

An Alliance in Growth



OPTIMUM[®]

Optimum Re Insurance Company

Spring 2013
Summary of Financial Results

FINANCIAL STRUCTURE AND RESULTS

It is with great pleasure and pride that I have summarized various Optimum Re financial results below.

The Optimum Group, which has successfully been in operation for 44 years, is a diversified international 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. Optimum has operations in the United States, Canada, Barbados, France and services Puerto Rico, the Caribbean and Mexico. In 2012, the Optimum Group produced a return on equity of 14.4%, increased written premiums by 6% and reached 3 billion in total assets.

The Optimum Group has now been involved in reinsurance for 40 years. In 2012, on an audited consolidated US GAAP basis (Canadian\$), Optimum Re Inc. generated \$384 million of premiums from all lines with \$187 million coming from Optimum Re Insurance Company (ORIC). Optimum Re Inc.'s shareholders' Equity now equals \$196 million while its Assets and After Tax Net Income were \$1.9 billion and \$16 million respectively.

As of December 31, 2012, on a statutory basis, the capital and surplus of ORIC represented 35% of its total liabilities. Using the risk based capital formula adopted by the NAIC, ORIC's total adjusted capital and surplus is 571% of the Authorized Control Level Risk Based Capital.

The low level of required risk based capital related to investments confirms the investment quality and the low default risk of ORIC's portfolio. Over 85 percent of its bond portfolio is invested in Class 1 bonds. ORIC has never held junk bonds or sub-prime investments.

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 adversely affected some companies. We had minimal exposure to troubled financial institutions in our corporate bond portfolio.

ORIC's reinsurance premiums come primarily from YRT rates and since ORIC does not have direct operations and has not, in the past, reinsured annuities or accumulation accounts, its assets are small compared to its activity level.

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Insurance ♦ Life Reinsurance ♦ Actuarial Consulting ♦ Asset Management



ORIC's retention has varied over the years and by type of reinsurance arrangement. For most of our business, we use quota-share retrocession pools to cede risks by layers. The main members of these pools have assets far exceeding a Trillion (at the Group level), Excellent or Superior ratings, and a long-standing business relationship with our Group. While we have a number of pools for specific purposes we now have over 19 million of automatic capacity for our large company pool and over 5 million for excess of Jumbo cases at automatic rates.

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

ORIC's current A.M. Best rating is A-, Excellent. We have never been downgraded. 2012 marked the 25th anniversary of Optimum in the US market. Despite an overall reinsurance market that has seen 10 years of continued decrease and a significant reduction in number of players, Optimum Re remains a true partner, known for innovation and service (2013 Flaspohler), and committed to continue to grow its presence. When looking for stability, diversification and service, look to Optimum Re.

In summary ORIC 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 a sound retrocession network.

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

If you have any questions, please do not hesitate to contact me.

Sincerely,

Gord Gibbins

Senior Vice President, Development

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