

**SISIP PROPER
STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED DECEMBER 31, 2008**

	(In 000s of dollars)		
	Budget 2008	Actual 4th Qtr 2008	Actual 4th Qtr 2007
Revenues			
Premiums	48,449	50,219	46,677
Investment income on actuarial reserves	7,160	6,508	6,748
Investment income on segregated fund	16,076	-23,704 (1)	12,790
Total Revenues	71,685	33,023	66,215
Operating Expenses			
Claims and Related Expenses	38,759	40,819 (2)	34,892
Reserve Increase	4,000	2,621 (3)	6,689
Other	18,248	17,360 (4)	14,228
Total Operating Expenses	61,007	60,800	55,810
Operating Income (Loss)	10,678	-27,777	10,405
Extraordinary Items			
Capital projects	-2,312	-2,313	-1,512
Morale & Welfare Unit Grant	-2,500	-2,500	-2,500
Other	-1,741	-232 (5)	3,540
Net Income (Loss)	4,125	-32,822	9,933
Adjusted Net Income (Loss) before capital projects	6,437	-30,509	11,445

Notes:

1. Investment income is subject to market volatility.
2. Life insurance claims were higher than forecasted.
3. Reserve increase was lower than forecasted due to adjustments to Incurred and Unreported Reserves.
4. Lower than forecasted reinsurance expense.
5. Extraordinary reserve change.

**SISIP PROPER
BALANCE SHEET (1)
DECEMBER 31, 2008**

	(In 000s of dollars)	
	End 4th Quarter FY 2008	previous Year End FY 2007
ASSETS		
Funds	442,087	473,346
Total Assets	442,087	473,346
LIABILITIES		
Liabilities - Reserves (2)	185,371	183,808
Total Liabilities	185,371	183,808
SURPLUS/(DEFICIT)		
Total Surplus/(Deficit) (3)	256,716	289,538
Total Liabilities & Surplus	442,087	473,346

Notes:

1. Balance Sheet reviewed by Mercer HR Consulting.
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 \$123.0 million as at December 31, 2006.
3. In accordance with the Reinsurance Funding Agreement that took effect October 11th, 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.