



Summary Consolidated Financial Statements of

**Mennonite Mutual Insurance Co.
(Alberta) Ltd.**

December 31, 2019



Report of the Independent Auditor on the Summary Consolidated Financial Statements

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

Our opinion

In our opinion, the accompanying summary consolidated financial statements of Mennonite Mutual Insurance Co. (Alberta) Ltd. and its subsidiaries (together, the Company) are a fair summary of the audited consolidated financial statements, on the basis described in note 2 to the summary consolidated financial statements.

The summary consolidated financial statements

The Company's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2019 comprise:

- the summary consolidated statement of financial position as at December 31, 2019;
- the summary consolidated statement of net (loss) income for the year then ended;
- the summary consolidated statement of net comprehensive (loss) income for the year then ended;
- the summary consolidated statement of member's equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated February 25, 2020.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in note 2.

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



Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are a fair summary of the audited 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*.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 25, 2020

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.

Summary Consolidated Statement of Financial Position

As at December 31, 2019
(in thousands of dollars)


	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 4,525	\$ 3,916
Accounts receivable	1,417	1,164
Prepaid expenses	26	38
Deferred acquisition costs	113	100
Investments	10,933	10,887
Reinsurer's share of provision for unpaid claims	453	1,212
Property and equipment	2,050	1,970
Right of Use assets	316	-
Software	652	384
Deferred income tax assets	62	58
	\$ 20,547	\$ 19,729
LIABILITIES		
Accounts payable and accrued liabilities	\$ 943	\$ 883
Reinsurance premium payable	128	6
Prepaid premiums	2,808	2,622
Unearned premiums	2,753	2,390
Provision for unpaid claims	2,801	3,037
Right of Use liabilities	322	-
Deferred income tax liabilities	257	163
	10,012	9,101
CONTINGENCIES		
GUARANTEES		
MEMBERS' EQUITY		
Accumulated other comprehensive income	357	4
Retained earnings	10,178	10,624
	10,535	10,628
	\$ 20,547	\$ 19,729

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

APPROVED BY THE BOARD



Sandra van Raalten, CEO & General Manager



Willy Goertzen, Chairman of Audit Committee

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
Summary Consolidated Statement of Net (Loss) Income
For the year ended December 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
POLICY REVENUES		
Gross premiums written	\$ 12,006	\$ 11,258
Premiums ceded to reinsurer	(2,507)	(2,196)
Net premiums written	9,499	9,062
Change in unearned premiums	(363)	(211)
Net premiums earned	9,136	8,851
Service fees revenue	127	118
Commission income	17	26
Net policy revenues	9,280	8,995
POLICY EXPENSES		
Gross claims incurred	(5,512)	(3,993)
Claims ceded to reinsurer	636	236
Premium taxes	(467)	(443)
Commission expense	(6)	(35)
Net policy expenses	(5,349)	(4,235)
UNDERWRITING INCOME	3,931	4,760
Depreciation	(280)	(107)
General expenses	(4,780)	(4,288)
UNDERWRITING (LOSS) INCOME, net of depreciation and general expenses	(1,129)	365
Finance income, net of investment management fees	564	344
Fee and commission operations, net of general expenses	(46)	152
Donations	(39)	(96)
(LOSS) INCOME BEFORE INCOME TAXES	(650)	765
INCOME TAX RECOVERY (EXPENSE)		
Current	294	(21)
Deferred	(90)	(94)
NET (LOSS) INCOME	\$ (446)	\$ 650

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

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
Summary Consolidated Statement of Comprehensive (Loss) Income
For the year ended December 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
NET (LOSS) INCOME	\$ (446)	\$ 650
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may subsequently be reclassified to net income		
Reclassification of net realized losses (gains) to net income	(326)	(172)
Income tax on reclassification of net realized (gains) losses to net income	86	46
Write-down of impaired investments	1	8
Income tax on write-down of impaired investment	-	(2)
Net unrealized gains (losses) arising during the year	806	(392)
Income tax on net unrealized gains (losses) arising during the year	(214)	106
OTHER COMPREHENSIVE INCOME (LOSS)	353	(406)
COMPREHENSIVE (LOSS) INCOME	\$ (93)	\$ 244

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

Summary Consolidated Statement of Members' Equity
For the year ended December 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
RETAINED EARNINGS		
Balance, beginning of the year	\$ 10,624	\$ 9,974
Net (loss) income	(446)	650
BALANCE, END OF YEAR	10,178	10,624
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	4	410
Other comprehensive income (loss)	353	(406)
BALANCE, END OF YEAR	357	4
TOTAL MEMBERS' EQUITY	\$ 10,535	\$ 10,628

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

MENNONITE MUTUAL INSURANCE CO. (ALBERTA) LTD.
Mennonite Mutual Insurance Co. (Alberta) Ltd.
Summary Consolidated Schedule of General Expenses
For the year ended December 31, 2019
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
Salaries and employee benefits	\$ 3,138	\$ 2,644
Information technology	572	437
Professional fees	161	117
Meetings, conferences and conventions	138	281
Rent and building occupancy costs	129	219
Inspections and loss prevention	64	68
Membership dues and fees	24	32
Licenses and regulatory assessments	3	8
Other general expenses	551	482
Total general expenses	\$ 4,780	\$ 4,288

The amounts above have been reduced by \$655 (2018 - \$438 of general expense allocated to the Agency).

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, 2019

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. Most 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.

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 office of the Alberta Superintendent of Insurance, Alberta Treasury Board and Finance 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, 2019.

These summarized consolidated financial statements do not contain all 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 21, 2020.