



SGI CANADA
2023-24 Second Quarter Report
September 30, 2023

Management's Discussion and Analysis

Corporate Profile

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.

About SGI CANADA

SGI CANADA (the Corporation) operates 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 in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. SCISL also has a wholly-owned subsidiary, Coachman Insurance Company (Coachman), that operates in Ontario. The Corporation employs about 2,700 people and its head office is located in Regina, Saskatchewan. Products are sold through a network of independent insurance brokers.

Adoption of new accounting standard

The Corporation adopted IFRS 17 – *Insurance contracts* (IFRS 17) on April 1, 2023, replacing IFRS 4 – *Insurance Contracts*. IFRS 17 was applied retrospectively as of April 1, 2022, as a result comparative information has been restated. For additional information, see the Accounting Matters section of the Management Discussion and Analysis (MD&A) and Note 3 – First-Time Adoption of IFRS 17 Insurance Contracts of the Condensed Consolidated Financial Statements.

Non-GAAP and other financial measures

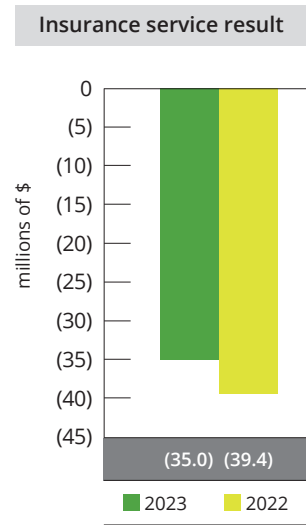
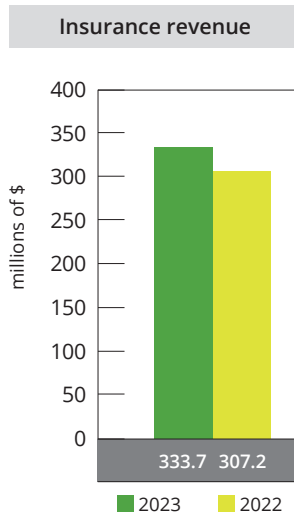
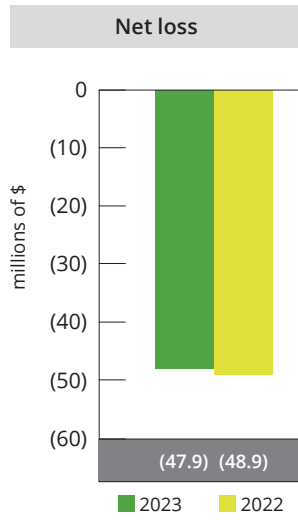
The Corporation uses both Generally Accepted Accounting Principles (GAAP) financial measures as well as Non-GAAP financial measures and Non-GAAP ratios to assess performance. Non-GAAP financial measures and Non-GAAP ratios do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in the property and casualty insurance industry.

The key Non-GAAP financial measures included in the MD&A and their closest GAAP measures are as follows:

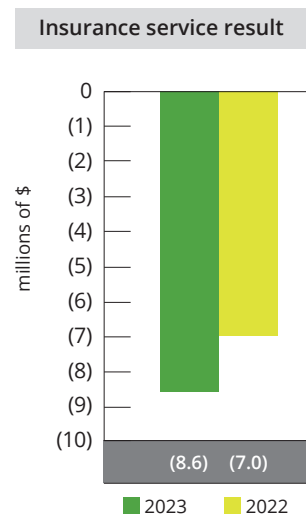
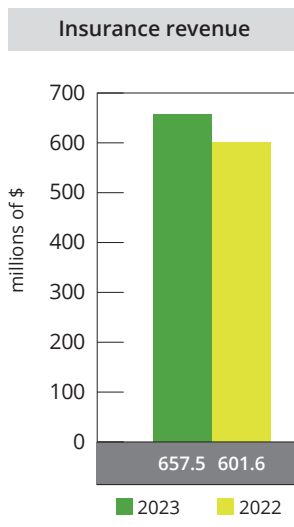
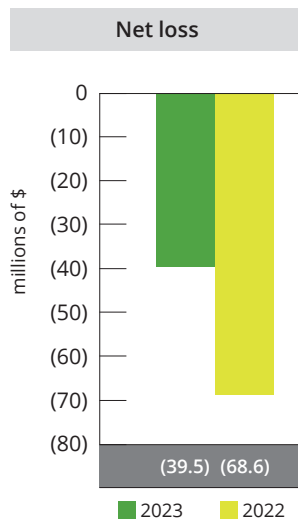
Non-GAAP financial measure	Closest GAAP Measure
Gross premium written	Insurance revenue
Net premium earned	Insurance revenue, allocation of reinsurance premiums
Net claims incurred	Insurance service expense
Underwriting income/loss	Insurance service result

Financial Highlights

For the three months ended September 30



For the six months ended September 30



Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SCISL and Coachman, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited condensed consolidated financial statements and supporting notes as at and for the six-month periods ended September 30, 2023, and the SGI CANADA MD&A and audited financial statements and supporting notes as at and for the year ended March 31, 2023. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to November 29, 2023.

Overview

	(thousands of \$)					
	three months ended September 30			six months ended September 30		
	2023	2022	Change	2023	2022	Change
Net loss	(47,899)	(48,902)	1,003	(39,514)	(68,634)	29,120
Insurance service result	(35,002)	(39,363)	4,361	(8,616)	(6,985)	(1,631)
Minimum Capital Test				197%	204%	-7%

During the first six months of the fiscal year, SGI CANADA had a net loss of \$39.5 million, which is \$29.1 million better than the \$68.6 million net loss during the same period last year. The positive variance was a result of improved investment results.

Insurance revenue increased compared to the same period in 2022 due to the continued growth of the Corporation. With the growth, claims and reinsurance costs also increased, leading to an overall \$1.6 million decrease in the insurance service result.

Although down seven percentage points from the same date last year, capitalization remains adequate to support the Corporation's growth, with a consolidated Minimum Capital Test (MCT) score of 197% at September 30, 2023.

Outlook

SGI CANADA has embarked on a strategy to become 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.

Investment markets were more subdued in the second quarter despite robust North American economic data delaying the expectation of a potential recession this year. Persistently high inflation and strong employment data have prompted many central banks to maintain relatively tight monetary policy, holding interest rates higher and delaying potential rate cuts until inflation is brought further under control. The fixed income portfolio is relatively well insulated against changes in interest rates with a short duration focus and through maintaining a close match to the associated liabilities. The Corporation continues to maintain a well-diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	<i>(thousands of \$)</i>					
	three months ended September 30			six months ended September 30		
	2023	2022	Change	2023	2022	Change
Insurance revenue	333,707	307,161	26,546	657,462	601,624	55,838
Other Income	90	43	47	442	117	325

The Corporation monitors growth using gross premiums written (Non-GAAP financial measure).

Gross premium written by province is detailed below:

	<i>(thousands of \$)</i>					
	three months ended September 30			six months ended September 30		
	2023	2022	Change	2023	2022	Change
Gross premiums written:						
Saskatchewan	213,076	196,014	17,062	425,132	392,868	32,264
Alberta	62,648	56,416	6,232	123,092	112,985	10,107
Ontario	50,244	48,057	2,187	93,884	89,763	4,121
British Columbia	24,878	22,946	1,932	47,775	44,105	3,670
Manitoba	18,901	17,632	1,269	35,651	33,667	1,984
Total	369,747	341,065	28,682	725,534	673,388	52,146
Change in unearned premiums	(40,337)	(37,823)	(2,514)	(76,527)	(79,444)	2,917
Premium financing income	4,297	3,919	378	8,455	7,680	775
Insurance revenue	333,707	307,161	26,546	657,462	601,624	55,838

During the first six months of the year gross premiums written in Saskatchewan increased 8.2% compared to the same period last year, with all lines of business contributing to the growth.

Gross premiums written in Alberta increased 8.9% during the first two quarters compared to last year, with increases across all lines of business.

The increase of 4.6% in gross premiums written in Ontario in the first six months of the year compared to last year comes from increases in all lines of business.

In British Columbia, the increase in gross premiums written compared to the same period last year is 8.3%. This is related primarily to increases in personal lines.

The year-over-year increase in Manitoba gross premiums written of 5.9% is primarily due to the growth in personal lines.

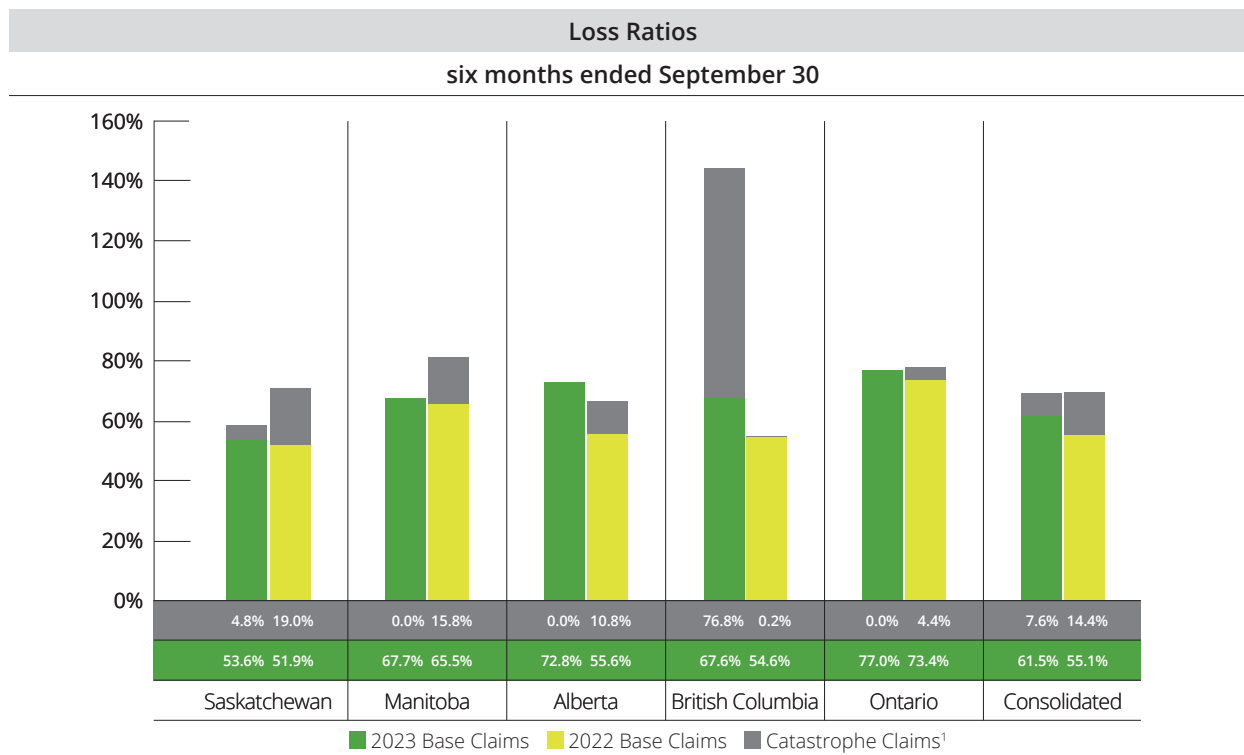
Expenses

	<i>(thousands of \$)</i>					
	three months ended September 30			six months ended September 30		
	2023	2022	Change	2023	2022	Change
Insurance service expenses	359,574	336,194	23,380	641,043	589,639	51,404
Claims incurred	257,376	245,631	11,745	437,044	408,276	28,768
Commissions	67,200	58,954	8,246	134,235	119,637	14,598
Premium taxes	14,637	13,552	1,085	28,828	26,469	2,359
Underwriting expenses	20,361	18,057	2,304	40,936	35,257	5,679
Net expenses from reinsurance contracts	9,135	10,330	(1,195)	25,035	18,970	6,065
Ceded premiums earned	25,857	21,181	4,676	50,123	40,752	9,371
Ceded claims incurred	(13,070)	(9,317)	(3,753)	(18,516)	(16,697)	(1,819)
Other ceded expenses	(3,652)	(1,534)	(2,118)	(6,572)	(5,085)	(1,487)
Administrative expenses	27,851	19,790	8,061	52,270	37,559	14,711
	396,560	366,314	30,246	718,348	646,168	72,180
Combined ratio (Non-GAAP)	120.8%	119.8%	1.0%	110.8%	108.1%	2.7%
Loss ratio (Non-GAAP)	79.0%	81.2%	-2.2%	69.1%	69.5%	-0.4%

Claims incurred

The Corporation monitors claims activity on a net claims incurred (Non-GAAP financial measure) basis. Net claims incurred during the first six months increased 6.1% from the same quarter in 2022 but, due to the increase in premiums outpacing the increase in claims, the consolidated loss ratio was 0.4 percentage points lower. Catastrophe claims decreased from \$79.4 million during the first six months of 2022 to \$45.6 million this year.

The following chart summarizes the second quarter loss ratios (Non-GAAP financial measure) by jurisdiction:



¹ Catastrophe claims, also referred to as storm claims, represent claims occurring from a single event, limited to a period between 96 and 168 hours, with an estimated cost greater than \$2.5 million (Saskatchewan) or \$1.0 million (other jurisdictions). Catastrophic events for the Corporation generally relate to summer wind, rain and hail storms, forest fires and winter ice storms.

Saskatchewan’s loss ratio of 58.4% is lower than last year’s six-month ratio of 70.9%. The decrease is primarily due to catastrophe claim costs decreasing from \$61.9 million in 2022 to \$16.9 million in the current year. Partially offsetting this change is an increase in claims in commercial auto and commercial product lines.

Manitoba’s loss ratio decreased from 81.3% in 2022 to 67.7% in 2023 due to catastrophe costs during the period being nil in 2023, a decrease of \$4.3 million from the same period of 2022.

The Alberta loss ratio increased from 66.4% in 2022 to 72.8% in 2023 primarily due to increased claims costs in personal and commercial auto and personal product lines. Catastrophe claim costs were nil in the first six months of 2023 compared to \$10.0 million in the same period last year.

The loss ratio for British Columbia increased from 54.8% in 2022 to 144.4% in 2023 primarily due to an increase in catastrophe claims. The summer wildfires in British Columbia led to catastrophe costs of \$28.7 million in the first six months of 2023 compared to \$0.1 million during the same period in 2022.

Ontario’s loss ratio of 77.0% is lower than last year’s six-month ratio of 77.8%. The decrease is primarily due to catastrophe claim costs decreasing from \$3.1 million in 2022 to nil in the current year. Partially offsetting this change is an increase in claims in personal auto lines.

Commissions, premium taxes, and underwriting expenses

Commissions, premium taxes, and underwriting expenses continue to grow as the premium written by the Corporation grows.

Ceded premium earned

The 23.0% increase in premiums ceded to reinsurers during the period compared to the prior year relates to the higher cost the Corporation is paying to acquire reinsurance. In the last year, due to inflation and the increased severity and prevalence of catastrophic storms, reinsurance rates increased substantially.

Administrative expenses

For the first six months of the fiscal year, administrative expenses increased \$14.7 million compared to the same period in 2022. This increase is mainly due to an increase in the costs of the Corporate Transformation program.

Investment Results

	<i>(thousands of \$)</i>					
	three months ended September 30			six months ended September 30		
	2023	2022	Change	2023	2022	Change
Net investment (losses) earnings	(167)	(1,994)	1,827	6,442	(40,633)	47,075
Net insurance finance result	4,470	7,166	(2,696)	4,469	7,260	(2,791)

Net investment (losses) earnings during the first six months of the year were \$47.1 million better than the same period in 2022. The positive variance is a result of a significant improvement to equity returns year-over-year, as the six months ended September 30, 2022 had significant losses on the fair value of investments.

Net insurance finance results are driven by the change in discount rates related to the liability for incurred claims and the asset for reinsured claims. Discount rates increased during both the first six months of the current and prior fiscal year, leading to the positive net insurance finance results.

Statement of Financial Position Review

	<i>(thousands of \$)</i>		
	September 30 2023	March 31 2023	Change
Total assets	1,707,253	1,641,554	65,699
Key asset account changes:			
Investments	1,497,647	1,461,881	35,766
Reinsurance contract assets	61,671	55,531	6,140

During the quarter, the carrying value of investments increased by \$35.8 million reflecting more purchases of investments than sales during the period.

	<i>(thousands of \$)</i>		
	September 30 2023	March 31 2023	Change
Total liabilities	1,163,758	1,059,114	104,644
Insurance contract liabilities	1,107,835	994,363	113,472

Insurance contract liabilities increased \$113.5 million. This is largely due to the current year increase in claims as outlined in the preceding section, Claims incurred.

Capital

As at September 30	2023	2022
Minimum Capital Test	197%	204%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At September 30, 2023, the Corporation's MCT was 197%, which is lower than the 213% internal target used as a minimum for regulatory purposes. Management expects the MCT to return above the internal target by March 31, 2024. For further information on capital management, refer to Note 8 of the notes to the condensed consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

The following table highlights quarter-over-quarter results for SGI CANADA:

	<i>(thousands of \$)</i>			
	three months ended			
	2023-2024		2022-2023	
	Sept 30	June 30	Sept 30	June 30
Insurance revenue	333,707	323,755	307,161	294,463
Insurance service result	(35,002)	26,386	(39,363)	32,378
Net insurance finance result	4,470	(1)	7,166	94
Net investment (losses) earnings	(167)	6,609	(1,994)	(38,639)
Net (loss) income	(47,899)	8,385	(48,902)	(19,732)
Cash flow from operations	48,956	18,848	8,418	53,696
Investments	1,497,647	1,481,756	1,380,244	1,355,998
Insurance contract liabilities	1,107,835	1,025,184	1,054,951	972,487
Minimum Capital Test	197%	232%	204%	238%

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.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include corporate transformation, acquisition and development of expertise, organizational change agility, information security, system availability and recovery, culture, competition, strategy and underwriting. These risks are described in detail in the Corporation's 2022-23 Annual Report.

Accounting Matters

Equity restatement upon transition to IFRS 17 and IFRS 9

	(thousands of \$)
	Total Equity
Balance as at March 31, 2022 (previously reported) – audited	\$ 529,323
Discount rate changes	8,078
Risk adjustment methodology changes	11,882
Adjustment to defer additional acquisitions costs	3,680
Subsidiary company IFRS 9 adjustment	(204)
Adjustment for Facility Association and Risk Pool	(1,751)
Tax effect of all IFRS 17 changes	(3,083)
Total adjustments	18,602
Balance as at April 1, 2022 – unaudited	\$ 547,925

Non-GAAP and Other Financial Measures and Reconciliations

<i>(thousands of \$)</i>						
For the quarter ended September 30, 2023						
Financial Statements	FS IFRS 17	Adjustments				Non-GAAP Measures
		1	2	3	4	
Insurance revenue	657,462	(50,122)			(8,456)	598,884 Net premium earned
Insurance service expense	(641,043)	25,087	4,469	197,427		(414,060) Net claims incurred
Reinsurance result	(25,035)	25,035				-
				(249,697)		(249,697) Other expenses
Insurance service result	(8,616)	-	4,469	(52,270)	(8,456)	(64,873) Underwriting loss
Net insurance finance result	4,469		(4,469)			-
Net investment earnings	6,442				8,456	14,898 Net investment earnings
Other income	442					442 Other income
Administrative expenses	(52,270)			52,270		-
Loss before income taxes	(49,533)	-	-	-	-	(49,533) Loss before income taxes

1 - Adjustment to present net of reinsurance

2 - Adjustment to include impact of change in discount and unwinding in net claims incurred

3 - Move commission, premium tax, underwriting and administrative expenses to other expenses

4 - Move premium financing and other insurance fees from net premium earned

<i>(thousands of \$)</i>						
For the quarter ended September 30, 2022						
Financial Statements	FS IFRS 17	Adjustments				Non-GAAP Measures
		1	2	3	4	
Insurance revenue	601,624	(40,752)			(7,680)	553,192 Net premium earned
Insurance service expense	(589,639)	21,782	7,260	176,278		(384,319) Net claims incurred
Reinsurance result	(18,970)	18,970				-
				(213,837)		(213,837) Other expenses
Insurance service result	(6,985)	-	7,260	(37,559)	(7,680)	(44,964) Underwriting loss
Net insurance finance result	7,260		(7,260)			-
Net investment losses	(40,633)				7,680	(32,953) Net investment losses
Other income	117					117 Other income
Administrative expenses	(37,559)			37,559		-
Loss before income taxes	(77,800)	-	-	-	-	(77,800) Loss before income taxes

1 - Adjustment to present net of reinsurance

2 - Adjustment to include impact of change in discount and unwinding in net claims incurred

3 - Move commission, premium tax, underwriting and administrative expenses to other expenses

4 - Move premium financing and other insurance fees from net premium earned

In addition to the Non-GAAP measures noted above, the Corporation uses the following ratios to monitor performance:

- Loss ratio: calculated as net claims incurred divided by net premium earned.
- Combined ratio: net claims incurred and other expenses divided by net premium earned.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to use estimates and assumptions that can have a significant impact on reported amounts of assets and liabilities as at the balance sheet date, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates. The use of estimates and judgment section of Note 2 of the Condensed Consolidated Financial Statements provides further information into those estimates.

Related party transactions

There have been no material changes to the Corporation's related party arrangements during the quarter. For further details on the Corporation's related party arrangements, refer to the 2022-23 Annual Report.

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. There have been no new off-balance sheet arrangements during the quarter. For further details on off-balance sheet arrangements, refer to the 2022-23 Annual Report.

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 estimations 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 relevant 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.

Condensed Consolidated Statement of Financial Position (unaudited)

	<i>(thousands of \$)</i>		
	September 30 2023	March 31 2023 (restated – note 3)	April 1 2022 (restated – note 3)
Assets			
Cash and cash equivalents	\$ 70,129	\$ 43,066	\$ 53,492
Accounts receivable	32,218	19,474	22,921
Income tax receivable	9,255	24,588	9,124
Investments under securities lending program (note 5)	534,740	463,673	361,031
Investments (note 5)	962,907	998,208	990,289
Reinsurance contract assets (note 7)	61,671	55,531	76,830
Property and equipment	18,962	17,729	15,356
Right-of-use assets	7,497	8,470	10,685
Intangible assets	2,300	2,679	3,670
Prepaid expenses	4,836	6,740	4,733
Deferred income tax asset	2,738	1,396	2,179
	\$ 1,707,253	\$ 1,641,554	\$ 1,550,310
Liabilities			
Accounts payable and accrued liabilities	\$ 37,706	\$ 45,190	\$ 37,469
Dividend payable	–	–	5,000
Accrued pension liabilities	9,483	10,248	11,818
Insurance contract liabilities (note 7)	1,107,835	994,363	936,438
Lease liability	8,146	9,108	11,293
Deferred income tax liability	588	205	367
	1,163,758	1,059,114	1,002,385
Equity			
Equity advances	80,000	80,000	80,000
Retained earnings	463,495	502,440	467,925
Total equity	543,495	582,440	547,925
	\$ 1,707,253	\$ 1,641,554	\$ 1,550,310

Contingencies (note 11)

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

Condensed Consolidated Statement of Operations (unaudited)

for the periods ended September 30	(thousands of \$)			
	three months ended		six months ended	
	2023	2022 (restated)	2023	2022 (restated)
Insurance revenue	\$ 333,707	\$ 307,161	\$ 657,462	\$ 601,624
Insurance service expenses	(359,574)	(336,194)	(641,043)	(589,639)
Insurance service result from insurance contracts	(25,867)	(29,033)	16,419	11,985
Net expenses from reinsurance contracts	(9,135)	(10,330)	(25,035)	(18,970)
Insurance service result	(35,002)	(39,363)	(8,616)	(6,985)
Insurance finance income	4,473	7,225	4,472	7,319
Reinsurance finance expense	(3)	(59)	(3)	(59)
Net insurance finance result	4,470	7,166	4,469	7,260
Net investment (losses) earnings (note 6)	(167)	(1,994)	6,442	(40,633)
Net investment result	4,303	5,172	10,911	(33,373)
Other income	90	43	442	117
Administrative expenses	(27,851)	(19,790)	(52,270)	(37,559)
Loss before income taxes	(58,460)	(53,938)	(49,533)	(77,800)
Income tax recovery	10,561	5,036	10,019	9,166
Net loss	(47,899)	(48,902)	(39,514)	(68,634)
Other comprehensive income	487	22	569	904
Comprehensive loss	\$ (47,412)	\$ (48,880)	\$ (38,945)	\$ (67,730)

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

	<i>(thousands of \$)</i>	
	six months ended	
for the periods ended September 30	2023	2022 (restated - note 3)
Equity advances		
Balance, end of the period	\$ 80,000	\$ 80,000
Retained earnings		
Balance at beginning of the period under IFRS 4	\$ 474,027	\$ 449,323
IFRS 17 transition adjustments (note 3)	28,413	18,602
Balance, beginning of the period under IFRS 17	502,440	467,925
Net loss	(39,514)	(68,634)
Other comprehensive income	569	904
Balance, end of the period	\$ 463,495	\$ 400,195
Total equity	\$ 543,495	\$ 480,195

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

Condensed Consolidated Statement of Cash Flows (unaudited)

	<i>(thousands of \$)</i>	
	six months ended	
for the periods ended September 30	2023	2022 (restated - note 3)
Cash provided by (used for):		
Operating activities		
Net loss	\$ (39,514)	\$ (68,634)
Non-cash items:		
Bond (premium) discount amortization	(4,504)	(436)
Amortization and depreciation	3,308	3,045
Net loss on investment portfolio	17,682	55,082
Interest revenue from investments	(14,497)	(10,623)
Interest expense from right-of-use assets	91	112
Income tax recovery	(10,019)	(9,166)
Actuarial gains from employee benefit programs	569	904
Change in non-cash operating items (note 9)	90,295	100,582
Income taxes recovered (paid)	24,393	(8,752)
	67,804	62,114
Investing activities		
Interest received	12,445	9,157
Purchases of investments	(539,088)	(736,660)
Proceeds on sale of investments	490,144	653,090
Purchases of property and equipment	(3,046)	(1,115)
	(39,545)	(75,528)
Financing activities		
Dividends paid	-	(5,000)
Interest paid	(91)	(112)
Lease liability payments	(1,105)	(1,088)
	(1,196)	(6,200)
Increase (decrease) in cash and cash equivalents	27,063	(19,614)
Cash and cash equivalents, beginning of the period	43,066	53,492
Cash and cash equivalents, end of the period	\$ 70,129	\$ 33,878

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

September 30, 2023

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 in British Columbia, Alberta, Saskatchewan, Manitoba 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.

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 unaudited interim condensed consolidated financial statements for the six-month period ended September 30, 2023, have been prepared in accordance with IFRS accounting standards applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and interpretations of the International Financial Reporting Interpretations Committee.

These unaudited interim condensed consolidated financial statements do not include all of the Note disclosures normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the March 31, 2023 Annual Report. Comparative information has been restated due to the adoption of IFRS 17 – *Insurance Contracts* (IFRS 17). Additional information on the impact of on adoption of IFRS 17 has been included in Note 3 – First Time Adoption of IFRS 17 Insurance Contracts. Full disclosures will be included in the consolidated annual financial statements. The unaudited interim condensed consolidated financial statements were authorized for issue on November 29, 2023

Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared using the historical cost basis, except for financial instruments, the accrued pension liability, the liability for incurred claims included within the insurance contract liabilities and the asset for reinsured claims within the reinsurance contract assets (net liability for incurred claims). The methods used to measure the values of financial instruments are discussed further in Note 3, *Significant Accounting Policies* of the annual consolidated financial statements for the year ended March 31, 2023. The net liability for incurred claims 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).

Seasonality

The Property & Casualty insurance business is seasonal in nature. While insurance revenue net of allocation of reinsurance premiums is generally stable from quarter to quarter, insurance service results are driven mainly by weather conditions which may vary between quarters.

Statement of Financial Position classification

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

Functional and presentation currency

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Use of estimates and judgment

The preparation of the unaudited interim condensed 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 condensed 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 liability for incurred claims and the asset for reinsured claims (note 7), the recognition of onerous contracts (note 7), the valuation of accounts receivable, employee future benefits, deferred income tax assets, investments classified as Level 3 (note 5), and the determination of length of lease terms.

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. First-Time Adoption of IFRS 17 Insurance Contracts

The Corporation has applied IFRS 17 effective April 1, 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Corporation has restated certain comparative information and presented a third condensed consolidated statement of financial position as at April 1, 2022. Except for the changes below, the Corporation has consistently applied the accounting policies as set out in Note 3, *Significant Accounting Policies* of the annual consolidated financial statements for the year ended March 31, 2023, to all periods presented in these condensed consolidated financial statements. The nature and effects of the key changes in the Corporation's accounting policies resulting from its adoption of IFRS 17 are summarized below.

Classification, recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model (general model) that measures groups of contracts based on the Corporation's estimates of the present value of future cash flows that are expected to arise as the Corporation fulfills the contracts, including an explicit risk adjustment for non-financial risk. Entities also have the option to use a simplified measurement model, the Premium Allocation Approach (PAA), for contracts that are one year or less or for contracts longer than one year if there is no material difference in the liability for remaining coverage measured under both the PAA and the general measurement model.

The Corporation has elected to apply the PAA for all insurance and reinsurance contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Corporation's previous accounting treatment. However, when measuring liabilities for incurred claims the Corporation includes an explicit risk adjustment for non-financial risk. Under the PAA, the following are the key differences between IFRS 4 and IFRS 17:

- Deferral of acquisition costs – Under IFRS 17, insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts. An entity may elect to capitalize and amortize these costs over the coverage period based on the expected timing of incurred insurance service expense of the related group. It is similar to IFRS 4's deferred policy acquisition costs except that they also include a portion of allocated indirect costs, as a result, the Corporation has capitalized additional costs under IFRS 17.
- Onerous contracts – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than the liability adequacy test performed under IFRS 4. In the event of the existence of onerous contracts, a loss component is recognized immediately in net income, which is earlier recognition than IFRS 4.
- Discount rate – Under IFRS 17, the net liability for incurred claims is discounted at a rate that reflects the characteristics of the liabilities and the duration of each portfolio. The Corporation has established a discount yield curve using risk-free rates adjusted to reflect the illiquidity characteristics of the applicable insurance contracts. Under IFRS 4, the Corporation discounted unpaid claims and reinsurance recoverable with a discount rate based upon the expected return of the bond investments that approximates the cash flow requirements of the unpaid claims.
- Risk adjustment – Under IFRS 4, unpaid claims and reinsurance recoverable included a risk margin to reflect the uncertainty in the discounted net claims liabilities. Under IFRS 17, the risk margins are replaced by a risk adjustment representing compensation that the entity requires for bearing the uncertainty from non-financial risks.

The impact on the total equity on transition related to the above key differences is outlined in the reconciliation from IFRS 4 to IFRS 17 below.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in the insurance service result. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

Changes to Presentation and Disclosure

Consolidated statement of financial position

IFRS 17 introduces changes to the way in which the Corporation will present and disclose financial results. Insurance contract liabilities are presented in the consolidated statement of financial position as a single line item and will consist of premiums receivable, deferred acquisition costs, unearned premiums, onerous loss component (if applicable), discounted and risk adjusted claim liabilities, and other related liabilities. Reinsurance contract assets are separately presented in the consolidated statement of financial position and will include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid.

Presentation in the consolidated statement of financial position is driven by portfolios, which are composed of groups of contracts covering similar risks and which are managed together. The portfolios are presented separately between:

- Portfolios of insurance contracts that are assets;
- Portfolios of insurance contracts that are liabilities;
- Portfolios of reinsurance contracts that are assets; and,
- Portfolios of reinsurance contracts that are liabilities.

Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

Consolidated statement of operations

The consolidated statement of operations will result in direct insurance results being presented separately from reinsurance results, and underwriting results are now referred to as the insurance service result and is comprised of the following:

- Insurance revenue, which includes revenues related to the direct insurance activities
 - Premiums written and earned will not be presented on the consolidated statement of operations, instead they are included as part of insurance revenue.
- Insurance service expense, which includes expenses related to direct insurance activities
 - Claims incurred, commission and premium tax related to direct insurance are presented in insurance service expenses.
 - Administrative expenses presented in underwriting income under IFRS 4 are now classified as either insurance acquisition cash flows, insurance service expenses or as administrative expenses (when they are not directly attributable to insurance contracts). This results in a portion of expenses previously included in underwriting income now being presented as administrative expenses.
- Reinsurance results are separately presented from direct insurance activities and presented as a single line item and includes:
 - Allocation of reinsurance premiums, which includes expenses related to ceded insurance, and
 - Amounts recoverable from reinsurers, which include claims related to ceded insurance.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates, which are shown separately in insurance finance income (expense) and reinsurance finance income (expense).

Disclosure

IFRS 17 introduces additional disclosure requirements on the amounts recognized from insurance and reinsurance contracts and the risks arising from these contracts.

IFRS 17 also requires disclosing information at a more granular level than under IFRS 4. Management used judgment in determining the appropriate level of disclosures included in these first unaudited interim condensed consolidated financial statements. The additional disclosures present new or modified information, that when combined with the Corporation's March 31, 2023 consolidated financial statements provide sufficient information to understand the impacts from the adoption of IFRS 17.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. Under the full retrospective approach, at April 1, 2022, the Corporation:

- identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for premium taxes that are attributable to existing insurance contracts. Under IFRS 17, these items are included in the measurement of the insurance contracts; and
- recognized any resulting net difference in equity.

The Corporation has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The impact of adopting IFRS 17 on the consolidated financial statements at April 1, 2022 is presented below.

IFRS 9 – Financial Instruments

The Corporation's wholly owned subsidiaries adopted IFRS 9 effective January 1, 2023, and restated the comparative figures and the April 1, 2022 retained earnings.

The adoption of IFRS 9 in the subsidiaries resulted in no changes in the accounting policies for classification and measurement of financial assets and liabilities. There were immaterial changes related to the impairment of financial assets as the prior period's closing impairment allowance was measured in accordance with the IAS 39 – *Financial Instruments: Recognition and Measurement* incurred loss model and the new impairment allowance is measured in accordance with the IFRS 9 expected loss model at April 1, 2022.

Change in accounting standards from IFRS 4 to IFRS 17 and IFRS 9

The following table summarizes the impacts of the adoption of new standards:

As at April 1, 2022	(thousands of \$)		
	IFRS 4	Adjustments	IFRS 17 and IFRS 9
Total assets	\$ 1,982,924	\$ (432,614)	\$ 1,550,310
Total liabilities	1,453,601	(451,216)	1,002,385
Total equity	529,323	18,602	547,925

Total Equity as at April 1, 2022

	(thousands of \$)
	Total Equity
Balance as at March 31, 2022 (previously reported) – audited	\$ 529,323
Discount rate changes	8,078
Risk adjustment methodology changes	11,882
Adjustment to defer additional acquisitions costs	3,680
Subsidiary company IFRS 9 adjustment	(204)
Adjustment for Facility Association and Risk Pool	(1,751)
Tax effect of all IFRS 17 changes	(3,083)
Total adjustments	18,602
Balance as at April 1, 2022 – unaudited	\$ 547,925

Total Equity as at March 31, 2023

	(thousands of \$)
	Total Equity
Balance as at March 31, 2023 (previously reported) – audited	\$ 554,027
Discount rate changes	11,971
Risk adjustment methodology changes	12,626
Adjustment to defer additional acquisitions costs	15,026
Adjustment to recognize expected onerous contracts	(5,883)
Subsidiary company IFRS 9 adjustment	(1,482)
Adjustment for Facility Association and Risk Pool	525
Tax effect of all IFRS 17 changes	(4,370)
Total adjustments	28,413
Balance as at March 31, 2023 – unaudited	\$ 582,440

4. Material Accounting Policies

The accounting policies applied during the six-month period ended September 30, 2023 are the same as those described and disclosed in Note 3, *Significant Accounting Policies* of the annual consolidated financial statements for the year ended March 31, 2023, except for the new standard adopted on April 1, 2023 as described in Note 3 – First-Time Adoption of IFRS 17 Insurance Contracts and further outlined below.

Insurance and reinsurance – Classification

Contracts under which the Corporation accepts significant insurance risk are classified as insurance contracts. Contracts held by the Corporation under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Corporation to financial risk. The Corporation does not accept insurance risk from other insurers.

All insurance contracts and all reinsurance contracts are measured under the simplified measurement model, the PAA.

Level of aggregation

Insurance contracts are aggregated into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks that are managed together. Management uses judgment in determining the various portfolios with the primary drivers considered being the particular legal entity in which it operates, lines of business, and geographic region. Portfolios are then further aggregated into groups as follows:

- each portfolio is divided into annual cohorts (i.e. by year of policy effective date); and
- each cohort is divided into three groups based on the profitability of contracts:
 - contracts that are onerous on initial recognition;
 - contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
 - remaining contracts in the annual cohort.

Portfolios may change prospectively if there are changes in how the Corporation manages its insurance operations.

Recognition

An insurance contract issued by the Corporation is recognized from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Corporation provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide coverage for underlying contracts that are included in different groups. However, the Corporation concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Corporation's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognized on the following dates:

- Reinsurance contracts initiated by the Corporation that provide proportionate coverage are recognized on the date any underlying insurance contract is initially recognized. This applies to the Corporation's quota share reinsurance contracts.
- Other reinsurance contracts initiated by the Corporation are recognized at the beginning of the coverage period of the group of reinsurance contracts. However, if the Corporation recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date (see 'Onerous contracts'). This applies to the Corporation's excess of loss reinsurance contracts.

Contract boundaries

The measurement of groups of insurance and reinsurance contracts includes all of the future cash flows within the boundary of each contract.

Insurance contract cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Corporation can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when the entity has the practical ability to reassess risk and can set a price or level of benefits that fully reflect those risks.

Cash flows are within the reinsurance contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Corporation is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Measurement models

The carrying amount of a group of insurance and reinsurance contracts at the end of each reporting period is composed of the following:

- Liability for remaining coverage: the obligation to provide coverage after the reporting period for insured events that have not yet occurred.
- Liability for incurred claims: the obligation to investigate and pay claims for insured events that have already occurred. This includes events that have occurred but for which claims have not yet been reported to the Corporation and other incurred insurance expenses.
- Asset for remaining coverage: the right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.
- Asset for incurred claims: the right to receive compensation for reinsured events that have already occurred, including events that have occurred, but for which reinsured claims have not been reported.

Premium allocation approach (PAA)

The Corporation applies the PAA when measuring the liability for remaining coverage as follows:

Initial and subsequent measurement

The liability for remaining coverage includes:

- Premiums received.
- Less insurance acquisition cash flows paid net of the amortization of the insurance acquisition cash flows that have been recognized.
- Less amounts recognized as insurance revenue for the services provided, generally allocated based on the passage of time, usually 12 months.
- Any loss component for onerous contracts.

The Corporation has elected to not discount the liability for remaining coverage under the PAA.

Insurance acquisition cash flows

Insurance acquisition cash flows are costs directly attributable to selling or underwriting insurance contracts. These are presented in the liability for remaining coverage. These cash flows include costs such as commissions, premium taxes and an allocation of indirect costs such as salaries, information technology and facility costs such as building maintenance, depreciation and the leasing of space.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts. The Corporation has not recorded any assets related to insurance acquisition cash flows.

Management used judgement in determining the drivers used to allocate indirect costs to portfolios and groups of insurance contracts.

The Corporation has elected to defer insurance acquisition cash flows and amortize the costs over the coverage period.

Onerous contracts

A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows, resulting in the net outflow being recognized as a loss component in the liability for remaining coverage and a loss is recognized immediately in net income (insurance service expense).

The loss component is amortized to net income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on direct insurance but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

The loss recovery component is calculated by multiplying the initial loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Corporation expects to recover from the group of reinsurance contracts. The loss recovery component is included in the asset for remaining coverage and the recovery is recognized immediately in net income in net revenue (expenses) from reinsurance contracts. The loss recovery is subsequently amortized in net revenue (expenses) from reinsurance contracts.

The Corporation assumes no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Corporation has developed a methodology for identifying indicators of possible onerous contracts, including reviewing forward looking expectations such as budget information and rate indications as well as historical experience.

At each reporting date, if facts and circumstances indicate that a group of insurance contracts is potentially onerous, then the Corporation applies the same analysis it has performed for groups potentially onerous at initial recognition.

Reinsurance

Reinsurance contracts are measured on the same basis as insurance contracts, except:

- They are adapted to reflect the features of reinsurance contracts that differ from insurance contracts, for example the generation of expenses or reduction in expenses rather than revenue.
- They include an allowance for non-performance risk by the reinsurer (which is presented in net revenue (expenses) from reinsurance contracts), and
- The risk adjustment represents the amount of risk being transferred to the reinsurer.

Measurement – Contracts measured under the PAA

The Corporation uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts excluding bonds: The coverage period of each contract in the group is one year or less. Contracts provide compensation for the costs of an insured event; for these contracts, the Corporation determines the insured event to be the occurrence of that event and the coverage period to be the period in which a insured event can occur for which a policyholder can make a valid claim.
- Insurance bonds: These policies can have a coverage period that is greater than one year. The Corporation reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from the result of applying the PAA. When comparing the different possible measurements, the Corporation considers the impact of the different release patterns of the liability for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The coverage period for these contracts is greater than one year. The Corporation reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the PAA. When comparing the different possible measurements, the Corporation considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

Liability for incurred claims

The liability for incurred claims is an estimate of the fulfilment cash flows related to incurred claims, including a risk adjustment to account for non-financial risk. The liability for incurred claims is discounted to consider the time value of money. Contracts measured under the PAA do not require an adjustment for the time value of money if the cash flows on those claims are expected to be paid or received within one year of the date the claims are incurred. The Corporation has elected to discount all of its liability for incurred claims. The determination of the liability for incurred claims requires a number of assumptions. These assumptions are discussed further in Note 7 - Insurance and Reinsurance contracts.

Risk Adjustment

The measurement of insurance and reinsurance contracts includes a risk adjustment for non financial risk. The risk adjustment for non-financial risk is the compensation required for bearing the uncertainty about the amount and timing of cash flows of groups of insurance contracts. The risk adjustment includes the benefit of diversification and excludes the impact of financial risks.

Discount Rate

The liability for incurred claims is discounted. The Corporation has established a discount yield curve using risk-free rates adjusted to reflect the illiquidity characteristics of the applicable insurance contracts.

Derecognition and contract modification

The Corporation derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Corporation also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Corporation treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Insurance revenue

Insurance revenue on direct insurance is allocated over the coverage period of the contract and includes:

- Premium receipts net of cancellations, and sales taxes; and
- Other insurance revenue which includes fees collected from policyholders in connection with the costs incurred for the Corporation's billing plans and fees received for the administration of other policies.

Insurance service expense

Insurance service expense includes fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It is composed of the following:

- Incurred claims and other insurance service expense, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts;
- Amortization of insurance acquisition cash flows (see above); and
- Losses and reversals on onerous contracts (see above).

Insurance finance income and expense

Insurance finance income or expense comprises the change in the carrying amount of the group of insurance contracts arising from:

- The discount unwinding,
- Changes in discount rates, and
- The effect of financial risk and changes in financial risk.

The Corporation has elected to record changes in discount rates in net income in the line insurance finance (expense) income.

5. Investments

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

	<i>(thousands of \$)</i>	
	September 30 2023	March 31 2023
Short-term investments	\$ 155,087	\$ 156,916
Bonds and debentures	239,346	301,980
Investment funds:		
Canadian equity	77,926	78,412
Global equity	194,001	185,778
Global small cap equity	33,480	33,923
Mortgage	190,626	170,265
Real estate	72,441	70,934
	962,907	998,208
Investments under securities lending program:		
Bonds and debentures	534,740	463,673
Total investments	\$ 1,497,647	\$ 1,461,881

Securities lending program

At September 30, 2023, the Corporation held collateral of \$561.5 million (March 31, 2023 – \$486.9 million) for the loaned securities, which represents approximately 105.0% of the fair value of 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.

	<i>(thousands of \$)</i>			
	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 155,087	\$ -	\$ 155,087
Bonds and debentures	-	774,086	-	774,086
Investment funds:				
Canadian equity	77,926	-	-	77,926
Global equity	194,001	-	-	194,001
Global small cap equity	33,480	-	-	33,480
Mortgage	-	-	190,626	190,626
Real estate	-	-	72,441	72,441
Total investments	\$ 305,407	\$ 929,173	\$ 263,067	\$ 1,497,647

	<i>(thousands of \$)</i>			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 156,916	\$ -	\$ 156,916
Bonds and debentures	-	765,653	-	765,653
Investment funds:				
Canadian equity	78,412	-	-	78,412
Global equity	185,778	-	-	185,778
Global small cap equity	33,923	-	-	33,923
Mortgage	-	-	170,265	170,265
Real estate	-	-	70,934	70,934
Total investments	\$ 298,113	\$ 922,569	\$ 241,199	\$ 1,461,881

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:

	<i>(thousands of \$)</i>	
	six months ended	12 months ended
	September 30 2023	March 31 2023
Level 3 investments, beginning of the period	\$ 241,199	\$ 224,288
Add: Additions during the period:		
Mortgage investment fund	23,309	18,361
Gains (losses) recognized in net income:		
Mortgage investment fund	(2,948)	(3,234)
Real estate investment fund	1,507	1,784
Level 3 investments, end of the period	\$ 263,067	\$ 241,199

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 the period end date.

During the period ended September 30, 2023, no investments were transferred between levels.

Credit risk

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the 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:

Credit Rating	September 30, 2023		March 31, 2023	
	Fair value (thousands of \$)	Makeup of portfolio (%)	Fair value (thousands of \$)	Makeup of portfolio (%)
AAA	\$ 365,688	47.2	\$ 359,516	47.0
AA	254,299	32.9	238,189	31.1
A	106,544	13.8	125,746	16.4
BBB	47,555	6.1	42,202	5.5
Total	\$ 774,086	100.0	\$ 765,653	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.

6. Net Investment (Losses) Earnings

Components of net investment (losses) earnings are as follows:

	<i>(thousands of \$)</i>			
	three months ended September 30		six months ended September 30	
	2023	2022	2023	2022
Interest and other	\$ 10,125	\$ 6,619	\$ 18,939	\$ 11,116
Investment fund distributions	3,466	2,369	6,577	4,624
Net loss on investment portfolio	(13,124)	(10,355)	(17,682)	(55,082)
Total investment earnings	467	(1,367)	7,834	(39,342)
Investment expenses	(634)	(627)	(1,392)	(1,291)
Net investment (losses) earnings	\$ (167)	\$ (1,994)	\$ 6,442	\$ (40,633)

Details of the net loss on investment portfolio is as follows:

	<i>(thousands of \$)</i>			
	three months ended September 30		six months ended September 30	
	2023	2022	2023	2022
Short-term investments	\$ 439	\$ –	\$ 450	\$ –
Bonds and debentures	(9,088)	(7,335)	(23,280)	(21,894)
Investment funds:				
Canadian equity	(1,464)	(266)	(488)	(9,587)
Global equity	(1,032)	(2,241)	7,521	(18,447)
Global small cap equity	(740)	(140)	(444)	(4,466)
Mortgage	(1,710)	(808)	(2,948)	(3,777)
Real estate	471	435	1,507	3,089
Net loss on investment portfolio	\$ (13,124)	\$ (10,355)	\$ (17,682)	\$ (55,082)

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk impacts the value of 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. It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	<i>(thousands of \$)</i>			
	100 basis point increase		100 basis point decrease	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
Net investment (losses) earnings	\$ (25,988)	\$ (26,864)	\$ 25,988	\$ 26,864

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:

Asset Class	<i>(%)</i>				<i>(thousands of \$)</i>	
	Maximum exposure		Current exposure		10% change in exchange rates	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022	September 30 2023	September 30 2022
Global equities	17.5	16.0	13.0	10.4	\$ 19,400	\$ 14,361
Global small cap equities	4.0	4.0	2.2	1.8	3,348	2,526

As the global equity funds are classified as fair value through profit and loss, any market value 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.

Equity price risk

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 20.4% (March 31, 2023 – 20.4%) 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).

Asset Class	<i>(thousands of \$)</i>			
	September 30 2023		March 31 2023	
Canadian equities	\$ +/-	24,859	\$ +/-	24,935
Global equities	+/-	54,902	+/-	52,575
Global small cap equities	+/-	12,059	+/-	12,491

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

7. Insurance and Reinsurance Contracts

The net carrying amounts of insurance and reinsurance contracts are as follows:

	<i>(thousands of \$)</i>	
	September 30 2023	March 31 2023 (restated)
Liability for remaining coverage	\$ 276,379	\$ 225,916
Liability for incurred claims	831,456	768,447
Insurance contract liabilities	1,107,835	994,363
Asset for remaining coverage	28,290	15,496
Asset for reinsured claims	33,381	40,035
Reinsurance contract assets	61,671	55,531
Net insurance and reinsurance contracts	\$ 1,046,164	\$ 938,832

Reconciliation of carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognized in the statement of profit or loss.

Insurance contracts analysis by remaining coverage and incurred claims

	(thousands of \$)				
	September 30, 2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Opening liabilities	\$ 216,230	\$ 9,686	\$ 709,249	\$ 59,198	\$ 994,363
Changes in comprehensive income					
Insurance revenue	(657,462)	-	-	-	(657,462)
Incurring claims and other insurance services expenses	-	-	422,270	-	422,270
Amortization of insurance acquisition cash flows	206,213	-	-	-	206,213
Losses and reversals of losses on onerous contracts	-	(2,214)	-	-	(2,214)
Adjustments to liabilities for incurred claims	-	-	13,635	1,139	14,774
Insurance service expenses	206,213	(2,214)	435,905	1,139	641,043
Insurance service result	(451,249)	(2,214)	435,905	1,139	(16,419)
Insurance finance income	-	-	(4,456)	(16)	(4,472)
Total changes in comprehensive income	(451,249)	(2,214)	431,449	1,123	(20,891)
Cash flows					
Premiums received	678,625	-	-	-	678,625
Claims and other insurance service expenses paid	-	-	(369,563)	-	(369,563)
Insurance acquisition cash flows	(174,699)	-	-	-	(174,699)
Total cash flows	503,926	-	(369,563)	-	134,363
Closing liabilities	\$ 268,907	\$ 7,472	\$ 771,135	\$ 60,321	\$ 1,107,835

<i>(thousands of \$)</i>					
September 30, 2022					
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Opening liabilities	\$ 210,264	\$ 4,893	\$ 664,283	\$ 56,998	\$ 936,438
Changes in comprehensive income					
Insurance revenue	(601,624)	-	-	-	(601,624)
Incurring claims and other insurance services expenses	-	-	368,482	-	368,482
Amortization of insurance acquisition cash flows	182,983	-	-	-	182,983
Losses and reversals of losses on onerous contracts	-	(1,620)	-	-	(1,620)
Adjustments to liabilities for incurred claims	-	-	38,190	1,604	39,794
Insurance service expenses	182,983	(1,620)	406,672	1,604	589,639
Insurance service result	(418,641)	(1,620)	406,672	1,604	(11,985)
Insurance finance income	-	-	(7,265)	(54)	(7,319)
Total changes in comprehensive income	(418,641)	(1,620)	399,407	1,550	(19,304)
Cash flows					
Premiums received	621,151	-	-	-	621,151
Claims and other insurance service expenses paid	-	-	(322,657)	-	(322,657)
Insurance acquisition cash flows	(160,677)	-	-	-	(160,677)
Total cash flows	460,474	-	(322,657)	-	137,817
Closing liabilities	\$ 252,097	\$ 3,273	\$ 741,033	\$ 58,548	\$ 1,054,951

Reinsurance contracts analysis by remaining coverage and incurred claims

<i>(thousands of \$)</i>					
September 30, 2023					
	Assets for remaining coverage		Assets for insurance claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Opening assets	\$ 15,496	\$ -	\$ 38,275	\$ 1,760	\$ 55,531
Changes in statement of profit or loss					
Allocation of reinsurance premiums	(50,123)	-	-	-	(50,123)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	6,571	5	14,441	-	21,017
Adjustments to assets for reinsured claims	-	-	4,169	(98)	4,071
Net expenses from reinsurance contracts	(43,552)	5	18,610	(98)	(25,035)
Reinsurance finance expense	-	-	(3)	-	(3)
Total changes in the statement of profit or loss	(43,552)	5	18,607	(98)	(25,038)
Cash flows					
Premiums paid	56,341	-	-	-	56,341
Amounts received	-	-	(25,163)	-	(25,163)
Total cash flows	56,341	-	(25,163)	-	31,178
Closing assets	\$ 28,285	\$ 5	\$ 31,719	\$ 1,662	\$ 61,671

<i>(thousands of \$)</i>					
September 30, 2022					
	Assets for remaining coverage		Assets for insurance claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Opening assets	\$ 12,545	\$ -	\$ 60,402	\$ 3,883	\$ 76,830
Changes in statement of profit or loss					
Allocation of reinsurance premiums	(40,753)	-	-	-	(40,753)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	5,084	-	13,027	-	18,111
Adjustments to assets for reinsured claims	-	-	3,819	(147)	3,672
Net expenses from reinsurance contracts	(35,669)	-	16,846	(147)	(18,970)
Reinsurance finance expense	-	-	(59)	-	(59)
Total changes in the statement of profit or loss	(35,669)	-	16,787	(147)	(19,029)
Cash flows					
Premiums paid	46,712	-	-	-	46,712
Amounts received	-	-	(25,615)	-	(25,615)
Total cash flows	46,712	-	(25,615)	-	21,097
Closing assets	\$ 23,588	\$ -	\$ 51,574	\$ 3,736	\$ 78,898

Fair value of the net liability for incurred claims

The Corporation estimates that the fair value of its net liability for incurred claims approximates its carrying amount.

<i>(thousands of \$)</i>						
	September 30, 2023			March 31, 2023 (restated)		
	Liability for incurred claims	Asset for reinsured claims	Net	Liability for incurred claims	Asset for reinsured claims	Net
Undiscounted value	\$ 853,606	\$ 33,256	\$ 820,350	\$ 783,396	\$ 39,264	\$ 744,132
Effect of time value of money	(82,471)	(1,537)	(80,934)	(74,147)	(989)	(73,158)
Undiscounted risk adjustment	60,321	1,662	58,659	59,198	1,760	57,438
	\$ 831,456	\$ 33,381	\$ 798,075	\$ 768,447	\$ 40,035	\$ 728,412

Material accounting judgements, estimates and assumptions

Liability for incurred claims – Estimate of undiscounted future cash flows

Establishment of the net liability for incurred claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement is uncertain due to claims that are not reported to the Corporation at the period-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 period-end date.

The significant assumptions used to estimate the liability for incurred claims 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 net liability for incurred claims relies on a number of factors, which necessarily involve the risk that actual results may differ materially from the estimates.

Discount rates

The liability for incurred claims under the PAA is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contracts. The illiquidity premium is determined by reference to observable market rates of investment-grade bonds. Discount rates applied for discounting of future cash flows are listed below:

As at	1 year	3 years	5 years	10 years
September 30, 2023	5.6%	5.1%	4.8%	4.5%
March 31, 2023	5.0%	4.4%	4.2%	4.4%
April 1, 2022	2.7%	3.1%	3.3%	3.6%

Risk adjustment

The risk adjustment is the compensation that the Corporation requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It reflects an amount the Corporation would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Corporation has estimated the risk adjustment for liability for incurred claims, which equates to an 80% confidence level. The reserve distribution is estimated using standard statistical techniques in accordance with actuarial practice. The main considerations underlying these techniques are:

- Historical claims development can be used to generate the full range of potential outcomes;
- Expert judgments to allow for the correlation between line of business and region; and
- Additional qualitative judgment is used to assess the extent to which there are events not included in the historical data.

Sensitivity analysis

The liability for incurred claims' sensitivity to certain key assumptions is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on net income. Movements in these assumptions may be non-linear and may be correlated with one another.

	<i>(thousands of \$)</i>					
	September 30, 2023			March 31, 2023		
	Direct	Ceded	Net	Direct	Ceded	Net
Discount Rate +1.0%	\$ (15,341)	\$ (199)	\$ (15,142)	\$ (14,773)	\$ (288)	\$ (14,485)
Discount Rate -1.0%	16,444	210	16,234	15,849	304	15,545
Reserves +/-5.0%	41,573	1,669	39,904	38,893	2,021	36,872

Insurance risk

The adoption of IFRS 17 has not changed the way the Corporation manages insurance risk. Refer to Note 16, *Insurance and Financial Risk Management* of the annual consolidated financial statements for the year ended March 31, 2023.

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:

	<i>(thousands of \$)</i>	
	September 30 2023	March 31 2023
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 \$30.0 million per event (subject to an annual aggregate deductible of \$30.0 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.

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. The Corporation seeks to place its reinsurance program with financially stable reinsurers. The 2023 reinsurance program has 88.0% of reinsurers with a financial strength rating between B+ and A+, as rated by A.M. Best and Standard & Poor's. The remaining 12.0% of the program has been placed with unrated reinsurers. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer in order to minimize the Corporation's exposure to default.

8. Capital Management

As at September 30, 2023 each of the Corporation's regulated P&C insurance subsidiaries was in compliance with regulatory capital requirements. Refer to Note 17, *Capital Management* of the annual Consolidated financial statements for the year ended March 31, 2023 for more details on the management of the Corporation's capital.

In Canada, where the regulatory capital requirements were impacted by IFRS 17 changes, the transition to the new standard did not have a significant impact on the Corporation's regulatory capital position. The new standard did not change the Corporation's overall capital framework and how it manages its capital.

9. Change in Non-Cash Operating Items

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

	<i>(thousands of \$)</i>	
	six months ended September 30	
	2023	2022 (restated)
Accounts receivable	\$ (10,692)	\$ (8,258)
Reinsurance contract assets	(6,140)	(2,068)
Prepaid expenses	1,904	1,245
Accounts payable and accrued liabilities	(7,484)	(7,347)
Accrued pension liabilities	(765)	(1,503)
Insurance contract liabilities	113,472	118,513
Total change in non-cash operating items	\$ 90,295	\$ 100,582

10. 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 insurance services expenses or other expenses lines on the Condensed Consolidated Statement of Operations.

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

	<i>(thousands of \$)</i>			
	three months ended September 30		six months ended September 30	
	2023	2022	2023	2022
Salaries	\$ 53,638	\$ 46,607	\$ 109,429	\$ 89,993
Defined contribution pension plan	3,253	2,849	6,470	5,632
Defined benefit pension plan	24	22	48	44
Defined benefit service recognition plans	121	101	242	202
Other benefits	6,250	5,024	13,525	11,633
Total salaries and benefits	63,286	54,603	129,714	107,504
Less: Allocation to Saskatchewan Auto Fund	(33,575)	(29,052)	(67,698)	(58,546)
Salaries and benefits in SGI CANADA	\$ 29,711	\$ 25,551	\$ 62,016	48,958

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, 2022.

Results from the last actuarial valuation have been projected to September 30, 2023. 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.

Actuarial (gains) losses recognized in other comprehensive income

Other comprehensive income results from changes to actuarial assumptions used to calculate the liabilities of the employee benefit plans and differences in the actual return on employee benefit plan assets versus estimated returns on these assets. The discount rate is the only key assumption that changed during the period, as follows:

Discount Rate	Defined Benefit Pension Plan	Defined Benefit Service Recognition Plans
March 31, 2022	3.9%	3.8%
September 30, 2022	5.0%	4.9%
March 31, 2023	4.8%	4.8%
September 30, 2023	5.7%	5.7%

Cumulative actuarial losses are as follows:

	(thousands of \$)	
	six months ended September 30	
	2023	2022
Cumulative actuarial losses, beginning of the period	\$ 3,852	\$ 4,109
Gains recognized during the first quarter	(82)	(882)
Gains recognized during the second quarter	(487)	(22)
Cumulative actuarial losses, end of the period	\$ 3,283	\$ 3,205

11. Contingencies

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.

12. Comparative Figures

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

