Bertie and Clinton Mutual Insurance Company

Financial Statements

For the year ended December 31, 2018

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Financial Statements

For the year ended December 31, 2018

Contents

JONES & O'CONNELL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Members of Bertie and Clinton Mutual Insurance Company

Opinion

We have audited the financial statements of **Bertie and Clinton Mutual Insurance Company** ("the Company"), which comprise the balance sheet as at December 31, 2018, and the statement of members' surplus, statement of operations and comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Bertie and Clinton Mutual Insurance Company** as at December 31, 2018, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Company 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. 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.

In preparing the financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 it 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 financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identity and assess the risks of material misstatement of the 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 a 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 Company's internal control.

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

- Conclude of 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 Company'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 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 condition may cause the Company to cease to continue as a going concern.

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

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.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants

St. Catharines, Ontario
February 21, 2019

Bertie and Clinton Mutual Insurance Company

Balance Sheet

December 31		2018		2017
Assets				
Cash	$	8,482,077	$	2,891,005
Investments (Note 5)		46,546,124		52,260,448
Accounts receivable		178,812		20,845
Current income taxes recoverable		224,281		-
Mortgage receivable		657,501		657,727
Due from policyholders		4,287,049		3,860,249
Due from reinsurers (Note 8)		30		62,260
Reinsurers' share of provisions for unpaid claims (Note 8)		2,849,318		3,921,309
Deferred policy acquisition expenses (Note 8)		1,051,026		978,338
Property and equipment (Note 6)		7,332,565		7,557,976
Intangible assets (Note 7)		30,518		69,288
Deferred income taxes recoverable		111,980		111,980
	$	71,751,281	$	72,391,425
Liabilities and Members' Surplus				
Liabilities				
Accounts payable and accrued liabilities	$	115,292	$	78,653
Premiums paid in advance		123,979		123,979
Current income taxes payable		-		54,634
Unearned premium reserve (Note 8)		8,058,670		7,454,114
Provision for unpaid claims (Note 8)		12,684,591		16,651,048
Provision for policyholder refunds (Note 9)		2,239,238		1,723,701
		23,221,770		26,086,129
Members' Surplus				
Unappropriated		48,529,511		46,305,296
	$	71,751,281	$	72,391,425

On behalf of the Board:

_______________ Director

David Gill _______________ Director

Bertie and Clinton Mutual Insurance Company

Statement of Members' Surplus

For the year ended December 31	**2018**	2017
Balance, beginning of year	**$ 46,305,296**	$ 43,687,707
Comprehensive income for the year	**2,224,215**	2,617,589
Balance, end of year	**$ 48,529,511**	$ 46,305,296

Bertie and Clinton Mutual Insurance Company

Statement of Operations and Comprehensive Income

For the year ended December 31	2018	2017
Revenue		
Gross premiums written	**$ 15,949,548**	$ 14,840,771
Less: reinsurance	**1,406,808**	1,454,227
Net premiums written	**14,542,740**	13,386,544
Increase in reserve for unearned premiums	**(604,556)**	(457,473)
Net premiums earned	**13,938,184**	12,929,071
Claims and Operating Expenses		
Net claims incurred	**3,309,744**	5,195,478
Net adjusting expense	**940,597**	1,459,325
Commissions	**1,382,908**	1,320,768
Salaries and fees	**1,503,523**	1,476,295
Loss prevention expense	**170,361**	202,994
Amortization of property and equipment	**268,357**	148,917
Amortization of intangible assets	**38,770**	62,208
Other expenses (Schedule 1)	**1,259,203**	1,226,251
	8,873,463	11,092,236
Underwriting Income Before Refunds	**5,064,721**	1,836,835
Provision for Policyholder Refunds	**(2,220,730)**	(1,711,084)
Net Underwriting Income	**2,843,991**	125,751
Other Income		
Net investment income (loss) (Note 11)	**(131,727)**	3,234,280
Miscellaneous	**102,343**	158,387
	(29,384)	3,392,667
Income Before Income Tax Expense	**2,814,607**	3,518,418
Income Tax Expense		
Current (Note 10)	**(590,392)**	(822,429)
Deferred (Note 10)	**-**	(78,400)
Net Income and Comprehensive Income for the Year	**$ 2,224,215**	$ 2,617,589

Bertie and Clinton Mutual Insurance Company

Statement of Cash Flows

For the year ended December 31	2018	2017
Cash Provided By (Used In)		
Operating Activities		
Net income for the year	$ 2,224,215	$ 2,617,589
Adjustments for non-cash and other items:		
Amortization of property and equipment	268,357	148,917
Amortization of intangible assets	38,770	62,208
Amortization of investments	31,691	47,960
Loss on disposal of investments held at amortized cost	399,838	-
Gain on disposal of investments held at fair value recorded through profit and loss	(986,320)	-
Reversal of previously recorded unrealized gain on investments held at fair value recorded through profit and loss	986,320	-
Fair value adjustment on investments	1,759,154	(1,232,397)
Interest income	(1,261,916)	(1,632,743)
Dividend income	(765,349)	(369,140)
Gain on disposal of property and equipment (included in miscellaneous)	-	(122,680)
Current income tax expense	590,392	822,429
Deferred income tax expense	-	78,400
	3,285,152	420,543
Change in non-cash working capital balances:		
Accounts receivable	(157,967)	315,286
Due from policyholders	(426,800)	(316,813)
Due from reinsurers	62,230	617,662
Reinsurers' share of provisions for unpaid claims	1,071,991	1,187,623
Deferred policy acquisition expenses	(72,688)	(39,423)
Accounts payable and accrued liabilities	36,639	(637,861)
Unearned premium reserve	604,556	457,473
Provision for unpaid claims	(3,966,457)	(1,188,598)
Provision for policyholder refunds	515,537	(209,700)
	(2,332,959)	185,649
Cash paid for income taxes	(869,307)	(911,297)
Cash provided by (used in) operating activities	82,886	(305,105)
Investing Activities		
(Increase) decrease in investments	3,377,485	(2,942,653)
Interest received on investments	1,408,072	1,584,464
Dividends received on investments	765,349	369,140
Repayment in mortgage receivable	226	2,273
Proceeds from disposal of property and equipment	-	165,000
Selling cost from disposal of property and equipment	-	(45,548)
Purchase of property and equipment	(42,946)	(1,241,175)
Purchase of intangible assets	-	(46,878)
Cash provided by (used in) investing activities	5,508,186	(2,155,377)
Increase (Decrease) in Cash	5,591,072	(2,460,482)
Cash, beginning of year	2,891,005	5,351,487
Cash, end of year	$ 8,482,077	$ 2,891,005

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

1. Nature of Operations

The Company is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile and farmers' accident insurance in Ontario. Products and services offered to its policyholders include property, liability, automobile and farmers' accident insurance coverage.

The Company's head office is located at 1003 Niagara Street, Welland, Ontario, L3C 1M5.

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 by the Farm Mutual Reinsurance Plan Inc. 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.

2. Basis of Presentation

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

The Company’s financial statements have been prepared on the historical cost convention, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3. The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

The preparation of 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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements for the year ended December 31, 2018 have been authorized for issue by the Audit Committee on February 21, 2019.

3. Significant Accounting Policies

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 GAAP.

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 and deferred policy acquisition expenses.

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. Amounts received in advance are recorded as premiums paid in advance and recognized in income in the year of service.

The Company earns 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. Revenue is only recognized when ultimate collection is reasonably assured.

b) Deferred Policy Acquisition Expenses

Acquisition expenses are comprised of agents' commissions and associated salaries of agents. 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.

c) Provisions for Unpaid Claims and Adjustment Expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, 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 an undiscounted basis.

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 investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense to the income statement initially by writing off the deferred policy acquisition expense and subsequently by recognizing an additional claims liability for claims provisions.

3. Significant Accounting Policies (Continued)

Insurance Contracts (Continued)

d) 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. 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 when due.

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.

e) Provision for Policyholder Refunds

The board of directors of the Company may declare a refund to its policyholders based on the premiums paid in the fiscal period. This refund is recognized as an expense in the period for which it is declared.

Fire Mutuals Guarantee Fund

The Company is a member of the Fire Mutuals Guarantee Fund ("the Fund"). The Fund was established to provide payment of outstanding policyholders' claims 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.

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 4, Insurance Contracts.

3. Significant Accounting Policies (Continued)

Financial Instruments

Financial Assets

The Company classifies its financial assets into one of the categories discussed below, depending on the business purpose for which the asset was acquired and the contractual cash flow characteristics of the financial asset. The Company's accounting policy for each category is as follows:

Financial assets recorded at fair value through profit or loss

This category is comprised of common shares, mutual funds and preferred shares. These financial assets are carried at fair value with changes in fair value recognized in net income.

The fair value of common shares, mutual funds and preferred shares are based on quoted market prices. The cost of these financial assets can be found in Note 14.

Financial assets recorded at fair value through other comprehensive income

This category is comprised of other investments. The company has elected to classify other investments at fair value through other comprehensive income as such equity investments are not held for trading. These financial assets are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in accumulated other comprehensive income. Upon disposal, any amounts included in other comprehensive income are reclassified directly to members' surplus and is not reclassified to net income. Purchases and sales of financial assets recorded at fair value through other comprehensive income are recognized on the settlement date with any change in fair value between the trade date and settlement date being recognized in other comprehensive income.

The fair value of other investments cannot be reliably determined and as such these financial assets are carried at cost, which approximates market. The cost of these financial assets can be found in Note 14.

Financial assets recorded at amortized cost

This category is comprised of cash, bonds, debentures and term deposits, accounts receivable, mortgage receivable, due from policyholders and due from reinsurers. The business objective is to hold these financial assets in order to collect contractual cash flows made solely payments of principal and interest. These financial assets are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less any provision for impairment. Impairment provisions are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit loss model. For those that are determined to be credit impaired, lifetime expected credit losses along with gross premium written on a net basis are recognized.

3. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial assets recorded at amortized cost (Continued)

The fair value of cash approximates its cost given its short-term maturity as it is expected to be recovered within one year. The fair value of bonds, debentures and term deposits are based on quoted market prices for the investments. The fair value of accounts receivable, due from policyholders and due form reinsurers approximate their original cost amounts due to their short-term maturities as they are expected to be recovered within one year. The fair value of mortgage receivable is calculated using a discounted present value cash flow approach based on maturity date, payment terms, with no early repayments and no credit losses. The discount rate is the interest rate of the fixed rate mortgage plus the difference between the average bond rate as of the funding and the average bond rate at the end of the reporting period. The average bond rate used at year end is based on the remaining maturity. The fair value of these financial assets can be found in Note 14.

Cash includes cash equivalents such as money market funds that are readily convertible to cash at a set market rate and thus have nominal risk with respect to changes in fair value.

Financial Liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the business purpose for which the liability was incurred and the contractual cash flow characteristics of the financial liability. The Company's accounting policy for each category is as follows:

Financial liabilities recorded at amortized cost

This category is comprised of accounts payable and accrued liabilities These financial liabilities are initially recognized at fair value, net of any transaction costs directly attributable to the issue of the instrument. These financial liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that interest expense is recognized over the period to repayment at a constant rate on the balance of the liability carried in the statement of financial position.

The fair value of accounts payable and accrued liabilities approximates their cost due to their short-term maturities. The fair value of these financial liabilities can be found in Note 14.

3. Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses, with the exception of land which is not depreciated. Amortization is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows. Amortization on additions is provided at half the yearly rate.

Building	40 years
Sign (included in building)	10 years
Roof (included in building)	15 years
HVAC (included in building)	15 years
Parking lot and sidewalks (included in building)	7 years
Computer equipment	3 years
Office equipment	5 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary. Amortization is not provided on assets under construction.

Intangible Assets

Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows. Amortization on additions is provided at half the yearly rate.

Computer software	10 years
Client list	5 years

3. Significant Accounting Policies (Continued)

Income Taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities or assets are settled or recovered.

3. Significant Accounting Policies (Continued)

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Provision for Unpaid Claims

There are several sources of uncertainty that need to be considered by the Company in estimating the amount that will ultimately be paid on these claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Company's historical experience and industry experience. More details are included in Note 8.

4. Changes in Accounting Policies

Financial Instruments Measurement

On January 1, 2018, the company retrospectively implemented IFRS 9: Financial Instruments with respect to measurement classifications for financial instruments. This new standard requires the classification of financial instruments based on the company's business model and the cash flow characteristics of the financial instrument. The new classifications for financial instruments as determined by the company can be found in Significant Accounting Policies - Note 3. These changing classifications had no effect on the company's assets, eligibilities, members' surplus, gross premium revenue, net investment income (loss) or net income and comprehensive income for the years ended December 31, 2017 or December 31, 2018.

5. Investments

	2018		2017	
	Carrying Value	**Effective Rate**	Carrying Value	Effective Rate
Maturing within 1 year				
Bonds, debentures and term deposits	**$ 3,706,070**	**3.84 %**	$ 2,498,738	5.25 %
Maturing 2 to 5 years				
Bonds, debentures and term deposits	**17,676,055**	**3.30 %**	12,876,909	4.00 %
Maturing beyond 5 years				
Bonds, debentures and term deposits	**2,116,010**	**2.45 %**	24,667,127	2.93 %
Total bonds, debentures and term deposits	**$ 23,498,135**	**2.91 %**	$ 40,042,774	3.42 %
Accrued interest receivable	**191,019**		368,865	
Other Investments				
Common shares, mutual funds and preferred shares	**22,822,391**		11,815,019	
Other investments	**34,579**		33,790	
	$ 46,546,124		$ 52,260,448	

Accrued interest receivable is expected to be recovered within one year. Common shares, mutual funds and preferred shares and other investments are expected to be recovered at dates beyond one year.

6. Property and Equipment

	Land	Building	Computer Equipment	Office Equipment	Total
Cost					
Balance as at December 31, 2016	$ 1,761,105	$ 5,713,088	$ 330,348	$ 129,750	$ 7,934,291
Additions	(253)	917,503	208,814	115,111	1,241,175
Disposals	(134,775)	(907,921)	(244,175)	(68,882)	(1,355,753)
Balance as at December 31, 2017	1,626,077	5,722,670	294,987	175,979	7,819,713
Additions	-	29,791	3,299	9,856	42,946
Balance as at December 31, 2018	$ 1,626,077	$ 5,752,461	$ 298,286	$ 185,835	$ 7,862,659
Accumulated Amortization					
Balance as at December 31, 2016	$ -	$ 385,924	$ 324,761	$ 101,116	$ 811,801
Amortization	-	88,065	38,033	22,819	148,917
Disposals	-	(385,925)	(244,174)	(68,882)	(698,981)
Balance as at December 31, 2017	-	88,064	118,620	55,053	261,737
Amortization	-	164,506	71,036	32,815	268,357
Balance as at December 31, 2018	$ -	$ 252,570	$ 189,656	$ 87,868	$ 530,094
Net Book Value					
Balance as at December 31, 2017	$ 1,626,077	$ 5,634,606	$ 176,367	$ 120,926	$ 7,557,976
Balance as at December 31, 2018	$ 1,626,077	$ 5,499,891	$ 108,630	$ 97,967	$ 7,332,565

Property and equipment are expected to be recovered at dates greater than one year.

7. Intangible Assets

	Computer Software	Client List	Total
Cost			
Balance as at December 31, 2016	$ 370,483	$ 234,376	$ 604,859
Additions	46,878	-	46,878
Balance as at December 31, 2017	417,361	234,376	651,737
Additions	-	-	-
Balance as at December 31, 2018	$ 417,361	$ 234,376	$ 651,737
Accumulated Amortization			
Balance as at December 31, 2016	$ 309,303	$ 210,938	$ 520,241
Amortization	38,770	23,438	62,208
Balance as at December 31, 2017	348,073	234,376	582,449
Amortization	38,770	-	38,770
Balance as at December 31, 2018	$ 386,843	$ 234,376	$ 621,219
Net Book Value			
Balance as at December 31, 2017	$ 69,288	$ -	$ 69,288
Balance as at December 31, 2018	$ 30,518	$ -	$ 30,518

Intangible assets are expected be recovered at dates greater than one year.

8. Insurance Contracts

		December 31, 2018		December 31, 2017
Due from Reinsurers				
Balance, beginning of year	**$**	**62,260**	$	679,922
Submitted to reinsurers		**1,214,082**		213,038
Received from reinsurers		**(1,276,312)**		(830,700)
Balance, end of year	**$**	**30**	$	62,260
Expected Settlement				
Within one year	**$**	**30**	$	62,260

At year-end, the Company reviewed the amounts owing from its reinsurers and determined that no allowance is necessary.

Reinsurers Share of Provision for Unpaid Claims				
Balance, beginning of year	**$**	**3,921,309**	$	5,108,932
New claims reserve		**-**		200,224
Change in prior years reserve		**142,091**		(1,174,809)
Submitted to reinsurers		**(1,214,082)**		(213,038)
Balance, end of year	**$**	**2,849,318**	$	3,921,309
Expected Settlement				
Within one year	**$**	**-**	$	200,224
More than one year		**2,849,318**		3,721,085
	$	**2,849,318**	$	3,921,309
Deferred Policy Acquisition Expenses				
Balance, beginning of year	**$**	**978,338**	$	938,915
Acquisition costs incurred		**1,051,026**		978,338
Expensed during the year		**(978,338)**		(938,915)
Balance, end of year	**$**	**1,051,026**	$	978,338

Deferred policy acquisition expensed will be recognized as an expense within one year.

Unearned Premium Reserve				
Balance, beginning of year	**$**	**7,454,114**	$	6,996,641
Premiums written		**15,949,548**		14,840,771
Premiums earned during year		**(16,554,104)**		(15,298,244)
Increase in reserve for unearned premiums		**604,556**		457,473
Balance, end of year	**$**	**8,058,670**	$	7,454,114

Unearned premium reserve will be recognized within one year.

8. Insurance Contracts (Continued)

Insurance Contract Provisions and Related Reinsurance Assets

The following is a summary of the insurance contract provisions and related reinsurance assets.

December 31, 2018	Gross	Re-insurance	**Net**
Outstanding claims provision			
Long settlement term	$ 3,415,798	$ 719,700	**$ 2,696,098**
Short settlement term	3,851,966	-	**3,851,966**
Facility association and other residual pools	457,501	-	**457,501**
Provisions for claims incurred but not reported	4,959,326	2,129,618	**2,829,708**
Balance, end of year	$ 12,684,591	$ 2,849,318	**$ 9,835,273**

December 31, 2017	Gross	Re-insurance	Net
Outstanding claims provision			
Long settlement term	$ 5,907,957	$ 1,591,467	$ 4,316,490
Short settlement term	4,867,586	200,224	4,667,362
Facility association and other residual pools	464,342	-	464,342
Provisions for claims incurred but not reported	5,411,163	2,129,618	3,281,545
Balance, end of year	$ 16,651,048	$ 3,921,309	$ 12,729,739

Comments and Assumptions for Specific Claims Categories

The ultimate cost of long settlement general liability claims are difficult to predict for several reasons. Claims may not be reported until a number of 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 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 liabilities provided by the actuaries of the pools.

8. Insurance Contracts (Continued)

Claims and Adjustment Expenses

Changes in claim liabilities recorded in the statement of financial position for the year ended December 31, 2018 and its impact on claims and adjustment expenses:

	December 31, 2018	December 31, 2017
Balance, beginning of year	**$ 16,651,048**	$ 17,839,646
New claims reserve	**4,395,288**	6,491,297
Change in prior years reserve	**(601,634)**	(1,206,397)
Paid claims		
Current year	**(3,185,326)**	(3,694,268)
Prior years	**(4,574,785)**	(2,779,230)
Balance, end of year	**$ 12,684,591**	$ 16,651,048
Expected settlement		
Within one year	**$ 3,851,966**	$ 4,867,586
More than one year	**8,832,625**	11,783,462
	$ 12,684,591	$ 16,651,048

The change in estimate of losses occurring in prior years is due to changes arising from new information received.

Provision for Unpaid Claims and Adjustment Expenses

The determination of the provision for unpaid claims and adjustment expenses and the related reinsurers' share requires the estimation of three major variables which are the development of claims, reinsurance recoveries, and future investment income. The Superintendent of the Financial Services Commission of Ontario has required that consideration of future investment income be disregarded except in the evaluation of automobile accident benefit claims.

Claim Development

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 settlement term claims are those which are expected to be substantially paid within a year of being reported.

The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the claim years December 31, 2008 to December 31, 2018. The upper half of the tables shows the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

8. Insurance Contracts (Continued)

Claim Development (Continued)

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	$ 7,843,176	$ 8,038,806	$ 10,642,737	$ 12,340,128	$ 11,418,134	$ 10,756,307	$ 12,758,749	$ 10,051,401	$ 12,121,981	$ 11,574,148	**$ 10,983,236**	
One year later	5,315,988	4,737,468	5,546,385	7,122,823	6,806,793	4,455,057	6,391,218	4,110,206	6,432,950	**5,935,422**		
Two years later	5,342,423	4,686,702	5,887,531	6,960,749	6,615,493	4,835,187	6,437,667	4,968,970	**6,458,753**			
Three years later	5,452,648	4,826,569	6,168,037	6,515,171	6,124,562	5,392,419	6,260,021	**5,065,582**				
Four years later	5,727,733	4,758,367	6,381,565	6,386,443	6,619,017	5,435,501	**6,042,378**					
Five years later	5,762,628	5,109,052	5,970,370	6,292,411	5,776,580	**5,371,245**						
Six years later	5,782,258	4,890,905	6,240,534	6,125,925	**5,686,705**							
Seven years later	5,707,072	4,888,515	6,177,869	**5,560,070**								
Eight years later	5,707,072	4,858,345	**6,026,649**									
Nine years later	5,711,945	**4,858,345**										
Ten years later	**5,711,945**											
Current estimate of cumulative claims cost	5,711,945	4,858,345	6,026,649	5,560,070	5,686,705	5,371,245	6,042,378	5,065,582	6,458,753	5,935,422	**10,983,236**	**67,700,330**
Cumulative payments	5,711,945	4,858,345	5,960,554	4,538,343	5,127,710	5,281,730	5,387,689	4,100,598	5,260,235	5,084,653	**3,760,633**	**55,072,435**
Outstanding claims	-	-	66,095	1,021,727	558,995	89,515	654,689	964,984	1,198,518	850,769	**7,222,603**	**12,627,895**
Outstanding claims 2007 and prior												**56,696**
Total gross outstanding claims												**12,684,591**
Claims handling expense	$ -	$ -	$ 46,095	$ 15,508	$ 91,602	$ 13,981	$ 116,335	$ 238,466	$ 289,925	$ 174,829	**$ 324,008**	**1,310,749**
Outstanding handling expense 2007 and prior												**-**
Total gross outstanding claims net of handling expense												**$ 11,373,842**

8. Insurance Contracts (Continued)

Claim Development (Continued)

Net Claims	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**	**Total**
Net estimate of cumulative claims cost												
At the end year of claim	$ 5,389,514	$ 5,895,955	$ 6,075,506	$ 8,858,594	$ 8,392,636	$ 8,626,689	$ 9,502,589	$ 7,750,495	$ 8,837,372	$ 9,444,530	**$ 8,844,967**	
One year later	3,995,175	4,552,387	3,200,158	5,957,871	5,662,542	4,455,057	6,017,493	4,110,206	6,079,352	**5,935,422**		
Two years later	3,835,921	4,543,986	3,008,014	5,718,266	5,064,436	4,835,187	6,022,654	4,968,970	**6,211,808**			
Three years later	3,530,948	4,687,186	3,164,377	5,178,288	5,221,277	4,962,342	5,886,296	**5,065,582**				
Four years later	3,652,896	4,609,308	3,611,915	5,115,931	5,606,191	4,848,206	**5,668,653**					
Five years later	3,635,909	4,842,148	3,750,441	5,021,899	5,081,170	**5,371,254**						
Six years later	3,507,822	4,627,186	3,723,231	4,855,413	**4,991,295**							
Seven years later	3,366,985	4,624,796	3,732,303	**4,774,255**								
Eight years later	3,366,985	4,485,001	**3,581,083**									
Nine years later	3,371,858	**4,485,001**										
Ten years later	**3,371,858**											
Current estimate of cumulative claims cost	3,371,858	4,485,001	3,581,083	4,774,255	4,991,295	5,371,254	5,668,653	5,065,582	6,211,808	5,935,422	**8,844,967**	**58,301,178**
Cumulative payments	3,371,858	4,485,001	3,514,988	4,472,227	4,432,300	5,281,739	5,013,964	4,100,598	5,013,290	5,084,653	**3,751,982**	**48,522,600**
Outstanding claims	-	-	66,095	302,028	558,995	89,515	654,689	964,984	1,198,518	850,769	**5,092,985**	**9,778,578**
											Outstanding claims 2007 and prior	**56,695**
											Total net outstanding claims	**9,835,273**
Claims handling expense	$ -	$ -	$ 46,095	$ 15,508	$ 91,602	$ 13,981	$ 116,335	$ 238,466	$ 289,925	$ 174,829	**$ 324,008**	**1,310,749**
											Outstanding handling expense 2007 and prior	**-**
											Total net outstanding claims net of claims handling expense	**$ 8,524,524**

Included in claims expenses were salary costs of $221,633 (2017 - 234,914)

9. Provision for Policyholder Refunds

The provision for policyholder refunds is based on the discretion of the board of directors and the activity is as follows. Such amounts are expected to be settled within one year.

	December 31, 2018	December 31, 2017
Balance, beginning of year	**$ 1,723,701**	$ 1,933,401
Payments to policyholders	**(1,705,193)**	(1,920,784)
Current year provision	**2,220,730**	1,711,084
Balance, end of year	**$ 2,239,238**	$ 1,723,701

10. Income Tax Expense

The following is an explanation of the relationship between income tax expense and accounting income.

	December 31, 2018	December 31, 2017
Income before income tax expense	**$ 2,814,607**	$ 3,518,418
Income tax expense on accounting income at applicable statutory rate (2018 - 26.5%; 2017 - 26.5%)	**$ 745,871**	$ 932,381
Effect relating to permanent differences regarding non-taxable dividends	**(120,347)**	(97,822)
Ontario premium tax	**30,854**	28,496
Effect relating to the origination and reversal of temporary differences	**(65,986)**	37,774
Income tax expense	**$ 590,392**	$ 900,829
Income tax expense consists of:		
Current	**$ 590,392**	$ 822,429
Deferred	**-**	78,400
	$ 590,392	$ 900,829

11. Net Investment Income (Loss)

December 31, 2018	Amortized Cost	Fair value through profit or loss	Fair value through other comprehensive income	**Total**
Interest income	$ 1,261,916	$ -	$ -	**$ 1,261,916**
Dividend income	-	765,349	-	**765,349**
Unrealized losses	-	(1,759,154)	-	**(1,759,154)**
Reversal of previous unrealized gains	-	(986,320)	-	**(986,320)**
Realized gains (losses)	(399,838)	986,320	-	**586,482**
	$ 862,078	$ (993,805)	$ -	**$ (131,727)**

December 31, 2017	Amortized Cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Interest income	$ 1,632,743	$ -	$ -	$ 1,632,743
Dividend income	-	369,140	-	369,140
Unrealized gains	-	1,232,397	-	1,232,397
	$ 1,632,743	$ 1,601,537	$ -	$ 3,234,280

12. 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:

	December 31, 2018	December 31, 2017
Compensation		
Salaries and other short-term employee benefits	$ **529,667**	$ 531,755
Remunerations to directors	**75,045**	92,775
Total pension and other post-employment benefits	**44,175**	45,818
Other expenses paid to the directors	**14,808**	14,808
	$ **663,695**	$ 685,156
Premiums	$ **71,219**	$ 86,514
Claims paid	$ **78,445**	$ 8,345

The company's policy for entering into insurance contracts and making claims payments to key management personnel is that all transactions are on the same terms and conditions which apply to all policyholders. There are no benefits or concession terms and conditions applicable to key management personnel or close family members.

13. Capital Management

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 company's policy is to produce a minimum MCT of 300%. The regulator indicates that the Company should produce a minimum MCT of 250%. 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.

The Company uses Net Risk Ratio (members' surplus to gross premiums written) to monitor capital adequacy. The Company benchmarks an adequate Net Risk Ratio to be over 150%. The Company's Net Risk Ratio at December 31, 2018 was 304% (312% in 2017).

14. Financial Instruments

Fair Values

	2018		2017	
	Cost	**Fair Value**	Cost	Fair Value
Financial assets recorded at fair value through profit or loss	**$ 24,923,537**	**$ 22,822,391**	$ 11,170,691	$ 11,815,019
Financial assets recorded at fair value through other comprehensive income	**34,579**	**34,579**	33,790	33,790
Financial assets recorded at amortized cost	**28,812,546**	**28,865,689**	45,012,720	45,799,501
Financial liabilities recorded at amortized cost	**115,292**	**115,292**	78,653	78,653

Fair Value Hierarchy

A fair value hierarchy establishes three levels to classify valuation techniques used to measure fair value. Level 1 items are quoted prices in active markets for identical assets or liabilities. Level 2 items are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets or quoted prices that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable and supported by little or no market activity. The fair value hierarchy gives the highest priority to Level 1 items and the lowest priority to Level 3 items.

December 31, 2018	**Level One**	**Level Two**	**Level Three**	**Total**
Financial Assets				
Mutual funds	$ 12,346,644	$ -	$ -	$ 12,346,644
Common shares	479,552	-	-	479,552
Preferred shares	9,996,195	-	-	9,996,195
Other investments	-	-	34,579	34,579
	$ 22,822,391	$ -	$ 34,579	$ 22,856,970

14. Financial Instruments (Continued)

December 31, 2017

	Level One	Level Two	Level Three	Total
Financial Assets				
Mutual funds	$ 1,813,995	$ -	$ -	$ 1,813,995
Common shares	3,318,869	-	-	3,318,869
Preferred shares	6,682,155	-	-	6,682,155
Other investments	-	-	33,790	33,790
	$ 11,815,019	$ -	$ 33,790	$ 11,848,809

There were no transfers between Level 1, Level 2 and Level 3 for the year ended December 31, 2018.

Insurance Risk Management

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.

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 Company purchases reinsurance as part of its risk mitigation program. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers 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 a reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

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.

14. Financial Instruments (Continued)

Insurance Risk Management (Continued)

The Company manages this risk via underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. 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. Reinsurance is purchased to mitigate the effect of the potential loss to the Company. Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. (FMRP), a Canadian registered reinsurer.

The Company follows a policy of underwriting and reinsuring contracts of insurance which limit the liability of the Company to an amount of any one claim of $400,000 in the event of a property claim, an amount of $750,000 in the event of an automobile claim and $700,000 in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $1,200,000 plus 5% of the excess 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% of net earned premiums for all lines.

The Company is exposed to 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 cost, related expenses and expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2018.

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 as described in Note 8.

The table below sets out the concentration of unpaid claims and adjustment expenses by class of insurance:

	December 31, 2018			December 31, 2017		
	Gross Liabilities	**Reinsurance of Liabilities**	**Net Liabilities**	Gross Liabilities	Reinsurance of Liabilities	Net Liabilities
Property	**$ 2,044,188**	**$ 155,001**	**$ 1,889,187**	$ 2,016,232	$ 155,000	$ 1,861,232
Automobile	**8,774,827**	**1,454,317**	**7,320,510**	12,994,978	2,526,309	10,468,669
Liability	**1,865,576**	**1,240,000**	**625,576**	1,639,838	1,240,000	399,838
	$ 12,684,591	**$ 2,849,318**	**$ 9,835,273**	$ 16,651,048	$ 3,921,309	$ 12,729,739

14. Financial Instruments (Continued)

Insurance Risk Management (Continued)

Results of sensitivity testing based on expected loss ratios are as follows, shown gross and net of reinsurance as impact on pre-tax income:

	Property Claims 2018	Auto Claims 2018	Liability Claims 2018
5% increase in loss ratios			
Gross	**(308,382)**	**(434,581)**	**(54,514)**
Net	**(308,382)**	**(434,581)**	**(54,514)**
5% decrease in loss ratios			
Gross	**308,382**	**434,581**	**54,514**
Net	**308,382**	**434,581**	**54,514**

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.

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 and the reliance on the reinsurers to make payment when certain loss conditions are met.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits and corporate sector limits. The bond portfolio remains very high quality with 64% of the bonds rated A or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. (FMRP), a Canadian registered reinsurer. Management monitors the credit-worthiness of FMRP by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management and the Board prior to renewal of the reinsurance contract.

Amounts receivable are short-term in nature and are not subject to material credit risk.

The maximum exposure to credit risk and concentration of this risk would be the fair value as outlined in the Fair Value table shown earlier in this note.

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

14. Financial Instruments (Continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include various types of risk: currency risk, interest rate risk and equity risk. The company does not believe it is exposed to currency risk as it transacts fully in Canadian dollars.

The Company's investment policy operates within the guidelines of the Ontario Insurance Act. An investment policy is in place and its application is monitored by the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 5% of the Company's total assets.

a) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Company is exposed to this risk through its interest bearing investments, which include bonds, debentures and term deposits.

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. There are no occurrences where interest would be charged on liabilities; therefore, little protection is needed to ensure the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change.

The objective, policies and procedures for managing interest rate risk is to diversify the bond portfolio in such a way that the bonds are laddered over a period of years. This protects the Company from fluctuations in the interest rates. At December 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by approximately $632,642.

There have been no significant changes from the previous period in the exposure to risk, nor any significant changes to policies, procedures and methods used to measure the risk.

14. Financial Instruments (Continued)

Market Risk (Continued)

b) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings within its investment portfolio.

The Company's portfolio includes common shares, preferred shares and mutual funds with fair values that move with the Toronto Stock Exchange Composite Index, S&P 500 Index, and international financial markets. A 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's common shares, preferred shares and mutual funds of approximately $2,282,200. These changes would be recognized in net income depending on the classification of the instruments.

The Board of Directors follows investment policies, procedures and processes for managing equity risk.

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, nor does it have 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.

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

15. Future Accounting Pronouncements

The following relevant new standards, amendments and interpretations have been published that are mandatory for the Company's future accounting periods (at the beginning of the periods noted below) which the company has decided not to early adopt.

IFRS 17: Insurance Contracts (January 1, 2021) establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that fundamentally changes how entities account for insurance contracts. Some of the key aspects include new models for insurance liabilities, changes to discounting and the rate being used to discount claim liabilities and changes to deferred premium acquisition costs. There will be a requirement to restate comparative figures. The company has not yet evaluated the impact of this new standard.

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Bertie and Clinton Mutual Insurance Company

Schedule of Expenses

For the year ended December 31	2018	2017
Schedule 1 - Other Expenses		
Advertising	**$ 109,716**	$ 108,310
Bank charges	**64,763**	70,532
Computer expense	**244,617**	229,943
Insurance	**48,606**	45,530
License fee and dues	**120,099**	119,294
Meeting and events	**17,331**	24,598
Mileage and Meals	**15,140**	18,208
Motor vehicle reports	**53,609**	45,715
Occupancy	**300,425**	140,294
Office	**46,583**	73,883
Other expense	**53,334**	61,753
Postage	**53,029**	47,290
Professional Development	**61,110**	81,658
Professional Service	**52,297**	132,986
Telephone	**18,544**	26,257
	$ 1,259,203	$ 1,226,251