



Saskatchewan Auto Fund 2025-26 First Quarter Report

June 30, 2025

Management's Discussion and Analysis

Corporate Profile

Vision

Transforming the SGI experience to promote peace of mind and safer communities.

Mission

We are Saskatchewan's insurance company: providing exceptional value and traffic safety leadership.

Values

- Integrity** We do the right thing by being accountable, honest, trustworthy and fair.
- Caring** We make an impact through empathy, respect, inclusivity and staying true to our roots.
- Innovation** We transform our business through creativity, collaboration and continuous improvement.
- Passion** We are energized, engaged and inspired in the work we do.

About the Saskatchewan Auto Fund

In 1946, the government established basic compulsory automobile coverage for Saskatchewan residents under *The Automobile Accident Insurance Act* (AAIA). The Saskatchewan Auto Fund (Auto Fund) was established effective January 1, 1984, by an amendment to the AAIA, which separated the property and casualty insurance operations of Saskatchewan Government Insurance (SGI) and the compulsory Auto Fund.

The administrator of the Auto Fund is SGI. The Auto Fund provides vehicle registrations, driver's licences and basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. It also provides auto injury coverage to every Saskatchewan resident. Automobile products are sold through a network of motor licence issuers across Saskatchewan and online through the MySGI web portal at www.sgi.sk.ca.

Non-GAAP and other financial measures

The Auto Fund uses both Generally Accepted Accounting Principles (GAAP) financial measures as well as non-GAAP financial measures and non-GAAP ratios to assess performance. Non-GAAP financial measures and non-GAAP ratios do not have standardized meanings prescribed by IFRS and may not be comparable to similar measures used by other companies in the property and casualty insurance industry.

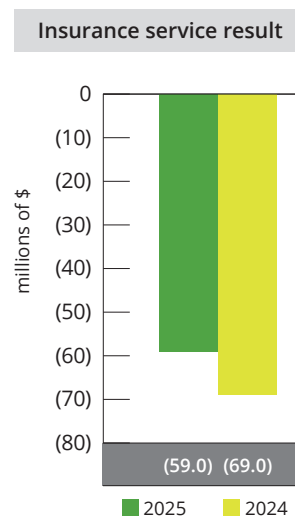
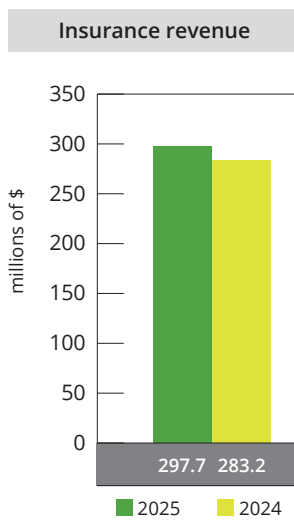
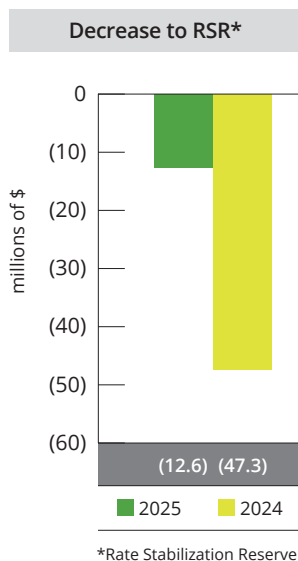
The key non-GAAP financial measures included in the MD&A and their closest GAAP measures are as follows:

Non-GAAP financial measure	Closest GAAP measure
Net claims incurred	Insurance service expense

As well, the Auto Fund uses the non-GAAP ratio, loss ratio (partially discounted), to monitor performance. This ratio is calculated as net claims incurred divided by insurance revenue less allocation of reinsurance premiums.

Financial Highlights

For the three months ended June 30



Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of the Auto Fund. This discussion and analysis should be read in conjunction with the unaudited condensed financial statements and supporting notes as at and for the three-month period ended June 30, 2025, along with the MD&A, audited financial statements and supporting notes as at and for the 12 months ended March 31, 2025. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to SGI, the administrator of the Auto Fund, up to August 20, 2025.

Overview

	(thousands of \$)		
	three months ended June 30		
	2025	2024	Change
Decrease to RSR*	(12,556)	(47,338)	34,782
Insurance service result	(59,025)	(68,994)	9,969
Minimum Capital Test (rolling 12-month average)	125%	146%	-21%

*Rate Stabilization Reserve

The Auto Fund's decrease to the rate stabilization reserve (RSR) for the three months ended June 30, 2025 was \$34.8 million less than the same period last year, due to a stronger insurance service result and higher insurance finance income.

With the \$12.6 million decrease, the RSR balance at June 30, 2025 was \$714.3 million, with a 12-month rolling average Minimum Capital Test (MCT) of 125%.

Outlook

This section contains forward-looking statements regarding the Auto Fund’s financial outlook. Forward-looking statements are based on estimations and assumptions made by the Auto Fund in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are relevant in the circumstances. The Auto Fund deems that the assumptions built into the forward-looking statements are plausible. However, all factors should be considered carefully when making decisions with respect to the Auto Fund. Undue reliance should not be placed on the Auto Fund’s forward-looking statements, which only apply as of the date of this MD&A document. The Auto Fund does not undertake to update any forward-looking statements that may be made from time to time by it or on its behalf.

Despite the Auto Fund’s first quarter results being better than the same period last year, the Auto Fund is forecasting a larger reduction to the RSR in 2025-26 than the decrease of \$198.0 million that occurred in 2024-25.

The cost of repairs and inflation are expected to continue to erode the ability of insurance revenues to cover expenses, continuing to put downward pressure on the insurance services result.

Investment markets were positive in the first quarter and remained resilient amid global uncertainty. The Auto Fund continues to manage the risk of investment market volatility by maintaining a well-diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

Revenue

	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Insurance revenue	297,716	283,188	14,528
Other income	34,748	31,363	3,385

Insurance revenue for the three months ending June 30, 2025, increased 5.1% from the same period last year. The increase is due to growth in the number of vehicles insured and an increase in the average premium per vehicle licensed as newer vehicles cost more to repair, thus normally have higher rates than older vehicles.

Other income consists of the following components:

	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Salvage sales	21,682	18,099	3,583
Safe Driver Recognition program penalties	7,938	7,943	(5)
Program and service fees	5,128	5,321	(193)
	34,748	31,363	3,385

Salvage sales revenue has increased by 19.8% from the same period in 2024. Compared to last year, both the number of salvage vehicles available for sale and the average price per vehicle sold has increased. With the price of new vehicles rising, some buyers are opting to buy and rebuild salvage vehicles, which has pushed the demand up for those vehicles, increasing the auction price.

Expenses

	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Claims incurred	310,626	313,220	(2,594)
Issuer remuneration	17,501	15,037	2,464
Premium tax	17,371	16,522	849
Underwriting expenses	7,464	7,462	2
Insurance service expenses	352,962	352,241	721
Ceded premiums earned	5,457	7,180	(1,723)
Ceded claims incurred	(1,711)	(7,286)	5,575
Other ceded expenses	33	47	(14)
Net expenses (revenue) from reinsurance contracts	3,779	(59)	3,838
Other expenses	50,449	54,940	(4,491)

Claims incurred

The Auto Fund monitors claims activity on a net claims incurred (non-GAAP financial measure) basis. Net claims incurred during the first three months of the fiscal year were \$308.9 million, an increase of \$3.0 million from the same period in 2024. As the increase in insurance revenue outpaced the increase in net claims incurred, the net loss ratio (partially discounted) (non-GAAP financial measure) decreased from 110.8% in 2024 to 105.7% in 2025.

The breakdown of claim costs by category to the end of June is as follows:

(thousands of \$)							
three months ended June 30							
	2025			2024			Change in net
	Direct	Ceded	Net	Direct	Ceded	Net	
Insurance revenue	297,716	-	297,716	283,188	-	283,188	14,528
Allocation of reinsurance premiums	-	(5,457)	(5,457)	-	(7,180)	(7,180)	1,723
	297,716	(5,457)	292,259	283,188	(7,180)	276,008	16,251
Current year:							
Damage claims, excluding catastrophe claims	219,566	(1,717)	217,849	209,923	(288)	209,635	8,214
Catastrophe claims ¹	12,860	-	12,860	42,000	(7,000)	35,000	(22,140)
Total damage claims	232,426	(1,717)	230,709	251,923	(7,288)	244,635	(13,926)
Injury claims	82,499	-	82,499	62,783	-	62,783	19,716
	314,925	(1,717)	313,208	314,706	(7,288)	307,418	5,790
Impact of current year discounting	(4,299)	6	(4,293)	(1,486)	2	(1,484)	(2,809)
Net claims incurred (non-GAAP)	310,626	(1,711)	308,915	313,220	(7,286)	305,934	2,981
Loss ratio (partially discounted) (non-GAAP)			105.7%			110.8%	-5.1%

¹ Catastrophe claims, also referred to as storm claims, represent claims occurring from a single event, limited to a period between 96 and 168 hours, with an estimated cost greater than \$2.5 million. Catastrophic events for the Auto Fund generally relate to summer wind, rain and hailstorms, wildfires and winter ice storms.

Current year damage claims, excluding catastrophe claims, are 3.9% higher than the prior year, which is similar to the increase in insurance revenue. Both the frequency and severity of damage claims are similar to the same period last year.

Catastrophe claims are \$22.1 million lower than the prior year, as the June 2024 hailstorm in southeast Saskatchewan caused widespread damage to vehicles in populated areas.

Current year injury claims are 31.4% higher than the prior year, due to increases in both claim severity and frequency. The average cost per injury claim is 13.7% higher than last year, while the number of injury claims during the period is 15.5% higher.

Other expenses

Other expenses consist of the following components:

	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Administrative expenses	17,867	24,700	(6,833)
Salvage expense	12,702	11,705	997
Registrar expense	7,476	6,075	1,401
Traffic safety expense	3,993	4,216	(223)
Regulator expense	4,655	3,979	676
Driver education & training expense	3,756	4,265	(509)
	50,449	54,940	(4,491)

In the three months ending June 30, 2025, other expenses are 8.2% lower than the same period last year. The decrease is primarily related to the costs of the Corporate Transformation program starting to wind down. Within the expense categories there is some shifting of costs from administrative expenses to registrar and regulator expenses as the software developed in the Corporate Transformation program starts to be put into use to enhance those functions.

Investment Results

	<i>(thousands of \$)</i>		
	three months ended June 30		
	2025	2024	Change
Net investment earnings	29,055	32,572	(3,517)
Net insurance finance result	33,115	12,661	20,454

Investment earnings in the first quarter were \$3.5 million lower than the same period in 2024. Fixed income fair value gains were lower year-over-year due to increases in interest rates and infrastructure limited partnership distributions were weaker than the prior year, primarily caused by the rise in the value of the Canadian dollar during the period. Partially offsetting this were stronger equity returns than the same period last year.

Net insurance finance results are driven by the change in discount rates related to the liability for incurred claims and the asset for reinsured claims. During the first quarter, risk-free interest rates increased more than during the same period last year, resulting in a higher positive net insurance finance result.

Statement of Financial Position Review

	<i>(thousands of \$)</i>		
	June 30 2025	March 31 2025	Change
Total assets	3,319,482	3,299,711	19,771
Key asset account changes:			
Investments	3,150,738	3,133,121	17,617

During the quarter, the carrying value of investments increased by \$17.6 million reflecting increasing market values of equity investments and more investment purchases than sales during the period.

	<i>(thousands of \$)</i>		
	June 30 2025	March 31 2025	Change
Total liabilities	2,605,154	2,572,827	32,327
Key liability account changes:			
Insurance contract liabilities	2,556,559	2,515,098	41,461

Insurance contract liabilities increased \$41.5 million. This is largely due to the increase in liability for remaining coverage during the period. This increase is caused by two factors:

- premium payments received during the period were \$22.7 million higher than insurance revenue recognized, an outcome of customers paying premium at the start of the policy period, and
- premium taxes payable increase \$17.4 million during the period. As premium taxes are paid to the provincial government annually in the fourth quarter of each year, they are accrued during the first three quarters, resulting in an increase to the liability for remaining coverage.

Capital

As at June 30	2025	2024
Minimum Capital Test (rolling 12-month average)	125%	146%

The Auto Fund uses a common property and casualty industry measurement called the Minimum Capital Test (MCT) to monitor the adequacy of the RSR. 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 to capital required. The Auto Fund's Capital Management Policy is to maintain an operating target MCT of 125% on a rolling 12-month average.

Quarterly Financial Highlights

The following table highlights quarter-over-quarter results for the Auto Fund:

	<i>(thousands of \$)</i>				
	three months ended				
	2025-26	2024-25			
	June 30	March 31	Dec 31	Sept 30	June 30
Insurance revenue	297,716	275,937	287,945	298,963	283,188
Insurance service result	(59,025)	(113,187)	(19,596)	(13,087)	(68,994)
Net insurance finance result	33,115	(53,152)	(13,612)	(84,651)	12,661
Net investment earnings	29,055	48,438	48,932	127,760	32,572
Other income	34,748	33,006	30,905	30,715	31,363
Other expenses	(50,449)	(58,646)	(60,495)	(53,998)	(54,940)
(Decrease) increase to the RSR	(12,556)	(143,541)	(13,866)	6,739	(47,338)
Cash flow used in operations	(3,497)	(124,191)	(20,534)	(1,902)	(10,503)
Investments	3,150,738	3,133,121	3,215,854	3,222,292	3,127,484
Insurance contract liabilities	2,556,559	2,515,098	2,449,458	2,459,019	2,374,480
Rate Stabilization Reserve	714,328	726,884	870,425	884,291	877,552

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

- Insurance revenues generally rise in the spring and summer months, largely a factor of increased premiums related to seasonal vehicles.
- Cash outflows in operations are usually the highest during the fourth quarter of each year as that is the quarter when annual premium taxes are paid.

Risk Management

As the administrator of the Auto Fund, SGI's enterprise risk management principles are established in recognizing that the Auto Fund is in the business of taking risk while providing exceptional value and traffic safety leadership to the people of Saskatchewan.

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

Key risks are identified through a voting process and assessed for the likelihood of occurrence and potential impacts annually. SGI also considers potential emerging risks that are newly developing which are inherently more difficult to quantify. SGI's risks are separated into six main categories: strategic, insurance, financial, operational, reputational and talent. These risks are described in detail in the Auto Fund's 2024-25 Annual Report.

Accounting Matters

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to use estimates and assumptions that can have a significant impact on reported amounts of assets and liabilities as at the balance sheet date, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates. The use of estimates and judgment section of Note 2 of the condensed financial statements provides further information into those estimates.

Related party transactions

There have been no material changes to the Auto Fund's related party arrangements during the quarter. For further details on the Auto Fund's related party arrangements, refer to the 2024-25 Annual Report.

Off-balance sheet arrangements

The Auto Fund, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Condensed Statement of Financial Position – commonly referred to as the balance sheet. These items include litigation, structured settlements and rehabilitation funding commitments. There have been no new off-balance sheet arrangements during the quarter. For further details on off-balance sheet arrangements, refer to the 2024-25 Annual Report.

Caution regarding forward-looking statements

Forward-looking statements include, among others, statements regarding the Auto Fund's objectives, strategies and capabilities to achieve them. Forward-looking statements are based on estimates and assumptions made by SGI, as the administrator of the Auto Fund, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. SGI, as the administrator of the Auto Fund, deems that the assumptions built into the forward-looking statements are plausible. However, all factors should be considered carefully when making decisions with respect to the Auto Fund. Undue reliance should not be placed on the Auto Fund's forward-looking statements, which apply only as of the date of this MD&A document. The Auto Fund does not undertake to update any of the forward-looking statements that may be made from time to time by it or on the Auto Fund's or the administrator's behalf.

Condensed Statement of Financial Position

	<i>(thousands of \$)</i>	
	June 30 2025 (unaudited)	March 31 2025 (audited)
Assets		
Cash and cash equivalents (note 4)	\$ 47,641	\$ 47,361
Accounts receivable (note 5)	28,708	28,554
Investments under securities lending program (note 6)	356,101	492,983
Investments (note 6)	2,794,637	2,640,138
Reinsurance contract assets (note 8)	14,590	13,509
Property and equipment	40,355	41,399
Intangible assets	29,520	28,720
Other assets	7,930	7,047
	\$ 3,319,482	\$ 3,299,711
Liabilities		
Accounts payable and accrued liabilities	\$ 48,595	\$ 57,729
Insurance contract liabilities (note 8)	2,556,559	2,515,098
	2,605,154	2,572,827
Equity		
Rate Stabilization Reserve	714,328	726,884
Total equity	714,328	726,884
	\$ 3,319,482	\$ 3,299,711

Contingencies (note 11)

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

Condensed Statement of Operations and Change in Rate Stabilization Reserve (unaudited)

For the periods ended June 30	(thousands of \$)	
	three months ended	
	2025	2024
Insurance revenue (note 8)	\$ 297,716	\$ 283,188
Insurance service expenses (note 8)	(352,962)	(352,241)
Insurance service result from insurance contracts	(55,246)	(69,053)
Net (expenses) revenue from reinsurance contracts (note 8)	(3,779)	59
Insurance service result	(59,025)	(68,994)
Insurance finance income (note 8)	33,160	12,676
Reinsurance finance expense (note 8)	(45)	(15)
Net insurance finance result	33,115	12,661
Net investment earnings (note 7)	29,055	32,572
Net investment result	62,170	45,233
Other income	34,748	31,363
Other expenses	(50,449)	(54,940)
Decrease to Rate Stabilization Reserve and comprehensive loss	(12,556)	(47,338)
Rate Stabilization Reserve, beginning of period	726,884	924,890
Rate Stabilization Reserve, end of period	\$ 714,328	\$ 877,552

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

Condensed Statement of Cash Flows (unaudited)

For the periods ended June 30	(thousands of \$)	
	three months ended	
	2025	2024
Cash provided by (used for):		
Operating activities		
Decrease to Rate Stabilization Reserve	\$ (12,556)	\$ (47,338)
Non-cash items:		
Amortization and depreciation	1,696	2,217
Net gain on investment portfolio (note 7)	(7,155)	(14,174)
Interest and other revenue from investments (note 7)	(14,641)	(14,191)
Loss on disposal of property and equipment	11	5
Loss on disposal of intangible assets	750	-
Change in non-cash operating items (note 10)	28,398	62,978
	(3,497)	(10,503)
Investing activities		
Interest and other received	15,365	16,177
Purchases of investments	(331,842)	(86,593)
Proceeds on sale of investments	322,467	80,412
Purchases of property and equipment	(446)	(985)
Purchases of intangible assets	(1,767)	(2,840)
	3,777	6,171
Increase (decrease) in cash and cash equivalents	280	(4,332)
Cash and cash equivalents, beginning of the period	47,361	53,565
Cash and cash equivalents, end of the period	\$ 47,641	\$ 49,233

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

Notes to the Condensed Financial Statements (unaudited)

June 30, 2025

1. Status of the Auto Fund

The Saskatchewan Auto Fund (Auto Fund) was established effective January 1, 1984, by an amendment to *The Automobile Accident Insurance Act*. The address of the Auto Fund's registered office is 2260-11th Avenue, Regina, SK, Canada. The Auto Fund is a compulsory vehicle insurance program providing vehicle registrations, driver's licences and related services for Saskatchewan drivers and vehicle owners. In addition to vehicle damage and property liability coverage, the Auto Fund also includes injury coverage that provides a choice between No Fault Coverage or Tort Coverage.

The Auto Fund is a self-sustaining fund, administered by Saskatchewan Government Insurance (SGI). The role of SGI, as administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan. Any annual excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from catastrophic events.

Substantially all of the Auto Fund's insurance revenue is subject to review by the Saskatchewan Rate Review Panel (SRRP). The Auto Fund is required to submit vehicle insurance rate changes to the SRRP, whose mandate is to evaluate the rate change and provide an opinion on the fairness and reasonableness of the requested change. The SRRP does not have the authority to implement any of its recommendations; the final decision to approve, change or reject rate changes is at the discretion of the government of the Province of Saskatchewan.

Being a fund of the Province of Saskatchewan, the Auto Fund is exempt from federal and provincial income taxes. The financial results of the Auto Fund are included in the Province of Saskatchewan's summary financial statements.

2. Basis of Preparation

Statement of compliance

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

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

Basis of measurement

The unaudited interim condensed financial statements have been prepared using the historical cost basis, except for certain financial instruments; the liability for incurred claims included within the insurance contract liabilities and the asset for reinsured claims within the reinsurance contract assets (net liability for incurred claims). The methods used to measure the values of financial instruments are discussed further in Note 3, *Material Accounting Policies*, of the annual financial statements for the year ended March 31, 2025. The net liability for incurred claims is measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value).

Seasonality

The property and casualty insurance business is seasonal in nature. While insurance revenue net of allocation of reinsurance premiums is generally stable from quarter to quarter, insurance service results are driven mainly by weather conditions which may vary between quarters.

Statement of Financial Position classification

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

Functional and presentation currency

These unaudited interim condensed financial statements are presented in Canadian dollars, which is the Auto Fund's functional currency.

Use of estimates and judgment

The preparation of unaudited interim condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the liability for incurred claims and the asset for reinsured claims (note 8), the recognition of onerous contracts (note 8), the valuation of accounts receivable (note 5) and the fair value of investments classified as Level 3 (note 6).

3. Material Accounting Policies

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

Future accounting policy changes

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

IFRS 18 – Presentation and Disclosure of Financial Statements

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

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

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

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

Amendments to the classification and measurement of financial instruments

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

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

The Auto Fund is currently assessing the impact of these amendments on its financial statements.

4. Cash and Cash Equivalents

	<i>(thousands of \$)</i>	
	June 30 2025	March 31 2025
Cash, net of outstanding cheques	\$ 13,087	\$ 15,017
Money market investments	34,554	32,344
Total cash and cash equivalents	\$ 47,641	\$ 47,361

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

5. Accounts Receivable

Accounts receivable is comprised of the following:

	<i>(thousands of \$)</i>	
	June 30 2025	March 31 2025
Customer receivables	\$ 27,514	\$ 26,358
Accrued investment income	10,595	12,406
Other	2,135	1,771
Salvage operations	1,331	1,560
Subtotal	41,575	42,095
Less: Allowance for doubtful accounts	(12,867)	(13,541)
Total accounts receivable	\$ 28,708	\$ 28,554

6. Investments

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

	<i>(thousands of \$)</i>	
	June 30 2025	March 31 2025
Bonds and debentures	\$ 963,329	\$ 860,660
Infrastructure limited partnerships	430,179	465,607
Investment funds:		
Pooled bonds	64,665	64,243
Canadian equity	73,193	66,833
Global equity	484,370	463,697
Global small cap equity	197,505	180,801
Mortgage	310,782	293,687
Real estate	231,185	229,668
Private equity	15,606	14,942
Private debt	23,823	-
	2,794,637	2,640,138
Investments under securities lending program:		
Bonds and debentures	356,101	492,983
Total investments	\$ 3,150,738	\$ 3,133,121

Securities lending program

At June 30, 2025, the Auto Fund held collateral of \$373.9 million (March 31, 2025 – \$517.6 million) for the loaned securities, which represents 105.0% of the fair value of the loaned securities.

Fair value hierarchy

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

<i>(thousands of \$)</i>				
June 30, 2025				
	Level 1	Level 2	Level 3	Total
Bonds and debentures	\$ -	\$ 1,319,430	\$ -	\$ 1,319,430
Infrastructure limited partnerships	-	-	430,179	430,179
Investment funds:				
Pooled bonds	-	-	64,665	64,665
Canadian equity	73,193	-	-	73,193
Global equity	484,370	-	-	484,370
Global small cap equity	197,505	-	-	197,505
Mortgage	-	-	310,782	310,782
Real estate	-	-	231,185	231,185
Private equity	-	-	15,606	15,606
Private debt	-	-	23,823	23,823
Total investments	\$ 755,068	\$ 1,319,430	\$ 1,076,240	\$ 3,150,738

<i>(thousands of \$)</i>				
March 31, 2025				
	Level 1	Level 2	Level 3	Total
Bonds and debentures	\$ -	\$ 1,353,643	\$ -	\$ 1,353,643
Infrastructure limited partnerships	-	-	465,607	465,607
Investment funds:				
Pooled bonds	-	-	64,243	64,243
Canadian equity	66,833	-	-	66,833
Global equity	463,697	-	-	463,697
Global small cap equity	180,801	-	-	180,801
Mortgage	-	-	293,687	293,687
Real estate	-	-	229,668	229,668
Private equity	-	-	14,942	14,942
Total investments	\$ 711,331	\$ 1,353,643	\$ 1,068,147	\$ 3,133,121

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

A reconciliation of Level 3 investments is as follows:

	<i>(thousands of \$)</i>	
	three months ended	12 months ended
	June 30 2025	March 31 2025
Level 3 investments, beginning of the period	\$ 1,068,147	\$ 1,036,562
Add: Additions during the period:		
Infrastructure limited partnerships	575	26,396
Pooled bonds	-	62,582
Mortgage investment fund	18,187	33,265
Private equity investment fund	1,013	3,623
Private debt investment fund	24,179	-
Less: Disposals during the period:		
Infrastructure limited partnerships	(30,763)	(53,591)
Real estate investment fund	-	(100,000)
(Losses) gains recognized in net income:		
Infrastructure limited partnerships	(5,240)	49,300
Pooled bonds	422	1,661
Mortgage investment fund	(1,092)	6,167
Real estate investment fund	1,517	840
Private equity investment fund	(349)	1,342
Private debt investment fund	(356)	-
Level 3 investments, end of the period	\$ 1,076,240	\$ 1,068,147

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

7. Net Investment Earnings

Components of net investment earnings are as follows:

	<i>(thousands of \$)</i>	
	three months ended June 30	
	2025	2024
Interest and other	\$ 14,641	\$ 14,191
Net gain on investment portfolio	7,155	14,174
Investment fund distributions	5,573	4,315
Infrastructure limited partnership distributions	3,989	3,071
Total investment earnings	31,358	35,751
Investment expenses	(2,303)	(3,179)
Net investment earnings	\$ 29,055	\$ 32,572

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

	(thousands of \$)	
	three months ended June 30	
	2025	2024
Bonds and debentures	\$ (30,568)	\$ (5,838)
Infrastructure limited partnerships	(5,240)	4,008
Investment funds:		
Pooled Bonds	422	-
Canadian equity	6,360	640
Global equity	19,757	11,743
Global low volatility equity	-	1,314
Global small cap equity	16,704	750
Mortgage	(1,092)	647
Real estate	1,517	982
Private equity	(349)	(72)
Private debt	(356)	-
Net gain on investment portfolio	\$ 7,155	\$ 14,174

8. Insurance and Reinsurance Contracts

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

	(thousands of \$)	
	June 30 2025	March 31 2025
Liability for remaining coverage	\$ 348,378	\$ 305,870
Liability for incurred claims	2,208,181	2,209,228
Insurance contract liabilities	2,556,559	2,515,098
Liability for remaining coverage	(7,522)	(7,104)
Asset for reinsured claims	22,112	20,613
Reinsurance contract assets	14,590	13,509
Net insurance and reinsurance contracts	\$ 2,541,969	\$ 2,501,589

Reconciliation of carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognized in the statement of profit or loss.

Insurance contracts analysis by remaining coverage and incurred claims

Three-month period ended June 30	(thousands of \$)					
	2025			2024		
	Liability for remaining coverage ¹	Liability for incurred claims	Total	Liability for remaining coverage ²	Liability for incurred claims	Total
Opening liabilities	\$ 305,870	\$2,209,228	\$ 2,515,098	\$ 261,042	\$2,030,930	\$ 2,291,972
Changes in condensed statement of operations						
Insurance revenue	(297,716)	-	(297,716)	(283,188)	-	(283,188)
Incurred claims and other insurance service expenses	-	310,626	310,626	-	313,220	313,220
Insurance acquisition expenses	42,336	-	42,336	39,021	-	39,021
Insurance service expenses	42,336	310,626	352,962	39,021	313,220	352,241
Insurance service result	(255,380)	310,626	55,246	(244,167)	313,220	69,053
Insurance finance income	-	(33,160)	(33,160)	-	(12,676)	(12,676)
Total changes in condensed statement of operations	(255,380)	277,466	22,086	(244,167)	300,544	56,377
Cash flows						
Premiums received	320,436	-	320,436	314,643	-	314,643
Claims and other insurance service expenses paid	-	(278,513)	(278,513)	-	(265,937)	(265,937)
Insurance acquisition cash flows	(22,548)	-	(22,548)	(22,575)	-	(22,575)
Total cash flows	297,888	(278,513)	19,375	292,068	(265,937)	26,131
Closing liabilities	\$ 348,378	\$ 2,208,181	\$ 2,556,559	\$ 308,943	\$2,065,537	\$ 2,374,480

¹ Includes a loss component of \$48.6 million as at June 30, 2025 (\$48.6 million as at March 31, 2025)

² Includes a loss component of \$29.4 million as at June 30, 2024 (\$29.4 million as at March 31, 2024)

Reinsurance contracts analysis by remaining coverage and incurred claims

Three month period ended June 30	<i>(thousands of \$)</i>					
	2025			2024		
	Liability for remaining coverage	Asset for reinsured claims	Total	Liability for remaining coverage	Asset for reinsured claims	Total
Opening (liabilities) assets	\$ (7,104)	\$ 20,613	\$ 13,509	\$ (613)	\$ 4,515	\$ 3,902
Changes in condensed statement of operations						
Allocation of reinsurance premiums	(5,457)	-	(5,457)	(7,180)	-	(7,180)
Recoveries of incurred claims and other insurance service expenses	(33)	1,711	1,678	(47)	7,286	7,239
Net (expenses) revenue from reinsurance contracts	(5,490)	1,711	(3,779)	(7,227)	7,286	59
Reinsurance finance expense	-	(45)	(45)	-	(15)	(15)
Total changes in condensed statement of operations	(5,490)	1,666	(3,824)	(7,227)	7,271	44
Cash flows						
Premiums paid	5,039	-	5,039	4,304	-	4,304
Amounts paid (received)	33	(167)	(134)	47	(1,582)	(1,535)
Total cash flows	5,072	(167)	4,905	4,351	(1,582)	2,769
Closing (liabilities) assets	\$ (7,522)	\$ 22,112	\$ 14,590	\$ (3,489)	\$ 10,204	\$ 6,715

Fair value of the net liability for incurred claims

The Auto Fund estimates that the fair value of its net liability for incurred claims approximates its carrying amount.

	<i>(thousands of \$)</i>					
	June 30, 2025			March 31, 2025		
	Liability for incurred claims	Asset for reinsured claims	Net	Liability for incurred claims	Asset for reinsured claims	Net
Undiscounted value	\$ 3,577,053	\$ 20,665	\$ 3,556,388	\$ 3,540,641	\$ 19,115	\$ 3,521,526
Effect of time value of money	(1,596,316)	(327)	(1,595,989)	(1,563,156)	(282)	(1,562,874)
Risk adjustment	227,444	1,774	225,670	231,743	1,780	229,963
	\$ 2,208,181	\$ 22,112	\$ 2,186,069	\$ 2,209,228	\$ 20,613	\$ 2,188,615

Discount rates

The liability for incurred claims under the PAA is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contracts. The illiquidity premium is determined by reference to observable market rates of investment grade bonds. Refer to Note 13, *Insurance and Financial Risk Management*, of the annual financial statements for the year ended March 31, 2025 for more details.

Discount rates applied for discounting of future cash flows are listed below:

As at	1 year	3 years	5 years	10 years
June 30, 2025	3.0%	3.3%	3.6%	4.3%
March 31, 2025	2.9%	3.2%	3.5%	4.1%
March 31, 2024	5.0%	4.5%	4.4%	4.6%

Reinsurance

In the ordinary course of business, the Auto Fund 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 Auto Fund carries auto physical damage catastrophe reinsurance limiting combined exposure to \$30.0 million per event (subject to an annual aggregate deductible of \$30.0 million).

9. Capital Management Objectives

The Auto Fund has a capital management policy, approved by the SGI Board of Directors. The primary objective of capital management for the Auto Fund is to maintain a level of capital in the RSR sufficient to cushion the Auto Fund from the volatility inherent in investment and underwriting operations and ensure a positive RSR without the need for excessive rate increases for Auto Fund customers.

Refer to Note 14, *Capital Management*, of the annual financial statements for the year ended March 31, 2025 for more details on the management of the Auto Fund's capital.

10. Change in Non-Cash Operating Items

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

	(thousands of \$)	
	three months ended June 30	
	2025	2024
Accounts receivable	\$ (1,965)	\$ 556
Reinsurance contract assets	(1,081)	(2,813)
Other assets	(883)	1,827
Accounts payable and accrued liabilities	(9,134)	(19,100)
Insurance contract liabilities	41,461	82,508
Total change in non-cash operating items	\$ 28,398	\$ 62,978

11. Contingencies

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

