Erie Mutual Fire Insurance Company
Consolidated Financial Statements
For the year ended December 31, 2015

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Tel: 519 539 2081
Fax: 519 539 2571
www.bdo.ca

BDO Canada LLP
94 Graham Street
Woodstock Ontario N4S 6J7 Canada

Independent Auditor's Report

To the policyholders of Erie Mutual Fire Insurance Company

We have audited the accompanying consolidated financial statements of Erie Mutual Fire Insurance Company, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of comprehensive income, members' surplus and cash flows for the year ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Erie Mutual Fire Insurance Company as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Woodstock, Ontario
February 23, 2016

Erie Mutual Fire Insurance Company
Consolidated Statement of Financial Position

As at December 31	2015	2014
Assets		
Cash	$ 1,023,112	$ 1,429,627
Investments (Note 4)	19,313,340	18,991,411
Income taxes recoverable	325,378	-
Due from reinsurer (Note 7)	33,643	214,246
Due from policyholders	1,860,230	1,670,698
Reinsurer's share of provision for unpaid claims (Note 7)	2,323,953	1,530,103
Due from facility	132,292	133,815
Prepaid expenses	3,426	10,728
Investment properties (Note 5)	510,128	507,233
Property, plant & equipment (Note 6)	831,964	882,961
Intangible assets (Note 6)	117,663	122,030
Deferred income taxes (Note 10)	34,990	33,794
	$ 26,510,119	$ 25,526,646
Liabilities		
Accounts payable and accrued liabilities	$ 404,581	$ 340,166
Income taxes payable	-	136,232
Unearned premiums (Note 7)	3,103,111	2,928,751
Provision for unpaid claims (Note 7)	5,385,765	4,513,252
	8,893,457	7,918,401
Members' Surplus		
Unappropriated members' surplus	17,107,663	16,824,640
Accumulated other comprehensive income	508,999	783,605
	17,616,662	17,608,245
	$ 26,510,119	$ 25,526,646

Signed on behalf of the Board by:

Royden Kyle, Director

W. R. Burger, Director

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

Erie Mutual Fire Insurance Company
Consolidated Statement of Comprehensive Income

For the year ended December 31	2015	2014
Underwriting income		
Gross premiums written	$ 6,472,181	$ 6,169,203
Less reinsurance ceded	974,840	963,397
Net premiums written	5,497,341	5,205,806
Less change in unearned premiums	174,361	117,173
Net premiums earned	5,322,980	5,088,633
Direct losses incurred		
Gross claims and adjustment expenses	4,223,691	5,221,716
Less reinsurer's share of claims and adjustment expenses	1,042,805	2,269,263
	3,180,886	2,952,453
	2,142,094	2,136,180
Expenses		
Acquisition expenses (Note 11)	163,376	135,472
Other operating and administrative expenses (Note 12)	2,237,985	2,391,103
	2,401,361	2,526,575
Net underwriting loss	(259,267)	(390,395)
Investment and other income (Note 14)	613,840	1,938,436
Income before taxes	354,573	1,548,041
Provision for income taxes (Note 10)	71,550	330,594
Net income	283,023	1,217,447
Other comprehensive loss (net of tax)		
Change in unrealized (loss) gain on available-for-sale investments	(238,803)	802,017
Reclassification of realized gain on available-for-sale investments	(35,803)	(1,100,109)
Total other comprehensive loss (net of tax)	(274,606)	(298,092)
Total comprehensive income for the year	$ 8,417	$ 919,355

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

Erie Mutual Fire Insurance Company
Consolidated Statement of Members' Surplus

	Unappropriated Members' Surplus	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2014	**$ 15,607,193**	**$ 1,081,697**	**$ 16,688,890**
Net income	1,217,447	-	1,217,447
Change in unrealized gain on available-for-sale investments	-	802,017	802,017
Reclassification of realized gain on available-for-sale investments	-	(1,100,109)	(1,100,109)
Balance at December 31, 2014	**$ 16,824,640**	**$ 783,605**	**$ 17,608,245**
Net income	283,023	-	283,023
Change in unrealized loss on available-for-sale investments	-	(238,803)	(238,803)
Reclassification of realized gain on available-for-sale investments	-	(35,803)	(35,803)
Balance at December 31, 2015	**$ 17,107,663**	**$ 508,999**	**$ 17,616,662**

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

Erie Mutual Fire Insurance Company
Consolidated Statement of Cash Flows

For the year ended December 31	2015	2014
Operating activities		
Net income	$ 283,023	$ 1,217,447
Adjustments for:		
Depreciation	99,020	104,336
Interest and dividend income	(646,064)	(598,879)
Provision for income taxes	71,550	330,594
Realized gain on disposal of investments	(47,737)	(1,416,297)
Realized loss from disposal of property, plant & equipment	685	460
	(239,523)	(362,339)
Changes in working capital		
Change in due from policyholders and facility	(7,406)	(373,706)
Change in prepaid expenses	7,302	4,014
Change in accounts payable and accrued liabilities	64,415	76,881
	64,311	(292,811)
Changes in insurance contract related balances, provisions		
Change in reinsurer's share of provision for unpaid claims	(793,850)	(840,297)
Change in unearned premiums	174,360	117,174
Change in provision for unpaid claims	872,513	1,057,155
	253,023	334,032
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	646,064	598,880
Income taxes paid	(442,826)	(310,351)
	203,238	288,529
Total cash inflows (outflows) from operating activities	281,049	(32,589)
Investing activities		
Proceeds on sale of investments	750,042	4,780,030
Purchase of investments	(1,390,370)	(4,069,388)
Proceeds on disposal of property, plant & equipment	225	-
Purchase of property, plant & equipment	(38,762)	(157,989)
Purchase of intangible assets	(3,390)	-
Purchase of investment property	(5,309)	(6,532)
Total cash (outflows) inflows from investing activities	(687,564)	546,121
Net (decrease) increase in cash and cash equivalents	(406,515)	513,532
Cash and cash equivalents, beginning of year	1,429,627	916,095
Cash and cash equivalents, end of year	$ 1,023,112	$ 1,429,627

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

1. Nature of operations and summary of significant accounting policies

Reporting entity

Erie Mutual Fire 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 at 711 Main Street East, Dunnville, Ontario.

The Company is subject to rate regulation in the automobile business that it writes. Before automobile insurance rates can be changed, a combined rate filing is prepared for most Ontario Farm Mutual Insurance Companies 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 23, 2016.

Basis of presentation

These consolidated financial statements include the financial statements of Erie Mutual Fire Insurance Company and those of its subsidiary, 2135671 Ontario Ltd., and have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB).

These consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

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

Significant accounting policies

Insurance contracts

Balances arising from insurance contracts primarily include the following:

(a) Premiums and unearned premiums

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated exclusive of taxes levied on premiums.

The Company earns premium income evenly over the term of the insurance policy generally using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums.

(b) Provisions for unpaid claims and adjustment expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, changes in reported claims and for claims incurred but not reported, based on past experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income.

Claim liabilities excluding facility association and other pools are carried on an undiscounted basis.

(c) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities 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 statement of comprehensive income by recognizing an additional claims liability for claims provisions.

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

(d) 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. 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.

(e) 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.

Structured settlements, Fire Mutuals Guarantee Fund and financial guarantee cont**racts**

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

The Company is a member of the Fire Mutuals Guarantee Fund ("the Fund"). The Fund was established to provide payment of outstanding policyholders' claims if a member company becomes bankrupt. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

The company is a member of the Farm Mutual Reinsurance Plan Inc. ("the Plan"), which is a general reinsurer that shares in the insurance risks originally accepted by member insurance companies. As a member of the Plan, the company may be required to contribute additional capital to the Plan should the Plan's capital fall below a prescribed minimum. The additional capital would be provided by purchasing subordinated debt obligations issued by the Plan.

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

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits at call with banks, other short-term highly liquid investments with original maturities of three months or less. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

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

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 settlement date basis. The Company's accounting policy for each category is as follows:

Fair value through profit and loss

The Company does not have any instruments that are held for trading purposes. However, management has designated to voluntarily classify its cash and cash equivalents at fair value through profit and loss. These instruments are carried on the consolidated statement of financial position at fair value with changes in fair value being recognized in the consolidated statement of comprehensive income.

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 policyholders and the reinsurer, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in net 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.

Available-for-sale investments

Financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and are comprised of investments in equity and fixed income mutual funds. These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable. When they do not have a quoted market price in an active market and fair value is not reliably determinable, they are carried at cost.

Changes in fair value are recognized as a separate component of other comprehensive income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive income, is recognized in net income.

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

Available-for-sale investments (cont'd)

Purchases of equity instruments are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in other comprehensive income.

On sale, the amount held in accumulated other comprehensive income associated with that asset is removed and recognized in net income. Interest on debt instruments classified as available-for-sale is calculated using the effective interest method and is included in net income.

Other financial liabilities

Other financial liabilities include all financial liabilities and comprise accounts payable and accrued liabilities, and other short-term monetary liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying 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.

Investment properties

The Company's investment properties consist of land and buildings held to earn rental income or for capital appreciation. Investment property is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Buildings are depreciated on a declining balance basis using a rate of 5%. The depreciation expense is netted against rental income which is included in investment and other income in the consolidated statement of comprehensive income.

Rent receivable is recognized in net income on a straight-line basis over the period of the lease.

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for invested assets are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

Property, plant & equipment

Property, plant & equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. The depreciation expense is included in other operating and administrative expenses in the consolidated statement of comprehensive income, and is provided on a declining balance basis over the estimated useful life of the assets using the following rates:

Buildings	5 - 8%
Computer equipment	30%
Telephone system	8%
Furniture and fixtures	20%
Vehicles	30%

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

Intangible assets

Intangible assets consist of computer software which is not integral to the computer hardware owned by the Company. Software is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 20 years. The depreciation expense is included in other operating and administrative expenses in the consolidated statement of comprehensive income.

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

Impairment of non-financial assets

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

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

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

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

Income taxes

Provision for income tax is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in unappropriated members' surplus or in other comprehensive income.

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 are settled or assets are recovered.

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

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.

New standards, interpretations and amendments effective from January 1, 2015

There were no new standards, interpretations and amendments, effective for the first time from January 1, 2015 that have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards, amendments, and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 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 for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

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

Amendments to IAS 1 Presentation of Financial Statements

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

IFRS 16 Leases

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

2. Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in net income in the period of the change.

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

Provision for unpaid claims

The estimation of the provision for unpaid claims and the related reinsurer's 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.

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 different outcome than the amount included in the tax liabilities.

Judgements

Impairment of available-for-sale investments

The Company determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement the Company considers among other factors, the normal volatility in market price, the financial health of the investee and industry and sector performance. As at December 31, 2015 there were no investments held by the company with potential impairments.

3. Financial instrument classification

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

	Designated fair value through profit and loss	Available-for-sale	Loans and receivables	Other financial liabilities	Total
December 31, 2015					
Cash	**$ 1,023,112**	**$ -**	**$ -**	**$ -**	**$ 1,023,112**
Investments	**-**	**19,313,340**	**-**	**-**	**19,313,340**
Due from policyholders	**-**	**-**	**1,860,230**	**-**	**1,860,230**
Accounts payable and accrued liabilities	**-**	**-**	**-**	**(404,581)**	**(404,581)**
	$ 1,023,112	**$19,313,340**	**$ 1,860,230**	**$ (404,581)**	**$21,792,101**
December 31, 2014					
Cash	$ 1,429,627	$ -	$ -	$ -	$ 1,429,627
Investments	-	18,991,411	-	-	18,991,411
Due from policyholders	-	-	1,670,698	-	1,670,698
Accounts payable and accrued liabilities	-	-	-	(340,166)	(340,166)
	$ 1,429,627	$ 18,991,411	$ 1,670,698	$ (340,166)	$ 21,751,570

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	
	Cost	**Fair value**	Cost	Fair value
Mutual funds				
Canadian equity	**$ 1,641,775**	**$ 2,042,288**	$ 1,580,053	$ 2,127,902
Fixed income	**17,351,565**	**17,255,479**	16,353,831	16,850,781
	18,993,340	**19,297,767**	17,933,884	18,978,683
Other investments				
Fire mutuals guarantee fund	**15,573**	**15,573**	12,728	12,728
Total investments	**$19,008,913**	**$19,313,340**	$ 17,946,612	$ 18,991,411

4. Investments (cont'd)

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

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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				
Mutual funds	**$ -**	**$ 19,297,767**	**$ -**	**$ 19,297,767**
Other investments	**-**	**15,573**	**-**	**15,573**
Total	**$ -**	**$ 19,313,340**	**$ -**	**$ 19,313,340**
December 31, 2014				
Mutual funds	$ -	$ 18,978,683	$ -	$ 18,978,683
Other investments	-	12,728	-	12,728
Total	$ -	$ 18,991,411	$ -	$ 18,991,411

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2014 and 2015.

5. Investment properties

	Land	Buildings	Total
Cost			
Balance at January 1, 2014	$ 465,283	$ 154,165	$ 619,448
Additions	6,532	-	6,532
Transfer to property, plant and equipment	(12,865)	-	(12,865)
Balance on December 31, 2014	458,950	154,165	613,115
Additions	5,309	-	5,309
Balance on December 31, 2015	**$ 464,259**	**$ 154,165**	**$ 618,424**
Accumulated depreciation			
Balance at January 1, 2014	$ -	$ 103,341	$ 103,341
Depreciation expense	-	2,541	2,541
Balance on December 31, 2014	-	105,882	105,882
Depreciation expense	-	2,414	2,414
Balance on December 31, 2015	**$ -**	**$ 108,296**	**$ 108,296**
Net book value			
December 31, 2014	$ 458,950	$ 48,283	$ 507,233
December 31, 2015	**$ 464,259**	**$ 45,869**	**$ 510,128**

	2015	2014
Rental revenue from investment property	**$ 7,566**	$ 7,566
Direct operating costs of investment property:		
Generating rental income	**$ 9,848**	$ 3,996
Not generating rental income	**$ 4,442**	$ 4,478

The fair value of the investment properties is $561,100 (2014 - $561,100).

Investment properties were subject to external valuation performed by a local real estate broker. The fair value of investment property is determined using assumptions for comparable properties, recent purchase prices and adjustments comparable to MPAC fair market value adjustments.

6. Property, plant & equipment and intangible assets

	Property, plant and equipment							Intangible assets
	Land	**Buildings**	**Computer equipment**	**Telephone system**	**Furniture and fixtures**	**Vehicles**	**Total**	**Computer software**
Cost								
Balance - January 1, 2014	$ 70,000	$ 875,490	$ 56,242	$ 29,146	$ 210,558	$ 69,573	$ 1,311,010	$ 151,730
Additions	1,457	87,323	48,660	1,091	19,458	-	157,989	-
Transfer from investment property	12,865	-	-	-	-	-	12,865	-
Disposals	-	-	(1,912)	-	-	-	(1,912)	-
Balance - December 31, 2014	$ 84,322	$ 962,813	$ 102,990	$ 30,237	$ 230,016	$ 69,573	$ 1,479,951	$ 151,730
Additions	1,605	515	13,478	-	-	23,164	38,762	3,390
Disposals	-	-	(7,734)	-	-	-	(7,734)	-
Balance - December 31, 2015	**$ 85,927**	**$ 963,328**	**$ 108,734**	**$ 30,237**	**$ 230,016**	**$ 92,737**	**$ 1,510,979**	**$ 155,120**
Accumulated depreciation								
Balance - January 1, 2014		$ 346,558	$ 31,082	$ 5,178	$ 73,279	$ 48,137	$ 504,234	$ 22,114
Depreciation expense		32,827	21,599	2,005	31,348	6,430	94,209	7,586
Disposals		-	(1,453)	-	-	-	(1,453)	-
Balance - December 31, 2014		$ 379,385	$ 51,228	$ 7,183	$ 104,627	$ 54,567	$ 596,990	$ 29,700
Depreciation expense		31,052	19,424	1,844	25,078	11,451	88,849	7,757
Disposals		-	(6,824)	-	-	-	(6,824)	-
Balance - December 31, 2015		**$ 410,437**	**$ 63,828**	**$ 9,027**	**$ 129,705**	**$ 66,018**	**$ 679,015**	**$ 37,457**
Net book value								
December 31, 2014	$ 84,322	$ 583,428	$ 51,762	$ 23,054	$ 125,389	$ 15,006	$ 882,961	$ 122,030
December 31, 2015	**$ 85,927**	**$ 552,891**	**$ 44,906**	**$ 21,210**	**$ 100,311**	**$ 26,719**	**$ 831,964**	**$ 117,663**

7. Insurance contracts

Due from reinsurer	2015	2014
Balance, beginning of the year	$ 214,246	$ -
Submitted to reinsurer	429,558	1,408,042
Received from reinsurer	(610,161)	(1,193,796)
Balance, end of the year	$ 33,643	$ 214,246

All amounts due from reinsurer are expected to settle within one year.

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

Reinsurer's share of provision for unpaid claims

	2015	2014
Balance, beginning of the year	$ 1,530,103	$ 689,806
New claims reserves	333,613	2,252,500
Change in prior years reserves	889,795	(4,161)
Submitted to reinsurer	(429,558)	(1,408,042)
Balance, end of the year	$ 2,323,953	$ 1,530,103
Expected settlement		
Within one year	$ 332,835	$ 22,456
More than one year	$ 1,991,118	$ 1,507,647

Unearned premiums

	2015	2014
Balance, beginning of the year	$ 2,928,751	$ 2,811,577
Premiums written	6,472,181	6,169,203
Premiums earned during year	(6,297,821)	(6,052,029)
Balance, end of the year	$ 3,103,111	$ 2,928,751

7. Insurance contracts (cont'd)

The following is a summary of the insurance contract provisions and related reinsurance assets

	December 31, 2015			December 31, 2014		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Outstanding claims provision						
Long term settlement	**$ 1,304,923**	**$ 721,414**	**$ 583,509**	$ 1,354,181	$ 1,007,647	$ 346,534
Short term settlement	**2,228,295**	**1,102,539**	**1,125,756**	1,284,452	22,456	1,261,996
Facility Association and other residual pools	**192,547**	**-**	**192,547**	214,619	-	214,619
	3,725,765	**1,823,953**	**1,901,812**	2,853,252	1,030,103	1,823,149
Provision for claims incurred but not reported	**1,660,000**	**500,000**	**1,160,000**	1,660,000	500,000	1,160,000
	$ 5,385,765	**$ 2,323,953**	**$ 3,061,812**	$ 4,513,252	$ 1,530,103	$ 2,983,149

7. Insurance contracts (cont'd)

Comments and assumptions for specific claims categories

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

Claims and adjustment expenses

Changes in claim liabilities recorded in the balance sheet for the years-ended December 31, 2015 and 2014 and their impact on claims and adjustment expenses for the two years follow:

	2015	2014
Unpaid claim liabilities - beginning of year – net of reinsurance	**$ 2,983,149**	$ 2,766,291
Increase in estimated losses and expenses for losses occurring in prior years	**377,199**	149,078
Provision for losses and expenses on claims occurring in the current year	**2,568,084**	2,650,764
Payment on claims:		
Current year	**(778,750)**	(1,555,703)
Prior years	**(2,087,770)**	(1,027,281)
Unpaid claims liabilities – end of year - net of reinsurance	**3,061,912**	2,983,149
Reinsurer's share	**2,323,953**	1,530,103
	$ 5,385,865	$ 4,513,252

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

7. Insurance contracts (cont'd)

Provision for unpaid claims and adjustment expenses

The determination of the provision for unpaid claims and adjustment expenses and the related reinsurer's share requires the estimation of certain variables which include the development of claims and reinsurance recoveries.

Claim development

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

The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the claim year 2008 to 2015. 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.

7. Insurance contracts (cont'd)

Gross claims	2008	2009	2010	2011	2012	2013	2014	2015	Total
Gross estimate of cumulative claims cost									
At the end year of claim	$ 2,639,879	$ 3,287,501	$ 1,185,421	$ 2,704,955	$ 1,642,762	$ 2,650,761	$ 4,903,264	$ 2,614,835	
One year later	3,020,637	3,278,587	1,193,125	2,796,856	1,569,578	2,734,856	5,059,946		
Two years later	3,229,705	3,212,869	1,254,303	2,900,256	1,616,925	3,129,900			
Three years later	3,260,905	3,208,175	1,243,754	2,920,308	1,633,341				
Four years later	3,327,465	3,338,002	1,225,842	3,691,808					
Five years later	3,089,890	3,329,671	1,225,836						
Six years later	3,103,802	3,329,671							
Seven years later	3,088,895								
Current estimate of cumulative claims cost	3,088,895	3,329,671	1,225,836	3,691,808	1,633,341	3,129,900	5,059,946	2,614,835	23,774,232
Cumulative payments	3,084,154	3,329,671	1,224,700	2,924,544	1,550,954	2,425,096	3,570,166	2,131,729	20,241,014
Outstanding claims	$ 4,741	$ -	$ 1,136	$ 767,264	$ 82,387	$ 704,804	$ 1,489,780	$ 483,106	$ 3,533,218
Outstanding claims 2007 and prior									-
Facility association and other residual pools									192,547
Incurred but not reported (IBNR)									1,660,000
Total gross outstanding claims including claims handling expense									**$ 5,385,765**

Net claims	2008	2009	2010	2011	2012	2013	2014	2015	Total
Net estimate of cumulative claims cost									
At the end year of claim	$ 1,908,728	$ 2,320,513	$ 1,185,421	$ 2,097,730	$ 1,642,762	$ 2,588,261	$ 2,650,764	$ 2,568,084	
One year later	2,323,760	2,431,475	1,193,125	2,307,119	1,569,578	2,672,356	2,764,566		
Two years later	2,361,513	2,422,431	1,254,303	2,323,958	1,616,925	2,827,849			
Three years later	2,392,713	2,417,737	1,243,754	2,311,162	1,633,341				
Four years later	2,431,054	2,453,845	1,225,842	2,388,312					
Five years later	2,371,454	2,456,155	1,225,836						
Six years later	2,387,670	2,456,155							
Seven years later	2,372,762								
Current estimate of cumulative claims cost	2,372,762	2,456,155	1,225,836	2,388,312	1,633,341	2,827,849	2,764,566	2,568,084	18,236,905
Cumulative payments	2,368,022	2,456,155	1,224,700	2,311,582	1,550,954	2,399,788	2,128,669	2,087,770	16,527,640
Outstanding claims	$ 4,740	$ -	$ 1,136	$ 76,730	$ 82,387	$ 428,061	$ 635,897	$ 480,314	$ 1,709,265
Outstanding claims 2007 and prior									-
Facility association and other residual pools									192,547
Incurred but not reported (IBNR)									1,160,000
Total net outstanding claims including claims handling expense									**$ 3,061,812**

8. Other provisions and contingent liabilities

In the normal course of the Company's operations and 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 adjusting expenses.

No provisions have been recorded related to litigation in the current year arising outside the normal course of the Company's insurance business.

9. Pension Plan

The Company makes contributions to a defined contribution group retirement program registered with Standard Life. The program consists of a Structured Retirement Savings Plan (STRP), a Deferred Profit Sharing Plan (DPSP), and a Tax Free Savings Account (TFSA).

Participation by employees and the Company is compulsory for all employees who have completed a successful probationary period. Employee contributions must be a minimum of 3% of the employees annual earnings, while the company's contribution is 100% of employee contributions to a maximum of 7.25% of the employee's annual earnings.

Contributions made during the year by the Company to the program were $85,784 (2014 - $94,549).

10. Income taxes

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

	2015	2014
Current tax (recovery) expense		
Based on current year taxable income	**$ (11,988)**	$ 330,158
Adjustments for (over) under provision in prior periods	**(6,796)**	8,756
	(18,784)	338,914
Deferred tax expense		
Origination and reversal of temporary differences	**90,334**	56,828
Increase in tax rate	**-**	(65,148)
	90,334	(8,320)
Provision for income taxes	**$ 71,550**	$ 330,594

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

	2015	2014
Deferred tax		
Change in unrealized gain/(loss) on available-for-sale investments	**$ (79,596)**	$ 315,367
Reclassification of realized (gain)/loss on available-for-sale investments	**(11,934)**	(316,187)
Deferred tax included in other comprehensive income	**$ (91,530)**	$ (820)

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 of 26.50% are as follows:

	2015	2014
Income before taxes	**$ 354,573**	$ 1,548,041
Expected taxes based on the statutory rate of 26.50%	**93,962**	410,231
Small business deduction	**-**	(1,033)
Dividend income not subject to tax	**(2,212)**	(7,491)
Other non deductible expenses	**3,263**	5,679
Rate adjustment related to temporary differences	**(4,679)**	(20,400)
Change in deferred income tax rate	**-**	(65,148)
(Over) under provision in prior years	**(6,796)**	8,756
Utilization of current year loss carried back	**(11,988)**	-
Provision for income taxes	**$ 71,550**	$ 330,594

10. Income taxes (cont'd)

The movement in 2015 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2015	Recognize in net income	Recognize in OCI	Reclassify AOCI to net income	Closing balance at Dec 31, 2015
Deferred tax liabilities					
Property, plant & equipment	$ 14,653	$ 527	$ -	$ -	$ 15,180
Deferred tax assets					
Market to market investments	$ -	$ (91,530)	$ 79,596	$ 11,934	$ -
Intangible assets	13,162	(922)	-	-	12,240
Claims reserve and provisions	34,611	3,249	-	-	37,860
Specified debt	674	(604)	-	-	70
	$ 48,447	$ (89,807)	$ 79,596	$ 11,934	$ 50,170
Net deferred tax asset movement	**$ 33,794**	**$ (90,334)**	**$ 79,596**	**$ 11,934**	**$ 34,990**

10. Income taxes (cont'd)

The movement in 2014 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2014	Recognize in net income	Recognize in OCI	Reclassify AOCI to net income	Closing balance at Dec 31, 2014
Deferred tax liabilities					
Market to market investments	$ 116	$ 30	$ 316,041	$ (316,187)	$ -
Property, plant & equipment	13,240	1,413	-	-	14,653
	$ 13,356	$ 1,443	$ 316,041	$ (316,187)	$ 14,653
Deferred tax assets					
Intangible assets	$ 11,039	$ 2,123	$ -	$ -	$ 13,162
Claims reserve and provisions	26,971	7,640	-	-	34,611
Specified debt	-	-	674	-	674
	$ 38,010	$ 9,763	$ 674	$ -	$ 48,447
Net deferred tax asset movement	**$ 24,654**	**$ 8,320**	**$ (315,367)**	**$ 316,187**	**$ 33,794**

December 31

11. Acquisition expenses

	2015	2014
Bad debts	$ 540	$ 132
Commissions	(13,040)	(12,089)
Inspection and investigations	56,706	39,832
Sales and marketing	119,170	107,597
	$ 163,376	$ 135,472

12. Other operating and administrative expenses

	2015	2014
Association fees	39,995	40,240
Computer costs	211,607	221,798
Donations	19,024	21,118
Insurance	43,190	44,834
Occupancy	88,800	133,890
Postage	17,956	19,033
Premium tax	15,222	14,297
Printing, stationary and office supplies	27,429	26,877
Professional fees	78,797	75,601
Salaries, benefits and directors fees	1,604,446	1,691,271
Telephone	17,098	19,239
Travel	65,996	70,109
Other	8,425	12,796
	$ 2,237,985	$ 2,391,103

13. Salaries, benefits and directors fees

	2015	2014
Total salaries and benefits paid to employees, and directors fees	$ 1,743,981	$ 1,815,678

December 31

14. Investment and other income

	2015	2014
Interest income	**$ 584,342**	$ 544,964
Dividend income	**61,722**	53,915
Realized gains on disposal of investments	**47,737**	1,416,297
Investment expenses	**(72,546)**	(75,341)
Loss on rental	**(6,724)**	(909)
Other	**(691)**	(490)
	$ 613,840	$ 1,938,436

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:

	2015	2014
Compensation		
Short term employee benefits and director fees	**$ 616,816**	$ 647,874
Total pension and other post-employment benefits	**48,840**	55,424
	$ 665,656	$ 703,298
Premiums	**$ 84,076**	$ 84,728
Claims paid	**$ 8,635**	$ 5,165

Amounts owing to and from key management personnel at December 31, 2015 are $nil (2014 - $NIL) and $8,621 (2014 - $7,708) respectively. These amounts are included in accounts payable and accrued liabilities and due from policyholders on the consolidated statement of financial position.

16. 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 if deemed necessary.

For the purpose of capital management, the Company has defined capital as unappropriated members' surplus including accumulated other comprehensive income.

17. 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. Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. (FMRP), a Canadian registered reinsurer. Retention limits for the excess-of-loss reinsurance vary by product line.

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

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.

17. Financial instrument and insurance risk management (cont'd)

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.

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 in the event of a property claim, an amount of $275,000 in the event of an automobile claim and $385,000 in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $1,050,000 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% (2014 - 80%) of gross net earned premiums for liability.

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% change in the loss ratios would result in the following increase/decrease						
Gross	**$ 147,644**	$ 137,051	**$ 144,107**	$ 143,057	**$ 20,251**	$ 19,544
Net	**$ 133,329**	$ 124,166	**$ 114,146**	$ 112,050	**$ 16,002**	$ 15,364

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

17. Financial instrument and insurance risk management (cont'd)

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 on its investment portfolio and the reliance on its reinsurer to make payment when certain loss conditions are met.

The Company’s investment policy puts limits on the investment portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The majority of fixed income investments are held within mutual funds that report the holdings of their funds to ensure that the investments are in compliance with the mandated constraints. Mutual funds are invested in bonds and debentures of Federal, Provincial, Corporate and non-Canadian issuers with a minimum rating of 'BBB' or better. The policy for fixed income mutual funds limits the investment in any one corporate name rated 'A' or better to a maximum of 5% of the total fixed income portfolio. The policy also includes limits on the Provincial 'BBB' rated investments to a maximum of 5% of the total fixed income portfolio and holdings in non-Canadian investments require a rating of 'A' or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by the Company's investment committee which reports to the board of Directors.

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 amounts due from 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 this risk or policies, procedures and methods used to measure the risk.

Market risk

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

The Company’s investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. Each of the company's advisors are provided with an investment mandate which restricts the types of investments that funds can be invested in.

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

17. Financial instrument and insurance risk management (cont'd)

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 is not exposed to any significant currency risk.

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

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 (fixed income mutual funds).

The Company’s investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in other comprehensive income. There are no occurrences where interest would be charged on liabilities; therefore, little protection is needed to ensure the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change.

The objective and policies and procedures for managing interest rate risk are to diversify bond holdings through mutual fund investments in such a way that the company is invested in a laddered and balanced portfolio through its ownership of units in various mutual funds with a fixed income component.

At December 31, 2015, a 1% move in interest rates, with all other variables held constant, could impact the market value of fixed income funds by $1,211,988 (2014 - $1,013,893). This change would be recognized in other comprehensive income.

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

17. Financial instrument and insurance risk management (cont'd)

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 mutual fund holdings within its investment portfolio.

The Company's portfolio includes Canadian mutual funds with fair values that move with the Toronto Stock Exchange Composite Index. At December 31, 2015, 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 equity mutual funds of $204,229 (2014 - $212,790). This change would be recognized in other comprehensive income.

The Company's investment policy limits equity investments to 25% of the total portfolio investment, in accordance the Insurance Act. Investment managers are mandated to follow this strategy, and must also diversify across various sectors and securities in the market. All equity instruments must be freely tradable and listed on a recognized stock exchange in Canada.

Equities are monitored by the Investment Committee and the Board of Directors on a quarterly basis.

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

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 5% to 15% of the Company's portfolio be held in cash and short-term investments. Short-term investments can include treasury bills, GICs, 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 this risk or policies, procedures and methods used to measure the risk.