



Summary Consolidated Financial Statements of

**MENNONITE MUTUAL INSURANCE
CO. (ALBERTA) LTD.**

December 31, 2016



February 22, 2017

Report of the independent auditor on the summary consolidated financial statements

To the Members of Mennonite Mutual Insurance Co. (Alberta) Ltd.

The accompanying summary consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2016 and the summarized consolidated statements of net and comprehensive income and changes in members' equity for the year ended December 31, 2016, and related notes, are derived from the audited consolidated financial statements of Mennonite Mutual Insurance Company (Alberta) Ltd. for the year ended December 31, 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 22, 2017. Those consolidated financial statements, and the summarized consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarized consolidated financial statements do not contain all of the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Mennonite Mutual Insurance Co. (Alberta) Ltd.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis described in Note 1.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary financial statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Mennonite Mutual Insurance Co. (Alberta) Ltd. for the year ended December 31, 2017 are a fair summary of those consolidated financial statements, on the basis described in Note 1.

Other matter

The consolidated summarized financial statements of Mennonite Mutual Insurance Co. (Alberta) Ltd. for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those consolidated summarized financial statements on February 24, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
Summary Consolidated Statement of Financial Position
As at December 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 3,866,069	\$ 3,288,633
Accounts receivable	710,302	492,262
Reinsurance receivable	146,434	82,405
Prepaid expenses	43,866	11,115
Deferred acquisition costs	65,963	47,784
Investments	10,903,641	9,953,179
Reinsurer's share of provision for unpaid claims	2,508,914	2,003,283
Property and equipment	1,891,705	1,380,943
Deferred income tax assets	13,620	-
	\$20,150,514	\$17,259,604
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,052,774	\$ 1,012,134
Reinsurance premium payable	40,885	288,950
Prepaid premiums	3,132,257	2,465,511
Unearned premiums	1,615,436	1,430,722
Provision for unpaid claims	5,009,733	4,583,776
Deferred income tax liabilities	-	38,505
	10,851,085	9,819,598
MEMBERS' EQUITY		
Accumulated other comprehensive income	313,284	411,661
Retained earnings	8,986,145	7,028,345
	9,299,429	7,440,006
	\$20,150,514	\$17,259,604

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

APPROVED BY THE BOARD



Ken Ritchie, General Manager & CEO



Willy Goertzen, Chairman of Audit Committee

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.

Summary Consolidated Statement of Net Income

For the year ended December 31, 2016

	2016	2015
POLICY REVENUES		
Gross premiums written	\$10,673,023	\$10,528,853
Premiums ceded to reinsurer	(1,969,342)	(2,274,009)
Net premiums written	8,703,681	8,254,844
Change in unearned premiums	(184,714)	(295,839)
Net premiums earned	8,518,967	7,959,005
Service fees revenue	96,555	83,087
Net policy revenues	8,615,522	8,042,092
POLICY EXPENSES		
Gross claims incurred	(4,463,908)	(4,486,095)
Claims ceded to reinsurer	1,220,733	1,314,502
Premium taxes	(383,913)	(308,363)
Commissions	(34,251)	(46,776)
Net policy expenses	(3,661,339)	(3,526,732)
UNDERWRITING INCOME	4,954,183	4,515,360
Depreciation of property and equipment	(76,078)	(60,406)
Operating expenses	(3,212,589)	(3,008,688)
UNDERWRITING INCOME, net of depreciation and operating expenses	1,665,516	1,446,266
Finance income, net of investment management fees	652,413	291,390
Fee and Commission Operations, net of operating expenses	153,008	75,982
Donation to Mennonite Central Committee Alberta	(180,100)	(126,900)
Payments to the Mennonite Mutual Compassion Fund	(28,415)	(23,217)
Other donations	(3,000)	(400)
INCOME BEFORE INCOME TAXES	2,259,422	1,663,121
INCOME TAX (EXPENSE) RECOVERY		
Current	(353,747)	(10,567)
Deferred	52,125	(343,501)
NET INCOME	\$ 1,957,800	\$ 1,309,053

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

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
Summary Consolidated Statement of Comprehensive Income
For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
NET INCOME	\$ 1,957,800	\$ 1,309,053
OTHER COMPREHENSIVE LOSS		
Items that may subsequently be reclassified to net income		
Reclassification of net realized gains to net income	(485,530)	(127,131)
Less income tax on reclassification of net realized gains to net income	131,093	33,054
Write-down of impaired investment	5,373	30,580
Less income tax on write-down of impaired investment	(1,451)	(7,951)
Net unrealized gains (losses) arising during the year	345,394	(6,178)
Less income tax on net unrealized (gains) losses arising during the year	(93,256)	1,606
OTHER COMPREHENSIVE LOSS	(98,377)	(76,020)
COMPREHENSIVE INCOME	\$ 1,859,423	\$ 1,233,033

Summary Consolidated Statement of Members' Equity
For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
RETAINED EARNINGS		
Balance, beginning of the year	\$ 7,028,345	\$ 5,719,292
Net income	1,957,800	1,309,053
BALANCE, END OF YEAR	8,986,145	7,028,345
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	411,661	487,681
Other comprehensive income	(98,377)	(76,020)
BALANCE, END OF YEAR	313,284	411,661
TOTAL MEMBERS' EQUITY	\$ 9,299,429	\$ 7,440,006

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

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
Summary Consolidated Schedule of Operating Expenses
For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Salaries and employee benefit contributions	\$ 2,313,481	\$ 2,050,265
Rent and property costs	245,883	197,577
Computer support	223,540	190,263
Meetings and conventions	150,216	160,700
Office expenses and supplies	114,561	105,100
Professional fees	105,754	167,477
Advertising	99,857	67,486
Defined contribution pension plan	87,485	81,151
Bank charges	83,571	110,208
Loss prevention and underwriting	66,216	66,005
Membership dues	25,306	19,172
Insurance	15,683	23,610
Bad debt expense	13,879	59,112
Education and training	9,868	23,652
Licenses	3,521	5,128
Loss on disposal of property and equipment	3,494	10,634
Volunteer direct expenses	68	898
Adjusting expenses recovered from reinsurer	(39,902)	(4,025)
	3,522,481	3,334,413
Operating expenses allocated the Agency	(309,892)	(325,725)
Total operating expenses	\$ 3,212,589	\$ 3,008,688

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

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.

Notes to the Summary Consolidated Financial Statements

Year ended December 31, 2016

1. DESCRIPTION OF BUSINESS

Mennonite Mutual Insurance Co. (Alberta) Ltd. (the "Company") is an Alberta company that provides property and liability insurance for homes, farms and businesses. The majority of policyholders attend the Company's member churches. Those churches belong to the various Mennonite denominational groups, as well as Christian churches that share a similar faith. Some policyholders also attend Christian churches that are not member churches. The Company's Board of Directors ("Board") are policyholders who are elected by delegates from the member churches. By insuring with the Company, policyholders help to provide mutual aid within their faith communities and help to support the Mennonite Mutual Compassion Fund as well as the work of Mennonite Central Committee Alberta.

The Company has a wholly owned subsidiary company, Mennonite Insurance Agency Ltd. (the "Agency"), through which they offer policyholders access to third-party automobile insurance and other insurance products not provided by the Company.

The Company operates in Alberta and has expanded into British Columbia and Saskatchewan through the Agency. The Company has been licensed and regulated by the government of Alberta since 1960. It participates in a national reinsurance facility which provides additional financial strength and security for policyholders.

The Company is domiciled in Alberta, Canada and its registered office is #300 - 2946, 32 Street NE, Calgary, Alberta.

2. BASIS OF PRESENTATION

The accounting policies have been applied consistently to all periods presented in these summary consolidated financial statements. The policies applied in these summary consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2016.

These summarized consolidated financial statements do not contain all of the disclosures required by IFRS. Readers are cautioned that these consolidated statements may not be appropriate for their purposes. For more information on the Company's consolidated financial position, consolidated results of operations, and consolidated cash flows, reference should be made to the related complete consolidated financial statements. The Company's complete set of consolidated financial statements prepared in accordance with IFRS, and these summarized consolidated financial statements, were authorized for issue by the Board on February 22, 2017.