

**SISIP Proper  
4th Quarter Financial Results - FY 2009**

	<b>Budget 2009</b>	<b>(In 000s of dollars) Actual 4th Qtr 2009</b>		<b>Actual 4th Qtr 2008 (4)</b>
<b>Revenues</b>				
Premiums	50,940	53,648		50,219
Investment income on actuarial reserves	7,067	7,796		8,920
Investment income on segregated fund	13,901	25,717	(1)	-23,704
<b>Total Revenues</b>	<b>71,908</b>	<b>87,161</b>		<b>35,435</b>
<b>Operating Expenses</b>				
Claims and Related Expenses	40,752	40,948		40,819
Reserve Increase	6,000	4,297		4,429
Other	17,476	19,015	(2)	17,360
<b>Total Operating Expenses</b>	<b>64,228</b>	<b>64,260</b>		<b>62,608</b>
<b>Operating Income (Loss)</b>	<b>7,680</b>	<b>22,901</b>		<b>-27,173</b>
<b>Extraordinary Items</b>				
Capital projects	-	-		-2,312
Transfer to DGPFS - Morale & Welfare Unit Grant, Youth Program and Special contribution to NPP	-	-5,950	-3	-2,500
Other	-2,033	-575		-236
<b>Net Income (Loss)</b>	<b>5,647</b>	<b>16,376</b>		<b>-32,221</b>
<b>Adjusted Net Income (Loss) before capital projects</b>	<b>5,647</b>	<b>16,376</b>		<b>-29,909</b>

**Notes:**

1. Segregated fund investment income was much higher than predicted due to market rebound in 2009.
2. The variance is due to higher than expected reinsurance cost.
3. M & W 2008-2009 \$2.5M; 2009-2010 \$2.7M; \$308,700 Youth Program, \$441,300 NPP contribution
4. During the current year, it was agreed to by the Chief of Defence Staff and Manulife to amend the measurement of net portfolio yield used in the determination of interest credits reported as investment income in the Financial and Operation Agreement between the Chief of Defence Staff and Manulife. This amendment was applied retroactively to January 1, 2007 and as a result, investment income has been revised to reflect the retroactive determination of investment income under the new method.

**SISIP Proper  
Balance Sheet (1) as of 31 Dec 2009**

	(In 000s of dollars)	
	4th Quarter FY 2009	Previous Year End FY 2008 (2)
<b>ASSETS</b>		
Funds	465,498	445,721
<b>Total Assets</b>	<b>465,498</b>	<b>445,721</b>
<b>LIABILITIES</b>		
Liabilities - Reserves (3)	191,297	187,896
<b>Total Liabilities</b>	<b>191,297</b>	<b>187,896</b>
<b>SURPLUS/(DEFICIT)</b>		
<b>Total Surplus/(Deficit) (4)</b>	<b>274,201</b>	<b>257,825</b>
<b>Total Liabilities &amp; Surplus</b>	<b>465,498</b>	<b>445,721</b>

Notes:

Balance Sheet reviewed by Mercer HR Consulting.

During the current year, it was agreed to by the Chief of Defence Staff and Manulife to amend the measurement of net portfolio yield used in the determination of interest credits reported as investment income in the Financial and Operation Agreement between the Chief of Defence Staff and Manulife. This amendment was applied retroactively to January 1, 2007 and as a result, investment income has been revised to reflect the retroactive determination of investment income under the new method.

The above liabilities represent the actuarial reserves established in respect to the existing legal obligation of the insurer for various plans under SISIP Proper. In addition, SISIP FS may have future liabilities not yet recognized by the insurer related to the Coverage After Release (CAR) paid-up policy and Supplementary Survivor Benefit (SSB) for which no future premium payment will be made. The present value of these future liabilities has been assessed at \$129.8 million as at December 31, 2009.

In accordance with the Reinsurance Funding Agreement that took effect October 11, 2006, Manulife can draw from SISIP Proper surplus funds up to \$260 million to cover claims in excess of reinsurance coverage made in relation to Hostile Events (as defined under the Agreement). SISIP FS must provide Manulife with at least 9 months notice should it intend to reduce surplus funds below \$260 million.