SGI CANADA
Quarterly Report
SEPTEMBER 2007

Please note: This quarterly financial report has not been approved by SGI's Board of Directors.

SGI CANADA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd., the Insurance Company of Prince Edward Island (ICPEI) and Coachman Insurance Company (Coachman), collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the nine month period ended September 30, 2007 and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2006. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to November 8, 2007.

Quarterly Consolidated Financial Highlights

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

Quarterly Financial Highlights

($ in 000's)

	2007			2006				2005	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net premiums earned	77,746	75,639	73,917	75,873	73,310	71,391	70,233	72,212	70,740
Claims incurred	64,825	54,479	33,622	39,212	49,825	36,128	31,905	33,138	46,679
Net income (loss)	(9,030)	(2,701)	21,813	14,706	4,773	12,940	19,682	10,035	4,989
Cash flow from (used in) operations	16,285	21,883	(4,408)	25,117	21,279	14,462	(10,265)	17,381	12,805
Investments	455,826	447,488	467,557	444,464	430,368	399,055	404,383	400,071	396,223
Provision for unpaid claims	298,932	280,336	257,148	263,514	258,179	245,485	246,980	254,805	257,122

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2007:

- Net premiums earned generally increase on a quarter over quarter basis during the year, with this trend continuing in 2007.

- Second and third quarter results can be impacted by summer storm activity, given SGI CANADA's strong market presence in Saskatchewan. Significant summer storm activity has adversely impacted current year-to-date results as can be seen by significantly higher claims incurred in the second and third quarter results of 2007 over 2006.

- Effective January 1, 2007, the carrying value of investments changed, such that most investments are now carried at fair value. This change in accounting policy and the impacts are discussed further within this MD&A and within the notes to the financial statements.

For the three months ended September 30, 2007

Consolidated Statement of Operations

Third quarter results can be volatile, depending on the severity of storms over the summer months. In 2007, summer storms had a significant impact on financial results, as SGI CANADA recorded a consolidated net loss of $9,030,000 for the third quarter. This represents a $13,803,000 decrease from the third quarter net profit of $4,773,000 in 2006. Saskatchewan operations reported a loss in the third quarter of $11,259,000 (2006 – income of $3,345,000), while operations outside of Saskatchewan continued to grow during the quarter, contributing a profit of $2,229,000, compared to $1,428,000 in 2006.

Net premiums earned were $77,746,000 in the third quarter, $4,436,000 or 6.1% higher than the third quarter of 2006 ($73,310,000). This growth over 2006 was mostly from operations in Saskatchewan ($2,802,000) and Alberta ($1,809,000). In the third quarter of 2007, out-of-province operations accounted for 17% (2006 – 15%) of net premiums earned.

Consolidated claims incurred of $64,825,000 for the quarter represent a $15,000,000 (30.1%) increase over 2006, resulting in a consolidated loss ratio of 83.3% in the third quarter of 2007 compared to 68.0 % in 2006. Saskatchewan summer storms in the third quarter of 2007 resulted in claims incurred of $15,420,000, an increase of $6,338,000 over last year. Saskatchewan operations also experienced an increase in non-storm related property and personal auto claims during the quarter.

Other expenses for the third quarter of 2007, excluding claims incurred, were $30,145,000, compared to $27,983,000 in 2006, with the largest increase coming from administrative expenses. Administrative expenses of $10,746,000 increased by $2,173,000 from the third quarter of 2006, primarily a result of increased salary and benefit costs.

Investment earnings for the third quarter of 2007 were $8,385,000 (2006 – $8,965,000), $580,000 lower than the third quarter of 2006. The decrease was a result of lower realized net gains from the sale of bonds and equities partially offset by higher interest income. The book value annualized rate of return for the third quarter of 2007 was 7.4%, compared to 8.1% for the third quarter of 2006.

For the nine months ended September 30, 2007

Consolidated Statement of Operations

To the end of September, SGI CANADA generated a consolidated net income of $10,082,000, a $27,313,000 decrease from the 2006 net income of $37,395,000 for the same period, as indicated in the following table.

SGI CANADA Consolidated Net Profit (Loss)
as at September 30

	(thousands of $)		
	Saskatchewan	Out-of-Province	Total
2007	$ 5,423	$ 4,659	$ 10,082
2006	30,911	6,484	37,395
Variance	$ (25,488)	$ (1,825)	$ (27,313)

The decrease from 2006 was primarily due to the significant impact summer storms had on Saskatchewan operations in 2007. While out-of-province net profit has declined from 2006, it is still strong, representing 46.2% (2006 – 17.3%) of consolidated net profit in 2007. For more details on the breakdown of the out-of-province financial results, refer to note 7 to the financial statements.

Year-to-date net premiums earned of $227,302,000 increased $12,368,000 or 5.8% over the net premiums earned in 2006 of $214,934,000. Net premiums earned to the end of September from Saskatchewan operations ($190,550,000) increased $7,968,000 (4.4%) compared to last year. Premiums earned from out-of-province operations increased $4,400,000 or 13.6% over last year, primarily from growth in Alberta business. Out-of-province operations represent 16.2% (2006 – 15.1%) of net premiums earned year-to-date.

Claim costs totalled $152,926,000 during the first nine months of 2007, a 29.8% increase from the same period in 2006, reflected in the 2007 consolidated loss ratio of 67.2% (2006 – 54.8%).

SGI CANADA Consolidated
as at September 30

	Claims Incurred (thousands of $)			Loss Ratio %	
	2007	2006	Variance	2007	2006
Saskatchewan, excluding storms	105,685	91,072	14,613	55.5	49.9
Saskatchewan summer storm claims	24,417	9,266	15,151	12.8	5.1
Total Saskatchewan	130,102	100,338	29,764	68.3	55.0
Out-of-province	22,824	17,520	5,304	62.1	54.2
Total claims incurred	152,926	117,858	35,068	67.3	54.8

In 2007, Saskatchewan claims increased $29,764,000, of which $15,151,000 was related to summer storms. Saskatchewan experienced two heavy rain storms in Saskatoon resulting in significant sewer backup claims, as well as six other hail storms throughout the province. Saskatchewan claims, excluding storms, increased $14,613,000, primarily due to increased personal and commercial auto claims.

In addition, out-of-province claims incurred of $22,824,000 (2006 – $17,520,000) increased by $5,304,000 or 30.3% per cent. Increasing claims in Alberta accounted for $2,968,000 of the variance, as Alberta business continued to grow. In addition, commercial property and auto claim costs in the Maritime operations increased to more normal levels, after experiencing a low claims year in 2006.

Other expenses, excluding claims incurred, were $87,878,000 to the end of September 2007, $7,668,000 higher than expenses for the same period in 2006. The increase was primarily due to higher administrative expenses and commission expenses in 2007. Administrative expenses of $30,322,000 in 2007 were $5,015,000 higher than 2006, mainly due to higher salary and benefit costs in 2007. Commission expenses for the first nine months of 2007 were $2,047,000 higher than the same period in 2006, commensurate with the premium growth experienced.

Investment earnings for the nine month period ending September 30, 2007 were $24,299,000 (2006 – $21,640,000), $2,659,000 higher than the results from 2006. The increased earnings in 2007 were a result of higher realized gains from the sale of equities. The book value annualized rate of return was 6.5%, compared to 6.2% for 2006.

Consolidated Statement of Financial Position

Total assets increased from $662,463,000 at December 31, 2006 to $693,451,000 at September 30, 2007. The increase is primarily attributable to a change in accounting policy effective January 1, 2007, which resulted in recording investments at fair value (see note 2 to the financial statements). This change in accounting policy increased investments $19,548,000 as of September 30, 2007. Excluding the impact of the change in accounting policy at September 30, 2007, assets increased $11,440,000, or 1.7%.

Total liabilities increased $13,597,000 due to higher unearned premiums and a higher provision for unpaid claims. The increase in the provision for unpaid claims was attributable to the increase in summer storm costs, with many of these claims still unpaid at September 30. Unearned premiums increased as a result of more business being written. Offsetting these increases was a decrease in accounts payable, primarily a result of significant investment purchase transactions entered into prior to December 31, 2006, where the actual cash settlement did not occur until January 2007.

Consolidated Statement of Comprehensive Income (Loss)

For the nine months ended September 30, 2007, comprehensive income of $3,835,000 was recorded, consisting of $10,082,000 of net income, less an other comprehensive loss of $6,247,000. The other comprehensive loss was a result of gains on the sale of investments of $6,820,000 (net of tax) which were reclassified to net income as investments were sold during the period, offset by an increase in unrealized gains of $573,000 (net of tax). The unrealized gains during the period were a result of higher prices for Canadian equities and increasing prices on shorter-term bonds as yields have decreased in the latter months of 2007.

The total annualized rate of return, on a market value basis, is 4.3% for the nine months ended September 30, 2007 (2006 – 6.7%). The rate of return has decreased since 2006 as a result of lower bond returns in 2007.

Consolidated Statement of Cash Flows

The Corporation generated cash from operations of $16,285,000 in the third quarter, and $33,760,000 year to date. Cash from operations has been strong, compared to the net loss experienced for the quarter of $9,030,000 and the year-to-date net income of $10,082,000. This was primarily a result of the increase in summer storm costs, with many of these claims still unpaid at September 30.

Investing activities resulted in a decrease in cash of $5,977,000 for the third quarter. However, year-to-date, cash of $14,087,000 has been generated. The Corporation continues to hold more cash equivalent, short-term investments due to the uncertainty in the bond market being experienced in 2007.

Dividends of $29,654,000 have been paid to date. A payment of $17,378,000 was made in the first quarter, representing the final instalment of the dividend on 2006 earnings, and $6,138,000 was paid during the third quarter, as an instalment on the anticipated 2007 dividend.

Change in Accounting Policies

Given the nature of the Corporation's business, financial instruments make up a substantial portion of its balance sheet and are integral to its success. Related to the Corporation's financial instruments, commencing January 1, 2007, it adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA), Handbook Section 1530, Comprehensive Income and Section 3855, Financial Instruments – Recognition and Measurement. The standard requires all financial instruments to be classified as one of the following: held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities.

The Corporation has classified all of its investments impacted by adoption of this standard as available for sale. The available for sale classification requires these investments be recorded at fair value on the Statement of Financial Position. Any unrealized gains and losses on these investments are recognized as accumulated other comprehensive income (AOCI) within Equity on the Statement of Financial Position.

The impact of the change in accounting policies on the consolidated financial statements is discussed in note 2 to the financial statements.

Outlook

The Corporation is again benefiting from spreading its insurance risk geographically, as out-of-province operations remain profitable year-to-date, somewhat offsetting the unfavourable impact that summer storms have had on Saskatchewan operations.

The Corporation intends to build on the success of the first year of operations in the Alberta market with continued growth through the remainder of 2007 and in 2008. The Corporation also continues to spread its insurance risk geographically through managed growth in the Nova Scotia and New Brunswick markets. Profitability remains strong in Ontario, despite facing an increasingly competitive automobile market in that province. The Corporation is focusing on its strong underwriting fundamentals and providing a high level of customer service to its brokers in order to meet the challenges presented.

The Corporation continues to maintain solid financial results to date, however, as seen in the second and third quarters, the summer storm season in Saskatchewan can quickly and unfavourably impact the bottom line. Going forward, the Corporation will continue to focus on its strategy of spreading insurance risk geographically, growing revenues and maintaining and creating jobs in Saskatchewan.

Consolidated Statement of Financial Position

as at September 30, 2007 and December 31, 2006

	Sept. 30 2007 (unaudited)	Dec. 31 2006 (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 42,247	$ 24,054
Accounts receivable	92,105	97,622
Deferred policy acquisition costs	42,319	39,354
Future income taxes	2,615	3,150
Reinsurers' share of unearned premiums	11,765	8,173
Investments (note 3)	455,826	444,464
Net investment in capital leases	1,715	2,011
Goodwill	481	481
Unpaid claims recoverable from reinsurers	32,826	32,273
Property, plant and equipment	11,552	10,881
	$ 693,451	$ 662,463
Liabilities		
Accounts payable and accrued charges	$ 16,203	$ 34,696
Dividend payable	–	17,378
Premium taxes payable	10,835	13,439
Amounts due to reinsurers	7,863	4,892
Unearned reinsurance commissions	1,755	1,719
Unearned premiums	177,081	163,434
Provision for unpaid claims	298,932	263,514
	512,669	499,072
Non-controlling interest	**1,683**	1,792
Province of Saskatchewan's equity		
Equity advances	80,000	80,000
Retained earnings	79,551	81,599
Accumulated other comprehensive income (note 4)	19,548	–
	179,099	161,599
	$ 693,451	$ 662,463

(see accompanying notes)

SGI CANADA

CONSOLIDATED STATEMENT OF OPERATIONS

For the periods ended September 30, 2007 and 2006

	three months to Sept. 30		nine months to Sept. 30	
	2007 (**unaudited**)	2006 (unaudited)	**2007** (**unaudited**)	2006 (unaudited)
	(thousands of $)		(thousands of $)	
Gross premiums written	$ 88,206	$ 82,786	$ 253,342	$ 246,989
Net premiums written	$ 82,130	$ 74,398	$ 237,071	$ 224,699
Net premiums earned	**$ 77,746**	$ 73,310	**$ 227,302**	$ 214,934
Claims incurred	64,825	49,825	152,926	117,858
Commissions	15,575	15,716	46,646	44,599
Administrative expenses	10,746	8,573	30,322	25,307
Premium taxes	3,785	3,541	11,063	10,490
Facility Association participation (note 6)	39	153	(153)	(186)
Total claims and expenses	**94,970**	77,808	**240,804**	198,068
Underwriting profit (loss)	**(17,224)**	(4,498)	**(13,502)**	16,866
Investment earnings	8,385	8,965	24,299	21,640
Income (loss) before income taxes and non-controlling interest	**(8,839)**	4,467	**10,797**	38,506
Income tax (recovery)	200	(236)	589	843
Income (loss) after income taxes and before non-controlling interest	**(9,039)**	4,703	**10,208**	37,663
Non-controlling interest	(9)	(70)	126	268
Net income (loss)	**$ (9,030)**	$ 4,773	**$ 10,082**	$ 37,395

(see accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the period ended September 30, 2007

	three months to Sept. 30 2007 (unaudited)	nine months to Sept. 30 2007 (unaudited)
	(thousands of $)	
Net income (loss)	$ (9,030)	$ 10,082
Other comprehensive income (loss), net of income taxes:		
Unrealized gains on available for sale financial assets arising during the period	2,409	347
Income tax on unrealized gains (losses)	160	(226)
	2,249	573
Reclassification for gains included in net income (loss)	(2,120)	(6,679)
Net income tax recovery on gains	61	141
	(2,181)	(6,820)
Other comprehensive income (loss)	68	(6,247)
Comprehensive income (loss)	$ (8,962)	$ 3,835

(see accompanying notes)

Consolidated Statement of Changes in Province of Saskatchewan's Equity

For the periods ended September 30, 2007 and 2006

	three months to Sept. 30		nine months to Sept. 30	
	2007 (unaudited)	2006 (unaudited)	**2007 (unaudited)**	2006 (unaudited)
	(thousands of $)		(thousands of $)	
Equity Advances				
Balance, end of period	**$ 80,000**	$ 80,000	**$ 80,000**	$ 80,000
Retained earnings				
Balance, beginning of period	$ 88,581	$ 84,994	$ 81,599	$ 63,364
Change in accounting policy (note 2)	–	–	146	–
Net income (loss)	(9,030)	4,773	10,082	37,395
Dividend	–	(5,496)	(12,276)	(16,488)
Balance, end of period	**$ 79,551**	$ 84,271	**$ 79,551**	$ 84,271
Accumulated other comprehensive income				
Balance, beginning of period	$ 19,480	$ –	$ –	$ –
Change in accounting policy (note 2)	–	–	25,795	–
Other comprehensive income (loss)	68	–	(6,247)	–
Balance, end of period	**$ 19,548**	$ –	**$ 19,548**	$ –
Total Province of Saskatchewan's equity	**$ 179,099**	$ 164,271	**$ 179,099**	$ 164,271

(see accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the periods ended September 30, 2007 and 2006

	three months to Sept. 30		nine months to Sept. 30	
	2007	2006	**2007**	2006
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	(thousands of $)		(thousands of $)	
Cash provided by (used for):				
Operating activities				
Net income (loss)	$ (9,030)	$ 4,773	$ 10,082	$ 37,395
Non-cash items:				
Amortization	506	553	1,225	1,901
Net realized gain on disposal of investments	(2,120)	(3,911)	(6,679)	(6,954)
Income (loss) attributable to non-controlling interest	(9)	(70)	(123)	268
Loss (income) from investments accounted for on the equity basis	28	(25)	(119)	(204)
Change in non-cash operating items (note 5)	26,910	19,959	29,374	(6,930)
	16,285	21,279	**33,760**	25,476
Investing activities				
Purchases of investments	(208,387)	(152,803)	(523,092)	(462,749)
Proceeds on sale of investments	202,303	125,097	538,355	438,396
Repayment of capital lease	101	92	296	268
Disposal (purchases) of property, plant and equipment	6	(3)	(1,472)	(108)
	(5,977)	(27,617)	**14,087**	(24,193)
Financing activities				
Dividends paid	(6,138)	(5,496)	(29,654)	(18,572)
Increase (decrease) in cash and cash equivalents	4,170	(11,834)	18,193	(17,289)
Cash and cash equivalents, beginning of period	38,077	28,494	24,054	33,949
Cash and cash equivalents, end of period	$ 42,247	$ 16,660	$ 42,247	$ 16,660

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements do not include all of the disclosures included in the Corporation's annual audited consolidated financial statements. The accounting policies used in the preparation of these interim financial statements are in accordance with Canadian generally accepted accounting principles and are consistent with those described in the Corporation's 2006 annual audited consolidated financial statements, except as disclosed in note 2. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's 2006 Annual Report.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the provision for unpaid claims.

2. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income and Section 3855, Financial Instruments – Recognition and Measurement.

Comprehensive Income

Section 1530 requires presentation of a Consolidated Statement of Comprehensive Income, as included in these Consolidated Financial Statements. Comprehensive income is comprised of net income and other comprehensive income (OCI). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources, other than net income. The change in OCI is recorded as accumulated other comprehensive income (AOCI) on the Statement of Financial Position.

Financial Instruments

Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial instruments impacted by adoption of this section are measured in the Consolidated Statement of Financial Position at fair value, except for loans and receivables, held to maturity investments and other financial liabilities that are measured at amortized cost. Financial instruments classified as held for trading are measured at fair value and changes in fair value are recognized in net income. Financial instruments classified as available for sale are measured at fair value with changes in fair value recorded in other comprehensive income, however, unrealized losses considered other than temporary continue to be recognized as a decrease to net income. The criteria to determine whether an unrealized loss is considered other than temporary has not changed under the new section.

Prior to January 1, 2007, the Corporation amortized the purchase discount or premium from its investments by utilizing the straight-line method over the expected life of the investment. By adopting Section 3855, as of January 1, 2007, the Corporation is now using the effective interest rate method to calculate the income from its investments.

As at January 1, 2007, all financial assets impacted by adoption of this section, included in investments have been designated as available for sale. All remaining financial assets impacted by the adoption of this section have been classified as loans and receivables, which are measured at amortized cost. All financial liabilities impacted by adoption of this section have been classified as other financial liabilities and are measured at amortized cost. The Corporation has no financial instruments designated as held for trading or held to maturity.

Initial Impact Upon Adoption of Sections 1530 and 3855

The adoption of these new sections was applied as of January 1, 2007, without restatement of comparative figures. The effect of the adoption at January 1, 2007 was to increase the carrying value of investments from $444,464,000 to $470,888,000, increase AOCI by $25,795,000 and decrease the future income taxes asset by $629,000.

At January 1, 2007, the provision for unpaid claims decreased by $146,000. This was due to the impact of the new sections on the actuarial determination of the provision for unpaid claims. An offsetting adjustment was recorded to opening retained earnings of $146,000.

3. INVESTMENTS

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

	(thousands of $)		
	September 30 2007	January 1 2007	December 31 2006
Short-term investments	$ 31,553	$ 19,846	$ 19,846
Bonds and debentures	307,463	334,474	332,698
Canadian common shares	47,061	44,075	27,629
U.S. common shares	14,829	14,095	11,415
Pooled equity funds			
– Canadian	12,422	12,970	12,419
– United States	4,093	4,516	4,265
– non-North American	16,645	19,823	15,565
Preferred shares	735	735	735
Mortgages	–	16,734	16,272
Pooled mortgage fund	18,125	–	–
	452,926	467,268	440,844
Investments accounted for on the equity basis	2,900	3,620	3,620
Total investments	$ 455,826	$ 470,888	$ 444,464

As a result of adoption of CICA Handbook Section 3855 (note 2), the basis for the carrying value for investments has changed effective January 1, 2007. The details of the determination of carrying amounts are as follows:

(i) Short-term investments:
Carrying amounts for short-term investments are based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments.

(ii) Bonds and debentures:
The carrying value for bonds and debentures is fair value. The fair values are considered to approximate quoted market values, based on the latest bid prices.

(iii) Pooled equity funds:
Pooled equity funds are carried at fair value, which is considered to approximate the quoted market values of the underlying investments, based on the latest bid prices.

(iv) Common shares:
Common shares are carried at fair value, which is considered to approximate quoted market values from recognized stock exchanges, based on the latest bid prices.

(v) Preferred shares:
The preferred shares are carried at cost, as their fair value cannot be estimated reliably, as there is no quoted market price.

(vi) Pooled mortgage fund:
The pooled mortgage fund is carried at fair value, which is considered to approximate the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using interest rates which reflect the term and credit risk associated with the mortgage.

(vii) Investments accounted for on the equity basis:
Investments accounted for on the equity basis are exempt from the new Handbook Section 3855, and continue to be accounted for on the equity basis, whereby the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income consists solely of unrealized gains and losses on available for sale financial assets.

5. CHANGE IN NON-CASH OPERATING ITEMS

	(thousands of $)			
	three months to Sept. 30		nine months to Sept. 30	
	2007	2006	2007	2006
Accounts receivable	$ (1,352)	$ 484	$ 5,517	$ (10,707)
Deferred policy acquisition costs	(1,549)	(520)	(2,965)	(2,401)
Reinsurers' share of unearned premiums	(1,090)	(483)	(3,592)	(3,175)
Unpaid claims recoverable from reinsurers	1,521	11,094	(553)	11,759
Accounts payable and accrued charges	928	3,823	(18,501)	(4,581)
Premium taxes payable	3,775	3,374	(2,604)	(2,682)
Amounts due to reinsurers	580	(1,006)	2,971	(538)
Unearned reinsurance commissions	(64)	(101)	36	66
Unearned premiums	5,565	1,419	13,647	12,774
Provision for unpaid claims	18,596	1,875	35,418	(7,445)
	$ 26,910	$ 19,959	$ 29,374	$ (6,930)

6. FACILITY ASSOCIATION

Through its subsidiaries, the Corporation is a participant in various risk-sharing pools whereby most companies in the industry share resources to provide insurance for high risks.

Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of $)			
	three months to Sept. 30		nine months to Sept. 30	
	2007	2006	2007	2006
Net premiums written	$ 280	$ (656)	$ 829	$ 131
Net premiums earned	$ 294	$ (505)	$ 843	$ 295
Claims incurred	263	(309)	585	30
Commissions	25	(12)	64	47
Premium taxes	9	(16)	28	10
Administrative expenses	66	(19)	154	98
Total claims and expenses	363	(356)	831	185
Underwriting profit (loss)	(69)	(149)	12	110
Investment earnings	30	(4)	141	76
Net profit (loss)	$ (39)	$ (153)	$ 153	$ 186

7. SEGMENTED INFORMATION

The Corporation provides property and casualty insurance through four operating segments: Saskatchewan, Manitoba and Alberta, Ontario and the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). The performance of each operating segment is reported separately to the Corporation's Board of Directors. These operating segments correspond with the legal entities that make up the Corporation, as listed below:

(i) SGI CANADA in Saskatchewan;
(ii) SGI CANADA Insurance Services Ltd. in Manitoba and Alberta;
(iii) Coachman Insurance Company in Ontario; and,
(iv) The Insurance Company of Prince Edward Island in Prince Edward Island, New Brunswick and Nova Scotia.

(thousands of $)

three months to Sept. 30 2007	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 68,865	$ 6,881	$ 3,369	$ 3,015	$ –	$ 82,130
Net premiums earned	64,831	4,787	5,650	2,478	–	77,746
Claims incurred	57,077	2,636	3,158	1,954	–	64,825
Other expenses	25,557	1,872	1,900	816	–	30,145
Underwriting profit (loss)	(17,803)	279	592	(292)	–	(17,224)
Investment earnings	6,544	476	1,137	228	–	8,385
Income before the following:	(11,259)	755	1,729	(64)	–	(8,839)
Income taxes	–	224	–	(24)	–	200
Non-controlling interest	–	–	–	–	(9)	(9)
Net income	$ (11,259)	$ 531	$ 1,729	$ (40)	$ 9	$ (9,030)
Total assets	$483,734	$ 93,988	$119,483	$ 32,485	$ (36,239)	$693,451
Shareholder's equity	$107,500	$ 33,109	$ 31,918	$ 8,255	$ (1,683)	$179,099

(thousands of $)

three months to Sept. 30 2006	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 64,420	$ 4,651	$ 2,932	$ 2,395	$ –	$ 74,398
Net premiums earned	62,029	3,121	6,044	2,116	–	73,310
Claims incurred	42,832	2,146	3,254	1,593	–	49,825
Other expenses	23,347	1,351	2,144	1,141	–	27,983
Underwriting profit (loss)	(4,150)	(376)	646	(618)	–	(4,498)
Investment earnings	7,495	462	845	163	–	8,965
Income before the following:	3,345	86	1,491	(455)	–	4,467
Income tax recovery	–	(62)	–	(174)	–	(236)
Non-controlling interest	–	–	–	–	(70)	(70)
Net income	$ 3,345	$ 148	$ 1,491	$ (281)	$ 70	$ 4,773
Total assets	$432,547	$ 70,487	$119,390	$ 28,612	$ (24,315)	$626,721
Shareholder's equity	$104,527	$ 31,224	$ 22,359	$ 7,741	$ (1,580)	$164,271

SGI CANADA

(thousands of $)

nine months to Sept. 30 2007	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$195,516	$ 15,073	$ 18,444	$ 8,038	$ –	$237,071
Net premiums earned	190,550	12,753	17,169	6,830	–	227,302
Claims incurred	130,102	8,057	10,747	4,020	–	152,926
Other expenses	73,946	5,458	5,927	2,547	–	87,878
Underwriting profit (loss)	(13,498)	(762)	495	263	–	(13,502)
Investment earnings	18,921	1,420	3,296	662	–	24,299
Income before the following:	5,423	658	3,791	925	–	10,797
Income taxes	–	239	–	350	–	589
Non-controlling interest	–	–	–	–	126	126
Net income	$ 5,423	$ 419	$ 3,791	$ 575	$ (126)	$ 10,082
Total assets	$483,734	$ 93,988	$119,483	$ 32,485	$ (36,239)	$693,451
Shareholder's equity	$107,500	$ 33,109	$ 31,918	$ 8,255	$ (1,683)	$179,099

(thousands of $)

nine months to Sept. 30 2006	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$186,027	$ 9,493	$ 22,736	$ 6,443	$ –	$224,699
Net premiums earned	$182,582	$ 8,868	$ 17,294	$ 6,190	$ –	$214,934
Claims incurred	100,338	5,781	9,025	2,714	–	117,858
Other expenses	68,396	3,622	5,972	2,220	–	80,210
Underwriting profit (loss)	13,848	(535)	2,297	1,256	–	16,866
Investment earnings	17,063	1,247	2,749	581	–	21,640
Income before the following:	30,911	712	5,046	1,837	–	38,506
Income taxes	–	147	–	696	–	843
Non-controlling interest	–	–	–	–	268	268
Net income	$ 30,911	$ 565	$ 5,046	$ 1,141	$ (268)	$ 37,395
Total assets	$432,547	$ 70,487	$119,390	$ 28,612	$ (24,315)	$626,721
Shareholder's equity	$104,527	$ 31,224	$ 22,359	$ 7,741	$ (1,580)	$164,271