

**Peace Hills General Insurance Company**  
Insurer

**2010**  
Year

**ASSETS**  
(\$'000)

Page		Current Year 01	Prior Year 03
	Cash..... 01	16,454	44,939
	Investment Income due and accrued..... 02	794	799
	Investments:		
	Term Deposits..... 04	100	0
	Bonds and Debentures ..... 05	102,513	68,989
	Mortgage Loans ..... 06	0	0
	Preferred Shares..... 07	0	1,695
	Common Shares..... 08	25,573	21,134
<u>40.70</u>	Real Estate..... 09	1,631	1,853
<u>40.80</u>	Other Investments ..... 10	539	817
<u>40.07</u> <u>or/ou</u>	<b>Total Investments (lines 04 to 10)..... 19</b>	<b>130,356</b>	<b>94,488</b>
	Receivables:		
<u>50.20</u>	Unaffiliated Agents and Brokers ..... 20	7,511	7,455
	Policyholders..... 21	0	0
	Instalment Premiums..... 22	25,347	24,954
<u>50.30</u>	Other Insurers..... 23	2,188	596
	"Facility Association" and the "P.R.R."..... 24	7,863	8,413
<u>50.40</u>	Subsidiaries, Affiliates and Partnerships ..... 25	0	0
	Income Taxes..... 26	0	0
<u>50.20</u>	Other Receivables..... 27	1,819	2,201
	Recoverable from Reinsurers:		
<u>60.10</u>	Unearned Premiums..... 30	20,918	18,856
<u>60.30</u>	Unpaid Claims and Adjustment Expenses..... 31	39,335	47,650
	Other Recoverables on Unpaid Claims..... 37	0	0
<u>50.40</u>	Investment in Subsidiaries, Affiliates & Partnerships..... 40	0	0
<u>40.70</u>	Real Estate for Insurer's own use..... 41	1,130	1,144
	Deferred Policy Acquisition Expenses..... 43	20,380	19,270
	Future Income Taxes..... 44	178	288
<u>50.50</u>	Other Assets..... 88	4,950	3,754
	<b>TOTAL ASSETS..... 89</b>	<b>279,223</b>	<b>274,807</b>

LIABILITIES AND EQUITY  
(\$'000)

Page		Current Year 01	Prior Year 03
	<b>LIABILITIES</b>		
	Overdrafts..... 01		0
	Borrowed Money and Accrued Interest..... 02		0
	Payables:		
<u>50.20</u>	Unaffiliated Agents and Brokers ..... 03	4,141	3,838
	Policyholders..... 04		0
<u>50.30</u>	Other Insurers..... 05	8,268	8,952
<u>50.40</u>	Subsidiaries, Affiliates and Partnerships ..... 06	0	0
	Expenses due and accrued..... 07	2,889	2,445
	Income Taxes due and accrued..... 08	3,466	2,359
	Other Taxes due and accrued..... 09	6,132	5,573
	Policyholder Dividends and Rating Adjustments..... 10	0	0
<u>40.70</u>	Encumbrances on Real Estate..... 11	0	1,795
<u>60.10</u>	Unearned Premiums..... 12	81,476	78,305
<u>60.30</u>	Unpaid Claims and Adjustment Expenses..... 13	100,383	115,196
<u>80.10</u>	Unearned Commissions..... 14	7,322	6,451
	Premium Deficiency..... 15	0	0
	Future Income Taxes..... 21		0
<u>50.50</u>	Other Liabilities..... 28	871	851
	<b>Total Liabilities..... 29</b>	<b>214,948</b>	<b>225,765</b>
	<b>EQUITY</b>		
	Shares issued and paid..... 41	2,000	2,000
	Contributed Surplus..... 42	9,362	9,362
	..... 43		0
<u>20.40</u>	Retained Earnings..... 44	47,569	35,200
<u>20.40</u>	Reserves..... 45	0	0
<u>20.42</u>	Accumulated Other Comprehensive Income (Loss)..... 47	5,344	2,480
	<b>Total Equity..... 49</b>	<b>64,275</b>	<b>49,042</b>
	<b>TOTAL LIABILITIES AND EQUITY..... 89</b>	<b>279,223</b>	<b>274,807</b>

STATEMENT OF INCOME  
(\$'000)

Page		Current Year 01	Prior Year 03
	<b>UNDERWRITING OPERATIONS</b>		
	<b>Premiums Written</b>		
	Direct..... 01	163,014	156,803
70.21	Reinsurance Assumed..... 02	0	0
70.21	Reinsurance Ceded..... 03	50,671	45,086
60.20	<b>Net Premiums Written</b> ..... 04	112,343	111,717
	Decrease (increase) in Net Unearned Premiums..... 05	(1,109)	(1,718)
60.20	<b>Net Premiums Earned</b> ..... 06	111,234	109,999
	Service Charges ..... 07	2,006	1,964
	Other ..... 08	0	0
	<b>Total Underwriting Revenue</b> ..... 09	113,240	111,963
60.20	Net Claims and Adjustment Expenses ..... 10	60,229	66,221
	Acquisition Expenses		
80.10	Commissions..... 11	18,109	19,611
	Taxes..... 12	5,431	5,103
80.20	Other ..... 14	(34)	(150)
80.20	General Expenses..... 16	19,051	18,551
	<b>Total Claims and Expenses</b> ..... 19	102,786	109,336
	Premium Deficiency Adjustments..... 20	0	0
	<b>Underwriting Income (Loss)</b> ..... 29	10,454	2,627
40.07 or/ou 40 10	<b>INVESTMENT OPERATIONS</b>		
	Income..... 32	4,652	3,317
	Realized Gains (Losses) ..... 33	2,865	(962)
	Expenses..... 34	406	338
	<b>Net Investment Income</b> ..... 39	7,111	2,017
	<b>OTHER REVENUE AND EXPENSES</b>		
	Income (Loss) from Ancillary Operations (net of Expenses of \$'000 _____)..... 40	0	0
	Share of Net Income (Loss) of Subsidiaries, Affiliates & Partnerships ..... 41	(170)	(393)
	Gain (losses) from fluctuations in Foreign Exchange Rates..... 42		0
	Other ..... 43	68	66
	<b>Net Income (Loss) before Income Taxes and Extraordinary Items</b> ..... 49	17,463	4,317
	<b>INCOME TAXES</b>		
	Current..... 50	4,933	814
	Future ..... 51	161	329
	<b>Total Income Taxes</b> ..... 59	5,094	1,143
	Extraordinary Items (net of Income Taxes of \$'000 _____)..... 60	0	0
	<b>NET INCOME (LOSS) FOR THE YEAR</b> ..... 89	12,369	3,174

**STATEMENT OF RETAINED EARNINGS**  
(\$'000)

Page			Current Year 01	Prior Year 02
20.30	<b>Balance at beginning of year</b>	01	35,200	32,026
	Prior period adjustments:.....	02		0
	.....	04		0
	Adjusted balance at beginning of year.....	09	35,200	32,026
	Net Income (loss) for the year.....	10	<u>12,369</u>	<u>3,174</u>
	Dividends declared to shareholders.....	11		0
	Decrease (increase) in Reserves .....	12	0	0
	(Please specify) .....	16		
	Net increase (decrease) in Retained Earnings during the year.....	15	12,369	3,174
	<b>Balance at end of year.....</b>	89	<u>47,569</u>	<u>35,200</u>

**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
<b>Total Reserves .....</b>	99	0	0

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

Page		Current Year 01	Prior Year 03
20.30	<b>Comprehensive Income (Loss)</b>		
	Net Income ..... 01	12,369	3,174
	Other Comprehensive Income (Loss):		
	<b>Available for Sale:</b>		
	Change in Unrealized Gains and Losses:		
	- Loans ..... 02		0
	- Bonds and Debentures ..... 03	2,039	72
	- Equities ..... 04	3,115	3,810
	Reclassification to Earnings of (Gains) Losses ..... 05	(2,158)	435
	<b>Derivatives Designated as Cash Flow Hedges</b>		
	Change in Unrealized Gains and Losses ..... 06		0
	Reclassification to Earnings of (Gains) Losses ..... 07		0
	<b>Foreign Currency Translation</b>		
	Change in Unrealized Gains and Losses ..... 08	(132)	(702)
	Impact of Hedging ..... 09		0
	<b>Income (Loss) from Subsidiaries</b> ..... 10		0
	<b>Other</b> ..... 12		0
	Total Other Comprehensive Income (Loss) ..... 21	2,864	3,615
	<b>Total Comprehensive Income (Loss)</b> ..... 39	15,233	6,789

		Current Year (01)	Prior Year (03)
	<b>Accumulated Other Comprehensive Income (Loss)</b>		
	Accumulated Gains/ (Losses) on:		
	<b>Available for Sale:</b>		
	- Loans ..... 42		0
	- Bonds and Debentures ..... 43	2,157	1,509
	- Equities ..... 44	2,990	641
	<b>Derivatives Designated as Cash Flow Hedges</b> ..... 45		0
	<b>Foreign Currency (Net of Hedging Activities)</b> ..... 46	197	330
	<b>Income (Loss) from Subsidiaries</b> ..... 47		0
	<b>Other</b> ..... 49		0
20.20	<b>Balance at end of Period</b> ..... 59	5,344	2,480

**MINIMUM CAPITAL TEST**  
**(\$'000)**

	Current Year 01	Prior Year 02
<b>Capital Available</b>		
Total Equity less Accumulated Other Comprehensive Income ..... 02	<u>58,931</u>	<u>46,562</u>
Add:		
Subordinated Indebtedness and Redeemable Preferred Shares ..... 03		0
Accumulated Other Comprehensive Income (Loss) on:		
Available for Sale Equity Securities ..... 04	<u>2,990</u>	641
Available for Sale Debt Securities ..... 06	<u>2,157</u>	1,509
Foreign Currency (Net of Hedging Activities) ..... 08	<u>197</u>	330
Included in Capital Available of Regulated FI Subsidiaries ..... 10		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	3,691	3,114
<b>Total Capital Available</b> ..... 19	<b>60,584</b>	<b>45,928</b>
<b>Minimum Capital Required</b>		
Balance Sheet Assets ..... 20	<u>10,134</u>	8,854
Unearned Premiums/Unpaid Claims/Premium Deficiencies ..... 22	<u>9,597</u>	10,007
Catastrophes ..... 24	<u>0</u>	0
Reinsurance Ceded to Unregistered Insurers ..... 26	<u>0</u>	0
Capital Required reported by Regulated FI Subsidiaries ..... 27		0
Structured Settlements, Letters of Credit, Derivatives and Other Exposures ..... 28	<u>72</u>	72
<b>Minimum Capital Required</b> ..... 29	<b>19,803</b>	<b>18,933</b>
<b>Excess Capital Available over Minimum Capital Required</b> (line 19 minus line 29) ..... 89	<b>40,781</b>	<b>26,995</b>
<b>Line 19 as a % of line 29</b> ..... 90	<b>305.93%</b>	<b>242.58%</b>