Here's Your 2010 Annual Report

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We're asking for your consent to send future Annual Reports in electronic form. Discover the reasons why – the benefits to you – in the first few pages of this year's Report.

-Actra Fraternal Benefit Society

The economic and environmental costs to you of printed versus electronic communication are enormous. Each year, AFBS prints materials, including this Annual Report, that would create a pile of paper **1,450 feet high.** If laid end to end, the sheets of paper would be **5,250 miles long.** That amount of paper weighs **12 tons.** We send out **200,000 envelopes** annually.

But here's the most eye-popping number of all: Every year, on printing and postage charges alone, we spend **more than $525,000,** - more than half a million dollars - that could be distributed to you and your fellow Members in the form of premium subsidies. On the next page, you'll discover **3 different ways** to Get Connected and agree to receive your **2011 Annual Report** electronically.

how to get connected

There are three different ways to Get Connected and receive future Annual Reports electronically. **ONE:** Go to afbsgetconnected.com and sign up. **TWO:** Tick the Get Connected box on your proxy card that has been mailed with this year's Annual Report and return the card in the postage-paid proxy envelope that has been provided. **THREE:** Call us toll-free at AFBS 1 800-387-8897 and tell us you want to communicate electronically. **See the next page to learn all the benefits of being connected.**

ROBERT M. UNDERWOOD
Member Since 1997

To read Bob's full story
click here

To view Bob's video
click here

THOR BISHOPRIC
Member Since 1973

To read Thor's full story
click here

To view Thor's video
click here

RON ZAMMIT
Member Since 2010

To read Ron's full story
click here

To view Ron's video
click here

The Benefits of Getting Connected

When AFBS first formed as a not-for-profit, Member-owned insurance company back in 1975, the one and only official means of communicating financial information to our Members was through the pages of a printed Annual Report. Back then, computer operators wore white coats and the Internet was a kind of science fiction. Beginning with our 2011 Annual Report, thanks to changes in government regulations, we will finally be able to distribute this package of financial information electronically, on-line, via e-mail. By changing to digital communication, we will not only save the environment tons of trees, metres of landfill and significant greenhouse gas, we will also save our membership considerable money that is spent each year on printing, distributing and mailing the AFBS Annual Report. Because we are Member-owned and governed, those savings are returned directly to you in the form of premium subsidies and/or increased benefits.

Getting connected will not only allow us to get your Annual Report to you more quickly and economically, it will also provide other benefits to our Members. ONE, using multimedia technology, we will begin sharing amazing stories of Fraternal Members, from child actors to retired stars, from screenwriters to stunt coordinators. We will do so in the media they know best - sound and moving pictures. TWO, we will establish our own highly creative interpretation of Facebook, an electronic "Celebrity Club" where our 17,000 Members can stay in touch and celebrate their achievements with one another. And, THREE, in the coming year, we will also launch an on-line Financial Literacy Program specifically for AFBS Members. This entertaining but informative Literacy Program will help everyone, even if they don't feel they have a head for figures, to become wiser about their financial affairs.

As performers and writers, we all live and work in the digital domain; we e-mail, we Google, we tweet, we blog, we promote our work in social media, and the work many of us do is either controlled by or produced in digital technologies. Second only to computer professionals, we Members of the working arts are wired. Now, we need your consent for you to begin receiving the AFBS Annual Report in electronic form.

"To see a sample of how an e-report works, go to afbsannualreport.com."
- Thor Bishopric, Bob Underwood and Ron Zammit

This Year's Feature Member, Tassie Cameron

TASSIE CAMERON
Member Since 2001

A Member of the Writers Guild of Canada, which along with ACTRA is a founding organization of AFBS, Tassie is the Lead Writer and Executive Producer of Rookie Blue. Produced by E1 Entertainment, Canwest and Thump Inc., and showcased on both Global and ABC, Rookie Blue is about to graduate to its all-important sophomore season, proof that this filmed in Toronto Canadian series has found an audience across North America. As ABC describes this hour-long drama, "Rookie Blue takes a candid look inside the professional and personal lives of five rookie cops as they hit the streets for the first time with their training officers and learn how to walk the thin blue line." In this, the series' second season, the training wheels are off and the now more experienced fivesome "…is ready to kick some serious butt." Tassie shares responsibility for Executive Production with Llana Frank, David Wellington (also the Director of the series), Noreen Halpern and John Morayniss.

Although relatively new to the world of writing, this is not Tassie's first major television success. To learn more about AFBS Member Tassie Cameron and to discover what she was thinking as she anxiously waited to hear whether or not Rookie Blue would be renewed for a second season, go to the e-version of this Annual Report at afbsannualreport.com

To read
Tassie's full story
click here

To view
Tassie's video
click here

In memory of Leslie Yeo and his exceptional contribution to AFBS and to Canadian theatre, film and television, the Board of Governors established The Leslie Yeo Award for Volunteerism. In addition to the recognition of AFBS 17Tgs qodtabliss-the

Contents

Report From The Chair

Thor Bishopric
Chair,
AFBS
Board Of
Governors

Actra Fraternal Benefit Society (AFBS) celebrated its 35th anniversary in 2010 delivering exceptional support and services to our Members. Since our creation in 1975, AFBS has steadfastly focused on one primary objective: serving the Canadian performers and screenwriters who are our founders, our owners and our raison d'être.

Society Operations

The Society's investment returns for our bond and equity portfolios demonstrated continued resilience in 2010 completing a full recovery from the economic uncertainty and turbulence of world financial markets in 2008. These returns contributed to a substantial overall surplus and following past practise, this surplus has been expensed as a Fraternal Premium Subsidy in the amount of $3.5 million for our Members.

Since 2007, AFBS has given Members more than $10.9 million in the form of Fraternal Premium Subsidies.

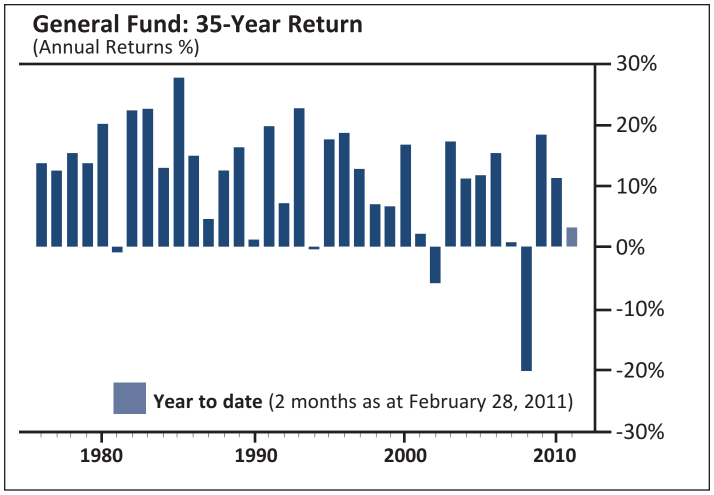
This practise of returning the Society's operating surplus to Members in the form of a Fraternal Premium Subsidy (to reduce Members' insurance costs) is a solid testimony to our 'Member-owned' not-for-profit financial model. We are pleased to be in a position to continue to subsidize insurance costs for Members based on our strong financial performance in 2010.

Members' Retirement Program

In 2010, the AFBS General Fund achieved positive returns of 10.6%, contributing to our stellar 35-year history as one of the top performing funds in the Canadian Balanced Fund category.

General Fund return -2010 year	10.6%
Compounded return - 35 year history	10.7%
Number of years with negative returns	4
Number of years with double digit returns	24

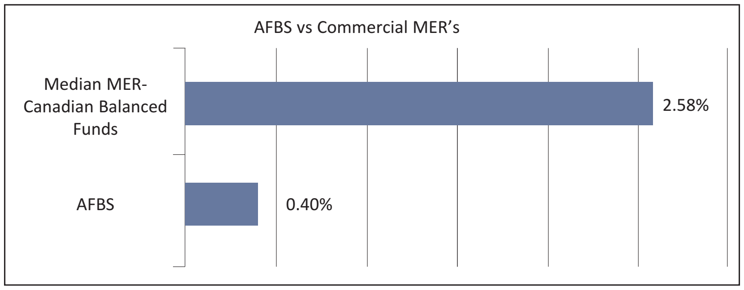
With a 35-year average Compounded Return of 10.7%, the AFBS General Fund is one of the best performing Canadian funds of its kind.



The AFBS Bond Fund which includes Members' Registered Retirement Savings Plans (RRSP) and Registered Retirement Income Funds (RRIF), is a more conservative fund that returned 7.05% for 2010 and maintained its long-term first quartile status.

With 3 and 5-year returns of 7.9% and 6.5% respectively, the AFBS Bond Fund ranks in the 1st quartile of the Canadian Bond Account Universe.

The Society's RRSP Management Expense Ratio (MER), at 0.40% per annum of funds on deposit, ranks as one of the lowest in the industry with the median for Canadian Balanced Funds at 2.58%. All costs for administering and investing our RRIF portfolios continue to be fully subsidized by the Society, which is consistent with our commitment to senior Members. With a 0% (zero per cent) MER for our RRIF accounts, this is unquestionably the lowest RRIF expense charge in Canada.



AFBS' fund performance is carefully monitored by the Investment Committee and the Board of Governors on a regular basis. Where appropriate, changes to our investment managers are made in order to protect the long-term growth of Members' retirement funds.

Effective November 1st, 2010, AFBS terminated Brandes Investment Managers and engaged AGF Investments Inc. (AGF) - a growth at a reasonable price investment manager with a clear global perspective and proven track record. AGF forms a strong complement to the value investment strategy of Aberdeen Asset Management (Aberdeen). Together, AGF and Aberdeen provide cohesive and diligent management of the Members' retirement fund assets that are invested in global markets.

AFBS Members' Insurance Program: Affordable, Sustainable and Flexible

In March, 2007, AFBS introduced a redesigned Members' Insurance Program based on a mandate of Affordability, Flexibility and Sustainability. We are pleased to report that the program has met those strategic objectives.

In spite of annual premium increases from commercial insurance companies for health care programs, the design features incorporated within our Members' program have been successful in containing premium costs. As the program enters its 5th year in 2011, the overall gross premium costs are, in most cases, slightly lower than 2007.

In most cases, AFBS Members will be paying less insurance premium in 2011 than they paid in 2007.

Accident on Set Program - Protecting our Members

Our Accident on Set program, which was introduced in 2008, continues to expand across the country. Premiums for 2010 generated approximately $660,000. With support from ACTRA and the production community, this program has become the industry standard.

Writers' Coalition Program

The AFBS Writers' Coalition Program provides drug, health and dental protection to 17 participating writers groups in alliance with the Society's mission to provide accessible and affordable health care to artists in Canada.

AFBS Community Support

In 2010, the Society continued its tradition of providing financial support for a number of important industry projects including the Actors' Fund, Performing Arts Lodge (PAL) Vancouver and many others.

AFBS is pleased to support the general and economic welfare of artists in Canada.

Overall Financial Performance

The Society's solvency ratio, which is the yardstick by which insurers in Canada are monitored, is well in excess of the target threshold set by the federal regulator (the Office of the Superintendent of Financial Institutions) and our capital ratio remains higher than most Canadian commercial insurers.

Highlights of the Society's 2010 Fiscal Year Include the Following:

- Substantial investment gains in addition to a healthy surplus from operations resulted in an overall surplus of $3.7 million before declaring a Fraternal Premium Subsidy;
- Our Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) and Tax-Free Savings Account (TFSA) assets under administration totaled approximately $479 million as at December 31st, 2010, an increase of more than $36 million from our 2009 holdings;
- Members' Insurance Reserves on deposit at $24 million will help Members maintain their insurance benefits during periods of reduced work opportunities;
- Insurance Premiums for 2010 increased to $11.6 million from $11 million in 2009.

Looking Forward

During 2010, the Board of Governors met regularly to focus on matters related to performance against strategic goals and objectives, and to address governance matters. Our strategic plan is renewed and updated during our annual Board retreat in September of each year. This updated plan forms the basis for our business and financial plan for the upcoming fiscal year.

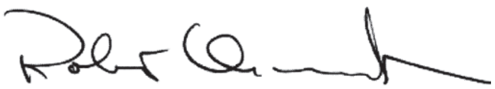
Two thousand ten saw the departure from our Board of Karl Pruner. On behalf of the Board of Governors and all our Members, I express our sincere thanks to Karl for his years of dedicated service to the Society.

We are pleased to welcome Richard Hardacre as our newly elected representative of Members in the Central Region. Richard, who served multiple terms as both the ACTRA Toronto and ACTRA National President, is well known throughout our industry and is a valuable addition to our Board.

I would like to thank the Board of Governors of the Society for their vision and leadership in guiding the Society through its 35th year of operation. I must also recognize our extraordinary management and staff teams who consistently deliver outstanding financial results and Member service standards that redefine the professionalism, care and compassion with which the Society can successfully operate.

As a long-time Member of the Society and an elected Governor for more than 15 years, I consider it an honor to serve as Chair.

Report From The President & CEO



Robert M. Underwood
President and
Chief Executive Officer

Member Work Opportunities

In spite of the Canadian dollar hovering over par, increased U.S. service production, combined with strong Canadian film and television, made a successful year for Canadian performers and writers.

Insurable earnings for Members in 2010 closed at $199 million, which represented a 14.2% overall increase from 2009.

- Member earnings under the Independent Production Agreement (IPA) increased by 25.6%, the largest contributor to this overall increase;
- Member earnings under the Commercial Agreement were flat compared to 2009;
- Earnings for UBCP Members who have elected AFBS as their benefit provider increased by 6.9%;
- Earnings for our writer Members increased by 9.8% in 2010 which is a positive indicator for Canadian work in progress.

Ongoing consolidation within the broadcast sector will continue to generate public benefits throughout 2010 and 2011, much of which will be invested in Canadian programming.

Notwithstanding the increase in available public benefits for Canadian programs, consolidation within the traditional broadcast sector opens the question of foreign ownership and the ultimate impact on conventional Canadian television.

Both ACTRA and the Writers Guild of Canada continue to lobby all levels of government to help preserve work opportunities for performers and writers, and with a number of license renewals before the regulator, this policy intervention process undertakes a more crucial role.

Equalization Payments

Equalization Payments are derived from non-members working within the jurisdiction, and the portion retained by AFBS is for the exclusive benefit of Members - first to cover all of the cost of administering Members' Retirement Plans, with the balance allocated to Guild Subsidy.

In spite of an increase in Equalization Payments of 10% from 2009 to 2010, Equalization Payments remain more than 50% below 2002 levels, which is reflective of less non-member work activity.

This trend is likely to continue and this may impact our ability to continue to subsidize Members' insurance programs at historical levels. With a Fraternal Premium Subsidy available from surpluses from prior years, the Board declared distribution of a $2.4 million Fraternal Premium Subsidy to reduce Members' premium cost for the 2011/2012 Benefit Year, representing an overall subsidy of 22% for our performer and writer Members.

AFBS Insurance Subsidies

2011/2012 Benefit Year	for ACTRA Members	for WGC Members
Guild Subsidy	7.5%	0%
Fraternal Premium Subsidy	22.0%	22.0%
Total Subsidy	29.50%	22.00%

Insurance and Retirement Plan Contributions

For the first time in the Society's history, Members' insurance contributions for 2010 topped $10 million, an increase of 11% over the prior year.

This includes voluntary insurance contributions from Members at $1.2 million for the year, an increase of more than 45% since the 2007 plan redesign. Continued Members' confidence in our AFBS Insurance Program is indicative of this level of support, which is tantamount to Members maintaining their insurance benefits with the Society. This support helps to strengthen the business model for our insurance operations as Members continue to participate in their renewal options in greater numbers.

With strengthening markets and strong recovery for our AFBS Retirement Funds, voluntary retirement plan contributions at $4.2 million marked an increase of more than 50% over the prior year, a reflection of Members' confidence in our long-term investment strategy.

Our Tax-Free Savings Account was well received by Members from its inception in February, 2009, with a current total balance of more than $800 thousand. Members are participating in our TFSA in ever increasing numbers.

Fraternal Benefits

The Society's Fraternal Benefit Program helps make our financial model unique, providing in excess of $1.1 million in annual benefits for Members.

These programs are funded through the investment income on the assets of the Society, and our Fraternal Benefits are the foundation of our not-for-profit service model.

For 2010, the following Fraternal Benefits were paid to Members of the Society. All Members are encouraged to visit our website for a complete description of these programs, and the eligibility criteria.

Fraternal Benefits	(in thousands)
Subsidized Health Care, Senior Members	$ 737
Extended Disability Benefits	12
Member Assistance Program (MAP)	133
Funeral Benefits	116
Return of Premium-Prolonged Illness	37
Scholarships	46
Insurance Coverage for First-Time Members	16
Special Needs Benefit	23
Other	6
Total Fraternal Benefits - 2010	**$ 1,126**

Operations

From a financial perspective, the Society's surplus from 2010 operations, in combination with positive investment returns on the Society's investment portfolio, allowed the Board of Governors to declare a $3.5 million Fraternal Premium Subsidy for the 2010 year.

The ability to provide insurance subsidies of this magnitude is a solid testimonial for our Member-owned business model.

2010 marked another successful year for the Society as a result of positive investment markets, and surplus from operations.

Our Accident on Set program made a positive contribution to our operating surplus for 2010, and we will continue to expand this and other AFBS programs which will help strengthen our financial model and stabilize our insurance operations.

I would like to thank our staff for their ongoing commitment to the service of Members.

I would also like to express my appreciation to the Chair and the Board of Governors for their guidance and support over the past year.

Report From The CFO

Ron Zammit
Chief Financial Officer

AFBS continued its recovery in the value of its equity investments in 2010. The market value of the Society's investments in Canadian equities increased by $1.8 million and comprehensive income (which includes the increases in the market value of the Society's investments) equalled $3.7 million before declaring a Fraternal Premium Subsidy.

The Society declared a Fraternal Premium Subsidy of $3.5 million to provide funds to Members that will stabilize the cost of insurance in current and future years.

Members' earnings increased by 14% from the prior year compared to a 1% decrease in 2009. Equalization Payments retained by the Society and used to provide subsidies to Members for their cost of insurance increased by 10% from the prior year to $3.7 million. However, these payments remain well below the $5.5 million level in the year 2001.

The Society generated net income of $1.5 million for the year ending December 31, 2010 before considering the increases in the market value of its investment assets and the declaration of the Fraternal Premium Subsidy.

The Society's operating expenses remained relatively unchanged during the year at $7.7 million. The following table provides a comparison of the operating expenses of the Society to the prior year:

(in thousands of dollars)

Description	2010	2009	(inc.) / dec.
Staff costs	$ 2,924	$ 2,809	$ (115)
Depreciation	598	865	267
Communications, media, mailing & printing	820	648	(172)
Systems maintenance	562	546	(16)
Investment management fees	523	448	(75)
Legal, actuarial, accounting & other professional fees	544	557	13
Claims administration	404	363	(41)
Member, staff and board meetings	306	350	44
Insurance	200	189	(11)
Rent	170	200	30
Donations	176	176	-
Other	458	405	(53)
Total:	**$ 7,685**	**$ 7,556**	**$ (129)**

The most significant changes in operating expenses from the levels in prior years flowed from the following:

(i) An increase in staff costs of $115,000. This increase equates to a 4% increase over prior year levels and is the result of staff turnover and increases to staff compensation;

(ii) A decrease in depreciation expenses of $267,000. This decrease resulted from reduced depreciation levels which occur from information technology system investments that have become fully depreciated in the current year;

(iii) An increase in communications expenses of $172,000. This increase is a result of the development, printing and distribution costs associated with the renewal Insurance Program brochure, Accident on Set and new programs currently under development; and

(iv) An increase in investment management fees of $75,000. This increase is a result of the increase in the value of the assets of the Society.

The surplus of the Society as at December 31, 2010 continues to be at a level in excess of the target level set by the regulator (OSFI), and AFBS maintains its position as a strong and solid financial organization.

Business Segments

AFBS provides services to Members through three distinct business segments: Insurance Operations, Fraternal Operations, and Retirement and Savings Operations. Each business is distinctly funded and benefits provided to Members are integrated into the Society's operation. AFBS provides insurance, health care, life and Fraternal Benefits as well as retirement plan programs to Members pursuant to collective bargaining agreements negotiated between the Unions (ACTRA or the Writers Guild of Canada) and Engagers.

Insurance Operations

AFBS provides life, accident, extended health, dental and short-term disability insurance to eligible Members. Eligibility for these programs is a function of the earnings a Member generates in the previous calendar year and the insurance reserves a Member has available.

AFBS uses an external actuary to determine the level of premium required to fund each insurance classification provided by AFBS. Factors that affect the price of insurance include health and dental claim costs, investment income earned on the assets of the Society and expenses. Each of these factors affect the net income of the Society.

Insurance operations include the Accident on Set insurance program. Accident on Set is a comprehensive insurance program that provides eligible performers with benefits and financial protection should they be injured while on set. AFBS developed the program to provide insurance coverage to performers in those provinces where mandatory workers' compensation is not available. The insurance premiums for this program are paid by Engagers and are determined by an external actuary.

Subsidy levels play a key role in the net premium levels that Members pay for their insurance coverage. The Guild Subsidy is funded by Equalization Payments received by AFBS after subsidizing the cost of retirement plan administration. A Fraternal Premium Subsidy is provided to Members to reduce the costs of insurance subject to the financial results of AFBS for the previous calendar year.

Benefits paid to Members increased on an annual basis. Total insurance benefits paid on behalf of Members increased to $7.6 million in 2010, an increase of 2% from 2009. The majority of these benefits are used in the payment of prescription drugs, dental and other extended health care benefits for Members.

Members’ Insurance Reserve Accounts

Insurance contributions received from Engagers on behalf of a Member are held in individual interest bearing accounts for the Members and used to pay for the Members' cost of insurance. Balances in Members' accounts after paying insurance premiums are held to pay insurance premiums in future years.

Total Member insurance reserves, or ‘Contributions on Deposit’, were $24 million as at December 31, 2010 compared to $23.2 million at the end of 2009. Interest is credited monthly to Members’ insurance reserves based on an Annual Percentage Rate (APR) rate which is the greater of the 3-month rate for Treasury Bills as determined by the Bank of Canada (Bank of Canada 90-Day Treasury Bill Reference Number: V39065) or 1%. Members who hold in excess of $4,000 in their Insurance Reserve account can access these funds on an individual request basis.

Fraternal Operations

AFBS offers various Fraternal Benefits to eligible Members and their dependants at no cost to the Member. These benefits are paid by the Society from income earned on the assets of AFBS. The most significant of these benefits is the fully subsidized health care benefit for qualifying senior Members. The Society considers this benefit essential in addressing the health care needs of our senior Members.

Other benefits provided on a Fraternal basis by AFBS include a Scholarship Program for Members and their dependants, funeral expenses, disability benefits, basic insurance coverage for all new Members and a Member Assistance Plan (MAP) for qualifying Members.

Fraternal Benefits are subject to review each year and may be amended on an annual basis.

AFBS offers various Fraternal Benefits to eligible Members and their dependants at no cost to the Member. These benefits are paid by the Society from income earned on the assets of AFBS.

Retirement and Savings Operations

AFBS offers two retirement fund options to Members for both the Registered Retirement Savings Plan (RRSP) and the Registered Retirement Income Fund (RRIF). Commencing in 2009, AFBS also offers two fund options to Members for a Tax-Free Savings Account (TFSA).

The General Fund is a balanced fund offering a mix of bonds and domestic and foreign equities.

The Bond Fund is a 100% Canadian bond fund providing a more conservative alternative to Members who wish to avoid the volatility of the equity markets.

A summary of the funds follows.

- Total assets of $479 million are held on behalf of Members for retirement and savings purposes. Fund performance information is included in quarterly publications of Your Money Matters and Your RRIF Report. These publications are also posted on AFBS's website at www.actrafrat.com.

- Five external professional fund managers manage the funds. The investment strategy used by each manager emphasizes a conservative, prudent approach with the objective of providing consistent, competitive performance returns over the long-term.

- The Board of Governors, management and an external advisor ensure the appropriate oversight procedures are in place to ensure effective governance of the retirement and savings funds.

Since June of 2004, the Society has allocated the fees paid to investment managers directly to the RRSP funds (RRIF's are not charged). This allocation has resulted in a reduction in the rate of return going forward equal to less than ½ of one percentage point (e.g.: Before this allocation, if the fund returned 10% for the year, then after this allocation, the fund will return 9.5% for the year.)

This allocation resulted in additional monies being made available to provide a Fraternal Premium Subsidy to Members to offset the rising costs of insurance and decreasing Guild Subsidy.

Financial Statements

FINANCIAL REPORTING RESPONSIBILITIES

February 24, 2011

The financial statements of Actra Fraternal Benefit Society are prepared by management, who is responsible for the integrity, objectivity, reliability and fairness of the data presented, including amounts which, of necessity, must be based on estimates and informed judgments of current events and transactions.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training of employees, providing for an effective segregation of responsibilities and accountability for performance of those areas of responsibility.

The system of internal controls is further supported by the Audit Committee of the Board of Governors, which oversees management's responsibility for financial reporting. The Audit Committee is composed of governors who are neither officers nor employees of the Society.

The Superintendent of Financial Institutions Canada makes such periodic examination and enquiry into the affairs of the Society as it deems necessary to satisfy itself that the provisions of the Insurance Companies Act (Canada) are being duly observed and that the Society is in a sound financial position.

PricewaterhouseCoopers LLP is an independent auditing firm appointed by the Members of the Society. Its responsibility is to report to the Members and the Superintendent of Financial Institutions Canada regarding the fairness of the financial statements of the Society. This responsibility is fulfilled by carrying out an examination in accordance with Canadian generally accepted auditing standards. The Auditor has full and unrestricted access to the Audit Committee to discuss its audit and related findings as to the integrity of the Society's financial reporting. The Auditor considers the work of the Appointed Actuary on the valuation of the policy liabilities included in the financial statements.

The Society's Appointed Actuary, Aon Consulting Hewitt, is appointed by the Board of Governors pursuant to Section 357 of the Insurance Companies Act (Canada). The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.

The Appointed Actuary is required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Society. Examination of supporting data for accuracy and completeness and analysis of Society assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion. The Appointed Actuary uses the work of the Auditor in verifying certain data files used in the actuarial valuation.

The Appointed Actuary is also required each year to analyze the financial condition of the Society and prepare a report for the Board of Governors. The analysis tests the capital adequacy of the Society for the following five years under adverse economic and business conditions.

Robert M. Underwood
President & Chief Executive Officer

Ron Zammit, CA
Chief Financial Officer

REPORT OF THE APPOINTED ACTUARY

February 24, 2011

To The Members and Governors of
Actra Fraternal Benefit Society
I have valued the policy liabilities of the Actra Fraternal Benefit Society for its balance sheet at December 31, 2010 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods. In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Merv G. Worden
Fellow, Canadian Institute of Actuaries
Toronto, Ontario

INDEPENDENT AUDITOR'S REPORT

February 24, 2011

To the Members of
Actra Fraternal Benefit Society
We have audited the accompanying financial statements of Actra Fraternal Benefit Society (the Society), which comprise the balance sheet and statement of segregated fund net assets as at December 31, 2010 and the statements of operations and unappropriated surplus, comprehensive income and changes in accumulated other comprehensive income, cash flows and changes in segregated fund net assets for the year then ended, and the related notes including a summary of accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society and its segregated funds as at December 31, 2010 and the results of its operations and its cash flows and changes in segregated fund net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario

FINANCIAL STATEMENTS

Balance Sheet

As at December 31, 2010
(in thousands of dollars)

		2010		2009
Assets				
Cash and short-term investments	**$**	**2,026**	$	1,549
Investment income accrued		**366**		370
Equities (note 4)		**12,727**		10,910
Bonds (note 4)		**46,260**		45,690
Property and equipment (note 8)		**329**		519
Intangible assets (note 9)		**428**		265
Real estate (note 10)		**1,138**		1,242
Receivables		**2,686**		3,025
Other assets		**643**		630
	$	**66,603**	$	64,200
Liabilities				
Unearned premiums	**$**	**1,772**	$	1,620
Policy liabilities (note 7)		**6,228**		6,217
Provision for Fraternal premium subsidy		**5,150**		4,261
Contributions on deposit		**24,001**		23,238
Provision for Members' Insurance Credit		**780**		387
Unqualified retirement contributions		**1,988**		1,699
Accounts payable and accrued liabilities		**5,177**		5,436
	$	**45,096**	$	42,858
Equity				
Appropriated surplus (note 11)	**$**	**792**	$	792
Unappropriated surplus		**17,739**		19,766
Accumulated other comprehensive income		**2,976**		784
		21,507		21,342
	$	**66,603**	$	64,200

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Sugith Varughese
Governor

David Atkins
Governor

FINANCIAL STATEMENTS

Statement of Operations and Unappropriated Surplus

For the Year Ended December 31, 2010
(in thousands of dollars)

		2010		2009
Income				
Insurance premiums earned	$	**11,605**	$	11,010
Investment income (note 4)		**2,819**		4,481
Other engager contributions (note 12)		**3,711**		3,377
Other income		**729**		741
Net real estate income (note 10)		**190**		78
	$	**19,054**	$	19,687
Expenses				
Insurance benefits paid (note 13)	$	**7,647**	$	7,520
Fraternal benefits paid		**1,126**		1,336
Increase in policy liabilities (note 7)		**11**		262
Fraternal premium subsidy		**3,500**		3,700
Members' Insurance Credit (note 12)		**742**		347
Premium taxes		**183**		180
Interest on contributions on deposit		**187**		399
Operating expenses (note 14)		**7,685**		7,556
		21,081		21,300
Net income (loss) for the year		**(2,027)**		(1,613)
Net increase (decrease) in unappropriated surplus		**(2,027)**		(1,613)
Unappropriated surplus - Beginning of year		**19,766**		21,379
Unappropriated surplus - End of year	$	**17,739**	$	19,766

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Comprehensive Income and Changes in Accumulated Other Comprehensive Income

For the Year Ended December 31, 2010
(in thousands of dollars)

		2010		2009
Net income (loss) for the year	**$**	**(2,027)**	$	(1,613)
Other comprehensive income				
Changes in net unrealized gains (losses) on available-for-sale financial assets				
Bonds	**$**	**1,359**	$	122
Equities		**1,503**		1,856
Reclassification of net realized gains to income		**(670)**		(167)
Other comprehensive income		**2,192**		1,811
Comprehensive income	**$**	**165**	$	198
Accumulated other comprehensive income				
Accumulated other comprehensive income (loss) - Beginning of year	**$**	**784**	$	(1,027)
Other comprehensive income		**2,192**		1,811
Accumulated other comprehensive income - End of year	**$**	**2,976**	$	784

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Cash Flows

For the Year Ended December 31, 2010
(in thousands of dollars)

	2010	2009
Cash flows from (used in) operating activities		
Contributions from engagers on behalf of Members	**$ 10,819**	$ 7,968
Other engager contributions	**3,854**	3,325
Investment income received	**2,280**	4,481
Other income received	**926**	826
Insurance and Fraternal benefits paid	**(9,699)**	(9,535)
Payments to suppliers and employees	**(7,604)**	(2,832)
Premium taxes paid	**(183)**	(180)
Net amounts paid on behalf of Retirement Funds	**280**	(1,785)
Other - net	**(29)**	124
Net cash flows from operating activities	**$ 644**	$ 2,392
Cash flows from (used in) investing activities		
Purchases of equities	**$ (314)**	$ (1,173)
Sales of bonds	**71,601**	64,735
Purchases of bonds	**(70,940)**	(64,928)
Purchases of property and equipment and intangible assets	**(514)**	(534)
Net cash flows used in investing activities	**(167)**	(1,900)
Increase in cash and short-term investments during the year	**477**	492
Cash and short-term investments - Beginning of year	**1,549**	1,057
Cash and short-term investments - End of year	**$ 2,026**	$ 1,549

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Segregated Fund Net Assets

As at December 31, 2010
(in thousands of dollars)

		2010		2009
Retirement Savings Plan (notes 17 and 18)				
Assets				
Cash and short-term investments	**$**	**2,423**	$	546
Equities		**236,555**		147,431
Bonds		**167,971**		225,746
Other assets		**6,959**		10,233
		413,908		383,956
Liabilities	**$**	**107**	$	997
Net assets	**$**	**413,801**	$	382,959
Registered Retirement Income Fund (notes 17 and 18)				
Assets				
Cash and short-term investments	**$**	**273**	$	1,116
Equities		**21,973**		13,774
Bonds		**42,571**		43,214
Other assets		**26**		1,191
		64,843		59,295
Liabilities		**603**		30
Net assets	**$**	**64,240**	$	59,265
Tax-Free Savings Account (notes 17 and 18)				
Assets				
Cash and short-term investments	**$**	**102**	$	31
Equities		**353**		108
Bonds		**357**		130
Other assets		**33**		37
		845		306
Liabilities		**31**		24
Net assets	**$**	**814**	$	282
	$	**478,855**	$	442,506

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Changes in Segregated Fund Net Assets

For the Year Ended December 31, 2010
(in thousands of dollars)

		2010		2009
Segregated Fund net assets - Beginning of year	**$**	**442,506**	$	389,945
Retirement Savings Plan				
Balance - Beginning of year	**$**	**382,959**	$	336,980
Contributions		**21,152**		17,966
Net investment income		**39,301**		54,359
Contract surrenders and transfers		**(29,611)**		(26,346)
Balance - End of year	**$**	**413,801**	$	382,959
Registered Retirement Income Fund				
Balance - Beginning of year	**$**	**59,265**	$	52,965
Transfers in		**6,848**		5,806
Net investment income		**5,366**		6,892
Withdrawals		**(7,239)**		(6,398)
Balance - End of year	**$**	**64,240**	$	59,265
Tax-Free Savings Account				
Balance - Beginning of year	**$**	**282**	$	-
Contributions		**583**		262
Net investment income		**53**		30
Contract surrenders		**(104)**		(10)
Balance - End of year	**$**	**814**	$	282
Segregated Fund net assets - End of year	**$**	**478,855**	$	442,506

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010
(in thousands of dollars, except unit values)

1. Role of the Society

The Society was incorporated in 1975 and is licensed in all provinces to provide insurance programs to the Members of ACTRA and the Writers Guild of Canada, as well as members of other arts groups and individual members of the arts community.

The mission of the Society is as follows:

a) to support the general and economic welfare of artists in Canada;

b) to provide the security of an Insurance Plan with Life, Accident, Welfare, Health and Fraternal Benefits; and a Retirement Savings Plan with Retirement Benefits;

c) to maintain a high standard of performance, integrity and service consistent with a constructive and arm's-length relationship with client organizations;

d) to exercise due care, diligence and prudence in undertaking its responsibilities and in the best interest of the Members and Associates at all times; and

e) to constantly review existing benefits and to encourage new ideas to better serve all Members and Associates of the Society.

The Society provides four distinct programs to its Members. The Life Fund provides group life insurance. The Sickness Fund provides dental, extended health and weekly indemnity insurance benefits, accidental death benefits and insurance for loss of use of limbs or faculties. The Fraternal Fund provides a variety of benefits to Members, including supplementary health care coverage and funding for scholarships, retirement home/care facilities and funeral expenses. In addition, the Society maintains separate Segregated Funds that provide a retirement savings plan, a registered retirement income fund and a tax-free savings account to Members.

The Society also provides insurance programs and savings accounts to both Members and other industry-related organizations.

2. Basis of presentation

These financial statements present, on a combined basis, the assets, liabilities, equity and results of operations of the Life, Sickness and Fraternal Funds.

The Segregated Funds, which are administered by the Society, have been presented separately in these financial statements and comprise the General Fund, Bond Fund, Probationary Members Fund, Retired Members Fund (collectively the Retirement Savings Plan), Registered Retirement Income Fund and Tax-Free Savings Account.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with the Insurance Companies Act (Canada), which requires that financial statements be prepared in accordance with Canadian generally accepted accounting principles.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period of the statement of operations and unappropriated surplus. Actual results could differ from those estimates.

Significant accounting policies

a) Financial instruments

Financial assets, comprising cash, short-term investments, equities and bonds, are recorded on the balance sheet at fair value on initial recognition and are subsequently accounted for based on their classification, as described below.

Available-for-sale - Available-for-sale financial assets are non-derivative financial assets that management has designated as available-for-sale or that are not classified as loans and receivables.

Available-for-sale financial assets with quoted prices in an active market are carried at fair value on the balance sheet from the settlement date. Transaction costs are included in the cost of available-for-sale assets on the date of acquisition. Any change in fair value is recorded in other comprehensive income (OCI) until the financial asset is disposed of or its value has become other than temporarily impaired. When the financial asset is disposed of or its value has become impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income (AOCI) are transferred to the statement of operations and unappropriated surplus. A provision for impairment for equity instruments and debt securities classified as available-for-sale is established when there is objective evidence that the investment is impaired and the impairment is other than temporary. For impaired debt instruments, the impairment is reversed when the fair value of the instrument increases in a subsequent period and the increase is related to an event occurring after the loss was recognized.

In determining whether a provision for impairment is required for the value of debt securities, the Society considers whether (i) the interest and payments are in arrears, (ii) the issuer of any debt securities held by the Society has reported any significant financial difficulty, (iii) the active market for that security has disappeared, (iv) the credit rating of the issuer of the debt security has been downgraded, (v) the Society's ability and intent to hold the security for a sufficient period of time for it to recover, (vi) the extent and duration of the decline in value, and (vii) relevant industry conditions and trends.

In determining whether a provision for impairment is required for the value of equities, the Society considers whether (i) the dividend payments are in arrears, (ii) there has been a significant or prolonged decline in the fair value of the equities held by the Society, (iii) there is information available with respect to adverse effects indicating the carrying value of the equities may not be recovered, (iv) the Society has the ability and intent to hold the equities for a sufficient period of time for them to recover, (v) the extent and duration of the decline in value, and (vi) relevant industry conditions and trends.

Receivables are classified as loans and receivables, while accounts payable and accrued liabilities are classified as other financial liabilities, all of which are initially recorded at fair value and subsequently measured at amortized cost.

The amortization of premiums and discounts on the purchase of bonds is calculated using the effective interest rate method and is recorded in investment income.

A provision for impairment for loans and receivables is established when there is objective evidence the Society will not be able to collect all amounts due according to their original terms.

b) Investments

i) Life, Sickness and Fraternal Funds

The investments of the Life and Sickness Funds comprise cash, short-term investments, bonds and equities.

The investments of the Fraternal Fund comprise cash, short-term investments, bonds and equities.

All bonds and equities in the Life, Sickness and Fraternal Funds have been classified as available-for-sale financial assets.

Real estate in the Fraternal Fund is recorded at cost less accumulated amortization and impairment. Net realized gains and losses are recognized in income in the year of sale.

ii) Segregated Funds

The Segregated Funds' assets comprise cash, short-term investments, bonds and equities, all of which are classified as held-for-trading and are recorded at fair value.

All realized and unrealized gains and losses are included in Segregated Funds' investment income.

c) Comprehensive income (loss)

Comprehensive income (loss) comprises net income and OCI. OCI includes changes in unrealized gains and losses on financial assets classified as available-for-sale. The changes in unrealized gains and losses are included in AOCI until recognized in the statement of operations and unappropriated surplus. AOCI is included on the balance sheet as a separate component of equity.

d) Income taxes

The Fraternal, Sickness and Segregated Funds of the Society are not subject to income taxes.

Income taxes relating to the Life Fund are determined using the asset and liability method. Future income tax assets and liabilities are recognized for temporary differences between the income tax and accounting bases of measuring assets and liabilities and for the benefit of losses available to be carried forward to future years for income tax purposes that are more likely than not to be realized.

e) Property, equipment and real estate

Property, equipment and real estate are recorded at historical cost, less accumulated amortization and impairment. Amortization is charged on a straight-line basis at rates varying from 5% to 20%. Computer systems' expenditures are capitalized at historical cost and are amortized over three years when these systems are brought into use.

f) Intangible assets

Where computer software is not an integral part of related computer hardware, it is treated as an intangible asset and is reported at cost, less accumulated amortization. Amortization on computer software is calculated using the straight-line method to allocate the cost over its estimated life, which has been estimated to be three years.

g) Contributions on deposit

Contributions on deposit represent amounts received from engagers (plus accrued interest) in respect of Members, which are used to fund insurance premiums in the following year.

h) Reinsurance

Reinsurance has been purchased by the Society to reduce the risk by limiting the Society's exposure to any single claim for life and accident and sickness insurance benefits to $50 and $35, respectively. In addition, the Society has a catastrophic excess of loss reinsurance contract limiting its exposure to a single common event, net of reinsurance recovery, to $225. Ultimate net loss under this coverage is capped at $4,000.

The Society also purchases reinsurance to reduce the risk by limiting the Society's exposure to any single claim for Accident on Set benefits to two years of disability payments and reimbursements of health care expenses.

i) Fraternal premium subsidy

The Fraternal premium subsidy is determined annually and represents an amount allocated by the Board of Governors to supplement the premiums of Members in future years.

j) Comparative figures

Certain of the prior year's amounts have been reclassified to conform to the current year's financial statement presentation.

December 31, 2010 (in thousands of dollars, except unit values)

4. Investments

The Society, in accordance with Canadian Institute of Chartered Accountants Handbook Section 3862, categorizes all financial assets carried at fair value in its balance sheet based on a three-level valuation hierarchy. The hierarchy gives the highest level of priority to quoted prices in an active market for identical assets (level 1), whereas the lowest level of priority is assigned to unobservable valuation inputs (level 3). If the inputs used to measure the financial asset cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the overall fair value measurement of a financial asset requires judgment and considers factors specific to the financial asset. The three levels are described below:

Fair value hierarchy

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3 - Inputs that are not based on observable market data. The Society does not hold any financial assets classified within this category.

The Society holds certain investments in bonds and equities in pooled funds. The fair values of pooled funds are based on the net asset values as advised by the funds.

The following tables illustrate the classification of the Society's financial instruments within the fair value hierarchy as at December 31:

	Financial assets at fair value as at December 31, 2010			
	$ Level 1	$ Level 2	$ Level 3	$ Total
Cash and short-term investments	2,026	-	-	2,026
Equities	-	12,727	-	12,727
Bonds	-	46,260	-	46,260
	$ 2,026	**$ 58,987**	**$ -**	**$ 61,013**

During the year ended December 31, 2010, there were no transfers between level 1 and level 2 of the fair value hierarchy.

	Financial assets at fair value as at December 31, 2009			
	$ Level 1	$ Level 2	$ Level 3	$ Total
Cash and short-term investments	1,549	-	-	1,549
Equities	-	10,910	-	10,910
Bonds	-	45,690	-	45,690
	$ 1,549	**$ 56,600**	**-**	**$ 58,149**

During the year ended December 31, 2009, there were no transfers between level 1 and level 2 of the fair value hierarchy.

December 31, 2010 (in thousands of dollars, except unit values)

The maturity profile of bonds as at December 31 is as follows:

2010

	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Carrying value
Bonds	**$ 2,724**	**$ 17,643**	**$ 7,322**	**$ 18,571**	**$ 46,260**
Percentage of total	**6%**	**38%**	**15%**	**41%**	**100%**

2009

	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Carrying value
Bonds	$ 379	$ 8,350	$ 12,979	$ 23,982	$ 45,690
Percentage of total	1%	18%	28%	53%	100%

Cash and short-term investments have maturities of less than one year. Equities have no specific maturities.

The fair value of the Society's investment portfolio classified as available-for-sale as at December 31 is:

	Fair Value	
	2010	2009
Corporate bonds	**$ 21,817**	$ 17,918
Government bonds	**24,443**	27,772
Equities	**12,727**	10,910
	$ 58,987	$ 56,600

Investment income for the year ended December 31 was derived from the following:

	2010	2009
Available-for-sale financial assets		
Dividend income	**$ 314**	$ 1,024
Interest income	**1,835**	4,189
Realized gains (losses)	**670**	(732)
	$ 2,819	$ 4,481

Management has reviewed currently available information regarding available-for-sale financial assets with unrealized losses of $198 (2009 - $421) and determined that there was no impairment.

5. Financial risk management

Objectives and policies

The Society's most significant exposures to risk are to changes in financial markets (e.g. interest rate and equity market risks) that affect the value of the Society's investments. The Society manages its liquidity and credit risk through its investment policy requirement that all investments in bonds and equities of the Society are in publicly traded, highly liquid securities.

The Society's approach to risk management involves common measurement of risk and scope of risk coverage to allow the Society's risk position to be managed. The Society has an external investment adviser to review the risk profile of the Society's investments and provide an independent third party report on the Society's exposure to the various risks associated with its investments. Risk management functions are applied by management of the Society, while Board of Governors' oversight remains independent of business activity, providing oversight and review.

To manage its risk exposure, the Society has risk policies in place. These policies limit the Society's exposure to major risks, such as equity, interest rates, credit and currency. The limits in these policies in aggregate remain within the Society's overall tolerance for risk, as well as its financial resources.

The Society also measures the sensitivity of net income under various scenarios. Management uses the insight gained through these scenario analyses to manage the Society's risk exposure and capital position. The models, scenarios and assumptions used are reviewed regularly and updated as necessary.

Results from the Society's sensitivity analyses are presented to show the estimated sensitivity of net income and unappropriated surplus to various scenarios. For each type of market risk, the analysis shows how OCI would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown.

The Society has classified its investment portfolio as available-for-sale, which is one of the main reasons why the sensitivity analysis performed has a different impact on net income than on unappropriated surplus. Unrealized gains and losses on these assets are not recognized in the statement of operations and unappropriated surplus but are recorded directly in OCI. As a result, economic sensitivities predominantly impact OCI but leave net income unaffected.

The sensitivity analyses also reflect what the operating surplus for the year would have been had risk variables been different, based on the exposures in existence at year-end. The results of the sensitivity analyses are not intended to be an accurate prediction of the Society's future OCI or net income. The sensitivity analyses do not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums. Furthermore, the results of the sensitivity analyses cannot be extrapolated for wider variations since effects tend not to be linear. No risk management process can clearly predict future results.

Interest rate risk

The Society's financial assets carried at fair value are subject to interest rate risk, as the fair value or future cash flows will fluctuate because of changes in market interest rates. The Society generates interest income on its bond investments and pays interest to Members on their contributions held on deposit by the Society. Interest income generated on bond investments is measured against the DEX Universe Bond Index and interest paid to Members on contributions on deposit is based on the 90-day T-Bill rate, as established by the Bank of Canada.

In periods of rapidly increasing interest rates, withdrawals of funds from the Society may increase. This activity may result in cash payments by the Society requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates. This may result in realized investment losses. These cash payments to Members result in a decrease in total invested assets and a decrease in net income.

December 31, 2010 (in thousands of dollars, except unit values)

During periods of sustained low interest rates, investment income may be lower because the interest income on new fixed income investments is likely to have decreased with the market interest rates. The Society employs interest rate monitoring and measurement techniques and actively manages its interest rate risk exposure.

Increases in interest rates have a negative effect on comprehensive income because they result in unrealized losses on investments that are carried at fair value. Over time, the short-term reduction due to rising interest rates would be offset by higher net income in later years, all else being equal. Therefore, rising interest rates are not considered a long-term risk to the Society. The Society manages its interest rate risk through conservative investment polices that restrict the Society's investment managers' investment choices.

The sensitivity of investments to changes in interest rates is dependent on the maturity of debt securities. Due to the time value of money, a reduction in the interest rates would normally produce a higher value of debt securities, but would not materially affect the fair values of short-term securities and equities.

The following table shows the sensitivity of the Society's OCI to a 1% (100 basis points) and 2% (200 basis points) increase or decrease in the DEX Universe Bond Index. This analysis assumes that the Society's assets performance in 2010, relative to the index performance in 2010, would be consistent with the actual performance achieved.

Sensitivity analysis of OCI to interest rates

	Estimated effects on OCI	
	2010	2009
	$	$
	(Increase)/decrease	
Increase 100 basis points	**493**	333
Decrease 100 basis points	**(494)**	(334)
Increase 200 basis points	**985**	665
Decrease 200 basis points	**(990)**	(669)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty meeting cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all commitments and obligations as they fall due. To manage liquidity risk and cash flow requirements, the Society's investment policy requires all investments in bonds and equities be publicly traded and highly liquid.

The Society's expected payment of current and future obligations is $5,177 in 2011. The Society's remaining financial obligations have no fixed contractual payment obligations; however, contributions on deposit and unqualified retirement contributions are due on demand and are considered to be current.

Equity market and other investment risks

Fluctuations in the equity and capital markets have, in the past, affected the Society's profitability, capital position and sales of equity related products and may continue to do so. Exposure to equity and capital market risks exists in the financial assets of the Society. Financial asset exposure exists through direct equity investments, where the Society bears all or most of the volatility in returns and investment performance risk. Volatile or poor market conditions may also significantly reduce the popularity of some of the Society's retirement savings products, which could lead, ultimately, to lower financial assets' fair value held on account by the Society, increasing the fees paid by the Society to manage those accounts and, thereby, reducing net income. General economic conditions may lead to significant decreases in the values of the Society's equities.

December 31, 2010 (in thousands of dollars, except unit values)

The Society monitors the performance of its equities against the S&P/TSX Composite Index. It also closely monitors other indices that will affect the retirement savings accounts of its Members.

The following table illustrates the Society's equities that are exposed to market risk. The table demonstrates a sensitivity analysis of OCI to reasonably possible changes in the fair value of those instruments.

Sensitivity analysis of OCI to equity markets

	Estimated effects on OCI	
	2010	2009
	$	$
	(Increase)/decrease	
Equity values increase 10%	**1,033**	750
Equity values decrease 10%	**(1,057)**	(768)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge its obligation and causes financial loss to another party. The Society is exposed to credit risk primarily on certain financial assets and receivables balances.

The maximum exposure to credit risk of the Society is equal to the carrying values of these financial instruments as at December 31:

	Maximum exposure to credit risk	
	2010	2009
	$	$
Cash and short-term investments	**2,026**	1,549
Investment income accrued	**366**	370
Receivables	**2,686**	3,025
Bonds	**46,260**	45,690
	51,338	50,634

The Society manages credit risk by maintaining an investment policy restricting investment managers' ability to invest in less than investment grade bonds. The Society also utilizes a value-based investment manager to manage the equity investments of the Society. The following table sets out the credit ratings of bonds held by the Society at the balance sheet date.

The credit rating of bonds held is as follows:

	2010	2009
	$	$
AAA	**20,511**	18,180
AA	**4,844**	8,525
A	**20,905**	18,985
	46,260	45,690

There are no overdue or impaired receivables as at December 31, 2010 and 2009.

December 31, 2010 (in thousands of dollars, except unit values)

6. Capital risk management

The Society's objectives when managing capital are:

- to safeguard the Society's ability to continue as a going concern so that it can continue to provide services to Members at affordable prices; and
- to maintain adequate levels of available capital to provide sufficient margin over capital levels required by the Office of the Superintendent of Financial Institutions (OSFI).

The Society's capital is targeted to be managed well in excess of the minimum level of capital. During 2010 and 2009, the Society's capital levels remained well in excess of the minimum level.

The Society's capital surplus comprises the excess of the Society's assets over its liabilities. The Society's assets comprise primarily investments in equities and bonds and include the other operating assets of the Society, such as furniture and equipment and the building from which it operates. The Society's liabilities comprise primarily contributions held on deposit for Members in order to pay for future insurance programs, as well as amounts held for future payment of existing policy obligations. In addition, liabilities include operating liabilities of the Society, such as outstanding payments to suppliers and amounts held for future distribution to Members.

The Society is regulated by OSFI and, pursuant to that oversight, is required to maintain a minimum level of capital to ensure it remains solvent. These minimum levels are calculated in accordance with the Minimum Continuing Capital and Surplus Requirements (MCCSR ratio) prescribed by OSFI. This formula requires amounts of surplus be maintained that vary directly with the risk characteristics of each category of financial assets and financial liabilities held by the Society. The Society's MCCSR ratio during 2010 and 2009 exceeded the minimum level required.

The Society's capital level is forecast in conjunction with the annual preparation of the Dynamic Capital Adequacy Testing report prepared by the Society's independent actuary and reported on an annual basis to the Board of Governors. If at anytime this ratio falls below the target range, the Board of Governors may take the following steps to restore the ratio to its target levels:

a) cease distribution of annual operating surpluses to the Membership as a Fraternal benefit for the subsidization of Members' costs for insurance;

b) develop annual operating budgets that consider generating surpluses that are to be retained until such time as the Society's MCCSR ratio is within the target range;

c) price the Society's insurance programs in such a manner that an underwriting surplus is expected to be generated; and

d) seek other methods to generate operating surplus for the Society.

7. Policy liabilities

Nature of policy liabilities

Policy liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits and expenses on the life and accident and sickness policies in force. Policy liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

The Society provides life and accident and sickness insurance to its Members. The composition of the Society's policy liabilities is as follows:

	2010	2009
Life	**$ 797**	$ 651
Accident and sickness	**5,431**	5,566
	$ 6,228	$ 6,217

December 31, 2010 (in thousands of dollars, except unit values)

Included in policy liabilities in the accident and sickness line of business is the Fraternal benefit liability in the amount of $3,997 (2009 - $4,122), representing the present value of such benefits expected to be provided over the three-year period following the financial statements' date. Although these benefits are not guaranteed under the terms of the contracts issued by the Society, establishment of the liability follows a principle of actuarial practice, whereby provision is made for what might be considered as Members' reasonable expectations.

The expected maturity of the Gross Fraternal Benefit liability is as follows:

	2010	2009
Within 1 year	**$ 1,283**	$ 1,321
Over 1 to 2 years	**1,390**	1,434
Over 2 to 3 years	**1,511**	1,559
	$ 4,184	$ 4,314

Other policy liabilities are expected to be paid within one year.

Assumptions

The process of determining policy liabilities involves the estimation of the occurrence of events, which are uncertain. The risks of misestimation vary in proportion to the length of the estimation period and the volatility of assumptions.

In the computation of policy liabilities, best estimate assumptions have been made for many variables, including mortality, morbidity, investment returns, costs of claims, levels of administrative expenses, inflation and income taxes.

The methods for arriving at the most important of these assumptions are outlined below.

Investment returns - Investments in bonds and short-term investments are used to support policy liabilities. The projected cash flows from the investments are combined with future reinvestment rates derived from the current economic outlook and the Society's investment policy to determine expected rates of return for all future years. Uncertainty exists as to projections of future interest rates, asset default and reinvestment risks.

Expenses - Policy administration expenses and the cost of medical claims are derived from actual expenses incurred in the prior year and are sensitive to inflation.

Provision for adverse deviation (PFAD)

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the policy liabilities are adequate to pay future benefits, actuaries are required to include a margin in each assumption. A range of allowable margins is prescribed by the Canadian Institute of Actuaries. The value of the PFAD included in the policy liabilities is approximately $351 or 4.4% of total liabilities (2009 - $371 or 4.7%). The Society maintains the margins near the middle of the applicable ranges.

Change in policy liabilities

	2010	2009
Policy liabilities as at January 1	**$ 6,217**	$ 5,955
Increase in policy liabilities	**11**	262
Policy liabilities as at December 31	**$ 6,228**	$ 6,217

December 31, 2010 (in thousands of dollars, except unit values)

8. Property and equipment

			2010	2009
	Cost	Accumulated amortization	Net	Net
Office furniture and equipment	$ 230	$ 184	$ 46	$ 47
Computer equipment	814	635	179	160
Computer systems	2,286	2,182	104	312
	$ 3,330	$ 3,001	$ 329	$ 519

Amortization for the year was $513 (2009 - $770).

9. Intangible assets

			2010	2009
	Cost	Accumulated amortization	Net	Net
Computer software	$ 772	$ 344	$ 428	$ 265

Amortization for the year was $82 (2009 - $10).

10. Real estate

The Society's investment in real estate is the property located at 1000 Yonge Street, Toronto, Ontario. As at December 31, 2010, the land and building were recorded at a net recoverable amount of $825 (2009 - $825) and amortized cost of $313 (2009 - $417), respectively. Amortization for the year was $133 (2009 - $122).

The results of operations of the property for the year are as follows:

	2010	2009
Rental and other income	$ 653	$ 515
Expenses	(463)	(437)
Net real estate income	$ 190	$ 78

11. Appropriated surplus

During 1993, the Society appropriated $1,000 in the Fraternal Fund to enhance or maintain the property located at 1000 Yonge Street, Toronto, Ontario.

To date, $208 has been incurred on such development. As at December 31, 2010, $792 (2009 - $792) remained appropriated for these future expenditures.

	2010	2009
Beginning balance of appropriated surplus	$ 792	$ 792
Transfer to unappropriated surplus	-	-
Ending balance of appropriated surplus	$ 792	$ 792

December 31, 2010 (in thousands of dollars, except unit values)

12. Members' Insurance Credit

Other engager contributions represent amounts received from engagers in respect of equalization income generated by Guild collective bargaining agreements. Such amounts are recognized as income when received by the Society.

During 1996, the Society reached an agreement in principle with ACTRA and the Writers Guild of Canada, whereby other engager contributions are used to fund premium subsidies for the Members of those Guilds (the Members' Insurance Credit). These amounts are for the benefit of those Members working in each Guild jurisdiction that generates other engager contributions. The amounts available to be credited are determined annually after a reduction of all expenses related to the administration of the retirement plans associated with each Guild.

In 2010, an amount of $48 (2009 - $51) was paid to ACTRA and deducted from other engager contributions.

Pursuant to the execution of a service agreement with ACTRA in 2007, the Society received other engager contributions net of amounts that are retained by ACTRA in accordance with collective bargaining agreements.

13. Insurance benefits paid

	2010	2009
Health and disability benefits	**$ 7,067**	$ 7,121
Death claims	**580**	399
	$ 7,647	$ 7,520

14. Operating expenses

	2010	2009
Salaries and benefits	**$ 2,719**	$ 2,596
Governors' honoraria and benefits	**205**	213
Investment management	**523**	448
Other operating expenses	**4,238**	4,299
	$ 7,685	$ 7,556

15. Income taxes

The Life Fund has non-capital income tax losses and unclaimed income tax reserves of approximately $2,683 (2009 - $2,850), the future benefit of which has not been recognized in the accounts of the Society.

The non-capital income tax losses and unclaimed income tax reserves expire in the following years:

	$
2014	**319**
2015	**799**
2026	**309**
2027	**123**
2028	**465**
2029	**150**
2030	**518**
	2,683

December 31, 2010 (in thousands of dollars, except unit values)

16. Pension benefits

The Society contributes between 8% and 12% of each employee's annual salary to the Society's Retirement Savings Plan. The net pension expense in 2010 was $213 (2009 - $188). As at December 31, 2010 and 2009, there were no contributions outstanding in respect of employer contributions.

17. Segregated Funds

The Society offers various annuity contracts to its Members. Annuity considerations received are directed to the appropriate plan in the Segregated Funds, as authorized by Section 542 of the Insurance Companies Act (Canada). The plans are administered separately from the Life, Sickness and Fraternal Funds and are unitized and valued on a monthly basis.

18. Statement of Segregated Fund Net Assets

The Society receives contributions from engagers for the Segregated Funds and makes payments on behalf of the Segregated Funds, including amounts related to refunds, withdrawals and income tax withholdings. Payments are also made by certain funds on behalf of other funds. The unsettled balances relating to these transactions as at December 31, 2010 and 2009 have been reflected in the statement of segregated fund net assets as other assets and liabilities.

As at December 31, the Segregated Fund net assets and unit values are as follows:

	2010 Unit value	2010 Net assets	2009 Unit value	2009 Net assets
Retirement Savings Plan				
General Fund	**$ 354.54**	**$ 377,589**	$ 319.58	$ 349,463
Bond Fund	**162.08**	**30,327**	152.09	27,652
Probationary Members Fund	**101.04**	**1,094**	100.85	1,092
Retired Members Fund	**128.91**	**4,791**	123.28	4,752
		$ 413,801		$ 382,959
Registered Retirement Income Fund				
Balanced Fund	**$ 18.78**	**$ 34,730**	$ 16.92	$ 29,137
Bond Fund	**18.37**	**29,510**	17.21	30,128
		$ 64,240		$ 59,265
Tax-Free Savings Account				
General Fund	**$ 13.02**	**$ 617**	$ 11.99	$ 192
Bond Fund	**11.34**	**197**	10.88	90
		$ 814		$ 282
		$ 478,855		$ 442,506

Effective June 1, 2004, investment management fees, custodian fees and monitoring fees paid by the Society were charged to the Segregated Funds, as agreed with the Founding Guilds. From January 1, 2010 to December 31, 2010, a total of $1,518 (2009 - $1,442) was charged to these funds, representing a total charge of 0.40% (2009 - 0.40%) of the average balance of the funds managed during the year.

Segregated Fund net assets - financial risk management

Objectives and policies

The Segregated Funds' most significant exposures to risk are to changes in financial markets (e.g. interest rate and equity market risks) that affect the value of the Segregated Fund assets. Liquidity risk is managed through investment policy requirements that all the Segregated Fund investments in bonds and equities are in publicly traded, highly liquid securities.

The Society's approach to risk management of the Segregated Funds involves common measurement of risk and scope of risk coverage to allow the risk position of the Segregated Funds to be managed, including the use of an external investment adviser to review the risk profile of the investments and provide an independent third party report to the Society on the exposure to the various risks associated with its Segregated Fund assets. Risk management functions are applied by management of the Society, while Board of Governors' oversight remains independent of business activity, providing oversight and peer review.

To manage the risk exposure of the Segregated Funds, the Society has risk policies in place. The policies limit the Segregated Fund assets' exposure to major risks, such as equity, interest rates, credit and currency.

The Society also measures the sensitivity of retirement fund assets under various scenarios. Management uses the insight gained through these "what if?" scenarios to manage the Segregated Fund assets' risk exposure. The models, scenarios and assumptions used are reviewed regularly and updated as necessary.

Results of these sensitivity analyses are presented to show the estimated sensitivity of the Segregated Fund assets to various scenarios. For each type of market risk, the analysis shows how retirement fund assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown.

The sensitivities reflect the impact on the net assets of the Segregated Funds during the year had risk variables been different, based on the exposures in existence during the year. The results of the sensitivities are not intended to be an accurate prediction of the Segregated Fund assets' performance. The analysis does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums. Furthermore, the results of the analyses cannot be extrapolated for wider variations, as effects tend not to be linear. No risk management process can clearly predict future results.

Interest rate risk

The Society's Segregated Fund assets are subject to interest rate risk as the fair value or future cash flows will fluctuate because of changes in market interest rates. The Segregated Fund assets generate interest income on bond investments. Interest income generated on bond investments is measured against the DEX Universe Bond Index.

In periods of rapidly increasing interest rates, withdrawals of funds from the Segregated Fund assets may increase. This activity may result in cash payments, requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates. These cash payments to Members result in a decrease in total net assets.

During periods of sustained low interest rates, investment returns may be lower because the interest income on new fixed income investments is likely to have declined with the market interest rates. The Society engages investment managers who employ interest rate monitoring and measurement techniques and actively manage the interest rate risk exposure of the Segregated Fund assets. Conservative investment policies restrict the investment managers' investment choices.

The following table shows the sensitivity of the Society's Segregated Fund assets to a 1% (100 basis points) and 2% (200 basis points) increase or decrease to the DEX Universe Bond Index. This analysis assumes that the Society's assets' performance in 2010, relative to the index performance in 2010, would be consistent with the actual performance achieved.

December 31, 2010 (in thousands of dollars, except unit values)

Sensitivity analysis of Segregated Fund assets to interest rates

	Estimated effects on Segregated Fund assets	
	2010	2009
	$	$
	(Increase)/decrease	
Shift up 100 basis points	**1,869**	1,552
Shift down 100 basis points	**(1,873)**	(1,556)
Shift up 200 basis points	**3,733**	3,100
Shift down 200 basis points	**(3,751)**	(3,115)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty meeting cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all commitments and obligations as they fall due. To manage liquidity risk and cash flow requirements, the Society's investment policy requires all investments in the Society's Segregated Fund assets to be publicly traded and highly liquid. The Segregated Fund assets are subject to withdrawal by the members but there are no contractual obligations.

Equity market and other investment risks

Fluctuations in the equity and capital markets have in the past affected the performance of the Society's Segregated Fund assets and will continue to do so. Exposure to equity and capital market risks exists in the Segregated Fund assets of the Society. Asset exposure exists through direct equity investments, where the Segregated Fund assets bear all of the volatility in returns and investment performance risk. Volatile or poor market conditions may also significantly reduce the popularity of some of the Society's Segregated Fund assets. This could lead ultimately to lower assets held on account and to the Society increasing the fees charged to the Segregated Funds to manage those accounts and thereby reducing returns. General economic conditions may lead to significant decreases in the value of the Segregated Fund equity investments.

The Society monitors the performance of its Segregated Fund assets against the S&P/TSX Composite Index and the MSCI World Index. It also monitors other indices that will affect the Segregated Fund assets.

The following table illustrates the Society's equity instruments that are exposed to market risk. The table demonstrates a sensitivity analysis of Segregated Fund assets to reasonably possible changes in the fair value of those instruments.

Sensitivity analysis of net income and surplus to equity markets

	Estimated effects on Segregated Fund assets	
	2010	2009
	$	$
	Increase/(decrease)	
Equity values increase 10%	**28,998**	21,075
Equity values decrease 10%	**(30,272)**	(21,649)

December 31, 2010 (in thousands of dollars, except unit values)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge its obligation and causes financial loss to another party. The Society's Segregated Fund assets are exposed to credit risk primarily on investments in bonds, cash and short-term investments.

The Society manages credit risk by maintaining an investment policy restricting investment managers' ability to invest in less than investment grade bonds.

The Society's Segregated Fund investments in bonds include both investments in bonds that are held directly and investments in bonds that are held through pooled bond funds. Investments in bonds held through pooled bond funds are all rated BBB or better as at December 31, 2010 and 2009.

The credit ratings of investments in bonds that are held directly are presented below.

	2010	2009
Registered Retirement Savings Plan	**$**	$
AAA	**23,498**	22,497
AA	**43,196**	38,756
A	**62,423**	64,475
BBB	**5,041**	4,395
	134,158	130,123

19. Commitments

Aggregate future commitments as at December 31 under operating leases for office equipment are as follows:

		$
2011		**12**
2012		**47**
2013		**47**
2014		**43**
2015		**21**
	$	**170**

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