Condensed Consolidated Interim Financial Statements
(in Canadian dollars)

GENWORTH MI CANADA INC.

Interim period ended March 31, 2011 and 2010
(Unaudited)

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	March 31, 2011[1]	December 31, 2010[1][2]	January 1, 2010[1][2]
Assets			
Cash and cash equivalents (note 6)	$ 310,493	$ 351,136	$ 377,512
Short-term investments (note 6)	27,072	6,988	253,527
Accrued investment income and other receivables	44,491	32,270	28,869
Bonds and debentures: Fair value through profit or loss ("FVTPL") (note 6)	40,168	38,290	34,485
Bonds and debentures: Available-for-sale ("AFS") (note 6)	3,603,415	3,629,494	3,420,567
Bonds and debentures under securities lending program: AFS (note 6)	285,871	268,442	323,300
Equity investments: AFS (note 6)	210,195	195,186	423
Total invested assets, accrued investment income and other receivables	4,521,705	4,521,806	4,438,683
Income taxes recoverable	17,631	7,505	–
Subrogation recoverable	38,644	40,393	13,646
Government guarantee fund (note 7)	651,564	645,733	576,417
Prepaid assets	1,594	2,019	3,017
Property and equipment	2,522	2,836	3,844
Intangible assets	13,204	14,119	16,307
Deferred policy acquisition costs (note 5d)	151,900	152,618	146,840
Goodwill	11,172	11,172	11,172
Total assets	$ 5,409,936	$ 5,398,201	$ 5,209,926

[1] Refer to note 14 for presentation of assets and liabilities expected to be recovered or settled in 12 months or less.
[2] Refer to note 15 for effects of adopting IFRS.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	March 31, 2011[1]	December 31, 2010[1] [2]	January 1, 2010[1] [2]
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities	$ 84,643	$ 45,872	$ 27,811
Due to parent and companies under common control (note 9)	112	260	775
Income taxes payable	–	–	116,230
Loss reserves (note 5(c))	200,181	206,611	236,181
Share-based compensation liabilities (note 11)	4,958	5,412	1,668
Long-term debt (note 13)	421,659	421,566	–
Unearned premium reserves (note 5(b))	1,847,670	1,902,164	1,971,396
Accrued net benefit liabilities under employee benefit plans (note 10)	12,792	12,368	9,473
Net deferred tax liabilities (note 8)	216,561	215,281	203,204
Total liabilities	2,788,576	2,809,534	2,566,738
Shareholders' equity:			
Share capital	1,553,631	1,553,463	1,734,376
Retained earnings	963,821	910,835	811,888
Accumulated other comprehensive income	103,908	124,369	96,924
Total shareholders' equity	2,621,360	2,588,667	2,643,188
Total liabilities and shareholders' equity	$ 5,409,936	$ 5,398,201	$ 5,209,926

[1] Refer to note 14 for presentation of assets and liabilities expected to be recovered or settled in 12 months or less.
[2] Refer to note 15 for effects of adopting IFRS.

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

"Brian Hurley" Director

"Brian Kelly" Director

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Income Statement
(In thousands of Canadian dollars)
(Unaudited)

	Interim period ended March 31, 2011	2010[1]
Gross premiums written	$ 103,482	$ 97,674
Net premiums written (note 5(b))	$ 100,555	$ 94,211
Net premiums earned (note 5(b))	$ 155,049	$ 155,735
Fees and other income	396	19
Underwriting revenue	155,445	155,754
Losses on claims (note 5(c))	58,816	59,297
Expenses:		
Premium taxes and underwriting fees	7,560	7,198
Employee compensation	8,714	9,168
Office expenses	5,096	4,896
Professional fees	1,814	1,315
Promotional expenses and travel	1,811	1,218
Other	295	720
Total expenses	25,290	24,515
Change in deferred policy acquisition costs (note 5(d))	718	1,075
	26,008	25,590
Net underwriting income	70,621	70,867
Investment income:		
Interest	41,074	43,142
Dividends	2,124	86
Net realized gains on sale of investments	1,006	1,211
Change in unrealized loss on FVTPL investments	1,878	2,548
Equity in earnings of government guarantee fund (note 7)	1,296	2,900
General investment expenses	(1,073)	(1,079)
	46,305	48,808
Interest expense (note 13)	5,642	–
Income before income taxes	111,284	119,675
Income taxes: (note 8)		
Current	27,917	32,705
Deferred	3,136	2,650
	31,053	35,355
Net income for the period	$ 80,231	$ 84,320
Earnings per share (note 12):		
Basic	$ 0.77	$ 0.72
Diluted	0.76	0.71

[1] Refer to note 15 for effects of adopting IFRS.

See accompanying notes to condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statement of Comprehensive Income
(In thousands of Canadian dollars)
(Unaudited)

Accumulated other comprehensive income	Interim period ended March 31, 2011	Interim period ended March 31, 2010	Year ended December 31, 2010
Accumulated other comprehensive income, beginning of period (a)	$ 124,369	$ 96,924	$ 96,924
Net change in fair value of AFS financial assets (b)	(18,302)	878	37,916
Gains (losses) on AFS financial assets realized and reclassified to consolidated interim income statement (c)	(2,159)	(1,575)	(10,471)
Defined benefit plan actuarial losses (d)	–	–	(1,195)
Reclassification of defined benefit plan actuarial losses to retained earnings (d)	–	–	1,195
	(20,461)	(697)	27,445
Accumulated other comprehensive income, end of period (e)	$ 103,908	$ 96,227	$ 124,369

Comprehensive income	Interim period ended March 31, 2011	Interim period ended March 31, 2010
Net income for the period	$ 80,231	$ 84,320
Other comprehensive loss for the period net of tax of ($7,732) (2010 - ($88)) (note 8)	(20,461)	(697)
Total comprehensive income for the period	$ 59,770	$ 83,623

(a) Net of income taxes of $53,374 as at January 1, 2011 (January 1, 2010 - $43,484).

(b) Net of income taxes of ($6,916) for the interim period ended March 31, 2011 (interim period ended March 31, 2010 - $111; year ended December 31, 2010 - $13,663).

(c) Net of income taxes of ($816) for the interim period ended March 31, 2011 (interim period ended March 31, 2010 - ($199); year ended December 31, 2010 - ($3,773)).

(d) Net of income taxes of $415 as at December 31, 2010.

(e) Net of income taxes of $45,642 as at March 31, 2011 (March 31, 2010 - $43,396; December 31, 2010 $53,374).

See accompanying notes to condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statement of Changes in Equity
(In thousands of Canadian dollars)
(Unaudited)

	Share capital	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at January 1, 2011	$ 1,553,463	$ 910,835	$ 124,369	$ 2,588,667
Comprehensive income:				
Net income for the period	–	80,231	–	80,231
Other comprehensive income for the period	–	–	(20,461)	(20,461)
Transactions recognized directly in equity:				
Dividends on ordinary common shares	–	(27,245)	–	(27,245)
Issuance of common shares	168	–	–	168
Balance at March 31, 2011	$ 1,553,631	$ 963,821	$ 103,908	$ 2,621,360

	Share capital	Retained earnings	Accumulated other comprehensive income	Total equity
Balance at January 1, 2010[(1)]	$ 1,734,376	$ 811,888	$ 96,924	$ 2,643,188
Comprehensive income:				
Net income for the period	–	84,320	–	84,320
Other comprehensive income for the period	–	–	(697)	(697)
Transactions recognized directly in equity:				
Dividends on ordinary common shares	–	(25,762)	–	(25,762)
Balance at March 31, 2010 [(1)]	$ 1,734,376	$ 870,446	$ 96,227	$ 2,701,049

[(1)]Refer to note 15 for effects of adopting IFRS.

See accompanying notes to condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statement of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Interim period ended March 31, 2011	2010[1]
Cash provided by (used in):		
Operating activities:		
Net income for the period	$ 80,231	$ 84,320
Items not involving cash:		
Amortization of premiums on investments	2,185	2,071
Amortization of intangible assets	1,160	864
Depreciation of property and equipment	315	375
Amortization of deferred policy acquisition costs	12,785	11,821
Income taxes	31,053	35,355
Net realized gains on sale of investments	(1,006)	(1,211)
Change in unrealized loss on FVTPL investments	(1,878)	(2,548)
Interest expense	5,642	–
Equity in earnings of government guarantee fund	(1,296)	(2,900)
Issuance of common shares on vesting of RSU	168	–
	129,359	128,147
Change in non-cash balances related to operations:		
Government guarantee fund	(10,729)	(10,154)
Accrued investment income and other receivables	(45,404)	(75,309)
Prepaid assets	425	(180)
Subrogation recoverable	1,749	(6,516)
Deferred policy acquisition costs	(12,067)	(10,746)
Accounts payable and accrued liabilities	33,222	44,975
Due to parent company and companies under common control	(148)	(751)
Loss reserves	(6,430)	(3,529)
Share-based compensation liabilities	(454)	792
Unearned premium reserves	(54,494)	(61,524)
Accrued net benefit liabilities under employee benefit plans	424	316
	35,453	5,521
Cash generated from operating activities:		
Interest received from bonds and debentures	31,059	31,317
Income taxes paid	(32,171)	(162,945)
Dividends received from equity investments	2,124	86
Net cash generated from (used in) operating activities	36,465	(126,021)
Investing activities:		
Purchase of bonds and debentures	(305,324)	(434,118)
Proceeds from sale of bonds and debentures	283,076	145,201
Purchase of short-term investments	(27,072)	(91,563)
Proceeds from sale of short-term investments	6,988	253,527
Purchase of equity investments	(19,475)	(29,960)
Proceeds from sale of equity investments	12,154	278
Purchase of intangible assets	(210)	(575)
Purchase of property and equipment	–	(392)
Net cash used in investing activities	(49,863)	(157,602)
Financing activities:		
Dividends paid	(27,245)	(25,762)
Net cash used in financing activities	(27,245)	(25,762)
Decrease in cash and cash equivalents	(40,643)	(309,385)
Cash and cash equivalents, beginning of period	351,136	377,512
Cash and cash equivalents, end of period	$ 310,493	$ 68,127

[1] No significant presentation differences have been made to the statement of cash flows upon transition to IFRS. Refer to note 15 for effects of adopting IFRS.

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity:

Genworth MI Canada Inc. (the "Company") was incorporated under the Canada Business Corporations Act on May 25, 2009 and is domiciled in Canada. Its shares are publicly traded on the Toronto Stock Exchange under the symbol ("MIC"). The Company's majority shareholder is Brookfield Life Assurance Company Limited ("Brookfield"). Brookfield's ultimate parent company is Genworth Financial Inc., a public company listed on the New York Stock Exchange. The Company's registered office is located at Suite 300, 2060 Winston Park Drive, Oakville, Ontario, L6H 5R7, Canada.

The indirect subsidiary of the Company, Genworth Financial Mortgage Insurance Company Canada (the "Insurance Subsidiary"), is engaged in mortgage insurance in Canada and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"), as well as financial services regulators in each province.

2. Statement of compliance:

(a) Statement of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were prepared in accordance with International Accounting Standards 34- Interim Financial Reporting. Accordingly, the financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by IFRSs. Full disclosures will be included in the Company's annual financial statements. The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its first annual financial statements prepared in accordance with IFRSs. These accounting policies are based on the IFRSs that the Company expects to be applicable at the time. The policies set out below were consistently applied to all the periods presented.

2. Statement of compliance (continued):

The Company's condensed consolidated interim financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Canadian GAAP differs in some areas from IFRSs. In preparing these condensed consolidated interim financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRSs. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and note disclosures which are considered material to the understanding of the Company's condensed consolidated interim financial statements and which are normally included in annual financial statements are provided in these interim financial statements along with reconciliations and descriptions of the effect of transition from Canadian GAAP to IFRSs on equity, income and comprehensive income. The effect of transition to IFRSs is disclosed in note 15.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 2, 2011.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of financial position:

(i) Available for sale ("AFS") and Fair Value Through Profit or Loss ("FVTPL") financial assets are measured at fair value;

(ii) Real estate and other assets recorded as subrogation recoverable are measured at the fair value of the collateral at the reporting date less costs for obtaining and selling the collateral;

(iii) The government guarantee fund, which is comprised of net AFS financial assets, is measured at fair value;

(iv) Accrued benefit liabilities under employee benefit plans are recognized at the present value of the defined benefit obligations; and

(v) Liabilities for cash-settled share-based compensation are measured at fair value.

2. Statement of compliance (continued):

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgments:

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimate uncertainties are expected to be the same as those to be applied in the first annual IFRS financial statements. See note 4 for a description of the significant judgements and estimates made by the Company.

(e) Seasonality:

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and underwriting and administrative expenses are relatively stable from quarter to quarter, premiums written may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage policies written, which typically peak in the spring and summer months. Losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age. All revenue and expenses are recognized when they occur in accordance with the accounting policies set out below. No revenue or expenses are anticipated or deferred for interim reporting purposes if anticipation or deferral would not be appropriate at the end of the Company's financial year.

3. Significant accounting policies:

(a) Basis of consolidation:

(i) Business combinations:

For acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as the fair value of consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed.

As part of its transition to IFRSs, the Company elected not to restate its business combinations that occurred prior to January 1, 2010. In respect of these acquisitions, goodwill represents the amount recognized under the Company's previous accounting framework.

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date control ceases. Intra-group balances and transactions are eliminated in preparing financial statements.

(b) Insurance contracts:

The items in the Company's condensed consolidated interim financial statements that are derived from insurance contracts are premiums, losses on claims, deferred policy acquisition costs, and subrogation recoveries. Each of these items are described below.

(i) Premiums:

Premiums written are recorded net of risk premiums related to the Government of Canada Guarantee Agreement (note 7).

3. Significant accounting policies (continued):

Mortgage insurance premiums are deferred and then taken into underwriting revenues over the terms of the related policies. The unearned portion of premiums is included in the liability for unearned premium reserves. The majority of policies to date have been written for terms of 25 to 35 years. The rates or formulae under which premiums are earned relate to the loss emergence pattern in each year of coverage. The Company performs actuarial studies of its multi-year loss experience on a quarterly basis and adjusts the formulae under which premiums are earned in accordance with the results of such studies. This includes adjustments to earnings from premium written in respect of prior periods.

A premium deficiency provision, if required, is determined as the excess of the present value of expected future losses on claims and expenses (including policy maintenance expenses) on policies in force (using an appropriate discount rate) over unearned premium reserves.

The Company's external appointed actuary performs a liability adequacy test on the Company's unearned premium reserves on an annual basis using a dynamic regression model that is in accordance with accepted actuarial practice. The liability adequacy test for the Company has identified that no premium deficiency reserves are required.

(ii) Losses on claims:

Losses on claims include internal and external claims adjustment expenses and are recorded net of recoveries on claims received.

Loss reserves represent the amount needed to provide for the expected ultimate net cost of settling claims including adjustment expenses related to defaults by borrowers (both reported and unreported) that have occurred on or before each reporting date. Loss reserves are discounted to take into account the time value of money. The Company records a supplemental provision for adverse deviation based on an explicit margin for adverse deviation determined by the Company's external appointed actuary.

Loss reserves are derecognized after a claim has been paid and the Company's obligation under the policy has been fulfilled, or after a borrower has remedied a delinquent loan such that management estimates no loss will be incurred under the policy.

3. Significant accounting policies (continued):

(iii) Deferred policy acquisition costs:

Deferred policy acquisition costs are comprised of premium taxes, appraisal costs, certain employee compensation, and other expenses that relate directly to acquisition of new mortgage insurance business. Policy acquisition costs related to unearned premiums are deferred to the extent that they can be expected to be recovered from the unearned premium reserves and are amortized to income in proportion to and over the periods in which the premiums are earned.

(iv) Subrogation recoveries:

Real estate and other collateral acquired as a result of settling claims are carried in subrogation recoverable at the fair value of the collateral less costs for obtaining and selling the collateral.

(c) Financial instruments:

The Company recognizes financial assets on the trade date, at which the Company becomes a party to the contractual provisions of the financial asset contract.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

The Company has classified its financial assets as financial assets at FVTPL and AFS financial assets as described below:

(i) Financial assets at FVTPL:

A financial asset is classified as FVTPL if it is considered to be held for trading or it is designated as such upon initial recognition.

The Company's financial assets at FVTPL are cash and cash equivalents and European Credit Luxembourg bonds.

Cash and cash equivalents are comprised of deposits in banks, commercial paper, and liquid investments with original maturities of three months or less.

The issuer of the European Credit Luxembourg bonds uses the net proceeds of the offering to buy fixed income investments of European origin and credit risk. The result is a diversified portfolio of European fixed income investments. Since the bond collateral is likely to contain embedded derivatives which are not readily identifiable, the investments have been designated as FVTPL at initial recognition.

FVTPL financial assets are recorded at fair value with realized gains and losses on sale and changes in the fair value recorded in investment income. Transaction costs related to FVTPL financial assets are recognized in income as incurred.

(ii) AFS financial assets:

AFS financial assets are non-derivative financial assets that are designated as AFS and are not classified in any other specific financial asset category. The Company classifies bonds and debentures, including bonds and debentures in the government guarantee fund, short-term investments, and preferred shares in the AFS financial asset category. The Company's short-term investments are considered to be AFS because they are traded in an active market.

3. Significant accounting policies (continued):

AFS financial assets are recorded at fair value with changes in the fair value of these assets recorded in other comprehensive income. Cumulative realized gains and losses on sale, cumulative realized gains and losses on AFS instrument derecognition, as well as impairment losses are reclassified from accumulated other comprehensive income and recorded in investment income.

Transaction costs are capitalized as part of the carrying value of the AFS financial assets.

(iii) Securities lending:

Securities lending transactions are entered into on a collateralized basis. The transfer of the securities themselves is not derecognized on the statement of financial position given that the risks and rewards of ownership are not transferred from the Company to the counterparties in the course of such transactions. The securities are reported separately on the statement of financial position on the basis that counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the statement of financial position given that the risk and rewards of ownership is not transferred from the counterparties to the Company in the course of such transactions and because cash collateral is not permitted as an acceptable form of collateral under the program.

(iv) Interest income:

Interest income from fixed income investments including bonds and debentures is recognized on an accrual basis using the effective interest rate method and reported as interest in investment income.

Lending fees received under the Company's securities lending program are recognized on an accrual basis and included in interest in investment income.

3. Significant accounting policies (continued):

(v) Dividend income:

Dividends on equity investments are recognized when the shareholder's right to receive payment is established, which is the ex-dividend date, and are reported as dividends in investment income.

(vi) Non-derivative financial liabilities:

All non-derivative financial liabilities are recognized initially on the date that the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies all non-derivative financial liabilities into the Other Financial Liabilities category. Such financial liabilities are recognized initially at fair value along with any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Non-derivative financial liabilities are comprised of the Company's long-term debt (note 13), accounts payable and accrued liabilities and balances due to parent and companies under common control (note 9).

(d) Property and equipment:

(i) Recognition and measurement:

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to acquiring the asset and preparing it for its intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. Significant accounting policies (continued):

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and are recognized on a net basis in income.

The Company classifies computer software that is part of an operating system or is an integral part of related hardware as property and equipment.

(ii) Subsequent costs:

Property and equipment replacements are recognized in the carrying amount of property and equipment if they embody future economic benefit to the Company and the carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are expensed as incurred.

(iii) Depreciation:

Depreciation on property and equipment, except for leasehold improvements, is recognized in income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date it is available for use. Straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the property and equipment. Leasehold improvements are depreciated over the terms of the related leases.

The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 - 5 years
Computer hardware	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of related lease

3. Significant accounting policies (continued):

(e) Intangible assets:

Goodwill:

Goodwill arises upon the acquisition of subsidiaries. See note 3(a)(i) for the policy on measurement of goodwill on initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. See note 3(f)(ii) for the policy on measurement of impairment losses on non-financial assets.

Other intangible assets:

(i) Recognition and measurement:

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The Company's intangible assets consist of computer application software that is not an integral part of related hardware.

(ii) Subsequent expenditures:

Subsequent expenditures that increase application software functionality are recognized in the carrying amount of intangible assets if they embody future economic benefit to the Company. All other costs including the costs of day-to-day servicing of intangible assets are expensed as incurred.

(iii) Amortization:

Amortization is recognized in expense on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The estimated useful lives for the current and comparative periods range from 3 years to 5 years.

3. Significant accounting policies (continued):

(f) Impairment:

(i) Impairment of financial assets:

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired include default or delinquency by the debtor, indications that the issuer of a security will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security, or a significant prolonged decline in fair value of an equity security below its cost.

Impairment losses on AFS financial assets are recognized by reclassifying losses accumulated in other comprehensive income ("AOCI") to income. The cumulative loss that is reclassified from AOCI to income is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in income. Changes in impairment provisions attributable to application of the effective interest rate method are reflected as a component of investment income. If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in income, then the impairment loss is reversed, with the amount of the reversal recognized in income. However, any subsequent recovery in fair value of an impaired AFS equity security is recognized in other comprehensive income ("OCI").

(ii) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

3. Significant accounting policies (continued):

Goodwill is tested for impairment on an annual basis regardless of whether an indication of impairment exists.

For purposes of goodwill impairment testing, the comparison of estimated recoverable amount to carrying amount is performed on the Company's single cash generating unit ("CGU"), which is its mortgage insurance business.

The recoverable amount of an asset is the greater of its value in use and its fair value less expected selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in income in the period in which the impairment is determined. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of goodwill and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The assessment of impairment of non-financial assets excludes assessment of deferred policy acquisition costs. The ability of the Company to recover its deferred policy acquisition costs is assessed as part of the Company's overall insurance liability adequacy testing. In the event that a provision for premium deficiency is required based on this test, the deferred policy acquisition cost asset is reduced with a corresponding charge recognized as change in deferred policy acquisition costs in income.

3. Significant accounting policies (continued):

(g) Income taxes:

Income taxes are comprised of current and deferred taxes. Current and deferred income taxes associated with items recognized in equity are recognized directly in equity. Taxes on fair value gains and losses included in OCI are charged or credited directly to OCI. Otherwise, except to the extent that they relate to a business combination, current and deferred income tax are recognized in income.

(i) Current tax:

Current income taxes are recognized for estimated income taxes payable or recoverable for the current year and any adjustments to tax payable in respect of prior years. The tax rates and laws used to compute these amounts are those that are enacted or substantively enacted at the date of the condensed consolidated interim financial statements. Current income taxes payable and current income taxes recoverable are offset when they relate to income taxes imposed by the same taxation authority for the same legal entity and the taxation authority permits making or receiving a single net payment.

(ii) Deferred tax:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured using currently enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which the temporary differences reverse. The most significant temporary differences relate to policy liabilities and the government guarantee fund.

3. Significant accounting policies (continued):

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable the Company will have sufficient taxable income against which they can be used. The deferred tax assets are reviewed each reporting period and are reduced to the extent that it is no longer probable that the benefit arising from the deductible temporary difference will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes imposed by the same taxation authority for the same legal entity.

(h) Employee benefits:

(i) Defined contribution pension plan:

The defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into the plan (that is a separate legal entity) for the benefit of its employees and will have no legal or constructive obligation to pay further amounts. The obligation for contributions to the defined contribution pension plan is recognized as an expense in the period during which services are rendered by employees.

(ii) Defined benefit plans:

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Company maintains two defined benefit plans: a Supplemental Executive Retirement Plan ("SERP") and a plan for other non-pension post employment benefits. The Company's obligation in respect of each plan is calculated separately. For each plan, the Company has adopted the following policies:

3. Significant accounting policies (continued):

Actuarial valuations of benefit liabilities for pension and other post-employment benefit plans are performed as at December 31 of each year using the projected unit credit method based on management's assumptions on the discount rate, rate of compensation increase, retirement age, mortality and the trend in the health care cost rate. Obligations for the SERP are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of termination, death or retirement. Obligations for other non-pension post employment benefits are attributed to the period beginning on the employee's date of hire to the date the employee reaches the age of 55 and is entitled to benefits under the plan.

All actuarial gains and losses at January 1, 2010, the date of transition to IFRS, were recognized in retained earnings. Subsequent actuarial gains (losses) arising from changes in actuarial assumptions used to determine the benefit obligations are recognized in other comprehensive income in the period in which they arise, and reported in retained earnings. Actuarial valuations are performed annually as at December 31 of each year. As an actuarial valuation has not been performed for the interim period ended March 31, 2011, no actuarial gains or losses have been recognized in these interim condensed consolidated financial statements.

Prior service costs arising from plan amendments are recognized in expense over the employee benefit vesting period or in the period in which the plan amendments are introduced if immediately vested.

Settlements occur when benefit liabilities for plan participants are settled, usually through lump sum cash payments, and as a result the Company no longer has a liability to provide the affected employees with benefit payments in the future. The Company recognizes gains or losses on settlement of a defined benefit obligation when the settlement occurs. The gain or loss is comprised of any change in the present value of defined benefit obligation since the last actuarial valuation performed.

(iii) Short-term employee benefits:

Short-term employee benefit obligations, including the Company's short-term bonus plan, are measured on an undiscounted basis and are expensed as the related service is provided.

3. Significant accounting policies (continued):

(iv) Share-based compensation:

The Company's share-based awards include stock options with tandem stock appreciation rights ("Options"), restricted share units ("RSU"), performance share units ("PSU") and directors' deferred share units ("DSU"). Recipients of these awards are entitled to the option of settlement in cash or shares of the Company.

The fair value of Options, RSUs, PSUs and DSUs is recognized as compensation expense over the relevant vesting period, with a corresponding entry to share-based compensation liabilities. The liability is re-measured at each reporting date and the settlement date. Any changes in the fair value of the liability are recognized as compensation expense. Share-based compensation is reclassified from liability to equity if employees choose shares when these awards vest.

Options are measured at fair value using the Black Scholes valuation model. RSUs, PSUs and DSUs are measured at fair value using the quoted market price of the Company's shares at the end of each reporting period.

RSUs, PSUs, and DSUs may participate in dividend equivalents at the discretion of the Company's Board of Directors. Dividend equivalents are calculated based on the fair value of the Company's shares on the date the dividend equivalents are credited to the RSU, PSU or DSU account and are recorded as additional compensation expense.

(i) Share capital:

Common shares are classified as equity on the condensed consolidated statement of financial position. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(j) Foreign currency translation:

Transactions in foreign currencies are translated to Canadian dollars at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Canadian dollars at period end rates. Foreign currency differences arising on retranslation are recognized in income.

3. Significant accounting policies (continued):

(k) Earnings per share:

The Company presents basic and diluted earnings per share for its ordinary common shares. Basic earnings per share are calculated by dividing the Company's net income for the period by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares, which are comprised of Options, RSUs and DSUs granted to employees and directors of the Company.

4. Significant judgements and estimates:

(a) Judgements:

Significant judgements made in applying accounting policies are as follows:

Other-than temporary impairments on AFS financial assets:

As of each balance sheet date, the Company evaluates AFS financial assets in an unrealized loss position for other-than-temporary impairment on the basis described in accounting policy 3(f)(i).

For investments in bonds and debentures, evaluation of whether impairment has occurred is based on the Company's best estimate of the cash flows expected to be collected at the individual investment level. The Company considers all available information relevant to the collectability of the investment, including information about past events, current conditions, and reasonable and supportable forecasts. Estimating such cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of any underlying collateral for asset-backed securities. Where possible, this data is benchmarked against third party sources. Impairments for bonds and debentures in an unrealized loss position are deemed to exist when the Company does not expect full recovery of the amortized cost of the investment based on the estimate of cash flows expected to be collected or when the Company intends to sell the investment prior to recovery from its unrealized loss position.

4. Significant judgements and estimates (continued):

For equity investments, the Company recognizes an impairment loss in the period in which it is determined that an investment has experienced significant and prolonged losses and is not expected to recover to its cost.

(b) Estimates:

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustment within the next twelve months are as follows:

(i) Premiums earned:

Premiums earned are recognized in accordance with accounting policy 3(b)(i). In order to match premiums earned to losses on claims, premiums written are recognized as premiums earned using a factor-based premium recognition curve. In constructing the premium recognition curve, the Company applies actuarial forecasting techniques to historical loss data to determine expected loss development and the related loss emergence pattern. The premium recognition curve is updated on a quarterly basis to reflect the most current available historical loss data. See note 5(b) for disclosure of the impact of the current and comparative periods' premium recognition curve updates.

(ii) Losses:

Loss reserves are recognized on the basis described in accounting policy 3(b)(ii) when the first scheduled mortgage payment is missed by a mortgage borrower. In determining the ultimate claim amount, the Company estimates the expected recovery from the property securing the insured loan and the legal, property maintenance and other loss adjustment expenses incurred in the claim settlement process. Loss reserves consist of individual case reserves, Incurred But Not Reported ("IBNR") reserves and supplemental loss reserves for potential adverse development.

For the purpose of quantifying case reserves, the Company analyzes each reported delinquent loan on a case-by-case basis and establishes a case reserve based on the expected loss, if any. The ultimate expected claim amount is influenced significantly by housing market conditions and changes in property values. Accordingly, case reserves include a provision for potential decline in property values.

4. Significant judgements and estimates (continued):

The Company establishes reserves for IBNR based on the reporting lag from the date of first missed payment to the balance sheet date for mortgages in default that have not been reported to the Company. IBNR is calculated using estimates of expected claim occurrence rates and average claim amounts based on the most current available historical loss data.

In order to discount loss reserves to present value, the Company's external appointed actuary determines a discount rate based on the book yield of the Company's general investment portfolio.

The Company's external appointed actuary develops a margin for adverse deviation based on assessment of the adequacy of the Company's loss reserves (derived from an independent calculation of the reserves) and with reference to the current and future expected condition of the Canadian housing market and its impact on the expected development of losses. The Company determines a supplemental provision for adverse deviation ("PFAD") based on the margin developed by the actuary.

The process for the establishment of loss reserves relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal and economic trends and on expectations as to future developments. This process involves risks that actual results will deviate, perhaps substantially, from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liability.

(iii) Deferred policy acquisition costs:

Deferred policy acquisition costs are deferred and amortized in accordance with accounting policy 3(b)(iii). The Company estimates expenses eligible for deferral based on the nature of expenses incurred and results of time and activity studies performed to identify the portion of time the Company's employees incur in the acquisition of new mortgage insurance business.

4. Significant judgements and estimates (continued):

(iv) Utilization of tax losses:

As at March 31, 2011, the Company has recognized $2,095 of tax losses (December 31, 2010 - $2,336). Management considers it probable that future taxable profits will be available against which these tax losses can be utilized.

(v) Share-based compensation:

Options are measured and recorded in accordance with accounting policy 3(h)(iv). Inputs to the Black Scholes valuation model are share price on the measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, expected dividends and the risk free rate. Expected volatility is estimated based on the mean volatility of the general index of Canadian financial companies and the Company's average historical volatility. The volatility of Canadian financial companies is used to supplement the volatility calculation given the Company has limited share price history. The weighted average expected life of the instrument is estimated based on historical experience of affiliated companies. Dividend yield is estimated based on historical dividends and the Company's long-term expectations. Risk-free rate is determined with reference to Government of Canada bonds.

Service and performance conditions attached to Options, RSUs and PSUs are not taken into account in determining fair value. However, the Company records share-based compensation expense only to the extent that the share-based awards are expected to vest based on the Company's best estimate of the outcome of the service and performance conditions.

(vi) Employee future benefits:

Actuarial valuations of benefit liabilities for pension and other post-employment benefit plans are performed as at December 31 of each year based on the Company's assumptions on the discount rate, rate of compensation increase, retirement age, mortality and the trend in the health care cost rate. The discount rate is determined by the Company with reference to AA credit-rated bonds that have maturity dates approximating the Company's obligation terms at period end and are denominated in the same currency as the benefit obligations. Other assumptions are determined with reference to long-term expectations.

5. Insurance contracts:

(a) Insurance risk:

The Company is exposed to insurance risk arising from underwriting of mortgage insurance contracts. Mortgage insurance contracts transfer risk to the Company by indemnifying lending institutions against credit losses arising from borrower mortgage default. These risks impact the amount, timing and certainty of cash flows arising from insurance contracts. The Company's insurance risk is comprised of pricing risk, underwriting risk, claims management risk, loss reserving risk, and portfolio concentration risk. Each of these risks are described separately below.

(i) Pricing risk:

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. The underwriting results of the mortgage insurance business can fluctuate significantly due to the cyclicality of the Canadian mortgage market. The mortgage market is affected primarily by housing supply and demand, interest rates, and general economic factors.

(ii) Underwriting risk:

Underwriting risk is the risk that the Company's underwriting function will underwrite mortgage insurance premiums under terms that do not comply with the Company's pre-established risk guidelines, resulting in inappropriate risk acceptance by the business.

(iii) Claims management risk:

The Company's agreement with lenders requires a claim to be filed when the lender has suffered a loss under an insured mortgage policy. Claims management risk is the risk that loss mitigation efforts will be unsuccessful, resulting in larger than anticipated losses to the Company.

(iv) Loss reserving risk:

Loss reserving risk is the risk that loss reserves differ significantly from the ultimate amount paid to settle claims, principally due to additional claim information received and external factors that influence claim frequency and claim severity (including housing market performance).

5. Insurance contracts (continued):

(v) Portfolio concentration risk:

A national or regional economic downturn may increase the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect home values, which increases the Company's losses. Portfolio concentration risk is the risk that losses increase disproportionately where portfolio diversification is inadequate.

There have been no significant changes in the risks to which the Company is exposed since issuance of the last audited financial statements for the year ended December 31, 2010.

(b) Insurance premiums and unearned premium reserves:

Changes in unearned premium reserves recorded in the condensed consolidated statement of financial position and their impact on net premiums earned are as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Unearned premium reserves, beginning of period	$ 1,902,164	$ 1,971,396	$ 1,971,396
Net premiums written during the period	100,555	94,211	551,602
Net premium earned during the period	(155,049)	(155,735)	(620,834)
Unearned premium reserves, end of period	$ 1,847,670	$ 1,909,872	$ 1,902,164

Gross premiums written of $103,482 for the interim period ended March 31, 2011 (interim period ended March 31, 2010 - $97,674) are recorded net of risk premiums related to the Government of Canada Agreement of $2,927 (March 31, 2010 - $3,463) in accordance with the requirement described in note 7.

The Company performs actuarial studies of its multi-year loss experience on a quarterly basis, which have indicated an acceleration of premium recognition. The impact of the experience update for the interim period ended March 31, 2011 was an increase of earned premiums of $12,275 (interim period ended March 31, 2010 - $12,819).

5. Insurance contracts (continued):

(c) Losses on claims and loss reserves:

The carrying value of loss reserves reflects the present value of expected claims costs and expenses and provisions for adverse deviation and is considered to be an indicator of fair value. There is no ready market for the trading of loss reserves and the value agreed between parties in an arm's length transaction may be materially different.

Changes in loss reserves recorded in the condensed consolidated interim statement of financial position and their impact on losses on claims are as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Loss reserves, beginning of period	$ 206,611	$ 236,181	$ 236,181
Net claims paid during the period	(65,337)	(62,233)	(233,210)
Net losses on claims incurred during the period, excluding discounting and change in PFAD	59,285	58,760	204,325
Discounting and change in PFAD during the period	(378)	(56)	(685)
Loss reserves, end of period	$ 200,181	$ 232,652	$ 206,611

Losses on claims incurred for the interim periods ended March 31, 2011 and 2010 are summarized as follows:

	March 31, 2011	March 31, 2010
Claims paid during the period	$ 65,337	$ 62,233
Change in case reserves and IBNR during the period	(6,143)	(2,880)
Discounting and change in PFAD during the period	(378)	(56)
Net losses on claims incurred during the period	$ 58,816	$ 59,297

5. Insurance contracts (continued):

(d) Deferred policy acquisition costs:

Changes in deferred policy acquisition costs recorded in the condensed consolidated statement of financial position for the interim periods ended March 31, 2011 and 2010 and their impact on gross expenses are as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Deferred policy acquisition costs, beginning of period	$ 152,618	$ 146,840	$ 146,840
Policy acquisition costs deferred during the period	12,067	10,746	51,303
Amortization recognized during the period	(12,785)	(11,821)	(45,525)
Deferred policy acquisition costs, end of period	$ 151,900	$ 145,765	$ 152,618

The Company's quarterly actuarial studies of multi-year loss experience have resulted in acceleration of premium recognition. Amortization of deferred policy acquisition costs is accelerated in proportion to the additional premiums recognized. The experience update for the interim period ended March 31, 2011 resulted in additional amortization of deferred policy acquisition costs of $900 (interim period ended March 31, 2010 - $891)

6. Investments:

The fair values of investments, excluding the government guarantee fund, are summarized as follows:

	March 31, 2011				December 31, 2010			
	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value
FVTPL investments:								
Cash and cash equivalents:								
Government treasury bills	$ 292,707	$ 292,707	$ –	6.5	$ 339,093	$ 339,093	$ –	7.6
Cash	17,786	17,786	–	0.4	12,043	12,043	–	0.2
	310,493	310,493	–	6.9	351,136	351,136	–	7.8
Corporate bonds and debentures:								
Financial	40,168	50,000	(9,832)	0.9	38,290	50,000	(11,710)	0.9
AFS investments:								
Government bonds and debentures and short-term investments:								
Canadian federal	876,163	862,782	13,381	19.6	950,846	931,875	18,971	21.2
Canadian provincial	669,710	651,195	18,515	15.0	606,978	581,687	25,291	13.5
	1,545,873	1,513,977	31,896	34.6	1,557,824	1,513,562	44,262	34.7
Corporate bonds and debentures and short-term investments:								
Financial	1,259,619	1,206,138	53,481	28.1	1,231,336	1,170,706	60,630	27.5
Energy	295,775	285,613	10,162	6.6	301,623	288,719	12,904	6.7
Infrastructure	242,426	233,191	9,235	5.4	252,292	239,966	12,326	5.6
All other sectors	354,332	347,829	6,503	7.9	309,415	299,527	9,888	6.9
	2,152,152	2,072,771	79,381	48.0	2,094,666	1,998,918	95,748	46.7
Asset backed bonds and debentures and short-term investments	218,333	211,556	6,777	4.9	252,434	245,187	7,247	5.6
	3,916,358	3,798,304	118,054	87.5	3,904,924	3,757,667	147,257	87.0

6. Investments (continued):

	March 31, 2011				December 31, 2010			
	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value
Preferred shares:								
Financial	68,846	68,604	242	1.5	67,009	66,717	292	1.5
Industrial	1,423	1,405	18	–	1,412	1,406	6	–
Energy	9,669	9,699	(30)	0.2	8,718	8,630	88	0.2
	79,938	79,708	230	1.7	77,139	76,753	386	1.7
Common shares:								
Energy	47,965	41,448	6,517	1.1	45,222	42,601	2,621	1.0
Financial	23,299	20,939	2,360	0.5	18,840	18,185	655	0.4
Communications	24,789	24,512	277	0.6	22,074	22,468	(394)	0.5
All other sectors	34,204	32,667	1,537	0.8	31,911	31,464	447	0.7
	130,257	119,566	10,691	3.0	118,047	114,718	3,329	2.6
Total investments	$ 4,477,214	$ 4,358,071	$ 119,143	100.0	$ 4,489,536	$ 4,350,274	$ 139,262	100.0

6. Investments (continued):

The fair value of investments, excluding the government guarantee fund, equity investments, and cash and cash equivalents are shown by contractual maturity of the investment. Yields are based upon fair value.

	March 31, 2011		December 31, 2010	
Terms to maturity	Fair value	Yield %	Fair value	Yield %
Bonds and debentures and short-term investments issued or guaranteed by the Canadian federal government:				
1 year or less	$ 138,537	5.4	$ 208,244	4.6
1 - 3 years	245,646	4.7	236,155	4.8
3 - 5 years	724,929	3.1	740,893	3.1
5 - 10 years	320,152	4.8	267,808	4.9
Over 10 years	116,609	4.6	104,724	4.6
	1,545,873	4.0	1,557,824	4.0
Corporate bonds and debentures and short-term investments:				
1 year or less	187,065	5.5	266,288	5.2
1 - 3 years	630,642	4.9	573,712	5.0
3 - 5 years	593,307	4.7	558,120	4.8
5 - 10 years	537,283	5.1	521,871	5.1
Over 10 years	462,356	5.5	465,399	5.5
	2,410,653	5.0	2,385,390	5.1
	$ 3,956,526	4.6	$ 3,943,214	4.6

Securities lending:

The Company participates in a securities lending program through an intermediary that is a financial institution for the purpose of generating fee income. Non-cash collateral, which exceeds the fair value of the loaned securities by at least 105%, is retained by the Company until the underlying securities have been returned to the Company.

The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties. The intermediary indemnifies the Company against any shortfalls in collateral.

6. Investments (continued):

These transactions are conducted under terms that are usual and customary to security lending activities as well as requirements determined by exchanges where a financial institution acts as an intermediary.

As at March 31, 2011, the Company had loaned AFS bonds and debentures with a fair value of approximately $285,871 (December 31, 2010 - $268,442; January 1, 2010 - $323,300) and has accepted eligible securities as collateral with a fair value of approximately $304,613 (December 31, 2010 - $283,424; January 1, 2010 - $341,756).

7. Government guarantee fund and Government of Canada Guarantee Agreement:

The government guarantee fund reflects the Company's proportionate interest in the assets held in the government guarantee fund established under the Government of Canada Guarantee Agreement ("the Agreement"), including accrued income and net of applicable exit fees. The fair value of the government guarantee fund as at March 31, 2011 is $ 651,564 (December 31, 2010 - $645,733; January 1, 2010 - $576,417).

The Company records the results of income from the fund of $6,488 (March 31, 2010 - $7,847) less exit fees of $5,192 (March 31, 2010 - $4,947) for a net amount of $1,296 (March 31, 2010 - $2,900) in equity in earnings of government guarantee fund.

The following table summarizes the components of the government guarantee fund:

	March 31, 2011	December 31, 2010
Invested assets at fair value (a)	$ 799,942	$ 789,869
Accrued contribution and accrued income (b)	17,772	18,201
Accrued exit fee and MICC liability (c)	(166,150)	(162,337)
	$ 651,564	$ 645,733

(a) Investments held under the Agreement including government bonds and bonds unconditionally guaranteed by the Government of Canada, short-term investments and cash; plus

(b) The Company's accrued contributions of 10.5% of premiums written on insured mortgages for the quarter ended March 31, 2011 and accrued interest on invested assets; less

7. Government guarantee fund and Government of Canada Guarantee Agreement (continued):

(c) The cumulative exit fee applicable to the fair value of the Company's proportionate interest in investments held under the Agreement and accrued contributions, and the Company's liability for the net proportionate interest in the government guarantee fund of its predecessor, the Mortgage Insurance Company of Canada ("MICC").

Risk premium:

The Agreement provides that the Company is obligated to pay a risk premium to the Government of Canada equal to a specified percentage of the estimated net exposure of the Canadian Government under the Guarantee. The Company calculates risk premium in accordance with the formula prescribed in the Agreement and accrues the balance in the condensed consolidated statement of financial position. The risk premium recorded in the consolidated interim income statement for the interim period ended March 31, 2011 is $2,927 (March 31, 2010 - $3,463). The risk premium payable recorded in the condensed consolidated statement of financial position at March 31, 2011 is $2,931 (December 31, 2010 - $3,192).

8. Income taxes:

The provision for income taxes is comprised of the following:

	Interim period ended March 31, 2011	2010
Current tax:		
Current income taxes	$ 27,917	$ 32,705
Deferred tax:		
Origination and reversal of temporary differences	3,136	2,650
Change in income tax rates	–	–
	3,136	2,650
Total income tax expense	$ 31,053	$ 35,355

8. Income taxes (continued):

Income taxes charged (credited) to OCI are comprised of the following:

	Interim period ended March 31, 2011	2010
Tax related to the general investment portfolio	$ (6,139)	$ 873
Tax related to the government guarantee fund	(1,593)	(961)
Total income taxes credited to OCI	$ (7,732)	$ (88)
The impact of tax on OCI is as follows:		
Other comprehensive loss for the period	$ (28,193)	$ (785)
Tax recovery	(7,732)	(88)
Net OCI	$ (20,461)	$ (697)

Income taxes reflect an effective tax rate that differs from the statutory tax rate for the following reasons:

	Interim period ended March 31, 2011	2010
Income before income taxes	$ 111,284	$ 119,675
Combined basic Canadian federal and provincial income tax rate	28%	30%
Income tax expense based on statutory tax rate	$ 31,160	$ 35,902
Increase (decrease) in income tax resulting from:		
Non-deductible expenses	63	623
Effect of decrease in tax rates on deferred income taxes	(170)	(1,170)
Income tax expense	$ 31,053	$ 35,355

The change in income tax rate from 30% in the interim period ended March 31 2010 to 28% in the interim period ended March 31, 2011 resulted from a legislated decrease in the Canadian federal income tax rate and legislated decreases in income tax rates of certain provinces.

8. Income taxes (continued):

Net deferred tax liabilities is comprised of the following:

	March 31, 2011	December 31, 2010
Deferred tax assets:		
Employee benefits	$ 3,570	$ 3,485
Loss reserves	2,577	2,671
Tax losses available for carryforward	2,095	2,336
Financing costs	919	893
	9,161	9,385
Deferred tax liabilities:		
Investments including unrealized gains on government guarantee fund AFS investments	(10,497)	(13,052)
Government guarantee fund reserve	(162,481)	(159,481)
Policy reserves	(49,680)	(49,547)
Property and equipment and intangible assets	(3,064)	(2,586)
	(225,722)	(224,666)
Net deferred tax liabilities	$ (216,561)	$ (215,281)

The net change in the composition of the net deferred tax liabilities is as follows:

	March 31, 2011	March 31, 2010	December 31, 2010
Balance, beginning of period	$ 215,281	$ 203,204	$ 203,204
Expense for the period	3,136	2,650	12,273
Other comprehensive income for the period	(1,856)	(961)	(196)
Balance, end of period	$ 216,561	$ 204,893	$ 215,281

8. Income taxes (continued):

The consolidated income statement expense (recovery) for each deferred tax component is as follows:

	Interim period ended March 31,	
	2011	2010
Employee benefits including post-employment benefits and share-based compensation	$ (139)	$ 247
Loss reserves	94	(161)
Tax losses available for carryforward	(1,952)	–
Tax losses used in the current year	2,200	
Financing costs	(26)	–
Investments including unrealized gains on government guarantee fund AFS investments	(652)	(534)
Government guarantee fund	3,000	3,394
Policy reserves	133	(237)
Property and equipment and intangible assets	478	(59)
Total deferred tax expense	$ 3,136	$ 2,650

Management reviews the valuation of deferred income tax assets on an ongoing basis to determine if a valuation allowance is necessary. The Company expects to fully utilize the benefits available from existing deferred income tax assets. No valuation allowance is required for the interim period ended March 31, 2011 (March 31, 2010 -nil; December 31, 2010 – nil).

9. Related party balances and transactions:

Following the closing of the Company's IPO on July 7, 2009, the Company and its Insurance Subsidiary entered into a Transition Services Agreement ("TSA") with Genworth Financial Inc., the Company's majority shareholder. The agreement prescribes that these companies will provide certain services to one another, with most services being terminated within twelve months if Genworth Financial Inc. ceases to beneficially own more than 50% of the common shares of the Company. The services rendered by Genworth Financial Inc. and affiliated companies consist of information technology, finance, human resources, legal and compliance and other specified services. The services rendered by the Company and the Insurance Subsidiary relate mainly to financial reporting and tax compliance support services. These transactions are in the normal course of business and are measured at the transaction value. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis. The Company incurred net related party charges of $1,516 for the interim period ended March 31, 2011 (March 31, 2010 - $1,564).

The balance owed for related party services at March 31, 2011 is $112 (December 31, 2010 - $260) and is reported in due to parent and companies under common control in the condensed consolidated statement of financial position.

10. Accrued net benefit liabilities under employee benefit plans:

(a) Defined contribution pension plan benefits:

The Company's eligible employees participate in a registered defined contribution pension plan. The plan provides pension benefits to employees of the Company with two years of service with the exception of Quebec employees, who are entitled to pension benefits after one year of service. The Company is responsible for contributing a predetermined amount to a participant's retirement savings, based on a percentage of that employee's salary.

The cost of the defined contribution pension plan is recognized as compensation expense as services are provided by employees.

(b) Defined benefit pension and other employee post employment benefit plans:

The Company maintains two types of defined benefit liabilities: defined benefit pension liabilities for a Supplemental Retirement Plan ("SERP") and other non-pension post-employment benefits.

10. Accrued net benefit liabilities under employee benefit plans (continued):

The SERP is a supplemental plan that provides pension benefits in excess of the amounts payable under the Company's registered defined contribution plan. The other non-pension post-employment benefits provide medical and life insurance coverage upon retirement.

The benefit liabilities represent the amount of pension and other employee post employment benefits that employees and retirees have earned as at period end. The Company's actuaries perform valuations of the benefit liabilities for pension and other employee post employment benefits as at December 31 of each year. The most recent actuarial valuation was performed as at December 31, 2010. This valuation was based on pension and other employee post employment benefit membership data updated to January 1, 2009. The next membership data update will occur as at January 1, 2012.

The SERP and other post-employment benefit plan are unfunded. Pension and benefit payments related to these plans are paid directly by the Company. The benefit liabilities in respect of the plans are recorded in the Company's condensed consolidated statements of financial position as follows:

	SERP		Other post-employment benefits	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Accrued benefit liability	$ 6,598	$ 6,422	$ 6,194	$ 5,946
Unfunded benefit liability	$ 6,598	$ 6,422	$ 6,194	$ 5,946

10. Accrued net benefit liabilities under employee benefit plans (continued):

Pension and other post-employment future benefits are recognized in the condensed consolidated interim income statement and are determined as follows:

	SERP		Other post-employment benefits	
	Interim period ended		Interim period ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Defined benefit expense:				
Benefits earned by employees	$ 98	$ 101	$ 154	$ 110
Interest cost on accrued benefit liability	98	103	94	77
Defined benefit expense for the period	$ 196	$ 204	$ 248	$ 187
Defined contribution expense for the period	$ 772	$ 601	$ –	$ –
Total pension and other employee future benefit expenses recognized in the consolidated interim income statement for the period	$ 968	$ 805	$ 248	$ 187

Actuarial valuations of post-employment benefit plans are performed on an annual basis. Therefore, actuarial gains or losses are not recognized during interim periods. At December 31, 2010, the actuarial loss recognized in OCI for the SERP was $390 and the actuarial loss recognized in OCI for other post-employment benefits was $1,220.

10. Accrued net benefit liabilities under employee benefit plans (continued):

Changes in the estimated financial positions of the pension benefit plans and other employee future benefit plans are as follows:

	SERP		Other post-employment benefits	
	Interim period ended March 31, 2011	Year ended December 31, 2010	Interim period ended March 31, 2011	Year ended December 31, 2010
Defined benefit liability, beginning of period	$ 6,422	$ 5,495	$ 5,946	$ 3,978
Benefits earned by employees during the period	98	402	154	440
Interest on accrued liability incurred during the period	98	412	94	308
Benefits paid to pensioners and employees during the period	(20)	(277)	–	–
Actuarial losses incurred	–	390	–	1,220
Defined benefit liability, end of period	$ 6,598	$ 6,422	$ 6,194	$ 5,946

11. Share-based compensation:

The Company provides long-term incentive plans for the granting of Options, RSUs, PSUs, and DSUs.

Options are granted to employees with an exercise price equal to the Company share price at the date of grant. The Options vest over a period of three years and expire ten years from the date of grant. The Options provide employees with the choice of settlement in either cash or shares of the Company. The range of exercise prices for the interim period ended March 31, 2011 is $19.00 to $27.12 (March 31, 2010 - $19.00 to $27.12).

RSUs entitle employees to receive an amount equal to the fair value of the Company's shares. The RSUs vest no later than December 1 in the third calendar year following the calendar year in respect of which the RSUs are granted and provide employees with the choice of settlement in either cash or shares of the Company. The RSUs may participate in dividend equivalents at the discretion of the Company's Board of Directors.

11. Share-based compensation (continued):

PSUs are RSUs with performance conditions attached. The performance conditions are based on the Company's earnings per share, net income, contribution margin, underwriting income and investment income. A multiplier of up to 150% may be applied to the number of shares awarded upon PSU vesting if performance conditions are exceeded by a specified amount.

DSUs entitle eligible members of the Company's Board of Directors to receive an amount equal to the fair value of the Company's shares as compensation for director services rendered for the period. The DSUs vest immediately on the date of grant and must be redeemed no later than December 15 of the calendar year commencing immediately after the Director's termination date. The DSUs provide directors with the choice of settlement in either cash or shares of the Company. The Board of Directors may elect to pay dividend equivalents on DSUs.

11. Share-based compensation (continued):

The Company has reserved 3,000,000 common shares of its issued and outstanding shares for issuance under these long-term incentive plans.

The following tables summarize information about these share-based compensation plans:

	Number of Options	Weighted average exercise price	Weighted average fair value at March 31, 2011	Number of RSUs	Weighted average fair value at March 31, 2011	Number of DSUs	Weighted average fair value at March 31, 2011	Number of PSUs	Weighted average fair value at March 31, 2011
Outstanding, January 1, 2011	984,200	$ 20.70	$ 3,977	123,780	$ 3,239	9,831	$ 257	18,496	$ 484
Granted	194,500	26.80	256	34,900	914	1,588	41	18,000	471
Dividends equivalents granted	–	–	–	1,209	32	96	3	181	5
Exercised	–	–	–	(14,218)[(1)]	(372)	–	–	–	–
Expired	–	–	–	–	–	–	–	–	–
Forfeited	–	–	–	(1,473)	(39)	–	–	–	–
Outstanding, March 31, 2011	1,178,700	$ 21.71	$ 4,233	144,198	$ 3,774	11,515	$ 301	36,677	$ 960
Exercisable, March 31, 2011	63,897	$ 26.97	$ 82	139	$ -	11,515	$ 301	–	$ –
Weighted average remaining contractual life (years)	8.6	–	–	1.8	–	–	–	2.4	–

[(1)] On February 18, 2011, a total of 14,218 RSUs were exercised, of which 7,931 were settled in cash and 6,287 were settled in shares of the Company.

11. Share-based compensation (continued):

	Number of Options	Weighted average exercise price	Weighted average fair value at March 31, 2010	Number of RSUs	Weighted average fair value at March 31, 2010	Number of DSUs	Weighted average fair value at March 31, 2010	Number of PSUs	Weighted average fair value at March 31, 2010
Outstanding, January 1, 2010	810,000	$ 19.16	$ 5,316	84,406	$ 2,317	3,257	$ 89	–	$ –
Granted	181,700	27.12	435	42,450	1,165	1,530	42	18,000	494
Dividends equivalents granted	–	–	–	679	19	27	1	–	–
Exercised	–	–	–	–	–	–	–	–	–
Expired	-	-	-	-	-	–	–	–	–
Forfeited	2,500	19.00	17	2,017	56	–	–	–	–
Outstanding, March 31, 2010	989,200	$ 20.62	$ 5,734	125,518	$ 3,445	4,814	$ 132	18,000	$ 494
Exercisable, end of period	–	$ –	$ –	–	$ –	4,814	$ 132	–	$ –
Weighted average remaining contractual life (years)	9.4	–	–	2.5	–	–	–	2.9	–

11. Share-based compensation (continued):

The fair value of Options is measured using the Black-Scholes valuation model as at the end of each reporting period. The fair value of the RSUs, PSUs and DSUs is measured at the quoted market price of the Company's shares at the end of each reporting period.

No Options have been exercised during the periods ended March 31, 2011 and March 31, 2010.

The inputs used in the measurement of the fair values of the Options are as follows:

	Interim period ended March 31,	
	2011	2010
Share price at reporting date	$ 26.17	$ 27.45
Exercise price	21.71	20.62
Expected volatility	11.01%	12.02%
Option life (years)	6.00	6.00
Expected dividend yield	3.99	3.50
Risk-free interest rate	2.52%	2.94%

The following table provides information about the expenses and liabilities arising from share-based compensation:

	Interim period ended March 31,	
	2011	2010
Expense arising from:		
Options	$ (359)	$ 461
RSUs	264	270
DSUs	30	44
PSUs	(10)	17
Total recognized as share-based compensation expense	$ (75)	$ 792

11. Share-based compensation (continued):

	March 31, 2011	December 31, 2010
Total carrying amount of liabilities for cash-settled arrangements	$ 4,958	$ 5,412
Total intrinsic value of liability for vested benefits	$ 305	$ 282

12. Earnings per share:

Basic and diluted earnings per share have been calculated using the weighted average and diluted weighted average number of shares outstanding during the three months ended March 31, 2011 of $104,792,328 (2010 - 117,100,000) and $105,157,657 (2010 - 118,096,422), respectively. The difference between basic and diluted earnings per share is caused by the grant of Options, RSUs and DSUs.

The effect is computed below:

	Interim periods ended March 31, 2011	2010
Basic earnings per share:		
Net income for the period	$ 80,231	$ 84,320
Weighted average common shares outstanding, beginning of period	104,789,394	117,100,000
Effect of share-based compensation exercised during the period	2,934	–
Weighted average common shares outstanding, end of period	$ 104,792,328	$ 117,100,000
Basic net earnings per common share for the period	$ 0.77	$ 0.72
Diluted earnings per share:		
Basic weighted average common shares outstanding during the period	104,792,328	117,100,000
Effect of share-based compensation	365,329	996,422
Diluted weighted average common shares outstanding, end of period	$ 105,157,657	$ 118,096,422
Diluted net earnings per common share for the period	$ 0.76	$ 0.71

13. Long term debt:

On June 29, 2010, the Company completed an offering of $275,000 principal amount of senior unsecured debentures ("Series 1"). The Series 1 debentures were issued for gross proceeds of $274,862 or a price of $99.95, before approximate issuance costs of $2,413. The issuance costs of $2,413 and the discount of $138 are amortized over the term of the debentures using the effective interest rate method.

On December 16, 2010, the Company completed an additional offering of $150,000 principal amount of senior unsecured debentures ("Series 2"). The Series 2 debentures were issued at par, before approximate issuance costs of $986. The issuance costs of $986 are amortized over the term of the debentures using the effective interest rate method.

The following table provides details of the Company's long-term debt:

	Series 1	Series 2
Date issued	June 29, 2010	December 16, 2010
Maturity date	June 15, 2020	December 15, 2015
Principal amount outstanding	$275,000	$150,000
Fixed annual rate	5.68%	4.59%
Semi-annual interest payment due each year on:	June 15 December 15	June 15 December 15

The Company's long-term debt balances are as follows:

	March 31, 2011		
	Series 1	Series 2	Total
Carrying value	$ 272,594	$ 149,065	$ 421,659
Fair value	$ 279,122	$ 151,835	$ 430,957

	December 31, 2010		
	Series 1	Series 2	Total
Carrying value	$ 272,545	$ 149,021	$ 421,566
Fair value	$ 278,451	$ 150,806	$ 429,257

13. Long term debt (continued):

The Company incurred interest expense of $5,642 for the interim period ended March 31, 2011 (March 31, 2010 - $nil), with accrued interest payable of $6,536 at March 31, 2011 (December 31, 2010 - $987)

14. Current assets and liabilities:

The following table presents assets and liabilities the Company expects to recover or settle in twelve months or less at March 31, 2011, December 31, 2010 and January 1, 2010:

	March 31, 2011	December 31, 2010	January 1, 2010
Assets:			
Cash and cash equivalents	$ 310,493	$ 351,136	$ 377,512
Short-term investments	27,072	6,988	253,527
Accrued investment income and other receivables	44,491	32,270	28,869
Bonds and debentures: AFS	298,530	467,544	291,569
Income taxes recoverable	17,631	7,505	–
Subrogation recoverable	38,644	40,393	13,646
Prepaid assets	1,594	2,019	3,017
Total assets	738,455	907,855	968,140
Liabilities:			
Accounts payable and accrued liabilities	84,643	45,872	27,811
Due to parent and companies under common control	112	260	775
Income taxes payable	–	–	116,230
Total liabilities	84,755	46,132	144,816
Net current assets	$ 653,700	$ 861,723	$ 823,324

15. Transition to IFRSs:

The Company has adopted IFRSs effective January 1, 2010 ("the transition date") and has prepared its opening IFRS condensed consolidated statement of financial position as at that date. Prior to the adoption of IFRSs the Company prepared its condensed consolidated interim financial statements in accordance with Canadian GAAP.

The Company's condensed consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRSs.

(a) Elected exemptions from full retrospective application:

In preparing these condensed consolidated interim financial statements in accordance with IFRS 1 - First-time adoption of International Financial Reporting Standards ("IFRS 1"), the Company has applied an optional exemption from full retrospective application of IFRSs. The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 - Business Combinations retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

(b) Mandatory exception to retrospective application:

In preparing these condensed consolidated interim financial statements in accordance with IFRS 1, the Company has applied a mandatory exception from full retrospective application of IFRSs. Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRSs.

(c) Recognition and measurement of insurance contracts:

The objective of IFRS 4 - Insurance Contracts ("IFRS 4") is to provide guidance for the measuring and recording of insurance contracts by an entity that issues such contracts until the IASB completes its continuing project for the implementation of a revised standard for insurance contracts. Except for limited requirements specified in this provisional standard, the standard prescribes that an insurer may change its accounting policies for insurance contracts if, and only if, the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs. Consequently, until the revised standard is issued, the Company will continue its current practice for measuring and recording insurance contracts.

15. Transition to IFRSs (continued):

(d) Reconciliation of consolidated shareholders' equity as reported under Canadian GAAP and IFRSs:

In preparing its first condensed consolidated financial statements in accordance with IFRSs, the Company has adjusted amounts reported previously in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

15. Transition to IFRSs (continued):

Reconciliation of consolidated statement of financial position:

		As at January 1, 2010			As at March 31, 2010			As at December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRSs	IFRSs	Canadian GAAP	Effect of transition to IFRSs	IFRSs	Canadian GAAP	Effect of transition to IFRSs	IFRSs
Assets:										
Cash and cash equivalents		$ 377,512	$ –	$ 377,512	$ 68,127	$ –	$ 68,127	$ 351,136	$ –	$ 351,136
Short-term investments		253,527	–	253,527	91,563	–	91,563	6,988	–	6,988
Accrued investment income and other receivables		28,869	–	28,869	72,775	–	72,775	32,270	–	32,270
Bonds and debentures: FVTPL		34,485	–	34,485	37,032	–	37,032	38,290	–	38,290
Bonds and debentures: AFS		3,420,567	–	3,420,567	3,772,872	–	3,772,872	3,629,494	–	3,629,494
Bonds and debentures under securities lending program: AFS		323,300	–	323,300	260,392	–	260,392	268,442	–	268,442
Equity investments		423	–	423	30,145	–	30,145	195,186	–	195,186
Income taxes recoverable		–	–	–	13,138	–	13,138	7,505	–	7,505
Subrogation recoverable		13,646	–	13,646	20,162	–	20,162	40,393	–	40,393
Government guarantee fund		576,417	–	576,417	587,306	–	587,306	645,733	–	645,733
Prepaid assets		3,017	–	3,017	3,197	–	3,197	2,019	–	2,019
Property and equipment		3,844	–	3,844	3,862	–	3,862	2,836	–	2,836
Intangible assets		16,307	–	16,307	16,017	–	16,017	14,119	–	14,119
Deferred policy acquisition costs		146,840	–	146,840	145,765	–	145,765	152,618	–	152,618
Goodwill		11,172	–	11,172	11,172	–	11,172	11,172	–	11,172
		$ 5,209,926	$ –	$ 5,209,926	$ 5,133,525	$ –	$ 5,133,525	$ 5,398,201	$ –	$ 5,398,201

15. Transition to IFRSs (continued):

		As at January 1, 2010			As at March 31, 2010			As at December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRSs	IFRSs	Canadian GAAP	Effect of transition to IFRSs	IFRSs	Canadian GAAP	Effect of transition to IFRSs	IFRSs
Liabilities:										
Accounts payable and accrued liabilities		$ 27,811	$ –	$ 27,811	$ 72,786	$ –	$ 72,786	$ 45,872	$ –	$ 45,872
Due to parent and companies under common control		775	–	775	24	–	24	260	–	260
Income taxes payable		116,230	–	116,230	–	–	–	–	–	–
Loss reserves		236,181	–	236,181	232,652	–	232,652	206,611	–	206,611
Share-based compensation liabilities		1,798	(130)	1,668	2,855	(395)	2,460	6,240	(828)	5,412
Long-term debt		–	–	–	–	–	–	421,566	–	421,566
Unearned premium reserves		1,971,396	–	1,971,396	1,909,872	–	1,909,872	1,902,164	–	1,902,164
Accrued net liabilities under employee benefit plans	a,b	9,290	183	9,473	9,671	118	9,789	10,835	1,533	12,368
Net deferred tax liabilities	e	203,218	(14)	203,204	204,805	88	204,893	215,428	(147)	215,281
		2,566,699	39	2,566,738	2,432,665	(189)	2,432,476	2,808,976	558	2,809,534
Shareholder's equity:										
Share capital	e	1,734,376	–	1,734,376	1,734,376	–	1,734,376	1,552,043	1,420	1,553,463
Retained earnings	f	811,927	(39)	811,888	870,257	189	870,446	912,813	(1,978)	910,835
Current period changes		–	–	–	–	228	–	–	(1,939)	–
Prior period restatements		–	(39)	–	–	(39)	–	–	(39)	–
Accumulated other comprehensive income		96,924	–	96,924	96,227	–	96,227	124,369	–	124,369
		2,643,227	(39)	2,643,188	2,700,860	189	2,701,049	2,589,225	(558)	2,588,667
		$ 5,209,926	$ –	$ 5,209,926	$ 5,133,525	$ –	$ 5,133,525	$ 5,398,201	$ –	$ 5,398,201

15. Transition to IFRSs (continued):

Reconciliation of consolidated net income and comprehensive income:

		Interim period ended March 31, 2010			Year ended December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRSs	IFRSs	Canadian GAAP	Effect of transition to IFRSs	IFRSs
Net premiums earned		$ 155,735	$ –	$ 155,735	$ 620,834	$ –	$ 620,834
Fees and other income		19	–	19	95	–	95
Underwriting revenue		155,754	–	155,754	620,929	–	620,929
Losses on claims		59,297	–	59,297	206,410	–	206,410
Expenses:							
Premium taxes and underwriting fees		7,198	–	7,198	37,149	–	37,149
Employee compensation	a,b,c	9,498	(330)	9,168	37,151	(958)	36,193
Office expenses		4,896	–	4,896	20,554	–	20,554
Professional fees		1,315	–	1,315	7,252	–	7,252
Promotional expenses and travel		1,218	–	1,218	5,428	–	5,428
Other		720	–	720	2,067	–	2,067
		24,845	(330)	24,515	109,601	(958)	108,643
Change in deferred policy acquisition costs		1,075	–	1,075	(5,778)	–	(5,778)
		25,920	(330)	25,590	103,823	(958)	102,865
Net underwriting income		70,537	330	70,867	310,696	958	311,654
Investment income		48,808	–	48,808	183,119	–	183,119
Interest expense		–	–	–	(8,322)	–	(8,322)
Income before income taxes		119,345	330	119,675	485,493	958	486,451
Income taxes	d,e	35,253	102	35,355	136,767	1,702	138,469
Net income for the period		$ 84,092	$ 228	$ 84,320	$ 348,726	$ (744)	$ 347,982

15. Transition to IFRSs (continued):

Reconciliation of consolidated net income and comprehensive income (continued):

		Interim period ended March 31, 2010			Year ended December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRSs	IFRSs	Canadian GAAP	Effect of transition to IFRSs	IFRSs
Other comprehensive income:							
Net change in fair value of AFS financial assets		$ 878	$ –	$ 878	$ 37,916	$ –	$ 37,916
Gains (losses) on AFS financial assets realized		(1,575)	–	(1,575)	(10,471)	–	(10,471)
Defined benefit plan actuarial losses			–		–	(1,195)	(1,195)
Total other comprehensive income for the period		(697)	–	(697)	27,445	(1,195)	26,250
Total comprehensive income for the period		$ 83,395	$ 228	$ 83,623	$ 376,171	$ (1,939)	$ 374,232
Earnings per share:							
Basic		$ 0.72	$ –	$ 0.72	$ 3.09	$ (0.01)	$ 3.08
Diluted		0.71	–	0.71	3.06	(0.01)	3.05

15. Transition to IFRSs (continued):

(e) Material adjustments to the consolidated statement of cash flows

There are no material differences between the consolidated statement of cash flows presented under IFRSs and the consolidated statement of cash flows presented under Canadian GAAP.

(f) Notes to the reconciliations:

(a) Prior service costs relating to pension benefits:

Under Canadian GAAP, prior service costs relating to plan amendments to a defined benefit plan are deferred and amortized over the average service lives of active employees. Under IFRSs, prior service costs are recognized as an expense on a straight-line basis until the benefits are vested. To the extent that the benefits are vested upon introduction of amendments to a defined benefit plan, the prior service costs are expensed immediately. Upon transition to IFRSs, previously deferred prior service costs relating to plan amendments are fully recognized as an adjustment to retained earnings.

The impact arising from the change is summarized as follows:

	As at January 1, 2010	Interim period ended March 31, 2010	Year ended December 31, 2010
Consolidated income statement:			
Employee compensation	$ –	$ 61	$ 245
Adjustment before income taxes	–	61	245
Consolidated statement of financial position:			
Accrued net benefit liabilities under employee benefit plans	(2,502)	(2,441)	(2,257)
Relaxed tax effect	651	635	588
Adjustment to retained earnings	$ (1,851)	$ (1,806)	$ (1,669)

15. Transition to IFRSs (continued):

(b) Actuarial gains (losses) relating to pension and other post-employment benefits:

Under Canadian GAAP, the Company deferred net actuarial gains or losses relating to its defined benefit plans within a 10% corridor of the defined benefit obligations. At the date of transition, all previously unrecognized cumulative actuarial gains or losses were recognized in retained earnings in accordance with the Company's new accounting policy under IFRSs to immediately recognize net actuarial gains or losses in OCI and report these gains or losses in retained earnings.

The impact arising from the change is summarized as follows:

	As at January 1, 2010	Interim period ended March 31, 2010	Year ended December 31, 2010
Consolidated income statement:			
Employee compensation	$ –	$ 4	$ 15
Adjustment before income taxes	–	4	15
Consolidated statement of financial position:			
Accrued net benefit liabilities under employee benefit plans	2,319	2,323	724
Relaxed tax effect	(603)	(604)	(192)[(1)]
Adjustment to retained earnings	$ 1,716	$ 1,719	$ 532

[(1)] Total impact to retained earnings reflects $2,319 opening adjustment to retained earnings at January 1, 2010 (net of tax of $603), $15 adjustment to income for the year ended December 31, 2010 (net of tax of $4) and ($1,610) adjustment to OCI at December 31, 2010 (net of tax of ($415)).

15. Transition to IFRSs (continued):

(c) Share-based compensation:

The Company granted payments to certain employees that provide the choice of settlement in cash or shares of the Company. The Company accounted for these share-based payment arrangements by reference to their intrinsic value under Canadian GAAP based on the assumption that these benefits will be settled in cash. Under IFRS, the related liability has been adjusted to reflect the fair value of the outstanding shared-based payments.

The impact arising from the change is summarized as follows:

	As at January 1, 2010	Interim period ended March 31, 2010	Year ended December 31, 2010
Consolidated income statement:			
Employee compensation	$ –	$ 265	$ 698
Adjustment before income taxes	–	265	698
Consolidated statement of financial position:			
Share-based compensation liabilities	130	395	828
Relaxed tax effect	(34)	(119)	(249)
Adjustment to retained earnings	$ 96	$ 276	$ 579

(d) Income taxes:

Under Canadian GAAP, previously unrecognized tax benefits for the year ended December 31, 2009 related to financing costs incurred in connection with the Company's IPO were recognized in consolidated net income when the benefits met recognition criteria in the year ended December 31, 2010. These tax benefits would have been recognized directly in share capital if they met the recognition criteria at the time of the IPO. IFRS require backward tracing of tax expenses or benefits. Accordingly, the Company reclassified the benefits from consolidated income to consolidated share capital in the period in which the benefits met recognition criteria.

15. Transition to IFRSs (continued):

The impact arising from the change is summarized as follows:

	As at January 1, 2010	Interim period ended March 31, 2010	Year ended December 31, 2010
Consolidated income statement:			
Deferred income tax expense	$ –	$ -	$ 1,420
Consolidated statement of financial position:			
Share capital	–	–	(1,420)
Adjustment to retained earnings	$ –	$ -	$ (1,420)

(e) The impact arising from changes in taxes is summarized as follows:

	Note	Interim period ended March 31, 2010	Year ended December 31, 2010
Consolidated income statement:			
Impact from pension and other post-employment benefits	a,b	$ (17)	$ (67)
Impact from share-based compensation	c	(85)	(215)
Impact from adjustments of prior period financing costs	d	–	(1,420)
Adjustment to taxes		$ (102)	$ (1,702)

15. Transition to IFRSs (continued):

(f) The impact arising from changes in retained earnings is summarized as follows:

	Note	As at January 1, 2010	Interim period ended March 31, 2010	Year ended December 31, 2010
Pension and other post-employment benefits	a,b	$ (183)	$ (118)	$ (1,533)
Share-based compensation	c	130	395	828
Taxes	a,b,c,d	14	(88)	(1,273)[(1)]
Adjustment to retained earnings		$ (39)	$ 189	$ (1,978)

[(1)] Total impact of taxes on retained earnings reflects $14 opening adjustment to retained earnings at January 1, 2010, ($1,702) adjustment to income for the year ended December 31, 2010 and $415 adjustment to OCI at December 31, 2010.

16. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.