



FINANCIAL STRUCTURE

The Optimum Group, which has been successfully in operation for 42 years, is a diversified financial organization with over 14 operating subsidiaries, extensions of its actuarial consulting origin. These include: life insurance, life and critical illness reinsurance, property and casualty insurance, asset management and actuarial consulting with operations in the United States, Canada, Barbados, France and servicing Puerto Rico and the Caribbean. For the last 10 years the Group has had an average rate of return on equity of 12.4%, and last year Optimum Group produced a return on equity of 10.6% after a 3% charge which takes into account the exchange rate fluctuations linked to investments in foreign subsidiaries.

The Optimum Group has been involved in reinsurance for over 38 years. In 2010, it generated \$318 million of premium from all lines; which \$151 million came from Optimum Re Insurance Company.

As of December 31, 2010, on an audited consolidated US GAAP basis, Optimum Re Inc.'s capital and surplus was over \$191 million, its assets over \$1.7 billion and its net after tax income \$14 million.

As of December 31, 2010, on a statutory basis, the capital and surplus of Optimum Re Insurance Company (ORIC) represented 47% of its total liabilities and 64% of liabilities held on account of policyholders, namely the sum of aggregate reserves, policy and contract claims and surrender values on canceled policies. Using the risk based capital formula adopted by the NAIC, Optimum Re Insurance Company's total adjusted capital and surplus is more than 5 times the Authorized Control Level Risk Based Capital.

The investment grade qualities of Optimum Re's portfolio, as shown by the low level of required risk based capital, assures that no investment losses of default nature (C-1 risk) may seriously affect the company. Ninety five percent of the invested assets are invested in Bonds Class 1. The company has consistently followed this investment policy since Optimum Group acquired it in 1987. Optimum Re has never held junk bonds, sub-prime investments nor real estate in its investment portfolio (other than its home office). First grade and highly liquid assets therefore support Optimum Re's capital and surplus.

It should be noted that our financial position was largely unaffected by the 2008/2009 financial crisis that has affected much of the industry. We had no exposure to sub-prime mortgages or other highly risky and problematic financial instruments that have so

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adversely affected some companies. We had minimal exposure to troubled financial institutions in our corporate bond portfolio. Finally, the impact on our financial statements due to stock volatility is minimal, as we own very little stock (about 4 percent of invested assets).

The company has deposited \$2,055,000 with the Texas State Board of Insurance for the benefit of its Texas policyholders and for the benefit of policyholders of all other states.

Our reinsurance premiums come primarily from YRT and COI rates and since Optimum Re does not have direct operations and has not, in the past, reinsured annuities or accumulation accounts of other interest sensitive products our assets are small when compared to our activity level.

Optimum Re's retention has varied over the years and by type of reinsurance arrangement. For most of our business, we use retrocession pools to cede the risks by layers. The main members of these pools have assets totaling over \$350 billion, Excellent or Superior ratings, and a long-standing business relationship with our Group.

For transactions that fall outside of the normal day-to-day reinsurance, we use highly-rated retrocessionaires worldwide to provide resources that can make the difference for you.

AGENCY RATING

Our current A.M. Best rating is A-, Excellent and our rating has never been decreased since 1987 when the Optimum Group acquired Optimum Re Insurance.

In summary Optimum Re is a well-capitalized, professional reinsurer with strong financial ratios, international connections and very conservative investments. We manage our mortality risk with alert underwriting, a comprehensive risk management program and sound retrocession programs.

We have built our company over the years based on sound business plans, prudent investment policies and strong financial management, and we will continue to do so.

If you have any questions about any of the above, please do not hesitate to contact me.

Please find Optimum Re's summary statutory financial statement as well as our latest Activity Report on our web-site at www.optimumre.com

The Activity Report also provides a clear presentation of our group's structure.

Sincerely,

Gord Gibbins
Senior Vice President, Development

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OPTIMUM®

Insurance ♦ Life Reinsurance ♦ Actuarial Consulting ♦ Asset Management