



## Trisura Update – “Making Progress”

“If you are walking down the right path, and you’re willing to keep walking, eventually you’ll make progress”. So says American President Barack Obama. A great deal has changed in the world since my last Trisura update in October, and both the global and Canadian economies have become much more challenging. Everyone’s path has become a little more difficult to negotiate. What I would add to President Obama’s comment is that it’s a great deal easier to walk the right path and make progress when you do it together with your friends. Let’s hope he considers that in the days ahead when it comes to his dealings with Canada.

We at Trisura feel that we are walking down the right path, walking with our friends, and are continuing to make excellent progress. Operationally, 2008 was a very good year for Trisura as we wrote in excess of \$31 million in revenue and made an underwriting profit of \$188,000, which, albeit modest, was significantly ahead of our plan. Our ability to deliver a net underwriting profit in less than 3 full years in business is an important milestone and reinforces our belief that we are on the right path and making progress. Our broker and reinsurance “friends” have delighted us with your continued strong and unwavering support of Trisura and we appreciate everything all of you have done.

You may recall that we started our business in early 2006 with \$25 million in capital (shareholders equity). Due to strong cash-flow since inception, coupled with excellent investment returns in 2006 and 2007, our total investment portfolio grew to some \$38 million by June of 2008. Despite incorporating what we thought was a diversified and reasonably conservative overall investment strategy, the massive global correction in the equities markets caused an 11% reduction in the value of our portfolio which translated into a \$4 million loss for the year. As a result, we have taken steps to ensure that we are more cautious in our investment philosophy going forward.

Although under no obligation or requirement to do so, we chose to take advantage of our excellent relationship with our parent, Brookfield Asset Management Inc., and added \$6 million in capital at year end, bringing shareholder’s equity to \$26.4 million at December 31. This simply reinforced our balance sheet at a time when most financial institutions have been taking similar steps. Trisura’s MCT (Minimum Capital Test, a measure of capital adequacy by OSFI) is approximately 680%, well over 4 times the minimum regulatory requirement for a P&C company. By comparison, Trisura’s MCT is more than 3 times that of Canada’s largest insurer, ING (now Intact), which had a 2008 MCT of 205%. Trisura remains extremely well capitalized for the business we transact.

We were extremely pleased with our reinsurance treaty renewals, considering the challenging marketplace. We have added two new participants as we had a significant level of interest in our book of business and were oversubscribed in several products.

As you may have learned in a previous update, we recently expanded our Corporate Risk product suite with the addition of Extortion, Kidnap & Ransom coverage through a relationship we have established with William J. Sutton & Co. Ltd.

We are currently in the process of distributing our Contingent Profit Sharing cheques to our brokers; payments for 2008 total nearly \$500,000. For us, this is a great time of year, as we get an opportunity to say “thanks for the business”, to recognize the incredible support of our brokers and to strategize and develop plans for 2009 and beyond.

Trisura continues to grow on the staff side. With the addition of 3 people, we now total 40 in Vancouver, Calgary, Toronto and Montreal. Please welcome to the Trisura team:

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John Thorpe, Underwriter, Surety, Calgary. John joins us from the construction industry and strengthens our Calgary branch. We now have a team of 4 surety underwriters focused on the Prairie Provinces.

Matt Newman, Underwriter, Surety, Toronto. Matt joins us with several years experience with one of Canada's leading surety companies and is currently completing his CMA designation.

Micheline Saliba, Underwriter, Corporate Risk, Montreal. Micheline joins us from Brookfield and has prior insurance experience. She reinforces our Corporate Risk team in Montreal and we now have 6 dedicated staff in our Montreal branch.

We are also extremely pleased to announce two promotions in our Calgary branch, with Donna Anderson now Vice President, Surety and Richard A. Grant moving to Manager, Surety. Both Donna and Richard have done a tremendous job for us in building their business in Alberta and the Prairie Provinces and we are fortunate to have them leading our Surety business in this critical region of Canada. Please join me in congratulating them both.

We are also proud to recognize the accomplishments of Marilyn vanGansewinkel, Manager, Corporate Risk, in our Toronto office, as she is one of the recipients of the "Underwriter of the Year Award" as selected by the Canadian Broker Network (CBN). Marilyn is one of eight recipients from across Canada who were nominated for this Award of Distinction by a committee of marketing managers from CBN. We take pride in the fact that Marilyn has been selected by the Canadian Broker Network for an award that truly reflects Trisura's core values.

Trisura will continue to grow in 2009, but at a slower rate than we have in the first 3 years. Expectations are that our revenue will move to the \$38 million range, still at a respectable 22% clip, but forecasting top line in the most uncertain economic time in most of our careers is not an easy task. Our focus in 2009 will be on fostering and deepening our key broker relationships. We believe that working even more closely and more visibly with you in these tough times should lead to even better results for all of us when we do emerge from this recession. It will be long, deep and painful but, if we have chosen the right path, and we keep on walking with our friends, eventually we will make progress. Together.

All the best in 2009 and thank you for your continuing support.

Regards,

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