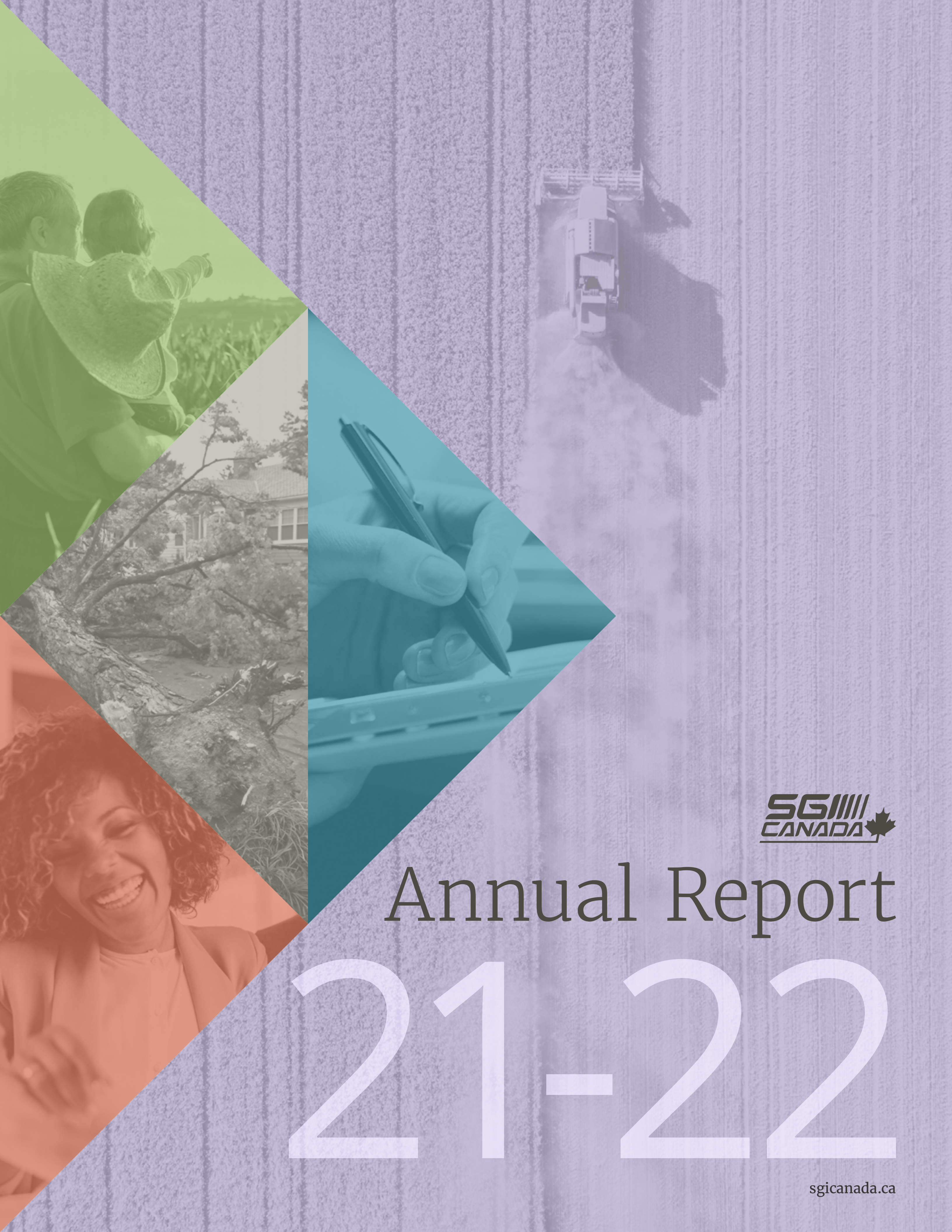


Annual Report 21-22

sgicanada.ca

Vision

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

Mission

Auto Fund

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

SGI CANADA

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

Values

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

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

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

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

About SGI CANADA

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

Visit www.sgicanada.ca for more information.

2021-22 SGI CANADA 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 SGI CANADA for the fiscal year ending March 31, 2022, in accordance with *The Saskatchewan Government Insurance Act*.

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

Respectfully submitted,

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

President and Chair’s Message

Strong, stable underwriting returns powered SGI CANADA’s healthy financial performance over the 2021-22 fiscal year, resulting in a net income of $81.8 million, and a dividend of $57.5 million returned to the Province of Saskatchewan. Profitability remained intact despite huge storms that swept through Saskatchewan at the end of August, and unpredictable investment markets through the second year of the global COVID-19 pandemic.

Powerful storms hit Saskatchewan on Aug. 31 and Sept. 1, 2021, triggering one of the largest single claim events in SGI CANADA’s history, and resulting in $40.0 million in estimated damages for our customers. Our robust reinsurance program, designed to cover the bulk of major storm claim costs, responded effectively to this event. We’re preparing for more challenging claim years ahead as climate change impacts extreme weather events across the country.

Social and economic conditions gradually began to shift to normal during the second year of the pandemic, which meant SGI CANADA resumed standard operations and many staff returned to work at the office, while others adopted a hybrid or permanent remote work model. Measures such as masking and social distancing remained in place through most of the year to ensure the safety of staff and customers.

While the company’s investment earnings were exceptionally good in 2020-21 at $132.8 million, as a result of market conditions during the pandemic, this number dropped to $32.3 million in 2021-22. This is still a strong result in a volatile market.

SGI CANADA’s overall underwriting profit of $52.1 million was largely due to solid results in Saskatchewan, where we saw 8.5% growth. As other insurers pulled back from covering commercial risks due to the commercial hard market, SGI saw its commercial market share increase as we worked with our broker partners to fill in the gaps for business customers. Early in 2022, we partnered with the Insurance Brokers Association of Saskatchewan and the Insurance Bureau of Canada to develop a new Alternative Risk Unit program to help more Saskatchewan businesses find coverage.

Underwriting profits in Ontario auto also remained strong with a lower number of drivers on the road during the COVID slow down. We plan to expand our product offerings and continue to grow in Ontario in future years. We also remained profitable in Manitoba, where SGI CANADA grew in the region by 18.3%, which is substantially higher than the average growth rate of 11.0% for that province. These are examples where our strategy to spread risk geographically has been successful. Currently, 41.0% of SGI CANADA business is written outside of Saskatchewan.

A stable, consistent, and sophisticated approach to profitability and growth has been SGI CANADA’s long-term outlook, so that even during times of change, we’re the insurer our partners and customers can count on. We wrapped up our previous five-year strategy in 2020, exceeding our $1 billion premium target ahead of schedule, while maintaining profits. With an overall growth rate of 7.1% in 2021-22, SGI CANADA earned a total direct premium written of $1.145 billion to end the year, and a combined ratio (claims losses and expenses, divided by earned premiums) of 95.0%, up slightly from 93.2% the previous year. In our current five-year plan, we expect to ramp up and outpace industry growth to hit $1.5 billion by 2025.

Planning for SGI CANADA’s corporate transformation was a huge priority over the past fiscal year and executing on this plan will be the company’s primary focus for the near future. In 2021-22, we 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 flexible, innovative and modern insurer, offering more digital options for both brokers and customers.

As a part of this journey, SGI CANADA is partnering with consulting, risk management, and technology providers. These partnerships will be vital in building new platforms to support all insurance products, design and pricing, policy, billing, and claims functionality, 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.

SGI CANADA's customer and broker satisfaction scores remained higher than the industry average throughout 2021-22. Our annual customer experience survey, which measures customers' perceptions about effectiveness, ease and emotion when dealing with SGI CANADA, showed results holding steady at a score of 72 out of 100.

Two-thirds of our broker partners rate us "better or significantly better than other carriers." For brokers, this means being responsive to requests, clear on our underwriting appetite and guidelines, and responsive to solving problems. During the pandemic, we enhanced our virtual learning opportunities for brokers, and we've seen a huge uptake in participants – from 3,905 in 2020 to 9,056 in 2021. Building on this momentum, we've introduced a new and improved SGI CANADA University program offering high-quality, professional development training for brokers to support them in their insurance career, and help them provide exceptional service to customers.

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

We would be remiss not to acknowledge the excellent leadership of our outgoing President and CEO, Andrew Cartmell. Andrew successfully led the company for more than 12 years, seeing it through technological, organizational and cultural changes; ensuring healthy growth and profits year after year; and keeping employees and customers safe through a pandemic. Our new President and CEO, Penny McCune, is a 36-year employee with extensive knowledge in both SGI (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 were fortunate to welcome new board members Mike Levine, Irene Seiferling and Allison Ziegler.

Finally, we'd like to sincerely thank our 348 broker partners in over 1,600 locations across the country, and our more than 2,000 employees. We remain grateful for their dedication and commitment to our customers, and their many contributions to another successful year at SGI CANADA.

Jeff Stepan
Interim President and Chief Executive Officer
Saskatchewan Government Insurance

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 management and reflects events known to management 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 SGI CANADA's financial statements with insight into SGI CANADA (denoted as the "Corporation") and the industry in which it operates. This section contains discussion on its strategies and its capability to execute the strategies, key performance drivers, financial capital, March 31, 2022 financial results, risk management and an outlook for 2022-23. Information contained in the MD&A should be read in conjunction with the consolidated financial statements and the notes to the consolidated financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars. SGI CANADA's annual and quarterly reports are available on its website at www.sgicanada.ca.

Caution Regarding Forward-Looking Statements

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

The SGI CANADA Story

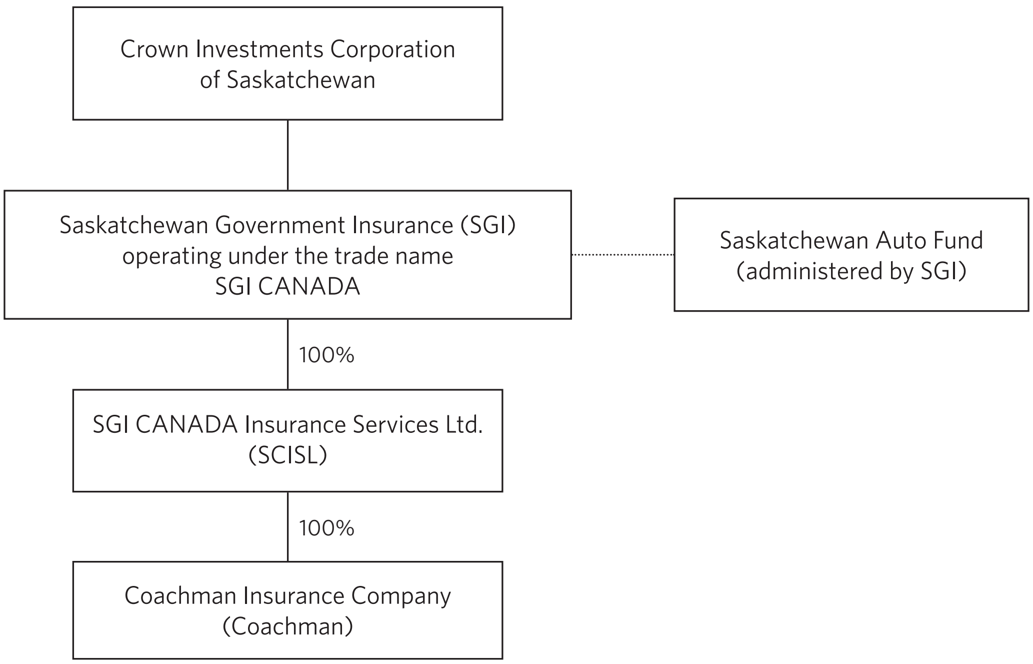
In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. It was created to rectify problems in the Saskatchewan insurance industry. At that time, poor economic conditions had driven many insurers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

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

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

The operations in provinces outside Saskatchewan are important to the Corporation to spread risk and increase economic returns for the Corporation's shareholder, Crown Investments Corporation of Saskatchewan (CIC). In 1993, SCISL began offering P&C insurance in Manitoba. In 2001, SCISL purchased 100% of the shares of Coachman Insurance Company (Coachman) operating in Ontario. SCISL has been operating in Alberta since 2006 and began writing commercial property products in British Columbia in July 2015 and personal property in January 2016. SCISL entered the Ontario market in July 2017, offering personal property, personal auto and commercial property products.

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



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

The Corporation employs more than 2,000 people in Saskatchewan and approximately 200 people outside the province. The Corporation operates with a network of 147 independent brokers throughout Saskatchewan, as well as 201 brokers operating in Manitoba, Alberta, British Columbia and Ontario. The Corporation's head office is located in Regina, Saskatchewan.

The Property and Casualty Insurance Business Environment

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

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

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

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

Since automobile insurance is compulsory in Canada – unlike home and business insurance – it is the most regulated product for P&C companies. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario, which represent approximately 16.3% of consolidated gross premiums written.

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

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

The Property and Casualty Insurance Compensation Corporation (PACICC), a non-profit entity, was formed in 1988 to provide a reasonable level of recovery for policyholders and claimants under most policies issued by P&C companies in Canada in the unlikely event a Canadian P&C company fails. The maximum amount a policyholder could recover from PACICC is $0.4 million for auto and commercial policies and $0.5 million for home policies with respect to all claims arising from each policy issued by the insolvent insurer and arising from a single occurrence. Policyholders may also claim 70% of unearned premiums that have been paid in advance, to a maximum of $1,750 per policy.

As a Crown Corporation not directly licensed by a provincial regulator, SGI CANADA's Saskatchewan operations are not required by legislation to be Members of PACICC. SGI CANADA had been a member of PACICC for many years, but withdrew its membership in June 2021, as Saskatchewan policyholders could never receive compensation under current PACICC rules. However, SGI CANADA's two subsidiaries operating outside of Saskatchewan, SGI CANADA Insurance Services Ltd. and Coachman Insurance Company, are both required by their regulator's licensing legislation to be members of PACICC.

Strategic Direction

SGI CANADA's vision, mission and values are:

Vision

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

Mission

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

Values

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

Corporate Goals and Measures

Corporate transformation is at the heart of SGI CANADA's current strategy. As SGI CANADA navigated its transformation journey throughout 2021-22, it focused on:

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

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

Financial

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

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Profitability and growth			
Combined ratio	97.4%	● 94.4%	100.1%
Pre-tax return on equity	13.6%	● 17.6%	9.4%
Direct premium written	$1,128M	● $1,145M	$1,214M
Minimum Capital Test	242%	● 242%	233%

Legend: ● achieved ○ not achieved

Note: To eliminate potential volatility related to corporate transformation expenses, external digital transformation costs are excluded from SGI CANADA's pre-tax ROE and combined ratio on the balanced scorecard. The amounts discussed below exclude the impact of external digital transformation costs.

Profitability and growth

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

The Corporation measures profitability through its combined ratio and pre-tax return on equity (ROE). The pandemic created a unique environment in the Canadian insurance industry. With fewer motorists on the road and shorter distances being travelled, automobile insurance profitability improved. Based on these trends, SGI CANADA targeted stronger than usual profitability in 2021-22.

A combined ratio below 100% indicates that the company is making an underwriting profit, while a ratio above 100% means that it's paying out more money in claims and expenses than it's receiving from premiums. To ensure growth is sustainable and reasonably profitable, the company's long-term goal is to operate at a combined ratio of 98.0% or less. The Corporation had an underwriting profit and performed better than both its annual and long-term target with a 94.4% combined ratio (95.0% when the impact of external digital transformation costs are included). The unusually strong annual target and result are reflective of the unique insurance environment created by the pandemic.

The ROE compares profit to the investment in the Corporation. SGI CANADA's target was to achieve a minimum pre-tax ROE of 13.6%. The Corporation exceeded this target, earning a pre-tax ROE of 17.6% (16.4% when the impact of external digital transformation costs are included). The unusually strong pre-tax ROE target and result are reflective of the unique insurance environment and fewer claims losses created by the pandemic.

The Corporation measures growth through its consolidated direct premium written. With $1,145 million in direct premium written, SGI CANADA met its target of $1,128 million in direct premium written and posted a year-over-year increase of 7.1%.

The Corporation also monitors capital adequacy. While not a measure of profitability or growth, it speaks to the Corporation's ability to honour its financial obligations, which is a critical financial metric. The industry measurement developed by insurance regulators for capital adequacy is the Minimum Capital Test (MCT). The MCT is a risk-based capital adequacy framework that assesses the risk associated with company assets, policy liabilities and off-balance sheet exposures by applying varying factors. From these calculations comes a ratio of capital available to capital required. As discussed in the "Capability to Execute Strategies, Financial Capital" section that follows, the Corporation has established internal MCT targets that provincial regulators have adopted as minimum targets for regulatory purposes. SGI CANADA's consolidated MCT of 242% met the 2021-22 target and long-term goal of 242%.

Customer

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

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Customer experience			
Customer experience index	71	● 72	72
Legend: ● achieved ○ not achieved			

Customer experience

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

Internal Processes

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

Measure	2021-22 Target	2021-22 Result	2022-23 Target
Efficiency			
Administrative expense ratio	12.2%	● 10.6%	12.0%
Broker satisfaction			
Broker service satisfaction	59%	● 66%	66%
Legend: ● achieved ○ not achieved			

Note: To eliminate potential volatility related to corporate transformation expenses, external digital transformation costs are excluded from SGI CANADA'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 SGI CANADA's administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. SGI CANADA achieved its target, realizing a 10.6% administrative expense ratio (11.2% when the impact of external digital transformation costs are included), which is better than the target of 12.2%.

Broker satisfaction

SGI CANADA conducts an annual survey with brokers in every jurisdiction in which it operates to determine the level of satisfaction with the service provided to them. SGI CANADA's broker service satisfaction is reported based on a top two box score. In 2021-22, the Corporation exceeded its 59% target with 66% of brokers rating SGI CANADA's service as "better than" or "significantly better than" other insurance companies.

Organizational Capacity

SGI CANADA'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 SGI CANADA undertakes major corporate transformation, its ability to manage change and lead people effectively is critical to success. Progress in these areas is assessed using two dimensions from the employee survey – change management and leadership effectiveness. Overall employee engagement is also assessed through the employee survey. The survey includes employees performing work for both SGI CANADA and the Auto Fund. SGI 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 the Corporation's employees, brokers, technology and financial capital. They are discussed further below.

Employees

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

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

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

Brokers

The Corporation sells products through a network of 147 independent Saskatchewan brokers who conduct business from 341 locations throughout the province, and 201 brokers who operate in 1,277 locations throughout the rest of Canada. To continue delivering insurance products that customers desire, the Corporation works closely with brokers to obtain input and advice on the changing needs of customers. With their assistance, the Corporation is able to take a lead in delivering innovative insurance products to customers.

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

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

Technology

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

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

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

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

Financial Capital

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

The Corporation's main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. These advances form the Corporation's equity capitalization. There were no new equity advances to the Corporation from its parent during the year.

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

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

Company	March 31, 2022	March 31, 2021	Internal Target	Operating Target
SGI CANADA (consolidated)	242%	242%	213%	242%
SGI CANADA Insurance Services Ltd. (consolidated)	312%	335%	215%	260%
Coachman Insurance Company	480%	543%	243%	278%

In April 2022, The SGI Board of Directors approved the following changes to the targets:

- SGI CANADA Insurance Service Ltd. (Consolidated)'s operating target was increased to 268%, while the internal target was increased to 225%
- Coachman Insurance Company's operating target was increased to 305% and the internal target was increased to 257%

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

The Corporation generated consolidated operating cash flows of $176.6 million during the year. This cash flow is invested so that it is available to pay claims as they come due and to meet dividend requirements to its parent, CIC.

For the cash flow the Corporation retains, its enabling legislation requires it to follow the same investment criterion that federally regulated P&C companies must follow. This means the majority of the Corporation's investments are in highly liquid securities that can be sold in a timely manner in order to satisfy financial commitments. As at March 31, 2022, 39.3% (March 31, 2021 – 39.7%) of the investment portfolio was in treasury bills and highly liquid bonds and debentures issued by the federal and provincial governments.

2021-22 Financial Results

For the year ended March 31, 2022

Overview of operations

The Corporation's operating results for the year were strong, achieving a consolidated net income of $81.8 million, and an annualized after tax return on equity of 15.8%.

The Corporation's investment earnings were $32.3 million for the year, driven by positive equity and real estate returns.

Statement of Operations

Premium revenue

	(thousands of $)		
	2022	2021	Change
Saskatchewan	675,879	623,049	52,830
Alberta	196,283	192,292	3,991
Ontario	138,944	132,536	6,408
British Columbia	73,232	71,387	1,845
Manitoba	58,392	49,359	9,033
Gross premiums written	1,142,730	1,068,623	74,107
Premiums ceded to reinsurers	(72,598)	(58,091)	(14,507)
Change in unearned premiums	(33,639)	(35,933)	2,294
Net premiums earned	1,036,493	974,599	61,894

Consolidated gross premiums written grew $74.1 million, or 6.9%, with growth occurring in all jurisdictions. The Corporation's split of business in 2022 was 66.1% property and 33.9% auto, consistent with 2021. Geographically, 40.9% (2021 – 41.7%) of gross premiums written were outside of Saskatchewan.

Gross premiums written in Saskatchewan increased 8.5% year-over-year, with all lines of business contributing to the growth.

Alberta operations experienced growth of 2.1% year-over-year. Farm, personal lines and commercial lines all saw year-over-year growth which was offset by a decline in personal auto.

The increase in Ontario premiums written of 4.8% relates to growth in all property lines, which is partially offset by declines in auto lines.

In British Columbia, the 2.6% increase in gross premiums written was across all lines.

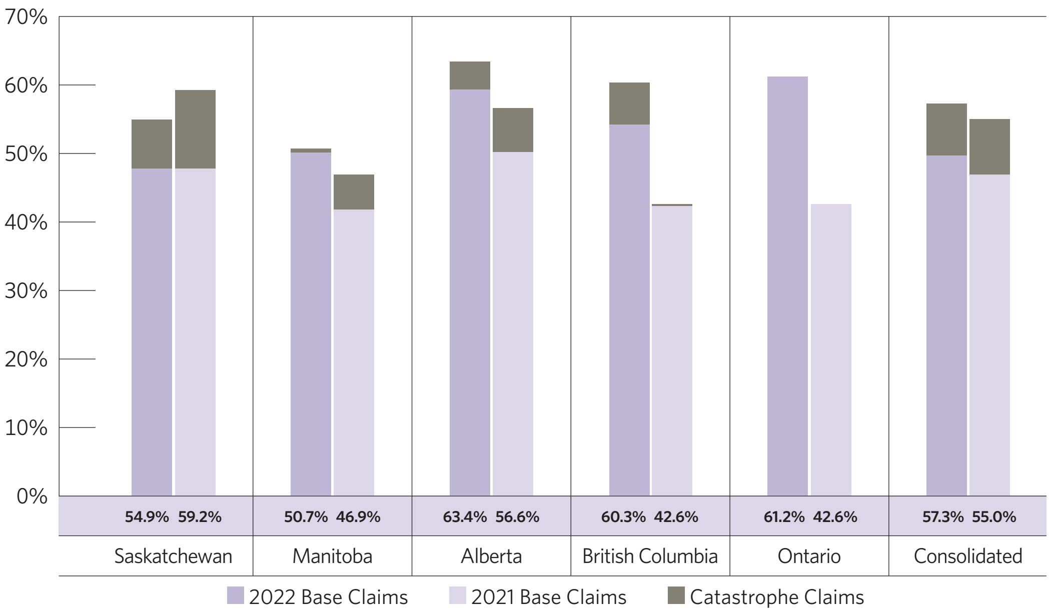
Gross premiums written in Manitoba increased 18.3% year-over-year, with all lines of business contributing to the growth.

Claims incurred

	(thousands of $)		
	2022	2021	Change
Net claims incurred	594,389	535,870	58,519
Consolidated loss ratio	57.3%	55.0%	2.3%

Net claims incurred increased by 10.9% in the year while the consolidated loss ratio increased by 2.3 percentage points compared to the prior year. The increase in the loss ratio occurred in all jurisdictions except Saskatchewan. The following chart summarizes loss ratios by jurisdiction:

Loss Ratios



Saskatchewan's loss ratio of 54.9% is a decrease from last year's loss ratio of 59.2%. This was largely driven by decreased catastrophe claims. There were $42.2 million in catastrophe claims occurred in the current year, compared to a total of $64.2 million in the prior year.

Manitoba's loss ratio increased to 50.7% from 46.9% in the previous year due to increased commercial lines losses. There were $0.3 million catastrophe claims in the year, compared to $2.2 million last year.

The Alberta loss ratio increased from 56.6% in 2021 to 63.4% in 2022 primarily due to increased auto and personal lines losses. Catastrophic claims activity in the year amounted to $7.7 million compared to $11.8 million in 2021.

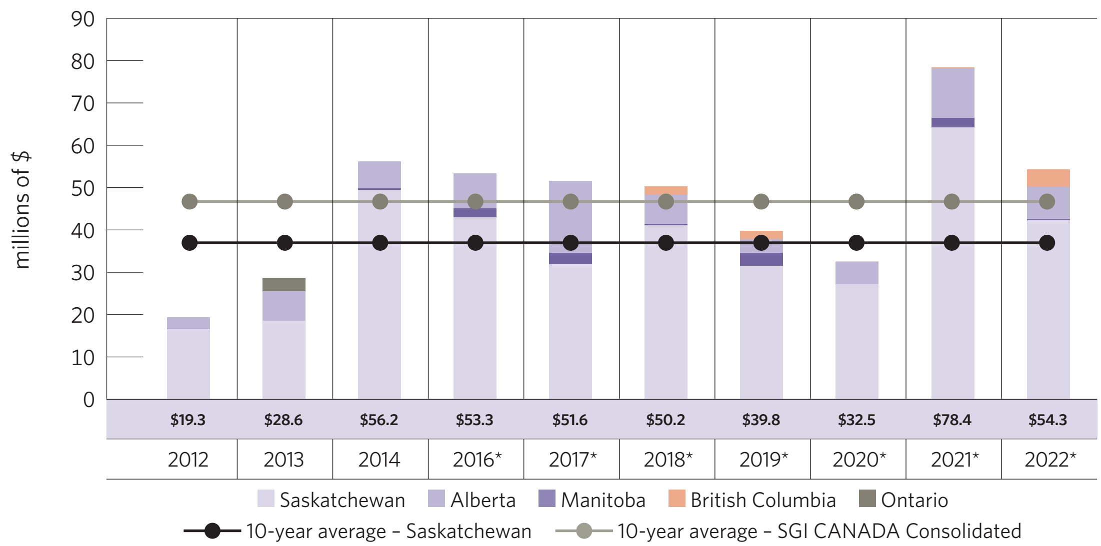
The loss ratio for British Columbia increased from 42.6% in 2021 to 60.3% in 2022 primarily due to increased catastrophic claims activity and an increase in the number of personal lines claims during the period. There were $4.1 million catastrophe claims in the year, compared to $0.2 million last year.

Ontario's loss ratio of 61.2% is higher than last year's ratio of 42.6%, largely due to an increase in claim counts in personal lines and personal auto.

Catastrophic claim costs

The following graph shows the significance of catastrophic (primarily storm) claims over the past 10 years, demonstrating their unpredictability and the impact they can have on the Corporation's financial results. Catastrophic losses for the year were $54.3 million, compared to the 10-year average of $48.9 million. Costs are highest in Saskatchewan, due to the Corporation's significant exposure in the province; however, as can be seen over the past ten years, the Corporation has been subject to more significant and catastrophic events in the other provinces, as it continues to grow its book of business outside of Saskatchewan.

Catastrophic Claims (Net)



* Year ended March 31

Expenses excluding claims incurred

	(thousands of $)		
	2022	**2021**	**Change**
Other expenses	389,978	372,272	17,706
Income tax expense	2,809	27,271	(24,462)

Other expenses

Expenses excluding claims incurred were $390.0 million (2021 – $372.3 million) for the year, an increase of $17.7 million or 4.8%. This increase generally mirrored the growth in premiums earned as the administrative expense ratio increased slightly to 11.2% from 11.1% in 2021.

Income taxes

The Corporation's out-of-province legal entities, SCISL and Coachman, are subject to corporate income tax, while SGI CANADA is not. On a consolidated basis, the Corporation recorded an income tax expense of $2.8 million in 2022 compared to $27.3 million in 2021. The variance relates to the decreased profitability in jurisdictions outside of Saskatchewan this year. Excluding Saskatchewan operations, which are non-taxable, this results in a tax rate of 25.6% (compared to 26.2% in 2021).

Investment earnings

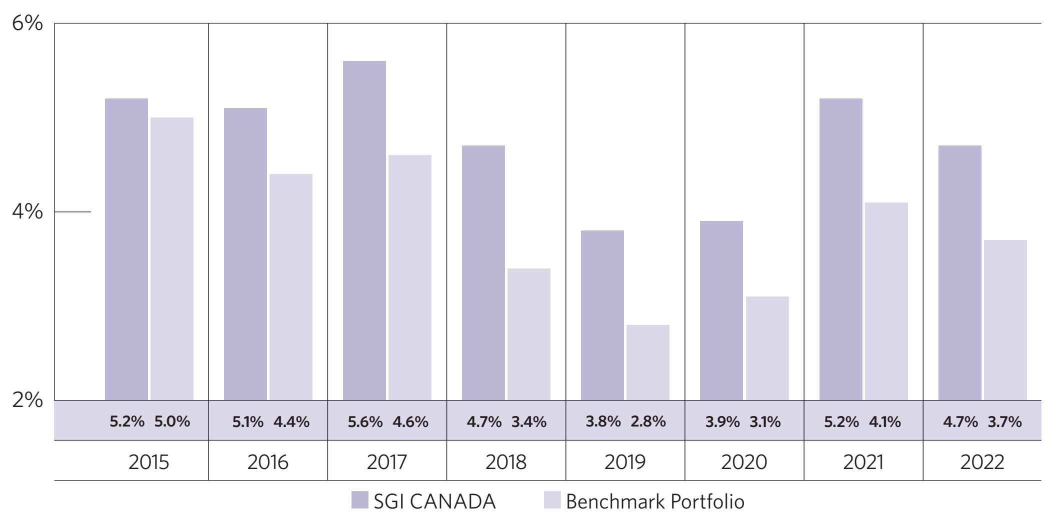
	(thousands of $)		
	2022	2021	Change
Net investment earnings	32,316	132,769	(100,453)

For the year, investment earnings were $32.3 million and represented 3.0% of total revenues (2021 – $132.8 million or 12.0% of total revenues). The components of investment earnings are disclosed in note 14 to the consolidated financial statements, and include interest, dividends, investment fund distributions, realized gains and losses on sales of investments, and unrealized gains and losses on the change in market value of investments.

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

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

Four-Year Market-Based Returns to March 31



The Corporation's portfolio market-based return was 1.6% in 2022, compared to a 11.5% return in 2021. The 2022 returns were driven by positive Canadian equity, global equity and real estate returns but at levels significantly lower than experienced during the economic recovery of the prior year.

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

		Annual Returns (%)		
		Actual	Index	Actual
Asset Class	Benchmark Index	2022		2021
Short-term bonds	FTSE TMX Short-term Bond	−2.6	−3.3	3.6
Mortgages	FTSE TMX Short & Mid-term Bonds	1.9	−3.5	6.2
Canadian equities	S&P/TSX Composite	19.7	20.2	46.6
Global equities	MSCI ACWI ($C)	9.4	6.6	45.7
Global small cap equities	MSCI ACWSCI ($C)	−6.0	−1.0	73.9
Real estate	Investment Property Databank	16.8	13.8	−1.3

Consolidated Statement of Cash Flows

	(thousands of $)		
	2022	2021	Change
Operating activities	176,610	139,693	36,917
Investing activities	(80,961)	(110,702)	29,741
Financing activities	(91,648)	(65,197)	(26,451)
Net cash flow	4,001	(36,206)	40,207

Operating activities

Operating activity cash flows remained strong in 2022, with the Corporation's positive cash flow used to fund investment purchases and dividend payments.

Investing activities

The Corporation's excess cash from operating activities is invested in its investment portfolios. The investment managers actively trade each investment portfolio in the capital markets following the restrictions set out in each legal entity's Statement of Investment Policies and Goals.

During 2022, the investment managers, on a consolidated basis, received $1,088.4 million through investment sales and used $1,182.8 million to purchase investments. The additional funds used to purchase investments during the year were from cash generated from operations.

Financing activities

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

Consolidated Statement of Financial Position

	(thousands of $)		
	March 31 2022	March 31 2021	Change
Total assets	**$ 1,982,924**	**$ 1,845,118**	**$ 137,806**
Key asset account changes:			
Investments	1,351,320	1,290,217	61,103

Investments

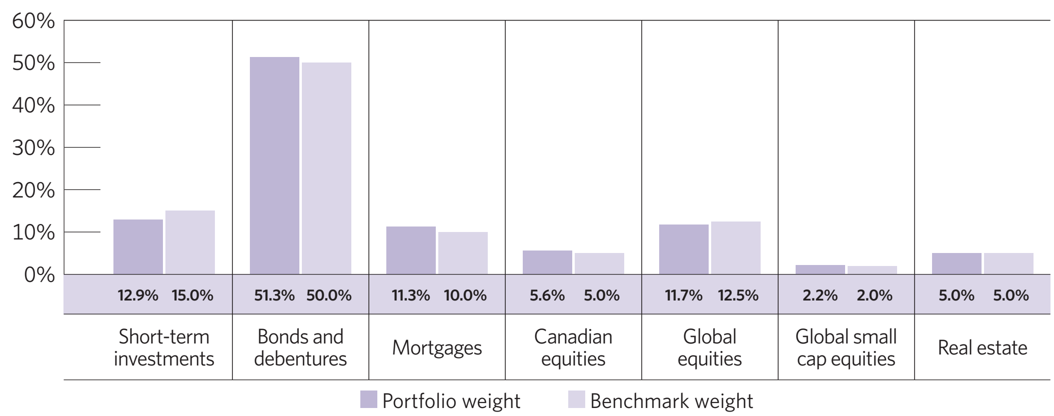
The carrying value of investments increased by $61.1 million during the year, due to the investment of operating cash flows and positive investment returns.

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

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

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

SGI CANADA Consolidated Asset Mix as at March 31, 2022



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

	(thousands of $)		
	March 31 2022	March 31 2021	Change
Total liabilities	**$ 1,453,601**	**$ 1,340,553**	**$ 113,048**
Key liability account changes:			
Provision for unpaid claims	740,299	646,473	93,826

Provision for unpaid claims

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

The provision for unpaid claims increased $93.8 million, or 14.5%, from the end of the previous year. Key components of the change in the provision for unpaid claims are discussed in the preceding section, Claims Incurred. The majority of the increase is due to additional exposure related to growth.

	(thousands of $)		
	March 31 2022	March 31 2021	Change
Total equity	**$ 529,323**	**$ 504,565**	**$ 24,758**
Key equity account changes:			
Retained earnings	449,323	424,565	24,758

Retained earnings

The $24.8 million increase in retained earnings is attributable to the $81.8 million consolidated net income plus $0.5 million other comprehensive income offset by dividends declared of $57.5 million. The other comprehensive income represents actuarial gains associated with the Corporation's defined benefit pension and service recognition plans.

Quarterly Consolidated Financial Highlights

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

	(thousands of $)									
	2021-22					2020-21				
	Q 4	Q 3	Q 2	Q 1	**2022**	Q 4	Q 3	Q 2	Q 1	**2021**
Net premiums written	197,873	282,103	296,283	293,873	**1,070,132**	182,747	264,260	286,464	277,061	**1,010,532**
Net premiums earned	262,635	265,482	255,839	252,537	**1,036,493**	246,443	244,790	248,818	234,548	**974,599**
Net claims incurred	153,366	140,573	184,712	115,738	**594,389**	120,062	111,238	182,789	121,781	**535,870**
Net (loss) income	(19,299)	49,267	(13,270)	65,074	**81,772**	43,110	64,360	(4,392)	69,050	**172,128**
Cash flow (used in) from operating activities	(24,819)	113,214	35,325	52,890	**176,610**	(1,240)	37,055	59,360	44,518	**139,693**
Investments	1,351,320	1,435,201	1,350,691	1,318,768		1,290,217	1,316,370	1,235,433	1,188,411	
Provision for unpaid claims	740,299	714,755	735,347	640,777		646,473	649,229	699,696	640,748	
Minimum Capital Test	242%	254%	253%	281%		242%	245%	231%	256%	

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

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

Related Party Transactions

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

The Corporation acts as the administrator of the Auto Fund on behalf of the Province of Saskatchewan. The Corporation incurs administrative and claim adjustment expenses on behalf of the Auto Fund, which are charged to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by the Corporation and charged to the Auto Fund were $207.5 million (2021 – $164.8 million).

Off Balance Sheet Arrangements

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

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

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

Also, the Corporation and its subsidiaries, in the normal course of settling claims, settle some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the P&C industry. The net present value of the scheduled payments was $62.8 million (2021 – $65.4 million). The Corporation provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the Corporation considers the likelihood of such default remote.

Critical Accounting Estimates

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

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

Provision for unpaid claims

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

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

Unpaid claims recoverable from reinsurers

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

Income taxes

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

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

Employee future benefits

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

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

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

Risk Management

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

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

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

Corporate Transformation

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

Organizational Change Agility

Risk: The Corporation'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: The Corporation 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 the Corporation 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 the Corporation to be responsive to opportunities that emerge going forward.

Competition

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

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

System Availability and Recovery

Risk: Systems are 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 the Corporation 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 the Corporation 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 the Corporation 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 the Corporation'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 VP 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 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.

Distribution Channel

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

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

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

Culture

Risk: The risk that the company 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.

Outlook for 2022-23

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

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

The Corporation's goal is to achieve $1.2 billion in direct premium written by the end of the 2022-23 year while continuing with transformation activities. To achieve this, the Corporation 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 employees, partners and customers. In 2022-23, the Corporation will continue to focus on developing the leadership culture, maintaining a disciplined approach to change management, transitioning the workforce to support corporate transformation activities and by implementing broker engagement strategies and ensuring service levels are maintained.

Engage customers – this is about providing customers with personalized experiences and delivery options, enabling them to make more informed decisions and positively influencing their behavior. In 2022-23, the Corporation will focus on maintaining customer service levels, and implementation of the claims handling strategy.

Optimize operations – this is about optimizing our business processes and improving our responsiveness through automation and digitization. In 2022-23, the Corporation will continue to focus on maintaining profitability and improving long-term efficiency of the company through process redesign, and modern technology implementations.

Transform products – this is about using data, analytics and artificial intelligence to develop innovative products and services that deliver a tangible advantage. In 2022-23, the Corporation will continue to focus on product structure redesign, coverage and flexibility, establishing a framework for data governance, and continuing to mature the capabilities of SGI as a digital insurer.

External factors impacting the outlook

The COVID-19 pandemic continues to linger; however, most Provincial mandates were dropped as of the end of March 2022 and driving habits returned to more normal levels in Alberta, Saskatchewan, and Ontario. SGI CANADA expects claims activity to be consistent with the long-term expectation for the 2022-23 year.

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

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 US 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 SGI CANADA's investment performance in 2022-23.

Responsibility for Financial Statements

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

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

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

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

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

Jeff Stepan
Interim President and Chief Executive Officer

Drew Kendel
Interim Chief Financial Officer

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

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

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

(d) That the Corporation conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as of March 31, 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

Drew Kendel
Interim Chief Financial Officer

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 SGI CANADA for its consolidated statement of financial position at March 31, 2022 and their changes in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

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

Chris McCulloch

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

Winnipeg, Manitoba
May 26, 2022

Independent Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

Opinion

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

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Regina, Canada
May 26, 2022

Consolidated Statement of Financial Position

	(thousands of $)	
	March 31 2022	March 31 2021
Assets		
Cash and cash equivalents (note 4)	$ 53,492	$ 49,491
Accounts receivable (note 5)	301,055	281,239
Investments under securities lending program (note 6)	361,031	339,912
Investments (note 6)	990,289	950,305
Unpaid claims recoverable from reinsurers (note 10)	53,519	22,043
Reinsurers' share of unearned premiums (note 12)	42,069	38,869
Deferred policy acquisition costs (note 11)	132,565	122,875
Right-of-use assets (note 7)	10,685	11,604
Property and equipment (note 8)	15,356	15,391
Intangible assets (note 9)	3,670	4,708
Prepaid expenses	4,733	4,006
Income tax receivable	9,124	–
Deferred income tax asset (note 15)	5,336	4,675
	$ 1,982,924	$ 1,845,118
Liabilities		
Accounts payable and accrued liabilities	$ 74,110	$ 63,599
Income taxes payable	–	6,258
Dividend payable	5,000	36,750
Premium taxes payable	9,404	8,954
Amounts due to reinsurers	43,658	31,880
Unearned reinsurance commissions	5,092	4,864
Unearned premiums (note 12)	552,485	515,646
Accrued pension liabilities (note 19)	11,818	13,502
Provision for unpaid claims (note 10)	740,299	646,473
Lease liability (note 7)	11,293	12,169
Deferred income tax liability (note 15)	442	458
	1,453,601	1,340,553
Equity		
Equity advances (note 13)	80,000	80,000
Retained earnings	449,323	424,565
Total equity	**529,323**	504,565
	$ 1,982,924	$ 1,845,118

Commitments and contingencies (note 23).
The accompanying notes are an integral part of these consolidated financial statements.
Approved by the Board of Directors and signed on their behalf on May 26, 2022.

Denis Perrault
Director

Janice Wallace
Director

Consolidated Statement of Operations

	(thousands of $)	
For the years ended March 31	2022	2021
Gross premiums written	$ 1,142,730	$ 1,068,623
Premiums ceded to reinsurers	(72,598)	(58,091)
Net premiums written	1,070,132	1,010,532
Change in net unearned premiums (note 12)	(33,639)	(35,933)
Net premiums earned	**1,036,493**	974,599
Gross claims incurred	648,508	548,480
Ceded claims incurred	(54,119)	(12,610)
Net claims incurred (note 10)	594,389	535,870
Commissions	225,673	218,748
Administrative expenses	115,922	108,523
Premium taxes	48,383	45,001
Total claims and expenses	**984,367**	908,142
Underwriting income	**52,126**	66,457
Net investment earnings (note 14)	32,316	132,769
Other income	139	173
Income before income taxes	**84,581**	199,399
Income tax expense (note 15)	2,809	27,271
Net income	**81,772**	172,128
Other comprehensive income (loss)	486	(748)
Comprehensive income	**$ 82,258**	$ 171,380

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

Consolidated Statement of Changes in Equity

For the years ended March 31	(thousands of $) 2022	2021
Equity advances		
Balance, end of the year	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of the year	$ 424,565	$ 340,185
Net income	81,772	172,128
Other comprehensive income (loss)	486	(748)
Dividends	(57,500)	(87,000)
Balance, end of the year	**$ 449,323**	$ 424,565
Total equity	**$ 529,323**	$ 504,565

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

Consolidated Statement of Cash Flows

For the years ended March 31	(thousands of $) 2022	2021
Cash provided by (used for):		
Operating activities		
Comprehensive income	$ 82,258	$ 171,380
Non-cash items:		
Bond amortization	5,811	5,303
Amortization and depreciation	6,123	5,840
Net realized gains on sale of investments	(26,115)	(14,779)
Net unrealized losses (gains) on change in market value of investments	53,596	(72,641)
Interest revenue from investments	(16,703)	(17,223)
Interest expense from right-of-use assets (note 7)	242	205
Dividend revenue from investments	(91)	(822)
Income tax expense (note 15)	2,809	27,271
Change in non-cash operating items (note 18)	87,548	46,258
Income taxes paid	(18,868)	(11,099)
	176,610	139,693
Investing activities		
Interest received	16,115	17,881
Dividends received	170	822
Purchases of investments	(1,182,820)	(1,123,192)
Proceeds on sale of investments	1,088,425	997,609
Purchases of property and equipment	(2,660)	(2,748)
Purchases of intangible assets	(191)	(1,074)
	(80,961)	(110,702)
Financing activities		
Dividends paid	(89,250)	(63,250)
Interest paid (note 7)	(242)	(205)
Lease liability payments (note 7)	(2,156)	(1,742)
	(91,648)	(65,197)
Increase (decrease) in cash and cash equivalents	**4,001**	(36,206)
Cash and cash equivalents, beginning of the year	49,491	85,697
Cash and cash equivalents, end of the year	**$ 53,492**	$ 49,491

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

Notes to the Consolidated Financial Statements

March 31, 2022

1. Nature of Operations

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

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario and represent approximately 16.3% (2021 – 18.1%) of the Corporation's consolidated gross premiums written.

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

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

2. Basis of Preparation

Statement of compliance

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

Basis of measurement

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

Statement of Financial Position classification

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

Functional and presentation currency

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

Use of estimates and judgment

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

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

3. Significant Accounting Policies

Basis of consolidation

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

Financial assets and liabilities

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

Debt instruments

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

Equity instruments

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

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

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

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

Fair value of financial instruments

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

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

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

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

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 for short-term investments and bonds and debentures is based on, or derived from, market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

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

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

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

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

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

Impairment of financial assets

The Corporation's trade receivables are subject to the expected credit loss model under IFRS 9. For trade receivables, the Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Corporation considered historical default rates of past customers based on the data available at March 31, 2022.

Investments

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

Investments under securities lending program

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

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

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

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

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

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

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

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

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

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

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

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

Deferred policy acquisition costs

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

Reinsurance ceded

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

Income taxes

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

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

Employees' future benefits

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

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

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

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

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

For the defined benefit plan:

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

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

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

(iv) Past service costs are expensed immediately.

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

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

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

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

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

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

Cash and cash equivalents

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

Property and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions and contingent liabilities

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

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

Structured settlements

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

Comprehensive income

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

Future accounting policy change

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

IFRS 17 – Insurance Contracts

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

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

The primary features of the standard that would be applicable to property and casualty insurance 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 net income 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 net income or in other comprehensive income, according to the accounting policy choice made by the Corporation;
- Changes in presentation on the Consolidated Statement of Financial Position 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 Consolidated Statement of Operations. 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 Corporation is evaluating the impact this standard will have on the consolidated financial statements

4. Cash and Cash Equivalents

	(thousands of $)	
	2022	2021
Money market investments	$ 23,890	$ 26,984
Cash, net of outstanding cheques	29,602	22,507
Total cash and cash equivalents	$ 53,492	$ 49,491

The average effective interest rate on money market investments is 0.6% (2021 – 0.2%).

5. Accounts Receivable

Accounts receivable is comprised of the following:

	(thousands of $)			
	2022		2021	
Due from insureds	$	199,675	$	191,381
Due from brokers		52,857		69,087
Amounts recoverable on claims paid		35,163		37,140
Due from reinsurers		18,520		3,580
Due from Saskatchewan Auto Fund (note 20)		12,563		–
Other		6,400		7,208
Accrued investment income		4,108		3,599
Facility Association (note 21)		3,831		3,425
		333,117		315,420
Less: Allowance for doubtful accounts (note 16)		(32,062)		(34,181)
Total accounts receivable	$	301,055	$	281,239
Current	$	292,503	$	254,469
Non-current		8,552		26,770
	$	301,055	$	281,239

Included in due from insureds is $193.0 million (2021 – $178.1 million) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment earnings that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized in investment earnings using the effective interest method. The effective interest rate for Ontario automobile policies is 3.5% (2021 – 3.5%), all other premiums have an effective interest rate of 8.0% (2021 – 8.0%).

Due from brokers includes loans receivable with a carrying value of $9.2 million (2021 – $28.9 million). The loans require monthly, semi-annual, or annual repayments with terms ranging between one to 15 years. The loans accrue interest at rates ranging from 0.0% to 6.5% (2021 – 0.0% to 6.5%) and are secured by general security agreements. The loans are recorded at their amortized cost, which is considered to be equal to their fair value.

The Corporation applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables.

6. Investments

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

	(thousands of $)	
	2022	2021
Short-term investments	$ 153,683	$ 163,153
Bonds and debentures	344,406	305,732
Canadian common shares	–	32,055
Investment funds:		
Canadian equity	76,629	30,132
Global equity	161,552	179,959
Global small cap equity	29,731	36,425
Mortgage	155,138	143,630
Real estate	69,150	59,219
	990,289	950,305
Investments under securities lending program		
Bonds and debentures	361,031	334,289
Canadian common shares	–	5,623
	361,031	339,912
Total investments	$ 1,351,320	$ 1,290,217

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 0.6% (2021 – 0.1%) and an average remaining term to maturity of 88 days (2021 – 91 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	$ 257,889	2.4	$ 177,721	0.7
After five	7,308	2.8	–	–
Canadian provincial and municipal:				
One or less	–	–	76,856	0.2
After one through five	112,013	2.7	92,809	1.1
Canadian corporate:				
One or less	24,742	2.4	29,735	0.8
After one through five	204,784	3.2	205,356	1.0
After five	98,701	2.9	57,544	2.1
Total bonds and debentures	$ 705,437		$ 640,021	

Canadian common shares

The Corporation did not hold Canadian common shares as of March 31, 2022 (2021 – $37.7 million).

Investment funds

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

Securities lending program

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

At March 31, 2022, the Corporation held collateral of $379.1 million (2021 – $356.9 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	$ –	$ 153,683	$ –	$ 153,683
Bonds and debentures	–	705,437	–	705,437
Canadian common shares	–	–	–	–
Investment funds:				
Canadian equity	76,629	–	–	76,629
Global equity	161,552	–	–	161,552
Global small cap equity	29,731	–	–	29,731
Mortgage	–	–	155,138	155,138
Real estate	–	–	69,150	69,150
Total investments	$ 267,912	$ 859,120	$ 224,288	$ 1,351,320

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

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

A reconciliation of Level 3 investments is as follows:

	(thousands of $)	
	2022	2021
Level 3 investments, beginning of the year	$ 205,849	$ 195,450
Add: Additions during the year		
Mortgage investment fund	22,911	14,056
Real estate investment fund	3,585	7,164
Less: Disposals during the year		
Mortgage investment fund	(7,316)	(3,492)
Real estate investment fund	(2,421)	(5,710)
Canadian common shares	(3,000)	–
Net unrealized gains (losses)	4,680	(1,619)
Level 3 investments, end of the year	$ 224,288	$ 205,849

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

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

7. Leases

At March 31, 2022, the Corporation held 19 real estate leases, including 15 in Saskatchewan, one in Edmonton, one in Winnipeg, and two in Toronto. The leases have various expiry dates ranging from May 2023 to January 2031.

Information about the leases is presented below:

Right-of-use assets

	(thousands of $)	
	2022	2021
Balance, beginning of the year	$ 11,604	$ 10,924
Right-of-use assets:		
Additions	1,280	2,856
Disposals	(716)	(264)
Accumulated depreciation:		
Depreciation	(2,199)	(2,044)
Disposals	716	132
Balance, end of the year	$ 10,685	$ 11,604

Lease liabilities

	(thousands of $)	
	2022	2021
Contractual undiscounted cash flows		
One year or less	$ 2,398	$ 2,260
Between one and five years	6,969	6,892
Greater than five years	2,695	3,982
Total undiscounted lease liabilities	$ 12,062	$ 13,134
Discounted lease liabilities included in the Consolidated Statement of Financial Position	$ 11,293	$ 12,169

Amounts recognized in profit or loss

	(thousands of $)	
	2022	2021
Interest on lease liabilities	$ 242	$ 205
Variable lease payment expenses	2,212	1,955
Expenses related to low value leases	160	185
	$ 2,614	$ 2,345

Amounts recognized in the statement of cash flows

	(thousands of $)	
	2022	2021
Interest paid on lease liabilities	$ 242	$ 205
Lease liability principal payments	2,156	1,742
Total cash outflow for leases	$ 2,398	$ 1,947

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

8. Property and Equipment

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

	(thousands of $)				
	2022				
	Land	Buildings & Improvements	Building Components	Furniture & Equipment	Total
Cost:					
Beginning of the year	$ 3,000	$ 30,056	$ 13,055	$ 29,806	$ 75,917
Additions	–	1,759	208	693	2,660
Disposals	–	–	–	(3,448)	(3,448)
End of the year	3,000	31,815	13,263	27,051	75,129
Accumulated depreciation:					
Beginning of the year	–	24,600	9,700	26,226	60,526
Depreciation	–	660	675	1,360	2,695
Disposals	–	–	–	(3,448)	(3,448)
End of the year	–	25,260	10,375	24,138	59,773
Net book value, end of the year	$ 3,000	$ 6,555	$ 2,888	$ 2,913	$ 15,356

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

Depreciation is included in administrative expenses on the Consolidated Statement of Operations. When an asset has been disposed, its original cost is removed from the consolidated financial statements along with any accumulated depreciation related to that asset.

9. Intangible Assets

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

	(thousands of $)	
	2022	2021
Cost:		
Beginning of the year	$ 6,768	$ 1,240
Additions	191	1,074
Transfers in	–	4,454
End of the year	6,959	6,768
Accumulated amortization:		
Beginning of the year	2,060	–
Amortization	1,229	256
Transfers in	–	1,804
End of the year	3,289	2,060
Net book value, end of the year	$ 3,670	$ 4,708

10. 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	$ 624,911	$ 23,597	$ 648,508	$ 548,869	$ (389)	$ 548,480
Ceded claims incurred	(52,121)	(1,998)	(54,119)	(10,038)	(2,572)	(12,610)
Net claims incurred	$ 572,790	$ 21,599	$ 594,389	$ 538,831	$ (2,961)	$ 535,870

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

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

Net provision for unpaid claims

	(thousands of $) 2022	2021
Beginning of the year:		
Net unpaid claims – discounted	$ 624,430	$ 593,984
PFAD and discount	(37,681)	(38,531)
Net unpaid claims – undiscounted	586,749	555,453
Net unpaid claims, preceding accident year – undiscounted	(97,769)	(82,954)
Net unpaid claims, prior years, beginning of the year – undiscounted	488,980	472,499
Payments made during the year relating to prior year claims	(178,411)	(166,282)
Deficiency (excess) relating to prior year estimated unpaid claims	21,599	(2,961)
Net unpaid claims, prior years – undiscounted	332,168	303,256
Net unpaid claims, current year		
Preceding accident year	204,814	185,724
Current accident year	127,362	97,769
Net unpaid claims, end of the year – undiscounted	664,344	586,749
PFAD and discount, end of the year	22,436	37,681
Net unpaid claims, end of the year – discounted	$ 686,780	$ 624,430

The net provision for unpaid claims is summarized as follows:

Net unpaid claims

	(thousands of $) Gross Unpaid Claims		Reinsurance Recoverable		Net Unpaid Claims	
	2022	2021	2022	2021	2022	2021
Provision for reported claims, undiscounted	$ 499,394	$ 431,097	$ 57,182	$ 19,139	$ 442,212	$ 411,958
Provision for claims incurred but not reported	217,404	176,825	(4,728)	2,034	222,132	174,791
PFAD	68,713	55,740	2,969	(318)	65,744	56,058
Effects of discounting	(45,212)	(17,189)	(1,904)	1,188	(43,308)	(18,377)
	$ 740,299	$ 646,473	$ 53,519	$ 22,043	$ 686,780	$ 624,430

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

The provision for unpaid claims and unpaid claims recoverable from reinsurers are carried on a discounted basis to reflect the time value of money. In that respect, the Corporation determines the discount rate based upon the expected return of the bond investments that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 2.7% (2021 – 1.1%). The resulting carrying amounts are considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the life insurers' default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at March 31, 2022, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurers from which it has purchased annuities. The net present value of the scheduled payments as of the year-end date is $62.8 million (2021 – $65.4 million). The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Corporation considers the possibility of default to be remote.

11. Deferred Policy Acquisition Costs (DPAC)

	(thousands of $)	
	2022	2021
DPAC, beginning of the year	$ 122,875	$ 113,038
Acquisition costs deferred during the year	242,349	225,329
Amortization of deferred acquisition costs	(232,618)	(215,811)
Change in premium deficiency	(41)	319
DPAC, end of the year	$ 132,565	$ 122,875

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	$ 515,646	$ 480,153	$ 38,869	$ 39,309	$ 476,777	$ 440,844
Premiums written	1,142,730	1,068,623	72,598	58,091	1,070,132	1,010,532
Premiums earned	(1,105,891)	(1,033,130)	(69,398)	(58,531)	(1,036,493)	(974,599)
Change in net unearned premiums	36,839	35,493	3,200	(440)	33,639	35,933
Unearned premiums, end of the year	$ 552,485	$ 515,646	$ 42,069	$ 38,869	$ 510,416	$ 476,777

13. Equity Advances

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

14. Net Investment Earnings

Components of net investment earnings are as follows:

	(thousands of $)	
	2022	2021
Investment fund distributions	$ 36,866	$ 21,039
Net realized gains on sale of investments	26,115	14,750
Premium financing	14,368	13,027
Interest and other	11,181	13,012
Dividends	91	822
Net unrealized (losses) gains on change in market value of investments	(53,596)	72,641
Total investment earnings	35,025	135,291
Investment expenses	(2,709)	(2,522)
Net investment earnings	$ 32,316	$ 132,769

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

	(thousands of $)	
	2022	2021
Bonds and debentures	$ (29,244)	$ 3,080
Canadian common shares	(6,680)	9,164
Investment funds:		
Canadian equity	(1,779)	7,238
Global equity	(13,091)	41,448
Global small cap equity	(7,482)	13,330
Mortgage	(4,087)	454
Real estate	8,767	(2,073)
Total net unrealized (losses) gains	$ (53,596)	$ 72,641

15. Income Taxes

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

	(thousands of $)	
	2022	2021
Current	$ 3,486	$ 14,670
Deferred	(677)	12,601
Income tax expense	$ 2,809	$ 27,271

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

The reasons for the differences are as follows:

	(thousands of $)	
	2022	2021
Income before income taxes	$ 84,581	$ 199,399
Combined federal and provincial tax rate	25.63%	26.15%
Computed tax expense based on combined rate	$ 21,678	$ 52,143
(Increase) decrease resulting from:		
Investment earnings not subject to taxation	(18,812)	(23,799)
Other	(57)	(1,073)
Income tax expense	$ 2,809	$ 27,271

The combined federal and provincial tax rate is calculated by taking the federal tax rate added to the tax rate of the individual provinces on the basis of the pro rata share of premiums written from each jurisdiction. During the year ended March 31, 2022, there has been a slight decrease in the combined tax rate to 25.63% from 26.15%.

All income taxes payable are due within one year.

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

Deferred income tax asset

	(thousands of $)			
	Provision for Unpaid Claims	Other	Tax Loss Carryforward	Total
At March 31, 2020	$ 4,834	$ 52	$ 12,522	$ 17,408
(Charge) credit reflected in income tax expense	(265)	54	(12,522)	(12,733)
At March 31, 2021	4,569	106	–	4,675
Credit reflected in income tax expense	651	10	–	661
At March 31, 2022	$ 5,220	$ 116	$ –	$ 5,336

Deferred income tax liability

	(thousands of $)		
	Unpaid Claims Recoverable from Reinsurers	Other	Total
At March 31, 2020	$ 495	$ 95	$ 590
(Credit) charge reflected in income tax expense	(234)	102	(132)
At March 31, 2021	261	197	458
Charge (credit) reflected in income tax expense	155	(171)	(16)
At March 31, 2022	$ 416	$ 26	$ 442

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

16. Insurance and Financial Risk Management

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

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

Insurance risk

Underwriting risk

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

Diversification

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

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

	(thousands of $)				
March 31, 2022	**Automobile**	**Personal Property**	**Commercial Property**	**Liability**	**Total**
Saskatchewan	$ 196,742	$ 351,510	$ 82,798	$ 44,829	$ 675,879
Ontario	91,684	28,794	10,045	8,421	138,944
Alberta	94,614	76,450	13,353	11,866	196,283
Manitoba	–	34,459	17,289	6,644	58,392
British Columbia	–	59,957	9,410	3,865	73,232
Total	$ 383,040	$ 551,170	$ 132,895	$ 75,625	$1,142,730

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

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	2022	2021	2022	2021	2022	2021
Automobile	$ 323,332	$ 284,334	$ 9,522	$ 6,308	$ 313,810	$ 278,026
Personal property	208,529	169,555	34,833	7,525	173,696	162,030
Commercial property	42,411	39,575	6,285	5,460	36,126	34,115
Liability	124,023	97,254	1,814	1,880	122,209	95,374
Assumed	2,328	2,378	–	–	2,328	2,378
PFAD and discounting	23,501	38,551	1,065	870	22,436	37,681
Facility Association (note 21)	16,175	14,826	–	–	16,175	14,826
Total	$ 740,299	$ 646,473	$ 53,519	$ 22,043	$ 686,780	$ 624,430

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	2022	2021	2022	2021	2022	2021
Saskatchewan	$ 336,096	$ 292,953	$ 42,572	$ 8,956	$ 293,524	$ 283,997
Ontario	154,685	146,519	4,691	5,203	149,994	141,316
Alberta	187,835	162,229	2,905	4,487	184,930	157,742
Manitoba	26,158	23,583	3,164	3,242	22,994	20,341
British Columbia	34,257	19,854	187	155	34,070	19,699
Maritimes	1,268	1,335	–	–	1,268	1,335
Total	$ 740,299	$ 646,473	$ 53,519	$ 22,043	$ 686,780	$ 624,430

Reinsurance

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

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

	(thousands of $)	
	2022	2021
Dwelling and farm property	$ 1,750	$ 1,750
Unlicensed vehicles	1,750	1,750
Commercial property	1,750	1,750
Automobile and general liability	1,750	1,750

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

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

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

	(thousands of $)	
	2022	2021
Premiums earned	$ 69,398	$ 58,531
Claims incurred	54,119	12,610
Commissions, administrative expenses and premium taxes	6,758	6,025

Actuarial risk

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

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

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

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

	(thousands of $)									
	January 1 – December 31									Jan 1, 2021 – Mar 31, 2022
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	
Net Ultimate Loss										
At end of accident year	$ 228,674	$ 293,023	$ 314,683	$ 345,276	$ 365,571	$ 438,198	$ 466,312	$ 496,422	$ 547,540	$ 644,687
One year later	222,271	282,681	295,363	326,329	346,922	433,188	462,429	488,439	468,703	
Two years later	214,131	274,536	289,673	317,749	339,332	424,961	455,301	484,314		
Three years later	210,624	272,049	287,339	321,180	336,138	420,107	455,099			
Four years later	208,699	270,925	286,092	318,542	335,356	421,791				
Five years later	208,184	271,522	283,417	318,763	335,542					
Six years later	209,821	270,769	282,055	319,026						
Seven years later	208,594	270,313	282,707							
Eight years later	209,243	270,506								
Nine years later	208,679									
Cumulative loss development	$ (19,995)	$ (22,517)	$ (31,976)	$ (26,250)	$ (30,029)	$ (16,407)	$ (11,213)	$ (12,108)	$ (78,837)	n/a
Cumulative loss development as a % of original ultimate loss	(8.7%)	(7.7%)	(10.2%)	(7.6%)	(8.2%)	(3.7%)	(2.4%)	(2.4%)	(14.4%)	n/a

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

	(thousands of $)										
	January 1 – December 31									Jan 1, 2021 – Mar 31, 2022	
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**		**Total**
Current estimate of net ultimate loss	$ 208,679	$ 270,506	$ 282,707	$ 319,026	$ 335,542	$ 421,791	$ 455,099	$ 484,314	$ 468,703	$ 644,687	$3,891,054
Cumulative paid	(206,088)	(266,953)	(273,969)	(308,556)	(325,083)	(406,170)	(421,900)	(429,748)	(389,788)	(354,300)	(3,382,555)
Net provision for unpaid claims	$ 2,591	$ 3,553	$ 8,738	$ 10,470	$ 10,459	$ 15,621	$ 33,199	$ 54,566	$ 78,915	$ 290,387	508,499
Net undiscounted claims outstanding for accident years 2010 and prior											47,304
Internal reinsurance to subsidiaries											12,069
Provision for adverse deviation and discounting											22,436
Loss adjusting expense reserve											22,611
Inflation reserve											14,819
Subrogation recoveries											34,795
Unpaid Facility Association claims											16,175
Assumed reinsurance											1,184
Health levies											378
Other reconciling items											6,510
Net provision for unpaid claims											$ 686,780

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

		(thousands of $) Change to Net Provision for Unpaid Claims	
Assumption	Sensitivity	2022	2021
Discount rate	+100 bps	$ (17,315)	$ (16,619)
Discount rate	- 100 bps	17,315	16,619

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

Financial risk

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

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

Credit risk

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

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

	(thousands of $)	
	2022	2021
Cash and cash equivalents	$ 53,492	$ 49,491
Accounts receivable	301,055	281,239
Fixed income investments[1]	1,014,258	946,804
Unpaid claims recoverable from reinsurers	53,519	22,043

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

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

Cash and cash equivalents include money market investments of $23.9 million (2021 – $27.0 million). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

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

	(thousands of $)	
	2022	2021
Current	$ 294,912	$ 277,712
30 – 59 days	4,001	2,426
60 – 90 days	773	1,760
Greater than 90 days	33,431	33,522
Subtotal	333,117	315,420
Allowance for doubtful accounts	(32,062)	(34,181)
Total accounts receivable	$ 301,055	$ 281,239

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

Details of the allowance account are as follows:

	(thousands of $)	
	2022	2021
Allowance for doubtful accounts, beginning of the year	$ 34,181	$ 23,946
Accounts written off	(8,714)	(3,949)
Current period provision	6,595	14,184
Allowance for doubtful accounts, end of the year	$ 32,062	$ 34,181

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

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

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

	2022		2021	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 265,197	37.6	$ 193,673	30.3
AA	221,427	31.4	268,956	42.0
A	149,755	21.2	113,891	17.8
BBB	69,058	9.8	63,501	9.9
Total	$ 705,437	100.0	$ 640,021	100.0

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

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

Market risk

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

Interest rate risk

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

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

	(thousands of $)			
	100 basis point increase		100 basis point decrease	
	2022	2021	2022	2021
Net investment earnings	$ (22,696)	$ (20,195)	$ 22,696	$ 20,195
Net claims incurred	(17,315)	(16,619)	17,315	16,619
(Loss) income before income taxes	(5,381)	(3,576)	5,381	3,576

Foreign exchange risk

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

	2022		
Asset Class	**Maximum Exposure (%)**	**Current Exposure (%)**	**10% change in exchange rates (thousands of $)**
Global equities	16.0	12.0	$ 16,155
Global small cap equities	4.0	2.2	2,973

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

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

Equity prices

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 19.8% (2021 – 21.8%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

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

	(thousands of $)	
Asset Class	**2022**	**2021**
Canadian equities	$ +/- 23,203	$ +/- 12,444
Global equities	+/- 44,667	+/- 36,532
Global small cap equities	+/- 9,972	+/- 11,197

The Corporation's equity investments are classified as fair value through profit and loss and any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations. No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

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

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

	(thousands of $)							
	March 31, 2022							
	Carrying amount	Total	No stated maturity	0 – 6 months	7 – 12 months	1 – 2 years	3 – 5 years	More than 5 years
Financial assets								
Cash and cash equivalents	$ 53,492	$ 53,492	$ –	$ 53,492	$ –	$ –	$ –	$ –
Accounts receivable	301,055	301,055	–	239,329	53,174	2,819	4,272	1,461
Investments	1,351,320	1,351,320	492,200	153,683	24,742	330,306	244,380	106,009
Unpaid claims recoverable from reinsurers	53,519	52,454	–	22,408	13,937	10,714	3,321	2,074
	$1,759,386	$1,758,321	$ 492,200	$ 468,912	$ 91,853	$ 343,839	$ 251,973	$ 109,544
Financial liabilities								
Accounts payable and accrued liabilities	$ 74,110	$ 74,110	$ 42,488	$ 31,622	$ –	$ –	$ –	$ –
Dividend payable	5,000	5,000	–	5,000	–	–	–	–
Premium taxes payable	9,404	9,404	–	9,404	–	–	–	–
Amounts due to reinsurers	43,658	43,658	–	43,658	–	–	–	–
Accrued pension liabilities	11,818	11,818	11,818	–	–	–	–	–
Provision for unpaid claims	740,299	716,798	–	213,691	115,986	112,515	152,094	122,512
Lease liability	11,293	12,062	–	1,200	1,198	4,095	2,874	2,695
	$ 895,582	$ 872,850	$ 54,306	$ 304,575	$ 117,184	$ 116,610	$ 154,968	$ 125,207

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

The estimated contractual maturities related to lease liabilities excludes the net effect of discounting of $0.8 million (2021 – $1.0 million) (note 7). The estimated contractual maturities related to the unpaid claims recoverable from reinsurers excludes the net effect of discounting and PFAD of $1.1 million (2021 – $0.9 million) (note 10). The estimated contractual maturities related to the provision for unpaid claims excludes the net effect of discounting and PFAD of $23.5 million (2021 – $38.6 million) (note 10).

17. Capital Management

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

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

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

The Board of Directors approved capital management policies for the Corporation, and each of its subsidiaries, prepared in accordance with Guideline A-4, *Regulatory Capital and Internal Capital Targets*, which OSFI issued in January 2014. The policies establish internal MCT targets, in excess of 150%, which are used by the regulators as minimum targets for supervisory purposes. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets. The Corporation and its subsidiaries maintain MCTs in excess of their internal targets. The Corporation's MCT as at March 31, 2022 was 242% relative to its internal target MCT of 213%.

18. Change in Non-Cash Operating Items

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

	(thousands of $)	
	2022	2021
Accounts receivable	$ (19,307)	$ (15,199)
Unpaid claims recoverable from reinsurers	(31,476)	4,692
Reinsurers' share of unearned premiums	(3,200)	440
Deferred policy acquisition costs	(9,690)	(9,837)
Prepaid expenses	(727)	921
Accounts payable and accrued liabilities	10,511	5,557
Premium taxes payable	450	696
Amounts due to reinsurers	11,778	(2,462)
Unearned reinsurance commissions	228	240
Unearned premiums	36,839	35,493
Accrued pension liabilities	(1,684)	(37)
Provision for unpaid claims	93,826	25,754
Total change in non-cash operating items	$ 87,548	$ 46,258

19. Employee Salaries and Benefits

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

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

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

	(thousands of $)	
	2022	2021
Salaries	$ 174,546	$ 162,097
Defined contribution pension plan	10,464	9,669
Defined benefit pension plan	65	151
Defined benefit service recognition plans	414	508
Other benefits	35,082	23,183
Total salaries and benefits	220,571	195,608
Less: Allocation to Saskatchewan Auto Fund	(127,490)	(108,592)
Salaries and benefits incurred in SGI CANADA	$ 93,081	$ 87,016

Defined contribution pension plan

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

Defined benefit pension plan

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

Results from the last actuarial valuation have been projected to March 31, 2022. The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

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

Economic assumptions	2022	2021
Discount rate – beginning of the year	2.9%	3.6%
Discount rate – end of the year	3.9%	2.9%
Inflation rate	2.0%	2.0%
Expected salary increase	n/a	n/a
Remaining service life of active members, in years (EARSL)	n/a	n/a
Last actuarial valuation	Dec. 31/19	Dec. 31/19

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

	(thousands of $)			
	1% Increase		1% Decrease	
	2022	2021	2022	2021
Discount rate	$ (2,031)	$ (2,339)	$ 2,393	$ 2,770
Post-retirement indexing	393	453	n/a	n/a

The weighted average duration of the accrued benefit obligation is 9.0 years (2021 – 9.6 years). An increase in the average life expectancy of a pensioner by one year is estimated to increase the accrued benefit obligation by approximately $1.3 million (2021 – $1.5 million).

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

		Percent of Plan Assets at	
Asset Category	**Benchmark**	**2022**	**2021**
Short-term investments	5.0%	4.6%	4.6%
Bonds and debentures	75.0%	74.6%	73.8%
Canadian equities	8.0%	8.7%	9.4%
U.S. equities	6.0%	6.2%	6.2%
Non-North American equities	6.0%	5.9%	6.0%

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

The movements in the defined benefit obligation are as follows:

	(thousands of $)	
Accrued benefit obligation	**2022**	**2021**
Accrued benefit obligation, beginning of the year	$ 25,096	$ 24,916
Employee contributions	2	2
Interest cost	589	736
Benefits paid	(2,197)	(2,201)
Actuarial (gain) loss on assumption changes	(1,975)	1,643
Accrued benefit obligation, end of the year	$ 21,515	$ 25,096

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

Plan assets	(thousands of $) 2022	2021
Fair value of plan assets, beginning of the year	$ 26,951	$ 26,814
Interest income	524	585
Return on plan assets, excluding interest income	(441)	1,751
Employee contributions	2	2
Benefits paid	(2,197)	(2,201)
Fair value of plan assets, end of the year	$ 24,839	$ 26,951

Accrued pension asset	(thousands of $) 2022	2021
Accrued benefit obligation	$ 21,515	$ 25,096
Fair value of plan assets	24,839	26,951
Net plan asset	3,324	1,855
Valuation allowance	(3,324)	(1,855)
Accrued pension asset	$ –	$ –

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

	(thousands of $) 2022	2021
Interest cost	$ 65	$ 151
Pension expense	$ 65	$ 151

Defined benefit service recognition plans

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

	2022	2021
Discount rate	3.8%	2.8%
Expected salary increase	3.0%	3.0%
Inflation rate	2.0%	2.0%
Termination rate	0.6%	0.6%
EARSL – management	12	12
EARSL – in-scope	9	10

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

	(thousands of $)			
	1% Increase		1% Decrease	
	2022	2021	2022	2021
Discount rate	$ (790)	$ (938)	$ 915	$ 1,090
Expected salary increase	901	1,068	(794)	(938)
Inflation rate	(4)	(10)	4	10
Termination rate	(820)	(969)	546	647

The weighted average duration of the accrued benefit obligation is 6.4 years (2021 – 6.9 years).

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

	(thousands of $)	
Accrued benefit obligation	2022	2021
Accrued benefit obligation, beginning of the year	$ 13,502	$ 13,539
Current service cost	109	120
Interest cost	305	388
Benefits paid	(1,688)	(1,451)
Experience (gain) loss	(410)	906
Accrued benefit obligation, end of the year	$ 11,818	$ 13,502

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

	(thousands of $)	
	2022	2021
Current service cost	$ 109	$ 120
Interest cost	305	388
Pension expense	$ 414	$ 508

20. Related Party Transactions

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

The Corporation acts as administrator of the Saskatchewan Auto Fund. Administrative and loss adjustment expenses incurred by the Corporation are allocated to the Saskatchewan Auto Fund directly or on the basis of specific allocations. Amounts incurred by the Corporation and charged to the Saskatchewan Auto Fund were $207.5 million (2021 – $164.8 million) and accounts receivable were $12.6 million (2021 – accounts payable $6.2 million).

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

Key management personnel

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

Key management personnel compensation is comprised of:

	(thousands of $)	
	2022	2021
Salaries and benefits	$ 3,586	$ 3,130
Post-employment benefits	31	30
Contributions to defined contribution plan	250	193
	$ 3,867	$ 3,353

During the year, $2.0 million of the key management personnel expenses (2021 – $1.6 million) was allocated to the Saskatchewan Auto Fund.

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

21. Facility Association Participation

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

	(thousands of $)	
	2022	2021
Gross premiums written	$ 11,237	$ 12,360
Net premiums earned	$ 10,465	$ 12,089
Net claims incurred	6,550	9,585
Commissions	295	20
Premium taxes	399	464
Administrative expenses	2,792	2,996
Total claims and expenses	10,036	13,065
Underwriting income (loss)	429	(976)
Investment earnings	1	33
Net income (loss)	$ 430	$ (943)
Facility Association receivable	$ 3,831	$ 3,425
Unearned premiums	6,181	5,409
Facility Association payable	1,524	1,524
Provision for unpaid claims	16,175	14,826

22. Select Operating Information

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

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

	(thousands of $)				
	March 31, 2022				
	Saskatchewan	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 629,110	$ 417,736	$ 23,286	$ –	$1,070,132
Net premiums earned	$ 606,847	$ 406,553	$ 23,093	$ –	$1,036,493
Net claims incurred	333,562	250,709	10,118	–	594,389
Other expenses	221,224	160,606	8,148	–	389,978
Underwriting income (loss)	52,061	(4,762)	4,827	–	52,126
Net investment earnings and other revenue	20,733	10,109	1,613	–	32,455
Income before income taxes	72,794	5,347	6,440	–	84,581
Income tax expense	–	1,188	1,621	–	2,809
Net income	$ 72,794	$ 4,159	$ 4,819	$ –	$ 81,772
Total assets	$1,327,262	$ 917,471	$ 133,395	$ (395,204)	$1,982,924
Total liabilities	$ 797,939	$ 613,151	$ 82,665	$ (40,154)	$1,453,601
Shareholder's equity	$ 529,323	$ 304,320	$ 50,730	$ (355,050)	$ 529,323

	(thousands of $)				
	March 31, 2021				
	Saskatchewan	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 588,707	$ 396,880	$ 24,945	$ –	$1,010,532
Net premiums earned	$ 566,987	$ 382,835	$ 24,777	$ –	$ 974,599
Net claims incurred	336,397	198,732	741	–	535,870
Other expenses	216,005	145,081	7,523	3,663	372,272
Underwriting income	14,585	39,022	16,513	(3,663)	66,457
Net investment earnings and other income	74,643	42,787	15,512	–	132,942
Income before income taxes	89,228	81,809	32,025	(3,663)	199,399
Income tax expense	–	19,977	8,193	(899)	27,271
Net income	$ 89,228	$ 61,832	$ 23,832	$ (2,764)	$ 172,128
Total assets	$1,240,297	$ 839,734	$ 174,005	$ (408,918)	$1,845,118
Total liabilities	$ 735,732	$ 544,392	$ 98,094	$ (37,665)	$1,340,553
Shareholder's equity	$ 504,565	$ 295,342	$ 75,911	$ (371,253)	$ 504,565

23. Commitments and Contingencies

The Corporation's systems contractual commitments are as follows:

	(thousands of $)					
Commitments	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Thereafter**
Systems contracts	$ 14,131	$ 11,922	$ 8,481	$ 7,055	$ 5,271	$ –

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

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

24. Comparative Information

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

Glossary of Terms

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

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

Governance

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

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

In Memoriam

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.