SGI CANADA
2019-20 Second Quarter Report

September 30, 2019

Management's Discussion and Analysis

Corporate Profile

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

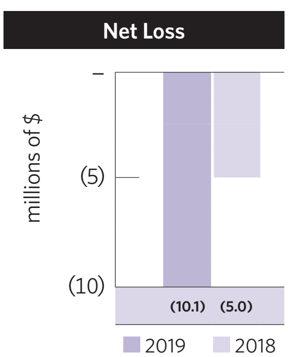
Vision
Accelerate growth through great customer experiences

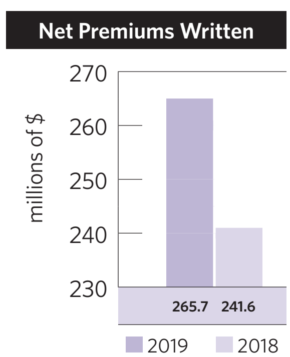
Values
Integrity	Doing the right thing (by being accountable, honest, trustworthy and fair)
Caring	Understanding that empathy, courtesy and respect make an impact
Innovation	Transforming how we do things today for an even more successful tomorrow

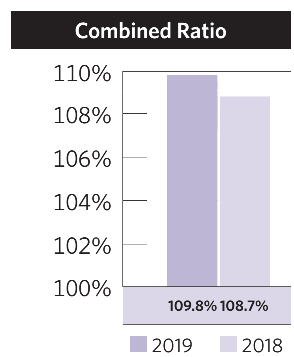
About SGI CANADA
Saskatchewan Government Insurance (SGI CANADA or Corporation) operates a property and casualty insurance business in the Province of Saskatchewan, and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. (SCISL). SCISL operates directly in Alberta, Manitoba, British Columbia and Ontario. SCISL also has a wholly owned subsidiary, Coachman Insurance Company, that operates in Ontario. The Corporation employs more than 2,000 people in Saskatchewan and more than 140 people outside the province, including employees who work directly for the Saskatchewan Auto Fund. Products are sold through a network of independent insurance brokers.

Financial Highlights

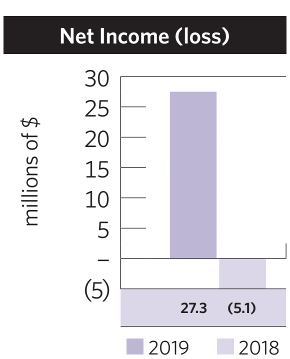
For the three months ended September 30

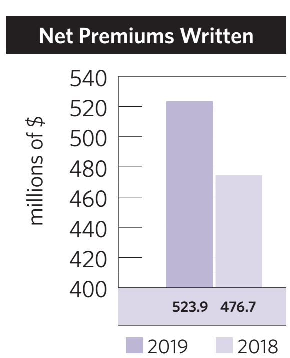


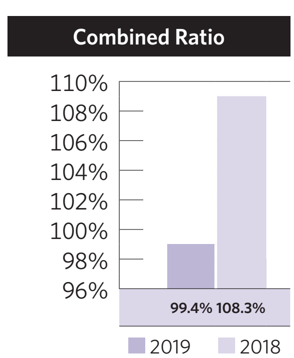


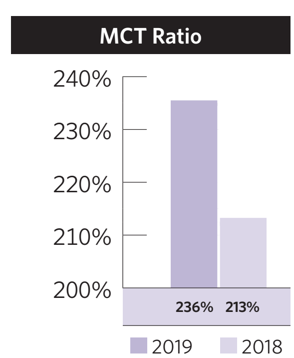


For the six months ended September 30









Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SCISL and Coachman, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three and six-month periods ended September 30, 2019, and the SGI CANADA MD&A and audited financial statements and supporting notes as at and for the year ended March 31, 2019. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to November 27, 2019.

Overview

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2019	2018	Change	2019	2018	Change
Net premiums written	265,650	241,575	24,075	523,903	476,708	47,195
Net income (loss)	(10,109)	(5,009)	(5,100)	27,331	(5,143)	32,474
Combined ratio	109.9%	108.7%	1.2%	99.4%	108.3%	−8.9%
Minimum Capital Test				236%	213%	23%

The first six months of 2019-20 had stronger overall results than the same period last year. Underwriting results improved from the same period in 2018 as premiums grew and claims remained consistent. As well, year-to-date investment earnings are higher than the same period last year due to a stronger fixed income investment returns as interest rates decreased in recent periods.

Capitalization remains adequate to support the premium growth, with a Minimum Capital Test (MCT) score of 236% at September 30, 2019.

Outlook

The first six months of 2019-20 had a lower number of catastrophe events than the previous year. This provides a strong outlook for the remainder of the fiscal year where these events generally occur less often. That being said, there continues to be potential for further catastrophe events through the remainder of the fiscal year. To help offset the impact of these events, the Corporation spreads its insurance risk geographically and reinsures against catastrophic losses.

Concerns about trade, lower profit margins and weaker economic indicators have generated increased investment market volatility in recent periods, yet investment markets continue to perform positively. Central banks are closely monitoring the economic outlook and still maintain an accommodative policy stance to lower interest rates should the fundamentals continue to deteriorate. The fixed income portfolio is relatively well insulated against interest rate increases with a short duration focus and maintaining a close match to the associated liabilities. The Corporation continues to maintain a well diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2019	2018	Change	2019	2018	Change
Net premiums earned	227,157	198,250	28,907	444,656	388,208	56,448
Net investment earnings	10,201	9,626	575	26,499	22,261	4,238

Premiums written by operating segment are noted below.

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2019	2018	Change	2019	2018	Change
Saskatchewan	157,482	147,754	9,728	313,738	298,400	15,338
Alberta	50,468	49,049	1,419	102,200	98,665	3,535
Ontario	34,751	25,979	8,772	65,444	47,316	18,128
British Columbia	15,625	13,250	2,375	29,737	21,721	8,016
Manitoba	12,175	10,274	1,901	22,994	19,355	3,639
Gross premiums written	270,501	246,306	24,195	534,113	485,457	48,656
Premiums ceded to reinsurers	(4,851)	(4,731)	(120)	(10,210)	(8,749)	(1,461)
Change in net unearned premiums	(38,493)	(43,325)	4,832	(79,247)	(88,500)	9,253
Net premiums earned	227,157	198,250	28,907	444,656	388,208	56,448

Gross premiums written in Saskatchewan increased 5.1% in the first half of the year compared to 2018, due to rate increases and inflation across all lines.

Alberta operations experienced growth of 3.6% compared to the same period last year, primarily due to rate increases and inflation in agro, personal lines and commercial lines. This growth was partially offset by declines in personal auto.

The 38.3% increase in Ontario premiums written compared to the same period in 2018 is largely the result of continued growth in personal lines and auto in that province.

In British Columbia, the 36.9% increase in gross premium written compared to the same period last year is the result of additional broker partnerships entered in June of 2018.

The 18.8% increase in Manitoba premiums written compared to the same period in 2018 is attributed to rate increase and inflation and increased sales volumes in personal and commercial lines.

Investment earnings

Year-to-date investment earnings were higher than the comparable period last year due to stronger fixed income returns.

Expenses

	(thousands of $)					
	three months ended September 30			six months ended September 30		
	2019	2018	Change	2019	2018	Change
Net claims incurred	165,298	144,382	20,916	279,073	280,089	(1,016)
Other expenses	84,261	71,180	13,081	162,931	140,321	22,610
	249,559	215,562	33,997	442,004	420,410	21,594
Combined ratio	109.9%	108.7%	1.2%	99.4%	108.3%	−8.9%
Loss ratio	72.8%	72.8%	0.0%	62.8%	72.1%	−9.3%

Expenses are comprised of net claims incurred and other expenses, which include commissions, administrative expenses and premium taxes.

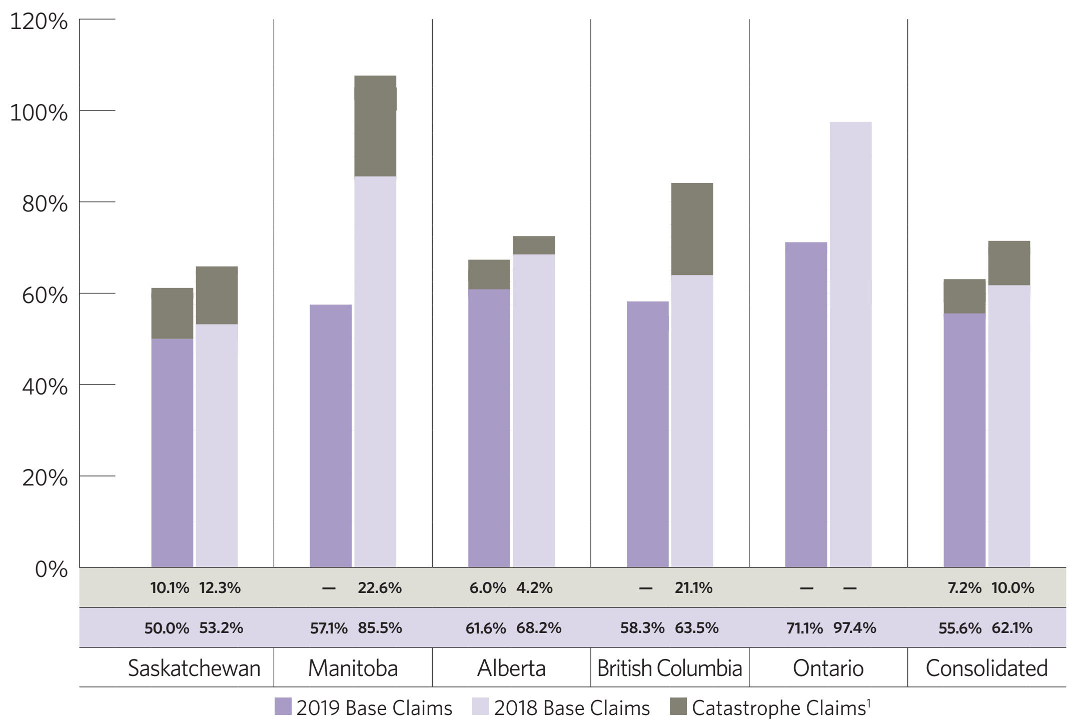
Claims incurred

Claims incurred expenses during the first six months of 2019-20 were nearly the same as for the same time period in 2018, but, because premiums were higher than the same time period in the previous year, the consolidated loss ratio was 9.3% lower. This was due to improved underwriting results in all jurisdictions due to less claims from catastrophe events, coupled with premium growth.

The following chart summarizes loss ratios by jurisdiction for the first six months of the fiscal year:

Loss Ratios

six months ended September 30



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

Saskatchewan's loss ratio of 60.1% is lower than last year's six-month ratio of 65.5%. This was largely driven by increasing premiums along with decreased catastrophe claims activity in the period. Catastrophe claims decreased from $30.4 million in 2018 to $26.1 million during the same period in the current year.

Manitoba's loss ratio decreased from 108.1% in 2018 to 57.1% in 2019 due to fewer large losses and a decrease in catastrophe claims. There were no catastrophe claims during the period, compared to $3.3 million in the same period of 2018.

The Alberta loss ratio decreased from 72.4% in 2018 to 67.6% in 2019 primarily due to improved auto results where actions have been taken to improve profitability. Catastrophic activity in the period amounted to $5.6 million compared to $3.4 million in the same period in 2018.

The loss ratio for British Columbia dropped from 84.6% in 2018 to 58.3% in 2019 due to continued premium growth, decreased large losses, and no catastrophe claims in the period, compared to $1.9 million in the same period last year.

Ontario's loss ratio of 71.1% is lower than last year's six-month ratio of 97.4% largely due to improved auto results.

Other expenses

For the first six months of the fiscal year, other expenses increased $22.6 million compared to the same period in the prior year. This was due largely to higher commissions and premium taxes, which is consistent with the premium growth.

Statement of Financial Position Review

	(thousands of $)		
	September 30 2019	March 31 2019	Change
Total assets	**1,708,154**	**1,580,462**	**127,692**
Key asset account changes:			
Investments	1,115,341	1,035,683	79,658

The carrying value of investments increased by $79.7 million reflecting increasing market values and purchases of long-term investments from positive cash flows from operations.

	(thousands of $)		
	September 30 2019	March 31 2019	Change
Total liabilities	**1,270,677**	**1,156,545**	**114,132**
Key liability account changes:			
Provision for unpaid claims	629,811	603,366	26,445

The increase in the provision for unpaid claims is mostly related to exposure growth. Key components of the change in the provision for unpaid claims are outlined in the preceding section, Claims incurred.

Capital

	As at September 30	
	2019	2018
Minimum Capital Test	236%	213%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At September 30, 2019, the Corporation's MCT was 236% which is in excess of the 213% internal target used as a minimum for regulatory purposes. For further information on capital management, refer to note 7 of the notes to the unaudited consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

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

	(thousands of $) three months ended					
	2019-20		2018-19			
	Sept 30	June 30	March 31	Dec 31	Sept 30	June 30
Net premiums written	265,650	258,253	157,053	227,095	241,575	235,133
Net premiums earned	227,157	217,499	207,480	205,858	198,250	189,958
Net claims incurred	165,298	113,775	114,300	124,144	144,382	135,707
Net income (loss)	(10,109)	37,440	52,360	821	(5,009)	(134)
Cash flow from (used in) operations	56,704	43,086	(4,143)	37,762	46,881	32,272
Investments	1,115,341	1,087,624	1,035,683	1,024,311	1,032,214	1,013,930
Provision for unpaid claims	629,811	594,413	603,366	591,653	597,255	568,041
Minimum Capital Test	236%	256%	240%	220%	213%	231%

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 quarter due to hail storms, flooding and forest fires that can occur.
- With the exception of the fourth quarter, the Corporation normally generates positive cash flow from operations. Cash is typically low during that quarter as the Corporation pays its annual premium taxes to the provinces in March. Operating cash flows are generally strong throughout the remainder of the year and during this time excess cash generated is directed to investments.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include competition, distribution channel, privacy breach, catastrophe claim losses, acquisition and development of expertise, strategy, systems security, employee change agility, product design and pricing and underwriting. These risks are described in detail in the Corporation's 2018-19 Annual Report.

Accounting Matters

Critical accounting estimates and assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2018-19 Annual Report.

Related party transactions

There have been no material changes to the Corporation's related party arrangements during the quarter. For further details on the Corporation's related party arrangements, refer to the 2018-19 Annual Report.

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. There have been no new off balance sheet arrangements during the quarter. For further details on off balance sheet arrangements, refer to the 2018-19 Annual Report.

Caution regarding forward-looking statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability to achieve them. Forward-looking statements are based on estimations and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, 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.

Condensed Consolidated Statement of Financial Position

	(thousands of $)	
	September 30 2019 (unaudited)	March 31 2019 (audited)
Assets		
Cash and cash equivalents	$ 90,658	$ 69,695
Accounts receivable	289,256	257,811
Investments under security lending program (note 4)	233,143	236,164
Investments (note 4)	882,198	799,519
Unpaid claims recoverable from reinsurers	38,172	44,326
Reinsurers' share of unearned premiums	19,024	36,351
Deferred policy acquisition costs	118,597	104,140
Property and equipment	22,907	18,536
Intangible assetes	499	–
Deferred income tax asset	13,700	13,920
	$ 1,708,154	$ 1,580,462
Liabilities		
Accounts payable and accrued liabilities	$ 65,767	$ 46,818
Dividend payable	5,000	–
Premium taxes payable	29,567	8,233
Amounts due to reinsurers	14,675	33,492
Unearned reinsurance commissions	5,099	4,280
Unearned premiums	506,036	444,116
Accrued pension liability	13,551	15,536
Provision for unpaid claims	629,811	603,366
Deferred income tax liability	1,171	704
	1,270,677	1,156,545
Equity		
Equity advances	80,000	80,000
Retained earnings	357,477	343,917
Total equity	**437,477**	423,917
	$ 1,708,154	$ 1,580,462

Contingencies (note 11)
The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Operations

	(thousands of $)			
	three months ended		six months ended	
For the periods ended September 30	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Gross premiums written	$ 270,501	$ 246,306	$ 534,113	$ 485,457
Premiums ceded to reinsurers	(4,851)	(4,731)	(10,210)	(8,749)
Net premiums written	265,650	241,575	523,903	476,708
Change in net unearned premiums	(38,493)	(43,325)	(79,247)	(88,500)
Net premiums earned	**227,157**	198,250	**444,656**	388,208
Gross claims incurred	169,777	152,582	284,266	288,637
Ceded claims incurred	(4,479)	(8,200)	(5,193)	(8,548)
Net claims incurred	165,298	144,382	279,073	280,089
Commissions	51,396	42,435	98,493	82,754
Administrative expenses	22,354	19,356	43,811	39,171
Premium taxes	10,511	9,389	20,627	18,396
Total claims and expenses	**249,559**	215,562	**442,004**	420,410
Underwriting income (loss)	**(22,402)**	(17,312)	**2,652**	(32,202)
Net investment earnings (note 5)	10,201	9,626	26,499	22,261
Income (loss) before income taxes	**(12,201)**	(7,686)	**29,151**	(9,941)
Income tax expense (recovery)	(2,092)	(2,677)	1,820	(4,798)
Net income (loss)	**(10,109)**	(5,009)	**27,331**	(5,143)
Other comprehensive income (loss)	1,473	(16)	1,229	617
Comprehensive income (loss)	**$ (8,636)**	$ (5,025)	**$ 28,560**	$ (4,526)

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

Condensed Consolidated Statement of Changes in Equity

	(thousands of $)	
	six months ended	
For the periods ended September 30	2019 (unaudited)	2018 (unaudited)
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 343,917	$ 309,419
Net income (loss)	27,331	(5,143)
Other comprehensive income	1,229	617
Dividends	(15,000)	(12,500)
Balance, end of period	**$ 357,477**	$ 292,393
Total equity	**$ 437,477**	$ 372,393

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

Condensed Consolidated Statement of Cash Flows

	(thousands of $)	
	six months ended	
For the periods ended September 30	2019 (unaudited)	2018 (unaudited)
Cash provided by (used for):		
Operating activities		
Comprehensive income (loss)	$ 28,560	$ (4,526)
Non-cash items:		
Bond amortization	837	822
Depreciation	3,698	3,114
Net realized (gains) losses on sale of investments	(9,247)	991
Net unrealized gains on change in market value of investments	(4,340)	(12,680)
Deferred income taxes	686	(334)
Change in non-cash operating items (note 8)	79,596	91,766
	99,790	79,153
Investing activities		
Purchases of investments	(559,497)	(578,841)
Proceeds on sale of investments	492,589	548,492
Purchases of property and equipment, net of proceeds from disposals	(811)	(2,242)
Purchase of intangible assets, net of proceeds from disposals	(499)	–
	(68,218)	(32,591)
Financing activities		
Dividends paid	(10,000)	(17,000)
Lease liability payments	(609)	–
	(10,609)	(17,000)
Increase in cash and cash equivalents	**20,963**	29,562
Cash and cash equivalents, beginning of period	69,695	23,241
Cash and cash equivalents, end of period	**$ 90,658**	$ 52,803
Supplemental cash flow information:		
Interest received	$ 8,478	$ 7,697
Dividends received	$ 477	$ 453
Income taxes paid	$ –	$ –

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

September 30, 2019

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 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 19.3% (September 30, 2018 – 18.1%) of the Corporation's consolidated gross premiums written.

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

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

2. Basis of Preparation

Statement of compliance

The unaudited interim consolidated financial statements for the six-month period ended September 30, 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These unaudited interim consolidated financial statements do not include all of the note disclosures normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the March 31, 2019 Annual Report. Full disclosures will be included in the consolidated annual financial statements.

Basis of measurement

The unaudited interim 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, *Significant Accounting Policies* of the annual financial statements for the year ended March 31, 2019. The provision for unpaid claims and unpaid claims recoverable from reinsurers is measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of Financial Position classification

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

Functional and presentation currency

These unaudited interim 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 unaudited interim 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 and unpaid claims recoverable from reinsurers, the valuation of accounts receivable, employee future benefits, deferred income tax assets and investments classified as Level 3 (note 4).

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

3. Significant Accounting Policies

The accounting policies applied during the six-month period ended September 30, 2019 are the same as those described and disclosed in Note 3, *Significant Accounting Policies* of the annual consolidated financial statements for the year ended March 31, 2019, except for the new standard outlined below.

Leased assets

IFRS 16, *Leases* (IFRS 16) eliminates the operating and finance lease classifications for lessees with a single, on-balance sheet lease accounting model. As a result of this change, the Corporation now recognizes all leases to which it is a lessee in the condensed consolidated statement of financial position as a lease liability with a corresponding right-of-use asset, subject to recognition exemptions for certain short-term and low-value leases.

The Corporation adopted IFRS 16 using the modified retrospective approach, which requires that the cumulative effect of initially applying IFRS 16 to be applied as an adjustment to the opening balance of retained earnings at the date of initial application. As at April 1, 2019, the date of initial application, no adjustment to retained earnings was required. The comparative information was not restated and continues to be reported under IAS 17, *Leases* and related interpretations.

In adopting the standard, the Corporation has applied various practical expedients:

- IFRS 16 allows an entity to account for leases with less than 12 months remaining in the lease term at the date of initial application as if they were short-term leases.
- IFRS 16 allows an entity to exclude initial direct costs from the measurement of the right-to-use asset at the date of initial application.
- IFRS 16 allows an entity to use hindsight when determining the impact of leases upon transition.

Policy Applicable from April 1, 2019

On the lease commencement date, a right-of-use asset and a lease liability are recognized.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate for similar terms at the start date of the lease term. The lease term includes the non-cancellable period of the lease along with any periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and any periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentives receivable, and exclude operational costs and variable lease payments. The lease liability is subsequently measured at amortized cost using the effective interest method.

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

Policy applicable before April 1, 2019

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

Impact of the adoption of IFRS 16

The adoption of IFRS 16 resulted in the recognition of operating leases, mainly real estate leases, on the Corporation's Statement of Financial Position.

At the transition date, right-of-use assets were measured on a lease-by-lease basis at an amount equal to the lease liability. Lease liabilities were measured at the present value of the remaining lease payments, using the Corporation's incremental borrowing rate at April 1, 2019 for similar terms of the remaining lease period for each lease.

On April 1, 2019, the Corporation recognized right-of-use assets and lease liabilities of $6.8 million. Right-of-use assets are included in property and equipment and lease liabilities are included accounts payable and accrued liabilities in the condensed statement of financial position.

4. Investments

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

	(thousands of $)	
	September 30 2019	March 31 2019
Short-term investments	$ 87,050	$ 78,244
Bonds and debentures	398,364	329,694
Canadian common shares	26,377	30,903
Investment funds:		
Canadian equity	21,425	17,672
Global equity	138,557	141,445
Global small cap equity	26,406	28,377
Mortgage	125,383	117,745
Real estate	58,636	55,439
	882,198	799,519
Investments under securities lending program		
Bonds and debentures	225,470	225,776
Canadian common shares	7,673	10,388
	233,143	236,164
Total investments	$ 1,115,341	$ 1,035,683

Securities lending program

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

At September 30, 2019, the Corporation held collateral of $244.9 million (March 31, 2019 – $248.0 million) for the loaned securities.

Fair value hierarchy

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

	(thousands of $)			
	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 87,050	$ –	$ 87,050
Bonds and debentures	–	623,834	–	623,834
Canadian common shares	31,050	–	3,000	34,050
Investment funds:				
Canadian equity	21,425	–	–	21,425
Global equity	138,557	–	–	138,557
Global small cap equity	26,406	–	–	26,406
Mortgage	–	–	125,383	125,383
Real estate	–		58,636	58,636
	$ 217,438	$ 710,884	$ 187,019	$ 1,115,341

	(thousands of $)			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 78,244	$ –	$ 78,244
Bonds and debentures	–	555,470	–	555,470
Canadian common shares	38,291	–	3,000	41,291
Investment funds:				
Canadian equity	17,672	–	–	17,672
Global equity	141,445	–	–	141,445
Global small cap equity	28,377	–	–	28,377
Mortgage	–	–	117,745	117,745
Real estate	–	–	55,439	55,439
	$ 225,785	$ 633,714	$ 176,184	$ 1,035,683

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

A reconciliation of Level 3 investments is as follows:

	(thousands of $)	
	six months ended	12 months ended
	September 30 2019	March 31 2019
Balance, beginning of the period	$ 176,184	$ 171,353
Add: Additions during the period		
Canadian common shares	–	3,000
Mortgage investment fund	4,790	6,948
Real estate investment fund	1,000	2,243
Less: Disposals during the period		
Mortgage investment fund	(969)	(11,939)
Net unrealized gains	6,014	4,579
Balance, end of period	$ 187,019	$ 176,184

Investment in the mortgage investment fund and the real estate investment fund are valued using the Corporation's share of the net asset value of the respective fund as at the period end date. Unquoted equity securites, included in Canadian common shares, are valued using the income approach, through the use of discounted cash flows.

During the period ended September 30, 2019, no investments were transferred between levels.

5. Net Investment Earnings

Components of net investment earnings are as follows:

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2019	2018	2019	2018
Net realized gains (losses) on sale of investments	$ 937	$ 94	$ 9,247	$ (991)
Interest	4,512	3,775	8,786	7,011
Net unrealized gains on change in market value of investments	2,641	4,163	4,340	12,680
Premium financing	2,028	1,941	3,993	3,829
Investment fund distributions	453	–	851	363
Dividends	207	215	446	452
Total investment earnings	10,778	10,188	27,663	23,344
Investment expenses	(577)	(562)	(1,164)	(1,083)
Net investment earnings	$ 10,201	$ 9,626	$ 4,340	$ 22,261

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

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2019	2018	2019	2018
Bonds and debentures	$ (2,171)	$ (934)	$ (3,073)	$ (80)
Canadian common shares	412	(1,868)	(31)	(118)
Investment funds:				
Canadian equity	228	(244)	543	779
Global equity	1,703	5,620	856	8,245
Global small cap equity	(300)	(388)	31	(559)
Mortgage	1,634	713	3,817	1,915
Real estate	1,135	1,264	2,197	2,498
	$ 2,641	$ 4,163	$ 4,340	$ 12,680

6. 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 $) three months ended September 30, 2019				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 44,804	$ 88,361	$ 14,618	$ 9,699	$ 157,482
Alberta	26,215	18,321	3,283	2,649	50,468
Ontario	26,751	5,398	1,438	1,164	34,751
British Columbia	–	13,457	1,477	691	15,625
Manitoba	–	7,984	2,942	1,249	12,175
Total	$ 97,770	$ 133,521	$ 23,758	$ 15,452	$ 270,501

	(thousands of $) three months ended September 30, 2018				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 41,880	$ 83,616	$ 12,559	$ 9,699	$ 147,754
Alberta	25,962	17,196	3,251	2,640	49,049
Ontario	19,668	3,741	1,574	996	25,979
British Columbia	–	11,195	1,505	550	13,250
Manitoba	–	6,897	2,216	1,161	10,274
Total	$ 87,510	$ 122,645	$ 21,105	$ 15,046	$ 246,306

	(thousands of $) six months ended September 30, 2019				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 92,482	$ 171,336	$ 29,159	$ 20,761	$ 313,738
Alberta	52,854	35,995	7,584	5,767	102,200
Ontario	50,312	9,915	2,788	2,429	65,444
British Columbia	–	24,651	3,480	1,606	29,737
Manitoba	–	14,371	5,888	2,735	22,994
Total	$ 195,648	$ 256,268	$ 48,899	$ 33,298	$ 534,113

	(thousands of $) six months ended September 30, 2018				
	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	$ 87,516	$ 162,715	$ 27,249	$ 20,920	$ 298,400
Alberta	52,761	33,206	7,152	5,546	98,665
Ontario	35,198	6,614	3,269	2,235	47,316
British Columbia	–	17,347	3,161	1,213	21,721
Manitoba	–	12,257	4,686	2,412	19,355
Total	$ 175,475	$ 232,139	$ 45,517	$ 32,326	$ 485,457

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2019	March 31 2019	September 30 2019	March 31 2019	September 30 2019	March 31 2019
Automobile	$ 304,067	$ 301,585	$ 15,682	$ 17,163	$ 288,385	$ 284,422
Personal property	157,482	129,642	11,687	14,753	145,795	114,889
Commercial property	41,109	47,271	5,986	7,814	35,123	39,457
Liability	86,720	87,371	2,490	2,439	84,230	84,932
Assumed	3,740	4,705	–	–	3,740	4,705
PFAD and discounting	24,958	22,338	2,327	2,157	22,631	20,181
Facility Association	11,735	10,454	–	–	11,735	10,454
Total	$ 629,811	$ 603,366	$ 38,172	$ 44,326	$ 591,639	$ 559,040

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2019	March 31 2019	September 30 2019	March 31 2019	September 30 2019	March 31 2019
Saskatchewan	$ 276,290	$ 260,832	$ 21,891	$ 28,131	$ 254,399	$ 232,701
Alberta	154,537	141,782	3,407	2,704	151,130	139,078
Ontario	160,006	165,225	13,067	13,045	146,939	152,180
British Columbia	17,694	13,713	354	744	17,340	12,969
Manitoba	18,715	19,245	(547)	(298)	19,262	19,543
Maritimes	2,569	2,569	–	–	2,569	2,569
Total	$ 629,811	$ 603,366	$ 38,172	$ 44,326	$ 591,639	$ 559,040

Reinsurance

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

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

	(thousands of $)	
	September 30 2019	March 31 2019
Dwelling and farm property	$ 1,500	$ 1,500
Unlicensed vehicles	1,500	1,500
Commercial property	1,500	1,500
Automobile and general liability	1,500	1,500

In addition, the Corporation carries property and auto physical damage catastrophe reinsurance limiting combined exposure to $17.5 million per event (subject to an annual aggregate deductible of $17.5 million).

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

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.

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 $)	
	September 30 2019	March 31 2019
Cash and cash equivalents	$ 90,658	$ 69,695
Accounts receivable	289,256	257,811
Fixed income investments [1]	836,267	751,459
Unpaid claims recoverable from reinsurers	38,172	44,326

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

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

Cash and cash equivalents include money market investments of $87.1 million plus cash, net of outstanding cheques of $3.5 million (March 31, 2019 – money market investments of $76.1 million less bank overdraft, net of outstanding cheques of $6.4 million). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

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

	(thousands of $)	
	September 30 2019	March 31 2019
Current	$ 283,966	$ 252,404
30-59 days	1,987	2,243
60-90 days	1,405	2,994
Greater than 90 days	24,688	18,969
Subtotal	312,046	276,610
Allowance for doubtful accounts	(22,790)	(18,799)
Total	$ 289,256	$ 257,811

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

Details of the allowance account are as follows:

	(thousands of $)	
	six months ended	12 months ended
	September 30 2019	March 31 2019
Balance, beginning of period	$ 18,799	$ 14,030
Accounts written off	(1,930)	(2,828)
Current period provision	5,921	7,597
Balance, end of period	$ 22,790	$ 18,799

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

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

	September 30, 2019		March 31, 2019	
Credit Rating	**Fair Value (thousands of $)**	**Makeup of Portfolio (%)**	**Fair Value (thousands of $)**	**Makeup of Portfolio (%)**
AAA	$ 212,355	34.1	$ 194,837	35.1
AA	218,988	35.1	204,252	36.7
A	109,316	17.5	76,061	13.7
BBB	83,175	13.3	80,320	14.5
Total	$ 623,834	100.0	$ 555,470	100.0

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

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

Market risk

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

Interest rate risk

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

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

	(thousands of $)			
	100 basis point increase		**100 basis point decrease**	
	September 30 2019	**September 30 2018**	**September 30 2019**	**September 30 2018**
Net investment earnings	$ (18,946)	$ (16,808)	$ 18,946	$ 16,808
Net claims incurred	(15,105)	(13,944)	15,105	13,944
Income (loss) before income taxes	(3,841)	(2,864)	3,841	2,864

Foreign exchange risk

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

	(%)			(thousands of $)	
		Current Exposure		10% change in exchange rates	
Asset Class	**Maximum Exposure**	**September 30 2019**	**September 30 2018**	**September 30 2019**	**September 30 2018**
Global equities	16.0	12.4	13.3	$ 13,856	$ 13,724
Global small cap equities	4.0	2.4	2.8	2,641	2,908

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

Equity prices

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 19.5% (March 31, 2019 – 22.1%) 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	**September 30, 2019**	**March 31, 2019**
Canadian equities	$ +/- 10,180	$ +/- 10,857
Global equities	+/- 32,007	+/- 32,674
Global small cap equities	+/- 6,443	+/- 6,867

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.

7. 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.

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

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

The Board of Directors approved capital management policies for the Corporation, and each of its subsidiaries, prepared in accordance with Guideline A-4, *Regulatory Capital and Internal Capital Targets*, which OSFI issued in January 2014. The policies establish internal MCT targets, in excess of 150%, which are used by the regulators as minimum targets for supervisory purposes. The policies also establish operating MCT targets that provide for an operating cushion above the internal targets. The Corporation maintains an MCT in excess of its internal target. The Corporation MCT as at September 30, 2019 was 236% relative to its internal target MCT of 213%.

8. Change in Non-Cash Operating Items

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

	(thousands of $)	
	six months ended September 30	
	2019	2018
Accounts receivable	$ (31,445)	$ (40,043)
Unpaid claims recoverable from reinsurers	6,154	627
Reinsurers' share of unearned premiums	17,327	19,098
Deferred policy acquisition costs	(14,457)	(17,253)
Accounts payable and accrued liabilities	12,301	5,690
Premium taxes payable	21,334	20,821
Amounts due to reinsurers	(18,817)	(20,252)
Unearned reinsurance commissions	819	862
Unearned premiums	61,920	69,402
Accrued pension liability	(1,985)	(1,020)
Provision for unpaid claims	26,445	53,834
	$ 79,596	$ 91,766

9. 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 those 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.

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

	(thousands of $)			
	three months ended September 30		six months ended September 30	
	2019	2018	2019	2018
Salaries	$ 37,419	$ 34,565	$ 73,103	$ 67,622
Defined contribution pension plan	2,278	2,082	4,509	4,129
Defined benefit pension plan	10	17	19	35
Defined benefit service recognition plans	159	162	319	322
Other benefits	4,098	3,482	9,851	9,271
Total salaries and benefits	43,964	40,308	87,801	81,379
Less: Allocation to Saskatchewan Auto Fund	(26,056)	(23,136)	(51,258)	(46,834)
Salaries and benefits incurred in SGI CANADA	$ 17,908	$ 17,172	$ 36,543	$ 34,545

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, 2016. The next valuation is anticipated to have a valuation date of December 31, 2019.

Results from the last actuarial valuation have been projected to September 30, 2019. The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

Actuarial (gains) losses recognized in other comprehensive income

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

Discount Rate	Defined Benefit Pension Plan	Defined Benefit Service Recognition Plans
March 31, 2018	3.40%	3.20% – 3.30%
September 30, 2018	3.60%	3.50%
March 31, 2019	3.10%	3.10%
September 30, 2019	2.80%	2.80%

Cumulative actuarial (gains) losses are as follows:

	(thousands of $)	
	six months ended September 30	
	2019	2018
Cumulative actuarial losses, beginning of period	$ 4,487	$ 3,447
Loss (gain) recognized during the first quarter	244	(633)
(Gain) loss recognized during the second quarter	(1,473)	16
Cumulative actuarial losses, end of period	$ 3,258	$ 2,830

10. 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 $)			
	three months ended September 30		six months ended September 30	
	2019	2018	2019	2018
Gross premiums written	$ 4,258	$ 2,043	$ 6,771	$ 5,998
Net premiums earned	$ 3,478	$ 1,809	$ 5,562	$ 4,655
Net claims incurred	2,792	1,601	4,519	4,429
Commissions	(7)	35	128	380
Premium taxes	137	70	218	176
Administrative expenses	1,141	499	1,693	1,529
Total claims and expenses	4,063	2,205	6,558	6,514
Underwriting loss	(585)	(396)	(996)	(1,859)
Investment earnings	14	9	36	17
Net loss	$ (571)	$ (387)	$ (960)	$ (1,842)

11. Contingencies

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

12. Comparative Information

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