MICC Investments Limited

Annual report 1980

Board of directors

(as at February 15, 1981)

MICC Investments Limited

Robert A. Bandeen, President and Chief Executive Officer
Canadian National Railway Company
Montreal, Quebec

Michel F. Belanger, President and Chief Executive Officer
National Bank of Canada
Montreal, Quebec

R. C. Brown, Partner
Blake, Cassels & Graydon
Toronto, Ontario

John Cochran, Consultant
The Construction Materials Group of Domtar Inc.
Montreal, Quebec

***H. Reuben Cohen,** Q.C.
Barrister and Solicitor
Moncton, New Brunswick

***Harold Corrigan,** Vice-President
Corporate Relations
Alcan Aluminum Limited
Montreal, Quebec

Stanley Davison
Vice-Chairman
Bank of Montreal
Toronto, Ontario

***S. E. Eagles,** Chairman and President
Marathon Realty Company Limited
Toronto, Ontario

***Gardner English**
Company Director
Toronto, Ontario

George C. Hitchman
Deputy Chairman
The Bank of Nova Scotia
Toronto, Ontario

***Raymond Lavoie,** Honorary President and Director
Credit Foncier
Montreal, Quebec

George S. May, Chief Executive Officer, Canadian Co-operative Credit Society Limited
Toronto, Ontario

Henry B. Rhude, Q.C. Chairman and Chief Executive Officer
Central Trust Company
Halifax, Nova Scotia

***Reginald T. Ryan,** President
MICC Investments Limited
Toronto, Ontario

Ralph T. Scurfield, President
Nu-West Group Limited
Calgary, Alberta

G. D. Sutton, President
Canadian Enterprise Development Corporation Limited
Toronto, Ontario

G. J. van den Berg
Company Director
Toronto, Ontario

***B. G. Willis,** Executive Vice-President
Greenshields Incorporated
Toronto, Ontario

Executive officers

MICC Investments Limited

Reginald T. Ryan
President

David C. Toms
Vice-President, Finance

J. Donald Bergeron
Secretary

The Mortgage Insurance Company of Canada

Reginald T. Ryan
President and Chief Executive Officer

James McAvoy
Senior Vice-President

Georges W. Carpentier
Vice-President, Eastern Canada

Alan Munro
Vice-President, Claims and Real Estate

Claude Renaud
Vice-President, Western Canada

John E. Rohr
Vice-President, Investments

David C. Toms
Vice-President, Finance

J. Donald Bergeron
Secretary

MICC Appraisals & Inspections Limited

Reginald T. Ryan
President

D. E. Mercer
General Manager

Richard G. Bowden
Secretary

*Members of the Executive Committee

Highlights

	1980	1979	% Change
	(000's)	(000's)	
Premiums written	**$ 27,649**	$ 40,846	(32.3)
Underwriting revenue	**36,144**	25,346	42.6
Investment income	**28,970**	29,661	(2.3)
Losses incurred on claims	**42,553**	28,200	50.9
Net earnings	**12,701**	15,667	(18.9)
Net earnings available to common shareholders	**7,089**	9,762	(27.4)
Total assets	**331,929**	339,758	(2.3)
Shareholders' equity	**173,669**	176,023	(1.3)
Earnings per common share	**$ 0.97**	$ 1.62	(40.1)
Earnings per common share (fully diluted)	**0.95**	1.46	(34.9)
Common dividends paid	**.76**	.72	5.6

Contents

President's letter to the shareholders

Net earnings for the year were $12.7 million compared to $15.7 million in 1979. After payment of dividends on preferred shares, net earnings available for common shareholders were 97¢ per share, compared to $1.62 per share in 1979, and on a fully diluted basis, 95¢ per common share compared to $1.46 last year. Results for the year were adversely affected by a substantial increase in losses on claims to $42.5 million compared with $28.2 million in 1979.

During 1980, $5.6 million was paid as dividends to common shareholders, equal to 76¢ per share. In October, a stock dividend and dividend reinvestment plan was made available to shareholders.

The investment portfolio continues to make a substantial contribution to the earnings of the Company. Pre-tax investment income was $29.0 million compared to $29.7 million in 1979. The portfolio declined slightly to $276.7 million at year end from $277.5 million at December 31, 1979 and market value stood at 104.1% of cost compared to 104.5% a year earlier.

The Company did not raise new capital during 1980, but it is likely that new capital will be required in 1981.

The Mortgage Insurance Company of Canada

The Mortgage Insurance Company of Canada, the Company's principal operating subsidiary, completed its sixteenth year of operation in 1980. MICC provides a variety of insurance services to the mortgage and real estate industries in Canada.

New business – Commitments to insure issued by the Company totalled $2.7 billion compared to $3.9 billion in 1979, a decline of 31%. However, potential premium declined only 17% to $35.1 million because of premium increases implemented in the Spring.

New business was seriously affected by the low level of new housing starts, the sluggish economy in many parts of the country and the impact of extremely high interest rates, particularly during the first six months of the year. Total mortgage approvals by lending institutions declined dramatically from $17.2 billion in 1979 to an estimated $14.0 billion in 1980.

Premiums written, under all programmes, amounted to $27.6 million compared to $40.8 million in 1979, a decline of 32%.

Premium rates – Premium increases averaging 25%-35% were introduced for most mortgage insurance programmes in the Spring of 1980. In the light of the current level of losses and a future uncertain economy, additional changes are necessary and steps are being taken to make adjustments to the premium rates for a number of programmes early in 1981.

Claim losses

Claims losses are a combination of actual losses and, where claims are considered probable, provisions for losses based on estimates. These estimates are updated regularly as information concerning claim amounts and real estate values becomes available. In the fourth quarter, an additional general provision of $2.8 million was made to reflect continuing depressed real estate markets in Central Canada. We expect losses to continue at historically high levels until there is a turnaround in the economy.

Our loss ratio is at an unacceptable level and our strategy is to attack this problem on three fronts:

1) Through careful screening of new business, to ensure as much as possible, a high quality portfolio. This process has been underway for the past few years.
2) By adjustment of premiums based on past experience, and our forecast of conditions which will affect our future results.
3) By a careful examination of the performance of our lenders to ensure that new business is accepted only from those where we are satisfied that it will not result in a higher than acceptable loss ratio.

We believe that this strategy will produce positive results and lead to an improvement in profitability.

Real estate and mortgages – A maximum effort went into the sale of real estate and mortgages in 1980. Despite a record high volume of real estate acquired in settlement of claims, sales exceeded acquisitions, and the portfolio at year end declined to $34.9 million compared to $43.1 million a year ago.

If required to expedite a sale, MICC will provide mortgage financing and these mortgages are subsequently offered for sale to other investors. During the year we acquired $42.3 million in new mortgages and sold and closed $22.6 million with a further $6.4 million sold for closing after year end. The secondary mortgage market is strong and mortgage packages are being marketed and sold as soon as the documentation is in order.

Surety – Operations in the surety field commenced in January 1980, and we were very pleased that business written exceeded our target by a considerable margin. Our marketing and underwriting staff is being expanded and we are optimistic that a good increase in new business will be achieved in 1981. There were no surety claims in 1980.

Field office organization – To improve MICC's service to lenders and to permit the more sensitive application of policies designed for specific markets, MICC appointed two Regional Vice-Presidents early in 1981, who will be responsible for Company activities in Eastern and Western Canada.

Georges W. Carpentier, who had been Vice-President and Chief Underwriter, has been appointed Vice-President Eastern Canada (based in Montreal), and Claude Renaud, formerly Director Business Development, has been named Vice-President Western Canada (based in Vancouver).

Responding to market demand, MICC is opening offices in Victoria, Saskatoon and St. John's, early in 1981. It is felt that business conditions warrant a direct presence in these centers and we look forward to being part of these growing markets.

Outlook 1981

Provided there is some moderation in current interest rate levels, we are optimistic for a modest increase in new business in 1981. New housing starts should improve and an increase to the 170,000 – 180,000 range is achievable, compared to actual starts of 158,601 in 1980.

While claim losses are expected to continue to be a problem, particularly in Central Canada, it is anticipated that a significant reduction in the real estate and mortgage portfolios will be achieved. Operating costs will continue to be closely monitored.

MICC Appraisals & Inspections Limited

This subsidiary completed it's first full calendar year of operations as of December 31, 1980.

Volume of business was at an acceptable level, despite the adverse impact of high interest rates over the first six months of the year. While 31% of the Company's business was carried out on behalf of MICC, we were pleased to note that during the year 45% of the assignments were performed for approved lenders. This is encouraging as our objective is to provide a service to our mortgage insurance clients. We are confident that this trend will improve in 1981.

Having reached the normal retirement age as prescribed in the Company's by-laws for Directors, Mr. Gardner English will not be standing for election at this year's Annual Meeting. Mr. English has been associated with MICC since its inception in 1964 and served as its first President and Chief Executive Officer until 1975. He made an invaluable contribution to the Company during its formation and growth period.

During the year, Mr. R. M. McIntosh retired from the Board of Directors and I would like to thank him for his contribution to the affairs of the Company during the time he served as a Director. Mr. George Hitchman was elected to the Board in May 1980.

We were saddened by the death of Mr. Raymond Lavoie on February 22, 1981. A director since 1976, Mr. Lavoie's experience in the mortgage and real estate fields had been very helpful during his term on the board and his counsel will be missed.

During the year, our personnel worked very hard to provide the high level of service our clients have come to expect. I am confident that we are paving the way for improved operating results in the future, and I wish to thank the staff for their efforts on our behalf.

R. T. RYAN
President
MICC Investments Limited
March 3, 1981

Consolidated balance sheet

as at December 31, 1980

Assets	1980	1979
	$000's	$000's
Cash and accounts receivable		
Cash	1,644	1,149
Interest accrued and sundry receivables	12,595	10,262
Premiums receivable	2,274	2,132
Income taxes recoverable	359	1,650
Due from reinsurers	400	244
	17,272	15,437
Real estate	34,873	43,951
Investments		
Treasury bills and other short-term securities – at cost	2,187	30,010
Bonds and debentures – at amortized value (market value $62,081,565; 1979 – $86,819,780)	67,652	91,351
Preferred stocks – at market value (cost $97,682,040; 1979 – $70,453,653)	89,890	67,828
Common stocks – at market value (cost $67,623,599; 1979 – $61,928,820)	83,746	75,786
Mortgages – at amortized value	33,807	12,493
	277,282	277,468
Other assets		
Loan to trustees under employee stock purchase plan	13	79
Other	742	843
Capital expense – at amortized cost (notes 3 and 4)	1,747	1,980
	2,502	2,902
	331,929	339,758

Signed on behalf of the board

"R. T. RYAN", Director

"S. E. EAGLES", Director

Liabilities	1980	1979
	$000's	$000's
Accounts payable		
Bank loan	**2,500**	—
Due to reinsurers	**84**	36
Provision for claims	**21,997**	14,425
Accounts payable and accrued liabilities	**2,126**	1,905
Interest payable on income debentures	**77**	159
Premium taxes payable	**574**	859
Due for securities purchased	—	328
	27,358	17,712
Other liabilities		
Deferred revenue (note 2)	**114,933**	122,628
Deferred income taxes	**7,636**	11,729
Income debentures (note 3)	**8,333**	11,666
	130,902	146,023
	158,260	163,735
Shareholders' equity		
Capital stock (note 4)	**117,036**	118,718
Retained earnings (note 6)	**50,204**	48,700
	167,240	167,418
Unrealized gain on stocks	**6,429**	8,605
	173,669	176,023
	331,929	339,758

Consolidated statement of earnings

for the year ended December 31, 1980

	1980	1979
	$000's	$000's
Revenue		
Net premiums written	**27,649**	40,846
Application fees	**2,178**	2,784
Inspection service and appraisal fees	**1,399**	671
	31,226	44,301
Decrease (increase) in deferred revenue	**4,918**	(18,955)
Underwriting revenue	**36,144**	25,346
Investment income –		
Interest and amortization	**10,483**	11,495
Dividends	**12,889**	11,528
Realized gain on disposal of investments	**5,505**	6,403
Foreign exchange gain	**93**	235
	28,970	29,661
	65,114	55,007
Expenses		
Insurance underwriting and policy issuance expenses	**6,425**	6,102
Premium taxes	**650**	950
	7,075	7,052
Less: Increase in deferred expenses	**2,777**	3,051
	4,298	4,001
Losses on claims provided for and incurred	**42,553**	28,200
Other operating expenses	**7,074**	5,072
Income debenture interest and amortization expense (note 3)	**932**	1,194
	54,857	38,467
Earnings before income taxes	**10,257**	16,540
Provision for income taxes		
Current	**1,024**	(691)
Deferred	**(3,468)**	1,564
	(2,444)	873
Net earnings for the year	**12,701**	15,667
Earnings per common share		
Basic earnings per share	**$0.97**	$1.62
Fully diluted earnings per share	**$0.95**	$1.46
Weighted daily average number of common shares outstanding	**7,334,987 shs.**	6,028,641 shs.

Consolidated statement of unrealized gain on stocks

for the year ended December 31, 1980

	1980	1979
	$000's	$000's
Unrealized gain on stocks – beginning of year	**8,605**	12,204
Unrealized gain (loss) on stocks for the year	**(2,901)**	(4,799)
	5,704	7,405
Deferred income taxes	**725**	1,200
Unrealized gain on stocks – end of year	**6,429**	8,605

Consolidated statement of retained earnings

for the year ended December 31, 1980

	1980	1979
	$000's	$000's
Retained earnings – beginning of year	**48,700**	43,777
Net earnings for the year	**12,701**	15,667
	61,401	59,444
Amortization of capital expenses, less related income taxes (note 4)	**108**	295
Expenses on issue of common shares	—	198
Loss (gain) on purchase of preferred shares	**(92)**	(55)
Cash dividends –		
Preferred	**5,612**	5,905
Common	**5,569**	4,401
	11,197	10,744
Retained earnings – end of year	**50,204**	48,700

Consolidated statement of changes in financial position

for the year ended December 31, 1980

	1980	1979
	$000's	$000's
Source of funds		
Operations –		
Net earnings for the year	12,701	15,667
Increase (decrease) in net deferred revenue (note 2)	(7,695)	15,904
Income taxes deferred	(3,468)	1,564
Depreciation and amortization	477	257
Funds generated from operations	2,015	33,392
Common shares issued (net of expenses)	175	14,145
Recovery of income taxes on share issue expenses	—	340
Increase in accounts payable	9,796	4,215
Other	155	239
	12,141	52,331
Use of funds		
Increase (decrease) in real estate	(9,078)	17,179
Increase in cash and accounts receivable	1,985	6,498
Purchase of fixed assets	144	523
Repayment of income debentures	3,333	3,334
Dividends –		
Preferred shares	5,612	5,905
Common shares	5,569	4,401
Purchase of preferred shares	1,861	1,364
	9,426	39,204
Funds available for investment	2,715	13,127
Investment funds – beginning of year	277,468	269,140
	280,183	282,267
Unrealized gain (loss) on stocks for the year	(2,901)	(4,799)
Investment funds – end of year	277,282	277,468

Notes to consolidated financial statements

For the year ended December 31, 1980

1. Accounting policies

These financial statements are prepared in accordance with generally accepted accounting principles. The application of these principles is set out for the following significant items:

Principles of consolidation

The consolidated financial statements of MICC Investments Limited include the accounts of its subsidiaries, The Mortgage Insurance Company of Canada, MICC Appraisals & Inspections Limited and MICC Properties Limited.

Premiums

Net premiums written are deferred and then taken into underwriting revenue as earned over the life of the related policies. Prior to 1974, the majority of policies were written for a term of fifteen years; since then the majority of policies have been written for twenty years. The rates or formulae under which premiums are earned relate to the amount of risk in each year of coverage. The amount of risk in each year of coverage is projected by management based primarily on the past incidence of losses and the formulae under which premiums are earned are adjusted periodically in accordance with such estimates.

Application fees

Application fees received on insurance policies written are taken into income as received.

Underwriting and policy issuance expenses and premium taxes

Underwriting and policy issuance expenses and premium taxes in excess of application fees and commission income are deferred and then amortized against premiums as the premiums are earned.

Losses on claims provided for and incurred

Losses on claims represent the difference between the amounts claimed or estimated to be claimed and amounts recovered or estimated to be recoverable from the sale of real estate. Provisions for losses are made when it is considered probable that defaults by borrowers will result in claims. Provisions for losses on claims are updated regularly as information concerning claim amounts and real estate values becomes available.

Foreign exchange

Accounts in United States dollars have been translated in the following manner. Assets, being bonds, and liabilities, being primarily deferred revenue, have been translated at historical rates. Earnings have been translated into Canadian dollars at the average rate prevailing through the year.

Investment income

a) Treasury bills and other short-term securities – Interest is recorded as income as it accrues. Realized gains and losses are taken into income.
b) Bonds, debentures and mortages – Interest is recorded as income as it accrues. The premium or discount between cost and maturity value is amortized into income over the period to maturity. A gain or loss on the sale of a bond, debenture or mortgage is deferred and then amortized over the term to maturity of the security sold.
c) Stocks – Dividends are recorded as income on the ex-dividend date. Gains and losses on disposal of stocks are taken into income when realized. Unrealized gains and losses on stocks are accounted for in a special statement (consolidated statement of unrealized gain on stocks), the balance of which is transferred to shareholders' equity.

Real estate

Real estate is carried in the accounts at its estimated realizable value after deduction of real estate commission and other sales related expenses.

2. Deferred revenue

Deferred revenue consists of deferred premiums, after deduction of deferred underwriting and policy issuance expenses and premium taxes.

3. Income debentures

Income debentures consist of three series. Series A and B, in amounts of $667,000 and $2,666,000 respectively, mature on September 30, 1981. Series C in the amount of $5,000,000 matures on March 31, 1985 with mandatory prepayment as to 33.34% on March 31, 1983 and March 31, 1984. Interest is payable at the rate of 8¼% on Series A debentures, at 50% of the prime bank rate plus 2.5% on Series B debentures, and at 7½% on Series C debentures. Interest on these debentures is not deductible in computing taxable income.

Costs incurred in connection with these issues have been capitalized and are being amortized against earnings on a straight-line basis over the terms of the debentures. As at December 31, 1980, unamortized capital expenses relating to income debentures amounted to $27,479.

4. Capital stock

The authorized, issued and fully paid capital stock of the company consists of:

	1980	1979
Authorized –		
3,951,600 (1979 – 3,951,600) first preferred shares issuable in series		
Unlimited (1979 – unlimited) second preferred shares issuable in series		
Unlimited (1979 – unlimited) common shares without par value		
Issued and fully paid –		
683,960 (1979 – 728,000) 10% first preferred shares Series A	**$ 17,099,000**	$ 18,200,000
200,000 (1979 – 200,000) 7¾% first preferred shares Series B	**5,000,000**	5,000,000
916,850 (1979 – 947,250) 8⅝% first preferred shares Series C	**22,921,250**	23,681,250
705,375 (1979 – 782,975) 8% second preferred shares Series A	**17,634,375**	19,574,375
7,390,411 (1979 – 7,192,718) common shares	**54,381,923**	52,262,293
	$117,036,548	$118,717,918

a) PREFERRED SHARES

i) *First preferred shares Series A*

800,000 of first preferred shares were issued at $25 per share as 10% cumulative redeemable first preferred shares Series A, of which 683,960 were outstanding at December 31, 1980.

The 10% cumulative redeemable preferred shares Series A are subject to mandatory sinking fund redemption at the issue price for:

i) 24,000 shares on March 15, 1981;

ii) 56,000 shares on March 15 in each of the years 1982 to 1986 inclusive; and

iii) 72,000 shares on March 15, 1987 and each year thereafter.

Commencing March 15, 1982 the company may increase any annual sinking fund by 24,000 shares. The company is entitled to anticipate sinking fund requirements by purchasing shares in the market at prices not exceeding the redemption price. Subsequent to March 15, 1981 the company may redeem shares not required for sinking fund purposes at a premium of 5%, declining annually thereafter to the issue price on March 15, 1986.

During 1980 the company acquired 44,040 preferred shares Series A to meet the 1980 sinking fund requirement and, in part, to meet sinking fund requirement to March 15, 1981.

ii) *First preferred shares Series B*

200,000 of first preferred shares were issued at $25 per share as 7¾% cumulative redeemable first preferred shares Series B, all of which were outstanding at December 31, 1980.

The 7¾% cumulative redeemable preferred shares Series B are subject to mandatory sinking fund redemption at the issue price for 66,800 shares on March 31, 1983 and 66,600 shares on March 31, 1984 and March 31, 1985.

The company is entitled to anticipate sinking fund requirements by purchasing shares in the market at prices not exceeding the redemption price. Subsequent to March 31, 1982 the company may redeem shares not required for sinking fund purposes at a premium of 3%, declining annually thereafter to the issue price on March 31, 1985.

iii) *First preferred shares Series C*

1,000,000 of first preferred shares were issued at $25 per share as 8⅝% cumulative first preferred shares Series C, of which 916,850 were outstanding at December 31, 1980.

The first preferred shares Series C are non-redeemable prior to March 31, 1983 and are subject to a purchase fund under which the company shall make all reasonable efforts to purchase 10,000 shares in each calendar quarter at a price not exceeding the issue price plus cost of purchase. This obligation is cumulative from quarter to quarter but to the extent not satisfied on December 31st of each calendar year, is extinguished. Subsequent to March 30, 1983, the company may redeem shares not required for purchase fund purposes at a premium of 5%, declining annually thereafter to the issue price on April 1, 1988.

During 1980, the company acquired 30,400 first preferred shares Series C to meet 1980 purchase fund requirements.

iv) *Second preferred shares Series A*

800,000 of second preferred shares were issued at $25 per share as 8% cumulative redeemable convertible second preferred shares Series A, of which 705,375 were outstanding at December 31, 1980.

The second preferred shares Series A are non-redeemable prior to December 31, 1983 and are subject to a purchase fund under which the company shall make all reasonable efforts to purchase in each calendar quarter, commencing with the calendar quarter ending March 31, 1984, 0.75% of the difference between the number of second preferred shares Series A originally issued and the number of shares converted into common shares prior to such calendar quarter at a price not exceeding the issue price plus costs of purchase. This obligation is cumulative from quarter to quarter, but to the extent not satisfied on December 31 of each calendar year, is extinguished. Subsequent to December 30, 1983 the company may redeem shares not required for purchase fund purposes at a premium of 5%, declining annually thereafter to the issue price on December 31, 1988.

The second preferred shares Series A are convertible on or before December 31, 1988 into fully paid common shares, at the holder's option, at a conversion price of $10.886 per common share on the basis of approximately 2.296 common shares for each second preferred share held.

During 1980, 77,600 second preferred shares Series A were converted into 178,186 common shares.

v) *Issuance costs*

Costs incurred in connection with the issuance of preferred shares have been capitalized and are being amortized against retained earnings over the estimated term of the shares on a weighted average basis. As at December 31, 1980, unamortized capital expenses relating to preferred shares amounted to $1,719,412.

b) COMMON SHARES

Common shares issued during 1980 were as follows:

i) 178,186 common shares were issued for a consideration of $1,939,830 on conversion of second preferred shares Series A.

ii) 7,050 common shares were issued for a cash consideration of $66,623 under the employee stock purchase plan.

iii) 12,000 common shares were issued for a cash consideration of $108,000 under a stock option.

iv) 457 common shares were issued under the stock dividend and dividend reinvestment programs for a consideration of $5,177.

5. Employee stock purchase plan

Under the employee stock purchase plan, employees may purchase up to 300 common shares in January of each year at 90% of market price. Funds are loaned to the employee who repays this amount, together with interest thereon at 3% per annum, over a 12 month period.

6. Retained earnings

Of the $50,204,000 in retained earnings, an amount of $19,362,000 is represented by an appropriation of retained earnings in The Mortgage Insurance Company of Canada as required by the Department of Insurance of Canada. This amount is not available for distribution to shareholders.

7. Related party transactions

Central Trust Company is a related party as a result of its ownership of shares of the company and two of the company's directors are directors and/or senior officers of Central Trust Company. Central Trust Company and its affiliates, from time to time, insure mortgage loans with The Mortgage Insurance Company of Canada. The policies of insurance are issued under MICC's standard terms and conditions and the premiums written in 1980 from such policies represented less than 5% of the total premiums written for the year. Losses on claims incurred on this business and on business written in prior years are not considered material.

Auditors' report to the shareholders

We have examined the consolidated balance sheet of MICC Investments Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings, unrealized gain on stocks and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

February 10, 1981

Transfer agents

First preferred shares
National Trust Company, Limited

Second preferred shares
The Canada Trust Company

Common shares
The Canada Trust Company

Registrars

First preferred shares
National Trust Company, Limited

Second preferred shares
The Canada Trust Company

Common shares
Canada Permanent Trust Company

Auditors

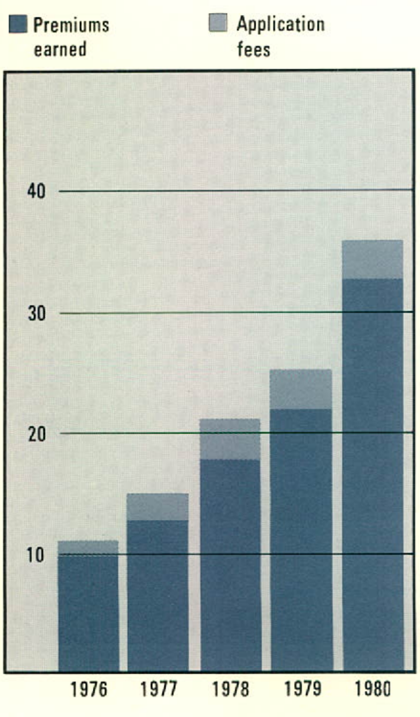
Coopers & Lybrand

Historical financial statistics (Note 1)

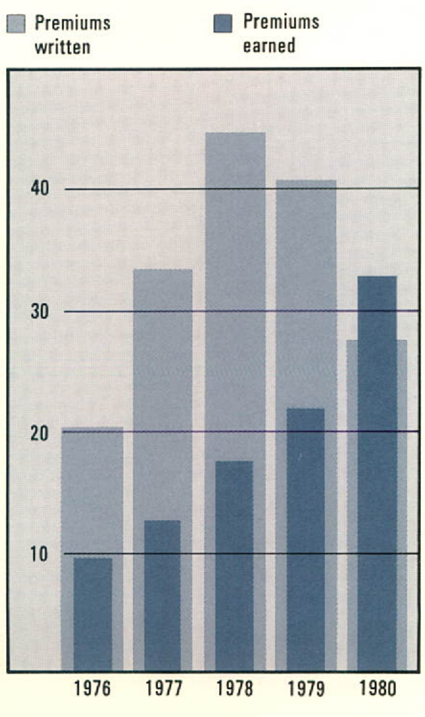
	1980	1979	1978	1977	1976
					(,000's omitted)
Premiums written	**$27,649**	$40,846	$44,385	$33,203	$20,177
Premiums earned	**32,567**	21,891	17,786	12,813	9,846
Underwriting revenue	**36,144**	25,346	20,940	15,183	11,327
Investment income	**28,970**	29,661	22,331	16,715	12,360
Claims losses	**42,553**	28,200	20,579	8,810	3,991
as a % of underwriting revenue	**117.73%**	111.26%	98.27%	58.02%	35.23%
Net earnings	**12,701**	15,667	13,563	14,758	11,937
Shares outstanding (average)	**7,335**	6,029	5,720	5,716	5,711
Earnings per share (undiluted)	**0.97**	1.62	1.66	2.19	1.83
Total assets	**331,929**	339,758	307,834	221,756	167.560
Return on total assets	**3.78%**	4.84%	5.12%	7.58%	8.16%
Shareholders' equity	**173,669**	176,023	161,775	106,659	85,614
Return on common shareholders' equity	**6.90%**	9.28%	10.11%	16.90%	17.70%

Note: 1. Certain figures have been restated from those shown in previous annual reports to reflect current reporting procedures.

Underwriting revenue
in millions of dollars

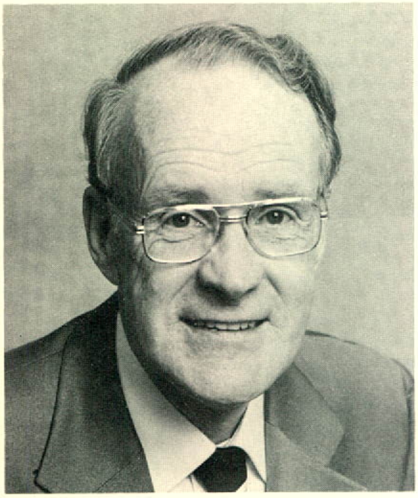


Premiums written and premiums earned
All mortgage insurance programs
in millions of dollars



Contents

Review of operations



J. McAvoy
Senior Vice-President

First mortgage programs

During 1980, MICC's volume of new business, as measured by potential premium, totalled $35.1 million. This compares with $43.2 million in 1979. Potential premiums are the premiums, which could be forthcoming on all business on which an MICC commitment to insure has been issued. On average, 20 to 25 percent of potential premiums do not result in premiums written, as the commitment will be cancelled or will lapse.

Premiums written for first mortgage programs amounted to $24.8 million during the year, compared with $38.1 in 1979.

MICC issued commitments to insure mortgages totalling $2.7 billion in 1980, compared with $3.9 billion during 1979.

Record high interest rates, a 20 percent reduction in new housing starts and a decline in the volume of loan approvals by lenders were major factors in 1980's decline in new business.

Homeownership loans are by far the major segment of MICC's business activity, accounting for nearly 80 percent of potential and written premium and about 85 percent of commitment volume. Potential premium totalled $27.6 million during 1980, 14 percent below the 1979 total of $32.0 million. A total of $19.6 million in premiums was written during the year, 26.7 percent below the previous year's total of $26.7 million. The commitment volume totalled $2.3 billion in 1980, compared with $3.3 billion in 1979, a decrease of 30 percent. The decline in potential premium is less than that for commitment volume as a result of premium increases which were instituted during the year 1980. The average high ratio insured residential loan (for both new and existing housing) on a per unit basis, amounted to $52,905 compared with $44,297 during 1979, an increase of 19.4 percent.

MICC's rental activity has declined during the past three years, and in 1980 accounted for only 5-6 percent of our first mortgage business. 1980's level of activity was about half that of 1979. Potential premium from the rental program totalled $2.1 million in 1980 while our commitments to insure totalled $149 million. Generally more stringent underwriting criteria coupled with high interest rates, and a general lack of builder initiative resulted in this reduction in rental volume.

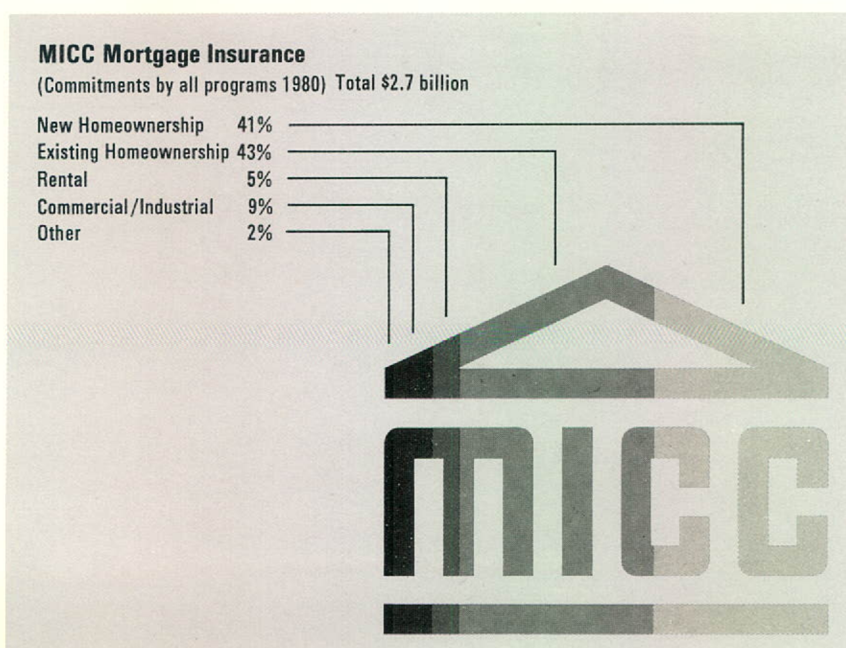
MICC's commercial/industrial activity declined about 30 percent during 1980, totalling $4.6 million in potential premium and $230 million in commitment volume.

Not all loans on which MICC has issued a commitment to insure are advanced during the year. At the end of the year there is normally a substantial volume which will result in written premium in the following year. As at December 31, 1980, outstanding commitments to insure amounted to $1,523 million, with a potential premium of $20.7 million.

Second mortgage programs

The volume of business under MICC's second mortgage programs increased substantially during 1980, due mainly to record high mortgage interest rates for first mortgages which prevailed for most of the year and also because more lenders are now using this program. Potential premium from the second mortgage program totalled $769,000, about 220 percent higher than the 1979 total of $240,000. The volume of commitments totalled $17.7 million, 139 percent above the 1979 total of $7.4 million.

Nearly all of the activity was in the homeownership sector.



C. E. Shoemaker
Director, Mortgage Insurance

Underwriting policy

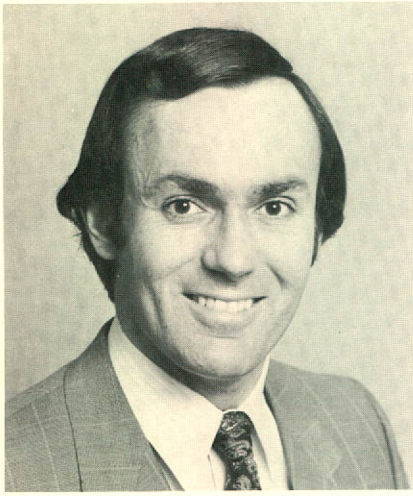
The changes in the underwriting process which were undertaken in earlier years were carried through in 1980. Development of a point scoring system to assist in the evaluation of high ratio house loan applications was completed and tested during the year with the participation of some lenders. During the trial period, the system proved most useful in complementing the existing credit assessment process of underwriting. Formal implementation of the system is now being reviewed.

Increased monitoring of changes in market conditions will continue to be emphasized. Changes in our programmes are made to reflect the corresponding risks brought about by these conditions.

All Regional Office underwriting personnel are encouraged to devote additional time to field inspections to complement the "desk underwriting" procedure.

New larger projects are scrutinized very closely and in many cases cost estimates, contracts, subcontracts and advances are being professionally monitored by outside consultants. As has been the case in the past, continuing efforts are being made to develop and adapt underwriting criteria to more effectively deal with today's volatile real estate market.

	Premiums written		Potential premium	
Programs	**1980**	1979	**1980**	1979
				(000's omitted)
First mortgages				
Homeownership loans				
high ratio	**$19,085**	$25,209	**$25,045**	$29,202
75% and less	**514**	1,465	**2,599**	2,821
Rental loans				
high ratio	**1,363**	5,150	**1,845**	4,054
75% and less	**49**	185	**285**	189
Commercial/industrial loans				
high ratio	**2,154**	4,010	**3,350**	4,234
75% and less	**1,385**	1,900	**1,295**	2,409
Vacation loans	**285**	214	**724**	284
Total	**24,835**	38,132	**35,143**	43,193
Second mortgages				
Homeownership loans	**668**	182	**756**	230
Rental loans	**7**	2	**13**	3
Commercial/industrial loans	**—**	—	**—**	7
Total	**675**	184	**769**	240
Surety	**474**	—	**925**	—
New home warranty	**1,077**	793	**1,077**	793
Lease guarantee	**588**	1,508	**450**	1,594
Condominium deposit insurance	**108**	171	**108**	171
U.S.A. reinsurance	**(109)**	58	**—**	—
Total	**$27,649**	$40,846	**$38,472**	$45,991



J. D. Hewitt
Director, Corporate Planning

New home warranty program

Premiums earned under the Ontario and Quebec new home warranty programs amounted to $710,000 compared with $436,462 in 1979, an increase of 63 percent.

Surety bonding program

MICC's Surety Bonding Program surpassed all projections during its first year of operation. Over 100 accounts with approved programs of bonding totalling $115 million were established. Gross billings totalled $.9 million with all provinces except P.E.I. and Saskatchewan contributing to the total. There were no losses arising from the surety operation during 1980 and reinsurance of most projects diminishes MICC's net liability. Much of this year's success is due to MICC's flexibility and personalized service, qualities which MICC will continue to emphasize.

To-date, all business has been centralized in Toronto, but in 1981 we are planning to expand and train staff to enable MICC to have experienced surety personnel closer to our customers. Existing accounts will be developed to full potential and new relationships will be solicited to augment our volume of premiums.

Lease guarantee insurance program

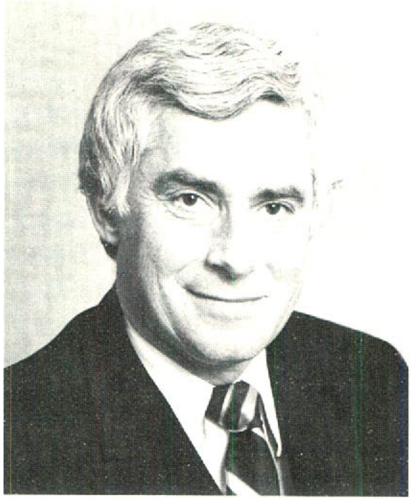
The volume of business for this program declined in 1980, due primarily to a company decision to institute much more restrictive underwriting guidelines. During the year, 23 lease guarantee commitments were issued for an aggregate insured rent of $9 million, compared with 96 commitments and an aggregate insured rent of $32.7 million in 1979. Premiums written totalled $.6 million, 61 percent below 1979's total of $1.5 million. The year ended with commitments outstanding representing $.3 million in potential premiums.

Condominium deposit insurance program

MICC has a program in Ontario which insures the deposits of condominium buyers before a condominium project is registered when such deposits exceed the limit of $20,000 insured by the HUDAC New Home Warranty Program.

During 1980, MICC insured approximately $15 million in excess deposits. Premiums written in 1980 totalled $108,304, about 37 percent below the 1979 total of $171,024.

D. C. Toms
Vice-President, Finance



F. D. Teatro
Director, Administration and Personnel

Financial

Total shareholders' equity amounted to $150.1 million at December 31, 1980 compared with $152.1 million a year earlier. Policy holders reserves consisting of unearned premiums and additional policy reserves increased marginally to $147.3 million from $147.2 million at the end of 1979.

During the year, the Department of Insurance advised mortgage insurers that they may apply an accelerated earnings formula to new business written and to the amount of premiums deferred from prior business. At the same time, they advised that there would no longer be a requirement to provide an additional policy reserve in respect of business written in 1980 and subsequent years other than for short term and other special type policies. The effect of these changes is to allow MICC to write more new business with the same amount of capital.

Field office organization

In its continuing effort to provide fast, efficient service to our lender clients, MICC is making a number of changes in its field office structure.

Vice-Presidents were appointed for Eastern and Western Canada and three new offices are being opened early in 1981.

Mr. Georges Carpentier has been appointed Vice-President, Eastern Canada and will be responsible for all company activities in the provinces of Quebec, Nova Scotia, New Brunswick, Newfoundland, Prince Edward Island as well as the area served by the Ottawa Regional Office. Mr. Carpentier will be located in Montreal.

Mr. Claude Renaud is Vice-President, Western Canada and will be responsible for all company activities in the provinces of British Columbia, Alberta, Saskatchewan and Manitoba. Mr. Renaud will be located in Vancouver.

The three new offices being opened are located in Victoria, B.C., Saskatoon, Saskatchewan and St. John's, Newfoundland.

A. D. Munro
Vice-President, Claims and Real Estate

Defaults

At year end, 3,506 accounts were reported by lenders as being in default out of approximately 372,000 loans insured. The default ratio declined slightly to 0.94 percent from 0.98 percent at December 31, 1979.

The default ratio is determined by dividing the number of defaulting loans by the total number insured. Approved lenders report, monthly, all loans that are three or more months in arrears if loan amounts are under $500,000. Those loans over that amount are reported if they are one or more months in arrears.

Analyzing defaults is an important part of the claims operation. Experience has shown that in those cases where we have been able to assist or direct the lenders' actions, many claims have been avoided or at least the average loss has been reduced.

Default ratios

	1980	1979	1978	1977	1976
First mortgage insurance programs					
Homeownership loans					
High ratio	**0.92%**	0.98%	0.95%	1.02%	0.68%
75% and less	**0.62**	0.73	0.71	0.56	0.26
Rental loans	**2.01**	2.16	1.36	0.95	0.86
Commercial industrial loans	**2.50**	2.17	1.85	1.57	0.85
Vacation home loans	**1.77**	2.04	2.39	1.05	0.31
Second mortgage insurance programs	**0.29**	0.71	0.53	0.49	—
Overall default ratio	**0.94**	0.98	0.96	0.96	0.64

Losses on claims incurred

A reserve to cover potential losses is set up for each specific case as soon as it is decided that it is likely a claim will be filed. In order to determine a loss, it is necessary to obtain one or more current valuations, a report from the lender as to the amount owing on the mortgage and to estimate the disposal costs of the real estate. In addition, we estimate the date of claim settlement so that interest costs will be properly reflected as well as taxes, legal and maintenance costs.

Although the loss reserve is set up at the earliest possible date, frequently before the account is six months in default, the actual payment of the claim may be many months later. At December 31st, 1980, we had outstanding reserves to pay claims amounting to $22.0 million, compared with $14.4 million at the end of 1979.

In 1980, losses on claims incurred rose to $42.6 million compared to $28.2 million in 1979. Losses averaged $8.8 million per quarter during the first three quarters of the year, but rose sharply to $16.2 million during the last quarter. The substantial increase in the last quarter was the result of several factors including:

1) adjustments in the loss reserves for a number of income properties based on information received in the fourth quarter.
2) the setting up a general provision for losses in the amount of $2.8 million to reflect uncertainties in real estate markets in many areas in central Canada
3) a substantial increase in losses under the lease guarantee program

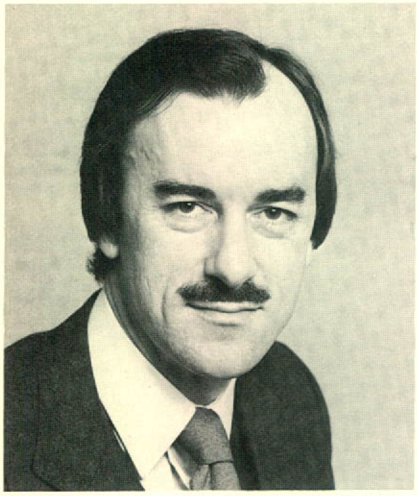
Nearly 60 percent of our losses were incurred in the high ratio homeownership program, totalling $24.6 million in 1980, 41 percent above the 1979 level. Losses on the high ratio rental program also took a substantial upturn, increasing by 75 percent to $10.2 million during 1980. A high proportion of the mortgage insurance losses took place in central Canada.

Lease Guarantee losses increased significantly during the period from $0.9 million in 1979 to $2.2 million in 1980. The lease guarantee program offers an opportunity for partial or full recovery of some losses, where premises under claim are re-rented for amounts in excess of the insured rent. We expect to experience some recoveries in 1981.

Losses incurred under the New Home Warranty program totalled $558,000 this year, compared with $338,365 in 1979. Amounts paid by the Ontario Program exceeded the loss figure, but the excess is recoverable from the provincial program under the terms of the insurance agreement.

Claims losses

	1980	1979	1978	1977	1976
					(,000 omitted)
First mortgage insurance programs					
Homeownership loans					
High ratio	**$24,615**	$17,437	$14,502	$4,929	$1,719
75% and less	**1,306**	655	846	72	52
Rental loans	**10,161**	5,807	2,890	2,448	671
Commercial industrial loans	**3,552**	2,322	1,437	966	1,068
Vacation home loans	**127**	119	18	—	—
Second mortgage insurance programs	**105**	136	38	—	—
Total mortgage insurance losses from Canadian operations	**39,866**	26,476	19,731	8,414	3,510
Lease guarantee insurance losses	**2,169**	940	560	161	83
Condominium deposit losses	**3**	380	—	—	—
New home warranty losses	**558**	338	272	137	—
U.S. reinsurance losses	**(43)**	66	15	98	398
Total claims losses	**$42,553**	$28,200	$20,579	$8,810	$3,991



J. D. H. Bergeron
Legal Counsel

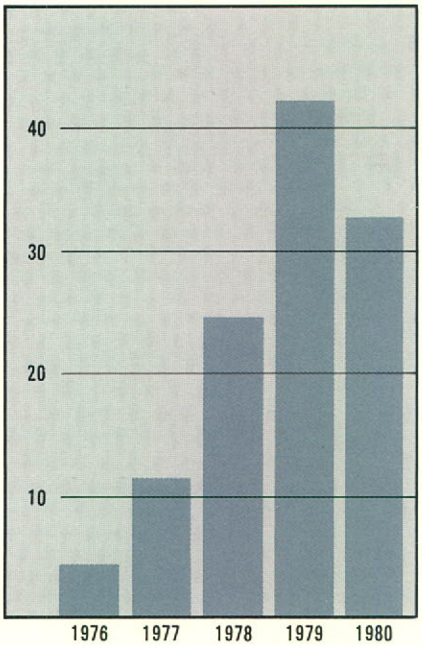
Real estate

About 60 percent of MICC's claim settlements during 1980 involved the acquisition of real estate with the balance being deficiency settlements where the property was sold by the lender. In these latter cases, the lender was able to dispose of the real estate and MICC paid the difference between the mortgage balance and the net proceeds of the sale. During the year, MICC acquired 1,292 properties having a total value of $51.9 million compared to 1,084 parcels acquired with a value of $49.7 million in 1979.

During the year, our stock of real estate reached a high level of 964 parcels with a book value of $44.3 million in June. A number of aggressive sales campaigns were developed and 1,495 properties were sold for a total consideration of $62.6 million. This compares to sales of $31.4 million (741 properties) in 1979. By year-end, our real estate holdings had been reduced to $31.8 million from $42.5 million in 1979. In addition, we held as mortgagee an additional 84 properties valued at $3.1 million. At December 31, 1980, we had sold, but not closed, 116 parcels for a total consideration of $4.4 million.

Real estate is held on our books at the estimated net realizable value which allows for disposal costs such as real estate commission, legal fees, appraisals, etc. Each major property acquired is analyzed to determine if it should be held in the short term or sold. We currently hold a number of properties where we anticipate satisfactory workouts or significant increases in value in the next year or so.

Real estate holdings
As at December 31st
in millions of dollars



Sale of mortgages

Because of the high mortgage rates prevailing during most of the year, the company offered attractive mortgage financing to assist in the sale of a large number of properties. These mortgages are subsequently made available for sale to institutional investors.

During the year, 993 mortgages totalling $42.3 million were acquired and 544 loans totalling $22.6 million were sold. Sales of a further $6.4 million were arranged for closing after year-end.

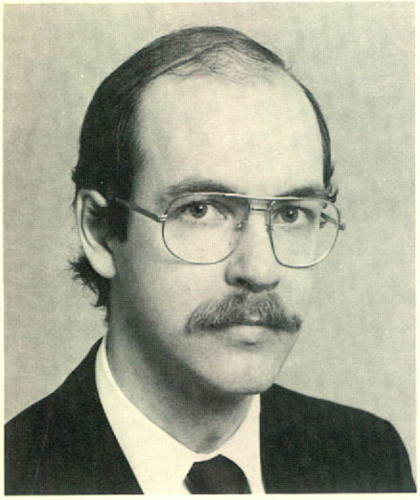
These activities resulted in a fairly significant increase in our mortgage portfolio from $12.5 million in 1979 to $30 million by the end of 1980.

Real Estate Activity	Single family* No.	Single family* Book value	Rental No.	Rental Book value	Commercial industrial No.	Commercial industrial Book value	Total No.	Total Book value
		($000's)		($000's)		($000's)		($000's)
Held at December 31, 1979	734	23,881	35	6,682	17	11,923	786	42,486
Acquired during 1980	1,216	39,474	59	8,229	17	4,183	1,292	51,886
Sales and adjustments during 1980	1,413	46,030	63	9,997	19	6,593	1,495	62,620
Held December 31, 1980	537	17,325	31	4,914	15	9,513	583	31,752
Real estate holdings as at December 31, 1980								
Held under 6 months	289	9,452	26	3,874	7	3,530	322	16,856
Held 6-12 months	135	4,295	1	83	2	186	138	4,564
Held over 12 months	113	3,578	4	957	6	5,797	123	10,332
	537	17,325	31	4,914	15	9,513	583	31,752

In addition as at December 31, 1980 mortgages under foreclosure were held on 84 pieces of real estate for a total realizeable value of $3.1 million. The comparable figures at the end of 1979 were 11 mortgages for a total realizeable value of $.6 million.

Real estate holdings as at December 31, 1980	Single family* No.	Single family* Book value	Rental No.	Rental Book value	Commercial industrial No.	Commercial industrial Book value	Total No.	Total Book value
		($000's)		($000's)		($000's)		($000's)
Newfoundland	1	42	—	—	—	—	1	42
Prince Edward Island	4	99	—	—	—	—	4	99
Nova Scotia	2	59	—	—	—	—	2	59
New Brunswick	14	370	2	40	—	—	16	410
Quebec	68	2,294	22	3,587	6	1,361	96	7,242
Ontario	381	12,048	4	245	7	6,922	392	19,215
Manitoba	26	774	—	—	1	375	27	1,149
Saskatchewan	17	466	1	325	1	855	19	1,646
Alberta	20	1,017	1	92	—	—	21	1,109
British Columbia	4	156	1	625	—	—	5	781
Total	537	17,325	31	4,914	15	9,513	583	31,752

*Includes condominium (strata title) units.



J. E. Rohr
Vice-President, Investments

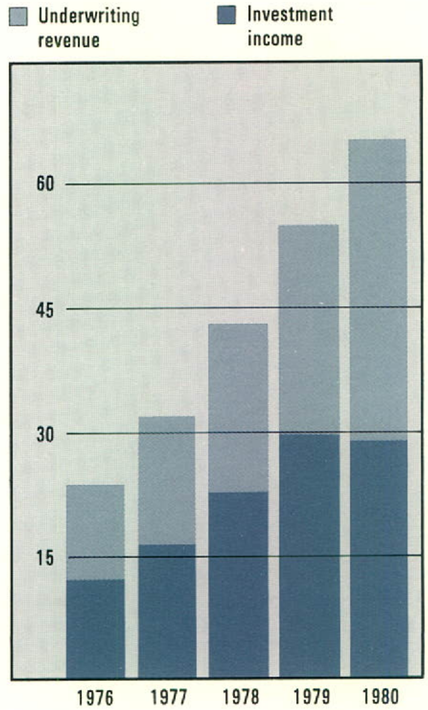
Investments

The results from The Mortgage Insurance Company of Canada's security investments for the year 1980 were encouraging despite the continued problems associated with the slow economic growth and high inflation in the Canadian economy. Total pretax income excluding mortgages was $26.3 million. In addition there was $1.9 million in mortgage interest earned during 1980.

High quality and liquidity continued to be emphasized in the portfolio investments. The bond portfolio of the Company has an average term to maturity of less than three years and consists primarily of Government of Canada bonds. Preferred stock holdings were increased in order to maximize after tax returns and total investments in equities rose, as a result, to 72% of the portfolio from 55% in 1979.

The market value of the investment portfolio was 104.1% of the book value at year end as compared to 104.8% on December 31, 1979. Capital gains realized through the sale of equity investments in 1980 were $5.7 million, somewhat below the $6.4 million realized in 1979.

Underwriting revenue and investment income
in millions of dollars



The table below is an asset classification of the portfolio at book value:

Classification	December 31/80	% of total 1980	% of total 1979
	(000's omitted)		
Cash	$ 3,098	1.3	0.7
Federal government bonds (Under 3 yrs.)	52,551	22.9	17.1
Money market	1,822	0.8	4.8
Cash and liquid assets	57,471	25.0	22.6
Bonds (Other)	6,959	3.0	22.0
Term preferred	16,851	7.4	2.9
Sinking fund preferred	31,463	13.7	11.6
Conventional preferred	43,021	18.7	14.2
Straight preferred	91,335	39.8	28.7
Convertible preferred	6,347	2.8	0.8
Common stock	67,624	29.4	25.9
Common and convertible preferred	73,971	32.2	26.7
Total equity	165,306	72.0	55.4
Total portfolio	$229,736	100.0	100.0

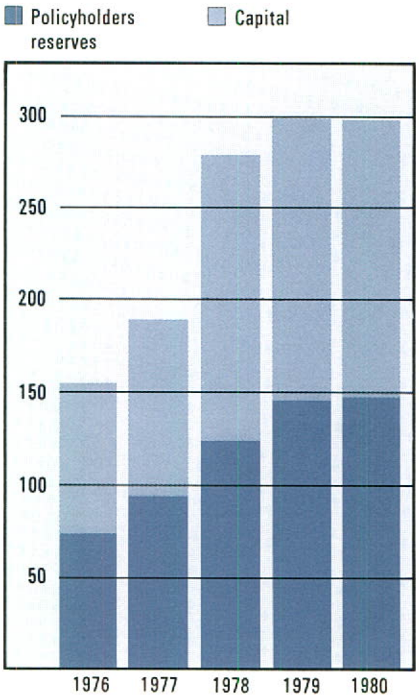
Historical statistics

	1980	1979	1978	1977	1976
Average values					
Homeownership loans (high ratio)	**$ 52,905**	$ 44,297	$ 41,500	$ 38,251	$ 35,663
New construction (per unit)	**64,920**	54,230	49,602	45,635	42,342
Existing homes (per unit)	**43,887**	38,117	39,396	34,399	30,275
Rental projects (per loan)	**254,689**	171,359	191,553	170,375	148,157
Commercial/industrial (per loan)	**386,870**	246,319	305,039	359,590	319,916
Vacation homes (per unit)	**52,813**	31,089	33,472	21,412	26,615
GDS and TDS ratios					
Gross debt service ratio (note 1)	**24.4%**	24.1%	23.9%	23.9%	24.8%
Total debt service ratio (note 2)	**30.4%**	30.5%	30.1%	29.7%	30.3%
Capital and reserves (000's omitted)					
Policyholders reserves	**147,277**	147,213	$123,322	$ 94,763	$ 72,171
Capital	**150,070**	152,058	153,357	95,199	83,713
Total	**$297,347**	$299,271	$276,679	$189,962	$155,884
Active lender clients	**331**	350	356	270	185

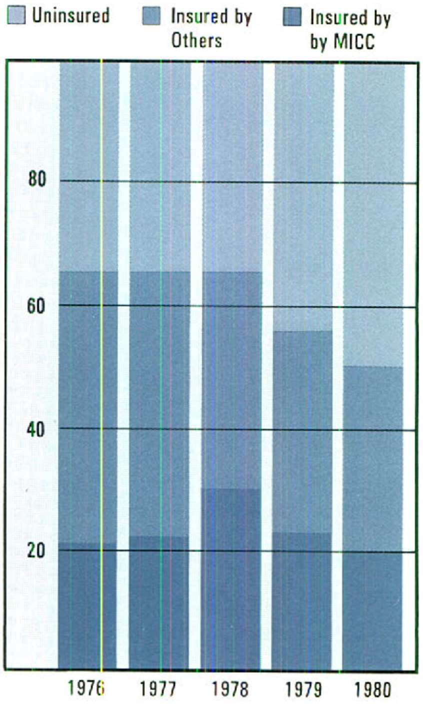
Note 1 – GDS – (Gross debt service ratio) the percentage of gross income used for mortgage payments and property taxes.

Note 2 – TDS – (Total debt service ratio) the percentage of gross income used for mortgage payments, property taxes, and all other instalment debts.

Policyholders reserves and capital
in millions of dollars



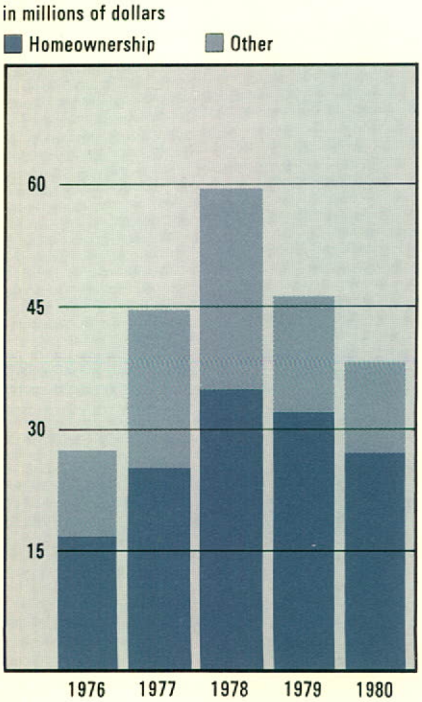
Share of Total Mortgage Financing
as a percentage



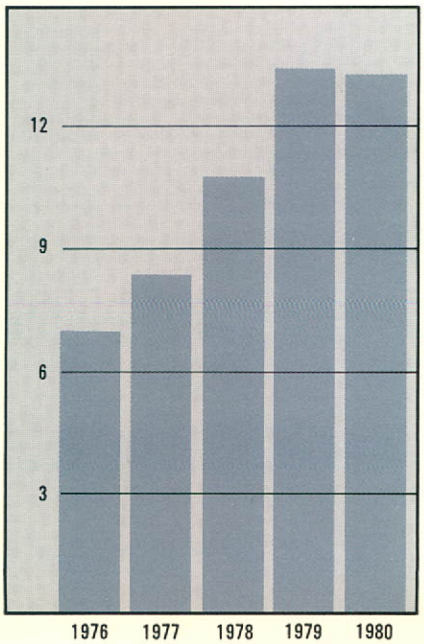
Historical statistics

Issued commitments to insure	1980	1979	1978	1977	1976
Mortgage insurance (Canadian business, data are gross)					(,000 omitted)
First mortgage insurance programs – Total	**$2,724,813**	$3,938,609	$4,950,000	$3,642,613	$2,400,445
Homeownership loans					
High ratio	**1,964,151**	2,870,042	3,183,407	2,349,001	1,528,189
75% and less	**343,062**	427,378	540,148	336,340	348,030
Rental loans					
High ratio	**126,835**	280,898	580,810	456,095	233,347
75% and less	**21,865**	18,636	41,929	59,906	21,189
Commercial/industrial loans					
High ratio	**156,980**	194,503	361,490	237,330	121,622
75% and less	**73,208**	129,899	220,526	196,668	142,343
Vacation home loans	**38,712**	16,353	21,690	7,273	5,725
Second mortgage insurance programs – Total	**17,655**	7,385	7,474	3,337	2,568
Homeownership loans					
High ratio	**16,892**	6,560	4,598	1,903	1,361
75% and less	**479**	414	941	1,234	1,207
Income properties (rental and commercial/industrial)	**284**	411	1,935	200	—
Lease guarantee	**9,000**	32,650	49,440	33,799	33,214
Insurance in force (Canadian mortgage insurance) At year end ($ billions)	**13.3**	13.5	10.7	8.4	7.0

Potential Premium
All mortgage insurance programs
in millions of dollars



Insurance in Force
(Canadian Mortgage Insurance)
At Year end in billions of dollars



MICC Appraisals & Inspections Limited

MICC Appraisals & Inspections Limited (A & I), a subsidiary of MICC Investments Limited and an affiliate of The Mortgage Insurance Company of Canada (MICC), commenced operations on July 1, 1979. The primary objective of the company is to provide a national Real Estate Appraisal and Inspection Service to approved lenders and correspondents of MICC as well as internal technical support to MICC for their mortgage insurance, claims, and real estate functions. The company's services are also available to other clients on a fee basis.

A & I is represented in each of the MICC regional offices by a staff of qualified appraisers and building inspectors who have had extensive training and experience in their respective fields of expertise.

The company's operations are directed by a General Manager, Chief Appraiser and Chief Inspector.

As of December 31, 1980, A & I had a full-time staff of 35 real estate appraisers, 16 building inspectors, and 26 administrative support personnel. From time to time the company utilizes the services of contract appraisers and inspectors when the volume of assignments exceeds the capacity of the regular staff.

Appraisal service

The company possesses the qualified staff to undertake virtually any type of real estate appraisal assignment.

Real estate appraisals are used in order to establish value based on either the cost, market, or income approaches, and are used for a variety of purposes, some of which include:

- Mortgage financing or mortgage renewal
- Assessment contestation
- Taxation
- Feasibility analysis
- Claims settlement
- Expropriation
- Purchase/sale

For the year ending December 31, 1980, 7,747 appraisal assignments were completed, of which approximately 45% were performed for MICC Approved Lenders.

Inspection service

This aspect of the company's operation is intended to assist MICC Approved Lenders and/or MICC by providing:

New construction

- Building code, plans and specification compliance.
- Progress advance inspections including cost to complete calculations for mortgage purposes.

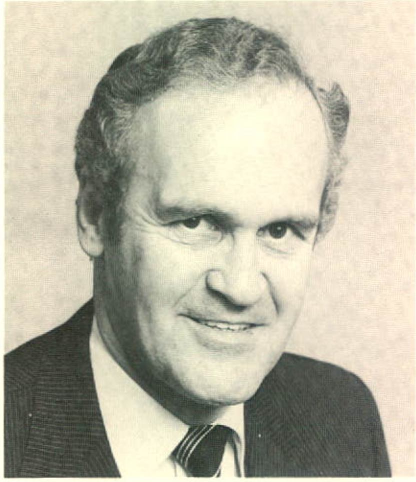
Existing real estate

- Surveillance Inspections (Vacant Property)
- Assistance in arranging for and supervising restoration work where required in preparation for sale.

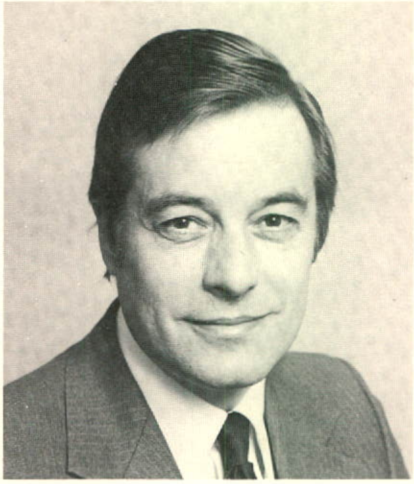
Approximately 35,000 inspections were completed during 1980 and approximately 56% were performed for MICC Approved Lenders.

To-date, the principal clients of the company have been the approved lenders of MICC. Interest in both the appraisal and inspections services is growing and expert advice in these areas is being recognized as necessary in successful mortgage lending, insuring and property administration.

Field office organization



G. W. Carpentier
Vice-President, Eastern Canada
Montreal



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D. Smith, Manager

Senior executives and management

MICC Investments Limited

Corporate Planning

J. D. Hewitt, Director

The Mortgage Insurance Company of Canada

R. T. Ryan,
President

J. McAvoy,
Senior Vice-President

R. G. Bowden,
Executive Assistant to the President

Accounting

D. C. Toms, Vice-President, Finance

G. K. Sutherland, Manager

J. Bond, Assistant Manager

Administration and Personnel

F. D. Teatro, Director

L. Crowder, Manager,
Data Processing

M. E. Sparkes, Manager, Personnel

G. J. Schnarr, Manager,
Administration

H. Hallworth, Assistant Manager,
Data Processing

Business Development

G. J. Pennie, Manager and
Business Development Officer
(Ontario)

Claims and Real Estate

A. D. Munro, Vice-President

M. L. Stein, Manager

C. E. Madden, Manager,
Real Estate Marketing

J. J. Traill, Chief Claims Officer

S. Smith, Assistant Manager,
Real Estate Administration

C. Ross, Assistant Manager,
General Claims

S. Turner, Assistant Manager,
I.C. & I. Claims

Internal Auditor

M. Casey

Investments

J. E. Rohr, Vice-President

M. S. Lamont, Portfolio Manager

Legal

J. D. H. Bergeron, Legal Counsel

Mortgage Insurance

C. E. Shoemaker, Director

S. J. Philippe, Manager
Underwriting

M. E. Mallich, Manager,
Insurance Services

P. W. Keates, Assistant Manager,
Underwriting

Surety

J. C. W. Thompson, Manager

G. Kuehne, Assistant Manager

MICC Appraisals & Inspections Limited

D. E. Mercer, General Manager

J. Oliver, Chief Appraiser

E. D. Smith, Chief Inspector

The Company

MICC Investments Limited is a public company whose shares are listed for trading on the Toronto and Montreal stock exchanges. 99 percent of the shares are held in Canada. MICC Investments Limited operates in all provinces through two subsidiary companies, The Mortgage Insurance Company of Canada (MICC) and MICC Appraisals & Inspections Limited.

A wide range of insurance programs have been developed over the last sixteen years which enable investors to realize the higher returns available in mortgage and real estate investments while minimizing their risk. During 1980, 331 active lender clients (chartered banks, trust, loan and life companies and credit unions) availed themselves of MICC's mortgage insurance programs. MICC's surety operation was very successful during its first year of operation and we are optimistic that it will become a very important program in the years ahead.

MICC Appraisal & Inspections has been in operation for two years, offering property appraisals and inspections across Canada. Its expanding client group includes many of Canada's major mortgage lending institutions.

MICC continues to search for new products and services which will enable the company to maintain a leadership role in the mortgage and real estate industry.

Si vous désirez recevoir ce rapport en français, veuillez vous adresser au:

Secrétaire

Les Placements MICC, Limitée
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Toronto, Ontario M5H 2Y4