Living In Interesting Times...

Greetings from all of us here at Trisura. “May you live in interesting times” is a professed ancient Chinese proverb that was originally meant as a curse but now tends to be meant as a blessing (as for example, leaders and heroes often emerge during turbulent times and of course, no one wants to live in boring times). Interesting is an understatement for what has been an absolutely tumultuous last few weeks in the financial services sector.

As the 3rd quarter of 2008 has just come to a close, I thought it was a good time to provide a “state of the union” given that we have now been writing business for 30 months. We are pleased to report that Trisura is doing very well and is exceeding the targets that we set out in our original business plan.

Since we opened our doors and wrote our first premium in March of 2006, we have written in excess of $48 million in revenue. To date, our total paid claims and outstanding case reserves combine for less than $3.7 million which is good news for us operationally and is below our planned claims ratio. If one was to refer to our filed statements with the Office of the Superintendent of Financial Institutions (OSFI), you would note a significantly higher claims figure and, from time to time, I have been asked “why is that?” The majority of this reported OSFI figure is a provision for incurred but not reported claims (IBNR). Given our conservative approach to the business, we have set high levels of IBNR (generally ranging between 30% and 40%, depending on the product line) and, if we ultimately deliver lower actual claims, then some of this IBNR will be released and will make its way into profit and retained earnings. As of August 31, 2008, our IBNR bank totalled $7.8 million.

Trisura commenced operations with $25 million in capital and, over the past 30 months with strong cash flow from operations, we have grown our total investment and cash portfolio to more than $35 million. In terms of capital adequacy, OSFI assesses the financial strength of all insurers using the Minimum Capital Test (MCT) as its principal measure. The minimum regulatory requirement for a P&C company in Canada is 150% and, as at June 30th, 2008, Trisura’s MCT measured 558%, nearly 4 times OSFI’s minimum. We are extremely well capitalized for the business we transact.

In regards to our investment portfolio, it should first be noted that Trisura has no exposure to the asset-backed commercial paper (ABCP) that has rocked the industry and threatened numerous companies. Second, our portfolio is heavily weighted (over 70%) towards safe, conservative bonds and cash and equivalents.

One of Trisura’s Guiding Principles is to “Reinsure Appropriately – we will share and spread risk with strong reinsurance partners”. We have embraced this principle by maintaining low net retention’s and reinsuring our business with Swiss Re, Transatlantic Re, Everest Re, Ace-Tempest Re, Paris Re, Partner Re, Hannover Re and Odyssey Re. We consider ourselves fortunate that such financially solid global players have backed Trisura and we continue to appreciate these relationships.

For 2008, we expect a top line over $30 million with Surety accounting for about $15 million, Corporate Risk (Directors’ and Officers’ Liability, Professional Liability and Fidelity) contributing approximately $11 million and Risk Solutions $4 million. This incredible start is due to the efforts of our exceptional staff and the superb support of our broker force. We continue to fully appreciate your efforts and contribution as well.

We plan to make a small underwriting profit this year which, for a company in only its second full year of operation, is a truly remarkable achievement. We expect to deliver a strong bottom line return in 2009 despite a challenging economic and insurance marketplace.
Our relationship with our parent, Brookfield Asset Management Inc., remains very strong. Brookfield is one of Canada’s foremost organizations and an emerging global leader. We are very proud of our affiliation.

We have continued to grow our business through the addition of 3 new staff since my last update and our staff count now stands at 38.

Rob Litt joined us in Toronto as Senior Underwriter, Risk Solutions from a large multi-national insurer and his expertise will enable us to take our Risk Solutions business to a new level in the years to come. You can reach Rob at robert.litt@trisura.com.

We welcome Sarah Mainella as Surety Administrator in Toronto. Sarah came to us with experience on the brokerage side of the business. She is fluently bilingual and will be a big asset for us in better servicing your surety needs. Sarah’s email address is sarah.mainella@trisura.com.

In Vancouver, Katarina Osterlind joined Trisura as Office Administrator and we look forward to her drawing on her experience to help our Western operations become even more efficient and service oriented. She can be reached at katarina.osterlind@trisura.com.

Once again, I would like to express our sincere thanks on behalf of the entire Trisura team to our brokers, reinsurers and other supportive companies and individuals. With your continued support, Trisura is poised to emerge from these challenging times as a leading Canadian specialty lines company. As I started off this update, “May you live in interesting times”, sometimes the most difficult times are the most perplexing and frustrating but can be the most rewarding too. As Robert Kennedy once said. “All of us might wish at times that we lived in a more tranquil world, but we don't. And if our times are difficult and perplexing, so are they challenging and filled with opportunity.”

Trisura was founded as a Canadian owned, managed and controlled organization with a clear focus on serving the needs of Canadian brokers and their customers. We feel the recent market developments have reinforced that we are on the right track with our strategic intent and have reminded us that Canada remains a great country in which to live and work.

All the best,

Michael George
President and Chief Operating Officer
Trisura Guarantee Insurance Company
Tel: (416) 214-2555 ext. 224
mike.george@trisura.com