SOUTH EASTHOPE MUTUAL INSURANCE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

South Easthope 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
SOUTH EASTHOPE MUTUAL INSURANCE COMPANY

Opinion

We have audited the accompanying consolidated financial statements of SOUTH EASTHOPE MUTUAL INSURANCE COMPANY (the Entity) 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, members' surplus and 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 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 consolidated financial statements in Canada, and we have fulfilled our 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 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 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.

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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 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 consolidated 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
Woodstock, Ontario
January 31, 2019

SOUTH EASTHOPE MUTUAL INSURANCE COMPANY
Consolidated Statement of Financial Position

December 31	2018	2017
Assets		
Cash	**$11,465,902**	$ 10,627,928
Investments (Note 5)	**36,927,539**	36,790,650
Investment income accrued	**51,211**	62,296
Income taxes recoverable	**-**	212,552
Due from reinsurers (Note 4)	**110,124**	12,355
Due from policyholders	**4,988,030**	4,632,308
Reinsurers' share of provision for unpaid claims (Note 4)	**1,211,815**	2,335,436
Other receivables	**127,705**	126,587
Deferred policy acquisition expenses (Note 4)	**735,993**	689,411
Investment property (Note 15)	**117,750**	123,000
Property, plant & equipment (Note 14)	**4,129,126**	4,388,208
Intangible assets (Note 14)	**49,801**	282,444
Other assets	**148,785**	111,645
Deferred income taxes	**3,783,270**	77,430
	$63,847,051	$ 60,472,250
Liabilities		
Accounts payable and accrued liabilities	**$ 765,830**	$ 584,289
Provision for refund of premium	**1,004,116**	-
Income taxes payable	**1,851,581**	-
Unearned premiums (Note 4)	**8,863,155**	8,174,794
Long-term debt (Note 7)	**39,888**	133,019
Unpaid claims and adjustment expenses (Note 4)	**12,815,446**	14,311,804
	25,340,016	23,203,906
Members' Surplus		
Unappropriated members' surplus	**38,507,035**	37,268,344
	$63,847,051	$ 60,472,250

Signed on behalf of the Board by:

Ken Yeoman

________________________________ , Director

________________________________ , Director

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

SOUTH EASTHOPE MUTUAL INSURANCE COMPANY
Consolidated Statement of Comprehensive Income

For the year ended December 31	2018	2017
Underwriting income		
Gross premiums written	**$17,494,429**	$ 16,432,443
Less reinsurance ceded	**(1,479,836)**	(1,651,807)
Net premiums written	**16,014,593**	14,780,636
Less increase in unearned premiums	**(562,229)**	(194,708)
Net premiums earned	**15,452,364**	14,585,928
Service charges	**60,303**	59,822
	15,512,667	14,645,750
Direct losses incurred		
Gross claims and adjustment expenses	**7,809,028**	9,457,786
Less reinsurers' share of claims and adjustment expenses	**877,807**	130,184
	8,686,835	9,587,970
	6,825,832	5,057,780
Expenses		
Fees, commissions and other acquisition expenses	**2,629,282**	2,377,454
Other operating and administrative expenses (Note 10)	**2,293,988**	2,284,461
	4,923,270	4,661,915
Net underwriting income before refund	**1,902,562**	395,865
Refund of premium	**(960,942)**	2,429
Net underwriting income	**941,620**	398,294
Net loss from subsidiary (Note 18)	**(320,470)**	(552,491)
Investment and other income (Note 6)	**(380,386)**	1,633,538
Income before taxes	**240,764**	1,479,341
Provision for income taxes (Note 12)	**(997,927)**	181,052
Comprehensive income for the year	**$ 1,238,691**	$ 1,298,289

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

SOUTH EASTHOPE MUTUAL INSURANCE COMPANY
Consolidated Statement of Members' Surplus

For the year ended December 31	2018	2017
Unappropriated members' surplus		
Balance, beginning of year	**$37,268,344**	$ 35,970,055
Comprehensive income for the year	**1,238,691**	1,298,289
Balance, end of year	**$38,507,035**	$ 37,268,344

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

SOUTH EASTHOPE MUTUAL INSURANCE COMPANY
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating activities		
Comprehensive income for the year	$ 1,238,691	$ 1,298,289
Adjustments for:		
Depreciation of property, plant & equipment and intangible assets	408,747	509,153
Depreciation of investment property	5,250	5,250
Interest and dividend income	(1,316,719)	(1,186,478)
Provision for income taxes	(997,927)	181,052
Realized losses (gains) from disposal of investments	385,936	(374,409)
Unrealized losses (gains) on investments	1,209,541	(167,473)
Realized losses from disposal of property, plant & equipment	-	6,148
Writedown of customer list	131,900	118,116
Impairment of software under development	41,138	-
	1,106,557	389,648
Changes in working capital		
Change in due from policyholders and other receivables	(356,841)	(221,108)
Change in other assets	(37,140)	(7,885)
Change in accounts payable and other liabilities	1,222,806	(919,254)
	828,825	(1,148,247)
Changes in insurance contract related balances		
Change in due from reinsurers	1,025,852	176,453
Change in deferred policy acquisition expenses	(46,582)	(33,611)
Change in unearned premiums	688,361	194,708
Change in provision for unpaid claims	(1,496,358)	1,333,040
	171,273	1,670,590
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	1,327,820	1,195,800
Income taxes paid	(680,946)	(107,785)
	646,874	1,088,015
Total cash inflows from operating activities	2,753,529	2,000,006
Investing activities		
Sale of investments	1,430,481	2,186,243
Purchase of investments	(3,162,847)	(2,290,889)
Proceeds on disposal of property plant & equipment	-	7,000
Purchase of property plant & equipment and intangibles assets	(24,668)	(75,996)
Total cash outflows from investing activities	(1,757,034)	(173,642)
Financing activities		
Repayment of long-term debt	(158,521)	(214,013)
Total cash inflows from financing activities	(158,521)	(214,013)
Net change in cash and cash equivalents	837,974	1,612,351
Cash and cash equivalents, beginning of year	10,627,928	9,015,577
Cash and cash equivalents, end of year	$11,465,902	$ 10,627,928

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

1. CORPORATE INFORMATION

SOUTH EASTHOPE 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 property, liability, automobile, boiler and machinery, fidelity, farmer's accident and aviation (limited to drones for commercial and agricultural use) insurance in Ontario. The Company's head office is located at 62 Woodstock St. S., Tavistock, 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 financial statements have been authorized for issue by the Board of Directors on January 31, 2019.

2. BASIS OF PREPARATION

These consolidated financial statements include the financial statements of SOUTH EASTHOPE MUTUAL INSURANCE COMPANY and those of its subsidiary company, SEH COMPUTER SYSTEMS INC.

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).

These consolidated financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit or loss ("FVTPL").

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency.

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 financial statements within the next financial year are:

- The calculation of unpaid claims and the related reinsurers' share, including the determination of the initial claim liability, the development of claims and the estimate of time until ultimate settlement and the performance of a liability adequacy test (Note 4);
- 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 (note 5).

The notes to the financial statements were prepared and ordered in such a way that the most relevant information was presented earlier in the notes, and 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 involves significant judgment.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Account standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2018 did not materially affect the Company's financial statements other than those described below.

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.

(a) 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	Note	IAS 39		IFRS 9	
Financial assets					
Cash		Loans and receivables	$ 10,627,928	Amortized cost	$ 10,627,928
Investments - bonds	5	FVTPL	$ 11,757,415	FVTPL	$ 11,757,415
Investments - equity	5	FVTPL	$ 13,798,582	FVTPL	$ 13,798,582
Investments - pooled funds	5	FVTPL	$ 11,195,180	FVTPL	$ 11,195,180
Other investments	5	FVTPL	$ 39,473	FVTPL	$ 39,473
Financial liabilities					
Accounts payable and accrued liabilities		Other financial liabilities	$ 584,289	Amortized cost	$ 584,289

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

(b) 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 FVTOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. This change did not have a material impact to the Company's financial statements.

(c) Hedge accounting

The new hedge accounting model which replaces hedge accounting guidance in IAS 39 did not impact the Company's financial statements.

(d) 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 the following:

(a) Premiums and unearned premiums

Premiums written consist of premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions payable to agents and brokers 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 the impact on net premiums earned are as follows:

Unearned Premiums	**2018**	2017
Balance, beginning of the year	**$ 8,174,794**	$ 7,980,086
Premiums written	**17,494,429**	16,432,443
Premiums earned during year	**(16,806,068)**	(16,237,735)
Balance, end of the year	**$ 8,863,155**	$ 8,174,794

4. INSURANCE CONTRACTS (CONTINUED)

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 was no premium deficiency at December 31, 2018 or 2017.

Amounts due from policyholders are short-term in nature and consist of a large number of policyholders, and are not subject to material credit risk. Regular review of amounts outstanding is performed to ensure credit worthiness.

(b) Deferred policy acquisition expenses

Acquisition costs consist of agents' and brokers' commissions and premium taxes. 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 the year	**$ 689,411**	$ 655,800
Acquisition costs incurred	**1,479,321**	1,371,936
Expensed during the year	**(1,432,739)**	(1,338,325)
Balance, end of the year	**$ 735,993**	$ 689,411

(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.

Claims liabilites 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, which represents an additional margin on valuation variable factors, which are claim development, reinsurance recoveries and interest rates used in discounting claims liabilities.

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.

4. INSURANCE CONTRACTS (CONTINUED)

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

	December 31, 2018		
	Gross	**Reinsurance**	**Net**
Outstanding claims provision			
Long term	**$ 8,546,258**	**$ 710,958**	**$ 7,835,300**
Short term	**1,661,691**	**18,857**	**1,642,834**
Facility Association and other residual pools	**422,497**	**-**	**422,497**
	10,630,446	**729,815**	**9,900,631**
Provision for claims incurred but not reported	**2,185,000**	**482,000**	**1,703,000**
	$12,815,446	**$ 1,211,815**	**$11,603,631**

	December 31, 2017		
	Gross	Reinsurance	Net
Outstanding claims provision			
Long term	$ 8,850,660	$ 843,574	$ 8,007,086
Short term	1,651,734	12,862	1,638,872
Facility Association and other residual pools	401,410	-	401,410
	10,903,804	856,436	10,047,368
Provision for claims incurred but not reported	3,408,000	1,479,000	1,929,000
	$ 14,311,804	$ 2,335,436	$ 11,976,368

4. INSURANCE CONTRACTS (CONTINUED)

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

Claims and adjustment expenses	**2018**	2017
Unpaid claim liabilities - beginning of year – net of reinsurance	**$11,976,368**	$ 10,139,669
Decrease in estimated losses and expenses, for losses occurring in prior years	**(2,244,069)**	(2,440,477)
Provision for losses and expenses on claims occurring in the current year	**10,173,489**	11,297,597
Payment on claims:		
Current year	**(5,654,997)**	(5,074,508)
Prior years	**(2,647,160)**	(1,945,913)
Unpaid claims – end of year - net	**11,603,631**	11,976,368
Reinsurer's share and subrogation recoverable	**1,211,815**	2,335,436
	$12,815,446	$ 14,311,804

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.

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 claims reporting patterns. 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 follows present the development of claims payments and the estimated ultimate cost of claims for the claim year 2010 to 2018. The tables show 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.

4. INSURANCE CONTRACTS (CONTINUED)

Gross claims	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Gross estimate of cumulative claims cost										
At the end year of claim	$ 8,913,514	$ 11,865,980	$ 8,221,979	$ 13,201,857	$ 7,375,409	$ 11,153,337	$ 8,968,660	$ 11,903,598	$ 10,599,026	
One year later	8,558,935	10,566,877	7,938,886	12,596,858	6,420,753	11,311,414	8,383,425	11,218,578		
Two years later	9,680,616	9,961,805	7,412,083	11,539,464	5,559,875	10,411,301	6,347,166			
Three years later	9,405,995	9,173,590	6,183,122	11,370,222	5,033,078	10,292,588				
Four years later	8,200,839	8,563,230	5,802,968	11,145,236	4,677,792					
Five years later	8,457,253	8,729,571	5,345,444	11,301,218						
Six years later	7,430,459	8,299,190	4,939,602							
Seven years later	7,355,985	8,275,156								
Eight years later	7,340,413									
Current estimate of cumulative claims cost	7,340,413	8,275,156	4,939,602	11,301,218	4,677,792	10,292,588	6,347,166	11,218,578	10,599,026	$ 74,991,539
Cumulative payments	7,340,413	8,275,156	4,846,553	10,755,287	4,643,433	8,393,722	5,513,310	6,697,988	5,873,677	62,339,539
Outstanding claims	$ -	$ -	$ 93,049	$ 545,931	$ 34,359	$ 1,898,866	$ 833,856	$ 4,520,590	$ 4,725,349	12,652,000
Outstanding claims 2009 and prior										163,446
Total gross outstanding claims and claims handling expense										**$12,815,446**

Net of Reinsurance	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Net estimate of cumulative claims cost										
At the end year of claim	$ 5,979,537	$ 8,631,722	$ 6,767,432	$ 8,605,416	$ 6,528,258	$ 8,424,287	$ 8,222,660	$ 11,297,597	$ 10,173,489	
One year later	6,486,962	7,208,913	6,142,455	8,028,111	5,837,753	8,082,352	7,630,563	11,085,578		
Two years later	5,077,474	6,809,239	6,321,724	6,321,724	5,405,875	7,453,330	6,168,212			
Three years later	4,802,679	8,181,722	5,738,246	6,321,724	4,988,078	7,389,868				
Four years later	4,524,163	8,033,432	5,429,092	7,261,462	4,677,792					
Five years later	4,565,873	8,094,972	4,995,977	7,434,444						
Six years later	4,476,982	7,930,833	4,715,336							
Seven years later	4,445,635	7,908,247								
Eight years later	4,444,077									
Current estimate of cumulative claims cost	4,444,077	7,908,247	4,715,336	7,434,444	4,677,792	7,389,868	6,168,212	11,085,578	10,173,489	$ 63,997,043
Cumulative payments	4,444,077	7,908,247	4,623,287	6,890,513	4,643,433	6,190,960	5,413,356	6,697,988	5,654,997	52,466,858
Outstanding claims	$ -	$ -	$ 92,049	$ 543,931	$ 34,359	$ 1,198,908	$ 754,856	$ 4,387,590	$ 4,518,492	11,530,185
Outstanding claims 2009 and prior										73,446
Total net outstanding claims and claims handling expense										**$11,603,631**

4. INSURANCE CONTRACTS (CONTINUED)

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, frequency of claims occurrence, expected loss ratios and claims development.

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

	Property claims		Auto claims		Liability claims	
	2018	2017	**2018**	2017	**2018**	2017
5% change in loss ratios would result in the following increase/decrease:						
Gross	**$ 420,451**	$ 388,538	**$ 393,796**	$ 374,949	**$ 60,475**	$ 58,136
Net	**$ 382,884**	$ 355,027	**$ 362,496**	$ 330,849	**$ 55,350**	$ 53,156

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 which take 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 in the consolidated statement of comprehensive income. It is recognized by initially writing off the deferred policy acquisition expense and subsequently by recognizing additional unearned premiums.

(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. Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured. Reinsurance liabilities, consist 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 revenue on the underlying policies being reinsured.

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 any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

4. INSURANCE CONTRACTS (CONTINUED)

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 $825,000 in the event of a property claim, an amount of $825,000 in the event of an automobile claim and $825,000 in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $1,350,000 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 70% of the gross net earned premiums income.

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 (to) from reinsurers	**2018**	2017
Balance, beginning of the year	**$ 12,355**	$ (314,851)
Submitted to reinsurer	**240,334**	350,132
Received from reinsurer	**(142,565)**	(22,926)
Balance, end of the year	**$ 110,124**	$ 12,355

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

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

Reinsurers share of provision for unpaid claims	**2018**	2017
Balance, beginning of the year	**$ 2,335,436**	$ 2,839,095
New claims reserve	**425,538**	606,001
Change in prior year's reserve	**(1,308,825)**	(759,528)
Submitted to reinsurer	**(240,334)**	(350,132)
Balance, end of the year	**$ 1,211,815**	$ 2,335,436

4. INSURANCE CONTRACTS (CONTINUED)

(f) Refund from premium

Under the discretion of the board of directors, the Company may declare a refund to qualifying property policy holders based on the premiums paid in the fiscal period. This refund is recognized as a reduction of underwriting income in the period for which it is declared.

(g) 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.

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 and bonds as FVTPL because the Company manages the 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 payments of 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 comprehensive income.

(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 comprehensive income.

5. INVESTMENTS (CONTINUED)

(d) Risks

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

	December 31, 2018		December 31, 2017	
	Cost	**Fair Value**	Cost	Fair Value
Bonds issued by:				
Federal	**$ 798,977**	**$ 818,416**	$ 798,051	$ 833,432
Provincial	**3,396,574**	**3,395,171**	3,003,581	3,008,338
Municipal	**304,010**	**309,024**	305,436	312,876
Corporate				
AAA	**3,503,478**	**3,483,741**	3,516,533	3,506,995
AA	**1,999,900**	**1,995,030**	1,720,524	1,717,265
A	**1,554,716**	**1,585,512**	1,670,258	1,727,699
BBB	**643,910**	**645,048**	642,658	650,810
	12,201,565	**12,231,942**	11,657,041	11,757,415
Equity Investments				
Canadian Common				
Finance/Utility	**3,043,003**	**5,123,044**	2,776,266	5,318,618
Consumer	**59,063**	**250,088**	59,063	288,522
Mining/Energy/Industrials	**2,960,235**	**3,724,618**	3,030,690	4,134,612
Technology	**117,054**	**310,380**	117,054	312,970
US Common				
Consumer	**265,573**	**710,850**	265,573	694,694
Mining/Energy/Industrials	**44,700**	**158,757**	127,386	222,709
Technology	**273,155**	**679,614**	273,155	597,087
	6,762,783	**10,957,351**	6,649,187	11,569,212
Preferred Shares	**2,414,291**	**2,337,425**	2,091,643	2,229,370
Pooled Funds				
Canadian Fixed Income	**12,051,011**	**11,361,302**	11,685,396	11,195,180
Other Investments				
Fire Mutuals Guarantee Fund	**39,519**	**39,519**	39,473	39,473
Total Investments	**$33,469,169**	**$36,927,539**	$ 32,122,740	$ 36,790,650

5. INVESTMENTS (CONTINUED)

The Company is exposed to credit 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. The bond portfolio remains a very high quality with 95% (2017 - 94%) of bonds rated A or better. The Company's investment policy limits investment in the Canadian Fixed Income Pool Fund to a maximum of 50% of investible assets. Funds are invested in bonds and debentures of Federal, Provincial or Municipal Government and Canadian companies rated BBB or better. 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 credit 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 that 2.5% to 7.5% of assets available for investments to be held in cash in an interest bearing demand account which includes a pre-approved line of credit to meet immediate cash flow requirements.

Maturity profile of bonds held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Fair value
December 31, 2018	**$1,702,802**	**$8,914,850**	**$1,614,290**	**$ -**	**$12,231,942**
Percent of Total	**14** %	**73** %	**13** %	**-** %	
December 31, 2017	$ 1,259,230	$ 8,336,376	$ 2,161,809	$ -	$ 11,757,415
Percent of Total	11 %	71 %	18 %	- %	

The effective interest rate of the bonds portfolio held is 2.87% at December 31, 2018 (2017 - 3.03%).

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

5. INVESTMENTS (CONTINUED)

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 of Ontario. An investment policy is in place and its application is monitored by the Finance Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer rated "AAA/AA" to a maximum of 5% and "A" to a maximum of 2.5% of the Company's fixed income portfolio. There is no single issuer limit on securities of the Government of Canada or of Provinces and guaranteed Crown Corporations rated A- or better.

The Company's currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equities to 15% of the equity portfolio in accordance with its investment policy. Foreign currency changes are monitored by the investment committee and holdings are adjusted when offside of the investment policy. A 1% change in the value of the United States dollar would affect the fair value of stocks by $15,490 (2017 - $15,145) which would be recognized in comprehensive income.

The Company is exposed to interest rate risk through its interest bearing investments (bonds and fixed income pooled funds).

At December 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $406,000 (2017 - $505,000). Also, a 1% move in interest rates, with all other variables held constant, could impact the market value of the fixed income pooled fund by $840,736 (2017 – $784,000). These changes would be recognized in comprehensive income.

The Company is exposed to equity risk through its investment portfolio. 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 values of the Company's equities of $1,329,000 (2017 - $1,380,000). This change would be recognized in comprehensive income.

The Company's investment policy limits equity investments to 25% of total assets. Investment managers are mandated to follow the same conservative strategy that they have demonstrated to the Company since 1992. All stocks must be freely tradable and listed on a recognized stock exchange in Canada or the US. The Company investment policy limits the investment in any single issuer to a maximum of 15% by market value of the equity portfolio. In the 10 global classification sectors, sector weights are limited to a maximum of 35%. Holdings in the four economic sectors (Technology, Consumer, Energy/Industrials and Financials/Utilities) are maintained within 50% to 150% of the BMO/TSX CAP 10% index. The Investment Manager must suspend further sales when net realized losses in one quarter exceed $40,000.

Equities are monitored by the Finance Committee and holdings are adjusted following each quarter to ensure holdings are in compliance with 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 the risk.

5. INVESTMENTS (CONTINUED)

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).

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Bonds	**$ -**	**$12,231,942**	**$ -**	**$12,231,942**
Equities	**10,957,351**	**-**	**-**	**10,957,351**
Preferred shares	**2,337,425**	**-**	**-**	**2,337,425**
Pooled funds	**-**	**11,361,302**	**-**	**11,361,302**
Other investments	**-**	**39,519**	**-**	**39,519**
Total	**$13,294,776**	**$23,632,763**	**$ -**	**$36,927,539**
December 31, 2017				
Bonds	$ -	$ 11,757,415	$ -	$ 11,757,415
Equities	11,569,212	-	-	11,569,212
Preferred shares	2,229,370	-	-	2,229,370
Pooled funds	-	11,195,180	-	11,195,180
Other investments	-	39,473	-	39,473
Total	$ 13,798,582	$ 22,992,068	$ -	$ 36,790,650

6. INVESTMENT AND OTHER INCOME

	2018	2017
Interest income	**$ 838,513**	$ 752,640
Dividend income	**478,206**	433,838
Realized (losses) gains on disposal of investments	**(385,936)**	374,409
Unrealized (losses) gains on investments	**(1,209,541)**	167,473
Investment expenses	**(114,698)**	(112,242)
Rental income	**13,070**	17,420
	$ (380,386)	$ 1,633,538

7. LONG-TERM DEBT

		2018		2017
Loan payable to Paul Nopper and Associates Inc., repayable based on agreed upon variable repayment terms, due December 31, 2019	**$**	**39,888**	$	133,019

Estimated principal repayment on long-term debt over the next year is as follows:

2019	$	39,888

8. COMMITMENTS

The Company entered into an operating lease for some of its computer hardware. The equipment is leased at $15,000 per month under a lease expiring in December 2020.

The Company entered into a building lease at $500 per month under a lease that will expire May 2019.

The Company's subsidiary has entered into five operating leases for some of its computer hardware. The leases run from September 2019 to September 2021.

The Company's subsidiary entered into a building lease that will expire in January 2021.

The minimum annual lease payments for the next three years is as follows:

2019	$ 363,636
2020	$ 340,090
2021	$ 41,122

9. 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 require 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 that are dependent on the risks associated with the Company's assets. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest-sensitive assets and liabilities to changes in interest rates. 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 if deemed necessary.

The Company uses a ratio of unappropriated members' surplus to gross premiums written to monitor capital adequacy. The ratio the board of directors desires for the Company is 1.5:1 (150%) with a minimum not less than a 1:1 (100%). The Company's Surplus to Premiums Ratio at December 31, 2018 was 220% (2017 - 227%).

The Company's objective is to maintain this ratio by increasing surplus in proportion to written premium. Accordingly, this ratio is the primary consideration in determining the amount of new business written, allocating new business budgets for agents and brokers and policyholder premium refunds in years the Company realizes an underwriting profit.

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2018	2017
Computer costs	**$ 220,709**	$ 159,022
Depreciation	**224,528**	223,865
Licenses, fees and dues	**66,064**	64,286
Postage and office supplies	**177,951**	237,932
Professional fees	**94,115**	60,175
Repairs and maintenance	**40,707**	38,006
Salaries, benefits and directors fees	**761,333**	788,781
Utilities	**42,836**	45,342
Other	**665,745**	667,052
	$ 2,293,988	$ 2,284,461

11. SALARIES, BENEFITS AND DIRECTOR FEES

	2018	2017
Sales salaries, commissions and benefits	**$ 2,549,876**	$ 2,295,224
Other salaries and benefits	**2,851,773**	3,044,455
Directors fees	**174,054**	160,865
	$ 5,575,703	$ 5,500,544

12. INCOME TAXES

The Company is subject to income taxes on that portion of its income derived from insuring other than farm related risks.

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

	2018	2017
Current tax expense		
Based on current year taxable income	$ 2,760,798	$ 294,264
Adjustments to provision of prior periods	(52,885)	(17,892)
	2,707,913	276,372
Deferred tax expense		
Origination and reversal of temporary differences	(3,705,840)	(95,320)
Total income tax expense	$ (997,927)	$ 181,052

Reasons for the difference between the current tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5%

	2018	2017
Income before taxes	$ 240,764	$ 1,479,341
Expected taxes based on the statutory rate of 26.5%	63,802	392,025
Income from insuring farm related risks	(977,124)	(106,946)
Canadian dividend income	(89,905)	(80,936)
Other non deductible expenses	11,367	9,444
Adjustments related to investments	(4,268)	(4,420)
Capital cost allowance/depreciation - Intangible assets	50,695	-
Adjustments to provisions of prior years	(52,885)	(17,892)
Other	391	(10,223)
Total income tax expense	$ (997,927)	$ 181,052

13. 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 that life insurers will 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 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 a member of the Farm Mutual Reinsurance Plan Inc. ("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.

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

14. PROPERTY, PLANT & 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.

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, and a customer list. Computer software is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 3 or 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. The customer list is amortized on a straight-line basis over its estimated useful life of 5 years. The depreciation expense is included in other operating and administrative expenses.

14. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Property, plant and equipment

2018

	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	**N/A**	**$ 195,000**	**$ -**	**$ 195,000**
Buildings	**20-50 years**	**3,154,198**	**300,471**	**2,853,727**
Land improvements	**5-10 years**	**511,776**	**162,963**	**348,813**
Leasehold improvements	**10 years**	**276,388**	**215,696**	**60,692**
Computer hardware	**5 years**	**294,029**	**192,547**	**101,482**
Office equipment	**5-33 years**	**737,607**	**229,679**	**507,928**
Vehicles	**5 years**	**183,900**	**122,416**	**61,484**
		$ 5,352,898	**$ 1,223,772**	**$ 4,129,126**

2017

	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 195,000	$ -	$ 195,000
Buildings	20-50 years	3,152,948	226,979	2,925,969
Land improvements	5 -10 years	511,776	111,367	400,409
Leasehold improvements	10 years	276,388	187,684	88,704
Computer hardware	5 years	292,121	151,089	141,032
Office equipment	5-33 years	741,346	184,915	556,431
Vehicles	5 years	183,900	103,237	80,663
		$ 5,353,479	$ 965,271	$ 4,388,208

14. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets

2018

	Cost	Accumulated Depreciation	Net Book Value
Computer software	**$ 277,185**	**$ 269,269**	**$ 7,916**
Developed software	**973,075**	**931,190**	**41,885**
Customer list	**701,365**	**701,365**	**-**
	$ 1,951,625	**$ 1,901,824**	**$ 49,801**

2017

	Cost	Accumulated Depreciation	Net Book Value
Computer software	$ 272,778	$ 225,854	$ 46,924
Developed software	1,014,212	911,711	102,501
Customer list	701,365	568,346	133,019
	$ 1,988,355	$ 1,705,911	$ 282,444

The Company reviewed the customer list and determined that it should be written down by $131,900 to better reflect its future value. The write off is reflected as an expense in Note 18.

15. INVESTMENT PROPERTY

Investment property 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 their estimated useful life.

	2018			
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	**N/A**	**$ 60,000**	**$ -**	**$ 60,000**
Buildings	**20 years**	**105,000**	**47,250**	**57,750**
Furniture and fixtures	**5 years**	**1,362**	**1,362**	**-**
		$ 166,362	**$ 48,612**	**$ 117,750**

	2017			
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 60,000	$ -	$ 60,000
Buildings	20 years	105,000	42,000	63,000
Furniture and fixtures	5 years	1,362	1,362	-
		$ 166,362	$ 43,362	$ 123,000

The fair value of the investment property is $165,000 (2017 - $165,000).

Investment properties were subject to external valuation performed by a local real estate brokerage. The fair value of investment property is determined by discounting the expected cash flows of the properties based upon internal plans and assumptions and comparable market transactions.

16. PENSION PLAN

The Company makes contributions on behalf of its employees to the Ontario Mutual Insurance Association Pension Plan. This pension plan is accounted for as a multi-employer pension plan as defined by IAS 19 Employee Benefits. The plan is a money purchase plan, with a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. Under the terms of the Ontario Mutual Insurance Association Pension Plan, the Company is liable for the obligations of other companies participating in the pension should they be unable to satisfy their respective funding requirements.

The Company is one of a number of employers who have pooled the assets and liabilities of the pension plan to take advantage of economies of scale in making investment decisions and in minimizing expenses. The information to account for the plan as a defined benefit plan is not readily available for each company to determine its share of the assets and liabilities of the plan. In the event of a wind-up or withdrawal from the plan, the Company is responsible for its portion of the deficit and all expenses as determined by the plan actuary.

The amount contributed to the plan for 2018 was $422,660 (2017 - $388,970). The contributions were made for current service and these have been recognized in comprehensive income. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. These contributions amount to 7.62% 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 $439,068.

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. Future eligible employees will become part of a defined contribution plan. The amount contributed to the defined contribution plan for 2018 was $38,942 (2017 - $24,733).

17. 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
Short term employee benefits and directors' fees	**$ 814,996**	$ 795,881
Total pension and other post-employment benefits	**85,598**	71,466
	$ 900,594	$ 867,347
Premiums written	**$ 125,100**	$ 105,023
Claims paid	**$ 11,656**	$ 15,029

Amounts owing to and from key management personnel at December 31, 2018 are $33,951 (2017 - $11,152) and $29,089 (2017 - $31,876) respectively. The amounts are included in due from policyholders and accounts payable and accrued liabilities on the statement of financial position.

18. SUBSIDIARY OPERATIONS

	2018	2017
Revenue	**$ 2,835,089**	$ 2,487,432
Expenses		
Salaries and benefits	**1,963,248**	1,933,141
Depreciation	**211,505**	265,734
General and administrative	**684,910**	565,303
Premise expenses	**163,996**	157,629
Write down of customer list	**131,900**	118,116
	3,155,559	3,039,923
	$ (320,470)	$ (552,491)

The subsidiary company recognizes revenue from its customers as follows:

- Monthly for its annual maintenance contracts;
- Technical support is recognized monthly based on an hourly rate for services rendered; and
- At point in time for sale of licences, hardware and software products.

The adoption of IFRS 15 did not have a material impact on the revenue recognition of the subsidiary company.

19. 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 applied judgements related to the order and exclusion of immaterial disclosures, consistent with the amendment to IAS 1, Presentation of Financial Statements.

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 16 Leases* supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Company expects to recognize right-of-use assets and lease liabilities for its office lease and some office equipment. See note 8 for a schedule of lease commitments.

- *IFRS 17 Insurance Contracts* was issued in May 2017 and lays out a fundamentally new way of measuring and presenting insurance contracts and related financial statement items for entities that issue insurance contracts. Some of the key aspects of IFRS 17 include new models for insurance liabilities, changes to discounting and the rate being used discount claims liabilities, and changes to deferred premium acquisition costs. The technical aspects of IFRS 17 are complex and will require specific consultation on the situation to determine the exact impact. The effective date for IFRS 17 is January 1, 2022 with the requirement to restate comparative figures. The Company is in the process of evaluating the impact of the new standard.

- *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.