

Letter of Transmittal

Regina, Saskatchewan
March, 2009

To His Honour,
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

Your Honour:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 2008, including the financial statements in the form required by the Treasury Board and in accordance with *The Saskatchewan Government Insurance Act*.

I have the Honour to be, Sir,

Your Obedient Servant,

A handwritten signature in black ink, appearing to read "Ken Cheveldayoff". The signature is written in a cursive, flowing style.

Honourable Ken Cheveldayoff
Minister of Crown Corporations

Minister's Letter

It continues to be an exciting, rewarding time for CIC and its 12 subsidiary Crown corporations. Three Crowns were recognized for excellence in diversity by Maclean's magazine. In addition, six Crowns were among Saskatchewan's Top 15 Employers for 2009, as selected by the editors of Canada's Top 100 Employers. I take pride in the fact that our Crowns' workforces reflect our communities and are recognized as exceptional places to work.

SGI CANADA enjoyed its third most profitable year ever in 2008 as it continues to support the growth of Saskatchewan's economy. I am proud of the fact that SGI CANADA earned exceptional customer service ratings from its independent brokers.

My priority for the future remains the same: to ensure that Saskatchewan's Crown corporations remain publicly owned and provide high quality services at a low cost. This is a promise our Government made to the people of Saskatchewan, and it is a promise we will keep. A current theme in the Crown sector that I expect to continue is growth. By that I mean the changes required within the Crowns to sustain and support Saskatchewan's economic momentum. These changes range from investing in new infrastructure to expanding various services in line with the demand from both our residential and business communities.

Our new Saskatchewan First investment policy for the Crowns also reflects this theme. The policy recognizes that our growing economy presents increasing opportunity for investing in our own province. We will continue to move in that direction.

In 2009, SGI CANADA will focus on growing its business in a controlled and profitable manner in the provinces where it currently operates.

As you will see in this report, our Crown sector is financially healthy and ready to meet the challenges and opportunities of the coming years.

I am pleased to present SGI CANADA's 2008 Annual Report.



Honourable Ken Cheveldayoff
Minister of Crown Corporations



Chair's Letter

Thanks to our staff and broker partners, SGI CANADA once again experienced a successful year in 2008. By posting the third largest profit in our history, we have put the Corporation in a solid position for what will likely be a challenging year in 2009.

I thank our dedicated team of employees and top-notch network of independent brokers. They enable SGI CANADA to maintain its reputation for providing excellent customer service and superior products at competitive prices. I also acknowledge our management team for their commitment to SGI CANADA and for pulling together to deal with the unexpected departure during the year of our President and CEO.

The Board of Directors recognizes and thanks Jon Schubert for his numerous contributions to the success of the Corporation. SGI CANADA appreciates his hard work and many years of leadership, and we all wish him well in his new role. Special recognition should also be extended to Earl Cameron for demonstrating his commitment to SGI CANADA by serving in the role of Acting President and CEO.



Warren Sproule
Chair, SGI CANADA Board of Directors



President's Message

Financial position

For SGI CANADA, 2008 was a challenging and profitable year. The Corporation produced a solid profit of \$40.4 million in 2008, positioning SGI CANADA well leading into 2009.

In early 2009, SGI CANADA revised its Vision to more accurately reflect its business strategy. This change allows SGI CANADA to focus on profitable growth in our existing markets in Saskatchewan, Alberta, Manitoba, Ontario and the Maritimes.

SGI CANADA's out-of-province investments continue to support its in-province operations as they improve the Corporation's geographic spread of risk.

SGI CANADA is committed to distributing its products exclusively through the independent broker network. This distribution model continues to bring the Corporation success, and we greatly appreciate the support of our brokers in all jurisdictions in which we operate.

SGI CANADA's out-of-province operations were profitable in 2008, and the Corporation has seen solid growth through its diversification strategy. We will continue seeking profitable growth in our out-of-province operations in the future.

Operations

In order to remain successful, SGI CANADA spreads its risk over different geographic regions. This helps the Corporation's financial results remain balanced. If one region has a profitable year, this could offset another region that experienced severe weather, resulting in a large number of claims.

Premium growth in 2008 out-of-province was 25% resulting in over \$73 million in premium from outside Saskatchewan, which represents about 20% of SGI CANADA's overall premium for the year.

Looking at business in Saskatchewan, premiums written exceeded expectations due in part to improved economic conditions across the province. In addition, the summer storm season was an average one, which contributed positively to our underwriting profit.

SGI CANADA strives to provide superior customer service and, as such, we are committed to getting cash into our customers' hands quickly in storm situations.

Growth in the Alberta market continues to exceed expectations. Brokers in the province indicate they are pleased with the quality of service they receive from SGI CANADA. An outstanding appeal removing a cap on soft-tissue injury claims in Alberta has caused some uncertainty in that market. SGI CANADA placed additional funds in reserve for future claims, which contributed to the loss in Alberta operations in 2008.

Manitoba experienced growth in premiums and policy counts in 2008. Brokers continue to praise SGI CANADA's service, particularly Manitoba's claims department. Despite a higher than average frequency of fire losses, a small profit was recorded in 2008.

Ontario had a very profitable year despite soft market conditions, which had competitors reducing prices to gain market share. Coachman maintained its underwriting and pricing discipline, which allowed for a financially successful year.



The Insurance Company of Prince Edward Island (ICPEI) also had a profitable year, and experienced continued growth in New Brunswick and Nova Scotia. Court challenges are outstanding on the soft-tissue injury caps in the Maritimes as well, and reserves have been put in place to offset the potential impact of claims. Despite this, ICPEI realized a profit in 2008.

Broker partnerships

SGI CANADA's success is largely due to the hard work of its dedicated network of independent brokers. SGI CANADA values its relationship with its broker force. We are committed to providing them with superior service, and we continue receiving positive feedback from brokers in all regions.

SGI CANADA regularly holds broker council meetings in each jurisdiction it operates in. These councils allow us to receive feedback directly from our brokers. We have implemented many changes as a direct result of this input. Our brokers tell us that we remain very responsive as a company to their suggestions.

In July, SGI CANADA introduced a new Energy Pak product to meet the needs of Western Canada's oil and gas sector.

We want to make it easier to do business with us, so we made improvements to internal underwriting processes and created numerous billing enhancements. We also made enhancements to our seven broker websites.

Employees

SGI CANADA's success and growth in 2008 is also attributable to the continued efforts of its employees. The Corporation is committed to maintaining a work environment with engaged employees.

For the third consecutive year, the Corporation was listed as one of Saskatchewan's Top Employers and for the second consecutive year it was selected as one of Canada's Top 100 Employers. Making these lists is a reflection of our dedicated, talented and customer-focused staff.

We were also recognized as one of Canada's Best Diversity Employers and are the only Saskatchewan company to make the 2008 list.

Jon Schubert

SGI CANADA thanks past President and CEO Jon Schubert for his contributions to the Corporation. In October 2008, Jon accepted a position as President and CEO of the Insurance Corporation of British Columbia.

Jon began his career with SGI in 1976. He served as President and CEO from 2004 to 2008. Under his leadership, SGI CANADA produced strong financial results, diversified risk through growing the business, established clear visions and values, and enhanced focus on customer service. Jon was instrumental in establishing the President's Youth Advisory Council and the President's Employee Engagement Team.

As we move into 2009, there are many opportunities ahead for SGI CANADA. With these opportunities come challenges, and with the Corporation's strong strategies, goals and dedicated team of employees and brokers, I am confident that SGI CANADA will continue succeeding in 2009.



Earl G. Cameron
Acting President and CEO