Howick Mutual Insurance Company
Financial Statements
For the year ended December 31, 2014

Contents

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Independent Auditor's Report

To the Policyholders of Howick Mutual Insurance Company

We have audited the accompanying financial statements of Howick Mutual Insurance Company, which comprise the statement of financial position as at December 31, 2014, the statements of comprehensive income and members' surplus and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Howick Mutual Insurance Company as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

"BDO Canada LLP"

Chartered Professional Accountants, Licensed Public Accountants

Wingham, Ontario
February 10, 2015

Howick Mutual Insurance Company
Statement of Financial Position

December 31		2014		2013
Assets				
Cash	$	**475,089**	$	1,231,463
Investments (Note 4)		**24,409,583**		20,230,066
Investment income accrued		**97,704**		66,836
Income taxes recoverable		**38,471**		165,338
Due from reinsurers (Note 6)		**723,012**		272,506
Due from policyholders		**4,292,426**		3,462,890
Reinsurers' share of provision for unpaid claims (Note 6)		**6,985,430**		5,811,924
Deferred policy acquisition expenses (Note 6)		**1,600,105**		1,270,932
Property, plant & equipment (Note 5)		**917,323**		148,315
Intangible assets (Note 5)		**17,613**		-
Other assets		**155,705**		183,395
Deferred income taxes (Note 8)		**176,391**		106,132
	$	**39,888,852**	$	32,949,797
Liabilities				
Accounts payable and accrued liabilities	$	**948,239**	$	766,118
Unearned premiums (Note 6)		**8,854,275**		7,171,209
Provision for unpaid claims (Note 6)		**14,972,273**		13,427,546
		24,774,787		21,364,873
Members' Surplus				
Unappropriated members' surplus		**15,114,065**		11,584,924
	$	**39,888,852**	$	32,949,797

Signed on behalf of the Board by:

______________________________ Director

______________________________ Director

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

Howick Mutual Insurance Company
Statement of Comprehensive Income and Members' Surplus

For the year ended December 31	2014	2013
Underwriting income		
Gross premiums written	**$17,859,163**	$ 14,450,992
Less reinsurance ceded	**3,439,208**	3,235,685
Net premiums written	**14,419,955**	11,215,307
Less increase in unearned premiums	**132,240**	96,200
Net premiums earned	**14,287,715**	11,119,107
Service charges	**205,759**	186,328
	14,493,474	11,305,435
Direct losses incurred		
Gross claims and adjustment expenses (Note 9)	**11,826,170**	7,053,069
Less reinsurers' share of claims and adjustment expenses	**2,486,698**	117,872
	9,339,472	6,935,197
	5,154,002	4,370,238
Expenses		
Fees, commissions and other acquisition expenses (Note 10)	**3,800,442**	2,907,898
Other operating and administrative expenses (Note 11)	**1,987,260**	1,324,901
	5,787,702	4,232,799
Net underwriting income (loss)	**(633,700)**	137,439
Investment and other income (Note 13)	**1,716,048**	1,058,243
Income (loss) before taxes	**1,082,348**	1,195,682
Provision (recovery) for income taxes (Note 8)	**106,154**	133,320
Comprehensive income (loss) for the year	**$ 976,194**	$ 1,062,362
Unappropriated members' surplus		
Balance, beginning of year	**$11,584,924**	$ 10,522,562
Increase in members' surplus on amalgamation (Note 17)	**2,552,947**	-
Comprehensive income (loss) for the year	**976,194**	1,062,362
Balance, end of year	**$15,114,065**	$ 11,584,924

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

Howick Mutual Insurance Company
Statement of Cash Flows

For the year ended December 31	2014	2013
Operating activities		
Comprehensive income (loss)	**$ 976,194**	$ 1,062,362
Adjustments for:		
Depreciation and amortization of intangible assets	**112,653**	44,496
Interest and dividend income	**(735,451)**	(587,331)
Provision for income taxes	**106,154**	133,320
Net (gain) loss from investments	**(1,018,546)**	(376,796)
Net (gain) loss from disposal of properly, plant and equipment	**(1,509)**	-
	(1,536,699)	(786,311)
Changes in working capital		
Change in due from policyholders and reinsurers	**(1,420,942)**	271,630
Change in other assets	**34,530**	(26,365)
Change in accounts payable and other liabilities	**35,583**	(212,478)
Change in premium tax payable	**9,370**	-
	(1,341,459)	32,787
Changes in insurance contract related balances, provisions		
Change in deferred policy acquisition expenses	**(26,498)**	(25,242)
Change in unearned premiums	**132,239**	96,439
Change in provision for unpaid claims	**771,835**	647,369
	877,576	718,566
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	**717,927**	595,928
Income taxes (paid) received	**71,318**	(676,901)
	789,245	(80,973)
Total cash inflows (outflows) from operating activities	**(235,143)**	946,431
Investing activities		
Sale of investments	**8,612,785**	7,706,812
Purchase of investments	**(9,268,424)**	(8,095,501)
Sale of property, plant & equipment	**14,500**	-
Purchase of property, plant, equipment and intangibles	**(103,392)**	(8,327)
Total cash outflows from investing activities	**(744,531)**	(397,016)
Net increase (decrease) in cash and cash equivalents	**(979,674)**	549,415
Cash, beginning of year	**1,231,463**	682,048
Cash acquired in amalgamation (Note 17)	**223,300**	-
Cash, end of year	**$ 475,089**	$ 1,231,463

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

1. Nature of operations and summary of significant accounting policies

Reporting entity

Howick 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 and farmers' accident insurance in Ontario. The company's head office is located in Wroxeter, Ontario and a satellite office located in Hanover, 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 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.

These financial statements have been authorized for issue by the Board of Directors on February 10, 2015.

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).

These financial statements were prepared under the historical cost convention, as modified by the revaluation of assets classified as fair value through profit and loss.

The Company’s functional and presentation currency is the Canadian dollar.

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 of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

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, deferred policy acquisition expenses, and salvage and subrogation recoverable.

1. Nature of operations and summary of significant accounting policies (cont'd)

(a) Premiums and unearned premiums

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

The Company 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.

(b) Reinsurers' share of unearned premiums

The reinsurers' share of unearned premiums are recognized as an asset using principles consistent with the Company's method for determining the unearned premium liability.

(c) Deferred policy acquisition expenses

Acquisition costs are comprised of agents' commissions. 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.

(d) 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.

(e) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant 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.

(f) 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.

1. Nature of operations and summary of significant accounting policies (cont'd)

(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.

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 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.

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

Financial instruments

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For amounts due from policy holders and reinsurers, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in comprehensive income. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

1. Nature of operations and summary of significant accounting policies (cont'd)

Fair value through profit and loss

Financial assets that do not meet the definition of loans and receivables are classified as fair value through profit and loss and comprise of investments in equity instruments and debt securities. These instruments are carried at fair value with changes in fair value recognized in comprehensive income. Transaction costs on these instruments are expensed as incurred. Interest on debt securities classified as fair value through profit and loss is calculated using the effective interest method.

Other financial liabilities

Other financial liabilities include all financial liabilities and comprise accounts payables, and other short-term monetary liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium's payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Property, plant & equipment

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

Buildings	20 years
Computer hardware	3 years
Furniture and fixtures	5 years
Vehicles	5 years

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

Intangible assets

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 3 years. The amortization expense is included in other operating and administrative expenses in the statement of comprehensive income.

1. Nature of operations and summary of significant accounting policies (cont'd)

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in comprehensive income.

Income taxes

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

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 / (assets) are settled / (recovered).

1. Nature of operations and summary of significant accounting policies (cont'd)

Pension plan

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

Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal, equitable or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year end date and the related translation differences are recognized in comprehensive income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in comprehensive income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in comprehensive income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

1. Nature of operations and summary of significant accounting policies (cont'd)

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Company’s accounting periods beginning on or after January 1, 2015 or later periods that the Company has decided not to early adopt. The standards, amendments and interpretations that will be relevant to the Company are:

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends the requirements for classification and measurement. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial asset: amortized cost and fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 15 Revenue from Contracts with Customers is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is January 1, 2017. The Company is in the process of evaluating the impact of the new standard.

The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016. The Company is in the process of evaluating the impact of these amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's future financial statements.

2. 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 and 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

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for unpaid claims

The estimation of the provision for unpaid claims and the related reinsurers' share are the Company's most critical accounting estimates. 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 6.

Income taxes

The Company periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters, however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

3. Financial instrument classification

The carrying amount of the Company's financial instruments by classification is as follows:

	Fair Value through Profit and Loss	Loans and receivables	Other financial liabilities	Total
December 31, 2014				
Cash	**$ 475,089**	**$ -**	**$ -**	**$ 475,089**
Investments (Note 4)	**24,409,583**	**-**	**-**	**24,409,583**
Investment income accrued	**-**	**97,704**	**-**	**97,704**
Due from reinsurers	**-**	**723,012**	**-**	**723,012**
Due from policy holders	**-**	**4,292,426**	**-**	**4,292,426**
Accounts payable and accrued liabilities	**-**	**-**	**(948,239)**	**(948,239)**
	$ 24,884,672	**$ 5,113,142**	**$ (948,239)**	**$ 29,049,575**
December 31, 2013				
Cash	1,231,463	$ -	$ -	$ 1,231,463
Investments	20,230,066	-	-	20,230,066
Investment income accrued	-	66,836	-	66,836
Due from reinsurers	-	272,506	-	272,506
Due from policy holders	-	3,462,890	-	3,462,890
Accounts payable and accrued liabilities	-	-	(766,118)	(766,118)
	$ 21,461,529	$ 3,802,232	$ (766,118)	$ 24,497,643

4. Investments

The following table provides cost and fair value information of investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as shown below.

	December 31, 2014		December 31, 2013	
	Cost	**Fair value**	Cost	Fair value
Short term deposits	**$ 266,291**	**$ 266,291**	$ 1,909,973	$ 1,909,973
Guaranteed investment certificates	**741,420**	**741,420**	-	-
	1,007,711	**1,007,711**	1,909,973	1,909,973
Bonds and bond funds				
Federal	**2,707,345**	**2,751,658**	1,484,172	1,499,623
Provincial	**6,448,577**	**6,721,764**	5,292,661	5,279,291
Corporate A, AA or AAA	**5,273,239**	**5,378,564**	4,254,674	4,330,353
Corporate BBB	**1,045,815**	**1,052,982**	730,570	725,947
Bond funds	**1,397,862**	**1,364,869**	1,500,000	1,478,579
	16,872,838	**17,269,837**	13,262,077	13,313,793
Equity investments				
Canadian	**3,567,414**	**4,361,395**	3,464,026	3,965,596
US	**1,508,131**	**1,731,238**	801,387	1,009,624
	5,075,545	**6,092,633**	4,265,413	4,975,220
Other investments				
Fire Mutuals guarantee fund	**39,401**	**39,401**	31,079	31,079
MCCG Inc.	**1**	**1**	1	1
	39,402	**39,402**	31,080	31,080
Total investments	**$22,995,496**	**$24,409,583**	$ 19,468,543	$ 20,230,066

4. Investments (cont'd)

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, 2014				
Short term deposits / GICs	**$ 1,007,711**	**$ -**	**$ -**	**$ 1,007,711**
Bonds	**17,269,837**	**-**	**-**	**17,269,837**
Equities	**6,092,633**	**-**	**-**	**6,092,633**
Other investments	-	**39,401**	**1**	**39,402**
Total	**$24,370,181**	**$ 39,401**	**$ 1**	**$24,409,583**
December 31, 2013				
Short term deposits	$ 1,909,973	$ -	$ -	$ 1,909,973
Bonds	13,313,793	-	-	13,313,793
Equities	4,975,220	-	-	4,975,220
Other investments	-	31,079	1	31,080
Total	$ 20,198,986	$ 31,079	$ 1	$ 20,230,066

4. Investments (cont'd)

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2013 and 2014.

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, 2014	$ 2,448,704	$ 8,376,613	$ 6,444,520	$ -	$17,269,837
Percent of Total	14 %	49 %	37 %	- %	
December 31, 2013	$ 2,845,415	$ 6,432,509	$ 4,035,869	$ -	$13,313,793
Percent of Total	21 %	48 %	31 %	- %	

The effective interest rate of the bonds portfolio held is 2.96% (2013 - 3.09%).

December 31, 2014

5. Property, plant & equipment and intangible assets

	Property, plant and equipment						Intangible assets
	Land	Buildings	Computer hardware	Furniture and fixtures	Vehicles	Total	Computer software
Cost							
Balance - December 31, 2013	$ 90,000	$ 513,058	$ 252,488	$ 343,178	$ 61,398	$ 1,260,122	$ -
Acquired in amalgamation	331,265	443,735	16,036	4,845	12,991	808,872	-
Additions	-	27,999	25,595	-	23,380	76,974	26,419
Disposals	-	-	-	-	(12,991)	(12,991)	-
Balance - December 31, 2014	**$ 421,265**	**$ 984,792**	**$ 294,119**	**$ 348,023**	**$ 84,778**	**$ 2,132,977**	**$ 26,419**
Accumulated depreciation							
Balance - December 31, 2013	$ -	$ 507,806	$ 223,088	$ 339,224	$ 41,689	$ 1,111,807	$ -
Depreciation expense		28,751	53,968	6,696	14,432	103,847	8,806
Disposals	-	-	-	-	-	-	-
Balance -December 31, 2014	**$ -**	**$ 536,557**	**$ 277,056**	**$ 345,920**	**$ 56,121**	**$ 1,215,654**	**$ 8,806**
Net book value							
December 31, 2013	$ 90,000	$ 5,252	$ 29,400	$ 3,954	$ 19,709	$ 148,315	$ -
December 31, 2014	**$ 421,265**	**$ 448,235**	**$ 17,063**	**$ 2,103**	**$ 28,657**	**$ 917,323**	**$ 17,613**

6. Insurance contracts

Due from (to) reinsurers	2014	2013
Balance, beginning of the year	$ 272,506	$ 54,512
Assumed on amalgamation	1,231	-
Submitted to reinsurer	1,490,095	718,542
Received from reinsurer	(1,040,820)	(500,548)
Balance, end of the year	$ 723,012	$ 272,506
Expected settlement		
Within one year	$ 723,012	$ 272,506
More than one year	$ -	$ -

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

Reinsurers share of provision for unpaid claims	2014	2013
Balance, beginning of the year	$ 5,811,924	$ 6,392,650
Assumed on amalgamation	236,501	-
New claims reserve	1,366,509	976,676
Change in prior years reserve	1,060,591	(838,860)
Submitted to reinsurer	(1,490,095)	(718,542)
Balance, end of the year	$ 6,985,430	$ 5,811,924
Expected settlement		
Within one year	$ 3,104,894	$ 650,340
More than one year	$ 3,880,536	$ 5,161,584

6. Insurance contracts (cont'd)

Deferred policy acquisition expenses	**2014**	**2013**
Balance, beginning of the year	**$ 1,270,932**	$ 1,245,690
Assumed on amalgamation	**302,675**	-
Acquisition costs incurred	**3,768,689**	2,890,386
Expensed during the year	**(3,742,191)**	(2,865,144)
Balance, end of the year	**$ 1,600,105**	$ 1,270,932

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

Unearned premiums (UEP)	**2014**	**2013**
Balance, beginning of the year	**$ 7,171,209**	$ 7,074,770
Premiums written	**17,859,163**	14,450,992
Premiums earned during year	**(16,043,857)**	(14,258,353)
Changes in UEP recognized in income	**(132,240)**	(96,200)
Balance, end of the year	**$ 8,854,275**	$ 7,171,209

6. Insurance contracts (cont'd)

The following is a summary of the insurance contract provisions and related reinsurance assets at December 31.

	December 31, 2014			December 31, 2013		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Outstanding claims provision						
Long term	**$4,224,515**	**$1,805,536**	**$2,418,979**	$ 5,858,686	$ 3,161,584	$ 2,697,102
Short	**5,922,528**	**3,104,894**	**2,817,634**	3,031,118	650,340	2,380,778
Facility Association and other residual pools	**328,224**	**-**	**328,224**	315,736	-	315,736
	10,475,267	**4,910,430**	**5,564,837**	9,205,540	3,811,924	5,393,616
Provision for claims incurred but not reported	**4,497,006**	**2,075,000**	**2,422,006**	4,222,006	2,000,000	2,222,006
	$14,972,273	**$6,985,430**	**$7,986,843**	$13,427,546	$ 5,811,924	$ 7,615,622

6. Insurance contracts (cont'd)

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

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

Claims and adjustment expenses

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

	2014	2013
Unpaid claim liabilities - beginning of year – net of reinsurance	**$ 7,615,652**	$ 6,387,527
Assumed on amalgamation - net	**515,886**	-
Increase (decrease) in estimated losses and expenses, for losses occurring in prior years	**(554,265)**	(46,033)
Provision for losses and expenses on claims occurring in the current year	**8,525,809**	5,777,450
Payment on claims:		
Current year	**(5,934,624)**	(3,187,327)
Prior years	**(2,181,585)**	(1,315,965)
Unpaid claims – end of year - net	**7,986,873**	7,615,652
Reinsurer's share and subrogation recoverable	**6,985,430**	5,811,924
	$14,972,303	$ 13,427,576

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

6. Insurance contracts (cont'd)

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 year 2007 to 2014. 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.

In 2011, the year of adoption of IFRS, only information from periods beginning on or after January 1, 2007 was required to be disclosed. This is being increased in each subsequent year, until ten years of information is included.

6. Insurance contracts (cont'd)

Gross claims	**2007**	**2008**	**2009**	**2010**	**2011**
Gross estimate of cumulative claims cost					
At the end year of claim	$6,236,155	$10,517,701	$5,873,101	$5,563,049	$ 13,060,948
One year later	6,242,208	9,493,586	6,974,132	5,714,016	13,108,781
Two years later	6,218,200	9,450,216	7,997,984	5,589,795	13,082,190
Three years later	6,171,770	10,443,365	7,991,495	5,539,604	12,547,801
Four years later	5,695,291	9,859,904	7,825,875	5,529,139	
Five years later	5,655,840	9,631,608	7,704,709		
Six years later	5,655,840	10,063,062			
Seven years later	5,712,580				
Current estimate of cumulative claims cost	5,712,580	10,063,062	7,704,709	5,529,139	12,547,801
Cumulative payments	5,699,480	9,281,669	7,189,278	5,241,553	11,593,049
Outstanding claims	$ 13,100	$ 781,393	$ 515,431	$ 287,586	$ 954,752

Gross claims	**2012**	**2013**	**2014**	**Total**
Gross estimate of cumulative claims cost				
At the end year of claim	$6,017,585	$7,945,034	$10,843,284	
One year later	6,006,988	7,354,057		
Two years later	6,563,007			
Current estimate of cumulative claims cost	6,563,007	7,354,057	10,843,284	66,317,639
Cumulative payments	4,727,409	5,715,289	7,106,808	56,554,535
Outstanding claims	$1,835,598	$1,638,768	$3,736,476	9,763,104
Outstanding claims 2006 and prior				383,939
Incurred but not reported				4,497,006
Facility association and risk sharing pool				328,224
Total gross outstanding claims and claims handling expense				**$14,972,273**

6. Insurance contracts (cont'd)

Net of Reinsurance	**2007**	**2008**	**2009**	**2010**	**2011**
Net estimate of cumulative claims cost					
At the end year of claim	$5,114,890	$8,479,032	$4,917,588	$4,478,528	$7,172,133
One year later	5,116,747	7,526,977	5,259,529	4,400,048	7,077,486
Two years later	4,970,685	7,688,530	5,524,282	4,318,060	7,208,498
Three years later	4,888,255	7,744,985	5,359,296	4,382,201	7,057,810
Four years later	4,774,792	7,609,464	5,360,726	4,396,732	
Five years later	4,754,525	7,498,168	5,305,559		
Six years later	4,754,525	7,542,622			
Seven years later	4,760,199				
Current estimate of cumulative claims cost	4,760,199	7,542,622	5,305,559	4,396,732	7,057,810
Cumulative payments	4,747,099	7,464,483	5,052,213	4,115,491	6,464,055
Outstanding claims	$ 13,100	$ 78,139	$ 253,346	$ 281,241	$ 593,755

Net of Reinsurance	**2012**	**2013**	**2014**	**Total**
Net estimate of cumulative claims cost				
At the end year of claim	$4,808,568	$6,579,598	$8,409,674	
One year later	4,975,874	6,265,350		
Two years later	5,211,582			
Current estimate of cumulative claims cost	5,211,582	6,265,350	8,409,674	48,949,528
Cumulative payments	4,363,053	5,479,255	6,039,708	43,725,357
Outstanding claims	$ 848,529	$ 786,095	$2,369,966	5,224,171
Outstanding claims 2006 and prior				12,442
Incurred but not reported				2,422,006
Facility association and risk sharing pool				328,224
Total net outstanding claims and claims handling expense				**$7,986,843**

7. 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 2014 was $177,240 (2013 - $100,735). 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 3.22% of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year. The expected contributions to the plan for 2015 are $185,000.

The defined benefit pension plan has been closed to future eligible employees effective January 1, 2014. 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 the defined contribution plan.

8. 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:

	2014	2013
Current tax expense (recovery)		
Based on current year taxable income	**$ 51,466**	$ 107,608
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**54,688**	25,712
Total income tax expense (recovery)	**$ 106,154**	$ 133,320

8. Income taxes (cont'd)

As of December 31, 2014, the company has non-capital losses of approximately $296,573 which are available to reduce taxable income in future years. If unused, these losses will expire as follows:

2028	$	43,639
2029		25,307
2033		227,627
	$	296,573

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2013 – 26.5%) are as follows:

	2014	2013
Comprehensive income for the year	$ 1,082,348	$ 1,195,682
Expected taxes based on the statutory rate of 26.5% (2013 – 26.5%)	286,822	316,856
Non-taxable income from insuring farm related risks	(41,281)	(69,854)
Non-taxable income from dividends	(85,305)	(56,024)
Change in deferred tax rates and other items	(16,982)	(20,046)
Small business deduction	(37,100)	(37,612)
Total income tax expense (recovery)	$ 106,154	$ 133,320

The movement in 2014 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2014	Acquired on amalgamation	Recognize in comprehensive income	Closing Balance at Dec 31, 2014
2014				
Deferred tax liability	$ -	$ -	$ -	$ -
Deferred tax assets				
Property, plant & equipment	$ 29,976	$ 1,116	$ 6,115	$ 37,207
Claims liabilities	76,156	4,924	(1,211)	79,869
Other	-	118,907	(59,592)	59,315
Deferred tax asset	$ 106,132	$ 124,947	$ (54,688)	$ 176,391
2014 net movement	$ (106,132)	$ (124,947)	$ 54,688	$ (176,391)

8. Income taxes (cont'd)

The movement in 2013 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2013	Recognize in comprehensive income	Closing Balance at Dec 31, 2013
2013			
Deferred tax liability	**$ -**	**$ -**	**$ -**
Deferred tax assets			
Property, plant & equipment	$ 27,968	$ 2,008	$ 29,976
Claims liabilities	63,876	12,280	76,156
Other	40,000	(40,000)	-
Deferred tax asset	**$ 131,844**	**$ (25,712)**	**$ 106,132**
2013 net movement	**$ (131,844)**	**$ 25,712**	**$ (106,132)**

	2014	2013
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	**$ -**	$ -
Deferred tax liabilities to be settled after more than 12 months	**-**	-
	$ -	$ -
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	**$ 87,492**	$ 23,808
Deferred tax assets to be recovered after more than 12 months	**88,899**	82,324
	$ 176,391	$ 106,132
Net Deferred tax liability (asset)	**$ (176,391)**	$ (106,132)

9. Gross claims and adjustment expenses

Included in claims expenses were wage costs of $606,997 (2013 - $563,767).

10. Fees, commissions and other acquisition expenses

	2014	2013
Commissions	**$ 3,742,191**	$ 2,865,144
Premium taxes	**58,251**	42,754
	$ 3,800,442	$ 2,907,898

11. Other operating and administrative expenses

	2014	2013
Computer costs	**$ 200,693**	$ 129,477
Licenses, fees and dues	**32,285**	28,732
Depreciation and amortization	**112,653**	44,496
Postage and office supplies	**50,745**	32,907
Professional fees	**25,566**	67,062
Salaries, benefits and directors fees	**1,275,480**	809,863
Other	**289,838**	212,364
	$ 1,987,260	$ 1,324,901

12. Salaries, benefits and directors fees

	2014	2013
Sales salaries and commissions (Note 10)	**$ 3,742,191**	$ 2,865,144
Other salaries, benefits and directors fees (Note 11)	**1,275,480**	809,863
	$ 5,017,671	$ 3,675,007

13. Investment and other income

	2014	2013
Interest income	**$ 399,560**	$ 375,920
Dividend income	**335,891**	211,411
Net gains (losses) on investments	**1,018,546**	376,796
Rental income	**25,710**	-
Net gains (losses) on disposal of property, plant and equipment	**1,509**	-
Investment expenses	**(87,834)**	(73,899)
Refund of reinsurance premiums	**-**	155,724
Other	**22,666**	12,291
	$ 1,716,048	$ 1,058,243

14. 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:

	2014	2013
Compensation		
Short term employee benefits and director's fees	$ 632,061	$ 479,108
Total pension and other post-employment benefits	70,664	41,590
	$ 702,725	$ 520,698
Premiums	$ 54,395	$ 40,284
Claims paid	$ 31,563	$ 8,370

Amounts owing to and from key management personnel at December 31, 2014 are $- (2013 - $-) and $4,099 (2013 - $1,358) respectively. The amounts are included in due from policyholders and accounts payable and accrued liabilities on the statement of financial position.

15. 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 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 deemed necessary.

The Company uses Net Risk Ratio (net premiums written to unappropriated members' surplus) to monitor capital adequacy with an upper limit of 1.25:1 (125%). The Company's Net Risk Ratio at December 31, 2014 was 95% (2013 - 97%).

For the purpose of capital management, the Company has defined capital as members' surplus.

16. Financial instrument and Insurance risk management

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 risks 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 any 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.

The Company manages this risk via its 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; in this case the Company has policies regarding renewal and new business accepted. 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, in the main, limit the liability of the Company to an amount on any one claim of $270,000 in the event of a property claim, an amount of $270,000 in the event of an automobile claim and $270,000 in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $810,000 plus 5% of the amount in excess of $810,000 in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% of gross net earned premiums for property and automobile.

16. Financial instrument and Insurance risk management (cont'd)

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, 2014 and 2013.

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company's 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 6.

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		Auto claims		Liability claims	
	2014	2013	**2014**	2013	**2014**	2013
5% increase in loss ratios						
Gross	**$ 564,981**	$ 427,542	**$ 221,675**	$ 210,831	**$ 102,371**	$ 81,155
Net	**$ 496,897**	$ 378,018	**$ 205,580**	$ 192,568	**$ 86,963**	$ 67,487
5% decrease in loss ratios						
Gross	**$ (564,981)**	$ (427,542)	**$ (221,675)**	$ (210,831)	**$ (102,371)**	$ (81,155)
Net	**$ (496,897)**	$ (378,018)	**$ (205,580)**	$ (192,568)	**$ (86,963)**	$ (67,487)

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 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, corporate sector limits and general guidelines for geographic exposure. The bond portfolio includes 84% (2013 – 84%) of bonds rated A or better. The Company's investment policy limits investment in bonds and debentures of the various ratings to limits ranging from 67% to 100% of the Company's portfolio. Funds should be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations rated BBB or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

16. Financial instrument and Insurance risk management (cont'd)

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 management prior to renewal of the reinsurance contract.

Accounts receivable are short-term in nature consisting of a large number of policyholders, and are not subject to material credit risk. Regular review of outstanding receivables is performed to ensure credit worthiness.

The maximum exposure to investment credit risk is outlined in Note 4.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits the equity investment in any one corporate issuer to a maximum of 8% of the Company's portfolio.

Currency risk

Currency risk relates to the Company operating in different currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Company's foreign exchange 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 equity to 10% of the total investment 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.

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.

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 (Bankers Acceptance, T-Bills, GICs, and Bonds).

16. Financial instrument and Insurance risk management (cont'd)

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

At December 31, 2014, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $172,698 (2013 - $133,138). This change would be recognized comprehensive income.

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.

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 Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index. At December 31, 2014, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair value of the Company's Canadian common equities of $608,792 (2013 - $497,522). This change would be recognized in comprehensive income.

The Company's investment policy limits investment in preferred and common shares to a maximum of 25% of the market value of the portfolio.

Equities are monitored by the board of directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

Liquidity Risk

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

16. Financial instrument and Insurance risk management (cont'd)

The Company’s investment policy requires that 4% to 10% of the Company's portfolio be held in cash and short-term investments with a minimum of $1,000,000 held in cash and short-term investments. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

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

17. Amalgamation

By mutual consent of both board of directors and approved at a special meeting by policyholders, effective January 1, 2014, Howick Mutual Insurance Company amalgamated with Grey & Bruce Mutual Insurance Company and is operating as Howick Mutual Insurance Company. Grey & Bruce Mutual Insurance Company was a Mutual Insurance Company licensed to write insurance in Ontario.

The additional resources and expanded area through the amalgamation will increase economies of scale and facilitate continued investment in services and technology. The revenue and comprehensive income of Grey & Bruce Mutual Insurance Company since the amalgamation date of January 1, 2014 is not disclosed as it is impracticable to determine because income and expenses are not tracked separately.

Fair values of assets and liabilities assumed at January 1, 2014 are as follows:

Cash	$ 223,300
Investments	2,505,332
Investment income accrued	13,344
Premium taxes recoverable	5,287
Due from reinsurers	1,231
Due from policyholders	704,758
Reinsurers' share of unearned premium from quota share	46,158
Reinsurers' share of provision for unpaid claims	280,459
Deferred policy acquisition expenses	302,675
Property, plant and equipment	808,873
Other assets	6,840
Deferred income tax asset	124,947
Accounts payable and accrued liabilities	(146,538)
Unpaid claims	(772,892)
Unearned premiums	(1,550,827)
	2,552,947
Cash consideration	-
Increase in members' surplus on amalgamation	$ 2,552,947

17. Amalgamation (cont'd)

The statement of financial position on January 1, 2014 after the amalgamation is as follows:

Cash	$ 1,454,763
Investments	22,735,398
Investment income accrued	80,180
Income taxes recoverable	170,625
Due from reinsurers	273,737
Due from policyholders	4,167,648
Reinsurers' share of provision for unpaid claims	6,092,383
Deferred policy acquisition expenses	1,573,607
Property, plant and equipment	957,188
Other assets	190,235
Deferred income tax asset	231,079
Reinsurers' share of unearned premium from quota share	46,158
Total assets	$ 37,973,001
Accounts payable and accrued liabilities	$ 912,656
Unearned premiums	8,722,036
Provision for unpaid claims	14,200,438
Total liabilities	23,835,130
Unappropriated members' surplus - Howick Mutual	11,584,924
Increase in members' surplus on amalgamation	2,552,947
Total members' surplus	14,137,871
Total liabilities and members' surplus	$ 37,973,001