

MSA/Baron Outlook Report

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Testing Profitability

Review of first second quarter and six-month results.

An Analysis of Adjustment Expenses

Fair Value Accounting – Take Two
Teething problems.

**Global Reinsurance Overview from
Standard and Poor's**

An excerpt from S&P's 2007 Global Reinsurance Highlights Report.

S&P Rating Roundup.

Six-Month Company Results

Comparative financial results
through June 30, 2007

Q2-2007

Released October 2007



Baron
Insurance Services Inc.

Introduction

We are delighted to release the second quarter *2007 MSA/Baron Outlook Report* covering the Canadian P&C industry. Our mission of providing Canada's insurance professionals with unwavering, unbiased analysis of this dynamic industry remains steadfast. We welcome your comments and feedback regarding any aspect of these reports. You are invited to send your messages to msabaron@msaresearch.com, or contact any of the undersigned directly.

In this issue you will find:

- A review of second quarter 2007 results.
- An analysis of adjustment expenses over time.
- Fair value accounting – take two. Teething problems.
- Global reinsurance overview from Standard and Poor's. This is an excerpt from S&P's comprehensive Global Reinsurance Highlights Report published in conjunction with Reactions in September 2007.
- Standard and Poor's Rating Roundup.
- Summarized second-quarter 2007 financial results for the majority of Canadian insurers.

For detailed company results please see MSA's *2007 Researcher Software*.

Stumped by terminology or industry jargon contained in this report? If so, check out our on-line glossary of terms and abbreviations. You can find this resource under www.msaresearch.com/outlook.

The *MSA/Baron Outlook Report* is produced and authored jointly by MSA Research Inc., Canada's leading provider of insurance analytics and Baron Insurance Services Inc., a well-respected actuarial and consulting firm.

Subscription information can be found on the outside back cover.

Sincerely,

Ron Miller,
Ph.D., F.C.A.S., F.C.I.A.,
Principal,
Baron Insurance Services Inc.
ron@baronactuaries.com

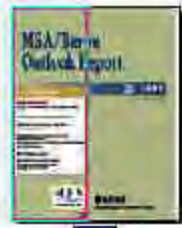
Barb Addie,
B.Math., F.C.A.S., F.C.I.A.,
Principal,
Baron Insurance Services Inc.
barb@baronactuaries.com

Joel Baker,
M.Sc., CIP, President and CEO,
MSA Research Inc. and
The National Insurance Conference of Canada
joel.baker@msaresearch.com

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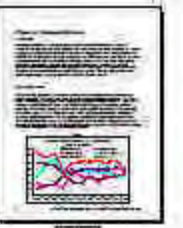
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Abstract of Q2/07 MSA/Baron Outlook Report

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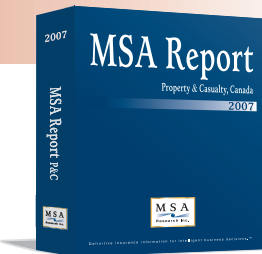
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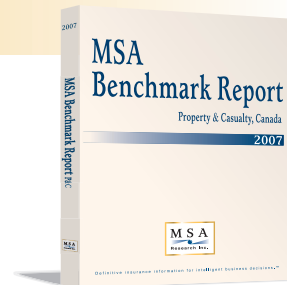
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Each issue contains timely, thought-provoking research pieces covering critical issues of the Canadian P&C industry as well as quarterly financial results and S&P financial strength ratings.

The widely-read MSA/Baron Outlook reports are authored jointly by MSA Research Inc. and Baron Insurance Services Inc., a well-respected actuarial and consulting firm.

Topics covered in recent issues:

- Q1-2007: A Shaky Start; Unanticipated Consequences of Regulation; Inside/Outside – Upside/Downside – OSFI's incoming regime for the regulation of foreign companies.
- Q4-2006: Questionable Sustainability – 2006 in Review; Capital Quandary; 2006 Rankings – Top markets by line in each region; A Case for Minor Lines;
- Q3-2006: A Survey of Commercial Lines; An Analysis of Profit Segmentation



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