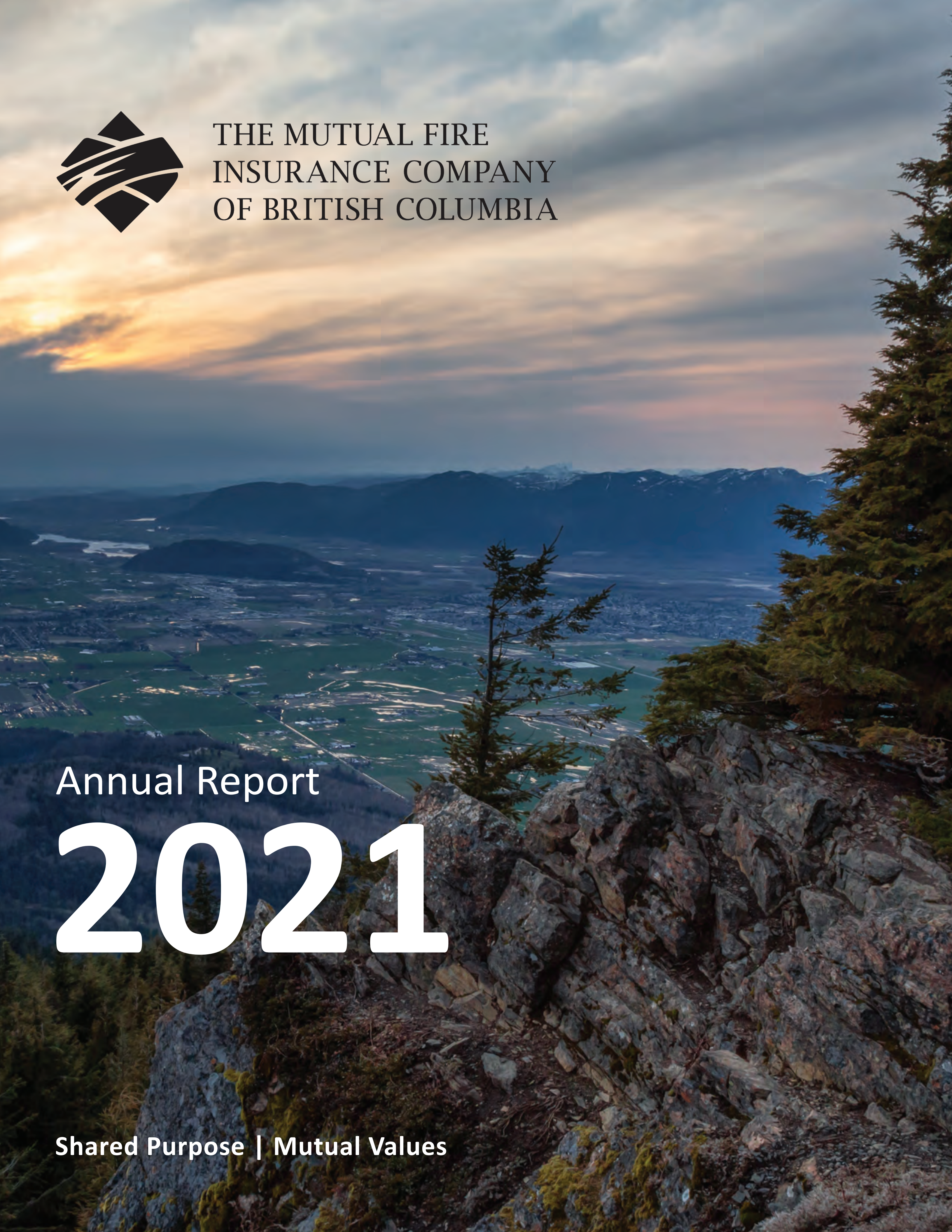


THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Annual Report 2021

Shared Purpose | Mutual Values

ABOUT US

Founded in 1902, Mutual Fire Insurance was the first mutual insurance company headquartered in British Columbia. Historically, people worked together by pooling resources to protect each other. The concept, and basis for mutual insurance, remains as relevant today as it did then—and we are proud to continue the tradition. Today, we provide solutions for farm, commercial, and home insurance needs.

HEAD OFFICE

The Mutual Fire Insurance Company of British Columbia
9366 200A Street
Langley, BC V1M 4B3
Canada

T: 604.881.1250
TF: 866.417.2272
E: info@mutualfirebc.com

AUDITOR

KPMG
777 Dunsmuir Street
Vancouver, BC   V7Y 1K3
Canada

ACTUARY

Baron Actuaries
206 Laird Drive, Suite 205
Toronto, ON   M4G 3W4
Canada

THE MUTUAL FIRE
INSURANCE COMPANY
OF BRITISH COLUMBIA

CONTENTS

Mission, Vision and Aspiration

Mutual Fire Insurance's decisions and behaviour are governed by our Mission, Vision, and Values. We live and breathe these fundamental statements in our daily operations to deliver the best service to our members and key partners.

VISION
Embracing Change to PROTECT You

MISSION
Creating innovative solutions and responding with unparalleled service for members and key partners

ASPIRATION
Become the Mutual Insurer of Choice

Our Values

Passion - We believe in what we do.

Honour- We encourage mutual trust through personal and professional integrity.

Empowerment- We empower talented people to embrace change.

Community- We promote and support philanthropy and volunteerism.

Mutuality- We work together to meet our common goals, unify relationships and celebrate success.

AM Best Rating

At the end of 2021, the independent rating agency AM Best reaffirmed the financial strength of The Mutual Fire Insurance Company of British Columbia with an A- (Excellent) rating for the 10th consecutive year.

This year is especially exciting for Mutual Fire Insurance as this recognition provides additional confidence for our members and key partners as we drive our strategy forward. Together we stand firmly behind our Values, placing policyholders first in a partner service approach to doing business. From the underwriting floor to the claims team to the leadership team, you will find helpful, approachable people who have a passion for insurance.

Financial Strength Rating
AM BEST
A- Excellent

2021 PERFORMANCE AT A GLANCE

MESSAGE FROM MIKE BOSE,
CHAIR OF THE BOARD

" Our strong relationships with our investment and real estate partners continue to show healthy returns. This diversity adds to the financial stability of the company during these challenging and ever-changing times "

Mutual Fire Insurance, alongside our vendor, broker, and reinsurance partners, began 2021 with the hope of returning to our pre-pandemic world. Like all Canadians, we very quickly realized our hope for normalcy needed to be directed to the future. The team continued to thrive working from home and providing excellent service to our partners, members, and policyholders. The exceptional level of service known by our partners and policyholders continued without interruption, and does so to this day. The outstanding perseverance and commitment to excellence by the entire Mutual Fire Insurance team was made evident in the various awards and nominations received this year:

- Insurance Business Canada Five Star Carrier
- Canadian HR Reporter Best Places to Work
- Nirmal Binnag, Vice President of Underwriting, nominated for the Excellence in Mentorship Award through Insurance Business Canada
- Darin Lord Nessel and The Mutual Fire Insurance Company of British Columbia, nominated for the Employer of Choice Award through Insurance Business Canada

Mutual Fire Insurance received an excellent outcome with respect to the premium tax dispute from 2013, resulting in an over $5 million return from the provincial government. We expanded further east, licensing in Quebec to support our fronting partnership. The team also began a new fronting partnership in Ontario, created with the support of strong relationships and similar values and risk management. The end of the year brought with it final approval for our wholly owned subsidiary, Four Points Insurance Company Ltd., which will begin writing commercial insurance in 2022.

Our strong relationships with our investment and real estate partners continue to show healthy returns. This diversity adds to the financial stability of the company during these challenging and ever-changing times.

As the chair of this strong Canadian mutual insurer, and on behalf of the board of directors, and the entire Mutual Fire Insurance team, I am proud to announce a patronage refund to our members. Remaining true to our roots as a mutual insurance company, we continue to keep our members in the forefront of our operation, and this refund is another reflection of that commitment. The company is honoured that our members continue to insure with us and are able and willing to have a say in who we are and what we do.

On behalf of the board and myself, and with gratitude and admiration, we wish to thank the management team for their leadership, and staff for their continued hard work and dedication. To the board of directors, I thank you for your support, guidance, and engagement to the success of this company. To our members and policyholders, I thank you for continued support of The Mutual Fire Insurance Company of British Columbia.

MIKE BOSE
on behalf of the Board of Directors
February 2022

"Our goal is to do our part by embedding sustainability and responsible business practices, including underwriting and investing in alignment with our mutual values, and thereby contributing to a positive impact in communities we insure."

MESSAGE FROM DARIN LORD NESSEL,

PRESIDENT AND CEO

Although we had no way of knowing at the time, 2021 began with a strong indication of what was to come with respect to catastrophic events for the year ahead. In mid-January, a catastrophic wind event tore through British Columbia, Alberta, and Saskatchewan, affecting our members and policyholders. While the remaining winter and spring were relatively mild in terms of catastrophic events, British Columbia experienced its first evacuation order in late April. By late June, our teams were put to the test to handle a variety of catastrophe's, beginning with a relatively newer named weather event, a 'heat dome', which contributed to the third worst wildfire season experienced in British Columbia which continued burning right through the beginning of autumn. These wildfires were then followed by repeated 'atmospheric rivers' in late fall, producing monthly rain totals for some communities that they received in just a couple of days. This lead to severe flooding, all of which took place, once again, in communities throughout southern British Columbia.

In fact, 2021 proved to be the second costliest year on record for the world's insurers. Insured losses from natural catastrophes totaled approximately $120 billion, second only to 2017's hurricane ridden year which produced $146 billion in damages globally. Of the $2 billion in insured losses that occurred in Canada in 2021, Mutual Fire certainly had our share. The continued support of our reinsurance partners helped cushion the impact and enabled us to end the year strong.

Scientists agree that the events of 2021 were exacerbated by climate change and, as we look ahead, it is predicted there will be increased devastation from these natural disasters as the earth's atmosphere continues to warm.

These national and global events are in many cases responsible for the increased premiums that insurers are charging and, in some situations, removing coverage where it had existed in the past. Mutual Fire continues our work to position ourselves to offer coverage in all the jurisdictions in which we underwrite business. We remain focused on catastrophe mitigation through the management of large accumulations of risks, utilizing correct pricing, and maintaining the broadest product offerings in the industry today. In this way, we can ensure our members and policyholders are properly insured, wherever they live, by a financially secure A- rated mutual insurer. Furthermore, our underwriting teams maintained their disciplined approach to risk taking and, as such, we enjoyed our fifth consecutive year with a downward trend in our attritional losses.

We continue to innovate, improve upon our industry leading products, and prepare for the launch of our new commercial subsidiary, Four Points Insurance Company Ltd. This new company will better enable us to prospect and insure risks outside of British Columbia, with a focus on small-to-medium enterprise and mid-market commercial risks, such as warehousing and manufacturing. This new entity will benefit Mutual Fire by enabling our teams to focus more directly on the development of key agricultural initiatives in product and sustainability, as well as farm products moving online to branded platforms, allowing farm producers across all five provinces to place business with us without the need for underwriter input. Mutual Fire is paperless as a company, committing to reducing our environmental impact and overall operating expenses. With ongoing partner feedback and communication, we continue to adapt our wordings for farm and home, allowing our wordings to lead the market in clarity and ease of interpretation.

As we look ahead, we will continue to leverage the uniqueness of our mutual value proposition to create a positive differentiator from the rest of the market. We will continue to innovate and seize new business opportunities while responding to the development of changing customer advances. The most important strategic theme that has captured the imagination of the staff and management and is in direct response to the changing climate related catastrophic events, is the formation of our new Environmental, Social, Health and Governance (ESHG) committee and our purpose – driven committee. Our goal is to do our part by embedding sustainability and responsible business practices, including underwriting and investing in alignment with our mutual values, and thereby contributing to a positive impact in communities we insure.

I would like to thank all our members and policyholders for placing your trust in our company. I want to thank our broker partners for their continued support, along with all vendor partners for working together to meet our common goals of providing the best service possible and ease of doing business. Our staff and management teams continue to provide incredible dedication and commitment while providing exemplary award-winning service to our members and key partners and for that I remain grateful. Finally, thank you to our board of directors for your strong leadership and guidance. As president and CEO, I remain committed to the continual improvement of our Mutual and preparing us for the road ahead.

DARIN LORD NESSEL
President & CEO
February 2022

FINANCE REPORT
JASON CHRISTOPHERSON CPA, CGA,BAccS, ARe
CHIEF FINANCIAL OFFICER

"Mutual Fire Insurance has proven that our history is what has made us strong, and our drive is what takes us to the next level. 2021 has shown that the foundation of good results comes from the framework we have built and the discipline to stick to our vision."

The measure of any company's strength is whether it can stand the test of time. How can a company continue year-after-year to deliver on its promise to its stakeholders? It requires continuous commitment, forward thinking, and the understanding that while we must remember our past, we must also embrace the future. I believe this is the only way to remain resilient and relevant. Mutual Fire Insurance has proven that our history is what has made us strong, and our drive is what takes us to the next level. 2021 has shown that the foundation of good results comes from the framework we have built and the discipline to stick to our vision. The groundwork of financial success this year started long before 2021.

Mutual Fire Insurance once again enjoyed a healthy growth in our premiums, growing from $152 million in 2020 to $180 million in 2021, an increase of over 18%. In addition, net premiums written grew by 13.54% from $61.8 million to just over $70 million. Net underwriting income grew from $8 million in 2020 to $14 million in 2021, an increase of approximately $6 million.

The year brought with it an end to our dispute with the British Columbia Ministry of Finance over premium taxes payable in 2012 and 2013. The court provided a strong decision in favour of Mutual Fire Insurance and the ministry did not appeal. The ruling resulted in over $5.3 million in capital being returned to Mutual Fire Insurance mid-year, improving our underwriting results, and reducing our expenses.

Our net loss ratio remained consistent with last year at 47.81%, compared to 46.75%. Although Mutual Fire Insurance experienced significant catastrophe losses this year, the risk transfer facilitated by our reinsurance program protected our insureds and members. Evidence of consistent underwriting discipline can be seen in the continued improvement of our attritional losses. In last year's report, we noted 2020 attritional loss ratios over the prior three years had improved and, with a mutually focused common goal, we could repeat that success. 2021 is a confirmation of the loss results trending downwards. Attritional losses in 2021 fell to a 5-year low.

Each year we can describe the investment environment as volatile, unprecedented, and having low interest rates. The reality is that the investment environment is always changing and will continue to change. Our ability to see beyond the rhetoric and headlines and to make decisions based on sound investment committee governance with a goal focused on achieving a solid spread of risk, comfortable returns, and preservation of capital is evident. Investment income grew by $388,000 to $2.55 million. More significant was our growth of realized gains from $228,000 in 2020 to close to $2.2 million in 2021. This, in addition to a growth of approximately $4.8 million in unrealized gains, proves that our investment approach continues to pay dividends.

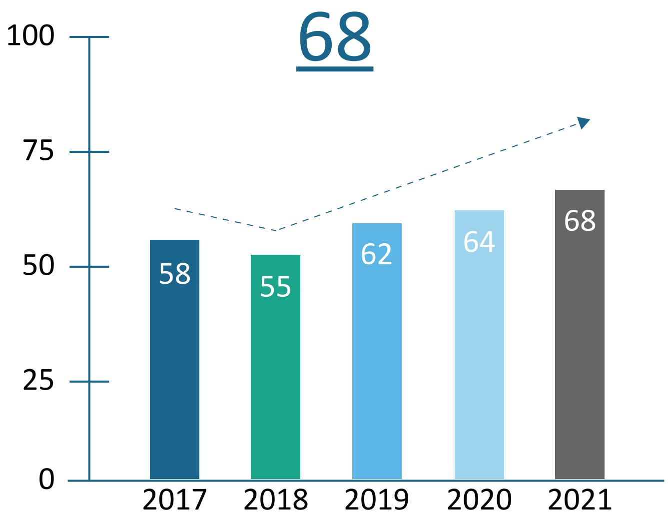
As we enter our 121 year of service to our members and policyholders, we will continue to embrace change and provide innovative solutions. Our industry will continue to face headwinds and our ability to overcome the challenges will allow Mutual Fire Insurance to remain financially strong.

JASON CHRISTOPHERSON
Chief Financial Officer
February 2022

2021 In Review

Company Profile

Employee Head Count

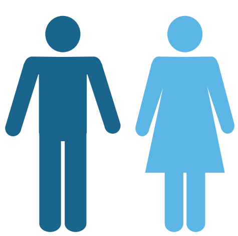


Department Breakdown

Administration	3
Business Development	4
Claims	8
Executive	7
Finance	5
Information Technology	8
Underwriting	33

Employee Gender

17 Men
25% of our population



51 Women
75% of our population

Length of Service

Staff

Executive

Employees by Age Group

18-24 Years | 25-30 Years | 31-40 Years | 41-50 Years | 51-60 Years | 61+ Years

2021 Achievements

TOP EMPLOYER

We are proud to announce that Mutual Fire Insurance was named top insurance employer by Insurance Business Canada Magazine for 2021. This award is determined by a survey of thousands of employees across the country, who evaluate their workplaces on metrics including benefits, compensation, culture, employee development, and commitment to diversity, equity, and inclusion. Employee satisfaction and wellbeing is a priority at MFI, and despite working remotely, we continue to strive to create opportunities for socialization and connectiveness within the company.

5-STAR CARRIER

Mutual Fire Insurance is honoured to have been rated a Five-Star Carrier in 2021! Each year, Insurance Business Canada asks hundreds of insurance brokers from across the country how well insurance companies are meeting expectations. Agents and Brokers rate their carriers on a scale of 1 to 10 across ten categories and provide valuable and constructive feedback through their comments. This year, Mutual Fire Insurance earned five stars in broker communication, claims processing, competitive rates, overall service level, range of products, and underwriting expertise. We look forward to implementing the valuable feedback from our broker partners and continuing to grow as their mutual insurer of choice.

BEST PLACES TO WORK

We are delighted to announce to have been named one of Canada's Best Places to Work by HRReporter. This award recognizes our dedication and commitment to the health and wellness of our employees. We would like to recognize our team, who continue to demonstrate resiliency and work to uphold our values and deliver exceptional partner service to our policyholders and key partners.

Partnerships in the Community

Corporate giving and volunteering are part of the fabric of Mutual Fire Insurance. Our staff members receive 15 hours of paid volunteer time to support a charity they are passionate about. We encourage them to share their experiences and inspire others to discover ways to give back. Over the years, we have partnered with brokers to donate to local charities like Food Banks and fundraisers to increase health awareness and disease prevention.

City Dream Centre

In 2021 we partnered with the incredible organization **City Dream Centre**. This charity provides organizations with opportunities to give back through donations, sponsorships, and volunteering. City Dream Centre supports the underprivileged and vulnerable who live in metro Vancouver.

The need for assistance grows with the rise of the COVID-19 pandemic. Families are struggling to provide enough food for their children. Their weekend hamper program provides support to children and their families. Participating families in need receive a small hamper at the end of each week that will see them through the weekend, ensuring kids show up to school on Monday morning properly nourished and ready to learn. We look forward to continuing to make a positive impact in our community together.

Sponsorships & Donations

This past year Mutual Fire Insurance donated over **$490,000** to charitable initiatives across Canada. We focus our capacity to helping people and partner with organizations that share the same vision. Here is a list of some of this year's recipients:

Pictured above is MFI's President and CEO Darin Lord Nessel, presenting the donation to Wendy Neufeld of the Abbotsford Community Foundation (ACF) -Donated by The Mutual Fire Insurance Company of British Columbia, The Bay Of Quinte Mutual Insurance Company, Germania Mutual Insurance Company, Trillium Mutual Insurance Company, CAMIC/ACCAM, The Mutual Boiler Re. As mutual insurers, people are our priority. Mutuals across Canada have joined MFI to donate to the Abbotsford Community Foundation in response to the November 2021 BC floods.

2021 Notable Mentions

- Abbotsford Community Foundation (Abbotsford, BC)
- Rotary Club of Sylvan Lake (Sylvan Lake, MB)
- Aspire Special Needs Resource Centre (Red Deer, AB)
- City Dream Centre (Surrey, BC)
- Inclusion Alberta (Edmonton, AB)
- A & O: Support Services for Older Adults (Winnipeg, MB)
- Cloverdale Community Kitchen (Cloverdale, BC)
- Abbotsford Disaster Relief Fund (Abbotsford, BC)
- Autism Services of Saskatoon (Saskatoon, SK)
- Guru Nanak's Free Kitchen Society (Burnaby, BC)
- Rosetown & District Wheels for Wheels Inc. (Rosetown, SK)
- Daily Bread Food Bank (Toronto, ON)
- Ridge Meadows Hospital Foundation (Maple Ridge, BC)
- Youth for Christ Canada (Winnipeg, MB)
- And so many more!

Broker of the Year Awards

Mutual Fire Insurance is proud to work with our broker partners. As part of our commitment to community initiatives, we grant awards each year to the top performing brokers in three (3) categories: **Broker of the Year British Columbia, Broker of the Year Prairies and Broker of the Year Managing General Agent (MGA).**

There are three (3) main criteria for determining the winners of this award:

1. The broker must continue to increase volumes.
2. An excellent loss ratio must be attained.
3. The broker must be knowledgeable, professional and maintain an overall ease of doing business.

Each winner is gifted a $5,000 donation to their charity of choice.

Congratulations! **to our 2021 winning broker partners!**

Broker of the Year, British Columbia - Hatton Insurance Agency Ltd.

This year's 2021 British Columbia 'Broker of the Year' award goes to Hatton Insurance Agency Ltd. located in Duncan, BC. Don Hatton is the owner of Hatton Insurance and has selected **Cowichan District Hospital Foundation** as the Recipient of the $5000 donation that goes with this award. Established as a registered charity in 1984, the foundation's mission is to raise funds to purchase equipment and support patient/resident care and comfort at Cowichan District Hospital and Cairnsmore Place. Congratulations to Don and the team at Hatton Insurance Agency Ltd!

Broker of the Year, Prairies - BSI Insurance Broker Ltd.

The 2021 Broker of Year for the Prairies has been awarded to BSI Insurance Broker Ltd. Located in Letellier, Manitoba. President and CEO Rene de Moissac, has selected the **Manitoba Farmer Wellness Program** as the recipient of the $5000 donation that accompanies this award. Manitoba Farmer Wellness Program has been designed to provide one on one counseling sessions by professional counselors with a background in agriculture to farmers and their families in Manitoba. Their Mission statement reads as follows: Farm focused professionals providing confidential, no-cost counseling and support to Manitoba farm families. Creating wellness for all, one conversation at a time. Congratulations Rene and the entire BSI team!

Broker of the Year, Managing General Agent (MGA) - Vailo Insurance Services Ltd.

This year's broker of the year award for MGAs has been awarded to Vailo Insurance Services Ltd. located in Port Moody, BC. President and CEO, Jeff Hart, selected **WICC British Columbia** as the recipient of the $5000 donation that accompanies this award. The Woman In Insurance Cancer Crusade was initially launched to support breast cancer research, it subsequently expanded its mandate to include all forms of cancer. The mission of WICC and its chapters is to unite and engage the Canadian Insurance Community to fund cancer research, support, and education to improve the lives of those affected by cancer. Congratulations to Jeff and the entire Vailo team!

Our Leadership Team

2021 Board of Directors

Mike Bose
Chair of the Board

Sam Wind CIP,
Vice Chair

- Enterprise Risk Management (ERM) Committee
- Investment Committee (Chair)
- Nominating and Conduct Committee

Since 1892, the Bose family has been farming in Surrey, BC and over the past four generations, a member of the Bose family has been on the Board of Directors at Mutual Fire Insurance, providing passionate guidance. Mike is proud to continue the family tradition around the table and brings a unique historical perspective to the Board, highlighted by his enthusiastic leadership and engagement.

Continuing his family's trade, Mike and his family raise turkeys and farm produce to sell both commercially and at farmers markets in the Fraser Valley. If you can name it, Mike has probably farmed it! Mike is passionate about the agricultural community, playing a part in founding the Surrey Agriculture and Food Security Advisory Committee in the '90s – the first in Metro Vancouver. In his spare time, Mike is passionate about coaching hockey and spending time with family.

Before joining the Board of Mutual Fire Insurance, Sam Wind spent over 25 years working as a broker in the insurance industry. He joined his father in the family business, John Wind Insurance, and took over in 1990, growing the agency to eight employees. After selling in 2006, he joined The Alternative Board as a business coach and facilitator until his retirement in 2013.

Today, Sam is passionate about serving at the Mission Thrift Store in Langley, BC where donated goods are turned into cash while saving tons of debris entering the landfill. In his spare time, Sam serves on several non-profit boards sharing his knowledge and expertise. He loves to travel and spend quality time with family and friends.

W.J (Bill) Adams CPA, CA
Treasurer

- Audit Committee (Chair)
- Investment Committee
- IT Steering Committee

Steve Czeck
Director

- Enterprise Risk Management (ERM) Committee
- IT Steering Committee (Chair)

Bill Adams has a wealth of knowledge in overseeing and driving change, and in managing the challenges of both significant growth and financial restructuring in complex commercial organizations. He is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from the University of British Columbia.

As the Treasurer of the Board, Bill provides financial and corporate governance oversight and budget review at Mutual Fire Insurance. He enjoys having the opportunity to contribute to the governance of his insurance company. After hours, Bill and his wife run a horse boarding stable in Langley, BC. He also enjoys golfing, fishing, and spending time with family.

Steve Czeck has worked in the information technology industry for over three decades, bringing invaluable IT insight to the Board of Directors at Mutual Fire Insurance. After a career portfolio which included working for various companies and financial institutions, Steve and his wife Jennine grew a successful IT business, Empyrion Technologies Inc.

Empyrion Technologies employs more than 20 staff members, empowering other organizations through technology and strategic partnerships. Steve has actively served on the board of his church and is pleased to serve on the Board of his insurance company, Mutual Fire Insurance. When not around a Board table, Steve enjoys road cycling, fishing, hiking, traveling, and spending time with family.

2021 Board of Directors

Yvonne Hogenes
Director
- Donations Committee (Chair)
- Investment Committee
- Nominating and Conduct Review Committee

Yvonne Hogenes is a long-term resident of and business owner in Surrey, BC. She established Malary's Fashion Network in 1998 in the town centre of Cloverdale. She is founder and supporter of the Inn for Women – Chic Second Hand Boutique which supports women and their families in the community.

In 2004, Yvonne was awarded Business Person of the Year by the Surrey Board of Trade and has won the Women's Entrepreneurship Award twice, in 2010 and 2018. She holds a business and commerce degree with a marketing major from the University of Alberta. Yvonne is active in the community supporting many initiatives including Mercy Canada, an organization that takes in young women struggling with eating disorders, addictions, self harm, and mental health issues and helps them realize their tremendous worth and value. When she's not working, Yvonne loves to knit, read, and spend time with her five grandchildren.

Ken Huttema
Director
- Audit Committee
- Enterprise Risk Management (ERM) Committee
- Nominating and Conduct Review Committee

Ken Huttema and his wife bought a poultry farm in Chilliwack, BC in 1987 and have been actively involved in the poultry industry ever since. He is also a partner in a poultry processing plant. Ken has expansive Board experience, bringing a wealth of wisdom to the Mutual Fire Insurance Board.

Ken has served as Chair on both the provincial and national poultry marketing boards, sat for two terms on the Board of a large credit union, and as Chair of the school board for his church community. Ken was also elected to two terms as Councilor for the City of Chilliwack, where he provided support for downtown city initiatives and expanded understanding and focus of local rural and agricultural needs. Ken enjoys golf, travel, and spending time with grandchildren.

David Pruim CPA, CMA
Director
- Audit Committee
- Enterprise Risk Management (ERM) Committee (Chair)

Dave Pruim spent twenty years in agriculture, specifically food manufacturing for eggs and meat, before transitioning to a role in recycled rubber products manufacturing. He completed a Bachelor of Arts in Business at Trinity Western University and then pursued the Certified Management Accountant designation.

With experience on the Boards for both his church and children's school, Dave has a comprehensive understanding of Board governance and committees. Dave and his family live on a Christmas tree farm in Langley, BC and he enjoys road biking and ice hockey in his spare time

Micheal Kendler
Director
- Investment Committee
- Nominating and Conduct Review Committee (Chair)

Michael Kendler has a law degree from the University of Toronto and has represented clients for McQuarrie Hunter LLP in Surrey, BC for over 40 years. He has gained extensive experience on Boards by supporting organizations within his community. Since 1989, Michael has been with Options Community Services Society (its predecessor Surrey Community Resource Society, and its sister Habitat Housing Society) as a Board Chair for 14 years and on various committees through the decades.

Options is a dynamic organization with dozens of programs ranging from employment to housing to daycare with talented management and a diverse community board. He has also served on the Surrey Libraries Board of Trustees since 2017. In his free time, Michael enjoys bicycling, traveling, and growing fruit and vegetables.

Executive Team

Darin Lord Nessel
President and CEO

Jason Christopherson CPA, CGA, BAccS, ARe
Chief Financial Officer

As President and CEO, Darin Lord Nessel provides direction and leadership to the executive team at Mutual Fire Insurance. Darin guides the Company towards successfully implementing long and short-term strategic goals and acts as the direct liaison between the Board of Directors and Management.

Darin is actively involved in the National Association of Mutual Insurance Companies (NAMIC) and the Canadian Association of Mutual Insurance Companies (CAMIC), representing MFI among other Canadian and American members in the areas of insurance advocacy and education.

After studying at the University of Calgary, Jason Christopherson's Bachelor of Accounting Science degree and Chartered Professional Accountant designation led to various finance leadership roles in retail, the restaurant industry, and BC's own Pacific National Exhibition. Jason joined Mutual Fire Insurance in 2009 as Chief Financial Officer.

After joining MFI, Jason obtained his Associate in Reinsurance designation, complementing his role in reinsurance placement and relationship management. As CFO, Jason is responsible for strategic finance initiatives, investment management, and regulatory management at Mutual Fire Insurance. Jason provides direction to the finance and human resources leaders, working closely with them to achieve company targets.

Clare Stewart ACIP, CAIB
Chief Operations Officer
• Donations Committee

Pete Smith
Chief Information Officer

As the Chief Operations Officer, Clare Stewart oversees the entire day-to-day operations at Mutual Fire Insurance. Throughout her career in insurance, she has held several senior leadership roles including contact centre management, sales, underwriting, and business development. Each role provided her with valuable experience which she draws on to this day as a leader at MFI.

Clare's passion for insurance is evident in her deep knowledge and contagious energy for understanding perils and how to protect policyholders. In partnership with the Company's legal team, Clare wrote, developed, and launched the innovative farm product, Mutual FarmPROTECT™, a forward-thinking fresh approach to better protect Canadian farmers. This significant achievement marks the first major product launch for the Company and cements MFI as an industry leader in farm insurance.

From privacy management to infrastructure planning to product and rating development, as Chief Information Officer, Pete Smith runs all aspects of information technology at Mutual Fire Insurance. Before joining the MFI team, Pete spent several years working in the broker side of the insurance industry, succeeding in key roles at one of BC's largest credit unions.

As his career unfolded, Pete transitioned into IT at a global financial institution, where he was also a member of the crisis management team. His experience working with staff from multiple countries and departments to ensure minimal downtime for technology brought a wealth of knowledge to MFI and the Company continues to innovate and provide insurance solutions to members and policyholders under his guidance.

Executive Team

Pamala Louttit CIP
Vice President, Claims
• Donations Committee

Pamala Louttit is responsible for managing Mutual Fire Insurance's claims services for all lines of business throughout all provinces. She is a passionate supporter of people and relationships as well as a strong believer in the value of mentorship.

Pam leads the Claims team by example, modeling open communication, encouraging innovation, and promoting collaboration to ensure exceptional customer service where it is needed most – during a loss. Since Pam's beginnings with MFI over two decades ago, her ability to re-frame challenges and offer creative solutions has gained her respect from both colleagues and industry partners alike.

Nirmal Binnag CAIB
Vice President, Underwriting

Nirmal Binnag joined Mutual Fire Insurance in 2015, bringing extensive experience in broker management, underwriting, sales, and senior leadership. Her invaluable approach to coaching and mentoring has led MFI through multiple Company initiatives.

As Vice President of Underwriting, Nirmal leads more than half of all staff at MFI, providing front line service to partners. Personal and professional development is important to Nirmal and she supports her passionate team with in-depth knowledge and mama-bear level of care—adding to the positive company culture at MFI.

Christine Young CIP, CAIB
Vice President,
Business Development
• Donations Committee

Christine Young began her insurance career at a small, family owned and operated brokerage in Surrey, BC. As the preferred agency in the town centre of Cloverdale, Christine was part of the go-to team for the community's insurance needs. Her experience there established her roots in the community and fueled her passion to help others.

Over the years, Christine has held various roles in senior management, underwriting, and internal and external training; the latter being her greatest passion. As the Vice President of Business Development, Christine oversees Mutual Fire Insurance's partner relationships, social media presence, and company marketing, among many other small details which keep MFI connected to members and broker partners. Her passionate team shares corporate values outside the walls of MFI, establishing and nurturing relationships with key partners across all lines of business and in the community.

Our Path Ahead

Four Points Insurance Company Ltd.

Beginning January 1, 2022, The Mutual Fire Insurance Company of British Columbia will launch a new commercial insurance company, Four Points Insurance Company Ltd! Four Points Insurance is a commercially focused, wholly owned subsidiary of Mutual Fire Insurance. Four Points Insurance shares the same emphasis on partner service and building relationships which has defined Mutual Fire Insurance since 1902. Our new company is focused on innovation, our role in the industry, and sustainability. Our Mission Statement defines this clearly: "Through our commitment to social responsibility, we provide readily available insurance products, risk management solutions, and a personalized insurance experience". We will strive to make this mission a reality through our values of accountability, passion, collaboration, and honour.

Four Points Insurance is currently offering an updated Course of Construction product and is authorized in BC and Ontario. There are also lots of exciting things in the works for this new company in 2022! We look forward to gaining authorization in the Prairie provinces, rolling out a full range of enhanced commercial products, as well as launching our new website, social media accounts, and advertising.

VISION

A prominent Canadian insurer providing protection and embracing sustainability

MISSION

Through our commitment to social responsibility, we provide readily available insurance products, risk management solutions, and a personalized insurance experience.

VALUES

Accountability - We own our impact

Passion - We believe in what we do

Collaboration - We work together to create innovative solutions and build environmental, social, health and governance (ESHG) awareness

Honour - We encourage mutual trust through personal and professional integrity

FOUR POINTS INSURANCE COMPANY LTD.

A SUBSIDIARY OF THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Financial Statements

MANAGEMENT'S STATEMENT

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Report Standards including the accounting requirements of the Insurance Act of British Columbia and the Financial Institutions Act. In the opinion of management, the financial statements fairly reflect the financial position, results of operations and cash flows of The Mutual Fire Insurance Company of British Columbia within reasonable bounds of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy of operation of the control systems is monitored on an ongoing basis by management.

The Board of Directors is responsible for approving the financial statements. It has established an Audit Committee, comprised of directors who are neither officers nor employees of the Company who meet with management, the actuary and external auditors, all of whom have unrestricted access and the opportunity to have private meetings with the Audit Committee, to review the financial statements. The Audit Committee then submits its report to the Board of Directors recommending approval of the financial statements. The Financial Institutions Commission makes a biannual examination and inquiry into the affairs of the Company as deemed necessary to ensure that the Company is in sound financial condition and that the interests of the policyholders are protected under the provisions of the Insurance Act of British Columbia and the Financial Institutions Act.

The actuary has been appointed by the Board of Directors. The actuary is required to carry out a valuation of the policy liabilities recorded by the Company in its financial statements and report thereon to the shareholder. Policy liabilities consist of the provisions for and reinsurance recovery of unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any direction that may be made by regulatory authorities. The actuary, in his verification of the management information provided by the Company used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The Company's external auditors have been appointed by the members to conduct an independent and objective audit of the financial statements of the Company in accordance with Canadian generally accepted auditing standards and report thereon to the members. In carrying out their audit, the auditors also make use of the actuary and his report on the Company's policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

DARIN LORD NESSEL
President and CEO

JASON CHRISTOPHERSON CPA, CGA, BAccS, ARe
Chief Financial Officer

Langley, British Columbia
February 22, 2022

REPORT OF THE ACTUARY

Baron Insurance Services Inc.
Actuaries & Consultants
206 Laird Drive, Suite 205 Toronto, Ontario M4G 3W4 Canada
Phone: 416.486.0093 | Fax: 416.486.6300

DESCRIPTION OF THE ACTUARY'S ROLE

The actuary is appointed by the Board of Directors of The Mutual Fire Insurance Company of British Columbia pursuant to the Insurance Act. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policyholder liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. The actuary is also required to provide an opinion regarding the appropriateness of the policyholder liabilities at the balance sheet date to meet all policyholder obligations of the company. Examination of supporting data for accuracy and completeness and consideration of the company's assets are important elements of the work required to form this opinion.

Policyholder liabilities include unearned premiums, unpaid claims and adjustment expenses, the reinsurers' share of unearned premiums and unpaid claims and adjustment expenses, deferred premium acquisition costs, premium deficiency and retrospective adjustments. The actuary uses the work of the external auditors in verifying data used for valuation purposes

APPOINTED ACTUARY'S REPORT

To the Members of The Mutual Fire Insurance Company of British Columbia

I have valued the policyholder liabilities and the reinsurance recoverable of The Mutual Fire Insurance Company of British Columbia for its statement of financial position at December 31, 2021 and their change in the statement of comprehensive income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policyholder liabilities, net of reinsurance recoverable, makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.

BARB ADDIE
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 22, 2022

INDEPENDENT AUDITORS' REPORT

KPMG

PO Box 10426 777 Dunsmuir Street
Vancouver, BC V7Y 1K3 Canada
Telephone: 604.691.3000 | Fax: 604.691.3031

To the Members of The Mutual Fire Insurance Company of British Columbia

Opinion

We have audited the financial statements of The Mutual Fire Insurance Company of British Columbia (the "Company"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' surplus and reserves for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company 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.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards ("IFRS"), 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors’ 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 auditors’ 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 the 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.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (“IFRS”), 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Company 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.
- 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.

KPMG LLP

KPMG
Chartered Professional Accountants

Vancouver, Canada
February 22, 2022

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Financial Statements

(Expressed in thousands of dollars)

AND INDEPENDENT AUDITORS' REPORT THEREON
YEAR ENDED DECEMBER 31, 2021

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Assets			
Cash and cash equivalents		$ 34,997	$ 13,134
Investments	4	105,563	94,755
Accrued investment income		539	407
Premiums receivable		17,878	13,765
Reinsurers' share of provisions for:			
Unpaid claims and adjustment expenses	5	96,362	49,501
Unearned premiums	5	3,792	6,116
Deferred policy acquisition costs	6	10,333	9,007
Deferred income taxes		208	39
Property and equipment	7	1,799	1,962
Intangible assets	8	407	377
		$ 271,878	$ 189,063
Liabilities and Members' Surplus and Reserves			
Amounts payable and accrued liabilities	9	$ 5,466	$ 4,951
Due to reinsurers		16,565	6,425
Premium tax liabilities		1,934	1,752
Income taxes payable		3,118	1,905
Unearned reinsurance commissions		941	2,095
Provisions for unpaid claims and adjustment expenses	5	128,126	78,041
Unearned premiums	5	44,699	39,592
		200,849	134,761
Members' surplus and reserves:			
Reserves	10	500	500
Accumulated other comprehensive income		14,144	9,311
Unappropriated members' surplus		56,385	44,491
		71,029	54,302
		$ 271,878	$ 189,063

See accompanying notes to financial statements.

Approved on behalf of the Board:

Michael Bord
Director

W. J. Adams
Director

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Comprehensive Income
(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Premiums written:			
Gross premiums written	11	$ 180,691	$ 152,664
Reinsurance premiums ceded		(110,515)	(90,857)
Net premiums written		70,176	61,807
Change in unearned premiums		(4,621)	46
Net premiums earned		65,555	61,853
Commission income		33,165	25,636
Service fees		326	270
Membership fees		21	20
		99,067	87,779
Claims and expenses incurred:			
Claims and adjustment expenses		31,340	28,916
Commissions		45,234	39,113
Salaries and benefits	11	7,883	6,933
Administration	12	1,334	2,444
Premium taxes	12	(786)	2,307
		85,005	79,713
Net underwriting income		14,062	8,066
Net investment income	13	4,392	2,107
Other expenses		(1,000)	(600)
Income before income taxes		17,454	9,573
Income tax expense (recovery):	14		
Current		5,729	2,724
Deferred		(169)	(456)
		5,560	2,268
Net income		11,894	7,305
Other comprehensive income:			
Items that may be reclassified to net income where conditions are met:			
Net unrealized gains on available-for-sale assets, net of tax of $607 (2020 - $137)		4,833	900
Total comprehensive income for the year		$ 16,727	$ 8,205

See accompanying notes to financial statements.

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Changes in Members' Surplus and Reserves
(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	Reserves	Accumulated other comprehensive income	Unappropriated members' surplus	Total members' surplus and reserves
Balance, December 31, 2019	$ 500	$ 8,411	$ 37,186	$ 46,097
Net income	-	-	7,305	7,305
Net unrealized gains on available-for-sales assets	-	900	-	900
Balance, December 31, 2020	500	9,311	44,491	54,302
Net income	-	-	11,894	11,894
Net unrealized gains on available-for-sales assets	-	4,833	-	4,833
Balance, December 31, 2021	$ 500	$ 14,144	$ 56,385	$ 71,029

See accompanying notes to financial statements.

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net income	$ 11,894	$ 7,305
Adjustments for:		
Depreciation and amortization expense	317	294
Deferred tax expense	(169)	(456)
Donation of stocks	400	-
Interest and dividend income	(2,557)	(2,169)
Current tax expense	5,729	2,724
Loss (gain) on sale of property and equipment	1	32
Realized gains on available-for-sale investments	(2,189)	(228)
	13,426	7,502
Changes in non-cash operating working capital:		
Premium's receivable	(4,114)	(600)
Deferred acquisition costs	(1,326)	(13)
Reinsurers' share of unpaid claims and adjustment expenses	(46,861)	(7,793)
Reinsurers' share of unearned premium	2,324	1,307
Provision for unpaid claims and adjustment expenses	50,085	7,115
Unearned premiums	5,107	(396)
Unearned reinsurance commission	(1,153)	(598)
Due to reinsurers	10,140	(1,811)
Amounts payable and accrued liabilities	530	1,321
Premium tax liabilities	181	(3,302)
	28,339	2,732
Interest received	2,404	1,994
Taxes paid	(4,545)	513
Taxes refunded	-	(701)
	26,198	4,538
Investments:		
Purchase of investments	(17,573)	(21,292)
Proceeds on sale of investments	13,436	12,859
Purchase of property and equipment	(36)	(207)
Disposal of property and equipment	8	-
Purchase of intangible assets	(156)	(381)
	(4,321)	(9,021)
Financing:		
Drawdown from loan facility for executive's vehicle	(14)	(14)
Increase (decrease) in cash and cash equivalents	21,863	(4,497)
Cash and cash equivalents, beginning of year	13,134	17,631
Cash and cash equivalents, end of year	$ 34,997	$ 13,134
Cash and cash equivalents comprised of:		
Cash	$ 26,249	$ 9,325
Cash equivalents	8,748	3,809
	$ 34,997	$ 13,134

See accompanying notes to financial statements.

1. General information:

The Mutual Fire Insurance Company of British Columbia (the "Company") was incorporated without share capital on July 18, 1902 under the Mutual Fire Insurance Companies Act of British Columbia as a mutual insurance company that is domiciled in Canada. It is licensed to write property and casualty insurance in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario and is subject to the Insurance Act and the Financial Institutions Act of British Columbia, the Insurance Act of Alberta, the Saskatchewan Insurance Act, the Insurance Act of Manitoba, and the Insurance Act of Ontario.

The Company has a wholly-owned subsidiary, Four Points Insurance Company Ltd., which has received authorization to underwrite property and casualty insurance in British Columbia and Ontario, and is currently seeking authorization for Alberta, Saskatchewan, and Manitoba.

The registered office of the Company is located at 9366 - 200A Street, Langley, British Columbia, V1M 4B3.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were authorized for issue by the Board of Directors on February 17, 2022.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except available-for-sale investments which are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of presentation (continued):

(d) Use of estimates and judgments continued):

The areas of significant estimation in these consolidated financial statements are in respect to the provision for unpaid claims and adjustment expenses and the valuation of private investments. Further information over these estimates are included in notes 5 and 16, respectively.

3. Significant accounting policies:

These accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

Subsidiary undertakings are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. The subsidiary which is consolidated in these consolidated financial statements is Four Points Insurance Company Limited, which is wholly-owned by the Company.

(b) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and demand deposits with original maturities of three months or less.

(c) Financial instruments:

(*i*) Financial assets:

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a consolidated asset or liability.

3. Significant accounting policies (continued)

(c) Financial instruments (continued):

(*i*) Financial assets (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss (“FVTPL”), if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVPTL, if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Upon initial recognition, attributed transaction costs are recognized in profit or loss as incurred. Financial assets at FVPTL are measured at fair value, and changes therein are recognized in profit or loss.

The Company does not designate any financial assets at FVTPL.

Held-to-maturity financial assets:

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

Held-to-maturity financial assets consist of investments in debt securities.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables consist of cash and cash equivalents, accrued investment income premiums receivable, and investment in promissory note.

3. Significant accounting policies (continued)

(c) Financial instruments (continued):

(*i*) Financial assets (continued):

Available-for-sale financial assets:

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within accumulated comprehensive income in members' surplus. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings.

Available-for-sale financial assets consist of investments in equity securities, and units in pooled and mutual funds.

(*ii*) Financial liabilities:

The Company initially recognizes financial liabilities on the date that they are originated. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's other financial liabilities consist of amounts payable and accrued liabilities, due to reinsurers and line of credit.

(d) Property and equipment:

(*i*) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Purchased software, that is integral to the functionality of the related equipment, is capitalized as part of that equipment.

3. Significant accounting policies (continued)

(d) Property and equipment (continued):

(*i*) Recognition and measurement (continued):

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss.

(*ii*) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net earnings using the declining balance method over the estimated useful lives of each part of items of property and equipment, depending on which method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Basis	Rate
Buildings and building components	Declining balance	4% to 20%
Furniture, fittings and computer equipment	Declining balance	20%
Vehicles	Declining balance	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Intangible assets:

(*i*) Computer software licences:

Computer software licenses, acquired by the Company, that are not considered integral to the related computer hardware and that have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(*ii*) Amortization:

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of five years, from the date that the asset is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

3. Significant accounting policies (continued):

(f) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration - *i.e.*, the customer has rights to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company generally uses its incremental borrowing rate as the discount rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment (see note 3(c)). In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Company presents its right-of-use assets in "other property and equipment" and lease liabilities in "lease liability" in the statement of financial position.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12-months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (continued):

(g) Recognition and measurement of insurance contracts:

(*i*) Classification of insurance contracts:

Contracts which the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiaries are classified as insurance contracts. Insurance risk arises when the Company agrees to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Insurance risk is significant, if and only if, an insured event could cause the Company to pay significant additional benefits. The contracts issued are short-term casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage ("public liability").

Property insurance contracts mainly compensate the Company's customers for damages suffered to their property or for the value of property loss through fire, windstorm, earthquake, etc.

(*ii*) Liabilities and related assets under liability adequacy test:

At every statement of financial position date, the net liability recognized for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made, and the Company recognizes the deficiency profit or loss for the year. All contracts are subject to the liability adequacy test.

(*iii*) Unearned premium provision:

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using daily pro rata method, adjusted if necessary, to reflect any variation in the incidence of risk during the period covered by the contract.

3. Significant accounting policies (continued):

(g) Recognition and measurement of insurance contracts (continued):

(*iv*) Provision for claims and adjustment expenses:

The provision for claims and adjustment expenses is the reserve for payment of claims and adjustment expenses arising from insurance contracts. The provision for claims incurred and adjustment expenses consists of reserves for reported claims and reserves for claims incurred but not yet reported ("IBNR") losses. In addition, reserves are set up for adjustment expenses, which includes the estimated legal and other expenses expected to be incurred to finalize the settlement of losses. The provision for claims incurred and adjustment expenses are discounted and include a provision for adverse deviations.

Claims and adjustment expenses incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding are assessed by reviewing individual claims and making allowance for claims IBNR losses, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Adjustments to claim provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(*v*) Reinsurance:

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transferal of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Assets, liabilities and income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognized in the same year as the related claim.

Reinsurance premiums for ceded reinsurance are recognized as an expense over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded insurance premiums is included in reinsurance assets.

3. Significant accounting policies (continued):

(g) Recognition and measurement of insurance contracts (continued):

(*v*) Reinsurance (continued):

The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid and are recorded within due from reinsurers on the statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment is recorded in the statement of comprehensive income.

Reinsurance assets and liabilities are derecognized when the contract rights are extinguished or expire when the contract is transferred to another party.

(*vi*) Deferred policy acquisition costs (“DPAC”):

DPAC are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of comprehensive income. DPAC are also considered in the liability adequacy test for each reporting period.

Provision is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the date of the statement of financial position exceeds the unearned premium provision in relation to such policies after the deduction of any DPAC. In calculating this provision, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment from the assets backing such liabilities, are used. Any deficiency is immediately charged to earnings initially by writing off DPAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpected risk provision). Any DPAC written off cannot subsequently be reinstated.

(*vii*) Subrogation and salvage recoveries:

In certain circumstances, the Company acquires the right to pursue third parties for losses paid to policyholders under insurance contracts or to dispose of the damaged goods. The Company recognizes and discloses all identifiable and measurable amounts it expects to recover, in the future, from past loss events, as an asset on the statement of financial position.

3. Significant accounting policies (continued):

(h) Reserves:

Reserves are made as required by the regulatory authorities in Canada. Increases or decreases during the year are charged to a separate category of members' surplus and reserves as the reserves are not considered as part of the members' unappropriated surplus by the British Columbia Financial Services Authority.

(i) Income tax:

Income tax expense comprises current and deferred income tax. Current income tax and deferred income tax are recognized in net earnings except to the extent that it relates to items recognized directly in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets or liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets or liabilities are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that affects neither, accounting nor taxable profit or loss.

Deferred income tax assets or liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets or liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax assets or liabilities are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

(j) Foreign exchange:

The financial statements of the Company are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into functional currency using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

3. Significant accounting policies (continued):

(k) Revenue:

(*i*) Premiums from insurance contracts:

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries. Premiums written include adjustments to premiums written in previous years.

Premiums on reinsurance assumed are included in gross written premiums and accounted for as if the reinsurance was considered direct business. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of premiums received is recognized as revenue proportionately over the period of coverage. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indemnity received.

(*ii*) Commission income and service fees:

Commission income and service fees comprise fees from insurance contracts. The Company's performance obligation is to provide services to its members and customers. The transaction price for performance obligations is determined as a percentage of premium written. Fees are recognized as performance obligations are satisfied over time.

(*iii*) Membership fees:

Membership fees comprise fees from membership agreements. The Company's performance obligation is to provide services to its members. The transaction price for performance obligations is determined as a fixed fee per fiscal period per member. Fees are recognized as performance obligations are satisfied when services are rendered.

(*iv*) Investment income:

Investment income is recognized on an accrual basis with dividend income recognized on the ex-dividend date.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(l) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been early adopted for the year ended December 31, 2021 in preparing these financial statements:

(*i*) IFRS 9 - *Financial Instruments*:

IFRS 9 represents a comprehensive project to replace IAS 39 and deals with classification and measurement of financial assets based on the business model in which they are held and the characteristics of their cash flows. The effective date for this standard was for fiscal periods commencing January 1, 2018; however, an IFRS 9 implementation deferral is available to qualifying insurance entities until the earlier of the mandatory effective date of the new insurance contracts standard (IFRS 17) or January 1, 2023. The Company has determined that it qualifies for the deferral and has deferred IFRS 9 implementation to 2023. The Company is evaluating the impact of this standard.

(*ii*) IFRS 17 - *Insurance Contracts:*

IFRS 17 changes the basis for measuring insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2023. IFRS 17 will impact the classification and measurement of insurance liabilities and premiums. The Company is evaluating the impact of this standard.

4. Investments:

		2021		2020
Available-for-sale financial assets	$	52,027	$	45,315
Held-to-maturity investments		51,036		49,440
Promissory note		2,500		-
	$	105,563	$	94,755

On July 21, 2021, the Company provided an unsecured loan to Anthem Acquisition Ltd for $2,500 in exchange of a promissory note carrying an interest calculated on the daily balance at the rate of 10% per annum, with a maturity of May 31, 2023.

At December 31, 2021, certain investments with a carrying amount of $5,000 (2020 - $3,000) are held as security for the bank line of credit (note 16).

(Expressed in thousands of dollars)

5. Insurance contract provision and reinsurance assets:

The provision for unpaid claims and adjustment expenses and related reinsurers' share are estimates subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability 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 principally based on the Company's historical experience. Methods of estimation have been used which the Company believes produce reasonable results given current information.

(a) Analysis of movements in insurance contract provisions is as follows:

2021	Gross	Reinsurance	Net
Provision for unpaid claims and adjustment expenses, January 1	$ 78,041	$ 49,501	$ 28,540
Effect of discounting and provision for adverse deviation, January 1	2,793	1,258	1,535
Undiscounted provision at January 1	75,248	48,243	27,005
Estimate of ultimate claims incurred for current accident year	118,640	87,214	31,426
Payment on current accident year claims	(38,497)	(22,200)	(16,297)
Payment on prior accident year claims	(29,646)	(18,121)	(11,525)
Undiscounted provision before change in prior accident year ultimates	125,745	95,136	30,609
Increase in estimate of ultimate claims incurred for prior year accident years	(2,104)	(1,161)	(943)
Undiscounted provision, December 31	123,641	93,975	29,666
Effect of discounting and provision for adverse deviation, December 31	4,485	2,387	2,098
Provision for unpaid claims and adjustment expenses, December 31	$ 128,126	$ 96,362	$ 31,764

(Expressed in thousands of dollars)

5. Insurance contract provision and reinsurance assets (continued):

(a) Analysis of movements in insurance contract provisions is as follows (continued):

2020	Gross	Reinsurance	Net
Provision for unpaid claims and adjustment expenses, January 1	$ 70,926	$ 41,708	$ 29,218
Effect of discounting and provision for adverse deviation, January 1	2,695	1,169	1,526
Undiscounted provision at January 1	68,231	40,539	27,692
Estimate of ultimate claims incurred for current accident year	74,435	45,190	29,245
Payment on current accident year claims	(34,643)	(19,795)	(14,848)
Payment on prior accident year claims	(32,705)	(17,958)	(14,747)
Undiscounted provision before change in prior accident year ultimates	75,318	47,976	27,342
Increase in estimate of ultimate claims incurred for prior year accident years	(70)	267	(337)
Undiscounted provision, December 31	75,248	48,243	27,005
Effect of discounting and provision for adverse deviation, December 31	2,793	1,258	1,535
Provision for unpaid claims and adjustment expenses, December 31	$ 78,041	$ 49,501	$ 28,540

(b) The following is a summary of the insurance contract provisions and related reinsurance assets as at December 31, 2021 and 2020:

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Notified claims	$ 100,125	$ 76,267	$ 23,858	$ 57,672	$ 35,216	$ 22,456
Claims incurred but not reported	28,001	20,095	7,906	20,369	14,285	6,084
Outstanding claims provision	128,126	96,362	31,764	78,041	49,501	28,540
Unearned premiums	44,699	3,792	40,907	39,592	6,116	33,476
Total insurance provisions	$ 172,825	$ 100,154	$ 72,671	$ 117,633	$ 55,617	$ 62,016

(Expressed in thousands of dollars)

5. Insurance contract provision and reinsurance assets (continued):

(c) The following is a summary of the provision for unpaid claims and adjustment expense:

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Undiscounted claims case reserves	$100,125	$ 76,267	$ 23,858	$ 57,672	$ 35,216	$ 22,456
Undiscounted provision for incurred but not reported ("IBNR") claims	22,638	17,708	4,930	16,890	13,027	3,863
Undiscounted unallocated loss adjustment expenses	878	-	878	686	-	686
	123,641	93,975	29,666	75,248	48,243	27,005
Effect of discounting	(3,995)	(2,967)	(1,028)	(2,860)	(1,972)	(889)
Provision for adverse deviation	8,480	5,354	3,126	5,653	3,230	2,424
Provision for unpaid claims and adjustment expense	$128,126	$ 96,362	$ 31,764	$ 78,041	$ 49,501	$ 28,540

(d) Analysis of net unearned premium provisions is as follows:

	2021	2020
Provision for net unearned premiums, January 1	$ 33,476	$ 32,566
Net premiums written	70,176	61,807
Portfolio transfer	2,810	956
Less net premiums earned	(65,555)	(61,853)
Provision for net unearned premiums, December 31	$ 40,907	$ 33,476

The portfolio transfer is the result of ceding a portion of our unearned premiums under a net quota share treaty. Since the premiums have already been written, this represents retroactive coverage and reclassifies a portion of unearned premiums to the reinsurer.

5. Insurance contract provision and reinsurance assets (continued):

(e) Assumptions on claims development:

Uncertainty exists on reported claims in that all information may not be available at the reporting date, therefore, the claim cost may rise or fall at some date in the future when the information is obtained. In addition, claims may not be reported to the Company immediately, therefore, estimates are made as to the value of claims incurred but not yet reported, a value which may take months to finally determine. In order to determine the liability, assumptions are developed considering the characteristics of the class of business, the historical pattern of payments, the amount of data available and any other pertinent factors.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as, internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The method for deriving sensitivity information and significant assumptions did not change from the previous period.

(f) Sensitivity analysis:

The discount rate used by the actuary in determining the provision for unpaid claims and adjustment expenses is 2.34% (2020 - 2.31%). A 1.00% change in the discount factor would change the net provision by $490 (2020 - $425).

(g) Development claims table:

The following tables show the estimates of cumulative incurred claims net of reinsurance, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provision's adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

(Expressed in thousands of dollars)

5. Insurance contract provision and reinsurance assets (continued):

(g) Development claims table (continued):

Net insurance contract outstanding claims provision for 2020:

Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At end of accident year	$ 22,024	$ 21,635	$ 29,572	$ 27,032	$ 25,581	$ 24,265	$ 28,618	$ 30,672	$ 29,245	$ 31,426	
One year later	21,148	21,450	30,073	26,920	25,289	25,363	28,711	30,342	28,944		
Two years later	21,708	21,092	29,324	26,440	24,614	25,111	28,612	30,039			
Three years later	22,285	21,009	28,739	26,032	24,053	25,214	28,685				
Four years later	22,177	20,718	28,501	25,965	23,964	25,377					
Five years later	21,980	20,444	28,285	25,807	23,849						
Six years later	22,110	20,404	28,244	25,363							
Seven years later	21,989	20,366	28,175								
Eight years later	21,989	20,378									
Nine years later	21,989										
Estimate of cumulative claims incurred	21,989	20,378	28,175	25,363	23,849	25,377	28,685	30,039	28,944	31,426	264,225
Cumulative payments to date	21,648	20,126	28,132	24,931	23,302	24,095	27,017	26,318	23,722	16,297	235,588
Net undiscounted outstanding insurance claims provision at December 31, 2021	$ 341	$ 252	$ 43	$ 432	$ 547	$ 1,282	$ 1,668	$ 3,721	$ 5,222	$ 15,129	$ 28,637
Net undiscounted outstanding insurance claims provision with respect to prior accident years											$ 151
Total net undiscounted outstanding insurance claims provision at December 31, 2020											$ 28,788
Undiscounted unallocated loss adjustment expenses											878
Effect of discounting											(1028)
Provision for adverse deviation											3,126
Total net discounted outstanding insurance claims provision, December 31, 2021											$ 31,764

(Expressed in thousands of dollars)

5. Insurance contract provision and reinsurance assets (continued):

(h) Expected loss ratios:

The following table sets forth the expected loss ratios experienced by the Company:

	Expected loss ratio	
	2021	2020
Property	62.00%	64.00%
Casualty	80.00%	80.00%
Blended expected loss ratio	63.13%	64.85%

6. Deferred policy acquisition costs:

An analysis of the movements in deferred acquisition costs are as follows:

At December 31, 2019	$	8,995
Expenses deferred		38,876
Recognized in net earnings		38,864
At December 31, 2020		9,007
Expenses deferred		46,982
Recognized in net earnings		45,656
At December 31, 2021	$	10,333

7. Property and equipment:

	Land and buildings	Office furniture	Computer equipment	Vehicles	Total
Cost:					
Balance, December 31, 2019	$ 2,745	$ 275	$ 439	$ 96	$ 3,555
Additions	10	-	146	51	207
Disposals	-	(206)	(88)	-	(294)
Balance, December 31, 2020	2,755	69	497	147	3,468
Additions	9	6	21	-	36
Disposals	-	-	309	40	349
Balance, December 31, 2021	$ 2,764	$ 75	$ 209	$ 107	$ 3,155

(Expressed in thousands of dollars)

7. Property and equipment (continued):

	Land and buildings	Office furniture	Computer equipment	Vehicles	Total
Depreciation:					
Balance, December 31, 2019	$ 1,054	$ 186	$ 281	$ 52	$ 1,573
Depreciation for the year	69	16	89	21	195
Disposals	-	(174)	(88)	-	(262)
Balance, December 31, 2020	1,123	28	282	73	1,506
Depreciation for the year	65	9	97	20	191
Disposals	-	-	309	32	341
Balance, December 31, 2021	$ 1,188	$ 37	$ 70	$ 61	$ 1356
Carrying amounts:					
At December 31, 2020	$ 1,632	$ 41	$ 215	$ 74	$ 1,962
At December 31, 2021	1,576	38	139	46	1,799

8. Intangible assets:

	Computer software licenses
Cost:	
Balance, December 31, 2019	$ 448
Additions	381
Disposal	(219)
Balance, December 31, 2020	610
Additions	156
Disposal	(229)
Balance, December 31, 2021	$ 537

(Expressed in thousands of dollars)

8. Intangible assets (continued):

		Computer software licenses
Amortization:		
Balance, December 31, 2019	$	353
Amortization for the year		99
Disposal		(219)
Balance, December 31, 2020		233
Amortization for the year		126
Disposal		(229)
Balance, December 31, 2021	$	130
Carrying amounts:		
At December 31, 2020	$	377
At December 31, 2021		407

(Expressed in thousands of dollars)

9. Amounts payable and accrued liabilities:

	2021	2020
Agents, brokers and intermediaries	$ 2,350	$ 2,310
Other amounts payable and accrued expenses	3,116	2,641
	$ 5,466	$ 4,951

10. Reserves:

Pursuant to the guidelines set by the British Columbia Financial Services Authority, the Company has set aside an earthquake premium reserve of $500 (2020 - $500).

11. Related parties:

(a) Key management personnel compensation:

Key management personnel of the Company include all directors, executives, and senior management.

In addition to their salaries, the Company also provides non-cash benefits to certain employees and contributes to a registered retirement savings plan of eligible staff.

	2021	2020
Salaries and benefits	$ 1,815	$ 1,346
Registered savings plan contributions	80	70
	$ 1,895	$ 1,416

(b) Key management personnel and director transactions:

The aggregate value of transactions relating to key management personnel and directors over which they have control or significant influence were as follows:

	2021	2020
Management insurance premiums	$ 13	$ 9
Directors insurance premiums	63	57
	$ 76	$ 66

(Expressed in thousands of dollars)

12. Premium taxes:

During the year the Company received a premium tax refund of $3,581 and related interest of $1,714 in connection with a dispute with the Ministry of Finance over premium taxes payable for the years 2012 and 2013. These amounts have been recognized as a reduction to premium tax expense and administration expense, respectively, in 2021. The matter is fully resolved as at December 31, 2021.

13. Net investment income:

	2021	2020
Recognized in net earnings:		
Interest income on held-to-maturity investments	$ 1,218	$ 1,170
Dividend income on available-for-sale investments	1,338	999
Net realized gain on investments	2,189	228
Investment management fees	(353)	(290)
Net investment income	$ 4,392	$ 2,107

14. Income taxes:

Total tax expense (recovery) consists of the following:

	2021	2020
Current tax	$ 5,729	$ 2,724
Deferred tax	(169)	(456)
Total tax expense (recovery)	$ 5,560	$ 2,268

The following is a reconciliation of the Company's income tax expense at its statutory tax rate of 26.32% (2020 - 26.45%) to its effective tax rate.

Reconciliation of effective tax rate:

	2021	2020
Net income (loss) before income tax	$ 17,454	$ 9,573
Income tax at combined federal and provincial statutory income tax rate 26.32% (2020 - 26.45%)	$ 4,593	$ 2,532
Non-taxable income and non-deductible expenses	1,039	61
Other	(72)	(325)
	$ 5,560	$ 2,268

15. Line of credit:

The Company maintains a line of credit agreement with a third-party lender for up to $5,000 (2020 - $3,000). Nil was drawn on the line of credit as at December 31, 2021 (2020 - nil).

16. Financial and insurance risk management:

(a) Overview:

The Company has exposure to the following risks arising from its insurance operations and from its use of financial instruments:

- insurance risk;
- credit risk;
- liquidity risk;
- currency risk;
- interest rate risk; and
- other price risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's primary long-term risk is that the Company's assets will fall short of its future liabilities (including claims of insured parties). The main objective of financial risk management is to maintain assets, primarily through a diversified portfolio of investments to ensure sufficient liquidity and value to meet the obligations when they fall due.

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

16. Financial and insurance risk management (continued):

(c) Insurance risk (continued):

(*i*) Terms and conditions of insurance contracts:

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

The commercial segment underwrites the risks of enterprises from small businesses to large corporations. The personal segment provides insurance to the general public in their personal capacities.

(A) Property:

Property coverage provides indemnity for loss of or damage to immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

(B) Accident:

Accident coverage provides indemnity for loss of or damage to mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities an insured may incur as a result of accidental damage to third party property or accidental death or injury to a third party caused by the insured.

(C) Personal accident:

Personal accident coverage provides compensation arising out of the permanent or temporary total disability of the insured or possibly the employees of a business. Such disability is restricted to certain accidents and does not provide the wider coverage available from the life insurance industry.

(*ii*) Insurance risk and policies for mitigating insurance risk:

The primary activity of the Company relates to the assumption of the risk of loss from events involving persons or organizations. Such risks may relate to property, accident, personal accident and other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under insurance contracts.

The principal risk is that the frequency and severity of claims is greater than expected and that the Company does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

16. **Financial and insurance risk management (continued):**

(c) Insurance risk (continued):

(*ii*) Insurance risk and policies for mitigating insurance risk (continued):

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, management of reinsurance and monitoring of emerging issues. These actions are described below:

(A) Underwriting strategy:

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks spread over a large geographical area. The underwriting strategy is set out in an annual business plan that determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Company is prepared to accept exposure. This strategy is implemented by individual underwriters through limits for underwriters by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio. The single largest gross risk, based on estimated maximum loss, any one underwriter can commit the Company is a maximum of $5,000 (2020 - $5,000).

Adherence to the underwriting authorities is measured through a series of exception reports that are monitored on a regular basis covering line size, territory, class and industry. In addition, management meets regularly to review underwriting information including premium income and loss ratios.

(B) Reinsurance strategy:

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company enters into a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure of the Company on any one risk to less than $500 (2020 - $500).

The Company reflects reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders. To mitigate this risk, the reinsurance business is transacted in accordance with regulation by the Office of the Superintendent of Financial Institutions Canada and the Insurance Companies Act of Canada. All reinsurance arrangements are approved by the Board of Directors.

(C) Concentrations of insurance risk and policies mitigating concentrations:

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's resources. The Company monitors the concentration risk by geographical segment and class of business.

16. Financial and insurance risk management (continued):

(c) Insurance risk (continued):

(*iii*) Exposure relating to catastrophe events:

The Company sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Company uses a number of modeling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programs and the net exposure of the Company.

The Company considers that its most significant exposure would arise in the event of an earthquake. This analysis has been performed through identifying key concentration of risks based on different classes of businesses exposed in the event of such an incident. The Company's policies for mitigating catastrophe risk exposure include the use of both proportional and excess-of-loss reinsurance. In the event of a major catastrophe such as an earthquake, the net retained loss would be a maximum of $1,000 (2020 - $1,000).

The Company has purchased excess-of-loss reinsurance for catastrophe events that provides indemnity to the Company to a maximum of $200,000 (2020 - $200,000).

Reinsurance treaties have been subscribed to by a number of reinsurance companies on the open market through the Company's broker, Gallagher Re. The reinsurance, however, does not relieve the Company of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Company would be liable to its policyholders for unrecoverable amounts. To minimize the possibility of a reinsurer being unable to meet their obligations, the Company has only used reinsurers that are rated by the AMBEST rating agency at A- or higher.

The Company's objectives, policies and processes for managing liquidity, credit, interest rate and insurance risk and the methods used to measure insurance risk have not changed materially from the prior year.

(*iv*) Other risks and policies mitigating these risks:

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Fraud detection is primarily managed through vigilant monitoring activities of experienced claims adjustors.

(Expressed in thousands of dollars)

16. Financial and insurance risk management (continued):

(d) Credit risk:

Credit risk is the risk of loss if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from reinsurers, insurance brokers, policyholders and investment securities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each reinsurer, insurance broker and policyholder. The Company regularly evaluates the financial strength of its reinsurers to ensure that the reinsurers have the capacity to fulfill their obligations.

Credit risk for insurance brokers and policyholders is managed through continual review of receivables and active collection of overdue amounts.

Credit risk for investments is managed by investing primarily in liquid securities and primarily with counterparties that have a credit rating of at least BBB from Standard & Poor's and Baa from Moody's. Management actively monitors credit ratings and given that the Company primarily has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The carrying amount of financial assets as at December 31, 2021 and 2020, best represents the maximum exposure to credit risk for each respective year.

As at December 31, 2021 and 2020, the Company's credit risk exposure for equity and debt securities within the investment portfolio, grouped by credit risk rating of Standard & Poor's, was as follows:

2021	AAA	AA	A	BBB	Not rated	Total
Fixed income	$ 2,028	$ 12,769	$ 4,974	$ 6,467	$ 18,310	$ 44,548
Short-term investments	1,053	5,835	142	1,458	500	8,988
Equities	-	-	319	90	51,618	52,027
	$ 3,081	$ 18,604	$ 5,435	$ 8,015	$ 70,428	$ 105,563

2020	AAA	AA	A	BBB	Not rated	Total
Fixed income	$ 2,626	$ 17,840	$ 4,608	$ 5,689	$ 12,106	$ 42,869
Short-term investments	-	3,365	-	1,007	2,199	6,571
Equities	-	-	232	170	44,913	45,315
	$ 2,626	$ 21,205	$ 4,840	$ 6,866	$ 59,218	$ 94,755

(Expressed in thousands of dollars)

16. Financial and insurance risk management (continued):

(d) Credit risk (continued):

The aging of premiums receivable at the reporting date was:

	2021	2020
Not past due	$ 17,878	$ 13,437
Past due (>90 days outstanding)	-	328
	$ 17,878	$ 13,765

As at December 31, 2021 and 2020, the Company did not have any impaired receivables, held-to-maturity investments or available-for-sale financial assets.

(e) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations as they come due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company monitors its cash flow requirements and optimizes its cash return on investments. Typically, the Company ensures that it has sufficient cash on demand to meet expected expenses for a period of 60-days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company maintains a line of credit agreement with its lender to provide additional cash resources to the Company to primarily manage the timing of payment of claims and payment of premiums by our insured.

As at December 31, 2021 and 2020, the majority of the Company’s financial liabilities were due within one year.

(f) Currency risk:

Currency risk is the risk that the fair value of the Company’s financial instruments will fluctuate due to changes in foreign exchange rates. The Company’s exposure to foreign currency risk is limited to its investment portfolio, which invests in U.S. equity securities. The amount of US equity securities as at December 31, 2021 was $8,508 (2020 - $7,145). The Company manages currency risk by monitoring US dollar exposure in its investment portfolio at targeted levels.

A strengthening or weakening of the Canadian dollar of 5% against the U.S. dollar at December 31, 2021 would have increased or decreased net earnings and members’ surplus by the $425 (2020 - $357) assuming all other variables remain constant.

16. Financial and insurance risk management (continued):

(g) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments, such as bonds, will fluctuate due to changes in the levels of market interest rates. At the reporting date, all of the Company's interest-bearing financial instruments and loans had fixed rate interest terms. Additionally, the Company intends to, and has the ability to hold these instruments to maturity. Therefore, the Company is not exposed to significant interest rate risk.

(h) Other price risk:

Other price risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in market conditions, other than those changes arising from interest rates or foreign currencies. The Company is exposed to other price risk primarily through its available-for-sale equity securities. Management of the Company monitors the mix of debt and equity securities in its investment portfolio. Material investments within the portfolio are managed on an individual basis and all transactions are monitored for compliance with the Company's approved investment policy. The primary goal of the Company's investment strategy is to optimize investment returns within its risk parameters. Management is assisted by external advisers in this regard.

All of the Company's investments in equities are listed on major stock exchanges located either in Canada or the U.S. For such investments classified as available-for-sale, a 5% change in the TSX Composite Index and S&P 500 at the reporting date would have increased or decreased members' surplus and reserves by approximately $2,071 (2020 - $1,748).

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation continues and remains dynamic. As a result of the COVID-19 outbreak, global financial markets have expected significant volatility. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the volatility.

(Expressed in thousands of dollars)

17. Fair values of financial instruments:

(a) Fair value of financial instruments:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:				
Available-for-sale investments	$ 52,027	$ 52,027	$ 45,315	$ 45,315
Assets and liabilities carried at amortized cost:				
Cash and cash equivalents	34,997	34,997	13,134	13,134
Held-to-maturity investments	51,036	50,923	49,440	50,691
Accrued investment income	539	539	407	407
Premiums receivable	17,878	17,878	13,765	13,765
Promissory note	2,500	2,500	-	-
Amounts payable and accrued liabilities	(5,469)	(5,469)	(4,951)	(4,951)
Due to reinsurers	(16,525)	(16,525)	(6,425)	(6,425)
	$ 136,983	$ 136,870	$ 110,685	$ 111,936

(b) Valuation models:

Observable prices and model inputs are usually available in the market for listed equity securities, and for pooled funds. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Available-for-sale investments that are traded in a public market are valued based on closing market quotations. Private available-for-sale investments are valued based on the redemption values or capitalization models. Held-to-maturity investments are valued for disclosure purposes based on discounted cash-flow models.

(c) Fair value hierarchy:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

(Expressed in thousands of dollars)

17. Fair values of financial instruments (continued):

(c) Fair value hierarchy (continued):

The three levels of the fair value hierarchy are:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 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 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(*i*) Financial instruments measured at fair value:

The following table illustrates the classification within the fair value hierarchy of the financial instruments measured at fair value by the Company:

2021	Level 1	Level 2	Level 3	Total
Available-for-sale investments	$ 41,427	$ -	$ 10,600	$ 52,027

2020	Level 1	Level 2	Level 3	Total
Available-for-sale investments	$ 34,965	$ -	$ 10,350	$ 45,315

For the years ended December 31, 2021 and 2020, there were no significant transfers between the three levels of the hierarchy.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

2021	Investments
Balance, beginning of the year	$ 10,350
Purchases	-
Unrealized gain (losses)	250
Balance, end of year	$ 10,600

(Expressed in thousands of dollars)

17. Fair values of financial instruments (continued):

(c) Fair value hierarchy (continued):

(*i*) Financial instruments measured at fair value (continued):

2020	Investments
Balance, beginning of the year	$ 9,250
Purchases	1,111
Unrealized gain (losses)	(11)
Balance, end of year	$ 10,350

(*ii*) Financial instruments measured at amortized cost:

The Company's cash and cash equivalents, accrued investment income, premiums receivable, amounts payable and accrued liabilities and due to reinsurers are classified as Level 2 in the fair value hierarchy because, while settlement amounts or prices are available, there is no active market for these instruments.

Held-to-maturity investments are classified as Level 2 in the fair value hierarchy as their valuation is based on observable inputs utilized in fair value modeling.

(d) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

2021 Description	Fair value	Valuation technique	Unobservable input	Amount/ rate	Sensitivity to change in significant unobservable input
Investments	$ 1,500	Redemption value	Redemption value	$ 1,500	The estimated fair value would increase if redemption value increased
Investments	$ 9,100	Capitalization models	Capitalization rate	5.00%-7.00%	The estimated fair value would increase if the capitalization rate decreased

(Expressed in thousands of dollars)

17. Fair values of financial instruments (continued):

(d) Significant unobservable inputs used in measuring fair value (continued):

2020

Description	Fair value	Valuation technique	Unobservable input	Amount/ rate	Sensitivity to change in significant unobservable input
Investments	$ 1,500	Redemption value	Redemption value	$ 1,500	The estimated fair value would increase if redemption value increased
Investments	$ 8,850	Capitalization models	Capitalization rate	5.00%-7.00%	The estimated fair value would increase if the capitalization rate decreased

Redemption value represents the amount that the Company will receive on disposal of the investment. Capitalization models employ a capitalization rate, which is used to determine the fair value of a property based on that property's net operating income. If the redemption value was to increase or decrease by 10% or the capitalization rate were to increase or decrease by 1%, this would result in increase or decrease the investment fair value by $(910) or $3,949 (2020 - $(806) or $3,759).

18. Capital management and statutory requirements:

The Company's objectives when managing capital, consisting of members' surplus and reserves, are to comply with the insurance capital requirements required by the Company's regulator, the British Columbia Financial Services Authority ("BCFSA"); safeguard the Company's ability to continue as a going concern; and provide an adequate return on capital by pricing insurance and investment contracts commensurately with the level of risk.

The Company's regulator, BCFSA, sets and monitors capital requirements for the Company's operations. The Company is required to maintain a level of sufficient capital to achieve a target of 150% of a minimum capital test ("MCT"). As at December 31, 2021 and 2020, the Company was in compliance with these requirements.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