

An Alliance in Growth



OPTIMUM®

Optimum Re Insurance Company

25
years

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Spring 2012
Summary of Financial Results

FINANCIAL STRUCTURE AND RESULTS

It is with great pleasure and pride that I have summarized below key financial results for Optimum and announce, on our 25th anniversary, that Optimum Re Insurance Company (ORIC) has been the recipient of the Optimum Group 'Company of the Year' award for 2011. We look forward to the future and an 'Alliance in Growth'.

The Optimum Group, which has successfully been in operation for 43 years, is a diversified international financial organization with over 14 operating subsidiaries evolving from 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 and the Caribbean. In 2011, the Optimum Group produced a return on equity of 12.6% which combines for an excellent average of 12.4% over the last 10 years and an even more impressive 15.6% over the last 20 years.

The Optimum Group has now been involved in reinsurance for 40 years. In 2011, on an audited consolidated US GAAP basis (Canadian\$), Optimum Re Inc. generated \$358 million of premiums from all lines with \$170 million coming ORIC. Optimum Re Inc.'s shareholders' Equity exceeded the \$200 million mark. Its Assets and After Tax Net Income were \$1.8 billion and \$10 million respectively.

As of December 31, 2011, on a statutory basis, the capital and surplus of ORIC represented 39% of its total liabilities. Using the risk based capital formula adopted by the NAIC, ORIC's total adjusted capital and surplus is 558% 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 90 percent of its bond portfolio is invested in Class 1 bonds. ORIC has never held junk bonds or sub-prime investments.

OPTIMUM®

Insurance ♦ Life Reinsurance ♦ Actuarial Consulting ♦ Asset Management



It should be noted that our financial position was largely unaffected by the 2008/2009 financial crisis that has impacted much of the industry. We had limited exposure to sub-prime mortgages or other highly risky and problematic financial instruments that have so adversely affected some companies.

ORIC's reinsurance premiums come primarily from YRT reinsurance 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.

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 totaling over \$350 billion, 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 19 million of automatic capacity for our large company market and new capacity at automatic rates for excess of jumbo cases.

For transactions that fall outside of the normal day-to-day reinsurance, we use international highly-rated retrocessionaires 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 marks the 25th anniversary of Optimum in the US market. In the last 25 years over 40 reinsurers have come and gone. Optimum Re is one of a handful still serving the US market. When looking for stability, for diversification, 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.

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

Please find Optimum Re's summary statutory financial statement as well as our latest Activity Report (previous year usually posted in June) as well as additional information on our web-site at www.optimumre.com

Sincerely,

Gord Gibbins
Senior Vice President, Development

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