



SGI CANADA

2025-26 First Quarter Report

June 30, 2025

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:

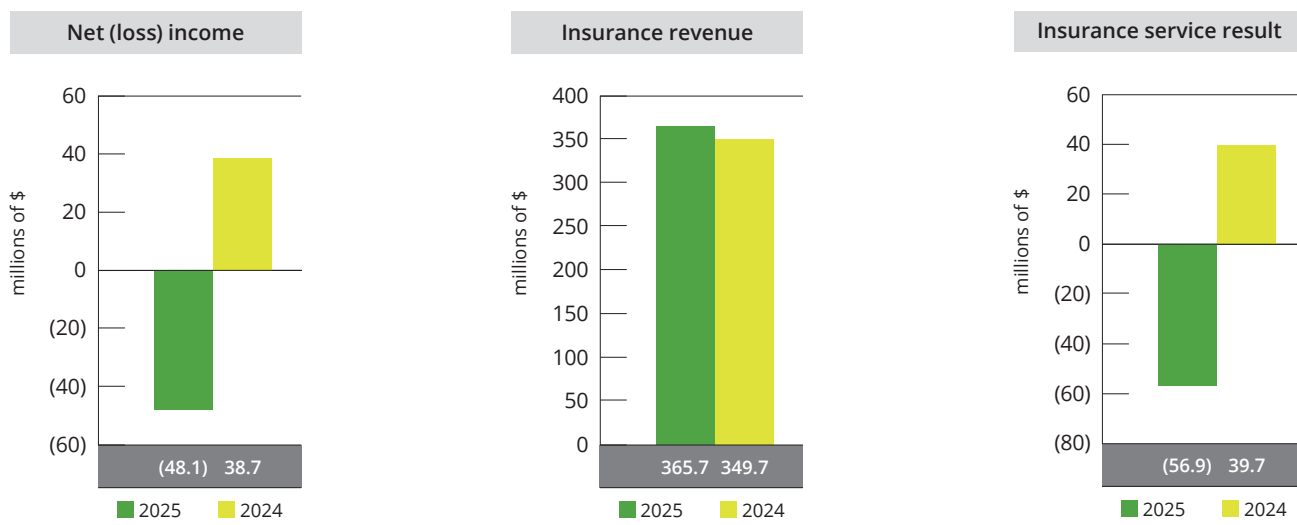
Non-GAAP financial measure	Closest GAAP measure
Gross premium written	Insurance revenue
Net claims incurred	Insurance services expense

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 June 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 three-month periods ended June 30, 2025, and the SGI CANADA MD&A and audited financial statements and supporting notes as at and for the year ended March 31, 2025. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to August 20, 2025.

Overview

	(thousands of \$)		
	2025	2024	Change
Net (loss) income	(48,059)	38,670	(86,729)
Insurance service result	(56,900)	39,742	(96,642)
Minimum Capital Test	196%	231%	-35%

During the first three months of the year, SGI CANADA had a consolidated net loss of \$48.1 million, primarily driven by the wildfires that occurred in northern Saskatchewan. The increase in claims led to the insurance service result being \$96.6 million worse than the prior year.

Net investment earnings were \$4.0 million better than the same period last year. Fixed income fair value gains were lower year-over-year due to increases in interest rates, while equity returns were higher due to stronger investment markets.

The consolidated Minimum Capital Test (MCT) score was 196% at June 30, 2025.

Outlook

This section contains forward-looking statements regarding the Corporation's 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 it or on its behalf.

The Canadian property and casualty (P&C) industry is highly competitive and continues to experience rapid change driven by technology and other innovations. SGI CANADA is continuing to transform the company's technology, with the goal of becoming a digital insurer. To go along with the transformation activities, the Corporation recognizes the need for sustainable growth and SGI CANADA aims to achieve this growth through great customer experiences, in partnership with brokers.

The active wildfire season in northern Saskatchewan during the first quarter of 2025-26 has significantly disrupted the lives of many individuals and communities across the region. These fires have resulted in elevated property claims in the quarter. SGI CANADA expects these losses to negatively impact underwriting performance and place downward pressure on net income for 2025-26.

Investment markets were positive in the first quarter and remained resilient amid global uncertainty. Market participants are anticipating slower economic growth through 2025. Ongoing trade uncertainty and pressure from tariffs may keep central banks from further adjustments to the overnight rate in the short term. 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 June 30		
	2025	2024	Change
Insurance revenue	365,746	349,690	16,056
Other Income	194	220	(26)

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 June 30		
	2025	2024	Change
Gross premiums written:			
Saskatchewan	224,275	217,336	6,939
Alberta	75,094	68,791	6,303
Ontario	50,015	54,696	(4,681)
British Columbia	24,864	24,524	340
Manitoba	18,395	17,524	871
Total	392,643	382,871	9,772
Change in unearned premiums	(31,284)	(37,696)	6,412
Premium financing income	4,387	4,515	(128)
Insurance revenue	365,746	349,690	16,056

Gross premiums written in Saskatchewan increased 3.2% in the first quarter compared to last year, primarily related to growth in farm and personal and commercial auto lines. This growth is being driven by increases in the average cost per policy in those lines.

Gross premiums written in Alberta experienced an increase of 9.2% in the first quarter compared to last year, primarily the result of growth in personal lines and personal and commercial auto products. This growth is being driven by increases in the average cost per policy in those lines.

The decrease of 8.6% in gross premiums written in Ontario in the first quarter compared to last year is primarily related to decreases in the number personal lines and personal auto policies being written in that jurisdiction.

In British Columbia, the increase in gross premiums written compared to the same period last year is 1.4%. This is related primarily to increases in personal lines, where the average cost per policy is up.

The year-over-year increase in Manitoba gross premiums written of 5.0% is due growth in personal lines, where the average cost per policy is up.

Expenses

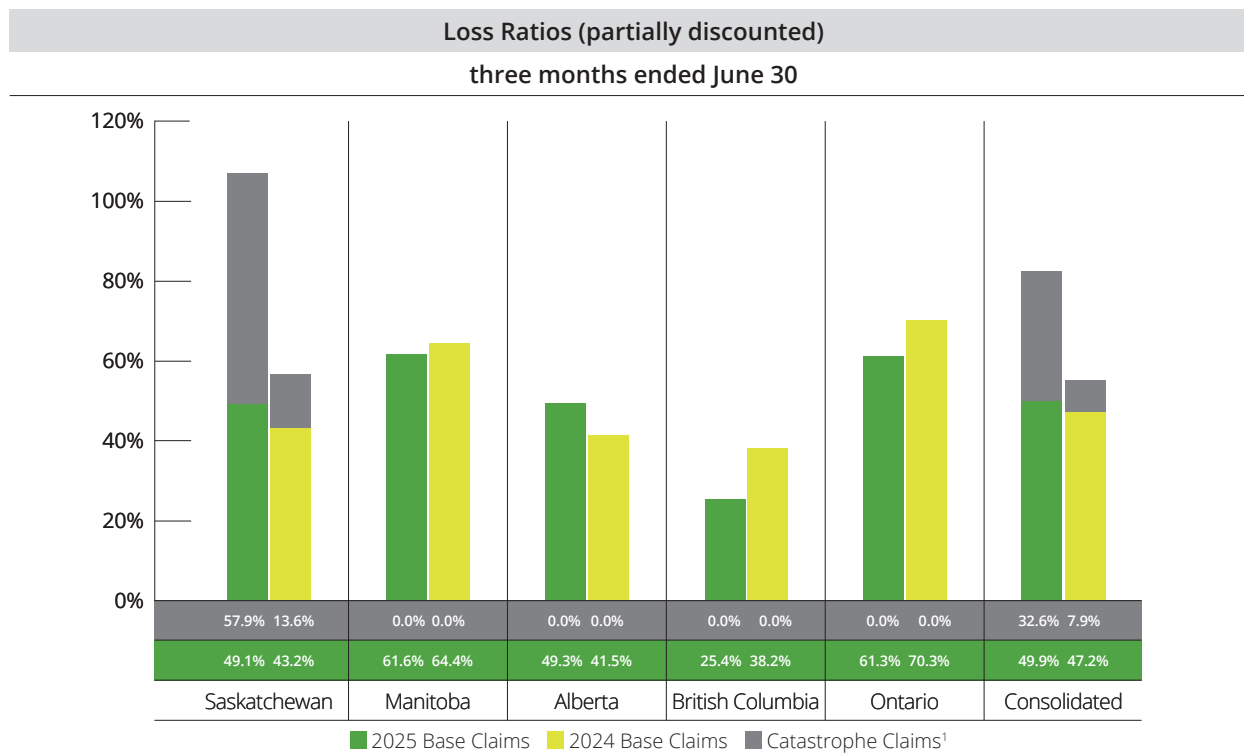
	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Claims incurred	283,315	191,917	91,398
Change in loss component	(164)	(1,260)	1,096
Commissions and premium taxes	90,602	86,631	3,971
Underwriting expenses	28,663	21,729	6,934
Insurance service expenses	402,416	299,017	103,399
Ceded premiums earned	29,593	31,241	(1,648)
Ceded claims incurred	(6,050)	(16,490)	10,440
Other ceded expenses	(3,313)	(3,820)	507
Net expenses from reinsurance contracts	20,230	10,931	9,299
Administrative expenses	13,855	21,053	(7,198)
	436,501	331,001	105,500
Net loss ratio (partially discounted) (non-GAAP)	82.5%	55.1%	27.4%
Net combined ratio (partially discounted) (non-GAAP)	121.0%	94.1%	26.9%

Claims incurred

The Corporation monitors claims activity on a net claims incurred (non-GAAP financial measure) basis. During the first quarter of the year, net claims incurred increased by 58.1% compared to the same period in 2024. This is primarily due to catastrophe claims in Saskatchewan and led to an increase in the consolidated loss ratio (partially discounted) (non-GAAP financial measure) of 27.4 percentage points.

During the quarter, catastrophe claim costs increased by \$84.4 million compared to the same period last year. Wildfires in northern Saskatchewan are expected to result in over \$100 million in claim costs. As at June 30, 2025, six catastrophe events have been declared in 2025 compared to one at the same time last year.

The following chart summarizes the net loss ratios (partially discounted) 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, wildfires and winter ice storms.

Saskatchewan’s loss ratio (partially discounted) of 107.0% is higher than last year’s ratio of 56.8%. This is due to higher catastrophe claims in the first quarter compared to last year with the wildfires in northern Saskatchewan. Catastrophe claims during the first quarter in 2025 are \$109.4 million compared to \$25.0 million in 2024.

Manitoba’s loss ratio (partially discounted) decreased from 64.4% in 2024 to 61.6% in 2025 due to lower claim costs in farm lines.

The Alberta loss ratio (partially discounted) increased from 41.5% in 2024 to 49.3% in 2025. This is due to an increase in claim costs in both commercial and personal lines along with personal auto.

The loss ratio (partially discounted) for British Columbia decreased from 38.2% in 2024 to 25.4% in 2025. The primary driver of the improved loss ratio is decreases in personal line claims.

Ontario’s loss ratio (partially discounted) of 61.3% is lower than last year’s 70.3%, primarily due to a decrease in personal auto claims.

Commissions and premium taxes, and underwriting expenses

Commissions and premium taxes are increasing at a rate similar to insurance revenue. The increase in underwriting expenses primarily relates to the costs of new software from the Corporate Transformation program moving from the project stage to becoming operational. Once operational, a portion of the costs associated with the software move out of administrative expenses and into underwriting expenses.

Net expenses from reinsurance contracts

The \$9.3 million increase in net expenses from reinsurance contracts in the first quarter of 2025 compared to 2024 is due to a decrease in ceded claims incurred this year compared to the prior year. Although there were six catastrophe events declared during the first quarter of 2025, they are not expected to hit reinsurance retention levels.

Administrative expenses

During the first three months of the year, administrative expenses decreased \$7.2 million compared to the same period in 2024. This decrease mainly relates to costs for new software from the Corporate Transformation program moving from the project stage to becoming operational. Once operational, the costs associated with the software move out of administrative expenses and into insurance related expenses, such as loss adjusting and underwriting.

Investment Results

	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Net investment earnings	29,434	25,386	4,048
Net insurance finance result	(152)	233	(385)

Investment earnings during the first quarter of the year were \$4.0 million higher than the same period in 2024. Fixed income fair value gains were lower year-over-year driven by increases in interest rates while equity returns were higher compared to the same period last year due to strong investment market performance.

Statement of Financial Position Review

	<i>(thousands of \$)</i>		
	June 30 2025	March 31 2025	Change
Total assets	2,006,822	1,975,440	31,382
Key asset account changes:			
Investments	1,782,650	1,760,375	22,275
Reinsurance contract assets	95,482	94,535	947

During the first quarter, the carrying value of investments increased by \$22.3 million reflecting increasing market values across most investment classes and more investment purchases than sales during the period.

	<i>(thousands of \$)</i>		
	June 30 2025	March 31 2025	Change
Total liabilities	1,377,411	1,290,083	87,328
Insurance contract liabilities	1,318,357	1,223,232	95,125

During the first quarter, insurance contract liabilities increased \$95.1 million. This is largely due to the current year increase in claims as outlined in the preceding section, Claims incurred.

Capital

As at June 30	2025	2024
Minimum Capital Test	196%	231%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At June 30, 2025, the Corporation's MCT was 196%, which is lower than the 213% internal target. For further information on capital management, refer to note 8 of the notes to the unaudited condensed consolidated financial statements for the period.

Quarterly Consolidated Financial Highlights

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

	<i>(thousands of \$)</i>				
	three months ended				
	2025-26	2024-25			
	June 30	March 31	Dec 31	Sept 30	June 30
Insurance revenue	365,746	356,150	360,901	358,457	349,690
Insurance service result	(56,900)	31,805	8,858	(53,256)	39,742
Net insurance finance result	(152)	(9,593)	(20,534)	(6,556)	233
Net investment earnings	29,434	22,082	27,032	58,417	25,386
Net (loss) income	(48,059)	26,411	(3,825)	(18,056)	38,670
Cash flow from (used in) operations	19,370	(49,096)	30,679	4,981	52,718
Investments	1,782,650	1,760,375	1,814,328	1,756,439	1,671,676
Insurance contract liabilities	1,318,357	1,223,232	1,288,541	1,251,592	1,114,384
Minimum Capital Test	196%	225%	208%	214%	231%

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 first two quarters due to catastrophe claim events such as hail storms, flooding and wildfires 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

SGI CANADA's enterprise risk management principles are established in recognizing that the Corporation is in the business of taking risk.

Balancing risk and reward is achieved through systematic alignment between business strategy and risk appetite, diversifying risk, seeking appropriate compensation for risk, managing risk through preventive, detective and mitigating controls, and transferring risk to third parties, where appropriate. The Corporation has an integrated approach to the identification, assessment, monitoring, reporting and mitigation of risks across the Corporation, including emerging risks. All identified top and emerging risks are assessed relative to their potential impact on the corporate strategy, competitive position, operational results, reputation and financial condition.

Key risks are identified through a voting process and assessed for the likelihood of occurrence and potential impacts annually. The Corporation also considers potential emerging risks that are newly developing which are inherently more difficult to quantify. The Corporation's risks are separated into six main categories: strategic, insurance, financial, operational, reputational and talent. These risks are described in detail in the Corporation's 2024-25 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 judgment section of Note 2 of the unaudited 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 2024-25 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 2024-25 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 it or on its behalf.

Condensed Consolidated Statement of Financial Position

	<i>(thousands of \$)</i>	
	June 30 2025 (unaudited)	March 31 2025 (audited)
Assets		
Cash and cash equivalents (note 4)	\$ 45,505	\$ 25,396
Accounts receivable	27,680	35,853
Income tax receivable	–	222
Investments under securities lending program (note 5)	578,509	496,275
Investments (note 5)	1,204,141	1,264,100
Reinsurance contract assets (note 7)	95,482	94,535
Property and equipment	18,523	18,881
Right-of-use assets	7,304	7,312
Intangible assets	5,247	5,512
Prepaid expenses	18,575	21,395
Deferred income tax asset	5,856	5,959
	\$ 2,006,822	\$ 1,975,440
Liabilities		
Accounts payable and accrued liabilities	\$ 28,475	\$ 44,908
Income taxes payable	5,380	–
Dividend payable	8,000	4,500
Accrued pension liabilities	9,173	9,342
Insurance contract liabilities (note 7)	1,318,357	1,223,232
Lease liability	7,980	7,989
Deferred income tax liability	46	112
	1,377,411	1,290,083
Equity		
Equity advances	80,000	80,000
Retained earnings	549,411	605,357
Total equity	629,411	685,357
	\$ 2,006,822	\$ 1,975,440

Contingencies (note 10)

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

Condensed Consolidated Statement of Operations (unaudited)

	<i>(thousands of \$)</i>	
	three months ended	
for the periods ended June 30	2025	2024
Insurance revenue (note 7)	\$ 365,746	\$ 349,690
Insurance service expenses (note 7)	(402,416)	(299,017)
Insurance service result from insurance contracts	(36,670)	50,673
Net expenses from reinsurance contracts (note 7)	(20,230)	(10,931)
Insurance service result	(56,900)	39,742
Insurance finance (expense) income (note 7)	(152)	233
Net insurance finance result	(152)	233
Net investment earnings (note 6)	29,434	25,386
Net investment result	29,282	25,619
Other income	194	220
Administrative expenses	(13,855)	(21,053)
(Loss) income before income taxes	(41,279)	44,528
Income tax expense	(6,780)	(5,858)
Net (loss) income	(48,059)	38,670
Other comprehensive income	113	77
Comprehensive (loss) income	\$ (47,946)	\$ 38,747

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>	
	three months ended	
for the periods ended June 30	2025	2024
Equity advances		
Balance, end of the period	\$ 80,000	\$ 80,000
Retained earnings		
Balance, beginning of the period	\$ 605,357	\$ 580,740
Net (loss) income	(48,059)	38,670
Other comprehensive income	113	77
Dividends	(8,000)	(4,500)
Balance, end of the period	\$ 549,411	\$ 614,987
Total equity	\$ 629,411	\$ 694,987

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

Condensed Consolidated Statement of Cash Flows (unaudited)

	<i>(thousands of \$)</i>	
	three months ended	
for the periods ended June 30	2025	2024
Cash provided by (used for):		
Operating activities		
Net (loss) income	\$ (48,059)	\$ 38,670
Non-cash items:		
Amortization and depreciation	2,079	1,818
Net gain on investment portfolio (note 6)	(15,583)	(11,145)
Interest and other revenue from investments (note 6)	(10,361)	(11,444)
Interest expense from right-of-use assets	52	49
Income tax expense	6,780	5,858
Change in non-cash operating items (note 9)	85,603	29,168
Income taxes paid	(1,141)	(256)
	19,370	52,718
Investing activities		
Interest and other received	12,831	11,592
Purchases of investments	(355,292)	(344,786)
Proceeds on sale of investments	349,209	296,107
Purchases of property and equipment	(788)	(1,146)
Purchases of intangible assets	(85)	(726)
	5,875	(38,959)
Financing activities		
Dividends paid	(4,500)	-
Interest paid	(52)	(49)
Lease liability payments	(584)	(523)
	(5,136)	(572)
Increase in cash and cash equivalents	20,109	13,187
Cash and cash equivalents, beginning of the period	25,396	55,849
Cash and cash equivalents, end of the period	\$ 45,505	\$ 69,036

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

June 30, 2025

1. Nature of Operations

Saskatchewan Government Insurance (SGI CANADA or 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.

Saskatchewan Government Insurance 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 CANADA 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 three-month period ended June 30, 2025 have been prepared in accordance with International Accounting Standard 34 *Interim Financial reporting*, and should be read in conjunction with the Corporation's last consolidated financial statements as at and for the year ended March 31, 2025 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation's financial position and performance since the last annual financial statements.

These unaudited interim condensed consolidated financial statements were authorized for issue on August 20, 2025.

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 3, *Material Accounting Policies* of the annual consolidated financial statements for the year ended March 31, 2025. 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 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) and the fair value of investments classified as Level 3 (note 5).

3. Material Accounting Policies

The accounting policies applied during the three-month period ended June 30, 2025 are the same as those described and disclosed in Note 3, *Material Accounting Policies*, of the annual consolidated financial statements for the year ended March 31, 2025.

Future accounting policy changes

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

IFRS 18 – Presentation and Disclosure of Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual periods beginning on or after January 1, 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the consolidated statement of operations, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal.
- Management defined performance measures (MPMs) are disclosed in a single note in the consolidated financial statements.
- Enhanced guidance is provided on how to group information in the consolidated financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the consolidated statement of cash flows when presenting operating cash flows under the indirect method.

The Corporation is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Corporation's Consolidated Statement of Operations, the Consolidated Statement of Cash Flows and the additional disclosures required for MPMs. The Corporation is also assessing the impact on how information is grouped in the consolidated financial statements.

Amendments to the classification and measurement of financial instruments

In May 2024, the International Accounting Standard Board published *Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7* to address matters identified during the post-implementation review of IFRS 9. The amendments clarify the classification of certain financial assets as well as the derecognition of a financial liability and introduce an accounting policy option for the derecognition of financial liabilities settled through electronic transfer if certain conditions are met. The amendments also add disclosure requirements for certain financial instruments.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted, and will apply retrospectively.

The Corporation is currently assessing the impact of these amendments on its consolidated financial statements.

4. Cash and Cash Equivalents

	<i>(thousands of \$)</i>	
	June 30 2025	March 31 2025
Cash on hand, net of outstanding cheques	\$ 31,343	\$ 11,743
Money market investments	14,162	13,653
Total cash and cash equivalents	\$ 45,505	\$ 25,396

The average effective interest rate on money market investments is 2.7% (March 31, 2025 – 2.8%).

5. Investments

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

	<i>(thousands of \$)</i>	
	June 30 2025	March 31 2025
Short-term investments	\$ 154,940	\$ 157,105
Bonds and debentures	380,851	461,045
Investment funds:		
Canadian equity	88,954	81,224
Global equity	210,248	201,263
Global small cap equity	39,991	36,609
Mortgage	270,405	267,496
Real estate	58,752	59,358
	1,204,141	1,264,100
Investments under securities lending program		
Bonds and debentures	578,509	496,275
Total investments	\$ 1,782,650	\$ 1,760,375

Securities lending program

At June 30, 2025, the Corporation held collateral of \$607.4 million (March 31, 2025 – \$521.1 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.

<i>(thousands of \$)</i>				
June 30, 2025				
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 154,940	\$ -	\$ 154,940
Bonds and debentures	-	959,360	-	959,360
Investment funds:				
Canadian equity	88,954	-	-	88,954
Global equity	210,248	-	-	210,248
Global small cap equity	39,991	-	-	39,991
Mortgage	-	-	270,405	270,405
Real estate	-	-	58,752	58,752
Total investments	\$ 339,193	\$ 1,114,300	\$ 329,157	\$ 1,782,650

<i>(thousands of \$)</i>				
March 31, 2025				
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 157,105	\$ -	\$ 157,105
Bonds and debentures	-	957,320	-	957,320
Investment funds:				
Canadian equity	81,224	-	-	81,224
Global equity	201,263	-	-	201,263
Global small cap equity	36,609	-	-	36,609
Mortgage	-	-	267,496	267,496
Real estate	-	-	59,358	59,358
Total investments	\$ 319,096	\$ 1,114,425	\$ 326,854	\$ 1,760,375

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>	
	three months ended	12 months ended
	June 30 2025	March 31 2025
Level 3 investments, beginning of the period	\$ 326,854	\$ 285,663
Add: Additions during the period:		
Mortgage investment fund	3,888	41,419
Less: Disposals during the period:		
Real estate investment fund	(1,000)	(6,000)
(Losses) gains recognized in net income:		
Mortgage investment fund	(979)	5,528
Real estate investment fund	394	244
Level 3 investments, end of the period	\$ 329,157	\$ 326,854

During the period ended June 30, 2025, no investments were transferred between levels.

6. Net Investment Earnings

Components of net investment earnings are as follows:

	<i>(thousands of \$)</i>	
	three months ended June 30	
	2025	2024
Net gain on investment portfolio	\$ 15,583	\$ 11,145
Interest and other	10,361	11,444
Investment fund distribution	4,280	3,659
Total investment earnings	30,224	26,248
Investment expenses	(790)	(862)
Net investment earnings	\$ 29,434	\$ 25,386

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

	(thousands of \$)	
	three months ended June 30	
	2025	2024
Short-term investments	\$ (372)	\$ 194
Bonds and debentures	(3,165)	2,605
Investment funds:		
Canadian equity	7,730	901
Global equity	8,593	6,939
Global small cap equity	3,382	169
Mortgage	(979)	130
Real estate	394	207
Net gain on investment portfolio	\$ 15,583	\$ 11,145

7. Insurance and Reinsurance Contracts

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

	(thousands of \$)	
	June 30 2025	March 31 2025
Liability for remaining coverage	\$ 232,463	\$ 225,573
Liability for incurred claims	1,085,894	997,659
Insurance contract liabilities	1,318,357	1,223,232
Liability for remaining coverage	(6,774)	(8,820)
Asset for reinsured claims	102,256	103,355
Reinsurance contract assets	95,482	94,535
Net insurance and reinsurance contracts	\$ 1,222,875	\$ 1,128,697

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

three-month period ended June 30	<i>(thousands of \$)</i>					
	2025			2024		
	Liability for remaining coverage ¹	Liability for incurred claims	Total	Liability for remaining coverage ²	Liability for incurred claims	Total
Opening liabilities	\$ 225,573	\$ 997,659	\$ 1,223,232	\$ 254,841	\$ 824,210	\$ 1,079,051
Changes in condensed consolidated statement of operations						
Insurance revenue	(365,746)	-	(365,746)	(349,690)	-	(349,690)
Incurred claims and other insurance service expenses	-	283,315	283,315	-	191,917	191,917
Amortization of insurance acquisition cash flows	119,265	-	119,265	108,360	-	108,360
Reversals of losses on onerous contracts	(164)	-	(164)	(1,260)	-	(1,260)
Insurance service expenses	119,101	283,315	402,416	107,100	191,917	299,017
Insurance service result	(246,645)	283,315	36,670	(242,590)	191,917	(50,673)
Insurance finance expense (income)	-	152	152	-	(233)	(233)
Total changes in condensed consolidated statement of operations	(246,645)	283,467	36,822	(242,590)	191,684	(50,906)
Cash flows						
Premiums received	350,669	-	350,669	351,849	-	351,849
Claims and other insurance service expenses paid	-	(195,232)	(195,232)	-	(173,157)	(173,157)
Insurance acquisition cash flows	(97,134)	-	(97,134)	(92,453)	-	(92,453)
Total cash flows	253,535	(195,232)	58,303	259,396	(173,157)	86,239
Closing liabilities	\$ 232,463	\$ 1,085,894	\$ 1,318,357	\$ 271,647	\$ 842,737	\$ 1,114,384

¹ Includes a loss component of \$20.7 million as at June 30, 2025 (\$20.9 million as at March 31, 2025)

² Includes a loss component of \$17.0 million as at June 30, 2024 (\$18.2 million as at March 31, 2024)

Reinsurance contracts analysis by remaining coverage and incurred claims

three month period ended June 30	(thousands of \$)					
	2025			2024		
	Liability for remaining coverage ¹	Asset for reinsured claims	Total	Asset for remaining coverage ²	Asset for reinsured claims	Total
Opening (liabilities) assets	\$ (8,820)	\$ 103,355	\$ 94,535	\$ 12,294	\$ 49,991	\$ 62,285
Changes in condensed consolidated statement of operations						
Allocation of reinsurance premiums	(29,593)	-	(29,593)	(31,241)	-	(31,241)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	3,313	6,050	9,363	3,819	16,491	20,310
Net expenses from reinsurance contracts	(26,280)	6,050	(20,230)	(27,422)	16,491	(10,931)
Cash flows						
Premiums paid	31,929	-	31,929	31,711	-	31,711
Amounts received	(3,603)	(7,149)	(10,752)	(4,315)	(9,040)	(13,355)
Total cash flows	28,326	(7,149)	21,177	27,396	(9,040)	18,356
Closing (liabilities) assets	\$ (6,774)	\$ 102,256	\$ 95,482	\$ 12,268	\$ 57,442	\$ 69,710

¹ Includes a loss component of \$25 thousand as at June 30, 2025 (\$25 thousand as at March 31, 2025)

² Includes a loss component of \$20 thousand as at June 30, 2024 (\$20 thousand as at March 31, 2024)

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 \$)					
	June 30, 2025			March 31, 2025		
	Liability for incurred claims	Asset for reinsured claims	Net	Liability for incurred claims	Asset for reinsured claims	Net
Undiscounted value	\$ 1,086,943	\$ 100,322	\$ 986,621	\$ 998,850	\$ 101,421	\$ 897,429
Effect of time value of money	(78,435)	(4,390)	(74,045)	(78,435)	(4,390)	(74,045)
Risk adjustment	77,386	6,324	71,062	77,244	6,324	70,920
	\$ 1,085,894	\$ 102,256	\$ 983,638	\$ 997,659	\$ 103,355	\$ 894,304

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 11, *Insurance and Financial Risk Management*, of the annual consolidated financial statements for the year ended March 31, 2025 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
June 30, 2025	2.9%	3.2%	3.5%	4.1%
March 31, 2025	2.9%	3.2%	3.5%	4.1%
March 31, 2024	5.0%	4.5%	4.4%	4.6%

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 \$)	
	June 30 2025	March 31 2025
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).

8. Capital Management

As at June 30, 2025, each of the Corporation's regulated P&C insurance subsidiaries was in compliance with regulatory capital requirements. Refer to Note 12, *Capital Management*, of the annual consolidated financial statements for the year ended March 31, 2025 for more details on the management of the Corporation's capital.

9. Change in Non-Cash Operating Items

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

	<i>(thousands of \$)</i>	
	three months ended June 30	
	2025	2024
Accounts receivable	\$ 5,094	\$ 14,016
Reinsurance contract assets	(947)	(7,425)
Prepaid expenses	2,820	2,403
Accounts payable and accrued liabilities	(16,433)	(15,080)
Accrued pension liabilities	(56)	(79)
Insurance contract liabilities	95,125	35,333
Total change in non-cash operating items	\$ 85,603	\$ 29,168

10. 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.

