

**SISIP Proper
Statement of Income
For the year ended December 31, 2011
(Unaudited)**

	Budget 2011	2011		2010
<i>(In thousands of Canadian dollars)</i>				
Revenues				
Premium income	59,728	60,587		57,551
Interest credited	7,913	9,651	(1)	7,603
Investment income on segregated fund	9,871	6,718	(2)	23,068
Total Revenues	77,512	76,956		88,222
Expenses				
Claims and related expenses	47,856	43,073	(3)	39,275
Reserve increase (decrease)	3,000	8,283	(4)	(821)
Policy administrations expenses	1,394	1,409		1,355
Premium and sales tax	1,350	1,331		1,273
Other operating expenses	5,012	5,095		4,337
Reinsurance	8,440	8,136		10,314
Investment management fees	791	794		733
Change in actuary assumptions	-	-		(29)
Other	166	(535)	(5)	57
Total Expenses	68,009	67,586		56,494
Income before distributions	9,503	9,370		31,728
Distributions:				
Morale and welfare grants	-	2,952	(6)	2,721
NPP IT Project Access and reinsurance service fee	-	596	(6)	279
Financial Planning division	1,467	1,196		1,166
Total distributions	1,467	4,744		4,166
Reserve changes		(17,688)	(7)	-
Prior Period Adjustment QCC	-	-		(9,000)
Prior Period Adjustment - other	-	284		57
Total adjustments	-	(17,404)		(8,943)
Net Income (loss)	8,036	(12,778)		18,619

Notes:

1. Realized gains of \$2.3M not forecasted
2. Segregated fund investment income is dependant on market volatility
3. Life insurance claims lower than forecasted
4. Reserve increase higher than expected due to increased liabilities under the paid up certificates issued under the Coverage After Release plan
5. Premium tax adjustment
6. Contribution to CFCF paid in May 2012, but set up as payable for 2011 year end
7. Extraordinary reserve adjustment due to decline in interest rates

**SISIP Proper
Balance Sheet ⁽¹⁾
(Unaudited)**

<i>(In thousands of Canadian dollars)</i>	As at Dec 31, 2011	As at Dec 31, 2010
ASSETS		
Investment property	-	-
Segregated funds	292,606	286,681
	292,606	286,681
LIABILITIES		
Accounts payable to CFCF	3,548	-
Net plan liability	9,016	(6,138)
Surplus	280,042	292,820
	292,606	286,682

1. Balance Sheet reviewed by Mercer
2. 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 \$128.8 million as at December 31, 2011.
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.