WEST WAWANOSH MUTUAL INSURANCE COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2015

VODDEN, BENDER & SEEBACH LLP
Chartered Professional Accountants

Vodden, Bender & Seebach LLP

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the policyholders of
West Wawanosh Mutual Insurance Company

We have audited the accompanying financial statements of West Wawanosh Mutual Insurance Company, which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive income, policyholders' equity 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 our 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, we consider 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 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 West Wawanosh Mutual Insurance Company as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Vodden, Bender & Seebach LLP

Chartered Accountants
Licensed Public Accountants
Clinton, Ontario
February 11, 2016

WEST WAWANOSH MUTUAL INSURANCE COMPANY
STATEMENT OF FINANCIAL POSITION

as at December 31		2015	2014
ASSETS			
Cash		**1,857,396**	1,922,482
Investments	Note 4	**32,772,626**	33,751,345
Accrued interest		**173,752**	179,682
Due from policyholders		**3,940,396**	3,851,635
Due from reinsurer	Note 7	**27,124**	1,161
Reinsurer's share of provision for unpaid claims	Note 7	**6,647,244**	6,903,665
Receivable from Facility Association		**254,638**	259,266
Other accounts receivable		**82,258**	65,807
Prepaid expenses		**139,838**	63,563
Deferred policy acquisition expenses	Note 7	**1,435,700**	1,354,900
Deferred income taxes	Note 10	**432,190**	472,360
Property and equipment	Note 6	**423,102**	484,775
Intangible assets		**448,000**	504,000
Income taxes recoverable		**872,578**	-
		$ 49,506,842	$ 49,814,641
LIABILITIES			
Provision for unpaid claims	Note 7	**13,104,947**	13,210,344
Unearned premiums	Note 7	**7,517,400**	7,478,400
Due to Facility Association		**343,486**	350,933
Accounts payable and accrued liabilities		**882,640**	1,193,014
Income taxes payable		**-**	150,213
		21,848,473	22,382,904
POLICYHOLDERS' EQUITY		**27,658,369**	27,431,737
		$ 49,506,842	$ 49,814,641

The accompanying notes are an integral part of these financial statements

On behalf of the Board:

.... Director

.... Director

WEST WAWANOSH MUTUAL INSURANCE COMPANY
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31		2015	2014
Gross premiums written		**15,170,279**	15,360,167
Reinsurance premiums		**(2,343,831)**	(2,382,995)
Decrease (increase) in unearned premiums		**(39,000)**	409,500
Net premiums earned		**12,787,448**	13,386,672
Payment plan service fees		**146,181**	144,293
Underwriting revenue		**12,933,629**	13,530,965
Direct losses incurred			
Gross claims and adjusting		**10,604,417**	5,774,258
Reinsurers share of claims and adjusting		**(2,686,114)**	73,658
		7,918,303	5,847,916
Expenses			
Commissions and acquisition expenses	Note 12	**3,112,023**	3,251,630
Salaries, benefits and directors' fees	Note 13	**823,345**	968,603
Other operating and administrative	Note 14	**1,018,647**	1,381,145
		4,954,015	5,601,378
Claims and expenses		**12,872,318**	11,449,294
Underwriting income		**61,311**	2,081,671
Investment income	Note 15	**252,260**	1,681,998
Comprehensive income before taxes		**313,571**	3,763,669
Provision for income taxes	Note 10		
Current		**46,769**	1,070,214
Deferred		**40,170**	(161,680)
		86,939	908,534
Comprehensive income for year		**$ 226,632**	$ 2,855,135

The accompanying notes are an integral part of these financial statements

WEST WAWANOSH MUTUAL INSURANCE COMPANY
STATEMENT OF POLICYHOLDERS' EQUITY

For the Year Ended December 31	2015	2014
Balance beginning of year	27,431,737	24,576,602
Comprehensive income for year	226,632	2,855,135
Balance end of year	$ 27,658,369	$ 27,431,737

The accompanying notes are an integral part of these financial statements

WEST WAWANOSH MUTUAL INSURANCE COMPANY
STATEMENT OF CASH FLOWS

For the Year Ended December 31	2015	2014
Operating activities		
Comprehensive income for year	**226,632**	2,855,135
Adjustments not involving cash		
Depreciation and amortization	**129,923**	132,808
Amortization of bond discounts	**30,069**	25,093
Loss (gain) on investments	**(818,890)**	(77,568)
Deferred income taxes	**40,170**	(161,680)
Changes in non-cash working capital		
Accrued investment income	**5,930**	1,287
Premiums receivable	**(88,761)**	155,777
Receivable from reinsurers	**235,086**	2,573,632
Other receivables	**(16,451)**	(65,807)
Prepaid expenses	**(76,275)**	(63,563)
Accounts payable	**(310,374)**	626,401
Income taxes recoverable / payable	**(1,022,791)**	(268,966)
Deferred policy acquisition expenses	**(80,800)**	61,100
Provision for unpaid claims	**(105,397)**	(3,738,383)
Unearned premiums	**39,000**	(409,500)
Due to Facility Association	**(7,447)**	(5,458)
Cash provided from (used for) operating activities	**(1,820,376)**	1,640,308
Investment activities		
Sale of investments	**12,965,176**	4,191,175
Purchases of investments	**(12,729,425)**	(6,578,846)
Change in fair value of equity investments	**1,531,789**	(451,851)
Purchase of capital assets	**(12,250)**	(45,170)
Purchase of intangible assets	**-**	(560,000)
Cash provided from (used for) investment activities	**1,755,290**	(3,444,692)
Net increase in cash	**(65,086)**	(1,804,384)
Cash beginning of year	**1,922,482**	3,726,866
Cash balance end of year	**$ 1,857,396**	$ 1,922,482

WEST WAWANOSH MUTUAL INSURANCE COMPANY
EXPLANATORY FINANCIAL NOTES
For the year ended December 31, 2015

1 Nature of operations and summary of significant accounting policies

Reporting entity

West Wawanosh 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 Dungannon, 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 11, 2016.

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 (IASB).

These financial statements were prepared under the historical cost convention except for those financial assets that have been measured at 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.

Insurance contracts

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

(a) Premiums and unearned premiums

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

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

Insurance contracts (cont'd)

(a) Premiums and unearned premiums (cont'd)

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 Company reflects reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders and on a net basis in the statement of comprehensive income to indicate the results of its retention of premiums written.

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. A contingent liability exists with respect to reinsurance ceded which could become a liability of the Company in the event that the reinsurer might be unable to meet its obligation under the reinsurance agreements. The Company ascertained that no provision is necessary at December 31 for doubtful collection of reinsurance recoveries.

(c) Deferred policy acquisition expenses

Acquisition costs are comprised of agents' commissions and other related acquisition expenses. 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 the 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.

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

(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.

(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 Mutual 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 fulfill their obligations.

The Company is a member of the Fire Mutual 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.

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:

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

Financial instruments (cont'd)

(a) Financial assets measured at amortized cost

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as measured at cost. Financial assets measured at cost are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount not close to their maturity would result in the reclassification of all investments measured at amortized cost as fair value through profit or loss, and prevent the Company from classifying investment securities as measured at cost for the current and the following two financial years.

(b) 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.

(c) Financial assets measured at fair value through profit and loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such. Financial assets are designated as fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in comprehensive income.

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

Financial instruments (cont'd)

(d) 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 are 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, not 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 and equipment

Property and 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:

Pavement	20 years	Buildings	40 years
Computer hardware	5 years	Vehicles	4 years
Furniture and fixtures	10 years		

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

Intangible assets

Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in comprehensive income and is provided on a straight-line basis over the estimated useful life of the asset, 10 years.

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.

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

Facility Association

As a member of the Facility Association, the Company records its proportionate share of the Association's revenue, expenses, unearned premiums and provision for unpaid claims.

Income taxes

Income tax expenses are comprised of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income to the extent that it relates to a business combination, or items recognized directly in equity.

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).

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 related.

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.

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

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.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars 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 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.

Application of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

• IAS 19 Employee Benefits has been amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. This revised standard has no impact on the disclosures or on the financial results of the Company.

• IFRS 7 Financial Instruments: Disclosures have been amended to update the mandatory effective date and transition disclosures when applying IFRS 9. Disclosures include reclassification information on transition from IAS 39 to IFRS 9, to allow reconciliations between measurement categories and classes of financial instruments. This revised standard has no impact on the disclosures in the financial statements of the Company.

• IAS 16 Property, Plant and Equipment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. This revised standard has no impact on the disclosures or on the financial results of the company.

• IAS 24 Related Party Disclosures clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. This revised standard has no impact on the disclosures of the Company.

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

Application of new and revised International Financial Reporting Standards (IFRS) (cont'd)

- IAS 38 Intangible Assets clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. This revised standard has no impact on the disclosures or on the financial results of the company.

- IFRS 13 Fair Value Measurement clarifies that the scope of the portfolio exception defined in IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments regardless of whether they meet the definition of financial assets or liabilities as defined in IAS 32 Financial Instruments: Presentation. This revised standard has no impact on the disclosures or on the financial results of the company.

- IAS 40 Investment Property clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined IAS 40 Investment Property requires the separate application of both standards independently of each other. This revised standard has no impact on the disclosures or on the financial results of the company.

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, 2016 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 brings together the classification and measurement, impairment and hedge accounting aspects of financial instruments, to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristic test. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

- IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

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

Standards, amendments and interpretations not yet effective (cont'd)

• IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets are amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflect a pattern of generation of economic benefits that arise from the operation of a business of which the asset is a part, rather than the pattern of consumption of an asset's expected future economic benefits. There are certain limited circumstances where this can be overcome under IAS 38 Intangible Assets. IAS 16 and 38 are effective for annual reporting periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not expected to have a material impact on the Company's financial statements.

Annual improvements effective for periods beginning on or after January 1, 2016 and which are not expected to have a material impact on the Company's financial statements include:

• IFRS 5 Non-current Assets Held for Sale and Discontinued operations add specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held for distribution accounting is discontinued.

• IFRS 7 Financial Instruments: Disclosures add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

• IAS 19 Employee Benefits clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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.

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.

WEST WAWANOSH MUTUAL INSURANCE COMPANY
EXPLANATORY FINANCIAL NOTES
For the year ended December 31, 2015

2 Critical accounting estimates and judgments (cont'd)

(a) 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 7.

(b) 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 or loss	Amortized cost	Loans and receivables	Other financial liabilities	Total
December 31, 2015					
Cash	**$ 1,857,396**	**$ -**	**$ -**	**$ -**	**$ 1,857,396**
Investments	**8,934,097**	**22,345,406**	**1,493,123**	**-**	**32,772,626**
Accrued interest	**-**	**-**	**173,752**	**-**	**173,752**
Premiums receivable	**-**	**-**	**3,940,396**	**-**	**3,940,396**
Due from reinsurer	**-**	**-**	**27,124**	**-**	**27,124**
Other receivables	**-**	**-**	**82,258**	**-**	**82,258**
Accounts payable and accrued liabilities	**-**	**-**	**-**	**(1,226,126)**	**(1,226,126)**
Total	**$ 10,791,493**	**$ 22,345,406**	**$ 5,716,653**	**$ (1,226,126)**	**$ 37,627,426**
December 31, 2014					
Cash	$ 1,922,482	$ -	$ -	$ -	$ 1,922,482
Investments	9,527,785	22,649,707	1,573,853	-	33,751,345
Accrued interest	-	-	179,682	-	179,682
Premiums receivable	-	-	3,851,635	-	3,851,635
Due from reinsurer	-	-	1,161	-	1,161
Other receivables	-	-	65,807	-	65,807
Accounts payable and accrued liabilities	-	-	-	(1,543,947)	(1,543,947)
Total	$ 11,450,267	$ 22,649,707	$ 5,672,138	$ (1,543,947)	$ 38,228,165

WEST WAWANOSH MUTUAL INSURANCE COMPANY
EXPLANATORY FINANCIAL NOTES
For the year ended December 31, 2015

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, 2015		December 31, 2014	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
GIC/Bankers acceptance	**$ 4,562,975**	**$ 4,564,615**	$ 4,541,000	$ 4,541,040
Bonds issued by				
Federal	**$ 990,000**	**$ 1,104,643**	$ 990,000	$ 1,099,010
Provincial	**8,494,028**	**9,376,442**	9,571,437	10,515,727
Municipal	**2,768,504**	**2,914,153**	2,504,529	2,652,945
Corporate				
A or better	**3,867,136**	**3,937,993**	3,644,413	3,742,786
B to BBB	**1,619,875**	**1,663,115**	1,358,875	1,439,217
Not rated	**4,068**	**4,068**	1,257	1,257
	$ 17,743,611	**$ 19,000,414**	$ 18,070,511	$ 19,450,942
Equity investments				
Canadian	**$ 939,637**	**$ 870,560**	$ 795,707	$ 840,341
US	**437,201**	**648,731**	500,358	638,001
	$ 1,376,838	**$ 1,519,291**	$ 1,296,065	$ 1,478,342
Mutual funds				
Canadian fixed income	**$ 83,464**	**$ 80,976**	$ 81,254	$ 80,167
Canadian equity	**170,411**	**188,049**	122,760	130,265
	$ 253,875	**$ 269,025**	$ 204,014	$ 210,432
Farm mutual pooled funds				
Canadian fixed income	**$ 3,613,131**	**$ 3,512,316**	$ 3,617,576	$ 3,555,970
Canadian equity	**4,351,232**	**3,558,666**	3,529,262	4,202,782
	$ 7,964,363	**$ 7,070,982**	$ 7,146,838	$ 7,758,752
Other investments				
Fire Mutuals guarantee fund	**$ 38,820**	**$ 38,820**	$ 38,198	$ 38,198
Other	**66,252**	**74,799**	76,300	80,259
Loan receivable	**1,493,123**	**1,493,123**	1,573,853	1,573,853
	$ 1,598,195	**$ 1,606,742**	$ 1,688,351	$ 1,692,310
Total investments	**$ 33,499,857**	**$ 34,031,069**	$ 32,946,779	$ 35,131,818

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 identifical 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, 2015				
Equity investments	**$ 1,519,291**	**-**	**-**	**$ 1,519,291**
Mutual funds	**269,025**	**-**	**-**	**269,025**
Farm mutual pooled funds	**-**	**7,070,982**	**-**	**7,070,982**
Other investments	**74,799**	**-**	**-**	**74,799**
Total of investments measured at fair value	**$ 1,863,115**	**$ 7,070,982**	**$ -**	**$ 8,934,097**
December 31, 2014				
Equity investments	$ 1,478,342	-	-	$ 1,478,342
Mutual funds	210,432	-	-	210,432
Farm mutual pooled funds	-	7,758,752	-	7,758,752
Other investments	80,259	-	-	80,259
Total of investments measured at fair value	$ 1,769,033	$ 7,758,752	$ -	$ 9,527,785

4 Investments (cont'd)

Maturity profile of invested assets

2015	**< 1 Year**	**1 - 5 Years**	**6 - 10 Years**	**> 10 Years**	**No fixed**	**Total**
Bonds - at amortized cost	**$ 3,261,480**	**$ 13,117,456**	**$ 4,256,813**	**$ 1,670,837**	**$ -**	**$ 22,306,586**
Stocks - Common	**-**	**-**	**-**	**-**	**1,357,019**	**1,357,019**
Stocks - Preferred	**-**	**-**	**-**	**-**	**162,272**	**162,272**
Mutual funds- fixed income	**-**	**-**	**-**	**-**	**80,976**	**80,976**
Mutual funds- equity	**-**	**-**	**-**	**-**	**188,049**	**188,049**
Farm mutual pooled- fixed income	**338,236**	**1,606,182**	**535,979**	**1,031,919**	**-**	**3,512,316**
Farm mutual pooled- equity	**-**	**-**	**-**	**-**	**3,558,666**	**3,558,666**
Other investments	**-**	**1,493,123**	**-**	**-**	**113,619**	**1,606,742**
Investment income due and accrued	**173,752**	**-**	**-**	**-**	**-**	**173,752**
Total	**$ 3,773,468**	**$ 16,216,761**	**$ 4,792,792**	**$ 2,702,756**	**$ 5,460,601**	**$ 32,946,378**
	11%	**49%**	**15%**	**8%**	**17%**	**100%**

2014	**< 1 Year**	**1 - 5 Years**	**6 - 10 Years**	**> 10 Years**	**No fixed**	**Total**
Bonds - at amortized cost	$ 3,354,000	$ 13,693,123	$ 4,105,441	$ 1,458,947	$ -	$ 22,611,511
Stocks - Common	-	-	-	-	1,332,483	1,332,483
Stocks - Preferred	-	-	-	-	145,857	145,857
Mutual funds- fixed income					80,167	80,167
Mutual funds- equity					130,265	130,265
Farm mutual pooled- fixed income	81,432	1,679,129	674,212	1,121,197	-	3,555,970
Farm mutual pooled- equity	-	-	-	-	4,202,782	4,202,782
Other Investments	-	1,573,853	-	-	118,457	1,692,310
Investment income due and accrued	179,682	-	-	-	-	179,682
Total	$ 3,615,114	$ 16,946,105	$ 4,779,653	$ 2,580,144	$ 6,010,011	$ 33,931,027
	10%	50%	14%	8%	18%	100%

4 Investments (cont'd)

Maturity profile of bonds held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Amortized cost
December 31, 2015	**$ 3,261,480**	**$ 13,117,456**	**$ 4,256,813**	**$ 1,670,837**	**$ 22,306,586**
Percent of Total	**15%**	**59%**	**19%**	**7%**	
December 31, 2014	$ 3,354,000	$ 13,693,123	$ 4,105,441	$ 1,458,947	$ 22,611,511
Percent of Total	15%	61%	18%	6%	

The effective interest rate of the bonds portfolio held is 3.73% at December 31, 2015 (2014- 4.38%).

5 Investment property

Under IFRS investments properties are measured at fair value. The company did not own any investment properties during the reporting periods.

6 Property and equipment

	Land	Pavement	Buildings	Computer hardware	Furniture and fixtures	Vehicles	Total
Cost							
Balance on December 31, 2014	$ 48,900	$ 26,400	$ 531,000	$ 174,287	$ 170,780	$ 79,325	$ 1,030,692
Additions	-	-	-	6,580	5,670	-	12,250
Disposals	-	-	-		-	-	-
Balance on December 31, 2015	**$ 48,900**	**$ 26,400**	**$ 531,000**	**$ 180,867**	**$ 176,450**	**$ 79,325**	**$ 1,042,942**
Accumulated depreciation							
Balance on December 31, 2014	$ -	$ 24,550	$ 308,000	$ 85,364	$ 83,110	$ 44,893	$ 545,917
Depreciation expense	-	1,320	13,000	32,403	17,360	9,840	73,923
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	-		-	-	-
Balance on December 31, 2015	**$ -**	**$ 25,870**	**$ 321,000**	**$ 117,767**	**$ 100,470**	**$ 54,733**	**$ 619,840**
Net book value							
December 31, 2014	$ 48,900	$ 1,850	$ 223,000	$ 88,923	$ 87,670	$ 34,432	$ 484,775
December 31, 2015	**$ 48,900**	**$ 530**	**$ 210,000**	**$ 63,100**	**$ 75,980**	**$ 24,592**	**$ 423,102**

7 Insurance contracts

Due from (to) reinsurers	**2015**	2014
Balance, beginning of the year	**$ 1,161**	$ 76,008
Submitted to reinsurer	**2,942,535**	2,412,503
Received from reinsurer	**(2,916,572)**	(2,487,349)
Balance, end of the year	**$ 27,124**	$ 1,161
Expected settlement		
Within one year	**$ 27,124**	$ 76,008
More than one year	**-**	-
	$ 27,124	$ 76,008

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	**2015**	2014
Balance, beginning of the year	**$ 6,903,665**	$ 9,409,797
New claims reserve	**2,866,464**	1,701,466
Change in prior years reserve	**(180,350)**	(1,795,095)
Submitted to reinsurer	**(2,942,535)**	(2,412,503)
Balance, end of the year	**$ 6,647,244**	$ 6,903,665
Expected settlement		
Within one year	**$ 968,776**	$ 208,723
More than one year	**5,678,468**	6,694,942
	$ 6,647,244	$ 6,903,665

Deferred policy acquisition expenses	**2015**	2014
Balance, beginning of the year	**$ 1,354,900**	$ 1,416,000
Acquisition costs incurred	**2,827,264**	2,742,397
Expensed during the year	**(2,746,464)**	(2,803,497)
Balance, end of the year	**$ 1,435,700**	$ 1,354,900

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

7 Insurance contracts (cont'd)

Unearned premiums (UEP)	**2015**	2014
Balance, beginning of the year	**$ 7,478,400**	$ 7,887,900
Premiums written	**15,170,279**	15,360,167
Premiums earned during year	**(15,131,279)**	(15,769,667)
Balance, end of the year	**$ 7,517,400**	$ 7,478,400

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

	December 31, 2015			December 31, 2014		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Outstanding claims provision						
Long settlement term	**$ 5,242,396**	**$ 2,926,468**	**$ 2,315,928**	$ 6,144,421	$ 3,319,942	$ 2,824,479
Short settlement term	**2,945,551**	**965,776**	**1,979,775**	1,471,922	208,723	1,263,199
Facility Association and other residual pools	**213,000**	**-**	**213,000**	273,999	-	273,999
	8,400,947	**3,892,244**	**4,508,703**	7,890,342	3,528,665	4,361,677
Provision for claims incurred but not reported	**4,704,000**	**2,755,000**	**1,949,000**	5,320,002	3,375,000	1,945,002
	$ 13,104,947	**$ 6,647,244**	**$ 6,457,703**	$ 13,210,344	$ 6,903,665	$ 6,306,679

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.

7 Insurance contracts (cont'd)

Claims and adjustment expenses

Changes in claim liabilities recorded in the statement of financial position for the years-ended December 31, 2015 and 2014 and their impact on claims and adjustment expenses are as follows:

	2015	2014
Unpaid claim liabilities, beginning of year	$ 13,210,344	$ 16,948,727
Increase (decrease) in estimated losses and expenses, for losses occurring in prior years	(1,498,163)	(2,939,284)
Provision for losses and expenses on claims occurring in the current year	12,084,529	8,710,532
Payment on claims:		
Current year	(5,382,490)	(4,109,790)
Prior years	(5,309,273)	(5,399,841)
Unpaid claim liabilities, end of year	13,104,947	13,210,344
Reinsurer’s share and subrogation recoverable	6,647,244	6,903,665
Unpaid claims, end of year - net	$ 6,457,703	$ 6,306,679

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

Provision for unpaid claims and adjustment expenses

The determination of the provision for unpaid claims and adjustment expenses and the related reinsurers' share requires the estimation of three major variables including the development of claims, reinsurance recoveries, and future investment income.

The Superintendent of the Financial Services Commission of Ontario has required that consideration of future investment income be disregarded except in the evaluation of automobile accident benefit claims.

Claim development

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

The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the claim years 2007 to 2015. The upper half of 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.

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 succeeding additional year, until ten years of information is included.

7 Insurance contracts (cont'd) **$ 000**

Gross Claims

Year of Loss	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Gross estimate of cumulative claims cost										
At the end year of claim	$ 12,578	$ 11,544	$ 9,044	$ 7,245	$ 28,383	$ 9,596	$ 10,694	$ 8,711	$ 12,085	
One year later	15,033	10,396	9,423	6,413	29,187	7,612	9,431	7,243		
Two years later	14,759	9,103	9,155	5,817	28,113	6,816	8,631			
Three years later	13,493	8,915	10,483	5,630	27,879	7,016				
Four years later	13,038	8,484	10,682	5,485	27,412					
Five years later	12,935	8,416	10,772	5,456						
Six years later	12,957	8,327	11,856							
Seven years later	12,859	8,283								
Eight years later	12,870									
Current estimate of cumulative claims cost	12,870	8,283	11,856	5,456	27,412	7,016	8,631	7,243	12,085	
Cumulative payments	12,836	8,283	11,792	4,782	27,095	5,014	7,807	5,486	5,382	
Outstanding claims	$ 34	$ 0	$ 64	$ 674	$ 317	$ 2,000	$ 824	$ 1,757	$ 6,703	$ 12,373
Outstanding claims 2006 and prior										732
Total gross outstanding claims and claims handling expense										**$ 13,105**

Net of reinsurance

Year of Loss	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Net estimate of cumulative claims cost										
At the end year of claim	$ 7,856	$ 7,391	$ 6,284	$ 5,381	$ 9,954	$ 7,153	$ 7,143	$ 7,008	$ 9,217	
One year later	7,419	6,494	5,882	4,976	9,334	5,964	6,664	6,322		
Two years later	7,059	5,876	5,551	4,768	8,765	5,533	6,479			
Three years later	6,724	5,733	5,386	4,535	8,770	5,345				
Four years later	6,663	5,581	5,514	4,515	8,508					
Five years later	6,672	5,576	5,461	4,522						
Six years later	6,646	5,538	5,458							
Seven years later	6,705	5,506								
Eight years later	6,716									
Current estimate of cumulative claims cost	6,716	5,506	5,458	4,522	8,508	5,345	6,479	6,322	9,217	
Cumulative payments	6,712	5,506	5,428	4,206	8,255	4,809	6,038	5,371	5,367	
Outstanding claims	$ 4	$ -	$ 30	$ 316	$ 253	$ 536	$ 441	$ 951	$ 3,850	$ 6,381
Outstanding claims 2006 and prior										77
Total net outstanding claims and claims handling expense										**$ 6,458**

8 Other provisions and contingent liabilities

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of conducting its insurance business which is taken into account in establishing the provision of unpaid claims and adjustment expenses. Management is not aware of any other liability related to legal disputes unrelated to their insurance business for which it is probable that an amount will be paid.

9 Pension Plan

The Company makes contributions to the Ontario Mutual Insurance Association Pension Plan, which is a multi-employer plan, on behalf of members of its staff. Eligible employees participate in the defined benefit plan, which is a money purchase plan. The defined benefit plan specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to reliably measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

The defined benefit plan has been closed to future eligible employees effective August 2013. The Company and all current employees who were accruing benefits under the defined benefit plan continue to contribute to the defined benefit plan according to the existing terms of the agreement. Future eligible employees are enrolled in the defined contribution plan. The Company's obligation with respect to this plan is to make specified monthly contributions based on a percentage of employee's eligible earnings.

The company funds the excess defined benefit based on the Company's percentage of pensionable earnings as calculated by the Pension Plan actuaries. The Pension Plan agreement states that the company is responsible for its share of any deficit as a result of any actuarial valuation or cost certificate. The minimum funding requirement is the solvency valuation amount determined by the Pension Plan actuary on the valuation dates prescribed by the Pensions Benefit Act. In the event of a wind-up, voluntary withdrawal or bankruptcy, either by the Company or the group as a whole, the Company is responsible for its portion of all expenses and deficit related to such.

The amount contributed to the plan for 2015 was $94,033 (2014 - $90,256). The contributions were made for current service and these have been recognized in comprehensive income. The Company had a 1.43% share of the total contributions to the Plan in 2015 (2014- 1.42%).

The pension plan exposes the Company to a contingent liability for any shortfall in plan assets resulting from insufficient contributions including actuarial losses relating to other participating entities and any shortfall in the plan if other entities cease to participate.

10 Income taxes

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

		2015		2014
Current tax expense (recovery)				
Based on current year taxable income (loss)	**$**	**46,769**	$	1,105,213
Adjustments for over / under provision in prior periods		**-**		(34,999)
	$	**46,769**	$	1,070,214
Deferred tax expense (recovery)				
Origination and reversal of temporary differences	**$**	**40,170**		(161,680)
Total income tax expense (recovery)	**$**	**86,939**	$	908,534

10 Income taxes (cont'd)

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

	2015	2014
Comprehensive income (loss) for the year before taxes	**$ 313,571**	$ 3,763,669
Combined basic Canadian Federal and Provincial income tax rate	**26%**	26%
Expected taxes at statutory rates	**81,528**	984,803
Non deductible portion of claims liabilities	**1,963**	(16,103)
Other non deductible expenses	**668**	650
Adjustments related to investments	**(20,638)**	103,865
Capital cost allowance in excess of depreciation	**1,094**	48,148
Cummulative elgible capital	**(7,109)**	(7,693)
Non-taxable dividends	**(10,741)**	(8,457)
Total income tax expense (recovery)	**$ 46,765**	$ 1,105,213

10 Income taxes (cont'd)

The movement in 2015 deferred tax liabilities and assets are:

2015	Opening balance at Jan 1, 2015	Recognize in comprehensive income	Closing Balance at Dec 31, 2015
Deferred tax liabilities			
Property and equipment	**$ -**	**$ -**	**$ -**
Deferred tax liability	**$ -**	**$ -**	**$ -**
Deferred tax assets			
Market to market and other adjustments related to investments	**$ 365,830**	**$ (32,350)**	**$ 333,480**
Claims liabilities	**83,550**	**2,010**	**85,560**
Intangible assets	**3,330**	**3,890**	**7,220**
Property and equipment	**19,650**	**(13,720)**	**5,930**
Deferred tax asset	**$ 472,360**	**$ (40,170)**	**$ 432,190**
2015 net deferred tax asset movement	**$ 472,360**	**$ (40,170)**	**$ 432,190**

The movement in 2014 deferred tax liabilities and assets are:

2014	Opening balance at Jan 1, 2014	Recognize in comprehensive income	Closing Balance at Dec 31, 2014
Deferred tax liabilities			
Property and equipment	$ (13,750)	$ 13,750	$ -
Deferred tax liability	$ (13,750)	$ 13,750	$ -
Deferred tax assets			
Market to market and other adjustments related to investments	$ 228,130	$ 137,700	$ 365,830
Claims liabilities	96,300	$ (12,750)	83,550
Intangible assets	-	$ 3,330	3,330
Property and equipment	-	19,650	19,650
Deferred tax asset	$ 324,430	$ 147,930	$ 472,360
2014 net deferred tax asset movement	$ 310,680	$ 161,680	$ 472,360

	2015	2014
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**$ -**	$ -
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**$ 432,190**	$ 472,360
Net deferred tax asset	**$ 432,190**	$ 472,360

11 Gross claims and adjustment expenses

Included in claims expenses were wage costs of $418,210 (2014 - $161,000) and other related costs of $371,105 (2014 - $0).

12 Commissions and acquisition expenses

	2015	2014
Commissions	$ 3,069,310	$ 3,207,422
Premium tax	42,713	44,208
	$ 3,112,023	$ 3,251,630

13 Salaries, benefits and directors fees

	2015	2014
Underwriter salaries and benefits	$ 491,253	$ 343,131
Other salaries, benefits and directors fees	332,092	625,472
	$ 823,345	$ 968,603

14 Other operating and administrative expenses

	2015	2014
Computer costs	$ 410,602	$ 590,658
Licenses, fees and dues	197,670	173,163
Depreciation	129,923	132,808
Repairs and maintenance	18,875	9,537
Utilities	17,656	17,162
Postage and office supplies	87,455	160,862
Professional fees	65,026	100,607
Other	91,440	196,348
	$ 1,018,647	$ 1,381,145

15 Investment and other income

2015	**Amortized cost**	**Fair value Profit or Loss**	**Loans and Receivables**	**Total**
Interest income	**$ 847,524**	**$ -**	**$ 60,978**	**$ 908,502**
Dividend and other income	**-**	**56,657**	**-**	**56,657**
Net realized gains (losses)	**-**	**818,890**	**-**	**818,890**
Change in unrealized gains (losses)	**-**	**(1,531,789)**	**-**	**(1,531,789)**
Investment income	**$ 847,524**	**$ (656,242)**	**$ 60,978**	**$ 252,260**

2014	**Amortized cost**	**Fair value Profit or Loss**	**Loans and Receivables**	**Total**
Interest income	$ 1,082,397	$ -	$ 21,087	$ 1,103,484
Dividend and other income	-	49,095	-	49,095
Net realized gains (losses)	-	77,568	-	77,568
Change in unrealized gains (losses)	-	451,851	-	451,851
Investment income	$ 1,082,397	$ 578,514	$ 21,087	$ 1,681,998

16 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.

	2015	2014
Compensation		
Salaries, wages and short term employee benefits and directors' fees	**$ 443,553**	$ 437,393
Premiums	**$ 55,664**	$ 71,182
Claims paid	**$ 1,404**	$ 124

No amounts were owing to and from key management personnel.

17 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 (policyholders' equity to net premiums earned) to monitor capital adequacy. The Company benchmarks an adequate Net Risk Ratio to be over 1:1. The Company's Net Risk Ratio at December 31, 2015 was 2.16:1 (2014 2.05:1).

18 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 property claim to $350,000, on any one liability claim to $350,000 and on any one automobile claim to $500,000. The Company also obtained reinsurance which limits the Company's liability to $900,000 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 for all claims in a specified year to 80% of net earned premiums for property and 100% for automobile and liability.

18 Financial instrument and Insurance risk management (cont'd)

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, 2015 or 2014.

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development as described in Note 7.

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	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
5% increase in loss ratios						
Gross	$ 437,267	$ 451,885	$ 243,204	$ 258,846	$ 76,093	$ 77,776
Net	$ 378,761	$ 391,195	$ 201,925	$ 218,671	$ 58,713	$ 59,492
5% decrease in loss ratios						
Gross	$(437,267)	$(451,885)	$(243,204)	$(258,846)	$ (76,093)	$ (77,776)
Net	$(378,761)	$(391,195)	$(201,925)	$(218,671)	$ (58,713)	$ (59,492)

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 92% (December 31, 2014 - 94%) of bonds rated A or better. 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.

18 Financial instrument and Insurance risk management (cont'd)

Credit risk (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 Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer to a maximum of 10% 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 7% of the total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Board of Directors 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.

18 Financial instrument and Insurance risk management

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 Acceptances, T-Bills, GICs, and Bonds).

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 on bonds at the time of acquisition. 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, 2015, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $981,800 (2014 - $1,011,000). Because bonds are reported at amortised cost, fluctuations in market values do not affect 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, 2015, a 10% movement in stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's Canadian common equities of $407,900 (2014 - $565,422). This change wold be recognized in comprehensive income.

18 Financial instrument and Insurance risk management

Equity risk (cont'd)

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

The Company's investment policy requires that 1% to 10% 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.

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.