

**SGI CANADA
QUARTERLY REPORT
MARCH 2009**

CORPORATE PROFILE

Vision

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

Values

Integrity – Conducting ourselves with honesty, trust and fairness

Caring – Acting with empathy, courtesy and respect

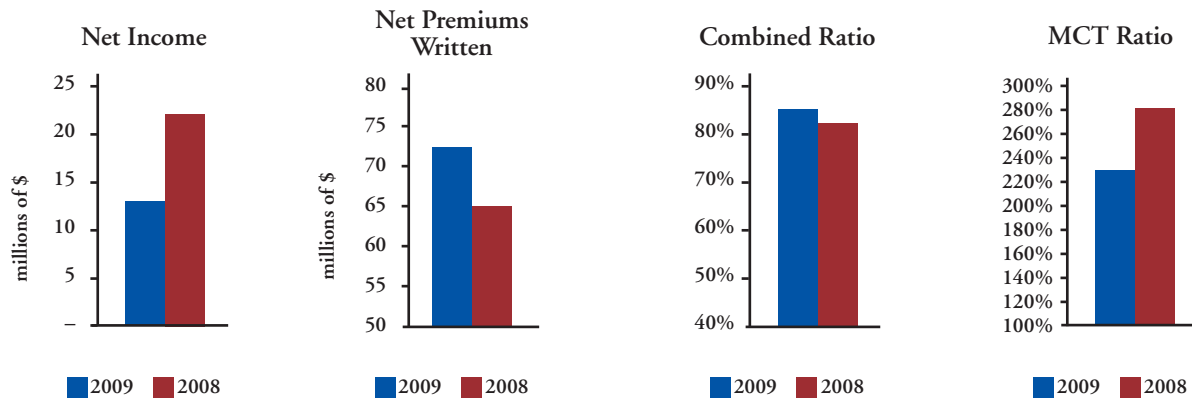
Innovation – Implementing creative solutions to achieve our vision

About SGI CANADA

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

Financial Highlights

For the three months to March 31



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd., the Insurance Company of Prince Edward Island and Coachman Insurance Company, collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the three month period ended March 31, 2009, and the SGI CANADA MD&A and annual audited financial statements and supporting notes as at and for the year ended December 31, 2008. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to May 12, 2009.

Overview

(thousands of \$ – except for percentages)	three months to March 31		
	2009	2008	Change
Net premiums written	71,956	65,589	6,367
Net income	13,232	21,616	(8,384)
Combined ratio	85.6%	82.5%	3.1%

Growth in net premiums written increased in all jurisdictions compared to the same period in 2008. For the first three months of 2009, Saskatchewan premiums have increased 8.3% while premium writings outside Saskatchewan have increased 15.5% over last year. The largest growth outside Saskatchewan has been in the newer markets of Alberta, New Brunswick and Nova Scotia.

While the consolidated combined ratio remains strong, it is higher than the first quarter of 2008 due to higher claim costs and other expenses, which, combined with lower investment earnings, led to the decrease in net income.

Outlook

Strong underwriting results have produced a solid profit in the first quarter of 2009, leaving SGI CANADA well positioned leading into the second quarter. However, the summer storm season in Saskatchewan can quickly and unfavourably impact the bottom line. In this respect, the first quarter profit generated will benefit the Corporation heading into the summer months. To offset the impact of Saskatchewan summer storms, the Corporation spreads its insurance risk geographically.

The first quarter saw premium growth in all jurisdictions. Growth is expected to continue through 2009, especially from the Corporation's newer markets of Alberta, New Brunswick and Nova Scotia. The Corporation will achieve its growth targets profitably through adequate pricing and diligent claims management. A focus on strong underwriting fundamentals and

providing outstanding customer service to its brokers will continue to be key to meeting the challenges presented in these markets.

The significant downturn in global capital markets that began in the last half of 2008 continues to impact SGI CANADA. The Corporation has experienced a decline in the market value of its investment assets and lower investment earnings, consistent with that experienced throughout the insurance industry. The uncertainty in the investment markets is expected to continue through 2009. While the Corporation monitors the investment market environment closely, it plans to stay the course, as it maintains a well-diversified and high quality investment portfolio, and follows prudent investment management policies and processes.

The Corporation remains adequately capitalized and will remain focused on its strategies.

Revenue

(thousands of \$)	three months to March 31		
	2009	2008	Change
Premiums earned	87,444	79,967	7,477
Investment earnings	998	8,210	(7,212)

The increase in premiums earned is a result of both the strong Saskatchewan economy and growth in all out-of-province jurisdictions.

Premiums earned by jurisdiction

(thousands of \$)	three months to March 31		
	2009	2008	Change
Saskatchewan	70,244	66,103	4,141
Alberta	4,588	2,662	1,926
Maritimes	3,504	2,691	813
Manitoba	3,238	2,903	335
Ontario	5,870	5,608	262
Total	87,444	79,967	7,477

Policy growth and increased property values in Saskatchewan are the primary contributors to the increased premiums earned in the province. Alberta's premiums earned have increased significantly as a result of substantial policy growth experienced for all products. The increased premiums earned in the Maritimes are primarily attributable to significant policy growth for automobile policies in New Brunswick and Nova Scotia.

SGI CANADA

Investment earnings for the three-month period ending March 31, 2009 were lower than comparative 2008 results primarily as a result of lower realized gains on bonds, realized losses on common shares and investment write-downs of \$2.4 million. However, investment income remains positive due to interest and dividend income of \$4.8 million. The annualized cost-based rate of return was 0.0%, compared to 6.0% for 2008.

The weak capital market environment that began in the second half of 2008 continued in the first quarter of 2009 resulting in a decline in the market value of investments of \$4.0 million. The failure to see any significant increases in the capital markets led the Corporation to record investment write-downs of \$2.4 million related to certain equity investments. When the market value of an investment falls below its cost, accounting standards require an assessment of whether the impairment in value is temporary or other than temporary. If the impairment is other than temporary, the investment is written down to market value. Management performs a quarterly analysis of each individual investment holding to determine if declines in market value are considered other than temporary based on accounting standards. The Corporation maintains a prudent investment policy that maintains a long-term investment horizon. It balances the need for capital preservation with the desire for portfolio growth over the longer term.

Expenses

(thousands of \$ – except for percentages)	three months to March 31		
	2009	2008	Change
Claims incurred	40,607	35,689	4,918
Other expenses	34,208	30,261	3,947
	<u>74,815</u>	<u>65,950</u>	<u>8,865</u>
Loss ratio	46.4%	44.6%	1.8%

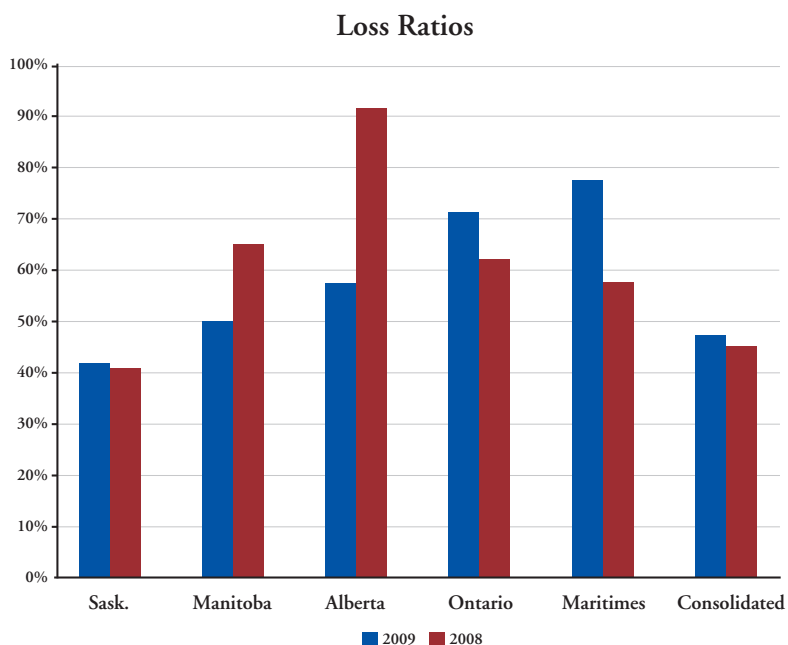
Expenses are comprised of claims incurred and other expenses, which include commissions, premium taxes, administrative expenses and Facility Association participation costs. First quarter expenses increased over the same period in 2008 due to increased claims incurred, higher commissions and premium taxes, and higher administrative expenses.

Claims incurred

First quarter claims incurred of \$40.6 million represent a 13.8% increase over the 2008 claims incurred of \$35.7 million, resulting in a consolidated loss ratio of 46.4% compared to 44.6% in 2008. The increase has primarily resulted from the growth in earned premiums, as the loss ratio has increased only slightly.

Out-of-province claims incurred of \$11.2 million represented a \$2.3 million increase over the first quarter of 2008. The overall loss ratio for out-of-province operations increased slightly to 64.9% in the first quarter of 2009 (2008 – 63.6%). The increase was primarily due to large losses occurring in Ontario and the Maritimes during the quarter.

The following chart details first quarter loss ratios by jurisdiction:



Other expenses

For the first quarter, other expenses increased \$3.9 million compared to the same period in 2008. This was due to increases in commissions and premium taxes attributable to premium growth and an increase in administrative expenses primarily related to higher salary and benefit costs.

Balance Sheet Review

(thousands of \$)	March 31 2009	December 31 2008	Change
Total assets	694,928	717,345	(22,417)
Key asset account changes:			
Accounts receivable	94,965	98,528	(3,563)
Reinsurers' share of unearned premiums	14,756	9,897	4,859
Investments	489,212	506,114	(16,902)

Total assets have decreased \$22.4 million to the end of March. Accounts receivable has decreased primarily as a result of lower premiums written in February and March of 2009. Reinsurers' share of unearned premiums are higher than at the end of 2008 as most annual reinsurance contracts are written during the first quarter of the year.

The carrying value of investments decreased by \$16.9 million during the quarter due to investment sales required to fund negative cash flows from operations of \$9.0 million and dividend payments of \$7.4 million. In addition, the market value of investments declined by \$4.0 million.

SGI CANADA

(thousands of \$)	<u>March 31</u> 2009	<u>December 31</u> 2008	<u>Change</u>
Total liabilities	508,328	537,650	(29,322)
Key liability account changes:			
Accounts payable and accrued liabilities	17,137	23,287	(6,150)
Premium taxes payable	3,509	15,908	(12,399)
Amounts due to reinsurers	12,849	5,388	7,461
Unearned premiums	184,858	195,541	(10,683)
Provision for unpaid claims	280,737	287,103	(6,366)

Total liabilities have decreased \$29.3 million to the end of March. Accounts payable and accrued liabilities decreased largely due to broker bonuses being paid in the first quarter. Premium taxes payable decreased due to the 2008 premium taxes being paid in March 2009. Amounts due to reinsurers increased due to the annual premiums for reinsurance treaties being written in the first quarter, resulting in a large payable, which is paid over the course of the year. The decrease in unearned premiums is due to the average monthly premium written in the first quarter of 2009 being lower than in the last half of 2008. The provision for unpaid claims decrease of 2.2% is primarily in Saskatchewan and largely relates to the seasonality of the claims. In addition, there was one large Commercial claim from 2007 that had a significant reserve reduction in January.

(thousands of \$)	<u>March 31</u> 2009	<u>December 31</u> 2008	<u>Change</u>
Total equity	184,807	177,833	6,974
Key equity account changes:			
Retained earnings	114,781	108,151	6,630
Accumulated other comprehensive loss	(9,974)	(10,318)	344

Over the first three months of 2009, equity increased \$7.0 million. The increase in retained earnings is attributable to the \$13.2 million consolidated net income less dividends declared of \$6.6 million. Accumulated other comprehensive income, which represents unrealized gains or losses on investments, increased slightly in the first quarter. While continuing weak equity markets resulted in unrealized losses, this was offset by investment write-downs and realized losses on equity investments, which were reclassified to operations.

Cash Flow and Liquidity

(thousands of \$)	<u>three months to March 31</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Operating activities	(9,034)	(7,540)	(1,494)
Investing activities	12,767	19,110	(6,343)
Financing activities	(7,421)	(10,535)	3,114
Net cash flow	<u>(3,688)</u>	<u>1,035</u>	<u>(4,723)</u>

While the Corporation's operating activities generated net income of \$13.2 million for the first quarter, they generated negative cash flow of \$9.0 million. This was primarily a result of the annual premium tax payment in the first quarter.

Investing activities generated \$12.8 million through the sale of long-term equity and bond investments in order to fund the negative operating cash flows of \$9.0 million and the \$7.4 million dividend payment.

Capital

	three months to March 31	
	2009	2008
Minimum Capital Test Ratio	232%	283%

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. At March 31, 2009, the Corporation's MCT was 232% (December 31, 2008 – 228%), which is in excess of the 150% minimum regulatory target. For further information on capital management, refer to note 5 of the notes to the consolidated financial statements for the quarter.

Quarterly Consolidated Financial Highlights

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

(thousands of \$)	2009	2008				2007			
	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Net premiums earned	87,444	88,282	85,651	81,989	79,967	80,560	77,746	75,639	73,917
Claims incurred	40,607	43,172	63,593	43,139	35,689	34,640	64,825	54,479	33,622
Net income (loss)	13,232	9,430	(6,442)	15,747	21,616	25,011	(9,030)	(2,701)	21,813
Cash flow from (used in) operations	(9,034)	34,163	11,937	20,834	(7,540)	19,662	16,285	21,883	(4,408)
Investments	489,212	506,114	484,208	490,130	463,205	481,127	455,826	447,488	467,557
Provision for unpaid claims	280,737	287,103	289,579	276,175	278,721	285,567	298,932	280,336	257,148
Minimum Capital Test	232%	228%	234%	282%	283%	266%	234%	267%	296%

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2009:

- Net premiums earned generally increase on a quarter-over-quarter basis during the year. Consistent with prior year results, first quarter premiums earned are lower than those recorded in the prior fourth quarter, however, they have been increasing consistently compared to first quarter premiums in 2008 and 2007.
- The first quarter generally results in strong net income as a result of lower claims incurred in the quarter compared to the rest of the year. Claims incurred are expected to increase in the second and third quarters as a result of the summer storm season.

Risk Management

Understanding and managing risk is fundamental to the Corporation's success. Risks that the Corporation manages to reduce the impact on its operations and profitability include low tolerance for loss risk, claims reserves risk, system generated policies risk, privacy risk, recruitment, retention and engagement risk, and responsiveness to business needs risk. These risks remain unchanged from the previous year-end and are described in detail in the Corporation's 2008 Annual Report.

Accounting Matters

Critical Accounting Estimates and Assumptions

There are no new critical accounting estimates or assumptions as compared to those discussed in the Corporation's 2008 Annual Report.

New Accounting Standards

There are no new Accounting Standards as compared to those discussed in the Corporation's 2008 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 2008 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 2008 Annual Report.

Caution Regarding Forward-Looking Statements

Forward-looking statements include, among others, 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 appropriate in the circumstances. SGI CANADA deems that the assumptions built into the forward-looking statements are plausible; however, undue reliance should not be placed on the Corporation's forward-looking statements, which only apply as of the date of this MD&A document.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at March 31, 2009 and December 31, 2008

	March 31	December 31
	2009	2008
	(unaudited)	(audited)
	(thousands of \$)	
Assets		
Cash and cash equivalents	\$ 8,611	\$ 12,299
Accounts receivable	94,965	98,528
Deferred policy acquisition costs	45,057	47,662
Future income taxes	2,760	2,613
Reinsurers' share of unearned premiums	14,756	9,897
Investments (note 2)	489,212	506,114
Unpaid claims recoverable from reinsurers	25,951	26,455
Property, plant and equipment	9,121	9,336
Other assets	<u>4,495</u>	<u>4,441</u>
	<u>\$ 694,928</u>	<u>\$ 717,345</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 17,137	\$ 23,287
Dividend payable	6,602	7,407
Premium taxes payable	3,509	15,908
Amounts due to reinsurers	12,849	5,388
Unearned reinsurance commissions	2,636	3,016
Unearned premiums	184,858	195,541
Provision for unpaid claims	<u>280,737</u>	<u>287,103</u>
	<u>508,328</u>	<u>537,650</u>
Non-controlling interest	<u>1,793</u>	<u>1,862</u>
Province of Saskatchewan's equity		
Equity advances	80,000	80,000
Retained earnings	114,781	108,151
Accumulated other comprehensive loss	<u>(9,974)</u>	<u>(10,318)</u>
	<u>184,807</u>	<u>177,833</u>
	<u>\$ 694,928</u>	<u>\$ 717,345</u>

(see accompanying notes)

SGI CANADA

CONSOLIDATED STATEMENT OF OPERATIONS

for the periods ended March 31, 2009 and 2008

	three months to March 31	
	2009	2008
	<u>(unaudited)</u>	<u>(unaudited)</u>
	(thousands of \$)	
Gross premiums written	\$ 83,942	\$ 77,845
Net premiums written	<u>\$ 71,956</u>	<u>\$ 65,589</u>
Net premiums earned	<u>\$ 87,444</u>	<u>\$ 79,967</u>
Claims incurred	40,607	35,689
Commissions	18,106	16,546
Administrative expenses	11,938	9,910
Premium taxes	4,196	3,865
Facility Association participation (note 8)	<u>(32)</u>	<u>(60)</u>
Total claims and expenses	<u>74,815</u>	<u>65,950</u>
Underwriting profit	12,629	14,017
Investment earnings (note 3)	<u>998</u>	<u>8,210</u>
Income before income taxes and non-controlling interest	13,627	22,227
Income taxes	<u>464</u>	<u>579</u>
Income after income taxes and before non-controlling interest	13,163	21,648
Non-controlling interest	<u>(69)</u>	<u>32</u>
Net income	<u>\$ 13,232</u>	<u>\$ 21,616</u>

(see accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the periods ended March 31, 2009 and 2008

	three months to March 31	
	2009	2008
	<u>(unaudited)</u>	<u>(unaudited)</u>
	(thousands of \$)	
Net income	\$ 13,232	\$ 21,616
Other comprehensive income (loss), net of income taxes:		
Unrealized gains (losses) on available for sale financial assets arising during the period	(4,041)	989
Income tax recovery (expense)	<u>69</u>	<u>(398)</u>
	<u>(3,972)</u>	<u>591</u>
Reclassification of net realized losses (gains) on sale of investments included in operations	1,793	(2,524)
Reclassification for investment write-downs included in operations	2,446	-
Income tax expense	<u>77</u>	<u>302</u>
	<u>4,316</u>	<u>(2,222)</u>
Other comprehensive income (loss)	<u>344</u>	<u>(1,631)</u>
Comprehensive income	<u>\$ 13,576</u>	<u>\$ 19,985</u>

(see accompanying notes)

SGI CANADA

CONSOLIDATED STATEMENT OF CHANGES IN PROVINCE OF SASKATCHEWAN'S EQUITY

for the periods ended March 31, 2009 and 2008

	three months to March 31	
	2009	2008
	<u>(unaudited)</u>	<u>(unaudited)</u>
	(thousands of \$)	
Equity advances		
Balance, end of period	\$ 80,000	\$ 80,000
Retained earnings		
Balance, beginning of period	\$ 108,151	\$ 94,028
Net income	13,232	21,616
Dividend	<u>(6,602)</u>	<u>(6,274)</u>
Balance, end of period	\$ 114,781	\$ 109,370
Accumulated other comprehensive income (loss)		
Balance, beginning of period	\$ (10,318)	\$ 15,009
Other comprehensive income (loss)	<u>344</u>	<u>(1,631)</u>
Balance, end of period	\$ (9,974)	\$ 13,378
Total Province of Saskatchewan's equity	\$ <u>184,807</u>	\$ <u>202,748</u>

(see accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the periods ended March 31, 2009 and 2008

	three months to March 31	
	2009	2008
	(unaudited)	(unaudited)
	(thousands of \$)	
Cash provided by (used for):		
Operating activities		
Net income	\$ 13,232	\$ 21,616
Non-cash items:		
Amortization	546	315
Net realized loss (gain) on disposal of investments	1,793	(2,524)
Investment write-downs	2,446	-
Income (loss) attributable to non-controlling interest	(69)	32
Income from investments accounted for on the equity basis	(107)	(135)
Change in non-cash operating items (note 6)	<u>(26,875)</u>	<u>(26,844)</u>
	<u>(9,034)</u>	<u>(7,540)</u>
Investing activities		
Purchases of investments	(92,129)	(196,148)
Proceeds on sale of investments	104,701	215,008
Repayment of capital lease	117	107
Disposals of property, plant and equipment	<u>78</u>	<u>143</u>
	<u>12,767</u>	<u>19,110</u>
Financing activities		
Dividends paid	<u>(7,421)</u>	<u>(10,535)</u>
Increase (decrease) in cash and cash equivalents	(3,688)	1,035
Cash and cash equivalents, beginning of period	<u>12,299</u>	<u>34,994</u>
Cash and cash equivalents, end of period	<u>\$ 8,611</u>	<u>\$ 36,029</u>

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated interim financial statements do not include all of the disclosures included in the Corporation's annual audited consolidated financial statements. The accounting policies used in the preparation of these interim financial statements are in accordance with Canadian generally accepted accounting principles (GAAP) and are consistent with those used in the preparation of the Corporation's 2008 annual audited consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's 2008 Annual Report.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims, investment valuation, income taxes and employee future benefits.

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation has commenced an IFRS conversion project. The project is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable. However, the impact may be material.

2. INVESTMENTS

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

	(thousands of \$)	
	March 31 <u>2009</u>	December 31 <u>2008</u>
Short-term investments	\$ 6,230	\$ 37,361
Bonds and debentures	346,457	327,598
Canadian common shares	51,055	51,533
U.S. common shares	20,584	22,171
Pooled funds:		
Canadian equity	13,635	13,809
United States equity	7,035	7,361
Non-North American equity	20,624	22,510
Mortgage	21,534	21,706
Preferred shares	735	735
Investments accounted for on the equity basis	<u>1,323</u>	<u>1,330</u>
 Total investments	 <u>\$ 489,212</u>	 <u>\$ 506,114</u>

The following table presents available for sale investments with unrealized losses at March 31, 2009 where the decline is considered temporary. The unrealized losses are recorded as a component of accumulated other comprehensive loss.

	(thousands of \$)			
	<u>as at March 31, 2009</u>		<u>as at December 31, 2008</u>	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Bonds and debentures:				
Federal	\$ 1,144	\$ (2)	\$ 6,559	\$ (39)
Provincial and municipal	15,523	(378)	9,145	(196)
Corporate	51,670	(2,859)	80,443	(3,507)
Canadian common shares	27,007	(4,672)	30,105	(6,066)
U.S. common shares	10,363	(1,554)	13,336	(1,031)
Pooled funds:				
Canadian equity	13,635	(6,302)	13,809	(5,707)
United States equity	7,035	(1,241)	7,361	(914)
Non-North American equity	<u>20,624</u>	<u>(6,795)</u>	<u>22,510</u>	<u>(4,909)</u>
	<u>\$ 147,001</u>	<u>\$ (23,803)</u>	<u>\$ 183,268</u>	<u>\$ (22,369)</u>

As at March 31, 2009, the cost of 114 (December 31, 2008 – 128) available for sale investments exceeded their fair value by \$23,803,000 (December 31, 2008 – \$22,369,000). The unrealized losses on the bonds and debentures arose primarily from changes in interest rates. For Canadian and U.S. common shares and pooled funds, the unrealized losses are primarily the result of investment-specific business environment factors associated with the underlying equity investments.

The Corporation conducts a quarterly review to identify and evaluate investments that show indications of impairment. An investment is considered impaired if its fair value falls below its cost, and a write-down is recorded in investment earnings when the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include: the length of time and extent to which fair value has been below cost; financial condition and near-term prospects of the issuer; and the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery. During the quarter, investment write-downs of \$2,446,000 (March 31, 2008 – nil) were recorded related to impairments of Canadian and U.S. common shares that were considered other than temporary.

3. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of \$)	
	three months to March 31	
	2009	2008
Interest	\$ 3,558	\$ 4,731
Premium financing	832	744
Dividends	471	243
Pooled fund distributions	426	(23)
Investments accounted for on the equity basis	107	135
Interest on net investment in capital lease	28	39
Net realized gain (loss) on sale of investments	(1,793)	2,524
Investment write-downs	(2,446)	–
Total investment earnings	\$ 1,183	\$ 8,393
Investment expenses	(185)	(183)
Net investment earnings	\$ 998	\$ 8,210

4. FINANCIAL RISK MANAGEMENT

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

Significant financial risks are related to the Corporation's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by the Corporation's Board of Directors, based on a recommendation from the Board's Investment Committee. The SIP&G provides guidelines to the investment manager for the asset mix of the portfolio regarding quality and quantity of debt, real estate and equity investments using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. SGI receives regular reporting from the investment manager and custodian regarding compliance with the SIP&G.

Credit risk

The Corporation's credit risk arises primarily from two distinct sources: Accounts receivable (from its customers, brokers and reinsurers) and certain investments. The maximum credit risk to which it is exposed at March 31, 2009 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of \$)	
	March 31 2009	December 31 2008
	<u>Carrying Value</u>	<u>Carrying Value</u>
Cash and cash equivalents	\$ 8,611	\$ 12,299
Accounts receivable	110,069	98,528
Fixed income investments ¹	374,221	386,665
Unpaid claims recoverable from reinsurers	25,951	26,455

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

Cash and cash equivalents include money market investments of \$15,910,000 less cash on hand, net of outstanding cheques of \$7,299,000 (December 31, 2008 – money market investments of \$18,860,000 less cash on hand, net of outstanding cheques of \$6,561,000). The money market investments mature within 90 days from the date of acquisition and have a credit rating of R-1.

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

Details of the allowance account are as follows:

	(thousands of \$)	
	three months ended March 31 2009	twelve months ended December 31 2008
	<u> </u>	<u> </u>
Allowance for doubtful accounts, beginning of period	\$ 4,900	\$ 4,937
Accounts written off	(333)	(1,912)
Current period provision	450	1,875
Allowance for doubtful accounts, end of period	<u>\$ 5,017</u>	<u>\$ 4,900</u>

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

Credit Rating	March 31, 2009		December 31, 2008	
	Carrying Value (thousands of \$)	Makeup of Portfolio (%)	Carrying Value (thousands of \$)	Makeup of Portfolio (%)
AAA	\$ 160,999	46.5	\$ 143,326	43.8
AA	78,975	22.8	88,265	26.9
A	95,432	27.5	85,422	26.1
BBB	11,051	3.2	10,585	3.2
Total	<u>\$ 346,457</u>	<u>100.0</u>	<u>\$ 327,598</u>	<u>100.0</u>

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. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase other comprehensive income and accumulated other comprehensive income by \$15 million at March 31, 2009 (December 31, 2008 – \$14.0 million), representing 3.9% of the \$374 million (December 31, 2008 – 3.6%, \$387 million) of fixed income investments.

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 Europe, Australasia and Far East (EAFE) currencies through its investment in the non-North American equity pooled fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 7% each of the market value of the total investment portfolio, excluding investments accounted for on the equity basis and preferred shares. At March 31, 2009, the Corporation's exposure to U.S. equities was 5.7% (December 31, 2008 – 5.9%) and its exposure to non-North American equities was 4.2% (December 31, 2008 – 4.5%).

At March 31, 2009, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a \$3 million (December 31, 2008 – \$3 million) decrease/increase in other comprehensive income and accumulated other comprehensive income. A 10% appreciation/depreciation in the Canadian dollar versus the EAFE currencies would result in approximately a \$2 million (December 31, 2008 – \$2 million) decrease/increase in other comprehensive income and accumulated other comprehensive income. As U.S. common shares, the U.S. equity pooled fund and the non-North American equity pooled fund are classified as available for sale, any unrealized changes due to foreign currency are recorded as other comprehensive income and do not directly impact net income until the investment is sold.

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

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

Equity price risk

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 23.7% (December 31, 2008 – 23.5%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio, and no one holding represents more than 10% of the voting shares of any corporation.

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The following table indicates the approximate change that would be expected to both other comprehensive income and accumulated other comprehensive income, based on changes in the Corporation's benchmark indices at March 31, 2009:

Change in Equity Benchmarks	(Change in thousands of \$)	
	10% increase	10% decrease
S&P/TSX Composite Index	\$ 6,469	\$ (6,469)
S&P 500 Index	2,762	(2,762)
MSCI EAFE Index	2,062	(2,062)

As all equity investments are classified as available-for-sale, all changes in prices are recorded as other comprehensive income and do not directly impact net income until an investment is sold. No derivative financial instruments have been used to alter the effects of market changes and fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, although cash can be negative in the first quarter as a result of annual premium tax payments.

5. CAPITAL MANAGEMENT

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

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

SGI CANADA is not a regulated insurer, however, its subsidiaries, SGI CANADA Insurance Services Ltd., Coachman Insurance Company and the Insurance Company of Prince Edward Island are subject to rate regulation related to their automobile premiums. Regulators require insurers to maintain a level of capital sufficient to achieve an MCT of 150%. At March 31, 2009, the Corporation's MCT was 232% (December 31, 2008 – 228%). There have been no changes to the Corporation's capital management processes and measures since the prior year-end.

6. CHANGE IN NON-CASH OPERATING ITEMS

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

	(thousands of \$)	
	three months to March 31	
	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 3,563	\$ 2,078
Deferred policy acquisition costs	2,605	2,386
Reinsurers' share of unearned premiums	(4,859)	(4,770)
Unpaid claims recoverable from reinsurers	504	2,036
Other assets	(171)	(40)
Accounts payable and accrued liabilities	(6,150)	(6,388)
Premium taxes payable	(12,399)	(11,282)
Amounts due to reinsurers	7,461	5,579
Unearned reinsurance commissions	(380)	12
Unearned premiums	(10,683)	(9,609)
Provision for unpaid claims	<u>(6,366)</u>	<u>(6,846)</u>
	<u>\$ (26,875)</u>	<u>\$ (26,844)</u>

7. EMPLOYEE FUTURE BENEFITS

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

	(thousands of \$)	
	three months to March 31	
	<u>2009</u>	<u>2008</u>
Costs incurred	<u>\$ 718</u>	<u>\$ 676</u>
Allocated to:		
SGI CANADA	254	244
Saskatchewan Auto Fund	<u>464</u>	<u>432</u>
	<u>\$ 718</u>	<u>\$ 676</u>

8. FACILITY ASSOCIATION PARTICIPATION

Through its subsidiaries, the Corporation is a participant in various risk-sharing pools whereby most companies in the industry share resources to provide insurance for high risks. Facility Association transactions recorded in the Corporation's financial results are as follows:

	(thousands of \$)	
	three months to March 31	
	2009	2008
Net premiums written	\$ 340	\$ 238
Net premiums earned	\$ 396	\$ 253
Claims incurred	285	149
Commissions	19	22
Premium taxes	12	8
Administrative expenses	78	51
Total claims and expenses	394	230
Underwriting profit	2	23
Investment earnings	30	37
Net profit	\$ 32	\$ 60

9. SEGMENTED INFORMATION

The Corporation provides property and casualty insurance through four operating segments: Saskatchewan, Manitoba and Alberta, Ontario and the Maritimes (where Maritimes represents Prince Edward Island, New Brunswick and Nova Scotia). The performance of each operating segment is reported separately to the Corporation's Board of Directors. These operating segments correspond with the legal entities that make up the Corporation, as listed below:

- SGI CANADA in Saskatchewan;
- SGI CANADA Insurance Services Ltd. in Manitoba and Alberta;
- Coachman Insurance Company in Ontario; and,
- The Insurance Company of Prince Edward Island in Prince Edward Island, New Brunswick and Nova Scotia.

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

three months to March 31 2008	(thousands of \$)					Consolidation	Total
	Saskatchewan	Manitoba & Alberta	Ontario	Maritimes	Adjustments		
Net premiums written	\$ 52,970	\$ 4,704	\$ 5,767	\$ 2,148	\$ –		\$ 65,589
Net premiums earned	\$ 66,103	\$ 5,565	\$ 5,608	\$ 2,691	\$ –		\$ 79,967
Claims incurred	26,876	4,328	2,926	1,559	–		35,689
Other expenses	24,744	2,390	2,041	1,086	–		30,261
Underwriting profit (loss)	14,483	(1,153)	641	46	–		14,017
Investment earnings	6,077	679	1,191	263	–		8,210
Income (loss) before the following:	20,560	(474)	1,832	309	–		22,227
Income taxes (recovery)	–	(142)	614	107	–		579
Non-controlling interest	–	–	–	–	32		32
Net income (loss)	\$ 20,560	\$ (332)	\$ 1,218	\$ 202	\$ (32)		\$ 21,616
Total assets	\$478,014	\$ 96,644	\$118,285	\$ 33,535	\$ (38,360)		\$688,118
Shareholder's equity	\$126,724	\$ 32,910	\$ 36,304	\$ 8,552	\$ (1,742)		\$202,748

10. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2008 balances have been reclassified to conform to 2009 financial statement presentation.