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• M I C C • I N V E S T M E N T S • L I M I T E D • 1 9 8 6 •
• A N N U A L • R E P O R T •



• F I N A N C I A L • H I G H L I G H T S •

(000's omitted)	1986	1985	1984	1983	1982
Premiums Written	\$ 47,459	\$ 18,521	\$ 18,444	\$ 22,852	\$ 13,953
Underwriting Revenue	29,482	32,534	31,578	35,752	40,738
Investment Income	20,947	23,616	40,909	54,775	42,340
Losses Incurred on Claims	18,236	49,158	132,094	112,509	76,220
Net Earnings (Loss)	33,462	19,329	(87,698)	(85,445)	(1,165)
Net Earnings (Loss) Available to Common Shareholders	22,564	8,425	(98,773)	(97,189)	(8,725)
Total Assets	341,176	240,813	336,646	418,603	456,904
Shareholders' Equity	104,691	72,411	53,794	142,237	247,656
Earnings (Loss) Per Common Share	\$1.98	\$0.74	(\$8.69)	(\$8.55)	(\$0.77)
Earnings (Loss) Per Common Share (Fully Diluted)	\$1.02	\$0.74	(\$8.69)	(\$8.55)	(\$0.77)
Common Dividends Paid	—	—	—	*	\$0.76

*Stock Dividend – One Common Share for each Twenty Shares held.

COMPANY PROFILE

MICC Investments Limited is a public company whose shares are listed for trading on the Toronto and Montreal stock exchanges. MICC Investments Limited operates in all provinces through its wholly owned subsidiary, The Mortgage Insurance Company of Canada (MICC).

MICC was incorporated by an Act of Parliament (Canada 1963) and is registered under the provisions of the Canadian and British Insurance Companies Act. MICC's activities fall under the jurisdiction of the Federal Department of Insurance, whose staff carry out regular inspections.

MICC is engaged principally in the business of providing financial guarantees in the real estate market.

MICC insurance protection is available for first and second mortgages on houses, rental projects, and commercial and industrial properties, through 13 regional offices and 188 active lender clients across Canada. The company has a range of other



Jean Agin,
Receptionist

programs which includes Surety, Excess Condominium Deposit Insurance, and New Home Warranty.

In operation for over 20 years, MICC now has \$15.7 billion of insurance in force.

The Annual Meeting of Shareholders will be held 10:30 a.m. Thursday April 30, 1987, Four Seasons Hotel, Toronto, Ontario.

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• M E S S A G E • T O • S H A R E H O L D E R S •



Robert A. Utting,
Chairman of the Board

The turn-around which commenced for your company in 1985 accelerated during 1986. New business commitment volume doubled, claims losses declined by 63 percent, and assets grew by 42 percent. We believe this positive momentum should continue through 1987.

Investor confidence has been restored, as indicated by the successful preferred share issue by the Insurance Company early in the year and the improvement in the common share price from \$3.50 at December 31st, 1985 to \$8.625 at December 31st, 1986.

Net earnings of MICC Investments Limited for the year, after extraordinary items were \$33.5 million compared to \$19.3 million in 1985. After allowing for unpaid dividends of \$10.9 million, the earnings per common share after extraordinary items were \$1.98. On a fully diluted basis, earnings per common share after extraordinary items were \$1.02.

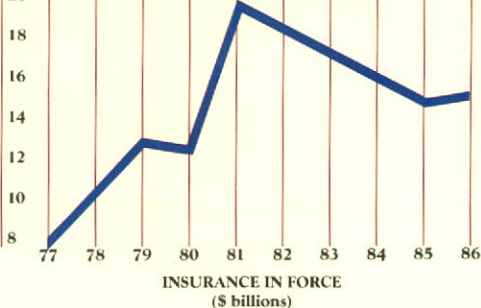
Total revenue was \$50.4 million compared to \$56.2 million

in 1985 with 58 percent derived from underwriting revenue and 42 percent from investment income.

New mortgage insurance commitments totalled \$2,586 million, 104 percent above the 1985 total of \$1,268 million. This strong growth in volume is attributable to a buoyant market for both new and re-sale housing, a strong marketing effort by the company, and renewed confidence in the company's financial strength.

The company's total claims losses declined during 1986 to \$18.2 million. This compared with \$49.2 million in 1985. The claims losses were 67 percent of earned premium. Claims losses on mortgage insurance policies in Alberta were \$18 million, a decline from \$38 million in 1985.

The company makes specific provision in respect of loans in default that are expected to result in claims, and also makes a general provision based upon past experience in respect of loans that are in default. The amount of the specific provision



is the difference between the anticipated amount of the claim and the estimated net proceeds to be received from sale of the real estate. The total provision for claims at December 31, 1986 amounted to \$48.0 million which includes a general provision of \$7.0 million.

It is company policy to maintain reserves, not only for losses incurred but not paid, but also for the present value of identified potential losses on policies in force. At the end of 1983, estimates that were greatly influenced by the deterioration of real estate markets in Alberta, indicated that the present value of potential losses on policies issued on or before December 31, 1983 would likely exceed deferred premiums. Therefore, a premium deficiency provision was required for the first time in the company's history and this was a direct charge against earnings. Subsequent experience resulted in adjustments during 1984 and 1985, and in 1986 the improvement in experience enabled us to take the remainder of the provision back into earnings.

The current unearned premium reserve now provides a comfortable margin over our estimate of future claims. We are confident that with a more selective underwriting policy combined with an improved premium rate structure it is unlikely we will require such extraordinary reserves in the foreseeable future.

Equity in the earnings of Inter-City Gas Corporation in 1986 totalled \$6.8 million compared with \$9.3 million during 1985, and the book value of our investment in ICG securities at December 31st, 1986 is \$123.0 million compared to a market value of \$127.3 million. By agreement with the Department of Insurance, The Mortgage Insurance Company of Canada, a wholly-owned subsidiary of MICC Investments Limited is to reduce its investment in ICG securities to 15 percent of total assets by June 30, 1987.

Total assets at December 31, 1986 increased to \$341.2 million from \$240.8 million at December 31st, 1985 as a result of cash flow from operations during 1986 of \$43.1 million and the \$61.1 million in proceeds received or receivable from the capital issue described below.

In 1986 MICC Investments Limited incorporated a wholly owned subsidiary, MICC Properties Inc. This new company has been set up to participate in opportunities in real estate development and investment particularly suited to MICC's expertise in the financial and real estate markets.

On Sept. 4, 1986 your Board of Directors adopted a stock option plan for executive officers of MICC Investments and MICC. Initially 800,000 common shares of MICC Investments were reserved and options were granted on Sept. 4, 1986 to eight executives to purchase 415,000 common shares at the then market price of \$7.875 per share, exercisable over five years on a 25 per cent per year cumulative basis. The plan has been

approved by the Toronto and Montreal stock exchanges. The plan and the options granted thereunder are subject to shareholder approval.

In the first quarter of 1986 MICC Investments Limited and The Mortgage Insurance Company of Canada completed a successful rights offering of 1,844,806 Variable Rate Exchangeable Preference Shares Series A of The Mortgage Insurance Company of Canada.

The rights offering was made to holders of common shares and convertible Second Preferred Shares Series A of MICC Investments Limited.

There was also a concurrent sale of 600,500 Variable Rate Exchangeable Preference Shares Series B of The Mortgage Insurance Company of Canada to an investor group consisting of H. Reuben Cohen, Leonard Ellen and Robert G. Graham.

The rights offering and the concurrent sale provided approximately \$61 million of new equity capital for The Mortgage Insurance Company of Canada. The proceeds are to be received in two equal instalments. The first was received in March, 1986 with the balance due in March, 1987.

We are optimistic that the arrears of dividends on the preferred shares of MICC Investments will be satisfied in the coming year.

Late in 1986, Central Capital Corporation made an offer of their Class A Subordinate Voting Shares for any and all of the common and convertible shares of MICC Investments Limited and the instalment receipts representing exchangeable preferred shares of The Mortgage Insurance Company of Canada. Acceptance of the offer was recommended by the Boards of Directors of MICC Investments Limited and The Mortgage Insurance Company of Canada after receiving an opinion from an independent investment dealer and from an independent committee of the Boards of Directors of both companies.

Central Capital Corporation has announced that as a result of the offer and the shares they previously owned, they own, as at December 12, 1986, approximately 92 percent of the participating securities of MICC Investments Limited on a fully diluted basis.

During the year, Messrs. Ron C. Brown, Jock K. Finlayson, G.J. van den Berg, and B.G. Willis, retired from the Board of Directors and we would like to thank them for their contribution to the company during the years they served as directors.

Throughout the year, our staff worked diligently to provide the best service possible to our clients. I would like to thank them for their efforts.

R.A. Utting Chairman
MICC Investments Limited

February 10, 1987

• R E V I E W • O F • O P E R A T I O N S •

Institutional residential mortgage loan approvals in Canada were \$35.2 billion in 1986, an increase of 17.7 percent over the previous year's record total of \$29.9 billion. This strength reflects the availability of mortgage funds at attractive interest rate levels and the strong new and existing housing markets which prevailed in Canada during the year.

Housing starts rose 21 percent to 199,800 units during 1986 with activity in Ontario and Quebec being particularly strong. There were 266,300 sales of existing houses through the



Reginald T. Ryan,
President and Chief Executive Officer,
The Mortgage Insurance Company of Canada

Canadian Real Estate Ass'n MLS system, a 0.6% increase over 1985.

The strength of the housing markets in Canada assisted MICC in posting a strong increase in its new business in 1986. New commitments issued by the company totalled \$2,586 million, 104 percent above the 1985 total of \$1,268 million.

**HOMEOWNERSHIP
FIRST AND SECOND
MORTGAGES**

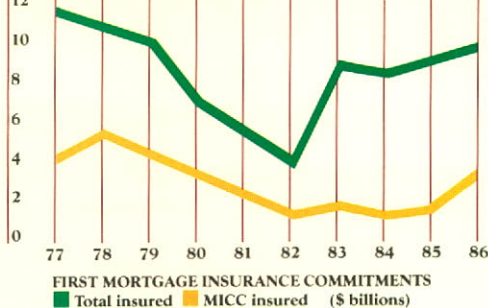
Homeowner mortgage insurance is underwritten through the company's 13 regional offices across the country.

HISTORICAL STATISTICS, The Mortgage Insurance Company of Canada

		1986	1985	1984	1983	1982
FIRST AND SECOND MORTGAGE INSURANCE PROGRAMS – Issued Commitments to insure (\$ millions)	TOTAL	2,586	1,268	956	1,307	796
	Homeownership loans	2,492	1,224	853	1,182	693
	Rental loans	74	33	81	75	81
	Commercial/industrial loans	20	11	22	50	22
INSURANCE IN FORCE	(Canadian mortgage Insurance) At year end (\$ billions)	15.7	15.5	17.0	17.7	18.9
AVERAGE VALUES	Homeownership loans (high ratio)	69,892	63,884	61,826	61,517	60,369
	New Construction (per unit)	80,928	72,496	68,781	70,422	76,279
	Existing homes (per unit)	64,673	58,820	56,748	55,827	48,812
	Rental projects (per loan)	227,375	166,009	249,463	194,259	597,740
	Commercial/industrial (per loan)	495,974	339,605	338,413	391,273	297,531
GDS AND TDS RATIOS	Gross debt service ratio*	23.2%	23.1%	23.4%	22.9%	24.2%
	Total debt service ratio**	29.8%	29.7%	29.5%	28.7%	30.2%
CAPITAL AND RESERVES (\$000's)	Policyholders reserves	116,154	116,094	153,241	120,456	131,731
	Capital	160,089	66,123	47,996	136,137	239,469
	Total	276,243	182,217	201,237	256,593	371,200
ACTIVE LENDER CLIENTS		188	168	180	200	194

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

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



MICC's regional managers have responsibility for business development, underwriting control, administration and profitability within their regions.

The 13 managers have been with the company for an average of 9 years and they average 19 years experience in the mortgage industry.

Because the impact of the economy, national, provincial and local, on a mortgage insurer can be significant, the company believes it is important to have its portfolio of insurance spread across the country. Increasing emphasis is being placed on overall portfolio risk management



Halifax.

in addition to the traditional underwriting analysis of individual applications for insurance. To assist in this area, MICC is enhancing its economic and market analysis capability.

The homeownership program constitutes the largest segment of MICC's activity, accounting for 96.4 percent of all mortgage insurance commitments issued during 1986. Commitment volume totalled \$2,492 million during 1986, 103.6 percent above

the 1985 total of \$1,224 million. Existing housing accounted for 65 percent of total homeownership activity compared with 59 percent in 1985 with new construction accounting for the balance.

being insured by the company and 835 or approximately 0.26 percent were reported by lenders as being three months or more in arrears. This default ratio is the lowest since 1972 and compares favourably with a default ratio of



Toronto.

This increase in new business volumes was attributable to a buoyant housing market, a strong marketing thrust by the company, and restored confidence of lenders in the financial strength of the company.

The average loan amount was \$80,928 for new construction and \$64,673 for existing compared to \$72,496 and \$58,820 respectively in 1985. Over 94 percent of loans were on properties in urban areas. The average gross debt service ratio was 23.2 percent, about the same as in 1985. The gross debt service is the ratio of mortgage payments and realty taxes to income before taxes. The maximum ratio generally permitted is 30 percent.

Premiums written during the year amounted to \$41.4 million, an increase of 129 percent over the 1985 total of \$18.1 million.

At the end of 1986 316,655 homeowner mortgages were

0.39 percent at the end of 1985 and 0.70 percent at year end 1984.

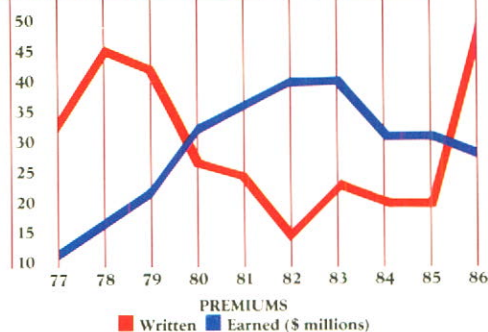
Losses on claims incurred during the year amounted to \$10.8 million and represented new reserves made during the year and changes to reserves outstanding at the end of the previous year. This was 73 percent below losses on claims of \$40.9 million incurred during 1985.

Diane Alvernaz and Sandra Harrod, Residential Claims.



Left to Right
J. Donald Bergeron,
*Vice President, Legal Counsel
 and Secretary.*
Michael L. Stein,
*Executive Vice President,
 Residential Mortgage Insurance
 and President and Chief Executive
 Officer, MICC Properties Inc.*
James D. Hewitt,
*Executive Vice President and
 Chief Financial Officer.*
Clair E. Shoemaker,
Vice President, ICI.





Alberta accounted for approximately \$8.0 million of losses incurred on homeownership mortgages in 1986 and approximately \$34.1 million of losses incurred in 1985. While there has been some increase in defaults in Alberta over the past 4-6 months, the company is confident that the situation will not be as serious as it was in 1983-1984. There has been very minimal new business written in Alberta since 1983 due to the unavailability of the personal

covenant of the borrower.

During the year, on settlement of claims, 215 properties were acquired having a net realizable value of \$9.5 million compared with 435 properties valued at \$20.7 million during 1985. A total of 295 properties with a book value of \$12.4 million were sold for a total consideration of \$14.4 million during 1986. This compares with sales of 674 properties valued at \$33.1 million during 1985. At the end of 1986, real estate holdings totalled



Renee Ernst,
Marketing.

\$7.2 million, compared with \$11.0 million at the end of 1985.

At December 31, 1986, an additional 16 properties valued at \$0.7 million had been sold, but the sales had not yet closed.

Real estate is held on the books at estimated net realizable value which is estimated market value less estimated disposal costs (real estate commission, legal fees, appraisal, etc.). On acquisition, each property is reviewed to determine if it should be held or sold. Company policy generally is to sell acquired real estate as soon as possible.

PROGRAMS

FIRST & SECOND MORTGAGES

POTENTIAL PREMIUMS

DEFAULT RATIOS

	1986 (\$000's)		1985	
	1986	1985	1986%	1985%
Homeownership	\$54,545	\$22,764	.26	.39
Rental	1,303	666	.63	1.01
Commercial/Industrial	420	193	.78	1.40
Total	56,268	23,623	.28	.43

FIRST & SECOND MORTGAGES

PREMIUMS WRITTEN

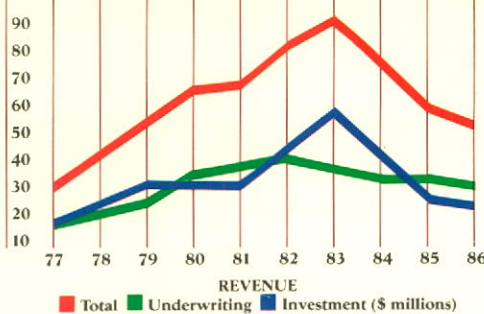
CLAIMS LOSSES

	1986 (\$000's)		1985	
	1986	1985	1986 (\$000's)	1985
Homeownership	\$41,421	\$18,095	\$11,315	\$42,304
Rental	1,766	449	2,017	5,033
Commercial/Industrial	220	259	5,019	1,210
Unallocated Reserves	—	—	(583)	(1,441)
Total	43,407	18,803	17,768	47,106

OTHER PROGRAMS

	1986	1985	1986	1985
Surety	3,563	2,819	514	75
Lease Guarantee	(14)	59	(129)	90
New Home Warranty	135	(3,481) ⁽¹⁾	—	2,838
Excess Condominium Deposit	272	223	83	(957)
U.S.A. Reinsurance	96	98	—	6
Total	4,052	(282)	468	2,052
TOTAL	\$47,459	\$18,521	\$18,236	\$49,158

(1) This negative amount resulted from a refund of premiums



INCOME PROPERTIES FIRST AND SECOND MORTGAGES

The company's income property underwriting was previously restricted in response to the adverse economic climate of the early 1980's. This activity is now being revived. No major program changes have been instituted.

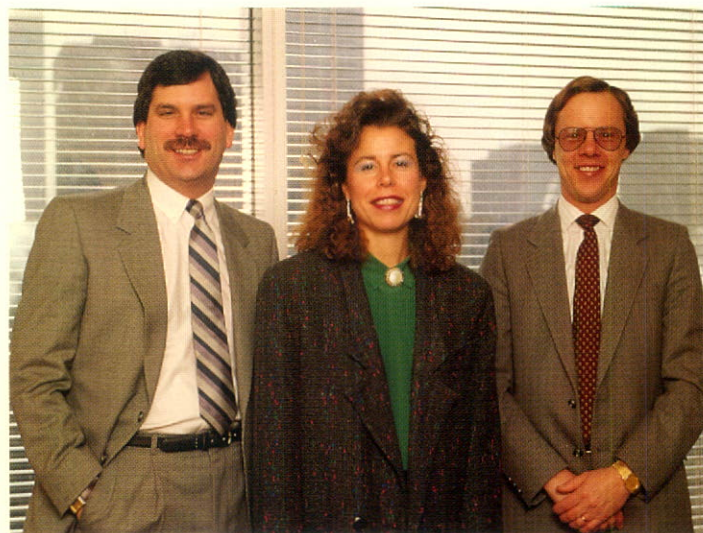


Joanne Guzzo, Karen Campbell,
Information Systems.

However, underwriting, marketing and administration have been re-oriented to meet changing market conditions.

All underwriting of income, property loans over \$250,000 has been centralized into a specialized ICI business unit and a more intensive underwriting regimen has been adopted to ensure good quality business. Increased emphasis is being placed on target marketing, marketing directly to end-users, and marketing packaged services.

The ICI unit has successfully introduced the use of short term, renewable policies with significant benefits in terms of both premium and exposure to risk. The unit also has responsibility



Left to Right
Stephen A. Bell,
Director, Finance and Accounting.
Laura Cohen,
Director, Human Resources and
Administration.
Harry Hallworth,
Director, Information Systems.

for special projects and in 1986 negotiated bulk homeownership coverages representing \$1 million in homeownership premiums.

Commitments to insure income property loans totalled \$94.0 million compared to \$44.4 million in 1985. Premiums written totalled \$1.9 million compared to \$0.7 million in 1985.

There were 12,970 insured income property loans on repayment at the end of 1986, with 90 loans reported one month or more in arrears, a default ratio of 0.69 percent. The comparable 1985 default ratio was 1.16 percent.

Claims losses were \$6.8 million compared to \$6.2 million in 1985. During the year, no new acquisitions were made while 2 properties with a book value of \$4.3 million were sold. At the end of 1986 rental, commercial, and industrial property holdings totalled \$4.1 million compared with \$8.3 million at the end of 1985.

SURETY

Since 1980, MICC has bonded or guaranteed the performance of contractors and developers in Canada for their construction or financial obligations. While demand during 1986 for MICC's construction bonding was steady, demand for our services from real estate developers was strong, particularly in Toronto and

Ottawa. Excess condominium deposit insurance and qualifying bonds for the New Home Warranty Program in Ontario were also significantly in demand.

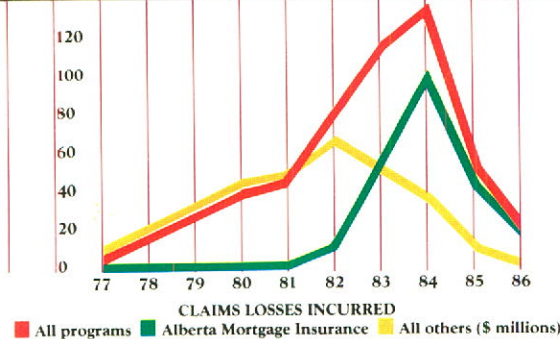


Excess condominium deposit insurance is offered only in Ontario and insures the deposits of condominium buyers before a condominium has been registered. MICC insurance is used when the deposits exceed the \$20,000 limit insured by the Ontario New Home Warranty Program.

The company also participates in surety reinsurance and retrocession business through Lloyds of London.

SURETY

(\$000's)	Net Premiums Written		Claims Incurred	
	1986	1985	1986	1985
Contractors/Developers	\$2,445	\$1,955	27	(165)
Excess Condominium Deposit	272	223	83	(957)
Reinsurance	1,118	866	488	241
Total	\$3,835	\$3,044	598	\$(881)



William Maggiacomo,
Information Systems.

NEW HOME WARRANTY

There are 7 New Home Warranty Programs across Canada offering protection to new home buyers. Subject to certain regional variations, the programs provide a guarantee against loss of deposit, defects of workmanship and materials during the first year after completion and against structural defects for a 5-year period.

MICC has supported the warranty programs since they were established in 1977, and has required, as a matter of policy, that all new homes where MICC mortgage insurance is used, must be covered by the appropriate New Home Warranty Program.

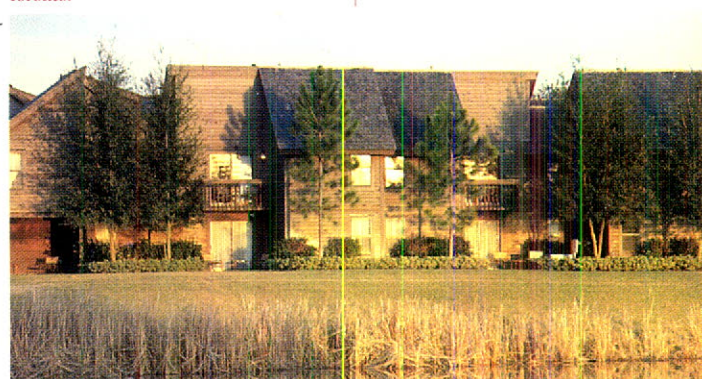
MICC provides general finan-

cial coverage to the programs in the Atlantic Provinces, Quebec, Ontario, and British Columbia. Premiums earned for all programs amounted to \$85,000 in 1986. There were no claims losses.

SELF-DIRECTED REGISTERED RETIREMENT SAVINGS PLAN

In 1983, the Department of National Revenue confirmed that a taxpayer's self-directed registered retirement savings

Toronto.



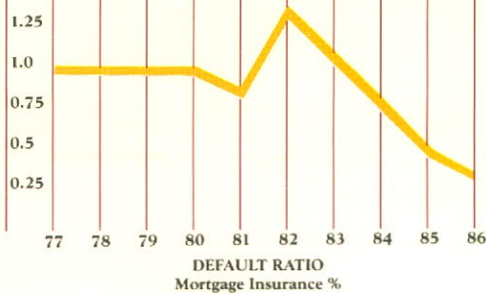
MICC ranks in the top 10 surety underwriters in Canada, measured by net premium written. The claims loss ratio in 1986 was 20 percent compared to (30.8) percent in 1985.

REAL ESTATE

(000's omitted)**

ACTIVITY	Single family*		Rental		Commercial/Industrial		Total	
	No.	\$	No.	\$	No.	\$	No.	\$
Held at December 31, 1985	322	\$10,974	1	\$4,060	3	\$4,282	326	\$19,316
Acquired during 1986	215	9,468	—	—	—	—	215	9,468
Sales and adjustments during 1986	295	13,206	—	—	2	4,250	297	17,456
Held at December 31, 1986	242	7,236	1	4,060	1	32	244	11,328
HOLDINGS as at December 31, 1986								
Newfoundland	105	2,365	—	—	—	—	105	2,365
Prince Edward Island	—	—	—	—	—	—	—	—
Nova Scotia	3	80	—	—	—	—	3	80
New Brunswick	—	—	—	—	—	—	—	—
Quebec	1	54	—	—	1	32	2	86
Ontario	1	111	—	—	—	—	1	111
Manitoba	1	5	—	—	—	—	1	5
Saskatchewan	3	114	—	—	—	—	3	114
Alberta	63	2,469	—	—	—	—	63	2,469
British Columbia	65	2,038	1	4,060	—	—	66	6,098
Total	242	7,236	1	4,060	1	32	244	11,328

*Includes condominium (strata title) units. **Represents Book Value



plan may lend to the annuitant, or any relation to the annuitant, funds secured by a mortgage on real estate in Canada. One of the conditions is that the mortgage be insured. MICC's program covers most types of properties and includes both first and second mortgages.

During 1986, commitment volume was \$85.5 million.

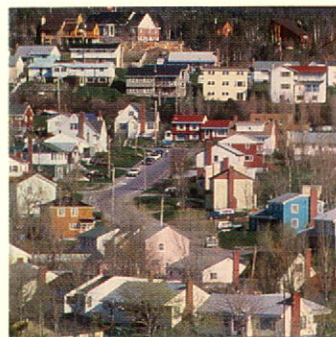
HUMAN RESOURCES

The staff complement remained unchanged from the end of 1985 at 191, but there was a significant redeployment from claims adjusting activities to business development and underwriting. Additional hirings are planned in 1987 to ensure that the company's high level of service to its clients is balanced with prudent and diligent underwriting at MICC's new level of business activity.

During the year, a unique incentive compensation program was initiated for all employees which will provide significant extra remuneration provided certain targets are achieved. Recognizing the long-term nature



Left to Right
Ed Machej,
Director, Residential Underwriting
and Claims.
Ken Webb,
Director, Branch Operations.
Mike Connolly,
Director, Marketing.



St. John's.

of the company's liabilities, these amounts will be paid over a period of years contingent on continuing satisfactory levels of profitability.

INDUSTRY INVOLVEMENT

A significant number of MICC personnel belong to national, regional, and local Boards or committees of industry associations such as the Canadian Home Builders' Association of Canada, the Urban Development Institute, the Canadian Real Estate Association, the Appraisal Institute of Canada, and local mortgage lender associations and groups.

Each year, MICC Community Service trophies are presented to the real estate boards judged to have provided outstanding public service to the community during the year. In 1986, the Oshawa District Real Estate Board and the Saint John Real Estate Board won the two top awards. The presentations were made at the annual convention of CREA held in Halifax in October 1986.

INVESTMENTS

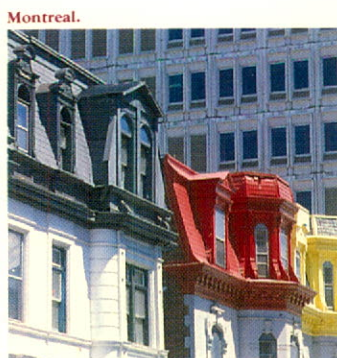
The investment portfolio of the Insurance Company experienced a 35.6 percent increase in book value due to a positive cash flow from the significant increase in premiums written and the decline in claims paid, and the proceeds of the first installment of the preferred share issue. The principal objectives of the company's investment policy are



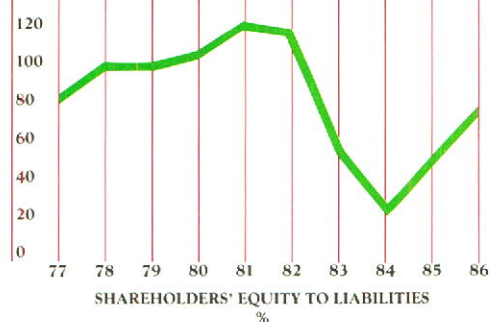
Ottawa.

to maintain sufficient liquidity to meet anticipated claims, to assure long-term capital preservation and to earn a reasonable rate of return.

Total pre-tax income was \$20.9 million compared with \$23.6 million in 1985. At year end, the market value of the portfolio, excluding holdings in ICG, was 102.5 percent of book value compared to 104.7 percent at December 31, 1985. The average term of the bond portfolio remained the same at 6.1 years in 1986 with continued emphasis on liquidity via Government of



Montreal.



Vancouver.

Canada issues. The asset allocation shows a significant reduction in the preferred category and resulted in our dividend income declining to \$1.9 million during the year compared with \$3.3 million in

1985. The significant increase in the mortgage portfolio to \$39.0 million at December 31, 1986 from \$15.9 million at December 31, 1985 is due to mortgage financing provided to assist in the sale of claim properties. Interest and amortization income was \$16.3 million versus \$14.6 million in 1985.

Equity in the earnings of Inter-City Gas Corporation was \$6.8 million during 1986 compared with \$9.3 million in 1985. The book value of the company's investment in Inter-City Gas Corporation common shares, warrants, and notes was \$123.0 million or 43.9 percent of total invested assets. The market value of the investment was \$127.3 million at year end.

The sale of investments and options during the year resulted in a realized loss of \$4.0 million compared with a realized loss of \$3.5 million in 1985.

Total investment income, realized gains, and changes in unrealized gains as a percentage of average invested assets at market value employed during the year was 8.3 percent.

Quebec City.



INVESTED ASSET CLASSIFICATION,
of The Mortgage Insurance Company of Canada, at Book Value

	December 31 (000's omitted)		% of Total	
	1986	1985	1986	1985
Money Market	\$ 33,045	\$ 572	11.8	0.3
Federal Government (Under 3 years)	14,543	13,523	5.2	6.5
LIQUID ASSETS	47,588	14,095	17.0	6.8
BONDS (OTHER)	87,933	61,627	31.4	30.0
Retractable Preferred	1,705	5,221	0.6	2.5
Sinking Fund Preferred	—	176	—	0.1
Conventional Preferred	936	959	0.3	0.5
PREFERRED	2,641	6,356	0.9	3.1
Convertible Preferred	11,253	14,638	4.0	7.1
Common Stock and Warrants	92,191	95,799	32.8	46.2
COMMON & CONVERTIBLE	103,444	110,437	36.8	53.3
Total Equity	106,085	116,793	37.8	56.4
MORTGAGES	38,699	14,226	13.9	6.8
TOTAL PORTFOLIO	\$280,305	\$206,741	100.0	100.0

• A U D I T O R S ' • R E P O R T •
• T O • T H E • S H A R E H O L D E R S •

We have examined the consolidated balance sheet of MICC Investments Limited as at December 31, 1986 and the consolidated statements of earnings, deficit, 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, 1986 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, after giving retroactive effect to the change in the method of accounting for investments as explained in note 1 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Toronto, Ontario
February 10, 1987

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
The Canada Trust Company

Auditors

Coopers & Lybrand

• M I C C • I N V E S T M E N T S • L I M I T E D •
AS AT

• A S S E T S •

(thousands of dollars)	\$ 1986	\$ 1985
CASH AND ACCOUNTS RECEIVABLE		
Cash	3,250	2,064
Interest accrued and sundry receivables	3,181	4,590
Premiums receivable	3,614	1,758
Due from reinsurers	202	179
Income taxes recoverable	215	150
Share subscriptions receivable (note 5(b)(i))	30,566	—
	41,028	8,741
REAL ESTATE	11,328	19,316
INVESTMENTS		
Treasury bills and other short-term securities — at cost	39,598	717
Bonds and debentures — at amortized value (market value \$63,211; 1985 — \$42,712)	59,962	39,150
Preferred stocks — at cost (market value \$14,062; 1985 — \$21,185)	13,753	20,663
Common stocks — at cost (market value \$8,564; 1985 — \$15,600)	7,994	15,335
Mortgages — at amortized value	39,024	15,942
Investment in Inter-City Gas Corporation (note 3)	123,047	119,490
Investment in M&C Developments Inc.	4,229	—
	287,607	211,297
OTHER ASSETS		
Capital expenses — at amortized cost (note 5 (a)(xiii))	658	877
Other	555	582
	1,213	1,459
	341,176	240,813

• C O N S O L I D A T E D • B A L A N C E • S H E E T •

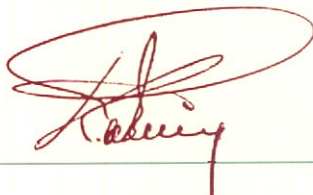
DECEMBER 31, 1986

• L I A B I L I T I E S •

	\$ 1986	\$ 1985
ACCOUNTS PAYABLE		
Bank indebtedness	7,507	2,425
Due to reinsurers	163	74
Provision for claims	48,016	49,134
Premium taxes payable	779	80
Accounts payable and accrued liabilities	2,733	733
	59,198	52,446
DEFERRED REVENUE (note 4)	116,154	115,956
MINORITY INTEREST	61,133	—
	236,485	168,402

• S H A R E H O L D E R S ' • E Q U I T Y • (note 5)

CAPITAL STOCK	113,227	113,194
CONTRIBUTED SURPLUS	11,965	11,965
DEFICIT	(20,501)	(52,748)
	104,691	72,411
	341,176	240,813



Signed on behalf of the Board

Director



Director

• C O N S O L I D A T E D • S T A T E M E N T • O F •
 • E A R N I N G S •
 FOR THE YEAR ENDED DECEMBER 31, 1986

(thousands of dollars)	\$ 1986	\$ 1985
REVENUE		
Net premiums written	47,459	28,194
Special refund of premium (note 6)	—	(9,673)
Application fees and other income	2,338	1,610
	49,797	20,131
(Increase) decrease in unearned revenue	(20,315)	2,730
Special refund of premium (note 6)	—	9,673
Underwriting revenue	29,482	32,534
Investment Income —		
Interest and amortization	16,306	14,560
Dividends	1,920	3,292
Equity in earnings of Inter-City Gas Corporation (note 3)	6,504	9,061
Equity in earnings of M&C Development Inc.	29	—
Realized loss on investments	(3,970)	(3,513)
Foreign exchange gain	158	216
	20,947	23,616
	50,429	56,150
EXPENSES		
Insurance underwriting and policy issuance expenses	6,100	3,657
Premium taxes	1,370	440
	7,470	4,097
Losses on claims	18,236	49,158
Other operating expenses (note 7)	9,094	8,709
	34,800	61,964
EARNINGS (LOSS) BEFORE UNUSUAL ITEM, INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS	15,629	(5,814)
UNUSUAL ITEM		
Recovery of premium deficiency (note 8)	20,000	25,000
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS	35,629	19,186
PROVISION FOR INCOME TAXES	15,700	4,200
EARNINGS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS	19,929	14,986
MINORITY INTEREST	2,371	—
EARNINGS BEFORE EXTRAORDINARY ITEMS	17,558	14,986
EXTRAORDINARY ITEMS		
Recovery of income taxes	15,572	4,095
Equity in extraordinary items of Inter-City Gas Corporation	332	248
NET EARNINGS FOR THE YEAR	33,462	19,329

• C O N S O L I D A T E D • S T A T E M E N T • O F •
 • E A R N I N G S •
 FOR THE YEAR ENDED DECEMBER 31, 1986

	\$ 1986	\$ 1985
Weighted daily average number of common shares outstanding	11,395,489	11,384,764
Basic earnings per common share before extraordinary items	\$0.58	\$0.36
Basic earnings per common share after extraordinary items	\$1.98	\$0.74
Fully diluted earnings per common share before extraordinary items	\$0.43	N/A
Fully diluted earnings per common share after extraordinary items	\$1.02	N/A

• C O N S O L I D A T E D • S T A T E M E N T • O F •
 • D E F I C I T •
 FOR THE YEAR ENDED DECEMBER 31, 1986

(thousands of dollars)	\$ 1986	\$ 1985
DEFICIT – BEGINNING OF YEAR	52,748	71,341
Net earnings for the year	33,462	19,329
	19,286	52,012
Amortization of capital expenses, including equity share of capital expenses of Inter-City Gas Corporation and capital expenses related to subsidiary's preferred share issue (note 5 (a)(xiii))	1,215	736
DEFICIT – END OF YEAR	20,501	52,748

• S T A T E M E N T • O F • C H A N G E S • I N •
• F I N A N C I A L • P O S I T I O N •

FOR THE YEAR ENDED DECEMBER 31, 1986

(thousands of dollars)	\$ 1986	\$ 1985
OPERATING ACTIVITIES		
Earnings for the year before extraordinary items	17,558	14,986
Items not affecting cash resources —		
Income taxes	15,572	4,095
Depreciation and amortization	42	(198)
Recovery of premium deficiency	(20,000)	(25,000)
Realized loss on investments	3,970	3,513
Equity in earnings of Inter-City Gas Corporation (net of dividends received)	(3,402)	(6,476)
	13,740	(9,080)
Decrease in real estate	7,988	18,317
(Increase) decrease in accounts receivable other than share subscriptions receivable	(535)	4,814
Increase (decrease) in accounts payable	3,175	(74,506)
Increase (decrease) in deferred revenue (net of premium deficiency)	18,693	(12,436)
Increase (decrease) in cash funds resulting from changes in other operating working capital items other than cash resources	—	(541)
CASH RESOURCES PROVIDED BY (USED IN) OPERATING ACTIVITIES	43,061	(73,432)
INVESTING ACTIVITIES		
Investment in M&C Developments Inc.	(4,229)	—
Treasury bills, bonds and debentures		
— Purchases	(251,882)	(8,540)
— Proceeds on sale	191,963	27,763
Stocks — Purchases	(4,038)	(35,007)
— Proceeds on sale	14,572	91,462
Mortgages — net repayments (advances)	(23,082)	1,973
Purchase of fixed assets	76	113
	(76,620)	77,764
FINANCING ACTIVITIES		
Issuance of common shares	34	23
Issuance of capital stock by subsidiary to minority interest (note 5)	30,567	—
Share issuance costs (note 5)	(938)	—
	29,663	23
INCREASE (DECREASE) IN CASH RESOURCES	(3,896)	4,355
CASH RESOURCES — BEGINNING OF YEAR	(361)	(4,716)
CASH RESOURCES — END OF YEAR	(4,257)	(361)

Cash resources consist of cash and bank indebtedness.

• N O T E S • T O • C O N S O L I D A T E D •
• F I N A N C I A L • S T A T E M E N T S •

FOR THE YEAR ENDED DECEMBER 31, 1986
(thousands of dollars except for per share amounts)

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 company operates principally in the mortgage insurance business in Canada.

Premiums

Net premiums written are deferred and then taken into underwriting revenue as earned over the life of the related policies. 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 as projected by management, based primarily on the past incidence of losses. 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 are deferred to the extent they are considered recoverable from future underwriting

revenue and then amortized against premiums as the premiums are earned.

Losses on claims

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.

Premium deficiency provision

The premium deficiency provision, if required, is determined as the excess of the present value of estimated future losses on policies in force (using an appropriate discount rate) over unearned premiums.

Foreign exchange

Amounts denominated in United States dollars have been translated to Canadian dollars at the following rates:

Monetary assets and liabilities — rate in effect at the balance sheet date.

Non-monetary assets — historical rates.

Revenues and expenses — average rates prevailing during the year.

Investment income

(a) Treasury bills and other short-term securities — Interest is recorded as income as it accrues. Gains and losses are taken into income when realized on disposition.

(b) Bonds, debentures and mortgages — 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. When a decline in the value of a stock is considered to be other than temporary, the investment is reduced to its net realizable value with the amount of the reduction recorded as a realized loss. Investments in common shares of companies where a degree of significant influence is present are accounted for on an equity basis.

Real estate

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

Change in accounting policy

During the year the company changed its method of accounting for unrealized gains and losses on stocks. Stocks are now

recorded at cost and, accordingly unrealized gains and losses are not accounted for. Prior to this change, unrealized gains and losses were accounted for in the "Consolidated Statement of Unrealized Gain (Loss) on Stocks" and included in shareholders' equity.

The effect of this change is to decrease the carrying value of stocks at December 31, 1986 and 1985 by \$879 and \$787 respectively and to decrease shareholders' equity at December 31, 1986 and 1985 by \$879 and \$787 respectively.

2. DEPARTMENT OF INSURANCE REQUIREMENTS

The company's principal subsidiary, The Mortgage Insurance Company of Canada, is incorporated under the Canadian and British Insurance Companies Act ("the Act") and as such is subject to certain requirements and restrictions contained in the Act, including the solvency requirements of Section 103 of the Act. The subsidiary is also required to operate under a capital requirement formula, developed by the Department of Insurance of Canada, which establishes a minimum amount of capital required by the company to support outstanding insurance in force.

The following table sets out the surplus position of the subsidiary under Section 103 of the Act and the capital requirement formula:

	Section 103	Capital requirement formula
December 31, 1986	\$83,000	\$28,700
December 31, 1985	63,000	11,000

3. INTER-CITY GAS CORPORATION

(a) As at December 31, 1986 this investment comprised:

	\$ 1986	\$ 1985
Common shares including equity in earnings since acquisition (market value \$76,940; 1985 – \$86,609)	78,797	75,064
Preferred shares – at cost (market value 1985 – \$150)	–	176
Warrants for purchase of common shares – at cost	8,250	8,250
14% note receivable	36,000	36,000
	123,047	119,490

The note receivable is due \$3,600 in each of the years 1988 to 1995 and the balance is due in 1996.

(b) As at December 31, 1986, the unamortized excess of the cost of shares of Inter-City Gas Corporation (“ICG”) over the underlying net book value of the investment amounted to approximately \$8,025 (1985 – \$8,540). The equity in earnings of ICG is being reduced by an amount sufficient to amortize this amount over the estimated remaining productive life of proved oil and gas reserves at the date of acquisition of these shares, which in the aggregate is currently approximately 16 years.

(c) The company owns 5,170,700 common shares of ICG, being 28% of that company’s issued voting shares. ICG owns all of the company’s issued first preferred Series G shares as

well as the warrants described in note 5(b)(iii).

(d) The company owns 3 million warrants entitling it to purchase 3 million common shares of ICG at a price of \$12 per share. These warrants expire on December 16, 1987.

(e) Oil and gas properties owned by ICG are, for purposes of this equity accounting, carried at the lower of cost and recoverable amount. Cost has been determined on the full cost basis, treating the entire North American continent as a single cost centre. Recoverable amount has been determined based on estimated net revenues

from proved properties at current prices and current costs, and the estimated fair value of unproved properties, all on an after-tax, non-discounted basis.

If the company were to determine recoverable amount as described in the November, 1986 Guide-line of the Canadian Institute of Chartered Accountants, the carrying value of the investment in ICG would be reduced by approximately \$2,800 at December 31, 1986. This write-down would result primarily from the inclusion of Canadian and U.S. properties in separate cost centres.

4. DEFERRED REVENUE

Deferred revenue consists principally of unearned premiums and if required, a premium deficiency provision.

5. CAPITAL STOCK

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

Authorized –	
3,951,600 (1985 – 3,951,600) first preferred shares issuable in series	
Unlimited (1985 – unlimited) second preferred shares issuable in series	
Unlimited (1985 – unlimited) common shares without par value	

	\$ 1986	\$ 1985
Issued and fully paid –		
477,049 (1985 – 477,049) 10% first preferred shares Series A	11,926	11,926
133,200 (1985 – 133,200) 8¾% first preferred shares Series B	3,330	3,330
754,150 (1985 – 754,150) 8% first preferred shares Series C	18,854	18,854
13,320 (1985 – 13,320) 8% first preferred shares Series D	1,332	1,332
37,560 (1985 – 37,560) 8½% first preferred shares Series E	3,756	3,756
99,750 (1985 – 99,750) variable % first preferred shares Series F	9,975	9,975
342,000 (1985 – 342,000) 13% first preferred shares Series G	34,200	34,200
66,680 (1985 – 66,680) variable % first preferred shares Series H	6,668	6,668
62,440 (1985 – 62,440) variable % first preferred shares Series I	6,244	6,244
629,941 (1985 – 629,941) 8% second preferred shares Series A	15,748	15,748
	112,033	
11,395,489 (1985 – 11,384,764) common shares	1,194	
	113,227	113,194

(a) Preferred shares

i) **First preferred shares Series A**

800,000 first preferred shares were originally issued at \$25 per share as 10% cumulative redeemable first preferred shares Series A of which 477,049 were outstanding at December 31, 1986.

The first preferred shares Series A are subject to mandatory sinking fund redemption at the issue price as to 56,000 shares

on March 15, in each year to 1986, and 72,000 shares on March 15, 1987 and on March 15 in each year thereafter.

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. The company may redeem shares not required for sinking fund purposes at a premium of

3%, declining annually to the issue price on March 15, 1986.

The company did not acquire any shares under the sinking fund requirement in 1985 and 1986.

ii) First preferred shares Series B

200,000 first preferred shares were originally issued at \$25 per share as 7¾% cumulative redeemable first preferred shares Series B, of which 133,200 were outstanding at December 31, 1986. Effective January 1, 1983 this dividend was increased to 8¾%.

The first preferred shares Series B are subject to mandatory sinking fund redemption at the issue price as to 66,800 shares on each of March 31, 1984 and March 31, 1985. The company did not acquire any shares under the sinking fund requirement in 1985 and 1986.

The company is entitled to anticipate sinking fund requirements by purchasing shares in the market at prices not exceeding the redemption price.

iii) First preferred shares Series C

1,000,000 first preferred shares were originally issued at \$25 per share as 8½% cumulative first preferred shares Series C, of which 754,150 were outstanding at December 31, 1986.

The first preferred shares Series C 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 31 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.

The company did not acquire any shares under the purchase fund requirements in 1985 and 1986.

iv) First preferred shares Series D

80,000 first preferred shares were originally issued at \$100 per share as 8% cumulative redeemable and retractable first preferred shares Series D, of which 13,320 were outstanding at December 31, 1986.

The first preferred shares Series D were retractable under certain circumstances or were convertible into floating rate first preferred shares at the holder's option on June 30, 1983. In accordance with the provision, 66,680 first preferred shares Series D were converted on a one-for-one basis into variable rate first preferred shares Series H.

The first preferred shares Series D are subject to mandatory pro-rata sinking fund redemption at the issue price as to 4,000 shares on June 30, 1989 and on June 30 in each year thereafter until full redemption has occurred.

v) First preferred shares Series E

100,000 first preferred shares were originally issued at \$100 per share as 8½% cumulative redeemable and retractable first preferred shares Series E, of which 37,560 were outstanding at December 31, 1986.

The first preferred shares Series E are subject to mandatory pro-rata sinking fund redemption at the issue price as to 5,000 shares on December 31, 1989 and on December 31 in each year thereafter up to and including December 31, 2008.

The first preferred shares Series E were under certain circumstances retractable or were convertible into floating rate first preferred shares at the holders' option on December 31, 1983. In accordance with this provision, 62,440 first preferred shares Series E were converted on a one-for-one basis into variable rate first preferred shares Series I.

vi) First preferred shares Series F

105,000 first preferred shares

were originally issued at \$100 per share as variable rate cumulative redeemable and retractable first preferred shares Series F, of which 99,750 were outstanding at December 31, 1986. The annual rate of dividends payable on the first preferred shares Series F is one-half of the prime rate plus one and three-quarters percent. The first preferred shares Series F are subject to mandatory pro-rata sinking fund redemption at the issue price as to 5,250 shares on September 30 in each year up to and including September 30, 1990. All shares outstanding on September 30, 1991 shall be redeemed on that date. The company did not acquire any shares under the sinking fund requirement in 1985 and 1986.

The first preferred shares Series F were retractable under certain circumstances at the issue price at the holders' option on September 30, 1986.

vii) First preferred shares Series G

360,000 first preferred shares were originally issued at \$100 per share as 13% cumulative redeemable first preferred shares Series G, of which 342,000 were outstanding at December 31, 1986.

The first preferred shares Series G are subject to mandatory sinking fund redemption at the issue price as to 18,000 shares on December 31 in each year up to and including December 31, 1986. All shares outstanding on December 31, 1987 shall be redeemed on that date. The company did not acquire any shares under the sinking fund requirement in 1985 and 1986.

The company is entitled to anticipate sinking fund requirements by purchasing shares in the market at prices not exceeding the redemption price. Other than for sinking fund purposes, the corporation may not redeem the first preferred shares Series G prior to December 31, 1987.

viii) First preferred shares Series H

66,680 first preferred shares were originally issued at \$100 per share as variable rate cumulative redeemable and retractable first preferred shares Series H, all of which were outstanding at December 31, 1986. The annual rate of dividends payable on the first preferred shares Series H is one-half of the prime rate plus two percent.

The first preferred shares Series H are subject to mandatory pro-rata sinking fund redemption at the issue price as to 3,334 shares on June 30, 1989 and June 30 in each year thereafter up to and including June 30, 2008.

The first preferred shares Series H are retractable at the issue price at the holders' option on June 30, 1988.

ix) First preferred shares Series I

62,440 first preferred shares were originally issued at \$100 per share as variable rate cumulative redeemable and retractable first preferred shares Series I, all of which were outstanding at December 31, 1986. The annual rate of dividends payable on the first preferred shares Series I is one-half of the prime rate plus two and one-quarter percent.

The first preferred shares Series I are subject to mandatory pro-rata sinking fund redemption at the issue price as to 3,122 shares on December 31, 1989 and December 31 in each year thereafter up to and including December 31, 2008.

The first preferred shares Series I are retractable at the issue price at the holder's option on December 31, 1988.

x) Second preferred shares Series A

800,000 second preferred shares were originally issued at \$25 per share as 8% cumulative redeemable convertible second preferred shares Series A, of which 629,941 were outstanding at December 31, 1986.

The second preferred shares Series A 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, 1985, 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 31, 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 holders' option, at a conversion price of \$10.370 per common share on the basis of approximately 2.41 common shares for each second preferred share held.

xii) Preferred share dividends and sinking fund redemptions

Cumulative dividends in arrears and arrears in respect of sinking fund obligations as at December 31, 1986 on the outstanding preferred shares are as follows:

	Dividends	Sinking fund obligations
First preferred shares Series A	\$ 3,578	\$ 1,926
First preferred shares Series B	874	3,330
First preferred shares Series C	4,878	—
First preferred shares Series D	320	—
First preferred shares Series E	958	—
First preferred shares Series F	2,182	1,575
First preferred shares Series G	13,338	5,400
First preferred shares Series H	1,511	—
First preferred shares Series I	1,459	—
Second preferred shares Series A	3,780	—
	32,878	12,231

xiii) Preferred share voting privileges

As a result of the arrears in dividend payments, each issued preferred share of a class carries the right to one vote at all meetings of shareholders as long as there remain any dividends in arrears on any series of preferred shares within that class.

xiii) 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. Costs incurred by the company's subsidiary in connection with a Rights Offering have been charged directly to retained earnings.

(b) Common shares

i) In February of 1986, the Mortgage Insurance Company of Canada ("MICC") issued to holders of common shares and second preferred shares Series A of MICC Investments Limited ("Investments"), transferable rights to subscribe for 1,844,806 variable rate exchangeable preference shares Series A ("Series A Preference Shares"), at a price of \$25.00 per share. The Series A Preference Shares were payable in two equal instalments of \$12.50, the first payment due on

March 12, 1986 and the last payment due on March 12, 1987. Pending the final payment, each Series A Preference Share is evidenced by an instalment receipt. Following the final payment due on March 12, 1987, a Series A Preference Share certificate will be issued to each receipt holder who has made the final payment.

Concurrent with the Series A Preference Share rights issue, MICC agreed to sell 600,500 variable rate exchangeable preference shares, Series B ("Series B Preference Shares") to Messrs. H. Reuben Cohen, Leonard Ellen and Robert Graham. The Series A and B Preference Shares of MICC are similar in all respects including the purchase price per share and the instalment payments.

The Series A and Series B Preference Shares are exchangeable pursuant to an exchange agreement dated February 6, 1986 at the holders' option into common shares of Investments on the basis of eight common shares for one Series A Preference Share, and of 7.1428 common shares for one Series B Preference Share. The exchange privilege extends from March 31, 1987 until March 31, 1993.

ii) Options to acquire a maximum of 100,000 of the company's common shares at \$7.20 per share on or before May 15, 1993 are held by an officer and director of the company.

iii) The company has 3 million common share purchase warrants outstanding entitling the holders to purchase up to 3 million common shares at \$12 per share on or before December 16, 1987.

iv) During the year 10,725 (1985 – 13,275) common shares were issued for \$34 (1985 – \$23) under the then existing employee stock purchase

plan. Subsequently, the Employee Stock Purchase Plan has been amended to allow eligible employees to purchase common shares at market value up to 6% of their annual salary. The company will match ½ of the employee's purchase under this plan. Shares contributed by the company will be vested after two years. Funds are loaned to the employee who repays this amount together with interest thereon at 3% per annum, over a 12 month period.

v) On April 30, 1984, the shareholders approved a special resolution restating the amount of issued and outstanding common shares from \$91,291 to \$1,137. Of the net reduction of \$90,154 in the stated capital, \$82,689 was applied against the deficit and the balance of \$7,465 was credited to contributed surplus.

6. SPECIAL REFUND OF PREMIUM

During 1985, the company's insurance agreement with the Ontario New Home Warranty Program was terminated and the company amended the terms of its insurance agreement with the Quebec New Home Warranty Program.

As a result of these changes the company refunded \$9,673 of premiums written under the agreements, which amount had been included in deferred revenue.

7. OTHER OPERATING EXPENSES

Included in other operating expenses are the following amounts of depreciation and amortization:

Year ended	
December 31, 1986	\$ 98
1985	121

8. PREMIUM DEFICIENCY PROVISION

As a result of falling property values in Alberta during 1983, the company experienced a high level of losses on claims incurred. It was estimated at December 31, 1983 that the present value of future losses (using a discount rate of 10¼%) on policies of insurance issued prior to December 31, 1983 may have exceeded deferred premiums. This estimate had been made in light of all relevant known factors. Accordingly, a premium deficiency provision of \$29,300 together with a write-off of deferred policy acquisition costs of \$2,091 was charged against earnings in 1983.

During 1984, this provision was increased to \$45,000.

During 1985, this provision was reduced to \$20,000.

During 1986, this provision has been reduced to Nil.

9. LEASE COMMITMENTS

Minimum annual commitments for premises and equipment under operating leases are as follows:

Year ending	
December 31, 1987	\$1,843
1988	1,856
1989	1,616
1990	1,537
1991	1,507
Thereafter	1,261
	9,620

10. FUTURE INCOME TAXES

As at December 31, 1986, the company and its subsidiaries have incurred losses for income tax purposes amounting to approximately \$55,370. These losses may be utilized to reduce income for tax purposes in future years up to and including 1993. In addition, differences between the timing of revenues and

expenses recognized for income tax purposes and those recognized for accounting purposes have resulted in a net amount of approximately \$137,000 being available to reduce future years' income for tax purposes. The potential future income tax benefits of these amounts have not been recognized in the accounts.

The company's statutory rate of income taxes for the current year under both federal and provincial requirements is approximately 53%. This rate differs from the effective rate of income tax of 44% primarily because certain investment income sources are non-taxable to the company. Dividend income, generally, together with any accruals of income on investments accounted for by the equity method, are non-taxable.

11. RELATED PARTY TRANSACTIONS

Central Capital Corporation is a related party as a result of its ownership of shares of the company and because certain of the company's directors are directors and/or senior officers of Central Trust Company. Central Trust Company, a subsidiary of Central Capital Corporation, from time to time, insures mortgage loans with The Mortgage Insurance Company of Canada, a wholly-owned subsidiary. The policies of insurance are issued under standard terms and conditions and the premiums written in 1986 from such policies represented less than 3% 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.

Central Capital Management Inc., a subsidiary of Central Capital Corporation was paid a management fee during 1986 by The Mortgage Insurance Company of Canada for investment counselling services.

Inter-City Gas Corporation is a related party as a result of the interests described in note 3. The company has reimbursed ICG for certain expenses incurred on the company's behalf.

12. COMPARATIVE FIGURES

1985 figures in the statement of earnings have been restated to reflect income taxes related to the decrease in the premium deficiency provision, and a similar increase in the recovery of income taxes. Basic earnings per share after extraordinary items was unchanged and basic earnings per share before extraordinary items has been reduced by \$0.36.

• T H E • M O R T G A G E • I N S U R A N C E • C O M P
AS AT

• A S S E T S •

(thousands of dollars)	\$ 1986	\$ 1985
CASH AND ACCOUNTS RECEIVABLE		
Cash	845	2,033
Interest accrued and sundry receivables	3,040	4,485
Premiums receivable	3,614	1,758
Due from reinsurers	202	179
Income taxes recoverable	215	150
Share subscriptions receivable (note 5)	30,566	—
	38,482	8,605
REAL ESTATE	11,328	19,316
INVESTMENTS		
Bonds and debentures — at amortized value	99,521	39,722
Stocks — at cost (market value \$22,626; 1985 — \$36,785)	21,888	36,153
Mortgages — at amortized value	38,699	14,226
Investment in Inter-City Gas Corporation (note 3)	120,197	116,640
	280,305	206,741
FIXED ASSETS — at cost, less accumulated depreciation	513	535
	330,628	235,197

A N Y • O F • C A N A D A • B A L A N C E • S H E E T •

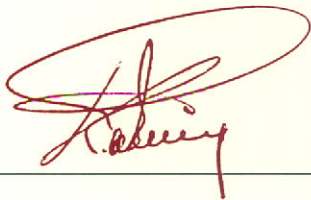
DECEMBER 31, 1986

• L I A B I L I T I E S •

	\$ 1986	\$ 1985
ACCOUNTS PAYABLE		
Due to reinsurers	163	73
Provision for claims	48,016	49,134
Premium taxes payable	779	80
Due to parent company and affiliates	3,556	3,023
Due on securities	—	80
Accounts payable and accrued liabilities	1,871	590
	54,385	52,980
DEFERRED REVENUE (note 4)	116,154	116,094
	170,539	169,074

• S H A R E H O L D E R S ' • E Q U I T Y • (note 5)

CAPITAL STOCK	62,937	1,804
CONTRIBUTED SURPLUS	70,010	70,010
RETAINED EARNINGS (DEFICIT)	27,142	(5,691)
	160,089	66,123
	330,628	235,197



Director

Signed on behalf of the Board



Director

• S T A T E M E N T • O F • E A R N I N G S •
FOR THE YEAR ENDED DECEMBER 31, 1986

(thousands of dollars)	\$ 1986	\$ 1985
REVENUE		
Net premiums written	47,459	28,194
Special refund of premium (note 7)	—	(9,673)
Application fees and other income	2,338	1,609
	49,797	20,130
(Increase) decrease in unearned revenue	(20,315)	2,731
Special refund of premium (note 7)	—	9,673
Underwriting revenue	29,482	32,534
Investment income —		
Interest and amortization	15,860	13,845
Dividends	1,920	3,292
Realized loss on investments	(3,736)	(4,026)
Gain on foreign exchange	158	216
Equity in earnings of Inter-City Gas Corporation (note 3)	6,504	9,061
	20,706	22,388
	50,188	54,922
EXPENSES		
Insurance underwriting and policy issuance expenses	6,100	3,656
Premium taxes	1,370	439
	7,470	4,095
Losses on claims	18,236	49,158
Other operating expenses (note 8)	8,548	8,241
	34,254	61,494
EARNINGS (LOSS) BEFORE UNUSUAL ITEM, INCOME TAXES AND EXTRAORDINARY ITEMS	15,934	(6,572)
UNUSUAL ITEM		
Recovery of premium deficiency	20,000	25,000
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	35,934	18,428
PROVISION FOR INCOME TAXES	15,700	4,200
EARNINGS BEFORE EXTRAORDINARY ITEMS	20,234	14,228
EXTRAORDINARY ITEMS		
Recovery of income taxes	15,577	4,095
Equity in extraordinary items of Inter-City Gas Corporation	332	248
NET EARNINGS FOR THE YEAR	36,143	18,571

• S T A T E M E N T • O F • R E T A I N E D • E A R N I N G S •
FOR THE YEAR ENDED DECEMBER 31, 1986

(thousands of dollars)	\$ 1986	\$ 1985
DEFICIT		
Balance – beginning of year	42,602	142,304
Restatement of common share capital (note 5)	–	(31,876)
	42,602	110,428
Net earnings for the year	36,143	18,571
	6,459	91,857
Preferred share dividends	2,372	–
Equity share of capital expenses of Inter-City Gas Corporation	–	445
Capital expenses (note 1)	938	–
Transfer to (from) reserves required by the Department of Insurance	27,045	(49,700)
	30,355	(49,255)
	36,814	42,602
RESERVES REQUIRED BY THE DEPARTMENT OF INSURANCE (note 2)		
Balance – beginning of year	36,911	86,611
Transfer from (to) unappropriated retained earnings	27,045	(49,700)
	63,956	36,911
RETAINED EARNINGS (DEFICIT) – END OF YEAR	27,142	(5,691)

• N O T E S • T O • F I N A N C I A L • S T A T E M E N T S •

FOR THE YEAR ENDED DECEMBER 31, 1986
(thousands of dollars except for per share amounts)

1. ACCOUNTING POLICIES

The company operates principally in the mortgage insurance business in Canada.

During the year the company amended its accounting policies to provide for the presentation of its financial statements in accordance with generally accepted accounting principles. Accordingly, additional policy reserves which were previously shown as a liability are now shown as an appropriation of retained earnings; the change in these reserves, which were previously reflected in earnings, are now reflected in retained earnings; a premium deficiency provision has been recorded for amounts previously provided for through the recording of additional policy reserves as a liability; and gains and losses on the sale of bonds, debentures and mortgages which were previously reflected in earnings when realized, are deferred and then amortized over the term to maturity of the security sold. The effect of these changes, which have been applied retroactively, are as follows:

- (a) 1986 and 1985 earnings were reduced by \$3,518 and \$1,567 respectively for the change in accounting for additional policy reserves and were increased by \$272 and \$92 respectively for the change in accounting for gains and losses on the sale of bonds, debentures and mortgages;
- (b) Unappropriated retained earnings as at December 31, 1985 and 1984 were decreased by \$18,433 and \$32,625 respectively

for the change in accounting for additional policy reserves and were decreased by \$731 and \$727 respectively for the change in accounting for gains and losses on the sale of bonds, debentures and mortgages;

- (c) Reserves required by the Department of Insurance as at December 31, 1985 and 1984 were increased by \$31,058 and \$32,625 respectively for the change in accounting for additional policy reserves;
- (d) Investment carrying values for bonds, debentures and mortgages as at December 31, 1986 and 1985 were reduced by \$362 and \$1,446 respectively for the change in accounting for gains and losses on the sale of bonds, debentures and mortgages; and
- (e) 1986 and 1985 earnings were increased by \$20,000 and \$12,625 respectively for the recovery of the premium deficiency provision that was established in conjunction with the change in accounting for additional policy reserves.

Premiums

Net premiums written are deferred and then taken into underwriting revenue as earned over the life of the related policies. The majority of policies have been written for terms of twenty years. The rates or formulae under which premiums are earned are as prescribed by the Department of Insurance of Canada.

Applications fees

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

Losses on claims

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.

Premium deficiency provision

The premium deficiency provision, if required, is determined as the excess of the present value of estimated future losses on policies in force (using an appropriate discount rate) over unearned premiums.

Investment income

- (a) Treasury bills and other short-term securities – Interest is recorded as income as it accrues. Gains and losses are taken into income when realized on disposition.
- (b) Bonds, debentures and mortgages – 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. When a decline in the value of a stock is considered to be other than temporary the investment is reduced to its net realizable value with the amount of the reduction recorded as a realized loss. Investments in common shares of companies where a degree of significant influence is present are accounted for on an equity basis.

Foreign exchange

Amounts denominated in United States dollars have been translated to Canadian dollars at the following rates:
Monetary assets and liabilities – rate in effect at the balance sheet date.
Non-monetary assets – historical rates.
Revenues and expenses – average rate prevailing during the year.

Income taxes

Income taxes are provided using the tax allocation method.

Real estate

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

Deferred policy acquisition costs

Deferred policy acquisition costs comprise underwriting and policy issuance expenses and premium taxes less application fees. These

costs are deferred to the extent they are considered recoverable from future underwriting revenue and then amortized against premiums as the premiums are earned.

Fixed assets

Fixed assets are capitalized and are depreciated over their estimated useful lives as follows:

Furniture and fixtures —	20% declining balance
Leasehold improvements —	20% straight-line

Capital expenses

The issuance costs incurred by the company in connection with a rights offering (note 5) have been charged directly to retained earnings.

2. DEPARTMENT OF INSURANCE REQUIREMENTS

The company is incorporated under the Canadian and British Insurance Companies Act ("the Act") and as such is subject to certain requirements and restrictions contained in the Act, including the solvency requirements of Section 103 of the Act. The company is also required to operate under a capital requirement formula, developed by the Department of Insurance of Canada, which establishes a minimum amount of capital required by the company to support outstanding insurance in force.

The following table sets out the approximate surplus position under Section 103 of the Act and the capital requirement formula:

	Section 103	Capital requirement formula
December 31, 1986	\$83,000	\$28,700
December 31, 1985	63,000	11,000
Reserves required by the Department of Insurance comprise:		
	December 31,	
	1986	1985
Non-admitted assets	\$ 531	\$ 1,532
Unregistered reinsurance	139	121
Claims contingency reserve	4,200	4,200
Denied claims under litigation	980	—
Share subscriptions receivable	30,566	—
Provision for mortgage insurance policies	27,540	31,058
	63,956	36,911

3. INTER-CITY GAS CORPORATION

(a) As at December 31, 1986 this investment comprised:

	December 31	
	1986	1985
Common shares including equity in earnings, since acquisition — (market value \$76,940; 1985 — \$85,317)	\$ 78,797	\$ 75,064
Preferred shares at cost (market value 1985 — \$150)	—	176
Warrants for purchase of common shares — at cost 14% note receivable	5,400	5,400
	36,000	36,000
	120,197	116,640

The note receivable is due \$3,600 in each of the years 1988 to 1995 and the balance is due in 1996.

(b) As at December 31, 1986 the unamortized excess of the cost of shares of Inter-City Gas Corporation ("ICG") over the underlying net book value of the investment amounted to approximately \$8,025 (1985 — \$8,540). The equity in earnings of ICG is being reduced by an amount sufficient to amortize the amount over the estimated remaining productive life of proved oil and gas reserves at the date of acquisition of these shares, which in the aggregate is currently approximately 16 years.

(c) The company owns 5,170,700 common shares of I.C.G., being 28% of that company's issued voting shares.

(d) The company owns 3 million warrants entitling it to purchase 3 million common shares of I.C.G. at a price of \$12 per share. These warrants expire on December 16, 1987.

(e) ICG owns 342,000 being 13%, of the issued preferred shares of the parent company, as well as warrants to acquire up to 3,000,000 common shares of the parent company.

(f) Oil and gas properties owned by ICG are, for purposes of this equity accounting, carried at the lower of cost and recoverable amount. Cost has been determined on the full cost basis, treating the entire North American continent as a single cost centre. Recoverable amount has been determined based on estimated net revenues from proved properties at current prices and current costs, and the estimated fair value of unproved properties, all on an after-tax, non-discounted basis.

If the company were to determine recoverable amount as described in the November, 1986 Guideline of the Canadian Institute of Chartered Accountants, the carrying value

of the investment in ICG would be reduced by approximately \$2,800 at December 31, 1986. This write-down would result primarily from the inclusion of Canadian and U.S. properties in separate cost centres.

(g) At the request of the Department of Insurance, the company has agreed to reduce its investment in ICG to 15% of total assets by June 30, 1987.

4. DEFERRED REVENUE

Deferred revenue consists principally of unearned premiums and if required, a premium deficiency provision.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized —
10,000,000 preference shares of \$1 each, issuable in series
10,000,000 common shares with a par value of \$1 each
Issued —

	December 31,	
	1986	1985
Instalment receipts	\$61,133	\$ —
Common shares (1986 — 1,804,272; 1985 — 1,804,272)	1,804	1,804
	62,937	1,804

The company's share capital was amended by supplementary letters patent dated February 6, 1986 that created 10,000,000 preference shares of \$1 each issuable in series, and designated 1,844,806 of such shares as Variable Rate Exchangeable Preference Shares, Series A, and 600,500 of such shares as Variable Rate Exchangeable Preference Shares, Series B.

In February of 1986, the company issued to holders of common shares and second preferred shares Series A of MICC Invest-

ments Limited ("Investments"), transferable rights to subscribe for 1,844,806 variable rate exchangeable preference shares Series A ("Series A Preference Shares"), at a price of \$25.00 per share. The Series A Preference Shares were payable in two equal instalments of \$12.50, the first payment due on March 12, 1986 and the last payment due on March 12, 1987. Pending the final payment, each Series A Preference Share is evidenced by an instalment receipt. Following the final payment due on March 12, 1987, a Series A share certificate will be issued to each receipt holder who has made the final payment.

Concurrent with the Series A Preference Share rights issue, the company agreed to sell 600,500 variable rate exchangeable preference shares, Series B ("Series B Preference Shares") to Messrs. H. Reuben Cohen, Leonard Ellen and Robert Graham. The Series A and B Preference Shares of the company are similar in all respects including the purchase price per share and the instalment payments.

The Series A and Series B Preference Shares are exchangeable pursuant to an exchange agreement dated February 6, 1986 at the holder's option into common shares of Investments on the basis of eight common shares for one Series A Preference Share, and of 7.1428 common shares for one Series B Preference Share. The exchange privilege extends from March 31, 1987 until March 31, 1993.

Cumulative dividends are payable quarterly on the Series A and Series B Preference Shares at a rate of prime less ½ of 1% per annum. The Series A and Series B Preference Shares are subject to mandatory redemption over a period of five years, commencing on the eighth anniversary from the date of issue, at \$25 per share plus accrued and unpaid dividends.

The instalment receipts are composed of the following:

December 31, 1986	
Instalment receipt for:	
Series A Variable Rate Exchangeable Preference Shares	\$46,121
Instalment receipts for:	
Series B Variable Rate Exchangeable Preference Shares	15,012
	<u>61,133</u>

The company's share capital was amended by supplementary letters patent on December 31, 1985 as follows:

- i) The par value of the Company's common shares was reduced from \$100 to \$1 per share.
- ii) The authorized number of common shares was increased from 550,000 to 10,000,000.
- iii) Authorized preference shares of 2,150,000 including 1,482,297 issued and outstanding were redesignated as 2,150,000 common shares, of which 1,482,297 represent issued and outstanding common shares.
- iv) The deficit was reduced by the transfer of \$31,876 from paid-up capital. Effective April 30, 1984, the deficit was reduced by \$106,895 through a reduction in the par value of the then outstanding preferred share capital.

6. COMMITMENTS

Lease commitments
Minimum annual commitments for premises and equipment under operating leases are as follows:

Year ending	
December 31, 1987	\$1,843
1988	1,856
1989	1,616
1990	1,537
1991	1,507
Thereafter	1,261
	<u>9,620</u>

7. SPECIAL REFUND OF PREMIUM

During 1985, the company's insurance agreement with the Ontario New Home Warranty Program was terminated and the company amended the terms of its insurance agreement with the Quebec New Home Warranty Program.

As a result of these changes the company refunded \$9,673 of premiums written under the agreements which had been included in unearned revenue.

8. OTHER OPERATING EXPENSES

Included in other operating expenses are the following amounts of depreciation and amortization:

Year ended	
December 31, 1986	\$ 98
1985	121

9. INCOME TAXES

As at December 31, 1986, the company has incurred losses for income tax purposes amounting to approximately \$54,000. These losses may be utilized to reduce income for tax purposes in future years up to and including 1992. In addition, difference between the timing of revenues and expenses recognized for income tax purposes and those recognized for accounting purposes have resulted in a net amount of approximately \$137,000 being available to reduce future years' income for tax purposes. The potential future income tax benefit of these amounts has not been recognized in the accounts. The company's statutory rate of income taxes for the current year under both federal and provincial requirements, is approximately 53%. This rate differs from the effective rate of income tax of 44% primarily because certain investment income sources are non-taxable to the company.

Dividend income, generally, together with any accruals of income on investments accounted for by the equity method, are non-taxable.

10. RELATED PARTY TRANSACTIONS

Central Capital Corporation is a related party as a result of its ownership of shares of the company and of the company's parent and certain of the parent company's directors are directors and/or senior officers of Central Trust Company, a subsidiary of Central Capital Corporation and its affiliates, from time to time, insure mortgage loans with the company. The policies of insurance are issued under standard terms and conditions and the premiums written in 1986 from such policies represented less than 3% 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.

Central Capital Management Inc., a subsidiary of Central Capital Corporation was paid a management fee during 1986 for investment counselling services. Inter-City Gas Corporation is a related party as a result of the interests described in note 3. The company has reimbursed ICG for certain expenses incurred on the company's behalf.

11. COMPARATIVE FIGURES

1985 figures in the statement of earnings have been restated to reflect income taxes related to the decrease in the premium deficiency provision, and a similar increase in the recovery of income taxes.

• A U D I T O R S ' • R E P O R T •
• T O • T H E • S H A R E H O L D E R S •

We have examined the balance sheet of The Mortgage Insurance Company of Canada as at December 31, 1986 and the statements of earnings, retained earnings 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 financial statements present fairly the financial position of the company as at December 31, 1986 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, after giving retroactive effect to the change in the method of accounting for additional policy reserves and investments as explained in note 1 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Toronto, Ontario
February 10, 1987

Transfer Agents
First preferred shares
The Canada Trust Company

Registrars
First preferred shares
The Canada Trust Company

• B O A R D • O F • D I R E C T O R S •

**BOARD OF DIRECTORS
MICC INVESTMENTS
LIMITED
THE MORTGAGE
INSURANCE COMPANY OF
CANADA**

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Barrister and Solicitor
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Chief Executive Officer
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Toronto, Ontario

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Company Director
Toronto, Ontario

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Assurance Company
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Partner
Thompson, Dorfman and
Sweatman
Winnipeg, Manitoba

†ROBERT A. UTTING
Chairman of the Board
Montreal, Quebec

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MICC INVESTMENTS
LIMITED**

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Chairman of the Board

ROBERT G. GRAHAM
President and
Chief Executive Officer

REGINALD T. RYAN
Vice-President

J. DONALD BERGERON
Secretary

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MICC PROPERTIES INC.**

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MICHAEL L. STEIN
President and
Chief Executive Officer

J. DONALD BERGERON
Secretary

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INSURANCE COMPANY OF
CANADA**

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Chief Executive Officer

JAMES D. HEWITT
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and Chief Financial Officer

MICHAEL L. STEIN
Executive Vice-President
Residential Mortgage Insurance

J. DONALD BERGERON
Vice-President
Legal Counsel and Secretary

CLAIR E. SHOEMAKER
Vice-President, ICI and
Special Projects

As of Dec. 31, 1986

†Executive Committee Member –
MICC Investments Limited

*Audit Committee Member –
MICC Investments Limited and The
Mortgage Insurance Company of Canada

• O R G A N I Z A T I O N •

HEAD OFFICE

ACCOUNTING & FINANCE

S.A. Bell, Director
C. Martinez, Manager,
Accounting

AUDIT

E. Corbett, Internal Auditor

BRANCH OPERATIONS

K. Webb, Director

COLLECTIONS

C. Hale, Manager

**HUMAN RESOURCES &
ADMINISTRATION**

L. Cohen, Director

I.C.I. CLAIMS

D. Eagleson, Manager

I.C.I. UNDERWRITING

G. Weber, Manager
National Accounts
S. Burger, Regional Supervisor
Eastern Region
S. Russell, Regional Supervisor
Western Region

INFORMATION SYSTEMS

H. Hallworth, Director
D. MacDonald, Manager

MARKETING

M. Connolly, Director
R. Bowden, Corporate Services
& Development

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M. Booker, Assistant Manager
M. McGill, Marketing and
Underwriting Officer (B.C.)

