SGI CANADA
Quarterly Report
MARCH 2011

Corporate Profile

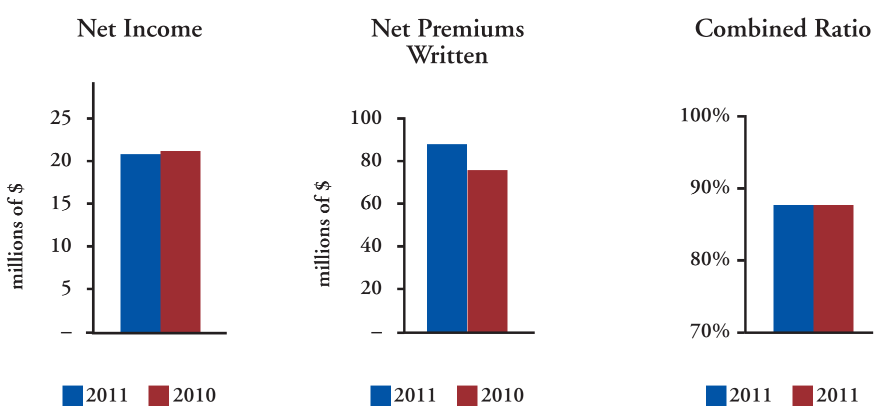
Vision
To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

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, 2011, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2010. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to May 25, 2011.

Overview

(thousands of $ – except for percentages)

	three months to March 31		
	2011	2010	Change
Net premiums written	88,497	77,918	10,579
Net income (loss)	20,942	21,196	(254)
Combined ratio	88%	88%	0%
Minimum Capital Test	258%	280%	-22%

The Corporation continues to experience strong premium growth with an increase in net premiums written in all jurisdictions. The largest growth came from Coachman with a 56% increase over the first three months of 2010. Net income and the combined ratio remain consistent with the prior year, with a slight decrease in net income due to lower investment earnings.

The Corporation continues to be adequately capitalized, with a Minimum Capital Test (MCT) score of 258% at March 31, 2011.

Outlook

Underwriting results contributed to a strong profit in the first quarter of 2011, positioning SGI CANADA well leading into the second quarter. However, as the warm summer months approach there is the potential for 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. To offset the impact of Saskatchewan summer storms, the Corporation spreads its insurance risk geographically.

Equity markets were strong in the first quarter of 2011. With the Corporation's transition to International Financial Reporting Standards (IFRS), it has reclassified its investments as fair value through profit and loss, which is expected to increase investment earnings volatility as all unrealized gains/losses are recorded in net income. However, volatility caused by interest rate changes is expected to be offset somewhat by the impact on the discounting of claims liabilities. Investment market fluctuations are likely in 2011 and, as such, the Corporation will maintain its well diversified, high-quality investment portfolio governed by prudent investment management policies and processes.

These are the Corporation's first financial statements using IFRS and IFRS 1, *First-time adoption of International Financial Reporting Standards*, has been applied. The impact of this change is described in detail in note 4 of the financial statements.

Revenue

	three months to March 31		
(thousands of $)	2011	2010	Change
Premiums earned	107,053	96,779	10,274
Investment earnings	8,457	10,479	(2,022)

Premium growth in all jurisdictions resulted in an 11% increase in premium earnings for the first quarter of 2011, as noted below:

Premiums earned by operating segment

	three months to March 31		
(thousands of $)	2011	2010	Change
Saskatchewan	78,864	74,929	3,935
Ontario	11,683	7,535	4,148
Alberta and Manitoba	11,470	9,878	1,592
Maritimes	5,036	4,437	599
Total	107,053	96,779	10,274

Premiums earned in Saskatchewan increased 5% in the first quarter of 2011 with personal lines and agro products contributing the majority of the increase. Auto business provided the bulk of the 55% growth in premium earnings for the Ontario operating segment. Alberta operations experienced premium earnings growth of 22% in the quarter with auto business contributing the majority of the increase. In Manitoba, premiums increased 5% in the first quarter, a result of increases in personal lines business. Premium earnings in the Maritimes increased 13% in the quarter with the newer jurisdictions of New Brunswick and Nova Scotia supplying the greater part of the increase, largely a result of increased auto writings.

Investment earnings in the first quarter were lower than the same period in 2010 primarily due to rising interest rates resulting in unrealized losses on bonds. Asset mix changes in the later part of 2010 resulted in lower levels of long-term bonds and higher allotments to short-term bonds which provided lower interest income in the first quarter compared to the 2010 period. Strong equity markets generated positive returns leading to higher capital gains in the first quarter of 2011.

Expenses

(thousands of $ – except percentages)

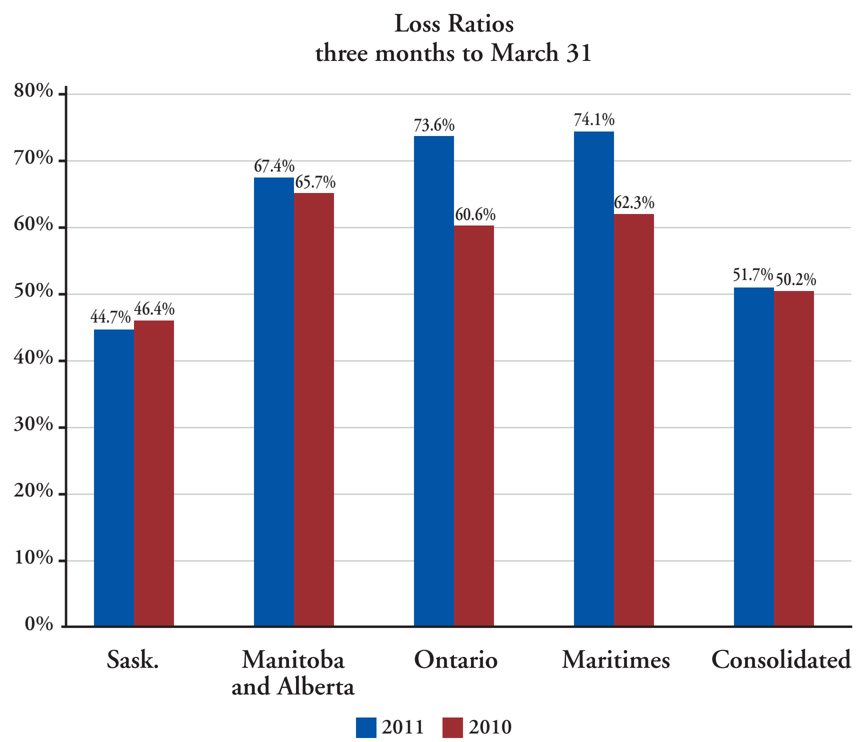
	three months to March 31		
	2011	2010	Change
Claims incurred	55,306	48,573	6,733
Other expenses	38,851	36,597	2,254
	94,157	85,170	8,987
Loss ratio	51.7%	50.2%	1.5%

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 13.9% higher than 2010, primarily a result of increased claim costs from the rapidly growing policy base in the Ontario auto product. The consolidated loss ratio increased slightly to 51.7%, compared to 50.2% in 2010. The loss ratio for out-of-province operations increased to 71.1% in the first quarter of 2011 (2010 – 63.3%), as auto results have been poor in Ontario, with worse than expected claims experience.

The following chart summarizes first quarter loss ratios by jurisdiction:



Saskatchewan's loss ratio of 44.7% is lower than last year's three month ratio of 46.4%, as personal lines results have been better than expected throughout the first quarter of 2011.

Manitoba and Alberta's loss ratio increased from 65.7% in 2010 to 67.4% in 2011. Manitoba's loss ratio increased from 50.0% in 2010 to 66.4% in 2011, primarily due to a number of large house fire losses in the quarter. Alberta's loss ratio decreased from 74.6% in 2010 to 67.8% in 2011, as the prior year included worse than expected development on past year auto claims. Actual results for 2011 are more in line with expected results.

The Ontario loss ratio increased from 60.6% in 2010 to 73.6% in 2011, a result of unfavourable development on prior year auto claims and higher injury costs.

The Maritimes loss ratio increased from 62.3% in 2010 to 74.1% in 2011, a result of a higher than normal number of personal lines losses, as well as several relatively large auto claims in the first quarter.

Other expenses

For the first quarter, other expenses increased $2.3 million compared to the same period in 2010. 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 2011	December 31 2010	Change
Total assets	**877,401**	**905,273**	**(27,872)**
Key asset account changes:			
Cash and cash equivalents	20,475	27,809	(7,334)
Accounts receivable	121,831	138,527	(16,696)
Investments	585,076	591,331	(6,255)
Reinsurers' share of unearned premiums	18,165	9,835	8,330

The decline in cash and cash equivalents is 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 2010. The carrying value of investments decreased by $6.3 million, reflecting investment sales made to fund negative cash flows from operations. Reinsurers' share of unearned premiums are higher than at the end of 2010 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 2011	December 31 2010	Change
Total liabilities	**603,992**	**644,716**	**(40,724)**
Key liability account changes:			
Accounts payable and accrued liabilities	33,560	43,337	(9,777)
Dividend payable	8,090	15,462	(7,372)
Premium taxes payable	4,097	18,856	(14,759)
Unearned premiums	230,874	241,100	(10,226)
Provision for unpaid claims	312,852	315,908	(3,056)

Accounts payable and accrued liabilities decreased, largely due to payments made during the quarter related to 2010 broker bonuses. The dividend payable decrease was a result of the 2010 fourth quarter dividend being paid to the province in the first quarter of 2011. Premium taxes payable decreased due to the annual 2010 premium taxes being paid in March 2011. The decrease in unearned premiums was due to premiums written in the first quarter of 2011 being lower than in the later part of 2010. The provision for unpaid claims decreased as losses relating to the particularly bad Saskatchewan summer storm season in 2010 continue to be settled. This is partially offset by the growing policy base in Ontario and the associated exposure growth.

(thousands of $)	March 31 2011	December 31 2010	Change
Total equity	**271,020**	**258,129**	**12,891**
Key equity account changes:			
Retained earnings	191,020	178,129	12,891

The increase in retained earnings is attributable to the $21.0 million consolidated net income (before non-controlling interest) less dividends declared of $8.1 million.

Cash Flow and Liquidity

(thousands of $)	three months to March 31 2011	2010	Change
Operating activities	(896)	(3,567)	2,671
Investing activities	9,024	19,413	(10,389)
Financing activities	(15,462)	(22,199)	6,737
Net cash flow	(7,334)	(6,353)	(981)

While the Corporation's operating activities generated net income of $20.9 million for the first quarter, negative cash flow of $0.9 million occurred. This was largely a result of the annual premium tax payment in the first quarter.

Investing activities generated $9.0 million through the sale of long-term equity and bond investments to provide funding towards the $15.5 million dividend payment.

Capital

	as at March 31 2011	2010
Mininum Capital Test	258%	280%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At March 31, 2011, the Corporation's MCT was 258% (December 31, 2010 – 247%), which is in excess of the 150% minimum regulatory target. For further information on capital management, refer to note 8 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:

	2011	2010			
(thousands of $)	Q1	Q 4	Q 3	Q 2	Q 1
Net premiums earned	107,053	106,190	102,114	100,176	96,779
Claims incurred	55,306	51,743	68,695	77,122	48,573
Net income (loss)	20,942	24,490	19,136	(15,485)	21,196
Cash flow from (used in) operations	(896)	52,668	11,170	14,419	(3,567)
Investments	585,076	591,331	577,610	555,037	591,331
Provision for unpaid claims	312,852	315,908	334,578	324,922	326,308
Minimum Capital Test	258%	247%	248%	246%	280%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2011:

- 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 directed to 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 significant privacy breaches, competition, catastrophic claim losses, transfer and acquisition of expertise, systems security, customer focus, broker partnership, product design and pricing, leadership and market value losses. These risks are described in detail in the Corporation's 2010 Annual Report.

Accounting Matters

Adoption of International Financial Reporting Standards (IFRS)

These are the Corporation's first financial statements using International Financial Reporting Standards (IFRS) and IFRS 1, *First-time adoption of International Financial Reporting Standards*, has been applied. Upon transition, the main impacts include the accounting for unrealized gains and losses on investments, discounting of unpaid claims, and measurement of property, plant and equipment. All investments are now designated as fair value through profit and loss rather than designated as available for sale. This results in changes in unrealized gains and losses on investments being recognized in the statement of operations, rather than through other comprehensive income. Previously, the Corporation did not discount its provision for unpaid claims for all lines of business. In transitioning to IFRS, the Corporation is changing this policy to discount the provision for unpaid claims for all lines of business. These two accounting changes were necessary as part of the Corporation's asset liability matching strategy to mitigate interest rate risk.

The Corporation also utilized the IFRS 1 election to measure its land and building as of the date of transition to IFRS at its fair value, and use that fair value as its deemed cost on a go-forward basis, resulting in an increase to retained earnings at January 1, 2010, of $23,225,000.

Financial implications and other impacts of the transition to IFRS are described in detail in note 4 of the notes to the financial statements.

Critical accounting estimates and assumptions
There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2010 Annual Report.

New accounting standards
There are no new accounting standards as compared to those discussed in the Corporation's 2010 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 2010 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 2010 Annual Report.

Future accounting standard changes
The International Accounting Standards Board has issued a new accounting standard, IFRS 9, *Financial Instruments*, that is scheduled to be effective for the Corporation on January 1, 2013, although this may be deferred based upon the effective date of IFRS 4, *Insurance Contracts*, which is now expected to be 2015. IFRS 9 simplifies the approach used in classifying financial assets by removing the available for sale category, which is currently available under IAS 39, *Financial Instruments: Classification and Measurement.*

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.

SGI CANADA

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31 2011 (unaudited)	December 31 2010 (unaudited)	January 1 2010 (unaudited)
	(thousands of Canadian $)		
Assets			
Cash and cash equivalents	$ 20,475	$ 27,809	$ 16,920
Accounts receivable	121,831	138,527	136,083
Investments under security lending program (note 5)	85,349	78,141	40,139
Investments (note 5)	499,727	513,190	539,671
Unpaid claims recoverable from reinsurers	42,520	44,635	29,276
Reinsurers' share of unearned premiums	18,165	9,835	9,480
Deferred policy acquisition costs	53,244	56,204	52,412
Property, plant and equipment	31,824	32,252	31,971
Other assets	1,574	1,988	2,517
Deferred tax asset	2,692	2,692	2,531
	$ 877,401	$ 905,273	$ 861,000
Liabilities			
Accounts payable and accrued liabilities	$ 33,560	$ 43,337	$ 53,034
Dividend payable	8,090	15,462	22,199
Premium taxes payable	4,097	18,856	17,474
Amounts due to reinsurers	10,623	5,960	4,578
Unearned reinsurance commissions	2,986	3,183	3,051
Unearned premiums	230,874	241,100	217,677
Provision for unpaid claims	312,852	315,908	285,751
Deferred tax liability	910	910	1,125
	603,992	644,716	604,889
Province of Saskatchewan's equity			
Equity advances	80,000	80,000	80,000
Retained earnings	191,020	178,129	174,232
	271,020	258,129	254,232
Non-controlling interest	**2,389**	2,428	1,879
Total equity	**273,409**	260,557	256,111
	$ 877,401	$ 905,273	$ 861,000

(see accompanying notes)

Condensed Consolidated Statement of Operations

for the periods ended March 31, 2011 and 2010

	three months to March 31	
	2011 (unaudited)	2010 (unaudited)
	(thousands of Canadian $)	
Gross premiums written	$ 104,948	$ 91,864
Premiums written ceded to reinsurers	(16,451)	(13,946)
Net premiums written	$ 88,497	$ 77,918
Change in net unearned premiums	18,556	18,861
Net premiums earned	**$ 107,053**	$ 96,779
Claims incurred	55,306	48,573
Commissions	21,801	20,220
Administrative expenses	11,948	11,856
Premium taxes	5,032	4,621
Facility Association participation (note 11)	70	(100)
Total claims and expenses	**94,157**	85,170
Underwriting profit	**12,896**	11,609
Investment earnings (note 6)	8,457	10,479
Income before income taxes	21,353	22,088
Income taxes	411	892
Net income and comprehensive income	**$ 20,942**	$ 21,196
Attributable to:		
The Province of Saskatchewan	20,981	21,222
Non-controlling interest	(39)	(26)
	$ 20,942	$ 21,196

(see accompanying notes)

Condensed Consolidated Statement of Changes in Province of Saskatchewan's Equity

for the periods ended

(in thousands of Canadian $)	Equity Advances	Accumulated Other Comprehensive Income	Retained Earnings	Province of Saskatchewan Equity	Non-Controlling Interest	Total Equity
Balance as at January 1, 2010 (Canadian GAAP) (unaudited)	$ 80,000	$ 19,833	$126,479	$226,312	$ 1,879	$228,191
First-time adoption of IFRS (note 4)	–	(19,833)	47,753	27,920	–	27,920
Balance as at January 1, 2010 (IFRS) (unaudited)	80,000	–	174,232	254,232	1,879	256,111
Net income for the period ended March 31, 2010	–	–	21,222	21,222	(26)	21,196
Dividends	–	–	(8,011)	(8,011)	–	(8,011)
Balance as at March 31, 2010 (unaudited)	80,000	–	187,443	267,443	1,853	269,296
Net income for the nine-month period from April 1, 2010 to December 31, 2010	–	–	27,566	27,566	575	28,141
Other comprehensive income for the nine-month period from April 1, 2010 to December 31, 2010	–	–	(1,371)	(1,371)	–	(1,371)
Dividends	–	–	(35,509)	(35,509)	–	(35,509)
Balance as at December 31, 2010 (unaudited)	80,000	–	178,129	258,129	2,428	260,557
Net income for the period ended March 31, 2011	–	–	20,981	20,981	(39)	20,942
Dividends	–	–	(8,090)	(8,090)	–	(8,090)
Balance as at March 31, 2011 (unaudited)	$ 80,000	$ –	$191,020	$271,020	$ 2,389	$273,409

Condensed Consolidated Statement of Cash Flows

for the periods ended March 31, 2011 and 2010

	three months to March 31	
	2011	2010
	(unaudited)	(unaudited)
	(thousands of Canadian $)	
Cash provided by (used for):		
Operating activities		
Net income and comprehensive income	$ 20,942	$ 21,196
Non-cash items:		
Depreciation	1,501	1,315
Net realized gains on disposal of investments	(4,762)	(285)
Net unrealized losses (gains) on change in market value of investments	1,062	(4,885)
Deferred income taxes	–	324
Income from investments accounted for on the equity basis	–	(138)
Change in non-cash operating items (note 9)	(19,639)	(21,094)
	(896)	(3,567)
Investing activities		
Purchases of investments	(180,463)	(88,809)
Proceeds on sale of investments	189,544	108,361
Repayment of capital lease	142	130
Purchases of property, plant and equipment	(199)	(269)
	9,024	19,413
Financing activities		
Dividends paid	**(15,462)**	(22,199)
Decrease in cash and cash equivalents	**(7,334)**	(6,353)
Cash and cash equivalents, beginning of year	27,809	16,920
Cash and cash equivalents, end of period	**$ 20,475**	$ 10,567
Supplemental cash flow information:		
Income taxes paid	$ 675	$ 152

(see accompanying notes)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

1. NATURE OF OPERATIONS

Saskatchewan Government Insurance (the Corporation or SGI), which operates under the trade name of SGI CANADA (2260-11th Avenue, Regina, Saskatchewan, Canada), is incorporated, registered and conducts a property and casualty insurance business in the province of Saskatchewan and in other provinces of Canada through its wholly owned subsidiary SGI CANADA Insurance Services Ltd. SGI CANADA Insurance Services Ltd. operates directly in Alberta and Manitoba, in Ontario through its wholly owned subsidiary Coachman Insurance Company (Coachman) and in Prince Edward Island, New Brunswick and Nova Scotia through its 75% owned subsidiary, the Insurance Company of Prince Edward Island (ICPEI).

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia and represent approximately 15.7% (December 31, 2010 – 8.4 %) of the Corporation's consolidated net premiums earned.

SGI was established as a branch of the Public Service by *The Government of Saskatchewan Act, 1944,* reorganized pursuant to *The Saskatchewan Government Insurance Act, 1946*, and continued under the provisions of *The Saskatchewan Government Insurance Act, 1980*. SGI also acts as administrator of the Saskatchewan Auto Fund under the provisions of *The Automobile Accident Insurance Act.* As a provincial Crown corporation, the Corporation is not subject to federal or provincial income taxes; however, SGI CANADA Insurance Services Ltd., Coachman and ICPEI are subject to federal and provincial income taxes.

As a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the consolidated financial results of the Corporation are included in the consolidated financial statements of CIC. CIC is ultimately owned by the Government of Saskatchewan.

2. BASIS OF PREPARATION

Statement of compliance

The unaudited interim consolidated financial statements of the Corporation for the period ended March 31, 2011, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting

Interpretations Committee (IFRIC). These are SGI's first consolidated financial statements using IFRS and IFRS 1, *First-time adoption of International Financial Reporting Standards,* has been applied.

These unaudited interim consolidated financial statements do not include all of the note disclosures normally included in the annual consolidated financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended December 31, 2010. Full disclosures will be included in the Corporation's annual consolidated financial statements.

The interim consolidated financial statements have been prepared in accordance with the accounting policies the Corporation expects to adopt in its first annual financial statements prepared in accordance with IFRSs. These accounting policies are based on the IFRSs that the Corporation expects to be applicable at the time. The policies set out below were consistently applied to all the periods presented. The consolidated interim financial statements would normally include only those significant accounting policies that are different from those applied in the preceding annual audited consolidated financial statements. To assist readers in understanding the significant accounting policies of the Corporation under IFRS, a complete set of significant accounting policies has been provided.

The Corporation's consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (GAAP). Canadian GAAP differs in some areas from IFRS. In preparing the consolidated interim financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. The comparative figures for 2010 have been restated to reflect these adjustments. Any adjustments as a result of differences between Canadian GAAP and IFRS have been reflected in the Corporation's opening statement of financial postion as of January 1, 2010, the transition date. Certain information that is considered material to the understanding of the Corporation's consolidated interim financial statements along with reconciliations and descriptions of how the transition from Canadian GAAP to IFRS has affected the reported financial position and financial performance are provided in note 4.

Basis of measurement

The unaudited interim consolidated financial statements have been prepared using the historical cost basis except for financial instruments and certain items of land, buildings and building components which have been fair valued upon transition to IFRS using the deemed cost exemption, as discussed in note 4. The methods used to measure the values of financial instruments are discussed further in note 3.

Statement of financial position classification

The statement of financial position has been prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current and non-current amounts.

Functional and presentation currency

These consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency and are rounded to the nearest thousand unless otherwise noted.

Use of estimates and judgment

The preparation of the consolidated interim financial statements in accordance with IFRS 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, the deemed cost of certain items of land, buildings and building components (note 4), the carrying amounts of accounts receivable, investments (note 5), income taxes and employee future benefits (note 10).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated interim financial statements include the accounts of the Corporation and the consolidated accounts of its 100% owned subsidiaries, SGI CANADA Insurance Services Ltd. and Coachman, and its 75% owned subsidiary, ICPEI. All inter-company accounts and transactions have been eliminated on consolidation.

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets and liabilities classified as fair value through profit and loss are measured at fair value and changes in fair value are recognized in net income. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income; however, unrealized losses considered other than temporary are recognized as a decrease to net income. Financial assets designated as held to maturity, loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Corporation has no financial assets and liabilities designated as available for sale or held to maturity.

The Corporation has designated its cash and cash equivalents and investments as fair value through profit and loss, except for investments in associates, which are exempt from the above requirement. Accounts receivable are designated as loans and receivables. Accounts payable, dividend payable and premium taxes payable are designated as other financial liabilities. The accrued pension asset, unpaid claims recoverable from reinsurers, amounts due to reinsurers, and the provision for unpaid claims are exempt from the above requirement.

Investments
All investments are carried at fair value, except investments in associates which are accounted for using the equity method. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The bonds and debentures and common shares are level 1 financial assets and the fair value is determined based on quoted market values, based on the latest bid prices. The pooled equity funds are level 1 financial assets and the fair value is based on the quoted market values of the underlying investments, based on the latest bid prices. The pooled mortgage fund is a level 2 financial asset and the fair value is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage.

Preferred shares are level 2 financial assets, carried at fair value as determined using a valuation method where all the significant inputs are based on observable market data. The valuation method takes into account the present value of the discounted expected future cash flows until June 30, 2011, the earliest date the Corporation could convert the preferred shares into that entity's common shares, or the entity would be allowed to redeem the preferred shares. The discount rate used in determining the fair value is 4.25%.

Investments in associates were accounted for using the equity method, whereby the Corporation's investment was adjusted for its share of the investee's net earnings or losses and reduced by dividends received. The Corporation's investments in associates were sold during 2010.

The Corporation records its investment purchases and sales on a trade-date basis, being the date when the transactions are entered into.

Investments under securities lending program
Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the statement of financial position given that the risks and rewards of ownership are not transferred from the Corporation to the counterparties in the course of such transactions. The securities are reported separately on the statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Corporation in the course of such transactions.

Investment earnings
The Corporation recognizes interest, premium financing and capital lease revenue as earned, dividends when declared, pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in market value of the investments held.

Interest revenue includes amortization of any premium or discount recognized at the date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Transaction costs are expensed at the time of acquisition. Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the period end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on monetary and non monetary investments designated as fair value through profit and loss are recognized in investment earnings. Unrealized gains and/or losses arising on translation are charged to operations in the current year. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

Premiums written

The Corporation's policies have all been classified upon inception as insurance contracts. An insurance contract is a contract that transfers significant insurance risk and, upon the occurrence of the insured event, causes the insurer to make a benefit payment to the insured party. The sale of policies generates premiums written, which are taken into income over the terms of the related policies, no longer than 12 months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims to the period end date. The estimate includes the cost of reported claims, and claims incurred but not reported, an estimate of adjustment expenses to be incurred on these claims and a provision for adverse deviation in accordance with Canadian Institute of Actuaries standards. The provision has been calculated including the impact of discounting using a discount rate of 2.93% (December 31, 2010 – 2.86%). The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Deferred policy acquisition costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate, no longer than 12 months. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Reinsurance ceded
Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively.

Income taxes
The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities, as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized.

Employees' future benefits
The Corporation provides a defined benefit pension plan and a defined contribution pension plan that provide retirement benefits for its employees.

For the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

For the defined benefit plan:
(i) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value, which approximates market value.
(ii) Pension obligations are determined by an independent actuary using the projected unit credit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
(iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
(iv) Unvested past service costs from plan amendments are amortized on a straight-line basis over the period of time until they become vested. Vested past service costs are expensed immediately.
(v) Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise.

The Corporation provides defined benefit service recognition plans for both management and in-scope (union) employees for the purpose of providing certain retirement benefits. The cost of the plans is determined using the projected unit credit method prorated on service. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Obligations under these plans are determined annually by an independent actuary.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented inclusive of cash on hand less outstanding cheques.

Property, plant and equipment

All classes of property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. In the case of land, buildings and building components, fair value upon transition to IFRS has been used as the deemed cost.

The Corporation has not incurred any borrowing costs attributable to property, plant and equipment and therefore no borrowing costs have been capitalized.

The depreciation method, the useful lives and the residual values of the assets are reviewed at each reporting date. Repairs and maintenance are charged to the statement of operations in the period in which they have been incurred.

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

Building	40 years
Building components	15–40 years
Computer hardware, and other equipment	3–5 years

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, as of the date of the business combination, to the Corporation's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Statement of Operations.

Leased assets

Leases where the Corporation does not assume substantially all of the risks and reward of ownership are classified as operating leases. The payments are expensed as they are incurred.

Future accounting policy changes
The IASB has issued a new accounting standard, IFRS 9, *Financial Instruments*, that is scheduled to be effective for the Corporation on January 1, 2013, although this may be deferred based upon the effective date of IFRS 4, *Insurance Contracts,* which is now expected to be 2015. IFRS 9 simplifies the approach used in classifying financial assets by removing the available for sale category, which is currently available under IAS 39, *Financial Instruments: Classification and Measurement.*

4. FIRST-TIME ADOPTION OF IFRS

Consistent with other Canadian publicly accountable enterprises, the Corporation is required to prepare its consolidated interim financial statements for the period ending March 31, 2011, in accordance with IFRS. The Corporation has accordingly restated its previously reported 2010 consolidated results and financial position.

IFRS 1, *First-time Adoption of International Financial Reporting Standards* – Exemptions
The Corporation is required to determine its IFRS accounting policies and apply them retrospectively to establish its opening statement of financial position under IFRS. However, IFRS 1, *First-time Adoption of International Financial Reporting Standards,* provides a number of exemptions upon first-time adoption of IFRS. The Corporation has used the following exemptions in preparing the January 1, 2010, statement of financial position and March 31, 2011, interim financial statements:

Deemed cost
The Corporation has elected to use the IFRS 1 exemption available to determine the January 1, 2010, carrying value of its land and buildings. This exemption allows the Corporation to use the fair value, as determined through a recent valuation, as the carrying value.

Designation of previously recognized financial instruments
The Corporation has elected to use the IFRS 1 exemption available and change the classification of cash and cash equivalents and all investments, excluding investments in associates, from available for sale to fair value through profit and loss.

Business combinations
The Corporation has the option to apply IFRS 3, *Business Combinations,* retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Corporation elected not to 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.

Employee defined benefit obligations
The Corporation has the option to retrospectively apply the corridor approach under IAS 19,

Employee Benefits, for the recognition of actuarial gains and losses, or recognize all cumulative actuarial gains and losses, previously deferred under Canadian GAAP, in opening retained earnings at the transition date. The Corporation elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all of its defined benefit plans.

The Corporation has the option to reduce disclosure to one year of comparative data in the year of transition, from the requirement of providing five years of history for the defined benefit obligation, plan assets and experience adjustments. The Corporation has elected to use this exemption and will increase the disclosure in each subsequent year, until a total of five years is presented.

Insurance Contracts
The Corporation has elected to disclose only five years of data in its loss development tables, consistent with the transitional provision of IFRS 4, *Insurance Contracts.* This will be increased in each subsequent year, until a full 10 years of information is included.

Leases
The Corporation has elected to use the IFRS 1 exemption available with regards to determining if an arrangement contains a lease. This exemption eliminates the requirement for the Corporation to reassess 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.

Reconciliations from Canadian GAAP to IFRS

Total Equity as at January 1, 2010

(thousands of Canadian $)	Note	Equity Advances	Accumulated Other Comprehensive Income	Retained Earnings	Province of Saskatchewan's Equity	Non-Controlling Interest	Total Equity
Balance as at December 31, 2009 (Canadian GAAP)		$ 80,000	$ 19,833	$ 126,479	$ 226,312	$ 1,879	$ 228,191
Employee benefits							
– IFRS 1	i)	–	–	(4,278)	(4,278)	–	(4,278)
– Past service costs	i)	–	–	(4,450)	(4,450)	–	(4,450)
Auto Fund constructive obligation	ii)	–	–	5,868	5,868	–	5,868
Property, plant and equipment	iii)	–	–	23,225	23,225	–	23,225
Investments – preferred shares	iv)	–	–	80	80	–	80
Investments – reclassification	v)	–	(19,833)	19,833	–	–	–
Provision for unpaid claims – discounting	vii)	–	–	7,475	7,475	–	7,475
Total adjustments		–	(19,833)	47,753	27,920	–	27,920
Balance as at January 1, 2010 (IFRS)		$ 80,000	$ –	$ 174,232	$ 254,232	$ 1,879	$ 256,111

Total Equity as at March 31, 2010

(thousands of Canadian $)	Note	Equity Advances	Accumulated Other Comprehensive Income	Retained Earnings	Province of Saskatchewan's Equity	Non-Controlling Interest	Total Equity
Balance as at							
March 31, 2010 (Canadian GAAP)		$ 80,000	$ 24,483	$ 135,205	$ 239,688	$ 1,853	$ 241,541
Employee benefits							
– IFRS 1	i)	–	–	(4,292)	(4,292)	–	(4,292)
– Past service costs	i)	–	–	(4,255)	(4,255)	–	(4,255)
Auto Fund constructive obligation	ii)	–	–	5,744	5,744	–	5,744
Property, plant and equipment	iii)	–	–	22,965	22,965	–	22,965
Investments – preferred shares	iv)	–	–	84	84	–	84
Investments – reclassification	v)	–	(24,483)	24,483	–	–	–
Provision for unpaid claims							
– discounting	vii)	–	–	7,509	7,509	–	7,509
Total adjustments		–	(24,483)	52,238	27,755	–	27,755
Balance as at							
March 31, 2010 (IFRS)		$ 80,000	$ –	$ 187,443	$ 267,443	$ 1,853	$ 269,296

Total Equity as at December 31, 2010

(thousands of Canadian $)	Note	Equity Advances	Accumulated Other Comprehensive Income	Retained Earnings	Province of Saskatchewan's Equity	Non-Controlling Interest	Total Equity
Balance as at							
December 31, 2010 (Canadian GAAP)		$ 80,000	$ 27,002	$ 131,315	$ 238,317	$ 2,428	$ 240,745
Employee benefits							
– IFRS 1	i)	–	–	(4,016)	(4,016)	–	(4,016)
– Past service costs	i)	–	–	(3,669)	(3,669)	–	(3,669)
– Actuarial losses	i)	–	–	(1,371)	(1,371)	–	(1,371)
Auto Fund constructive obligation	ii)	–	–	5,153	5,153	–	5,153
Property, plant and equipment	iii)	–	–	22,187	22,187	–	22,187
Investments – preferred shares	iv)	–	–	112	112	–	112
Investments – reclassification	v)	–	(27,002)	27,002	–	–	–
Provision for unpaid claims							
– discounting	vii)	–	–	1,416	1,416	–	1,416
Total adjustments		–	(27,002)	46,814	19,812	–	19,812
Balance as at							
December 31, 2010 (IFRS)		$ 80,000	$ –	$ 178,129	$ 258,129	$ 2,428	$ 260,557

Consolidated Comprehensive Income for the three-month period ended March 31, 2010

(thousands of Canadian $)	Canadian GAAP March 31, 2010		IFRS Adjustments	IFRS March 31, 2010
Gross premiums written	$ 92,305	(vi)	$ (441)	$ 91,864
Premiums written ceded to reinsurers	13,946		–	13,946
Net premiums written	$ 78,359		$ (441)	$ 77,918
Change in net unearned premiums	18,861		–	18,861
Net premiums earned	**$ 97,220**		$ (441)	**$ 96,779**
		(iii)	15	
Claims incurred	48,592	(vii)	(34)	48,573
Commissions	20,661	(vi)	(441)	20,220
		(i)	14	
		(i)	(195)	
		(ii)	124	
Administrative expenses	11,668	(iii)	245	11,856
Premium taxes	4,621		–	4,621
Facility Association participation	(100)		–	(100)
Total claims and expenses	**85,442**		(272)	**85,170**
Underwriting profit	**11,778**		(169)	**11,609**
		(iv)	4	
Investment earnings	5,500	(v)	4,975	10,479
Income before income taxes	**17,278**		4,810	**22,088**
Income taxes	567		325	892
Net income	**16,711**		4,485	**21,196**
Other comprehensive income:				
Unrealized gains on available for sale financial assets arising during the year	5,166	(v)	(5,166)	–
Income tax expense	(181)	(v)	181	–
	4,985		(4,985)	–
Reclassification of net realized gains on sale of investments included in operations	(285)	(v)	285	–
Reclassification for investment write-downs included in operations	94	(v)	(94)	–
Income tax recovery	(144)	(v)	144	–
	(335)		335	–
Other comprehensive income	**4,650**		(4,650)	–
Comprehensive income	**$ 21,361**		$ (165)	**$ 21,196**

Consolidated Comprehensive Income for the year ended December 31, 2010

(thousands of Canadian $)	Canadian GAAP Dec. 31, 2010		IFRS Adjustments	IFRS Dec. 31, 2010
Gross premiums written	$ 464,591	(vi)	$ (2,234)	$ 462,357
Premiums written ceded to reinsurers	34,031		–	34,031
Net premiums written	$ 430,560		$ (2,234)	$ 428,326
Change in net unearned premiums	(23,067)		–	(23,067)
Net premiums earned	**$ 407,493**		$ (2,234)	**$ 405,259**
		(iii)	57	
Claims incurred	240,017	(iv)	6,059	246,133
Commissions	86,019	(vi)	(2,234)	83,785
		(i)	(262)	
		(i)	(781)	
		(ii)	715	
Administrative expenses	49,902	(iii)	981	50,555
Premium taxes	19,279		–	19,279
Facility Association participation	(786)		–	(786)
Total claims and expenses	**394,431**		4,535	**398,966**
Underwriting profit	**13,062**		(6,769)	**6,293**
		(iv)	32	
Investment earnings	38,283	(v)	8,413	46,728
Income before income taxes	**51,345**		1,676	**53,021**
Income taxes	2,543	(v)	1,141	3,684
Net income	**48,802**		535	**49,337**
Other comprehensive income (loss):				
Actuarial loss on employee benefit plans	–		(1,371)	(1,371)
Unrealized gain on available for sale financial assets arising during the year	25,196	(v)	(25,196)	–
Income tax recovery	(1,566)	(v)	1,566	–
	23,630		(25,001)	(1,371)
Reclassification of net realized gains on sale of investments included in operations	(17,350)	(v)	17,350	–
Reclassification for investment write-downs included in operations	464	(v)	(464)	–
Income tax expense	425	(v)	(425)	–
	(16,461)		16,461	–
Other comprehensive income (loss)	**7,169**		(8,540)	(1,371)
Comprehensive income	**$ 55,971**		$ (8,005)	**$ 47,966**

There is no impact on the deferred tax balances as a result of the adjustments in the above tables. No adjustments having a tax impact have been made in SGI CANADA's subsidiaries, which are the only taxable entities within the SGI CANADA consolidated interim financial statements. Also, the adjustments have no impact on the cash flows of the Corporation. Explanations of the adjustments are as follows:

(i) Employee Benefits
Upon adoption of IFRS, the Corporation has elected to use the IFRS 1 exemption available and recognize all cumulative unamortized actuarial gains and losses as at January 1, 2010 in retained earnings resulting in a decrease to retained earnings of $4,278,000.

For the period ended March 31, 2010, this accounting policy difference resulted in an increase to pension expense of $14,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at March 31, 2010, was a decrease of $4,292,000.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to pension expense of $262,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at December 31, 2010, was a decrease of $4,016,000.

Also, IFRS requires vested past service costs be recognized as an expense immediately. As such, the Corporation has recognized all vested past service costs, deferred under Canadian GAAP, resulting in a decrease to retained earnings as at January 1, 2010, of $4,450,000.

For the period ended March 31, 2010, this accounting policy difference resulted in a decrease to pension expense of $195,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at March 31, 2010, was a decrease of $4,255,000.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to pension expense of $781,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at December 31, 2010, was a decrease of $3,669,000.

Upon adoption of IFRS, the Corporation has elected to recognize all actuarial gains/losses immediately in other comprehensive income. For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to other comprehensive income and retained earnings of $1,371,000, an increase to accounts payable of $1,306,000 and a decrease to other assets of $65,000.

(ii) Auto Fund constructive obligation
The Corporation allocates a portion of its retirement benefit costs associated with its defined benefit pension plan and defined benefit service recognition plans to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it (note 10). The employee benefit adjustments required in note (i) above result in the Auto Fund having a constructive obligation to the Corporation. The constructive obligation arises from events and transactions before the date of transition to IFRS and accordingly has been recognized directly

in retained earnings. The impact to the Corporation at January 1, 2010, as a result of revising the allocation to the Auto Fund due to the employee benefit adjustments discussed in note (i), is an increase to retained earnings of $5,868,000 and an increase to accounts receivable of $5,868,000.

For the period ended March 31, 2010, this accounting policy difference resulted in an increase to administrative expenses of $124,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at March 31, 2010, was an increase of $5,744,000.

For the year ended December 31, 2010, this accounting policy difference resulted in an increase to administrative expenses of $715,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at December 31, 2010, was an increase of $5,153,000.

(iii) Property, plant and equipment
Upon transition to IFRS, the Corporation has elected to use the IFRS 1, deemed cost exemption which allows the Corporation to measure any item of property, plant and equipment at January 1, 2010, using fair value. The Corporation has elected to use fair value as deemed cost for its land and building.

A valuation was performed effective January 1, 2010, which resulted in a fair value of the building of $28,640,000 compared to a net book value under Canadian GAAP of $7,443,000 and a fair value of land of $3,000,000 compared to net book value under Canadian GAAP of $972,000. The use of the deemed cost exemption resulted in a total increase in retained earnings and property plant and equipment of $23,225,000 as at January 1, 2010.

For the period ended March 31, 2010, this accounting policy difference resulted in a net increase to depreciation expense of $260,000, of which $245,000 is allocated to administrative expenses and $15,000 is allocated to claims incurred. Total depreciation for the period was $524,000, less $264,000 allocated to the Saskatchewan Auto Fund for related space usage. The adjustment to retained earnings at March 31, 2010, was an increase of $22,965,000.

For the year ended December 31, 2010, this accounting policy difference resulted in a net increase to depreciation expense of $1,038,000, of which $981,000 is allocated to administrative expenses and $57,000 is allocated to claims incurred. Total depreciation for the period was $2,094,000, less $1,056,000 allocated to the Saskatchewan Auto Fund for related space usage. The adjustment to retained earnings at December 31, 2010, was an increase of $22,187,000.

(iv) Fair value of preferred shares
Upon transition to IFRS, the Corporation is required to measure its investment in preferred shares at fair value whereas under Canadian GAAP the Corporation carried the preferred shares at cost. The fair value of the preferred shares is $815,000 at January 1, 2010, compared to the carrying value, at historical cost, under Canadian GAAP of $735,000, resulting in an increase to retained earnings and investments of $80,000.

For the period ended March 31, 2010, this accounting policy difference resulted in an increase to net income of $4,000. The total adjustment to retained earnings at March 31, 2010, was an increase of $84,000.

For the year ended December 31, 2010, this accounting policy difference resulted in an increase to net income of $32,000. The total adjustment to retained earnings at December 31, 2010, was an increase of $112,000.

(v) Reclassification of investments
Upon adoption of IFRS, the Corporation has elected to use the IFRS 1 exemption available and change the designation of investments from available for sale to fair value through profit and loss. At January 1, 2010, this reclassification of unrealized gains has resulted in a decrease in accumulated other comprehensive income of $19,833,000 and an increase in retained earnings of $19,833,000, net of tax.

For the three month period ended March 31, 2010, this accounting policy difference resulted in a decrease to other comprehensive income and an increase to net income of $4,650,000, net of tax. The total adjustment to accumulated other comprehensive income at March 31, 2010, was a decrease of $24,483,000 and an offsetting increase to retained earnings.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to other comprehensive income and an increase to net income of $7,169,000, net of tax. The total adjustment to accumulated other comprehensive income at December 31, 2010, was a decrease of $27,002,000 and an offsetting increase to retained earnings.

(vi) Customer loyalty program
IFRIC 13 *Customer Loyalty Programmes* requires that any amounts paid to a third party for a customer loyalty program be recorded as the net amount of any cash collected on behalf of the company offering the program. Under Canadian GAAP, the Corporation recognized the amount paid as an expense when incurred.

For the three months ended March 31, 2010, this accounting policy difference resulted in a decrease in premiums earned of $441,000 and a corresponding decrease in commissions expense.

For the year ended December 31, 2010, this accounting policy difference resulted in a decrease in premiums written and earned of $2,234,000 and a corresponding decrease in commissions expenses.

(vii) Discounting of provision for unpaid claims
Under Canadian GAAP, the Corporation did not discount its provision for unpaid claims for all lines of business. In transitioning to IFRS, the Corporation is changing this policy to discount the provision for unpaid claims, and the associated unpaid claims recoverable from reinsurers, for all lines of business. At January 1, 2010, this change in accounting policy

resulted in a decrease in the provision for unpaid claims of $7,824,000, a decrease in the unpaid claims recoverable from reinsurers of $349,000 and a net increase in retained earnings of $7,475,000.

For the three months ended March 31, 2010, this accounting policy change resulted in an increase in the provision for unpaid claims of $78,000, an increase in the unpaid claims recoverable from reinsurers of $112,000 and a net decrease in claims incurred of $34,000. The total impact on retained earnings was an increase of $7,509,000.

For the year ended December 31, 2010, this accounting policy difference resulted in an increase in the provision for unpaid claims of $6,912,000, an increase in the unpaid claims recoverable from reinsurers of $853,000 and a net increase in claims incurred of $6,059,000. The total impact on retained earnings was an increase of $1,416,000.

5. INVESTMENTS

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

	(thousands of Canadian $)		
	March 31 2011	December 31 2010	January 1 2010
Investments			
Short-term investments	$ 32,720	$ 43,011	$ 18,933
Bonds and debentures	299,954	306,997	360,540
Canadian common shares	56,729	56,934	61,869
U.S. common shares	24,039	22,665	21,547
Pooled funds:			
Canadian equity	18,716	18,007	17,287
United States equity	8,703	7,413	7,529
Non-North American equity	32,630	32,162	26,747
Mortgage	25,389	25,154	23,067
Preferred shares	847	847	815
Investments in associates	–	–	1,337
	499,727	513,190	539,671
Investments under securities lending program			
Bonds and debentures	67,963	59,988	32,588
Canadian common shares	16,028	17,724	6,461
U.S. common shares	1,358	429	1,090
	85,349	78,141	40,139
Total investments	$ 585,076	$ 591,331	$ 579,810

Securities lending program

Through its custodian, the Corporation participates in an investment securities lending program for the purpose of generating fee income. Non-cash collateral of at least 102% of the market value of the loaned securities is retained by the Corporation until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

At March 31, 2011, the Corporation held collateral of $89,616,000 (December 31, 2010–$82,048,000) for the loaned securities.

Fair value hierarchy

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

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 Canadian $)					
	March 31, 2011			December 31, 2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Short-term investments	$ 32,720	$ –	$ 32,720	$ 43,011	$ –	$ 43,011
Bonds and debentures	367,917	–	367,917	366,985	–	366,985
Canadian common shares	72,757	–	72,757	74,658	–	74,658
U.S. common shares	25,397	–	25,397	23,094	–	23,094
Pooled funds:						
Canadian equity	18,716	–	18,716	18,007	–	18,007
United States equity	8,703	–	8,703	7,413	–	7,413
Non-North American equity	32,630	–	32,630	32,162		32,162
Mortgage	–	25,389	25,389	–	25,154	25,154
Preferred shares	–	847	847	–	847	847
	$558,840	$ 26,236	$585,076	$565,330	$ 26,001	$591,331

6. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of Canadian $) three months to March 31 2011	2010
Net realized gain on sale of investments	$ 4,762	$ 285
Interest	2,879	3,540
Premium financing	1,242	1,009
Pooled fund distributions	503	438
Dividends	354	380
Interest on net investment in capital lease	4	16
Investments in associates	–	138
Net unrealized gain (loss) on change in market value of investments	(1,062)	4,885
Total investment earnings	$ 8,682	$ 10,691
Investment expenses	(225)	(212)
Net investment earnings	$ 8,457	$ 10,479

7. INSURANCE AND FINANCIAL RISK MANAGEMENT

Insurance risk arises with respect to the adequacy of the Corporation's insurance premium rates and provision for unpaid claims (consisting of underwriting and actuarial risks). The nature of insurance operations also result in significant financial risks, as the Corporation's statement of financial position consists primarily of financial instruments. The financial risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Insurance Risk

Underwriting risk

The Corporation manages its insurance risk through its underwriting and reinsurance strategies within an overall strategic planning process. Pricing is based on assumptions with regards to past experiences and trends. Exposures are managed by having documented underwriting limits and criteria, product and geographic diversification and reinsurance.

Diversification

The Corporation writes property, liability and motor risks over a twelve-month period. The most significant risks arise from weather-related events, such as severe summer storms. The Corporation attempts to mitigate risk by conducting business in a number of provinces across Canada and by offering different lines of insurance products. The concentration of insurance risk by line of business is summarized below by reference to unpaid claims liabilities:

	(thousands of Canadian $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2011	Dec. 31 2010	March 31 2011	Dec. 31 2010	March 31 2011	Dec. 31 2010
Automobile	$156,742	$148,458	$ 17,675	$ 16,020	$139,067	$132,438
Property	75,109	85,897	19,532	23,126	55,577	62,771
Liability	66,971	67,244	4,180	4,274	62,791	62,970
Assumed	7,783	7,769	–	–	7,783	7,769
Facility Association (note 11)	4,414	4,296	–	–	4,414	4,296
Discounting	1,833	2,244	1,133	1,215	700	1,029
Total	$312,852	$315,908	$ 42,520	$ 44,635	$270,332	$271,273

The concentration of insurance risk by location is summarized below by reference to unpaid claims liabilities:

	(thousands of Canadian $)					
	Gross		Reinsurance Recoverable		Net	
	March 31 2011	Dec. 31 2010	March 31 2011	Dec. 31 2010	March 31 2011	Dec. 31 2010
Saskatchewan	$188,656	$197,492	$ 26,435	$ 29,726	$162,221	$167,766
Ontario	80,684	75,605	15,288	13,935	65,396	61,670
Alberta	19,485	19,531	465	752	19,020	18,779
Maritimes	16,249	15,694	246	108	16,003	15,586
Manitoba	7,778	7,586	86	114	7,692	7,472
Total	$312,852	$315,908	$ 42,520	$ 44,635	$270,332	$271,273

Reinsurance
The Corporation also seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The policy of underwriting and reinsuring contracts of insurance limits the liability of the Corporation to a maximum amount on any one loss as follows:

	(thousands of Canadian $)	
	2011	2010
Dwelling and farm property	$ 750	$ 750
Unlicensed vehicles	750	750
Commercial property	1,000	1,000
Automobile and general liability	1,500	1,500
(subject to filling an annual aggregate deductible of)	1,500	1,500
Property catastrophe (health care)	7,500	7,500
Property catastrophe (non-health care)	8,500	8,500

The Corporation evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

Actuarial Risk
The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Corporation at the period end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the period-end date.

The significant assumptions used to estimate the provision include: the Corporation's experience with similar cases, historical claim payment trends and claim development patterns, the characteristics of each class of business, claim severity and claim frequency, the effect of inflation on future claim settlement costs, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as physical damage or collision claims tend to be more reasonably predictable than long-tail claims such as liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors, which necessarily involves risk that actual results may differ materially from the estimates.

Financial Risk

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 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. SGI receives regular reporting from the investment manager and custodian regarding compliance with the SIP&G. The investment manager's performance is evaluated based on return objectives, including realized and unrealized capital gains and losses plus income from all sources, and goals stated in 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 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of Canadian $)	
	March 31 2011	December 31 2010
	Carrying Value	Carrying Value
Cash and cash equivalents	$ 20,475	$ 27,809
Accounts receivable	121,831	138,527
Fixed income investments[1]	426,026	435,150
Unpaid claims recoverable from reinsurers	42,520	44,635

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

Cash and cash equivalents include money market investments of $32,809,000 less cash on hand, net of outstanding cheques of $12,334,000 (December 31, 2010 – money market investments of $26,448,000 plus cash on hand, net of outstanding cheques of $1,361,000). 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, along with amounts from brokers across the provinces that the Corporation operates in. Accounts receivable consist of balances outstanding for one year or less.

	(thousands of Canadian $)	
	March 31 2011	December 31 2010
Current	$120,205	$137,242
30 - 59 days	867	594
60 - 89 days	274	253
Greater than 90 days	5,316	5,551
Subtotal	126,662	143,640
Allowance for doubtful accounts	(4,831)	(5,113)
Total	$121,831	$138,527

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 Canadian $)	
	three months ended March 31 2011	twelve months ended December 31 2010
Allowance for doubtful accounts, opening balance	$ 5,113	$ 6,261
Accounts written off	(660)	(2,134)
Current period provision	378	986
Allowance for doubtful accounts, ending balance	$ 4,831	$ 5,113

Credit risk within investments is related primarily 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 debentures are as follows:

	(thousands of Canadian $)			
	March 31, 2011		December 31, 2010	
Credit Rating	Fair Value	Makeup of Portfolio	Fair Value	Makeup of Portfolio
AAA	$ 199,023	54.0%	$ 197,639	53.9%
AA	91,111	24.8%	82,539	22.5%
A	57,358	15.6%	65,765	17.9%
BBB	20,424	5.6%	21,042	5.7%
Total	$ 367,916	100.0%	$ 366,985	100.0%

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond 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. Changes in interest rates also impact the provision for unpaid claims and unpaid claims recoverable from reinsurers. The impact that a change in interest rates has on investment income will be partially offset by the impact the change in interest rates has on discounting of claims incurred.

It is estimated that a 100 basis point increase/decrease in interest rates would have the following impact:

	(thousands of Canadian $)			
	100 basis point increase		100 basis point decrease	
	March 31 2011	Dec. 31 2010	March 31 2011	Dec. 31 2010
Investment earnings	(11,675)	(11,529)	11,675	11,529
Claims incurred	(6,594)	(6,569)	6,623	6,599
Net income (loss)	(5,081)	(4,960)	5,052	4,930

Foreign exchange risk

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 in associates accounted for using the equity method and preferred shares. At March 31, 2011, the Corporation's exposure to U.S. equities was 5.8% (December 31, 2010 – 5.2%) and its exposure to non-North American equities was 5.6% (December 31, 2010 – 5.4%).

At March 31, 2011, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $3.4 million (December 31, 2010–$3.1 million) decrease/increase in net income and retained earnings. A 10% appreciation/depreciation in the Canadian dollar versus the EAFE currencies would result in approximately a $3.3 million (December 31, 2010–$3.2 million) decrease/increase in net income and retained earnings. As U.S. common shares, the U.S. equity pooled fund and the non-North American equity pooled fund are classified as fair value through profit and loss, any unrealized changes due to foreign currency are recorded in net income.

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 27.2% (December 31, 2010 – 26.4%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The 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 Canadian $)	
Asset Class	March 31 2011	December 31 2010
Canadian pooled equity fund and Canadian common shares	+/- 36,190	+/- 36,613
U.S. pooled equity fund and U.S. common shares	+/- 9,002	+/- 8,054
Non-North American pooled equity fund	+/- 11,290	+/- 11,128

The Corporation's equity investments are classified as fair value through profit and loss and as such, any unrealized changes in their fair value are recorded in the statement of operations.

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.

8. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing capital are 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% or higher based on the risk profile of the insurer and its business. At March 31, 2011, the Corporation's MCT was 258% (December 31, 2010–247%). There have been no changes to the Corporation's capital management processes and measures since the prior year-end.

9. CHANGE IN NON-CASH OPERATING ITEMS

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

	(thousands of Canadian $) three months to March 31	
	2011	2010
Accounts receivable	$ 16,696	$ 17,524
Unpaid claims recoverable from reinsurers	2,115	1,599
Reinsurers' share of unearned premiums	(8,330)	(6,561)
Deferred policy acquisition costs	2,960	3,193
Other assets	272	7
Accounts payable and accrued liabilities	(9,777)	(14,783)
Premium taxes payable	(14,759)	(13,706)
Amounts due to reinsurers	4,663	5,062
Unearned reinsurance commissions	(197)	(117)
Unearned premiums	(10,226)	(12,300)
Provision for unpaid claims	(3,056)	(1,012)
	$ (19,639)	$ (21,094)

10. EMPLOYEE SALARIES AND BENEFITS

The Corporation incurs salaries costs, retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans and other benefits costs. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it based on a cost allocation framework. These amounts have been disclosed separately in this note.

The Corporation allocates expenses incurred to the various operating functions. The Corporation includes employee salaries and benefits in the claims incurred and administrative expense line on the statement of operations. The total salary and benefits expenses incurred during the year are as follows:

	(thousands of Canadian $) three months to March 31	
	2011	2010
Salaries	$ 26,335	$ 27,163
Defined contribution pension plan	1,471	1,432
Defined benefit pension plan	(38)	19
Defined benefit service recognition plans	568	577
Other benefits	3,447	3,447
Total salaries and benefits	31,783	32,663
Less: Allocation to Saskatchewan Auto Fund	(19,950)	(20,666)
Salaries and benefits incurred in SGI CANADA	$ 11,833	$ 11,997

Defined contribution pension plan

The Corporation has employees who are members of the Capital Pension Plan, which is a defined contribution pension plan. The Corporation's financial obligation is limited to matching employee contributions of 5.5% to the plan.

Defined benefit pension plan

The Corporation has a defined benefit pension plan for certain of its employees that has been closed to new membership since 1980. Current service costs of this plan are charged to operations on the basis of actuarial valuations, the most recent valuation being as of January 1, 2010. The next valuation is anticipated to have a valuation date of December 31, 2012.

Pension expense for the defined benefit pension plan is as follows:

	(thousands of Canadian $) three months to March 31	
	2011	2010
Current service cost	$ 22	$ 22
Interest cost	428	461
Expected return on pension plan assets	(488)	(482)
Valuation allowance	–	18
Pension expense	$ (38)	$ 19

Defined benefit service recognition plans

Pension expense for the defined benefit service recognition plans is as follows:

	(thousands of Canadian $) three months to March 31	
	2011	2010
Current service cost	229	202
Interest cost	191	227
Amortization of plan changes and past service costs	148	148
Pension expense	$ 568	$ 577

The Corporation incurs retirement benefit costs associated with its defined benefit pension plan, defined contribution plan and its defined benefit service recognition plans. The Corporation allocates a portion of these costs to the Saskatchewan Auto Fund for those employees of the Corporation who provide service to it. These amounts are recovered by the Corporation as part of its cost allocation process.

Key management personnel

Key management personnel are those persons having authority over the planning, directing and controlling activities of the company, and include Board Members, President and Chief Executive Officer, and Vice-Presidents of the Corporation. Key management personnel compensation is comprised of:

	(thousands of Canadian $) three months to March 31	
	2011	2010
Salaries and benefits	$ 686	$ 587
Post-employment benefits	8	12
Contributions to defined contribution plan	60	51
	$ 754	$ 650

11. FACILITY ASSOCIATION PARTICIPATION

Through its subsidiaries, the Corporation is a participant in automobile residual market and risk-sharing pools, whereby companies in the industry are required by regulation to provide automobile insurance coverage to high-risk insureds.

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

	(thousands of Canadian $) three months to March 31 2011	2010
Gross premiums written	$ 620	$ 463
Net premiums earned	$ 712	$ 582
Claims incurred	624	252
Commissions	20	127
Premium taxes	22	18
Administrative expenses	147	109
Total claims and expenses	813	506
Underwriting profit (loss)	(101)	76
Investment earnings	31	24
Net income (loss)	$ (70)	$ 100

12. SEGMENTED INFORMATION

The Corporation provides property and casualty insurance through four operating segments located across Canada: Saskatchewan, Manitoba and Alberta, Ontario and the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). These operating segments correspond with the geographical regions that SGI CANADA operates. The performance of each operating segment is reported separately to the Corporation's Board of Directors.

The product offerings vary across the segments, but all products offered are considered property and casualty insurance.

(thousands of Canadian $)

March 31, 2011	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 61,588	$ 8,492	$ 14,889	$ 3,528	$ –	$ 88,497
Net premiums earned	78,864	11,470	11,683	5,036	–	107,053
Claims incurred	35,250	7,726	8,599	3,731	–	55,306
Other expenses	29,971	3,953	3,182	1,745	–	38,851
Underwriting profit (loss)	13,643	(209)	(98)	(440)	–	12,896
Investment earnings	6,205	836	1,200	216	–	8,457
Income (loss) before the following:	19,848	627	1,102	(224)	–	21,353
Income taxes (recovery)	–	168	311	(68)	–	411
Net income (loss)	$ 19,848	$ 459	$ 791	$ (156)	$ –	$ 20,942
Total assets	$ 602,882	$ 108,653	$ 161,403	$ 42,727	$ (38,264)	$877,401
Total liabilities	$ 422,100	$ 69,428	$ 119,475	$ 31,253	$ (38,264)	$603,992
Province of Saskatchewan's equity	$ 180,783	$ 39,706	$ 41,928	$ 10,992	$ (2,389)	$271,020

(thousands of Canadian $)

March 31, 2010	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 58,286	$ 7,320	$ 8,943	$ 3,369	$ –	$ 77,918
Net premiums earned	74,929	9,878	7,535	4,437	–	96,779
Claims incurred	34,752	6,491	4,567	2,763	–	48,573
Other expenses	29,164	3,404	2,157	1,872	–	36,597
Underwriting profit (loss)	11,013	(17)	811	(198)	–	11,609
Investment earnings	8,071	1,228	969	211	–	10,479
Income before the following:	19,084	1,211	1,780	13	–	22,088
Income taxes	–	340	549	3	–	892
Net income	$ 19,084	$ 871	$ 1,231	$ 10	$ –	$ 21,196
Total assets	$ 586,116	$ 96,971	$ 135,345	$ 36,916	$ (31,881)	$823,467
Total liabilities	$ 402,284	$ 61,587	$ 94,779	$ 27,402	$ (31,881)	$554,171
Province of Saskatchewan's equity	$ 183,832	$ 35,865	$ 40,566	$ 9,033	$ (1,853)	$267,443