



Summary Consolidated Financial Statements of

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

December 31, 2017



February 23, 2018

Report of the independent auditor on the summary consolidated financial statements

To the Member 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, 2017, the summarized consolidated statements of net and comprehensive income and changes in member's equity for the year then ended, and related notes, are derived from the audited consolidated financial statements of Mennonite Mutual Insurance Co. (Alberta) Ltd. for the year ended December 31, 2017. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated February 23, 2018. 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 summary consolidated financial statements do not contain all of the disclosures required by International Financial Reporting Standards. Reading the summary 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 Consolidated 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.

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, 2017

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 3,350	\$ 3,866
Accounts receivable	1,148	710
Reinsurance receivable	27	146
Prepaid expenses	24	44
Deferred acquisition costs	100	66
Investments	11,834	10,904
Reinsurer's share of provision for unpaid claims	2,790	2,509
Property and equipment	2,005	1,892
Deferred income tax assets	-	14
	\$ 21,278	\$ 20,151
LIABILITIES		
Accounts payable and accrued liabilities	\$ 782	\$ 1,053
Reinsurance premium payable	87	41
Prepaid premiums	2,519	3,132
Unearned premiums	2,179	1,615
Provision for unpaid claims	5,317	5,010
Deferred income tax liabilities	10	-
	10,894	10,851
MEMBERS' EQUITY		
Accumulated other comprehensive income	410	314
Retained earnings	9,974	8,986
	10,384	9,300
	\$ 21,278	\$ 20,151

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, 2017

(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
POLICY REVENUES		
Gross premiums written	\$ 11,591	\$ 10,673
Premiums ceded to reinsurer	(2,004)	(1,969)
Net premiums written	9,587	8,704
Change in unearned premiums	(564)	(185)
Net premiums earned	9,023	8,519
Service fees revenue	113	97
Net policy revenues	9,136	8,616
POLICY EXPENSES		
Gross claims incurred	(4,873)	(4,464)
Claims ceded to reinsurer	987	1,221
Premium taxes	(438)	(384)
Commissions	(30)	(34)
Net policy expenses	(4,354)	(3,661)
UNDERWRITING INCOME	4,782	4,955
Depreciation of property and equipment	(95)	(76)
Operating expenses	(3,817)	(3,213)
UNDERWRITING INCOME, net of depreciation and operating expenses	870	1,666
Finance income, net of investment management fees	162	652
Fee and Commission Operations, net of operating expenses	147	153
Donation to Mennonite Central Committee Alberta	(85)	(180)
Payments to the Mennonite Mutual Compassion Fund	(40)	(28)
Other donations	(3)	(3)
INCOME BEFORE INCOME TAXES	1,051	2,260
INCOME TAX (EXPENSE) RECOVERY		
Current	(39)	(354)
Deferred	(24)	52
NET INCOME	\$ 988	\$ 1,958

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, 2017
(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
NET INCOME	\$ 988	\$ 1,958
OTHER COMPREHENSIVE LOSS		
Items that may subsequently be reclassified to net income		
Reclassification of net realized losses (gains) to net income	8	(485)
Less income tax on reclassification of net realized gains to net income	(2)	131
Write-down of impaired investment	4	5
Less income tax on write-down of impaired investment	(1)	(1)
Net unrealized gains (losses) arising during the year	120	345
Less income tax on net unrealized (gains) losses arising during the year	(33)	(93)
OTHER COMPREHENSIVE LOSS	96	(98)
COMPREHENSIVE INCOME	\$ 1,084	\$ 1,860

Summary Consolidated Statement of Members' Equity

For the year ended December 31, 2017
(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
RETAINED EARNINGS		
Balance, beginning of the year	\$ 8,986	\$ 7,028
Net income	988	1,958
BALANCE, END OF YEAR	9,974	8,986
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	314	412
Other comprehensive income	96	(98)
BALANCE, END OF YEAR	410	314
TOTAL MEMBERS' EQUITY	\$ 10,384	\$ 9,300

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, 2017
(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Salaries and employee benefit contributions	\$ 2,673	\$ 2,313
Computer support	309	224
Meetings and conventions	208	150
Rent and property costs	206	246
Office expenses and supplies	168	115
Professional fees	149	106
Loss prevention and underwriting	116	66
Defined contribution pension plan	96	87
Advertising	91	100
Bank charges	88	84
Education and training	47	10
Membership dues	27	25
Insurance	27	16
Bad debt expense	12	14
Licenses	5	4
Loss on disposal of property and equipment	-	3
Adjusting expenses recovered from reinsurer	(11)	(40)
	4,211	3,523
Operating expenses allocated the Agency	(394)	(310)
Total operating expenses	\$ 3,817	\$ 3,213

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, 2017

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, 2017.

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 23, 2018.