SGI CANADA
Quarterly Report
SEPTEMBER 2008

SGI CANADA

Corporate Profile

Values

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

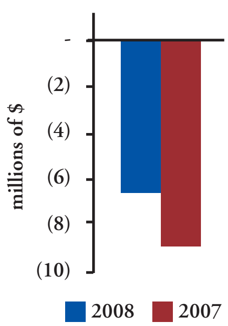
About SGI CANADA

SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba 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.

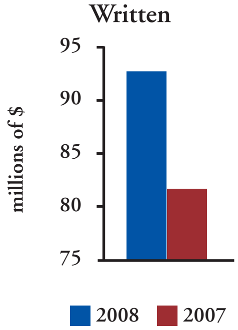
Financial Highlights

For the three months to September 30

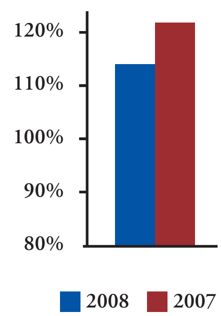
Net Loss



Net Premiums Written

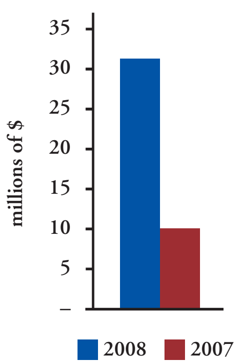


Combined Ratio

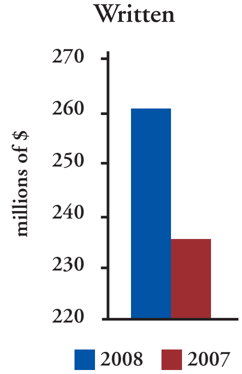


For the nine months to September 30

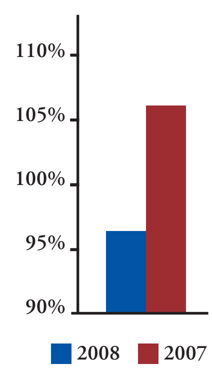
Net Income



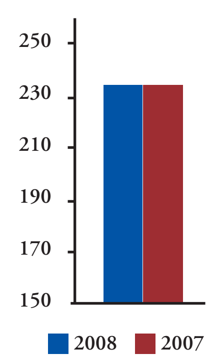
Net Premiums Written



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 September 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 November 17, 2008.

Overview

(thousands of $ – except for percentages)

	three months to September 30			**nine months to September 30**		
	2008	2007	change	2008	2007	change
Net premiums written	93,043	82,130	10,913	261,447	237,071	24,376
Net income (loss)	(6,442)	(9,030)	2,588	30,921	10,082	20,839
Combined ratio	113.5%	122.1%	-8.6%	96.2%	106.0%	-9.8%

The Corporation's growth in 2008 continued in the third quarter as net premiums written increased in all jurisdictions compared to the same period in 2007. For the first nine months of 2008, Saskatchewan premiums have increased 7.5% while premium writings outside Saskatchewan have increased 23.4% over last year. The largest growth outside of Saskatchewan has been in the newer markets of Alberta, New Brunswick and Nova Scotia.

SGI CANADA's consolidated net income to the end of September is significantly improved over last year. The improvement is primarily attributable to lower levels of Saskatchewan summer storm claims in 2008 compared to 2007.

Outlook

Strong underwriting results have produced a solid profit so far in 2008, leaving SGI CANADA well positioned leading into the fourth quarter. Strong growth has been experienced in Saskatchewan as well as out-of-province operations, which is expected to continue. 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.

The third quarter marked an unprecedented capital market downturn stemming from the credit crisis being experienced in the United States and other global markets. The impact to the Corporation has primarily been a decline in the market value of its investment assets, consistent with that experienced throughout the insurance industry. While the financial volatility is expected to continue through the fourth quarter, the Corporation will maintain prudent investment management policies and processes. The Corporation remains well capitalized and will remain focused on its strategy of diversifying insurance risk geographically in those provinces it currently operates.

Revenue

(thousands of $)

	three months to September 30			nine months to September 30		
	2008	2007	change	2008	2007	change
Premiums earned	85,651	77,746	7,905	247,607	227,302	20,305
Investment earnings	5,627	8,385	(2,758)	23,078	24,299	(1,221)

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 are contributing to the growing premium base.

Premiums earned by jurisdiction

(thousands of $)

	three months to September 30			nine months to September 30		
	2008	2007	change	2008	2007	change
Saskatchewan	69,540	64,831	4,709	202,862	190,550	12,312
Manitoba	3,116	2,839	277	8,991	8,565	426
Alberta	3,834	1,948	1,886	9,726	4,188	5,538
Ontario	5,913	5,650	263	17,139	17,169	(30)
Maritimes	3,248	2,478	770	8,889	6,830	2,059
Total	85,651	77,746	7,905	247,607	227,302	20,305

Investment earnings were lower in the third quarter of 2008 compared to the same period in 2007, largely due to a $1.5 million decrease in realized gains on the sale of investments. Year-to-date investment earnings are $1.2 million lower than the previous year, also due to lower realized gains from Canadian equities. The annualized cost-based rate of return at September 30, 2008, was 5.4%, compared to 6.5% for 2007.

Year-to-date, the market value of investments has declined $19.1 million, with the decline attributed to weak Canadian and foreign equity markets ($19.3 million). As a result of the decline, investment write downs of $485,000 related to certain equity investments were recorded. While investment income remains positive due to interest and dividend income of $16.6 million and realized gains of $7.0 million, the large market value losses will impact the ability of the portfolio to generate realized gains going forward.

Expenses

(thousands of $ - except percentages)

	three months to September 30			nine months to September 30		
	2008	2007	change	2008	2007	change
Claims incurred	63,593	64,825	(1,232)	142,421	152,926	(10,505)
Other expenses	33,578	30,145	3,433	95,888	87,878	8,010
	97,171	94,970	2,201	238,309	240,804	(2,495)
Loss ratio	74.2%	83.4%	-9.2%	57.5%	67.3%	-9.8%

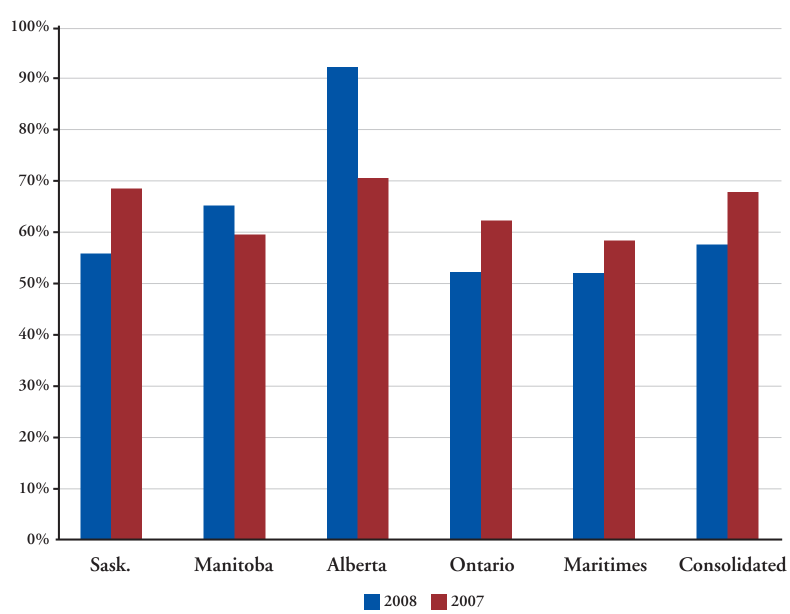
Expenses are comprised of claims incurred and other expenses which include commissions, premium taxes, administrative expenses and Facility Association participation costs. Third quarter expenses increased over the same period in 2007, due to higher commissions and premium taxes, a result of the increase in premiums. Year-to-date expenses were lower in 2008 than 2007 primarily due to lower levels of claims incurred.

Claims incurred

Third quarter claims incurred of $63.6 million represent a 1.9% decrease over 2007, resulting in a consolidated loss ratio of 74.2% in the third quarter of 2008 compared to 83.4% in 2007. The decrease has primarily resulted from lower claims costs related to severe summer storms in Saskatchewan through the third quarter of 2008 ($12.3 million) compared to 2007 ($15.4 million). Out-of-province claims incurred of $10.2 million represented a $2.6 million increase over the third quarter of 2007, primarily from claims growth as a result of continued diversification into Alberta. The overall loss ratio for out-of-province operations increased to 63.5% in the third quarter of 2008 (2007 – 59.3%).

Claims incurred totalled $142.4 million for the first nine months of 2008, a 6.9% decrease from 2007. This decrease is reflected in the 2008 consolidated loss ratio of 57.5% (2007 – 67.3%), as outlined in the following chart.

Loss Ratios



The Saskatchewan loss ratio to the end of September of 56.0% is down considerably from last year's loss ratio of 68.3%, primarily due to summer storm volumes. In 2007, Saskatchewan storm costs of $24.4 million were incurred to the end of September, while only $12.3 million has been incurred to the end of September 2008.

The Alberta loss ratio has increased from 70.9% in 2007 to 92.5% in 2008. The Alberta loss ratio is higher than last year in part due to the Court of Queen's Bench overturning the Minor Injury Regulation, referred to as the cap on minor injuries, in early 2008.

Both the Ontario and Maritimes loss ratios are down from 2007, as a result of actuarial valuations performed in 2008, which resulted in decreases to prior years' claims reserves.

Other expenses

For the third quarter, other expenses increased $3.4 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 increased $8.0 million in 2008 compared to the prior year. The increase is due to higher 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 $)	September 30 2008	December 31 2007	Change
Total assets	**713,700**	**707,169**	**6,531**
Key asset account changes:			
Cash and cash equivalents	14,677	34,994	(20,317)
Accounts receivable	110,945	88,372	22,573
Investments	484,208	481,127	3,081

Total assets have increased $6.5 million to the end of September. Accounts receivable has increased primarily as a result of an increase in the amounts due from brokers and growth in the amount of premiums being financed, which is reflective of the growing book of business.

At December 31, 2007, SGI CANADA held significant short-term investments classified as cash equivalents, which during 2008 have been reinvested in longer-term investments, resulting in the decline in cash and cash equivalents.

While the carrying value of investments is consistent with year-end, it has declined by $19.1 million due to declining market values but has been offset by a growing investment base. Most of the market value declines experienced are in Canadian and foreign equities. On a quarterly basis, the Corporation monitors for impairment on investments where the carrying value has declined below cost. Aside from $485,000, which was written down during the quarter, the market value losses are viewed as temporary, driven by the recent third quarter market downturn. The Corporation will continue to monitor investments through the fourth quarter and assess whether any further permanent impairments exist.

(thousands of $)	September 30 2008	December 31 2007	Change
Total liabilities	**534,631**	**516,423**	**18,208**
Key liability account changes:			
Unearned premiums	195,761	177,189	18,572
Provision for unpaid claims	289,579	285,567	4,012

Total liabilities have increased $18.2 million to the end of September. The unearned premium increase is directly related to the increase in premiums written. The provision for unpaid claims has increased, primarily due to the continued diversification into Alberta.

(thousands of $)	September 30 2008	December 31 2007	Change
Total equity	**177,210**	**189,037**	**(11,827)**
Key equity account changes:			
Retained earnings	106,128	94,028	12,100
Accumulated other comprehensive income (loss)	(8,918)	15,009	(23,927)

Over the first nine months of 2008, equity has decreased $11.8 million. The increase in retained earnings is attributable to the $30.9 million consolidated net income less dividends declared of $18.8 million. Accumulated other comprehensive income (AOCI), which represents unrealized gains or losses on investments, decreased due to the capital market downturn that occurred in September.

Cash Flow and Liquidity

(thousands of $)

	three months to September 30			nine months to September 30		
	2008	2007	change	2008	2007	change
Operating activities	11,937	16,285	(4,348)	25,231	33,760	(8,529)
Investing activities	(14,032)	(5,977)	(8,055)	(22,466)	14,087	(36,553)
Financing activities	(6,273)	(6,138)	(135)	(23,082)	(29,654)	6,572
Net cash flow	(8,368)	4,170	(12,538)	(20,317)	18,193	(38,510)

While cash flow from operating activities remains positive in the third quarter and year-to-date, it has declined compared to the same periods in 2007. The third quarter decline is largely due to reduced net operating cash flows from Alberta and Manitoba operations. The decline year-to-date is primarily a result of high cash outflows in 2008 for the significant 2007 summer storm season, while the cash outflows in 2007 from the 2006 summer storms was minimal.

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. In the second and third quarters of 2008, many of those cash equivalent securities were reinvested in longer-term investments.

Financing activities for the third quarter consist of the second instalment of the dividend on the 2008 earnings ($6.3 million). Year-to-date financing activities also include the first instalment of the dividend on the 2008 earnings ($6.3 million) and the final instalment of the dividend on 2007 earnings ($10.5 million).

Capital

	2008	2007	2006
Minimum Capital Test Ratio	234%	234%	269%

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 316%. While SGI CANADA's MCT ratio of 234% is below this industry average, it is in excess of the 150% minimum regulatory target and is equivalent to the Corporation's MCT at September 30, 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 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3
Net premiums earned	85,651	81,989	79,967	80,560	77,746	75,639	73,917	75,873	73,310
Claims incurred	63,593	43,139	35,689	34,640	64,825	54,479	33,622	39,212	49,825
Net income (loss)	(6,442)	15,747	21,616	25,011	(9,030)	(2,701)	21,813	14,706	4,773
Cash flow from (used in) operations	11,937	20,834	(7,540)	19,662	16,285	21,883	(4,408)	25,117	21,279
Investments	484,208	490,130	463,205	481,127	455,826	447,488	467,557	444,464	430,368
Provision for unpaid claims	289,579	276,175	278,721	285,567	298,932	280,336	257,148	263,514	258,179
Minimum Capital Test	234%	282%	283%	266%	234%	267%	296%	271%	269%

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, 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. Significant summer storm activities adversely impacted results in the third quarter of 2008 and the second and third quarter of 2007.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages to reduce the impact on its operations and profitability include 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 September 30, 2008 and December 31, 2007

	September 30 2008 (unaudited)	December 31 2007 (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 14,677	$ 34,994
Accounts receivable	110,945	88,372
Deferred policy acquisition costs	47,277	43,347
Future income taxes	3,577	1,903
Reinsurers' share of unearned premiums	12,978	8,862
Investments (note 2)	484,208	481,127
Unpaid claims recoverable from reinsurers	26,033	33,824
Property, plant and equipment	9,534	10,154
Other assets (note 3)	4,471	4,586
	$ 713,700	$ 707,169
Liabilities		
Accounts payable and accrued liabilities	$ 19,692	$ 21,530
Dividend payable	6,273	10,535
Premium taxes payable	11,948	14,408
Amounts due to reinsurers	9,172	5,330
Unearned reinsurance commissions	2,206	1,864
Unearned premiums	195,761	177,189
Provision for unpaid claims	289,579	285,567
	534,631	516,423
Non-controlling interest	1,859	1,709
Province of Saskatchewan's equity		
Equity advances	80,000	80,000
Retained earnings	106,128	94,028
Accumulated other comprehensive income (loss)	(8,918)	15,009
	177,210	189,037
	$ 713,700	$ 707,169

(see accompanying notes)

Consolidated Statement of Operations

For the periods ended September 30, 2008 and 2007

	three months to September 30		nine months to September 30	
	2008	2007	**2008**	2007
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	(thousands of $)		(thousands of $)	
Gross premiums written	$ 101,112	$ 89,941	$ 285,422	$ 259,329
Net premiums written	$ 93,043	$ 82,130	$ 261,447	$ 237,071
Net premiums earned	**$ 85,651**	$ 77,746	**$ 247,607**	$ 227,302
Claims incurred	63,593	64,825	142,421	152,926
Commissions	18,463	15,575	52,053	46,646
Administrative expenses	10,962	10,746	31,938	30,322
Premium taxes	4,103	3,785	11,927	11,063
Facility Association participation (note 9)	50	39	(30)	(153)
Total claims and expenses	**97,171**	94,970	**238,309**	240,804
Underwriting profit (loss)	**(11,520)**	(17,224)	**9,298**	(13,502)
Investment earnings (note 4)	5,627	8,385	23,078	24,299
Income (loss) before income taxes and non-controlling interest	**(5,893)**	(8,839)	**32,376**	10,797
Income taxes	464	200	1,305	589
Income (loss) after income taxes and before non-controlling interest	**(6,357)**	(9,039)	**31,071**	10,208
Non-controlling interest	85	(9)	150	126
Net income (loss)	**$ (6,442)**	$ (9,030)	**$ 30,921**	$ 10,082

(see accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the periods ended September 30, 2008 and 2007

	three months to September 30		nine months to September 30	
	2008	2007	**2008**	2007
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	(thousands of $)		(thousands of $)	
Net income (loss)	**$ (6,442)**	$ (9,030)	**$ 30,921**	$ 10,082
Other comprehensive income (loss), net of income taxes:				
Unrealized gains (losses) on available for sale financial assets arising during the period	(19,796)	2,409	(19,101)	347
Income tax (expense) recovery on unrealized losses	1,572	(160)	1,366	226
	(18,224)	2,249	(17,735)	573
Reclassification for realized gains on sale of investments included in operations	(633)	(2,120)	(6,985)	(6,679)
Reclassification for investment writedowns included in operations	485	–	485	–
Income tax (recovery) on losses or gains	35	(61)	308	(141)
	(113)	(2,181)	(6,192)	(6,820)
Other comprehensive income (loss)	**(18,337)**	68	**(23,927)**	(6,247)
Comprehensive income (loss)	**$ (24,779)**	$ (8,962)	**$ 6,994**	$ 3,835

(see accompanying notes)

Consolidated Statement of Changes in Province of Saskatchewan's Equity

For the periods ended September 30, 2008 and 2007

	three months to September 30		nine months to September 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	$ 118,843	$ 88,581	$ 94,028	$ 81,599
Change in accounting policy	–	–	–	146
Net income (loss)	(6,442)	(9,030)	30,921	10,082
Dividend	(6,273)	–	(18,821)	(12,276)
Balance, end of period	**$ 106,128**	$ 79,551	**$ 106,128**	$ 79,551
Accumulated other comprehensive income (loss)				
Balance, beginning of period	$ 9,419	$ 19,480	$ 15,009	$ –
Change in accounting policy	–	–	–	25,795
Other comprehensive income (loss)	(18,337)	68	(23,927)	(6,247)
Balance, end of period	**$ (8,918)**	$ 19,548	**$ (8,918)**	$ 19,548
Total Province of Saskatchewan's equity	**$ 177,210**	$ 179,099	**$ 177,210**	$ 179,099

(see accompanying notes)

Consolidated Statement of Cash Flows

For the periods ended September 30, 2008 and 2007

	three months to September 30		nine months to September 30	
	2008	2007	**2008**	2007
	(**unaudited**)	(unaudited)	(**unaudited**)	(unaudited)
	(thousands of $)		(thousands of $)	
Cash provided by (used for):				
Operating activities				
Net income (loss)	$ (6,442)	$ (9,030)	$ 30,921	$ 10,082
Non-cash items:				
Amortization	496	506	1,412	1,225
Net realized gain on disposal of investments	(633)	(2,120)	(6,985)	(6,679)
Investment write downs	485	–	485	
Income (loss) attributable to non-controlling interest	85	(9)	150	(123)
Loss (income) from investments accounted for on the equity basis	(22)	28	(182)	(119)
Change in non-cash operating items (note 7)	17,968	26,910	(570)	29,374
	11,937	16,285	**25,231**	33,760
Investing activities				
Purchases of investments	(122,703)	(208,387)	(478,054)	(523,092)
Proceeds on sale of investments	108,549	202,303	455,301	538,355
Repayment of capital lease	112	101	327	296
Net purchases of property, plant and equipment	10	6	(40)	(1,472)
	(14,032)	(5,977)	**(22,466)**	14,087
Financing activities				
Dividends paid	**(6,273)**	(6,138)	**(23,082)**	(29,654)
Increase (decrease) in cash and cash equivalents	**(8,368)**	4,170	**(20,317)**	18,193
Cash and cash equivalents, beginning of period	23,045	38,077	34,994	24,054
Cash and cash equivalents, end of period	**$ 14,677**	$ 42,247	**$ 14,677**	$ 42,247

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 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 $) September 30 2008	December 31 2007
Short-term investments	$ 49,768	$ 41,863
Bonds and debentures	326,240	325,170
Canadian common shares	40,352	43,750
U.S. common shares	15,451	13,779
Pooled funds		
Canadian equity	12,223	12,888
U.S. equity	4,597	4,612
Non-North American equity	12,438	16,813
Mortgage	21,069	19,535
Preferred shares	735	735
Investments accounted for on the equity basis	1,335	1,982
Total investments	$ 484,208	$ 481,127

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

	(thousands of $) as at September 30, 2008		as at December 31, 2007	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Bonds and debentures				
Federal	$ 114,327	$(739)	$ 69,871	$(217)
Provincial and municipal	77,220	(927)	29,911	(293)
Corporate	134,693	(2,908)	73,849	(1,417)
Canadian common shares	40,352	(3,259)	9,488	(766)
U.S. common shares	15,451	(1,888)	3,281	(385)
Pooled funds				
Canadian equity	12,223	(2,269)	–	–
U.S. equity	4,597	(2,710)	–	–
Non-North American equity	12,438	(1,407)	–	–
	$ 411,301	$ (16,107)	$ 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. During the quarter, investment writedowns of $485,000 were recorded related to impairments that were considered other than temporary.

3. OTHER ASSETS

Other assets is comprised of the following:

	(thousands of $) September 30 2008	December 31 2007
Net investment in capital lease	$ 1,284	$ 1,611
Prepaid expenses	1,115	866
Intangible asset	812	1,000
Accrued pension asset	779	628
Goodwill	481	481
Total	$ 4,471	$ 4,586

4. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $) three months to Sept. 30		nine months to Sept. 30	
	2008	2007	2008	2007
Interest	$ 3,944	$ 4,820	$ 11,949	$ 13,098
Net realized gain on sale of investments	633	2,120	6,985	6,679
Pooled funds	489	503	1,350	1,510
Premium financing	795	721	2,299	2,080
Dividends	195	205	688	672
Capital lease	34	44	110	141
Investment write downs	(485)	–	(485)	–
Investments accounted for on the equity basis	22	(28)	182	119
Total investment earnings	$ 5,627	$ 8,385	$ 23,078	$ 24,299

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 asset classes 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 September 30, 2008 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	September 30 2008 Carrying Value	December 31 2007 Carrying Value
Cash and cash equivalents	$ 14,677	$ 34,994
Accounts receivable	110,945	88,372
Fixed income investments [1]	397,077	386,568
Unpaid claims recoverable from reinsurers	26,033	33,824

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

Cash and cash equivalents include short-term investments of $21,228,000 less a bank overdraft of $6,551,000 (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:

	(thousands of $) nine months ended September 30 2008	(thousands of $) twelve months ended December 31 2007
Allowance for doubtful accounts, opening balance	$ 4,937	$ 4,593
Accounts written off	(1,111)	(1,223)
Current period provision	842	1,567
Allowance for doubtful accounts, ending balance	$ 4,668	$ 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:

	September 30, 2008		December 31, 2007	
Credit Rating	Carrying Value (thousands of $)	Makeup of Portfolio (%)	Carrying Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 153,115	46.9	$ 202,605	62.2
AA	100,747	30.9	66,192	20.4
A	63,051	19.3	54,466	16.8
BBB	9,327	2.9	1,907	0.6
Total	$ 326,240	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- based on the most recent ratings by A.M. Best.

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 (decrease) in interest rates would decrease (increase) other comprehensive income and accumulated other comprehensive income by $15 million at September 30, 2008, representing 3.7% of the $397 million 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, Australasia 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 September 30, 2008, the Corporation's exposure to U.S. equities was 4.2% (December 31, 2007 – 3.8%) and its exposure to non-North American equities was 2.6% (December 31, 2007 – 3.5%).

At September 30, 2008, a 10% appreciation (depreciation) in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $2 million decrease (increase) in other comprehensive income and accumulated other comprehensive income. A 10% appreciation (depreciation) in the Canadian dollar versus the EAFE currencies would result in approximately a $1 million decrease (increase) 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 17.9% (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, and no one holding represents more than 10% of the voting shares of any corporation. As well, no derivative financial instruments have been used to alter the effects of market changes and fluctuations.

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 September 30, 2008:

	(Change in thousands of $)	
Change in Equity Benchmarks	10% increase	10% decrease
S&P/TSX Composite Index	$ 5,258	$ (5,258)
S&P 500 Index	2,005	(2,005)
MSCI EAFE Index	1,244	(1,244)

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 September 30, 2008, the Corporation's MCT was 234%. At December 31, 2007, the industry average was 316%. 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 Sept. 30		nine months to Sept. 30	
	2008	2007	2008	2007
Accounts receivable	$ (7,186)	$ (1,855)	$ (22,573)	$ 5,014
Deferred policy acquisition costs	(2,078)	(1,549)	(3,930)	(2,965)
Reinsurers' share of unearned premiums	(1,209)	(1,090)	(4,116)	(3,592)
Unpaid claims recoverable from reinsurers	3,009	1,521	7,791	(553)
Other assets	293	503	(212)	503
Accounts payable and accrued liabilities	(2,251)	928	(1,838)	(18,501)
Premium taxes payable	4,253	3,775	(2,460)	(2,604)
Amounts due to reinsurers	970	580	3,842	2,971
Unearned reinsurance commissions	62	(64)	342	36
Unearned premiums	8,701	5,565	18,572	13,647
Provision for unpaid claims	13,404	18,596	4,012	35,418
	$ 17,968	$ 26,910	$ (570)	$ 29,374

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 Sept. 30		nine months to Sept. 30	
	2008	2007	2008	2007
Costs incurred	$ 637	$ 580	$ 1,910	$ 1,739
Allocated to:				
SGI CANADA	216	140	649	522
Saskatchewan Auto Fund	421	440	1,261	1,217
	$ 637	$ 580	$ 1,910	$ 1,739

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:

	(thousands of $)			
	three months to Sept. 30		nine months to Sept. 30	
	2008	2007	2008	2007
Net premiums written	$ 473	$ 280	$ 2,699	$ 829
Net premiums earned	$ 443	$ 294	$ 2,259	$ 843
Claims incurred	387	263	1,639	585
Commissions	22	25	48	64
Premium taxes	14	9	70	28
Administrative expenses	106	66	600	154
Total claims and expenses	529	363	2,357	831
Underwriting profit (loss)	(86)	(69)	(98)	12
Investment earnings	36	30	128	141
Net profit (loss)	$ (50)	$ (39)	$ 30	$ 153

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.

three months to September 30 2008	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
			(thousands of $)			
Net premiums written	$ 75,477	$ 9,418	$ 4,218	$ 3,930	$ –	$ 93,043
Net premiums earned	$ 69,540	$ 6,950	$ 5,913	$ 3,248	$ –	$ 85,651
Claims incurred	53,359	5,991	2,821	1,422	–	63,593
Other expenses	27,258	2,689	2,117	1,514	–	33,578
Underwriting profit (loss)	(11,077)	(1,730)	975	312	–	(11,520)
Investment earnings	3,967	506	945	209	–	5,627
Income (loss) before the following:	(7,110)	(1,224)	1,920	521	–	(5,893)
Income taxes (recovery)	–	(359)	643	180	–	464
Non-controlling interest	–	–	–	–	85	85
Net income (loss)	$ (7,110)	$ (865)	$ 1,277	$ 341	$ (85)	$ (6,442)
Total assets	$494,742	$ 98,380	$117,977	$ 35,675	$ (33,074)	$713,700
Shareholder's equity	$102,126	$ 31,358	$ 36,898	$ 8,687	$ (1,859)	$177,210

three months to September 30 2007	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
			(thousands of $)			
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 (loss) before the following:	(11,259)	755	1,729	(64)	–	(8,839)
Income taxes (recovery)	–	224	–	(24)	–	200
Non-controlling interest	–	–	–	–	(9)	(9)
Net income (loss)	$ (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 $)

nine months to September 30 2008	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$210,149	$ 22,406	$ 18,247	$ 10,645	$ –	$261,447
Net premiums earned	$202,862	$ 18,717	$ 17,139	$ 8,889	$ –	$247,607
Claims incurred	113,615	14,823	9,319	4,664	–	142,421
Other expenses	78,007	7,782	6,208	3,891	–	95,888
Underwriting profit (loss)	11,240	(3,888)	1,612	334	–	9,298
Investment earnings	17,540	1,697	3,144	697	–	23,078
Income before the following:	28,780	(2,191)	4,756	1,031	–	32,376
Income taxes (recovery)	–	(645)	1,593	357	–	1,305
Non-controlling interest	–	–	–	–	150	150
Net income	$ 28,780	$ (1,546)	$ 3,163	$ 674	$ (150)	$ 30,921
Total assets	$494,742	$ 98,380	$117,977	$ 35,675	$ (33,074)	$713,700
Shareholder’s equity	$102,126	$ 31,358	$ 36,898	$ 8,687	$ (1,859)	$177,210

(thousands of $)

nine months to September 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

11. COMPARATIVE FINANCIAL INFORMATION

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