WEST WAWANOSH
MUTUAL INSURANCE COMPANY

Financial Statements

For the year ended December 31, 2017

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Vodden, Bender & Seebach LLP

Chartered Professional 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, 2017, 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, 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Vodden, Bender & Seebach LLP

Chartered Professional Accountants
Licensed Public Accountants
Clinton, Ontario
February 8, 2018

Statement of Financial Position
December 31, 2017

	2017	2016
Assets		
Cash	$ 2,121,021	$ 3,240,055
Investments (Note 4)	36,722,944	33,964,241
Investment income accrued	40,619	152,015
Due from reinsurer (Note 3)	36,521	21,634
Due from policyholders	4,174,959	4,137,759
Receivable from Facility Association	246,565	251,791
Prepaid expenses	139,838	139,838
Reinsurer's share of unpaid claims (Note 3)	5,727,239	5,821,468
Deferred policy acquisition expenses (Note 3)	1,588,290	1,479,900
Deferred income taxes (Note 10)	97,910	348,210
Property and equipment (Note 12)	381,861	397,071
Intangible assets (Note 12)	336,000	392,000
Income taxes recoverable	298,035	-
	$ 51,911,802	$ 50,345,982
Liabilities		
Accounts payable and accrued liabilities	$ 723,763	$ 830,318
Income taxes payable	-	430,054
Unearned premiums (Note 3)	8,353,480	7,902,700
Unpaid claims and adjustment expenses (Note 3)	11,980,237	11,585,057
Due to reinsurer	86,709	51,495
Due to Facility Association	338,915	342,289
Pension liability (Note 13)	66,871	-
	21,549,975	21,141,913
Policyholders' Equity	30,361,827	29,204,069
	$ 51,911,802	$ 50,345,982

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board by:

Brad [signature] Director

[signature] Director

West Wawanosh Mutual Insurance Company

Statement of Comprehensive Income
For the Year-Ended December 31, 2017

	2017	2016
Underwriting income		
Gross premiums written	**$ 16,724,089**	$ 15,921,541
Less reinsurance ceded	**(2,270,956)**	(2,411,529)
Net premiums written	**14,453,133**	13,510,012
Less increase in unearned premiums	**(450,780)**	(385,300)
Net premiums earned	**14,002,353**	13,124,712
Service charges	**90,522**	83,799
	14,092,875	13,208,511
Direct losses incurred		
Gross claims and adjustment expenses	**10,417,362**	8,977,050
Less Reinsurer's share of claims and adjustment expenses	**(1,531,608)**	(1,470,350)
	8,885,754	7,506,700
	5,207,121	5,701,811
Expenses		
Fees, commissions and other acquisition expenses (Note 7)	**3,186,990**	3,150,810
Salaries, benefits and directors' fees (Note 9)	**1,229,431**	1,165,192
Other operating and administrative expenses (Note 8)	**1,194,833**	1,124,201
	5,611,254	5,440,203
Net underwriting income	**(404,133)**	261,608
Investment and other income (Note 5)	**1,943,426**	1,815,738
Comprehensive income before taxes	**1,539,293**	2,077,346
Provision for income taxes (Note 10)	**381,535**	531,646
Comprehensive income for year	**$ 1,157,758**	$ 1,545,700

The accompanying notes are an integral part of these financial statements

Statement of Policyholders' Equity
For the Year-Ended December 31, 2017

	2017	2016
Balance, beginning of the year	**$ 29,204,069**	$ 27,658,369
Comprehensive income for the year	**1,157,758**	1,545,700
Balance, end of the year	**$ 30,361,827**	$ 29,204,069

The accompanying notes are an integral part of these financial statements

West Wawanosh Mutual Insurance Company

Statement of Cash Flows
December 31, 2017

	2017	2016
Operating activities		
Comprehensive income for year	**$ 1,157,758**	$ 1,545,700
Adjustments for:		
Depreciation	**70,510**	63,660
Amortization of intangible assets	**56,000**	56,000
Amortization of bond discounts	**-**	9,310
Realized (gain) loss from disposal of investments	**(1,394,030)**	650,097
Deferred income taxes	**250,300**	83,980
	140,538	2,408,747
Changes in working capital		
Change in due from policyholders	**(37,200)**	(197,363)
Change in due from/to reinsurer	**119,782**	885,608
Change in due from/to Facility Association	**(3,374)**	(1,197)
Change in other accounts receivable	**-**	82,258
Change in accounts payable and other liabilities	**(39,684)**	(52,322)
	39,524	716,984
Changes in insurance contract related balances, provisions		
Change in unpaid claims and adjustment expenses	**395,180**	(1,519,890)
Change in unearned premiums	**450,780**	385,300
Change in deferred policy acquisition expenses	**(108,390)**	(44,200)
	737,570	(1,178,790)
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	**111,396**	21,737
Income taxes paid/recovered	**(728,089)**	1,302,632
	(616,693)	1,324,369
Total cash inflows (outflows) from operating activities	**300,939**	3,271,310
Investing activities		
Sale of investments	**25,206,871**	29,604,304
Purchase of investments	**(26,990,778)**	(30,358,939)
Change in fair value of equity investments	**419,234**	(1,096,387)
Purchase of property and equipment	**(55,300)**	(37,629)
Total cash inflows (outflows) from investing activities	**(1,419,973)**	(1,888,651)
Net increase (decrease) in cash	**(1,119,034)**	1,382,659
Cash, beginning of the year	**3,240,055**	1,857,396
Cash, end of the year	**$ 2,121,021**	$ 3,240,055

The accompanying notes are an integral part of these financial statements

WEST WAWANOSH MUTUAL INSURANCE COMPANY

1. CORPORATE INFORMATION

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. The rate filing includes 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 8, 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Judgment and estimates

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. 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 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, the estimate of time until ultimate settlement and the performance of a liability adequacy test (Note 3), is the most critical accounting estimate.

- The determination of the recoverability of deferred policy acquisition expenses (Note 3).

- The estimate of the tax liability including the related interest and penalties in the current tax provision (Note 10).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the 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 judgement.

2. BASIS OF PREPARATION (CONTINUED)

(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.

3. 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 unearned premiums, provisions for unpaid claims and adjustment expenses, the Reinsurer's share of provisions for unpaid claims and adjustment expenses, and deferred policy acquisition expenses.

(a) Premiums and unearned premiums

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

The Company recognizes premium income evenly over the term of the insurance policy 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 (UEP).

Changes in unearned premiums recorded in the statement of financial position for the years-ended December 31, 2017 and 2016 and their impact on net premiums earned for the two years follow:

	2017	2016
Balance, beginning of the year	**$ 7,902,700**	$ 7,517,400
Premiums written	**16,724,089**	15,921,541
Premiums earned during the year	**(16,273,309)**	(15,536,241)
Balance, end of the year	**$ 8,353,480**	$ 7,902,700

Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Automobile premiums are subject to approval by the Financial Services Commission of Ontario and therefore may result in a delay in adjusting the pricing to exposed risk.

The Company is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2017 and 2016.

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.

3. INSURANCE CONTRACTS (CONTINUED)

(b) Deferred policy acquisition expenses

Acquisition costs are comprised of agents' commissions, premium taxes and other incremental costs of acquiring and renewing policies. 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 statement of financial position for the years-ended December 31, 2017 and 2016 and their impact on fees, commissions and other acquisition expenses for the two years follow:

	2017	2016
Balance, beginning of the year	**$ 1,479,900**	$ 1,435,700
Acquisition costs incurred	**3,022,840**	2,911,245
Expensed during the year	**(2,914,450)**	(2,867,045)
Balance, end of the year	**$ 1,588,290**	$ 1,479,900

(c) Unpaid claims and adjustment expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, claims development, 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 claims liabilities, related reinsurer's share of unpaid claims and the net insurance liabilities follows:

	December 31, 2017			December 31, 2016		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Outstanding claims provision						
Long settlement term	**$ 3,493,221**	**$ 1,810,528**	**$ 1,682,693**	$ 4,313,934	$ 2,382,580	$ 1,931,354
Short settlement term	**3,811,916**	**1,796,711**	**2,015,205**	2,673,123	861,888	1,811,235
Facility Association and other residual pools	**225,000**	**-**	**225,000**	213,000	-	213,000
	7,530,137	**3,607,239**	**3,922,898**	7,200,057	3,244,468	3,955,589
Provision for claims incurred but not reported	**4,450,100**	**2,120,000**	**2,330,100**	4,385,000	2,577,000	1,808,000
	$ 11,980,237	**$ 5,727,239**	**$ 6,252,998**	$ 11,585,057	$ 5,821,468	$ 5,763,589

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 can create 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 assets, liabilities, revenue, expenses, unearned premiums and provision for unpaid claims provided by the actuaries of the pools.

3. INSURANCE CONTRACTS (CONTINUED)

(c) Unpaid claims and adjustment expenses (continued)

Changes in claim liabilities recorded in the statement of financial position for the years-ended December 31, 2017 and 2016 and their impact on claims and adjustment expenses for the two years follow:

	2017	2016
Unpaid claim liabilities - beginning of year	**$ 11,585,057**	$ 13,104,947
Increase (decrease) in estimated losses and expenses, for losses occurring in prior years	**(1,612,936)**	(1,713,275)
Provision for losses and expenses on claims occurring in the current year	**11,323,463**	10,018,212
Payment on claims:		
Current year	**(5,246,326)**	(4,767,175)
Prior years	**(4,069,021)**	(5,057,652)
Unpaid claim liabilities - end of year	**11,980,237**	11,585,057
Reinsurer's share and subrogation recoverable	**5,727,239**	5,821,468
Unpaid claims - end of year - net	**$ 6,252,998**	$ 5,763,589

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

Claim development

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The Company writes insurance primarily over a twelve-month duration. The most significant risks arise through high severity, low frequency events such as natural disasters or catastrophes. A concentration of risk may arise from insurance contracts issued in a specific geographic location since all insurance contracts are written in Ontario.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

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

The tables below show how the Company’s estimate of cumulative incurred claim cost for each accident year has changed at successive year ends and reconcile the cumulative claims to the amount appearing in the statement of financial position. An accident-year basis is considered to be the most appropriate for the business written by the Company.

3. INSURANCE CONTRACTS (CONTINUED)

$000

Gross claims	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Gross estimate of cumulative claims cost											
At the end of accident year	$ 11,544	$ 9,044	$ 7,245	$ 28,383	$ 9,596	$ 10,694	$ 8,711	$ 12,085	$ 10,018	$ 11,321	
One year later	10,396	9,423	6,413	29,187	7,612	9,431	7,243	11,333	$ 9,242		
Two years later	9,103	9,155	5,817	28,113	6,816	8,631	6,735	10,707			
Three years later	8,915	10,483	5,630	27,879	7,016	8,326	6,342				
Four years later	8,484	10,682	5,485	27,412	6,738	8,372					
Five years later	8,416	10,772	5,456	27,418	6,759						
Six years later	8,327	11,856	5,477	27,444							
Seven years later	8,283	11,816	5,620								
Eight years later	8,283	11,803									
Nine years later	9,107										
Current estimate of cumulative claims cost	9,107	11,803	5,620	27,444	6,759	8,372	6,342	10,707	9,242	11,321	
Cumulative payments	8,539	11,802	5,105	27,195	6,579	7,911	5,905	9,258	7,199	5,246	
Outstanding claims	$ 568	$ 1	$ 516	$ 249	$ 180	$ 461	$ 437	$ 1,449	$ 2,044	$ 6,074	$ 11,979
Outstanding claims 2007 and prior											1
Total gross unpaid claims and adjustment expenses											**$ 11,980**

Net of reinsurance	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Net estimate of cumulative claims cost											
At the end of accident year	$ 7,391	$ 6,284	$ 5,381	$ 9,954	$ 7,153	$ 7,143	$ 7,008	$ 9,217	$ 7,703	$ 9,530	
One year later	6,494	5,882	4,976	9,334	5,964	6,664	6,322	8,674	6,697		
Two years later	5,876	5,551	4,768	8,765	5,533	6,479	6,231	8,149			
Three years later	5,733	5,386	4,535	8,770	5,345	6,398	6,116				
Four years later	5,581	5,514	4,515	8,508	5,329	6,397					
Five years later	5,576	5,461	4,522	8,427	5,324						
Six years later	5,538	5,458	4,485	8,387							
Seven years later	5,506	5,430	4,408								
Eight years later	5,506	5,429									
Nine years later	6,330										
Current estimate of cumulative claims cost	6,330	5,429	4,408	8,387	5,324	6,397	6,116	8,149	6,697	9,530	
Cumulative payments	5,762	5,429	4,358	8,355	5,293	6,141	5,790	7,874	6,261	5,251	
Outstanding claims	$ 568	$ -	$ 50	$ 32	$ 31	$ 256	$ 326	$ 275	$ 436	$ 4,279	$ 6,253
Outstanding claims 2007 and prior											-
Total net unpaid claims and adjustment expenses											**$ 6,253**

3. INSURANCE CONTRACTS (CONTINUED)

(c) Unpaid claims and adjustment expenses (continued)

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

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

	Property claims		**Auto claims**		**Liability claims**	
	2017	2016	**2017**	2016	**2017**	2016
5% increase in loss ratios						
Gross	**$ 483,152**	$ 452,404	**$ 250,834**	$ 247,476	**$ 79,287**	$ 77,963
Net	**$ 427,922**	$ 393,898	**$ 204,475**	$ 206,197	**$ 67,329**	$ 60,584
5% decrease in loss ratios						
Gross	**$ (483,152)**	$ (452,404)	**$ (250,834)**	$ (247,476)	**$ (79,287)**	$ (77,963)
Net	**$ (427,922)**	$ (393,898)	**$ (204,475)**	$ (206,197)	**$ (67,329)**	$ (60,584)

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

(d) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, 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 in profit and loss initially by writing down the deferred policy acquisition expense and subsequently by recognizing additional unearned premiums.

(e) Reinsurer's 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. Retention limits for the excess-of-loss reinsurance are set by product line. 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 $350,000 (2016 - $350,000) in the event of a property claim, an amount of $500,000 (2016 - $500,000) in the event of an automobile claim and $350,000 (2016 - $350,000) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $900,000 (2016 - $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 of all claims in a specific year to 70% (2016 – 80%) of gross net earned premiums.

3. INSURANCE CONTRACTS (CONTINUED)

(e) Reinsurer's share of provisions for unpaid claims and adjustment expenses (continued)

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 the 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 for the years-ended December 31, 2017 and 2016 follow:

	2017	2016
Balance, beginning of the year	**$ 21,634**	$ 27,124
Submitted to reinsurer	**1,625,837**	2,296,126
Received from reinsurer	**(1,610,950)**	(2,301,616)
Balance, end of the year	**$ 36,521**	$ 21,634

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re 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 for the years-ended December 31, 2017 and 2016 and their impact on net premiums earned for the two years follow:

Reinsurer's share of provision for unpaid claims

	2017	2016
Balance, beginning of the year	**$ 5,821,468**	$ 6,647,244
New claims reserve	**1,768,817**	2,316,132
Change in prior years' reserve	**(237,209)**	(845,782)
Submitted to reinsurer	**(1,625,837)**	(2,296,126)
Balance, end of the year	**$ 5,727,239**	$ 5,821,468

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, 2017		December 31, 2016	
	Cost	**Fair Value**	Cost	Fair Value
GIC/Bankers' acceptance	**$ 2,405,000**	**$ 2,405,250**	$ 4,223,000	$ 4,224,220
Bonds issued by				
Federal	**$ -**	**$ -**	$ 700,000	$ 789,719
Provincial	**600,000**	**603,300**	7,472,911	8,115,849
Corporate				
A or better	**246,000**	**243,837**	5,510,631	5,676,765
B to BBB	**-**	**-**	2,444,677	2,548,003
	$ 846,000	**$ 847,137**	$ 16,128,219	$ 17,130,336
Equity investments				
Canadian	**$ -**	**$ -**	$ 1,071,029	$ 1,108,883
US	**-**	**-**	334,114	566,212
	$ -	**$ -**	$ 1,405,143	$ 1,675,095
Mutual funds				
Candian equity	**6,966,683**	**7,422,839**	3,648,324	3,753,061
	$ 6,966,683	**$ 7,422,839**	$ 3,648,324	$ 3,753,061
Pooled funds				
Canadian fixed income	**$ 17,505,035**	**$ 17,047,334**	$ 1,509,871	$ 1,493,554
Commercial mortgages	**6,756,986**	**6,713,141**	4,109,916	4,110,294
	$ 24,262,021	**$ 23,760,475**	$ 5,619,787	$ 5,603,848
Other investments				
Fire Mutuals guarantee fund	**$ 40,150**	**$ 40,150**	$ 39,451	$ 39,451
Other	**1,136,872**	**1,130,798**	1,122,029	1,132,435
Loan receivable	**1,116,295**	**1,116,295**	1,409,132	1,409,132
	$ 2,293,317	**$ 2,287,243**	$ 2,570,612	$ 2,581,018
Total investments	**$ 36,773,021**	**$ 36,722,944**	$ 33,595,085	$ 34,967,578

4. INVESTMENTS (CONTINUED)

The Company is exposed to credit risk relating to its debt holdings in its investment portfolio.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio includes 82% (2016 - 87%) of bonds rated A or better. The Company's investment policy limits investment in bonds and debentures of the various ratings to limits ranging from 65% to 100% of the Company's portfolio. The Company's policy requires that funds 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.

The maximum exposure to investment credit risk is the fair value of investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure 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 20% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

Maturity profile of invested assets is as follows:

4. INVESTMENTS (CONTINUED)

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	No fixed	Total
December 31, 2017						
Bonds	**$ 2,019,261**	**$ 1,086,250**	**$ 146,876**	**$ -**	**$ -**	**$ 3,252,387**
Stocks - Common	**-**	**-**	**-**	**-**	**-**	**-**
Stocks - Preferred	**-**	**-**	**-**	**-**	**-**	**-**
Mutual funds - equity	**-**	**-**	**-**	**-**	**7,422,839**	**7,422,839**
Pooled funds - fixed income	**434,980**	**8,359,955**	**8,252,399**	**-**	**-**	**17,047,334**
Pooled funds - equity	**-**	**-**	**-**	**-**	**-**	**-**
Pooled funds - commercial mortgages	**6,713,141**	**-**	**-**	**-**	**-**	**6,713,141**
Other investments	**-**	**1,116,295**	**-**	**-**	**1,170,948**	**2,287,243**
Investment income due and accrued	**40,619**	**-**	**-**	**-**	**-**	**40,619**
	$ 9,208,001	**$ 10,562,500**	**$ 8,399,275**	**$ -**	**$ 8,593,787**	**$ 36,763,563**
Percent of total	**25%**	**29%**	**23%**	**0%**	**23%**	**100%**
December 31, 2016						
Bonds - at amortized cost	$ 4,355,000	$ 10,754,746	$ 4,066,542	$ 1,174,931	$ -	$ 20,351,219
Stocks - Common	-	-	-	-	1,417,084	1,417,084
Stocks - Preferred	-	-	-	-	258,011	258,011
Mutual funds - equity	-	-	-	-	3,753,061	3,753,061
Pooled funds - fixed income	85,730	935,413	455,982	8,663	7,766	1,493,554
Pooled funds - equity	-	-	-	-	-	-
Pooled funds - commercial mortgages	4,110,294	-	-	-	-	4,110,294
Other investments	-	1,409,132	-	-	1,171,886	2,581,018
Investment income due and accrued	152,015	-	-	-	-	152,015
	$ 8,703,039	$ 13,099,291	$ 4,522,524	$ 1,183,594	$ 6,607,808	$ 34,116,256
Percent of total	26%	38%	13%	4%	19%	100%

4. INVESTMENTS (CONTINUED)

Maturity profile of bonds held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	No fixed	Total
December 31, 2017	**$ 2,019,261**	**$ 1,086,250**	**$ 146,876**	**$ -**	**$ -**	**$ 3,252,387**
Percent of total	**62%**	**33%**	**5%**	**0%**	**0%**	
December 31, 2016	$ 4,355,000	$ 10,754,746	$ 4,066,542	$ 1,174,931	$ -	$ 20,351,219
Percent of total	21%	53%	20%	6%	0%	

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.

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. 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.

The Company's currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 10% 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.

The Company is exposed to interest rate risk through its interest bearing investments (Bankers' Acceptance, 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.

At December 31, 2017, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $614,555 (2016 - $819,700). This change would be recognized in comprehensive income.

The Company is exposed to equity risk through its portfolio of Canadian and US stocks. At December 31, 2017, 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 Canadian common equities of $556,800 (2016 - $447,300). This change would be recognized in comprehensive income.

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

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter to ensure the investments portfolio remains in compliance with the investment policy.

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

4. INVESTMENTS (CONTINUED)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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, 2017				
Bonds	$ -	$ 847,137	$ -	$ 847,137
Equities	-	-	$ -	-
Mutual funds	7,422,839	-	-	7,422,839
Pooled funds	-	23,760,475	-	23,760,475
Other investments	40,150	1,130,798	-	1,170,948
Total	$ 7,462,989	$ 25,738,410	$ -	$ 33,201,399
December 31, 2016				
Bonds	$ -	$ -	$ -	$ -
Equities	1,675,095	-	-	1,675,095
Mutual funds	3,753,061	-	-	3,753,061
Pooled funds	-	5,603,848	-	5,603,848
Other investments	1,171,886	-	-	1,171,886
Total	$ 6,600,042	$ 5,603,848	$ -	$ 12,203,890

5. INVESTMENT AND OTHER INCOME

	Amortized Cost	Fair Value Profit or Loss	Loans and Receivables	Total
December 31, 2017				
Interest income	**$ -**	**$ 832,170**	**$ 48,871**	**$ 881,041**
Dividend and other income	**-**	**218,398**	**-**	**218,398**
Investment fees	**-**	**(130,809)**	**-**	**(130,809)**
Realized gains (losses) on disposal of investmen	**-**	**1,394,030**	**-**	**1,394,030**
Change in unrealized gains (losses)	**-**	**(419,234)**	**-**	**(419,234)**
	$ -	**$ 1,894,555**	**$ 48,871**	**$ 1,943,426**
December 31, 2016				
Interest income	$ 936,789	$ -	$ 57,717	$ 994,506
Dividend and other income	-	448,440	-	448,440
Investment fees	-	(73,498)	-	(73,498)
Realized gains (losses) on disposal of investmen	-	(650,097)	-	(650,097)
Change in unrealized gains (losses)	-	1,096,387	-	1,096,387
	$ 936,789	$ 821,232	$ 57,717	$ 1,815,738

6. 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 require property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors that are dependent on the risks associated with the Company's assets. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest-sensitive assets and liabilities to changes in interest rates. The regulator indicates that the Company should produce a minimum MCT of 150% During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and 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, 2017 was 2.15:1 (2016 – 2.23:1).

7. FEES, COMMISSIONS AND OTHER ACQUISITION EXPENSES

	2017	2016
Commissions	**$ 3,135,392**	$ 3,104,724
Premium tax	**51,598**	46,086
	$ 3,186,990	$ 3,150,810

8. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2017	2016
Amortization of intangible assets	**$ 56,000**	$ 56,000
Computer costs	**486,713**	460,139
Depreciation	**70,510**	63,660
Licenses, fees and dues	**101,285**	94,394
General operational	**152,222**	155,258
Professional fees	**12,087**	25,572
Repairs and maintenance	**26,076**	13,560
Utilities	**13,668**	17,378
Other	**276,272**	238,240
	$ 1,194,833	$ 1,124,201

9. SALARIES, BENEFITS AND DIRECTORS FEES

	2017	2016
Underwriter salaries and benefits	**$ 538,114**	$ 571,528
Other salaries, benefits and directors' fees	**691,317**	593,664
	$ 1,229,431	$ 1,165,192

Included in claims expenses were salary costs of $338,273 (2016 - $307,924) and other related costs of $392,278 (2016 - $361,990).

10. INCOME TAXES

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity.

Current income taxes are recognized for the estimated income taxes payable and recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current and deferred 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.

10. INCOME TAXES (CONTINUED)

The significant components of the tax effect of the amounts recognized in comprehensive income are composed of:

	2017	2016
Current tax		
Based on current year taxable income (loss)	**$ 131,235**	$ 447,666
Adjustments for over / under provision in prior periods	**-**	-
	$ 131,235	$ 447,666
Deferred tax		
Origination and reversal of temporary differences	**$ 250,300**	$ 83,980
Total tax effect of amounts recorded in other income	**$ 381,535**	$ 531,646

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26% (2016 – 26%) are as follows:

	2017	2016
Comprehensive income for the year before taxes	**$ 1,539,293**	$ 2,077,346
Expected taxes based on the statutory rate of 26% (2016 - 26%)	**407,061**	540,110
Non-deductible portion of claims liabilities	**6,471**	(9,024)
Other non-deductible expenses	**653**	569
Adjustments related to investments	**(259,799)**	(81,335)
Capital cost allowance in excess of depreciation	**1,862**	6,084
Cumulative elgible capital	**8,555**	7,563
Canadian dividend income not subject to tax	**(33,568)**	(16,301)
Total income tax expense (recovery)	**$ 131,235**	$ 447,666

10. INCOME TAXES (CONTINUED)

The movement in 2017 deferred tax liabilities and assets are:	**Opening balance at Jan 1, 2017**	**Recognize in comprehensive income**	**Closing balance at Dec 31, 2017**
Deferred tax liabilities			
Property and equipment	**$ (6,070)**	**$ 4,660**	**$ (1,410)**
Deferred tax liability	**$ (6,070)**	**$ 4,660**	**$ (1,410)**
Deferred tax assets			
Mark to market and other adjustments related to investments	**$ 261,090**	**$ (261,090)**	**$ -**
Claims liabilities	**76,360**	**6,490**	**82,850**
Intangible assets	**16,830**	**(360)**	**16,470**
Property and equipment	**-**	**-**	**-**
Deferred tax asset	**$ 354,280**	**$ (254,960)**	**$ 99,320**
2017 net deferred tax asset movement	**$ 348,210**	**$ (250,300)**	**$ 97,910**

The movement in 2016 deferred tax liabilities and assets are:	Opening balance at Jan 1, 2016	Recognize in comprehensive income	Closing balance at Dec 31, 2016
Deferred tax liabilities			
Property and equipment	$ -	$ (6,070)	$ (6,070)
Deferred tax liability	$ -	$ (6,070)	$ (6,070)
Deferred tax assets			
Mark to market and other adjustments related to investments	$ 333,480	$ (72,390)	$ 261,090
Claims liabilities	85,560	(9,200)	76,360
Intangible assets	7,220	9,610	16,830
Property and equipment	5,930	(5,930)	-
Deferred tax asset	$ 432,190	$ (77,910)	$ 354,280
2016 net deferred tax asset movement	$ 432,190	$ (83,980)	$ 348,210

	2017	2016
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**$ (1,410)**	$ (6,070)
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**99,320**	354,280
Net deferred tax asset	**$ 97,910**	$ 348,210

11. 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.

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

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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 lives of the assets.

Intangible assets

Intangible assets consist of market retention and customer related costs. 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.

Property and equipment		**2017**		
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	**N/A**	**$ 48,900**	**$ -**	**$ 48,900**
Pavement	**20 years**	**26,400**	**26,400**	**-**
Buildings	**40 years**	**531,000**	**347,000**	**184,000**
Computer hardware	**5 years**	**126,099**	**86,089**	**40,010**
Furniture and fixtures	**10 years**	**214,240**	**137,980**	**76,260**
Vehicles	**4 years**	**79,493**	**46,802**	**32,691**
		$ 1,026,132	**$ 644,271**	**$ 381,861**

		2016		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 48,900	$ -	$ 48,900
Pavement	20 years	26,400	26,400	-
Buildings	40 years	531,000	334,000	197,000
Computer hardware	5 years	155,374	114,284	41,090
Furniture and fixtures	10 years	179,660	118,280	61,380
Vehicles	4 years	79,493	30,792	48,701
		$ 1,020,827	$ 623,756	$ 397,071

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets	**2017**			
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Market retention and customer related costs	**10 years**	**$ 560,000**	**$ 224,000**	**$ 336,000**

	2016			
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Market retention and customer related costs	10 years	$ 560,000	$ 168,000	$ 392,000

13. 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. Subsequently 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 2017 was $98,215 (2016 - $97,014). The contributions were made for current service and these have been recognized in comprehensive income. These contributions amount to 1.4% of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year.

In 2017, there was a contractual requirement to provide additional funding of $100,306, payable in 3 annual installments, recognized in comprehensive income.

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.

14. 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 for 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.

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:

	2017	2016
Compensation		
Salaries, wages and short term employee benefits and directors' fees	**$ 444,913**	$ 417,881
Total pension and other post-employment benefits	**45,244**	48,175
	$ 490,157	$ 466,056
Premiums	**$ 54,061**	$ 62,032
Claims paid	**$ 8,559**	$ 4,482

No amounts were owing to and from key management personnel.

16. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on January 1, 2018 or later.

- IFRS 9 Financial Instruments amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018; however, insurance entities have been provided the option of deferring the adoption of IFRS 9 until January 1, 2021, which is the effective date of IFRS 17, Insurance Contracts. The Company does not plan to defer the effective date of IFRS 9 and therefore expects to adopt IFRS 9 on January 1, 2018.

  The Company expects that its investments will continue to be classified at fair value through profit or loss based on the business model assessment, therefore, the adoption of IFRS 9 is not expected to have a material impact on the Company's financial position or performance.

- IFRS 15 Revenue from Contracts with Customers provides accounting requirements for revenue arising from contracts with customers. It affects all entities that enter into contracts to provide goods and services to their customers, unless the contract or a portion of the contract is in the scope of other IFRSs, such as IFRS 4 Insurance Contracts. Insurance entities will continue to apply IFRS 4 to their insurance contracts. However, entities will need to apply IFRS 15 to non-insurance contracts. The Company will implement the new standard effective January 1, 2018 and has determined that revenue from non-insurance contracts is not material.

16. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

- 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, with limited exception for certain short-term and low value leases. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is reduced as payments are made with interest accruing over the lease of the term. 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 is currently assessing the impact of IFRS 16.

- IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 fundamentally changes how entities account for insurance contracts, introducing a default "building block approach", which disaggregates the cash flows in an insurance contract and provides a different measurement basis for each component, and a simplified "premium allocation approach" for certain short-term contracts. Assumptions used in measuring insurance assets and liabilities such as cash flows, discount rates and risk adjustment will be updated at each reporting period. The discount rate will reflect the characteristics of the insurance liabilities and the estimated future cash flows to settle claims incurred will be discounted, unless the period of time between claim occurrence and settlement is less than one year. Presentation changes include 'insurance revenue' replacing the current reporting of 'written premiums' and 'earned premiums' and insurance contract assets and liabilities will not be netted. Under this standard, premiums receivable, unearned premiums and claims payable may no longer be presented separately from other insurance assets and liabilities. The effective date of IFRS 17 is January 1, 2021 with mandatory restatement of comparative periods. The Company is currently assessing the impact of IFRS 17.