



North Blenheim Mutual

INSURANCE COMPANY • SINCE 1861

NORTH BLENHEIM MUTUAL INSURANCE COMPANY

**Financial Statements
For the year ended December 31, 2018**

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Policyholders of
NORTH BLENHEIM MUTUAL INSURANCE COMPANY

Opinion

We have audited the financial statements of NORTH BLENHEIM MUTUAL INSURANCE COMPANY (the Entity), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, members' surplus and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants, Licensed Public Accountants
Woodstock, Ontario
January 30, 2019

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Statement of Financial Position

As at December 31 **2018** **2017**

Assets

Cash	\$ 4,515,186	\$ 1,883,332
Investments (Note 5)	21,993,262	25,736,636
Investment income accrued	85,634	103,035
Income taxes recoverable	-	40,122
Due from reinsurers (Note 4)	12,303	16,308
Due from policyholders	2,988,115	2,547,524
Reinsurers' share of provision for unpaid claims (Note 4)	1,889,119	2,029,578
Other receivables	22,804	6,234
Deferred policy acquisition expenses (Note 4)	620,606	514,570
Property, plant & equipment (Note 13)	952,860	916,200
Deferred income taxes	1,114,800	80,900
Other assets	20,510	27,910
	\$ 34,215,199	\$ 33,902,349

Liabilities

Accounts payable and accrued liabilities	\$ 425,841	\$ 424,159
Income taxes payable	448,431	-
Provision for refund of premium	50	287,580
Unearned premiums (Note 4)	5,900,213	5,142,230
Provision for unpaid claims (Note 4)	7,272,400	7,054,493
	14,046,935	12,908,462

Members' Surplus

Unappropriated members' surplus	20,168,264	20,149,816
Accumulated other comprehensive income	-	844,071
	20,168,264	20,993,887
	\$ 34,215,199	\$ 33,902,349

Signed on behalf of the Board by:

_____, Director

_____, Director

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Statement of Comprehensive Income

For the year ended December 31	2018	2017
Underwriting income		
Gross premiums written	\$ 11,898,774	\$ 10,588,795
Less reinsurance ceded	1,953,181	1,770,588
Net premiums written	9,945,593	8,818,207
Less increase in unearned premiums	757,983	361,203
Net premiums earned	9,187,610	8,457,004
Service charges	14,393	14,909
	9,202,003	8,471,913
Direct losses incurred		
Gross claims and adjustment expenses	6,598,935	5,829,735
Less reinsurers' share of claims and adjustment expenses	211,212	309,872
	6,387,723	5,519,863
	2,814,280	2,952,050
Expenses		
Fees, commissions and other acquisition expenses (Note 8)	1,322,492	1,221,368
Other operating and administrative expenses (Note 9)	2,364,513	1,934,097
	3,687,005	3,155,465
Net underwriting (loss) income before refund	(872,725)	(203,415)
Refund of premium	(2,971)	(266,659)
Net underwriting (loss) income	(875,696)	(470,074)
Investment and other income (Note 6)	(407,804)	1,054,077
Income (loss) before taxes	(1,283,500)	584,003
Provision for income taxes (Note 11)	(457,877)	22,622
Net income (loss)	(825,623)	561,381
Other comprehensive income (loss) - (net of tax)		
Change in unrealized gain / (losses) on available-for-sale investments	-	352,101
Reclassification of realized (gains) / losses on available-for-sale investments	-	(324,029)
Total other comprehensive income - (net of tax)	-	28,072
Total comprehensive income for the year	\$ (825,623)	\$ 589,453

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

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Statement of Members' Surplus
For the Year Ended December 31, 2018

	Unappropriated Members' Surplus	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2017	\$ 19,588,435	\$ 815,999	\$ 20,404,434
Net income	561,381	-	561,381
Change in unrealized gain / (losses) on available-for-sale investments	-	352,101	352,101
Reclassification of realized (gains) / losses on available-for-sale investments	-	(324,029)	(324,029)
Balance on December 31, 2017	\$ 20,149,816	\$ 844,071	\$ 20,993,887
Effect of adoption of IFRS 9 on January 1, 2018 (Note 3)	844,071	(844,071)	-
Net loss	(825,623)	-	(825,623)
Balance on December 31, 2018	\$20,168,264	\$ -	\$20,168,264

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

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Statement of Cash Flows

For the year ended December 31	2018	2017
Operating activities		
Net income (loss)	\$ (825,623)	\$ 561,381
Adjustments for:		
Depreciation	67,866	70,697
Writedown of investments	-	32,035
Interest and dividend income	(710,791)	(776,972)
Provision for income taxes	(457,877)	22,622
Realized gain from disposal of investments	(161,193)	(437,811)
Unrealized loss on investments	1,147,707	-
Realized (gain) loss from disposal of capital assets	(1,360)	9,952
	<u>(941,271)</u>	<u>(518,096)</u>
Changes in working capital		
Change in due from policyholders and other receivables	(457,161)	(213,767)
Change in other assets	7,400	(7,341)
Change in accounts payable and other liabilities	(256,782)	181,325
	<u>(706,543)</u>	<u>(39,783)</u>
Changes in insurance contract related balances, provisions		
Change in due from reinsurers	144,464	691,101
Change in deferred policy acquisition expenses	(106,036)	(33,365)
Change in unearned premiums	757,983	361,203
Change in provision for unpaid claims	217,907	62,124
	<u>1,014,318</u>	<u>1,081,063</u>
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	728,192	763,490
Income taxes paid	(116,536)	(21,689)
	<u>611,656</u>	<u>741,801</u>
Total cash (outflows) inflows from operating activities	<u>(21,840)</u>	<u>1,264,985</u>
Investing activities		
Sale of investments	12,718,887	11,492,926
Purchase of investments	(9,962,027)	(13,343,870)
Sale of property plant & equipment	54,676	38,025
Purchase of property plant & equipment	(157,842)	(106,134)
Total cash inflows (outflows) from investing activities	<u>2,653,694</u>	<u>(1,919,053)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,631,854</u>	<u>(654,068)</u>
Cash and cash equivalents, beginning of year	<u>1,883,332</u>	<u>2,537,400</u>
Cash and cash equivalents, end of year	<u>\$ 4,515,186</u>	<u>\$ 1,883,332</u>

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

NORTH BLENHEIM MUTUAL INSURANCE COMPANY

Notes to the Financial Statements

December 31, 2018

1. Corporate Information

NORTH BLENHEIM 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, farmers' accident and aviation (limited to drones for commercial and agricultural use) insurance in Ontario. The Company's head office is located at 11 Baird Street North, Bright, 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 mutual insurance companies. 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 30, 2019.

2. Basis of Presentation

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

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

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving 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, including the determination of the initial claim liability, claims development and estimate of time until ultimate settlement (Note 4).
- The determination of the recoverability of deferred policy acquisition expenses (Note 4).
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Note 5).

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 involved significant judgment.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

3. Adoption of New Accounting Standards

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

(i) Classification and measurement of financial instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (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	\$ 1,883,332 Amortized cost \$ 1,883,332
Investments - bonds	5	Available for sale	\$16,051,356 FVTPL \$16,051,356
Investments - equity	5	Available for sale	\$5,896,308 FVTPL \$5,896,308
Investments - pooled funds	5	Available for sale	\$3,766,061 FVTPL \$3,766,061
Investments - other	5	Available for sale	\$22,911 FVTPL \$22,911
Financial liabilities			
Accounts payable and accrued liabilities		Other financial liabilities	\$424,159 Amortized cost \$424,159

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

3. Adoption of New Accounting Standards (cont'd)

(ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. This applies to financial assets classified at amortized cost and debt instruments classified at 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.

(iii) Hedge accounting

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

(iv) 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.

Impacts of adoption of IFRS 9

The following table presents the impact of adopting IFRS 9 on members' surplus as at January 1, 2018:

	Unappropriated Members' Surplus	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2017	\$ 20,149,816	\$ 844,071	\$ 20,993,887
Impact of adopting IFRS 9 - change in classification (i)	844,071	(844,071)	-
Adjusted balance at January 1 2018	\$ 20,993,887	\$ -	\$ 20,993,887

(i) Available-for-sale debt and equity securities under IAS 39 have been reclassified to FVTPL under IFRS 9. Unrealized gains/losses and the related tax effects on the available-for-sale securities were reclassified to unappropriated members' surplus.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 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 their impact on net premiums earned are as follows:

<i>Unearned Premiums</i>	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 5,142,230	\$ 4,781,027
Premiums written	11,898,774	10,588,795
Premiums earned during year	<u>(11,140,791)</u>	<u>(10,227,592)</u>
Balance, end of the year	<u>\$ 5,900,213</u>	<u>\$ 5,142,230</u>

The pricing of property and liability policies are based on assumptions in regards to trends and past experience; in an attempt to correctly match policy revenue with the 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 the exposed risk.

The Company is exposed to a pricing risk in 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 the expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2018 and 2017.

Amounts due from policyholders are measured at amortized cost less any impairment losses. These amounts are short-term in nature consisting 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.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

(b) Deferred policy acquisition expenses

Acquisition costs consist of agents' and brokers' 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. 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:

<i>Deferred policy acquisition expense</i>	2018	2017
Balance, beginning of the year	\$ 514,570	\$ 481,205
Acquisition costs incurred	1,221,976	1,048,611
Expensed during the year	(1,115,940)	(1,015,246)
Balance, end of the year	<u>\$ 620,606</u>	<u>\$ 514,570</u>

(c) 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.

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

	December 31, 2018		
	Gross	Reinsurance	Net
<i>Outstanding claims provision</i>			
Long term	\$ 3,264,548	\$ 679,471	\$ 2,585,077
Short term	1,394,789	259,648	1,135,141
Facility Association and other residual pools	219,063	-	219,063
	<u>4,878,400</u>	<u>939,119</u>	<u>3,939,281</u>
Provision for claims incurred but not reported	2,394,000	950,000	1,444,000
	<u>\$ 7,272,400</u>	<u>\$ 1,889,119</u>	<u>\$ 5,383,281</u>

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

	December 31, 2017		
	Gross	Reinsurance	Net
<i>Outstanding claims provision</i>			
Long term	\$ 3,452,753	\$ 838,801	\$ 2,613,952
Short term	1,104,071	240,777	863,294
Facility Association and other residual pools	218,669	-	218,669
	4,775,493	1,079,578	3,695,915
Provision for claims incurred but not reported	2,279,000	950,000	1,329,000
	<u>\$ 7,054,493</u>	<u>\$ 2,029,578</u>	<u>\$ 5,024,915</u>

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.

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

	<u>2018</u>	<u>2017</u>
Unpaid claim liabilities - beginning of year - net of reinsurance	\$ 5,024,915	\$ 4,490,651
Decrease in estimated losses and expenses, for losses occurring in prior years	(79,247)	(965,043)
Provision for losses and expenses on claims occurring in the current year	6,007,725	5,854,421
Payment on claims:		
Current year	(3,913,924)	(3,529,528)
Prior years	(1,656,188)	(825,586)
Unpaid claims - end of year - net of reinsurance	5,383,281	5,024,915
Reinsurer's share	1,889,119	2,029,578
	<u>\$ 7,272,400</u>	<u>\$ 7,054,493</u>

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

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 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 agreements.

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

The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the claim years 2011 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 and overall claim frequency and severity.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

Gross claims	2011	2012	2013	2014	2015	2016	2017	2018	Total
Gross estimate of cumulative claims cost									
At the end year of claim	\$ 4,470,378	\$ 4,108,483	\$ 3,572,023	\$ 5,407,925	\$ 4,170,339	\$ 5,135,900	\$ 5,803,804	\$ 5,985,862	
One year later	3,942,426	3,718,719	3,505,767	5,445,113	4,928,489	5,340,440	5,718,595		
Two years later	4,141,677	3,683,507	3,482,390	5,845,361	4,263,614	5,685,348			
Three years later	4,105,161	3,630,240	3,156,821	5,784,702	4,156,887				
Four years later	4,120,203	3,676,036	3,073,724	5,703,965					
Five years later	4,125,659	3,647,802	3,084,725						
Six years later	4,121,166	3,646,960							
Seven years later	4,106,748								
Current estimate of cumulative claims cost	4,106,748	3,646,960	3,084,725	5,703,965	4,156,887	5,685,348	5,718,595	5,985,862	\$ 38,089,090
Cumulative payments	4,101,746	3,635,809	2,984,244	4,988,398	4,120,870	4,515,142	4,883,656	3,980,825	33,210,690
Outstanding claims	\$ 5,002	\$ 11,151	\$ 100,481	\$ 715,567	\$ 36,017	\$ 1,170,206	\$ 834,939	\$ 2,005,037	4,878,400
2010 and prior									-
Incurred but not reported									2,394,000
Total gross outstanding claims and claims handling expense									\$ 7,272,400
Net of Reinsurance	2011	2012	2013	2014	2015	2016	2017	2018	Total
Net estimate of cumulative claims cost									
At the end year of claim	\$ 3,289,019	\$ 3,292,114	\$ 3,194,657	\$ 4,050,355	\$ 3,073,995	\$ 4,776,577	\$ 5,507,421	\$ 5,660,725	
One year later	3,133,844	2,962,683	3,006,824	3,977,418	3,447,229	4,772,608	5,556,281		
Two years later	3,252,726	2,927,470	2,983,447	4,126,047	2,941,587	4,942,516			
Three years later	3,216,211	2,874,203	2,667,878	4,101,176	2,834,262				
Four years later	3,221,970	2,919,999	2,584,781	4,169,598					
Five years later	3,236,709	2,891,765	2,595,782						
Six years later	3,232,215	2,890,923							
Seven years later	3,217,797								
Current estimate of cumulative claims cost	3,217,797	2,890,923	2,595,782	4,169,598	2,834,262	4,942,516	5,556,281	5,660,725	\$ 31,867,884
Cumulative payments	3,212,797	2,879,772	2,495,301	3,950,503	2,798,244	3,947,309	4,730,754	3,913,923	27,928,603
Outstanding claims	\$ 5,000	\$ 11,151	\$ 100,481	\$ 219,095	\$ 36,018	\$ 995,207	\$ 825,527	\$ 1,746,802	3,939,281
2010 and prior									-
Incurred but not reported									1,444,000
Total net outstanding claims and claims handling expense									\$ 5,383,281

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

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

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

	Property claims		Auto claims		Liability claims	
	2018	2017	2018	2017	2018	2017
5% change in the loss ratios would result in the following increase/decrease:						
Gross	\$ 290,851	\$ 254,283	\$ 249,375	\$ 228,599	\$ 54,310	\$ 46,474
Net	\$ 248,314	\$ 212,927	\$ 205,794	\$ 191,343	\$ 42,769	\$ 36,557

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

(d) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense to the comprehensive income initially by 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, comprised of premiums payable for the purchase of reinsurance contracts, are included in accounts payable and accrued liabilities and are recognized as an expense on the same basis as revenue on the underlying policies being reinsured.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of \$400,000 in the event of a property claim, an amount of \$400,000 in the event of an automobile claim, an amount of \$300,000 in the event of a liability claim and an amount of \$60,000 in the event of a farmers' accident claim. The Company also obtained reinsurance which limits the Company's liability to \$1,200,000 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 the gross net earned premiums incurred.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

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

Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability. Changes in due from reinsurer recorded in the statement of financial position are as follows:

<i>Due from Reinsurers</i>	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 16,308	\$ 235,270
Submitted to reinsurer	351,672	782,011
Received from reinsurer	<u>(355,677)</u>	<u>(1,000,973)</u>
Balance, end of the year	<u>\$ 12,303</u>	<u>\$ 16,308</u>

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

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

<i>Reinsurers share of provision for unpaid claims</i>	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 2,029,578	\$ 2,501,718
New claims reserve	325,137	296,383
Change in prior years reserve	(113,924)	13,488
Submitted to reinsurer	<u>(351,672)</u>	<u>(782,011)</u>
Balance, end of the year	<u>\$ 1,889,119</u>	<u>\$ 2,029,578</u>

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

4. Insurance Contracts (cont'd)

(f) Salvage and subrogation recoverable

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

Where the Company indemnifies policyholders against a liability claim, it acquires rights to subrogate its claim against other parties.

(g) Refund of premium

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

5. Investments

(a) Recognition and initial measurement

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

(b) Classification and subsequent measurement

The Company classifies its debt instruments (GIC's 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 mutual 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.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

5. Investments (cont'd)

(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
Guaranteed Investment Certificates	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
Bonds issued by:				
Provincial	6,498,939	6,365,809	6,052,869	5,960,981
Municipal	766,614	756,293	1,720,200	1,690,677
Corporate A or better	7,514,619	7,370,254	8,408,983	8,399,698
	14,780,172	14,492,356	16,182,052	16,051,356
Equity Investments				
Canadian	4,859,184	5,119,459	4,525,416	5,896,308
Pooled Funds				
Fixed Income	308,746	291,982	1,546,162	1,481,573
Equity	1,020,567	1,065,889	2,311,373	2,284,488
	1,329,313	1,357,871	3,857,535	3,766,061
Fire Mutuals Guarantee Fund	23,576	23,576	22,911	22,911
Total Investments	\$21,992,245	\$21,993,262	\$ 24,587,914	\$ 25,736,636

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

5. Investments (cont'd)

The Company is exposed to credit risk relating to its bond 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 includes 100% (2017 - 100%) of bonds rated A or better. The Company's investment policy limits investment in bonds and debentures with the lowest rating BBB to 95% and unrated to 5% of the Company's portfolio. Funds should be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations. 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 the investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure 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 4% to 50% of the Company's portfolio be 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.

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	\$ -	\$1,121,964	\$11,847,804	\$1,522,588	\$14,492,356
Percent of Total	-	7 %	82 %	11 %	
December 31, 2017	\$ -	\$ 1,690,677	\$12,797,979	\$ 1,562,700	\$ 16,051,356
Percent of Total	-	10 %	80 %	10 %	

The effective interest rate of the bond portfolio held is 2.57% at December 31, 2018 (2017 - 2.85%).

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

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

5. Investments (cont'd)

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 management 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 15% for the five major Canadian banks and 8% for all other corporations of the total equity portfolio.

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 has no significant exposure to this risk.

The Company is exposed to interest rate risk through its interest bearing investments (T-Bills, Bonds and fixed income funds).

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

At December 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by \$648,000 (2017 - \$836,000). Also, a 1% move in interest rates, with all other variables held constant, could impact the market value of assets of the fixed income pooled funds by \$18,000 (2017 - \$100,000). These changes would be recognized in comprehensive income.

The Company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index. The Company is exposed to equity risk through its equity holdings within 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 \$537,000 (2017 - \$589,000) and the equity pooled funds of \$65,000 (2017 - \$192,000). This change would be recognized in comprehensive income.

The Company's investment policy limits investment in preferred and common shares to a maximum of 30% of the market value of the portfolio. The total investment in preferred and common shares cannot exceed 25% of total assets.

Equities are monitored by the board of directors and holdings are adjusted following each quarter the ensure holdings are in compliance with the investment policy.

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

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

5. Investments (cont'd)

(e) Fair value measurement

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

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

	Level 1	Level 2	Level 3	Total
December 31, 2018				
GIC's	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Bonds	-	14,492,356	-	14,492,356
Equities	5,119,459	-	-	5,119,459
Pooled funds	-	1,357,871	-	1,357,871
Other investments	-	23,576	-	23,576
Total	\$ 6,119,459	\$ 15,873,803	\$ -	\$ 21,993,262
December 31, 2017				
Bonds	\$ -	\$ 16,051,356	\$ -	\$ 16,051,356
Equities	5,896,308	-	-	5,896,308
Pooled funds	-	3,766,061	-	3,766,061
Other investments	-	22,911	-	22,911
Total	\$ 5,896,308	\$ 19,840,328	\$ -	\$ 25,736,636

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

6. Investment and Other Income

	<u>2018</u>	<u>2017</u>
Interest income	\$ 452,158	\$ 416,138
Dividend and pooled fund income	258,633	360,834
Realized gains on disposal of investments	161,193	437,811
Investment expenses	(132,081)	(128,671)
Writedown of investments	-	(32,035)
Unrealized (losses) on investments	<u>(1,147,707)</u>	<u>-</u>
	<u>\$ (407,804)</u>	<u>\$ 1,054,077</u>

7. Capital management

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

The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators 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 dependant 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 or deemed necessary.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

8. Fees, Commissions and other Acquisition Expenses

	2018	2017
Commissions and salaries paid to agents	\$ 1,078,802	\$ 1,118,684
Commissions paid to brokers	227,183	83,700
Other	16,507	18,984
	\$ 1,322,492	\$ 1,221,368

9. Other Operating and Administrative Expenses

	2018	2017
Computer costs	\$ 299,341	\$ 204,590
Depreciation	67,866	70,697
Licenses, fees and dues	120,038	113,887
Postage and office supplies	128,041	128,764
Professional fees	65,304	52,250
Repairs and maintenance	43,648	57,206
Salaries, benefits and directors fees	1,219,510	1,204,085
Utilities	18,909	18,145
Other	470,251	288,332
Less: reallocation to claims expense	(68,395)	(203,859)
	\$ 2,364,513	\$ 1,934,097

The company reallocates operating and administrative expenses to claims to more accurately reflect the cost of adjusting claims.

10. Salaries, Benefits and Directors Fees

	2018	2017
Total salaries and benefits paid to employees, commissions paid to agents and directors fees	\$ 2,610,577	\$ 2,648,986

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

11. Income Taxes

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

The significant components of tax expense included in net income consist of:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Based on current year taxable income	\$ 573,488	\$ 125,993
Adjustments for under (over) provision in prior periods	2,500	(9,171)
	<u>575,988</u>	<u>116,822</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(1,033,865)</u>	<u>(94,200)</u>
Total income tax (recovery) expense	<u>\$ (457,877)</u>	<u>\$ 22,622</u>

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

	<u>2018</u>	<u>2017</u>
Income (loss) before taxes	<u>\$ (1,283,500)</u>	<u>\$ 584,003</u>
Expected taxes (recovery) based on the statutory rate of 26.5%	(340,128)	154,761
Income from insuring farm related risks	(65,603)	(14,939)
Canadian dividend income	(58,793)	(66,726)
Other non deductible expenses	4,535	3,485
Under (over) provision in prior years	2,500	(9,171)
Other	(388)	(22)
Tax rate and other legislative changes	-	(44,766)
Total income tax expense	<u>\$ (457,877)</u>	<u>\$ 22,622</u>

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

12. Structured Settlements, Fire Mutuals Guarantee Fund and Financial Guarantee Contracts

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

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.

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

13. 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, art work and antique furniture 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.

		2018		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 75,000	\$ -	\$ 75,000
Buildings	10 to 50 years	873,587	176,918	696,669
Computer hardware	3 years	142,462	126,725	15,737
Office equipment	5 years	124,708	65,204	59,504
Vehicles	5 years	114,465	24,815	89,650
Artwork & antique furniture	N/A	16,300	-	16,300
		\$ 1,346,522	\$ 393,662	\$ 952,860

		2017		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 75,000	\$ -	\$ 75,000
Buildings	10 to 50 years	846,240	151,452	694,788
Computer hardware	3 years	130,945	113,315	17,630
Office equipment	5 years	67,298	61,227	6,071
Vehicles	5 years	135,313	28,902	106,411
Artwork & antique furniture	N/A	16,300	-	16,300
		\$ 1,271,096	\$ 354,896	\$ 916,200

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

14. Pension Plans

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

The Company makes contributions to the plan on behalf of members of its staff. 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.

The amount contributed to the plan for 2018 was \$109,747 (2017 - \$103,453). The contributions were made for current service and these have been recognized in net income. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. The Company had a 2.20% share of the total contributions to the plan in 2018.

Expected contributions to the plan for 2019 amount to \$112,000, which is based on payments made to the multi-employer plan during the current fiscal year.

The defined benefit pension plan has been closed to future eligible employees effective July 1, 2013. The Company and all current employees who are accruing benefits under the defined benefit plan will continue to contribute to the defined benefit plan according to the existing terms of the agreement. Future eligible employees will become part of a defined contribution plan.

Defined contribution plan

The Company's agents and employees hired after June 30, 2013 participate in a defined contribution plan. The Company's obligation with respect to this plan is to make specified monthly payments based on a percentage of the employee's eligible earnings. The amount contributed to this plan for 2018 was \$63,472 (2017 - \$40,199).

NORTH BLENHEIM MUTUAL INSURANCE COMPANY
Notes to the Financial Statements

December 31, 2018

15. Related Party Transactions

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

	2018	2017
Short term employee benefits and directors' fees	\$ 704,004	\$ 631,857
Total pension and other post-employment benefits	39,573	63,602
	\$ 743,577	\$ 695,459
Claims paid	\$ -	\$ 25,236

16. New Standards, Interpretations and Amendments 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.

- IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a 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 this to have minimum impact.
- *IFRS 17 Insurance Contracts* supersedes IFRS 4 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires entities to recognize profits as it delivers insurance services. The effective date for IFRS 17 is January 1, 2022. The Company has not yet determined the impact of adoption, however is expected to significantly impact the Financial Statements.
- *IFRIC 23 Uncertainty over Income Tax Treatments* provides guidance on recognition and measurement of uncertain income tax treatments. The effective date for IFRIC 23 is January 1, 2019. The Company is in the process of evaluating the impact of this interpretation.