	Gross Unearned Premiums		Reinsurers' Share of Unearned Premiums		Net Unearned Premiums	
	2021	2020	2021	2020	2021	2020
Unearned premiums, beginning of the year	$ 480,153	$ 444,116	$ 39,309	$ 36,351	$ 440,844	$ 407,765
Premiums written	1,068,623	999,335	58,091	58,927	1,010,532	940,408
Premiums earned	(1,033,130)	(963,298)	(58,531)	(55,969)	(974,599)	(907,329)
Change in net unearned premiums	35,493	36,037	(440)	2,958	35,933	33,079
Unearned premiums, end of the year	$ 515,646	$ 480,153	$ 38,869	$ 39,309	$ 476,777	$ 440,844

13. Equity Advances

The Corporation does not have share capital. However, the Corporation has received equity advances from its parent, CIC, to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

14. Net Investment Earnings

Components of net investment earnings are as follows:

	(thousands of $)	
	2021	2020
Net unrealized gains (losses) on change in market value of investments	$ 72,641	$ (29,548)
Investment fund distributions	21,039	13,040
Net realized gains on sale of investments	14,750	14,597
Interest and other	13,012	17,996
Premium financing	8,936	8,107
Dividends	822	875
Total investment earnings	131,200	25,067
Investment expenses	(2,522)	(2,381)
Net investment earnings	$ 128,678	$ 22,686

Details of the net unrealized gains (losses) on change in market value of investments are as follows:

	(thousands of $)	
	2021	2020
Bonds and debentures	$ 3,080	$ (2,357)
Canadian common shares	9,164	(5,828)
Investment funds:		
Canadian equity	7,238	(4,674)
Global equity	41,448	(13,288)
Global small cap equity	13,330	(6,233)
Mortgage	454	(1,402)
Real estate	(2,073)	4,234
Total net unrealized gains (losses)	$ 72,641	$ (29,548)

15. Income Taxes

The Corporation's provision for income taxes is as follows:

	(thousands of $)	
	2021	2020
Current	$ 14,670	$ 1,818
Deferred	12,601	(3,602)
Income tax expense (recovery)	$ 27,271	$ (1,784)

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes.

The reasons for the differences are as follows:

	(thousands of $)	
	2021	2020
Income before income taxes	$ 199,399	$ 48,094
Combined federal and provincial tax rate	26.15%	27.10%
Computed tax expense based on combined rate	$ 52,143	$ 13,033
(Increase) decrease resulting from:		
Investment earnings not subject to taxation	(23,799)	(14,994)
Other	(1,073)	177
Income tax expense (recovery)	$ 27,271	$ (1,784)

The combined federal and provincial tax rate is calculated by taking the federal tax rate added to the tax rate of the individual provinces on the basis of the pro rata share of premiums written from each jurisdiction. During the year ended March 31, 2021, there has been a slight decrease in the combined tax rate to 26.15% from 27.10%.

All income taxes payable are due within one year.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

Deferred income tax asset

	(thousands of $)			
	Provision for Unpaid Claims	Other	Tax Loss Carryforward	Total
At March 31, 2019	$ 4,756	$ 48	$ 9,116	$ 13,920
Credit reflected in income tax expense	78	4	3,406	3,488
At March 31, 2020	4,834	52	12,522	17,408
(Charge) credit reflected in income tax expense	(265)	54	(12,522)	(12,733)
At March 31, 2021	$ 4,569	$ 106	$ –	$ 4,675

Deferred income tax liability

	(thousands of $)		
	Unpaid Claims Recoverable from Reinsurers	Other	Total
At March 31, 2019	$ 666	$ 38	$ 704
(Credit) charge reflected in income tax expense	(171)	57	(114)
At March 31, 2020	495	95	590
(Credit) charge reflected in income tax expense	(234)	102	(132)
At March 31, 2021	$ 261	$ 197	$ 458

The Corporation expects that the deferred tax asset will be realized in the normal course of operations.

During the fiscal year, the Corporation used up all loss carryforward balances.

16. Insurance and Financial Risk Management

The Corporation has established an enterprise risk management policy. The Board of Directors approved this policy and management is responsible for ensuring it is properly maintained and implemented. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting from management.

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also result in significant financial risks, as the Corporation's Consolidated Statement of Financial Position consists primarily of financial instruments. Financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance risk

Underwriting risk

The Corporation manages insurance risk through underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

Diversification

The Corporation writes property, liability and motor risks over a 12-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products.

The concentration of insurance risk by region and line of business is summarized below by reference to gross premiums written:

	(thousands of $)				
March 31, 2021	**Automobile**	**Personal Property**	**Commercial Property**	**Liability**	**Total**
Saskatchewan	$ 186,598	$ 325,015	$ 70,591	$ 40,845	$ 623,049
Ontario	94,780	23,463	7,591	6,702	132,536
Alberta	99,008	69,164	13,480	10,640	192,292
Manitoba	–	29,814	13,936	5,609	49,359
British Columbia	–	59,080	8,876	3,431	71,387
Total	$ 380,386	$ 506,536	$ 114,474	$ 67,227	$1,068,623

	(thousands of $)				
March 31, 2020	**Automobile**	**Personal Property**	**Commercial Property**	**Liability**	**Total**
Saskatchewan	$ 178,460	$ 302,202	$ 61,371	$ 39,484	$ 581,517
Ontario	99,580	20,514	5,780	5,180	131,054
Alberta	98,668	64,529	15,086	10,896	189,179
Manitoba	–	25,151	11,985	4,957	42,093
British Columbia	–	45,462	6,902	3,128	55,492
Total	$ 376,708	$ 457,858	$ 101,124	$ 63,645	$ 999,335

The concentration of insurance risk by line of business is summarized below by reference to unpaid claim liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	2021	2020	2021	2020	2021	2020
Automobile	$ 284,334	$ 310,702	$ 6,308	$ 9,607	$ 278,026	$ 301,095
Personal property	169,555	133,460	7,525	8,653	162,030	124,807
Commercial property	39,575	37,629	5,460	5,094	34,115	32,535
Liability	97,254	81,488	1,880	925	95,374	80,563
Assumed	2,378	3,176	–	–	2,378	3,176
PFAD and discounting	38,551	40,987	870	2,456	37,681	38,531
Facility Association (note 21)	14,826	13,277	–	–	14,826	13,277
Total	$ 646,473	$ 620,719	$ 22,043	$ 26,735	$ 624,430	$ 593,984

The concentration of insurance risk by region is summarized below by reference to unpaid claim liabilities:

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	2021	2020	2021	2020	2021	2020
Saskatchewan	$ 292,953	$ 250,734	$ 8,956	$ 13,963	$ 283,997	$ 236,771
Ontario	146,519	166,009	5,203	9,776	141,316	156,233
Alberta	162,229	164,165	4,487	2,788	157,742	161,377
Manitoba	23,583	16,973	3,242	(47)	20,341	17,020
British Columbia	19,854	20,814	155	255	19,699	20,559
Maritimes	1,335	2,024	–	–	1,335	2,024
Total	$ 646,473	$ 620,719	$ 22,043	$ 26,735	$ 624,430	$ 593,984

Reinsurance

The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss, on a calendar year as follows:

	(thousands of $)	
	2021	2020
Dwelling and farm property	$ 1,750	$ 1,500
Unlicensed vehicles	1,750	1,500
Commercial property	1,750	1,500
Automobile and general liability	1,750	1,500

In addition, the Corporation carries property and auto physical damage catastrophe reinsurance limiting combined exposure to $20.0 million per event (subject to an annual aggregate deductible of $20.0 million).

While the Corporation utilizes reinsurance, it is still exposed to reinsurance risk. Reinsurance risk is the risk of financial loss due to inadequacies in reinsurance coverage or the default of a reinsurer. The Corporation evaluates and monitors financial condition of its reinsurers to minimize exposure to significant losses from reinsurer insolvency.

The following table sets out the amount by which reinsurance ceded has reduced the premiums earned, claims incurred, commissions, administrative expenses and premium taxes.

	(thousands of $)	
	2021	2020
Premiums earned	$ 58,531	$ 55,969
Claims incurred	12,610	7,312
Commissions, administrative expenses and premium taxes	6,025	5,255

Actuarial risk

Establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances, and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the year-end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, characteristics of each class of business, claim severity and frequency, effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

The following tables show the development of the estimated net provision for unpaid claims relative to the current estimate of ultimate claims costs for the 10 most recent accident years as estimated at each reporting date.

	(thousands of $)									
	January 1 – December 31									Jan 1, 2020 – Mar 31,
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2021**
Net Ultimate Loss										
At end of accident year	$ 258,366	$ 228,674	$ 293,023	$ 314,683	$ 345,276	$ 365,571	$ 438,198	$ 466,312	$ 499,735	$ 588,377
One year later	251,481	222,271	282,681	295,363	326,329	346,922	433,188	462,429	486,587	
Two years later	245,906	214,131	274,536	289,673	317,749	339,332	424,961	454,146		
Three years later	241,873	210,624	272,049	287,339	321,180	336,138	419,982			
Four years later	240,756	208,699	270,925	286,092	318,542	335,303				
Five years later	239,437	208,184	271,522	283,417	318,822					
Six years later	239,455	209,821	270,769	282,576						
Seven years later	239,038	208,594	270,312							
Eight years later	238,130	208,962								
Nine years later	237,168									
Cumulative loss development	$ (21,198)	$ (19,712)	$ (22,711)	$ (32,107)	$ (26,454)	$ (30,268)	$ (18,216)	$ (12,166)	$ (13,148)	n/a
Cumulative loss development as a % of original ultimate loss	(8.2%)	(8.6%)	(7.8%)	(10.2%)	(7.7%)	(8.3%)	(4.2%)	(2.6%)	(2.6%)	n/a

The Corporation has a March 31 fiscal year end, however actuarial valuations are performed using a January 1 – December 31 accident year. As such, the shaded net ultimate losses are as at December 31 and the non-shaded net ultimate losses are as at March 31.

	(thousands of $)										
	January 1 – December 31									Jan 1, 2020 – Mar 31,	
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2021**	**Total**
Current estimate of net ultimate loss	$ 237,168	$ 208,962	$ 270,312	$ 282,576	$ 318,822	$ 335,303	$ 419,982	$ 454,146	$ 486,587	$ 588,377	$3,602,235
Cumulative paid	(235,094)	(205,463)	(265,438)	(271,377)	(305,519)	(319,940)	(396,865)	(409,489)	(398,488)	(331,393)	(3,139,066)
Net provision for unpaid claims	$ 2,074	$ 3,499	$ 4,874	$ 11,199	$ 13,303	$ 15,363	$ 23,117	$ 44,657	$ 88,099	$ 256,984	463,169
Net undiscounted claims outstanding for accident years 2010 and prior											34,398
Internal reinsurance to subsidiaries											11,077
Provision for adverse deviation and discounting											37,681
Loss adjusting expense reserve											18,739
Subrogation recoveries											36,606
Unpaid Facility Association claims											14,826
Assumed reinsurance											1,230
Health levies											833
Other reconciling items											5,871
Net provision for unpaid claims											$ 624,430

The Corporation's estimated sensitivity of its provision for unpaid claims to changes in best estimate assumptions in the unpaid claims liabilities is as follows:

		(thousands of $)	
		Change to Net Provision for Unpaid Claims	
Assumption	Sensitivity	2021	2020
Discount rate	+100 bps	$ (16,619)	$ (16,153)
Discount rate	- 100 bps	16,619	16,153

The net provision for unpaid claims refers to the provision for unpaid claims net of unpaid claims recoverable from reinsurers. The method used for deriving this sensitivity information did not change from the prior period.

Financial risk

The nature of the Corporation's operations result in a Consolidated Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors. The SIP&G provides guidelines to the investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Corporation receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from customers, brokers and reinsurers) and certain investments.

The maximum credit risk to which the Corporation is exposed is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	2021	2020
Cash and cash equivalents	$ 49,491	$ 85,697
Accounts receivable	281,239	266,698
Fixed income investments[1]	946,804	837,632
Unpaid claims recoverable from reinsurers	22,043	26,735

[1] Includes short-term investments, bonds and debentures and mortgage investment fund

In addition, the Corporation is exposed to credit risk associated with its structured settlements as described separately in the notes to the consolidated financial statements.

Cash and cash equivalents include money market investments of $27.0 million plus cash on hand, net of outstanding cheques, of $22.5 million (2020 – money market investments of $85.0 million plus cash on hand, net of outstanding cheques, of $0.7 million). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable generally consist of balances outstanding for one year or less.

	(thousands of $)	
	2021	2020
Current	$ 277,712	$ 261,236
30 – 59 days	2,426	3,580
60 – 90 days	1,760	691
Greater than 90 days	33,522	25,137
Subtotal	315,420	290,644
Allowance for doubtful accounts	(34,181)	(23,946)
Total accounts receivable	$ 281,239	$ 266,698

The Corporation applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted. The allowance mainly relates to amounts outstanding greater than 90 days. The impact of COVID-19 has been included in the determination of the allowance for doubtful accounts in accordance with IFRS 9.

Details of the allowance account are as follows:

	(thousands of $)	
	2021	2020
Allowance for doubtful accounts, beginning of the year	$ 23,946	$ 18,799
Accounts written off	(3,949)	(4,606)
Current period provision	14,184	9,753
Allowance for doubtful accounts, end of the year	$ 34,181	$ 23,946

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Corporation of its primary obligation to the policyholder. Reinsurers are typically required to have a minimum financial strength rating of A- at the inception of the treaty; rating agencies used are A.M. Best and Standard & Poor's. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk within investments is related primarily to short-term investments, bonds and debentures and mortgage investment fund. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for the bond and debenture investments are as follows:

	2021		2020	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 193,673	30.3	$ 206,835	32.3
AA	268,956	42.0	193,498	30.2
A	113,891	17.8	147,691	23.0
BBB	63,501	9.9	92,728	14.5
Total	$ 640,021	100.0	$ 640,752	100.0

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

The unit value of the mortgage investment fund is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the mortgage investment fund. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	(thousands of $)			
	100 basis point increase		100 basis point decrease	
	2021	2020	2021	2020
Net investment earnings	$ (20,195)	$ (19,599)	$ 20,195	$ 19,599
Net claims incurred	(16,619)	(16,153)	16,619	16,153
Income (loss) before income taxes	(3,576)	(3,446)	3,576	3,446

Foreign exchange risk

The investment policy defines maximum limits to exchange rate sensitive assets within the investment portfolio. The following table indicates the exposure to exchange rate sensitive assets and provides the sensitivity to a 10% appreciation/depreciation in the Canadian dollar and the corresponding decrease/increase in net income and retained earnings:

	2021		
Asset Class	**Maximum Exposure (%)**	**Current Exposure (%)**	**10% change in exchange rates (thousands of $)**
Global equities	16.0	13.9	$ 17,996
Global small cap equities	4.0	2.8	3,643

	2020		
Asset Class	**Maximum Exposure (%)**	**Current Exposure (%)**	**10% change in exchange rates (thousands of $)**
Global equities	16.0	11.3	$ 12,262
Global small cap equities	4.0	1.9	2,059

As the global equity funds are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income. There is no exposure to foreign exchange risk within the Corporation's bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers. The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 21.8% (2020 – 16.8%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. It is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

	(thousands of $)	
Asset Class	**2021**	**2020**
Canadian equities	$ +/- 12,444	$ +/- 7,458
Global equities	+/- 36,532	+/- 24,891
Global small cap equities	+/- 11,197	+/- 4,875

The Corporation's equity investments are classified as fair value through profit and loss and any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claim liabilities, are short-term in nature and due within one year. The Corporation generally maintains positive overall cash flow through cash generated from operations and investing activities.

The following tables summarize the estimated contractual timings of cash flows on an undiscounted basis arising from the Corporation's financial assets and liabilities:

	(thousands of $)							
	March 31, 2021							
	Carrying amount	Total	No stated maturity	0 – 6 months	7 – 12 months	1 – 2 years	3 – 5 years	More than 5 years
Financial assets								
Cash and cash equivalents	$ 49,491	$ 49,491	$ –	$ 49,491	$ –	$ –	$ –	$ –
Accounts receivable	281,239	281,239	–	204,701	49,768	5,260	8,875	12,635
Investments	1,290,217	1,290,217	487,043	247,562	22,182	262,449	213,437	57,544
Unpaid claims recoverable from reinsurers	22,043	21,172	–	5,941	3,563	3,630	4,938	3,100
	$1,642,990	$1,642,119	$ 487,043	$ 507,695	$ 75,513	$ 271,339	$ 227,250	$ 73,279
Financial liabilities								
Accounts payable and accrued liabilities	$ 63,599	$ 63,599	$ 36,165	$ 27,434	$ –	$ –	$ –	$ –
Dividend payable	36,750	36,750	–	36,750	–	–	–	–
Premium taxes payable	8,954	8,954	–	8,954	–	–	–	–
Amounts due to reinsurers	31,880	31,880	–	31,880	–	–	–	–
Accrued pension liabilities	13,502	13,502	13,502	–	–	–	–	–
Provision for unpaid claims	646,473	607,922	–	169,345	94,970	95,428	138,598	109,581
Lease liability	12,169	13,134	–	1,172	1,088	4,018	2,873	3,983
	$ 813,327	$ 775,741	$ 49,667	$ 275,535	$ 96,058	$ 99,446	$ 141,471	$ 113,564

	(thousands of $)							
	March 31, 2020							
	Carrying amount	Total	No stated maturity	0 – 6 months	7 – 12 months	1 – 2 years	3 – 5 years	More than 5 years
Financial assets								
Cash and cash equivalents	$ 85,697	$ 85,697	$ –	$ 85,697	$ –	$ –	$ –	$ –
Accounts receivable	266,698	266,698	–	202,028	46,672	3,145	5,311	9,542
Investments	1,082,517	1,082,517	377,497	51,493	76,442	251,092	287,385	38,608
Unpaid claims recoverable from reinsurers	26,735	24,279	–	8,900	3,972	3,595	5,295	2,517
	$1,461,647	$1,459,191	$ 377,497	$ 348,118	$ 127,086	$ 257,832	$ 297,991	$ 50,667
Financial liabilities								
Accounts payable and accrued liabilities	$ 55,361	$ 55,361	$ 25,278	$ 30,083	$ –	$ –	$ –	$ –
Dividend payable	13,000	13,000	–	13,000	–	–	–	–
Premium taxes payable	8,258	8,258	–	8,258	–	–	–	–
Amounts due to reinsurers	34,342	34,342	–	34,330	12	–	–	–
Accrued pension liabilities	13,539	13,539	13,539	–	–	–	–	–
Provision for unpaid claims	620,719	579,733	–	164,480	86,540	87,235	135,016	106,462
Lease liability	11,189	12,196	–	842	934	3,631	3,715	3,074
	$ 756,408	$ 716,429	$ 38,817	$ 250,993	$ 87,486	$ 90,866	$ 138,731	$ 109,536

The estimated contractual maturities related to lease liabilities excludes the net effect of discounting of $1.0 million (2020 - $1.0 million) (note 7). The estimated contractual maturities related to the unpaid claims recoverable from reinsurers excludes the net effect of discounting and PFAD of $0.9 million (2020 – $2.5 million) (note 10). The estimated contractual maturities related to the provision for unpaid claims excludes the net effect of discounting and PFAD of $38.6 million (2020 – $41.0 million) (note 10).

17. Capital Management

The Corporation's primary objectives when managing capital are to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the year.

The Corporation is not a regulated insurer; however, its subsidiaries, SCISL and Coachman, are subject to rate regulation related to their automobile premiums and solvency regulation from the provincial regulators in Saskatchewan and Ontario respectively. Although not federally regulated, the Corporation has chosen to follow the guidance provided by the Office of the Superintendent of Financial Institutions (OSFI) in determining and monitoring capital targets.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

The Board of Directors approved capital management policies for the Corporation, and each of its subsidiaries, prepared in accordance with Guideline A-4, *Regulatory Capital and Internal Capital Targets*, which OSFI issued in January 2014. The policies establish internal MCT targets, in excess of 150%, which are used by the regulators as minimum targets for supervisory purposes. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets. The Corporation and its subsidiaries maintain MCTs in excess of their internal targets. The Corporation's MCT as at March 31, 2021 was 242% relative to its internal target MCT of 213%.

18. Change in Non-Cash Operating Items

The change in non-cash operating items is comprised of the following:

	(thousands of $)	
	2021	**2020**
Accounts receivable	$ (15,199)	$ (9,561)
Unpaid claims recoverable from reinsurers	4,692	17,591
Reinsurers' share of unearned premiums	440	(2,958)
Deferred policy acquisition costs	(9,837)	(8,898)
Prepaids	921	(2,238)
Accounts payable and accrued liabilities	5,557	8,543
Premium taxes payable	696	25
Amounts due to reinsurers	(2,462)	850
Unearned reinsurance commissions	240	344
Unearned premiums	35,493	36,037
Accrued pension liabilities	(37)	(1,997)
Provision for unpaid claims	25,754	17,353
Total change in non-cash operating items	$ 46,258	$ 55,091

19. Employee Salaries and Benefits

The Corporation incurs salary and retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefit costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the Consolidated Statement of Operations.

Total salary and benefits expenses incurred during the year are as follows:

	(thousands of $)	
	2021	2020
Salaries	$ 162,097	$ 154,853
Defined contribution pension plan	9,669	9,173
Defined benefit pension plan	151	52
Defined benefit service recognition plans	508	645
Other benefits	23,183	25,984
Total salaries and benefits	195,608	190,707
Less: Allocation to Saskatchewan Auto Fund	(108,592)	(109,032)
Salaries and benefits in SGI CANADA	$ 87,016	$ 81,675

Defined contribution pension plan

The Corporation has employees who are members of the Public Employees Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to contributions made on behalf of employees for their current service.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2019.

Results from the last actuarial valuation have been projected to March 31, 2021. The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

The major assumptions used in the projection, are as follows:

Economic assumptions	2021	2020
Discount rate – beginning of the year	3.60%	3.10%
Discount rate – end of the year	2.90%	3.60%
Inflation rate	2.00%	2.00%
Expected salary increase	n/a	n/a
Remaining service life of active members, in years (EARSL)	n/a	n/a
Last actuarial valuation	Dec. 31/19	Dec. 31/16

Corporate bond yields increased to anomalously high levels in March 2020 driven by concerns surrounding credit risk given the economic impacts of COVID-19. With intervention from the Bank of Canada (purchase of corporate bond in both primary and secondary market) providing direct support to the corporate credit markets, credit spreads tightened through the balance of the 2020 calendar year. In the first three months of the 2021 calendar year, bond yields had a swift upward trajectory driven by the sharp increases in the Government of Canada Bond Yields. However, with steps taken by the federal government and general optimism surrounding the rollout of vaccines there was greater confidence in the creditworthiness of corporate issuers and so credit spreads continued to decline.

Changes in the assumptions would impact the accrued benefit obligation as follows:

	(thousands of $)			
	1% Increase		1% Decrease	
	2021	2020	2021	2020
Discount rate	$ (2,339)	$ (2,351)	$ 2,770	$ 2,790
Post-retirement indexing	453	471	n/a	n/a

The weighted average duration of the accrued benefit obligation is 9.6 years (2020 – 9.6 years). An increase in the average life expectancy of a pensioner by one year is estimated to increase the accrued benefit obligation by approximately $1.5 million (2020 – $1.3 million).

The asset allocation of the defined benefit pension plan assets is as follows:

		Percent of Plan Assets at	
Asset Category	**Benchmark**	**2021**	**2020**
Short-term investments	5%	5%	2%
Bonds and debentures	75%	74%	69%
Canadian equities	8%	9%	11%
U.S. equities	6%	6%	9%
Non-North American equities	6%	6%	9%

The total fund asset mix benchmark weights are to be maintained within the following ranges at all times; a range of +/- 2% for Canadian equities, U.S. equities, non-North American equities and short-term investments, and a range of +/- 5% for bonds and debentures

The movements in the defined benefit obligation are as follows:

	(thousands of $)	
Accrued benefit obligation	**2021**	**2020**
Accrued benefit obligation, beginning of the year	$ 24,916	$ 29,003
Employee contributions	2	1
Interest cost	736	928
Benefits paid	(2,201)	(3,602)
Actuarial loss (gain) on assumption changes	1,643	(1,414)
Accrued benefit obligation, end of the year	$ 25,096	$ 24,916

The movements in the fair value of pension plan assets are as follows:

	(thousands of $)	
Plan assets	**2021**	**2020**
Fair value of plan assets, beginning of the year	$ 26,814	$ 30,231
Interest income	585	876
Return on plan assets, excluding interest income	1,751	(692)
Employee contributions	2	1
Benefits paid	(2,201)	(3,602)
Fair value of plan assets, end of the year	$ 26,951	$ 26,814

	(thousands of $)	
Accrued pension asset	**2021**	**2020**
Accrued benefit obligation	$ 25,096	$ 24,916
Fair value of plan assets	26,951	26,814
Net plan asset	1,855	1,898
Valuation allowance	(1,855)	(1,898)
Accrued pension asset	$ –	$ –

Pension expense for the defined benefit pension plan is as follows:

	(thousands of $)	
	2021	**2020**
Interest cost	$ 151	$ 52
Pension expense	$ 151	$ 52

Defined benefit service recognition plans

Current service costs of the service recognition plans are charged to operations on the basis of actuarial valuations performed annually as at December 31. Results from the latest valuations have been projected to March 31. The actuarial valuations are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimates, therefore, involve risks that the actual amount may differ materially from the estimate. Significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation are:

	2021	**2020**
Discount rate	2.80%	3.60%
Expected salary increase	3.00%	3.00%
Inflation rate	2.00%	2.00%
Termination rate	0.60%	0.60%
EARSL – management	12	12
EARSL – in-scope	10	10

Corporate bond yields increased to anomalously high levels in March 2020 driven by concerns surrounding credit risk given the economic impacts of COVID-19. With intervention from the Bank of Canada (purchase of corporate bond in both primary and secondary market) providing direct support to the corporate credit markets, credit spreads tightened through the balance of the 2020 calendar year. In the first three months of the 2021 calendar year, bond yields had a swift upward trajectory driven by the sharp increases in the Government of Canada Bond Yields. However, with steps taken by the federal government and general optimism surrounding the rollout of vaccines there was greater confidence in the creditworthiness of corporate issuers and so credit spreads continued to decline.

Changes in the assumptions would impact the accrued benefit obligation as follows:

	(thousands of $)			
	1% Increase		1% Decrease	
	2021	2020	2021	2020
Discount rate	$ (938)	$ (920)	$ 1,090	$ 1,065
Expected salary increase	1,068	1,051	(938)	(926)
Inflation rate	(10)	(2)	10	2
Termination rate	(969)	(956)	647	637

The weighted average duration of the accrued benefit obligation is 6.9 years (2020 – 6.6 years).

Information about the defined benefit service recognition plans is as follows:

	(thousands of $)	
Accrued benefit obligation	2021	2020
Accrued benefit obligation, beginning of the year	$ 13,539	$ 15,536
Current service cost	120	170
Interest cost	388	475
Benefits paid	(1,451)	(2,080)
Experience loss (gain)	906	(562)
Accrued benefit obligation, end of the year	$ 13,502	$ 13,539

Pension expense for the defined benefit service recognition plan is as follows:

	(thousands of $)	
	2021	2020
Current service cost	$ 120	$ 170
Interest cost	388	475
Pension expense	$ 508	$ 645

During the year ended March 31, 2021, $0.3 million (2020 – $0.4 million) of the pension expense was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $0.2 million (2020 – $0.2 million) of pension expense in administrative expenses on the Consolidated Statement of Operations.

The Corporation incurs retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and defined benefit service recognition plans. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it. These amounts are recovered by the Corporation as part of its cost allocation process.

20. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties were conducted in the normal course of business and recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures*, which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

The Corporation acts as administrator of the Saskatchewan Auto Fund. Administrative and loss adjustment expenses incurred by the Corporation are allocated to the Saskatchewan Auto Fund directly or on the basis of specific allocations. Amounts incurred by the Corporation and charged to the Saskatchewan Auto Fund were $164.8 million (2020 – $172.3 million) and accounts payable were $6.2 million (2020 – accounts receivable $4.2 million).

All transactions with the defined benefit pension plan, the defined contribution pension plan and the defined benefit service recognition plans are related party transactions by virtue of the plans being created for the benefit of the Corporation's employees.

Key management personnel

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include the Board of Directors, the President and Chief Executive Officer and Executive Vice Presidents of the Corporation.

Key management personnel compensation is comprised of:

	(thousands of $)	
	2021	**2020**
Salaries and benefits	$ 3,130	$ 2,975
Post-employment benefits	40	35
Contributions to defined contribution plan	193	179
	$ 3,363	$ 3,189

During the year, $1.6 million of the key management personnel expenses (2020 – $1.8 million) was allocated to the Saskatchewan Auto Fund.

Other related party transactions are described separately in the notes to the consolidated financial statements.

21. Facility Association Participation

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds. Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $)	
	2021	2020
Gross premiums written	$ 12,360	$ 12,236
Net premiums earned	$ 12,089	$ 10,882
Net claims incurred	9,585	9,320
Commissions	20	358
Premium taxes	464	423
Administrative expenses	2,996	2,972
Total claims and expenses	13,065	13,073
Underwriting loss	(976)	(2,191)
Investment earnings	33	72
Net loss	$ (943)	$ (2,119)
Facility Association receivable	$ 3,425	$ 3,355
Unearned premiums	5,409	5,139
Facility Association payable	1,524	1,524
Provision for unpaid claims	14,826	13,277

22. Select Operating Information

The Corporation provides property and casualty insurance directly in Saskatchewan, and through its subsidiaries, SCISL operating in Alberta, Manitoba, Ontario and British Columbia, and Coachman operating in Ontario. The performance of each subsidiary is reported separately to the Corporation's Board of Directors.

The product offerings vary across the jurisdictions, but all products offered are considered property and casualty insurance.

	(thousands of $)				
	March 31, 2021				
	Saskatchewan	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 588,707	$ 396,880	$ 24,945	$ –	$1,010,532
Net premiums earned	$ 566,987	$ 382,835	$ 24,777	$ –	$ 974,599
Net claims incurred	336,397	198,732	741	–	535,870
Other expenses	213,970	142,852	7,523	3,663	368,008
Underwriting income	16,620	41,251	16,513	(3,663)	70,721
Net investment earnings	72,608	40,558	15,512	–	128,678
Income before income taxes	89,228	81,809	32,025	(3,663)	199,399
Income tax expense	–	19,977	8,193	(899)	27,271
Net income	$ 89,228	$ 61,832	$ 23,832	$ (2,764)	$ 172,128
Total assets	$1,240,297	$ 839,734	$ 174,005	$ (408,918)	$1,845,118
Total liabilities	$ 735,732	$ 544,392	$ 98,094	$ (37,665)	$1,340,553
Shareholder's equity	$ 504,565	$ 295,342	$ 75,911	$ (371,253)	$ 504,565

	(thousands of $)				
	March 31, 2020				
	Saskatchewan	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 547,493	$ 367,480	$ 25,435	$ –	$ 940,408
Net premiums earned	$ 530,470	$ 351,230	$ 25,629	$ –	$ 907,329
Net claims incurred	281,939	249,793	11,006	–	542,738
Other expenses	201,010	130,390	8,576	(793)	339,183
Underwriting income (loss)	47,521	(28,953)	6,047	793	25,408
Net investment earnings	12,578	7,227	2,881	–	22,686
Income (loss) before income taxes	60,099	(21,726)	8,928	793	48,094
Income tax (recovery) expense	–	(4,313)	2,529	–	(1,784)
Net income (loss)	$ 60,099	$ (17,413)	$ 6,399	$ 793	$ 49,878
Total assets	$1,063,624	$ 709,945	$ 199,417	$ (308,341)	$1,664,645
Total liabilities	$ 646,204	$ 507,267	$ 127,338	$ (36,349)	$1,244,460
Shareholder's equity	$ 417,420	$ 202,678	$ 72,079	$ (271,992)	$ 420,185

23. Commitments and Contingencies

The Corporation's operating lease and systems contractual commitments are as follows:

	(thousands of $)					
Commitments	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Thereafter**
Systems contracts	$ 1,290	$ 1,229	$ 822	$ 502	$ 464	$ –

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that litigation will not have a significant effect on the financial position or results of operations of the Corporation.

In addition, the effects of the COVID-19 pandemic related to emerging coverage issues and claims (class action lawsuits related to business interruption coverage) could negatively impact the Corporation's provision for unpaid claims liabilities. The Corporation's commercial insurance policies do not provide business interruption coverage in the context of a closure due to COVID-19 as direct physical loss or damage is required to trigger this coverage. In the event that these cases result in a significant judgment against the Corporation, the resulting liability could be material. Based on information currently known, the Corporation does not believe that the outcome of these cases will have a material impact on the consolidated financial statements.

24. Comparative Information

Certain comparative figures have been reclassified to conform to the current year's presentation.

Glossary of Terms

Broker	A person who negotiates insurance policies on behalf of the insurance company, receiving a commission from the insurance company for policies placed and other services rendered.
Casualty insurance	One of the three main groups of insurance products (the others are life insurance and property insurance). This type of insurance is primarily concerned with losses caused by injuries to others than the policyholder and the resulting legal liability imposed on the insured.
Catastrophe reinsurance	A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.
Cede, Cedant, Ceding company	An insurance company that transfers some or all of the risks in active policies to another company cedes its business. The company transferring its risks is known as the cedant or ceding company.
Claims incurred	The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in IBNR reserve for the same period of time.
Combined ratio	A measure of total expenses (claims and administration) in relation to net premiums earned as determined in accordance with GAAP. If this ratio is below 100%, there was a profit from underwriting activities, while over 100% represents a loss from underwriting.
Facility Association	Participation in automobile risk-sharing pools whereby P&C insurance companies share resources to provide insurance coverage to high-risk individuals or businesses.
GAAP	Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.
Gross premiums written (GPW)	Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.
IBNR reserve	Abbreviation for "incurred but not reported." A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.
IFRS	International Financial Reporting Standards. These are global accounting standards issued by the International Accounting Standards Board (IASB), including interpretations of the International Financial Reporting Interpretations Committee (IFRIC).
Loss ratio (Claims ratio)	Claims incurred net of reinsurance expressed as a percentage of net premiums earned for a specified period of time.
Minimum Capital Test (MCT)	A solvency ratio used by regulators to assess a company's financial strength. This ratio measures capital requirements in relation to the degree of risk undertaken by a particular company.

Net premiums earned (NPE)	The portion of net premiums written that is recognized for accounting purposes as revenue during a period.
Net premiums written (NPW)	Gross premiums written for a given period of time less premiums ceded to reinsurers during such period.
Net risk ratio (NRR)	A ratio of net premiums written to equity. This ratio indicates the ability of a company's financial resources to withstand adverse underwriting results. The regulatory guideline is a ratio of 3.0 or lower.
Premium	The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims.
Premium tax	A tax collected by insurance companies from policyholders and paid to various provincial and territorial governments. It is calculated as a percentage of gross premiums written.
Property insurance	One of the three main groups of insurance products (the others are life insurance and casualty insurance). This type of insurance provides coverage to a policyholder for an insurable interest in tangible property for property loss, damage or loss of use.
Redundancy & deficiency	Claim reserves are constantly re-evaluated. An increase in a reserve from the original estimate is a deficiency, while a decrease to the original reserve is called a redundancy.
Reinsurance	In its simplest form, insurance for an insurance company. It is an agreement where the reinsurer agrees to indemnify the ceding company against all or a portion of the insurance or reinsurance risk underwritten by the ceding company under one or more policies.
Reinsurer	A company that purchases the cedant risk in the reinsurance contract.
Underwriting	The process of reviewing applications submitted for insurance coverage, deciding whether to insure all or part of the coverage requested and calculating the related premium for the coverage offered.
Underwriting capacity	The maximum amount that a company can underwrite. It is based on retained earnings and investment capital held by the company. Using reinsurance allows a company to increase its underwriting capacity as it reduces the company's exposure to particular risks.
Underwriting income/loss	The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and all general and administrative expenses.
Unearned premiums	The difference between net premiums written and net premiums earned. It reflects the net premiums written for that portion of the term of its insurance policies that are deferred to subsequent accounting periods.

Governance

Please visit the SGI CANADA website at www.sgicanada.ca for information on governance for SGI CANADA, including:

- governance guidelines
- Board of Directors' photos and bios, committee members, frequency of meetings and terms of reference
- SGI CANADA executives' photos and bios

In Memoriam

Kevin Brown, an Auto Mechanic at Moose Jaw Salvage, brought his extensive experience as a journeyman mechanic to SGI when he joined the company in 2004. His work was meticulous and thorough, and he was always ready to lend a hand to help co-workers. His selflessness extended to his wife, Kim, and their two children, Colton and Caylin. Kevin enjoyed a good game of cribbage on coffee breaks, but cars were his world, work and play. Kevin and Kim shared a passion for cars, enjoying their 1936 Ford coupe and their pride and joy – their courting car, a 1975 Pontiac Firebird.

Allan Sinden, a Clerk 2 in Corporate Mail Services, was a kind, gentle person who had a great sense of humour and got along famously with his team. His love for his family was clear to everyone who met him. Allan and his wife, Karen, were proud of their daughter, Carli, and her partner Jessica. Allan and Karen became grandparents in September 2019 when Carli and Jessica had Alexander Allan. Alex was Allan's pride and joy and he shared many pictures of him around the office.