The North America Insurance Sectors

December 2003

A Company and Industry Analysis

CONTENTS

Current Environment — Key Points

- US insurers are expected to pay $2.9 billion to homeowners and businesses for insured property losses from seven catastrophic events — up more than 400% in the third quarter of 2002.
- Since the current hard market began three years ago, the first half of 2003 was the first sustained period of good financial performance for the property and casualty sector, whose net income rose to $14.5 billion from $4.4 billion in the first half of 2002.
- Throughout 2002, merger and acquisition activity was weak due to sluggish equity markets, accounting and reserve adequacy concerns, and companies being concerned about risk-taking.
- Regardless of the tough year, the Canadian life and health insurance industry turned in a creditable performance in 2002, with total premiums increasing by 3% to $33.39 billion.
- Property and casualty investment income will likely increase in the near future as a result of improved cash flow as evidenced by the 2.1% increase in the first half of 2003, according to the Insurance Information Institute.

Industry Profile — Key Points

- The potential growth for the US insurance sector can be attributed to the country's ageing population. The Census Bureau projects that the population aged above 65 years will rise by 20% by 2030.
- The insurance sector in the US is tightly regulated, with new laws regularly enacted to protect consumers and to adjust to new circumstances such as the heightened worldwide risk of terrorist attack.
- In Canada, there are approximately 300 insurers, catering to a market worth $37.43 billion annually.
- There is keen competition in Canada's life and health insurance industry, with 116 life and health insurers competing aggressively with each other.
- Canada's property and casualty market, another big sector, has attracted considerable interest from foreign companies. Six of the ten largest insurers are now foreign-owned, with foreign insurers accounting for about 66% of net premiums earned.

Market Trends and Outlook — Key Points

- Rising medical costs, vehicle repair, jury damages awards, automobile theft and fraud are expected to escalate insurance rates by 6% in 2004.
- The World Trade Center attacks sent the market into chaos and cost the insurance industry billions, which they are still trying to recover through higher premiums and reduced coverage. Meanwhile, the perceptions of the risks of future terrorist attacks still linger.
- Throughout 2003, moderate economic growth, a continued low inflation rate, ongoing low interest rates, a restrained growth in corporate profits and uncertain equity markets have persisted.
- It is expected that the insurance market will be more stable in 2004. Therefore, the insurance industry should continue to be well positioned to maintain its leadership role in North American financial services.

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Current Environment
- United States

Sector Overview

US insurers have achieved their strong position in the world insurance industry primarily through servicing demand in the large US domestic market. At present, the life and property and casualty sectors of the industry are particularly healthy. However, continued profitability will require successful adjustment to current and emerging competitive and risk pressures. Liability exposure — especially in catastrophe coverage — threatens profitability for many property and casualty insurers.

The insurance industry plays a significant role in the American economy, providing individuals and businesses with a broad spectrum of financial security products such as life insurance, retirement income, health insurance, and automobile and homeowners property and liability coverage. Although currently profitable, businesses need to prepare for major changes in insurance availability and pricing. It is expected that most insurers will increase premiums during the coming year, as well as restricting certain classes of business or certain types of coverage.

The events of September 11, 2001, had a marked effect on insurance availability and pricing. The terrorist attacks caused $20.7 billion in losses in the third quarter of 2001 at a time when the US was already experiencing an economic downturn.

The property and casualty insurance industry suffered its largest ever losses on 9/11. In response, Congress passed the Terrorism Risk Insurance Act (TRIA) which created a backstop for the industry, a stabilizing mechanism aimed at providing essential reinsurance for America's primary insurers and their commercial lines policyholders. TRIA is set to expire on December 31, 2005. Congress intended the Act to be a temporary means of cushioning the insurance market against large losses from acts of terrorism and to give the market time to determine how to cover these without government assistance. If the program is not extended it could leave the insurance industry in turmoil.

In the third quarter of 2003, US insurers are expected to pay $2.9 billion to homeowners and businesses for insured property losses from seven catastrophic events, up more than 400%, compared with the $715 million paid in the same quarter of last year, according to Insurance Services Office Inc's (ISO), US-based market research firm, Property Claim Services (PCS) Unit.

The seven catastrophic events during the quarter — Hurricanes Claudette and Isabel, four wind and thunderstorm disasters, and the widespread power outage across dozens of cities in the eastern US and Canada during mid-August — though costly — were within statistical averages, based on an annual average frequency of 6.5 events over the past ten years. They brought total catastrophe losses for the first nine months of 2003 to $9.4 billion, more than double the $4.1 billion for the same period last year. According to PCS, insurers can expect nearly 886,000 personal and commercial property and automobile claims in 30 states from third quarter events.

Table 1: Third Quarter Catastrophe Losses Since 2001

Year	Number of Events	Insured Losses ($)
2001	4	20.7 billion*
2002	6	715 million
2003	7	2.9 billion

***Largely due to 9/11 losses**
Source: Insurance Services Office

Sector Performance

Since 2001, investors have had doubts about insurer performance, which has been disappointing following 9/11 and later factors such as the Iraq war and general economic conditions. The first half of 2003 was the first sustained period of good financial performance for the property and casualty sector since the current hard market began three years ago. The sector's net income in the US rose to $14.5 billion in the first half of 2003 from $4.4 billion in first half of 2002, according to Insurance Services Office, Inc. (ISO) and the National Association of Independent Insurers (NAII). The increase in net income and growth in surplus in the first half of 2003 provide important confirmation of the insurance industry's continuing recovery from the soft markets of the 1990s.

According to the ISO, insurers' profitability improved significantly, reflecting the sharp increase in income in the

Current Environment - United States

first half of 2003. The industry's annualized rate of return on average surplus rose to 9.7% for the first half from 3.1% for first half of last year.

The overall financial performance of the life insurance industry, however, has been sluggish. Insurers have sought to strengthen their financial position in response to stricter solvency scrutiny by regulators and their own expectations of future financial and strategic challenges. In 2002, total income of all US life insurers increased 1% to $734 billion, according to the American Council of Life Insurers (ACLI). Insurance premiums and annuity considerations contributed 70% of total income, and investment earnings 25%.

Table 2: US Income of Life Insurers

	2001 Billions	2002 Billions
Total Premium Receipts	$480	$512
Investment Income	$203	$181
Other Income	$41	$40
Total Income	$724	$734

Source: American Council of Life Insurers
Note: Figures may not add up due to rounding.

Leading Companies

In the US, prices for most kinds of insurance have been rising sharply since shortly before 9/11 and they accelerated afterward. American International Group (NYSE: AIG), one of the world's biggest insurers, reported a nearly 27% increase in net income for the third quarter of 2003, as prices for its policies have been rising and claims costs have been declining.

Its net income rose to $2.34 billion, or 89 cents a share, from $1.84 billion, or 70 cents a share in the period a year earlier. According to Lehman Brothers, the prices for coverage have been strong throughout the industry, but AIG was doing better than most because it was a leader in some riskier lines of business that command the highest prices, such as policies for corporate directors and officers.

In 2003, US-based provider of insurance software and solutions, AIG Technologies, a member company of AIG, signed a multi-year outsourcing agreement with Indian software major, Satyam Computer Services (NYSE: SAY). As part of a non-disclosure agreement with the client, Satyam refused to reveal the value of the deal, although it confirmed that multi-year means more than three years and could be a five or seven year deal.

John Hancock Financial Services Inc (NYSE: JHF) achieved promising third quarter results. The company reported income of $190.8 million, or $0.66 per share, compared with $158.1 million, or $0.54 per share diluted, in the third quarter of 2002. The company demonstrated solid underwriting, as well as disciplined spread management and product pricing, and delivered strong core life sales growth of 30% on a sequential basis, with gains in both universal and variable life insurance across key distribution channels.

Another leading insurer, American National Insurance Company (NASDAQ: ANAT), announced third quarter 2003 net income of $43.96 million compared with $31.44 million for the same period in 2002, an increase of 39%. With more than $14 billion in assets, it is rated A+ (Superior) Best and AA (Very Strong) by A.M. Best in its list of the top 50 insurers. Its income increase resulted from an improving trend in its Multiple Line Operation's performance, which continued in the third quarter of 2003.

However, some major insurers have not had a good year. The US's No. 2 life insurer, Prudential Financial Inc (NYSE: PRU), reported that its third quarter 2003 earnings fell, hurt by investment losses. The company's net income was $230 million, or 46 cents a share, for the three months ended September 30, compared with $392 million or 70 cents a share for the same period in 2002. Prudential says its third quarter results reflect actions it took to strengthen the performance of its businesses, while using its capacity more effectively. Despite the fall in net income, the company's operating results were helped by the acquisition of annuity seller American Skandia, which boosted its distribution capacity, as well as growth in South Korea and Japan.

Mergers and Acquisitions

Throughout 2002, merger and acquisition activity was weak due to poor equity markets, concerns over accounting standards and the adequacy of reserves and excessive risk-taking. There has been a slight increase in merger and acquisition activity this year, however, primarily with the aim of achieving economies of scale.

Current Environment - United States

For example, AIG was set to buy a 9.9% stake of PICC Property Casualty, a unit of China's biggest car and home insurer, as part of a strategic alliance with the mainland company ahead of its listing in November. The companies plan to cooperate in developing accident and health insurance in a deal that will enable AIG to expand its presence in the fast growing Chinese insurance market. Additionally, the cooperation with PICC may help AIG build its brand and business in China. Based on market expectations that PICC will list a 25% stake for $500 million, AIG's stake would be valued at about $200 million. However, AIG declined to reveal details regarding the deal. It remains unclear whether it will purchase the stake via the IPO or buy it separately.

Also, on September 17, AXA Financial Inc (NYSE: AXA) and MONY Group Inc (NYSE: MNY) agreed to AXA Financial, a leading financial services organization, acquiring 100% of MONY, a financial services firm that provides protection, accumulation and retail brokerage products through advisory and wholesale distribution channels. It was a cash transaction worth some $1.5 billion.

According to AXA Financial, the acquisition will be a great opportunity for the company to add scale to its operations by acquiring an organization with outstanding distribution capabilities, an enviable client base and substantial assets under management, a solid workforce and strong client relationships.

During the third quarter of 2003, John Hancock announced it had entered into a merger agreement with Manulife Financial Corporation (TSE: MFC). According to John Hancock, the merger, creating the No. 2 insurer in North America behind AIG was not made merely for cost savings. Subsequently, this merger displaced Prudential as the number 2 insurer in the US. John Hancock said it was because of remarkable growth opportunities and, most importantly, because the boards and management of both companies are dedicated to building a formidable competitor.

Current Environment
- Canada

Sector Overview

There are some 300 insurers currently operating in Canada, according to Insurance Canada. Generally, most companies sell either P&C or life and health insurance, but seldom both. Canadians spend almost $37.43 billion on insurance annually, according to combined statistics from the Insurance Bureau of Canada (IBC) and the Canadian Life and Health Insurance Association (CLHIA). More than half the premiums paid by consumers in 2001 to non-government insurers were for automobile and commercial vehicle insurance and totaled $8.45 billion, according to IBC. The next largest category was property insurance for homeowners, tenants and commercial enterprises totaling $4.68 billion.

The Canadian property and casualty insurance industry helps strengthen the Canadian economy by assuming the financial risk inherent in many personal and business activities. Generally, the industry is defined as including all lines of insurance other than life and health, although there are a few companies selling a limited amount of sickness and accident insurance.

Sector Performance

Despite a challenging year, the Canadian life and health insurance industry turned in a creditable performance in 2002. According to the CLHIA, total premiums rose 3% to $33.39 billion. The continued growth in premiums for life insurance (up 4.7% over 2001 to more than $8.91 billion) and health policies (up 11.8% to $9.13 billion) offset the 2.5% decline in annuity premiums. This was due to slower sales of segregated fund (market value based) products. Industry assets rose to $209.63 billion, up slightly from the $207.02 billion in 2001, according to CLHIA. The 3.9% growth in general fund assets more than offset the 4.7% decline in the segregated fund assets to $65.06 billion.

Leading Companies

In the first half 2003, the US property and casualty industry's net income rose to $14.5 billion from $4.4 billion in the first half of last year, according to the Insurance Services Office (ISO). The increase was driven by improved underwriting results and an increase in net investment gains. According to the ISO, the property and casualty sector is reflecting the sharp increase in income in first half 2003, when insurers' profitability improved significantly, with the industry's annualized rate of return on average surplus rising to 9.7% for first half 2003 from 3.1% for first half 2002.

Most of the major insurers in the US increased profits. For example, Sun Life Financial Inc (TSX: SLF) reported record profits for the third quarter of 2003, buoyed by strong equity markets and a strong performance by its Canadian arm. The net income for the quarter ended September 30 totaled $301 million, up 8% from $280 million in the previous quarter. Sun Life's positive results benefited from improved equity markets and reflected a continuing strong rebound in earnings from MFS Investment Management and Sun Life Financial US.

Manulife Financial Corp, Canada's third-biggest insurer, reported a higher third quarter profit, despite lower sales, as strong business growth, lower expenses, and better equity markets made up for the dampening effect of the stronger Canadian dollar. The company said the continued rally in the equity markets in the third quarter had a positive influence on segregated fund guarantees, fee revenues and investment income. Manulife's 21% rise in profits was bolstered by rising North American equity markets. The company's net income was $302 million, up from $248 million in the same period last year. Manulife has said its higher earnings reflected continued improvements in global equity markets, solid sales growth, market share gains in several businesses and the positive impact of cost containment initiatives and productivity gains.

One of the best-known names in the Canadian insurance industry, Great-West Lifeco Inc (TSX: GWO), also reported stronger third quarter profits, helped by its acquisition of Canada Life Financial Corporation (TSX: CL) earlier this year. Canada's biggest insurance company's net income rose to $258.8 million from $188.37 million in third quarter 2002.

Similarly, Maritime Life (TSX: MMF), reported excellent third quarter profits and customer satisfaction. The company's net income totaled $24.8 million, an increase

Current Environment - Canada

of 38.2% from the same period in 2002. The net income for the year-to-date period was positively affected by the acquisition of Liberty Health in the third quarter and the impact of recovering equity markets.

Additionally, Maritime Life's annual customer satisfaction survey indicated an exceptional rating of 94% — 3% higher than last year. The company has said its priorities would continue to be new business development, product enhancement and maintaining the high customer satisfaction levels, which have underlined the success of its business approach to date.

Mergers and Acquisitions

Manulife Financial Corp agreed to buy US life insurer John Hancock for $11 billion. The stock-swap deal, the largest corporate transaction in the US in 2003, will also make Manulife the second-largest insurer in North America and the fifth-largest in the world. Manulife views the acquisition as a unique strategic opportunity to combine two exceptionally strong companies into a single, integrated, global market leader, the scale and capital base of which will drive even greater growth and shareholder value. Following the deal, Manulife will be the sixth-largest US insurer based on assets. Manulife's market capitalization currently stands at $14 billion. The deal between the two groups marks a further step in the consolidation of the North American insurance industry and is a bold move by the Canadian group to increase its presence in the US market.

On July 8, Maritime Life announced it had completed its acquisition of the insurance business of Liberty Health, a Canadian division of US-based Liberty Mutual Insurance Company, for approximately $108 million. The transaction is expected to add about $538 million in premiums and premium equivalents, primarily to Maritime Life's group insurance operations, and should reinforce Maritime Life's position as one of the top group insurers in Canada.

Maritime Life has said Liberty Health was an excellent complement to its presence in group insurance, particularly in Ontario, its largest market. Liberty Health is also a national leader in individual health insurance, with a 25% market share, and this business reinforces Maritime Life's position as one of the top insurers in Canada.

Great-West Lifeco Inc completed its $5.56 billion acquisition of Canada Life on July 10. The acquisition, first mooted in February, will create the largest player in the Canadian market with dominant business positions in all major lines. The combined distribution system, along with a multi-brand platform should serve as a major strength and competitive advantage.

According to Great-West, this transaction will add another well-known financial brand and a powerful new distribution channel to the Great-West group of companies. As a result of the acquisition, Great-West will emerge from the final stage of industry consolidation with a pre-eminent position in the Canadian life insurance industry and significantly enhanced business in the US. The merged companies are expected to save about $221 million, with 90% of those savings coming within the first two years.

Investors Group Inc will participate in Great-West's acquisition of Canada Life by buying $76 million worth of common shares of Great-West. The acquisition will provide Investors Group Inc with potential revenue enhancement and expense reduction opportunities in a number of areas.

Following the acquisition, A.M. Best Co downgraded the financial strength ratings of Great-West to A+ (Superior) from A++ (Superior). The rating downgrade reflected factors including heightened leverage, significant goodwill associated with the transaction and integration challenges associated with an organization the size of Canada Life, which has no certainty that planned cost savings will be fully realized.

Sun Life Financial Inc is still looking for a US acquisition to boost its group insurance presence south of the border. The company has said it is mainly looking at opportunities of between $200 million to $400 million. On October 22 Sun Life announced it had been granted approval by the China Insurance Regulatory Commission (CIRC) to begin preparing operations for selling life insurance in Beijing with its joint venture partner China Everbright Group Limited. The company has described this as an historic milestone, which is excellent news for its shareholders, and the key to its long-term growth plans in Asia.

Along with its Chinese joint venture partner, Sun Life will begin offering world-class life and health insurance products to meet the expanding needs of China's emerging market. The company has attributed the strong support of the Canadian Government as an important factor in obtaining the license and in helping it build on its existing presence in Tianjin.

Current Environment - Canada

Another acquisition, Travelers Property Casualty Corp (NYSE: TAP) and St. Paul Cos (NYSE: SPC) agreed to a $12.4 billion merger on November 17, 2003. The merger agreement will create the second-largest commercial insurer in the country behind AIG, to be known as The St. Paul Travelers Cos and also one of the largest property casualty insurers in the world.

In addition, the combined company is expected to have total assets of $99.49 billion, shareholders' equity worth $15.31 billion, total capital of $19.9 billion and net written premiums worth $15.31 billion. An industry expert has said the merger was necessary for the survival of both companies because of the trend towards consolidation in the insurance business. The company has said the transaction represented a compelling opportunity to create one of the nation's largest and strongest property and casualty insurers, with enhanced prospects for strong and consistent earnings growth.

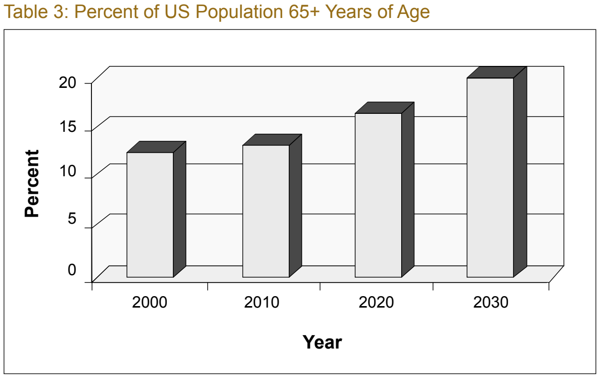
Industry Profile
- United States

Size and Value

Like all other industries, the insurance industry is an important part of the US economy. Historically, US insurers have concentrated primarily on the domestic market where economic growth and population growth were sufficient to generate adequate expansion of the industry. Following many years of growth, domestic market opportunities for the mature and saturated insurance industry are likely to be limited over the next few years because of slower growth in the economy.

Despite this, potential growth for the insurance sector will come partly from the ageing population. Census Bureau projections show the proportion of the population aged above 65 years old will increase from 12% in 2000 to 20% in 2030. The ageing population is likely to increase demand for insurance, as the Government's budget covering health care and other benefits for its citizens would likely be stretched.

Table 3: Percent of US Population 65+ Years of Age



Source: US Bureau of the Census 2003

In the US, there were 3,163 property and casualty companies in 2001, compared with 3,215 in 2000, according to National Association of Insurance Commissioners (NAIC). The life and health insurance industry comprised 1,506 companies in 2001, compared with 1,549 in 2000. The decrease is generally due to insurers cutting costs, specialization, competition within a converging financial services marketplace and economies of scale.

For the time being, AIG is still the industry leader. The industry's size makes AIG not only the US leader within the sector, but one of the world's leading corporations. In 2002, AIG's net premiums were worth $27.41 billion, an increase of 36.4% over 2001. Insurance, in one form or another, affects the lives of most Americans. For instance Metlife Inc claims that they alone serves 12 million individuals and households in the US, as well as companies and institutions with 33 million employees and members, including 88 Fortune 100 companies.

Table 4: Top Ten Insurers in the US by Total Assets

Company Name	Total Assets in 2002 ($ Billions)
American International Group Inc	561.23
Prudential Financial Inc	292.75
Berkshire Hathaway Inc	169.54
Allstate Corp	117.43
Principal Financial Group Inc	89.87
Loews Corp	70.52
Travelers Property Casualty Corp	64.14
CNA Financial Corp	61.73
Conseco Inc	46.51
Aetna Inc	40.05

Source: Mergent Online

Regulatory Environment

In the US, insurers are required to meet the licensing and operating standards of each state in which they do business. The NAIC, a voluntary association of the heads of state insurance departments, works to standardize regulatory requirements through the issuance of NAIC Model Laws (i.e. the adopted, risk-based, capital standards for both life and property-casualty insurers) which states are urged to enact.

Bringing efficiency and modernization to the insurance regulatory system is a top priority for life insurers. Unlike

Industry Profile - United States

the banking and securities industries that are regulated at the federal level, and with which insurers compete, insurance is regulated almost exclusively by the states. The American Council of Life Insurers (ACLI) has drafted a legislative proposal for an optional federal charter for life insurers. The proposal, comprising the National Insurer Act and the National Insurer Solvency Act, is modeled after the dual system regulating commercial banks, thrifts, and credit unions. It would enable each life insurer to obtain either a federal or state charter based on the needs and circumstances of its operations.

ACLI's optional federal charter proposal constructs a federal regulatory system for life insurers that addresses two fundamental objectives; strong solvency oversight and strong consumer protection. It will create an Office of National Insurers within the Department of the Treasury to carry out its mission. Therefore, the ACLI is actively working with members of Congress to have the legislation introduced and enacted.

The US insurance sector is tightly regulated and new laws are regularly enacted to protect consumers and to adjust to new circumstances, such as the changed world of risk following 9/11. As a result, effective from November 26, 2002, the TRIA helped by turning the US Government into a reinsurer against terrorism. The act was designed to safeguard commercial insurers against potential bankruptcy. With TRIA in place, insurers are expected to face manageable losses if there is another act of terrorism. Under the terms of TRIA, which covers events of up to $100 billion, the Government will be paid back any money it puts in through a surcharge on insurers' policyholders.

On June 11, the US Government announced plans to introduce a compulsory insurance scheme for companies' defined-benefit pension plans, which guarantee employees' pensions related to their final salaries. The new scheme is modeled on America's Pension Benefit Guaranty Corporation (PBGC), a quasi-governmental agency set up 30 years ago, which insures basic pension provisions for about 44 million American workers.

Additionally, the Government proposes to set up a pension protection fund (PPF) for the 18,000 or so defined-benefit plans that are still open, financed by a fixed levy on companies and a premium supposed to reflect different funds' different levels of risk. When a company goes bankrupt, the PPF will ensure that pensioners receive their pensions in full and that those still in work will get 90% of the pension they have accrued so far.

Under the proposals, solvent employers winding up their under funded defined-benefit schemes would have to compensate their workers fully. The Government plans to introduce a new pension regulator to replace the Occupational Pensions Regulatory Authority. To lessen the burden for employers, pensions will no longer have to be indexed directly to inflation.

In November, the Alliance of American Insurers urged the NAIC to show how serious they were about modernizing state regulation by reducing the monies collected from insurers and returning some funds to the companies they regulate. The alliance has suggested the NAIC budget has too much surplus and that some should be reduced.

Some alliance members reportedly think that all they get from state regulation is higher bills every year and more headaches. Fees always increase and the budget never decreases. The alliance stated that the $50 million plus budget proposed for 2004, combined with a surplus projected at over $40 million, is uncalled for and should be trimmed.

Sector Investment

In the property and casualty insurance sector, insurers' net investment income dropped 5.4% to $26.4 billion in the first nine months of 2002 from $28 billion in the first nine months of 2001. The decrease reflects a decline in the yield on investments. Insurers' average holdings of cash and invested assets during the first nine months of 2002 were 1.6% above their average holdings a year earlier. But the yield on cash and invested assets fell 6.9% compared with a year ago.

However, property and casualty investment income will likely increase in the foreseeable future, as evidenced by the 2.1% increase in the first half of 2003, according to the Insurance Information Institute (III). Investment income is likely to rise as a result of improved cash flow. Even with declining interest rates during the second quarter of 2003, the increase in investable funds was beginning to turn the tide in favor of greater gains.

President George Bush's tax cuts in 2003 have forced the federal budget into deficit for the foreseeable future, despite the budding economic recovery. This will lead

Industry Profile - United States

to the largest deficit in the nation's history and record borrowing by the Federal Government. According to the III, the Congressional Budget Office projects a record $401 billion deficit for fiscal year 2003. For 2004 and 2005, the forecast deficits are a staggering $480 billion and $341 billion, respectively. Budget cutbacks could seriously affect the health care system at every level in the US.

Missouri is one case in point. Without federal financial aid, many state health care programs, such as the State Children's Health Insurance Program (SCHIP), have to be eliminated. Although the move would save Missouri taxpayers almost $25 million, it would leave 83,000 children uninsured.

Industry Profile
- Canada

Size and Value

Canada's life and health insurance industry is highly competitive, with 116 life and health insurers competing aggressively with each other, according to CLHIA data from March 2003. Canadian-owned individual life insurance totaled $944.21 billion by year-end 2002. According to CLHIA, almost 17.5 million Canadians own life insurance with the amount owned by individuals averaging $104,770. Furthermore, about 23 million Canadians and their independents are protected by one or more of the life and health industry's products and services.

In 2002, Canadian life and health insurers generated $41.55 billion, or 58% of their total worldwide premiums from foreign clients for life, health insurance and annuities. According to the CLHIA, more than 18 million people in more than 20 countries outside Canada own life insurance policies with Canadian companies.

Canada's life and health insurers account for 12.8% of the assets held by Canadian financial institutions, according to the Department of Finance. They participate in financial markets by providing long-term capital to both government and business. Canada's domestic insurers are strong in their home market. Approximately 90% of life insurance business in Canada is with domestic firms.

By year-end 2002, 118,900 people were working in the life and health insurance business; 52,700 full-time employees and agents, and 66,200 independent agents who earn at least part of their income from the life and health insurance industry.

Table 5: Canadian Life Insurance Purchased in 2002

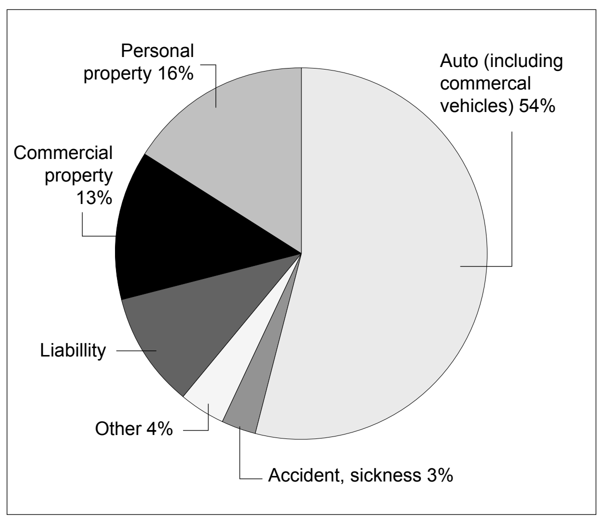
Year 2002	$ (Billion)
Individual life insurance	125.9
Group life insurance	63.53
Total life insurance	**189.43**

Source: Canadian Life and Health Insurance Association

Canada's property and casualty market, another big sector, has attracted considerable interest from foreign companies, which can enter through separately capitalized subsidiaries. According to the Department of Finance (latest update September 2003), six of the ten largest insurers are now foreign-owned, with foreign insurers accounting for about 66% of net premiums earned. While most of the property and casualty insurance industry in Canada is made up of stock companies, about 16% of net premiums are written by mutual companies, which are owned by policyholders.

The property and casualty insurance industry in Canada raised just over $16.05 billion in net premiums in 2001, a slight increase from the previous year according to Department of Finance Canada. Of over the $16.05 billion in net premiums in 2001, over $8.41 billion was for automobile insurance.

Table 6: Net Premiums by Line of Business in the Property and Casualty Insurance Industry, 2001



Source: Insurance Bureau of Canada, Facts of the General Insurance Industry in Canada, 2002

The largest single class of general insurance in Canada continues to be automobile liability insurance for private passengers and commercial vehicles, which is mandatory throughout the nation. The premiums for automobile

Industry Profile - Canada

insurance total more than those for all other classes combined. In 2001, private sector insurers in Canada generated about $8 billion in auto insurance net premiums, with government insurers accounting for an additional $3.6 billion in Quebec, Manitoba, Saskatchewan and British Columbia.

Regulatory Environment

In Canada, policies and regulations play a crucial role in the insurance sector. They aim to ensure that insurers are financially competent in discharging their obligations and ensure insurance contracts are fair and that business is being conducted for the general public good.

Both levels of government, federal and provincial, are involved in the regulation and supervision of participants in Canada's life and health insurance industry to ensure that commitments to policyholders are met. The Federal Government, through the Office of the Superintendent of Financial Institutions (OSFI), supervises federally incorporated and foreign firms holding over 90% of total industry assets.

Similarly, the property and casualty insurance business conducted in Canada is supervised and regulated by both Federal and Provincial Governments. According to the Department of Finance, the Federal Government supervises approximately three quarters of the property and casualty insurers through the OSFI, as they operate in more than one province or are branches of foreign companies. These federally regulated insurers make up more than 80% of the total business of the property and casualty insurance industry in Canada. Federally regulated companies must also be licensed in each province and territory in which they undertake insurance activities.

Primarily, the Federal OSFI is concerned with the solvency and stability of insurers that are registered under federal statutes. The key statutes governing the activities of property and casualty insurers are the Office of the Superintendent of Financial Institution Act and the Insurance Companies Act.

Financial supervision by provincial Superintendents of Insurance is limited mainly to insurers operating under provincial charters. However, the provincial authorities predominate in the supervision of the terms and conditions of insurance contracts and the licensing of companies, agents, brokers and adjusters.

Sector Investment

Even before 9/11, insurers were challenged to produce strong investment results. While the effect of the terrorist attacks on underwriting results was relatively small for Canadian property and casualty insurers, the impact on investment results has been significant.

The $2.50 billion investment income in 2000 decreased to $2.12 billion in 2001, according to IBC. The decrease was due to the 9/11 terrorist attack and war uncertainties. In Ontario, private home, business and auto insurers had a total investment of over $9.98 billion in 2001, according to IBC. Ontario's total direct investment in provincial businesses, including corporate shares, bonds and real estate totaled $4.68 billion. In the following year, 2002, the insurance industry was experiencing its most prolonged period of weak returns on record. The return on investment fell in the first half of 2002 to 7.3% from 7.9% in the first half of 2001.

Investment income is under pressure as new investments by the insurance industry are at a much lower rate of return than the rates embedded in the industry's portfolio. The life insurers' total investment income was essentially flat from 1997 to 2001. According to Conning Research & Consulting Inc, a US-based research firm, life insurer investments accounted for more than 80% of assets in all years. Despite this conservative allocation, the total rate of return on investment fell from 8.3% in 1997 to 7.6% in 2001.

Market Trends & Outlook

Insurance Rates on the Rise

Medical costs have played an important role in the auto market. Every year, there are more than two million car accidents involving injuries. The average costs for treating an auto accident victim in the US range from $6,000 to $9,000; however, they can easily run into the tens of thousands of dollars, as stated by III. In some states, the cost of auto injury claims is rising by as much as 20% per year, according to the III. It believes that rising medical costs continue to fuel increases in auto insurance prices nationally. In 2003, insurers will pay between $15 and $20 billion in medical claims.

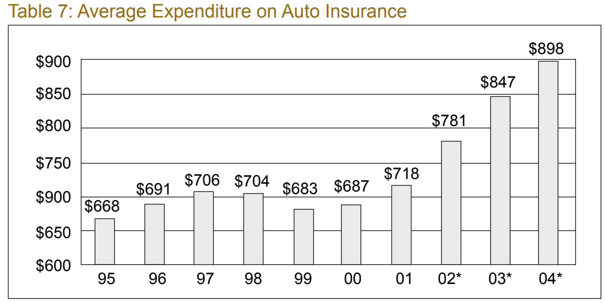
The III estimates that rising costs of medical care, vehicle repair, jury damages awards, automobile theft and fraud are expected to escalate insurance rates by 6% in 2004. The projected increase represents a slight moderation from 2003 when auto insurance costs are estimated to have risen by 8.5% as stated by the III. The average cost for US auto insurance nationwide for 2004 is estimated to be $898, an increase of $51 per vehicle from 2003.

Higher repair bills are another significant cost driver, rising two or three times the overall rate of inflation in a number of states. The suspension of the use of generic parts in the repair of damaged vehicles could ultimately add $4 to $5 billion annually to the cost of auto insurance as name brand parts often cost 30% to 70% more than their generic equivalents, despite generic parts being of like kind and quality.

Sharply higher jury damages awards in vehicular liability cases are putting additional upward pressure on auto insurance rates. The average jury award in auto liability cases rose from $187,000 in 1994 to $323,000 in 2001, an increase of 73%, according to Jury Verdict Research. The III estimates about 60% of auto premiums paid in 2002, valued at more than $80 billion, were for liability coverage.

Auto theft is another significant factor that affects insurance rates. The number of auto thefts in the US increased by 1.2% in 2002, after increases of 5.7% in 2001 and 0.7% in 2000, according to the Federal Bureau of Investigation's Uniform Crime Report. In 2001, approximately 1.2 million auto thefts were reported, averaging $6,646 per vehicle or $8.2 billion in total.

Table 7: Average Expenditure on Auto Insurance



Source: National Association of Insurance Commissioners, Insurance Information Institute
* III estimates based on US Bureau of Labor CPI data, company filings and trend projections

Rising construction costs and expensive catastrophes, such as the wildfires in California, lead to increases in homeowners' insurance costs. As a result, rates are expected to increase by 8% in 2004, compared with an estimated 7% increase in 2003, according to the III. The average cost for home insurance nationwide is projected to be $615 for 2004, an increase of $46 over 2003. In many parts of the country, homeowners' insurance rates continue to rise due to the extraordinary costs associated with paying on claims.

Premiums Escalating

Two years after the World Trade Center attacks sent the market into chaos, perceptions of the high risk of terrorist attacks still linger. The attacks have cost the insurance industry; estimates ranged from $30 billion to $70 billion but premium increases for commercial property and casualty insurance are moderating and the marketplace is beginning to stabilize. The 9/11 attacks have affected premiums in a variety of policies including life, property, auto, airplane, workers compensation and business interruption insurance.

Following the attacks, most primary insurers increased their premiums and curtailed or dropped coverage

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altogether for terrorism-related risk. Overall, it is estimated that large increases, in the 30% to 50% range, were more common for: commercial property (18% of the accounts); construction risks (23%); directors and officers' coverage (18%); and umbrella policies (26%). According to a survey by the Council of Insurance Agents and Brokers, approximately two-thirds of small, medium and large accounts are still experiencing average increases of up to 20% for all lines of insurance. Over the last three months of 2002, more than two-thirds of the small and medium-sized commercial property and casualty accounts and 59% of the largest accounts experienced premium increases of between 10% and 30%.

Health care premiums will continue their upward trend in 2004, with companies experiencing increases of 10% to 20%. According to some health care analysts, double-digit rate increases for health insurance premiums are likely to last into 2005. The rise in premiums should not be as bad as in 2002, when they increased by 30%. The climbs indicate there is little relief in sight for companies paying more for employer-based health plans, nor for workers who are contributing a bigger share of their pay packets.

Washington State's Department of Labor and Industries wants employers and workers to pay higher industrial-insurance premiums after January 1, 2004. This is because the financial safety net for Washington's industrial insurance system — the contingency reserve — has shrunk to unhealthy levels. Even though the proposed increases in industrial-insurance premiums average 19.4%, the rate hikes would fall unevenly on different industries and companies, depending on their risk categories and claims histories.

Premium rates everywhere will continue to harden as the industry combats declining surplus and rising operating leverage measures (the gearing which results from an enterprise's asset structure as distinct from its capital structure) with a renewed focus on underwriting profitability. With persistent strong growth in 2004, the insurance industry should begin to stabilize.

Major External Shocks

For the insurance industry, 2003 has been full of surprises. The outbreak of SARS, the deadly flu-like virus, in the Toronto area, and the faltering US economy has weakened the Canadian economy since April 2003. However, following the World Health Organization's March 15, 2003, global alert, insurers around the world moved quickly to minimize the financial effects of a possible global SARS epidemic.

According to Decima Research, a leading North American market research company, approximately 55% of Canadian small business owners were negatively affected by the rising cost of insurance premiums, hurting Canadian small business more than war fallout. Decima estimates that 33% of entrepreneurs believe that domestic events such as SARS and the August power blackout had a negative net impact on revenues, while 28% reported that international events, including the war on terrorism and the war in Iraq, hit revenues. The strength of the Canadian dollar had a net negative impact on revenues for 15% of Canadian entrepreneurs.

Claims from the 9/11 attacks on the World Trade Center and the Pentagon are still being settled and are expected to be the highest in US history. It is estimated the terrorist attack insurance loss will be between $30 billion and $70 billion according to III. Businesses need to be prepared for a hike in insurance premiums as the insurance industry absorbs the enormous losses.

Due to 9/11 and the potential for other terrorist incidents, insurers are increasing rates, asking for higher premiums and making terrorism coverage difficult to obtain. According to financial services firm Morgan Stanley, it is estimated that commercial insurance premiums in the US will rise by perhaps 50% between 2002 and 2004. These higher premiums will raise the cost of doing business.

In the aftermath of 9/11, a significant and growing number of small and medium-sized business (SME) owners reported drastic increases in the property and casualty insurance for their businesses; in some instances, insurance coverage was no longer available.

Business owners reported sizeable increases in commercial insurance premiums across the board, for example auto, property, business interruption and small business packages. In January 2003, the Bank of Canada reported that substantial increases in premiums for both auto and home insurance contributed one percentage point to core inflation in Canada in November.

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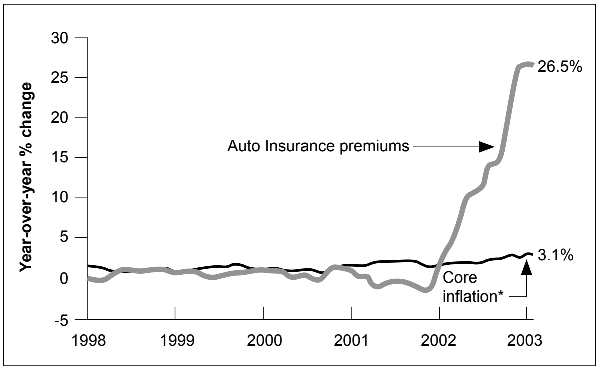
Table 8: Insurance Inflation Canada



Source: Statistics Canada and Bank of Canada

Terrorism and Insurance

The events of 9/11 have forever changed the way the insurance industry defines risk. Following the attacks, US insurers urgently sought a federal solution to the problem of insuring against further terrorist events. Most of the insurers claimed they would not be able to assume such large, unpredictable risks and economic growth in important sectors would slow without federal support.

Consequently, President Bush signed the TRIA on November 26, 2002, under which private insurers and the Federal Government share the risk of future losses from terrorism for a three-year period. Insurers had 90 days to notify existing commercial policyholders of the existence of the federal backstop, offer comparable terrorism coverage and specify the cost of that coverage.

The Act established a temporary federal program that provides for a transparent system of shared public and private compensation for insured losses resulting from acts of terrorism. It is intended to protect consumers by addressing market disruptions and ensures the continued widespread availability and affordability of property and casualty insurance for terrorism risk. In addition, it allows a transitional period for the private markets to stabilize, resume pricing for such insurance, and build capacity to absorb any future losses, while preserving State insurance regulation and consumer protections.

Each participating insurer will pay claims within a deductible that would be based on a percentage of its direct written premiums for the previous calendar year. The percentage will rise from 7% in 2003 to 10% in 2004 and 15% in 2005. The Federal Government will cover 90% of the insured losses above insurer deductibles, but can recover a portion of its payments through a policyholder surcharge of up to 3% of premiums. Additionally, Federal Government losses will be capped at $100 billion.

Even before 9/11, interest rates were so low that most companies could not make money and the stock market slump reduced insurers' investment income. At the same time, the property and casualty market was hardening, making coverage even harder to obtain. Contractors are having difficulty getting property and casualty coverage for projects, and when they can get it, premiums are higher. Contractors have to search for independent terrorism coverage although such insurance is expensive and limited.

In the event of future terrorist attacks, the new Terrorism Insurance Act will help insurers cover the cost of claims and also boost the US economy by offering extra protection for building and construction projects, essential for US economic growth. The insurance industry has always recovered quickly after major disasters as the fear of another disaster increases demand for insurance, which raises its price. Since the beginning of the war in Iraq, there has been an increase in the demand for coverage of terrorist-related risks.

Life Insurance Activity Declines

In North America, life insurance applications were down 6.6% in August on a year-on-year basis, marking the seventh such decline in the first eight months of 2003. According to MIB Group, a US-based financial services company, US applications decreased 6.8% while Canadian applications decreased 4.7% when compared with the same period last year. The decline in life insurance activity reflected the economic slowdown and weak economic activity, globally and domestically. MIB Group's e-Services Corporation said that results for the June-July-August period lagged behind last year's activity, both in the US and Canada, by almost 2% and 3% respectively.

Life insurance applications in North America declined 3.7% year-on-year in October. Application activity in the US and Canada decreased 3.9% and 1.9% respectively compared with October last year. However, October life insurance applications in the US exceeded those of

Market Trends & Outlook

September by 9.9%, a slight increase on the 9.5% historical seven-year median. In the US, life insurance applications are off 5% year-to-date compared with the first ten months of 2002.

Despite this, life insurance activity for the over-60 age group continues at a record pace. With October marking the fifth consecutive month of "highest-ever" values for a monthly time period in the MIB Life Index. In the US, applications in the over-60 age group increased 5.6% year-on-year. The same demographic in Canada experienced a 2.9% year-over-year increase. Year-to-date, Canadian over-60 applications are running 7.1% higher compared with January-October 2002.

Table 9: Monthly Percent Change vs. 2002

	US (%)	Canada (%)	Total (%)
August 2003	-6.8	-4.7	-6.6
July 2003	-1.4	-5.8	-1.9
YTD 2003/ YTD 2002	-5.9	-1.3	-5.4

Source: MIB Group Inc

Table 10: Percent Change vs. 2002

	US (%)	Canada (%)	Total
October 2003	-3.9	-1.9	-3.7
September 2003	1.9	4.4	2.2
YTD 2003	-5.0	-0.8	-4.5

Source: MIB Group Inc

Overall, it seems likely that the decline in life insurance will continue. The decline could be the result of consumers switching from life insurance to medical and homeowner's insurance. Most market research analysts estimate that medical insurance for senior citizens increased by 15% to 25% in 2002. Homeowner's insurance also increased by 13% nationally in 2002.

Market Outlook

Moderate economic growth, a continued low inflation rate, ongoing low interest rates, a restrained growth in corporate profits and uncertain equity markets have persisted through 2003. However, with late-2003 improvements in stock prices and signs of an upturn in the economy, the situation is likely to improve in 2004 and beyond, benefiting the industry as a whole.

For the fifth straight year, health insurance costs are expected to post a double-digit increase in 2004, according to the Towers Perrin 2004 Health Care Cost Survey. The survey projects that costs nationally are likely to increase by 12% in 2004. In 2003, health insurance costs rose 16%, but the 2004 increase will create the longest sustained period of double-digit increases in the health care industry.

Health insurance premiums for employers have increased by 55% from 2000 to 2003, according to the National Coalition on Health Care. In North America, prescription drugs are the fastest-growing category of health spending. The Health Insurance Association of America says spending growth on prescription drugs will drive premium prices up at an average annual rate of 11% through to 2010.

An ageing population combined with earlier retirement ages provides many opportunities for life insurers. Consumers place a high priority on health insurance and the demand for both individual and group products is likely to grow. According to the US Census, the share of the population aged 65 or older is projected to increase from 12% in 2000 to about 20% in 2030, providing an enormous potential market for long-term care insurance in North America.

In Canada, the property and casualty industry is a major part of the social and economic fabric, employing 97,000 Canadians and controlling assets well over $45.74 billion. IDC expects this segment of Canadian financial services firms to spend over $762.26 million in 2006.

Throughout 2003 complex risk insurers have adopted an increasingly global perspective and prices continued to rise to world levels. These price increases served to bolster insurers' results and it is expected that 2004 will see a more stable market. With a strong focus on offering flexible, innovative solutions to customers in the growing market, the North American insurance industry is well positioned to maintain its leadership role in the region's financial services.

The Scope Of This Report

This report looks at the United States and Canadian insurance sectors. As a part of our discussion and analysis of the industry, the following industry segments are covered namely: general (property and casualty), life and health. This reports examines the current environment for operating sector, discusses the market trends and outlook. The key financial results for leading companies in each country sector, reported by the company, are presented in the comparative data tables on proceeding pages. The following SIC codes are relevant to the industry: 6331, 6351, 6361 and 6399 (General Insurance); 6321 and 6324 (Health Insurance); 6311 (Life Insurance); and 6411 (Brokers).

Key References

Global

International Monetary Fund (IMF)
The IMF is an established organization to promote international monetary cooperation, exchange stability, and orderly exchange arrangements.
http://www.imf.org/

World Trade Organization (WTO)
A global international organization which deals with trade rules between nations.
http://www.wto.org/

United States

Insurance Information Institute (III)
III aims to improve the public's understanding of insurance.
http://www.iii.org/

American Insurance Association (AIA)
AIA is the leading property and casualty insurance trade organization, representing more than 424 insurers that write more than $103 billion in premiums a year.
http://www.aiadc.org/

Health Insurance Association of America (HIAA)
HIAA is the voice of America's health insurers and aims to protect consumers from the financial risks of illness and injury by providing flexible and affordable products and services that embody freedom of choice.
http://www.hiaa.org/

Bureau of Insurance – State of Maine
The bureau examines and licenses procedures of insurers, by licensing producers, by reviewing rates and coverage forms, conducting audits, and by sponsoring programs that enhance awareness of and compliance with State laws.
http://www.maineinsurancereg.org/

National Center for Policy Analysis (NCPA)
NCPA is a non-profit, nonpartisan public policy research organization.
http://www.ncpa.org/

Canada

Department of Finance Canada
Finance Canada is the Federal Department primarily responsible for providing the Government with analysis and advice on the broad economic and financial affairs of Canada.
http://www.fin.gc.ca/

Insurance Canada
Insurance Canada is a government department which promotes industry and a fair, efficient and competitive marketplace.
http://www.insurance-canada.ca/

Statistics Canada
Statistics Canada is a federal government agency that provides official Canadian social and economic statistics and products.
http://www.statcan.ca/

Insurance Bureau of Canada
The IBC is the national trade association of the private property and casualty insurance industry.
http://www.ibc.ca

Company Name	Ticker	Exchange	Primary SIC	Other SICs					Fiscal Year	Period End
Prudential Financial Inc	PRU	NYS	6311	6321	6411	6719			31-Dec-02	31-Dec-02
Principal Financial Group Inc	PFG	NYS	6311	6321	6162	6411	6719		31-Dec-02	31-Dec-02
John Hancock Financial Services Inc	JHF	NYS	6311	6399	6726				31-Dec-02	31-Dec-02
SAFECO Corporation	SAFC	NMS	6311	6324	6331	6321			31-Dec-02	31-Dec-02
Travelers Insurance Co (Hartford Conn)	N/A	N/A	6311	6321					31-Dec-02	31-Dec-02
Lincoln National Corp (ID)	LNC	NYS	6311	6371	6726	6719			31-Dec-02	31-Dec-02
Jefferson-Pilot Corp	JP	NYS	6311	6321	6331	6361	6211	6719	31-Dec-02	31-Dec-02
Nationwide Financial Services Inc	NFS	NYS	6311	6719					31-Dec-02	31-Dec-02
Nationwide Life Insurance Co (Columbus OH)	N/A	N/A	6311	6321					31-Dec-02	31-Dec-02
Great-West Life & Annuity Insurance Co	N/A	N/A	6311	6321					31-Dec-02	31-Dec-02

Company Name	Total Revenue - FYE	Total Revenue - FYE -1	Total Revenue - FYE - 2	EBITDA - FYE	EBITDA - FYE -1	EBITDA - FYE -2
Prudential Financial Inc	$26,675,000,000	$27,071,000,000	$26,544,000,000	$26,675,000,000	$292,000,000	$1,234,000,000
Principal Financial Group Inc	$8,822,500,000	$8,817,500,000	$8,594,200,000	$1,477,900,000	$1,172,000,000	$1,389,700,000
John Hancock Financial Services Inc	$8,455,100,000	$9,109,000,000	$7,598,100,000	$579,500,000	$744,800,000	$1,161,900,000
SAFECO Corporation	$7,065,100,000	$6,862,500,000	$6,975,100,000	$550,300,000	($1,322,500,000)	$292,200,000
Travelers Insurance Co (Hartford Conn)	$5,234,000,000	$5,702,000,000	$5,254,000,000	$1,896,000,000	$2,290,000,000	$2,001,000,000
Lincoln National Corp (ID)	$4,635,457,000	$6,378,004,000	$6,847,147,000	$204,839,000	$1,084,176,000	$6,852,000,000
Jefferson-Pilot Corp	$3,480,000,000	$3,330,000,000	$3,238,000,000	$764,000,000	$875,000,000	$933,000,000
Nationwide Financial Services Inc	$3,287,800,000	$3,206,800,000	$3,170,300,000	$3,376,100,000	$893,900,000	$975,100,000
Nationwide Life Insurance Co (Columbus OH)	$2,996,600,000	$2,989,200,000	$2,977,000,000	$838,900,000	$946,700,000	$1,022,500,000
Great-West Life & Annuity Insurance Co	$2,964,648,000	$3,132,475,000	$3,157,509,000	$873,938,000	$796,891,000	$454,127,689

Company Name	Net Income - FYE	Net Income - FYE -1	Net Income - FYE -2	EPS - FYE	EPS - FYE -1	EPS - FYE -2
Prudential Financial Inc	$194,000,000	($154,000,000)	$398,000,000.00	$1.25	$0.07	N/A
Principal Financial Group Inc	$142,300,000	$358,800,000	$620,200,000.00	$1.21	$0.99	N/A
John Hancock Financial Services Inc	$499,500,000	$618,700,000	$838,900,000.00	$1.71	$2.03	$2.53
SAFECO Corporation	$301,100,000	($989,200,000)	$114,600,000.00	$2.33	($7.75)	$0.90
Travelers Insurance Co (Hartford Conn)	$1,082,000,000	$1,272,000,000	$1,103,000,000.00	N/A	N/A	N/A
Lincoln National Corp (ID)	$91,584,000	$590,211,000	$621,393,000.00	$0.50	$3.13	$3.25
Jefferson-Pilot Corp	$475,000,000	$537,000,000	$537,000,000.00	$3.07	$3.38	$3.31
Nationwide Financial Services Inc	$144,200,000	$412,800,000	$434,900,000.00	$1.09	$3.20	$3.38
Nationwide Life Insurance Co (Columbus OH)	$161,500,000	$461,800,000	$475,300,000.00	N/A	N/A	N/A
Great-West Life & Annuity Insurance Co	$283,537,000	$192,746,000	$259,094,000.00	N/A	N/A	N/A

Company Name	Total Current Assets - FYE	Total Current Assets - FYE -1	Total Current Assets - FYE -2	Long-Term Debt - FYE	Long-Term Debt - FYE -1	Long-Term Debt - FYE -2
Prudential Financial Inc	$164,279,000,000	$159,909,000,000	$129,095,000,000	$4,757,000,000	$5,304,000,000	$2,502,000,000
Principal Financial Group Inc	$36,810,700,000	$32,613,100,000	$29,545,900,000	$1,332,500,000	$1,378,400,000	$1,336,500,000
John Hancock Financial Services Inc	$1,407,700,000	$1,567,500,000	$3,185,200,000	$1,450,300,000	$1,402,100,000	$534,000,000
SAFECO Corporation	$2,774,800,000	$3,244,600,000	$2,258,700,000	$1,123,800,000	$1,096,600,000	$1,130,500,000
Travelers Insurance Co (Hartford Conn)	$9,052,000,000	$7,499,000,000	$6,360,000,000	N/A	N/A	N/A
Lincoln National Corp (ID)	$9,986,713,000	$10,104,531,000	$6,725,773,000	$1,119,200,000	$861,754,000	$712,231,000
Jefferson-Pilot Corp	$1,744,000,000	$1,853,000,000	$1,748,000,000	N/A	$150,000,000	$139,000,000
Nationwide Financial Services Inc	$1,844,200,000	$1,487,500,000	$873,600,000	$897,600,000	$597,000,000	$298,400,000
Nationwide Life Insurance Co (Columbus OH)	$1,539,900,000	$1,340,600,000	$712,400,000	$600,000,000	$300,000,000	N/A
Great-West Life & Annuity Insurance Co	$1,191,785,000	$1,053,801,000	$1,030,130,000	$205,257,000	$256,705,000	$214,428,000

Company Name	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)	FYE	FYE -1	FYE -2
Prudential Financial Inc	1.20	100.00	31-Dec-02	31-Dec-01	31-Dec-00
Principal Financial Group Inc	9.31	7.03	31-Dec-02	31-Dec-01	31-Dec-00
John Hancock Financial Services Inc	8.04	5.91	31-Dec-02	31-Dec-01	31-Dec-00
SAFECO Corporation	6.79	4.26	31-Dec-02	31-Dec-01	31-Dec-00
Travelers Insurance Co (Hartford Conn)	9.30	20.67	31-Dec-02	31-Dec-01	31-Dec-00
Lincoln National Corp (ID)	1.73	100.00	31-Dec-02	31-Dec-01	31-Dec-00
Jefferson-Pilot Corp	13.42	13.65	31-Dec-02	31-Dec-01	31-Dec-00
Nationwide Financial Services Inc	3.17	4.28	31-Dec-02	31-Dec-01	31-Dec-00
Nationwide Life Insurance Co (Columbus OH)	4.53	5.37	31-Dec-02	31-Dec-01	31-Dec-00
Great-West Life & Annuity Insurance Co	17.03	9.56	31-Dec-02	31-Dec-01	31-Dec-00

Notes to Comparative Data

- All figures are in United States dollars.
- All figures are as reported by the company
- N/A = Data Not Available
- Companies ranked by total revenue for the full year most recently reported.

Definitions

- Total Revenue = All revenues, including net sales, operating revenues, interest income, royalties, excise taxes etc.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- EPS Cont Operations = Earnings Per Share as reported by company excluding extraordinary items.
- Total Current Assets = All assets expected to be realized within the next year, includes cash, accounts receivable and inventories.
- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.

Company Name	Ticker	Exchange	Primary SIC	Other SICs					Fiscal Year	Period End
Sun Life Financial Inc	SLF	NYS	6399	6282	6371	6311	6719		31-Dec-02	31-Dec-02
Sun Life Assurance Co of Canada	N/A	N/A	6311	6321	6726				31-Dec-02	31-Dec-02
Power Financial Corp	PWF	TSX	6311	6321	6211	6719			31-Dec-02	31-Dec-02
Manulife Financial Corp	MFC	NYS	6311	6371	6719				31-Dec-02	31-Dec-02
Great-West Life Assurance Co	GWLA F	OTC	6311	6371					31-Dec-02	31-Dec-02
London Life Insurance Co	LDLI	OTC	6311	6411	6399				31-Dec-02	31-Dec-02
Maritime Life Assurance Co	MMF PRA	TSX	6311	6321	6371	6324			31-Dec-02	31-Dec-02
Manulife Century	N/A	N/A	6311						31-Mar-02	31-Mar-02
E-L Financial Corporation Ltd	ELF	TSX	6311	6371	6321	6331	6399	6799	31-Dec-02	31-Dec-02
Empire Life Insurance Co (The)	ELFE	OTC	6311	6282					31-Dec-02	31-Dec-02

Company Name	Total Revenue - FYE	Total Revenue - FYE -1	Total Revenue - FYE - 2	Net Income - FYE	Net Income - FYE -1	Net Income - FYE -2
Sun Life Financial Inc	$23,101,000,000	$10,347,180,000	$10,695,960,000	$23,101,000,000	$546,220,000	$529,320,000.00
Sun Life Assurance Co of Canada	$16,113,552,000	$10,344,080,000	$10,686,720,000	$548,457,000	$571,020,000	$532,620,000.00
Power Financial Corp	$11,860,940,000	$11,248,837,600	$10,910,460,000	$629,356,000	$553,066,800	$518,760,000.00
Manulife Financial Corp	$10,530,884,000	$10,212,545,200	$9,340,320,000	$872,690,000	$734,276,400	$704,880,000.00
Great-West Life Assurance Co	$6,857,942,000	$6,262,000,000	$10,076,220,000	$302,575,000	$186,620,000	$473,880,000.00
London Life Insurance Co	$4,980,066,000	$4,519,543,600	$4,522,948,800	$122,941,000	$109,480,800	$111,422,400.00
Maritime Life Assurance Co	$1,553,546,176	$1,183,308,126	$1,184,660,400	$39,390,806	$69,527,858	$56,672,880.00
Manulife Century	$1,156,987,500	$557,337,100	$1,347,407,600	$51,015,000	($270,101,000)	($34,667,800.00)
E-L Financial Corporation Ltd	$879,163,831	$822,356,850	$845,468,501	$32,813,144	$48,750,416	$48,965,140.80
Empire Life Insurance Co (The)	$371,253,155	$333,938,820	$355,966,380	$9,314,851	$23,074,540	$26,578,200.00

Company Name	EPS - FYE	EPS - FYE -1	EPS - FYE -2	Total Current Assets - FYE	Total Current Assets - FYE -1	Total Current Assets - FYE -2
Sun Life Financial Inc	$1.17	$1.29	$0.98	$4,555,824,000	$2,981,580,000	$2,614,920,000
Sun Life Assurance Co of Canada	N/A	N/A	N/A	$8,726,900,000	$5,681,060,000	$4,140,180,000
Power Financial Corp	$1.73	$1.54	$1.44	$1,552,369,000	$1,333,904,000	$1,208,460,000
Manulife Financial Corp	$1.85	$1.51	$1.47	N/A	N/A	N/A
Great-West Life Assurance Co	$240.13	$133.24	$181.47	$3,719,443,000	$3,357,300,000	$3,059,100,000
London Life Insurance Co	$224.95	$0.95	$0.91	$7,678,398,000	$7,436,514,800	$7,188,412,800
Maritime Life Assurance Co	$99.49	$184.86	$146.92	$301,664,090	$192,107,344	$275,874,060
Manulife Century	N/A	N/A	N/A	$6,203,310,000	$755,532,300	$856,674,900
E-L Financial Corporation Ltd	$8.54	$12.65	$12.75	$250,799,003	$220,593,116	$252,669,307
Empire Life Insurance Co (The)	N/A	N/A	N/A	$260,406,874	$286,999,240	$321,728,220

Company Name	Long-Term Debt - FYE	Long-Term Debt - FYE -1	Long-Term Debt - FYE -2	Return on Equity (Most Recent Yr)	Profit Margin (Most Recent Yr)
Sun Life Financial Inc	$1,257,438,000	$481,120,000	$494,340,000	4.26	100.00
Sun Life Assurance Co of Canada	$1,335,152,000	$497,860,000	$512,160,000	5.11	2.77
Power Financial Corp	$1,473,381,000	$1,533,360,400	$677,160,000	9.18	4.96
Manulife Financial Corp	$914,732,000	$892,205,600	$388,080,000	9.98	5.28
Great-West Life Assurance Co	$371,371,000	$437,100,000	$345,180,000	8.63	2.95
London Life Insurance Co	$310,856,000	$318,375,200	$280,224,000	7.23	1.58
Maritime Life Assurance Co	$175,812,000	$173,659,200	$116,160,000	3.62	1.62
Manulife Century	$187,500,000	$197,500,000	N/A	N/A	N/A
E-L Financial Corporation Ltd	N/A	N/A	N/A	2.59	2.94
Empire Life Insurance Co (The)	N/A	N/A	N/A	2.35	1.41

Company Name	FYE	FYE -1	FYE -2
Sun Life Financial Inc	31-Dec-02	31-Dec-01	31-Dec-00
Sun Life Assurance Co of Canada	31-Dec-02	31-Dec-01	31-Dec-00
Power Financial Corp	31-Dec-02	31-Dec-01	31-Dec-00
Manulife Financial Corp	31-Dec-02	31-Dec-01	31-Dec-00
Great-West Life Assurance Co	31-Dec-02	31-Dec-01	31-Dec-00
London Life Insurance Co	31-Dec-02	31-Dec-01	31-Dec-00
Maritime Life Assurance Co	31-Dec-02	31-Dec-01	31-Dec-00
Manulife Century	31-Mar-02	31-Mar-01	31-Mar-00
E-L Financial Corporation Ltd	31-Dec-02	31-Dec-01	31-Dec-00
Empire Life Insurance Co (The)	31-Dec-02	31-Dec-01	31-Dec-00

Notes to Comparative Data

- All figures are in United States dollars.
- All figures are as reported by the company
- N/A = Data Not Available
- Companies ranked by total revenue for the full year most recently reported.

Definitions

- Total Revenue = All revenues, including net sales, operating revenues, interest income, royalties, excise taxes etc.
- EBITDA = Earnings before interest, taxes, depreciation and amortization.
- EPS Cont Operations = Earnings Per Share as reported by company excluding extraordinary items.
- Total Current Assets = All assets expected to be realized within the next year, includes cash, accounts receivable and inventories.
- Long Term Debt = Debt due to be paid at a date more than one year in the future.
- Return on Equity = The company's earnings divided by its equity (book value).
- Profit Margin = The company's net income as a percent of revenues.

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