

CONTENTS

Message from the management	1
Did you know?	2
The Financial Crisis: A Long-Term Challenge for the Travel Industry?	2
A short perspective on... Snowbirds!	3
Nurturing the financial security of our clients since 1969	4

Watch for the next issue of this Bulletin, featuring articles on the health care reform in the USA, the impact of the recession on claims, as well as a survey on travel insurance premiums!



Message from management

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Senior Vice President, Development

It is my pleasure to introduce our second online newsletter on the topic of travel insurance. We have put together a few pieces that, we believe, bring a new perspective to some of the matters pertaining to this particular sector.

As leaders in the field of Out of Canada health coverage, we, at Optimum Reassurance, consider it our priority to contribute regularly to this industry. This is why over the last year, we have participated with financial and actuarial resources into the study by Fraser Group on Large Medical Claims in group insurance. The results of the study were shared with the participants at the end of 2008, and we believe they will be of great use to everyone. Also, as you may know, our team has created a customized insurance solution for expatriates, Expat Plus, that is growing more popular, as an increasing number of insurers regularly benefit from its advantages. Our customers' needs are our priority and that's why we are continually exploring new paths in developing products and solutions that could be of interest to all our clients. In this respect, our May 14 Seminar on travel insurance in Toronto, will cover major subjects and will introduce new concepts and ideas in relation with the travel insurance and health insurance sectors.

Our team at Optimum Reassurance believes in leading the way by bringing innovative solutions to clients and transmitting helpful information by way of our seminars, our research and development services, and our publications.

Optimum Reassurance is a member of the Optimum Group, a private financial institution that celebrates its 40th anniversary in 2009. At Optimum, we differentiate ourselves by our expertise, our commitment, and the innovative approach of our team. Our dynamic presence in the industry shows our dedication to taking an active part in our clients' successes. I hope you will benefit from the information we have provided in this bulletin.

Did you know?

Canadians going out of the country get their travel health insurance from four (4) different sources. Do you know which sources are more commonly used?

- | | | |
|----|-------------------------------------------|-----|
| 1. | Covered through an employer / group plan: | 40% |
| 2. | Purchase of a single-trip insurance plan: | 33% |
| 3. | Purchase of a multi-year or annual plan: | 20% |
| 4. | Covered through a premium credit card: | 5% |
| 5. | Do not recall / don't know: | 2% |

Source: February 2008 survey by the Conference Board, of Canadians age 55 and over.

The Financial Crisis: A Long-Term Challenge for the Travel Industry?

Will the current financial turmoil jeopardize a lasting trend towards increasing leisure travel by the Baby Boom generation? The number of outbound travels by Canadians has increased by more than 10% in 2007 and again substantially in 2008. How will 2009 fare in comparison?

According to the Conference Board, and following numerous recent economic indicators, we are expecting the current winter travel season to be the weakest in years, going back to 2001 after the 9/11 terrorist attacks. Following steady and significant increases over the last 6 years, the 2009 winter vacation season may prove to be challenging for the travel industry and insurers. Many factors of diverse nature may have a combined deteriorating effect on travel activity.

A word on Canadian Currency

The 2007-08 travel season has been marked by currency parity, starting mid-November 2007 up until the end of the season, in May. Never had the Canadian currency been so high in more than 30 years and it is worth reminding ourselves how exceptional a situation it was.

Exactly one year later in November 2008, the Canadian dollar was worth 20% less than its American counterpart. And there are no signs of short term recovery, as the Canadian dollar is currently worth about \$0,80 USD,

a 25% decline from parity a year ago. Such a drastic decrease in value in a single year cannot be without repercussion and does spring to mind when individuals look to book their vacation.

As for travel insurers, potential losses from currency values may arise since their pricing was done in August-September of 2008 and just a few may have predicted the weaker Canadian currency prevailing today.

Stock Market Meltdown

The phenomenal decline in stock market value in the second half of 2008 is unprecedented. The Canadian S&P/TSX composite index has shed more than 40% of its value between its 2008 peak in June and the end of the year. All major stock indexes in North America and Europe sustained similar heavy losses.

With customers facing declining asset values and uncertainty about their retirement nest egg, travel spending

may be one of the first item on their budget to be cut, and thus reduce the demand for outbound travel.

The extent of the financial market decline will most likely have a significant impact for snowbirds, a population segment that has been historically more immune to swings in market values, as they return to the same destination year after year. The largest segment of the snowbird population is composed of “young” retirees, i.e. those who have retired less than 10 years ago. This segment needs retirement assets that will bring them financial security for a long period of time, providing for their retirement occupations and health services. A large decline in the portfolio value of these “young” retirees would cause tremendous financial stress and may force them to cut back on their more expensive leisure activities (e.g. travel).

Economic Woes...

As the financial markets sustain heavy losses and many financial institutions are being bailed out, a number of economic indicators in both the U.S. and in Canada are clearly pointing down:

- Job losses are accumulating at a faster rate than at any time in recent history, affecting mostly the manufacturing area with a trickle down effect on other sectors of the economy.

- Despite significant reduction in government key interest rates, banks are reluctant to lend money to corporations, thus reducing investments.
- The inflation has been dropping rapidly in Canada in recent months, increasing the potential for deflation, even though experts believe it is unlikely to happen.

We expect consumers to try to reign in their spending in reaction to current or anticipated tougher financial times. Such a climate would prove to be a strong argument for consumers to reduce their expenses dedicated to vacations and travel, to the benefit of more urgent sustenance needs.

... can have a silver lining!

During the last 8 months we have seen gas prices fall by 50%. Since 47% of all outbound trips made by Canadians are being done by car, lower gas prices should help increase the number and length of trips by land. Moreover, it should also influence airline companies to bring down fares.

We should expect significant discounts in travel packages as vacation distributors accumulate surplus in offerings, due to a sales plan that was made well before the significant economic difficulties listed above arose. For consumers looking for a great bargain, this may be the year to make it happen!

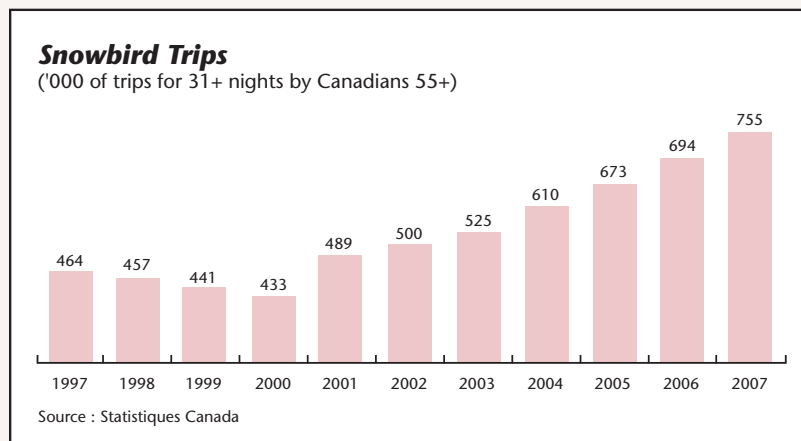
A short perspective on... Snowbirds!

(courtesy of the Conference Board of Canada)

The Canadian “snowbird” travel insurance market is one of the most important segments for Canada’s travel insurance industry. The Canadian snowbird insurance market is more resilient than the general outbound leisure travel market. The snowbird market grew during the tumultuous years of 2001 through 2003 when other leisure travel markets were in

retreat. The main reason for the resilience of the snowbird market is that many tend to return to the same place each winter – hence the term “snowbird”. They often own a property at the destination they return to each winter. The number of snowbird trips has grown by 74 per cent since 2000.

According to Statistics Canada, Canadian snowbirds made 755,100 trips of 31 nights or longer outside of Canada in 2007. Snowbirds between the ages of 55 and 64 contributed 43 per cent of Snowbird trips in 2007—down from 45 per cent in 2006.



Nurturing the financial security of our clients since 1969

Optimum has grown steadily over four decades because our vision has always been sound and consistent, and our Values an integral part of our business principles: In effect, rigorousness and risk management, two major of our core Values, have been a part of the Optimum way since the beginning.

And as we go forward preparing our next 40 years, all members of the Optimum Group continue to put financial security at the top of our priorities: first to assist our clients and partners in their professional dealings, second, to ensure the continuity and growth of our organization. Our 40 years of presence have proven us right: Solid foundations do pave the way to a prosperous future.



OPTIMUM®

*40
years*

Solid foundations, the promise of a prosperous future

Don't forget the...

Optimum Seminar on Travel Insurance

May 14, 2009

Hilton Hotel – Toronto Airport
5875, Airport Road
Mississauga (Ontario)



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Optimum Reassurance Inc.