



SGI CANADA Quarterly Report

September 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.

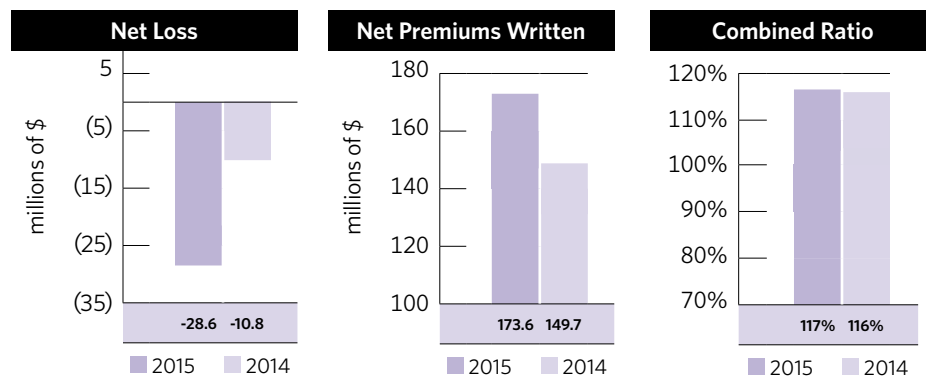
Innovation Implementing creative solutions to achieve our vision.

About SGI CANADA

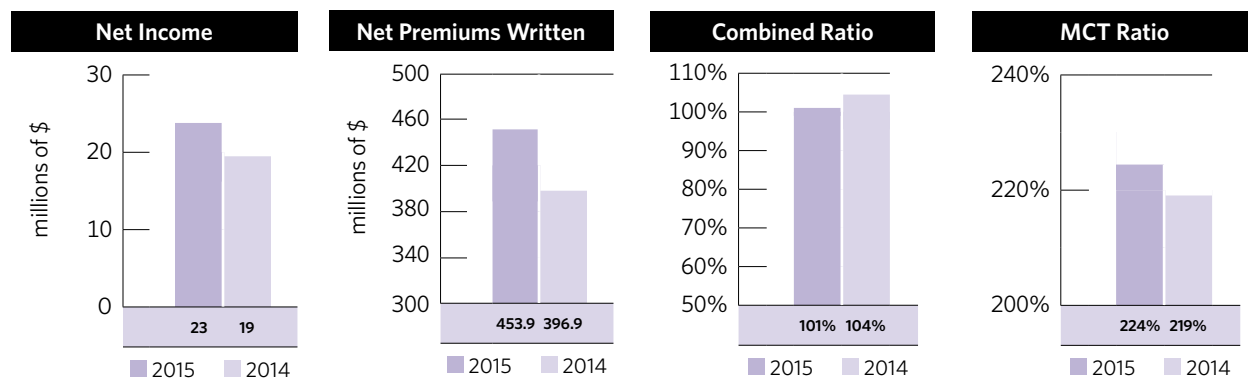
SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba, Alberta and British Columbia, and Coachman Insurance Company in Ontario. The Corporation employs about 1,900 people and its head office is located in Regina, Saskatchewan. Products are sold through a network of independent insurance brokers.

Financial Highlights

For the three months ended September 30¹



For the nine months ended September 30¹



¹Includes results from continuing operations.

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. (SCISL) 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- and nine-month periods ended September 30, 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 November 18, 2015.

Overview

	(thousands of \$)					
	three months ended September 30			nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Net premiums written	173,563	149,717	23,846	453,883	396,944	56,939
Net income (loss) from continuing operations	(28,588)	(10,796)	(17,792)	22,960	18,983	3,977
Combined ratio	117%	116%	1%	101%	104%	-3%
Minimum Capital Test				224%	219%	5.0%

The Corporation continues to experience strong premium growth, with increases coming from all jurisdictions. The largest growth market was Alberta, which achieved a 28% increase over 2014. The Corporation recorded a small year-to-date underwriting loss of \$5.9 million (2014 - underwriting loss of \$15.1 million), as indicated by a 101% (2014 - 104%) combined ratio. This was due largely to higher than anticipated consolidated catastrophe costs of \$52.8 million (2014 - \$53.2 million), which occurred primarily in the third quarter.

A third quarter loss on investments of \$4.8 million (2014 - earnings of \$7.6 million) was experienced, which reduced year-to-date investment returns. Despite the third quarter loss, investment returns remain strong on a year-to-date basis, with most asset classes providing positive returns.

Capitalization remains adequate to support premium growth, with a Minimum Capital Test (MCT) score of 224% at September 30, 2015.

Outlook

Despite unfavourable underwriting results, strong investment earnings have positioned SGI CANADA well going into the fourth quarter, which is generally a strong quarter from an underwriting perspective. The Corporation remains focused on underwriting fundamentals, including maintaining adequate pricing and diligent claim management, as well as providing outstanding service. The numerous storms experienced through the third quarter have resulted in a high number of claims, which the Corporation's Claims division is focused on adjusting and working diligently with customers who have been impacted.

As part of the strategy to accelerate geographic diversification, SGI CANADA has begun to sell property and casualty insurance in British Columbia. SGI CANADA started selling a full slate of commercial property products in July and is expecting to expand to offer personal property in early 2016.

Interest rate volatility experienced during 2015 is expected to persist until macroeconomic factors normalize and is likely to cause continued variability in investment results. 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 September 30			nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Premiums earned	148,134	133,377	14,757	430,703	381,150	49,553
Net investment earnings	(4,758)	7,597	(12,355)	30,426	34,287	(3,861)
Other income	-	3,500	(3,500)	-	3,500	(3,500)

Premiums earned

	(thousands of \$)					
	three months ended September 30			nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Saskatchewan	125,821	117,363	8,458	343,763	318,926	24,837
Alberta, Manitoba and British Columbia	36,176	29,523	6,653	94,846	75,086	19,760
Ontario	17,316	15,296	2,020	47,862	42,525	5,337
Gross premiums written	179,313	162,182	17,131	486,471	436,537	49,934
Premiums ceded to reinsurers	(5,750)	(12,465)	6,715	(32,588)	(39,593)	7,005
Change in unearned premiums	(25,429)	(16,340)	(9,089)	(23,180)	(15,794)	(7,386)
Net premiums earned	148,134	133,377	14,757	430,703	381,150	49,553

Premiums written in Saskatchewan increased 7.8% in the first nine months of 2015 with personal lines contributing the majority of the increase.

Alberta operations experienced growth in premiums written of 28.3%, with personal lines and personal auto contributing the majority of the increase.

The increase in Ontario gross premiums written is the result of continued growth in the number of auto policies written. The mandatory auto rate decrease of 12.5%, effective July 1, 2014, has contributed to a 23.3% increase in personal auto policies in force over the prior year.

Investment earnings

Investment earnings in the third quarter were \$12.4 million lower than the same period in 2014 due to weaker equity and fixed income returns. Decreases in equity prices resulted in capital losses as opposed to gains experienced during the third quarter of 2014. Increases in interest rates generated capital losses on fixed income investments while interest income also decreased from holding lower yielding securities compared to the 2014 period.

Year-to-date investment earnings decreased \$3.9 million over the same period in 2014. While capital gains from both equity and fixed income investments remained positive year-to-date, they were at levels lower than realized in the 2014 period. The year-to-date market value rate of return at September 30, 2015, was 3.2% compared to 4.0% for same period of 2014.

Expenses

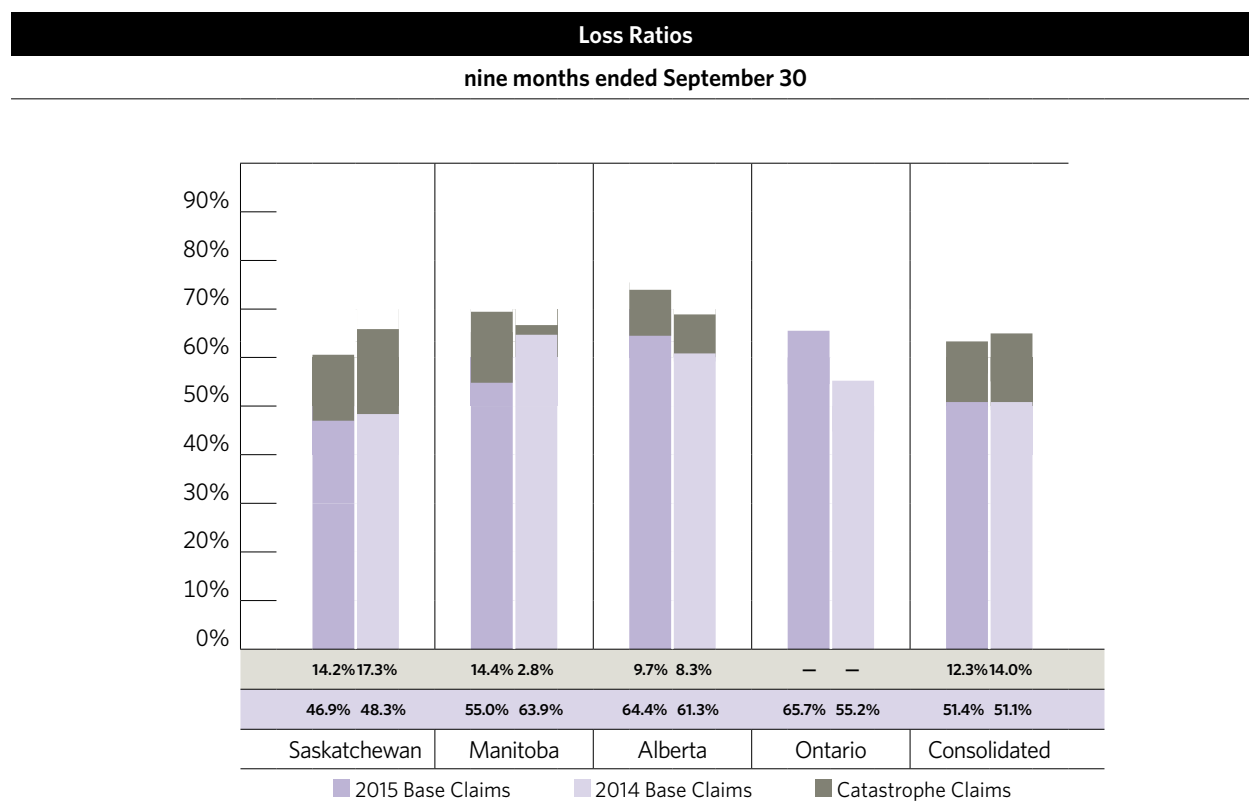
(thousands of \$ - except percentages)						
	three months ended September 30			nine months ended September 30		
	2015	2014	Change	2015	2014	Change
Net claims incurred	117,160	103,502	13,658	274,284	248,104	26,180
Other expenses	56,454	51,401	5,053	162,348	148,122	14,226
	173,614	154,903	18,711	436,632	396,226	40,406
Combined ratio	117.2%	116.1%	1.1%	101.4%	104.0%	(2.6%)
Loss ratio	79.1%	77.6%	1.5%	63.7%	65.1%	(1.4%)

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

Claims incurred

Overall, claims incurred totalled \$274.3 million for the first nine months of 2015, an increase of 10.6% from 2014. The consolidated loss ratio decreased to 63.7% from 65.1% in 2014.

The following chart summarizes loss ratios by jurisdiction for the first nine months of 2015:



Saskatchewan's nine-month loss ratio of 61.1% is lower than last year's loss ratio of 65.6%. This is due primarily to improved personal and commercial lines results, which are being driven by a decrease in the number of claims combined with premium growth. Storm activity resulted in \$42.1 million in claims, compared to \$46.3 million over the same period in 2014.

Manitoba's loss ratio increased to 69.4% from 66.7% in 2014, due to an increase in storm claims. Storm activity resulted in \$1.9 million in claims, compared to \$336,000 incurred during the same period in 2014.

Alberta's loss ratio increased to 74.1% from 69.6% in 2014, due primarily to increases in the severity of auto claims and large losses in commercial lines. As well, the first nine months of 2015 included \$8.8 million in storm claims, compared to \$6.5 million incurred during the same period in 2014.

The Ontario loss ratio increased to 65.7% from 55.2% in 2014, due to large losses in commercial lines and an increase in the number of auto claims. The personal auto loss ratio has also been impacted by the mandatory 12.5% rate decrease, effective July 1, 2014.

Other expenses

For the first nine months of 2015, other expenses increased by \$14.2 million or 9.6% from 2014. This was due largely to higher commissions and premium taxes, which is consistent with the premium growth in the quarter.

Statement of Financial Position Review

	(thousands of \$)		
	September 30 2015	December 31 2014	Change
Total assets	1,215,109	1,175,332	39,777
Key asset account changes:			
Cash and cash equivalents	3,158	18,680	(15,522)
Investments	863,145	820,181	42,964
Accounts receivable	187,675	163,911	23,764
Unpaid claims recoverable from reinsurers	39,839	55,485	(15,646)

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 \$43.0 million, reflecting additional purchases of long-term securities made from positive cash flows from operations and decreases in cash and cash equivalents. The increase in accounts receivable is the result of continued premium growth across all provinces and an increase in the percentage of policies using payment plans offered by SGI CANADA. Unpaid claims recoverable from reinsurers decreased as amounts were received from reinsurers related to recoveries on prior year storms, most notably the 2014 loss year.

	(thousands of \$)		
	September 30 2015	December 31 2014	Change
Total liabilities	906,260	870,819	35,441
Key liability account changes:			
Accounts payable and accrued liabilities	29,979	38,594	(8,615)
Dividends payable	6,250	10,622	(4,372)
Premium taxes payable	19,714	24,080	(4,366)
Unearned premiums	336,361	310,324	26,037
Provision for unpaid claims	479,164	451,584	27,580

The decrease in accounts payable and accrued liabilities, dividends payable and premium taxes payable is primarily the result of timing, with significant year-end accruals being paid during the first quarter. The increase in unearned premiums is the result of continued growth in premiums written. The provision for unpaid claims increased due primarily to storm claims during the third quarter.

	(thousands of \$)		
	September 30 2015	December 31 2014	Change
Total equity	308,849	304,513	4,336
Key equity account changes:			
Retained earnings	228,849	224,513	4,336

The increase in retained earnings is attributable to \$23.0 million consolidated net income and other comprehensive income of \$126,000, offset by dividends declared of \$18.8 million. Other comprehensive income represents actuarial gains associated with the Corporation's defined benefit pension and service recognition plans.

Cash Flow and Liquidity

	(thousands of \$)		
	nine months ended September 30		
	2015	2014	Change
Operating activities	35,650	40,468	(4,818)
Investing activities	(28,050)	(41,733)	13,683
Financing activities	(23,122)	(21,374)	(1,748)
Net cash flow	(15,522)	(22,639)	7,117

On a year-to-date basis, positive operating cash flows and cash and cash equivalents were used to purchase additional long-term investments and fund the \$23.1 million dividend payment.

Capital

As at September 30	2015	2014
Minimum Capital Test	224%	219%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor capital adequacy. At September 30, 2015, the Corporation's MCT was 224% (September 30, 2014 - 219%), 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 CANADA²:

	(thousands of \$)						
	2015				2014		
	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Net premiums written	173,563	174,491	105,829	152,914	149,717	150,962	96,265
Net premiums earned	148,134	144,412	138,157	136,114	133,377	125,530	122,243
Net claims incurred	117,160	84,778	72,346	74,332	103,502	83,614	60,988
Net income (loss)	(28,588)	8,224	43,324	22,657	(10,796)	1,188	28,591
Cash flow from (used in) operations	25,878	28,152	(18,380)	31,477	29,524	15,101	(4,157)
Investments	863,145	824,655	833,161	820,181	800,245	771,383	752,809
Provision for unpaid claims	479,164	442,485	442,727	451,584	461,233	438,040	395,802
Minimum Capital Test	224%	258%	252%	227%	219%	240%	252%

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

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.
- The first quarter generally experiences lower claims incurred compared to the rest of the year. Claims incurred can be high 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 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 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.

² Includes results from continuing operations.

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

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

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 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.

In September 2015, the IASB confirmed that it will issue an Exposure Draft towards the end of 2015 of proposed changes to IFRS 4 to address concerns around the requirement to implement IFRS 9 before the new insurance standard is effective. Proposed changes would allow reporting entities, where the liabilities are predominately arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

The Corporation is in the process of assessing the impact of the new standard.

Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. generally accepted accounting principles. This standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4 *Insurance Contracts*; therefore, 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 other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate, and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

Annual Improvements Cycles

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

Caution Regarding Forward-Looking Statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability to achieve them. Forward-looking statements are based on estimations and assumptions made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, undue reliance should not be placed on the Corporation's forward-looking statements, which only apply as of the date of this MD&A document

Condensed Consolidated Statement of Financial Position

	(thousands of \$)	
	September 30 2015 (unaudited)	December 31 2014 (audited)
Assets		
Cash and cash equivalents	\$ 3,158	\$ 18,680
Accounts receivable	187,675	163,911
Investments under security lending program (note 5)	111,888	93,473
Investments (note 5)	751,257	726,708
Unpaid claims recoverable from reinsurers	39,839	55,485
Reinsurers' share of unearned premiums	14,006	11,149
Deferred policy acquisition costs	78,617	73,346
Property and equipment	25,928	29,813
Deferred income tax asset	2,741	2,767
	\$ 1,215,109	\$ 1,175,332
Liabilities		
Accounts payable and accrued liabilities	\$ 29,979	\$ 38,594
Dividend payable	6,250	10,622
Premium taxes payable	19,714	24,080
Amounts due to reinsurers	10,046	7,583
Unearned reinsurance commissions	2,781	4,767
Unearned premiums	336,361	310,324
Accrued pension liability	21,100	22,362
Provision for unpaid claims	479,164	451,584
Deferred income tax liability	865	903
	906,260	870,819
Equity		
Equity advances	80,000	80,000
Retained earnings	228,849	224,513
Province of Saskatchewan's equity	308,849	304,513
	\$ 1,215,109	\$ 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 September 30	(thousands of \$)			
	three months ended		nine months ended	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Gross premiums written	\$ 179,313	\$ 162,182	\$ 486,471	\$ 436,537
Premiums ceded to reinsurers	(5,750)	(12,465)	(32,588)	(39,593)
Net premiums written	173,563	149,717	453,883	396,944
Change in net unearned premiums	(25,429)	(16,340)	(23,180)	(15,794)
Net premiums earned	148,134	133,377	430,703	381,150
Net claims incurred	117,160	103,502	274,284	248,104
Commissions	32,690	29,579	92,738	82,835
Administrative expenses	16,846	16,062	49,557	47,367
Premium taxes	6,918	5,760	20,053	17,920
Total claims and expenses	173,614	154,903	436,632	396,226
Underwriting loss	(25,480)	(21,526)	(5,929)	(15,076)
Net investment earnings (loss) (note 6)	(4,758)	7,597	30,426	34,287
Other income (note 4)	-	3,500	-	3,500
Income (loss) before income taxes	(30,238)	(10,429)	24,497	22,711
Income tax expense (recovery)	(1,650)	367	1,537	3,728
Net income (loss) from continuing operations	(28,588)	(10,796)	22,960	18,983
Net loss from discontinued operations - net of tax (note 4)	-	-	-	(815)
Net income (loss)	(28,588)	(10,796)	22,960	18,168
Other comprehensive income (loss)	70	(676)	126	(1,111)
Comprehensive income (loss)	\$ (28,518)	\$ (11,472)	\$ 23,086	\$ 17,057
Attributable to:				
The Province of Saskatchewan	(28,518)	(11,472)	23,086	17,452
Non-controlling interest from discontinued operations	-	-	-	(395)
	\$ (28,518)	\$ (11,472)	\$ 23,086	\$ 17,057

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

Condensed Consolidated Statement of Changes in Equity

For the periods ended September 30	(thousands of \$)	
	nine months ended	
	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	22,960	19,378
Net loss from discontinued operations	-	(815)
Other comprehensive income (loss)	126	(1,111)
Dividends	(18,750)	(21,017)
Balance, end of period	\$ 228,849	\$ 211,389
Total Province of Saskatchewan's equity	\$ 308,849	\$ 291,389
Non-controlling interest		
Balance, beginning of period	\$ -	\$ 3,494
Comprehensive income (loss)	-	(395)
Sale of ICPEI	-	(3,099)
Balance, end of period	\$ -	\$ -
Total Equity	\$ 308,849	\$ 291,389

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

Condensed Consolidated Statement of Cash Flows

For the periods ended September 30	(thousands of \$)	
	nine months ended	
	2015 (unaudited)	2014 (unaudited)
Cash provided by (used for):		
Operating activities		
Net income	\$ 22,960	\$ 18,168
Continuing operations		
Non-cash items:		
Bond amortization	2,514	2,555
Depreciation	4,864	4,587
Net realized gains on sale of investments	(40,230)	(10,392)
Net unrealized (gains) losses on change in market value of investments	21,823	(11,396)
Actuarial gain (loss) on employee benefit plans	126	(1,111)
Deferred income taxes	(12)	(19)
Change in non-cash operating items (note 9)	23,605	38,076
	35,650	40,468
Discontinued operations	-	(6,211)
	35,650	34,257
Investing activities		
Continuing operations		
Purchases of investments	(775,338)	(693,025)
Proceeds on sale of investments	748,267	644,584
Proceeds on sale of discontinued operations (note 4)	-	8,840
Purchases of property and equipment, net of proceeds from disposals	(979)	(2,132)
	(28,050)	(41,733)
Discontinued operations	-	7,395
	(28,050)	(34,338)
Financing activities		
Continuing operations		
Dividends received	-	51
Dividends paid	(23,122)	(21,425)
	(23,122)	(21,374)
Discontinued operations	-	(2,296)
	(23,122)	(23,670)
Decrease in cash and cash equivalents	(15,522)	(23,751)
Cash and cash equivalents, beginning of period	18,680	42,608
Cash and cash equivalents, end of period	\$ 3,158	\$ 18,857
Supplemental cash flow information:		
Interest received	\$ 8,723	\$ 9,524
Dividends received	\$ 1,317	\$ 1,684
Income taxes paid	\$ 4,972	\$ 2,542

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

Notes to the Condensed Consolidated Financial Statements (unaudited)

September 30, 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 British Columbia, Alberta, 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 - 15.9%) of the Corporation's consolidated direct premiums written.

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

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

2. Basis of Preparation

The unaudited interim consolidated financial statements for the three- and nine-month periods ended September 30, 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.

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 is measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Statement of Financial Position classification

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

Functional and presentation currency

These 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 include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. Assets classified as Level 3 include the pooled mortgage fund. The fair value for the pooled mortgage fund is determined based on market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages (using spread-based pricing over Government of Canada bonds with a similar term to maturity), subject to adjustments for liquidity and credit risk.

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

Investments

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

Investments under securities lending program

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

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

Investment earnings

The Corporation recognizes interest and premium financing as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold, and unrealized gains and losses based on changes in market value of the investments held at the period-end date.

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

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

Provision for unpaid claims

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

Deferred policy acquisition costs

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

Reinsurance ceded

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

Income taxes

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

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

Employees' future benefits

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

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

The Corporation's defined benefit pension plan is available to certain of its employees and has been closed to new membership since 1980. The plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. The plan may be indexed at the discretion of the Board of Directors. The plan is pre-funded by payments from employee and employer contributions 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 other comprehensive income in the period in which they arise.

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

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

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

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

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

Cash and cash equivalents

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

Property and equipment

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

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

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

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

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

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

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

Leased assets

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

Provisions and contingent liabilities

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

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

Structured settlements

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

Comprehensive income

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

Future accounting policy changes

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

IFRS 4 – Insurance Contracts

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

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

IFRS 7 – Financial Instruments: Disclosures

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

IFRS 9 – Financial Instruments

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

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

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

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

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

In September 2015, the IASB confirmed that it will issue an Exposure Draft towards the end of 2015 of proposed changes to IFRS 4 to address concerns around the requirement to implement IFRS 9 before the new insurance standard is effective. Proposed changes would allow reporting entities, where the liabilities are predominately arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

The Corporation is in the process of assessing the impact of the new standard.

IFRS 15 – Revenue from Contracts with Customers

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

IAS 1 – Presentation of Financial Statements

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

Annual Improvements Cycles

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

4. Discontinued Operations

During the first quarter of 2014, the Corporation announced that it had entered into an agreement to sell the shares of its 75%-owned subsidiary, Insurance Company of Prince Edward Island (ICPEI), for a purchase price equal to ICPEI's book value as at the transaction closing date, June 30, 2014. Following receipt of regulatory approval, the sale closed on June 30, 2014, for total proceeds of \$8,840,000 representing the book value as at June 30, 2014. Subsequent to quarter end, the purchase price was adjusted by \$131,000 to \$8,709,000. This transaction was recorded in the fourth quarter, as reported in the 2014 annual audited consolidated financial statements. Other income of \$3,500,000 relates to the perpetual lease of SGI CANADA's information system to EGI, which was part of the overall transaction to sell ICPEI. This lease agreement was agreed to during the third quarter of 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.

Loss from the discontinued operation is presented below.

	(thousands of \$)
	nine months ended September 30
	2014
Gross premiums written	\$ 13,440
Premiums ceded to reinsurers	(430)
Net premiums written	13,010
Change in net unearned premiums	(951)
Net premiums earned	12,059
Net claims incurred	10,409
Commissions	2,068
Administrative expenses	1,862
Premium taxes	485
Facility Association participation	46
Total claims and expenses	14,870
Underwriting loss	(2,811)
Investment earnings	791
Loss before income taxes	(2,020)
Income tax recovery	(486)
Loss from discontinued operations	(1,534)
Administrative expenses from SGI CANADA	719
Net loss from discontinued operations	\$ (815)

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

5. Investments

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

	(thousands of \$)	
	September 30 2015	December 31 2014
Short-term investments	\$ 120,758	\$ 109,465
Bonds and debentures	330,520	321,376
Canadian common shares	38,085	47,318
U.S. common shares	–	56,702
Pooled funds:		
Canadian equity	21,309	19,415
Global equity	104,107	–
Global small cap equity	20,300	–
U.S. equity	–	22,857
Non-North American equity	–	51,577
Mortgage	110,788	97,998
Real estate	5,390	–
	751,257	726,708
Investments under securities lending program		
Bonds and debentures	99,578	81,530
Canadian common shares	12,310	9,748
U.S. common shares	–	2,195
	111,888	93,473
Total investments	\$ 863,145	\$ 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 September 30, 2015, the Corporation held collateral of \$117,485,000 (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 \$)				
September 30, 2015				
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 120,758	\$ -	\$ 120,758
Bonds and debentures	-	430,098	-	430,098
Canadian common shares	50,395	-	-	50,395
Pooled funds:				
Global equity	104,107	-	-	104,107
Canadian equity	21,309	-	-	21,309
Global small cap equity	20,300	-	-	20,300
Mortgage	-	-	110,788	110,788
Real estate	-	-	5,390	5,390
	\$ 196,111	\$ 550,856	\$ 116,178	\$ 863,145

(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 September 30		nine months ended September 30	
	2015	2014	2015	2014
Balance beginning of the period	\$ 109,939	\$ 91,507	\$ 97,998	\$ –
Additions during the period				
Mortgage pooled fund	5,175	1,001	9,375	89,921
Real estate fund	–	–	5,290	–
Net unrealized gains	1,064	1,300	3,515	3,887
	\$ 116,178	\$ 93,808	\$ 116,178	\$ 93,808

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 September 30.

During the nine-month period ended September 30, 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. Net Investment Earnings (Loss)

Components of investment earnings (loss) are as follows:

	(thousands of \$)			
	three months ended September 30		nine months ended September 30	
	2015	2014	2015	2014
Net realized gains on sale of investments	\$ 1,277	\$ 2,723	\$ 40,230	\$ 10,392
Interest	1,965	2,348	6,393	6,918
Premium financing	1,677	1,488	4,843	4,308
Dividends	297	506	1,249	1,682
Pooled fund distributions	212	293	847	617
Net unrealized gains (losses) on change in market value of investments	(9,709)	578	(21,823)	11,396
Total investment earnings (loss)	(4,281)	7,936	31,739	35,313
Investment expenses	(477)	(339)	(1,313)	(1,026)
Net investment earnings (loss)	(4,758)	7,597	30,426	34,287

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

	(thousands of \$)			
	three months ended September 30		nine months ended September 30	
	2015	2014	2015	2014
Bonds and debentures	\$ (2,620)	\$ (913)	\$ (1,477)	\$ 397
Canadian common shares	(4,085)	(2,414)	(5,158)	2,775
U.S. common shares	–	2,006	(14,305)	886
Pooled funds:				
Canadian equity	(1,552)	(380)	(1,444)	1,717
Global equity	(1,613)	–	189	–
Global small cap equity	(902)	–	(395)	–
U.S. equity	–	1,337	(3,850)	1,975
Non-North American equity	–	(358)	1,103	(241)
Mortgage	993	1,300	3,414	3,887
Real estate	70	–	100	–
	\$ (9,709)	\$ 578	\$ (21,823)	\$ 11,396

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. Financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance risk

Underwriting risk

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

Diversification

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

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

	(thousands of \$)				
nine months ended September 30, 2015	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	\$ 119,020	\$ 159,205	\$ 37,880	\$ 27,658	\$ 343,763
Manitoba	-	8,685	4,487	2,476	15,648
Alberta	45,061	22,132	6,255	5,552	79,000
British Columbia	-	-	121	77	198
Ontario	35,125	4,991	4,926	2,820	47,862
Total	\$ 199,206	\$ 195,013	\$ 53,669	\$ 38,583	\$ 486,471

	(thousands of \$)				
nine months ended September 30, 2014	Automobile	Personal Property	Commercial Property	Liability	Total
Saskatchewan	\$ 115,484	\$ 139,933	\$ 35,247	\$ 27,884	\$ 318,548
Manitoba	-	7,735	3,571	2,213	13,519
Alberta	37,294	15,196	4,478	4,598	61,566
Ontario	31,764	4,677	3,748	2,337	42,526
Assumed from Maritimes	-	-	-	378	378
Total	\$ 184,542	\$ 167,541	\$ 47,044	\$ 37,410	\$ 436,537

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

	(thousands of \$)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2015	December 31 2014	September 30 2015	December 31 2014	September 30 2015	December 31 2014
Automobile	\$ 220,455	\$ 212,286	\$ 13,530	\$ 12,928	\$ 206,925	\$ 199,358
Personal property	132,103	122,079	13,700	28,683	118,403	93,396
Commercial property	30,919	31,730	6,095	8,098	24,824	23,632
Liability	59,979	54,683	4,409	3,404	55,570	51,279
Assumed	5,543	5,327	-	-	5,543	5,327
PFAD and discounting	24,500	20,115	2,105	2,372	22,395	17,743
Facility Association	5,665	5,364	-	-	5,665	5,364
Total	\$ 479,164	\$ 451,584	\$ 39,839	\$ 55,485	\$ 439,325	\$ 396,099

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

	(thousands of \$)					
	Gross		Reinsurance Recoverable		Net	
	September 30 2015	December 31 2014	September 30 2015	December 31 2014	September 30 2015	December 31 2014
Saskatchewan	\$ 269,273	\$ 258,575	\$ 24,107	\$ 39,966	\$ 245,166	\$ 218,609
Ontario	124,993	125,653	10,695	11,441	114,298	114,212
Alberta	74,319	59,284	4,800	3,519	69,519	55,765
Manitoba	8,630	6,343	237	559	8,393	5,784
Maritimes	1,949	1,729	-	-	1,949	1,729
Total	\$ 479,164	\$ 451,584	\$ 39,839	\$ 55,485	\$ 439,325	\$ 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 financial condition of its reinsurers to minimize exposure to significant losses from reinsurer insolvency.

Actuarial risk

Establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances, and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the period end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the period end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

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

Financial risk

The nature of the Corporation's operations result in a Consolidated Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (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 customers, brokers and reinsurers) and certain investments.

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

	(thousands of \$)	
	September 30 2015	December 31 2014
Cash and cash equivalents	\$ 3,158	\$ 18,680
Accounts receivable	187,675	163,911
Fixed income investments ¹	661,644	610,369
Unpaid claims recoverable from reinsurers	39,839	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 \$16,322,000 less bank overdraft, net of outstanding cheques of \$13,164,000 (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 \$)	
	September 30 2015	December 31 2014
Current	\$ 185,049	\$ 163,381
30 - 59 days	938	910
60 - 90 days	698	332
Greater than 90 days	9,080	6,538
Subtotal	195,765	171,161
Allowance for doubtful accounts	(8,090)	(7,250)
Total	\$ 187,675	\$ 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 \$)	
	September 30 2015	December 31 2014
Allowance for doubtful accounts	\$ 7,250	\$ 5,722
Allowance related to discontinued operations	-	(48)
Accounts written off	(1,560)	(1,523)
Current period provision	2,400	3,099
Allowance for doubtful accounts	\$ 8,090	\$ 7,250

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

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

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

Credit Rating	September 30, 2015		December 31, 2014	
	Fair Value (thousands of \$)	Makeup of Portfolio (%)	Fair Value (thousands of \$)	Makeup of Portfolio (%)
AAA	\$ 140,699	32.7	\$ 126,317	31.4
AA	130,549	30.3	122,821	30.5
A	100,557	23.4	96,025	23.8
BBB	58,293	13.6	57,743	14.3
Total	\$ 430,098	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	
	September 30 2015	December 31 2014	September 30 2015	December 31 2014
Net investment earnings	\$ (11,754)	\$ (11,915)	\$ 11,754	\$ 11,915
Net claims incurred	(11,336)	(9,549)	11,336	9,549
Income (loss) before income taxes	(418)	(2,366)	418	2,366

Foreign exchange risk

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

Asset Class	Maximum Exposure (%)	Current Exposure (%)	10% change in exchange rates (thousands of \$)
	September 30, 2015	September 30, 2015	September 30, 2015
Global equities	16.0	12.1	\$ 10,411
Global small cap equities	4.0	2.4	2,030

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

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

Equity prices

The Corporation is exposed to changes in equity prices in Canadian and global markets. Equities comprise 22.7% (December 31, 2014 - 25.6%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

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

Asset Class	(thousands of \$)					
	September 30, 2015		December 31, 2014			
Canadian equities	\$	+/-	14,484	\$	+/-	22,409
Global equities		+/-	22,487		+/-	-
Global small cap equities		+/-	4,913		+/-	-
U.S. equities		+/-	-		+/-	22,728
Non-North American equities		+/-	-		+/-	13,410

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

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

Liquidity risk

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

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 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 \$)	
	nine months ended September 30	
	2015	2014
Accounts receivable	\$ (23,764)	\$ (13,193)
Unpaid claims recoverable from reinsurers	15,646	(24,556)
Reinsurers' share of unearned premiums	(2,857)	(6,821)
Deferred policy acquisition costs	(5,271)	(5,237)
Accounts payable and accrued liabilities	(8,615)	5,503
Premium taxes payable	(4,366)	(3,864)
Amounts due to reinsurers	2,463	956
Unearned reinsurance commissions	(1,986)	384
Unearned premiums	26,037	22,323
Accrued pension liability	(1,262)	536
Provision for unpaid claims	27,580	62,045
	\$ 23,605	\$ 38,076

10. Employee Salaries and Benefits

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

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

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

	(thousands of \$)			
	three months ended September 30		nine months ended September 30	
	2015	2014	2015	2014
Salaries	\$ 32,500	\$ 32,177	\$ 93,678	\$ 92,934
Defined contribution pension plan	1,809	1,793	5,406	5,333
Defined benefit pension plan	28	40	83	118
Defined benefit service recognition plans	195	214	586	643
Other benefits	3,124	2,987	12,340	12,293
Total salaries and benefits	37,656	37,211	112,093	111,321
Less: Allocation to Saskatchewan Auto Fund	(26,800)	(22,982)	(72,132)	(68,752)
Salaries and benefits incurred in SGI CANADA	\$ 10,856	\$ 14,229	\$ 39,961	\$ 42,569

Defined contribution pension plan

The Corporation has employees who are members of the Public Employees Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to contributions made on behalf of employees for their current service.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of December 31, 2013. The next valuation is anticipated to have a valuation date of December 31, 2016.

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 September 30		nine months ended September 30	
	2015	2014	2015	2014
Current service cost	\$ -	\$ 5	\$ -	\$ 15
Interest cost	28	35	83	103
Pension expense	\$ 28	\$ 40	\$ 83	\$ 118

Defined benefit service recognition plans

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

	(thousands of \$)			
	three months ended September 30		nine months ended September 30	
	2015	2014	2015	2014
Current service cost	\$ 54	\$ 52	\$ 161	\$ 156
Interest cost	141	162	425	487
Pension expense	\$ 195	\$ 214	\$ 586	\$ 643

Actuarial (gains) losses recognized in other comprehensive income (loss)

Other comprehensive income (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%
September 30, 2014	3.60%	3.10% – 3.30%
December 31, 2014	3.70%	3.20% – 3.30%
September 30, 2015	3.60%	3.00% – 3.20%

Actuarial (gains) losses recognized in other comprehensive income (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
Gain recognized during the second quarter	(784)	(226)
(Gain) Loss recognized during the third quarter	(70)	676
Cumulative actuarial losses, September 30	\$ 5,093	\$ 6,439

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, the President and Chief Executive Officer and Vice Presidents of the Corporation.

Key management personnel compensation is comprised of:

	(thousands of \$)			
	three months ended September 30		nine months ended September 30	
	2015	2014	2015	2014
Salaries and benefits	\$ 746	\$ 814	\$ 3,085	\$ 3,007
Post-employment benefits	11	10	31	30
Contributions to defined contribution plan	64	66	199	199
	\$ 821	\$ 890	\$ 3,315	\$ 3,236

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 September 30		nine months ended September 30	
	2015	2014	2015	2014
Gross premiums written	\$ 947	\$ 930	\$ 3,434	\$ 3,014
Net premiums earned	\$ 922	\$ 812	\$ 3,224	\$ 2,722
Net claims incurred	558	568	2,421	2,288
Commissions	35	10	90	52
Premium taxes	28	25	97	82
Administrative expenses	217	225	794	686
Total claims and expenses	838	828	3,402	3,108
Underwriting income (loss)	84	(16)	(178)	(386)
Net investment earnings	2	10	49	42
Net income (loss)	\$ 86	\$ (6)	\$ (129)	\$ (344)

12. Select Operating Information

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

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

	(thousands of \$)			
	three months ended September 30, 2015			
	SGI	SCISL	Coachman	Total
Net premiums written	\$ 121,598	\$ 34,964	\$ 17,001	\$ 173,563
Net premiums earned	107,496	27,323	13,315	148,134
Net claims incurred	84,810	23,766	8,584	117,160
Other expenses	42,547	10,059	3,848	56,454
Underwriting income (loss)	(19,861)	(6,502)	883	(25,480)
Net investment loss	(3,866)	(522)	(370)	(4,758)
Income (loss) before income taxes	(23,727)	(7,024)	513	(30,238)
Income tax expense (recovery)	-	(1,786)	136	(1,650)
Net income (loss)	\$ (23,727)	\$ (5,238)	\$ 377	\$ (28,588)

	(thousands of \$)			
	three months ended September 30, 2014			
	SGI	SCISL	Coachman	Total
Net premiums written	\$ 107,933	\$ 28,033	\$ 13,751	\$ 149,717
Net premiums earned	98,777	21,995	12,605	133,377
Net claims incurred	79,502	17,656	6,344	103,502
Other expenses	39,597	7,653	4,151	51,401
Underwriting income (loss)	(20,322)	(3,314)	2,110	(21,526)
Net investment earnings	4,991	1,173	1,433	7,597
Other income	3,500	-	-	3,500
Income (loss) before income taxes	(11,831)	(2,141)	3,543	(10,429)
Income tax expense (recovery)	-	(530)	897	367
Net income (loss)	\$ (11,831)	\$ (1,611)	\$ 2,646	\$ (10,796)

(thousands of \$)					
nine months ended September 30, 2015					
	SGI	SCISL	Coachman	Consolidation Adjustments	Total
Net premiums written	\$ 328,537	\$ 86,900	\$ 38,446	\$ -	\$ 453,883
Net premiums earned	314,428	78,035	38,240	-	430,703
Net claims incurred	191,975	57,197	25,112	-	274,284
Other expenses	123,568	26,567	12,213	-	162,348
Underwriting income (loss)	(1,115)	(5,729)	915	-	(5,929)
Net investment earnings	19,778	5,110	5,538	-	30,426
Income (loss) before income taxes	18,663	(619)	6,453	-	24,497
Income tax expense (recovery)	-	(162)	1,699	-	1,537
Net income (loss)	\$ 18,663	\$ (457)	\$ 4,754	\$ -	\$ 22,960
Total assets	\$ 779,533	\$ 251,219	\$ 235,343	\$ (50,986)	\$ 1,215,109
Total liabilities	\$ 609,121	\$ 182,120	\$ 166,005	\$ (50,986)	\$ 906,260
Shareholder's Equity	\$ 170,412	\$ 69,099	\$ 69,338	\$ -	\$ 308,849

(thousands of \$)						
nine months ended September 30, 2014						
	SGI	SCISL	Coachman	Maritimes (Discontinued - Note 4)	Consolidation Adjustments	Total
Net premiums written	\$ 291,350	\$ 69,526	\$ 36,068	\$ -	\$ -	\$ 396,944
Net premiums earned	282,830	60,660	37,660	-	-	381,150
Net claims incurred	185,423	41,879	20,802	-	-	248,104
Other expenses	116,103	20,428	11,591	-	-	148,122
Underwriting income (loss)	(18,696)	(1,647)	5,267	-	-	(15,076)
Net investment earnings	23,628	4,598	6,061	-	-	34,287
Other income	3,500	-	-	-	-	3,500
Income (loss) from continuing operations before the following:	8,432	2,951	11,328	-	-	22,711
Income tax expense	-	745	2,983	-	-	3,728
Discontinued operations (note 4)	-	-	-	(815)	-	(815)
Net income (loss)	\$ 8,432	\$ 2,206	\$ 8,345	\$ (815)	\$ -	\$ 18,168
Total assets	\$ 774,127	\$ 215,136	\$ 222,870	\$ -	\$ (50,990)	\$ 1,161,143
Total liabilities	\$ 614,143	\$ 148,225	\$ 158,376	\$ -	\$ (50,990)	\$ 869,754
Shareholder's Equity	\$ 159,984	\$ 66,911	\$ 64,494	\$ -	\$ -	\$ 291,389

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 litigation will not have a significant effect on the financial position or results of operations.

