2015-16 SGI CANADA annual report

Mission

We're your insurance company, protecting you, your family and your community.

Vision

Accelerate growth through great customer experiences.

Values

Integrity – doing the right thing (by being accountable, honest, trustworthy and fair)

Caring – understanding that empathy, courtesy and respect make an impact

Innovation – transforming how we do things today for an even more successful tomorrow

About SGI CANADA

SGI offers its competitive property and casualty insurance products through SGI CANADA and its subsidiaries: SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Alberta, Manitoba and British Columbia, and Coachman Insurance Company in Ontario.

Visit www.sgicanada.ca for more information.

2015-16 SGI CANADA annual report

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Letter of Transmittal

Regina, Saskatchewan
July, 2016

The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan

Your Honour;

I am pleased to submit herewith the annual report of SGI CANADA for the 15-month period ending March 31, 2016, including the financial statements in the form required by the Treasury Board and in accordance with *The Saskatchewan Government Insurance Act.*

Respectfully submitted,

Don McMorris
Minister Responsible for Saskatchewan Government Insurance

Minister's Message

January 1, 2015 to March 31, 2016 was a banner period of growth for SGI CANADA, with the company excelling not only in Saskatchewan, but in operations outside Saskatchewan as well – including, as of July 2015, British Columbia. The company achieved a profit of $84.5 million during that time – generating a dividend of $47.3 million for the people of Saskatchewan.

SGI CANADA proves time and again that it cares about the communities it serves. In the summer of 2015, when forest fires were impacting northern Saskatchewan, we asked our Crowns to look at how they could help out. SGI CANADA provided evacuees with a grace period on their policy payments, provided supplies as requested by the Red Cross, and reached out to impacted insurance brokers by offering temporary office space so they could continue to serve their customers.

In the last year, the Province of Saskatchewan has experienced a downturn in its economy, with low prices for natural resources – in particular, oil, gas and potash. We asked our Crown corporations to commit to significant restraint measures to ensure we, as a government, could continue to provide the people of Saskatchewan with the vital services need. Despite the challenges, SGI CANADA maintained or surpassed the expected level of operations.

Thank you to Chair Arlene Wiks and the rest of the SGI CANADA Board for your oversight during this period of restraint. I'd also like to express my gratitude to SGI CANADA staff and broker partners for their continued dedication to providing customers with great service.

I am pleased to submit the 2015-16 SGI CANADA Annual Report on their behalf.

Don McMorris
Minister Responsible for Saskatchewan Government Insurance

Chair's Message

In my time as Chair of SGI CANADA's Board of Directors, I have been continually impressed with and appreciative of what the Corporation's management, staff and broker partners are able to accomplish.

Over the course of the 15-month reporting period, SGI CANADA's financial performance was strong. With a strategic focus on spreading risk geographically, the company initiated a successful launch in British Columbia in July. This is a new market and I'm excited to see how we can serve insurance customers in B.C. in the coming years. My thanks to the teams who made this happen.

SGI CANADA marks its 10-year anniversary in Alberta in 2016, and I want to congratulate staff and brokers who helped us reach the impressive milestone of more than $100 million in annual premiums written. In a period with many economic downturns, their hard work paid off with this exciting achievement.

Reflecting on the past year, I thank my fellow directors for their strong leadership. In 2016, the Board of Directors bid farewell to Dwight Dunn; thank you, Dwight, for your service and strong guidance over the past eight years.

Thank you also to the management, employees and broker partners across the country for their hard work and dedication to make SGI CANADA successful.

Arlene Wiks
Chair, SGI Board of Directors

President's Message

As you go through SGI CANADA's annual report this year you will notice something different – a 15-month fiscal year ending at March 31 instead of a 12-month year ending at December 31. This change aligns us with other Saskatchewan government ministries, Crowns and agencies. This document is transitional; next year we will return to a 12-month year.

SGI CANADA's financial performance was strong during this period, realizing $84.5 million in profit. This was accomplished despite a challenging year for summer storm claims and rampant wildfires in northern Saskatchewan, which, combined, resulted in claim losses of $55.1 million. Overall profitability is due to solid underwriting results from both operations inside Saskatchewan and outside of the province, as well as strong investment returns.

While maintaining market share in Saskatchewan is always a priority, continued efforts to spread risk geographically are paying off. Alberta has been a significant market for the Corporation, achieving 24% average annual growth in premiums written over the past five years. This impressive growth has allowed SGI CANADA to achieve annual premiums written of more than $100 million in that market. Recently, Alberta has experienced an economic downturn as a result of declining oil prices. While this has added challenges to achieving growth targets, we continue to work with broker partners to offer innovative products and solutions to meet customers' needs.

Operations in Ontario under the Coachman banner have produced an underwriting profit for the past five years in a row. To grow business there, the company launched a new product called Boomerang in February of 2016. Boomerang is usage-based auto insurance, employing telematics technology to monitor driver behaviour to determine a monthly insurance rate with discounts for safe driving. We are excited to see early positive response from drivers, and possible applications in other jurisdictions.

In 2015, SGI CANADA continued on its strategic path to spread risk geographically by beginning to write commercial property business in British Columbia, followed by personal property at the beginning of 2016. Reception has been favourable, with the British Columbia team working to form solid relationships with brokers to increase awareness of SGI CANADA in this new market.

The company's success is a direct result of the positive partnerships we have built with all broker partners across the country. In 2015, for the first time in 10 years, we rolled out a new broker contract which laid the foundation for evolving together to meet customers' needs now and into the future. I thank brokers for having the confidence in SGI CANADA to sign the new contract, and committing to grow with us in the years to come. Our most recent broker survey shows that 94% are satisfied with SGI CANADA and proud to do business with us. We take their trust seriously and will continue to ensure we earn it.

In addition to growth and sold underwriting results, SGI CANADA's profitability is also due to a well managed and diversified investment portfolio that provided strong returns of $46 million despite volatility throughout the 15-month period.

Strong financial performance is important to SGI CANADA, but equally important is actively supporting the communities we're a part of. We knew we needed to help when forest fires ravaged northern Saskatchewan in the summer of 2015, so we reached out to the residents and brokers who were evacuated, offering assistance as requested by the Red Cross. Staff volunteered their time to help on the ground, and we also made special provisions to ensure a grace period on policy payments for customers living in the evacuation zone. I couldn't be more proud of our staff for their willingness to help in any way they could, many of them cancelling holidays and working additional hours.

I thank the SGI CANADA Board of Directors for their insight and leadership, and staff and brokers for their contributions to a successful 2015-16.

Andrew Cartmell
President and CEO

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) is the responsibility of management and reflects events known to management to May 25, 2016. The Board of Directors carries out its responsibility for review of this disclosure principally through its Audit, Finance and Conduct Review Committee, comprised exclusively of independent directors. The Audit, Finance and Conduct Review Committee's mandate can be found on the Corporation's website at www.sgi.sk.ca. The Board of Directors approved this MD&A at its meeting on May 26, 2016, after a recommendation to approve was put forth by the Audit, Finance and Conduct Review Committee.

Overview

The MD&A is structured to provide users of SGI CANADA's financial statements with insight into SGI CANADA (denoted as the "Corporation") and the industry in which it operates. This section contains discussion on its strategies and its capability to execute the strategies, key performance drivers, financial capital, March 31, 2016 financial results, risk management and an outlook for 2016-17. Information contained in the MD&A should be read in conjunction with the consolidated financial statements and the notes to the consolidated financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars. SGI CANADA annual and quarterly reports are available on its website at www.sgicanada.ca.

Caution Regarding Forward-Looking Statements

Forward-looking statements include, among others, statements regarding SGI CANADA's objectives, strategies and capabilities to achieve them. Forward-looking statements are based on estimates and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. SGI CANADA 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.

Change in Year-End

In December 2015, SGI CANADA was directed by the provincial government to change its fiscal year end from December 31 to March 31 to coincide with the Government of Saskatchewan's year end. This is the first fiscal period subsequent to this direction and, due to the transition, the current fiscal period consists of the 15 months ending March 31, 2016.

Where SGI CANADA Came From

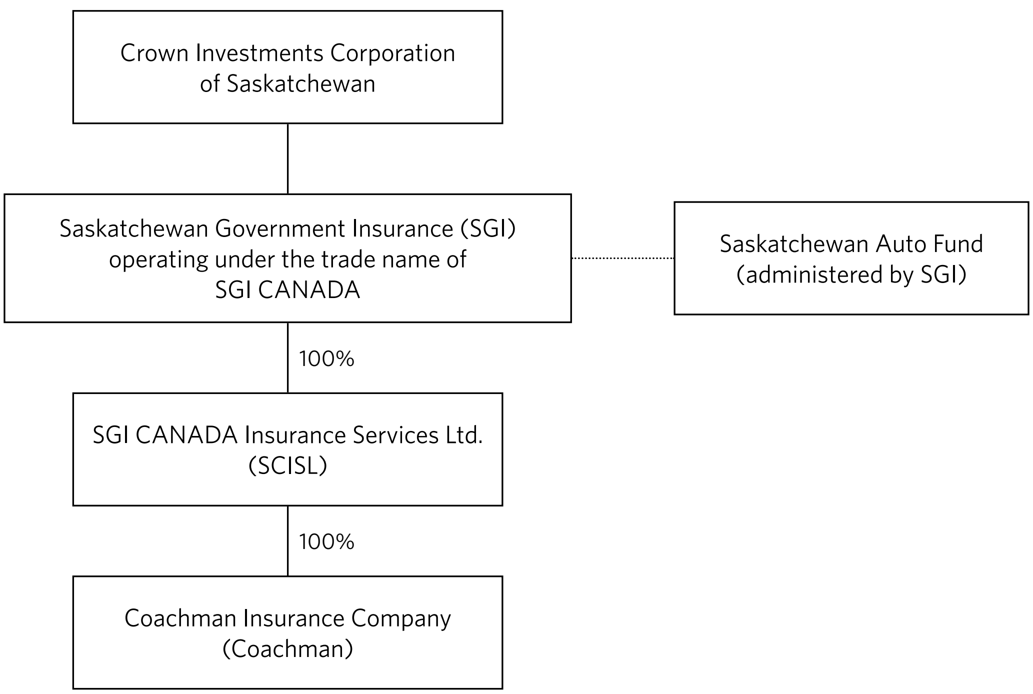
In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. It was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many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

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

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

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

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



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

As of March 31, 2016, the Corporation employed more than 2,000 people, including employees who work directly for the Saskatchewan Auto Fund. SGI CANADA operates with a network of 211 independent brokers throughout Saskatchewan, as well as 219 brokers operating in Manitoba, Alberta, British Columbia and Ontario. SGI CANADA's corporate head office is located in Regina, Saskatchewan.

The Property and Casualty Insurance Business Environment

Canada's highly competitive P&C industry consists of more than 200 private and government-owned insurers. The P&C industry covers all types of insurance except life and health insurance. The automobile insurance sector continues to be the largest contributor to gross premium volume, with half of all premiums. Property insurance ranks second, followed by liability and other insurance.

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

Insurance can be considered a large pool into which policyholders place their premiums.[1] This pool provides for payment of losses suffered by those who have claims and for the cost of running the insurance company. Sometimes, total premiums are insufficient to pay claims and operating expenses. However, insurers also use investment earnings to pay claims and keep premiums lower than they might otherwise be.

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

Since automobile insurance is compulsory in Canada – unlike home and business insurance – it is the most regulated area that P&C companies operate within. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario, which represent approximately 16.3% of consolidated net premiums written as of the end of March 31, 2016.

The industry is a major part of the social and economic fabric of Canada. P&C insurers invest mainly in domestic government bonds, corporate bonds, preferred shares and common stocks. Government regulations are in place for the P&C industry that require these investments to be made using a prudent person's viewpoint.

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

The Property and Casualty Insurance Compensation Corporation (PACICC), a non-profit entity, was formed in 1988 to provide a reasonable level of recovery for policyholders and claimants under most policies issued by P&C companies

[1] *This and other terms are defined in the glossary included in this annual report. The glossary begins on page 80.*

in Canada in the unlikely event a Canadian P&C company fails. The maximum amount a policyholder could recover from PACICC is $250,000 for auto and commercial policies and $300,000 for home policies with respect to all claims arising from each policy issued by the insolvent insurer and arising from a single occurrence. Policyholders may also claim 70% of unearned premiums that have been paid in advance, to a maximum of $700 per policy.

Membership in PACICC is compulsory for most P&C insurers in Canada. At present, SGI CANADA, SGI CANADA Insurance Services Ltd. and Coachman are members of PACICC. Members have contributed funds to PACICC so there is money available to pay claims immediately in the event of an insolvency occurring in the industry. Member insurers provide additional funds, as required, to maintain PACICC. For more information on PACICC, visit www.pacicc.com.

Strategic Direction

In 2015, SGI CANADA saw its 2011-2015 strategic plan come to a close, and a new direction for 2016-2020 take shape. A new vision statement and supporting long-term goals were developed to guide the Corporation's future, with subtle changes to the mission and value statements.

The mission, vision and values under which SGI CANADA operated during 2015 were:

Mission

We're your insurance company, offering protection that benefits you, your family and your community.

Vision

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

Values

Integrity	Conducting ourselves with honesty, trust and fairness.
Caring	Acting with empathy, courtesy and respect.
Innovation	Implementing creative solutions to achieve our vision.

Corporate Objectives and Measures

As the competitive arm of SGI, today, SGI CANADA is facing pressures that are greater than at any prior point in its history. The P&C insurance industry in Canada is increasingly competitive, and the gap between leaders and followers is steadily growing. A number of trends are changing how Canadian P&C insurance companies compete, such as acquisitions, consolidation, changes in consumer preferences and delivery channels, development and use of "big data," and the need to respond to a rapidly changing business environment.

SGI CANADA had two overriding corporate objectives in 2015. For the Saskatchewan marketplace, the long-term objective was to protect the Saskatchewan book of business. Outside of Saskatchewan, the long-term objective was to achieve optimal geographic diversification. Based on actuarial modeling, SGI CANADA believes the optimal spread of risk is roughly 50% of business inside Saskatchewan and 50% of business outside Saskatchewan.

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

Financial

SGI CANADA measures financial results in terms of growth and profitability:

Measure	2015 Target (12 month)	2015 Result (12 month)	2015-16 Result (15 month)	2016-17 Target
Growth				
Maintain Saskatchewan market share	38%	● 38%	● 38%	Consolidated direct premium written
Spread of risk outside Saskatchewan	28%	● 29%	● 29%	32%
Profitability				
Return on equity	10.4%	● 20.2%	● 21.9%	11.2%

Legend: ● achieved ○ not achieved

Growth

In 2015, growth was measured through SGI CANADA's Saskatchewan market share and the portion of its book of business held outside of Saskatchewan.

SGI CANADA holds the largest share of Saskatchewan's P&C insurance market. With $465 million in premium for the 12 months ended December 31, 2015, SGI CANADA grew its Saskatchewan book of business by 8% and maintained a 38% share of the market. For the 15 months ended March 31, 2016, it wrote $562 million in premiums, and continued to maintain a 38% market share. Customer retention and policies in force remain strong, which underpin the strong premium growth. This is encouraging, as it highlights the fact that organic growth opportunities remain. SGI CANADA aims to maintain its current Saskatchewan market share going forward; however, it will no longer be reported on the balanced scorecard. Instead, it will measure consolidated direct premium written, with a long-term goal of achieving $1 billion in premium by 2020.

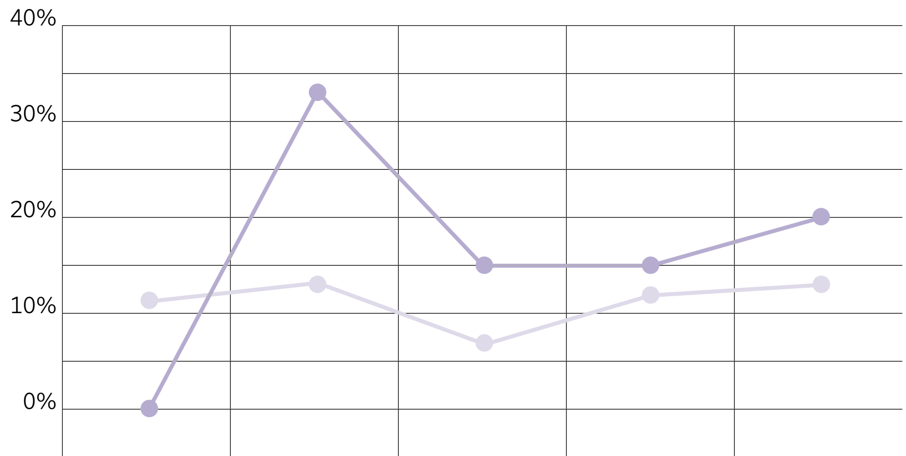
For SGI CANADA, geographic diversification is achieved by spreading risk outside of Saskatchewan. It is an important objective because it is essential to SGI CANADA's financial stability, as losses in one jurisdiction can be offset by profits in other jurisdictions. SGI CANADA wrote $188 million in premium in markets outside of Saskatchewan for the 12 months ended December 31, 2015. This translated into a 29% share of premiums from outside Saskatchewan, just above its target for 2015 of 28%. For the 15 months ended March 31, 2016, it wrote $230 million in premiums, and maintained its 29% market share. The Corporation continues to strive for greater geographic diversification, targeting to write 32% of its book of business outside of Saskatchewan in 2016-17.

Profitability

Profitability is measured by return on equity (ROE), which compares profit to the investment in the Corporation. SGI CANADA's 2015 target was to achieve a minimum pre-tax ROE of 10.4%. SGI CANADA exceeded its target, earning a pre-tax ROE of 20.2% for the 12 months ended December 31, 2015 and 21.9% for the 15 months ended March 31, 2016. This result was driven by SGI CANADA's strong operating results, which were significantly better than budgeted. The Canadian P&C industry earned a 13.0% result for the year ending December 31, 2015.

SGI CANADA's ROE has been favourable compared to the industry over the years. From 2011 to 2015, the Corporation's five-year average, pre-tax ROE is 17%, while the industry averaged 11% for the same period.

P&C Industry vs. SGI CANADA Consolidated Pre-Tax ROE



	2011	2012	2013	2014	2015
SGI CANADA	0%	33%	15%	15%	20%
Industry Average	11%	13%	7%	12%	13%

Source: SGI CANADA and MSA Research
2015 – Industry Estimate

SGI CANADA is targeting a pre-tax ROE of 11.2% in 2016-17. The target is based on the Corporation's budget, which is focused on aggressive premium growth and a more conservative profit.

Customer

SGI CANADA assesses success with customers by its ability to attract and retain preferred customers:

Measure	2015 Target (12 month)	2015 Result (12 month)	2015-16 Result (15 month)	2016-17 Target
Attract and retain SGI CANADA preferred customers				
Commercial business direct premium written	$198.7M	○ $196.8M	○ $243.9M	Customer experience index; Customer base
Policy renewal retention rate	92%	● 94%	● 94%	

Legend: ● achieved ○ not achieved

Attract and retain SGI CANADA preferred customers

SGI CANADA used two measures to evaluate customer attraction and retention in 2015: commercial business direct premium written and the overall renewal retention rate.

SGI CANADA wrote commercial business direct premium of $196.8 million for the 12 months ended December 31, 2015: $139.7 million in Saskatchewan and $57.1 million outside of Saskatchewan. The 2015 result missed the $198.7 million target by less than 1%, but still finished $10.1 million above 2014. Consistent with the calendar year results, the Corporation was slightly below target for the 15 months ended March 31, 2016, achieving commercial business direct premium written of $243.9 million, 1.9% below its 15-month target. Premium growth expectations, particularly in Alberta, were high and were not achieved due primarily to the downturn in oil patch activity, which had negative impacts on other oil-dependent business sectors.

SGI CANADA's policy renewal retention rate was 94% for both the 12- and 15-month periods, and remained unchanged from 2014, achieving the Corporation's target of 92%. All jurisdictions SGI CANADA operates in posted strong retention results throughout 2015.

In 2016-17, SGI CANADA will assess its ability to attract and retain customers using a combined SGI CANADA and Saskatchewan Auto Fund Customer Experience index (CXi), as well as through the growth of its customer base. SGI CANADA will continue to monitor the growth of its commercial book of business and policy retention in 2016-17, but separate from the balanced scorecard.

Internal processes

Productivity and efficiency are key to assessing the success of SGI CANADA's internal processes:

Measure	2015 Target (12 month)	2015 Result (12 month)	2015-16 Result (15 month)	2016-17 Target
Productivity				
Licenced drivers and policies per FTE*	745	● 764	● 767	Automation of personal lines underwriting
Efficiency				
Administrative expense ratio	13.1%	● 11.7%	● 11.6%	11.4%

Legend: ● achieved ○ not achieved

** FTE – full-time equivalent staff position*

Productivity

In 2015, productivity was evaluated using a combined measure for SGI, which considers both SGI CANADA's policies in force and the Saskatchewan Auto Fund's licensed drivers. SGI, while operating a competitive property and casualty insurance company, also administers the Saskatchewan Auto Fund – Saskatchewan's compulsory vehicle insurance program. For SGI CANADA, the number of insurance policies in force is a key metric, and in the Auto Fund, the number of drivers licensed in the province is an important metric. Increasing the number of policies and licensed drivers per FTE speaks to SGI's productivity.

The 2015 productivity result for both the 12- and 15-month periods is above the target of 745 and well above the 738 result in 2014. The positive variance is due primarily to maintaining the Corporation's FTE count below budget. While the licensed drivers and policies per FTE measure provides a high-level view of productivity, it has been replaced with a more specific measure in 2016-17 – the automation of personal lines underwriting transactions.

Efficiency

Efficiency is assessed based on SGI CANADA's administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. For 2015, SGI CANADA surpassed its target of 13.1% for both the 12- and 15-month periods, achieving administrative expense ratios of 11.7% and 11.6% respectively. Analysis of administrative expenses and the administrative expense ratio is provided in the following 2015-16 Financial Results section. The 2016-17 target of 11.4% is a slight improvement from 2015. The Corporation's long-term goal is to achieve an administrative expense ratio of 11.0% or less.

Organizational Capacity

SGI CANADA's ability to deliver on its corporate strategy is dependent on its employees and maintaining an adequate level of capital. As such, organizational capacity is measured based on employee engagement and capital adequacy.

Measure	2015 Target (12 month)	2015 Result (12 month)	2015-16 Result (15 month)	2016-17 Target
Employee engagement				
Engagement score compared to the Canadian public sector norm	1-point improvement	Non-reporting year	Non-reporting year	1-point improvement
Capital adequacy				
Minimum Capital Test	226%	● 243%	● 249%	242%

Legend: ● achieved ○ not achieved

Employee engagement

A positive employee experience is essential to achieving SGI CANADA's corporate objectives. One way to measure this is through employee engagement, using a biennial employee survey conducted by an external vendor. The survey includes both SGI CANADA and Auto Fund employees. An employee engagement score, derived from SGI's biennial employee survey, is used to measure an employee's emotional and intellectual commitment to the Corporation. During 2015 a decision was made to perform the employee survey every two years to allow more adequate time to appropriately analyze and implement changes from each survey. Consequently, the survey was not conducted in 2015, but will be reported on in 2016-17.

In support of the company's long-term goal to be at or above the Canadian public sector, in 2016-17, it is targeting a one-point improvement over its 2014 result, which was five points below the Canadian public sector norm (52%).

Capital adequacy

Capital adequacy speaks to the Corporation's ability to honour its financial obligations. The industry measurement developed by insurance regulators for capital adequacy is the Minimum Capital Test (MCT). The MCT is a risk-based capital adequacy framework that assesses the riskiness of assets, policy liabilities and off balance sheet exposures by applying varying factors. From these calculations comes a ratio of capital available to capital required. As discussed in the Capability to Execute Strategies, Financial Capital section that follows, the Corporation has established internal MCT targets that provincial regulators have adopted as minimum targets for regulatory purposes.

The following table shows MCT results by legal entity:

Company	March 31, 2016	December 31, 2014
SGI CANADA (consolidated)	249%	227%
SGI CANADA Insurance Services Ltd. (consolidated)	353%	348%
Coachman Insurance Company	357%	325%

SGI CANADA's consolidated MCT of 249% is higher than the 2015 target of 226% and the long-term goal of 242%. The 2016-17 target is 242%.

Capability to Execute Strategies

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are the Corporation's employees, brokers, technology and financial capital. They are discussed further below.

Employees

SGI CANADA's management team is experienced and knowledgeable about the Canadian P&C insurance market. With many long-term employees and a low staff turnover rate, the Corporation has significant expertise in the core underwriting and claim handling areas of its business, as well as within its support areas. This expertise has contributed to strong underwriting results in the Saskatchewan market, compared to the insurance industry overall, and is crucial to success in markets outside Saskatchewan. Maintaining this expertise through effective recruitment, development and retention efforts is key to meeting the challenges that will present themselves in the future.

The corporate recruitment strategy was recently updated to enhance partnerships with outreach agencies and educational institutions and the Corporation's visibility as a preferred employer. SGI's succession planning process focuses on: (i) ensuring current senior management positions have succession plans; (ii) identifying highperforming staff who have potential for more senior roles; and (iii) ensuring high-potential staff and the leadership team have ongoing development and support. SGI also recently introduced a retirement program to support employees nearing retirement and to assist with the transfer of critical knowledge and expertise.

SGI and SGI CANADA Insurance Services Ltd., and the Canadian Office and Professional Employees' Union, Local 397 (COPE 397), are within a four-year Collective Bargaining Agreement, running from January 1, 2014, to December 31, 2017.

Brokers

SGI CANADA sells products through a network of 211 independent Saskatchewan brokers who conduct business from 358 locations throughout the province, and 219 brokers who operate in 858 locations throughout the rest of Canada. To continue delivering insurance products that customers desire, SGI CANADA works closely with brokers to obtain input and advice on the changing needs of customers. With their assistance, SGI CANADA is able to take a lead in delivering innovative insurance products to customers.

SGI CANADA's brokers are well-known in the communities in which they operate and they actively promote the Corporation's products and services. To support brokers, the Corporation is continually enhancing broker web interfaces to make it easier for them to promote its products and to provide them with the self-service capabilities they have requested.

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

Technology

SGI CANADA maintains an in-house insurance system that hosts a large database of valuable information in assessing insurable risks. Reporting systems are used to ensure management receives timely information regarding operations and to provide complete and accurate reporting to stakeholders and regulators. The Corporation monitors and responds to changes in technology to ensure key areas are upgraded in a timely manner, and will be modernizing its general insurance system (GIS) over the next few years.

The Corporation continues to build its business intelligence capabilities to leverage the data in the system to produce timely, sophisticated and consistent information to support the decision-making required to succeed in a competitive environment. The project is being implemented in phases, such that the Corporation is already beginning to see returns.

The Corporation is also a technology leader when it comes to dealing with broker partners. It is an industry leader in the use of the web portals, Policy Works and Brovada, and generally excels at eServices for brokers through a strong strategy.

Financial Capital

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

The Corporation's main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. These advances form the Corporation's equity capitalization. There were no new equity advances to SGI from its parent in 2015-16 and there were no changes to the capital of the Corporation's subsidiaries during the same time period.

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

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

Company	March 31, 2016	Internal Target	Operating Target
SGI CANADA (consolidated)	249%	213%	242%
SGI CANADA Insurance Services Ltd. (consolidated)	353%	266%	350%
Coachman Insurance Company	357%	275%	335%

Financial liquidity represents the ability of SGI CANADA's companies to fund future operations, pay claims in a timely manner and grow. A main indicator of liquidity is the cash flow generated from operating activities, as reported on the Consolidated Statement of Cash Flows. For 2015-16, SGI CANADA generated consolidated operating cash flows of $70.2 million. This cash flow is invested so that it is available to pay claims as they come due and to meet dividend requirements to its parent, CIC.

For the cash flow the Corporation retains, its enabling legislation requires it to follow the same investment criterion that federally regulated P&C companies must follow. This means the majority of the Corporation's investments are in highly liquid securities that can be sold in a timely manner in order to satisfy financial commitments. As at March 31, 2016, 38% (December 31, 2014 – 39%) of the investment portfolio was in treasury bills and highly liquid bonds and debentures issued by the federal and provincial governments.

2015-16 Financial Results

For the 15 months ended March 31, 2016

Overview of operations

With the SGI CANADA transition to a March 31 year-end, the current fiscal period represents the 15 months ended March 31, 2016. For analysis and comparative purposes, the information included in the following discussion focuses on the 12-month period ending December 31, 2015 and the three-month period ending March 31, 2016.

SGI CANADA's operating results for the 15 months ended March 31, 2016 were strong, achieving a consolidated net income before income taxes of $88.3 million, and an annualized pre-tax return on equity of 21.9% (12 months ended December 31, 2014 – 15.3% pre-tax return on equity).

The Corporation's strong financial results were due to a combination of both favourable underwriting results and investment earnings. Underwriting profitability increased due to improved claim experience, with a consolidated underwriting income of $42.4 million (December 2014 – $5.5 million loss). Investment earnings, while strong, were relatively consistent year-over-year as marginally higher equity returns were offset by lower fixed income returns.

Statement of Operations

Premium revenue

	(thousands of $)				
	12 months ended December 31			3 months ended March 31, 2016	15 months ended March 31, 2016
	2015	2014	Change		
Saskatchewan	464,685	430,357	34,328	97,184	561,869
Alberta	105,505	85,407	20,098	23,356	128,861
Ontario	64,550	58,274	6,276	14,490	79,040
Manitoba and BC	22,186	18,737	3,449	4,705	26,891
Gross premiums written	656,926	592,775	64,151	139,735	796,661
Premiums ceded to reinsurers	(36,086)	(42,917)	6,831	(30,592)	(66,678)
Change in unearned premiums	(37,185)	(32,594)	(4,591)	43,971	6,786
Net premiums earned	583,655	517,264	66,391	153,114	736,769

12 months ended December 31, 2015

Consolidated gross premium written grew $64.2 million, or 10.8%, with growth occurring from all jurisdictions. The Corporation's split of business in 2015 was approximately 59.7% property and 40.3% auto, consistent with 2014. Geographically, 29.3% of gross premium written was outside of Saskatchewan (2014 – 27.4%).

Gross premiums written in Saskatchewan increased 8.0% over the 12-month period, with personal property contributing to the majority of the increase.

Alberta operations experienced growth in premiums written of 23.5% for the 12-month period. All lines of business experienced year-over-year growth, with personal property and personal auto contributing to the majority of the growth.

Ontario gross premiums written increased 10.8% over the 12-month period. The increase is largely the result of continued growth in the number of auto policies written. Since the Government of Ontario's mandated 12.5% auto rate decrease, effective July 1, 2014, auto policies in force have increased 25.8%.

Manitoba gross premiums written increased 14.5% over the 12-month period. The increase is the result of growth in the number of personal and commercial property policies written. The Corporation started selling commercial property products in British Columbia in July 2015, which contributed $732,000 of premiums written.

Three months ended March 31, 2016

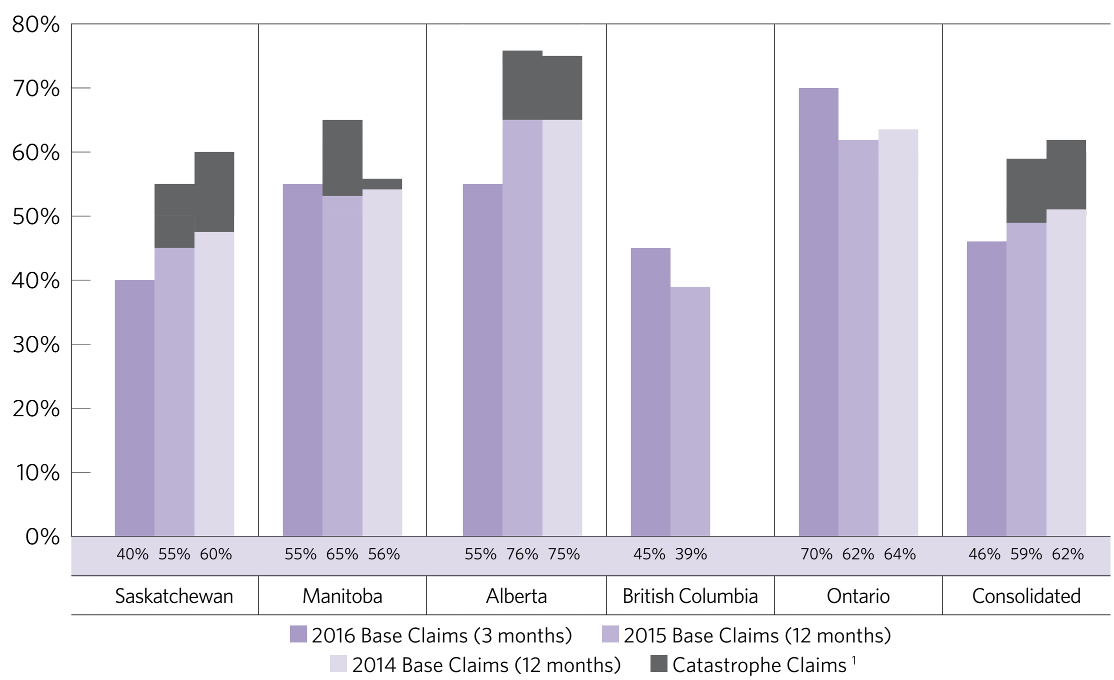
Premiums written grew by 8.2% during the three-month period ended March 2016 compared to the three-months ended March 31, 2015, with the majority of the growth coming from Saskatchewan and Alberta. Gross premiums written in Saskatchewan increased 6.9% over the three-month period, with personal lines contributing the majority of the increase. Alberta operations experienced growth in premiums written of 13.9%, largely from personal property and personal auto products.

Claims incurred

	(thousands of $)				
	12 months ended December 31			3 months ended March 31, 2016	15 months ended March 31, 2016
	2015	2014	Change		
Net claims incurred	345,286	322,436	22,850	69,746	415,032
Consolidated loss ratios	59.2%	62.3%	−3.1%	45.5%	56.3%

The consolidated loss ratio for the 15 months ended March 31, 2016 was 56.3%, consisting of 59.2% for the 12 months ended December 31, 2015 and 45.5% in the first three months of 2016. Claim costs are generally lowest in the January through March months due to fewer catastrophe (storm) costs. However, in 2016 the loss ratio was also low due to favourable claim results in Saskatchewan. The following chart summarizes the loss ratios by jurisdiction, detailing components of the loss ratio between catastrophe and non-catastrophe claim costs:

Loss Ratios – three months ended March 31 vs. 12 months ended December 31



[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 $1 million (Saskatchewan) or $500,000 (other jurisdictions). Catastrophic events for the Corporation generally relate to summer wind and hail storms, forest fires and winter ice storms.*

12 months ended December 31, 2015

Saskatchewan's loss ratio of 55.1% dropped from the prior year loss ratio of 60.1%. Results improved across all lines of business, being driven by a decrease in the number of claims combined with premium growth. Catastrophes resulted in $44.3 million in claims, compared to $49.5 million over the same period in 2014. Catastrophe claims are generally caused by storm activity; however, 2015 also includes $8.8 million as a result of forest fires.

Manitoba's loss ratio increased to 64.9% from 56.4% in 2014, due to an increase in storm claims. Storm activity resulted in $2.2 million in claims, compared to $250,000 incurred during the same period in 2014.

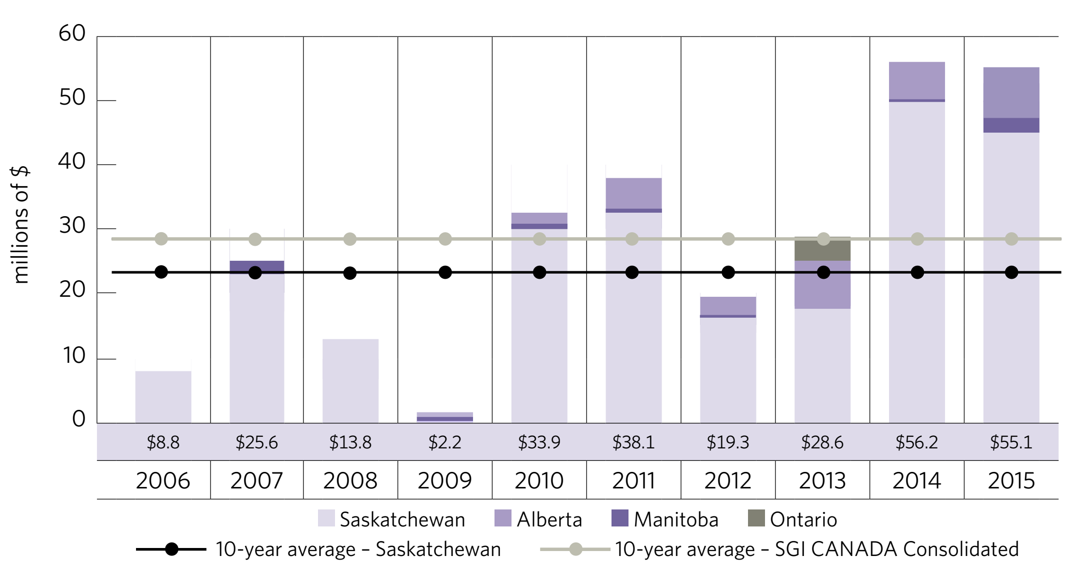
Alberta's loss ratio increased to 76.1% from 75.3% in 2014, due to an increase in storm claims. Storm activity resulted in $8.6 million in claims, compared to $6.4 million incurred during the same period in 2014.

Ontario's loss ratio decreased to 61.7% in 2015 from 63.6% in 2014, due to better than expected development on prior year auto claims, driven by the auto reforms in Ontario.

Storm claim costs

The following graph shows the significance of storm claims over the past 10 calendar years, demonstrating their unpredictability and the impact they can have on the Corporation's financial results. Storm costs have been extremely high the past two years, with both 2014 and 2015 having estimated net storm costs greater than $55 million, compared with the 10-year average of $28.2 million. Storm costs are highest in Saskatchewan, due to the Corporation's significant exposure in the province; however, as can be seen over the past six years, the Corporation has been subject to more significant and regular storm events in Alberta, as it continues to grow its Alberta book of business.

Storm Claims (Net)



Three months ended March 31, 2016
Claims incurred were $2.6 million, or 3.6% which was lower than the same three-month period in 2015, and the consolidated loss ratio decreased to 45.5%, compared to 52.2% in 2015.

Saskatchewan's loss ratio of 40.0% was lower than 2015's three-month ratio of 45.8%. This was driven by a lower number of commercial auto claims, as well as fewer large personal lines losses.

Manitoba's loss ratio increased from 46.9% in 2015 to 55.0% in 2016, due primarily to a number of large commercial lines losses.

The Alberta loss ratio decreased from 66.6% in 2015 to 55.3% in 2016. This was driven by a lower number of auto claims, as well as fewer large commercial lines losses.

Ontario's loss ratio of 69.7% was lower than 2015's three-month ratio of 86.0%, due primarily to improved commercial lines and auto results, driven by fewer large losses and a lower number of claims.

Expenses excluding claims incurred

	(thousands of $)				
	12 months ended December 31			3 months ended March 31, 2016	15 months ended March 31, 2016
	2015	2014	Change		
Other expenses	221,383	200,369	21,014	57,982	279,365

12 months ended December 31, 2015
Expenses excluding claims incurred, were $221.4 million (2014 – $200.4 million) for the year, an increase of $21.0 million or 10.5%. The commission and premium tax ratio of 27.1% increased by 1.0%, the result of higher broker bonuses in Saskatchewan, driven by better loss ratios and higher premiums written. Administrative expenses increased $3.5 million, or 5.4%, in 2015, while the administrative expense ratio dropped to 12.0% from 12.4% in 2014. The increase in administrative expenses was due largely to increased salary and benefits costs, as well as development costs associated with the usage-based insurance auto product for the Ontario marketplace.

Three months ended March 31, 2016
Other expenses were $6.1 million, or 11.8% higher than the same three-month period in 2015. This was due to higher commissions and premium taxes, consistent with the premium growth in the quarter. Administrative expenses increased, due largely to the development costs for the usage-based insurance auto product for Ontario.

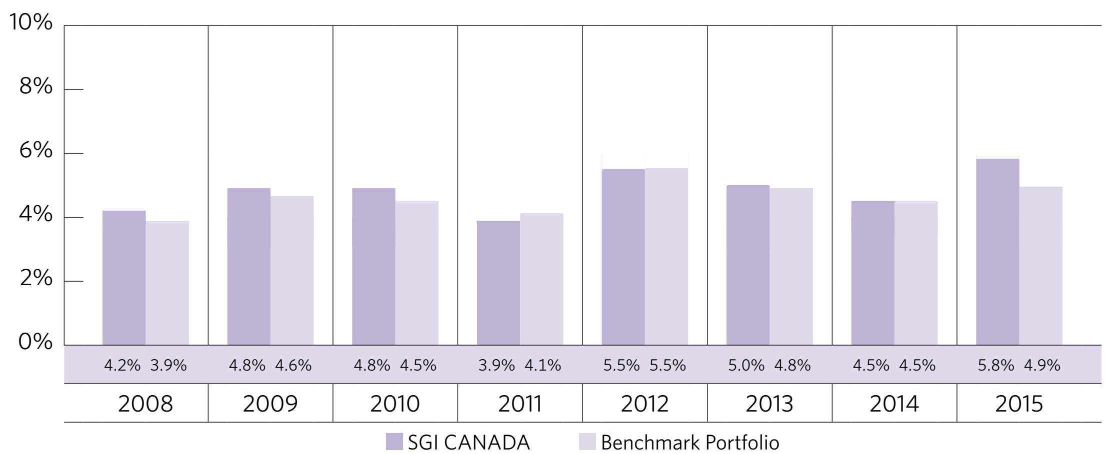
Investment earnings

	(thousands of $)				
	12 months ended December 31			3 months ended March 31, 2016	15 months ended March 31, 2016
	2015	2014	Change		
Net investment earnings	48,032	48,117	(85)	(2,076)	45,956

12 months ended December 31, 2015
In 2015, investment earnings were $48.0 million and represented 7.6% of total revenues (2014 – $48.1 million or 8.5% of total revenues). Investment earnings are calculated using market-based accounting principles (the components of which are disclosed in note 13 to the financial statements) and include interest, dividends, pooled fund distributions, and both realized and unrealized capital gains and losses on investments.

For purposes of portfolio management, market-based returns are calculated capturing all interest, dividends and pooled fund distributions, as well as the impact of the change in market value of investments, both realized and unrealized. While these returns are compared to the benchmark returns on a quarterly basis, the performance measures are expected to be met over four years; a long enough period to capture a full market cycle. This long-term measure is appropriate as it recognizes that the effectiveness of investment management styles varies depending on the market environment. Performance relative to the benchmark portfolio varies from year-to-year but, as illustrated in the following graph, over rolling four-year periods investment performance remains satisfactory with just one period lagging the benchmark in the last eight four-year periods.

Four-year Market Based Returns to December 31



For the 12 months ended December 31, 2015, SGI CANADA portfolio's market-based return was 5.2% compared to a 5.8% return in 2014. The 2015 return was lower than 2014, due to lower year-over-year fixed income performance, and partially offset by stronger equity returns than were experienced in 2014. The following table illustrates the investment portfolio's actual performance by asset class for 2015 compared to the index and 2014 actual returns. Due to the transition from separate U.S. and non-North American equity mandates to global equity mandates, and the addition of global small capitalization equities and real estate during the year, a complete return breakdown by asset class is not available for the period.

		Annual Returns (%)		
		Actual	Index	Actual
Asset Class	**Benchmark Index**	**2015**		**2014**
Short-term bonds	FTSE TMX Short-term Bond	2.2	2.6	2.8
Mortgages	FTSE TMX Short & Mid-term Bonds	4.7	4.0	7.6
Canadian equities	S&P/TSX Composite	−3.4	−8.3	9.4
Global equities	MSCI ACWI ($C)	na	17.1	na
Global small cap equities	MSCI ACWSCI ($C)	na	18.7	na

Three months ended March 31, 2016

Investment earnings decreased $2.1 million in the three months ended March 31, 2016. Equity markets were volatile throughout, however ended the quarter relatively neutral. At the same time, an appreciating Canadian dollar generated currency losses on foreign equities resulting in negative returns overall. For fixed income investments, decreases in interest rates generated capital gains and positive returns for the quarter.

		Q1-2016 (%)	
Asset Class	**Benchmark Index**	**Actual**	**Index**
Short-term bonds	Custom Bond Index	0.4	0.4
Mortgages	FTSE TMX Short & Mid-term Bonds	0.6	1.0
Canadian equities	S&P/TSX Composite	2.3	4.5
Global equities	MSCI ACWI ($C)	−5.6	−6.7
Global small cap equities	MSCI ACWSCI ($C)	−5.7	−6.2
Real estate	Investment Property Databank	0.6	1.5

Income taxes

The Corporation's out-of-province legal entities, SCISL and Coachman, are subject to corporate income tax, while SGI CANADA is not. On a consolidated basis, SGI CANADA recorded a tax expense of $3.8 million in the 15 months ended March 31, 2016. Excluding Saskatchewan operations, which are non-taxable, this results in a tax rate of 26.6% (compared to 26.1% in 2014) with the increase due largely to an increase in the Alberta provincial tax rate.

Consolidated Statement of Cash Flows

	(thousands of $)				
	12 months ended December 31			3 months ended March 31, 2016	15 months ended March 31, 2016
	2015	2014	Change		
Operating activities	68,685	71,945	(3,260)	1,465	70,150
Investing activities	(54,815)	(64,044)	9,229	28,460	(26,355)
Financing activities	(29,372)	(30,891)	1,519	(6,250)	(35,622)
Net cash flow	(15,502)	(22,990)	7,488	23,675	8,173

Operating activities

Operating cash flow for the 12 months ended December 31, 2015 was consistent year-over-year, with the Corporation generating positive cash flow used to fund investment purchases and dividend payments. For the three months ended March 31, 2016, operating cash flow remained positive, despite significant payments during the quarter, including the annual premium tax payments.

Investing activities

Each legal entity's excess cash from operating activities is invested in its own investment portfolio. The investment managers actively trade each investment portfolio in the capital markets, following the restrictions set out in each legal entity's Statement of Investment Policies and Goals. Over the 12 months ended December 31, 2015, additional cash flow of $54.8 million was used to purchase additional long-term investments. However, in the first three months of 2016, cash was generated from investments in order to maintain adequate cash on hand to meet the operating needs during the quarter.

Financing activities

Financing activities relate solely to dividend payments made to the Corporation's parent.

Consolidated Statement of Financial Position

	(thousands of $)		
	March 31 2016	December 31 2014	Change
Total assets	**$ 1,213,200**	**$ 1,175,332**	**$ 37,868**
Key asset account changes:			
Cash and cash equivalents	26,853	18,680	8,173
Investments	858,342	820,181	38,161
Unpaid claims recoverable from reinsurers	31,316	55,485	(24,169)
Reinsurers' share of unearned premiums	27,592	11,149	16,443

Cash and cash equivalents

Cash and cash equivalents at March 31, 2016, were $26.9 million (2014 – $18.7 million), an increase of $8.2 million. The sources of the change in cash and cash equivalents for the year are discussed in the above section, Consolidated Statement of Cash Flows. Cash equivalents consist of money market investments such as treasury bills, banker's acceptances, discount notes or other liquid short-term investments that have a maturity of 90 days or fewer from the date of acquisition.

Investments

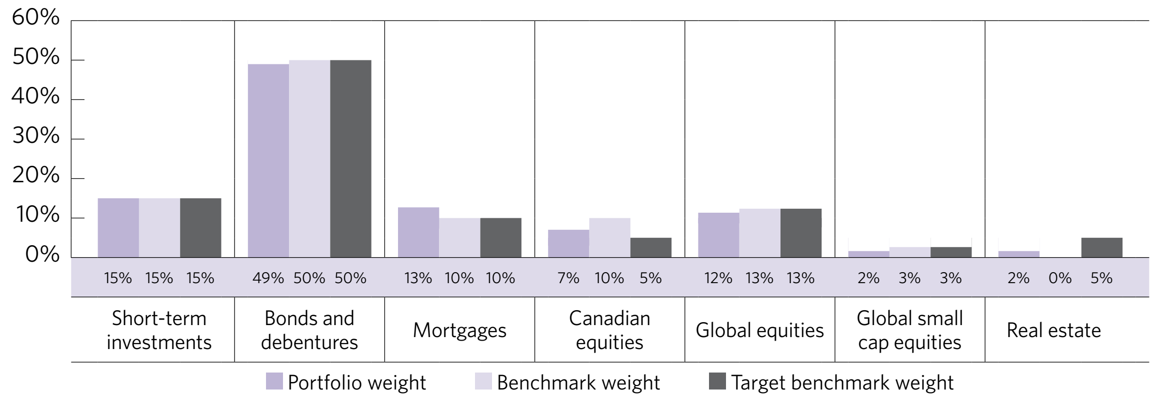
The carrying value of investments increased by $38.2 million during the year, due largely to the investment of operating cash flows.

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

The asset mix strategy is formally documented in the Statement of Investment Policies and Goals. In addition to capturing the asset mix strategy, this document provides guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions and investment performance expectations, among others. Management monitors and enforces compliance with the investment policy. No material compliance deviations were noted during the 15 months ending March 31, 2016.

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

SGI CANADA Consolidated Asset Mix as at March 31, 2016



There were no significant changes to the investment policy during the annual review. Changes adopted in the previous years' review were implemented during 2015, including the transition to a global equity mandate, and the addition of real estate and global small capitalization equities. The Corporation continues to monitor its fixed income investments to ensure the assets are relatively well matched to their associated liabilities.

Unpaid claims recoverable from reinsurers

Unpaid claims recoverable from reinsurers decreased $24.2 million as amounts were received from reinsurers related to recoveries on prior years' storms, most notably the 2014 loss year.

Reinsurers' share of unearned premiums

Reinsurers' share of unearned premiums increased $16.4 million, as most annual reinsurance contracts are written in January, and earned over the remainder of the year.

	(thousands of $)		
	March 31 2016	**December 31 2014**	**Change**
Total liabilities	**$ 873,242**	**$ 870,819**	**$ 2,423**
Key liability account changes:			
Provision for unpaid claims	440,754	451,584	(10,830)
Unearned premiums	319,981	310,324	9,657

Provision for unpaid claims

This liability reflects the estimated ultimate cost of claims reported but not settled, along with claims incurred but not reported. The March 31, 2016 provision for unpaid claims decreased $10.8 million, or 2.4%, from the end of the previous year as amounts were paid relating to prior year storms – most notably the 2014 loss year.

The process to determine this liability is complex as it takes into consideration numerous variables that are subject to the outcome of future events. Any change in estimates is reflected as claims incurred on the Consolidated Statement of Operations.

Unearned premiums

The $9.7 million increase in unearned premiums is the result of the increase in premium volume over the 15-month period ending March 31, 2016.

	(thousands of $)		
	March 31 2016	December 31 2014	Change
Total equity	**$ 339,958**	**$ 304,513**	**$ 35,445**
Key equity account changes:			
Retained earnings	259,958	224,513	35,445

Retained earnings

The $35.4 million increase in retained earnings is attributable to the $84.5 million consolidated net income, less dividends declared of $47.3 million and an other comprehensive loss of $1.8 million. The other comprehensive loss represents actuarial losses associated with the Corporation's defined benefit pension and service recognition plans.

Quarterly Consolidated Financial Highlights

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

	(thousands of $)										
	2015/16						2014				
	Q 5	Q 4	Q 3	Q 2	Q 1	**15 months ended Mar. 31, 2016**	Q 4	Q 3	Q 2	Q 1	**12 months ended Dec. 31, 2014**
Net premiums written	109,143	166,957	173,563	174,491	105,829	**729,983**	152,914	149,717	150,962	96,265	**549,858**
Net premiums earned	153,114	152,952	148,134	144,412	138,157	**736,769**	136,114	133,377	125,530	122,243	**517,264**
Claims incurred	69,746	71,002	117,160	84,778	72,346	**415,032**	74,332	103,502	83,614	60,988	**322,436**
Net income (loss) from continuing operations	22,832	38,735	(28,588)	8,224	43,324	**84,527**	22,657	(10,796)	1,188	28,591	**41,640**
Cash flow from (used in) operating activities	1,465	33,035	25,878	28,152	(18,380)	**70,150**	31,477	29,524	15,101	(4,157)	**71,945**
Investments	858,342	894,353	863,145	824,655	833,161		820,181	800,245	771,383	752,809	
Provision for unpaid claims	440,754	453,287	479,164	442,485	442,727		451,584	461,233	438,040	395,802	
Minimum Capital Test	249%	243%	224%	258%	252%		227%	219%	240%	252%	

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

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.
- Claims incurred typically peak in the second and third quarters due to summer hail storms and flooding that can occur. In 2015, there was $55.1 million in net storm claims compared to 2014 storm costs of $56.2 million.
- With the exception of the first quarter, the Corporation generates positive cash flow from operations. Cash is typically low in the first quarter as the Corporation pays its annual premium taxes to the province 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.

Impact of New Accounting Standards

Future accounting policy changes
The following future changes to accounting standards will have applicability to the Corporation:

IFRS 4 – Insurance Contracts

In June 2013, the International Accounting Standards Board (IASB) published a revised exposure draft (ED) (2013 ED) on the accounting for insurance contracts that builds on the consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace International Financial Reporting Standards (IFRS) 4, *Insurance Contracts*. Proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. A final standard is expected in 2016 with implementation not expected before 2019. The Corporation is in the process of assessing the impact of the new proposed standard.

In July 2015, the IASB amended the existing IFRS 4 to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments*, before the new insurance contracts standard is issued. Insurers that meet certain criteria will be permitted to exclude from net income and recognize in other comprehensive income the difference between the amounts that would be recognized in net income in accordance with IFRS 9 and the amounts recognized in net income in accordance with International Accounting Standards (IAS) 39, *Financial Instruments: Recognition and Measurement*.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39, *Financial Instruments: Recognition and Measurement* to IFRS 9, *Financial Instruments*. The amendments are effective on adoption of IFRS 9. The amendments issued are permitted to be early adopted where IFRS 9 is also early adopted. The Office of the Superintendent of Financial Institutions (OSFI) has indicated that it will not allow early adoption of IFRS 9 for federally regulated financial institutions. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement.*

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

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

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

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The IASB has proposed temporary deferral and overlay approaches for insurers, as detailed in their December 2015 Exposure Draft Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts* (Proposed amendments to IFRS 4). Proposed changes would allow reporting entities, where the liabilities are predominately arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

The Corporation is in the process of assessing the impact of the new standard and changes proposed in the Exposure Draft.

IAS 12 – Income Taxes

In January 2016, IAS 12 was amended to clarify guidance in the standard related to the measurement of deductible temporary differences for unrealized losses on debt instruments measured at fair value, the estimation of probable future taxable income, and the assessment of deferred tax assets in combination with other deferred tax assets. These amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related International Financial Reporting Interpretations Committee (IFRICs). The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. generally accepted accounting principles. This standard is effective for annual periods beginning on or after January 1, 2017. Early application is permitted. IFRS 15 contains a scope exception that excludes insurance contracts within the scope of IFRS 4 *Insurance Contracts* therefore this standard will have a limited impact on the Corporation.

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and is intended to replace IAS 17, *Leases*, and related IFRICs. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019. The Corporation is evaluating the impact this standard will have on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the financial statements, that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate, and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

Annual Improvements Cycles

In 2014, the IASB issued Annual Improvements Cycle 2012-2014, which includes minor amendments to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7, *Financial Instruments: Disclosures*, IAS 19, *Employee Benefits* and IAS 34, *Interim Financial Reporting.* The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Saskatchewan ministries, agencies, boards, commissions, Crown corporations, and jointly controlled and significantly influenced corporations and enterprises. Transactions with these entities were entered into in the normal course of business and are settled at prevailing market prices under normal trade terms. Further details regarding these related party transactions are disclosed in note 19 of the consolidated financial statements. Details of other significant related party transactions disclosed in the consolidated financial statements follow.

SGI CANADA acts as the administrator of the Saskatchewan Auto Fund on behalf of the Province of Saskatchewan. SGI CANADA incurs administrative and claim adjustment expenses on behalf of the Auto Fund, which are charged to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by SGI CANADA and charged to the Auto Fund were $174.3 million (December 31, 2014 – $143.2 million).

Certain Board members are partners in organizations that provided $231,000 (December 31, 2014 – $63,000) of professional services to the Corporation. These services were recorded in claims incurred and administrative expenses in the Consolidated Statement of Operations. In addition, one Board member is a shareholder in an organization that sells insurance policies of the Corporation. Premiums written during the 15-month period from this organization amounted to $7.5 million (December 31, 2014 – $6.0 million) and the associated accounts receivable at March 31, 2016, was $268,000 (December 31, 2014 – $839,000). Commissions related to these premiums were $1.6 million (December 31, 2014 – $1.2 million) and the associated accounts payable and accrued liabilities at March 31, 2016, were $71,000 (December 31, 2014 – $61,000). The above noted transactions are routine operating transactions in the normal course of business.

Off Balance Sheet Arrangements

SGI CANADA, 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 a long-term telecommunications contract. These items are discussed below and in notes 9 and 15 to the audited consolidated financial statements.

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

Also, the Corporation and its subsidiaries, in the normal course of settling claims, settle some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the P&C industry. The net present value of the scheduled payments at March 31, 2016, was $61.5 million (December 31, 2014 – $60.8 million). The Corporation provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the Corporation considers the likelihood of such default remote.

The Corporation has secured a long-term telecommunications contract with a related provincial Crown corporation that is scheduled to end in 2015. At March 31, 2016, the remaining commitment under this contract was $5.6 million (2014 – $7.1 million). The Corporation and its subsidiaries are committed to leases on their office premises and other contractual obligations. Annual commitments related to these obligations over the next five years range from $730,000 in 2016 to $315,000 in 2020.

Critical Accounting Estimates

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

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

Provision for unpaid claims

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

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

Unpaid claims recoverable from reinsurers

Unpaid claims recoverable from reinsurers include amounts for expected recoveries related to unpaid claim liabilities, as well as the portion of the reinsurance premium that has not yet been earned. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and claim adjustment expense reserves, and are reported in the Consolidated Statement of Financial Position. The ceding of insurance does not discharge the Corporation's primary liability to its insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions. No allowance for doubtful accounts has been recorded related to unpaid claims recoverable from reinsurers in the current or prior year.

Income taxes

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

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

Employee future benefits

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

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

Further details of the Corporation's defined benefit plans are contained in note 18 to the consolidated financial statements.

Risk Management

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

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

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

Competition

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

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

Scale

Risk: SGI CANADA fails to achieve the minimum sustainable size that will allow it to survive in an increasingly consolidating market.

Mitigation: Scale is increasingly considered to be an essential advantage in the insurance industry to support economies of scale in capital and information. SGI CANADA is pursuing aggressive organic growth through targeted customer and industry segments, geographic growth and diversification, and underwriting innovations. The Corporation is also investigating a number of possible options to address this strategic issue, including developing eService capabilities to emulate the eChannel experience, but delivered in conjunction with broker partners.

Privacy Breach

Risk: Personal information held by SGI CANADA for a large number of customers is lost, accessed, used or disclosed contrary to legislated privacy requirements, resulting in adverse legal, regulatory and financial consequences, as well as a loss in confidence by customers and the shareholder.

Mitigation: Specific guidelines on handling personal information have been implemented, and are updated regularly to be consistent with industry recommended best practices. SGI CANADA uses the American Institute of Certified Public Accountants/Chartered Professional Accountants of Canada (AICPA/CPA) Privacy Maturity Model to assess and measure its privacy program. The Corporation conducts targeted privacy audits in areas that handle customer information, and uses a Privacy Impact Assessment process for reviewing business changes to ensure privacy concerns are addressed at the design level. To promote awareness of privacy obligations, new staff must complete online privacy training, and all staff are required to complete an annual sign-off of the Code of Ethics and Conduct, and the Confidentiality and Non-Disclosure Agreement.

Catastrophic Claim Loss

Risk: An event loss in excess of reinsurance limits, an aggregation of large losses within the corporate net retention or the failure of a reinsurer could result in major financial losses for SGI CANADA.

Mitigation: SGI CANADA determines reinsurance limits using independent catastrophe modeling, including scenario tests that overlay hypothetical events on high-exposure concentrations. To mitigate the risk of reinsurer failure, SGI CANADA and its reinsurance broker monitor the reinsurer ratings provided by AM Best and Standard and Poor's.

Product Design and Pricing

Risk: Products priced inaccurately or not designed to meet customer needs may result in a loss in market share, loss of business, and loss of confidence by policyholders and brokers.

Mitigation: To ensure its products are designed and priced appropriately, SGI CANADA monitors rate adequacy, competitor pricing and product offerings, as well as insurance market developments, legal decisions and societal trends. Product pricing and design are reviewed in detail annually, and all products are competitively driven, with variation by product and jurisdiction. The Corporation has built actuarial data marts so timelier, more reliable and more varied types of data are available to improve the pricing and structure of products.

Strategy

Risk: The risk that the company does not have the right strategic plan to be successful.

Mitigation: SGI CANADA's purpose and ideals are defined in the corporate mission, vision and values statements. The 2011-2015 strategic plan was developed with the input from employees and other stakeholders, and provided a detailed plan for the future of the Corporation. The strategic plan is formally reviewed and updated annually, and was revisited in detail during the development of the 2016-2020 strategic plan.

Systems Security

Risk: The potential harm to SGI CANADA from threats (system breach, unauthorized access) that can have adverse effects on organizational operations and result in significant financial and reputational damage.

Mitigation: SGI CANADA maintains a security policy which includes corporate standards for user access (including remote and external vendor access), passwords, physical security, mobile devices, wireless networks and acceptable use of SGI CANADA systems. The Corporation has implemented many mechanisms (such as firewalls, intrusion prevention, anti-virus, etc.) to protect its data environment and continually monitors systems for potential threat activity. Should an event occur, SGI CANADA has developed incident response procedures to decrease the severity of the breach.

Transfer and Acquisition of Expertise

Risk: SGI CANADA faces challenges in building and maintaining the knowledge, skill and experience within the organization's workforce needed to thrive now and in the future. Challenges include retirements, recruitment of qualified personnel in a tight labour market and the need to support an analytical and customer-centric culture.

Mitigation: SGI CANADA has implemented or is working on a number of programs in this area, including competency-based recruitment, training and mentoring programs, knowledge management solutions, retirement programming, and monitoring workplace engagement and enablement through employee surveys. A corporate learning strategy is in place to grow talent, and SGI CANADA has devoted additional resources and technology to training and development. SGI CANADA's succession planning process focuses on: (i) ensuring current senior management positions have succession plans; (ii) identifying highperforming staff who have potential for more senior roles; and, (iii) ensuring high-potential staff and the leadership team have ongoing development and support. SGI CANADA continues to receive national recognition as a Top 100 Employer, one of Canada's top diversity employers and one of Canada's top employers for employees over 40.

Employee Engagement and Productivity

Risk: SGI CANADA's ability to successfully meet its objectives is to a large extent determined by its ability to retain effective, engaged and productive employees.

Mitigation: SGI CANADA has a large number of programs and initiatives dedicated to employee training and support, including employee recognition and mentoring programs, performance development and knowledge management programs, corporate change management processes, and the corporate wellness strategy. The Corporation also receives detailed feedback from employees through the annual employee survey process, monitors competitors' salary and benefits to ensure SGI CANADA remains competitive, and continues to align its compensation and benefits with best practices.

Outlook for 2016-17

In 2015, SGI CANADA saw its 2011-2015 strategic plan come to a close, and a new direction for 2016-2020 take shape, including a new vision statement:

> **Accelerate growth through great customer experiences.**

The new vision statement addresses SGI CANADA's need to achieve aggressive growth over the next five years to remain relevant in an increasingly competitive market. The company is aiming to achieve $1 billion in direct premium written by 2020 – with customer-centricity serving as the primary strategy for achieving growth over the longer term. To achieve this, SGI CANADA will focus on three key areas in 2016:

- Sustainable growth;
- Customer-centricity; and,
- Operational excellence.

The P&C insurance industry in Canada is increasingly competitive, and the gap between leaders and followers is steadily growing. SGI CANADA needs to achieve aggressive organic growth to remain competitive and drive efficiencies. It must also balance growth with a reasonable level of profitability to ensure the growth is sustainable over the long term, as well as to ensure a stable annual dividend. To this end, the Corporation entered the British Columbia market in the latter half of 2015 and launched a usage-based insurance product in Ontario in early 2016. It is also focused on new strategies for flood/water insurance, along with the agriculture and transportation sectors.

Customer-centricity remains a focus for SGI CANADA and is the primary strategy for achieving long-term growth. Customer-centricity speaks to developing a system of shared values and behaviours that focus employees on delivering great customer experiences and placing customers at the center of business decisions. Becoming customer-centric is more than providing exceptional face-to-face service. SGI CANADA will continue to improve its face-to-face service, but will also work on enhancing other aspects of the experience it provides to customers, including through its websites, online services and call centre.

SGI CANADA must ensure that foundational business structures and processes support sustainable and profitable growth. It is important that technology, systems and processes also optimize productivity and efficiencies, freeing up resources for strategic priorities and ensuring administrative costs are low enough to support competitive pricing. In 2016, the Corporation will continue work on a major upgrade to its general information system, develop rating engines and enhance broker connectivity by expanding eServices outside of Saskatchewan.

Responsibility for Financial Statements

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

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

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

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

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

Andrew R. Cartmell
President and Chief Executive Officer

Jeff Stepan
Chief Financial Officer

May 26, 2016

Annual Statement of Management Responsibility

I, Andrew Cartmell, President and Chief Executive Officer, and I, Jeff Stepan, Chief Financial Officer, certify the following:

(a) That we have reviewed the consolidated financial statements included herein. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows, as of March 31, 2016.

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

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

(d) That the Corporation conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as of March 31, 2016, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Andrew R. Cartmell
President and Chief Executive Officer

Jeff Stepan
Chief Financial Officer

May 26, 2016

Actuary’s Report

To the Board of Directors of Saskatchewan Government Insurance

I have valued the policy liabilities and reinsurance recoverables of SGI CANADA for its consolidated statement of financial position at March 31, 2016, and their change in the consolidated statement of operations for the 15 months then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

Barb Addie
Baron Insurance Services Inc.
Fellow, Canadian Institute of Actuaries
Fellow, Casualty Actuarial Society

May 26, 2016

Independent Auditor's Report

May 26, 2016

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Government Insurance and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in equity and cash flows for the 15 months then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Government Insurance as at March 31, 2016 and its financial performance and its cash flows for the 15 months then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Consolidated Statement of Financial Position

	(thousands of $)	
	March 31 2016	**December 31 2014**
	(note 2)	
Assets		
Cash and cash equivalents (note 5)	$ 26,853	$ 18,680
Accounts receivable (note 6)	167,044	163,911
Investments under security lending program (note 7)	158,057	93,473
Investments (note 7)	700,285	726,708
Unpaid claims recoverable from reinsurers (note 9)	31,316	55,485
Reinsurers' share of unearned premiums (note 11)	27,592	11,149
Deferred policy acquisition costs (note 10)	75,144	73,346
Property and equipment (note 8)	23,861	29,813
Deferred income tax asset (note 14)	3,048	2,767
	$ 1,213,200	$ 1,175,332
Liabilities		
Accounts payable and accrued liabilities	$ 33,657	$ 38,594
Dividend payable	22,250	10,622
Premium taxes payable	5,651	24,080
Amounts due to reinsurers	24,605	7,583
Unearned reinsurance commissions	2,714	4,767
Unearned premiums (note 11)	319,981	310,324
Accrued pension liabilities (note 18)	22,736	22,362
Provision for unpaid claims (note 9)	440,754	451,584
Deferred income tax liability (note 14)	894	903
	873,242	870,819
Equity		
Equity advances (note 12)	80,000	80,000
Retained earnings	259,958	224,513
Province of Saskatchewan's equity	**339,958**	304,513
	$ 1,213,200	$ 1,175,332

Contingencies (note 22)
The accompanying notes are an integral part of these consolidated financial statements.
Approved by the Board of Directors and signed on their behalf on May 26, 2016.

Arlene Wiks
Director

Howard Crofts
Director

Consolidated Statement of Operations

For the periods ended	(thousands of $) 15 months ended March 31 2016 (note 2)	(thousands of $) 12 months ended December 31 2014
Gross premiums written	$ 796,661	$ 592,775
Premiums ceded to reinsurers	(66,678)	(42,917)
Net premiums written	729,983	549,858
Change in net unearned premiums (note 11)	6,786	(32,594)
Net premiums earned	**736,769**	517,264
Net claims incurred (note 9)	415,032	322,436
Commissions	160,116	111,466
Administrative expenses	85,291	64,727
Premium taxes	33,958	24,176
Total claims and expenses	**694,397**	522,805
Underwriting income (loss)	**42,372**	(5,541)
Net investment earnings (note 13)	45,956	48,117
Other income (note 4)	–	3,500
Income before income taxes	**88,328**	46,076
Income tax expense (note 14)	3,801	4,436
Net income from continuing operations	**84,527**	41,640
Net loss from discontinued operations – net of tax (note 4)	–	(989)
Net income	**84,527**	40,651
Other comprehensive income (loss)	(1,832)	109
Comprehensive income	**$ 82,695**	$ 40,760
Attributable to:		
The Province of Saskatchewan	82,695	41,198
Non-controlling interest from discontinued operations (note 4)	–	(438)
	$ 82,695	$ 40,760

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

Consolidated Statement of Changes in Equity

For the periods ended	(thousands of $) 15 months ended March 31 2016 (note 2)	(thousands of $) 12 months ended December 31 2014
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 224,513	$ 214,954
Net income from continuing operations	84,527	41,640
Net loss from discontinued operations attributable to shareholder	–	(551)
Other comprehensive income (loss)	(1,832)	109
Dividends	(47,250)	(31,639)
Balance, end of period	**$ 259,958**	$ 224,513
Total Province of Saskatchewan's equity	**$ 339,958**	$ 304,513
Non-controlling interest		
Balance, beginning of period	$ –	$ 3,494
Comprehensive loss	–	(438)
Sale of ICPEI (note 4)	–	(3,056)
Balance, end of period	**$ –**	$ –
Total equity	**$ 339,958**	$ 304,513

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

Consolidated Statement of Cash Flows

For the periods ended	(thousands of $) 15 months ended March 31 2016 (note 2)	12 months ended December 31 2014
Cash provided by (used for):		
Operating activities		
Net income	$ 84,527	$ 40,651
Continuing operations		
Non-cash items:		
Bond amortization	4,571	3,366
Depreciation	8,131	6,192
Net realized gains on sale of investments	(42,293)	(22,342)
Net unrealized losses on change in market value of investments	23,737	927
Actuarial gain (loss) on employee benefit plans	(1,832)	109
Deferred income taxes	(290)	(255)
Change in non-cash operating items (note 17)	(6,401)	43,297
	70,150	71,945
Discontinued operations (note 4)	–	(6,037)
	70,150	65,908
Investing activities		
Continuing operations		
Purchases of investments	(1,198,347)	(913,196)
Proceeds on sale of investments	1,174,171	843,635
Proceeds on sale of discontinued operaton (note 4)	–	8,709
Purchases of property and equipment, net of proceeds from disposals	(2,179)	(3,192)
	(26,355)	(64,044)
Discontinued operations (note 4)	–	7,395
	(26,355)	(56,649)
Financing activities		
Continuing operations		
Dividends received	–	51
Dividends paid	(35,622)	(30,942)
	(35,622)	(30,891)
Discontinued operations (note 4)	–	(2,296)
	(35,622)	(33,187)
Increase (decrease) in cash and cash equivalents	**8,173**	(23,928)
Cash and cash equivalents, beginning of period	18,680	42,608
Cash and cash equivalents, end of period	**$ 26,853**	$ 18,680
Supplemental cash flow information:		
Interest received	$ 14,058	$ 12,668
Dividends received	$ 1,944	$ 2,269
Income taxes paid	$ 7,535	$ 3,277

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

Notes to the Consolidated Financial Statements

March 31, 2016

1. Nature of Operations

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

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta and Ontario, and represent approximately 16.3% (December 31, 2014 – 15.9%) of the Corporation's consolidated gross premiums written.

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

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

2. Basis of Preparation

Statement of compliance

The consolidated financial statements for the periods ended March 31, 2016, and December 31, 2014, have been prepared in accordance with International Financial Reporting Standards (IFRS). References to IFRS are based on Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises as set out in Part 1 of the CPA Canada handbook. Part 1 of the CPA Canada handbook incorporates IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee.

In December 2015, the Corporation was directed by the provincial government to change its fiscal year end from December 31 to March 31 to coincide with the Government of Saskatchewan. These financial statements represent the first complete fiscal period subsequent to this direction. The current fiscal period includes the 15 months ending March 31, 2016, with comparative financial statements for the 12 months ended December 31, 2014. As a result, information contained in these consolidated financial statements may not be entirely comparable.

Basis of measurement

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

Statement of financial position classification

The Consolidated Statement of Financial Position has been prepared on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet (non-current) presented in the notes.

Functional and presentation currency

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

Use of estimates and judgment

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims (note 9), the valuation of accounts receivable (note 6), employee future benefits (note 18), and the valuation of investments classified as Level 3 (note 7).

3. Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and the consolidated accounts of its 100%-owned subsidiaries, SCISL and Coachman. All inter-company accounts and transactions have been eliminated on consolidation. While Coachman and SCISL's year ends are both December 31, their financial accounting records have been consolidated using the same fiscal period as the Corporation, that being, as at and for the 15-month period ending March 31, 2016. The financial accounting records of the Corporation and its subsidiaries are prepared using consistent accounting policies.

Discontinued operations

A disposal group is classified as assets held for sale when the Corporation expects the carrying amount to be recovered through a sales transaction rather than through continuing use. This condition is regarded as having been met when the disposal group is available for sale in its present condition, and the sale is highly probable and expected to occur within one year from the date of reclassification. Disposal groups classified as held for sale are measured at the lower of their previous carrying amounts, prior to being reclassified, and fair value less costs to sell. Assets and liabilities directly associated with the disposal group are presented separately from assets and liabilities related to continuing operations. Discontinued operations are presented separately from continuing operations in the Consolidated Statement of Operations, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows.

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized in net income. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income (OCI);

however, unrealized losses on investments that show objective evidence of impairment are recognized as a decrease to net income. Financial assets designated as held to maturity, or loans and receivables, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Corporation has no financial assets and liabilities designated as available for sale or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as fair value through profit and loss. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as other financial liabilities. Unpaid claims recoverable from reinsurers, amounts due to reinsurers and the provision for unpaid claims are exempt from the above requirement.

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

Fair value of financial instruments

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

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

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

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

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include short-term investments and bonds and debentures. Fair value for short-term investments and bonds and debentures is based on, or derived from, market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

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

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

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

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

Investments

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

Investments under securities lending program

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

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

Investment earnings

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

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

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

Foreign currency translation

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

Premiums written

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

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

Provision for unpaid claims

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

Deferred policy acquisition costs

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

Reinsurance ceded

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

Income taxes

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

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

Employees’ future benefits

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

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

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

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

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

For the defined benefit plan:

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

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

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

(iv) Past service costs are expensed immediately.

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

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

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

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

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

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

Cash and cash equivalents

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

Property and equipment

All classes of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, building and building components, fair value upon transition to IFRS has been used as the deemed cost.

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

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

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

Building	40 years
Building components	15-30 years
Computer hardware and other equipment	3-5 years

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

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

Leased assets

Leases where the Corporation does not assume substantially all of the risks and rewards of ownership are classified as operating leases. The payments are expensed as they are incurred.

Provisions and contingent liabilities

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

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

Structured settlements

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

Comprehensive income

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

Future accounting policy changes

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

IFRS 4 – Insurance Contracts

In June 2013, the IASB published a revised exposure draft (2013 ED) on accounting for insurance contracts that builds on consultations undertaken in 2007 and 2010. The 2013 ED is the result of deliberations at the IASB using comments received from constituents. The ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts.* Proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on financial reporting of insurers. A final standard is expected in 2016 with implementation not expected before 2019. The Corporation is in the process of assessing the impact of the new proposed standard.

In July 2015, the IASB amended the existing IFRS 4 to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments,* before the new insurance contracts standard is issued. Insurers who meet certain criteria will be permitted to exclude from net income and recognize in other comprehensive income the difference between the amounts that would be recognized in net income in accordance with IFRS 9 and the amounts recognized in net income in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.*

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39, *Financial Instruments: Recognition and Measurement* to IFRS 9, *Financial Instruments*. The amendments are effective on adoption of IFRS 9. The amendments issued are permitted to be early adopted where IFRS 9 is also early adopted. The Office of the Superintendent of Financial Institutions (OSFI) has indicated that it will not allow early adoption of IFRS 9 for federally regulated financial institutions. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement.*

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

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

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

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The IASB has proposed temporary deferral and overlay approaches for insurers, as detailed in their December 2015 Exposure Draft Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts* (Proposed amendments to IFRS 4). Proposed changes would allow reporting entities, where the liabilities are predominately arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

The Corporation is in the process of assessing the impact of the new standard and changes proposed in the Exposure Draft.

IAS 12 – Income Taxes

In January 2016, IAS 12 was amended to clarify guidance in the standard related to the measurement of deductible temporary differences for unrealized losses on debt instruments measured at fair value, the estimation of probable future taxable income, and the assessment of deferred tax assets in combination with other deferred tax assets. These amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation is evaluating the impact this amendment will have on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. generally accepted accounting principles. This standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4, *Insurance Contracts*; therefore, this standard will have a limited impact on the Corporation.

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and is intended to replace IAS 17, *Leases*, and related IFRICs. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019. The Corporation is evaluating the impact this standard will have on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the financial statements, that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate, and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

Annual Improvements Cycles

In 2014, the IASB issued Annual Improvements Cycle 2012-2014, which include minor amendments to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7, *Financial Instruments: Disclosures*, IAS 19, *Employee Benefits* and IAS 34, *Interim Financial Reporting.* The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments issued are all effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

4. Discontinued Operations

During 2014, the Corporation sold the shares of its 75%-owned subsidiary, Insurance Company of Prince Edward Island (ICPEI), for a purchase price equal to ICPEI's book value as at the transaction closing date, June 30, 2014. Following receipt of regulatory approval, the sale closed on June 30, 2014, for total proceeds of $8,709,000 representing the book value as at June 30, 2014. Other income of $3,500,000 relates to the perpetual lease of SGI CANADA's information system, which was part of the overall transaction to sell ICPEI.

As part of the sale agreement, 54 months after the closing date, the purchaser shall deliver to the Corporation a report of the ultimate losses prior to June 30, 2014, certified by the purchaser's appointed actuary. If the amount of the final closing date ultimate loss is greater than the initial closing date ultimate loss, a deficiency, the Corporation shall pay to the purchaser an amount equal to the lesser of $1,500,000 or 75% of the deficiency. Conversely, if the amount of the final closing date ultimate loss is less than the initial closing date ultimate loss, a surplus, the purchaser shall pay to the Corporation an amount equal to the lesser of $1,500,000 or 75% of the surplus. The purchaser is required to provide the Corporation with an estimate of the amount annually. As at March 31, 2016, a surplus of $1,370,000 (December 31, 2014 – $244,000) was estimated, which has not been recorded in these Consolidated Financial Statements.

The net loss from discontinued operations is as follows:

	(thousands of $) six months ended June 30 2014
Gross premiums written	$ 13,440
Premiums ceded to reinsurers	(430)
Net premiums written	13,010
Change in net unearned premiums	(951)
Net premiums earned	**12,059**
Net claims incurred	10,649
Commissions	2,068
Administrative expenses	1,862
Premium taxes	485
Facility Association participation	46
Total claims and expenses	**15,110**
Underwriting loss	**(3,051)**
Investment earnings	791
Loss before income taxes	**(2,260)**
Income tax recovery	(552)
Loss from discontinued operations	**(1,708)**
Administrative expenses from SGI CANADA	719
Net loss from discontinued operations	**$ (989)**

ICPEI's administrative expenses include $719,000 of expenses allocated from its parent, SGI CANADA. As the related expenses are expected to continue after completion of the sale transaction, these expenses are added back to net income from discontinued operations and shown as an expense in continuing operations.

5. Cash and Cash Equivalents

	(thousands of $)	
	March 31 2016	December 31 2014
Money market investments	$ 24,516	$ 32,358
Cash (bank overdraft), net of outstanding cheques	2,337	(13,678)
Total cash and cash equivalents	$ 26,853	$ 18,680

The average effective interest rate on money market investments is 0.5% (December 31, 2014 – 1.0%).

6. Accounts Receivable

Accounts receivable is comprised of the following:

	(thousands of $)	
	March 31 2016	December 31 2014
Due from insureds	$ 113,023	$ 106,691
Due from brokers	41,038	47,983
Amounts recoverable on claims paid	11,200	8,977
Accrued investment income	2,655	2,593
Due from reinsurers	2,410	1,012
Facility Association (note 20)	2,187	1,868
Other	2,065	2,037
Income tax receivable (note 14)	1,978	–
	176,556	171,161
Less: Allowance for doubtful accounts (note 15)	(9,512)	(7,250)
Total accounts receivable	$ 167,044	$ 163,911
Current	159,124	155,766
Non-current	7,920	8,145
	$ 167,044	$ 163,911

Included in due from insureds is $105,230,000 (December 31, 2014 – $99,893,000) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment earnings that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized in investment earnings using the effective interest method. The effective interest rate is 8.0% (December 31, 2014 – 8.0%).

Due from brokers includes loans receivable with a carrying value of $8,980,000 (December 31, 2014 – $9,120,000). The loans require annual repayments with terms ranging between one to 10 years. The loans accrue interest at rates ranging from 3.5% to 6.0% (December 31, 2014 – 3.5% to 6.0%) and are secured by general security agreements. The loans are recorded at their amortized cost, which is considered to be equal to their fair value.

7. Investments

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

	(thousands of $)	
	March 31 2016	December 31 2014
Short-term investments	$ 104,867	$ 109,465
Bonds and debentures	287,933	321,376
Canadian common shares	30,648	47,318
U.S. common shares	–	56,702
Pooled funds:		
Canadian equity	17,395	19,415
Global equity	107,491	–
Global small cap equity	20,606	–
U.S. equity	–	22,857
Non-North American equity	–	51,577
Mortgage	113,225	97,998
Real estate	18,120	–
	700,285	726,708
Investments under securities lending program		
Bonds and debentures	141,398	81,530
Canadian common shares	16,659	9,748
U.S. common shares	–	2,195
	158,057	93,473
Total investments	$ 858,342	$ 820,181

Details of significant terms and conditions, exposures to interest rate and credit risks of investments and counterparty risk are as follows:

Short-term investments

Short-term investments are comprised of money market investments with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 0.6% (December 31, 2014 – 1.0%) and an average remaining term to maturity of 128 days (December 31, 2014 – 122 days). The Corporation's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

Bonds and debentures

The Corporation's investment policy states that the minimum quality standard for purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Corporation's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. No more than 10% of the market value of the bond portfolio shall be invested in securities of foreign issuers.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	(thousands of $)			
	March 31, 2016		December 31, 2014	
Term to maturity (years)	Carrying Value	Average Effective Rates (%)	Carrying Value	Average Effective Rates (%)
Government of Canada:				
One or less	$ 66,553	0.9	$ –	–
After one through five	43,857	0.8	125,576	1.3
Canadian provincial and municipal:				
One or less	–	–	8,536	1.2
After one through five	83,419	1.2	58,396	1.4
After five	10,181	1.7	–	–
Canadian corporate:				
One or less	40,845	1.4	22,299	1.1
After one through five	169,617	1.6	182,630	1.8
After five	14,859	3.7	5,469	2.9
Total bonds and debentures	$ 429,331		$ 402,906	

Common shares

On the basis of its analysis of the nature, characteristics and risks of its common share investments, the Corporation has determined presenting them by geography is appropriate. Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 2.3% (December 31, 2014 – 1.9%).

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Corporation's common shares portfolio. As well, no one holding may represent more than 10% of the voting shares of any corporation.

Pooled funds

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

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. When securities are loaned, the Corporation is exposed to counterparty risk, which is the risk that the borrower will not return the loaned securities or, if the collateral is liquidated, it may be for less than the value of the loan. The Corporation mitigates this risk through non-cash collateral and a guarantee provided by its custodian.

Non-cash collateral of at least 105% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At March 31, 2016, the Corporation held collateral of $165,961,000 (December 31, 2014 – $98,156,000) for the loaned securities.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

	(thousands of $)			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 104,867	$ –	$ 104,867
Bonds and debentures	–	429,331	–	429,331
Canadian common shares	47,307	–	–	47,307
Pooled funds:				
Canadian equity	17,395	–	–	17,395
Global equity	107,491	–	–	107,491
Global small cap equity	20,606	–	–	20,606
Mortgage	–	–	113,225	113,225
Real estate	–	–	18,120	18,120
	$ 192,799	$ 534,198	$ 131,345	$ 858,342

	(thousands of $)			
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 109,465	$ –	$ 109,465
Bonds and debentures	–	402,906	–	402,906
Canadian common shares	57,066	–	–	57,066
U.S. common shares	58,897	–	–	58,897
Pooled funds:				
Canadian equity	19,415	–	–	19,415
U.S. equity	22,857	–	–	22,857
Non-North American equity	51,577	–	–	51,577
Mortgage	–	–	97,998	97,998
	$ 209,812	$ 512,371	$ 97,998	$ 820,181

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. During the periods ended March 31, 2016, and December 31, 2014, no investments were transferred between levels.

A reconciliation of Level 3 investments is as follows:

	(thousands of $)	
	March 31 2016	December 31 2014
Level 3 investments, beginning of the period	$ 97,998	$ –
Add: Additions during the period		
Mortgage pooled fund	14,029	95,756
Real estate fund	17,731	–
Net unrealized gains	1,587	2,242
Level 3 investments, end of period	$ 131,345	$ 97,998

Investment in the pooled mortgage fund and the pooled real estate fund are valued using the Coporation's share of the net asset value of the respective fund as at March 31, 2016 and December 31, 2014.

8. Property and Equipment

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

	(thousands of $)				
	Land	Buildings	Building Components	Computer Hardware & Other Equipment	Total
Cost:					
Beginning of the period	$ 3,000	$ 23,660	$ 8,861	$ 32,441	$ 67,962
Additions	–	27	793	1,359	2,179
Disposals	–	–	–	(1)	(1)
At March 31, 2016	3,000	23,687	9,654	33,799	70,140
Accumulated depreciation:					
Beginning of the period	–	11,623	3,166	23,360	38,149
Depreciation	–	3,027	1,143	3,961	8,131
Disposals	–	–	–	(1)	(1)
At March 31, 2016	–	14,650	4,309	27,320	46,279
Net book value at March 31, 2016	$ 3,000	$ 9,037	$ 5,345	$ 6,479	$ 23,861

	(thousands of $)				
	Land	Buildings	Building Components	Computer Hardware & Other Equipment	Total
Cost:					
At January 1, 2014	$ 3,000	$ 23,773	$ 8,331	$ 29,974	$ 65,078
Discontinued operations	–	(99)	–	(144)	(243)
	3,000	23,674	8,331	29,830	64,835
Additions	–	–	530	2,662	3,192
Disposals	–	(14)	–	(51)	(65)
At December 31, 2014	3,000	23,660	8,861	32,441	67,962
Accumulated depreciation:					
At January 1, 2014	–	9,302	2,289	20,652	32,243
Discontinued operations	–	(94)	–	(127)	(221)
	–	9,208	2,289	20,525	32,022
Depreciation	–	2,429	877	2,886	6,192
Disposals	–	(14)	–	(51)	(65)
At December 31, 2014	–	11,623	3,166	23,360	38,149
Net book value at December 31, 2014	$ 3,000	$ 12,037	$ 5,695	$ 9,081	$ 29,813

Depreciation for the period is $8,131,000 (December 31, 2014 – $6,192,000), of which $2,133,000 (December 31, 2014 – $1,573,000) is charged to the Saskatchewan Auto Fund for related space usage. Depreciation is included in administrative expenses on the Consolidated Statement of Operations. When an asset has been disposed, its original cost is removed from the consolidated financial statements along with any accumulated depreciation related to that asset.

9. Claims Incurred and Provision for Unpaid Claims

Net claims incurred

	(thousands of $)					
	March 31, 2016			December 31, 2014		
	15 months ended March 31	Prior years	Total	12 months ended December 31	Prior years	Total
Gross claims incurred	$ 464,620	$ (47,187)	$ 417,433	$ 387,575	$ (30,527)	$ 357,048
Ceded claims incurred	(9,626)	7,225	(2,401)	(37,790)	3,178	(34,612)
Net claims incurred	$ 454,994	$ (39,962)	$ 415,032	$ 349,785	$ (27,349)	$ 322,436

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

Ceded claims incurred represent an estimate of the recoverable cost of those claims transferred to the Corporation's various reinsurers pursuant to reinsurance contracts (note 15).

Net provision for unpaid claims

	(thousands of $)	
	March 31 2016	December 31 2014
Net unpaid claims, beginning of period – discounted	$ 396,099	$ 368,011
PFAD and discount, beginning of the period	(17,743)	(10,931)
Net unpaid claims, beginning of period – undiscounted	378,356	357,080
Payments made during the period relating to:		
Prior year claims	(143,867)	(125,170)
Prior year Facility Association claims	(3,538)	(1,238)
Excess relating to:		
Prior year estimated unpaid claims	(38,642)	(27,574)
Prior year estimated unpaid Facility Association claims	(1,320)	224
Net unpaid claims, prior periods – undiscounted	190,989	203,322
Net unpaid claims, current period	192,947	173,396
Net unpaid Facility Association claims, current period	4,688	1,638
Net unpaid claims, end of period – undiscounted	388,624	378,356
PFAD and discount, end of period	20,814	17,743
Net unpaid claims, end of period – discounted	409,438	396,099

The net provision for unpaid claims of $409,438,000 (December 31, 2014 – $396,099,000) consists of the gross provision for unpaid claims of $440,754,000 (December 31, 2014 – $451,584,000) less unpaid claims recoverable from reinsurers of $31,316,000 (December 31, 2014 – $55,485,000).

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

The provision for unpaid claims and unpaid claims recoverable from reinsurers are carried on a discounted basis to reflect the time value of money. In that respect, the Corporation determines the discount rate based upon the expected return of the bond investments that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 1.56% (December 31, 2014 – 1.71%). The resulting carrying amount is considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

Net unpaid claims

	(thousands of $)					
	Gross Unpaid Claims		Reinsurance Recoverable		Net Unpaid Claims	
	March 31 2016	December 31 2014	March 31 2016	December 31 2014	March 31 2016	December 31 2014
Provision for reported claims, undiscounted	$ 264,085	$ 279,181	$ 26,740	$ 48,941	$ 237,345	$ 230,240
Provision for claims incurred but not reported	154,270	152,288	2,991	4,172	151,279	148,116
PFAD	37,873	36,870	2,511	3,942	35,362	32,928
Effects of discounting	(15,474)	(16,755)	(926)	(1,570)	(14,548)	(15,185)
	$ 440,754	$ 451,584	$ 31,316	$ 55,485	$ 409,438	$ 396,099

Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the life insurers' default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at March 31, 2016, no information has come to the Corporation's attention that would suggest any weakness or failure in the life insurers from which it has purchased annuities. The net present value of the scheduled payments as of the period-end date is $61,473,000 (December 31, 2014 – $60,760,000). The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Corporation considers the possibility of default to be remote.

10. Deferred Policy Acquisition Cost

	(thousands of $)	
	March 31 2016	December 31 2014
Deferred policy acquisition costs, beginning of the period	$ 73,346	$ 65,938
Acquisition costs deferred during the period	172,440	129,379
Amortization of deferred acquisition costs	(170,662)	(122,165)
Change in premium deficiency	20	194
Deferred policy acquisition costs, end of the period	75,144	73,346

11. Unearned Premiums

	(thousands of $)					
	Gross Unearned Premiums		Reinsurers' Share of Unearned Premiums		Net Unearned Premiums	
	March 31 2016	December 31 2014	March 31 2016	December 31 2014	March 31 2016	December 31 2014
Unearned premiums, beginning of the period	$ 310,324	$ 279,358	$ 11,149	$ 12,777	$ 299,175	$ 266,581
Premiums written	796,661	592,775	66,678	42,917	729,983	549,858
Premiums earned	(787,004)	(561,809)	(50,235)	(44,545)	(736,769)	(517,264)
Change in net unearned premiums	9,657	30,966	16,443	(1,628)	(6,786)	32,594
Unearned premiums, end of the period	$ 319,981	$ 310,324	$ 27,592	$ 11,149	$ 292,389	$ 299,175

12. Equity Advances

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

13. Net Investment Earnings

Components of investment earnings are as follows:

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Net realized gains on sale of investments	$ 42,293	$ 22,342
Interest	10,139	9,390
Pooled fund distributions	9,383	10,580
Premium financing	8,321	5,847
Dividends	1,879	2,292
Net unrealized losses on change in market value of investments	(23,737)	(927)
Total investment earnings	48,278	49,524
Investment expenses	(2,322)	(1,407)
Net investment earnings	$ 45,956	$ 48,117

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

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Bonds and debentures	$ (1,586)	$ 954
Canadian common shares	(4,768)	2,382
U.S. common shares	(14,305)	3,522
Pooled funds:		
Canadian equity	(2,341)	721
Global equity	1,273	–
Global small cap equity	(849)	–
U.S. equity	(3,850)	94
Non-North American equity	1,102	(10,842)
Mortgage	1,198	2,242
Real estate	389	–
	$ (23,737)	$ (927)

14. Income Taxes

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

	(thousands of $)	
	March 31 2016	December 31 2014
Current	$ 4,091	$ 4,691
Deferred	(290)	(255)
Income tax expense	$ 3,801	$ 4,436

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

The reasons for the differences are as follows:

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Income before income taxes	$ 88,328	$ 46,076
Combined federal and provincial tax rate	26.51%	26.08%
Computed tax expense based on combined rate	$ 23,416	$ 12,017
Decrease resulting from:		
Investment earnings not subject to taxation	(19,603)	(7,465)
Federal income tax credits	–	(63)
Other	(12)	(53)
Income tax expense	$ 3,801	$ 4,436

The combined federal and provincial tax rate is calculated by taking the federal tax rate added to the tax rate of the individual provinces on the basis of the pro rata share of premiums written from each jurisdiction. During the period ended March 31, 2016, there has been an increase in the combined tax rate to 26.51% from 26.08%, a result of an increase in the Alberta provincial tax rate.

All income taxes payable and/or receivable are due within one year. Income taxes receivable of $1,978,000 (December 31, 2014 – payable of $1,460,000) are included in accounts receivable (December 31, 2014 – accounts payable and accrued liabilities) on the Consolidated Statement of Financial Position.

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

Deferred tax asset	(thousands of $)		
	Provision for unpaid claims	Other	Total
At January 1, 2014	$ 2,633	$ (108)	$ 2,525
Credit reflected in income tax expense	130	112	242
At December 31, 2014	2,763	4	2,767
Credit reflected in income tax expense	280	1	281
At March 31, 2016	$ 3,043	$ 5	$ 3,048

Deferred tax liability	(thousands of $)		
	Unpaid claims recoverable from reinsurers	Investments	Total
At January 1, 2014	$ 934	$ 91	$ 1,025
Credit reflected in income tax expense	(97)	(25)	(122)
At December 31, 2014	837	66	903
Charge (credit) reflected in income tax expense	4	(13)	(9)
At March 31, 2016	$ 841	$ 53	$ 894

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

15. Insurance and Financial Risk Management

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

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

Insurance risk

Underwriting risk

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

Diversification

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

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

	(thousands of $)				
15 months ended March 31, 2016	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 193,584	$ 258,076	$ 65,310	$ 44,899	$ 561,869
Ontario	58,065	8,123	8,143	4,709	79,040
Alberta	71,913	36,786	10,860	9,303	128,862
Manitoba	–	13,878	7,703	4,067	25,648
British Columbia	–	90	732	420	1,242
Total	$ 323,562	$ 316,953	$ 92,748	$ 63,398	$ 796,661

	(thousands of $)				
12 months ended December 31, 2014	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 154,207	$ 189,262	$ 49,224	$ 37,285	$ 429,978
Ontario	43,439	6,430	5,217	3,188	58,274
Alberta	50,986	21,584	6,441	6,397	85,408
Manitoba	–	10,526	5,126	3,085	18,737
Assumed from Maritimes	45	108	70	155	378
Total	$ 248,677	$ 227,910	$ 66,078	$ 50,110	$ 592,775

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2016	December 31 2014	March 31 2016	December 31 2014	March 31 2016	December 31 2014
Automobile	$ 219,106	$ 212,286	$ 13,755	$ 12,928	$ 205,351	$ 199,358
Personal property	102,083	122,079	8,056	28,683	94,027	93,396
Commercial property	28,882	31,730	5,249	8,098	23,633	23,632
Liability	58,328	54,683	2,671	3,404	55,657	51,279
Assumed	4,318	5,327	–	–	4,318	5,327
PFAD and discounting	22,399	20,115	1,585	2,372	20,814	17,743
Facility Association (note 20)	5,638	5,364	–	–	5,638	5,364
Total	$ 440,754	$ 451,584	$ 31,316	$ 55,485	$ 409,438	$ 396,099

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2016	December 31 2014	March 31 2016	December 31 2014	March 31 2016	December 31 2014
Saskatchewan	$ 231,641	$ 258,575	$ 14,767	$ 39,966	$ 216,874	$ 218,609
Ontario	127,534	125,653	12,226	11,441	115,308	114,212
Alberta	70,554	59,284	4,226	3,519	66,328	55,765
Manitoba	8,895	6,343	97	559	8,798	5,784
British Columbia	145	–	–	–	145	–
Maritimes	1,985	1,729	–	–	1,985	1,729
Total	$ 440,754	$ 451,584	$ 31,316	$ 55,485	$ 409,438	$ 396,099

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 as follows:

	(thousands of $)	
	March 31 2016	December 31 2014
Dwelling and farm property	$ 1,000	$ 800
Unlicensed vehicles	1,000	800
Commercial property	1,000	1,250
Automobile and general liability	1,500	1,500

In addition, the Corporation carries property and auto physical damage catastrophe reinsurance limiting combined exposure to $12,500,000 per event (subject to an annual aggregate deductible of $12,500,000). In 2014, the Corporation carried similar coverage, although only covering property losses with no annual aggregate deductible.

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

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

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Premiums earned	$ 50,235	$ 44,545
Claims incurred	2,401	34,612
Commissions, administrative expenses and premium taxes	4,264	5,380

Actuarial risk

Establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances, and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the 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 provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

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

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

	(thousands of $)								
	January 1 – December 31								Jan 1, 2015 – Mar 31, 2016
Accident Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	
Net ultimate loss									
At end of accident year	$ 170,805	$ 175,967	$ 185,961	$ 230,112	$ 258,366	$ 228,674	$ 293,023	$ 314,683	$ 411,808
One year later	171,654	171,351	178,983	226,820	251,481	222,271	282,681	294,602	
Two years later	167,640	169,027	176,134	224,536	245,906	214,131	273,566		
Three years later	165,837	167,273	173,258	224,283	241,873	209,880			
Four years later	164,746	165,109	172,483	222,718	240,493				
Five years later	163,113	165,349	172,447	223,025					
Six years later	163,037	165,528	172,470						
Seven years later	162,819	165,348							
Eight years later	162,666								
Cumulative loss development	$ (8,139)	$ (10,619)	$ (13,491)	$ (7,087)	$ (17,873)	$ (18,794)	$ (19,457)	$ 20,081	n/a
Cumulative loss development as a % of original ultimate loss	(4.8%)	(6.0%)	(7.3%)	(3.1%)	(6.9%)	(8.2%)	(6.6%)	6.4%	n/a

The Corporation changed its year end from December 31 to March 31, effective the March 31, 2016 fiscal period. As such, the shaded net ultimate losses are as at December 31 and the non-shaded net ultimate losses are as at March 31. Due to the transition of year ends, the March 31, 2016 accident year is for 15 months, whereas all other accident years are 12 months.

	(thousands of $)									
	January 1 – December 31								Jan 1, 2015 – Mar 31, 2016	
Accident Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**		**Total**
Estimate of net ultimate loss	$ 162,666	$ 165,348	$ 172,470	$ 223,025	$ 240,493	$ 209,880	$ 273,566	$ 294,602	$ 411,808	$ 2,153,858
Cumulative paid	(158,955)	(161,253)	(164,828)	(215,509)	(225,108)	(194,662)	(246,333)	(244,564)	(234,780)	(1,845,992)
Net provision for unpaid claims for the nine most recent accident years	$ 3,711	$ 4,095	$ 7,642	$ 7,516	$ 15,385	$ 15,218	$ 27,233	$ 50,038	$ 177,028	$ 307,866
Net undiscounted claims outstanding for accident years 2006 and prior										24,523
Internal reinsurance to subsidiaries										22,227
Provision for adverse deviation and discounting										20,814
Loss adjusting expense reserve										11,057
Subrogation recoveries										11,073
Unpaid Facility Association claims										5,638
Assumed from ICPEI										1,975
Health levies										229
Other reconciling items										4,036
Net provision for unpaid claims										$ 409,438

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

		(thousands of $)			
		Change to Net Provision for Unpaid Claims		Change to Income before Income Taxes	
Assumption	Sensitivity	March 31 2016	December 31 2014	15 months ended March 31 2016	12 months ended December 31 2014
Discount rate	+100 bps	$ (10,507)	$ (9,549)	$ (1,540)	$ (2,366)
Discount rate	-100 bps	10,507	9,549	1,540	2,366
Net loss ratio	+ 10%	76,659	54,144	(76,659)	(54,144)
Misestimate	1% deficiency	3,848	3,742	(3,848)	(3,742)

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

Financial risk

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

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

Credit risk

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

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

	(thousands of $)	
	March 31 2016	December 31 2014
Cash and cash equivalents	$ 26,853	$ 18,680
Accounts receivable	167,044	163,911
Fixed income investments[1]	647,423	610,369
Unpaid claims recoverable from reinsurers	31,316	55,485

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

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

Cash and cash equivalents include money market investments of $24,516,000 plus cash, net of outstanding cheques of $2,337,000 (December 31, 2014 – money market investments of $32,358,000 less bank overdraft, net of outstanding cheques of $13,678,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

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

	(thousands of $)	
	March 31 2016	December 31 2014
Current	$ 164,864	$ 163,381
30 – 59 days	1,189	910
60 – 90 days	524	332
Greater than 90 days	9,979	6,538
Subtotal	176,556	171,161
Allowance for doubtful accounts	(9,512)	(7,250)
Total	$ 167,044	$ 163,911

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

	(thousands of $)	
	March 31 2016	December 31 2014
Allowance for doubtful accounts, beginning of period	$ 7,250	$ 5,722
Allowance related to discontinued operations	–	(48)
Accounts written off	(2,678)	(1,523)
Current period provision	4,940	3,099
Allowance for doubtful accounts, end of period	$ 9,512	$ 7,250

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

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

	March 31, 2016		December 31, 2014	
Credit Rating	**Fair Value (thousands of $)**	**Makeup of Portfolio (%)**	**Fair Value (thousands of $)**	**Makeup of Portfolio (%)**
AAA	$ 120,591	28.1	$ 126,317	31.4
AA	113,978	26.6	122,821	30.5
A	129,354	30.1	96,025	23.8
BBB	65,408	15.2	57,743	14.3
Total	$ 429,331	100.0	$ 402,906	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 pooled fund is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its own investment policy, which include single loan limits, diversification by property type and geographic regions within Canada. Each underlying mortgage is secured by real estate and related contracts.

Market risk

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

Interest rate risk

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

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

	(thousands of $)			
	100 basis point increase		**100 basis point decrease**	
	15 months ended March 31 2016	**12 months ended December 31 2014**	**15 months ended March 31 2016**	**12 months ended December 31 2014**
Net investment earnings	$ (12,047)	$ (11,915)	$ 12,047	$ 11,915
Net claims incurred	(10,507)	(9,549)	10,507	9,549
Income before income taxes	(1,540)	(2,366)	1,540	2,366

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	Maximum Exposure (%) March 31 2016	Current Exposure (%) March 31 2016	10% change in exchange rates (thousands of $) March 31 2016
Global equities	16.0	12.5	$ 10,749
Global small cap equities	4.0	2.4	2,061

Asset Class	Maximum Exposure (%) December 31 2014	Current Exposure (%) December 31 2014	10% change in exchange rates (thousands of $) December 31 2014
U.S. equities	14.0	10.0	$ 8,175
Non-North American equities	9.0	6.3	5,158

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

Equity prices

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 22.5% (December 31, 2014 – 25.6%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

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

	(thousands of $)					
Asset Class	March 31, 2016			December 31, 2014		
Canadian equities	$	+/-	10,896	$	+/-	22,409
Global equities		+/-	23,111		+/-	–
Global small cap equities		+/-	4,162		+/-	–
U.S. equities		+/-	–		+/-	22,728
Non-North American equities		+/-	–		+/-	13,410

The Corporation's equity investments are classified as fair value through profit and loss and any unrealized changes in their fair value are recorded in the Consolidated Statement of Operations.

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

Liquidity risk

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

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

	(thousands of $)					
	March 31, 2016					
	No stated maturity	**0 – 6 months**	**7 – 12 months**	**1 – 2 years**	**3 – 5 years**	**More than 5 years**
Financial assets						
Cash and cash equivalents	$ 2,337	$ 24,516	$ –	$ –	$ –	$ –
Accounts receivable	–	124,975	34,149	2,237	3,167	2,516
Investments	324,144	96,708	115,557	92,696	204,197	25,040
Unpaid claims recoverable from reinsurers	–	8,677	5,169	5,537	7,269	3,079
	$ 326,481	$ 254,876	$ 154,875	$ 100,470	$ 214,633	$ 30,635
Financial liabilities						
Accounts payable and accrued liabilities	$ 25,387	$ 8,270	$ –	$ –	$ –	$ –
Dividend payable	–	22,250	–	–	–	–
Premium taxes payable	–	5,651	–	–	–	–
Amounts due to reinsurers	–	24,534	71	–	–	–
Accrued pension liabilities	22,736	–	–	–	–	–
Provision for unpaid claims	–	119,695	66,399	65,744	96,255	70,262
	48,123	180,400	66,470	65,744	96,255	70,262
Finance lease commitments	–	618	613	1,012	1,083	–
	$ 48,123	$ 181,018	$ 67,083	$ 66,756	$ 97,338	$ 70,262

	(thousands of $)					
	December 31, 2014					
	No stated maturity	0 – 6 months	7 – 12 months	1 – 2 years	3 – 5 years	More than 5 years
Financial assets						
Cash and cash equivalents	$ (13,678)	$ 32,358	$ –	$ –	$ –	$ –
Accounts receivable	–	104,021	51,744	1,959	2,859	3,328
Investments	307,810	91,297	49,003	136,574	230,027	5,470
Unpaid claims recoverable from reinsurers	–	21,077	11,542	9,426	7,664	3,404
	$ 294,132	$ 248,753	$ 112,289	$ 147,959	$ 240,550	$ 12,202
Financial liabilities						
Accounts payable and accrued liabilities	$ 27,354	$ 12,873	$ –	$ –	$ –	$ –
Dividend payable	–	10,622	–	–	–	–
Premium taxes payable	–	24,080	–	–	–	–
Amounts due to reinsurers	–	7,491	92	–	–	–
Accrued pension liabilities	22,362	–	–	–	–	–
Provision for unpaid claims	–	138,828	69,665	64,618	94,189	64,169
	49,716	193,894	69,757	64,618	94,189	64,169
Finance lease commitments	–	622	622	924	2,098	–
	$ 49,716	$ 194,516	$ 70,379	$ 65,542	$ 96,287	$ 64,169

The estimated contractual maturities related to the unpaid claims recoverable from reinsurers excludes the net effect of discounting and PFAD of $1,585,000 (December 31, 2014 – $2,372,000) (note 9). The estimated contractual maturities related to the provision for unpaid claims excludes the net effect of discounting and PFAD of $22,399,000 (December 31, 2014 – $20,115,000) (note 9).

16. Capital Management

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

SGI CANADA is not a regulated insurer; however, its subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman Insurance Company, are subject to rate regulation related to their automobile premiums. Although not federally regulated, SGI CANADA has chosen to follow the guidance provided by OSFI in determining and monitoring capital targets.

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

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

17. Change in Non-Cash Operating Items

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

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Accounts receivable	$ (3,133)	$ (14,539)
Unpaid claims recoverable from reinsurers	24,169	(24,308)
Reinsurers' share of unearned premiums	(16,443)	1,628
Deferred policy acquisition costs	(1,798)	(7,408)
Accounts payable and accrued liabilities	(4,937)	3,836
Premium taxes payable	(18,429)	2,407
Amounts due to reinsurers	17,022	(1,805)
Unearned reinsurance commissions	(2,053)	582
Unearned premiums	9,657	30,966
Accrued pension liabilities	374	(458)
Provision for unpaid claims	(10,830)	52,396
	$ (6,401)	$ 43,297

18. Employee Salaries and Benefits

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

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

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

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Salaries	$ 160,490	$ 127,348
Defined contribution pension plan	9,189	7,103
Defined benefit pension plan	123	157
Defined benefit service recognition plans	1,045	971
Other benefits	22,622	18,751
Total salaries and benefits	193,469	154,330
Less: Allocation to Saskatchewan Auto Fund	(120,744)	(93,987)
Salaries and benefits SGI CANADA	$ 72,725	$ 60,343

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, 2013. The next valuation is anticipated to have a valuation date of December 31, 2016.

Results from the last actuarial valuation have been projected to March 31, 2016. The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

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

Economic assumptions:	March 31 2016	December 31 2014
Discount rate – beginning of period	3.70%	4.30%
Discount rate – end of period	3.40%	3.70%
Inflation rate	2.00%	2.50%
Expected salary increase	n/a	2.50%
Remaining service life of active members, in years (EARSL)	n/a	1
Last actuarial valuation	Dec. 31/13	Dec. 31/13

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

	1% Increase		1% Decrease	
	March 31 2016	December 31 2014	March 31 2016	December 31 2014
Discount rate	(2,797)	(2,937)	3,317	3,477
Post-retirement indexing	632	833	n/a	n/a

The weighted average duration of the accrued benefit obligation is 9.1 years (December 31, 2014 – 8.9 years). An increase in the average life expectancy of a pensioner by one year is estimated to increase the accrued benefit obligation by approximately $1,403,000 (December 31, 2014 – $1,471,000).

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

Asset Category	Target Range	Per cent of Plan Assets at March 31 2016	Per cent of Plan Assets at December 31 2014
Short-term investments	0 – 8%	0%	0%
Bonds and debentures	55 – 65%	59%	59%
Canadian equities	10 – 20%	17%	17%
U.S. equities	Total foreign	12%	13%
Non-North American equities	17 – 27%	12%	11%

The movements in the defined benefit obligation are as follows:

Accrued benefit obligation	(thousands of $) 15 months ended March 31 2016	(thousands of $) 12 months ended December 31 2014
Accrued benefit obligation, at beginning of period	$ 35,527	$ 35,678
Current service cost	2	13
Interest cost	1,558	1,460
Benefits paid	(4,149)	(3,217)
Actuarial gain on demographic assumption changes	–	(561)
Actuarial loss on discount rate assumption changes	1,375	1,982
Actuarial loss on mortality assumption changes	–	172
Accrued benefit obligation, at end of period	$ 34,313	$ 35,527

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

Plan assets	(thousands of $) 15 months ended March 31 2016	(thousands of $) 12 months ended December 31 2014
Fair value of plan assets, at beginning of period	$ 33,688	$ 33,070
Interest income	1,435	1,311
Return on plan assets, excluding interest income	1,242	2,512
Employer contributions	–	7
Employee contributions	2	5
Benefits paid	(4,149)	(3,217)
Fair value of plan assets, at end of period	$ 32,218	$ 33,688
Accrued pension liability	$ 2,095	$ 1,839

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

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Current service cost	$ –	$ 8
Interest cost	123	149
Pension expense	$ 123	$ 157

During the period, $84,000 of the pension expense (December 31, 2014 – $96,000 of pension expense) was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $39,000 of pension expense (December 31, 2014 – $61,000 of pension expense) in administrative expenses on the Consolidated Statement of Operations. The Corporation expects no contributions to be paid to its defined benefit plans in 2016.

Defined benefit service recognition plans

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

	March 31 2016	December 31 2014
Discount rate	3.10 – 3.20%	3.20 – 3.30%
Expected salary increase	2.50 – 4.00%	3.50%
Inflation rate	2.00%	2.50%
Termination rate	0.60%	2.50%
EARSL – management	11	9
EARSL – in-scope	10	9

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

	1% Increase		1% Decrease	
	March 31 2016	December 31 2014	March 31 2016	December 31 2014
Discount rate	(1,067)	(995)	1,228	1,136
Expected salary rate	1,153	1,122	(1,020)	(1,003)
Inflation rate	(141)	(2)	145	2
Termination rate	(1,116)	(1,060)	740	1,194

The weighted average duration of the accrued benefit obligation is 5.4 years (December 31, 2014 – 5.2 years).

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

Accrued benefit obligation	(thousands of $) 15 months ended March 31 2016	12 months ended December 31 2014
Accrued benefit obligation, at beginning of period	$ 20,523	$ 20,212
Current service cost	263	208
Interest cost	782	763
Benefits paid	(2,627)	(1,470)
Experience loss	1,700	810
Accrued benefit obligation, at end of period	$ 20,641	$ 20,523
Pension expense for the defined benefit service recognition plan is as follows:		
Current service cost	$ 263	$ 208
Interest cost	782	763
Pension expense	$ 1,045	$ 971

During the 15 months ended March 31, $708,000 of the pension expense (December 31, 2014 – $591,000) was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $337,000 of pension expense (December 31, 2014 – $380,000) in administrative expenses on the Consolidated Statement of Operations.

The Corporation incurs retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it. These amounts are recovered by the Corporation as part of its cost allocation process.

Measurement uncertainty exists in valuing the components of both the defined benefit pension plan and service recognition plans. Each assumption is determined by management based on current market conditions and plan experience information available at the time, however, the long-term nature of the exposure and future fluctuations in the actual results makes the valuations uncertain.

19. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as “related parties”). All transactions are settled under normal trade terms. The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures,* which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

The Corporation acts as administrator of the Saskatchewan Auto Fund. Administrative and loss adjustment expenses incurred by the Corporation are allocated to the Saskatchewan Auto Fund directly or on the basis of specific allocations. Amounts incurred by the Corporation and charged to the Saskatchewan Auto Fund were $174,251,000 (December 31, 2014 – $143,205,000) and accounts payable were $11,346,000 (December 31, 2014 – $3,925,000).

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

Key management personnel

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

Key management personnel compensation is comprised of:

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Salaries and benefits	$ 4,910	$ 3,777
Post-employment benefits	49	40
Contributions to defined contribution plan	286	224
	$ 5,245	$ 4,041

During the period, $2,924,000 of the key management personnel expenses (December 31, 2014 – $2,600,000) was allocated to the Saskatchewan Auto Fund.

Certain Board members are partners in organizations that provided $231,000 (December 31, 2014 – $63,000) of professional services to the Corporation. These services were recorded in claims incurred and administrative expenses in the Consolidated Statement of Operations. In addition, one Board member is a shareholder in an organization that sells insurance policies of the Corporation. Premiums written during the period from this organization amounted to $7,499,000 (December 31, 2014 – $6,003,000) and the associated accounts receivable at March 31, 2016, was $268,000 (December 31, 2014 – $839,000). Commissions paid were $1,611,000 (December 31, 2014 – $1,228,000), and the associated accounts payable and accrued liabilities at March 31, 2016 was $71,000 (December 31, 2014 – $61,000). The above noted transactions are routine operating transactions in the normal course of business.

The Corporation is committed to a related party until 2019 for telecommunications contracts. At March 31, 2016, the remaining commitment is $5,576,000 (December 31, 2014 – $7,138,000).

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

20. Facility Association Participation

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

	(thousands of $)	
	15 months ended March 31 2016	12 months ended December 31 2014
Gross premiums written	$ 4,799	$ 3,819
Net premiums earned	$ 4,944	$ 3,586
Net claims incurred	3,793	3,062
Commissions	130	(10)
Premium taxes	148	107
Administrative expenses	1,132	849
Total claims and expenses	5,203	4,008
Underwriting loss	(259)	(422)
Investment earnings	52	61
Net loss	$ (207)	$ (361)
Facility Association receivable	$ 2,187	$ 1,868
Unearned premiums	1,487	1,633
Facility Association payable	1,524	1,524
Provision for unpaid claims	5,638	5,364

21. Select Operating Information

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

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

	(thousands of $)				
	15 months ended March 31, 2016				
	SGI	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	$ 531,454	$ 136,920	$ 61,609	$ –	$ 729,983
Net premiums earned	535,090	135,855	65,824	–	736,769
Net claims incurred	280,521	92,814	41,697	–	415,032
Other expenses	211,174	46,973	21,218	–	279,365
Underwriting income (loss)	43,395	(3,932)	2,909	–	42,372
Net investment earnings	29,843	7,575	8,538	–	45,956
Income before income taxes	73,238	3,643	11,447	–	88,328
Income tax expense	–	827	2,974	–	3,801
Net income	$ 73,238	$ 2,816	$ 8,473	$ –	$ 84,527
Total assets	$ 922,271	$ 327,978	$ 242,877	$ (279,926)	$ 1,213,200
Total liabilities	$ 582,313	$ 182,551	$ 169,820	$ (61,442)	$ 873,242
Shareholder's equity	$ 339,958	$ 145,427	$ 73,057	$ (218,484)	$ 339,958

	(thousands of $)					
	12 months ended December 31, 2014					
	SGI	SCISL	Coachman	Maritimes (Discontinued – note 4)	Consolidation Adjustments	Total
Net premiums written	$ 399,474	$ 97,814	$ 52,570	$ –	$ –	$ 549,858
Net premiums earned	382,061	84,249	50,954	–	–	517,264
Net claims incurred	232,769	57,278	32,389	–	–	322,436
Other expenses	157,457	27,218	15,694	–	–	200,369
Underwriting income (loss)	(8,165)	(247)	2,871	–	–	(5,541)
Net investment earnings	32,888	6,805	8,424	–	–	48,117
Other income	3,500	–	–	–	–	3,500
Income from continuing operations before the following:	28,223	6,558	11,295	–	–	46,076
Income tax expense	–	1,576	2,860	–	–	4,436
Discontinued operations (note 4)	–	–	–	(989)	–	(989)
Net income	$ 28,223	$ 4,982	$ 8,435	$ (989)	$ –	$ 40,651
Total assets	$ 910,263	$ 288,372	$ 226,689	$ –	$ (249,992)	$ 1,175,332
Total liabilities	$ 605,750	$ 154,232	$ 162,106	$ –	$ (51,269)	$ 870,819
Shareholder's equity	$ 304,513	$ 134,140	$ 64,583	$ –	$ (198,723)	$ 304,513

22. 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.

Glossary of Terms

Broker
A person who negotiates insurance policies on behalf of the insurance company, receiving a commission from the insurance company for policies placed and other services rendered.

Casualty insurance
One of the three main groups of insurance products (the others are life insurance and property insurance). This type of insurance is primarily concerned with losses caused by injuries to others than the policyholder and the resulting legal liability imposed on the insured.

Catastrophe reinsurance
A policy purchased by a ceding company that indemnifies that com–pany for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.

Cede, Cedant, Ceding company
An insurance company that transfers some or all of the risks in active policies to another company cedes its business. The company transferring its risks is known as the cedant or ceding company.

Claims incurred
The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in IBNR reserve for the same period of time.

Combined ratio
A measure of total expenses (claims and administration) in relation to net premiums earned as determined in accordance with GAAP. If this ratio is below 100%, there was a profit from underwriting activities, while over 100% represents a loss from underwriting.

Facility Association
Participation in automobile risk-sharing pools whereby P&C insurance companies share resources to provide insurance coverage to high-risk individuals or businesses.

GAAP
Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.

Gross premiums written (GPW)
Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.

IBNR reserve
Abbreviation for "incurred but not reported." A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.

IFRS
International Financial Reporting Standards. These are global accounting standards issued by the International Accounting Standards Board (IASB), including interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Loss ratio (Claims ratio)
Claims incurred net of reinsurance expressed as a percentage of net premiums earned for a specified period of time.

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

Governance

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

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

In Memoriam

Ralph Bales, an Adjuster 2 at the SGI CANADA Winnipeg office, was best known for his easy-going manner, kindness and sense of humour. For Ralph, family came first and his children were a top priority. Spending time with his family at their cabin brought him great happiness.

Ralph was an active member of the Honourable Order of the Blue Goose, loved sports and was a recreational curler.

John Bulbeck, a Product Representative 3, was a good, hardworking and positive person who was there for everyone, despite the challenges he faced. He touched the lives of everyone he met and is fondly remembered by current and former SGI employees, broker partners and many more.

John regularly made an appearance at social gatherings, even if he wasn't feeling well.

Jeff Ferris, a Driver Examiner in Driver Development and Safety Services, was described as one of the most caring, authentic and considerate people you could ever meet – an easy person to befriend. For everything he did, Jeff was not one to ask for anything in return and he put other people first.

Jeff cared deeply for his family. He would beam with pride when he spoke about his wife and two children.

Mary Klassen, a Bond Analyst 2 in Surety, was a person that others wanted to be around due to her warm and positive personality. She had a rare combination of charm, energy and enthusiasm that was contagious and was well known for her welcoming nature. She was proud of her two children and family.

Mary enjoyed attending concerts and festivals, liked gardening and yoga.

Joe Scarfe, an Adjuster 3 at the Regina General Claims Centre, was characterized by those who knew him well as the best person you could ever want to meet. He was a very smart man, who had a special talent for making the best of any bad situation.

He enjoyed his friends and meeting up with them every few months for lunch and some laughs.

Diana Strecker, a Licence Issuer 1 at Head Office, is remembered for her kind heart and a shy smile that touched many. She loved turning a bad customer experience around and applied her persistence and perfectionism to her work.

She was a dedicated grandmother, a fun coffee buddy, and proud of her Ukrainian heritage.