

## THE WESTAIM CORPORATION

The Supplemental Financial Information below relates to The Westaim Corporation's ("Westaim") wholly-owned subsidiary, Jevco Insurance Company ("Jevco"), and was originally filed by Westaim on May 19, 2010.

On March 29, 2010, Westaim acquired 100% of the common shares of Jevco (the "Acquisition") for approximately \$261 million (subject to a purchase price adjustment), being 94.5% of Jevco's December 31, 2009 net book value from Kingsway Financial Services Inc. ("KFS"). Details regarding the Acquisition, including certain historical financial statements of Jevco, are contained in Westaim's management information circular dated February 26, 2010 (the "Circular") filed on SEDAR at [www.sedar.com](http://www.sedar.com).

In preparing the Supplemental Financial Information, management made certain assumptions and estimates regarding the allocation of costs among various segments (Personal Lines, Commercial Lines, Run-off Lines), and among Jevco and KFS. While these estimates were made using management's best judgment based on the information available at the time, in connection with the review required for the preparation and filing by Westaim on June 14, 2010 of a Business Acquisition Report in respect of the Acquisition, Westaim determined that certain of the estimates and assumptions used in the preparation of the Supplemental Financial Information could be improved upon. As a result, in Schedule A for the year ended December 31, 2009, Net Claims Incurred for Personal Lines was increased by \$3.1 million, resulting in a corresponding increase in the Adjusted Underwriting Loss from continuing operations of \$3.1 million. This was offset by a reduction in Run-off Lines Adjusted Underwriting Loss of \$3.1 million. The Adjusted Underwriting Loss with Run-off Lines remains unchanged. In addition, other minor conforming adjustments were made to reconciling items for the year ended December 31, 2009 in the reconciliation to the P&C-1 regulatory reporting filed with the Office of the Superintendent of Financial Institutions. **Accordingly, Westaim is restating and re-filing the Supplemental Financial information to give effect to the foregoing changes.**

### RESTATED SUPPLEMENTAL FINANCIAL INFORMATION OF JEVCO INSURANCE COMPANY

This Supplemental Financial Information regarding Jevco is being filed by Westaim with applicable Canadian securities regulators to provide investors with additional information regarding Jevco's historical financial results. Management of Westaim and Jevco believe that such information will better enable investors to understand Jevco's core business lines and will facilitate comparison of Westaim's future performance to Jevco's historical results. **Management cautions however that the financial performance and trends illustrated in the provided information may not be representative of actual future results.**

The Supplemental Financial Information regarding Jevco should be read in conjunction with Westaim's historical consolidated financial statements including the notes thereto and the related management's discussion and analysis ("MD&A") and the historical financial statements of Jevco including the notes thereto and the related MD&A contained in the Circular or incorporated by reference therein and previously filed with applicable Canadian securities regulators. Additional information relating to Westaim is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Jevco, a federal property and casualty insurance company, was incorporated under the Insurance Companies Act on April 10, 1980, and is licensed in all provinces and territories in Canada to write all

classes of insurance, other than life insurance. Jevco specializes in providing insurance products covering non-standard auto, recreational vehicles, commercial auto, surety, property and liability.

Effective October 1, 2009, Jevco acquired the insurance operations of Kingsway General Insurance Company ("KGIC") through a Business Transfer and Assumption Reinsurance Agreement and also commuted significant reinsurance treaties with a related offshore reinsurance company. As a result of this transaction Jevco assumed all of the policy liabilities and supporting assets of KGIC and purchased certain other KGIC assets.

During 2009, Jevco's management conducted a thorough review of the KGIC business and determined to place several lines of business into voluntary run-off. The lines placed into run-off were long-haul trucking insurance, KPLUS near-standard auto insurance, and KGIC motorcycle insurance, with home warranty insurance already in run-off (collectively, the "Run-off Lines"). While Jevco is no longer providing policies in respect of the Run-off Lines, it continues to have obligations regarding policies previously written in respect of these lines. This Supplemental Financial Information contains non-GAAP measures, including underwriting income (loss), and underwriting ratios such as combined, expense and loss ratios. The Canadian securities regulators require that companies caution readers about non-GAAP measures that do not have a standardized meaning under GAAP and are unlikely to be comparable to similar measures used by other companies.

Several adjustments have been made to Jevco's historical financial results in preparing this Supplemental Financial Information to exclude the Run-off Lines and to eliminate the impact of certain related party reinsurance transactions between Jevco and KFS. In addition, to prepare this Supplemental Financial Information, management made certain assumptions and estimates regarding the allocation of costs among various segments (Personal Lines, Commercial Lines, Run-off Lines), and among Jevco and KFS. These estimates have been made using management's best judgment based on the information available. **While these estimates and assumptions are believed by management to be the most reasonable estimates and assumptions available in the circumstances, no assurance can be given that the adjusted historical financial information contained in this Supplemental Financial Information provides an accurate reflection of the results that would have been achieved.** Certain totals, subtotals and percentages may not reconcile exactly due to rounding.

*Please see below for cautionary statements regarding forward-looking information that may be contained herein.*

#### **Schedule A**

Schedule A provides certain adjusted historical financial information for Jevco for the five years ended December 31, 2005 to 2009. This information assumes the combination of the Jevco and KGIC businesses but excludes the Run-off Lines and related party reinsurance. Schedule A also contains a reconciliation of this information to Jevco's GAAP financial results as presented in the P&C-1 regulatory reporting filed with the Office of the Superintendent of Financial Institutions.

#### **Schedule B**

Schedule B provides an ultimate loss triangle and historical underwriting ratios estimated for Jevco, excluding the KGIC business assumed on October 1, 2009.

## Schedule C

Schedule C provides a breakdown of the unpaid claims reserve on an undiscounted, net of reinsurance basis for each of the Run-off Lines.

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Certain portions of this Supplemental Financial Information may contain forward-looking statements. Such forward-looking statements include but are not limited to statements concerning Jevco's business and the industry in which it operates; investment strategies and expected rates of return; and strategic alternatives to maximize value for shareholders. These statements are based on current expectations that are subject to risks, uncertainties and assumptions and Westaim can give no assurance that these expectations are correct. Westaim's actual results could differ materially from those anticipated by forward-looking statements for various reasons generally beyond its control, including but not limited to: (i) changes in market conditions or deterioration in underlying investments; (ii) general economic, market, financing, regulatory and industry developments and conditions; (iii) the risks relating to Jevco's business; and (iv) other risk factors set forth in Westaim's Annual Report or Annual Information Form. Westaim disclaims any intention or obligation to revise forward-looking statements whether as a result of new information, future developments or otherwise except as required by law. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

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## **SCHEDULE A**

**Jevco Insurance Company**  
**Supplemental Financial Information**  
**Adjusted Underwriting Income (Loss) <sup>1</sup>**

	For the Year ended December 31,				
	2005	2006	2007	2008	2009
(Unaudited) (C\$000's)					
<b><i>Personal Lines</i></b>					
Total direct premiums written	231,543	193,057	204,710	215,553	213,190
<i>YoY Growth</i>	-9.1%	-16.6%	6.0%	5.3%	-1.1%
Net premiums written	228,144	190,866	202,441	213,404	207,532
Net premiums earned	237,489	198,706	181,210	198,526	199,745
Net claims incurred	172,187	133,467	113,394	147,615	151,882
Acquisition Costs	25,245	22,476	23,757	29,148	31,010
General Expenses <sup>2</sup>	11,932	14,583	15,897	18,716	19,108
<b>Total underwriting expenses</b>	<b>209,364</b>	<b>170,526</b>	<b>153,048</b>	<b>195,480</b>	<b>202,000</b>
<b>Adjusted Underwriting Income (Loss)</b>	<b>28,125</b>	<b>28,179</b>	<b>28,163</b>	<b>3,046</b>	<b>(2,255)</b>
Adjusted Loss ratio	72.5%	67.2%	62.6%	74.4%	76.0%
Adjusted Expense ratio	15.7%	18.7%	21.9%	24.1%	25.1%
<b>Adjusted Combined ratio</b>	<b>88.2%</b>	<b>85.8%</b>	<b>84.5%</b>	<b>98.5%</b>	<b>101.1%</b>

**Notes**

<sup>(1)</sup> Assumes combined Jevco and KGIC businesses. Excludes the Run-off Lines. Excludes related company reinsurance.

<sup>(2)</sup> General Expenses are allocations estimated by management for all periods.

**Jevco Insurance Company**  
**Supplemental Financial Information**  
**Adjusted Underwriting Income (Loss) <sup>1</sup>**

(Unaudited)  
(C\$000's)

	For the year ended December 31,				
	2005	2006	2007	2008	2009
<b>Commercial Lines</b>					
Total direct premiums written	123,137	111,236	123,712	118,471	84,766
<i>YoY Growth</i>	-5.6%	-9.7%	11.2%	-4.2%	-28.5%
Net premiums written	106,813	98,554	114,654	108,347	76,087
Net premiums earned	105,178	96,572	108,158	110,910	90,941
Net claims incurred	68,001	53,071	60,262	71,110	63,921
Acquisition Costs	28,090	26,306	28,505	29,360	24,539
General Expenses <sup>2</sup>	3,004	4,595	6,556	7,345	5,783
<b>Total underwriting expenses</b>	<b>99,095</b>	<b>83,971</b>	<b>95,323</b>	<b>107,816</b>	<b>94,244</b>
<b>Adjusted Underwriting Income (Loss)</b>	<b>6,083</b>	<b>12,600</b>	<b>12,835</b>	<b>3,095</b>	<b>(3,303)</b>
Adjusted Loss ratio	64.7%	55.0%	55.7%	64.1%	70.3%
Adjusted Expense ratio	29.6%	32.0%	32.4%	33.1%	33.3%
<b>Adjusted Combined ratio</b>	<b>94.2%</b>	<b>87.0%</b>	<b>88.1%</b>	<b>97.2%</b>	<b>103.6%</b>

**Notes**

<sup>(1)</sup> Assumes combined Jevco and KGIC businesses. Excludes the Run-off Lines. Excludes related company reinsurance.

<sup>(2)</sup> General Expenses are allocations estimated by management for all periods.

**Jevco Insurance Company  
Supplemental Financial Information  
Adjusted Underwriting Income (Loss) <sup>1</sup>**

	For the year ended December 31,				
	2005	2006	2007	2008	2009
<b>(Unaudited)</b> <b>(C\$000's)</b>					
<b>Total</b>					
Total direct premiums written	354,680	304,293	328,422	334,024	297,956
<i>YoY Growth</i>	-7.9%	-14.2%	7.9%	1.7%	-10.8%
Net premiums written	334,957	289,420	317,095	321,751	283,620
Net premiums earned	342,667	295,277	289,368	309,436	290,686
Net claims incurred	240,188	186,538	173,656	218,725	215,803
Acquisition Costs	53,335	48,782	52,262	58,509	55,549
General Expenses <sup>2</sup>	14,936	19,178	22,453	26,061	24,891
<b>Total underwriting expenses</b>	<b>308,460</b>	<b>254,498</b>	<b>248,371</b>	<b>303,295</b>	<b>296,243</b>
<b>Adjusted Underwriting Income (Loss)</b>	<b>34,208</b>	<b>40,780</b>	<b>40,998</b>	<b>6,141</b>	<b>(5,557)</b>
Adjusted Loss ratio	70.1%	63.2%	60.0%	70.7%	74.2%
Adjusted Expense ratio	19.9%	23.0%	25.8%	27.3%	27.7%
<b>Adjusted Combined ratio</b>	<b>90.0%</b>	<b>86.2%</b>	<b>85.8%</b>	<b>98.0%</b>	<b>101.9%</b>

**Notes**

<sup>(1)</sup> Assumes combined Jevco and KGIC businesses. Excludes the Run-off Lines. Excludes related company reinsurance.

<sup>(2)</sup> General Expenses are allocations estimated by management for all periods.

**Jevco Insurance Company  
Supplemental Financial Information  
Adjusted Underwriting Income (Loss)**

**Reconciliation to Form P&C-1**

(Unaudited)  
(C\$000's)

	For the year ended December 31,				
	2005	2006	2007	2008	2009
<b>Adjusted Underwriting Income (Loss)</b>	34,208	40,780	40,998	6,141	(5,557)
<b>Run-off Lines <sup>1</sup> Adjusted Underwriting Income (Loss)</b>	(7,382)	10,205	6,487	(19,485)	(23,349)
<b>Adjusted Underwriting Income (Loss) with Run-off Lines</b>	26,826	50,984	47,485	(13,345)	(28,907)
<b>Adjustments:</b>					
Risk Premiums <sup>2</sup>	0	0	0	0	6,950
General Expense Adjustments <sup>3</sup>	(17,963)	(22,814)	(20,860)	(29,167)	(21,200)
Investment Income <sup>4</sup>	6,364	4,705	4,152	4,714	4,199
Discount Rate Changes <sup>5</sup>	15,000	(2,000)	(4,000)	(4,000)	(11,174)
Intercompany Reinsurance	(14,000)	(13,000)	(14,000)	(5,000)	(4,845)
Other	(704)	(171)	920	(237)	1,895
<b>Underwriting Income (Loss)</b>	<b>15,523</b>	<b>17,704</b>	<b>13,696</b>	<b>(47,035)</b>	<b>(53,082)</b>
<b>Underwriting Income (Loss) per P&amp;C-1:</b>					
Jevco Insurance Company	(6,890)	13,309	15,789	(5,161)	(37,865)
Kingsway General Insurance Company	22,413	4,395	(2,093)	(41,874)	(15,217)
	15,523	17,704	13,696	(47,035)	(53,082)

**Notes**

- (1) Includes the Run-off Lines.
- (2) Jevco received C\$7.0 million as part of the Business Transfer & Assumption Reinsurance Agreement with KGIC that is non-recurring.
- (3) Adjustment made to general expenses as estimated by management. No assurance is given that estimated adjustments are an accurate reflection of the results that would have been achieved.
- (4) Portion of investment income per financial statements that is included in Underwriting Income (Loss) per the P&C-1.
- (5) Changes related to the discounting of reserves as reflected in the P&C-1.



## **SCHEDULE B**

**Jevco Insurance Company**  
**Supplemental Financial Information**  
**Ultimate Loss Triangle - Net of Reinsurance**  
**Excluding KGIC Business Assumed on October 31, 2009 and KPLUS Program**  
**(Unaudited)**  
*(C\$000's)*

Calendar Accident Year	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Reserve Originally Estimated	87,214	70,758	47,576	34,225	31,615	28,064	28,799	30,038	26,331	20,956
Reserve re-estimate as of:										
One year later		69,679	47,119	31,070	29,357	25,860	26,711	27,591	24,759	20,507
Two years later			47,819	28,827	27,715	24,554	25,175	27,895	24,349	20,789
Three years later				28,445	25,919	24,165	24,945	27,955	24,426	21,107
Four years later					24,792	23,700	24,075	27,572	24,119	21,250
Five years later						23,893	23,716	27,257	24,342	21,263
Six years later							23,408	26,840	23,938	21,224
Seven years later								26,998	23,544	21,044
Eight years later									23,127	20,797
Nine years later										20,814
<b>Cumulative deficiency (redundancy)</b>	<b>n.a.</b>	<b>(1,079)</b>	<b>243</b>	<b>(5,780)</b>	<b>(6,823)</b>	<b>(4,171)</b>	<b>(5,391)</b>	<b>(3,040)</b>	<b>(3,204)</b>	<b>(142)</b>

**Jevco Insurance Company**  
**Supplemental Financial Information**  
**Historical Underwriting Performance \***  
**(Unaudited)**

	Year Ending December 31,			
	2005	2006	2007	2008
Adjusted Loss ratio	52.3%	51.3%	52.8%	55.7%
Adjusted Expense ratio	31.5%	33.6%	31.5%	33.5%
<b>Adjusted Combined ratio</b>	<b>83.8%</b>	<b>84.9%</b>	<b>84.3%</b>	<b>89.2%</b>

\* Excludes KGIC business assumed on October 1, 2009 and the Run-off Lines.

## **SCHEDULE C**

**Jevco Insurance Company**  
**Supplemental Financial Information**  
**Run-off Lines Segmentation - Unpaid Claims Reserve**  
(undiscounted basis, net of reinsurance)  
As at December 31, 2009  
(Unaudited)  
(C\$ millions)

	<u>Amount</u>
Kingsway General Motorcycle	72
Long-Haul Trucking	121
Home Warranty	8
KPLUS Program	<u>19</u>
<b>Total Run-Off Lines</b>	<b><u><u>220</u></u></b>