

## The Dominion of Canada General Insurance Company ("The Dominion")

Net loss for the third quarter of 2009 was \$30.0 million (net income of \$27.7 million in 2008). The decrease over the prior year's third quarter is mainly due to deterioration in underwriting results. The third quarter's combined ratio was 127.8% (95.5% in 2008). Excluding the effects of changes in the claims discount rate, the third quarter's combined ratio was 120.4% compared to 98.7% in 2008.

Net loss for the first nine months of 2009 was \$154.6 million, compared to net income of \$42.5 million in 2008. The net loss is due mainly to a realized loss on the redemption of common equity pooled fund units and deterioration in underwriting results. The year to date combined ratio was 117.8% in 2009 (103.4% in 2008). Excluding the effects of changes in the claims discount rate, the year to date combined ratio was 112.3% (103.1% in 2008).

Management's assessment of industry dynamics, risks and risk management, critical accounting estimates and strategy for The Dominion, and management's use of non-GAAP measures, remain consistent with Management's Discussion and Analysis ("MD&A") in the 2008 annual report.

The Dominion's financial results for the third quarter and first nine months of 2009 and 2008 are summarized in the following tables (figures in the tables may differ from the text due to rounding):

(millions of dollars)

For the three months ended September 30	Automobile		Personal Property		Commercial Property & Casualty		Total		
	2009	2008	2009	2008	2009	2008	2009	2008	
Gross premiums written	\$ 188	\$ 167	\$ 71	\$ 62	\$ 52	\$ 47	\$ 311	\$ 276	
Growth rate %	13.0	4.8	14.1	6.8	8.0	(7.9)	12.4	2.8	
Mix of business %	61	60	23	23	16	17	100	100	
Loss ratio %	93.8	55.6	124.0	99.1	74.7	55.5	96.3	63.9	
Loss ratio % - excluding change in discount rate	84.6	59.7	123.2	99.1	66.5	59.2	88.9	67.1	
<b>Revenue</b>									
Net premiums earned							\$ 271	\$ 255	
Premium finance fee							4	5	
Interest and dividends							23	21	
Net realized gains on investments							3	3	
						<b>301</b>	<b>284</b>		
<b>Expenses</b>									
Claims expense							262	163	
Other expenses, including premium taxes							86	81	
Income tax expense (recovery)							(17)	12	
						<b>331</b>	<b>256</b>		
<b>Net (loss) income</b>								<b>\$ (30)</b>	<b>\$ 28</b>

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(millions of dollars)

For the nine months ended September 30	Automobile		Personal Property		Commercial Property & Casualty		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Gross premiums written	\$ 552	\$ 507	\$ 182	\$ 162	\$ 159	\$ 157	\$ 893	\$ 826
Growth rate %	8.9	4.5	12.2	6.7	0.8	0.4	8.0	4.1
Mix of business %	62	61	20	20	18	19	100	100
Loss ratio %	85.8	70.5	100.3	90.3	72.0	56.4	86.3	71.7
Loss ratio % - excluding change in discount rate	79.0	70.5	99.1	90.3	66.5	55.1	80.8	71.4
<b>Revenue</b>								
Net premiums earned							\$ 801	\$ 760
Premium finance fee							10	10
Interest and dividends							66	66
Net realized gains (losses) on investments							(169)	9
							<b>708</b>	<b>845</b>
<b>Expenses</b>								
Claims expense							691	545
Other expenses, including premium taxes							253	241
Income tax expense (recovery)							(81)	17
							<b>863</b>	<b>803</b>
<b>Net (loss) income</b>							<b>\$ (155)</b>	<b>\$ 42</b>

Total gross premiums written increased in the third quarter by 12.4%, compared to the third quarter of 2008, consisting of an increase in policies written of 4.6%, an increase in average premiums of 7.7% and a 0.1% increase from The Dominion's share of Facility Association business. Year to date gross premiums written increased by 8.0%, consisting of a 3.0% increase in policies written, a 5.2% increase in average premiums and a 0.2% decrease from The Dominion's share of Facility Association business. The year to date increase in policies written is net of a decrease of 0.7% from the termination of competitor-controlled brokers referred to in the 2008 Annual MD&A.

The third quarter loss ratio of 96.3% increased 32.4 points from the prior year's third quarter; 10.6 points of the increase results from the effects of changes in the claims discount rate in the third quarter of 2009 (which increased the quarter's loss ratio by 7.4 points) and in the third quarter of 2008 (which reduced the prior year's third quarter loss ratio by 3.2 points). The claims discount rate is changed each quarter as a result of changes in the current market yields on investments, mostly bonds, which are held by The Dominion to fund policy liabilities. Excluding the effect of changes in the claims discount rate, the third quarter loss ratio was 88.9% in 2009, compared to 67.1% in 2008. The 21.8 point deterioration year over year reflects four main factors: significant favourable development on prior year claims, primarily accident benefits, was recognized in the third quarter of 2008 in contrast to immaterial development recognized in the third quarter of 2009; increases in claims frequency and severity in most lines of business; higher claims incurred for weather-related losses on all lines; and higher claims incurred for large property losses.

The year to date loss ratio of 86.3% is 14.6 points higher than the prior year, of which 5.2 points are due to changes in the claims discount rate. Changes in the claims discount rate increased year to date claims incurred by \$44.0 million, in contrast to a \$2.1 million increase for the first nine months of 2008. The remaining 9.4 point deterioration in the loss ratio (excluding changes in the discount rate) reflects the same factors as mentioned above for the third quarter.

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### Automobile

Gross premiums written increased 13.0% in the third quarter compared to the prior year's third quarter. The increase consists of a 5.6% increase in policies written and a 7.3% increase in average premiums on The Dominion's business and a 0.1% increase from The Dominion's share of Facility Association business. On a year to date basis, the 8.9% increase in gross premiums written consists of a 3.9% increase in policies written and a 5.3% increase in average premiums, partly offset by a 0.3% decrease from Facility Association business. Rates for personal automobile have been increasing in all regions, more than offsetting a decrease in average premiums for commercial automobile which have continued to be pressured by "soft market" price competition. The deterioration in the quarter and year to date loss ratios, excluding market value adjustments arising from changes in the claims discount rate, mainly reflects an increase in claims incurred for current accident year accident benefits ("AB") in contrast to favourable prior year development for AB recognized in the third quarter of 2008.

### Personal property

Gross premiums written this quarter increased 14.1%, consisting of a 2.9% increase in policies written and an 11.2% increase in average premiums per policy. Year to date gross premiums written increased 12.2% as a result of a 1.9% increase in policies written and a 10.3% increase in average premiums. The increase in average premiums reflects increases in rates in all regions and an increase in estimated insured values which are used to compute premiums. Excluding the impact of changes in the claims discount rate, the loss ratios for the third quarter and for the year to date increased over the loss ratios of the comparable periods of the prior year mainly as a result of higher claims costs for weather-related losses.

### Commercial property, casualty and surety

Gross premiums written increased 8.0% compared to the third quarter of 2008, consisting of a 10.7% increase in policies written and a 2.7% decrease in average premiums. Year to date premiums increased 0.8% consisting of a 2.9% increase in policies written and a 2.1% decrease in average premiums. The decrease in average premiums is a result of "soft market" price competition and increased sales of small business commercial package policies (which have lower average premiums). The year over year increase in the loss ratio for the third quarter, excluding the effects of changes in the claims discount rate, is mainly due to higher claims costs for weather-related losses. The increase in the year to date loss ratio, excluding changes in the claims discount rate, is mainly due to increases in claims frequency and severity, and in claims incurred for large losses and weather-related losses.

### Expenses

The 2009 expense ratio for the third quarter is 31.5% (31.6% in 2008) and for year to date is 31.5% (31.7% in 2008). Growth in net premiums earned has exceeded increases in operating costs, resulting in a slight reduction in the expense ratio for the quarter and year to date, compared to the comparable periods of the prior year.

### Investments, cash flow and capital

Investment income (interest and dividends) before tax was \$22.7 million for the quarter, an increase of \$1.8 million over the prior year's third quarter. On a year to date basis, investment income before tax was \$65.9 million, an increase of \$0.4 million over the prior year. The increase in income reflects a higher annualized investment yield, on an amortized cost basis, on a slightly lower average portfolio balance. The year to date annualized investment yield, on an amortized cost basis, was 4.0% compared to 3.8% for the prior year.

On a year to date basis, The Dominion incurred a net realized loss on the sale of investments before tax of \$168.7 million (net realized gains of \$9.4 million in 2008) mainly consisting of a net realized loss from redemption of equity pooled fund units.

Total cash and investments increased by \$215.0 million year to date, mostly due to increases in the fair values of available for sale securities, compared to a decrease of \$35.5 million in the prior year to date. Operating cash flow was \$42.0 million for the third quarter (\$50.0 million in 2008), bringing the year to date operating cash flow to \$47.1 million (\$101.8 million in 2008). The reduction in operating cash flow reflects the current year to date net loss in contrast to year to date net income in 2008.

The Dominion's regulatory solvency test (the Minimum Capital Test, or "MCT") result is an estimated 188% for September 30, 2009 (182% at December 31, 2008). The year to date improvement reflects increases in the market values of The Dominion's investments in both shares and bonds, partially offset by the year to date underwriting loss. The federal regulator of financial institutions has established a supervisory target MCT result of 150% to provide a safety buffer above the legally required minimum MCT of 100%. The Dominion's capital has exceeded the legally required minimum and the supervisory target throughout 2009.

