

**SISIP Proper
Financial Results
For the year ended December 31, 2010**

| | Budget 2010 | 2010 | 2009 |
|--|---------------|---------------|---------------|
| <i>(In thousands of Canadian dollars)</i> | | | |
| Revenues | | | |
| Premiums | 55,593 | 57,551 | 53,648 |
| Investment income on actuarial reserves | 7,410 | 7,603 | 7,796 |
| Investment income on segregated fund | 10,532 | 23,068 (1) | 25,717 |
| Total Revenues | 73,535 | 88,222 | 87,161 |
| Operating Expenses | | | |
| Claims and Related Expenses | 44,475 | 39,275 (2) | 40,948 |
| Reserve Increase | 5,000 | (821) (3) | 4,297 |
| Other | 19,750 | 18,013 (4) | 19,015 |
| Total Operating Expenses | 69,225 | 56,467 | 64,260 |
| Operating Income | 4,310 | 31,755 | 22,901 |
| Extraordinary Items | | | |
| Capital projects | - | - | - |
| Transfer to CFP SA - Morale & Welfare Unit Grant, NPP Operations | - | (3,000) | (4,520) |
| SISIP FS | (1,550) | (1,166) | (1,430) |
| Other | (100) | (29) | (575) |
| Prior Period Adjustment QCC | - | (9,000) (5) | - |
| Prior Period Adjustment - other | - | 57 | - |
| Net Income | 2,660 | 18,617 | 16,376 |
| Adjusted Net Income before capital projects | 2,660 | 18,617 | 16,376 |

Notes:

1. Segregated fund investment income was higher due to stronger than expected gains from bonds and Canadian equity.
2. Life insurance claims were lower than forecasted.
3. Decrease in reserves resulted from some Survivor Income Benefit (SIB) claim terminations and reduction in waiver of premium reserves.
4. Lower than expected war risk reinsurance premium.
5. It was determined by management that the property known as the Queensway Corporate Campus (QCC) was acquired entirely by the Canadian Forces Central Fund (CFCF) rather than as originally disclosed as a joint venture with CFCF.

**SISIP Proper
Balance Sheet
(1)**

| | As at Dec 31, 2010 | As at Dec 31, 2009 |
|---|-----------------------|-----------------------|
| <i>(In thousands of Canadian dollars)</i> | | |
| ASSETS | | |
| Funds | 483,294 | 465,498 |
| Total Assets | 483,294 | 465,498 |
| LIABILITIES | | |
| Liabilities - Reserves | 190,475 | 191,297 |
| Total Liabilities | 190,475 | 191,297 |
| SURPLUS | | |
| Total Surplus | 292,819 | 274,201 |
| Total Liabilities & Surplus | 483,294 | 465,498 |

Notes:

1. Balance sheet reviewed by Mercer.
2. 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 \$130.6 million as at December 31, 2010.
3. 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.