2011

CHANGING LANDSCAPES

SGI CANADA ANNUAL REPORT

SGI CANADA

MISSION

We're your insurance company, offering protection that benefits you, your family and your community.

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

Leading by example and being accountable for our actions.

Following through on commitments.

Providing honest, timely feedback.

Explaining why a decision is taken.

Giving credit to those who contribute to our success.

Providing information openly without breaching confidentiality.

Maintaining the privacy of personal data.

CARING

Acting in a manner that preserves the dignity of others.

Valuing and actively supporting diversity.

Acknowledging and validating the feelings of others.

Actively seeking and listening to differing points of view.

Responding to individual differences.

INNOVATION

Seeking solutions that recognize individual circumstances.

Challenging the status quo for positive change.

Pursuing alternatives which lead to business improvements.

Continuously working to revitalize products and services.

Preparing for the needs of the future.

ABOUT SGI CANADA

SGI CANADA is fully competitive, selling property and casualty insurance products such as home, farm, business and auto in seven Canadian provinces. It operates as SGI CANADA in Saskatchewan, SGI CANADA Insurance Services Ltd. in Manitoba and Alberta, the Coachman Insurance Company in Ontario and as a major partner in the Insurance Company of Prince Edward Island in Nova Scotia, New Brunswick and Prince Edward Island.

Visit SGI CANADA at www.sgicanada.ca.

2011

CHANGING LANDSCAPES

SGI CANADA ANNUAL REPORT

SGI CANADA

TABLE OF CONTENTS

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

PART OF THE LANDSCAPE

Sustainability

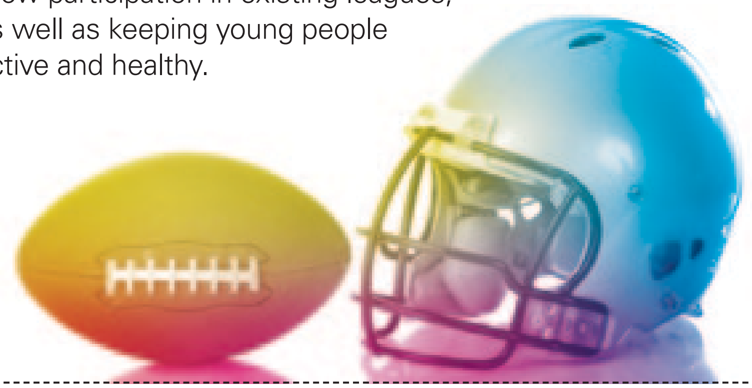
Corporate Social Responsibility (CSR) is a broader way of assessing a corporation's bottom line. Instead of focusing only on financials, CSR examines what kind of corporate citizen a company is; whether it operates in an economically, socially and environmentally sustainable way as it fulfills the interests of its shareholders.

SGI focuses its CSR framework in four main areas: community, employees, corporate governance and environment.

Community

Another way we support youth sport is through the Junior Order of Merit Golf Tour, which wrapped up its 7th successful season in 2011.

As part of its commitment to Saskatchewan communities, SGI CANADA dedicates $100,000 a year to support minor football across the province. The sponsorship helps bring minor football to communities throughout Saskatchewan and grow participation in existing leagues, as well as keeping young people active and healthy.



SGI CANADA IS ALSO A SUPPORTER OF THE ARTS AS THE PRESENTING SPONSOR OF THE REGINA SYMPHONY ORCHESTRA'S FREE SUMMER EVENT "SYMPHONY UNDER THE SKY."

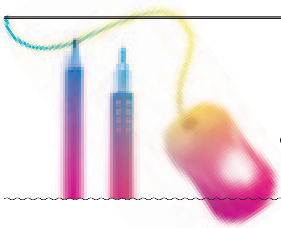
We also continued our support for local and national events. Employees raised money for the victims of the Japanese tsunami and collected money for Telemiracle, United Way, the Multiple Sclerosis Society of Canada, Movember and the Juvenile Diabetes Research Foundation (JDRF) Ride for Diabetes Research. Staff also participated in the Canadian Blood Services Crown Challenge blood donation drives.

Our employee-run Community Action Team (CAT) donated $10,000 worth of books for children and youth to the Saskatchewan Foster Families Association. CAT also collected more than 2,700 book donations from employees across the province. The books were given to Saskatchewan children and youth in foster care.

Employees

SGI has a President's Youth Advisory Council made up of 12 members who operate a support network for employees 30 years old and under, and work to increase engagement for all staff.

Several lunch n' learn sessions were held on health and wellness to encourage healthy living and provide those employees with support.



SGI continues to offer training and development opportunities, classes and support for work-related educational opportunities.

SGI is committed to diversity, work-life balance, wellness and community involvement for our employees. We're proud to be recognized across the country.

- For the fifth straight year SGI was named one of Canada's Top 100 Employers;
- For the fifth straight year SGI was named one of Canada's Best Diversity Employers;
- For the third time SGI was named one of Canada's Top Family Friendly Employers; and,
- For the second time SGI was named a Top Employer for Workers Over 40.

Canada's Top 100 Employers 2011

Canada's Best Diversity Employers 2011 presented by BMO Financial Group

Canada's Top Family-Friendly Employers 2011

Top Employers for Canadians Over 40 2011

Staff were asked for input on corporate direction, whether plans address what SGI is facing and if the corporation is headed down the correct path.

SGI conducted an employee engagement survey in 2011 and saw increased participation. Engagement scores dropped, consistent with an organization going through change, as we are.

Corporate Governance

SGI provides frequent and transparent financial reporting.

The Board approved SGI's Records Management Policy, which holds all employees accountable for ensuring records are properly classified, useable, complete, accurate, authentic and protected and that they follow the correct archiving practices.

SGI HAS A RISK REGISTER THAT IDENTIFIES THE KEY FINANCIAL, OPERATIONAL AND STRATEGIC RISKS THE CORPORATION FACES (SEE P. 36).

An ad hoc strategic planning committee of the Board was added in late 2011 to allow enhanced focus on SGI's strategic response to major changes in the business environment.

SGI has a detailed code of conduct and ethics that all employees must comply with. It protects the Corporation's reputation by ensuring decision making is in the best interest of all employees and customers.

A risk committee of the Board of Directors oversees risk management practices. Work has included developing a policy setting out how SGI manages key business risks on an enterprise basis, and objectives, governance structure and definitions required to support risk management.

SGI adopted a new mandatory Privacy Impact Assessment (PIA) procedure for all new corporate projects and enhancements to existing programs, services and systems. The PIA procedure makes it fast and easy to determine potential impact on privacy data.

Environment

SGI employees had idle-free zone signs installed at head office and all Regina branch drop-off and visitor parking spots. These signs encourage customers and employees not to pollute by idling their vehicle.

Many SGI employees participated in the Commuter Challenge. Its goal is to encourage the use of environmentally friendly commuting and educate the public about the impact simple changes can make to reduce greenhouse gas emissions. In 2011 SGI employees helped Regina win for most participants in its population category.

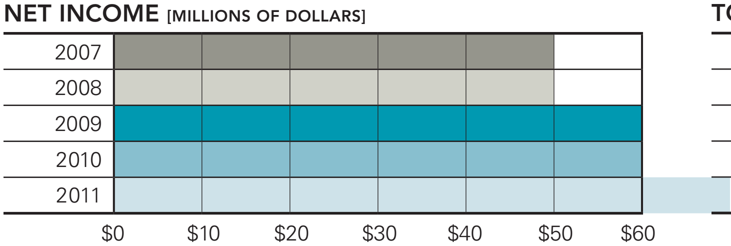
Buildings and offices are regularly renewed, and SGI is committed to green building renovations, upgrading and options chosen for its offices. This year offices in Meadow Lake, Weyburn, Tisdale and the Regina East Claims Centre all underwent building renewal.

FIVE-YEAR REVIEW

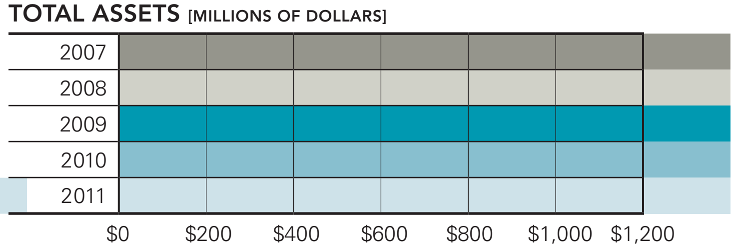
SGI CANADA CONSOLIDATED (MILLIONS OF DOLLARS EXCEPT PRE-TAX RETURN ON EQUITY AND RATIOS)

	2007	2008	2009	2010	**2011**
Net premiums written	320.7	353.4	393.9	428.3	**471.6**
Net income	35.1	40.4	52.4	49.3	**0.4**
Total assets	707.2	717.3	827.4	905.3	**981.8**
Province of Saskatchewan's equity	189.0	177.8	226.3	258.1	**253.7**
Pre-tax return on equity	22%	23%	27%	19%	**0%**
Loss ratio	61%	55%	51%	61%	**65%**
Expense ratio	39%	39%	40%	38%	**37%**
Combined ratio	99%	95%	91%	98%	**102%**

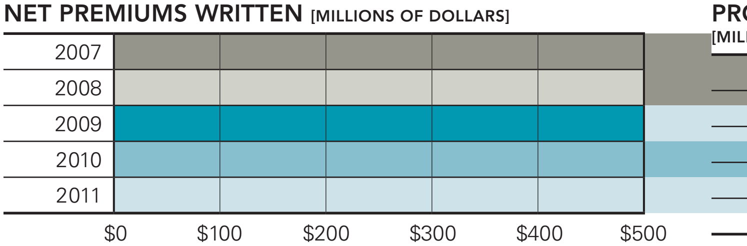
NET INCOME [MILLIONS OF DOLLARS]



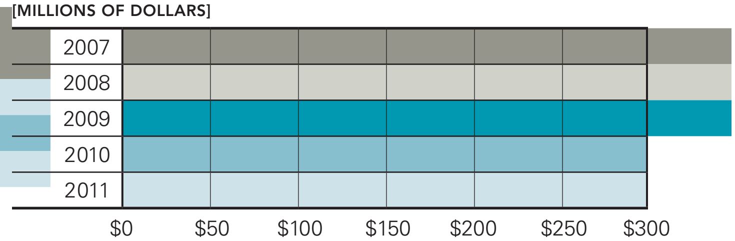
TOTAL ASSETS [MILLIONS OF DOLLARS]



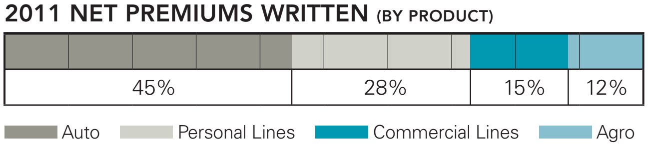
NET PREMIUMS WRITTEN [MILLIONS OF DOLLARS]



PROVINCE OF SASKATCHEWAN'S EQUITY [MILLIONS OF DOLLARS]



2011 NET PREMIUMS WRITTEN (BY PRODUCT)



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) is the responsibility of management and reflects events known to management to February 29, 2012. The Board of Directors carries out its responsibility for review of this disclosure principally through its Audit and Finance Committee, comprised exclusively of independent directors. The Audit and Finance Committee's mandate can be found on the Corporation's website at www.sgi.sk.ca as well as pages 94-95 of this report. The Board of Directors approved this MD&A at its meeting on March 1, 2012, after a recommendation to approve was put forth by the Audit and Finance Committee.

OVERVIEW

The MD&A is structured to provide users of SGI CANADA's financial statements with insight into SGI CANADA (denoted as the Corporation) and the industry in which it operates. This section contains discussion on its strategies and its capability to execute the strategies, key performance drivers, financial capital, 2011 financial results, risk management and an outlook for 2012. Information contained in the MD&A should be read in conjunction with the consolidated financial statements and the notes to the consolidated financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Forward-looking statements include, among others, statements regarding SGI CANADA's objectives, strategies and capabilities 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 the assumptions built into the forward-looking statements are plausible; however, all factors should be considered carefully when making decisions with respect to the Corporation. 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. The Corporation does not undertake to update any forward-looking statements that may be made from time to time by or on its behalf.

TABLE OF CONTENTS

WHERE SGI CANADA CAME FROM

In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. SGI was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many insurers out of the province.

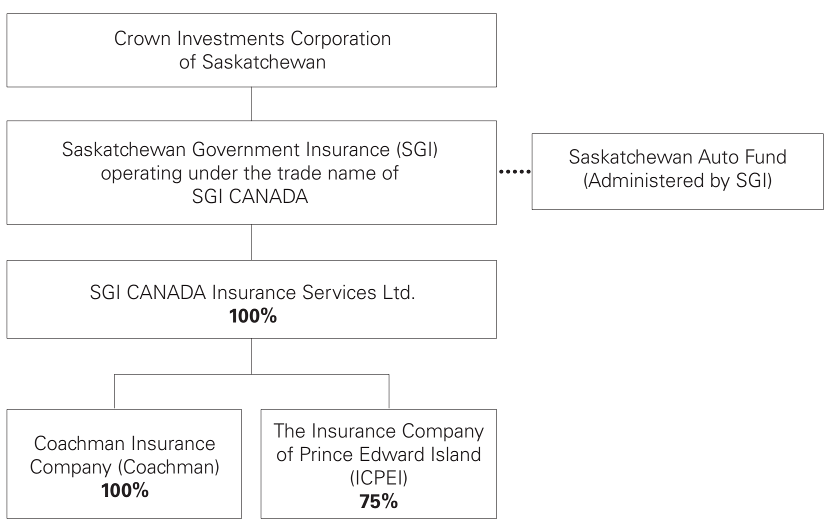
SGI's mandate since its inception has been to provide comprehensive, affordable insurance protection to the people of Saskatchewan. In 1980, legislated changes to *The Saskatchewan Government Insurance Act, 1980* and *The Automobile Accident Insurance Act* distinguished between the compulsory vehicle insurance program for the province (the Saskatchewan Auto Fund) and the competitive insurer offering additional property and casualty products (SGI CANADA).

SGI CANADA is the trade name that SGI operates under to provide competitive, quality property and casualty (P&C) insurance products in Saskatchewan. P&C product offerings include policies for automobile, home, farm and commercial enterprises. In addition, SGI CANADA, through its subsidiary SGI CANADA Insurance Services Ltd., offers similar products in six other provinces across Canada.

The SGI CANADA annual and quarterly reports are available on its website at www.sgicanada.ca.

The operations in provinces outside Saskatchewan are important to the Corporation in order to spread risk, maintain and create jobs in Saskatchewan, and increase economic returns for SGI CANADA's shareholder, Crown Investments Corporation of Saskatchewan (CIC). In 1993, SGI CANADA Insurance Services Ltd. began offering P&C insurance in Manitoba. In 2001, SGI CANADA Insurance Services Ltd. became the majority shareholder (75%) of the Insurance Company of Prince Edward Island (ICPEI) and also purchased 100% of the shares of Coachman Insurance Company (Coachman). Coachman operates in Ontario while ICPEI operates in Prince Edward Island, New Brunswick and Nova Scotia. SGI CANADA Insurance Services Ltd. has also been operating in Alberta since 2006.

The Corporation is a provincial Crown corporation wholly owned by CIC. The following organizational chart illustrates the Corporation's ownership structure:



As a provincial Crown corporation, SGI CANADA is not subject to federal or provincial income taxes. Its subsidiaries are not provincial Crown corporations, thus they are subject to federal and provincial income taxes. The consolidated financial results of SGI CANADA are included in CIC's consolidated financial statements.

At December 31, 2011, the Corporation employed over 1,800 people, including those employees who work directly for the Saskatchewan Auto Fund. SGI CANADA operates with a network of 247 independent brokers throughout Saskatchewan, as well as 236 brokers operating in Manitoba, Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia. SGI CANADA's corporate head office is located in Regina, Sask.

THE PROPERTY AND CASUALTY INSURANCE BUSINESS ENVIRONMENT

Canada's highly competitive P&C industry consists of approximately 220 private and government-owned insurers. The P&C industry covers all types of insurance other than life and health insurance. The automobile insurance sector continues to be the largest contributor to gross premium volume at half of all premiums. Property insurance ranks second, followed by liability insurance and other insurance.

Insurance is a mechanism for spreading risk, for sharing the losses of the few among the many. Insurance makes the life of an individual or business enterprise more stable by allowing people and businesses to engage in many ventures without having to set aside reserves to meet the financial requirements that may arise from certain types of losses. Insurance also facilitates the granting of credit by protecting the investments of both lenders and borrowers.

Insurance can be considered a large pool into which policyholders place their premiums.[1] This pool provides for payment of losses suffered by those who have claims and for the cost of running the insurance company. Sometimes, total premiums are insufficient to pay claims and operating expenses, however, insurers also use investment earnings to pay claims and keep premiums lower than they might otherwise be.

P&C insurance companies are supervised and regulated at the federal and provincial levels. The federal regulator, the Office of the Superintendent of Financial Institutions, is responsible for the solvency and stability of P&C insurance companies registered federally. Provincial authorities supervise the terms and conditions of insurance contracts and the licensing of companies, agents, brokers and adjusters, along with monitoring the solvency and stability of provincially registered companies. SGI CANADA's subsidiaries are provincially regulated insurance companies.

Since automobile insurance is compulsory in Canada, unlike home and business insurance, it is the most regulated area that P&C companies operate within. 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, which represents approximately 17.1% of the consolidated net premiums earned in 2011.

The industry is a major part of the social and economic fabric of Canada. P&C insurers invest mainly in domestic government bonds, corporate bonds, preferred shares and common stocks. Government regulations are in place for the P&C industry that require these investments to be made using a prudent person's viewpoint.

The P&C industry also utilizes reinsurance. Reinsurers, most of which are international organizations, spread risks by writing business with insurers in several countries and in many regions around the world. Insurance companies pay premiums to reinsurers in exchange for an agreement to have a proportion of their claims paid for them, particularly in the event of a major loss or catastrophe. Reinsurance is one of many tools used by insurers to guarantee that they will meet every obligation to pay legitimate claims. Recent disasters around the world have led to a decline in the amount of reinsurance available to insurers. As a result, Canadian insurance companies have had to pay higher prices for reinsurance.

The Property and Casualty Insurance Compensation Corporation (PACICC), a non-profit entity, was formed in 1988 to provide a reasonable level of recovery for policyholders and claimants under most policies issued by P&C companies in Canada in the unlikely event of the failure of a Canadian P&C company. The maximum amount a policyholder could recover from PACICC is $250,000 in respect of all claims arising from each policy issued by the insolvent insurer and arising from a single occurrence. Policyholders may also claim 70% of unearned premiums that have been paid in advance, to a maximum of $700 per policy.

Membership in PACICC is compulsory for most P&C insurers in Canada. At present, SGI CANADA, SGI CANADA Insurance Services Ltd., Coachman and ICPEI are members of PACICC. Members have contributed funds to PACICC so there is money available to pay claims immediately in the event of an insolvency occurring in the industry. Member insurers will provide additional funds, as required, to maintain PACICC. For more information on PACICC, visit its website at www.pacicc.com.

[1] This and other terms are defined in the glossary included in this annual report. The glossary begins on page 101.

STRATEGIC DIRECTION

SGI CANADA's mission, vision and values are as follows:

Mission

We're your insurance company, offering protection that benefits you, your family and your community.

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.

CORPORATE STRATEGIES

To meet its vision, SGI CANADA's main areas of focus in 2011 were:

- We work with customers to understand and provide the protection they need;
- We make every service experience excellent for everyone doing business with SGI;
- We operate to benefit customers, owners and their communities; and,
- We continually improve how SGI operates.

Within these areas, specific strategies were adopted to help instil a sense of pride in SGI CANADA's customers, employees, owners and business partners. SGI CANADA uses a balanced scorecard approach to monitor performance and results. The objective of a balanced scorecard is to provide a balanced evaluation of key operational and financial results, activities and achievements with both short- and long-term focus.

The following sections discuss strategies in each of the four areas of strategic focus, as well as related key performance indicators from the balanced scorecard. The balanced scorecard is reviewed annually to ensure its continued alignment with SGI CANADA's corporate strategies. Key performance targets are also reviewed and either updated or removed along with new performance targets being added.

We work with customers to understand and provide the protection they need

SGI CANADA's focus on understanding and providing the protection customers need concentrated on two strategies: working with customers, so they understand their insurance needs and the company understands their insurance needs, and providing products that are right for customers.

Key performance indicators in the balanced scorecard used to monitor SGI CANADA's success with respect to understanding and providing the protection customers need were:

MEASURE	2011 TARGET	2011 RESULT	2012 TARGET
SK Auto Pak sales (premium written - $M)	$81.1	○ $78.1	n/a
Growth (SGI CANADA gross premium written - $M)	$509.5	● $510.1	$568.5
Profitability (SGI CANADA combined ratio)	93.4%	○ 101.9%	97.6%

LEGEND: ● Achieved ○ Did not achieve

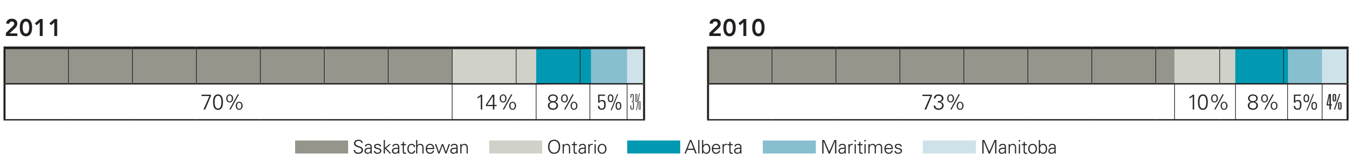
Saskatchewan Auto Pak sales

The automobile insurance coverage that the Auto Fund offers Saskatchewan residents provides only the minimum protection required by law. An extension auto policy (Auto Pak) can: reduce the deductible amount; provide more protection to the driver in the event of injury in an auto collision; and, ensure the driver has enough liability coverage in the event they injure someone or damage someone's property with their vehicle. In 2011, SGI CANADA aimed to increase Saskatchewan residents' understanding of auto insurance and the role of extension auto coverage, as well as increase sales of SGI CANADA's Auto Pak. The $78.1 million in Auto Pak premiums was slightly below the 2011 target.

While Auto Pak sales and educating Saskatchewan consumers about the benefits of extension auto insurance continue to be important to SGI CANADA, this measure will not appear on the balanced scorecard in 2012.

Growth in SGI CANADA's gross premium written

SGI CANADA's ability to successfully understand the needs of its customers and provide the right products for their needs should result in gross premium written growth. Targets for growth are set in the budget each year. The 2011 target was a consolidated gross premium written of $509.5 million, which was met. The geographic distribution of SGI CANADA premium risk continued its trend of growing beyond Saskatchewan in 2011, with significant growth in Ontario auto business accounting for the majority of the change. Saskatchewan accounted for 70% of premium revenue in 2011.



In 2012, SGI CANADA's growth strategy is to increase consolidated gross premium written to $568.5 million.

Profitability via SGI CANADA's combined ratio

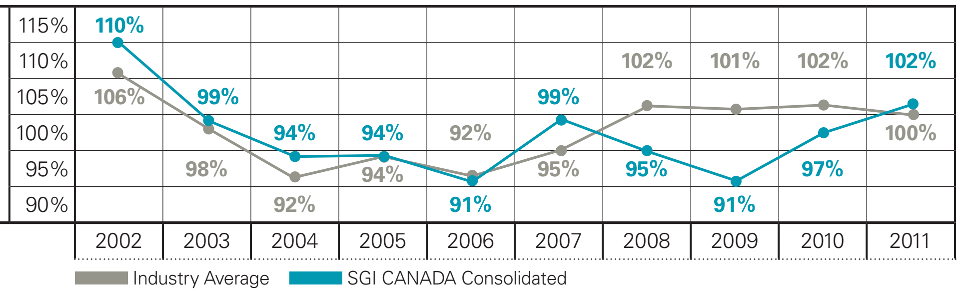
At its most basic level of operation, an insurance company collects premiums from policyholders to pay for claim and operating expenses. Comparing total claim and operating expenses to net premiums earned is an indicator of the soundness of underwriting practices (accepting profitable business). When an insurance company's combined ratio is less than 100%, it has an underwriting profit. SGI CANADA's ability to successfully understand the needs of its customers and provide the right products for their needs should increase SGI CANADA profitability. SGI CANADA targeted a consolidated combined ratio of 93.4% in 2011, which was not met. In 2011, the combined ratio of 101.9% reflected significant storm activity in Saskatchewan, losses related to the Slave Lake wildfire in Alberta and a higher than average number of large fire losses across the operating jurisdictions.

The 101.9% combined ratio marks the first time since 2002 that SGI CANADA has not posted an underwriting profit. The eight-year span (2003-2010) of underwriting profit was a considerable achievement, given industry underwriting losses were posted since 2008. SGI CANADA strives to achieve a profit from its core activity of underwriting insurable risks and this is reflected in the 2012 targeted combined ratio of 97.6%

The Corporation's average combined ratio over the previous 10-year period was 97%, compared to the industry average of 98%.

P&C INDUSTRY VS. SGI CANADA CONSOLIDATED COMBINED RATIO

Source: SGI CANADA and MSA Research
*2011 – Industry Estimate



While SGI CANADA has generally been successful in achieving a consolidated combined ratio below 100%, the Corporation understands that each jurisdiction may not reach that target every year. Geographic diversification helps the Corporation limit its insurance risk in any one geographic area by allowing it to maintain a strong combined ratio while experiencing high claim costs in certain markets. Unfortunately in 2011, all operating jurisdictions with the exception of Ontario posted underwriting losses due to summer storms and/or significant large losses. While these losses were not the desired outcome in 2011, the goal of diversifying risk geographically continues to be a sound insurance industry practice that SGI CANADA will continue to apply in the markets it currently operates in.

The 2012 target is a consolidated combined ratio of 97.6%.

We make every service experience excellent for everyone doing business with SGI

SGI CANADA's success depends on its ability to provide quality service to its customers and broker partners. It has developed key strategies to understand and deliver on customer and broker expectations, as well as to empower front-line employees to respond to customer and broker needs when service levels are not being met.

The following table summarizes the key performance indicators in the balanced scorecard to monitor customer and broker service:

MEASURE	2011 TARGET	2011 RESULT	2012 TARGET
Broker service satisfaction	90% rate as same or better	● 92%	90% rate as same or better
Claim service satisfaction survey result (consolidated)	90%	● 90%	90%

LEGEND: ● Achieved O Did not achieve

Broker service satisfaction

SGI CANADA does not interact directly with consumers at the time of purchase. Instead, it relies on independent broker partners, who hold contracts with multiple insurance companies. Therefore successful relationships with independent brokers are essential to the Corporation's success, as they have direct experience with the service each company provides. The Corporation aims for 90% of its brokers to rate the Corporation the same or better than its competition. This target was met in 2011 with 92% of brokers rating the Corporation the same or better than its competition.

Claims service satisfaction survey results (consolidated)

When a consumer purchases an insurance policy, they are purchasing security that the insurance company will be there for them in the event of a loss. An insurance company's main point of contact with policyholders is at the time of a claim, and the claim experience is a key part of customers' perceptions of the company. Therefore, it is essential to know whether the company is providing a positive claim experience. SGI's key measure for claim service is its semi-annual claims customer service surveys. The Corporation targets a claim customer satisfaction rating of 90%, which was met in 2011.

We operate to benefit customers, owners and their communities

SGI was created in the mid-1940s to respond to the insurance needs of Saskatchewan residents. At that time, many insurance companies had left Saskatchewan, and those remaining were not always providing adequate service or fair prices to customers. Since then the needs of Saskatchewan customers have evolved, and the Corporation has evolved to meet them. SGI CANADA's operations have since expanded beyond Saskatchewan – requiring the Corporation to also evolve to meet the needs of its out-of-province customers. SGI CANADA does this by focusing on three strategies: protecting the future health of the Corporation; helping customers reduce their risk of suffering a loss; and, helping enable vibrant, thriving, safe communities.

SGI CANADA's success with respect to benefiting the people of Saskatchewan is assessed using the following measures:

MEASURE	2011 TARGET	2011 RESULT	2012 TARGET
Capital adequacy (Minimum Capital Test)	250%	○ 222%	250%
SGI CANADA after-tax return on equity	16.6%	○ 0.2%	11.6%

LEGEND: ● Achieved ○ Did not achieve

Capital adequacy (Minimum Capital Test)

Capital adequacy speaks to the Corporation's financial strength, which is critical to its future health. The industry measurement developed by insurance regulators for capital adequacy is the Minimum Capital Test (MCT). The MCT is a risk-based capital adequacy framework that assesses the riskiness of assets, policy liabilities and off balance sheet exposures by applying varying factors. From these calculations comes a ratio of capital available to capital required. The regulatory minimum for this ratio is 150%. That is, capital available has to be at least 50% more than capital required. The 50% cushion provides comfort for insurers to cope with volatility in markets and economic conditions, innovations in the industry, consolidation trends and international developments, and to provide for risks not explicitly addressed, including those related to systems, data, fraud, legal and other risks. SGI CANADA targets an MCT of 250%, and evaluates the target annually.

The following table shows MCT results by legal entity:

COMPANY	DECEMBER 31, 2011	DECEMBER 31, 2010
SGI CANADA (consolidated)	222%	273%
SGI CANADA Insurance Services Ltd. (consolidated)	295%	361%
Coachman	268%	330%
ICPEI	269%	300%

All companies have an MCT well above the regulatory minimum at the end of 2011. Although challenging underwriting and volatile investment markets in 2011 led to declines in the MCT, each company's MCT remains adequate. In 2011, no dividend was declared to SGI CANADA's parent, CIC, as the dividend policy is structured to allow the Corporation to achieve its target MCT.

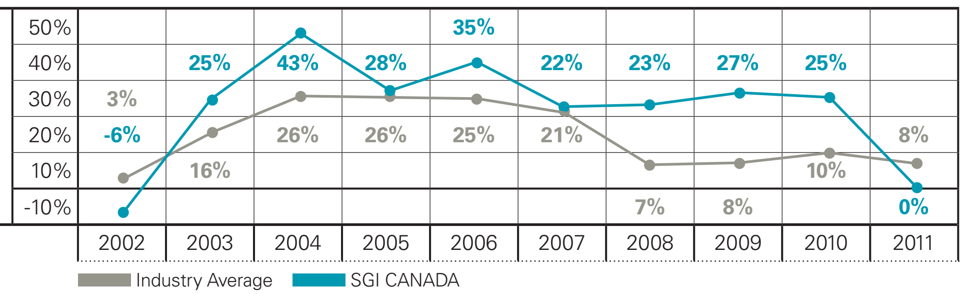
SGI CANADA after-tax return on equity

Return on equity (ROE) indicates the annual return on the investment made by SGI CANADA's shareholder, which is one of the benefits the Corporation provides to its owners and the people of Saskatchewan. It is calculated as the ratio of net income after income taxes to the average equity for the year.

The Corporation earned an after-tax ROE of just 0.2%, well below the targeted return of 16.6%, based on its annual budget. The unfavourable return was driven by underwriting losses and weak investment returns. However, SGI CANADA's ROE has been favourable compared to the industry over the years. The Corporation's 10-year average pre-tax ROE is 22%, while the industry averaged 15% for the same time period. Note that because SGI CANADA does not pay income tax on its Saskatchewan operations, the most relevant ROE comparison to the industry is pre-tax.

P&C INDUSTRY VS. SGI CANADA CONSOLIDATED PRE-TAX ROE

Source: SGI CANADA and MSA Research
*2011 – Industry Estimate



For 2012, the target is to achieve a consolidated after-tax ROE of 11.6%, based on the Corporation's consolidated 2012 budget. This is reflective of a more challenging underwriting and investment climate.

We continually improve how SGI operates

SGI CANADA understands that to be able to meet customer needs and expectations, it must continually improve its operations – from being more efficient to ensuring employees have the tools to be effective in their jobs. To continuously improve, SGI CANADA will strive to achieve the following strategies: building an information savvy business; attracting and retaining employees who help achieve goals; creating an environment that encourages employees to be innovative, creative, accountable and strategic; and, improving processes, productivity and efficiency.

For 2011, the Corporation used internally developed balanced scorecard measures related to employee value, leadership and strategic clarity that couldn't be used to benchmark against other companies. For 2012, SGI has adopted a third-party developed measure, an engagement and enablement score, which allows SGI to benchmark against North American corporate and public sector organizations. Research suggests that engagement alone is not sufficient for employees to perform at their best – they must also have an enabling environment. While employee engagement speaks to commitment and discretionary effort, enablement speaks to appropriate roles for employees and a supportive work environment. As leadership and strategic clarity are key drivers of the engagement and enablement score, they will no longer be separately reported balanced scorecard measures in 2012.

The balanced scorecard measures used to monitor SGI CANADA's success with respect to continually improving how the Corporation operates were:

MEASURE	2011 TARGET	2011 RESULT	2012 TARGET
Employee value index result	65%	○ 59.7%	Engagement and enablement score
Leadership index result	57%	○ 54%	Engagement and enablement score
Strategic clarity index	75%	○ 70.7%	Engagement and enablement score
External diversity hiring	25%	● 35.7%	25%
Training investment compared to financial services industry	+/- 5% of average	● At industry average	+/- 5% of average
Administrative expense ratio	12.5%	● 12.0%	12.1%
Implement business intelligence	Phases 1 & 2	○ Phase 1 late delivery	Phase 2

LEGEND: ● Achieved ○ Did not achieve

Employee value index result

Employees derive value from their overall work experience. Maximizing this value is critical to engaging and retaining employees. SGI CANADA's employee value index measures how involved and committed people feel toward the organization. The 2011 target of 65% was not met with a score of 59.7%.

In 2012, SGI CANADA is replacing the employee value index with the engagement and enablement score, as discussed above. The target is to be at or above a third-party developed, aggregate, average engagement and enablement score, based on participating North American corporate and public sector organizations.

Leadership index result

Leadership is critical to attracting and retaining employees who help achieve goals, as well as creating an innovative, creative, accountable and strategic environment. SGI CANADA recognizes the importance of leadership and developed an index to measure the extent employees believe the management team is delivering on important attributes such as integrity and empowerment. The 2011 target of 57% was narrowly missed with a score of 54%.

While leadership is critical to the Corporation's long-term success, it will no longer appear separately on the balanced scorecard. Instead, leadership is encompassed as a component within the Corporation's engagement and enablement score.

Strategic clarity index result

Strategic clarity is achieved when employees understand the strategic direction of the Corporation, how their work contributes to achieving strategic goals and the progress the Corporation is making towards its strategic goals. The strategic clarity index measures how well employees believe SGI CANADA is achieving those goals. At 70.7% the 2011 score is below the target of 75%. While the result is below target, the score remains strong, demonstrating that employees' perceptions of how well they understand the Corporation's direction and their alignment to it are high.

SGI CANADA recognizes that a genuine understanding of the corporate direction by employees is important so that everyone is working toward a common outcome. That said, the strategic clarity index will not appear on the 2012 balanced scorecard, as it is encompassed as a component of the Corporation's engagement and enablement score.

External diversity hiring

Provincial and corporate demographics demonstrate the need to recruit a workforce that is representative of the population. SGI CANADA targeted 25% of new hires to be from designated groups and exceeded the target with 35.7%. SGI CANADA continues to target the recruitment of designated group members in 2012.

Training investment compared to financial services industry

Investing in learning and development for employees is critical to maintaining a high-performing, engaged workforce. In 2010, SGI CANADA began measuring its corporate training investment against the financial services industry average, based on the Conference Board of Canada's training investment metrics. SGI CANADA's 2011 target was to achieve a training investment within 5% of the financial services industry average and it met this target. The 2012 target continues to be within 5% of the Conference Board of Canada average.

Administrative expense ratio

To ensure effective use of resources, all aspects of the business are expected to manage their allocated administrative expense budget such that the Corporation remains within its administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. The actual administrative expense ratio is compared to budgeted ratios within the specified time period. For 2011, SGI CANADA achieved its target with a 12.0% administrative expense ratio. The target for 2012 is 12.1%.

Implementation of business intelligence

In 2009, SGI CANADA initiated a business intelligence project which will allow the Corporation to use the data it stores to make better strategic decisions. Progress on each phase of the project is measured against timelines and budget. Phases one and two of the five-phase program were targeted for completion in 2011. Phase one was completed with a later delivery date than anticipated. Phase two was postponed to 2012 to allow for the unexpected addition of phase 1.1, which was completed.

CAPABILITY TO EXECUTE STRATEGIES

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are the Corporation's employees, brokers, technology and financial capital. They are discussed further below:

Employees

SGI CANADA's management team is experienced and knowledgeable about the Canadian P&C insurance market. Many of the Corporation's employees are long-term with an average term of approximately 15 years of employment, and the staff turnover rate for the last five years has averaged 6%. Due to this long tenure and low turnover, the Corporation has significant expertise in the core underwriting and claim handling areas of its business, as well as within its support areas. This expertise has contributed to strong underwriting results in the Saskatchewan market, compared to the insurance industry overall. This expertise is also crucial to its success in markets outside Saskatchewan. Maintaining this expertise is key to meeting the challenges that will present themselves in the future.

SGI CANADA is projecting a significant level of retirements in the near future as a large portion of its workforce reaches retirement age. In fact, nearly 35% of the Corporation's employees are expected to retire, or be eligible for retirement, by 2020. The challenge is to recruit and retain the best people to ensure the longevity, growth and maintenance of SGI CANADA's competitive position for the future. The Corporation has developed a workforce-planning model that includes Aboriginal employment, youth employment, management development and expanded performance management strategies. This model will assist in transitioning expertise as retirements occur.

On December 31, 2009, the three-year Collective Bargaining Agreement between SGI and SGI CANADA Insurance Services Ltd., and the Canadian Office and Professional Employees' Union, Local 397 expired. A new four-year agreement was ratified in August 2011. This agreement applies to all in-scope employees at SGI and expires December 31, 2013.

Brokers

SGI CANADA sells its products through a network of 247 independent brokers who conduct business from 372 offices throughout Saskatchewan, and 236 brokers who operate 527 offices throughout the rest of Canada. In order to continue delivering insurance products that customers desire, SGI CANADA works closely with brokers to obtain input and advice on the changing needs of customers. With the assistance of brokers, SGI CANADA is able to take a lead in delivering innovative insurance products to customers.

SGI CANADA's brokers are well-known in the communities in which they operate and they actively promote the Corporation's products and services. To support brokers, the Corporation is continually enhancing broker web interfaces to make it easier for them to promote its products and to provide them with the self-service capabilities they have requested. Through 2012, the Corporation will continue to implement and monitor its comprehensive eServices strategy to ensure projects are implemented on time, on budget and that they deliver specified benefits. The Corporation provides other services to ensure a strong commitment between brokers and SGI CANADA. This business model has brought the Corporation success in seven different markets in Canada, and it will continue to market its products this way, building its broker relationships into the future.

Technology

SGI CANADA relies on technology and systems to maintain its in-house underwriting system. Its general insurance system is flexible and can adapt to the changing competitive environment that SGI CANADA operates in. The Corporation has developed a large database of information in this system that provides valuable information in assessing insurable risks. Management reporting systems are utilized to ensure management receives timely information regarding operations and to provide complete and accurate reporting to stakeholders and regulators. The Corporation monitors and responds to changes in technology to ensure that key areas are upgraded in a timely manner.

In 2010, a business intelligence project was initiated to further leverage the data in the Corporation's general insurance system in order to produce timely, sophisticated and consistent information for the decision-making support required to succeed in a competitive environment. This is an important project for the Corporation and will expand its ability to:

- Focus on key performance indicators, ensuring alignment with corporate objectives and strategies, and a quicker response to changes in the business environment.
- Focus on obtaining more profitable business and more accurately pricing risks.
- Better manage and control claim costs.
- Have consolidated views of customers, brokers and issuers.
- Reduce the risk associated with using incomplete, inconsistent or inaccurate information.
- Allow easier access to information in a self-service reporting environment.

This initiative will have a phased-in implementation over the next five years, with phase one completed in 2011.

Financial Capital

Adequate capitalization is crucial for insurers competing in the P&C insurance market in Canada. Not only is it important to ensure adequate funding is available to pay policyholder claims, but it allows a company to be flexible in its product offering mix in a competitive marketplace. In addition, regulators have certain capital requirements that must be met in order to sell P&C insurance in each province. Without adequate capitalization, SGI CANADA would not be capable of meeting its growth targets.

The Corporation's main sources of capital are retained earnings and cash injections in the form of equity advances from its parent, CIC. These equity advances form the Corporation's equity capitalization. There were no new equity advances to SGI from its parent in 2011 and there were no changes to the capital of the Corporation's subsidiaries during the same time period.

In Canada, either the Office of the Superintendent of Financial Institutions or provincial regulators regulate P&C insurers. Regulators require insurers to maintain a level of capital sufficient to achieve a minimum capital test target of 150%.

SGI CANADA uses this test to assess its capital adequacy, as discussed in the Corporate Strategies section of this report. Management believes the Corporation is adequately capitalized to achieve its objectives.

Financial liquidity represents the ability of SGI CANADA's companies to fund future operations, pay claims in a timely manner and grow. A main indicator of liquidity is the cash flow generated from operating activities, as reported on the Consolidated Statement of Cash Flows. For 2011, SGI CANADA generated consolidated operating cash flows of $84.8 million. This cash flow is invested so that it is available to pay claims as they come due and to meet any dividend requirements to its parent, CIC.

For the cash flow the Corporation retains, its enabling legislation requires it to follow the same investment criterion that federally regulated P&C companies must follow. This means the majority of the Corporation's investments are in highly liquid securities that can be sold in a timely manner in order to satisfy financial commitments. As at December 31, 2011, 49% (2010 – 45%) of the investment portfolio was in treasury bills and highly liquid bonds and debentures issued by the federal and provincial governments. The Corporation also invests in corporate bonds, a pooled mortgage fund, publicly traded North American equities and a non-North American pooled equity fund.

During the current year, no dividends were paid (2010 – $43.5 million), as the dividend policy is structured to allow the Corporation to achieve its target MCT. While the Corporation's December 31, 2011 MCT of 222% reflects adequate capital has been maintained to meet corporate objectives and financial obligations as they come due, it is below the target MCT of 250%.

2011 FINANCIAL RESULTS

For the Year Ended December 31, 2011

Overview of operations

A $441,000 consolidated net income was returned in 2011, significantly lower than the $49.3 million profit posted in 2010. This was reflective of a challenging underwriting year and an unsettled investment market climate in 2011. While the Corporation experienced strong premium growth, with the largest growth from Ontario auto, underwriting profits suffered as Saskatchewan experienced significant summer storm claims, and each out-of-province jurisdiction experienced a high number of large property losses.

Investment earnings declined $37.2 million from 2010, consistent with the global investment market declines being experienced. Investment markets experienced significant volatility during the year. Although the bond market had another strong year, significant decreases in equity prices lead to lower investment earnings compared to 2010.

The breakdown by operating segment follows:

PRE-TAX PROFIT (LOSS) BY OPERATING SEGMENT [THOUSANDS OF $]

			CHANGE	
	2011	2010	$	%
Coachman Ontario	$ 4,387	$ 2,732	$ 1,655	60.6%
ICPEI Maritimes	(346)	3,165	(3,511)	(110.9%)
SGI CANADA Saskatchewan	(716)	41,156	(41,872)	(101.7%)
SGI CANADA Manitoba	(1,033)	771	(1,804)	(234.0%)
SGI CANADA Alberta	(1,216)	5,197	(6,413)	(123.4%)
Pre-tax profit	$ 1,076	$ 53,021	$ (51,945)	(98.0%)

Coachman posted a $4.4 million pre-tax profit in 2011 compared to $2.7 million in 2010, benefiting significantly from a $3.3 million recovery from a lawsuit related to a service agreement that expired in 2005. ICPEI had poor 2011 underwriting results, largely a result of unfavourable results for personal and commercial line products in New Brunswick and Nova Scotia. Saskatchewan's pre-tax loss was a result of poor investment returns, as well as higher personal auto claim costs resulting in a loss ratio 3.2% higher than 2010. Manitoba and Alberta operations declined from 2010 due to lower investment earnings combined with higher claim costs. Alberta claims incurred increased by $6.4 million, due primarily to the Slave Lake wildfire, other catastrophes, and a significant increase in the number of large losses in personal lines. Manitoba claims incurred were adversely impacted by several fire losses in 2011.

Premium revenue

Consolidated net premiums written in 2011 increased by $43.3 million or 10.1% compared to 2010.

NET PREMIUMS WRITTEN BY OPERATING SEGMENT [THOUSANDS OF $]

	2011	% OF NET PREMIUM WRITTEN	2010	% OF NET PREMIUM WRITTEN
SGI CANADA Saskatchewan	$ 335,838	71.2%	$ 316,252	73.9%
Coachman Ontario	63,036	13.4%	45,064	10.5%
SGI CANADA Manitoba and Alberta	51,178	10.8%	46,351	10.8%
ICPEI Maritimes	21,594	4.6%	20,659	4.8%
Net premiums written	**$ 471,646**	**100.0%**	$ 428,326	100.0%

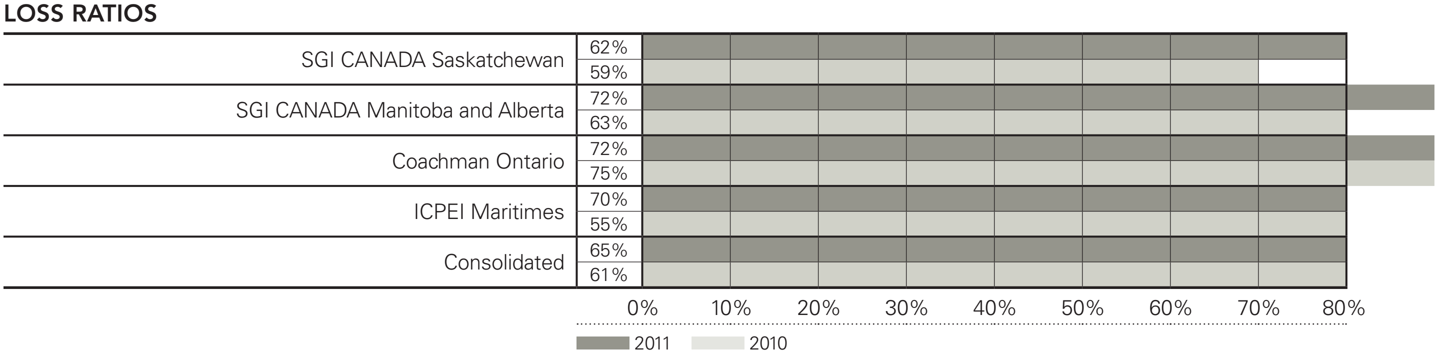
Net premiums written in Saskatchewan increased 6.2% for the year, while out-of-province operations increased 21.2%. Personal and farm products contributed the largest share (over 80%) of the increase in Saskatchewan premiums, primarily the result of increasing property values and a 4.9% increase in the number of vehicle exposures. Growth in out-of-province premiums was driven by a 39.9% increase from Ontario premiums (primarily auto), as well as growth from Alberta (14.7% increase), New Brunswick (8.9% increase) and Nova Scotia (7.0% increase).

When viewed from a consolidated line of business basis, the Corporation's split of business in 2011 was approximately 56% property and 44% auto (2010 – 58% property and 42% auto). The 2% shift between property and auto is reflective of the significant growth of auto business outside Saskatchewan, particularly in Ontario.

Claims incurred

Consolidated claims incurred increased $44.5 million, or 18.1%, in 2011, while the consolidated loss ratio of 64.7% increased 4.0% from 2010. Each operating segment, except Ontario, had a higher loss ratio than in 2010, as indicated in the table below:

LOSS RATIOS



Claim costs related to Saskatchewan operations increased $20.8 million to $202.0 million in 2011. Correspondingly, the Saskatchewan loss ratio grew 3.2% to 62.2%. The majority of the increase is due to an 11% increase in the number of claims compared to 2010, particularly personal and commercial auto claims, which were generally higher throughout the year.

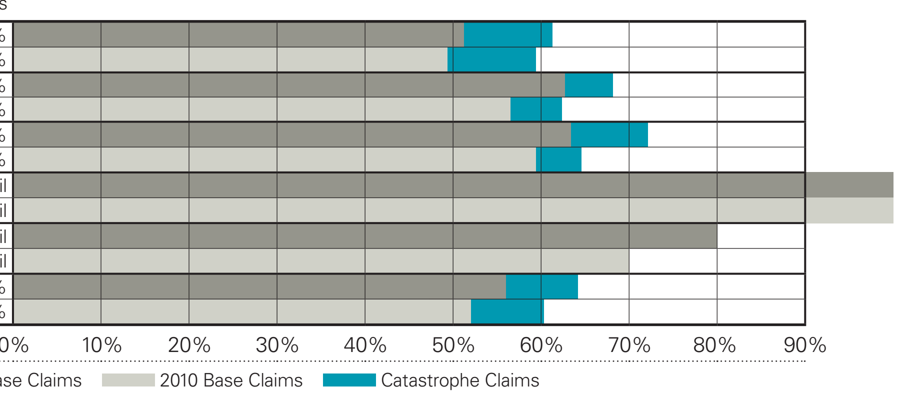
The 2011 storm claims were the highest ever paid, just slightly greater than the 2010 storm claims. The 2011 summer storm costs are detailed below:

DATE OF STORM	DESCRIPTION	NET CLAIMS INCURRED ($000s)
Early June	Estevan hail/sewer back-up	742
Mid-June	Weyburn/Estevan sewer back-up	8,323
Early July	Southern Saskatchewan hail and wind	2,475
Mid-July	La Ronge/Waskesiu hail and wind	4,843
End July	Regina/Swift Current/Shaunavon hail	3,597
End July	Northern Saskatchewan hail and wind	1,744
Early August	Regina/Weyburn/Southern Saskatchewan hail, wind and rain	2,154
Mid-August	Saskatoon/Warman/Northern Saskatchewan hail, wind and rain	8,548
		$ 32,426

The impact of storm costs is further illustrated in the table below, detailing components of the 2011 loss ratio between storm and non-storm claim costs:

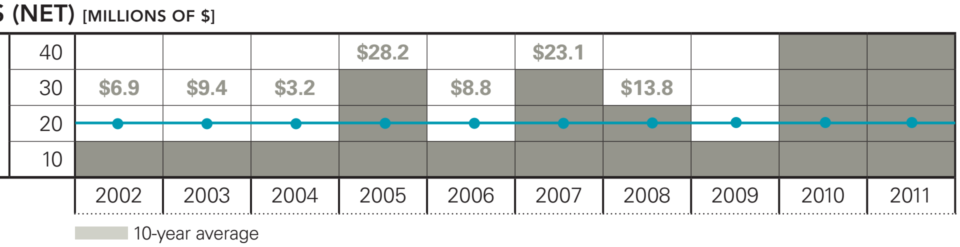
LOSS RATIOS

	Base Claims	Catastrophe Claims
SGI CANADA Saskatchewan	51.6%	10.6%
	49.0%	10.0%
SGI CANADA Manitoba	63.0%	5.5%
	56.7%	6.2%
SGI CANADA Alberta	64.7%	8.6%
	59.1%	4.4%
Coachman Ontario	71.5%	Nil
	75.4%	Nil
ICPEI Maritimes	70.3%	Nil
	54.9%	Nil
Consolidated	56.2%	8.5%
	52.6%	8.1%



Summer storm activity in 2011 and 2010 was the highest in the last 10 years, representing 10.6% and 10.0% on the 2011 and 2010 Saskatchewan loss ratios respectively. The cost of the 2011 storms is estimated at $32.4 million, compared with the 10-year average of $15.7 million. After removing catastrophe claims, the loss ratio in 2011 is 51.6% compared to 49.0% in 2010. The following graph shows the significance of storm claims over the past 10 years and demonstrates the increasing unpredictability:

SASKATCHEWAN STORM CLAIMS (NET) [MILLIONS OF $]



Manitoba's loss ratio increased to 68.5% from 62.9% in 2010, and was impacted by a number of fires in agro and personal lines, in addition to a hailstorm in June.

Alberta's loss ratio is 9.8% higher than the prior year, at 73.3% compared to 63.5% in 2010. The 2011 claim results were impacted by three catastrophes, including the Slave Lake wildfire with net claims incurred of $2.9 million. Also contributing to the increase were five fires (three in personal lines and two in commercial lines) with total net incurred of $1.8 million.

Ontario's loss ratio decreased to 71.5% in 2011 (2010 – 75.4%), with the improvement resulting from a $3.3 million recovery recorded through claims incurred for settlement of a lawsuit related to a service agreement that expired in 2005. In addition, standard auto results improved over the prior year.

The loss ratio for the Maritimes operations increased to 70.3% in 2011 (2010 – 54.9%), due primarily to a significant number of large fire and water escape losses on personal business.

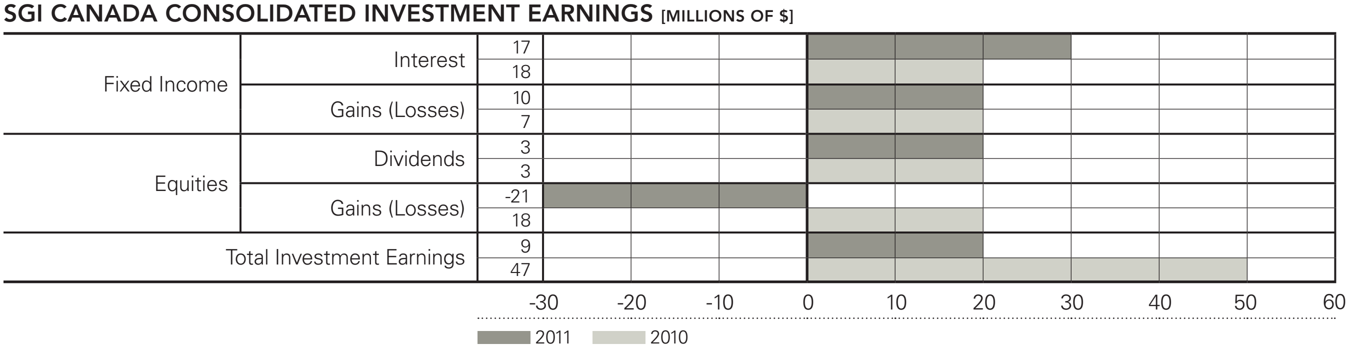
Expenses excluding claims incurred

Other expenses of $166.8 million increased $14.0 million or 9.2% in 2011. The increase was primarily attributable to higher broker commissions and premium taxes, due to the higher premiums, as the commission and premium tax ratio of 25.1% remained similar to the prior year (2010 – 25.4%). The small decrease in the ratio is attributable to the growing book of auto business, particularly in Ontario, which carries a lower commission rate and drives down the overall ratio. While administrative expenses increased $3.5 million, or 6.9%, in 2011, the administrative expense ratio declined to 12.0% from 12.5% in 2010. The 6.9% growth in administrative expenses was due largely to higher head office building depreciation expense and salary and benefit costs. Also included in the 2011 underwriting results is a $238,000 loss related to participation in the Facility Association (2010 – a gain of $786,000).

Investment earnings

In 2011, investment earnings were $9.5 million and represented 2.1% of total revenues (2010 – $46.7 million or 10.1% of total revenues). Investment earnings are calculated using market-based accounting principles, the components of which are disclosed in note 14 to the financial statements, and include interest, dividends and both realized and unrealized gains and losses on investments (capital gains and losses). The following chart shows the breakdown of investment earnings between interest and dividends, and capital gains (losses) over the prior two years.

SGI CANADA CONSOLIDATED INVESTMENT EARNINGS [MILLIONS OF $]



Investors in 2011 became concerned with economic growth and increasing debt loads in developed economies causing decreases in equity prices and a flight to the safety of bonds. Central banks continued with easy monetary policy resulting in historically low interest rates generating significant capital gains from the portfolio's fixed income investments.

		ANNUAL INDEX RETURNS ENDING DECEMBER 31 (%)	
ASSET CLASS	**BENCHMARK INDEX**	**2011**	**2010**
Canadian equities	S&P/TSX Composite	-8.7	17.6
U.S. equities	S&P 500 ($C)	4.6	9.1
Non-North American equities	MSCI EAFE ($C)	-10.0	2.1
Bonds	DEX Universe Bond	9.7	6.7
Short-term bonds	DEX Short-term Bond	4.7	3.6

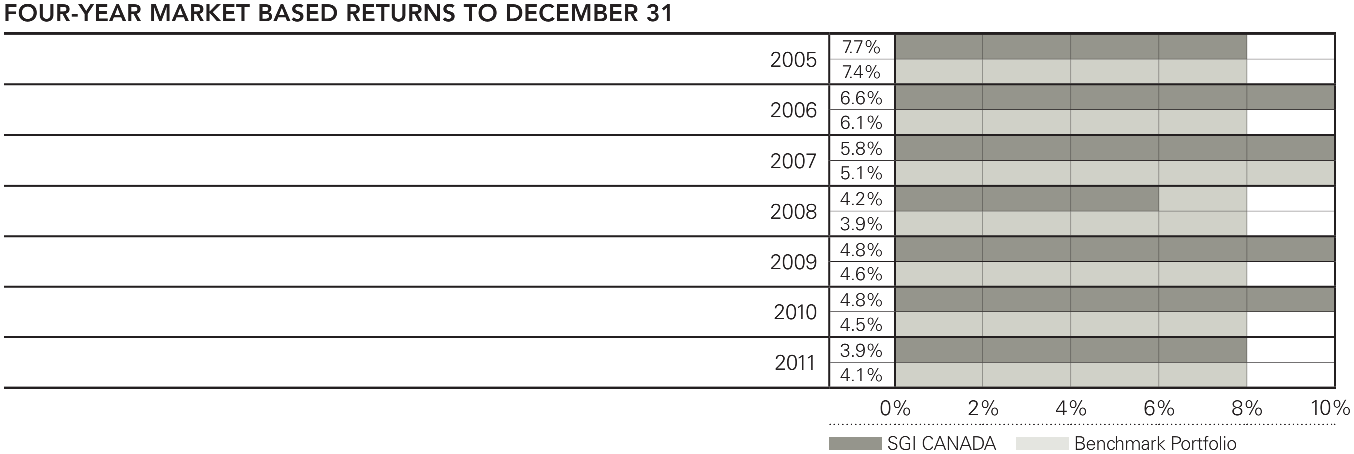
Equity markets experienced increased volatility during 2011, beginning the year with positive returns that turned negative during the second quarter. The resource dependent TSX Composite Index finished the year down 8.7%. The S&P 500 index rose solidly in the fourth quarter resulting in a 2.1% return for the year (4.6% in Canadian dollar terms) while non-North American equities, the EAFE Index, fell 12.1% in aggregate local currency terms (-10.0% in Canadian dollar terms). Although foreign equities produced low or negative results during 2011, the corresponding decrease in the Canadian dollar provided foreign exchange gains, limiting losses for Canadian investors.

For purposes of portfolio management, a market-based result is calculated that captures all interest and dividend income, as well as the impact of the change in market value of securities, both realized and unrealized. In 2011, the SGI CANADA portfolio's market-based return was 0.5% compared to a 7.6% return in 2010. The 2011 return lagged the benchmark portfolio return of 2.0% by 1.5% (2010 outperformed the benchmark by 0.8%). The 2011 return was lower than experienced in 2010 due to poor performance from Canadian and non-North American equities, which detracted from the strong returns generated from the fixed income portfolio. Similar performance trends were seen in the portfolios for each operating segment.

The primary investment performance objective of the portfolio is to earn a market-based return in excess of a benchmark portfolio return. The asset mix for the benchmark portfolio is set by the Board to be consistent with SGI CANADA's risk profile and is reviewed on an annual basis. In addition, each subsidiary has its own investment portfolio with a policy consistent with its risk profile. The investment manager is permitted to vary the actual asset class weights around the benchmark portfolio, within the policy asset mix guidelines. The benchmark portfolio return is calculated by applying the benchmark portfolio weights to capital market index returns. While the portfolio's rate of return is compared to the benchmark portfolio return on a quarterly basis, the performance measure is expected to be met over four years, a long enough period to capture a full market cycle. This longer-term measure is appropriate as it recognizes that the effectiveness of investment management styles varies depending on the market environment.

Performance relative to the benchmark portfolio varies from year-to-year, but as illustrated in the following graph, over rolling four-year periods investment performance remains satisfactory with just one period lagging the benchmark in the last seven years.

FOUR-YEAR MARKET BASED RETURNS TO DECEMBER 31



Income taxes

The Corporation's out-of-province legal entities, SGI CANADA Insurance Services Ltd., Coachman and ICPEI are subject to corporate income tax, while SGI CANADA is not. On a consolidated basis, SGI CANADA recorded a tax expense of $635,000 in 2011 compared to an expense of $3.7 million in 2010. Excluding Saskatchewan operations, which are non-taxable, this results in a tax rate of 35.4%, compared to the expected tax rate of 29.3%. The primary reason for the difference is that changes in the statutory future tax rates have decreased the value of the deferred tax asset resulting in a corresponding increase in the deferred income tax expense. However, these are partially offset by investment income, specifically Canadian dividend revenue, not subject to tax.

Consolidated Statement of Cash Flows

[THOUSANDS OF $]

	2011	2010	CHANGE
Operating activities	$ 84,787	$ 52,668	$ 32,119
Investing activities	(57,769)	8,478	(66,247)
Financing activities	(15,462)	(50,257)	34,795
Change in cash and cash equivalents	$ 11,556	$ 10,889	$ 667

Operating activities

Cash from operations contributed $84.8 million in 2011 compared to $52.7 million in 2010. The strong operating cash flow is 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 year.

Investing activities

Each legal entity's excess cash from operating activities is invested in its own investment portfolio. The investment manager actively trades each investment portfolio in the capital markets following the restrictions set out in each legal entity's Statement of Investment Policies and Goals. For 2011, the investment manager, on a consolidated basis, generated cash through proceeds from the sale of investments of $555.2 million (2010 – $543.1 million), and reinvested into investments $609.9 million (2010 – $531.7 million). The additional funds for reinvestment in 2011 was from the cash generated from operations.

In addition, there were $3.2 million in purchases of property and equipment in 2011, resulting in a net use of cash during the year of $57.8 million (2010 – net generation of cash of $8.5 million).

Financing activities

Financing activities related solely to dividends paid during the year of $15.5 million (2010 – $50.3 million). Dividends paid during 2011 were for the dividends declared for the fourth quarter of 2010. As the MCT was below its target of 250%, a 2011 dividend was not declared.

Cash and cash equivalents

Of the $84.8 million of cash generated from operations, $57.8 million was used to invest in longer-term investments, and $15.4 million was used to pay dividends. The remaining $11.6 million was added to cash and cash equivalents, specifically to short-term money market investments (having a maturity of 90 days or fewer from the date of acquisition).

Consolidated Statement of Financial Position

[THOUSANDS OF $]

		2011	2010	CHANGE
	Total assets	**$ 981,848**	**$ 905,273**	**$ 76,575**
Key asset account changes:	Investments	632,332	591,331	41,001
	Cash and cash equivalents	39,365	27,809	11,556
	Unpaid claims recoverable from reinsurers	54,600	44,635	9,965
	Deferred policy acquisition costs	61,325	56,204	5,121
	Accounts receivable	145,250	138,527	6,723

Investments

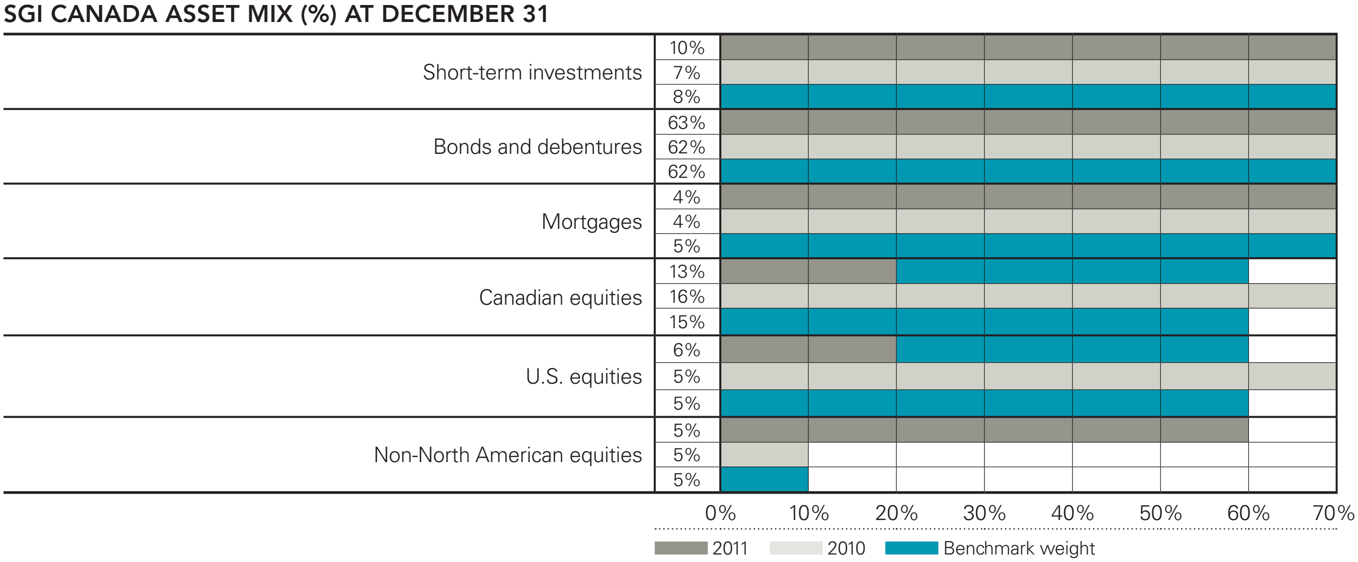
The carrying value of investments increased by $41.0 million during the year, the result of incremental purchases of $54.7 million funded through cash flow from operations, somewhat offset by declines in the market value of investments.

The Corporation's investment strategy is based on prudence, regulatory guidelines and claim settlement patterns, with a view to maximizing long-term returns utilizing a conservative investment portfolio. The portfolio's asset mix strategy is set by the Board through a detailed assessment of the Corporation's risk tolerance. The asset mix strategy takes into consideration the current and expected conditions of the capital markets, and the historic return and risk profile of various asset classes. In order to achieve the long-term investment goals, the portfolio must invest in asset classes that provide an attractive risk-return profile over the medium- to long-term. Over shorter periods, however, performance of these asset classes can be volatile. In 2011, volatility again increased and investment earnings retraced some of the positive gains experienced during the recovery of 2009 and 2010. The Corporation believes a diversified asset mix and longer-term focus remains appropriate, balancing the need for capital preservation in the short term with the desire for portfolio growth over the longer term.

The asset mix strategy is formally documented in the Statement of Investment Policies and Goals. In addition to capturing the asset mix strategy, this document provides guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related party transactions and investment performance expectations, among others. Management monitors and enforces compliance with the investment policy. No material compliance deviations were noted in 2011.

The Corporation's investment portfolio is managed by external investment managers. The portfolio is invested in short-term investments, bonds, mortgages and equities. Equities consist of Canadian, U.S. and non-North American mandates. The Corporation's subsidiaries hold their Canadian and U.S. equities through pooled funds, while all the Corporation's non-North American equities are held through a pooled fund.

SGI CANADA ASSET MIX (%) AT DECEMBER 31



The investment policy review in 2011 resulted in no changes to the policy asset mix guidelines and benchmark portfolio weights for the SGI CANADA, SGI CANADA Insurance Services Ltd., Coachman and ICPEI investment portfolios. The fixed income investments within these portfolios underwent substantial changes in 2010 to better match investment assets to their associated liabilities and to reduce potential interest rate risk. The asset mix review in 2011 determined that the portfolios were relatively efficient and required no significant changes.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2011, were $39.4 million (2010 – $27.8 million), an increase of $11.6 million. The sources of the change in cash and cash equivalents for the year are discussed in the above section Consolidated Statement of Cash Flows. Cash equivalents consist of money market investments such as treasury bills, banker's acceptances, discount notes or other liquid short-term investments that have a maturity of 90 days or fewer from the date of acquisition.

Unpaid claims recoverable from reinsurers

Unpaid claims recoverable from reinsurers increased $10.0 million in 2011, due primarily to the reinsurance recoverable on the Slave Lake, Alta. wildfire, as well as a number of large losses in other markets outside Saskatchewan.

Deferred policy acquisition costs

Deferred policy acquisition costs increased $5.1 million during the year. The increase is due to an increase in prepaid commissions and prepaid premiums, a direct result of increased premium volume.

Accounts receivable

Accounts receivable increased $6.7 million, largely a result of an increase in financed premiums receivable. The increase is reflective of the growth in premiums written and the growing popularity of the monthly pay plan.

[THOUSANDS OF $]

		2011	2010	CHANGE
	Total liabilities	**$ 725,788**	**$ 644,716**	**$ 81,072**
	Non-controlling interest	**2,350**	**2,428**	**(78)**
Key liability account changes:	Provision for unpaid claims	374,059	315,908	58,151
	Unearned premium	264,926	241,100	23,826
	Accounts payable and accrued liabilities	52,671	43,337	9,334
	Dividend payable	-	15,462	(15,462)

Provision for unpaid claims

This liability reflects the estimated ultimate cost of claims reported but not settled, along with claims incurred but not reported. The December 31, 2011 provision for unpaid claims increased $58.2 million, or 15.5%, from the end of the previous year. This is due largely to the additional exposure related to the significant auto policy growth, particularly outside Saskatchewan. In addition the provision has increased due to unpaid claims related to the Slave Lake wildfire and other large property losses experienced.

The process to determine this liability is complex as it takes into consideration numerous variables that are subject to the outcome of future events. Any change in estimates is reflected as claims incurred on the Consolidated Statement of Operations.

Unearned premiums

Unearned premiums increased $23.8 million, a direct result of growth in premiums written.

Accounts payable and accrued liabilities

Accounts payable increased $9.3 million, due primarily to investment purchases outstanding over the 2011 year end, and a pension obligation related to the SGI defined benefit pension plan.

Dividends payable

As the Corporation's MCT was below its target of 250%, no 2011 dividend was declared and as such there was no dividend payable at December 31, 2011. The $15.5 million payable at the end of 2010 was for the fourth quarter 2010 dividend payment.

[THOUSANDS OF $]

		2011	2010	CHANGE
	Province of Saskatchewan's equity	**$ 253,710**	**$ 258,129**	**$ (4,419)**
Key equity account changes:	Retained earnings	173,710	178,129	(4,419)

Retained earnings

The $4.4 million decrease in retained earnings is attributable to the $441,000 consolidated net income less the other comprehensive loss of $4.9 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.

For the three months ended December 31, 2011

SGI CANADA prepares public quarterly financial reports for the first three quarters of each year. These reports are available on its website at www.sgicanada.ca. Click on the About link and follow the links in the Publications section. The following is the Corporation's analysis of the 2011 fourth quarter results:

SGI CANADA recorded consolidated net income of $24.6 million for the fourth quarter, consistent with net income of $24.5 million in 2010.

Consolidated net premiums earned increased $12.0 million, or 11.3%, compared to the fourth quarter of 2010. All jurisdictions generated increases in premium earnings compared to 2010, with out-of-province business contributing $6.4 million and Saskatchewan operations growing by $5.6 million. Out-of-province business growth was driven largely by Ontario and Alberta markets.

Claims incurred were $56.4 million for the fourth quarter of 2011, $4.7 million or 9.0% higher than 2010. A significant contribution to the increase in the quarter was higher claim costs from Ontario, due primarily to the increasing exposure related to the growing premium base. A wind storm in Alberta in November contributed an additional $1.5 million in claims incurred in the fourth quarter. Overall, the consolidated loss ratio of 47.7% decreased slightly from 48.7% in 2010.

Other expenses for the fourth quarter of 2011, excluding claims incurred, were $43.6 million, compared to $41.1 million in 2010. The most significant contributor to the increase was administrative expenses, which were higher in the fourth quarter of 2011 due primarily to timing of expenses.

Quarterly Consolidated Financial Highlights

The following table highlights quarter over quarter results for the Corporation:

[THOUSANDS OF $]

	2011					2010				
	Q4	Q3	Q2	Q1	**YEAR**	Q4	Q3	Q2	Q1	**YEAR**
Net premiums earned	118,161	114,512	109,338	107,053	**449,064**	106,190	102,114	100,176	96,779	**405,259**
Claims incurred	56,420	102,204	76,710	55,306	**290,640**	51,743	68,695	77,122	48,573	**246,133**
Net income (loss)	24,633	(40,543)	(4,591)	20,942	**441**	24,490	19,136	(15,485)	21,196	**49,337**
Cash flow from (used in) operations	24,759	38,204	22,720	(896)	**84,787**	30,646	11,170	14,419	(3,567)	**52,668**
Investments	632,332	603,970	612,336	585,076		591,331	577,610	555,037	565,010	
Provision for unpaid claims	374,059	388,784	334,388	312,852		315,908	334,578	324,922	326,308	
Minimum Capital Test	222%	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 increased each quarter during the year, as can be seen in the quarterly results for both 2011 and 2010.
- Claims incurred typically peak in both the second and third quarters due to summer hailstorms and flooding that can occur. In 2011, there was $32.4 million in storm claims compared to 2010 storm costs of $30.6 million.
- The Corporation typically generates positive cash flows from operations each quarter, except for the first. In the first quarter of each year, there is a negative cash flow that is a result of the payment of the Corporation's annual premium taxes and generally more claims paid out during the quarter.

IMPACT OF NEW ACCOUNTING STANDARDS

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. This resulted in an increase to property and equipment, and an offsetting 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.

Future accounting policy changes

The following future changes to accounting standards will have applicability to the Corporation:

Insurance Contracts

International Accounting Standards Board (IASB) issued exposure draft ED/2010/8 Insurance Contracts (the ED) on July 30, 2010. The ED proposes a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. The ED does not propose an effective date for the new standard since the IASB plans additional deliberation on the effective dates of these proposals. The final standard is expected in 2012, with implementation not expected before 2015.

Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and modifies previous standard IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard requires financial instruments to be measured at either fair value or amortized cost. Under the new standard, the existing categories for available for sale, held to maturity, and loans and receivables will be eliminated.

Equities will have the option to be designated as fair value through other comprehensive income, similar to the current available for sale designation, except that realized gains or losses would remain in accumulated other comprehensive income and impairment decisions would not be required. A fair value option (fair value through income, consistent with held for trading) will continue to be available on the condition that accounting mismatches are reduced.

The current standard requires adoption by January 2015, which has been deferred from the original adoption date of January 2013. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

Fair Value Measurement

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*. IFRS 13 replaces the fair value measurement guidance contained in various standards with a single source of fair value measurement guidance. This standard may impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted with disclosure of that fact. The Corporation is in the process of assessing the impact of IFRS 13 on its financial statements.

RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Saskatchewan ministries, agencies, boards, commissions, Crown corporations and jointly controlled and significantly influenced corporations and enterprises. Transactions with these entities were entered into in the normal course of business and are settled at prevailing market prices under normal trade terms. Further details regarding these related party transactions are disclosed in note 20 of the consolidated financial statements. Details of other significant related party transactions disclosed in the consolidated financial statements follow.

SGI CANADA acts as the administrator of the Saskatchewan Auto Fund on behalf of the Province of Saskatchewan. SGI CANADA incurs administrative and claim adjustment expenses on behalf of the Auto Fund, which are charged to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by SGI CANADA and charged to the Auto Fund were $124.1 million (2010 – $119.4 million).

The Corporation's subsidiary, ICPEI, pays claim adjusting fees to Atlantic Adjusting & Appraisals Ltd. and has premiums financed for policyholders administered by Maritime Finance & Acceptance Corporation. These companies are affiliated with the minority shareholder of ICPEI, who is a member of ICPEI's senior management. The claim adjusting expenses and administrative fees paid are routine operating transactions in the normal course of business. Effective June 1, 2010, the Corporation's subsidiary, SGI CANADA Insurance Services Ltd., sold its minority interest in Charlie Cooke Insurance Agency

(CCIA), at which time CCIA ceased to be considered a related party. Details of the transactions and amounts outstanding are included in note 20 to the consolidated financial statements, except for certain loans considered related party, which are described in note 6.

Certain Board members are partners in organizations that provided $76,000 (2010 – $27,000) of professional services to the Corporation. These services were recorded in claims incurred and administrative expenses in the Statement of Operations. In addition, one Board member owns an organization that sells insurance policies of the Corporation. Premiums written during the year from this organization amounted to $5.0 million (2010 – $4.4 million) and the associated accounts receivable at December 31, 2011 were $834,000 (2010 – $775,000). Commissions related to these premiums were $937,000 (2010 – $824,000). The above noted transactions are routine operating transactions in the normal course of business.

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. These items are discussed below and in notes 10 and 23 to the consolidated financial statements.

The Corporation, as is common in the P&C insurance industry, is subject to litigation arising in the normal course of its operations, primarily in claim settlements. The Corporation is of the opinion that current litigation will not have a material impact on its operations, financial position or cash flows.

Also, the Corporation and its subsidiaries, in the normal course of settling claims, settle some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the P&C industry. The net present value of the scheduled payments at December 31, 2011, was $57.5 million (2010 – $49.2 million). The Corporation provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the Corporation considers the likelihood of such default as being remote.

The Corporation has secured a long-term telecommunications contract with a related provincial Crown corporation that is scheduled to end in 2013. At December 31, 2011, the remaining commitment under this contract was $790,000 (2010 – $790,000). The Corporation and its subsidiaries are committed to leases on their office premises. Annual commitments related to these leases range between $186,000 to $514,000 over the next five years.

CRITICAL ACCOUNTING ESTIMATES

This discussion and analysis of the Corporation's financial condition and results of operations is based upon its consolidated financial statements as presented in this annual report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Reporting Interpretations Committee. Significant accounting policies are contained in note 3 to the consolidated financial statements. Some of these policies involve critical accounting estimates because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or by using different assumptions.

The Corporation has discussed the development, selection and application of its key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit and Finance Committee of the Board of Directors. The Audit and Finance Committee has reviewed the disclosures described in this section. The most significant critical accounting estimates involve the provision for unpaid claims, unpaid claims recoverable from reinsurers, income taxes and employee future benefits.

Provision for unpaid claims

A provision for unpaid claims is maintained to cover the estimated ultimate liability for losses and loss adjustment expenses for reported claims and claims incurred but not yet reported as at the end of each accounting period. The initial provision is determined on the reported facts filed with the claim and then revised regularly, as more information on the claim becomes known. The provision does not represent the exact calculation of the liability owing to claimants, but is an estimate developed using Canadian accepted actuarial practices and Canadian insurance regulatory requirements. The estimate reflects an expectation of the ultimate cost of settlement and administration of claims. It involves an assessment based on the facts and circumstances of the events reported in the claim, the Corporation's experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the timeframe anticipated to settle and pay the claim.

This provision is refined on a continual basis as prior fiscal year claims are settled and additional claims are reported and settled. There may be significant time delays from the occurrence of the insured event and when it is reported. If this occurs near the year-end date, estimates are made as to the value of these claims based on information known to the Corporation. As well, uncertainty exists for reported claims that are not settled, as all necessary information may not be available. Thus, with the level of uncertainty involved in the claim process until the final settlement occurs, current reserves may not be sufficient. The provision has been calculated including the impact of discounting. Any adjustments to these estimates, both positive (a redundancy or excess) and negative (a deficiency) are included in the provision for unpaid claims and are reflected as claims incurred in the current year's Consolidated Statement of Operations.

Unpaid claims recoverable from reinsurers

Unpaid claims recoverable from reinsurers includes amounts for expected recoveries related to unpaid claim liabilities, as well as the portion of the reinsurance premium that has not yet been earned. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and claim adjustment expense reserves, and are reported in the Consolidated Statement of Financial Position. The ceding of insurance does not discharge the Corporation's primary liability to its insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions. No allowance for doubtful accounts has been recorded related to unpaid claims recoverable from reinsurers in the current or prior year.

Income taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in the consolidated financial statements. In determining the provision for income taxes, the Corporation interprets tax legislation in a variety of jurisdictions and makes assumptions about the expected timing of the reversal of deferred tax assets and liabilities and the valuation of deferred income tax assets.

Management makes assumptions regarding the value of deferred tax assets using a valuation allowance. This allowance is based on management's assessment of whether it is more likely than not that the Corporation will utilize tax assets before they expire. This assessment is based on expected future earnings, tax rates, the amount of taxable income in future years and the timing of the reversal of deferred tax liabilities. No valuation allowance has been recorded in the current or prior year.

Employee future benefits

The Corporation's benefit expense for its defined benefit pension plan and defined benefit service recognition plans is calculated by the Corporation's external benefits actuary utilizing management's best estimate of critical assumptions. These critical assumptions consist of: expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing. Management reviews and adjusts these assumptions as required on an annual basis. Actuarial gains and losses regarding the pension obligation or the investment returns are recorded as other comprehensive income on the Consolidated Statement of Operations.

The end of period discount rate is determined at each year end using market rates of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Further details of the Corporation's defined benefit plans are contained in note 19 to the consolidated financial statements.

RISK MANAGEMENT

Risk management is a process for recognizing and addressing risks that could affect the achievement of corporate objectives. On an annual basis, management reviews the key risks faced by SGI CANADA by identifying specific risk events and their potential impact on the Corporation's operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations.

The above process results in a risk profile for the Corporation, which is reviewed by the Risk Committee of the Board of Directors. SGI's Audit Services department also uses the risk profile in developing its annual work plan, which provides an assurance component to SGI's risk management process.

The following risks represent the most serious threat to SGI CANADA. Failure to manage any of these risks could lead to significant operational, financial or reputational damage. The nature of these risks, along with efforts to mitigate them, is summarized below.

Distribution Channel – Broker Partnership

Risk: SGI CANADA distributes its products through an independent broker network. This distribution system is changing as brokers are acquired by larger brokers or networks, as well as by financial institutions and other insurance companies.

Mitigation: SGI CANADA continues to work to understand broker and policyholder needs, and consults with the broker community when developing new products or services. SGI CANADA has also developed eServices to improve the speed, accuracy and ease with which brokers work with the Corporation.

It should be noted that the Corporation is also in the process of developing broker management programs, assessing broker contracts, developing a broker concentration of risk policy and implementing a consumer online quoting and binding service for extension auto.

Competition

Risk: Changes to the competitive landscape lead to reduced margins and/or loss of market share. These changes include use of data and technology to target customers, and the acquisition of business through the Internet.

Mitigation: SGI CANADA's response to increased competition has been through providing superior service to its broker network including broker training on new products and technology. Outside Saskatchewan, SGI CANADA has improved brokers' contingent profit commission and appointed brokers that utilize the Internet to attract customers. To become more market focused, SGI CANADA has reorganized its underwriting function using a product management approach, and is developing a marketing strategy to increase the focus on customer requirements.

Significant Privacy Breach

Risk: Personal information held by SGI CANADA for a large number of customers is lost, accessed or disclosed to an unauthorized party, resulting in adverse legal, regulatory and financial consequences, as well as a loss in confidence by customers and the shareholder.

Mitigation: Specific guidelines on how to handle personal information have been developed and, to improve employees' awareness of corporate privacy obligations, online privacy training and an annual sign-off of the Code of Ethics and Conduct, and the Confidentiality and Non-Disclosure Agreement is required by all staff. SGI CANADA has also implemented payment card standards that do not allow the retention of electronic customer credit card information and minimizes the exposure to paper-based sources. In 2009, the Corporation began conducting privacy audits in areas that handle customer information, and continues to work on the development of administrative, physical and technical safeguards to reduce the likelihood and magnitude of a privacy breach.

Catastrophic Claims Loss

Risk: An event loss in excess of reinsurance limits, an aggregation of large losses within the corporate net retention or the failure of a reinsurer could result in major financial losses for SGI CANADA.

Mitigation: SGI CANADA's reinsurance limits were determined based on independent catastrophe modeling, using a 1-in-250-year event assumption to calculate probable maximum loss. To mitigate the risk of reinsurer failure, SGI CANADA and its reinsurance brokers monitor the reinsurer rating provided by AM Best, and Standard and Poor's.

Product Design and Pricing

Risk: Inferior product design or inaccurate pricing leads to uncompetitive and unprofitable products, loss of business and loss of confidence by policyholders and brokers.

Mitigation: To ensure its products are designed and priced appropriately, SGI CANADA monitors insurance market developments, legal decisions and societal trends. Coverages and wordings are reviewed regularly and product lines are reviewed in detail annually. Deployment of the Product Management division will assist this process by increasing the use of actuarial expertise in product pricing.

Leadership

Risk: Poor strategic planning, poor communication, or a lack of integrity or ethical behaviour lead to low morale and staff engagement, as well as declining revenue and profitability.

Mitigation: SGI CANADA's purpose and ideals are defined clearly in the corporate mission, vision and values statements, and the Corporation promotes leadership and customer service in its training programs. The corporate commitment to privacy and ethical behaviour is reinforced through the annual review and sign-off by all employees of the Code of Ethics and Conduct. The 2011-15 strategic plan was developed with the feedback of employees and other stakeholders, and provides a detailed plan for the future of the Corporation.

Market Value Losses

Risk: Significant fluctuations in market values or a failure to apply the investment policy leads to losses on investment portfolios, reducing investment earnings and capital bases.

Mitigation: Investment portfolio management is governed by the Statement of Investment Policies and Goals (SIP&G), which sets out specific investment quality and quantity guidelines that are in line with industry standards defined by the Insurance Companies Act (Canada). The SIP&G is reviewed annually by the Investment Committee of SGI's Board of Directors, to ensure portfolio risk is acceptable based on both historical and forward-looking volatility. Portfolios are monitored externally by an investment consultant and custodian to ensure compliance with policy guidelines and investment performance standards.

Responsiveness to Business Needs

Risk: SGI CANADA is unable to meet the internal demand for new systems and major enhancements to existing systems, due to increased business expectations, increased compliance requirements and resource limitations.

Mitigation: To meet the business needs of SGI CANADA, the Information Services department has a prioritization and resource allocation process, and continues to work with business units to define and deliver support services. Focus has been given to appropriate training for staff, and the development of common platforms for the internal systems environment allows shared resources between services.

Transfer and Acquisition of Expertise

Risk: SGI CANADA is unable to build and maintain the knowledge, skill and experience within the organization's workforce needed to thrive now and in the future, resulting in lower productivity, higher operating costs, and higher health and safety concerns from overworked employees. Challenges include retirements, recruitment of qualified personnel in a tight labour market and the need to support an analytical culture.

Mitigation: SGI CANADA has implemented a number of programs in this area, including competency-based recruitment, mentoring programs, and the monitoring of workplace engagement and strategic clarity through employee surveys. A corporate learning strategy was created in 2008 to grow people talent in support of a high-performing organization, and SGI CANADA has devoted additional resources to training and development. SGI CANADA's succession planning process focuses on (i) ensuring current senior management positions have backups; and (ii) identifying high performing staff who have potential for more senior roles.

Systems Security

Risk: The security of SGI CANADA's systems is compromised by a virus attack, system breach, or unauthorized access to confidential or sensitive information by internal or external parties, resulting in significant financial and reputational damage.

Mitigation: SGI CANADA created an IT Security Policy in 2009 which includes corporate standards for user access (including remote and external vendor access), passwords, physical security and wireless networks. Antivirus, email filtering, firewalls and intrusion monitoring are used, and the Corporation has a formal disposal process for all systems hardware. SGI CANADA has also developed incident response procedures to decrease the severity of a breach, should one occur.

OUTLOOK FOR 2012

The Corporation experienced a series of unrelated events in 2011 that led to a significant decline in financial results. This is the second consecutive year the Corporation has experienced significant Saskatchewan summer storm claims. However, while 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 significant 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.

It is expected that challenging investment markets will continue until investors regain confidence and measures to improve economic growth and limit debt take hold. 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 greater investment earnings volatility. While investment earnings are expected to continue to fluctuate, volatility caused by interest rate changes is expected to be offset by the impact on the discounting of claim liabilities.

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%. Unfavourable financial results in 2011 resulted in the Corporation's MCT falling to 222%. While the Corporation's capital remains adequate and in excess of the 150% minimum regulatory target, it didn't declare a dividend for 2011, and will be at risk of not paying a dividend in 2012 as well.

A major industry development in the Canadian insurance industry has been consolidation among brokerages and insurance company purchases of brokerages. For instance, during the year Western Financial Group, a broker network that holds a significant portion of SGI CANADA's book of business, was purchased by Desjardins Financial Group, a Quebec-based insurer. Consolidation among insurers also continued, with a major development in 2011 being the move by Intact Insurance, the largest P&C insurer in Canada, to buy AXA Insurance, the eighth largest insurer. These developments put pressure on the industry. To respond to these pressures, SGI CANADA will maintain a strong focus on remaining competitive while achieving profitable growth, protecting the ongoing viability of the Corporation and delivering on its mandate to provide quality insurance products at affordable prices.

Because of the importance of the Saskatchewan market to the Corporation, key items of priority are ensuring SGI CANADA is meeting the insurance needs of Saskatchewan residents. In 2012 these will include a specific focus on SGI CANADA's Saskatchewan auto, home and commercial business.

To protect SGI CANADA's financial viability, it has long focused on achieving a better spread of risk geographically. Alberta and Ontario are two key markets for meeting geographic diversification goals, and in 2012 the Corporation will focus on building profitable growth in those markets. Insurance companies require capital to support growth, so these plans will also consider capital requirements.

Outside of Saskatchewan, Ontario is the Corporation's largest operating segment and the Corporation has grown its Ontario automobile business significantly in recent years. The Ontario auto marketplace is challenging, not only for SGI CANADA, but for the insurance industry in general. New automobile insurance reforms became effective in Ontario in September 2010, and while there has been some short-term improvement for insurers in 2011, the impact the reforms will have longer term remains unclear. The Corporation remains focused on disciplined underwriting in this important and growing operating segment.

Considering the Corporation has been operating in Alberta only since mid-2006, it has grown quickly to be an important operating segment. The Corporation plans to continue to work on growing a balanced, profitable premium base in Alberta. Manitoba is a more established market, yet still provides a steady premium base for the Corporation. In both Alberta and Manitoba, there will be a continuing focus on broker management and providing excellent service to brokers.

Maritime growth will be driven by New Brunswick and Nova Scotia operations in 2012, and the Corporation will continue to work on improving underwriting profitability related to the property lines of business. To accomplish this, the focus will remain on maintaining underwriting discipline and providing strong service to brokers. The Corporation benefits from senior management with a sound understanding of the Maritime market and its presence as a local insurer with local management is viewed favourably within the market.

The Corporation recognizes the important role technology will play in the future. An eServices strategy has been established with an objective to gain efficiencies and improve productivity in both the Corporation's and brokers' business processes, adding value to the broker partnership and improving overall competitiveness. In addition, the Corporation has embarked on a business intelligence project that leverages data to assist with obtaining more profitable business, more accurately pricing risks and better managing and controlling claim costs. Phased-in implementation of aspects of this project began in 2011.

The Corporation's expectations are ambitious given the highly competitive, ever-changing insurance industry it operates in. Competitors continue to become more sophisticated and competition from new sources, such as direct writers, is becoming more prevalent. Heading into 2012, SGI CANADA has the expertise of employees and a clear strategic direction to guide the Corporation to continued success in the competitive Canadian insurance marketplace.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements are the responsibility of Management and have been prepared in conformity with International Financial Reporting Standards. In the opinion of Management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of Saskatchewan Government Insurance (the Corporation) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. In this regard, an annual statement of management responsibility is provided on the following page. In addition, the adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Corporation to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies. The actuary also makes use of Management information provided by the Corporation and the work of the external auditors in verifying the data used in the valuation.

The consolidated financial statements have been examined and approved by the Board of Directors. An Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with financial officers of the Corporation and the external auditors. These external auditors have free access to this Committee, without Management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position and results of operations as shown in the consolidated financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and her report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Andrew R. Cartmell
President and Chief Executive Officer

Jeff Stepan
Chief Financial Officer

March 1, 2012

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, Andrew Cartmell, President and Chief Executive Officer, and I, Jeff Stepan, Chief Financial Officer, certify the following:

a. That we have reviewed the consolidated financial statements included herein. Based on our knowledge, having exercised reasonable diligence, the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows, as of December 31, 2011.

b. That based on our knowledge, having exercised reasonable diligence, the consolidated financial statements do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SGI CANADA (the Corporation) is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and, the Corporation has designed internal controls over financial reporting that are appropriate to its circumstances.

d. That the Corporation conducted its assessment of the effectiveness of its internal controls over financial reporting and, based on the results of this assessment, it can provide reasonable assurance that internal controls over financial reporting as of December 31, 2011, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Andrew R. Cartmell
President and Chief Executive Officer

Jeff Stepan
Chief Financial Officer

March 1, 2012

ACTUARY'S REPORT

To the Board of Directors of Saskatchewan Government Insurance

I have valued the policy liabilities of SGI CANADA for its consolidated statement of financial position at December 31, 2011, and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

I am satisified that the data utilized for the valuation of these liabilities is reliable and sufficient. I verified the consistency of the valuation data with the company financial records.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the consolidated financial statements fairly present the results of the valuation.

Barb Addie
Baron Insurance Services Inc.
Fellow, Canadian Institute of Actuaries
Fellow, Casualty Actuarial Society

March 1, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Government Insurance ("the Entity"), which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of operations, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Government Insurance as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Regina, Canada
March 1, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	DECEMBER 31 2011	DECEMBER 31 2010	JANUARY 1 2010
		[THOUSANDS OF CANADIAN $]	
Assets			
Cash and cash equivalents (note 5)	$ 39,365	$ 27,809	$ 16,920
Accounts receivable (note 6)	145,250	138,527	136,083
Investments under security lending program (note 7)	115,451	78,141	40,139
Investments (note 7)	516,881	513,190	539,671
Unpaid claims recoverable from reinsurers (note 10)	54,600	44,635	29,276
Reinsurers' share of unearned premiums (note 12)	11,079	9,835	9,480
Deferred policy acquisition costs (note 11)	61,325	56,204	52,412
Property and equipment (note 8)	32,087	32,252	31,971
Other assets (note 9)	1,662	1,988	2,517
Deferred tax asset (note 15)	4,148	2,692	2,532
	$ 981,848	$ 905,273	$ 861,001
Liabilities			
Accounts payable and accrued liabilities	$ 52,671	$ 43,337	$ 53,033
Dividend payable	-	15,462	22,199
Premium taxes payable	20,061	18,856	17,474
Amounts due to reinsurers	9,477	5,960	4,578
Unearned reinsurance commissions	3,532	3,183	3,051
Unearned premiums (note 12)	264,926	241,100	217,678
Provision for unpaid claims (note 10)	374,059	315,908	285,751
Deferred tax liability (note 15)	1,062	910	1,126
	725,788	644,716	604,890
Province of Saskatchewan's equity			
Equity advances (note 13)	80,000	80,000	80,000
Retained earnings	173,710	178,129	174,232
	253,710	258,129	254,232
Non-controlling interest	2,350	2,428	1,879
Total equity	**256,060**	260,557	256,111
	$ 981,848	$ 905,273	$ 861,001

Commitments and contingencies (note 23)

(see accompanying notes)

Approved by the Board of Directors and signed on their behalf on March 1, 2012

Warren Sproule
Chairperson, Board of Directors

Howard Crofts
Director

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31	**2011**	2010
	[THOUSANDS OF CANADIAN $]	
Gross premiums written	$ 510,104	$ 468,866
Premiums written ceded to reinsurers	(38,458)	(40,540)
Net premiums written	471,646	428,326
Change in net unearned premiums (note 12)	(22,582)	(23,067)
Net premiums earned	**449,064**	405,259
Claims incurred (note 10)	290,640	246,133
Commissions	91,532	83,785
Administrative expenses	54,045	50,555
Premium taxes	21,021	19,279
Facility Association participation (note 21)	238	(786)
Total claims and expenses	**457,476**	398,966
Underwriting profit (loss)	**(8,412)**	6,293
Investment earnings (note 14)	9,488	46,728
Income before income taxes	**1,076**	53,021
Income tax expense (note 15)	635	3,684
Net income	**441**	49,337
Other comprehensive loss	(4,938)	(1,371)
Comprehensive income (loss)	**$ (4,497)**	$ 47,966
Attributable to:		
The Province of Saskatchewan	(4,419)	47,417
Non-controlling interest	(78)	549
	$ (4,497)	$ 47,966

(see accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EQUITY ADVANCES	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	PROVINCE OF SASKATCHEWAN'S EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
			[THOUSANDS OF CANADIAN $]			
Balance as at December 31, 2009 (Canadian GAAP)	$ 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)	80,000	-	174,232	254,232	1,879	256,111
Net income for the year ended December 31, 2010	-	-	48,788	48,788	549	49,337
Other comprehensive loss for the year ended December 31, 2010	-	-	(1,371)	(1,371)	-	(1,371)
Dividends	-	-	(43,520)	(43,520)	-	(43,520)
Balance as at December 31, 2010	80,000	-	178,129	258,129	2,428	260,557
Net income for the year ended December 31, 2011	-	-	519	519	(78)	441
Other comprehensive loss for the year ended December 31, 2011	-	-	(4,938)	(4,938)	-	(4,938)
Balance as at December 31, 2011	$ 80,000	$ -	$ 173,710	$ 253,710	$ 2,350	$ 256,060

(see accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31	**2011**	2010
	[THOUSANDS OF CANADIAN $]	
Cash provided by (used for):		
Operating activities		
Net income	$ 441	$ 49,337
Non-cash items:		
Bond amortization	3,421	2,672
Depreciation	3,358	3,123
Net realized gain on sale of investments	(8,941)	(17,350)
Net unrealized (gain) loss on change in market value of investments	19,237	(7,981)
Actuarial loss on employee benefit plans	(4,938)	(1,371)
Deferred income taxes	(1,304)	(376)
Gain from investments in associates	-	(205)
Change in non-cash operating items (note 18)	73,513	24,819
	84,787	52,668
Investing activities		
Purchases of investments	(609,895)	(531,726)
Proceeds on sale of investments	555,177	543,069
Repayment of capital lease	142	539
Purchases of property and equipment	(3,193)	(3,404)
	(57,769)	8,478
Financing activities		
Dividends paid	**(15,462)**	(50,257)
Increase in cash and cash equivalents	**11,556**	10,889
Cash and cash equivalents, beginning of year	27,809	16,920
Cash and cash equivalents, end of year	$ **39,365**	$ 27,809
Supplemental cash flow information:		
Interest received	$ 14,049	$ 16,030
Dividends received	$ 1,549	$ 1,895
Income taxes paid	$ 3,100	$ 1,655

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

1. NATURE OF OPERATIONS

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

In many provinces in Canada, automobile insurance premium rates are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia and represent approximately 17.1% (December 31, 2010 – 13.8%) 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 consolidated financial statements for the year ended December 31, 2011, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These are SGI's first consolidated annual audited financial statements using IFRS, and IFRS 1, *First-time Adoption of International Financial Reporting Standards*, has been applied.

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 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 financial statements along with reconciliations and descriptions of how the transition from Canadian GAAP to IFRS has affected the reported financial position, financial performance and cash flows are provided in note 4.

Basis of measurement

The 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, 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 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 financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims (note 10), the deemed cost of certain items of land, buildings and building components (note 8), the valuation of accounts receivable (note 6), investments (note 7) and employee future benefits (note 19).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated 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. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, dividend payable and premium taxes payable are designated as other financial liabilities. 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. 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 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. Bonds and debentures are level 2 financial assets and the fair value is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality, and liquidity. 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 included in the acquisition cost of individual investments. 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 year-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 2.32% (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 using a liability adequacy test. The limit is calculated as 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 net of cash on hand, less outstanding cheques.

Property and equipment

All classes of property 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 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

Building components consists of heating and cooling systems, elevators, roofs and parking lots.

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 Consolidated 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 following future changes to accounting standards will have applicability to the Corporation:

Insurance Contracts

IASB issued exposure draft ED/2010/8 Insurance Contracts (the ED) on July 30, 2010. The ED proposes a new standard on accounting for insurance contracts, which would replace IFRS 4, *Insurance Contracts*. The proposals represent the first comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers. The ED does not propose an effective date for the new standard since the IASB plans additional deliberation on the effective dates of these proposals. The final standard is expected in 2012, with implementation not expected before 2015.

Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and modifies previous standard IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard requires financial instruments to be measured at either fair value or amortized cost. Under the new standard, the existing categories for available for sale, held to maturity, and loans and receivables will be eliminated.

Equities will have the option to be designated as fair value through other comprehensive income, similar to the current available for sale designation, except that realized gains or losses would remain in accumulated other comprehensive income and impairment decisions would not be required. A fair value option (fair value through income, consistent with held for trading) will continue to be available on the condition that accounting mismatches are reduced.

The current standard requires adoption by January 2015, which has been deferred from the original adoption date of January 2013. While early adoption is permitted under the standard, the Office of the Superintendent of Financial Institutions (OSFI) has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

Fair Value Measurement

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*. IFRS 13 replaces the fair value measurement guidance contained in various standards with a single source of fair value measurement guidance. This standard may impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted with disclosure of that fact. The Corporation is in the process of assessing the impact of IFRS 13 on its financial statements.

4. FIRST-TIME ADOPTION OF IFRS

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

IFRS 1, *First-time Adoption of International Financial Reporting Standards* - Exemptions

The Corporation is required to determine its IFRS accounting policies and apply them retrospectively to establish its opening statement of financial position under IFRS. However, IFRS 1, *First-time Adoption of International Financial Reporting Standards*, provides a number of exemptions upon first-time adoption of IFRS. The Corporation has used the following exemptions in preparing the January 1, 2010, statement of financial position and December 31, 2011, 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 and equipment	iii)	-	-	23,225	23,225	-	23,225
Investments – preferred shares	iv)	-	-	80	80	-	80
Investments – reclassification	v)	-	(19,833)	19,833	-	-	-
Provision for unpaid claims – discounting	vii)	-	-	7,475	7,475	-	7,475
Total adjustments		-	(19,833)	47,753	27,920	-	27,920
Balance as at January 1, 2010 (IFRS)		$ 80,000	$ -	$ 174,232	$ 254,232	$ 1,879	$ 256,111

TOTAL EQUITY AS AT 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 and equipment	iii)	-	-	22,187	22,187	-	22,187
Investments – preferred shares	iv)	-	-	112	112	-	112
Investments – reclassification	v)	-	(27,002)	27,002	-	-	-
Provision for unpaid claims – discounting	vii)	-	-	1,416	1,416	-	1,416
Total adjustments		-	(27,002)	46,814	19,812	-	19,812
Balance as at December 31, 2010 (IFRS)		$ 80,000	$ -	$ 178,129	$ 258,129	$ 2,428	$ 260,557

CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010 [THOUSANDS OF CANADIAN $]

	CANADIAN GAAP DECEMBER 31, 2010	NOTE	IFRS ADJUSTMENTS	IFRS DECEMBER 31, 2010
Gross premiums written	$ 471,100	(vi)	$ (2,234)	$ 468,866
Premiums written ceded to reinsurers	(40,540)		-	(40,540)
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	**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 financial statements. Also, the adjustments have no impact on the cash flows of the Corporation.

Explanations of the adjustments are as follows:

(i) Employee benefits

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

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

Upon adoption of IFRS, the Corporation has elected to recognize all actuarial gains/losses immediately in other comprehensive income. For the year ended December 31, 2010, this accounting policy difference resulted in a decrease to other comprehensive income 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 19). The employee benefit adjustments required in note (i) above result in the Auto Fund having a constructive obligation to the Corporation. The constructive obligation arises from events and transactions before the date of transition to IFRS and accordingly has been recognized directly in retained earnings. The impact to the Corporation at January 1, 2010, as a result of revising the allocation to the Auto Fund due to the employee benefit adjustments discussed in note (i), is an increase to retained earnings of $5,868,000 and an increase to accounts receivable of $5,868,000.

For the 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 and equipment

Upon transition to IFRS, the Corporation has elected to use the IFRS 1 deemed cost exemption that allows the Corporation to measure any item of property and equipment using fair value. The Corporation has elected to use fair value as deemed cost for its land and building.

An independent 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 and equipment of $23,225,000 as at January 1, 2010.

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 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 changed 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 and an increase in retained earnings of $19,833,000, net of tax.

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 recorded the gross amount received as revenue and the amount paid to the third party as an expense when incurred.

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 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 cumulative impact on retained earnings was an increase of $1,416,000.

5. CASH AND CASH EQUIVALENTS

[THOUSANDS OF CANADIAN $]	2011	2010
Money market investments	$ 46,609	$ 26,448
Cash on hand, net of outstanding cheques (bank overdraft)	(7,244)	1,361
Total cash and cash equivalents	$ 39,365	$ 27,809

The average effective interest rate on money market investments is 1.0% (2010 – 1.0%).

6. ACCOUNTS RECEIVABLE

[THOUSANDS OF CANADIAN $]	2011	2010
Due from insureds	$ 88,148	$ 76,798
Due from brokers	40,519	40,037
Amounts recoverable on claims paid	6,679	6,701
Facility Association (note 21)	4,123	4,051
Service agreement	3,300	-
Income taxes	2,870	-
Accrued investment income	2,353	2,048
Due from reinsurers	1,943	1,780
Computer purchase plan	195	208
Due from Saskatchewan Auto Fund	202	11,048
Other	44	969
	150,376	143,640
Less: Allowance for doubtful accounts (note 16)	(5,126)	(5,113)
Total accounts receivable	$ 145,250	$ 138,527

Included in due from insureds is $82,614,000 (2010 – $71,794,000) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option; reflecting handling costs and the investment earnings that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized in investment earnings using the effective interest method. The effective interest rate is 7.9% (2010 – 7.9%).

On June 1, 2010, the Corporation, through its subsidiary, ICPEI, loaned the primary shareholders of Charlie Cooke Insurance Agency (CCIA) $1,146,000 (two loans of $605,000 and $541,000 with consistent terms and conditions) in order to fund their purchase of the Corporation's minority interest in CCIA. Subsequent to the sale, the Corporation and CCIA are no longer related. The loans require 10 equal annual payments of $129,000, including principal and interest, beginning on March 31, 2011. The loans accrue interest at an effective annual rate of 2.25% and are secured by a general security agreement covering all assets of CCIA. At December 31, 2011, the loan is recorded at its amortized cost of $1,039,000 (2010 – $1,146,000). During the year, $107,000 was charged against the loan balance and interest revenue of $22,000 was recorded through investment earnings. The fair value of the loan is considered to equal its book value. The loan is recorded within due from brokers.

On December 22, 2010, the Corporation directly loaned the primary shareholders of Maritime Finance & Acceptance Corporation (MFAC) and Atlantic Adjusting & Appraisals Ltd. (AAA) $343,000 (two loans of $181,000 and $162,000 with consistent terms and conditions) in order to fund their purchase of the MFAC and AAA shares. The loans require seven equal annual payments of $57,000, including principal and interest, beginning on March 31, 2011. The loans accrue interest at an effective annual rate of 4.00% and are secured by a general security agreement covering all assets of MFAC and AAA, and guarantees from the purchaser. At December 31, 2011, the loan is recorded at its amortized cost of $300,000 (2010 – $343,000). During the year, $43,000 was charged against the loan balance and interest revenue of $14,000 was recorded through investment earnings. The fair value of the loan is considered to equal its book value. The loans are considered related party transactions in the normal course of operations and are recorded within due from brokers.

In 2007, the Corporation provided CCIA a $450,000 loan for the purpose of purchasing a brokerage. The terms of the agreement provide for repayment in six annual instalments of $75,000 and require CCIA to maintain minimum premium limits. The loan was originally recorded at its fair value of $381,000, calculated by discounting the scheduled instalments at an interest rate that reflects the term and credit risk associated with the loan. At December 31, 2011, the loan is recorded at its amortized cost of $141,000 (2010 – $206,000). During the year, $65,000 was charged against the loan balance and interest revenue of $10,000 was recorded through investment earnings. The fair value of the loan is considered to equal its book value. The loan is recorded within due from brokers.

The $3.3 million service agreement receivable represents a recovery, based on legal action, from a certain party with involvement in a service agreement arrangement with Coachman that expired in 2005. The amount was collected in January 2012. Coachman is continuing legal action against certain other parties related to the service agreement.

7. INVESTMENTS

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

[THOUSANDS OF CANADIAN $]	2011	2010
Investments		
Short-term investments	$ 66,803	$ 43,011
Bonds and debentures	302,142	306,997
Canadian common shares	41,244	56,934
U.S. common shares	24,820	22,665
Pooled funds:		
Canadian equity	17,135	18,007
United States equity	9,203	7,413
Non-North American equity	28,359	32,162
Mortgage	27,175	25,154
Preferred shares	-	847
	516,881	513,190
Investments under securities lending program		
Bonds and debentures	94,296	59,988
Canadian common shares	20,486	17,724
U.S. common shares	669	429
	115,451	78,141
Total investments	$ 632,332	$ 591,331

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

Short-term investments

Short-term investments are comprised of money market investments with a maturity of less than one year but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 1.0% (2010 – 1.0%) and an average remaining term to maturity of 88 days (2010 – 63 days). The Corporation's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

Bonds and debentures

The Corporation's investment policy states that the minimum quality standard for purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Corporation's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. No more than 10% of the market value of the bond portfolio shall be invested in securities of foreign issuers.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

[THOUSANDS OF CANADIAN $]	2011		2010	
Term to maturity (years)	CARRYING VALUE	AVERAGE EFFECTIVE RATES	CARRYING VALUE	AVERAGE EFFECTIVE RATES
Government of Canada:				
One or less	$ 43,428	1.1%	$ 8,882	1.4%
After one through five	154,958	1.3%	170,998	2.2%
Canadian provincial and municipal:				
One or less	2,813	1.1%	206	1.8%
After one through five	42,567	1.6%	40,886	2.3%
Canadian corporate:				
One or less	1,248	1.5%	3,815	2.0%
After one through five	115,534	2.3%	108,956	2.7%
After five	35,890	4.0%	33,242	4.1%
Total bonds and debentures	$ 396,438		$ 366,985	

Common shares

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 2.3% (2010 – 1.8%).

The Corporation's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Corporation's common shares portfolio. As well, no one holding may represent more than 10% of the voting shares of any corporation.

Pooled funds

The Corporation owns units in Canadian, United States and non-North American pooled equity funds and a pooled mortgage fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

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 December 31, 2011, the Corporation held collateral of $121,224,000 (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 $]	2011			2010		
	LEVEL 1	LEVEL 2	TOTAL	LEVEL 1	LEVEL 2	TOTAL
Short-term investments	$ -	$ 66,803	$ 66,803	$ -	$ 43,011	$ 43,011
Bonds and debentures	-	396,438	396,438	-	366,985	366,985
Canadian common shares	61,730	-	61,730	74,658	-	74,658
U.S. common shares	25,489	-	25,489	23,094	-	23,094
Pooled funds:						
Canadian equity	17,135	-	17,135	18,007	-	18,007
United States equity	9,203	-	9,203	7,413	-	7,413
Non-North American equity	28,359	-	28,359	32,162		32,162
Mortgage	-	27,175	27,175	-	25,154	25,154
Preferred shares	-	-	-	-	847	847
	$ 141,916	$ 490,416	$ 632,332	$ 155,334	$ 435,997	$ 591,331

During the year, no investments were transferred between levels.

8. PROPERTY AND EQUIPMENT

The components of the Corporation's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

[THOUSANDS OF CANADIAN $]	LAND	BUILDINGS	BUILDING COMPONENTS	COMPUTER HARDWARE	TOTAL
Cost:					
At January 1, 2011	$ 3,000	$ 23,298	$ 5,448	$ 19,583	$ 51,329
Additions	-	150	582	2,461	3,193
Disposals	-	-	-	(96)	(96)
At December 31, 2011	3,000	23,448	6,030	21,948	54,426
Depreciation:					
At January 1, 2011	-	2,399	545	16,133	19,077
Provided in the year	-	2,165	510	683	3,358
Disposals	-	-	-	(96)	(96)
At December 31, 2011	-	4,564	1,055	16,720	22,339
Net book value at December 31, 2011	$ 3,000	$ 18,884	$ 4,975	$ 5,228	$ 32,087

[THOUSANDS OF CANADIAN $]	LAND	BUILDINGS	BUILDING COMPONENTS	COMPUTER HARDWARE	TOTAL
Cost:					
At January 1, 2010	$ 3,000	$ 23,298	$ 5,448	$ 16,179	$ 47,925
Additions	-	-	-	3,404	3,404
Disposals	-	-	-	-	-
At December 31, 2010	3,000	23,298	5,448	19,583	51,329
Depreciation:					
At January 1, 2010	-	62	-	15,892	15,954
Provided in the year	-	2,337	545	241	3,123
Disposals	-	-	-	-	-
At December 31, 2010	-	2,399	545	16,133	19,077
Net book value at December 31, 2010	$ 3,000	$ 20,899	$ 4,903	$ 3,450	$ 32,252

Depreciation for the year is $3,358,000 (2010 – $3,123,000), of which $1,155,000 (2010 – $1,056,000) relates to the depreciation allocated to the Saskatchewan Auto Fund for related space usage. The remaining depreciation of $2,203,000 (2010 – $2,067,000) is included in administrative expenses on the Consolidated Statement of Operations.

9. OTHER ASSETS

Other assets are comprised of the following:

[THOUSANDS OF CANADIAN $]	2011	2010
Prepaid expenses	$ 1,181	$ 1,224
Net investment in capital lease	-	142
Accrued pension asset (note 19)	-	141
Goodwill	481	481
Total	$ 1,662	$ 1,988

Goodwill

The goodwill is attributable to the Corporation's subsidiary, ICPEI, which is a cash generating unit. There have been no impairment losses recognized on goodwill.

10. CLAIMS INCURRED AND PROVISION FOR UNPAID CLAIMS

Claims incurred

[THOUSANDS OF CANADIAN $]	2011			2010		
	CURRENT YEAR	PRIOR YEARS	TOTAL	CURRENT YEAR	PRIOR YEARS	TOTAL
Gross claims incurred	$ 338,479	$ (12,820)	$ 325,659	$ 312,112	$ (23,841)	$ 288,271
Ceded claims incurred	32,806	2,213	35,019	46,064	(3,926)	42,138
Net claims incurred	$ 305,673	$ (15,033)	$ 290,640	$ 266,048	$ (19,915)	$ 246,133

Current year claims relate to events that occurred in the current financial year. Prior year claims incurred relate to adjustments for the reassessment of the estimated cost for claim events that occurred in all previous financial periods.

Ceded claims incurred represent an estimate of the recoverable cost of those claims transferred to the Corporation's various reinsurers pursuant to reinsurance contracts (note 16).

Net provision for unpaid claims

[THOUSANDS OF CANADIAN $]	2011	2010
Net unpaid claims, beginning of year - discounted	$ 271,273	$ 256,475
Discount, beginning of the year	(1,029)	8,324
Net unpaid claims, beginning of year - undiscounted	270,244	264,799
Payments made during the year relating to:		
Prior year claims	(91,007)	(88,382)
Prior year Facility Association claims	(1,256)	(1,102)
Deficiency (excess) relating to:		
Prior year estimated unpaid claims	(15,033)	(19,915)
Prior year estimated unpaid Facility Association claims	225	(667)
Net unpaid claims, prior years - undiscounted	163,173	154,733
Claims incurred during the current year	142,856	114,019
Provision for Facility Association claims occurring in the current year	1,794	1,492
Net unpaid claims, end of year - undiscounted	307,823	270,244
Discount, end of year	11,636	1,029
Net unpaid claims, end of year - discounted	$ 319,459	$ 271,273

The net provision for unpaid claims of $319,459,000 (2010 – $271,273,000) consists of the gross provision for unpaid claims of $374,059,000 (2010 – $315,908,000) less unpaid claims recoverable from reinsurers of $54,600,000 (2010 – $44,635,000).

The provision for unpaid claims and unpaid claims recoverable from reinsurers are carried on a discounted basis. The resulting carrying amount is considered to be an indicator of fair value as there is no ready market for trading insurance contract liabilities.

Assumed claims

The provision for unpaid claims includes a provision for unpaid reinsurance assumed claims of $7,815,000 (2010 – $7,459,000). The Corporation discontinued its practice of underwriting reinsurance assumed business in 1985, but remains financially responsible for claims run-off on assumed contracts.

Structured settlements

The Corporation settles some long-term disability claims by purchasing annuities from various financial institutions. The settlements legally release the Corporation from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Consolidated Statement of Financial Position. However, as part of the settlement, the Corporation provides a financial guarantee to the claimants in the event the financial institutions default on the scheduled payments. As at December 31, 2011, no information has come to the Corporation's attention that would suggest any weakness or failure in the financial institutions from which it has purchased annuities. The net present value of the scheduled payments as of the year-end date is $57,549,000 (2010 – $49,174,000).

11. DEFERRED POLICY ACQUISITION COSTS

[THOUSANDS OF CANADIAN $]	2011	2010
Deferred policy acquisition costs, beginning of the year	$ 56,204	$ 52,412
Increase (decrease) from liability adequacy test	162	(832)
Acquisition costs deferred during the year	110,929	101,427
Previously deferred acquisition costs charged to operations during the year	(105,970)	(96,803)
Deferred policy acquisition costs, end of the year	$ 61,325	$ 56,204

12. UNEARNED PREMIUMS

[THOUSANDS OF CANADIAN $]	GROSS UNEARNED PREMIUMS		REINSURER'S SHARE OF UNEARNED PREMIUMS		NET UNEARNED PREMIUMS	
	2011	2010	2011	2010	2011	2010
Unearned premiums, beginning of the year	$ 241,100	$ 217,678	$ 9,835	$ 9,480	$ 231,265	$ 208,198
Premiums written during the year	510,104	468,866	38,458	40,540	471,646	428,326
Premiums earned	(486,278)	(445,444)	(37,214)	(40,185)	(449,064)	(405,259)
Change in net unearned premiums	23,826	23,422	1,244	355	22,582	23,067
Unearned premiums, end of the year	$ 264,926	$ 241,100	$ 11,079	$ 9,835	$ 253,847	$ 231,265

13. EQUITY ADVANCES

The Corporation does not have share capital. However, the Corporation has received equity advances from its parent, CIC, to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

14. INVESTMENT EARNINGS

The components of investment earnings are as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Interest	$ 11,106	$ 13,123
Net realized gain on sale of investments	8,941	17,350
Premium financing	5,217	4,306
Pooled fund distributions	2,571	2,496
Dividends	1,771	2,073
Interest on net investment in capital lease	51	44
Taxable gain on sale of investments in associates	-	205
Net unrealized gain (loss) on change in market value of investments	(19,237)	7,981
Total investment earnings	10,420	47,578
Investment expenses	(932)	(850)
Net investment earnings	$ 9,488	$ 46,728

15. INCOME TAXES

The Corporation's provision for (recovery of) income taxes is as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Current	$ 1,939	$ 4,060
Deferred	(1,304)	(376)
Total income taxes	$ 635	$ 3,684

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes and non-controlling interest.

The reasons for the differences are as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Income before income taxes and non-controlling interest	$ 1,076	$ 53,021
Combined federal and provincial tax rate	29.31%	30.23%
Computed tax expense based on combined rate	$ 315	$ 16,028
Increase (decrease) resulting from:		
Changes to enacted tax rates	188	166
Non-deductible expenses for tax purposes	35	32
Investment earnings not subject to taxation	110	(12,614)
Taxable gain on sale of investment in associates	-	86
Other	(13)	(14)
Total income taxes	$ 635	$ 3,684

The combined federal and provincial tax rate is calculated by taking the federal tax rate added to the tax rate of the individual provinces on a pro-rata basis. During 2011 there has been a decrease in the combined tax rates to 29.31% from 30.23%, primarily as a result of federal legislation that decreased the federal rate in 2011.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

DEFERRED TAX ASSET [THOUSANDS OF CANADIAN $]	PROVISION FOR UNPAID CLAIMS	OTHER	TOTAL
At January 1, 2010	$ 2,508	$ 24	$ 2,532
Credit to consolidated income for the year	160	-	160
At December 31, 2010	2,668	24	2,692
Credit (charge) to consolidated income for the year	1,457	(1)	1,456
At December 31, 2011	$ 4,125	$ 23	$ 4,148

DEFERRED TAX LIABILITY [THOUSANDS OF CANADIAN $]	UNPAID CLAIMS RECOVERABLE FROM REINSURERS	INVESTMENTS	TOTAL
At January 1, 2010	$ 654	$ 472	$ 1,126
Credit to consolidated income for the year	(77)	(139)	(216)
At December 31, 2010	577	333	910
Charge (credit) to consolidated income for the year	(358)	510	152
At December 31, 2011	$ 219	$ 843	$ 1,062

16. INSURANCE AND FINANCIAL RISK MANAGEMENT

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

Insurance risk

Underwriting risk

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

Diversification

The Corporation writes property, liability and motor risks over a 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	
	2011	2010	2011	2010	2011	2010
Automobile	$ 176,325	$ 148,458	$ 19,474	$ 16,020	$ 156,851	$ 132,438
Property	104,503	85,897	30,602	23,126	73,901	62,771
Liability	66,986	67,244	2,702	4,274	64,284	62,970
Assumed	7,735	7,769	-	-	7,735	7,769
Discount	13,458	2,244	1,822	1,215	11,636	1,029
Facility Association (note 21)	5,052	4,296	-	-	5,052	4,296
Total	$ 374,059	$ 315,908	$ 54,600	$ 44,635	$ 319,459	$ 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	
	2011	2010	2011	2010	2011	2010
Alberta	$ 32,458	$ 19,531	$ 8,802	$ 752	$ 23,656	$ 18,779
Saskatchewan	207,591	197,492	26,464	29,726	181,127	167,766
Manitoba	8,646	7,586	155	114	8,491	7,472
Ontario	106,501	75,605	18,906	13,935	87,595	61,670
Maritimes	18,863	15,694	273	108	18,590	15,586
Total	$ 374,059	$ 315,908	$ 54,600	$ 44,635	$ 319,459	$ 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.

The following table sets out the amount by which reinsurance ceded has reduced (increased) the premiums earned, claims incurred, commissions, premium taxes and administrative expenses:

[THOUSANDS OF CANADIAN $]	2011	2010
Premium earned	$ 37,214	$ 40,185
Claims incurred	35,019	42,138
Commissions and premium taxes	4,634	4,588
Administrative expenses	(1,116)	(1,092)

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 year-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 year-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.

The following table shows the development of the estimated net provision for unpaid claims relative to the current estimate of ultimate claims costs for the five most recent accident years as estimated at each reporting date.

[THOUSANDS OF CANADIAN $]	2007	2008	2009	2010	2011	TOTAL
Net ultimate loss						
At end of accident year	$ 177,379	$ 184,394	$ 197,049	$ 241,557	$ 272,800	
One year later	176,137	178,233	188,851	237,473		
Two years later	171,591	175,654	185,368			
Three years later	169,744	173,824				
Four years later	168,734					
Cumulative loss development	(8,645)	(10,570)	(11,681)	(4,084)	n/a	
Cumulative loss development as a % of original ultimate loss	-4.9%	-5.7%	-5.9%	-1.7%	n/a	
Current estimate of net ultimate loss	$ 168,734	173,824	185,368	237,473	272,800	$ 1,038,199
Cumulative paid	(157,665)	(159,220)	(162,219)	(202,689)	(141,635)	(823,428)
Net provision for unpaid claims for the five most recent accident years	$ 11,069	14,604	23,149	34,784	131,165	$ 214,771
Net discounted claims outstanding for accident years 2006 and prior						50,349
Internal reinsurance to subsidiaries						18,191
Provision for adverse deviation and discounting						11,636
Loss adjusting expense reserve						9,235
Gross subrogation recoveries						6,612
Unpaid Facility Association claims						5,052
Other reconciling items						2,128
Health levies						1,485
Net provision for unpaid claims						$ 319,459

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 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 at December 31, 2011, is limited to the carrying value of the financial assets summarized as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
	CARRYING VALUE	CARRYING VALUE
Cash and cash equivalents	$ 39,365	$ 27,809
Accounts receivable	145,250	138,527
Fixed income investments [1]	490,416	435,150
Unpaid claims recoverable from reinsurers	54,600	44,635

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

In addition, the Corporation is exposed to credit risk associated with its structured settlements as described separately in the notes to the consolidated financial statements.

Cash and cash equivalents include money market investments of $46,609,000 less bank overdraft, net of outstanding cheques of $7,244,000 (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 $]	2011	2010
Current	$ 143,570	$ 137,242
30-59 days	861	594
60-89 days	458	253
Greater than 90 days	5,487	5,551
Subtotal	150,376	143,640
Allowance for doubtful accounts	(5,126)	(5,113)
Total	$ 145,250	$ 138,527

Provisions for credit losses are maintained in an allowance account and are 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 $]	2011	2010
Allowance for doubtful accounts, opening balance	$ 5,113	$ 6,261
Accounts written off	(1,855)	(2,134)
Current period provision	1,868	986
Allowance for doubtful accounts, ending balance	$ 5,126	$ 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 bond and debenture investments are as follows:

[THOUSANDS OF CANADIAN $]	2011		2010	
CREDIT RATING	FAIR VALUE	MAKEUP OF PORTFOLIO	FAIR VALUE	MAKEUP OF PORTFOLIO
AAA	$ 208,283	52.5%	$ 197,639	53.9%
AA	97,891	24.7%	82,539	22.5%
A	67,971	17.2%	65,765	17.9%
BBB	22,293	5.6%	21,042	5.7%
Total	$ 396,438	100.0%	$ 366,985	100.0%

Within bond 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 AM 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	
	2011	2010	2011	2010
Investment earnings	$ (9,984)	$ (11,529)	$ 9,984	$ 11,529
Claims incurred	(8,643)	(6,599)	8,643	6,599
Net income	(1,341)	(4,930)	1,341	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. At December 31, 2011, the Corporation's exposure to U.S. equities was 5.5% (2010 – 5.2%) and its exposure to non-North American equities was 4.5% (2010 – 5.4%).

At December 31, 2011, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $3.5 million (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 $2.8 million (2010 – $3.2 million) decrease/increase in net income and retained earnings. As 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.

There is no exposure to foreign exchange risk within the Corporation's 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 22.4% (2010 – 26.4%) of the carrying value of the Corporation's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Corporation's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

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

[THOUSANDS OF CANADIAN $] ASSET CLASS		2011			2010	
Canadian pooled equity fund and Canadian common shares	$	+/-	31,862	$	+/-	36,613
U.S. pooled equity fund and U.S. common shares		+/-	9,367		+/-	8,054
Non-North American pooled equity fund		+/-	10,096		+/-	11,128

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

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, due within one year. The Corporation generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from its investing activities.

The following summarizes the estimated contractual maturities of the Corporation's financial assets and liabilities at December 31:

[THOUSANDS OF CANADIAN $]	2011						
	CARRYING AMOUNT	NO STATED MATURITY	0-6 MONTHS	7-12 MONTHS	1-2 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Financial assets							
Accounts receivable	$ 145,250	$ -	$ 98,242	$ 43,315	$ 1,156	$ 1,605	$ 932
Investments	632,332	169,091	110,284	4,011	71,460	241,596	35,890
Unpaid claims recoverable from reinsurers	54,600	-	21,030	10,656	9,394	9,536	3,984
	$ 832,182	$ 169,091	$ 229,556	$ 57,982	$ 82,010	$ 252,737	$ 40,806
Financial liabilities							
Accounts payable and accrued liabilities	$ 52,671	$ -	$ 52,671	$ -	$ -	$ -	$ -
Premium taxes payable	20,061	-	20,061	-	-	-	-
Amounts due to reinsurers	9,477	-	9,477	-	-	-	-
Provision for unpaid claims	374,059	-	103,821	55,514	59,010	91,641	64,073
	$ 456,268	$ -	$ 186,030	$ 55,514	$ 59,010	$ 91,641	$ 64,073

[THOUSANDS OF CANADIAN $]	2010						
	CARRYING AMOUNT	NO STATED MATURITY	0-6 MONTHS	7-12 MONTHS	1-2 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Financial assets							
Accounts receivable	$ 138,527	$ -	$ 95,485	$ 37,650	$ 1,284	$ 1,855	$ 2,253
Investments	591,331	181,335	46,959	8,955	67,919	253,074	33,089
Unpaid claims recoverable from reinsurers	44,635	-	13,758	7,761	8,512	10,474	4,130
	$ 774,493	$ 181,335	$ 156,202	$ 54,366	$ 77,715	$ 265,403	$ 39,472
Financial liabilities							
Accounts payable and accrued liabilities	$ 43,337	$ -	$ 43,337	$ -	$ -	$ -	$ -
Dividend payable	15,462	-	15,462	-	-	-	-
Premium taxes payable	18,856	-	18,856	-	-	-	-
Amounts due to reinsurers	5,960	-	5,930	30	-	-	-
Provision for unpaid claims	227,735	-	88,173	46,142	48,498	74,813	58,282
	$ 311,350	$ -	$ 171,758	$ 46,172	$ 48,498	$ 74,813	$ 58,282

17. 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 December 31, 2011, the Corporation's MCT was 222% (2010 – 247%). There have been no changes to the Corporation's capital management processes and measures since the prior year end.

18. CHANGE IN NON-CASH OPERATING ITEMS

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

[THOUSANDS OF CANADIAN $]	2011	2010
Accounts receivable	$ (6,723)	$ (2,444)
Unpaid claims recoverable from reinsurers	(9,965)	(15,359)
Reinsurers' share of unearned premiums	(1,244)	(355)
Deferred policy acquisition costs	(5,121)	(3,792)
Other assets	184	(10)
Accounts payable and accrued liabilities	9,334	(9,696)
Premium taxes payable	1,205	1,382
Amounts due to reinsurers	3,517	1,382
Unearned reinsurance commissions	349	132
Unearned premiums	23,826	23,422
Provision for unpaid claims	58,151	30,157
	$ 73,513	$ 24,819

19. 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 consolidated statement of operations.

The total salary and benefits expenses incurred during the year are as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Salaries	$ 110,422	$ 108,885
Defined contribution pension plan	6,146	5,872
Defined benefit pension plan	(149)	15
Defined benefit service recognition plans	2,351	2,380
Other benefits	14,001	13,592
Total salaries and benefits	132,771	130,744
Less: Allocation to Saskatchewan Auto Fund	(82,119)	(82,069)
Salaries and benefits incurred in SGI CANADA	$ 50,652	$ 48,675

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 December 31, 2010. The next valuation is anticipated to have a valuation date of December 31, 2013.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate.

Results from the latest valuation as at December 31, 2010, projected to December 31, 2011, and the major assumptions used in the valuation, are as follows:

	2011	2010
Economic assumptions:		
Discount rate - beginning of period	4.90%	5.30%
Discount rate - end of period	4.20%	4.90%
Expected return on plan assets	5.50%	5.50%
Inflation rate	2.50%	2.50%
Expected salary increase	2.50%	2.50%
Remaining service life of active members in years (EARSL)	2	2
Last actuarial valuation	Dec. 31/10	Dec. 31/09

The expected return on plan assets was determined by taking the mean average return over the next 30 years for a portfolio with a similar asset allocation as the pension plan.

The asset allocation of the defined benefit pension plan assets is as follows:

ASSET CATEGORY		TARGET RANGE	PER CENT OF PLAN ASSETS AT DECEMBER 31 2011	2010
Short-term investments		3-20%	4%	4%
Bonds and debentures		40-70%	56%	51%
Canadian equities		10-30%	15%	18%
U.S. equities	}	Total foreign	14%	13%
Non-North American equities		18-30%	11%	14%

Information about the Corporation's defined benefit pension plan is as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 36,431	$ 36,259
Current service cost	116	131
Interest cost	1,713	1,848
Benefits paid	(2,940)	(2,954)
Change in actuarial assumptions	2,037	1,147
Net experience gain	(50)	-
Accrued benefit obligation, end of year	$ 37,307	$ 36,431

[THOUSANDS OF CANADIAN $]	2011	2010
Plan assets		
Fair value of plan assets, beginning of year	$ 36,843	$ 36,491
Expected return on plan assets	1,951	1,929
Experience gain (loss)	(1,885)	1,263
Employer contributions	70	78
Employee contributions	28	36
Benefits paid	(2,940)	(2,954)
Fair value of plan assets, end of year	$ 34,067	$ 36,843
Funded status - plan surplus (deficiency)	$ (3,240)	$ 412
Limit due to asset ceiling	-	(271)
Accrued pension asset (liability)	$ (3,240)	$ 141

The actual return on plan assets during the year was $66,000 (2010 – $3,192,000) compared to the expected amount of $1,951,000 (2010 – $1,929,000).

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

[THOUSANDS OF CANADIAN $]	2011	2010
Current service cost	$ 89	$ 96
Interest cost	1,713	1,848
Expected return on pension plan assets	(1,951)	(1,929)
Pension expense (income)	$ (149)	$ 15

During the year, $92,000 of the pension income (2010 – $9,000 of pension expense) was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $57,000 of pension income (2010 – $6,000 of pension expense) in administrative expenses on the Consolidated Statement of Operations.

Defined benefit service recognition plans

Significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at December 31 are:

	2011	2010
Discount rate	3.7 - 3.8%	4.30 - 4.50%
Expected salary increase	3.50%	3.50%
Inflation rate	2.50%	2.50%
EARSL - management	9	10
EARSL - in-scope	10	10

Information about the defined benefit service recognition plans is as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 19,998	$ 18,984
Current service cost	915	849
Interest cost	846	940
Benefits paid	(1,796)	(2,081)
Experience loss	1,275	1,306
Accrued benefit obligation, end of year	$ 21,238	$ 19,998
Unamortized past service cost	(2,061)	(2,652)
Accrued benefit liability, end of year	$ 19,177	$ 17,346
Pension expense for the defined benefit service recognition plan is as follows:		
Current service cost	$ 915	$ 849
Interest cost	845	940
Amortization of plan changes and past service costs	591	591
Pension expense	$ 2,351	$ 2,380

During the year, $1,454,000 of the pension expense (2010 – $1,494,000) was allocated to the Saskatchewan Auto Fund. The Corporation has recorded the remaining $897,000 of pension expense (2010 – $886,000) in administrative expenses on the Consolidated Statement of Operations.

Effective December 31, 2011, the defined benefit service recognition plan for the unionized employees was frozen for current employees and closed to new employees.

Effective December 31, 2011, the defined benefit service recognition plan for the management employees was closed to new employees, and the current employees were provided the option to elect to remain in the plan or to receive an annual payout, commencing in 2012.

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.

20. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). All transactions are settled at prevailing market prices under normal trade terms. The Corporation has elected to take a partial exemption under IAS 24, *Related Party Disclosures*, which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

The Corporation acts as administrator of the Saskatchewan Auto Fund. Administrative and loss adjustment expenses incurred by the Corporation are allocated to the Saskatchewan Auto Fund directly or on the basis of specific allocations. Amounts incurred by the Corporation and charged to the Saskatchewan Auto Fund were $124,147,000 (2010 – $119,421,000) and accounts receivable were $202,000 (2010 – $11,048,000).

All transactions with the defined benefit pension plan, the defined contribution pension plan and the defined benefit service recognition plans are related party transactions by virtue of the plans being created for the benefit of the Corporation's employees.

The Corporation's subsidiary, ICPEI, pays claims adjusting fees to AAA and has premiums financed for policyholders administered by MFAC. These companies are affiliated with the minority shareholder of ICPEI, who is a member of ICPEI's senior management. The claims adjusting expenses and administrative fees paid are routine operating transactions in the normal course of business. The Corporation's subsidiary, ICPEI, has direct premiums brokered through CCIA. Effective June 1, 2010, the Corporation's subisidary, SGI CANADA Insurance Services Ltd., sold its minority interest in CCIA, at which time CCIA ceased to be considered a related party.

Transactions and amounts outstanding between the Corporation and AAA and MFAC at year-end, and CCIA until June 1, 2010, are as follows:

[THOUSANDS OF CANADIAN $]	2011	2010
Category		
Accounts payable and accrued liabilities	$ 95	$ 56
Premiums written	-	4,620
Claims incurred	762	716
Commissions	-	1,054
Premiums financed	11,162	5,312
Administrative fees paid to MFAC	202	197

Key management personnel

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

[THOUSANDS OF CANADIAN $]	2011	2010
Salaries and benefits	$ 3,313	$ 2,935
Post-employment benefits	31	26
Contributions to defined contribution plan	207	181
	$ 3,551	$ 3,142

During the year, $2,196,000 of the key management personnel expenses (2010 – $1,972,000) were allocated to the Saskatchewan Auto Fund.

Certain Board members are partners in organizations that provided $76,000 (2010 – $27,000) of professional services to the Corporation. These services were recorded in claims incurred and administrative expenses in the Statement of Operations. In addition, one board member owns an organization that sells insurance policies of the Corporation. Premiums written during the year from this organization amounted to $4,951,000 (2010 – $4,417,000) and the associated accounts receivable at December 31, 2011, was $834,000 (2010 – $775,000). Commissions related to these premiums were $937,000 (2010 – $824,000). The above noted transactions are routine operating transactions in the normal course of business.

Other related party transactions are described separately in the notes to the consolidated financial statements.

21. 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 $]	2011	2010
Gross premiums written	$ 4,842	$ 3,948
Net premiums earned	$ 4,442	$ 3,766
Claims incurred	3,298	1,791
Commissions	245	298
Premium taxes	139	118
Administrative expenses	1,077	879
Total claims and expenses	4,759	3,086
Underwriting profit (loss)	(317)	680
Investment earnings	79	106
Net income (loss)	$ (238)	$ 786
Facility Association receivable	$ 4,123	$ 4,051
Unearned premiums	1,797	1,398
Facility Association payable	3,504	3,504
Provision for unpaid claims	5,052	4,296

22. SEGMENTED INFORMATION

The Corporation provides property and casualty insurance through 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 in which 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 $]

2011	SASKATCHEWAN	MANITOBA AND ALBERTA	ONTARIO	MARITIMES	CONSOLIDATION ADJUSTMENTS	TOTAL
Net premiums written	$ 335,838	$ 51,178	$ 63,036	$ 21,594	$ -	$ 471,646
Net premiums earned	325,002	48,411	54,706	20,945	-	449,064
Claims incurred	202,049	34,770	39,099	14,722	-	290,640
Other expenses	127,704	16,701	15,049	7,382	-	166,836
Underwriting profit (loss)	(4,751)	(3,060)	558	(1,159)	-	(8,412)
Investment earnings	4,035	811	3,829	813	-	9,488
Income (loss) before the following:	(716)	(2,249)	4,387	(346)	-	1,076
Income tax expense	-	(645)	1,361	(81)	-	635
Net income (loss)	$ (716)	$ (1,604)	$ 3,026	$ (265)	$ -	$ 441
Total assets	$ 740,220	$ 183,987	$ 194,717	$ 46,280	$ (183,356)	$ 981,848
Total liabilities	$ 486,512	$ 93,649	$ 150,553	$ 35,443	$ (40,369)	$ 725,788
Shareholder's equity	$ 253,708	$ 90,338	$ 44,164	$ 10,837	$ (142,987)	$ 256,060

[THOUSANDS OF CANADIAN $]

2010	SASKATCHEWAN	MANITOBA AND ALBERTA	ONTARIO	MARITIMES	CONSOLIDATION ADJUSTMENTS	TOTAL
Net premiums written	$ 316,252	$ 46,351	$ 45,064	$ 20,659	$ -	$ 428,326
Net premiums earned	307,011	43,093	35,897	19,258	-	405,259
Claims incurred	181,196	27,286	27,078	10,573	-	246,133
Other expenses	119,415	14,749	11,809	6,860	-	152,833
Underwriting profit (loss)	6,400	1,058	(2,990)	1,825	-	6,293
Investment earnings	34,756	4,910	5,722	1,340	-	46,728
Income before the following:	41,156	5,968	2,732	3,165	-	53,021
Income tax expense	-	1,715	929	1,040	-	3,684
Net income	$ 41,156	$ 4,253	$ 1,803	$ 2,125	$ -	$ 49,337
Total assets	$ 719,435	$ 160,596	$ 149,295	$ 43,693	$ (167,746)	$ 905,273
Total liabilities	$ 461,308	$ 71,495	$ 108,157	$ 32,543	$ (28,787)	$ 644,716
Shareholder's equity	$ 258,127	$ 89,101	$ 41,138	$ 11,150	$ (138,959)	$ 260,557

23. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to a related party until 2013 for a telecommunications contract. At December 31, 2011, the remaining commitment is $790,000 (2010 – $790,000).

The Corporation is committed to annual payments under operating leases for equipment and buildings as follows:

[THOUSANDS OF CANADIAN $]		
2012	$	514
2013		440
2014		220
2015		206
2016		186

In common with the insurance industry in general, the Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position or results of operations of the Corporation.

24. COMPARATIVE FINANCIAL INFORMATION

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

CORPORATE GOVERNANCE

The Canadian Securities Administrators and securities regulators across Canada have implemented governance policies for publicly traded companies. National Policy 58-201 and National Instrument 58-101 came into effect on June 30, 2005. While Saskatchewan Government Insurance is not publicly traded and therefore not required to comply with these guidelines, they provide an excellent benchmark to measure good governance practices.

National Policy 58-201 Corporate Governance Guidelines	
Guideline	**Saskatchewan Government Insurance**
Composition of the Board 1. The board should have a majority of independent directors.	Yes. The Board of Directors is constituted of a majority of independent directors.
2. The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director." However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.	Yes. The Chair of the Board is an independent director. He is a partner in a law firm that performs legal services for the corporation, but is subject to protocol restricting him to a limited, indirect relationship.
Meetings of Independent Directors 3. The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	Yes. The Board of Directors has meetings in-camera, during which no management is in attendance, at every Board and committee meeting, as well as on an as-required basis. There are no non-independent directors on the current Board.
Board Mandate 4. The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	Yes. The Board has approved Terms of Reference (mandate), which explicitly acknowledge responsibility for the stewardship of the Corporation.
a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers, and that the CEO and other executive officers, create a culture of integrity throughout the organization.	Yes. The Board has approved the corporate values under which all employees, including the CEO and senior management, are expected to operate.
b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	Yes. The Board of Directors holds an annual strategic planning session. This session provides the basis of the Corporation's strategic plan and initiatives, as well as direction to management in the formation of the Corporation's operating budget and goals. Further, the Board is provided with quarterly updates during the year on the progress of the corporate strategic initiatives.
c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	Yes. The Board of Directors undertakes a process to identify the principal risks of the business, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Board of Directors has established a Risk Committee with responsibility for this function and it reports to the Board on those risks on at least an annual basis.

National Policy 58-201 Corporate Governance Guidelines	
Guideline	**Saskatchewan Government Insurance**
d) succession planning (including appointing, training and monitoring senior management);	Yes. The Board of Directors has charged the Human Resources Committee with responsibility for reviewing the Corporation's succession plan, which includes assessments and development for senior management. The committee reviews the plan on an annual basis and reports its findings to the Board.
e) adopting a communication policy for the issuer;	Yes. The Corporation has a formal communications policy which has been approved by the Board of Directors.
f) the issuer's internal control and management information systems; and	Yes.
g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.	Yes.
The written mandate of the board should also set out:	
i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and	Yes. The Corporation also undertakes research annually on behalf of the Board.
ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 Disclosure Standards.	Yes. Position descriptions for directors were developed and approved.
Position Descriptions 5. The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	Yes. Position descriptions for directors were developed and approved. A position description for the CEO has been developed and approved. The Board has developed and approved corporate goals and objectives.
Orientation and Continuing Education 6. The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	Yes. The Terms of Reference for the Board specify the responsibility for director training, which has been delegated to the Governance committee. New directors receive an orientation which provides an overview of the Corporation, its operations and its industry. Further, directors are educated on the role of the Board, its committees and the expectation of directors. The director position description describes a director's responsibilities.
7. The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	Yes. The Board provides opportunities for all directors to increase their knowledge of issues and subjects facing the Corporation. Further, Crown Investments Corporation provides annual director training opportunities to all Crown corporation directors.

National Policy 58-201 Corporate Governance Guidelines	
Guideline	**Saskatchewan Government Insurance**
Code of Business Conduct and Ethics 8. The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	Yes. The Board has adopted a written Code of Conduct for Directors and a Corporate Code of Ethics and Conduct, which is applicible to directors, officers and employees.
a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;	Yes. Conflicts of interest are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
b) protection and proper use of corporate assets and opportunities;	Yes. The protection and proper use of corporate assets and opportunities are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
c) confidentiality of corporate information;	Yes. The confidentiality of corporate information is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Yes. The fair dealing with customers, suppliers, competitors and employees is addressed in the Corporate Code of Ethics and Conduct.
e) compliance with laws, rules and regulations; and,	Yes. The compliance with laws, rules and regulations is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
f) reporting of any illegal or unethical behaviour.	Yes. The reporting of any illegal or unethical behaviour is addressed in the Corporate Code of Ethics and Conduct, and more specifically in the Whistleblower Policy and under *The Public Interest Disclosure Act*.
9. The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.	Yes. The Human Resources Committee receives an annual report concerning compliance with the code. On an as-required basis, the Human Resources Committee may grant a waiver from the code.
Although issuers must exercise their own judgment in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the board has or has not sanctioned the departure(s), and • any measures the board has taken to address or remedy the departure(s).	Not applicable.
Nomination of Directors 10. The board should appoint a nominating committee composed entirely of independent directors.	Yes. The Board has charged the Governance Committee with the responsibility of the nomination of directors. The committee is comprised entirely of independent directors.

National Policy 58-201 Corporate Governance Guidelines	
Guideline	**Saskatchewan Government Insurance**
11. The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	Yes. The Governance Committee's charter is contained within the Terms of Reference.
12. Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:	
a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	Yes. The Governance Committee undertakes a skills assessment on an annual basis.
b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.	Yes. The Governance Committee undertakes a needs assessment on an annual basis.
The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.	Yes. The Governance Committee reviews and recommends the size of the Board.
In carrying out each of these functions, the board should consider the advice and input of the nominating committee.	Yes. The Governance Committee reports regularly to the Board and when required makes recommendations. It should be noted that director appointments are made by Order-in-Council.
13. The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.	Yes. The Governance Committee has a recruitment and selection process that it undertakes prior to making recommendations for appointments to the Board and Crown Investments Corporation.
14. In making its recommendations, the nominating committee should consider:	
a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;	Yes. The Governance Committee reviews the competencies and skills required for the Board as a whole.
b) the competencies and skills that the board considers each existing director to possess; and,	Yes. The Governance Committee reviews the competencies and skills of each of the directors.
c) the competencies and skills each new nominee will bring to the boardroom.	Yes. The Governance Committee reviews the competencies and skills of nominee directors.
d) The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.	Yes. During the recruitment and selection process, the Governance Committee ensures that potential nominees understand the requirements and have sufficient time and resources to devote to the Board member responsibilities.

National Policy 58-201 Corporate Governance Guidelines	
Guideline	**Saskatchewan Government Insurance**
Compensation 15. The board should appoint a compensation committee composed entirely of independent directors.	Yes. The Board has delegated the responsibilities for compensation to the Human Resources Committee. The committee is comprised entirely of the independent directors.
16. The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	Yes. The Human Resources Committee's charter is contained within the Terms of Reference. The committee has the authority to engage and compensate any outside advisor it may determine is necessary to carry out its duties.
17. The compensation committee should be responsible for:	
a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;	Yes. The Human Resources Committee undertakes a detailed CEO evaluation on an annual basis. As part of that evaluation, the committee reviews corporate goals and objectives, and evaluates the CEO's performance against those goals and objectives. The findings of the evaluation and any compensation changes resulting from the review are recommended to the Board.
b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and,	Yes. The Human Resources Committee reviews and recommends to the Board and Crown Investments Corporation any changes to compensation.
c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	Not applicable. Individuals reporting to the CEO, which includes all executive members, are required by legislation to file and report any changes in their compensation to the Clerk of the Saskatchewan Legislature within a 14-day period of time. Further, by policy of the Crown and Central Agencies committee of the Legislature, the Corporation is required to file an annual payee list which also contains the compensation of all members of the executive.
Regular Board Assessments 18. The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	Yes. The Board conducts, on a rotational basis, peer assessments and reviews of the Board and the Chair.
a) in the case of the board or a board committee, its mandate or charter; and,	Yes. The Board and its committees review their terms of reference on an as-needed basis and at least every three years.
b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.	Yes. The Board has a position description for directors; further, individual director's skills and competencies are reviewed as part of the regular assessments.

National Policy 58-201 Corporate Governance Guidelines

Independence

The matter of "independence from management" is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for the Corporation, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. However, two members of the Board of Directors are partners in law firms that performed legal services for the Corporation in 2011, and are thereby deemed to have a material indirect relationship with the Corporation under the above standard. The Corporation's owner has managed this issue through the development of a protocol regarding lawyers serving on Crown Investments Corporation subsidiary Crown corporation Boards of Directors. Although not in strict compliance with the CSA standards, this protocol adopts the principle that directors must be free from any material relationship that may interfere with the director's ability to exercise independent judgment in the best interests of the Corporation or to influence the choice of law firms. Given the smaller local market in Saskatchewan for legal services, the protocol restricts directors from any direct material relationship, but allows a limited indirect relationship subject to the qualifications of the protocol, such as pre-approval of legal services by an independent Board committee, declarations of conflict, no direct benefit to the director and restriction of information to that director. The Corporation's General Counsel reviews all charges related to the provision of legal services by external counsel. The General Counsel in turn reports to the Governance Committee of the Board on any new matters undertaken by the director's law firm, other than those that are substantially similar to matters previously performed by the law firm in question. The Board Chair, Warren Sproule, Q.C., and Board member Douglas Richardson, Q.C., are lawyers who are subject to this protocol. All other directors, including the Vice Chair of the Board, are independent of management. At each Board and committee meeting, the directors meet in-camera without the presence of management.

BOARD OF DIRECTORS

WARREN SPROULE, QC

Partner, Kanuka Thuringer LLP

Mr. Sproule has served as Chair of the SGI Board of Directors since 2008. He is a lawyer with the firm of Kanuka Thuringer LLP in Regina, where he carries on a corporate-commercial practice with a significant concentration of work in the field of banking, insurance and other financial services law. He began his legal career in 1981, has been a partner in his firm since 1986 and was managing partner from 1994-2008. In 2009 he was appointed Queen's Counsel.

Mr. Sproule holds a Bachelor of Commerce (Finance) and Juris Doctorate from the University of Saskatchewan. He is currently a member of the Canadian IT Law Association, the Canadian Petroleum Law Foundation and the Insolvency Institute of Canada. Mr. Sproule also currently serves as a member of the Board of Directors of Access Communications Co-operative and recently completed his term on the board of the South Saskatchewan Community Foundation.

RICHARD M. (RICK) WATSON

President, Watson Tractor & Equipment Ltd.

Mr. Watson has been a member of the SGI Board of Directors since 2008. He has been a member of the Investment Committee and presently sits on the Audit and Finance, Governance and Human Resources, and the Ad Hoc Strategic Planning Committees. He was appointed Vice Chair of the Board in 2011.

Mr. Watson has been involved in the John Deere Ag and Turf Equipment business since 1965. This family business first opened in Weyburn, followed by Regina in 1978. In 2006 both locations merged into a larger partnership and Mr. Watson passed the "hands on" responsibilities to family and other partner managers. The partnership operates as South Country Equipment Ltd., and with further acquisitions, now has eight locations in southern Saskatchewan. Mr. Watson continues to manage the assets of Watson Tractor & Equipment Ltd., now primarily a holder of commercial real estate, as well as family farmland and other investments.

Mr. Watson also serves on the Board of Security Resource Group Inc. and is a member of the Independent Advisory Committee to the Assiniboia Farmland Corporation. He participates in the CEO Advisory Circle at the University of Regina's Paul J. Hill School of Business, and is a member of both the Regina and Saskatchewan Chambers of Commerce. Mr. Watson is based in Regina.

MERIN D. COUTTS

Independent Management Consultant

Mrs. Coutts joined the SGI Board of Directors in 2004. She has served on the Audit and Finance Committee and the Investment Committee. Since 2007 she has chaired the Governance and Human Resources Committee and was appointed Chair of the Ad Hoc Strategic Planning Committee in 2011.

Mrs. Coutts is a Certified Management Accountant and a Chartered Director. She holds a Bachelor of Commerce (honours) from the University of Saskatchewan. Mrs. Coutts has held senior positions in the broadcast and telecommunications industries in Saskatchewan for the past decade. She was Director of Marketing and Community Relations for CTV, followed by Sales Manager and most recently Regional Manager for Shaw Communications Inc. She is now an Independent Management Consultant specializing in transition, operations and talent management strategies. Mrs. Coutts is based in Saskatoon.

HOWARD CROFTS, FCA

Senior Vice President, Assurance Services, MNP LLP

Mr. Crofts was appointed to the SGI Board of Directors in 2008, has served on the Governance and Human Resources Committee and currently serves as the Chair of the Audit and Finance Committee, a member of the Risk Committee and Ad Hoc Strategic Planning Committee. Mr. Crofts is a Chartered Accountant and holds a Bachelor of Administration from the University of Saskatchewan. He has spent his professional career providing assurance, tax and business advisory services to clients in a variety of industries including insurance, telecommunications, transportation, real estate and construction, aviation, professional services, manufacturing, oil and gas, health care and retail.

Mr. Crofts joined MNP LLP in 2002, and assumed the position of Regional Managing Partner for the firm's South Saskatchewan Region in 2004 before assuming his current role as national Assurance Services leader in 2009. Mr. Crofts has served on numerous community and not-for-profit boards, currently is Chair of the Board of Group Medical Services and is a member of the boards of directors of Latitude AeroMedical Works Inc., Raven Oil Corporation and Regina Inner City Family Foundation. Mr. Crofts is based in Regina.

G. DWIGHT DUNN

President and Co-Owner, Dunn Realty & Insurance

Mr. Dunn was appointed to the SGI Board of Directors in 2008, has served on the Governance and Human Resources Committee and is currently a member of the Investment Committee. He holds a Bachelor of Education from the University of Saskatchewan, and Canadian Accredited Insurance Broker and Canadian Certified Insurance Broker designations.

Mr. Dunn was a school teacher with CUSO for two years in Zambia, taught school in Saskatchewan for a number of years, and owned and operated the family farm prior to becoming president and co-owner of Dunn Realty and Insurance with his wife, Madeline. Mr. Dunn is a past-president of the Insurance Brokers' Association of Saskatchewan, past chairman of the General Insurance Council and was recipient in 2005 of the Jack Byers award for service to the Insurance Brokers' Association of Saskatchewan.

Mr. Dunn has served on numerous community associations and as a director of the Saskatchewan Chamber of Commerce. He is based in Wolseley.

J. RICHARD KENNEDY

Partner, Brian Mallard and Associates

Mr. Kennedy was appointed to the SGI Board of Directors in 2008 and serves on the Investment Committee. He holds a Chartered Life Underwriter, CLU, and Chartered Financial Consultant, CH.F.C., designation from Advocis. He has been a licensed insurance and investment professional for 32 years.

Mr. Kennedy is a board member of the Pentecostal Assemblies of Canada Pension Plan. He is also Past President of the Central Saskatchewan Association of Insurance and Investment Advisors. Mr. Kennedy has also served for many other local not-for-profit entities, such as the United Way, Red Cross and his local church board.

Mr. Kennedy joined Brian Mallard and Associates as an insurance and investment advisor in 2010 after building a large Resource Centre for the preceding 20 years as the Regional Director at Great-West Life. He is based in Saskatoon.

TYRONE KLEWCHUK

President, TIK Enterprises and Quatra Holdings

Mr. Klewchuk was appointed to the SGI Board of Directors in 2008 and serves on the Governance and Human Resources Committee. Mr. Klewchuk is a University of North Dakota graduate with a Bachelor of Science degree and also a graduate from Oklahoma State University with a Master of Science degree in trade and technology.

Mr. Klewchuk has taught high school and middle years technical, math and science. He also has extensive experience in the building trades. Mr. Klewchuk is currently the president of TIK Enterprises, a business that inspects homes, multi-residential and commercial buildings, along with real estate in Quatra Holdings.

Mr. Klewchuk has volunteered his services to the Multiple Sclerosis Association and Yorkton Housing Authority. He has served on many other local boards in varying capacities of president to treasurer and other positions. In addition he is past president of a venture capital corporation. Mr. Klewchuk is based in Yorkton.

RICK ORR, AMP

Mortgage Broker

Mr. Orr was appointed to the SGI Board of Directors in 2008. Currently he serves as a member of the Risk Committee. He is a past member of the Governance and Human Resources Committee. Mr. Orr has completed all five modules of the Chartered Director program.

Mr. Orr has worked for the last 12 years as a mortgage broker in Prince Albert with his wife, Kathy. He is member of the Canadian Association of Accredited Mortgage Professionals (CAAMP) and has worked within the mortgage industry on government regulations and was a founding member of CIMBL (later changed to CAAMP), the only professional mortgage industry association in Canada. He is currently a sitting member of CAAMP's Saskatchewan Brokers Council. Mr. Orr has attained the designation of Accredited Mortgage Professional.

Mr. Orr has been involved in the Prince Albert community for 20 years and has been an active member of local Chamber of Commerce boards, committees and executive. He is past president of Prince Albert Crime Stoppers, Prince Albert Lion's Club and has worked on the Saskatchewan Penitentiary Citizens Advisory Board, Fire Services Committee. Mr. Orr has been an active community volunteer including working for various provincial activities such as visits of the Royal Family, Briars, Tournaments of Hearts, Saskatoon Sports Hall of Fame and many other provincial and local events.

DENIS PERRAULT

President, Paradise Business Consulting and Paradise Properties

Mr. Perrault was appointed to the SGI Board in 2011 and serves on the Audit and Finance Committee. He is a University of Saskatchewan graduate with a Bachelor of Commerce degree, a Chartered Accountant and, in 2011, obtained his Chartered Director designation.

Mr. Perrault is President of his companies, Paradise Business Consulting and Paradise Properties. He has extensive experience in management and corporate financial affairs including audits, budgeting, strategic planning and human resource management. As a Chartered Accountant and business professional he has had the opportunity to work throughout the City of Swift Current, the Province of Saskatchewan and for four years in Bermuda. He has been a part of many organizations through both audit and advisory roles and has gained significant business knowledge. This has included working with not-for-profit organizations, rural municipalities, Aboriginal bands, small businesses, corporate farms and, in Bermuda, publicly traded companies. While in Bermuda, Mr. Perrault worked with many reinsurance/insurance companies as an auditor and for two years as a reinsurance accountant with Aspen Re, a publicly traded reinsurer.

Currently, Mr. Perrault is an elected City of Swift Current Councillor and he serves on many local boards. He is also an Ambassador and active member of the Juvenile Diabetes Research Foundation and the SW Type 1 Sharps.

DOUG RICHARDSON, QC

Senior Partner, McKercher LLP

Mr. Richardson was appointed to the SGI Board of Directors in 2010 and has served on the Investment Committee, and the Governance and Human Resources Committee. He is a senior partner with McKercher law firm in Saskatoon where his practice focuses on small business, corporate governance, land development and commercial and financial issues.

Mr. Richardson earned his law degree from the University of Saskatchewan in 1975. He began his legal career in 1976, has been a partner in his firm since 1979 and was managing partner from 1994 - 2008. In 2009 he was appointed Queen's Counsel. During his career he has been active in professional associations locally and nationally, and has served on many boards including SaskTel, CanadianFund, Historia Board and Trustee as well as the National Chamber of Commerce.

RICHARD H. SMITH

Senior Vice President, Henderson Insurance Inc.

Mr. Smith was appointed to the Board of Directors in 2008. He sits on the Audit and Finance Committee, the Ad Hoc Strategic Planning Committee and chairs the Risk Committee. Mr. Smith holds a Certificate in Risk Management from the University of Toronto and is currently enrolled in the RIMS Fellow Program through the Risk Management Society. He has obtained his Canadian Certified Insurance Broker and Canadian Accredited Insurance Broker designations, and has been a licensed broker for 33 years. Mr. Smith also recently obtained his Chartered Director designation.

Mr. Smith is a Director of Western Agricultural Insurance Corporation and is the Chairman of the Canadian Home Builders Association (Saskatchewan). He is Past President of the Saskatoon & Region Home Builders Association and Past Vice President of the Insurance Brokers' Association of Saskatchewan. Mr. Smith is an Associate Member of the Saskatchewan Risk and Insurance Management Society and an Associate Member of the Risk Management Society, New York.

Mr. Smith joined Henderson Insurance in 1990 and is Senior Vice President and part owner of the business. Prior to joining Henderson Insurance, he worked for a large national insurance company in a variety of roles, including Marketing Representative, Senior Marketing Representative and Marketing Manager. Mr. Smith is based in Moose Jaw.

JEFF A. STERZUK

Vice President, Development & External Relations, Impact Society

Mr. Sterzuk was appointed to the Board of SGI in 2008. He is Chair of the Investment Committee. Mr. Sterzuk has completed the Chartered Director program through the Directors College. He completed the Securities Course and Conducts and Practices program in 2000, and the Certified Financial Planner designation in 1998. Mr. Sterzuk holds a Bachelor of Arts (Public Administration) from the University of Saskatchewan, which he completed in 1989.

Mr. Sterzuk has served on several not-for-profit boards throughout his career, including the Regina and Abbotsford Symphony Orchestras, the Regina and Abbotsford Executive Associations and many church and other charity governance and fundraising committees.

Mr. Sterzuk joined Impact Society in 2007 and is currently Vice President, Development & External Relations. Prior to Impact Society he spent 15 years working in the financial services industry with Investors Group and RBC Dominion Securities where he most recently served as Regional Director for the Calgary-Lethbridge Region for Investors Group until 2007. Mr. Sterzuk is based in Calgary.

COMMITTEE MEMBERS AND MEETING FREQUENCY

Audit & Finance Committee

Met five times in 2011

Howard Crofts, Chair

Denis Perrault

Rick Smith

Rick Watson

Warren Sproule, ex officio

Governance & Human Resources Committee

Met four times in 2011

Merin Coutts, Chair

Tyrone Klewchuk

Doug Richardson

Rick Watson

Warren Sproule, ex officio

Investment Committee

Met four times in 2011

Jeff Sterzuk, Chair

Dwight Dunn

Rick Kennedy

Doug Richardson

Warren Sproule, ex officio

Risk Committee

Met four times in 2011

Rick Smith, Chair

Howard Crofts

Rick Orr

Warren Sproule, ex officio

AUDIT COMMITTEE

TERMS OF REFERENCE

The Audit Committee provides general stewardship and oversight to the Corporation's audit functions and activity, and recommends audit issues to be discussed by the Board, to ensure appropriate internal controls and information systems are in place, and that timely and complete auditing of the Corporation's activities and records is undertaken.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to audit:

1. Review the annual audited financial statements with management and the external auditor prior to their submission to the Board for approval.
2. Review, prior to issue or review by the Board, all continuous disclosure and other documents of the Corporation that include financial statements specifically, without limitation, management discussion and analysis, and annual reports.
3. Review annually the results of the external auditors' audit of the Corporation's financial records, including the management letter, and report to the Board any matter remaining unresolved.
4. Review the work plans and summary reports of the Corporation's internal auditor and report to the Board the nature of any unresolved matter from audit reports.
5. Approve the annual audit work plan of the external auditor. Review the Provincial Auditor's audit involvement letter.
6. Review annually reports of the internal auditor, external auditors and Provincial Auditor with respect to the state of the Corporation's internal control and management information systems, and report to the Board results of the review.
7. Review annually the Corporation's CEO and CFO Certification and assessment of the effectiveness of internal controls and financial reporting.
8. Review quarterly the statement of defalcations.
9. Review and approve the published quarterly reports including unaudited financial statements and management discussion and analysis, and report to the Board.
10. Approve the expense claims of the President and CEO on an annual basis. The committee Chair will approve the specific expense claims of the President and CEO as required, as well as vacation time utilized by the President and CEO.
11. Recommend to the Board the appointment or reappointment of an external auditor.
12. Recommend to the Board the appointed actuary.
13. Review annually external audit fees.
14. Review annually the report of non-audit fees paid to the external auditor.
15. Review quarterly and report to the Board all directors' expenses, retainers and per diems, and refer any concerns or questions to the Chair of the Board for resolution.
16. Review annually the corporate donations report.
17. At least every three years review and recommend to the Board for approval any amendments to the SGI Superannuation Plan based on a three-year actuarial review. Recommend to the Board ad hoc increases as they occur.
18. Review any report from the Provincial Auditor, external auditors or the internal auditor when the Corporation has acted outside of its legislative authority, and make recommendations to the Board as required.
19. Recommend to the Board appointments and terminations of the Chief Financial Officer and Chief Internal Auditor.
20. Review and recommend amendments to the Ex Gratia Payment Policy.
21. Review as required reports to the Whistleblower Hotline involving a financial irregularity.
22. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

FINANCE COMMITTEE

TERMS OF REFERENCE

The Finance Committee provides general stewardship and oversight to the Corporation's financial activity, functions and performance, and recommends financial issues to be discussed by the Board.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to finance:

1. Review and recommend to the Board the Corporation's financial strategy and capital structure and their consistency with the overall strategy of the Corporation.
2. Review and recommend to the Board major investments or divestitures by the Corporation including capital expenditures and major acquisitions or dispositions of significant assets.
3. Review and recommend to the Board management spending authorities.
4. Review and recommend to the Board the dividend policy.
5. Recommend to the Board approval of dividend payments.
6. Review and recommend for approval to the Board the Corporation's annual operating, capital and staffing budget.
7. Review at least every three years and make recommendations to the Board on the corporate donations policy.
8. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

GOVERNANCE COMMITTEE

TERMS OF REFERENCE

The Governance Committee monitors the governance of the Board and committees of the Board, and recommends governance issues to be discussed by the Board and its committees to ensure timely and complete information and decision making at the Board and committee levels.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to governance:

1. Review as required and at least annually the duties and responsibilities of the Board, and recommend to the Board any amendments as deemed necessary or advisable, including identification of committees to whom management should report on specific issues.
2. Review as required and at least every three years the terms of reference of the Board and its committees, and recommend to the Board any amendments as deemed necessary or advisable.
3. Recommend to the Board the size and composition of the Board of Directors, and the expertise of its members to meet the needs of the Corporation.
4. Review, in conjunction with Crown Investments Corporation, the provincial government and the CEO, skills and experience represented on the Board in light of the strategic direction of the Corporation.
5. Review the qualifications of potential candidates for appointment to the Board. During this review, the Committee must include in its attendance the Chair of the Board.
6. Recommend to the Board the size, composition, membership and chairs of board committees.
7. Recommend to the Board a process that supplements Crown Investments Corporation's process for evaluating the performance of the Board and its members, and implement the evaluation process approved by the Board.
8. Implement an orientation program for new Board members and an ongoing education program for existing Board members that supplements the Crown Investments Corporation's program, particularly with respect to industry-specific topics.
9. Monitor the effectiveness and group dynamics of the Board and its committees, and assist in the development and implementation of processes to enhance effectiveness and dynamics as required.
10. Assess the adequacy and form of director compensation and make recommendations to Crown Investments Corporation and the provincial government from time to time.
11. Provide counseling support to individual directors on governance issues.
12. Review and report to the Board on conflict of interest matters involving directors as required.

13. Vet situations, where a director's employer or company is engaged in business with the Corporation, any new matters or transactions, other than matters or transactions substantially similar to the existing matters or transactions.
14. Monitor involvement of directors on boards of directors outside the Corporation, to ensure duty of confidentiality and duty of disclosure is observed.
15. Appoint, in consultation with Crown Investments Corporation, the secretary to the Board.
16. Monitor governance of the Boards of Directors and committees of the Boards for subsidiary companies as required.
17. Review at least every three years the adequacy of the committee's terms of reference.

HUMAN RESOURCES COMMITTEE

TERMS OF REFERENCE

The Human Resources Committee provides general stewardship and oversight to the Corporation's human resources activities, and recommends human resources issues to be discussed by the Board.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to human resources:

1. Review and recommend to the Board the compensation and benefit mandates for management and unionized employees as required, including Collective Bargaining Agreement settlement.
2. At least every three years review and recommend to the Board the compensation philosophy for management.
3. As required, recruit and recommend to the Board appointment or termination of the President and CEO, or establish an ad hoc committee of the Board to recruit and recommend.
4. Annually review and recommend to the Board the compensation package for the President and CEO, and his or her performance objectives.
5. In conjunction with the Chair of the Board, annually conduct and report to the Board the results of a performance appraisal of the President and CEO.
6. With the Risk Committee, and to the extent feasible, ensure the integrity of the CEO and other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the Corporation.
7. Receive regular reports from management on union and other human resource issues.
8. At least every three years or as amended, review and recommend to the Board the Corporation's Code of Ethics and Conduct Policy, Harassment Policy, Information Technology Policy, Whistleblower Policy, Privacy Policy and any other corporate policy that includes the Board of Directors in its scope.
9. Annually receive a compliance report on the Corporation's Code of Ethics and Conduct and Harassment Policy. Quarterly receive a compliance report on the Whistleblower Policy.
10. At least every three years or as amended, review and recommend to the Board the Corporation's health and safety management program. As required, receive reports on identified breaches of related policies or laws.
11. Review the President and CEO's senior management succession plan annually and report to the Board.
12. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

INVESTMENT COMMITTEE

TERMS OF REFERENCE

The Investment Committee provides general stewardship and oversight to the Corporation's investment activity, functions and performance, and recommends investment issues to be discussed by the Board.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to investment:

1. Review and recommend to the Board the Statement of Investment Policies and Goals.
2. Review and recommend to the Board the appointment of investment managers and investment consultants.
3. Review the performance of the corporate investment portfolio.
4. Monitor the performance of the investment manager and investment consultants of the funds.
5. Monitor compliance with the Statement of Investment Policies and Goals, and governing legislation.
6. Review investment portfolio benchmark comparisons.
7. Review, in conjunction with the Risk Committee, and report to the Board on any proposed hedging and derivatives plan for the Corporation.
8. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

RISK COMMITTEE

TERMS OF REFERENCE

The Risk Committee provides general stewardship and oversight of the Corporation's risks and risk management functions and activity, and recommends risk issues to be discussed by the Board, to ensure that timely and complete risk management is undertaken.

The committee shall be charged with the following advisory functions, duties and responsibilities with respect to risk:

1. Review annually and recommend to the Board the Corporate Risk Management Policy.
2. Define risk management accountabilities.
3. Review the Corporate Risk Register annually and report to the Board. As part of this process, (i) review processes established by management to identify, assess and manage risk; and, (ii) review the completeness of the list of corporate risks and actively seek new risks that may materially impact the Corporation.
4. Review the status of key corporate risks at every meeting and report to the Board.
5. Review risk assessments of major corporate strategies and report to the Board.
6. Provide direction to the risk manager on risk-related issues, and support the development and continuous improvement of risk management practices.
7. With the Human Resources Committee, and to the extent feasible, ensure the integrity of the CEO and other senior officers, and that the CEO and other senior officers create a culture of integrity throughout the Corporation.
8. Work with the Audit Committee on shared risk issues.
9. Review and report to the Board on the adequacy of the reinsurance protection of the Corporation.
10. Review the Corporation's business continuity plan.
11. Review, in conjunction with the Investment Committee, any proposed hedging and derivatives plan for the Corporation.
12. Review the Corporation's report of outstanding litigation, excluding claims litigation, and report to the Board as appropriate.
13. At least every three years review the Corporation's environmental issues and compliance with applicable laws. Receive any reports of non-compliance as they may occur.
14. Review and report to the Board on corporate liability protection programs for directors and officers. As required, recommend to the Board changes to the programs.
15. Review at least every three years in conjunction with the committee charged with corporate governance and report to the Board on the adequacy of the committee's terms of reference.

EXECUTIVE MANAGEMENT

ANDREW R. CARTMELL

President and CEO

Mr. Cartmell joined SGI as President and CEO in August 2009. Before joining SGI, he worked for a number of Canadian property and casualty insurance companies in a variety of roles, including underwriting, actuarial, product management and regional/branch operations.

Mr. Cartmell holds a Bachelor of Mathematics (honours) and is a Fellow of the Casualty Actuarial Society (FCAS), Fellow of the Canadian Institute of Actuaries (FCIA), Chartered Insurance Professional (CIP) and LIMRA Leadership Institute Fellow (LLIF). He is a member of the Board of Directors of the Facility Association (previously Chair and Past Chair), and Board Chair for SGI CANADA Insurance Services Ltd., Coachman Insurance Company and the Insurance Company of Prince Edward Island.

EARL G. CAMERON

Vice President, Claims & Salvage

Mr. Cameron began his career with SGI in 1973 as a Clerk in the Underwriting Division, then held various positions as an adjuster in the Claims Division. He became a Senior Marketing Representative in Major Accounts in 1981, returning to Claims in 1984 as a Supervisor, Commercial Claims. He became the Manager of Head Office and Regina Northwest Claims in 1989 and the Assistant Vice President of Urban Claims in 1993. Mr. Cameron was appointed to the position of Vice President of Claims and Salvage in April 1997. From late 2008 to mid-2009, Mr. Cameron also served as Acting President.

Mr. Cameron is a member of the Board of Directors for the Insurance Company of Prince Edward Island, Coachman Insurance Company and SGI CANADA Insurance Services Ltd. Mr. Cameron is a member of the Saskatchewan Adjusters Association, member of the Honourable Order of the Blue Goose, Past President of Regina Crime Stoppers, Past Director of I-CAR Canada and Past Appointed Member of the Regina Crime Prevention Commission.

JOHN DOBIE

Vice President, Canadian Operations

Mr. Dobie began his career at SGI in 1975 in the Finance department, and since then has worked in various divisions. Mr. Dobie was appointed Vice President of Systems in February 1996, Vice President of Finance and Administration in April 1997, Vice President of Finance in March 2001, and to the position of Vice President of Canadian Operations in August 2004.

Mr. Dobie is a Certified Management Accountant (CMA). He is currently on the Board of Directors of Coachman Insurance Company and SGI CANADA Insurance Services Ltd. In the past Mr. Dobie has served on the Board of Directors of Greystone Managed Investments, Palliser Insurance Company, the Insurance Company of Prince Edward Island, Charlie Cooke Insurance Agency Ltd., Atlantic Adjusting & Appraisals Ltd. and the Maritime Finance and Acceptance Corporation.

TAMARA C. ERHARDT

Vice President, Human Resources and Corporate Services

Ms. Erhardt joined SGI in 1995 as the Supervisor, Job Evaluation and Classification. In 1996, she became the Supervisor of Industrial Relations, and then the Manager of Employee Relations in 2000. She was appointed to the position of Assistant Vice President, Human Resources and Corporate Services in 2006. In 2009, she was appointed to her current position of Vice President, Human Resources and Corporate Services.

Ms. Erhardt holds a Bachelor of Commerce, a Masters of Business Administration, is a Certified Human Resources Professional (CHRP) and has a Certificate in Mediation Services and a Certificate in Industrial Relations. She is a member of the Saskatchewan Association of Human Resources Professionals and the Conference Board of Canada's Council for Human Resource Executives, West.

RANDY HEISE

Vice President, Underwriting

Mr. Heise began his career at SGI in 1972 and worked his way through the ranks of the Finance department, becoming an Assistant Vice President in 1985 and the Vice President of Finance and Administration in 1991. Mr. Heise was appointed to his current position in April 1997.

Mr. Heise is a Certified Management Accountant (CMA) and is a member of the Society of Management Accountants. He currently sits on the Board of Directors of Coachman Insurance Company, the Insurance Company of Prince Edward Island and SGI CANADA Insurance Services Ltd.

JEFF STEPAN

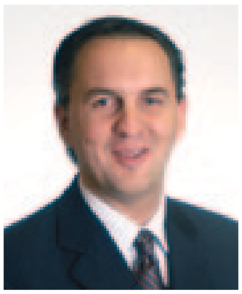
Chief Financial Officer

Mr. Stepan joined SGI in August 2008 as Treasurer, and became the Chief Financial Officer in November 2010. Prior to joining SGI, Mr. Stepan spent 17 years as an institutional investment consultant with Hewitt Associates and its predecessor company James P. Marshall, Inc. where he consulted to clients in the pension, endowment and insurance sectors. In addition to his duties as a Senior Consultant, Mr. Stepan managed the Regina office.

Mr. Stepan is a Chartered Accountant (CA) and Chartered Financial Analyst (CFA). He's currently Chair of the Investment Committee for the Capital Pension Plan and is Treasurer of the Financial Executives International Regina Chapter. Mr. Stepan is a member of the Institute of Chartered Accountants of Saskatchewan, the CFA Institute and the Risk and Insurance Management Society, and is an avid volunteer with the Juvenile Diabetes Research Foundation.

DON THOMPSON

Vice President, Product Management



Mr. Thompson joined the Finance department of SGI in August 1989. Mr. Thompson became a Manager in 1995, Corporate Controller in 1999 and Assistant Vice President in 2001. He was appointed Vice President of Finance in 2004, and moved into his current position in 2011.

Mr. Thompson is a Certified Management Accountant (CMA) and is a member of the Society of Management Accountants. He currently sits on the Board of Directors of Coachman Insurance Company, the Insurance Company of Prince Edward Island and SGI CANADA Insurance Services Ltd.

DWAIN WELLS

Vice President, Systems & Facilities

Mr. Wells joined SGI in April 1992. He became the Manager of Systems in 1994, the Assistant Vice President of Systems in 2001, and was appointed Vice President of Systems in 2004.

Mr. Wells holds a Diploma in Applied Arts in Data Processing. Prior to joining SGI, he worked in systems roles with Esso Chemical Canada in Alberta and Ontario, Digital Equipment Canada in Regina, and was a partner in a systems consulting company in Regina.

SHERRY WOLF

Vice President, Auto Fund

Ms. Wolf began her career at SGI in 1982 in the Human Resources department where she held a number of supervisor positions. From 1988 through 1991 Ms. Wolf performed various manager roles in the Auto Fund. In 1991 she became the Assistant Vice President of Communications, then returned to the Auto Fund as Assistant Vice President, Licensing and Registration in September 1993. In 1999, she moved to Claims as Assistant Vice President, Injury Claims and Rehabilitation. Ms. Wolf was appointed to her position as Vice President of the Auto Fund in 2004.

Ms. Wolf has a Bachelor of Administration and a Masters in Public Administration. She is on the Board of Directors of the Canadian Council of Motor Transport Administrators and is a member of the Regina Planning Commission.

GLOSSARY OF TERMS

Broker	A person who negotiates insurance policies on behalf of the insurance company, receiving a commission from the insurance company for policies placed and other services rendered.
Casualty insurance	One of the three main groups of insurance products (the others are life insurance and property insurance). This type of insurance is primarily concerned with losses caused by injuries to others than the policyholder and the resulting legal liability imposed on the insured.
Catastrophe reinsurance	A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.
Cede, Cedant, Ceding company	An insurance company that transfers some or all of the risks in active policies to another company cedes its business. The company transferring its risks is known as the cedant or ceding company.
Claims incurred	The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in IBNR reserve for the same period of time.
Combined ratio	A measure of total expenses (claims and administration) in relation to net premiums earned as determined in accordance with GAAP. If this ratio is below 100%, there was a profit from underwriting activities, while over 100% represents a loss from underwriting.
Facility Association	Participation in automobile risk-sharing pools whereby P&C insurance companies share resources to provide insurance coverage to high-risk individuals or businesses.
GAAP	Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.
Gross premiums written (GPW)	Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.
IBNR reserve	Abbreviation for "incurred but not reported." A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.
IFRS	International Financial Reporting Standards. These are defined in the handbook as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).
Loss ratio (Claims ratio)	Claims incurred net of reinsurance expressed as a percentage of net premiums earned for a specified period of time.
Minimum Capital Test (MCT)	A solvency ratio used by regulators to assess a company's financial strength. This ratio measures capital requirements in relation to the degree of risk undertaken by a particular company. The minimum amount required by this ratio, as determined by the regulators, is 1.5 or 150% of capital available over capital required.
Net premiums earned (NPE)	The portion of net premiums written that is recognized for accounting purposes as revenue during a period.
Net premiums written (NPW)	Gross premiums written for a given period of time less premiums ceded to reinsurers during such period.
Net risk ratio (NRR)	A ratio of net premiums written to equity. This ratio indicates the ability of a company's financial resources to withstand adverse underwriting results. The regulatory guideline is a ratio of 3.0 or lower.

Premium	The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims.
Premium tax	A tax collected by insurance companies from policyholders and paid to various provincial and territorial governments. It is calculated as a percentage of gross premiums written.
Property insurance	One of the three main groups of insurance products (the others are life insurance and casualty insurance). This type of insurance provides coverage to a policyholder for an insurable interest in tangible property for property loss, damage or loss of use.
Prudent person	A common law standard against which those investing the money of others are judged against.
Redundancy & deficiency	Claims reserves are constantly re-evaluated. An increase in a reserve from the original estimate is a deficiency, while a decrease to the original reserve is called a redundancy.
Reinsurance	In its simplest form, insurance for an insurance company. It is an agreement where the reinsurer agrees to indemnify the ceding company against all or a portion of the insurance or reinsurance risk underwritten by the ceding company under one or more policies.
Reinsurer	A company that purchases the cedant risk in the reinsurance contract.
Underwriting	The process of reviewing applications submitted for insurance coverage, deciding whether to insure all or part of the coverage requested and calculating the related premium for the coverage offered.
Underwriting capacity	The maximum amount that a company can underwrite. It is based on retained earnings and investment capital held by the company. Using reinsurance allows a company to increase its underwriting capacity as it reduces the company's exposure to particular risks.
Underwriting profit/loss	The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and all general and administrative expenses.
Unearned premiums	The difference between net premiums written and net premiums earned. It reflects the net premiums written for that portion of the term of its insurance policies that are deferred to subsequent accounting periods.

IN MEMORIAM

Tim Beach, Partsperson 3 at Regina Salvage, was a dedicated, hard-working and versatile employee who seemed to get along with everybody and provided his co-workers with leadership and guidance.

Tim was a dedicated family man, devoted to his wife and daughters. He was very involved in their sports, dancing and other activities, never missing a practice, game or rehearsal.

Tim passed away on March 19, 2011.

Len Borbely, an Adjuster 2 at the Regina Northwest Claims Centre, was extraordinarily clever, great with people and had a wonderful sense of humour, part of why he excelled at handling difficult claims and calming upset clients.

Len never let his quadriplegia slow him down. His enthusiasm for life and love of his friends was an inspiration to everyone around him. Len's favourite activities were spending time with friends and family and cheering on the Riders.

Len passed away on Dec. 17, 2011.

Marie Toro, Executive Assistant in the Executive Offices, was an upbeat and dedicated employee who will be fondly remembered after working at SGI for 20 years.

Marie was cheerful with an infectious smile. She shared her fun-loving enthusiasm with friends and family alike. Her husband, nephews and nieces were an important part of her life.

Marie passed away on Jan. 20, 2011.

SGI CANADA HEAD OFFICE
2260 - 11th Avenue, Regina, Saskatchewan S4P 0J9
www.sgicanada.ca
Phone: 306-751-1200 or 1-800-667-8015