

**SGI CANADA  
QUARTERLY REPORT  
SEPTEMBER 2006**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Management's Discussion and Analysis (MD&A) provides a review of the results of the operations of SGI CANADA and its subsidiaries, SGI CANADA Insurance Services Ltd., the Insurance Company of Prince Edward Island (ICPEI) and Coachman Insurance Company (Coachman), collectively referred to as SGI CANADA or the Corporation. This discussion and analysis should be read in conjunction with the SGI CANADA unaudited consolidated financial statements and supporting notes as at and for the nine month period ended September 30, 2006 and the SGI CANADA MD&A and annual audited consolidated financial statements and supporting notes as at and for the year ended December 31, 2005. All dollar amounts are in Canadian dollars. This MD&A reflects all information known to Management up to November 9, 2006.*

### Quarterly Consolidated Financial Highlights

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

#### Quarterly Financial Highlights

(\$ in 000's)

	2006			2005				2004	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net premiums earned	\$ 73,310	\$ 71,391	\$ 70,233	\$ 72,212	\$ 70,740	\$ 69,592	\$ 68,605	\$ 69,788	\$ 68,242
Claims incurred	49,825	36,128	31,905	33,138	46,679	50,161	32,485	47,279	42,566
Net income	4,773	12,940	19,682	10,035	4,989	448	19,728	6,117	7,192
Cash flow from (used in) operations	21,279	14,462	(10,265)	17,381	12,805	22,178	1,767	18,555	23,896
Investments	430,368	399,055	404,383	400,071	396,223	363,614	351,523	346,267	327,257
Provision for unpaid claims	258,179	245,485	246,980	254,805	257,122	250,036	234,501	232,560	222,086

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2006:

- Premium earnings are increasing on a quarter-over-quarter basis during the year, consistent with the trend experienced in prior years.
- The second and third quarter results can be impacted by summer storm activity, given SGI CANADA's strong market presence in Saskatchewan. The summer storm season in 2006 was experienced entirely in the third quarter and resulted in higher summer storms in the quarter compared to 2005. However, year-to-date summer storm activity was lower in 2006 as compared to the same time period in 2005. In addition, a stabilizing auto product in Ontario has assisted claims results throughout the current year.

# SGI CANADA

For the three months ended September 30, 2006

## Consolidated Statement of Operations

SGI CANADA recorded a consolidated net income of \$4,773,000 for the third quarter of 2006, which is consistent with the \$4,989,000 net income recorded in the third quarter of 2005. Solid out-of-province profits were recorded in the third quarter, which at \$1,428,000 represented 30 per cent of the quarterly profit.

Net premiums earned of \$73,310,000 represent a 3.6 per cent (\$2,570,000) increase over the 2005 third quarter net premiums earned of \$70,740,000, primarily due to growth in Saskatchewan premiums of \$2,363,000.

Claims incurred were \$49,825,000 for the quarter, \$3,146,000 or 6.7 per cent higher than the third quarter of 2005. The increase was a result of claim costs from Saskatchewan operations being \$3,469,000 higher in the third quarter of 2006 than in 2005, due to summer storm activity that was \$3,516,000 higher in the third quarter of 2006 than 2005. This resulted in a loss ratio of 68.0 per cent in the third quarter of 2006 compared to 66.0 per cent in 2005. Out-of-province claims for the quarter were \$6,993,000, slightly less than the \$7,316,000 recorded for the same period of 2005. The overall loss ratio on out-of-province operations was 62.0 per cent (2005 – 66.1 per cent).

Other expenses (excluding claims incurred) totalled \$27,983,000 in the third quarter, an increase of \$1,855,000 (7.1 per cent) over 2005. The majority of this increase was a result of higher commissions and premium taxes, primarily a result of growth in the premium base from Saskatchewan operations. Administrative expenses were \$315,000 higher in 2006 the majority of which was a result of out-of-province operations, including Alberta operations commencing late in the second quarter.

Investment earnings of \$8,965,000 in the quarter reflect an increase of \$1,834,000 over the third quarter investment earnings of \$7,131,000 in 2005. The increase in investment earnings is primarily a result of \$4,141,000 of realized gains on the sale of equity investments in the third quarter of 2006 (2005 – \$1,908,000).

**For the nine months ended September 30, 2006****Consolidated Statement of Operations**

To the end of September, SGI CANADA has returned a consolidated net income of \$37,395,000, a \$12,230,000 (48.6 per cent) improvement from the 2005 net income of \$25,165,000 for the same period. The improvement is primarily a result of lower claim costs from Saskatchewan and Ontario operations. Saskatchewan operations posted a net income of \$30,911,000 to the end of September, \$10,841,000 higher than the prior year, while out-of-province operations generated \$6,484,000 of profits for the period compared to \$5,095,000 last year. Profits from out-of-province operations accounted for 17.3 per cent of consolidated income for 2006.

Year-to-date net premiums earned of \$214,934,000 increased \$5,997,000 (2.9 per cent) over 2005 net premiums earned of \$208,937,000. Net premiums earned from Saskatchewan operations in 2006 (\$182,582,000) were \$7,526,000 higher than 2005. Out-of-province operations earned premiums of \$32,352,000 in 2006, \$1,529,000 lower than the prior year.

Claim costs totalled \$117,858,000 for the first nine months of 2006, \$11,467,000 lower than the claim costs of \$129,325,000 for the same period in 2005, and is reflected in the 2006 consolidated loss ratio of 54.8 per cent (2005 – 61.9 per cent). Saskatchewan, Ontario and Manitoba operations saw decreases to their claim costs of \$7,945,000, \$3,551,000, and \$677,000 respectively. The decrease in claim costs for Saskatchewan and Manitoba operations is attributable to the summer storm costs that were \$13,984,000 (Saskatchewan) and \$1,529,000 (Manitoba) lower in 2006 than 2005. The decrease in claim costs for Ontario operations is largely a result of declining auto costs.

Other expenses, excluding claims incurred, are \$80,210,000 to the end of September 2006, \$4,916,000 higher than expenses for the same period in 2005. The increase is primarily due to higher administrative expenses and commissions expense in 2006. Administrative expenses of \$25,307,000 in 2006 were \$2,179,000 higher than 2005, mainly due to higher salary and benefit costs in 2006. Commissions expense for the first nine months of 2006 were \$1,875,000 higher than the same period in 2005, a direct result of growth in premium.

Investment earnings of \$21,640,000 in 2006 (2005 – \$22,201,000) were \$561,000 lower than the prior year due to realized gains on the sale of investments in 2006 that were \$3,239,000 lower than 2005. This was partially offset by interest and dividend income in 2006 that was \$2,525,000 higher than the previous year. The annualized consolidated return on the investment portfolio for the nine months ending September 30, 2006 is 5.9 per cent compared to 7.0 per cent in 2005.

# SGI CANADA

## **Consolidated Statement of Cash Flows**

The first nine months of 2006 generated cash from operations of \$25,476,000, a decrease of \$11,274,000 from 2005 (\$36,750,000). The decrease is primarily attributable to higher claim payouts in 2006 compared to 2005, due to the significant summer storms in 2005 still being paid out in 2006. Partially offsetting this was an inflow of cash resulting from higher premiums to the end of September 2006 compared to the same period in 2005.

## **Consolidated Statement of Financial Position**

Total assets of \$626,721,000 at September 30, 2006 represents a \$28,553,000 increase from the end of 2005 (\$598,168,000). This is consistent with the strong year-to-date income achieved and results in investments that are \$30,297,000 higher at the end of the third quarter than at the beginning of 2006.

## **Outlook**

In late June 2006, SGI CANADA began underwriting business in Alberta, continuing its strategy of spreading its geographic policy base to protect the company from its concentration of risk in the Saskatchewan market. With the entrance into the Alberta market, the company is now operating in seven provinces in Canada.

At the end of September, SGI CANADA is in a strong financial position as a result of solid year-to-date profits, with significant contributions from out-of-province operations. SGI CANADA is on pace to achieve similar results as experienced in the past two years, which were the two most profitable years in the history of the company.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at September 30, 2006 and December 31, 2005

	<b>Sept. 30 2006 (unaudited)</b>	<b>Dec. 31 2005 (audited)</b>
	(thousands of \$)	
<b>Assets</b>		
Cash and cash equivalents	\$ 16,660	\$ 33,949
Accounts receivable	86,886	75,129
Deferred policy acquisition costs	39,164	36,763
Future income taxes	2,809	2,809
Reinsurers' share of unearned premiums	10,658	7,483
Investments (note 2)	430,368	400,071
Net investment in capital leases	2,104	2,372
Goodwill	481	481
Unpaid claims recoverable from reinsurers	26,474	27,415
Property, plant and equipment	<u>11,117</u>	<u>11,696</u>
	<b><u>\$ 626,721</u></b>	<b><u>\$ 598,168</u></b>
<b>Liabilities</b>		
Accounts payable and accrued charges	\$ 13,292	\$ 17,873
Dividend payable	5,496	7,269
Premium taxes payable	10,102	12,784
Amounts due to reinsurers	7,096	6,585
Unearned reinsurance commissions	1,597	1,531
Unearned premiums	165,108	152,334
Provision for unpaid claims	<u>258,179</u>	<u>254,805</u>
	<b><u>460,870</u></b>	<b><u>453,181</u></b>
<b>Non-controlling interest</b>	<b><u>1,580</u></b>	<b><u>1,623</u></b>
<b>Province of Saskatchewan's equity</b>		
Equity advances	80,000	80,000
Retained earnings	<u>84,271</u>	<u>63,364</u>
	<b><u>164,271</u></b>	<b><u>143,364</u></b>
	<b><u>\$ 626,721</u></b>	<b><u>\$ 598,168</u></b>

(see accompanying notes)

# SGI CANADA

## CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the periods ended September 30, 2006 and 2005  
(unaudited)

	three months to Sept. 30		nine months to Sept. 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(thousands of \$)		(thousands of \$)	
Gross premiums written	\$ 82,786	\$ 80,353	\$ 246,989	\$ 229,923
Net premiums written	<u>\$ 74,398</u>	<u>\$ 72,992</u>	<u>\$ 224,699</u>	<u>\$ 211,617</u>
<b>Net premiums earned</b>	<b><u>\$ 73,310</u></b>	<b><u>\$ 70,740</u></b>	<b><u>\$ 214,934</u></b>	<b><u>\$ 208,937</u></b>
Claims incurred	49,825	46,679	117,858	129,325
Commissions	15,716	14,617	44,599	42,724
Administrative expenses	8,573	8,258	25,307	23,128
Premium taxes	3,541	3,430	10,490	10,110
Facility Association participation (note 3)	<u>153</u>	<u>(177)</u>	<u>(186)</u>	<u>(668)</u>
<b>Total claims and expenses</b>	<b><u>77,808</u></b>	<b><u>72,807</u></b>	<b><u>198,068</u></b>	<b><u>204,619</u></b>
<b>Underwriting profit (loss)</b>	<b>(4,498)</b>	<b>(2,067)</b>	<b>16,866</b>	<b>4,318</b>
Investment earnings	<u>8,965</u>	<u>7,131</u>	<u>21,640</u>	<u>22,201</u>
<b>Income before income taxes and non-controlling interest</b>	<b>4,467</b>	<b>5,064</b>	<b>38,506</b>	<b>26,519</b>
Income taxes (recovery)	<u>(236)</u>	<u>(64)</u>	<u>843</u>	<u>928</u>
<b>Income after income taxes and before non-controlling interest</b>	<b>4,703</b>	<b>5,128</b>	<b>37,663</b>	<b>25,591</b>
Non-controlling interest	<u>(70)</u>	<u>139</u>	<u>268</u>	<u>426</u>
<b>Net income</b>	<b>4,773</b>	<b>4,989</b>	<b>37,395</b>	<b>25,165</b>
Retained earnings, beginning of period	84,994	60,813	63,364	51,044
Dividend	<u>(5,496)</u>	<u>(5,204)</u>	<u>(16,488)</u>	<u>(15,611)</u>
<b>Retained earnings, end of period</b>	<b><u>\$ 84,271</u></b>	<b><u>\$ 60,598</u></b>	<b><u>\$ 84,271</u></b>	<b><u>\$ 60,598</u></b>

(see accompanying notes)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the periods ended September 30, 2006 and 2005  
(unaudited)

	three months to Sept. 30		nine months to Sept. 30	
	2006	2005	2006	2005
	(thousands of \$)		(thousands of \$)	
<b>Cash provided by (used for):</b>				
<b>Operating activities</b>				
Net income	\$ 4,773	\$ 4,989	\$ 37,395	\$ 25,165
Non-cash items:				
Amortization	553	646	1,901	2,005
Realized gain on disposal of investments	(3,911)	(2,951)	(6,954)	(10,195)
Investment write downs	-	-	-	349
Income attributable to non-controlling interest	(70)	139	268	426
Income from investments accounted for on the equity basis	(25)	(30)	(204)	(121)
Change in non-cash operating items (note 4)	19,959	10,012	(6,930)	19,121
	<b>21,279</b>	<b>12,805</b>	<b>25,476</b>	<b>36,750</b>
<b>Investing activities</b>				
Purchases of investments	(152,803)	(252,746)	(462,749)	(650,978)
Proceeds on sale of investments	125,097	222,636	438,396	609,669
Repayment of capital lease	92	345	268	505
Purchases of property, plant and equipment	(3)	(1,109)	(108)	(2,895)
	<b>(27,617)</b>	<b>(30,874)</b>	<b>(24,193)</b>	<b>(43,699)</b>
<b>Financing activities</b>				
Equity advances	-	25,000	-	25,000
Dividends paid	(5,496)	(5,203)	(18,572)	(16,588)
Increase (decrease) in cash and cash equivalents	(11,834)	1,728	(17,289)	1,463
Cash and cash equivalents, beginning of period	28,494	23,870	33,949	24,135
<b>Cash and cash equivalents, end of period</b>	<b>\$ 16,660</b>	<b>\$ 25,598</b>	<b>\$ 16,660</b>	<b>\$ 25,598</b>

(see accompanying notes)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2006

### 1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated financial statements do not include all of the disclosures included in the Corporation's annual audited consolidated financial statements. The accounting policies used in the preparation of these interim financial statements are in accordance with Canadian generally accepted accounting principles and are consistent with those described in the Corporation's 2005 annual audited consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's 2005 Annual Report.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 process is related to the actuarial determination of the provision for unpaid claims.

### 2. INVESTMENTS

The components of the Corporation's investments are as follows:

	(thousands of \$)			
	September 30, 2006		December 31, 2005	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Short-term investments	\$ 23,404	\$ 23,404	\$ 20,676	\$ 20,676
Bonds and debentures	317,922	321,198	313,899	315,266
Pooled equity funds	29,591	32,866	10,451	11,808
Canadian common shares	25,632	38,894	23,979	40,256
U.S. common shares	11,663	13,240	11,423	14,108
Preferred Shares	735	735	-	-
Mortgages	17,314	17,878	15,629	16,212
	426,261	448,215	396,057	418,326
Investments accounted for on the equity basis	4,107	4,107	4,014	4,014
Total investments	<u>\$ 430,368</u>	<u>\$ 452,322</u>	<u>\$ 400,071</u>	<u>\$ 422,340</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 3. FACILITY ASSOCIATION PARTICIPATION

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

	(thousands of \$)			
	three months to Sept. 30		nine months to Sept. 30	
	2006	2005	2006	2005
Net premiums written	<u>\$ (656)</u>	<u>\$ 367</u>	<u>\$ 131</u>	<u>\$ 1,074</u>
Net premiums earned	<u>\$ (505)</u>	<u>\$ 446</u>	<u>\$ 295</u>	<u>\$ 1,159</u>
Claims incurred	(309)	193	30	272
Commissions	(12)	55	47	127
Premium taxes	(16)	15	10	40
Administrative expenses	<u>(19)</u>	<u>47</u>	<u>98</u>	<u>146</u>
Total claims and expenses	<u>(356)</u>	<u>310</u>	<u>185</u>	<u>585</u>
Underwriting profit (loss)	(149)	136	110	574
Investment earnings	<u>(4)</u>	<u>41</u>	<u>76</u>	<u>94</u>
Net profit (loss)	<u>\$ (153)</u>	<u>\$ 177</u>	<u>\$ 186</u>	<u>\$ 668</u>

### 4. CHANGE IN NON-CASH OPERATING ITEMS

	(thousands of \$)			
	three months to Sept. 30		nine months to Sept. 30	
	2006	2005	2006	2005
Accounts receivable	\$ 484	\$ (4,486)	\$ (10,707)	\$ (3,050)
Deferred policy acquisition costs	(520)	(739)	(2,401)	(1,096)
Reinsurers' share of unearned premiums	(483)	1,180	(3,175)	(1,527)
Unpaid claims recoverable from reinsurers	11,094	(565)	11,759	(92)
Accounts payable and accrued charges	3,823	1,506	(4,581)	(2,085)
Premium taxes payable	3,374	3,263	(2,682)	(2,982)
Amounts due to reinsurers	(1,006)	151	(538)	1,354
Unearned reinsurance commissions	(101)	(122)	66	(86)
Unearned premiums	1,419	2,738	12,774	4,123
Provision for unpaid claims	<u>1,875</u>	<u>7,086</u>	<u>(7,445)</u>	<u>24,562</u>
	<u>\$ 19,959</u>	<u>\$ 10,012</u>	<u>\$ (6,930)</u>	<u>\$ 19,121</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 5. SEGMENTED INFORMATION

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

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

three months to Sept. 30	(thousands of \$)					
<u>2006</u>	Sask.	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	\$ 64,420	\$ 4,651	\$ 2,932	\$ 2,395	\$ –	\$ 74,398
Net premiums earned	\$ 62,029	\$ 3,121	\$ 6,044	\$ 2,116	\$ –	\$ 73,310
Claims incurred	42,832	2,146	3,254	1,593	–	49,825
Other expenses	23,347	1,351	2,144	1,141	–	27,983
Underwriting profit (loss)	(4,150)	(376)	646	(618)	–	(4,498)
Investment earnings	7,495	462	845	163	–	8,965
Income before the following:	3,345	86	1,491	(455)	–	4,467
Income tax recovery	–	(62)	–	(174)	–	(236)
Non-controlling interest	–	–	–	–	(70)	(70)
Net income (loss)	\$ 3,345	\$ 148	\$ 1,491	\$ (281)	\$ 70	\$ 4,773
Total assets	\$432,547	\$ 70,487	\$119,390	\$ 28,612	\$ (24,315)	\$626,721
Shareholder's equity	\$104,527	\$ 31,224	\$ 22,359	\$ 7,741	\$ (1,580)	\$164,271

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

<b>three months to Sept. 30</b>	(thousands of \$)					
<b>2005</b>	Sask.	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	<u>\$ 62,250</u>	<u>\$ 3,683</u>	<u>\$ 4,803</u>	<u>\$ 2,256</u>	<u>\$ –</u>	<u>\$ 72,992</u>
Net premiums earned	\$ 59,666	\$ 2,872	\$ 6,105	\$ 2,097	\$ –	\$ 70,740
Claims incurred	39,363	3,131	3,702	483	–	46,679
Other expenses	<u>22,335</u>	<u>1,132</u>	<u>1,759</u>	<u>902</u>	<u>–</u>	<u>26,128</u>
Underwriting profit (loss)	(2,032)	(1,391)	644	712	–	(2,067)
Investment earnings	<u>5,689</u>	<u>326</u>	<u>929</u>	<u>187</u>	<u>–</u>	<u>7,131</u>
Income before the following:	3,657	(1,065)	1,573	899	–	5,064
Income taxes (recovery)	–	(407)	–	343	–	(64)
Non-controlling interest	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>139</u>	<u>139</u>
Net income (loss)	<u>\$ 3,657</u>	<u>\$ (658)</u>	<u>\$ 1,573</u>	<u>\$ 556</u>	<u>\$ (139)</u>	<u>\$ 4,989</u>
Total assets	<u>\$406,691</u>	<u>\$ 68,201</u>	<u>\$107,153</u>	<u>\$ 27,503</u>	<u>\$ (21,743)</u>	<u>\$587,805</u>
Shareholder's equity	<u>\$ 85,873</u>	<u>\$ 33,008</u>	<u>\$ 16,059</u>	<u>\$ 7,070</u>	<u>\$ (1,412)</u>	<u>\$140,598</u>
<b>nine months to Sept. 30</b>	(thousands of \$)					
<b>2006</b>	Sask.	Manitoba & Alberta	Ontario	Maritimes	Consolidation Adjustments	Total
Net premiums written	<u>\$186,027</u>	<u>\$ 9,493</u>	<u>\$ 22,736</u>	<u>\$ 6,443</u>	<u>\$ –</u>	<u>\$224,699</u>
Net premiums earned	\$182,582	\$ 8,868	\$ 17,294	\$ 6,190	\$ –	\$214,934
Claims incurred	100,338	5,781	9,025	2,714	–	117,858
Other expenses	<u>68,396</u>	<u>3,622</u>	<u>5,972</u>	<u>2,220</u>	<u>–</u>	<u>80,210</u>
Underwriting profit (loss)	13,848	(535)	2,297	1,256	–	16,866
Investment earnings	<u>17,063</u>	<u>1,247</u>	<u>2,749</u>	<u>581</u>	<u>–</u>	<u>21,640</u>
Income before the following:	30,911	712	5,046	1,837	–	38,506
Income taxes	–	147	–	696	–	843
Non-controlling interest	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>268</u>	<u>268</u>
Net income	<u>\$ 30,911</u>	<u>\$ 565</u>	<u>\$ 5,046</u>	<u>\$ 1,141</u>	<u>\$ (268)</u>	<u>\$ 37,395</u>
Total assets	<u>\$432,547</u>	<u>\$ 70,487</u>	<u>\$119,390</u>	<u>\$ 28,612</u>	<u>\$ (24,315)</u>	<u>\$626,721</u>
Shareholder's equity	<u>\$104,527</u>	<u>\$ 31,224</u>	<u>\$ 22,359</u>	<u>\$ 7,741</u>	<u>\$ (1,580)</u>	<u>\$164,271</u>

# SGI CANADA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

nine months to Sept. 30	(thousands of \$)					
<u>2005</u>	<u>Sask.</u>	<u>Manitoba &amp; Alberta</u>	<u>Ontario</u>	<u>Maritimes</u>	<u>Consolidation Adjustments</u>	<u>Total</u>
Net premiums written	<u>\$178,737</u>	<u>\$ 8,389</u>	<u>\$ 18,205</u>	<u>\$ 6,286</u>	<u>\$ —</u>	<u>\$211,617</u>
Net premiums earned	\$175,056	\$ 8,341	\$ 19,274	\$ 6,266	\$ —	\$208,937
Claims incurred	108,283	6,405	12,576	2,061	—	129,325
Other expenses	<u>64,612</u>	<u>3,304</u>	<u>5,561</u>	<u>1,817</u>	<u>—</u>	<u>75,294</u>
Underwriting profit (loss)	2,161	(1,368)	1,137	2,388	—	4,318
Investment earnings	<u>17,909</u>	<u>873</u>	<u>2,772</u>	<u>647</u>	<u>—</u>	<u>22,201</u>
Income before the following:	20,070	(495)	3,909	3,035	—	26,519
Income taxes (recovery)	—	(229)	—	1,157	—	928
Non-controlling interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>426</u>	<u>426</u>
Net income (loss)	<u>\$ 20,070</u>	<u>\$ (266)</u>	<u>\$ 3,909</u>	<u>\$ 1,878</u>	<u>\$ (426)</u>	<u>\$ 25,165</u>
Total assets	<u>\$406,691</u>	<u>\$ 68,201</u>	<u>\$107,153</u>	<u>\$ 27,503</u>	<u>\$ (21,743)</u>	<u>\$587,805</u>
Shareholder's equity	<u>\$ 85,873</u>	<u>\$ 33,008</u>	<u>\$ 16,059</u>	<u>\$ 7,070</u>	<u>\$ (1,412)</u>	<u>\$140,598</u>