

ASSETS
(\$'000)

Page		Current Year 01	Prior Year 03
	Cash..... 01	<u>43,379</u>	26,261
	Investment Income due and accrued..... 02	<u>851</u>	752
	Investments:		
	Term Deposits..... 04	<u>0</u>	0
	Bonds and Debentures..... 05	<u>48,254</u>	44,373
	Mortgage Loans..... 06	<u>0</u>	0
	Preferred Shares..... 07	<u>0</u>	0
	Common Shares..... 08	<u>21,733</u>	42,680
<u>40.70</u>	Real Estate..... 09	<u>1,909</u>	1,820
<u>40.80</u>	Other Investments..... 10	<u>2,189</u>	3,542
<u>40.05 or/ou</u>	Total Investments (lines 04 to 10)..... 19	<u>74,085</u>	92,415
<u>40.10</u>			
	Receivables:		
<u>50.20</u>	Unaffiliated Agents and Brokers..... 20	<u>7,826</u>	6,274
	Policyholders..... 21	<u>0</u>	0
	Instalment Premiums..... 22	<u>24,134</u>	21,488
<u>50.30</u>	Other Insurers..... 23	<u>1,546</u>	5,042
	"Facility Association" and the "P.R.R."..... 24	<u>7,043</u>	7,614
<u>50.40</u>	Subsidiaries, Affiliates and Partnerships..... 25	<u>0</u>	0
	Income Taxes..... 26	<u>6,997</u>	1,592
<u>50.20</u>	Other Receivables..... 27	<u>2,051</u>	1,554
	Recoverable from Reinsurers:		
<u>60.10</u>	Unearned Premiums..... 30	<u>15,395</u>	17,905
<u>60.30</u>	Unpaid Claims and Adjustment Expenses..... 31	<u>31,628</u>	32,433
	Other Recoverables on Unpaid Claims..... 37	<u>0</u>	0
<u>50.40</u>	Investment in Subsidiaries, Affiliates & Partnerships..... 40	<u>0</u>	0
<u>40.70</u>	Real Estate for Insurer's own use..... 41	<u>1,324</u>	1,399
	Deferred Policy Acquisition Expenses..... 43	<u>18,129</u>	16,626
	Future Income Taxes..... 44	<u>547</u>	534
<u>50.50</u>	Other Assets..... 88	<u>3,876</u>	3,959
	TOTAL ASSETS..... 89	<u>238,811</u>	235,848

LIABILITIES AND EQUITY
(\$'000)

Page		Current Year 01	Prior Year 03
	LIABILITIES		
	Overdrafts..... 01		0
	Borrowed Money and Accrued Interest..... 02	0	0
	Payables:		
<u>50.20</u>	Unaffiliated Agents and Brokers 03	<u>3,219</u>	3,227
	Policyholders..... 04		0
<u>50.30</u>	Other Insurers..... 05	<u>6,669</u>	8,581
<u>50.40</u>	Subsidiaries, Affiliates and Partnerships 06	<u>0</u>	0
	Expenses due and accrued..... 07	1,709	2,542
	Income Taxes due and accrued..... 08	0	0
	Other Taxes due and accrued..... 09	5,913	5,926
	Policyholder Dividends and Rating Adjustments..... 10		0
<u>40.70</u>	Encumbrances on Real Estate..... 11	<u>1,957</u>	2,119
<u>60.10</u>	Unearned Premiums..... 12	<u>73,126</u>	65,480
<u>60.30</u>	Unpaid Claims and Adjustment Expenses..... 13	<u>97,548</u>	87,719
<u>80.10</u>	Unearned Commissions..... 14	<u>5,629</u>	5,629
	Premium Deficiency..... 15	<u>0</u>	0
	Future Income Taxes..... 21	0	0
<u>50.50</u>	Other Liabilities..... 28	<u>787</u>	863
	Total Liabilities..... 29	196,557	182,086
	EQUITY		
	Shares issued and paid..... 41	<u>2,000</u>	2,000
	Contributed Surplus..... 42	9,362	9,362
 43	0	0
<u>20.40</u>	Retained Earnings..... 44	<u>32,026</u>	<u>35,662</u>
<u>20.40</u>	Reserves..... 45	<u>0</u>	<u>0</u>
<u>20.42</u>	Accumulated Other Comprehensive Income (Loss)..... 47	<u>(1,134)</u>	6,738
	Total Equity..... 49	42,254	53,762
	TOTAL LIABILITIES AND EQUITY..... 89	238,811	235,848

STATEMENT OF INCOME
(\$'000)

Page		Current Year 01	Prior Year 03
	UNDERWRITING OPERATIONS		
	Premiums Written		
	Direct..... 01	147,184	130,548
70.21	Reinsurance Assumed..... 02	0	0
70.21	Reinsurance Ceded..... 03	35,887	42,303
60.20	Net Premiums Written 04	111,297	88,245
	Decrease (increase) in Net Unearned Premiums..... 05	(10,036)	(3,709)
60.20	Net Premiums Earned 06	101,261	84,536
	Service Charges..... 07	1,820	1,655
	Other..... 08	0	0
	Total Underwriting Revenue 09	103,081	86,191
60.20	Net Claims and Adjustment Expenses..... 10	67,081	50,314
	Acquisition Expenses		
80.10	Commissions..... 11	16,723	13,149
	Taxes..... 12	4,658	4,066
80.20	Other..... 14	(65)	(144)
80.20	General Expenses..... 16	17,698	15,974
	Total Claims and Expenses 19	106,095	83,359
	Premium Deficiency Adjustments..... 20	0	0
	Underwriting Income (Loss) 29	(3,014)	2,832
40.07 or/ou 40.10	INVESTMENT OPERATIONS		
	Income..... 32	4,469	4,784
	Realized Gains (Losses)..... 33	(5,584)	2,971
	Expenses..... 34	346	335
	Net Investment Income 39	(1,461)	7,420
	OTHER REVENUE AND EXPENSES		
	Income (Loss) from Ancillary Operations (net of Expenses of \$'000.....)..... 40	0	0
	Share of Net Income (Loss) of Subsidiaries and Affiliates..... 41	(219)	(270)
	Gain (losses) from fluctuations in Foreign Exchange Rates..... 42		0
	Other..... 43	(1)	188
	Net Income (Loss) before Income Taxes and Extraordinary Items 49	(4,695)	10,170
	INCOME TAXES		
	Current..... 50	(1,278)	2,133
	Future..... 51	18	678
	Total Income Taxes 59	(1,260)	2,811
	Extraordinary Items (net of Income Taxes of \$'000.....)..... 60	0	0
	NET INCOME (LOSS) FOR THE YEAR 89	(3,435)	7,359

STATEMENT OF RETAINED EARNINGS
(\$'000)

Page			Current Year 01	Prior Year 02
	Balance at beginning of year	01	35,662	28,603
	Prior period adjustments:.....	02	(1)	0
	04		0
	Adjusted balance at beginning of year.....	09	35,661	28,603
20.30	Net Income (loss) for the year.....	10	(3,435)	7,359
	Dividends declared to shareholders.....	11	200	300
	Decrease (increase) in Reserves	12	0	0
	(Please specify)	16		
	Net increase (decrease) in Retained Earnings during the year.....	15	(3,635)	7,059
	Balance at end of year	89	32,026	35,662

RESERVES
(\$'000)

		Current Year 01	Prior Year 02
Earthquake Reserves			
Reserve Complement	90		0
Premium Reserve	91		0
Mortgage Reserve	95		0
Nuclear Reserve	96		0
General and Contingency Reserves	98		0
Total Reserves	99	0	0

COMPREHENSIVE INCOME (LOSS)
and
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(\$'000)

Page		Current Year 01	Prior Year 03
	Comprehensive Income (Loss)		
20.30	Net Income 01	(3,435)	7,359
	Other Comprehensive Income (Loss):		
	Available for Sale:		
	Change in Unrealized Gains and Losses:		
	- Loans 02	0	0
	- Bonds and Debentures 03	725	(163)
	- Equities 04	(13,269)	2,593
	Reclassification to Earnings of (Gains) Losses 05	3,730	(2,114)
	Derivatives Designated as Cash Flow Hedges		
	Change in Unrealized Gains and Losses 06		0
	Reclassification to Earnings of (Gains) Losses 07		0
	Foreign Currency Translation		
	Change in Unrealized Gains and Losses 08	941	(1,635)
	Impact of Hedging 09		0
	Income (Loss) from Subsidiaries 10		0
	Other 12		0
	Total Other Comprehensive Income (Loss) 21	(7,873)	(1,319)
	Total Comprehensive Income (Loss) 39	(11,308)	6,040

		Current Year (01)	Prior Year (03)
	Accumulated Other Comprehensive Income (Loss)		
	Accumulated Gains/ (Losses) on:		
	Available for Sale:		
	- Loans 42		0
	- Bonds and Debentures 43	1,478	773
	- Equities 44	(3,644)	5,875
	Derivatives Designated as Cash Flow Hedges 45		0
	Foreign Currency (Net of Hedging Activities) 46	1,032	90
	Income (Loss) from Subsidiaries 47		0
	Other 49		0
20.20	Balance at end of Period 59	(1,134)	6,738

Peace Hills General Insurance Company
Insurer

2008
Year

MINIMUM CAPITAL TEST
(\$'000)

	Current Year 01	Prior Year 02
Capital Available		
Total Equity less Accumulated Other Comprehensive Income 02	<u>43,388</u>	<u>47,024</u>
Add:		
Subordinated Indebtedness and Redeemable Preferred Shares 03		0
Accumulated Other Comprehensive Income (Loss) on:		
Available for Sale Equity Securities 04	<u>(3,644)</u>	5,875
Available for Sale Debt Securities 06	<u>1,478</u>	773
Foreign Currency (Net of Hedging Activities) 08	<u>1,032</u>	90
Included in Capital Available of Regulated FI Subsidiaries 10	0	0
..... 30		0
Capital Available reported by Regulated FI Subsidiaries 11		0
Less:		
Accumulated net after-tax fair value gains (losses) arising from changes in the company's own credit risk 12		0
..... 13		0
Balance Sheet Value of Investments in Regulated FI Subsidiaries 14	0	0
Assets with a Capital Requirement of 100% 17	5,225	5,243
Total Capital Available 19	37,029	48,519
Minimum Capital Required		
Balance Sheet Assets 20	<u>7,702</u>	10,584
Unearned Premiums/Unpaid Claims/Premium Deficiencies 22	<u>9,988</u>	8,394
Catastrophes 24	0	0
Reinsurance Ceded to Unregistered Insurers 26	0	0
Capital Required reported by Regulated FI Subsidiaries 27		0
Structured Settlements, Letters of Credit, Derivatives and Other Exposures 28	<u>72</u>	72
Minimum Capital Required 29	17,762	19,050
Excess of Capital Available over Capital Required (line 19 minus line 29) 89	19,267	29,469
Line 19 as a % of line 29 90	208.47%	254.69%