SGI CANADA
Quarterly Report
September 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

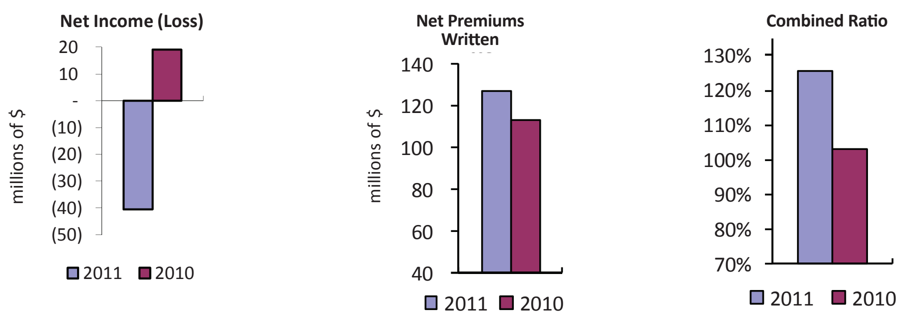
Integrity	Conducting ourselves with honesty, trust and fairness
Caring	Acting with empathy, courtesy and respect
Innovation	Implementing creative solutions to achieve our vision

About SGI CANADA

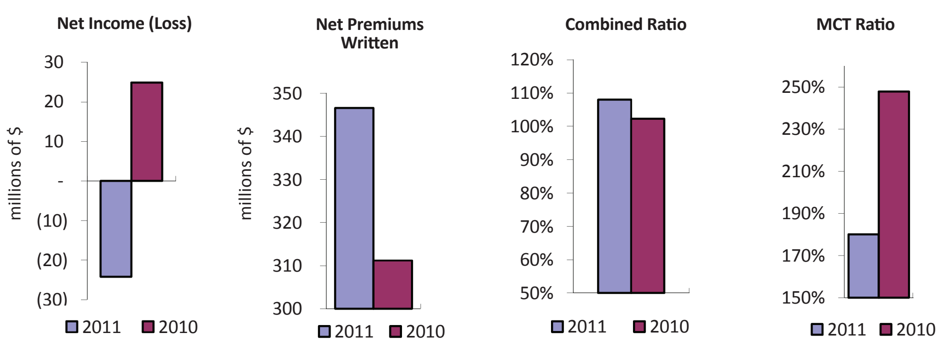
SGI CANADA is a dynamic and innovative company selling property and casualty insurance products. It currently operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, Coachman Insurance Company in Ontario and the Insurance Company of Prince Edward Island in 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 September 30



For the nine months to September 30



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 nine-month period ended September 30, 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 November 15, 2011.

Overview

(thousands of $ - except for percentages)

	three months to September 30			nine months to September 30		
	2011	2010	Change	2011	2010	Change
Net premiums written	126,882	113,258	13,624	346,624	311,177	35,447
Net income (loss)	(40,543)	19,136	(59,679)	(24,192)	24,847	(49,039)
Combined ratio	125.5%	103.2%	22.3%	108.0%	102.3%	5.7%

The year-to-date net loss was a result of an unfavourable third quarter that saw financial results deteriorate significantly, primarily a result of considerable claim costs and negative investment returns.

Underwriting profits suffered as Saskatchewan experienced significant summer storm claims in the third quarter, while each out-of-province jurisdiction experienced a high number of large property fire losses.

Investment returns were negative in the third quarter, consistent with the global investment market declines being experienced. Economic uncertainty stemming from the sovereign debt crisis in Europe and debt ceiling debate in the U.S. has caused a crisis of confidence and fears of another deep recession. Investment markets reacted negatively, driving equity prices down and bond prices up, further decreasing already low bond yields. Although bond investments have performed above expectations, significant decreases in equity prices lead to the negative investment return in the quarter.

The Corporation continues to experience strong premium growth, with the largest growth from Ontario, specifically Ontario auto.

This is SGI's first year preparing financial statements using International Financial Reporting Standards (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.

Outlook

The Corporation experienced a series of unrelated events in 2011 that lead to a significant net loss for the first nine months of 2011. This is the second year in a row the Corporation has experienced significant Saskatchewan summer storm claims. However, while the 2010 summer storms were offset by positive out-of-province results and relatively strong investment earnings, 2011 has seen the opposite occur. Property results across out-of-province jurisdictions have been unfavourable, negating any potential positive offset from out-of-province operations. Although property results have generally been unfavourable across the industry in 2011, the Corporation is reviewing rates, rating structures and certain underwriting coverages to limit the risk of negative results in future years.

Investment earnings also deteriorated significantly in the third quarter. It is expected that challenging investment markets will continue until investors regain confidence and measures to improve economic growth and limit debt take hold. The unfavourable investment markets present challenges for the Corporation, impacting both investment returns and the long-term cost of claims. With the Corporation's change to IFRS, unrealized investment gains/losses are recorded in net income and have resulted in higher investment earnings volatility. While investment earnings will continue to fluctuate through the remainder of 2011, volatility caused by interest rate changes is expected to be largely offset by the impact on the discounting of claim liabilities. In addition, the Corporation continues to maintain its well diversified, high-quality investment portfolio and prudent investment management policies and processes.

A new dividend policy was established in 2011 whereby dividends are paid only in consideration of the Corporation's Minimum Capital Test (MCT) target of 250%. The year-to-date loss has resulted in the Corporation's MCT falling to 180%. While the Corporation's capital remains adequate and in excess of the 150% minimum regulatory target, is it is below the required level to project a dividend at year end.

While 2011 results have been unfavourable to date, the fourth quarter is generally a strong quarter for the Corporation and some improvement in underwriting results is expected by the end of the year. The Corporation continues to spread its insurance risk across other geographic areas in Canada, and also limits its insurance risk using a strong reinsurance program.

While returning to profitability is a focus, customer service is also very important to the Corporation, especially when significant weather events occur. The Corporation's Claims department remains focused on adjusting claims and working with customers who have been impacted by the significant storm activity experienced in 2011.

Revenue

(thousands of $)	three months to September 30 2011	2010	Change	nine months to September 30 2011	2010	Change
Premiums earned	114,512	102,114	12,398	330,903	299,069	31,834
Investment earnings (loss)	(12,356)	24,412	(36,768)	961	34,525	(33,564)

Premium growth in all operating segments resulted in a 12.1% increase in premium earnings for the first three quarters of 2011, as noted below:

Premiums earned by operating segment

(thousands of $)	three months to September 30 2011	2010	Change	nine months to September 30 2011	2010	Change
Saskatchewan	82,136	76,486	5,650	240,171	227,775	12,396
Ontario	14,579	9,509	5,070	39,618	25,695	13,923
Alberta and Manitoba	12,426	11,135	1,291	35,580	31,487	4,093
Maritimes	5,371	4,984	387	15,534	14,112	1,422
Total	114,512	102,114	12,398	330,903	299,069	31,834

Premiums earned in Saskatchewan increased 5.4% in the first nine months of 2011 with growth in agro, personal auto, and personal lines products. Auto business provided the bulk of the 54.2% growth in premium earnings for the Ontario operating segment, as the policy base continues to grow. Alberta operations experienced premium earnings growth of 18.2%, with auto business contributing to the majority of the increase. In Manitoba, premiums increased 3.2%, a result of rate increases in personal lines business. Premium earnings in the Maritimes increased 10.1% in the first nine months of the year, with the newer jurisdictions of New Brunswick and Nova Scotia providing most of the increase, largely a result of increased auto writings.

The Corporation experienced a $12.4 million loss from investments in the third quarter, compared to earnings of $24.4 million in the third quarter of 2010. Declines in equity prices resulted in significant market value losses on equities during the quarter, as opposed to the gains experienced last year. Bond returns continued their strong performance in the current quarter compared to 2010 as interest rate declines generated market value gains on bonds.

Year-to-date investment earnings were $33.6 million lower than the same period in 2010, with the significant decline coming in the third quarter. Overall, the year-to-date market value rate of return at September 30, 2011 (excluding premium financing revenue), was negative 0.6%, compared to positive 5.0% for same period of 2010.

Expenses

(thousands of $ - except percentages)	three months to September 30			nine months to September 30		
	2011	2010	Change	2011	2010	Change
Claims incurred	102,204	68,695	33,509	234,220	194,390	39,830
Other expenses	41,478	36,674	4,804	123,211	111,697	11,514
	143,682	105,369	38,313	357,431	306,087	51,344
Loss ratio	89.3%	67.3%	22.0%	70.8%	65.0%	5.8%

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

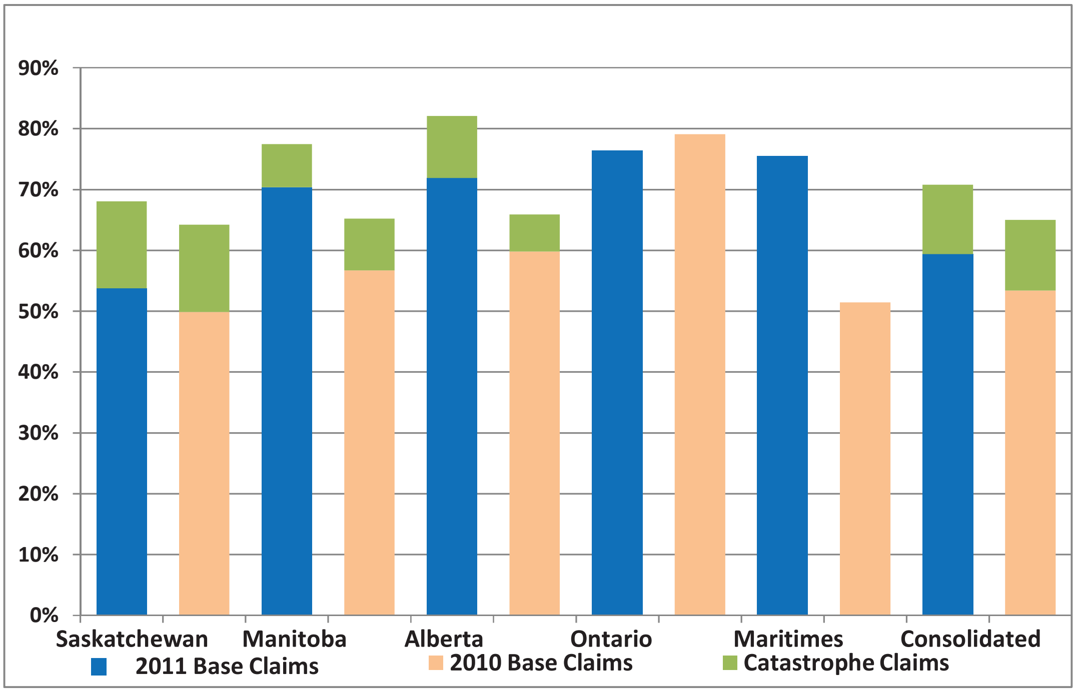
Claims incurred

Third quarter claims incurred of $102.2 million were $33.5 million, or 48.8%, higher than 2010, with a consolidated loss ratio of 89.3%, significantly higher than the consolidated loss ratio for the third quarter of 2010 of 67.3%. The majority of the increase to claims incurred for the quarter is the result of severe summer storm activity of $26.8 million in 2011 compared to $4.2 million in the third quarter of 2010. While 2010 was a particularly bad year for storms, they came primarily in the second quarter.

Claims incurred totalled $234.2 million for the first nine months of 2011, a 20.5% increase from 2010. In 2011, Saskatchewan experienced significant summer storm claim costs of $34.3 million. This is the highest year on record for summer storm claims, after reinsurance, with 2010 being the second highest at $32.4 million. The Corporation has also experienced poor property results across all out-of-province jurisdictions, primarily a result of significant fire losses. In addition, Saskatchewan auto claim costs were higher than in the prior year. All jurisdictions have worse loss ratios in 2011 than 2010 except Ontario, which saw a decrease in its loss ratio due to improving auto results.

The consolidated loss ratio increased to 70.8% in 2011 from 65.0% in 2010, as detailed in the chart below.

Loss Ratios – nine months to September 30



Saskatchewan's loss ratio of 68.7% increased from last year's nine-month loss ratio of 64.2%, with the increase primarily related to unfavourable personal auto and commercial auto results attributable to poor winter driving conditions in the first quarter, but compounded by the fact that commercial auto experienced significant favourable development on prior year claims in 2010.

Manitoba's loss ratio increased to 77.5% from 65.2% in 2010, primarily the result of a number of large property fires in 2011.

Alberta's loss ratio increased to 76.0% compared to 65.9% in 2010. The 2011 claim results were impacted by the Slave Lake wildfire as well as a number of large property fires.

Ontario's loss ratio decreased to 76.4% from 79.1% in 2010, with the improvement resulting from the auto line of business. Auto results have been significantly better for the first nine months of 2011 with a loss ratio of 73.1% compared to 93.7% in 2010.

The Maritimes' loss ratio increased to 75.5% in 2011 from 51.5% in 2010, due primarily to a significant number of property losses in the current year.

Other expenses

For the third quarter, other expenses increased $4.8 million compared to the same period in 2010. This is due primarily to a $3.7 million increase in commissions and premium taxes, a result of the premium growth experienced in the quarter.

For the first nine months of 2011, other expenses increased by $11.5 million or 10.3% from 2010. The majority is attributable to premium growth, with $9.6 million of the increase related to growth in commissions and premium taxes.

Balance Sheet Review

(thousands of $)	September 30 2011	December 31 2010	Change
Total assets	**953,338**	**905,273**	**48,065**
Key asset account changes:			
Cash and cash equivalents	33,905	27,809	6,096
Accounts receivable	145,479	138,527	6,952
Investments	603,970	591,331	12,639
Unpaid claims recoverable from reinsurers	57,939	44,635	13,304
Reinsurers' share of unearned premiums	15,826	9,835	5,991

The increase in cash and cash equivalents is discussed in the Cash Flow and Liquidity section that follows. Accounts receivable have increased, primarily related to the growth in premiums. The carrying value of investments increased by $12.6 million. While the Corporation experienced a decline in the market value of its investments, it was more than offset by investment purchases made from positive cash flows from operations. The Slave Lake wildfire-related claims are contributing to the growth in unpaid claims recoverable from reinsurers, with the increase largely representing amounts due under catastrophe reinsurance agreements. Reinsurers' share of unearned premiums is 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. Additionally, in 2011 reinstatement premiums were required as a result of the storm activity in the second quarter.

(thousands of $)	September 30 2011	December 31 2010	Change
Total liabilities	**737,467**	**644,716**	**92,751**
Key liability account changes:			
Accounts payable and accrued liabilities	49,131	43,337	5,794
Dividend payable	8,090	15,462	(7,372)
Premium taxes payable	15,089	18,856	(3,767)
Amounts due to reinsurers	9,394	5,960	3,434
Unearned premiums	262,812	241,100	21,712
Provision for unpaid claims	388,784	315,908	72,876

Accounts payable and accrued liabilities increased, largely due to intercompany amounts payable to the Auto Fund, which were paid in October. The lower dividend payable was a result of a large 2010 fourth quarter dividend outstanding at year end, which was paid to the province in the first quarter of 2011. Premium taxes payable decreased as the current balance relates to an accrual for nine months of taxes, while the comparative balance represents an accrual for the entire preceding year. The increase in unearned premiums is reflective of the premium growth. The provision for unpaid claims increased, largely due to losses related to the severe storm activity in Saskatchewan and the Slave Lake wildfire in Alberta, the majority of which remain unpaid at September 30, 2011. The provision related to Ontario has also increased consistent with the growth in its auto book of business.

(thousands of $)	September 30 2011	December 31 2010	Change
Total equity	**213,646**	**258,129**	**(44,483)**
Key equity account changes:			
Retained earnings	133,646	178,129	(44,483)

Retained earnings decreased from December 2010 due to the $24.2 million consolidated net loss combined with the dividends declared of $16.2 million, and an other comprehensive loss of $4.3 million. The other comprehensive loss represents actuarial losses associated with the Corporation’s defined benefit pension and service recognition plans, related primarily to lower than anticipated investment returns.

Cash Flow and Liquidity

(thousands of $)	three months to September 30 2011	2010	Change	nine months to September 30 2011	2010	Change
Operating activities	38,204	11,170	27,034	60,028	22,022	38,006
Investing activities	(10,629)	(4,602)	(6,027)	(30,380)	17,913	(48,293)
Financing activities	-	(2,839)	2,839	(23,552)	(33,049)	9,497
Net cash flow	27,575	3,729	23,846	6,096	6,886	(790)

The third quarter generated strong operating cash flows largely from the continued growth in policies written across all jurisdictions, combined with the fact that much of the summer storm claims experienced remained unpaid at the end of the quarter. Positive cash flow from operations was used to purchase $10.6 million of equity and bond investments, with the excess invested in cash equivalent short-term investments.

Consistent with the third quarter, year-to-date cash flow from operations of $60.0 million was generated primarily from the continued growth in policies written, combined with an increase in unpaid claims. The positive operating cash flow has primarily been used to purchase $30.4 million of long-term investments and fund dividend payments of $23.6 million. The divided payments include the fourth quarter 2010 dividend payment of $15.5 million, and a first quarter 2011 dividend payment of $8.1 million. No dividends have been paid since the first quarter payment, as the Corporation is not projecting to achieve its targeted 250% MCT from its dividend policy.

Capital

	September 2011	December 31 2010	Change
Minimum Capital Test	180%	247%	-67%

The Corporation uses a common industry measurement, the Minimum Capital Test (MCT), to monitor its capital adequacy. At September 30, 2011, the Corporation's MCT was in excess of the 150% minimum regulatory target. The decrease from December 31, 2010, is attributable primarily to the unfavourable results experienced in the first nine months of 2011.

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 $)	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Net premiums earned	114,512	109,338	107,053	106,190	102,114	100,176	96,779
Claims incurred	102,204	76,710	55,306	51,743	68,695	77,122	48,573
Net income (loss)	(40,543)	(4,591)	20,942	24,490	19,136	(15,485)	21,196
Cash flow from (used in) operations	38,204	22,720	(896)	52,668	11,170	14,419	(3,567)
Investments	603,970	612,336	585,076	591,331	577,610	555,037	565,010
Provision for unpaid claims	388,784	344,388	312,852	315,908	334,578	324,922	326,308
Minimum Capital Test	180%	232%	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)
This is the Corporation's first year producing 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.

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 apply only as of the date of this MD&A document.

CONDENSED STATEMENT OF FINANCIAL POSITION

	September 30 2011 (unaudited)	December 31 2010 (unaudited)	January 1 2010 (unaudited)
	(thousands of Canadian $)		
Assets			
Cash and cash equivalents	$ 33,905	$ 27,809	$ 16,920
Accounts receivable	145,479	138,527	136,083
Investments under security lending program (note 5)	99,922	78,141	40,139
Investments (note 5)	504,048	513,190	539,671
Unpaid claims recoverable from reinsurers	57,939	44,635	29,276
Reinsurers' share of unearned premiums	15,826	9,835	9,480
Deferred policy acquisition costs	59,649	56,204	52,412
Property, plant and equipment	31,569	32,252	31,971
Other assets	1,814	1,988	2,517
Deferred tax asset	3,187	2,692	2,531
	$ 953,338	$ 905,273	$ 861,000
Liabilities			
Accounts payable and accrued liabilities	$ 49,131	$ 43,337	$ 53,033
Dividend payable	8,090	15,462	22,199
Premium taxes payable	15,089	18,856	17,474
Amounts due to reinsurers	9,394	5,960	4,578
Unearned reinsurance commissions	3,262	3,183	3,051
Unearned premiums	262,812	241,100	217,678
Provision for unpaid claims	388,784	315,908	285,751
Deferred tax liability	905	910	1,125
	737,467	644,716	604,889
Province of Saskatchewan's equity			
Equity advances	80,000	80,000	80,000
Retained earnings	133,646	178,129	174,232
	213,646	258,129	254,232
Non-controlling interest	2,225	2,428	1,879
Total equity	**215,871**	260,557	256,111
	$ 953,338	$ 905,273	$ 861,000

(see accompanying notes)

CONDENSED STATEMENT OF OPERATIONS

for the periods ended September 30, 2011 and 2010

	three months to September 30		nine months to September 30	
	2011	2010	**2011**	2010
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	(thousands of Canadian $)		(thousands of Canadian $)	
Gross premiums written	$ 135,923	$ 122,721	$ 380,765	$ 341,939
Premiums written ceded to reinsurers	(9,041)	(9,463)	(34,141)	(30,762)
Net premiums written	$ 126,882	$ 113,258	$ 346,624	$ 311,177
Change in net unearned premiums	(12,370)	(11,144)	(15,721)	(12,108)
Net premiums earned	**$ 114,512**	$ 102,114	**$ 330,903**	$ 299,069
Claims incurred	102,204	68,695	234,220	194,390
Commissions	22,723	19,474	68,545	60,304
Administrative expenses	13,313	12,411	38,751	37,580
Premium taxes	5,392	4,924	15,637	14,302
Facility Association participation (note 11)	50	(135)	278	(489)
Total claims and expenses	**143,682**	105,369	**357,431**	306,087
Underwriting loss	**(29,170)**	(3,255)	**(26,528)**	(7,018)
Investment earnings (loss) (note 6)	(12,356)	24,412	961	34,525
Income (loss) before income taxes	**(41,526)**	21,157	(25,567)	27,507
Income tax expense (recovery)	(983)	2,021	(1,375)	2,660
Net income (loss)	**(40,543)**	19,136	**(24,192)**	24,847
Other comprehensive income (loss)	**(4,066)**	371	**(4,314)**	(2,113)
Comprehensive income (loss)	**$ (44,609)**	$ 19,507	**$ (28,506)**	$ 22,734
Attributable to:				
The Province of Saskatchewan	(44,511)	19,185	(28,303)	22,265
Non-controlling interest	(98)	322	(203)	469
	$ (44,609)	$ 19,507	**$ (28,506)**	$ 22,734

(see accompanying notes)

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the periods ended

(in thousands of Canadian $)	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) (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 September 30, 2010	-	-	24,378	24,378	469	24,847
Other comprehensive income for the period ended September 30, 2010	-	-	(2,113)	(2,113)	-	(2,113)
Dividends	-	-	(28,058)	(28,058)	-	(28,058)
Balance as at September 30, 2010 (unaudited)	80,000	-	168,439	248,439	2,348	250,787
Net income for the three-month period from October 1, 2010 to December 31, 2010	-	-	24,410	24,410	80	24,490
Other comprehensive income for the three-month period from October 1, 2010 to December 31, 2010	-	-	742	742	-	742
Dividends	-	-	(15,462)	(15,462)	-	(15,462)
Balance as at December 31, 2010 (unaudited)	80,000	-	178,129	258,129	2,428	260,557
Net income for the period ended September 30, 2011	-	-	(23,989)	(23,989)	(203)	(24,192)
Other comprehensive loss for the period ended September 30, 2011	-	-	(4,314)	(4,314)	-	(4,314)
Dividends	-	-	(16,180)	(16,180)	-	(16,180)
Balance as at September 30, 2011 (unaudited)	$ 80,000	$ -	$ 133,646	$ 213,646	$ 2,225	$ 215,871

(see accompanying notes)

CONDENSED STATEMENT OF CASH FLOWS

for the periods ended September 30, 2011 and 2010

	three months to September 30		nine months to September 30	
	2011 (unaudited)	2010 (unaudited)	**2011 (unaudited)**	2010 (unaudited)
	(thousands of Canadian $)		(thousands of Canadian $)	
Cash provided by (used for):				
Operating activities				
Net income (loss)	$ (40,543)	$ 19,136	$ (24,192)	$ 24,847
Non-cash items:				
Amortization	1,738	1,441	4,861	4,043
Net realized gain on disposal of investments	(2,208)	(9,063)	(9,647)	(12,629)
Net unrealized loss (gain) on change in market value of investments	19,579	(9,997)	23,352	(5,901)
Deferred income taxes	(1)	1,017	(500)	1,093
Income from investments accounted for on the equity basis	-	(19)	-	(197)
Change in non-cash operating items (note 9)	59,639	8,655	66,154	10,766
	38,204	11,170	**60,028**	22,022
Investing activities				
Purchases of investments	(126,478)	(187,024)	(478,366)	(377,548)
Proceeds on sale of investments	116,610	182,851	449,498	396,737
Repayment of capital lease	-	136	142	399
Purchases of property, plant and equipment	(761)	(565)	(1,654)	(1,675)
	(10,629)	(4,602)	**(30,380)**	17,913
Financing activities				
Dividends paid	**-**	(2,839)	**(23,552)**	(33,049)
Increase in cash and cash equivalents	**27,575**	3,729	**6,096**	6,886
Cash and cash equivalents, beginning of year	6,330	20,077	27,809	16,920
Cash and cash equivalents, end of period	**$ 33,905**	$ 23,806	**$ 33,905**	$ 23,806
Supplemental cash flow information:				
Income taxes paid	$ 928	$ 505	$ 2,761	$ 1,235

(see accompanying notes)

September 30, 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 16.9% (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 September 30, 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). This is SGI's first year preparing 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 IFRS. These accounting policies are based on the IFRS 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 position 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, 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.

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 2.39% (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 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*.

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 September 30, 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 September 30, 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	ii)	-	-	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 September 30, 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 September 30, 2010 (Canadian GAAP)		$ 80,000	$ 24,978	$ 125,161	$ 230,139	$ 2,348	$ 232,487
Employee Benefits							
- IFRS 1	i)	-	-	(4,218)	(4,218)	-	(4,218)
- Past service costs	i)	-	-	(3,864)	(3,864)	-	(3,864)
- Actuarial losses	i)	-	-	(2,113)	(2,113)	-	(2,113)
Auto Fund constructive obligation	ii)	-	-	5,425	5,425	-	5,425
Property, plant and equipment	ii)	-	-	22,445	22,445	-	22,445
Investments - preferred shares	iv)	-	-	76	76	-	76
Investments - reclassification	v)	-	(24,978)	24,978	-	-	-
Provision for unpaid claims - discounting	vii)	-	-	549	549	-	549
Total adjustments		-	(24,978)	43,278	18,300	-	18,300
Balance as at September 30, 2010 (IFRS)		$ 80,000	$ -	$ 168,439	$ 248,439	$ 2,348	$ 250,787

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 equipmenti	ii)	-	-	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 from July 1, 2010 to September 30, 2010

(thousands of Canadian $)	Canadian GAAP September 30, 2010		IFRS Adjustments	IFRS September 30, 2010
Gross premiums written	$ 123,375	(vi)	$ (654)	$ 122,721
Premiums written ceded to reinsurers	(9,463)		-	(9,463)
Net premiums written	$ 113,912		$ (654)	$ 113,258
Change in net unearned premiums	(11,144)		-	(11,144)
Net premiums earned	**$ 102,768**		$ (654)	**$ 102,114**
		(iii)	15	
Claims incurred	61,829	(vii)	6,851	68,695
Commissions	20,128	(vi)	(654)	19,474
		(i)	(20)	
		(i)	(195)	
		(ii)	148	
Administrative expenses	12,233	(iii)	245	12,411
Premium taxes	4,924		-	4,924
Facility Association participation	(135)		-	(135)
Total claims and expenses	**98,979**		6,390	**105,369**
Underwriting profit (loss)	**3,789**		(7,044)	**(3,255)**
		(iv)	7	
Investment earnings	14,415	(v)	9,990	24,412
Income before income taxes	**18,204**		2,953	**21,157**
Income tax expense	1,004	(v)	1,017	2,021
Net income	**17,200**		1,936	**19,136**
Other comprehensive income:				
Actuarial gain on employee benefit plan	-		371	371
Unrealized gain on available for sale financial assets arising during the year	18,922	(v)	(18,922)	-
Income tax expense	(1,407)	(v)	1,407	-
	17,515		(17,144)	371
Reclassification of net realized gains on sale of investments included in operations	(9,063)	(v)	9,063	-
Income tax expense	390	(v)	(390)	-
	(8,673)		8,673	-
Other comprehensive income	**8,842**		(8,471)	**371**
Comprehensive income	**$ 26,042**		$ (6,535)	**$ 19,507**

Consolidated Comprehensive Income for the nine-month period ended September 30, 2010

(thousands of Canadian $)	Canadian GAAP September 30, 2010		IFRS Adjustments	IFRS September 30, 2010
Gross premiums written	$ 343,609	(vi)	$ (1,670)	$ 341,939
Premiums written ceded to reinsurers	30,762		-	30,762
Net premiums written	$ 312,847		$ (1,670)	$ 311,177
Change in net unearned premiums	(12,108)		-	(12,108)
Net premiums earned	**$ 300,739**		$ (1,670)	**$ 299,069**
		(iii)	45	
Claims incurred	187,419	(vii)	6,926	194,390
Commissions	61,974	(vi)	(1,670)	60,304
		(i)	(60)	
		(i)	(586)	
		(ii)	443	
Administrative expenses	37,048	(iii)	735	37,580
Premium taxes	14,302		-	14,302
Facility Association participation	(489)		-	(489)
Total claims and expenses	**300,254**		5,833	**306,087**
Underwriting profit (loss)	**485**		(7,503)	**(7,018)**
		(iv)	(4)	
Investment earnings	28,160	(v)	6,369	34,525
Income before income taxes	**28,645**		(1,138)	**27,507**
Income tax expense	1,567	(v)	1,093	2,660
Net income	**27,078**		(2,231)	**24,847**
Other comprehensive income:				
Actuarial loss on employee benefit plan	-		(2,113)	(2,113)
Unrealized gain on available for sale financial assets arising during the year	18,434	(v)	(18,434)	-
Income tax recovery	(1,370)	(v)	1,370	-
	17,064		(19,177)	(2,113)
Reclassification of net realized gains on sale of investments included in operations	(12,660)	(v)	12,660	-
Reclassification for investment write-downs included in operations	464	(v)	(464)	-
Income tax expense	277	(v)	(277)	-
	(11,919)		11,919	-
Other comprehensive income	**5,145**		(7,258)	**(2,113)**
Comprehensive income	**$ 32,223**		$ (9,489)	**$ 22,734**

Consolidated Comprehensive Income for the year ended December 31, 2010

(thousands of Canadian $)	Canadian GAAP December 31, 2010		IFRS Adjustments	IFRS December 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	(vii)	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 tax expense	2,543	(v)	1,141	3,684
Net income	**48,802**		535	**49,337**
Other comprehensive income:				
Actuarial loss on employee benefit plans	-	(i)	(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		(23,630)	-
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 appear on the following pages.

(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 three-month period from July 1, 2010 to September 30, 2010, this accounting policy difference resulted in a decrease to pension expense of $20,000.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in a decrease to pension expense of $60,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at September 30, 2010, was a decrease of $4,218,000.

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 three-month period from July 1, 2010 to September 30, 2010, this accounting policy difference resulted in a decrease to pension expense of $195,000.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in a decrease to pension expense of $586,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at September 30, 2010, was a decrease of $3,864,000.

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 nine-month period ending September 30, 2010, this accounting policy difference resulted in a decrease to other comprehensive income and retained earnings of $2,113,000, an increase to accounts payable of $1,009,000 and a decrease to other assets of $1,104,000. 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) prior 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 three-month period from July 1, 2010 to September 30, 2010, this accounting policy difference resulted in an increase to pension expense of $148,000.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in an increase to expenses of $443,000. The total adjustment to retained earnings between Canadian GAAP and IFRS at September 30, 2010, was an increase of $5,425,000.

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 three-month period from July 1, 2010 to September 30, 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 was $524,000, less $264,000 allocated to the Saskatchewan Auto Fund for related space usage.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in a net increase to depreciation expense of $780,000, of which $735,000 is allocated to administrative expenses and $45,000 is allocated to claims incurred. Total depreciation for the period was $1,572,000, less $792,000 allocated to the Saskatchewan Auto Fund for related space usage. The adjustment to retained earnings at September 30, 2010, was an increase of $22,445,000.

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 three-month period from July 1, 2010 to September 30, 2010, this accounting policy difference resulted in an increase to investment earnings of $7,000.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in a decrease to investment earnings of $4,000. The total adjustment to retained earnings and investments at September 30, 2010, was an increase of $76,000.

For the year ended December 31, 2010, this accounting policy difference resulted in an increase to investment earnings 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 from July 1, 2010 to September 30, 2010, this accounting policy difference resulted in a decrease to other comprehensive income and an increase to net income of $8,973,000.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in a decrease to other comprehensive income and an increase to net income of $5,145,000, net of tax. The total adjustment to accumulated other comprehensive income at September 30, 2010, was a decrease of $24,978,000 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-month period from July 1, 2010 to September 30, 2010, this accounting policy difference resulted in a decrease in premiums earned of $654,000 and a corresponding decrease in commissions expense.

For the nine-month ended September 30, 2010, this accounting policy difference resulted in a decrease in premiums earned of $1,670,000 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-month period from July 1, 2010 to September 30, 2010 this accounting policy change resulted in an increase in the provision for unpaid claims of $8,498,000, an increase in the unpaid claims recoverable from reinsurers of $1,647,000 and a net increase in claims incurred of $6,851,000.

For the nine-month period ended September 30, 2010, this accounting policy difference resulted in an increase in the provision for unpaid claims of $8,637,000, an increase in the unpaid claims recoverable from reinsurers of $1,711,000 and a net increase in claims incurred of $6,926,000. The total impact on retained earnings was an increase of $549,000.

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 $)		
	September 30 2011	December 31 2010	January 1 2010
Investments			
Short-term investments	$ 33,633	$ 43,011	$ 18,933
Bonds and debentures	312,722	306,997	360,540
Canadian common shares	49,310	56,934	61,869
U.S. common shares	24,568	22,665	21,547
Pooled funds:			
Canadian equity	17,659	18,007	17,287
United States equity	9,202	7,413	7,529
Non-North American equity	30,112	32,162	26,747
Mortgage	26,842	25,154	23,067
Preferred shares	-	847	815
Investments in associates	-	-	1,337
	504,048	513,190	539,671
Investments under securities lending program			
Bonds and debentures	85,405	59,988	32,588
Canadian common shares	14,126	17,724	6,461
U.S. common shares	391	429	1,090
	99,922	78,141	40,139
Total investments	$ 603,970	$ 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 September 30, 2011, the Corporation held collateral of $104,917,000 (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 $)					
	September 30, 2011			December 31, 2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Short-term investments	$ 33,633	$ -	$ 33,633	$ 43,011	$ -	$ 43,011
Bonds and debentures	398,127	-	398,127	366,985	-	366,985
Canadian common shares	63,436	-	63,436	74,658	-	74,658
U.S. common shares	24,959	-	24,959	23,094	-	23,094
Pooled funds:						
Canadian equity	17,659	-	17,659	18,007	-	18,007
United States equity	9,202	-	9,202	7,413	-	7,413
Non-North American equity	30,112	-	30,112	32,162		32,162
Mortgage	-	26,842	26,842	-	25,154	25,154
Preferred shares	-	-	-	-	847	847
	$ 577,128	$ 26,842	$ 603,970	$ 565,330	$ 26,001	$ 591,331

6. INVESTMENT EARNINGS (LOSS)

The components of investment earnings (loss) are as follows:

	(thousands of Canadian $)			
	three months to September 30		nine months to September 30	
	2011	2010	2011	2010
Net realized gain on disposal of investments	$ 2,208	$ 9,063	$ 9,647	$ 12,629
Interest	2,719	3,150	8,383	10,167
Premium financing	1,301	1,106	3,835	3,157
Pooled fund distributions	763	605	1,803	1,537
Dividends	448	668	1,262	1,528
Interest on net investment in capital lease	-	9	51	38
Investments in associates	-	19	-	197
Net unrealized gain (loss) on change in market value of investments	(19,579)	9,997	(23,352)	5,901
Total investment earnings (loss)	$ (12,140)	$ 24,617	$ 1,629	$ 35,154
Investment expenses	(216)	(205)	(668)	(629)
Net investment earnings (loss)	$ (12,356)	$ 24,412	$ 961	$ 34,525

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 auto risks over a 12-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	
	September 30 2011	December 31 2010	September 30 2011	December 31 2010	September 30 2011	December 31 2010
Automobile	$ 173,583	$ 148,458	$ 18,644	$ 16,020	$ 154,939	$ 132,438
Property	124,772	85,897	32,861	23,126	91,911	62,771
Liability	68,492	67,244	4,176	4,274	64,316	62,970
Assumed	7,735	7,769	-	-	7,735	7,769
Facility Association	5,344	4,296	-	-	5,344	4,296
Discounting	8,858	2,244	2,258	1,215	6,600	1,029
Total	$ 388,784	$ 315,908	$ 57,939	$ 44,635	$ 330,845	$ 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	
	September 30 2011	December 31 2010	September 30 2011	December 31 2010	September 30 2011	December 31 2010
Saskatchewan	$ 230,064	$ 197,492	$ 29,365	$ 29,726	$ 200,699	$ 167,766
Ontario	95,515	75,605	16,695	13,935	78,820	61,670
Alberta	34,560	19,531	11,476	752	23,084	18,779
Maritimes	19,470	15,694	229	108	19,241	15,586
Manitoba	9,175	7,586	174	114	9,001	7,472
Total	$ 388,784	$ 315,908	$ 57,939	$ 44,635	$ 330,845	$ 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 $)	
	September 30 2011	December 31 2010
	Carrying Value	Carrying Value
Cash and cash equivalents	$ 33,905	$ 27,809
Accounts receivable	145,479	138,527
Fixed income investments [1]	458,602	435,150
Unpaid claims recoverable from reinsurers	57,939	44,635

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

Cash and cash equivalents include money market investments of $42,298,000 less cash on hand, net of outstanding cheques of $8,393,000 (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 $) September 30 2011	(thousands of Canadian $) December 31 2010
Current	$ 143,829	$ 137,242
30 - 59 days	519	594
60 - 89 days	363	253
Greater than 90 days	5,768	5,551
Subtotal	150,479	143,640
Allowance for doubtful accounts	(5,000)	(5,113)
Total	$ 145,479	$ 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 $) nine months ended September 30 2011	(thousands of Canadian $) twelve months ended December 31 2010
Allowance for doubtful accounts, opening balance	$ 5,113	$ 6,261
Accounts written off	(1,409)	(2,134)
Current period provision	1,296	986
Allowance for doubtful accounts, ending balance	$ 5,000	$ 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:

	September 30, 2011		December 31, 2010	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio %	Fair Value (thousands of $)	Makeup of Portfolio %
AAA	$ 211,434	53.1%	$ 197,639	53.9%
AA	103,586	26.0%	82,539	22.5%
A	60,781	15.3%	65,765	17.9%
BBB	22,326	5.6%	21,042	5.7%
Total	$ 398,127	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	
	September 30 2011	December 31 2010	September 30 2011	December 31 2010
Investment earnings	(10,088)	(11,529)	10,521	11,529
Claims incurred	(8,153)	(6,569)	8,153	6,599
Net income (loss)	(1,935)	(4,960)	2,368	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 September 30, 2011, the Corporation's exposure to U.S. equities was 5.7% (December 31, 2010 – 5.2%) and its exposure to non-North American equities was 5.0% (December 31, 2010 – 5.4%).

At September 30, 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 $3.0 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 24.1% (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 $)	
	September 30	December 31
Asset Class	2011	2010
Canadian pooled equity fund and Canadian common shares	$ +/- 31,465	$ +/- 36,613
U.S. pooled equity fund and U.S. common shares	+/- 8,950	+/- 8,054
Non-North American pooled equity fund	+/- 10,359	+/- 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 claim 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 September 30, 2011, the Corporation's MCT was 180% (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 September 30		nine months to September 30	
	2011	2010	2011	2010
Accounts receivable	$ (1,326)	$ (3,668)	$ (6,952)	$ (7,091)
Unpaid claims recoverable from reinsurers	(3,642)	(9,131)	(13,304)	(22,086)
Reinsurers' share of unearned premiums	699	395	(5,991)	(5,820)
Deferred policy acquisition costs	(3,460)	(2,521)	(3,445)	(3,632)
Other assets	(3,462)	(1,616)	(3,735)	(286)
Accounts payable and accrued liabilities	10,271	155	5,247	(18,058)
Premium taxes payable	5,421	5,032	(3,767)	(3,404)
Amounts due to reinsurers	(1,026)	(368)	3,434	4,452
Unearned reinsurance commissions	97	(28)	79	(64)
Unearned premiums	11,671	10,749	21,712	17,928
Provision for unpaid claims	44,396	9,656	72,876	48,827
	$ 59,639	$ 8,655	$ 66,154	$ 10,766

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 September 30		nine months to September 30	
	2011	2010	2011	2010
Salaries	$ 28,658	$ 28,173	$ 82,029	$ 82,433
Defined contribution pension plan	1,667	1,476	4,621	4,420
Defined benefit pension plan	(37)	20	(112)	58
Defined benefit service recognition plans	567	576	1,702	1,730
Other benefits	2,658	2,784	10,366	10,294
Total salaries and benefits	33,513	33,029	98,606	98,935
Less: allocation to Saskatchewan Auto Fund	(21,177)	(20,724)	(62,036)	(62,293)
Salaries and benefits incurred in SGI CANADA	$ 12,336	$ 12,305	$ 36,570	$ 36,642

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 September 30		nine months to September 30	
	2011	2010	2011	2010
Current service cost	$ 22	$ 22	$ 66	$ 66
Interest cost	428	461	1,285	1,382
Expected return on pension plan assets	(487)	(481)	(1,463)	(1,445)
Valuation allowance	-	18	-	55
Pension expense	$ (37)	$ 20	$ (112)	$ 58

Defined benefit service recognition plans

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

	(thousands of Canadian $)			
	three months to September 30		nine months to September 30	
	2011	2010	2011	2010
Current service cost	$ 229	$ 202	$ 687	$ 605
Interest cost	191	227	572	682
Amortization of plan changes and past service costs	147	147	443	443
Pension expense	$ 567	$ 576	$ 1,702	$ 1,730

Actuarial losses recognized in other comprehensive loss

Other comprehensive loss results from changes to actuarial assumptions used to calculate the liabilities of the employee benefit plans and differences in the actual return on employee benefit plan assets versus estimated returns on these assets. The discount rate is the only key assumption that changed during the period, as follows:

Discount Rate	Defined Benefit Pension Plan	Defined Benefit Service Recognition Plans
December 31, 2009	5.30%	5.00% - 5.40%
June 30, 2010	5.00%	4.50% - 4.80%
September 30, 2010	4.70%	4.10% - 4.40%
December 31, 2010	4.90%	4.30% - 4.50%
June 30, 2011	4.80%	4.20% - 4.40%
September 30, 2011	4.40%	3.80% - 4.00%

Actuarial losses (gains) recognized in other comprehensive loss are as follows:

	(thousands of Canadian $)	
	2011	2010
Cumulative actuarial losses, January 1	$ 5,406	$ 4,278
Recognized in the first quarter	-	-
Recognized during the second quarter	248	2,484
Recognized during the third quarter	4,066	(371)
Cumulative actuarial losses, September 30	$ 9,720	$ 6,391

Allocation to Saskatchewan Auto Fund

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 Corporation, and include Board Members, the President and Chief Executive Officer, and Vice-Presidents of the Corporation. Key management personnel compensation is comprised of:

	(thousands of Canadian $)			
	three months ended September 30		nine months ended September 30	
	2011	2010	2011	2010
Salaries and benefits	$ 678	616	$ 2,608	$ 2,278
Post-employment benefits	8	12	24	37
Contributions to defined contribution pension plan	60	52	183	158
	$ 746	$ 680	$ 2,815	$ 2,473

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 September 30		nine months to September 30	
	2011	2010	2011	2010
Gross premiums written	$ 2,308	$ 800	$ 3,996	$ 3,315
Net premiums earned	$ 1,927	$ 794	$ 3,471	$ 2,988
Claims incurred	1,330	424	2,640	1,465
Commissions	101	46	209	292
Premium taxes	61	25	109	94
Administrative expenses	493	200	869	721
Total claims and expenses	1,985	695	3,827	2,572
Underwriting profit (loss)	(58)	99	(356)	416
Investment earnings	8	36	78	73
Net income (loss)	$ (50)	$ 135	$ (278)	$ 489

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 $)

three months to September 30, 2011	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes	Total
Net premiums written	$ 91,076	$ 14,949	$ 14,865	$ 5,992	$ 126,882
Net premiums earned	82,136	12,426	14,579	5,371	114,512
Claims incurred	76,979	9,865	11,317	4,043	102,204
Other expenses	32,293	4,179	3,062	1,944	41,478
Underwriting profit (loss)	(27,136)	(1,618)	200	(616)	(29,170)
Investment earnings (loss)	(10,869)	(1,197)	(339)	49	(12,356)
Loss before the following:	(38,005)	(2,815)	(139)	(567)	(41,526)
Income tax recovery	-	(771)	(39)	(173)	(983)
Net loss	$ (38,005)	$ (2,044)	$ (100)	$ (394)	$ (40,543)

(thousands of Canadian $)

three months to September 30, 2010	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes	Total
Net premiums written	$ 83,901	$ 13,561	$ 10,185	$ 5,611	$ 113,258
Net premiums earned	76,486	11,135	9,509	4,984	102,114
Claims incurred	51,648	6,830	7,896	2,321	68,695
Other expenses	28,345	3,731	2,839	1,759	36,674
Underwriting profit (loss)	(3,507)	574	(1,226)	904	(3,255)
Investment earnings	18,136	2,414	3,113	749	24,412
Income before the following:	14,629	2,988	1,887	1,653	21,157
Income taxes	-	902	584	535	2,021
Net income	$ 14,629	$ 2,086	$ 1,303	$ 1,118	$ 19,136

(thousands of Canadian $)

nine months to September 30, 2011	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 246,310	$ 37,175	$ 46,889	$ 16,250	$ -	$ 346,624
Net premiums earned	240,171	35,580	39,618	15,534	-	330,903
Claims incurred	165,016	27,207	30,270	11,727	-	234,220
Other expenses	93,899	12,247	11,571	5,494	-	123,211
Underwriting loss	(18,744)	(3,874)	(2,223)	(1,687)	-	(26,528)
Investment earnings (loss)	(1,945)	47	2,278	581	-	961
Income (loss) before the following:	(20,689)	(3,827)	55	(1,106)	-	(25,567)
Income taxes (recovery)	-	(1,053)	16	(338)	-	(1,375)
Net income (loss)	$ (20,689)	$ (2,774)	$ 39	$ (768)	$ -	$ (24,192)
Total assets	$ 636,278	$ 129,978	$ 178,580	$ 47,859	$ (39,357)	$ 953,338
Total liabilities	$ 508,436	$ 93,939	$ 137,403	$ 37,046	$ (39,357)	$ 737,467
Province of Saskatchewan's equity	$ 127,841	$ 36,521	$ 41,177	$ 10,332	$ (2,225)	$ 213,646

(thousands of Canadian $)

nine months to September 30, 2010	Saskatchewan	Manitoba and Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	$ 230,721	$ 33,722	$ 31,185	$ 15,549	$ -	$ 311,177
Net premiums earned	227,775	31,487	25,695	14,112	-	299,069
Claims incurred	146,134	20,669	20,325	7,262	-	194,390
Other expenses	87,875	10,713	7,768	5,341	-	111,697
Underwriting profit (loss)	(6,234)	105	(2,398)	1,509	-	(7,018)
Investment earnings	24,954	3,881	4,531	1,159	-	34,525
Income before the following:	18,720	3,986	2,133	2,668	-	27,507
Income taxes	-	1,138	658	864	-	2,660
Net income	$ 18,720	$ 2,848	$ 1,475	$ 1,804	$ -	$ 24,847
Total assets	$ 728,227	$ 157,614	$ 142,352	$ 42,597	$ (167,220)	$ 903,570
Total liabilities	$ 477,676	$ 70,483	$ 101,542	$ 31,769	$ (30,800)	$ 650,670
Province of Saskatchewan's equity	$ 250,551	$ 87,131	$ 40,810	$ 10,828	$ (136,420)	$ 252,900

13. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2010 balances have been reclassified to conform to 2011 financial statement presentation.