

**Pro-Demnity Insurance  
Company  
Summary Financial Statements  
For the year ended December 31, 2018**

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## Independent Auditor's Report on Summary Financial Statements

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To the Shareholder of Pro-Demnity Insurance Company

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, and the summary statements of operations and retained earnings, comprehensive income (loss) and accumulated other comprehensive income, and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Pro-Demnity Insurance Company (the Company) for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are a fair summary of the financial statements, in accordance with the criteria disclosed in Note 1 to the summary financial statements.

### Summary Financial Statements

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

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 19, 2019.

### Responsibilities of Management for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria disclosed in Note 1 to the summary financial statements.

### Auditor's Responsibility for the Audit of the Summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Mississauga, Ontario  
February 19, 2019

## Pro-Demnity Insurance Company Summary Statement of Financial Position

**December 31** **2018** **2017**

### Assets

Cash	\$ 3,689,987	\$ 1,171,936
Investments (Note 3)	74,196,432	73,090,358
Receivables	6,854,451	6,304,250
Accrued interest	412,644	386,179
Prepaid expenses	123,481	71,405
Reinsurer's share of unearned premiums	6,937,789	6,037,703
Deferred policy acquisition expenses	405,782	357,551
Reinsurer's share of provision for unpaid claims	10,936,000	11,046,000
Income taxes recoverable	214,441	-
Property and equipment (Note 4)	393,740	376,723
Deferred tax asset (Note 6)	726,121	492,658
	<b>\$104,890,868</b>	<b>\$ 99,334,763</b>

### Liabilities and Shareholder's Equity

#### Liabilities

Payables and accruals	\$ 1,985,893	\$ 2,741,059
Income taxes payable	-	89,212
Unearned premiums	14,026,073	12,418,366
Provision for unpaid claims	57,247,000	52,039,000
	<b>73,258,966</b>	<b>67,287,637</b>

#### Shareholder's equity

Share capital (Note 5)	25,106,500	25,106,500
Contributed surplus	2,051,915	2,051,915
Retained earnings	3,828,544	3,184,280
Accumulated other comprehensive income	644,943	1,704,431
	<b>31,631,902</b>	<b>32,047,126</b>
	<b>\$104,890,868</b>	<b>\$ 99,334,763</b>

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

## Pro-Demnity Insurance Company Summary Statement of Operations and Retained Earnings

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
Direct premiums written	<b>\$ 29,675,676</b>	\$ 26,271,336
Less: Reinsurance ceded	<b>15,386,322</b>	13,596,128
Net premiums written	<b>14,289,354</b>	12,675,208
Increase in net unearned premiums	<b>(707,621)</b>	(344,553)
Net premiums earned	<b>13,581,733</b>	12,330,655
Less: Claims and adjustment expenses	<b>12,462,482</b>	10,567,822
Underwriting income before expenses, commissions and premium tax	<b>1,119,251</b>	1,762,833
Operating expenses (schedule page 28)	<b>4,750,574</b>	4,849,322
Commissions earned	<b>(2,412,184)</b>	(2,143,304)
Premium tax	<b>841,522</b>	769,346
Net underwriting loss	<b>(2,060,661)</b>	(1,712,531)
Net investment income (Note 7)	<b>2,764,301</b>	1,784,519
Income before income taxes	<b>703,640</b>	71,988
Income taxes (recovery) (Note 6)		
Current	<b>(89,154)</b>	107,239
Deferred	<b>148,530</b>	(97,064)
	<b>59,376</b>	10,175
<b>Net income for the year</b>	<b>644,264</b>	61,813
<b>Retained earnings, beginning of year</b>	<b>3,184,280</b>	3,122,467
<b>Retained earnings, end of year</b>	<b>\$ 3,828,544</b>	\$ 3,184,280

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

**Pro-Demnity Insurance Company**  
**Summary Statement of Comprehensive Income (Loss) and**  
**Accumulated Other Comprehensive Income**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Net income for the year</b>	<b>\$ 644,264</b>	<b>\$ 61,813</b>
<b>Other Comprehensive Income (Loss)</b>		
Unrealized gains (losses) on available for sale assets, net of tax recovery of \$291,221 (2017 - expense of \$147,085)	<b>(807,725)</b>	407,954
Transfer of realized gains on available for sale assets to statement of operations, net of tax expense of \$90,772 (2017 - \$15,913)	<b>(251,763)</b>	(44,137)
<b>Total other comprehensive income (loss)</b>	<b>(1,059,488)</b>	363,817
<b>Comprehensive income (loss) for the year</b>	<b>\$ (415,224)</b>	<b>\$ 425,630</b>
<b>Accumulated other comprehensive income</b> , beginning of year	<b>\$ 1,704,431</b>	\$ 1,340,614
<b>Total other comprehensive income (loss)</b> , for the year	<b>(1,059,488)</b>	363,817
<b>Accumulated other comprehensive income</b> , end of year	<b>\$ 644,943</b>	\$ 1,704,431

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

## Pro-Demnity Insurance Company Summary Statement of Cash Flows

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	\$ 644,264	\$ 61,813
Adjustments for:		
Depreciation	82,346	96,292
Amortization of premium/discount on bonds and debentures	645,430	813,233
Interest and dividend income	(1,041,397)	(496,682)
Provision for income taxes	59,376	10,175
Realized gain from disposal of investments	(340,671)	(49,367)
Realized loss from disposal of capital assets	-	22,907
	<u>49,348</u>	<u>458,371</u>
Changes in working capital and insurance contract related balances		
Receivables	(550,201)	(709,780)
Prepaid expenses	(52,076)	(34,977)
Reinsurer's share of unearned premiums	(900,086)	(261,222)
Deferred policy acquisition expenses	(48,231)	(18,173)
Payables and accruals	(755,166)	(508,286)
Unearned premiums	1,607,707	605,775
Provision for unpaid claims, net of reinsurer's share	5,318,000	1,374,000
	<u>4,669,295</u>	<u>905,708</u>
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	1,014,932	549,415
Income taxes recovered	(214,500)	327,799
	<u>5,469,727</u>	<u>1,782,922</u>
<b>Total cash inflows from operating activities</b>	<b>5,469,727</b>	<b>1,782,922</b>
<b>Investing activities</b>		
Purchase of investments	(67,455,402)	(85,535,989)
Proceeds from sale of investments	64,603,089	78,991,439
Purchase of property and equipment	(99,363)	(293,708)
	<u>(2,951,676)</u>	<u>(6,838,258)</u>
<b>Total cash outflows from investing activities</b>	<b>(2,951,676)</b>	<b>(6,838,258)</b>
<b>Financing activity</b>		
Issuance of share capital	-	5,000,000
	<u>2,518,051</u>	<u>(55,336)</u>
<b>Increase (decrease) in cash during the year</b>	<b>2,518,051</b>	<b>(55,336)</b>
<b>Cash, beginning of year</b>	<b>1,171,936</b>	<b>1,227,272</b>
<b>Cash, end of year</b>	<b>\$ 3,689,987</b>	<b>\$ 1,171,936</b>

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

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies

#### ***Reporting entity***

Pro-Demnity Insurance Company (the "Company" or "Pro-Demnity") was incorporated under the laws of Ontario on August 9, 2002. The Company is an insurer dedicated to the underwriting of architects' liability coverages. The Company is licensed in Ontario and the Company's registered office is 200 Yorkland Boulevard, Suite 1200, Toronto, Ontario.

These summary financial statements have been authorized for issue by the Board of Directors on February 19, 2019.

#### ***Basis of preparation***

Management is responsible for the preparation of these summary financial statements. The summary presented includes the Summary Statement of Financial Position, Summary Statement of Operations and Retained Earnings, Summary Statement of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income, Summary Statement of Cash Flows, and selected accounting notes. It does not include all disclosures required under International Financial Reporting Standards. Copies of the December 31, 2018 audited financial statements are available at the Pro-Demnity Insurance Company office.

The audited financial statements were authorized for issue by the Board of Directors on February 20, 2019. The audited financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These summary financial statements were prepared under the historical cost convention, as modified by the revaluation of investments. (Note 3)

The Company's summary financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency.

The preparation of summary financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the summary financial statements are disclosed in Note 2.

#### ***Significant accounting policies***

##### **Insurance contracts**

In accordance with IFRS 17 (formerly IFRS 4) *Insurance Contracts*, the Company has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian GAAP.

Balances arising from insurance contracts primarily include unearned premiums, provision for unpaid claims, reinsurer's share of unearned premiums and provision for unpaid claims, and deferred policy acquisition expenses.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### (a) Premiums and unearned premiums

Direct premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are exclusive of taxes levied on premiums.

The Company earns premium income evenly over the term of the insurance policy using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums.

#### (b) Reinsurer's share of unearned premiums

The reinsurer's share of unearned premiums are recognized as an asset using principles consistent with the Company's method for determining the unearned premium liability.

#### (c) Deferred policy acquisition expenses

Acquisition costs are comprised of premium taxes. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses.

#### (d) Provision for unpaid claims

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, changes in reported claims and for claims incurred but not reported, based on past experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in net income.

Claim liabilities are carried on a discounted basis to reflect the time value of money. As required by actuarial standards in Canada claims liabilities also include a provision for adverse deviation (PFAD), which represents an additional margin on valuation variable factors, which are claims development, reinsurance recoveries and interest rates used in discounting claims liabilities.

#### (e) 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 to the statement of operations initially by writing off the deferred policy acquisition expense and subsequently by recognizing additional unearned premiums.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### (f) Reinsurer's share of provision for unpaid claims

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 payables and accruals and are recognized as an expense on the same basis as revenue on the underlying policies being reinsured.

Expected reinsurance recoveries on unpaid claims are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability.

#### (g) Refund of premiums

Under the discretion of the Board of Directors the Company may declare a refund to its policyholders based on premiums to the mandatory insurance program required by the Architect's Act and its regulations.

### Financial instruments

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

#### (a) Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For amounts due from policyholders and reinsurers, such provisions are recorded in a separate allowance account with the loss being recognized in net income. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### (b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. These investments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at amortized cost using the effective interest rate method. The Company classifies its debt securities that are backing its claims liabilities as held-to-maturity. This aims to reduce the volatility caused by the fluctuations in carrying values of underlying claims liabilities due to the impact of changes in investment returns on claims discount rates. Interest on debt securities classified as held-to-maturity is calculated using the effective interest method and is included in net income. Where there is a significant or prolonged decline in the fair value of a held-to-maturity financial asset, which constitutes objective evidence of impairment, the full amount of the impairment is recognized in net income.

#### (c) Available-for-sale investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise investments in debt securities and equity pooled funds. These instruments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition. Subsequently they are carried at fair value, unless they do not have a quoted market price in an active market and fair value is not reliably determinable. When they do not have a quoted market price in an active market and fair value is not reliably determinable, they are carried at cost. Investments in pooled funds are valued at the net asset value provided by the investment fund manager.

Changes in fair value are recognized as a separate component of other comprehensive income (OCI). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset, which constitutes objective evidence of impairment, the full amount of the impairment, including any amount previously recognized in other comprehensive income (loss), is recognized in net income.

Purchases and sales of equity pooled funds are recognized on the trade date with any change in fair value between trade date and settlement date being recognized in accumulated other comprehensive income (loss).

On sale, the amount held in accumulated other comprehensive income (loss) associated with that asset is removed from shareholder's equity and recognized in net income. Interest on debt securities classified as available-for-sale is calculated using the effective interest method and is included in net income.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### (d) Other financial liabilities

Other financial liabilities include all financial liabilities and comprise payables and accruals. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

#### Property and equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Depreciation based on the estimated useful life of the asset is calculated as follows:

Computer hardware	- 20-33% straight-line basis
Furniture and fixtures	- 10% straight-line basis

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

#### Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, an impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Income taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

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 or taxable profit or loss.

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

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

#### Standards, amendments and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2019 or later.

The Company has not yet determined the extent of the impact of the following new standards, interpretations and amendments, which have not been applied in these financial statements.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Standards, amendments and interpretations not yet adopted (continued)

##### *IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement*

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 – *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This single, principle-based approach replaces existing rule-based requirements and is intended to improve and simplify the reporting for financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Retrospective application is required with certain exceptions.

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduced an optional temporary exemption, which permits eligible companies to defer the implementation date of IFRS 9 until annual periods beginning on or after January 1, 2021. The temporary exemption is available to companies whose predominant activity is to issue insurance contracts. The amendments also include an option to apply the “overlay approach” to the presentation of qualifying financial assets, in which an entity would be permitted to remove from profit or loss and present instead in OCI, the impact of measuring financial assets at fair value through profit or loss under IFRS 9 when they would not have been so measured under IAS 39. The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of IFRS 17.

##### *IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company expects to recognize right-of-use assets and lease liabilities for its office lease and certain equipment. See Note 9 for a schedule of lease commitments.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

#### Standards, amendments and interpretations not yet adopted (continued)

##### *IFRS 17 Insurance Contracts*

IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires entities to recognize profits as it delivers insurance services. The effective date for IFRS 17 is January 1, 2021. The Company has not yet determined the impact of adoption, however is expected to significantly impact the overall financial statements.

##### *IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23 Uncertainty over Income Tax Treatments provides guidance on recognition and measurement of uncertain income tax treatments. The effective date for IFRIC 23 is January 1, 2019. The Company is in the process of evaluating the impact of this interpretation.

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### 2. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

#### **Estimates**

The effect of a change in an accounting estimate is recognized prospectively by including it in net income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

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 are discussed below.

# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

**December 31, 2018**

### 2. Critical Accounting Estimates and Judgments (continued)

#### *Provision for unpaid claims*

The estimation of the provision for unpaid claims and the related reinsurer's share are the Company's most critical accounting estimates. There are several sources of uncertainty that need to be considered by the Company in estimating the amount that will ultimately be paid on these 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.

#### **Judgments**

#### *Impairment of available-for-sale investments*

The Company determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in fair value below cost. The determination of what is significant or prolonged requires judgment. In making this judgment the Company considers among other factors, the normal volatility in market price, the financial health of the investee and industry and sector performance.

### 3. Financial Instrument Classification

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

	Held to maturity	Available- for-sale	Loans and receivables	Other financial liabilities	Total
<b>December 31, 2018</b>					
Cash	\$ -	\$ -	\$ 3,689,987	\$ -	\$ 3,689,987
Investments	46,388,050	27,808,382	-	-	74,196,432
Receivables	-	-	6,854,451	-	6,854,451
Accrued interest	-	-	412,644	-	412,644
Payables and accruals	-	-	-	(1,985,893)	(1,985,893)
	<b>\$ 46,388,050</b>	<b>\$ 27,808,382</b>	<b>\$ 10,957,082</b>	<b>\$ (1,985,893)</b>	<b>\$ 83,167,621</b>
<b>December 31, 2017</b>					
Cash	\$ -	\$ -	\$ 1,171,936	\$ -	\$ 1,171,936
Investments	45,402,820	27,687,538	-	-	73,090,358
Receivables	-	-	6,304,250	-	6,304,250
Accrued interest	-	-	386,179	-	386,179
Payables and accruals	-	-	-	(2,741,059)	(2,741,059)
	<b>\$ 45,402,820</b>	<b>\$ 27,687,538</b>	<b>\$ 7,862,365</b>	<b>\$ (2,741,059)</b>	<b>\$ 78,211,664</b>

# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

**December 31, 2018**

### 3. Financial Instrument Classification (continued)

The following table provides carrying value and fair value information of investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as shown below.

#### Available-for-Sale

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Guaranteed investment certificates (GICs)	\$ 351,131	\$ 351,131	\$ 501,318	\$ 501,318
Bonds issued by				
Government and guaranteed	8,604,232	8,604,232	8,222,638	8,222,638
Asset backed securities	572,436	572,436	278,650	278,650
Canadian municipal	744,752	744,752	889,008	889,008
Corporate	11,032,492	11,032,492	10,457,901	10,457,901
	<u>20,953,912</u>	<u>20,953,912</u>	<u>19,848,197</u>	<u>19,848,197</u>
Equities				
Equity pool fund (Canadian)	3,013,733	3,013,733	3,390,915	3,390,915
Equity pool fund (International)	3,489,606	3,489,606	3,947,108	3,947,108
	<u>6,503,339</u>	<u>6,503,339</u>	<u>7,338,023</u>	<u>7,338,023</u>
Total Available-for-Sale	<u>\$ 27,808,382</u>	<u>\$ 27,808,382</u>	<u>\$ 27,687,538</u>	<u>\$ 27,687,538</u>

#### Held-to-Maturity

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds issued by				
Government and guaranteed	\$ 23,267,324	\$ 23,145,629	\$ 22,785,913	\$ 22,653,326
Corporate	23,120,726	22,785,439	22,616,907	22,438,175
Total Held-to-Maturity	<u>\$ 46,388,050</u>	<u>\$ 45,931,068</u>	<u>\$ 45,402,820</u>	<u>\$ 45,091,501</u>

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total Investments	<u>\$ 74,196,432</u>	<u>\$ 73,739,450</u>	<u>\$ 73,090,358</u>	<u>\$ 72,779,039</u>

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Pro-Demnity Insurance Company Notes to Summary Financial Statements

**December 31, 2018**

### 3. Financial Instrument Classification (continued)

Financial assets recorded at fair value by the level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b>December 31, 2018</b>				
GICs	\$ 351,131	\$ -	\$ -	\$ 351,131
Bonds	-	20,953,912	-	20,953,912
Equity pool funds	-	6,503,339	-	6,503,339
<b>Total</b>	<b>\$ 351,131</b>	<b>\$ 27,457,251</b>	<b>\$ -</b>	<b>\$ 27,808,382</b>

	Level 1	Level 2	Level 3	Total
<b>December 31, 2017</b>				
GICs	\$ 501,318	\$ -	\$ -	\$ 501,318
Bonds	-	19,848,197	-	19,848,197
Equity pool funds	-	7,338,023	-	7,338,023
<b>Total</b>	<b>\$ 501,318</b>	<b>\$ 27,186,220</b>	<b>\$ -</b>	<b>\$ 27,687,538</b>

Transfers between levels are considered to have occurred at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 for the years ended December 31, 2018 and 2017. There were also no transfers in or out of Level 3.

Maturity profile of bonds held is as follows:

	Within 1 year	1 to 3 years	3 to 5 years	5 to 7 years	Greater than 7 years	Total
<b>December 31, 2018</b>	<b>\$ 8,397,272</b>	<b>\$ 21,125,266</b>	<b>\$ 23,461,128</b>	<b>\$ 2,087,339</b>	<b>\$ 12,270,750</b>	<b>\$ 67,341,755</b>
<b>Percent of Total</b>	<b>12.47 %</b>	<b>31.37 %</b>	<b>34.84 %</b>	<b>3.10 %</b>	<b>18.22 %</b>	<b>100.00 %</b>
<b>December 31, 2017</b>	<b>\$ 9,872,180</b>	<b>\$ 18,663,206</b>	<b>\$ 22,372,903</b>	<b>\$ 2,003,403</b>	<b>\$ 12,339,325</b>	<b>\$ 65,251,017</b>
<b>Percent of Total</b>	<b>15.13 %</b>	<b>28.60 %</b>	<b>34.29 %</b>	<b>3.07 %</b>	<b>18.91 %</b>	<b>100.00 %</b>

The effective interest rate of the bond portfolio is 3.19% (2017 - 3.48%).

## Pro-Demnity Insurance Company Notes to Summary Financial Statements

**December 31, 2018**

### 4. Property and Equipment

	Property and equipment		
	Furniture and fixtures	Computer hardware	Total
<b>Cost</b>			
Balance at January 1, 2017	\$ 145,551	\$ 602,369	\$ 747,920
Additions	57,647	236,061	293,708
Disposals	(56,950)	-	(56,950)
Balance on December 31, 2017	146,248	838,430	984,678
Additions	2,366	96,997	99,363
Disposals	(30,371)	(91,926)	(122,297)
Balance on December 31, 2018	\$ 118,243	\$ 843,501	\$ 961,744
<b>Accumulated depreciation</b>			
Balance at January 1, 2017	\$ 108,789	\$ 436,917	\$ 545,706
Depreciation	9,871	86,421	96,292
Disposals	(34,043)	-	(34,043)
Balance on December 31, 2017	84,617	523,338	607,955
Depreciation	7,116	75,230	82,346
Disposals	(30,371)	(91,926)	(122,297)
Balance on December 31, 2018	\$ 61,362	\$ 506,642	\$ 568,004
<b>Net Book Value</b>			
December 31, 2017	\$ 61,631	\$ 315,092	\$ 376,723
<b>December 31, 2018</b>	<b>\$ 56,881</b>	<b>\$ 336,859</b>	<b>\$ 393,740</b>

## Pro-Demnity Insurance Company Notes to Summary Financial Statements

**December 31, 2018**

### 5. Share Capital

Authorized:			
100,000	Class A preferred shares having a par value of \$100, redeemable by the Company at par value, non-voting, non-participating, non-cumulative, maximum annual dividend of 6.5%		
100	preferred shares having a par value of \$100, redeemable by the Company at par value, non-voting, non-participating, non-cumulative 6% dividends		
250,000	common shares having a par value of \$100		
Issued:			
		<u>2018</u>	<u>2017</u>
50,000	Class A Preference shares	<b>\$ 5,000,000</b>	\$ 5,000,000
65	Preference shares	<b>6,500</b>	6,500
201,000	Common shares	<b>20,100,000</b>	20,100,000
		<b><u>\$ 25,106,500</u></b>	<b><u>\$ 25,106,500</u></b>

### 6. Income Taxes

The significant components of tax expense included in net income are composed of:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Based on current year taxable income (loss)	<b>\$ (89,154)</b>	\$ 107,239
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	<b>\$ 18,573</b>	\$ (1,823)
Non deductible claims	<b>(70,477)</b>	(18,192)
Change in deferred tax on other comprehensive income	<b>381,993</b>	(131,172)
Loss carryforwards	<b>(177,853)</b>	57,828
Other	<b>(3,706)</b>	(3,705)
	<b><u>148,530</u></b>	<b><u>(97,064)</u></b>
Total income tax expense	<b>\$ 59,376</b>	<b>\$ 10,175</b>

## Pro-Demnity Insurance Company Notes to Summary Financial Statements

**December 31, 2018**

### 6. Income Taxes (continued)

The significant components of the tax effect of the amounts recognized in other comprehensive income (loss) are composed of:

	2018	2017
Change in unrealized gains on available-for-sale investments	\$ (291,221)	\$ 147,085
Reclassification of realized gains on available-for-sale investments	(90,772)	(15,913)
Total tax effect of amounts recorded in other comprehensive income	\$ (381,993)	\$ 131,172

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2017 – 26.5%) are as follows:

	2018	2017
Income before income taxes	\$ 703,640	\$ 71,988
Expected taxes based on the statutory rate	\$ 186,465	\$ 19,077
Non deductible expenses	3,488	4,392
Canadian dividend income not taxable	(148,617)	(13,299)
Under provision (recovery) in prior years	18,040	5
Total income tax	\$ 59,376	\$ 10,175

The movements in 2018 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2018	Recognize in net income	Recognize in OCI	Closing balance at Dec 31, 2018
<b>2018</b>				
<i>Deferred tax assets</i>				
Claims liabilities	\$ 543,144	\$ 70,477	\$ -	\$ 613,621
Loss carryforwards	-	177,853	-	177,853
Deferred tax assets	\$ 543,144	\$ 248,330	\$ -	\$ 791,474
<b>2018</b>				
<i>Deferred tax liabilities</i>				
Investments	\$ -	\$ 381,993	\$ (381,993)	\$ -
Bond transitional provision	24,189	(3,706)	-	20,483
Plant & equipment	26,297	18,573	-	44,870
Deferred tax liabilities	50,486	396,860	(381,993)	65,353
Net deferred tax	\$ 492,658	\$ (148,530)	\$ 381,993	\$ 726,121

## Pro-Demnity Insurance Company Notes to Summary Financial Statements

**December 31, 2018**

### 6. Income Taxes (continued)

The movements in 2017 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2017	Recognize in net income	Recognize in OCI	Closing balance at Dec 31, 2017
<b>2017</b>				
<i>Deferred tax assets</i>				
Claims liabilities	\$ 524,952	\$ 18,192	\$ -	\$ 543,144
Loss carryforwards	57,828	(57,828)	-	-
Deferred tax assets	<u>\$ 582,780</u>	<u>\$ (39,636)</u>	<u>\$ -</u>	<u>\$ 543,144</u>
<b>2017</b>				
<i>Deferred tax liabilities</i>				
Investments	\$ -	\$ (131,172)	\$ 131,172	\$ -
Bond transitional provision	27,894	(3,705)	-	24,189
Plant & equipment	28,120	(1,823)	-	26,297
Deferred tax liabilities	<u>56,014</u>	<u>(136,700)</u>	<u>131,172</u>	<u>50,486</u>
Net deferred tax	<u>\$ 526,766</u>	<u>\$ 97,064</u>	<u>\$ (131,172)</u>	<u>\$ 492,658</u>

### 7. Investment Income

	<b>2018</b>	<b>2017</b>
Interest income	\$ 2,111,575	\$ 1,842,302
Dividend income	560,819	50,185
Realized gains on disposal of investments	340,671	49,367
Investment expenses	<u>(248,764)</u>	<u>(157,335)</u>
	<u>\$ 2,764,301</u>	<u>\$ 1,784,519</u>

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## Pro-Demnity Insurance Company Notes to Summary Financial Statements

**December 31, 2018**

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### 8. Related Party Transactions

The Company entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management:

	2018	2017
Compensation		
Executives' compensation and directors' fees	<b>\$ 1,515,203</b>	\$ 1,522,881

In addition, the Company had the following transactions with its parent company, The Ontario Association of Architects:

	2018	2017
Administrative services and practice consultation service	<b>\$ 2,646</b>	\$ 88,126
Occupancy costs	-	99,957

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### 9. Commitments

The Company has entered into operating leases for its office premises and certain equipment. The minimum annual lease payments on all leases for the next four years are as follows:

2019		\$	268,925
2020			272,349
2021			270,775
2022			224,326
			224,326
		<b>\$</b>	<b>1,036,375</b>

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 10. Capital Management

The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations. Reinsurance is utilized to protect capital from catastrophic losses as the frequency and severity of these losses are inherently unpredictable. To limit their potential impact, the Company purchases reinsurance, the details of which are outlined in Note 11. For the purpose of capital management, the Company has defined capital as its share capital, contributed surplus and retained earnings.

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators require property and casualty companies to comply with capital adequacy requirements. This test compares a company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors that are dependent on the risks associated with the Company's assets. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest-sensitive assets and liabilities to changes in interest rates. The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and deemed necessary.

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 11. Financial Instrument and Insurance Risk Management

#### *Insurance risk management*

The principal risk the Company faces under insurance contracts is that the actual claims payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual claims 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 insures architects in Ontario and as a result the Company is exposed to geographical and industry concentration risk. These risks are mitigated by regular review of the claims reserves as well as risk management strategies and the use of reinsurance arrangements.

The Company writes insurance primarily over a twelve month duration on a claims made basis.

The Company follows a policy of underwriting and reinsuring contracts of insurance which limit the liability of the Company to an amount on any one claim of \$250,000 (2017 - \$250,000). In 2018, the reinsurer agreed to pay claims expenses in excess of \$300,000 (2017 - \$400,000) on each claim for claim limits above \$250,000. In addition, the Company has obtained stop loss reinsurance and clash reinsurance against catastrophic events. The stop loss reinsurance attaches when claims liabilities in a specific underwriting year exceed \$17,000,000 (2017 - \$17,000,000) and ceases when claims liabilities reach \$31,000,000 of the ultimate net loss (2017 - \$31,000,000). The clash reinsurance applies to predefined events that cause a multiplicity of claims in excess of \$1,500,000 (2017 - \$1,500,000). The coverage is \$4,000,000 (2017 - \$4,000,000) in excess of a deductible of \$1,500,000 (2017 - \$1,500,000) for claims arising from a predefined event.

Amounts recoverable from reinsurer are 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.

The Company is exposed to pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2018 and 2017.

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims frequency, expected loss ratios and claims development.

# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

**December 31, 2018**

### 11. Financial Instrument and Insurance Risk Management (continued)

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

	Liability claims	
	2018	2017
5% increase in loss ratios		
Gross	\$ 2,330,000	\$ 2,057,000
Net	1,559,000	1,349,000
5% decrease in loss ratios		
Gross	\$ (2,057,000)	\$ (2,054,000)
Net	(1,349,000)	(1,349,000)

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

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a debtor fails to make payments of interest and principal when due. The Company is exposed to this risk relating to its debt holdings in its investment portfolio and the reliance on the reinsurer to make payment when certain loss conditions are met.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, and corporate sector limits. Funds are invested in bonds, asset backed securities and debentures of Federal, Provincial or Municipal Government and corporations rated BBB or better. The held-to-maturity investment policy, limits investment in bonds of the various ratings to limits ranging from 80% to 100% of the Company's portfolio. The available-for-sale investment policy, limits investment in bonds of the various ratings to limits ranging from 70% to 85% of the Company's portfolio. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

Reinsurance is placed with Lloyds, a Canadian registered reinsurer. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

Receivables are short-term in nature consisting of a large number of policyholders, and are not subject to material credit risk. Regular review of outstanding receivables is performed to ensure credit worthiness.

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

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

December 31, 2018

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### 11. Financial Instrument and Insurance Risk Management (continued)

#### ***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Finance and Audit Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

#### ***Currency risk***

Currency risk relates to the Company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Company is exposed to currency risk through its investment in international equity pool fund.

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

#### ***Interest rate risk***

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Company is exposed to this risk through its interest bearing investments (GICs, asset backed securities and bonds).

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy for its investments held in support of its claims liabilities and classified as held-to-maturity. This allows the Company to effectively manage a portion of its interest rate risk. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result the Company is exposed to significant interest rate risk. Generally, the Company's investment income related to its available-for-sale financial investment portfolio will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in other comprehensive income (loss).

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# Pro-Demnity Insurance Company

## Notes to Summary Financial Statements

**December 31, 2018**

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### 11. Financial Instrument and Insurance Risk Management (continued)

At December 31, 2018, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds and asset backed securities held as available-for-sale by approximately \$1,596,000 (2017 - \$1,572,000) and those classified as held-to-maturity by \$1,047,000 (2017 - \$957,000). The change would be recognized in other comprehensive income (loss) for the available-for-sale portfolio. A 1% change in the interest rate used to discount the Company's claims liabilities, with all other variables held constant, could have an offsetting impact on claims liabilities of approximately \$1,437,000 (2017 - \$1,241,000).

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

#### ***Equity risk***

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its holdings in equity pooled funds within its investment portfolio. At December 31, 2018, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's equities of approximately \$650,000 (2017 - \$733,000).

Equity pooled funds are monitored by the Board of Directors and holdings are adjusted to ensure the investment portfolio remains in compliance with the investment policy.

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

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

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

The Company has the availability of an operating line of credit in the amount of \$1,500,000 (2017 - \$1,500,000). The line of credit is secured by a first-priority security interest over all assets of the Company. Interest on the line of credit is payable monthly at the prime rate per annum. The Company has not drawn any funds on the facility.

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## Pro-Demnity Insurance Company Summary Schedule of Operating Expenses

For the year ended December 31	2018	2017
Salaries and benefits	\$ 2,770,029	\$ 2,622,483
Employee acquisition costs	118,815	6,978
Advertising	3,135	20,676
Automobile and travel	86,348	97,975
Bad debts	458	11,030
Directors' remuneration	577,307	625,108
Computer maintenance	21,075	19,832
Insurance	144,194	143,701
Postage and courier	28,842	23,117
Printing and stationary	98,073	91,625
Professional fees	302,880	382,693
Telephone and communications	31,972	28,615
Depreciation	82,346	96,292
Training, membership and general	79,150	121,739
Regulatory assessment	17,505	13,439
Occupancy costs	236,232	192,861
OAA service agreement	2,646	91,755
Practice risk management	149,567	236,496
Loss on disposal of asset	-	22,907
	<b>\$ 4,750,574</b>	<b>\$ 4,849,322</b>

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