my mutual insurance

People First : On Purpose

AGM 2021

MARCH 18, 2022

2021 Board of Directors Annual Report

2021 was a year of accomplishments and challenges. It is my pleasure to present the My Mutual Insurance Board of Directors annual report.

Once again, My Mutual delivered a strong financial performance, with an 8 percent increase in Gross Written Premium to $35.2 million, resulting in a Net Income of $3 million.

Our greatest challenge through the past two years has been seeking the most effective ways to operate in the midst of the covid situation, in a way that ensures safety for our employees and our clients. As well, we continue to deal with the ever increasing volatility and costs of labour and supply markets. As we reflect on everything that has happened these past two years, I am optimistic about our prospects, as our management and staff competently lead My Mutual through the maze of government and health regulations.

Two of our board members are retiring from their service at My Mutual. As Art and Brent leave us, the positive stamp they have left on My Mutual must be acknowledged. Art has been our leader on board governance for many years. He has faithfully served on the Board and Executive Team, and has kept the interests of My Mutual and her policyholders front and center through his time with us. Brent brought with him a wealth of experience and knowledge. We have always been able to count on his thorough understanding and well-considered input during meeting discussions. Art and Brent have connected well with both board and staff. They have brought steadiness and a good combination of gravity and good humour to each meeting.

We were happy to welcome Marv Froese onto the Board of Directors this year. He has served as a director in the past, in several capacities, including Chair, and already we are reaping benefits with his presence and contribution at the table.

On behalf of the Board of Directors, I want to affirm the privilege that is ours as we continue to serve our ever growing mutual family with the high quality insurance products and services administered by the talented management and staff of My Mutual. We are proud to support and work with our valued management team and employees who work hard to understand our policyholder needs and to build strong people-helping-people relationships.

Thank you for your continued support, trust and confidence.

Respectfully submitted,
On behalf of My Mutual Insurance Board of Directors,

Murray Klassen

Murray Klassen, Chair
Art Klaassen, Vice Chair
Tina Doell, Executive Member
Brent Eliason
Marv Froese
Bryant van Kuik

Financial Statements of

MY MUTUAL INSURANCE LIMITED

Year ended December 31, 2021

MANAGEMENT'S RESPONSIBILITY

To the Board of Directors of My Mutual Insurance Limited:

Management is responsible for the preparation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of individuals who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfills these responsibilities by reviewing the financial statements prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

The Appointed Actuaries, Ernst & Young LLP, are appointed by the Board of the Company. The Appointed Actuaries are responsible for discharging the various actuarial responsibilities and conduct a valuation of policy liabilities, in accordance with generally accepted actuarial standards, reporting results to management and the Audit Committee.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Valerie Fehr
President and CEO

MY MUTUAL INSURANCE LIMITED

Statement of Financial Position

(in thousands of dollars)

December 31, 2021, with comparative figures for 2020

		2021		2020
Assets				
Cash	$	10,093	$	3,837
Premiums receivable		8,539		8,384
Due from reinsurer		399		978
Income taxes receivable		-		459
Other receivables		144		160
Investments (note 6)		24,851		26,327
Reinsurers’ share of unearned premiums (note 7)		389		423
Reinsurers’ share of provision for unpaid claims (note 9)		3,927		3,351
Deferred policy acquisition costs (note 10)		4,226		4,016
Prepaid expenses		40		17
Property and equipment (note 11)		2,910		2,789
Deferred income taxes (note 15)		22		39
	$	55,540	$	50,780
Liabilities and Policyholders’ Surplus				
Accounts payable and accrued liabilities	$	527	$	443
Due to reinsurer		608		959
Premium taxes payable		1,113		1,014
Income taxes payable		885		-
Unearned premiums (note 7)		18,398		17,342
Provision for unpaid claims (note 9)		11,439		11,443
Unearned reinsurance commissions		110		120
		33,080		31,321
Policyholders’ surplus		22,460		19,459
	$	55,540	$	50,780

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Director

______________________ Director

MY MUTUAL INSURANCE LIMITED
Statement of Comprehensive Income
(in thousands of dollars)
December 31, 2021, with comparative figures for 2020

	2021	2020
Direct gross premiums written (note 7)	$ 35,156	$ 32,604
Reinsurance ceded (note 7)	(6,185)	(6,942)
Net premiums written (note 7)	28,971	25,662
Increase in unearned premium (note 8)	(1,090)	(1,487)
Net premiums earned (note 8)	27,881	24,175
Service charges	419	402
Net underwriting revenue	28,300	24,577
Gross claims and adjusting expenses (note 9)		
Direct claims	14,201	15,254
Adjusting expenses	773	687
	14,974	15,941
Reinsurance ceded recovery (note 9)	(2,722)	(1,859)
Net claims and adjusting expenses	12,252	14,082
Commissions		
Direct business	6,991	6,378
Reinsurance ceded	(189)	(205)
Net commissions	6,802	6,173
Premium taxes	1,128	933
General expenses	4,147	3,657
Total insurance related claims and expenses	24,329	24,845
Net underwriting income (loss)	3,971	(268)
Other income		
Net investment income (note 6)	115	1,064
Other	48	4
	163	1,068
Earnings before income taxes	4,134	800
Income taxes (note 15)	1,133	244
Net and comprehensive income	$ 3,001	$ 556

See accompanying notes to financial statements.

MY MUTUAL INSURANCE LIMITED

Statement of Changes in Policyholders' Surplus
(in thousands of dollars)
December 31, 2021, with comparative figures for 2020

	2021	2020
Policyholders' surplus, beginning of year	$ 19,459	$ 18,903
Net and comprehensive income	3,001	556
Policyholders' surplus, end of year	$ 22,460	$ 19,459

See accompanying notes to financial statements.

MY MUTUAL INSURANCE LIMITED

Statement of Cash Flows
(in thousands of dollars)
Year Ended December 31, 2021, with comparative figures for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net and comprehensive income	$ 3,001	$ 556
Items not affecting cash:		
Income taxes	1,133	244
Depreciation of property and equipment	201	224
Unrealized losses (gains) on investments	385	(520)
Income taxes received (paid)	228	(888)
Changes in non-cash balances related to operations:		
Premiums receivable	(155)	(818)
Due from reinsurer	579	(231)
Other receivables	16	(73)
Reinsurer’s share of unearned premiums	34	(50)
Reinsurer’s share of provision for unpaid claims	(576)	755
Deferred policy acquisition costs	(210)	(387)
Prepaid expenses	(23)	2
Accounts payable and accrued liabilities	84	(237)
Due to reinsurer	(351)	(45)
Premium taxes payable	99	90
Unearned premiums	1,056	1,537
Provision for unpaid claims	(4)	864
Unearned reinsurance commissions	(10)	15
	5,487	1,038
Investing		
Net redemption (purchase) of investments	1,091	(2,306)
Purchase of property and equipment	(322)	(777)
Increase(decrease) in investing activities	769	(3,083)
Increase/ (Decrease) in Cash	6,256	(2,045)
Cash, beginning of year	3,837	5,882
Cash, end of year	$ 10,093	$ 3,837

See accompanying notes to financial statements.

1. Reporting entity:

My Mutual Insurance Limited ("the Company") is incorporated without share capital under the laws of the Province of Saskatchewan and is subject to the *Insurance Act*. The Company is licensed to write property and casualty insurance in Saskatchewan. The Company is domiciled in Canada and its registered office is Box 190, Waldheim, Saskatchewan.

2. Basis of presentation:

a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements for the year ended December 31, 2021 were approved and authorized for issue by the Board of Directors on February 25, 2022.

b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

c) Functional and presentation currency:

All currency amounts are presented in Canadian dollars, which is the functional currency of the Company.

d) Significant accounting judgments, estimates and assumptions:

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to account estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year relate primarily to the provision for unpaid claims.

There are several sources of uncertainty that need to be considered by the Company in estimating the amount that will ultimately be paid on claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Company's historical experience and industry experience. Additional details are provided in notes 9 and 12.

3. Significant accounting policies:

a) Insurance contracts:

The Company issues property and casualty insurance contracts with a duration of a year or less. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event.

Property insurance contracts compensate the Company's customers for damage suffered to their property or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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 designed for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability) and for employers who become legally liable to pay compensation to injured employees (employers' liability).

Automobile insurance contracts compensate the Company's customers for damage suffered to their automobiles and provide financial protection against third party physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise therefrom.

i) Premiums earned, service charges, and deferred policy acquisition costs:

Insurance premiums are included in income on a pro rata basis over the life of the policies. The portion of the premium related to the unexpired portion of the policy at the end of the reporting period is reflected as unearned premiums.

Service charges are recognized as revenue when earned.

Acquisition costs related to unearned premiums, which are comprised of commissions and premium taxes, are deferred and amortized to income over the periods in which the premiums are earned. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to its realizable value by giving consideration to claims and expenses expected to be incurred as the premiums are earned. Service charges are recognized in revenue when earned.

ii) Unpaid claims:

The provision for unpaid claims represents an estimate for the full amount of all costs, including investigation and the projected final settlements, of claims incurred prior to the statement of financial position date, including claims incurred but not reported ("IBNR") by policyholders. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. The provisions are adjusted up or down as additional information affecting the estimated amounts become known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period. Claims liabilities are carried on an undiscounted basis.

3. Significant accounting policies (continued):

iii) Liability adequacy test:

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in the statement of comprehensive income initially by writing off the deferred policy acquisition expense and subsequently by recognizing an additional claims liability for claims provisions.

iv) Reinsurance ceded:

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured. Reinsurance liabilities, comprised of premiums payable for the purchase of reinsurance contracts, are included in accounts payable and accrued liabilities and are recognized as an expense when due.

Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability. Amounts recoverable from reinsurers are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognized and the amount recoverable from the reinsurers is reduced by the amount by which the carrying value exceeds the expected recoverable amount under the impairment analysis.

b) Financial instruments:

All financial instruments are initially recognized on the statement of financial position at fair value at acquisition. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transactions to purchase or sell these items are recorded on the settlement date. During the year, there has been no reclassification of financial instruments.

3. Significant accounting policies (continued):

i) Financial assets at fair value through profit or loss:

The Company has classified the following financial assets at fair value through profit (loss): cash and cash equivalents and investments.

The Company has designated investments on initial recognition at fair value through profit (loss) in accordance with the Company's investment policy which evaluates and manages the performance of the investments on a fair value basis. These investments are also reported to key management personnel on a fair value basis. Fair value is determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date and transaction costs are immediately recognized in profit (loss).

Financial assets at fair value through profit (loss) are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in profit (loss).

ii) Loans and receivables:

The Company has classified receivables arising from insurance contracts as loans and receivables.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition impairment.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit (loss). Management considers the recoverability of the financial asset, such as delinquency in interest payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset’s carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year profit (loss).

The Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

3. Significant accounting policies (continued):

i) Other financial liabilities:

The Company has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities, due to reinsurer and provision for unpaid claims.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

c) Fair value measurements:

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

d) Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

3. Significant accounting policies (continued):

e) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. When the underlying asset is available for use (lease commencement date) the Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee.

A Right-of-Use asset is recognized at lease commencement date and initially measured at cost. The Right-of-Use asset is subsequently depreciated using the straight-line method over the shorter of the expected useful life of the asset of the lease term. The lease liability is recognized at lease commencement date and is initially measured at the present value of the lease payments. The lease liability is subsequently amortized over the lease term.

The Company elects not to recognize assets and lease liabilities for short-term leases that have a lease term of twelve months or less, and leases of low-value assets. Lease payments associated with these leases will be recognized over the lease term.

f) Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Depreciation is provided using the following methods and rates intended to depreciate the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings and building components	straight-line	5%
Furniture and equipment	straight-line	10-20%
Vehicles	straight-line	20%

The useful lives of items of property and equipment are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in other income.

g) Income taxes:

Current tax and deferred tax are recognized in profit or loss except to the extent that the tax is recognized either in comprehensive income or directly in equity, or the tax arises from a business combination.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3. Significant accounting policies (continued):

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable income.

Recognition of deferred tax assets for unused tax losses, tax credit and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to 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.

4. New accounting standards:

In 2021, the Company did not early adopt any new, revised, or amended standards.

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2021 but are not yet effective.

IFRS 17 *Insurance Contracts*

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 *Insurance Contracts*. The new standard is effective for annual periods beginning on or after January 1, 2023 and will replace IFRS 4 *Insurance Contracts*. This standard introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize profits as it delivers insurance services, rather than when it receives premiums. The Company intends to adopt IFRS 17 in its financial statements for the annual period beginning on January 1, 2023. The extent of the impact of adoption of the standards has not yet been determined.

IFRS 9 *Financial Instruments*

In July 2014, (IASB) issued the complete version of IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment. Special transitional requirements have been set for the application of the new general hedging model. This standard is effective for annual periods beginning on or after January 1, 2019. The Company will be electing the temporary exemption from IFRS 9 permitted to companies who activities are predominately connected with insurance. Under the temporary exemption, IFRS 9 will be adopted on January 1, 2023. The extent of the impact of adoption of IFRS 9 has not yet been determined.

(in thousands of dollars)

5. Line of Credit:

The Company has a line of credit with an authorized limit of $250. This line of credit charges interest at prime +0.50%. No funds were drawn on the line of credit as at December 31, 2021.

6. Investments:

	2021	2020
Guaranteed investment certificates (GIC's)	$ 6,950	$ 7,950
Fixed income:		
Provincial	4,292	4,462
Corporate	4,746	5,217
Commercial mortgage pooled fund	7,468	7,282
Loan	948	775
Preferred shares	366	514
Total investments	24,770	26,200
Accrued investment income	81	127
	$ 24,851	$ 26,327

Maturities on the above investments are as follows:

	2021	2020
Within one year	$ 2,443	$ 3,399
Within two years	2,522	2,779
Within three years	3,445	2,534
Within four years	3,375	3,560
Within five years	3,086	2,418
Within five to ten years	1,118	2,938
No fixed maturity	8,781	8,572
	$ 24,770	$ 26,200

Effective interest rates on the Company's GIC's and fixed income investments range from 1.02% to 3.84% (2020 – 1.02% to 3.48%).

Net investment income is comprised of:

	2021	2020
Interest income	$ 614	$ 657
Unrealized gains (losses) on investments	(385)	520
Investment fees	(114)	(113)
	$ 115	$ 1,064

(in thousands of dollars)

6. Investments (continued):

Investment ratings are as follows:

	2021	2020
Government grade	$ 4,292	$ 4,462
AA	1,534	1,935
A	9,581	10,678
BBB	581	554
Commercial mortgages	7,468	7,282
Loan	948	775
Preferred shares	366	514
	$ 24,770	$ 26,200

7. Unearned premiums:

The following table presents the movement of the Company's unearned premium during the year.

	Unearned premiums	Reinsurers' share of unearned premiums	Net unearned premiums
December 31, 2021			
Balance, beginning of year	$ 17,342	$ 423	$ 16,919
Premiums written	35,156	6,185	28,971
Premiums earned	(34,100)	(6,219)	(27,881)
Balance, end of year	$ 18,398	$ 389	$ 18,009

	Unearned premiums	Reinsurers' share of unearned premiums	Net unearned premiums
December 31, 2020			
Balance, beginning of year	$ 15,805	$ 373	$ 15,432
Premiums written	32,604	6,942	25,662
Premiums earned	(31,067)	(6,892)	(24,175)
Balance, end of year	$ 17,342	$ 423	$ 16,919

(in thousands of dollars)

8. Net premiums earned:

The table below details the direct gross premiums written, reinsurance ceded, net premiums written, change in unearned premium and net premiums earned by class of business.

	Property	Casualty	Auto	Total
December 31, 2021				
Direct gross premiums written	$ 33,165	$ 1,617	$ 374	$ 35,156
Reinsurance ceded	(5,769)	(337)	(79)	(6,185)
Net premiums written	27,396	1,280	295	28,971
(Increase) decrease in net unearned premiums	(1,125)	(1)	36	(1,090)
Net premiums earned	$ 26,271	$ 1,279	$ 331	$ 27,881

	Property	Casualty	Auto	Total
December 31, 2020				
Direct gross premiums written	$ 30,570	$ 1,598	$ 437	$ 32,604
Reinsurance ceded	(6,395)	(454)	(93)	(6,942)
Net premiums written	24,174	1,143	344	25,662
(Increase) decrease in net unearned premiums	(1,498)	(4)	7	(1,487)
Net premiums earned	$ 22,676	$ 1,148	$ 351	$ 24,175

(in thousands of dollars)

9. Provision for unpaid claims:

The following table presents the movement of the Company's unpaid claims and adjusting expenses during the year:

	Direct unpaid claims and adjusting expenses	Reinsurers' share of unpaid claims and adjusting expenses	Net unpaid claims and adjusting expenses
December 31, 2021	$	$	$
Balance, beginning of year	11,443	3,351	8,092
Total claims incurred	14,974	2,722	12,252
Claims paid	(14,978)	(2,146)	(12,832)
Balance, end of year	$ 11,439	$ 3,927	$ 7,512
December 31, 2020			
Balance, beginning of year	$ 10,579	$ 4,106	$ 6,473
Total claims incurred	15,941	1,859	14,082
Claims paid	(15,077)	(2,614)	(12,463)
Balance, end of year	$ 11,443	$ 3,351	$ 8,092

(in thousands of dollars)

10. Deferred policy acquisition costs:

The following table presents the movement of the Company's deferred policy acquisition costs during the year:

	2021	2020
Balance, beginning of year	$ 4,016	$ 3,629
Acquisition costs deferred	8,356	7,697
Amortization of deferred costs	(8,146)	(7,311)
Balance, end of year	$ 4,226	$ 4,016

11. Property and equipment:

	Cost	Accumulated depreciation	Net book value
December 31, 2021			
Land	$ 41	$ -	$ 41
Buildings and building components	2,005	354	1,651
Furniture and equipment	1,645	445	1,200
Vehicles	292	274	18
	$ 3,983	$ 1,073	$ 2,910
December 31, 2020			
Land	$ 41	$ -	$ 41
Buildings and building components	2,005	292	1,713
Furniture and equipment	1,424	440	984
Vehicles	299	248	51
	$ 3,769	$ 980	$ 2,789

12. Insurance risk management:

a) Nature of risks arising from insurance contracts:

There is uncertainty whether an insured event occurs and to what degree for each policy. By the very nature of an insurance contract, the risk is random and therefore unpredictable. Insurance companies accept the transfer of uncertainty from policy holders and seek to add value through aggregation and management of insurance risk.

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

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

Underwriting risk, claims risk and product design and pricing risk are also important to the proper management of insurance risk. Underwriting risk is the exposure to financial loss resulting from the selection and approval of risks to be insured. Product design and pricing risk is the exposure to financial loss from transacting insurance business where costs and liabilities experienced in respect of a product line exceed the expectation of pricing it. Policies, processes and other internal controls have been established to manage these risks within tolerable levels.

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

b) Sources of uncertainty and processes used to determine assumptions for insurance contracts:

The Company establishes an unpaid claims and adjustment provision to cover claims incurred but not settled at the end of the reporting period. The unpaid claims provision contains both individual claims estimates and an incurred but not reported (IBNR) provision.

Individual claims estimates are set by claims adjusters on a case-by-case basis and are continually monitored for adequacy. These specialists apply their knowledge and expertise, after taking available information regarding the circumstances of the claim into account, to set individual case reserve estimates. The policy and procedures by which case reserve estimates are set are well documented.

12. Insurance risk management (continued):

The IBNR provision is a bulk provision intended to cover future development on claims that have occurred but have not yet been reported to the Company. Claims that have occurred may not be reported to the Company immediately; therefore, estimates are made as to their value and an amount.

The total unpaid claims and adjustment provision is an estimate that is determined using the Company's historical claims development patterns to predict future claims development. In situations where there has been a significant change in the environment or underlying risks, the historical data is adjusted to account for expected differences.

c) Objectives, policies and processes for managing risks arising from insurance contracts:

The Company's underwriting objective is to develop business within its target market on a diversified basis to achieve profitable underwriting results.

The Company uses comprehensive underwriting manuals which detail the practices and procedures used in the determination of the insurance risk for each item to be insured and the decision of whether or not to insure the item. The Company underwrites property lines on the basis of physical condition, replacement property values, claims experience, geography and other relevant factors.

In settling the provision for unpaid claims and adjustment expenses required to cover the estimated liability for claims, the Company's practice is to maintain an adequate margin to ensure future years' earnings are not negatively affected by prior years' claims development and other variable factors such as inflation. The Company monitors fluctuations in reserve adequacy on an ongoing basis.

The Company's pricing policy takes into account numerous factors including claims frequency and severity trends, product line expense rates, special risk factors, the capital required to support the product line and the investment income earned on that capital. The Company's pricing process is designed to ensure an appropriate return on equity while also providing long-term rate stability.

d) Objectives, policies and processes for managing insurance risk through reinsurance:

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property, liability and auto policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Reinsurance is purchased to mitigate the effect of the potential loss to the Company.

Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. (Farm Mutual Re), a Canadian registered reinsurer.

(in thousands of dollars)

12. Insurance risk management (continued):

The Company has adopted policies of underwriting and reinsuring through excess of loss contracts of reinsurance, which limit the exposure of the Company.

Excess of loss

Property and Liability – the Company retains $300 on property and liability claims with recoveries at 100% on amounts greater than retention, up to a total limit of $6 million per risk.

Automobile Physical Damage and Property Catastrophe – the Company retains $750 with a Stop Loss of 70% on automobile physical damage and property losses incurred in the event of a catastrophe, with recoveries at 100% on amounts greater than retention on amounts.

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

	Property claims		Auto claims		Casualty claims	
	2021	2020	2021	2020	2021	2020
5% increase or decrease in loss ratio						
Gross	1,603	1,452	21	22	82	80
Net Loss	1,314	1,134	17	18	64	57

e) Claims development:

The tables that follow present the development of claim payments and the estimated ultimate cost of claims for the claim years 2010 to 2020. The upper half of the table shows the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

(in thousands of dollars)

12. Insurance risk management (continued):

Gross claim development	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Gross ultimate loss											
At end of accident year	$ 8,873	$ 8,531	$ 8,843	$ 6,445	$ 9,496	$ 11,539	$ 12,650	$ 14,963	$19,666	$17,946	
One year later	8,264	8,643	7,581	5,967	10,152	11,756	12,218	13,588	17,399		
Two years later	7,895	8,090	7,384	5,520	10,017	11,585	11,173	13,085			
Three years later	7,664	7,756	7,464	6,380	10,050	10,832	10,953				
Four years later	7,667	7,755	7,538	6,380	10,295	10,799					
Five years later	7,667	7,789	7,568	5,579	10,293						
Six years later	7,671	7,774	7,568	5,579							
Seven years later	7,671	7,775	7,660								
Eight years later	7,671	7,768									
Nine years later	7,642										
Current estimate of gross ultimate loss	$ 7,642	$ 7,768	$ 7,660	$ 5,579	$10,293	$ 10,799	$ 10,953	$ 13,085	$17,399	$17,946	$ 109,124
Cumulative paid	7,642	7,745	7,544	5,325	10,023	10,794	10,478	12,972	16,096	9,066	97,685
Gross provision for unpaid claims for the ten most recent accident years	-	23	116	254	270	5	475	113	1,303	8,880	11,439
Gross provision for unpaid claims											$ 11,439

(in thousands of dollars)

12. Insurance risk management (continued):

Net claim development	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Net ultimate loss											
At end of accident year	$ 4,187	$ 4,777	$ 5,037	$ 3,995	$7,613	$ 9,189	$ 9,716	$11,080	$15,849	$14,491	
One year later	3,765	4,525	4,217	3,665	8,183	8,416	9,424	10,186	14,064		
Two years later	3,602	4,380	4,056	3,572	8,013	8,447	8,609	9,839			
Three years later	3,438	4,174	4,095	3,564	7,981	8,269	8,489				
Four years later	3,442	4,174	4,093	3,564	8,098	8,234					
Five years later	3,442	4,200	4,093	3,564	8,093						
Six years later	3,446	4,184	4,093	3,564							
Seven years later	3,446	4,187	4,183								
Eight years later	3,446	4,179									
Nine years later	3,417										
Current estimate of net ultimate loss	$ 3,417	$ 4,179	$ 4,183	$ 3,564	$ 8,093	$ 8,234	$ 8,489	$ 9,839	$14,064	$14,491	$ 78,553
Cumulative paid	3,417	4,162	4,105	3,420	7,943	8,234	8,165	9,776	13,417	8,402	71,041
Net provision for unpaid claims for the ten most recent accident years	-	17	78	144	150	-	324	63	647	6,089	7,512
Net provision for unpaid claims											$ 7,512

(in thousands of dollars)

13. Financial instruments:

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

	Fair value through profit and loss	Loans and receivable	Other financial liabilities	Total
December 31, 2021				
Cash	$ 10,093	$ -	$ -	$ 10,093
Due from reinsurer	-	399	-	399
Premiums receivable	-	8,539	-	8,539
Other receivables		144		144
Investments	24,851	-	-	24,851
Reinsurer's share of provision for unpaid claims	-	3,927	-	3,927
Accounts payable and accrued liabilities	-	-	(527)	(527)
Due to reinsurer	-	-	(608)	(608)
Provision for unpaid claims	-	-	(11,439)	(11,439)
	$ 34,944	$ 13,009	$ (12,574)	$ 35,379

	Fair value through profit and loss	Loans and receivable	Other financial liabilities	Total
December 31, 2020				
Cash	$ 3,837	$ -	$ -	$ 3,837
Due from reinsurer	-	978	-	978
Premiums receivable	-	8,384	-	8,384
Other receivables	-	160	-	160
Investments	26,327	-	-	26,327
Reinsurer's share of provision for unpaid claims	-	3,351	-	3,351
Accounts payable and accrued liabilities	-	-	(443)	(443)
Due to reinsurer	-	-	(959)	(959)
Provision for unpaid claims	-	-	(11,443)	(11,443)
	$ 30,164	$ 12,873	$ (12,845)	$ 30,192

13. Financial instruments (continued):

a) Credit risk:

Credit risk is the possibility that counterparties may not be able to meet payment obligations when they become due.

Counterparty is any person or entity from which cash or other forms of consideration are expected to extinguish a liability or obligation to the Company. The Company's credit risk exposure is concentrated primarily in its fixed income portfolio and in its reinsurance recoverables.

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

The Company's risk management strategy and investment policy is to invest in short term debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer.

The maximum exposure to investment credit risk is outlined in Note 6.

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

b) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and equity risk.

c) Interest rate risk:

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in interest rate levels generally impact the financial results to the extent that reinvested yields are different that the original yields on fixed income securities. Changes in interest rates will affect the fair value of the fixed income securities. During periods of increasing interest rates, the market value of the existing fixed income securities will generally decrease. During periods of decreasing interest rates the opposite is true. The primary technique for measuring interest rate risk related to fixed income securities is duration analysis. Management and the board review the duration of investments to ensure they meet acceptable tolerance levels.

At December 31, 2021, a 1% move in interest rates, with all other variables held constant, could impact the market value of fixed income investments by $450 (2020 - $517).

The Company is not exposed to significant interest rate risk on its cash and cash equivalents, premiums receivable, due from reinsurers, reinsurer's share of unpaid claims, accounts payable and accrued liabilities, due to reinsurers and unpaid claims as their estimated market value approximates their carrying value due to the short term nature of those instruments.

(in thousands of dollars)

13. Financial instruments (continued):

d) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The Company's current liabilities arise as claims are made. Claims payments are funded by current operating cash flow including investment income.

To manage its cash flow requirements the Company maintains a portion of its invested assets in liquid securities. There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

14. Fair value measurements:

The Company's financial instruments measured at fair value on a recurring basis have been categorized into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Cash	$ 10,093	$ -	$ -	$ 10,093
Investments	16,436	8,415	-	24,851
	$ 26,529	$ 8,415	$ -	$ 34,944

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Cash	$ 3,837	$ -	$ -	$ 3,837
Investments	18,270	8,058	-	26,327
	$ 22,107	$ 8,058	$ -	$ 30,164

(in thousands of dollars)

15. Income taxes:

Income tax expense, including both the current and deferred portions, varies from the amounts that would be computed by applying the statutory federal and provincial tax rates aggregating 27% (2020 – 27%) to earnings before taxes. A reconciliation is summarized in the following table:

	2021	2020
Tax at basic rates	$ 1,116	$ 216
Increase (decrease) in taxes resulting from:		
Permanent differences		
Non-deductible and other items	17	28
Income tax expense	$ 1,133	$ 244
Effective rate	27.4%	30.5%

Income tax expense is comprised of:

	2021	2020
Current tax expense	$ 1,116	$ 254
Deferred tax recovery	17	(10)
	$ 1,133	$ 244

The tax effects of temporary differences which give rise to the deferred tax asset reported on the statement of financial position is from differences between amounts deducted for accounting and income tax purposes for the items presented below:

	2021	2020
Deferred income tax assets		
Policy reserves	$ 102	$ 109
Property and equipment	(80)	(70)
	$ 22	$ 39

(in thousands of dollars)

16. Related party transactions:

Directors and key management personnel

Key management personnel consists of the Chief Empowerment Officer, Data & Analytics, Communication, and Innovation & Operations.

Policies written with directors and key management personnel are approved under the same underwriting criteria applicable to policy holders. Directors and employees receive a 20% discount as no commission is paid to agents.

There are no benefits or concessional terms and conditions applicable to the family members of directors and key management personnel.

	2021	2020
Incurred claims by directors and key management personnel	$ 1	$ 114

During the year the aggregate value or policy premiums written to directors and key management personnel amounted to:

	2021	2020
Gross premium written	$ 32	$ 22

Aggregate compensation of directors and KMP during the year consisted of:

	2021	2020
Salary and short-term benefits		
Directors	$ 37	$ 40
Key management personnel	420	409
	$ 457	$ 449

Transactions with directors, committee members, management and staff are at terms and conditions as set out in the underwriting and claims settlement policies of the Company.

17. Capital management:

The Company's objective when managing capital, is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to policyholders by pricing products and services commensurately with the level of risk and to maintain a capital base that is structured to exceed regulatory requirements. For the purpose of capital management, the Company has defined capital as retained earnings.

The Company is subject to a minimum capital test (MCT) imposed by the Superintendent of Insurance in the Province of Saskatchewan at a minimum supervisory target of 150%. The MCT is the excess of capital available minus capital required as measured by industry guidelines under a risk based capital adequacy framework. The Company's MCT at December 31, 2021 was 502% (2020 - 437%). The Company has adopted a plan that conforms to regulatory requirements.

The Company does not distribute earnings to its policyholders by way of dividends or other distribution. All earnings are retained to grow capital.

There have been no significant changes from the previous period in capital management policies and procedures.