



LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 2012

To Her Honour,
The Honourable Vaughn Solomon Schofield, s.o.m., s.v.m.
Lieutenant Governor of Saskatchewan

Your Honour,

I am pleased to submit herewith the annual report of SGI CANADA for the year ended December 31, 2011, including the financial statements in the form required by the Treasury Board and in accordance with *The Saskatchewan Government Insurance Act*.

Respectfully submitted,



Honourable Tim McMillan
Minister Responsible for Saskatchewan Government
Insurance



MINISTER'S MESSAGE

I thank SGI CANADA staff, as well as the brokers it partners with, for being there when customers need them. Brokers are independent business people, and their partnership with SGI CANADA is an example of how government and the private sector can work together to benefit the people of the province.

I'm very proud to say that SGI CANADA operates very efficiently when compared to the rest of the industry. To do that without compromising product quality or customer service is especially notable.

I commend SGI CANADA on its commitment to build a diverse workforce that is truly representative of our province. The skill and development training offered by the corporation ensures that SGI CANADA has a foundation of high-quality employees on which to build its success in the future.

I thank Chair Warren Sproule and the rest of the SGI CANADA Board of Directors for their guidance in 2011. Your wise counsel is appreciated.

I am proud to present the 2011 SGI CANADA Annual Report.



Honourable Tim McMillan
Minister Responsible for Saskatchewan Government
Insurance





CHAIR'S MESSAGE

This is certainly a dynamic time in the insurance industry, a reflection of the evolving world around us.

Unprecedented growth and advancements in technology are changing our everyday lives, giving us access to a seemingly unlimited amount of information. This has meant a fundamental change in how we make decisions, including how we buy insurance.

Right now there are customers using their smart phones to research insurance. Many of our competitors are already out there, ready to serve those customers. The Board of Directors feel it's vital that SGI CANADA and its independent broker force be a part of that virtual world. That doesn't mean abandoning our office space, as customers still want to visit us there too. It's simply a matter of adapting so we can be there for our customer how they want us to, where they want us to and when they want us to.

The corporation's five-year strategic plan lays the foundation for rising to this challenge. An important first step is the work that began in 2011 on the SGI CANADA eQuote tool, which allows customers to obtain a quote and buy additional auto insurance from brokers from the comfort of their own home. I'm proud to say this service is the first of its kind for auto insurance in Saskatchewan.

Much like the industry, the Board also underwent changes in 2011. It bid farewell to Vice Chair, Anne M. Lavack, when her term ended in January 2011. We thank her for her contributions over the past three years. The Board also welcomed a new member, Denis Perrault, CEO of Paradise Consulting in Swift Current.

On behalf of the Board of Directors, I thank our management team, and all staff and brokers, for working to ensure the success of SGI CANADA in 2011. The Board's focus in 2012 remains on providing strategic guidance to the corporation to ensure it is innovative, viable and valuable to its customers.



Warren Sproule, Q.C.
Chair, SGI CANADA Board of Directors



PRESIDENT'S MESSAGE

The only thing you can count on to stay the same is that things will always change.

There's some irony to that statement, but it's true. The key is to anticipate change, plan for it, and rise to meet the challenges – and the opportunities – that it brings.

The insurance industry's landscape is changing dramatically. In the past few years alone, we've seen a considerable consolidation in the industry. We're seeing significant change in distribution with the emergence of more direct writers and multi-channel distributors. With many people literally having access to the Internet in the palm of their hand, more and more insurers are serving customers online.

We've been somewhat sheltered in Saskatchewan from changes in the rest of the country. But as things are changing in our markets across Canada, they are changing in Saskatchewan too. The province is in the midst of an economic boom, and other insurance companies are taking more of an interest in this market.

The key to meeting these challenges is through a sound strategic plan. Our plan is built around understanding our customers' needs and preferences, being innovative in providing products and services tailored to those needs, and making them available how, when and where customers want them.

In 2011, the first year of our five-year plan, we made considerable strides. We adjusted our corporate structure to better support strategic direction. This resulted in formalizing marketing and product management areas. Work also began on an online quoting and binding tool for additional auto insurance, SGI CANADA eQuote, which is the first of its kind in Saskatchewan. This is just a first step as we explore the possibilities the online business world brings.

We're offering eQuote in partnership with our broker network, an excellent example of how our traditional distribution network can stay current with today's customer expectations. Another way we're doing that is by providing brokers with eServices such as real-time rating through Policy Works, and piloting the Brovada system, which allows brokers to issue new business in real time. This is part of our commitment to make it as easy as possible for brokers to do business with us, thereby increasing service and convenience for our customers.



Of course, no matter how much we plan, in the insurance industry there's always going to be some things outside of our control. The two big challenges in 2011 were investment markets and Mother Nature, both of which negatively impacted our bottom line.

Economic uncertainty in the U.S. and Europe meant volatile investment markets, causing investment results to come in significantly below our forecast. The other volatility involved the weather, resulting in record summer storm claim costs in Saskatchewan, the second consecutive year of significant storm activity.

The results from our out-of-province operations were also notably different in 2011 compared to 2010. In addition to facing the same investment market challenges, property results were also less favourable in 2011, with all jurisdictions experiencing a high number of fire losses – including those

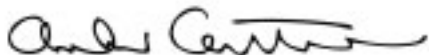
in Slave Lake, Alta. There is also positive news, however, with continued strong growth in the Ontario market from our Coachman Insurance auto product, as well as in Alberta.

To mitigate the impact from the things we can't control, we focus on what we can control. SGI CANADA has always endeavoured to keep administrative expenses low. In fact, an independent benchmarking survey in 2011 by the Ward Group confirmed that SGI CANADA operates very efficiently when compared to the rest of the industry.

Of course the main driver of SGI CANADA's success comes from the people around us. We are fortunate to have a very talented and experienced staff who are customer-focused. I thank them for all their work in what was an especially busy year. That customer-first culture extends to our broker network as well. I thank our brokers for all they do to advise and guide customers and ensure they have the right protection for the things they value most.

Our employees and brokers will continue working together to serve customers and help us make progress on our strategic plan. As always our focus extends beyond the Saskatchewan borders to the other jurisdictions in which we operate.

It's true that our industry is undergoing tremendous change, and I'm excited about the new opportunities that come with it. I'm proud to say SGI CANADA is a well-managed, proactive and customer-focused company, and is well positioned to rise to the challenges and demands the future brings.



Andrew R. Cartmell
President and CEO