Trillium Mutual Insurance Company

Consolidated Financial Statements

For the year ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Policyholders of Trillium Mutual Insurance Company

Opinion

We have audited the consolidated financial statements of Trillium Mutual Insurance Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of comprehensive income, the consolidated members' surplus and the consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Walkerton, Ontario
February 20, 2019

Trillium Mutual Insurance Company
Consolidated Statement of Financial Position

December 31	2018	2017
Assets		
Cash	**$ 5,912,592**	$ 4,687,812
Investments (Note 5)	**84,512,851**	84,786,843
Investment income accrued	**18,453**	36,908
Income taxes recoverable	**-**	932,781
Due from reinsurers (Note 4)	**969,444**	278,757
Due from policyholders	**17,559,855**	15,544,168
Due from Auto Facility Association	**1,391,850**	1,389,573
Reinsurers' share of provision for unpaid claims (Note 4)	**9,340,062**	8,410,000
Other receivables	**13,338**	7,507
Prepaid expenses	**272,223**	309,654
Deferred policy acquisition expenses (Note 4)	**6,872,756**	5,977,461
Property, plant and equipment (Note 13)	**7,630,688**	7,591,863
Intangible assets (Note 13)	**2,218,575**	2,206,408
Deferred income taxes	**5,500,000**	134,000
	$142,212,687	$ 132,293,735
Liabilities		
Accounts payable and accrued liabilities	**$ 4,241,990**	$ 4,194,089
Due to Auto Facility Association	**1,429,928**	1,452,343
Income taxes payable	**2,386,320**	-
Unearned premiums (Note 4)	**31,630,018**	27,616,200
Provision for unpaid claims (Note 4)	**45,649,017**	39,742,000
	85,337,273	73,004,632
Members' Surplus		
Members' surplus	**56,224,368**	58,640,733
Non-controlling interest	**651,046**	648,370
	56,875,414	59,289,103
	$142,212,687	$ 132,293,735

Signed on behalf of the Board by:

_______________________ Director

_______________________ Director

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

Trillium Mutual Insurance Company
Consolidated Statement of Comprehensive Income

For the year ended December 31	2018	2017
Underwriting income		
Gross premiums written	**$64,079,300**	$ 55,090,275
Less reinsurance ceded	**5,122,219**	4,189,846
Net premiums written	**58,957,081**	50,900,429
Less increase in unearned premiums	**4,013,818**	3,366,040
Net premiums earned	**54,943,263**	47,534,389
Service charges	**659,618**	587,345
	55,602,881	48,121,734
Direct losses incurred		
Gross claims and adjustment expenses	**45,303,471**	31,452,948
Less reinsurers' share of claims and adjustment expenses	**6,528,928**	3,258,353
	38,774,543	28,194,595
	16,828,338	19,927,139
Expenses		
Fees, commissions and other acquisition expenses (Note 8)	**13,681,159**	12,030,816
Other operating and administrative expenses (Note 9)	**7,406,716**	7,139,549
	21,087,875	19,170,365
Net underwriting income (loss)	**(4,259,537)**	756,774
Investment and other income (loss) (Note 6)	**(559,715)**	2,750,005
Comprehensive income (loss) before taxes and other donations	**(4,819,252)**	3,506,779
Donations paid from ROOTS (Note 16)	**203,127**	289,489
Canada 150 donation	**-**	150,000
	203,127	439,489
Comprehensive income (loss) before taxes	**(5,022,379)**	3,067,290
Provision for income taxes (Note 11)	**(2,668,690)**	423,382
Comprehensive income (loss) for the year	**$ (2,353,689)**	$ 2,643,908

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

Trillium Mutual Insurance Company
Consolidated Statement of Members' Surplus

December 31, 2018

	(Note 16) Appropriated Surplus	Unappropriated Surplus	Sub-Total	Non-controlling Interest
December 31, 2018				
Balance, beginning of year	**$ 148,316**	**$58,492,417**	**$58,640,733**	**$ 648,370**
Designated funds transferred to ROOTS	**150,000**	**(150,000)**	**-**	**-**
Comprehensive income (loss) for the year	**(203,127)**	**(2,183,238)**	**(2,386,365)**	**32,676**
Dividends paid	**-**	**(30,000)**	**(30,000)**	**(30,000)**
Balance, end of year	**$ 95,189**	**$56,129,179**	**$56,224,368**	**$ 651,046**
December 31, 2017				
Balance, beginning of year	$ 235,285	$ 55,828,581	$ 56,063,866	$ 661,329
Designated funds transferred to ROOTS	202,520	(202,520)	-	-
Comprehensive income for the year	(289,489)	2,906,356	2,616,867	27,041
Dividends declared	-	(40,000)	(40,000)	(40,000)
Balance, end of year	$ 148,316	$ 58,492,417	$ 58,640,733	$ 648,370

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

Trillium Mutual Insurance Company
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating activities		
Comprehensive income (loss) for the year	**$ (2,353,689)**	$ 2,643,908
Adjustments for:		
Amortization of intangible assets	**306,190**	502,257
Depreciation	**456,439**	408,498
Interest, dividends and pooled fund distributions	**(2,392,746)**	(3,333,917)
Provision for income taxes	**(2,668,690)**	423,382
(Increase) decrease in market value of investments	**(125,045)**	402,395
Realized (gain) loss from disposal of investments	**2,796,423**	12,442
Realized (gain) loss from disposal of capital and intangible assets	**(303)**	(28,563)
	(1,627,732)	(1,613,506)
Changes in working capital		
Change in due from policyholders, reinsurers, and other receivables	**(3,642,267)**	(4,355,300)
Change in prepaids	**37,431**	(77,347)
Change in accounts payable and other liabilities	**47,901**	397,062
	(3,556,935)	(4,035,585)
Changes in insurance contract related balances, provisions		
Change in deferred policy acquisition expenses	**(895,295)**	(773,139)
Change in unearned premiums	**4,013,818**	3,366,039
Change in provision for unpaid claims	**5,907,017**	5,421,268
Change in due to/from Auto Facility Association	**(24,692)**	1,751
	9,000,848	8,015,919
Cash flows related to interest, dividends and income taxes		
Interest and pooled fund distributions received	**2,411,201**	3,318,372
Income taxes paid	**621,791**	(360,576)
	3,032,992	2,957,796
Total cash inflows from operating activities	**$ 4,495,484**	$ 7,968,532
Investing activities		
Sale of investments	**$74,355,118**	$ 5,199,447
Purchase of investments	**(76,770,134)**	(14,906,582)
Mortgage and note receivable issued	**17,629**	661,362
Sale of property plant and equipment and intangibles	**5,225**	92,190
Purchase of property plant and equipment and intangibles	**(818,543)**	(758,636)
Total cash outflows from investing activities	**$ (3,210,705)**	$ (9,712,219)
Financing activities		
Dividends paid	**$ (60,000)**	$ (80,000)
Total cash outflows from financing activities	**$ (60,000)**	$ (80,000)
Net increase (decrease) in cash	**$ 1,224,779**	$ (1,823,687)
Cash, beginning of year	**4,687,812**	6,511,499
Cash, end of year	**$ 5,912,591**	$ 4,687,812

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

1. Corporate information

Trillium Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write accident and sickness, aircraft, automobile, boiler and machinery, fidelity, hail, liability and property insurance in Ontario. The Company's head office is located at 495 Mitchell Road South in Listowel, Ontario.

The Company is subject to rate regulation in the automobile business that it writes. Before automobile insurance rates can be changed, a rate filing is prepared as a combined filing for most Ontario Farm Mutuals. The rate filing must include actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial Services Commission of Ontario. Rate regulation may affect the automobile revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

These consolidated financial statements have been authorized for issue by the Board of Directors on February 20, 2019.

2. Basis of preparation

(a) Statement of Compliance

These consolidated financial statements include the results of operations and financial position of the company and its subsidiaries, a wholly-owned subsidiary and a controlled subsidiary. 1792270 Ontario Inc., the wholly owned subsidiary, holds the real estate for the company and operates out of the Listowel location. All intercompany transactions and balances have been eliminated and non-controlling interests recognized.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB).

(b) Basis of Measurement

These consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of financial instruments designated as being held at fair value through profit and loss ("FVTPL").

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional and presentation currency.

(c) Judgment and Estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

- The calculation of unpaid claims and related reinsurer's share, including the determination of the initial claim liability, discount rates, the estimate of time until ultimate settlement and the performance of a liability adequacy test (Note 4); and

2. Basis of preparation (cont'd)

- The determination of the recoverability of deferred policy acquisition expenses (Note 4); and
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Note 5)

In addition, in preparing the consolidated financial statements, the notes to the consolidated financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgemental.

3. Adoption of New Accounting Standards

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2018 did not materially affect the Company's consolidated financial statements.

IFRS 9 *Financial Instruments* (IFRS 9)

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* (IFRS 9), which supersedes IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities; new guidance for measuring impairment on financial assets; and new hedge accounting guidance.

On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at January 1, 2018, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

(i) Classification and measurement of financial instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and FVTPL.

The following table shows the original classification and carrying amount under IAS 39 and the new classification and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

Financial Instrument	IAS 39		IFRS 9	
Financial Assets				
Cash	Loans & receivables	$ 4,687,812	Amortized cost	$ 4,687,812
Investments - short term deposits (Note 5)	FVTPL	7,528,807	FVTPL	7,528,807
Investments - pooled funds (Note 5)	FVTPL	77,113,741	FVTPL	77,113,741
Investments - other (Note 5)	FVTPL	144,295	FVTPL	144,295
Financial Liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	4,194,089	Amortized Cost	4,194,089

(ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. This applies to financial assets classified at amortized cost and debt instruments classified at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. This change did not have a material impact to the Company's consolidated financial statements.

(iii) Disclosure

Amendments were also made to IFRS 7 introducing expanded qualitative and quantitative disclosures related to IFRS 9, which the Company has also adopted for the annual period beginning January 1, 2018.

4. Insurance contracts

In accordance with IFRS 4, Insurance Contracts, the Company has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian generally accepted accounting principles.

Balances arising from insurance contracts primarily include unearned premiums, provisions for unpaid claims and adjustment expenses, the Reinsurers' share of provisions for unearned premiums and unpaid claims and adjustment expenses, deferred policy acquisition expenses, and salvage and subrogation recoverable.

(a) Premiums and unearned premiums

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions' payable to agents and exclusive of taxes levied on premiums.

The Company recognizes premium income evenly over the term of the insurance policy generally using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums. Changes in unearned premiums recorded in the statement of financial position and their impact on net premiums earned are as follows:

Unearned premiums	**2018**	2017
Balance, beginning of year	**$27,616,200**	$ 24,250,161
Premiums written	**64,079,300**	55,090,275
Premiums earned during year	**(60,065,482)**	(51,724,236)
Balance, end of year	**$31,630,018**	$ 27,616,200

Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Automobile premiums are subject to approval by the Financial Services Commission of Ontario and therefore may result in a delay in adjusting the pricing to exposed risk.

The Company is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums. There were no premium deficiencies at December 31, 2018 and 2017.

Amounts due from policyholders are measured at amortized cost using the effective interest method, less any impairment. Accounts receivable are short-term in nature consisting of a large number of policyholders, and are not subject to material credit risk. Regular review of outstanding receivables is performed to ensure credit worthiness.

4. Insurance contracts (cont'd)

(b) Deferred policy acquisition expenses

Acquisition costs are comprised of brokers' and agents' commissions and premium taxes and other incremental costs associated with servicing the policies. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses.

Changes in deferred policy acquisition expenses recorded in the statement of financial position and their impact on fees, commissions and other acquisition expenses are as follows:

Deferred policy acquisition expenses	**2018**	2017
Balance, beginning of year	**$ 5,977,461**	$ 5,204,322
Acquisition costs incurred	**14,576,454**	12,803,955
Expensed during year	**(13,681,159)**	(12,030,816)
Balance, end of year	**$ 6,872,756**	$ 5,977,461

(c) Provision for unpaid claims and adjustment expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, claims development, changes in reported claims and for claims incurred but not reported, based on past experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income.

Claim liabilities are carried on a discounted basis to reflect the time value of money. As required by actuarial standards in Canada, claims liabilities also include a provision for adverse deviation (PFAD), which represents an additional margin on valuation variable factors, which are claims development, reinsurance recoveries and interest rates used in discounting claims liabilities.

A summary of the Company's outstanding gross unpaid claims liabilities, related reinsurer's share of unpaid claims and the net insurance liabilities is as follows:

4. Insurance contracts (cont'd)

			2018			2017
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
Outstanding claims provision						
Long term settlement	**$14,339,809**	**$ 3,273,121**	**$11,066,688**	$ 12,082,838	$ 2,261,929	$ 9,820,909
Short settlement	**17,458,655**	**1,594,941**	**15,863,714**	15,446,223	1,954,772	13,491,451
Facility Association and other pools	**936,253**	**-**	**936,253**	888,390	-	888,390
	32,734,717	**4,868,062**	**27,866,655**	28,417,451	4,216,701	24,200,750
Provision for claims incurred but not reported	**12,914,300**	**4,472,000**	**8,442,300**	11,324,549	4,193,299	7,131,250
	$45,649,017	**$ 9,340,062**	**$36,308,955**	$ 39,742,000	$ 8,410,000	$ 31,332,000

4. Insurance contracts (cont'd)

The ultimate cost of long settlement general liability claims are difficult to predict for several reasons. Claims may not be reported until many years after a policy expires. Changes in the legal environment have created further complications. Court decisions and federal and provincial legislation may dramatically increase the liability between the time a policy is written and associated claims are ultimately resolved. For example, liability for exposure to toxic substances and environmental impairment, which did not appear likely or even exist when the policies were written, has been imposed by legislators and judicial interpretation. Tort liability has been expanded by some jurisdictions to cover defective workmanship. Provisions for such difficult-to-estimate liabilities are established by examining the facts of tendered claims and adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns and current socioeconomic trends.

The Company must participate in industry automobile residual pools of business, and recognizes a share of this business based on its automobile market share. The Company records its share of the assets, liabilities, revenue and expenses provided by the actuaries of the pools.

Claims and adjustment expenses

Changes in claim liabilities recorded in the statement of financial position and their impact on claims and adjustment expenses are as follows:

	2018	2017
Unpaid claim liabilities - beginning of year – net of reinsurance	**$31,332,000**	$ 27,702,052
(Decrease) in estimated losses and expenses, for losses occurring in prior years	**(1,081,152)**	(4,302,107)
Provision for losses and expenses on claims occurring in the current year	**39,855,692**	32,496,704
Payment on claims:		
Current year	**(22,371,358)**	(17,839,225)
Prior years	**(11,426,227)**	(6,725,424)
Unpaid claims – end of year - net	**36,308,955**	31,332,000
Reinsurer's share and subrogation recoverable	**9,340,062**	8,410,000
	$45,649,017	$ 39,742,000

Claim development

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

4. Insurance contracts (cont'd)

The Company writes insurance primarily over a twelve month duration. The most significant risks arise through high severity, low frequency events such as natural disasters or catastrophes. A concentration of risk may arise from insurance contracts issued in a specific geographic location since all insurance contracts are written in Ontario.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims the more variable the estimates. Short-term settlement claims are those which are expected to be substantially paid within a year of being reported.

The tables below show how the Company's estimate of cumulative incurred claim cost for each accident year has changed at successive year ends and reconciles the cumulative claims to the amount appearing in the statement of financial position. An accident-year basis is considered to be the most appropriate for the business written by the Company.

4. Insurance contracts (cont'd)

Gross claims	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Gross estimate of cumulative claims cost												
At the end year of claim	$ 23,857,114	$ 23,374,597	$ 24,806,746	$ 28,624,678	$ 18,592,672	$ 26,406,226	$ 28,749,702	$ 28,023,075	$ 37,725,752	$ 36,950,470	$ 45,323,734	
One year later	24,929,640	21,902,572	21,712,349	25,833,374	15,793,198	24,208,499	24,603,131	25,680,169	34,073,944	35,552,125		
Two years later	23,743,059	20,209,181	21,033,654	22,625,835	16,815,441	23,851,614	22,917,049	25,881,704	34,140,475			
Three years later	21,173,680	19,685,688	18,097,717	22,260,038	15,708,845	22,943,527	22,665,876	26,871,711				
Four years later	20,427,223	18,033,597	17,387,871	21,817,057	15,713,300	22,657,057	22,565,033					
Five years later	20,130,265	17,259,651	17,246,461	21,203,164	15,686,322	23,822,807						
Six years later	19,990,261	17,256,835	16,852,192	21,040,288	15,410,985							
Seven years later	19,903,225	17,077,636	16,725,692	20,890,717								
Eight years later	19,916,473	17,067,636	16,685,937									
Nine years later	19,904,973	17,067,636										
Ten years later	19,904,973											
Current estimate of cumulative claims cost	19,904,973	17,067,636	16,685,937	20,890,717	15,410,985	23,822,807	22,565,033	26,871,711	34,140,475	35,552,125	45,323,734	278,236,133
Cumulative payments	19,904,973	17,067,636	16,685,937	20,485,293	15,115,420	23,199,665	19,483,611	20,593,756	29,170,215	26,339,029	24,541,581	232,587,116
Outstanding claims	$ -	$ -	$ -	$ 405,424	$ 295,565	$ 623,142	$ 3,081,422	$ 6,277,955	$ 4,970,260	$ 9,213,096	$ 20,782,153	45,649,017
Outstanding claims 2007 and prior												-
Total gross outstanding claims and claims handling expense												$ 45,649,017

Net of Reinsurance	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Net estimate of cumulative claims cost												
At the end year of claim	$ 17,157,453	$ 19,719,572	$ 17,998,740	$ 22,591,379	$ 15,965,173	$ 23,371,819	$ 25,792,505	$ 24,769,018	$ 30,929,779	$ 32,496,704	$ 39,855,692	
One year later	18,333,834	18,165,618	15,608,088	20,775,766	14,048,424	22,163,232	21,585,983	23,487,763	28,328,336	32,132,336		
Two years later	17,380,136	16,700,739	15,317,756	18,754,018	14,670,627	21,388,485	20,294,498	22,993,689	27,556,855			
Three years later	16,347,745	16,377,301	13,797,319	18,792,843	13,910,991	21,165,398	19,705,918	23,015,261				
Four years later	16,063,780	15,779,927	13,180,473	18,406,044	14,010,248	20,878,039	19,600,658					
Five years later	15,912,487	15,480,191	12,982,063	18,029,151	13,951,424	21,395,087						
Six years later	15,807,483	15,420,375	12,747,794	17,886,275	13,724,087							
Seven years later	15,691,447	15,332,176	12,628,294	17,762,704								
Eight years later	15,782,695	15,327,176	12,600,539									
Nine years later	15,771,195	15,327,176										
Ten years later	15,771,195											
Current estimate of cumulative claims cost	15,771,195	15,327,176	12,600,539	17,762,704	13,724,087	21,395,087	19,600,658	23,015,261	27,556,855	32,132,336	39,855,692	238,741,590
Cumulative payments	15,771,195	15,327,176	12,600,539	17,364,280	13,458,522	20,910,369	17,911,827	18,944,804	23,322,204	24,450,361	22,371,358	202,432,635
Outstanding claims	$ -	$ -	$ -	$ 398,424	$ 265,565	$ 484,718	$ 1,688,831	$ 4,070,457	$ 4,234,651	$ 7,681,975	$ 17,484,334	36,308,955
Outstanding claims 2007 and prior												-
Total net outstanding claims and claims handing expense												$ 36,308,955

4. Insurance contracts (cont'd)

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development.

Results of sensitivity testing based on expected loss ratios are as follows, shown gross and net of reinsurance as impact on comprehensive income before taxes:

	Property claims		Auto claims		Liability claims	
	2018	2017	**2018**	2017	**2018**	2017
5% increase in loss ratios						
Gross	**$ 1,736,436**	$ 1,453,096	**$ 919,889**	$ 828,855	**$ 270,041**	$ 247,350
Net	**$ 1,497,649**	$ 1,301,265	**$ 765,967**	$ 710,647	**$ 206,150**	$ 245,642
5% decrease in loss ratios						
Gross	**$ (1,736,436)**	$(1,453,096)	**$ (919,889)**	$ (828,855)	**$ (270,041)**	$ (247,350)
Net	**$ (1,497,649)**	$(1,301,265)	**$ (765,967)**	$ (710,647)	**$ (206,150)**	$ (245,642)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(d) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant discount rate. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in profit and loss initially by writing down the deferred policy acquisition expense and subsequently by recognizing an additional claims liability for claims provisions.

(e) Reinsurers' share of provisions for unpaid claims and adjustment expenses

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are set by product line. Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured. Reinsurance liabilities, comprised of premiums payable for the purchase of reinsurance contracts, are included in accounts payable and accrued liabilities and are recognized as an expense on the same basis as the revenue on the underlying policies being reinsured.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of $500,000 (2017 - $500,000) in the event of a property claim, an amount of $1,100,000 (2017 - $700,000) in the event of an automobile claim and $1,000,000 (2017 - $1,000,000) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $1,500,000 (2017 - $1,500,000) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% (2017 -$80%) of gross net earned premiums for property, liability and automobile.

4. Insurance contracts (cont'd)

Amounts recoverable from the reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability.

Changes in due from reinsurer recorded in the statement of financial position are as follows:

Due from reinsurer	**2018**	2017
Balance, beginning of year	**$ 278,757**	$ 179,444
Submitted to reinsurer	**5,877,568**	2,659,332
Received from reinsurer	**(5,186,881)**	(2,560,019)
Balance, end of year	**$ 969,444**	$ 278,757
Expected settlement		
Within one year	**$ 969,444**	$ 278,757
More than one year	**$ -**	$ -

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract. At year-end, the Company reviewed the amounts owing from its reinsurer and determined that no allowance is necessary.

Changes in reinsurer's share of provision for unpaid claims are recorded in the statement of financial position and their impact on net premiums earned are as follows:

4. Insurance contracts (cont'd)

Reinsurer's share of provision for unpaid claims	**2018**	2017
Balance, beginning of year	**$ 8,410,000**	$ 6,618,680
New claims reserve	**5,468,043**	3,527,221
Change in prior years reserve	**1,339,587**	923,431
Submitted to reinsurer	**(5,877,568)**	(2,659,332)
Balance, end of year	**$ 9,340,062**	$ 8,410,000
Expected settlement		
Within one year	**$ 1,594,941**	$ 1,954,772
More than one year	**$ 7,745,121**	$ 6,455,228

(f) Salvage and subrogation recoverable

In the normal course of business, the Company obtains the ownership of damaged property, which they resell to various salvage operations. Unsold property is valued at its estimated net realizable value.

Where the Company indemnifies policyholders against a liability claim, it acquires rights to subrogate its claim against other parties. These claims are reflected at amounts expected to be received from the subrogated parties net of related costs.

(g) Refund from premium

At the discretion of the Board of Directors the Company may declare a refund to its policy holders based on the premiums paid in the fiscal period. Any refund would be recognized as a reduction of revenue in the period for which it is declared.

5. Investments

(a) Recognition and initial measurement

The Company recognizes debt instruments on the date on which they are originated. Equity instruments are recognized on the settlement date, which is the date that the asset is received by the Company. The instruments are initially measured at fair value.

(b) Classification and subsequent measurement

The Company classifies its debt instruments, bankers' acceptable and bonds as FVTPL because the Company manages debt instruments and evaluates their performance on a fair value basis in accordance with a documented investment strategy and the instruments are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Company's pooled funds are redeemable at the option of the holder and therefore considered debt instruments under IFRS 9 that do not give rise to cash flows that are solely principal and interest and therefore are classified as FVTPL.

The Company classifies its equity instruments in listed and unlisted companies as FVTPL.

The debt and equity instruments are subsequently measured at fair value where the net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in profit or loss.

(c) Derecognition

The Company derecognizes investments when the contractual rights to the cash flows from the investment expires or the Company transfers the investment. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

5. Investments (cont'd)

(d) Risks

The following table provides cost and fair value information of investments by type of security and issuer:

	2018		2017	
	Cost	**Fair value**	Cost	Fair value
Short term deposits	**$ 4,250,000**	**$ 4,250,000**	$ 7,528,807	$ 7,528,807
Pooled funds				
Canadian fixed income	**63,670,482**	**63,873,712**	61,408,910	59,112,662
Canadian equity	**18,590,523**	**16,239,710**	17,977,459	18,001,079
	82,261,005	**80,113,422**	79,386,369	77,113,741
Other investments				
Fire Mutuals guarantee fund	**136,090**	**136,090**	114,830	114,830
Other investments	**13,339**	**13,339**	29,465	29,465
	149,429	**149,429**	144,295	144,295
Total investments	**$86,660,434**	**$84,512,851**	$ 87,059,471	$ 84,786,843

Credit risk

Credit risk is the risk of financial loss to the Company if a debtor fails to make payments of interest and principal when due.

The Company is exposed to this risk relating to its debt holdings in its investment portfolio.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

The maximum exposure to investment credit risk is the carrying value of investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

5. Investments (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

The Company's investment policy requires a minimum of 2.5% up to a maximum of 10% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market factors that will impact the fair value of investments include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

Currency risk

The Company's currency exchange risk is related to stock holdings which are limited to foreign equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 16% of the total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Investment Committee and the Board of Directors and holdings are adjusted when offside of the investment policy.

Interest rate risk

The Company is exposed to this risk through its interest bearing investments (Bankers Acceptance, T-Bills, GICs, and fixed income pooled funds).

5. Investments (cont'd)

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses.

At December 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the market value of the fixed income pooled funds by $4,800,251 (2017 – $4,303,779). These changes would be recognized in comprehensive income.

Equity risk

The Company is exposed to this risk through its equity holdings within its investment portfolio.

The Company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index. At December 31, 2018, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair value of the equity pooled fund of $1,590,363 (2017 - $1,755,170). This change would be recognized in comprehensive income for the year.

The Company's investment policy limits investment in common shares to a maximum of 26% of the market value of the portfolio.

Equities are monitored by the Investment Committee and the Board of Directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure market risk.

(e) Fair value measurement

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Investments (cont'd)

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Short term deposits	**$ 4,250,000**	**$ -**	**$ -**	**$ 4,250,000**
Pooled funds	**-**	**80,113,422**	**-**	**80,113,422**
Other investments	**-**	**136,090**	**13,339**	**149,429**
Total	**$ 4,250,000**	**$80,249,512**	**$ 13,339**	**$84,512,851**
December 31, 2017				
Short term deposits	$ 7,528,807	$ -	$ -	$ 7,528,807
Pooled funds	-	77,113,741	-	77,113,741
Other investments	-	114,830	29,465	144,295
Total	$ 7,528,807	$ 77,228,571	$ 29,465	$ 84,786,843

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2017 and 2018.

6. Investment and other income (loss)

	2018	2017
Interest income	**$ 181,368**	$ 129,951
Dividend income	**30,000**	40,000
Realized gains (losses) on disposal of investments	**(2,796,423)**	(12,442)
Investment expenses	**(358,841)**	(218,808)
Pooled fund distributions	**2,181,378**	3,163,966
Increase (decrease) in market value of investments	**125,045**	(402,395)
Total investment income (Loss)	**(637,473)**	2,700,272
Other income	**77,455**	21,170
Realized gains on disposal of fixed assets	**303**	28,563
Total other income	**77,758**	49,733
Total investment and other income (loss)	**$ (559,715)**	$ 2,750,005

7. Capital management

For the purpose of capital management, the Company has defined capital as members' surplus. The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators generally expect property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors. The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and deemed necessary.

8. Fees, commissions and other acquisition expenses

	2018	2017
Commissions	**$11,113,221**	$ 9,769,970
Inspection salaries and benefits	**518,807**	473,336
Underwriting salaries and benefits	**1,873,213**	1,639,516
Premium taxes	**175,918**	147,994
	$13,681,159	$ 12,030,816

9. Other operating and administrative expenses

	2018	2017
Advertising	**$ 288,427**	$ 270,954
Association fees and dues	**106,608**	136,476
Amortization of intangible assets	**306,190**	502,257
Depreciation	**456,439**	408,498
Educational seminars and conventions	**127,615**	126,351
Inspection costs	**365,039**	345,510
Insurance and bank charges	**315,432**	224,035
Occupancy costs	**326,672**	320,967
Postage and telephone	**174,513**	174,754
Printing, stationary and office	**1,036,124**	949,749
Professional fees	**324,003**	418,099
Salaries, benefits and directors' fees	**3,294,160**	2,985,041
Travel	**285,494**	276,858
	$ 7,406,716	$ 7,139,549

10. Salaries, benefits and directors fees

	2018	2017
Claims salaries and benefits (included in claims expenses)	**$ 1,127,133**	$ 1,242,194
Inspection salaries and benefits (Note 8)	**518,807**	473,336
Underwriting salaries and benefits (Note 8)	**1,873,213**	1,639,516
Other salaries, benefits and directors fees (Note 9)	**3,294,160**	2,985,041
	$ 6,813,313	$ 6,340,087

11. Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to a business combination, or items recognized directly in members' surplus.

The significant components of tax expense included in comprehensive income are composed of:

	2018	2017
Current tax expense		
Based on current year taxable income	**$ 2,644,427**	$ 427,129
Adjustments for (over) / under provision in prior periods	**52,883**	2,253
	2,697,310	429,382
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(4,268,000)**	11,000
Changes in tax rate	**(1,098,000)**	(17,000)
	(5,366,000)	(6,000)
Total income tax expense (recovery)	**$ (2,668,690)**	$ 423,382

11. Income taxes (con't)

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.50% (2017 – 26.50%) are as follows:

	2018	2017
Comprehensive income (loss) before taxes	**$ (5,022,379)**	$ 3,067,290
Expected taxes based on the statutory rate of 26.50% (2017 – 26.50%)	**$ (1,330,930)**	$ 812,832
Non-taxable income from insuring farm related risks	**(1,118,277)**	(135,092)
Non-deductible loss (non-taxable gain) on disposal of assets	**(80)**	(7,569)
Non-taxable dividend income	**(168,477)**	(218,065)
Amortization in excess of capital cost allowance	**2,931**	4,800
Change in reserves	**5,340,169**	48,097
Change in deferred tax	**(5,366,000)**	(6,000)
(Over) under provision in prior years	**52,883**	2,253
Tax rate adjustment on capital gain distributions	**36,946**	38,235
Other non deductible expenses	**(117,855)**	(116,109)
Total income tax expense	**$ (2,668,690)**	$ 423,382

12. Structured settlements, Fire Mutuals Guarantee Fund and financial guarantee contracts

The Company enters into annuity agreements with various life insurance companies to provide for fixed and recurring payments to claimants. Under such arrangements, the Company's liability to its claimants is substantially transferred, although the Company remains exposed to the credit risk if life insurers fail to fulfil their obligations.

The Company is a member of the Fire Mutuals Guarantee Fund ("the Fund"). The Fund was established to provide payment of outstanding policyholders' claims, and assumption of unearned premiums, if a member company becomes bankrupt. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

The Company is also a member of the Farm Mutual Re ("the Plan"), which is a general reinsurer that shares in the insurance risks originally accepted by member insurance companies. As a member of the Plan, the Company may be required to contribute additional capital to the Plan in the form of subordinated debt should the Plan's capital fall below a prescribed minimum.

This exposure represents a financial guarantee contract. The Company accounts for financial guarantee contracts in accordance with IFRS 4, Insurance Contracts.

13. Property, plant and equipment and intangible assets

Property, plant & equipment

Property, plant & equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in comprehensive income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	40 years
Computer hardware	4 years
Furniture and fixtures	4 to 5 years
Vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Intangible assets

Intangible assets consist of computer software, which are not integral to the computer hardware owned by the Company, developed software, customer lists and goodwill.

Computer software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 4 years.

Developed software relates to the cost of developing new products. These costs are capitalized and amortized over the expected useful life of the software.

Customer lists are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Customer lists are amortized on a straight-line basis over their estimated useful life of 10 years. The amortization expense is included in other operating and administrative expenses in the statement of comprehensive income.

Goodwill is deemed to have an indefinite life and is initially recorded at cost and subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually.

December 31, 2018

13. Property, plant & equipment and intangible assets (cont'd)

	Property, plant and equipment					
	Land	Buildings	Computer hardware	Furniture and fixtures	Vehicles	Total
Cost						
Balance - December 31, 2017	$ 1,004,360	$ 6,463,541	$ 1,417,110	$ 1,305,017	$ 310,709	$ 10,500,737
Additions	-	925	385,095	35,600	78,566	500,186
Disposals	-	-	89,676	-	-	89,676
Balance - December 31, 2018	**$ 1,004,360**	**$ 6,464,466**	**$ 1,712,529**	**$ 1,340,617**	**$ 389,275**	**$10,911,247**
Accumulated depreciation						
Balance - December 31, 2017	$ -	$ 637,328	$ 901,799	$ 1,252,917	$ 116,830	$ 2,908,874
Depreciation expense		86,845	260,494	22,912	86,188	456,439
Disposals	-	-	84,754	-	-	84,754
Balance - December 31, 2018	**$ -**	**$ 724,173**	**$ 1,077,539**	**$ 1,275,829**	**$ 203,018**	**$ 3,280,559**
Net book value						
December 31, 2017	$ 1,004,360	$ 5,826,213	$ 515,311	$ 52,100	$ 193,879	$ 7,591,863
December 31, 2018	**$ 1,004,360**	**$ 5,740,293**	**$ 634,990**	**$ 64,788**	**$ 186,257**	**$ 7,630,688**

13. Property, plant & equipment and intangible assets (cont'd)

Intangible assets

	Computer software	Goodwill	Customer lists	Total
Cost				
Balance - December 31, 2017	$ 3,315,033	$ 680,695	$ 610,694	$ 4,606,422
Additions	318,357	-	-	318,357
Balance - December 31, 2018	**$ 3,633,390**	**$ 680,695**	**$ 610,694**	**$ 4,924,779**
Accumulated depreciation				
Balance - December 31, 2017	$ 2,186,272	$ -	$ 213,742	$ 2,400,014
Depreciation expense	245,120	-	61,070	306,190
Balance - December 31, 2018	**$ 2,431,392**	**$ -**	**$ 274,812**	**$ 2,706,204**
Net book value				
December 31, 2017	$ 1,128,761	$ 680,695	$ 396,952	$ 2,206,408
December 31, 2018	**$ 1,201,998**	**$ 680,695**	**$ 335,882**	**$ 2,218,575**

14. Pension Plan

The Company participates in a multi-employer defined benefit pension plan (the Ontario Mutual Insurance Association Pension Plan, "the plan"), however, sufficient information is not available to use defined benefit accounting. Therefore, the Company accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

The Company makes contributions to the plan on behalf of its employees. The plan is a money purchase plan, with a defined benefit option at retirement, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

The amount contributed to the plan for 2018 was $449,676 (2017 - $399,689). The contributions were made for current service and these have been recognized in comprehensive income. These contributions amount to 8.63% (2017 - 7.30%) of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year.

Expected contributions to the plan for the next annual reporting period amount to $495,000, which is based on payments made to the multi-employer plan during the current fiscal year.

The defined benefit pension plan has been closed to future eligible employees effective July 1, 2013. The Company and all current employees who are accruing benefits under the defined benefit plan will continue to contribute to the defined benefit plan according to the existing terms of the agreement. New and future eligible employees will become part of the defined contribution plan. The amount contributed to the defined contribution plan for 2018 was $136,751 (2017 - $88,657). The contributions were made for current service and these have been recognized in comprehensive income.

15. Related party transactions

The Company entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management:

	2018	2017
Compensation		
Salaries, short term employee benefits and director's fees	**$ 957,561**	$ 985,033
Total pension and other post-employment benefits	**82,644**	72,149
	$ 1,040,205	$ 1,057,182
Premiums	**$ 206,808**	$ 215,082
Claims paid	**$ 173,988**	$ 15,581

Amounts owing to and from key management personnel at December 31, 2018 are $14,272 (2017 - $65,193) and $72,498 (2017 - $78,576) respectively. The amounts are included in due from policyholders and accounts payable and accrued liabilities on the statement of financial position.

16. Recognizing Our Opportunity to Support ("ROOTS")

The Company has decided to appropriate a portion of their surplus annually to Recognizing Our Opportunity to Support ("ROOTS"). The amount designated to appropriated members' surplus annually is to be 7.5% of the current year investment income, with a minimum of $150,000 to a maximum of $300,000 for expenditure in the following year. If the maximum threshold is not met based on 7.5% of investment income, and the company's Combined Ratio (net incurred claims, commissions and general expenses to net underwriting revenue) is less than 90%, the appropriated portion will be increased to the $300,000 maximum as long as the additional amount does not increase the Combined Ratio above 90%. The donations paid and committed during the year are expensed in the consolidated statement of comprehensive income. The ROOTS fund will be used to support not-for-profit organizations that provide growth opportunities for children, advance health care efforts for citizens and promote safety in everyday living within the communities where the Company's policyholders, staff and brokers reside. The Company expects to continue to provide additional contributions to this fund.

	2018	2017
Balance, beginning of year	**$ 148,316**	$ 235,285
Donations paid and committed	**(203,127)**	(289,489)
Amounts designated to appropriated members' surplus for future use	**150,000**	202,520
Balance end of year	**$ 95,189**	$ 148,316

17. Comparative Amounts

The amounts presented for comparative purposes have been revised to conform with the current year's presentation.

18. Standards, amendments, and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2019 or later.

The Company has not yet determined the extent of the impact of the following new standards, interpretations and amendments, which have not been applied in these financial statements:

- *IFRS 17 Insurance Contracts* supersedes IFRS 4 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires entities to recognize profits as it delivers insurance services. The effective date for IFRS 17 is January 1, 2022. The Company has not yet determined the impact of adoption, however is expected to significantly impact the overall Financial Statements.

- *IFRIC 23 Uncertainty over Income Tax Treatments* provides guidance on recognition and measurement of uncertain income tax treatments. The effective date for IFRIC 23 is January 1, 2019. The Company is in the process of evaluating the impact of this interpretation.