SGI CANADA
Quarterly Report
JUNE 2008

Corporate Profile

Vision

We will become a leading national property and casualty insurer by offering competitive, high-quality products and services in partnership with our brokers.

Values

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

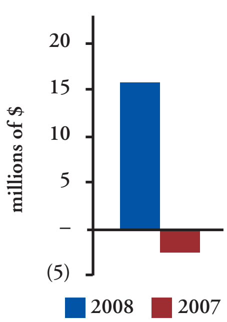
About SGI CANADA

SGI CANADA is a dynamic and innovative company selling property and casualty insurance products in more than half of Canada's provinces. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, Coachman Insurance Company in Ontario and the Insurance Company of Prince Edward Island in Prince Edward Island, Nova Scotia and New Brunswick. The company employs about 1,800 people and its head office is located in Regina. Products are sold through a network of independent insurance brokers.

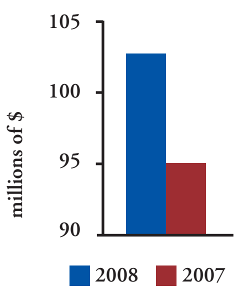
Financial Highlights

For the three months to June 30

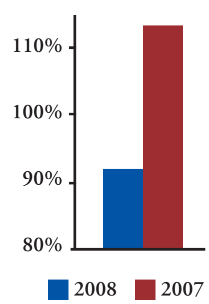
Net Income/Loss



Net Premiums Written

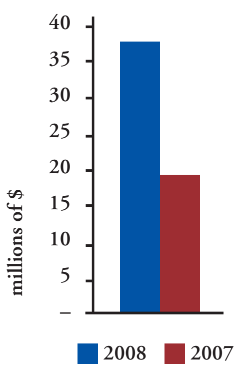


Combined Ratio

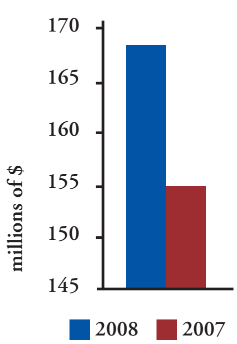


For the six months to June 30

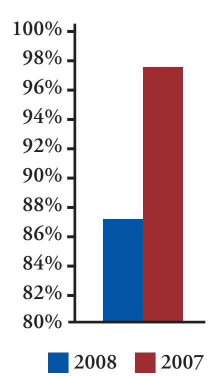
Net Income



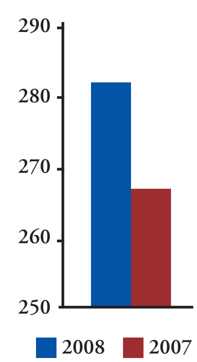
Net Premiums Written



Combined Ratio



MCT Ratio



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 and Coachman Insurance Company, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three month period ended June 30, 2008, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2007. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to August 18, 2008.

Overview

(thousands of $ – except for percentages)

	three months to June 30			six months to June 30		
	2008	2007	change	2008	2007	change
Net premiums written	102,815	95,101	7,714	168,404	154,941	13,463
Net income (loss)	15,747	(2,701)	18,448	37,363	19,112	18,251
Combined ratio	91.7%	112.9%	-21.2%	87.0%	97.5%	-10.5%

The Corporation continues to grow as indicated by the increase in net premiums written. In 2008, growth is being experienced in Saskatchewan, as well as in our newer markets of Alberta, New Brunswick and Nova Scotia. The improvement in SGI CANADA's consolidated net income compared to 2007 is primarily attributable to an absence of summer storms in Saskatchewan through the second quarter of 2008. In contrast, 2007 saw $13.6 million of claims incurred in the second quarter related to Saskatchewan seasonal storms.

Outlook

Strong underwriting results have produced a solid profit so far in 2008, leaving SGI CANADA well-positioned leading into the third quarter. However, the summer storm season in Saskatchewan has the capability to quickly and unfavourably impact the bottom line. In this respect, the strong results generated will benefit the Corporation heading into the summer months. In order to offset the impact of Saskatchewan summer storms and spread its insurance risk geographically, the Corporation will continue to expand in those provinces in which it currently operates.

Growth will primarily be from the Alberta, New Brunswick and Nova Scotia markets during the remainder of 2008. The Corporation continues to focus on strong underwriting fundamentals and providing outstanding customer service to its brokers in order to meet the challenges presented in these markets.

Going forward, the Corporation will continue to focus on its strategy of spreading insurance risk geographically in those provinces it currently operates, growing revenues and maintaining and creating jobs in Saskatchewan.

Revenue

(thousands of $)

	three months to June 30			six months to June 30		
	2008	2007	change	2008	2007	change
Premiums earned	81,989	75,639	6,350	161,956	149,556	12,400
Investment earnings	9,241	6,623	2,618	17,451	15,914	1,537

The increase in premiums earned is from the expanding Saskatchewan economy resulting in policy growth and increased property values, which increase the average premium per policy. As well, the markets that SGI CANADA recently entered in Alberta, New Brunswick and Nova Scotia markets are contributing to the growing premium base.

Premiums earned by jurisdiction

(thousands of $)

	three months to June 30			six months to June 30		
	2008	2007	change	2008	2007	change
Saskatchewan	67,219	63,333	3,886	133,322	125,719	7,603
Manitoba	2,972	2,873	99	5,875	5,726	149
Alberta	3,230	1,380	1,850	5,892	2,240	3,652
Ontario	5,618	5,790	(172)	11,226	11,519	(293)
Maritimes	2,950	2,263	687	5,641	4,352	1,289
Total	81,989	75,639	6,350	161,956	149,556	12,400

Investment earnings in the second quarter of 2008 were higher than the same period in 2007, largely due to a $3.1 million increase in realized gains on the sale of investments.

Year-to-date investment earnings are $1.5 million higher than the prior year, primarily due to realized gains on sale of investments that have increased $1.8 million from 2007. The annualized cost-based rate of return at June 30, 2008, was 6.3%, compared to 6.0% for 2007.

Expenses

(thousands of $ – except for percentages)

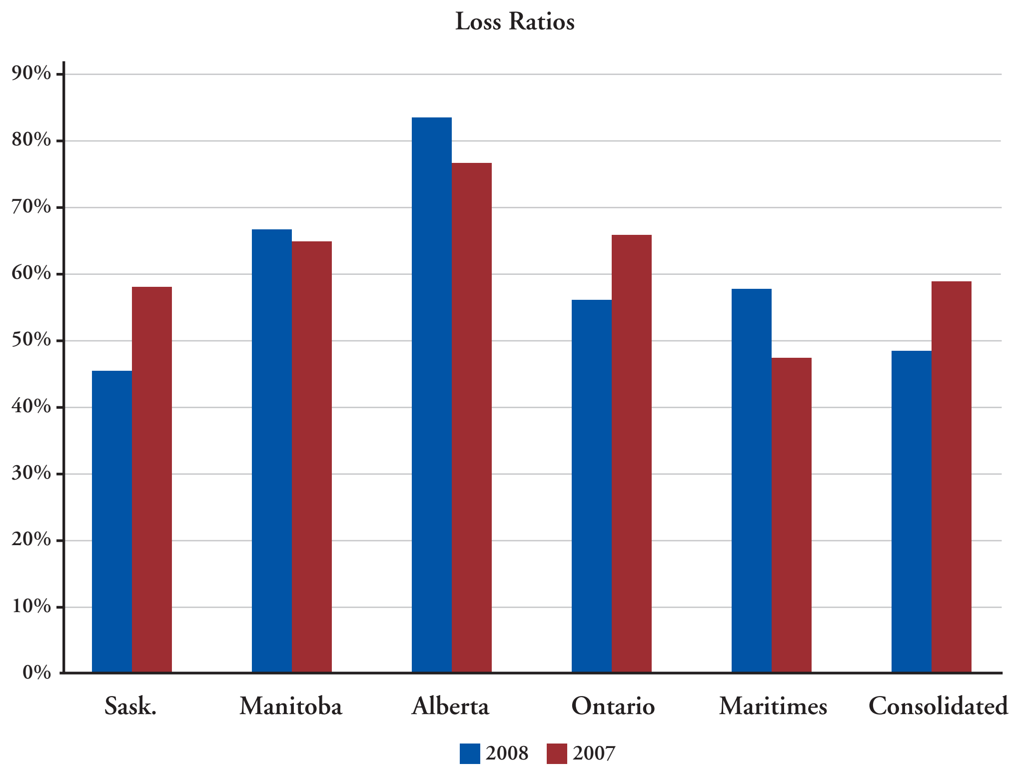
	three months to June 30			six months to June 30		
	2008	2007	change	2008	2007	change
Claims incurred	43,139	54,479	(11,340)	78,828	88,101	(9,273)
Other expenses	32,049	30,518	1,531	62,310	57,733	4,577
	75,188	84,997	(9,809)	141,138	145,834	(4,696)
Loss ratio	52.6%	72.0%	-19.4%	48.7%	58.9%	-10.2%

Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and Facility Association participation costs. Second quarter and year-to-date expenses were lower in 2008 than 2007, primarily due to lower levels of claims incurred.

Claims incurred

Second quarter claims incurred of $43.1 million represents a 20.8% decrease over 2007, contributing to a consolidated loss ratio of 52.6% in the second quarter of 2008 compared to 72.0% in 2007. The decrease has primarily resulted from an absence of summer storms in Saskatchewan through the second quarter of 2008. In contrast, 2007 saw $13.6 million of claims incurred in the second quarter related to Saskatchewan seasonal storms. Out-of-province claims incurred of $9.8 million represented a $1.3 million increase over the second quarter of 2007, primarily from claims growth resulting from the continued expansion into Alberta and the Maritimes. The overall loss ratio for out-of-province operations decreased to 66.1% in the second quarter of 2008 (2007 – 68.4%).

Claims incurred totalled $78.8 million for the first six months of 2008, a 10.5% decrease from 2007. This decrease is reflected in the 2008 consolidated loss ratio of 48.7% (2007 – 58.9%), as outlined in the chart below.



The Saskatchewan loss ratio of 45.2% is down considerably from last year's six month ratio of 58.1%, with the decrease primarily due to summer storm volumes. In 2007, Saskatchewan storm costs of $13.6 million were incurred to the end of June, while no significant storms had occurred to the end of June 2008.

The Alberta loss ratio increased from 76.4% in 2007 to 83.7% in 2008. At 83.7%, the Alberta loss ratio is higher than anticipated due in part to the Court of Queen's Bench overturning the Minor Injury Regulation, referred to as the cap on minor injuries, in early 2008. SGI CANADA's loss ratio reflects an estimation of the full cost of this ruling, while the 2007 mid-year results were reflective of the reduced costs for the cap on minor injuries.

The Maritimes loss ratio has increased as a result of entering the markets in New Brunswick and Nova Scotia, which is not unexpected as premium earnings are still small and a few large losses can negatively impact a small book of business. However, the overall mid-year loss ratio of 57.5% is still providing a small underwriting profit for the Maritimes operation.

Other expenses

For the second quarter, other expenses increased $1.5 million compared to the same period in 2007. This was due to increases in commissions and premium taxes, commensurate with the premium growth experienced in the quarter.

Year-to-date, other expenses were $4.6 million higher in 2008 than in the prior year. This was also due to increases in commissions and premium taxes resulting from premium growth and an increase in administrative expenses related to higher salary and benefit costs.

Balance Sheet Review

(thousands of $)	June 30 2008	December 31 2007	Change
Total assets	**719,530**	**707,169**	**12,361**
Key asset account changes:			
Accounts receivable	103,759	88,372	15,387

Total assets increased $12.4 million in the first six months of 2008. Accounts receivable increased primarily as a result of an increase in the amounts due from brokers and growth in the amounts of premiums being financed, which is reflective of the growing book of business.

(thousands of $)	June 30 2008	December 31 2007	Change
Total liabilities	**509,493**	**516,423**	**(6,930)**
Key liability account changes:			
Premium taxes payable	7,695	14,408	(6,713)
Unearned premiums	187,060	177,189	9,871
Provision for unpaid claims	276,175	285,567	(9,392)

Total liabilities decreased $6.9 million in the first six months of 2008. Premium taxes payable decreased due to the annual payment of premium taxes in the first quarter of the year. The unearned premium increase is directly related to the increase in premiums written. The provision for unpaid claims decreased largely due to the absence of 2008 seasonal storm claims in Saskatchewan and the reduction of the unpaid claims from the 2007 summer storms.

(thousands of $)	June 30 2008	December 31 2007	Change
Total equity	**208,262**	**189,037**	**19,225**
Key equity account changes:			
Retained earnings	118,843	94,028	24,815
Accumulated other comprehensive income	9,419	15,009	(5,590)

Over the first six months of 2008, equity increased $19.2 million. The increase in retained earnings is attributable to the $37.4 million consolidated net income less dividends paid of $12.5 million. The decrease in accumulated other comprehensive income is a result of unrealized losses on bonds that resulted from anticipated increases in interest rates during the quarter.

Cash Flow and Liquidity

(thousands of $)

	three months to June 30			six months to June 30		
	2008	2007	change	2008	2007	change
Operating activities	20,942	21,982	(1,040)	13,509	17,670	(4,161)
Investing activities	(27,652)	13,983	(41,635)	(8,649)	19,869	(28,518)
Financing activities	(6,274)	(6,138)	(136)	(16,809)	(23,516)	6,707
Net cash flow	(12,984)	29,827	(42,811)	(11,949)	14,023	(25,972)

While the Corporation experienced negative cash flow in the first quarter of 2008, it generated $20.9 million cash from operations in the second quarter resulting in $13.5 million of cash from operating activities on a year-to-date basis.

Investing activities in 2008 have seen excess cash from operations being used to purchase investments. As well, during 2007 the Corporation was increasing its holdings in cash equivalent securities in anticipation of higher bond yields in the short term. During the second quarter of 2008, many of those cash equivalent securities have been reinvested in longer-term investments. On a year-to-date basis, the negative cash flow from investing activities in the second quarter is partially offset by positive cash generated in the first quarter.

Financing activities for the second quarter consist of the first installment of the dividend on the 2008 earnings ($6.3 million), and year-to-date includes the final instalment of the dividend on 2007 earnings ($10.5 million).

Capital

	2008	2007	2006
Minimum Capital Test Ratio	282%	267%	262%

The Corporation uses a common property and casualty industry measurement called the Minimum Capital Test (MCT) to monitor its capital adequacy. The Corporation's objective is to maintain capital sufficient to achieve the industry average MCT. At December 31, 2007, the industry average MCT was 331%. While SGI CANADA's MCT ratio of 282% is below this industry average, it is well in excess of the 150% minimum regulatory target and has increased from 2007. For further information on capital management refer to note 6 of the notes to the consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

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

	2008		2007				2006		
(thousands of $)	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2
Net premiums earned	81,989	79,967	80,560	77,746	75,639	73,917	75,873	73,310	71,391
Claims incurred	43,139	35,689	34,640	64,825	54,479	33,622	39,212	49,825	36,128
Net income (loss)	15,747	21,616	25,011	(9,030)	(2,701)	21,813	14,706	4,773	12,940
Cash flow from (used in) operations	20,942	(7,433)	19,766	16,386	21,982	(4,312)	25,117	21,279	14,462
Investments	490,130	463,205	481,127	455,826	447,488	467,557	444,464	430,368	399,055
Provision for unpaid claims	276,175	278,721	285,567	298,932	280,336	257,148	263,514	258,179	245,485
Minimum Capital Test	282%	283%	266%	234%	267%	296%	271%	269%	262%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2008:

Net premiums earned generally increase on a quarter-over-quarter basis during the year, with this trend continuing in 2008.

The second and third quarter results can be impacted by summer storm activity, given SGI CANADA's strong market presence in Saskatchewan. This was the case in 2007 when significant summer storm activities adversely impacted second and third quarter results.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. The main risks that the Corporation manages in order to reduce the impact on its operations and profitability are claims reserve forecasting, volatility of out-of-province financial results, legal and regulatory risk, privacy management risk, third party or employee fraud risk, responsiveness to business needs, underwriting risk, information systems risk, reinsurance risk, catastrophe exposure risk and investing risk. These risks remain unchanged from the previous year-end and are described in detail in the Corporation's 2007 Annual Report.

Accounting Matters

Critical Accounting Estimates and Assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2007 Annual Report.

New Accounting Standards

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments – Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments – Presentation* (Section 3863). These accounting policies are described in note 1 of the notes to the consolidated financial statements for the quarter.

Related Party Transactions

There have been no material changes to the Corporation's related party arrangements during the quarter. For further details on the Corporation's related party arrangements, refer to the 2007 Annual Report.

Off-Balance Sheet Arrangements

SGI CANADA, in its normal course of operations, enters into certain transactions that are not required to be recorded on its Consolidated Statement of Financial Position – commonly referred to as the balance sheet. These items include litigation, structured settlements and a long-term telecommunications contract. There have been no new off-balance sheet arrangements during the quarter. For further details on off-balance sheet arrangements, refer to the 2007 Annual Report.

Caution Regarding Forward-Looking Statements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30, 2008 and December 31, 2007

	June 30 2008 (unaudited)	December 31 2007 (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 23,045	$ 34,994
Accounts receivable	103,759	88,372
Deferred policy acquisition costs	45,199	43,347
Future income taxes	1,971	1,903
Reinsurers' share of unearned premiums	11,769	8,862
Investments (note 2)	490,130	481,127
Unpaid claims recoverable from reinsurers	29,042	33,824
Property, plant and equipment	9,739	10,154
Other assets (note 3)	4,876	4,586
	$ 719,530	$ 707,169
Liabilities		
Accounts payable and accrued charges	$ 21,943	$ 21,530
Dividend payable	6,274	10,535
Premium taxes payable	7,695	14,408
Amounts due to reinsurers	8,202	5,330
Unearned reinsurance commissions	2,144	1,864
Unearned premiums	187,060	177,189
Provision for unpaid claims	276,175	285,567
	509,493	516,423
Non-controlling interest	**1,775**	1,709
Province of Saskatchewan's equity		
Equity advances	80,000	80,000
Retained earnings	118,843	94,028
Accumulated other comprehensive income	9,419	15,009
	208,262	189,037
	$ 719,530	$ 707,169

(see accompanying notes)

SGI CANADA

CONSOLIDATED STATEMENT OF OPERATIONS

For the periods ended June 30, 2008 and 2007

	three months to June 30		six months to June 30	
	2008	2007	**2008**	2007
	(**unaudited**)	(unaudited)	(**unaudited**)	(unaudited)
	(thousands of $)		(thousands of $)	
Gross premiums written	$ 106,465	$ 94,979	$ 184,310	$ 165,136
Net premiums written	$ 102,815	$ 95,101	$ 168,404	$ 154,941
Net premiums earned	**$ 81,989**	$ 75,639	**$ 161,956**	$ 149,556
Claims incurred	43,139	54,479	78,828	88,101
Commissions	17,044	15,935	33,590	31,071
Administrative expenses	11,066	11,008	20,976	19,576
Premium taxes	3,959	3,567	7,824	7,278
Facility Association participation (note 9)	(20)	8	(80)	(192)
Total claims and expenses	**75,188**	84,997	**141,138**	145,834
Underwriting profit (loss)	**6,801**	(9,358)	**20,818**	3,722
Investment earnings (note 4)	9,241	6,623	17,451	15,914
Income (loss) before income taxes and non-controlling interest	**16,042**	(2,735)	**38,269**	19,636
Income taxes (recovery)	262	(84)	841	389
Income (loss) after income taxes and before non-controlling interest	**15,780**	(2,651)	**37,428**	19,247
Non-controlling interest	33	50	65	135
Net income (loss)	**$ 15,747**	$ (2,701)	**$ 37,363**	$ 19,112

(see accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the periods ended June 30, 2008 and 2007

	three months to June 30		six months to June 30	
	2008 (unaudited)	2007 (unaudited)	**2008 (unaudited)**	2007 (unaudited)
	(thousands of $)		(thousands of $)	
Net income (loss)	**$ 15,747**	$ (2,701)	**$ 37,363**	$ 19,112
Other comprehensive loss, net of income taxes:				
Unrealized gains (losses) on available for sale financial assets arising during the period	(294)	(4,683)	695	(2,062)
Income tax (expense) recovery on unrealized losses	192	455	(206)	386
	(102)	(4,228)	489	(1,676)
Reclassification for realized gains on sale of investments included in operations	(3,828)	(703)	(6,352)	(4,559)
Income tax (recovery) on losses or gains	(29)	(209)	273	(80)
	(3,857)	(912)	(6,079)	(4,639)
Other comprehensive loss	**(3,959)**	(5,140)	**(5,590)**	(6,315)
Comprehensive income (loss)	**$ 11,788**	$ (7,841)	**$ 31,773**	$ 12,797

(see accompanying notes)

Consolidated Statement of Changes in Province of Saskatchewan's Equity

For the periods ended June 30, 2008 and 2007

	three months to June 30		six months to June 30	
	2008	2007	**2008**	2007
	(**unaudited**)	(unaudited)	(**unaudited**)	(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	$ 109,370	$ 97,420	$ 94,028	$ 81,599
Change in accounting policy	–	–	–	146
Net income (loss)	15,747	(2,701)	37,363	19,112
Dividend	(6,274)	(6,138)	(12,548)	(12,276)
Balance, end of period	**$ 118,843**	$ 88,581	**$ 118,843**	$ 88,581
Accumulated other comprehensive income				
Balance, beginning of period	$ 13,378	$ 24,620	$ 15,009	$ –
Change in accounting policy	–	–	–	25,795
Other comprehensive loss	(3,959)	(5,140)	(5,590)	(6,315)
Balance, end of period	**$ 9,419**	$ 19,480	**$ 9,419**	$ 19,480
Total Province of Saskatchewan's equity	**$ 208,262**	$ 188,061	**$ 208,262**	$ 188,061

(see accompanying notes)

Consolidated Statement of Cash Flows

For the periods ended June 30, 2008 and 2007

	three months to June 30		six months to June 30	
	2008	2007	**2008**	2007
	(**unaudited**)	(unaudited)	(**unaudited**)	(unaudited)
	(thousands of $)		(thousands of $)	
Cash provided by (used for):				
Operating activities				
Net income (loss)	$ 15,747	$ (2,701)	$ 37,363	$ 19,112
Non-cash items:				
Amortization	601	332	916	719
Net realized gain on disposal of investments	(3,828)	(703)	(6,352)	(4,559)
Income (loss) attributable to non-controlling interest	33	(199)	65	(114)
Income from investments accounted for on the equity basis	(25)	(154)	(160)	(147)
Change in non-cash operating items (note 7)	8,414	25,407	(18,323)	2,659
	20,942	21,982	**13,509**	17,670
Investing activities				
Purchases of investments	(159,203)	(181,215)	(355,351)	(314,705)
Proceeds on sale of investments	131,744	196,668	346,752	336,052
Net purchases of property, plant and equipment	(193)	(1,470)	(50)	(1,478)
	(27,652)	13,983	**(8,649)**	19,869
Financing activities				
Dividends paid	**(6,274)**	(6,138)	**(16,809)**	(23,516)
Increase (decrease) in cash and cash equivalents	**(12,984)**	29,827	**(11,949)**	14,023
Cash and cash equivalents, beginning of period	36,029	8,250	34,994	24,054
Cash and cash equivalents, end of period	**$ 23,045**	$ 38,077	**$ 23,045**	$ 38,077

(see accompanying notes)

Notes to the Consolidated Financial Statements (unaudited)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated interim 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 used in the preparation of the Corporation's 2007 annual audited consolidated financial statements, except as noted below. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's 2007 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 processes are related to the actuarial determination of the provision for unpaid claims, investment valuation and employee future benefits.

Effective January 1, 2008, three new presentation and disclosure standards were adopted: Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures* (Section 1535); Handbook Section 3862, *Financial Instruments – Disclosures* (Section 3862); and Handbook Section 3863, *Financial Instruments – Presentation* (Section 3863).

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Sections 3862 and 3863 replaced Handbook Section 3861, *Financial Instruments – Disclosure and Presentation.* The new disclosure standards increase the disclosures related to financial instruments and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

2. INVESTMENTS

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

	(thousands of $) June 30 2008	December 31 2007
Short-term investments	$ 53,536	$ 41,863
Bonds and debentures	324,609	325,170
Canadian common shares	41,246	43,750
U.S. common shares	14,986	13,779
Pooled funds		
Canadian equity	12,424	12,888
U.S. equity	4,361	4,612
Non-North American equity	15,338	16,813
Mortgage	20,867	19,535
Preferred shares	735	735
Total available for sale investments	488,102	479,145
Investments accounted for on the equity basis	2,028	1,982
Total investments	$ 490,130	$ 481,127

The following table presents available for sale investments with unrealized losses at June 30, 2008 where the decline is considered temporary. Unrealized losses are recorded as a component of accumulated other comprehensive income.

	(thousands of $) as at June 30, 2008		as at December 31, 2007	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Bonds and debentures				
Federal	$ 81,822	$ (739)	$ 69,871	$ (217)
Provincial and municipal	25,146	(306)	29,911	(293)
Corporate	80,421	(1,175)	73,849	(1,417)
Canadian common shares	6,302	(704)	9,488	(766)
U.S. common shares	6,469	(762)	3,281	(385)
Pooled funds				
U.S. equity	4,361	(144)	–	–
Non-North American equity	15,338	(613)	–	–
Total available for sale investments	$ 219,859	$ (4,443)	$ 186,400	$ (3,078)

The unrealized losses on the bonds and debentures arose primarily from changes in interest rates. For equities, unrealized losses are primarily the result of timing of the market prices or investment specific business environment factors. Since the Corporation has the ability to hold these securities until there is a recovery of fair value, which may be at maturity for bonds and debentures, these unrealized losses are considered temporary in nature.

The Corporation conducts a quarterly review to identify and evaluate investments that show indications of impairment. An investment is considered impaired if its fair value falls below its cost, and a write down is recorded in investment earnings when the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost, financial condition and near-term prospects of the issuer, and the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery.

3. OTHER ASSETS

Other assets is comprised of the following:

	(thousands of $) June 30 2008	(thousands of $) December 31 2007
Prepaid expenses	$ 2,271	$ 1,866
Net investment in capital lease	1,395	1,611
Accrued pension asset	729	628
Goodwill	481	481
Total	$ 4,876	$ 4,586

4. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $) three months to June 30		six months to June 30	
	2008	2007	2008	2007
Interest	$ 3,457	$ 4,283	$ 8,005	$ 8,277
Net realized gain on sale of investments	3,828	702	6,352	4,560
Pooled funds	884	504	861	1,007
Premium financing	760	683	1,504	1,359
Dividends	250	250	493	467
Capital lease	37	47	76	97
Investments accounted for on the equity basis	25	154	160	147
Total investment earnings	$ 9,241	$ 6,623	$ 17,451	$ 15,914

5. FINANCIAL RISK MANAGEMENT

The nature of the Corporation's operations result in a balance sheet that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the SGI Board of Directors, based on a recommendation from the Investment Committee of the Board. The SIP&G provides guidelines to the investment manager for the asset mix of the portfolio regarding quality and quantity of debt, real estate 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 pools and in domestic and foreign markets.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: accounts receivable (from its customers, brokers and reinsurers) and certain investments. The maximum credit risk to which it is exposed at June 30, 2008 is limited to the fair value of the financial assets recognized as follows:

	(thousands of $)			
	June 30, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 23,045	$ 23,045	$ 34,994	$ 34,994
Accounts receivable	103,759	103,759	88,372	88,372
Fixed income investments [1]	399,012	399,012	386,568	386,568
Unpaid claims recoverable from reinsurers	29,042	29,042	33,824	33,824

[1] Includes short-term investments, bonds and debentures, and the mortgage pooled fund

Cash and cash equivalents include short-term investments of $24,420,000 less a bank overdraft of $1,375,000 (December 31, 2007 – short-term investments of $39,905,000 less a bank overdraft of $4,911,000). The short-term investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

Accounts receivable are primarily from customers, diversified among residential, farm and commercial customers, along with amounts from brokers across the provinces that SGI CANADA operates in. Accounts receivable consist of balances outstanding for one year or less. Provisions for credit losses are maintained in an allowance account and regularly reviewed by the Corporation. Amounts are written off once reasonable collection efforts have been exhausted.

Details of the allowance account are as follows:

	six months ended June 30 2008 (thousands of $)	twelve months ended December 31 2007 (thousands of $)
Allowance for doubtful accounts, opening balance	$ 4,937	$ 4,593
Accounts written off	(1,046)	(1,223)
Current period provision	745	1,567
Allowance for doubtful accounts, ending balance	$ 4,636	$ 4,937

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

	June 30, 2008		December 31, 2007	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 156,873	48.3	$ 202,605	62.2
AA	95,040	29.3	66,192	20.4
A	62,422	19.2	54,466	16.8
BBB	10,274	3.2	1,907	0.6
Total	$ 324,609	100.0	$ 325,170	100.0

Within bond and debentures investments, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 20% of the market value of the bond portfolio.

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

Credit risk associated with reinsurers is managed through regular monitoring of credit ratings of the reinsurers utilized by the Corporation. Reinsurers' credit ratings range from AA+ to A- as rated by A.M. Best at December 31, 2007.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures, and the mortgage pooled fund. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease other comprehensive income and accumulated other comprehensive income by $15 million at June 30, 2008, representing 3.8% of the $399 million fair value of fixed income investments.

Foreign exchange

The Corporation is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. equity investments, purchases of goods and services that are denominated in U.S. dollars, and a portion of claims and reinsurance receivables and payables denominated in U.S. dollars. Also, the Corporation is exposed to EAFE (Europe, Australia and Far East) currencies through its investment in the non-North American Pooled Fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 7% each of the market value of the total investment portfolio, excluding investments accounted for on the equity basis and preferred shares. At June 30, 2008, the Corporation's exposure to U.S. equities was 4.0% (December 31, 2007 – 3.8%) and its exposure to non-North American equities was 3.1% (December 31, 2007 – 3.5%).

At June 30, 2008, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $2 million decrease in other comprehensive income and accumulated other comprehensive income. A 10% appreciation in the Canadian dollar versus the EAFE currencies would result in approximately a $2 million decrease in other comprehensive income and accumulated other comprehensive income. As U.S. common shares, U.S. equity pooled fund and non-North American equity pooled fund are classified as available for sale, any unrealized changes due to foreign currency are recorded as other comprehensive income and do not directly impact net income until the investment is sold.

The Corporation's exposure to foreign exchange risk within its bond and debenture portfolio is limited to a maximum 5% of the market value of the bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The Corporation's exposure to exchange rate risk resulting from the purchase of goods and services, and claims and reinsurance receivables and payables, are not considered material to the operations of the Corporation.

Equity prices

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 18.3% (December 31, 2007 – 19.2%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The following table indicates the approximate change that would be expected to both other comprehensive income and accumulated other comprehensive income based on changes in the Corporation's benchmark indices at June 30, 2008:

	(Change in thousands of $)	
Change in Equity Benchmarks	10% increase	10% decrease
S&P/TSX Composite Index	$ 5,337	$ (5,337)
S&P 500 Index	1,935	(1,935)
MSCI EAFE Index	1,534	(1,534)

Liquidity risk

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

6. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital is to ensure adequate funding is available to pay policyholder claims, be flexible in its product offerings and support its growth strategies, while providing an adequate return to its shareholder. Its main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. There were no changes to the Corporation's capital structure during the period.

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

SGI CANADA is not a regulated insurer, however, its subsidiaries, SGI CANADA Insurance Services Ltd., Coachman Insurance Company and the Insurance Company of Prince Edward Island, are subject to rate regulation related to their automobile premiums. Regulators require insurers to maintain a level of capital sufficient to achieve an MCT of 150%. The Corporation's objective is to maintain capital sufficient to achieve the industry average MCT, a level in excess of the regulatory minimum. At June 30, 2008, the Corporation's MCT was 282%. At December 31, 2007, the industry average was 331%. There have been no changes to the Corporation's capital management processes and measures since the prior year end.

7. CHANGE IN NON-CASH OPERATING ITEMS

	(thousands of $)			
	three months to June 30		six months to June 30	
	2008	2007	2008	2007
Accounts receivable	$ (17,465)	$ (12,148)	$ (15,387)	$ 6,869
Deferred policy acquisition costs	(4,238)	(3,760)	(1,852)	(1,416)
Reinsurers' share of unearned premiums	1,863	1,874	(2,907)	(2,502)
Unpaid claims recoverable from reinsurers	2,746	(5,356)	4,782	(2,074)
Other assets	(357)	99	(290)	195
Accounts payable and accrued charges	6,801	2,268	413	(19,429)
Premium taxes payable	4,569	4,171	(6,713)	(6,379)
Amounts due to reinsurers	(2,707)	(2,719)	2,872	2,391
Unearned reinsurance commissions	268	148	280	100
Unearned premiums	19,480	17,780	9,871	8,082
Provision for unpaid claims	(2,546)	23,050	(9,392)	16,822
	$ 8,414	$ 25,407	$ (18,323)	$ 2,659

8. EMPLOYEE FUTURE BENEFITS

The costs incurred during the quarter associated with the Corporation's defined benefit pension plan and its defined benefit service recognition plans, and the allocation of costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it, are as follows:

	(thousands of $)			
	three months to June 30		six months to June 30	
	2008	2007	2008	2007
Costs incurred	$ 597	$ 465	$ 1,273	$ 1,159
Allocated to:				
SGI CANADA	$ 189	$ 137	$ 433	$ 382
Saskatchewan Auto Fund	408	328	840	777
	$ 597	$ 465	$ 1,273	$ 1,159

9. 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 on the following page:

	(thousands of $)			
	three months to June 30		six months to June 30	
	2008	2007	2008	2007
Net premiums written	$ 1,988	$ 353	$ 2,226	$ 549
Net premiums earned	$ 1,563	$ 277	$ 1,816	$ 549
Claims incurred	1,103	261	1,252	322
Commissions	4	17	26	39
Premium taxes	48	10	56	19
Administrative expenses	443	49	494	88
Total claims and expenses	1,598	337	1,828	468
Underwriting profit (loss)	(35)	(60)	(12)	81
Investment earnings	55	52	92	111
Net profit (loss)	$ 20	$ (8)	$ 80	$ 192

10. 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 June 30 2008	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 81,702	$ 8,284	$ 8,262	$ 4,567	$ –	$102,815
Net premiums earned	$ 67,219	$ 6,202	$ 5,618	$ 2,950	$ –	$ 81,989
Claims incurred	33,380	4,504	3,572	1,683	–	43,139
Other expenses	26,005	2,703	2,050	1,291	–	32,049
Underwriting profit (loss)	7,834	(1,005)	(4)	(24)	–	6,801
Investment earnings	7,496	512	1,008	225	–	9,241
Income (loss) before the following:	15,330	(493)	1,004	201	–	16,042
Income taxes (recovery)	–	(144)	336	70	–	262
Non-controlling interest	–	–	–	–	33	33
Net income (loss)	$ 15,330	$ (349)	$ 668	$ 131	$ (33)	$ 15,747
Total assets	$501,288	$ 98,371	$118,482	$ 35,482	$ (34,093)	$719,530
Shareholder's equity	$131,822	$ 32,884	$ 36,706	$ 8,624	$ (1,774)	$208,262

(thousands of $)

three months to June 30 2007	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 76,778	$ 5,628	$ 9,286	$ 3,409	$ –	$ 95,101
Net premiums earned	$ 63,333	$ 4,253	$ 5,790	$ 2,263	$ –	$ 75,639
Claims incurred	46,062	3,529	3,949	939	–	54,479
Other expenses	25,439	1,964	2,061	1,054	–	30,518
Underwriting profit (loss)	(8,168)	(1,240)	(220)	270	–	(9,358)
Investment earnings	5,205	407	842	169	–	6,623
Income (loss) before the following:	(2,963)	(833)	622	439	–	(2,735)
Income taxes (recovery)	–	(250)	–	166	–	(84)
Non-controlling interest	–	–	–	-	50	50
Net income (loss)	$ (2,963)	$ (583)	$ 622	$ 273	$ (50)	$ (2,701)
Total assets	$477,057	$ 80,641	$119,282	$ 30,720	$ (28,540)	$679,160
Shareholder's equity	$119,011	$ 32,316	$ 30,074	$ 8,339	$ (1,679)	$188,061

(thousands of $)

six months to June 30 2008	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$134,672	$ 12,988	$ 14,029	$ 6,715	$ –	$168,404
Net premiums earned	$133,322	$ 11,767	$ 11,226	$ 5,641	$ –	$161,956
Claims incurred	60,256	8,832	6,498	3,242	–	78,828
Other expenses	50,749	5,093	4,091	2,377	–	62,310
Underwriting profit (loss)	22,317	(2,158)	637	22	–	20,818
Investment earnings	13,573	1,191	2,199	488	–	17,451
Income (loss) before the following:	35,890	(967)	2,836	510	–	38,269
Income taxes (recovery)	–	(286)	950	177	–	841
Non-controlling interest	–	–	–	–	65	65
Net income (loss)	$ 35,890	$ (681)	$ 1,886	$ 333	$ (65)	$ 37,363
Total assets	$501,288	$ 98,371	$118,482	$ 35,482	$ (34,093)	$719,530
Shareholder's equity	$131,822	$ 32,884	$ 36,706	$ 8,624	$ (1,774)	$208,262

(thousands of $)

six months to June 30 2007	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$126,651	$ 8,192	$ 15,075	$ 5,023	$ –	$154,941
Net premiums earned	$125,719	$ 7,966	$ 11,519	$ 4,352	$ –	$149,556
Claims incurred	73,025	5,421	7,590	2,065	–	88,101
Other expenses	48,389	3,586	4,027	1,731	–	57,733
Underwriting profit (loss)	4,305	(1,041)	(98)	556	–	3,722
Investment earnings	12,377	944	2,159	434	–	15,914
Income (loss) before the following:	16,682	(97)	2,061	990	–	19,636
Income taxes	–	14	1	374	–	389
Non-controlling interest	–	–	–	–	135	135
Net income (loss)	$ 16,682	$ (111)	$ 2,060	$ 616	$ (135)	$ 19,112
Total assets	$477,057	$ 80,641	$119,282	$ 30,720	$ (28,540)	$679,160
Shareholder's equity	$119,011	$ 32,316	$ 30,074	$ 8,339	$ (1,679)	$188,061

11. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2007 balances have been reclassified to conform to 2008 financial statement presentation.