Mennonite Mutual Fire Insurance Company of Saskatchewan

Financial Statements

December 31, 2015

Contents

For the year ended December 31, 2015

Management's Responsibility

To the Board of Directors of Mennonite Mutual Fire Insurance Company of Saskatchewan:

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 and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgement 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, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information 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.

MNP 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.

Chief Executive Officer	Accounting Manager

February 23, 2016

Independent Auditors' Report

To the Board of Directors of Mennonite Mutual Fire Insurance Company of Saskatchewan:

We have audited the accompanying financial statements of Mennonite Mutual Fire Insurance Company of Saskatchewan, which comprise the statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in policyholders' equity, cash flows and the schedule of general underwriting expenses for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted audit standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mennonite Mutual Fire Insurance Company of Saskatchewan as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

MNP LLP

Saskatoon, Saskatchewan

February 23, 2016

Chartered Professional Accountants

MNP

Mennonite Mutual Fire Insurance Company of Saskatchewan
Statement of Financial Position
As At December 31, 2015

	2015	*2014*
Assets		
Current		
Cash and cash equivalents	**2,630,618**	2,087,475
Due from reinsurer	**34,501**	131,025
Premiums receivable	**3,326,151**	2,958,047
Accrued investment income (Note 7)	**41,681**	32,153
Investments (Note 7)	**14,985,476**	14,129,665
Reinsurer's share of unearned premiums (Note 8)	**2,722,600**	2,486,005
Reinsurer's share of provision for unpaid claims (Note 9)	**2,469,679**	4,462,554
Prepaid commissions (Note 10)	**1,874,195**	1,707,888
Prepaid premium taxes	**250,569**	220,315
Prepaid expenses	**12,912**	31,948
Deferred income taxes *(Note 16)*	**14,600**	14,600
	28,362,982	28,261,675
Property and equipment (Note 11)	**394,037**	386,669
	28,757,019	28,648,344
Liabilities		
Accounts payable and accrued liabilities	**187,317**	133,232
Premium taxes payable	**466,660**	414,339
Due to reinsurer	**651,871**	917,786
Income taxes payable	**40,114**	56,803
Unearned premiums (Note 8)	**9,532,664**	8,751,810
Unpaid claims (Note 9)	**5,481,275**	8,422,733
Unearned reinsurance commissions (Note 10)	**1,059,690**	963,586
	17,419,591	19,660,289
Commitments (Note 19)		
Subsequent event (Note 20)		
Policyholders' Equity		
Retained earnings	**11,337,428**	8,988,055
	28,757,019	28,648,344

ON BEHALF OF THE BOARD:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MNP

Mennonite Mutual Fire Insurance Company of Saskatchewan
Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	*2014*
Revenue		
Direct business gross premiums written *(Note 8)*	**17,753,646**	16,459,211
Deduct, reinsurance ceded	**(7,962,003)**	(7,686,038)
Net premiums written	**9,791,643**	8,773,173
Increase in unearned premiums	**(544,260)**	(73,011)
Net premiums earned (Note 8)	**9,247,383**	8,700,162
Service charges	**158,760**	140,194
Total underwriting revenue	**9,406,143**	8,840,356
Expenses		
Claims and adjusting *(Note 9)*		
Direct claims	**3,774,591**	8,466,475
Adjusting expense	**613,092**	608,435
	4,387,683	9,074,910
Deduct, reinsurance ceded recovery	**(1,225,621)**	(3,747,995)
Net claims incurred	**3,162,062**	5,326,915
Commissions *(Note 10)*		
Direct business	**3,447,459**	3,260,613
Reinsurance ceded	**(1,874,134)**	(1,820,312)
Net commissions	**1,573,325**	1,440,301
Premium taxes *(Note 12)*	**436,406**	392,111
General underwriting expenses *(Schedule 1)*	**2,193,077**	2,061,349
Total expenses	**7,364,870**	9,220,676
Underwriting income for the year	**2,041,273**	(380,320)
Other income		
Net investment income *(Note 7)*	**347,608**	431,337
Gain (loss) on disposal of property and equipment	**8,641**	(3,031)
Income before taxes	**2,397,522**	47,986
Income tax provision *(Note 16)*	**48,149**	6,073
Comprehensive income	**2,349,373**	41,913

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Mennonite Mutual Fire Insurance Company of Saskatchewan
Statement of Changes in Policyholders' Equity

For the year ended December 31, 2015

	2015	*2014*
Retained earnings, beginning of year	**8,988,055**	8,946,142
Comprehensive income	**2,349,373**	41,913
Retained earnings, end of year	**11,337,428**	8,988,055

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Mennonite Mutual Fire Insurance Company of Saskatchewan
Statement of Cash Flows

For the year ended December 31, 2015

	2015	*2014*
Cash provided by (used in) the following activities:		
Operating Activities		
Comprehensive income	**2,349,373**	41,913
(Gain) loss on disposal of property and equipment	**(8,641)**	3,031
Depreciation	**84,088**	87,477
	2,424,820	132,421
Change in working capital accounts		
Due from reinsurer	**96,524**	113,316
Premiums receivable	**(368,104)**	(111,046)
Accrued investment income	**(9,528)**	(27,145)
Reinsurer's share of unearned premiums	**(236,595)**	750,282
Reinsurer's share of provision for unpaid claims	**1,992,875**	(571,827)
Prepaid commissions	**(166,307)**	(20,784)
Prepaid premium taxes	**(30,254)**	(22,228)
Prepaid expenses	**19,036**	(15,372)
Deferred income taxes	**-**	(4,800)
Accounts payable and accrued liabilities	**54,085**	(31,976)
Premium taxes payable	**52,321**	18,165
Due to reinsurer	**(265,915)**	(112,870)
Income taxes payable	**(16,689)**	(119,670)
Unearned premiums	**780,854**	93,260
Unpaid claims	**(2,941,458)**	1,514,862
Unearned reinsurance commissions	**96,104**	(373,669)
	(943,051)	1,078,498
Investing activities		
Purchase of property and equipment	**(92,465)**	(87,758)
Proceeds on disposal of property and equipment	**9,650**	42,517
Interest and dividends received	**368,322**	216,667
Unrealized investment gains	**(43,152)**	(87,884)
Increase in investments (net)	**(1,180,981)**	(1,184,317)
	(938,626)	(1,100,775)
Increase in cash and cash equivalents	**543,143**	110,144
Cash and cash equivalents, beginning of year	**2,087,475**	1,977,331
Cash and cash equivalents, end of year	**2,630,618**	2,087,475

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Reporting entity

Mennonite Mutual Fire Insurance Company of Saskatchewan ("the Company") is incorporated without share capital under the laws of the Province of Saskatchewan and is subject to the Saskatchewan 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. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB").

These financial statements for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors on February 12, 2016.

3. Change in accounting policy

Standards and interpretations effective in the current period

The accounting policies adopted are consistent with those of the previous financial year except as follows:

IAS 24 Related Party Transactions

IAS 24 clarified that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosures by category required for other key management personnel compensation. The amendment only affected disclosure in these financial statements.

4. Basis of presentation

Basis of measurement

These financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

4. Basis of presentation (continued from previous page)

Functional and presentation currency

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

Significant accounting judgements, 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 are discussed below.

Provision for unpaid claims

The estimation of the provision for unpaid claims and the related reinsurers' 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. Additional details are provided in Note 9.

Impairment of non-financial assets

The Company assesses non-financial assets for impairment at the end of each reporting period. If impairment indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value is use. Value in use is the present value of estimated future cash flows discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units. Otherwise corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. Basis of presentation (continued from previous page)

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

5. Significant accounting policies

Insurance contracts

In accordance with IFRS 4, *Insurance Contracts*, the Company has continued to apply the accounting policies it applied in accordance with Canadian GAAP.

a) Premiums earned and deferred policy acquisition expenses

Insurance premiums are included in income on a daily pro rata basis over the life of the policies. Acquisition expenses 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 acquisition expenses 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.

b) 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.

c) Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. A contingent liability exists with respect to reinsurance ceded which could become a liability of the Company in the event that the reinsurer was unable to meet its obligations under the reinsurance agreements.

d) 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.

e) Reinsurers' share of provisions for unpaid claims and adjustment expenses

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.

5. Significant accounting policies (continued from previous page)

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.

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.

Financial asset at fair value through profit or loss:

The Company has classified the following financial assets and liabilities at fair value through profit (loss): cash and cash equivalents, accrued investment income 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).

Loans and receivables:

The Company has classified the following financial assets as loans and receivables: premiums receivable, due from reinsurer and reinsurer's share of provision for unpaid claims.

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 or 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.

5. Significant accounting policies (continued from previous page)

Financial instruments (continued from previous page)

Other financial liabilities:

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

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

	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total
December 31, 2015				
Cash and cash equivalents	2,630,618	-	-	2,630,618
Due from reinsurer	-	34,501	-	34,501
Premiums receivable	-	3,326,151	-	3,326,151
Accrued investment income	41,681	-	-	41,681
Investments	14,985,476	-	-	14,985,476
Reinsurer's share of provision for unpaid claims	-	2,469,679	-	2,469,679
Accounts payable and accrued liabilities	-	-	(187,317)	(187,317)
Due to reinsurer	-	-	(651,871)	(651,871)
Unpaid claims	-	-	(5,481,275)	(5,481,275)
	17,657,775	5,830,331	(6,320,463)	17,167,643
December 31, 2014				
Cash and cash equivalents	2,087,475	-	-	2,087,475
Due from reinsurer	-	131,025	-	131,025
Premiums receivable	-	2,958,047	-	2,958,047
Accrued investment income	32,153	-	-	32,153
Investments	14,129,665	-	-	14,129,665
Reinsurer's share of provision for unpaid claims	-	4,462,554	-	4,462,554
Accounts payable and accrued liabilities	-	-	(133,232)	(133,232)
Due to reinsurer	-	-	(917,786)	(917,786)
Unpaid claims	-	-	(8,422,733)	(8,422,733)
	16,249,293	7,551,626	(9,473,751)	14,327,168

5. Significant accounting policies (continued from previous page)

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.

Comprehensive income

Comprehensive income includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income is the total of profit and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from profit (loss). The Company does not have any items giving rise to other comprehensive income. All gains/losses, including those arising from measurement of all financial instruments have been recognized in profit for the year.

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 to known amounts of cash and which are subject to an insignificant risk of change in value.

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	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.

5. Significant accounting policies (continued from previous page)

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.

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.

Approximately 46% (2014 - 49%) of net premiums earned are from farm risks; the Company is exempt under the Income Tax Act 149(1) (t) on this income.

Revenue Recognition

Recognition of insurance revenue is discussed in "Insurance Contracts" above.

Interest income includes the amortization of any discount or premium, transaction costs and other differences between initial carrying amount of an interest-bearing instrument and its amount at maturity, calculated on an effective interest rate basis.

Accounting standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2015 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

5. Significant accounting policies (continued from previous page)

Accounting standards issued but not yet effective (continued)

IFRS 9 Financial instruments

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 (2014) as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This Standard will replace IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). IFRS 9 (2014) supersedes all previous versions including IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). However, an entity may elect to apply those earlier provisions of IFRS 9 instead of applying IFRS 9 (2014) if, and only if, the entity's relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of this standard on its statements.

IFRS 4 Insurance Contracts

The International Accounting Standards Board (the Board) has published for public comment proposals to amend the existing insurance contracts Standard, IFRS 4. This is to address the temporary consequences of the different effective dates of IFRS 9 Financial Instruments and the new insurance contracts Standard. Both IFRS 9 (which was issued in July 2014 and has an effective date of January 1, 2018) and the new Insurance Contracts Standard (which will replace IFRS 4 and have a later effective date) are relevant to companies that issue insurance contracts. Some of those companies have expressed concerns about the need to implement two significant changes in accounting on different dates. They have also highlighted that potential increased accounting volatility could arise in profit or loss if the new requirements for financial instruments were to be applied before the new requirements for insurance contracts. In order to balance meeting the needs of those stakeholders with the needs of users of financial statements, the Board has proposed the following amendments to IFRS 4. These proposals supplement existing options within IFRS 4 that could be used to address any accounting volatility that may arise:

The overlay approach : an option for a company that issues insurance contracts to remove from profit or loss the incremental volatility in profit or loss caused by changes in the measurement of financial assets upon application of IFRS 9. This approach would be in place until the new Insurance Contracts Standard comes into force; and

The deferral approach : an optional temporary exemption from applying IFRS 9 that would be available to companies whose predominant activity is to issue insurance contracts. Such a deferral would be available until the new Insurance Contracts Standard comes into effect (but it could not be used after January 1, 2021).

The deadline for comments on the Exposure Draft was February 8, 2016.

6. Line of Credit

The Company has access to a line of credit with an authorized limit of $250,000. This line of credit charges interest at prime +.50%. No funds were drawn on the line of credit as at December 31, 2015.

7. Investments

	2015	2014
Credit Union GIC's		
Maturing within one year	**50,000**	100,000
Maturing within two years	**50,000**	50,000
Maturing within three years	**-**	50,000
Maturing within four years	**50,000**	-
Maturing within five years	**100,000**	50,000
Total Credit Union GIC's	**250,000**	250,000
Municipal and provincial government bonds		
Maturing within one year	**-**	-
Maturing within two years	**3,226,410**	2,134,864
Maturing within three years	**2,121,104**	3,184,449
Maturing within four years	**2,188,037**	2,090,579
Maturing within five years	**2,129,769**	2,162,323
Maturing within five to ten years	**1,438,644**	538,044
Maturing within ten to twenty years	**-**	265,980
Total municipal and provincial government bonds	**11,103,964**	10,376,239
Addenda commercial mortgage pooled fund	**3,631,512**	3,503,426
Total	**14,985,476**	14,129,665
Accrued investment income	**41,681**	32,153
Total investments	**15,027,157**	14,161,818

Effective interest rates for the above portfolio ranges from 1.25% to 5.54% (2014 - 1.15% to 4.60%).

Net investment income is comprised of:

	2015	2014
Interest income	**368,322**	361,301
Realized gains (losses) on disposal of investments	**14,124**	(17,847)
Unrealized gains on investments	**43,152**	87,884
Investment fees	**(77,990)**	-
	347,608	431,338

Investment ratings are as follows:

	2015	2014
Government grade	**8,421,562**	8,073,188
AAA	**-**	-
AA	**2,015,892**	1,750,587
A	**916,510**	802,464
BBB	**-**	-
Commercial mortgages	**3,631,512**	3,503,426
	14,985,476	14,129,665

8. Insurance contracts - earned premiums

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

Year ended December 31, 2015	Property	Casualty	Auto	Total
Gross written premiums	16,118,673	1,192,778	442,195	17,753,646
Unearned premiums beginning of year	7,882,819	644,989	224,002	8,751,810
Unearned premiums end of year	(8,689,021)	(628,160)	(215,483)	(9,532,664)
Net written premiums	15,312,471	1,209,607	450,714	16,972,792
Reinsurance ceded				
Quota share ceded	4,958,602	80,648	5,047	5,044,297
Unearned premiums beginning of year	2,433,639	50,115	2,251	2,486,005
Unearned premiums end of year	(2,668,652)	(51,055)	(2,898)	(2,722,605)
Net quota share ceded	4,723,589	79,708	4,400	4,807,697
Excess treaty premiums	2,336,687	461,295	119,730	2,917,712
Total reinsurance ceded	7,060,276	541,003	124,130	7,725,409
Net premiums earned	8,252,195	668,604	326,584	9,247,383

Year ended December 31, 2014				
Gross written premiums	14,788,378	1,217,561	453,272	16,459,211
Unearned premiums beginning of year	7,806,810	631,570	220,170	8,658,550
Unearned premiums end of year	(7,882,819)	(644,989)	(224,002)	(8,751,810)
Net written premiums	14,712,369	1,204,142	449,440	16,365,951
Reinsurance ceded				
Quota share ceded	4,569,756	78,324	3,585	4,651,665
Unearned premiums beginning of year	3,189,438	45,200	1,649	3,236,287
Portfolio transfer	(770,531)	-	-	(770,531)
Unearned premiums end of year	(2,433,639)	(50,115)	(2,251)	(2,486,005)
Net quota share ceded	4,555,024	73,409	2,983	4,631,416
Excess treaty premiums	2,332,145	585,899	116,329	3,034,373
Total reinsurance ceded	6,887,169	659,308	119,312	7,665,789
Net premiums earned	7,825,200	544,834	330,128	8,700,162

9. Insurance contracts - net claims liabilities

	Direct claims liabilities	Reinsurer's share	Net claims liabilities
2015			
Gross claims incurred	4,387,683	1,225,621	3,162,062
Balance beginning of year	8,422,733	4,462,554	3,960,179
Claims paid	(7,329,141)	(3,218,496)	(4,110,645)
Balance end of year	5,481,275	2,469,679	3,011,596
2014			
Gross claims incurred	9,074,910	3,747,995	5,326,915
Balance beginning of year	6,907,871	3,890,727	3,017,144
Claims paid	(7,560,048)	(3,176,168)	(4,383,880)
Balance end of year	8,422,733	4,462,554	3,960,179

10. Insurance contracts - net commissions

The table below details commissions paid, reinsurance commissions earned, prepaid commissions and unearned reinsurance commissions for the year.

	2015	*2014*
Gross direct business commissions paid	**3,492,129**	3,209,652
Bonus commissions	**121,637**	71,745
Prepaid commissions beginning of year	**1,707,888**	1,687,104
Prepaid commissions end of year	**(1,874,195)**	(1,707,888)
Direct business commissions paid	**3,447,459**	3,260,613
Reinsurance commissions received	**1,970,238**	1,831,908
Unearned reinsurance commission beginning of year	**963,586**	1,337,255
Portfolio transfer	**-**	(385,265)
Unearned reinsurance commission end of year	**(1,059,690)**	(963,586)
Net reinsurance commissions earned	**1,874,134**	1,820,312
Net paid commissions	**1,573,325**	1,440,301

11. Property and equipment

	2015	*2014*
Cost	**1,066,886**	1,076,934
Accumulated depreciation	**672,849**	690,265
	394,037	386,669

	2015	*2014*
Net Book Value		
Land	**65,790**	25,000
Buildings	**147,146**	168,145
Vehicles	**96,951**	102,194
Furniture and equipment	**84,150**	91,330
	394,037	386,669

	Land	Buildings	Vehicles	Furniture and equipment	Total
Cost					
Balance at January 1, 2014	25,000	413,452	262,173	395,178	1,095,803
Additions	-	6,539	64,684	16,535	87,758
Disposals	-	-	(67,577)	(39,050)	(106,627)
Balance at December 31, 2014	25,000	419,991	259,280	372,663	1,076,934
Additions	40,790	-	33,747	17,928	92,465
Disposals	-	-	(36,282)	(66,231)	(102,513)
Balance at December 31, 2015	**65,790**	**419,991**	**256,745**	**324,360**	**1,066,886**
Accumulated depreciation					
Balance at January 1, 2014	-	231,010	164,688	268,169	663,867
Depreciation expense	-	20,836	35,904	30,737	87,477
Disposals	-	-	(43,506)	(17,573)	(61,079)
Balance at December 31, 2014	-	251,846	157,086	281,333	690,265
Depreciation expense	-	20,999	38,990	24,099	84,088
Disposals	-	-	(36,282)	(65,222)	(101,504)
Balance at December 31, 2015	**-**	**272,845**	**159,794**	**240,210**	**672,849**
Net book value at December 31, 2015	**65,790**	**147,146**	**96,951**	**84,150**	**394,037**

12. Premium taxes payable

As part of its operations, the Company pays premium taxes to the Province of Saskatchewan based on gross premiums written on non-farm policies as follows:

4%	Non- farm property
4%	Non- farm vehicles
4%	Non- farm other
1%	Fire prevention (property and vehicles)

13. Insurance risk management

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.

13. Insurance risk management (continued from previous page)

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.

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.

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.

13. Insurance risk management (continued from previous page)

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. (FMRP), a Canadian registered reinsurer.

The Company has adopted policies of underwriting and reinsuring through quota share and excess contracts of insurance which limit the exposure of the Company. Quota share contracts limit the Company's exposure to 70% (2014 - 70%) on any property claim. The Company's retention after quota share is $160,000 (2014 - $110,000) on liability claims and $160,000 (2014 - $160,000) on property claims. Reinsurance excess of loss coverage limits the exposure on any one property claim to the retention plus 10% of the net claim. The liability and automobile claims are limited to retention plus 50%. The Company has also obtained property catastrophe coverage which limits their exposure to $240,000 (2014 - $240,000).

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**		**Liability claims**	
	2015	2014	**2015**	2014	**2015**	2014
5% increase or decrease in loss ratio						
Gross	**541,000**	323,000	**15,000**	13,000	**74,000**	29,000
Net loss	**379,000**	226,000	**15,000**	13,000	**74,000**	29,000

Claims development

The table below details the original reserve net of reinsurance at the end of each of the last six accident years and the 2014 development and cumulative development to December 31, 2015.

	Accident Year						
(in thousands of dollars)	Total	2014	2013	2012	2011	2010	2009 & prior
Original reserve	16,548	3,438	2,080	2,602	1,825	1,528	5,075
Favourable (unfavourable)							
development in 2015	874	556	103	152	(18)	(2)	83
Cumulative development	2,164	556	(161)	477	217	6	1,069
As a % of original reserve	13.08%	16.17%	-7.74%	18.33%	11.89%	0.39%	21.06%

14. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

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 FMRP, a Canadian registered reinsurer. Management monitors the creditworthiness of FMRP 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 7.

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.

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.

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, 2015, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $149,855 (2014 - $141,296).

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.

14. Financial instruments (continued from previous page)

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.

15. Fair value measurements

Recurring fair value measurements

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

	December 31, 2015	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	2,630,618	-	2,630,618	-
Accrued investment income	41,681	-	41,681	-
Investments	14,985,476	-	14,985,476	-
Total recurring fair value measurements	17,657,775	-	17,657,775	-

	December 31, 2014	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	2,087,451	-	2,087,451	-
Accrued investment income	32,153	-	32,153	-
Investments	14,129,665	-	14,129,665	-
Total recurring fair value measurements	16,249,269	-	16,249,269	-

15. Fair value measurements (continued from previous page)

Assets and liabilities for which fair value is only disclosed

The Company's assets and liabilities not measured at fair value at December 31, 2015 but for which fair value is disclosed have been categorized into the fair value hierarchy as follows:

	December 31, 2015	Level 1	Level 2	Level 3
Assets				
Due from reinsurer	34,501	-	-	34,501
Premiums receivable	3,326,151	-	-	3,326,151
Reinsurer's share of provision for unpaid claims	2,413,072	-	-	2,413,072
Total assets	5,773,724	-	-	5,773,724
Liabilities				
Accounts payable and accrued liabilities	(187,317)	-	-	(187,317)
Due to reinsurer	(651,871)	-	-	(651,871)
Unpaid claims	(5,481,275)	-	-	(5,481,275)
Total liabilities	(6,320,463)	-	-	(6,320,463)

	December 31, 2014	Level 1	Level 2	Level 3
Assets				
Due from reinsurer	131,025	-	-	131,025
Premiums receivable	2,958,047	-	-	2,958,047
Reinsurer's share of provision for unpaid claims	4,462,554			4,462,554
Total assets	7,551,626	-	-	7,551,626
Liabilities				
Accounts payable and accrued liabilities	(133,232)	-	-	(133,232)
Due to reinsurer	(917,786)	-	-	(917,786)
Unpaid claims	(8,422,733)	-	-	(8,422,733)
Total liabilities	(9,473,751)	-	-	(9,473,751)

16. Income taxes

The total provision for income taxes in the statement of comprehensive income is reconciled to combined federal and provincial statutory income tax rates as follows:

	2015	*2014*
Combined federal and provincial statutory income tax rates	27.00%	27.00%
Deduction for small businesses	-6.96%	-7.20%
Reduction for non-taxable farm premiums	-12.54%	-13.11%
Non-deductible and other items	1.15%	5.98%
Income taxes as reported	8.65%	12.67%

The tax effects of temporary differences which give rise to the deferred tax liability reported on the statement of financial position is from differences between accounts deducted for accounting and income tax purposes for property and equipment and policy reserves.

Net deferred income tax assets are comprised of the following:

	2015	*2014*
Deferred income tax assets		
Policy reserves	**13,200**	13,200
Property and equipment	**1,400**	1,400
	14,600	14,600

17. Related party transactions

Directors and key management personnel

Key management personnel ("KMP") consists of the Chief Executive Officer, Accounting Manager, Underwriting Manager and Claims Manager.

Policies written with directors and key managers 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.

	2015	*2014*
Incurred claims by Directors and KMP	**542**	132

17. Related party transactions (continued from previous page)

During the year the aggregate value or policy premiums written to Directors and KMP amounted to:

	2015	*2014*
Gross premium written	**11,840**	13,269

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

	2015	*2014*
Salary and short-term benefits		
- Directors	**39,770**	41,826
- Key management personnel	**434,965**	424,743
	474,735	466,569

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.

18. Capital Management

The Company's objectives 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, 2015 was 573% (2014 - 396%). 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.

19. Commitments

During the year the Company has entered into lease a agreement to upgrade its computer hardware. The computer hardware lease is for $676,000 with the project commencing in 2016. The expected minimum lease payments are:

2016	206,555
2017	225,334
2018	225,334
2019	18,777

During the year the Company also entered into a memorandum of understanding with Mutual Concept Computer Group (MCCG) to upgrade its insurance software applications. The set up and implementation will be undertaken in 2016 at an estimated cost of $180,000 with annual licensing fees commencing in 2017.

The Company has planned for the construction of a new office building with a budgeted cost of $1,600,000 with construction to commence in 2016.

20. Subsequent event

The Company has negotiated changes to its reinsurance program with FMRP effective January 1, 2016. The 2016 reinsurance program includes the elimination of the Property Quota Share treaty which also eliminates the reinsurance commissions earned by the Company from this program. The 2016 reinsurance program will amend the Property Catastrophe Excess of Loss program to increase retention from $240,000 to $480,000.

The financial effect of these changes will be to eliminate the reinsurer's participation in unearned premiums on quota share treaties and also to eliminate the unearned reinsurance commissions otherwise earned by the Company. As a result, the amounts reported for the reinsurer's share of unearned premiums on property policies will decrease $2,579,782 and unearned reinsurance commissions on property policies will decrease $1,031,913. This amendment has resulted in a payment to the Company of $1,547,869 from FMRP subsequent to December 31, 2015.

Mennonite Mutual Fire Insurance Company of Saskatchewan
Schedule 1 - General Underwriting Expenses

For the year ended December 31, 2015

	2015	*2014*
Advertising	**47,772**	21,595
Association fees and licenses	**96,752**	20,516
Automotive and travel	**106,987**	88,407
Bank fees	**54,463**	44,004
Depreciation	**84,088**	87,477
Directors' remuneration	**40,635**	49,637
Information technology	**101,167**	65,011
Inspection and investigation	**24,113**	18,901
Occupancy	**175,395**	167,445
Professional fees	**64,260**	143,816
Wages and employee benefits	**1,775,895**	1,746,740
	2,571,527	2,453,549
Reclassification to internal adjusting	**(378,450)**	(392,200)
General underwriting expenses	**2,193,077**	2,061,349