



37868 Zurich-Hensall Rd., Zurich, ON N0M 2T0

144th
Annual Report
For the year ended December 31, 2018

OFFICERS

CHAIR

Bill Gibson

Clinton 2020

PRESIDENT

Shawn R. Durnin

DIRECTORS

John Dowson	Varna 2019
Robert Pertschy	Crediton 2019
John Van Loo	Clinton 2019
John Coleman	Kippen 2020
Marlene Munn	Hensall 2020
Jerry Groot	Zurich 2021
Tom Hartman	Zurich 2021

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Corey Illman	Seaforth 519-870-8713
Jeremy Scherle	Clinton 226-420-2071
Blaine Stephenson	Varna 519-233-7155
Jennifer Watt	Seaforth 519-441-1900

NOTICE OF ANNUAL MEETING

The 144th Annual Meeting of
Hay Mutual Insurance Company
will be held on
Thursday, March 7th, 2019 at 2:00 p.m.
Municipality of Bluewater
Zurich Community Centre
15 East Street, Zurich, ON



Financial Statements

For the year ended December 31, 2018

Hay Mutual Insurance Company
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Members of Hay Mutual Insurance Company

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Strathroy, Ontario

February 6, 2019

Hay Mutual Insurance Company
Statement of Financial Position
December 31, 2018 (in thousands of dollars)

	2018	2017
Assets		
Cash	\$ 5,264	\$ 631
Investments (Note 5)	37,732	43,328
Investment income accrued	61	27
Due from Facility Association	191	185
Due from Members	1,644	1,569
Reinsurer's share of unpaid claims (Note 4)	2,779	2,819
Deferred policy acquisition expenses (Note 4)	482	456
Investment property (Note 6)	227	227
Property, plant & equipment (Note 14)	1,172	1,212
Other assets	30	60
Deferred income taxes	1,120	37
	\$ 50,702	\$ 50,551
Liabilities		
Accounts payable and accrued liabilities	\$ 179	\$ 1,461
Income taxes payable	584	143
Unearned premiums (Note 4)	4,866	4,688
Unpaid claims and adjustment expenses (Note 4)	7,033	7,333
Due to reinsurer and other insurance companies	177	201
Defined benefit obligation (Note 15)	212	234
	13,051	14,060
Members' Surplus		
Unappropriated members' surplus	37,651	36,491
	\$ 50,702	\$ 50,551

Signed on behalf of the Board by:

John Coleman Director

Tom Hanta Director

The accompanying notes are an integral part of these financial statements

Hay Mutual Insurance Company
Statement of Comprehensive Income
For the Year Ended December 31, 2018 (in thousands of dollars)

	2018	2017
Underwriting income		
Gross premiums written	\$ 10,253	\$ 9,916
Less reinsurance ceded	1,524	1,379
	8,729	8,537
Net premiums written	8,729	8,537
Less increase in unearned premiums	178	114
	8,551	8,423
Net premiums earned	8,551	8,423
Service charges	52	50
	8,603	8,473
Direct losses incurred		
Gross claims and adjustment expenses	5,276	4,272
Less reinsurer's share of claims and adjustment expenses	199	261
	5,077	4,011
	3,526	4,462
Expenses		
Fees, commissions and other acquisition expenses (Note 9)	1,751	1,899
Other operating and administrative expenses (Note 10)	744	880
	2,495	2,779
Net underwriting income before premium refund	1,031	1,683
Refund of premiums to policyholders	-	(1,200)
	1,031	483
Net underwriting income	1,031	483
Investment and other income (Note 7)	(135)	1,257
	896	1,740
Total comprehensive income before taxes	896	1,740
Provision for income taxes (Note 12)	(264)	248
	1,160	1,492
Total comprehensive income for the year	\$ 1,160	\$ 1,492

The accompanying notes are an integral part of these financial statements

Hay Mutual Insurance Company
Statement of Members' Surplus
For the Year Ended December 31, 2018 (in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Unappropriated Members' Surplus		
Balance, beginning of year	\$ 36,491	\$ 34,999
Comprehensive income for the year	<u>1,160</u>	<u>1,492</u>
Balance, end of year	<u>\$ 37,651</u>	<u>\$ 36,491</u>

The accompanying notes are an integral part of these financial statements

Hay Mutual Insurance Company

Statement of Cash Flows

For the Year Ended December 31, 2018 (in thousands of dollars)

	2018	2017
Operating activities		
Comprehensive income	\$ 1,160	\$ 1,492
Adjustments for:		
Depreciation	64	118
Interest and dividend income	(1,169)	(1,144)
Provision for income taxes	(264)	248
Realized losses on disposal of investments	1,060	67
Unrealized losses (gains) on investments	88	(340)
	(221)	(1,051)
Changes in working capital		
Change in due from Members	(75)	(36)
Change in reinsurer's share of unpaid claims	40	856
Change in other assets	30	(40)
Change in accounts payable and accrued liabilities	(1,282)	630
Change in due to reinsurer and other insurance companies	(24)	(2)
Change in defined benefit obligation	(22)	4
	(1,333)	1,412
Changes in insurance contract related balances, provisions		
Change in due from Facility Association	(6)	3
Change in deferred policy acquisition expenses	(26)	(12)
Change in unearned premiums	178	114
Change in provision for unpaid claims	(300)	52
	(154)	157
Cashflows related to interest, dividends and income taxes		
Interest and dividends received	1,137	1,154
Income taxes paid	(379)	(53)
	758	1,101
Total cash inflows from operating activities	210	3,111
Investing activities		
Sale and maturity of investments	31,212	6,551
Purchase of investments	(26,765)	(9,275)
Purchase of property, plant & equipment	(24)	(13)
Total cash outflows from investing activities	4,423	(2,737)
Net increase in cash and cash equivalents	4,633	374
Cash and equivalents, beginning of year	631	257
Cash and equivalents, end of year	\$ 5,264	\$ 631

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

Hay 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, hail, liability and automobile insurance in Ontario. The Company's head office is located at 37868 Zurich-Hensall Road in Zurich, 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 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 6, 2019.

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 (IASB).

(b) Basis of measurement

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

The financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency and all values are rounded to the nearest thousand (CDN \$'000), unless otherwise indicated.

(c) Judgement 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 judgement in applying the Company's accounting policies. The areas involving critical judgements 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 4); and
- The determination of the recoverability of deferred policy acquisition expenses (Note 4); and
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Note 5).

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 involves significant judgement.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2018 did not materially affect the Company's financial statements other than those described below.

IFRS 9 Financial Instruments (IFRS 9)

On January 1, 2018, the Company adopted IFRS 9, Financial Instruments (IFRS 9), which supercedes IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities; new guidance for measuring impairment on financial assets; and new hedge accounting guidance.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at January 1, 2018, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

(i) Classification and measurement of financial instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and FVTPL.

The following table shows the original classification and carrying amount under IAS 39 and the new classification and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

Financial Instrument	Note	IAS 39	IFRS 9
Financial assets			
		\$000's	\$000's
Cash		Loans and receivables \$ 631	Amortized cost \$ 631
Investments - Short-term investments	5	FVTPL 7,061	FVTPL 7,061
Investments - Loan	5	FVTPL 300	FVTPL 300
Investments - Bond	5	FVTPL 750	FVTPL 750
Investments - Pooled Funds	5	FVTPL 35,193	FVTPL 35,193
Investments - Fire Mutuals Guarantee Fund	5	FVTPL 24	FVTPL 24
Financial liabilities			
Accounts payable and accrued liabilities		Other financial liabilities 1,461	Amortized cost 1,461

(ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. This applies to financial assets classified at amortized cost and debt instruments classified at FVTOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. This change did not have a material impact to the Company's financial statements.

(iii) Hedge accounting

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

(iv) Disclosure

Amendments were also made to IFRS 7 introducing expanded qualitative and quantitative disclosures related to IFRS 9, which the Company has also adopted for the annual period beginning January 1, 2018.

(v) Impacts of Adoption of IFRS 9

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

Hay Mutual Insurance Company
Notes to Financial Statements
December 31, 2018 (in thousands of dollars)

4. INSURANCE CONTRACTS

In accordance with IFRS 4, Insurance Contracts, the Company has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian generally accepted accounting principles.

Balances arising from insurance contracts primarily include 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, 2018 and 2017 and their impact on net premiums earned for the two years follow:

	2018	2017
Balance, beginning of the year	\$ 4,688	\$ 4,574
Premiums written	10,253	9,916
Reinsurance ceded	(1,524)	(1,379)
Premiums earned during year	(8,551)	(8,423)
Balance, end of the year	\$ 4,866	\$ 4,688

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, 2018 and 2017.

Amounts due from Members are measured at amortized cost less any impairment losses. These amounts are short-term in nature consisting of a large number of members, and are not subject to material credit risk. Regular review of amounts outstanding is performed to ensure credit worthiness.

(b) Deferred policy acquisition expenses

Acquisition costs are comprised of agents' commissions. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses. Changes in deferred policy acquisition expenses recorded in the statement of financial position for the years ended December 31, 2018 and 2017 and their impact on fees, commissions and other acquisition expenses for the two years follow:

	2018	2017
Balance, beginning of the year	\$ 456	\$ 444
Acquisition costs incurred	482	456
Expensed during the year	(456)	(444)
Balance, end of the year	\$ 482	\$ 456

4. INSURANCE CONTRACTS (CONTINUED)

(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.

Claims liabilities are carried on an undiscounted basis. For the actuarial valuation, as required by actuarial standards in Canada, claims liabilities also include a provision for adverse deviation (PFAD), which represents an additional margin on valuation variable factors, which are claims development, reinsurance recoveries and interest rates used in discounting claims liabilities.

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

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Long settlement term	\$ 3,894	\$ 1,643	\$ 2,251	\$ 3,620	\$ 1,866	\$ 1,754
Short settlement term	1,062	271	791	1,639	88	1,551
Facility Association and other residual pools	131	-	131	127	-	127
	5,087	1,914	3,173	5,386	1,954	3,432
Provision for claims incurred but not reported	1,946	865	1,081	1,947	865	1,082
Outstanding claims provision	\$ 7,033	\$ 2,779	\$ 4,254	\$ 7,333	\$ 2,819	\$ 4,514

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. 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 and expenses provided by the actuaries of the pools.

Changes in claim liabilities recorded in the statement of financial position for the years ended December 31, 2018 and 2017 and their impact on claims and adjustment expenses for the two years follow:

Hay Mutual Insurance Company
Notes to Financial Statements
December 31, 2018 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

	2018	2017
Unpaid claim liabilities - beginning of year - net of reinsurance	\$ 4,514	\$ 3,606
Decrease in estimated losses and expenses, for losses occurring in prior years	(919)	(991)
Provision for losses and expenses on claims occurring in the current year	5,996	5,001
Payment on claims:		
Current year	(4,300)	(2,911)
Prior years	(1,037)	(191)
Unpaid claim liabilities - end of year - net of reinsurance	4,254	4,514
Reinsurer's share and subrogation recoverable	2,779	2,819
Unpaid claim liabilities - end of year - gross	\$ 7,033	\$ 7,333

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.

Hay Mutual Insurance Company
Notes to Financial Statements
December 31, 2018 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

Gross claims	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Gross estimate of cumulative claims cost											
At end of accident year	\$ 3,379	\$ 3,114	\$ 7,124	\$ 6,775	\$ 4,375	\$ 5,617	\$ 6,682	\$ 7,241	\$ 4,446	\$ 5,676	
One year later	3,215	3,886	6,895	6,888	3,591	4,894	6,107	6,993	3,973		
Two years later	3,118	4,242	7,516	5,474	3,291	4,520	5,743	6,802			
Three years later	3,137	3,620	6,267	4,692	3,164	4,361	5,571				
Four years later	3,029	3,509	5,836	4,566	3,121	4,316					
Five years later	2,945	3,441	5,820	4,560	3,023						
Six years later	3,856	3,428	5,804	4,530							
Seven years later	3,612	3,407	5,770								
Eight years later	3,612	3,407									
Nine years later	3,612										
Current estimate of cumulative claims cost	3,612	3,407	5,770	4,530	3,023	4,316	5,571	6,802	3,973	5,676	
Cumulative payments made to date	3,612	3,407	5,770	4,509	2,996	3,897	4,942	4,579	3,038	3,805	
Outstanding claims	\$ -	\$ -	\$ -	\$ 21	\$ 27	\$ 419	\$ 629	\$ 2,223	\$ 935	\$ 1,871	\$ 6,125
Outstanding claims 2008 and prior											220
Adjustment expenses											688
Total gross outstanding claims and adjustment expenses											\$ 7,033
Net of reinsurance	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Net estimate of cumulative claims cost											
At end of accident year	\$ 3,292	\$ 2,735	\$ 4,349	\$ 4,055	\$ 3,967	\$ 4,661	\$ 4,834	\$ 4,929	\$ 4,221	\$ 5,274	
One year later	2,964	2,545	4,352	3,947	3,189	3,960	4,328	4,451	3,520		
Two years later	2,822	2,636	4,444	3,486	2,958	3,854	4,153	4,320			
Three years later	2,770	2,369	4,155	3,291	2,927	3,699	4,094				
Four years later	2,758	2,358	4,057	3,262	2,907	3,698					
Five years later	2,771	2,380	4,070	3,280	2,926						
Six years later	2,883	2,366	4,058	3,276							
Seven years later	2,850	2,350	4,045								
Eight years later	2,850	2,350									
Nine years later	2,850										
Net current estimate of cumulative claims cost	2,850	2,350	4,045	3,276	2,926	3,698	4,094	4,320	3,520	5,274	
Net cumulative payments made to date	2,850	2,350	4,045	3,257	2,899	3,405	3,588	3,596	2,880	3,800	
Net outstanding claims	\$ -	\$ -	\$ -	\$ 19	\$ 27	\$ 293	\$ 506	\$ 724	\$ 640	\$ 1,474	\$ 3,683
Net outstanding claims 2008 and prior											-
Net adjustment expenses											571
Total net outstanding claims and adjustment expenses											\$ 4,254

4. INSURANCE CONTRACTS (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	
	2018	2017	2018	2017	2018	2017
10% increase in loss ratios						
Gross	\$(531)	\$(504)	\$(365)	\$(369)	\$(100)	\$(98)
Net	\$(467)	\$(448)	\$(305)	\$(314)	\$(83)	\$(80)
10% decrease in loss ratios						
Gross	\$531	\$504	\$365	\$369	\$100	\$98
Net	\$467	\$448	\$305	\$314	\$83	\$80

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 discount rate. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in comprehensive income 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 \$400 (2017 - \$400) in the event of a property claim, an amount of \$450 (2017 - \$400) in the event of an automobile claim and \$400 (2017 - \$400) in the event of a liability claim. The Company also obtained catastrophe reinsurance which limits the Company's liability to \$1,200 (2017 - \$1,200) 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 amount of net losses by accident year to 70% (2017 - 70%) of the combined gross net earned premiums for property, liability and automobile.

The Company participates in a program to provide reinsurance coverage for crop insurance through Farm Mutual Re. The maximum retained liability for the Company is \$750 (2017 - \$550) for Manitoba Crop, an amount of \$750 (2017 - \$750) for Saskatchewan Crop and \$750 (2017 - \$275) for Agriculture Financial Services Corporation Crop Insurance.

Amounts recoverable from 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 members 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.

Hay Mutual Insurance Company
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4. INSURANCE CONTRACTS (CONTINUED)

	2018	2017
Balance, beginning of the year	\$ 2,819	\$ 3,675
New claims reserve	299	156
Change in prior years' reserve	(100)	106
Submitted to reinsurer	(239)	(1,118)
	\$ 2,779	\$ 2,819

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.

(f) Refund of premium

At the discretion of the Board of Directors, the Company may declare a refund to its Members based on the premiums paid. This refund is recognized as a reduction of comprehensive income in the period for which it is declared.

5. INVESTMENTS

(a) Recognition and initial measurement

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

(b) Classification and subsequent measurement

The Company classifies its debt instruments and bonds as FVTPL because the Company manages the debt instruments and evaluates their performance on a fair value basis in accordance with a documented investment strategy and the instruments are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Company's pooled funds are redeemable at the option of the holder and therefore considered debt instruments under IFRS 9 that do not give rise to cash flows that are solely payments of principal and interest and therefore are classified as FVTPL.

The Company classifies its equity instruments in listed and unlisted companies, as FVTPL.

The debt and equity instruments are subsequently measured at fair value where the net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in comprehensive income.

(c) Derecognition

The Company derecognizes investments when the contractual rights to the cash flows from the investment expires or the Company transfers the investment. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in comprehensive income.

(d) Risks

The following table provides fair value information of investments by type of security and issuer.

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5. INVESTMENTS (CONTINUED)

	2018 Fair Value	2017 Fair Value
Short-term investments	\$ 15,670	\$ 7,061
Corporate Loan	300	300
Corporate Bond	750	750
Pooled Funds		
Canadian Fixed Income	4,396	19,091
Canadian Commercial Mortgages	8,643	7,784
Canadian Equity	7,951	8,318
	<u>20,990</u>	<u>35,193</u>
Other investments		
Fire Mutuals Guarantee Fund	22	24
Total investments	<u>\$ 37,732</u>	<u>\$ 43,328</u>

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 62% (2017 - 73%) of bonds rated A or better. The Company's investment policy limits investment in single issue bonds and debentures of the various ratings to limits ranging from 1% to 15% of the Company's fixed income portfolio. The Company's policy requires that funds be invested in bonds and debentures of Federal, Provincial and 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 carrying 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.

The Company's investment policy requires that 2% to 20% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include money market pooled fund, high interest savings accounts and term deposits with an original maturity of less than one year.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure 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 Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 10% (except government sponsored bonds) of the Company's portfolio.

5. INVESTMENTS (CONTINUED)

The Company's currency risk is related to foreign holdings which are limited to 10% of the total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Investment Committee and holdings are adjusted when offside of the investment policy.

The Company is exposed to interest rate risk through its interest bearing investments (Money market pooled fund, Term deposits, GICs, Bonds, Fixed income pooled funds).

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

At December 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the market value of the bond by \$6 (2017 - \$14). Also, a 1% move in interest rates, with all other variables held constant, could impact the market value of the fixed income pooled funds by \$392 (2017 - \$1,337). These changes would be recognized in comprehensive income.

The Company is exposed to equity risk through its portfolio of primarily Canadian stocks or Canadian stock funds. At December 31, 2018, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's Canadian equity pooled fund of \$795 (2017 - \$832). 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. The total investment in preferred and common shares cannot exceed 25% of total assets.

Equities are monitored by the Investment Committee and the Board of Directors and holdings are adjusted 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.

(e) Fair value measurement

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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).

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5. INVESTMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Short-term investments	\$ 2,051	\$ 13,619	\$ -	\$ 15,670
Corporate Loan	-	300	-	300
Corporate Bond	-	750	-	750
Pooled funds	-	12,347	8,643	20,990
Other investments	-	22	-	22
Total	\$ 2,051	\$ 27,038	\$ 8,643	\$ 37,732
December 31, 2017				
Short-term investments	\$ 5,861	\$ 1,200	\$ -	\$ 7,061
Corporate Loan	-	300	-	300
Corporate Bond	-	750	-	750
Pooled funds	-	27,409	7,784	35,193
Other investments	-	24	-	24
Total	\$ 5,861	\$ 29,683	\$ 7,784	\$ 43,328

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2017 and 2018.

6. INVESTMENT PROPERTY

	Land
Cost and net book value	
Balance on December 31, 2017	\$ 227
Balance on December 31, 2018	\$ 227

The fair value of the investment property is \$575 (December 31, 2017- \$575). The Company considers the market value of the investment property to be Level 2 in the fair value hierarchy.

The investment property was subject to an opinion of market value prepared by a local licensed realtor having knowledge of the Real Estate Market value of the area. The fair value of investment property is determined by market value defined as the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser.

Investment property held by the Company is leased out under an operating lease.

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7. INVESTMENT AND OTHER INCOME

	2018	2017
Interest income	\$ 925	\$ 901
Dividend income	244	243
Realized losses on disposal of investments	(1,060)	(67)
Unrealized (losses) gains on investments	(88)	340
Investment expenses	(169)	(172)
Rental income	13	12
	\$ (135)	\$ 1,257

8. CAPITAL MANAGEMENT

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

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

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators require property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors that are 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 the Gross Risk Ratio (gross premiums written to members' surplus) to monitor capital adequacy. The higher the ratio the greater the potential risk to the surplus. The Company internally benchmarks an acceptable Gross Risk Ratio to be 33%. The Company's Gross Risk Ratio at December 31, 2018 was 30.6% (2017 - 27.2%).

9. FEES, COMMISSIONS AND OTHER ACQUISITION EXPENSES

	2018	2017
Commissions	\$ 1,034	\$ 995
Premium tax	32	25
Other	685	879
	\$ 1,751	\$ 1,899

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2018	2017
Computer costs	\$ 93	\$ 115
Occupancy	88	94
Professional fees	58	42
Salaries, benefits and directors' fees	391	482
Other	114	147
	\$ 744	\$ 880

Hay Mutual Insurance Company
Notes to Financial Statements
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11. SALARIES, BENEFITS AND DIRECTORS' FEES

	2018	2017
Underwriting salaries and benefits	\$ 350	\$ 442
Claims salaries and benefits	209	228
Sales salaries and commissions	1,021	980
Other salaries, benefits and directors' fees	432	521
	\$ 2,012	\$ 2,171

12. INCOME TAXES

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

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2017 - 26.5%) are as follows:

	2018	2017
Net income for the year	\$ 896	\$ 1,740
Expected taxes based on the statutory rate of 26.5% (2017 - 26.5%)	237	461
Income from insuring farm related risks	(503)	(161)
Temporary difference	(17)	6
Other non-deductible expenses	19	6
Canadian dividend income not subject to tax	-	(64)
	\$ (264)	\$ 248

Hay Mutual Insurance Company
Notes to Financial Statements
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12. INCOME TAXES (CONTINUED)

The movement in 2018 deferred income tax liabilities and assets are:

2018	Closing Balance at Dec 31, 2017	Recognized in comprehensive income	Closing Balance at Dec 31, 2018
<i>Deferred income tax liabilities</i>			
Property, plant & equipment	\$ (38)	\$ (25)	\$ (63)
Deferred income tax liability	\$ (38)	\$ (25)	\$ (63)
<i>Deferred income tax assets</i>			
Claims liabilities	\$ 37	\$ 1,090	\$ 1,127
Defined benefit obligation	38	18	56
Deferred income tax asset	\$ 75	\$ 1,108	\$ 1,183
2018 net deferred income tax asset movement	\$ 37	\$ 1,083	\$ 1,120

The movement in 2017 deferred income tax liabilities and assets are:

2017	Opening Balance at Jan 1, 2017	Recognized in comprehensive income	Closing Balance at Dec 31, 2017
<i>Deferred income tax liabilities</i>			
Property, plant & equipment	\$ (43)	\$ 5	\$ (38)
Deferred income tax liability	\$ (43)	\$ 5	\$ (38)
<i>Deferred income tax assets</i>			
Claims liabilities	\$ 29	\$ 8	\$ 37
Defined benefit obligation	37	1	38
Deferred income tax asset	\$ 66	\$ 9	\$ 75
2017 net deferred tax asset movement	\$ 23	\$ 14	\$ 37

13. STRUCTURED SETTLEMENTS, FIRE MUTUALS GUARANTEE FUND AND FINANCIAL GUARANTEE CONTRACTS

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

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13. STRUCTURED SETTLEMENTS, FIRE MUTUALS GUARANTEE FUND AND FINANCIAL GUARANTEE CONTRACTS
(CONTINUED)

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

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

14. 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 and antique automobile which are not depreciated. Depreciation is recognized in comprehensive income and is provided on a straight-line basis over the estimated useful lives of the assets.

	Useful Life	2018		
		Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 128	\$ -	\$ 128
Building	40 years	1,350	(387)	963
Outbuilding under Construction		24	-	24
Parking Lot	13 years	99	(81)	18
Computer Equipment	3 years	346	(338)	8
Furniture	10 years	295	(292)	3
Automotive Equipment	N/A	28	-	28
Total		\$ 2,270	\$ (1,098)	\$ 1,172

	Useful Life	2017		
		Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 128	\$ -	\$ 128
Building	40 years	1,350	(354)	996
Parking Lot	13 years	99	(73)	26
Computer Equipment	3 years	346	(332)	14
Furniture	10 years	295	(275)	20
Automotive Equipment	N/A	28	-	28
Total		\$ 2,246	\$ (1,034)	\$ 1,212

15. RETIREMENT BENEFITS

Pension Plan

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

The Company makes contributions to the plan on behalf of members of its employees hired prior to July 1, 2013. The plan is a money purchase plan, with a defined benefit option at retirement available to employees, which specifies the amount of the retirement benefit to be received by the employee based on length of service and rates of pay.

The amount contributed to the defined benefit plan for 2018 was \$68 (2017 - \$64). The contributions were made for current service and these have been recognized in comprehensive income. These contributions amount to 1.3% of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year. Based on the 2016 Pension Valuation filed with the Financial Services Commission of Ontario the plan was in a deficit position and therefore additional solvency funding was required in 2017. The next actuarial valuation to be filed under the Pension Benefits Act will be as of December 31, 2019.

Eligible employees hired after July 1, 2013 and sales agents participate in the defined contribution plan. The expected contributions to the plans for 2019 are \$107.

Post-employment benefits

The Company sponsors post-employment health and dental benefits covering all employees based on the length of service using a formula of one year of paid benefits for every five years of service. The benefit is not available if the employee leaves the Company or dies prior to retirement. The Company is permitted to change the benefit formula or terminate the benefits with adequate notice. The ultimate cost of these benefits is influenced by many variables, such as employee turnover, early retirement, mortality, medical cost trends and discount rates. The ultimate cost is uncertain and this uncertainty is likely to persist over a long period of time. Costs for future employee benefits are accrued over the periods in which employees earn the benefits. The Company uses the Projected Unit Credit Method to determine the present value of its defined benefit obligation and the related current service cost. Gains and losses resulting from increases or decreases in the present value of the defined benefit obligation are immediately recognized in comprehensive income. The post-employment benefits are unfunded as no plan assets are invested to cover the obligation as it becomes payable.

Present Value of Defined Benefit Obligation

The following summarizes the activity in the defined benefit obligation:

	2018	2017
Opening defined benefit obligation	\$ 234	\$ 230
Current service cost	-	14
Interest cost	9	8
Gains	(19)	(8)
Benefits paid	(12)	(10)
Closing defined benefit obligation	\$ 212	\$ 234

Assumptions were as follows:

	2018	2017
Discount rate	3.65%	3.26%
Medical cost trend	5.0%	5.0%

Discount rate

The discount rate was selected based on a review of current market interest rates of high-quality, fixed-rate debt securities adjusted to reflect the duration of expected future cash outflows for benefit payments. A 0.5% increase (decrease) in the discount rate would have (decreased) increased the defined benefit obligation by approximately (\$9) \$10 as of December 31, 2018.

15. RETIREMENT BENEFITS (CONTINUED)

Medical cost trend

The medical cost trend is based on the Company's health and dental premiums experience and future projections of medical costs. The average medical cost trend rate used was 5% for 2018. A 1% increase (decrease) in the trend rate would have resulted in an increase (decrease) in the benefit obligation for post-retirement benefits of approximately \$18 (\$16) at December 31, 2018.

Mortality assumptions

The mortality assumptions used to assess the defined benefit obligation as of December 31, 2018 are based on the UP94 Generational Table and the 00 Series Tables issued by the Continuous Mortality Investigation Bureau. The life expectation in years of a plan participant age 40 as of December 31, 2018 retiring 25 years later at age 65 is 23 years for Males and 24 years for Females. As benefits terminate at age 70 and there are only 16 eligible employees and retirees, mortality rates were difficult to apply to such a small sample size and were therefore disregarded.

Employee turnover

Employee turnover is difficult to assess as there has not been a history of turnover at the Company and the current eligible employees represent a small sample size. This factor was therefore disregarded.

16. RELATED PARTY TRANSACTIONS

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

	2018	2017
Compensation		
Short-term employee benefits and directors' fees	\$ 277	\$ 268
Total pension and other post-employment benefits	6	37
	\$ 283	\$ 305
 Premiums	 \$ 66	 \$ 66
 Claims paid	 \$ 1	 \$ 5

Amounts owing to key management personnel at December 31, 2018 are nil (2017 - \$9) and amounts owing from key management personnel at December 31, 2018 are \$4 (2017 - \$3) respectively. The amounts are included in accounts payable and accrued liabilities and due from members on the statement of financial position.

17. 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 after January 1, 2019 or later.

The Company has not yet determined the extent of the impact of the following new standards, interpretations and amendments, which have not been applied in these financial statements:

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