SGI CANADA Quarterly Report

March 2015

Management's Discussion and Analysis

Corporate Profile

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

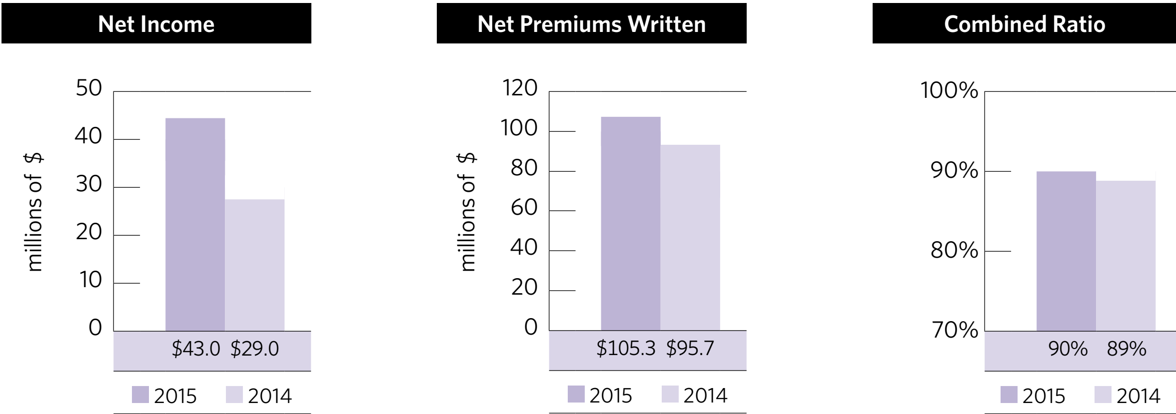
Integrity	Conducting ourselves with honesty, trust and fairness.
Caring	Acting with empathy, courtesy and respect.
Innovation	Implementing creative solutions to achieve our vision.

About SGI CANADA

SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, and Coachman Insurance Company in Ontario. The company employs about 2,000 people and its head office is located in Regina, Sask. Products are sold through a network of independent insurance brokers.

Financial Highlights

For the three months ended March 31



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, SGI CANADA Insurance Services Ltd. and Coachman Insurance Company, 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-month period ended March 31, 2015, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2014. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to management up to May 14, 2015.

Overview

	(thousands of $)		
	three months ended March 31		
	2015	**2014**	**Change**
Net premiums written	105,325	95,676	9,649
Net income	43,324	28,591	14,733
Combined ratio	90%	88%	2%
Minimum Capital Test	258%	252%	6%

The first quarter of 2015 generated solid results, due primarily to strong investment earnings and premium growth. Investment markets generated positive returns across all asset classes. Equity market returns were driven by foreign equity performance in combination with a decreasing exchange rate, resulting in higher equity returns as compared to 2014. In addition, a decrease in interest rates in the quarter generated capital gains resulting in higher overall fixed income returns.

The Corporation continues to grow its book of business, with increases in net premiums written in Saskatchewan, Alberta and Manitoba. The largest growth came from Alberta with an 18.5% increase over the first three months of 2014.

Capitalization remains adequate to support the premium growth, with a Minimum Capital Test (MCT) score of 258% at March 31, 2015.

Outlook

The strong first quarter of 2015 has positioned SGI CANADA well leading into the second quarter. However, as the warm summer months approach there is the potential for storms in the Prairies, which can quickly and unfavourably impact profitability. To help offset the impact of summer storms, the Corporation spreads its insurance risk geographically and reinsures against catastrophic losses.

As part of the strategy to accelerate geographic diversification, SGI CANADA obtained a licence in 2014 to sell P&C insurance in British Columbia, and expects to begin writing policies there in the latter half of 2015.

Positive investment markets in the first quarter remain driven by highly accommodative worldwide monetary policy, low inflation and strong corporate earnings. Low oil prices led to a lower Canadian dollar and an interest rate decrease by the Bank of Canada during the quarter, with interest rates reaching historical lows. As interest rates begin to normalize over the next few years, subdued performance can be expected from fixed income investments. However, the relatively short duration of the Corporation's bond portfolio should help protect against losses on fixed income investments. 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 March 31		
	2015	2014	Change
Premiums earned	137,450	121,539	15,911
Investment earnings	31,621	15,505	16,116

Premiums written by operating segment are noted below.

	(thousands of $)		
	three months ended March 31		
	2015	2014	Change
Saskatchewan	90,897	83,850	7,047
Alberta and Manitoba	23,710	18,082	5,628
Ontario	14,065	12,724	1,341
Gross premiums written	128,672	114,656	14,016
Premiums ceded to reinsurers	(23,347)	(18,980)	(4,367)
Change in net unearned premiums	32,125	25,863	6,262
Net premiums earned	137,450	121,539	15,911

Gross premiums written in Saskatchewan increased 8.4% in the first quarter of 2015 with price increases, due to rate changes and inflation, in all lines of business contributing the majority of the increase. Alberta operations experienced growth of 34.2% in the quarter with auto business contributing the majority of the increase.

The increase in Ontario premiums written of 10.5% can be attributed primarily to increased sales volumes in personal auto and commercial lines. The mandatory auto rate decrease of 12.5%, effective July1, 2014, has resulted in a 14.2% increase in personal auto policies in force over the last nine months.

Investment earnings in the first quarter were $16.1 million higher than the same period in 2014. Increases in equity prices resulted in market value gains higher than experienced during the first quarter of 2014. While interest income on fixed income investments remained relatively constant, decreases in interest rates generated market value gains higher than experienced during the first quarter of 2014.

Expenses

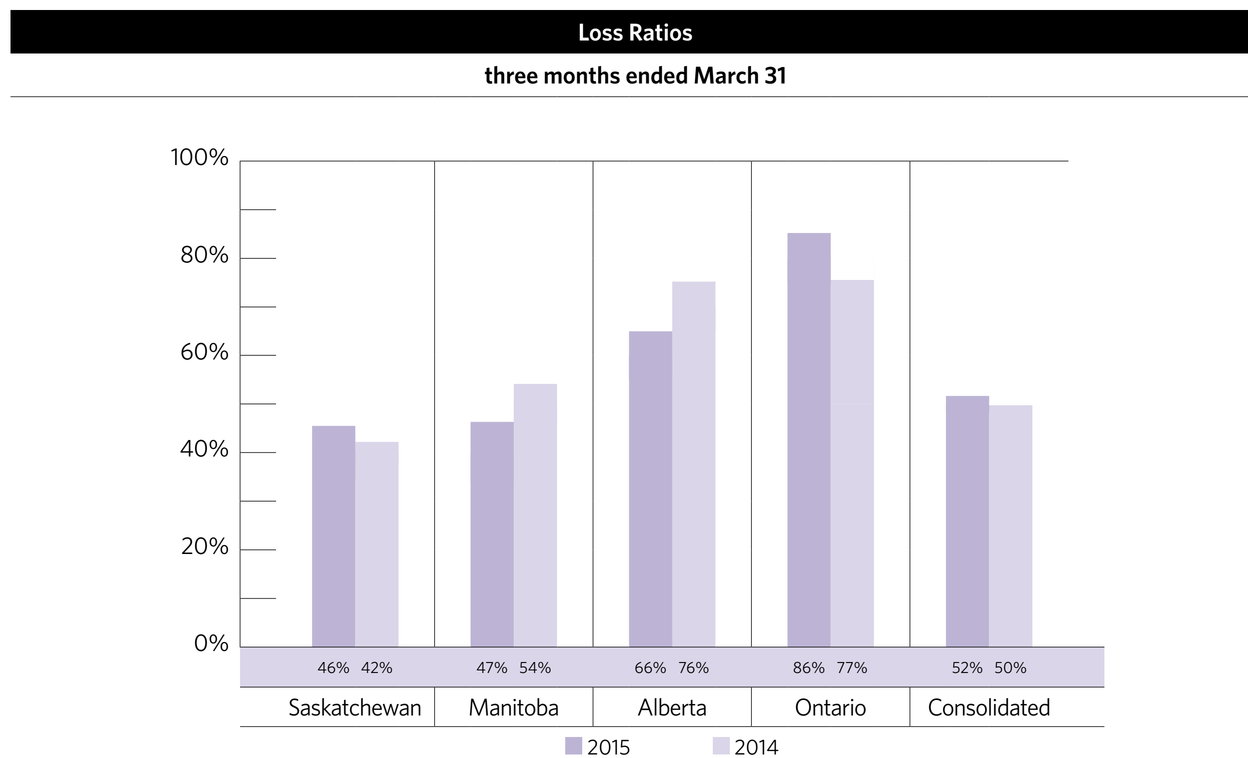
	(thousands of $)		
	three months ended March 31		
	2015	2014	Change
Net claims incurred	71,725	60,406	11,319
Other expenses	51,701	47,104	4,597
	123,426	107,510	15,916
Combined ratio	89.8%	88.5%	1.3%
Loss ratio	52.2%	49.7%	2.5%

Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and the Corporation's share from participation in the Facility Association.

Claims incurred

First quarter claims incurred were 18.7% higher than 2014, and the consolidated loss ratio increased to 52.2%, compared to 49.7% in 2014.

The following chart summarizes first quarter loss ratios by jurisdiction:



Saskatchewan's loss ratio of 45.8% is higher than last year's three month ratio of 42.0%, due to a higher number of commercial auto claims, as well as a number of large personal lines losses.

Manitoba's loss ratio decreased from 54.2% in 2014 to 46.9% in 2015. This was driven by improved commercial lines results, which was due largely to better than expected prior year development.

The Alberta loss ratio decreased from 75.7% in 2014 to 66.2% in 2015 due to a lower number of personal lines and agro claims, as well as fewer large agro losses.

Ontario's loss ratio of 85.6% is higher than last year's three month ratio of 76.6%, due primarily to large losses in commercial lines.

Other expenses

For the first quarter, other expenses increased $4.6 million compared to the same period in 2014. This was due largely to higher commissions and premium taxes, which is consistent with the premium growth in the quarter.

Balance Sheet Review

	(thousands of $)		
	March 31 2015	December 31 2014	Change
Total assets	**1,165,999**	**1,175,332**	**(9,333)**
Key asset account changes:			
Cash and cash equivalents	3,213	18,680	(15,467)
Investments	833,161	820,181	12,980
Accounts receivable	157,988	163,911	(5,923)
Unpaid claims recoverable from reinsurers	46,246	55,485	(9,239)
Reinsurers' share of unearned premiums	25,215	11,149	14,066

The decrease in cash and cash equivalents is discussed in the Cash Flow and Liquidity section that follows. The carrying value of investments increased by $13.0 million reflecting increasing market values, despite the sale of long-term investments to fund a $10.6 million dividend payment. Accounts receivable decreased as a result of decreases in amounts due from customers and brokers, a direct result of lower premium volumes in the first quarter of 2015 compared to the fourth quarter of 2014. Unpaid claims recoverable from reinsurers decreased $9.2 million as amounts were received from reinsurers related to recoveries on prior year storms, most notably the 2014 loss year. Reinsurers' share of unearned premiums is higher than at the end of 2014 as most annual reinsurance contracts are written during the first quarter of the year, and earned over the remainder of the year.

	(thousands of $)		
	March 31 2015	December 31 2014	Change
Total liabilities	**825,140**	**870,819**	**(45,679)**
Key liability account changes:			
Premium taxes payable	5,442	24,080	(18,638)
Amounts due to reinsurers	18,341	7,583	10,758
Unearned premiums	290,632	308,691	(18,059)
Provision for unpaid claims	442,727	451,584	(8,857)

Premium taxes payable are lower than at December 31, 2014, as premium taxes are paid annually during the first quarter. Amounts due to reinsurers increased as most reinsurance agreements are written in January and paid throughout the year. The decrease in unearned premiums was due to premiums written in the first quarter of 2015 being lower than in the fourth quarter of 2014. The provision for unpaid claims decreased as amounts were paid related to prior year storms, most notably the 2014 loss year.

	(thousands of $)		
	March 31 2015	**December 31 2014**	**Change**
Total equity	**340,859**	**304,513**	**36,346**
Key equity account changes:			
Retained earnings	260,859	224,513	36,346

The increase in retained earnings is attributable to the $43.3 million consolidated net income offset by dividends declared of $6.3 million, and other comprehensive loss of $728,000. The other comprehensive loss represents actuarial losses associated with the Corporation's defined benefit pension and service recognition plans.

Cash Flow and Liquidity

	(thousands of $)		
	three months ended March 31		
	2015	**2014**	**Change**
Operating activities	(18,380)	(3,721)	(14,659)
Investing activities	13,535	(11,095)	24,630
Financing activities	(10,622)	(9,963)	(659)
Net cash flow	(15,467)	(24,779)	9,312

While the Corporation's operating activities generated net income of $43.3 million for the first quarter, negative cash flow of $18.4 million occurred. This was largely a result of significant annual payments that occur in the first quarter, such as prior year premium taxes and broker bonuses.

Investing activities generated $13.5 million through the sale of long-term investments to provide funding towards the $10.6 million dividend payment.

Capital

As at March 31	**2015**	**2014**
Minimum Capital Test	258%	252%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At March 31, 2015, the Corporation's MCT was 258% (March 31, 2014 – 252%), which is in excess of the 150% minimum regulatory target. For further information on capital management, refer to note 8 of the notes to the consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

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

	(thousands of $)				
	2015	**2014**			
	Q 1	Q 4	Q 3	Q 2	Q 1
Net premiums written	105,325	152,109	148,787	149,467	95,676
Net premiums earned	137,450	135,250	132,565	124,324	121,539
Net claims incurred	71,725	73,558	102,934	82,476	60,406
Net income (loss)	43,324	22,657	(10,796)	1,188	28,591
Cash flow from (used in) operations	(18,380)	31,477	29,524	15,101	(4,157)
Investments	833,161	820,181	800,245	771,383	752,809
Provision for unpaid claims	442,727	451,584	461,233	438,040	395,802
Minimum Capital Test	258%	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.
- The first quarter generally experiences lower claims incurred compared to the rest of the year. Claims incurred are anticipated to increase in the second and third quarters as a result of the summer storm season.
- 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.

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, scale, strategy, privacy breaches, catastrophic claim losses, transfer and acquisition of expertise, employee engagement and productivity, product design and pricing, and information savvy. These risks are described in detail in the Corporation's 2014 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 2014 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 2014 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 2014 Annual Report.

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

Insurance Contracts

In June 2013, the IASB published a revised exposure draft (2013 ED) on the accounting for insurance contracts which builds on the previous 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*. The 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 2015 with implementation not expected before 2018. The Corporation is in the process of assessing the impact of the new proposed standard.

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.

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 (FVOCI) 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 Corporation is in the process of assessing the impact of the new standard.

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 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 which excludes insurance contracts within the scope of IFRS 4 *Insurance Contracts*; therefore, the Corporation does not expect this standard to significantly impact the consolidated financial statements.

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 OCI 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 2013, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. 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 July 1, 2014. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

The IASB issued an exposure draft in December 2013 for the annual improvement cycle for 2012-2014. These amendments are 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.

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 $)	
	March 31 2015 (unaudited)	December 31 2014 (audited)
Assets		
Cash and cash equivalents	$ 3,213	$ 18,680
Accounts receivable	157,988	163,911
Investments under securities lending program (note 5)	11,504	93,473
Investments (note 5)	821,657	726,708
Unpaid claims recoverable from reinsurers	46,246	55,485
Reinsurers' share of unearned premiums	25,215	11,149
Deferred policy acquisition costs	68,902	73,346
Property and equipment	28,487	29,813
Deferred income tax asset	2,787	2,767
	$ 1,165,999	$ 1,175,332
Liabilities		
Accounts payable and accrued liabilities	$ 35,983	$ 40,227
Dividend payable	6,250	10,622
Premium taxes payable	5,442	24,080
Amounts due to reinsurers	18,341	7,583
Unearned reinsurance commissions	2,200	4,767
Unearned premiums	290,632	308,691
Accrued pension liability	22,679	22,362
Provision for unpaid claims	442,727	451,584
Deferred income tax liability	886	903
	825,140	870,819
Equity		
Equity advances	80,000	80,000
Retained earnings	260,859	224,513
Province of Saskatchewan's equity	**340,859**	304,513
	$ 1,165,999	$ 1,175,332

Contingencies (note 13)
The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Statement of Operations

For the periods ended March 31	(thousands of $) three months ended 2015 (unaudited)	2014 (unaudited)
Gross premiums written	$ 128,672	$ 114,656
Premiums ceded to reinsurers	(23,347)	(18,980)
Net premiums written	105,325	95,676
Change in net unearned premiums	32,125	25,863
Net premiums earned	**137,450**	121,539
Net claims incurred	71,725	60,406
Commissions	30,443	26,107
Administrative expenses	14,812	15,243
Premium taxes	6,429	5,750
Facility Association participation (note 11)	17	4
Total claims and expenses	**123,426**	107,510
Underwriting income	**14,024**	14,029
Net investment earnings (note 6)	31,621	15,505
Income before income taxes	**45,645**	29,534
Income tax expense from continuing operations	2,321	943
Net income from continuing operations	**43,324**	28,591
Net incomem from discontinued operations (note 4)	–	421
Net income	**43,324**	29,012
Other comprehensive loss	(728)	(661)
Comprehensive income	**$ 42,596**	$ 28,351
Attributable to:		
The Province of Saskatchewan	42,596	28,414
Non-controlling interest from discontinued operations	–	(63)
	$ 42,596	$ 28,351

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

Condensed Consolidated Statement of Changes in Equity

	(thousands of $)	
	three months ended	
For the periods ended March 31	2015 (unaudited)	2014 (unaudited)
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 224,513	$ 214,954
Net income from continuing operations	43,324	28,654
Net income from discontinued operations	–	421
Other comprehensive loss	(728)	(661)
Dividends	(6,250)	(5,750)
Balance, end of period	**$ 260,859**	$ 237,618
Total Province of Saskatchewan's equity	**$ 340,859**	$ 317,618
Non-controlling interest		
Balance, beginning of period	$ –	$ 3,494
Comprehensive loss	–	(63)
Balance, end of period	**$ –**	$ 3,431
Total equity	**$ 340,859**	$ 321,049

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

Condensed Consolidated Statement of Cash Flows

	(thousands of $)	
	three months ended	
For the periods ended March 31	2015 (unaudited)	2014 (unaudited)
Cash provided by (used for):		
Operating activities		
Net income	$ 43,324	$ 29,012
Continuing operations		
Non-cash items:		
Bond amortization	803	861
Depreciation	1,594	1,483
Net realized gains on sale of investments	(9,249)	(4,142)
Net unrealized gains on change in market value of investments	(18,337)	(7,425)
Actuarial losses on employee benefit plans	(728)	(661)
Deferred income taxes	(37)	(27)
Change in non-cash operating items (note 9)	(35,750)	(23,258)
	(18,380)	(4,157)
Discontinued operations	–	436
	(18,380)	(3,721)
Investing activities		
Continuing operations		
Purchases of investments	(185,934)	(274,092)
Proceeds on sale of investments	199,737	262,899
Purchases of property and equipment, net of proceeds from disposals	(268)	(1,057)
	13,535	(12,250)
Discontinued operations	–	1,155
	13,535	(11,095)
Financing activities		
Continuing operations		
Dividends paid	(10,622)	(9,925)
Discontinued operations	–	(38)
	(10,622)	(9,963)
Decrease in cash and cash equivalents	**(15,467)**	(24,779)
Cash and cash equivalents, beginning of period	18,680	42,608
Cash and cash equivalents, end of period	**$ 3,213**	$ 17,829
Comprised of:		
Cash and cash equivalents from continuing operations	3,213	15,558
Cash and cash equivalents from discontinued operations	–	2,271
	$ 3,213	$ 17,829
Supplemental cash flow information:		
Interest received	$ 3,127	$ 3,185
Dividends received	$ 621	$ 538
Income taxes paid	$ 2,375	$ 860

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

March 31, 2015

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 and Manitoba, and in Ontario through its wholly-owned subsidiary Coachman Insurance Company (Coachman). 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 16.5% (December 31, 2014 – 15.2%) of the Corporation's consolidated net premiums earned.

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

The unaudited interim consolidated financial statements for the three month period ended March 31, 2015, 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 annual report for the year ended December 31, 2014. 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. The provision for unpaid claims and unpaid claims recoverable from reinsurers are 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 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 the valuation of investments classified as Level 3.

3. Significant Accounting Policies

Basis of consolidation

The unaudited interim 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. The financial accounting records of the subsidiaries are prepared for the same reporting year as the Corporation, 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 would include financial instruments whose values are determined using internal pricing models, discounted cash flows 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. The fair value for the pooled mortgage fund is determined based on the 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 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, then 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 its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized 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 derecognized 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 the changes in market value of the investments held at the period-end date.

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. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. 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 is a contract that transfers significant insurance 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 and are taken into income as net premiums earned over the terms of the related policies, no longer than 12 months. The portion of the policy 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 its 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 it 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 which 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 OCI 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 the 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 the 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 these 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 the 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 the unionized employees was frozen for current employees and closed to new employees. Effective December 31, 2011, the defined benefit service recognition plan for the management employees was closed to new employees, and the 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. The 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 these 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 consists 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 reward 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 claims adjudication, the Corporation settles certain long-term claims 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 claims liabilities are derecognized. 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 the accounting for insurance contracts which builds on the previous 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*. The 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 2015 with implementation not expected before 2018. The Corporation is in the process of assessing the impact of the new proposed standard.

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 (FVOCI) 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 Corporation is in the process of assessing the impact of the new standard.

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 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 which excludes insurance contracts within the scope of IFRS 4 *Insurance Contracts*, therefore, this standard will have a limited impact on the Corporation.

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 OCI 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 2013, the IASB issued two exposure drafts for Annual Improvements Cycles 2010-2012 and 2011-2013, which include minor amendments to a number of IFRSs. 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 July 1, 2014. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

The IASB issued an exposure draft in December 2013 for the annual improvement cycle for 2012-2014. These amendments are 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 the first quarter of 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75%-owned subsidiary, 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.

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 December 31, 2014, a surplus of $244,000 was estimated which has not been recorded in these Consolidated Financial Statements.

The ICPEI operations represented a separate segment of business for the Corporation. As a result of the sale, these operations have been treated as discontinued operations and include the results of ICPEI to June 30, 2014, the transaction close date. A single amount is shown on the Consolidated Statement of Operations comprising the post-tax result of the discontinued operations. In the Consolidated Statement of Cash Flows, the cash provided (utilized) by the activities of ICPEI has been separated from that of the rest of the Corporation. The Consolidated Statement of Operations, Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows of prior periods have been restated to conform to this presentation format.

Income from the discontinued operation is presented below.

	(thousands of $) three months ended March 31 2014
Gross premiums written	$ 5,425
Premiums ceded to reinsurers	(1,103)
Net premiums written	4,322
Change in net unearned premiums	1,586
Net premiums earned	5,908
Net claims incurred	4,262
Commissions	1,062
Administrative expenses	746
Premium taxes	240
Facility Association participation	(68)
Total claims and expenses	6,242
Underwriting loss	(334)
Investment earnings	529
Income before income taxes	195
Income tax expense	134
Income from discontinued operations	61
Administrative expenses from SGI CANADA	360
Net income from discontinued operations	$ 421

ICPEI's administrative expenses include $360,000 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 continued operations.

5. Investments

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

	(thousands of $)	
	March 31 2015	December 31 2014
Short-term investments	$ 105,502	$ 109,465
Bonds and debentures	413,024	321,376
Canadian common shares	48,499	47,318
U.S. common shares	56,923	56,702
Pooled funds:		
Canadian equity	20,015	19,415
U.S. equity	22,713	22,857
Non-North American equity	53,623	51,577
Mortgage	101,358	97,998
	821,657	726,708
Investments under securities lending program		
Bonds and debentures	2,009	81,530
Canadian common shares	9,495	9,748
U.S. common shares	–	2,195
	11,504	93,473
Total investments	$ 833,161	$ 820,181

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 102% 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, 2015, the Corporation held collateral of $12,081,000 (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, 2015			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ –	$ 105,502	$ –	$ 105,502
Bonds and debentures	–	415,033	–	415,033
Canadian common shares	57,994	–	–	57,994
U.S. common shares	56,923	–	–	56,923
Pooled funds:				
Canadian equity	20,015	–	–	20,015
U.S. equity	22,713	–	–	22,713
Non-North American equity	53,623	–	–	53,623
Mortgage	–	–	101,358	101,358
	$ 211,268	$ 520,535	$ 101,358	$ 833,161

	(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.

A reconciliation of Level 3 investments is as follows:

	(thousands of $)	
	three months ended March 31	
	2015	2014
Balance beginning of the period	$ 97,998	$ –
Additions during the period		
Mortgage pooled fund	1,200	70,993
Net unrealized gains	2,160	1,431
	$ 101,358	$ 72,424

Investment in the mortgage pooled fund is valued using the Corporation's share of the net asset value of the mortgage pooled fund as at March 31.

During the three month period ended March 31, 2015, no investments were transferred between levels. During the first quarter of 2014, the Corporation transferred the mortgage pooled fund from Level 2 to Level 3 to be consistent with the investment manager's classifications.

6. Investment Earnings

The components of investment earnings are as follows:

	(thousands of $)	
	three months ended March 31	
	2015	2014
Net unrealized gains on change in market value of investments	$ 18,337	$ 7,425
Net realized gains on sale of investments	9,249	4,142
Interest	2,258	2,325
Premium financing	1,566	1,405
Dividends	586	542
Total investment earnings	31,996	15,839
Investment expenses	(375)	(334)
Net investment earnings	$ 31,621	$ 15,505

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

	(thousands of $)	
	three months ended March 31	
	2015	2014
Bonds and debentures	$ 2,118	$ 1,234
Canadian common shares	604	2,295
U.S. common shares	2,827	327
Pooled funds:		
Canadian equity	599	902
U.S. equity	1,648	464
Non-North American equity	8,381	772
Mortgage	2,160	1,431
	$ 18,337	$ 7,425

7. 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. The 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 its insurance risk through its 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 March 31, 2015	**Automobile**	**Personal Property**	**Commercial Property**	**Liability**	**Total**
Saskatchewan	$ 35,725	$ 35,598	$ 11,574	$ 8,000	$ 90,897
Manitoba	–	1,624	1,298	670	3,592
Alberta	12,163	4,388	1,910	1,657	20,118
Ontario	10,738	1,300	1,281	746	14,065
Total	$ 58,626	$ 42,910	$ 16,063	$ 11,073	$ 128,672

	(thousands of $)				
three months ended March 31, 2014	**Automobile**	**Personal Property**	**Commercial Property**	**Liability**	**Total**
Saskatchewan	$ 32,859	$ 31,742	$ 10,370	$ 8,025	$ 82,996
Manitoba	–	1,515	1,006	573	3,094
Alberta	9,397	3,029	1,187	1,374	14,987
Ontario	10,029	1,213	892	590	12,724
Assumed from Maritimes	88	237	147	383	855
Total	$ 52,373	$ 37,736	$ 13,602	$ 10,945	$ 114,656

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

	(thousands of $)					
	Gross		**Reinsurance Recoverable**		**Net**	
	March 31 2015	**December 31 2014**	**March 31 2015**	**December 31 2014**	**March 31 2015**	**December 31 2014**
Automobile	$ 214,221	$ 212,286	$ 12,982	$ 12,928	$ 201,239	$ 199,358
Personal property	107,147	122,079	20,626	28,683	86,521	93,396
Commercial property	30,735	31,730	6,790	8,098	23,945	23,632
Liability	56,357	54,683	3,380	3,404	52,977	51,279
Assumed	5,325	5,327	–	–	5,325	5,327
PFAD and discounting	23,534	20,115	2,468	2,372	21,066	17,743
Facility Association	5,408	5,364	–	–	5,408	5,364
Total	$ 442,727	$ 451,584	$ 46,246	$ 55,485	$ 396,481	$ 396,099

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

	(thousands of $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014	March 31 2015	December 31 2014
Saskatchewan	$ 246,883	$ 258,575	$ 31,556	$ 39,966	$ 215,327	$ 218,609
Ontario	127,578	125,653	11,056	11,441	116,522	114,212
Alberta	60,373	59,284	3,216	3,519	57,157	55,765
Manitoba	6,164	6,343	418	559	5,746	5,784
Maritimes	1,729	1,729	–	–	1,729	1,729
Total	$ 442,727	$ 451,584	$ 46,246	$ 55,485	$ 396,481	$ 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 $)	
	2015	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 $6,250,000). 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 the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Actuarial risk

The 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 claim 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 (consisting of interest rate risk, foreign exchange risk and equity price 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 its 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 2015	**December 31 2014**
Cash and cash equivalents	$ 3,213	$ 18,680
Accounts receivable	157,988	163,911
Fixed income investments [1]	621,893	610,369
Unpaid claims recoverable from reinsurers	46,246	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 annual consolidated financial statements.

Cash and cash equivalents include money market investments of $19,283,000 less bank overdraft, net of outstanding cheques of $16,070,000 (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 consist of balances outstanding for one year or less.

	(thousands of $)	
	March 31 2015	December 31 2014
Current	$ 156,004	$ 163,381
30 - 59 days	829	910
60 - 90 days	357	332
Greater than 90 days	8,219	6,538
Subtotal	165,409	171,161
Allowance for doubtful accounts	(7,421)	(7,250)
Total	$ 157,988	$ 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 2015	December 31 2014
Allowance for doubtful accounts	$ 7,250	$ 5,722
Allowance related to discontinued operations	–	(48)
Accounts written off	(695)	(1,523)
Current period provision	866	3,099
Allowance for doubtful accounts	$ 7,421	$ 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 all 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, 2015		December 31, 2014	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 133,090	32.1	$ 126,317	31.4
AA	122,916	29.6	122,821	30.5
A	102,911	24.8	96,025	23.8
BBB	56,116	13.5	57,743	14.3
Total	$ 415,033	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	
	March 31 2015	December 31 2014	March 31 2015	December 31 2014
Investment earnings	$ (11,065)	$ (11,915)	$ 11,065	$ 11,915
Claims incurred	(9,665)	(9,549)	9,665	9,549
Net income before income taxes	(1,400)	(2,366)	1,400	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:

		Current Exposure (%)		10% change in exchange rates (thousands of $)	
Asset Class	**Maximum Exposure (%)**	**March 31 2015**	**December 31 2014**	**March 31 2015**	**December 31 2014**
U.S. equities	14.0	9.6	10.0	$ 7,964	$ 8,175
Non-North American equities	9.0	6.4	6.3	5,362	5,158

As U.S. common shares, the U.S. equity pooled fund and the non-North American equity pooled fund 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, U.S. and EAFE (Europe, Australasia and Far East) markets. Equities comprise 25.4% (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. As such, 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 2015**	**December 31 2014**
Canadian equities	$ +/- 15,758	$ +/- 22,409
U.S. equities	+/- 21,820	+/- 22,728
Non-North American equities	+/- 13,942	+/- 13,410

The Corporation's equity investments are classified as fair value through profit and loss and as such, 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 claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from its investing activities.

8. 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 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 its 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 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, 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.

9. Change in Non-Cash Operating Items

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

	(thousands of $)	
	three months ended March 31	
	2015	2014
Accounts receivable	$ 5,923	$ 11,758
Unpaid claims recoverable from reinsurers	9,239	(946)
Reinsurers' share of unearned premiums	(14,066)	(7,968)
Deferred policy acquisition costs	4,444	4,264
Accounts payable and accrued liabilities	(4,244)	950
Premium taxes payable	(18,638)	(17,273)
Amounts due to reinsurers	10,758	7,504
Unearned reinsurance commissions	(2,567)	(169)
Unearned premiums	(18,059)	(18,541)
Accrued pension liability	317	549
Provision for unpaid claims	(8,857)	(3,386)
	$ (35,750)	$ (23,258)

10. Employee Salaries and Benefits

The Corporation incurs salaries costs, retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefits 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 March 31	
	2015	2014
Salaries	$ 30,372	$ 30,043
Defined contribution pension plan	1,747	1,676
Defined benefit pension plan	28	39
Defined benefit service recognition plans	195	215
Other benefits	3,925	4,057
Total salaries and benefits	36,267	36,030
Less: Allocation to Saskatchewan Auto Fund	(22,087)	(22,252)
Salaries and benefits incurred in SGI CANADA	$ 14,180	$ 13,778

Defined contribution pension plan

The Corporation has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.75% to the plan.

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.

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.

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

	(thousands of $)	
	three months ended March 31	
	2015	2014
Current service cost	$ –	$ 5
Interest cost	28	34
Pension expense	$ 28	$ 39

Defined benefit service recognition plans

Pension expense for the defined benefit service recognition plan is as follows:

	(thousands of $)	
	three months ended March 31	
	2015	2014
Current service cost	$ 53	$ 51
Interest cost	142	164
Pension expense	$ 195	$ 215

Actuarial losses recognized in other comprehensive loss

Other comprehensive loss 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
December 31, 2013	4.30%	3.80% – 4.00%
March 31, 2014	3.90%	3.50% – 3.60%
December 31, 2014	3.70%	3.20% – 3.30%
March 31, 2015	3.10%	2.60% – 2.80%

Actuarial losses recognized in other comprehensive loss are as follows:

	(thousands of $)	
	2015	2014
Cumulative actuarial losses, January 1	$ 5,219	$ 5,328
Loss recognized during the first quarter	728	661
Cumulative actuarial losses, March 31	$ 5,947	$ 5,989

Key management personnel

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

Key management personnel compensation is comprised of:

	(thousands of $)	
	three months ended March 31	
	2015	2014
Salaries and benefits	$ 784	$ 760
Post-employee benefits	10	10
Contributions to defined contribution plan	67	65
Pension expense	$ 861	$ 835

11. 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 March 31	
	2015	2014
Gross premiums written	$ 503	$ 589
Net premiums earned	$ 707	$ 704
Net claims incurred	621	582
Commissions	20	(2)
Premium taxes	30	21
Administrative expenses	112	137
Total claims and expenses	783	738
Underwriting loss	(76)	(34)
Investment earnings	59	30
Net loss	$ (17)	$ (4)

12. Select Operating Information

The Corporation provides property and casualty insurance directly in Saskatchewan, and through subsidiaries operating in Alberta and Manitoba, Ontario and, prior to July 1, 2014, the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). 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 $)				
	March 31, 2015				
	Saskatchewan	Manitoba and Alberta	Ontario	Consolidation Adjustments	Total
Net premiums written	$ 82,966	$ 17,206	$ 5,153	$ –	$ 105,325
Net premiums earned	101,948	23,532	11,970	–	137,450
Net claims incurred	46,724	14,752	10,249	–	71,725
Other expenses	40,109	7,620	3,972	–	51,701
Underwriting income (loss)	15,115	1,160	(2,251)	–	14,024
Investment earnings	21,402	5,166	5,053	–	31,621
Income before income taxes	36,517	6,326	2,802	–	45,645
Income tax expense	–	1,614	707	–	2,321
Net income	$ 36,517	$ 4,712	$ 2,095	$ –	$ 43,324
Total assets	$ 762,226	$ 229,495	$ 235,672	$ (61,394)	$ 1,165,999
Total liabilities	$ 562,314	$ 155,227	$ 168,993	$ (61,394)	$ 825,140
Shareholder's equity	$ 199,912	$ 74,268	$ 66,679	$ –	$ 340,859

	(thousands of $)					
	March 31, 2014					
	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes (Discontinued – note 4)	Consolidation Adjustments	Total
Net premiums written	$ 73,297	$ 14,312	$ 8,067	–	–	$ 95,676
Net premiums earned	91,620	17,565	12,354	–	–	121,539
Net claims incurred	38,448	12,499	9,459	–	–	60,406
Other expenses	37,725	5,736	3,643	–	–	47,104
Underwriting income (loss)	15,447	(670)	(748)	–	–	14,029
Investment earnings	10,824	2,009	2,672	–	–	15,505
Income before income taxes	26,271	1,339	1,924	–	–	29,534
Income tax expense	–	350	593	–	–	943
Discontinued operations (note 4)	–	–	–	421	–	421
Net income	$ 26,271	$ 989	$ 1,331	$ 421	$ –	$ 29,012
Total assets	$ 716,598	$ 180,661	$ 218,353	$ 52,786	$ (63,625)	$ 1,104,773
Total liabilities	$ 523,141	$ 125,728	$ 160,873	$ 37,607	$ (63,625)	$ 783,724
Shareholder's equity	$ 193,457	$ 54,934	$ 57,480	$ 15,178	$ –	$ 321,049

13. 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.

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