



Auto Fund

Annual Report 2025-26



Vision

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

Mission

Auto Fund

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

SGI CANADA

We deliver profit and growth through exceptional customer and partner experiences.

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

The Saskatchewan Auto Fund is the province's compulsory auto insurance program, operating the driver's licensing and vehicle registration system. The Auto Fund is designed to be financially self-sustaining over time. It does not receive money from, nor pay dividends to, the Government of Saskatchewan. Saskatchewan Government Insurance (SGI) is the administrator of the Auto Fund.



2025-26
Saskatchewan Auto Fund
Annual Report

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Letter of Transmittal

Regina, Saskatchewan
June 2026

Her Honour the Honourable Bernadette McIntyre, S.O.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

May it please Your Honour:

I have the honour to submit herewith the annual report of the Saskatchewan Auto Fund for the fiscal year ending March 31, 2026, in accordance with *The Automobile Accident Insurance Act*.

The Financial Statements included in this annual report are in the form approved by Crown Investments Corporation of Saskatchewan, as required by *The Financial Administration Act, 1993* and have been reported on by the auditors.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jeremy Harrison', with a stylized flourish at the end.

Jeremy Harrison
Minister Responsible for Saskatchewan Government Insurance

Minister's Message

The mandatory auto insurance program administered through the Saskatchewan Auto Fund was established in 1946 to provide affordable insurance for Saskatchewan residents. Eighty years later it continues to offer affordable insurance, alongside a host of programs centred around ensuring road safety in the province. By supporting and investing in a safe and secure future, SGI contributes to making the province not only one of the strongest economies and most affordable places to live in Canada, but also a place where families and communities want to grow.

Today, the Auto Fund is also, alongside all auto insurers, navigating challenges, and is taking steps to protect its financial health so it can continue to serve Saskatchewan residents well into the future.

In 2025-26 claim expenses were \$1.2 billion. The costs to repair and replace vehicles continued to rise, and extreme and less predictable weather events meant claim numbers were high. Investment earnings were strong at \$170.3 million. However, they weren't enough to balance rising costs, and the Rate Stabilization Reserve declined by \$93.3 million.

In part to control costs, but also to promote safety for Saskatchewan residents, SGI continued to focus on curbing impaired driving and supporting drivers in making better choices behind the wheel to reduce the number of collisions. Efforts this year focused on reaching drivers where they are with targeted safety awareness messaging and grassroots supports in communities throughout the province.

SGI also continued to administer the Provincial Traffic Safety Fund Grant program, supporting 142 projects in communities across Saskatchewan. These grants help make roads safer across the province, funding initiatives such as a walk and bike path in Biggar, road and traffic safety awareness in Pelican Lake First Nation, and a new crosswalk in Redvers.

Thank you to SGI's partners, Board of Directors and employees for your efforts to steward the Auto Fund through challenging times, and to improve the value SGI provides to the residents of Saskatchewan. Your work will ensure the Auto Fund can continue to protect and support Saskatchewan into the future.

I'm pleased to submit the 2025-26 Auto Fund Annual Report.



Jeremy Harrison
Minister Responsible for Saskatchewan Government Insurance

President and Board Chair's Message

In 2025-26, SGI focused on stability and resilience to protect the future of the Saskatchewan Auto Fund for the people of this province. This work is critical to ensuring the Auto Fund can continue to deliver one of the lowest-cost auto insurance programs in Canada, alongside programming to keep Saskatchewan's roads safe.

Claims

2025-26 was another challenging year, resulting in \$1.2 billion in claim expenses. The cost of repairing and replacing vehicles continued to rise. There were also large losses from extreme weather events, such as severe hailstorms in North Battleford and surrounding area in August, and in Regina and surrounding area in September.

Claim costs are expected to continue to challenge the Auto Fund's financial sustainability. The Auto Fund operates on a break-even basis but, in recent years, it hasn't taken in enough revenue to cover the cost of claims. In 2025-26, the Rate Stabilization Reserve recorded a \$93.3 million loss. The reduction was smaller than expected, but the trend shows the need for a continued focus on achieving break-even performance.

System modernization

We made further progress on modernizing processes and systems, thanks to effort and commitment from employees and motor licence issuing partners. In April 2025, SGI launched the first phase of its new driver's licensing and vehicle registration system. Throughout 2025-26, we added functionality to the system.

Financial sustainability

The Auto Fund took steps last year to improve its financial sustainability, including an application to the Saskatchewan Rate Review Panel for modest rate increases to help offset the steep rise in claim costs in recent years. It is also changing deductibles for basic plate insurance and adding administrative fees to offset costs. And, it put a focus on expense management, to decrease costs where possible.

The Auto Fund remains committed to keeping rates for Saskatchewan drivers as low as possible; while ensuring it meets its responsibility to customers, shareholders and partners to protect the financial health of the company.

Community support and traffic safety

Traffic safety continues to be a critical focus. Unfortunately, far too many people continue to be hurt and killed on Saskatchewan roads. Tragically, 113 people died in collisions in Saskatchewan in 2025, which is a 4.6% increase from 2024. An estimated 4,900 people were injured in auto collisions, a decrease of 8.7% from 2024. On a more practical level, collisions result in claims that increase costs for the Auto Fund. Safer roads also mean lower claim costs and more affordable insurance rates.

SGI promoted traffic safety this past year by working with communities and partnering with safety associations. SGI supported numerous community-level safety programs throughout the year and hosted the Canadian Council of Motor Transport Administrators' annual general meeting. Traffic safety awareness campaigns evolved with the launch of a Find a Safe Ride video series, bringing real stories of Saskatchewan residents finding a safe ride home into the spotlight, to inspire others to do the same.

Customer, partner and employee satisfaction

A strong focus on customer experience remains a cornerstone of how SGI operates. SGI measures customer experience through a Customer Experience Index, which reflects how customers feel about the way they are treated, the effectiveness of services received and the ease of doing business with the company. For 2025-26, SGI's Customer Experience Index score was 63 out of 100. This is a drop from the year previous, reflecting the impact customers have felt as SGI changes systems and processes, and reflecting industry-wide pressures on customers stemming from rising costs. SGI continues to put focus on enhancing systems and thoughtfully considers feedback to improve customer experience at every interaction.

SGI remains committed to creating and sustaining a work environment where employees feel welcome, engaged and inspired to do their best work. Our 2025 employee experience score was 51%, placing SGI in the 'highly engaged workforce' range based on industry benchmarks. This reinforces that the overall employee experience was positive and SGI continues to maintain a strong and positive workplace culture.

Changes in Board leadership, appreciation and thanks

Thank you to SGI's Board of Directors for their thoughtful and consistent leadership. We would especially like to recognize long-serving Board Chair Denis Perrault for his 15 years of dedicated service. His commitment and insight have left a lasting impact that will continue to benefit SGI for years to come.

Effective July 10, 2025, Gary Vidal assumed the role of Board Chair. We were also pleased to welcome Darren Ulmer to the Board, and bid farewell with gratitude to Nnamdi Ndubuka and Mark Regier, whose terms ended in July, and to Brynn Boback-Lane, whose term ended in November. In closing, we extend our sincere appreciation to SGI's employees, partners and Board members for their invaluable contributions. They continue to position the company for long-term success while ensuring we remain a trusted partner to the customers and communities we serve.



Penny McCune
President and CEO
Saskatchewan Government Insurance



Gary Vidal
Chairperson
SGI Board of Directors

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) is the responsibility of Saskatchewan Government Insurance (SGI) as the administrator of the Saskatchewan Auto Fund and reflects events known to SGI to May 27, 2026. The Board of Directors carries out its responsibility for review of this disclosure principally through its Audit, Finance and Conduct Review Committee, comprised exclusively of independent directors. The Audit, Finance and Conduct Review Committee's mandate can be found on SGI's website at www.sgi.sk.ca. The Board of Directors approved this MD&A at its meeting on May 28, 2026, after a recommendation to approve was put forth by the Audit, Finance and Conduct Review Committee.

Overview

The MD&A is structured to provide users of the Saskatchewan Auto Fund (the Auto Fund) financial statements with insight into the Auto Fund and the environment in which it operates. This section outlines strategies and the capability to execute the strategies, key performance drivers, capital and liquidity, financial results, risk management and an outlook for the coming year. Information contained in the MD&A should be read in conjunction with the financial statements and notes to the financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars.

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 or on the Auto Fund's or the administrator's behalf.

The Saskatchewan Auto Fund

In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. SGI was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many insurers out of the province. Less than 10% of licensed Saskatchewan vehicles carried any insurance and there was a need for a compensation plan for people injured in collisions.

In 1946, the government established basic compulsory automobile coverage for Saskatchewan residents under *The Automobile Accident Insurance Act* (AAIA). The Auto Fund was established effective January 1, 1984, by an amendment to the AAIA, which separated the property and casualty insurance operations of SGI and the compulsory Auto Fund. The administrator of the Auto Fund is SGI. The role of SGI, as the administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan based on the legislative requirements contained in the AAIA.

The Auto Fund, as the compulsory automobile insurance program for Saskatchewan residents, provides vehicle registrations, driver's licences, 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. Liability insurance provides for a specific amount to cover property damage and/or injuries caused to another person. The compulsory insurance package also includes injury coverage that provides an option to choose between No Fault Coverage and Tort Coverage. This basic insurance package allows a currently registered vehicle to operate legally anywhere in Canada or the United States of America.

The Auto Fund is governed by legislation contained in the AAIA, *The Traffic Safety Act*, *The All Terrain Vehicles Act*, *The Snowmobile Act* and *The Vehicles for Hire Act* (the Acts) along with related regulations created by these Acts. The Auto Fund is also subject to legislation contained in *The Crown Corporations Act*, 1993, Part IX of *The Insurance Companies Act* (Canada) regarding the investments of the Auto Fund and *The Saskatchewan Government Insurance Act*. It is subject to provincial privacy and access to information legislation contained in *The Freedom of Information and Protection of Privacy Act* and *The Health Information Protection Act*. It also has administrative, enforcement and other related duties under other provincial Acts and regulations, and under the federal Criminal Code.

The Auto Fund does not receive money from, nor pay dividends to, the Province of Saskatchewan, SGI or Crown Investments Corporation of Saskatchewan (CIC). CIC is SGI's parent corporation. The Auto Fund is operated on a self-sustaining basis viewed over a long-term time frame. Any annual financial excesses 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 cannot be used for any other purpose by the government or the administrator.

Financial results for the Auto Fund are not included in the consolidated financial statements of SGI nor CIC's consolidated financial statements, as the Auto Fund is a fund of the Province of Saskatchewan. Financial results for the Auto Fund are included in the Province of Saskatchewan's summary financial statements using the modified equity accounting method as required by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The Auto Fund operates 18 claims centres and six salvage centres in 13 communities across the province. The Auto Fund's business operation is restricted to the Province of Saskatchewan and is operated from SGI's head office and Regina's Operations Centre located in Regina, Saskatchewan.

The Auto Fund's quarterly and annual reports are available on SGI's website at www.sgi.sk.ca. Navigate to "About Us" and then click on "Financial Statements."

The environment the Auto Fund operates in

The Auto Fund's customers are Saskatchewan residents. It provides all residents with automobile injury coverage and a choice between a no-fault or tort product. As the sole provider of vehicle registration and driver's licensing in Saskatchewan, the Auto Fund operates based on legislative powers granted in the Acts. The Auto Fund is required to submit vehicle insurance rate changes to the Saskatchewan Rate Review Panel (SRRP), whose mandate is to evaluate the rate change and to 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 provincial government.

The Auto Fund provides vehicle registrations, driver's licences and related services for drivers, vehicles and trailers in Saskatchewan. Business partners include independent motor licence issuers, autobody repairers, law enforcement agencies and healthcare providers. These business partners are involved in different aspects of the Auto Fund's operations from licensing, road safety and repair of damaged vehicles, to provision of medical care and rehabilitative services for those injured in motor vehicle collisions.

The Auto Fund's philosophy is that all drivers are treated equally unless their driving record shows they are a greater risk for causing a collision. It does not use a driver's age, gender or where they live to determine a vehicle insurance premium or the fee for a driver's licence. It has successfully maintained this philosophy while offering Saskatchewan customers low rates, proving its merit.

While it has been successful at offering Saskatchewan residents low rates, the Auto Fund does face challenges. Claim costs are the majority of the Auto Fund's costs. Over the last 10 years, auto damage claim costs have increased at an average annual rate of 7.3%, while personal injury costs have increased at 5.2% annually on average.

New and advanced technology means that newer vehicles are more expensive to repair than older ones, as they have more expensive parts and repairs are more complex. As a result, the average cost of a damage claim continues to climb as repair costs increase.

The Auto Fund continues to offer Safe Driver Recognition (SDR) and Business Recognition (BR) programs. These programs have been in place since 2002 and 2004 respectively. The SDR program places all drivers on a safety rating scale based on their driving history. The maximum discount available under the SDR program is 25%. The BR program rewards businesses that maintain good loss experience with discounts on their vehicle insurance. The BR maximum discount available is 15% and the BR maximum surcharge is 25%. These discounts represented \$189.5 million of savings to customers (2025 – \$181.1 million).

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 Accounting Standards (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:

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

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

Strategic direction

The Auto Fund's vision, mission and values are:

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.

Corporate goals and measures

Corporate Transformation – a multi-year program to transform key business processes and technology – is at the heart of the Auto Fund's current strategy. As the Auto Fund navigated its transformation journey throughout 2025-26, it focused on:

- maintaining low, stable auto insurance rates;
- maintaining a positive customer experience;
- preventing deaths, injuries and property damage caused by traffic collisions;
- improving long-term efficiency; and,
- attracting, developing and retaining its people.

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

Financial

The Auto Fund measures financial performance through its ability to maintain low, stable rates:

Measure	2025-26 Target	2025-26 Result	2026-27 Target
Low, stable auto insurance rates			
12-month rolling Minimum Capital Test	125%	○ 104%	125%

Legend: ● achieved ○ not achieved

As a public auto insurer, maintaining low and stable insurance rates is critical to providing a positive customer experience and remaining relevant. Public insurance companies exist to provide affordable coverage to residents.

The Auto Fund aims to maintain among the lowest average personal auto insurance rates in Canada, without compromising other important targets, such as the Minimum Capital Test.

The Auto Fund's ability to maintain stable rates is linked to its capital management capability and ability to honour its financial obligations. An adequate balance in the RSR gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premium increases for their auto insurance. The Auto Fund uses a common property and casualty insurance industry measurement called the Minimum Capital Test (MCT) to monitor the adequacy of the RSR. The MCT is a 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 Auto Fund's 12-month rolling average MCT score of 104% was below the target of 125%. At March 31, 2026, the actual MCT was 98%.

The 12-month rolling average MCT score target for March 31, 2027 is 125%.

Customer

The Auto Fund evaluates success with customers by its ability to provide them with a positive experience and improve traffic safety throughout the province:

Measure	2025-26 Target	2025-26 Result	2026-27 Target
Customer experience			
Customer experience index	69	○ 63	Benchmark Year
Traffic safety*			
Injuries per 100,000 population	401.6	● 394.5	369.9
Fatalities per 100,000 population	7.9	○ 8.9	7.9

Legend: ● achieved ○ not achieved

*Injuries and fatalities are based on those occurring in the calendar year (January 1 to December 31, 2025) and reported by law enforcement as of April 30, 2026. Results to the end of December are not yet available; as a result, the Auto Fund is reporting an estimate. The population is based on Statistics Canada's Q4 2025 Saskatchewan population data.

Customer experience

With a focus on enhancing the overall customer experience, SGI uses a customer experience index to assess customers' perceptions of their relationship with SGI. A combined SGI CANADA and Auto Fund score is used, as Saskatchewan customers do not differentiate between the two organizations. A score of 63 was achieved in 2025-26, missing the target of 69. This negative variance can be attributed to ongoing industry-wide pressures, including rising customer expectations, as well as SGI-specific experiential challenges arising from system transformation, which are currently being addressed through stabilization efforts.

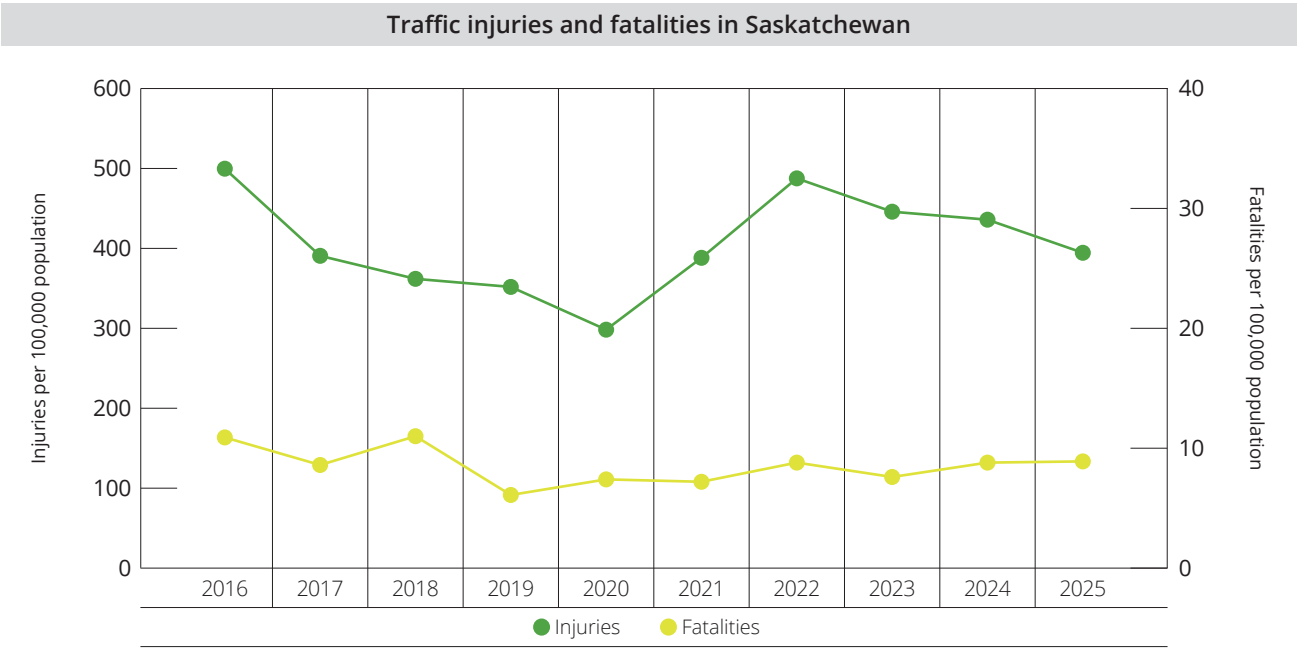
2026-27 will serve as a benchmarking year for customer experience as SGI procures a new customer experience measurement partner.

Traffic safety

Customers value the Auto Fund's role in promoting traffic safety in the province. Over the years, SGI has evolved into a national leader in road safety programs. The Auto Fund's traffic safety goals are simple and clear – prevent deaths and injuries due to traffic collisions by addressing driver, vehicle and road safety issues. As fewer collisions result in lower claim costs, work in this area also supports the goal of maintaining low rates.

The Auto Fund would ultimately like Saskatchewan's roads to be the safest in Canada. The targets were 401.6 injuries and 7.9 fatalities per 100,000 population. With 394.5 injuries and 8.9 fatalities per 100,000 population, the injury target was met and the fatalities target was missed. While Saskatchewan experienced a continued and consistent decline in injuries and fatalities from 2012 to 2019, these trends reversed following the pandemic – a phenomenon observed in other jurisdictions to varying degrees. The increase in serious and fatal collisions in 2025-26, particularly on Saskatchewan highways, was driven by factors such as impaired driving, excessive speed and adverse road and weather conditions. To account for shifting trends, data from the last 10 years was used to establish targets for 2026-27, along with consideration for the Auto Fund's planned traffic safety initiatives and population growth.

The following graph shows injuries and fatalities per 100,000 population over the last 10 years:



Internal processes

Operational efficiency is key to assessing the success of the Auto Fund's internal processes:

Measure	2025-26 Target	2025-26 Result	2026-27 Target
Operational efficiency			
Gross expense ratio	19.1%	● 18.2%	18.3%
Collaboration	100%	● 294%	100%

Legend: ● achieved ○ not achieved

Operational efficiency

Operational efficiency is assessed based on the Auto Fund's gross expense ratio, as well as the collaborative efforts of Saskatchewan's public sector.

The gross expense ratio is calculated by dividing underwriting expenses, issuer remuneration, premium taxes and non-insurance support expenses by insurance revenue. Underwriting and non-insurance support expenses are primarily made up of salaries and benefits, information technology and facility costs that are allocated to those functions.

During the year, the Auto Fund had a gross expense ratio of 18.2%, bettering the 19.1% target. This was primarily driven by the adoption of cost-saving initiatives throughout SGI, lowering the costs being allocated to the Auto Fund.

In 2026-27, the Auto Fund is targeting a gross expense ratio of 18.3%, comparable to this year's final result.

Collaboration is assessed using a weighted index of collaborative efforts across Saskatchewan's public sector. The target was based on two equally weighted components: \$50.0 million in cost savings and attracting \$1.0 billion in new private sector investments to Saskatchewan. The 294% result is comprised of \$69.5 million in cost savings and \$4.5 billion in new private sector investments. The 2026-27 target is unchanged.

Organizational capacity

The Auto Fund's success depends on its employees and their ability to deliver on its corporate strategy:

Measure	2025-26 Target	2025-26 Result	2026-27 Target
Employee experience and leadership			
Employee experience index	55%	○ 51%	51%
Leadership index	75%	● 79%	75%

Legend: ● achieved ○ not achieved

Employee experience index and leadership index

While the Auto Fund undertakes a major corporate transformation, its ability to engage employees and lead people effectively is critical to success.

The annual employee experience survey is administered to employees performing work for both the Auto Fund and SGI CANADA. SGI achieved an employee experience score of 51%, keeping it in the survey vendor's high engagement category; slightly missing the target of 55%. Comparatively, the Canadian sector scored 44%, the North American public sector scored 41% and the North American financial services sector scored 51%. The negative variance is primarily attributed to the sustained pace of change and capacity to take on more change throughout the transformation period. SGI is targeting an employee experience index score of 51% for 2026-27.

SGL also achieved a leadership index score of 79% in 2025-26, exceeding the target of 75%. This measure is specific to SGL with no external comparators. However, the scoring does reflect positive favourability scoring, as scores greater than 60% indicate a strong employee perception. SGL is targeting a leadership index score of at least 75% for 2026-27.

Capability to execute strategies

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are employees, motor licence issuers, technology and systems and capital and liquidity. They are discussed further below:

Employees

External pressures and employee expectations continue to make the Auto Fund's attraction and retention efforts a challenge. To effectively respond to emerging pressures in the operating environment, the Auto Fund needs to continue to respond with a unique employee value proposition to ensure it has people with the right skills and experience in the right jobs, and it needs an environment and culture that enables staff to do their best work. This includes strengthening workforce planning, compensation and structural reviews and formal capacity-building initiatives that reinforce the connection between performance, development and business outcomes. Continued focus will be on expanding external partnerships to build future talent pipelines while supporting employees in adopting and maximizing use of the Auto Fund's modern technological platforms.

Culture continues to be a focus for the Auto Fund's employees and leadership. To sustain cultural progress, leaders continue to embed change and capability-building practices that support consistency, equity and transparency across the organization. The Auto Fund's work on advancing an inclusive workplace and representative workforce is focused on ongoing partnerships, sponsorships and the operationalization of Employee Resource Groups.

The Auto Fund continues to evolve its succession and development program to mitigate risk and ensure readiness for senior leadership and other critical roles. The senior succession program continues to focus on developing senior leaders equipped to handle the ambiguity, complexity, uncertainty and volatility of today's work environment, while ensuring potential successors are prepared for senior leadership positions through intentional and targeted development planning efforts.

Workforce transformation and enterprise change management continues to be a major focus to ensure people enablement work is executed in unison with Corporate Transformation. This includes targeted reskilling, job-specific training, structured learning programs and enhanced performance management and calibration processes to support employees as they transition into new or evolving roles.

SGL and the Canadian Office of Professional Employees' Union, Local 397 are within a three-year Collective Bargaining Agreement, running from January 1, 2024 to December 31, 2026.

Motor licence issuers

The Auto Fund provides accessibility for customers by distributing products through a network of independent motor licence issuers in numerous communities across Saskatchewan, and SGL branch offices throughout the province. The majority of motor licence issuers' interests are represented by the Insurance Brokers Association of Saskatchewan. The Auto Fund enjoys a long-standing and mutually beneficial relationship with motor license issuers that is governed by an Issuer Accord. The Accord is intended to enhance the working relationship, resulting in improved service to customers. Included in the Accord are agreed-upon principles, such as fostering better communication between both groups, recognizing the value of each other's roles in providing service to Saskatchewan people and partnering on traffic safety programs.

Technology and systems

The Auto Fund relies on technology and information systems to deliver products and services to the motoring public. Auto Fund's products are widely accessible to customers through an online system in issuing offices throughout the province, and customers can perform many transactions through MySGI online services. As part of the Auto Fund's Corporate Transformation, it is implementing modern systems that will give more flexibility to respond to customer needs and industry changes. The first and most critical phase of the implementation, which went live in April 2025, successfully launched functionalities for vehicle registration, insurance, billing and claims. Subsequent phases of the program will be introduced throughout the year, with all items scheduled for completion by September 2026, further expanding the platform's capabilities.

SGI has implemented cloud-based productivity technology which better supports collaboration and provides efficiencies. This technology enables employees to work effectively and securely from the office, their home or wherever else they may be, and it allows employees to virtually interact with customers, business partners and each other with ease. These technologies are continually evolving to incorporate modern capabilities, such as artificial intelligence, providing SGI flexibility in how it operates and how it responds to business challenges.

Capital and liquidity

As the Auto Fund belongs to the Province of Saskatchewan, legislation restricts how it can raise capital and mandates the benefits available to policyholders. The Auto Fund does not pay dividends to, nor receive money from, the province or SGI, the administrator of the Auto Fund. The Auto Fund cannot go to public capital markets to issue debt or common shares. Since these traditional avenues for capital are not available to sustain the Auto Fund, it uses premiums and fees from operations, along with income generated from its investment portfolio, to fund operations. If premiums, fees and investment income are not sufficient to sustain operations, it must increase rates. The SRRP reviews rate changes and then passes on recommendations to the provincial government, which has the final authority to approve, modify or reject rate changes.

A key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the RSR gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims or a decrease in capital markets occurs, thereby protecting customers against unpredictable premium increases for their auto insurance. The Auto Fund uses the MCT to establish a target for the RSR.

The Auto Fund maintains a Capital Management Policy that applies a factor to move towards its MCT operating target of 125% in small increments with each rate program. The policy determines the amount of capital adjustment needed with each rate program by applying a factor to either recover one-fifth of the capital below 125% MCT or release one-fifth of the capital above 125% MCT into the basic insurance rate every year. This approach is designed to move the RSR towards an adequate level, and avoids the volatility a surcharge might create, assuming rate programs are annual or close to annual. This method is consistent with private insurers that build cost of capital requirements into each regulatory rate filing.

The policy also considers whether overall capital needs have changed. As claim liabilities and investment assets grow, the need for capital to support the business also increases. With each rate program, SGI analyzes actual results and brings forward recommendations for adjustments required to maintain adequate capital. At March 31, 2026, the MCT ratio was 98%, and the 12-month rolling average MCT ratio was 104%.

2025–26 Financial Results

For the year ended March 31, 2026

Overview

The Auto Fund had a decrease in the RSR of \$93.3 million.

The year's insurance service result of negative \$166.7 million was better than last year's result of negative \$214.9 million. The favourable variance is due to both an increase in insurance revenue as more and newer vehicles are being licensed in the province and a decrease in insurance services expenses, as losses related to onerous contracts were lower than last year. In both 2025 and 2026 onerous contracts were identified and the loss component grew in size during the years. In 2026, this effect was partially offset by the beneficial discounting impact of increased interest rates. In contrast, 2025's increase in loss component was compounded by higher loss adjusting expense expectations alongside the unfavourable discounting impact of decreased interest rates.

The Auto Fund generated investment earnings of \$170.3 million during the year, \$87.4 million lower than last year. Fixed income fair value returns were lower this year due to stable interest rates. This variance was partially offset by stronger equity returns than last year.

The \$93.3 million decrease reduced the RSR to \$633.6 million at March 31, 2026.

Statement of Operations and Change in Rate Stabilization Reserve

Revenue

	<i>(thousands of \$)</i>		
	2026	2025	Change
Insurance revenue	1,200,577	1,146,033	54,544
Other income	131,112	125,989	5,123

Insurance revenue for the year ending March 31, 2026, increased 4.8% from 2025. 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 is made up of the following:

	<i>(thousands of \$)</i>		
	2026	2025	Change
Salvage sales	81,893	75,928	5,965
Safe Driver Recognition program penalties	30,200	30,348	(148)
Program and service fees	19,019	19,713	(694)
Total other income	131,112	125,989	5,123

In 2026, other income was 4.1% higher than last year. Both the number of salvage vehicles available for sale and the average price per vehicle sold 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>		
	2026	2025	Change
Claims incurred	1,191,268	1,191,217	51
Change in loss component	3,792	19,214	(15,422)
Issuer remuneration	61,357	59,926	1,431
Premium tax	58,841	56,398	2,443
Underwriting expenses	34,848	29,785	5,063
Insurance service expenses	1,350,106	1,356,540	(6,434)
Ceded premiums earned	19,403	25,621	(6,218)
Ceded claims incurred	(2,397)	(21,463)	19,066
Other ceded expenses	175	199	(24)
Net expenses from reinsurance contracts	17,181	4,357	12,824
Other expenses	225,496	228,079	(2,583)

Claims incurred

The Auto Fund monitors claims activity on a net claims incurred (non-GAAP financial measure) basis. Net claims incurred during the year were \$1,188.9 million, an increase of \$19.1 million from 2025. Although both damage and injury claims increased in 2026, a larger increase in insurance revenue resulted in the net loss ratio (partially discounted) decreasing from 104.4% in 2025 to 100.7% in 2026.

The breakdown of claim costs by category for the year is as follows:

(thousands of \$)							
Years ended March 31							
	2026			2025			Change in net
	Direct	Ceded	Net	Direct	Ceded	Net	
Insurance revenue	1,200,577	–	1,200,577	1,146,033	–	1,146,033	54,544
Allocation of reinsurance premium	–	(19,403)	(19,403)	–	(25,621)	(25,621)	6,218
	1,200,577	(19,403)	1,181,174	1,146,033	(25,621)	1,120,412	60,762
Current year:							
Damage claims, excluding catastrophe claims	894,281	–	894,281	886,942	–	886,942	7,339
Catastrophe claims ¹	50,860	–	50,860	48,345	(18,985)	29,360	21,500
Total damage claims	945,141	–	945,141	935,287	(18,985)	916,302	28,839
Injury claims	402,295	–	402,295	362,447	–	362,447	39,848
	1,347,436	–	1,347,436	1,297,734	(18,985)	1,278,749	68,687
Discounting	(137,736)	234	(137,502)	(166,230)	993	(165,237)	27,735
Risk adjustment	(2,325)	1,248	(1,077)	30,377	(2,149)	28,228	(29,305)
Current year	1,207,375	1,482	1,208,857	1,161,881	(20,141)	1,141,740	67,117
Prior-year development:							
Damage claims	(28,831)	(3,936)	(32,767)	(14,298)	(1,399)	(15,697)	(17,070)
Injury claims	29,256	–	29,256	90,848	–	90,848	(61,592)
	425	(3,936)	(3,511)	76,550	(1,399)	75,151	(78,662)
Discounting	(17,968)	(62)	(18,030)	(34,261)	(179)	(34,440)	16,410
Risk adjustment	1,436	119	1,555	(12,953)	256	(12,697)	14,252
Prior-year development	(16,107)	(3,879)	(19,986)	29,336	(1,322)	28,014	(48,000)
Net claims incurred (non-GAAP)	1,191,268	(2,397)	1,188,871	1,191,217	(21,463)	1,169,754	19,117
Current year loss ratio (partially discounted) (non-GAAP)			114.1%			114.1%	-%
Net loss ratio (partially discounted) (non-GAAP)			100.7%			104.4%	(3.7%)

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

Current year damage claims, excluding catastrophe claims, were 0.8% higher than the prior year, due to increased claim severity. Catastrophe claims were \$21.5 million higher than the prior year due to a total of 11 catastrophes occurring in 2026 compared to two catastrophes in 2025. In 2026, there were a number of small catastrophes that impacted Saskatchewan, including a number of wildfires in the northern part of the province.

Current year injury claims were 11.0% higher than the prior year resulting in injury claims in 2026 totalling \$402.3 million. The increase is due to higher claim severity when comparing to the prior year.

Prior year development

The Auto Fund makes provisions for future payments on existing claims and an estimate for claims that have occurred but have not yet been reported. At the end of each year, the Auto Fund recalculates the estimate of the ultimate cost for prior years (along with an estimate for the current year). If the ultimate cost estimate is reduced, a redundancy exists, resulting in a reduction in claim costs for the year. If the reverse is true and the ultimate cost estimate increases, a deficiency exists, resulting in an increase in claim costs for the year.

The net prior year redundancy of \$3.5 million includes a \$32.8 million redundancy in damage claims due to repairs being completed faster than anticipated and improvements in the assumptions of how many reported claims proceed with a claim and a \$29.3 million deficiency in injury claims due to additional care benefit and medical expense costs.

Impact of discounting and risk adjustment

The net impact of discounting and risk adjustment at March 31, 2026 was a \$155.1 million decrease in net claims incurred, \$29.1 million lower than last year. The variance relates to a decrease in undiscounted claims incurred compared to last year.

Other expenses

Other expenses are made up of the following:

	<i>(thousands of \$)</i>		
	2026	2025	Change
Administrative expenses	80,324	95,909	(15,585)
Salvage expenses	54,086	51,284	2,802
Registrar expenses	32,359	26,180	6,179
Regulator expenses	21,507	15,679	5,828
Traffic Safety expenses	20,168	21,714	(1,546)
Driver education & training expenses	17,052	17,313	(261)
Other expenses	225,496	228,079	(2,583)

In 2026, other expenses were 1.1% lower than 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

	(thousands of \$)		
	2026	2025	Change
Net investment earnings	170,287	257,702	(87,415)
Net insurance finance result	(2,449)	(138,754)	136,305

In 2026, net investment earnings were \$170.3 million, a decrease from the \$257.7 million earned in 2025. The components of investment earnings are disclosed in note 10 of the financial statements, and include interest and other, investment fund distributions, infrastructure limited partnership distributions, and net gain on investment portfolio. For purposes of portfolio management, market-based returns are calculated based on the Auto Fund's investment earnings. In 2026, the total portfolio's market-based return was 5.8%.

Annual market-based returns to March 31



The Auto Fund's investment strategy utilizes a total portfolio approach designed to optimize the overall risk-return profile, aligns the fixed income investments with the liability structure, and enhances long-term returns through higher-earning equity, bond and real assets, helping keep premium rates affordable over time. The Auto Fund's investment portfolio is managed holistically with two complementary components – a Matching Portfolio and a Return Seeking Portfolio. More information regarding the Auto Fund's investment portfolio and its components is provided within the Statement of Financial Position section of this report.

The Matching Portfolio generated a slightly positive return for the year and exceeded its benchmark return due to strong performance from mortgage investments. Importantly, increasing exposure to mortgages and long-term private debt during the year helped increase the overall match to the anticipated cash flows of the associated claim liabilities. The Return Seeking Portfolio generated strong returns but lagged the policy benchmark for the year due to underperformance from global equities, real estate and pooled bonds during the year.

The following table illustrates the investment portfolio's actual performance by asset class in 2026 compared to the index and 2025 actual returns.

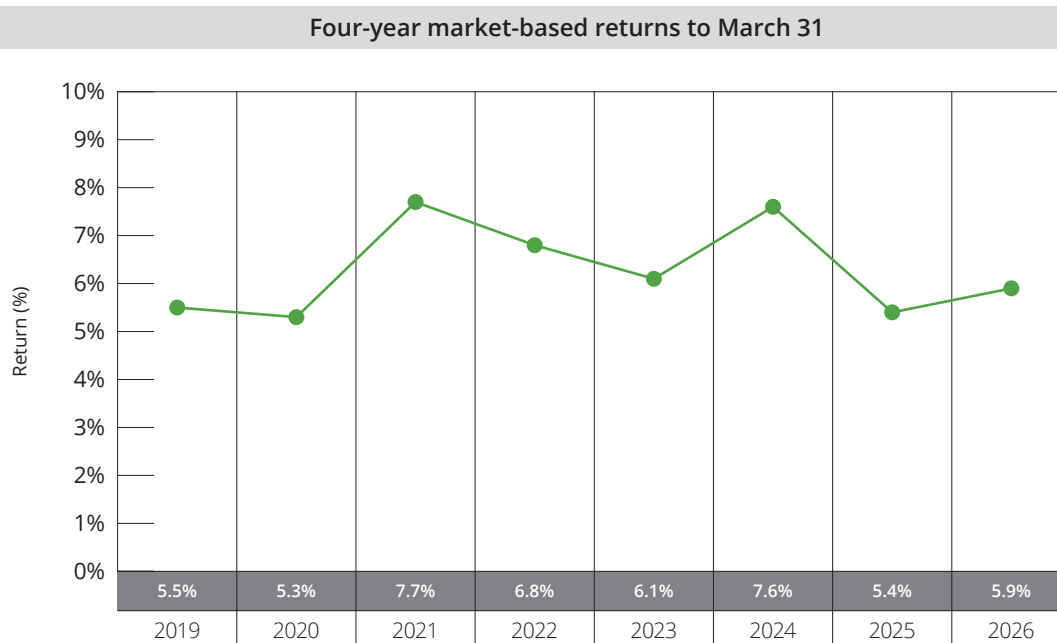
Asset Class	Benchmark Index	Annual Returns (%)		
		Actual 2026	Index 2026	Actual 2025
Matching Portfolio*	Liability Proxy	0.5	0.0	7.0
Canadian equities**	S&P/TSX Composite	30.8	29.8	15.0
Global equities	MSCI ACWI (\$C)	16.3	16.4	11.5
Global small cap equities	MSCI ACWSCI (\$C)	15.5	22.2	7.1
Real estate	Canada Property Fund Index	(0.6)	1.9	0.4
Infrastructure	Canadian CPI + 5%	10.1	7.5	15.4
Pooled bonds	FTSE Canada 91 Day T-Bill + 3%	2.4	5.6	0.0
Private equity	Canadian CPI + 7%	16.3	10.1	16.6

*Includes bonds and debentures, mortgages and the private debt pooled fund.

**Canadian equity returns are as of December 31, 2025, as the asset class was eliminated in the most recent investment policy.

The Auto Fund's investment returns are compared to benchmark returns on an annual basis although the performance measures are expected to be met over four years, a long enough period to capture a full market cycle. This long-term measure recognizes that the effectiveness of investment management styles varies depending on the market environment.

As illustrated in the following graph, over rolling four-year periods, investment performance remains satisfactory:



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 year, risk-free interest rates were quite stable, resulting in relatively small net insurance finance result. During last year, risk-free interest rates decreased quite significantly, leading to the large negative net insurance finance result.

Statement of Cash Flows

	<i>(thousands of \$)</i>		
	2026	2025	Change
Total operating activities	(169,777)	(157,130)	(12,647)
Investing activities	180,154	150,926	29,228
Net cash flow	10,377	(6,204)	16,581

Primarily related to the decrease in the RSR, cash used for operating activities during the year was \$169.8 million, \$12.6 million more than the previous year. Offsetting these outflows were cash inflows from investing activities of \$180.2 million, as more investments were sold than purchased in the year. This resulted in an overall increase in cash and cash equivalents of \$10.4 million.

Statement of Financial Position

	<i>(thousands of \$)</i>		
	2026	2025	Change
Total assets	3,224,977	3,299,711	(74,734)
Key asset account changes:			
Investments	3,052,237	3,133,121	(80,884)

Investments

The carrying value of investments decreased by \$80.9 million during the year, as more investments were sold than purchased during the year to help cover operating cash flows. That difference was partially offset by strong investment results, particularly in the equity investment funds.

The investment portfolio is held to pay future claims, while the income earned on these investments helps keep insurance rates low for vehicle owners. The portfolio's asset mix strategy is set by the Board of Directors annually through a detailed assessment of the Auto Fund's risk tolerance. The Auto Fund's RSR, which serves to buffer the fund from short-term unfavourable investment performance, permits the Auto Fund to maintain a long-term investment horizon. The asset mix strategy takes into consideration the current and expected conditions of capital markets and the historic return and risk profile of various asset classes. To achieve long-term investment goals, the Auto Fund must invest in asset classes that provide an attractive risk return profile over the medium to long term. Over shorter periods, however, performance of these asset classes can be volatile. The Auto Fund investment portfolio continues to hold a diversified asset mix with a longer-term focus, balancing the need for capital preservation in the short term with the need for portfolio growth over the longer term.

The asset mix strategy is formally documented in the Statement of Investment Policies and Goals. In addition to capturing the asset mix strategy, this document provides guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions and investment performance expectations, among others. Management monitors and enforces compliance with the investment policy. The asset mix was underweight return seeking bonds at March 31, 2026, as it awaits the onboarding of new fixed income mandates in the first quarter of 2026-27.

The Auto Fund's investment portfolio is managed by external investment managers. The portfolio is comprised of bonds and debentures, infrastructure limited partnerships, pooled bonds, equities, mortgages, real estate, private equity and private debt investments. Equities include investments in two global equity investment funds and a

global small capitalization equity investment fund. The Auto Fund's investments in pooled bonds, mortgages, real estate, private equity and private debt are through investment funds as well. The infrastructure and private equity investments are held in limited liability partnerships that are investment vehicles with similarities to an investment fund. More detail on the investment portfolio categories is provided in note 6 to the financial statements.

The Auto Fund investment portfolio is managed using a total portfolio approach, with two complementary components: a Matching Portfolio and a Return Seeking Portfolio. The Matching Portfolio is invested primarily in fixed income instruments, including mortgage securities and private debt, while the Return Seeking Portfolio is invested in growth-oriented and diversifying assets, including equities, real estate, pooled bonds and infrastructure.

The objective of the Matching Portfolio is to support the Auto Fund's liabilities by aligning fixed income cash flows and interest-rate sensitivity with the expected timing and characteristics of projected liability payments. The Matching Portfolio is constructed using a series of key rate duration buckets that are designed to closely reflect the liability proxy. The portfolio is monitored and rebalanced periodically to maintain key rate durations generally within one year for each bucket, and overall duration within one year of the liability proxy. As liability cash flow projections are updated through the actuarial valuation process, the key rate duration buckets are adjusted to maintain an appropriate match.

The allocation between the Matching and Return Seeking Portfolios is reviewed and rebalanced from time to time to remain consistent with the risk and return objectives established within the investment policy to manage the Auto Fund's overall funded-status and liquidity needs.

	<i>(thousands of \$)</i>		
	2026	2025	Change
Total liabilities	2,591,349	2,572,827	18,522
Key liability account changes:			
Insurance contract liabilities	2,511,380	2,515,098	(3,718)

Insurance contract liabilities

Insurance contract liabilities reflect the present value of estimated future cash flows for the insurance contracts the Auto Fund holds with its customers. It is made up of the liability for incurred claims, which represents the present value of claim-related cash flows the Auto Fund expects to pay out over the life of its insurance contracts, and the liability for remaining coverage, which represents the net liabilities for premium-related cash flows for those same insurance contracts. The process for determining the overall liability requires management judgment and estimation as discussed in the following section, Critical Accounting Estimates.

Insurance contract liabilities at March 31, 2026 are similar to the prior year.

Capital

As at March 31	2026	2025
Minimum Capital Test (rolling 12-month average)	104%	133%

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 strives 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:

	(thousands of \$)									
	2025-26				2026	2024-25				2025
	Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1	
Insurance revenue	287,295	302,026	313,540	297,716	1,200,577	275,937	287,945	298,963	283,188	1,146,033
Insurance service result	(6,604)	(80,363)	(20,718)	(59,025)	(166,710)	(113,187)	(19,596)	(13,087)	(68,994)	(214,864)
Net insurance finance result	(22,214)	7,648	(20,998)	33,115	(2,449)	(53,152)	(13,612)	(84,651)	12,661	(138,754)
Net investment earnings	16,212	24,553	100,467	29,055	170,287	48,438	48,932	127,760	32,572	257,702
Other income	32,990	32,678	30,696	34,748	131,112	33,006	30,905	30,715	31,363	125,989
Other expenses	(59,972)	(61,572)	(53,503)	(50,449)	(225,496)	(58,646)	(60,495)	(53,998)	(54,940)	(228,079)
(Decrease) increase to the RSR	(39,588)	(77,056)	35,944	(12,556)	(93,256)	(143,541)	(13,866)	6,739	(47,338)	(198,006)
Cash flow (used in) from operations	(149,691)	6,397	(22,986)	(3,497)	(169,777)	(124,517)	(20,293)	(1,970)	(10,350)	(157,130)
Investments	3,052,237	3,199,699	3,230,611	3,150,738		3,133,121	3,215,854	3,222,292	3,127,484	
Insurance contract liabilities	2,511,380	2,608,711	2,585,851	2,556,559		2,515,098	2,449,458	2,459,019	2,374,480	
Rate Stabilization Reserve	633,628	673,216	750,272	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 the annual premium taxes are paid.

Accounting matters

Critical accounting estimates and assumptions

This discussion and analysis of financial condition and results of operations is based upon financial statements as presented in this annual report. These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Material accounting policies are described in note 3 to the financial statements. Some of these policies involve critical accounting estimates because they require SGI, as the administrator, 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 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 development, selection and application of key accounting policies, and the critical accounting estimates and assumptions they involve, have been discussed with the Audit, Finance and Conduct Review Committee of the Board of Directors. The Audit, Finance and Conduct Review Committee has reviewed the disclosures described in this section. The most significant estimation processes are related to the actuarial determination of the liability for incurred claims and the asset for reinsured claims, the recognition of onerous contracts, the valuation of accounts receivable and the fair value of investments classified as Level 3.

Liability for incurred claims

The Auto Fund establishes the liability for incurred claims (LIC) to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported and loss adjustment expenses with respect to insurance contracts underwritten by the Auto Fund. The LIC is reported within insurance contract liabilities on the Statement of Financial Position.

The initial provision is determined on the reported facts filed with the claim, and then revised regularly as more information on the claim becomes known. The LIC does not represent the exact calculation of the amounts owing to claimants, but an estimate developed using Canadian accepted actuarial practices and Canadian insurance regulatory requirements. The estimate reflects an expectation of the ultimate cost of settlement and administration of claims. It involves an assessment based on the facts and circumstances of the events reported in the claim, experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the time frame anticipated to settle and pay the claim.

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

Asset for reinsured claims

The Auto Fund establishes the asset for reinsured claims that includes estimates of claims recoverable from reinsurers related to estimates within the liability for incurred claims. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and loss adjustment expense reserves and are reported within reinsurance contract assets on the Statement of Financial Position. The ceding of insurance does not discharge the Auto Fund's primary liability to its insureds. A provision for non-performance of reinsurance is estimated on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions. Any adjustments to these estimates are reflected in the net expenses from reinsurance contracts on the current year's Statement of Operations and Change in Rate Stabilization Reserve.

Recognition of onerous contracts

A group of contracts is considered onerous if there is a net outflow of fulfilment cash flows, resulting in the expected net outflow being recognized as a loss component in the liability for remaining coverage and a loss is recognized in insurance service expenses on the current year's Statement of Operations and Change in Rate Stabilization Reserve.

The Auto Fund assumes no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Auto Fund has developed a methodology for identifying indicators of possible onerous contracts, including reviewing forward looking expectations such as budget information and rate indications as well as historical experience.

At each reporting date, if facts and circumstances indicate that a group of insurance contracts is potentially onerous, then the Auto Fund applies the same analysis it has performed for groups potentially onerous at initial recognition.

Valuation of accounts receivable

Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Auto Fund. Amounts are written off once reasonable collection efforts have been exhausted. An Auto Fund customer cannot complete a driver's licence or vehicle transaction without making arrangements for payment of outstanding balances, including balances previously written off.

Fair value of investments classified as Level 3

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 Auto Fund's investment in infrastructure limited partnerships, a pooled bond fund, a mortgage investment fund, a real estate investment fund, a private equity investment fund and a private debt investment fund. The fair value of these investments is based on the Auto Fund's share of the net asset value of the respective fund or partnership, as determined by its investment manager, and used to value purchases and sales of units in the investments. The primary valuation methods used by the investment managers are as follows:

- The fair value of the infrastructure limited partnerships is determined by the investment manager. A number of valuation methodologies are considered in arriving at fair value, including internal or external valuation models, which may include discounted cash flow analysis. The most appropriate methodology to determine fair value is chosen on an investment-by-investment basis. Any control, size, liquidity or other discounts or premiums on the investment are considered by the investment manager in their determination of fair value. During the initial period after an investment has been made, cost may represent the most reasonable estimate of fair value.
- The fair value of the pooled bonds fund is determined by the investment manager. A number of valuation methodologies are considered in arriving at fair value, including internal or external valuation models, which may include discounted cash flow analysis. The most appropriate methodology to determine fair value is chosen on an investment-by-investment basis.

- The fair value for the mortgage investment fund is determined based on market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages (using spread-based pricing, over Government of Canada bonds with a similar term to maturity), subject to adjustments for liquidity and credit risk.
- The fair value of the real estate investment fund is determined based on the most recent appraisals of the underlying properties. Real estate properties are appraised semi-annually by external, independent professional real estate appraisers who are accredited through the Appraisal Institute of Canada. Real estate appraisals are performed in accordance with generally accepted appraisal standards and procedures and are based primarily on comparable sales, discounted cash flows and income capitalization methods.
- The fair value of the private equity limited partnership investment is determined by the investment manager at each quarterly valuation date in accordance with the International Private Equity and Venture Capital Valuation Guidelines, using quoted prices where an active market exists and, where no published market exists, applying an appropriate methodology based on the nature and circumstances of the investment. This may include arm's-length transaction prices/offers, independent third-party valuations, earnings or cash flow multiples, and discounted cash flow analysis or original cost.
- The fair value of the private debt pooled fund is determined by the investment manager based on the discounted value of expected cash flows, using credit spreads that reflect the terms of each security and relevant credit and yield comparables, and considering the illiquid nature of private debt securities and the potential absence of broker-dealer bid/ask quotes.

Related party transactions

The Auto Fund is related in terms of common ownership to all Government of Saskatchewan ministries, agencies, boards, commissions, Crown corporations, and jointly controlled and significantly influenced corporations and enterprises. Routine operating transactions with related parties were conducted in the normal course of business and recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Details of significant related party transactions are disclosed in the financial statements that follow.

SGL is the administrator of the Auto Fund on behalf of the Province of Saskatchewan. Administrative and loss adjustment expenses incurred by SGL are allocated to the Auto Fund directly or on the basis of specific allocations. Amounts incurred by SGL and charged to the Auto Fund were \$321.8 million (2025 – \$319.6 million).

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 statement of financial position – commonly referred to as the balance sheet. These items include litigation, structured settlements and rehabilitation funding commitments. These items are discussed below and in the notes to the financial statements.

The Auto Fund, as is common to other entities that operate in the insurance industry, is subject to litigation arising in the normal course of insurance operations. The Auto Fund is of the opinion that current litigation will not have a material impact on operations, the financial position or cash flows of the Auto Fund.

In the normal course of settling claims, the Auto Fund settles some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for claimants. This is a common practice in the property and casualty insurance industry. The net present value of the scheduled payments at March 31, 2026 was \$21.9 million (March 31, 2025 – \$23.1 million). The Auto Fund has no recourse to these funds. The Auto Fund provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the likelihood of default is considered extremely remote.

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 takes 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 corporate strategy, competitive position, operational results, reputation and financial condition.

The SGI Board of Directors, directly or through its Risk Committee, oversees the effective implementation of the enterprise risk management approach, providing challenge, advice and guidance to executive and senior management to confirm appropriate risk management policies are in place, the effectiveness and outcomes of risk management processes, and the decisions and actions of senior management are consistent with business plans, strategy and risk appetite. Regular reports on SGI risk profile, including significant risks, risk appetite exposures, and significant exceptions to risk management policies and control, are provided to executive management, the risk management steering committee and Risk Committee, and the Board of Directors.

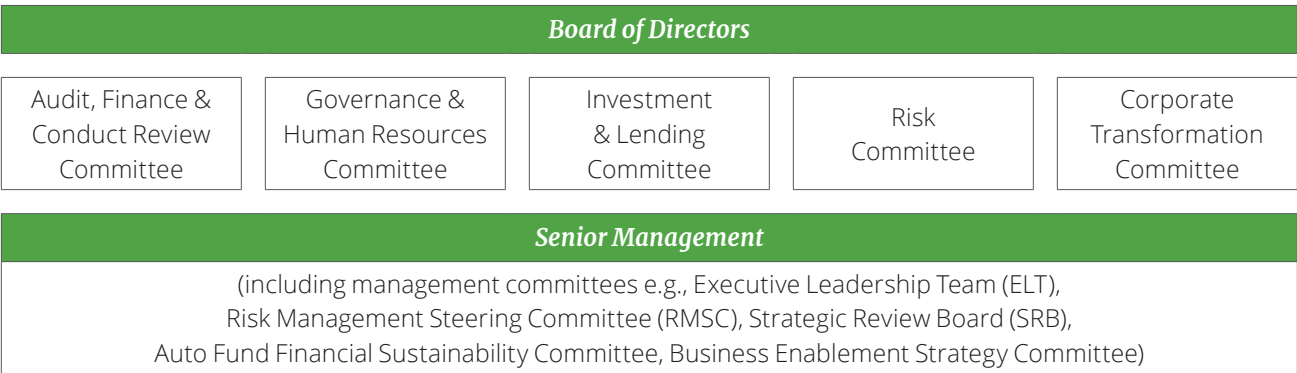
Alignment of risk appetite with corporate strategy

SGI seeks to align its risk appetite with its corporate strategy and business objectives by considering SGI's key corporate risks connections with its strategic objectives to support returns, and avoid risks outside SGI's strategic scope, while managing collateral risks where mitigation is cost-effective. Risk-taking is concentrated in areas where SGI has strong capabilities, while exposures beyond its expertise are limited or avoided to support disciplined, risk-adjusted performance.

Corporate governance and accountability

SGI's enterprise risk management framework sets out guidance in relation to the responsibility, authority for risk-taking, risk governance, oversight, and risk control.

Governance structure



Risk governance

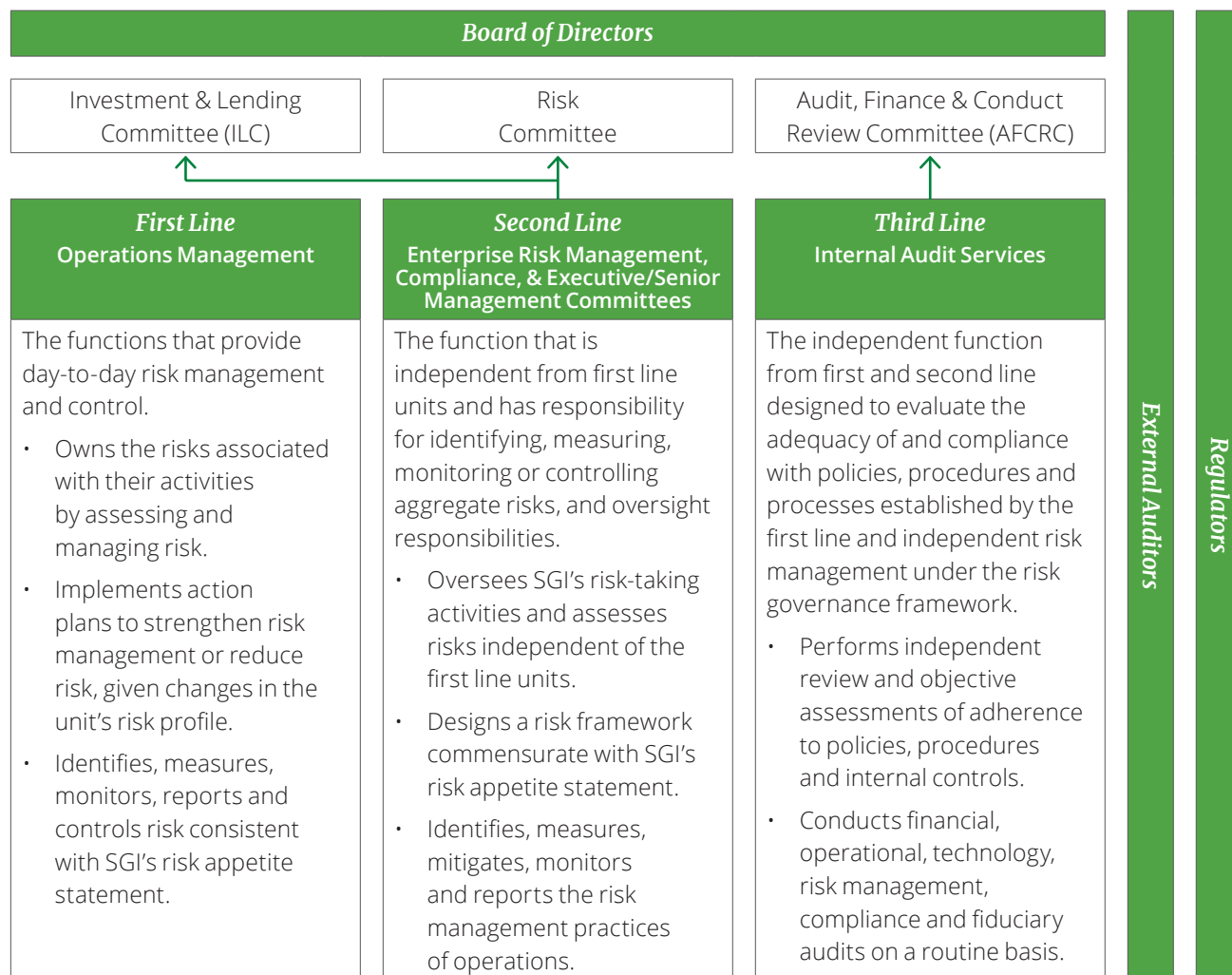
Risk management is embedded across all levels of the organization, with the Board providing oversight of strategy, risk appetite, capital, liquidity, and key governance frameworks. The Board also challenges and advises executive and senior management on risk assessments, performance, and the effectiveness of risk management practices. To support effective oversight, specific risk management responsibilities are delegated to Board committees to ensure key risks are identified, assessed, and managed appropriately.

<i>Committees</i>	<i>Mandate</i>
Audit, Finance & Conduct Review Committee (AFCRC)	The Audit, Finance and Conduct Review Committee provides general stewardship and oversight to SGI's finance and audit functions and activities; and recommends issues to be discussed by the Board of Directors for SGI and all its subsidiary companies. It ensures appropriate internal controls and information systems are in place, and that timely and complete auditing of SGI's activities and records is undertaken.
Governance & Human Resources Committee (GHRC)	The Governance and Human Resources Committee provides general stewardship and oversight to SGI's human resources activities. The Committee recommends governance and human resources issues to be discussed by the Board of Directors and its Committees of SGI and all its subsidiary companies, to ensure timely and complete information and decision making at the Board of Directors and Committee levels. The Committee also monitors the governance of the Board of Directors and its Committees.
Investment & Lending Committee (ILC)	The Investment and Lending Committee provides general stewardship and oversight to SGI's investment activity, functions and performance, and recommends investment and lending issues to be discussed by the Board of Directors.
Risk Committee (RC)	The Risk Committee provides general stewardship and oversight of SGI's risks and risk management functions and activity, and recommends risk issues to be discussed by the Board of Directors for SGI and all its subsidiary companies, to ensure that timely and complete risk management is undertaken.
Corporate Transformation Committee (CTC)	The ad-hoc Corporate Transformation Committee provides general stewardship and oversight to SGI's Corporate Transformation program (including people, processes and technology). The Committee recommends Corporate Transformation issues to be discussed by the Board of Directors and its Committees.

Committees	Mandate
Risk Management Steering Committee (RMSC)	The Risk Management Steering Committee is an enterprise-wide executive management committee established to support the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) with their responsibilities of managing and providing risk oversight on the operations of the Auto Fund with the mandate of: • Define the overall risk approach by establishing risk appetite and key risk indicators. Continuously track how the organization performs against these benchmarks to ensure an optimal balance between risk, reward, and capital. Provide recommendations on risk appetite to the CFO and Risk Committee, and the Board for approval. • Mitigating Out-of-Bounds Risks: Oversee material corrective actions for risks exceeding acceptable limits and oversee progress to bring them back within tolerance levels. This includes leadership of risk mitigation strategies such as business continuity planning. • Strengthening Risk Governance: Oversee and support the Chief Financial Officer in the creation and upkeep of risk-related policies and frameworks, including the overarching Enterprise Risk Management (ERM) Policy, ensuring strong governance foundations. • Proactive Risk Management: Identify, evaluate, and respond to critical risks impacting the Auto Fund. Regularly monitor and report these risks including top and emerging threats across core categories such as strategic, insurance, financial, operational, reputational and talent risk. • Embedding Risk Culture: Champion a company-wide culture that prioritizes risk awareness and responsibility at every level.

Three lines of risk management governance model

At SGI, risk management is a collective effort guided by a three-lines-of-defence model. This practice clarifies roles and promotes accountability across SGI. Each line maintains internal controls and validation processes to ensure adherence to policies. Overall responsibility rests with the CEO, who delegates through a structured authority framework to ensure effective risk governance.



Risk policies

The ERM Framework ensures that the Auto Fund has policies and processes in place to promote sound risk culture across the organization. As part of its responsibilities to oversee the identification, assessment and management of the risks associated with the Auto Fund’s operations, the Board regularly reviews and approves the Auto Fund’s risk management policies.

The Board may also delegate approval of risk management policies to the Risk committee as appropriate.

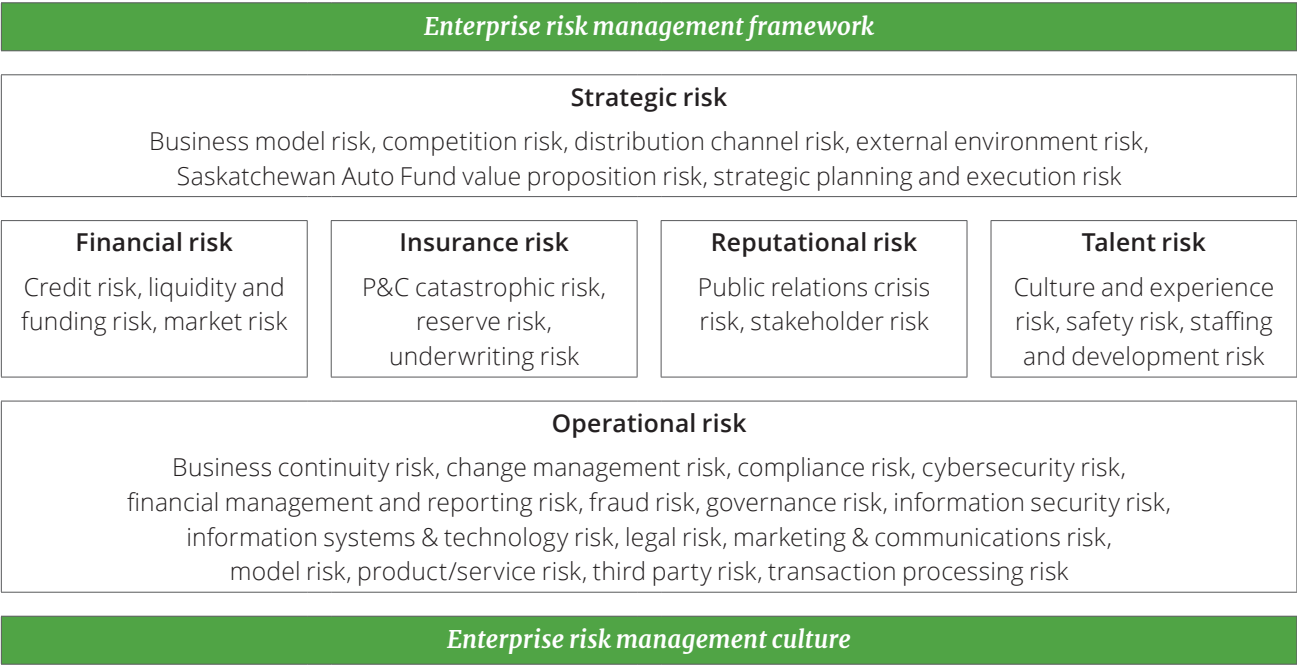
Risk culture

SGL encourages a strong risk culture grounded in integrity, ethical conduct, and accountability, with management leading by example and fostering open communication. The Board and senior management actively embed risk considerations into strategic decision-making and oversee the effectiveness of SGL’s enterprise risk management framework, governance structure, and policies. Ongoing monitoring by Risk Management, and Internal Audit functions, together with integration into performance management processes, supports a consistent and disciplined approach to risk awareness and conduct across the organization.

Enterprise risk factors and mitigating actions

Key risks are identified through a voting process and assessed for the likelihood of occurrence and potential impacts annually. SGL also considers potential emerging risks that are newly developing which are inherently more difficult to quantify.

SGL’s risks are separated into six main categories: strategic risk, insurance risk, financial risk, operational risk, reputational risk and talent risk.



Financial risk

Market risk

This is the risk of loss arising from changes in the fair value of financial instruments as a result of fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads and their volatility. To support the long-term financial goals of the Auto Fund, investment portfolios invest in asset classes with uncertain returns and inherent volatility. It is anticipated that there will be drawdowns in valuation from time to time caused by the planned or unplanned events.

To manage the risk arising from market volatility, the Auto Fund has established policies that set out market risk appetite and Investment & Lending Committee, as well as specified tolerances for maximum risk retention and management processes to monitor compliance with these limits.

Liquidity and funding risk

This is the risk of having insufficient cash resources to meet current financial obligations, particularly those related to claim payments. This risk remains elevated for the Auto Fund, as affordability pressures and inflationary pressure on claims cost, within Auto Fund heighten sensitivity to cash flow timing, funding flexibility, and access to capital if adverse experience or significant external shocks materialize.

To manage the risk the Auto Fund Financial Sustainability committee (AFFS) has been created to provide oversight on key Auto Fund strategic initiatives in support of the overarching Auto Fund strategy. Additionally, the Auto Fund has implemented interim rate increases effective June 1, 2026, and June 1, 2027.

Insurance risk

P&C catastrophic risk

This is the financial consequence resulting from an increase in the frequency or severity of catastrophes, including natural disasters and non-natural events, covered by insurance policies that impairs the Auto Fund's ability to meet annual financial targets and, in extreme scenarios, its ability to meet its financial obligations.

To manage the risk arising, the Auto Fund determines reinsurance limits using independent catastrophe modeling, including scenario tests that overlay hypothetical events on high-exposure concentrations. To mitigate the risk of reinsurer failure, the Auto Fund and its reinsurance broker monitor reinsurer solvency through independent assessment as well as through ratings provided by AM Best and S&P Global.

Underwriting risk

This is the risk of adverse financial exposures arising from various activities integral to the underwriting of insurance products, including product design, pricing, risk acceptance and claims settlement. This risk is influenced by evolving claims trends, inflationary pressures, and increasing complexity in claims settlement processes.

The risk is mitigated through a coordinated and disciplined underwriting and claims management framework. This includes adherence to reinsurance risk policies and regular product and pricing reviews to ensure alignment with evolving market conditions and risk appetite. Claims handling is supported by quality assurance function, and an established model, complemented by strategic salvage partnerships with leading North American auction platforms to optimize recovery outcomes.

Ongoing investments in training and governance further reinforce underwriting and claims practices, including enhanced adjuster and underwriting training programs, audit processes, and comprehensive reference tools. System-enabled controls within core platforms, alongside clearly defined payment approval thresholds, support consistent decision-making and financial oversight.

In addition, the team conducts regular reviews of claims recovery strategies and loss adjusting expenses to drive efficiency and effectiveness. Monthly regional reserve reviews and continued monitoring of reserving methodologies ensure that liabilities are appropriately assessed and managed. Collectively, these actions support a prudent, data-informed approach to underwriting risk management aligned with SGI's strategic objectives.

Operational risk

Information security risk

This refers to the risk of theft, loss, leak or disclosure of confidential information/data, such as loss of confidentiality, through intentional or unintentional act, such as an insider threat, error, negligence, non-compliance to statutory obligations, or omission, including cyber-attacks due to ineffectiveness of the policies, standards, procedures and tools, resulting in negative financial, operational or reputational damage, i.e., it is the risk of loss or harm resulting from the failure to appropriately manage information during its lifecycle.

Production systems resulting from the Corporate Transformation program at SGI are delivering according to expected milestones. As such, cyber security risk reduction is emerging through improved identity and access management including implementation of role-based access security models, improved data protection measures and strengthened cybersecurity monitoring controls. In addition, the cyber security staff complement is stable which has contributed to improving SGI's National Institute of Standards and Technology Cyber Security Framework rating. Although geopolitical conditions and other factors keep the cyber security landscape ever changing and challenging, technology risk management, advanced toolsets and ongoing training are leveraged to improve the security of SGI's information.

Information systems & technology risk

This refers to the risk of potential threats and vulnerabilities that affect the operation (people and process), security, and integrity of information technology (IT) infrastructure, systems and data due to cyber threats, technological failures and human errors resulting in financial hardship, reputational damage and lost business opportunities.

This risk is managed through business continuity management and disaster recovery processes have been modernized with a defined continuous improvement program, which has served to improve preparedness in the event of a system failure. Testing of the governance structure and response capabilities was also carried out. Staffing was put in place to support ongoing disaster recovery maturation efforts and monitoring coverage has increased to address system availability issues in advance of users being affected. Aging technology maintenance and retirement is methodically addressed using formalized application risk assessments and, finally, migration to new technology platforms is underway through the Corporate Transformation program which will significantly improve system reliability overall.

Cybersecurity risk

This is the risk of unauthorized information access, or the loss of system integrity or availability, as a result of an attack delivered electronically or by direct access to our systems or systems provided by our third-party service providers.

SGI mitigates this risk through an integrated cybersecurity and information security framework embedded in strategic planning and operations. This is supported by established policies, programs, standards, and awareness initiatives, alongside an IT risk model and regular risk assessments to proactively identify and address emerging threats.

Operational resilience is reinforced through a formal incident response framework, including playbooks for timely action, as well as preventative controls such as role-based access and multi-factor authentication. Structured change management and improving threat protection capabilities further support system integrity, enabling a proactive and risk-informed approach to safeguarding assets and maintaining stakeholder trust.

Change management risks

This refers to the risk of failure to plan, manage or monitor an initiative to the approved scope/quality, timeline and budget, and manage the risks associated with changes to existing people, processes and systems.

SGL has multiple priority areas in this risk category. Work continues on succession for high-risk senior management positions including executives and vice presidents. Additional efforts were put into developing a robust executive model where a persona and customized development plan come together. An approach to having more streamlined and consistent development plans for senior leaders is underway to reinforce readiness for potential roles and growth in current roles. Work on building talent pipelines is underway and will continue under the People Resourcing Strategy umbrella.

Strategic risk

Saskatchewan value proposition risk

This refers to the risk that the Auto Fund no longer creates value for Saskatchewan people in terms of products, services and safety, risking financial and social sustainability.

This risk is managed by established policies, i.e., capital management policy, proactive consultations and clear communication with public and partners, including ongoing review of regulatory and traffic safety programs, and forecasting processes for course correction.

Business model risk

The refers to the risk that SGL business model becomes ineffective or obsolete, potentially impacting its ability to create value, generate revenue or achieve long-term sustainability. This can arise from various factors, such as changes in market conditions, technological disruption, shifts in consumer behaviour, regulatory changes or poor strategic execution.

SGL mitigates this risk through a proactive and adaptive strategic framework focused on diversification and market responsiveness. This includes leveraging demographic and economic forecasting, monitoring market share performance, and implementing region-specific underwriting and pricing strategies to remain competitive across jurisdictions. Customer research, broker and issuer feedback, and active participation in industry groups such as the Insurance Bureau of Canada inform decision-making and help anticipate emerging trends. In addition, the Auto Fund continues to evolve its products and services to align with changing customer needs and market dynamics, supporting long-term relevance and value creation.

Outlook for 2026–27

The Auto Fund continues to be efficient and well-run – consistently providing among the lowest auto insurance rates in Canada and providing traffic safety leadership. The focus of the Auto Fund for 2026-27 is long-term financial sustainability and continuing to modernize its technology systems.

External factors impacting the outlook

Throughout most of 2025-26 inflation was relatively calm, hovering around the Bank of Canada's inflation target of 2.0%. Inflation jumped to 2.4% in March 2026 due to the rising price of oil related to the ongoing conflict in the Middle East. Continued uncertainty related to geopolitical conflicts, and trade policy may temporarily push inflation higher. According to the latest Bank of Canada guidance, inflation is expected to peak around 3.0% over the coming months, before gradually returning to the 2.0% target over the medium term. Higher inflation, particularly if driven by tariff and supply chain impacts, can increase repair costs and claim severity, putting upward pressure on claim reserves and ultimate claim payouts and contributing to volatility in the Auto Fund's financial results in 2026-27.

Catastrophe claims (hail, flooding and other weather-related events) can materially affect the annual change in the RSR. Both the frequency of catastrophic events and the severity of individual events influence the Auto Fund's overall financial results. In 2026-27, the Auto Fund expects \$58.2 million in catastrophe claims, consistent with the experience of the last few years.

Investment markets are expected to remain volatile in 2026-27 as investors respond to heightened geopolitical risks, uncertainty related to trade policy, and shifting expectations for inflation and interest rates. Following the increase in energy prices, inflation is expected to rise in the near term, which may keep market conditions sensitive to new economic data and central bank communications. In this kind of market, risk assets can go through changes in value and returns from fixed-income investments may vary as yields and credit spreads shift. Continued volatility in investment markets could affect the Auto Fund's investment income and overall investment performance in 2026-27.

Responsibility for Financial Statements

The financial statements are the responsibility of Management and have been prepared in conformity with IFRS Accounting Standards. In the opinion of Management, the financial statements fairly reflect the financial position, results of operations and cash flows of the Saskatchewan Auto Fund (the Auto Fund) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Auto Fund to carry out a valuation of the policy liabilities and to issue a report thereon to the shareholder and regulatory authorities. The valuation is carried out in accordance with accepted actuarial practice and IFRS Accounting Standards. The policy liabilities consist of provisions for claims obligations for insured events that have already occurred as well as obligations for the unexpired portion of existing insurance contracts. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Auto Fund and the nature of the insurance policies. The actuary also makes use of Management information provided by the Auto Fund and the work of the external auditors in verifying the data used in the valuation.

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

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



Penny McCune
President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the
Saskatchewan Auto Fund



Drew Kendel
Chief Financial Officer
Saskatchewan Government Insurance
as Administrator of the
Saskatchewan Auto Fund

May 28, 2026

Annual Statement of Management Responsibility

I, Penny McCune, President and Chief Executive Officer, and I, Drew Kendel, Chief Financial Officer, certify the following:

- a. That we have reviewed the financial statements included herein. Based on our knowledge, having exercised reasonable diligence, the financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows, as of March 31, 2026.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That Saskatchewan Auto Fund (the Auto Fund) is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and, the Auto Fund has designed internal controls over financial reporting that are appropriate to its circumstances.
- d. That the Auto Fund conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as of March 31, 2026, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Penny McCune
President and Chief Executive Officer
Saskatchewan Government Insurance
as Administrator of the
Saskatchewan Auto Fund



Drew Kendel
Chief Financial Officer
Saskatchewan Government Insurance
as Administrator of the
Saskatchewan Auto Fund

May 28, 2026

Actuary's Report

To the policyholders and Board of Directors of Saskatchewan Government Insurance:

I have valued the policy liabilities of the Saskatchewan Auto Fund for its financial statements prepared in accordance with IFRS Accounting Standards for the year ended March 31, 2026.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuation.

Chris McCulloch

Chris McCulloch
Fellow, Canadian Institute of Actuaries
Fellow, Casualty Actuarial Society

Winnipeg, Manitoba
May 28, 2026

Independent Auditor's Report

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of Saskatchewan Auto Fund (the Entity), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations and change in rate stabilization reserve for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2026, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for KPMG LLP, featuring the text "KPMG LLP" in a stylized, handwritten font, with a horizontal line underneath.

Chartered Professional Accountants

Regina, Canada

May 28, 2026

Statement of Financial Position

	<i>(thousands of \$)</i>	
	March 31 2026	March 31 2025
Assets		
Cash and cash equivalents (note 4)	\$ 57,738	\$ 47,361
Accounts receivable (note 5)	27,939	28,554
Investments under securities lending program (note 6)	314,210	492,983
Investments (note 6)	2,738,027	2,640,138
Reinsurance contract assets (note 9)	6,141	13,509
Property and equipment (note 7)	43,742	41,399
Intangible assets (note 8)	31,374	28,720
Other assets	5,806	7,047
	\$ 3,224,977	\$ 3,299,711
Liabilities		
Accounts payable and accrued liabilities	\$ 79,969	\$ 57,729
Insurance contract liabilities (note 9)	2,511,380	2,515,098
	2,591,349	2,572,827
Equity		
Rate Stabilization Reserve	633,628	726,884
Total equity	633,628	726,884
	\$ 3,224,977	\$ 3,299,711

Commitments and contingencies (note 17)

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

Approved by the Board of Directors and signed on their behalf on May 28, 2026



Gary Vidal
Director



Richard Carter
Director

Statement of Operations and Change in Rate Stabilization Reserve

For the years ended March 31	(thousands of \$)	
	2026	2025
Insurance revenue (note 9)	\$ 1,200,577	\$ 1,146,033
Insurance service expenses (note 9, 11)	(1,350,106)	(1,356,540)
Insurance service result from insurance contracts	(149,529)	(210,507)
Net expenses from reinsurance contracts (note 9)	(17,181)	(4,357)
Insurance service result	(166,710)	(214,864)
Insurance finance expense (note 9)	(2,764)	(139,085)
Reinsurance finance income (note 9)	315	331
Net insurance finance result	(2,449)	(138,754)
Net investment earnings (note 10)	170,287	257,702
Net investment result	167,838	118,948
Other income (note 12)	131,112	125,989
Other expenses (note 11)	(225,496)	(228,079)
Decrease to Rate Stabilization Reserve and comprehensive loss	(93,256)	(198,006)
Rate Stabilization Reserve, beginning of period	726,884	924,890
Rate Stabilization Reserve, end of year	\$ 633,628	\$ 726,884

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

Statement of Cash Flows

For the years ended March 31	(thousands of \$)	
	2026	2025
Cash provided by (used for):		
Operating activities		
Decrease to Rate Stabilization Reserve	\$ (93,256)	\$ (198,006)
Non-cash items:		
Amortization and depreciation	8,726	8,095
Net gain on investment portfolio (note 10)	(55,906)	(135,325)
Interest and other revenue from investments (note 10)	(58,352)	(59,106)
Loss on disposal of property and equipment	95	123
Loss on disposal of intangible assets	749	–
Change in non-cash operating items (note 15)	28,167	227,089
	(169,777)	(157,130)
Investing activities		
Interest received	52,887	50,700
Purchases of investments	(865,994)	(834,677)
Proceeds on sale of investments	1,007,828	949,702
Purchases of property and equipment	(8,228)	(6,510)
Purchases of intangible assets	(6,339)	(8,289)
	180,154	150,926
Increase (decrease) in cash and cash equivalents	10,377	(6,204)
Cash and cash equivalents, beginning of the year	47,361	53,565
Cash and cash equivalents, end of the year	\$ 57,738	\$ 47,361

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

Notes to the Financial Statements

March 31, 2026

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 premium 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 financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board. The audited financial statements were authorized for issue on May 28, 2026.

Basis of measurement

The financial statements have been prepared using the historical cost basis, except for certain financial instruments and 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. 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).

Statement of Financial Position classification

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

Functional and presentation currency

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

Use of estimates and judgment

In preparing these financial statements, management has made judgments and estimates that affect the application of the Auto Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 13:

- level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently; and
- measurement of insurance and reinsurance contracts: determining the discount rates and the techniques for estimating risk adjustment for non-financial risk.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at March 31, 2026 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in note 3 – measurement of the fair value of financial instruments with significant unobservable inputs.

Information about assumptions made in measuring insurance and reinsurance contracts is included in note 13. Changes in assumptions about claims development, discount rates, including illiquidity premiums, and risk adjustments for non-financial risk, may change the fulfilment cash flows materially. These changes would not affect the carrying amounts of the contracts, unless they arise from onerous contracts.

One area of uncertainty is the current geopolitical environment. The potential impact of future changes in government policies including tariffs and trade restrictions could affect economic conditions, investment values and business operations including insurance service results. Management will continue to monitor the impact of geopolitical risk on its use of judgements, estimates, and assumptions.

3. Material accounting policies

Financial assets and liabilities

The measurement basis for financial assets depends on whether the financial assets have been classified as amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification requirements for financial asset debt and equity instruments are described as follows:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost using the effective interest method, less provision for impairment losses, if any. Financial assets that are held for collection of cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are classified as FVOCI. Financial assets classified as FVOCI are measured at fair value with changes in fair value recorded in other comprehensive income (OCI); except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument's amortized cost, which are recognized in net income. Financial assets not measured at amortized cost, or at FVOCI must be classified as FVPL. Financial assets classified as FVPL are measured at fair value and changes in fair value are recognized in net income.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, such as common shares. All equity instruments are classified as FVPL, except where the Auto Fund has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, changes in fair value are recorded in OCI and are not subsequently reclassified to net income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, are recognized in net income when declared.

Financial liabilities

Financial liabilities classified as FVPL are measured at fair value and changes in fair value are presented partially in OCI (the amount attributable to changes in credit risk of the liability) and partially in net income (the remaining amount of change in fair value of the liability). Financial liabilities not classified as FVPL are measured at amortized cost using the effective interest method.

The Auto Fund has designated cash and cash equivalents and investments as FVPL. Accounts receivable are classified and subsequently measured at amortized cost. Accounts payable and accrued liabilities are classified and subsequently measured at amortized cost. Insurance contract liabilities are exempt from the above requirement.

Financial assets and financial liabilities are offset, and the net amount reported in the 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 Statement of Operations and Change in Rate Stabilization Reserve unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Auto Fund. There are no financial assets and financial liabilities reported as offset in these financial statements.

Fair value of financial instruments

The fair value of financial instruments on initial recognition is normally the transaction price, being the fair value of the consideration given or received. After initial recognition, the fair value of financial instruments is determined based on available information and categorized according to a three-level fair value hierarchy.

Level 1

Level 1 includes financial instruments that have quoted prices in active markets for identical assets or liabilities. A financial instrument is regarded as quoted in an active market if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Auto Fund does not have financial assets classified as Level 1.

Level 2

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models.

For discounted cash flow models, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics.

- Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments, currencies, market liquidity and financial condition of counterparties.
- Discount rates are influenced by risk-free interest rates and credit risk.

The inputs to these models are derived from observable market data where possible. Inputs used in valuations include:

- Prevailing market rates for bonds with similar characteristics and risk profiles;
- Closing prices of the most recent trade date subject to liquidity adjustments; or
- Average brokers' quotes when trades are too sparse to constitute an active market.

The Auto Fund's financial assets measured at fair value and classified as Level 2 include bonds and debentures and equity investment funds. Fair value for 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. The fair value of the equity investment funds is based on the net asset value of the respective fund.

Level 3

The Auto Fund uses input parameters that are not based on observable market data. Non-market observable inputs use fair values determined in whole or in part using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgment is required to establish fair values. Changes in assumptions about these factors could affect the recognized fair value of financial instruments, which is used to value purchases and sales of units in the investments.

The Auto Fund's financial assets classified as Level 3 include the investments in infrastructure limited partnerships, a pooled bond fund, a mortgage investment fund, a real estate investment fund, a private equity investment fund and a private debt investment fund. The fair value of these investments is based on the Auto Fund's share of the net asset value of the respective fund or partnership, as determined by its investment manager, and used to value purchases and sales of units in the investments.

The primary valuation methods used by the investment managers are as follows:

- The fair value of the infrastructure limited partnerships is determined by the investment manager. A number of valuation methodologies are considered in arriving at fair value, including internal or external valuation models, which may include discounted cash flow analysis. The most appropriate methodology to determine fair value is chosen on an investment-by-investment basis. Any control, size, liquidity or other discounts or premiums on the investment are considered by the investment manager in their determination of fair value. During the initial period after an investment has been made, cost may represent the most reasonable estimate of fair value.
- The fair value of the pooled bonds fund is determined by the investment manager. A number of valuation methodologies are considered in arriving at fair value, including internal or external valuation models, which may include discounted cash flow analysis. The most appropriate methodology to determine fair value is chosen on an investment-by-investment basis.
- The fair value for the mortgage investment fund is determined based on market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages (using spread-based pricing over Government of Canada bonds with a similar term to maturity), subject to adjustments for liquidity and credit risk.
- The fair value of the real estate investment fund is determined based on the most recent appraisals of the underlying properties. Real estate properties are appraised semi-annually by external, independent professional real estate appraisers who are accredited through the Appraisal Institute of Canada. Real estate appraisals are performed in accordance with generally accepted appraisal standards and procedures and are based primarily on the discounted cash flow and income capitalization methods.
- The fair value of the private equity limited partnership investment is determined by the investment manager at each quarterly valuation date in accordance with the International Private Equity and Venture Capital Valuation Guidelines, using quoted prices where an active market exists and, where no published market exists, applying an appropriate methodology based on the nature and circumstances of the investment. This may include arm's-length transaction prices/offers, independent third-party valuations, earnings or cash flow multiples, and discounted cash flow analysis or original cost.
- The fair value of the private debt pooled fund is determined by the investment manager based on the discounted value of expected cash flows, using credit spreads that reflect the terms of each security and relevant credit and yield comparables, and considering the illiquid nature of private debt securities and the potential absence of broker-dealer bid/ask quotes.

The fair value of other financial assets and liabilities are 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 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 and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

Impairment of financial assets

The Auto Fund's trade receivables are subject to the expected credit loss model under IFRS 9. For trade receivables, the Auto Fund applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Auto Fund considered historical default rates of past customers based on the data available at March 31, 2026 and forecasts of future economic conditions.

Investments

The Auto Fund records investment purchases and sales on a trade-date basis, being the date when the transactions are entered into. Financial assets are derecognized when the rights to receive cash flows from them have expired, or when the Auto Fund 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 Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Auto Fund to the counterparties in the course of such transactions. The securities are reported separately on the 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 Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Auto Fund in the course of such transactions. Because the Auto Fund transfers the contractual rights to the cash flows of the securities as part of the arrangement, it does not have the ability to use the transferred assets during the terms of the arrangement.

Investment earnings

The Auto Fund recognizes interest as earned, investment fund revenue when a distribution is declared and a net gain and loss on investment portfolio when the investment has been sold and based on changes in market value of the investments held at the year-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. 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 year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains (losses) arising on monetary and non-monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains (losses) arising on translation are charged to operations in the current year. Translation gains (losses) related to other financial assets and liabilities are charged to operations in the current year.

Insurance and reinsurance – classification

Contracts under which the Auto Fund accepts significant insurance risk are classified as insurance contracts. Contracts held by the Auto Fund under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Auto Fund to financial risk. The Auto Fund does not accept insurance risk from other insurers.

All insurance contracts and all reinsurance contracts are measured under the simplified measurement model, the Premium Allocation Approach (PAA), as all of the Auto Fund's insurance and reinsurance contracts have a coverage period of one year or less.

Level of aggregation

Insurance contracts are aggregated into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks that are managed together.

The Auto Fund portfolios are then further aggregated into groups as follows:

- each portfolio is divided into annual cohorts (i.e. by year of policy effective date); and
- each cohort is divided into three groups based on the profitability of contracts:
 - contracts that are onerous on initial recognition;
 - contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
 - remaining contracts in the annual cohort.

The Auto Fund has one portfolio identified and operates in one geographic region. Portfolios may change prospectively if there are changes in how the Auto Fund manages its insurance operations.

Recognition

An insurance contract issued by the Auto Fund is recognized from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Auto Fund provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Groups of reinsurance contracts are established such that each group comprises a single contract.

Some reinsurance contracts provide coverage for underlying contracts that are included in different groups. However, the Auto Fund concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Auto Fund's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognized at the beginning of the coverage period of the group of reinsurance contracts. However, if the Auto Fund recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date (see 'Onerous contracts'). This applies to the Auto Fund's excess of loss reinsurance contracts.

Contract boundaries

The measurement of groups of insurance and reinsurance contracts includes all of the future cash flows within the boundary of each contract.

Insurance contract cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Auto Fund can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when the entity has the practical ability to reassess risk and can set a price or level of benefits that fully reflect those risks.

Cash flows are within the reinsurance contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Auto Fund is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

For payments made through an intermediary, premiums and claims related to insurance contract liabilities are recorded when cash is received or paid by the Auto Fund. Amounts held by intermediaries are included in determining the insurance contract liabilities.

Measurement models

The carrying amount of a group of insurance and reinsurance contracts at the end of each reporting period is composed of the following:

- Liability for remaining coverage: the obligation to provide coverage after the reporting period for insured events that have not yet occurred.
- Liability for incurred claims: the obligation to investigate and pay claims for insured events that have already occurred. This includes events that have occurred but for which claims have not yet been reported to the Auto Fund and other incurred insurance expenses.
- Asset for remaining coverage: the right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.
- Asset for incurred claims: the right to receive compensation for reinsured events that have already occurred, including events that have occurred, but for which reinsured claims have not been reported.

Premium allocation approach

The Auto Fund applies the PAA when measuring the liability for remaining coverage as follows:

Initial and subsequent measurement

The liability for remaining coverage includes:

- Premiums received,
- Less amounts recognized as insurance revenue for the services provided, generally allocated based on the passage of time, usually 12 months.
- Any loss component for onerous contracts.

The Auto Fund has elected to not discount the liability for remaining coverage under the PAA.

Insurance acquisition cash flows

Insurance acquisition cash flows are costs directly attributable to selling or underwriting insurance contracts. These cash flows include costs such as issuer remuneration on insurance products, premium taxes and an allocation of indirect costs such as salaries, information technology and facility costs such as building maintenance and depreciation.

Management allocates insurance acquisition cash flows to groups of contracts using a systematic and rational method of allocation.

The Auto Fund has elected to expense all insurance acquisition cash flows as incurred.

Onerous contracts

A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows, resulting in the net outflow being recognized as a loss component in the liability for remaining coverage and a loss is recognized immediately in net income (insurance service expenses).

The loss component is re-evaluated quarterly. The loss component is measured on direct insurance but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

The loss recovery component is calculated by multiplying the initial loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Auto Fund expects to recover from the group of reinsurance contracts. The loss recovery component is included in the asset for remaining coverage and the recovery is recognized immediately in net income in net revenues (expenses) from reinsurance contracts. The loss recovery is subsequently amortized in net revenues (expenses) from reinsurance contracts.

The Auto Fund assumes no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Auto Fund has developed a methodology for identifying indicators of possible onerous contracts, including reviewing forward looking expectations such as budget information and rate indications as well as historical experience.

At each reporting date, if facts and circumstances indicate that a group of insurance contracts is potentially onerous, then the Auto Fund applies the same analysis it has performed for groups potentially onerous at initial recognition.

Reinsurance

Reinsurance contracts are measured on the same basis as insurance contracts, except:

- They are adapted to reflect the features of reinsurance contracts that differ from insurance contracts, for example the generation of expenses or reduction in expenses rather than revenue.
- They include an allowance for non-performance risk by the reinsurer (which is presented in net revenues (expenses) from reinsurance contracts), and
- The risk adjustment represents the amount of risk being transferred to the reinsurer.

Measurement – contracts measured under the PAA

The Auto Fund uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less. Contracts provide compensation for the cost of and insured event; for these contracts, the Auto Fund determines the insured event to be the occurrence of that event and the coverage period to be the period in which an insured event can occur for which a policyholder can make a valid claim.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

Liability for incurred claims

The liability for incurred claims is an estimate of the fulfilment cash flows related to incurred claims, including a risk adjustment to account for non-financial risk. The liability for incurred claims is discounted to consider the time value of money. Contracts measured under the PAA do not require an adjustment for the time value of money if the cash flows on those claims are expected to be paid or received within one year of the date the claims are incurred. The Auto Fund has elected to discount all of its liability for incurred claims. The determination of the liability for incurred claims requires a number of judgments and assumptions. These judgements and assumptions are discussed further in note 13.

Risk adjustment

The measurement of insurance and reinsurance contracts includes a risk adjustment for non-financial risk. The risk adjustment for non-financial risk is the compensation required for bearing the uncertainty about the amount and timing of cash flows of groups of insurance contracts. The risk adjustment includes the benefit of diversification and excludes the impact of financial risks. The change in the risk adjustment is presented in the insurance service result.

Discount rate

The liability for incurred claims is discounted. The Auto Fund has established a discount yield curve using risk-free rates adjusted to reflect the illiquidity characteristics of the applicable insurance contracts.

Derecognition and contract modification

The Auto Fund derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Auto Fund also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Auto Fund treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Insurance revenue

Insurance revenue on direct insurance is allocated over the coverage period of the contract and includes:

- Premium receipts net of cancellations and sales taxes; and
- Other insurance revenue which includes fees collected from policyholders in connection with the costs incurred for the Auto Fund's billing plans and fees received for the administration of other policies.

Insurance service expenses

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It is composed of the following:

- Incurred claims and other insurance service expenses, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts
- Insurance acquisition cash flows (see above); and
- Losses and reversals on onerous contracts (see above).

Insurance finance income and expense

Insurance finance income or expense comprise the change in the carrying amount of the group of insurance contracts arising from:

- The discount unwinding,
- Changes in discount rates, and
- The effect of financial risk and changes in financial risk.

The Auto Fund has elected to record changes in discount rates in net income in insurance finance income (expense).

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.

The Auto Fund 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 asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Auto Fund, and the cost of the item can be reliably measured. Repairs and maintenance are charged to the Statement of Operations and Change in Rate Stabilization Reserve in the period in which they have been incurred.

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

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

Buildings & improvements	15-40 years
Building components	15-30 years
Leasehold improvements	lease term
Furniture & equipment	3-5 years

Building components consist of heating and cooling systems, elevators, roofs and parking lots. Land is not subject to depreciation 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.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment, if any. Cost includes expenditures that are directly attributable to the acquisition of the intangible asset.

The Auto Fund has not incurred any borrowing costs attributable to intangible assets, and therefore no borrowing costs have been capitalized. Subsequent costs are included in the intangible asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Auto Fund, and the cost of the item can be reliably measured.

The amortization method being used, the useful lives of the intangible assets and residual values of the intangible assets are reviewed at each reporting period.

The intangible assets have finite useful lives and are being amortized on a straight-line basis, commencing in the year in which the asset is available to be placed in service, over their estimated useful lives of 3 to 10 years.

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

Provisions and contingent liabilities

Provisions are recognized when the Auto Fund 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 Auto Fund settles certain long-term claim losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Auto Fund 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 Statement of Operations and Change in Rate Stabilization Reserve at the date of purchase and the related claim liabilities are de-recognized. However, the Auto Fund remains exposed to the credit risk that the life insurance companies may fail to fulfil their obligations.

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 five categories in the statement of operations, namely the operating, investing, financing, discontinued operations and income tax 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 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

	(thousands of \$)	
	2026	2025
Cash, net of outstanding cheques	\$ 26,022	\$ 15,017
Money market investments	31,716	32,344
Total cash and cash equivalents	\$ 57,738	\$ 47,361

The average effective interest rate on money market investments is 2.3% (2025 – 2.7%).

5. Accounts receivable

Accounts receivable is comprised of the following:

	<i>(thousands of \$)</i>	
	2026	2025
Customer receivables	\$ 24,498	\$ 26,358
Accrued investment income	12,827	12,406
Salvage operations	1,546	1,560
Other	1,262	1,771
Subtotal	40,133	42,095
Less: Allowance for doubtful accounts (note 13)	(12,194)	(13,541)
Total accounts receivable	\$ 27,939	\$ 28,554

6. Investments

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

	<i>(thousands of \$)</i>	
	2026	2025
Bonds and debentures	\$ 929,107	\$ 860,660
Infrastructure limited partnerships	462,067	465,607
Investment funds:		
Pooled bonds	65,738	64,243
Canadian equity	–	66,833
Global equity	427,819	463,697
Global small cap equity	166,647	180,801
Mortgage	385,617	293,687
Real estate	228,355	229,668
Private equity	20,599	14,942
Private debt	52,078	–
	2,738,027	2,640,138
Investments under securities lending program:		
Bonds and debentures	314,210	492,983
Total investments	\$ 3,052,237	\$ 3,133,121

Details of significant terms and conditions are as follows:

Bonds and debentures

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

	2026		2025	
Term to maturity (years)	Carrying value (thousands of \$)	Average effective rates (%)	Carrying value (thousands of \$)	Average effective rates (%)
Government of Canada:				
After one through five	\$ 11,492	2.8	\$ 10,443	2.5
After five	30,145	3.8	49,494	3.2
Canadian provincial and municipal:				
After one through five	–	–	53,305	2.7
After five	248,661	4.6	691,487	4.0
Canadian corporate:				
One or less	–	–	29,989	3.0
After one through five	201,461	3.5	52,754	3.5
After five	751,558	4.9	466,171	4.5
Total bonds and debentures	\$ 1,243,317		\$ 1,353,643	

Investment funds and limited partnerships

The Auto Fund owns units in equity funds, a mortgage investment fund, a real estate investment fund, a pooled bonds fund, a private equity limited partnership, a private debt pooled fund and several infrastructure limited partnerships. These investment funds have no fixed distribution rate. Returns are based on the success of the investment managers. Commitments related to these investments are \$58.3 million (2025 – \$83.5 million).

Securities lending program

At March 31, 2026, the Auto Fund held collateral of \$329.9 million (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>				
2026				
	Level 1	Level 2	Level 3	Total
Bonds and debentures	\$ –	\$ 1,243,317	\$ –	\$ 1,243,317
Infrastructure limited partnerships	–	–	462,067	462,067
Investment funds:				
Pooled bonds	–	–	65,738	65,738
Global equity	–	427,819	–	427,819
Global small cap equity	–	166,647	–	166,647
Mortgage	–	–	385,617	385,617
Real estate	–	–	228,355	228,355
Private equity	–	–	20,599	20,599
Private debt	–	–	52,078	52,078
Total investments	\$ –	\$ 1,837,783	\$ 1,214,454	\$ 3,052,237

<i>(thousands of \$)</i>				
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	\$ –	\$ 2,064,974	\$ 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.

During the year, the Auto Fund reclassified its Canadian equity, global equity and global small cap equity funds from Level 1 to Level 2, as the funds do not have quoted prices in an active market.

Comparative information has been reclassified to conform to the current period's presentation.

A reconciliation of Level 3 investments is as follows:

	<i>(thousands of \$)</i>	
	2026	2025
Level 3 investments, beginning of the year	\$ 1,068,147	\$ 1,036,562
Add: Additions during the year:		
Infrastructure limited partnerships	21,184	26,396
Pooled bonds	–	62,582
Mortgage investment fund	95,944	33,265
Private equity investment fund	3,465	3,623
Private debt investment fund	54,285	–
Less: Disposals during the year:		
Infrastructure limited partnerships	(53,121)	(53,591)
Real estate investment fund	–	(100,000)
Gains (losses) recognized in net income:		
Infrastructure limited partnerships	28,397	49,300
Pooled bonds	1,495	1,661
Mortgage investment fund	(4,014)	6,167
Real estate investment fund	(1,313)	840
Private equity investment fund	2,192	1,342
Private debt investment fund	(2,207)	–
Level 3 investments, end of the year	\$ 1,214,454	\$ 1,068,147

7. Property and equipment

The components of the Auto Fund's property and equipment, as well as the related accumulated depreciation, are as follows:

	(thousands of \$)					
	2026					
	Land	Buildings & improvements	Building components	Leasehold improvements	Furniture & equipment	Total
Cost:						
Beginning of the year	\$ 8,538	\$ 58,027	\$ 17,683	\$ 2,127	\$ 47,589	\$ 133,964
Additions	–	2,124	2,847	–	3,257	8,228
Disposals	–	–	–	(398)	(1,962)	(2,360)
End of the year	8,538	60,151	20,530	1,729	48,884	139,832
Accumulated depreciation:						
Beginning of the year	–	39,423	12,880	1,899	38,363	92,565
Depreciation	–	1,639	643	72	3,436	5,790
Disposals	–	–	–	(398)	(1,867)	(2,265)
End of the year	–	41,062	13,523	1,573	39,932	96,090
Net book value, end of the year	\$ 8,538	\$ 19,089	\$ 7,007	\$ 156	\$ 8,952	\$ 43,742

	(thousands of \$)					
	2025					
	Land	Buildings & improvements	Building components	Leasehold improvements	Furniture & equipment	Total
Cost:						
Beginning of the year	\$ 6,953	\$ 57,408	\$ 17,181	\$ 2,127	\$ 50,363	\$ 134,032
Additions	1,585	619	502	–	3,804	6,510
Disposals	–	–	–	–	(6,578)	(6,578)
End of the year	8,538	58,027	17,683	2,127	47,589	133,964
Accumulated depreciation:						
Beginning of the year	–	37,697	12,212	1,826	40,808	92,543
Depreciation	–	1,726	668	73	4,010	6,477
Disposals	–	–	–	–	(6,455)	(6,455)
End of the year	–	39,423	12,880	1,899	38,363	92,565
Net book value, end of the year	\$ 8,538	\$ 18,604	\$ 4,803	\$ 228	\$ 9,226	\$ 41,399

Depreciation provided in the year is included in administrative expenses on the Statement of Operations and Change in Rate Stabilization Reserve. When an asset has been disposed, its original cost is removed from the financial statements along with any accumulated depreciation related to that asset.

8. Intangible assets

The Auto Fund's intangible assets consist of software that has been internally and externally developed for sole use by the Auto Fund. The intangible assets, as well as the related accumulated amortization, are as follows:

	<i>(thousands of \$)</i>	
	2026	2025
Cost:	\$ 35,525	\$ 27,236
Additions	6,339	8,289
Disposals	(3,213)	–
End of the year	38,651	35,525
Accumulated amortization:		
Beginning of the year	6,805	5,187
Amortization	2,936	1,618
Disposals	(2,464)	–
End of the year	7,277	6,805
Net book value, end of the year	\$ 31,374	\$ 28,720

9. Insurance and reinsurance contracts

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

	<i>(thousands of \$)</i>	
	2026	2025
Insurance contract liabilities:		
Liability for remaining coverage	\$ 302,448	\$ 305,870
Liability for incurred claims	2,208,932	2,209,228
	2,511,380	2,515,098
Reinsurance contract assets:		
Liability for remaining coverage	(3,140)	(7,104)
Asset for reinsured claims	9,281	20,613
	6,141	13,509
Net insurance and reinsurance contracts	\$ 2,505,239	\$ 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 operations.

Insurance contracts analysis by remaining coverage and incurred claims

	(thousands of \$)				
	2026				
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Opening liabilities	\$ 257,287	\$ 48,583	\$ 1,977,485	\$ 231,743	\$ 2,515,098
Changes in Statement of Operations					
Insurance revenue	(1,200,577)	–	–	–	(1,200,577)
Incurred claims and other insurance service expenses	–	–	1,209,700	(2,325)	1,207,375
Insurance acquisition expenses	155,046	–	–	–	155,046
Losses on onerous contracts	–	3,792	–	–	3,792
Prior-year development	–	–	(17,543)	1,436	(16,107)
Insurance service expenses	155,046	3,792	1,192,157	(889)	1,350,106
Insurance service result	(1,045,531)	3,792	1,192,157	(889)	149,529
Insurance finance expense	–	–	2,764	–	2,764
Total changes in Statement of Operations	(1,045,531)	3,792	1,194,921	(889)	152,293
Cash flows					
Premiums received	1,191,366	–	–	–	1,191,366
Claims and other insurance service expenses paid	–	–	(1,194,328)	–	(1,194,328)
Insurance acquisition cash flows	(153,049)	–	–	–	(153,049)
Total cash flows	1,038,317	–	(1,194,328)	–	(156,011)
Closing liabilities	\$ 250,073	\$ 52,375	\$ 1,978,078	\$ 230,854	\$ 2,511,380

<i>(thousands of \$)</i>					
2025					
	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	
Opening liabilities	\$ 231,673	\$ 29,369	\$ 1,816,611	\$ 214,319	\$ 2,291,972
Changes in Statement of Operations					
Insurance revenue	(1,146,033)	–	–	–	(1,146,033)
Incurred claims and other insurance service expenses	–	–	1,131,504	30,377	1,161,881
Amortization of insurance acquisition cash flows	146,109	–	–	–	146,109
Losses on onerous contracts	–	19,214	–	–	19,214
Prior-year development	–	–	42,289	(12,953)	29,336
Insurance service expenses	146,109	19,214	1,173,793	17,424	1,356,540
Insurance service result	(999,924)	19,214	1,173,793	17,424	210,507
Insurance finance expense	–	–	139,085	–	139,085
Total changes in Statement of Operations	(999,924)	19,214	1,312,878	17,424	349,592
Cash flows					
Premiums received	1,170,973	–	–	–	1,170,973
Claims and other insurance service expenses paid	–	–	(1,152,004)	–	(1,152,004)
Insurance acquisition cash flows	(145,435)	–	–	–	(145,435)
Total cash flows	1,025,538	–	(1,152,004)	–	(126,466)
Closing liabilities	\$ 257,287	\$ 48,583	\$ 1,977,485	\$ 231,743	\$ 2,515,098

Reinsurance contracts analysis by remaining coverage and incurred claims

(thousands of \$)				
2026				
	Liability for remaining coverage	Asset for reinsured claims		Total
		Present value of future cash flows	Risk adjustment	
Opening (liabilities) assets	\$ (7,104)	\$ 18,833	\$ 1,780	\$ 13,509
Changes in Statement of Operations				
Allocation of reinsurance premiums	(19,403)	–	–	(19,403)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	(175)	(234)	(1,248)	(1,657)
Prior-year development	–	3,998	(119)	3,879
Net expenses from reinsurance contracts	(19,578)	3,764	(1,367)	(17,181)
Reinsurance finance income	–	315	–	315
Total changes in the Statement of Operations	(19,578)	4,079	(1,367)	(16,866)
Cash flows				
Premiums paid	23,367	–	–	23,367
Amounts paid (received)	175	(14,044)	–	(13,869)
Total cash flows	23,542	(14,044)	–	9,498
Closing (liabilities) assets	\$ (3,140)	\$ 8,868	\$ 413	\$ 6,141

(thousands of \$)				
2025				
	Liability for remaining coverage	Asset for reinsured claims		Total
		Present value of future cash flows	Risk adjustment	
Opening (liabilities) assets	\$ (613)	\$ 4,628	\$ (113)	\$ 3,902
Changes in Statement of Operations				
Allocation of reinsurance premiums	(25,621)	–	–	(25,621)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	(199)	17,992	2,149	19,942
Prior-year development	–	1,578	(256)	1,322
Net expenses from reinsurance contracts	(25,820)	19,570	1,893	(4,357)
Reinsurance finance income	–	331	–	331
Total changes in the Statement of Operations	(25,820)	19,901	1,893	(4,026)
Cash flows				
Premiums paid	19,130	–	–	19,130
Amounts paid (received)	199	(5,696)	–	(5,497)
Total cash flows	19,329	(5,696)	–	13,633
Closing (liabilities) assets	\$ (7,104)	\$ 18,833	\$ 1,780	\$ 13,509

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.

(thousands of \$)						
	2026			2025		
	Liability for incurred claims	Asset for reinsured claims	Net	Liability for incurred claims	Asset for reinsured claims	Net
Undiscounted value	\$ 3,694,174	\$ 9,008	\$ 3,685,166	\$ 3,540,641	\$ 19,115	\$ 3,521,526
Effect of time value of money	(1,716,096)	(140)	(1,715,956)	(1,563,156)	(282)	(1,562,874)
Risk adjustment	230,854	413	230,441	231,743	1,780	229,963
	\$ 2,208,932	\$ 9,281	\$ 2,199,651	\$ 2,209,228	\$ 20,613	\$ 2,188,615

The following tables show the development of the estimated net liability for incurred claims for the 10 most recent accident years as estimated at each reporting date.

	(thousands of \$)									
Accident year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Net ultimate loss:										
At end of accident year	\$ 716,484	\$ 711,865	\$ 759,830	\$ 762,075	\$ 635,933	\$ 790,758	\$ 983,953	\$ 975,620	\$ 1,078,213	\$ 1,125,487
One year later	738,267	723,379	763,849	762,075	635,648	839,797	970,231	947,016	1,058,743	
Two years later	742,971	727,244	767,780	760,812	634,155	820,612	962,317	936,781		
Three years later	742,089	731,946	766,018	761,046	630,854	823,712	951,810			
Four years later	743,919	731,572	764,656	756,161	634,783	815,930				
Five years later	745,256	734,175	760,282	759,859	634,800					
Six years later	744,760	728,590	766,127	758,780						
Seven years later	740,440	734,615	764,717							
Eight years later	746,259	733,587								
Nine years later	744,600									
Cumulative loss development	\$ 28,116	\$ 21,722	\$ 4,887	\$ (3,295)	\$ (1,133)	\$ 25,172	\$ (32,143)	\$ (38,839)	\$ (19,470)	\$ n/a
Cumulative loss development as a % of original ultimate loss	3.9%	3.1%	0.6%	(0.4%)	(0.2%)	3.2%	(3.3%)	(4.0%)	(1.8%)	n/a

	(thousands of \$)										
Accident year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Current estimate of net ultimate loss	\$ 744,600	\$ 733,587	\$ 764,717	\$ 758,780	\$ 634,800	\$ 815,930	\$ 951,810	\$ 936,781	\$ 1,058,743	\$ 1,125,487	\$8,525,235
Cumulative paid	(692,427)	(676,374)	(707,558)	(698,437)	(582,120)	(748,442)	(870,615)	(839,469)	(921,897)	(684,001)	(7,421,340)
Net liability for incurred claims	\$ 52,173	\$ 57,213	\$ 57,159	\$ 60,343	\$ 52,680	\$ 67,488	\$ 81,195	\$ 97,312	\$ 136,846	\$ 441,486	1,103,895
Net discounted claims outstanding for accident years 2015-16 and prior											901,374
Discounted loss adjusting expense reserve											186,559
Due from reinsurers											(567)
Other reconciling items											8,390
Net liability for incurred claims											\$ 2,199,651

Structured settlements

The Auto Fund settles some long-term disability claims by purchasing annuities for its claimants from various life insurers. The settlements legally release the Auto Fund from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Statement of Financial Position. However, as part of the settlement, the Auto Fund provides a financial guarantee to the claimants in the event the life insurers default on the scheduled payments and is thus exposed to credit risk to the extent any of the life insurers fail to fulfil their obligations. As at March 31, 2026, no information has come to the Auto Fund's attention that would suggest any weakness or failure in the life insurers from which it has purchased the annuities. The net present value of the scheduled payments as of the year-end date is \$21.9 million (2025 – \$23.1 million). The net risk to the Auto Fund is the credit risk related to the life insurance companies that the annuities are purchased from. No defaults have occurred, and the Auto Fund considers the possibility of default to be remote.

10. Net investment earnings

Components of net investment earnings are as follows:

	<i>(thousands of \$)</i>	
	2026	2025
Interest and other	\$ 58,352	\$ 59,106
Net gain on investment portfolio	55,906	135,325
Investment fund distributions	54,720	64,173
Infrastructure limited partnership distributions	14,901	12,748
Total investment earnings	183,879	271,352
Investment expenses	(13,592)	(13,650)
Net investment earnings	\$ 170,287	\$ 257,702

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

	<i>(thousands of \$)</i>	
	2026	2025
Bonds and debentures	\$ (63,763)	\$ 34,646
Infrastructure limited partnerships	28,397	49,300
Investment funds:		
Pooled bonds	1,495	1,661
Canadian equity	20,108	4,015
Global equity	48,577	18,410
Global low volatility equity	–	9,713
Global small cap equity	26,434	9,231
Mortgage	(4,014)	6,167
Real estate	(1,313)	840
Private equity	2,192	1,342
Private debt	(2,207)	–
Net gain on investment portfolio	\$ 55,906	\$ 135,325

11. Expenses by nature

Components of the Auto Fund's insurance service expenses and other expenses are as follows:

	<i>(thousands of \$)</i>			
	2026			
	Insurance acquisition expenses	Other insurance service expenses	Other expenses	Total
Claims and benefits	\$ –	\$ 971,298	\$ –	\$ 971,298
Losses on onerous insurance contracts	–	3,792	–	3,792
Issuer remuneration	61,357	–	2,830	64,187
Premium taxes	58,841	–	–	58,841
Expenses allocated to the Auto Fund:				
Salaries and employee benefits	8,645	89,527	91,522	189,694
Board of directors remuneration	–	–	204	204
Issuer costs (excluding issuer remuneration)	3	27	257	287
Management fees	1,982	1,961	5,315	9,258
Professional fees (other than legal)	126	96,606	1,836	98,568
Legal fees	–	7,595	207	7,802
Depreciation	208	3,553	4,498	8,259
Amortization of intangible assets	132	157	2,796	3,085
Occupancy expenses	8,247	6,998	9,817	25,062
Information technology	4,114	12,313	36,742	53,169
Bad debt expense	30	–	(135)	(105)
Interest expense	1	24	36	61
Finance costs	11,037	61	2,045	13,143
Other general expenses	323	1,148	67,526	68,997
	\$ 155,046	\$ 1,195,060	\$ 225,496	\$ 1,575,602
Represented within the Statement of Operations by:				
Insurance service expenses	\$ 155,046	\$ 1,195,060	\$ –	\$ 1,350,106
Other expenses	–	–	225,496	225,496
	\$ 155,046	\$ 1,195,060	\$ 225,496	\$ 1,575,602

<i>(thousands of \$)</i>				
2025				
	Insurance acquisition expenses	Other insurance service expenses	Other expenses	Total
Claims and benefits	\$ –	\$ 988,139	\$ –	\$ 988,139
Losses on onerous insurance contracts	–	19,214	–	19,214
Issuer remuneration	59,926	–	3,121	63,047
Premium taxes	56,398	–	–	56,398
Expenses allocated to the Auto Fund:				
Salaries and employee benefits	8,698	87,675	86,759	183,132
Board of directors remuneration	–	–	216	216
Issuer costs (excluding issuer remuneration)	2	19	161	182
Management fees	1,999	1,741	6,353	10,093
Professional fees (other than legal)	159	84,079	1,797	86,035
Legal fees	–	5,412	112	5,524
Depreciation	215	3,712	4,395	8,322
Amortization of intangible assets	7	82	1,228	1,317
Occupancy expenses	4,345	6,304	8,706	19,355
Information technology	3,555	12,265	44,765	60,585
Bad debt expense	–	–	1,900	1,900
Interest expense	1	19	21	41
Finance costs	10,470	51	1,923	12,444
Other general expenses	334	1,719	66,622	68,675
	\$ 146,109	\$ 1,210,431	\$ 228,079	\$ 1,584,619
Represented within the Statement of Operations by:				
Insurance service expenses	\$ 146,109	\$ 1,210,431	\$ –	\$ 1,356,540
Other expenses	–	–	228,079	228,079
	\$ 146,109	\$ 1,210,431	\$ 228,079	\$ 1,584,619

12. Other income

Components of other income are as follows:

	<i>(thousands of \$)</i>	
	2026	2025
Salvage sales	\$ 81,893	\$ 75,928
Safe Driver Recognition program penalties	30,200	30,348
Program and service fees	19,019	19,713
Total other income	\$ 131,112	\$ 125,989

13. Insurance and financial risk management

The Auto Fund, through its administrator, SGI, 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 Auto Fund's insurance premium rates and net liability for incurred claims (consisting of underwriting and actuarial risks). The nature of insurance operations also results in significant financial risks, as the Auto Fund'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

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

- Insurance risk: the risk transferred from the policyholder to the Auto Fund, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- Policyholder behaviour risk: the risk the policyholder will cancel a contract.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

The Auto Fund manages underwriting risk through underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends.

The Auto Fund seeks to reduce losses that may arise from catastrophes that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The Auto Fund carries automobile physical damage catastrophe reinsurance, limiting the liability of the Auto Fund to a maximum amount of \$30.0 million per catastrophic event, subject to filling an annual aggregate deductible of \$30.0 million.

While the Auto Fund 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 Auto Fund evaluates and monitors financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Concentrations of credit risk for insurance contracts can arise from reinsurance ceded contracts as insurance ceded does not relieve the Auto Fund of its primary obligation to the policyholder. The Auto Fund seeks to place its reinsurance program with financially stable reinsurers. The 2026 reinsurance program has 91.2% of reinsurers with a financial strength rating between A- and A+, as rated by A.M. Best. The remaining 8.8% of the program is placed with unrated reinsurers. Guidelines are also in place to establish the maximum amount of business that can be placed with a single reinsurer in order to minimize the Auto Fund's exposure to default.

Actuarial risk

Liability for incurred claims – Estimate of undiscounted future cash flows

Establishment of the net liability for incurred claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement is uncertain due to claims that are not reported to the Auto Fund 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 year-end date.

The significant assumptions used to estimate the liability for incurred claims include: the Auto Fund's experience with similar cases, historical claim payment trends and claim development patterns, characteristics of each class of business, claim severity and frequency, 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 net liability for incurred claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

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

As at	1 year	3 years	5 years	10 years
March 31, 2026	3.1%	3.6%	3.8%	4.4%
March 31, 2025	2.9%	3.2%	3.5%	4.1%

Risk adjustment

The risk adjustment is the compensation that the Auto Fund requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It reflects an amount the Auto Fund would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Auto Fund has estimated the risk adjustment for liability for incurred claims, which equates to an 80% confidence level. The reserve distribution is estimated using standard statistical techniques in accordance with actuarial practice. The main considerations underlying these techniques are:

- Historical claims development can be used to generate the full range of potential outcomes;
- Modeling of historical data and expert judgments to allow for the correlation between line of business and region; and
- Additional qualitative judgment is used to assess the extent to which there are events not included in the historical data.

Sensitivity analysis

The liability for incurred claims' sensitivity to certain key assumption is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on net income. Movements in these assumptions may be non-linear and may be correlated with one another.

	<i>(thousands of \$)</i>					
	2026			2025		
	Direct	Ceded	Net	Direct	Ceded	Net
Discount rate +1.0%	\$ 184,266	\$ (41)	\$ 184,225	\$ 195,104	\$ (99)	\$ 195,005
Discount rate -1.0%	(227,554)	42	(227,512)	(242,768)	101	(242,667)
Reserves +/-5.0%	109,861	(437)	109,424	110,093	(1,024)	109,069

Financial risk

The nature of the Auto Fund's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk and liquidity risk.

Significant financial risks are related to the Auto Fund's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the SGI Board of Directors. The SIP&G provides guidelines for the Auto Fund's investment managers for the asset mix of the portfolio regarding quality and quantity of fixed income, real estate, infrastructure limited partnership, pooled bonds, private equity, private 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 Auto Fund receives regular reporting from the investment managers and custodian regarding compliance with the SIP&G. The investment managers' performance is evaluated based on the goals stated in the SIP&G.

Effective December 1, 2025, the Auto Fund investment portfolio has adopted a total portfolio approach, integrating all asset classes into a unified investment strategy. Under this approach, the portfolio is managed holistically, combining bonds, debentures, mortgage and private debt investments, pooled bonds, equity investment funds, real estate, private equity, and infrastructure limited partnerships. This shift enables the fund to optimize risk and return objectives across the entire portfolio rather than managing separate asset pools.

Credit risk

The Auto Fund's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. In addition, the Auto Fund is exposed to credit risk associated with its structured settlements as described separately in these notes to the financial statements.

Cash and cash equivalents include money market investments of \$31.7 million (2025 – \$32.3 million). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Credit risk within accounts receivable relates primarily to Safe Driver Recognition program penalty receivables. Aging of accounts receivable is as follows:

	<i>(thousands of \$)</i>	
	2026	2025
Current	\$ 20,351	\$ 20,919
30–59 days	2,129	1,924
60–90 days	1,676	1,599
Greater than 90 days	15,977	17,653
Subtotal	40,133	42,095
Allowance for doubtful accounts	(12,194)	(13,541)
Total accounts receivable	\$ 27,939	\$ 28,554

The Auto Fund applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Auto Fund. Amounts are written off once reasonable collection efforts have been exhausted. An Auto Fund customer cannot complete a driver's licence or vehicle transaction without making arrangements for payment of outstanding balances, including balances previously written off.

Details of the allowance account are as follows:

	<i>(thousands of \$)</i>	
	2026	2025
Allowance for doubtful accounts, beginning of the year	\$ 13,541	\$ 14,088
Accounts written off	(1,212)	(2,393)
Current year (recovery) provision	(135)	1,846
Allowance for doubtful accounts, end of the year	\$ 12,194	\$ 13,541

The maximum exposure to credit risk from insurance contracts is \$394.7 million (2025 – \$354.5 million), which primarily relates to premiums receivable for services that the Auto Fund has already provided and subrogation receivables on completed claims. The maximum exposure to credit risk from reinsurance contracts is \$1.1 million (2025 – \$0.8 million), which relates to amounts owed from reinsurers on completed claims.

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

Credit ratings for bonds and debenture investments are as follows:

	2026		2025	
Credit Rating	Fair value (thousands of \$)	Makeup of portfolio (%)	Fair value (thousands of \$)	Makeup of portfolio (%)
AAA	\$ 47,704	3.8	\$ 101,541	7.5
AA	418,156	33.6	625,910	46.3
A	549,684	44.2	428,151	31.6
BBB	227,773	18.4	198,041	14.6
Total	\$ 1,243,317	100.0	\$ 1,353,643	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 investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

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

Real estate funds and infrastructure limited partnerships are valued based on estimated fair values determined by using appropriate techniques and best estimates. Risk in the real estate and infrastructure limited partnerships portfolios are further managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

The unit value of the pooled bond investment fund is impacted by the credit risk of the underlying securities. This risk is limited by restrictions within its own investment policy, which include single loan limits, sub-investment grade limits and limits in unrated securities. Derivatives are utilized to minimize interest rate, foreign exchange and credit risk.

The unit value of the private debt pooled fund is impacted by the credit risk of the underlying private debt investments. This risk is limited by the fund's investment restrictions, including diversification by issuer, sector and geography, minimum credit quality requirements and internal credit assessment and monitoring by the investment manager.

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 the Auto Fund's investments.

Interest rate risk

The Auto Fund is exposed to changes in interest rates in its fixed income investments, including bonds and debentures, the mortgage investment fund, the pooled bond fund and the private debt fund.

It is estimated that a 100-basis point increase/decrease in interest rates would have the following impacts on investment earnings:

	(thousands of \$)			
	100 basis point increase		100 basis point decrease	
	2026	2025	2026	2025
Net investment earnings	\$ (149,074)	\$ (155,825)	\$ 178,790	\$ 188,989

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 the RSR. The most recent investment policy adopted a total portfolio approach which is reflected in the updated exposures below for 2026:

Asset class	2026		
	Maximum exposure (%)	Current exposure (%)	10% change in exchange rates (thousands of \$)
Global equities	17.0	14.0	\$ 42,782
Global small cap equities	8.0	5.5	16,665
Infrastructure limited partnerships	19.0	15.1	46,207

Asset class	2025		
	Maximum exposure (%)	Current exposure (%)	10% change in exchange rates (thousands of \$)
Global equities	40.0	31.2	\$ 46,370
Global small cap equities	20.0	12.2	18,080
Infrastructure limited partnerships	30.0	31.3	46,561

At March 31, 2025 the infrastructure limited partnerships asset class was above the maximum exposure. A \$30.0 million redemption was received after March 31, 2025 to return the asset class below the maximum exposure range.

As the global equity funds and infrastructure limited partnerships are classified as fair value through profit and loss, unrealized changes due to foreign currency are recorded in the Statement of Operations and Change in Rate Stabilization Reserve. There is no exposure to foreign exchange risk within the Auto Fund's bond and debenture portfolio. As well, no more than 10% of the market value of the bond and debenture portfolio shall be invested in bonds or debentures of foreign issuers. The Auto Fund's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not material to the operations of the Auto Fund.

Equity price risk

The Auto Fund is exposed to changes in equity prices in global markets. Equities comprise 19.5% (March 31, 2025 – 22.7%) of the carrying value of the Auto Fund'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 Auto Fund's equity portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Auto Fund's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in 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 \$)			
	2026		2025	
Canadian equity	\$	+/-	-	\$ +/- 16,174
Global equity		+/-	102,719	+/- 109,108
Global small cap equity		+/-	47,928	+/- 48,708

The Auto Fund's equity investments are classified as fair value through profit and loss and any unrealized changes in their fair value are recorded in the Statement of Operations and Change in Rate Stabilization Reserve.

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 Auto Fund 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 and due within one year. The Auto Fund generally maintains positive overall cash flow through cash generated from operations as well as cash generated from investing activities.

The following tables summarize the estimated contractual timings of cash flows on an undiscounted basis arising from the Auto Fund's assets and liabilities, including insurance and reinsurance contracts. The difference between the carrying amount and estimated contractual timing of cash flows is the result of the effect of time value of money and the undiscounted risk adjustment, which have been separately disclosed for the assets for reinsured claims and the liability for incurred claims (note 9). As well, the assets and liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

<i>(thousands of \$)</i>								
2026								
	Carrying amount	Total	No stated maturity	0 – 1 years	1 – 2 years	3 – 5 years	5 – 10 years	More than 10 years
Assets								
Cash and cash equivalents	\$ 57,738	\$ 57,738	\$ –	\$ 57,738	\$ –	\$ –	\$ –	\$ –
Accounts receivable	27,939	27,939	–	27,939	–	–	–	–
Investments	3,052,237	3,052,237	1,808,920	–	161,012	51,941	184,739	845,625
Asset for reinsured claims	9,281	9,008	–	8,387	406	92	123	–
	\$ 3,147,195	\$ 3,146,922	\$ 1,808,920	\$ 94,064	\$ 161,418	\$ 52,033	\$ 184,862	\$ 845,625
Liabilities								
Accounts payable and accrued liabilities	\$ 79,969	\$ 79,969	\$ 915	\$ 79,054	\$ –	\$ –	\$ –	\$ –
Liability for incurred claims	2,208,932	3,694,174	–	481,486	293,219	210,560	439,479	2,269,430
	\$ 2,288,901	\$ 3,774,143	\$ 915	\$ 560,540	\$ 293,219	\$ 210,560	\$ 439,479	\$ 2,269,430

<i>(thousands of \$)</i>								
2025								
	Carrying amount	Total	No stated maturity	0 – 1 years	1 – 2 years	3 – 5 years	5 – 10 years	More than 10 years
Assets								
Cash and cash equivalents	\$ 47,361	\$ 47,361	\$ –	\$ 47,361	\$ –	\$ –	\$ –	\$ –
Accounts receivable	28,554	28,554	–	28,554	–	–	–	–
Investments	3,133,121	3,133,121	1,779,478	29,989	73,669	42,833	243,563	963,589
Asset for reinsured claims	20,613	19,115	–	15,789	3,408	(137)	55	–
	\$ 3,229,649	\$ 3,228,151	\$ 1,779,478	\$ 121,693	\$ 77,077	\$ 42,696	\$ 243,618	\$ 963,589
Liabilities								
Accounts payable and accrued liabilities	\$ 57,729	\$ 57,729	\$ 809	\$ 56,920	\$ –	\$ –	\$ –	\$ –
Liability for incurred claims	2,209,228	3,540,641	–	452,683	294,224	200,600	419,601	2,173,533
	\$ 2,266,957	\$ 3,598,370	\$ 809	\$ 509,603	\$ 294,224	\$ 200,600	\$ 419,601	\$ 2,173,533

14. Capital management

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.

The Auto Fund's legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not receive money from the province nor from SGI, the administrator of the Auto Fund, and it does not pay dividends to the province or its administrator. The Auto Fund cannot go to public capital markets to issue debt or common shares. It uses premiums and fees from operations, along with income generated from its investment portfolio, to fund future operations.

The Auto Fund manages capital in accordance with its capital management policy using a common industry measurement called the Minimum Capital Test (MCT) to establish a target for 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 over capital required. The Auto Fund's MCT as at March 31, 2026 was 98% relative to its internal target MCT of 90%.

15. Change in non-cash operating items

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

	<i>(thousands of \$)</i>	
	2026	2025
Accounts receivable	\$ 1,036	\$ 2,275
Reinsurance contract assets	7,368	(9,607)
Other assets	1,241	10,676
Accounts payable and accrued liabilities	22,240	619
Insurance contract liabilities	(3,718)	223,126
Total change in non-cash operating items	\$ 28,167	\$ 227,089

16. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Auto Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as “related parties”). Routine operating transactions with related parties were conducted in the normal course of business and recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Auto Fund has elected to take a partial exemption under IAS 24, *Related Party Disclosures*, which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

SGL acts as administrator of the Auto Fund. Expenses incurred by SGL are allocated to the Auto Fund directly or on the basis of a cost allocation formula. These are operating transactions incurred in the normal course of operations. Amounts incurred by SGL and charged to the Auto Fund were \$321.8 million (2025 – \$319.6 million) and accounts payable were \$43.5 million (2025 – \$19.3 million).

17. Commitments and contingencies

The Auto Fund has commitments to provide funding to STARS Air Ambulance, to provide funding to Saskatchewan health organizations for costs associated with rehabilitation for those involved in automobile collisions, for systems contracts and for facility contracts as follows:

	(thousands of \$)				
	2026-27	2027-28	2028-29	2029-30	2030-31
Commitments					
STARS Air Ambulance	\$ 400	\$ –	\$ –	\$ –	\$ –
Medical funding	40,872	42,037	43,240	44,479	45,753
Claims software	3,217	2,646	–	–	–
Facilities contracts	2,177	933	–	–	–
Total commitments	\$ 46,666	\$ 45,616	\$ 43,240	\$ 44,479	\$ 45,753

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 operations.

Glossary of Terms

Allocation of reinsurance premium	The amount of reinsurance premiums recognized in profit and loss as the reporting entity receives services under reinsurance contracts.
Casualty insurance	One of the three main groups of insurance products (the others are life insurance and property insurance). This type of insurance is primarily concerned with losses caused by injuries to those other than the policyholder and the resulting legal liability imposed on the insured.
Catastrophe reinsurance	A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.
Cede, Cedant, Ceding company	An insurance company that transfers some or all of the risks in active policies to another company cedes its business. The company transferring its risks is known as the cedant or ceding company.
Claims incurred	The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in IBNR reserve for the same period of time.
GAAP	Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.
Gross premiums written (GPW)	Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.
IBNR reserve	Abbreviation for “incurred but not reported.” A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes expected future developments on claims that have been reported.
IFRS accounting standards (IFRS)	These are global accounting standards issued by the International Accounting Standards Board (IASB), including interpretations of the International Financial Reporting Interpretations Committee (IFRIC).
Insurance revenue	The amount of revenue recognized in profit or loss to reflect the provision of coverage and other services arising from insurance contracts.
Insurance service expense	Insurance service expense includes fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It includes claims incurred and other insurance service expense, discounting set up on new claims, amortization of insurance acquisition cash flows, and losses and reversals on onerous contracts.
Insurance service result	Insurance service result, as determined in accordance with IFRS, comprises of insurance revenue, insurance service expense, and net expense from reinsurance contracts held.

Liability for incurred claims (LIC)	The obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses.
Liability for remaining coverage (LRC)	The obligation to investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred. Specifically, this obligation relates to the unexpired portion of the coverage period for issued contracts.
Loss component	For onerous issued insurance contracts, this amount represents the estimate of the amount that fulfilment cash outflows exceed the recognized Liability for Remaining Coverage under the Premium Allocation Approach.
Minimum Capital Test (MCT)	A solvency ratio used by regulators to assess a company's financial strength. This ratio measures capital requirements in relation to the degree of risk undertaken by a particular company.
Motor licence issuer	A person who negotiates driver's licences and vehicle registration/insurance on behalf of the Auto Fund and who receives a fee from the Auto Fund for licences placed and other services rendered.
Net insurance finance result	This result is the net of the insurance finance income/expense and reinsurance finance income/expense. Insurance finance income/expense and reinsurance finance income/expense comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.
Premium	The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims and a margin for profit.
Premium tax	A tax collected by insurance companies from policyholders and paid to various provincial and territorial governments. It is calculated as a percentage of gross premiums written.
Redundancy & deficiency	Claim reserves are constantly re-evaluated due to the inherent uncertainty in their estimates. An increase in a reserve from the original estimate is a deficiency, while a decrease to the original reserve is called a redundancy.
Reinsurance	In its simplest form, this is insurance for an insurance company. It is an agreement where the reinsurer agrees to indemnify the ceding company against all or a portion of the insurance or reinsurance risk underwritten by the ceding company under one or more policies.
Reinsurer	A company that purchases the cedant risk in the reinsurance contract.
Underwriting	The process of reviewing applications submitted for insurance coverage, deciding whether to insure all or part of the coverage requested and calculating the related premium for the coverage offered.

Governance

Please visit the SGI website at www.sgi.sk.ca for information on governance for the Saskatchewan Auto Fund, including:

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

In Memoriam

Constantinos (Gus) Anastasakis, Adjuster II Auto Regional will be fondly remembered for his kind and dedicated nature. He was the first person to try to lift the spirits of someone who was struggling. Gus was deeply committed to his work, the labour movement, and always giving his personal best. He was a devoted grandfather, a great cook, a hockey fan and vehicle enthusiast. Gus will be greatly missed by his wife, daughters, granddaughter, many friends and everyone who worked with him.

Badrun Happy, Claims Assistant, Ontario Claims, brought warmth and laughter to every interaction. She went by her last name, Happy, and it was very fitting for was someone who loved laughter and making connections. Happy was a team player and a quick study. She loved travelling, spending time with her family and cycling around Ontario. She leaves behind a dedicated husband and young son.

Laura Johnston, Personal Injury Rep II, was a quietly comforting and calming presence. Deeply caring, dependable and grounded, she was a role model for how to be an effective injury representative with her kindness and professionalism. Laura was also known for her team spirit and artistic talents. Her husband, daughter, friends and family will all miss her.

Deanna Mantee, Adjuster I (Auto), gave so much love and laughter to those around her. She was an entertaining storyteller with a great sense of humour and welcoming nature. Before joining SGI, she'd travelled North America working for a carnival and loved sharing the joys and chaos of that experience. Deanna was dedicated to her work, the customers and her team. She will be missed by her children, granddaughter and kitties.

Albert Michlik, Driver Examiner, was like family to everyone he worked with. He had a bright presence, warm kindness and deep passion for traffic safety and his job. Albert cracked jokes, was a walking encyclopedia of musical knowledge and genuinely friendly. He was a talented musician, ambitious cyclist and a proud father and papa. Albert will be missed by his family, community, bandmates, co-workers and friends.

