Saskatchewan Auto Fund

Annual Report 2021–22

Take care out there.

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 the Saskatchewan Auto Fund

The Saskatchewan Auto Fund is the province's compulsory auto insurance program, operating the driver's licensing and vehicle registration system. The Auto Fund is designed to be financially self-sustaining over time. It does not receive money from, nor pay dividends to, the Government of Saskatchewan. Saskatchewan Government Insurance (SGI) is the administrator of the Auto Fund.

2021-22 SASKATCHEWAN AUTO FUND ANNUAL REPORT

Contents

Letter of Transmittal

Regina, Saskatchewan
July 2022

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

May it please Your Honour:

I have the honour to submit herewith the annual report of the Saskatchewan Auto Fund for the fiscal year ending March 31, 2022, in accordance with *The Automobile Accident 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,

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

President and Chair's Message

The Saskatchewan Auto Fund maintained a stable financial position in 2021-22, while also prioritizing safety and security. This last year came with challenges as the world resumed operations with uncertainty lingering from a global pandemic. Still, SGI pressed on, promoting traffic safety, offering well-run programs and services, and affordable pricing for customers. We're not just insurance. We're making a difference on our roads and in the lives of Saskatchewan people with a deep-rooted, prairie-driven commitment.

Financially, things remained on track. SGI's diversified investment portfolio helped reduce the impact of unpredictable investment markets on the Auto Fund, which earned $108.7 million. This allowed us to put money in the pockets of Saskatchewan people in the form of a rebate – our second rebate in two years. This time, SGI returned $89.3 million to eligible vehicle owners. The Auto Fund remains financially stable, and SGI continues to offer the lowest personal auto insurance rates in Canada for the most comprehensive coverage.

After considering the rebate, the Rate Stabilization Reserve (RSR) lost $38.9 million during the year but remains financially strong with a year-end balance of $1.1 billion.

In 2021-22, people were getting back on the roads and back into the world, which meant underwriting losses returned to pre-pandemic levels. As we enter a new fiscal year, we're seeing rising inflation, which is increasing the cost of vehicle repairs. We expect inflationary pressures to continue in the coming year, along with global supply chain issues impacting the availability of auto parts for vehicle repairs.

On Aug. 31 and Sept. 1, 2021, a catastrophic storm roared through southern Saskatchewan, bringing flash flooding, large hail, and damaging wind. The storm prompted SGI staff to jump into action, assessing thousands of storm-related vehicle damage claims. This was no small feat and highlighted the professionalism of SGI's hard-working and dedicated employees. This also proved to be an excellent test of SGI's robust reinsurance program, which covered most of the damage, minimizing the impact on the RSR.

We're pleased to report that the Safe Driver Recognition and Business Recognition programs rewarded safe drivers with $160.9 million in discounts in 2021-22. SGI also invested in Saskatchewan communities with 210 traffic safety projects funded by the Provincial Traffic Safety Fund Grant, including everything from digital speed signs to solar-powered streetlights to stop signs in Indigenous languages. These initiatives are encouraging drivers to help us reach our goal of making our roads the safest in Canada.

SGI has promoted traffic safety for more than 75 years, and the statistics show Saskatchewan roads are becoming safer. While even one death is too many, it's encouraging to see fewer roadway fatalities in our province. Preliminary numbers show 87 people lost their lives in road collisions in 2021 in Saskatchewan, which continues a downward trend in the number of traffic deaths on Saskatchewan roads.

While progress is being made, there is still more work to do. Impaired driving continues to be the top contributing factor in roadway fatalities. Reminding people to plan a safe ride home remains a priority for SGI, and this important work is being recognized by our partners. In 2021, SGI was named MADD Canada's Citizen of Distinction.

This important work can't be done alone. Our law enforcement partners play a crucial role in stopping people from making unsafe driving choices. Last year, SGI provided funding for high-visibility check stops, automated licence plate readers, and the Combined Traffic Services Saskatchewan (CTSS) program. CTSS officers target impaired driving, speeding, and distracted driving at high-risk locations, in alignment with SGI's traffic safety priorities.

We're also committed to working with Indigenous communities on shared traffic concerns. We deeply value our partnership with five tribal councils. Together, we offered ATV and snowmobile safety courses, helped purchase signs that encourage safe driving in northern communities, offered car seat safety presentations, and supported positive ticketing events. It will be exciting to see where this important work takes SGI and its partners in the future.

Customer experience scores remained strong throughout 2021-22. SGI had a combined score of 72.2 in our annual survey to assess the quality of our customer experience. This score is based on customers' perceptions of having their needs met, ease of interacting with the company, and how the company made them feel. This score is one of the highest in the Canadian insurance industry.

With the customer experience in mind, we tested a new way of handling claims using a team-based approach, cutting down on customer wait times when they had questions for their adjuster. The pilot was so successful, we'll be rolling out the new model to the rest of the province next year. We also implemented new accreditation requirements for repair shops to ensure customers' vehicles are repaired safely.

We've made great strides on our journey to evolve the way we do business through a multi-faceted corporate transformation strategy designed to ensure the company's long-term success. Our focus is on customer experience as we work to upgrade our business processes, procedures, and partner relations to become a more modern insurer, offering more digital options for our customers.

As a part of this journey, SGI is partnering with consulting, risk management, and technology providers. These partnerships will be vital in building new platforms to support registration, licensing, education and training, regulator, and traffic safety services, creating jobs in Saskatchewan's IT and consulting sectors. Our transformation business case was approved in March 2022 by Crown Investments Corporation, and the first phases of implementation will begin in 2023.

In 2021, we developed a five-year plan to increase diversity and inclusion by reducing barriers and biases to employment and career development. This initiative will ensure SGI continues to attract the talent, skills, innovation, and leadership it needs for the future.

This past year builds on the successes of many previous years and the insightful guidance we've been provided. We acknowledge the excellent leadership and vision of our outgoing President and CEO Andrew Cartmell, who successfully lead the company for more than 12 years, seeing it through technological, organizational, and cultural changes; ensuring a healthy RSR and profits year after year; keeping employees and customers safe through the start and continuation of a pandemic; and implementing many traffic safety initiatives and campaigns to make Saskatchewan roads safer. Our new President and CEO Penny McCune is a 36-year employee with extensive knowledge in both Auto Fund and SGI CANADA operations. She has led multiple divisions in key strategic leadership roles and is the company's first female President and CEO.

In 2021, we also said goodbye with thanks and gratitude to Arlene Wiks, for her many years of service as SGI's Chair of the Board of Directors (from 2013 to 2021), and to outgoing board members Pina Melchionna, Patricia Cook and Ngee Cau. We also welcomed new board members Mike Levine, Irene Seiferling and Allison Ziegler.

The success of the Auto Fund reflects the dedication and perseverance of our employees and motor licence issuers, who make what we do possible. While we're going through a time of immense change – with a transformation journey and recovery from a global pandemic – they continue to dig in and make sure we stay true to our mission to provide exceptional value and traffic safety leadership to Saskatchewan people.

Jeff Stepan
Interim President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

Denis Perrault
Chair, SGI Board of Directors

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) is the responsibility of Saskatchewan Government Insurance (SGI) as the administrator of the Saskatchewan Auto Fund and reflects events known to SGI to May 25, 2022. 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 at www.sgi.sk.ca. The Board of Directors approved this MD&A at its meeting on May 26, 2022, 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 the Saskatchewan Auto Fund (the Auto Fund) financial statements with insight into the Auto Fund and the environment in which it operates. This section outlines strategies and the capability to execute the strategies, key performance drivers, capital and liquidity, financial results, risk management and an outlook for the coming year. Information contained in the MD&A should be read in conjunction with the financial statements and notes to the financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars.

Caution Regarding Forward-Looking Statements

Forward-looking statements include, among others, statements regarding the Auto Fund's objectives, strategies and capabilities to achieve them. Forward-looking statements are based on estimates and assumptions made by SGI, as the administrator of the Auto Fund, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. SGI, as the administrator of the Auto Fund, 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 Auto Fund. Undue reliance should not be placed on the Auto Fund's forward-looking statements, which apply only as of the date of this MD&A document. The Auto Fund does not undertake to update any of the forward-looking statements that may be made from time to time by or on the Auto Fund's or the administrator's behalf.

The Saskatchewan Auto Fund

In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. SGI was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many insurers out of the province. Less than 10% of licensed Saskatchewan vehicles carried any insurance and there was a need for a compensation plan for persons injured in collisions.

In 1946, the government established basic compulsory automobile coverage for Saskatchewan residents under *The Automobile Accident Insurance Act* (AAIA). The Auto Fund was established effective January 1, 1984, by an amendment to the AAIA, which separated the property and casualty insurance operations of SGI and the compulsory Auto Fund. The administrator of the Auto Fund is SGI. The role of SGI, as the administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan based on the legislative requirements contained in the AAIA.

The Auto Fund, as the compulsory automobile insurance program for Saskatchewan residents, provides vehicle registrations, driver's licences, basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. Liability insurance provides for a specific amount to cover property damage and/or injuries caused to another person. The compulsory insurance package also includes injury coverage that provides an option to choose between No Fault Coverage and Tort Coverage. This basic insurance package allows a currently registered vehicle to operate legally anywhere in Canada or the United States of America.

The Auto Fund is governed by legislation contained in the AAIA, *The Traffic Safety Act*, *The All Terrain Vehicles Act*, *The Snowmobile Act* and *The Vehicles for Hire Act* (the Acts) along with related regulations created by these Acts. The Auto Fund is also subject to legislation contained in *The Crown Corporations Act, 1993*, Part IX of the *Insurance Companies Act* (Canada) regarding the investments of the Auto Fund and *The Saskatchewan Government Insurance Act*. It is subject to provincial privacy and access to information legislation contained in *The Freedom of Information and Protection of Privacy Act* and *The Health Information Protection Act*. It also has administrative, enforcement and other related duties under other provincial acts and regulations, and under the federal Criminal Code.

The Auto Fund does not receive money from, nor pay dividends to, the Province of Saskatchewan, SGI or Crown Investments Corporation of Saskatchewan (CIC). CIC is SGI's parent corporation. The Auto Fund is operated on a self-sustaining basis viewed over a long-term time frame. Any annual financial excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and cannot be used for any other purpose by the government or the administrator.

Financial results for the Auto Fund are not included in the consolidated financial statements of SGI nor CIC's consolidated financial statements, as the Auto Fund is a fund of the Province of Saskatchewan. Financial results for the Auto Fund are included in the Province of Saskatchewan's summary financial statements using the modified equity accounting method as required by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The Auto Fund operates 18 claims centres and six salvage centres in 13 communities across the province. The Auto Fund's business operation is restricted to the Province of Saskatchewan and is operated from SGI's head office and Regina's Operations Centre located in Regina, Saskatchewan.

The Auto Fund's quarterly and annual reports are available on SGI's website at www.sgi.sk.ca. Navigate to "About Us" and then click on "Financial Statements."

The Environment the Auto Fund Operates In

The Auto Fund's customers are Saskatchewan residents. It provides all residents with automobile injury coverage and a choice between a no-fault or tort product. As the sole provider of vehicle and driver's licensing in Saskatchewan, the Auto Fund operates based on legislative powers granted in the Acts. The Auto Fund is required to submit vehicle insurance rate changes to the Saskatchewan Rate Review Panel (SRRP), whose mandate is to evaluate the rate change and to provide an opinion on the fairness and reasonableness of the requested change. The SRRP does not have the authority to implement any of its recommendations; the final decision to approve, change or reject rate changes is at the discretion of the provincial government.

The Auto Fund provides vehicle registrations, driver's licences and related services to approximately 800,000 drivers and approximately 1.2 million vehicles and trailers in Saskatchewan. Business partners include independent motor licence issuers, autobody repairers, law enforcement agencies and healthcare providers. These business partners are involved in different aspects of the Auto Fund's operations from licensing, road safety and repair of damaged vehicles, to provision of medical care and rehabilitative services for those injured in motor vehicle collisions.

The Auto Fund's philosophy is that all drivers are treated equally unless their driving record shows they are a greater risk for causing a collision. It does not use a driver's age, gender or where they live to determine a vehicle insurance premium or the fee for a driver's licence. It has successfully maintained this philosophy while offering Saskatchewan customers low rates, proving its merit.

While it has been successful at offering Saskatchewan residents low rates, the Auto Fund does face challenges. Claim costs represented 79.8% of the Auto Fund's costs in 2021-22. Over the last 10 years, auto damage claim costs have increased at an average annual rate of 4.8%, while personal injury costs have increased at 1.2% annually on average.

New and advanced technology means that newer vehicles are more expensive to repair than older ones, as they have more expensive parts. As a result, the average cost of a damage claim continues to climb as repair costs increase. The number of damage claims also increased this year compared to last, with the two major causes being the large hail and wind storm that occurred in the City of Regina at the end of August 2021 and the increased number of vehicles being on the road as the economy began to open back up after the slowdown that resulted due to the COVID-19 pandemic.

The number of injury claims also increased this year with the higher number of vehicles and drivers back on the road. Injury claim costs are significant to the Auto Fund and continue to be monitored closely.

The Auto Fund continues to offer Safe Driver Recognition (SDR) and Business Recognition (BR) programs. These programs have been in place since 2002 and 2004 respectively. The SDR program places all drivers on a safety rating scale based on their driving history. The maximum discount available under the SDR program is 25%. The BR program rewards businesses that maintain good loss experience with discounts on their vehicle insurance. The BR maximum discount available is 15% and the BR maximum surcharge is 25%. These discounts represented $160.9 million of savings to customers (2021 – $156.9 million).

Strategic Direction

The Auto Fund's vision, mission and values are:

Vision

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

Mission

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

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 the Auto Fund's current strategy. As the Auto Fund navigated its transformation journey throughout 2021-22, it focused on:

- maintaining low, stable auto insurance rates;
- maintaining a positive customer experience;
- preventing deaths, injuries and property damage caused by traffic collisions;
- improving long-term efficiency; and,
- improving change management and leadership effectiveness.

The Auto Fund uses a balanced scorecard approach to monitor performance towards these corporate goals and provide a balanced evaluation of key financial and operational results. The Auto Fund'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 Auto Fund's corporate strategies.

Financial

The Auto Fund measures financial performance through its ability to maintain low, stable rates:

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Low, stable auto insurance rates			
Average personal auto insurance rates in Canada	Lowest two	● Lowest	Lowest two
12-month rolling Minimum Capital Test	174%	● 176%	161%

Legend: ● achieved ○ not achieved

Low, stable rates

As a public auto insurer, maintaining low and stable insurance rates is critical to providing a positive customer experience and remaining relevant. Public insurance companies exist to provide affordable coverage to residents.

The Auto Fund completes regular cross-Canada rate comparisons to determine how much a vehicle owner would pay for auto insurance in other Canadian provinces (specifically British Columbia, Alberta, Manitoba and Ontario) given their current vehicle, driving record and claim history. The Auto Fund aims to maintain among the lowest personal auto insurance rates in Canada, without compromising other important targets, such as the Minimum Capital Test. The Auto Fund achieved this in 2021-22 with the lowest personal auto rates in Canada.

The Auto Fund's ability to maintain stable rates is linked to its capital adequacy and ability to honour its financial obligations. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premium increases for their auto insurance. The Auto Fund uses a common property and casualty industry measurement called the Minimum Capital Test (MCT) to monitor the adequacy of the RSR. The MCT is a 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 Auto Fund's 12-month rolling average MCT score of 176% was above the 2021-22 target of 174% and the long-term goal of 140%.
At March 31, 2022, the actual MCT was 149%.

Customer

The Auto Fund evaluates success with customers by its ability to provide them with a positive experience and improve traffic safety throughout the province:

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Customer experience			
Customer experience index	71	● 72	72
Traffic safety*			
Injuries per 100,000 population	387.3	○ 388.6	378.0
Fatalities per 100,000 population	8.0	● 7.4	7.2

Legend: ● achieved ○ not achieved

*Injuries and fatalities are based on calendar year. Injuries and fatalities reported are those occurring during the period from January 1, 2021 to December 31, 2021 and reported as of April 30, 2022. The population is based on Statistics Canada's January 2021 population data.

Customer experience

With a focus on enhancing the overall experience being provided to customers, the corporation uses a customer experience index to assess customers' perceptions of their relationship with the corporation. A combined Auto Fund and SGI CANADA score is used, as Saskatchewan customers do not differentiate between the two corporations. A score of 72 was achieved, exceeding the 2021-22 target of 71.

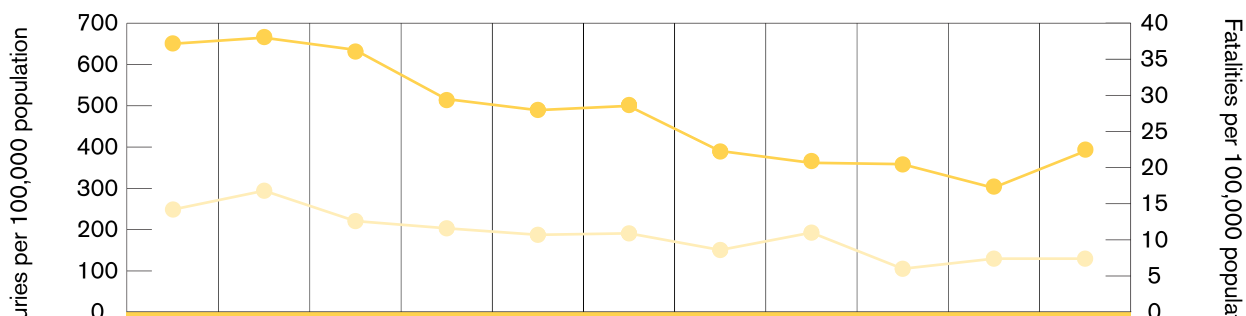
Traffic safety

Customers value the Auto Fund's role in promoting traffic safety in the province. Over the years, SGI has evolved into a national leader in the area of road safety programs. The Auto Fund's traffic safety goals are simple and clear – prevent deaths and injuries due to traffic collisions by addressing driver, vehicle and road safety issues. As fewer collisions result in lower claim costs, work in this area also supports the goal of maintaining low rates.

The Auto Fund would ultimately like Saskatchewan's roads to be the safest in Canada. The 2021-22 targets were 387.3 injuries and 8.0 fatalities per 100,000 population. The Auto Fund, and the people of Saskatchewan, achieved the targeted reduction in fatalities with 7.4 fatalities per 100,000 population. The targeted reduction in injuries was narrowly missed with 388.6 per 100,000 population.

The following graph shows injuries and fatalities per 100,000 population over the last ten years:

Traffic injuries and fatalities in Saskatchewan



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Injuries	650.1	664.9	635.6	516.4	489.4	499.7	390.7	361.9	358.7	301.4	389.4
Fatalities	14.2	16.8	12.6	11.6	10.7	10.9	8.6	11.0	6.0	7.4	7.4

Internal processes

Efficiency is key to assessing the success of the Auto Fund's internal processes:

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Efficiency			
Administrative expense ratio	8.2%	○ 9.0%	9.7%

Legend: ● achieved ○ not achieved

Note: To eliminate potential volatility related to corporate transformation expenses, external digital transformation costs are excluded from the Auto Fund's administrative expense ratio on the balanced scorecard. The amounts discussed below exclude the impact of external digital transformation costs.

Efficiency

Efficiency is assessed based on the Auto Fund's administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. Administrative expenses are largely related to salaries and benefits, information technology and facilities costs. For the measure, external costs related to the systems transformation project have been removed from both the target and result. The Auto Fund did not achieve its target, realizing a 9.0% administrative expense ratio (9.3% when the impact of external digital transformation costs are included).

Organizational Capacity

The Auto Fund's success depends on its employees and their ability to deliver on its corporate strategy:

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Change management and leadership effectiveness			
Employee engagement	64%	● 64%	64%
Change management index	61%	○ 60%	61%
Leadership effectiveness index	72%	○ 69%	70%

Legend: ● achieved ○ not achieved

Change management and leadership effectiveness

While the Auto Fund 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 the Auto Fund and SGI CANADA. SGI met the employee engagement target and narrowly missed the change management and leadership effectiveness targets.

Capability to execute strategies

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are employees, motor licence issuers, technology and systems, and capital and liquidity. They are discussed further below:

Employees

SGI 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.

SGI 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 SGI'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.

Motor licence issuers

The Auto Fund provides accessibility for customers by distributing products through a network of 355 independent motor licence issuers in 262 communities across Saskatchewan, and six SGI branch offices throughout the province. The majority of motor licence issuers' interests are represented by the Insurance Brokers' Association of Saskatchewan. The relationship between the Auto Fund and motor licence issuers is governed by an Issuer Accord. The accord is intended to enhance the working relationship resulting in improved service to customers. Included in the accord are agreed-upon principles, such as fostering better communication between both groups, recognizing the value of each other's roles to provide service to Saskatchewan people and partnering on traffic safety programs.

Technology and systems

The Auto Fund relies on technology and information systems to deliver products and services to the motoring public. It operates using a sophisticated information system that gives it the flexibility to respond to customer needs and industry changes. The Auto Fund's products are widely accessible to customers through an online system in issuing offices throughout the province, and customers can perform many transactions through MySGI online services. As part of the Auto Fund's corporate transformation, it is exploring options to further enhance its core systems.

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 SGI flexibility in how it operates and how it responds to business challenges, such as COVID-19.

Capital and liquidity

As the Auto Fund belongs to the Province of Saskatchewan, legislation restricts how it can raise capital and mandates the benefits available to policyholders. The Auto Fund does not pay dividends to, nor receive money from, the province or SGI, the administrator of the Auto Fund. The Auto Fund cannot go to public capital markets to issue debt or common shares. Since these traditional avenues for capital are not available to sustain the Auto Fund, it uses premiums and fees from operations, along with income generated from its investment portfolio, to fund operations. If premiums, fees and investment income are not sufficient to sustain operations, it must increase rates. The SRRP reviews rate changes and then passes on recommendations to the provincial government, which has the final authority to approve, modify or reject rate changes.

A key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the RSR gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims or a decrease in capital markets occurs, thereby protecting customers against unpredictable premium increases for their auto insurance. The Auto Fund uses the MCT to establish a target for the RSR.

The Auto Fund maintains a Capital Management Policy that applies a factor to move towards its MCT operating target of 140% in small increments with each rate program. The policy determines the amount of capital adjustment needed with each rate program by applying a factor to either recover one-fifth of the capital below 140% MCT or release one-fifth of the capital above 140% MCT into the basic insurance rate every year. As such, the rate always includes a portion designed to move the RSR towards an adequate level, and avoids the volatility a surcharge might create, assuming rate programs are annual or close to annual. This method is consistent with private insurers that build cost of capital requirements into each regulatory rate filing.

The policy also considers whether overall capital needs have changed. As claim liabilities and investment assets grow, the need for capital to support the business also increases. With each rate program, SGI analyzes actual results and brings forward recommendations for adjustments required to maintain adequate capital. SGI anticipates that, with this policy in place, only minor adjustments will be needed to address capital needs in subsequent rate programs. At March 31, 2022, the MCT ratio was 149%, and the 12-month rolling average MCT ratio was 176%.

2021-22 Financial Results

For the year ended March 31, 2022

Overview

The Auto Fund had a decrease in the RSR of $38.9 million. This decrease is net of the $89.3 million rebate to policy holders that was announced during the year and will be paid out in May 2022. Excluding the rebate, the Auto Fund generated a profit of $50.4 million.

The Auto Fund generated investment earnings of $108.7 million in the 12 months ended March 31, 2022. The investment portfolio generated positive returns during the year driven primarily from the equity, real estate and infrastructure investments.

With the $38.9 million decrease, the RSR decreased to $1,051.3 million at March 31, 2022.

Statement of Operations and Change in Rate Stabilization Reserve

Premium revenue

	(thousands of $)		
	2022	2021	Change
Gross premiums written	1,007,336	988,696	18,640
Premiums ceded to reinsurers	(23,258)	(9,449)	(13,809)
Change in unearned premiums	(1,873)	(18,074)	16,201
Net premiums earned	982,205	961,173	21,032

Gross premiums written totalled $1,007.3 million, representing a 1.9% increase over the prior year. This increase is due to the higher number of vehicles and trailers being licenced as the economy began to open back up after the COVID-19 economic slowdown. Premiums ceded to reinsurers increased by $13.8 million or 146.1% compared to last year. The large storm that occurred in Regina at the end of August 2021 included many claims that were ceded to reinsurers, thus, there was a need for the Auto Fund to make payments to reinstate that reinsurance.

The Safe Driver Recognition (SDR) and Business Recognition (BR) programs continue to provide savings to Auto Fund customers each year. These programs returned $160.9 million to customers through safe driving discounts (2021– $156.9 million). Expressed as a percentage of vehicle premiums, this equates to an average discount of 13.8% (2021 – 13.7%). Maximum discounts remain at 25% for the SDR program and 15% for the BR program.

Claims incurred

The following table details claim costs by categories:

	(thousands of $)		
	2022	2021	Change
Current year			
Damage claims, excluding catastrophe claims	615,140	488,535	126,605
Catastrophe claims[1]	24,511	18,872	5,639
Total damage claims	639,651	507,407	132,244
Injury claims	307,839	269,062	38,777
	947,490	776,469	171,021
Prior year deficiency			
Damage claims	3,374	1,229	2,145
Injury claims	108,559	203,459	(94,900)
	111,933	204,688	(92,755)
Change in discounting	(133,173)	(195,703)	62,530
Total claims incurred	926,250	785,454	140,796
Current year loss ratio[2]	96.5%	80.8%	15.7%
Total loss ratio	94.3%	81.7%	12.6%

[1] Catastrophe claims, also referred to as storm claims, represent claims occurring from a single event, limited to a period between 96 and 168 hours, with an estimated cost greater than $2.5 million. Catastrophic events for the Auto Fund generally relate to summer wind, rain and hail storms, forest fires and winter ice storms.

[2] Before prior year deficiency and change in discounting.

Current year claims

Current year damage claims, excluding catastrophe claims, are 25.9% higher than the prior year due to increased claim frequency and severity with more drivers on the road. Catastrophe claims are 29.9% higher than 2021, as the number of claims included in this year's large storms were much higher than last year. Overall, damage claim frequency has increased from 106.1 damage claims per 1,000 insured years in 2021 to 122.2 in 2022.

Current year injury claims are 14.4% higher than the prior year due to increased claim frequency in 2022. Injury claim frequency increased from 3.5 injury claims per 1,000 insured years in 2021 to 4.6 in 2022.

Development on prior year claims

With the assistance of its actuary, the Auto Fund makes provisions for future payments on existing claims and an estimate for claims that have occurred but have not yet been reported. At the end of each year, the actuary recalculates the estimate of the ultimate costs for prior years (along with an estimate for the current year). If the actuary reduces the estimate for prior years, a redundancy exists, resulting in a reduction in claim costs for the year. If the reverse is true and the actuary increases the estimate for prior years, a deficiency exists, resulting in an increase in claim costs for the year.

The prior year deficiency of $111.9 million includes a $3.3 million deficiency in damage claims due to increased loss emergence on prior year claims, and a $108.6 million deficiency in injury claims due to enhancements to long-term benefits and inflation.

Impact of discounting

The change in discounting at March 31, 2022 resulted in a $133.2 million decrease to claims incurred. The discount rate, comprised of bond and long-term equity yields, increased compared to the prior year. In addition, there were changes to risk margins relating to long-term benefits.

Expenses excluding claims incurred

	(thousands of $)		
	2022	**2021**	**Change**
Other expenses	235,085	212,248	22,837

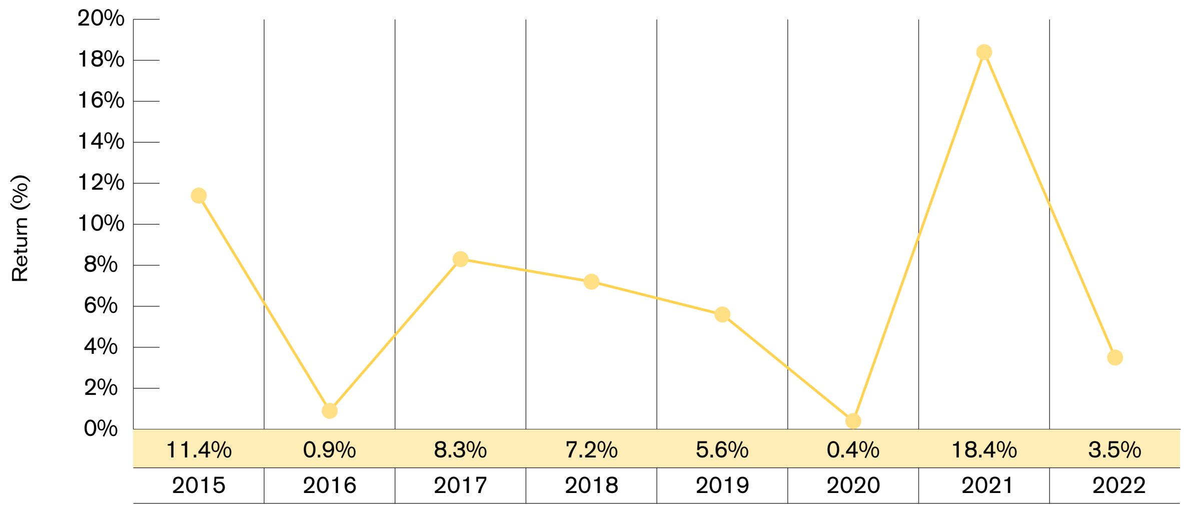
Other expenses, excluding claims incurred, increased $22.8 million compared to 2021. The increase was primarily due to increases in spending on traffic safety programs and administrative expenses as the economy opened back up after the COVID-19 slowdown.

Investment earnings and other income

	(thousands of $)		
	2022	**2021**	**Change**
Net investment earnings	108,746	508,482	(399,736)
Other income	120,760	96,438	24,322

In 2022, investment earnings were $108.7 million, a significant decrease from the exceptionally strong $508.5 million earned in 2021. The components of investment earnings are disclosed in note 13 of the financial statements, and include interest, dividends, investment fund and limited partnership 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 based on the Auto Fund's investment earnings. In 2022, the total portfolio's market-based return was 3.5%.

Annual Market Based Returns to March 31



The Auto Fund investment assets are managed as two distinct portfolios – the Matching Portfolio and the Return Seeking Portfolio. More information regarding the Auto Fund's Matching and Return Seeking Portfolios is provided within the Statement of Financial Position section of this report.

The Matching Portfolio slightly lagged its benchmark return for the year due to widening interest rate spreads over the risk-free government benchmark but, importantly, remained well matched to the associated claim liabilities. The Return Seeking Portfolio exceeded the policy benchmark for the year due to outperformance from global equities and real estate.

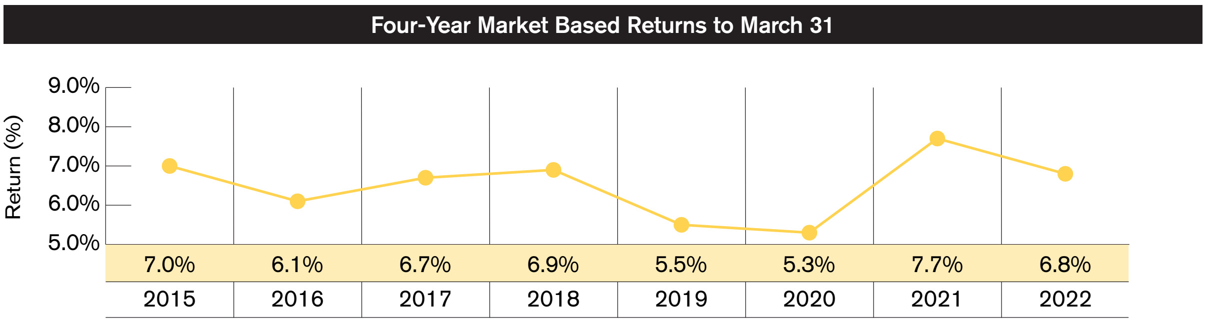
The following table illustrates the investment portfolio's actual performance by asset class in 2022 compared to the index and 2021 actual returns.

		Annual Returns to March 31 (%)		
Asset Class	**Benchmark Index**	**Actual 2022**	**Index 2022**	**Actual 2021**
Matching bonds	Custom Bond Index	-2.9	-2.7	2.1
Mortgages	FTSE TMX Short & Mid-term Bonds	1.9	-3.5	6.2
Canadian equities	S&P/TSX Composite	19.7	20.2	48.7
Global equities	MSCI ACWI ($C)	9.5	6.6	45.7
Global low volatility equities*	MSCI World sx-CDA ($C)	-1.1	-2.9	–
Global small cap equities	MSCI ACWSCI ($C)	-6.0	-1.0	73.9
Real estate	Investment Property Databank	16.8	13.8	-1.3
Infrastructure	Canadian CPI + 5%	11.5	12.0	4.3

*Since inception return (Nov 2021)

The Auto Fund's investment returns are compared to benchmark returns on an annual basis, although 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.

As illustrated in the following graph, over rolling four-year periods, investment performance remains satisfactory:



Other income

Other income consists of fees charged to customers for using the AutoPay and short-term payment option programs, SDR program assessment penalties (drivers in the SDR penalty zone with a safety rating less than zero are assessed a financial penalty each time an applicable incident occurs), program and service fees, salvage operations income, gains on disposal of assets, and rental income.

Other income increased $24.3 million over 2021. The increase was primarily a result of a $14.9 million increase in SDR program penalties and a $6.3 million increase in net earnings on salvage sales as vehicles returned to the roads with COVID-19 restrictions being lifted.

Statement of Cash Flows

	(thousands of $)		
	2022	2021	Change
Total operating activities	(83,688)	233,098	(316,786)
Investing activities	(172,286)	4,687	(176,973)
Net cash flow	(255,974)	237,785	(493,759)

Cash flows used in operating activities of $83.7 million and investing activities of $172.3 million for the 12 months ended March 31, 2022 resulted in an overall decrease in cash and cash equivalents of $256.0 million. The prior year included significant investment sales in anticipation of funding rebates to policyholders.

Statement of Financial Position

	(thousands of $)		
	March 31 2022	March 31 2021	Change
TOTAL ASSETS	**$ 3,689,148**	**$ 3,713,018**	**$ (23,870)**
Key asset account changes:			
Investments	3,237,384	3,072,087	165,297

Investments

The carrying value of investments increased by $165.3 million during the year, due to positive returns from equities, real estate and infrastructure during the year.

The investment portfolio is held to pay future claims, while income earned on these investments helps keep insurance rates low for vehicle owners. The portfolio's asset mix strategy is set by the Board of Directors annually through a detailed assessment of the Auto Fund's risk tolerance. In summary, the Auto Fund's positive cash flows and the presence of the RSR, which serves to buffer the fund from short-term unfavourable investment performance, permits the Auto Fund to maintain a long-term investment horizon. The asset mix strategy takes into consideration the current and expected conditions of capital markets and the historic return and risk profile of various asset classes. In order to achieve long-term investment goals, the Auto Fund 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 Auto Fund investment portfolio continues to hold a diversified asset mix with a longer-term focus, balancing the need for capital preservation in the short term with the need 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 in the year ended March 31, 2022.

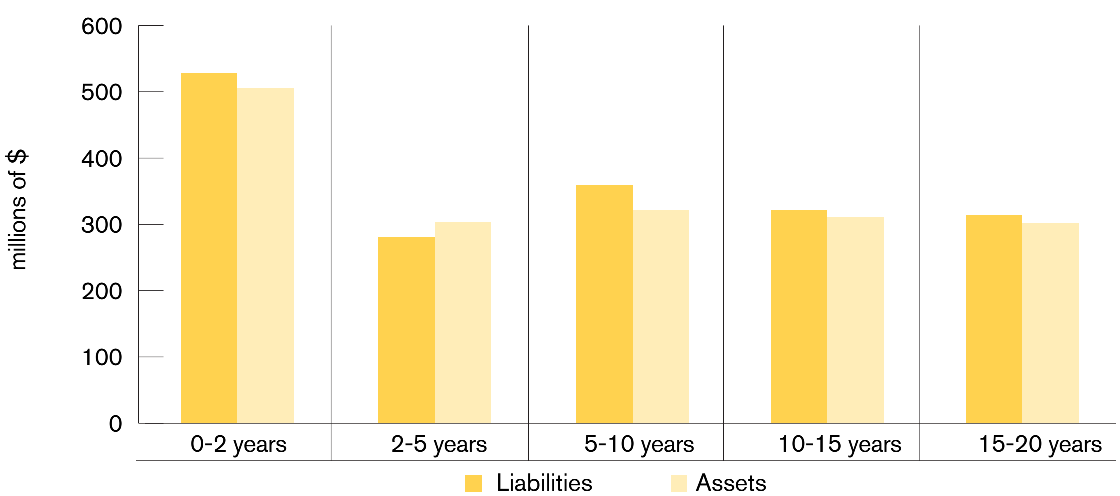
The Auto Fund's investment portfolio is managed by external investment managers. The portfolio is comprised of short-term investments, bonds and debentures, equities, mortgages, real estate and infrastructure investments. Equities include investments in one Canadian equity investment fund, two global equity investment funds, one global low volatility equity investment fund and a global small capitalization equity investment fund. The Auto Fund's investments in real estate and mortgages are through investment funds as well. The infrastructure investments are held in limited liability partnerships that are investment vehicles with similarities to an investment fund. More detail on the investment portfolio categories is provided in note 6 to the financial statements.

The Auto Fund investment portfolio operates as two distinct portfolios – the Matching Portfolio and the Return Seeking Portfolio. The Matching Portfolio holds the fixed income investments including mortgage securities, while the Return Seeking Portfolio is comprised of equities, real estate and infrastructure. The investment strategy relies on the Matching Portfolio to cover expected liability payments out to 20 years with remaining long-tail liabilities covered by the Return Seeking Portfolio.

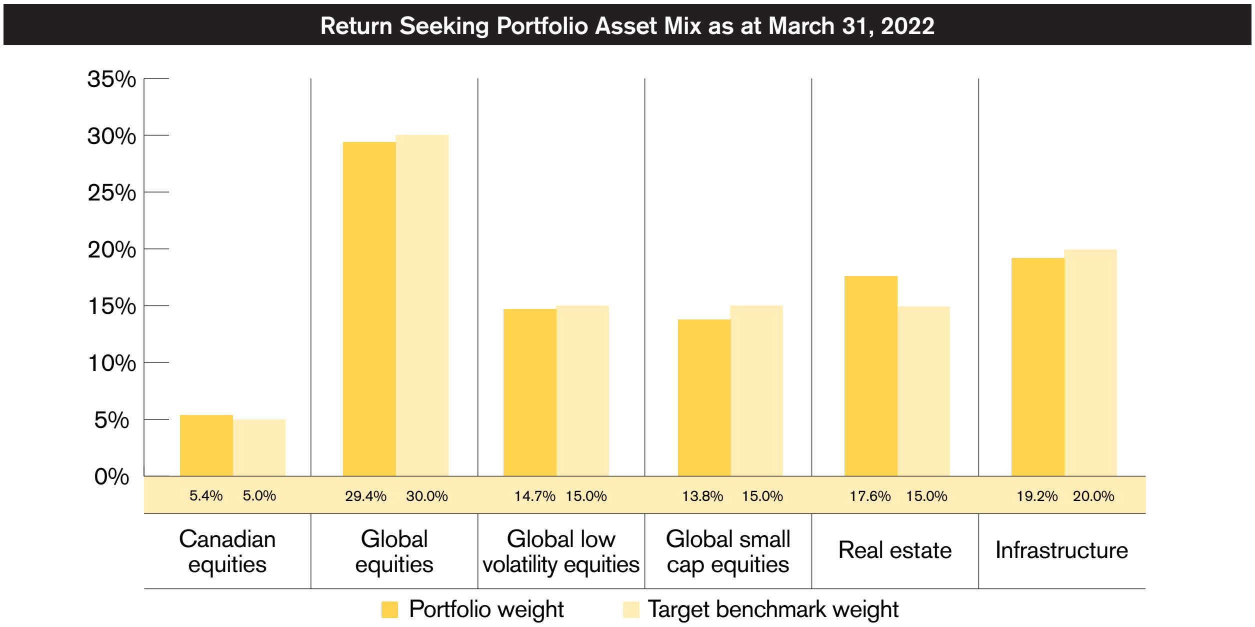
The objective of the Matching Portfolio is to group claim payments into five buckets based on the expected payment date, and then match these outflows with anticipated cash inflows from coupon and principal payments from fixed income assets in each bucket. At initiation, the expected future liability stream and asset stream will demonstrate a close match. However, as bonds mature and actual claim payments vary from projection, the asset liability match will change. In conjunction with the Auto Fund's actuarial valuations, asset cash flows are realigned to revised liability cash flows to ensure a close match is maintained. From time to time, the allocation between the Matching and Return Seeking Portfolios may also require rebalancing to maintain the overall risk-return objectives of the combined portfolio. The Matching Portfolio is rebalanced quarterly and continues to meet the objectives established by the investment policy.

Expected liability cash flows and matching portfolio asset cash flows as of March 31, 2022, are as follows:

Matching Portfolio Asset-Liability Cash Flows as at March 31, 2022



There were no significant changes to the investment policy during the year as previously approved allocations were implemented causing interim benchmark allocations to be removed. The portfolio asset mix and benchmark weights at March 31, 2022, are as follows:



	(thousands of $)		
	March 31 2022	March 31 2021	Change
TOTAL LIABILITIES	**$ 2,637,889**	**$ 2,622,880**	**$ 15,009**
Key liability account changes:			
Provision for unpaid claims	2,033,367	1,851,517	181,850

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 grew by $181.9 million during the year to $2,033.4 million (2021 – $1,851.5 million). This represents an increase of 9.8%. Key components of the change in the provision for unpaid claims are discussed in the preceding section, Claims Incurred.

Quarterly Financial Highlights

The following table highlights quarter-over-quarter results for the Auto Fund:

	(thousands of $)									
	2021-22				2022	2020-21				2021
	Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1	
Net premiums written	206,399	225,596	250,360	301,723	**984,078**	210,099	220,772	258,982	289,394	**979,247**
Net premiums earned	234,723	247,149	251,486	248,847	**982,205**	231,078	241,767	252,387	235,941	**961,173**
Net claims incurred	209,806	285,348	245,562	185,534	**926,250**	218,211	185,414	197,409	184,420	**785,454**
(Decrease) increase to RSR	(241,661)	25,531	23,412	153,839	**(38,879)**	(258,533)	198,290	122,430	221,204	**283,391**
Cash flow (used in) from operations	(44,779)	87,569	62,036	(188,514)	**(83,688)**	(32,221)	108,400	72,153	84,766	**233,098**
Investments	3,237,384	3,442,956	3,239,386	3,143,899		3,072,087	3,299,496	3,079,643	2,892,558	
Provision for unpaid claims	2,033,367	2,051,495	1,990,237	1,870,605		1,851,517	1,835,552	1,841,685	1,810,893	
Rate Stabilization Reserve	1,051,259	1,292,920	1,267,389	1,243,977		1,090,138	1,348,671	1,150,381	1,027,951	

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

- Premium earnings generally rise in the spring and summer months, largely a factor of increased premiums related to seasonal vehicles.
- With the exception of the period January to March, the Auto Fund generally generates positive cash flows from operations. Cash is typically low in this period as the Auto Fund pays annual premium taxes to the province in March and there are higher claim outflows from the winter driving season. 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. In 2022, positive cash flows were not generated during the first quarter due to the payment of rebates to policyholders.
- The decrease in the RSR during the fourth quarter of 2022 was caused by the accrual of the $89.3 million rebate to policyholders.

Related Party Transactions

The Auto Fund 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 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. Details of significant related party transactions are disclosed in the financial statements that follow.

SGI is the administrator of the Auto Fund on behalf of the Province of Saskatchewan. Administrative and loss adjustment expenses incurred by SGI are allocated to the Auto Fund directly or on the basis of specific allocations. Amounts incurred by SGI and charged to the Auto Fund were $207.5 million (2021 – $164.8 million).

Off Balance Sheet Arrangements

The Auto Fund, in its normal course of operations, enters into certain transactions that are not required to be recorded on its statement of financial position – commonly referred to as the balance sheet. These items include litigation, structured settlements and rehabilitation funding commitments. These items are discussed below and in the notes to the financial statements.

The Auto Fund, as is common to other entities that operate in the insurance industry, is subject to litigation arising in the normal course of insurance operations. The Auto Fund is of the opinion that current litigation will not have a material impact on operations, the financial position or cash flows of the Auto Fund.

In the normal course of settling claims, the Auto Fund settles some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for claimants. This is a common practice in the property and casualty insurance industry. The net present value of the scheduled payments at March 31, 2022 was $23.7 million (March 31, 2021 – $24.7 million). The Auto Fund has no recourse to these funds. The Auto Fund 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 likelihood of default is considered extremely remote.

Critical Accounting Estimates

This discussion and analysis of financial condition and results of operations is based upon financial statements as presented in this annual report. These 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 described in note 3 to the financial statements. Some of these policies involve critical accounting estimates because they require SGI, as the administrator, 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 using different assumptions. The development, selection and application of key accounting policies, and the critical accounting estimates and assumptions they involve, have been discussed with the Audit, Finance and Conduct Review Committee of the Board of Directors, and 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 and unpaid claims recoverable from reinsurers.

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 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, experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the time frame 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 at that time. 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 for unpaid claims 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 Statement of Operations and Change in Rate Stabilization Reserve.

Unpaid claims recoverable from reinsurers

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

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 SGI, the administrator of the Auto Fund, by identifying specific risk events and their potential impact on both SGI's and the Auto Fund'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 SGI and the Auto Fund, which is reviewed by the Risk Committee of the Board of Directors annually. SGI's Audit Services department also uses the risk profile in developing its annual work plan, which provides an assurance component to SGI's risk management process.

The following risks represent the most serious threats to the Auto Fund. 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: SGI fails to mature the capabilities required to become a digital insurer.

Mitigation: Digital insurance transformation uses technology and data to improve business processes and procedures, customer experience, and partner relations. SGI 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. To ensure employees and partners are supported and have the training and skills required as roles and responsibilities evolve and we do business differently with our partners, a significant focus has been and will continue to be on building out a comprehensive enterprise-wide change management framework. SGI has also stopped all non-critical business enhancements to its current systems.

Organizational Change Agility

Risk: SGI's ability to successfully meet its objectives is, to a large extent, determined by its ability to prepare for, lead and adapt to change in a responsive and agile manner.

Mitigation: SGI has a large number of initiatives dedicated to assisting employees in understanding and adapting to change. With the focus shifting to support transformation, efforts have been put towards establishing appropriate workforce transformation and enterprise changes teams. The in-scope job evaluation project recently launched encompassed modern descriptions, new compensation, formal launch of competencies and education standards. All employee groups are now aligned in job evaluation approach, language, and performance models. Efforts to reinforce and expand on a "growth mindset" continue with expanded programming in coaching and Dare to Lead sessions to name a few.

Responsiveness to Business Needs

Risk: Enabling business outcomes through technology responsively to remain relevant in the face of industry disruption.

Mitigation: To meet current business needs employees have been reskilled in modern software development practices and have gained experience using those skills by delivering quality modern enhancements to various business services in 2022. Governance practices have been put in place wherein business stakeholders prioritize enhancements to business platforms according to business outcome sought. The corporate transformation program is underway to ensure that SGI has the technological and business process capabilities required to be a digital insurer in the future. This program will utilize industry leading approaches and modern technology platforms which position SGI to be responsive to opportunities that emerge going forward.

System Availability and Recovery

Risk: Systems are available when the business needs them. Systems can be recovered in a timely manner when an incident occurs.

Mitigation: Progress has occurred on several initiatives that will improve system availability and recovery capabilities for SGI including modernization of IT vendor management practices and use of automation. In addition, identification of business-critical functions and interruption/disruption tolerances has occurred which will inform service management process improvements. Migration roadmaps to new technology platforms have been defined through the discovery phase of the corporate transformation program. These platforms are cloud based and utilize modern approaches to development and integration which position SGI to improve system reliability overall.

Information Security

Risk: The policies, standards, procedures, and tools that are implemented to safeguard corporate information assets, reduce the likelihood and impact of a breach or loss of information, and to comply with statutory obligations regarding safeguarding of personal information.

Mitigation: A cyber security incident response standard and plan have been developed and tested to prepare SGI to address information security events expeditiously. Industry leading practices to accelerate advancement in security architecture and control design have been put in place and automated role-based access to document storage and collaboration were implemented with significant adoption occurring in 2022. Records and information management standards and training were rolled out as was cyber security training. The security information and event management platform was upgraded which significantly improves SGI's tools to address security risks.

Acquisition and Development of Expertise

Risk: Increasing complexity of work with rising expectations of customers, brokers and partners requires a multi-talented workforce highly attuned to meeting high expectations and rapid changes in the marketplace.

Mitigation: SGI's critical area/priority of focus was on succession for predominantly high-risk senior management positions. Efforts to develop a robust model, along with targeted development plans to reinforce readiness was critical. The succession management program has expanded to priority roles at vice president and director levels. A graduate studies program was formally launched with eight people receiving approval for funding and a concerted focus is on leveraging knowledge and skills for those approved within SGI. Changes to streamline talent acquisition (TA) processes were completed which allowed movement from manual pre-certification processes to automated approach for high volume roles with new approaches constantly explored to enable responsiveness to company pressures. Current TA challenges are expected to increase in 2022-2023 caused by remote work, market shortages and competitive compensation. In-scope job evaluation has brought in more aligned and modern compensation models yet external pressures continue to push on competitiveness. The culture reinforcement plan, tiered leadership and corporate technical training frameworks have moved to an operational place and have expanded significantly over the last year.

Culture

Risk: The risk that the corporation does not have the culture to align with the corporate strategy, or the right people to align with the culture.

Mitigation: One of the biggest risks to culture is associated with senior leadership, given the number of retirements or vacancies. In recognition of this, special efforts were put in place to identify successors and targeted development plans for departing ELT members. From these actions, two internal vice presidents were successful in securing the vacant roles and will be able to provide a continuum with culture. In addition, support was provided to the CEO hiring committee to ensure critical elements/attributes of the new CEO were embedded into their process with culture being one of them. The culture reinforcement plan saw the successful launch of an employee award program, new Culture Development Team members and the launch of the Employee Advisory Committee. Many other culture reinforcement initiatives support maintaining and building on SGI's culture are in full execution and the LCD programming is now caught up and integrated into regular programming.

Market Value Changes

Risk: Market value changes within the Auto Fund investment portfolio impact the ability of the Auto Fund to deliver stable financial performance.

Mitigation: The Auto Fund investment assets are managed as two distinct portfolios – the Matching Portfolio and the Return Seeking Portfolio. The Matching Portfolio is structured to match the fixed income investment assets to the associated liabilities, thus reducing the impact of changes in interest rates. The Return Seeking Portfolio invests in equity, real estate, and infrastructure assets to increase the long-term return. As a whole, the Auto Fund maintains a diversified asset mix with a longer-term focus, balancing the need for capital preservation in the short term with the need for portfolio growth over the longer term.

The structure and management of the Auto Fund's investment portfolios are governed by the Statement of Investment Policies and Goals. The policy is reviewed by the Board of Directors annually and captures the asset mix strategy, guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions and investment performance expectations. This information is regularly reported to the Investment Committee of the Board and includes a compliance review and performance review by independent external consultants.

Outlook for 2022-23

The Auto Fund continues to be efficient and well-run – consistently providing among the lowest auto insurance rates in Canada.

During this past year, the Auto Fund embarked on a new strategy with its sights set on becoming a digital insurer. To achieve this, the Auto Fund is transforming its technology, operations, and culture, placing corporate transformation at the heart of the strategy. To go along with the transformation activities, the Auto Fund recognizes the importance of providing low insurance rates and traffic safety leadership.

The Auto Fund continues to maintain its goal of being among the lowest two provinces when it comes to the cost of insurance and reducing the number of traffic injuries and fatalities. To achieve this, the Auto Fund will continue to focus on four key areas in 2022-23:

- 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 both employees and customers. In 2022-23, the Auto Fund will continue to focus on developing leadership culture, maintaining a disciplined approach to change management, and transitioning the workforce to support corporate transformation activities.

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 2022-23, the Auto Fund will focus on maintaining customer service levels, implementation of the claims handling strategy and continuing to improve traffic safety in Saskatchewan through a variety of different initiatives.

Optimize operations – this is about optimizing business processes and improving responsiveness through automation and digitization. In 2022-23, the Auto Fund will continue to focus on maintaining low stable rates, improving long-term efficiency 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 2022-23, the Auto Fund will continue to focus on establishing a framework for data governance and maturing the capabilities of SGI as a digital insurer.

External factors impacting the outlook

The COVID-19 pandemic continues to linger, but in Saskatchewan, all Provincial mandates were dropped as of the end of March 2022 and many people returned to their normal daily life. Driving habits returned to normal and with that, a return to normal claims activity. The Auto Fund expects claims activity to be consistent with our long-term expectation for the 2022-23 year.

The last half of 2021-22 saw a higher inflationary environment. Higher inflation and changes in inflation assumptions have a significant impact on the Auto Fund's claims reserves which may create volatility in the Auto Fund's financial results in 2022-23.

As well, there has been a disruption in the global supply chain and repair shops are having difficulties sourcing vehicle parts in a timely manner. Supply chain issues could result in reduced efficiency in the repair process and higher claims costs for the Auto Fund. In response, the Auto Fund is increasing production in the Salvage division in an effort to alleviate the pressure for parts and support the Auto Fund auto body shop partners.

Investment markets declined over the last quarter, as rising inflation, deteriorating financial conditions and increasing recession risk weighed on the performance of equity markets globally. Despite pandemic related anxieties dissipating, investment market volatility increased due to depressed supply chains, heightened geopolitical tensions and inflationary pressures.

The rise in commodity prices further exacerbated already stretched inflationary trends and pushed inflation to its highest level in 40 years, registering 6.8% in March 2022. This has created a sense of urgency for monetary policymakers to bring inflation under control, and markets aggressively priced in expectations for central banks to increase interest rates. In March 2022, the U.S. Federal Reserve and the Bank of Canada raised their respective target interest rates, while signaling more rate hikes to come. This unpredictability in the global investment markets is expected to contribute to additional volatility in the Auto Fund investment performance in 2022-23.

Responsibility for Financial Statements

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

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Auto Fund. 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. 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 Auto Fund 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 Auto Fund and the nature of the insurance policies. The actuary also makes use of Management information provided by the Auto Fund and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance, administrator of the Auto Fund. An Audit, Finance and Conduct Review Committee, composed of members of the Board of Directors, meets periodically with financial officers of Saskatchewan Government Insurance 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 Auto Fund's financial position and results of operations as shown in the 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.

Jeff Stepan
Interim President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

Drew Kendel
Interim Chief Financial Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

May 26, 2022

Annual Statement of Management Responsibility

I, Jeff Stepan, Interim President and Chief Executive Officer, and I, Drew Kendel, Interim Chief Financial Officer, certify the following:

a. That we have reviewed the financial statements included herein. Based on our knowledge, having exercised reasonable diligence, the financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows, as of March 31, 2022.

b. That based on our knowledge, having exercised reasonable diligence, the 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 Saskatchewan Auto Fund (the Auto Fund) 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 Auto Fund has designed internal controls over financial reporting that are appropriate to its circumstances.

d. That the Auto Fund 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, 2022, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Jeff Stepan
Interim President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

Drew Kendel
Interim Chief Financial Officer
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

May 26, 2022

Actuary’s Report

To the policyholders and Board of Directors of Saskatchewan Government Insurance

I have valued the policy liabilities and reinsurance recoverables of the Saskatchewan Auto Fund for its statement of financial position at March 31, 2022 and their changes in the 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 financial statements fairly present the results of the valuation.

Chris McCulloch

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

May 26, 2022
Winnipeg, Manitoba

Independent Auditor's Report

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of Saskatchewan Auto Fund (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations and change in rate stabilization reserve for the year then ended
- the statement of cash flows for the year for the year then ended
- and notes to the 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, 2022, 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.

KPMG LLP

Chartered Professional Accountants

May 26, 2022
Regina, Canada

Statement of Financial Position

	(thousands of $)	
	March 31 2022	March 31 2021
Assets		
Cash and cash equivalents (note 4)	$ 17,618	$ 273,592
Accounts receivable (note 5)	272,605	253,338
Investments under securities lending program (note 6)	420,994	382,343
Investments (note 6)	2,816,390	2,689,744
Unpaid claims recoverable from reinsurers (note 9)	49,363	159
Reinsurers' share of unearned premiums (note 12)	9,237	7,411
Deferred policy acquisition costs (note 7)	31,809	31,762
Property and equipment (note 10)	51,403	56,251
Intangible assets (note 11)	9,516	10,706
Other assets (note 8)	10,213	7,712
	$ 3,689,148	$ 3,713,018
Liabilities		
Accounts payable and accrued liabilities	$ 71,222	$ 58,837
Premium taxes payable	10,925	10,996
Rebate to policyholders payable (note 19)	89,255	285,000
Amounts due to reinsurers	20,457	7,566
Unearned premiums (note 12)	412,663	408,964
Provision for unpaid claims (note 9)	2,033,367	1,851,517
	2,637,889	2,622,880
Equity		
Rate Stabilization Reserve	1,051,259	1,090,138
	$ 3,689,148	$ 3,713,018

Commitments and contingencies (note 20)
The accompanying notes are an integral part of these financial statements.
Approved by the Board of Directors and signed on their behalf on May 26, 2022.

Janice Wallace

Denis Perrault
Director

Janice Wallace
Director

Statement of Operations and Change in Rate Stabilization Reserve

For the years ended March 31	(thousands of $) 2022	2021
Gross premiums written	$ 1,007,336	$ 988,696
Premiums ceded to reinsurers	(23,258)	(9,449)
Net premiums written	984,078	979,247
Change in net unearned premiums	(1,873)	(18,074)
Net premiums earned	**982,205**	961,173
Gross claims incurred	983,616	784,436
Ceded claims incurred	(57,366)	1,018
Net claims incurred (note 9)	926,250	785,454
Issuer fees	48,624	47,071
Administrative expenses	91,115	76,812
Premium taxes	50,181	48,557
Traffic safety programs	45,165	39,808
Total claims and expenses	**1,161,335**	997,702
Underwriting loss	**(179,130)**	(36,529)
Net investment earnings (note 13)	108,746	508,482
Other income (note 14)	120,760	96,438
Increase to Rate Stabilization Reserve and Comprehensive Income before rebate to policyholders	**50,376**	568,391
Rebate to policyholders (note 19)	(89,255)	(285,000)
(Decrease) Increase to Rate Stabilization Reserve and Comprehensive Income	(38,879)	283,391
Rate Stabilization Reserve, beginning of the year	1,090,138	806,747
Rate Stabilization Reserve, end of the year	**$ 1,051,259**	$ 1,090,138

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

Statement of Cash Flows

For the years ended March 31	(thousands of $) 2022	2021
Cash (used for) provided by:		
Operating activities		
(Decrease) Increase to Rate Stabilization Reserve and Comprehensive Income	$ (38,879)	$ 283,391
Non-cash items:		
Bond amortization	7,995	5,667
Amortization and depreciation	10,653	10,360
Net realized gains on sale of investments	(177,604)	(129,395)
Net unrealized losses (gains) on change in market value of investments	205,210	(280,193)
Interest revenue from investments	(33,142)	(30,966)
Dividend revenue from investments	(298)	(4,967)
(Gain) loss on disposal of property and equipment	(589)	70
Change in non-cash operating items (note 17)	(57,034)	379,131
	(83,688)	233,098
Investing activities		
Interest received	32,049	30,048
Dividends received	589	5,137
Purchases of investments	(1,131,419)	(1,028,218)
Proceeds on sale of investments	930,521	1,006,608
Purchases of property and equipment	(4,733)	(8,888)
Proceeds on sale of property and equipment	707	–
	(172,286)	4,687
(Decrease) increase in cash and cash equivalents	**(255,974)**	237,785
Cash and cash equivalents, beginning of the year	273,592	35,807
Cash and cash equivalents, end of the year	**$ 17,618**	$ 273,592

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

Notes to the Financial Statements

March 31, 2022

1. Status of the Auto Fund

The Saskatchewan Auto Fund (Auto Fund) was established effective January 1, 1984, by an amendment to *The Automobile Accident Insurance Act*. The address of the Auto Fund's registered office is 2260-11th Avenue, Regina, SK, Canada. The Auto Fund is a compulsory vehicle insurance program providing vehicle registrations, driver's licences and related services for Saskatchewan drivers and vehicle owners. In addition to vehicle damage and property liability coverage, the Auto Fund also includes injury coverage that provides a choice between No Fault Coverage or Tort Coverage.

The Auto Fund is a self-sustaining fund, administered by Saskatchewan Government Insurance (SGI). The role of SGI, as administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan. Any annual excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from catastrophic events.

Substantially all of the Auto Fund's premium revenue is subject to review by the Saskatchewan Rate Review Panel (SRRP). The Auto Fund is required to submit vehicle insurance rate changes to the SRRP, whose mandate is to evaluate the rate change and provide an opinion on the fairness and reasonableness of the requested change. The SRRP does not have the authority to implement any of its recommendations; the final decision to approve, change or reject rate changes is at the discretion of the government of the Province of Saskatchewan.

Being a fund of the Province of Saskatchewan, the Auto Fund is exempt from federal and provincial income taxes. The financial results of the Auto Fund are included in the Province of Saskatchewan's summary financial statements.

2. Basis of Preparation

Statement of compliance

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

Functional and presentation currency

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

Use of estimates and judgment

The preparation of 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 financial statements and 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 9), the valuation of accounts receivable (note 5) and the valuation of investments classified as Level 3 (note 6).

3. Significant Accounting Policies

Financial assets and liabilities

The measurement basis for financial assets and liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized as an increase or decrease to the RSR. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income; however, unrealized losses on investments that show objective evidence of impairment are recognized as a decrease to the RSR. Financial assets designated as held to maturity, or loans and receivables, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Auto Fund has no financial assets or liabilities designated as available for sale or held to maturity.

The Auto Fund has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, premium taxes payable and rebate to policyholders payable are designated as other financial liabilities. Unpaid claims recoverable from 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 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 Statement of Operations and Change in Rate Stabilization Reserve unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Auto Fund. There are no financial assets or financial liabilities reported as offset in these 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:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

The Auto Fund 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 Auto Fund does not adjust the quoted price for such investments.

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)

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 of 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 Auto Fund's investment in the mortgage and real estate investment funds and infrastructure limited partnerships. The fair value of these investments is based on the Auto Fund's share of the net asset value of the respective fund or partnership, 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 the 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 comparable sales, discounted cash flows, and income capitalization methods.

- The fair value of the infrastructure limited partnerships is determined by the investment manager. A number of valuation methodologies are considered in arriving at fair value, including internal or external valuation models, which may include discounted cash flow analysis. The most appropriate methodology to determine fair value is chosen on an investment-by-investment basis. Any control, size, liquidity or other discounts or premiums on the investment are considered by the investment manager in their determination of fair value. During the initial period after an investment has been made, cost may represent the most reasonable estimate of fair value.

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, then 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, premium taxes payable and rebate to policyholders payable approximate their carrying values due to their short term nature.

Investments

The Auto Fund records investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Auto Fund 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 Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Auto Fund to the counterparties in the course of such transactions. The securities are reported separately on the 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 Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Auto Fund in the course of such transactions.

Investment earnings

The Auto Fund recognizes interest revenue 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 Auto Fund's vehicle registrations 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 vehicle registrations 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 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 adjusting 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.

Deferred policy acquisition costs
Premium taxes and issuer fees 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 Auto Fund uses various types of reinsurance to limit its maximum insurance risk exposure. Estimates of amounts recoverable from reinsurers in respect of insurance contract liabilities are recorded as reinsurance assets on a gross basis in the Statement of Financial Position. Unpaid claims recoverable from reinsurers are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and DPAC respectively. Reinsurance ceded does not relieve the Auto Fund of its primary obligation to policyholders.

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 Auto Fund 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 Auto Fund, and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Statement of Operations and Change in Rate Stabilization Reserve in the period in which they have been incurred.

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

Depreciation is recorded 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 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 Auto Fund 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 Auto Fund, 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 10 years.

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

Provisions and contingent liabilities

Provisions are recognized when the Auto Fund 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 Auto Fund settles certain long-term claim losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Auto Fund 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 Statement of Operations and Change in Rate Stabilization Reserve at the date of purchase and the related claim liabilities are de-recognized. However, the Auto Fund remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

Future accounting policy changes

The following future changes to accounting standards will be applicable to the Auto Fund:

IFRS 9 – Financial Instruments

IFRS 9 will replace IAS 39, and requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Statement of Operations and Change in Rate Stabilization Reserve; however, dividends from such equity investments will continue to be recognized in profit or loss.

The standard includes introduction of a fair value through other comprehensive income measurement category for simple debt instruments. In this measurement category, the Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Statement of Operations and Change in Rate Stabilization Reserve. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

The standard introduces a forward-looking impairment model. IFRS 9 replaces the incurred loss model under IAS 39 with an expected credit loss model. This standard is generally effective for annual periods beginning on or after January 1, 2018. However, in September 2016, IFRS 4 was amended to provide an option of a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4. Therefore, qualifying entities will have the option to adopt IFRS 9 upon the adoption of IFRS 17. The Auto Fund qualifies for the temporary exemption as the liabilities were predominately connected with insurance as at December 31, 2015, the prescribed date of assessment. Additionally, the Auto Fund has not previously applied any version of IFRS 9. Therefore, IFRS 9 is effective for annual periods beginning on or after January 1, 2023, which aligns with the effective date of IFRS 17.

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 Statement of Operations and Change in Rate Stabilization Reserve. The standard also includes significant changes to the presentation and disclosure of insurance contracts within entities' financial statements.

The primary features of the standard that would be applicable to the Auto Fund contracts include the following:

- The concept of portfolio, which is composed of groups of contracts covering similar risks and managed together as a single pool;
- The concept of group, which is composed of sets of contracts with similar profitability issued within the same year;
- The loss component of onerous contracts measured based on projected profitability will be recognized in the Rate Stabilization Reserve as soon as insurance contracts are issued;
- Insurance liabilities will be discounted at a rate that reflects the characteristics of the liabilities (as opposed to a rate based on asset returns) and the duration of each portfolio. The effect of the changes in discount rates will be recorded either in the changes in the Rate Stabilization Reserve or in other comprehensive income, according to the accounting policy choice made by the Auto Fund;
- Changes in balance sheet presentation will result in premiums receivable, deferred acquisition costs, claims liabilities, unearned premiums and other related assets and liabilities being presented together by portfolio on a single line called insurance contract assets or liabilities. Reinsurance assets, reinsurance receivables, deferred acquisition costs ceded, and other reinsurance related assets and liabilities will be presented together by portfolio on a single line called reinsurance contract assets or liabilities;
- Gross premiums written will no longer be presented in the Statement of Operations and Change in Rate Stabilization Reserve. The new insurance revenue will reflect services that have been provided during the period (similar to the current earned premiums);
- Insurance results will be presented without the impact of discounting. Amounts relating to financing and changes in discount rates will be shown separately; and
- Additional disclosures will provide information on the recognized amounts from insurance contracts and the nature and extend of risks arising from these contracts.

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 Auto Fund is evaluating the impact this standard will have on the financial statements.

4. Cash and Cash Equivalents

	(thousands of $)	
	2022	2021
Money market investments	$ –	$ 246,152
Cash, net of outstanding cheques	17,618	27,440
Total cash and cash equivalents	$ 17,618	$ 273,592

The Auto Fund did not hold money market investments as at March 31, 2022.

5. Accounts Receivable

Accounts receivable is comprised of the following:

	(thousands of $)	
	2022	2021
Due from insureds	$ 263,596	$ 250,716
Licence issuers	10,509	8,397
Accrued investment income	9,299	8,497
Amounts due from reinsurers	8,743	658
Salvage operations	2,355	2,064
Other	569	637
Amounts due from municipalities and Ministry of Justice	417	595
Inter-Company Receivable	–	6,210
Subtotal	295,488	277,774
Less: Allowance for doubtful accounts (note 15)	(22,883)	(24,436)
Total accounts receivable	$ 272,605	$ 253,338

Included in due from insureds is $221.4 million (2021 – $218.8 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 income that would have been earned on such premium, had the total amount been collected at the beginning of the policy period (note 14).

6. Investments

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

	(thousands of $)	
	2022	2021
Short-term investments	$ 25,984	$ 40,267
Bonds and debentures	741,734	736,616
Canadian common shares	–	110,037
Infrastructure limited partnerships	348,566	296,242
Investment funds:		
Canadian equity	97,651	–
Global equity	534,495	768,736
Global low volatility equity	266,698	–
Global small cap equity	251,820	267,774
Mortgage	229,594	225,209
Real estate	319,848	244,863
	2,816,390	2,689,744
Investments under securities lending program		
Bonds and debentures	420,994	365,445
Canadian common shares	–	16,898
	420,994	382,343
Total investments	$ 3,237,384	$ 3,072,087

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 0.5% (2021 – 0.1%) and an average remaining term to maturity of 73 days (2021 – 66 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 $)			
	2022		2021	
Term to maturity (years)	Carrying Value	Average Effective Rates (%)	Carrying Value	Average Effective Rates (%)
Government of Canada:				
After one through five	$ 108,860	2.5	$ 87,543	0.8
Canadian provincial and municipal:				
After one through five	47,627	2.8	–	–
After five	632,321	3.2	599,062	2.4
Canadian corporate:				
One or less	122,974	1.4	148,612	0.4
After one through five	181,164	2.7	191,038	0.6
After five	69,782	3.1	75,806	2.3
Total bonds and debentures	$ 1,162,728		$ 1,102,061	

Canadian common shares

The Auto Fund did not hold Canadian common shares as at March 31, 2022 (2021 – $126.9 million).

Investment funds and limited partnerships

The Auto Fund owns units in equity funds, a mortgage investment fund, a real estate investment fund and several infrastructure limited partnerships. These investment funds have no fixed distribution rate. Returns are based on the success of the investment managers. Commitments related to these investments are $128.2 million (2021 – $185.8 million).

Securities lending program

Through its custodian, the Auto Fund participates in a 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, 2022, the Auto Fund held collateral of $442.0 million (2021 – $401.5 million) 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 $)			
	2022			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 25,984	$ –	$ 25,984
Bonds and debentures	–	1,162,728	–	1,162,728
Canadian common shares	–	–	–	–
Infrastructure limited partnerships	–	–	348,566	348,566
Investment funds:				
Canadian equity	97,651	–	–	97,651
Global equity	534,495	–	–	534,495
Global low volatility equity	266,698	–	–	266,698
Global small cap equity	251,820	–	–	251,820
Mortgage	–	–	229,594	229,594
Real estate	–	–	319,848	319,848
Total Investments	$ 1,150,664	$ 1,188,712	$ 898,008	$ 3,237,384

	(thousands of $)			
	2021			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 40,267	$ –	$ 40,267
Bonds and debentures	–	1,102,061	–	1,102,061
Canadian common shares	126,935	–	–	126,935
Infrastructure limited partnerships	–	–	296,242	296,242
Investment funds:				
Canadian equity	–	–	–	–
Global equity	768,736	–	–	768,736
Global low volatility equity	–	–	–	–
Global small cap equity	267,774	–	–	267,774
Mortgage	–	–	225,209	225,209
Real estate	–	–	244,863	244,863
Total Investments	$ 1,163,445	$ 1,142,328	$ 766,314	$ 3,072,087

The Auto Fund'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 $)	
	2022	2021
Level 3 investments, beginning of the year	$ 766,314	$ 692,543
Add: Additions during the year		
Infrastructure limited partnerships	36,884	54,805
Mortgage investment fund	10,429	12,168
Real estate investment fund	31,706	–
Less: Disposals during the year		
Infrastructure limited partnerships	(9,087)	(5,532)
Net unrealized gains	61,762	12,330
Level 3 investments, end of the year	$ 898,008	$ 766,314

Investment in the infrastructure limited partnerships, the mortgage investment fund and the real estate investment fund are valued using the Auto Fund's share of the net asset value of the respective fund as at March 31, 2022.

During the year ended March 31, 2022, no investments were transferred between levels.

7. Deferred Policy Acquisition Costs (DPAC)

	(thousands of $)	
	2022	2021
DPAC, beginning of the year	$ 31,762	$ 30,217
Acquisition costs deferred during the year	98,852	97,164
Amortization of deferred acquisition costs	(98,805)	(95,619)
DPAC, end of the year	$ 31,809	$ 31,762

8. Other Assets

Other assets are comprised of the following:

	(thousands of $)	
	2022	2021
Inventories	$ 5,268	$ 3,997
Prepaid expenses	4,945	3,715
Total other assets	$ 10,213	$ 7,712

9. Claims Incurred and Provision for Unpaid Claims

Net claims incurred

	(thousands of $)					
	2022			2021		
	Current year	Prior years	Total	Current year	Prior years	Total
Gross claims incurred	$ 871,241	$ 112,375	$ 983,616	$ 580,611	$ 203,825	$ 784,436
Ceded claims incurred	(56,924)	(442)	(57,366)	155	863	1,018
Net claims incurred	$ 814,317	$ 111,933	$ 926,250	$ 580,766	$ 204,688	$ 785,454

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 costs of those claims transferred to the Auto Fund's various reinsurers pursuant to reinsurance contracts.

Net provision for unpaid claims

	(thousands of $)	
	2022	2021
Net unpaid claims, beginning of the year - discounted	$ 1,851,358	$ 1,776,331
PFAD and discount, beginning of the year	788,501	592,798
Net unpaid claims, beginning of the year - undiscounted	2,639,859	2,369,129
Payments made during the year relating to:		
Prior year claims	(229,490)	(185,932)
Deficiency relating to:		
Prior year estimated unpaid claims	111,933	204,688
Net unpaid claims, prior years - undiscounted	2,522,302	2,387,885
Net unpaid claims, current year	383,375	251,974
Net unpaid claims, end of the year - undiscounted	2,905,677	2,639,859
PFAD and discount, end of the year	(921,673)	(788,501)
Net unpaid claims, end of the year - discounted	$ 1,984,004	$ 1,851,358

The net provision for unpaid claims is summarized by type of claim as follows:

	(thousands of $)					
	Gross Unpaid Claims		Reinsurance Recoverable		Net Unpaid Claims	
	2022	2021	2022	2021	2022	2021
Injury accident benefits	$ 2,715,191	$ 2,503,413	$ –	$ –	$ 2,715,191	$ 2,503,413
Injury liability	92,656	96,028	–	–	92,656	96,028
Damage	147,407	40,587	49,577	170	97,830	40,417
PFAD	402,514	377,692	352	(9)	402,162	377,701
Effect of discounting	(1,324,401)	(1,166,203)	(566)	(2)	(1,323,835)	(1,166,201)
Total	$ 2,033,367	$ 1,851,517	$ 49,363	$ 159	$ 1,984,004	$ 1,851,358

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 Auto Fund'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 Auto Fund's historical experience and may be revised as additional experience becomes available. Any such changes would be reflected in the Statement of Operations and Change in Rate Stabilization Reserve for the period in which the change occurred.

Included in the above amount is a PFAD in the amount of $402.2 million (2021 – $377.7 million). The incorporation of a PFAD within the provision for unpaid claims is in accordance with accepted actuarial practice and the selected PFAD is within the ranges recommended by the Canadian Institute of Actuaries. The PFAD considers the Auto Fund's assumptions concerning claim development, reinsurance recoveries and future investment earnings.

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 Auto Fund determines the discount rate based upon the expected return of the investments that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 4.2% (2021 – 3.9%). The resulting carrying amount is considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

Structured settlements

The Auto Fund settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Auto Fund from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Statement of Financial Position. However, as part of the settlement, the Auto Fund 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, 2022, no information has come to the Auto Fund's attention that would suggest any weakness or failure in the life insurers from which it has purchased the annuities. The net present value of the scheduled payments as of the year-end date is $23.7 million (2021 – $24.7 million). The net risk to the Auto Fund is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Auto Fund considers the possibility of default to be remote.

10. Property and Equipment

The components of the Auto Fund's property and equipment, as well as the related accumulated depreciation, are as follows:

	(thousands of $)					
	2022					
	Land	Buildings & Improvements	Building Components	Leasehold Improvements	Furniture & Equipment	Total
Cost:						
Beginning of the year	$ 6,643	$ 55,318	$ 16,353	$ 2,465	$ 65,114	$ 145,893
Additions	–	590	5	–	4,138	4,733
Disposals	–	(267)	(710)	–	(16,266)	(17,243)
End of the year	6,643	55,641	15,648	2,465	52,986	133,383
Accumulated depreciation:						
Beginning of the year	–	32,927	11,360	1,803	43,552	89,642
Depreciation	–	1,642	706	190	6,925	9,463
Disposals	–	(215)	(709)	–	(16,201)	(17,125)
End of the year	–	34,354	11,357	1,993	34,276	81,980
Net book value, end of the year	$ 6,643	$ 21,287	$ 4,291	$ 472	$ 18,710	$ 51,403

	(thousands of $)					
	2021					
	Land	Buildings & Improvements	Building Components	Leasehold Improvements	Furniture & Equipment	Total
Cost:						
Beginning of the year	$ 6,643	$ 54,809	$ 15,678	$ 5,183	$ 65,103	$ 147,416
Additions	–	509	675	–	7,704	8,888
Disposals	–	–	–	–	(7,693)	(7,693)
Transfers out	–	–	–	(2,718)	–	(2,718)
End of the year	6,643	55,318	16,353	2,465	65,114	145,893
Accumulated depreciation:						
Beginning of the year	–	31,302	10,686	1,599	44,544	88,131
Depreciation	–	1,625	674	241	6,631	9,171
Disposals	–	–	–	–	(7,623)	(7,623)
Transfers out	–	–	–	(37)	–	(37)
End of the year	–	32,927	11,360	1,803	43,552	89,642
Net book value, end of the year	$ 6,643	$ 22,391	$ 4,993	$ 662	$ 21,562	$ 56,251

Depreciation provided in the year is included in administrative expenses on the Statement of Operations and Change in Rate Stabilization Reserve. When an asset has been disposed, its original cost is removed from the financial statements along with any accumulated depreciation related to that asset.

11. Intangible Assets

The Auto Fund's intangible assets consist solely of internally developed software that has been created as part of SGI's digital transformation project. The intangible assets, as well as the related accumulated amortization, are as follows:

	(thousands of $)	
	2022	2021
Cost:	$ 11,895	$ 11,895
Accumulated amortization:		
Beginning of the year	1,189	–
Amortization	1,190	1,189
End of the year	2,379	1,189
Net book value, end of the year	$ 9,516	$ 10,706

12. Unearned Premiums

	(thousands of $)					
	Gross Unearned Premiums		Reinsurers' Share of Unearned Premiums		Net Unearned Premiums	
	2022	2021	2022	2021	2022	2021
Unearned premiums, beginning of the year	$ 408,964	$ 391,408	$ 7,411	$ 7,929	$ 401,553	$ 383,479
Premiums written	1,007,336	988,696	23,258	9,449	984,078	979,247
Premiums earned	(1,003,637)	(971,140)	(21,432)	(9,967)	(982,205)	(961,173)
Change in net unearned premiums	3,699	17,556	1,826	(518)	1,873	18,074
Unearned premiums, end of the year	$ 412,663	$ 408,964	$ 9,237	$ 7,411	$ 403,426	$ 401,553

13. Net Investment Earnings

Components of investment earnings are as follows:

	(thousands of $)	
	2022	2021
Net realized gains on sale of investments	$ 177,604	$ 129,083
Investment fund distributions	116,628	75,857
Interest and other	25,044	25,883
Infrastructure limited partnership distributions	8,469	4,135
Dividends	298	4,967
Net unrealized (losses) gains on change in market value of investments	(205,210)	280,193
Total investment earnings	122,833	520,118
Investment expenses	(14,087)	(11,636)
Net investment earnings	$ 108,746	$ 508,482

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

	(thousands of $)	
	2022	2021
Bonds and debentures	$ (73,284)	$ (28,065)
Canadian common shares	(18,700)	40,630
Infrastructure limited partnerships	24,527	14,648
Investment funds:		
Canadian equity	236	–
Global equity	(115,713)	163,486
Global low volatility equity	(6,407)	–
Global small cap equity	(53,104)	91,812
Mortgage	(6,044)	947
Real estate	43,279	(3,265)
Net unrealized (losses) gains	$ (205,210)	$ 280,193

14. Other Income

The components of other income are as follows:

	(thousands of $)	
	2022	2021
Payment option fees	$ 37,288	$ 35,921
Safe Driver Recognition program penalties	38,963	24,105
Program and service fees	17,051	15,338
Net earnings on salvage sales	26,851	21,044
Gain on disposal of assets	589	–
Rental income	18	30
Total other income	$ 120,760	$ 96,438

The Auto Fund offers a Short-Term Vehicle Registration and Insurance Plan that allows customers to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows customers to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance.

The Auto Fund maintains a Safe Driver Recognition program based on a safety rating scale. Drivers lose safety rating points for certain driving incidents. Drivers in the penalty zone (safety rating less than zero) are assessed a financial penalty for each incident they are responsible for. The further the incident moves them in the penalty zone, the higher the penalty they have to pay.

Fees are collected from a variety of additional programs and services offered by the Auto Fund, such as driver and accident searches, vehicle inspections, and driver testing.

The Auto Fund administers a salvage operation in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claim settlement process.

The calculation of the gain on disposal of assets is the difference between the proceeds received related to the disposal of assets and any net book value remaining when the disposal occurs.

Rental income is received from building space occupied by the Saskatchewan Health Authority.

Net earnings on salvage sales is comprised of:

	(thousands of $)	
	2022	2021
Salvage sales	$ 74,316	$ 60,801
Cost of sales	(42,111)	(35,833)
Gross profit	32,205	24,968
Administrative expenses	(6,777)	(4,799)
Rental income	689	508
Other income	734	367
Net earnings on salvage sales	$ 26,851	$ 21,044

Rental income is received from building space occupied by the Ministry of SaskBuilds and Procurement.

15. Insurance and Financial Risk Management

The Auto Fund, through its administrator, SGI, 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 Auto Fund's policy premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also results in significant financial risks, as the 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 Auto Fund 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.

Reinsurance

The Auto Fund 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 Auto Fund to a maximum amount on any one loss in a calendar year as follows:

	(thousands of $)	
	2022	2021
Automobile physical damage catastrophe	$ 20,000	$ 20,000
(subject to filling an annual aggregate deductible of)	20,000	20,000

While the Auto Fund 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 Auto Fund evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

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 Auto Fund 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 Auto Fund'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 table shows the development of the estimated net provision for unpaid claims for the 10 most recent accident years as estimated at each reporting date. The Auto Fund changed its year end from December 31 to March 31, effective March 31, 2016. As a result, historical net ultimate loss estimates for the March 31, 2016 and prior accident years are not available.

Net provision for unpaid claims

	(thousands of $)									
Accident year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Net Ultimate Loss										
At end of accident year	$ n/a	$ n/a	$ n/a	$ n/a	$ 716,484	$ 711,865	$ 759,830	$ 762,075	$ 635,933	$ 790,758
One year later	n/a	n/a	n/a	645,389	738,267	723,379	763,849	762,075	635,648	
Two years later	n/a	n/a	628,662	641,301	742,971	727,244	767,780	760,812		
Three years later	n/a	636,975	629,226	645,201	742,089	731,946	766,018			
Four years later	629,886	635,498	634,045	646,230	743,919	731,572				
Five years later	627,545	636,834	636,167	647,833	745,256					
Six years later	629,550	639,210	638,114	649,234						
Seven years later	630,411	641,855	639,962							
Eight years later	633,478	643,833								
Nine years later	635,515									
Cumulative loss development	$ n/a	$ n/a	$ n/a	$ n/a	$ 28,772	$ 19,707	$ 6,188	$ (1,263)	$ (285)	n/a
Cumulative loss development as a % of original ultimate loss	n/a	n/a	n/a	n/a	4.0%	2.8%	0.8%	(0.2%)	(0.0%)	n/a

Net ultimate loss

	(thousands of $)										
Accident year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**Total**
Current estimate of net ultimate loss	$ 635,515	$ 643,833	$ 639,962	$ 649,234	$ 745,256	$ 731,572	$ 766,018	$ 760,812	$ 635,648	$ 790,758	$ 6,998,608
Cumulative paid	(574,947)	(579,475)	(577,177)	(582,483)	(676,248)	(651,599)	(682,402)	(666,944)	(539,258)	(512,930)	(6,043,463)
Net provision for unpaid claims	$ 60,568	$ 64,358	$ 62,785	$ 66,751	$ 69,008	$ 79,973	$ 83,616	$ 93,868	$ 96,390	$ 277,828	955,145
Net discounted claims outstanding for accident years 2011-12 and prior											843,306
Loss adjusting expense reserve											160,363
Inflation reserve											17,373
Other reconciling items											7,817
Net provision for unpaid claims											$ 1,984,004

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

		(thousands of $)	
		Change to Net Provision for Unpaid Claims	
Assumption	**Sensitivity**	**2022**	**2021**
Discount rate	+ 100 bps	$ (102,009)	$ (102,339)
Discount rate	- 100 bps	116,132	117,359

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 year.

Financial risk

The nature of the Auto Fund's operations results in a 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 Auto Fund's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the SGI Board of Directors. The SIP&G provides guidelines for the Auto Fund's investment managers for the asset mix of the portfolio regarding quality and quantity of fixed income, real estate, infrastructure limited partnership 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. SGI receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on the goals stated in the SIP&G.

The Auto Fund investment portfolio operates as two distinct portfolios – the Matching Portfolio and the Return Seeking Portfolio. The Matching Portfolio consists of short-term investments, bonds and debentures and mortgage investment fund, while the Return Seeking Portfolio holds Canadian common shares, Canadian equity, global equity, global low volatility equity, global small cap equity, real estate investment funds and infrastructure limited partnerships. The investment strategy relies on the Matching Portfolio to cover expected liability payments out to 20 years, with the remaining long-tail liabilities covered by the Return Seeking Portfolio.

Credit risk

The Auto Fund's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which the Auto Fund is exposed is limited to the carrying value of those financial assets summarized as follows:

	(thousands of $)	
	2022	2021
Cash and cash equivalents	$ 17,618	$ 273,592
Accounts receivable	272,605	253,338
Fixed income investments [1]	1,418,306	1,367,537
Unpaid claims recoverable from reinsurers	49,363	159

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

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

Accounts receivable relate primarily to financed premiums receivable and Safe Driver Recognition program penalty receivables. Balances are outstanding from customers, along with motor licence issuers, within Saskatchewan.

Aging of accounts receivable is as follows:

	(thousands of $)	
	2022	2021
Current	$ 264,515	$ 249,749
30 - 59 days	2,703	1,881
60 - 90 days	2,138	1,579
Greater than 90 days	26,132	24,565
Subtotal	295,488	277,774
Allowance for doubtful accounts	(22,883)	(24,436)
Total accounts receivable	$ 272,605	$ 253,338

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Auto Fund. Amounts are written off once reasonable collection efforts have been exhausted. An Auto Fund customer cannot complete a driver's licence or vehicle transaction without making arrangements for payment of outstanding balances, including balances previously written off.

Details of the allowance account are as follows:

	(thousands of $)	
	2022	2021
Allowance for doubtful accounts, beginning of the year	$ 24,436	$ 28,781
Accounts written off	(3,275)	(6,552)
Current period provision	1,722	2,207
Allowance for doubtful accounts, end of the year	$ 22,883	$ 24,436

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Auto Fund 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 an investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB, and 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 bonds and debenture investments are as follows:

	2022		2021	
Credit Rating	**Fair Value (thousands of $)**	**Makeup of Portfolio (%)**	**Fair Value (thousands of $)**	**Makeup of Portfolio (%)**
AAA	$ 178,642	15.4	$ 163,349	14.8
AA	788,968	67.9	767,167	69.6
A	187,100	16.0	152,957	13.9
BBB	8,018	0.7	18,588	1.7
Total	$ 1,162,728	100.0	$ 1,102,061	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 Auto Fund's investment in a mortgage investment fund is subject to credit risk as its value is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its investment policy, which include single loan limits, and 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 impacts the value of the Auto Fund's investments.

Interest rate risk

The Auto Fund is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and mortgage investment fund. Changes in interest rates also impact the amount of discounting included in the provision for unpaid claims. 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 claims incurred.

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

	(thousands of $)			
	100 basis point increase		100 basis point decrease	
	2022	2021	2022	2021
Net investment earnings	$ (78,130)	$ (81,310)	$ 90,852	$ 92,373
Net claims incurred	(102,009)	(102,361)	116,132	117,378
Net increase (decrease) to RSR	23,879	21,051	(25,280)	(25,005)

Foreign exchange risk

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

	2022		
Asset Class	**Maximum Exposure (%)**	**Current Exposure (%)**	**10% change in exchange rates (thousands of $)**
Global equity	40.0	29.4	$ 53,449
Global low volatility equity	20.0	14.7	26,670
Global small cap equity	20.0	13.8	25,182
Infrastructure limited partnerships	30.0	19.2	34,857

	2021		
Asset Class	**Maximum Exposure (%)**	**Current Exposure (%)**	**10% change in exchange rates (thousands of $)**
Global equity	52.0	45.1	$ 76,874
Global low volatility equity	n/a	–	–
Global small cap equity	20.0	15.7	26,777
Infrastructure limited partnerships	30.0	17.4	29,624

As global equity funds and infrastructure limited partnerships are classified as fair value through profit and loss, unrealized changes due to foreign currency are recorded in the Statement of Operations and Change in Rate Stabilization Reserve. There is no exposure to foreign exchange risk within the Auto Fund's bond and debenture portfolio. As well, no more than 10% of the market value of the bond and debenture portfolio shall be invested in bonds or debentures of foreign issuers. The Auto Fund's exposure to exchange rate risk resulting from the purchase of goods and services is not considered material to the operations of the Auto Fund.

Equity prices

The Auto Fund is exposed to changes in equity prices in Canadian and global markets. At March 31, 2022, equities comprise 35.5% (2021 – 37.9%) of the carrying value of the Auto Fund'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 Auto Fund's equity portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Auto Fund's equity price risk is assessed using Value at Risk, a statistical technique that measures the potential change in value of an asset class. It is calculated 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	**2022**			**2021**		
Canadian common shares	$	+/-	–	$	+/-	41,330
Canadian equity		+/-	29,569		+/-	–
Global equity		+/-	131,272		+/-	189,955
Global low volatility equity		+/-	46,832		+/-	–
Global small cap equity		+/-	84,460		+/-	88,258

The Auto Fund's equity investments are classified as fair value through profit and loss and any unrealized changes in their fair value are recorded in the Statement of Operations and Change in Rate Stabilization Reserve.

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

The following tables summarize the estimated contractual timing of cash flows on an undiscounted basis arising from the Auto Fund's financial assets and liabilities.

	(thousands of $)							
	March 31, 2022							
	Carrying amount	Total	No stated maturity	0 - 1 years	1 - 2 years	3 - 5 years	5 - 10 years	More than 10 years
Financial assets								
Cash and cash equivalents	$ 17,618	$ 17,618	$ –	$ 17,618	$ –	$ –	$ –	$ –
Accounts receivable	272,605	272,605	–	272,605	–	–	–	–
Investments	3,237,384	3,237,384	2,048,672	148,958	254,920	82,731	138,614	563,489
Unpaid claims recoverable from reinsurers	49,363	49,577	–	39,843	9,687	45	2	–
	$3,576,970	$3,577,184	$2,048,672	$ 479,024	$ 264,607	$ 82,776	$ 138,616	$ 563,489
Financial liabilities								
Accounts payable and accrued liabilities	$ 71,222	$ 71,222	$ 969	$ 70,253	$ –	$ –	$ –	$ –
Premium taxes payable	10,925	10,925	–	10,925	–	–	–	–
Rebate to policyholders payable	89,255	89,255	–	89,255	–	–	–	–
Amounts due to reinsurers	20,457	20,457	10,979	9,478	–	–	–	–
Provision for unpaid claims	2,033,367	2,955,254	–	344,542	234,381	171,259	351,362	1,853,710
	$2,225,226	$3,147,113	$ 11,948	$ 524,453	$ 234,381	$ 171,259	$ 351,362	$1,853,710

	(thousands of $)							
	March 31, 2021							
	Carrying amount	Total	No stated maturity	0 - 1 years	1 - 2 years	3 - 5 years	5 - 10 years	More than 10 years
Financial assets								
Cash and cash equivalents	$ 273,592	$ 273,592	$ –	$ 273,592	$ –	$ –	$ –	$ –
Accounts receivable	253,338	253,338	–	253,338	–	–	–	–
Investments	3,072,087	3,072,087	1,929,759	188,879	191,038	87,543	168,497	506,371
Unpaid claims recoverable from reinsurers	159	170	–	98	58	14	–	–
	$3,599,176	$3,599,187	$1,929,759	$ 715,907	$ 191,096	$ 87,557	$ 168,497	$ 506,371
Financial liabilities								
Accounts payable and accrued liabilities	$ 58,837	$ 58,837	$ 9,667	$ 49,170	$ –	$ –	$ –	$ –
Premium taxes payable	10,996	10,996	–	10,996	–	–	–	–
Rebate to policyholders payable	285,000	285,000	–	285,000	–	–	–	–
Amounts due to reinsurers	7,566	7,566	6	7,560	–	–	–	–
Provision for unpaid claims	1,851,517	2,640,028	–	238,321	211,027	162,007	325,050	1,703,623
	$2,213,916	$3,002,427	$ 9,673	$ 591,047	$ 211,027	$ 162,007	$ 325,050	$ 1,703,623

The estimated contractual maturities related to the unpaid claims recoverable from reinsurers excludes the net effect of discounting and PFAD of $214 thousand (2021 – $11 thousand) (note 9). The estimated contractual maturities related to the provision for unpaid claims excludes the net effect of discounting and PFAD of $921.9 million (2021 – $788.5 million) (note 9).

16. Capital Management

The Auto Fund has a capital management policy, approved by the SGI Board of Directors. The primary objective of capital management for the Auto Fund is to maintain a level of capital in the RSR sufficient to cushion the Auto Fund from the volatility inherent in investment and underwriting operations, and ensure a positive RSR without the need for excessive rate increases for Auto Fund customers.

The Auto Fund's legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not receive money from the province nor from SGI, the administrator of the Auto Fund, and it does not pay dividends to the province or its administrator. The Auto Fund cannot go to public capital markets to issue debt or common shares. It uses premiums and fees from operations, along with income generated from its investment portfolio, to fund future operations.

The Auto Fund manages capital in accordance with its capital management policy using a common industry measurement called the Minimum Capital Test (MCT) to establish a target for the RSR. 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 Auto Fund's MCT as at March 31, 2022 was 149% relative to its internal target MCT of 90%.

17. Change in Non-Cash Operating Items

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

	(thousands of $)	
	2022	2021
Accounts receivable	$ (18,465)	$ (1,043)
Unpaid claims recoverable from reinsurers	(49,204)	4,908
Reinsurers' share of unearned premiums	(1,826)	518
Deferred policy acquisition costs	(47)	(1,545)
Other assets	(2,501)	3,370
Accounts payable and accrued liabilities	12,385	1,712
Premium taxes payable	(71)	712
Rebate to policyholders payable	(195,745)	285,000
Amounts due to reinsurers	12,891	(2,176)
Unearned premiums	3,699	17,556
Provision for unpaid claims	181,850	70,119
Total change in non-cash operating items	$ (57,034)	$ 379,131

18. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Auto Fund 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 Auto Fund 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.

SGI acts as administrator of the Auto Fund. Administrative, traffic safety programs, and loss adjustment expenses incurred by SGI CANADA are allocated to the Auto Fund directly or on the basis of a cost allocation formula. These are operating transactions incurred in the normal course of operations. Amounts incurred by SGI CANADA and charged to the Auto Fund were $207.5 million (2021 – $164.8 million) and accounts payable were $12.6 million (2021 – accounts receivable $6.2 million).

19. Rebate to Policyholders

During the year, the Government of Saskatchewan approved $89.3 million (2021 – $285.0 million) in rebates to be paid to registered vehicle owners. The rebates resulted in a $89.3 million (2021 – $285.0 million) reduction to the Auto Fund's Comprehensive Income and Rate Stabilization Reserve.

20. Commitments and Contingencies

The Auto Fund has commitments to provide funding to STARS Air Ambulance, to provide funding to Saskatchewan health organizations for costs associated with rehabilitation for those involved in automobile collisions and for systems contracts as follows:

	(thousands of $)				
	2022-23	2023-24	2024-25	2025-26	2026-27
Commitments					
Medical funding	$ 37,933	$ 36,258	$ 37,221	$ 38,283	$ 33,688
Claims software	2,199	–	–	–	–
Total commitments	$ 40,132	$ 36,258	$ 37,221	$ 38,283	$ 33,688

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

21. Comparative Information

Certain comparative information has been reclassified to conform to the current year's presentation.

Glossary of Terms

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.
Claims incurred	The total for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in the provision for unpaid claims 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.
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.
Motor licence issuer	A person who negotiates driver's licences and vehicle licence/insurance on behalf of the Auto Fund and who receives a fee from the Auto Fund for licences placed and other services rendered.
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.

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 from policyholders and paid to the province. It is calculated as a percentage of gross premiums written.
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.
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 website at www.sgi.sk.ca for information on governance for the Saskatchewan Auto Fund, including:

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

In Memoriam

Grant Kluge, an Appraiser at Regina Commercial Claims, was a leading team member with an infectious laugh. He joined SGI in 1997, starting out as an Auto Body Repair Technician. Grant was helpful with a great attitude and dedication to both his career and his family. He and his partner Lori lived in Lumsden Valley and enjoyed time at the family cabin at Good Spirit Lake. He loved spending time with his four children, Brendan, Marissa, Brian, and Colin; and grandchildren Josselyn, Michael, Grant and Thallis.

Ruth Kotelko, worked as a Clerk 4 at the Saskatoon East Auto Claims Centre. She joined SGI in 1975 and spent 46 years with the company, making her the second-longest serving active employee. Ruth loved her job and connecting with the people she worked with. Cheerful, warm and nurturing, she took care of her co-workers. Her personality was also a good fit for helping customers who were dealing with challenging situations. In her spare time, Ruth liked to keep up with the news, read, play cards, and meet up with the regulars on her neighbourhood coffee row.

Sharon Perry was a Driver Improvement Program Administrator who took pride in her work and brought patience and empathy to her interactions with customers. She spent 20 years working at SGI in various roles in Regina, bringing her kind and upbeat personality to every position. Sharon was a community-minded person who operated a private care home for adults with intellectual disabilities. She will be missed by her husband Ross; children, Pamela, Richard, and Karlee; and her six grandchildren.