

Financial Statements of

**HEALTHCARE EMPLOYEES
BENEFITS PLAN - MANITOBA -
THE GROUP LIFE INSURANCE PLAN**

Year ended December 31, 2002



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AUDITORS' REPORT

To the Board of Trustees of Healthcare Employees Benefits Plan – Manitoba – The Group Life Insurance Plan

We have audited the statement of net assets of Healthcare Employees Benefits Plan - Manitoba - The Group Life Insurance Plan as at December 31, 2002 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Plan as at December 31, 2002 and the changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed "KPMG LLP"

Chartered Accountants

Winnipeg, Canada

May 16, 2003



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HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - THE GROUP LIFE INSURANCE PLAN

Statement of Net Assets

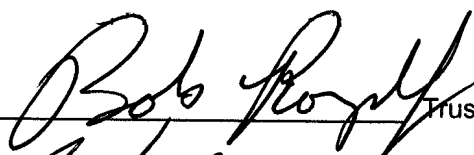
December 31, 2002, with comparative figures for 2001

	Active	Paid-up	2002 Total	2001 Total
Assets				
Cash and short-term deposits	\$ 579,293	\$ 184,878	\$ 764,171	\$ 782,340
Premiums receivable	549,564	–	549,564	599,330
Investments, at market value:				
Stocks	7,765,009	3,774,567	11,539,576	13,500,161
Bonds	7,236,237	3,558,120	10,794,357	10,449,095
Prepaid expenses	9,017	–	9,017	4,432
Due to/from plans	115,398	(115,398)	–	–
Due from The Great-West Life Assurance Company	1,102,722	–	1,102,722	395,212
	<u>\$ 17,357,240</u>	<u>\$ 7,402,167</u>	<u>\$ 24,759,407</u>	<u>\$ 25,730,570</u>

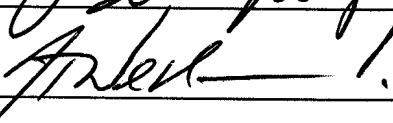
Liabilities and Net Assets

Premiums payable and accrued liabilities	\$ 1,164,053	\$ 22,168	\$ 1,186,221	\$ 1,053,977
Due to Healthcare Employees Pension Plan - Manitoba (note 7)	37,882	–	37,882	167,604
Reserves for:				
Future paid-up insurance (note 4)	–	5,338,229	5,338,229	5,338,229
Disability life waiver (note 4)	3,400,000	–	3,400,000	3,000,000
	<u>4,601,935</u>	<u>5,360,397</u>	<u>9,962,332</u>	<u>9,559,810</u>
Net assets (note 3):				
Internally restricted	4,800,000	800,000	5,600,000	5,400,000
Unrestricted	7,955,305	1,241,770	9,197,075	10,770,760
	<u>12,755,305</u>	<u>2,041,770</u>	<u>14,797,075</u>	<u>16,170,760</u>
	<u>\$ 17,357,240</u>	<u>\$ 7,402,167</u>	<u>\$ 24,759,407</u>	<u>\$ 25,730,570</u>

See accompanying notes to financial statements.



Trustee



Trustee

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - THE GROUP LIFE INSURANCE PLAN

Statement of Changes in Net Assets

Year ended December 31, 2002, with comparative figures for 2001

	Active	Paid-up	2002 Total	2001 Total
Increase in net assets:				
Premiums	\$ 6,133,220	\$ -	\$ 6,133,220	\$ 5,730,095
Investment income	-	-	-	1,539,150
	6,133,220	-	6,133,220	7,269,245
Decrease in net assets:				
Claims incurred	5,090,166	111,103	5,201,269	5,913,803
Administrative – HEBP (note 7)	262,023	13,795	275,818	252,387
Administrative and interest - Great-West Life	264,667	2,819	267,486	358,790
Stop loss premiums	146,645	-	146,645	137,129
Investment loss	763,186	395,891	1,159,077	-
Investment manager fees	37,928	18,681	56,609	57,273
	6,564,615	542,289	7,106,904	6,719,382
Net increase (decrease) in assets prior to appropriations to (from) reserves	(431,395)	(542,289)	(973,684)	549,863
Appropriations from (to) reserves for:				
Future paid-up insurance	-	-	-	(723,199)
Disability life waiver	(400,000)	-	(400,000)	7,200,000
	(400,000)	-	(400,000)	6,476,801
Net increase (decrease) in assets after appropriations to (from) reserves	(831,395)	(542,289)	(1,373,684)	7,026,664
Net assets - unrestricted, beginning of year	8,986,700	1,784,059	10,770,759	6,444,095
Transfer to internally restricted (note 3)	(200,000)	-	(200,000)	(2,700,000)
Net assets - unrestricted, end of year	\$ 7,955,305	\$ 1,241,770	\$ 9,197,075	\$ 10,770,759

See accompanying notes to financial statements.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - THE GROUP LIFE INSURANCE PLAN

Notes to Financial Statements

Year ended December 31, 2002

1. General:

The Healthcare Employees Benefits Plan - Manitoba ("HEBP") is a jointly trustee, not-for-profit organization which includes the group life insurance plan (the "Plan").

The group life insurance plan for healthcare employees in Manitoba is registered as a health and welfare trust under the *Income Tax Act*.

The group life insurance plan is a not-for-profit plan which provides basic, dependent and family life insurance and accidental death and dismemberment benefits to participating employees. The group life insurance plan is comprised of two plans: the Active Plan and the Paid-up Plan (the "Plans"). The Active Plan began January 1, 1983 and serves those employees who joined subsequent to that date. The Paid-up Plan is for a closed group of employees who were part of the plan prior to January 1, 1983. Claims administration for these plans is provided by Great-West Life Assurance Company.

2. Significant accounting policies:

(a) Basis of preparation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Investments:

Investments are recorded at market value.

(c) Investment income:

Investment income includes interest and dividend income as well as realized and unrealized gains and losses on investments during the year.

(d) Measurement uncertainty:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities and reserves at the date of the financial statements and the reported amounts of certain increases and decreases in net assets, and appropriations from (to) reserves during the year. Actual results could differ from those estimates.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - THE GROUP LIFE INSURANCE PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2002

3. Net assets:

The unrestricted net assets represents the excess of premiums over claims and expenses since the inception of the Plan. All of the employee benefits provided by the insurance underwriter under this policy are full experience rated. Full experience rating means that the insurance underwriter returns to the Plan any excess premiums over incurred claims plus expenses. Any deficiency which may occur would be offset against existing or future surplus.

Net assets - internally restricted represents amounts restricted by the Board of Trustees for contribution stabilization and investment fluctuations.

4. Reserves:

(a) Future paid-up insurance:

The computation of the reserve for future paid-up insurance obligations is performed at least every three years by an independent actuary. The most recent actuarial valuation indicated that at December 31, 2001 the assets of the Paid-up Plan exceeded the actuarially computed liability for future obligations by \$2,588,236.

(b) Disability life waiver:

The Board of Trustees has approved a reserve for disability life waiver of \$3,400,000 based on the value of the waived premiums at December 31, 2002, discounted at 6.5%, a 10% allowance for fluctuations in waived premiums and an allowance for investment return fluctuations.

5. Assets earning investment income:

	Active Plan	Paid-up Plan	Total
Cash and short-term deposits	\$ 579,293	\$ 184,878	\$ 764,171
Stocks (market value)	7,765,009	3,774,567	11,539,576
Bonds (market value)	7,236,237	3,558,120	10,794,357
	<u>\$ 15,580,539</u>	<u>\$ 7,517,565</u>	<u>\$ 23,098,104</u>

The investments of the Plan are in Pooled Funds which yielded rates of return as follows: Active Plan - 5.2%, Paid-up Plan - 5.1%.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - THE GROUP LIFE INSURANCE PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2002

6. Underlying risks:

(a) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. The risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. The Group Life Plan's investment in bonds is through a Pooled Bond Investment Fund.

(b) Credit risk:

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. The Group Life Plan manages credit risk by a diversified credit policy of investing in bonds through a Pooled Bond Investment Fund.

(c) Foreign currency risk:

Foreign currency exposure arises from the Group Life Plan's holding of foreign equities. The Plan's net foreign currency exposure was as follows:

Country	2002		2001	
	Active plan market value	Paid-up plan market value	Active plan market value	Paid-up plan market value
United States	\$ 3,058,912	\$ 1,459,641	\$ 3,783,235	\$ 1,857,022

(d) Claims and premiums risk:

The nature of the unpaid claims is such that the establishment of reserves is based on known facts and interpretation of circumstances, on a case by case basis, and is therefore a complex and dynamic process influenced by a variety of factors.

Consequently, the establishment of reserves and premium rates relies on the judgment and opinions of a number of professionals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining premium rates and reserves necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

HEALTHCARE EMPLOYEES BENEFITS PLAN - MANITOBA - THE GROUP LIFE INSURANCE PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2002

7. Related party transactions:

HEBP and the Healthcare Employee's Pension Plan - Manitoba ("HEPP") have some common trustees and a cost sharing agreement to allocate certain costs based on factors such as square footage, number of employees and time usage.

8. Fair value:

The carrying amount of certain financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Those short-term financial assets are comprised of cash and short-term deposits and premiums receivable. Short-term financial liabilities are comprised of premiums payable, accrued liabilities and due to Healthcare Employees Pension Plan - Manitoba.

Other financial assets and liabilities are comprised of investments due from Great-West Life Assurance Company and the reserves. Since there is no intention of extinguishing the obligations for benefit payments in the near term, the fair value is best approximated by using the same actuarial assumptions as for the establishment of these assets and reserves. As underlying conditions change over time, management's best estimate assumptions may also change, which could cause a material change in the actuarial present values of these accrued benefits and related funding receivables.

9. Statement of cash flows:

A separate statement of cash flows is not presented since the cash flows are readily apparent from the statement of net assets and statement of changes in net assets.