SGI CANADA
2024-25 Second Quarter Report

September 30, 2024

Management's Discussion and Analysis

Corporate Profile

Vision

Transforming the SGI 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, inclusivity 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 directly in British Columbia, Alberta, Manitoba, and Ontario, as well as a small amount in Saskatchewan. SCISL also has a wholly-owned subsidiary, Coachman Insurance Company (Coachman), that operates in Ontario. The Corporation's head office is located in Regina, Saskatchewan. Products are sold through a network of independent insurance brokers.

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

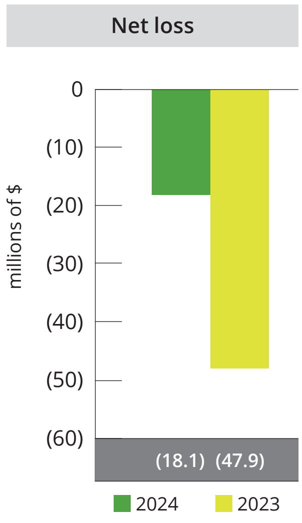
Non-GAAP financial measure	Closest GAAP measure
Gross premium written	Insurance revenue
Net claims incurred	Insurance services expense

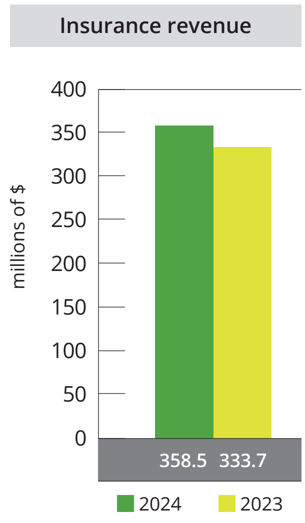
As well, the Corporation uses the following non-GAAP ratios to monitor performance:

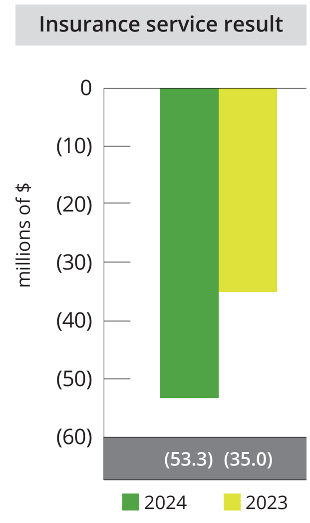
- Net loss ratio (partially discounted): calculated as net claims incurred divided by insurance revenue less allocation of reinsurance premiums.
- Net combined ratio (partially discounted): calculated as insurance service expense and administrative expenses less amounts recoverable from reinsurers divided by insurance revenue less allocation of reinsurance premiums.

Financial Highlights

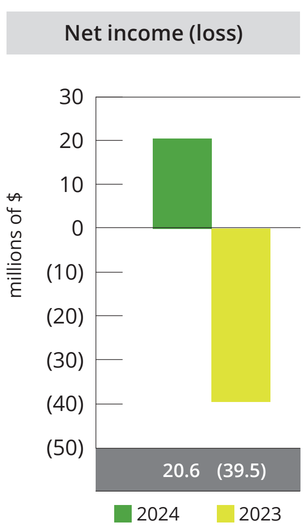
For the three months ended September 30

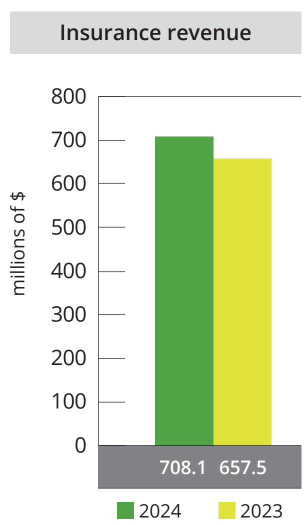


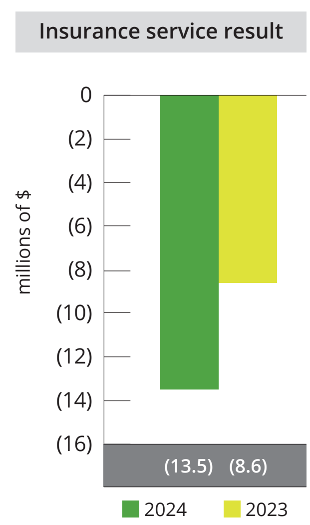




For the six months ended September 30







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, 2024, and the SGI CANADA MD&A and audited financial statements and supporting notes as at and for the year ended March 31, 2024. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to November 27, 2024.

Overview

	(thousands of $)					
	three months ended September 30			**six months ended September 30**		
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Net (loss) income	(18,056)	(47,899)	29,843	20,614	(39,514)	60,128
Insurance service result	(53,256)	(35,002)	(18,254)	(13,514)	(8,616)	(4,898)
Mininum Capital Test				214%	197%	17%

During the first six months of the year, SGI CANADA had a net income of $20.6 million driven by stronger investment results than the prior year.

The insurance service result decreased by $4.9 million from the same period in 2023 due to increased claims in Alberta, Saskatchewan and Ontario due to a number of large storms and wildfires.

Net investment earnings were $77.4 million better than the same period last year, due to improved equity and fixed income returns as interest rates decreased.

The consolidated Minimum Capital Test (MCT) score of 214% at September 30, 2024 is 17 percentage points higher than the same date last year, and remains adequate to support the Corporation's growth.

Outlook

This section contains forward-looking statements regarding the Corporations financial outlook. 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.

SGI CANADA is forecasting consolidated net income of $68.5 million in 2024-25 compared to 2023-24 consolidated net income of $78.1 million.

The insurance service result is expected to be weaker than 2023-24 as the cost of catastrophes has increased the overall expected costs of claims. Partially offsetting the weaker insurance results is that administrative expenses are expected to decrease from prior year, as Corporate Transformation costs move into insurance service expenses as the software rolling into the program goes into production.

Investment earnings are expected to decrease in 2024-25 compared to 2023-24, as equity markets, although still performing quite well, are not expected to outperform the returns in 2023-24. The Corporation continues to maintain a well-diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2024	2023	Change	2024	2023	Change
Insurance revenue	358,457	333,707	24,750	708,147	657,462	50,685
Other Income	163	90	73	383	442	(59)

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

Gross premium written by province is detailed below:

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2024	2023	Change	2024	2023	Change
Gross premiums written						
Saskatchewan	215,544	213,076	2,468	432,880	425,132	7,748
Alberta	64,748	62,648	2,100	133,539	123,092	10,447
Ontario	54,647	50,244	4,403	109,343	93,884	15,459
British Columbia	26,293	24,878	1,415	50,817	47,775	3,042
Manitoba	18,686	18,901	(215)	36,210	35,651	559
Total	379,918	369,747	10,171	762,789	725,534	37,255
Change in unearned premiums	(25,979)	(40,337)	14,358	(63,675)	(76,527)	12,852
Premium financing income	4,518	4,297	221	9,033	8,455	578
Insurance revenue	358,457	333,707	24,750	708,147	657,462	50,685

Gross premiums written in Saskatchewan increased 1.8% in the first six months of the year compared to the same period last year, primarily related to growth in agro and personal auto lines.

Gross premiums written in Alberta experienced an increase of 8.5% in the first two quarters compared to last year, with all lines of business contributing to growth with the largest growth occurring in personal auto.

The increase of 16.5% in gross premiums written in Ontario in the first two quarters compared to last year is primarily related to increased premiums coming from personal auto products.

In British Columbia, the increase in gross premiums written compared to the same period last year is 6.4%. This is related primarily to increases in personal lines.

The year-over-year increase in Manitoba gross premiums written of 1.6% is due to minor growth in all business lines.

Expenses

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2024	2023	Change	2024	2023	Change
Claims incurred	305,475	257,376	48,099	497,392	437,044	60,348
Change in loss component	(193)	(1,843)	1,650	(1,453)	(2,214)	761
Commissions and premium taxes	89,640	83,680	5,960	176,271	165,277	10,994
Underwriting expenses	25,836	20,361	5,475	47,565	40,936	6,629
Insurance service expenses	420,758	359,574	61,184	719,775	641,043	78,732
Ceded premiums earned	39,082	25,857	13,225	70,323	50,123	20,200
Ceded claims incurred	(44,004)	(13,070)	(30,934)	(60,494)	(18,512)	(41,982)
Other ceded expenses	(4,123)	(3,652)	(471)	(7,943)	(6,576)	(1,367)
Net (revenue) expenses from reinsurance contracts	(9,045)	9,135	(18,180)	1,886	25,035	(23,149)
Administrative expenses	17,242	27,851	(10,609)	38,295	52,270	(13,975)
	428,955	396,560	32,395	759,956	718,348	41,608
Net loss ratio (partially discounted) (non-GAAP)	81.9%	79.4%	2.5%	68.5%	68.9%	-0.4%
Net combined ratio (partially discounted) (non-GAAP)	122.1%	120.4%	1.7%	108.1%	110.0%	-1.9%

Claims incurred

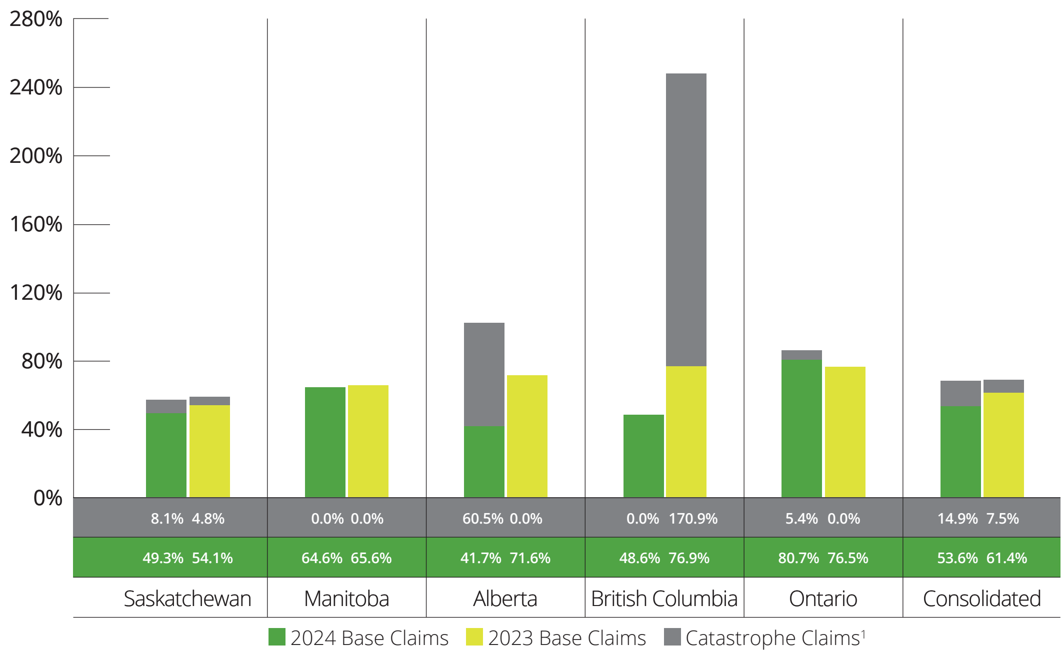
The Corporation monitors claims activity on a net claims incurred (non-GAAP financial measure) basis. Although net claims incurred during the first six months ended September 30, 2024 increased 4.4% from the same quarter in 2023, the consolidated net loss ratio (partially discounted) (non-GAAP financial measure) was 0.4 percentage points lower. The improvement to the net loss ratio (partially discounted) is a result of premium growth outpacing the growth in net claims incurred.

During the quarter, catastrophe claim costs increased by $49.4 million compared to the same period last year. Costs are related to a large storm in Saskatchewan, the Jasper wildfire in Alberta, a large hailstorm that hit Calgary and flooding that occurred in Ontario. This increase was partially offset by an $31.1 million decrease in non-catastrophe claim costs, driven by fewer claims numbers in Saskatchewan, Alberta, and British Columbia.

The following chart summarizes the net loss ratios (partially discounted) by jurisdiction:

Loss Ratios (partially discounted)

six months ended September 30



[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 hailstorms, forest fires and winter ice storms.

Saskatchewan's net loss ratio (partially discounted) of 57.4% is slightly lower than last year's ratio of 58.9%. Although catastrophe costs are up $12.9 million compared to the prior year, non-catastrophe claim costs are down by almost the same amount. The slight reduction in the net loss ratio is due to premium growth.

Manitoba's net loss ratio (partially discounted) decreased from 65.6% in 2023 to 64.6% in 2024 due to premium growth. Catastrophe claims during the first two quarters in both 2023 and 2024 were nil.

The Alberta net loss ratio (partially discounted) increased from 71.6% in 2023 to 102.2% in 2024. This is due to the two large catastrophes that hit Alberta in 2024. Catastrophe claims during the second quarter were $60.0 million in 2024 compared to nil in 2023.

The net loss ratio (partially discounted) for British Columbia decreased from 247.8% in 2023 to 48.6% in 2024, with lower claims costs in all products sold in that jurisdiction. The primary driver in the change in the net loss ratio is a decrease in catastrophe costs from 2023 to 2024. Catastrophe claim costs were nil in the first six months of 2024 compared to $23.7 million in 2023.

Ontario's net loss ratio (partially discounted) of 86.1% is higher than last year's 76.5%, primarily due to an increase in personal line and personal auto claim costs. Catastrophe claim costs were $5.3 million in the first six months of 2024 and nil in the same period in 2023.

Commissions and premium taxes, and underwriting expenses

Commissions, premium taxes and underwriting expenses are increasing as the Corporation grows and insurance revenues increase.

Net expenses from reinsurance contracts

The $23.1 million decrease in net expenses from reinsurance contracts in the first six months of the year compared to last year is due to the increase in amounts due from reinsurers for ceded claims related to storms and wildfires, partially offset by an increase in premiums the Corporation is paying to acquire reinsurance.

Administrative expenses

During the first six months of the year, administrative expenses decreased $14.0 million compared to the same period in 2023. This decrease mainly relates to costs for new systems from the Corporate Transformation program moving from the project stage to becoming operational. Once operational, some of the costs associated with those systems move out of administrative expenses and into insurance related expenses, such as loss adjusting and underwriting.

Investment Results

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2024	2023	Change	2024	2023	Change
Net investment earnings (losses)	58,417	(167)	58,584	83,803	6,442	77,361
Net insurance finance result	(6,556)	4,470	(11,026)	(6,323)	4,469	(10,792)

Investment earnings during the first six months of the year were $77.4 million higher than the same period in 2023. Fixed income returns were higher year-over-year driven by decreases in interest rates while equity returns were higher compared to the prior period due to strong market performance.

The net insurance finance result is driven by the change in discount rates related to the liability for incurred claims and the asset for reinsured claims. During the first two quarters of 2024, risk-free interest rates decreased, resulting in a negative net insurance finance result. In contrast, discount rates increased during the same period last year, resulting in a positive net insurance finance result.

Statement of Financial Position Review

	(thousands of $)		
	September 30 2024	March 31 2024	Change
Total assets	**1,990,590**	**1,820,528**	**170,062**
Key asset account changes:			
Investments	1,756,439	1,609,569	146,870
Reinsurance contract assets	103,583	62,285	41,298

During the first six months of the year, the carrying value of investments increased by $146.9 million reflecting increasing market values across most investment classes and more investment purchases than sales during the period.

Reinsurance contract assets grew during the period, largely due to the current year increase in ceded claims, as outlined in the preceding section, Net expenses from reinsurance contracts.

	(thousands of $)		
	September 30 2024	March 31 2024	Change
Total liabilities	**1,318,391**	**1,159,788**	**158,603**
Insurance contract liabilities	1,251,592	1,079,051	172,541

Insurance contract liabilities increased $172.5 million during the period. This is largely due to the current year increase in claims as outlined in the preceding section, Claims incurred.

Capital

as at September 30	2024	2023
Minimum Capital Test	214%	197%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At September 30, 2024, the Corporation's MCT was 214%, which is in excess of the 213% internal target used as a minimum for regulatory purposes. For further information on capital management, refer to note 7 of the notes to the condensed consolidated financial statements for the period.

Quarterly Consolidated Financial Highlights

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

	(thousands of $)					
	three months ended					
	2024-25		**2023-24**			
	Sept 30	**June 30**	**March 31**	**Dec 31**	**Sept 30**	**June 30**
Insurance revenue	358,457	349,690	342,200	341,406	333,707	323,755
Insurance service result	(53,256)	39,742	69,177	34,694	(35,002)	26,386
Net insurance finance result	(6,556)	233	(4,311)	(24,122)	4,470	(1)
Net investment earnings (losses)	58,417	25,386	41,457	66,869	(167)	6,609
Net (loss) income	(18,056)	38,670	69,901	47,759	(47,899)	8,385
Cash flow from (used in) operations	5,033	52,837	(33,241)	43,344	48,956	18,848
Investments	1,756,439	1,671,676	1,609,569	1,592,143	1,497,647	1,481,756
Insurance contract liabilities	1,251,592	1,114,384	1,079,051	1,140,677	1,107,835	1,025,184
Mininum Capital Test	214%	231%	225%	200%	197%	232%

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

- The insurance service result is often the weakest in the second quarter due to catastrophe claims for events such as hailstorms, flooding, and forest fires that most often occur during the summer months.
- 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 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 and catastrophic claim loss. These risks are described in detail in the Corporation's 2023-24 Annual Report.

Accounting Matters

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 judgement 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 2023-24 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 Condensed 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 2023-24 Annual Report.

Condensed Consolidated Statement of Financial Position

	(thousands of $)	
	September 30 2024 (unaudited)	**March 31 2024 (audited)**
Assets		
Cash and cash equivalents	$ 33,665	$ 55,849
Accounts receivable	51,609	44,172
Income tax receivable	–	180
Investments under securities lending program (note 4)	420,499	344,854
Investments (note 4)	1,335,940	1,264,715
Reinsurance contract assets (note 6)	103,583	62,285
Property and equipment	19,551	18,895
Right-of-use assets	7,604	7,849
Intangible assets	5,372	4,925
Prepaid expenses	7,453	11,220
Deferred income tax asset	5,314	5,584
	$ 1,990,590	$ 1,820,528
Liabilities		
Accounts payable and accrued liabilities	$ 39,030	$ 62,555
Dividend payable	4,500	–
Accrued pension liabilities	9,667	9,671
Insurance contract liabilities (note 6)	1,251,592	1,079,051
Income taxes payable	5,236	–
Lease liability	8,273	8,503
Deferred income tax liability	93	8
	1,318,391	1,159,788
Equity		
Equity advances	80,000	80,000
Retained earnings	592,199	580,740
Total equity	672,199	660,740
	$ 1,990,590	$ 1,820,528

Contingencies (note 9)

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

Condensed Consolidated Statement of Operations (unaudited)

	(thousands of $)			
	three months ended		six months ended	
for the periods ended September 30	2024	2023	2024	2023
Insurance revenue (note 6)	$ 358,457	$ 333,707	$ 708,147	$ 657,462
Insurance service expenses (note 6)	(420,758)	(359,574)	(719,775)	(641,043)
Insurance service result from insurance contracts	**(62,301)**	**(25,867)**	**(11,628)**	**16,419**
Net revenue (expenses) from reinsurance contracts (note 6)	9,045	(9,135)	(1,886)	(25,035)
Insurance service result	**(53,256)**	**(35,002)**	**(13,514)**	**(8,616)**
Insurance finance (expense) income (note 6)	(7,072)	4,473	(6,839)	4,472
Reinsurance finance income (expense) (note 6)	516	(3)	516	(3)
Net insurance finance result	**(6,556)**	**4,470**	**(6,323)**	**4,469**
Net investment earnings (losses) (note 5)	58,417	(167)	83,803	6,442
Net investment result	**51,861**	**4,303**	**77,480**	**10,911**
Other income	163	90	383	442
Administrative expenses	(17,242)	(27,851)	(38,295)	(52,270)
(Loss) income before income taxes	**(18,474)**	**(58,460)**	**26,054**	**(49,533)**
Income tax recovery (expense)	418	10,561	(5,440)	10,019
Net (loss) income	**(18,056)**	**(47,899)**	**20,614**	**(39,514)**
Other comprehensive (loss) income	(232)	487	(155)	569
Comprehensive (loss) income	**$ (18,288)**	**$ (47,412)**	**$ 20,459**	**$ (38,945)**

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

	(thousands of $)	
	six months ended	
for the periods ended September 30	2024	2023
Equity advances		
Balance, end of the period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of the period	$ 580,740	$ 502,440
Net income (loss)	20,614	(39,514)
Other comprehensive (loss) income	(155)	569
Dividends	(9,000)	–
Balance, end of the period	**$ 592,199**	$ 463,495
Total equity	**$ 672,199**	$ 543,495

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

Condensed Consolidated Statement of Cash Flows (unaudited)

	(thousands of $)	
	six months ended	
for the periods ended September 30	2024	2023
Cash provided by (used for):		
Operating activities		
Net income (loss)	$ 20,614	$ (39,514)
Non-cash items:		
Amortization and depreciation	3,759	3,308
Net (gain) loss on investment portfolio (note 5)	(54,792)	17,682
Interest and other revenue from investments	(23,063)	(19,001)
Interest expense from right-of-use assets	101	91
Income tax expense (recovery)	5,440	(10,019)
Actuarial (losses) gains from employee benefit programs	(155)	569
Change in non-cash operating items (note 8)	105,635	90,295
Income taxes recovered	331	24,393
	57,870	67,804
Investing activities		
Interest received	17,107	12,445
Purchases of investments	(547,338)	(539,088)
Proceeds on sale of investments	459,625	490,144
Purchases of property and equipment	(2,689)	(3,046)
Purchases of intangible assets	(1,089)	–
	(74,384)	(39,545)
Financing activities		
Dividends paid	(4,500)	–
Interest paid	(101)	(91)
Lease liability payments	(1,069)	(1,105)
	(5,670)	(1,196)
(Decrease) increase in cash and cash equivalents	**(22,184)**	27,063
Cash and cash equivalents, beginning of the period	55,849	43,066
Cash and cash equivalents, end of the period	**$ 33,665**	$ 70,129

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

September 30, 2024

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 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, 2024, have been prepared in accordance with IFRS accounting standards (IFRS) as issued by the International Accounting Standards Board, 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, 2024 Annual Report. Full disclosures will be included in the consolidated annual financial statements. The unaudited interim condensed consolidated financial statements were authorized for issue on November 27, 2024.

Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared using the historical cost basis, except for certain 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 4, *Material Accounting Policies* of the annual consolidated financial statements for the year ended March 31, 2024. 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.

Consolidated Statement of Financial Position classification

The unaudited interim 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 6), the recognition of onerous contracts (note 6) and the fair value of investments classified as Level 3 (note 4).

3. Material Accounting Policies

The accounting policies applied during the six-month period ended September 30, 2024 are the same as those described and disclosed in Note 4, *Material Accounting Policies*, of the annual consolidated financial statements for the year ended March 31, 2024.

4. Investments

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

	(thousands of $)	
	September 30 2024	**March 31 2024**
Short-term investments	$ 210,922	$ 151,385
Bonds and debentures	482,938	487,800
Investment funds:		
Canadian equity	89,201	85,508
Global equity	218,283	213,565
Global small cap equity	41,921	40,794
Mortgage	231,574	220,549
Real estate	61,101	65,114
	1,335,940	1,264,715
Investments under securities lending program:		
Bonds and debentures	420,499	344,854
Total investments	$ 1,756,439	$ 1,609,569

Securities lending program

At September 30, 2024, the Corporation held collateral of $441.5 million (March 31, 2024 – $362.1 million) for the loaned securities, which represents 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.

	(thousands of $)			
	September 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ –	$ 210,922	$ –	$ 210,922
Bonds and debentures	–	903,437	–	903,437
Investment funds:				
Canadian equity	89,201	–	–	89,201
Global equity	218,283	–	–	218,283
Global small cap equity	41,921	–	–	41,921
Mortgage	–	–	231,574	231,574
Real estate	–	–	61,101	61,101
Total investments	$ 349,405	$ 1,114,359	$ 292,675	$ 1,756,439

	(thousands of $)			
	March 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ –	$ 151,385	$ –	$ 151,385
Bonds and debentures	–	832,654	–	832,654
Investment funds:				
Canadian equity	85,508	–	–	85,508
Global equity	213,565	–	–	213,565
Global small cap equity	40,794	–	–	40,794
Mortgage	–	–	220,549	220,549
Real estate	–	–	65,114	65,114
Total investments	$ 339,867	$ 984,039	$ 285,663	$ 1,609,569

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 $)	
	six months ended	12 months ended
	September 30 2024	March 31 2024
Level 3 investments, beginning of the period	$ 285,663	$ 241,199
Add: Additions during the period		
Mortgage investment fund	6,828	61,338
Real estate investment fund	–	8,000
Less: Disposals during the period		
Mortgage investment fund	–	(12,000)
Real estate investment fund	(4,000)	(14,000)
Gains (losses) recognized in net income		
Mortgage investment fund	4,197	946
Real estate investment fund	(13)	180
Level 3 investments, end of the period	$ 292,675	$ 285,663

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, 2024, no investments were transferred between levels.

5. Net Investment Earnings

Components of net investment earnings are as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2024	2023	2024	2023
Net gain (loss) on investment portfolio	$ 43,647	$ (13,124)	$ 54,792	$ (17,682)
Interest and other	11,790	10,125	23,234	18,939
Investment fund distributions	3,820	3,466	7,479	6,577
Total investment earnings	59,257	467	85,505	7,834
Investment expenses	(840)	(634)	(1,702)	(1,392)
Net investment earnings (losses)	$ 58,417	$ (167)	$ 83,803	$ 6,442

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

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2024	2023	2024	2023
Short-term investments	$ 609	$ 439	$ 803	$ 450
Bonds and debentures	21,763	(9,088)	24,368	(23,280)
Investment funds:				
Canadian equity	7,242	(1,464)	8,143	(488)
Global equity	7,228	(1,032)	14,167	7,521
Global small cap equity	2,958	(740)	3,127	(444)
Mortgage	4,067	(1,710)	4,197	(2,948)
Real estate	(220)	471	(13)	1,507
Net gain (loss) on investment portfolio	$ 43,647	$ (13,124)	$ 54,792	$ (17,682)

6. Insurance and Reinsurance Contracts

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

	(thousands of $)	
	September 30 2024	March 31 2024
Liability for remaining coverage	$ 284,457	$ 254,841
Liability for incurred claims	967,135	824,210
Insurance contract liabilities	1,251,592	1,079,051
Asset for remaining coverage	7,236	12,294
Asset for reinsured claims	96,347	49,991
Reinsurance contract assets	103,583	62,285
Net insurance and reinsurance contracts	$ 1,148,009	$ 1,016,766

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 $)					
	2024			2023		
Six-month period ended September 30	**Liability for remaining coverage**[1]	**Liability for incurred claims**	**Total**	**Liability for remaining coverage**[2]	**Liability for incurred claims**	**Total**
Opening liabilities	$ 254,841	$ 824,210	$ 1,079,051	$ 225,916	$ 768,447	$ 994,363
Changes in condensed consolidated statement of operations						
Insurance revenue	(708,147)	–	(708,147)	(657,462)	–	(657,462)
Incurred claims and other insurance services expenses	–	497,392	497,392	–	437,044	437,044
Amortization of insurance acquisition cash flows	223,836	–	223,836	206,213	–	206,213
Reversals of losses on onerous contracts	(1,453)	–	(1,453)	(2,214)	–	(2,214)
Insurance service expenses	222,383	497,392	719,775	203,999	437,044	641,043
Insurance service result	(485,764)	497,392	11,628	(453,463)	437,044	(16,419)
Insurance finance expense (income)	–	6,839	6,839	–	(4,472)	(4,472)
Total changes in condensed consolidated statement of operations	(485,764)	504,231	18,467	(453,463)	432,572	(20,891)
Cash flows						
Premiums received	707,537	–	707,537	678,626	–	678,626
Claims and other insurance service expenses paid	–	(361,306)	(361,306)	–	(369,563)	(369,563)
Insurance acquisition cash flows	(192,157)	–	(192,157)	(174,700)	–	(174,700)
Total cash flows	515,380	(361,306)	154,074	503,926	(369,563)	134,363
Closing liabilities	$ 284,457	$ 967,135	$ 1,251,592	$ 276,379	$ 831,456	$ 1,107,835

[1] Includes a loss component of $16.8 million as at September 30, 2024 ($18.2 million as at March 31, 2024)
[2] Includes a loss component of $7.5 million as at September 30, 2023 ($9.7 million as at March 31, 2023)

Reinsurance contracts analysis by remaining coverage and incurred claims

	(thousands of $)					
	2024			2023		
Six-month period ended September 30	**Asset for remaining coverage[1]**	**Asset for reinsured claims**	**Total**	**Asset for remaining coverage[2]**	**Asset for reinsured claims**	**Total**
Opening assets	$ 12,294	$ 49,991	$ 62,285	$ 8,960	$ 46,571	$ 55,531
Changes in condensed consolidated statement of operations						
Allocation of reinsurance premiums	(70,323)	–	(70,323)	(50,123)	–	(50,123)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	7,943	60,494	68,437	6,576	18,512	25,088
Net expenses from reinsurance contracts	(62,380)	60,494	(1,886)	(43,547)	18,512	(25,035)
Reinsurance finance income (expense)	–	516	516	–	(3)	(3)
Total changes in condensed consolidated statement of operations	(62,380)	61,010	(1,370)	(43,547)	18,509	(25,038)
Cash flows						
Amounts paid	57,322	–	57,322	47,419	–	47,419
Amounts received	–	(14,654)	(14,654)	–	(16,241)	(16,241)
Total cash flows	57,322	(14,654)	42,668	47,419	(16,241)	31,178
Closing assets	$ 7,236	$ 96,347	$ 103,583	$ 12,832	$ 48,839	$ 61,671

[1] Includes a loss component of $24 thousand as at September 30, 2024 ($20 thousand as at March 31, 2024)
[2] Includes a loss component of $5 thousand as at September 30, 2023 (nil as at March 31, 2023)

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.

	(thousands of $)					
	September 30, 2024			March 31, 2024		
	Liability for incurred claims	Asset for reinsured claims	Net	Liability for incurred claims	Asset for reinsured claims	Net
Undiscounted value	$ 988,830	$ 94,121	$ 894,709	$ 846,735	$ 48,291	$ 798,444
Effect of time value of money	(90,777)	(2,611)	(88,166)	(89,227)	(2,575)	(86,652)
Undiscounted risk adjustment	69,082	4,837	64,245	66,702	4,275	62,427
	$ 967,135	$ 96,347	$ 870,788	$ 824,210	$ 49,991	$ 774,219

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. Refer to Note 12, *Insurance and Financial Risk Management*, of the of the annual consolidated financial statements for the year ended March 31, 2024 for more details.

Discount rates applied for discounting of future cash flows are listed below:

As at	1 year	3 years	5 years	10 years
September 30, 2024	4.8%	4.4%	4.4%	4.7%
March 31, 2024	5.0%	4.5%	4.4%	4.6%
March 31, 2023	5.0%	4.4%	4.2%	4.4%

Reinsurance

The Corporation 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 $)	
	September 30 2024	March 31 2024
Dwelling and farm property	$ 2,000	$ 2,000
Unlicensed vehicles	2,000	2,000
Commercial property	2,000	2,000
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).

7. Capital Management

As at September 30, 2024, each of the Corporation's regulated P&C insurance subsidiaries was in compliance with regulatory capital requirements. Refer to Note 13, *Capital Management*, of the annual consolidated financial statements for the year ended March 31, 2024 for more details on the management of the Corporation's capital.

8. Change in Non-Cash Operating Items

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

	(thousands of $)	
	six months ended September 30	
	2024	**2023**
Accounts receivable	$ (5,846)	$ (10,692)
Reinsurance contract assets	(41,298)	(6,140)
Prepaid expenses	3,767	1,904
Accounts payable and accrued liabilities	(23,525)	(7,484)
Accrued pension liabilities	(4)	(765)
Insurance contract liabilities	172,541	113,472
Total change in non-cash operating items	$ 105,635	$ 90,295

9. 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.