

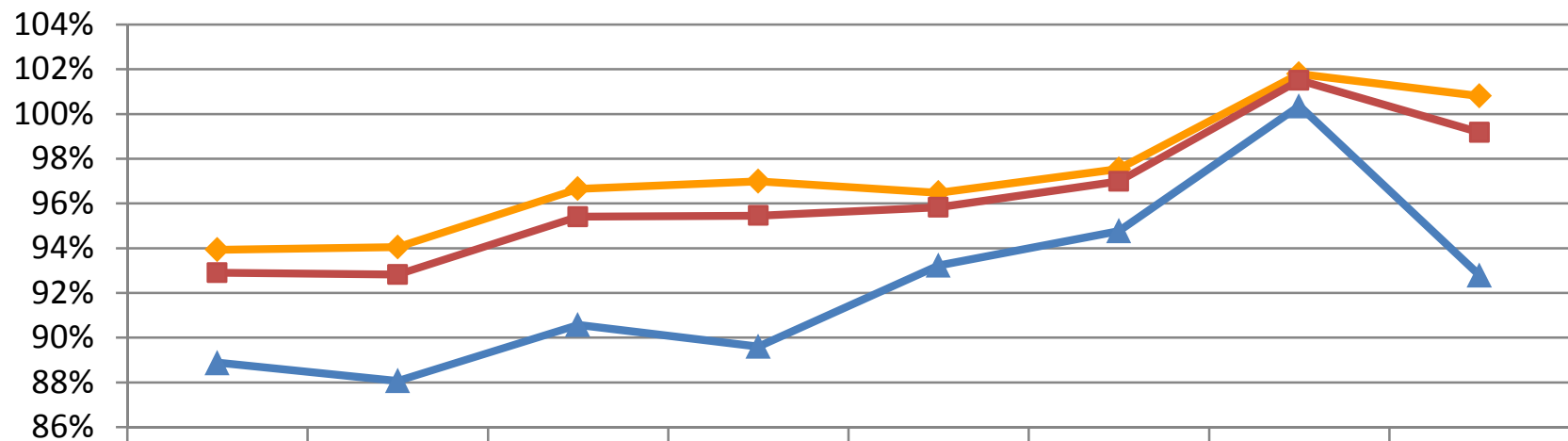
## **Commentary of 2013 P&C Industry Results**

The P&C industry has done reasonable well in spite of two catastrophes in 2013. Capital position remained strong. However, return of equity has definitely been trending down throughout 2013 (6.2% for domestic companies and 9.7% for branches of foreign companies, both were down from 2012).

Property loss ratio showed deterioration due to the flooding in Calgary and Toronto area; loss ratio was 73.5% in 2013 vs. 62.7% in 2012.

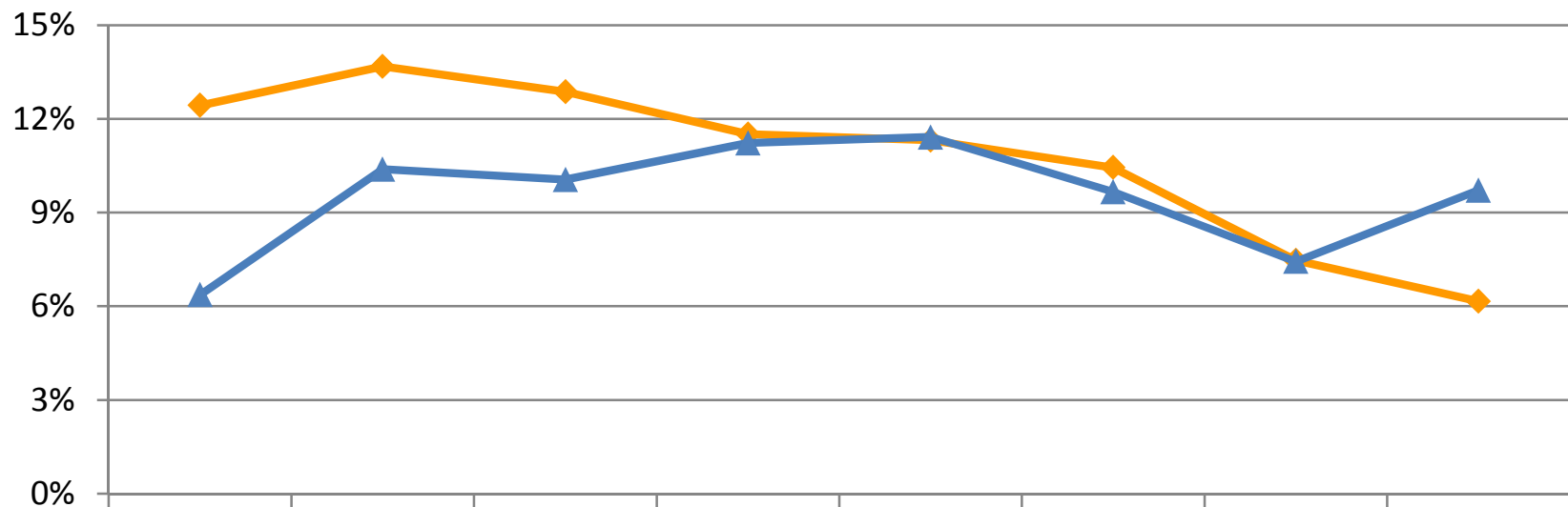
Automobile loss ratio continued to be relatively high (73.7% in 2013 vs. 73.3% in 2012). Private Passenger Auto loss ratio has stayed at 75% in 2013 versus 75.7% in 2012. Ironically, Facility Association residual market did well; its loss ratio was 58.0% in 2013 versus 60.3% in 2012.

### Combined Ratio



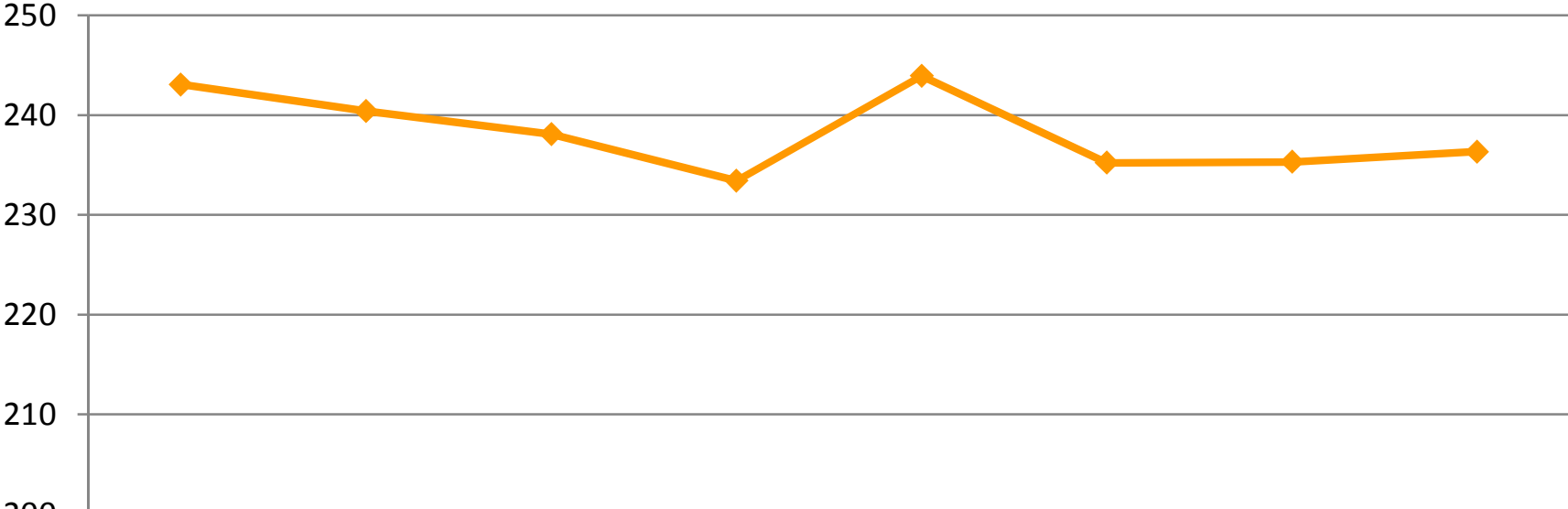
	2012-Q1	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3	2013-Q4
◆ P&C-1	93.9%	94.0%	96.6%	97.0%	96.5%	97.5%	101.8%	100.8%
▲ P&C-2	88.9%	88.1%	90.6%	89.6%	93.2%	94.8%	100.4%	92.8%
■ Total	92.9%	92.8%	95.4%	95.5%	95.8%	97.0%	101.5%	99.2%

### Return on Equity (ROE)



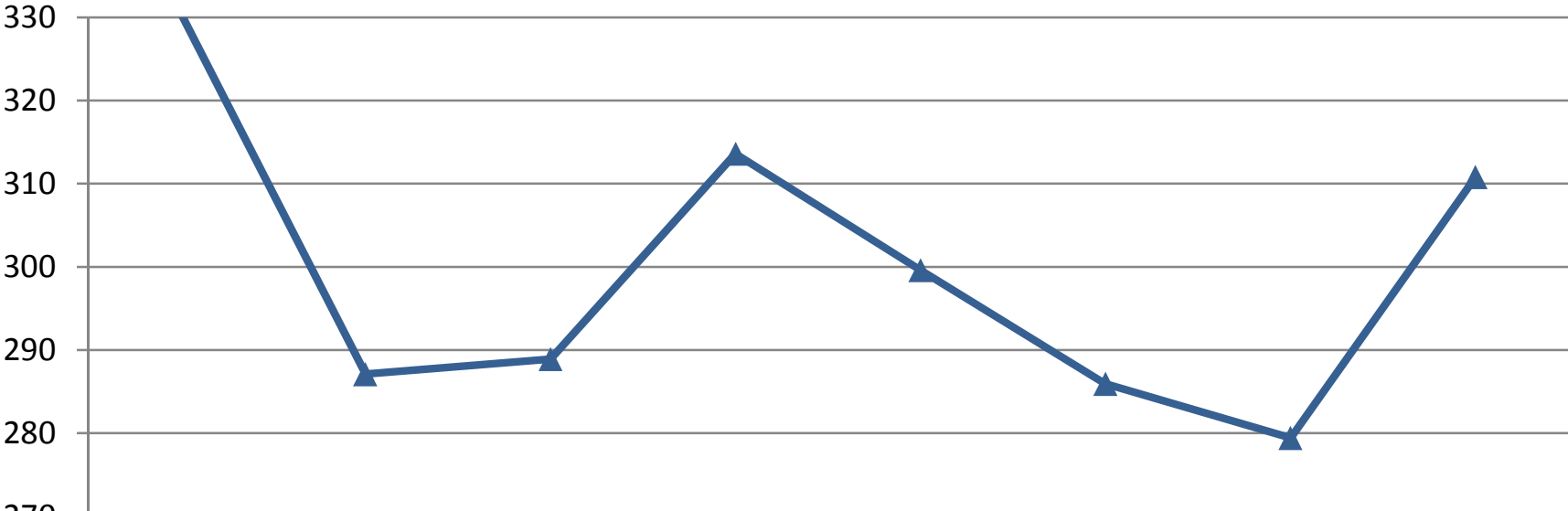
	2012-Q1	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3	2013-Q4
◆ P&C-1	12.4%	13.7%	12.9%	11.5%	11.3%	10.4%	7.5%	6.2%
▲ P&C-2	6.4%	10.4%	10.1%	11.2%	11.4%	9.7%	7.4%	9.7%

### Minimum Capital Test (MCT%)



	2012-Q1	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3	2013-Q4
P&C-1	243	240	238	233	244	235	235	236

### Branch Adequacy of Assets Test (BAAT%)



	2012-Q1	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3	2013-Q4
P&C-2	331	287	289	314	300	286	279	311

Net Loss Ratio by Line of Business (P&C-1 and P&C-2 combined)								
	2012-Q1	2012-Q2	2012-Q3	2012-Q4	2013-Q1	2013-Q2	2013-Q3	2013-Q4
Property								
- Personal excluding Home and Product Warranty	53.0%	56.6%	64.6%	59.7%	53.0%	63.8%	78.2%	71.3%
- Home Warranty				-1213.1%	161.0%	27.9%	45.4%	54.3%
- Product Warranty				92.3%	48.9%	46.0%	46.8%	49.0%
- Commercial	58.6%	62.5%	64.8%	66.2%	64.6%	83.4%	86.7%	76.8%
<b>Property - Total</b>	<b>55.4%</b>	<b>59.2%</b>	<b>64.7%</b>	<b>62.7%</b>	<b>58.1%</b>	<b>72.0%</b>	<b>81.5%</b>	<b>73.5%</b>
Aircraft	44.8%	64.0%	43.4%	44.6%	62.1%	51.2%	60.0%	52.8%
Automobile								
PPA								
- Liability	84.3%	85.7%	89.2%	95.2%	83.7%	77.6%	81.6%	80.5%
- Personal Accident	61.4%	52.8%	51.8%	49.6%	65.0%	56.8%	60.8%	66.8%
- Other	68.1%	61.9%	67.7%	69.1%	75.0%	71.4%	73.2%	73.7%
<b>Subtotal</b>	<b>73.6%</b>	<b>70.2%</b>	<b>73.2%</b>	<b>75.7%</b>	<b>76.4%</b>	<b>70.4%</b>	<b>73.9%</b>	<b>75.0%</b>
Other than PPA								
- Liability	67.2%	67.7%	64.9%	65.1%	70.3%	64.1%	65.5%	69.2%
- Personal Accident	46.8%	56.0%	57.6%	58.5%	59.7%	69.9%	69.0%	72.7%
- Other	54.7%	52.9%	57.6%	56.0%	58.2%	59.7%	63.5%	63.5%
<b>Subtotal</b>	<b>60.3%</b>	<b>61.1%</b>	<b>61.5%</b>	<b>61.1%</b>	<b>64.6%</b>	<b>63.2%</b>	<b>65.2%</b>	<b>67.6%</b>
F.A. Residual Market								
- Liability	85.7%	78.1%	89.7%	74.7%	60.2%	65.4%	60.1%	54.6%
- Personal Accident	24.0%	73.2%	77.1%	32.8%	64.2%	75.8%	82.2%	73.1%
- Other	-4.6%	61.2%	48.6%	44.6%	108.1%	64.2%	61.1%	56.3%
<b>Subtotal</b>	<b>54.0%</b>	<b>73.3%</b>	<b>77.4%</b>	<b>60.3%</b>	<b>71.4%</b>	<b>66.8%</b>	<b>63.9%</b>	<b>58.0%</b>
Auto - Subtotal								
- Liability	81.4%	82.5%	85.0%	89.6%	81.0%	75.2%	78.6%	78.2%
- Personal Accident	60.0%	53.3%	52.5%	50.1%	64.6%	57.9%	61.6%	67.3%
- Other	64.8%	60.2%	65.6%	66.4%	72.1%	69.2%	71.3%	71.7%
<b>Auto - Total</b>	<b>71.3%</b>	<b>68.8%</b>	<b>71.4%</b>	<b>73.3%</b>	<b>74.5%</b>	<b>69.3%</b>	<b>72.4%</b>	<b>73.7%</b>
Boiler and Machinery excluding Equipment Warranty	27.2%	30.6%	37.0%	36.0%	26.3%	37.1%	44.0%	40.0%
- Equipment Warranty				21.8%	42.6%	26.0%	27.9%	31.7%
Credit	28.1%	39.0%	38.7%	22.7%	26.6%	20.0%	29.1%	21.1%
Credit Protection	15.4%	10.6%	13.4%	21.7%	13.2%	31.6%	24.0%	4.5%
Fidelity	39.1%	48.5%	38.2%	38.8%	37.5%	31.9%	37.0%	39.7%
Hail	-98.1%	-105.8%	15.2%	32.7%	8.9%	-5.7%	49.7%	22.5%
Legal Expense	71.2%	79.5%	82.8%	85.1%	115.9%	114.0%	110.4%	107.3%
Liability	46.6%	59.3%	59.6%	56.1%	59.2%	52.7%	52.7%	52.2%
Mortgage	39.0%	36.0%	34.2%	34.9%	30.0%	26.8%	24.4%	23.9%
Other Approved Products	20.8%	32.9%	179.4%	-5.1%	-3.9%	20.3%	9.4%	51.4%
Surety	19.4%	31.0%	26.8%	27.4%	26.8%	35.8%	39.8%	37.8%
Title	22.5%	20.2%	21.5%	20.5%	24.2%	21.9%	24.1%	19.5%
Marine	10.7%	25.3%	35.1%	44.0%	24.5%	47.6%	61.5%	53.2%
Accident and Sickness	64.1%	61.2%	59.6%	57.1%	69.7%	63.4%	61.5%	62.7%
<b>Total</b>	<b>60.4%</b>	<b>62.1%</b>	<b>65.1%</b>	<b>64.9%</b>	<b>64.5%</b>	<b>66.1%</b>	<b>70.9%</b>	<b>68.5%</b>