SGI CANADA
Quarterly Report
MARCH 2010

SGI CANADA

Corporate Profile

Vision

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

Values

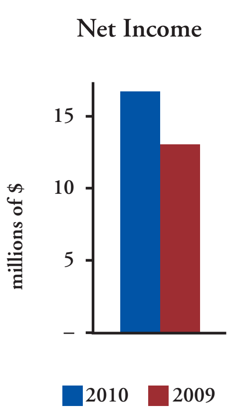
Integrity – Conducting ourselves with honesty, trust and fairness
Caring – Acting with empathy, courtesy and respect
Innovation – Implementing creative solutions to achieve our vision

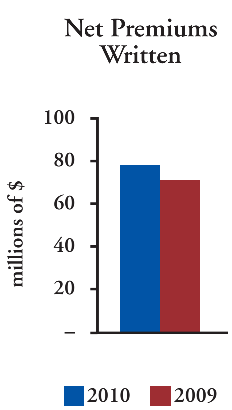
About SGI CANADA

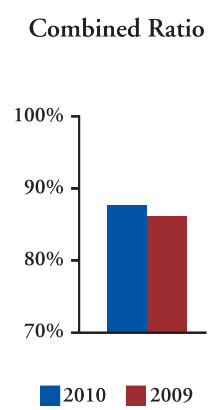
SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, Coachman Insurance Company in Ontario and the Insurance Company of Prince Edward Island in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

Financial Highlights

For the three months to March 31







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 March 31, 2010, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2009. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to May 11, 2010.

Overview

	three months to March 31		
(thousands of $ – except for percentages)	2010	2009	Change
Net premiums written	78,359	71,956	6,403
Net income (loss)	16,737	13,232	3,505
Combined ratio	87.9%	85.6%	2.3%

The Corporation continues to experience strong premium growth. Overall, 80% of the growth was attributable to markets outside of Saskatchewan. Net income growth was primarily a result of an improvement in investment earnings in the first quarter of 2010 as compared to 2009. The combined ratio remains strong, with the slight increase largely a function of higher claim costs in Saskatchewan and Alberta.

Outlook

Underwriting results contributed to a strong profit in the first quarter of 2010, positioning SGI CANADA well leading into the second quarter. This is key, as market concentration in Saskatchewan exposes the Corporation to storm losses, as evidenced in early April 2010 which saw significant claims resulting from wind related damage throughout the province. As the warm summer months approach there is the potential for further storms in Saskatchewan which can quickly and unfavourably impact profitability. In this respect, the first quarter profit generated will benefit the Corporation heading into the summer months. Also, to offset the impact of Saskatchewan summer storms, the Corporation spreads its insurance risk geographically.

Investment markets have continued to see a strong recovery through the first quarter of 2010. Although investment earnings have recovered over 2009 levels, the Corporation is experiencing lower investment earnings compared to previous years. Uncertainty in the investment markets is expected to continue for the remainder of 2010. Despite the possible short-term volatility, the Corporation will stay the course, as it maintains a well-diversified and high-quality investment portfolio, and follows prudent investment management policies and processes.

In recent years, SGI CANADA has paid a dividend of 65% of annual profit. However, the 2010 dividend rate has been approved at 100% of the annual profit. The Corporation's capital position is adequate to support the higher dividend rate through 2010.

Revenue

	three months to March 31		
(thousands of $)	2010	2009	Change
Premiums earned	97,220	87,444	9,776
Investment earnings	5,500	998	4,502

Premium earnings grew 11% in the first quarter compared to last year. All jurisdictions recorded growth in premium for the first three months of 2010:

Premiums earned by operating segment

	three months to March 31		
(thousands of $)	2010	2009	Change
Saskatchewan	75,297	70,244	5,053
Alberta and Manitoba	9,903	7,826	2,077
Ontario	7,554	5,870	1,684
Maritimes	4,466	3,504	962
Total	97,220	87,444	9,776

Premiums earned in Saskatchewan increased 7% with property business contributing the majority of the increase. Alberta provided the bulk of the increase in the Alberta and Manitoba operating segment, largely a result of increased auto premiums. Ontario also experienced considerable growth in premium earnings due to increased auto business. Maritime premiums reflect continued growth in the newer markets of New Brunswick and Nova Scotia.

Investment earnings in the first quarter were significantly higher than the same period in 2009. Equity markets were positive in the first quarter, helping recover from weakness in previous quarters and generating capital gains on the sale of equities. An investment write-down of $94,000 was recorded in the first quarter of 2010, compared to $2.4 million in write-downs recorded during the same period of 2009. While interest income remained relatively stable over the 2009 period, capital gains on the sale of bonds decreased.

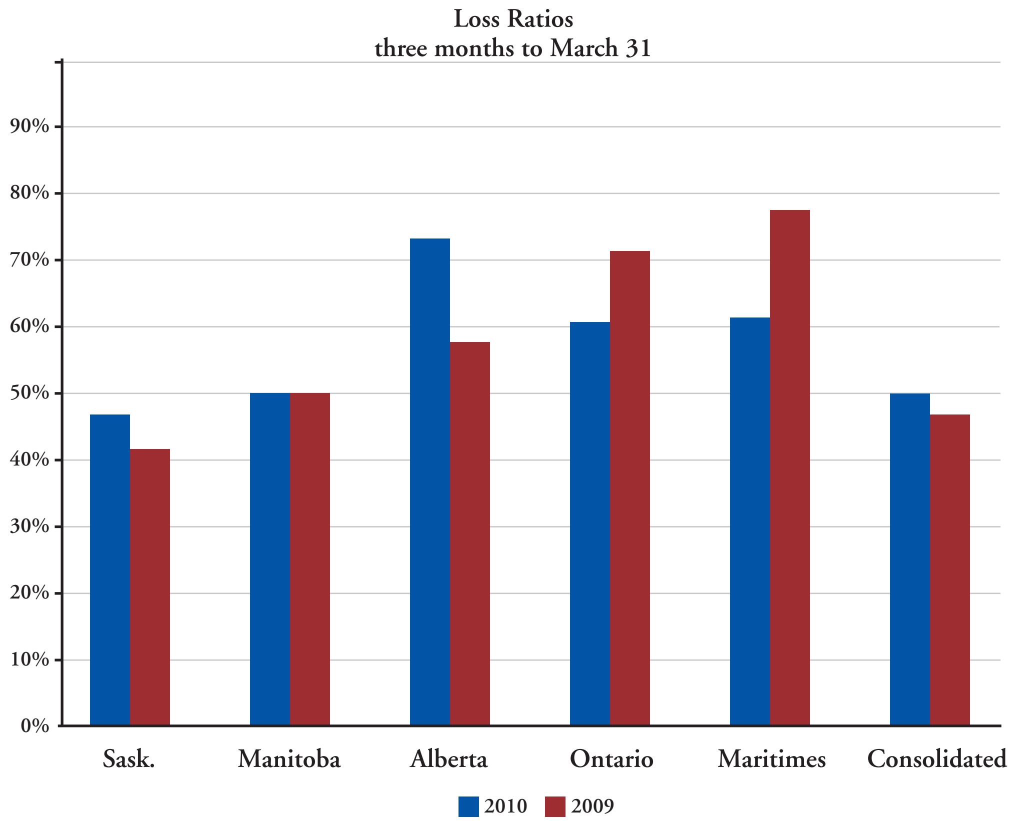
Expenses

	three months to March 31		
(thousands of $ – except percentages)	2010	2009	Change
Claims incurred	48,592	40,607	7,985
Other expenses	36,850	34,208	2,642
	85,442	74,815	10,627
Loss ratio	50.0%	46.4%	3.6%

Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and Facility Association participation costs.

Claims incurred
First quarter claims incurred were 19.6% higher than 2009. The consolidated loss ratio increased to 50.0%, compared to 46.4 % in 2009, primarily a result of increased claim costs from Saskatchewan and Alberta operations. Out-of-province claims incurred were $2.7 million higher than the first quarter of 2009. However, the overall loss ratio for out-of-province operations decreased to 63.0% in the first quarter of 2010 (2009 – 64.9%), a reflection of the growing premium base.

The following chart summarizes first quarter loss ratios by jurisdiction:



Saskatchewan's loss ratio of 46.2% is higher than last year's three month ratio of 41.9%, with the increase primarily related to one large commercial liability claim in the first quarter of 2010.

Alberta's loss ratio has increased from 57.2% in 2009 to 74.3% in 2010, primarily due to unfavourable development on several prior-year auto liability claims.

The Ontario loss ratio has decreased from 71.6% in 2009 to 60.5% in 2010, a result of an abnormally high number of fires in the prior year.

The Maritimes loss ratio has decreased from 77.6% in 2009 to 61.9% in 2010, a result of one large commercial property loss in the prior year.

Other expenses

For the first quarter, other expenses increased $2.6 million compared to the same period in 2009. This was due to higher commissions and premium taxes, primarily a result of the premium growth experienced in the quarter.

Balance Sheet Review

(thousands of $)	March 31 2010	December 31 2009	Change
Total assets	**789,865**	**827,347**	**(37,482)**
Key asset account changes:			
Cash and cash equivalents	10,567	16,920	(6,353)
Accounts receivable	107,671	125,334	(17,663)
Investments	564,926	579,730	(14,804)
Reinsurers' share of unearned premiums	16,041	9,480	6,561

The decline in cash and cash equivalents are discussed in the Cash Flow and Liquidity section that follows. Accounts receivable have decreased, largely a result of a decrease in amounts due from customers and brokers, a direct result of lower premium volumes in the first quarter compared to the fourth quarter of 2009. In addition, there were significant investment proceeds receivable at the end of 2009, which were received during the quarter. The carrying value of investments decreased through the quarter due to sales of equities and bonds as discussed in the Cash Flow and Liquidity section that follows. Reinsurers' share of unearned premiums are higher than at the end of 2009 as most annual reinsurance contracts are written during the first quarter of the year, and earned over the remainder of the year.

(thousands of $)	March 31 2010	December 31 2009	Change
Total liabilities	**548,324**	**599,246**	**(50,922)**
Key liability account changes:			
Accounts payable and accrued liabilities	25,014	39,476	(14,462)
Dividend payable	8,011	22,199	(14,188)
Premium taxes payable	3,768	17,474	(13,706)
Unearned premiums	206,473	218,893	(12,420)

Accounts payable and accrued liabilities decreased, largely due to payments made during the quarter related to 2009 broker bonuses and investment commitments that were payable at year-end. Premium taxes payable decreased due to the annual 2009 premium taxes being paid in March 2010. The dividend payable decrease was a result of the 2009 fourth quarter dividend being paid to the province in the first quarter of 2010. The decrease in unearned premiums was due to premiums written in the first quarter of 2010 being lower than in the last half of 2009.

(thousands of $)	March 31 2010	December 31 2009	Change
Total equity	**239,688**	**226,312**	**13,376**
Key equity account changes:			
Retained earnings	135,205	126,479	8,726
Accumulated other comprehensive income (loss)	24,483	19,833	4,650

The increase in retained earnings is attributable to the $16.7 million consolidated net income less dividends declared of $8.0 million. The increase in accumulated other comprehensive income (AOCI) is a result of an increase in investment market values during the first three months of 2010.

Cash Flow and Liquidity

	three months to March 31		
(thousands of $)	2010	2009	Change
Operating activities	(3,567)	(9,034)	5,467
Investing activities	19,413	12,767	6,646
Financing activities	(22,199)	(7,421)	(14,778)
Net cash flow	(6,353)	(3,688)	(2,665)

While the Corporation's operating activities generated net income of $16.7 million for the first quarter, negative cash flow of $3.6 million occurred. This was largely a result of the annual premium tax payment in the first quarter.

Investing activities generated $19.4 million through the sale of long-term equity and bond investments in order to fund the negative operating cash flows of $3.6 million and the $22.2 million dividend payment.

Capital

	as at March 31	
	2010	2009
Minimum Capital Test	280%	232%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At March 31, 2010, the Corporation's MCT was 280% (December 31, 2009 – 254%), which is in excess of the 150% minimum regulatory target. For further information on capital management, refer to note 5 of the notes to the consolidated financial statements for the quarter.

SGI CANADA

Quarterly Consolidated Financial Highlights

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

	2010	2009				2008			
(thousands of $)	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Net premiums earned	97,220	98,166	94,468	90,477	87,444	88,282	85,651	81,989	79,967
Claims incurred	48,592	49,136	56,912	42,956	40,607	43,172	63,593	43,139	35,689
Net income (loss)	16,737	15,045	6,431	17,659	13,232	9,430	(6,442)	15,747	21,616
Cash flow from (used in) operations	(3,567)	33,361	18,897	25,208	(9,034)	34,163	11,937	20,834	(7,540)
Investments	564,926	579,730	566,248	519,335	489,212	506,114	484,208	490,130	463,205
Provision for unpaid claims	292,484	293,575	289,608	277,681	280,737	287,103	289,579	276,175	278,721
Minimum Capital Test	280%	254%	273%	265%	232%	228%	234%	282%	283%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2010:

- Net premiums earned generally increase on a quarter-over-quarter basis during the year.

- The first quarter generally experiences lower claims incurred compared to the rest of the year. Claims incurred are anticipated to increase in the second and third quarters as a result of the summer storm season.

- With the exception of the first quarter, the Corporation generates positive cash flow from operations. Cash is typically low in the first quarter as the Corporation pays its annual premium taxes to the province in March. Operating cash flows are generally strong throughout the remaining nine months of the year and during these months excess cash generated is reinvested into investments.

Risk Management

Understanding and managing risk is fundamental to the Corporation’s success. Risks that the Corporation manages in order to reduce the impact on its operations and profitability include low tolerance for loss from diversification, claim provisions risk, financial markets risk, privacy risk, system availability and integrity risk, recruitment, retention and engagement risk, and responsiveness to business needs risk. These risks remain unchanged from the previous year-end and are described in detail in the Corporation’s 2009 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 2009 Annual Report.

New accounting standards
There are no new accounting standards as compared to those discussed in the Corporation's 2009 Annual Report.

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 2009 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 2009 Annual Report.

Future accounting standard changes
In February 2008, the CICA Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation and its subsidiaries, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures. The Corporation is considered to be a government business enterprise and therefore the Corporation and its subsidiaries are proceeding with the adoption of IFRS.

The Corporation has an IFRS conversion project ongoing that began with the development of a high-level IFRS implementation plan. The plan includes stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance, and accountability responsibilities and resource requirements. A steering committee is in place that includes senior level management who have the responsibility to ensure the project is adequately planned in sufficient detail, appropriate resources are available, necessary milestones are established and project progress is properly monitored. An external advisor has been engaged to assist with the conversion project. Regular reporting is provided by the project team to senior management, the Steering Committee and the Audit and Finance Committee of the Board of Directors.

The IFRS conversion project is progressing on schedule, in accordance with the plan. The project consists of four phases: Project Initiation and Initial Assessment, Detailed Assessment, Design and Execution. The Corporation has completed the Project Initiation and Initial Assessment stage, which involved a high-level preliminary assessment of the differences between Canadian GAAP and IFRS, and the potential impacts of IFRS to accounting and reporting processes, approval of the project charter and a high-level project plan, and the development of an IFRS training plan.

The Initial Assessment, completed in the first quarter of 2009, provided insight as to the most significant differences applicable to the Corporation, which include insurance contract classification and measurement, first-time adoption, financial instruments, property, plant and equipment, joint ventures, employee future benefits, consolidation and minority interest, provisions and leases, as well as the more extensive presentation and disclosure requirements under IFRS.

During the Detailed Assessment, completed in the fourth quarter of 2009, the Corporation selected IFRS accounting policies, made transitional elections and identified any information technology system requirements. This phase of the project was substantially completed December 31, 2009.

Set out below are the key areas where changes in accounting policies are expected to impact the Corporation's consolidated financial statements. The list and comments below should not be regarded as a complete list of all changes that will result from the transition to IFRS. The list is intended to highlight those areas believed to have the most significant financial impact to the Corporation at the time of writing this report.

Employee benefits

The Corporation plans to utilize an election to recognize all cumulative actuarial gains and losses existing at the date of transition immediately in retained earnings. In addition, vested past service costs are required to be expensed immediately under IFRS, whereas these costs were deferred and amortized under Canadian GAAP. This change in accounting policy will also be adjusted at the date of transition through retained earnings.

On a go-forward basis, actuarial gains and losses are permitted to be recognized using one of three options: the corridor method, immediately through profit or loss, or in other comprehensive income. The Corporation plans to continue to recognize actuarial gains/losses using the corridor method.

Financial instruments

Financial instruments require that financial assets classified as available for sale be tested for impairment at each reporting date. The Corporation is currently assessing the impact of transitioning to IFRS on the Corporation's impairment policy for investments.

Business combinations

The Corporation plans to utilize the IFRS 1 exemption which allows the Corporation to option to apply IFRS 3, Business Combinations, prospectively from the transition date. If this exemption was not used, IFRS would require the restatement of all business combinations that occurred prior to the transition date. The Corporation will elect to not retrospectively apply IFRS 3, Business Combinations, to business combinations that occurred prior to the transition date and, as such, business combinations have not been restated. As a result of applying this exemption, goodwill and non-controlling interest arising on business combinations prior to the transition date have not been adjusted from the carrying value previously determined under Canadian GAAP.

Insurance contracts
The Corporation plans to utilize the IFRS 1 exemption which allows the Corporation to disclose only five years of data in its loss development tables, consistent with the transitional provision of IFRS 4, Insurance Contracts. The disclosure will be increased in each subsequent year, until a full 10 years of information is included.

Leases
The Corporation plans to utilize the IFRS 1 exemption available with regards to determining if an arrangement contains a lease. This exemption eliminates the requirement for the Corporation to re-assess the determination of whether an arrangement contains a lease at the date of transition if the conclusion reached under Canadian GAAP is the same as the conclusion that would have been reached under IFRS.

Property, plant and equipment
An IFRS 1 exemption is available which allows property, plant and equipment, upon transition, to be recorded at fair value. Property, plant and equipment would otherwise be restated at cost less depreciation under IFRS. The exemption can be applied on an asset-by-asset basis. The Corporation is currently analyzing the applicability of this exemption.

Caution Regarding Forward-Looking Statements

Forward-looking statements include statements regarding SGI CANADA's objectives and strategies, and its ability 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 it believes are relevant 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 March 31, 2010 and December 31, 2009

	March 31 2010 (unaudited)	December 31 2009 (audited)
	(thousands of $)	
Assets		
Cash and cash equivalents	$ 10,567	$ 16,920
Accounts receivable	107,671	125,334
Deferred policy acquisition costs	49,219	52,412
Future income taxes	1,082	1,406
Reinsurers' share of unearned premiums	16,041	9,480
Investments (note 2)	564,926	579,730
Unpaid claims recoverable from reinsurers	27,914	29,626
Property, plant and equipment	8,780	8,746
Other assets	3,665	3,783
	$ 789,865	$ 827,437
Liabilities		
Accounts payable and accrued liabilities	$ 25,014	$ 39,476
Dividend payable	8,011	22,199
Premium taxes payable	3,768	17,474
Amounts due to reinsurers	9,640	4,578
Unearned reinsurance commissions	2,934	3,051
Unearned premiums	206,473	218,893
Provision for unpaid claims	292,484	293,575
	548,324	599,246
Non-controlling interest	1,853	1,879
Province of Saskatchewan's equity		
Equity advances	80,000	80,000
Retained earnings	135,205	126,479
Accumulated other comprehensive income	24,483	19,833
	239,688	226,312
	$ 789,865	$ 827,437

(see accompanying notes)

Consolidated Statement of Operations

for the periods ended March 31, 2010 and 2009

	three months to March 31	
	2010	2009
	(unaudited)	(unaudited)
	(thousands of $)	
Gross premiums written	$ 92,305	$ 83,942
Net premiums written	$ 78,359	$ 71,956
Net premiums earned	**$ 97,220**	$ 87,444
Claims incurred	48,592	40,607
Commissions	20,661	18,106
Administrative expenses	11,668	11,938
Premium taxes	4,621	4,196
Facility Association participation (note 8)	(100)	(32)
Total claims and expenses	**85,442**	74,815
Underwriting profit	**11,778**	12,629
Investment earnings (note 3)	5,500	998
Income before income taxes and non-controlling interest	**17,278**	13,627
Income taxes	567	464
Income after income taxes and before non-controlling interest	**16,711**	13,163
Non-controlling interest	(26)	(69)
Net income	**$ 16,737**	$ 13,232

(see accompanying notes)

SGI CANADA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the periods ended March 31, 2010 and 2009

	three months to March 31	
	2010 (unaudited)	2009 (unaudited)
	(thousands of $)	
Net income	**$ 16,737**	$ 13,232
Other comprehensive income, net of income taxes:		
Unrealized gains (losses) on available for sale financial assets arising during the period	5,166	(4,041)
Income tax recovery (expense)	(181)	69
	4,985	(3,972)
Reclassification of net realized losses (gains) on sale of investments included in operations	(285)	1,793
Reclassification for investment write-downs included in operations	94	2,446
Income tax expense (recovery)	(144)	77
	(335)	4,316
Other comprehensive income	**4,650**	344
Comprehensive income	**$ 21,387**	$ 13,576

(see accompanying notes)

Consolidated Statement of Changes in Province of Saskatchewan's Equity

for the periods ended March 31, 2010 and 2009

	three months to March 31	
	2010 (unaudited)	2009 (unaudited)
	(thousands of $)	
Equity advances		
Balance, end of period	**$ 80,000**	$ 80,000
Retained earnings		
Balance, beginning of period	$ 126,479	$ 108,151
Net income	16,737	13,232
Dividend	(8,011)	(6,602)
Balance, end of period	**$ 135,205**	$ 114,781
Accumulated other comprehensive income (loss)		
Balance, beginning of period	$ 19,833	$ (10,318)
Other comprehensive income	4,650	344
Balance, end of period	**$ 24,483**	$ (9,974)
Total Province of Saskatchewan's equity	**$ 239,688**	$ 184,807

(see accompanying notes)

SGI CANADA

CONSOLIDATED STATEMENT OF CASH FLOWS

for the periods ended March 31, 2010 and 2009

	three months to March 31	
	2010 (unaudited)	2009 (unaudited)
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Net income	$ 16,737	$ 13,232
Non-cash items:		
Amortization	791	546
Net realized loss (gain) on disposal of investments	(285)	1,793
Future income taxes	324	–
Investment write-downs	94	2,446
Loss attributable to non-controlling interest	(26)	(69)
Income from investments accounted for on the equity basis	(138)	(107)
Change in non-cash operating items (note 6)	(21,064)	(26,875)
	(3,567)	(9,034)
Investing activities		
Purchases of investments	(88,809)	(92,129)
Proceeds on sale of investments	108,361	104,701
Repayment of capital lease	130	117
Disposals (purchases) of property, plant and equipment	(269)	78
	19,413	12,767
Financing activities		
Dividends paid	**(22,199)**	(7,421)
Decrease in cash and cash equivalents	**(6,353)**	(3,688)
Cash and cash equivalents, beginning of period	16,920	12,299
Cash and cash equivalents, end of period	**$ 10,567**	$ 8,611

(see accompanying notes)

Notes to the Consolidated Financial Statements (unaudited)

March 31, 2010

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 (GAAP) and are consistent with those used in the preparation of the Corporation's 2009 annual audited consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's 2009 Annual Report.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the 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, income taxes and employee future benefits.

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation commenced an IFRS conversion project in 2008. The project is on schedule and the Corporation is currently finalizing the impact that the adoption of IFRS will have on the financial statements.

2. INVESTMENTS

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

	(thousands of $) March 31 2010	(thousands of $) December 31 2009
Short-term investments	$ 8,478	$ 18,933
Bonds and debentures	382,993	393,128
Canadian common shares	73,239	68,330
U.S. common shares	22,332	22,637
Pooled funds:		
Canadian equity	16,725	17,287
United States equity	6,537	7,529
Non-North American equity	28,658	26,747
Mortgage	23,755	23,067
Preferred shares	735	735
Investments accounted for on the equity basis	1,474	1,337
Total investments	$ 564,926	$ 579,730

The following table presents available for sale investments with unrealized losses at March 31, 2010 where the decline is considered temporary. The unrealized losses are recorded as a component of accumulated other comprehensive income.

	(thousands of $) as at March 31, 2010		as at December 31, 2009	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Bonds and debentures:				
Federal	$ 118,703	$ (621)	$ 87,165	$ (491)
Provincial and municipal	27,516	(332)	20,956	(247)
Corporate	23,308	(196)	29,046	(365)
Canadian common shares	7,341	(768)	7,694	(465)
U.S. common shares	5,964	(375)	7,176	(498)
Pooled funds:				
Canadian equity	16,725	(479)	17,287	(1,807)
United States equity	–	–	7,529	(195)
Non-North American equity	28,658	(916)	26,747	(296)
	$ 228,215	$ (3,687)	$ 203,600	$ (4,364)

As at March 31, 2010, the cost of 115 (December 31, 2009 – 131) available for sale investments exceeded their fair value by $3,687,000 (December 31, 2009 – $4,364,000). The unrealized losses on the bonds and debentures arose primarily from changes in interest rates. For Canadian and U.S. common shares and pooled funds, the unrealized losses are primarily the result of investment-specific business environment factors associated with the underlying equity investments.

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 write-downs of $94,000 (March 31, 2009 – $2,446,000) were recorded related to impairments that were considered other than temporary.

Determination of fair value

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

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

Level 3 – Models using inputs that are not based on observable market data.

(thousands of $)

	March 31, 2010			December 31, 2009		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Short-term investments	$ 8,478	$ –	$ 8,478	$ 18,933	$ –	$ 18,933
Bonds and debentures	382,993	–	382,993	393,128	–	393,128
Canadian common shares	73,239	–	73,239	68,330	–	68,330
U.S. common shares	22,332	–	22,332	22,637	–	22,637
Pooled funds:						
Canadian equity	16,725	–	16,725	17,287	–	17,287
United States equity	6,537	–	6,537	7,529	–	7,529
Non-North American equity	28,658	–	28,658	26,747	–	26,747
Mortgage	–	23,755	23,755	–	23,067	23,067
	$538,962	$ 23,755	$562,717	$554,591	$ 23,067	$577,658

Preferred shares and investments accounted for on the equity basis are not included in the above fair value hierarchy table as the preferred shares are carried at cost and the investments accounted for on the equity basis are recorded using the equity method.

3. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $) three months to March 31 2010	2009
Interest	$ 3,540	$ 3,558
Premium financing	1,009	832
Pooled fund distributions	438	426
Dividends	380	471
Net realized gain (loss) on sale of investments	285	(1,793)
Investments accounted for on the equity basis	138	107
Interest on net investment in capital lease	16	28
Investment write-downs	(94)	(2,446)
Total investment earnings	$ 5,712	$ 1,183
Investment expenses	(212)	(185)
Net investment earnings	$ 5,500	$ 998

4. FINANCIAL RISK MANAGEMENT

The nature of the Corporation's operations result in a statement of financial position 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 Corporation's Board of Directors, based on a recommendation from the Board's Investment Committee. The SIP&G provides guidelines to the investment manager for the asset mix of the portfolio and specifics 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. SGI receives regular reporting from the investment manager and custodian regarding compliance with the SIP&G.

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 March 31, 2010 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of $)	
	March 31 2010 Carrying Value	December 31 2009 Carrying Value
Cash and cash equivalents	$ 10,567	$ 16,920
Accounts receivable	107,671	125,334
Fixed income investments [1]	415,226	435,128
Unpaid claims recoverable from reinsurers	27,914	29,626

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

Cash and cash equivalents include money market investments of $16,933,000 less cash on hand, net of outstanding cheques of $6,366,000 (December 31, 2009 – money market investments of $22,300,000 less cash on hand, net of outstanding cheques of $5,380,000). The money market 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 $)	
	three months ended March 31 2010	twelve months ended December 31 2009
Allowance for doubtful accounts, opening balance	$ 6,261	$ 4,900
Accounts written off	(618)	(1,430)
Current period provision	186	2,791
Allowance for doubtful accounts, ending balance	$ 5,829	$ 6,261

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:

	March 31, 2010		December 31, 2009	
Credit Rating	Carrying Value (thousands of $)	Makeup of Portfolio (%)	Carrying Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 200,229	52.3%	$ 202,557	51.5%
AA	82,357	21.5%	84,534	21.5%
A	80,830	21.1%	86,160	21.9%
BBB	19,577	5.1%	19,877	5.1%
Total	$ 382,993	100.0%	$ 393,128	100.0%

Within the bond and debenture portfolio, 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.

Through its custodian, the Corporation participates in an investment security lending program. Collateral of at least 102% of the market value of the loaned securities is held for the loan. This collateral is marked to market on a daily basis. In addition, the custodian provides indemnification against any potential losses in the securities lending program. At March 31, 2010, the Corporation had $33,100,000 (December 31, 2009 – $40,139,000) of securities on loan under the program and held collateral of $34,800,000 (December 31, 2009 – $42,149,000).

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 bonds and debentures, and the mortgage pooled fund. 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 $17.6 million at March 31, 2010 (December 31, 2009 - $18.1 million), representing 4.3% of the $415.2 million (December 31, 2009 – 4.2%, $435.1 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 Europe, Australasia and Far East (EAFE) currencies through its investment in the non-North American equity 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 March 31, 2010, the Corporation's exposure to U.S. equities was 5.2% (December 31, 2009 – 5.2%) and its exposure to non-North American equities was 5.1% (December 31, 2009 – 4.6%).

At March 31, 2010, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $2.9 million (December 31, 2009 – $3.0 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 $2.9 million (December 31, 2009 – $2.7 million) decrease/increase in other comprehensive income and accumulated other comprehensive income. As U.S. common shares, the 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 26.2% (December 31, 2009 – 24.7%) 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.

The Corporation's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

	(thousands of $)	
Asset Class	March 31 2010	December 31 2009
Canadian pooled equity fund and Canadian common shares	$ +/- 34,829	$ +/- 32,877
U.S. pooled equity fund and U.S. common shares	+/- 7,275	+/- 7,542
Non-North American pooled equity fund	+/- 9,686	+/- 9,147

The Corporation's equity investments are classified as available for sale and, as such, any unrealized changes in their fair value are recorded as other comprehensive income and do not directly impact net income until the investment is sold.

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, although they can be negative in the first quarter as a result of annual premium tax payments.

5. 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 ratio based on the risk profile of the insurer and its insurance business, generally at or above 150%. At March 31, 2010, the Corporation's MCT was 280% (December 31, 2009 – 254%). There have been no changes to the Corporation's capital management processes and measures since the prior year-end.

6. CHANGE IN NON-CASH OPERATING ITEMS

	(thousands of $) three months to March 31	
	2010	2009
Accounts receivable	$ 17,663	$ 3,563
Deferred policy acquisition costs	3,193	2,605
Reinsurers' share of unearned premiums	(6,561)	(4,859)
Unpaid claims recoverable from reinsurers	1,712	504
Other assets	(12)	(171)
Accounts payable and accrued liabilities	(14,787)	(6,150)
Premium taxes payable	(13,706)	(12,399)
Amounts due to reinsurers	5,062	7,461
Unearned reinsurance commissions	(117)	(380)
Unearned premiums	(12,420)	(10,683)
Provision for unpaid claims	(1,091)	(6,366)
	$ (21,064)	$ (26,875)

7. 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 March 31	
	2010	2009
Costs incurred	$ 777	$ 718
Allocated to:		
SGI CANADA	244	254
Saskatchewan Auto Fund	533	464
	$ 777	$ 718

8. 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 March 31	
	2010	2009
Net premiums written	$ 463	$ 340
Net premiums earned	$ 582	$ 396
Claims incurred	252	285
Commissions	127	19
Premium taxes	18	12
Administrative expenses	109	78
Total claims and expenses	506	394
Underwriting profit	76	2
Investment earnings	24	30
Net profit	$ 100	$ 32

9. 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:

- 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, New Brunswick and Nova Scotia.

(thousands of $)

three months to March 31 2010	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 58,654	$ 7,344	$ 8,963	$ 3,398	$ –	$ 78,359
Net premiums earned	$ 75,297	$ 9,903	$ 7,554	$ 4,466	$ –	$ 97,220
Claims incurred	34,771	6,491	4,567	2,763	–	48,592
Other expenses	29,345	3,427	2,177	1,901	–	36,850
Underwriting profit (loss)	11,181	(15)	810	(198)	–	11,778
Investment earnings	4,240	364	780	116	–	5,500
Income (loss) before the following:	15,421	349	1,590	(82)	–	17,278
Income taxes (recovery)	–	101	493	(27)	–	567
Non-controlling interest	–	–	–	–	(26)	(26)
Net income (loss)	$ 15,421	$ 248	$ 1,097	$ (55)	$ 26	$ 16,737
Total assets	$553,965	$ 96,392	$134,591	$ 36,819	$ (31,902)	$789,865
Shareholder's equity	$156,077	$ 35,865	$ 40,566	$ 9,033	$ (1,853)	$239,688

SGI CANADA

three months to March 31 2009	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
			(thousands of $)			
Net premiums written	$ 57,385	$ 6,073	$ 5,794	$ 2,704	$ –	$ 71,956
Net premiums earned	$ 70,244	$ 7,826	$ 5,870	$ 3,504	$ –	$ 87,444
Claims incurred	29,445	4,244	4,200	2,718	–	40,607
Other expenses	27,870	3,002	1,995	1,341	–	34,208
Underwriting profit (loss)	12,929	580	(325)	(555)	–	12,629
Investment earnings (loss)	(859)	736	907	214	–	998
Income (loss) before the following:	12,070	1,316	582	(341)	–	13,627
Income taxes (recovery)	–	388	192	(116)	–	464
Non-controlling interest	–	–	–	–	(69)	(69)
Net income (loss)	$ 12,070	$ 928	$ 390	$ (225)	$ 69	$ 13,232
Total assets	$492,292	$ 96,318	$118,345	$ 34,192	$ (46,219)	$694,928
Shareholder's equity	$109,721	$ 29,480	$ 38,978	$ 8,421	$ (1,793)	$184,807